

Canada: Just can't get enough (condos)

By Kyle Dahms

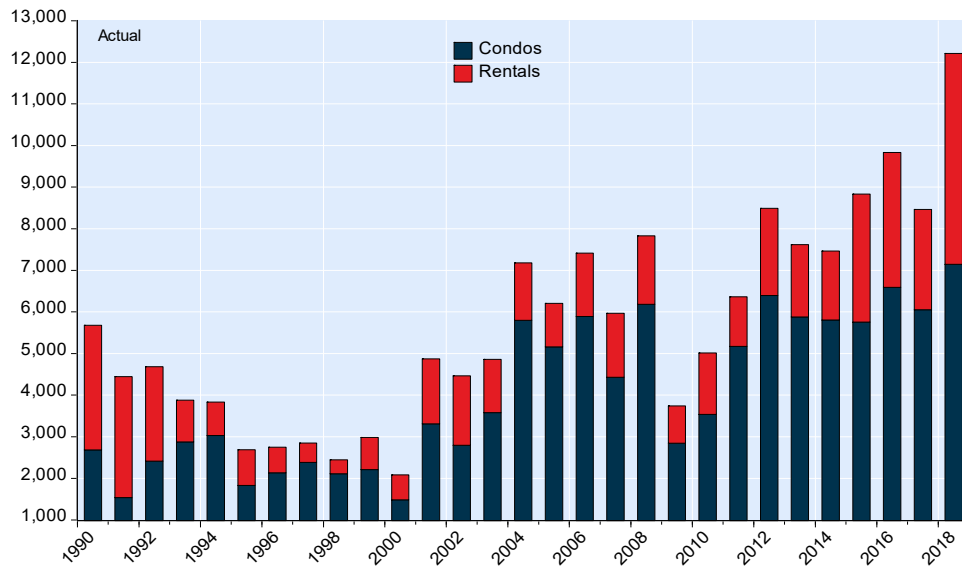
Housing starts were significantly up in June due to a large upward swing in the urban multiple category. Indeed, the latter posted the strongest result (for condos and rentals) for a month of June since the data has been compiled (left chart). The breakdown reveals an expansion stemming from Ontario and Quebec, specifically with Toronto and Montreal seeing monthly jumps of 231% and 68% respectively in the multi category. Although these results come after a slight faltering in the prior month the upswing was not too surprising due to demand being tilted towards the urban multiple category given sustained pressure for more affordable housing, especially in an environment of stricter mortgage requirements. Moreover, the latest numbers for building permits issuance – number of units were up +12.7% year over year in May and 24.3% y/y for multiples – is consistent with the higher level of starts seen in the latest report. Although such elevated levels of starts might be worrisome, it seems that there is room for it as vacant new dwellings are well below their 10-year average. Looking at the quarterly picture, housing starts countrywide are on pace to contract an annualized 9.0% in Q2 and that on the back of an 8.0% decline in Q1 (right chart). That may translate into a negative contribution to growth from residential construction in the second quarter of 2018.

HIGHLIGHTS:

- Housing starts bounced up in June to an annualized 248.1K units.
- Urban starts rose 52.7K (to 228.8K) as an increase in groundbreakings for multiples (+54.8K to 172.8K) eclipsed a small decline in the singles category (-2.0K to 56.0K).
- Rural starts, for their part, rose 1.5K to 19.3K.
- At the provincial level, starts rose 49.0K in Ontario (to 104.4K), 18.6K in Quebec (to 59.9K) and 2.2K in Nova Scotia (to 6.1K) but diminished 9.5K in Alberta (to 26.1K) and 6.5K in British Columbia (to 36.9K).

Canada: Record groundbreakings in multiples for a month of June

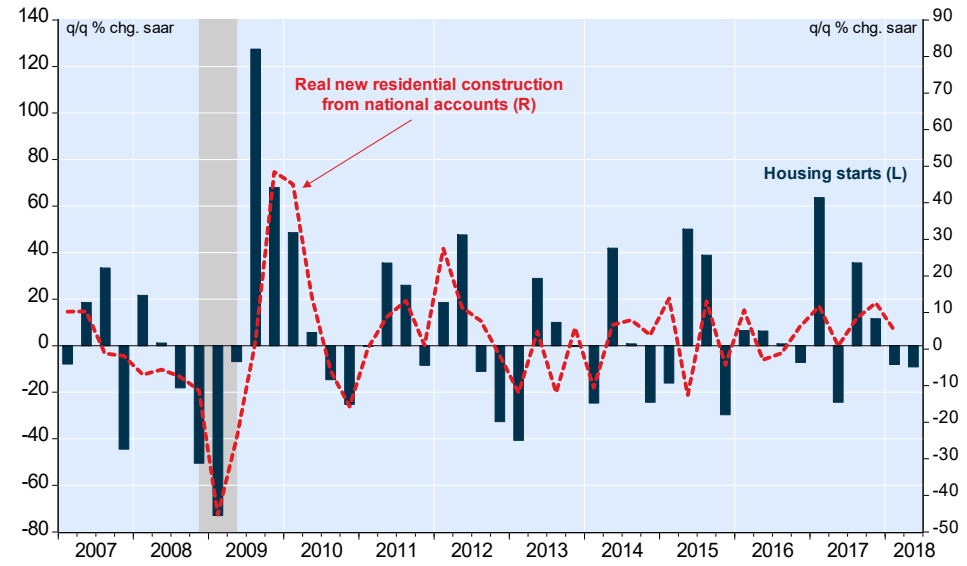
Housing starts



NBF Economics and Strategy (data via CMHC)

Canada: New home starts set to subtract from Q2 GDP

Real new residential construction expenses and housing starts



NBF Economics and Strategy (data via Statistics Canada and CMHC)

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