



Homebuilder Confidence Fell in August With Current Sales Weakening; Expectations Held Steady

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Headlines

- **Homebuilder confidence fell in August, to near the lowest level since the COVID-19 pandemic.**
- **Current demand for new single-family sales deteriorated in August** while the traffic of prospective buyers increased. Sales expectations over the next six month held steady.
- **Homebuilder confidence in the South and West remained near 13-year lows** in August. Confidence in the Northeast and the Midwest has held up better in 2025.
- **PNC expects 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.

Details

The seasonally-adjusted Housing Market Index (HMI) fell slightly to 32 in August from 33 in July, 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 at 47.5.

The current new single-family sales component fell to 35 in August from 36 in July; it was also 35 in June. 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. The traffic of potential buyers component increased slightly to 22 in August from 20 in July, but remains historically low. The expectations of single-family sales over the next six months held steady at 43.

Homebuilder confidence tumbled nine points in the Northeast in August, down to 39 from 48 in July, while it increased marginally in the West from 25 to 26. The HMI remained unchanged in the Midwest and the South, at 43 and 29, respectively. From a year-over-year perspective, homebuilder confidence improved in the Midwest but deteriorated in others led by the West (down 11 points). Despite monthly variations, confidence in all regions is down from before the pandemic, with the West and the South weakening much more than in the other two regions. Confidence in both the South and the West reached a 13-year low in mid-2025.

Conditions for homebuyers remain unfavorable in mid-2025, with the 30-year fixed mortgage rate at 6.6%, a four-month low but still significantly higher than a few years earlier. Meanwhile the US labor market has softened in mid-2025, with average monthly jobs gains over the past three months at just 35,000 in July. Housing demand will remain soft under these conditions, and July housing starts, due tomorrow morning, will likely confirm the trend. Single-family housing starts dropped 10% in June on a year-ago basis.

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Housing affordability could improve in the coming months; **in May home prices were up on a monthly basis in only 8 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) increased in June to the highest it has been since 2016, according to a separate survey from the National Association of Realtors. While tariffs, trade uncertainty, and a slowing jobs market should limit housing demand over the near term, lower rates later this year should also help restore some housing affordability. PNC's August 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 cut at the start of 2026.

Figure 1: The NAHB Housing Market Index



Please reach out with any questions,

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