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## TD Economics

### Data Release: New home construction starts 2017 on a high note

- Canadian housing starts remained relatively stable at a strong 210K annualized units in February, with the 6-month moving average now standing at 205K, which is the fastest trend pace of new home construction since November 2015.
- On a regional basis, strong m/m gains in both the Prairies (led by a doubling in housing starts in Edmonton) and Quebec, were offset by a 14K drop in Ontario, while starts were relatively stable everywhere else. Ontario starts eased off of a record pace of 98K units in January, and were still strong at 83K in February. Most of Ontario's strength in recent months has been in the single-detached home market, which climbed to a decade high in February and accounted for 43% of new housing starts.
- Housing starts in Vancouver were down 45% year-over-year in February, but have now settled at a more normal pace of housing construction, following last year's unsustainable, record pace.

### Key Implications

- Housing starts have gained considerable momentum over the first two months of 2017, but this may in part be due to an unusually warm winter allowing projects to start earlier than usual. As winters have been getting more mild, starts have been showing more strength in winter months than has historically been the case.
- Still, the strength in Ontario is less surprising, with builders responding to tight market conditions and the resulting 27% year-over-year appreciation in the average home price over the last year. A hot pace of construction is expected to continue throughout most of the year. The number of units under construction in Ontario (both in level and per 1,000 of persons) is near a record high. The eventual completion of these units will help take some steam out of Ontario home price growth, but this may be a story for 2018 and beyond.
- The gains in the Prairie regions in recent years has been more of a surprise given the rising inventory of newly completed and unabsorbed units. As such, even as housing demand appears to be turning a corner in some of the oil-plagued regions, home price growth is likely to remain more modest along with rising inventories of new homes available for sale.
- While new home construction in Ontario is expected to remain hot this year, the combination of changes to seasonal patterns, rising mortgage rates and high inventory levels in the Prairie Regions and a moderation in housing demand in Vancouver will likely bring housing starts back to a pace of close to 190K to 195K for the remainder of the year.

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