Home Builder Sentiment Moderates in May

The National Association of Home Builders (NAHB)/Wells Fargo Housing Market Index slipped two points in May. Despite the drop, the index remained in expansion territory for an 11th consecutive month.

Builder Sentiment Remains Above 50
- The present sales and prospective buyer traffic components both slipped slightly in May. Expected sales, however, nudged up on the month.
- While the index declined slightly to 54, it still remains at a relatively strong level. Any reading above 50 indicates more builders report conditions as “good” than “poor.” Despite the moderation, the index is up nine points from a year ago.

Supply Constraints Linger
- Supply constraints likely continue to weigh on builder sentiment, as many builders have reported difficulty securing lots and labor. This remains a downside risk to our outlook for the housing market in 2015.
- The index bounced back strongly in the previous month, supporting our call that housing starts increased to just over a 1.0 million unit rate in tomorrow’s release of the April data.

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

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