



Daily Economic Update

April 10, 2017

Canadian housing starts surge to almost 10 year-high in March

The surge in housing starts in March was largely concentrated in a jump in the volatile multiple-unit component that will very likely not be repeated to the same extent going forward. Single-unit starts have, nonetheless, also strengthened notably with the latest level in March (75k) marking the highest reading since mid-2010. Looking through monthly volatility, it remains the case that strength has generally been weighted to areas where housing markets have been tighter (eg. Ontario and B.C.); however, the aggregate level of starts nationally is still well-above most (including our own) estimates of the underlying pace of household formation. An earlier slowdown in the national resale market later in 2016 — in part, perhaps, related to the implementation of new macro-prudential policy measures in the fall — appears to have proven short-lived with demand picking up once again in early 2017, particularly in hotter markets in and around Toronto but also recent gains in Quebec and Alberta where sales have started to perk up once again. We expect stretched affordability conditions in some regions, a modest up-drift in lending rates, and potentially new regulatory measures, particularly in Ontario, will still eventually slow home demand this year with spill-overs to new building activity; however, strong recent permit issuance (averaging 236k per month over the last three months to February) alongside strong demand in resale markets year-to-date suggests near-term building activity could continue to outperform expectations.

Highlights

- Housing starts jumped to 254k in March, marking the highest 'standalone' reading since September 2007.
- Most of the monthly increase in March was accounted for by more multifamily dwelling starts, which are notoriously volatile, although single-unit starts (75k in March) were also at their highest level since November 2010.
- The increase was broadly-based on a regional basis. Starts jumped 35% in Alberta and an outsized 60% in B.C. (led by a spike in multiple-unit starts) with a strong 31% gain also posted in Quebec. Ontario rose a more modest 6%.
- On a year-over-year basis, starts were up in all regions, though led by gains in Quebec and the Prairies.

Canada Housing Starts Summary

Seasonally Adjusted Annualized Rate, Thousands

	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17
Canada total	188	207	209	214	254
Single-unit	62	67	65	72	75
Multiple-unit	106	122	128	124	161
Rural	19	19	17	18	18

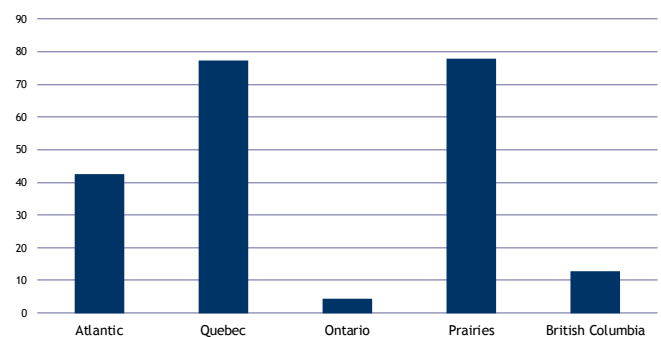
Provincial Urban Starts

Atlantic Canada	6	5	6	7	4
Quebec	30	34	32	41	53
Ontario	56	78	98	84	89
Prairies	32	33	30	37	45
British Columbia	43	39	26	28	45

Source: CMHC, RBC Economics Research

Regional housing starts

year-over-year percent change, SAAR, Mar-17



Source: Canadian Mortgage and Housing Corporation

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