



Economics Group

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Builder Confidence Remains Solid Despite Another Drop

The NAHB/Wells Fargo Housing Market Index (HMI) fell once again in April, slipping 1 point to 69. Builders continue to voice concerns over rising materials prices and lot shortages but demand for homes remains solid.

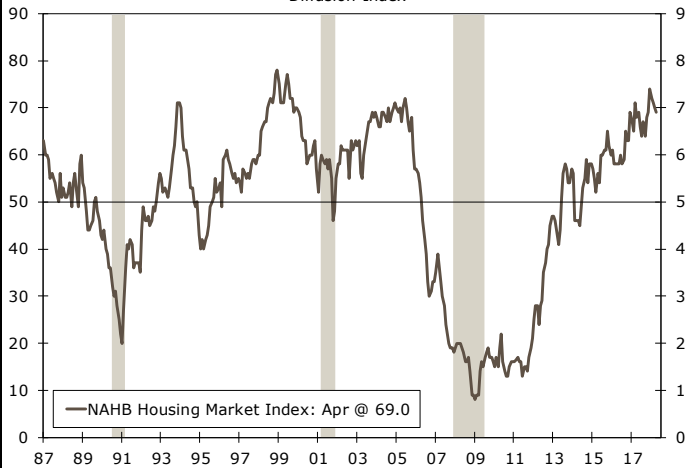
Strong Buyer Demand Boosts Confidence

- Homebuilders remain confident in the current market despite the fourth consecutive drop in the HMI. Despite the pullback, builder confidence remains at a historically high level.
- The present sales series fell 2 points to 75, while future sales slipped 1 point to 77. The buyer traffic index was unchanged at 51. The HMI has been out of kilter this year because it spiked in December, following the hurricane disruptions last fall.

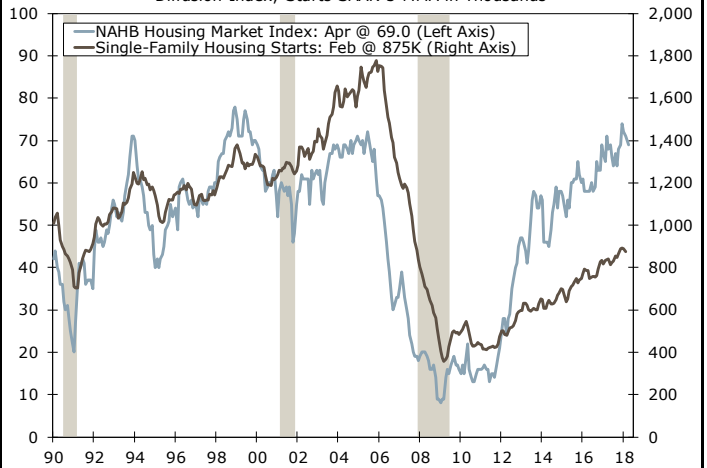
Supply Shortages Should Fuel Development

- Builders continue to voice frustrations about the lack of developed lots and continued run-up in materials costs. Absent a surprise agreement on Canadian lumber, we see little prospect of relief. Higher construction costs are adding to affordability concerns tempering gains in new home sales and single-family starts.
- While weather is behind part of the pullback in the HMI, all four regions have posted declines on a 3-month moving average basis.

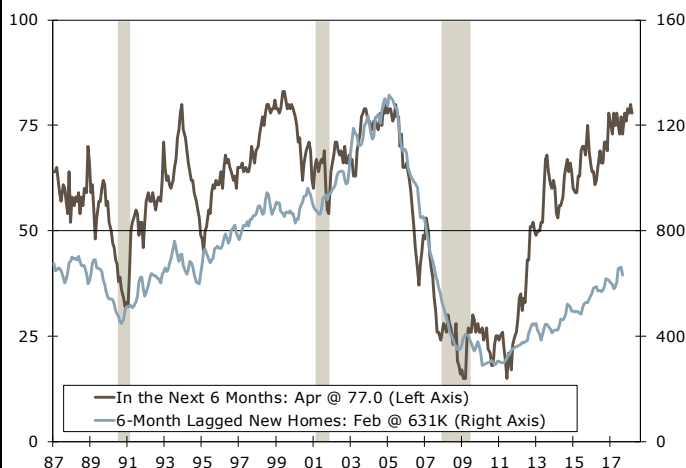
NAHB/Wells Fargo Housing Market Index
Diffusion Index



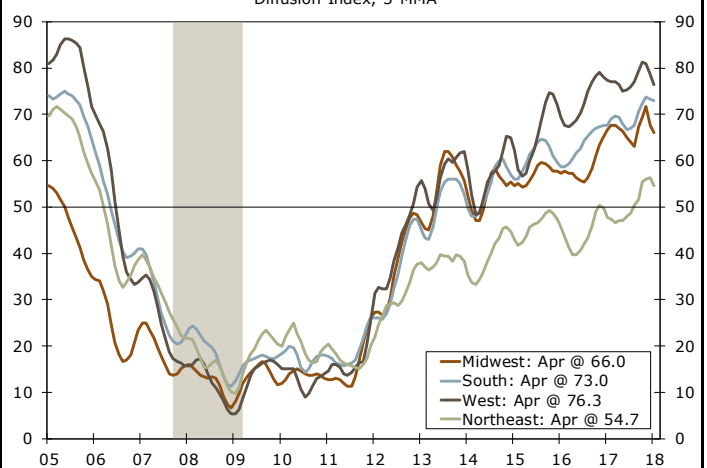
Builder Confidence & Single-Family Starts
Diffusion Index; Starts SAAR 3-MMA in Thousands



Expected Single-Family Home Sales vs. Lagged New Home Sales
NAHB Housing Market Index, Sales 6-Months Lagged in Thousands



NAHB Regional Indices
Diffusion Index, 3-MMA



Source: National Association of Home Builders, U.S. Department of Commerce and Wells Fargo Securities

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