

ECONOMIC NEWS

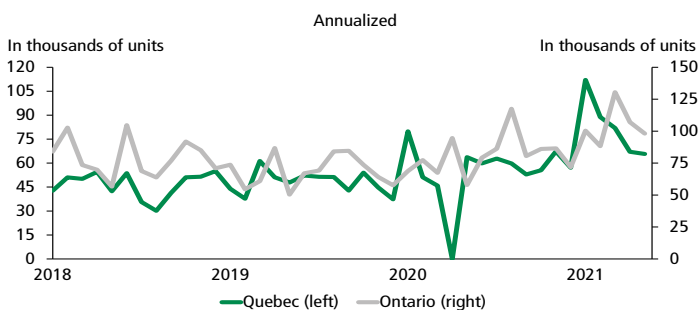
Residential Activity Is Flagging in Quebec and Ontario

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HIGHLIGHTS

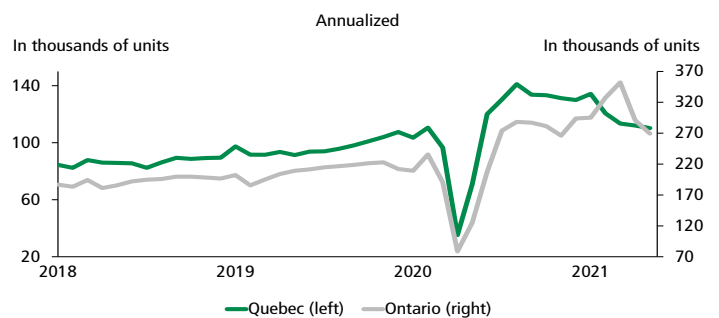
- ▶ Housing starts in Quebec slumped for the fourth month in a row in May after reaching an all-time high in January. The construction of 65,714 homes began in May, compared with 67,114 units in April—a 2.1% drop.
- ▶ In Ontario, housing starts fell for the second straight month, from 107,045 in April to 98,185 in May, a decline of 8.3%. The level is thus back down below the 100,000-unit threshold.
- ▶ Home sales slumped in Canada in May. Quebec and Ontario followed the trend, with a drop in monthly sales of 1.6% and 7.4% respectively.
- ▶ Average prices were relatively flat in Quebec (\$450,364) and Ontario (\$839,927) in May compared with April. The respective increase over the past year is nevertheless 28.6% and 37.6%.

GRAPH 1
Housing starts are falling in Quebec and Ontario



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

GRAPH 2
Drop in existing home sales in central Canada



Sources: Canadian Real Estate Association and Desjardins, Economic Studies

COMMENTS

After peaking at the beginning of the year, a lull in the Quebec and Ontario new construction was expected. However, housing starts continued to increase in the rest of Canada, indicating that Quebec and Ontario have started to trend down earlier than elsewhere in the country. Nationally, property sales are flagging.

IMPLICATIONS

Despite the lull in activity, the level of housing starts and property sales is still very high historically. The fact that prices are starting to stabilize is also in line with our forecast scenario. Demand is eroding because of the drop in affordability, which is starting to put a damper on prices in Quebec and Ontario.