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More home builders cut prices as buyers get spooked

Story by Aarthi Swaminatha 2026-9-18

A rising share of builders are slashing prices on newly built homes despite increasing construction costs, as buyers get spooked by high mortgage rates.

Home-builder confidence in September fell to the lowest level in a year, according to the National Association of Home Builders on Wednesday. The trade group surveys builders across the U.S. to gauge their sentiment regarding the construction of single-family homes.

Builders were feeling pretty gloomy about the housing market. "Buyer traffic has weakened across much of the country, largely because of rising mortgage rates," Bill Owens, chairman of the NAHB, said in a statement. Owens is a home builder and remodeler in Worthington, Ohio.

The NAHB survey found that 38% of builders cut prices in September, up from 35% in August. That's the highest share in eight months.

The average size of the price cuts was unchanged at 6%. A larger share of builders, 66%, were using sales incentives in September to boost sales, including mortgage-rate buydowns or free appliances as upgrades.

For instance, in San Antonio, Texas, major homebuilder Lennar was offering potential buyers a promotion in September of a mortgage rate as low as 3.5% for an initial period. That low rate is for an adjustable-rate mortgage backed by the Federal Housing Administration and is only fixed for the first five years. ARMs such as these adjust once a year starting in Year 6.

As they struggle to sell homes, builders are also facing challenges to build more. Builders indicated that they are contending with higher costs when it comes to new-home construction. "Tight lending conditions and elevated land, labor and construction costs persist," Robert Dietz, chief economist at the NAHB, said in a statement. He added that 42% of builders said they were finding it hard to buy land plots on which to build homes.

Owens noted that in addition, "in some markets, builders report that increased immigration enforcement is discouraging legal workers from reporting to job sites."

All home sellers are expected to feel more pain in the weeks and months ahead. In the last week, the 30-year mortgage rate surged to the highest level in nearly two years. On Tuesday, the 30-year rate averaged 7.22%, according to a survey by Mortgage News Daily.

Higher mortgage rates are further dampening an already stagnant housing market. Housing supply has crept up to a seven-year high, as buyers remain scarce. There were 58% more home

sellers than buyers in the market in August, real-estate brokerage Redfin estimated, the largest gap since it began tracking the data in 2013.

Read more: Home sales are the lowest they've been all year, even though inventory is at a 7-year high

"With sellers piling into the market and demand falling flat, today's house hunters can afford to be choosy," Asad Khan, a senior economist at Redfin, said in a statement.