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Housing market expected to stay strong; Drop in starts attributed to seasonal factors

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Some corrections can be expected but the residential housing market will remain strong here, says Herman Rebneris, president of Cottage Grove Developments Ltd.

Canada Mortgage and Housing released figures yesterday showing that Vancouver Island's new housing starts dropped last month from January. "They are probably down a little bit because it is a seasonal thing. There is usually a rush to finish before Christmas," Rebneris said.

Vancouver Island housing starts slid to 277 last month from 317 in January. February's numbers are also below the same month a year ago when 354 homes were started, CMHC said. Even with the decrease, housing starts remained above the 20-year average for the first two months of this year.

Rebneris, who has spearheaded major residential and commercial projects in this region, is considering developing condominiums geared to first-time buyers wanting to enter the housing market. "For those who can't afford a single family house, I think they will look to condominiums as a source of housing."

Plans to update the Model National Energy Code for Buildings will likely lead to increases in construction costs, he said. These would include provisions over separating water used in a home, along with changes in technology and building techniques.

"I think we are in a sustainable revolution right now," he said. "We have already been changing our lifestyles with recycling and so on. I think we are going to see the same thing happening in the area of how we are building our houses."

"In metro Victoria, single-detached housing starts have picked up this year relative to multi-family starts," said Peggy Prill, CMHC senior market analyst. However, the number of multi-family homes being built here remains at near-record highs.

Last month, a total of 19 single family houses were started in Langford, a local building powerhouse, where 32 condominiums, eight row homes and two semi-detached homes also began.

Provincially, homebuilding starts in urban B.C. surged last month to 48,800 seasonally adjusted at an annual rate, up from 33,600 in January.

Residential construction in Canada continued to show its independence from the ravaged U.S. market as seasonally adjusted housing starts in February rose to 256,900, from 222,700 units in January, said CMHC.

"A lot of it has to do with multiple construction in three centres," said Bob Dugan, chief economist at CMHC's market analysis centre. "Montreal, Toronto and Vancouver account for almost all of that surge in multiple construction activity. A lot of that would be condo starts."

The CMHC report said the seasonally adjusted annual rate of urban starts increased in four of Canada's five regions in February. Urban starts registered an increase of 45.2 per cent in British Columbia -- the highest figures since records began in 1977. Last month, the seasonally adjusted annual rate of urban starts increased 18 per cent to 223,700 units compared with January.

Analysts said that strong labour market figures were backing the rise. "We do have a very tight labour market with strong employment growth," said Carol Frketich from CMHC in B.C.

However, the sharp rise in February is not expected to continue throughout 2008.

"The forecast is for lower level housing starts this year than last," said Frketich. "We're looking for a 15 per cent lower level of starts this year. February looks very much like a spike."

But Dugan emphasized that even with the drop, B.C. would still maintain strong housing start figures.

Canadian housing construction has shifted from single to multiple occupancy homes. "A lot of people are going towards those options to keep their mortgage carrying costs down," said Dugan. "About five years ago housing starts were about one-third multiple, two-thirds single now we're at about 50-50."

Urban multiple starts surged 30.3 per cent to 140,700 units in February, while single dwellings rose 1.8 per cent to 83,000 units according to the report.

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- Chart/Graph: CMHC Victoria / Vancouver Island Housing Starts

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