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Home-Building Stock Index Reaches First Record in 15 Years

Tumbling mortgage rates, demand for new homes fuel sector's recovery



Workers framed a home under construction in Dublin, Ohio, last month.

PHOTO: TY WRIGHT/BLOOMBERG NEWS

By [Karen Langley](#)

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Shares of home builders have been on a tear since the stock market bottomed in late March, boosted by a recovery in the housing market as record-low mortgage rates draw buyers.

The S&P 500's home-building subindustry index—currently made up of [Lennar Corp.](#), [D.R. Horton Inc.](#), [PulteGroup Inc.](#) and [NVR Inc.](#)—is up 23% this year and closed Monday at its first record in 15 years. The S&P 500, in comparison, has risen 4% and is within 1% of its February high.

The housing market has picked up after health and economic fears tied to the coronavirus pandemic sent sales plunging earlier this year. Sales of new single-family homes increased sharply in June from the prior month, according to the

Commerce Department, beating economists' expectations.

A big factor supporting demand: Mortgage rates have tumbled. In July, the average rate on a 30-year fixed mortgage fell to 2.98%, according to Freddie Mac, its lowest level in nearly 50 years of record-keeping.

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Carl Reichardt, home-building analyst at BTIG, said factors contributing to the home-builder rally include low interest rates and limited inventory of homes, as well as the “idea of home as a fortress, a safety net from Covid, as well as a place of work for some people.”

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A surge in construction also helped push lumber futures to a record high last week.

On an earnings call last month, PulteGroup Chief Executive Ryan Marshall said recovery in demand for new homes during the second quarter “was nothing short of outstanding.” Year-over-year orders increased 50% for the month of June, he said.

The home-building index last closed at a record in July 2005, according to Dow Jones Market Data. It has more than doubled from its 2020 low in late March. Shares of D.R. Horton and Lennar have surged more than 30% this year, while PulteGroup is up 16% and NVR has risen 2.7%

Builder stocks could continue to see gains, analysts say, if interest rates stay low and consumers continue to prioritize their homes, particularly in a recovering job market.

“I think the momentum behind them is pretty strong,” Mr. Reichardt said. “I expect them to continue to perform well on a relative basis.”

Building on Gains

Index performance, year to date

■ S&P 500 Home-Building Subindustry Index

■ S&P 500 Index



Source: FactSet

Write to Karen Langley at

karen.langley@wsj.com