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HOUSING FACTS

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Canada Mortgage and Housing Corporation

HOUSING STARTS UP IN AUGUST

New home construction continued to rally in August as the seasonally adjusted annual rate¹ of housing starts increased to 233,900, from 223,500 in July,

Low mortgage rates and the belief that today is a good time to buy a house contributed to the strength in housing markets in August. Mortgage rates are at 50 year lows, keeping the carrying costs of mortgages down. This encourages move-up buying by existing homeowners and attracts renter households into the home ownership market. Year-to-date, actual starts have exceeded last year's level by 4.7 per cent.

The seasonally adjusted annual rate of urban multiple starts was up 16.2 per cent to 105,500 units in August compared with 90,800 units in July. Nationally, year-to-

date actual urban multiple starts increased 16.1 per cent compared with the same period in 2002.

After rising to 103,100 units in July, the seasonally adjusted annual rate of urban single starts fell to 98,800 units in August, down 4.2 per cent, reversing most of the previous month's gains. The largest decrease was in Ontario, where a state of emergency brought on by electrical power shortages during the week following the power blackout likely slowed single home construction starts. Canada-wide, year-to-date actual urban single starts are down 3.6 per cent compared to the same period in 2002.

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

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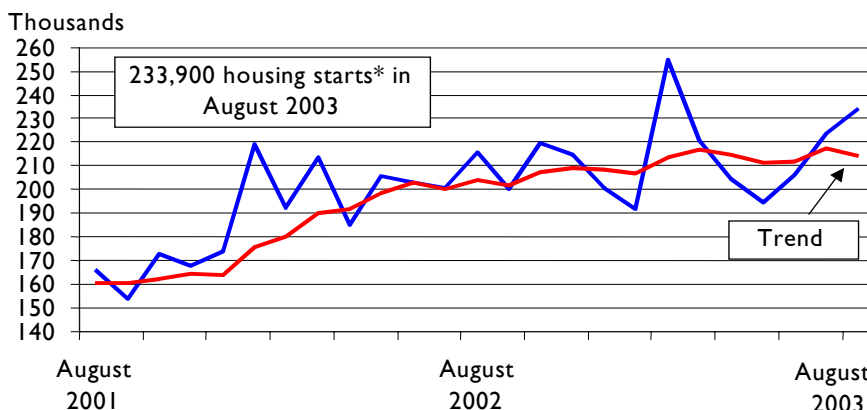
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Housing Starts in Canada - All Areas*



*Seasonally adjusted at annual rates

¹⁻² See notes on page 2.

Source: CMHC



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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Total sales of existing homes reach a new record

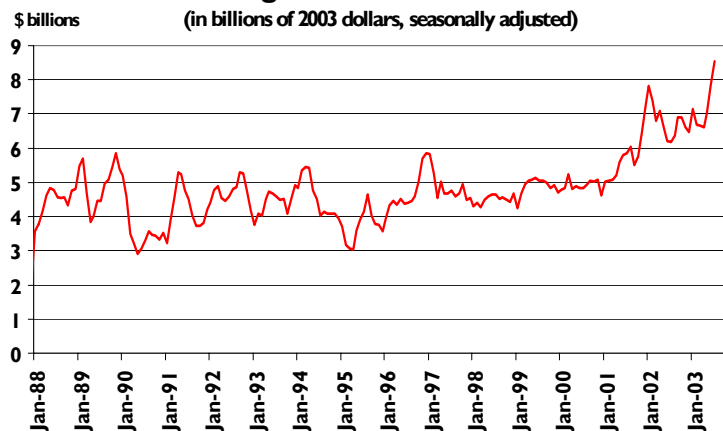
In July 2003, the aggregate value of residential sales through the Multiple Listing Services® (MLS® dollar volumes) reached a new record, breaking the past record set in January 2002.

- An environment of high consumer confidence and low interest rates stimulated strong growth in both the average MLS® home price and the number of MLS® transactions during the first seven months of 2003, pushing the aggregate value of sales to a new record. Total MLS® dollar volumes, expressed in inflation-adjusted 2003 dollars, reached a record in July with over \$8.5 billion in aggregate sales.
- The value of sales through the MLS® is a product of the number of transactions and prices, and both these components have risen substantially over the past few years. Recently, tight resale markets in many centers across the country pushed Canada's year-to-date MLS® average price about 8.4 per cent higher than a year ago — compared to inflation of 3.4 per cent in the same period. The lowest mortgage rates in over 50 years and rapid increases

in home equity helped July's seasonally adjusted home sales jump to record levels.

- Existing dwelling sales tend to lead starts so the current record resale activity bodes well for housing starts in the next few months. ■

Value of existing home transactions hits new record
 (in billions of 2003 dollars, seasonally adjusted)



Sources: CMHC, adapted from Canadian Real Estate Association, Multiple Listing Service® dollar volumes and Statistics Canada, Consumer Price Index

The choice to own or rent is influenced by where you live

Many factors contribute to a household's decision to rent or own and these vary across Canada.

- Shelter choices that Canadians make depend on a number of variables including the price of housing in their community, households' tastes, potential equity gains or losses for the owner, and the cost of ownership relative to the cost of renting. The table below sets out some data for ten cities across Canada that are relevant to shelter choice. Most potential purchasers are renters, however, owners' incomes are used as a proxy for their incomes. When renters are ready to buy, their incomes are likely more similar to those of owners than to those of most other renters. The 2003 monthly mortgage payment is based on buying a home at the 2003 average MLS® price in each city with a ten per cent down payment, a mortgage rate of 6.35 per cent (the end August posted 5 year rate) and amortization over 25 years.
- **Halifax versus Montreal: Ownership more attractive in Halifax**
In Halifax and Montreal, median incomes of owners are about the same as are those of renters. The MLS® average prices are also very close in 2003. The major difference occurs in rent levels, where Halifax rents are about \$155 per month more than in Montreal. The higher rent in Halifax may be one of the reasons why there is a greater share of owner households in Halifax. Almost two-thirds of the households in Halifax are owner households, while in Montreal only half are owner households, which is the lowest share in the table.
- **Calgary, Saint John and St. John's: All have high percentage of owners**
Owners' median incomes in St. John's and Saint John are lowest and home prices nearly the lowest on the list, while Calgary is on the other end of the spectrum. Yet, the share of owner households is the highest in both Calgary and St. John's with Saint John close behind. The high ratio of rent to mortgage payment in St. John and St. John's creates an incentive for renters to purchase a home. In Calgary, strong and consistent home price increases since 1993 are the incentive.
- **The others: Vancouver, Ottawa, Toronto, London, and Winnipeg**
Vancouver, Ottawa, London and Toronto all face high MLS® prices and rents. Both renters and owners in these cities have high incomes. On the other hand, Winnipeg has one of the lowest income levels among renters and owners and also one of the lowest MLS® prices on the list. Even with such diverse income and price mixes, all five cities have the same mix of owners to households (between 61 to 65 per cent).
- The analysis and data provide a snapshot of the tenure choices of Canadians. Clearly, deciding to own or rent is not a simple task and many factors contribute to the decision. Incomes and prices, while important, are just two of the factors, and as seen in the table, they vary across the country. ■

Census Metro Area	Owners' 2003 Median Income*	Renters' 2003 Median Income*	Average MLS® price in 2003	2003 Monthly Mortgage Payment	2003** Rent for 2-bdrm. Apt.	Mortgage Payments to Owners' Income	Rent to Renters' Income	Owners to All Households	Renters to All Households.
Calgary	\$76,546	\$38,884	\$209,661	\$ 1,247	\$ 822	19.5%	25.4%	71%	29%
St John's	\$61,058	\$23,573	\$119,783	\$ 712	\$ 602	14.0%	30.6%	70%	30%
Saint John	\$57,757	\$24,087	\$104,647	\$ 622	\$ 503	12.9%	25.1%	67%	33%
Winnipeg	\$61,858	\$25,841	\$108,205	\$ 643	\$ 636	12.5%	29.5%	65%	35%
Toronto	\$81,260	\$39,168	\$292,645	\$ 1,740	\$ 1,070	25.7%	32.8%	63%	37%
London	\$68,120	\$28,686	\$153,325	\$ 912	\$ 721	16.1%	30.1%	63%	37%
Ott-Hull***	\$82,441	\$37,340	\$218,519	\$ 1,299	\$ 950	18.9%	30.5%	62%	38%
Halifax	\$65,604	\$29,718	\$161,073	\$ 958	\$ 719	17.5%	29.1%	62%	38%
Vancouver	\$67,399	\$35,607	\$327,955	\$ 1,950	\$ 975	34.7%	32.9%	61%	39%
Montreal	\$65,804	\$29,700	\$162,172	\$ 964	\$ 564	17.6%	22.8%	50%	50%

* Estimate based on 2000 incomes inflated by the CPI

** Estimate based on 2002 rents inflated by the CPI

*** Now known as Ottawa-Gatineau, Average MLS® price for Ottawa only.

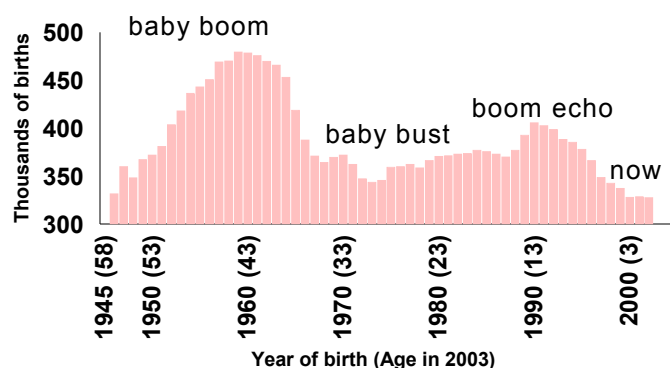
Sources: CMHC, Rental Market Survey and adapted from Statistics Canada, Census of Canada, Consumer Price Index

The impact of births on future housing demand

Canada's births pattern largely explains the population's age structure and hence age-related housing demand. Unless high immigration numbers are sustained, the decline in the number of births in the late 1990s implies softer ownership demand two and a half decades from now.

- The changing age structure of Canada's population will have a major influence on how many and what types of homes will be in demand in the future. Households usually move into rental in their earlier life-cycle stages and purchase homes after financial assets are built up and a few move back into rental in their retirement years. The average age of a first-time homebuyer is the mid 30s, while second-round home buying usually occurs in a person's early 40s. Once in their 60s, at retirement age, some individuals move back into rental.

Births affect future housing needs



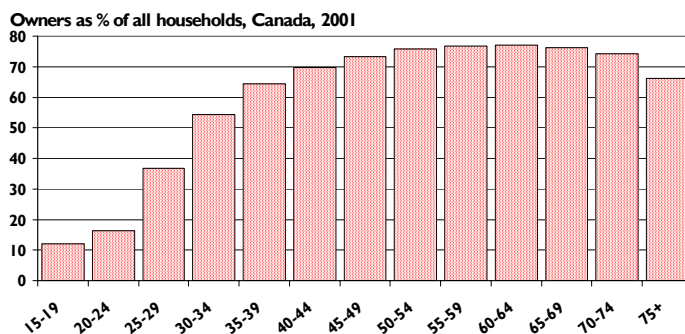
Source: CMHC, adapted from Statistics Canada, CANSIM II

- Canada's birth pattern is very informative since it explains a substantial part of the population's age structure and thus age-related housing demand. (The other major factor is immigration). Chances are that a person born about twenty years ago is moving into a rental today, while someone born in 1969 is purchasing a first home. So what are the implications of Canada's birth pattern?
- **The baby boom cohort:** Post WWII births surged to a peak in 1959, so peak baby boom individuals are now in their early forties and their incomes are already high, but continuing to rise. As shown in the graph, the majority of baby boomers own their own home. They are at the age when many people upgrade from their first purchase. Beginning about five years from now, the majority

of baby boomers will begin passing through their fifties - a time when their incomes reach a lifetime maximum, and they have significant assets, slightly higher ownership rates and less mobility.

- **The baby bust cohort:** Canada's annual number of births dropped by 28 per cent between 1959 and 1973. The high rental vacancy rates of the 1990s coincided with the passing of the baby-bust cohort through their renter years. Ten years from now, persons born in the post-war lowest birth year of 1973 will be in their forties. The lower number of people this age may contribute to less move-up home purchases.
- **The baby boom echo cohort:** A spike in the number of births, with the peak in 1990, followed the bust. As shown in the chart, the increase in births during the echo was smaller and of shorter duration than in the boom. This cohort will add to demand for rental housing in about five years and will be in full first-time homebuyer mode in about ten to fifteen years from now, if present trends continue.
- **Post echo births:** The number of births in Canada fell steadily through the 1990s, reaching its lowest level in over half a century in 1999. Although there was a small increase in 2001, it is still too early to conclude that the trend has reversed. If not offset by immigration over the next decade, the current birth trough will reduce rental demand in the 2020s and home buying in the 2030s and 2040s. ■

Ownership and age



Source: CMHC, adapted from Statistics Canada, Census of Canada

This Month's Housing Data (SAAR)

	2002	Q4:02	Q1:03	Q2:03	M6:03	M7:03	M8:03
Housing starts, units, 000s							
Canada. Total. All areas	205.0	211.6	222.2	201.7	205.9	223.5	233.9
Per cent change from previous period	26.0	3.0	5.0	-9.2	5.8	8.5	4.7
Canada. Total. Rural areas	25.9	25.7	31.5	24.5	24.5	29.6	29.6
Per cent change from previous period	26.7	4.0	22.6	-22.2	0.0	20.8	0.0
Canada. Total. Urban areas	179.1	185.9	190.7	177.2	181.4	193.9	204.3
Per cent change from previous period	25.9	2.8	2.6	-7.1	6.6	6.9	5.4
Canada. Single. Urban areas	103.1	106.9	97.0	97.2	98.5	103.1	98.8
Per cent change from previous period	31.8	3.3	-9.3	0.2	3.7	4.7	-4.2
Canada. Multiple. Urban areas	76.1	79.0	93.7	80.0	82.9	90.8	105.5
Per cent change from previous period	18.7	2.2	18.6	-14.6	10.4	9.5	16.2
Newfoundland. Total. All areas	2.4	2.8	1.6	3.0	2.7	2.1	2.4
Per cent change from previous period	35.3	27.3	-42.9	87.5	-12.9	-22.2	14.3
Prince Edward Island. Total. All areas	0.8	0.7	0.9	1.6	1.8	1.0	0.7
Per cent change from previous period	14.8	-22.2	28.6	77.8	5.9	-44.4	-30.0
Nova Scotia. Total. All areas	5.0	5.9	9.9	4.2	5.3	5.4	5.0
Per cent change from previous period	21.5	34.1	67.8	-57.6	39.5	1.9	-7.4
New Brunswick. Total. All areas	3.9	5.1	3.7	5.1	4.2	4.6	4.2
Per cent change from previous period	11.6	54.5	-27.5	37.8	-16.0	9.5	-8.7
Quebec. Total. All areas	42.5	45.3	46.8	43.2	43.2	49.3	58.7
Per cent change from previous period	53.4	3.7	3.3	-7.7	-0.5	14.1	19.1
Ontario. Total. All areas	83.6	81.4	90.2	79.0	84.7	84.9	85.9
Per cent change from previous period	14.1	-2.6	10.8	-12.4	11.3	0.2	1.2
Manitoba. Total. All areas	3.6	3.7	3.5	3.8	4.0	4.0	5.9
Per cent change from previous period	22.1	-5.1	-5.4	8.6	5.3	0.0	47.5
Saskatchewan. Total. All areas	3.0	3.4	3.4	3.7	3.4	3.2	3.7
Per cent change from previous period	24.4	0.0	0.0	8.8	21.4	-5.9	15.6
Alberta. Total. All areas	38.8	39.8	38.4	35.4	34.5	39.0	38.0
Per cent change from previous period	32.8	9.3	-3.5	-7.8	1.2	13.0	-2.6
British Columbia. Total. All areas	21.6	23.5	23.8	22.7	22.1	30.0	29.4
Per cent change from previous period	25.5	-0.8	1.3	-4.6	6.3	35.7	-2.0

SOURCE: CMHC, Starts and Completions Survey. All data are seasonally adjusted and annualized. This seasonally adjusted data goes through stages of revision at different times through the yearly cycle resulting in finalization of preliminary data. These revisions take place at the end of each month, quarter and year.

Annual rate of housing starts, urban areas*

	2002	Q4:02	Q1:03	Q2:03	M6:03	M7:03	M8:03
Canada	179.1	185.9	190.7	177.2	181.4	193.9	204.3
Newfoundland	1.6	1.5	1.2	2.1	1.8	1.5	1.8
Prince Edward Island	0.5	0.5	0.5	0.6	0.8	0.7	0.4
Nova Scotia	3.7	4.7	8.6	2.9	4.0	3.7	3.3
New Brunswick	2.6	3.6	2.1	3.5	2.6	3.6	3.2
Québec	33.5	36.4	35.2	34.7	34.7	39.5	48.9
Ontario	79.6	76.9	83.9	75.8	81.5	79.7	80.7
Manitoba	2.2	2.1	2.1	2.0	2.2	2.0	3.9
Saskatchewan	2.4	2.7	2.7	2.8	2.5	2.4	2.9
Alberta	32.7	34.9	33.5	31.3	30.4	32.8	31.8
British Columbia	20.3	22.6	20.9	21.5	20.9	28.0	27.4

* Thousands of units, seasonally adjusted and annualized.

This Month's Major Housing Indicators

	2002	Q4:02	Q1:03	Q2:03	M6:03	M7:03	M8:03
New Housing							
New & unoccupied singles & semis, units 000s	4.8	4.8	4.7	4.8	4.9	4.6	n.a.
Per cent change from same period previous year	-16.4	-9.8	-9.5	-3.4	-1.4	4.6	n.a.
New & unoccupied row & apartments, units 000s	5.1	5.0	5.2	5.7	5.9	5.6	n.a.
Per cent change from same period previous year	-16.5	-2.9	-2.8	8.7	10.4	12.4	n.a.
New House Price Index, 1997=100	111.3	113.4	114.6	115.9	116.3	116.7	n.a.
Per cent change from same period previous year	4.1	5.0	5.0	4.4	4.5	4.7	n.a.
Existing Housing							
MLS[®] resales*, units 000s	421.2	409.9	415.0	419.4	452.1	502.6	n.a.
Per cent change from same period previous year	10.6	-2.8	-9.8	1.8	16.4	28.7	n.a.
MLS[®] average resale price**, \$C 000s	188.1	192.6	197.7	203.4	208.2	204.0	n.a.
Per cent change from same period previous year	9.8	9.6	8.0	8.3	11.4	9.8	n.a.
Mortgage Market							
1-Year Mortgage Rate, % (period average)	5.17	5.03	5.05	5.08	4.85	4.55	4.55
5-Year Mortgage Rate, % (period average)	7.02	6.80	6.63	6.20	5.80	6.20	6.35

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

n.a. Figures not available

* Seasonally adjusted and annualized (SAAR). ** Seasonally adjusted.