Housing Starts and Permits Declined in September Amid Elevated Mortgage Rates

Ershang Liang
ershang.liang@pnc.com

PNC Economics
economics@pnc.com

Headlines

- **Total housing starts fell for a third straight month in September, down 5% to 1.221 million.** On a year-over-year basis starts were down 7%.
- **Both multifamily and single-family housing starts fell on the month**. Regionally, housing starts increased only in the South.
- **Residential construction permits also fell on the month, down 0.2% to 1.400 million units.**
- **Total housing completions rose 2% in September from August but were still 14% down from a year earlier.**
- **PNC expects single-family homebuilding to remain weak through the end of 2026.**

Details

Total privately-owned U.S. housing starts fell for a third straight month in September, down 5% from 1.288 million units in August (upwardly revised from 1.275 million) to 1.221 million units in September. The September reading came below PNC's expectation of 1.280 million. The three-month moving average of housing starts, which smooths out some of the monthly volatility, dropped 5% in September to 1.293 million.

In the recovery following the pandemic, starts rose to a peak of 1.8 million units in March 2022 but have declined since then as the typical 30-year fixed mortgage rate has gone from below 3% to above 7%. Starts have been volatile since early 2025 with uncertainty surrounding tariffs, the Iran conflict, and higher mortgage rates over the summer. **On a year-over-year basis, starts were down 7% in September 2026.**

Both multifamily and single-family housing starts fell on the month, down 5% and 7%, respectively. Multifamily construction is much more volatile from month to month. On a year-over-year basis single-family starts were up 2.6%, while multifamily starts dropped 25%.

Regionally, housing starts increased only in the South, rising 6% in September after falling for two months. The increase in the South in September came entirely in multifamily starts, up 39%, with a 3% drop in single-family starts. Starts were flat from last month in the Northeast, while they fell 19% in the Midwest and 23% in the West.

Total housing starts remained lowest in September in the slower-growing Northeast (114k) and Midwest (158k), well below levels in the South (714k) and West (235k).

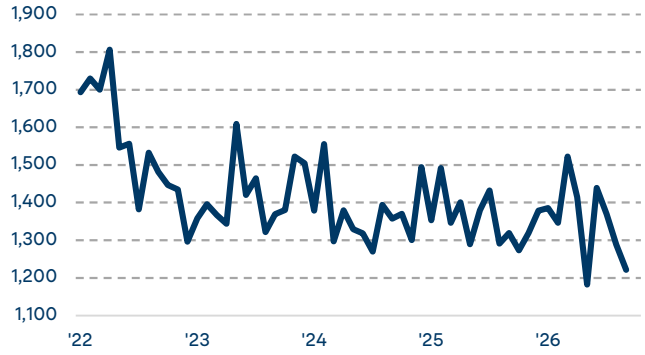
Residential construction permits also fell on the month, down 0.2% to 1.400 million units in September (seasonally adjusted annualized rate). Multifamily permits rose in September (up 6.0%) while single-family permits fell for a second straight month (down 4.1%). On a year-ago basis permits fell 5% for single-family and dropped less than 1% for multifamily.

Total housing completions rose 2% in September from August but were still 14% down from a year earlier. Completions remain on a downward trend after peaking in August 2024. Completions rose steadily from 2011 through the first half of 2024 before beginning to moderate. They will drift lower over the near term with the gradual decline in housing units currently under construction and housing starts since late 2025.

Permit data suggest housing starts will remain broadly stable in the near term, although single-family construction faces increasing downside risks. PNC expects homebuilding activity to remain subdued through year-end 2026 as elevated mortgage rates and poor affordability continue to restrain housing demand. The current average 30-year fixed mortgage rate is around 7.4%, roughly 140 basis points higher than in late February and 110 basis points higher than a year ago. The National Association of Home Builders' Housing Market Index suggests weaker single-family construction in October, with the index down to a 14-year low. Both current sales of new single-family homes and measures of prospective buyer traffic remained subdued and are much weaker than at the start of 2026.

The labor market has shown signs of stabilization in 2026, which should provide some support for housing demand. **Nevertheless, downside risks remain, particularly from a prolonged conflict in the Middle East and elevated energy prices, as well as higher mortgage rates.** Any renewed weakening in the labor market would also pose a near-term headwind to housing demand.

Figure 1: Total housing starts (thousands, SAAR)



Sources: Census, PNC

Figure 2: Total building permits (thousands, SAAR)

Sources: Census, PNC

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