

NAHB/Wells Fargo Housing Market Index (HMI) – July 2026

Indices

The NAHB/Wells Fargo Housing Market Index (HMI) is designed to gauge and track the pulse of the single-family housing market. The HMI is based on a monthly survey of single-family builders who are asked to rate three specific conditions of the housing market:

- Present sales of new single-family homes
- Expected sales of single-family homes for the next six months
- Traffic of prospective buyers of new single-family homes

Each month, the HMI depicts overall builder sentiment toward housing market conditions on a scale ranging between 0 and 100. A higher reading (>50) is an indication that the majority of builders feel confident about the current and near-term outlook for housing. Lower readings signify less optimism among builders.

HMI Key Findings: July 2026

Builder confidence in the market for newly built single-family homes fell two points to 34 in July.

Here are the readings for the three HMI indices in July:

- Current sales conditions fell one point to 37.
- Sales expectations in the next six months dropped two points to 43.
- Traffic of prospective buyers posted a two-point decline to 23.

Signs of Market Cooling

The latest HMI survey also revealed that 37% of builders cut prices in July, up from 35% in June and 32% in May. The average price reduction was 6% in July, the same rate as the previous month. The use of sales incentives was 63% in July, up slightly from 62% in June, and marking the 16th consecutive month this share has reached 60% or higher.

Special Questions on Builder Challenges

In addition to the standard questions within the HMI survey that ask builders to rate market conditions, there are also a set of special questions on topics of current interest to the housing market. Based on the responses, NAHB compiles an annual report that ranks and details the most significant problems builders faced in the prior year, and the top challenges they expect to face in the coming year.

Methodology of the HMI

The HMI is a weighted average of the three components included in the monthly builder survey: present sales of new single-family homes, expected sales of single-family homes for the next six months, traffic of prospective buyers of new single-family homes. The weights are:

- .5920 for Present Sales
- .1358 for Expected Sales
- .2722 for Buyer Traffic

A panel of builders rates the first two on a scale of “good,” “fair” or “poor” and the last on a scale of “high to very high,” “average” or “low to very low”. An index is calculated for each component by applying the formula “(good – poor + 100)/2” or, for Traffic, “(high/very high – low/very low + 100)/2”.

Each index created this way has several desirable properties that make it relatively easy to interpret. In particular, each index:

- Lies on a scale of 0 to 10
- Is 0 only when everyone says conditions are “Poor”
- Is 100 only when everyone says conditions are “Good”
- Is 50 when the % saying “Good” = the % saying “Poor”

Moreover, each percentage point shift from:

- Poor to Good raises the index by 1 point
- Good to Poor lowers the index by 1 point
- Fair to Good raises the index by 1/2 point
- Fair to Poor lowers the index by 1/2 point

The panel of builders to whom the survey is sent is stratified by region of the country and size of the builder. The panel is refreshed on an annual basis to ensure optimal response rates and balanced participation from builders across the country.

Key Factors That Can Impact the HMI

Interest rates have a significant impact on the overall housing market conditions. When mortgage rates are low, housing demand is high. However, when mortgage rates are high, it becomes more challenging for many Americans to afford a monthly mortgage payment for a home that suits their needs. As home prices rise, many would-be home buyers are pushed to the sidelines, leading to decreased demand in the housing market and a drop in builder sentiment, as illustrated in the HMI. Elevated interest rates also impact the cost of borrowing for builders and can affect their ability to obtain construction loans.

Employment rates are another factor that can impact the Housing Market Index. When the economy is strong and more people are employed, the housing market tends to be more robust. This is because stable employment provides the income security needed to qualify for and afford a mortgage. However, when the pace of economic growth is slow and unemployment rates are high, it can lead to decreased demand in the housing market, resulting in a drop in the HMI. High unemployment rates create uncertainty, making securing financing and purchasing real estate harder, and leading to a significant drop in buyer demand.

Material costs are a major factor for any home building project. Builders can typically anticipate when prices rise and fall with supply and demand. But when supply chains experience delays and prices become especially volatile, as they did in the wake of the COVID-19 pandemic, the uncertainty can lead to diminishing builder confidence.

Inflationary pressures are also contributing to higher material costs. When the general cost of goods and services rises across the economy, it inevitably impacts the price of construction materials and builder sentiment.