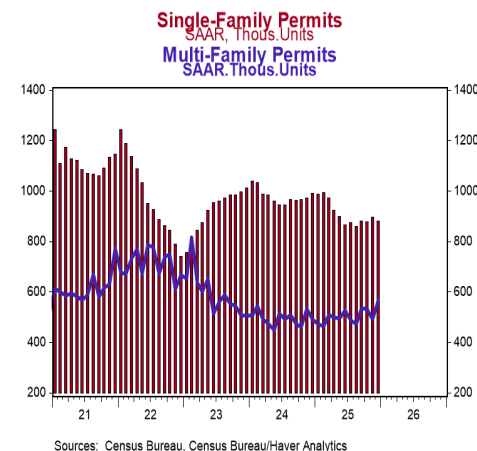
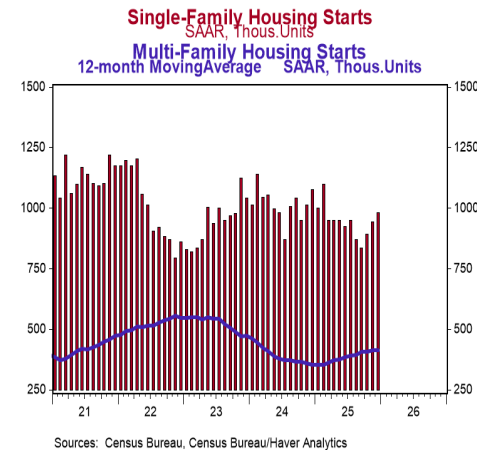


December Housing Starts

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- Housing starts rose 6.2% in December to a 1.404 million annual rate, beating the consensus expected 1.304 million. Starts are down 7.3% versus a year ago.
- The gain in December was due to both single-family and multi-unit starts. In the past year, single-family starts are down 9.0% while multi-unit starts are down 3.0%.
- Starts in December rose in the West, Northeast, and Midwest but fell in the South.
- New building permits increased 4.3% in December to a 1.448 million annual rate, beating the consensus expected 1.388 million. Compared to a year ago, permits for single-family homes are down 10.9% while permits for multi-unit homes are up 15.5%.

Implications: Homebuilding finished 2025 on a positive note, with starts hitting a five-month high and rising 6.2% to a 1.404 million annual rate, beating even the most optimistic forecast for any Economics group surveyed by Bloomberg. Despite the jump, starts remain 7.3% lower than a year ago, which is not surprising given the number of headwinds builders face, including the largest completed single-family home inventory since 2009, high home prices, restrictive local building regulations, stricter immigration enforcement that makes it difficult to find or replace workers, and the impact of tariffs on building costs. All of this has translated into building rates reminiscent of 2020 – no growth in five years. Digging into the details of the report, both single-family and multi-unit starts contributed to the increase in December itself. Single-family starts rose 4.1% but remain 9.0% lower than a year ago. Multi-unit starts jumped 11.3% in December but are down 3.0% from a year ago. Building permits rose 4.3% to a nine-month high in December, but that was completely due to a 15.2% jump from the volatile multi-unit category. Single-family permits declined 1.7% and remain 10.9% lower than a year ago. One way homebuilders had been combatting sluggish activity was by focusing their efforts on completing projects. New home completions were red hot in 2024 but slowed in 2025. Completions rose 2.3% in December itself to a 1.525 million annual rate but are down 0.1% in the past year. Despite the slower trend, completions outpaced starts and permits in ten out of the twelve months in 2025. With strong completion activity and tepid growth in starts, the total number of homes under construction has fallen 10.5% in the last twelve months. 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 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 construction since the last housing bust should keep national average home prices elevated. The encouraging news is that affordability has shown some signs of improvement, with the average 30-year fixed mortgage rate falling to 6.25% in December, the lowest level since August 2022. However, affordability remains a major challenge for millions of would-be homebuyers as rates are still roughly double what they were for much of 2021. Putting this altogether, it's no wonder why the NAHB index, a measure of homebuilding sentiment, remains muted, slipping to 36 in February. Keep in mind a reading below 50 signals a greater number of builders view conditions as poor versus good, now the 22nd consecutive month that has been the case.



Housing Starts SAAR, thousands	Monthly % Ch.	Dec-25 Level	Nov-25 Level	Oct-25 Level	3-mth moving avg	6-mth moving avg	Yr to Yr % Change
Housing Starts	6.2%	1404	1322	1272	1333	1340	-7.3%
Northeast	5.6%	152	144	144	147	134	2.7%
Midwest	2.3%	177	173	203	184	201	-13.2%
South	-2.8%	741	762	667	723	722	-16.1%
West	37.4%	334	243	258	278	283	19.7%
Single-Unit Starts	4.1%	981	942	894	939	912	-9.0%
Multi-Unit Starts	11.3%	423	380	378	394	427	-3.0%
Building Permits	4.3%	1448	1388	1411	1416	1392	-2.2%
Single-Unit Permits	-1.7%	881	896	878	885	878	-10.9%

Source: U.S. Census Bureau