

Canadian building permits (Dec) +2.4% m/m

Commercial real estate and condos capture builder interest

Canadian building permits rose 2.4% m/m in line with the market median. Our own forecast for a decline of -2.7% had been predicated upon moderate declines in both the residential and non-residential categories that did not come to bear. Instead, the value of residential permits were flat, while non-residential rose by a robust 6.8% m/m. Still, it is interesting that builder interest in single family homes appears to be on the wane, and what it may say about the maturity of the real estate cycle so early on in the economic recovery.

Builder intentions in the residential category continues to be focused on the multi-family unit category with the value of approved permits rising by 2.1% m/m. Enough to fully offset the -1.3% m/m decline in single family permits. This was the first decline in the value of single family permits in nine months. Total units approved rose by 2.4% led by a 5.5% rise in multi family dwellings vs. a -0.6% decline in single family units.

With housing prices hitting new historical highs, the builder interest in condos and multi family unit properties, which tend to come in a lower pricing points than single family units, tends to suggest that the rapid recovery in the real estate market has also caused it to have matured rather quickly. High prices for single family homes may very well be channeling consumer demand into the condo market. Which is to say, that despite historically low interest rates, consumers are being priced out of the market for single family homes.

In the non-residential category, permits are up 6.8% m/m led by commercial building permits which jumped by a whopping 29.2% m/m. Institution components dropped by -21.9% m/m led by declines in education institutions. Industrial permits were down by -19.0% m/m, following a 58% plunge in November.

Overall, the value of builder permits is up 33% vs year ago and about 12% below the peak touched in May 2007. Residential permits are running about 5.5% below the October 2007 historical high. It is interesting to note that the real estate market - existing home sales - is running at or near to its historical peak at the same time that the overall economy is running near to its cyclical trough.

For markets, not a lot of interest in the number. IVEY PMI scheduled for release at 10:00 with the expectation that seasonal factors will push the number into the low to mid 50's, up from December's seasonally depressed reading of 48.4. HSBC forecasting the IVEY at 55.

Disclosure appendix

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