Reef Report

Real Estate & Economic Forecast — United States

July 2026

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Macro Context

The Oil Premium Finally Reaches the Consumer

Macro Context

Headline Inflation

3.5% Headline CPI -0.7% MoM

4.2% One month ago

Core Inflation

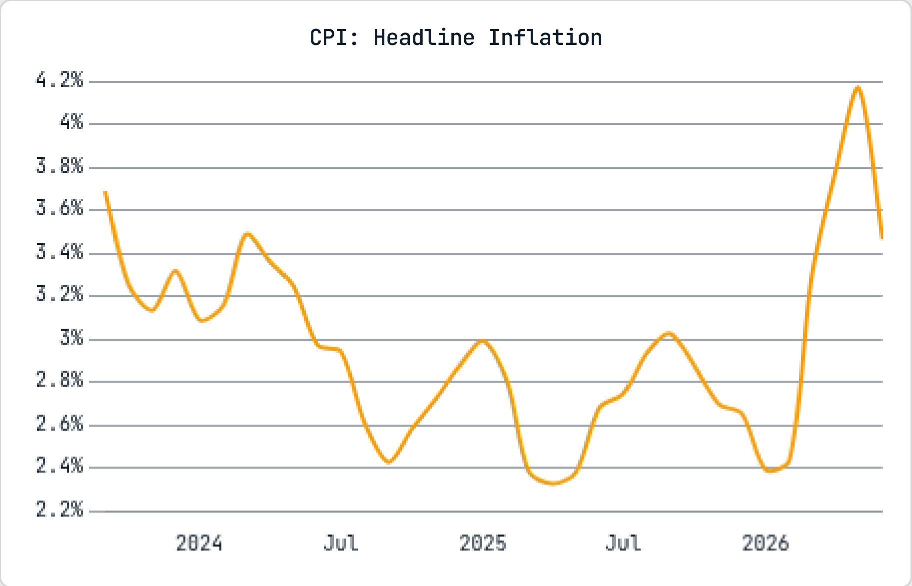
2.6% Core CPI -0.3% MoM

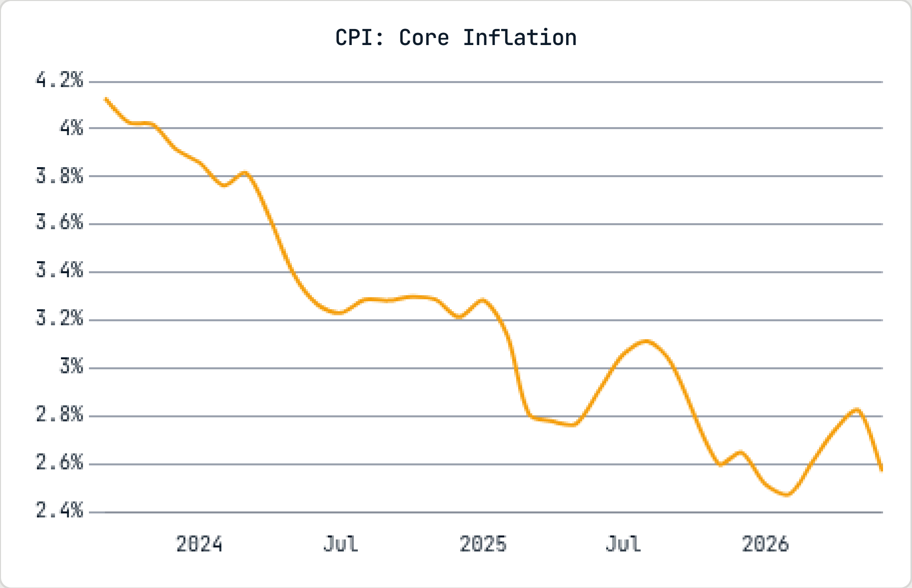
Producer Prices

10.1% Producer Price Index -2.2% MoM

Last month we called the May print the high-water mark of the wartime oil bid and said the disinflation embedded in a collapsing Brent would reach the data by late summer. It arrived ahead of schedule. Headline CPI fell to 3.5% year-over-year in June from 4.2% in May, per the Bureau of Labor Statistics, the sharpest one-month deceleration of the cycle. Core cooled to 2.6% from 2.8%, and the Producer Price Index eased to 10.1% from 12.3%.

That relief is already dated. Brent has since round-tripped from the low $70s to nearly $99 a barrel and back to roughly $90. The ceasefire we described holding in June broke down in July, reopening the war on two fronts at once, a story we take up in the outlook. The Federal Reserve now has the disinflation print it spent the spring waiting for, arriving at the exact moment the risk that produced it has come back.





The Unemployment Rate Falls for the Wrong Reason

Macro Context

Nonfarm Payrolls

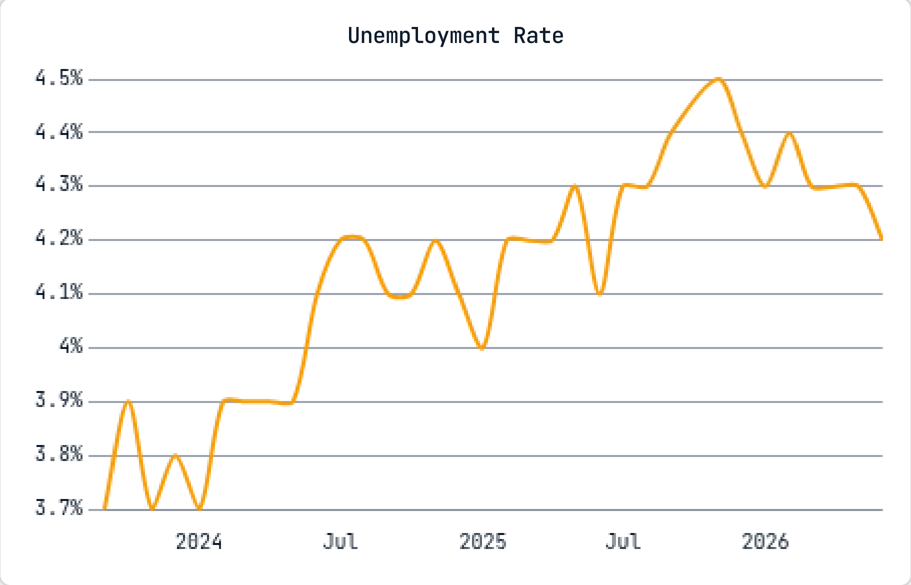
+57,000 June Payrolls May revised to +129k

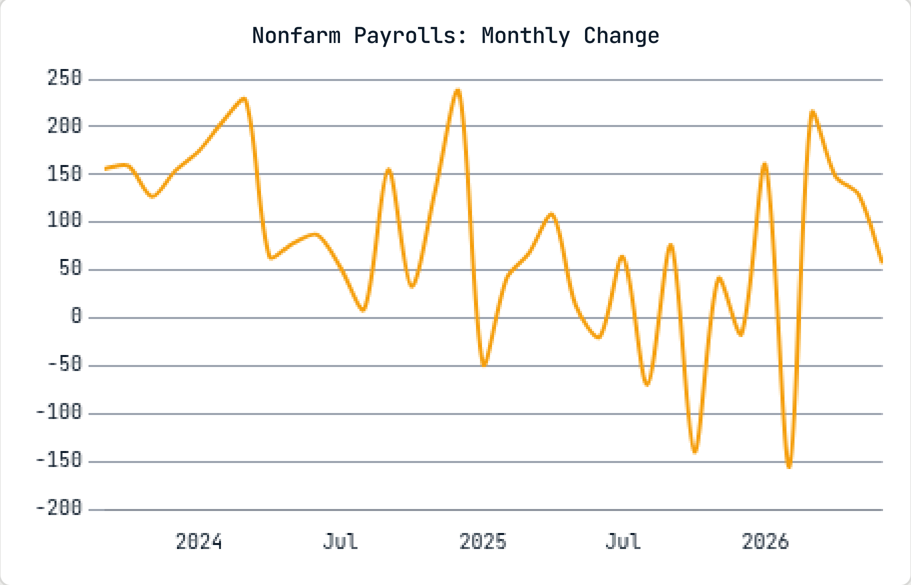
Personal Savings Rate

2.7% Savings Rate fresh cycle low

Consumer Sentiment

44.8 Michigan Sentiment May, unchanged





The unemployment rate fell to 4.2% in June from 4.3%, per the Bureau of Labor Statistics, and on its own that reads as improvement. The composition says otherwise. Labor force participation dropped to 61.5%, down a full percentage point since November and its steepest monthly decline in over a year. The rate improved because fewer people are counted as looking for work.

Payroll growth backs that reading. June added just 57,000 jobs, a sharp deceleration from May's upwardly revised 129,000. The household side offers no offset. The personal savings rate fell to 2.7%, a fresh cycle low, and consumer sentiment held at 44.8, unchanged from May's record and still the weakest reading in the survey's history. A labor market shedding participants while a household sector runs without a

Housing Market

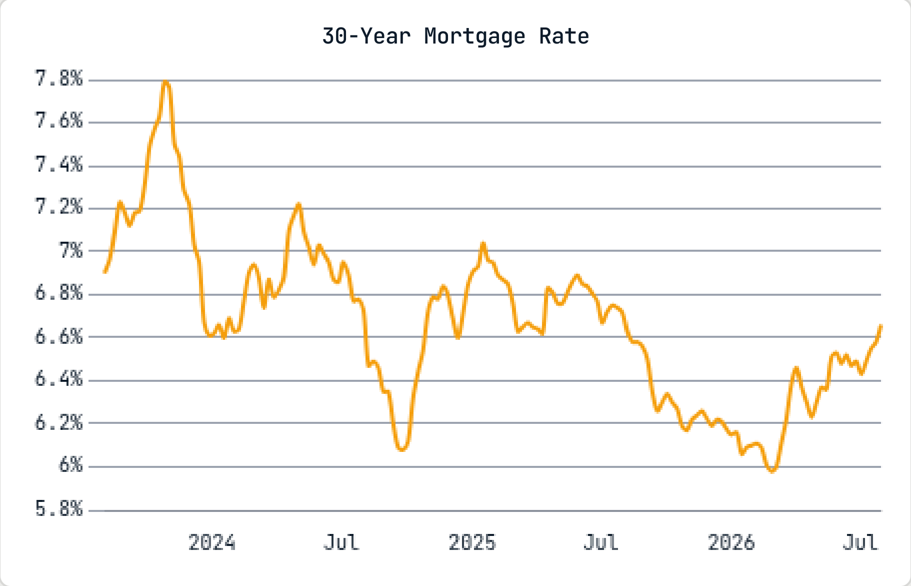
Mortgage Rates Reverse as the Fed Splits Three Ways

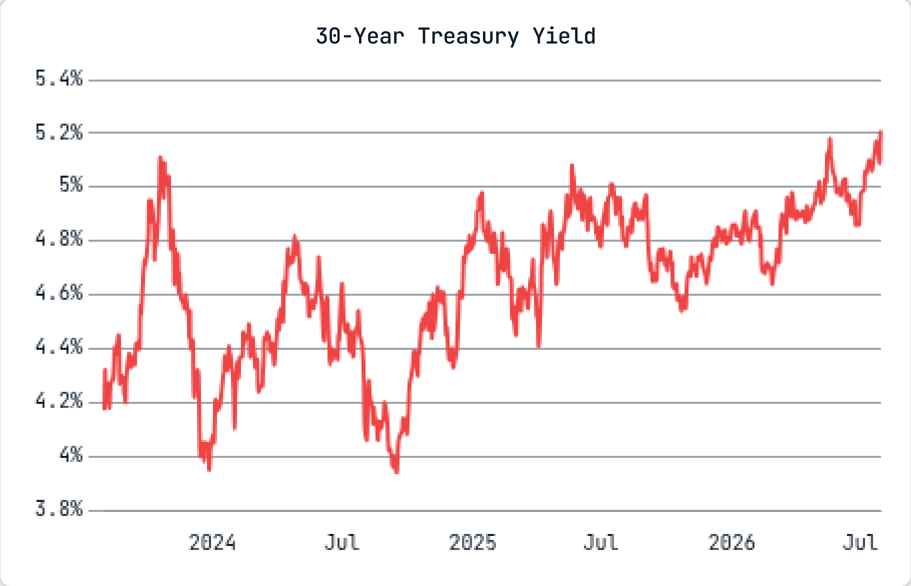
Housing Market

6.72% One year ago

4.67% 10-Year Treasury

5.20% 30-Year Treasury 19-year high





Mortgage rates gave back June's plateau and then some. The 30-year fixed climbed steadily through July, from 6.43% on July 2 to 6.66% for the week ending July 30, per Freddie Mac via FRED. That erased the entire June improvement and landed just below the 6.72% we cite from a year ago.

Inflation was not the driver. The disinflation we track on the prior slide argued for lower rates, and for most of the month a collapsing Brent pointed the same way. The pattern broke at the Federal Reserve's July 29 meeting. Chair Kevin Warsh again declined to specify the inflation threshold that would trigger a hike. Three regional presidents dissented in favor of raising rates: Cleveland's Beth Hammack, Minneapolis's Neel Kashkari, and Dallas's Lorie Logan. It was the first three-way directional split on the Federal Open Market Committee since September 2016.

The bond market read that ambiguity as a signal the Fed will tolerate elevated inflation rather than confront it. The 30-year Treasury yield jumped as much as 14 basis points to roughly 5.20%, a 19-year high. Housing finance costs are now set less by the inflation data than by the market's confidence in the

Affordability Deteriorates to a Fresh Cycle Worst

Housing Market

Mortgage Payments to Household Income Ratio

29.7% Payment-to-Income Ratio as of July

29.3% In June

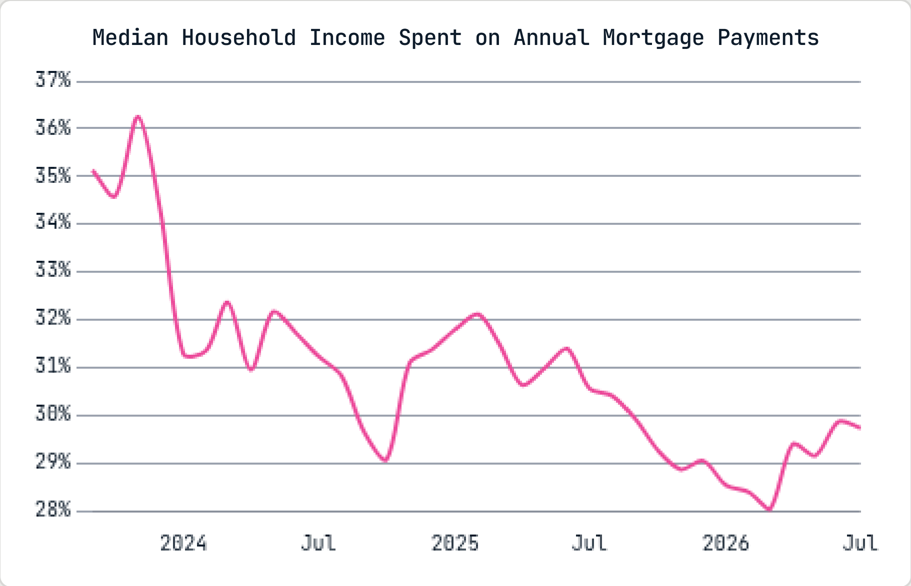
-2.7% Year-over-year

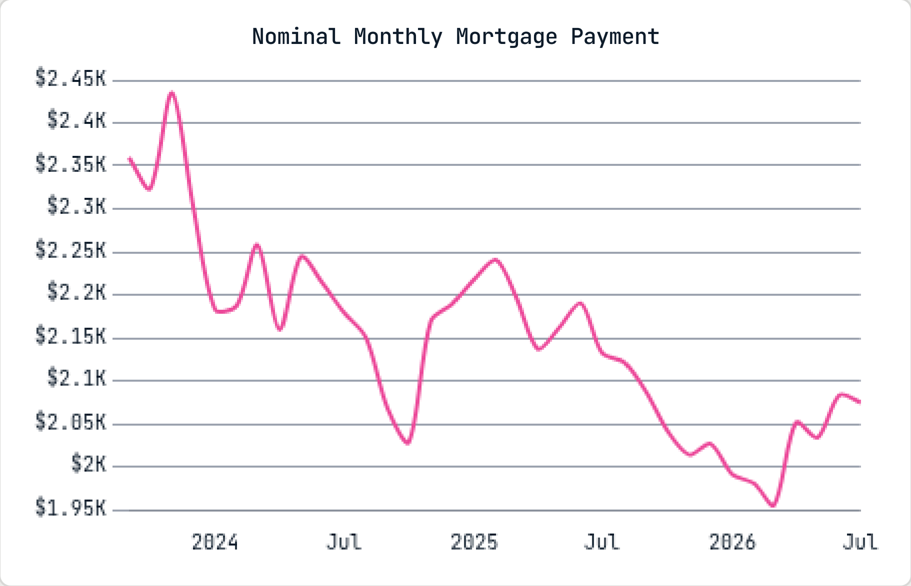
Nominal Monthly Mortgage Payment

$2,075 Monthly Payment as of July

$2,045 In June

+68.3% 5-year change



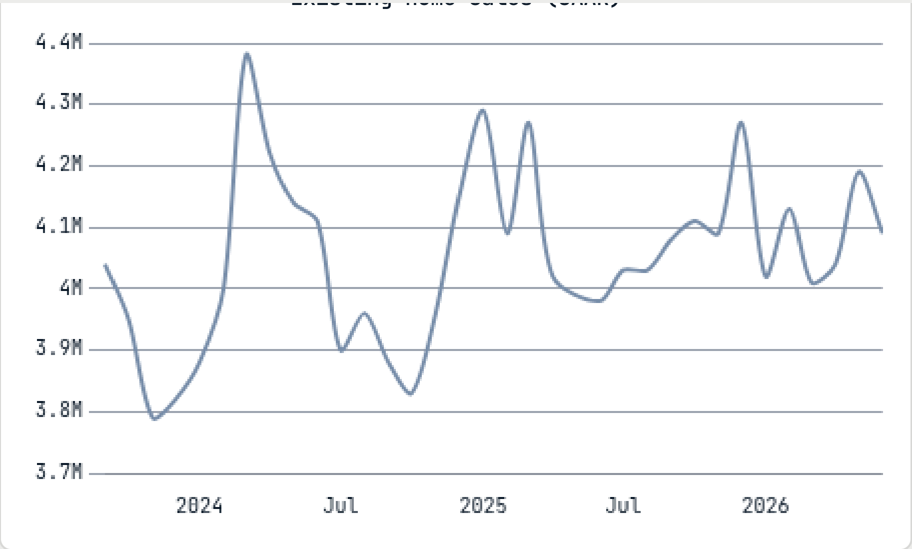


The reversal we flagged last month has continued rather than stalled. Reef's affordability index, the monthly mortgage payment as a share of median household income, rose to 29.7% in July from June's 29.3%. That is a fresh worst reading for the cycle, extending the deterioration that began when the spring rate climb printed.

The median monthly payment climbed to $2,075 from June's $2,045, a 1.5% increase in a single month. Against the roughly $1,233 payment on the same home five years ago, the increase is 68.3%. The year-over-year comparison still shows improvement, down 2.7% from July 2025, though that cushion continues to thin from the 6.6% we reported in June. With the 30-year fixed closing July at 6.66%, its highest close of the year, the August reading is likely to deteriorate further.

Case-Shiller Turns Up as Existing Sales Slip From Their Spring Peak

Housing Market



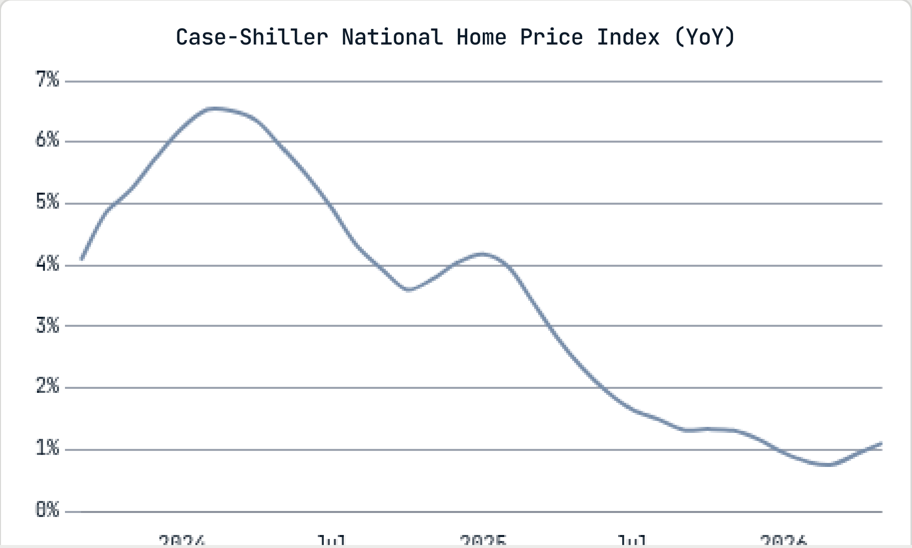
Median Existing Home Price

$440,600 Median Sales Price (NAR) +1.8% YoY

Case-Shiller National Index

+1.1% Home Prices (YoY) through May

The divergence between resale volume and resale prices flipped in June. Existing home sales slipped 2.4% to a 4.09 million annual pace, per NAR, giving back a third of May's rebound. The pace is still up 2.8% from a year ago. The median existing price kept climbing regardless, to a fresh record $440,600, up 1.8% year-over-year.



What changed is the index we cite as the sober check on that number. The Case-Shiller national index strips out the mix and seasonality effects that inflate NAR's median. It rose 1.1% year-over-year through May, its second straight monthly acceleration after bottoming near 0.8% in March, per S&P CoreLogic Case-Shiller. Last month we called the underlying appreciation rate barely positive. It has stopped decelerating.

A resale market cooling on volume while both its noisy

Supply Keeps Building as Price Cuts Pile Up

Housing Market

1,102,615 Active Listings +1.9% YoY

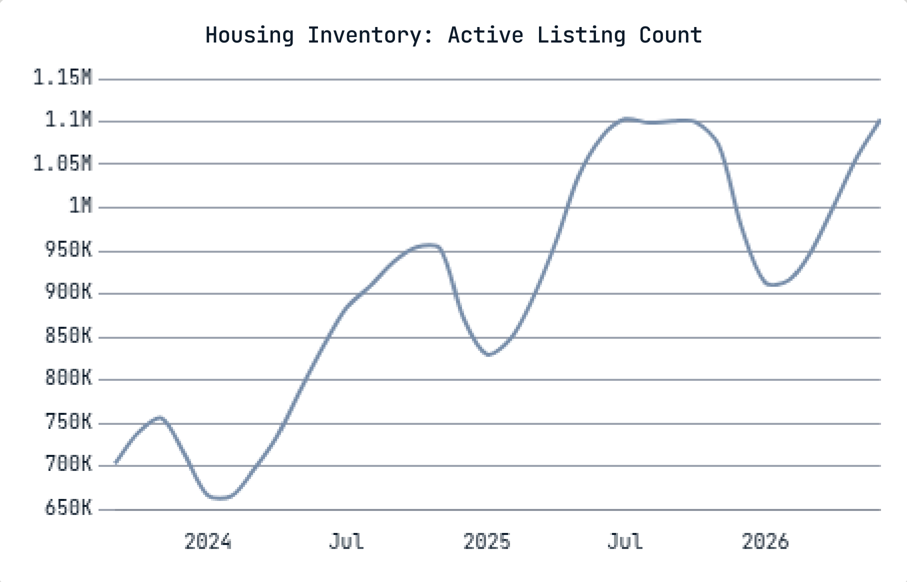
463,480 New Listings +2.4% YoY

53 Median Days on Market vs 53 a year ago

388,714 Price-Reduced Listings

$430,000 Median List Price -2.5% YoY

Supply kept building through June. Active listings rose 4.1% on the month to 1,102,615, per Realtor.com via Reef Intelligence, though the year-over-year pace has slowed to 1.9%, a fraction of the double-digit growth this series posted through most of 2025. New listings eased slightly to 463,480 but remain up 2.4% from a year ago. Homes are sitting a median of 53 days, unchanged from a year ago and a day longer than May.



The clearest signal of a market still favoring buyers is in price-reduced listings, which jumped 9.8% on the month to 388,714 even as the median list price ticked up marginally to $430,000. That list price remains 2.5% below where it stood a year ago, extending the annual decline we have tracked since winter, though the pace of that decline is no longer widening. A market building inventory at a decelerating rate, with sellers cutting price on nearly two in five active listings, describes a supply overhang that has stopped getting materially worse without yet clearing.

Supply & Construction

Starts Snap Back, but Permits Say Don't Believe It

Supply & Construction

Housing Starts

1,427,000 Housing Starts (SAAR) +19.0% MoM

+3.5% Year-over-year

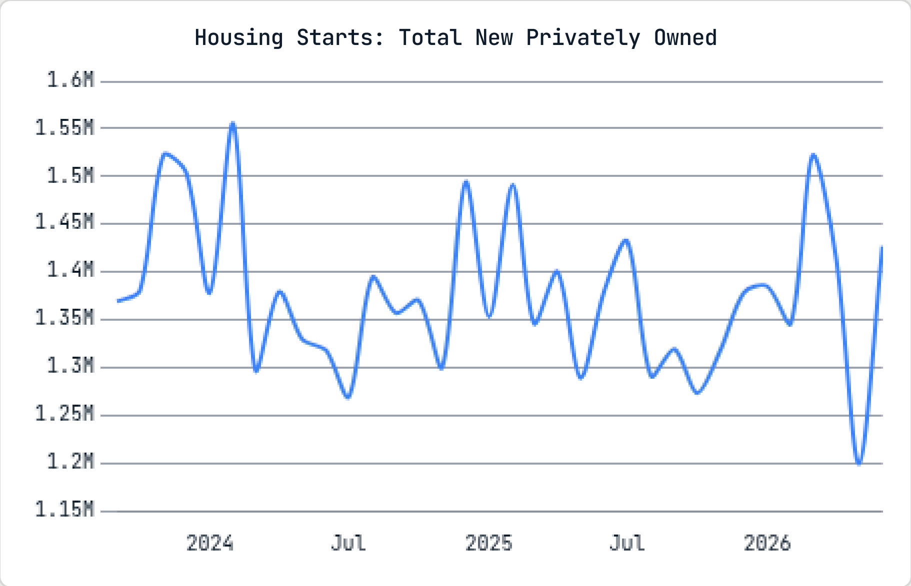
Building Permits

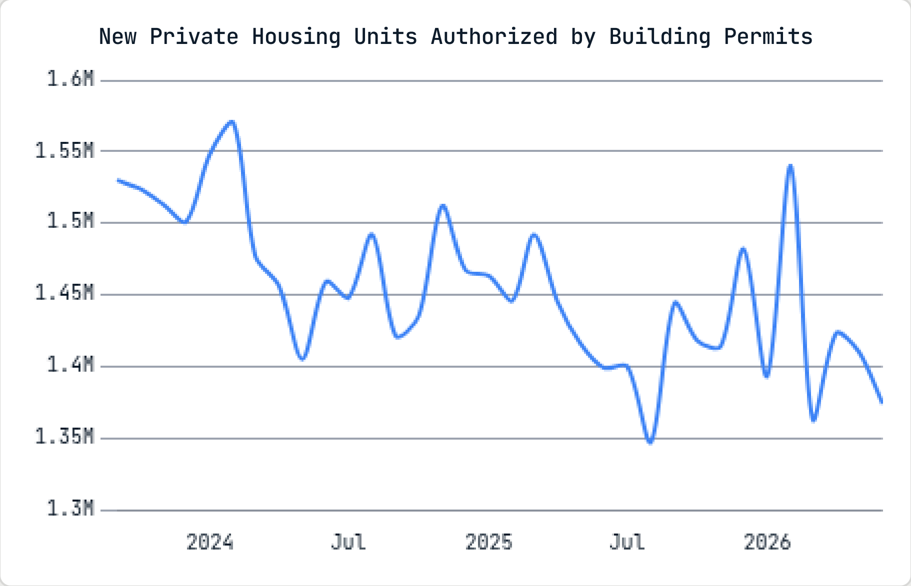
1,374,000 Building Permits (SAAR) -2.5% MoM

-1.8% Year-over-year

Last month we called the 15.4% collapse in starts the steepest of this cycle and doubted the next print would reverse it. It did, sharply. Housing starts rebounded 19.0% in June to a 1,427,000 annual rate, per the Census Bureau, more than reversing May's decline and landing 3.5% above a year ago.

Permits did not follow. Authorizations slipped 2.5% to 1,374,000, down 1.8% year-over-year and diverging from starts for a second straight month. Starts data of this volatility routinely overshoots in both directions, and a single month's rebound built on an eroding permit base leaves the pipeline question open. The permit number is the one that leads. It says builders are still holding back on next quarter's ground-breakings even as this month's crews caught up on projects already approved.





Builders Finally Cut Price to Move Inventory

Supply & Construction

New Home Sales

628,000 New Home Sales (SAAR) +1.6% MoM

-5.6% Year-over-year

New Housing Supply

9.3 Months' Supply (New) vs 9.4 prior

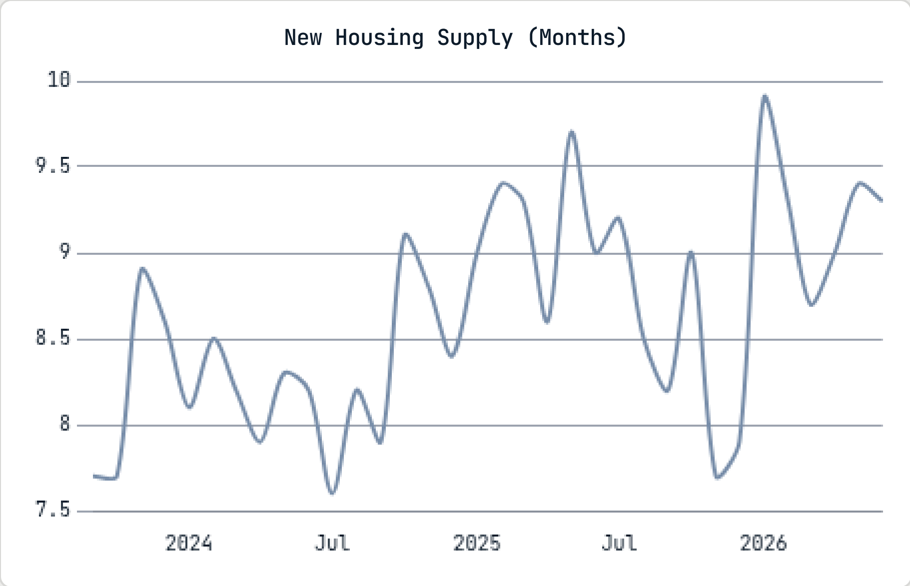
491,000 New Homes for Sale

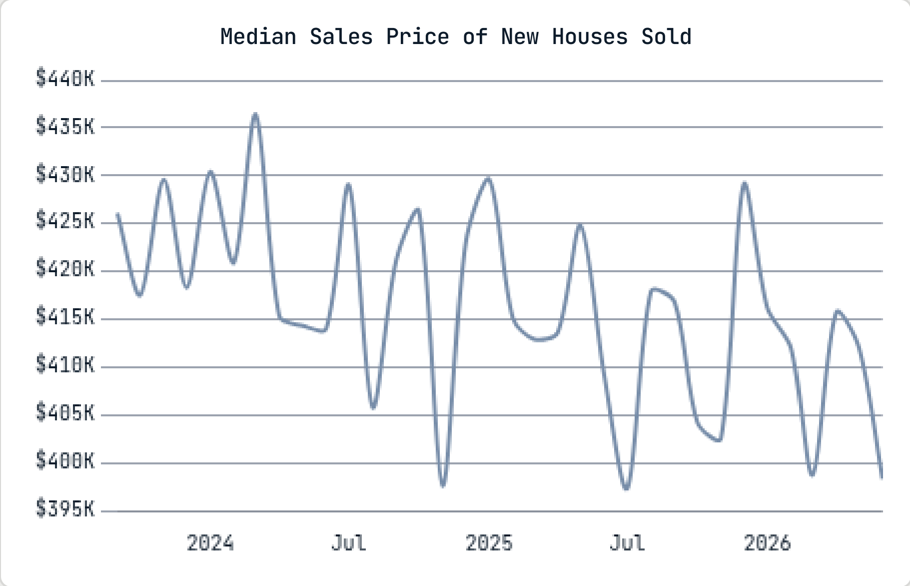
Median New Home Price

$398,300 Median Sales Price (Census) -3.3% MoM

New home sales rose 1.6% to a 628,000 annual pace in June, per the Census Bureau, still 5.6% below a year ago. Months' supply eased marginally to 9.3 from a downwardly revised 9.4, essentially flat and still far above the 6 months that marks a balanced market. Homes for sale climbed to 491,000.

What moved is the price. The median new home price fell 3.3% on the month to $398,300, the sharpest monthly decline since this stretch of oversupply began, and is now down 2.7% from a year ago. Last month we wrote that builders were defending price by withholding volume. June's data says that posture broke. A 9-plus month supply overhang sitting on a market where sales have only inched higher was always going to force a choice between price and volume, and for the first time this cycle builders chose price.





Job Openings Jump Even as Payrolls Keep Shrinking

Supply & Construction

Construction Employment

916,200 Residential Construction Employees -0.3% MoM

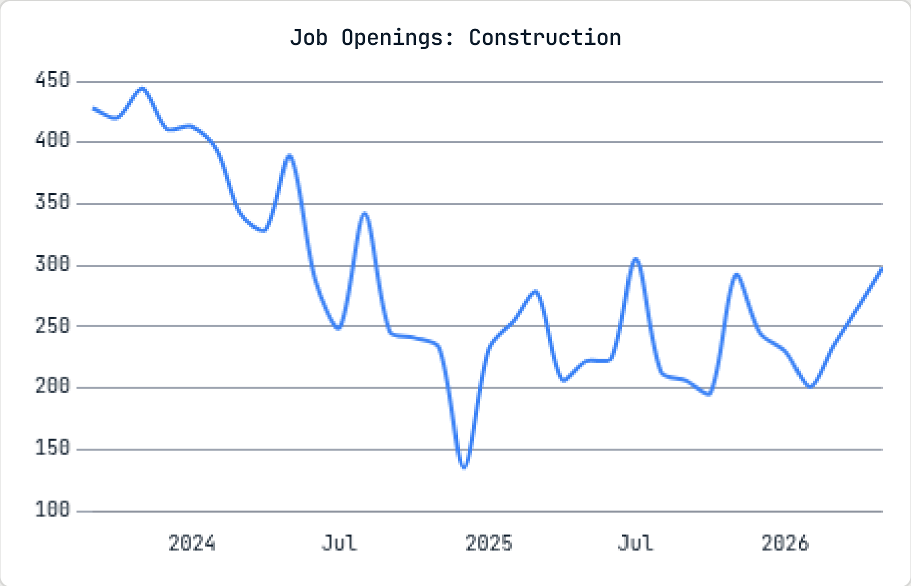
-1.5% Year-over-year

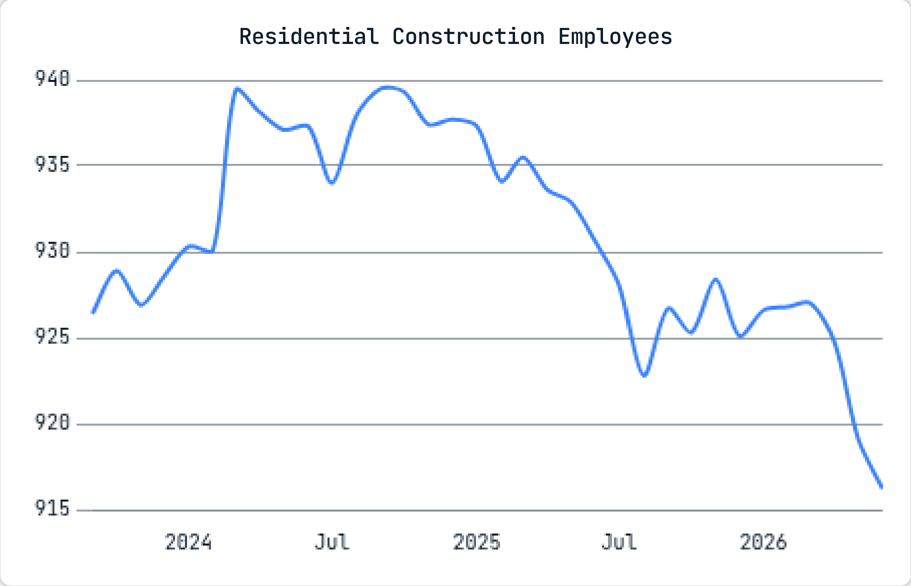
Construction Job Openings

298,000 Construction Job Openings May, latest, +12.0% MoM

Residential construction employment slipped again in June, to 916,200, down 0.3% on the month and 1.5% on the year, per BLS, extending the erosion we have tracked since spring. Construction job openings moved the other way. The latest reading, for May, rose 12.0% to 298,000 from April's 266,000, the first meaningful increase since the starts collapse began.

The two series can be reconciled. Job openings lag hiring decisions, and a rebound in openings can precede payroll growth by a month or more, which would line up with June's sharp snapback in housing starts. If builders are genuinely restaffing for the pipeline that just reopened, July's payroll data should show it. If the openings print instead reflects churn from a starts number that reverses again, construction employment keeps bending in the direction it has all year.





Market Risks & Outlook

Part One: Three Weeks of Peace, Then a War on Two Fronts

Market Risks & Outlook

The 60-day ceasefire window we described opening on June 18 lasted three weeks. At the NATO summit in Ankara on July 8, President Trump declared the truce over after Iran struck three commercial vessels in the Strait of Hormuz, and the United States retaliated with strikes on more than 80 Iranian sites, per wire reports. The Treasury Department withdrew the oil-sale waiver it had granted Iran under the June memorandum. The next day, Iran buried Supreme Leader Ali Khamenei in Mashhad before a crowd wire services estimated in the tens of millions. His son and presumed successor, Mojtaba Khamenei, has not appeared publicly since, reportedly wounded in the strike that killed his father.

The war that reopened on July 8 escalated in ways the spring conflict never did. By July 15 the US Navy had reinstated a blockade posture in the strait, and Iranian tankers began rerouting through Pakistani waters to avoid it. On July 23, in its twelfth consecutive night of strikes, the conflict opened a second front when Houthi forces struck two Saudi tankers in the Red Sea, contesting the Bab el-Mandeb strait at the same time as Hormuz for the first time in this war. A five-day lull from July 24 to 28 raised hopes of a fresh deal, with mediators telling wire services some progress had been made. It broke on July 28, when Iran fired ballistic missiles at a US base in Jordan, prompting a joint US-Saudi strike on Iran-aligned militias in Iraq that reportedly killed more than twenty fighters. Iran's navy struck three more tankers in Hormuz and rejected an Omani proposal to split transit rights.

Oil round-tripped through the entire episode. Brent, near $73 when the June ceasefire held, climbed to roughly $76 on July 8, past $85 by July 15, and to $98.59 on July 23, a level that prompted Goldman Sachs to flag $120 Brent by year-end if the strait stays constrained and TD Securities to float $150 in an extreme scenario, per Reef Intelligence. The July 24-28 lull erased roughly 16% of that gain before the July 28-29 flare-up sent Brent up nearly 8% in a single session, the sharpest daily move of the five-month war, before it eased to roughly $90 by month-end. That $90 handle sits well above the ceasefire-era low and well below the July 23 peak, a range that leaves both the disinflation trade and the reflation trade live at once.

The mechanism we described all spring holds: oil sets the path of rates, which sets the path of housing demand. It now runs in both directions within a single month. June's collapse in Brent is what pulled headline CPI down to 3.5% in the data we cite on the macro slide. July's round trip back toward $90, with the strait still contested and a second front now open in the Red Sea, is the input the Federal Reserve will be working with when it sets policy against an August print that has not yet been written. A ceasefire that lasted three weeks leaves this market without a floor.

Part Two: The Fed Splits Three Ways as the AI Bid Breaks

Market Risks & Outlook

The trap we described tightening in June broke into the open in July, and this time both of its supports gave at once. The Federal Reserve held its target range at 3.50% to 3.75% on July 29, the seventh straight hold. The vote was 9-3. Cleveland's Beth Hammack, Minneapolis's Neel Kashkari, and Dallas's Lorie Logan all dissented in favor of a hike, the first three-way directional split on the Committee since September 2016.

Chair Kevin Warsh, in his second meeting since taking over in May, again declined to name the inflation threshold that would trigger a hike. Markets read that as evasion rather than restraint. The 30-year Treasury yield jumped as much as 14 basis points to roughly 5.20%, a 19-year high. JPMorgan's Michael Feroli pulled his call for the next hike forward from the second half of 2027 to December 2026, writing that Warsh had again failed to specify how he intended to defend the inflation resolve he keeps asserting.

The second pillar, the one we described wobbling in June after the Bank for International Settlements' "double bubble" warning, broke outright in July. South Korea's Kospi, roughly a quarter Samsung and SK Hynix by weight a year ago and now closer to half, fell 11% on July 28 and another 6% on July 29. That wiped out an estimated $2.18 trillion in two trading days and brought its cumulative decline from the late-June peak to roughly 40%.

SK Hynix reported a 1,242% year-over-year profit surge and still fell double digits, evidence that the AI-capex trade had been pricing perfection rather than earnings. Nvidia alone lost $238 billion in market value, and more than $1 trillion was erased from the top twenty global chip stocks in the week after July 24, per market data services. A 7.1-magnitude earthquake in Kumamoto, Japan on July 29 added a physical supply shock on top of the financial one, disrupting production at chip and auto plants that feed the same hyperscaler buildout the BIS flagged a month earlier.

We wrote in June that this expansion rests on two narrow supports, AI capital expenditure and wealthy-consumer spending, and that a wobble in the first would leave the Fed with no room to maneuver. July supplied the test case. A central bank facing a three-way hawkish dissent and a bond market pricing a December hike cannot easily cut into an AI-led selloff without appearing to bail out speculative excess. Nor can it hike into a labor market where participation just fell to 61.5% and payrolls added only 57,000 jobs, without accelerating the demand destruction that selloff already threatens.

The relief that reached the inflation data in June came from an oil market that has already round-tripped most of the way back. The relief housing needs now depends on a Federal Reserve that just showed the market it cannot agree with itself, sitting above an equity market unwinding the trade that has carried this expansion for two years.

Data Table

METRIC	THIS PERIOD	LAST PERIOD	YEAR AGO	LATEST RELEASE
Housing Starts: Total Units	1,427	1,199	1,379	Jun-26
New Building Permit Authorizations: Total Units	1,374	1,410	1,399	Jun-26
New Home Sales (SAAR, Thousands)	628	618	665	Jun-26
Median New Home Price (Census)	$398,300	$412,000	$409,200	Jun-26
New Housing Supply (Months)	9.3	9.4	9.0	Jun-26
Existing Home Sales (SAAR, Millions)	4.09	4.19	3.98	Jun-26
Median Existing Home Price (NAR)	$440,600	$431,200	$432,700	Jun-26
Existing Housing Supply (Months)	4.6	4.5	4.6	Jun-26
Case-Shiller Index (YoY)	+1.1%	+0.9%	+2.3%	May-26
Active Listings (Realtor.com)	1,102,615	1,058,693	1,082,520	Jun-26
New Listings (Realtor.com)	463,480	474,976	452,414	Jun-26
Median Days on Market (Realtor.com)	53	52	53	Jun-26
Price-Reduced Listings (Realtor.com)	388,714	353,904	416,780	Jun-26
Median List Price (Realtor.com)	$430,000	$429,500	$440,950	Jun-26
Nominal Mortgage Rates	6.66	6.49	6.72	Jul-26
10-Year Treasury Yield	4.67	4.40	4.37	Jul-26
Residential Construction Employees	916	919	931	Jun-26
Nominal Monthly Mortgage Payment	$2,075	$2,045	$2,132	Jul-26

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