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Weekly Market Commentary

Current State of US Housing Market

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The US housing market is stuck:

- National home prices have flatlined on an inflation-adjusted basis (Fig. 1),
- But new mortgage payments remain somewhat high in absolute terms and as a percentage of household income (Fig. 2).
- "Months of supply" for new homes also remains very high, creating a disincentive for home builders (Fig. 3),
- Which has pushed single-family (and multi-family) starts down about 30% from 2022 levels (Fig. 4).

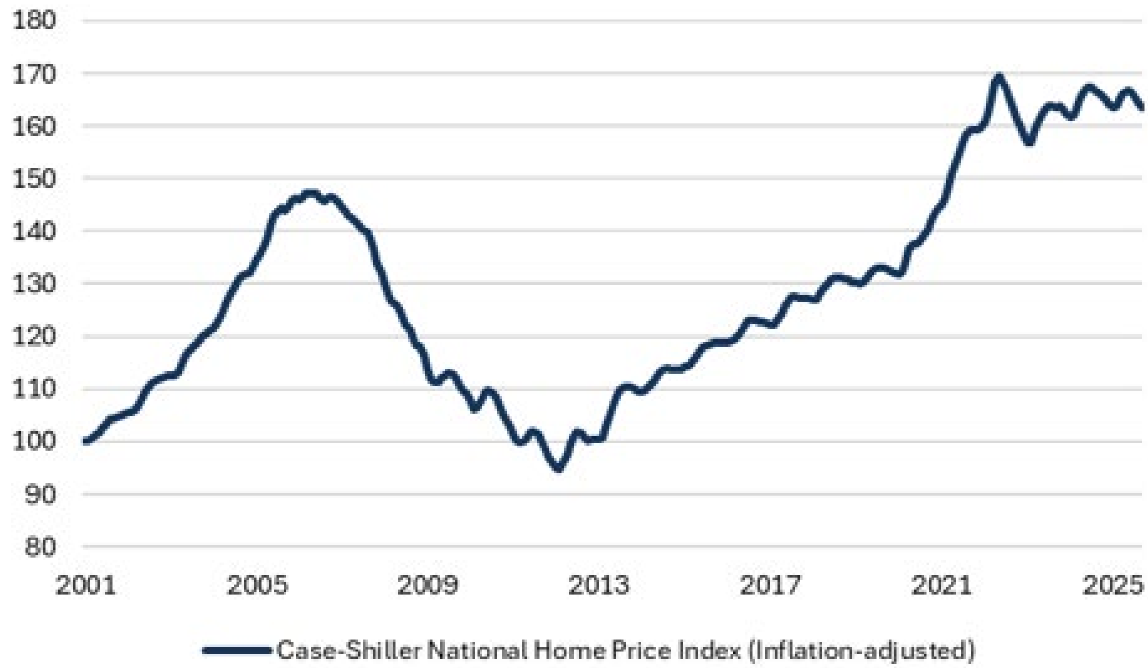
Why this matters for investors

Homeowners are wed to 2021/2022 prices, but higher mortgage costs are a headwind to home prices. Transactions generally only occur when (1) a mortgage isn't necessary for the transaction, (2) someone has to sell (divorce, death, etc.), or (3) builders have inventory they need to move. Plenty of buyers are out there, but not at current sales prices. Transactions will occur gradually unless market fundamentals (e.g., much lower mortgage rates) open the market again. Ultimately, inflation will erode real home values, even as nominal values climb, and put the market back in equilibrium.

Though impacted by separate factors, it is possible to draw parallels between current US housing market and post-2022 private markets. In private equity, this phenomenon shows up as limited distributions against a backdrop of a wide-open IPO market. Many businesses are still marked at 2021/2022 values, but LPs have no forcing mechanism for transactions. Therefore, fund managers will only transact when company fundamentals have improved enough to justify earlier valuations. Like home prices, inflation might play a role in eventually squaring this circle by pushing up nominal values even as real values remain steady or decline.

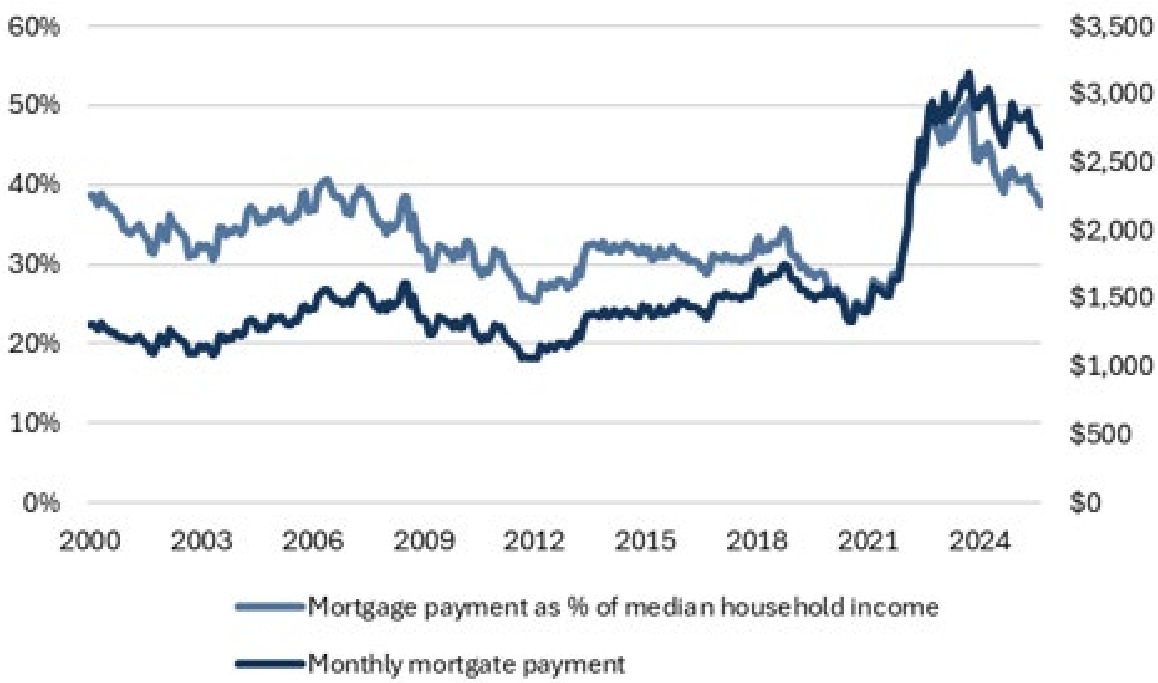
We are speaking in generalities, of course. Some parts of the US housing market, like Cape Coral, Florida, have significant "forcing mechanisms" (e.g., rising insurance costs) that have resulted in enough transactions to see meaningful price declines. Some private equity portfolio companies have increased earnings enough to go public without requiring a hit to the fund's performance. But these are exceptions to the rule. Many private asset marks remain above the market-clearing price and will remain stuck for the time being.

Fig. 1: Home prices have flat-lined on an inflation-adjusted basis



Source: Bloomberg, Mill Creek. As of 11/6/25.

Fig. 2: Mortgage payment for median-priced US home at prevailing mortgage rate

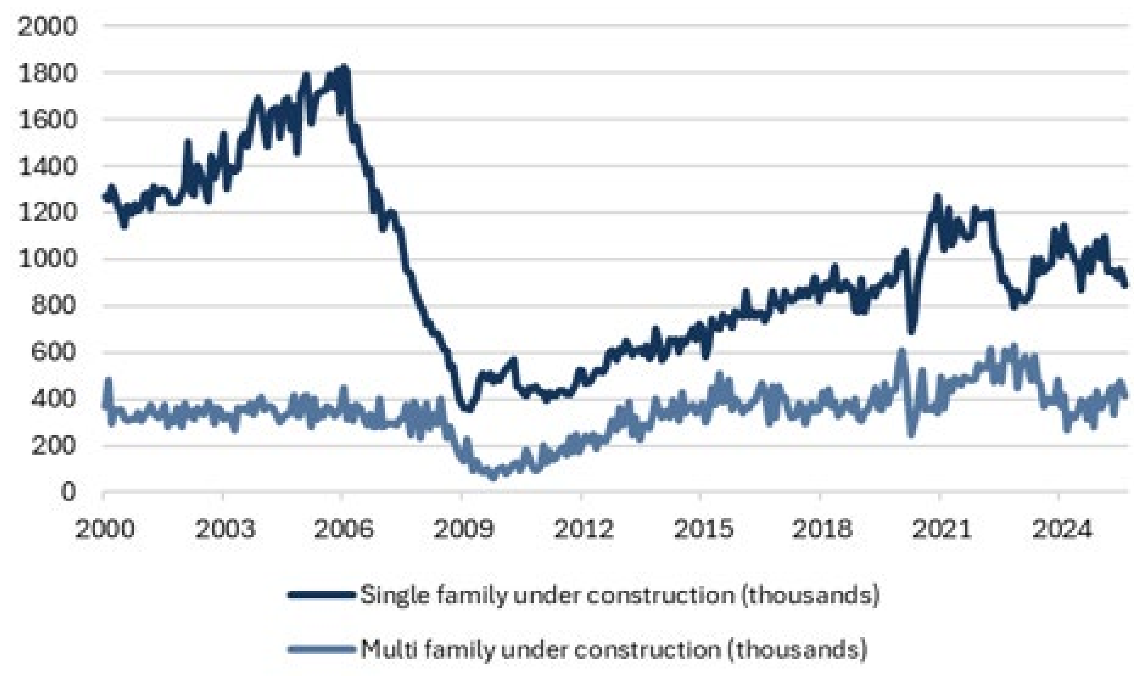


Source: Bloomberg, Mill Creek. As of 11/6/25.

Fig. 3: There are almost 9 months of new homes on the market today

Source: Bloomberg, Mill Creek. As of 11/6/25.

Fig. 4: Single and multi-family housing starts



Source: Bloomberg, Mill Creek. As of 11/6/25.

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