



Homebuilder Confidence Improved in October With Expectations Up

Headlines

- **Homebuilder confidence improved in October, rising from an almost decade-low in the previous two months.**
- All three components of the HMI increased in October, with **the expectations component of single-family sales over the next six months rising the most.**
- **PNC expects housing affordability should improve under weak house price growth and falling interest rates later this year and in 2026.**

Ershang Liang
ershang.liang@pnc.com

PNC Economics
economics@pnc.com

Details

The seasonally adjusted Housing Market Index (HMI) improved to 37 in October, up from an almost decade-low of 32 in the previous two months, according to the National Association of Home Builders (NAHB) and Wells Fargo. This is somewhat up from the weakest readings since the pandemic in the spring of 2020, but the overall level remains still well below October of last year. The HMI tracks sentiment among single-family homebuilders, with a reading below 50 indicating contraction in homebuilding. After improving in the second half of 2024 homebuilder confidence has fallen steadily in 2025, except for this month's rebound; it remains well below its long-run average of 47.

All three components of the HMI increased in October, with the expectations component of single-family sales over the next six months rising the most, by nine points to 54. Both current new single-family sales and the traffic of potential buyers' components increased on the month, both up four points, to 38 and 25, respectively, but all

three components remained below last year's level and the long-term average.

Homebuilder confidence recovered the most in the Northeast (up 11 points to 55), followed by the South (up six points to 35) and the West (up four points to 30). Confidence in the Midwest rose slightly, by one point to 42. Despite regional variation, confidence is down from before the pandemic, with particular weakness in the South and the West, where confidence reached decade-lows in mid-2025. On a year-over-year basis homebuilder confidence was up in the Northeast, but down in the other regions, led by the West (down 14 points).

The ongoing U.S. government shutdown has caused interruptions in several housing publications, but a separate survey from the Mortgage Bankers Association (MBA) shows mortgage application volumes moved higher as the 30-year fixed mortgage rate fell to an 11-month low at the end of September 2025, although mortgage applications retreated somewhat in October. The 30-year fixed mortgage rate is at 6.3%; while this is the lowest since October 2024 it is



still up significantly from a few years ago. Near-term weakness should not last as housing affordability is expected to improve over the next year. PNC's October baseline forecast calls for two more 25 basis point cuts in the fed funds rate in 2025, at the last two FOMC meetings of the year, with an additional 25 basis point cut at the start of 2026. Somewhat lower mortgage rates should support a recovery in the housing market in 2026.

Figure 1: The NAHB Housing Market Index





Disclosures

The material presented and the views expressed herein are of a general nature and does not constitute the provision of investment or economic advice to any person, or a recommendation of any particular securities, financial instruments, strategies or banking services. Opinions and forecasts expressed herein are subject to change without notice. Relevant information was obtained from sources deemed reliable. Such information is not guaranteed as to its accuracy. You should seek the advice of an investment professional to tailor a financial plan to your needs.

Forward-looking statements are necessarily subject to numerous assumptions, risks and uncertainties, which change over time. Future events or circumstances may change our outlook and may also affect the nature of the assumptions, risks and uncertainties to which our forward-looking statements are subject. Forward-looking statements speak only as of the date made. We do not assume any duty and do not undertake any obligation to update forward-looking statements. Actual results or future events could differ, possibly materially, from those anticipated in forward-looking statements, as well as from historical performance. As a result, we caution against placing undue reliance on any forward-looking statements.

"PNC" is a registered mark of the PNC Financial Services Group, Inc.

© 2025 The PNC Financial Services Group, Inc. All rights reserved.