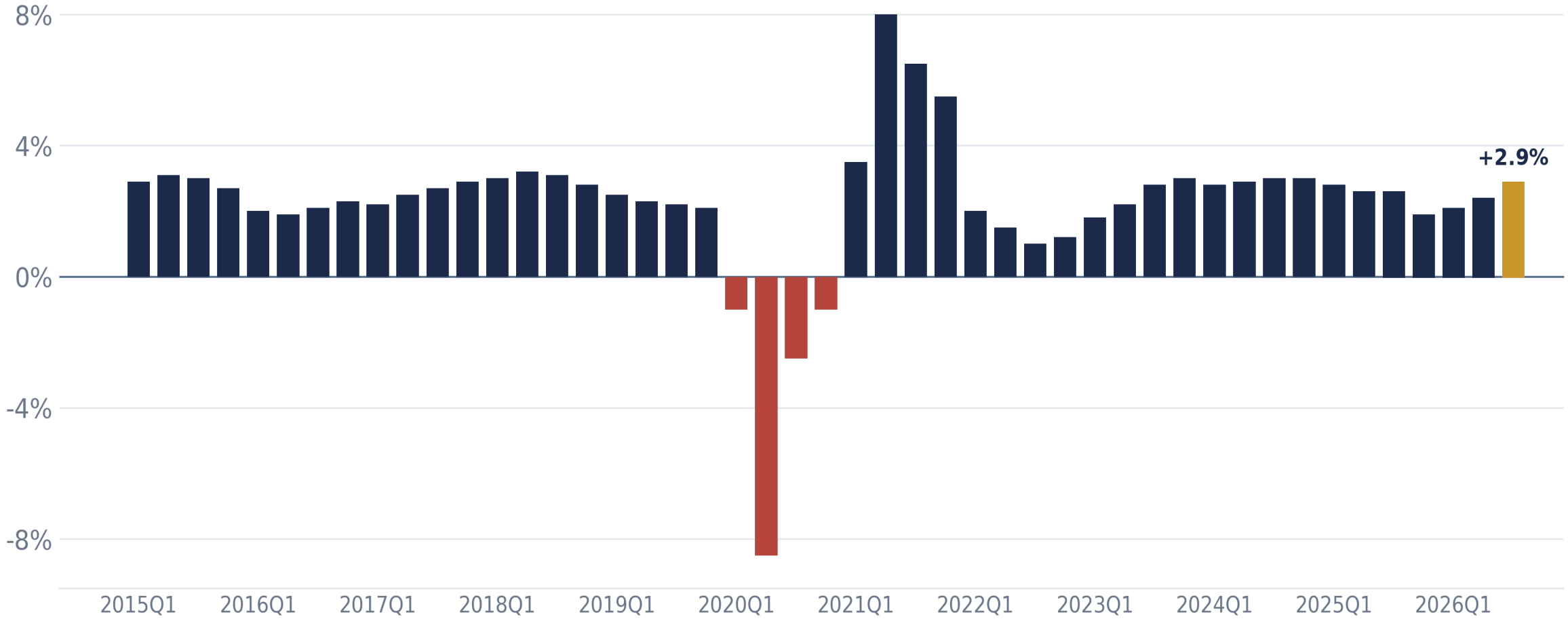
The Residential Housing Market

RSQE 74th Annual Economic Outlook Conference

University of Michigan, November 20, 2026

Underlying Domestic Demand Has Re-Accelerated to Nearly 3%

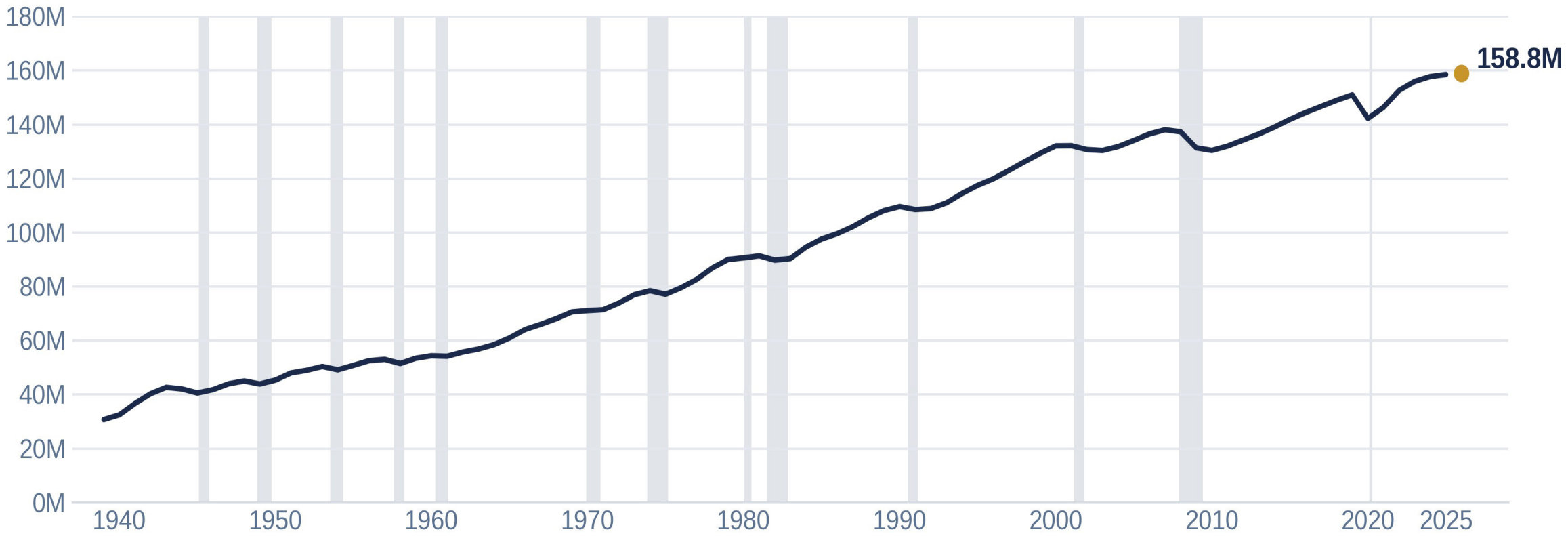
Real final sales to domestic purchasers, year-over-year change, quarterly



Source: U.S. Bureau of Economic Analysis (via FRED, series A713RO1Q156NBEA / A190RO1Q156NBEA). 2026Q3 is an advance estimate.

Total U.S. Employment Has Grown More Than Fivefold Since 1939

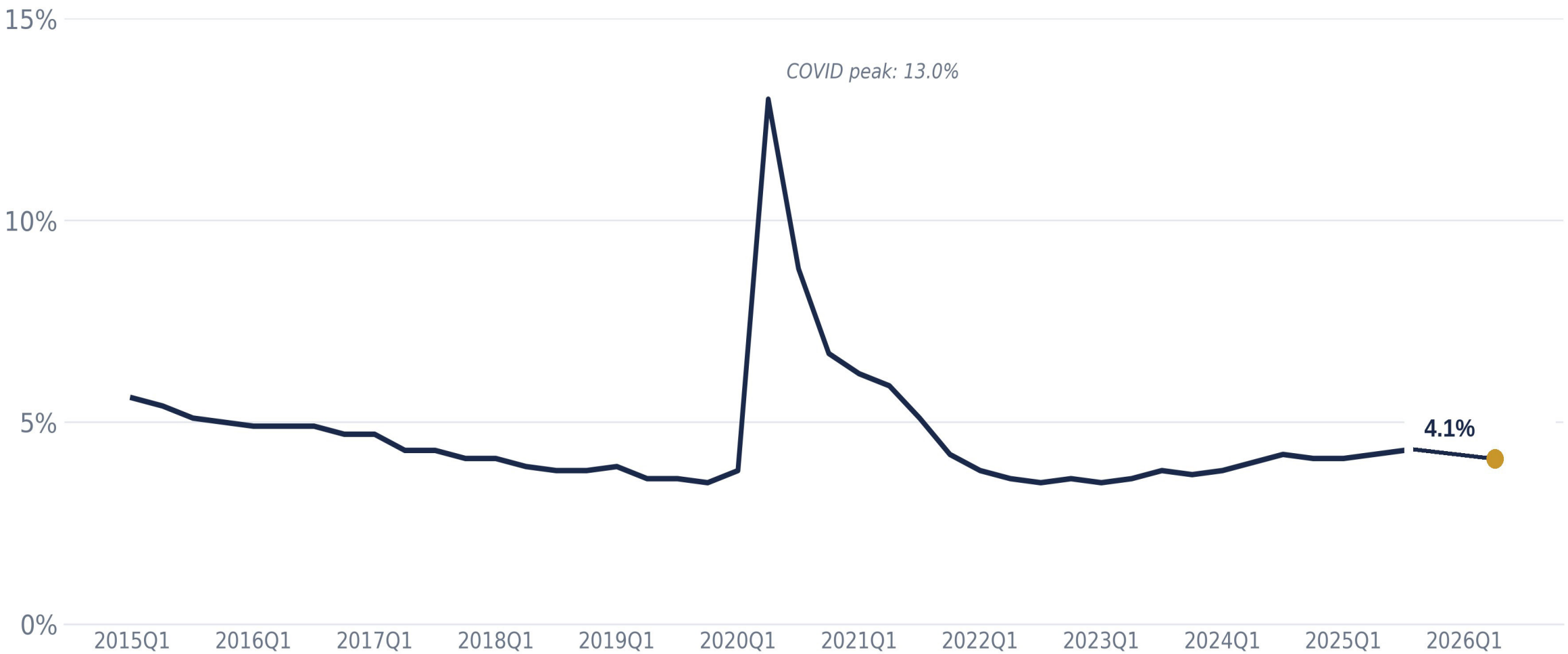
Total nonfarm payroll employment, annual average, in millions



Source: U.S. Bureau of Labor Statistics, Current Employment Statistics (CES), total nonfarm payroll employment, annual averages. 2026 reflects the January–September average. Shaded bands indicate NBER-dated U.S. recessions.

Labor Market Maintains Full Employment

U.S. unemployment rate, seasonally adjusted, quarterly average

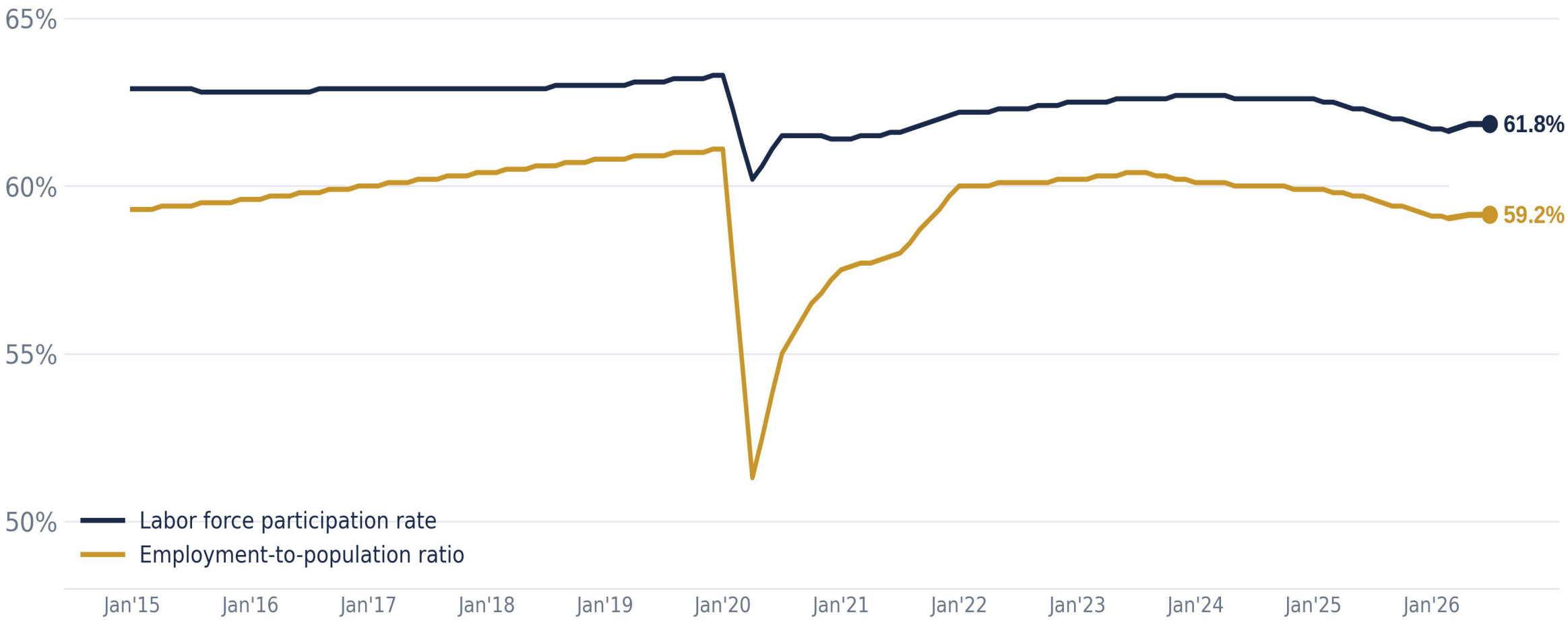


Source: U.S. Bureau of Labor Statistics (via FRED, series UNRATE), Employment Situation. 2026Q3 reflects Jul-Sep avg.

LABOR FORCE

Fewer Americans Are Working

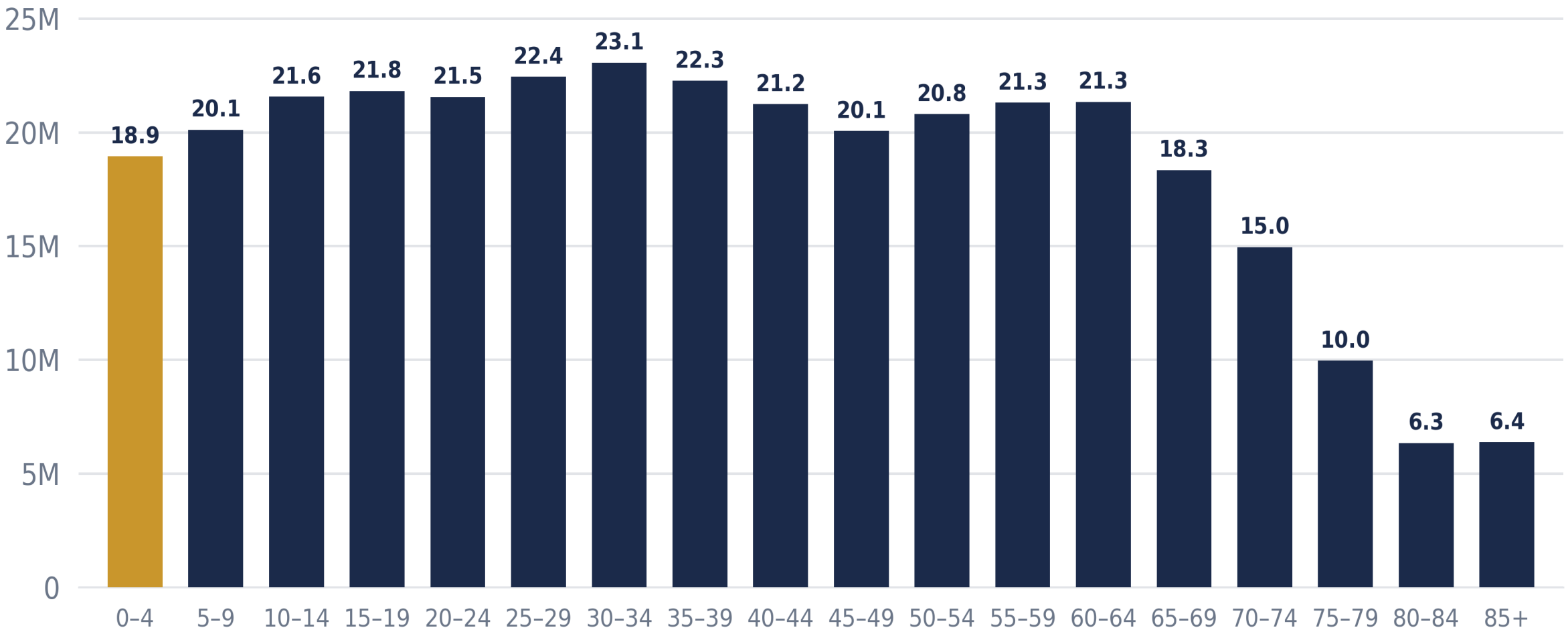
Labor force participation rate and employment-to-population ratio, monthly



Source: U.S. Bureau of Labor Statistics (via FRED, series CIVPART, EMRATIO), Employment Situation. Latest: September 2026.

Fewer Young Children Are Following a Large Prime-Age Workforce

U.S. resident population by 5-year age group (years of age), millions of people

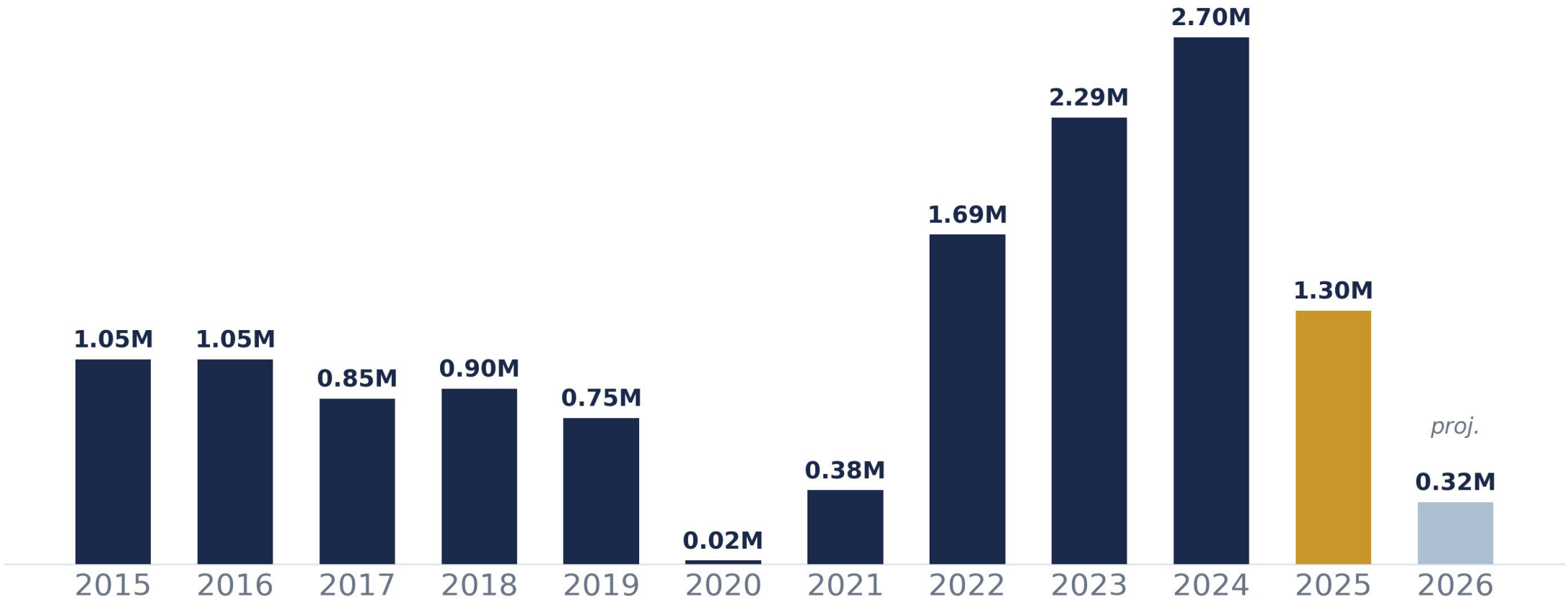


Source: U.S. Census Bureau, American Community Survey 2019-2023 5-Year Estimates, resident population by age (total about 332 million).
Period estimates centered on 2021; shown as 5-year age groups.

LABOR FORCE

The Immigration Surge That Fueled Labor Supply Has Reversed

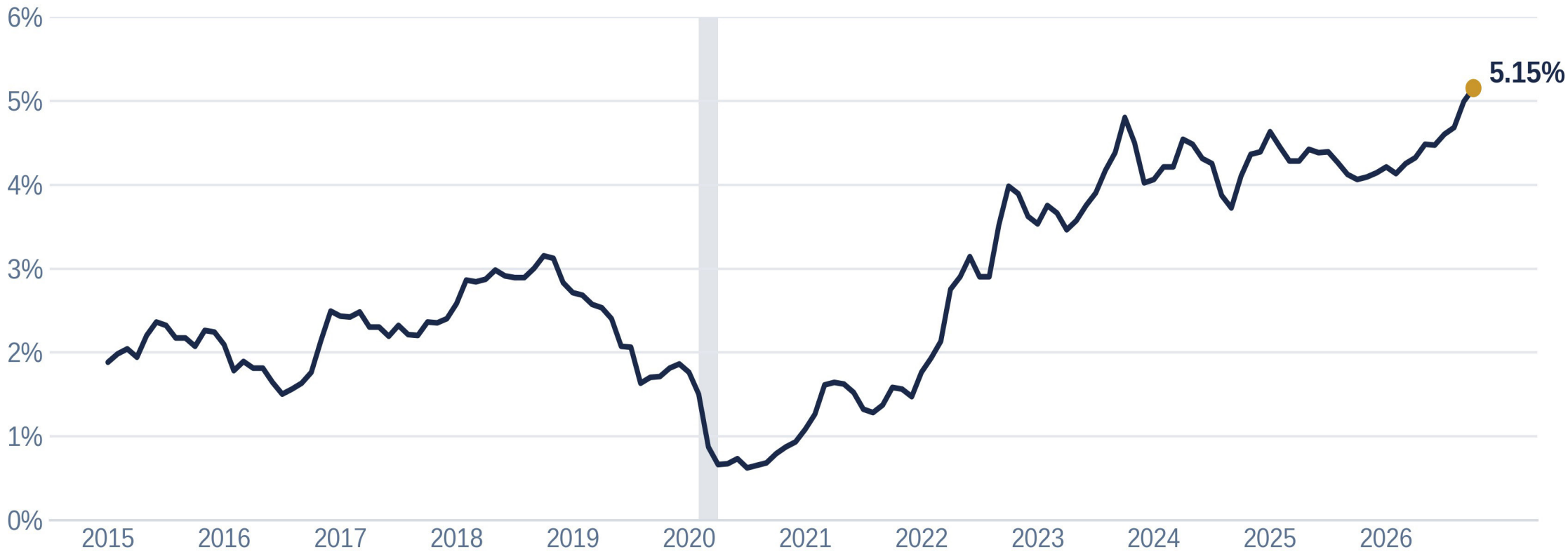
Net international migration to the United States, annual (12 months ending mid-year)



Source: U.S. Census Bureau, Vintage 2025 Population Estimates. 2026 is the Census Bureau's projection.

The 10-Year Treasury Yield Has Surged Since Its 2020 Low

U.S. 10-year Treasury constant maturity rate, monthly average, 2015-present

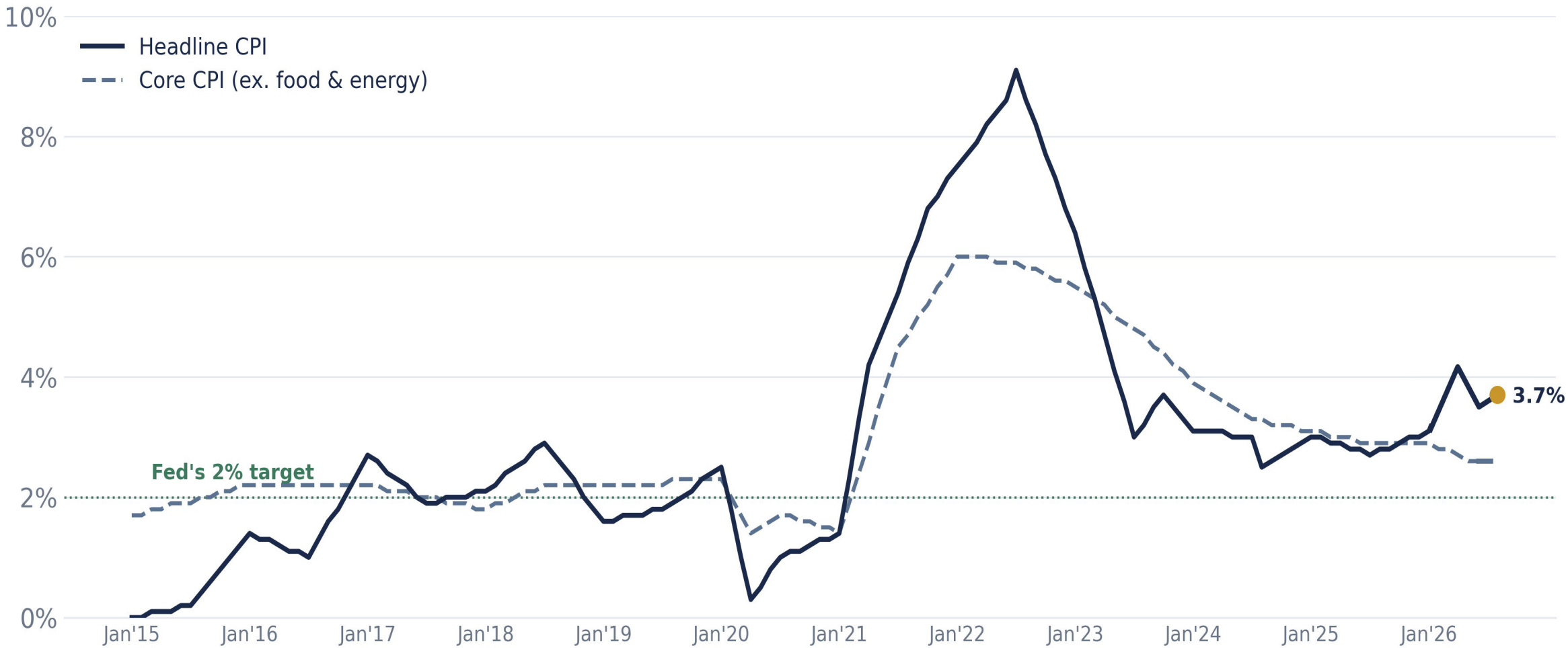


Source: Federal Reserve Board, H.15 Selected Interest Rates (via FRED, series GS10/DGS10), monthly averages. Latest point is the October 1-27, 2026 average. Shaded band indicates the NBER-dated Covid-19 recession.

INFLATION

Inflation Spiked Twice This Decade — Post-Pandemic, and Again in 2026

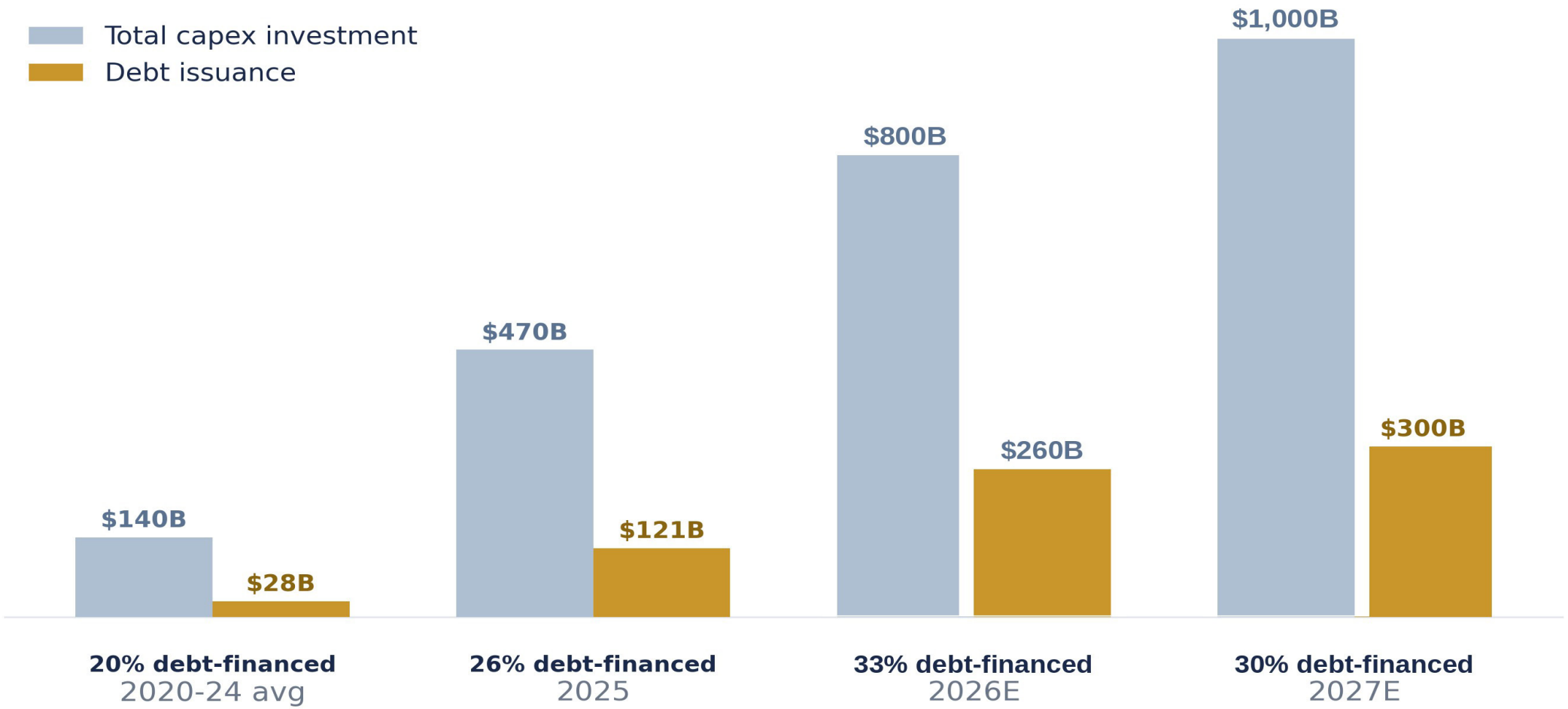
CPI-U, year-over-year change, monthly



Source: U.S. Bureau of Labor Statistics (via FRED, series CPIAUCSL, CPILFESL). Monthly path illustrative between reported readings. Latest: September 2026 (core 2.6%).

AI Infrastructure Is Increasingly Financed With Debt

Top 5 hyperscalers (Amazon, Alphabet, Meta, Microsoft, Oracle): total capex vs. bond issuance, $B



Source: Total capex — company guidance/10-K filings as compiled by Epoch AI, Futurum, RBC, Goldman Sachs.
Debt issuance — BofA Securities, Goldman Sachs, Bloomberg. 2026E-2027E are estimates.

Rates Are Still Volatile Though Not Extreme

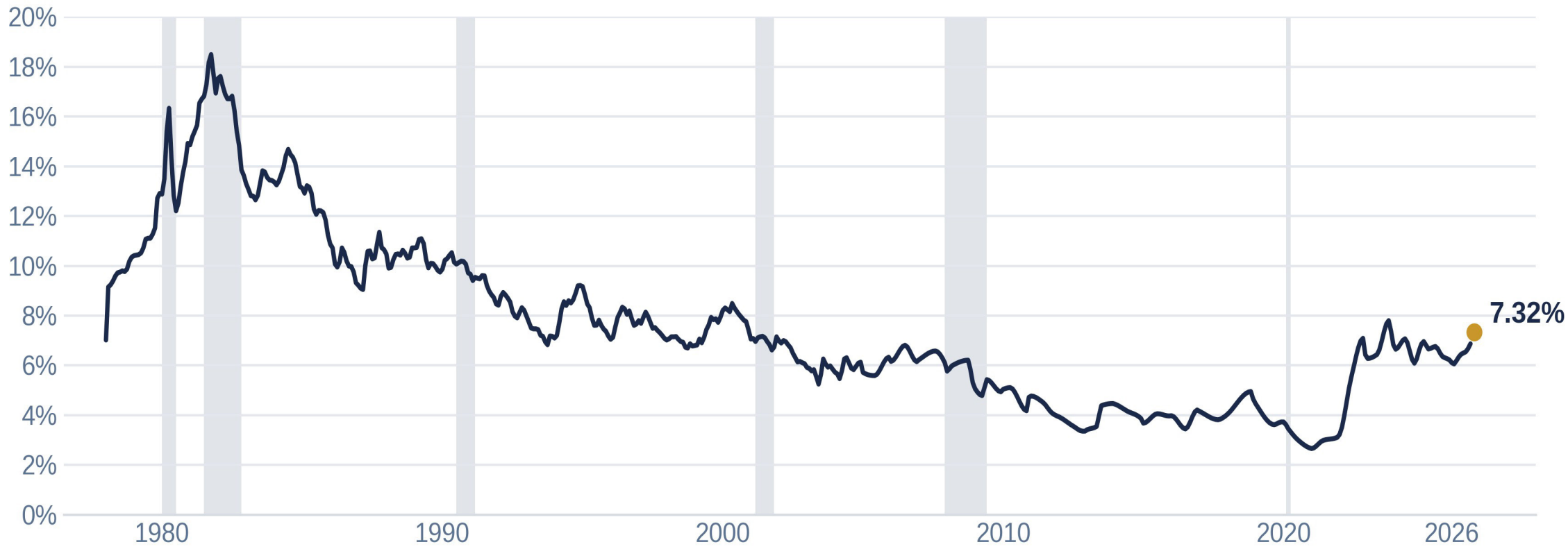
ICE BofA MOVE Index (Treasury rate volatility), monthly average



Source: ICE BofA MOVE Index, as reported in market data services. September avg 83; October 1-27 avg ≈100 (estimated); late-September spike to 104.6.

This Is Why The Current Rate Is A Shock

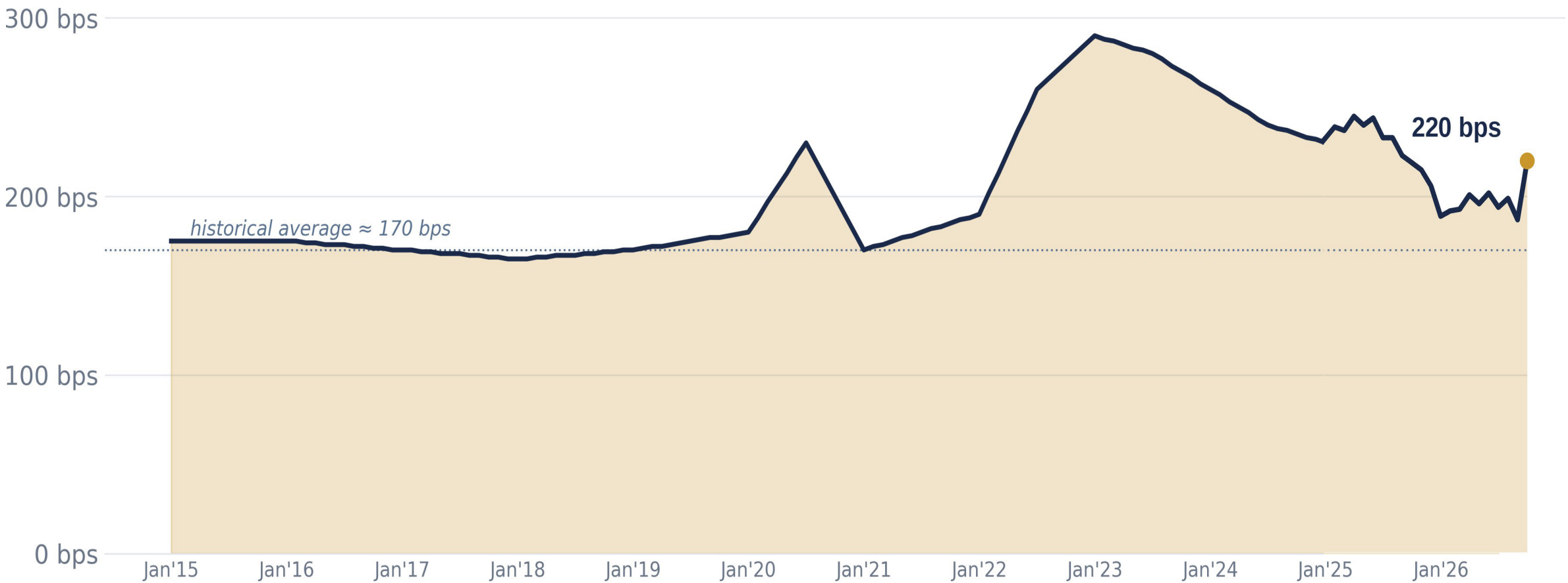
30-year fixed mortgage rate, monthly average, 1978-present



Source: Freddie Mac, Primary Mortgage Market Survey (PMMS), 30-year fixed-rate mortgage, monthly averages. Latest point reflects the week of October 22, 2026. Shaded bands indicate NBER-dated U.S. recessions.

Primary Mortgage Spread Narrowed But Still Elevated

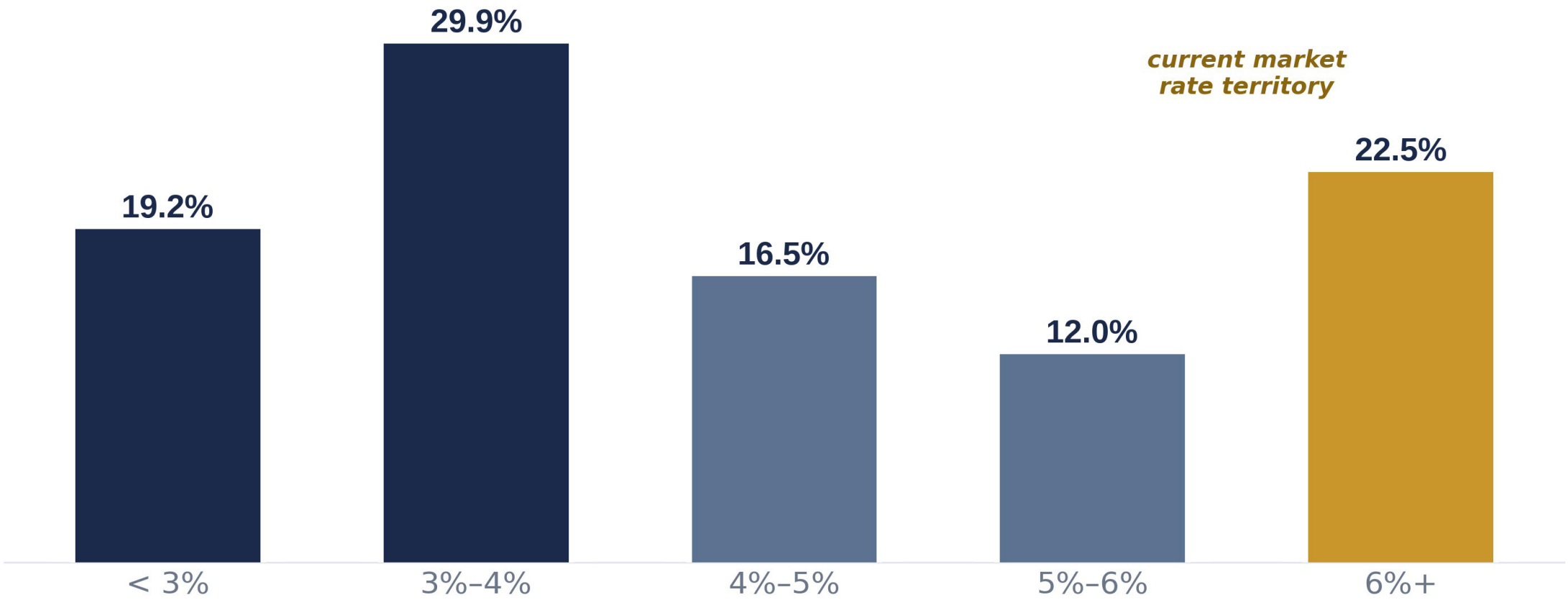
30-year mortgage rate minus 10-year Treasury yield, monthly average



Source: Freddie Mac PMMS; Federal Reserve Board H.15 (via FRED, series MORTGAGE30US, DGS10). Latest: Oct 2026 MTD (7.35% PMMS minus 5.15% 10yr).

Most Homeowners Are Still Locked Into Pre-2022 Rates

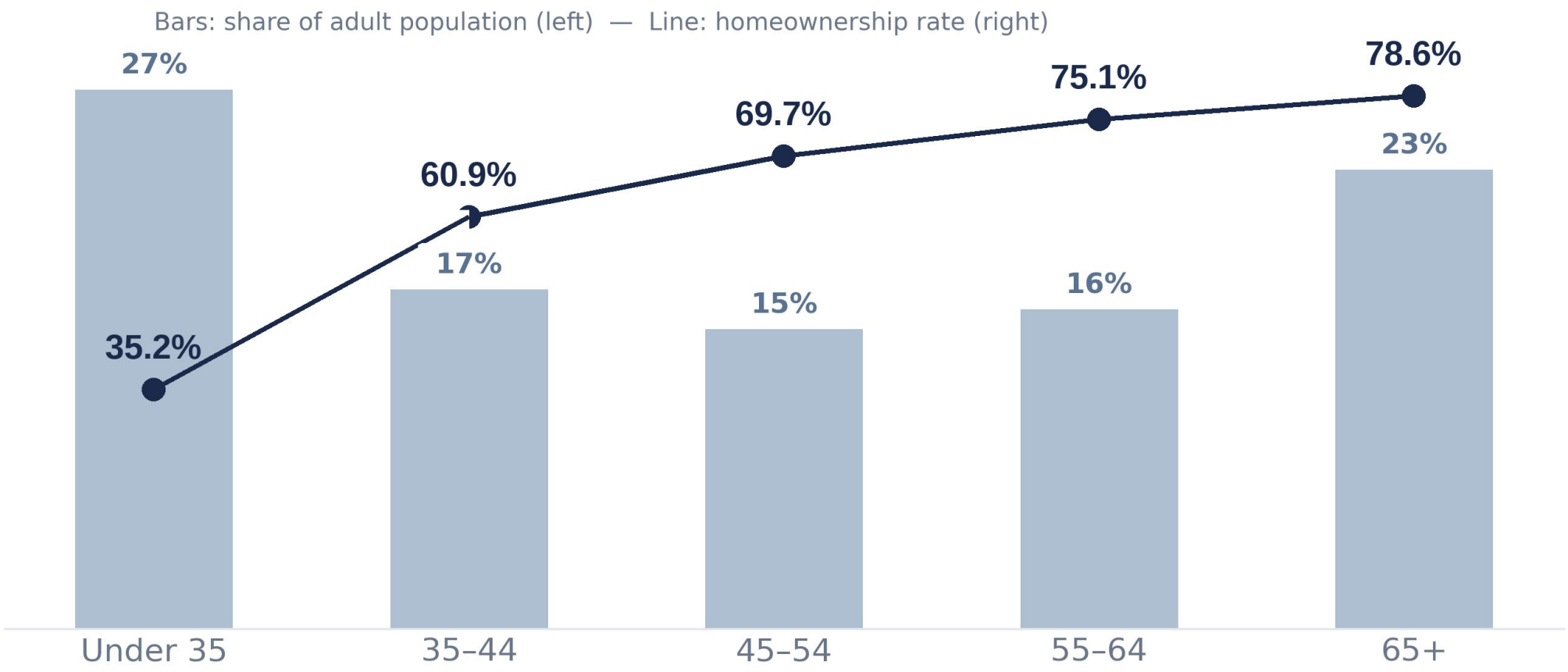
Distribution of outstanding mortgages by note rate, Q2 2026



Source: Federal Housing Finance Agency, National Mortgage Database. 49.1% of loans carry rates at or below 4%.

Homeownership Climbs Sharply With Age

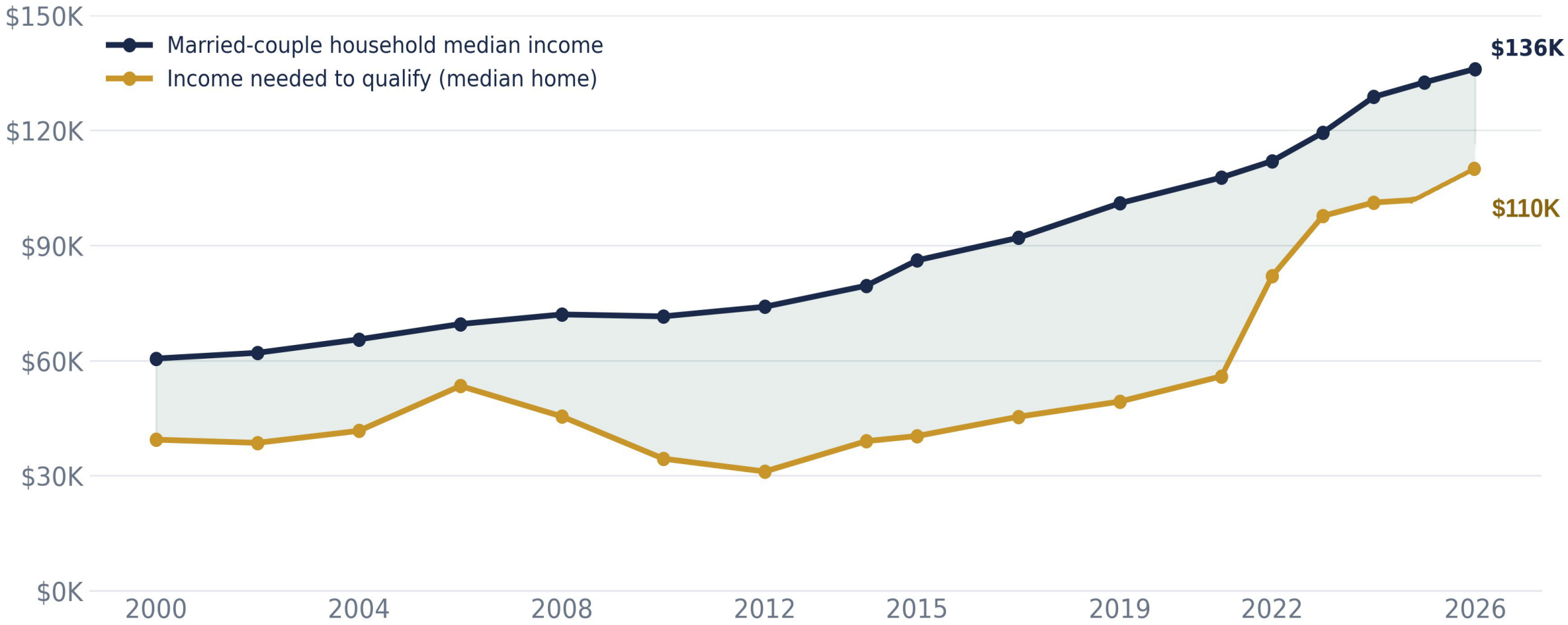
U.S. adult population share and homeownership rate, by age of householder



Source: U.S. Census Bureau, Housing Vacancy Survey (Q2 2026) and Population Estimates (2024).

Two-Income Households Have An Affordability Edge

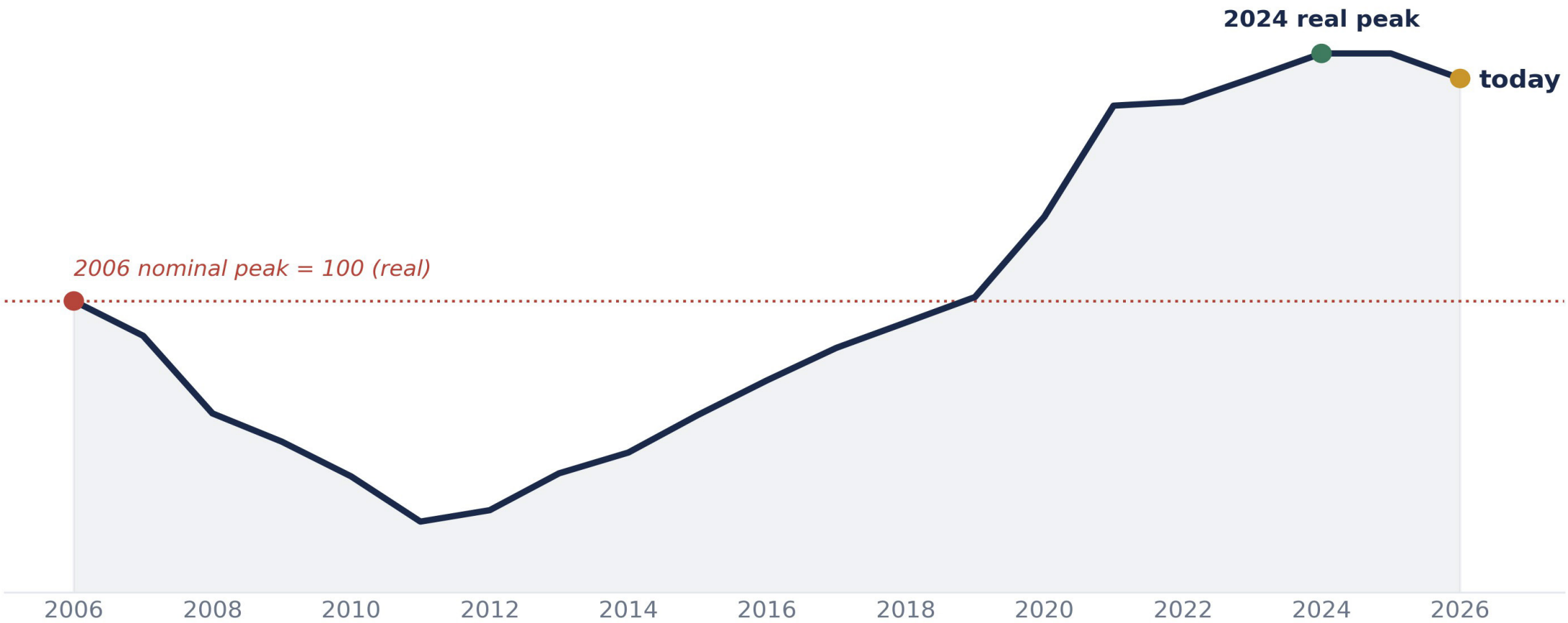
Married-couple median household income vs. income required to buy the median home



Source: U.S. Census Bureau (married-couple income); NAR median price; Freddie Mac rate. Qualifying income per NAR Housing Affordability Index methodology: 20% down, P&I ≤ 25% of monthly income.

Real Home Prices Remain Well Above the 2006 Bubble Peak

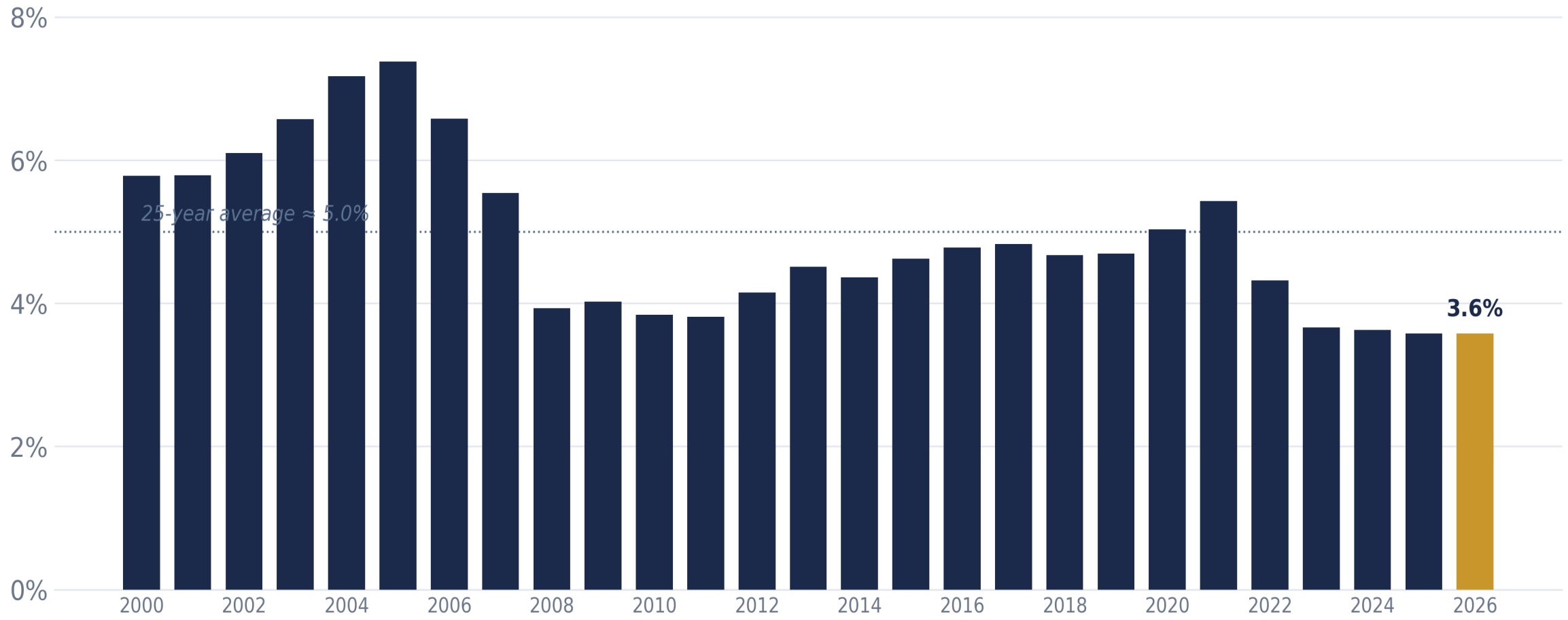
FHFA Purchase-Only House Price Index, adjusted for CPI inflation (2006 nominal peak = 100)



Source: Federal Housing Finance Agency, Purchase-Only HPI (annual); U.S. Bureau of Labor Statistics (CPI-U deflator).
FHFA excludes cash and non-conforming/jumbo purchases, differing from Case-Shiller's broader sample.

Housing Turnover Is Near a Multi-Decade Low

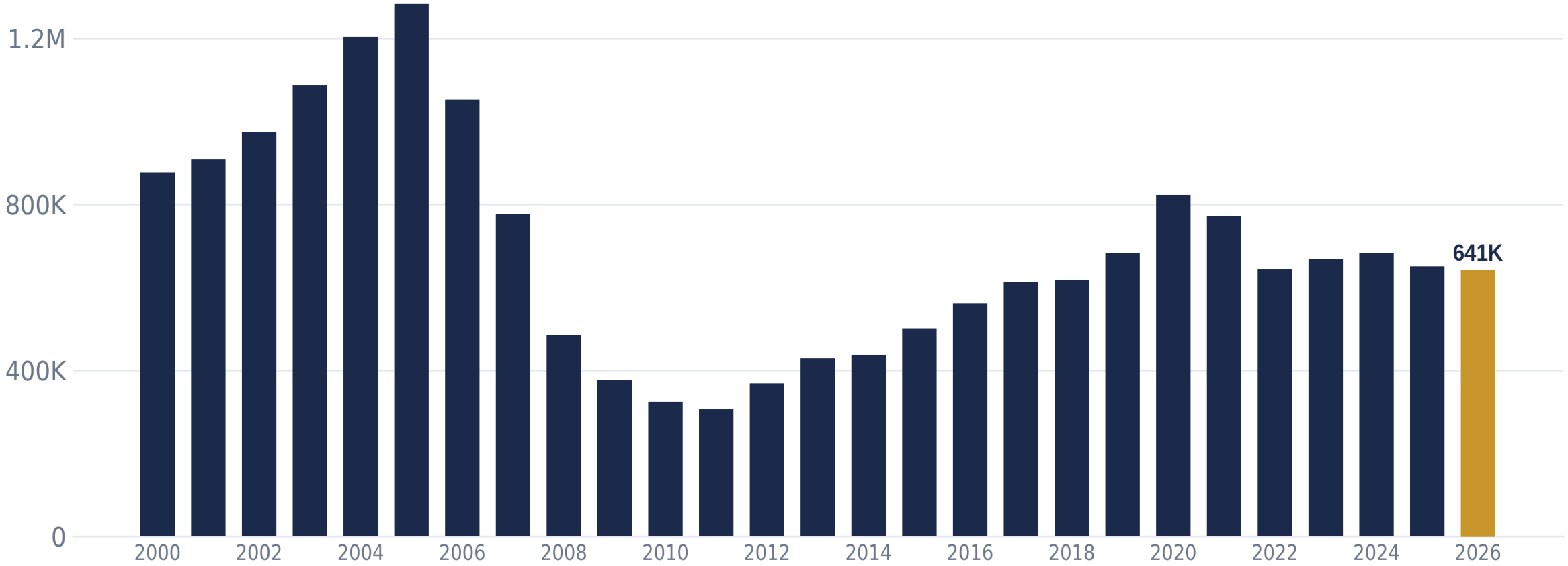
Annual home sales (existing + new) as a share of total households



Source: NAR, U.S. Census Bureau/HUD (sales); U.S. Census Bureau, Housing Vacancy Survey (households). 2026 reflects mid-year seasonally adjusted annual rate.

New Home Sales Mostly Flat For Half a Decade

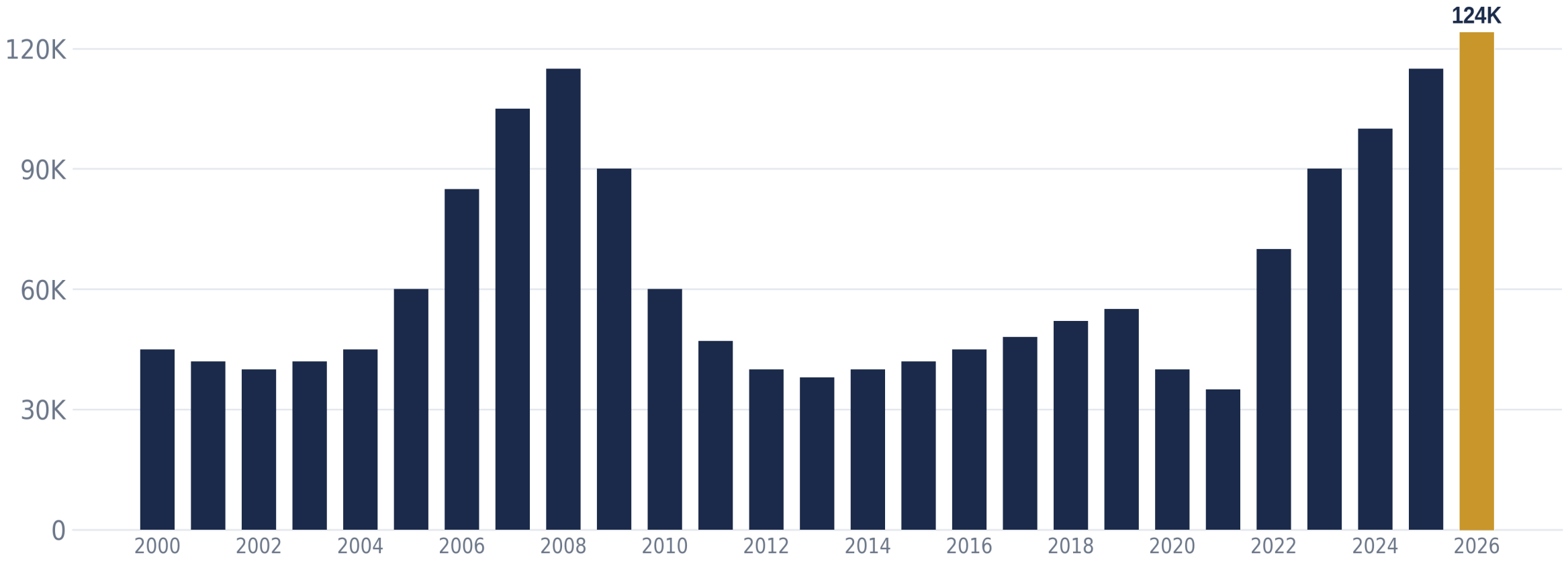
New single-family home sales, seasonally adjusted annual rate



Source: U.S. Census Bureau / HUD, New Residential Sales. 2026 reflects year-to-date average through September.

Unsold Finished Inventory Has Piled Up as Sales Slowed

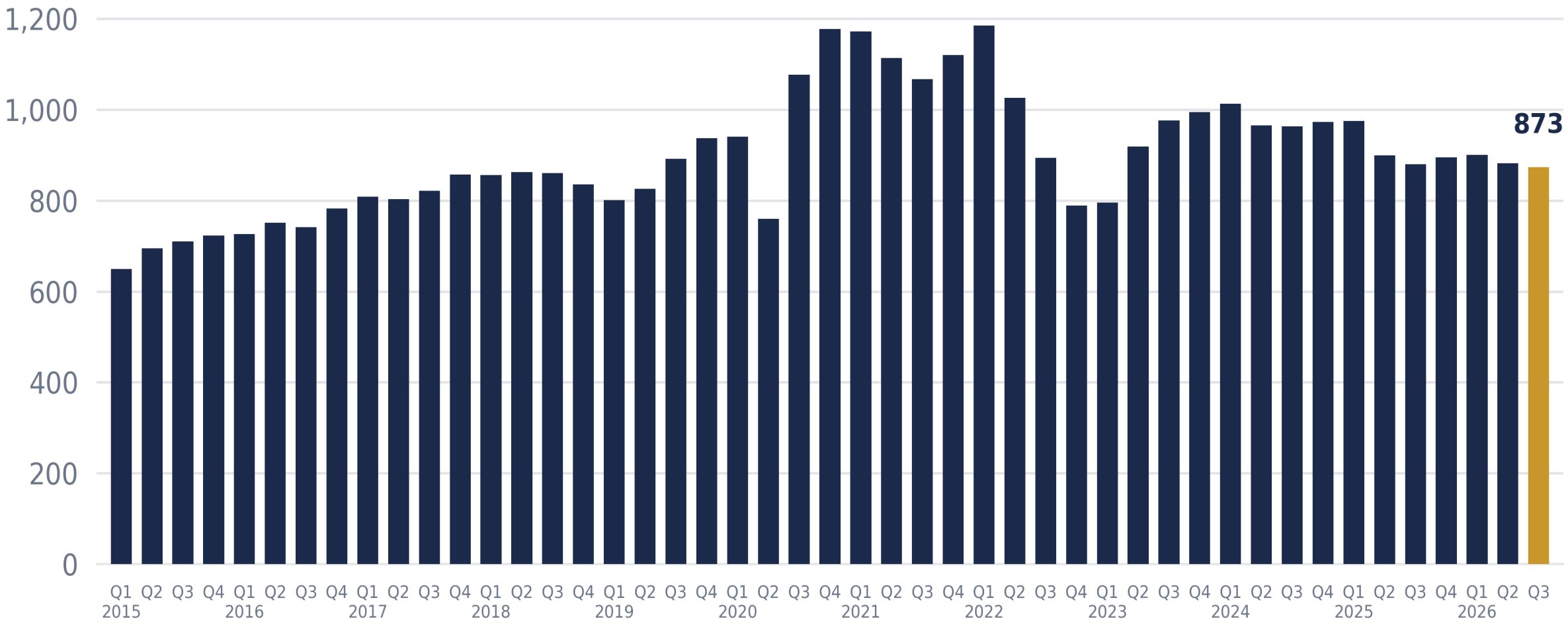
Completed new single-family homes for sale, annual average



Source: U.S. Census Bureau / HUD, New Residential Sales. 2026 reflects year-to-date average through September.

Permits Decline As Affordability And Excess Inventory Weigh On Builders

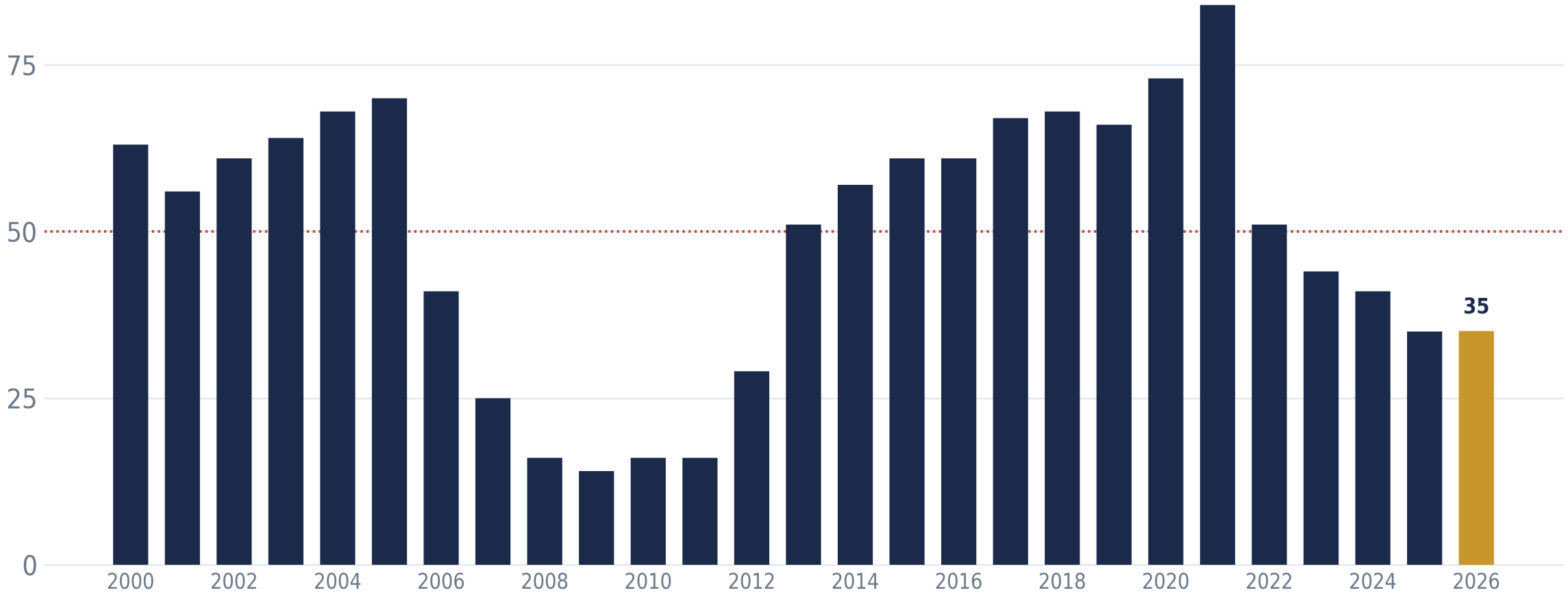
Single-family housing units authorized by building permits, quarterly average, thousands of units (SAAR)



Source: U.S. Census Bureau / HUD, New Residential Construction (via FRED, series PERMIT1), 1-unit structures, seasonally adjusted annual rate; quarterly averages of monthly values. Q3 2026 is the average of July-September.

Builder Sentiment Shows 5th Consecutive Year of Decline

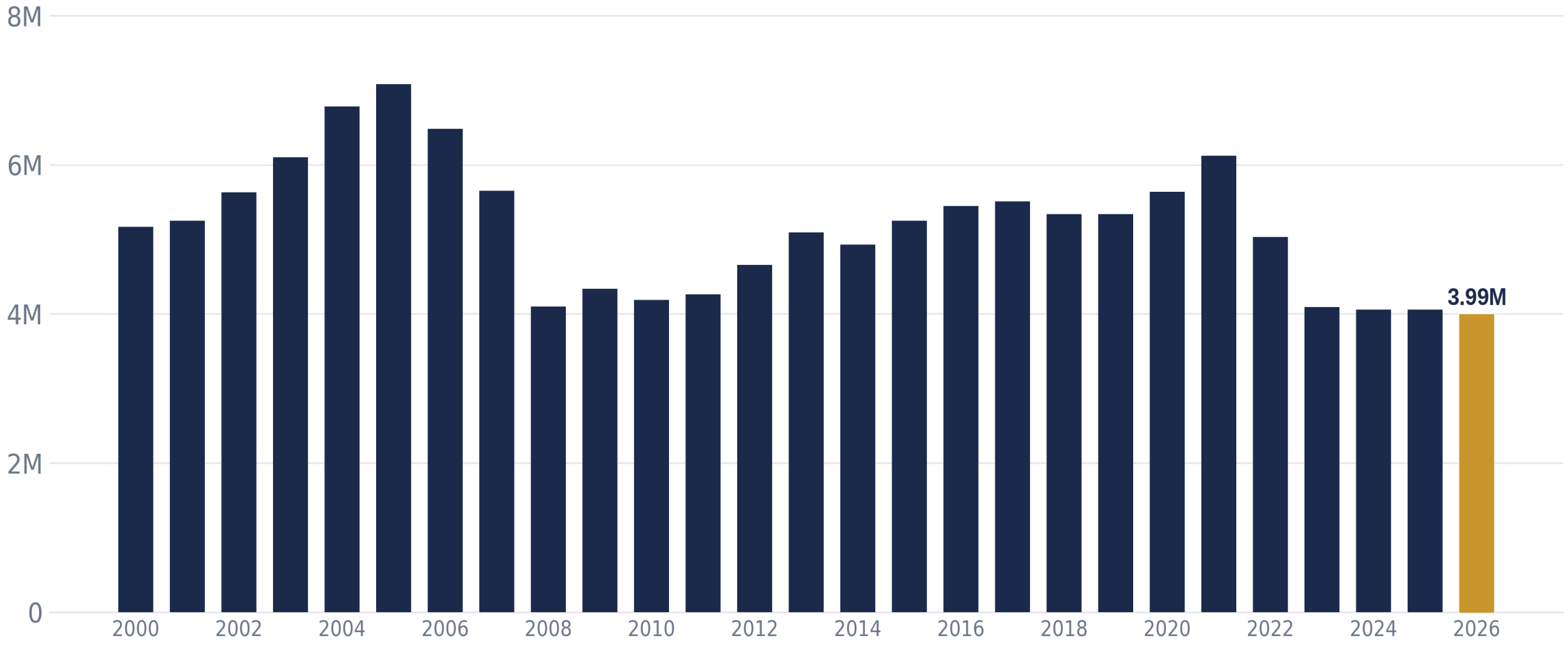
NAHB/Wells Fargo Housing Market Index, annual average. 50 = as many builders positive as negative.



Source: National Association of Home Builders / Wells Fargo, Housing Market Index. 2026 reflects year-to-date average through October.

Existing Home Sales Are Near Their Lowest in Three Decades

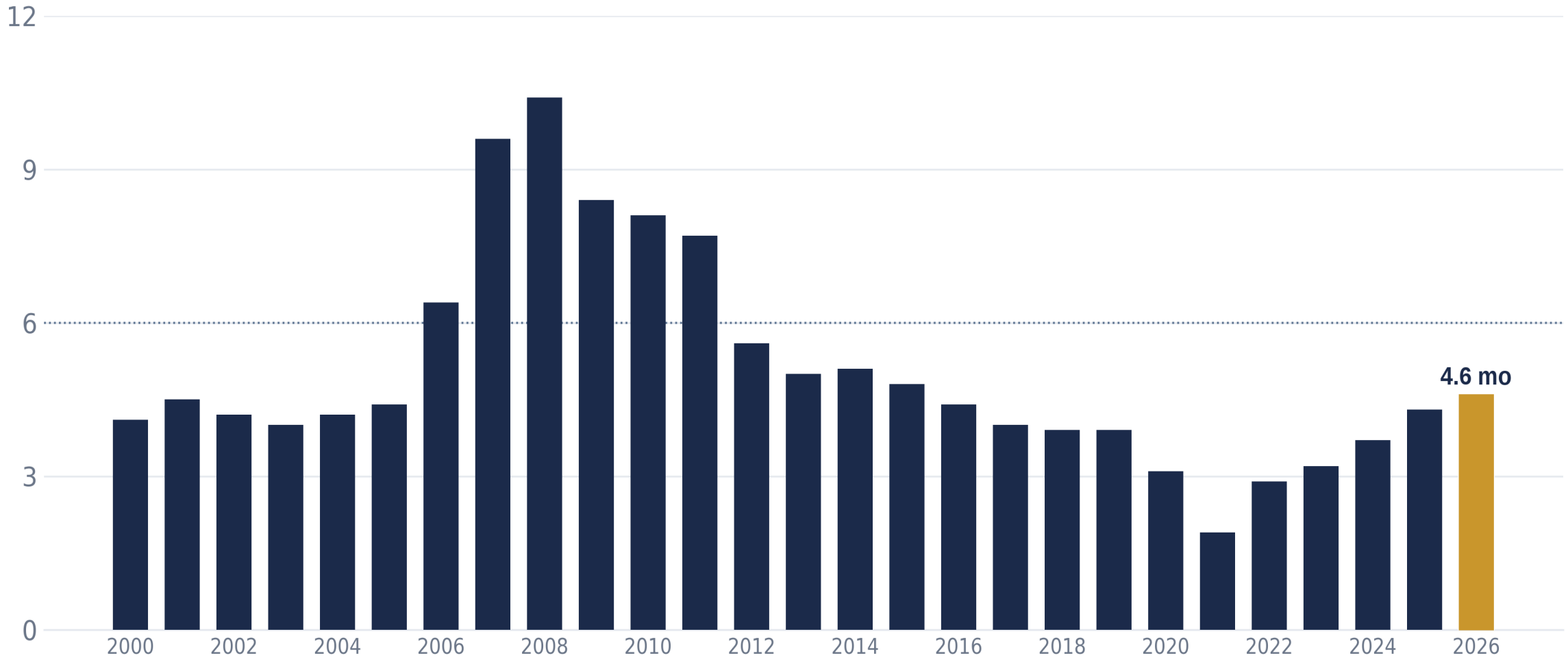
Existing-home sales, seasonally adjusted annual rate



Source: National Association of Realtors, Existing-Home Sales. 2026 reflects the September 2026 seasonally adjusted annual rate.

Existing Home Inventory Has Rebuilt Toward Balance

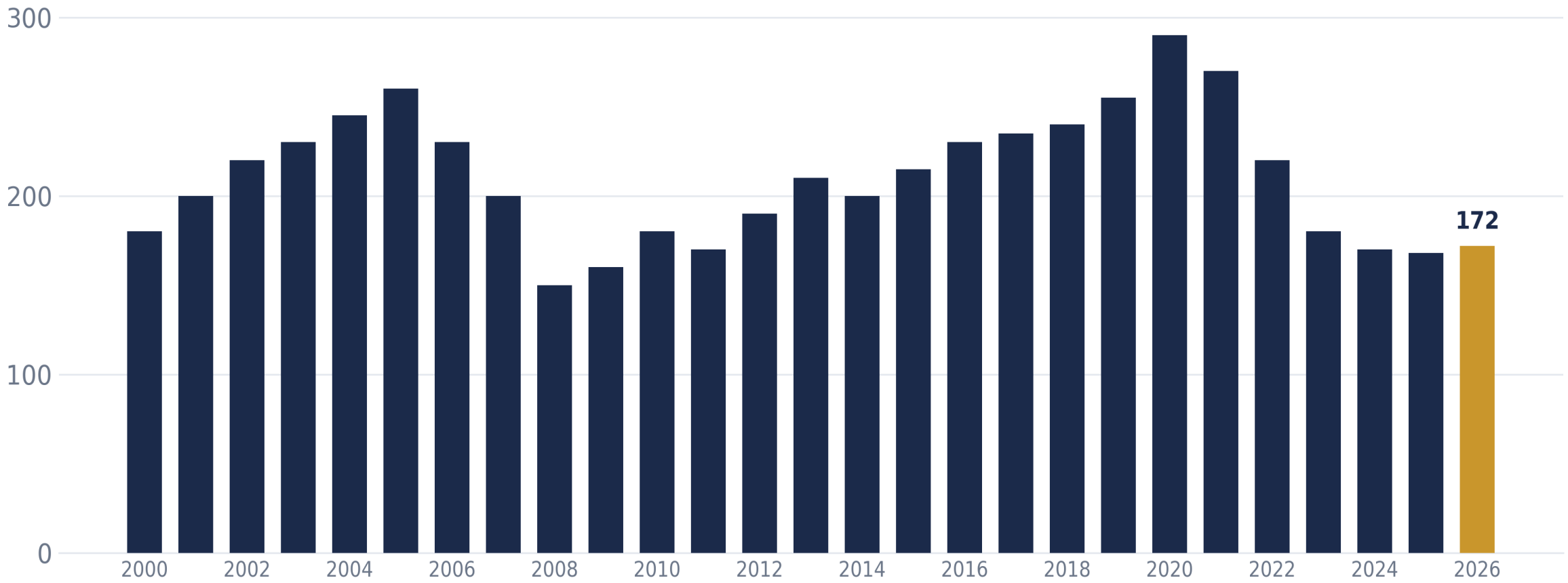
Existing-home months' supply, annual average



Source: National Association of Realtors, Existing-Home Sales. 2026 reflects year-to-date average through September (4.8 months in September).

Purchase Mortgage Demand Has Cooled to Mid-2000s Levels

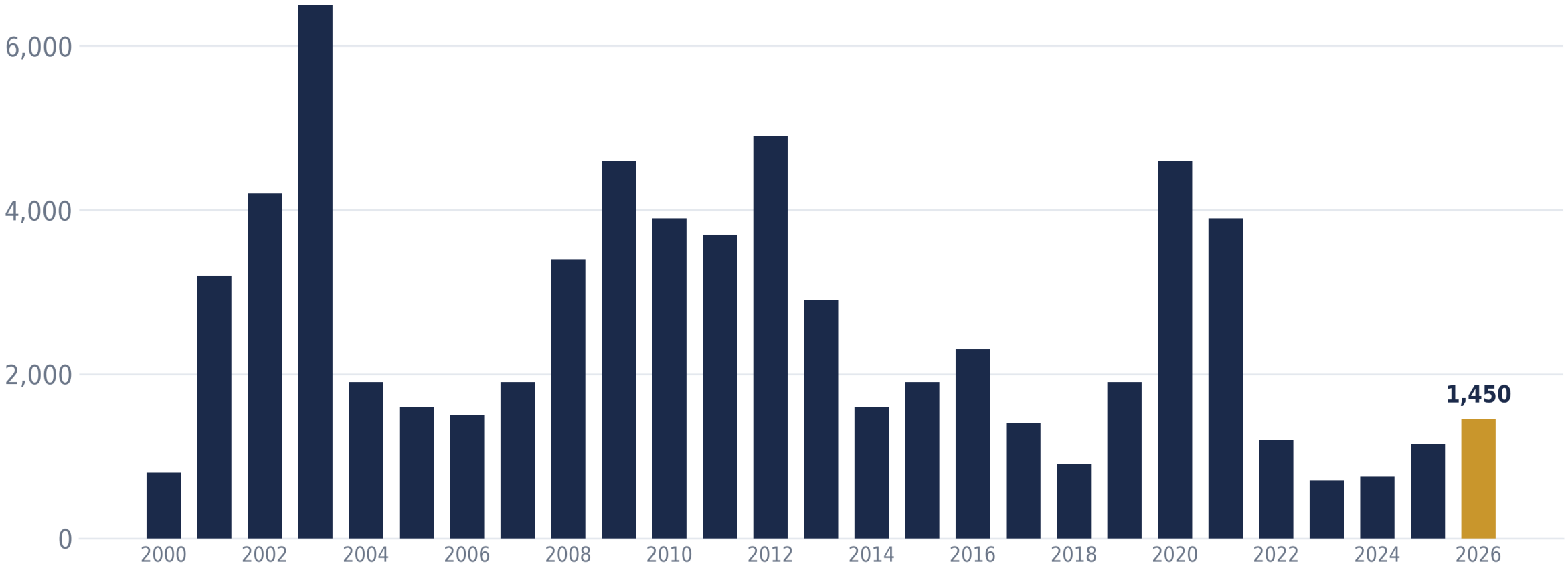
MBA Purchase Applications Index, annual average (3/16/1990 = 100), NSA



Source: Mortgage Bankers Association, Weekly Mortgage Applications Survey.

Mortgage Refinance Applications Show Rate Volatility

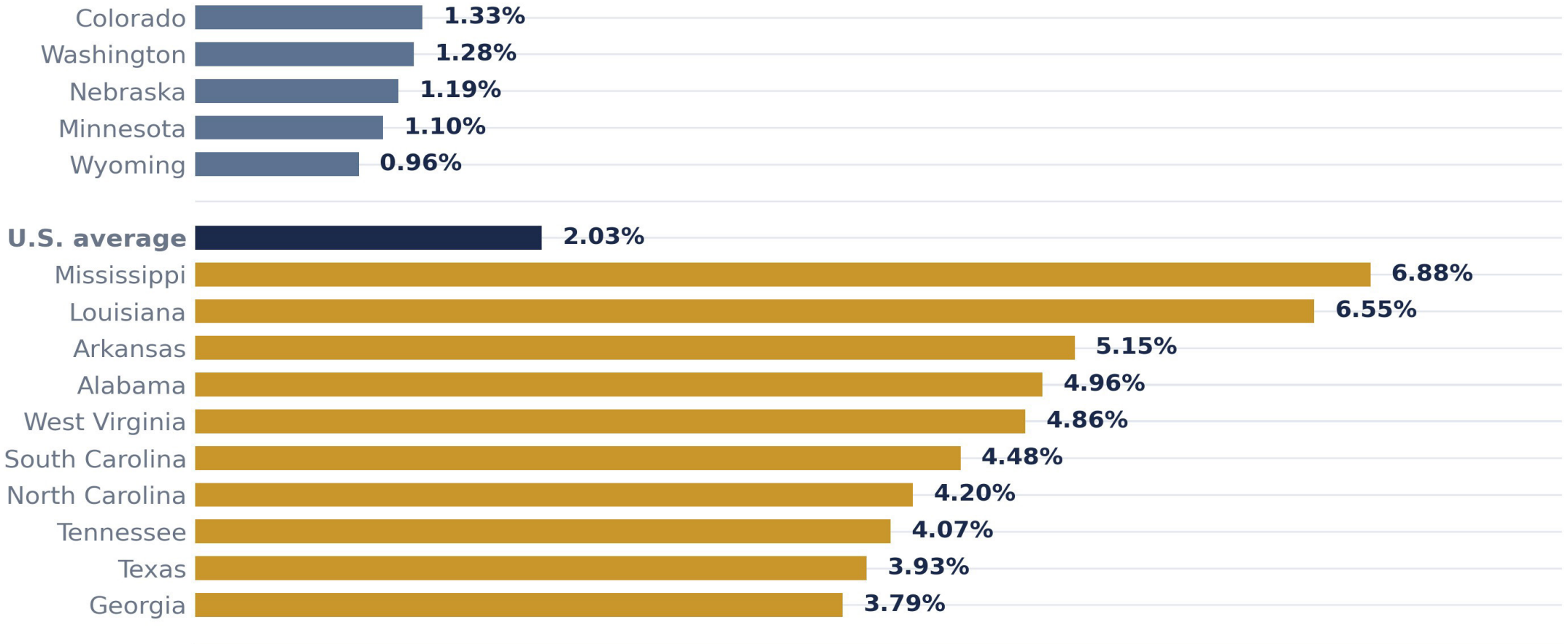
MBA Refinance Applications Index, annual average (3/16/1990 = 100), NSA



Source: Mortgage Bankers Association, Weekly Mortgage Applications Survey.

Serious Mortgage Delinquency Is Concentrated in the South

Mortgage serious delinquency rate by state (90+ days past due or in foreclosure, all loan types), Q1 2026



Source: Mortgage Bankers Association, National Delinquency Survey. National rate: 2.03% (NSA). State figures are estimated from state overall-delinquency patterns scaled by the national serious-to-overall delinquency ratio, as MBA does not publish a free state-level serious-delinquency breakdown.

2026-2027 Outlook Summary

1. No recession in 2026; slower growth in 2027– but probably faster trend growth from AI-induced productivity gains
2. Inflation edges lower, ending 2026 at 3.1% and 2027 at 2.2%
3. Unemployment ends 2026 at 4.1%, 2027 at 4.3%
4. Oil averages $80 for the next two years – but outlook is very uncertain
5. Inflation ends 2026 at 3.1%; 2027 at 2.2%
6. AI capex expands at a slowing pace as debt funding needs are constrained through 2029
7. Home sales flat in 2026 vs. 2025, rising by 3.0% in 2027
8. Mortgage rates end 2026 at 7.0%; 2027 at 6.5%
9. Mortgage delinquency rates edge higher over the next couple of years, but move only toward historical averages with conservative underwriting (although FHA is a concern)

Subject to revision as new data arrive.

Questions & Discussion

Data as of October 28, 2026 — sources: BEA, BLS, Federal Reserve, Freddie Mac, Census Bureau/HUD, NAR, CBO, Treasury, FHFA, MBA, S&P Dow Jones Indices

Charts provided by 38 years of Fannie Mae Chief Economists

David W. Berson
Doug G. Duncan
Mark Palim