US homebuilder confidence up, sales outlook soars

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U.S. homebuilders are feeling more optimistic about their home sales prospects than they have in more than seven years, a trend that suggests home construction will accelerate in coming months.

The National Association of Home Builders/Wells Fargo builder sentiment index released Tuesday jumped to 57 this month from 51 in June. It was the third consecutive monthly gain.

A reading above 50 indicates more builders view sales conditions as good, rather than poor. The index hasn't been that high since January 2006, well before the housing market crashed.

Measures of customer traffic, current sales conditions and builders' outlook for single-family home sales over the next six months vaulted to their highest levels in at least seven years.

"Builders are seeing more motivated buyers coming through their doors as the inventory of existing homes for sale continues to tighten," said David Crowe, the NAHB's chief economist.

The latest confidence index, based on responses from 281 builders, points to continued improvement for new home construction, which remains a key source of growth for the economy.

Last month, Federal Reserve Chairman Ben Bernanke cited housing gains as a major reason the Fed's economic outlook has brightened.

Steady hiring and low mortgage rates have encouraged more people to buy homes over the past year. But the inventory of previously occupied homes on the market has declined sharply in many markets. On a national level, it was down 10 percent in May from prior-year levels as sales rose to an annual rate of 5.18 million.

With demand up, prices rising and few homes on the market, builders have grown more optimistic about their prospects, stepping up construction. In May, builders applied for permits to build single-family homes at the fastest pace in five years.

Meanwhile, sales of new homes climbed in May to a seasonally adjusted annual rate of 476,000, the fastest pace in five years. That's still below the 700,000 annual rate that's considered healthy by most economists, but the pace has increased 29 percent from a year ago.

Though new homes represent only a fraction of the housing 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 NAHB statistics.

In the latest builder survey, a gauge of current sales conditions for single-family homes jumped five points to 60, the highest level since February 2006, while a measure of traffic by prospective buyers improved five points to 45. It hasn't been that high since November 2005.

Builders' outlook for single-family home sales over the next six months increased seven points to 67, the highest reading since October 2005.

On a regional basis, confidence grew across the board, but posted the strongest among builders in the Midwest.



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A worker installs a roof on a zero net energy home on Tuesday in New Paltz, N.Y.