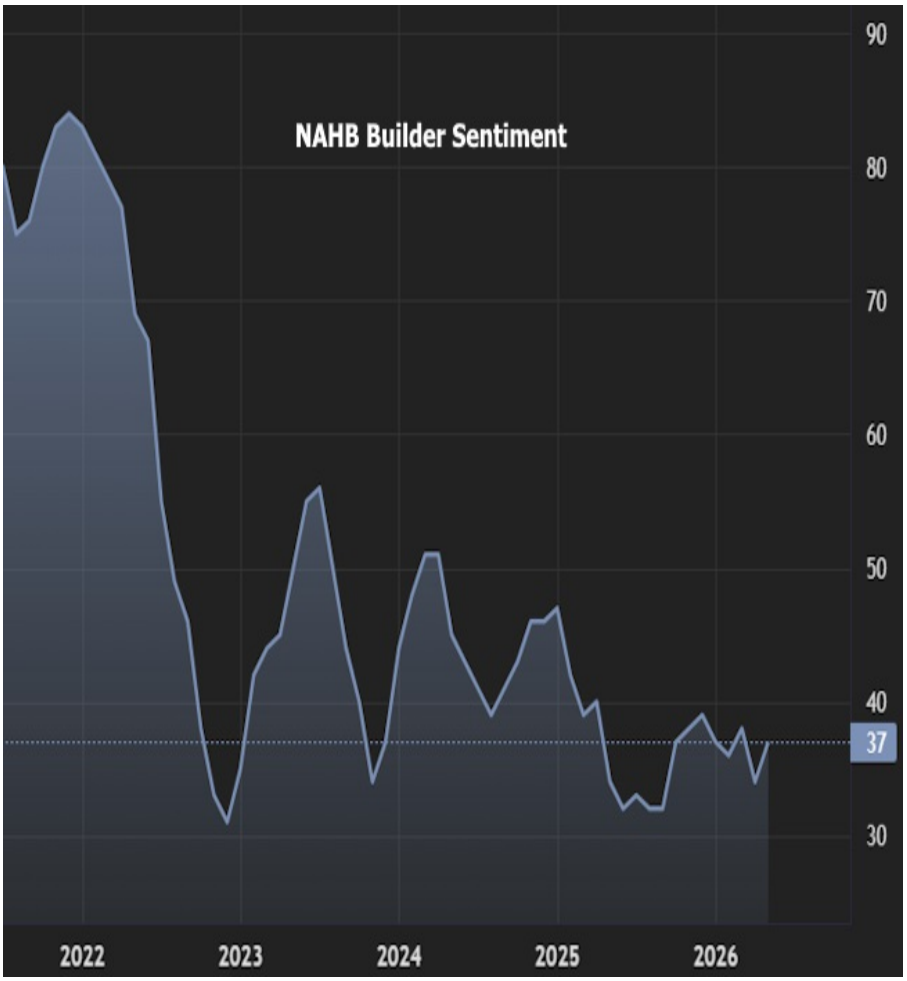
HOUSING CONNECTION
Mortgage and Real Estate News That Matters

Builder Sentiment Improves Slightly as Mortgage Rates Continue to Weigh on Demand

Builder confidence improved modestly in May, though sentiment remained subdued as elevated mortgage rates, affordability pressures, and broader economic uncertainty continued to weigh on the housing market. The National Association of Home Builders (NAHB)/Wells Fargo Housing Market Index (HMI) increased three points to **37**.

While the gain marks a slight rebound from April's decline, the index is still sitting below the threshold that signals broader builder optimism.



All three major components of the index moved higher in May. The gauge measuring current sales conditions rose three points to **40**, while the index tracking future sales expectations increased three points to **45**. The component measuring prospective buyer traffic also climbed three points to **25**, suggesting some buyers who had previously remained on the sidelines moved forward this spring.

"The housing market remains soft as higher mortgage rates, rising gas prices and economic uncertainty related to the war in Iran continue to dampen buyer demand," said NAHB Chairman Bill Owens. He added that ongoing efforts in Congress to modify the 21st Century ROAD to Housing Act could help increase housing supply and ease builder concerns.

Northeast Financial LLC

www.northeast-mortgage.com
P: (844) 788-7237

48 Meriden Rd, Suite 1
Middlefield CT 06455
NMLS# 117273

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NAHB Chief Economist Robert Dietz said recent increases in long-term interest rates are likely to continue limiting buyer activity. He also noted that while some regional markets are showing relative strength, affordability challenges remain a significant obstacle for the broader housing market.

Pricing trends showed builders pulling back slightly on price cuts in May. The share of builders reducing prices declined to **32%**, down from 36% in April, though the average price reduction increased to **6%**. Meanwhile, the use of sales incentives edged up to **61%**, marking the **14th consecutive month** in which at least 60% of builders offered incentives.

Regional three-month moving averages were mixed. The Midwest increased to 43, while the Northeast edged up to 42. The South held steady at 35, and the West slipped to 28. Overall, builder sentiment remains constrained by affordability pressures and elevated financing costs despite the modest improvement in May.

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