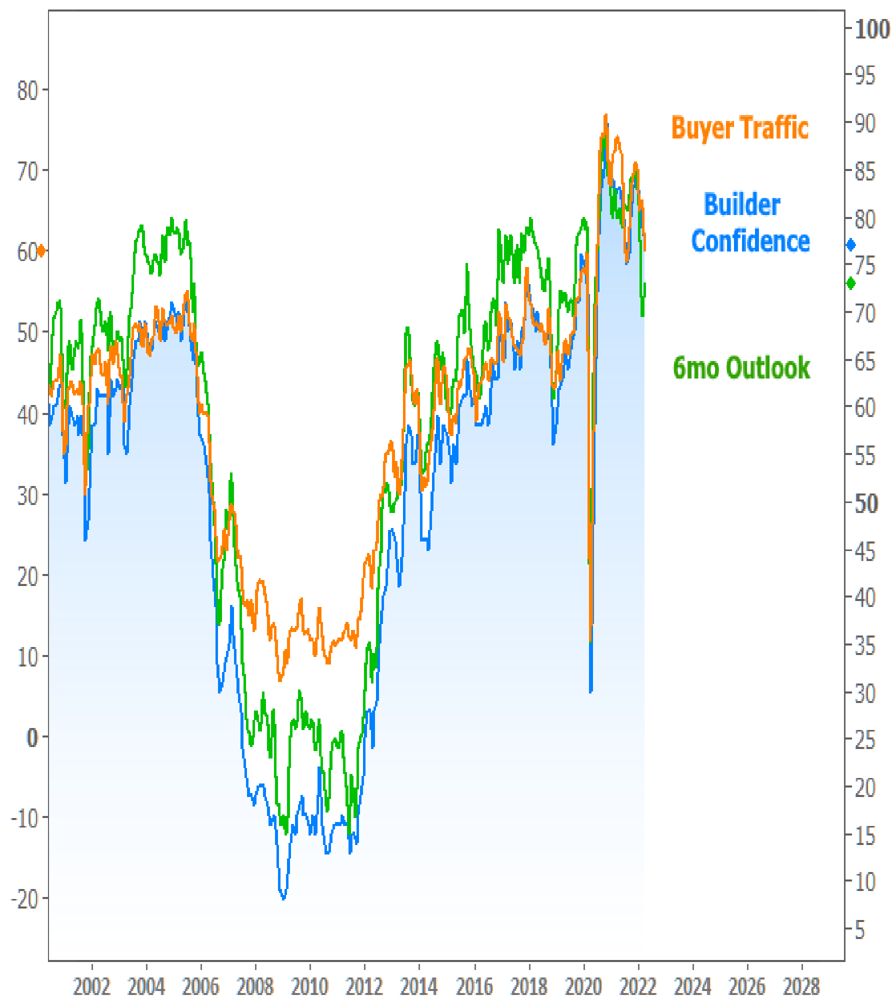
Builder Confidence Remains Resilient Despite Rising Rates

Mortgage rates may be at the highest levels in more than 3 years, but the housing market has yet to show visible signs of distress. April's release of the NAHB/Wells Fargo Housing Market Index (HMI) is the latest data supporting that thesis.

The headline HMI number is functionally equivalent to builder confidence, and while it is down slightly from the previous month's reading, it remains in historically high territory. Both the HMI and the "buyer traffic" index remained higher than at any other time before the covid-driven real estate boom.



While the 6 month outlook is not flying quite as high, unlike the other HMI components, it actually improved from last month.

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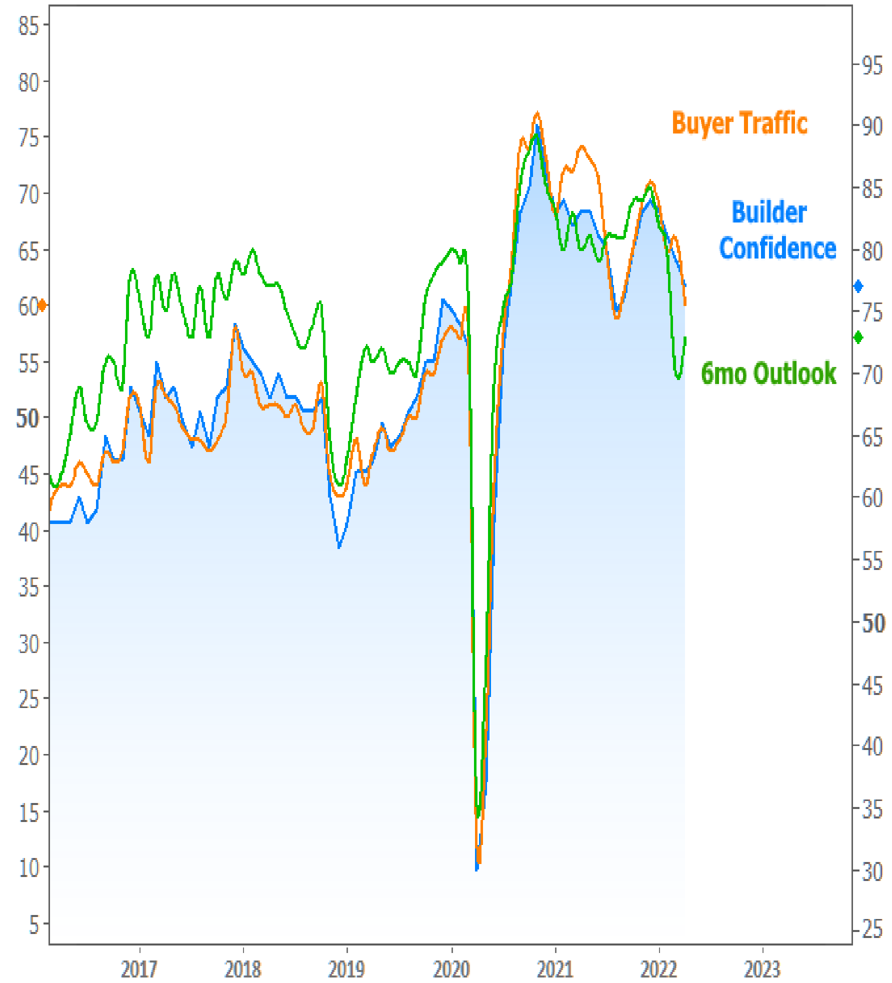

None of the above is to suggest that housing is immune from current concerns. Indeed, the rapid pace of home price appreciation combined with one of the sharpest mortgage rate spikes in history causes understandable headwinds for the industry. Those headwinds are reflected in the HMI dropping from recently higher levels. The resilience is reflected in the fact that those levels are still high by historical standards.

Resilience aside, NAHB's Chief Economist Robert Dietz wasn't exactly upbeat, saying "the housing market faces an inflection point as an unexpectedly quick rise in interest rates, rising home prices and escalating material costs have significantly decreased housing affordability conditions, particularly in the crucial entry-level market."