

# Building castles in the sky.

## Canada: Housing starts up 6.1% m/m

**Canadian housing starts jumped 6.1% m/m in February to an annualized rate of 196.7K units. This is up significantly from January's revised 185.4K units. The market median had been looking for a rise of 190.0K (HSBC 189K).**

**All of the gains came in the often volatile multi family category (condo's etc.) where starts jumped by 19% m/m. On a unit basis, multi family starts jumped from 75.5K to 89.9K. Single family homes largely flat, rising from 88.8K to 89.2K. Rural starts slide from 21.1K to 17.6K.**

Geographically, the bulk of the upside was in the Province of Ontario, where starts were up by more the 15K units, rising from 53.2K to 68.4K.

February's dramatic pick up in activity tends to suggest that builders have chewed through a good slug of what looked like a growing backlog of projects that had been accumulating in previous months.

Would appear that the new build market playing catch-up with the existing home sales market where prices have recovered from the gray days of 2008, posting new historical highs at the same time that the months supply of homes for sale has dwindled to a rather low 4.4. However, a number of administrative changes introduced by the government of Canada that provide for a more stringent lending environment along with changes to the way Provincial taxes are collected in BC and Ontario will tend have a cooling effect on the housing market as barriers to entry are raised.

So too does a builder focus on multi family dwellings suggest that we may be looking at a rapidly aging/maturing real estate market whereby the high prices for single family homes is directing consumer demand into the condo market which tends to come in at lower pricing points.

Net, net, the overall picture on the new build sector speaks to a rather robust recovery from just 10 months ago when starts were scrapping along at 112.0K units, well below the approximate 175K units necessary to keep up with population growth and attrition. Still, given the chunky nature of multi family unit construction there is some room to squeeze in the expectation for a pull-back in housing starts in March without suggesting anything untoward in the new build sector.

# Disclosure appendix

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