

Highlights:

- Total new housing starts fell 39.3 per cent in May
- Average price of new single-detached home down 3.1 per cent year-over-year
- New car sales 30 per cent off last year's pace; 63 per cent drop in April

Housing starts down 39 per cent in May

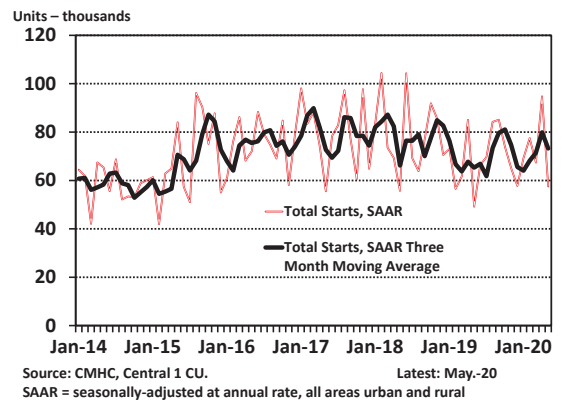
A 60 per cent reduction in the number of condo apartments being built in Toronto and other Ontario urban centres between April and May is the main reason behind the 39.3 per cent drop in total housing starts during that period.

Ontario saw 25,164 new condo starts in May (down 60.7 per cent from the previous month) which resulted in a slide to 57,565 units at seasonally adjusted annual rate (SAAR) of total housing starts in the province. Despite this drop, year-to-date new home construction remained 12.6 per cent ahead of last year's pace, largely due to a strong start to the year before the onset of the COVID-19 pandemic.

Year-to-date total starts in urban centres remained 13.6 per cent above last year's pace due to strength in condo apartments (up 19.5 per cent), single-detached homes (up 27.8 per cent) and semi-detached homes (up 32.5 per cent). Townhomes remained 15.9 per cent off last year's pace.

Figures from 1990 -2020 show that the monthly average for condo apartment starts can wane in May over April to approximately 22,000 units SAAR, with May 2020's current pace at 14.4 per cent above that trend. Therefore the decline in activity in May 2020 could be attributed to either of the following: normal fluctuation of the market throughout the year, or the fact that April 2020 saw a surge of new condo apartment starts because developers were eager to break ground on projects to avoid cancellations. A backlog of units under construction and fewer workers on site may have slowed down the cadence of additional projects in 2020. If June's housing starts numbers are also dwindling it will prove the second hypothesis correct.

New Housing Starts, Ontario



May activity by specific metro area:

- Toronto (down 51.2 per cent)
- Ottawa (down 22.6 per cent)
- Barrie (down 4.9 per cent)
- London (down 54.3 per cent)
- Kitchener-Cambridge-Waterloo (up 48.7 per cent)
- Hamilton (up 37.8 per cent)
- Kingston (up 374.8 per cent)
- Windsor (up 8.2 per cent)

The average and median contract price for a new single-detached home increased 5.1 per cent and 3.1 per cent respectively in May over April. Year-over-year the average price fell 3.1 per cent while the median price fell 6.9 per cent.

New car sales 30 per cent off last year's pace

Ontario's auto sector continued to feel the impact of the pandemic-induced recession in April. Total new car sales slid by 62.7 per cent, adding to the 45.5 per cent drop in March. A full month of stay-at-home recommendations in Ontario to control the spread of COVID-19 really ate away at market gains over the first two months of the year with auto plants shuttered as well as auto dealerships (with the exception of their service departments which were deemed an essential service). Some dealerships pivoted to online new car sales but any activity from this was a trickle compared to normal activity. Households have been

refocusing their expenditures and concentrating only on essential purchases and away from big-ticket items such as a new car. In April average price increased by 2.6 per cent to \$47,376 slower than the 7.6 per cent average price growth posted in March. New truck sales maintained the largest share of a greatly reduced market in terms of total sales accounting for 81.2 per cent of all sales up from an average of 77.9 per cent over the first four months of 2020.

Year-to-date, total new car sales in Ontario remained substantially off last year's pace (down 29.8 per cent). The effect of the pandemic on the new auto market is such that to just return to last year's total sales in Ontario, dealerships would have had to sell a significantly higher than average number of new vehicles for the remainder of the year, which is unlikely

Plants will take time to re-open and return to pre-crisis production levels and households will remain on the sidelines even longer. With many households' personal balanced sheets likely bruised during this pandemic many will shy away from big-ticket purchases such as a new car until they can fully reintegrate into the job market and rebuild their net worth.

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