



Daily Economic Update

August 9, 2017

Canadian housing starts unexpectedly rose further in July

New Canadian homebuilding remained very strong to kick off the second half of 2017. The 222k (annualized rate) housing starts in July was above the average 215k over the first half of the year which already was well-above most estimates of the underlying rate of household formation. Much of the recent strength has been concentrated in B.C. where starts have rebounded back close to record highs after slowing late last year. New building activity has also been trending modestly higher in the prairies, Quebec, and the Atlantic provinces though.

Housing starts tends to follow trends in home resales with a lag and home resales posted their largest decline nationally in Q2 since Q3-2012 as new regulations weighed on sales particularly in Toronto. A separate report this morning showed permit issuance in June jumped to 235k — suggesting that strong new building activity may yet have some room to run in the near-term. Nonetheless, our base case outlook continues to assume that that pullback in resale activity alongside gradually rising interest rates and stretched home affordability in some regions will ultimately prompt a further gradual slowdown in resales and, eventually, building activity later this year.

Highlights:

- Housing starts unexpectedly rose to 222k in July from 213k in June. Markets expected a 205k reading in July
- A rise in multiple-unit starts in BC accounted for most of the month-over-month increase. Multiple-unit starts also rose sharply in Nova Scotia (up 2k, or 312%..., in the month).
- Overall, multiple-unit starts rose 9% to offset a 4% dip in single-unit starts.
- A separately released report from Statistics Canada showed building permits in June jumped to 235k from 219k in May.

Canada Housing Starts Summary

Seasonally Adjusted Annualized Rate, Thousands

| | Mar-17 | Apr-17 | May-17 | Jun-17 | Jul-17 |
|---------------|--------|--------|--------|--------|--------|
| Canada total | 252 | 213 | 194 | 213 | 222 |
| Single-unit | 73 | 66 | 61 | 67 | 64 |
| Multiple-unit | 162 | 132 | 117 | 129 | 142 |
| Rural | 17 | 15 | 17 | 18 | 16 |

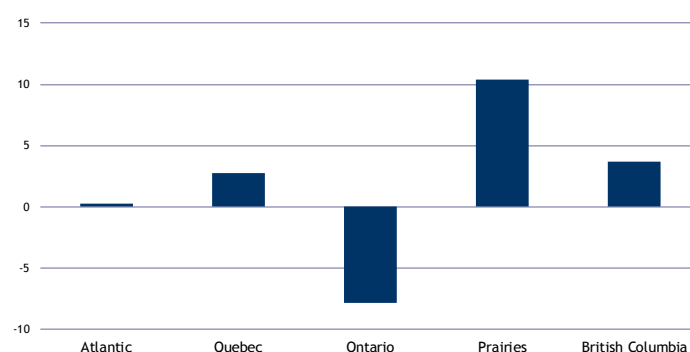
Provincial Urban Starts

| | | | | | |
|------------------|----|----|----|----|----|
| Atlantic Canada | 4 | 8 | 7 | 6 | 8 |
| Quebec | 55 | 37 | 28 | 36 | 36 |
| Ontario | 86 | 72 | 52 | 75 | 76 |
| Prairies | 45 | 38 | 46 | 40 | 41 |
| British Columbia | 45 | 44 | 46 | 38 | 46 |

Source: CMHC, RBC Economics Research

Regional housing starts

year-over-year difference, SAAR, thousands, Jul-17



Source: Canadian Mortgage and Housing Corporation

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