

Highlights:

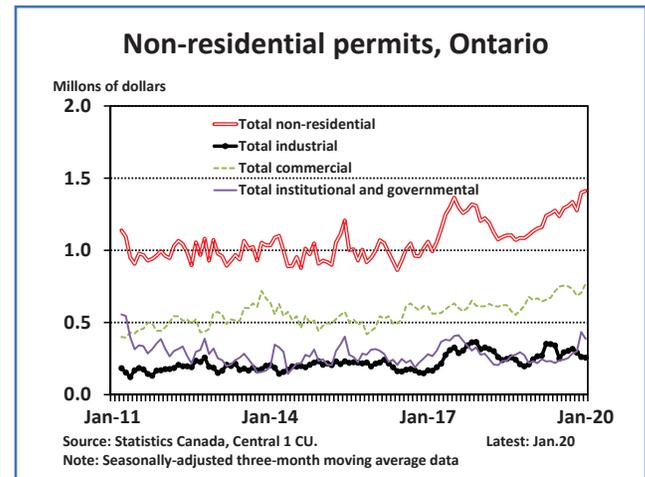
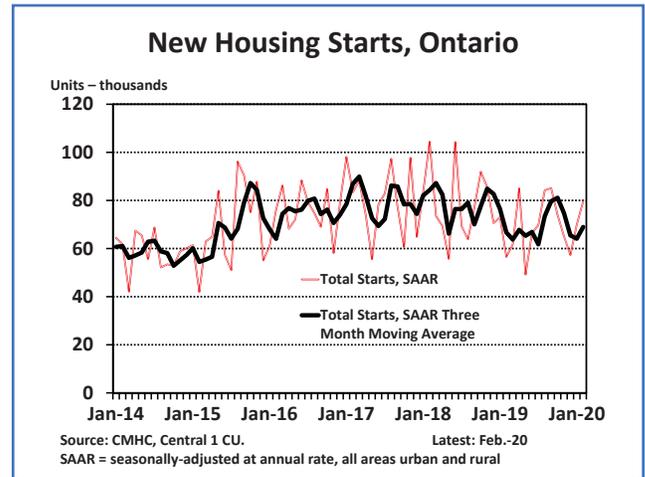
- Increased new single-detached and condo apartment construction lifted total starts by 13.4 per cent in February
- Non-residential building permit volumes fell in January by 15.3 per cent month-over-month
- New car sales rebounded by 4.1 per cent in January on increased sales of trucks and passenger vehicles

New home construction increased by 13.4 per cent in February

Housing starts in Ontario increased a further 13.4 per cent to 79,621 units at seasonally adjusted annual rate (SAAR) in February adding to the 21.9 per cent growth posted in January. As new projects break ground, strong new dwelling permits growth was finally felt in the market in December and January. Over the first two months of 2020, new housing starts were 15.4 per cent above the pace set last year of 74,758 units SAAR.

Urban areas accounted for most of the growth in new housing starts in February. This is not a surprising trend given strong population growth via immigration in Ontario funneling mostly into large urban centres. New housing starts in urban centres increased 14.0 per cent in February (over 47.0 per cent year-over-year) with strong growth posted by all housing types. Single-detached starts increased by 11.1 per cent in February eclipsing the two per cent growth in January. Condo apartment starts increased 8.2 per cent in February after January where 59.3 per cent more condo apartments broke ground. Semi-detached and townhomes together increased by 32.7 per cent in February.

Year-to-date, new housing starts in urban centres were 19.7 per cent above last year's pace in February due to very strong contributions from new single-detached home construction (up 40.0 per cent) and condo apartments (28.5 per cent). Strong labour market activity and wage growth coupled with strong population growth over 2019 is now being felt in the market with increased new home construction. Moreover, strong population growth has provided investors an oppor-



tunity as they bought projects that are now breaking ground. Once those units are completed, they will be put in the secondary rental market to fill the gap left in the purpose-built rental market which is already very tight in many large urban markets such as Toronto, Ottawa-Gatineau, Kitchener-Cambridge-Waterloo, and London.

In February new housing starts fell by 3.6 per cent in Toronto. Fortunately activity picked up in other markets which more than offset the decreased activity in Ontario's largest city. In the following large metro areas new housing activity increased significantly in February:

- Ottawa-Gatineau (up 102.2 per cent)
- Oshawa (up 181.3 per cent)
- Barrie (up 738.6 per cent)
- Hamilton (up 307.2 per cent)
- St. Catharines-Niagara (up 19.1 per cent)

Apart from Ottawa-Gatineau many of these large urban markets are very close to the City of Toronto. The prohibitive home prices both for new and existing homes in Toronto, especially if a household wishes to own a ground-oriented home with a backyard, continue to drive growth in large markets within reasonable driving distance from Toronto. Or, it could just be a one-off event given how volatile new home construction activity can be from month to month. Vigilance is needed to make sure this is in fact a trend (i.e. three or more consecutive months) or just an outlier.

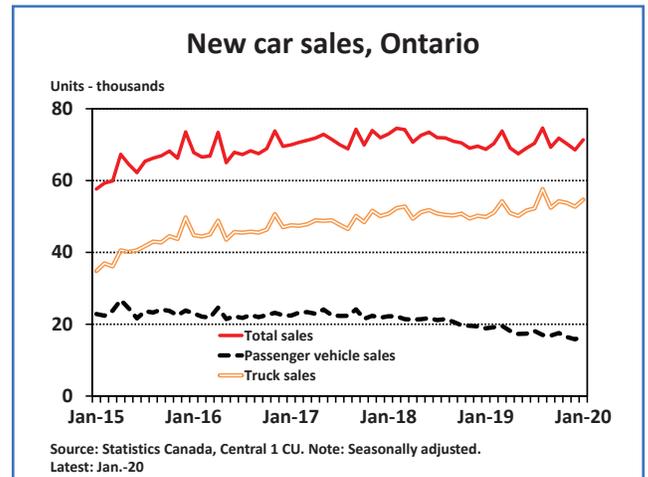
The year-to-date average length of construction in Ontario in 2020 is 18.7 months, up from 16.4 months in 2019. Condo apartments continue to take the longest to complete and the large concentration of condo apartments in large urban centres like Toronto, Ottawa-Gatineau, London and Hamilton are likely dwindling down the pool of skilled-labour needed to break ground on additional new projects. Skilled-labour shortages in the construction industry are likely a factor for new home construction to moderate in Ontario. The other factor is unfortunately the global economic effects from the COVID-19 virus. Households concerned about current or future work and wage growth prospects could delay home purchases (including pre-sale decisions) although lower mortgage rates are a powerful incentive to purchase.

Ontario non-residential building intentions fall on significantly less institutional volumes in January

Non-residential permit volumes declined in January by 15.3 per cent due to a large drop of 67.1 per cent to institutional building permit volumes that could not be offset by the gains to industrial (up 47.4 per cent) and commercial (up 10.9 per cent) building permit volumes.

Year-over-year, non-residential building permit volumes remained 19.8 per cent above the pace set last January. Industrial building permits remained nearly unchanged (down 0.5 per cent) while institutional permit volumes came in lower (down 15.1 per cent). Commercial came in higher at 42.3 per cent above last January's pace.

In Ontario's metro areas non-residential building permit volumes represented 79.0 per cent of the province's total in January. In Toronto, which accounts for the majority of building permit volumes typically, volumes fell significantly in January (down 33.1 per cent) really anchoring down the province's total.



Other large metro areas that contributed to the decline in January volumes included:

- Guelph (down 76.0 per cent)
- Ottawa-Gatineau (down 13.4 per cent)
- Peterborough (down 96.8 per cent)
- St. Catharines-Niagara (42.2 per cent)

In Toronto, the large drop in non-residential building permit volumes was due to diminished growth in institutional projects that were not offset by growth in commercial and industrial projects. In all the other metro areas mentioned above a large drop to commercial and institutional were common in all those markets in January. In Ottawa-Gatineau and St. Catharines-Niagara a general slowdown in future building intentions for all project types lowered the metro area's total in January, these were the only two markets to have a general slowdown.

A shortage of skilled-labour and government having to compete with private investors for talent likely put downward force on institutional building permit intentions in January.

Beyond January, expect overall building intentions to temper not only for institutional but for all types of building projects in Ontario. Business investments will take a back seat for the foreseeable future as COVID-19 concerns seep deeper into the world economy.

New car sales moved up 4.1 per cent in January

Ontario's total new car sales rebounded in January moving up 4.1 per cent after posting weaker sales in December where they fell by 2.4 per cent. The rebound in sales in January was broad-based with strong sales numbers coming from trucks (up 3.6 per

cent) but also from passenger vehicles (up 5.4 per cent). Year-over-year total new car sales remained 3.9 per cent above last year's pace. Passenger vehicle sales remained 11.7 per cent off last January's pace while truck sales remained 9.1 per cent above pace and the reason why total sales remained robust.

The average price of a new car sold in Ontario increased modestly in January moving up 0.8 per cent to \$43,798. Year-over-year, January's average price was 3.1 per cent above last January's pace. New truck prices increased 1.2 per cent to \$46,547 while passenger vehicle prices fell 0.9 per cent to \$34,381.

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