

U.S. Homebuilding Bounced Back Strongly in August As Mortgage Rates Fell

- **Housing starts rebounded in August, more than offsetting their drop in July. Single-family starts rose 16%.**
- **The Midwest led in both monthly and yearly gains in total starts.**
- **Total construction permits and completions rose in August; permits were still down from last year but completions have been consistently higher.**
- **PNC expects a gradual recovery in housing market activity with easing mortgage rates this year and next.**

Total privately-owned U.S. housing starts surged 10% to 1.356 million units at a seasonally-adjusted annualized rate in August, more than offsetting their 7% tumble in July to 1.237 million units (revised marginally downward from 1.238 million). On a year-ago basis total housing starts were up 4% in August. Single-family starts surged 16% in August to 992,000, their highest level since May. Multifamily (apartment and condominium) starts fell 4% over the month to 364,000. Both single-family (up 5%) and multifamily (up less than 1%) starts increased in August from last year.

August starts recovered after a gradual easing in the 30-year fixed mortgage rate over the past several months; the typical rate is around 6% now, down from above 7% in May. Housing starts experienced a minor rebound in 2023, but edged lower in the first half of 2024.

The Midwest led in both monthly and yearly gains for total starts. Starts in the Midwest jumped 30% in August from July, with gains of 16% in the South and 6% in the West; starts in the Northeast fell 27% on the month. On a year-over-year basis the Midwest achieved a 28% increase in total starts, while the South and the West eked out low single-digit gains; starts in the Northeast dropped 6% from August last year.

Total housing construction permits rose 5% to 1.475 million units in August from 1.406 million in July. On a year-ago basis total housing permits were still down 6.5% in August. Total housing permits hovered above 1.5 million in 2023, and have been below that level consistently in 2024. Both total single-family and multifamily construction permits increased in August, up 3% and 9%, respectively. But both were still down from last year. Permits fell slightly in the West on the month but were up in the other three regions.

Total housing completions jumped 9% in August from July and 30% from last year. Completions were down from a cyclical peak in February, but were still up from 2023 levels.

PNC expects the Federal Open Market Committee to lower the fed funds rate by 25 basis points in their policy statement today. With the Fed rate-cutting cycle getting underway, and mortgage rates already falling, PNC expects some pickup in homebuilder confidence and housing demand. Further reductions in the 30-year fixed

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mortgage rate will be crucial for the expected rebound in the housing market. Homebuilder confidence picked up somewhat in September, hinting at a small improvement in residential construction soon. PNC expects both homebuilding and housing demand will recover gradually later this year and in 2025 with lower interest rates and improved affordability.

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