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Financial
Group**

TD Economics

Commentary

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HOUSING STARTS HOLD STEADY IN SEPTEMBER

- Canadian housing starts unchanged at nearly 218,000 units in September
- Decline in urban single starts offset by an increase in multiples

Canadian housing starts were left largely unchanged at 217,600 units in September, remaining very near the 217,400 units level of August. Urban starts of single-family units continued their downward trek, falling by about 6,200 units (or -8.1% M/M) which was offset by an almost equivalent 6,400 units increase (or +5.5% M/M) in multiple-family dwelling starts.

This has been a constant theme over the last year and a half, as a steady decline in urban single unit starts has been somewhat masked by offsetting strength in urban multiple unit starts. As a result, the share of multiple starts within urban areas has grown from half in July 2007 to nearly 65% in September 2008.

A big dip in multiple starts in July suggested this market segment might follow suit and join single starts downward, only to be reversed in August with an equally large bounce-back. After this larger than usual see-sawing, the multiple starts data from September fail to suggest a similar path to that of single starts as of yet. However, we think this is more reflective of a strong pipeline of past projects coming to fruition rather an indication of what's to come for multiple starts. An indication that this is indeed the case was visible in Canada's largest market, the Toronto CMA, where single-detached starts were down 15.4% in September but multiple-family starts were left unchanged. We think it is only a matter of time, at most a few quarters, before multiple starts, which accounted for an outsized 81% of starts in Toronto in September, follow single starts downwards, and even likely undershoot, as the flow of prior projects is realized and weaker resale home market and economic conditions come to bear.

CANADIAN HOUSING STARTS*		
	Sep-08 (p)	Aug-08 (f)
Canada, all areas	217.6	217.4
Canada, rural	25.1	25.1
Canada, urban centres**	192.5	192.3
Canada, singles**	70.0	76.2
Canada, multiples**	122.5	116.1
Atlantic region	12.7	11.8
Québec	45.2	45.2
Ontario	84.2	89.9
Prairie region	38.9	37.0
Alberta	26.7	25.8
Saskatchewan	6.7	5.6
Manitoba	5.5	5.6
British Columbia	36.6	33.5

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

Regionally, starts did not change significantly on a level basis in most provinces except Ontario and B.C. Ontario starts ended up down 6.3% while B.C. recorded a 9.3% increase. The latter is somewhat surprising, and again highlights that this month's report is not a good indication of where things are headed for residential construction in Canada. With existing home prices signalling significant weakness ahead, in particular for B.C. and Alberta, starts are likely to come off significantly, we think by about 15% nationally, in the year ahead. Furthermore, no province is likely to escape this unwinding in residential activity in the coming quarters. After bucking the fairly broad based trend of lower starts this year, Ontario's homebuilding activity is also expected to be pared down as multiple starts are reigned in. A detailed TD Economics forecast for national and provincial housing starts, along with resale activity and home prices is forthcoming later this week in a Provincial Economic Update.

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