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HOUSING FACTS

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Canada Mortgage and Housing Corporation

NEW HOME CONSTRUCTION UP IN FEBRUARY

The seasonally adjusted annual rate¹ of housing starts was 214,200 in February, compared with 195,500 in January.

Starts rebounded nicely in February. Both singles and multiples rose during the month to bring total starts back above the 200,000 mark. Housing demand remains robust, thanks to strength in employment and consumer confidence. Recent interest rate cuts by the Bank of Canada will help stimulate demand further and with resale markets still relatively tight, many households will look to new housing to meet their needs.

The seasonally adjusted annual rate of urban starts rose 11.0 per cent to 188,600 units, with most of the increase coming from multiples. Multiple starts

increased 18.6 per cent in February to 88,500, while single starts rose 5.0 per cent to 100,100.

The seasonally adjusted annual rate of urban starts rose in all regions except British Columbia. Starts were up 11.9 per cent in the Prairies, 24.5 per cent in Quebec, 11.6 per cent in Ontario and 12.2 per cent in the Atlantic Region. In British Columbia, seasonally adjusted starts fell 8.8 per cent due to a 20.8 per cent decline in multiple starts.

Rural starts in February were estimated at a seasonally adjusted annual rate of 25,600 units.

Year to date actual urban starts were 7.1 per cent lower in February than in February 2003. Single starts declined 3.4 per cent, and multiple starts were off 10.3 per cent. ■

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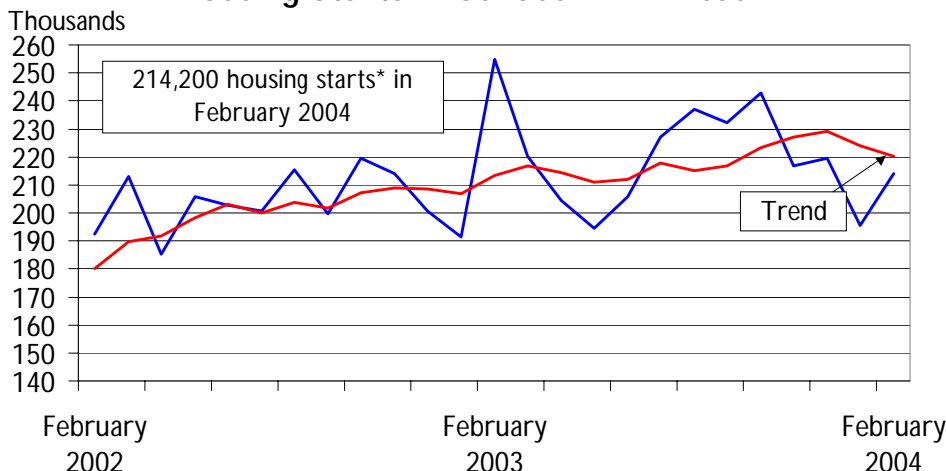
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Housing Starts in Canada - All Areas*



Source: CMHC

*Seasonally adjusted at annual rates

¹See note 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.

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Shelter is a large component of most households' budgets

Based on the 2002 Survey of Household Spending, most households spent a large portion of their incomes on shelter. However, there were significant differences in the level of incomes and in spending patterns across tenure groups.

- The Survey of Household Spending is an annual survey that provides insight into the incomes and spending patterns of Canadians. The survey divides households into four basic tenure groups – homeowners with a mortgage, homeowners without a mortgage, renters, and those which moved from rental housing to owned accommodations or vice versa during the year. The first three groups each represent close to one third of all households. Shelter costs include rent or mortgage payments, utilities, insurance, maintenance and property taxes.
- Households which owned their home and had a mortgage (33.6 per cent of households) were the largest in size, averaging just over three members per household. At over \$80,000, their incomes were the highest and they paid the highest taxes. More than a fifth of their income (21.4 per cent) was devoted to shelter in 2002, which was higher than in 2001 where 20.7 per cent of their income was spent on shelter cost. All in all, the proportion of income spent on shelter by owners with a mortgage has been relatively stable over the past six years fluctuating between 20-22 per cent of their income.
- Renters represented 32.6 per cent of households. At \$38,200, the average income of renter households was less than half of that of homeowners with a mortgage. Compared to the more than \$17,000 spent on shelter by owners with mortgages, renters paid much less - only about \$11,400 - yet proportionately, the two groups' spending on shelter was about 21-22 per cent in 2002. The proportion of income spent on shelter by renters in 2002 (22.0 per cent) was relatively unchanged from 2001, with 22.1 per cent spent on shelter. Renters' outlays for taxes were lower, but their spending on most other budgetary items as a percentage of their income was mostly higher than households in other tenure groups.

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continued: Shelter is a large component of most households' budgets

- Homeowners without mortgages accounted for 31.3 per cent of all households. At \$7,300 their spending on shelter was considerably less, both absolutely and proportionately, than households in other tenure groups. The proportion of income spent on shelter within this tenure group has remained relatively stable and low between 1997 to 2002, which allows them to spend more on other items. They invested slightly more of their income in additions or alterations to their homes, and also made gifts and charitable donations that were relatively larger than those made by households in other tenure groups.
- The group formed by households that changed tenure during the year was relatively small – only about 2.9 per cent of all households. Of these, nearly three-quarters were homeowners

that had been renting earlier in the year. Their shelter costs were augmented by costs associated with their move – legal fees, land transfer taxes and higher spending on furniture and appliances. The proportion of income to shelter cost increased from 25.0 per cent in 2001 to 26.3 per cent in 2002, yet the average amount spent on shelter declined by 5.1 per cent. This is mainly due to a drop in the average income within this group seen between 2001 and 2002. At \$68,300, their total spending in 2002 exceeded their income by about 10 percent. For this group of households as a whole, monetary receipts such as gifts of money, inheritances, and life insurance settlements were a significant supplement to income. ■

Household Income and Spending

	Owners Without Mortgage	Owners With Mortgage	Renters	Rented and Owned in same year	Owners Without Mortgage	Owners With Mortgage	Renters	Rented and Owned in same year
	Average (\$)				Proportion of Income (%)			
Food	6,933	7,882	5,238	6,491	11.0	9.8	13.7	10.5
Shelter	7,297	17,182	8,394	16,298	11.6	21.4	22.0	26.3
Household Operation	2,636	3,649	2,009	3,114	4.2	4.5	5.2	5.0
Furnishings, Equipment	1,821	2,467	949	3,239	2.9	3.1	2.5	5.2
Transportation	9,348	10,565	5,359	8,564	14.8	13.1	14.0	13.8
Taxes	12,850	17,080	6,037	12,364	20.4	21.2	15.8	19.9
Other	18,690	21,166	11,533	18,206	29.7	26.3	30.2	29.3
Total Spending	59,575	79,991	39,519	68,276	94.6	99.4	103.5	110.0
Income (\$ and Relative)	62,984	80,450	38,200	62,071				

Source: Statistics Canada, Survey of Household Spending

Shelter cost

	Owners Without Mortgage	Owners With Mortgage	Renters	Rented and Owned in same year	Owners Without Mortgage	Owners With Mortgage	Renters	Rented and Owned in same year
	Average (\$)				Proportion of Income (%)			
1997	5,968	15,273	7,254	14,107	11.3	22.1	22.9	24.4
1998	6,064	15,334	7,393	14,856	11.1	21.8	23.5	23.9
1999	6,278	15,559	7,637	15,764	11.3	21.3	22.2	26.9
2000	6,652	15,969	7,698	16,592	11.2	21.0	21.7	25.6
2001	7,094	16,579	7,856	17,168	11.5	20.7	22.1	25.0
2002	7,297	17,182	8,394	16,298	11.6	21.4	22.0	26.3

Source: Statistics Canada, Survey of Household Spending

MLS® average resale prices show market is active across the country

Rising demand in the existing home market due to improving housing market fundamentals is reflected in the inflation-adjusted house prices, which are higher than their median price of the past 25 years.

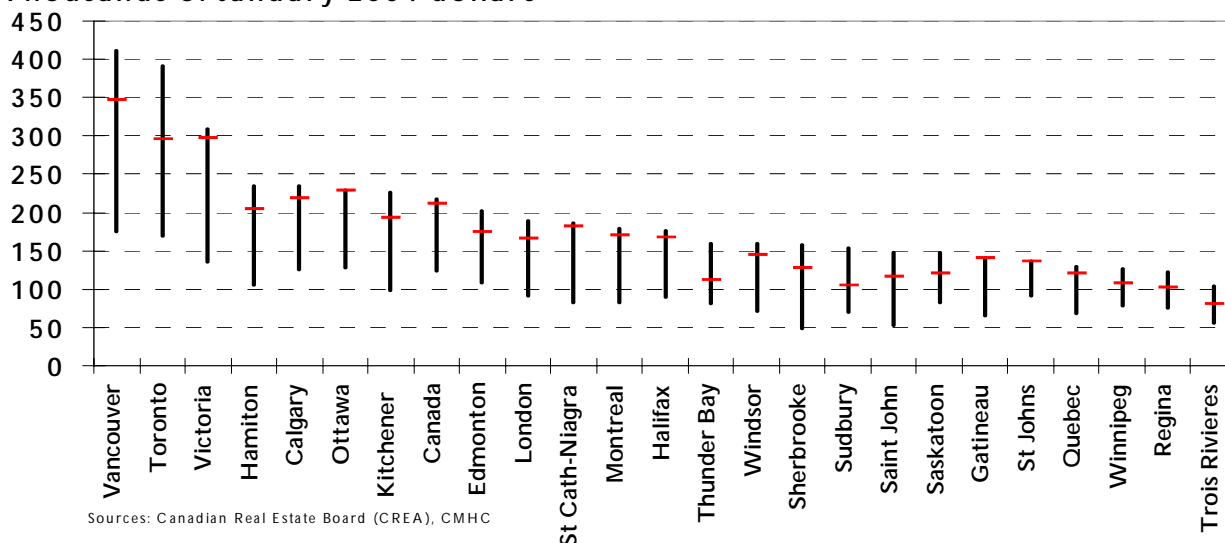
- The hi-low chart below shows inflation-adjusted house prices for a number of urban centres across Canada, measured from 1980 to present. For each centre, the top of the vertical line represents the peak inflation-adjusted home price while the bottom of the line represents the lowest price observed over the period. The difference between the highest and lowest price gives an idea of the range within which resale house prices have fluctuated over the period. Some centres such as Toronto and Vancouver have witnessed significant price variations. Other markets, such as St. John's or Regina have been relatively stable as their ranges are narrow by comparison.
- The line across each centre's vertical price range line represents the most current inflation-adjusted price. In almost every centre in this chart, inflation-adjusted house prices are higher than their median price of the past 25 years. The two exceptions are Sudbury and Thunder Bay. This suggests that right now resale markets are generally very active across

Canada. Furthermore, the data shows that Ottawa, Gatineau and St. John's are at new price highs, while Victoria, Halifax, Montreal and St-Catherines-Niagara are within 5 per cent of setting new records. Canada as a whole is also near its record high, which is evident by the fact that the Canada average real house price is within 2.5 per cent of the previous high reached in 1989. This rise in inflation-adjusted home prices reflects rising demand due to improving housing market fundamentals, such as, low mortgage rates, a strong labour market and 15 years of income gains since the previous peak in house prices.

- Resale markets in 2003 were quite tight in many centres. However, the supply, in the form of new listings, has begun to respond to the tight markets as the strong price increases encourage more homeowners to list their homes. A better balance between the supply and the demand is expected to move the resale market closer to a balanced position, causing price gains to decelerate relative to last year's pace. ■

Inflation-adjusted price

Thousands of January 2004 dollars



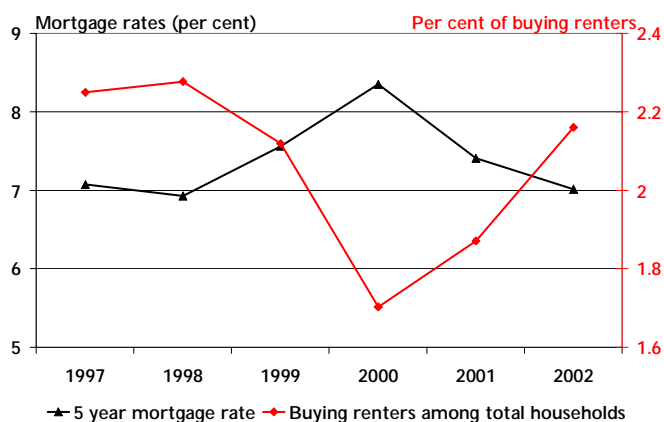
Sources: Canadian Real Estate Board (CREA), CMHC

Who is buying a home?

It has become part of the conventional wisdom that the low mortgage rates over the past several years have encouraged renters to make the transition to home ownership, a fact confirmed by data from the Survey of Household Spending. However, changes in housing prices affect renters more than repeat buyers, so the rising prices have more than offset the recent declines in mortgage rates and recently have brought more repeat buyers than renters into the market.

- The Survey of Household Spending (SHS) is an annual survey conducted by Statistics Canada, which captures a wide range of data on Canadian households' spending patterns and the characteristics of their living accommodations. It provides an estimate of the number of renters making the transition to homeownership during a particular year. As shown in the chart, there is a strong relationship between the number of renters switching to homeownership as a percentage of total households and the level of mortgage rates. This reflects the fact that a number of renting households have steady incomes, sufficient resources for a down payment and are interested in buying a home. For many of them, the level of mortgage rates is an important criterion that determines whether and when they will go ahead with their purchase.

Mortgage rates have a strong influence on renters' decisions to buy

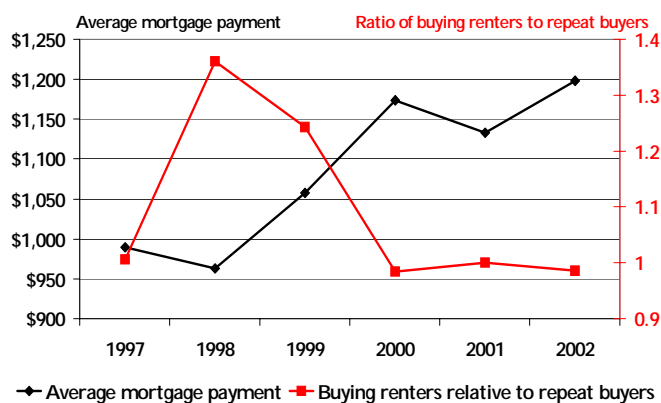


Sources: CMHC, Statistics Canada, Survey of Household Spending

- While renters intending to buy are sensitive to the mortgage rate, housing prices also affect their decision. Repeat buyers¹ are not deterred by rising prices to the same extent as renters when buying a home, since it is possible that the home they own and the one they want to buy are similarly affected by the price changes, although this is not always the case.

- The mortgage payment reflects movements in both mortgage rates and housing prices. Given that changes in housing prices affect renters more than repeat buyers, it would be reasonable to expect that renters are also more sensitive to changes in the mortgage payments than repeat buyers. The chart below shows that this is indeed the case. When the average mortgage payment² fell in 1998, because both mortgage rates and housing prices fell, more renters were drawn into the market than repeat buyers. Conversely, this ratio of buying renters to repeat buyers fell in 1999 and 2000 when rising prices and mortgage rates produced a double digit increase in the average mortgage payment in both years. The mortgage rate declines in 2001 and 2002 brought both renters and repeat buyers into the housing market, but the impact on the repeat buyers was relatively stronger, particularly in 2002 when rising prices more than offset the effect of the decline in mortgage rates on the average mortgage payment. ■

Rising mortgage payments shift demand to repeat buyers



Sources: CMHC, Statistics Canada, Survey of Household Spending

¹ Estimated by the number of respondents in the SHS who owned their residence and paid land transfer taxes.

² Based on the average MLS® price for Canada, a 10 per cent down payment and 25 year amortization.

This Month's Housing Data (SAAR)

	2003	2003:2	2003:3	2003:4	2003:12	2004:01	2004:02
Housing starts, units, 000s							
Canada. Total. All areas	218.4	202.2	229.2	226.2	219.4	195.5	214.2
Per cent change from previous period	6.5	-8.5	13.4	-1.3	1.2	-10.9	9.6
Canada. Total. Rural areas	26.5	23.4	26.6	27.7	27.7	25.6	25.6
Per cent change from previous period	2.3	-22.8	13.7	4.1	0.0	-7.6	0.0
Canada. Total. Urban areas	191.9	178.8	202.6	198.5	191.7	169.9	188.6
Per cent change from previous period	7.1	-6.2	13.3	-2.0	1.4	-11.4	11.0
Canada. Single. Urban areas	100.3	97.8	102.0	103.7	103.5	95.3	100.1
Per cent change from previous period	-2.7	0.6	4.3	1.7	-2.2	-7.9	5.0
Canada. Multiple. Urban areas	91.6	81.0	100.6	94.8	88.2	74.6	88.5
Per cent change from previous period	20.5	-13.3	24.2	-5.8	5.9	-15.4	18.6
Newfoundland. Total. All areas	2.7	2.9	2.5	3.0	2.6	2.6	4.7
Per cent change from previous period	11.3	81.3	-13.8	20.0	-13.3	0.0	80.8
Prince Edward Island. Total. All areas	0.8	1.0	0.7	0.7	0.9	1.1	0.3
Per cent change from previous period	5.0	42.9	-30.0	0.0	50.0	22.2	-72.7
Nova Scotia. Total. All areas	5.1	4.1	4.9	5.2	6.7	4.4	4.0
Per cent change from previous period	2.5	-59.4	19.5	6.1	19.6	-34.3	-9.1
New Brunswick. Total. All areas	4.5	4.9	4.8	4.2	4.5	2.6	2.6
Per cent change from previous period	16.2	36.1	-2.0	-12.5	12.5	-42.2	0.0
Quebec. Total. All areas	50.3	44.0	56.2	56.2	55.4	47.2	56.5
Per cent change from previous period	18.5	-4.8	27.7	0.0	-2.8	-14.8	19.7
Ontario. Total. All areas	85.2	79.4	85.5	86.5	81.8	65.8	72.9
Per cent change from previous period	1.9	-11.7	7.7	1.2	4.3	-19.6	10.8
Manitoba. Total. All areas	4.2	3.7	4.3	4.9	4.0	3.5	4.2
Per cent change from previous period	16.3	5.7	16.2	14.0	-9.1	-12.5	20.0
Saskatchewan. Total. All areas	3.3	3.7	3.2	2.9	2.5	3.2	2.0
Per cent change from previous period	11.9	8.8	-13.5	-9.4	-3.8	28.0	-37.5
Alberta. Total. All areas	36.2	35.3	37.5	34.3	34.2	34.3	38.8
Per cent change from previous period	-6.7	-8.5	6.2	-8.5	-1.7	0.3	13.1
British Columbia. Total. All areas	26.2	23.2	29.6	28.3	26.8	30.7	28.1
Per cent change from previous period	21.0	-0.4	27.6	-4.4	1.5	14.6	-8.5

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*

	2003	2003:2	2003:3	2003:4	2003:12	2004:01	2004:02
Canada	191.9	178.8	202.6	198.5	191.7	169.9	188.6
Newfoundland	1.9	2.0	1.7	2.3	1.9	2.0	4.1
Prince Edward Island	0.6	0.6	0.6	0.5	0.7	1.0	0.2
Nova Scotia	3.6	2.9	3.1	3.8	5.3	2.7	2.3
New Brunswick	3.0	3.4	3.2	2.8	3.1	1.7	1.7
Québec	39.9	35.6	45.2	44.0	43.2	38.0	47.3
Ontario	80.9	76.0	81.4	81.8	77.1	61.2	68.3
Manitoba	2.7	2.0	3.0	3.4	2.5	1.9	2.6
Saskatchewan	2.6	2.9	2.5	2.4	2.0	2.6	1.4
Alberta	32.1	31.2	33.4	30.5	30.4	29.1	33.6
British Columbia	24.7	22.2	28.5	27.0	25.5	29.7	27.1

* Thousands of units, seasonally adjusted and annualized.

This Month's Major Housing Indicators

	2003	2003:2	2003:3	2003:4	2003:12	2004:01	2004:02
New Housing							
New & unoccupied singles & semis, units 000s	4.8	4.8	4.6	5.0	5.1	5.0	5.0
Per cent change from same period previous year	-0.9	-3.4	5.6	5.3	7.1	5.8	5.9
New & unoccupied row & apartments, units 000s	5.7	5.7	5.7	6.0	6.3	6.0	5.7
Per cent change from same period previous year	10.9	8.7	19.9	19.6	14.6	24.6	7.2
New House Price Index, 1997=100	116.7	115.9	117.3	119.0	119.5	119.9	n.a.
Per cent change from same period previous year	4.8	4.4	4.8	5.0	5.0	5.1	n.a.
Existing Housing							
MLS [®] resales*, units 000s	439.4	422.1	471.3	446.6	435.4	421.2	430.9
Per cent change from same period previous year	4.1	0.6	17.4	8.9	9.0	-3.5	4.8
MLS [®] average resale price**, \$C 000s	206.3	202.7	207.9	214.0	213.6	215.5	220.0
Per cent change from same period previous year	9.8	8.1	10.9	10.8	8.7	9.0	10.7
Mortgage Market							
1-Year Mortgage Rate, % (period average)	4.84	5.08	4.55	4.68	4.75	4.30	4.30
5-Year Mortgage Rate, % (period average)	6.39	6.20	6.28	6.45	6.45	6.05	5.80

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

n.a. Figures not available

* Seasonally adjusted and annualized (SAAR).

** Annual and quarterly data is actual. Monthly data is seasonally adjusted.