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 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.

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