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REAL ESTATE

Higher Mortgage Rates, Fewer Sales Hit Builder Stocks. The Next Few Weeks Are Crucial for the Spring Season.

By [Shaina Mishkin](#) [Following](#)

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The start of the typically busy home buying spring season has been sluggish. (JOE RAEDLE / GETTY IMAGES)

Key Points

About This Summary [i](#)

- Home builder stocks are declining, with the iShares U.S. Home Construction ETF down 7.6% since Feb. 13, amid rising Treasury yields.
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January data from the National Association of Realtors showed drops in both closed and pending home sales, as mortgage rates rose 0.14 percentage point.

- The spring homebuying season faces a sluggish start due to higher mortgage rates, inclement weather, and 6.7% fewer new listings.

The long-awaited housing rebound keeps getting kicked further down the road. Investors in home builders are feeling the pain.

A recent run higher in the 10-year Treasury yield, which informs mortgage pricing, weighed on home builders and related companies to start the week. A higher 10-year yield adds to concerns about demand during the typically busy spring season.

The [iShares U.S. Home Construction](#) exchange-traded fund closed 1.2% lower Tuesday, following a roughly 2.4% drop Monday. Three of the fund's largest builders, [D.R. Horton](#), [Lennar](#), and [PulteGroup](#), closed 1.2%, 2%, and 1.3% lower, respectively.

Home sales were widely expected to pick up in 2026 after three straight years of buying muted by higher costs. But National Association of Realtors data released so far this year suggest the start to the typically busy spring season has so far been nothing to write home about, despite a significant drop in mortgage rates earlier this year.

As of Tuesday's close, the iShares ETF is down roughly 8.7% since Feb. 13—the Friday before Presidents Day, which is often seen as an informal start to the spring homebuying season.

It isn't unusual for builder stocks to deflate in the 10 trading days following Presidents Day weekend, historic data show. But this year's decline has been the steepest since 2020, according to Dow Jones Market Data.

Concern about a delayed start to the spring season is one reason. The National Association of Realtors' January data showed drops in both closed home sales

and pending sales. Economists expect February's measure of closed home sales, due next Tuesday, to slide further, according to FactSet consensus estimates.

Upward pressure on mortgage rates from the bond market isn't helping. Fixed 30-year rates last week fell below 6% for the first time in years, according to Freddie Mac's weekly averages. But the 10-year Treasury yield, with which mortgage rates often move, was climbing to start the week, meaning the decline could be short-lived. Mortgage News Daily on Tuesday pegged the average 30-year fixed mortgage rate at 6.13%, up 0.14 percentage point from last week's low.

Inclement weather could be responsible for some of the sluggishness. In northern New Jersey, lower mortgage rates, combined with two snowstorms, "created a big, big logjam" right around the typical start to the spring season, says Michael Read, the principal broker at Morristown, New Jersey's Bridgeway Mortgage & Real Estate Services.

"It was like a perfect storm of buyers trying to get in, and maybe get a little bit of a lower rate, and sellers not putting their homes up," he says. As of the week ended Feb. 22, the number of new home listings in New Jersey's Morris county is 6.7% lower than the same week one year prior, according to Redfin data.

Whether the spring stays sluggish or is merely delayed will become clearer in the coming weeks. [Zillow's](#) measure of pending listings was 3.5% higher in February than one year prior, indicating that closed sales could move higher in March or April, says Zillow senior economist Orphe Divounguy.

"The combination of lower rates, the fact that incomes are rising faster than prices—all of that is really helping to improve affordability," Divounguy says.

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