

# Reef Report

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Real Estate & Economic Forecast — United States

March 2026

# Executive Summary

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- Payrolls Turn Negative

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- Inventory Keeps Building

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- Trapped Between Inflation and Recession

# Macro Context

# Last Clean Inflation Read

Macro Context

## Headline Inflation

2.4% Headline CPI unchanged MoM

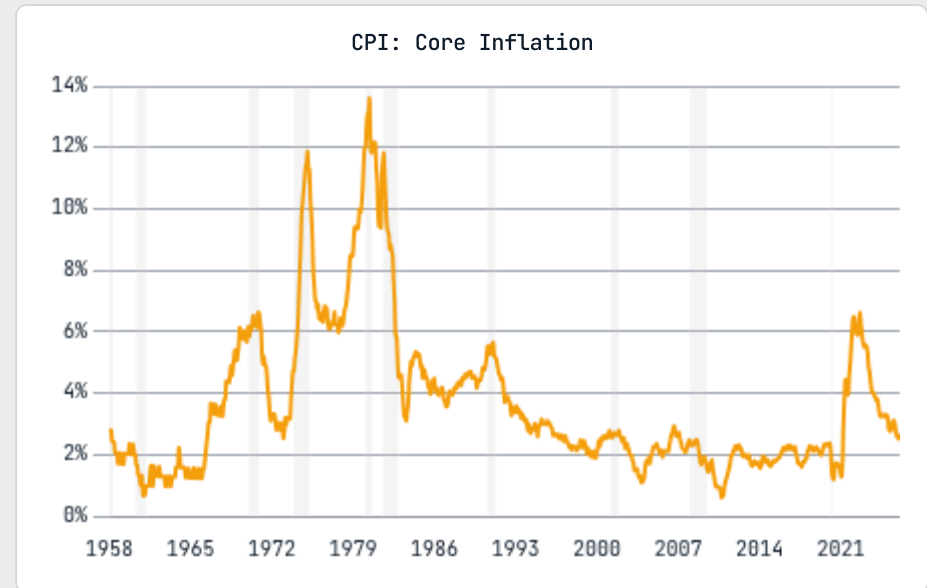
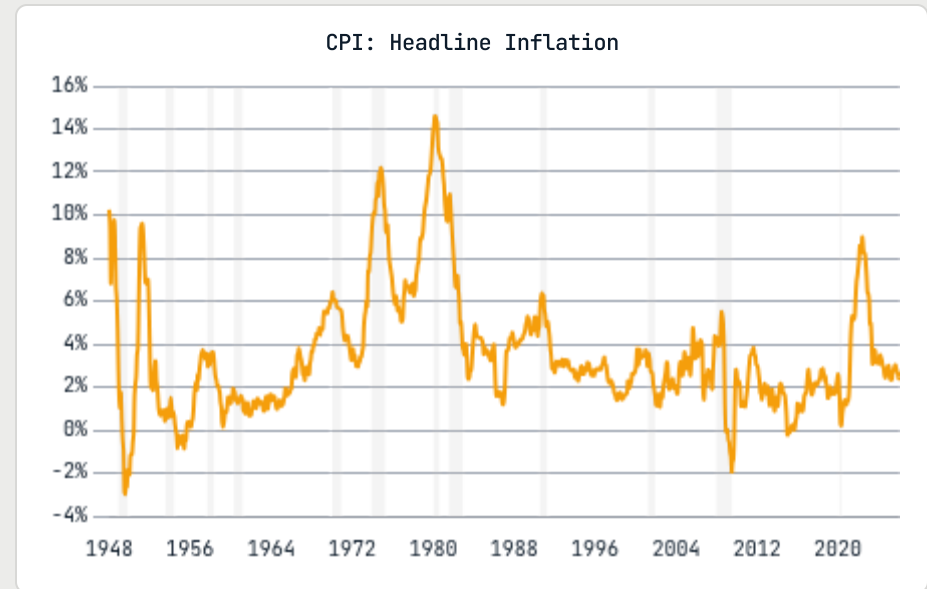
2.99% Last year

## Core Inflation

2.5% Core CPI slight decrease MoM

3.28% Last year

February's CPI came in at 2.4% headline and 2.5% core, both in line with expectations and essentially flat from January. Rent rose just 0.1% for the month, the smallest monthly increase since January 2021. Under normal circumstances, this would be an encouraging print. It is not normal circumstances. The data was collected before the Strait of Hormuz closed on March 4th, before oil surged past \$100 a barrel, and before gas prices climbed \$1.00 per gallon in a single month to \$3.98. The OECD has already revised its 2026 U.S. inflation forecast from 2.8% to 4.2%. February's CPI is the last clean read we will get for a while. What comes next will look very different.



# Payrolls Turn Negative

Macro Context

## Unemployment Rate

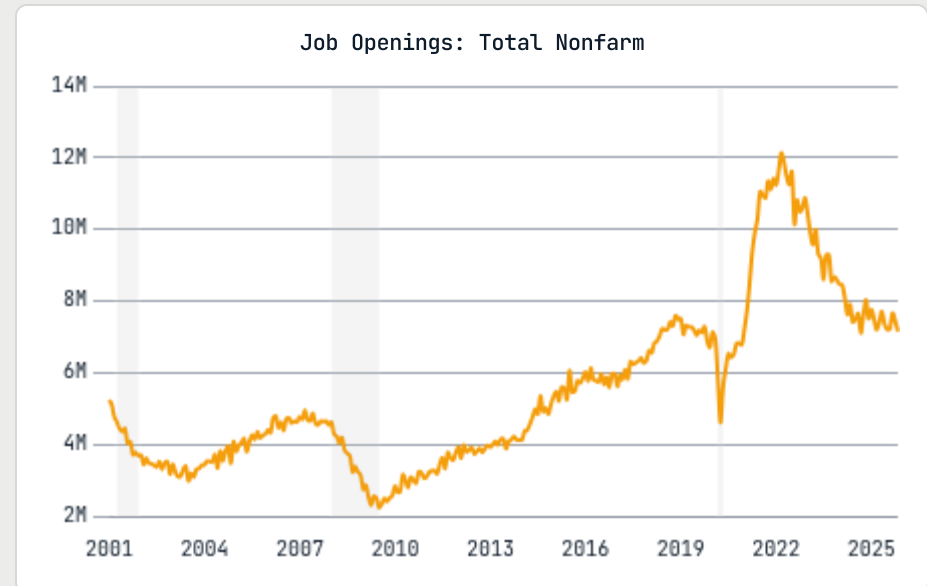
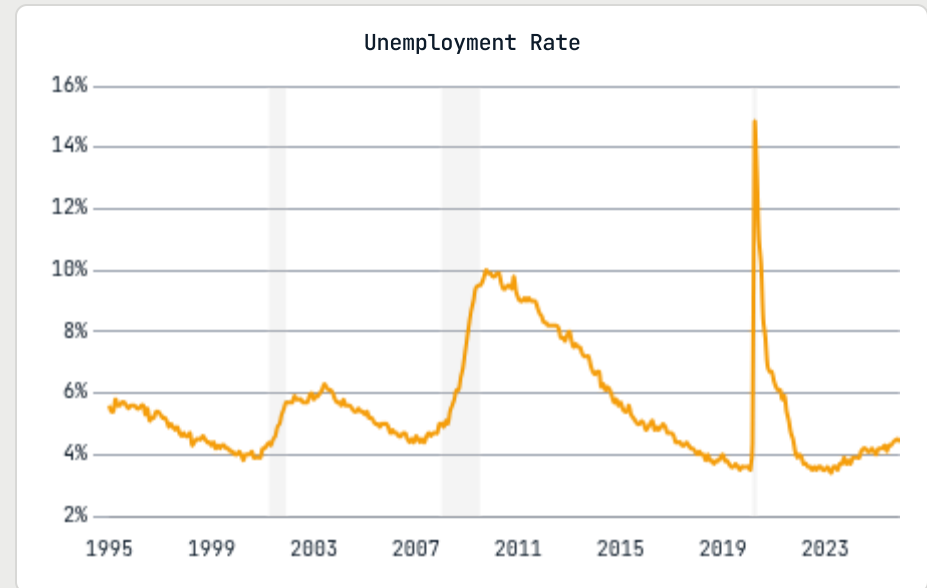
4.4% Unemployment Rate MoM increase

8.4% U-6 Underemployment

## Nonfarm Payrolls

-92,000 February Payrolls expected +50,000

The U.S. economy shed 92,000 jobs in February, the third month out of the last five to post negative payrolls. The miss was not close: consensus expected a gain of 50,000. Healthcare, the one sector that had been propping up the headline numbers, lost 28,000 jobs on the back of the Kaiser Permanente strike. Federal government employment fell another 10,000, bringing total DOGE-related federal job losses to roughly 330,000 since October 2024. Unemployment ticked up to 4.4%. Average hourly earnings rose 3.8% year-over-year, outpacing inflation for now, but concentrated in sectors that are actively shedding workers. Job openings fell 11.0% year-over-year to 7.15 million. The labor market that Governor Waller said had “clearly softened” in January is now contracting.



# Housing Market

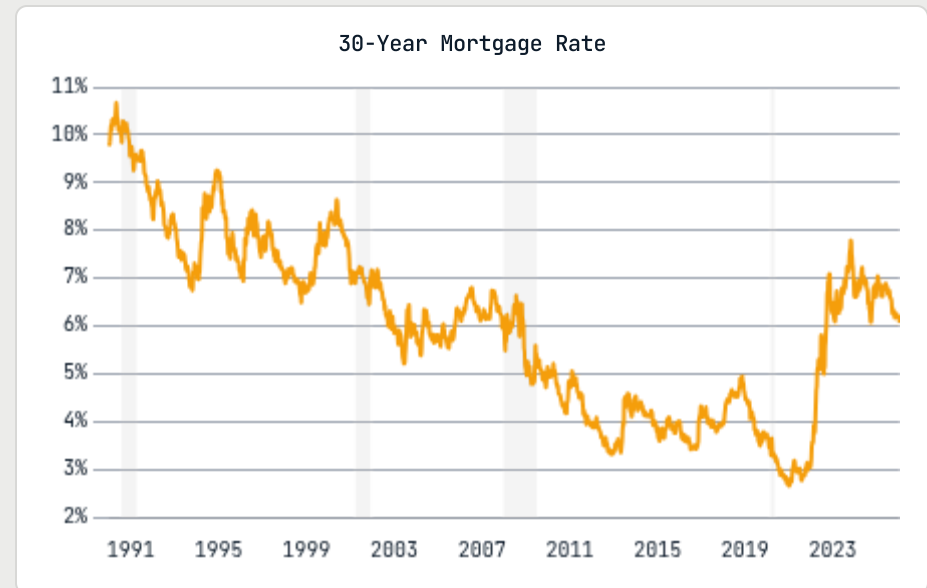
# The Rate Reversal

Housing Market

**6.47%** 30-Year Fixed as of Mar 29, 2026

**6.01%** One month ago (Feb 19)

Last month, we noted that mortgage rates had touched 6% and briefly dipped into the 5s. That psychological threshold broke, and for a few weeks there was real optimism that the housing market might finally begin to thaw. Then Iran happened. Brent crude surged past \$100 a barrel. Treasury yields climbed as inflation expectations repriced. The 30-year fixed rate reversed course and is now at 6.47%, up 46 basis points in a matter of weeks. A year ago rates averaged 6.65%, so the year-over-year comparison still looks favorable. But the trajectory has changed completely. Buyers who were beginning to re-enter the market are watching rates move in the wrong direction again, and the uncertainty around energy prices makes it impossible to know where rates settle.



# Affordability Hits Its Ceiling

Housing Market

## Mortgage Payments to Household Income Ratio

**27.8%** Payment-to-Income Ratio MoM decrease

**-11.7%** Year-over-year

**+37.5%** 5-year change

## Nominal Monthly Mortgage Payment

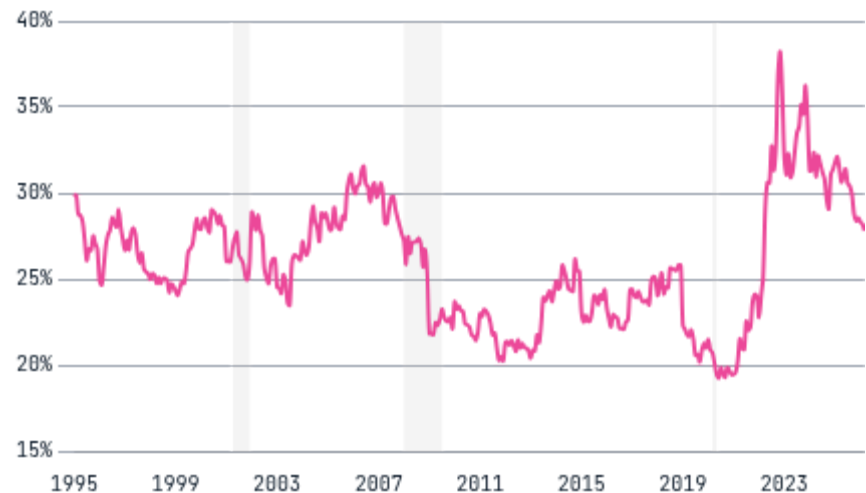
**\$1,940** Monthly Payment MoM decrease

**-11.7%** Year-over-year

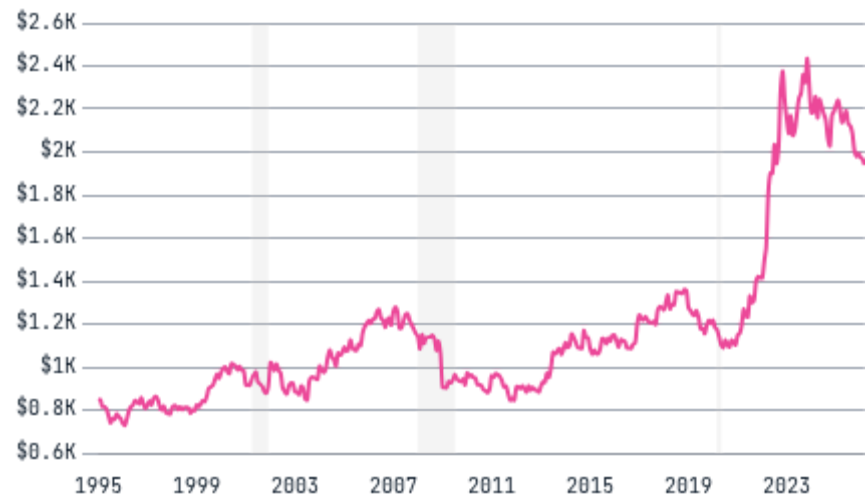
**+62.6%** 5-year change

The March affordability numbers still show improvement, with the payment-to-income ratio falling to 27.8% and monthly payments dropping to \$1,940. These figures reflect rate conditions earlier in the month before the full oil shock repricing hit. The late-March spike to 6.47% has not yet flowed through. When it does, expect these gains to stall or reverse. The five-year picture remains the more telling one: payments are still up 62.6% from 2021, and the income ratio is up 37.5%. Affordability has improved from the worst of it, but it has not recovered. The window for continued improvement just narrowed significantly.

Median Household Income Spent on Annual Mortgage Payments



Nominal Monthly Mortgage Payment



# Sales Volume Falls, Prices Flatten

Housing Market

## Existing Home Sales

**3.91M** Existing Home Sales (SAAR) MoM decline

**-4.4%** Year-over-year

## Median Existing Home Price

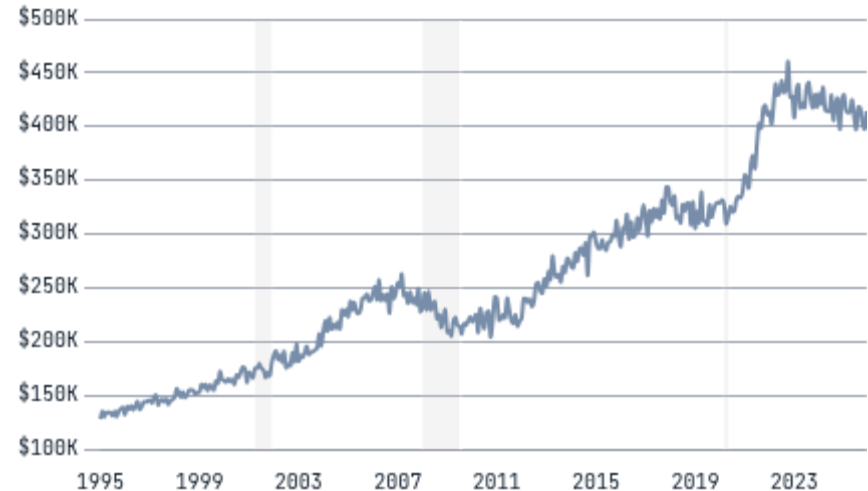
**\$398,000** Existing Home Median Price +0.3% YoY

## Median New Home Price

**\$414,400** New Home Median Price -2.0% YoY

Existing home sales dropped 8.4% from January to a 3.91 million annual rate in February, the slowest pace in months. The decline is partly seasonal but also reflects the reality that even at 6% rates, buyers remain hesitant. Median existing home prices edged up 0.3% year-over-year to \$398,000, essentially flat. New home prices declined 2.0% to \$414,400. Builders have been aggressive with incentives, 37% cut prices in March per NAHB, and the median new home is now barely above the median existing home. That pricing convergence is historically unusual and speaks to how hard builders are working to move inventory in a demand-starved market.

Median Sales Price of New Houses Sold



Median Sales Price of Houses Sold



# Inventory Keeps Building

Housing Market

**912,696** Active Listings MoM decline (seasonal)

**+10.0%** Year-over-year

Active listings reached 912,696 in January, up 10.0% year-over-year. Growth has decelerated from the 15-20% year-over-year increases we saw in mid-2025, but inventory levels are now in line with pre-2020 norms in 66 of the 200 largest metro areas, per ResiClub. Median days on market climbed to 78 in January, up from 66 a year ago. Homes are sitting longer. Combined with declining sales volume, the picture is one of a market where sellers are listing but buyers are not engaging. The rate reversal in late March will not help. If anything, it gives sidelined buyers one more reason to wait.



# Supply & Construction

# Starts Surge While Permits Contract

Supply & Construction

## Housing Starts

1,487,000 Housing Starts (SAAR) MoM increase

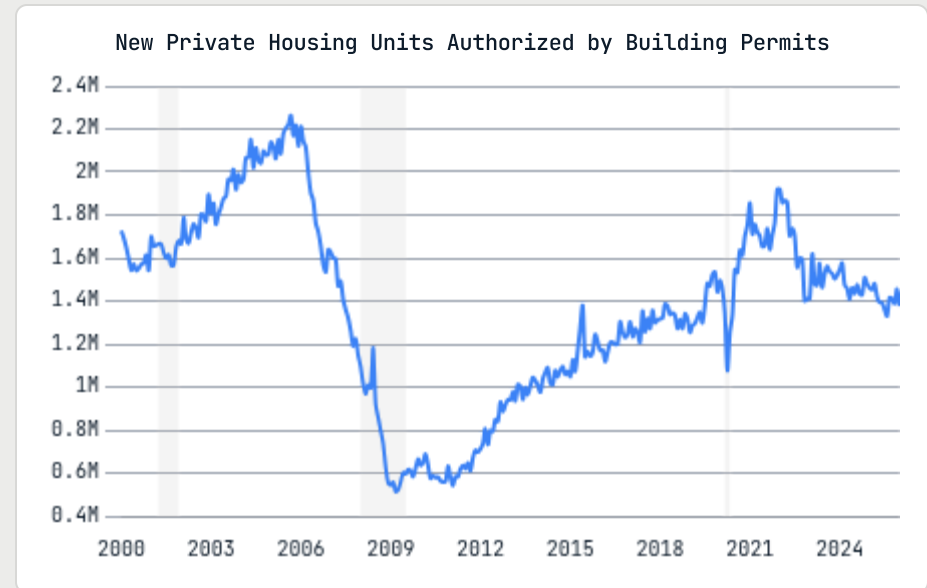
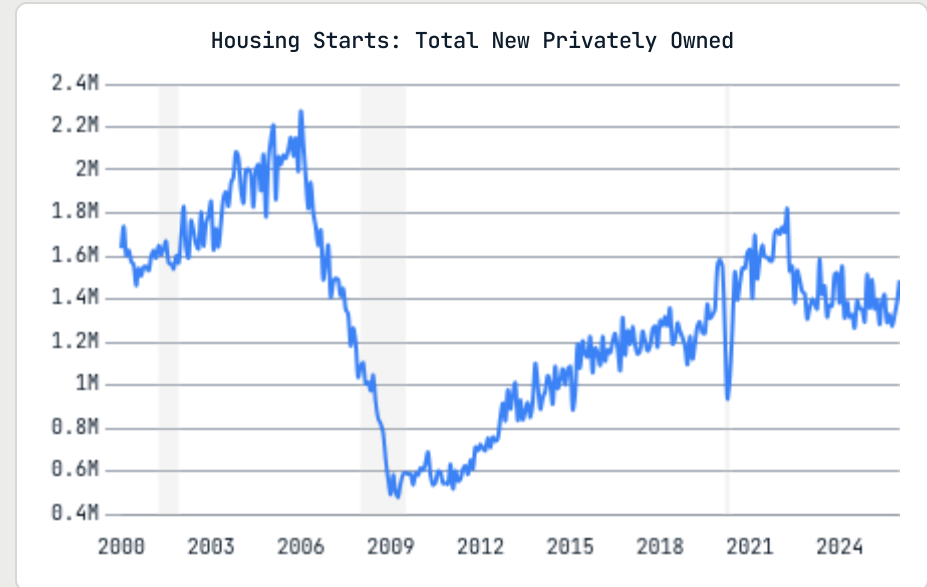
+9.5% Year-over-year

## Building Permits

1,376,000 Building Permits (SAAR) MoM decline

-5.8% Year-over-year

January housing starts surged 7.2% to 1,487,000 units, the highest rate in nearly a year. Building permits, the leading indicator, moved in the opposite direction: down 5.4% from December and 5.8% year-over-year. Starts reflected projects already in the pipeline when rates were falling toward 6%. Permits, despite that same favorable rate environment, continued to decline—a sign that builders remain cautious even when financing conditions improve. Years of elevated costs, tight labor, and volatile demand have made developers reluctant to commit to new projects without clearer signals that demand will materialize. NAHB's Housing Market Index rose a single point to 38 in March, marking the 23rd consecutive month below the 50-point threshold, the level above which more builders view conditions as good rather than poor. The oil shock and rate reversal in late March will only deepen that reluctance in the months ahead.



# Supply Metrics Diverge

Supply & Construction

## New Housing Supply

7.6 Months' Supply (New) MoM decline

-7.3% Year-over-year

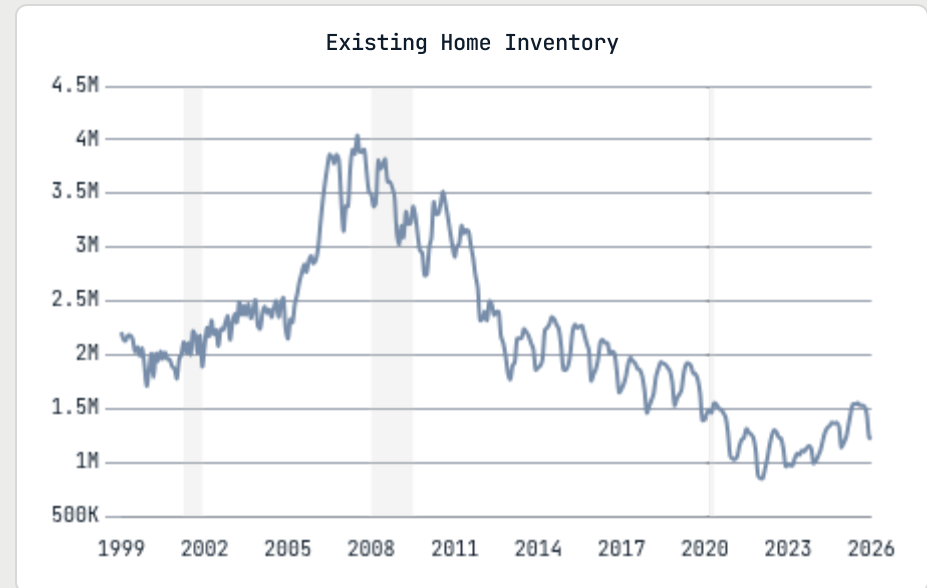
## Existing Home Inventory

1,220,000 Existing Home Inventory MoM decline (seasonal)

## Real Residential Construction Spend

106.2 Construction Spend Index MoM decline

New home months' supply fell to 7.6, down 7.3% year-over-year. That decline is welcome for builders, but it reflects sales activity as much as inventory levels. New home inventory itself dropped to 472,000 units. On the existing side, NAR inventory fell to 1.22 million units in January, a seasonal pattern, but months' supply crept up to 3.8, per NAR's February release. Real residential construction spending is essentially flat year-over-year at 106.2 on our index. Builders are not pulling back hard, but they are not leaning in either. With 37% cutting prices and 64% offering incentives, per NAHB, the margin pressure is real.



# Construction Employment Softens

Supply & Construction

## Construction Job Openings

292,000 Construction Job Openings MoM increase

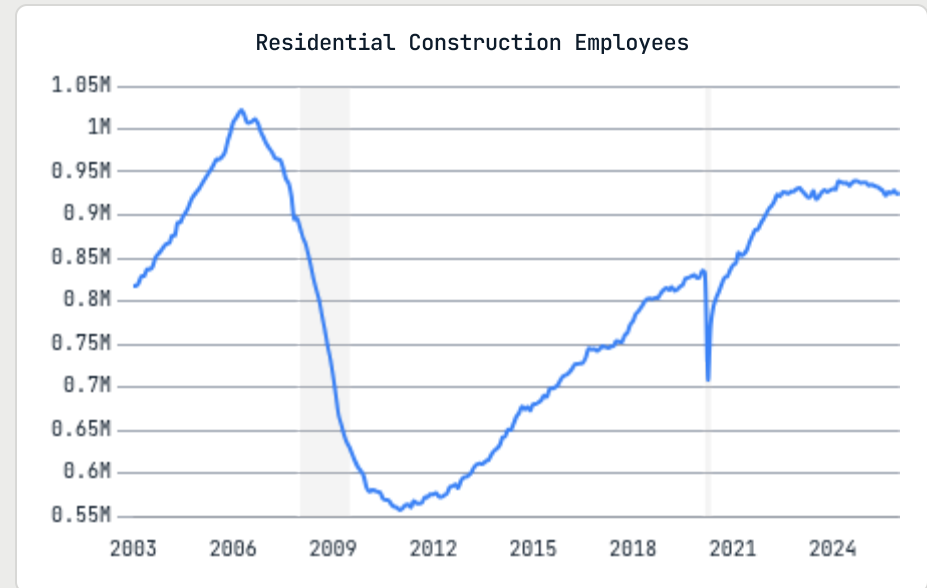
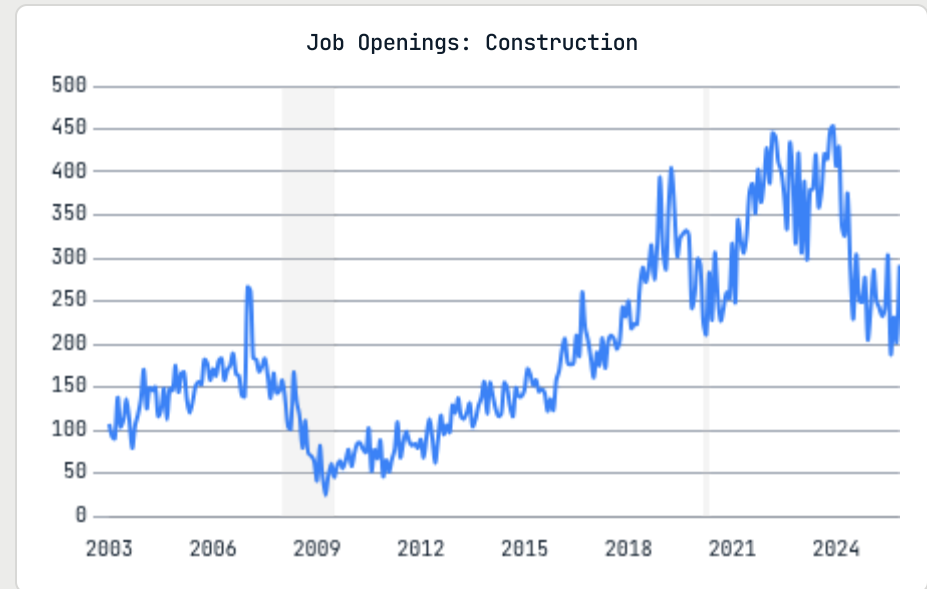
+5.4% Year-over-year

## Residential Construction Employees

925,100 Residential Construction Employees MoM increase

-1.3% Year-over-year

Residential construction employment is beginning to turn over. The headline figure of 925,100 in January represents a marginal month-over-month increase from 924,800 in December, but the year-over-year trend has shifted: residential employees are down 1.3% from January 2024. Job openings in construction rose to 292,000 in November, up 5.4% from a year ago, though openings tend to lag actual hiring decisions by several months. The broader signal is one of gradual erosion rather than sudden contraction. If affordability conditions do not improve, and the oil shock keeps mortgage rates elevated, this downturn in construction employment is likely to continue. Builders facing compressed margins and weakening demand have limited reason to expand payrolls.



# Market Risks & Outlook

# Part One: The Oil Shock Reshapes the Outlook

## Market Risks & Outlook

On March 4th, Iran closed the Strait of Hormuz. Twenty percent of global oil demand passes through that chokepoint. Within days, Brent crude surpassed \$100 a barrel for the first time since 2022. It peaked at \$126. The IEA called it the largest supply disruption in the history of the global oil market, with Gulf production cuts exceeding 10 million barrels per day.

Gas prices rose \$1.00 per gallon in March to a national average of \$3.98, with California above \$5.80. That is a direct tax on consumer spending. The bottom 60% of earners, who drive 45% of total consumption, are the ones who feel fuel costs first. They were already pulling back before this.

The inflation picture that had been slowly improving for two years is now under threat. The OECD revised its 2026 U.S. inflation forecast from 2.8% to 4.2%. The European Central Bank postponed its planned rate cuts on March 19th. Year-ahead inflation expectations in the Michigan consumer survey jumped to 3.8%. The February CPI at 2.4% is already a historical artifact. March's number will carry the first wave of energy pass-through, and April will carry more.

The timing is brutal. A month ago, the housing market had its first real reason for optimism in two years: rates dipping into the 5s, affordability metrics improving, sales beginning to show signs of life. All of that reversed in three weeks. Mortgage rates spiked 46 basis points from their February low to 6.47% by month end. Treasury yields climbed as markets priced in higher-for-longer inflation and a Fed that cannot cut. The housing thaw is on hold.

# Part Two: Trapped Between Inflation and Recession

## Market Risks & Outlook

The Fed held rates steady at 3.5% to 3.75% on March 18th, with only Stephen Miran dissenting in favor of a cut. The dot plot still shows one cut projected for 2026, but seven of 19 participants now expect no cuts at all this year. The committee is caught. Inflation is re-accelerating due to an exogenous supply shock they cannot control. The labor market is deteriorating in ways they can no longer dismiss. Cutting rates risks fueling inflation; holding risks deepening a downturn that is already underway.

GDP growth in Q4 2025 was revised down to 0.7%, with the government shutdown subtracting a full percentage point. Full-year 2025 GDP came in at 2.1%, propped up by wealthy consumer spending and AI capital expenditure. Those same narrow pillars we identified last month. Consumer sentiment collapsed to 53.3 in March, its lowest since late 2025, with declines across every age group and income bracket. The S&P 500 is off 8.7% from its January peak. The Nasdaq entered correction territory. Energy is the only sector in the green. Consumer discretionary fell 12.3% in March alone.

Payrolls fell 92,000 in February. Federal headcount has been cut by 330,000 since late 2024. AI-driven displacement of white-collar work, the theme we flagged last month, is accelerating against the backdrop of an administration that is simultaneously reducing the public sector workforce and generating a foreign policy crisis with massive domestic economic consequences. The policy response infrastructure is thin. The Fed cannot act. Congress is heading into midterms. The institutions that would normally respond to a dual shock of this magnitude are either constrained, understaffed, or distracted.

Last month we wrote that the margin for error was shrinking. It has now shrunk. A supply shock on top of a weakening labor market and frozen housing sector is the textbook definition of stagflation risk. The economy entered March with almost no buffer. If oil prices remain above \$100 for another two months, the question will shift from whether a recession is possible to how severe it will be.

# Data Table

METRIC	THIS PERIOD	LAST PERIOD	YEAR AGO	LATEST RELEASE
Housing Starts: Total Units	1,487	1,387	1,358	Jan-26
New Housing Supply	7.60	7.70	8.20	Dec-25
Existing Housing Supply	3.80	3.50	3.50	Feb-26
Median Existing Home Price (NAR)	\$398,000	\$396,800	\$396,800	Feb-26
New Building Permit Authorizations: Total Units	1,376	1,455	1,460	Jan-26
Case-Shiller Index	342.51	340.90	328.15	Dec-25
Residential Construction Employees	925	925	937	Jan-26
Nominal Mortgage Rates	6.47	6.01	6.65	Mar-26
Delinquency Rates: Single-Family	1.78	1.78	1.77	Q3-25
Delinquency Rates: All Loans	2.62	2.71	2.76	Q3-25
Construction Spending: Residential	\$928	\$915	\$938	Dec-25
Housing Inventory: Median Days on Market	78	73	66	Jan-26
Nominal Monthly Mortgage Payment	\$1,940	\$1,965	\$2,198	Mar-26
Existing Home Sales (SAAR, Millions)	3.91	4.27	4.09	Feb-26
Nonfarm Payrolls (MoM Change)	-92,000	+126,000	+50,000	Feb-26

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