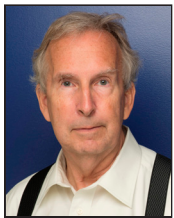


Economy at a Glance

Prepared by Alex Carrick, ConstructConnect® Chief Economist

The homebuilding juggernaut keeps on rolling in U.S. and Canada (Part I)



Alex Carrick

U.S. housing starts stay elevated

Construction activity in the U.S. is currently being sustained almost exclusively by residential work. Year to date through August, the put-in-place capital spending figures from the Census Bureau show the resi-

dential dollar volume to be +25.8% compared with Jan-Aug 2020 and nonresidential to be -6.7%. The grand total is +7.0%.

The usual proportions of residential to non-residential in the total PIP numbers are 40% to 60%. Presently, residential has increased its prominence to claim an almost equal share, at 49.5%, to nonresidential construction's 50.5%.

Among nonresidential construction's 16 type-of-structure sub-categories, only one has managed a year-to-date increase in spending, 'sewage and waste disposal', +3.6%. Furthermore, that gain is tied to the burst of new single-family homebuilding that is taking place.

Housing starts in the U.S., as the average of the monthly seasonally adjusted and annualized (SAAR) figures through August of this year, have been ahead by one-fifth (+20.3%) versus the first eight months of last year.

The monthly average of single-family starts (in units) has been +23.9%, setting a pace nearly twice as fast as multi-family starts, +12.6%.

Year to date, singles have been 70.5% of total starts in units; multis, at 29.5%, have been less than a third.

U.S. new home starts have been maintaining their strength. Nor are there indications of a letup. 'Permits' are a leading indicator for starts and in August, the former clocked in at 1.728 million units to the latter's 1.615 million units.

Graph 4 is based on the difference each month between the number of permits and the number of starts, both expressed as actual number of units (i.e., neither seasonally adjusted nor annualized).

Graph 4 then plots the 12-month moving totals of those differences. The curve illustrates that permits are continuing to run nicely ahead of starts.

The demand for new housing is being partly spurred on by the significant increases in prices occurring among existing homes.

The S&P CoreLogic Case-Shiller resale housing price index in July was +19.7% year over year nationally. The 10-city composite index was +19.1% y/y and the 20-city composite index, +19.9%. The three cities with the largest sales price advances were Phoenix, +32.4% y/y; San Diego, +27.8%; and Seattle, +25.5%.

Before leaving the U.S. to move on to Canada, there's a development that warrants mention. Cities in Texas hold positions one, two and four in the ranking of residential 'permits' issued year to date in America's 36 most populous urban centres. Dallas-Ft Worth is the frontrunner, followed by Houston, with Austin in fourth spot.

To be continued in *Economy at a Glance*, Vol. 17, Issue 140.

The last data points are for August 2021.

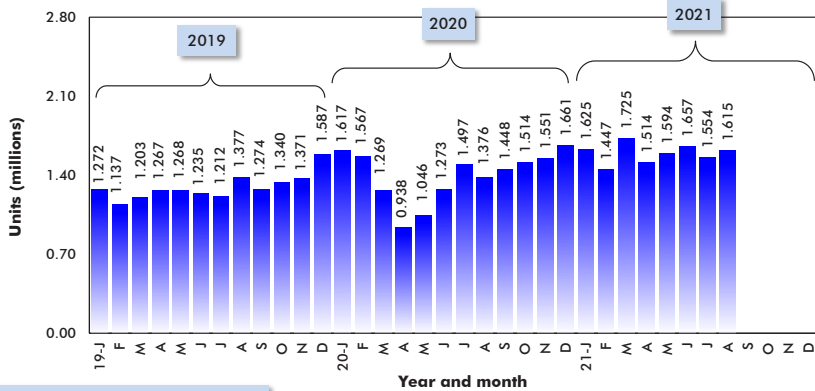
Data source: U.S. Census Bureau (Department of Commerce).
Chart: ConstructConnect — CanaData.

Graph 4: 12-Month Moving Totals of Number of Residential Permits Issued Minus Number of Housing Starts, Total U.S. (From Not Seasonally Adjusted/NSA Actuals)

Updated through August, 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)

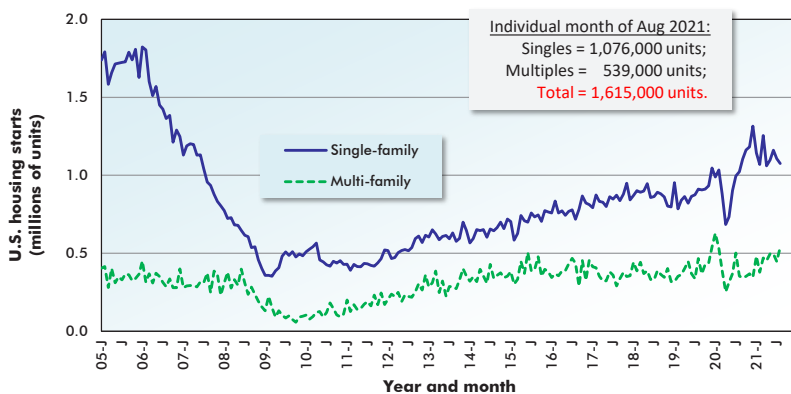


United States' annual starts:
2015 = 1.112 million units (+10.9%);
2016 = 1.174 million units (+5.6%);
2017 = 1.203 million units (+2.5%);
2018 = 1.250 million units (+3.9%);
2019 = 1.290 million units (+3.2%);
2020 = 1.380 million units (+7.0%);

Jan-Aug Avg. 2020 = 1.323 million units;
Jan-Aug Avg. 2021 = 1.591 million units (+20.3% 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: U.S. Single-Family & Multi-Family Monthly Housing Starts – Seasonally Adjusted at Annual Rates (SAAR)

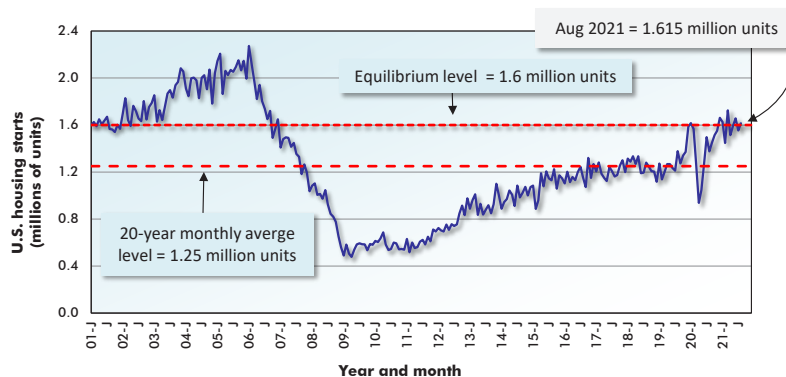


In the individual month of Aug 2021, single-family starts were -2.8% m/m but +5.2% y/y; multi-family starts were +20.6% m/m & +52.7% y/y. The slopes of the curves in the graph establish that, since 2015, 'singles' rather than 'multiples' have been the driver of the pickup in total starts.

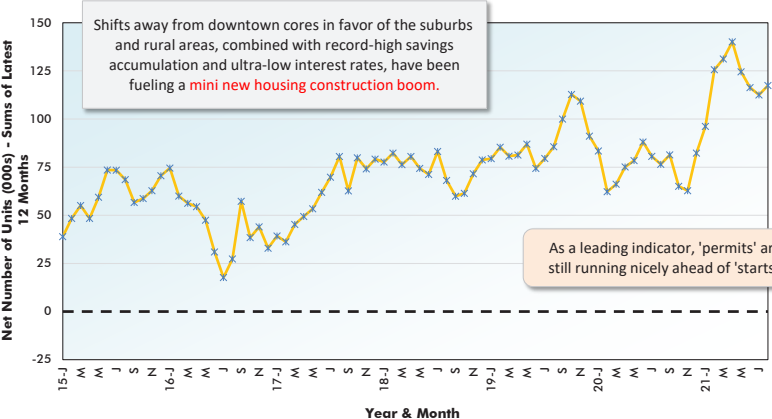
The last data points are for August 2021.

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

Graph 3 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. During the past several years, starts have been mostly fluctuating between those 2 levels.



Economy at a Glance

Prepared by Alex Carrick, ConstructConnect® Chief Economist

The homebuilding juggernaut keeps on rolling in U.S. and Canada (Part 2)

Continued from *Economy at a Glance*, Vol. 17, Issue 139.

Canada's housing starts are tailing off somewhat

Canada's housing starts in August (260,000 units SAAR) were high compared with any month prior to this year. But within 2021, they were the weakest monthly result to date. Unlike the U.S., Canadian new home groundbreakings do appear to be tailing off.

Earlier this year, the monthly average of Canadian housing starts was ahead by one-half versus the long-term average of 200,000 units. Presently, the eight-month average of 286,000 units is up by one-third (+34.6%) compared with 2020's Jan-Aug average of 212,500 units.

Among Canadian cities, Toronto is still leading in terms of 'level' of starts in 'singles,' 'multis' and total. But Toronto's total starts are -4% year to date. Cities in Toronto's periphery, however, are having an excellent year for starts pickups. Guelph is +125%; Barrie, +122%; Oshawa, +84%; and Hamilton, +48%. A little further afield, Kitchener is +69%; and London, +110%.

In terms of year-to-date percentage changes, and for Canada's six cities with populations greater than a million, Calgary is in the



Alex Carrick

vanguard: singles, +72% vs Jan-Aug 2020; multiples, +74%; and total, +73%.

As for home resale prices north of the border, the Canadian Real Estate Association (CREA)'s MLS® Home Price Index (HPI) is +21.3% year over year nationally.

Prices are advancing more quickly in smaller population centers than in the super-sized metros.

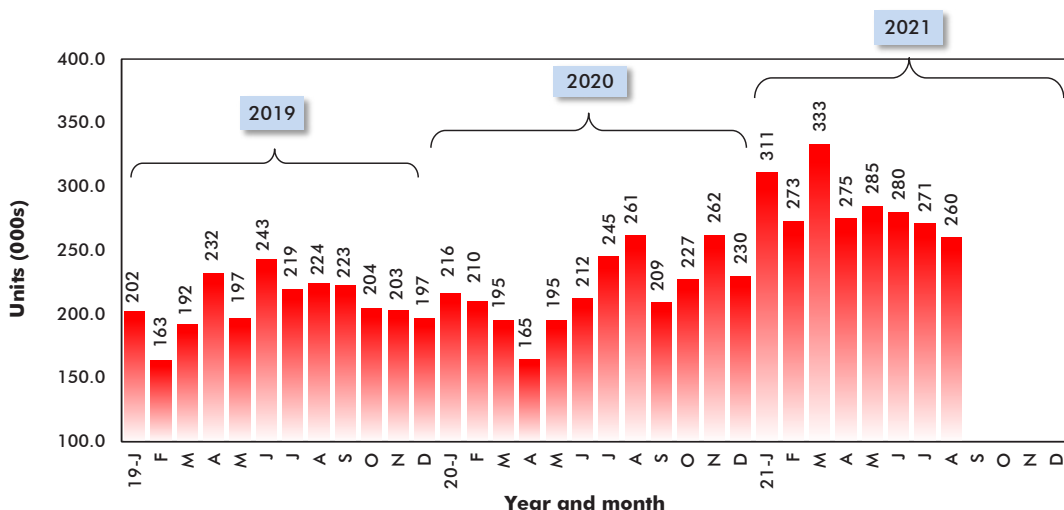
According to CREA, among Canada's three biggest (by resident count) cities, average home resale prices are +21.7% y/y in Montreal; +17.4% in Greater Toronto; +13.2% in Greater Vancouver. In the smaller communities of Okanagan Mainline (Kelowna), B.C. near the West Coast and in Saint John, New Brunswick on the East Coast, though, they are +29.1% y/y and +22.5% respectively.

View more charts from this article here: <https://bit.ly/3LXVvr3>.

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



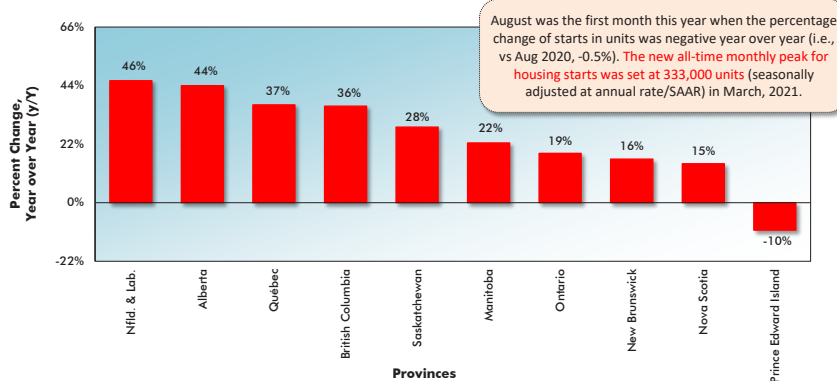
Canada's Annual Starts:
 2015 = 195,535 units (+3.3%);
 2016 = 197,915 units (+1.2%);
 2017 = 219,763 units (+11.0%);
 2018 = 212,843 units (-3.1%);
 2019 = 208,685 units (-2.0%);
 2020 = 217,802 units (+4.4%).

Jan-Aug Avg. 2020 = 212,500 units;
 Jan-Aug Avg. 2021 = 286,000 units (+34.6% 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 6: Percent Change in Year-to-Date Housing Starts – Ranking Of Canada's Provinces (Jan-Aug 2021 vs Jan-Aug 2020)

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

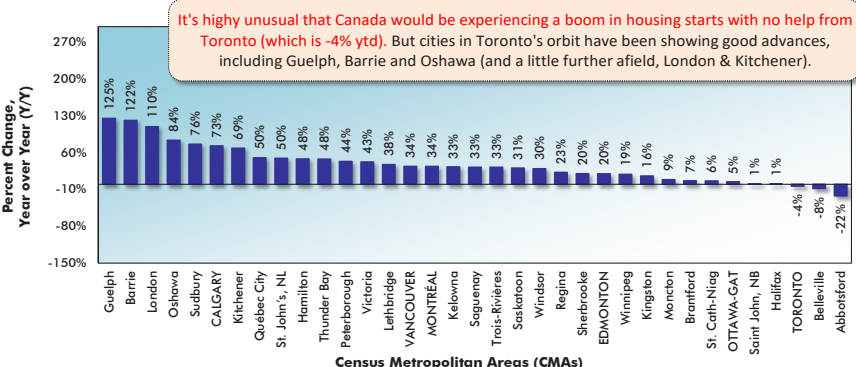


The prior cyclical peak for Canadian housing starts was 277,000 units SAAR in February, 2007, shortly before the sub-prime mortgage collapse in the U.S. and a global financial crisis brought on a recession. The most recent bottom was 112,000 units in April, 2009.

Graph 7: Percent Change in Year-To-Date Housing Starts – Ranking of Canada's Major Cities (Jan-Aug 2021 vs Jan-Aug 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.



Among Canada's six most populous cities, Calgary (+73%) is the leader in ytd percentage-change. Also noteworthy for their increases, however, have been Vancouver and Montreal (both at +34%). ... B.C. is the one province where its share of 'starts' (19.0%) is much higher than its share of Canada's population, 13.5%.