U.S. Home Prices Rise Further in August Amid Tight Inventory

Headlines

- **The seasonally adjusted S&P Cotality Case-Shiller Home Price Index increased for a fourth consecutive month in August.** Home price appreciation continues to be supported by inventory levels that remain below historical norms, although supply has improved materially from pandemic-era lows.
- **Prices nationally were up 2.1% in August on a year-ago basis, marking an acceleration from the pace recorded in late 2025 and early 2026.**
- **Prices were up on the month in 13 out of 19 metro areas covered.**
- **PNC expects elevated mortgage rates to weigh on home price growth in the near term.**

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Details

The S&P Cotality Case-Shiller U.S. National Home Price Index rose for a fourth consecutive month in August, increasing 0.28% on a seasonally adjusted basis. The gain was supported by continued tightness in housing supply. According to the National Association of Realtors, the inventory of existing single-family homes for sale was 1.57 million units in August, up from the record low of 0.74 million units in 2022, but well below the historical average of 2.2 million units.

Home prices increased steadily from February 2023 through February 2025 before softening in mid-2025, as elevated mortgage rates weighed on housing demand and additional inventory came onto the market (Figure 1). Prices subsequently resumed their upward trend, rising from July 2025 through January 2026. **On a year-over-year basis, the index increased 2.1% in August, marking an acceleration from the pace recorded in late 2025 and early 2026.** Home prices increased at a fast pace between mid-2020 and mid-2022, but growth has slowed since then. In February 2026, annual home price growth reached its slowest pace since mid-2012, at 0.84%. **Meanwhile, despite small price declines observed in several months in 2025 and 2026, national home prices remain more than 50% above their pre-pandemic level, and housing affordability remains below historical norms.**

Prices were up on the month in 13 of the 19 metro areas covered in the release after seasonal adjustment, with the largest increases in San Diego (up 0.73%), Portland (up 0.51%), and New York (up 0.48%). Prices fell in six metro areas in August from July, down the most in Las Vegas (down 0.33%), Seattle (down 0.15%) and Dallas (down 0.14%). Home price data for the Detroit metropolitan area were

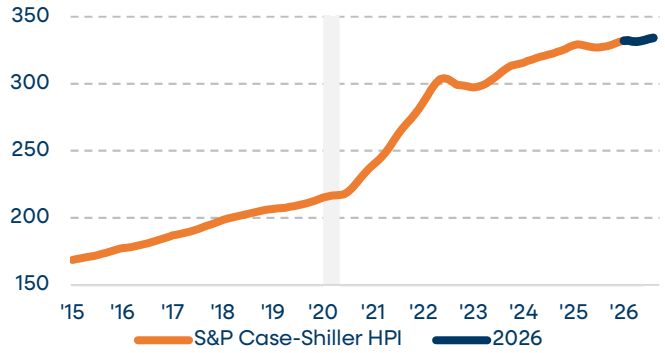
not released for the month because of a delay at a county-level recording office. However, the area's home price index fell 0.23% in July, lagging the national monthly gain of 0.28%.

On a year-ago basis, prices were up in 14 metro areas in August, led by Chicago (up 6.70%), New York City (up 6.19%), and Cleveland (up 4.29%) (Figure 2). **Prices were down in five metro areas**, led by Seattle (down 1.96%), Las Vegas (down 1.29%), and Dallas (down 0.79%).

Nationally, the supply of existing single-family homes for sale stood at 4.8 months in August, according to the National Association of Realtors. The months' supply **increased from a year earlier** and remains above pre-pandemic peak levels, reflecting a recovery in inventory amid softer housing demand. **Housing inventory increased 4.6% y/y in September but remained low by historical standards.** Inventory shortages were particularly pronounced in major Northeastern metropolitan areas, including the Greater New York region, where limited supply has continued to support month-over-month home price gains.

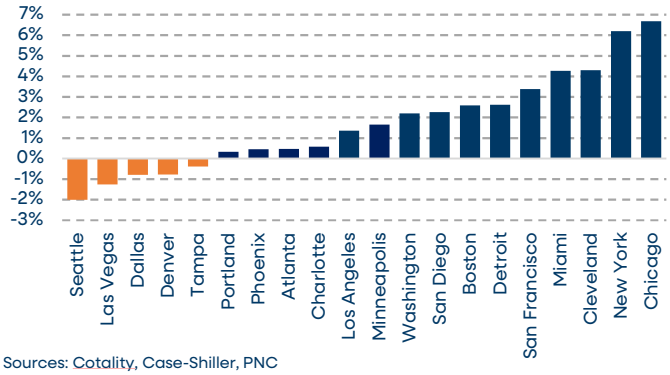
Despite an improvement in 2026, with elevated mortgage rates and big price gains over the past few years, housing affordability, based on mortgage payments relative to incomes, is near its lowest level since the 1980s, even lower than it was during the housing boom two decades ago. **Low affordability, rising inventories, and weak job growth will continue to weigh on annual home price growth in the near term.** Risks are tilted to the downside with the ongoing Iran conflict. Already, the typical 30-year fixed mortgage rate has risen from slightly below 6% just before the U.S. military action against Iran to above 7.3% currently. PNC expects the Federal Open Market Committee to remain on hold in its policy meeting tomorrow, and hike the federal funds rate in December 2026 and January 2027 by 25 basis points each. Mortgage rates will remain elevated, above 6.5%, in part because markets are pricing higher expected inflation into long-term rates. Under these conditions, housing demand will likely remain weak while affordability and labor market conditions improve slowly.

Figure 1: S&P Cotality Case-Shiller HPI (Jan 2000 = 100)



Sources: Cotality, Case-Shiller, PNC

Figure 2: S&P Cotality Case-Shiller HPI (% chg., y/y)



Sources: Cotality, Case-Shiller, PNC
Note: Detroit shows HPI growth for July 2026 on a year-ago basis

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