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Single-family housing starts fall as building permits hit lowest mark

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WASHINGTON • U.S. single-family homebuilding fell for a third straight month in June while permits for future construction dropped to the lowest level in 10 months, weighed down by higher mortgage rates and a glut of unsold new homes on the market.



Homebuilding is also being constrained by rising costs for land and materials. Builders and economists said it would take a while for the housing market to benefit from a bipartisan housing affordability legislation recently passed by the U.S. Congress, which among other provisions waives or speeds up environmental reviews for construction projects.

The bill became law despite President Donald Trump not signing it, demanding that a separate voting bill be passed.

"The potential uplift to housing starts from streamlining environmental reviews, easing rules on manufactured housing and encouraging zoning reform will take time to filter through," said Samuel Tombs, chief U.S. economist at Pantheon Macroeconomics. "Real residential investment will drag modestly on GDP growth over the coming quarters."

Single-family housing starts, which account for the bulk of homebuilding, slipped 0.2% to a seasonally adjusted annual rate of 895,000 units, the Commerce Department's Census Bureau said on Friday.

Starts fell in the Northeast, the South and Midwest regions, but rose in the West. Single-family homebuilding dropped 3.2% year-on-year in June.

Permits for future construction of single-family homes dropped 2.4% to a rate of 871,000 units, the lowest level since August 2025. They fell 0.2% year-on-year in June.

There is limited scope for a strong rebound in permits, with the elevated mortgage rates sidelining potential homebuyers.

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The rate on the popular 30-year fixed-mortgage has increased by nearly 60 basis points since the U.S. and Israel attacked Iran at the end of February. The rate averaged an 11-month high of 6.55% this week, data from mortgage finance agency Freddie Mac showed, as oil prices swung wildly as a shaky cease-fire between the U.S. and Iran collapsed.

The brief lull in hostilities did boost consumer sentiment in early July across all age and income groups as well as political party affiliation, a separate report showed. The University of Michigan's survey of consumers was conducted from June 23 to July 13, with more than 70% of interviews completed before the resumption of war in the Middle East.

"Renewed uncertainty surrounding the U.S.-Iran conflict could keep energy prices volatile and weigh on household finances and perceptions of the economy, delaying a broader improvement in consumer sentiment," said Vivian Chen, financial markets economist at Nationwide.

Stocks on Wall Street were trading lower amid a tech share rout. The dollar was steady against a basket of currencies. U.S. Treasury yields fell.

National housing shortage

A National Association of Home Builders survey on Thursday showed sentiment among single-family homebuilders remained depressed in July. Though there is a national housing shortage, especially for starter homes, the stock of unsold new homes on the market is back near levels last seen in late 2007 because of a poor spring selling season this year.

"It felt like builders were finally getting a handle on their inventories, but the clunker of a spring selling season set them back again," said Stephen Stanley, chief U.S. economist at Santander U.S. Capital Markets. "As a result, while the level of real residential construction activity should level off soon, the extended downturn that has been in place for two years may extend the weakness for another quarter or two."

Starts for housing projects with 5 units or more, a very volatile segment, soared 76.3% to a rate of 513,000 units in June. Multi-family housing starts increased 19.3% year-on-year. Overall housing starts jumped 19.0% to a pace of 1.427 million units. They increased 3.5% year-on-year in June.

Building permits for multi-family housing projects dropped 4.9% to a rate of 445,000 units last month. Overall building permits fell 3.0% to a rate of 1.367 million units. They declined 2.3% year-on-year in June.

The housing drag on the economy was likely offset by strength in consumer spending and business investment in equipment, thanks to an ongoing artificial intelligence build out and restocking of inventories as firms sought to avoid shortages and higher prices related to the Middle East conflict.

A third report from the Federal Reserve showed manufacturing output unchanged in June. Production at factories, however, grew at a 4.7% annualized rate in the second quarter, the fastest in five years. The report also showed increased utilities production, which feeds into consumer spending.

Economists at Goldman Sachs raised their second-quarter gross domestic product estimate to a 2.5% rate from a 2.4% pace.

Though reports this week showed price pressures ebbed in June, inflation is far from being contained. A fourth report from the Labor Department's Bureau of Labor Statistics showed an unexpected 0.3% increase in import prices in June, as higher prices for capital and consumer goods more than offset

declines in the costs of food and energy products. Economists had forecast import prices, which exclude tariffs, decreasing 0.7%.

In the 12 months through June, import prices surged 7.1%, the biggest advance since August 2022. It followed a 6.6% increase in May. Excluding food and fuels, import prices increased 0.4%. Core imported inflation rose 4.6% in the 12 months through June, boosted by a 0.4% increase in capital goods prices. This reflected strong demand for technology products related to AI investment.

Prices for computer peripherals and parts rose 2.3% over the month and surged 41.6% year-over-year. The AI build out is helping to lift overall core inflation.

The report also showed a jump in international airfares, a category that goes into the calculation of the core Personal Consumption Expenditure Price Index, one of the measures tracked by the U.S. central bank for its 2% inflation target.

“For the Fed, it’s a reminder that cost pressures for underlying goods have not disappeared even as consumer inflation cooled in June,” said Priscilla Thiagamoorthy, senior economist at BMO Capital Markets.

