

## Multis spoil September's housing starts report

### Annual rate

September: 217.1K (actual); 212.0K (expected)

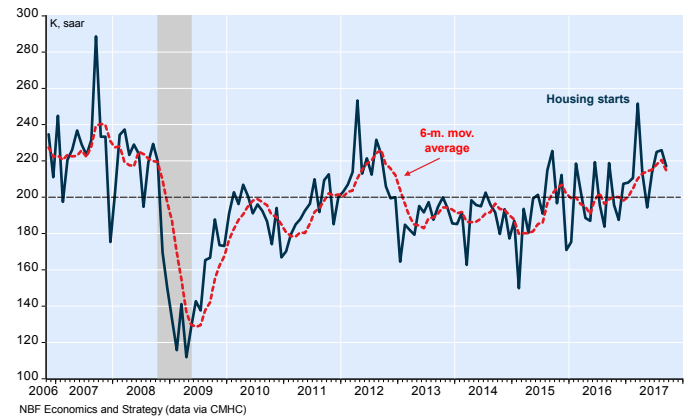
August: 225.9K (revised up from 223.2K)

**FACTS:** Housing starts decreased for the first time in four months in September, declining 8.8K (3.9%) to an annualized 217.1K units (top chart). The monthly decline can be explained by a 15.7K (-10.7%) retreat for multiple starts in urban areas, which more than offset gains for singles - the latter expanded 5.1K (8.2%) to 67.5K, the highest figure posted since March (73.2K, a five-year peak). Rural starts, for their part, were up 1.8K (11.3%) to 18.2K. On a regional basis, starts declined in only four provinces out of ten: Ontario (-17.6K), Saskatchewan (-3.3K), Manitoba (-1.0K) and Newfoundland and Labrador (-0.3K). Elsewhere, gains were recorded in Alberta (+3.4K), Quebec (+3.0K), British Columbia (+2.4K), New Brunswick (+2.4K), Nova Scotia (+1.8K) and PEI (+0.4K).

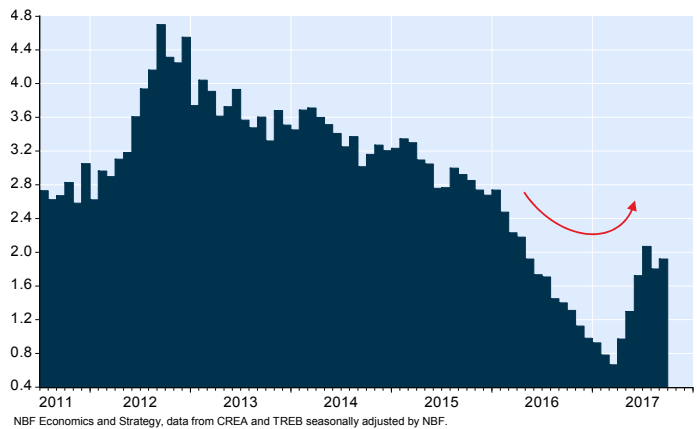
**OPINION:** Housing starts in September fell by a smaller margin than expected by consensus as starts for multiple units retreated in Ontario (-20.3K), Saskatchewan (-2.9K) and Manitoba (-1.9K). In Ontario, the deterioration followed an abnormally strong surge in August (67.0K) and is consistent with the loosening observed on Toronto's resale market (middle chart). In Canada as a whole, starts remained well above 200K for a fourth consecutive month and are on pace to surpass that threshold for 2017 (as of September, starts are averaging 217.7K in the year). Such solid numbers reflect a very strong labour market and low interest rates by historical standards. Looking at quarterly data, housing starts advanced and annualized 34.1% in the third quarter, following a -26.4% print in Q2 (bottom chart). So, after subtracting from real GDP growth in Q2, residential construction likely contributed to it in Q3. The drop observed for building permit applications countrywide (-10.6% between June and August) leads us to believe that a moderation is in the cards for residential construction in the last quarter of 2017. Longer term, starts should settle near levels consistent with demographic needs (i.e. 190K) especially if, as we expect, the Bank of Canada continues to tighten monetary policy - we anticipate four more interest rate hikes between now and the end of 2018.

Jocelyn Paquet

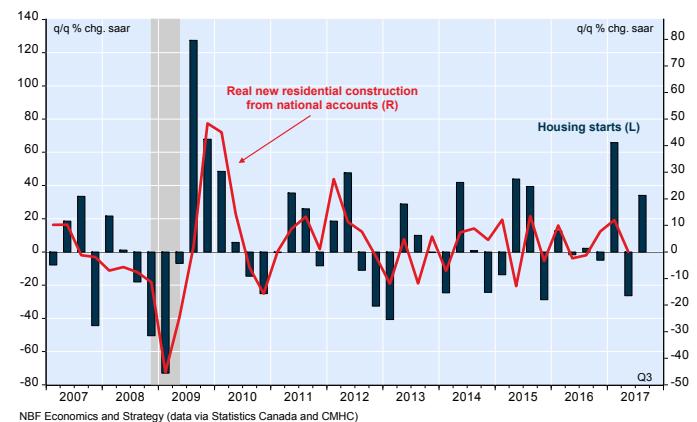
**Canada: 217.1K dwelling units started in September**  
Housing starts



**Toronto: Loosening of the resale market for condos**  
Ratio of active listings to sales, seasonally adjusted. Last observation: September 2017



**Canada: New residential construction**  
Real new residential construction expenses and housing starts



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