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Normal View

October 16, 2012 - Builder confidence in the market for newly built, single-family homes edged slightly higher for a sixth consecutive month in October, according to the National Association of Home Builders/Wells Fargo Housing Market Index (HMI), released today. The latest, one-point gain brings the index to 41, its strongest level since June of 2006.

"Many builders are reporting increases in the number of serious buyers visiting their sales offices, and the overall confidence measure is much higher than it was at this time last year," noted NAHB Chairman Barry Rutenberg, a home builder from Gainesville, Fla. "The concern is that, even though demand for new homes is rising, overly tight credit conditions are still constraining new building and new purchases at a time when that kind of economic activity and the job growth it generates are greatly needed."

"The slight gain in builder confidence this month is an indication that, while still moving forward, the speed at which the housing recovery is proceeding is being moderated by the various constraints such as tight credit, difficult appraisals and more recently, the limited inventory of buildable lots in certain markets," explained NAHB Chief Economist David Crowe. "These are the complicating factors that make it difficult for builder confidence to reach and surpass the 50-point mark, at which an equal number of builders view sales conditions as good versus poor."

Derived from a monthly survey that NAHB has been conducting for the past 25 years, the NAHB/Wells Fargo Housing Market Index gauges builder perceptions of 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 traffic of prospective buyers as "high to very high," "average" or "low to very low." Scores from each component are then used to calculate a seasonally adjusted index where any number over 50 indicates that more builders view sales conditions as good than poor.

Following substantial increases in the previous month, the HMI components measuring current sales conditions and sales prospects for the next six months each remained unchanged in October at 42 and 51, respectively. Meanwhile, the component measuring traffic of prospective buyers increased 5 points to 35, its highest level since April of 2006.

Builder confidence continued to improve in three out of four regions in October. Looking at three-month moving averages, the HMI gained two points in the Midwest and West to 42 and 44, respectively, and three points in the South, to 39. A three-month moving average for the Northeast's HMI held unchanged at 29.

Editor's note: The NAHB/Wells Fargo Housing Market Index is strictly the product of NAHB Economics, and is not seen or influenced by any outside party prior to being released to the public. HMI tables can be found at www.nahb.org/hmi. More information on housing statistics is also available at <http://www.housingeconomics.com/>.