Homebuilder Confidence Fell to a 14-Year Low in October 2026

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Headlines

- **Homebuilder confidence fell to its lowest level since 2012.** All three components dropped on the month.
- **Confidence fell in the Midwest, the South, and the West.** Builder sentiment in the Northeast remained highest among all four regions.
- **High mortgage rates are weighing on residential construction, and the 30-year fixed rate is likely to remain above 7% as long as tensions remain high between the U.S. and Iran.**

Details

The seasonally adjusted Housing Market Index fell to 29 in October, its lowest level since 2012, from 32 in September according to the National Association of Home Builders (NAHB) and Wells Fargo. **The October reading was below the consensus expectation of 31 and well below 37 in October 2025.** The HMI measures sentiment among single-family homebuilders, with readings below 50 signaling contraction in residential construction.

Homebuilder confidence, which fell quickly in the first half of 2025 and recovered somewhat in the fourth quarter of last year, reversed that modest rebound in mid-2026 and continues to decline approaching the end of 2026. The index remains well below its long-run average of 46.

Housing demand appears to have softened sharply in recent months. **All three components fell on the month. Traffic of prospective single-family homebuyers was at its lowest level since the worst of the pandemic in March 2020, present single-family sales were at their lowest since mid-2012, and expectations of single-family sales over the next six months dropped to their lowest level since late 2022.** All three components remain 16 to 25 points below their long-run averages and well below their pre-pandemic levels, signaling continued weakness in housing market activity into 2027.

Regionally, homebuilder confidence fell the most in the West, down to 20 from 30. Confidence fell slightly in the South to 27 from 29, while it dropped to 35 from 40 in the Midwest. The Northeast saw a modest rebound to 37 in October, after it fell to 35 in September from 42 in August.

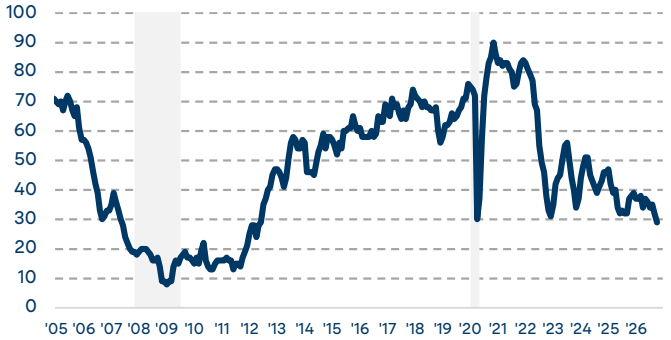
Notably, builder confidence in the Northeast and Midwest has moved further below their long-run averages. Still, sentiment in the South and West remains further below their long-run averages, reflecting persistent challenges related to affordability constraints, elevated financing costs, and softer housing demand.

Housing affordability remains a challenge in 2026, despite a big drop in home prices recently. According to the U.S. Census Bureau and the U.S. Department of Housing and Urban Development, **the median sale price of a new home sold in August was down almost 6% from a year earlier,** below $400,000. This contrasts with roughly 5% higher costs for construction materials and components, highlighting the pressures that elevated borrowing costs and affordability challenges continue to place on construction firms.

Homebuilding is expected to remain subdued in late 2026, with downside risks stemming from a prolonged conflict in the Middle East and elevated energy prices. Weaker home price growth, combined with slower but steady income growth and a solid if unspectacular labor market, should lead to a gradual improvement in affordability over time. However, a rapid turnaround is unlikely in the near term. Higher energy prices will likely crowd out other household spending, while the personal saving rate has been on a downward trend since late 2023.

The average 30-year fixed mortgage rate is currently around 7.4%, reaching an almost three-year high in October. Looking ahead, the average 30-year fixed mortgage rate is likely to stay above 7% as long as tensions remain high between the U.S. and Iran, and end 2026 above 6.5%, limiting any improvement in affordability.

Figure 1: The seasonally adjusted NAHB housing market index



Sources: NAHB, PNC

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