

HOUSING CONNECTION

Mortgage and Real Estate News That Matters

A message from Marc Erickson:

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Builder Outlook Ticks Up Despite More Price Cuts and Less Buyer Traffic

Builders are placing their better days in the future according to the National Association of Homebuilders (NAHB) and Wells Fargo's latest Housing Market Index (HMI). Buoyed by longer-run expectations, the headline builder confidence index rose one point to 33, but remained deep in pessimistic territory, marking the 15th consecutive month below the key threshold of 50.



Underlying components of the index were mixed:

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- Current sales conditions rose one point to 36
- Sales expectations for the next 6 months climbed 3 points to 43
- Buyer traffic slipped one point to 20

High mortgage rates, elevated construction costs, and persistent affordability challenges continue to weigh on builder confidence. In response, many builders are offering concessions to attract hesitant buyers. The share of builders reporting price reductions rose to 38% in July, the highest since NAHB began monthly tracking in 2022. The average price cut remained at 5%.

Sales incentives remained widespread as well, with 62% of builders reporting some form of incentive—unchanged from June.

While the small uptick in sentiment may reflect cautious optimism in certain segments of the market, the overall outlook remains subdued. Builders continue to face significant headwinds, and buyer traffic is still near post-pandemic lows.