

Canadian New Home Construction Remains Highly Resilient

Housing starts, seasonally adjusted at an annualized rate 000s, July:

Actual: 222.3

Scotia: 200

Consensus: 205

Prior: 212.7

- What real estate market slowdown?** The new build segment remains very strong as the pace of new home construction exceeded expectations in July. For the seventh time in eight months, housing starts exceeded 200k at a seasonally adjusted and annualized rate. The dynamics guiding the new construction market are sounder than a correcting overshoot in some resale markets like Toronto's that I think will prove to be fairly transitory broadly in keeping with Vancouver's experience.
- The rise was all in multiple units from 213k in June to 222k in July after rounding and for a 9.4% m/m rise as singles slipped only 4k to 77k for a 3.9% m/m decline. On balance the details are softer than the headline given the emphasis upon multiples that carry less average value-added over a longer construction period, but it is still a resilient overall tone to the report.
- Central Canada saw little change in starts with Quebec down 1% m/m and Ontario up 1% m/m. In Ontario, the rise was all driven by multiple units. The strongest provincial gains came from British Columbia where starts were up 20% m/m (all multiples that were up 29%), Alberta where they were up 8% (again, all multiples up 20%) and large percentage gains in smaller markets across the Atlantic provinces except for PEI. The biggest downside was in Manitoba (-32% m/m) which was mostly driven by a 51% drop in multiples.
- What helps to explain why the new build segment is stronger than the recent weakening in some resale segments is the relative price change in favour of new homes which has been going on for years.** See the accompanying chart. Relative to average repeat-sale resale prices indicated by the Teranet gauge, new home prices are much more affordable and there is likely some homebuyer arbitrage going on that is being aided by strong job growth and higher immigration as supports to expanding the housing stock.
- Further details are available [here](#).

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New Housing Supply Benefiting From Greater Affordability



Sources: Scotiabank Economics, Statistics Canada, Teranet & National Bank.

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