



HOUSING FACTS

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Canada Mortgage and Housing Corporation

NEW HOME MARKET REMAINED STRONG IN JULY

New home construction rose in July with the seasonally adjusted annual rate¹ of housing starts increasing to 223,500, from a revised² 205,900 in June.

Low mortgage rates and job creation continue to buoy consumer confidence and are the main catalysts driving new home construction higher. Mortgage rates, near 50 year lows, are also lowering mortgage carrying costs and attracting new buyers to home ownership.

The creation of approximately 84,000 jobs thus far in 2003, most of which have been full-time, has added to income gains and further supported housing demand. Year-to-date, actual starts have exceeded last year's level by 3.9 per cent.

The seasonally adjusted annual rate of urban multiple starts was

up 9.5 per cent to 90,800 units in July compared with 82,900 units in June. Starts were up in all regions except Ontario, which suffered a slight setback. Nationally, year-to-date actual urban multiple starts increased 14.2 per cent compared with the same period in 2002.

In July, urban single starts increased 4.7 per cent to 103,100 units at seasonally adjusted annual rates, compared with 98,500 units in June. This increase was reflected in all regions of the country except Atlantic Canada where urban single starts fell. Canada-wide, year-to-date actual urban single starts are down 3.4 per cent compared to the same period in 2002.

Rural starts in July were estimated at a seasonally adjusted annual rate of 29,600 units

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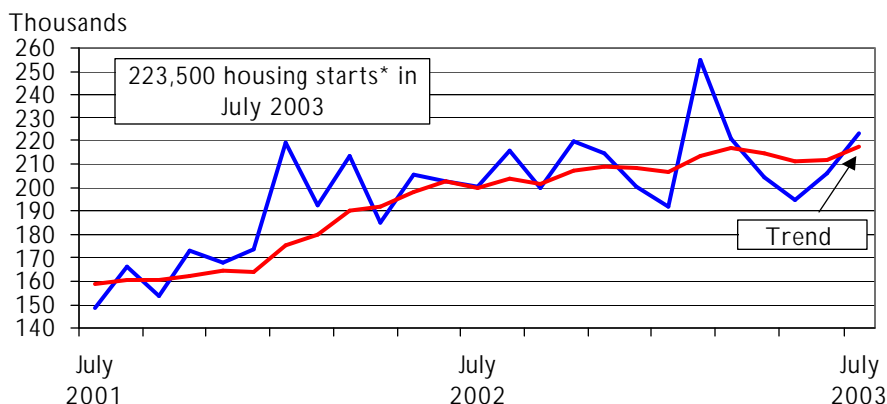
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Housing Starts in Canada - All Areas*



Source: CMHC

*Seasonally adjusted at annual rates

¹⁻² See notes on page 2.

HOME TO CANADIANS
Canada

1. All starts figures, other than actual starts, are seasonally adjusted annual rates (SAAR) that are monthly figures adjusted to remove normal seasonal variation and multiplied by 12 to reflect annual levels.
2. Figures for the most recent month are preliminary and subject to revisions due to corrections or updates from quarterly enumeration or sampling results.

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Composition of wealth is changing

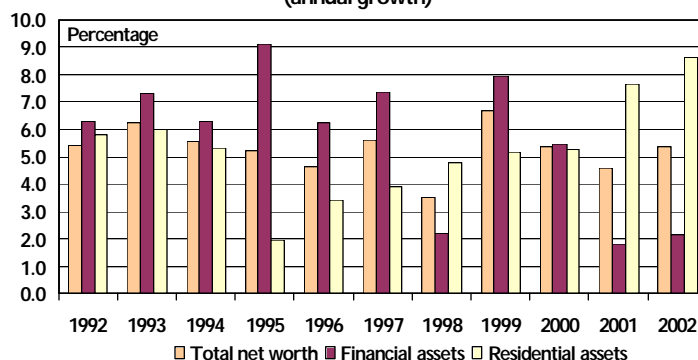
Residential assets of Canadians in 2002 grew at their fastest pace in over a decade. For the second year in a row, growth in the value of housing assets outpaced growth in the value of financial assets.

- Growth in the value of residential assets has been strengthening since 1995 and its growth at 8.6 percent in 2002 is the most rapid in over a decade. The housing cycle appears to be near a peak, with neither prices nor starts expected to continue growing at current rates. Despite slower growth, residential assets will continue to be a major source of wealth for Canadians.
- Canadian households own assets in two major categories. "Real" assets, mainly residential and consumer durables, and a variety of "financial" assets such as bank deposits, bonds, shares, life insurance and pensions. Residential assets include both land and structures and represented about a third of total assets in 2002. However, when deducting mortgages, these residential assets represented about 28 per cent of the net worth of Canadian households.
- Land values led the increase in residential assets in 2002 with double-digit growth, while the values of residential structures were up 7.4 per cent. The increase in the overall value

of residential assets resulted from rising prices for existing land and housing as well as a strong expansion of the asset base, due to housing starts. After adjusting for inflation, growth in residential asset values reached a pace not seen since 1987.

- Mortgages associated with residential assets increased by 6.4 per cent during 2002. The relatively slow growth in liabilities resulted in an increase in residential net worth of 9.6 per cent. ■

Housing wealth more important
(annual growth)



Sources: CMHC, adapted from Statistics Canada, National Accounts

As good as it gets: the Moncton story

Canada's recent real estate boom, due in large part to borrowing conditions, is a well known story. At the same time as interest rates fell, a number of housing demand factors turned positive in Moncton, bringing about remarkable results.

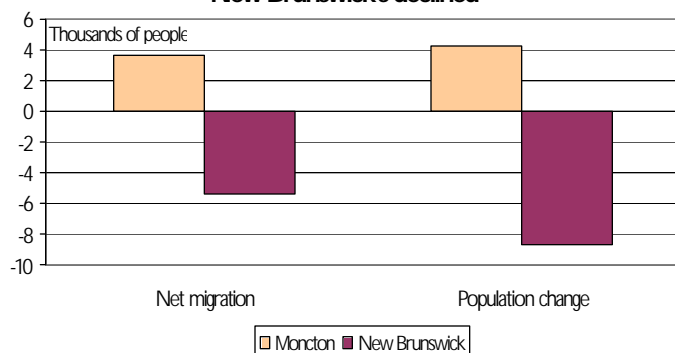
- **Strong employment growth:** over the past five years employment grew by 16 per cent in Moncton compared to slightly under 12 per cent nationally. Employment jumps in both the service and manufacturing sectors have helped diversify the local economic base.
- **Economic expansion:** the local economy has been growing and diversifying at a healthy pace. This growth has been fueled by major retail construction and expansion, a new airport, \$100 million in downtown upgrading, a new bridge to Riverview, a growing high tech sector and construction on the old 300 acres CN property - half of which will be residential.
- **Population growth:** although New Brunswick's population declined slightly between the 1996 and 2001 census counts, the Moncton area benefited from an intra-

provincial movement of people. There was a positive net migration to the area of over 3,600, of which 3,400 came from other parts of the province. The Moncton area has been the main recipient of people moving from the Northeast portion of the province which has been experiencing high unemployment levels.

How did these factors play out in the housing markets?

- **New home construction:** housing starts in the Moncton market more than doubled in five years compared to an increase of 39 per cent for Canada. The biggest jump came from multiple unit construction, which soared by 200 per cent (48 per cent for Canada).
- **Sales of existing homes:** MLS sales rose by 46 per cent since 1997 which compares to a 27 per cent increase for Canada. Rapid home sales caused a shortage of available listings, leaving Moncton well in the "seller's market" territory.
- **Price increases:** lagged behind the national average, with MLS prices rising by 17 per cent over the five year period while Canada averaged an increase of 22 per cent. The abundance of land for development has helped to keep the rise in Moncton's housing prices lower than it was in other cities, even during times of intense housing demand pressures. ■

From 1996 to 2001 Moncton's population grew while New Brunswick's declined

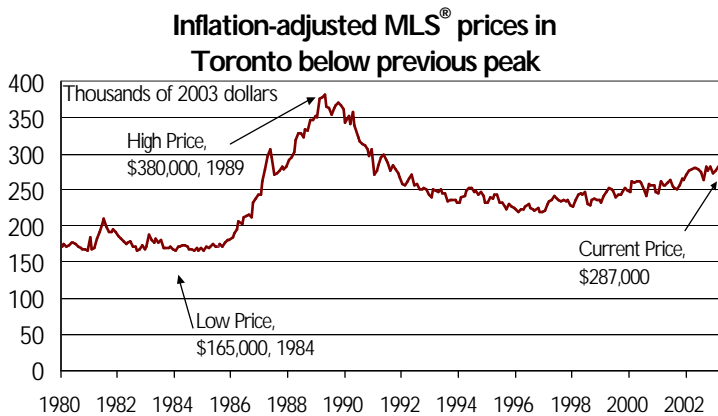


Sources: CMHC, adapted from Statistics Canada, Census of Canada and Migration Statistics

Resale prices show market is active across the country

An analysis of inflation-adjusted MLS[®] prices within and across markets shows 2003 house prices are higher than their average for the past 20 years, suggesting that resale markets are generally quite active.

- The first chart shows the movement of Toronto's average MLS[®] price adjusted for inflation over the past 20 years. The data shows the low of about \$165,000 in today's dollars was reached in 1984 while the high of about \$380,000 occurred in 1989. The June 2003 average price was \$287,000. The chart suggests that the Toronto market is not an overheated market as was the case in 1989.

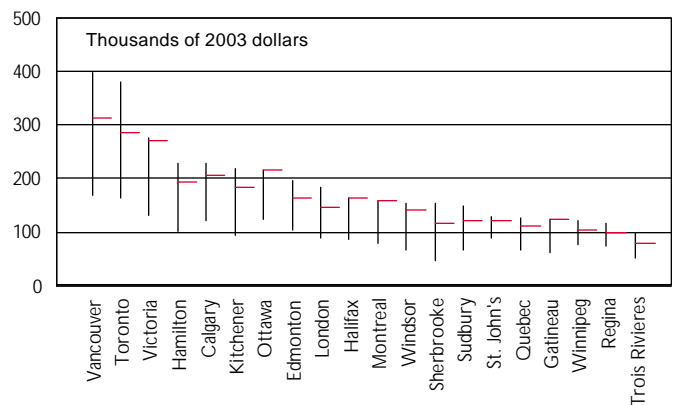


Sources: CMHC, CREA

- In the second chart the vertical bar represents the range of prices in 2003 dollars for a number of urban centres over the past 20 years. Some centres have witnessed significant price variations, such as Toronto and Vancouver, as the range of prices has been very large. Other markets, such as St. John's or Regina

have been relatively stable as their ranges are narrow by comparison.

MLS[®] inflation-adjusted housing prices near or at new records in several cities



Sources: CMHC, CREA

- The line across the price range bar represents the most current inflation-adjusted price; in the case of Toronto, it is the June 2003 price of \$287,000. One thing that is immediately obvious is that in every city in this chart, inflation-adjusted house prices are higher than their median for the past 20 years. This suggests that resale markets are generally quite active across Canada. Furthermore, the data shows that Ottawa and Montreal are at new price highs while Victoria, Halifax and Gatineau are close to setting new records. This can be explained partly by rising demand. In all five cities, the employment growth rate has recently been relatively strong and each market is considered a seller's market, with sales-to-new listings ratios above 50 per cent. ■

Halifax as an emerging condominium market

Halifax is emerging as the only significant condominium market in the Atlantic region and is beginning to reflect characteristics of similar sized markets in other parts of the country. What are some of the factors which encourage a condo market in one area over another?

- High home prices encourage condominium construction. The table below suggests that the markets with the lowest home prices have the lowest share of condominium construction. For example, Moncton, with the lowest home prices in the table also has the lowest percentage of condominium construction at only one per cent. Moving to more expensive markets, condominiums represented 11 per cent of all starts in Halifax last year; 12 per cent in London; 30 per cent in Calgary; and 47 per cent in Vancouver, the highest in the country.
- Like the rest of the country, the housing market in Halifax has been vibrant over the past few years. Although new construction has been on par with other places, the average resale price has shot up by 49 per cent since the mid 1990's. The number of transactions and average prices in the resale market in Halifax have become similar to those in London, Ontario, and the share of condominium construction is similar as well (see table).
- A close connection exists between condominium construction and land prices. When land is available, single-detached home construction is popular, even when the market is hot. In the Atlantic region for instance, Moncton has been considered the hottest economy and housing market, yet the condominium market has not developed to the extent it has in Halifax. In Moncton, average resale prices remain below \$100,000 while land available for new construction is in abundance, even in the downtown area. On the contrary, in Halifax, where a surge has been observed in condominium construction, land prices have jumped and available land for development is getting further away from the city core.
- As for other Atlantic centres, until land for development runs short and/or resale prices jump significantly, the condominium market is not likely to be a competitive option. ■

Condominium Construction High in Expensive Markets

	Average Resale Price	Condos as a Percentage of Total Starts
Moncton	\$99,942	1%
Halifax	\$148,737	11%
London	\$142,745	12%
Montreal	\$143,589	28%
Calgary	\$198,350	30%
Vancouver	\$301,473	47%

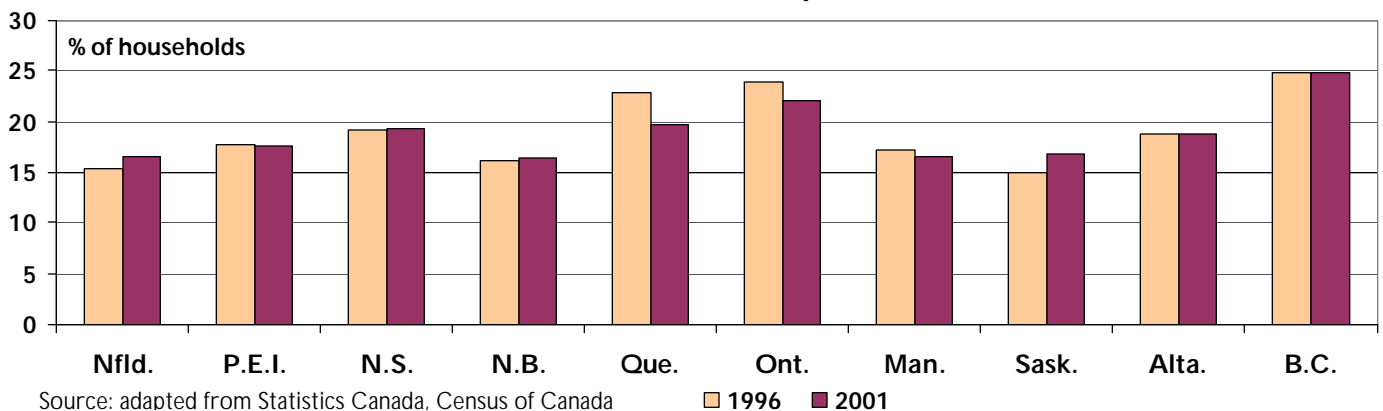
Source: CMHC,

Households spending 30 per cent or more of income on shelter decreased more in Quebec and Ontario

Based on the 2001 and 1996 censuses, the proportion of households spending 30 per cent or more of their before-tax income on shelter declined most in Quebec and Ontario. The percentage of renters spending above the benchmark decreased across all provinces except in two while the converse was the case for owners.

- A benchmark frequently used to evaluate household spending on shelter is 30 per cent of before-tax income.
- Comparing the latest census with the previous one, there was a reduction in the proportion of Canadian households who fell above the 30 per cent or more benchmark from 22.2 per cent in 1996 to 20.8 per cent in 2001. Renter households led the way with a decline from 36.9 per cent in 1996 to 34.6 per cent. Ontario and Quebec were the only provinces in which the proportion declined for both owners and renters.
- The largest decline in the proportion of households spending more than the benchmark between 1996 and 2001 was in Quebec (from 22.8 per cent to 19.7 per cent) followed by Ontario (from 23.8 per cent to 22.1 per cent). Possible factors that contributed to this decline in both Quebec and Ontario were large increases in average weekly earnings, employment rate gains and modest to moderate population growth.
- The proportion of renters spending more than the benchmark declined across all provinces, except in Saskatchewan and Newfoundland. The largest decline was in Quebec with, 31.0 per cent of renters spending more than the benchmark, down from 35.8 per cent in 1996. Growing employment rates and corresponding increases in incomes are factors that contributed to the decline.
- British Columbia, Ontario and Quebec have a higher proportion of households spending more than the benchmark on shelter in comparison to the other provinces. More expensive markets tend to have a higher proportion of households outspending the benchmark. For example, the highest average MLS home price in both 1996 and 2001 was also in British Columbia, with Ontario following closely. On the other hand, Quebec, which had the third highest proportion of households above the shelter cost benchmark, had an average MLS price similar to that of other provinces where proportionately fewer households paid 30 per cent or more of their income for shelter. ■

Proportion of households spending 30 per cent or more of income on shelter costs falls in four provinces



This Month's Housing Data (SAAR)

	2002	Q4:02	Q1:03	Q2:03	M5:03	M6:03	M7:03
Housing starts, units, 000's							
Canada. Total. All areas	205.0	211.6	222.2	201.7	194.6	205.9	223.5
% chg	26.0	3.0	5.0	-9.2	-4.7	5.8	8.5
Canada. Total. Rural areas	25.9	25.7	31.5	24.5	24.5	24.5	29.6
% chg	26.7	4.0	22.6	-22.2	0.0	0.0	20.8
Canada. Total. Urban areas	179.1	185.9	190.7	177.2	170.1	181.4	193.9
% chg	25.9	2.8	2.6	-7.1	-5.4	6.6	6.9
Canada. Single. Urban areas	103.1	106.9	97.0	97.2	95.0	98.5	103.1
% chg	31.7	3.3	-9.3	0.2	-3.2	3.7	4.7
Canada. Multiple. Urban areas	76.1	79.0	93.7	80.0	75.1	82.9	90.8
% chg	18.7	2.2	18.6	-14.6	-8.1	10.4	9.5
Newfoundland. Total. All areas	2.4	3.1	1.6	3.0	3.1	2.7	2.1
% chg	35.3	40.9	-48.4	87.5	10.7	-12.9	-22.2
Prince Edward Island. Total. All areas	0.8	0.7	0.8	1.6	1.7	1.8	1.0
% chg	14.8	-22.2	14.3	100.0	30.8	5.9	-44.4
Nova Scotia. Total. All areas	5.0	6.0	10.0	4.2	3.8	5.3	5.4
% chg	21.5	36.4	66.7	-58.0	5.6	39.5	1.9
New Brunswick. Total. All areas	3.9	5.2	3.8	5.1	5.0	4.2	4.6
% chg	11.6	57.6	-26.9	34.2	-15.3	-16.0	9.5
Quebec. Total. All areas	42.5	45.0	46.5	43.2	43.4	43.2	49.3
% chg	53.4	3.2	3.3	-7.1	0.9	-0.5	14.1
Ontario. Total. All areas	83.6	80.9	90.7	79.0	76.1	84.7	84.9
% chg	14.1	-3.0	12.1	-12.9	-0.3	11.3	0.2
Manitoba. Total. All areas	3.6	3.8	3.5	3.8	3.8	4.0	4.0
% chg	22.1	-2.6	-7.9	8.6	8.6	5.3	0.0
Saskatchewan. Total. All areas	3.0	3.4	3.4	3.7	2.8	3.4	3.2
% chg	24.4	0.0	0.0	8.8	-44.0	21.4	-5.9
Alberta. Total. All areas	38.8	40.0	38.5	35.4	34.1	34.5	39.0
% chg	32.8	9.0	-3.7	-8.1	-9.5	1.2	13.0
British Columbia. Total. All areas	21.6	23.5	23.4	22.7	20.8	22.1	30.0
% chg	25.5	-1.3	-0.4	-3.0	-17.5	6.2	35.7

SOURCE: CMHC

All data are seasonally adjusted at an annual rate, latest month's figures are preliminary.
 % chg: Per cent change from previous period.

Annual rate of housing starts, urban areas*

	2002	Q4:02	Q1:03	Q2:03	M5:03	M6:03	M7:03
Canada	179.1	185.9	190.7	177.2	170.1	181.4	193.9
Newfoundland	1.6	1.5	1.2	2.1	2.2	1.8	1.5
Prince Edward Island	0.5	0.5	0.5	0.6	0.7	0.8	0.7
Nova Scotia	3.7	4.7	8.6	2.9	2.5	4.0	3.7
New Brunswick	2.6	3.6	2.1	3.5	3.4	2.6	3.6
Québec	33.5	36.4	35.2	34.7	34.9	34.7	39.5
Ontario	79.6	76.9	83.9	75.8	72.9	81.5	79.7
Manitoba	2.2	2.1	2.1	2.0	2.0	2.2	2.0
Saskatchewan	2.4	2.7	2.7	2.8	1.9	2.5	2.4
Alberta	32.7	34.9	33.5	31.3	30.0	30.4	32.8
British Columbia	20.3	22.6	20.9	21.5	19.6	20.9	28.0

* Thousands of units, seasonally adjusted.

This Month's Major Housing Indicators

	2002	Q4:02	Q1:03	Q2:03	M5:03	M6:03	M7:03
New Housing*							
New & unoccupied singles & semis, 000's	4.8	4.8	4.6	4.7	4.7	4.9	n.a.
%chg	-16.4	4.8	-5.2	2.8	2.8	3.6	n.a.
New & unoccupied row & apartments, 000's	5.1	5.1	5.1	5.5	5.5	5.7	n.a.
%chg	-16.5	5.1	0.2	7.5	1.4	2.4	n.a.
New House Price Index, 1992=100	111.3	113.4	114.7	115.8	115.8	116.2	n.a.
%chg	4.1	1.3	1.1	1.0	0.5	0.3	n.a.
Existing Housing**							
MLS® resales, units. 000's	421.2	409.9	415.0	419.4	414.7	444.8	n.a.
%chg	10.6	1.8	1.3	1.1	4.0	7.2	n.a.
MLS® average resale price. \$C, 000's	188.2	192.6	197.7	203.4	203.0	208.1	n.a.
%chg	9.7	1.6	2.6	2.9	2.2	2.5	n.a.
Mortgage Market							
1-Year Mortgage Rate, %	0.43	1.68	1.68	1.69	5.05	4.85	4.55
5-Year Mortgage Rate, %	0.58	2.27	2.21	2.07	6.15	5.80	6.20

SOURCES: CMHC, Statistics Canada, Bank of Canada, The Canadian Real Estate Association.

chg % change from previous period.

n.a. Figures not available

* Seasonally adjusted.

** Seasonally adjusted at annual rate (SAAR).