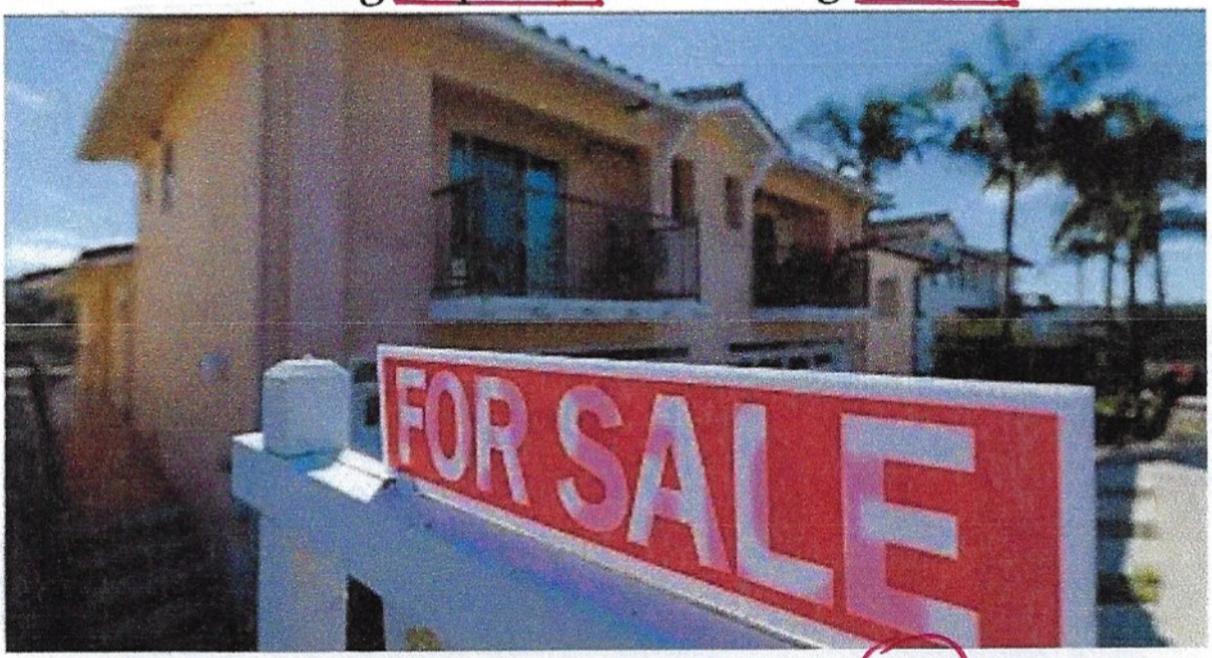


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Home sales rebound on lower mortgage rates

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WASHINGTON · Contracts to purchase previously owned U.S. homes unexpectedly increased in February amid a decline in mortgage rates, but further gains are likely to be limited by the war in the Middle East that is raising oil prices and fanning inflation fears.



The pending home sales index rebounded 1.8% last month to 72.1, the National Association of Realtors said Tuesday.

Contracts increased in the West, the densely populated South and Midwest regions, but fell in the Northeast.

The surprise increase in pending sales would be a good omen for the busy spring selling season, were it not for the U.S.-Israeli war with Iran, economists said. Mortgage rates eased at the start of the year after President Donald Trump ordered government-backed mortgage firms Fannie Mae and Freddie Mac to expand purchases of mortgage-backed securities.

The rate on the popular 30-year fixed mortgage dropped to 5.98% on the eve of the Middle East war. It reversed course as the conflict boosted oil prices and U.S. Treasury yields, rising to 6.11% last week, data from Freddie Mac showed. Mortgage rates track the benchmark 10-year Treasury yield.

“The spring housing market could face headwinds as broader economic uncertainties, ranging from the conflict in the Middle East and inflation to shifting tariff policies, threaten to keep mortgage rates and construction costs elevated,” said Hannah Jones, senior economic research analyst at Realtor.com. “These factors may complicate the recent progress and further tighten the market.”

The housing market has been hamstrung by higher borrowing costs and a shortage of properties for sale, especially starter homes, which is keeping prices elevated.

A Reuters survey on Tuesday predicted house prices would increase 1.8% this year and 2.5% in 2027. House prices rose 1.8% between the fourth quarter of 2024 and the fourth quarter of 2025, the Federal Housing Finance Agency House Price Index showed. Inflation-adjusted wages and salaries increased 0.7% in the 12 months through December 2025, Bureau of Labor Statistics data showed.

Economists expect inflation to run well above the Federal Reserve's 2% target this year because of the Iran war. The U.S. central bank is expected to keep interest rates unchanged on Wednesday, and will publish new economic projections.

Housing affordability has become an increasingly potent political issue ahead of the November midterm elections. Trump has signed a raft of orders, including to improve access to mortgage credit and remove regulatory barriers to the construction of affordable homes.

But builders have not ramped up single-family home construction because of expensive building materials resulting from Trump's import tariffs. Labor shortages because of the administration's immigration crackdown are also adding to costs for builders. There is also a shortage of building lots, while sluggish new home sales have left an oversupply of unsold properties on the market, constraining builders' ability to break ground on single-family housing projects. Note

About 943,000 housing units were started in 2025, down from 1.016 million units in 2024, government data showed.

A survey on Monday showed builder sentiment little changed in March, with builders continuing "to express affordability concerns stemming from elevated construction costs and shortages of buildable lots and labor."