

Reef Report

Real Estate & Economic Forecast — United States

June 2026

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Macro Context

The Pass-Through Turns Unambiguous

Macro Context

Headline Inflation

4.2% Headline CPI +0.5% MoM

3.8% One month ago

Core Inflation

2.8% Core CPI +0.2% MoM

Producer Prices

13.1% Producer Price Index +3.5% MoM

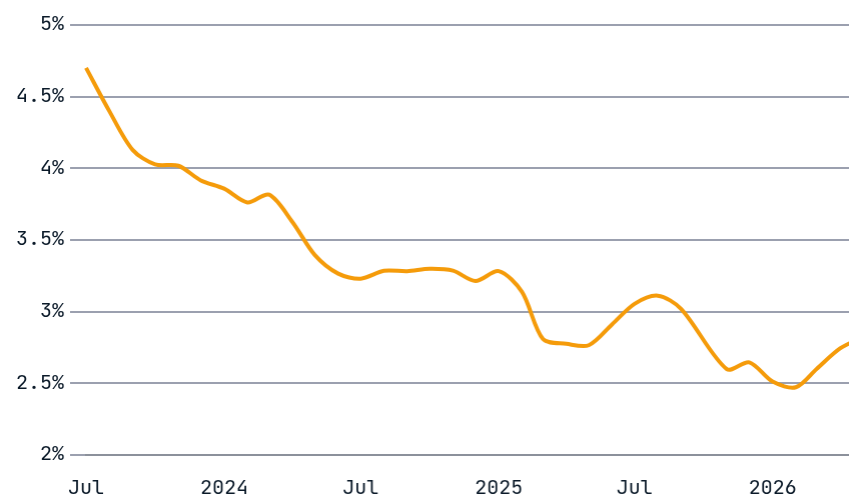
Last month we wrote that the energy shock had gone mainstream as it bled into the core. This month removes the ambiguity. The Producer Price Index (PPI), which tracks prices at the wholesale level, ran at 13.1% year-over-year per BLS. That energy-led surge marks the May wholesale peak of the wartime energy spike, and with Brent now collapsing, the pressure is set to drain rather than feed forward. The core held at 2.8% while the headline jumped to a fresh cycle high, which tells us the acceleration is still energy passing through the system rather than a broad wage-price spiral. We read this May print as the high-water mark of the wartime oil bid. Brent has since shed its entire war premium, and the disinflation that implies has not yet reached the consumer data, a point we develop in the outlook. The Fed has to set policy against the 4.2% it can see today, not the relief we expect it to print by the fall.

Reef Insights

CPI: Headline Inflation



CPI: Core Inflation



Payrolls Hold as the Cushion Wears Thin

Macro Context

Nonfarm Payrolls

+172,000 May Payrolls Apr revised to +179k

Personal Savings Rate

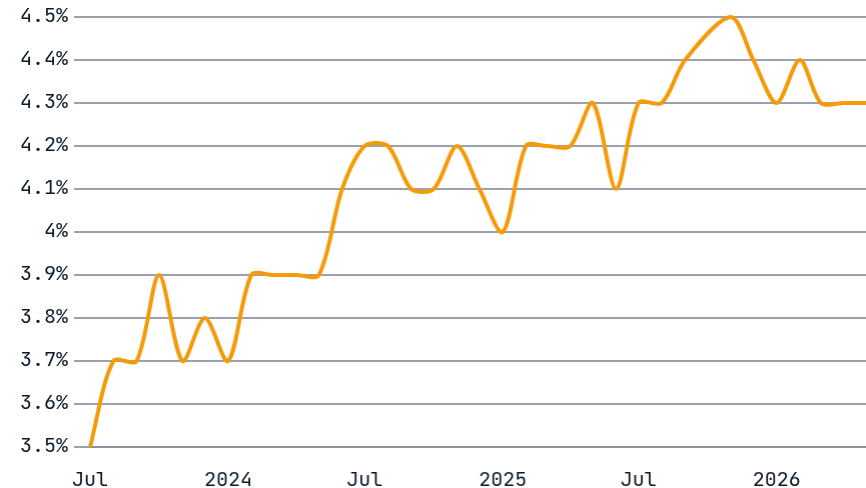
3.0% Savings Rate near cycle low

Consumer Sentiment

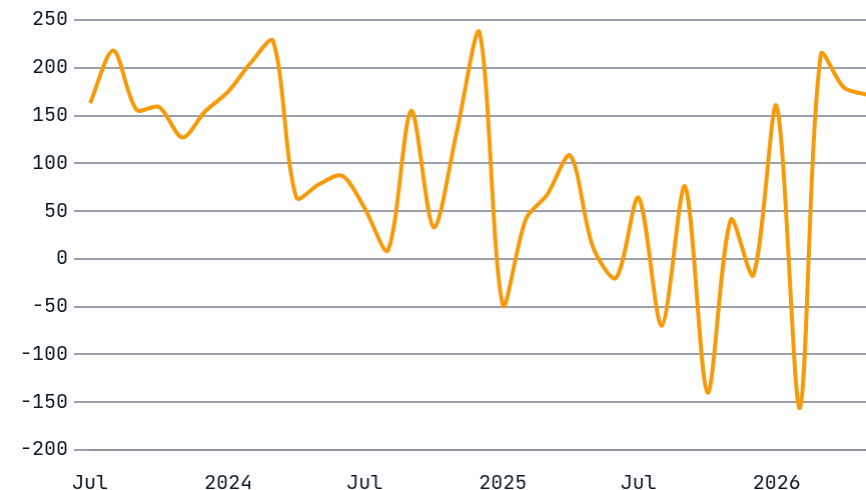
44.8 Michigan Sentiment May, record low

The split we flagged last month, a labor market bending without breaking while the household mood collapses, has widened. The unemployment rate held at 4.3% for a third straight month per BLS, and the upward revision to April payrolls says the demand for workers has not turned. The damage is in the buffers households use to absorb a shock. The savings rate has fallen to 3.0% per the Bureau of Economic Analysis, near a cycle low, which leaves families funding current spending out of income rather than accumulated cushion just as that income loses ground to prices. Consumer sentiment sits at a record low in its latest reading, from May, per the University of Michigan, and the retail data shows why. Nominal sales grew 7.6% year-over-year per the Census Bureau, but against 4.2% inflation that nets to roughly 3.4% in real terms. That is a thin margin for a consumer with no savings bucket. The job market is the last

Unemployment Rate



Nonfarm Payrolls: Monthly Change



Housing Market

Rates Plateau at the Cycle Edge

Housing Market

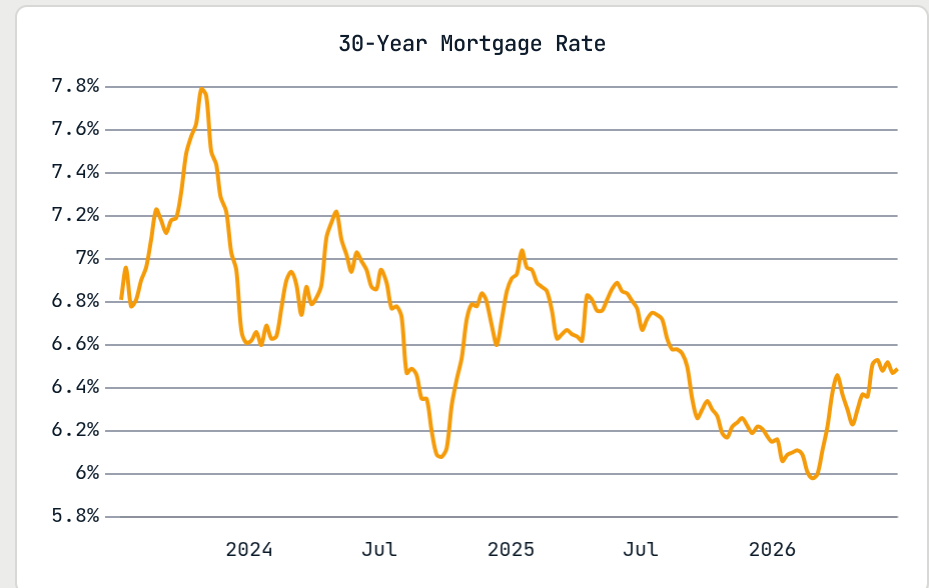
6.49% 30-Year Fixed week ending June 25

6.53% One month ago

6.77% One year ago

4.40% 10-Year Treasury

Mortgage rates stopped climbing in June. The 30-year fixed held in a tight band all month, 6.48% on June 4, 6.52% on June 11, 6.47% on June 18, and 6.49% for the week ending June 25, per Freddie Mac via FRED, essentially flat against the 6.53% we reported a month ago after May's run back toward the cycle highs. A year ago the 30-year sat at 6.77%, so the annual comparison still flatters. What the plateau has not yet captured is the collapse in oil that defined late June, which we cover in our outlook section. Brent crude has surrendered its entire war premium, but the relief has not pulled rates down because the inflation data is pulling the other way. The 10-year Treasury sits at 4.40%, with a 4.2% CPI keeping the Federal Reserve hawkish and the market priced for a possible hike rather than a cut. Rates have plateaued at the cycle edge, and the next leg lower depends less on the Fed than on inflation prints that have yet to reflect \$73 oil.



The Affordability Tailwind Reverses

Housing Market
FIGURE

29.3% Payment-to-Income Ratio as of June

27.7% In March

-6.6% Year-over-year

Nominal Monthly Mortgage Payment

\$2,045 Monthly Payment as of June

\$1,930 In March

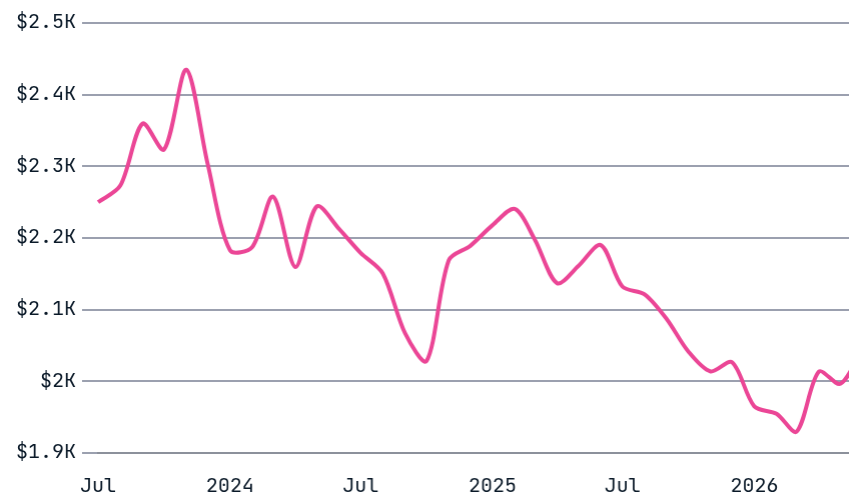
+65.9% 5-year change

Last month our affordability index ran only through March, and we wrote that it would reverse once the spring rate climb printed. It has. The payment-to-income ratio, Reef's measure of the monthly mortgage payment as a share of median household income, rose to 29.3% in June from 27.7% in March, and the median monthly payment climbed to \$2,045 from \$1,930 over the same span, a 6.0% increase as mortgage rates moved back toward the cycle highs. The year-over-year comparison still flatters, with both measures down 6.6% from a year ago, but that cushion is thinning quickly. The annual improvement read 11.7% as recently as March. The winter tailwind we described fading last month has now reversed outright. Against the pre-2022 baseline the damage is structural and intact, with the monthly payment up 65.9% over five years from roughly \$1,233 in June 2021. The brief window in which affordability improved against a punishing prior year

Median Household Income Spent on Annual Mortgage Payments



Nominal Monthly Mortgage Payment



Sales Rebound Into Record Prices as Case-Shiller Cools

Housing Market

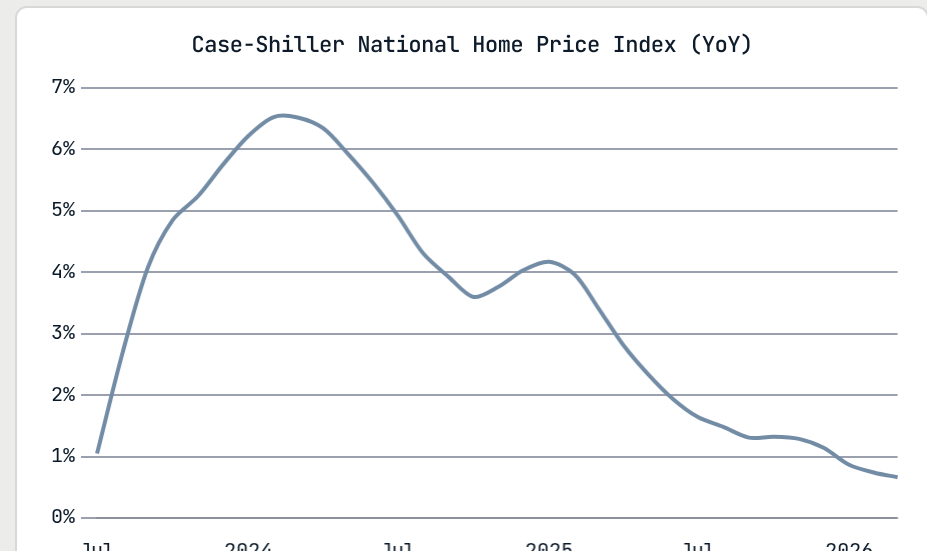
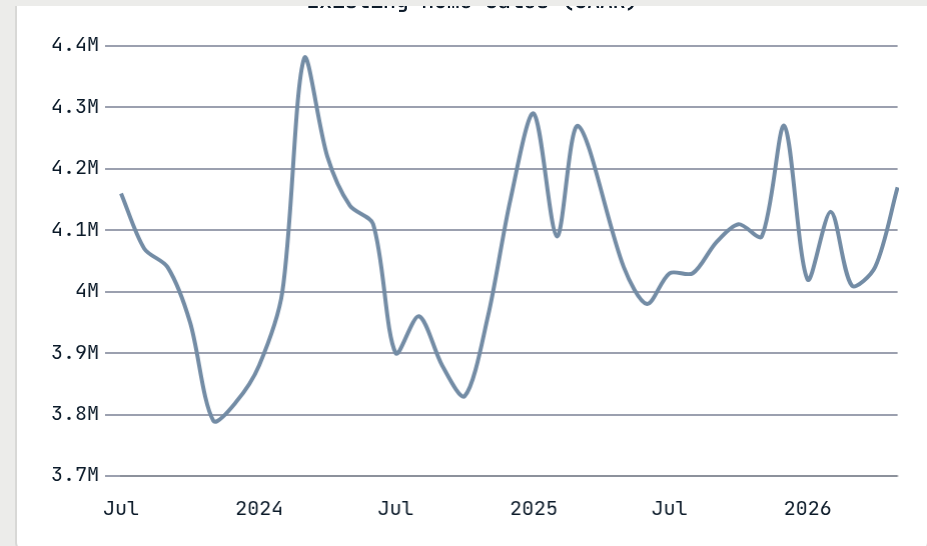
Median Existing Home Price

\$429,300 Median Sales Price (NAR) +1.3% YoY

Case-Shiller National Index

+0.7% Home Prices (YoY) through March

After a year of flat volume, existing sales finally moved. The pace rose 3.2% on the month to 4.17 million, up 3.2% from a year ago, per NAR, the strongest reading in months and a genuine spring bounce off the flat sales we described last month. The median existing price set a fresh record at \$429,300, up 1.3% year-over-year. The cleaner read complicates the story. The Case-Shiller national index rose just 0.7% year-over-year through March, the latest available reading with April data not yet released, and the trend is still one of deceleration, per S&P CoreLogic Case-Shiller. NAR's median is a mix-and-seasonality figure catching the summer peak, while the repeat-sales index strips both out and shows underlying appreciation barely positive. The signal is sticky-high prices on thin volume. A record \$429,300 median was struck on a 4.17 million pace that remains near the floor of its multi-year range. This is a resale story and a low-base spring thaw rather than a broad reopening. The existing market



List Prices Keep Falling as Sales Set Records

Housing Market

1,058,693 Active Listings +2.2% YoY

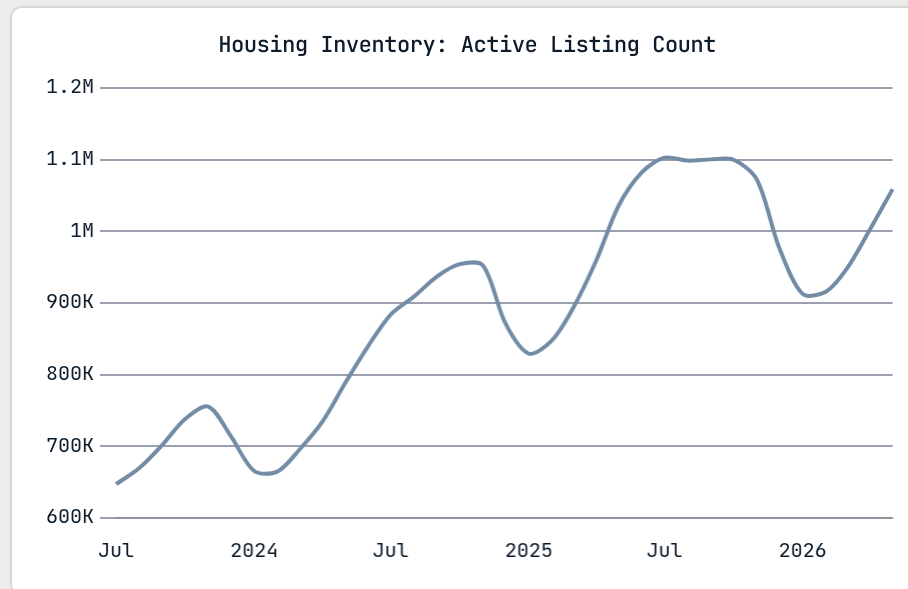
474,976 New Listings +2.1% YoY

52 Median Days on Market vs 51 a year ago

353,904 Price-Reduced Listings

\$429,500 Median List Price -2.4% YoY

The divergence at the center of this market widened again. The median list price fell to \$429,500, down 2.4% year-over-year, per Realtor.com via Reef Intelligence, extending a run of annual declines that now stretches past six months, even as NAR's median transacted price set a fresh record in the same month. Sellers are marking listings down year over year while the homes that actually clear keep setting records, a market splitting between motivated sellers cutting to move and a thin band of competitively priced inventory that draws the bids. Supply keeps building, with active listings up 5.6% on the month to 1,058,693, but year-over-year growth is decelerating hard, to 2.2% from the 4.6% we noted in April and the mid-teens pace of 2025. Price-reduced listings rose to 353,904, climbing month-over-month yet still short of a year ago, and homes are taking 52 days to sell. The softening we have tracked since winter is hardening into a stalemate of more supply, slower price discovery, and a record headline price sitting on top of a list-price market that fell 2.4% in a year.



Supply & Construction

Starts Collapse, Permits Stall

Supply & Construction

Housing Starts

1,177,000 Housing Starts (SAAR) -15.4% MoM

-8.7% Year-over-year

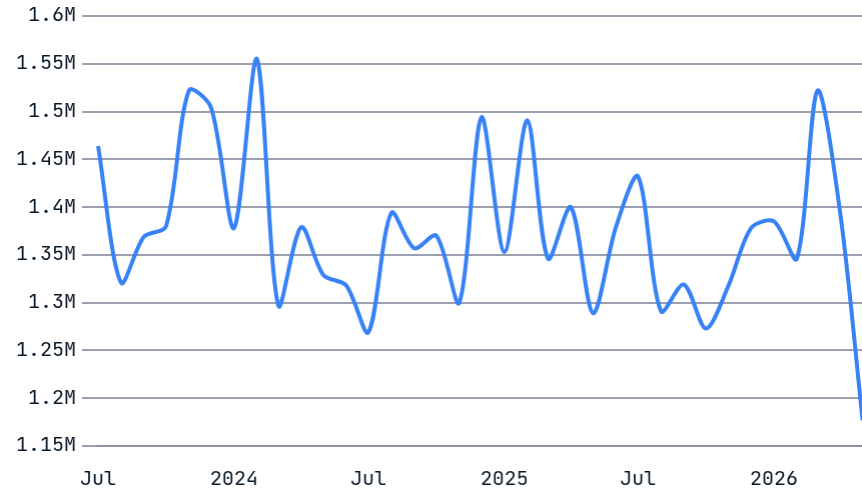
Building Permits

1,410,000 Building Permits (SAAR) -0.9% MoM

-0.4% Year-over-year

Last month we judged the most probable path to be renewed softening in the filings over the summer. The softening has arrived, and it is sharper than that word allowed. Starts fell 15.4% to a 1,177,000 annual rate in May, per the Census Bureau, the steepest monthly drop of this cycle and the first print to break decisively below the 1.45 million level where starts and permits had converged. Permits held roughly flat at 1,410,000, down 0.9% on the month and 0.4% on the year, which retires the case that April's permit rebound marked a durable improvement. The pipeline that held flat through the spring is now shrinking, and with permits offering no lift, the collapse in starts is not the kind of one-month air pocket that the next release reverses.

Housing Starts: Total New Privately Owned



New Private Housing Units Authorized by Building Permits



New Home Sales Fall Into Oversupply

Supply & Construction

New Home Sales

580,000 New Home Sales (SAAR) -7.3% MoM

-6.8% Year-over-year

New Housing Supply

10.3 Months' Supply (New) vs 9.3 prior

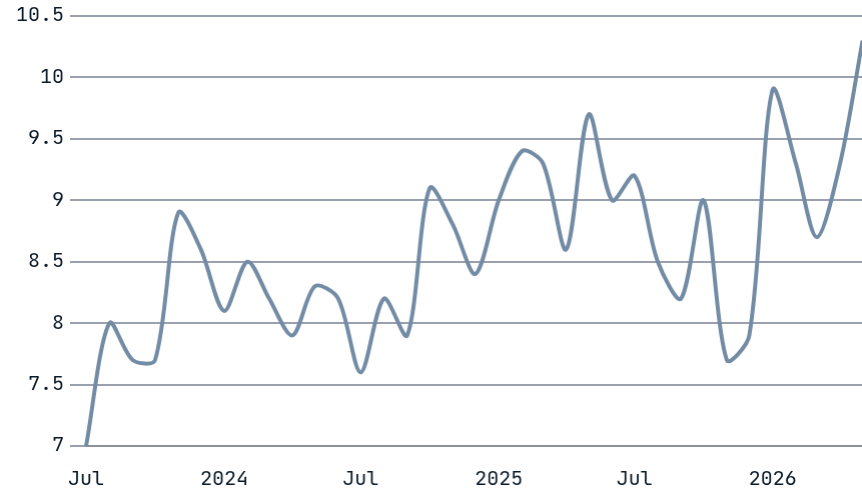
496,000 New Homes for Sale

Median New Home Price

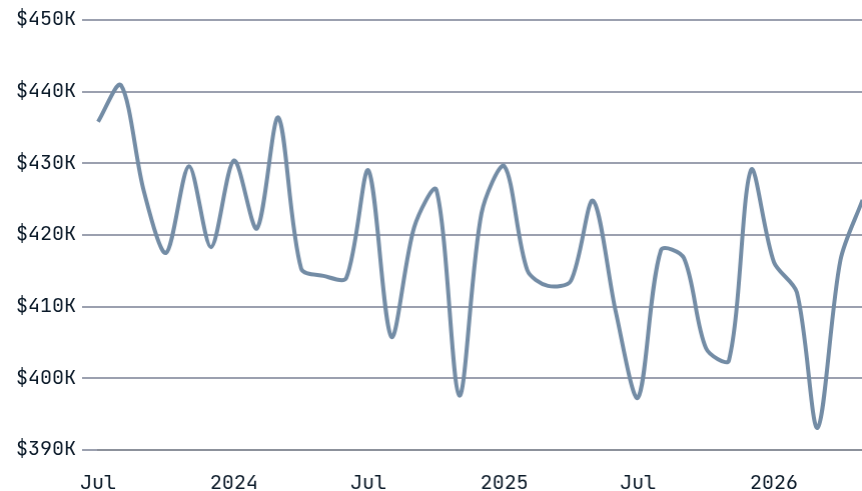
\$424,900 Median Sales Price (Census) +2.0% MoM

In May we called the jump to 9.4 months of new-home supply the territory that precedes builder retrenchment. One month on, that figure stands at 10.3, the highest reading outside the 2007 to 2010 bust and the 2022 rate shock, per the Census Bureau. Sales fell 7.3% to a 580,000 annual rate while homes listed for sale rose to 496,000, so the ratio is climbing from both ends at once, fewer buyers working through a larger stack. The median new-home price at \$424,900 was roughly flat against a year ago, the same posture the existing market is holding, builders defending price by withholding volume instead of cutting it. Unsold inventory accumulating into a frozen demand environment is the precondition for the price concessions the median has not yet recorded, and at 10.3 months the pressure to discount only builds.

New Housing Supply (Months)



Median Sales Price of New Houses Sold



Construction Hiring Follows Starts Lower

Supply & Construction

Construction Employment

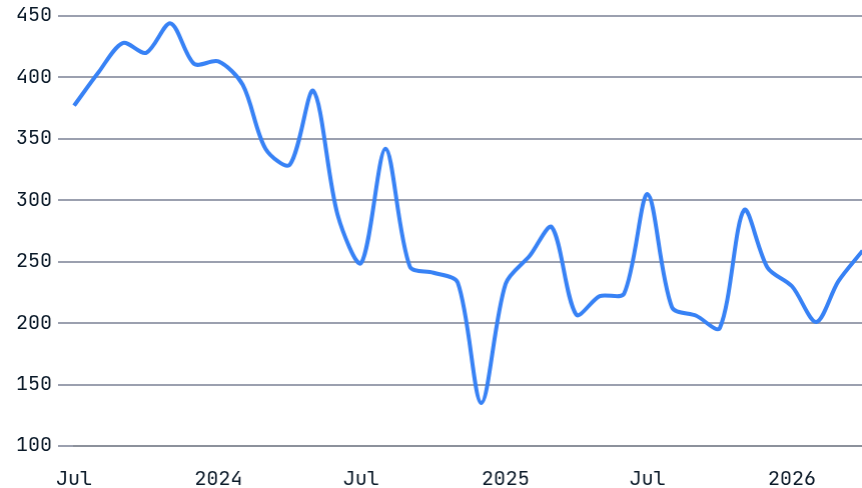
924,700 Residential Construction Employees -0.2% MoM
-0.9% Year-over-year

Construction Job Openings

259,000 Construction Job Openings April, latest

The erosion we flagged last month has continued at the same low volume. Residential construction employment slipped to 924,700 in May, down 0.2% on the month and 0.9% on the year, per BLS, the kind of decline that compounds without making headlines. Construction job openings stood at 259,000 in April, the latest available reading and below year-ago levels, consistent with a sector that has stopped competing for workers. Hiring is the lagging response to the starts data, and with starts having just fallen 15.4%, the payroll line now points in only one direction. Builders do not staff for projects they are no longer breaking ground on, and the construction labor market, the steadiest support in an otherwise frozen housing complex, is now bending in line with the pipeline that feeds it.

Job Openings: Construction



Residential Construction Employees



Market Risks & Outlook

Part One: The Premium Drains, the Ceasefire Cracks

Market Risks & Outlook

The war we have tracked since March ended on paper this month, and the oil market spent the rest of June unwinding the premium it had spent the entire war building. Last month we wrote that Brent had begun to deflate from wartime spikes near \$119, settling around \$94 as the first Project Freedom convoys moved tankers through the Strait of Hormuz. That deflation became a collapse. On June 17 the roughly 106-day US-Iran war wound toward a close, and on June 18 President Trump signed a memorandum of understanding with Iranian President Pezeshkian, initialed at Versailles after the G7 and formalized June 19 in Switzerland, opening a 60-day window to settle Iran's nuclear program and reopen the Strait of Hormuz. Trump lifted oil sanctions on Iran over June 19 and 20, and a peace-dividend rally followed. Brent, near \$93 in early June, fell toward \$83 and kept going, reaching roughly \$76 a barrel by June 22, per FRED, and roughly \$73 by June 25, per Reef Intelligence. That is the lowest since late February and about 40% below the wartime peak. The entire war premium has drained out, and the strait reopened in volume, with 124 vessels transiting in four days.

Then the truce frayed. On June 27 and 28 the ceasefire cracked. An Iranian drone struck the tanker M/T Kiku in the Strait of Hormuz, US forces struck ten Iranian targets, and Iran's Islamic Revolutionary Guard Corps (IRGC) retaliated against US sites in Kuwait and Bahrain on day 121 of the war, with President Trump threatening to "annihilate" Iran. By June 29 both sides had agreed to halt attacks and resume talks, and crude steadied. The episode lasted barely 48 hours, but it reset the risk. With the premium already gone, there is almost no further relief to extract from oil near \$73, while a single incident in the strait can put the premium back in a session.

The relief is real and badly timed. The collapse in crude is powerfully disinflationary from here, but it arrives too late for the data in hand. May headline CPI at 4.2%, per the Bureau of Labor Statistics, captured the wartime peak in energy, not the June unwind, so none of this month's price relief has reached the inflation prints or the rate curve. The transmission chain we have described all spring is intact. The path of oil sets the path of rates, which sets the path of housing demand. If the June 18 memorandum holds through its 60-day window, the disinflation now sitting in \$73 crude reaches the CPI by late summer and pulls mortgage rates back from 6.49%. If a single Hormuz incident reopens the premium, that relief never prints, and the 4.2% inflation that defined the spring becomes the floor rather than the peak.

Part Two: A Pillar Wobbles, the Trap Tightens

Market Risks & Outlook

The trap we have described since February tightened this month, and for the first time one of the two pillars holding it open began to give. The Federal Reserve held the effective funds rate at 3.63% in June, with Kevin Warsh chairing his first meeting on June 17 after being sworn in May 22. The question facing the new chair is no longer when the Fed will cut. By June 24, market pricing put the odds of a rate hike by year-end at nearly 90%, and the data explain why. Headline CPI accelerated to 4.2% in May, per the Bureau of Labor Statistics, while the PPI jumped 13.1% over the year on a 3.5% monthly spike. A central bank that spent the winter debating the timing of cuts now finds itself debating whether it has to hike into the most expensive housing financing in a generation.

What is new is the strain in the other pillar. We have written since February that this expansion rests on two narrow supports, AI capital expenditure and wealthy-consumer spending, and in June the first of them wobbled. On June 28 the Bank for International Settlements (BIS), the central banks' bank, used its annual report to warn of an AI-fueled "double bubble" in both equities and gold, its first such warning in roughly five decades, flagging that the five largest hyperscalers are on track to commit more than \$1 trillion to AI infrastructure across 2025 and 2026, financed increasingly through opaque channels. The warning landed days after a two-day rout in AI and chip stocks. South Korea's benchmark KOSPI triggered a market-wide circuit breaker, down 8.19% intraday on June 26 in its 11th ever, while Micron fell 13% and the Nasdaq-100 fell 3.3% on June 24. Data from Bank of America showing that only about 3% of its customers pay for AI tools crystallized the doubt about whether record capex will earn its keep. Gold sits at fresh

This is the trap in its sharpest form. The Fed cannot cut into a 4.2% CPI and a 13.1% PPI without abandoning its mandate, and it cannot hike into a softening labor market and an equity market that has just begun to doubt its one engine of momentum without inviting the recession it is trying to avoid. The softening is no longer hypothetical. The unemployment rate has held at 4.3% for a third straight month, up from 4.2% a year ago, and housing remains broadly frozen at 6.49% mortgages, with even May's bounce in existing sales still pinned near its multi-year floor. Caught between accelerating inflation and a wobbling AI bid, the new chair's room to move has narrowed to nothing. The relief housing needs will not come from the next FOMC meeting. As we have argued all spring, it depends less on the Fed than on the Strait of Hormuz, and a market priced for a near-90% chance of a hike has no cushion if that strait closes again.

Data Table

METRIC	THIS PERIOD	LAST PERIOD	YEAR AGO	LATEST RELEASE
Housing Starts: Total Units	1,177	1,392	1,289	May-26
New Building Permit Authorizations: Total Units	1,410	1,423	1,416	May-26
New Home Sales (SAAR, Thousands)	580	626	622	May-26
Median New Home Price (Census)	\$424,900	\$416,500	\$424,800	May-26
New Housing Supply (Months)	10.3	9.3	9.7	May-26
Existing Home Sales (SAAR, Millions)	4.17	4.04	4.04	May-26
Median Existing Home Price (NAR)	\$429,300	\$417,500	\$423,700	May-26
Existing Housing Supply (Months)	4.5	4.4	4.6	May-26
Case-Shiller Index (YoY)	+0.7%	+0.8%	+3.4%	Mar-26
Active Listings (Realtor.com)	1,058,693	1,002,935	1,036,101	May-26
New Listings (Realtor.com)	474,976	477,116	465,096	May-26
Median Days on Market (Realtor.com)	52	52	51	May-26
Price-Reduced Listings (Realtor.com)	353,904	327,402	372,964	May-26
Median List Price (Realtor.com)	\$429,500	\$425,000	\$440,000	May-26
Nominal Mortgage Rates	6.49	6.53	6.77	Jun-26
10-Year Treasury Yield	4.40	4.30	4.26	Jun-26
Residential Construction Employees	925	926	933	May-26
Nominal Monthly Mortgage Payment	\$2,045	\$1,997	\$2,190	Jun-26 ¹⁸

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