

# Homebuilder confidence increase in February

## Tax credits, low interest rates lead to 2-point boost in homebuilder sentiment index



By Adrian Sainz, AP Real Estate Writer , On Tuesday February 16, 2010, 1:30 pm

MIAMI (AP) -- The National Association of Home Builders said Tuesday its housing market index rose two points in February, a sign that low interest rates and federal tax credits are boosting demand for new homes.

The builders group said the index reached 17 in February, after falling for two consecutive months.

The increase may also signal builders are feeling better about their prospects following data that the job market could be improving. The Labor Department reported last week the number of newly laid-off workers seeking unemployment benefits fell to 43,000 -- the lowest level in a month.

Meanwhile, interest rates for mortgages are hovering around 5 percent, pushed down by the Federal Reserve's program to buy mortgage-backed securities. And, builders say they are seeing the effects of the tax credits of up to \$8,000 for first-time buyers and \$6,500 for current homeowners who move.

"Builders are slightly more optimistic that the housing recovery is finally beginning to take root," said Bob Jones, the builder's group chairman.

Still, there are head winds, including a high number of foreclosures and a lack of financing for new projects. Mortgage rates could go up after the Fed's program ends this spring. And buyer demand could wane after the April 30 deadline for the tax credit.

In the latest survey of builder confidence, the reading for current sales conditions rose two points to 17. Traffic by prospective buyers remained flat at 12. The builders' outlook for sales over the next six months climbed one point to 27.

Regionally, the index for the Midwest and South increased two points, but dropped one point in the Northeast and West.

The index reflects a survey of 528 residential developers across the U.S. Index readings below 50 indicate negative sentiment about the market. The last time it was above 50 was in April 2006.

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