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## TD Economics

### Data Release: Housing starts continue to trek higher in November

- Canadian new home construction continues to build steam. Monthly housing starts rose to 211,916 units last month, up from 197,712 in October, with the 6-month moving average reaching 208,401 units in November. CMHC focuses on the 6-month moving average because the data has become more volatile with the rising share of multi-units properties in overall construction activity.
- Multi-unit (+13.2%) construction continued to lead gains in new homebuilding, while single-detached home starts fell 3.6% in the month. Multi-unit construction now accounts for 70% of new home construction in Canada's urban centres.
- On a regional basis, the majority of increase in new home construction in November were in Ontario (+16.5%) and the Prairie Region (+32.6%). The Atlantic region also saw a small gain in the month, while starts were down in British Columbia (-23.7%) and Quebec (-8.3%).

### Key Implications

- New home construction has bounced back in the second half of 2015 from what had been a multi-year cooling off in new home construction between 2013 and 2014. Looking beyond monthly wiggles, the strength in new home building in 2015 so far has been mostly concentrated in Ontario, where starts neared record high levels in November. This is not surprising given the strength of both housing demand and home price growth in the year. But, as CMHC has warned, in the wake of rising new home inventory, builders should focus on inventory management. In contrast, British Columbia has seen some decent gains in new home construction in 2015, but housing starts are still 40% below the peaks reached in 2007 – despite record existing home activity in the province.
- Looking forward, relatively tight housing market conditions in Ontario and B.C. may continue to encourage a relatively lofty pace of new home construction at least through the first half of 2016. Both markets are currently in seller's territory. However, the combination of weaker economic growth and rising longer-term borrowing rates in Canada will likely pull some of the steam out of housing activity overall next year. Five-year fixed mortgage rates have already risen 20 basis points through the end of November, and more are bound to rise higher still as the Federal Reserve begins to raise interest rates south of the border.
- Deteriorating economic conditions are more of a concern in the Prairie Region where the unemployment rate has spiked in recent months. The unemployment rate in Alberta jumped to 7.0% in November – very close to the 7.3% peak reached in the 2008/2009 recession. Housing activity is likely to weaken further along with the sharp rise in unemployment.
- Overall, we continue to expect a two speed housing market to persist through much of 2016, but housing activity in the currently hottest markets is expected to return to more normal sustainable activity by the end of 2016.

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