

QUÉBEC

Housing starts shoot up in January

HIGHLIGHTS

- The province's housing starts jumped to an annualized 55,400 units in January after hitting 52,100 units the previous month.
- In urban centres with populations of 10,000 or more, starts rose 46% in January from the same month in 2009. For single-family dwellings, the increase was 41%, while it was 47% in multi-unit housing.
- The increase mainly comes from the Québec and Montréal CMAs. Starts more than tripled in Québec, while in Montréal they are up over 50% from January 2009. Gatineau was the only CMA to see a decline in activity in January.

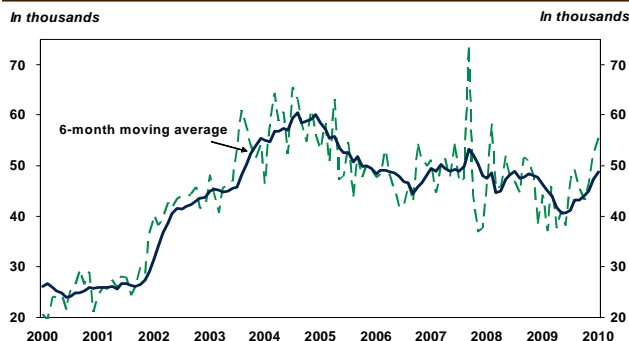
COMMENTS

Starts rose much more than forecast. Last month's 55,400 units is also the highest level since February 2008. January's especially clement weather certainly helped to boost the results. Nonetheless, the trend for new construction is well up since the fall of 2009. A number of factors helped starts to rebound.

Strong existing home sales, which have quickly put the market back in a shortage situation, slashed the selection of homes for sale. This prompted many buyers to turn to new construction, especially as the price difference between new and existing homes has lessened recently. Low mortgage rates and the upswing in employment in the last six months in Québec also gave the housing market a boost.

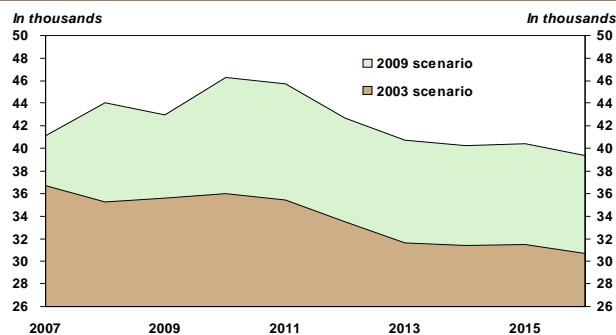
Now that the recovery is well underway, starts will begin to be more in line with demographic factors. The latest projections from the Institut de la statistique du Québec show that the annual increase in the number of households will exceed 45,000 in 2010. Starts could even reach 48,000 units this year, as the rental apartment and existing home markets are currently experiencing shortages.

The upswing in housing starts picks up steam in January



Sources: Canada Mortgage and Housing Corporation and Desjardins, Economic Studies

Annual increase in the number of households according to the 'ISQ's baseline scenario



Sources: Institut de la statistique du Québec and Desjardins, Economic Studies

Implications: The fact that housing starts are well over the 50,000 unit mark confirms that they will undergo a cyclical rebound in 2010. Although they are expected to pull back somewhat from January's outstanding heights, starts will rise by about 10% this year. New construction will continue to mirror the improvement in the economic situation and, in particular, recovering employment.

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