



Builder Confidence Languishing, But Timing is Partly to Blame

The record will show that today's Housing Market Index (aka "builder confidence") from the National Association of Homebuilders (NAHB)/Wells Fargo fell to 39 from 41 last month. That's the 4th straight month of declines and the lowest level of the year. On the other hand, it's also part of a broad, sideways pattern that's been intact since late 2022.



While we are well aware that the lockdowns caused the big drop in early-to-mid-2020, what's up with the equally big drop in 2022? This is almost exclusively a factor of interest rates.



Drew Stiegemeier
Mortgage Banker, Frontier Mortgage
frontierhomemortgage.com/drew
P: (636) 898-0888
M: (618) 779-7507
1406168



Mike Mihelcic
Associate, Re/Max Alliance
www.remax.com/.../102293806
P: (618) 656-2111
M: (618) 339-5752
remaxmike2012@gmail.com
1121 University Drive
Edwardsville IL 62025





If we invert the red line (such that higher interest rates are at the bottom of the chart), we can see just how strong the correlation is.



This isn't the construction industry's only problem, but it's definitely the biggest. Understanding this helps us understand why timing is partly to blame for this month's lower-than-expected reading. A vast majority of the survey responses arrived in the first week of the month, which means the recent drop in rates hadn't yet had time to stir up new buyer traffic.

To be clear, even if the survey were taken today, it wouldn't make a huge difference in the big picture. First off, the data tends to lag mortgage rate movement by roughly 2 months. Even if it didn't, the present level of rate movement won't be enough to get confidence numbers out of the sideways bigger picture trend. For that, rates would need to drop into the 5% range and material/labor costs would have to remain in check.