

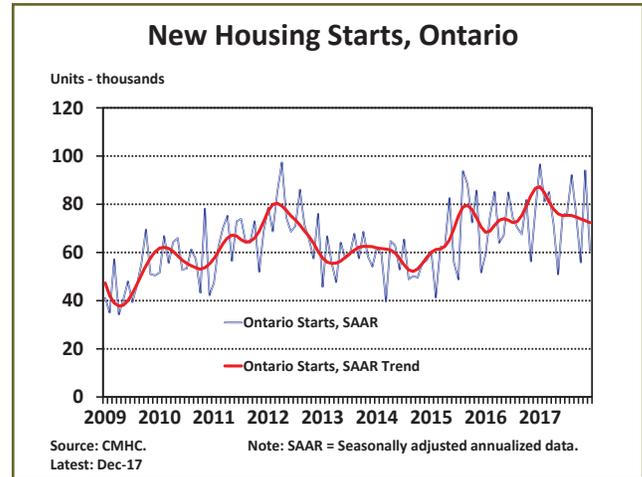
**HIGHLIGHTS:**

- Higher-density housing contributed to new housing starts growth in 2017
- Gains to residential permits not enough to offset non-residential permit decline in November
- Ontario new vehicle sales decreased in October but prices are up
- Influx of people from abroad continues to drive population growth

**Ontario’s new housing starts increased in 2017 due to strong gains in higher density housing**

December housing starts decreased following significant gains in the previous month. Total housing starts in Ontario came in at 60,918 (-35.2 per cent over November) units seasonally-adjusted at annual rate (SAAR). New housing starts dropped due to fewer semi-detached (-8 per cent over November), row/townhomes (-19.8 per cent over November), and apartment (-61.1 per cent) projects breaking ground. Single-detached starts increased 3.8 per cent to 24,403 SAAR in December. New housing starts are a lagging indicator, representing home purchases from months ago. With new stress-testing rules coming into effect in January 2018, many Ontarians pushed ahead their new home purchases and chose single-detached homes over multiples in order to take advantage of higher mortgage pre-approvals while they could.

In the Greater Golden Horseshoe, new housing starts decreased to 37,547 (-46.2 per cent over November). Toronto’s new housing starts posted declines in both single-detached homes (-7.7 per



cent over November) and multiples<sup>1</sup> (-51.1 per cent over November). Almost all of Ontario’s census metropolitan areas (CMA) posted fewer starts in December over November -- the only CMAs to post gains were Peterborough and Kingston.

Despite monthly fluctuations, Ontario’s new housing starts posted the highest annual total since 2004. Starts increased 5.4 per cent over last year due to strong gains in semi-detached homes (+25.8 per cent) and row/townhomes (+32 per cent). Apartments increased modestly (+0.3 per cent), while single-detached homes returned some growth (-1.3 per cent). New housing starts decreased slightly in Toronto (-0.7 per cent) due to moderation in single-detached and apartments starts which could not be offset by gains to semi-detached and row/townhome new housing starts. CMAs posting strong gains in 2017 include: Brantford (+25.4 per cent); Kingston (+68 per cent); London (+27.3 per cent); Oshawa (+13.8 per cent); Ottawa-Gatineau (+40.8 per cent); St. Catharines-Niagara (+12.2 per cent); and Thunder Bay (+55.2 per cent). Affordability, land scarcity, and policy changes all affected home choice in 2017, particularly in denser urban centres. As a result, many new home buyers looked at higher density housing such as semi-detached, and row/townhomes as a substitute for single-detached homes.

<sup>1</sup> Multiples is the sum of semi-detached, row/townhome, and apartment new housing starts.

The new policies will continue to affect the new homes market in 2018. New housing starts will moderate in 2018 as potential buyers remain on the sidelines, saving for larger down payments while either remaining in their current homes or in rental, rather than moving up. Higher density housing, such as semi-detached homes and row/townhomes, will remain popular options in the year ahead: these housing types are a closer substitute for single-detached homes without the higher price tag.

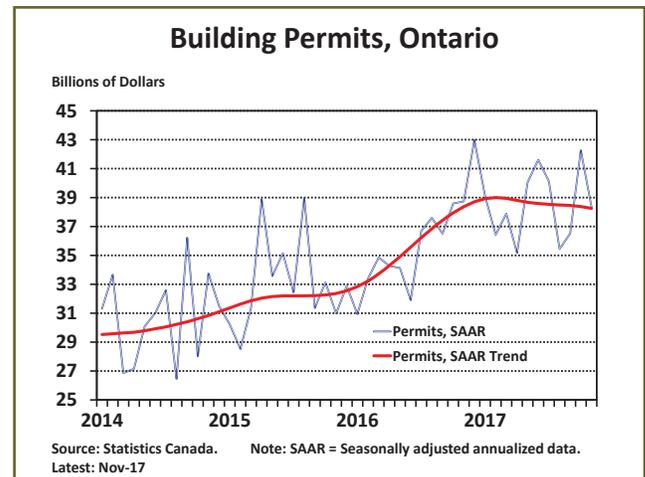
### Non-residential building permits drags down total building permits in November

Building permits issued in November were down by 9.3 per cent from October to \$3.2 billion seasonally-adjusted.

Following growth in the prior two months, non-residential permits reversed trend and dropped by 27 per cent to a seasonally-adjusted \$1.1 billion, due to moderation across all non-residential building permit types. Institutional and governmental building permits gave back the most growth this month (-40.7 per cent over October seasonally-adjusted), followed by industrial building permits (-34 per cent over October seasonally-adjusted) and commercial building permits (-15.7 per cent over October seasonally-adjusted)

Residential building permits issued in November posted 4.2 per cent growth over October to \$2.1 billion seasonally-adjusted. Both single-family and multi-family building permits contributed to residential building permits growth in November, but the gains to residential building permits could not offset the drop to non-residential building permits which pushed total permit growth down this month.

Pent up housing demand in the resale market continues to spill over to the new homes market, thus putting upward pressure on residential building permits. On the other hand, while business owners remain optimistic, higher wage costs due to the minimum wage increase that took hold on January 1, are a drag on investment and a reason for decreased non-residential permit values.



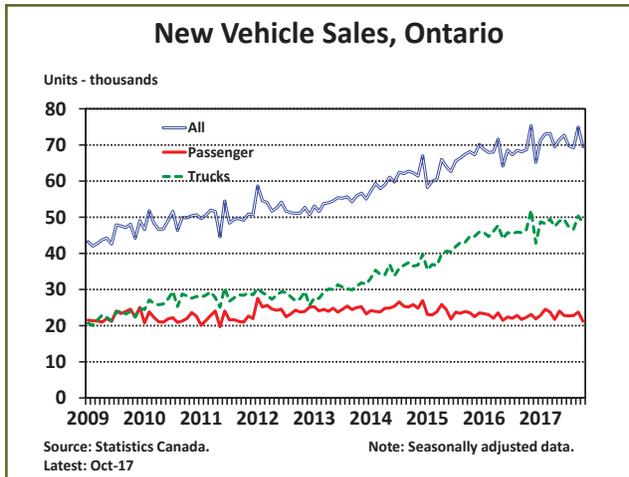
Metropolitan areas with significant gains in total permit values during November were: Barrie, Belleville, Brantford, Greater Sudbury, Kitchener-Cambridge-Waterloo, London, Oshawa, Peterborough, and Windsor. Declines occurred in: Toronto, Ottawa-Gatineau (Ontario-part), Kingston, Hamilton, and Guelph.

Year-to-date activity was 11.3 per cent higher (+9.1 per cent seasonally-adjusted) over the same period last year. The dip this month in non-residential permits notwithstanding, this segment's growth continues to outstrip residential permit growth over the first eleven months, coming in at 23.9 per cent (+17.9 per cent seasonally-adjusted) and 4.9 per cent (+4.6 per cent seasonally-adjusted) respectively. Gains in non-residential permits is broad-based while single-detached home permits weigh on residential permits.

Most metro areas saw more permits issued in 2017 than the year before. The only exceptions were Kitchener-Cambridge-Waterloo, London, Peterborough and Windsor.

### Ontario new vehicle sales decreased in October due to less supply but prices are up

Ontario new vehicle sales decreased 13.5 per cent in October over September (-7.2 per cent seasonally-adjusted). The drop in new vehicle sales was due to a large decline in sales in both passenger vehicles and truck vehicles. In October passenger vehicles sales decreased 18.3 per cent (-10.7 per cent seasonally-adjusted)



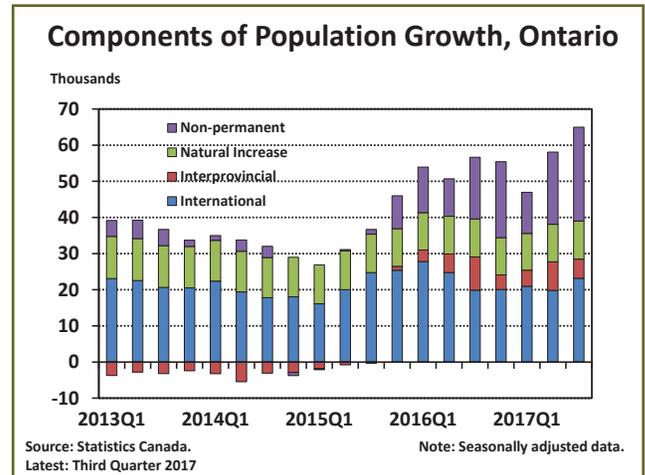
and truck vehicle sales decreased 11.2 per cent (-3.6 per cent seasonally-adjusted). Total new vehicle sales of North American-made vehicles decreased 15.5 per cent in October (-8.4 per cent seasonally-adjusted).

Despite the lower unit sales, the average price of vehicles increased due to new models making it to showroom floors, which carry a higher price tag than last year’s discounted models. The average price of North American brands increased 3.6 per cent (+5.8 per cent seasonally-adjusted). The average price for all new vehicles increased 3.4 per cent in October (+4.9 per cent seasonally-adjusted, due to price growth in passenger cars and trucks).

Over the first ten months of 2017 new vehicle sales were up 5.1 per cent (+4.9 per cent seasonally-adjusted, due to equally strong sales growth of passenger vehicles and truck vehicles. Sales of North American-made vehicles were also up due to strong sales growth from both types of new vehicles.

Average new vehicle price was also up 4.6 per cent (+4.4 per cent seasonally-adjusted) through the first ten months of 2017, and average price for new North American made vehicles was up 4.9 per cent (+4.8 per cent seasonally-adjusted). The price growth resulted from a jump in price for passenger vehicles and trucks. With trucks more expensive than passenger vehicles, they contributed more to pushing the average price up.

Ontario’s economy continues to be supportive of consumer demand, especially durable goods such as automobiles. As wages increase and



jobs creation continues, consumers will feel comfortable making big ticket purchases such as automobiles.

**Ontario’s population continued to increase in the third quarter due to mainly immigrant and non-permanent resident growth**

Ontario’s population increased by 1.8 per cent SAAR by the end of the third quarter, outpacing national SAAR population growth for several months.

Ontario’s population increased due to significant growth in immigrants, settlements from abroad, non-permanent residents, and people temporarily in Canada on work or study visas. Of all the new Ontarians in the third quarter, immigrants and non-permanent residents accounted for 75.6 per cent of the increase. In fact, without an influx of immigrants and net non-permanent residents, Ontario’s population would have only increased by 0.4 per cent SAAR versus 1.8 per cent SAAR. Furthermore, the contribution to population growth from non-permanent residents has been steadily increasing and is currently higher than the contribution from immigrants. Natural increase (the difference between births and deaths), and net interprovincial movements (movements of people from other parts of Canada to Ontario), each accounted for 16.2 and 8.2 per cent of the net growth in population.

Policy changes in recent years have made it easier for students and temporary workers to come to Canada, and have contributed to an increase in non-permanent residents. For many,

non-permanent permits are becoming a quicker path towards permanent residency and citizenship. Geopolitical tensions in other parts of the world have also attracted immigrants and non-permanent residents to Ontario searching for political and economic stability.

Ontario's economic growth continues to act as a magnet for both foreigners and Canadians in other parts of the country. Fourth quarter population estimates should continue to rise, given continued economic strength in Ontario.

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