

Residential Real Estate Analysis

# Home Builder Confidence Remains Solid in April

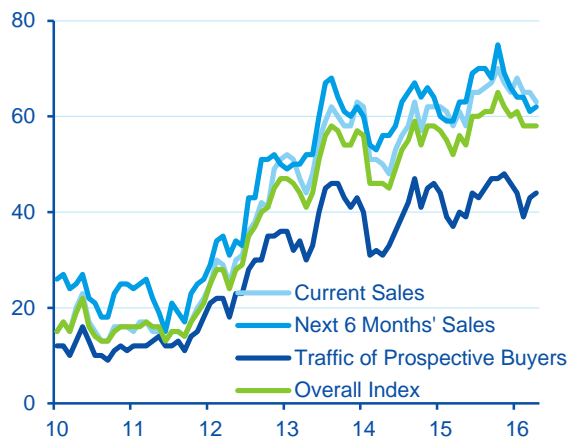
Filip Blazheski

- Home builder sentiment remained steady at 58 in April, reflecting cautious optimism
- Demand for single-family homes is supported by solid job creation and low interest rates
- Builders' sentiment supports our forecast of 6.5% more housing starts this year vs. last

The National Association of Homebuilders housing market index remained unchanged at 58 in April. The index has weakened somewhat after reaching a ten-year high in October, but the current level is still relatively high (Chart 1). The index's movement is in line with consumer confidence, which has been holding up so far into the year. In April, the headline housing market index was boosted by prospective buyers' traffic and builders' expectations for sales in the next six months. This is positive as it indicates that there should be some improvement in new single family sales, after they declined on a YoY bases in January and February, and the FHFA's home purchase sentiment index in March reached an 18-month low. We expect that the solid job market and low interest rates will support the demand for new single family homes, especially in regions where the housing market is tight, such as the Pacific coast, and markets that have experienced strong population growth, such as many parts of the South. This is in line with what we saw in the regional home builders' confidence indexes; they remained unchanged in the West and South, while declining slightly in the Northeast and Midwest.

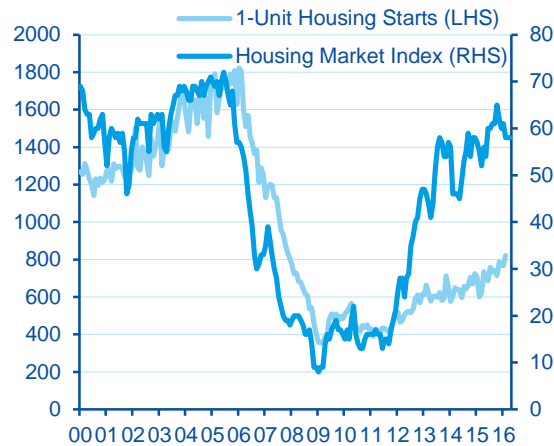
In sum, the housing market index had a solid showing this month and supports our view on single family housing starts (Chart 2), which we expect to be steadily improving throughout the year and be on average 6.5% higher than last year. The reason behind this is the improving employment situation and low interest rates. This should drive household formation, which should translate into higher demand for housing units, of which single family ones are the majority. This should incentivize builders to bring more units to the market.

Chart 1  
**Housing Market Index (Index)**



Source: NAHB & BBVA Research

Chart 2  
**Single Family Housing Starts and Housing Market Index (Thousands and Index)**



Source: Census Bureau, NAHB & BBVA Research

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