

# Economy at a Glance

Prepared by Alex Carrick, ConstructConnect® Chief Economist

## Booms in U.S. & Canadian housing: one tentative, the other boisterous (Part I)



Alex Carrick

When presenting housing starts for the U.S. and Canada, the Census Bureau and CMHC first seasonally adjust monthly 'actual' units and then annualize them, to arrive at what are termed SAAR (seasonally adjusted and annualized) figures. 'Annualizing' takes

the monthly number and projects it out over 12 months.

The January-April average of the four monthly SAAR figures for the U.S. so far this year is 1.594 million units, +18.2% when compared with January-April 2020's average. Since the Fall of last year, a mini new housing construction boom has been underway in America.

Canada's January-April average of monthly SAAR starts has been 295,700 units, +50.5% versus the comparable average managed in the first four months of last year. In Canada, the boom in residential ground-breakings isn't speaking tentatively, rather it's shouting.

### The singles vs multis split

A major difference between U.S. and Canadian housing starts is to be found in the relative shares of single-family starts versus multi-family starts. As Graph 3 shows, singles as a share of U.S. total housing starts are usually around 70%. They currently claim a 71.4% slice. At the tail end of the 2008-09 recession, they rose as high as 90%.

In Canada, the relationship is reversed. Multis account for the bigger proportion. Year to date in 2021, among Canada's 35 census metropolitan areas (CMAs), multis comprise 77.9% of the total, with singles at only 22.1%.

In Canada's three largest population centers, multis are an even bigger part of the total. In Toronto, the pie wedge is 84.6%; in Vancouver, 89.1%; and in Montreal, 91.3%.

### What do permits say?

From Graph 4, U.S. housing starts have finally climbed back to 1.6 million units SAAR on a consistent basis.

To be continued in *Economy at a Glance*, Vol. 17, Issue 77.

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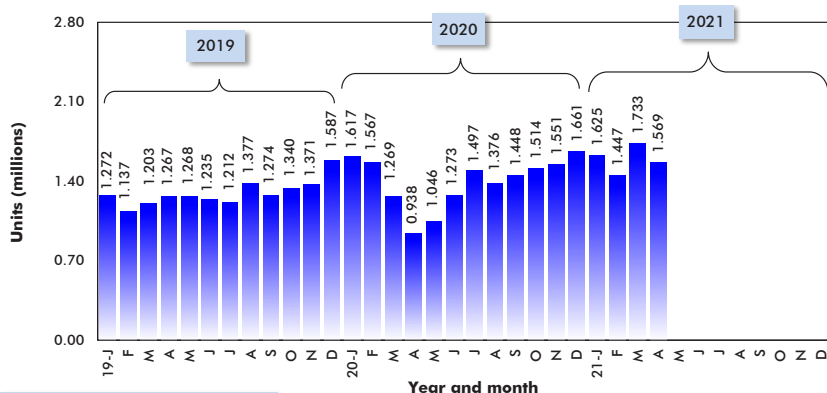
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### Graph 4: U.S. Total Monthly Housing Starts – Seasonally Adjusted at Annual Rates (SAAR)

The last data points are for April 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)

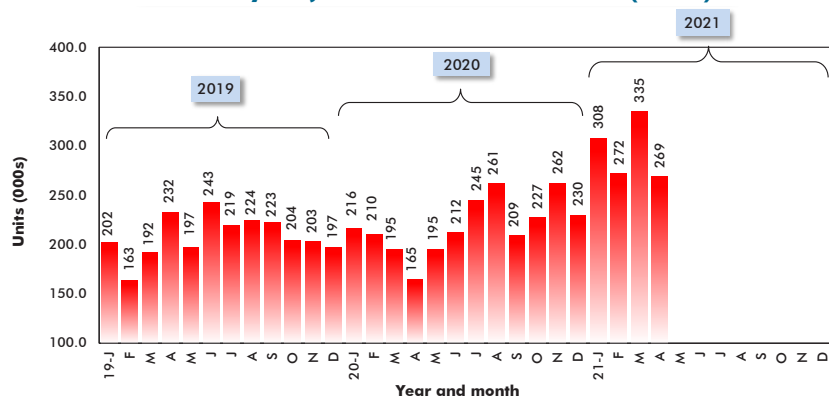


United States' annual starts:  
2015 = 1.112 million units (+10.9%);  
2016 = 1.174 million units (+5.6%);  
2017 = 1.203 million units (+2.5%);  
2018 = 1.250 million units (+3.9%);  
2019 = 1.290 million units (+3.2%);  
2020 = 1.380 million units (+7.0%);

Jan-Apr Avg. 2020 = 1.348 million units;  
Jan-Apr Avg. 2021 = 1.594 million units (+18.2% ytd).  
Mar 2021's 1.733 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)

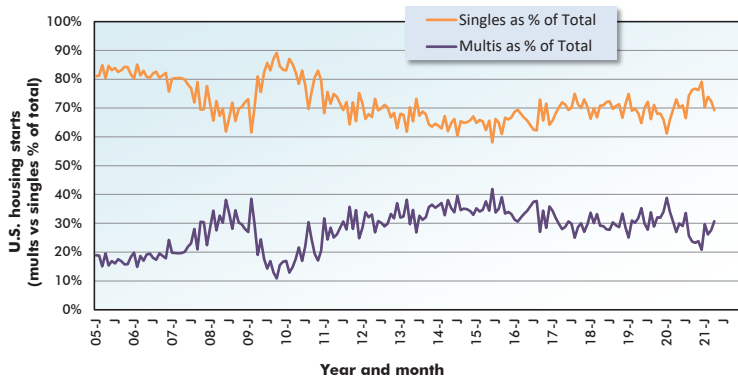


Canada's Annual Starts:  
2015 = 195,535 units (+3.3%);  
2016 = 197,915 units (+1.2%);  
2017 = 219,763 units (+11.0%);  
2018 = 212,843 units (-3.1%);  
2019 = 208,685 units (-2.0%);  
2020 = 217,802 units (+4.4%).

Jan-Apr Avg. 2020 = 196,500 units;  
Jan-Apr Avg. 2021 = 295,700 units (+50.5% 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.

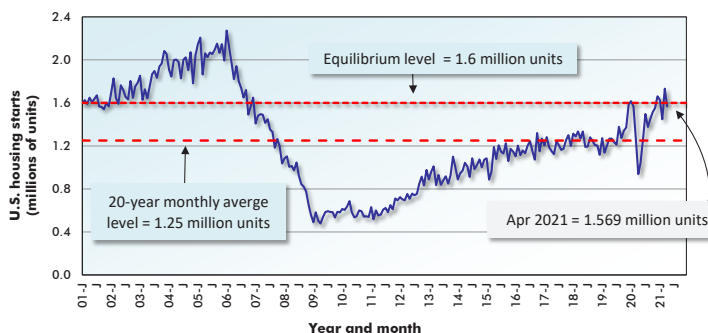
### Graph 3: U.S. Single-Family & Multi-Family Monthly Housing Starts, Seasonally Adjusted at Annual Rates (SAAR)



In the prior period of severe economic distress (2008-2009), 'multiples' as a percentage of 'total' plunged and 'singles' soared. Presently, a similar pattern (although less severe) seems to be emerging.

The last data points are for April 2021.

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



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. Latently, for the most part, starts have been fluctuating between those 2 levels.

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Continued from *Economy at a Glance*, Vol. 17, Issue 76.

But that's not keeping up with the pace of permits, which is close to 1.8 million units, as set out in Graph 5. The high number of permits indicates that there will be ongoing strength in

U.S. new home starts for at least a while.

This argument receives further support from Graph 6, which plots the rolling-forward latest 12-month sums of the differences between permits and starts, both as 'actuals'. Over the past three months, the permits-to-starts differentials have soared to their highest positions in six years.

### It's the South and West over the Northeast and Midwest

From Graph 7, the region with the greatest percentage increase in starts to date this year has been the Northeast, +37.1%, followed by the Midwest, +24.9%, and the West, +21.5%. The South has also seen a gain, but of a less stellar amount, +12.2%.

To be continued in *Economy at a Glance*, Vol. 17, Issue 78.

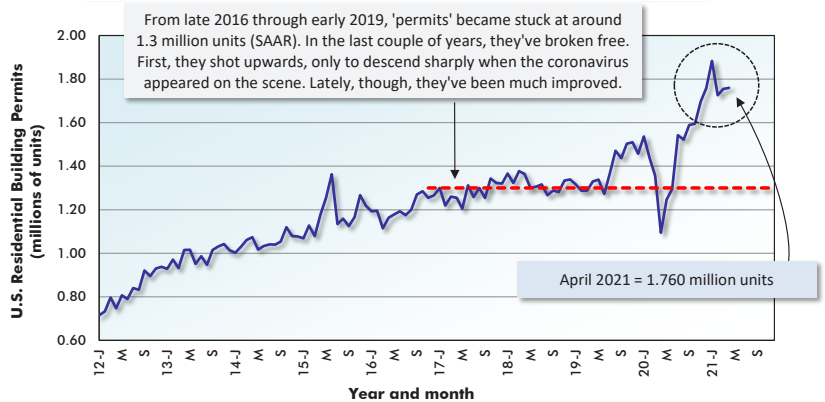
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The last data points are for April 2021.

Data source: U.S. Census Bureau (Department of Commerce).

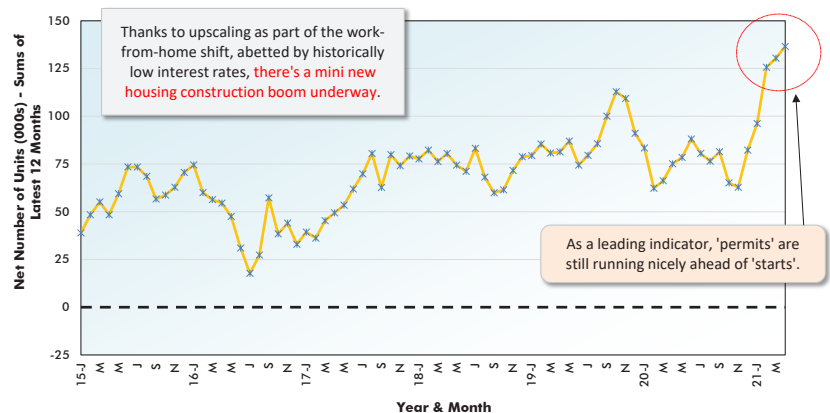
Charts: ConstructConnect — CanaData.

### Graph 5: U.S. Monthly Residential Building Permits Seasonally Adjusted at Annual Rates (SAAR)



U.S. residential building permits in Apr 2021 were +0.3% vs Feb 2021. Compared with Mar 2020, they were +60.9%. 'Permits' generally set the pace for 'starts' (i.e., they lead by a couple of months).

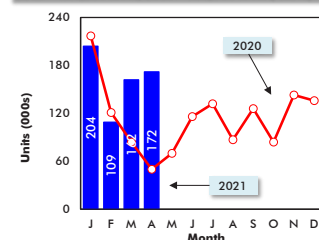
### Graph 6: Number of Residential Permits Issued Minus Housing Starts, Net Figure of Latest 12-Month Sums (in Units), Total U.S. (From Not Seasonally Adjusted/NSA Actuals)



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

#### U.S. Northeast Housing Starts

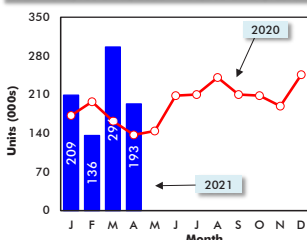
U.S. Northeast annual starts:  
2019 = 114,800 units; 2020 = 111,500 units (-2.9%).



Jan-Apr Avg. 2020 = 118,000 units;  
Jan-Apr Avg. 2021 = 161,800 units (+37.1%);  
April 2021 m/m = +6.2%; y/y = +244.0%.

#### U.S. Midwest Housing starts:

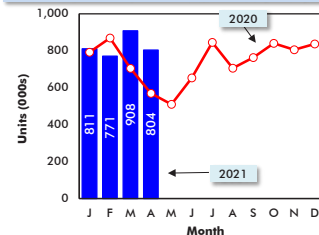
U.S. Midwest annual starts:  
2019 = 169,400 units; 2020 = 191,600 units (+13.1%).



Jan-Apr Avg. 2020 = 167,000 units;  
Jan-Apr Avg. 2021 = 208,500 units (+24.9%);  
April 2021 m/m = -34.8%; y/y = +40.9%.

#### U.S. South Housing Starts

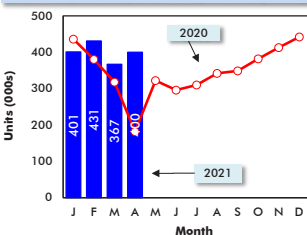
U.S. South annual starts:  
2019 = 684,800 units; 2020 = 735,500 units (+7.4%).



Jan-Apr Avg. 2020 = 733,800 units;  
Jan-Apr Avg. 2021 = 823,500 units (+12.2%);  
April 2021 m/m = -11.5%; y/y = +41.3%.

#### U.S. West Housing starts:

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



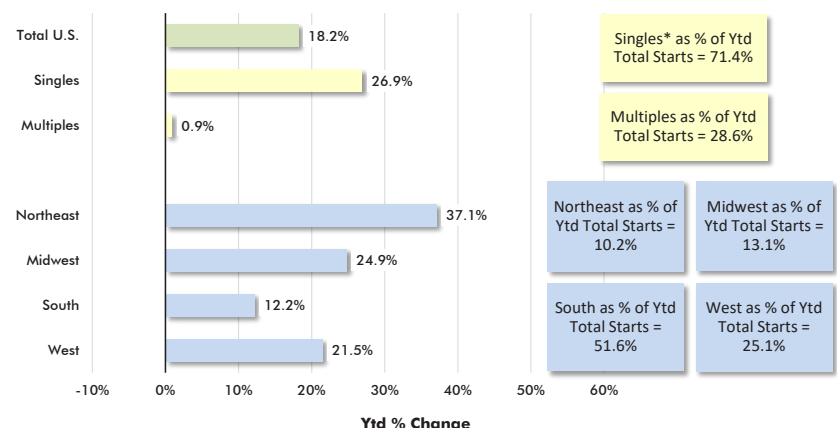
Jan-Apr Avg. 2020 = 329,000 units;  
Jan-Apr Avg. 2021 = 399,800 units (+21.5%);  
April 2021 m/m = +9.0%; y/y = +119.8%.

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

### Graph 8: U.S. Housing Starts Jan-Apr 2021 vs Jan-Apr 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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Graphs 9 and 10, however, are interesting because they show the relative performances of the regions over a longer time frame. To make the comparisons easier, they adopt an index approach.

In Graph 9, the year 2000 is the base. The 2000 level is set equal to 100.0. Annual levels for each series after 2000 are divided by the level in 2000 and multiplied by 100.

All the regions had steep drops through 2009, but they've recovered nicely since. Only the South Region, though, in 2020 managed a level of housing starts greater than in 2000.

From Graph 10, which also employs index values, but adopts a 2009 base, it's the West showing the greatest improvement over the last ten years, followed by the South, with the Midwest and Northeast skimming over third and fourth spots.

### Canadian starts way above average

As set out in Graph 11, near the end of 2019 and in the early stages of 2020, U.S. new home starts were signaling that, on a population-adjusted basis, they were about to catch up with and overtake Canadian starts.

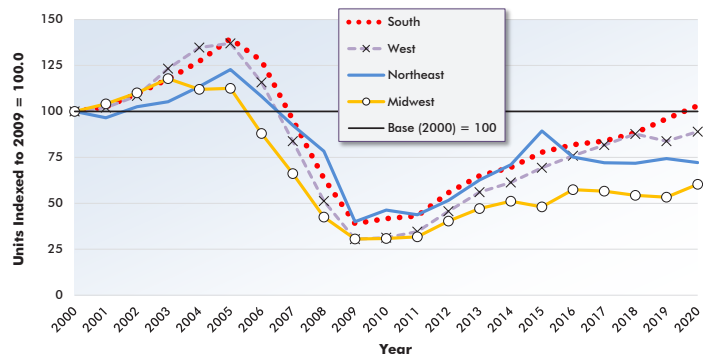
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### Graph 9: Housing Starts in U.S. Regions Since the Turn of the Century (i.e., 2000) Indexed

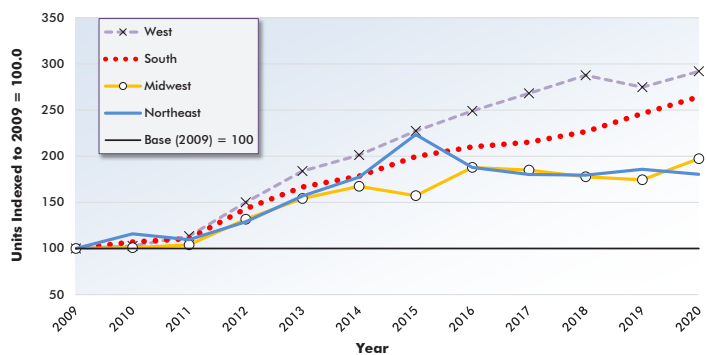


In 2020, only one region had returned to a higher level of housing starts than at the turn of the century in 2000, the South. The Midwest has trailed furthest behind.

The index approach, which makes comparisons easier: The annual level for each index in each year is divided by the same index's annual level in 2000 (multiplied by 100 to vary relative to the 'base' set = 100).

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

### Graph 10: Housing Starts in U.S. Regions Since End of the Previous Recession (i.e., 2009) Indexed

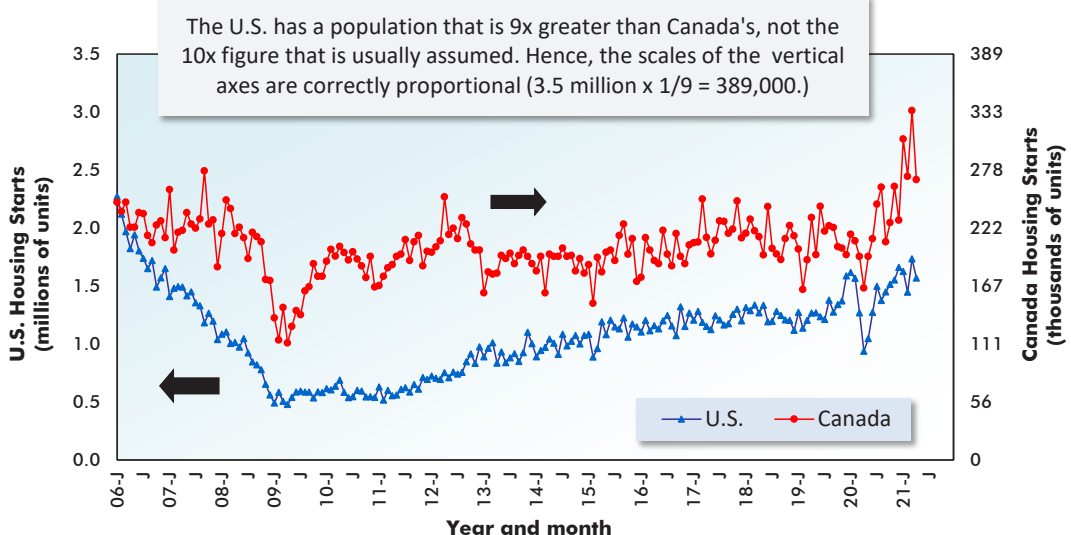


Since 2009, the West Region has achieved the strongest pickup in housing starts, followed by the South. The Midwest and Northeast have jockeyed back and forth for third- and fourth-place spots.

The index approach, which makes comparisons easier: The annual level for each index in each year is divided by the same index's annual level in 2009 (multiplied by 100 to vary relative to the 'base' set = 100).

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

### Graph 11: U.S. and Canada Monthly Housing Starts – Seasonally Adjusted at Annual Rates (SAAR)



The U.S. has a population that is 9x greater than Canada's, not the 10x figure that is usually assumed. Hence, the scales of the vertical axes are correctly proportional (3.5 million x 1/9 = 389,000.)

The U.S. was catching up to its northern neighbor, but then Canadian starts launched into orbit at the beginning of this year, 2021. On a relative population basis, **Canada has recorded a higher level of home groundbreakings than the U.S. in every month for the past 16 straight years.**

The last data points are for April 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.



# Economy at a Glance

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Continued from *Economy at a Glance*, Vol. 16, Issue 78.

But a funny thing happened. Suddenly, Canadian housing starts launched into orbit. On a SAAR's basis, their national levels this year to date have been: 308,000 units in January; 272,000 in February; 335,000 in March; and 269,000 in April.

To understand how startling those numbers are, consider

that the Canadian monthly average for twenty years from 2000 to 2019, with population growth exploding mainly due to immigration (which has been much quieter of late, due to coronavirus-driven border closures), was 200,000 units.

March 2021's level of 335,000 was two-thirds higher than average and one-fifth above the previous record peak.

### Montreal hottest among hot spots

Among Canada's most populous cities, Toronto usually leads the way in starts, but in some of the key metrics, TO's first-place ranking is currently being usurped by Montreal.

With respect to ytd levels of housing starts, from Graph 14, Toronto is first in singles, but second to Montreal in multiples. Toronto still claims top spot for 'total', but Montreal isn't far behind.

When it comes to ytd percentage-change in starts (Graph 15), however, Montreal is the frontrunner in all three categories, 'singles' (+201%); 'multis' (+126%); and 'total' (+131%). In fact, Montreal has achieved a more than doubling in all three instances.

But there's an easy-to-understand explanation. In the Spring of last year, construction sites in Quebec were shut down for about a month due to uncertainty related to COVID-19's spread. April 2020's official count of housing starts in the province was zero. Therefore, the Jan-Apr 2021 year-to-date comparison is really versus the truncated time frame, Jan-Mar 2020.

Vancouver's ytd total starts are +58% and Ottawa-Gatineau's, +28%. In the province of Alberta, Calgary (+47%) is beating Edmonton (+1%).

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### Graph 14: Housing Starts in Canada's 6 Most Populous Cities January to April 2021 Actuals

Toronto is in top spot for 'single-family' and 'total' starts but is behind Montreal, by the slimmest of margins, in the 'multi-family' market. Vancouver has a strong number in 'multiples', but is at the bottom of the 6-city ranking in 'singles'.

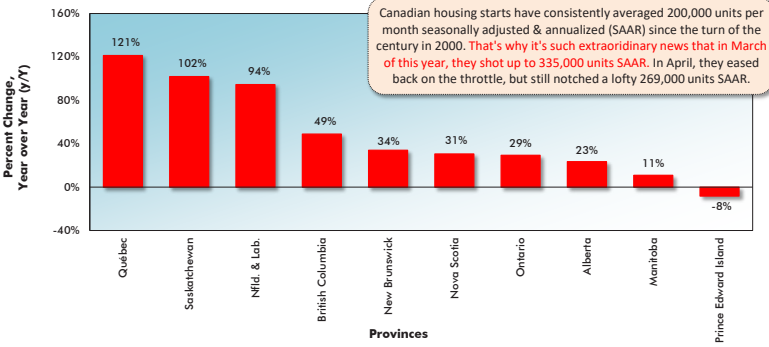
Data source: Canada Mortgage & Housing Corporation (CMHC).  
Charts: ConstructConnect — CanaData.

### Graph 15: Housing Starts in Canada's 6 Most Populous Cities Jan-Apr 2021 vs Jan-Apr 2020

Montreal has more than doubled last year's performances in all three residential categories, 'singles', 'multiples' and 'total'. But remember there was approximately a month in Spring 2020 when Que construction sites were shut down due to the coronavirus & 'starts' were zero.

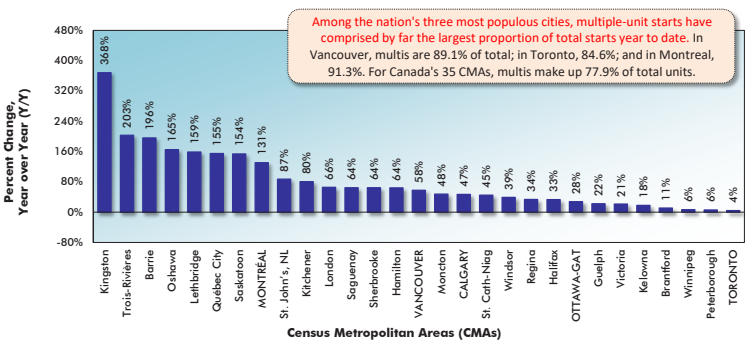
Data source: Canada Mortgage & Housing Corporation (CMHC).  
Charts: ConstructConnect — CanaData.

### Graph 12: Percent Change in Year-to-Date Housing Starts – Ranking Of Canada's Provinces (Jan-Apr 2021 vs Jan-Apr 2020)



The prior cyclical peak for Canadian housing starts was 277,000 units SAAR in February, 2007, shortly before the sub-prime mortgage quagmire in the U.S. and a global financial crisis brought on a recession. (The most recent bottom was 112,000 units in April, 2009).

### Graph 13: Percent Change in Year-To-Date Housing Starts – Ranking of Canada's Major Cities (Jan-Apr 2021 vs Jan-Apr 2020)



The graph features a slightly shortened list of urban centres and their housing starts performances. April is still somewhat early in the new year and for a couple of cities, the volume in either the numerator or the denominator (or both) of the percentage-change formula is too small to make the calculated result meaningful.

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

