

Highlights:

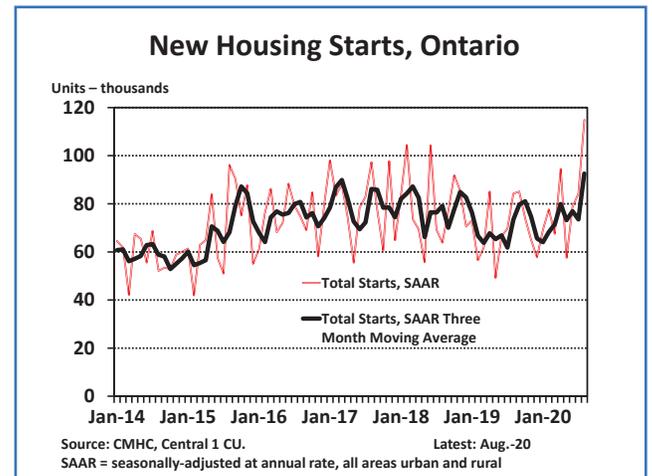
- Housing starts increased 36.3 per cent in August, year-to-date projected to exceed last year's total by 18 per cent
- Average contract price for a single-detached home down 7 per cent from last year.

Ontario housing starts increase by 36.3 per cent in August; highest month-over-month pace since 2003

To say homebuilders are more than making up for lost time since the lockdown is an understatement. Housing starts in Ontario moved up an impressive 36.3 per cent in August to 114,833 units at seasonally adjusted at annual rate (SAAR). August's SAAR pace is the highest since February 2003 and moreover, Canadian SAAR housing starts increased 6.9 per cent supported largely by Ontario growth. In the rest of Canada SAAR, housing starts fell 8.5 per cent.

Robust building activity in urban centres – particularly the province's largest metro areas – (despite current public health measures) has driven growth in August. Year-to-date, total housing starts are pacing 17 per cent ahead of last year's pace in urban areas.

Over the first eight months of 2020, completions are up 10.7 per cent largely due to a 14.1 per cent increase in townhome completion rate and a 29.1 per cent completion rate in condo apartments. The freeing up of resources has allowed homebuilders to erode the backlog of projects left at the blueprint phase in March and April when the COVID-19 lockdown was triggered and a greater number of new projects were started. Year-to-date, the completed and unabsorbed units (unsold units inventory held by homebuilders) has increased by 10.7 per cent largely due to increased unsold units of single-detached homes (up 12.5 per cent), townhomes (up 20.5 per cent). This has offset the lower unsold inventories of semi-detached homes (down 8.7 per cent) and condo apartments (down 5.0 per cent). Prior to the economic recession builders planned with the best information at hand at that time (i.e., expected population growth largely through immigration and economic growth). Now, as



some housing demand starts to retrench, they are left holding increasing inventories of unsold homes particularly for expensive low-rise options. The current year-to-date average inventory is quite low compared to the long-term average from 1990 to 2020 of 3,372 units. An eye will be kept on this metric to see if the current recession will continue to affect homebuilders and future intentions. If inventories continue to climb, residential investment decisions will decline.

In metro areas, housing starts increased 36.8 per cent in August to 113,122 units SAAR due to 69.3 per cent more condo apartment starts and 19.1 per cent more semi-detached starts. Single-detached homes increased 0.7 per cent and townhomes declined 16.8 per cent. With August's impressive pace, year-to-date housing starts are 17.8 per cent ahead of last year's pace in urban areas.

Among Ontario's urban centres housing starts increased in Toronto (up 28.5 per cent), Ottawa-Gatineau (up 134.5 per cent), Oshawa (up 433.4 per cent), Windsor (up 93.7 per cent), and Kitchener-Cambridge-Waterloo (up 16.3 per cent). Together, these markets accounted for 83 per cent of the 30,516-net growth in new housing starts in August.

The seasonally adjusted average contract price for a single-detached home fell 0.5 per cent in August. The seasonally adjusted median price increased 1.2 per cent. Year-over-year the average and median prices fell 7.3 per cent and 4.2 per cent respectively.

Edgard Navarrete

Regional Economist

Central 1 Credit Union

enavarrete@central1.com / P 905 282 8501

www.central1.com