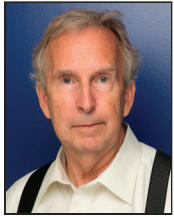


Economy at a Glance

Prepared by Alex Carrick, ConstructConnect® Chief Economist

Economic heavy lifting by U.S. & Canadian homebuilders (Part I)



Alex Carrick

Texas is in a league of its own

Through the first half of 2021, the monthly average of seasonally adjusted and annualized (SAAR) housing starts in the U.S. has been +23.2% compared with January-June 2020. The one quarter increase in

groundbreakings warrants the 'mini-boom' description being applied to the U.S. home-building market.

After climbing steadily through most of the second-half months of last year, the monthly figure has leveled off since December 2020. Furthermore, 'permits' which were leading 'starts' higher through much of 2020, have more recently descended from their peak in an apparent withdrawal to 'base camp' (see Graph 6).

How favorably are viewed the prospects for the Texas economy? Graph 2 provides a resoundingly upbeat answer. Among America's 36 biggest cities (by population), the three leaders for level of residential building permits in H1 2021 were Dallas-Ft Worth (40,677 units), Houston (33,956 units) and Austin (28,459 units), all in Texas. (For cities, 'permits' are usually accepted by analysts as being equivalent to 'starts'.)

The text box in Graph 2 mentions Jacksonville and Raleigh as two other cities with smaller populations than the 36 featured in the chart, but which have managed exceptional levels of residential groundbreakings (i.e., 11,925 units and +61.5% ytd for the former; 11,316 units and +42.3% ytd for the latter).

Some other urban areas that deserve spotlighting include Sarasota, Florida (8,017 units and +70.6% ytd); Provo-Orem, Utah (6,310 units; +74.8% ytd); Cape Coral-Ft Myers, Florida (6,086 units; +13.4% ytd); and Salt Lake City, Utah (5,872 units; +13.2% ytd).

On a ytd percent-change basis (Graph 3), Philadelphia (+115.5%) has been the front-runner among major U.S. cities, followed by Detroit (+82.5%) and Denver (+74.8%). The fastest year-to-date increase among cities in Texas has been recorded by Austin (+49.4%, or ahead by half). Only two centers among the 36 have seen declines, and relatively small ones: Columbus, Ohio (-2.0%) and Miami-Fort Lauderdale (-5.5%).

To be continued in *Economy at a Glance*, Vol. 17, Issue 113.

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:

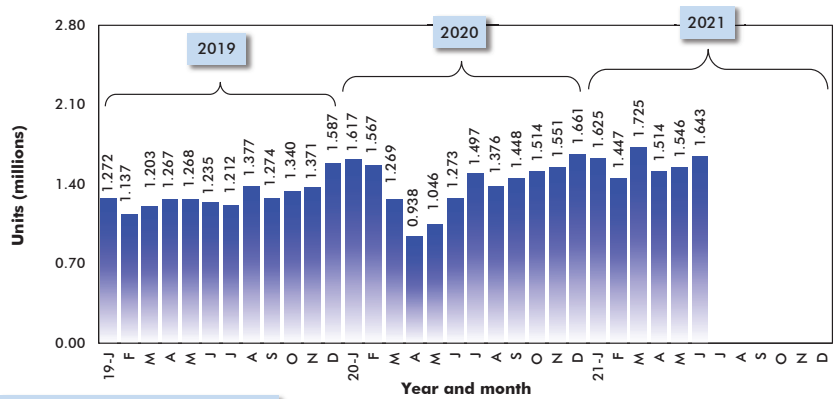
<https://canada.constructconnect.com/canadata/forecaster>

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

The last data points are for June 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)

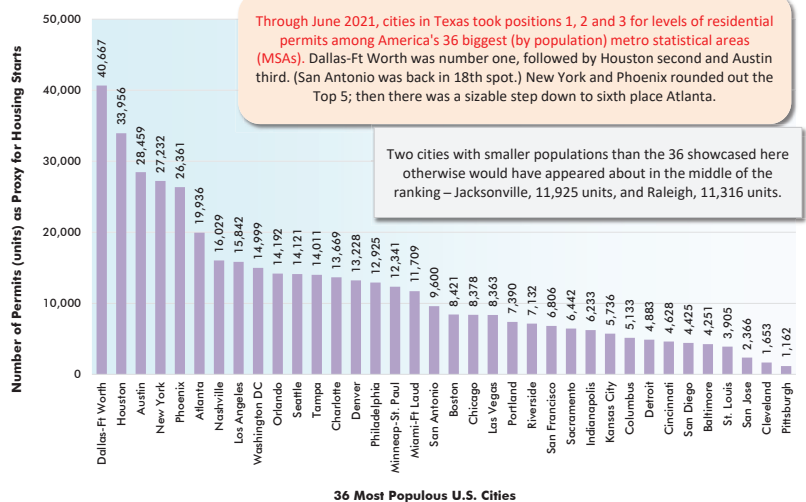


United States' annual starts:
2015 = 1.112 million units (+10.9%);
2016 = 1.174 million units (+5.6%);
2017 = 1.203 million units (+2.5%);
2018 = 1.250 million units (+3.9%);
2019 = 1.290 million units (+3.2%);
2020 = 1.380 million units (+7.0%);

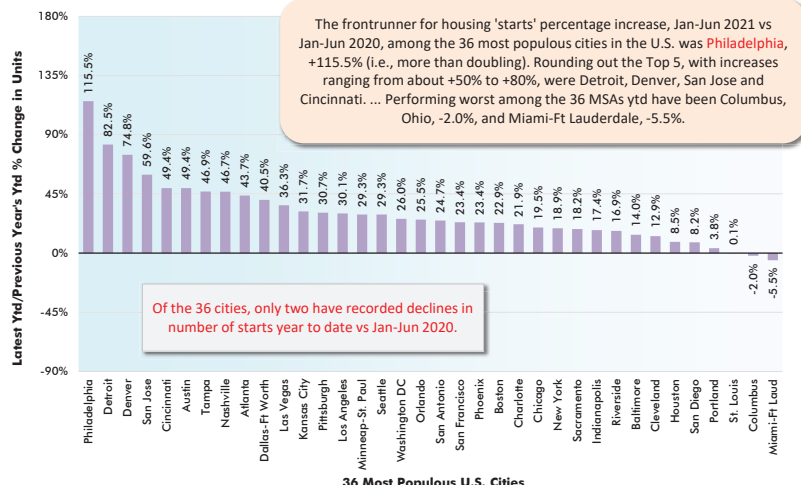
Jan-Jun Avg. 2020 = 1.285 million units;
Jan-Jun Avg. 2021 = 1.583 million units (+23.2% ytd).
Mar 2021's 1.725 million units was the best since before the 2008-09 recession.

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

Graph 2: Year to Date Residential Permits Issued (Units) in the 36 Most Populous U.S. Metro Statistical Areas (MSAs) (Jan-Jun 2021)

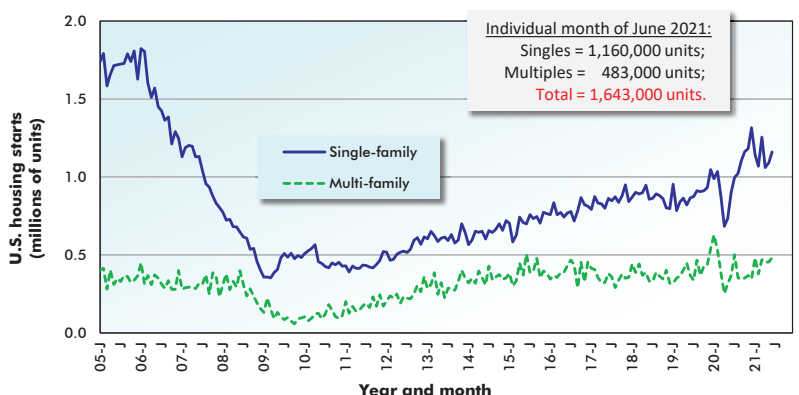


Graph 3: Percent Change in Year-to-Date Housing Permits Issued (Units) in the 36 Most Populous U.S. Metro Statistical Areas (MSAs) (Jan-Jun 2021 vs Jan-Jun 2020)



At the city level, the number of residential building permits issued serves as a proxy for housing starts.

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



Economy at a Glance

Prepared by Alex Carrick, ConstructConnect® Chief Economist

Economic heavy lifting by U.S. & Canadian homebuilders (Part 2)



Alex Carrick

Continued from
Economy at a Glance,
Vol. 17, Issue 112.

The lumber-in-housing story

The jump in U.S. housing starts soon exposed a severe shortage of construction-related forestry products, causing an almost overnight doubling in the price of softwood lumber and plywood. Presently, however, 'futures' contracts are indicating an easing in this supply-demand imbalance. The huge draw on wood from stay-at-home workers undertaking renovation projects is winding down. Also, there has been a ramping up of supply, partly satisfied by imports.

As an interesting aside, forestry product exports from British Columbia (which are mostly shipped to the U.S.) are +66.9% year to date, while from Quebec, they're +28.9%.

The lumber price impact will linger regardless. A draw-down of the inventory of lumber purchased at extreme cost will take some time. Something else for readers to know is that the latest (June 2021) 'inputs to new residential construction' sub-index of the Producer Price Index (PPI) data set is +28.3% year over year. Prior to the pandemic, estimates of the cost of lumber as a proportion of total material costs of new residences were north of 25%. That figure must now be way out of date on the downside.

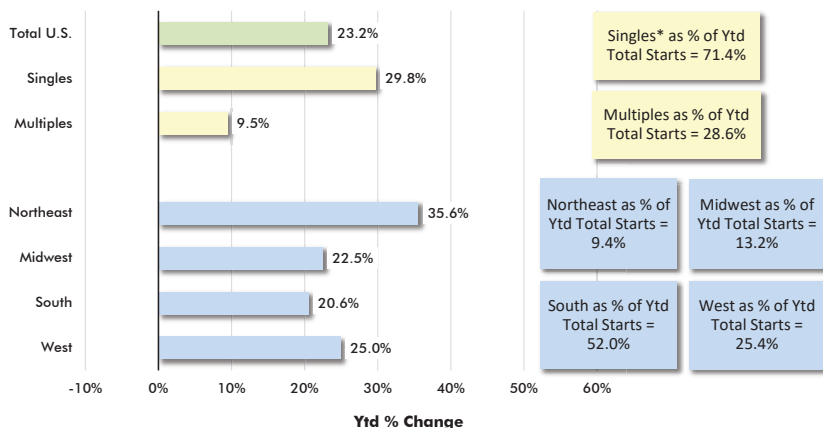
To be continued in *Economy at a Glance*, Vol. 17, Issue 114.

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Graph 7: U.S. Housing Starts Jan-Jun 2021 vs Jan-Jun 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.

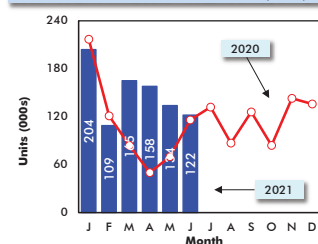
Data source: U.S. Census Bureau.
Chart: ConstructConnect — CanaData.



Graph 8: U.S. Regional Housing Starts (SAAR) – June 2021

U.S. Northeast Housing Starts

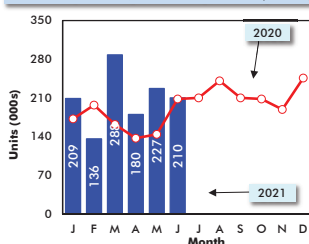
U.S. Northeast annual starts: 2019 = 114,800 units; 2020 = 111,500 units (-2.9%).



Jan-Jun Avg. 2020 = 109,700 units;
Jan-Jun Avg. 2021 = 148,700 units (+35.6%);
June 2021 m/m = -9.0%; y/y = +5.2%.

U.S. Midwest Housing starts:

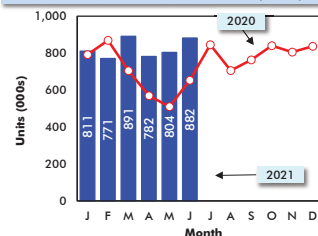
U.S. Midwest annual starts: 2019 = 169,400 units; 2020 = 191,600 units (+13.1%).



Jan-Jun Avg. 2020 = 170,000 units;
Jan-Jun Avg. 2021 = 208,300 units (+22.5%);
June 2021 m/m = -7.5%; y/y = +1.0%.

U.S. South Housing Starts

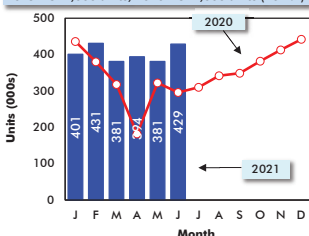
U.S. South annual starts: 2019 = 684,800 units; 2020 = 735,500 units (+7.4%).



Jan-Jun Avg. 2020 = 683,000 units;
Jan-Jun Avg. 2021 = 823,500 units (+20.6%);
June 2021 m/m = +9.7%; y/y = +35.1%.

U.S. West Housing starts:

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



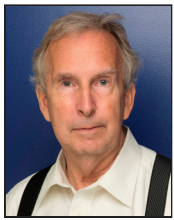
Jan-Jun Avg. 2020 = 322,300 units;
Jan-Jun Avg. 2021 = 402,800 units (+25.0%);
June 2021 m/m = +12.6%; y/y = +44.9%.

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

Economy at a Glance

Prepared by Alex Carrick, ConstructConnect® Chief Economist

Economic heavy lifting by U.S. & Canadian homebuilders (Part 3)



Alex Carrick

Continued from
Economy at a Glance,
Vol. 17, Issue 113.

'Full-on boom' for Canadian housing starts

Through the first half of 2021, the monthly average of seasonally adjusted and annualized (SAAR) housing starts in Canada has been +47.7% compared with January-June 2020. The increase by half justifies the 'full-on boom' designation being applied to Canada's homebuilding market.

Moreover, it's being achieved with almost no contribution from Toronto. New home groundbreakings in the nation's most populous metropolis are only +2%. Multi-unit starts in what had been the condo-building capital of North America for a decade or more are -3% year to date.

Demonstrating just how dominant Toronto is to the total Canadian home-building scene, the city still retains its leadership position among all urban areas in level of starts year to date, 18,213 units. But Montreal (17,321 units) and Vancouver (15,294) are nipping at its heels.

From Graph 12, the surges in year-to-date housing starts of +50% or more in Oshawa, London, Hamilton, Guelph, Kitchener, Windsor and Barrie confirm the pandemic-launched shift in accommodation demand away from Toronto's high-density core.

The year-over-year increase in price of a new single-family home nation-wide is presently +11.9% according to Statistics Canada's New Housing Price Index (NHPI) report. The 'house alone' price climb is +13.7%; 'land alone', +7.3%.

The Canadian cities with the biggest year-over-year new house price increases are Kitchener-Cambridge-Waterloo, +27.7%; Ottawa-Gatineau (on the Ontario side of the river), +26.2%; Windsor, +22.8%; Montreal, +19.9%; and Winnipeg, +18.1%.

(To view more charts from this article, visit <https://bit.ly/3ml7ijM>)

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

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

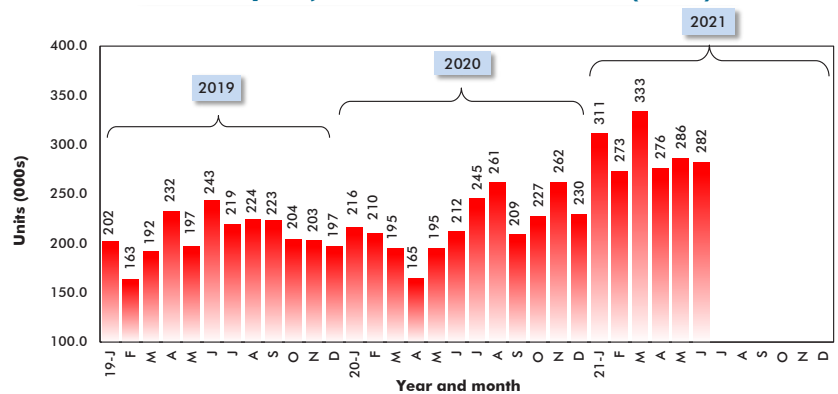
Data source: Canada Mortgage & Housing Corporation (CMHC) based on actuals rather than seasonally adjusted data.
Chart: ConstructConnect — CanaData.

Graph 12: Percent Change in Year-To-Date Housing Starts – Ranking of Canada's Major Cities (Jan-Jun 2021 vs Jan-Jun 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.
Chart: ConstructConnect — CanaData.

Graph 9: Canada Monthly Housing Starts – Seasonally Adjusted at Annual Rates (SAAR)

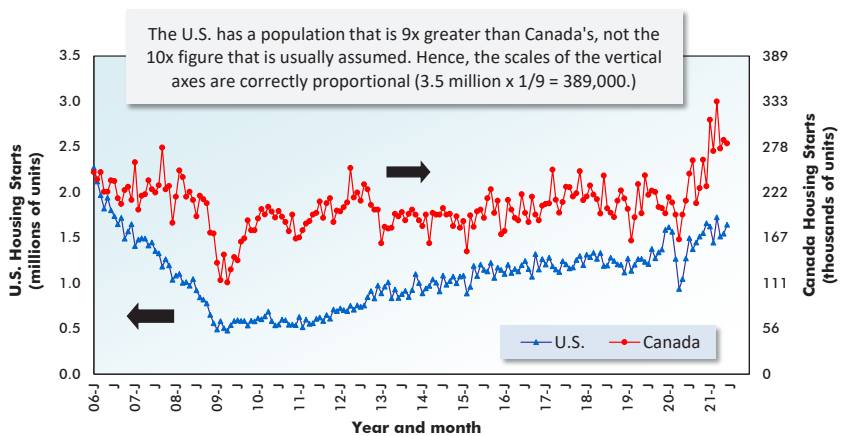


Canada's Annual Starts:
2015 = 195,535 units (+3.3%);
2016 = 197,915 units (+1.2%);
2017 = 219,763 units (+11.0%);
2018 = 212,843 units (-3.1%);
2019 = 208,685 units (-2.0%);
2020 = 217,802 units (+4.4%).

Jan-Jun Avg. 2020 = 198,800 units;
Jan-Jun Avg. 2021 = 293,600 units (+47.7% ytd).
333,000 units SAAR in Mar 2021 soared well past previous record high levels.

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

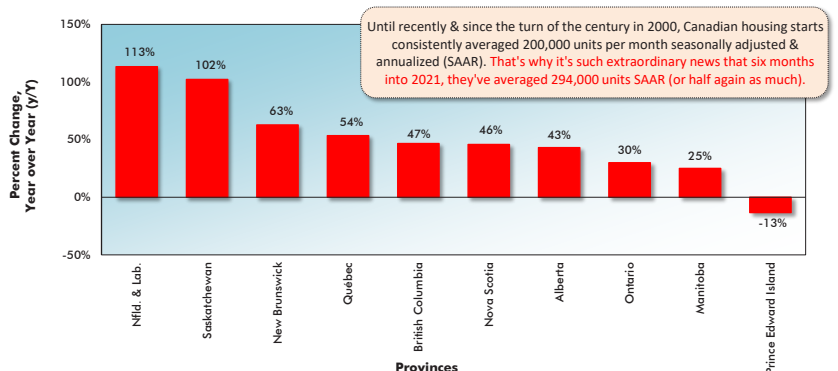
Graph 10: U.S. and Canada Monthly Housing Starts Seasonally Adjusted at Annual Rates (SAAR)



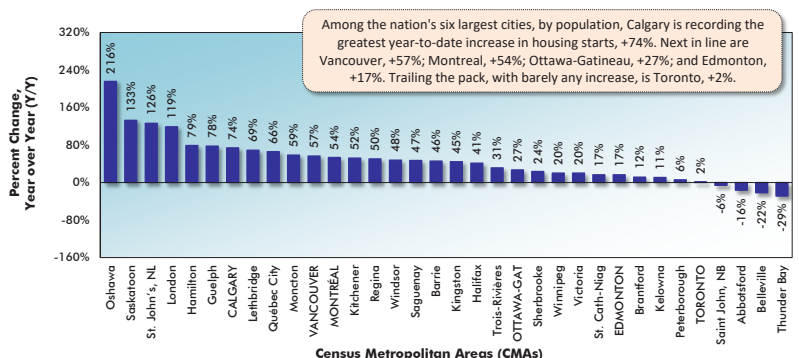
The U.S. was catching up to its northern neighbor, but then Canadian starts launched into orbit at the beginning of this year, 2021. On a relative population basis, Canada has recorded a higher level of home groundbreakings than the U.S. in every month for the past 16 straight years.

The last data points are for June 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.



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



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 19.1% is considerably higher than its share of Canada's population, 13.5%.