

Cdn. Housing Starts — May

Cdn Housing Starts: No Fear

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Canadian housing starts pulled back to 202,300 annualized units in May, largely as expected after a very strong prior month (233k). Keep in mind that the weather wreaked havoc early in the year, and April's outsized reading was partly pent-up activity, so May's decline is no surprise. In fact, this probably now reflects a more normal level of activity, with the 12-month average running right around the same mark.



Single-family starts inched up to 56.4k, while **multis** accounted for the entire decline, down sharply to 146k—volatility is the norm in this segment, and the prior month saw the most units started since at least 1990. The flip side is that single-unit starts continue to trend around 2009 recession levels, highlighting the ongoing shift in housing composition, rather than any significant over- or under-building.

Regionally, **Ontario** saw the biggest decline in May, with starts posting one of the lowest readings of the cycle. To be fair, this follows a month that saw a lot of pent-up supply break ground, and it's much too early to declare this a concern. Starts have already backed off somewhat in response to weaker demand, and could do so further still, but recent indications are pointing to firmer demand conditions through the rest of the year.

In **British Columbia**, starts remain very stable when smoothing out monthly volatility, despite the ongoing correction in the resale market. Starts in the province rose in May to the high end of the stable range seen over the past three years (the 6- and 12-month averages have barely budged either). This reiterates the thesis that the decline in that market is, at least for now, largely an asset price phenomenon, especially at the higher end of the market—fundamental unit housing demand conditions (i.e., demographics, jobs, interest rates) remain solid.

Elsewhere, **Alberta** slipped back to very low levels, and starts are trending around the 20k mark. This is consistent with an economy running much cooler than in the past, but still modestly expanding.

Finally, **Quebec** and **Atlantic Canada** were mixed in the month, but continue to trend near multi-year highs alongside elevated population growth (Newfoundland & Labrador is the exception). In Quebec's case, a heated Montreal resale market is prodding more new supply to market.

In a separate release, **building permits** jumped 14.7% in April, led by a hefty (+24.5%) increase in residential permits. Non-residential permits edged

Housing Starts					
Canada (thousands of units : a.r.)	May	Apr	Mar	12-month average	year ago
Housing Starts	202.3	233.4	192.4	207.3	194.8
(month/month % change)	-13.3	21.3	15.5		
Urban Singles	45.1	44.3	42.6	47.7	57.6
Multiples	141.9	174.1	135.5	144.1	119.8
Atlantic Canada	8.1	7.4	7.1	9.0	7.4
Québec	51.9	53.9	60.9	47.2	42.7
Ontario	52.1	86.6	61.2	74.5	54.8
Manitoba & Saskatchewan	12.1	8.4	7.8	10.8	10.6
Alberta	22.8	26.0	19.9	24.0	35.9
British Columbia	55.4	51.1	35.4	41.9	43.4

up very slightly for a third straight month. In the residential space, **the number of multi-unit permits taken out was the largest on record** in April, but that comes as Vancouver builders moved ahead of development cost increases that took effect in May.

The Bottom Line: Residential construction activity remains solid, as still-strong demographic flows support unit demand, even while asset prices are correcting in some markets.

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