

Highlights:

- Non-residential building intentions continued to increase in July
- Ontario's new housing starts increased by 18.6 per cent in August over July

July's non-residential building permit volumes continued to increase due to strong industrial and institutional building intentions

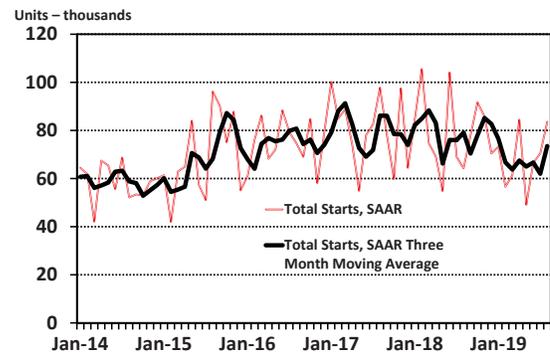
Non-residential permit volumes continued to increase in Ontario in July climbing an additional 3.3 per cent to \$1.3 billion adding to the 5.5 per cent growth posted in June. Growth in July came from stronger intentions in industrial (2.5 per cent growth to \$242.3 million) and institutional building (21.3 per cent growth to \$256.0 million), which more than offset the decline to commercial volumes (1.2 per cent decline to \$776.7 million).

Year-over-year, non-residential building permit volumes have increased each consecutive month since the start of March after posting weaker activity to start 2019. As a result, non-residential building permit volumes are up 8.6 per cent over the first seven months of 2019 due to growth in all sub-areas. Commercial permit volumes, which account for the largest share of non-residential activity, are up 11.5 per cent even with July's decline. Industrial and institutional permit volumes are up 6.7 per cent and 2.9 per cent respectively.

In major metro markets, non-residential building permits moved slightly in July inching up 0.2 per cent to \$1.1 billion. Year-to-date, permit volumes for all metro areas are up 8.0 per cent. Metro markets that posted strong movements in July included:

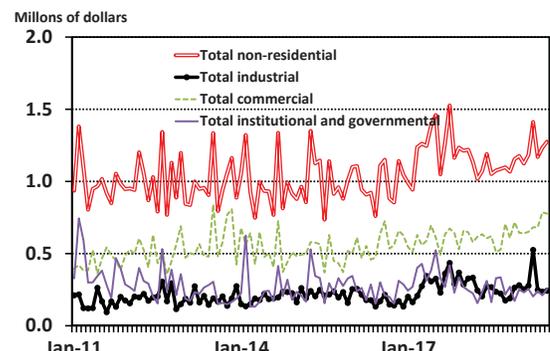
- Toronto (permit volumes fell 15.2 per cent)
- Ottawa-Gatineau (permit volumes increased 11.8 per cent)
- Hamilton (permit volumes fell 33.0 per cent)
- Guelph (permit volumes increased 178.3 per cent)

New Housing Starts, Ontario



Source: CMHC, Central 1 CU. Latest: Aug.-19
SAAR = seasonally-adjusted at annual rate, all areas urban and rural

Non-residential permits, Ontario



Source: Statistics Canada, Central 1 CU.
Note: Seasonally-adjusted data

Latest: Jul.-19

- Greater Sudbury (permit volumes fell 40.6 per cent)
- Thunder Bay (permit volumes increased 407.1 per cent)

New housing construction activity spiked in August

Ontario's new home construction had a healthy month in August with 83,538 units breaking ground at a seasonally adjusted annual rate (SAAR). This was an 18.6 per cent jump from the activity posted in July and a 30.0 per cent jump year-over-year. Year-over-year construction has been relatively tame in 2019, only surpassing last year's total three of the first eight months. The year-over-year activity in August was the largest increase all year.

Despite this strong surge in activity, year-to-date numbers are trending much lower than last year. Including August, total starts in Ontario are trending at 68,159 units SAAR compared to 78,301 units SAAR in 2018.

In urban centres—areas with 10,000 people or more—starts increased by 19.2 per cent to 81,457 units SAAR due to strong growth in the two dominant housing types: single-detached homes and condo apartments. Single-detached homes increased by 21.4 per cent to 23,320 units SAAR while condo apartments increased by 15.6 per cent to 41,544 units SAAR. Together, these two housing types accounted for 79.6 per cent of all housing starts in these areas in August. Semi-detached starts and townhomes also contributed to growth moving up by 12.8 per cent and 27.7 per cent respectively.

Strong year-over-year activity in urban centres in August overshadows a much larger trend. Over the course of 2019, new housing starts were lower each month compared to the corresponding month six of the first eight months of 2019. Only activity in July and August has increased compared to last year. Year-to-date, overall starts in urban centres are down 12 per cent. Single-detached homes and condo apartments are down 25.4 per cent and 14.5 per cent respectively. Semi-detached homes are also down by 31.2 per cent while townhomes are the only housing type surpassing last year's pace and are up by 31.1 per cent.

A strong pick-up in new housing construction in Toronto (up 11.9 per cent) and other large markets helped lift overall housing starts in August. Only five of the 15 metro markets surveyed posted lower housing starts numbers in August. These markets were:

- Brantford (down 14 per cent)
- Oshawa (down 12.7 per cent)
- Peterborough (down 61.1 per cent)
- Thunder Bay (down 13.3 per cent)
- Windsor (down 68.2 per cent)

The average and median contract prices for a new single-detached home in Ontario declined in August by 2.3 per cent and 0.9 per cent respectively. Year-over-year, the rate of growth has slowed for both metrics with the average price up 5.6 per cent in August compared to 12.4 per cent in July and the median price up 10.7 per cent in August compared to 14.2 per cent in July.

The backlog of new home construction in Ontario continued to increase. In August, total units under construction increased by 4.3 per cent year-over-year due to more townhomes and condo apartment

units still to be completed. Low-rise options, such as single-detached homes and semi-detached homes, recorded lower under construction numbers in August. With an increased number of high-density units under construction, the average length to complete a unit has gone up almost half a year in August 2019 compared to the same period last year. Condo apartment units' average length of construction has increased by 12.9 months.

Even with spikes in new housing construction over a few months, overall new housing demand has tempered as expected given the policy and economic shocks the economy has faced. Fewer households are in the market looking for new housing. Instead, average monthly rents continue to trend up in many parts of Ontario. Rental vacancy rates inch closer to record lows in many large urban centres as potential buyers decide to wait out the storm in rentals.

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