

## U.S. Housing Starts Dropped in December While Permits Rose; Strong Labor Market and Lower Mortgage Rates Are Providing Support to Residential Construction

- **Housing starts dropped 4.3% in December from November.**
- **Single-family starts fell while multifamily starts increased for the fourth consecutive month.**
- **The Northeast experienced the largest drop in housing permits.**
- **PNC expect homebuilding to be a positive for growth in 2024 with lower mortgage rates.**

Total privately-owned U.S. housing starts in December were better than the consensus expectation, declining 4.3% to 1.460 million annualized units, from 1.525 million in November (revised downward from 1.560 million). Single-family housing starts dropped 8.6% to 1.027 million annualized units on the month after rising for three months, while multifamily housing starts increased 8% to 433,000 units in December, rising for the fourth consecutive month. On a year-over-year basis overall housing starts were up 7.6% in December, with single-family starts up 15.8% and multifamily starts down 7.9%.

The number of residential construction permits increased to 1.495 million at a seasonally-adjusted annual rate in December, up 1.9% from November. This included a 1.7% rise in single-family permits, up to 994,000. Additionally, there was a 2.2% monthly increase in multifamily permits, rebounding from weakness in November, with the lowest number in two years. On a year-over-year basis total permits increased 6.1% in December. The increase in permits point to growth in housing starts in early 2024.

Starts declined in December in all regions except the West. The Midwest witnessed the largest decrease in single-family starts and the Northeast experienced the largest drop in the total number of permits. Looking at the year-over-year perspective, the Northeast also sustained the largest drop in total housing permits, with a notable 46.8% reduction.

Homebuilding activities experienced a minor rebound in 2023 after contracting in 2022, benefiting from improved supply-chain conditions and sustained housing demand. Entering 2024, homebuilder confidence has also rebounded as the labor market remains strong and mortgage rates have fallen in recent months. Hovering around 6.5%, mortgage rates should provide support to housing demand and residential construction. With lower mortgage rates and continued job gains, homebuilding should be a positive for the U.S. economy in 2024.

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