



Economics Group

Mark Vitner, Senior Economist
mark.vitner@wellsfargo.com • (704) 410-3277
Misa Batcheller, Economic Analyst
misa.n.batcheller@wellsfargo.com • (704) 410-3060

Homebuilders Report Rising Demand for New Homes in May

The National Association of Home Builders/Wells Fargo Housing Market Index rose 2 points in May to 70, hitting its second highest level of the cycle. Demand is particularly strong in the West and South.

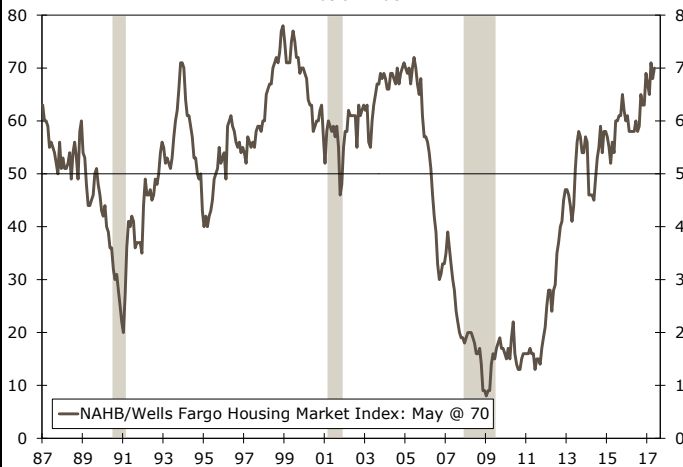
All Systems Go for Homebuilding?

- With weather distortions now comfortably behind us, the strength we are seeing in home buying reflects a real fundamental improvement in housing demand. The present sales index rose 2 points to 76, while the future sales index jumped 4 points to 79, reaching its highest level June 2005.
- Demand for single-family homes is being driven by stronger job growth and a rising supply of millennial buyers.

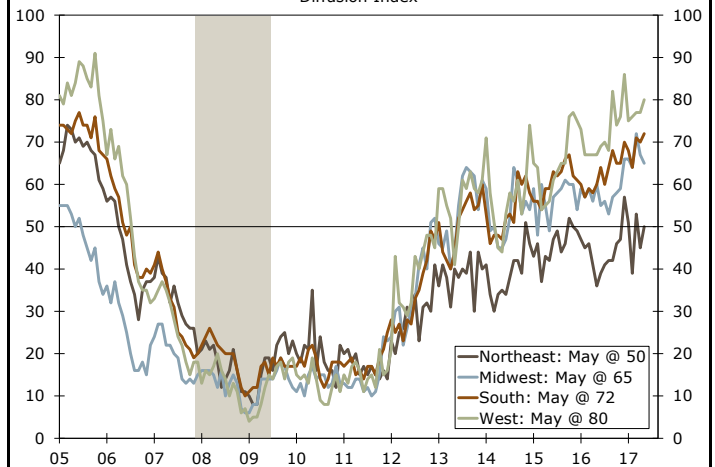
Demand Is Strongest in the West and South

- Demand is strongest in the West and South, where population and employment growth have risen the fastest. Some of the improvement is likely coming from energy-producing areas, where job growth has ramped back up again.
- Supply constraints remain a hurdle for builders. Shortages of lots and workers have kept starts below levels seen the last time the NAHB index was as high as it is today.

NAHB/Wells Fargo Housing Market Index
Diffusion Index



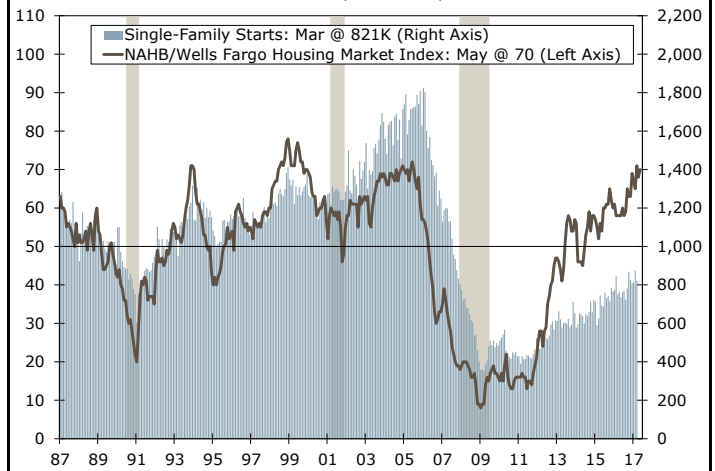
Regional NAHB Housing Market Indices
Diffusion Index



Expected Single-Family Home Sales
Diffusion Index



NAHB Housing Market Index vs. SF Housing Starts
Diffusion Index, Thousands, SAAR



Source: National Association of Home Builders (NAHB), U.S. Department of Commerce and Wells Fargo Securities

Wells Fargo Securities Economics Group

Diane Schumaker-Krieg	Global Head of Research, Economics & Strategy	(704) 410-1801 (212) 214-5070	diane.schumaker@wellsfargo.com
John E. Silvia, Ph.D.	Chief Economist	(704) 410-3275	john.silvia@wellsfargo.com
Mark Vitner	Senior Economist	(704) 410-3277	mark.vitner@wellsfargo.com
Jay H. Bryson, Ph.D.	Global Economist	(704) 410-3274	jay.bryson@wellsfargo.com
Sam Bullard	Senior Economist	(704) 410-3280	sam.bullard@wellsfargo.com
Nick Bennenbroek	Currency Strategist	(212) 214-5636	nicholas.bennenbroek@wellsfargo.com
Anika R. Khan	Senior Economist	(212) 214-8543	anika.khan@wellsfargo.com
Eugenio J. Alemán, Ph.D.	Senior Economist	(704) 410-3273	eugenio.j.aleman@wellsfargo.com
Azhar Iqbal	Econometrician	(704) 410-3270	azhar.iqbal@wellsfargo.com
Tim Quinlan	Senior Economist	(704) 410-3283	tim.quinlan@wellsfargo.com
Eric Viloría, CFA	Currency Strategist	(212) 214-5637	eric.viloria@wellsfargo.com
Sarah House	Economist	(704) 410-3282	sarah.house@wellsfargo.com
Michael A. Brown	Economist	(704) 410-3278	michael.a.brown@wellsfargo.com
Jamie Feik	Economist	(704) 410-3291	jamie.feik@wellsfargo.com
Erik Nelson	Currency Strategist	(212) 214-5652	erik.f.nelson@wellsfargo.com
Misa Batcheller	Economic Analyst	(704) 410-3060	misa.n.batcheller@wellsfargo.com
Michael Pugliese	Economic Analyst	(704) 410-3156	michael.d.pugliese@wellsfargo.com
Julianne Causey	Economic Analyst	(704) 410-3281	julianne.causey@wellsfargo.com
E. Harry Pershing	Economic Analyst	(704) 410-3034	edward.h.pershing@wellsfargo.com
Donna LaFleur	Executive Assistant	(704) 410-3279	donna.lafleur@wellsfargo.com
Dawne Howes	Administrative Assistant	(704) 410-3272	dawne.howes@wellsfargo.com

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