



**Bank
Financial
Group**

TD Economics

Commentary

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CANADIAN HOUSING STARTS STILL GOING STRONG

- **Housing starts ease to 211,800 units in October**
- **Urban multiples lead the way with a 6% decline**

The Canadian new housing market remained resilient in October, as housing starts came in above expectations. While consensus estimates pointed to a fall in housing starts to 200,000 units on a seasonally adjusted basis, October housing starts came in at 211,800 units, a mere 3% below September's still-elevated level. Despite this drop, the three month moving average rose to 216,300 units, up from 210,500 in September.

October's decline reflected a slippage in the urban multiples segment (-6%), while urban single-family units (-1%) held relatively steady on the month. Over the course of this year, the resilience of the housing market in Canada has been driven by multi-family dwelling starts (ie. condominiums). During the first 10 months of the year, starts in this sector were up by 11.6% compared to the same period in 2007. Conversely, urban singles are down 16.3% year-to-date. While October is just one data point, and thus does not imply that a new downward trend has been formed, we expect this month's drop in multiple-family units to continue – and to put a major dent in the headline figure.

Regionally, new housing construction edged lower in three of the five regions. Indeed, only starts in Quebec and Atlantic Canada posted increases on the month, rising 4% and 3% respectively. British Columbia experienced the largest decline, as starts in all areas slipped from 33,800 to 27,900 units. This came as little surprise as a softening in existing home prices in that province have been signaling considerable weakness ahead. A large drop in new home building in Saskatchewan (-2,500 units) was modestly offset by a small rise in starts in Alberta and Manitoba. In

CANADIAN HOUSING STARTS*		
	Oct-08 (p)	Sep-08 (f)
Canada, all areas	211.8	218.6
Canada, rural	27.2	25.9
Canada, urban centres**	184.6	192.7
Canada, singles**	69.3	70.1
Canada, multiples**	115.3	122.6
Atlantic region	13.0	12.6
Québec	48.4	46.5
Ontario	82.6	84.5
Prairie region	35.4	37.5
Alberta	24.7	24.6
Saskatchewan	4.9	7.4
Manitoba	5.8	5.5
British Columbia	32.3	37.5

*SAAR, Thous. units; (f): final (p): preliminary; **Population of 10,000+
Source: Canadian Mortgage & Housing Corporation / Haver Analytics

Ontario (-2.2%), housing starts edged down to 82,600 units, largely due to an 11% drop in starts in Toronto. Still, Canada's largest city is building new homes – mostly condominiums – at a rate well above the average of the past three years.

While new home construction in Canada has been holding up quite well thus far, we expect starts to weaken considerably over the next year. Already, we are seeing evidence that existing home prices are softening, particularly in Alberta and B.C. As well, tight credit conditions and prospects for a softening in job market activity will lead to a slowdown in home sales – and thus put the brakes on new building activity going forward. TD Economics forecasts new home starts to average 175,000 units in 2009.

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