

Total Housing Starts and Permits Increased in June 2024, But Single-Family Starts and Permits Fell

- **U.S. housing starts increased in June, but were down from June 2023.**
- **Single-family housing starts dropped on the month, while multifamily starts increased; over the past year housing starts dropped, with single-family starts up and multifamily starts down.**
- **Total construction permits rose on the month, but were down from June 2023.**
- **Housing completions increased on the month and from last year.**
- **PNC expects near-term weakness in residential construction, but housing activity should pick up later this year and in 2025 as mortgage rates fall.**

Total privately-owned U.S. housing starts increased in June but were down from a year earlier. Housing starts were up 3.0% to 1.353 million at a seasonally-adjusted annualized rate in June, from 1.314 million (revised upward from 1.277 million) in May. After falling sharply in 2022 as mortgage rates quickly rose, housing starts experienced a minor rebound last year, but have edged lower since the end of 2023.

Single-family housing starts dropped 2.2% on the month in June, pulled down by retreats in the West (down 10%) and Northeast (down 3%). Single-family starts have fallen for four straight months. More volatile multifamily (apartment and condominium) starts jumped almost 20% in June after falling 8% in May, and are up somewhat since March.

Over the past year housing starts were down 4.4%, with single-family starts up 5% and multifamily starts down 23%. Despite the monthly declines single-family starts from all regions were up a year-ago basis. There was a surge in multifamily building early in the recovery from the pandemic, but developers have pulled back as new construction coming online has been putting downward pressure on rents. Although they have bounced back in recent months, multifamily starts remain near a 10-year trough.

Total residential construction permits were up 3.4% in June from May to 1.446 million at a seasonally-adjusted annualized rate, but were down 3.1% over year. Persistently high mortgage rates since 2022 have weighed on starts and permits over the past several years. Single-family permits fell 2% on the month in June and were down 1% year-over-year. Multifamily permits were up 16% on the month but down 6% from June 2023.

Total housing completions rose 10% in June from May and 15.5% from last year. Completions were up again from a cyclical peak in February, and have been increasing since mid-2023. Housing completions are expected to weaken in the near term; housing units under construction at the end of June dropped 1.5% from May and 7.7% from a year earlier. Both single-family and multifamily units under construction dropped on the month and over the past year.

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PNC expects residential construction activity to weaken over the near term as housing affordability remains historically low given the elevated 30-year fixed mortgage rate; homebuilder confidence fell for a third straight month in July, according to the National Association of Home Builders. PNC expects mortgage rates to fall later this year as economic growth softens, inflation eases, and the Federal Reserve starts to loosen monetary policy. With lower rates residential construction should start to pick up at the end of this year and throughout 2025 as affordability improves somewhat.

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