### Canada: Housing Starts Are Up

**HIGHLIGHTS**

- There was a total of 248,138 housing starts in Canada in June, a monthly increase of approximately 30%.

- The trend, which corresponds to the six-month moving average, is also on the upswing, with 220,041 units built in June compared to 216,701 in May.

- At 172,845 units, the construction of multi-unit housing in urban centers set a new record in the country last month. The number of single-family homes dropped 3.5% in June, with a total of 55,999 units built.

- Housing starts in June jumped in Atlantic Canada, Quebec and Ontario, but dipped in the Prairies and British Columbia.

- In Quebec, there were 59,891 housing starts in June, compared with 41,330 in May.

**COMMENTS**

Residential construction in Canada was surprisingly strong in June. However, existing home sales reached their lowest level in five years. Stricter mortgage rules applied in January 2018 have affected the resale market, but they do not seem to have slowed new construction for the moment. The demand for single-family homes is, nevertheless, declining due to high prices and the scarcity of land, while the number of new apartment projects is growing.

Condominium starts remain important, especially in Toronto and neighbouring communities. Last month, condos recorded their highest number in 30 years in the GTA. According to the Canada Mortgage and Housing Corporation (CMHC), demand for condos remains high throughout the country, and the inventory of new units is below the average for the last 10 years.

Quebec has had an excellent first six months. Housing starts were strong due to the number of condos and rental apartment projects, in particular, those aimed at seniors. Resale market activity remains constant, and the annual rise in prices is approaching 5% in the first half of the year. The favourable economic situation continues to sustain the housing market.

**IMPLICATIONS**

The number of housing starts in June is another indication of the strength of the Canadian economy. This should prompt the Bank of Canada (BoC) to raise its key rates again as planned tomorrow. However, the heightened trade tensions with the United States, as well as the escalating trade barriers, are causing greater uncertainty. Without a doubt, a long period of stable key rates would be appropriate following the July decision, with the next rise in key rates possibly postponed until 2019.

*Hélène Bégin, Senior Economist*