

HOUSING STARTS RETREAT ON MARKET HEADWINDS

Economics

Published Aug 18, 2026

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Housing starts fell in July as economic uncertainty, rising construction costs, labor shortages and elevated financing expenses continued to challenge builders.

Overall housing starts decreased 12.4% in July to a seasonally adjusted annual rate of 1.24 million units, according to a report from the U.S. Department of Housing and Urban Development and the U.S. Census Bureau.

The July reading of 1.24 million starts is the number of housing units builders would begin if development kept this pace for the next 12 months. Within this overall number, single-family starts decreased 9.9% to an 808,000 seasonally adjusted annual rate and are down 15.7% compared to July 2025. The multifamily sector, which includes apartment buildings and condos, decreased 16.8% to an annualized 431,000 pace and are down 8.9% compared to July 2025.

“Builders continue to face significant challenges from elevated construction costs and affordability pressures,” said Bill Owens, chairman of the National Association of Home Builders (NAHB) and a home builder and remodeler from Worthington, Ohio. “Higher mortgage rates are keeping many prospective buyers on the sidelines, while rising material, gas and diesel costs are adding to the cost of construction. These challenges are making it increasingly difficult for builders to deliver homes at prices that buyers can afford.”

“The July decline in housing starts reflects broader weakness in the housing market,” said Danushka Nanayakkara-Skillington, NAHB’s assistant vice president for forecasting and analysis. “Builders remain cautious as elevated mortgage rates, rising construction costs and economic uncertainty continue to limit demand. The drop in single-family construction is especially concerning given the persistent housing shortage in many markets. Looking ahead, permits are trending positively for both single-family and multifamily construction.”

On a regional and year-to-date basis, combined single-family and multifamily starts were 11.7% higher in the Northeast, 4.5% lower in the Midwest, 3% lower in the South and 3.8% lower in the West.

Overall permits increased 5% to a 1.44-million-unit annualized rate in July. Single-family permits increased 2.5% to an 894,000-unit rate and are up 1.1% compared to July 2025. Multifamily permits increased 9.4% to an annualized 549,000 pace and are up 6.4% compared to July 2025.

Looking at regional permit data on a year-to-date basis, permits were 14.3% higher in the Northeast, 2.6% higher in the Midwest, 4.7% lower in the South and 2.1% higher in the West.

The number of single-family homes under construction is at 579,000 units, while number of apartments under construction is at 683,000 units.