ECONOMIC UPDATE
REGIONS
September 17, 2026

August Residential Construction: Multi-Family Does A Number On August Starts . . .

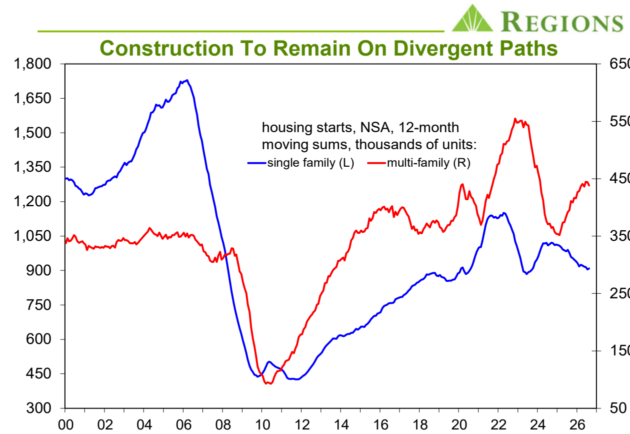
- Total housing starts fell to an annualized rate of 1.275 million units; total housing permits fell to an annualized rate of 1.394 million units
- Single family starts rose to 918,000 units and single family permits fell to 878,000 units (seasonally adjusted annualized rates)
- Multi-family starts fell to 357,000 units and multi-family permits fell to 516,000 units (seasonally adjusted annualized rates)

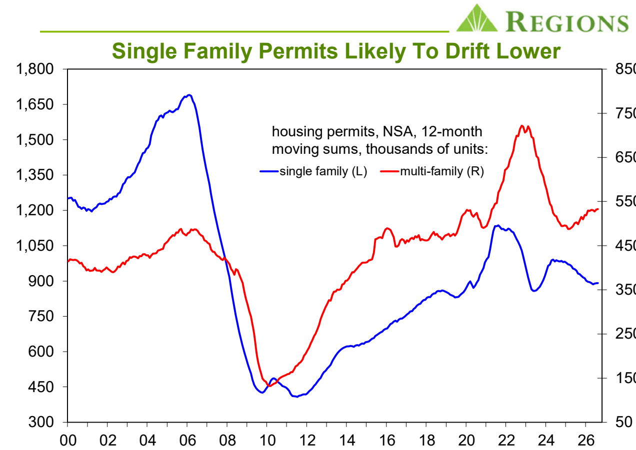
Total housing starts fell to an annual rate of 1.275 million units in August, below the consensus forecast of 1.320 million and far, far below our forecast of 1.448 million units. To be sure, one never feels good about missing a forecast as badly as we missed this one, but there are at least some reasons why we don't feel as bad as might be implied by the magnitude of our miss. First, the initial estimate of July housing starts, an annual rate of 1.239 million units, was revised sharply higher, with July starts now reported as an annual rate of 1.309 million units. Also, as we noted in this week's *Economic Preview*, our well above-consensus forecast was predicated on there being payback, including in the single family segment, for the sizable drop originally reported for July, which we saw as more a function of atypically hot weather than as a sizable shift in the dynamics of an already challenged housing market. As it turns out, single family starts and permits were not too far away from our forecast of the August data, with our miss being largely a function of multi-family starts coming in far below our forecast. It isn't that we do not think activity in the multi-family segment isn't important, it's more a matter of the data on multi-family permits and starts being inherently volatile. We think it more relevant that our take on the single family segment has been pretty much on the mark, and even with single family starts having risen in August – again, reflecting payback from an overstated decline in July – the trend rate of single family starts is still pushing lower. The question now is whether, in light of further increases in mortgage interest rates and further erosion in builder confidence, that downward trend shifts into a higher gear going forward, which we think to be the most likely outcome.

On a not seasonally adjusted basis there were 110,500 total housing units started in August, below our forecast of 125,900 units. At the same time, the initial July estimate of 111,200 total starts was revised up to 118,800 starts, with upward revisions to both single family and multi-family starts. There were 80,800 single family starts in August, a bit shy of our forecast of 82,300 units, but multi-family starts fell sharply, with 29,700 units started. Multi-family starts fell in the Midwest, Northeast, and South regions and rose in the West, but the declines in the Midwest and Northeast were not only notably large but also out of line with recent permit data. Whether this is simply multi-family doing multi-family things, i.e., the inherent volatility in the data, as opposed to a shift in market dynamics, remains to be seen, but it is worth noting that there was not a similarly large drop-off in multi-family permits in August. As for single family starts, the Midwest and South regions saw starts bounce back from the weak July prints, but it is noteworthy that the South region recorded a further decline in single family starts in August, with the lowest monthly total since February. To a point we made in our preview of the August data, averaging the weakness in July and the bounce back in August still leaves the running twelve-month total of single family starts, which we see as the most reliable gauge of the underlying trend, drifting lower, and we think the trend rate has further to run to the downside.

On a not seasonally adjusted basis, there were 117,400 total housing units permitted in August, a bit below our forecast of 120,600 units. There were 74,000 single family units permitted, an even larger decline than our forecast – 75,700 units – anticipated. This is not a total surprise, however, as we've pointed to the sizable backlog of single family units permitted but not yet started as a further weight on single family permit issuance as builders dial starts further down. There were 43,400 multi-family units permitted in August, which to our earlier point is out of line with August multi-family starts but right in line with the run rate of multi-family permit issuance.

The not seasonally adjusted data show a further decline in total completions in August, with 100,100 units completed, down from 112,000 completions in July (also revised up from the initial print). There were declines in both single family and multi-family completions in August, with the fewest single family completions since February. Whether this reflects more binding labor supply constraints or builders dialing down the pace of work in the face of higher mortgage interest rates isn't clear, though both could be the case. Either way, it is unlikely that single family completions will ramp up any time soon.





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