

Housing starts bounce back from 2009 lows

BY JOANNE LEE-YOUNG, VANCOUVER SUN; WITH FILE FROM CANWEST NEWS SERVICE MARCH 9, 2010

February housing starts in Vancouver continued to bounce back from lows reached in 2009, with the number of new units breaking ground doubling last year's tally, according to the Canada Mortgage and Housing Corporation on Monday.

"Of course, last February in 2009, we were still in the darkest point before anything

started turning around. So you have to keep in mind that when you see that increase, it's back up from there," said CMHC senior market analyst Robyn Adamache. "But we are back up to a decent level of housing starts."

The CMHC pinned the February boost in the Vancouver area specifically to a few large-scale multiple-unit residential projects, plus continued strength in the number of new, single-detached residential homes. As well, more than 800 apartment homes were started.

"The important thing about what's going on is that we are seeing a level of absorption with sales of new units," said Adamache. "Builders see that not only the resale market is back, but now there are [sales] in new units. It's giving them the confidence to start new

projects."

Elsewhere in B.C., the Abbotsford area saw 37 new home starts compared to 28 a year ago. The province as a whole recorded an eight-per-cent gain in home starts compared to a national average of 6.1 per cent.

Ontario recorded a 28-percent gain in February, while Atlantic Canada rose 14.3 per cent and the Prairie region increased 10.8 per cent.

Homebuilders in B.C. and Ontario are racing to put supply on the market before the harmonized sales tax kicks in on July 1, said economist Pascal Gauthier of TDEconomics.

Added pressure is coming from buyers concerned about tighter qualifying standards on mortgages, which take effect April 19, and higher borrowing costs expected in the second

half of the year.

But February's housing starts show that supply is finally firming up at the same time that demand is poised to ease, Gauthier said.

"Come the second half and into 2011, it's likely to be a friendlier environment for buyers," he said.

With new-home supply rising and resale listings following suit, "price growth is going to soften up a bit," Gauthier said.

"If you're a buyer, you should exercise patience and look at the fundamentals.

"The five-year rate isn't going to shoot up 100 basis points overnight."

Nationally, new home construction has now roared back 76 per cent from the recession-level cyclical low, said BMO Capital Markets economist Robert Kavcic.

Few expect the current level of housing starts to be maintained.

"In the second half of the year, we should observe a level of activity near the demographic needs of roughly 165,000," said National Bank economist Matthieu Arseneau.

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