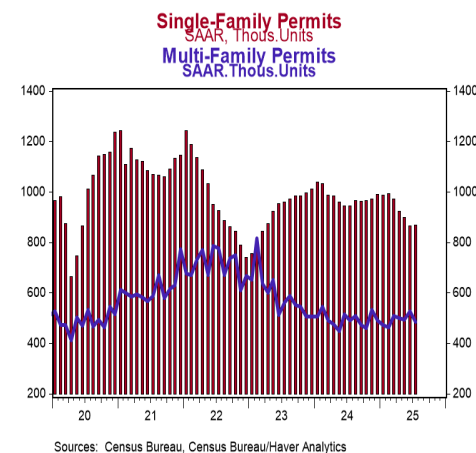
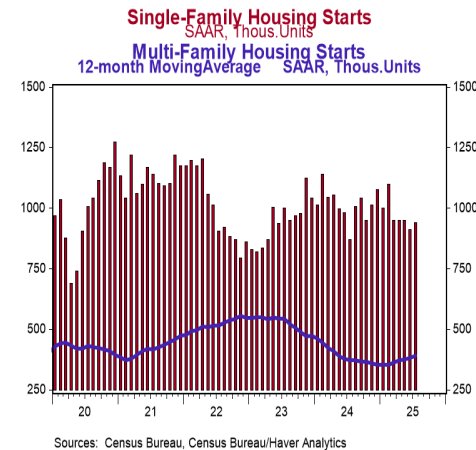


## July Housing Starts

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- Housing starts rose 5.2% in July to a 1.428 million annual rate, easily beating the consensus expected 1.297 million. Starts are up 12.9% versus a year ago.
- The gain in July was due to both multi-family and single-family starts. In the past year, single-family starts are up 7.8% while multi-unit starts are up 24.1%.
- Starts in July rose in the South and Midwest but fell in the West and Northeast.
- New building permits declined 2.8% in July to a 1.354 million annual rate, lagging the consensus expected 1.386 million. Compared to a year ago, permits for single-family homes are down 7.9% while permits for multi-unit homes are down 1.4%.

**Implications:** Homebuilding activity surprised to the upside in July, but the details weren't as strong as the headline. First, the good news: housing starts rose 5.2% to the fastest pace in five months, beating even the most optimistic forecast of any Economics group surveyed by Bloomberg. However, the 1.428 million annual rate is akin to the pace seen immediately before COVID more than five years ago. Digging below the surface, it was the volatile multi-family category that once again drove the increase as starts rose 9.9% for the category, while single-family starts contributed with a more modest 2.8% rise. Multi-family starts are up 24.1% in the past year and running at the fastest pace since mid-2023, suggesting that builders have been prioritizing these builds in what has been a relatively difficult interest rate environment. Meanwhile, permits for new builds lag further behind, falling 2.8% in July to a 1.354 million annual rate, the slowest pace excluding the COVID shutdown months since 2019. One way homebuilders have been combatting sluggish activity is by focusing their efforts on completing projects. New home completions rose 6.0% in July to a 1.415 million rate, only the second month in the last year where they have lagged starts or permits. Looking at the big picture, builders face a number of headwinds: high home prices and mortgage rates that are no longer being held artificially low, the largest completed single-family home inventory since 2009, restrictive government regulations, and relatively low unemployment, which makes it hard to find workers. Now, builders must also contend with stricter immigration enforcement and the uncertainty of new tariffs and how they'll affect building costs. This weighs heavily on the NAHB Index (a measure of homebuilder sentiment) which dropped to 32 in July, the lowest level since the end of 2022. Keep in mind a reading below 50 signals a greater number of builders view conditions as poor versus good, now the sixteenth consecutive month that has been the case. Meanwhile, the total number of homes under construction continues to fall, down 12.4% in the last year. In the past, like in the early 1990s and mid-2000s, this type of decline was associated with a housing bust and falling home prices. But this time really is different. With the brief exception of COVID, the US has consistently started too few homes almost every year since 2007. So, while multiple headwinds may hold back housing starts, a lack of supply is lifting home prices. Prices are moderating in some high-flying areas, but national average home prices will likely continue higher.



Housing Starts SAAR, thousands	Monthly % Ch.	Jul-25 Level	Jun-25 Level	May-25 Level	3-mth moving avg	6-mth moving avg	Yr to Yr % Change
<b>Housing Starts</b>	<b>5.2%</b>	1428	1358	1282	1356	1385	12.9%
<b>Northeast</b>	<b>-26.0%</b>	111	150	104	122	139	-35.5%
<b>Midwest</b>	<b>33.3%</b>	252	189	183	208	201	40.8%
<b>South</b>	<b>19.2%</b>	833	699	699	744	749	29.5%
<b>West</b>	<b>-27.5%</b>	232	320	296	283	297	-14.4%
<b>Single-Unit Starts</b>	<b>2.8%</b>	939	913	949	934	966	7.8%
<b>Multi-Unit Starts</b>	<b>9.9%</b>	489	445	333	422	419	24.1%
<b>Building Permits</b>	<b>-2.8%</b>	1354	1393	1394	1380	1416	-5.7%
<b>Single-Unit Permits</b>	<b>0.5%</b>	870	866	899	878	920	-7.9%

Source: U.S. Census Bureau