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Homebuilder sentiment tumbles

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Note

WASHINGTON · U.S. homebuilder sentiment plunged to a more than 14-year low this month as higher mortgage rates sidelined potential buyers and labor shortages tied to an immigration crackdown raised costs for developers, a survey showed on Tuesday.

The National Association of Home Builders/Wells Fargo Housing Market Index dropped four points to 25 this month, the lowest reading since April 2012.

"Stepped-up immigration enforcement is keeping legal workers off job sites, deepening labor shortages and driving up costs," NAHB Chairman Bill Owens said. "Higher fuel prices are prompting subcontractors to raise their rates sharply, and with fewer buyers in the market, more builders are scaling back construction."

The 30- year fixed mortgage rate has increased by 120 basis points since the U. S. and Israel attacked Iran in February and averaged 7.40% in mid- October, a three- year high, data from mortgage finance agency Freddie Mac showed. It has since eased to an average of 7.18%.

Note

The National Association of Realtors reported last week that sales of previously owned homes dropped to the lowest level in more than 16 years in October. Homebuilding is also being constrained by an overhang of unsold new homes on the market and higher material prices from import tariffs.

About 46% of builders reported cutting prices this month, the highest share in the post-pandemic period, according to the NAHB survey.

The average price reduction was unchanged at 6% for the eighth consecutive month. The use of sales incentives was at 68%, also a post-pandemic high.

The survey's measure of current sales conditions declined six points to 28, while its gauge of future sales fell two points to 30. A measure of prospective buyer traffic slipped two points to 16, the lowest level in 15 years, apart from the start of the COVID-19 pandemic in 2020.