

Economy at a Glance

Prepared by Alex Carrick, ConstructConnect® Chief Economist

Who knew a pandemic would lead to a housing boom? (Part I)



Alex Carrick

The construction sector is presently generating several big news stories. One relates to building material costs; another concerns infrastructure spending plans. But in this article, through stand-alone graphs, I'd like to show the boom that is currently underway in

housing starts, evident more so in Canada, but also quite apparent in the United States.

In March, U.S. housing starts climbed above 1.7 million units seasonally adjusted and annualized (SAAR) for the first time since before the previous recession (i.e., the 2008-09 'global financial crisis'). Meanwhile, in Canada, housing starts have soared more than 50% above their long-term average (200,000 units) and 20% beyond their previous cyclical high point (277,000 units).

In March, Canadian new home starts skyrocketed to 335,000 units SAAR, according to CMHC. That's a figure I doubt many analysts thought they would see any time soon, especially given that population growth through immigration has slowed to a crawl due to pandemic-related border-crossing closures.

Absent the inflow of individuals from afar, the housing booms in both the U.S. and Canada are being generated domestically. Working from home to combat COVID-19's spread is inspiring a whole lot of people to want to upgrade the ambience of where they are now spending almost all their time.

Plus, bargain interest rates are hanging on 'financing trees' like bright shiny baubles to be grabbed before they disappear.

In the following 12 graphs, the text boxes will lead readers through a story that will hopefully be the first of many indicating much sturdier underpinnings for the U.S. and Canadian economies as we transition away from the health crisis and towards sunnier prospects.

To be continued in *Economy at a Glance*, Vol. 17, Issue 67.

For more articles by Alex Carrick on the Canadian and U.S. economies, please visit: www.constructconnect.com/blog.



For more economic charts and articles, visit:
<https://canada.constructconnect.com/canadata/forecaster>

The last data points are for March 2021.

ARROWS: U.S. numbers to be read from left axis;
Canadian from right axis.

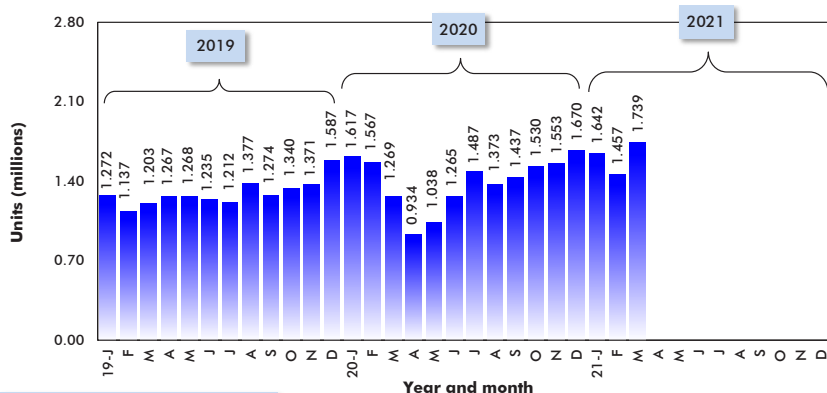
Data sources: U.S. Census Bureau &
Canada Mortgage and Housing Corp. (CMHC).
Chart: ConstructConnect — CanaData.

Graph 4: U.S. Total Monthly Housing Starts – Seasonally Adjusted at Annual Rates (SAAR)

The last data points are for March 2021.

Data source: U.S. Census Bureau
(Department of Commerce).
Chart: ConstructConnect — CanaData.

Graph 1: U.S. Monthly Housing Starts – Seasonally Adjusted at Annual Rates (SAAR)

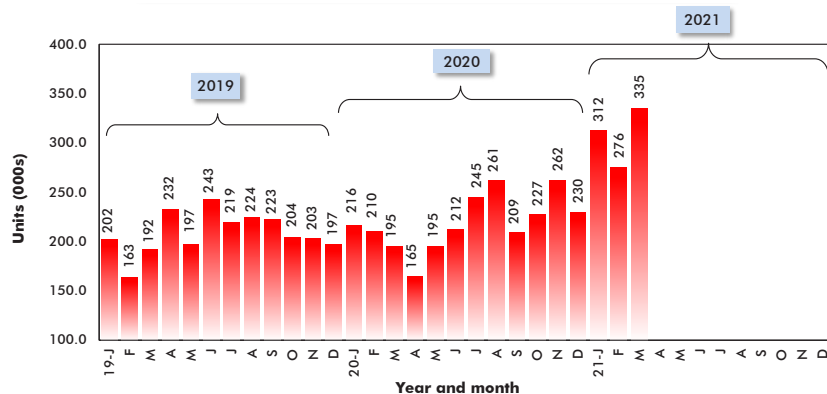


United States' annual starts:
2015 = 1.112 million units (+10.9%);
2016 = 1.174 million units (+5.6%);
2017 = 1.203 million units (+2.5%);
2018 = 1.250 million units (+3.9%);
2019 = 1.290 million units (+3.2%);
2020 = 1.380 million units (+7.0%);

Jan-Mar Avg. 2020 = 1.484 million units;
Jan-Mar Avg. 2021 = 1.613 million units (+8.6% ytd).
Mar 2021's 1.739 million units was the best since the last recession.

Data source: U.S. Census Bureau (Department of Commerce).
Chart: ConstructConnect — CanaData.

Graph 2: Canada Monthly Housing Starts – Seasonally Adjusted at Annual Rates (SAAR)

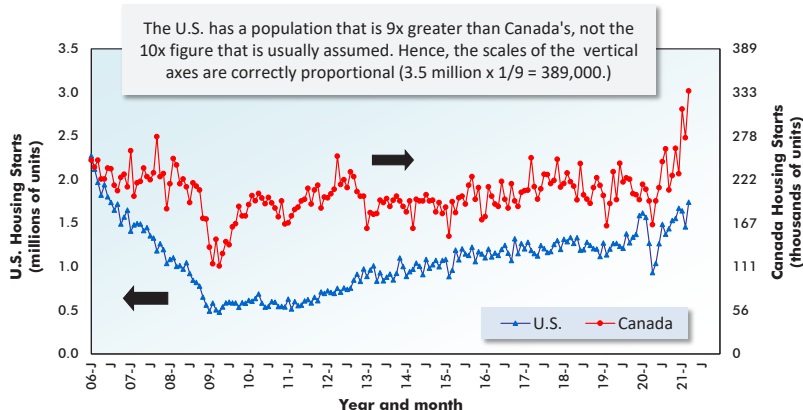


Canada's Annual Starts:
2015 = 195,535 units (+3.3%);
2016 = 197,915 units (+1.2%);
2017 = 219,763 units (+11.0%);
2018 = 212,843 units (-3.1%);
2019 = 208,685 units (-2.0%);
2020 = 217,802 units (+4.4%).

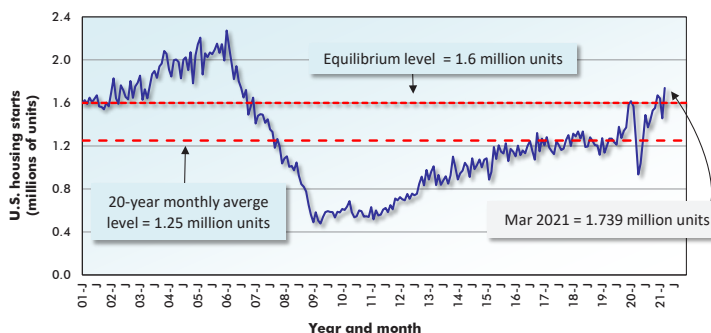
Jan-Mar Avg. 2020 = 207,100 units;
Jan-Mar Avg. 2021 = 307,700 units (+48.5% ytd).
335,000 units SAAR in Mar 2021 soared way past previous record high levels.

Data source: Canada Mortgage and Housing Corporation (CMHC).
Chart: ConstructConnect — CanaData.

Graph 3: U.S. and Canada Monthly Housing Starts – Seasonally Adjusted at Annual Rates (SAAR)



The U.S. was catching up to its northern neighbor, but then Canadian starts launched into orbit at the home of this year. On a relative population basis, **Canada has recorded a higher level of home ground breaks than the U.S. in every month for the past 16 straight years.**



To accommodate population growth & family formations, the equilibrium level for U.S. housing starts is thought to be 1.6 million units. The monthly average over the past 20 years, however, has been 1.25 million. **Lately, for the most part, starts have been fluctuating between those 2 levels.**

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Who knew a pandemic would lead to a housing boom? (Part 2)



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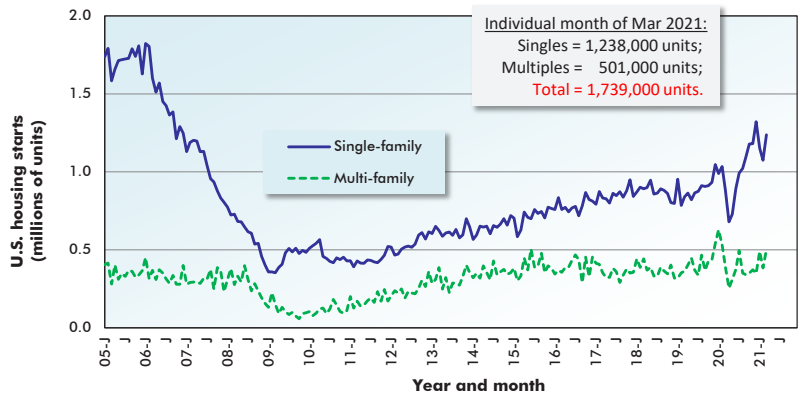
Continued from *Economy at a Glance*, Vol. 17, Issue 66

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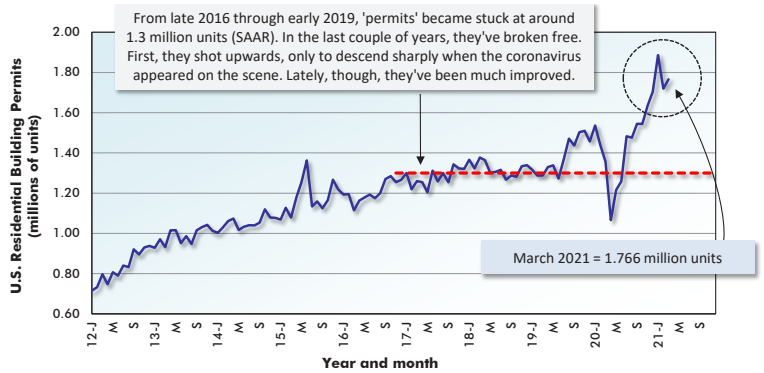
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Graph 5: U.S. Single-Family & Multi-Family Monthly Housing Starts – Seasonally Adjusted at Annual Rates (SAAR)



In the individual month of March 2021, single-family starts were +15.3% m/m and +40.7% y/y; multi-family starts were +30.8% m/m and +28.8% y/y. From the curves in the graph, 'singles' have clearly become the prime driver of the pickup in total starts.

Graph 6: U.S. Monthly Residential Building Permits – Seasonally Adjusted at Annual Rates (SAAR)

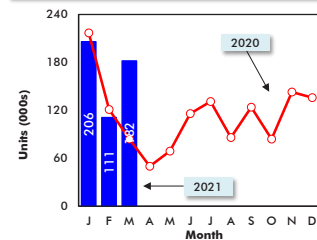


U.S. residential building permits in Mar 2021 were +2.7% vs Feb 2021. Compared with Mar 2020, they were +30.2%. 'Permits' generally set the pace for 'starts' (i.e., they lead by a couple of months).

Graph 7: U.S. Regional Housing Starts (SAAR) – March 2021

U.S. Northeast Housing Starts

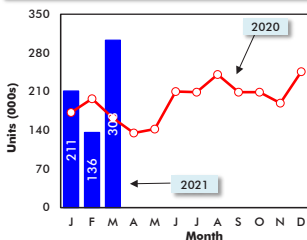
U.S. Northeast annual starts:
2019 = 114,800 units; 2020 = 111,500 units (-2.9%).



Jan-Mar Avg. 2020 = 140,700 units;
Jan-Mar Avg. 2021 = 166,300 units (+18.2%);
March 2021 m/m = +64.0%; y/y = +116.7%.

U.S. Midwest Housing starts:

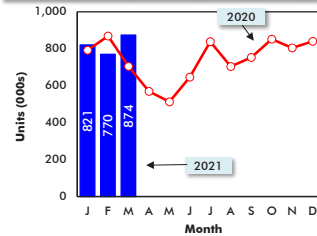
U.S. Midwest annual starts:
2019 = 169,400 units; 2020 = 191,600 units (+13.1%).



Jan-Mar Avg. 2020 = 177,000 units;
Jan-Mar Avg. 2021 = 216,700 units (+22.4%);
March 2021 m/m = +122.8%; y/y = +87.0%.

U.S. South Housing Starts

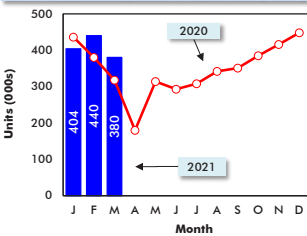
U.S. South annual starts:
2019 = 684,800 units; 2020 = 735,500 units (+7.4%).



Jan-Mar Avg. 2020 = 788,700 units;
Jan-Mar Avg. 2021 = 821,700 units (+4.2%);
March 2021 m/m = +13.5%; y/y = +24.0%.

U.S. West Housing starts:

U.S. West annual starts:
2019 = 321,000 units; 2020 = 341,000 units (+6.2%).



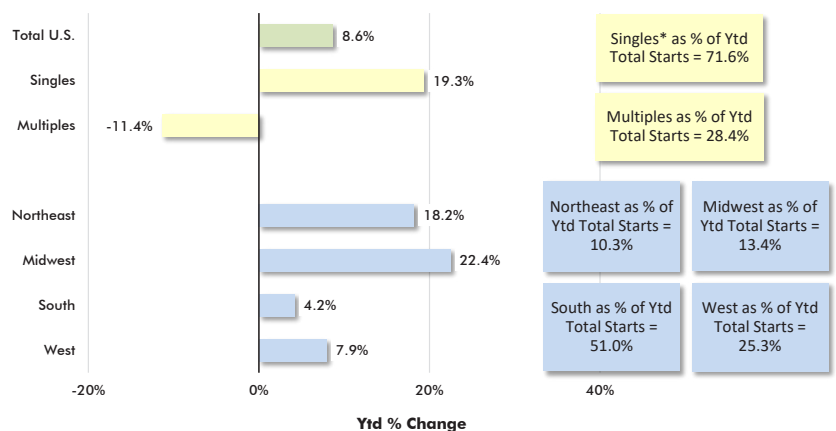
Jan-Mar Avg. 2020 = 378,000 units;
Jan-Mar Avg. 2021 = 408,000 units (+7.9%);
March 2021 m/m = -13.6%; y/y = +19.5%.

Data source: U.S. Census Bureau (Department of Commerce).
Charts: ConstructConnect — CanaData.

Graph 8: U.S. Housing Starts Jan-Mar 2021 vs Jan-Mar 2020 % Changes

Based on averages of monthly seasonally adjusted and annualized (SAAR) unit starts. * 'Singles' includes townhouse complexes, except when multiple units have common heating & air conditioning.

Data source: U.S. Census Bureau.
Chart: ConstructConnect — CanaData.



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Who knew a pandemic would lead to a housing boom? (Part 3)



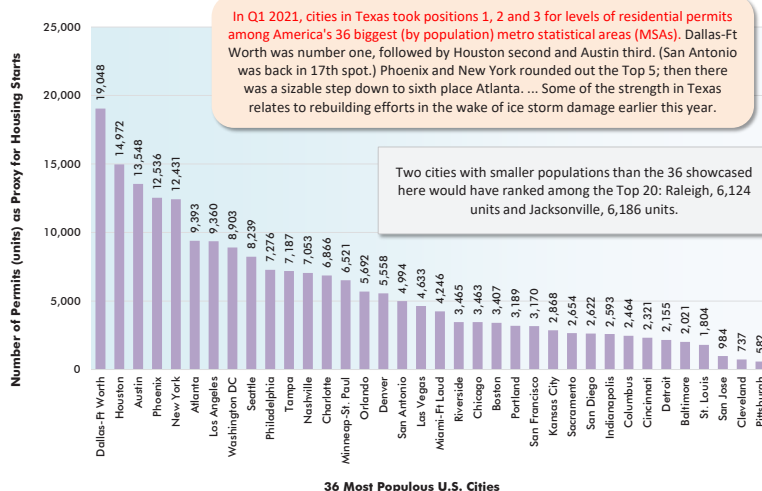
Alex Carrick

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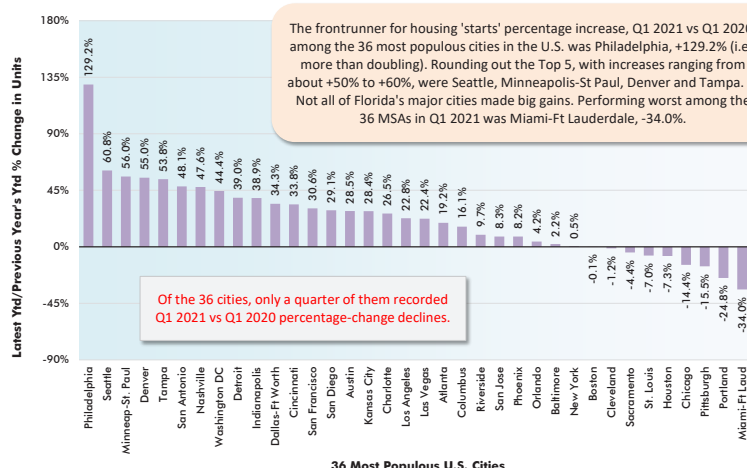
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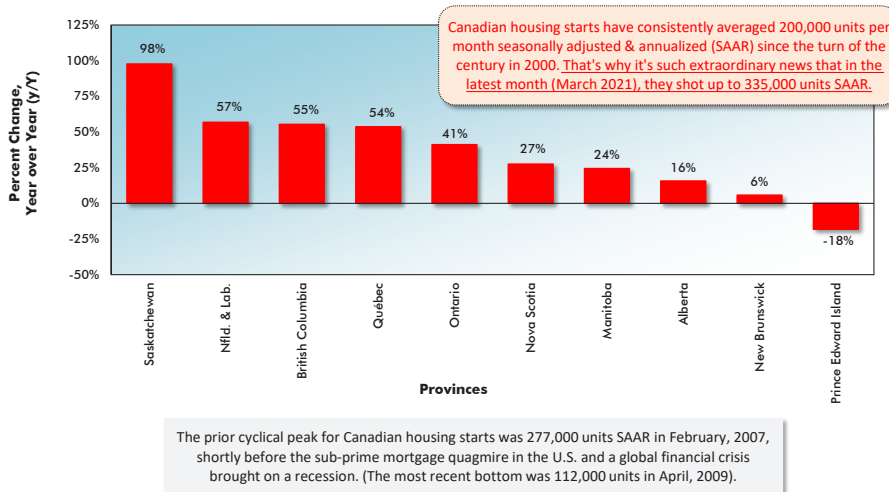
Graph 9: Year to Date Residential Permits Issued (Units) in the 36 Most Populous U.S. Metro Statistical Areas (MSAs), (Jan-Mar 2021)



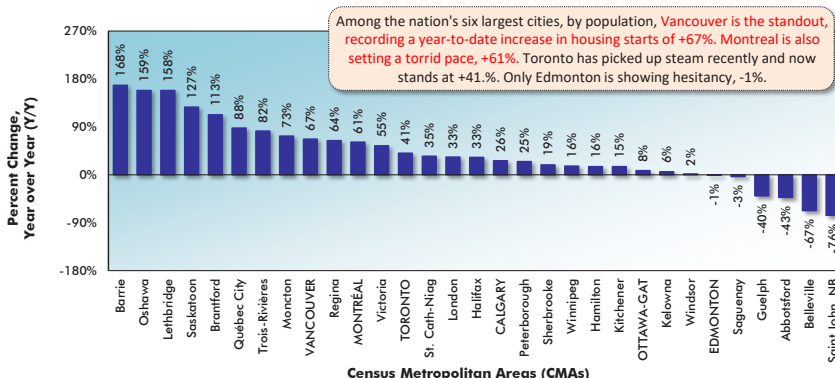
Graph 10: Percent Change in Year-to-Date Housing Permits Issued (Units) in the 36 Most Populous U.S. Metro Statistical Areas (MSAs) (Jan-Mar 2021 vs Jan-Mar 2020)



Graph 11: Percent Change in Year-to-Date Housing Starts – Ranking Of Canada's Provinces (Jan-Mar 2021 vs Jan-Mar 2020)



Graph 12: Percent Change in Year-To-Date Housing Starts – Ranking of Canada's Major Cities (Jan-Mar 2021 vs Jan-Mar 2020)



Canada's Census Metropolitan Areas (CMAs) have core populations of 50,000 plus.

Canada's 6 CMAs with populations in excess of 1 million are in capital letters.

Data source: Canada Mortgage & Housing Corporation (CMHC) based on actuals rather than seasonally adjusted data.
Charts: ConstructConnect — CanaData.