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TD Economics

Commentary

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POOR WEATHER DID NOT STALL FEBRUARY STARTS

- Canadian housing starts jump 15% to 257,000 in February
- Multiple starts surged (+30%), but single starts also increase (+2%)

CMHC reported this morning that February's seasonally-adjusted annual rate for total Canadian housing starts was a whopping 257,000 units. Contrary to expectations, atrocious weather in central Canada during that month did not silence hammers. Québec's housing starts surged by 26% and stood at their highest level since 1989, while Ontario's starts jumped by 16%, consistent with the strong job growth in this sector and province during that month. The increase in starts was more broad-based though, with four out the five regions posting gains. The Atlantic region registered an increase of 17% while B.C. led the way with a massive 45% jump. B.C.'s housing starts in February were the highest ever on record, which dates back to January 1977. Even after factoring in trend growth in household formation over these three decades, the current level is astonishing. The Prairie region bucked the national trend with a 10% decline in starts, which was led by an 8% slowdown in Alberta. Housing starts in Alberta and the Prairie region as a whole settled at their lowest level since August 2005.

The bulk of the surprise was concentrated in the highly volatile multiple unit segment. A significant number of retirement home projects got under way in Montréal census metropolitan area. Even condominium starts, which had been declining in that area since October 2007, registered an uptick of 15%. However, even this high level of activity on the east coast paled in comparison to the boom out in B.C. Vancouver area starts spiked to nearly double the level of a year-ago. The multiple units segment, as impor-

CANADIAN HOUSING STARTS*		
	Jan. 2008 (f)	Feb. 2008 (p)
Canada, all areas	222.7	256.9
Canada, rural	33.2	33.2
Canada, urban centres**	189.5	223.7
Canada, singles**	81.5	83.0
Canada, multiples**	108.0	140.7
Atlantic region	10.7	11.9
Québec	47.0	57.6
Ontario	72.7	83.8
Prairie region	53.5	49.6
Alberta	41.7	38.7
Saskatchewan	6.0	5.7
Manitoba	5.8	5.2
British Columbia	38.9	54.1

*SAAR, Thous. Units; (f): final (p): preliminary; **Population of 10,000+
Source: Canadian Mortgage & Housing Corporation / Haver Analytics

tant as it is already for that part of the country, keeps growing rapidly (recording a massive 129% surge in February) while the single-detached home segment shrinks in relative terms, largely because of land availability issues and better affordability in Canada's most expensive market. While metro Vancouver will not continue to build condo units at February's frantic pace, we expect this shift towards multiple units to continue unabated.

February's housing starts figures highlight more than ever the stark contrast between the Canadian and American new home markets. Let's not get carried away, however. Clearly, the rabid pace of starts seen in February cannot continue. On the plus side, the combined January-February average of 240,000 units should feed positively into residential construction activity GDP data for the first quarter, providing a much-needed boost to an economy increasingly being weighed down by the export sector.

Pascal Gauthier, Economist
416-944-5730

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