

Highlights:

- First half housing starts in Ontario are lagging last year's pace by 20.8 per cent
- Higher building intentions in May of institutional spaces could not offset the declines to commercial and industrial building intentions

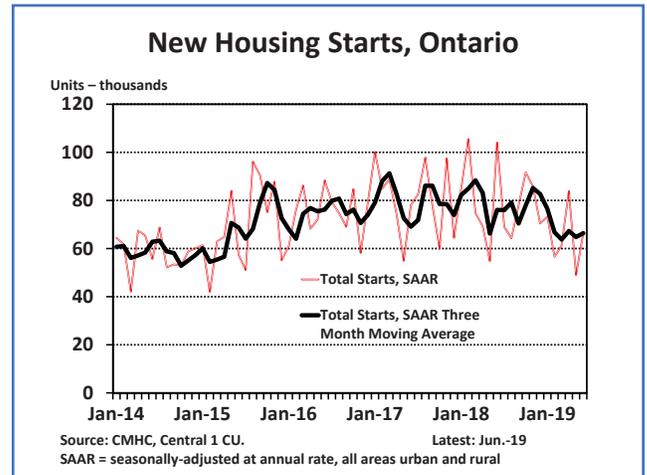
Half the year of data shows total housing starts in Ontario are averaging just over 65,000 units for the year

Ontario's new housing starts numbers for June increased by 35.9 per cent to 65,326 units at seasonally adjusted at annual rate (SAAR) due to strong growth in new construction of condo apartments, up 87.1 per cent, and single-detached homes, up 7.5 per cent, which together made up over 80 per cent of all new construction projects. Semi-detached homes increased by 22.5 per cent while townhome construction fell by 3.4 per cent.

Despite June's impressive month-over-month showing total starts over the first half of the year in all areas of Ontario with populations over 10,000 people lag last year's pace by 19.8 per cent due to strong year-to-date contractions in activity across all housing types except townhomes that remained 31.2 per cent above last year's pace. Moreover, in the first six months of 2019, total housing starts lag each corresponding month's total in 2018 and in 2017 with the sole exception being April in both years.

In June, housing starts increased in one-third of Census Metropolitan Areas (CMAs). Among this group was the Toronto CMA which accounted for nearly 54 per cent of all the new housing starts in June, 34,998 SAAR units, and increased month-over-month by 73.3 per cent helping to lift the province's total significantly. Moreover, Toronto's growth came largely from many multi-family units breaking ground, nearly 89 per cent of the 34,998 SAAR units. Other markets that posted housing starts growth month-over-month in June included:

- Greater Sudbury, 65 per cent growth to 226 SAAR units



	YTD Change (%)
Barrie	-81.8%
Brantford	-53.1%
Greater Sudbury	-39.5%
Guelph	-31.3%
Hamilton	-25.6%
Kingston	-19.2%
KCW	3.1%
London	2.6%
Oshawa	-32.4%
Ottawa-Gatineau	4.6%
Peterborough	11.1%
SCN	28.4%
Toronto	-27.3%
Thunder Bay	235.2%
Windsor	-6.8%
Ontario, urban areas	-19.8%

- Kitchener-Cambridge-Waterloo, 121.9 per cent growth to 2,049 SAAR units
- London, 143.4 per cent growth to 2,846 SAAR units
- Ottawa-Gatineau, 18.9 per cent growth to 8,974 SAAR units

Over the first half of 2019, new housing starts are down in most metro markets compared to the same period last year. New housing starts in Toronto are down by 27.3 per cent, a region that accounts for over half of all new housing construction in Ontario.

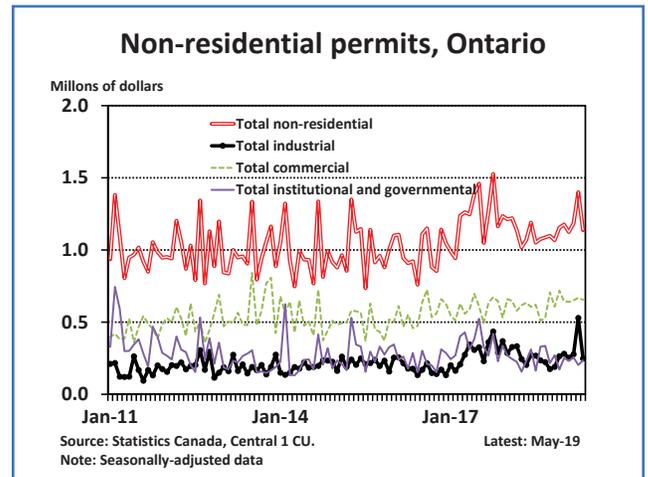
Year-to-date, the contract price for a new single-detached home in Ontario averaged 11.6 per cent higher compared to the first half in 2018. Moreover, the average contract price over the first half of 2019 is higher than the 7.1 per cent year-over-year measure at the same time in 2018 compared to 2017. The stubbornly expensive contract price for new single-detached homes in Ontario could be a reason why buyers of new homes in Ontario, particularly dense markets like Toronto, Ottawa-Gatineau, Hamilton, and Kitchener-Cambridge-Waterloo are looking at new multi-family housing first when looking to buy a new home.

Over the first half of 2019 total housing starts in Ontario, all areas urban and rural, are trending 65,069 SAAR units, 20.8 per cent off of last year's pace. Our current forecast for 2019 calls for housing starts in the range of 65,000 to 68,000 units, so current pace is running well within our expected range. A contraction in new housing was expected to finally occur in 2019 due to the lagging nature of new construction, after the new policies put in place in 2017 and 2018 finally affecting new construction. Yet, the extent of the contraction may be deeper than previously anticipated given not only the two policy shocks but also significant external economic uncertainty continuing to take a bite out of consumer and business confidence.

Non-residential building intentions in Ontario recoiled in May by 18.7 per cent

After posting robust double-digit growth in April non-residential building permit volumes gave back all that growth and then some in May. Non-residential permit volumes recoiled in Ontario by 18.7 per cent to \$1.1 billion due to sizeable contractions in the building permit volumes for industrial (53.1 per cent decline to \$248.0 million) and commercial projects (1.9 per cent decline to \$655.1 million). Together these two sectors account for typically close to 80 per cent of all non-residential activity in Ontario. Any increases or declines in both these areas will affect total non-residential building permit volumes growth in the province. Institutional building permit volumes increased by 15.5 per cent in May over April to \$234.7 million.

Despite May's month-over-month decline over the first five months of 2019 non-residential building permit volumes in Ontario are still 6.4 per cent above last year's pace due to growth across all sectors. Industrial building permit volumes are up 14.0 per cent, commercial building permit volumes are up 3.9 per cent and institutional building permit volumes are up 4.3



per cent. Total building permit volumes in 2019 have benefitted from strong year-over-year growth from March to May that has more than offset year-over-year declines to start the year in January and February.

Month-over-month the 18.7 per cent decline in total permit volumes was due to a general contraction in activity, not only in large metro markets in Ontario but also areas outside of metro markets. As a whole, metro markets posted 9.1 per cent lower building permit volumes in May over June to \$954.2 million while non-metro areas posted 47.5 per cent lower building permit volumes month-over-month to \$183.5 million.

Of the 16 metro areas in Ontario seven posted lower month-over-month non-residential building permit volumes in June for a net month-over-month decline of \$323.9 million. Areas that posted permit volumes growth included:

- Barrie, 78.7 per cent growth or \$3.4 net million gain
- Greater Sudbury, 21.4 per cent growth or \$2.2 net million gain
- Hamilton, 376.4 per cent growth or 111.8 net million gain
- Kingston, 1,899.6 per cent growth or \$47.5 net million gain
- Oshawa, 305.7 per cent growth or \$21.5 net million gain
- Ottawa-Gatineau, 9.0 per cent growth or \$4.4 net million gain
- St. Catharines-Niagara, 116.4 per cent growth or 13.4 net million gain
- Toronto, 4.2 per cent growth or \$21.5 net million gain
- Thunder Bay, 133.8 per cent growth or \$2.1 net million gain

Together the above metro markets posted a net month-over-month gain of \$227.8 million not enough to offset the previously mentioned \$323.9 net million decline in all other metro markets.

Higher construction intentions in Ontario for nursing homes lifted overall institutional building permit volumes in May. Dampened business confidence may have likely been a contributing factor for lower building intentions in the commercial and industrial spaces.

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