

# Jump in Canada housing starts is biggest since 1978

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TORONTO (Reuters) - A sizzling condominium market propelled Canadian housing starts in September to their highest level since 1978, a 19.6 percent monthly jump, which well exceeded analysts' expectations.

Canadian housing starts rose to a seasonally adjusted annualized 278,200 units, a 29-year high, from a revised 232,700 units in August, industry group Canada Mortgage and Housing Corp. said on Tuesday.

Analysts had expected just 220,000 starts in September.

The sterling figures contrast with anemic housing data in the [United States](#), which prompted the U.S. Federal Reserve to cut its key fed funds rate by 50 basis points to 4.75 percent in September amid a housing-linked economic slowdown.

"Contrasted with the heightened risk to the economy arising from the landslide taking place south of the border, the Canadian economy can still count on housing to help sustain growth in the short term," said [BMO Capital Markets](#) in a note.

The Bank of Canada will meet to decide on interest rates next Tuesday. While many analysts have expected the bank to lower interest rates, strong domestic data reflecting a healthy economy has cut into their expectations.

A Reuters poll conducted on Friday after strong jobs data showed that a majority of Canada's primary securities dealers expect the Bank of Canada to leave interest rates steady at 4.50 percent in 2007.

The latest housing starts data, which could fuel inflation, may further decrease the chance of an interest rate cut.

"All told, despite the tighter credit and lending conditions, the housing sector continues to be a major source of strength to the economic performance in Canada and will certainly add to the upside risks to inflation," said Millan Mulraine, economics strategist at TD Securities in a note.

Urban single-family starts declined 4.3 percent to 90,300 units, from 91,300 in August. However, starts in urban multiples such as condominiums and apartments skyrocketed 47.5 percent to an annual 154,100 units from 101,400 in August.

Rural starts in September were estimated at an annual 33,800 units, unchanged from August.

Urban starts climbed 3 percent in Eastern Canada, 46 percent in Quebec, 23.6 percent in Ontario, 11.1 percent in the Prairies, and 15.8 percent in British Columbia.

Urban single starts were down in all regions except Quebec, where single starts were unchanged at 16,400 units.

All regions saw double-digit increases in urban multiple starts, with Quebec leading the way with a 75.2 percent jump.

Actual starts, in rural and urban areas combined, were up an estimated 0.2 percent in the first nine months of 2007 compared with the same period of 2006.

In urban areas, actual total starts grew by an estimated 1.2 percent in the first nine months from a year earlier. Single starts fell 4.7 percent in the year through September, while multiple starts grew about 7 percent.

(\$1=\$0.98 Canadian)

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