

# ECONOMIC NEWS

## United States: Housing starts end 2016 on the rise

### HIGHLIGHTS

- ▶ Housing starts increased 11.3% in December, following a 16.5% tumble in November and a 25.5% gain in October. On an annualized basis, sales went from 1,320,000 units in October to 1,102,000 in November, then to 1,226,000 in December.
- ▶ December's jump comes from multi-unit housing, for which starts rose 53.9% after sliding 38.7% in November. Starts on single-family dwellings retreated 4.0% in December, on the heels of the previous month's 4.6% decline.
- ▶ Building permits were stable, going from an annualized 1,212,000 units in November to 1,210,000 in December, ticking down 0.2%.
- ▶ For 2016 as a whole, housing starts reached the 1,168,000-unit mark, the highest point since 2007. However, the annual change slowed.

### COMMENTS

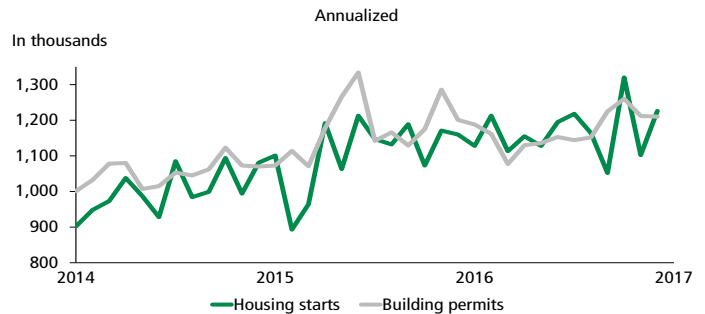
Afflicted by the blips in the multi-unit housing market, housing starts have been highly volatile for some time. Such movements make it quite difficult to detect a trend. In fact, if there is one, it seems to have been fairly stable since the spring of 2015. This is also demonstrated by the weak annual change in 2016. The 5.4% gain is the smallest since 2011. As housing starts are still not back at a more normal level, historically speaking, we could have expected more strength. Note, however, that the annual gain is more conclusive in single-family dwellings (9.8%), whereas starts on multi-unit housing fell 2.9% last year.

### IMPLICATIONS

Ten years after the real estate bubble peak, 2016 shows some flagging by housing starts. There has been a lot of volatility, but the momentum in new construction has still waned, although it is not showing nearly as much in sales. What remains to be

### GRAPH 1

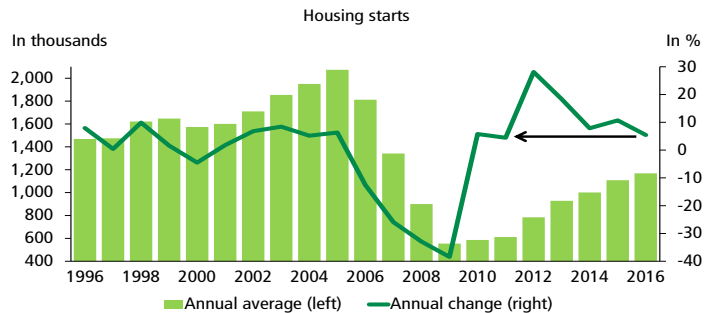
**Housing starts rebounded at year-end, but the trend is stable**



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

### GRAPH 2

**The weakest annual increase in housing starts since 2011**



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

seen is whether the major increase in mortgage interest rates at the end of 2016 (they have come down a little since the start of 2017) will keep the real estate market from accelerating again this year.

**Francis Généreux**, Senior Economist

François Dupuis, Vice-President and Chief Economist

Hélène Bégin, Senior Economist • Benoit P. Durocher, Senior Economist • Francis Généreux, Senior Economist

Desjardins, Economic Studies: 514-281-2336 or 1 866-866-7000, ext. 5552336 • [desjardins.economics@desjardins.com](mailto:desjardins.economics@desjardins.com) • [desjardins.com/economics](http://desjardins.com/economics)

NOTE TO READERS: The letters k, M and B are used in texts and tables to refer to thousands, millions and billions respectively.

IMPORTANT: This document is based on public information and may under no circumstances be used or construed as a commitment by Desjardins Group. While the information provided has been determined on the basis of data obtained from sources that are deemed to be reliable, Desjardins Group in no way warrants that the information is accurate or complete. The document is provided solely for information purposes and does not constitute an offer or solicitation for purchase or sale. Desjardins Group takes no responsibility for the consequences of any decision whatsoever made on the basis of the data contained herein and does not hereby undertake to provide any advice, notably in the area of investment services. The data on prices or margins are provided for information purposes and may be modified at any time, based on such factors as market conditions. The past performances and projections expressed herein are no guarantee of future performance. The opinions and forecasts contained herein are, unless otherwise indicated, those of the document's authors and do not represent the opinions of any other person or the official position of Desjardins Group. Copyright © 2017, Desjardins Group. All rights reserved.