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US housing: short of homes, frozen by rates

Low sales and record prices look like one more housing cycle. Underneath sits something slower and more durable: a country that has not built enough homes for over a decade.

3.7m

homes the US housing market is short, according to Freddie Mac

49%

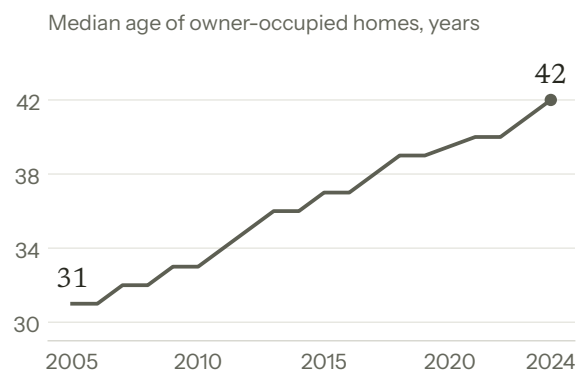
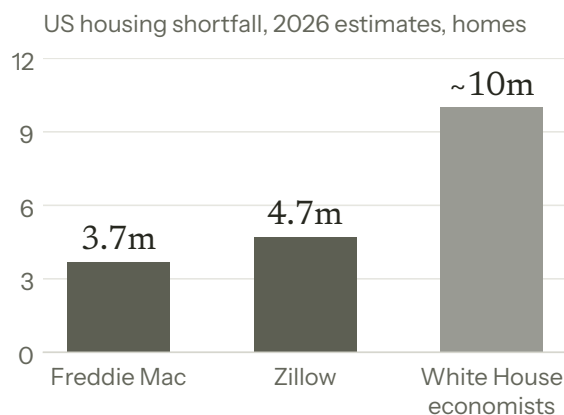
of outstanding US mortgages carry a rate below 4%, against 7.40% for a new 30-year loan

42

years, the median age of an owner-occupied home, the oldest on record

The supply gap

Start with the simplest fact: America does not have enough houses. Freddie Mac puts the shortfall at about 3.7 million homes, Zillow at 4.7 million, and White House economists at close to ten million. The estimates differ, the direction does not. After 2008 builders pulled back hard and never returned to their old pace, just as the large millennial generation reached the age of forming households. A gap this size does not close in a year or two. If anything the gap is widening. In August 2026 builders started homes at an annual pace of about 1.28 million, slightly below a year earlier, and completions were down 27 percent from a year before.

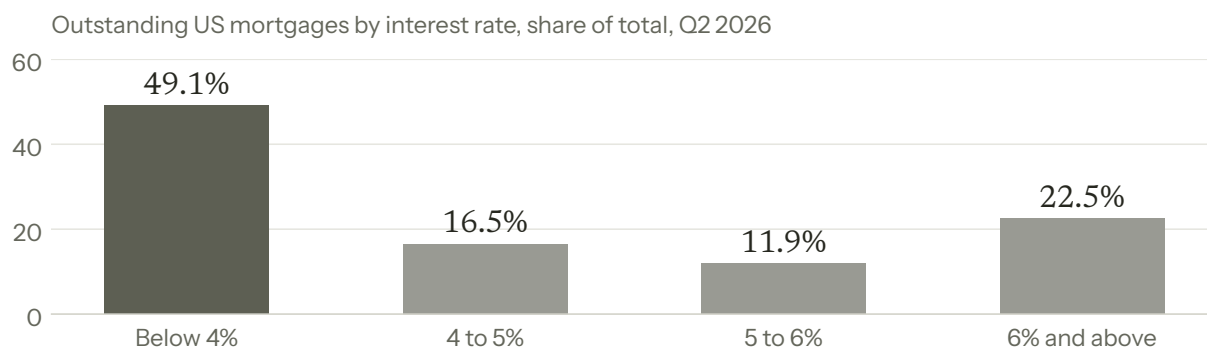


Source: Freddie Mac and White House estimates as cited in August 2026; Zillow (February 2026); American Community Survey and NAHB estimates (2005 to 2024, no 2020 survey). Estimates use different methods.

The lock-in

About half of outstanding American mortgages, 49 percent in the second quarter of 2026, carry a rate below four percent, and fewer than a quarter are at six percent or more. With a new 30-year mortgage at 7.40 percent in mid-October, an owner who sells and buys a similar house faces a far larger monthly payment for no better

home, so the rational choice has been to stay put. That is why prices keep setting records while sales stay weak: in September 2026 the median existing home sold for 417,500 dollars, the 39th month in a row of year-on-year gains, while sales ran at an annual pace of just under four million. Low volume and high prices are not a contradiction. They are two faces of the same freeze.



Source: FHFA National Mortgage Database, fixed-rate mortgages, Q2 2026. The 4 to 5% and 5 to 6% shares are derived from FHFA cumulative shares.

An ageing stock

The typical owner-occupied home is now about 42 years old, up from 31 in 2005 and the oldest on record, and almost half were built before 1980. An old house needs work whether or not anyone moves: roofs, heating and cooling, windows and insulation all wear out on their own schedule. When families cannot move, they tend to invest in the home they have. Repair and remodelling demand does not wait for the sales market to thaw.

Pent-up demand

Renter households have grown by more than 1.6 million since 2023 and reached 46.8 million in the second quarter of 2026, about 450,000 more than a year earlier, while the homeownership rate has stood still at 65 percent. Many are would-be buyers held back by cost rather than by choice. The thesis does not need rates to return to the lows of a few years ago. Every half point lower narrows the gap between a locked-in three percent mortgage and the going rate, and draws another wave of owners and first-time buyers back into a market that is short of homes.

Where things stand

The unlock has been pushed further out. In September 2026 the Federal Reserve raised its policy rate to 3.75 to 4.00 percent, its first increase since 2023, as energy prices kept inflation high. Consumer prices rose 3.7 percent in the year to September. The 30-year mortgage has risen seven weeks in a row to 7.40 percent, against 6.27 percent a year earlier. Even so, sales edged up 1.5 percent in September and first-time buyers made up 31 percent of them. The wish to move is intact. It is the cost of moving that holds the market down, and that cost has risen.

The risks

Affordability is more stretched than a year ago and the timing of relief is uncertain. If inflation stays high, the Federal Reserve may raise rates again, and companies that carry heavy debt into that period will feel it first.

Our view

The case for American housing is not that its problems are solved. It is that the country is short of several million homes, builders are adding to the shortage rather than closing it, the resale market is frozen by rate arithmetic that will eventually ease, and an ageing stock creates steady demand regardless. The market prices the freeze as if it were permanent. We do not believe it is, and a long horizon is the one advantage that does not depend on forecasting the next rate decision.

SOURCES

Freddie Mac; National Association of Realtors; US Census Bureau and HUD, New Residential Construction; American Community Survey; NAHB; John Burns Research and Consulting; Zillow housing shortage update (February 2026); FHFA National Mortgage Database (Q2 2026); US Census Bureau Housing Vacancy Survey (Q2 2026); NAHB analysis of the 2024 American Community Survey; Freddie Mac PMMS (15 October 2026); NAR existing-home sales (September 2026); US Census Bureau (August 2026 starts); Federal Reserve (16 September 2026); US Bureau of Labor Statistics (September 2026 CPI). Figures as at October 2026. Charts redrawn by Creon Capital from the sources named.

IMPORTANT INFORMATION

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