

## STOCKS

# Home-Builder Stocks Jump as Mortgage Rates Slide

Lower borrowing costs help rejuvenate home-builder sentiment in September

*By Jessica Menton*

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Shares of home-building companies are on pace for their best year since 2012, buoyed by a drop in mortgage rates and firming housing data.

The SPDR S&P Homebuilders exchange-traded fund, which also includes building-products and home-furnishing companies, has rallied 33% this year, outpacing the broader S&P 500's 20% rise. Shares of home builders have soared, with D.R. Horton Inc., [DHI 0.08% ▲](#) Beazer Homes USA [BZH 0.06% ▲](#) and NVR Inc. [NVR -0.10% ▼](#) up at least 43% each. LGI Homes Inc. [LGIH 1.00% ▲](#) has surged 80% and KB Home has advanced 64%.

That marks a reversal after worries about a stagnant housing market, labor shortages and slowing global growth pummeled home-builder shares last year.

The gains come as a measure of confidence among home builders rallied this month to the highest level of the year. The National Association of Home Builders' housing-market index rose to 68 in September, its highest level since October 2018.

The rejuvenated sentiment was spurred by lower borrowing costs after the Federal Reserve lowered interest rates in July for the first time in a decade.

Some risks remain as recent housing data have been mixed. Sales of previously owned U.S. homes picked up in July, while housing starts, a measure of new-home construction, fell for the third straight month.

Meanwhile, the Fed has signaled recently that it would take a more measured approach to lowering borrowing costs, which could keep in check the recent slide in mortgage rates. Last week, the average U.S. fixed rate for a 30-year mortgage rose to 3.56%, up from a three-year low of 3.49% earlier this month, Freddie Mac said Thursday. That was still a percentage point lower than 4.6% from a year earlier.

“Solid household formations and attractive mortgage rates are contributing to a positive builder outlook,” Robert Dietz, chief economist at the National Association of Home Builders, said in the monthly report. “However, builders are expressing growing concerns regarding uncertainty stemming from the trade dispute with China.”

**Write to Jessica Menton at [Jessica.Menton@wsj.com](mailto:Jessica.Menton@wsj.com)**

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