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Builder Confidence Highest Since December

Builder confidence just hit its **highest level since December**, reaching the second highest level since well before the housing crisis began. The National Association of Home Builders (NAHB) said its Housing Market Index, which it produces in conjunction with Wells Fargo, rose 2 points in May to 70. In what was described as a post-election surge, the index rose to a post-crisis high of 71 in December, only to fall back into the mid-to-high 60s. Analysts polled by *Econoday* had expected the index to remain at its April level of 68.

Housing Market Index



The Index is based on a monthly survey NAHB conducts among its new homebuilder members. They are asked to provide three measures of their confidence in the homebuilding market; a gauge of their perceptions of current single-family home sales and their expectations for sales over the next six months on a scale of "good," "fair" or "poor" and to rate traffic of prospective buyers as "high to very high," "average" or "low to very low." Scores for each component are then used to calculate a seasonally adjusted index where any number over 50 indicates that more builders view conditions as good than poor.

Recent Housing Data

		Value	Change
Mortgage Apps	Aug 28	226.9	+0.49%
Building Permits	Mar	1.46M	-3.95%
Housing Starts	Mar	1.32M	-13.15%
New Home Sales	Mar	693K	+4.68%
Pending Home Sales	Feb	75.6	+1.75%
Existing Home Sales	Feb	3.97M	-0.75%
Builder Confidence	Mar	51	+6.25%

Housing News Update

Two of the three HMI components registered gains in May. The index charting sales **expectations** in the next six months jumped four points to 79. NAHB Chief Economist Robert Dietz said, "The HMI measure of future sales conditions reached its highest level since June 2005, a sign of growing consumer confidence in the new home market. Especially as existing home inventory remains tight, we can expect increased demand for new construction moving forward."

The index gauging **current sales** conditions increased two points to 76. The component measuring buyer traffic, which always significantly trails the other two, edged down one point to 51.

The three-month moving averages for HMI scores posted gains in three out of the four regions. The **Northeast** and **South** each registered three-point gains to 49 and 71, respectively, while the **West** rose one point to 78. The **Midwest** was unchanged at 68.

NAHB Chairman Granger MacDonald said, "This report shows that builders' optimism in the housing market is solidifying, even as they deal with higher building material costs and shortages of lots and labor."