



CANADA

Housing starts fall in December

HIGHLIGHTS

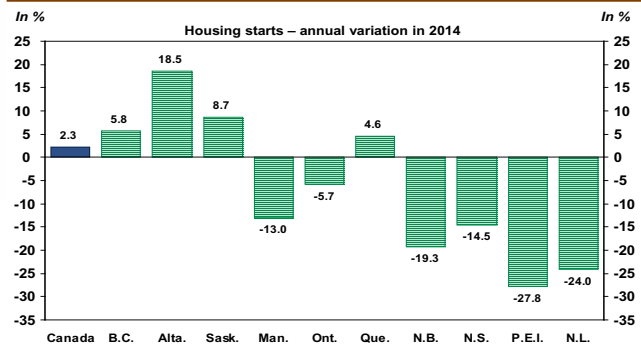
- Canadian housing starts fell from 193,199 units in November to 180,560 in December, for a monthly drop of 6.5%. However, the 6-month moving average held above 190,000 units.
- Most parts of the country saw much slower activity in December, such as the Atlantic region (-16.1%), the Prairies (-10.5%) and Quebec (-17.5%). On the other hand, Ontario housing starts firmed up 2.1% from November to December.
- The Canadian average stands at 191,937 units for 2014, up slightly from 2013's 187,646 units. Four provinces posted annual increases: Alberta (+18.5%), Saskatchewan (+8.7%), British Columbia (+5.8%) and Quebec (+4.6%). Atlantic Canada (-19.3%), Manitoba (-13.0%) and Ontario (-5.7%) all pulled back for 2014.
- Quebec posted 39,372 housing starts in 2014. Homebuilding picked up speed in the Montreal (+19%) and Trois-Rivières (+11%) CMAs, but fell in the four other CMAs. The annual downturns are in the neighbourhood of 25% in Saguenay and Sherbrooke, but just 5% in Quebec CMA and 1% in Gatineau.

COMMENTS

Despite December's nearly overall pullback by housing starts, the balance for several provinces is good for 2014. This means that the long-awaited cooling of the residential sector did not materialize last year in either the new or resale markets. Average prices also continued to ascend across Canada, rising about 7% in 2014. The concerns about household debt loads have therefore notched up as growth by mortgage loans is not yet slowing. Hopes that the housing sector will gradually lose steam are now focused on 2015.

Quebec's 2014 rise by housing starts is essentially focused on the Montreal CMA. Activity was hot, especially downtown, thanks to groundbreaking on several condo and rental apartment building projects. Given that Montreal's condo market continues to have a major surplus and the vacancy rate on rental units rose to 3.4% in the fall of 2014, construction should, in principle, cool off this year.

The increase by housing starts was not widespread in 2014



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

Implications: December's lull is a step in the right direction, but it will take a few months to see whether a lasting downtrend is materializing. New construction must slow to put Canada's real estate market on a better footing and reduce the concern about high household debt loads.

Hélène Bégin
Senior Economist

François Dupuis
Vice-President and Chief Economist

Hélène Bégin
Senior Economist

Benoît P. Durocher
Senior Economist

Francis Généreux
Senior Economist

514-281-2336 or 1 866 866-7000, ext. 2336
E-mail: desjardins.economics@desjardins.com

NOTE TO READERS: The letters k, M and B are used in texts and tables to refer to thousands, millions and billions respectively.

IMPORTANT: This document is based on public information and may under no circumstances be used or construed as a commitment by Desjardins Group. While the information provided has been determined on the basis of data obtained from sources that are deemed to be reliable, Desjardins Group in no way warrants that the information is accurate or complete. The document is provided solely for information purposes and does not constitute an offer or solicitation for purchase or sale. Desjardins Group takes no responsibility for the consequences of any decision whatsoever made on the basis of the data contained herein and does not hereby undertake to provide any advice, notably in the area of investment services. The data on prices or margins are provided for information purposes and may be modified at any time, based on such factors as market conditions. The past performances and projections expressed herein are no guarantee of future performance. The opinions and forecasts contained herein are, unless otherwise indicated, those of the document's authors and do not represent the opinions of any other person or the official position of Desjardins Group. Copyright © 2015, Desjardins Group. All rights reserved.