

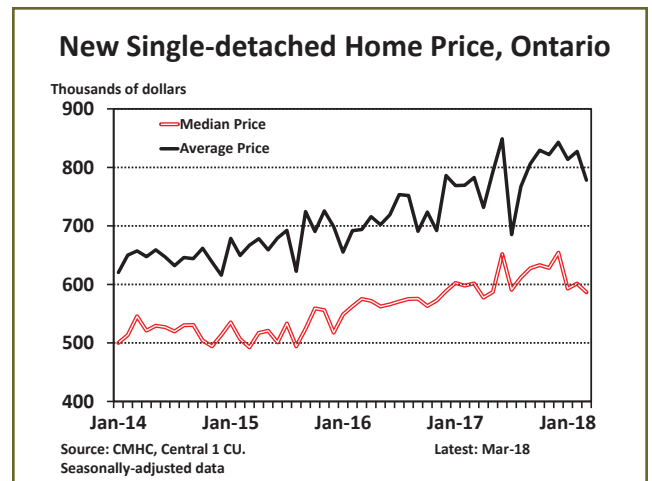
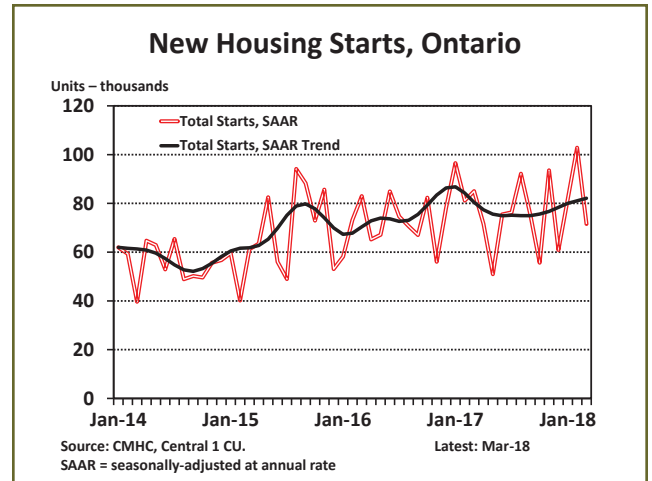
**HIGHLIGHTS:**

- New housing starts dip in March; the price of a new single-detached home declines as well, posting the highest month-over-month decline since last July
- Existing home sales are up in March but average price growth was very modest

**Ontario housing starts were down in March due to fewer starts in the Greater Golden Horseshoe**

Ontario housing starts declined 30.4 per cent from February to a seasonally-adjusted at annual rate (SAAR) of 71,588 units in March, putting the brakes on two months of robust new housing activity which started 2018. The decline in March was due to significantly fewer row/townhomes and apartments starts, which decreased by 12.1 and 50.7 per cent respectively. Single-detached and semi-detached SAAR new housing starts increased by 8.1 per and 13 per cent respectively, but, gains to these housing types could not off-set the declines to row/townhomes and apartments, which together represent well over half of all new housing construction in Ontario.

SAAR housing starts in the Greater Golden Horseshoe (GGH) declined by 37.3 per cent in March to 53,289 units which pulled down total starts in the province. Excluding the GGH, SAAR new housing starts in other parts of Ontario increased by 2.3 per cent in March to 18,299 units. Ontario regions that posted gains in the month include the following Census Metropolitan Areas (CMAs): Brantford (up 25.9 per cent), Guelph (up 61.8 per cent), Kingston (up 16.2 per cent), Kitchener-Cambridge-Waterloo (up 82.1 per cent), London (up 6.6 per cent), Oshawa (up 58.5 per cent), Ottawa (up 141.2 per cent) and, St. Catharines-Niagara (up 17.5 per cent).



The seasonally-adjusted price of a new single-detached home in Ontario, based on contract price, trended down in March. The average price declined 5.9 per cent to \$778,127 from February and the median price also declined by 2.5 per cent to \$586,693. Average and median price growth has posted month-over-month declines for two of the first three months of 2018. March's seasonally-adjusted average price decline was the largest month-over-month decline since the summer of 2017.

Residential building permit dollar volumes for all CMAs in Ontario declined by 9.7 per cent to \$1.67 billion in February over January, due to lower building permit volumes for both single-detached homes and multi-family homes, which declined by 14.6 and 4.1 per cent respectively.

Volumes in the GGH, where Toronto CMA dominates, decreased 10.4 per cent to \$1.34 billion in February due to a 20.1 per cent drop in single-detached permit volumes. Multi-family permit volumes in the GGH increased slightly by 0.5 per cent. Permit volumes in CMAs outside of the GGH also decreased in February by 6.5 per cent to \$328.1 million due to a 23.3 per cent volume decline to multi-family homes, compared to a 9.5 per cent increase to single-detached permit volumes.

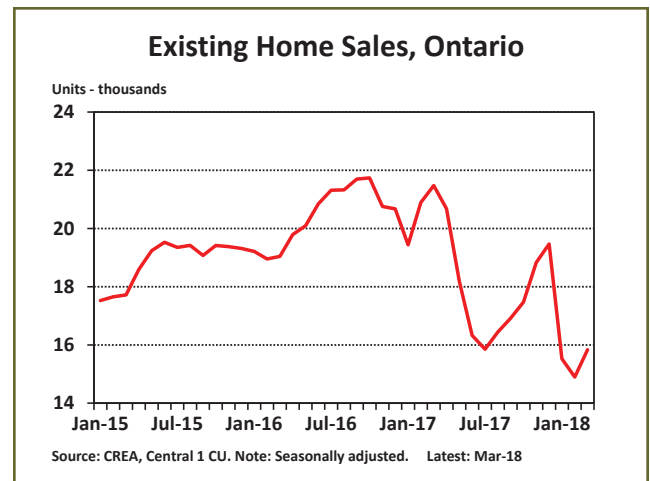
CMAs that posted permit volume gains in February include: Greater Sudbury (up 7.9 per cent), Guelph (up 245 per cent), Hamilton (up 0.9 per cent), Kingston (up 9.4 per cent), Ottawa-Gatineau (up 0.8 per cent), Peterborough (up 0.3 per cent), Thunder Bay (up 25.8 per cent), and, Windsor (up 33.1 per cent).

Home building activity and intentions to build appear to be cooling in Ontario's denser markets as evidenced by fewer starts in March and fewer building permit volumes from February in the GGH. The increased interest rates and new policies in place since the spring of 2017, aimed at slowing down mortgage debt growth, appear to be dampening new housing demand in markets in the GGH. In markets outside the dense core, starts went up in March but permit volume data from February declined due to lower multi-family permit volumes, despite higher single-detached home permit volumes. In these markets, like the GGH, permits are pointing to a pending moderation as well, but, because of lower contract price levels for a single-detached home in these markets relative to markets in the GGH, we can expect a higher share of new construction to be single-detached homes even as the market moderates, as some people decide to drive or commute farther in search of that single-family home.

The newest data continues to support our view that new housing demand will moderate in 2018.

### Existing home sales were up in March after two months of declines to start 2018

Ontario's existing homes market rebounded in March after posting two consecutive months of seasonally-adjusted sales and average price



declines. Existing home sales in Ontario came in at a seasonally-adjusted 15,833 units in March, up 6.3 per cent from February. New listings increased in March to a seasonally-adjusted 28,680, up 2.5 per cent following an increase in February of 16.4 per cent. With slightly higher sales growth outstripping new listings growth, Ontario's existing homes market's sales-to-new-listings-ratio (SNLR) edged up from 53.2 per cent in February to 55.2 per cent in March. The market tightened slightly in March but it is still within a balanced market. The seasonally-adjusted average price has remained relatively unchanged despite the slight tightening in the market, given higher sales going up only 0.1 per cent to \$556,747 on the heels of two previous months of average price declines.

Over the first three months of 2018, seasonally-adjusted sales are down more aggressively than new listings, pushing the market further into a balanced market. The year-to-date SNLR stands at 57.3 per cent down from 76.1 per cent over the same period last year.

Month-over-month existing home sales increased in most metropolitan markets in Ontario in March. In the GGH region, sales increased by a seasonally-adjusted 2.6 per cent in March over February. Significant sales gains were posted in metropolitan areas such as: Barrie (up 5.4 per cent), Kingston (up 21.5 per cent), Ottawa-Carleton (up 22.1 per cent), Peterborough (up 15.8 per cent), Sarnia-Lambton (up 26 per cent), and, Windsor (up 8.4 per cent).

In the first quarter of 2018, existing home sales were down in almost all metropolitan markets in Ontario compared to the first quarter of 2017

with a few exceptions. Year-over-year sales are up in the following markets: Kingston (up 1.4 per cent), Ottawa-Carleton (up 19.6 per cent), and Sarnia-Lambton (up 1.3 per cent).

After two months of sales and average price declines, the market rebounded in March, but uncertainty remains in the market going forward. Increased interest rates and policy changes remain headwinds for the market as seen by the anemic price growth posted this month, in spite of sales significant sales growth. With average price declines seen over the first two months, some sellers who are unable to sell their home at a price that matches their expectations have retreated and removed their homes from the market. On the other hand, some potential buyers woke up from the winter slumber and came back stronger in March following sales declines each of the first two months, also contributing to fewer listings. With the new rules, buyers are changing both the type of home and the price point they are considering, hence the anemic growth this month. Buyers are increasingly looking at higher-density housing and homes in lower price ranges. Higher-end homes continue to feel the pinch of the new policies and higher interest rates. The data released this week continues to support our view that the market is still adjusting and will take time to fully recover. We expect slower growth up until the first half of the year with the second half of the year showing a more pronounced recovery.

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