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Beyond the Headlines

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US Real Estate: Stress, or Just a Bump?

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US Real Estate: Stress, or Just a Bump?

Run the **bearish** checklist and US housing looks like it's rolling over: mortgage rates back near a one-year high, the supply of unsold homes at its highest in a decade, sales grinding near multi-decade lows, and mortgage defaults climbing.

Run the **bullish** one and it looks fine: prices are at record highs, homeowners sit on record equity, and the overall delinquency rate is still historically moderate.

Both are true at once, which is exactly why the question ("stress or a bump?") has been so hard to answer. The honest read: this is neither a healthy market taking a breather nor a 2008-style collapse. It is a market that has frozen solid - priced too high to transact, defended by a wall of cheap legacy mortgages, with **genuine credit stress building at the bottom end.**

There is a definite stress, but slow, bifurcated, and cushioned. The one ingredient that would turn it into a genuine crash is a wave of job losses and that ingredient just started to appear.

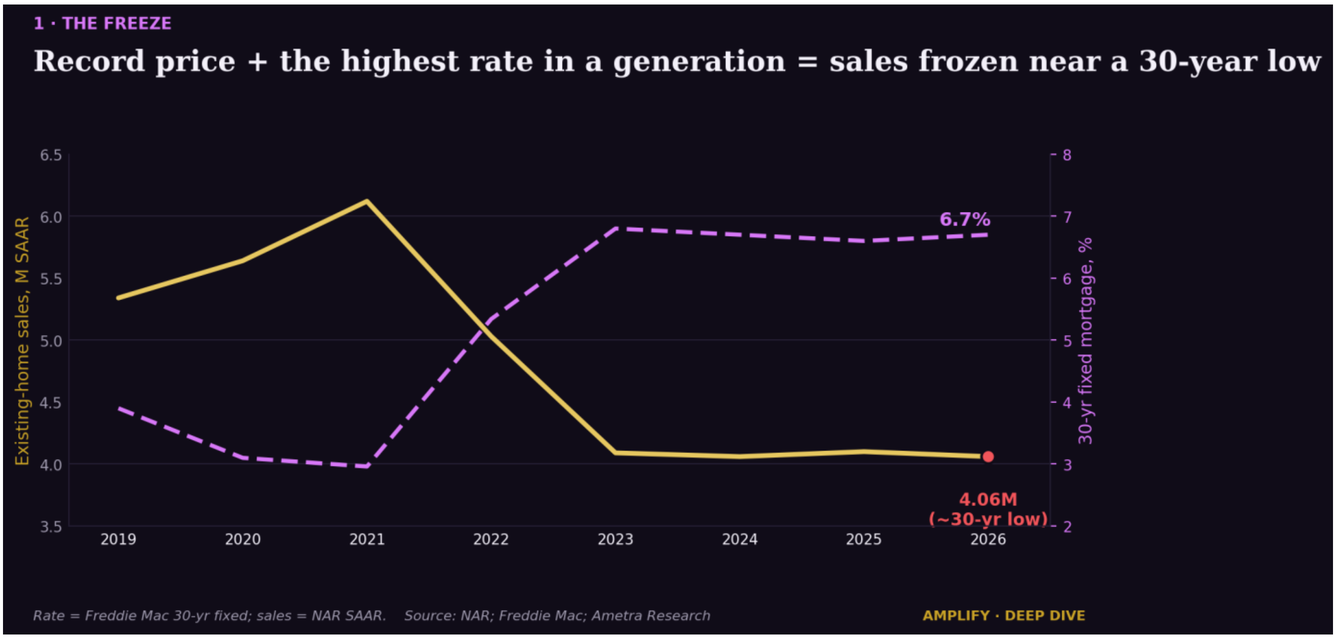
Macro Snapshot (as of August 2026)

Indicator	Reading	Read-through
30-yr fixed mortgage	~6.69% (1-year high)	Record price × high rate = worst affordability in a generation
Existing-home sales	4.06M SAAR, −1.7% MoM	Demand strike; volume near multi-decade lows
Median price (existing)	~$434,100 (+2% YoY)	Near record nominal; falling in real terms
Single-family supply	4.6 months (highest since 2016)	Glut via collapsed sales, not a listings flood
New-home / condo supply	~9.3 mo / 14-yr high	Builder and condo overhang — where lock-in doesn't protect
Regional prices	Chicago +6.9% vs Cape Coral −9.6%	Rust Belt boom, Sun Belt correction — geography is the story
Overall delinquency	~4.44% (+40bps YoY)	Rising but historically moderate — core still sound
FHA delinquency	11.9% (6.3× prime); foreclosures 6-yr high	The genuine stress — concentrated at the low end
Homeowner equity	Record; negative equity negligible	The cushion that makes this a freeze, not a crash
The trigger	July payrolls −23k	Jobs, not housing, decide bump vs bust

1. The Freeze — Affordability at a Generational Worst

The monthly cost of buying the typical US home is near the worst it has ever been, because the two inputs both went the wrong way at once: the median existing-home price is at a record ~$434,000, and the 30-year fixed mortgage is ~6.70%, highest in a year. A buyer today faces a record price and the highest financing cost, which is the reverse of the 2010s, when at least one was always cheap.

The result is a demand strike. Existing-home sales fell 1.7% in July to a 4.06-million annualised pace - among the slowest in three decades. This is not distress selling meeting no buyers; it is a standoff, where sellers don't have to cut and buyers can't stretch, so volume simply evaporates. A frozen market is not a crashing one, but it is a fragile one.

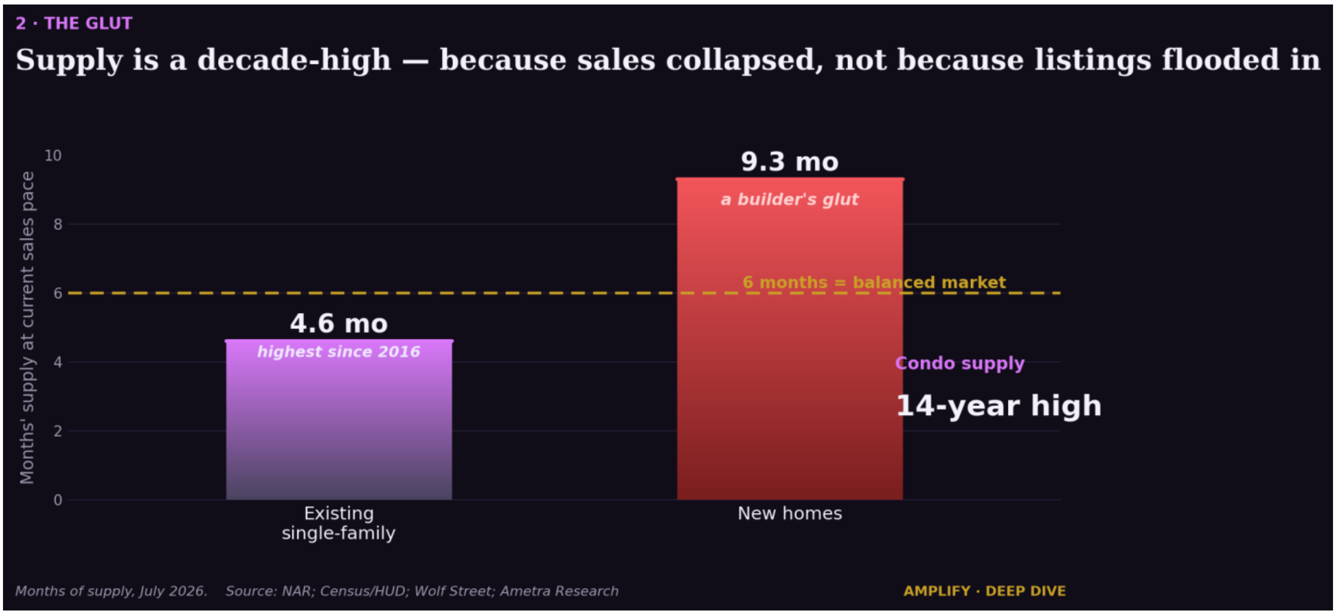


2. The Glut — Supply Is Building, But Through the Back Door

The second leg is inventory, and here the number is striking: the single-family supply reached 4.6 months in July, the highest since 2016; new-home supply is ~9.3 months, a builder's glut; and condo supply is at a 14-year high. On its face, that is a classic top, too many homes chasing too few buyers.

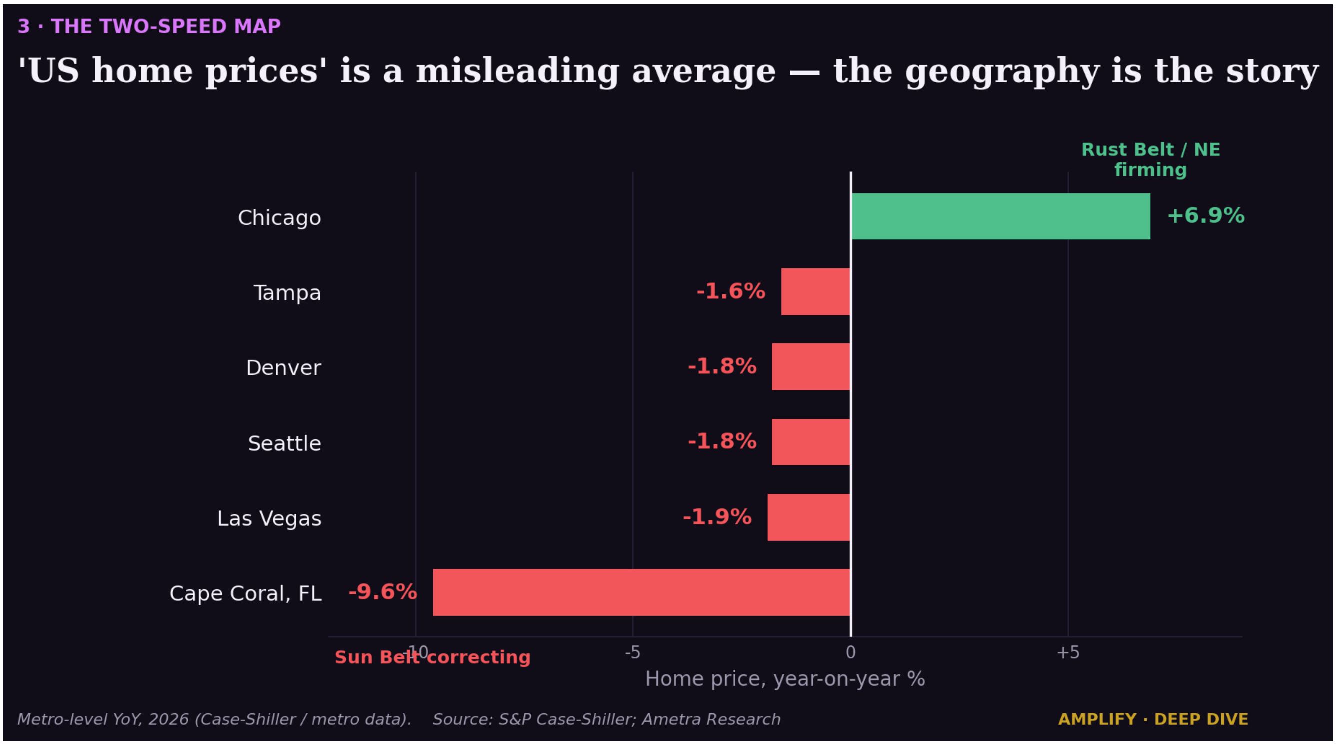
But the cause matters for how dangerous it is. Absolute inventory is actually still below normal and down year-on-year; months-of-supply looks high mainly because the denominator, i.e., sales, collapsed, not because a flood of listings hit the market.

The reason listings haven't flooded in is the lock-in effect: millions of owners hold sub-3% pandemic mortgages and refuse to sell into a 6.7% market, choking off the supply that would normally force prices down. So the glut today is concentrated where lock-in doesn't apply, new homes builders must sell, condos (with soaring HOA and insurance costs), and investor-heavy Sun Belt metros. That distinction is the difference between a slow bleed and a cascade: a true crash needs forced sellers, and lock-in is, for now, keeping most of them off the market.



3. The Two-Speed Map — A Sun Belt Correction Inside a Rust Belt Boom

“US home prices” is now a misleading average. Nationally they are still rising in nominal terms: Case-Shiller +1.1% year-on-year, the median +2%, but that masks the first clear regional reversal since the pandemic boom. The Northeast and Midwest are firming on a genuine shortage (Chicago +6.9%, with Newark, Nassau County and Detroit strong), while the pandemic-boom Sun Belt and West are correcting: Las Vegas −1.9%, Seattle and Denver −1.8%, Tampa −1.6%, and at the metro extreme, Cape Coral, Florida −9.6%, with North Port, Memphis, Tucson and Palm Bay down 4–6%.



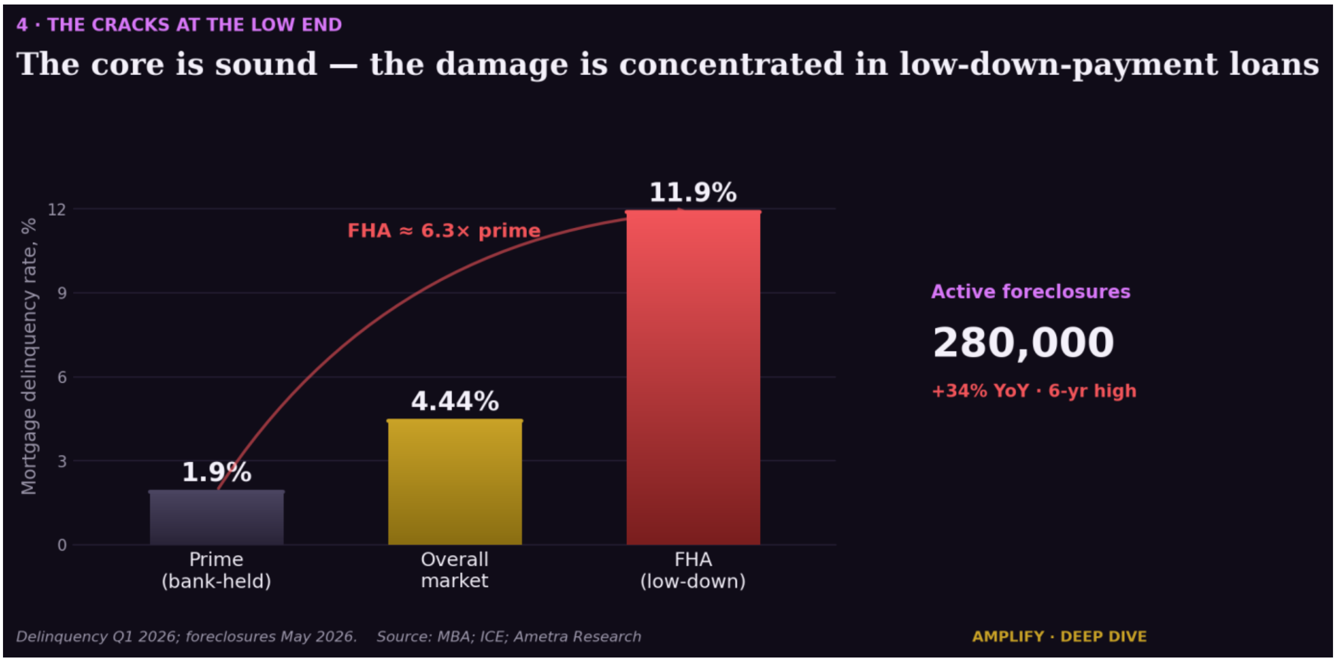
The Sun Belt correction has its own drivers stacked on top of high rates, pandemic-era overbuilding, a surge in active listings, and, critically, spiralling home-insurance and property-tax costs that raise the true cost of ownership even where the sticker price falls. So “are prices falling?” has no single answer: in real (inflation-adjusted) terms, national prices are drifting lower; in nominal terms they're at records in the Midwest and falling outright across much of Florida, Texas and the Mountain West. For anyone underwriting US housing risk, the geography is the story.

4. The Cracks at the Low End — Where the Stress Is Real

If the freeze and the glut are about liquidity, delinquencies are about solvency, and this is where “just a bump” stops being adequate. The headline still looks contained: the overall mortgage delinquency rate is ~4.44% (Q1 2026), up 40bps year-on-year but historically moderate. Look underneath, though, and the stress is sharp and concentrated:

FHA loans, the low-down-payment mortgages that first-time and lower-income buyers rely on, are 11.9% delinquent, roughly 6.3× the rate on prime bank-held loans, with FHA foreclosure inventory at its highest since 2018. Market-wide, foreclosure starts are running ~19–32% above a year ago, and active foreclosure inventory has climbed ~34% to about 280,000 loans, a six-year high.

The pattern is textbook late-cycle: the damage begins with the most stretched borrowers, the recent buyers who bought at peak prices with thin equity, disproportionately in the softening Sun Belt, while the prime, equity-rich majority remains pristine. It is real stress, but it is edge stress, not yet core stress.

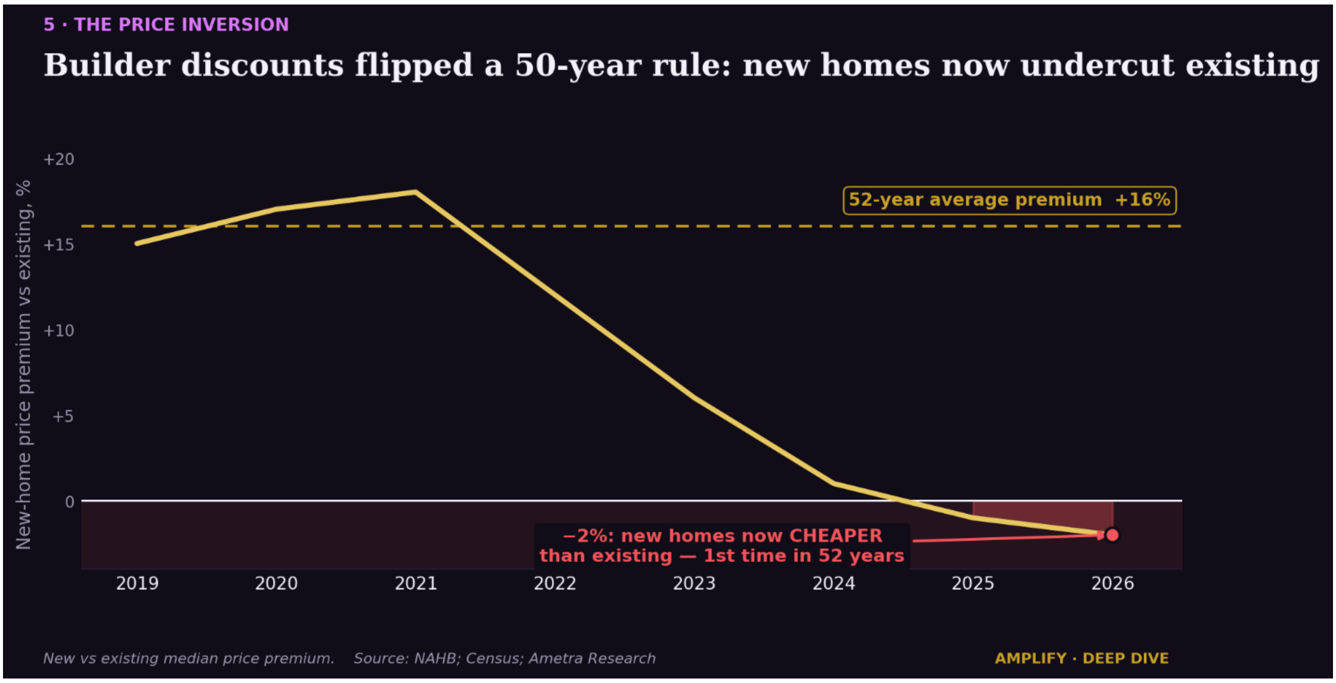


5. The Builder Squeeze — Incentives, Price Inversion, and Who's Bleeding

The clearest evidence that this is stress, not a bump, isn't in the resale market, but it's on the builders' income statements. Unable to lean on lock-in like existing owners, builders have to clear standing inventory (a ~9.3-month new-home supply), and they're doing it by buying the market.

In July 2026, 63% of builders were using incentives, the 16th straight month above 60% and 37% were cutting prices outright, at an average reduction of ~6%. The incentives themselves (mortgage-rate buydowns, paid closing costs, design credits) have become so large that, as the industry now puts it, the incentive is the price, not the promotion.

That has produced a genuinely historic signal: for the first time in about 52 years, a newly built home is cheaper than an existing one. The new-home premium, which averaged +16% since 1987, turned negative in April 2026 (−2%), with the median new home at $403,200 versus $404,600 for an existing one. Builders can cut because they must; lock-in-protected resale sellers won't. That inversion is the mechanism that answers your equity question.



Can builder discounts wipe out equity? Yes, but locally, not nationally. When a builder discounts ~6% and buys down rates across a subdivision, it resets the comparable sales for the entire submarket, and appraisals follow. A buyer who put 3.5–5% down (an FHA loan) at peak prices in 2022–24 can be pushed underwater almost overnight and that risk is concentrated exactly where builders are most active and prices are already falling: the Sun Belt and Mountain West (Cape Coral −9.6%, and much of Florida, Texas and Arizona).

The stress is showing up in the two industries. Homebuilders: those incentives are eating margins, builder sentiment is near a one-year low, and pending sales fell 5.4% in a month, but the sector is bifurcating. Scale players and luxury builders are defending; smaller regional builders are being squeezed.

Mortgage financers: the origination drought is biting the nonbanks. UWM posted a Q2 loss and lined up a record ~$2.05bn capital raise to reset its leverage; loanDepot narrowed its loss only by leaning on home-equity lending; Rocket, the largest lender and servicer after the Mr. Cooper deal, is holding up on sheer scale. The pattern is a defensive crouch: pivot from originations to home-equity/HELOC and servicing to survive the freeze. Not a crisis, but an unmistakable late-cycle signal.

6. Why It Isn't 2008 — and What Would Change That

The reasons this is a freeze and not a collapse are structural, and they are the mirror image of 2008. First, equity: after years of appreciation, owners hold record home equity, negative equity is negligible, and a homeowner with a large cushion refinances, borrows, or waits, they don't hand back the keys. Withdrawals of that equity hit ~$47bn in Q1 2026, the highest first-quarter figure since 2021, a release valve that didn't exist last cycle.

Second, the prime book is clean: post-2008 underwriting means the bulk of outstanding mortgages are high-credit, fixed-rate and deeply in the money.

Metric	2008–10 crisis peak	Now (2026)
Overall mortgage delinquency	~10.1% (Q1 2010)	~4.4%
Foreclosure rate	~2.2% (national); higher on inventory	~0.2% — roughly 1/11th of the peak
Worst-hit segment	subprime ~25–30% delinquent	FHA ~11.9%
Negative equity	~1 in 4 mortgages underwater	negligible
Months' supply	~11–12 months	~4.6 (existing)

Two things stand out. Today's overall delinquency (~4.4%) is elevated but less than half the 2010 peak; and even the worst corner of today's market - FHA, at ~11.9% sits below where subprime was (~25–30%) at the last crisis. We are not in 2008; we are, at most, in its distant early foothills.

What would it actually take to get there? Not a repeat of the cause: the subprime underwriting that detonated in 2008 is gone; today's book is overwhelmingly prime, fixed-rate and equity-rich. It would take a repeat of the symptom: a jump in defaults large enough to force distressed supply onto the market and break the equity cushion.

The tripwires worth watching, in order: overall delinquency climbing back toward ~7% (halfway to the peak); FHA/low-end delinquency pushing from ~12% into the high-teens; foreclosure starts and inventory doubling from here; and negative equity re-emerging as builder and Sun Belt discounts spread. Crucially, every one of those tripwires is pulled by the same lever - unemployment. A ~1.5–2 point rise in the jobless rate is what historically turns an affordability freeze into a default wave. Which is why the −23,000 July payrolls print, not any housing statistic, is the number that decides this.

Third, lock-in suppresses forced supply, so there is no self-reinforcing fire-sale.

That is the good news, and it is why the base case is a grind, not a crash. But every one of those cushions depends on owners keeping their jobs. Equity only helps if you don't have to sell; lock-in only holds if you can keep paying. The missing ingredient for a genuine downturn is a rise in unemployment that forces sales onto a market with no buyers and July's shock jobs report is the first sign of exactly that switch being flipped.

7. Ametra's Read

Our answer to the question: it's stressed, but slow, bifurcated, and so far contained. Not a bump, not yet a bust. The labour market is the switch that decides which it becomes.

— **This is a liquidity freeze with edge-of-market solvency stress, not a systemic one:** Frozen sales, a decade-high supply glut, and rising low-end defaults are real; record equity, a clean prime book and lock-in are what stand between that and a 2008. Respect both halves.

— **The trigger to watch is jobs, not housing itself:** A grinding freeze only becomes a price crash if unemployment forces sellers onto a buyerless market. The −23k July payrolls print is the warning light; that is the number that matters now.

— **Position for the Fed pivot this will force, not for the houses:** A cracking housing-and-labour complex is precisely what pushes the Fed from “hold/hike” toward cuts, the falling-real-yield story behind our gold call, a tailwind for duration and quality, and the “positive black swan” for the strong banks in our Indian private banks note.

— **Avoid the direct US exposures:** Homebuilders (a 9-month new-home glut), Sun Belt / Florida-Texas-Mountain-West housing, and low-end mortgage credit, FHA-heavy nonbank servicers and lenders, are where the stress lands first.

— **For the Indian investor, read it as a macro signal, not a market to trade:** India's own housing cycle is in a different, earlier phase, so this is a US-specific stress. Its relevance to your portfolio runs entirely through what it does to the Fed, the dollar and gold, which is the channel we have been mapping all quarter.

— **The builders and the nonbank lenders are the early-warning lights:** Margin-squeezed builders (incentives now averaging ~6% price cuts, new homes cheaper than existing for the first time in 52 years) and capital-raising nonbank lenders (UWM's Q2 loss and ~$2bn raise) are where this cycle shows up first. Avoid the equity in both; watch them for the signal that the freeze is thawing into something worse.

The US housing market did not crash in 2026, it froze. And a frozen market is quietly stable right up until the moment people are forced to sell. Whether this stays a bump or becomes stress will not be decided by mortgage rates or inventory; it will be decided by the jobs report.

Positioning Map

Stance	Where	Rationale (from Ametra's Read)
Position for	The Fed pivot — gold, duration, quality	Housing + labour crack pushes the Fed to cut — the falling-real-yield story behind our gold call
Beneficiary (tail)	Strong Indian private banks	The 'positive black swan' — a downturn that brings deposits home (our Banks note)
Avoid	US homebuilders	A ~9-month new-home glut; margins squeezed by ~6% incentives
Avoid	Sun Belt / FL–TX–Mountain-West housing	Where prices are already correcting and recent-buyer equity is thinnest
Avoid	Low-end / FHA-heavy nonbank lenders	Origination drought — UWM's Q2 loss and ~$2bn raise
Watch (the switch)	US jobs / unemployment	A ~1.5–2pt rise turns the freeze into a default wave

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