

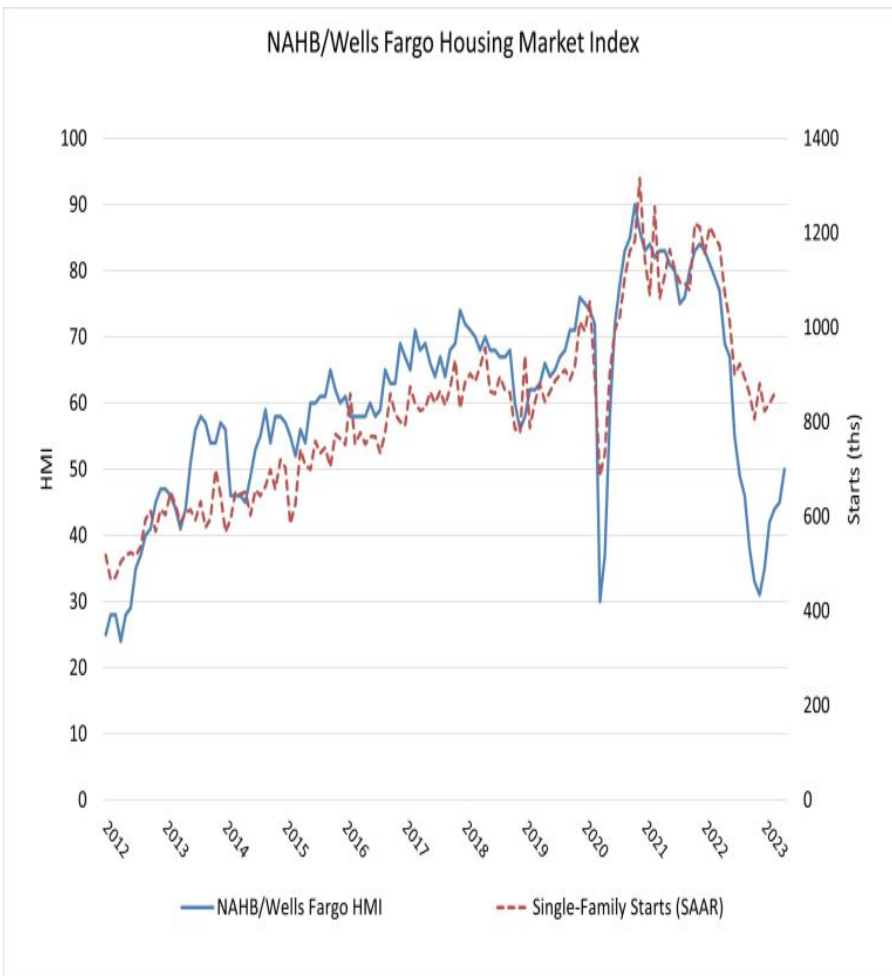


Lack of Existing Home Listings Boost Builder Confidence

Home builders' attitudes about the market for newly constructed homes continued to improve in May, partially due to the lack of available pre-owned homes for sale. The National Association of Home Builders (NAHB) said the NAHB/Wells Fargo Housing Market Index which measures builder confidence jumped 5 points to 50, **the fifth straight month the index has risen**. It was also the first time the index has reached the midpoint of the index since July 2022.



Richard Ray
Managing Partner, Caliver Beach Mortgage
Caliver Beach Mortgage
P: (240) 552-5369
M: (202) 390-4483
500 Redland Court Suite 300
Owings Mill 21117
NMLS License Look Up
Zillow Ratings



NAHB's chief economist Robert Dietz said "New home construction is taking on an increased role in the marketplace because many homeowners with loans well below current mortgage rates are electing to stay put, and this is keeping the supply of existing homes at a very low level. In March, 33 percent of homes listed for sale were new homes in various stages of construction. That share from 2000-2019 was a 12.7 percent average. With limited available housing inventory, **new construction will continue to be a significant part** of prospective buyers' search in the quarters ahead."

While optimism is rising, builders remain cautious in the face of ongoing industry challenges. In addition to shortages of building materials – Dietz specifically cited transformers – tightened conditions for construction and development loans are also hampering builders.

Derived from a monthly survey that NAHB has been conducting for more than 35 years, the NAHB/Wells Fargo HMI gauges builder perceptions of both current single-family home sales and sales expectations for the next six months as “good,” “fair” or “poor.” The survey also asks builders to rate the traffic of prospective buyers as “high to very high,” “average” or “low to very low.” Scores for each component are then used to calculate a seasonally adjusted index where any number over 50 indicates that more builders view conditions as good than poor.

All three major HMI indices posted gains in May. The HMI index gauging current sales conditions rose 5 points to 56, the component charting sales expectations over the next six months jumped 7 points to 57 and the gauge measuring traffic of prospective buyers was 2 points higher at 33.

With interest rates more than doubling compared to 2021, the HMI survey revealed the extent to which builders have used incentives to attract buyers in this new economic climate and that use of these inducements is gradually slowing:

- The share of builders reducing home prices dropped to 27 percent in May, down from 30 percent in April, 31 percent in both February and March, and 36 percent in November.
- The average price reduction has remained at 6 percent for the past four months.
- Fifty-four percent of builders surveyed offered some type of buyer incentive to bolster sales in May, down from 62 percent last December.

The three-month moving average for regional HMI scores held steady at 45 in the **Northeast** and edged up 2 points in the **Midwest** to 39. Averages in the **South** and **West** bumped up 3 points to 52 and 41 respectively.