

U.S. Homebuilding Down in November; Growth Should Resume Next Year

- **Total housing starts fell in November over the month and the past year.**
- **Total housing construction permits rose on the month, led by a big jump in multifamily.**
- **Total housing completions fell on the month and will remain weak in the near term.**
- **Conditions for homebuilding are stable in late 2024, and lower mortgage rates should support housing demand in 2025.**

Total privately-owned U.S. housing starts fell 2% in November to 1.289 million units at a seasonally-adjusted annualized rate, after falling 3% in October to 1.312 million (revised upward from 1.311 million). This was the third consecutive monthly decline in housing starts. On a year-ago basis total housing starts were down 15% in November. Single-family starts were up 6% in November from October but down 10% from a year earlier. Multifamily (apartment and condominium) starts, which are more volatile, dropped 23% over the month and 28% over the year. Multifamily starts have been falling since early 2023 as the market works to absorb an increase in supply following the pandemic. On a monthly basis starts in November fell 28% in the Midwest and 12% in the West, and increased 11% in the Northeast and 10% in the South. But starts were down over the past year in all four regions.

While starts declined, there was a 6% pickup in total housing construction permits in November to 1.505 million units, led by a big 10% jump in multifamily permits. On a year-ago basis total housing permits were down a narrow 0.2% in November. Single-family construction permits increased a small 0.1% in November from October, and were down 2.7% on a year-ago basis. Multifamily permits were up almost 5% year-over-year in November.

Total housing completions fell 2% in November from October but were up 9% from last year. Completions have been steadily rising for more than a decade, although they softened a bit in the second half of 2024. Completions will remain weak in the near term with starts and housing units under construction down in November.

Homebuilder confidence was unchanged in December, as conditions for homebuilding remain stable on the month. The present sales conditions for single-family homes component of the Housing Market Index was flat on the month and the traffic of prospective buyers component fell only slightly. Monetary policy remains restrictive in 2024 even as the Federal Reserve has started to cut the federal funds rate. The 30-year fixed mortgage rate is down from its peak in October 2023, but remains elevated at the end of 2024.

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Continued monetary policy easing will help lower mortgage rates and support a gradual recovery in the housing market next year. PNC's current baseline forecast calls for moderating economic growth and further fed funds rate cuts in the first half of 2025. Rising real incomes with slower inflation, declining prices for building materials and household furnishings, favorable credit conditions, and continued job gains should support housing demand in 2025.

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