

Cdn. Housing Starts — September

Summer Lull Continues

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Canadian housing starts unexpectedly fell 5.1% to an 188,700 annual rate in September from a downwardly-revised 198,800 units in August. This, the third straight monthly decline, reduced the 6-month trend to 207,800, the lowest since early 2017, and heading toward long-run household formation of below 200,000.

September's decline was all in the volatile multiple-units category, down 8.7%, a partial payback from a surge in Toronto condo starts back in June. Single unit starts actually rose 2.9%, though the trend this year is downward, as condo sales continue to dominate the new home segment in pricey Vancouver and Toronto.



Regionally, **strength in Ontario** (21.3%, led by Toronto condos) and **Quebec** (15.4%) was countered by **weakness in the oil-producing provinces**, Alberta (-34.8%) and Saskatchewan (-6.3%), amid an ongoing inventory overhang and relatively low Canadian oil prices. As well, a **plunge in British Columbia** starts (-43.3%) confirms that the province, and Greater Vancouver in particular, **remains a lingering soft spot in Canada's housing market** this year, succumbing to a triple-whammy of rising mortgage rates, tougher stress tests and beefed-up housing tax measures earlier this year, all rubbing salt into the abysmal affordability in the GVA.

Bottom Line: The September housing starts report fits with the relative calm and return to normality in sales, market balance and price growth that we are seeing across most of the country this year, in particular Toronto, following speculative excesses in Southern Ontario earlier last year and a moderate correction in response to policy measures earlier this year. Demand continues to be supported by the fastest population growth in 27 years and new millennial-led households. A calmer housing market is just what the doctor ordered, and **won't discourage the Bank of Canada from raising rates on October 24.**

Housing Starts					
Canada (thousands of units : a.r.)	Sep	Aug	Jul	12-month average	year ago
Housing Starts	188.7	198.8	201.8	217.4	219.0
(month/month % change)	-5.1	-1.5	-18.3		
Urban Singles	53.0	52.0	53.8	57.6	68.0
Multiples	122.7	134.7	135.8	143.1	132.4
Atlantic Canada	12.1	9.4	11.1	9.7	11.7
Québec	36.0	31.1	35.6	47.3	48.0
Ontario	77.4	64.1	69.0	77.4	79.6
Manitoba & Saskatchewan	13.3	13.5	12.7	11.0	10.3
Alberta	22.3	33.4	30.2	28.4	29.2
British Columbia	27.7	47.2	43.2	43.5	40.2

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