

Economy at a Glance

Prepared by Alex Carrick, ConstructConnect® Chief Economist

Latest U.S. and Canadian housing starts in 10 graphs (Part I)



Alex Carrick

The 10 graphs in this article update the latest housing starts information for the U.S. and Canada through May 2021. Both countries are currently experiencing new home building booms.

Super low mortgage and secondary-financing interest rates, a build-up of savings while being locked down during the pandemic and the pronounced shift to working from home and escaping from crowded downtown cores have been some of the major contributors to the uptick in new accommodation demand.

U.S. housing 'starts' appear to have settled in around 1.6 million units per month, seasonally adjusted and annualized (SAAR). The Canadian monthly average seems to be about 270,000 units, although twice this year the number has risen much higher, 308,000 in January and 333,000 in March.

The case for saying the 'boom' has been stronger in Canada than in the U.S. can be made in simple fashion. Monthly average starts on a SAAR basis in the U.S. year to date (Jan-May 2021) are an impressive +22.5%. The comparable change for Canada, though, is an even more outstanding +48.3%.

U.S. additional housing demand is being led far more by single-family groundbreakings, +30.0% in units, than by multi-family properties (apartments and condos), +7.1% (again in units). In the U.S., singles as a share of total starts are 71% year to date, with multis claiming the other 29%.

To be continued in Economy at a Glance, Vol. 17, Issue 95.

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The last data points are for May 2021.

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

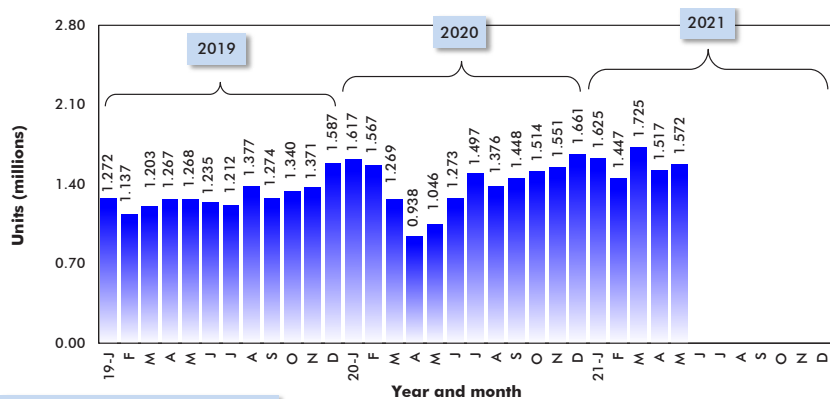
Data sources: U.S. Census Bureau & Canada Mortgage and Housing Corp. (CMHC).
Chart: ConstructConnect — CanaData.

Graph 4: U.S. Single-Family & Multi-Family Monthly Housing Starts Seasonally Adjusted at Annual Rates (SAAR)

The last data points are for May 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)

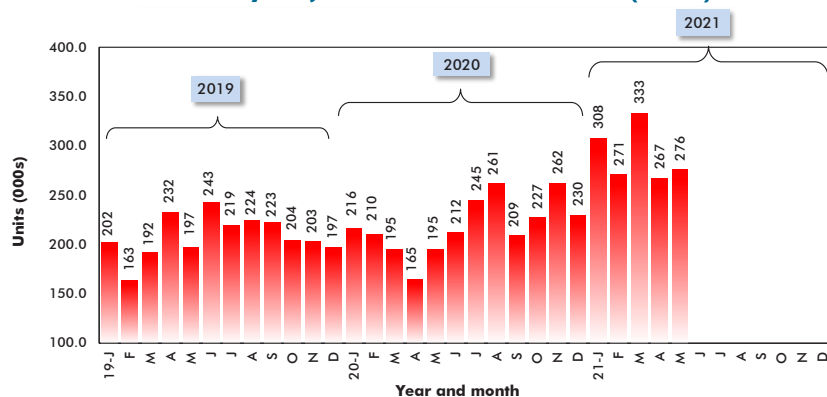


United States' annual starts:
2015 = 1.112 million units (+10.9%);
2016 = 1.174 million units (+5.6%);
2017 = 1.203 million units (+2.5%);
2018 = 1.250 million units (+3.9%);
2019 = 1.290 million units (+3.2%);
2020 = 1.380 million units (+7.0%);

Jan-May Avg. 2020 = 1.287 million units;
Jan-May Avg. 2021 = 1.577 million units (+22.5% ytd).
Mar 2021's 1.725 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)

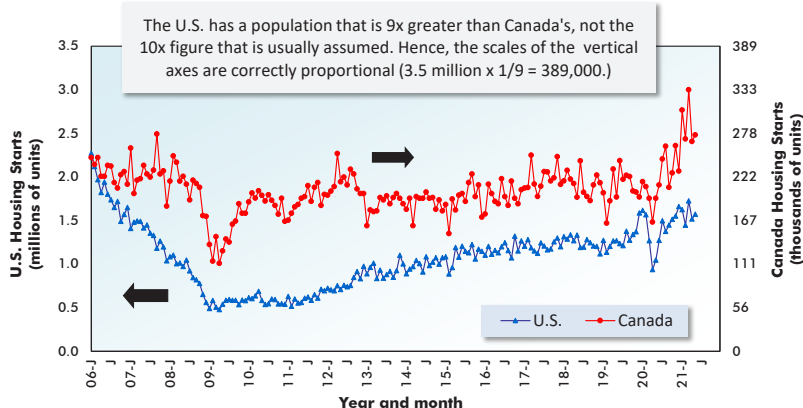


Canada's Annual Starts:
2015 = 195,535 units (+3.3%);
2016 = 197,915 units (+1.2%);
2017 = 219,763 units (+11.0%);
2018 = 212,843 units (-3.1%);
2019 = 208,685 units (-2.0%);
2020 = 217,802 units (+4.4%).

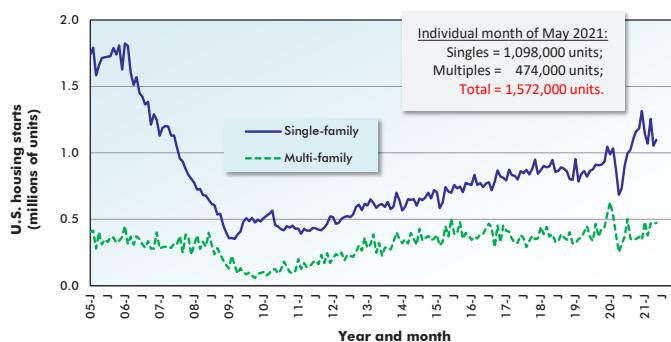
Jan-May Avg. 2020 = 196,200 units;
Jan-May Avg. 2021 = 291,000 units (+48.3% ytd).
333,000 units SAAR in Mar 2021 soared way past previous record high levels.

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 beginning of this year. 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.



In the individual month of May 2021, single-family starts were +4.2% m/m and +49.8% y/y; multi-family starts were +2.4% m/m and +51.4% y/y/. From the curves in the graph, 'singles' have clearly become the prime driver of the pickup in total starts.

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Continued from *Economy at a Glance*, Vol. 17, Issue 94.

In Canada, the difference in year-to-date percentage-changes of singles versus multiples is much narrower. For Canada's 35 census metropolitan areas (CMAs), single-family starts in units

are +50%, but multi-family starts (again in units) are not trailing by much, +40%.

Also, in Canada, the singles-to-multiples shares of 'total' lean in the opposite direction of the U.S. The singles segment of the marketplace in Canada contributes only 22% of total unit starts. The other 78% is provided by multiples.

(While it is not a huge factor, warranting mention is the fact that townhouses in the U.S., exclusive of residences 'bundled' by shared HVAC systems, are counted as 'singles', while in Canada, they are included in the multiples category.)

Outlooks still mainly upbeat

The outlook for 'starts' in the U.S. continues to be positive given that residential 'permits' have been running so 'hot'. Since late in 2020, 'permits' have been in a range of 1.7 to 1.9 million units and, from historical patterns, they lead or occur in advance of 'starts' activity.

Regionally in the U.S., the Northeast is accounting for the largest percentage increase in housing starts to date in 2021, +38.0%. But the NE accounts for less than 10% of America's total. It's the South Region, with half of total U.S. starts (51.6%) that bears watching closest. Starts in the South through the first five months of 2021 are +18.2%.

To be continued in *Economy at a Glance*, Vol. 17, Issue 96.

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

The last data points are for May 2021.

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

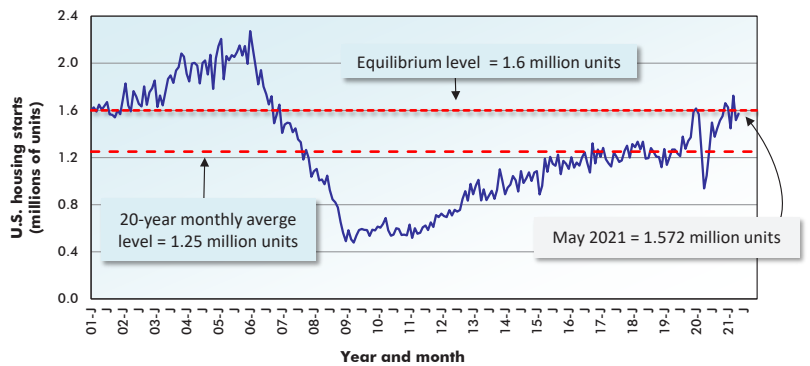
Charts: ConstructConnect — CanaData.

Graph 8: U.S. Housing Starts Jan-May 2021 vs Jan-May 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.

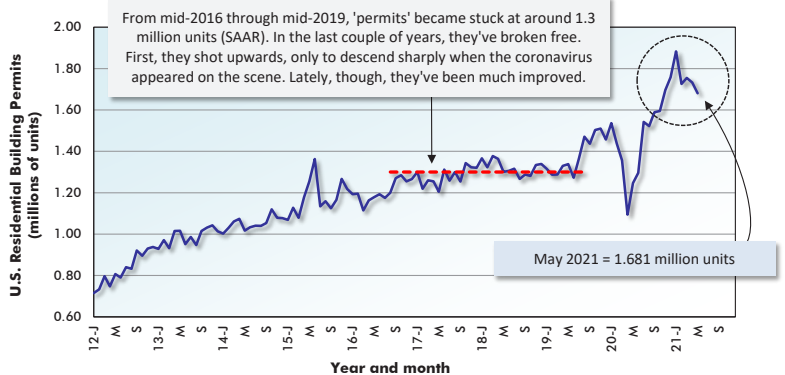
Data source: U.S. Census Bureau.
Chart: ConstructConnect — CanaData.

Graph 5: U.S. Total Monthly Housing Starts Seasonally Adjusted at Annual Rates (SAAR)



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.**

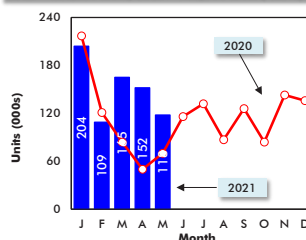
Graph 6: U.S. Monthly Residential Building Permits Seasonally Adjusted at Annual Rates (SAAR)



U.S. residential building permits in May 2021 were -3.0% vs Apr 2021. Compared with May 2020, they were +34.9%. 'Permits' generally set the pace for 'starts' (i.e., they lead by a couple of months).

U.S. Northeast Housing Starts

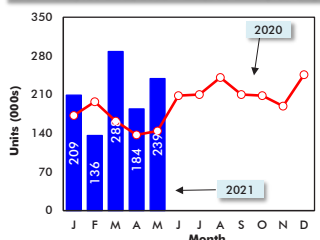
U.S. Northeast annual starts:
2019 = 114,800 units; 2020 = 111,500 units (-2.9%).



Jan-May Avg. 2020 = 108,400 units;
Jan-May Avg. 2021 = 149,600 units (+38.0%);
May 2021 m/m = -22.4%; y/y = +68.6%.

U.S. Midwest Housing starts:

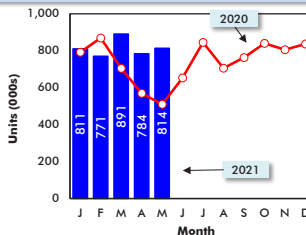
U.S. Midwest annual starts:
2019 = 169,400 units; 2020 = 191,600 units (+13.1%).



Jan-May Avg. 2020 = 162,400 units;
Jan-May Avg. 2021 = 211,200 units (+30.0%);
May 2021 m/m = +29.9%; y/y = +66.0%.

U.S. South Housing Starts

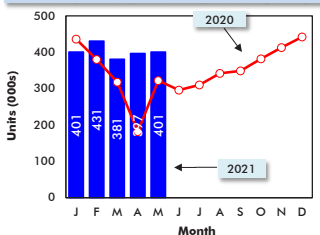
U.S. South annual starts:
2019 = 684,800 units; 2020 = 735,500 units (+7.4%).



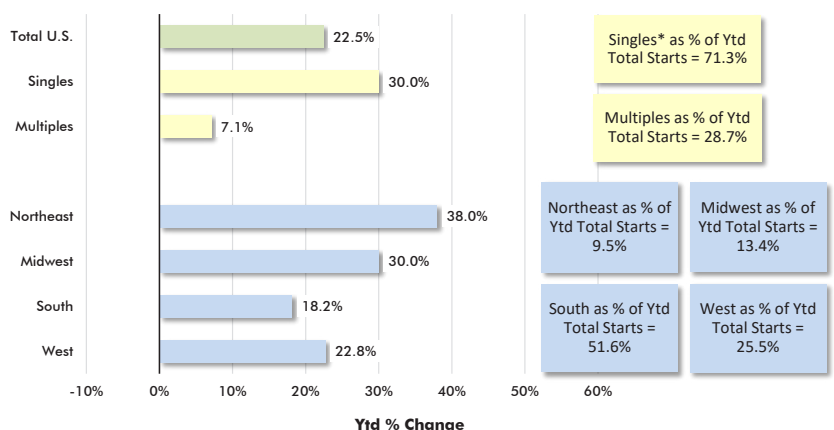
Jan-May Avg. 2020 = 689,000 units;
Jan-May Avg. 2021 = 814,200 units (+18.2%);
May 2021 m/m = +3.8%; y/y = +59.6%.

U.S. West Housing starts:

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



Jan-May Avg. 2020 = 327,600 units;
Jan-May Avg. 2021 = 402,200 units (+22.8%);
May 2021 m/m = +1.0%; y/y = +24.5%.



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Continued from Economy at a Glance, Vol. 17, Issue 95.

Canadian housing starts are likely to recede somewhat, tamped down by an affordability issue brought on by prices having climbed so steeply.

But serving to keep a spring in Canada's housing starts step will be the resumption of a high dose of immigration now that the pandemic is (hopefully and with fingers crossed on both hands)

winding down. The Trudeau government has committed to expanding the number of foreign individuals allowed into the country over the next several years, to make up for lost time.

In Canada, Montreal is leading the nation's six most populous cities in percentage-change of starts, +77%. Pro-

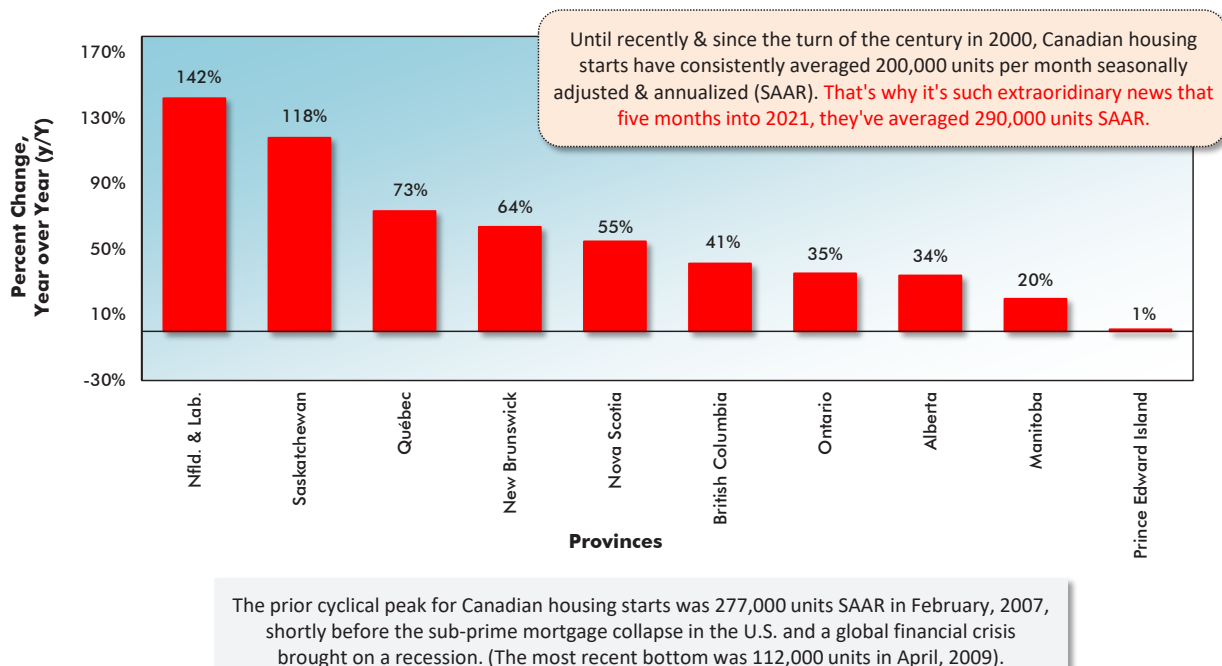
vincially, though, British Columbia rather than Quebec is the standout. B.C. has a share of total starts, at 18.6%, that is considerably above its proportion of Canada's total population, 13.5%.

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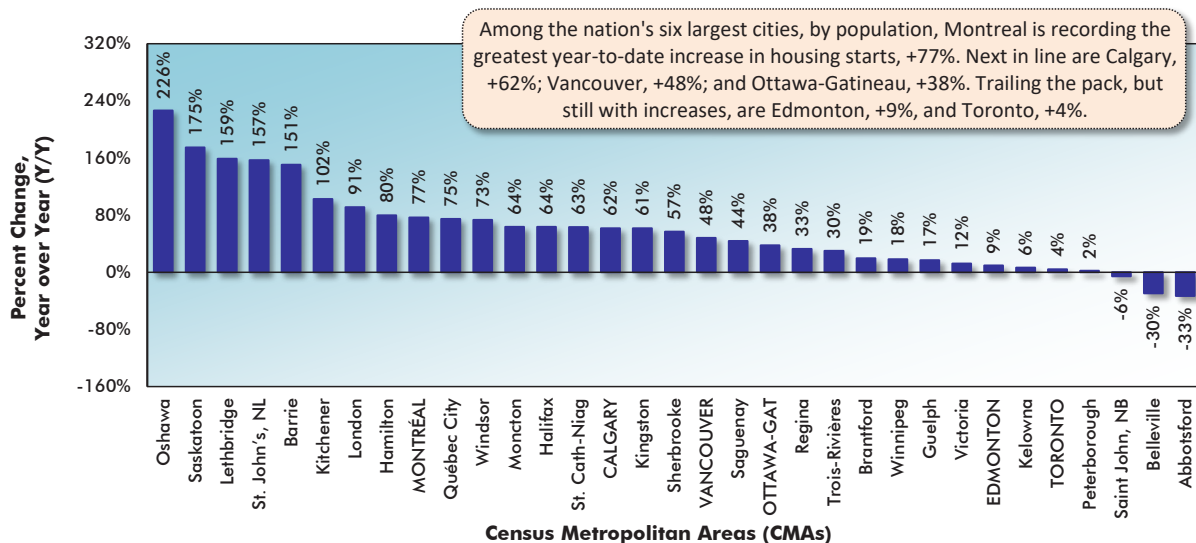


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Graph 9: Percent Change in Year-to-Date Housing Starts – Ranking Of Canada's Provinces (Jan-May 2021 vs Jan-May 2020)



Graph 10: Percent Change in Year-To-Date Housing Starts – Ranking of Canada's Major Cities (Jan-May 2021 vs Jan-May 2020)



Toronto, Montreal & Vancouver combined are accounting for nearly half (48%) of all housing starts among Canada's 35 Census Metropolitan Areas (CMAs) year to date in 2021. For most provinces, their shares of national housing starts roughly correspond with their population shares. B.C. is the exception. Its share of 'starts' at 18.6% is considerably higher than its share of Canada's population, 13.5%.

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.