

Economic Indicator — March 12, 2026

Another Decline in Permits Overshadows January's Jump in Housing Starts

Surge in Multifamily Boosts Total Starts—Permits Tell the Real Story

- Housing starts surprised to the upside in January, jumping 7.2% over the month. A surge in multifamily starts was entirely responsible. Multifamily rocketed 29.9% to a 552K-unit pace during the month, the highest since May 2023.
- The underlying details painted a relatively weaker picture of residential construction.
- For instance, the substantial gain in multifamily needs to be taken a grain of salt. Multifamily starts tend to bounce around on a monthly basis and are often subject to large revisions.
- Single-family starts did not show a similar rise and declined by 2.8% in January. Home builders appear to be scaling back production as inventories remain elevated relative to sales.
- What's more, both single-family and multifamily permits fell to start the year. Single-family edged down 0.9% and declined by 12.4%. Total permits hit a 1.38K annual pace in January, down 5.8% year-to-year. The downtrend in permits suggests starts will remain somewhat sluggish in the months ahead.
- Meanwhile, other leading indicators of residential construction foreshadow a softer pace of single-family construction ahead. In both January and February, the NAHB Housing Market Index revealed deteriorations in buyer traffic and sales expectations, keeping overall builder confidence at a weak level.
- Although the recent pop in starts likely overstates the strength, we do believe there is scope for modest improvement in multifamily development this year. Persistent single-family affordability challenges continue to bolster rental demand. In addition, the number of apartment units under construction fell to 686K in January, its lowest in four and a half years. This suggests that the supply pipeline is thinning, which should allow the apartment market to continue to firm.

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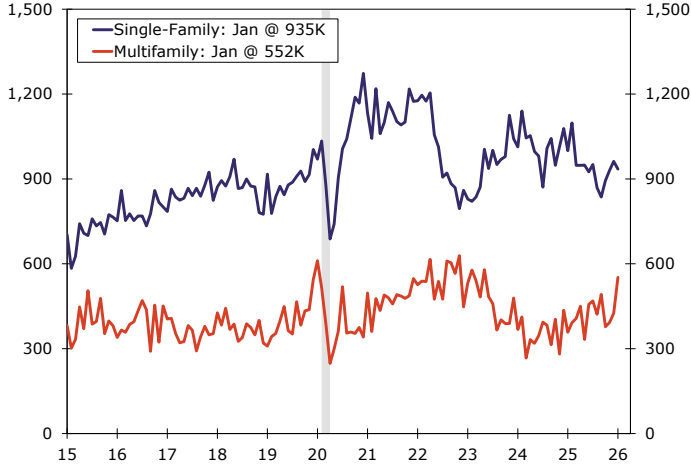
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Housing Starts

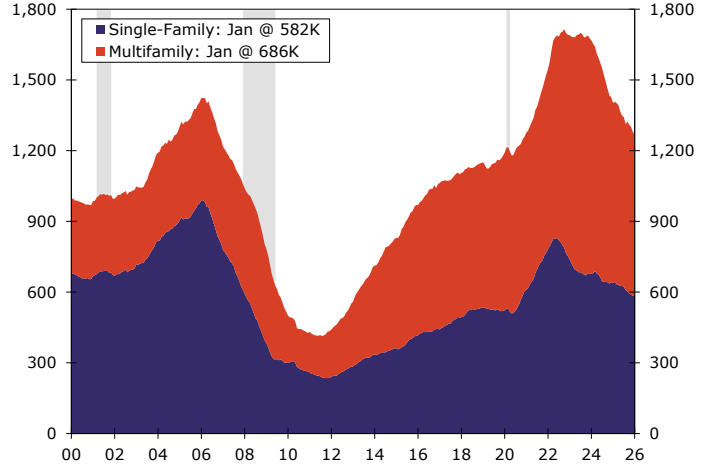
In Thousands, SAAR



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

Homes Under Construction

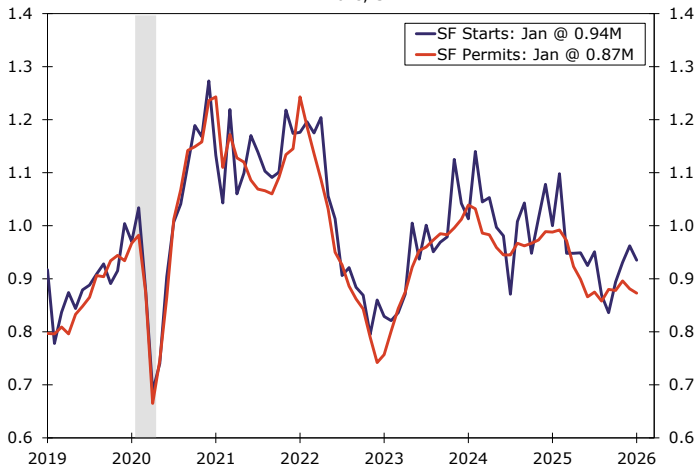
In Thousands, SAAR



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

Single-Family Starts vs. Permits

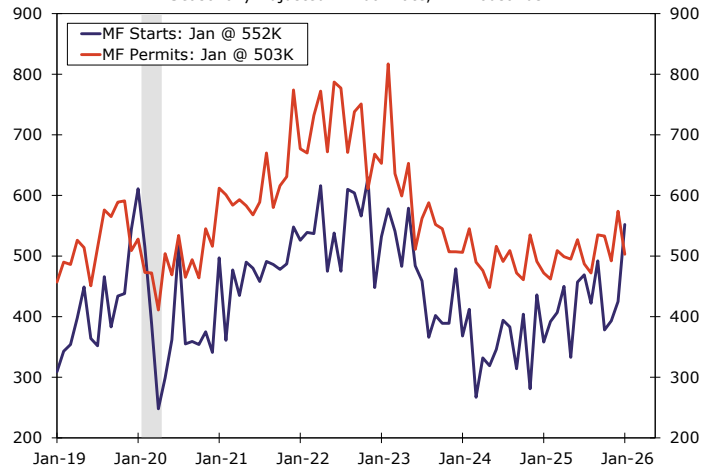
In Millions, SAAR



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

Multifamily Starts vs. Permits

Seasonally Adjusted Annual Rate, In Thousands



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

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