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HOUSING FACTS

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Canada Mortgage and Housing Corporation

Starts rise again in October to 164,800 units

In October, 164,800 housing units* were started in Canada, compared to the revised level of 157,100 units recorded in September, for an increase of 4.9%.

The decrease in urban single starts (-1.7% to 71,300 units) was largely offset by the major rise in multiple starts in Ontario and British Columbia. Multiple starts reached a level of 72,300 units, up by 14.8%.

The October figures are encouraging in that the greater supply of multiples is meeting a persistently strong housing demand which, in the short term, is contending with an increasingly limited inventory of new units.

Still, the robust multiple starts activity must be considered with caution given the highly volatile nature of this type of construction.

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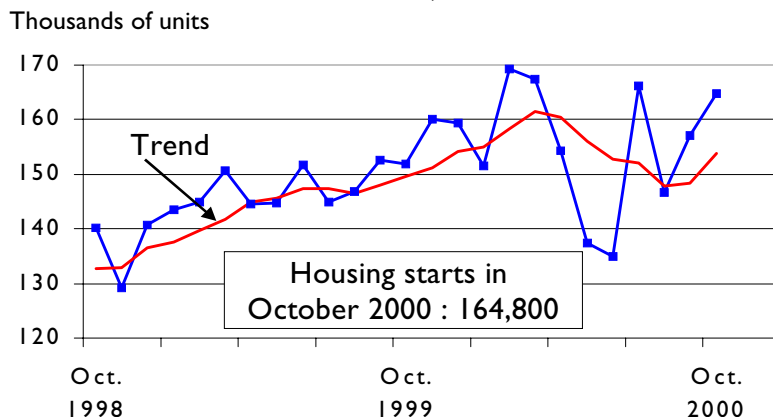
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**Housing starts in Canada
all areas, *saar**



Source: CMHC Housing facts
*Seasonally adjusted annual rate



HOME TO CANADIANS
Canada

Housing starts - Continued from page 1

Regionally, British Columbia led the way with a significant increase (39.6%) for a second straight month, posting 18,700 starts (at the seasonally adjusted annual rate). Multiple starts in Ontario, particularly in the Toronto, Ottawa and Oshawa areas, contributed to the province's 9.1% gain to 73,500 units. The Prairies (-9.0% to 24,300 units), the Atlantic Region (-8.2% to 5,600 units) and, more modestly, Quebec (-1.8% to 21,500 units) sustained decreases in their starts levels in October.

In the large urban agglomerations, starts attained 46,400 units in Toronto, 13,000 units in Montréal and 14,700 units in Vancouver, at seasonally adjusted annual rates.

After ten months of activity, real urban starts show a gain of 4.6% over the same period in 1999. ■

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Forecast for 2001: expansion phase continues

Every province except Nova Scotia and New Brunswick will post an increase in housing starts in 2001.

- In our latest issue of **CMHC Housing Outlook**, we forecast that starts will reach 154,800 units in 2000 and 160,900 units in 2001, as a result of employment and income growth, consumer optimism and higher migration levels and home prices. These positive factors will offset the effects of the rise in mortgage rates this year and the slowdown in economic growth in 2001.
- After having declined slightly this year, resales will go up by 3.6% in 2001 to exceed the

record level attained in 1999. The greatest activity will be in Quebec this year, and then in B.C. and Ontario in 2001.

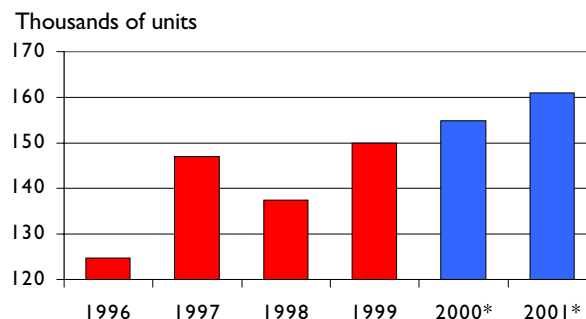
- Existing home prices are expected to rise at about the same rate as last year. In fact, they should post an increase of around 3.5%, both in 2000 and 2001. ■

Key numbers

	1999	2000*	2001*
Housing starts	149,968	154,800	160,900
Resales	335,208	330,100	341,900
Average MLS price (\$)	158,064	163,400	169,100

Sources: CMHC Housing facts, Canadian Real Estate Association

Housing starts in Canada



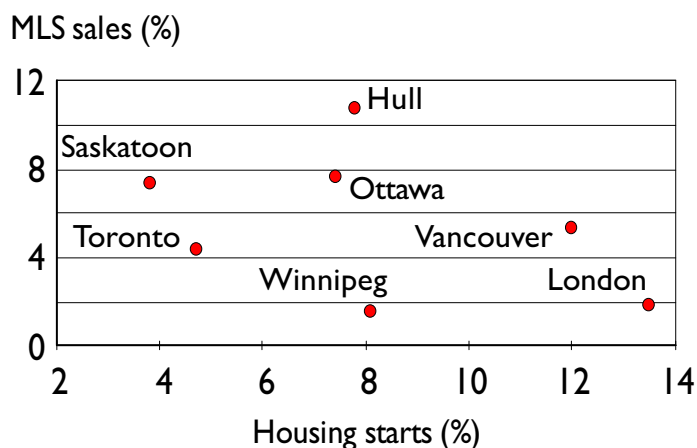
Source: CMHC Housing facts. *Forecasts

Metropolitan areas with a high potential for growth in 2001

On the basis of their expected gains in starts or resales, the following metropolitan areas have the momentum to offer new business opportunities for service and retail companies.

- After a few difficult years, it would seem that 2001 will be a positive year for the housing sector in the Vancouver metropolitan area. CMHC forecasts that starts will go up by 12% in Vancouver.
- The Ottawa-Hull area is not done making headlines. The economic development in the area will not allow for a slowdown in residential construction, which will register a rise in starts of about 7.5% in 2001.
- In Saskatoon, the lack of affordable housing on the resale market will drive up starts in 2001 (3.8%). As well, a net migration gain in Winnipeg will also bring about an 8.1% increase in starts.
- Toronto and London will get their share of success in 2001 with respective gains of 4.7% and 13.5% in starts.■

Growing metropolitan areas



Source:CMHC Housing facts

Housing starts in B.C.: better times ahead

British Columbia's starts contraction is its most severe in 50 years, but a turnaround is expected in 2001

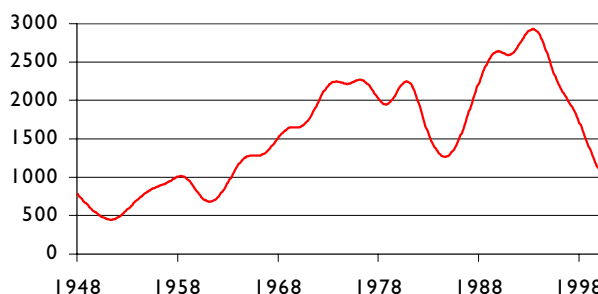
- As discussed in last month's "Housing Facts", examining past business cycles can provide clues to the economic future.
- But, past experience is less useful as a predictor when conditions move beyond historic norms. This is the case for the current housing starts dropoff in **British Columbia**.
- British Columbia has endured at least three significant housing starts downturns in the past fifty years. The first, lasting 35 months commencing in May 1958, saw trend starts decline 33%. Starts dropped 14% during the second dip, which occurred during the 31 months from March 1976. The third dip, which began in October 1980 and lasted 47 months, featured a 44% starts drop.
- But the current downturn surpasses these precedents by a wide margin. Through August 2000, B.C. housing starts had trended down for 87 months; total provincial housing starts were 69% below the previous peak, set in May 1993. Key culprits include the "Asian crisis"

and hangover from the big starts run-up in 1985-95.

- Still, some light is appearing at the end of the tunnel. Led by a 15% increase in multiple housing starts, CMHC expects total British Columbia housing starts to rise 10% in 2001, in line with improved economic conditions and tightening unsold inventories (see page 6).■

Housing starts in British Columbia

Monthly data for urban centres



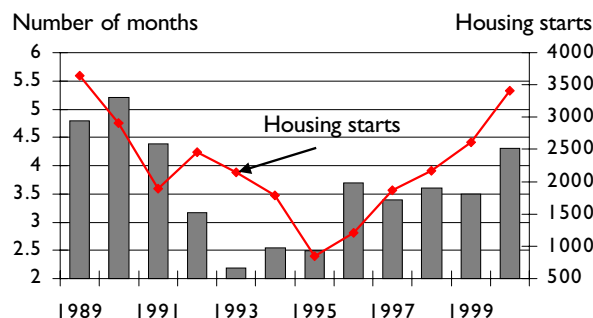
Source: CMHC Housing facts

Construction time varies a great deal between urban centres

Although the length of the delays caused by variations in labour availability cannot be accurately measured, CMHC's data reveals a trend punctuated by local economic conditions.

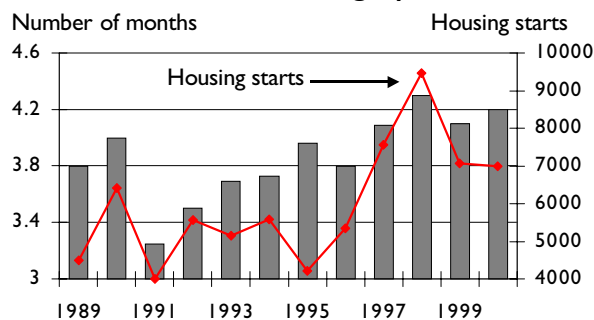
- The results of CMHC's monthly starts survey show that buyers of new homes have to wait for different lengths of time before moving in, depending on the area where they live. The increase in construction times also varies greatly between areas that are posting similar economic activity, as is currently the case for Calgary, Ottawa and Montréal, for example.
- For these metropolitan areas, CMHC's data therefore confirms and quantifies the comments and statements reported by many media mentioning longer construction times, particularly due to a greater scarcity of labour in the residential construction industry at this time.

Time under construction and singles starts - Ottawa



Source: CMHC Housing facts. Forecasts for 2000

Time under construction and singles starts - Calgary

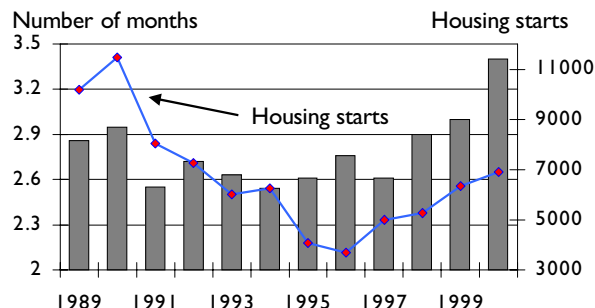


Source: CMHC Housing facts. Forecasts for 2000

and strong activity, up to double the time in certain cases. Competition from the non-residential construction sector, which offers comparable remuneration, is often advanced to explain the labour shortages in areas with strong economic growth.

- Finally, along with the number of starts, the type of homes built (more or less spacious or luxurious) may increase the average construction time. A larger proportion of self-help housing also tends to lengthen the construction time.■
- The time that a unit is “under construction”, calculated in months, extends from the start (footing and foundation walls installed) to the completion. This method of measurement does not take into account the more or less lengthy period during which a unit is not started by a builder because of insufficient resources.
- In fact, these major fluctuations, characteristic of the construction industry, partly account for the cyclical labour shortage problems in certain metropolitan areas and the occasional problems in other areas, since the number of skilled workers cannot instantly adjust itself to the demand.
- The graphical analysis shows some great disparities between different urban areas, and within the same area between periods of weak

Time under construction and singles starts - Montréal



Source: CMHC Housing facts. Forecasts for 2000

Renovation spending: the “mortgage-free” niche

The full repayment of their mortgage considerably increases the discretionary income of households, and a good portion of the funds made available are reinvested in home renovations and other housing-related expenditures.

- Data drawn from the Statistics Canada Survey of Household Spending for 1997-1998 indicates that housing-related expenditures can be up to twice as high for households who recently bought a home, depending on whether or not their property is mortgaged. The first few years following the purchase of a new or existing home are generally a determining period for renovation spending.
- This means that many households continue to invest a large share of their income in their home even after having paid off their mortgage, and these expenditures go beyond normal maintenance and probably the replacement of certain components (windows, roof, etc.).
- Given the aging of the population and the growing number of households who are paying off their mortgage relatively faster, renovation spending will therefore continue to grow if households still have the same behaviour in the future.
- Renovation or housing-related expenditures are not as significant for households who have not bought a new property in the last 5 to 10 years, as shown in the table below.

Recent homebuyers* by age (%)

	With mortgage	Without mortgage
18-24	7.2	3.4
25-34	34.6	14.3
35-44	35.5	21.1
45-54	16.9	15.1
55-64	4.5	23.1
65	1.3	23.0

Sources: CMHC Housing facts
Statistics Canada * : 1997-1998

- For the moment, households who buy a new property with no mortgage represent around 2% of all households which, in terms of potential business, makes any targeted initiative costly for retailers and players on the renovation market, even if the average expenditures of these households are well above average.■

Annual average households expenditures (1997-1998) related to housing in Canada excluding mortgage payments and property taxes (\$)

Household type/ Expenditures type	Additions, renovations and alterations	New installations of equipment and fixtures	Maintenance, repairs and replacements	Furniture	Household appliances	Home entertainment equipment and services
Recent homebuyers						
- without mortgage	4,617	293	491	1,401	854	442
-with mortgage	2,060	195	765	1,203	788	737
Homebuyers who didn't move recently 5-10 years						
-without mortgage	1,199	98	546	319	290	388
-with mortgage	1,779	104	907	385	324	596

Sources: CMHC Housing facts, Statistics Canada Survey of Households Spending (SHS)

New housing inventories falling in Vancouver

Declining inventories for the last three years will help the recovery in 2001.

- The number of unsold new homes in the major metropolitan area on the west coast continues to drop and has even been declining faster since the beginning of the year. In the case of detached and semi-detached houses, the level reached in September 2000 was by far the lowest recorded in at least 10 years. For row homes and apartments, the decrease has not been as rapid but the level should go down further over the next few months on account of the low volume of starts observed during the summer.■

Inventory of new units

September	1998	1999	2000
Singles and semis	1,427	780	643
Apartments, row and other	3,165	3,271	2,576

Source: CMHC Housing facts

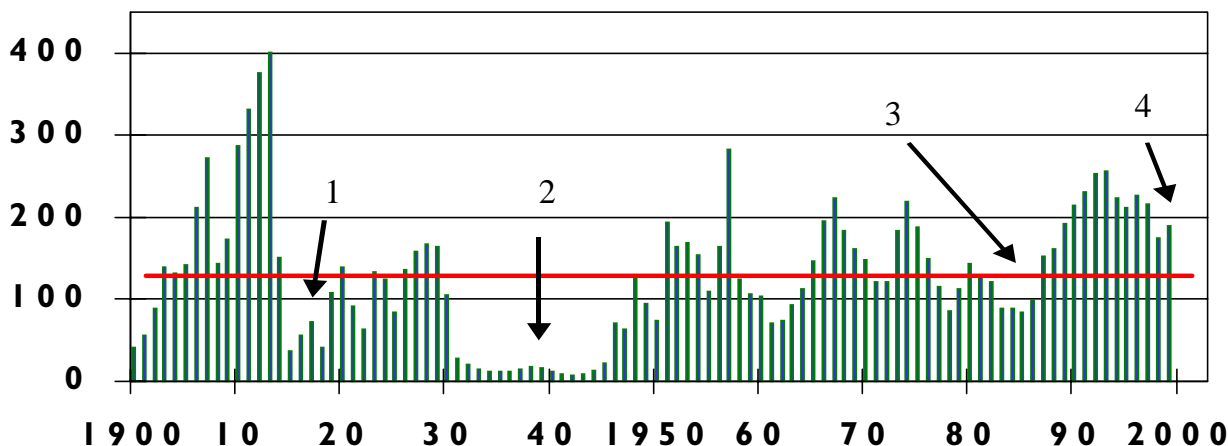
A century of immigration in Canada: a major contribution

Over the past century, Canada has received an average of 129,500 immigrants per year. In 1999, 190,000 immigrants entered Canada. The Canadian Government's target is 225,000 newcomers.

- In recent years, between 30% and 40% of the growth in the housing demand in Canada, as measured by housing starts, can be associated with the increase in the population and households resulting from immigration. This estimate is based on the assumption that, in general, the size of immigrant households is greater than the Canadian average of 2.7 persons.
- Here are the highlights of 100 years of immigration:
 - 1 First World War 1914-1918.
 - 2 Great Depression and Second World War 1939-1945.
 - 3 Low immigration policy.
 - 4 High immigration policy.
- In 2000-2001, the level of immigration should remain high on a historical basis.■

Immigration in Canada

Thousands of migrants



Sources: CMHC Housing facts, Statistics Canada

This Month's Housing Data

	1999	Q1:00	Q2:00	Q3:00	M8:00	M9:00	M10:00
Housing starts. units. 000's							
Canada. Total. All areas	150,0	162.7	142.1	156.6	146.6	157.1	164.8
% chg	9,1	3.6	-12.7	10.2	-11.8	7.2	4.9
Canada. Total. Rural areas	22,9	23.9	19.0	21.6	21.6	21.6	21.2
% chg	10,7	-2.4	-20.5	13.7	0.0	0.0	-1.9
Canada. Total. Urban areas	127,1	139.3	123.1	135.0	125.0	135.5	143.6
% chg	8,8	5.1	-11.6	9.7	-13.6	8.4	6.0
Canada. Single. Urban areas	72,8	81.3	74.3	73.8	72.7	72.5	71.3
% chg	6,6	8.0	-8.6	-0.7	-4.7	-0.3	-1.7
Canada. Multiple. Urban areas	54,3	58.0	48.8	61.2	52.3	63.0	72.3
% chg	12,0	1.4	-15.9	25.4	-23.4	20.5	14.8
Newfoundland. Total. All areas	1,4	1.7	1.4	1.6	1.4	1.5	1.6
% chg	-5,4	30.8	-17.6	14.3	-26.3	7.1	6.7
Prince Edward Island. Total. All areas	0,6	0.5	0.6	0.7	0.8	0.6	0.9
% chg	17,6	0.0	20.0	16.7	14.3	-25.0	50.0
Nova Scotia. Total. All areas	4,3	6.4	4.9	4.4	5.3	2.8	3.2
% chg	35,5	33.3	-23.4	-10.2	8.2	-47.2	14.3
New Brunswick. Total. All areas	2,8	4.5	2.4	3.8	3.2	4.8	2.7
% chg	13,4	45.2	-46.7	58.3	-8.6	50.0	-43.7
Quebec. Total. All areas	25,7	26.7	22.4	26.0	27.1	25.7	26.4
% chg	11,2	-4.0	-16.1	16.1	7.5	-5.2	2.7
Ontario. Total. All areas	67,2	78.8	63.6	74.6	66.6	71.9	77.6
% chg	24,9	13.7	-19.3	17.3	-21.9	8.0	7.9
Manitoba. Total. All areas	3,1	2.3	2.8	2.6	3.0	2.3	2.6
% chg	8,2	-11.5	21.7	-7.1	20.0	-23.3	13.0
Saskatchewan. Total. All areas	3,1	2.4	2.7	2.5	2.8	2.2	2.3
% chg	4,1	4.3	12.5	-7.4	3.7	-21.4	4.5
Alberta. Total. All areas	25,4	26.1	26.0	27.2	25.5	29.9	26.9
% chg	-6,2	-4.7	-0.4	4.6	-2.7	17.3	-10.0
British Columbia. Total. All areas	16,3	13.3	15.3	13.2	10.9	15.4	20.5
% chg	-18,2	-25.7	15.0	-13.7	-18.0	41.3	33.1

SOURCE: CMHC

All data are seasonally adjusted at an annual rate, latest month's figures are preliminary.

% chg: Per cent change from previous period.

Housing starts, urban areas*

	1999	Q1:00	Q2:00	Q3:00	M8:00	M9:00	M10:00
Canada	127.1	139.3	123.1	135.0	125.0	135.5	143.6
Newfoundland	0.9	1.5	1.1	1.1	0.9	1.0	1.2
Prince Edward Island	0.4	0.5	0.3	0.4	0.5	0.3	0.7
Nova Scotia	2.8	4.2	3.1	3.2	4.1	1.6	1.8
New Brunswick	1.9	2.8	1.6	2.2	1.6	3.2	1.9
Québec	19.5	20.8	17.7	22.2	23.3	21.9	21.5
Ontario	62.9	74.3	60.3	70.1	62.1	67.4	73.5
Manitoba	2.1	1.3	1.6	1.6	2.0	1.3	1.6
Saskatchewan	2.2	2.0	2.0	2.0	2.3	1.7	1.9
Alberta	20.2	20.3	22.4	21.0	19.3	23.7	20.8
British Columbia	14.2	11.6	13.0	11.2	8.9	13.4	18.7

* Seasonally adjusted.

This Month's Major Housing Indicators

	1999	Q1:00	Q2:00	Q3:00	M8:00	M9:00	M10:00
New Housing*							
New & unoccupied. singles & semis. 000's	6.30	6.36	6.21	6.11	6.21	6.11	6.00
%chg	-8.33	1.51	-2.31	-1.61	1.40	-1.61	-1.80
New & unoccupied. row & apartments. 000's	7.93	8.19	8.12	8.24	8.53	8.24	7.76
%chg	-3.37	8.30	-0.87	1.46	-1.04	1.46	-5.82
New house price Index. 1992 = 100	100.95	102.27	102.93	n.d.	103.50	n.d.	n.d.
%chg	0.89	0.46	0.65	n.d.	0.29	n.d.	n.d.
Existing Housing*							
MLS resales. units. 000's	335.73	341.87	333.05	336.24	342.86	339.07	n.d.
%chg	6.73	5.57	-2.58	0.95	5.42	-1.10	n.d.
MLS average resale price. \$C. 000's	158.03	162.11	162.42	164.73	161.63	167.12	n.d.
%chg	3.72	0.55	0.19	1.42	-2.13	3.40	n.d.
Mortgage market							
1-year mortgage rate.%	6.80	7.63	8.03	7.90	7.90	7.90	7.90
5-year mortgage rate. %	7.56	8.48	8.51	8.25	8.25	8.25	8.25

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

chg % change from previous period.

n.a. Figures not available

* Seasonally adjusted.