

Highlights

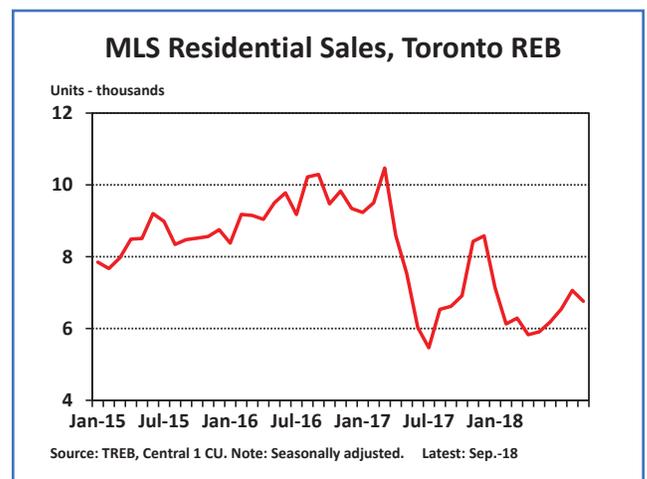
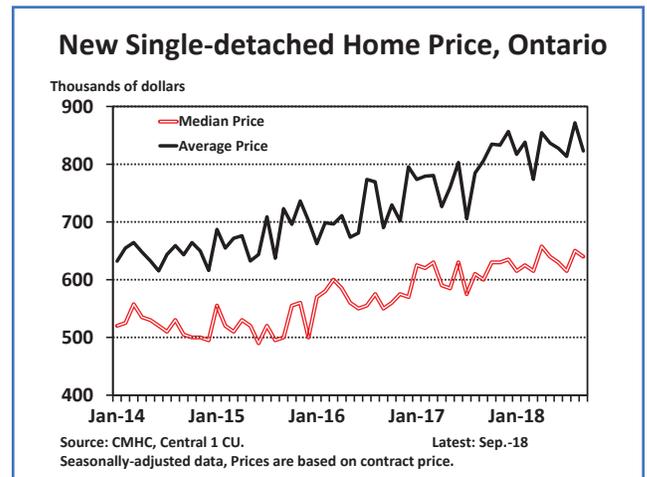
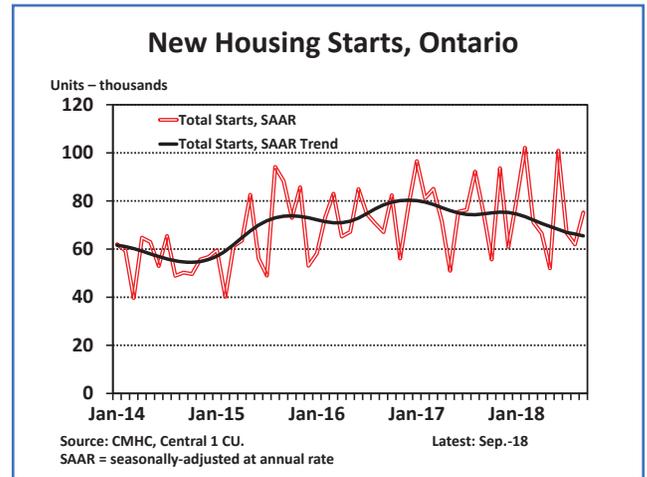
- Housing starts jumped 21.3 per cent in Ontario
- Average home price in Toronto declined by 0.3 per cent to \$807,810

New home construction posted a very healthy gain in September

Ontario new housing construction came back significantly in September, after two months of modest month-over-month activity. During the month, 75,202 new foundations were poured at the seasonally adjusted annual rate (SAAR). This is a jump of 21.3 per cent over last month and the fourth time that Ontario has posted a month-over-month increase this year. With the strong pick-up in activity, starts are now closer to our forecast for 2018 of 76,000 units.

Looking at long-term trends, the current pace of housing starts in September is 23.6 per cent higher than the SAAR long-term monthly average. Not surprising, with the new lending rules continuing to dampen demand and home purchase budgets, higher density housing continued to account for most of the new construction in the province. Single-detached homes came back strongly in September with 7.7 per cent gains from August. This is the first time in five months that this segment has posted gains. High-density housing accounted for 71 per cent of all new construction in the month.

Housing starts in the Greater Golden Horseshoe (GGH) increased significantly in the month and helped lift total housing starts in the province. While housing starts jumped by 38 per cent in the GGH, non-GGH markets starts declined by 13 per cent. An interesting trend emerging in certain markets near Toronto, is the higher rate of high-density construction relative to new single-detached construction. One example is the St. Catharines-Niagara Census Metropolitan Area, that posted a robust jump in activity this month (164.3 per cent), mainly due to higher-density building. Year-to-date, higher-density housing accounted for a higher



share of new construction compared to last year. Even in markets outside the Greater Toronto Area, the new mortgage lending rules and perhaps shrinking green-fields, is promoting higher-density building. Economic uncertainty slowed growth prior to the signing of the United States-Mexico-Canada Agreement (USMCA).

The following CMAs posted strong new construction growth in September over August:

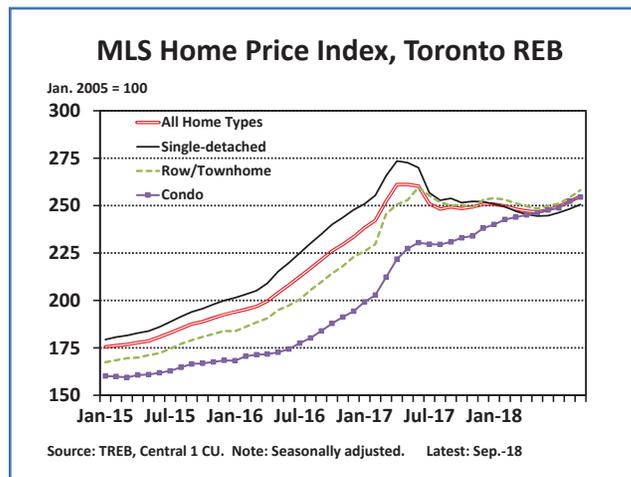
- Greater Sudbury (64.9 per cent)
- Hamilton (90 per cent)
- Kingston (115.6 per cent)
- Kitchener-Cambridge-Waterloo (103.6 per cent)
- London (173.7 per cent)
- Peterborough (5.5 per cent)
- Toronto (45 per cent)

Based on the contract price, the seasonally-adjusted average and median price of a new single-detached home in Ontario decreased in September. The median price declined by 1.5 per cent and the average price declined by 5.6 per cent. So far this year, the average and median price of a new single-detached home has declined six of the first nine months. Given the dynamics at play in the market, there is a definite demand shift away from specific types of single-detached homes and/or compositional shift. For example, instead of buying the most expensive single-detached home, some buyers may opt for a less expensive option with fewer frills and square footage or location.

Toronto's existing homes market remained firmly balanced in September

Toronto's existing homes market took a breather in September after posting four consecutive monthly sales gains. Sales declined by 4.3 per cent to 6,760 units seasonally-adjusted while supply increased significantly. New listings, which can take a few months to respond to prevailing market conditions, took their cue from the four months of sales growth and price growth and jumped by 5.2 per cent in the month to 13,621 units. With increased supply potential buyers had an abundance of choice and price growth reflected this. The average price across all home types declined month-over-month by 0.3 per cent to \$807,810. This reflected the buyer looking closer at higher-density housing and, in some instances, negotiating prices down when closing on a home. With new listings moving up significantly and sales declining, Toronto is placed well within a balanced market this month, according to the Sales-to-New-Listings-Ratio (SNLR).

Benchmark home prices, a measure of quality-adjusted prices, increased by 1.2 per cent. This is slightly above the one per cent month-over-month growth posted in August, pointing to a firming of underlying price conditions. By housing type, the town/row home benchmark price increased a further



1.5 per cent in the month continuing to remain well above the long-term average of 0.9 per cent for two consecutive months. All other home type benchmark prices increased in the month, in line with their long-term average. The strong gains to row/town home price represents the move away from single-detached homes to row/town homes, as some buyers want a low-rise home without the high price tag.

Year-to-date, sales are 17.3 per cent off last year's pace while the average price remained 5.2 per cent down from last year. New listings were 8.3 per cent off the pace. According to the SNLR, the market has descended deeper into a balanced market with a current reading of 49.8 per cent compared to 55.3 per cent at the same time last year.

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