2026-8-19

U.S. housing market still under pressure in July

Curr RE

The Denver Gazette · 19 Aug 2026 · Reuters

Note

U.S. single-family homebuilding fell sharply in July to the lowest in more than three-and-a-half-years and contract signings for purchases of existing homes also slid in the latest signal that the housing market remains under pressure from higher mortgage rates and economic uncertainty from the Iran war.

The manufacturing sector, meanwhile, continues to ride the coattails of the artificial intelligence buildout, with a Federal Reserve measure of factory output hitting its highest in more than four years last month, led by production gains for high-tech equipment and industrial and construction supplies.

Single-family housing starts, which account for the bulk of homebuilding, dropped 9.9% last month to a seasonally adjusted annual rate of 808,000 units, the Commerce Department's Census Bureau said on Tuesday. That was the lowest since November 2022.

Single-family homebuilding slid 15.7% year-on-year in July.

Permits for future construction of single-family homes — an indicator of future new construction activity — rose 2.5% last month to a rate of 894,000 units. They were up 1.1% year-on-year in July for only the second yearly increase in the past two years, though the issuance rate remains near the slowest in three years.

"Until mortgage rates decline and allow builders to unload currently completed homes or those under construction, we expect homebuilders to remain hesitant to make significant investments in new projects," Nationwide Senior Economist Ben Ayers said.

Total new home starts — including multifamily structures such as apartments — fell 12.4% to 1.239 million in July. Economists polled by Reuters had estimated an annualized rate of 1.35 million.

Overall new issuance of residential construction permits rose 5.0% to a rate of 1.443 million units. Economists had estimated a permit run of 1.37 million.

Contract signings for existing homes — which become completed sales transactions typically a month or two later — also fell in July, the National Association of Realtors reported Tuesday. They were down 2.3% on the month to the lowest level since January.

The residential real estate market remains in a deep rut, with high mortgage interest rates and limited supply of homes on the market hurting affordability and sales rates.

"The highest mortgage rates of the year hit right in the middle of summer, and that's pulling back contract signings," NAR Chief Economist Lawrence Yun said in a statement. "Home prices are at record highs so houses for sale are sitting on the market longer, and fewer buyers are bidding above the asking price than a year ago, though there are large local market variations."

The contract rate on a 30-year fixedrate mortgage, the most popular U.S. home loan, ticked lower in the week ended Aug. 7 for the first time since mid-June, the Mortgage Bankers Association reported last week. Still, at 6.77% it remains near the highest in more than a year.

On Monday the National Association of Home Builders reported an unexpected uptick in sentiment among construction firms, but their confidence overall remains significantly subdued in the face of economic uncertainty, high mortgage rates and steep building costs aggravated by the U.S.-led war with Iran.

The weak housing market stands in contrast to a robust factory sector, buoyed yet again by hefty AI investment activity that is driving demand for high-tech equipment and the supplies needed to build and run massive data centers.

The Fed reported its manufacturing output index rose 0.2% in July on the heels of an upwardly revised 0.3% increase in June. The index was at its highest since April 2022.