



TD Economics

Commentary

July 9, 2009

HOUSING STARTS CLIMB FOR SECOND CONSECUTIVE MONTH

- Canadian housing starts registered a 8.0% gain to 140,700 units in June
- The increase was broadly based with urban multiple starts up 11.3% and singles up 7.3%

After providing us in May with the first sign that a bottom might be forming in Canadian homebuilding activity, June's housing starts figures provided more evidence to this effect. After the 10.8% increase registered in May, June's 8.0% climb marks the second consecutive monthly increase in starts after a long string of nearly uninterrupted slides that started last autumn. Still, the level of homebuilding activity remained well below those of a year ago – in fact a third lower. While single starts tanked first, multiple-unit starts then caught up with a faster and sharper correction in this downturn, especially in condo-heavy markets like Vancouver, Toronto, and Calgary.

On a regional basis, June's urban starts increase was lead by a 59.4% surge in the Prairie region, followed by a 25% gain in B.C., and a more modest 3.1% increase in Ontario. On the flipside, urban starts slid by 6.3% in Québec and a lesser 3.9% in the Atlantic region. Supported by firmer market conditions, regions east of Ontario have generally been later to experience a downturn in homebuilding activity and have not had the same extent of decline seen elsewhere.

While slightly better than expected, this morning's data release headline is unlikely to raise any eyebrows or be a market moving event. However, it does provide more evidence that the Canadian economy has certainly passed the worst of what can be expected in terms of residential investment contraction, confirming along the way that the monetary policy levers are effective in this area of the economy in helping to smooth out the cycle. More specifically, these last two months of housing starts data provide

CANADIAN HOUSING STARTS*		
	Jun-09 (p)	May-09 (f)
Canada, all areas	140.7	130.3
Canada, rural	20.6	20.6
Canada, urban centres**	120.1	109.7
Canada, singles**	53.1	49.5
Canada, multiples**	67.0	60.2
Atlantic region	10.6	10.9
Québec	40.6	42.8
Ontario	45.6	44.3
Prairie region	30.0	20.8
Alberta	19.3	13.5
Saskatchewan	5.9	3.8
Manitoba	4.8	3.5
British Columbia	13.8	11.4
*SAAR, Thous. units; (f): final (p): preliminary; **Population of 10,000+		
Source: Canadian Mortgage & Housing Corporation / Haver Analytics		

more confidence that the worst is behind for provinces west of Ontario, where, mostly in B.C. and Alberta, the downturn has been the most severe. It remains unclear, however, whether Central and Atlantic Canada have seen a bottom yet in the current downturn or have further yet to fall.

At a national level, housing starts activity remains on track with our forecast which calls for a protracted period of weakness extending to the end of this year. Looking out further ahead to next year, we remain cautious and predict only a modest bounce in activity. After entering this downturn following an unprecedented housing boom, both in terms of length and depth, and faced with a higher inventory of unsold units coming out the recession, it remains highly unlikely that housing starts could revisit pre-recession levels for years to come. We shall have to be content with walking before running and return gradually towards a pre-boom, 2001 level near 150,000-160,000 units in the meantime.

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