

## Canada: Starts stabilized in October after three straight monthly declines

By Jocelyn Paquet

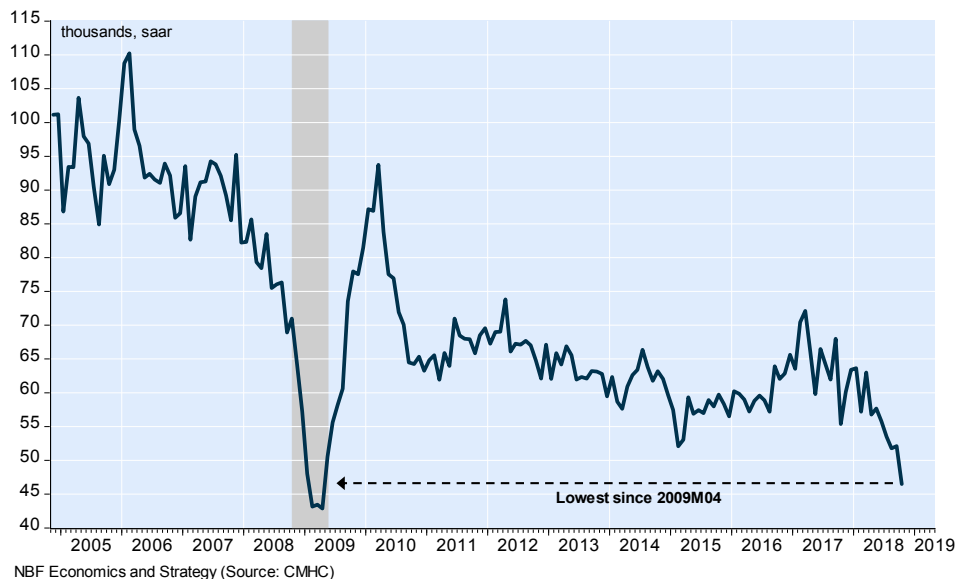
Housing starts strengthened in October after falling to their lowest level in two years the prior month. The improvement was due to a rebound in the multi segment in Ontario, Quebec and, to a lesser extent, British Columbia. The picture was less rosy in the single category, whose per-unit contribution to GDP is greater than multis. To be sure, single starts retreated for a fourth time in the last five months to reach a post-recession low (see chart on the left). Affordability, which has deteriorated in that segment in 11 of the last 12 quarters, is certainly an important factor explaining that trend. At the provincial level, we note a wide divergence between the fortunes of Quebec and Alberta. In the former province, homebuilding has been stimulated by a booming resale market. Indeed, sales of existing homes in Montreal are on track for a record year in 2018. Alternatively, resales in Calgary and Edmonton have been trending downward in the last year or so, a development that has been echoed in recent starts data in Alberta (see chart on the right). Overall, October's report was mixed. The good news is that starts have stabilized after a streak of monthly declines, a fact that gives hope for a quarterly increase in Q4 following three consecutive drops. Less encouraging, however, is continued weakness in Alberta and the smaller-than-expected rebound in B.C. In an environment of rising interest rates, employment will need to remain strong to keep the residential construction sector going.

### HIGHLIGHTS:

- Housing starts increased for the first time in four months in October, rising from a two-year low of 189.7K to 205.9K (seasonally adjusted and annualized).
- Urban starts advanced 15.3K to 192.0K as a retreat in the single category (-5.6K to 46.5K) was more than offset by a steep increase in the multi segment (+20.9K to 145.4K).
- Rural starts, edged up 0.9K to 14.0K.
- At the provincial level, urban starts rose in Ontario (+10.2K to 85.7K), Quebec (+9.0K to 43.1K) and British Columbia (+4.4K to 29.9K) but continued to drop in Alberta (-3.9K to 16.8K, the lowest level since 2009M05).
- Groundbreakings improved at a particularly steep pace in Montreal (+6.3K to 33.4K) while smaller increases were recorded in Toronto (+2.3K to 44.5K) and Vancouver (+3.7K to 17.9K). Starts in Calgary and Edmonton, on the other hand, retraced 1.4K (to 8.1K) and 1.0K (to 5.8K), respectively.

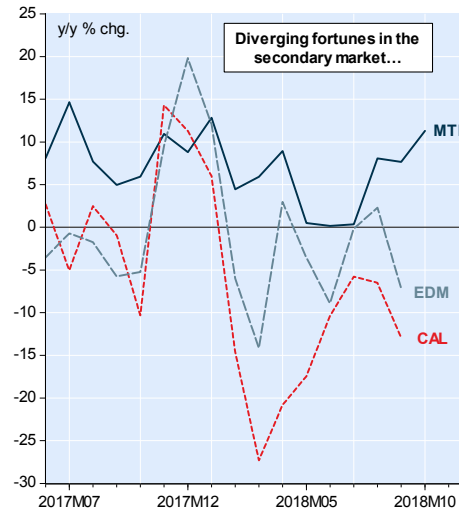
### Canada: Single-unit starts fall to lowest level since the recession

Urban starts in the single category. Last observation: October 2018

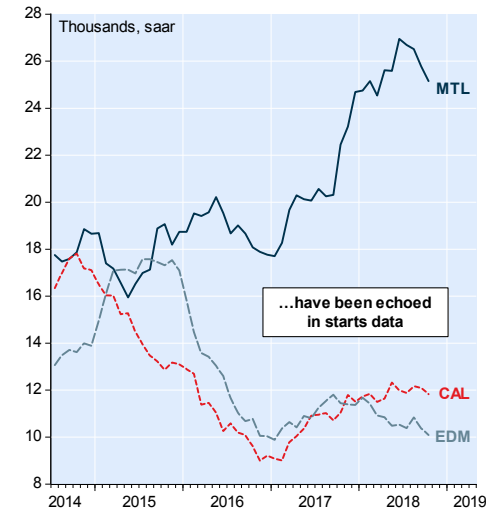


### Canada: A tale of two provinces

Sales of existing homes, selected cities



Housing starts in selected cities, 12-month moving average



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