

United States

NAHB Housing Market Index

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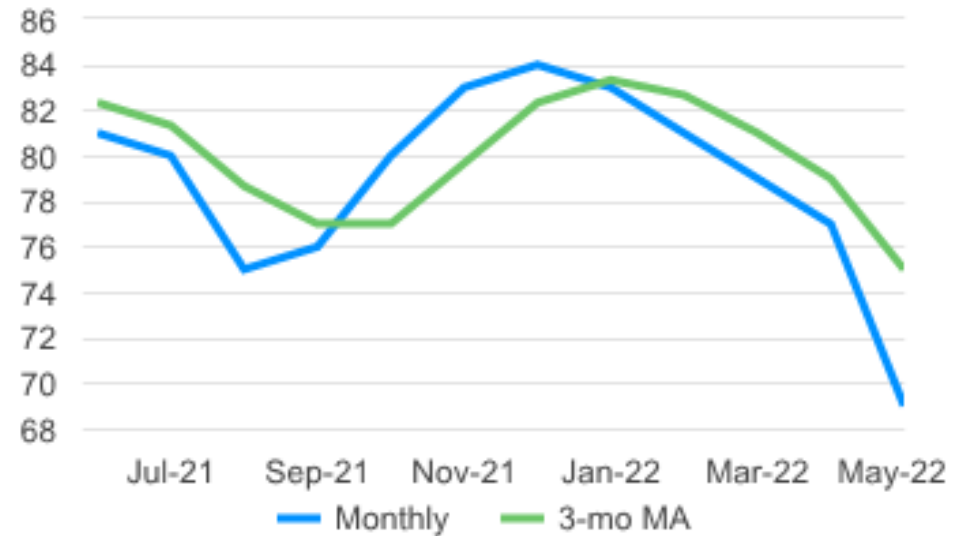
Actual	69
Previous *	77
Moody's Analytics	75
Consensus	75
Coverage	May. 2022
Next Release	Jun 15, 2022
Updated	May 17, 2022

[Definition](#) [Source](#)

First Take

Homebuilder confidence dropped 8 points to 69 in May. Lower demand due to higher mortgage rates and poor affordability pushed down homebuilder sentiment. All subcomponents fell this month. Also, on a three-month moving average, all four regional scores remained unchanged or declined in May.

NAHB Housing Market Index


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NAHB HOUSING MARKET INDEX

	May 22	Apr 22	Mar 22	Feb 22	Jan 22	Dec 21	Nov 21	Oct 21
Housing market index	69	77	79	81	83	84	83	80
Northeast	76	74	65	76	71	80	69	73
Midwest	51	62	74	71	72	76	75	72
South	76	82	81	84	86	89	87	84
West	73	84	91	91	89	87	88	85
Single-family sales, present	78	86	87	89	89	90	89	86
Next 6 months	63	73	70	80	82	85	84	84
Traffic of potential buyers	52	61	66	65	69	71	69	65

The Numbers

- The NAHB composite housing index fell 8 points to 69 in May.
- All subcomponents decreased this month. Current sales fell 8 points to 78, sales expectations dropped 10 points to 63, and buyer traffic declined 9 points to 52.
- The regional scores remained unchanged or fell this month on a three-month moving average. The Midwest fell 7 points to 62 and the West decreased 6 points to 83. Meanwhile, the South edged down 2 points to 80 and the Northeast remained unchanged at 72.

Behind the Numbers

Although builder confidence remains above the 50-point threshold, indicating good building conditions, the index continues to decline. This is the fifth consecutive month that the index decreased, and the pace at which it is declining has accelerated. The red-hot housing market is cooling as the pandemic eases and monetary policy tightens. The short-term outlook for homebuilding remains positive but is losing momentum.

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The number of homes for sale continues to hover around all-time lows. Residential construction has picked up during the pandemic thanks to stellar house price appreciation, but it is taking time for new units to hit the market. Furthermore, supply-chain issues continue to extend building timelines. Even so, demographics will keep a partial floor under demand since millennials have hit prime homebuying age.

Meanwhile, the Fed is aggressively raising interest rates to combat high inflation. After raising rates by 25 basis points in March, the Fed increased it another 50 basis points at the beginning of May. Mortgage rates are rapidly rising as a result and the 30-year fixed rate currently hovers in the mid-5% range, which is nearly double the all-time low hit in 2020. Higher mortgage rates increase the costs associated with buying a home and will lower demand. Interest costs will eat up a significantly larger share of monthly payments, decreasing the price of a home potential buyers can afford and causing some to drop out of the market. Therefore, the buyer traffic and future sales expectations subcomponents had a sizable decline this month. Worsening affordability leading to lower demand will weigh on the outlook for homebuilding in the short term.
