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# HOUSING FACTS

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Canada Mortgage and Housing Corporation

## HOUSING STARTS REMAIN HIGH IN APRIL

The seasonally adjusted annual rate<sup>1</sup> of housing starts was 241,600 in April, compared with 252,900 in March.

Even though starts decreased slightly in April, housing construction remains at very high levels. Nationally, the housing market continues to benefit from positive economic factors, especially low mortgage rates and strong consumer confidence. This year, 208,500 starts are expected, down slightly from the 2003 level but still the second best year since 1989.

The seasonally adjusted annual rate of urban starts fell 4.8 per cent to 210,800 units in April. Urban multiple starts decreased 6.0 per cent in April to 107,800 while urban single starts declined 3.6 per cent to 103,000 on a seasonally adjusted annual basis.

In British Columbia, in April, the seasonally adjusted annual rate of urban starts jumped 39.4 per cent, due mainly to multiple starts. In the other regions of Canada, the seasonally adjusted annual rate of urban starts declined 6.8 per cent in Ontario, 9.4 per cent in the Prairies and 12.6 per cent in Quebec. Starts also continued to decline in the Atlantic region.

Rural starts in April were estimated at a seasonally adjusted annual rate of 30,800 units, a 1.9 per cent decrease from March 2004.

Year to date actual urban starts were 7.1 per cent higher through April than for the same period last year. Single starts were up 3.0 per cent while multiple starts were up 11.4 per cent. ■

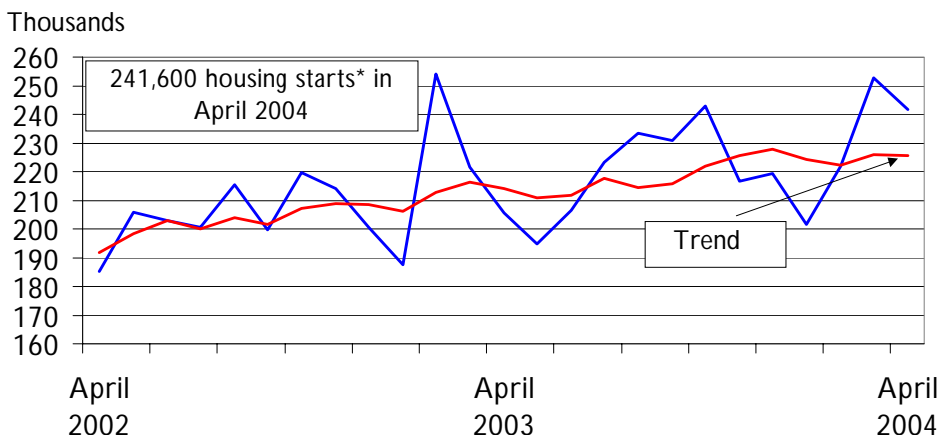
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Housing Starts in Canada - All Areas\*



Source: CMHC

\*Seasonally adjusted at annual rates

<sup>1</sup>See 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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## 2004 Outlook: Housing construction to remain strong

Housing starts are expected to cool down in 2004 following a 15-year record set last year.

- The latest edition of **CMHC Housing Outlook** reported that starts are expected to decrease from last year's rapid pace of over 218,000 units but will remain robust in 2004 with starts of 208,500 units and 192,200 units in 2005. Continued employment and income growth will sustain construction activity this year and next. The decline in starts for 2005 will be due, in part, to gradually rising mortgage rates. Over the medium term (2006-2008), it is expected that starts will continue to decline, reaching around 170,000 in 2008.
- Following a record high in 2003, the number of MLS® resales for 2004 will fall only marginally (0.3 per cent) thanks to high levels of demand that continues to support strong sales. Moderate increases in mortgage rates next year, coupled with higher house prices will mean fewer sales in 2005 and an eventual cool-down in the demand for new housing.
- CMHC anticipates that the average price of existing homes will rise at a slower pace over the next two years as listings rise and the sales edge lower. The average price of existing homes listed with the MLS® is expected to increase by 7.7 per cent this year and 4.2 per cent in 2005. ■

### Key forecast numbers

	2003	2004(F)	2005(F)
Housing starts	218,426	208,500	192,200
Number of resales	439,548	438,400	419,600
Average resale price (\$)	206,223	222,100	231,500

Sources: CMHC, Canadian Real Estate Association (CREA), MLS®

## Condominiums: A growing market

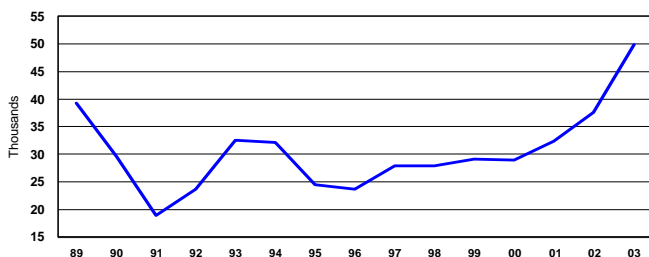
Over the last few years, condominium construction has boomed. With a population that is getting older and an increasing trend in the number of non-family households, the condominium life style should continue to gain in popularity.

### Condominium construction boomed

- Since 2001, condominium construction has boomed in the country's urban centres and was particularly vibrant in 2003. The rate of increase of condominium starts last year doubled compared to 2002 (32.6 per cent in 2003 vs. 15.9 per cent in 2002). In terms of units, 2003 was the most active year since 1989 for condominium starts. Moreover, growth in condominium construction last year (32.6 per cent) was outstanding compared to that of construction in the freehold (-1.5 per cent) market and the rental market (+7.4 per cent) <sup>(1)</sup>.

### The highest level of activity since 1989

Condominium Starts in Canada\*



Source: CMHC  
\* Urban Centres

- From 2001 to 2003, about 6 in 10 condominium starts were located in the three major centres in Canada: Toronto, Vancouver and Montreal, which reinforces the idea that condominiums are truly an urban dwelling product. In Toronto, despite a decrease of 25 per cent in 2002, condominium construction was definitely more vigorous than in Vancouver and Montreal. For the last three years, there were almost twice as many starts in Toronto than in Vancouver and Montreal. From 2001 to 2003, 39,516 condominium starts were recorded in the Toronto CMA compared to 19,158 in Vancouver and 17,343 in Montreal.
- Moreover, in these three centres, the resale condominium market was also very active over the last few years with both sale and average price trending upward. In 2003, condominium resales were 150 per cent higher than in 2000 in Vancouver, 42 per cent higher in Montreal and 28 per cent higher in Toronto. Between 2000 and 2003, the Montreal

market reported the highest increase in the average price of condominiums (44 per cent), almost double that in Toronto (22 per cent) and Vancouver (19 per cent) <sup>(2)</sup>.

- In Montreal, apartment structures started were smaller than in Toronto and Vancouver. From 2001 to 2003, 77 per cent of the condominium starts in Montreal were in structures with 49 units or less. In Toronto, 65 per cent of condominium starts were in buildings with 200 or more units, while in Vancouver 66 per cent of starts were in 50 to 199 unit buildings. Given that land is more expensive in Vancouver and Toronto, developers might make their investment more profitable by building towers.

### The level of unsold condominiums is low

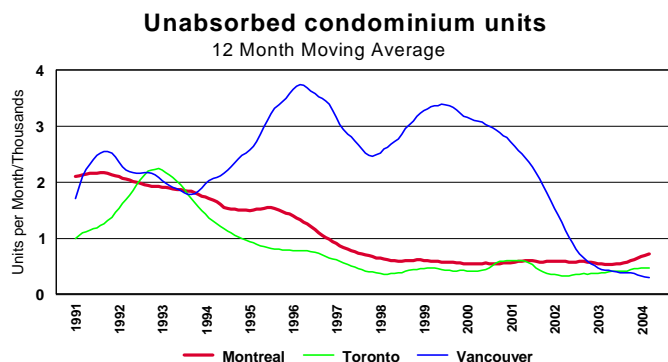
- The context of the new condominium market is very different from the early 1990 period. The unoccupied unit levels (unsold stock) are much lower currently because many units are sold before being constructed, which was not the case in the early 1990s. This has reduced the market risk.
- Even though the unsold condominium stock has increased slightly in Montreal, the demand (absorption) has continued to grow, and should contribute to keeping condominium construction very active for another year. In Toronto, the unsold stock also grew slightly but the demand trend slowed and condominium construction is expected to ease in 2004. Finally, in Vancouver, the unsold stock over the last few years was absorbed, thanks to start decreases from 1995 until 2000. Condominium starts have rebounded and the demand is on an upward trend while the unsold stock continues to decrease. Consequently, condominium construction will remain strong in 2004.
- An overview of the period from January to April 2004 compared to the same period the previous year indicates that condominium construction is still booming in Montreal and Vancouver, with 73 per cent and 96 per cent increases in starts respectively, while in Toronto it dropped by 32 per cent.

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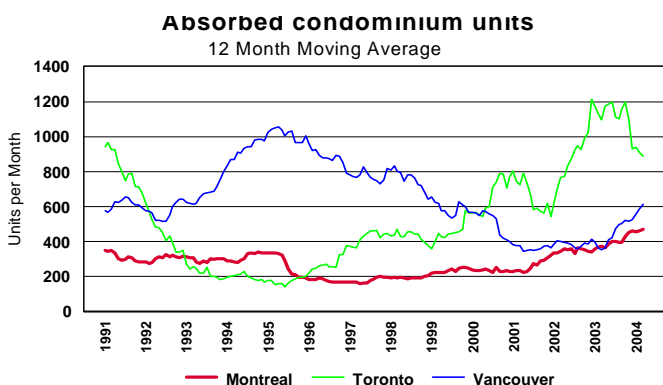
<sup>(1)</sup> CMHC compiles starts by intended market and includes four categories: freehold, rental, condo and co-op.

<sup>(2)</sup> Numbers are from local real estate boards and CREA.

continued: Condominiums: A growing market



Source: CMHC



Source: CMHC

**Condominiums owned by investors: an important market in Toronto**

- Condominiums owned by investors (those who buy condominiums and rent them out) are an important part of the market in Toronto. In 2003, the proportion of rented condominiums on the market was estimated to be 19.1 per cent in Toronto, which represents approximately 32,300 units. Compared to the past, this percentage declined and is now at the lowest level in the history of the condominium surveys conducted in Toronto (the share of investor held condominiums was 32.2 per cent in 1995). Equity gains over the past few years may have encouraged more investors to sell their condominiums.
- As mentioned previously, condominium construction should slow down, more particularly in the central Toronto area. Over the past few years, condominium construction has been concentrated in this area of Toronto. As a result, the condominium vacancy rate estimate in this sector jumped to 3.6 per cent in 2003 compared to 0.5 per cent in 2002 and the corresponding MLS® price growth has been slowing.

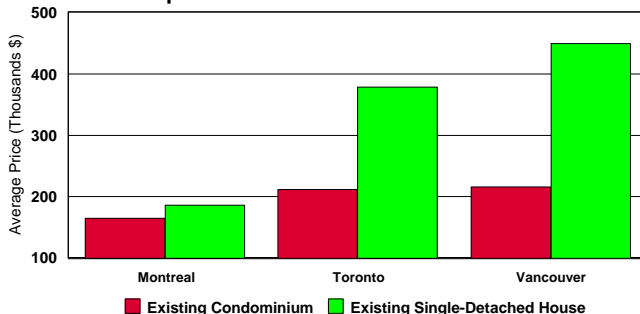
- In Vancouver and Montreal, the information available for the condominium rental markets is much more limited. In Vancouver, approximately 30 per cent of the condominium universe was rented (11,600 units) in 2001, while in Montreal no information is available.

**Condominium construction: A way to produce affordable homeownership dwellings**

- The condominium market is less developed in Montreal than in Toronto and Vancouver. According to the 2001 Census, 10 per cent of owner households in Montreal were condominium owners, in comparison to 16 per cent in Toronto and 28 per cent in Vancouver.
- Given that the housing market is less expensive in Montreal, the potential for growth in the condominium market was not as high as in Vancouver and Toronto where condominium construction was the best way to produce affordable units intended for owners who could not afford a single-detached home. For example<sup>(2)</sup>, in 2003, the average price of an existing single-detached house was \$185,833 in Montreal, \$378,185 in Toronto and \$449,905 in Vancouver. Moreover, the gap between an existing condominium and an existing single-detached house is much smaller in Montreal than in Toronto and Vancouver. Compared to the average price of an existing single-detached house, the existing condominium average price was only 11 per cent cheaper in Montreal, 44 per cent cheaper in Toronto and 52 per cent cheaper in Vancouver.

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**The gap between existing condominium and existing single-detached house prices is much lower in Montreal**



Sources: Statistics Canada - Census 2001, Local Real Estate Boards and CREA (data 2003)

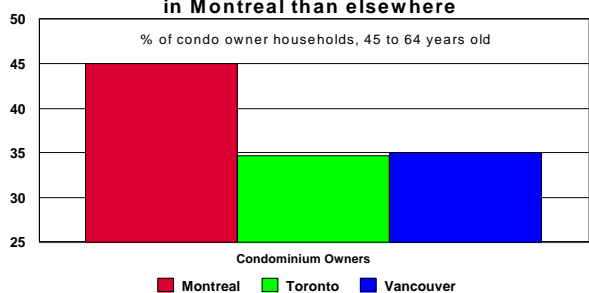
<sup>(2)</sup> Numbers are from local real estate boards and CREA.

continued: Condominiums: A growing market

Among condominium owners, the 45 to 64 year old household group is represented more in Montreal than elsewhere

- According to the 2001 Census, among condominium owners, the 45 to 64 year age group is represented more in Montreal. Among these condominium owners, about 45 per cent of households were between the age of 45 and 64 years in Montreal compared to a proportion of 35 per cent in both Toronto and Vancouver.

Among condominium owners, the 45 to 64 year old household group is represented more in Montreal than elsewhere

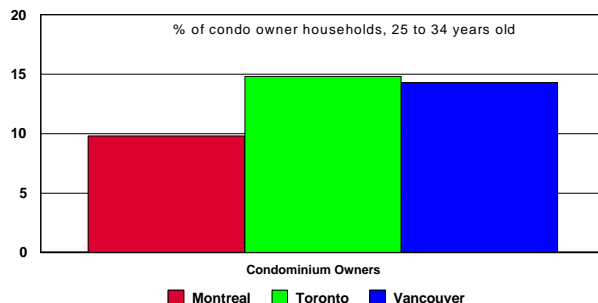


Source: Statistics Canada - Census 2001

Among condominium owners, young buyer attraction is stronger in Toronto and Vancouver

- The condominium life style attracts some young buyers between the age of 25 to 34 years, more particularly in Toronto and Vancouver. In both these centres, according to the 2001 census, almost 15 per cent of condominium owner households were in their mid-twenties to mid-thirties compared to 10 per cent in Montreal.

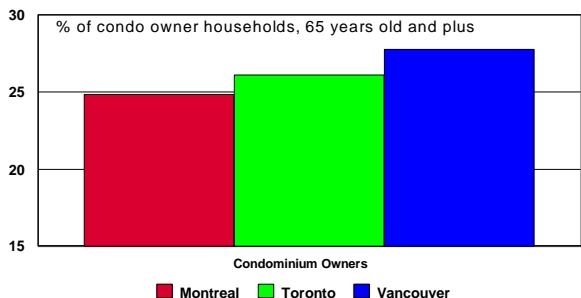
Among condominium owners, young buyer attraction is stronger in Toronto and Vancouver



Source: Statistics Canada - Census 2001

- Among condominium owners, many households in the 65 year old and plus age group also favour the condominium life style since almost one in four condominium owner households are in this age group in Montreal, Toronto and Vancouver.

Among condominium owners, the 65 year old and plus household group also like the condominium life style

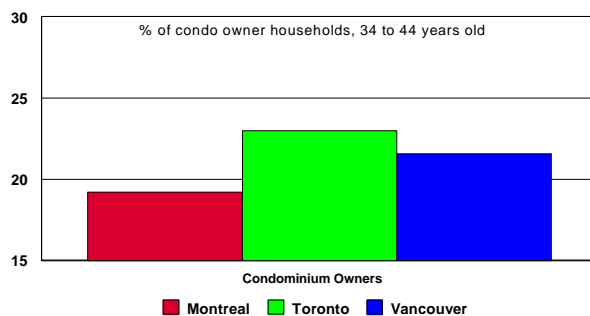


Source: Statistics Canada - Census 2001

- As mentioned previously, the gap between existing condominium and existing single-detached house prices is much lower in Montreal than in Toronto and Vancouver, which explains in part why the condominium market attracts fewer young buyers in Montreal. Moreover, in 2003 an existing condominium on the Montreal Island (\$188,842) was more expensive than an existing single-detached house in the suburbs (Laval: \$166,087, North-Shore: \$148,322 and South-Shore: \$160,978). For young households who are thinking of starting a family and looking for more space, buying a house can be more appealing than a condominium. In the same train of

continued on page 6...

Among condominium owners, the 35 to 44 year old household group is less represented in Montreal



Source: Statistics Canada - Census 2001



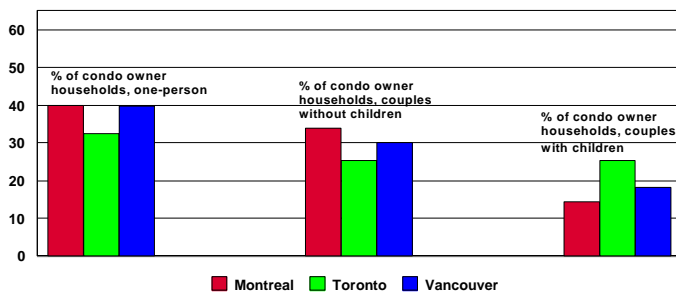
continued: Condominiums: A growing market

thought, the 2001 Census reveals that Montreal has the lowest proportion of couples with children who own a condominium. In Montreal, 14 per cent of couples with children owned a condominium compared to 18 per cent in Vancouver and 25 per cent in Toronto. The proportion of condominium owner households between the age of 35 to 44 years old is lower in Montreal than in Toronto and Vancouver.

Many condominium owners are one-person households or couples without children

- The condominium life style is more appropriate for one-person households or couples without children, since they require less space to live.

Among condominium owners, many are one-person households or couples without children

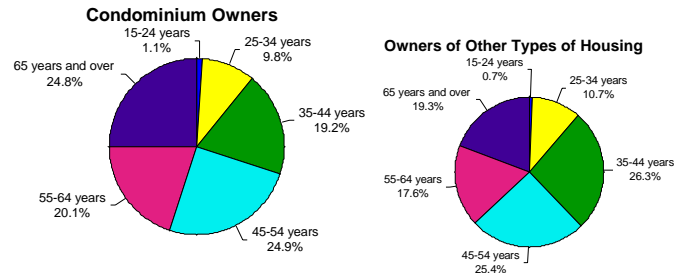


Source: Statistics Canada - Census 2001

In the future, condominium life styles should remain popular

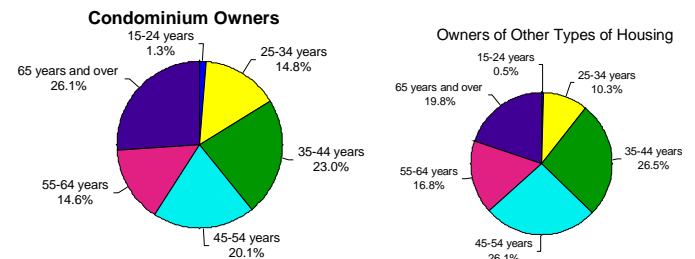
- With a population which is getting older and an increasing trend in non-family households, the condominium life style should continue to gain in popularity. This type of dwelling is an interesting option for households once children have left the family nest and the house becomes too large or for those who want to spend more time on leisure than on maintenance. Also, the secure environment addresses a concern of older households that are too young to live in a retirement home. ■

Montreal Household Owners



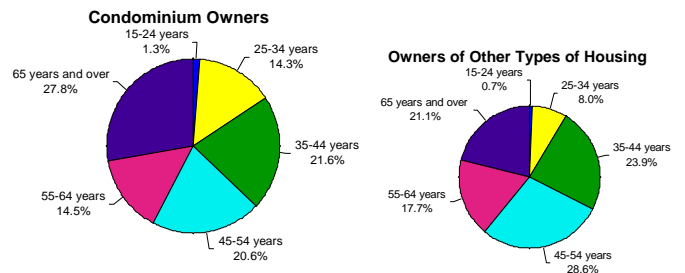
Source: Statistics Canada

Toronto Household Owners



Source: Statistics Canada

Vancouver Household Owners



Source: Statistics Canada

## This Month's Housing Data (SAAR)

	2003	2003:3	2003:4	2004:1	2004:02	2004:03	2004:04
<b>Housing starts, units, 000s</b>							
<b>Canada. Total. All areas</b>	218.4	229.2	226.2	225.5	222.1	252.9	241.6
Per cent change from previous period	6.5	13.4	-1.3	-0.3	10.2	13.9	-4.5
<b>Canada. Total. Rural areas</b>	26.5	26.6	27.7	31.4	31.4	31.4	30.8
Per cent change from previous period	2.3	13.7	4.1	13.4	0.0	0.0	-1.9
<b>Canada. Total. Urban areas</b>	191.9	202.6	198.5	194.1	190.7	221.5	210.8
Per cent change from previous period	7.1	13.3	-2.0	-2.2	12.1	16.2	-4.8
<b>Canada. Single. Urban areas</b>	100.3	102.0	103.7	101.0	101.2	106.8	103.0
Per cent change from previous period	-2.7	4.3	1.7	-2.6	6.4	5.5	-3.6
<b>Canada. Multiple. Urban areas</b>	91.6	100.6	94.8	93.1	89.5	114.7	107.8
Per cent change from previous period	20.5	24.2	-5.8	-1.8	19.3	28.2	-6.0
<b>Newfoundland. Total. All areas</b>	2.7	2.5	3.0	3.5	5.1	2.9	2.7
Per cent change from previous period	11.3	-13.8	20.0	16.7	88.9	-43.1	-6.9
<b>Prince Edward Island. Total. All areas</b>	0.8	0.7	0.7	1.0	0.5	0.9	0.7
Per cent change from previous period	5.0	-30.0	0.0	42.9	-66.7	80.0	-22.2
<b>Nova Scotia. Total. All areas</b>	5.1	4.9	5.2	5.9	3.3	10.6	4.0
Per cent change from previous period	2.5	19.5	6.1	13.5	-13.2	221.2	-62.3
<b>New Brunswick. Total. All areas</b>	4.5	4.8	4.2	2.4	2.3	2.4	3.8
Per cent change from previous period	16.2	-2.0	-12.5	-42.9	-11.5	4.3	58.3
<b>Quebec. Total. All areas</b>	50.3	56.2	56.2	59.0	59.9	67.8	59.3
Per cent change from previous period	18.5	27.7	0.0	5.0	21.3	13.2	-12.5
<b>Ontario. Total. All areas</b>	85.2	85.5	86.5	79.5	76.7	92.7	86.5
Per cent change from previous period	1.9	7.7	1.2	-8.1	11.2	20.9	-6.7
<b>Manitoba. Total. All areas</b>	4.2	4.3	4.9	4.0	4.3	4.1	4.5
Per cent change from previous period	16.3	16.2	14.0	-18.4	19.4	-4.7	9.8
<b>Saskatchewan. Total. All areas</b>	3.3	3.2	2.9	3.0	2.1	3.4	4.4
Per cent change from previous period	11.9	-13.5	-9.4	3.4	-34.4	61.9	29.4
<b>Alberta. Total. All areas</b>	36.2	37.5	34.3	36.4	38.6	36.6	31.8
Per cent change from previous period	-6.7	6.2	-8.5	6.1	13.2	-5.2	-13.1
<b>British Columbia. Total. All areas</b>	26.2	29.6	28.3	30.8	29.3	31.5	43.9
Per cent change from previous period	21.0	27.6	-4.4	8.8	-7.3	7.5	39.4

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	2003:3	2003:4	2004:1	2004:02	2004:03	2004:04
Canada	191.9	202.6	198.5	194.1	190.7	221.5	210.8
Newfoundland	1.9	1.7	2.3	2.7	4.3	2.1	2.1
Prince Edward Island	0.6	0.6	0.5	0.7	0.2	0.6	0.6
Nova Scotia	3.6	3.1	3.8	4.8	2.2	9.5	2.6
New Brunswick	3.0	3.2	2.8	1.5	1.4	1.5	2.8
Québec	39.9	45.2	44.0	46.6	47.5	55.4	48.4
Ontario	80.9	81.4	81.8	73.3	70.5	86.5	80.6
Manitoba	2.7	3.0	3.4	2.3	2.6	2.4	2.8
Saskatchewan	2.6	2.5	2.4	2.3	1.4	2.7	3.1
Alberta	32.1	33.4	30.5	31.9	34.1	32.1	27.8
British Columbia	24.7	28.5	27.0	28.0	26.5	28.7	40.0

\* Thousands of units, seasonally adjusted and annualized.

## This Month's Major Housing Indicators

	2003	2003:3	2003:4	2004:1	2004:02	2004:03	2004:04
<b>New Housing</b>							
New & unoccupied singles & semis, units 000s	4.8	4.6	5.0	5.0	5.0	5.1	5.2
Per cent change from same period previous year	-0.9	5.6	5.3	7.3	5.9	10.3	9.7
New & unoccupied row & apartments, units 000s	5.7	5.7	6.0	5.9	5.7	6.0	5.9
Per cent change from same period previous year	10.9	19.9	19.6	13.1	7.2	8.5	6.6
New House Price Index, 1997=100	116.7	117.3	119.0	120.4	120.4	120.8	n.a.
Per cent change from same period previous year	4.8	4.8	5.0	5.0	4.9	5.1	n.a.
<b>Existing Housing</b>							
MLS <sup>®</sup> resales*, units 000s	439.4	466.1	441.6	445.8	433.1	488.0	n.a.
Per cent change from same period previous year	4.1	17.3	8.9	8.0	6.5	21.7	n.a.
MLS <sup>®</sup> average resale price**, \$C 000s	206.3	208.9	215.1	221.3	222.6	224.1	n.a.
Per cent change from same period previous year	9.8	10.9	10.8	10.1	11.5	9.6	n.a.
<b>Mortgage Market</b>							
1-Year Mortgage Rate, % (period average)	4.84	4.55	4.68	4.30	4.30	4.30	4.45
5-Year Mortgage Rate, % (period average)	6.39	6.28	6.45	5.85	5.80	5.70	6.15

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.