

Cdn Housing: Building on the Recovery

Canadian housing starts extended their rebound in January, rising a solid 5.8% to 186,300 annualized units. This marks the fourth increase in the past five months, and puts Canadian residential construction activity more than 50% above the recession low seen in April-09. Still, despite the inspired recovery, housing starts remain well below pre-recession levels of about 220,000 units per year. Single and multi-unit starts both rose in January, but the former continues to lead the recovery—note that single-unit starts began to trend down a good five years before the onset of recession, while multis were probing record highs well into 2008. Since the low in April, single-unit starts have doubled while multis have rebounded a more modest 42%.

Regionally, results were mixed in January with B.C. extending its forceful rebound while starts in Alberta slipped for a second straight month. These hard-hit Western provinces have staged the most impressive comebacks, with starts in B.C. and Alberta now up 141% and 100% from their respective lows. Meantime, a more modest rebound is taking shape in Ontario as a doubling of single-family activity since the spring has been tempered by still-soft multi-unit construction. In Atlantic Canada, a jump in New Brunswick offset declines in the other Atlantic provinces in January.

(thousands of units : a.r.)	Jan	Dec	Nov	12-month average	year ago
Housing Starts	186.3	176.1	175.8	153.6	135.6
(month/month % change)	5.8	0.2	-6.5		
Urban Singles	88.9	86.1	79.3	63.0	49.8
Multiples	76.3	72.2	73.5	71.3	64.6
Atlantic Canada	12.8	11.6	11.0	11.6	11.2
Québec	55.4	52.1	46.5	44.9	44.3
Ontario	55.6	54.5	55.8	51.0	44.8
Manitoba and Saskatchewan	11.4	7.6	11.9	8.4	5.1
Alberta	23.6	27.3	30.2	20.7	15.6
British Columbia	27.5	23.0	20.4	17.1	14.6

The Bottom Line: Canadian residential building activity is in full recovery mode, pulled along by strong housing demand which, in turn, has been juiced by low interest rates and improved confidence. However, some headwinds could emerge on the demand side by mid-year. New home sales should taper off in July as buyers are jumping the HST gun in B.C. and Ontario, and those same buyers are also likely pulling forward some purchases given well-ingrained expectations of rate hikes in the second half of the year. Given that supply still has some catching up to do, housing starts should hold up around current levels through the remainder of 2010.

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