

U.S. Homebuilding Down Slightly in September, But Single-Family Starts Up Solidly

- **Housing starts fell marginally in September, after bouncing back strongly in August. Single-family starts rose 3% on the month.**
- **Housing starts jumped in the Northeast and fell in the other three regions.**
- **Total residential building permits also fell in September.**
- **Housing units under construction fell in September.**
- **PNC expects a gradual recovery in housing market activity in 2025 with easing mortgage rates.**

Total privately-owned U.S. housing starts dropped 0.5% in September to 1.354 million units at a seasonally-adjusted annualized rate, after rising 8% in August to 1.361 million (revised upward from 1.356 million). On a year-ago basis total housing starts were down 0.7% in September. Single-family starts rose 3% in September from August and 5.5% from a year ago. The 1.027 million single-family starts in September were up from a temporary dip in July but still down from their post-pandemic peak of 1.286 million units in late 2020. Multifamily (apartment and condominium) starts, which are more volatile, fell 4.5% over the month and 15.7% over the past year. Multifamily starts have been falling since early 2023 as the market works to absorb an increase in supply following the pandemic.

Housing starts in the Northeast jumped 58% over the month and 109% over the year, even as they fell in the other three regions. Homebuilder confidence increased in all four regions in September, led by a big jump from the Northeast. The National Association of Homebuilders' housing market index in the Northeast is also the highest among all four regions, and is above its long-run average. Starts in September fell 9% in the Midwest, 3% in the South and 10% in the West. Starts have been falling more steeply in the West over the past several months.

Total housing construction permits also fell on the month and from a year ago in September. Total permits fell 3% to 1.428 million units in September from 1.470 million in August. On a year-ago basis total housing permits were down 6% in September. Total housing permits hovered above 1.5 million in 2023 and have been below that level consistently in 2024. Single-family construction permits increased by a small 0.3% in September while multifamily (apartment and condominium) permits fell 11%. Both were down from a year earlier. Permits rose slightly in the West on the month but were down in the other three regions.

Total housing completions fell 6% in September from August but were up 15% from last year. Completions were down from a cyclical peak in February, but were still up from 2023 levels. With starts, permits and housing units under construction all down in September, completions will remain weak in the near term.

There is still some weakness in the housing market as the current sales conditions and traffic of prospective buyers components from the NAHB index are down from last year and near their lowest levels over the past 12 years. However, expectations for single-family new home sales over the next six months increased for a fourth straight month in October. PNC expects the Federal Open Market Committee to further reduce the fed funds rate by 25 basis points in both November and December, after an initial 50 basis point rate cut in September. Continued monetary policy easing will help lower mortgage rates and support a gradual recovery in the housing market. Housing demand and homebuilding will also get supports from slower inflation and declining prices for building materials and household furnishings. The current weakness should dissipate by early 2025 as the labor market will remain solid, supporting housing demand.

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