

U.S. homebuilder sentiment tumbles to 14year low in October.

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The Denver Gazette · 20 Oct 2026 · C1 · Bloomberg News

Confidence among U.S. homebuilders this month slumped to a 14-year low as mortgage rates above 7%, labor shortages and elevated supply costs batter the housing market.

The National Association of Home Builders/Wells Fargo gauge of housing market conditions fell three points to 29, the lowest since June 2012. The median estimate in a Bloomberg survey of economists was 31.

A reading below 50 indicates more builders see conditions as poor than good. The index has stayed below that level for more than two years.

A measure of current sales dropped to 33, also a 14year low. A gauge of expected sales over the next six months, one of the index's core inputs, declined to the weakest level since November 2022. The prospective buyer traffic index slid to the lowest since the onset of the pandemic.

The gloomy outlook reflects a deteriorating market for homebuilders, as rising borrowing costs suppress buyer demand and new-home inventory remains elevated. The dual pressures have forced builders to offer discounts and expand incentives to lure customers, squeezing operating margins.

"Housing remains squeezed by supply-side constraints and significant affordability challenges," Robert Dietz, NAHB chief economist, said in a statement Monday. "Demand persists, but higher mortgage rates, elevated construction costs and weaker consumer confidence are keeping more buyers on the sidelines."

The share of builders that reported cutting prices climbed to 43%. About two-thirds reported using incentives this month, according to the NAHB survey.

Investors remain pessimistic about the sector. The iShares U.S. Home Construction ETF, which includes homebuilders and materials companies, has steadily declined over the past three months.

The NAHB report showed builder confidence in the South was the weakest since mid-2012, while sentiment in the West slumped 10 points to the lowest since the end of 2011.

Builder confidence also slipped in the Midwest but rose in the Northeast.

The federal government will provide a glimpse into housing starts and building permits on Tuesday, while the National Association of Realtors will release pending-home sales for last month.

Home Builder Sentiment Plunged This Month

BY DEAN SEAL

Confidence among U.S. home builders has slumped to its lowest level in 14 years from a mix of high mortgage rates, inflated costs and worsening labor conditions.

The NAHB/ Wells Fargo Housing Market Index, a gauge of builder confidence in the market for newly built single family housing, fell three points to 29 in October. That is the lowest reading since June 2012. Economists polled by The Wall Street Journal expected the reading to edge just slightly lower to 31.

Prospective home buyers are being deterred by mortgage rates that have climbed well above 7% in recent weeks, along with higher gas prices and inflation, NAHB Chairman Bill Owens said Monday.

Builders are facing higher costs too, for construction loans, building materials and diesel. They are also dealing with persistent labor shortages, driven by immigration enforcement activity during the past month, which have caused construction delays and discouraged legal workers from reporting to work, Owens said.

"Housing remains squeezed by supply-side constraints and significant affordability challenges," said Robert Dietz, the NAHB's chief economist. Buyer traffic has fallen to its lowest level since April 2012, excluding the onset of the pandemic in April 2020, Dietz said.

The survey found that 43% of builders cut prices in October, which is the highest share since 2020. The average price cut remained at 6% for the seventh month in a row. A little under two-thirds of builders reported using sales incentives this month. That figure has stayed above 60% for 19 consecutive months.

The index gauging future sales expectations and the index charting prospective buyer traffic both dropped five points, to 32 and 18, respectively.

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2026-10.20

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Builders slash prices on new homes as buyer traffic drops to 14-year low

Story by Aarthi Swaminathan 2016-10-20

More home builders are cutting prices on new houses even as their construction costs increase, as buyers flee the housing market. Note

With buyer traffic to newly built homes at the lowest level since April 2012, excluding the onset of the pandemic, 43% of home builders are cutting prices in October. The share of builders offering discounts is the highest since 2020, according to a monthly survey by the National Association of Home Builders released Monday. Note

The average price cut was 6% for the seventh month in a row, and 65% of builders were also using incentives to boost sales, such as mortgage-rate buydowns, which involves offering a lower introductory rate for a fixed term when a buyer purchases a newly built home.

As both buying demand and supply costs increase, builders are feeling increasingly dismal about the housing market. Their confidence in the housing market this October fell to the lowest level since June 2012, the NAHB noted. Note

More builders are cutting prices even as rising construction costs make it more expensive to build. Builders are seeing elevated interest rates on construction loans, rising costs for building materials and diesel fuel, and persistent labor shortages related to immigration crackdowns, Bill Owens, chairman of the NAHB and a remodeler from Worthington, Ohio, said in a statement. Note

"Nationwide, more than one-third of builders reported immigration enforcement activity in their market areas during the past month, causing construction delays and discouraging legal workers from reporting to work," Owens added.

The gloomy builder outlook could be an opportunity for home buyers who can afford current home prices. The median price of a newly built single-family home in August was about \$393,700, according to the U.S. Census Bureau. That's 10% cheaper, or nearly \$40,000 less, than the median price of an existing single-family home, which was \$433,600 in August, according to the National Association of Realtors. Note

"New homes are the overlooked opportunity more buyers should be thinking about," Kara Ng, a senior economist at Zillow said in a report. The company found that as of July 2026, the price per square foot for a newly built home was about \$205 across the U.S., which was lower than the \$212 price per square foot of an existing home. Note

That price gap was even wider in parts of the Sun Belt, where builders have been aggressively putting up new homes. In places such as Austin, Texas, and Raleigh, N.C., "buyers are in the best position to negotiate as sellers have a lot of other homes on the market to compete with," Ng added.

In Austin, a newly built home's price per square foot was nearly 20% less than that of an existing home, making for the deepest price difference across the 50 most populated U.S. metropolitan areas.

