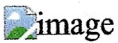


WSJ Print Edition



Housing Starts Rise More Than Expected

BY REBECCA PICCIOTTO

Housing construction in the U.S. jumped much more than expected last month, reflecting a recovery in the multifamily market as developers respond to demand for rental housing.

Housing starts, a measure of home construction, were 12.9% higher in July compared with a year earlier, according to Census Bureau data on Tuesday. Economists surveyed by The Wall Street Journal had expected a 2.8% increase.

Rental housing drove the big increase. Construction of projects with five units or more was 27.4% higher in July compared with last year, while starts of single-unit projects were 7.8% higher.] Note

Some of that growth is merely a return to normalcy after an abnormal pause in construction last summer when many builders were waiting for a potential rate cut in the fall.

But the July surge also represents a more fundamental divergence in the housing market: Apartment construction is steadily recovering while single-family construction declines. Construction of projects with five units or more is 18.1% higher from the start of the year. *

More would-be home buyers are renting for longer, waiting for mortgage rates to fall and driving up demand for apartment leases. That boost in rental demand, along with an expectation that national rent growth will rebound by year-end, has helped multifamily developers secure financing for new projects. Note

"It's not a fluke," said Robert Dietz, chief economist at the National Association of Home Builders. "It goes back to that same housing affordability story."

Home-builder confidence, meanwhile, is hovering --around the lowest levels of the past decade. That reflects stubbornly high interest rates and increasing material costs due to President Trump's tariffs. Since the start of the year, single-family housing starts are down 4.2%. Note

Those high mortgage rates, along with high home prices, are also keeping many prospective buyers on the sidelines. In turn, builders are struggling to sell an oversupply of single-family homes that piled up when interest rates were low and construction was cheaper. As they slowly work through that supply glut, builders have pulled back on building more of these homes.

Much of the new construction is concentrated in the Midwest, where housing costs are relatively affordable.

Despite the uptick in home construction last month, the outlook for builders through the rest of this year is murky. The number of new building permits, a gauge of planned construction, was 5.7% lower in July than last year. Single-family home permits were 7.9% lower last month compared with a year earlier and 1.8% lower for multifamily.

“That largely reflects still present economic uncertainty,” said Moody’s economist Matthew Walsh.

Roughly 60% of home builders say their suppliers have raised material costs because of Trump’s tariffs, according to Dietz. Builders are also worried about immigrant deportations threatening their workforces, which rely heavily on foreign-born labor.

Note

Copyright (c)2025 Dow Jones & Company, Inc. All Rights Reserved. 8/20/2025

Powered by TECNAVIA

The following is a digital replica of content from the print newspaper and is intended for the personal use of our members. For commercial reproduction or distribution of Dow Jones printed content, contact: Dow Jones Reprints & Licensing at (800) 843-0008 or visit djreprints.com.

Wednesday, 08/20/2025 Page .A002

Copyright (c)2025 Dow Jones & Company, Inc. All Rights Reserved. 8/20/2025

For personal, non-commercial use only.