

Builders voice confidence at start of a new year

At the start of a new year, the nation's home builders expect the housing market to remain strong as a growing economy helps offset the impact of slowly rising mortgage interest rates, according to the National Association of Home Builders/Wells Fargo Housing Market Index (HMI).

The January HMI was 70, down one point from December but the same as the average monthly level for the final quarter of 2004, which was the strongest period for the index last year. January's index is based on responses from builders who were surveyed during the past two weeks.

"Builders are geared up for

another solid year and expect the demand from home buyers to remain resilient," said newly elected 2005 NAHB President David Wilson, a custom home builder from Ketchum, Idaho. "We expect somewhat higher mortgage rates, but they will still be at reasonably affordable levels to accommodate families who are shopping for a new home."

Positive trends in employment and household income will buoy housing demand this year, according to NAHB Chief Economist David Seiders, although builders will have to contend with rising interest rates and, in some markets, high housing prices that impact housing affordability.

"Following a record year for home sales and single-family starts, the balance of forces is likely to take a modest toll of three percent to four percent this year," he said.

The NAHB/Wells Fargo Housing Market Index is derived from a monthly survey of builders that NAHB has been conducting for nearly 20 years. Builders report current sales of single-family homes, prospects for sales in the next six months and traffic of prospective buyers. Scores for each component are then used to calculate a seasonally adjusted index where any number over 50 indicates that a majority of builders view sales conditions as favorable.

All three components of the index were off slightly in January, but remained close to the peak levels of last year: current single-family sales declined to 77, down from 78 in December; sales prospects for the next six months dropped from 80 to 78; and buyer traffic went from 52 to 50.

Regionally, home builders were most confident in the West, with an overall seasonally adjusted reading of 81. That was followed by the South, at 75; the Northeast, at 65; and the Midwest, at 55. The Midwest has been relatively weaker than other regions of the country because of sluggish job creation in many of its major employment centers.

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2005 NAHB President
David Wilson



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