

### Highlights:

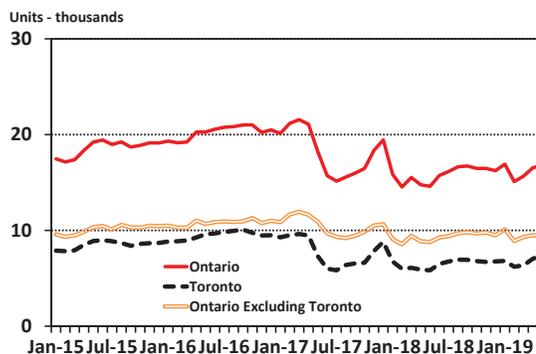
- Existing homes market tightens in May, classified as a sellers' market
- All housing start types, except townhomes, posted strong declines in May
- Industrial permit volumes surpassed half a billion for first time ever in April
- After increasing in March new car sales reversed trend and fell by 5.4 per cent in April

### Ontario existing homes market continues to rise

Existing home sales in Ontario continued to increase in May but at a slower rate than April. MLS® home sales increased by 1.6 per cent to 16,803 units (seasonally adjusted) significantly slower than the 5.6 per cent growth in sales in April. A likely culprit for the slower rate of growth in May over April could be lack of supply. There were still ample willing and able potential buyers in Ontario, but the listings were not there for them to make a purchase. New listings in the province declined by 1.1 per cent to 27,468 units. Modest price growth has decreased new listings as sellers are less inclined to entertain prices that do not meet their expectations. The average price of an existing home across all housing types inched up by 0.6 per cent to \$592,538. Monthly price growth over the first five months of the year has averaged a sluggish 0.6 per cent, significantly below the rate of inflation. Increased sales has decreased the stock of homes for sale, which has put continued downward pressure on the sales-to-new-listings-ratio (SNLR) - a rough estimate of market tightness – which corroborated that the Ontario market has become tighter. The SNLR moved to 61.2 per cent in May up from 59.5 per cent in April. With that jump, the market was classified as a sellers' market.

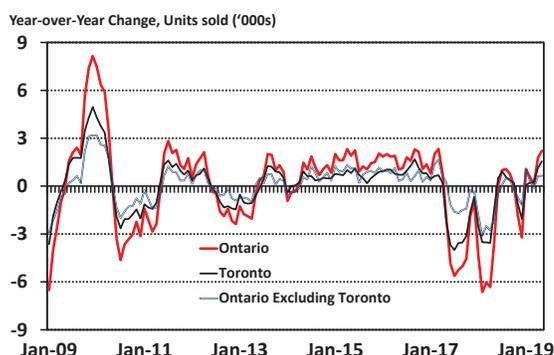
All metrics are above last year's pace over the first five months of 2019, aided largely by the boost in activity post February 2019. Sales, new listings and average price are up by 7.6 per cent, 1.2 per cent, and 3.6 per cent respectively. The SNLR is at 60.1 per cent (i.e., sellers' market) up from 56.5 per cent (i.e., balanced market).

### Existing Home Sales, Ontario



Source: CREA, Central 1 CU. Note: Seasonally adjusted. Latest: May-19

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By specific real estate board (REB), Toronto REB sales increased by 4.7 per cent and several other large REBs posted robust numbers in May including:

- Hamilton-Burlington (up 1.4 per cent)
- Kitchener-Waterloo (up 1.6 per cent)
- Ottawa (up 1.4 per cent)
- Sudbury (up 5.1 per cent)
- Durham (up 5.1 per cent)
- Mississauga (up 4.8 per cent)

Many markets in the Greater Golden Horseshoe posted strong numbers. This could be a sign that the existing homes market has begun to fully stabilize and adapt to the policy changes such as the federal mortgage stress tests. Time will tell and this is something worth continuing to monitor to see if it's a trend or merely a short-term blip.

## Strong decline to condo apartment starts deflates Ontario starts by 40.8 per cent in May

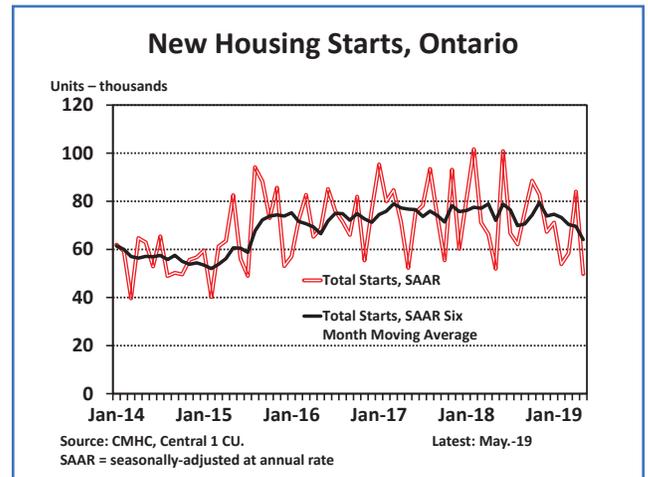
Seasonally adjusted annual rate housing starts (SAAR) in Ontario declined significantly in May by 40.8 per cent to 49,471 units. A large extent of the decline was due to condo apartment housing starts which fell by 60.4 per cent to 18,636 units SAAR. May's overall SAAR figure was the lowest monthly total since July 2015 and halted two months of growth. While high-density housing starts fell across all types, single detached starts increased by 6.7 per cent to 17,688 units SAAR. This marked three consecutive months of increases after a slow start to the year in January and February.

Over the first five months of 2019, total starts are down 14.8 per cent compared to the same period last year. Fewer housing starts in four of the first five months compared to the same corresponding month last year, has put significant downward pressure on overall housing starts figures. Year-to-date, all housing types have posted lower numbers except townhomes which remained 46.2 per cent above last year's pace.

Over the first five months of 2019 in Ontario's census metropolitan areas (CMA), total housing starts are down in Toronto (down 2.9 per cent), Barrie (down 75.0 per cent), Hamilton (down 6.2 per cent), Oshawa (down 23.7 per cent) and Windsor (down 6.2 per cent). While those markets have faced some headwinds, other markets have posted strong year-to-date numbers including:

- Kingston (up 62.8 per cent)
- London (up 28.9 per cent)
- Ottawa-Gatineau (up 13.7 per cent)
- Peterborough (up 44.9 per cent)
- St. Catharines-Niagara (up 32.5 per cent)
- Thunder Bay (up 200.0 per cent)

Part of the reason for the strong decline in new housing starts in May could be attributed to the strong backlog of units currently under construction. First quarter 2019 data from the Canada Mortgage and Housing Corporation points to a 1.5 per cent jump in units under construction year-over-year in Ontario. Condo apartments make up 73.9 per cent of the 106,979 units under construction. Year-over-year the share of condo apartments under construction has increased from 67.4 per cent in the first quarter of 2018 to 73.9 per cent in the first quarter of 2019. With apart-



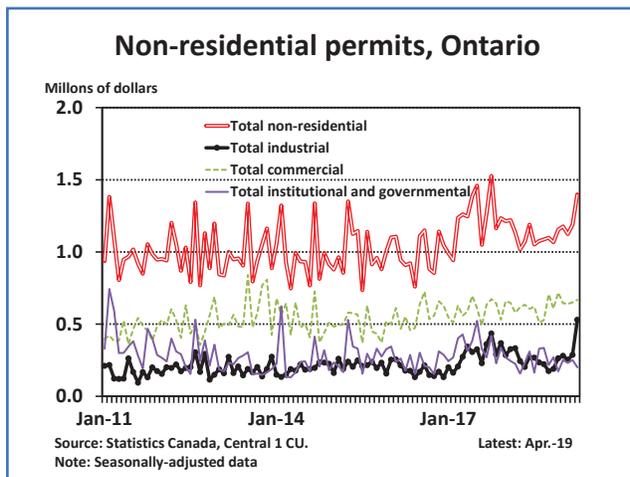
ments taking longer to build than low-rise housing, at 18.9 months for condo apartments compared to 9.6 months for a single-detached home, many resources are tied up and unable to break ground on new projects. Economic uncertainty could be contributing to the strong declines in new housing starts as many households put off a large purchase, such as a new home.

Over the first five months of 2019, total starts in Ontario are tracking at 63,432 units - well below our forecast of 71,000 units for 2019. Typically, developers ramp up construction on projects over summer, which should help get the current trend closer to Central 1 Credit Union's projection.

## Non-residential permit volumes increased by 17.6 per cent in April

Ontario's non-residential permit volumes increased by 17.6 per cent in April to \$1.4 billion due to very strong growth to industrial permits (up 84.5 per cent to \$530.2 million) and commercial permits (up 2.7 per cent to \$668.0 million) that more than offset the drop to institutional permits (down 20.4 per cent to \$200.4 million). This marked the first time that industrial permit volumes in Ontario have surpassed half a billion dollars since the data has been collected.

Over the first four months of the year, Ontario's non-residential permit volumes are up 6.6 per cent due to strong growth year-over-year in March and April to offset the sluggish growth year-over-year in January and February. Industrial and commercial permit volumes are up 13.6 per cent and 4.0 per cent respectively from last year. Despite the month-over-month drop to institutional permit volumes in April year-to-date this segment is also up from last year's pace by 4.4 per cent.



In Ontario's census metropolitan areas (CMA) non-residential permit volumes increased by 21.3 per cent to \$1.4 billion in April over March making up 74.8 per cent of all permit volumes in Ontario. In non-CMA areas non-residential permit volumes also contributed to Ontario's growth moving up by 7.8 per cent to \$352.1 million.

Over the first four months of the year, non-residential permit volumes are up 2.8 per cent in CMAs to \$3.8 billion while in non-CMA areas permit volumes are up 21.6 per cent to \$1.1 billion.

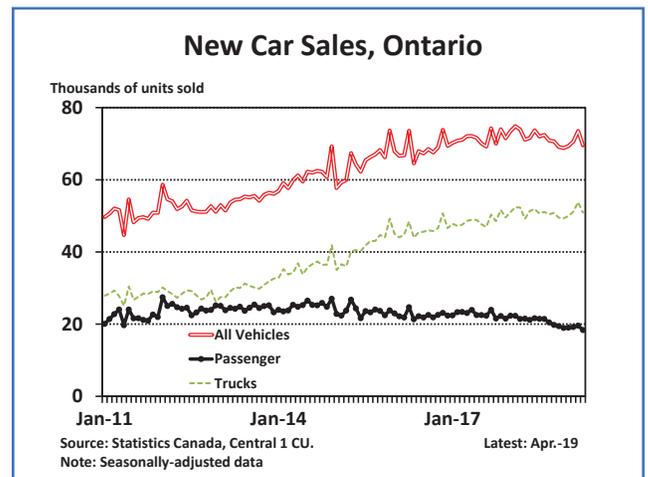
The strong month-over-month growth came from six CMAs while the rest retreated. Metro areas posting strong growth were:

- Belleville (1,561.3 per cent growth)
- Guelph (81.1 per cent growth)
- London (1,474.1 per cent growth)
- Oshawa (20.9 per cent growth)
- Peterborough (7.9 per cent growth)
- Windsor (57.4 per cent growth)

The drivers of growth in the above metro markets was mixed. Only Belleville posted growth across all non-residential permit categories.

## New car sales fell across all segments including the ever-popular truck

After posting strong sales numbers in March the new car market took a breather in April. Total new car sales fell by 5.4 per cent or 69,543 units, passenger vehicles fell by 6.3 per cent to 18,359 units and truck vehicle sales fell by 5.4 per cent to 50,899 units (all data in this section is seasonally adjusted by Central 1). Trucks equate for more than 73 per cent of total sales, ensur-



ing the continued dominance of the truck on Ontario's roads.

Average new car price also fell with sales in April. All vehicle types' average price fell by 1.9 per cent to \$43,001 due to a 3.2 per cent decline in truck vehicle prices to \$45,636. Passenger vehicle prices increased by 1.3 per cent to \$35,002.

Total car sales are 3.5 per cent off last year's pace over the first four months of the year, with passenger vehicles off pace by 13 per cent. Truck vehicles are an inch above last year's pace with year-to-date sales up by 0.4 per cent. Over the same period, new vehicle prices in Ontario are up by 2.7 per cent with passenger vehicle prices up 1.3 per cent and trucks up 2.1 per cent.

The new carbon tax was introduced in Ontario on April 1, 2019. The increased costs at the pumps are starting to have the desired effect and prodding some consumers towards not purchasing a car, taking public transit, walking more or purchasing smaller, fuel efficient used or new cars and hybrids. Seeing this as a risk to the dominance of the truck vehicle in Ontario is likely the cause for the drop in average price in April at auto dealerships.

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