This analysis examines housing approvals and commencements for four developed countries over a period. It is commonly accepted that housing commencements are a key indicator of the level of economic activity in broader society, especially when examining the recovery period since the global financial crisis (GFC), which affected all four countries to varying levels. The emphasis here has been placed specifically on residential approvals, whereas non-residential approvals have been excluded.

The number of new authorised housing units for the USA for the period between 2004 and 2014 is presented in Figure 1. As expected, the effect of the GFC in 2007-2008 can be clearly observed when factoring in a lag of approximately two years. After a peak in 2005, the number of authorised new housing units decreased for the next four years until 2009, followed by two years of stability and then three years of an upward trend. It can be observed that the total number of new authorised housing units in 2014 (estimated) remains less than half of the peak recorded in 2005. It should be noted these data refer specifically to “authorised” new housing units rather than commencements which are recorded by some other countries. Therefore, not all authorised new housing units may have actually commenced and been added to the aggregate housing stock.

The data in Figure 2 refer to new housing approvals in Australia between 2009 and 2015. This period is post-GFC and confirms the sustained upward trend over this six-year period, arguably where Australia was not adversely affected by the GFC in comparison to most other countries. By January 2015, the estimate increased by 7.9 per cent to 19,282 dwellings in seasonally adjusted terms; however, the trend estimate for private sector houses was unchanged over the corresponding period (ABS, 2015). This confirms a large proportion of the upward trend was related to investment housing and also potentially linked to foreign investment in housing. An upward trend can be observed over the past three years, commencing in 2012. It has been argued that Australia was somewhat cushioned from the effect of the GFC because of the timing of the mining boom over the corresponding period.

The trends indicating the value of residential building permits issued in Canada between 2010 and 2015 are highlighted in Figure 3. Presenting these data on a month-to-month basis highlights the variance which was not observed in Figures 1
and 2; however, a long-term upward trend can be observed in Figure 3. For example, in January 2015, the total value of building permits issued by Canadian municipalities fell 12.9 per cent, following a 6.1 per cent increase in the previous month (Statistics Canada, 2015). It was argued that decreased construction planning for non-residential buildings in Alberta, British Columbia and Ontario was linked to the national decline (Statistics Canada, 2015). The overall upward trend in Figure 3 commenced in 2010 and continued until present day.

The actual number of commencement of new housing units is presented in Figure 4. In a manner similar to Figure 3, there is a high level of variance observed, as the data were recorded on a monthly basis; however, the sharp spike can be clearly noted in July 2008, where the value of residential commencements was 29,694bn. However, by August 2008, the value decreased by more than 50 per cent to 13,977bn. Since the period of the GFC, there has been a gradual but sustained long-term downward trend.
This analysis of the four countries was designed to assist a comparison of global trends into housing approvals and/or commencements. As with most studies, there are data limitations, as all sources here were the national government bodies which collect data and statistics. Variations exist in the description of the data (i.e. approvals vs commencements), the period and the value of the approval or commencements. The objective was to encourage further research into each country and also present an overview of medium- to long-term trends in international markets. As the reference to the GFC now has dissipated substantially, researchers may soon focus on the timing of the next correction and this magnitude thereof. Identifying both of these criteria remains the challenge for housing market analysts as opposed to questioning if there will be another downturn. The global nature of the interconnected housing markets and the high level of movements of residents between countries are other factors which affect most housing markets.
References

Further reading

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