

Housing Starts and Permits Near Five-Year Low in May 2025; Homebuilding to Remain Weak Over the Near Term

- **Total housing starts and permits dropped in May 2025; starts were down almost 5% in May from last year.**
- **More volatile multifamily starts tumbled on the month but increased from last year.**
- **Housing starts were up strongly in the Midwest on a year-ago basis.**
- **Over the near-term, housing starts in the Midwest will likely outperform the other regions. Housing completions will likely trend down over the near term.**
- **Housing demand will remain soft in 2025 given elevated mortgage rates and economic uncertainty.**

Total privately-owned U.S. housing starts tumbled 10% in May to 1.256 million units at a seasonally-adjusted annualized rate from 1.361 million in April. This is far below the consensus expectation for the month. Housing starts increased 3% in April following a 10% drop in March. The three-month moving average of total housing starts, which smooths out the monthly volatility, rose to a 12-month high in early 2025 but has dropped over the past couple of months and was down 5.5% in May. In the recovery following the pandemic starts rose to a peak of 1.82 million units in May 2022, but have declined since then as mortgage rates moved sharply higher. On a year-over-year basis starts were down 5% in May 2025.

Starts of multifamily (five units or more) tumbled 30% in May after a 15% increase in April. Multifamily activity is more volatile than single-family. On a year-ago basis, multifamily starts were still up 5%, albeit a monthly retreat. Single-family housing starts remained roughly unchanged from last month, up only 0.4% on the month. Over the past year, single-family housing starts dropped 7% in May.

Starts fell in all four regions on the month except the West (up 15%), led by the Northeast (down 40% with drags coming from both single-family and multifamily). Starts in the Midwest and the South dropped slightly over 10%. Single-family starts in the Midwest increased against declines in the Northeast and the South. On a year-over-year basis, total starts were up by a big 26% in the Midwest, followed by the Northeast (up 6%). Starts in the South and the West were down from last year in May.

Over the near-term, housing starts in the Midwest will likely outperform the other regions with both housing permits and housing units authorized for construction up strongly. Total housing construction permits fell 2% on the month to near a 5-year low, and were down 1% from a year ago in May. Permits fell in the South, the West and the Northeast, ranging from -2.5% to -8.8%. Permits were up in the Midwest and the Northeast from a year ago while they fell in the South and the West.

Total housing completions increased 5% on the month in May but were down 2% from last year. Completions have been steadily rising for more than a decade, although they softened a bit in the second half of 2024. With starts and units under construction down on the month, housing completions will continue to trend down over the near term.

Residential construction will remain soft in the near term with permits down. The 12-year low present single-family sales conditions and fewer traffic of prospective buyers components in June's Housing Market Index point to further weakness in housing demand in mid-2025. Concerns about tariffs and a potential economic slowdown are weighing on both potential homebuyers and builders. PNC expects fed funds rate cuts toward the end of 2025, and lower mortgage rates in the second half of the year, to support a gradual recovery in housing affordability and housing demand in 2026. Near-term risks to homebuilding are to the downside with an elevated probability of recession since the beginning of 2025.

PNC Economics

Ershang Liang, Economist

economics@pnc.com

Visit pnc.com/economicreports for more information from PNC Economics.