Canada: 2017 Was a Very Good Year for Residential Construction

**HIGHLIGHTS**

- After reaching exceptional heights in November with 251,675 units (annualized), the number of housing starts fell to 216,980 units in December. That is still quite a high level.
- The overall number of housing starts for 2017 reached 219,675 units, an 11.0% increase over 2016. Close to 60% of housing starts were for multi-unit housing in urban regions.
- Housing starts were up in all provinces in 2017. Quebec (+19.4%) and the Prairies (+20.9%) stood out with increases well above the Canadian average. Increases were more modest in Ontario (+5.4%) and British Columbia (+4.4%).

**COMMENTS**

Overall conditions were exceptional for residential construction in 2017. Interest rates remained very low, the labour market was in high gear and consumer confidence improved considerably. 2017 also saw a rebound in housing starts in the oil-producing provinces, which had been in serious trouble in 2015 and 2016. In Ontario, the 2017 results were affected by a temporary slowdown after the provincial government introduced restrictive measures last April.

It appears, however, that residential construction could slow down somewhat in 2018. For one thing, the new restrictions imposed by the Office of the Superintendent of Financial Institutions (OSFI) should curb the housing market. For another, interest rates should continue to rise gradually in 2018, restricting accessibility.

**IMPLICATIONS**

It seems clear that the housing market will slow down at the start of 2018. The extent of the slowdown remains to be seen, and especially whether it will followed by a rapid rebound as has happened after previous restrictions. All in all, the housing market will be shrouded in uncertainty in the coming months, although that should not stop the Bank of Canada from raising key rates again next week.

_Frances Dupuis, Vice-President and Chief Economist_  
_Hélène Bégin, Senior Economist  •  Benoit P. Durocher, Senior Economist  •  Francis Généreux, Senior Economist_  
_Desjardins, Economic Studies: 514-281-2336 or 1 866-866-7000, ext. 5552336  •  desjardins.economics@desjardins.com  •  desjardins.com/economics_