



Homebuilder Confidence Fell to a Five-Month Low in February

Headlines

- **Homebuilder confidence fell to a five-month low in February 2026**, with both the expectations and buyers' traffic components weakening after seasonal adjustments.
- **Homebuilder confidence declined in all regions except the South over the month but was down in all four regions from last year. Sentiment in both the West and the South was notably more pessimistic.**
- **PNC expects mortgage rates to edge only slightly lower this year. Housing demand will likely remain weak under elevated borrowing costs and slowing wage growth.**

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Details

The seasonally adjusted Housing Market Index (HMI) fell to 36 in February 2026 from 37, according to the National Association of Home Builders (NAHB) and Wells Fargo. This outcome fell short of the consensus expectation of 38. Homebuilder confidence, which fell quickly in the first half of 2025 and recovered somewhat in the fourth quarter, reversed that modest rebound in early 2026. The HMI measures sentiment among single-family homebuilders, with readings below 50 signaling contraction. Confidence entering 2026 remained near a decade low, underscoring continued weakness in homebuilding activity. The index also remained well below its long-run average of 46 and last February's reading of 42.

While the present single-family sales component held steady at 41, both the traffic of prospective homebuyers and expectations for single-family sales over the next six months components fell, down by

two and three points to 22 and 46, respectively. On a year-ago basis, all three components were lower, led by buyers' traffic (down seven points). The present sales conditions component was five points below its level a year earlier, while expectations for single-family sales over the next six months changed little, slipping by only one point. The expectations component also moved further below its long-term average of 53, indicating a shift from near-neutral sentiment to weaker expected sales under cooling buyer traffic. Moreover, **the traffic of prospective buyers component was substantially below its year-ago level and the long-run average, reflecting persistently weak housing demand at the start of 2026.**

Homebuilder confidence declined across all four regions except the South, where the index remained flat from last month at 35. Confidence fell the most in the Northeast (down five points to 42), followed by

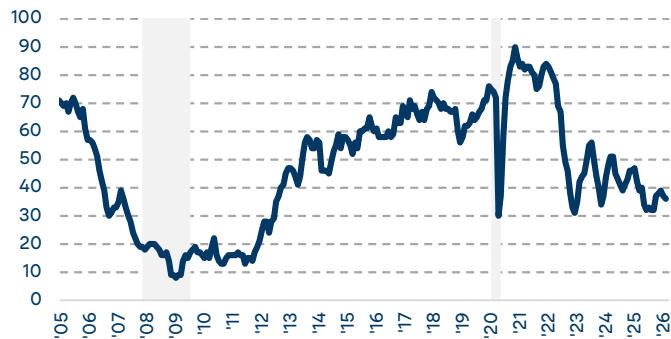


the West (down four points to 30) and the Midwest (down one point to 41). **Compared to last February, confidence in the Northeast dropped the most while confidence in the Midwest was slightly weaker.** Both regions were near neutral sentiment regarding their homebuilding outlook. **In contrast, sentiment in both the West and the South was notably more pessimistic, with confidence significantly lower than a year ago and well below long-run averages.**

Housing starts tumbled in October to their lowest level since June 2020. Notably, the 30-year fixed mortgage rate fell from 7% in February 2025 to 6.1% by mid-February 2026, according to Freddie Mac. Although lower rates have provided some improvement in housing affordability over the past year, affordability remains far below levels seen across most of the past two decades.

PNC’s February baseline forecast calls for two additional 25 basis point cuts to the fed funds rate in the second half of 2026. **Mortgage rates are expected to edge slightly lower this year, and housing demand will likely remain weak amid elevated borrowing costs and slowing wage growth.** Meanwhile, U.S. employers remain reluctant to lay off workers, and private job growth—while slowing—continues to be positive. With lower mortgage rates, ongoing income gains, and slower house price appreciation, housing affordability is expected to improve at a slow but gradual pace this year.

Figure 1: The Seasonally Adjusted NAHB Housing Market Index



Source: NAHB



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