

## May housing starts below 200K units, a first in six months

### Annual rate

May: 194.7K (actual); 202.0K (expected)

April: 213.5K (revised down from 214.1K)

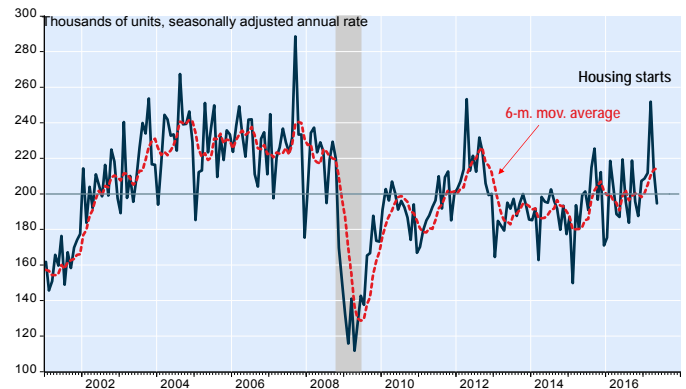
**FACTS:** Housing starts reached 194.7K in May, declining 18.8K (-8.8%) from the level of 213.5K units in April. It is the first time in six months that starts are below 200K units. Multiple starts in urban areas fell 14.4K units (-10.8%) to 118.7K units. Single-detached starts in urban areas declined 5.9K units (-8.9%) to 59.8K units. Rural starts were up 1.4K units (+9.8%) to 16.1K units. On a regional basis, starts declined in only three provinces out of ten: Ontario (-19.9K), Quebec (-8.8K) and Nova Scotia (-1.8K). Starts were up in Manitoba (+5.1K), B.C. (+2.4K), Saskatchewan (+1.3K), New Brunswick (+1.0K), Alberta (+1.2K), PEI (+0.3K) and Newfoundland (+0.3K).

**OPINION:** At the national level, May's decline in housing starts brought them to a still healthy and more sustainable level than those above 200K that prevailed in each of the past five months (top chart). The drop in starts in Ontario resulted from an unusually low level in Toronto, consistent with a recent slowdown in permit issuance. It will be interesting to see if the recent increase in active listings on the resale market, in the aftermath of new measures announced by the Ontario government, will have a lasting dampening effect on housing starts in Toronto (middle chart). The drop in starts in Quebec was a giveback after high levels of starts of rental units over the previous months, mostly in Montreal and Quebec City. The five-day strike in the construction industry might also have played a role. At the national level, assuming no change in June, Canadian starts will be down more than 30% annualized in Q2 (bottom chart), with an even larger drop for singles (which have a larger impact on GDP than multis). So, new residential construction is set to subtract from growth in Q2.

Marc Pinsonneault

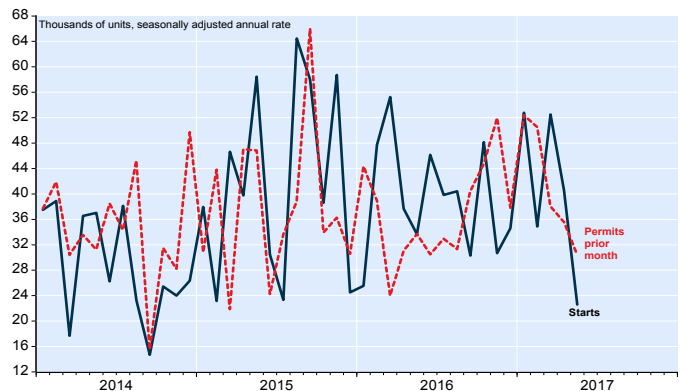
**Canada: Starts fell below 200K units in May**

Housing Starts



NBF Economics and Strategy (data via CMHC)

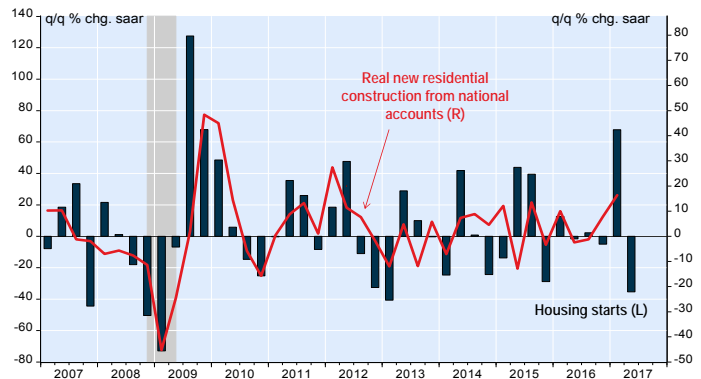
**Toronto: Housing starts and Number of building permits**



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

**Canada: New residential construction**

Real new residential construction expenses and housing starts



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

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