ECONOMIC UPDATE
REGIONS
August 18, 2026

July Residential Construction: Starts, Completions Wilt In The Heat While Permits Thrive

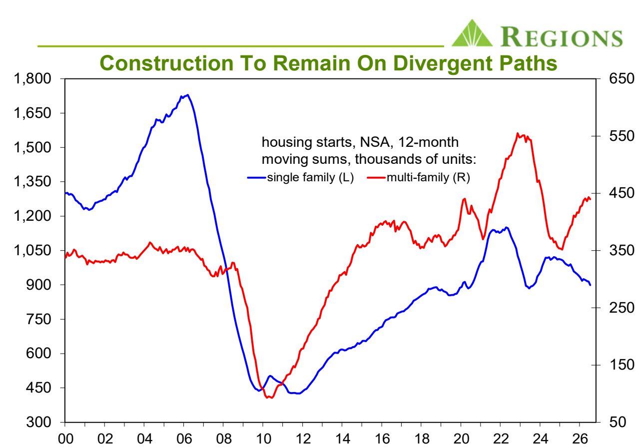
- Total housing starts fell to an annualized rate of 1.239 million units; total housing permits rose to an annualized rate of 1.443 million units
- Single family starts fell to 808,000 units and single family permits fell to 908,000 units (seasonally adjusted annualized rates)
- Multi-family starts fell to 431,000 units and multi-family permits rose to 542,000 units (seasonally adjusted annualized rates)

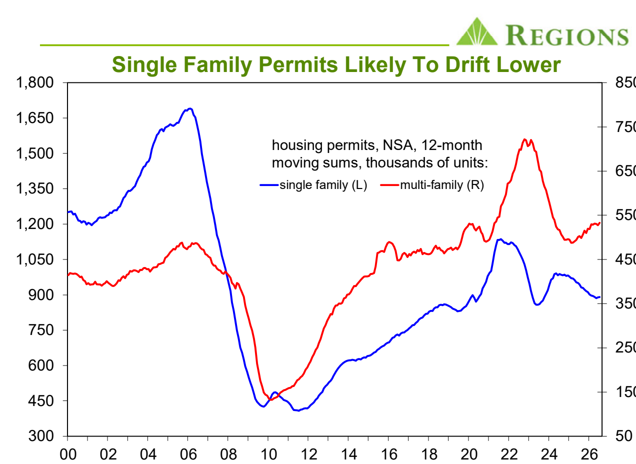
Total housing starts fell to an annual rate of 1.239 million units in July, well below our below-consensus forecast, and for that matter lower than any forecast submitted in the surveys we participate in. At the same time, total housing permits rose to an annual rate of 1.443 million units, not only higher than our forecast but, you guessed it, higher than any forecast submitted in the surveys we participate in. While our forecast anticipated pullbacks in both single family and multi-family starts, the extent of those pullbacks was greater than we envisioned, particularly in the single family segment. The seemingly obvious explanation is that with sales already floundering and mortgage rates having risen further in July, builders simply pulled the plug on single family starts to an even greater degree than they otherwise would have. We're not sure we buy that, however, one reason being the divergence between permits and starts. To be sure, single family permits did fall in July, but to a lesser degree than we anticipated and, more importantly, to a lesser degree than would have been the case had builders really given up and left the field to the extent implied by the starts number. There was also a wide divergence between multi-family permits and starts, and while that may seem par for the course for the ever-volatile multi-family segment, we think something else was in play, that something being an unusually hot July compounded in parts of the U.S. by smoke from the Canadian wildfires that for a number of days made it hazardous to be outdoors, let alone be working outdoors. That there were also substantial declines in completions – single family and multi-family – in July could be another reflection of weather effects. Okay, "economist misses construction forecast, points to weather" isn't exactly news and that seems far too easy of an explanation, but that doesn't mean there isn't at least some merit to it. We won't have to wait long to find that out; if we're correct in thinking July's stifling heat had an impact on residential construction, there will be some payback in the August data.

On a not seasonally adjusted basis there were 111,200 total housing units started in July, well below our forecast of 121,100 units. There were 38,400 multi-family units started, not too far from our forecast of 39,800 units, but single family starts came in at just 72,800 units, down 15.6 percent from June and down 16.6 percent year-on-year. Single family starts fell in each of the four broad Census regions, with particularly sharp declines in the South and West regions. The sharp decline seen in July leaves the running twelve-month total of not seasonally adjusted single family starts at 899,800 units, the lowest such total since August 2023. Again, though, if we're correct in our take on the July data, that total is lower than it otherwise would be. That said, if there is a bounce back in August, it may not be all that vigorous. As we noted in our preview of the July data, with affordability constraints and sour consumer sentiment weighing on demand and many builders trying to pare down elevated spec inventories, we expected to see a pullback in single family starts over the remainder of the year, and July could have just given builders a head start on scaling back production.

On a not seasonally adjusted basis, there were 129,900 total housing units permitted in July, easily topping our forecast of 118,800 units. Multi-family permits ripped past our forecast, while the 80,500 single family permits issued were only a bit ahead of the 79,300 units our forecast anticipated. We'll reiterate the point made above, which is that if builders were in as bad of a spot as implied by the July print on single family starts, we surely would have seen a far more pronounced decline in single family permits. Doesn't mean one won't come, given a large backlog of single family units permitted but not yet started and starts likely to drift lower. That it did not come in July, however, should put the sharp decline in single family starts in context.

The not seasonally adjusted data show total completions of 105,100 units in July, down over eleven percent from June and down 17.2 percent year-on-year, with sharp declines in single family and multi-family completions. We think it highly unlikely builders simply walked away from units already under construction regardless of how current market conditions may have changed in July. That starts tailed off so sharply meant that even with the declines in completions, backlogs of units under construction didn't move much. Even if starts rebound in August, we continue to expect single family completions to drift lower.





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