



NAHB > Housing Market at Inflection Point as Builder Confidence Continues to Fall

# Housing Market at Inflection Point as Builder Confidence Continues to Fall

## Economics



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Rapidly rising interest rates combined with ongoing home price increases and higher construction costs continue to take a toll on builder confidence and housing affordability.

Builder confidence in the market for newly built single-family homes moved two points lower to 77 in April, according to the National Association of Home Builders (NAHB)/Wells Fargo Housing Market Index (HMI) released today. This is the fourth straight month that builder sentiment has declined.

“Despite low existing inventory, builders report sales traffic and current sales conditions have declined to their lowest points since last summer as a sharp jump in mortgage rates and persistent supply chain disruptions continue to unsettle the housing market,” said NAHB Chairman Jerry Konter, a builder and developer from Savannah, Ga. “Policymakers must take proactive steps to fix supply chain issues that will reduce the cost of development, stem the rise in home prices and allow builders to increase production.”

“The housing market faces an inflection point as an unexpectedly quick rise in interest rates, rising home prices and escalating material costs have significantly decreased housing affordability conditions, particularly in the crucial entry-level market,” said NAHB Chief Economist Robert Dietz.

Mortgage interest rates have jumped more than 1.9 percentage points since the start of the year and currently stand at 5%, the highest level in more than a decade.

Derived from a monthly survey that NAHB has been conducting for more than 35 years, the NAHB/Wells Fargo HMI 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 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.

The HMI index gauging current sales conditions fell two points to 85 and the component charting traffic of prospective buyers posted a six-point decline to 60. The gauge measuring sales expectations in the next six months increased three points to 73 following a 10-point drop in March.

Looking at the three-month moving averages for regional HMI scores, the Northeast posted a one-point gain to 72 while the Midwest dropped three points to 69, the South fell two points to 82 and the West edged one-point lower to 89.

HMI tables can be found at [nahb.org/hmi](https://www.nahb.org/news-and-economics/housing-economics/indices/housing-market-index) (<https://www.nahb.org/news-and-economics/housing-economics/indices/housing-market-index>). More information on housing statistics is also available at **Housing Economics PLUS** (<https://www.nahb.org/news-and-economics/housing-economics-plus>) (formerly [housingeconomics.com](https://www.housingeconomics.com)).