

Canada: Building fewer castles in the sky.

Housing start (Aug) drop 3.0% m/m

Canadian housing starts for the month of August slipped from 188.9K to an annualized rate of 183.3K, slightly below the median at 185K and our own forecast for 186K. The permits data for July, released yesterday, opened the door on some potential down side for the starts number beyond what was recognized in the median forecasts. Something we pointed out in our note yesterday.

Yet underneath the headlines, a fairly stable picture on the starts number emerged with moderate declines in both the single family and multi family unit construction. Both categories dropped 3.6% m/m and 3.7% respectively, which is comparatively moderate to the swings that can often inject considerable volatility into the number set.

Rural starts rose by 3% m/m following last month's near -25% decline. Going forward, the -7.3% decline in the number of approved multi family units for construction in July was not matched by the -3.7% drop in August starts which suggests that there may be some room for further decline in multi family unit starts in September.

Overall, the new build sector is moderating in keeping with deceleration in activity in the overall real estate market. The onset of a harmonized sales tax in BC and Ontario affected the costing of housing in those locales, along with a changed funding formula for mortgages, historically high prices for houses and higher overnight rates (although fixed term mortgage rates have been declining) have all contributed to raising the financial barriers to entrance into the Canadian housing market.

Net, net, not a lot of surprises in the general tone and texture of today's starts data. From a GDP standpoint, at the same time that the new build category for residential construction has been moderating, non residential construction has been on a tear rising by 39% y/y.

In keeping with the theme of moderation, new home prices declined by -0.1% y/y or +2.9% y/y.

Disclosure appendix

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