WELLS FARGO

Economic Indicator — February 18, 2026

Housing Starts Rise in December

Residential Construction Remains Weak Despite Year-End Gain

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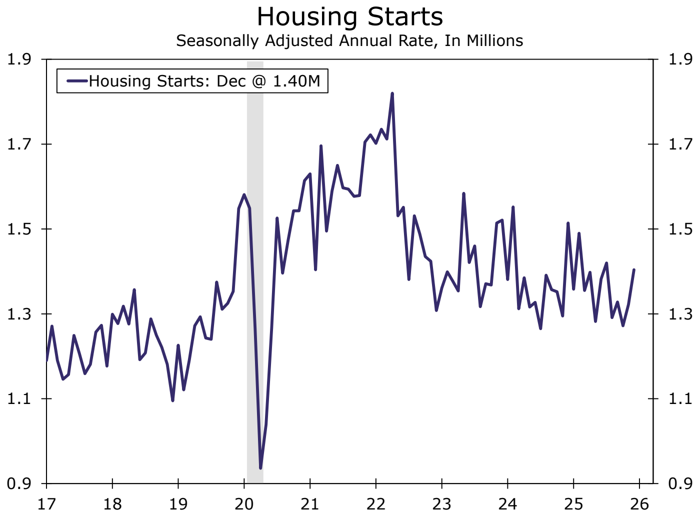
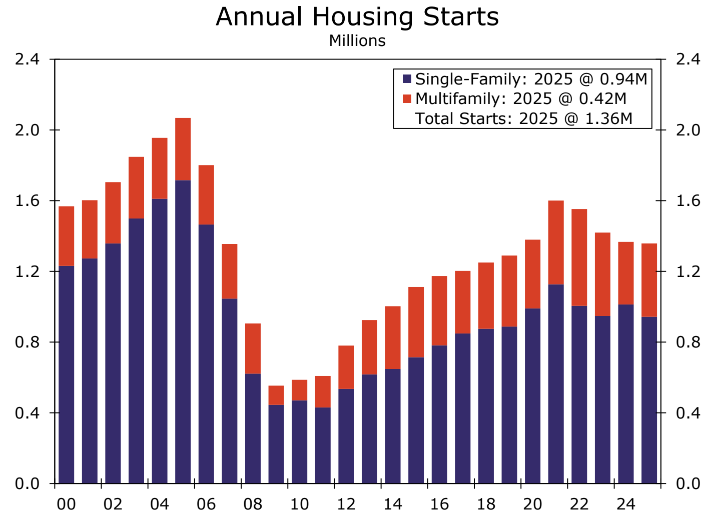
Summary

Headwinds Against Residential Construction Likely to Persist

- Housing starts posted modest improvements at the end of 2025, increasing for two consecutive months in both November (+3.9%) and December (+6.2%). This uptick was driven by gains in both single-family and multifamily groundbreakings.
- Despite this apparent increase in momentum, housing starts are essentially moving sideways through the monthly volatility, dipping 0.6% in 2025 as a whole when compared to the year prior.
- Single-family starts rose for the third consecutive month in December as lower mortgage rates prompted a stabilization in building permits. That said, mortgage rates have not declined much further, and we expect them to remain elevated above 6.0% over the next few years.
- Building permits are more instructive than starts when gauging the path of single-family development. Despite some improvement in the last few months of 2025, single-family permits remain weak overall, declining 7.4% annually in 2025 vs. 2024.
- Meanwhile, trends in multifamily construction may not be as strong as meets the eye. Census multifamily starts rose 11.3% in December, capping off a 17.4% annual increase in 2025. However, the trend in permits is softer, which rose a more modest 3.9% during that same time.
- CoStar data also point to a weaker pace of apartment construction, suggesting a 17.3% annual *decline* in multifamily starts from 2024 to 2025.
- Persistently bleak builder outlooks imply that single-family construction is unlikely to meaningfully accelerate in the near-term. After a reduction in mortgage rates bolstered builder confidence last fall, the NAHB Housing Market Index slipped for the second consecutive month in February to 36, driven by deteriorating buyer traffic and moderating sales expectations.
- NAHB poses a special set of questions once per year on the challenges facing single-family builders. High interest rates and the cost and availability of labor remained persistent headwinds at the start of 2026. Additionally, buyer concerns about the economy and labor market are reportedly hampering new home demand, as are buyer expectations' that mortgage rates will decline in the future.



Source: U.S. Department of Commerce and Wells Fargo Economics



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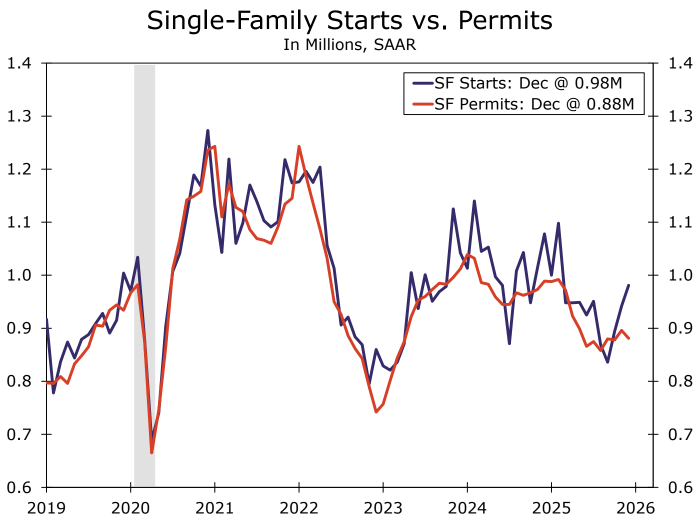

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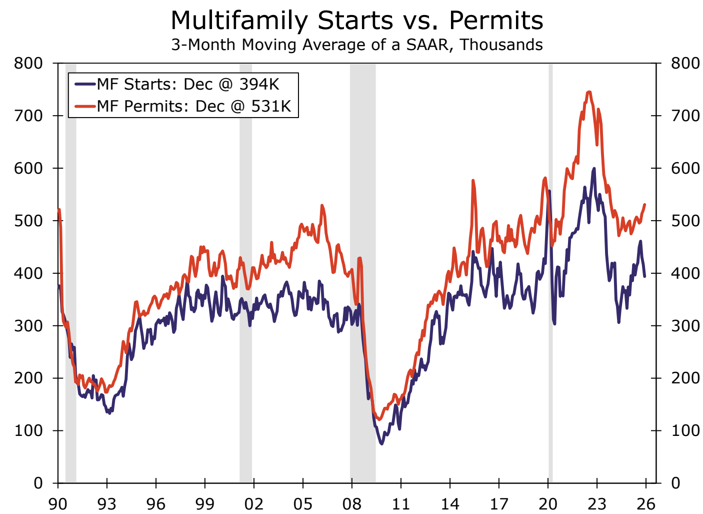

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