

## QUEBEC

May 8, 2015

### Housing starts did not rebound in April

#### HIGHLIGHTS

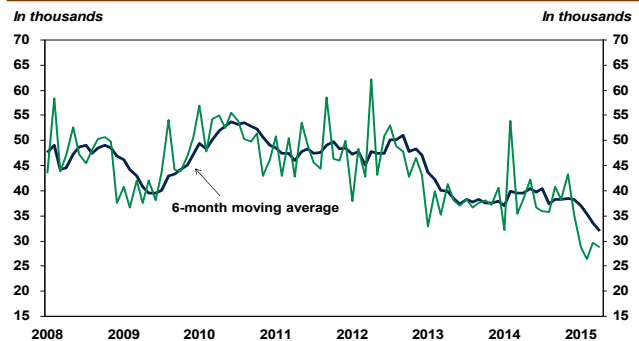
- For Quebec as a whole, housing starts (annualized and seasonally adjusted) did not rebound as anticipated in April. The 28,600 units started proved to be even lower than March's 29,500 units.
- According to the raw data, from April 2014 to April 2015, housing starts are down 29.0% in urban centres with populations of at least 10,000. For the first four months of the year, they are down a total of nearly 30% from the same time last year.
- With the exception of Sherbrooke, the province's six metropolitan areas posted annual declines. From the start of the year, only Quebec and Sherbrooke CMAs are showing increased activity in homebuilding.

#### COMMENTS

Beyond the apparent stability in new construction compared with previous months, the lack of a recovery by housing starts in April is a concern. The weak first quarter results are likely due to the exceptionally cold weather seen in the first three months of the year. However, the return to more normal weather in April should, in principle, have stimulated construction activity. Housing starts have been sluggish for several months and this morning's results suggest that the pace will drop more than anticipated this year.

For now, only construction of rental apartments is on the rise in the province's six major agglomerations. The annualized gains are 38% for April and 17% for the first four months of 2015. From the start of the year, single-family dwellings are off more than 20%, while condos have plunged nearly 50% in the province's six metropolitan areas.

Housing starts remain weak April



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

**Implications:** The persisting weakness in housing starts suggests that new construction could slow more sharply than anticipated in 2015. Our forecast calls for housing starts to retreat by about 10% this year; that would have to be adjusted if no upswing materializes in the coming months. New construction's slower pace is welcome, however, particularly in the condo segment with its major surpluses in nearly all agglomerations. The slowdown will make it possible to put the market back on sounder footing, fostering an eventual return to equilibrium.

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