

Cdn. Housing Starts — May

Housing Starts Drop to 1 Year Low

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Canadian housing starts unexpectedly fell 9.8% to 195.6k annualized units in May, extending the softer run of construction activity and marking the first month below 200k in exactly a year. The volatile urban multifamily starts drove much of the downward trend with a hefty 16% drop, despite strong demographic demand for condos—particularly in major cities such as Toronto and Vancouver. Government zoning restrictions, permit hold-ups and rising material costs have slowed ground-breaking activity, while rising borrowing costs and poor affordability are also becoming a speedbump. Still the 12-month average remains above 221k, not too far from the highest level since 2008.

Regionally, activity in **Ontario** pulled back sharply for the third straight month, while that in B.C. rebounded slightly. Though these two markets drove much of the upswing in activity last year the 12-month average has stabilized more recently.

While starts in Quebec dropped in May, activity continues to be sturdy, reflecting elevated housing demand in that province. Meantime, ground-breaking in the **Prairies** remains sluggish with oversupplied markets and subdued population growth. In **Atlantic Canada**, despite strong demand buoyed by a healthy pace of immigration, housing construction dipped on a 12-month moving average basis.

Bottom Line: Residential construction, which remained firm at the start of the year, has shown signs of slowing with the double whammy of tougher mortgage rules and rising mortgage rates, combined with fewer ready-to-build lots and permit delays.



Housing Starts					
Canada (thousands of units : a.r.)	May	Apr	Mar	12-month average	year ago
Housing Starts	195.6	216.8	223.3	221.1	193.8
(month/month % change)	-9.8	-2.9	-2.9		
Urban Singles	58.4	57.3	62.9	61.6	59.8
Multiples	119.8	143.2	142.9	142.1	117.1
Atlantic Canada	7.9	7.7	11.6	9.1	8.8
Québec	41.5	58.7	51.0	48.3	34.3
Ontario	55.5	70.1	74.5	79.1	53.5
Manitoba & Saskatchewan	10.9	8.4	9.7	10.9	16.1
Alberta	36.5	29.7	27.1	29.2	32.6
British Columbia	43.4	42.1	49.4	44.6	48.4

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