



# Daily Economic Update

October 9, 2018

## Canadian housing starts moderate further in September

The dip in new housing starts to a 188.7k level in September from 198.8k in August marked a third straight slowing after a spike to (an unsustainably strong) 247k in June. Single-unit starts ticked 2.0% higher in the month but multiple-unit starts fell 8.9%. Both are down sharply from a year ago — singles by 22% and multiples by about 7%. The data is volatile and stronger housing permit issuance argues there could still be stronger near-term building activity in the pipeline. Permit issuance has averaged 244k per month over the last three months ending in July with August data set to be reported tomorrow. Home resales also eased significantly, and price growth moderated, over the first half of the year, though, in response to rising interest rates and a number of new policy changes designed to slow the market. The slowing in home building in recent months is broadly consistent with our view that those headwinds in the resale home market will ultimately spill over into slower homebuilding activity as well. We expect housing starts will average ~195k next year. Earlier housing market activity was probably too strong to be sustained. The slowing to a more manageable pace of activity should be welcomed by the Bank of Canada and isn't expected to prevent further gradual interest rate hikes.

### Highlights:

- September housing starts slipped to 188.7k in September from 198.8k in August
- Single-unit starts rose 2.0% but multiple-unit starts declined 8.9%.

### Canada Housing Starts Summary

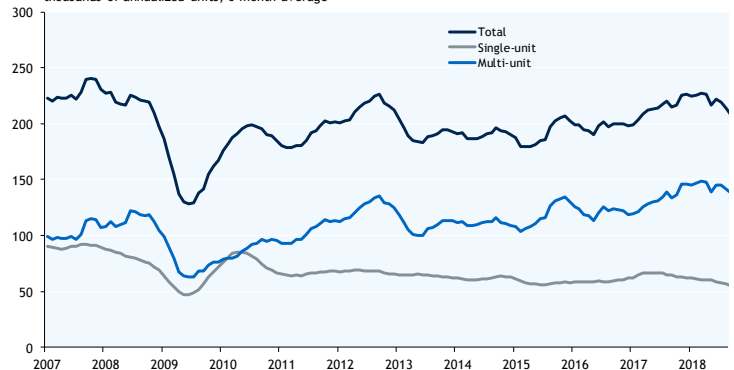
seasonally adjusted annualized rate, thousands

	May-18	Jun-18	Jul-18	Aug-18	Sep-18
<b>Canada total</b>	<b>194</b>	<b>247</b>	<b>202</b>	<b>199</b>	<b>189</b>
Single-unit	58	56	54	52	53
Multiple-unit	119	172	136	135	123
Rural	18	19	12	12	13
<b>Provincial Urban Starts</b>					
Atlantic Canada	6	10	9	7	9
Quebec	35	50	33	29	33
Ontario	52	101	67	62	75
Prairies	43	33	39	43	32
British Columbia	41	34	41	45	26

Source: CMHC, RBC Economics Research

### Canadian housing starts trend

thousands of annualized units, 6-month average



Source: CMHC, RBC Economics Research

Nathan Janzen | Senior Economist | (416) 974-0579 | [nathan.janzen@rbc.com](mailto:nathan.janzen@rbc.com)  
 For more economic research, visit our web site at [www.rbc.com/economics](http://www.rbc.com/economics)

The material contained in this report is the property of Royal Bank of Canada and may not be reproduced in any way, in whole or in part, without express authorization of the copyright holder in writing. The statements and statistics contained herein have been prepared by RBC Economics Research based on information from sources considered to be reliable. We make no representation or warranty, express or implied, as to its accuracy or completeness. This publication is for the information of investors and business persons and does not constitute an offer to sell or a solicitation to buy securities.