



UNITED STATES

Housing starts continue to seesaw

HIGHLIGHTS

- Housing starts shifted from an annualized level of 1,117,000 units in July (revised from 1,093,000) to 956,000 in August. This 14.4% decline follows in the wake of a 22.9% surge in July and a 7.6% drop in June.
- The drop in housing starts had a greater impact on multi-unit housing (-31.5%) than on single-family homes (-2.4%). Housing starts contracted across all regions, but the decline was more severe in the West (-24.7%).
- The other regions posted declines of slightly more than 10%. Housing starts for single-family homes jumped 16.7% in the Northeast.
- Building permits fell by 5.6%, from 1,057,000 units to 998,000 units.

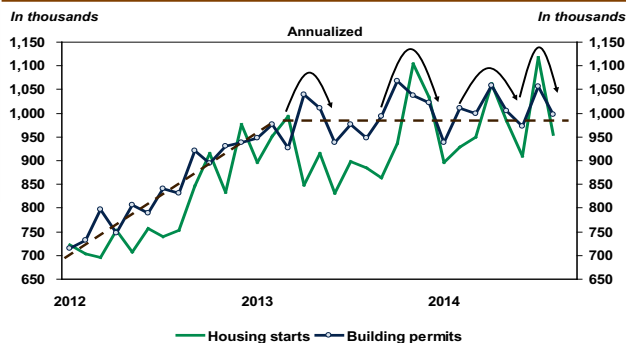
COMMENTS

Housing starts have been highly volatile for some time now, and are a source of disappointment. Each time new construction rebounds, hopes are raised that housing starts will finally resume the uptrend that prevailed in 2012, but was quashed in 2013 when mortgage rates were raised. Sharp spikes are consistently followed by equally sharp declines, such that housing starts have been stagnating instead for a little over a year.

The up and down pattern recorded for some time now is mainly due to growth in the multi-unit dwelling sector at the expense of single-family homes, which are naturally more stable. As such, since the start of 2014, housing starts for buildings with five units or more represent close to 35% of all starts, or twice the average recorded between 1990 and 2000. Since the real estate bubble burst, interest in this type of dwelling has increased, notably in the rental sector. We therefore have to expect housing starts to remain relatively volatile.

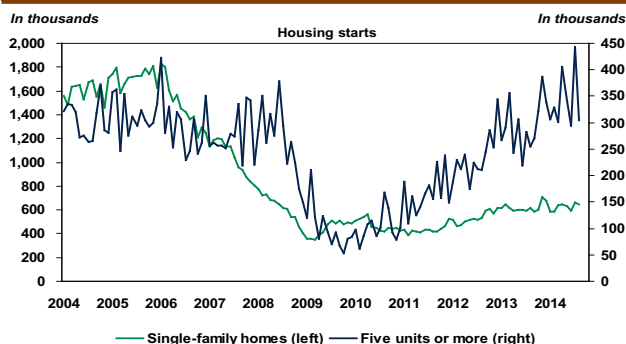
Implications: The decline in housing starts is disappointing, but we must now get used to some volatility in this sector. Improvements in homebuilder confidence and the upswing

Residential construction struggles to renew with sustained growth



Sources: U.S. Census Bureau and Desjardins, Economic Studies

Multi-unit dwellings fuelling advances and volatility in residential construction



Sources: U.S. Census Bureau and Desjardins, Economic Studies

in the job market and overall economic conditions should help construction gain clearer traction soon.

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