BUSINESS

HOMEBUILDERS CONFIDENT

Crucial index surges to 6-year high, projecting optimism about next six months as well

By Alex Veiga
Associated Press

LOS ANGELES — Confidence among U.S. homebuilders rose this month to its highest level in six years, and many expect the housing recovery will strengthen in the next six months.

Index is up from August: The National Association of Home Builders/Wells Fargo builder sentiment index released Tuesday increased to 40 in September. That's up from 37 in August and the highest reading since June 2006, just before the housing bubble burst.

Any reading below 50 indicates negative sentiment about the housing market. The index hasn't reached that level since April 2006, the peak of the housing boom.

Six-month forecast up, too: Still, a measure of builders' outlook for sales in the next six months rose to 51. That's up from 43 in August and also the highest level since June 2006.

Builders also reported seeing the best sales level since July 2006, while turnout by prospective buyers returned to levels not seen since May 2006.

The survey, which is based on responses from 445 builders, has been trending higher since last October.

Sales of newly built homes are running ahead of last year, when they sank to the lowest level in a half-century. Sales of previously occupied homes also are up from a year ago. And home prices are increasing more consistently, in part because the supply of homes has shrunk and because foreclosures have eased.

Mortgage rates remain near record lows, beckoning potential buyers with good credit.

New homes mean jobs: Though new homes represent less than 20 percent of the housing sales market, they have an outsize impact on the economy. Each home built creates an average of three jobs for a year and generates about $90,000 in tax revenue, according to the NAHB's data.