

## Starts stagnated in January as Ontario saved the day

### Seasonally-adjusted annual rate

January: 216.2K (actual); 210.0K (expected)

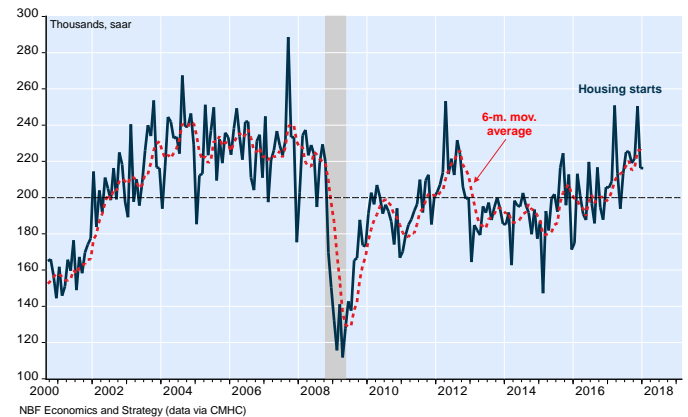
December: 216.3K

**FACTS:** Housing starts edged down marginally in January to an annualized 216.2K (top chart). Urban starts were up just 0.4K (to 198.4K) as groundbreakings for single units edged up 0.4K (to 63.7K) and those in the multiple category stagnated (+0.1K at 134.7K). Rural starts, for their part, slid 0.5K to 17.8K. The relatively modest monthly variation at the national level concealed more important movements in the country's provinces. Indeed, while starts climbed 20.2K in Ontario (to 86.1K), they fell 9.8K in Quebec (to 43.0K), 8.1K in British Columbia (to 43.9K) and 3.3K in Manitoba (to 3.9K).

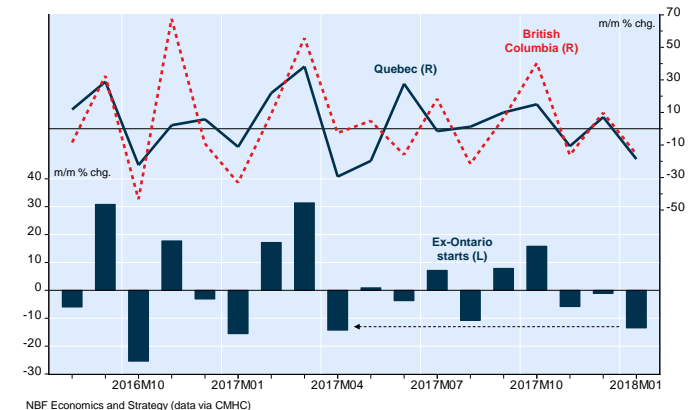
**OPINION:** Housing starts barely budged in January but still managed to top expectations (210.0K). Ontario really drove the show in the month, with urban area starts there jumping 20.8K (to 82.2K). Elsewhere, groundbreakings appeared to be taking a breather. Excluding Ontario, starts were actually down 20.2K in the month (the largest decline since April), hampered by sizeable retreats in both Quebec and British Columbia (middle chart). Starts in BC are now down 12.5K (or 22.2%) in annualized terms from the peak they reached in October (43.9K compared with 56.4K back then) but that should not be cause for concern. If the surge in building permit issuance observed in December is any guide, a rebound might be a short time coming in the province (bottom chart). Looking at quarterly data, housing starts countrywide are on pace to drop 21.2% in annualized terms in Q1 following two strong quarters of growth in 2017Q3 (+35.6%) and Q4 (+11.8%). For the rest of the year, residential construction faces several headwinds, notably rising interest rates and more stringent rules for mortgage lending (B-20 regulations). That said, the strong labour market should help keeping starts close to levels we consider sufficient to cover demographic needs (i.e. around 190K).

Jocelyn Paquet

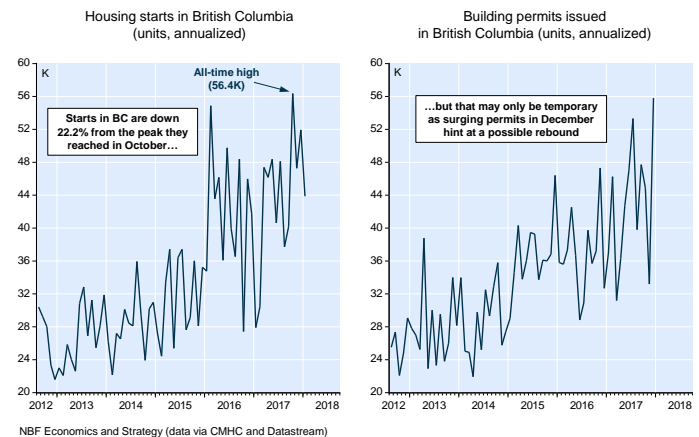
**Canada: 216.2K dwelling units started in January**  
Housing starts



**Canada: Ex-Ontario starts fell the most since April**  
Ex-Ontario starts vs. starts in Quebec and British Columbia



**Canada: Lull in BC starts unlikely to last**



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