



## HOMEBUILDING BUCKS EXPECTED YEAR-END LULL

- **Housing starts increased by 5.9% M/M in December, tilting back into positive Y/Y (1.3%) territory for the first time in 21 months**
- **The 9.7K increase in urban starts was evenly split between new single units (4.8K) and new multiple units (4.9K)**

Homebuilders started on 174,500 units in Canada in December. This marked a third consecutive monthly increase in homebuilding activity, and ended 2009 on a strong note. The figure was also significantly higher than the consensus expectation of 160,000 units. Furthermore, the final November figure was revised upward by 6.3K units, or 4.0%, from the preliminary estimate. On a quarterly basis, the rebound initiated in Q3 (+15.3% Q/Q) after an uninterrupted string of five quarterly declines therefore continued into Q4 (+12.3% Q/Q) at a good clip. And while starts remained significantly lower on an annual (-31.3%) or Q4/Q4 (-10.4%) basis, the handoff into 2010 is even slightly stronger than we expected. For the first time in 21 months, starts in December were higher than a year prior, albeit a modest 1.3%.

Digging beneath the headline figure, we find that the composition of the monthly report was also encouraging. First, single unit starts, a reliable indicator of the underlying trend in overall starts, continued their gradual ascent with a 7th increase (+6.4% M/M) over the last 8 months, further entrenching the homebuilding recovery. Second, the multiple unit segment of the market was not left by the wayside as it also contributed by climbing 6.7% M/M after a flat performance in November.

The regional composition was also favourable. Starts went up in every region except the Prairie region. Even there, the 3.3% M/M drop does not undo much of the recovery initiated in the late spring of 2009. And while Prairie region starts were down slightly on the count of fewer starts in Manitoba and Saskatchewan, starts in Alberta (+5.4%) continued to trek higher. First in the nation to begin retreat-

CANADIAN HOUSING STARTS*		
	Dec-09 (p)	Nov-09 (f)
<b>Canada, all areas</b>	<b>174.5</b>	<b>164.8</b>
Canada, rural	17.4	17.4
Canada, urban centres**	157.1	147.4
Canada, singles**	79.4	74.6
Canada, multiples**	77.7	72.8
<b>Atlantic region</b>	<b>12.7</b>	<b>11.5</b>
Québec	49.7	43.0
Ontario	56.0	54.5
<b>Prairie region</b>	<b>35.4</b>	<b>36.6</b>
Alberta	27.4	26.0
Saskatchewan	4.2	6.2
Manitoba	3.8	4.4
British Columbia	20.8	19.3

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

ing in late 2007 after a three year boom, Alberta housing starts now lead the four large provinces on a Q4/Q4 basis (+21.8%) and have registered three consecutive 20-30% Q/Q gains.

In December, however, the national uptick in starts was led by Quebec (15.6%), followed by the Atlantic region (10.4%). But other regions were not out of the loop, as starts in British Columbia climbed by 7.8%, and Ontario recorded a 2.8% gain.

The December report therefore confirm rather than alter our views on homebuilding activity going forward. As we wrote last month, we feel a sustained improvement in homebuilding activity will continue to unfold in the first half of this year. We expect total housing starts to average 175,000-180,00 units in H1/2010 before easing somewhat in the second half. From current levels, activity in the Atlantic and Quebec has less upside, while Ontario, Alberta, and British Columbia should continue to fuel the homebuilding recovery.

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