

EDMONTON JOURNAL

Housing starts plunge 37%; Edmonton-area drop reflects concern about 'size of new and resale inventories,' CMHC analyst says

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EDMONTON - Not even the extra day of a leap year could keep February housing starts in the Edmonton area from plunging compared with same month last year.

More caution among homebuilders led to total housing starts in the Edmonton census metropolitan area falling by 37 per cent to 692 units, according to preliminary figures released Monday from the Canada Mortgage and Housing Corporation. In February 2007, work started on 1,106 homes.

"The industry is responding to concerns about the size of new and resale inventories and this will further restrain activities in the months ahead," CMHC senior market analyst for Edmonton Richard Goatcher said.

Construction of single-family houses was cut by nearly 60 per cent, plunging to 243 starts in February 2008 from 576 in February 2007.

Semi-detached, row house and apartment starts dropped to 449 from 530 in the same period last year -- a 15-per-cent drop.

Despite that decline, the national housing agency reported that multiple-dwelling starts for the year to date remain 36 per cent ahead of the same period last year -- a trend that's not expected to continue.

"Considering the high volume of units under construction combined with a relatively well-supplied existing condo market, CMHC expects multiple starts to throttle back in the coming months," Goatcher said.

IMAGES



Dean Bicknell, Calgary Herald

A framer uses a nail gun to join roof trusses together on a new home.

To the end of February 2008, total housing starts in the Edmonton region fell by nearly 17 per cent from the first two months of 2007.

Across Alberta, total housing starts in the seven largest urban areas fell 20 per cent year-over-year in February 2008 to 1,867 units. That's down from 2,338 in February 2007.

While builders put up 20 per cent more multi-family homes provincewide in February 2008 than February 2007, that was countered by 46 per cent fewer single-detached houses going up.

Nationally, housing starts in February rose to 256,900, from 222,700 units in January, a report from Canada Mortgage and Housing Corporation (CMHC) said Monday.

"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."

Canadian housing construction has shown a marked shift 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.

"Even after factoring in trend growth in household formation over these three decades, the current level is astonishing," said Pascal Gauthier, economist at TD Economics.

In February the seasonally adjusted annual rate of urban starts increased 18 per cent to 223,700 units compared with January.

According to the CMHC report, 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.

Analysts said 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.

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Illustration:

- Colour Photo: Dean Bicknell, Calgary Herald / A framer uses a nail gun to join roof trusses together on a new home.

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