



## Homebuilder Confidence Held Steady in September With Expectations Up on Expected Fed Easing

### Headlines

- **Homebuilder confidence held steady in September, near the lowest level since the COVID-19 pandemic.**
- **Current demand for new single-family sales was unchanged in September while the traffic of prospective buyers dropped. Sales expectations over the next six month improved.**
- **PNC expects continued near-term weakness in homebuilding, but housing affordability should improve under weak house price growth and falling interest rates later this year and in 2026.**

The seasonally adjusted Housing Market Index (HMI) held steady at a low level of 32 in September, according to the National Association of Home Builders (NAHB) and Wells Fargo. This is among the weakest readings since the pandemic in the spring of 2020. The HMI tracks sentiment among single-family homebuilders, with a reading of below 50 indicating contraction in homebuilding. After improving in the second half of 2024 homebuilder confidence has fallen steadily in 2025; it is down deeply over the past year and remains well below its long-run average of 47.

The current new single-family sales component was unchanged in September at 34. Although steady on the month, this is the lowest level for this subindex since 2012. A softening labor market, high mortgage rates, and increased uncertainty are weighing on demand for new single-family homes this year. The traffic of potential buyers component dropped slightly to 21 in September from 22 in August and remains historically low outside the Great Recession and the COVID-19 pandemic. The component for expectations for single-family sales over the next six months rose to 45 from 43, also deeply below last year's level and the long-term average.

Homebuilder confidence recovered somewhat in the Northeast to 44 after tumbling nine points in August to 39. Confidence dropped one point in the Midwest (down to 41) and the West (down to 26), and held steady in the South at 29. Despite monthly variations, confidence in all regions is down from before the pandemic, with much more weakening in the West and the South. Confidence in both the South and the West reached 13-year lows in mid-2025. On a year-over-year basis homebuilder confidence was flat in the Midwest at 41, but deteriorated in the other regions, led by the West (down 15 points).

Conditions for homebuyers remain unfavorable heading into the end of 2025. The 30-year fixed mortgage rate is at 6.4%; while this is the lowest rate since October 2024 it is still up significantly from a few years ago. Meanwhile the US labor market has softened in mid-2025, with average monthly jobs gains over the three months through August at just 29,000. Housing demand will remain soft under these conditions, and August housing starts, due tomorrow morning, will likely confirm the trend. Single-family housing starts increased 7.8% in July on a year-ago basis, but were down year-over-year in each of the first six



months of 2025.

Housing affordability should improve in the coming months, supporting a recovery in the housing market in 2026. In June home prices were up on a monthly basis in only three of the 20 metro areas covered by the S&P CoreLogic Case-Shiller price index. The supply of all existing homes for sale (measured in months of supply at the current sales pace) was close to the highest it has been since 2016, according to a separate survey from the National Association of Realtors; this should put downward pressure on prices. While tariffs, trade uncertainty, and a slowing jobs market will limit housing demand over the near term, lower interest rates later this year should also help restore some housing affordability. PNC's September baseline forecast calls for three 25 basis point cuts in the fed funds rate in 2025, at the last three FOMC meetings of the year, with an additional 25 basis point cuts at the start of 2026.

Please reach out with any questions,

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