ECONOMIC UPDATE

REGIONS

November 18, 2026

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October Residential Construction: Single Family Permit Issuance Falls Off Sharply

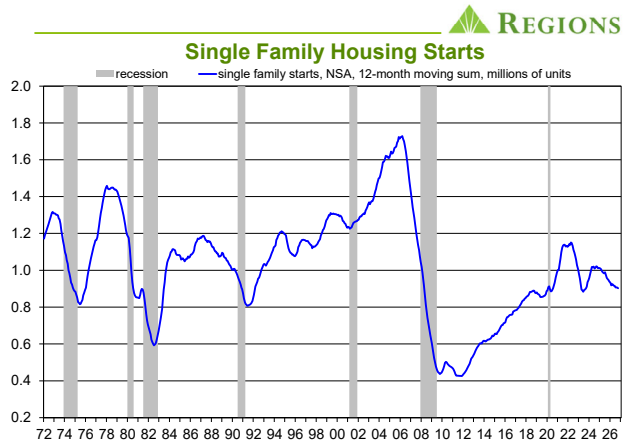
- Total housing starts rose to an annualized rate of 1.309 million units; total housing permits fell to an annualized rate of 1.295 million units
- Single family starts rose to 864,000 units and single family permits fell to 772,000 units (seasonally adjusted annualized rates)
- Multi-family starts rose to 445,000 units and multi-family permits fell to 523,000 units (seasonally adjusted annualized rates)

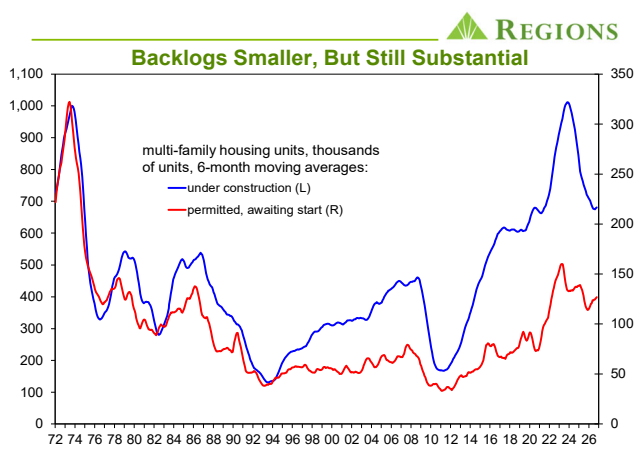
Total housing starts rose to annual rate of 1.309 million units in October, topping our above-consensus forecast of 1.262 million units, while total housing permits fell to an annual rate of 1.295 million units, below our forecast of 1.313 million units and even further below the consensus forecast of 1.375 million units. As we anticipated, multi-family starts rebounded after having been notably weak in the prior two months, with the seasonally adjusted annualized count of 445,000 units matching our forecast. Our forecast miss on total starts reflects single family starts faring better than our forecast anticipated on both a not seasonally adjusted and a seasonally adjusted annualized basis. At the same time, however, single family permit issuance was even weaker than our forecast anticipated. We will, however, note that while the seasonally adjusted annualized rate of single family permit issuance, 772,000 units, is the lowest monthly rate since January 2023, part of that reflects unfavorable seasonal adjustment. Either way, the October data don't alter our take on the single family segment of the market. Our premise was that the downward trend in single family starts not only had further to run but was likely to accelerate, which is what the permit data suggest. While the October data on multi-family permits and starts pretty much played out as we anticipated, starts in the West region have been notably weak while permit issuance has held up, suggesting there could be a bounce in starts in the months ahead. On the whole, however, we expect multi-family starts to remain somewhat rangebound.

On a not seasonally adjusted basis, there were 109,700 housing units started in October, ahead of our forecast of 104,700 units. At 71,100 units, single family starts were higher than our forecast of 67,300 units. It is interesting to note that starts in the South and West regions were in line with our forecast while starts in the Midwest region accounted for much of our forecast miss. This is interesting in that the Midwest is where affordability constraints tend to be less binding as this region avoided the worst of the run-up in house prices seen in other parts of the U.S. prior to mortgage interest rates beginning to climb higher. October starts, though higher than we expected, put the running twelve-month total of not seasonally adjusted single family starts at 903,000 units, the lowest total since September 2023. Again, we expect this count to sink further over the months ahead, and the October permit data suggest this may take place at a faster pace than that seen over recent months. There were 38,600 multi-family units started in October, just ahead of our forecast. As noted above, however, multi-family starts in the West region have been oddly weak with just 8,300 units started over the past two months, lower than the monthly average over the twelve months prior. That there has been no matching weakness in permit issuance in the region suggests starts could pick up in the months ahead.

On a not seasonally adjusted basis, there were 108,100 housing units permitted in October, shy of our forecast of 111,900 units. While multi-family permit issuance were close to our forecast, the 63,600 single family permits issued fell short of our forecast of 67,700. As with starts, the South and West regions have seen the most pronounced drop-offs in single family permit issuance, and these two regions account for the bulk of single family activity. As such, to the extent activity in these regions remains soft, that will drive the national level data.

We have for some time been anticipating a more pronounced pullback in single family permit issuance, based not only on the downward drift in single family starts but also on the sizable backlog of single family units permitted but not yet started. Obviously, activity in any given month can be driven by any number of factors, and it could be that single family permit issuance levels off around the low level seen in October. Still, the permitted but not yet started backlog remains far above historical norms, suggesting at least some further room to the downside for single family permits. That is also the case with multi-family permits, even if not to the same extent. At the same time, while down considerably from the levels seen in 2022-23, the backlog of multi-family units under construction remains sizable. This is one factor in our thinking that multi-family starts could remain somewhat static over coming months. Additionally, in both the single family and the multi-family segments, the pace of completions has tailed off, which could reflect pressing labor supply shortages, and if this is the case those shortages will also weigh on starts over coming months.





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