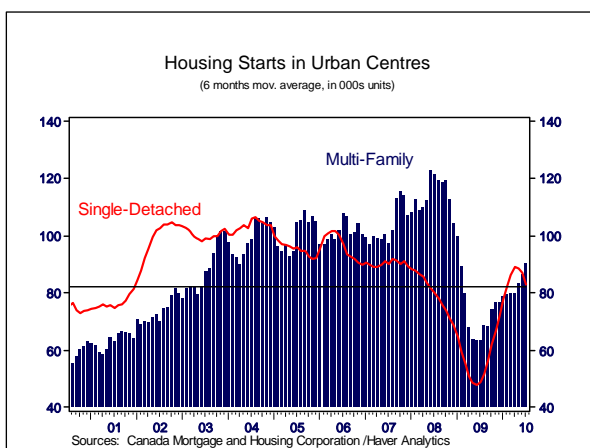




Housing Starts in July: Downturn in the Construction of Single-Detached Dwellings



The annualized number of housing starts in July stayed relatively high, at 189,200 units. Following an upwards revision of the June data (from 189,300 to 192,300 units), the decline compared to June was 1.6%. There was a downturn in new, single-detached dwelling construction in urban centres, and in all types of housing in rural areas. As for multi-unit dwellings in urban centres, that sector was particularly active in July.

Even though it is quite volatile, multi-dwelling construction in urban centres is maintaining an upwards trend (six-month moving average). However, single homes in urban centres are in a slump, matching volumes observed at the end of the summer of 2009 and comparable to those seen at the end of 2001, before the real estate boom. Nevertheless, the annualized number of housing starts in urban centres rose by 2% in July.

Looking at the provincial data, still in the urban centres, we note that the downwards trend in British Columbia is continuing in all housing categories. In Ontario, the decline is more marked for single-family dwellings, while multiple-unit dwellings keep bouncing up and down. In Quebec, construction of multi-unit buildings is still on a tear, to the point where the trend has reached a record high, well above the peaks of 2007–2008. Construction of single-family units has been sliding in Quebec as well, for several months now. Consequently, for the third quarter of 2010, we can expect a drop in housing starts in these three provinces; most markedly for single-family units, but also for multi-unit buildings, for which demand should sag, given the abundant supply on the market and the adoption of the HST in Ontario and British Columbia.

After several months of strength, the trend, in terms of a six-month moving average, reversed itself in July. While the resale market had already begun to show signs of slowing down in the second quarter, the contraction in housing starts lagged in comparison. Now, due to the alleviation of the temporary factors (such as the HST, expectations of rising interest rates and the introduction of new federal rules for obtaining a mortgage loan), the job market will be the main driver of housing demand in the medium term. Since job growth will continue at a more moderate pace, demand for housing will feel the impact: the level of activity expected in both the resale and new housing markets over the next two years will be similar to that of 2001–2002.

	Housing Starts (in 000s units, SAAR)															
	08Q1	08Q2	08Q3	08Q4	09Q1	09Q2	09Q3	09Q4	10Q1	10Q2	10Q3	10Q4	11Q1	11Q2	11Q3	11Q4
Canada	229.1	224.9	212.6	179.7	132.1	127.7	155.9	179.8	198.2	199.3	170.0	160.0	165.0	165.0	168.0	170.0
q/q % change	---	-1.8	-5.5	-15.5	-26.5	-3.3	22.1	15.4	10.2	0.6	-14.7	-5.9	3.1	0.0	1.8	1.2
Quebec	50.1	48.5	47.7	45.6	42.4	39.0	47.4	47.1	52.6	52.6	46.0	42.0	41.0	41.0	41.0	41.0
q/q % change	---	-3.3	-1.6	-4.5	-6.9	-8.1	21.6	-0.6	11.7	-0.1	-12.5	-8.7	-2.4	0.0	0.0	0.0
Ontario	74.2	82.4	78.5	66.8	48.1	42.6	48.7	60.9	64.1	62.8	57.0	55.0	55.0	55.0	55.0	55.0
q/q % change	---	11.0	-4.7	-14.9	-28.0	-11.4	14.4	25.0	5.1	-2.0	-9.2	-3.5	0.0	0.0	0.0	0.0
Can. ex. Qc	178.9	176.5	164.9	134.1	89.7	88.7	108.5	132.7	145.5	146.7	124.0	118.0	124.0	124.0	127.0	129.0
q/q % change	---	-1.4	-6.6	-18.7	-33.2	-1.1	22.3	22.3	9.7	0.8	-15.5	-4.8	5.1	0.0	2.4	1.6

Sources : CMHC; Forecasts : LBS Economic Research

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