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## TD Economics

### Data Release: Housing starts decline in April

- Canadian housing starts declined 4.1% (M/M) in April to 181,814 units (SAAR), in line with market expectations. The decrease in April follows a 25% surge in March. On a six-month moving average basis, housing starts held steady at 179,299 units from 179,114 units in March.
- The April decline was concentrated in the volatile multiple urban starts segment (-14.2%). Housing starts increased in both the urban single-detached (+11.4%) and rural categories (-32%).
- Across regions, half of the provinces recorded declines in activity in all area starts (M/M). Alberta (-35.1%) accounted for the bulk of the decline in April, with declines also recorded in Prince Edward Island (-24.3%), Saskatchewan (-13.8%), New Brunswick (-8.7%) and Quebec (-2.9%). The level of starts more than doubled in Manitoba (+117%) and also surged in Nova Scotia (+56.4%). In Ontario, all area starts inched higher by 1.1%.

### Key Implications

- Looking past the highly volatile movements in monthly readings, new housing construction has steadily cooled since last September on a trend basis, when starts were hovering near the 200K mark. Indeed, the current trend reading of 179K is more in line with demographic fundamentals.
- Looking ahead, we expect housing starts to remain in the 175K-180K range through the remainder of 2015. While we note that the current low interest rate environment could prompt builders to pick up the pace, this will likely come at the expense of a cool down in activity later in the year. There is an element of overbuilding in major markets across Canada. And, with completion rates rising (most notably in Toronto), we expect construction activity to be held back as the year progresses.
- The impact of lower oil prices was on show in today's report with the sharp drop (M/M) in new construction activity in Alberta and Saskatchewan. The April decline brought the six-month moving average lower for a seventh consecutive month in Saskatchewan. In Alberta, starts had been trending higher before the April pullback. While Newfoundland and Labrador did record an increase in starts on a month-over-month basis, its trend rate has moved lower since January. All told, this weakness is expected to persist through 2015. The drop in oil prices from last fall is projected to lead to a contraction in nominal GDP in oil-producing provinces this year. Resale markets in these regions will be adversely affected by the economic slowdown with average prices projected to decline over the 2015-16 period. This is expected to lead to a pullback in new residential construction activity in these provinces.

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