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Housing starts jump to highest level in five months, showing surprising momentum into the new year

Story by Greg Robb 2026-2-19

New housing construction rebounded in the final two months of last year, a sign there could be gradual improvement in the beaten-down sector in 2026.

Construction of new U.S. homes rose 6.2% in December to an annual pace of 1.40 million units, the Commerce Department said Wednesday. That's the highest level since July.

Economists on Wall Street were expecting a 5.1% rise in housing starts to 1.31 million. All numbers are seasonally adjusted.

The government released two months of construction data that had been delayed by the lengthy government shutdown in the fall.

The increase in home construction in November and December was concentrated in single-family starts. Lower mortgage rates may have played a role, and that could continue this year, economists said.

Building permits, a sign of future construction, rose 4.3% to a 1.45 million rate in December. That's higher than the 1.40 million rate expected by Wall Street and is also a sign of momentum, economists said.

"The consistent decline in mortgage rates should support home construction activity over 2026 with single-family housing starts projected to shift into a faster gear by mid-2026," Ben Ayers, senior economist at Nationwide, said in a note to clients.

Other economists are more skeptical.

"In the more immediate future, the homebuilding sector faces headwinds from prior over-construction, still-high mortgage rates, and much slower growth in the population," said Samuel Tombs, chief U.S. economist at Pantheon Macroeconomics.

Robert Dietz, chief economist at the National Association of Home Builders, said builders are also facing persistent labor shortages resulting from the Trump administration's crackdown on immigration. The government reported nearly 300,000 job openings in the construction industry in December.

Bank regulators are also taking steps to help the housing market.

Earlier this week, Federal Reserve Vice Chair for Supervision Michelle Bowman said the Fed will try to make it easier for banks to offer more home mortgages. The Fed plans to rewrite rules put in place after the financial crisis of 2008 that effectively moved much of the business of mortgage origination to nonbanks, she said.

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