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# Signs of Recovery? Builder Confidence Regains Footing in May

Nearly all financial indicators took a hit last month as unemployment measures shot higher, businesses shut down, and consumers and their families self-quarantined. Probably none of those measures suffered a bigger bloodbath than the Housing Market Index (HMI) sponsored by the National Association of Home Builders (NAHB) and Wells Fargo.

The index, which measures NAHB's home builder members confidence in the market for newly constructed homes, typically moves 1 or 2 points higher or lower each month. **In April it plunged 42 points**, the largest monthly change in its more than 30-year history, ending up at a reading of 30. **This month it clawed back some of those losses.**

**The index rose 7 points, a signal according to NAHB "that the housing market is showing signs of stabilizing** and gradually moving forward in the wake of the COVID-19 pandemic." Analysts polled by Econoday unanimously expected some recovery; the consensus was a 33 reading, with a range from 32 to 40.

"The fact that most states classified housing as an essential business during this crisis helped to keep many residential construction workers on the job, and this is reflected in our latest builder survey," said NAHB Chairman Dean Mon. "At the same time, builders are showing flexibility in this new business environment by making sure buyers have the knowledge and access to the homes they are seeking through innovative measures such as social media, virtual tours and online closings."

"**Low interest rates are helping to sustain demand**," said NAHB Chief Economist Robert Dietz. "As many states and localities across the nation lift stay-at-home orders and more furloughed workers return to their jobs, we expect this demand will strengthen. Other indicators that suggest a housing rebound include mortgage application data that has posted four weeks of gains and signs that buyer traffic has improved in housing markets in recent weeks. However, high unemployment and supply-side challenges including builder loan access and building material availability are near-term limiting factors."

## National Average Mortgage Rates




| Mortgage News Daily | Rate | Change | Points |
|---|---|---|---|
| 30YR Fixed | 7.30% | +0.12 | 0.00 |
| 15YR Fixed | 6.92% | +0.09 | 0.00 |
| 30YR FHA | 6.89% | +0.07 | 0.00 |
| 30YR Jumbo | 7.40% | +0.03 | 0.00 |
| 7/6 SOFR | 6.80% | +0.31 | 0.00 |
| 30YR VA | 6.90% | +0.07 | 0.00 |

Rates as of: 11/10

## MBS and Treasury

| | Price / Yield | Change |
|---|---|---|
| MBS UMBS 6.0 | 99.43 | -0.62 |
| 10 YR Treasury | 4.9860 | +0.0952 |
| 30 YR Treasury | 5.3557 | +0.0737 |

Pricing as of: 11/10 5:59PM EST

## Recent Housing Data

| | | Value | Change |
|---|---|---|---|
| Mortgage Apps | Oct 28 | 192.6 | -1.23% |
| Building Permits | Sep | 1.4M | +0.43% |
| Housing Starts | Sep | 1.22M | -4.24% |
| New Home Sales | Sep | 676K | -1.17% |
| Pending Home Sales | Aug | 71.2 | 0% |
| Existing Home Sales | Oct | 3.99M | +0.25% |
| Builder Confidence | Oct | 29 | -9.38% |

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The index is derived from a survey that NAHB has been conducting for 30 years in which builders are asked to quantify their perceptions of current single-family home sales and their expectation for those sales over 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 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.

**All three of the HMI components increased in May**. The HMI index gauging current sales conditions was up 6 points to 42, the six-month horizon component jumped 10 points to 46. The measure charting traffic of prospective buyers recovered 8 points, rising to 21.

Looking at the monthly average regional HMI scores, the Midwest increased seven point to 32, the South rose eight points to 42 and West posted a 12-point gain to 44. The Northeast fell two points to 17.


## Expert Advice | Exceptional Service | Flawless Execution

With 27+ years of expertise in mortgage banking you can be confident in my knowledge and abilities to deliver a seamless loan transaction while providing personalized service.

**Rich E. Blanchard** 


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