Ontario Economic Briefing

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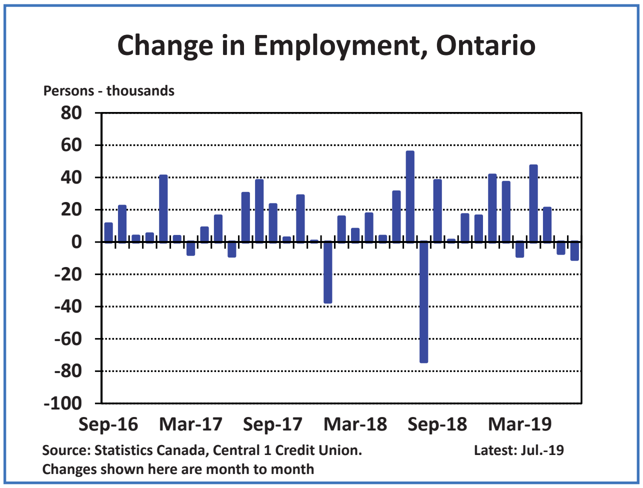
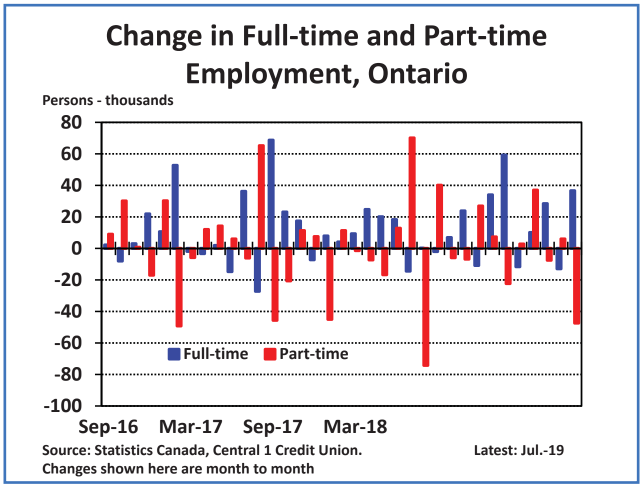
Highlights:

- The unemployment rate continued trending up in July settling at 5.7 per cent
- Despite robust month-over-month growth starts are lagging year-to-date
- Toronto's existing homes market continued to tighten in July, now knocking on the door of a sellers' market





Shedding of part-time jobs overshadowed the gains to full-time work in July

Employment fell in Ontario in July by 10,700 jobs or 0.1 per cent over June due to a very strong contraction to part-time jobs that more than offset the gains in full-time jobs. Over the course of July, Ontario lost 47,400 part-time jobs and gained 36,600 full-time jobs. Moreover, this marked two consecutive months that employment declined and the number of people unemployed and looking for work increased. With more people entering the workforce to actively look for work, and more job losses, it's taking longer to land a job. The province's unemployment rate moved up from 5.4 per cent in June to 5.7 per cent in July.

Shedding of jobs in the goods and services sectors pulled down overall employment growth in July. The goods sector reported more than 8,000 job losses due to strong contractions in manufacturing and utilities. While the services sector reported more than 2,600 job losses due to strong declines in wholesale trade, education, transportation and warehousing, and accommodation and food services.

Central 1's forecast for Ontario unemployment in 2019 currently stands at 5.9 per cent. Increased uncertainty and more people entering the labour market looking for work continues to inflate the unemployment rate and get it closer to the forecast.

Housing starts continued to climb in July

Overall housing starts in Ontario increased a further 5.6 per cent to 70,026 units at seasonally adjusted at annual rate (SAAR) in July following June's strong growth of 35.5 per cent.

Despite the strong numbers over the last two months, Ontario continues to lag the pace set last year. Over each of the first seven months of 2019 total starts in Ontario lagged last year's total five of those first seven months so far. With that weaker activity year-to-date, starts in 2019 lag last year's total by 18 per cent. Over this period Ontario is on pace to break ground 65,843 total homes which is lower than Central 1's forecast of 71,000 total homes.

Housing starts in urban centres with at least 10,000 residents increased by 4.2 per cent to 67,943 units SAAR in July. The growth in new construction came mostly from increased starts of single-detached homes, townhomes and condo apartments. Semi-detached home starts contracted in July.

Year-to-date, housing starts in urban centres are lagging last year's total by 17.1 per cent. Housing starts are down across all home types except townhomes which are 30.1 per cent above last year's pace.

In July, the following large metro areas posted robust numbers, either up or down:

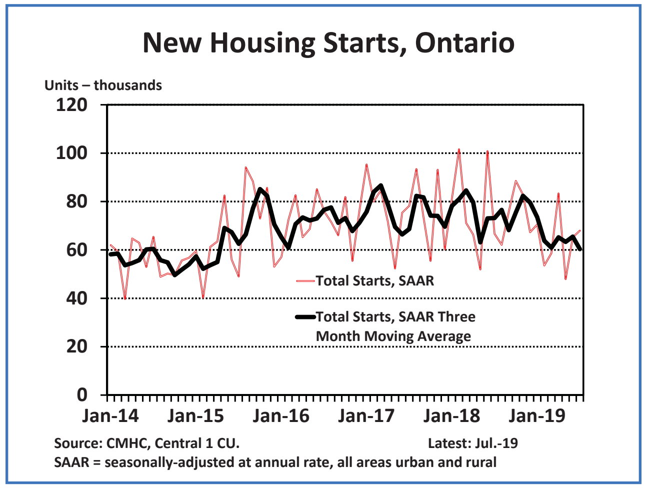
- Hamilton (starts declined 17.9 per cent)
- London (starts declined 40.0 per cent)
- Oshawa (starts declined 31.5 per cent)
- Ottawa-Gatineau (starts declined 26.5 per cent)
- Toronto (starts declined 5.5 per cent)
- Windsor (starts increased 527.3 per cent)
- Kitchener-Cambridge-Waterloo (starts increased 37.1 per cent)

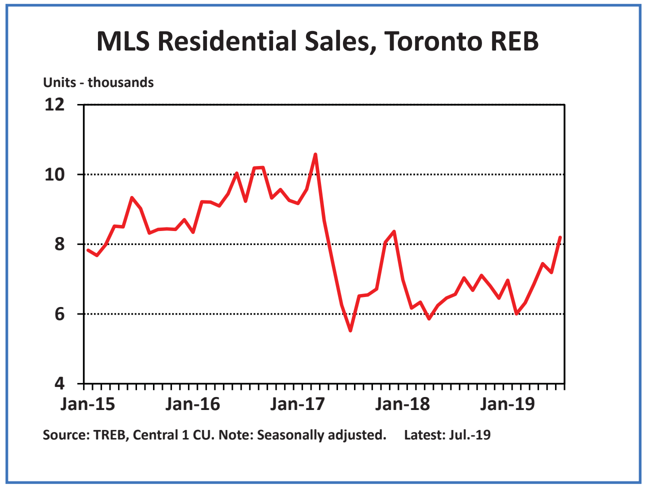
Toronto's home sales rebounded significantly in July

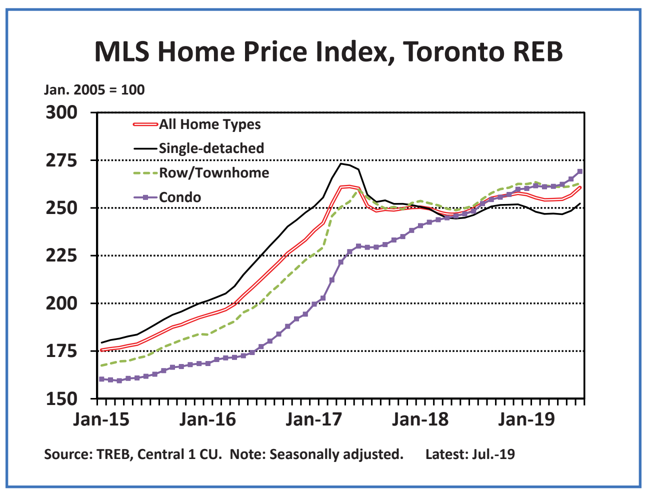
Existing home sales in Toronto rebounded strongly in July coming in 14.0 per cent higher or 8,195 seasonally adjusted units in large part due to more supply in the market (all figures in this section are adjusted by Central 1 unless otherwise stated). In July, new listings increased in Toronto by 10.4 per cent to 13,834 units. July's jump in new listings was the largest month-over-month jump since May 2018. A likely reason for the jump in supply in Toronto may have been continued price growth. July marked the fourth consecutive month where price growth climbed in Toronto after three consecutive months of price contractions to start 2019. In July, the average price of an existing home in Toronto moved up by 2.4 per cent to $828,671 over June. Despite the continued growth, it is worth noting that price growth continues to align with inflation. Stronger sales growth relative to the new listings growth tightened Toronto's existing homes market further moving the sales-to-new-listings-ratio (SNLR) up in July to 59.2 per cent up from 57.4 per cent. Even though the market remained in balanced market territory, it is the closest the market has come to breaking the ceiling and entering a sellers' market this year.

Over the first seven months of 2019, sales remained 9.8 per cent above last year's pace while new listings remained 1.5 per cent above last year's pace. The average price of a home remained 2.4 per cent above last year's pace at $790,110. Sluggish supply growth and strong sales growth pulled up the SNLR to 53.9 per cent (up 4.1 per cent).

According to the Toronto Real Estate Board's (TREB) housing price index metric by home type, the overall







index is up 3.1 per cent over last year due to continued price growth in higher-density housing such as townhomes (4.4 per cent) and condo apartments (7.5 per cent) while single-detached home prices are up slightly (0.7 per cent).

Despite increased supply, brought about by price growth from buyer competition for units, it seems buyers are still looking for high density housing options and thus why price growth continued to trace the rate of inflation. A couple of factors are possibly in play for buyers' continued interest in higher-density housing in Toronto:

- affordability concerns due to the federal mortgage stress test acting as a binding constraint;
- external economic uncertainty keeping buyers cautious and not overextending themselves on a home purchase; or,
- market preferences as many younger buyers opt for a high-density unit closer to the urban cores to enjoy access to public transportation, entertainment and work opportunities.

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