

## Canada: Housing starts edge down to 208K in January

By Kyle Dahms

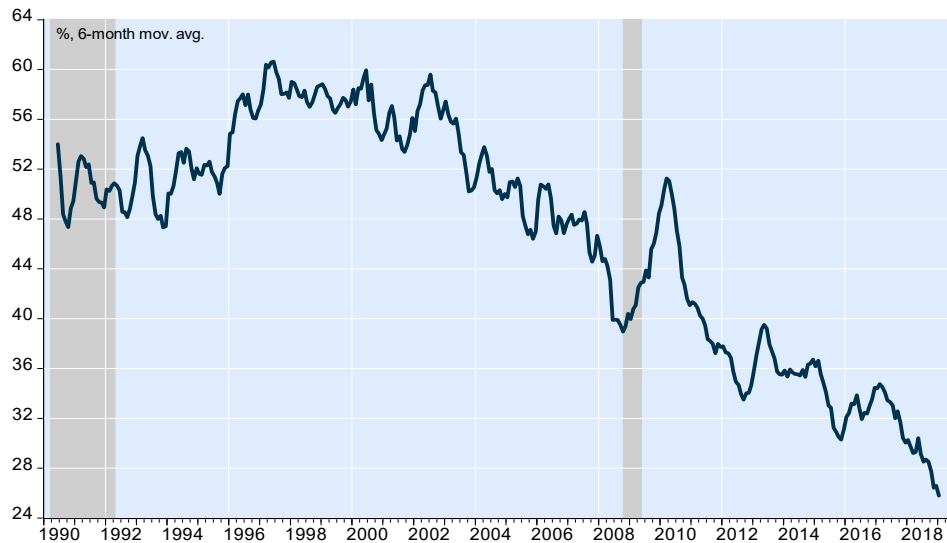
Housing starts declined in January marking a consecutive monthly drop. The deterioration was almost entirely due to single-detached starts which fell to their lowest level since June of 2009. Indeed, the decay in the singles segment is representative of a compositional shift. Expressed as a ratio, single-detached starts were at their lowest share since data collection began (see chart on the left). Moreover, this latest report shows that urban starts for the singles segment dropped mostly in Ontario and British Columbia. The combination of higher interest rates, expensive home prices and macro-prudential measures appear to be tapering demand in Canada's least affordable provinces. That being said, the multiple segment at the national level continued to trend above its five-year average and should remain aloft due to demand for more affordable housing and rental units (see chart on the right). The multiple segment garnering the lion's share of the market should translate into a lower contribution to economic growth from housing – remember that this segment contributes less than singles per unit. Looking at the quarterly perspective, after having increased for the first time in a year for the last quarter of 2018, housing starts in Canada are on track to decline in Q1 2019 after one month of data. We also estimate that starts should further decline in 2019 in the context of slower resale activity.

### HIGHLIGHTS:

- Housing starts declined from 213.6K in December to 208K in January (seasonally adjusted and annualized).
- Urban starts weakened 4.1K to 190.9K as the single category (-5.2K to 44.6K) more than offset gains in the multi segment (+1.1K to 146.4K).
- Rural starts for their part, edged down 1.5K to 17.1K.
- At the provincial level, urban starts rose in Ontario (+4.6K to 72.3K) and Alberta (+4.6K to 22.7K) but this was not enough to offset declines in British Columbia (-7.7K to 40.5K) and Quebec (-3.1K to 41.6K).
- Groundbreakings improved in Edmonton (+3.0K to 10.7K) followed by Calgary (+2.3K to 8.9K) and Toronto (+2.0K to 39.2K) Starts in Montreal, on the other hand, significantly worsened by -15.3K to 19.7K while Vancouver was relatively flat.

### Canada: Only a quarter of starts are in the singles segment

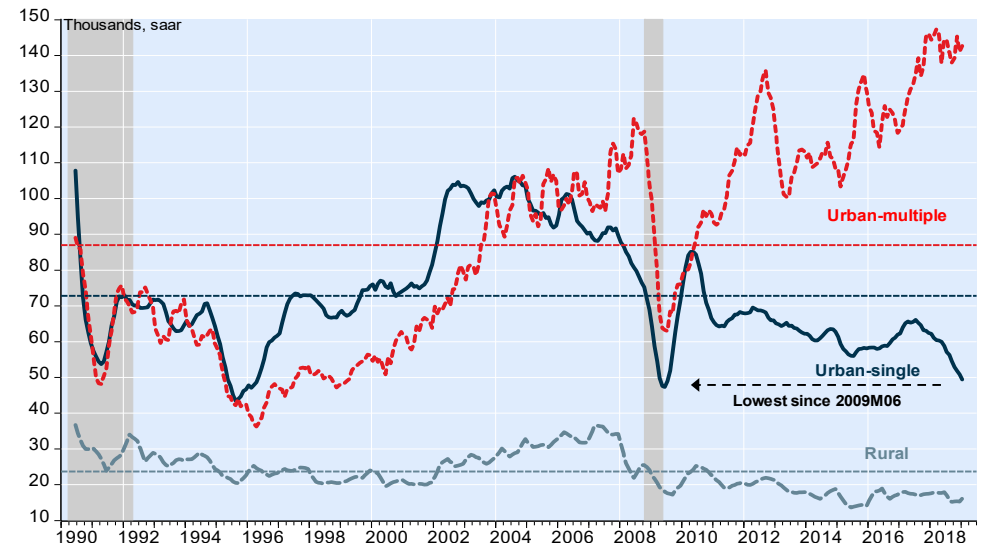
Urban starts in the single category as a percentage of total urban starts Last observation: January 2019



NBF Economics and Strategy (Source: CMHC)

### Multiple construction trending well above historical average

6 month moving average of housing starts vs. historical average Last observation: January 2019



NBF Economics and Strategy (data via CMHC)

### Montreal Office

514-879-2529

#### Stéfane Marion

Chief Economist and Strategist  
stefane.marion@nbc.ca

#### Krishen Rangasamy

Senior Economist  
krishen.rangasamy@nbc.ca

#### Kyle Dahms

Economist  
kyle.dahms@nbc.ca

#### Matthieu Arseneau

Deputy Chief Economist  
matthieu.arseneau@nbc.ca

#### Paul-André Pinsonnault

Senior Fixed Income Economist  
paulandre.pinsonnault@nbc.ca

#### Jocelyn Paquet

Economist  
jocelyn.paquet@nbc.ca

#### Marc Pinsonneault

Senior Economist  
marc.pinsonneault@nbc.ca

#### Angelo Katsoras

Geopolitical Analyst  
angelo.katsoras@nbc.ca

### Toronto Office

416-869-8598

#### Warren Lovely

MD & Head of Public Sector Strategy  
warren.lovely@nbc.ca

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