

Daily Dose of Macro & Markets 20th August 2025: “US Housing Activity: Depressed”

The ‘Daily Dose of Macro & Markets’ is our new publication designed to speak to the key global macro debates that matter for markets (with 1 - 3 charts and two paragraphs). This product will be published every Tuesday, Wednesday and Thursday morning (early London time).

Key Quote: US National Association of Realtors’ (NAR) Chief Economist

“Multiple years of undersupply are driving the record high home prices”;

Sources: NAR Chief Economist Lawrence Yun, 23rd July 2025, <https://www.nar.realtor/research-and-statistics/housing-statistics/existing-home-sales>

US Housing Activity: Depressed

The 3rd week of the month is typically a big data week for US housing. So far this week, the National Homebuilders’ index (NAHB) and Census Bureau starts and permits data have been published. **Most of it has been disappointing.** That is, permits were less than expected (and are now in a downtrend); while the NAHB index came in at 32 vs. expectations of 34 (after 33 last month). With that, the index is back at 5 year lows (FIG 1). Starts, meanwhile, were the bright spot but are volatile (often due to weather patterns) and typically follow the trend in permits, but with a lag. Activity, therefore, has deteriorated further in the housing market (from an already soft level).

Indeed, on a variety of measures **US housing activity is in a deep recession** (and has been for the past three years): The NAHB homebuilders’ index is at 5 year lows; existing and pending home sales are currently at (or close to) record all time lows (and have been for 3 years); the ‘home buying conditions’ sub index of the Michigan consumer sentiment survey is close to multi decade lows (having bounced modestly from last August’s all time low); while inventory levels are high (especially for new homes).

Some, like the National Association of Realtors’ Chief Economist, think the lack of housing activity is due to “Multiple years of undersupply” (see quote above). That, however, isn’t consistent with the data. Inventory of new homes for sale is running at 9.8 months (it’s highest since the depths of the GFC recession – FIG 2). The number of unsold new homes was up again last month to 511,000 (from 505k). That’s its highest level since October 2007. It’s also up sharply over the past decade (FIG 2). Reflecting that excess of supply relative to current demand, prices are falling in most US counties (according to Zillow). As we show in FIG 3, house prices declined in ~60% of US counties last month (relative to the prior month, according to Zillow). Looking at the annual rate of change, 32% of counties are negative. As the chart shows, that situation has only been worse in the GFC. High inventories and falling prices illustrate the challenge for the US housing market -> that is ‘money is too tight’.

Indeed, the circle is squared by a key sub question in the Michigan survey on ‘home buying conditions’. Householders, when asked what their reasons are for not buying a house, point to the high level of mortgage rates (with this sub index at record lows – see FIG 4).

Expensive mortgages, high inventory and falling prices are all consistent with a housing market which is suffering from tight monetary policy. In that respect, it's all eyes on Powell's speech at Jackson Hole on Friday, as well as the existing home sales data tomorrow at 3pm London time.

Fig 1: US NAHB homebuilders' index shown with US recessions

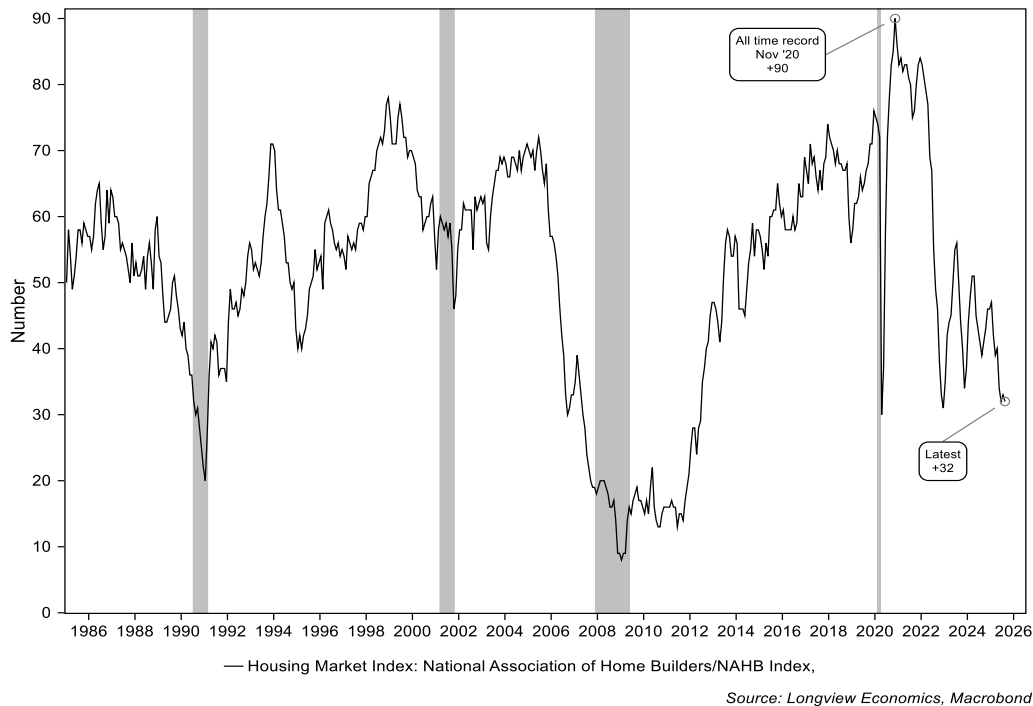


FIG 2: US new homes for sales (months of supply & absolute level, privately owned)

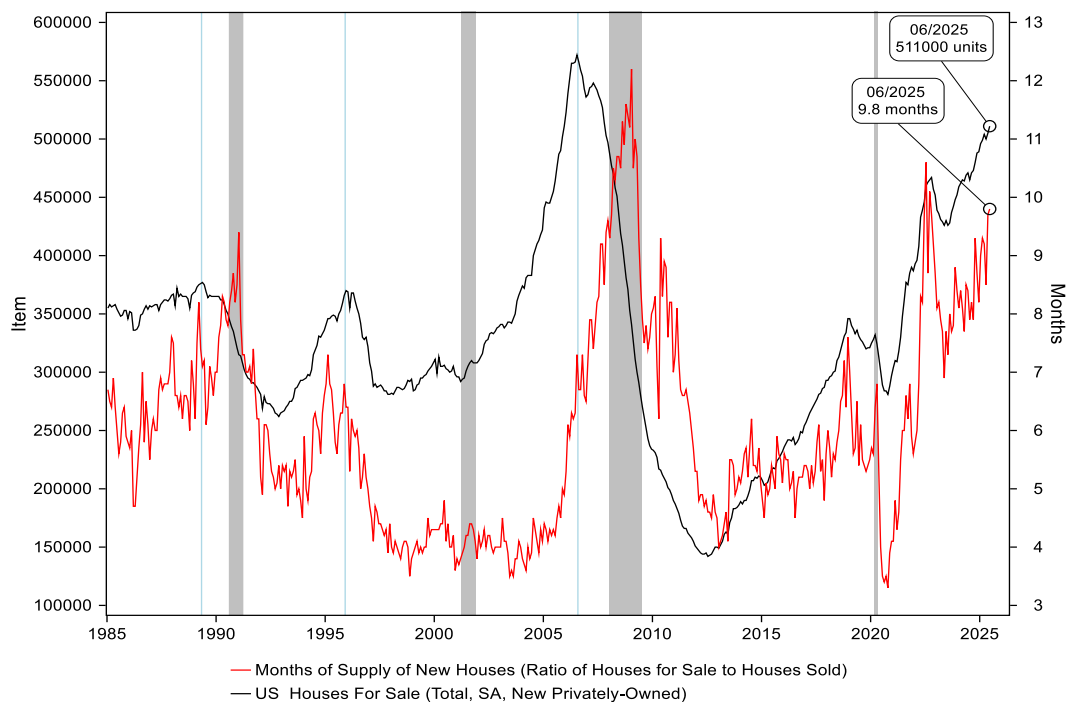
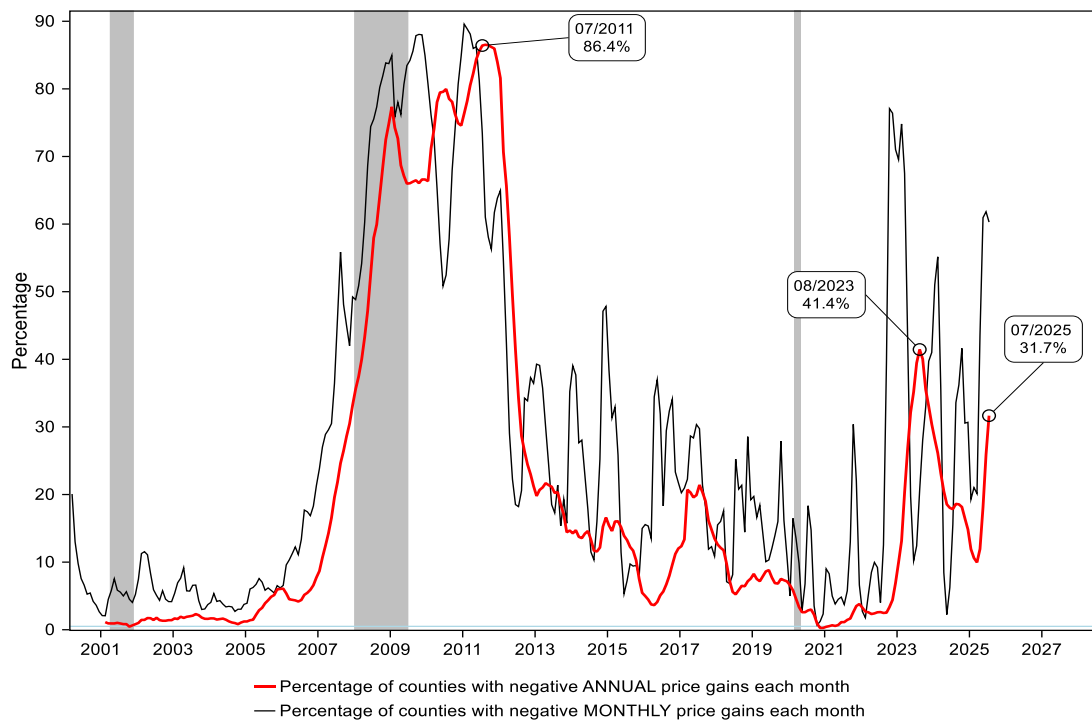
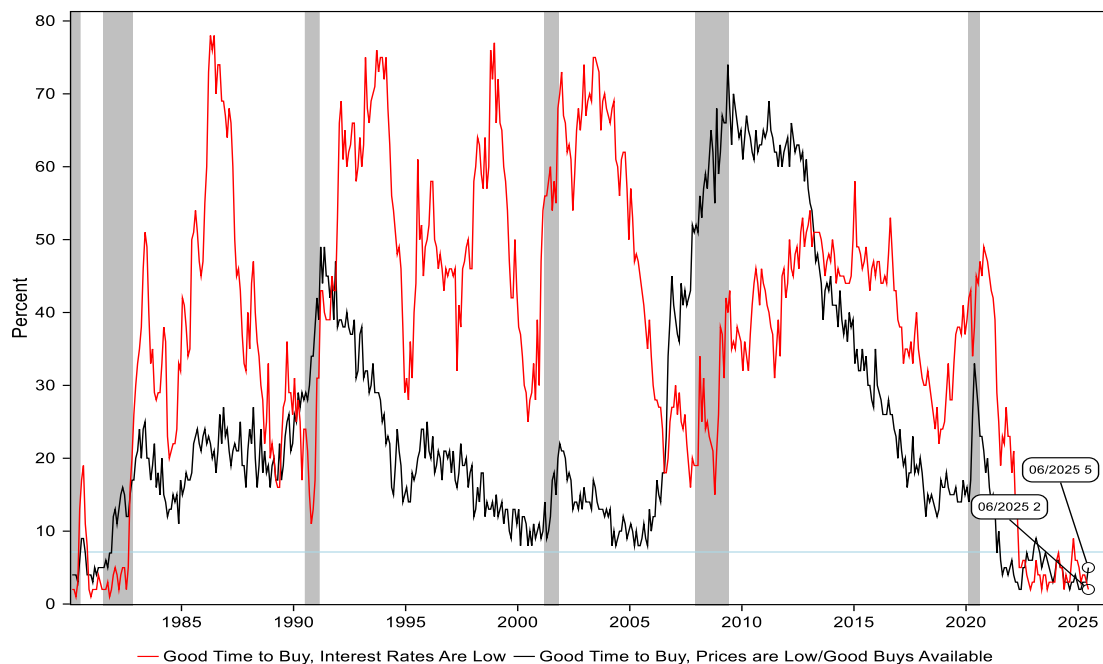


Fig 3: Percentage of US counties with annual & monthly price losses (% of total counties)



Source: Longview Economics, Macrobond

Fig 4: Michigan survey: Reasons why it's (not*) a 'good time to BUY a house'



Source: Longview Economics, Macrobond

*In other words, 'interest rates' are not low enough (they are too high). Equally, prices are also not low. That, however, doesn't reflect the lack of houses for sales. Inventories are at/close to record high levels (as shown above).