Economic Update

March 18, 2025

U.S. Housing Starts Increased in February; Homebuilding Should Improve This Year, but Risks Remain

- Total housing starts jumped in February over the month; the yearly loss increased slightly from January.
- Housing starts rose in all regions except the Midwest.
- Housing permits and completions fell on the month and over the past year.
- Housing demand will likely retreat over the near term under a great deal of uncertainty. Lower rates later this year should provide supports for housing affordability and demand.

Total privately-owned U.S. housing starts jumped 11.2% in February to 1.501 million units at a seasonally adjusted annualized rate from 1.350 million, nearly reversing the 11.5 % decline in the previous month. Both single-family starts and multifamily (apartment and condominium) starts increased more than 11% on the month. On a year-ago basis total housing starts were still down 3% in February, rising from the 2% in January.

Starts increased in all regions except the Midwest (down 25%), led by the Northeast where starts jumped a big 47%. Starts in the South climbed 29%, followed by a modest increase of 6% in the West. The large increase in the Northeast was from single-family housing starts which surged 75% on the month. On a year-ago basis, starts were firmly up in the Northeast (up 20%) and the West (up 26%), and fell in the Midwest (down 44%) and the South (down 6%).

Total housing construction permits fell 1.2% on the month to 1.456 million units, and were down 7% from last year. This monthly retreat was mostly from multi-family, which was down 3% in February. Single-family housing permits only narrowed 0.2% to 0.992 million units. On a year-ago basis both dropped, and the year-over-year decline in single-family housing permits was more pronounced in the Northeast. Permits for future housing starts fell more than 15% in the Northeast and 8% in the South, and increased 9% in the Midwest and a narrow 1% in the South.

Total housing completions fell 4% in February from January and 6% from last year. Completions have been steadily rising for more than a decade, although they softened a bit in the second half of 2024.

Mortgage rates remained relatively low compared to the past few months. The average 30-year fixed mortgage rate came in at 6.65% in the week of March 13, the lowest since mid-December. However, housing demand and permits will likely remain weak as trade policy uncertainties hurt investment decisions. The DOGE efforts to cut government employment will also likely drag on overall employment gains in the coming months. Under this environment, as reflected in a survey of homebuilders, cooler demand in March came with a dip in present sales conditions of single-family homes and traffic from prospective buyers. PNC expects

Gus Faucher
Chief Economist

Jay Hawkins
Senior Economist

Stuart Hoffman
Senior Economic Advisor

Kurt Rankin
Senior Economist

Ershang Liang
Economist

more fed funds rate easing toward mid-2025, and lower mortgage rates over the course of the year, supporting a gradual recovery in housing affordability and the housing demand, but risks still remain with metals and proposed lumber tariffs.

PNC Economics
Ershang Liang, Economist
economics@pnc.com

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