

U.S. home builder sentiment at 8-month high

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WASHINGTON (Reuters) – U.S. homebuilder sentiment jumped to its highest level in eight months in May, a private survey showed on Monday, supporting views that the three-year housing slump might be close to an end.

The National Association of Home Builders/Wells Fargo Housing Market Index rose to 16 from 14 in April, in line with market expectations.

The NAHB attributed the second straight monthly increase in the gauge -- which measures builder confidence in the market for newly built, single-family homes -- to "the best home buying conditions of a lifetime."

The group's chief executive officer, Jerry Howard, told Reuters that the two consecutive months of gains in the index were encouraging.

"It is a very important indicator that we are approaching the bottom and market stability could be just around the corner, that is what we are hoping for," said Howard.

"We are looking to reach bottom during the course of this summer and probably bounce along the bottom until early fall before things really start to get back to normal. We don't expect market equilibrium until 2012."

The Dow Jones home construction index surged 5.77 percent, led by Lennar Corp (LEN.N) after Citigroup upgraded its rating on the second largest U.S. homebuilder to "buy."

The Federal Reserve's aggressive cuts in interest rates to almost zero percent and buying of mortgage-backed securities have lowered the cost of home loans.

That, together with an \$8,000 tax credit for first-time buyers, is helping to lending some stability to the distressed housing market.

Other housing indicators have recently shown a sharp slowing in the pace of the market's decline, raising optimism a bottom is not too far away.

The collapse of domestic house prices and the subsequent global credit crisis were the main catalysts for the U.S. recession, now in its 17th month.

"The good news is that we likely have the worst of the housing crisis behind us. The bad news is that the housing market is only improving with turtle speed," said Torsten Slok, a senior economist at Deutsche Bank in New York.

The NAHB report also showed two out of three subindexes of the Housing Market Index rising in May.

The current sales conditions gauge climbed two points to 14, while the sales expectations measure for the next six months rose three points to 27. The traffic of prospective buyers index was unchanged at 13 in May.

Courtesy of JB Goodwin