

Builder Sentiment Inches Higher but Affordability Concerns Persist

Economics

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Contacts: Elizabeth Thompson

ethompson@nahb.org

AVP, Media Relations

(202) 266-8495

Stephanie Pagan

spagan@nahb.org

Director, Media Relations

(202) 266-8254

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Builder sentiment inched up in March even as builders continue to express affordability concerns stemming from elevated construction costs and shortages of buildable lots and labor.

Builder confidence in the market for newly built single-family homes rose one point to 38 in March, following a revised upward one-point revision in February, according to the National Association of Home Builders (NAHB)/Wells Fargo Housing Market Index (HMI) released today. All responses to the March survey were received after the conflict with Iran started.

“Affordability for buyers and builders remains a top concern,” said NAHB Chairman Bill Owens, a home builder and remodeler from Worthington, Ohio. “Many buyers remain on the fence waiting for lower interest rates and due to economic uncertainty. Builders are facing elevated land, labor and construction costs and nearly two-thirds continue to offer sales incentives in a bid to firm up the market.”

“While the Freddie Mac 30-year fixed rate mortgage averaged 6.05% in February, the lowest since August 2022, downpayment hurdles and uncertainty from the conflict with Iran and the price of oil will be headwinds going forward,” said NAHB Chief Economist Robert Dietz. “The administration’s executive orders issued last week to reduce regulatory burdens associated with home building are a positive step toward increasing attainable housing supply.”

The latest HMI survey also revealed that 37% of builders cut prices in March, up slightly from 36% in February. The average price reduction remained stable at 6%. The use of sales incentives was 64% in March, down one percentage point from February, and marking the 12th consecutive month this share has exceeded 60%.

Derived from a monthly survey that NAHB has been conducting for more than 40 years, the NAHB/Wells Fargo HMI gauges builder perceptions of current single-family home sales and sales expectations for the next six months as “good,” “fair” or “poor.” The survey also asks builders to rate traffic of prospective buyers as “high to very high,” “average” or “low to very low.” Scores for each component are then used to calculate a seasonally adjusted index where any number over 50 indicates that more builders view conditions as good than poor.

All three of the major HMI indices posted gains in March. The HMI index gauging current sales conditions increased one point to 42 from February to March, the index measuring future sales gained two points to 49 and the index charting traffic of prospective buyers posted a three-point increase to 25.

Looking at the three-month moving averages for regional HMI scores, the Northeast held steady at 44, the Midwest was unchanged at 43, the South held constant at 35 and the West fell two points to 31.

HMI tables can be found at nabh.org/hmi. More information on housing statistics is also available at [Housing Economics PLUS](#).