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U.S. Housing Starts Rise in July on Apartment Boom

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New residential construction in the United States saw a modest increase in July, led by a surge in apartment projects, despite high mortgage rates and ongoing economic uncertainty that continue to constrain single-family home purchases.

The Commerce Department's Census Bureau reported that single-family housing starts, which make up the bulk of U.S. homebuilding, rose 2.8% to a seasonally adjusted annual rate of 939,000 units last month. Permits for future single-family construction edged up 0.5% to a rate of 870,000 units, ending a four-month decline.

Overall residential construction activity climbed 5.2% to a rate of 1.428 million units. Multi-family projects with five or more units drove much of the growth, rising 11.6% to an annualized rate of 470,000 units, the highest level since May 2023. New apartment construction, which had been declining after peaking in 2022, has surged more than 50% over the past two months.

Despite the rebound in starts, the outlook remains uncertain. Total permit issuance a key indicator of future building fell 2.8% to a five-year low of 1.354 million units. Multi-family permits dropped nearly 10%, signaling a potential slowdown in the upcoming months. Economists surveyed by Reuters had projected housing starts would decline to 1.290 million units, while permits were expected to fall to 1.386 million.

High mortgage rates remain a limiting factor. The average rate on a 30-year fixed mortgage, the most common home loan in the U.S., fell to 6.58% last week, the lowest since October, according to Freddie Mac. Rates have dropped nearly half a percentage point since January, but remain elevated compared to levels before and during the COVID-19 pandemic. High borrowing costs, combined with rising home prices, have restrained buyer demand, contributing to higher inventories and discouraging builders from initiating new projects. New housing supply is approaching levels last seen in late 2007.

A recent survey from the National Association of Home Builders indicated that more than one-third of builders are reducing prices to attract buyers. Residential investment, including homebuilding, contracted during the first two quarters of 2025 and has acted as a drag on U.S. economic growth. Analysts expect that weakness to continue through the third quarter.

“For Q3, residential investment will likely drag on GDP growth, but we anticipate a rebound in early 2026,” noted Jeffrey Roach, chief economist at LPL Financial.

The housing sector’s recent performance underscores the complex balance between elevated mortgage rates, economic uncertainty, and the strong demand for multi-family units. While the single-family market faces headwinds, the resurgence of apartment construction offers a temporary boost to overall residential activity.