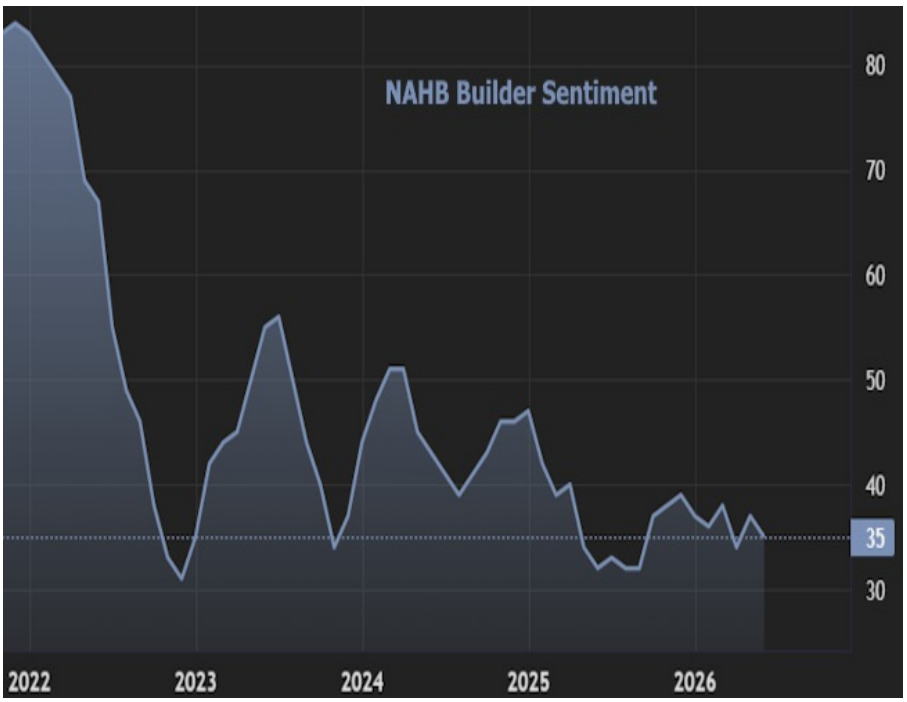
HOUSING CONNECTION
Mortgage and Real Estate News That Matters

Builder Sentiment Remains Subdued

Chris Guccione

Builder sentiment slipped again in June as elevated mortgage rates, higher material costs and ongoing affordability pressures continued to weigh on the housing market. The National Association of Home Builders (NAHB)/Wells Fargo Housing Market Index (HMI) fell two points to **35**, marking the **14th straight month** the index has remained below 40.



The latest reading underscores how far confidence remains from more durable levels. A streak that long below 40 has not been seen since **2011-2012**, when the market was still dealing with the fallout from the foreclosure crisis.

All three major components of the index were either lower or unchanged. Current sales conditions slipped two points to **38**, while sales expectations over the next six months held steady at **45**. Traffic of prospective buyers remained unchanged at **25**, suggesting demand is still soft despite the start of the summer selling season.

“With the nation short about 1.2 million homes, builder sentiment will remain soft until barriers are eased and conditions improve for home building,” said NAHB Chairman Bill Owens. He said Congress could help by advancing the major housing package now before the Senate, along with legislation aimed at easing labor shortages and protecting access to natural gas in new homes.

NAHB Chief Economist Robert Dietz said regulatory and policy costs continue to make it harder for builders to add supply. He pointed to a new NAHB study showing that government regulation, taxes, fees and other costs add more than **26%** to the price of an average single-family home, arguing that easing permitting delays, density limits and zoning restrictions would help reduce costs.

Pricing pressure remained visible in the latest survey. In June, **35%** of builders reported cutting prices, up from 32% in May, while the average price reduction held at **6%**. The use of sales incentives also edged higher to **62%**, the **15th consecutive month** that share has reached at least 60%.

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Regional three-month moving averages were mixed but mostly lower. The Northeast rose two points to **44**, the Midwest held at **43**, the South slipped two points to **33** and the West fell one point to **27**. Overall, the report suggests builders are still waiting for a more meaningful improvement in affordability and cost conditions before confidence can recover.

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