July 16, 2026

Economic Report: Insights into Today's Housing Market

FMLS Market Intel Report

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July 2026

Executive Summary

The spring homebuying season concluded with national home sales falling below expectations. Existing-home sales declined from May to June, reflecting contracts signed during a period of heightened economic and geopolitical uncertainty.

While the national housing market remains subdued, performance continues to vary significantly by region, price point and property size. Higher-priced and larger homes are outperforming more affordable and smaller properties, reinforcing the continued presence of a K-shaped housing market.

Affordability remains the greatest obstacle to a broader housing recovery. Elevated mortgage rates, high monthly payments and limited income growth are expected to constrain sales activity throughout the remainder of 2026.

National Home Sales

The National Association of REALTORS® reported that seasonally adjusted existing-home sales reached an annualized rate of 4.09 million in June, representing a 2.8% increase from the previous year.

However, sales declined 2.4% from May, despite expectations for a modest monthly increase. The decline was significant because June is typically the peak month for home sales.

June closings largely reflect contracts signed in April and May, when mortgage rates increased amid uncertainty surrounding the conflict with Iran. Because closings are a lagging indicator, the

June results should not necessarily be interpreted as evidence that market conditions will continue to deteriorate.

NAR is forecasting 4.9 million existing-home sales for 2026. To reach that projection, sales would need to average approximately 434,000 transactions per month for the remainder of the year.

Achieving that pace will depend heavily on the direction of mortgage rates. However, future rate movements remain uncertain because they are influenced by unpredictable factors, including geopolitical developments, oil prices and the yield on the 10-year Treasury bond.

Market Confidence and Consumer Caution

Ali Wolf, Chief Economist for Zonda, noted that the latest sales report reflects broader uncertainty in the housing market.

Buyers who have the flexibility to delay their purchase may remain on the sidelines until economic and market conditions feel more stable. Sellers may also hesitate to list their homes, particularly if they are unwilling to give up a low mortgage rate or adjust their asking price.

This caution on both sides of the transaction could keep sales activity subdued until consumer confidence improves.

Regional Market Differences

The national housing market is not moving uniformly.

Although overall sales declined from May to June, the Northeast recorded a monthly increase. Compared with June of the previous year, sales increased in the Midwest, South and West, while remaining flat in the Northeast.

These differences demonstrate why national statistics do not always reflect conditions within individual regions or local markets.

The Growing Divide by Price Tier

Housing activity is increasingly divided by price point.

Nationally, sales of homes priced at $1 million or more increased 18% year over year. Meanwhile, activity in the middle and affordable price tiers remained considerably softer.

Heather Long, Chief Economist for Navy Federal Credit Union, described this trend as a divergence in home sales based on consumer wealth. Higher-income and asset-rich consumers remain active, while buyers seeking moderately priced and affordable homes face greater financial pressure.

This pattern reflects the continued presence of a K-shaped housing market, in which different consumer groups and property segments experience sharply different outcomes.

Local FMLS Market Trends

Similar trends are visible in the FMLS market area.

Overall sales of single-family detached homes declined 1.5% year over year in June.

Performance varied significantly by price range:

- Sales of homes priced above $600,000 recorded a modest increase.
- Sales in the $350,000 to $600,000 range declined 1.1%.
- Sales of homes priced between $200,000 and $350,000 fell 6.6%.

The market divide is also evident when examining property size.

Sales increased for homes with at least 2,000 square feet, while sales of homes under 2,000 square feet declined by nearly 9%.

These results reinforce the strength of the upper segment of the market relative to smaller and more affordable homes.

Challenges Across Both Sides of the Market

Both segments of the K-shaped market face challenges.

Many asset-rich homeowners are locked into mortgage rates that are significantly lower than current market rates. Others may be financially capable of moving but remain unwilling to reduce their asking price.

At the same time, many entry-level buyers are finding that the combined cost of principal, interest, property taxes and insurance exceeds what their income can reasonably support.

An additional challenge is the disconnect between the type of home some buyers believe they should be able to purchase and the home they can realistically afford in the current environment.

Helping buyers understand this difference and establish realistic expectations has become an increasingly important skill for real estate professionals, particularly those working with first-time buyers.

Affordability Remains the Primary Barrier

Affordability continues to be the most significant obstacle facing the housing market.

NAR's Housing Affordability Index declined in June for the fifth consecutive month.

Since 2020, the median monthly U.S. mortgage payment has nearly doubled, rising from approximately $1,240 to $2,420. Household incomes have not increased at the same pace.

When monthly housing payments grow faster than household earnings, many prospective buyers are unable to qualify for or comfortably afford a home, regardless of their willingness to purchase.

A meaningful return to historical affordability levels would require one or more of the following:

- Stronger household income growth
- Lower home prices
- A significant decline in mortgage rates

At present, none of these conditions appear likely to improve substantially in the immediate future.

Outlook for the Remainder of 2026

The housing market outlook for the remainder of 2026 is expected to resemble the first half of the year.

Market conditions will likely include:

- Muted home sales
- Relatively flat home prices
- Elevated mortgage rates
- Continued affordability pressures
- Significant economic and geopolitical uncertainty

While certain regions and higher-priced market segments may continue to outperform, a broad housing recovery will remain difficult without a meaningful improvement in affordability and consumer confidence.