



Daily Economic Update

May 8, 2017

Canadian housing starts maintained momentum in April, but will it last?

Our Take:

Even with a pullback in April, homebuilding activity has started the year at its fastest pace since 2008. That's no surprise given record resales and rising home prices that are surely enticing builders. Growth has been broadly-based but, as you might expect, Ontario continues to lead the way with decade-high starts over the last year. That trend could be on its last legs, however, given new regulations introduced by the Ontario government in April. The hallmark of their Fair Housing Plan is a 15% tax on foreign speculators in the GTA and surrounding area. A similar tax implemented in Vancouver last year contributed to a slowing trend in resales and had some effect in lowering prices. Toronto may already be seeing an impact from the new policy as a surge in new listings in April helped push the market closer to supply-demand balance. Any slowdown in the Toronto market and other areas of the province will likely spill over into homebuilding activity. At the national level, we expect moderation in both resales and housing starts over the second half of the year (albeit with levels remaining strong) will put an end to the residential sector's strong contributions to GDP growth, including an expected half percentage point lift in the first quarter.

Highlights:

- Housing starts fell to still-strong 214k annualized units in April from a five-year high of 252k in March.
- Both urban multi-unit and single-unit starts came off of multi-year highs but remained above their recent trend.
- The pullback in urban starts was broadly-based with Ontario, Quebec and the Prairies all recording declines in April.
- Those regions, led by Ontario, have accounted for the substantial increase in year-to-date housing starts relative to April 2016.
- Building permits have been quite strong over the past six months; data for March will be released tomorrow.

Canada Housing Starts Summary

Seasonally Adjusted Annualized Rate, Thousands

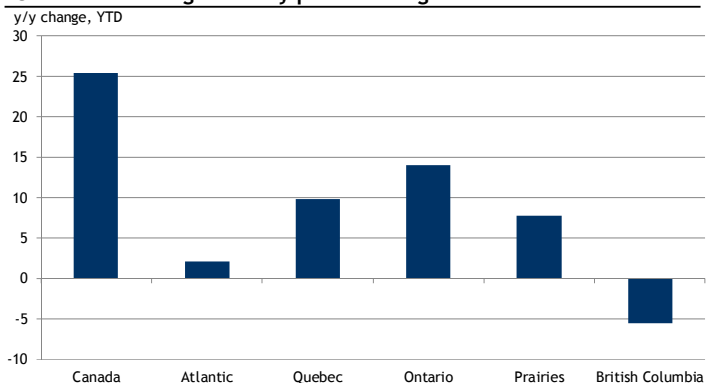
	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17
Canada total	207	209	213	252	214
Single-unit	67	65	72	74	65
Multiple-unit	122	128	123	161	134
Rural	19	17	18	17	15

Provincial Urban Starts

Atlantic Canada	5	6	7	4	8
Quebec	34	32	40	54	38
Ontario	78	98	83	88	71
Prairies	33	30	37	45	37
British Columbia	39	26	28	45	45

Source: CMHC, RBC Economics Research

Canadian housing starts by province/region



Source: CMHC, RBC Economics Research

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