

Datanote: US NAHB Survey, March

In one line: Lower rates still supporting for homebuilders

- The NAHB Index of homebuilder confidence rose to 51 in March, from 48 in February, above the consensus, 48.

We thought that the back-up in long-term interest rates since the start of the year—which seems to have

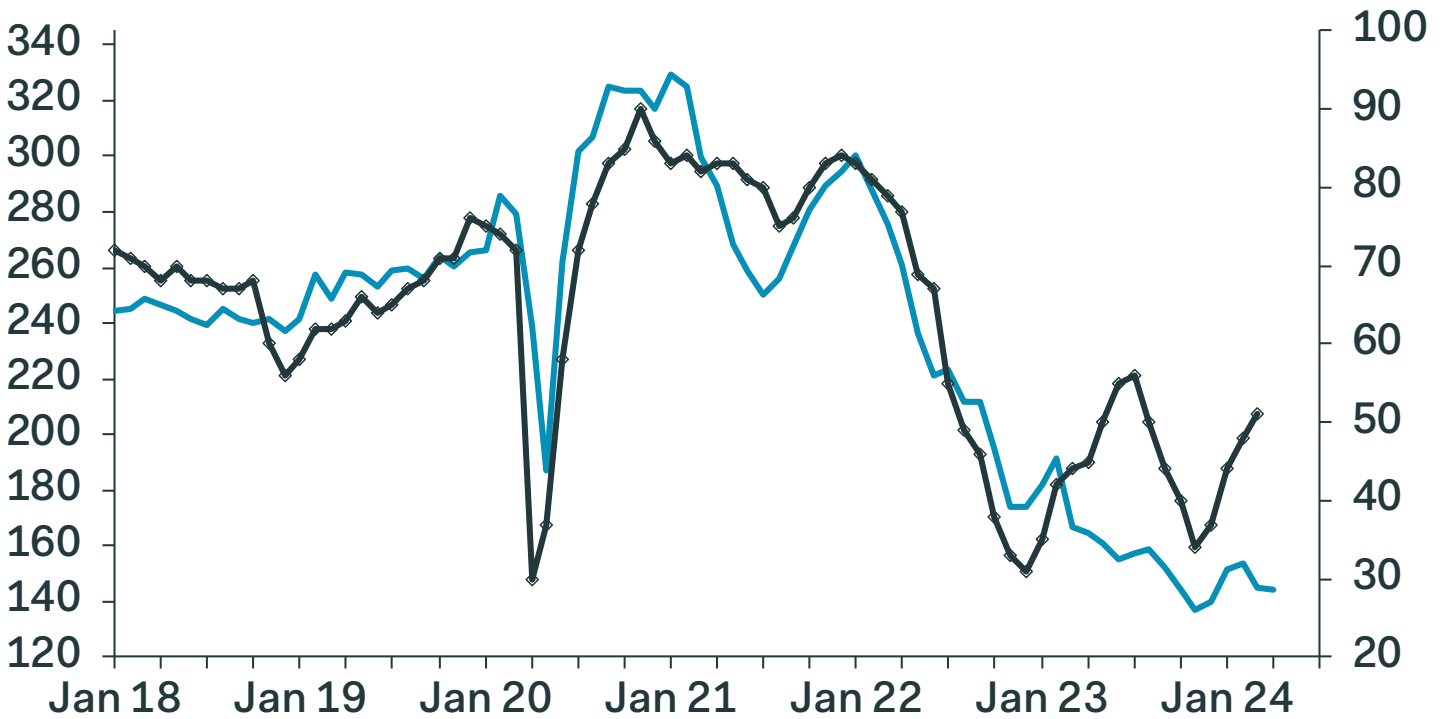
halted the recovery in mortgage applications in recent weeks—would knock homebuilders' confidence. But the index increased for the fourth consecutive month, to its highest level since last summer. The rise in the headline was driven chiefly by a four-point increase in the current sales subindex, but expected future sales and buyer traffic also picked up, both by two points. The 30-year conventional mortgage rate is still around 100bp lower than the peak last fall, despite the reversal in rates

since early 2024. It also seems likely that new home sales continue to be supported by the lack of existing homes on the market.

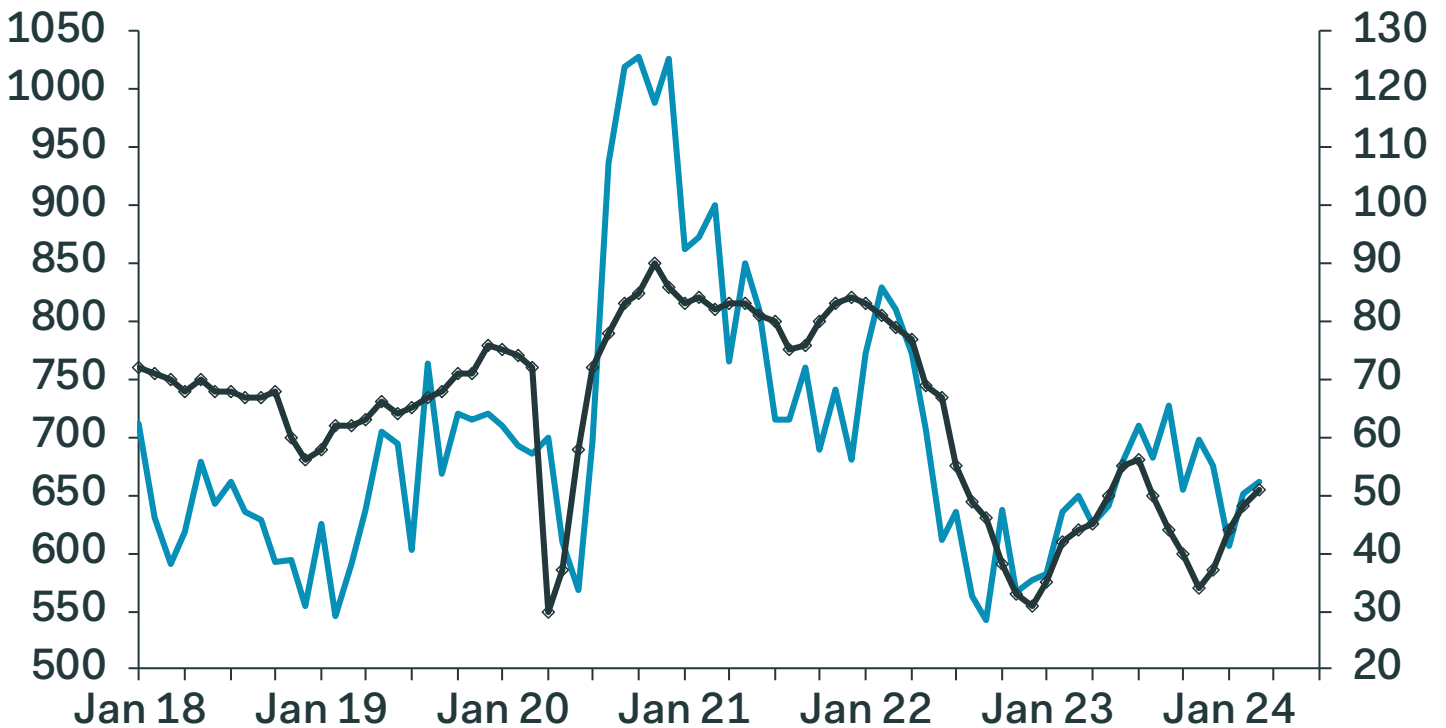
We think homebuilders' confidence will continue to drift higher this year, since we expect a gradual recovery in demand as long-term rates start falling again. That said, volatility in the Treasury market will probably mean some hiccups along the way, and mortgage rates will remain high enough to make moving home

prohibitively expensive for many existing home owners for some time yet. But a grind lower in rates will continue to lure more first-time buyers into the market, many of whom will find themselves with little choice but to buy new homes, due to the low inventory of existing homes for sale.

— MBA purchase apps, re-adjusted by PM, adv. one month (Left)
 — NAHB survey, headline index (Right)



— New home sales, K, advanced two months (Left)
 — NAHB survey, headline index (Right)



- 30-year mortgage rate less 12-month average, inverted (Left)
- ◆— NAHB survey, headline index, six-month change, points (Right)

