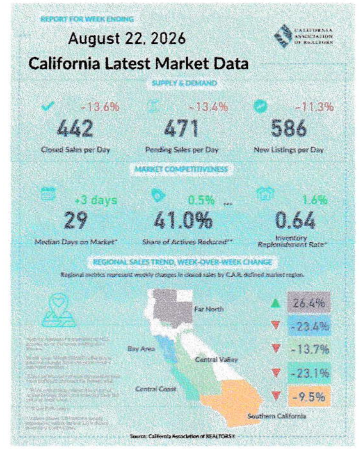
August 24, 2026 - Latest news and studies point to a housing market outlook that remains bumpy but not without signs of improvement in the longer run. On the demand side, slower immigration-driven household growth, elevated long-term interest rate pressures from rising federal debt, and softer homeowner equity gains could weigh on both rental and purchase activity. Builder sentiment also remains restrained by high costs and economic uncertainty. The supply side, however, looks slightly more encouraging. Although housing starts pulled back sharply in July, permitting activity improved from a year ago, suggesting builders have not fully stepped away from future projects and may be positioning for a modest recovery once conditions improve.



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National debt hit $40 trillion: The U.S. government debt has passed a new borrowing milestone last week, topping the $40 trillion mark for its total public debt outstanding. While crossing the threshold carries symbolic weight, market participants care less about raw figures than other measures. The U.S. debt-to-GDP ratio is widely expected to keep rising, reaching 120% in 10 years and 175% in 30 years under current law. As a comparison, the national debt—now approaching World War II levels at about 100% of the country's annual GDP—was just 31.5% of GDP in 2001 after four years in which the government ran budget surpluses. An aging population has led to increased spending on Medicare and Social Security, while revenues haven't kept pace, with lawmakers repeatedly passing and extending tax cuts. High national debt level can put upward pressure on long-term interest rates. As government issues more Treasury securities, investors often demand higher yields to absorb the additional debt. Investors also will likely demand a higher "term premium" as they become more concerned about persistent deficit, rising debt-to-GDP ratios, and future inflation risks. Inflation expectations would rise as well, which could push rates up further.

Immigration drop reduces household growth in 2026 and 2027: The sharp drop in immigration in 2025 will have bigger effects on household growth in 2026 and 2027 after contributing modestly to its slowing last year, according to an analysis from the Joint Center for Housing Studies. Based on Census Bureau's data, net international immigration dropped 54% to 1.3 million people in 2025 after reaching 2.7 million in the prior year. Meanwhile, household growth also declined but at a more moderate pace of 16% from 2024. Historical data suggests that while many immigrants form their households in their year of arrival, most of their net household formations take place a year or two after they enter the U.S. If household growth follows a similar pattern as in the past, the downturn in immigration in 2025 will have a more pronounced impact on household growth in 2026 and 2027. Combining with the projection that net international immigration will plummet another 75% in 2026 to just 0.3 million, the current immigration slowdown could lower the pace of household growth from recent immigrants by 420k households per year in 2026 and 2027. The declining trend in household formation has broad implications on both rental demand and purchase demand in the housing market and could present some headwinds for home sales growth in the medium term.

Home equity across the U.S. declined in Q2: ATTOM's latest Q2 2026 home equity reports indicate that housing wealth continues to soften as home price appreciation slows in many markets but remains historically strong. At the national level, 41.1% of mortgaged homes were classified as equity-rich (owners hold at least 50% equity), down from 43.3% in Q1 2026 and 47.4% in Q2 2025. It was the fourth consecutive quarterly decline and reached the lowest level in nearly five years. California remained above the national average at 45.6% but experienced one of the largest year-over-year declines, falling from 56.9% in Q2 2025. Despite recent moderation, homeowner equity levels remain healthier than they were before 2020, an indication that most homeowners still have substantial cushions against market downturns.

Builder confidence edges up as costs continue to restrain the housing market: U.S. homebuilder sentiment released by NAHB/Wells Fargo improved slightly with the Housing Market Index (HMI) inching up one point to 35 in August and remained below 40 for the 16th straight month, a streak not seen since 2011-2012. While confidence in the market technically improved, rising construction costs, heightened geopolitical risks, and lingering economic uncertainty continued to weigh on the industry. Despite an increase in the overall sentiment, the index's measure of sales expectation in the next six months remained unchanged at 43, while the measure on traffic of prospective buyers also stayed flat from the prior month at 23. The share of builders who cut prices in August dipped slightly to 35% from 37% recorded in July, and the average price reduction was 6% in August, unchanged from the previous month. The latest report suggests that builder confidence has stabilized in the past month, but developers will remain cautious in the near term as they will likely continue to face challenges in the rest of the third quarter.

Housing starts recede but rising permits offer signs of hope: U.S. housing starts fell sharply in July after a bounce back in the prior month, while a moderate increase in permits issued last month points to stronger future building activity. Overall housing starts last month plummeted 12.4% from June to a seasonally adjusted annual rate of 1.24M, as single-family starts dropped 9.9% month-over-month and reached the lowest level since November 2022. Multifamily starts, which include apartment buildings and condominiums, decreased 16.8% from June to July to an annualized 431,000, after a surge in the prior months. On a year-over-year basis, both single-family (-15.7%) and multifamily (-8.9%) were down amid rising construction costs and interest rates climbing to a 12-month high. The West region took a hard hit in single-family last month, with one-unit starts plunging 21.6% month-over-month and falling 20.7% year-over-year. Permitting activity, however, offers some hope for the building industry as total permits issued jumped 3.1% from last year while single-family registered a 1.1% gain from a year ago, a signal that builders remain cautiously optimistic in the future housing market.

Note: *This summary report gets updated every Monday by 6:00 pm PST. Feel free to email us at* ***research@car.org*** *if you have any questions and/or feedback.*