



Housing News Flash

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Canadian Housing Starts — January 2010

Canadian housing starts rose further to an annualized 186,300 units in January, up from 176,100 units in December and its highest level in over a year. There were increases in both single and multi-unit segments, and in most regions of the country. Residential building permits, which tend to lead starts by about two months, are trending around 210,000 annual units, pointing to a further pickup in new home construction into the coming months.

Builders are responding to tight resale markets, which tend to boost the relative demand for new homes, and rising new home prices. While resale markets have become a bit better balanced in recent months as the number of listings increase, they still strongly favour sellers over buyers. The average months' supply of resale properties rose to 5.6 in December, up from a low of 4.2 in June 2009. In turn, new home prices increased in November for a fifth month in a row (December data will be released on Thursday).

The additional housing stock, combined with increased resale listings, should take some pressure off ever-rising resale home prices. The pickup in construction is also generating important employment and spending spinoffs to a range of related manufacturing and service industries. A more balanced housing market is expected to emerge later in the year, which should dampen builder intentions once again.

In light of the renewed turn-of-the-year strength in construction and permit demand, we have raised sharply our forecast for housing starts for 2010 to a total of 185,000 units. We expect some moderation in the pace of new homebuilding late in the year and into 2011 as demand cools, recent price increases stall and unsold inventories edge up, with starts slipping to around 175,000 units next year — essentially in line with underlying demographic trends.

Housing Starts

	Canada	B.C.	Alberta	Sask.	Manitoba	Ontario	Quebec	Atlantic
<i>(000s units, sa)</i>								
2004	233	32.9	36.3	3.8	4.4	85.1	58.4	12.5
2005	225	34.7	40.8	3.4	4.7	78.8	50.9	12.1
2006	227	36.4	49.0	3.7	5.0	73.4	47.9	12.0
2007	228	39.2	48.3	6.0	5.7	68.1	48.6	12.4
2008	211	34.3	29.2	6.8	5.5	75.1	47.9	12.2
2009	149	16.1	20.3	3.9	4.2	50.4	43.4	10.9
2010ytd	186	27.5	23.6	6.3	5.1	55.6	55.4	11.4
2010f	185	26	28	6	5	60	48	12
2011f	175	24	26	5	5	60	44	11

Source: Canadian Mortgage and Housing Corporation (CMHC), Scotia Economics calculations and forecasts. Year-to-date data are expressed at annual rates.

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