

Cdn. Housing Starts — October

Some Treats Left in Housing Market

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Bottom Line: Canada's housing market continues to stabilize after getting dinged by tougher mortgage rules earlier this year, and remains healthy despite higher interest rates.



Housing starts beat expectations in October, rising 8.5% to 205,900 annualized from an upwardly-revised 189,700 units in September. The increase, after three monthly declines, puts the level close to the six-month norm, though a moderate step below the trend of the past two years. As per recent trends, single-detached starts were weak, sliding 9%, while multiples were strong, up 17%.

Regionally, starts rose sharply in Ontario, Quebec, B.C. and Saskatchewan. A more than doubling of starts in the latter province marked a reversal from pronounced weakness this year (still down 23% YTD from the similar period last year) amid elevated inventories. No such luck in Alberta, however, where starts slid 19% due to the lingering overhang from the 2015 oil price shock. Starts rose in both Vancouver and Toronto, with an upturn in condos more than offsetting a pullback in singles. However, the year-to-date trend for these two previously hot markets has diverged, falling in the former (-7%) and up in the latter (+4%). Toronto's housing market has largely returned to more normal levels of sales activity, while Vancouver's market is still in the dumps, grappling with an extension of provincial tax measures earlier this year.

The report confirms that **national housing construction, though slowing, remains healthy** and above long-run household formation rates, supported by solid demographic trends. Sturdy condo building in Toronto and Vancouver, where affordability of other types of housing remains a big issue, is providing an offset to lingering weakness in the oil-producing provinces, notwithstanding Sasky's one-month surge. The BoC remains on track to tighten again in January.

Housing Starts					
Canada (thousands of units : a.r.)				12-month	
	Oct	Sep	Aug	average	year ago
Housing Starts	205.9	189.7	197.8	216.1	221.9
(month/month % change)	8.5	-4.1	-2.1		
Urban Singles	46.5	52.1	51.8	56.8	55.4
Multiples	145.4	124.6	134.1	143.0	148.6
Atlantic Canada	7.2	11.9	9.5	9.6	9.1
Québec	47.4	37.2	30.4	46.6	55.4
Ontario	88.4	77.7	64.1	79.8	60.3
Manitoba & Saskatchewan	12.8	13.3	13.4	11.1	11.1
Alberta	18.0	22.1	33.2	27.4	29.6
British Columbia	32.0	27.5	47.2	41.5	56.3

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