

Rising house prices, mortgage rates slow housing starts

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OTTAWA -Rising house prices and higher mortgage rates continue to gnaw at Canada's new housing market, as Canada Mortgage and Housing Corporation reported Thursday that housing starts for July were down 4.3% to 215,600 from 225,300 in June.

Analysts had been looking for about 224,000 seasonally adjusted starts.

"Housing starts in July continued their gradual decreasing trend as both multiple and single-detached starts declined," said Bob Dugan, chief economist at CMHC's market analysis centre.

"The lower level of housing starts this month is consistent with our forecast of a gradual easing in the pace of new home construction in 2007 caused by rising prices and slightly higher mortgage rates," he added.

Seasonally adjusted urban starts were down 5.7% in July from June, with both singles and multiples declining. Ontario was the only region to see an increase in urban starts.

Actual starts in both rural and urban areas were down about 4.8% in the first seven months of the year, compared to the same period in 2006, CMHC said.

"Despite the decline in July, the Canadian housing sector remains in good shape, with the average housing starts for the year standing at 223,100 slightly less than the 235,900 recorded in the same period last year while the average for the last three months currently stands at 225,400," said Millan Mulraine, economics strategist at TD Securities. "Looking ahead, the future for the Canadian housing sector remains good, with the sustained economic boom and favourable demographic factors contributing to the buoyant outlook."

Also Thursday, Statistics Canada reported that, for the eighth consecutive month, the increase in new housing prices continued to slow, increasing 7.8% in June 2007 from June 2006. That compares with an 8.6% year-over-year increase in May.

On a monthly basis, prices in June were up 0.7% from May, said the agency.

New housing markets in Saskatoon and Regina continued to benefit from the exodus from Alberta, with year-over-year price increases of 48.4% and 22.5%, respectively.

In Alberta, new housing price inflation continued to fall, Statistics Canada said. "Prices in Edmonton receded from their plateau with a 31.9% increase, down from a high of 42.8% in November 2006. Calgary's year-over-year increase continued to moderate from its historic highs recorded in 2006," it added.

