

## BUILDER CONFIDENCE ON RISE

Builder confidence continued to rise in February, according to the National Association of Home Builders/Wells Fargo Housing Market Index (HMI), just released. The HMI increased from 35 in January to 40 in February, up from a low of 30 last September and the highest level since June of 2006.

Builders' optimism was expected to rise, after December's 4.8% rise in new home sales. Inventories have declined from substantially as builders work off the excess inventory. As many as 400,000 excess homes were built in 2006 that added to unsold homes on the market, according to the NAHB.

"Builders are still cautious as they continue to manage their inventory, but their assessments of the demand side of the single-family market are improving," said NAHB President Brian Catalde. "Every component of the February HMI – present home sales, sales expectations for the next six months and buyer traffic -- showed a significant positive uptick in February."

"The HMI results are consistent with Federal Reserve Chairman Ben Bernanke's assessment to Congress this week that there are signs of stabilization on the demand side of the housing market," said NAHB Chief Economist David Seiders.

Lower energy prices, favorable mortgage rates and solid growth in employment and household income have all contributed to the recent stabilization of home buyer demand, Seiders added. "In addition, builders continue to offer substantial sales incentives to move their product and limit cancellations, which has helped to firm up buyer demand."

There is still a substantial number of cancellations, which had reached almost 50 percent of pending sales in December, according to the National Association of Realtors. Pending home sales are higher, affirming the stabilization that is occurring in home sales, according to the National Association of Realtors. Based on contracts signed in December, the pending sales index rose 4.9 percent to an index of 112.4 from an upwardly revised level of 107.2 in November, but is 4.4 percent lower than December 2005.

The monthly gain was the biggest increase since March 2004 when the index rose 6.9 percent. A steady narrowing from year-ago readings has been observed since last July when the level of unsold housing inventory peaked at an all-time high.

All three components of the confidence index registered improvement in February. The index gauging current single-family home sales gained six points to 42, while the component measuring the traffic of prospective buyers rose five points to 31. Of particular note, the index gauging sales expectations for the next six months jumped over the 50 threshold for the first time since last June, posting a seven-point gain to 55.

"Builders are becoming increasingly convinced that the abrupt downslide in home sales is in their rear view mirrors and they see better times as they look at the road ahead," said Seiders.

The HMI rose in all four regions in February, with the Northeast posting the biggest gain of eight points to 46. Five-point gains were registered in the Midwest and South, to 29 and 46, respectively, while the West moved up two points to 35.