

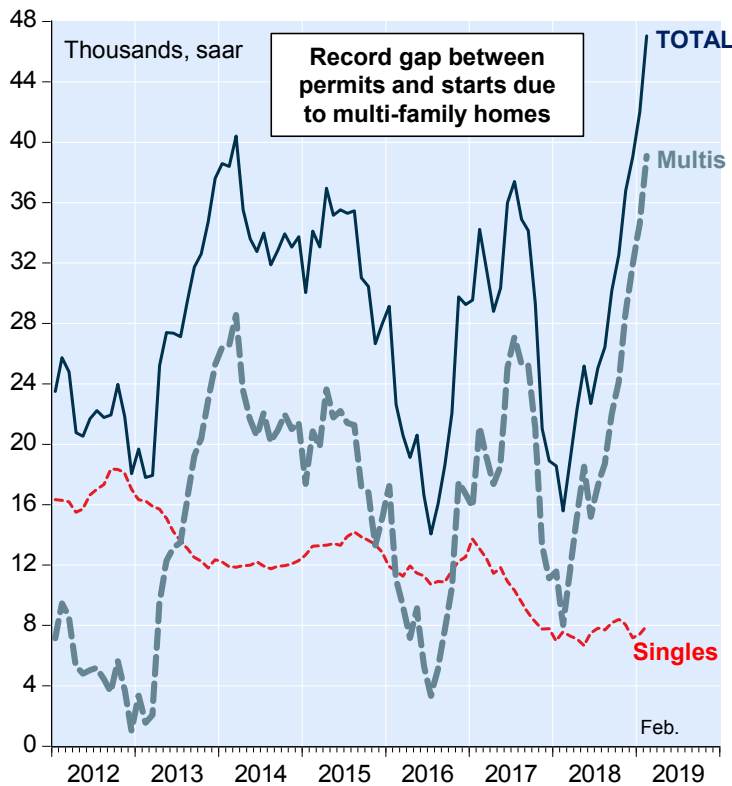
Canada Watch

By Krishen Rangasamy

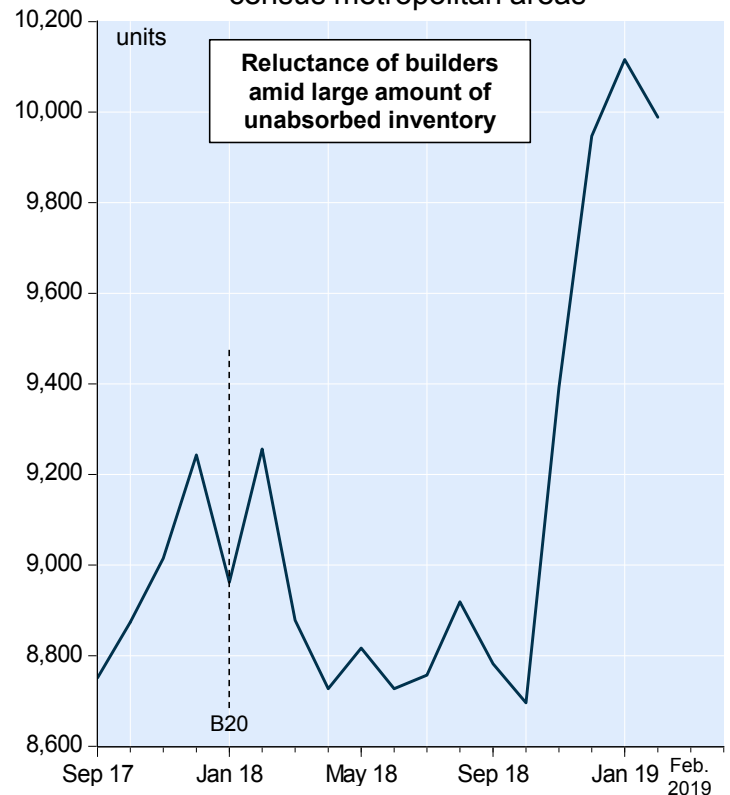
Canadian home builders have been rather cautious in recent quarters. Latest data from the CMHC indeed shows a contraction of housing starts in Q1, the fourth decline in the last five quarters. So much so that the gap between the number of residential building permit applications and housing starts continues to widen. In urban areas, the gap is particularly large for multis, i.e. dwellings other than single-detached homes. So, does the large gap mean we'll see a sharp rebound for residential construction later this year? Not really. As today's *Hot Charts* show, building permits for multis are not materializing into starts in part due to the large amount of unabsorbed inventories of newly completed units. The latter has indeed surged since tighter mortgage regulations (B-20) came into effect early last year. In other words, expect overall housing starts, which fell to 213K last year, to descend further towards levels that are more consistent with demographic needs (180-190K).

Canada: What's restraining home builders?

Difference between building permits and starts in urban areas, 12-month average



Newly completed and unoccupied housing (other than single detached homes) in census metropolitan areas



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