

## U.S. Housing Starts and Permits Tumbled in May 2024; Climbing Mortgage Rates in Early 2024 Weighed on Homebuilding

- Housing starts tumbled in May on the month and over the past year.
- Both single-family and multifamily housing starts dropped in May from April.
- Total construction permits also dropped both on the month and from May 2023.
- Housing completions dropped on the month but were up from last year.
- PNC expects housing market activity to gradually recover in 2024.

Total privately-owned U.S. housing starts in May dropped to their lowest level since June 2020. Housing starts were down 5.5% to 1.277 million in May from 1.352 million seasonally-adjusted annualized units in April (revised slightly lower). Total housing starts experienced a minor rebound in 2023, but have edged lower in recent months, down from late-2023 levels. Over the past year housing starts were down a big 19.3%. Total starts rose in the West but were down in the rest of the country, both on the month and over the past year.

Both single-family and multifamily housing starts dropped on the month in May and over the past year. Single-family housing starts were rising in 2023, but have inched lower in recent months and were down 5.2% in May from April. Single-family starts have been losing momentum and were down 1.7% in May from one year earlier. Multifamily housing starts dropped 6.6% on the month and 49.5% from May 2023. Multifamily housing starts in March dropped to the lowest point in the last four years as developers respond to a surge in inventory post-pandemic; although they have bounced back in recent months, multifamily starts remain near a 10-year trough.

Total residential construction permits also dropped both on the month and from May 2023. Total residential construction permits dropped 3.8% to 1.386 million at a seasonally-adjusted annualized rate in May from 1.440 million units in April. Single-family permits were down 2.9% for the month, while multifamily permits were down 5.6%. The month-over-month drop in total construction permits came from the Northeast and the South, with permits up in the Midwest and West. The number of total housing permits dropped 9.5% over the past year, but single-family permits were up about 3%, and higher in all four regions.

Total housing completions declined 8.4% in May; completions increased 1% from a year-ago perspective. Completions were down from a cyclical peak in February, but were still up from 2023 levels.

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The 30-year fixed mortgage rate is down from its peak in October 2023 but has been rising since early 2024; higher mortgage rates continue to weigh on homebuilder confidence, which is down in recent months according to the National Association of Home Builders (NAHB). PNC expects the Fed's higher-for-longer monetary policy will continue to weigh on housing market activity. Mortgage rates are expected to ease somewhat in 2024 with slight improvements in housing inventory and homebuying affordability. With improvements in homebuilder confidence, consumers' purchasing power, and housing affordability, housing market activity should recover somewhat in 2024.

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