

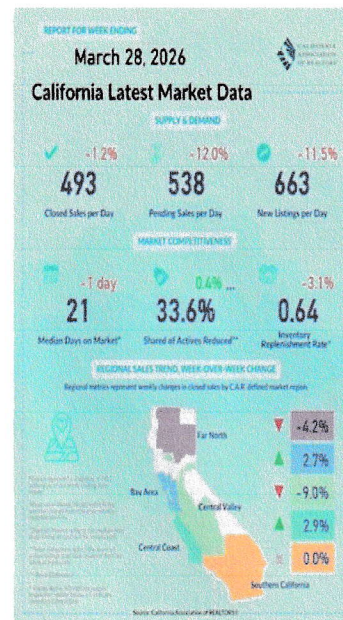
March 30, 2026 – Economic volatility stemming from the conflict in Iran has led to a rapid increase in yields on the bond market, with a corresponding jump in mortgage rates and decline in mortgage applications. Rising oil and energy prices are roiling financial markets and driving new inflation fears, contributing to a decline in American consumer sentiment in March. Elsewhere in the economy, a new study shows that more Americans are making financial sacrifices to afford home insurance than ever before. Construction spending took an unexpected step back in January 2026 after an encouraging December 2025. Continuing jobless claims dipped, however, a sign that suggests unemployment could be stabilizing in the short term.

Mortgage applications dropped sharply during the week of March 16 to 20:

According to the latest Mortgage Bankers Association's weekly survey, mortgage applications during the week of March 16 to 20 decreased by 10.5% from the week prior as demand buckled under the pressure of rising interest rates. Refinances dipped by 15% while purchases dropped by 5%. The downward trend in the mortgage market is certainly tied to events generated by the conflict in Iran. Higher oil prices have pushed up treasury yields, bringing 30-year fixed mortgage rates over to a weekly average of 6.38%, according to Freddie Mac. That is the highest figure since October 2025. According to Mortgage News Daily's figure for Monday, March 30, the 30-year fixed rate mortgage has declined from last week's recent high but remained elevated at 6.55%. Before the Middle East conflict started, mortgage rates had dipped below 6% during the last days of February. The combination of higher rates and broader economic uncertainty has pushed potential buyers to the sidelines. Consumers are extremely sensitive to rate changes. Adjustable-rate mortgage applications actually increased, rising to 8.1% of total applications.

Consumer sentiment dips amid uncertainty about Middle East conflict: The University of Michigan released its Consumer Sentiment Index last week, showing sentiment declining by 6% month-over-month, the lowest level since December 2025. Declines were consistent across political parties and age. Consumers in middle- and high-income brackets reported the biggest declines in sentiment, probably driven by volatility in financial markets since the beginning of the Iran conflict. Short-term economic outlooks were the hardest hit with a 14% decline, while long-term expectations showed smaller declines. This suggests that many consumers believe the recent conflict may not be long-lasting. Inflation expectations increased from 3.4% in February to 3.8% in March. Both figures are higher than those reported in 2024. The increase in inflation expectations reflect fears that spiking energy prices may begin to put upward pressure on overall inflation in the United States.

More homeowners make financial sacrifices to afford home insurance: A recent study from Insurify found that 59% of U.S. homeowners had an increase in their home insurance premium in 2025. Three out of five (57%) respondents said they made financial sacrifices to continue to pay for coverage. Homeowners made sacrifices by cutting back on nonessential purchases (30%), delaying home repairs (22%), delaying payment of other bills (15%), taking on debt (15%), borrowing money from friends/family (12%), and even skipping meals. Two out of five (40%) respondents spent more on home insurance than car or health insurance. A little over a quarter of homeowners (28%) stated they would drop home insurance if they could, a response driven by the increase in costs. American homeowners seem to be more accepting of losing privacy in order to save on their home insurance costs: 30% said they would let their insurance company install cameras on their property for monitoring purposes, so long as it came with a 50% discount in their coverage costs. Overall, the study paints a picture of increasing financial strain on American homeowners from cost increases in home insurance, particularly for younger Americans. Gen Z and Millennials were six times more likely to have borrowed money to help cover the



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cost of home insurance than Baby Boomers. Nearly half (45%) of respondents didn't incorporate the cost of home insurance into the total cost of buying a new home, compared to one-third (33%) who didn't take property taxes into account.

Construction growth slows in January: According to data analyzed by the U.S. Census Bureau, U.S. construction spending dipped by 0.3% in January after a promising increase of 0.8% in December. Investment in residential investment dropped by 0.8% after a 2.5% increase in December. Spending on single-family housing projects dropped by 0.2% while investment in multifamily projects fell by 0.7%. Keep in mind this report looked at January's numbers, before the onset of the conflict in Iran. Taking a longer view, construction spending as a total is still up 2% from the low in May 2025. Residential renovation work is playing an outsize role in that modest increase. Residential renovation spending has increased by \$53 billion since May, while all other construction is down by about 12% during the same span. Put another way, every \$1 out of \$4 in private construction activity is for residential renovation.

Weekly jobless claims rose slightly but remained stable: Initial jobless claims came in at 210,000 for the week ended March 21, up 5,000 from the prior week and met the expectations projected by economists. Continuing unemployment claims, the principal way to measure the number of people receiving unemployment benefits, fell by 32,000, the lowest level since May 25, 2024. Many consumers still report a difficult job market to crack into though, and the number of Americans unemployed for at least 27 weeks stands at 1.9 million (25% of all those unemployed), almost double what it was in 2022-2023.

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.*