

### Highlights:

- Ontario's unemployment rate fell from 5.7 per cent to 5.5 per cent in 2019
- Ontario housing starts fell by 12.8 per cent in 2019 to 68,941 units
- Average price and sales in Toronto's housing market increased significantly in 2019
- Lower commercial and institutional building intentions pulled down non-residential building intentions in November
- Exports in Ontario were down for the second consecutive month in November

### Strong job growth in services lifted total hiring in Ontario, offsetting headwinds in goods sector hiring in 2019

Ontario created 25,100 net new jobs in December over November, with 43,700 net full-time jobs offsetting the 18,600 net part-time job losses.

December's strong full-time jobs growth attracted more potential workers to the labour force with an additional 6,300 workers becoming available.

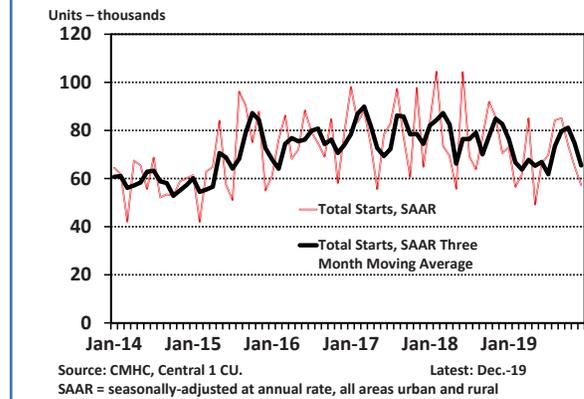
With a nearly four-fold net jobs to net labour force ratio, the unemployment rate fell significantly from 5.6 per cent in November to 5.3 per cent in December.

In 2019, employment in Ontario expanded by 213,800 net jobs, 80 per cent of which came from full-time employment. Strong jobs growth and population growth in Ontario expanded the labour force by 211,200 net new workers throughout the year. With a larger up tick in job creation vis-à-vis the labour force, Ontario's unemployment rate fell from 5.7 per cent in 2018 to 5.5 per cent.

Ontario's December jobs growth came entirely from the private sector, where the creation of 46,500 net jobs more than offset the 4,200 net job losses in the public sector and the 17,300 net job losses for the self-employed.

In 2019, of the 213,800 net jobs created in the province, 61.4 per cent were created in the private sector, 7.6 per cent in the public sector and 31.0 per cent in the self-employed category.

### New Housing Starts, Ontario



The goods-producing and services sectors both contributed to the job growth numbers in December, posting 0.4 per cent and 0.3 per cent growth month-over-month respectively. In 2019, the services sector posted 3.6 per cent jobs growth while the goods producing sector posted an anemic (by comparison) 0.3 per cent growth. Manufacturing was an area that pulled down job numbers in the goods sector in 2019 as it shed 1.2 per cent of jobs. Trade-related concerns and issues in the auto sector were reasons for the decline in jobs growth in this area in 2019.

By contrast, most areas of the services sector posted job growth. These included wholesale and retail trade which posted 2.9 per cent job growth in 2019; health and social services which saw hiring expand by 6.9 per cent; and professional, scientific and technical services, where hiring increased by 7.9 per cent.

### Housing starts slid again in December

Housing starts in Ontario continued to slide in December, dropping an additional 11.7 per cent to 57,356 units at seasonally adjusted at annual rate (SAAR). This added to the slide in housing starts which started in October and continued into November. Housing starts over the last three months of 2019 fell by an average of 12.3 per cent month-over-month.

Over the course of 2019, housing starts in Ontario were lower than 2018 for most of the year with only four months posting higher housing starts numbers in 2019 compared to the corresponding month in 2018. As a result, total housing starts fell by 12.8 per cent in 2019 to 68,941 units.

In urban centres, housing starts fell in December by 11.9 per cent to 56,598 units SAAR due to a strong recoil in condo apartment starts (down 26.6 per cent) and semi-detached housing starts (down 18.3 per cent). Single-detached housing starts and townhome/row housing starts both increased by 1.6 per cent and 6.1 per cent respectively but it was not enough to offset the declines to condo apartment and semi-detached housing starts.

In 2019, housing starts in urban centres fell 11.4 per cent from 2018 due to strong double-digit contractions in the number of housing starts for all housing types except townhome/rows which posted a 20.5 per cent jump in 2019.

By specific urban market, housing starts fell in 2019 in Toronto by 26.7 per cent and in Oshawa by 38.4 per cent. The drop to housing starts activity in these two markets, given their typical shares of total housing starts in urban centres, brought down urban centre housing starts in 2019. In total, housing starts fell in seven of the province's 15 urban centres in 2019, with most of the markets posting declines in activity within driving distance of Toronto.

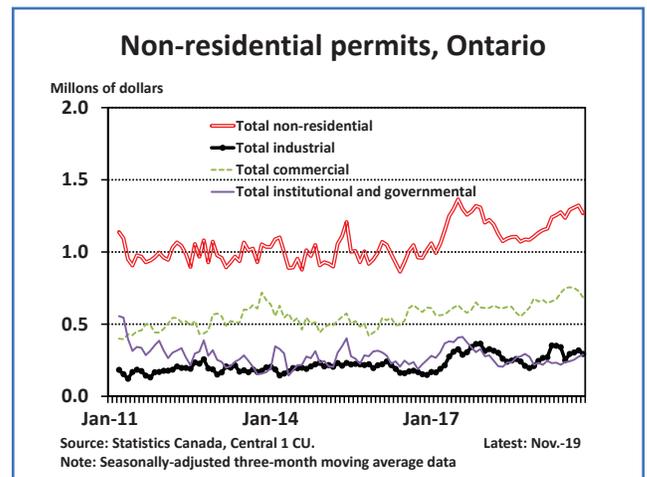
The average length of time to construct a unit in Ontario fell from 16.7 months in 2018 to 16.6 months in 2019. Despite this slight drop, it remained well above the long-term average of 11.2 months from January 1994 to December 2019. The large portion of multi-family units under construction (87.3 per cent average in 2019) has kept builders very busy in 2019 and is partly a reason why fewer new projects broke ground in 2019.

Ontario's new single-detached average and median contract prices continued to slide in December, losing an additional 6.7 per cent and 1.2 per cent respectively. With December's data now in the books, both these contract prices have posted seven consecutive months of price declines.

As expected, housing starts finally fell in 2019, a delayed response following the policy shocks of 2017 and 2018. Affordability and available land in dense urban markets is an issue therefore higher density housing became a popular option as evidenced by the large jump in townhome/row housing.

## Non-residential building intentions down significantly in November

Non-residential permit volumes in Ontario decreased substantially in November, by 12.5 per cent, erasing the 3.4 per cent growth posted in October. While industrial building permit volumes increased in



November by 1.6 per cent, lower commercial (down 21.2 per cent) and institutional (down 6.2 per cent) building permit volumes more than offset the growth to industrial building intentions.

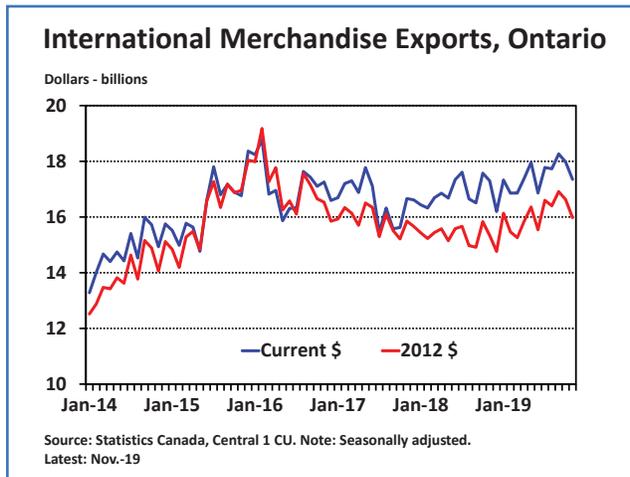
Since the end of February, non-residential building permit volumes have been above last year's pace. Nine consecutive months of year-over-year growth means that year-to-date, total non-residential building permit volumes are 12.4 per cent above last year's pace. In that time, industrial (up 21.4 per cent) and commercial (up 13.5 per cent) building permit volumes have contributed significantly to total non-residential building permit volumes growth which more than offsets the drop in institutional building permit volumes (down 0.7 per cent).

Non-residential building permit volumes in all metro markets declined by 24.4 per cent in November over October and made up 73.8 per cent of all non-residential building permit volumes in the province. November's large drop in non-residential building permit volumes in metro markets was due mostly to a strong recoil in Toronto (37.7 per cent) and London (down 23.7 per cent). Building permit volumes increased in the following markets:

- Guelph (up 50.8 per cent)
- Kitchener-Cambridge-Waterloo (up 12.9 per cent)
- Oshawa (up 18.2 per cent)
- Ottawa-Gatineau (up 14.2 per cent)

## Rail disruptions in November affected exports

Ontario exports slid another month in November, falling by 3.5 per cent and adding to the 1.6 per cent slide in October. The drop in exports in November was due to rail transportation disruptions across the country.



Due to this unexpected shock, national exports were the lowest they have been for any November since 2013. Despite two consecutive months of fewer exports over the first 11 months of the year, exports remained 3.5 per cent above the pace set last year. Imports remained 2.8 per cent above last year's pace over the same period.

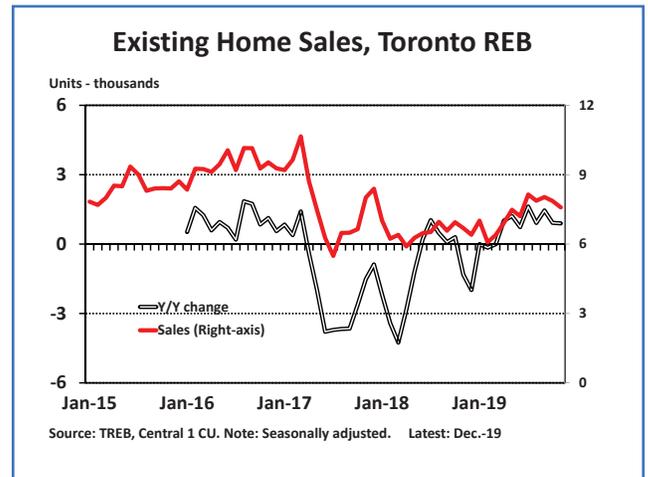
During November the following large sectors posted robust activity, either up or down:

- Metals and non-metallic mineral products (up 5.4 per cent)
- Motor vehicle and parts (down 4.4 per cent)
- Consumer goods (up 3.9 per cent)
- Industrial machinery, equipment and parts (down 5.8 per cent)
- Aircraft and other transportation equipment and parts (up 3.9 per cent)

By region of the world, exports to the U.S. declined robustly for the second consecutive month (down 6.2 per cent in November) partially offset by gains in exports to the rest of the world (up 6.1 per cent). Year-to-date exports to the U.S. remained 1.5 per cent above pace and exports to the rest of the world remained 10.5 per cent above pace.

### Continued and persistent lack of new listings growth continues to lift home prices significantly in Toronto

New month same story: homeownership demand remains strong, supported by above trend population growth and attractive mortgage rates for buyers. Many potential buyers continue to look for a home to



purchase in the resale market but restricted supply has intensified competition for listings and is pushing prices up significantly. As a result, many potential buyers are being forced to the sidelines and are unable to compete when bidding wars regularly break out.

In December, sales in Toronto continued to slide, falling an additional 1.2 per cent and adding to the slide of the previous two months. Despite the sluggishness in sales activity over the last three months, sales in 2019 came in a very strong 12.4 per cent above last year's total, eclipsing levels posted over the previous two years. Strong year-over-year sales growth since April allowed the market to outperform vis-à-vis 2018.

New listings fell again in December giving back 2.8 per cent on top of the 10.9 per cent decline in November and the 6.4 per cent decline in October. Moreover, supply has been a real issue in 2019. Over the 12 months of 2019, new listings declined for over half the year. In totality, new listings fell by 3.5 per cent in 2019 compared to 2018.

As noted at the top of the section, bidding wars are pushing average price growth above trend. In December, average price moved up an additional 2.6 per cent to \$875,721 adding to the price growth that is now running for nine consecutive months since April 2019. Average price in 2019 moved up 4.4 per cent to \$818,143 from last year.

The constant-quality price-index from the Toronto Real Estate Board (TREB) for all housing increased 0.6 per cent month-over-month in December (or 7.5 per cent annualized). The index for single detached homes moved up 0.6 per cent month-over-month (or 7.5 per cent annualized) while index prices for townhomes increased 0.7 per cent month-over-month (or 8.3 per cent annualized) and condo apartments increased by 0.8 per cent (or 9.9 per cent annualized).

As mentioned in last month's report, regardless of attractive mortgage rates or job or wage growth, if supply continues to be an issue in Toronto, sales will continue to suffer. There are many potential buyers wanting to enter homeownership but with bidding wars occurring more regularly, many are unable to compete with buyers with deeper pockets or larger down payments through savings or family gifts. We expect a strong pick-up in new housing starts in 2020 and 2021 that will quench some, but not all, of the pent-up demand in the market.

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