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TD Economics

Data Release: Housing starts hold steady in April

- Canadian housing starts eased from last month's lofty levels, but were still a substantial 191K annualized units in April. The six-month moving average pace of housing starts held steady at 195K units.
- The decline in housing starts was spread across urban multi-units (-4.2%) and single-family homes (-5.8%) – the difference being that starts for multi-units are still hovering around historical averages, where single-family home construction is near record lows.
- On a monthly basis, the drop in new home construction was largely concentrated in Ontario (-26.7%) and Quebec (-7.7%). Meanwhile, starts in the Atlantic provinces and Prairie provinces jumped almost 42% and 38%, respectively. Note, however, that starts in Ontario are coming off a relatively strong month in March, while starts in the Prairie Region are still almost half the level they were at their peak in June 2014. Housing starts were also fairly strong in B.C. (+14.4%), where new home construction is near record levels.

Key Implications

- When it comes to housing starts data, one month does not make a trend. A number of factors, including changing weather patterns, the ins and outs of the permitting process and an a high degree of volatility in multi-unit construction creates a significant amount of volatility on a monthly basis.
- On a trend basis, markets with the strongest home price gains are seeing the strongest building activity, including those in Ontario and B.C., as builders respond to rising demand and tight supply conditions. While this pace of housing activity overall is largely unsustainable, there will be very few road blocks to stop it in the near-term. We continue to believe these markets will cool – but that will be a 2017 story.
- Meanwhile, new home construction is expected to remain weak across the country due to the soft economic backdrop (particularly in the Prairies) and a large degree of overbuilding more broadly across Canada. Quebec is one market where the existing home market is moving along at a modest pace, but a still high degree of unsold inventory on the new market is keeping housing construction in check.
- The wildfires in Fort McMurray will likely create some volatility in the housing starts data going forward. There will likely be a larger-than-normal decline in housing starts in Alberta next month as a significant amount of the provinces resources will be devoted to fighting the wildfires and supporting those that have lost their home. But, reconstruction efforts will likely temporarily boost starts in the following months.
- Overall, housing starts are expected hold steady at around 190K units this year before edging down to 182 units next year.

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