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HOUSING FACTS

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Canada Mortgage and Housing Corporation

Housing starts reach 139,300 units in June

In June, 139,300 units* were started in Canada, compared to the revised level of 141,800 units recorded in May, for a decrease of 1.8%.

Urban single starts rose by 2.2% to 72,600 units; however, at the same time, multiple starts fell to 43,400 units (-8.6%).

The low level of starts for a second consecutive month was once again partly due to the strike by concrete truck

drivers in the Greater Toronto area that continued until mid-June. Their return to work was in fact quickly felt in Toronto where starts jumped by 7.9% over May.

It now remains to be seen whether the Ontario market will be able to rebound sufficiently until the end of the year to meet the analysts' forecasts. Nothing is less certain despite the favourable conditions. (See article on page 3.)

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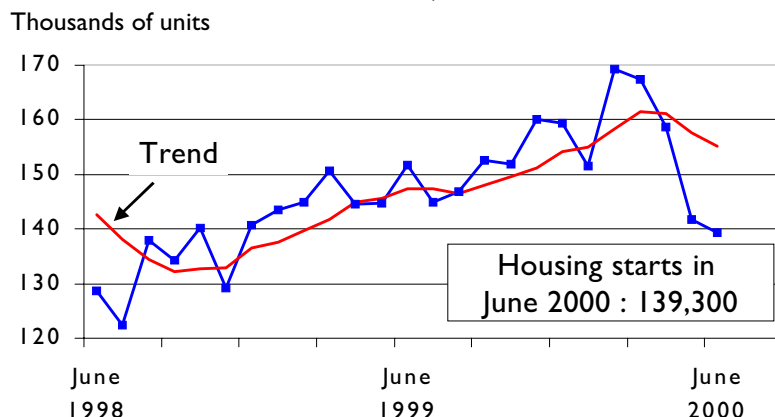
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Housing starts in Canada
all areas, *saar



Source: CMHC Housing facts

*Seasonally adjusted annual rate



HOME TO CANADIANS
Canada

Housing starts - Continued from page 1

Still, only Ontario registered an increase in starts (15.8% to 57,200 units) in June. The four other regions were down.

In the Prairies, urban starts dropped by 14.1% to 28,300 units. The downturn was limited in Alberta and followed a particularly vigorous month of May. Starts were up in Manitoba and Saskatchewan. As for the Atlantic Region, starts there sustained a decrease of 19.4% to 5,400 units. Finally, starts in British Columbia were down 9.0% to 13,300 units while, in Quebec, the decline was more modest (2.9% to 16,500 units).

In the large urban agglomerations, starts reached 31,500 units in Toronto, 10,600 units in Montréal and 7,700 units in Vancouver, at seasonally adjusted annual rates. ■

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Resales: Are we heading for a shortage of homes for sale?

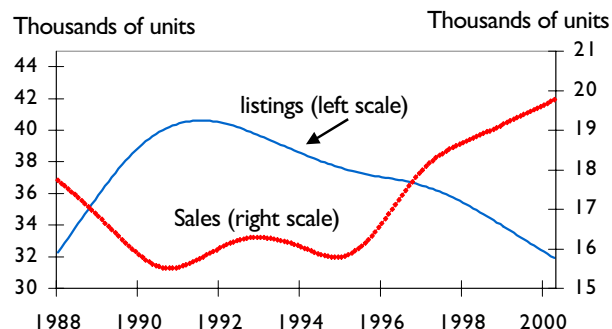
Overall, the gap between the number of new houses for sale on the market (in decline) and the number of sales (which is on the rise) is closing in the 25 major metropolitan areas.

- The aggregate data of the 25 largest metropolitan areas in Canada clearly shows a downward trend in the number of new listings on the resale market, while sales continue to increase. Two main factors seem to be the most plausible explanations for the drop in listings.
- First of all, it is certain that vendors are elated at this tightening of the market, and they do have reason to feel this way. However, the resale market may be so interesting for vendors that many may decide to test the market themselves without the assistance of a real estate agent. In this case, the statistics of real estate firms would show a decline, as they only include listings and sales recorded by their agents.
- If such is the case with listings, the same must also be true of sales. Sales, though, have been increasing steadily. One must conclude then because the real estate market has been going full bore for a few years that the supply has begun to dry up.
- This momentary disequilibrium on the resale market has driven up prices, which will slow

down the upward movement of sales and will set the new equilibrium in the months to come. This is good news for the new housing market, which will provide alternatives for those who have not been able to find what they were looking for on the resale market. ■

Sales and new listings

Monthly trend - 25 major markets



Sources: CMHC Housing facts, Canadian Real Estate Association

The situation regarding housing starts

To the surprise of all observers, housing starts plummeted to 141,800 in May and 139,300 in June. According to history, this is an aberration, since current conditions favour growth.

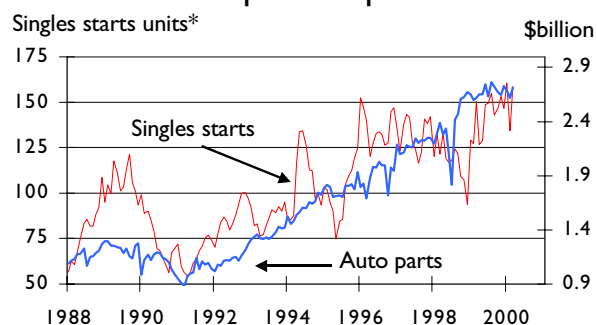
- The strike by cement mixer drivers in Metropolitan Toronto from April to June 2000 clearly impacted housing starts in Canada, since Toronto is by far the largest market in terms of housing starts.
- For the second time in three years, the momentum of housing starts was disrupted by work stoppages in Ontario during the peak season. In the summer of 1998, several trades walked off the job in their quest for better conditions. The Asian crisis and the hike in interest rates then took centre stage and the anticipated fall recovery failed to materialize.
- At present, all indicators have not budged. Job creation is continuing with strong emphasis on full-time jobs. International immigration continues to grow and approach the objectives of the federal government. The inventory of new housing has reached their lowest levels and no constraints on the supply of lots, or critical shortages of materials or labour have been reported. Disposable income of households is growing faster than prices.
- Mortgage rates are approaching their peak, at a time when the U.S. economy is showing signs of slowing down. In short, only the unexpected can yet disturb the vitality of housing starts in Canada. ■

In Windsor, singles starts closely related to key automobile industry

Links between local industrial activity and area housing markets underly most market analysis, but are not always explicit. This case study finds a direct relationship between automobile-related manufacturing and Windsor singles starts.

- North American vehicle output rose strongly through the 1990's as a strong U.S. economy boosted American automobile demand. The average Canadian dollar value of shipments of motor vehicle parts and accessories - increasingly important as vehicle manufacturers outsource component production - has risen in double-digit percentage terms during three of the past five years. More broadly, the value of parts shipments increased 141% in the ten years ending 1999, culminating in C\$ 32.1 billion worth of shipments last year. Automakers building in Canada gain from a cheaper currency and lower wage and benefit costs.
- Windsor's economy, employment and hence its housing markets benefited mightily from this improved output. Windsor manufacturing employment, largely driven by such industries, rose 22 per cent in the ten years to 1999.
- Windsor singles starts also have closely tracked such shipments. Monthly local singles starts hovered in the 50-70 units per month range during the early 1990's as recession cut North American automobile demand. But by late 1995, strong shipments recovery had contributed to acceleration in Windsor singles starts to 130-150 units monthly. A mid-1998 shipments slowdown was followed closely by a sharp deceleration in the pace of singles starts. Other analysis shows a similar relationship between auto parts shipments and average Windsor resale prices.
- Recent indications of easing North American vehicle sales and a 1999 shipments plateau suggests that Windsor starts and prices will level off. ■

Windsor singles starts and motor vehicle parts shipments



Sources: CMHC Housing facts and Statistics Canada
*3 month average singles starts seasonally adjusted

Some figures on the secondary rental market in Ontario

We have attempted to measure and understand the dynamics of the secondary rental market in Ontario metropolitan areas, which constitutes a sure source of housing.

- The results of a study conducted early in the year for the Ontario Ministry of Housing and Urban Affairs and CMHC have confirmed the important role occupied by the secondary rental market in major centres in Ontario. The Ontario metropolitan areas, most of which show low vacancy rates in private rental buildings with three or more units (measured by CMHC surveys), have managed to handle the demand for rental housing thanks to the secondary market.
- The secondary rental market consists of unconventional rental units which were not part of CMHC's annual survey. In an urban setting, the latter include rented single-family homes, rented condominiums, accessory apartments (both legal and illegal) and units located over commercial spaces.
- The study made it possible to develop a methodology to estimate the size of the market and better understand the dynamics of this misunderstood market. It is essential that this segment of the market be well understood, as it meets the housing requirements of a portion of the population, which, in turn, reduces the need for new housing as measured by housing starts.
- The secondary rental market in Ontario also shows that the supply of rental units is relatively elastic, varying according to economic conditions and the situation of the local housing market. This represents a huge challenge

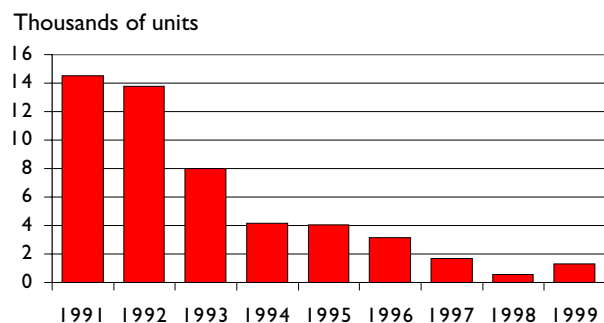
Secondary rental market		
	Estimated number of units	Share of total rental stock (%)
City of Toronto	200,602	35.8
Suburban GTA	141,528	72.7
Ottawa	57,238	50.2
Hamilton	37,308	43.4
Kitchener	26,442	48.1
Windsor	16,587	48.4
Sudbury	14,428	55.0

Sources: CMHC Housing facts and Ontario secondary rental market study. MMAH and CMHC. 2000

when measuring housing stock and appreciating the equilibrium between supply and market housing demand.

- It is also clear that the dividing lines between the markets in question (rental, condominiums and owner-occupant) are increasingly permeable and less relevant. Several apartments intended for the condominium market are then rented on a more or less permanent basis by their owners, and apartments are fitted up in the basements of individual homes, which generate some additional income for their owners. ■

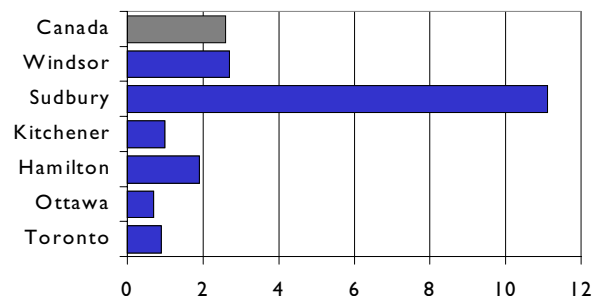
Rental housing starts in Ontario



Source: CMHC Housing facts

Vacancy rates (%)

rental apartments, privately initiated, 3 units and more



Source: CMHC Housing facts

An overall picture of interprovincial migration

One need only glance at the flows of interprovincial migration to discover the relative importance of these transfers on the activities of local and provincial real estate markets.

- The net interprovincial migration from July 1, 1998 to June 30, 1999 shows that Ontario and Alberta are still able to attract residents from other provinces.
- In Ontario, the gains were made at the expense of Quebec, Alberta and British Columbia. As for Alberta, the influx of residents from B.C. has been the highlight.
- However, net migration has been the result of a very significant movement of residents. Although Ontario attracted more than 82,000 persons, mostly from Quebec, Alberta and B.C., more than 65,000 Ontarians have migrated mainly to these same provinces. In Alberta's case, it is clear that the influx of residents from B.C. constitutes its main source of migrants.
- This rather significant movement has had a fair impact on real estate activity. High migration creates business opportunities for real estate agents and causes disequilibrium on local markets (units are scarce in areas with net positive migration, and surpluses are noted in areas with net negative migration).
- The relative degree of exposure of each of the provinces is obtained by dividing net migration by the total population of each province. In light of these figures, real estate activity in Atlantic Canada and the Prairies is much more exposed to migration-related upheavals than are Quebec and Ontario.
- Despite negative net migration, the Atlantic Region and B.C. are attracting their share of new residents due to an aging population. The willingness of new retirees to return to their roots, live in a milder climate or opt for an outdoors-oriented lifestyle seem to be potential factors. ■

Interprovincial migration, from July, 1998 to June 30, 1999

	Destination									
	Nfld	P.E.I.	N.S.	N.B.	Quebec	Ontario	Man.	Sask.	Ab.	B.C.
Origin										
Nfld	-	463	2,115	897	282	6,793	284	253	4,416	759
P.E.I.	134	-	744	523	131	657	14	64	301	243
N.S.	1,344	554	-	2,699	796	5,682	539	213	3,076	1,645
N.B.	494	445	2,988	-	2,051	4,280	244	171	1,969	706
Quebec	266	238	851	2,104	-	27,896	513	338	3,750	3,764
Ontario	4,276	656	5,387	3,773	15,004	-	5,258	2,493	13,134	15,260
Man.	227	48	377	159	338	5,576	-	4,205	5,247	3,360
Sask.	220	38	203	126	310	2,630	3,707	-	13,747	3,694
Ab.	2,786	287	2,348	1,482	1,695	11,053	3,684	10,204	-	19,851
B.C.	967	231	1,932	883	3,474	17,634	3,936	4,314	37,503	-
In	10,988	2,982	17,035	12,706	24,226	82,865	18,430	22,533	85,770	50,866
Out	16,613	2,816	16,776	13,637	39,908	65,903	19,762	25,093	54,706	71,969
Net migration	-5,625	166	259	-931	-15,682	16,962	-1,332	-2,560	31,064	-21,103
Migration volume	27,601	5,798	33,811	26,343	64,134	14,8768	38,192	47,626	140,476	122,835
Population	536.9	138.7	944.3	755.1	7,433.7	11,778.1	1,149.9	1,033.0	3,016.8	4,143.6
Migrants / 1,000 inhabitants	51.4	41.8	35.8	34.9	8.6	12.6	33.2	46.1	46.6	29.6

Sources: CMHC Housing facts, Statistics Canada

Mortgage credit: growth of 4.9% in 2000

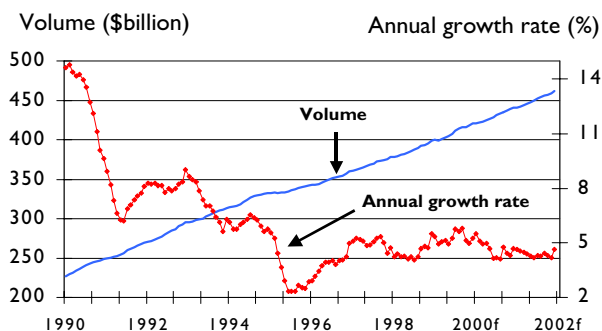
According to our forecasts, mortgage credit will exceed \$441 billion at the end of this year and \$461 billion (+4.5%) in December 2001.

- The expansion of housing mortgage credit over the next 18 months will be attributable to economic conditions favourable to the growth of investments on the residential real estate market. The sustained increase in housing starts and the rise in prices and the number of transactions in spite of higher mortgage rates will largely offset the basic trend to early repayments and the slower growth of the number of new households.
- Housing starts, which are the main source of growth of real estate stock, are the best indicators of the increased recourse to mortgage credit, since these new units are largely financed through borrowing.
- In the longer term, the current rate of growth of mortgage credit could be the maximum level the industry could expect, because not only is the population in their best borrowing years growing at a lesser rate, but the number of households are increasingly paying off their mortgages. Some surveys have shown that they are doing so at an increasingly quicker rate. The 45-64 age group will still wield its demographic clout in the next few years. The

baby boomers are getting to an age where they are saving more and paying off their debts in preparation for retirement.

- At the other end of the spectrum, those purchasing their first homes (those in the 25-34 age group) and second home buyers (the 35-44 group) will see their numbers hold or even decline in the next few years.■

Mortgage credit in Canada



Sources: CMHC Housing facts and Bank of Canada

Lumber: New regulatory framework in Japan

Now that North American lumber exports to Japan have declined, the probable drop in the price of lumber could help moderate the increase of construction costs in Canada.

- The Housing Sector Quality Assurance Act, which came into force on April 1, 2000 in Japan, will strengthen the demand for engineered wood from Japanese builders who must now offer 10-year guarantees on their houses. These new regulations are just one more of the factors which will place downward pressure on lumber prices in the medium term (**See Housing Facts, June 2000**).
- The increased competition on foreign markets combined with lower demand from the United States will bring down lumber prices on the Canadian market. This will be good news to Canadian consumers, as the vigor of residential construction in Canada is putting pressure on the labour costs. This will probably moderate the penetration of engineered wood in Canada.
- On the other hand, this legislation represents a new threat to North-American lumber exporters, particularly those on the west coast (Japan accounted for 9% of our exports in 1999.) In spite of the 5.7% increase in lumber exports to Japan in 1999, as a result of the modest recovery of residential construction in Japan, it is nonetheless true that Japanese hemlock imports, for example, have plummeted 50% since 1993. The decline in housing starts, the increasing use of engineered wood and European imports are the causes. Moreover, the Europeans, who are at an advantage due to the weak Euro, wish to increase their share of Japanese lumber imports to 25% ($\pm 20\%$ in 1999) by 2001, in a market that is expected to shrink.■

This Month's Housing Data

	1999	Q4:99	Q1:00	Q2:00	M4:00	M5:00	M6:00
Housing starts. units. 000's							
Canada. Total. All areas	150.0	157.0	162.7	146.4	158.6	141.8	139.3
chg	9.1	5.9	3.6	-10.0	-5.2	-10.6	-1.8
Canada. Total. Rural areas	22.9	24.5	23.4	23.3	23.3	23.3	23.3
chg	10.7	17.8	-4.5	-0.4	-0.4	0.0	0.0
Canada. Total. Urban areas	127.1	132.5	139.3	123.1	135.3	118.5	116.0
chg	8.8	4.0	5.1	-11.6	-6.0	-12.4	-2.1
Canada. Single. Urban areas	72.8	75.3	81.3	74.3	79.5	71.0	72.6
chg	6.6	0.3	8.0	-8.6	-12.4	-10.7	2.3
Canada. Multiple. Urban areas	54.3	57.2	58.0	48.8	55.8	47.5	43.4
chg	12.0	9.4	1.4	-15.9	5.1	-14.9	-8.6
Newfoundland. Total. All areas	1.4	1.3	1.7	1.4	1.7	1.4	1.1
chg	-5.4	0.0	30.8	-17.6	13.3	-17.6	-21.4
Prince Edward Island. Total. All areas	0.6	0.5	0.5	0.5	0.4	0.6	0.6
chg	17.6	-44.4	0.0	0.0	-33.3	50.0	0.0
Nova Scotia. Total. All areas	4.3	4.8	6.4	5.1	5.0	5.7	4.8
chg	35.5	54.8	33.3	-20.3	-25.4	14.0	-15.8
New Brunswick. Total. All areas	2.8	3.1	4.5	2.5	2.8	2.4	2.3
chg	13.4	14.8	45.2	-44.4	-26.3	-14.3	-4.2
Quebec. Total. All areas	25.7	27.8	26.7	24.5	26.3	23.8	23.3
chg	11.2	7.3	-4.0	-8.2	-5.1	-9.5	-2.1
Ontario. Total. All areas	67.2	69.3	78.8	64.7	75.0	57.6	61.6
chg	24.9	7.1	13.7	-17.9	-9.5	-23.2	6.9
Manitoba. Total. All areas	3.1	2.6	2.3	2.7	2.9	2.4	2.7
chg	8.2	-21.2	-11.5	17.4	11.5	-17.2	12.5
Saskatchewan. Total. All areas	3.1	2.3	2.4	2.5	2.1	2.5	3.0
chg	4.1	-39.5	4.3	4.2	-12.5	19.0	20.0
Alberta. Total. All areas	25.4	27.4	26.1	28.3	27.2	30.9	26.6
chg	-6.2	3.8	-4.7	8.4	1.9	13.6	-13.9
British Columbia. Total. All areas	16.3	17.9	13.3	14.3	15.3	14.6	13.4
chg	-18.2	11.2	-25.7	7.5	23.4	-4.6	-8.2

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	Q4:99	Q1:00	Q2:00	M4:00	M5:00	M6:00
Canada	127.1	132.5	139.3	123.1	135.3	118.5	116.0
Newfoundland	0.9	1.0	1.5	1.1	1.4	1.1	0.8
Prince Edward Island	0.4	0.3	0.5	0.3	0.2	0.4	0.4
Nova Scotia	2.8	2.9	4.2	3.1	3.0	3.7	2.8
New Brunswick	1.9	1.8	2.8	1.6	1.9	1.5	1.4
Québec	19.5	20.2	20.8	17.7	19.5	17.0	16.5
Ontario	62.9	65.5	74.3	60.3	70.6	53.2	57.2
Manitoba	2.1	1.9	1.3	1.6	1.8	1.3	1.6
Saskatchewan	2.2	1.9	2.0	2.0	1.6	2.0	2.5
Alberta	20.2	21.4	20.3	22.4	21.3	25.0	20.7
British Columbia	14.2	15.6	11.6	13.0	14.0	13.3	12.1

* Seasonally adjusted.

This Month's Major Housing Indicators

	1999	Q4:99	Q1:00	Q2:00	M4:00	M5:00	M6:00
New Housing*							
New & unoccupied. singles & semis. 000's	6.3	6.4	6.3	6.2	6.3	6.5	6.2
chg	-8.3	-1.8	-2.3	-1.9	-0.7	1.9	-3.6
New & unoccupied. row & apartments. 000's	7.9	7.7	7.6	8.1	8.3	8.5	8.1
chg	-3.4	3.5	-1.3	-1.1	0.5	3.1	-4.0
New house price Index. 1992 = 100	101.0	101.1	101.8	n.a.	102.7	103.0	n.a.
chg	0.9	0.5	0.7	n.a.	0.3	0.3	n.a.
Existing Housing*							
MLS resales. units. 000's	335.7	347.1	323.1	n.a.	327.6	341.3	n.a.
chg	6.7	-1.8	-6.9	n.a.	-9.7	4.2	n.a.
MLS average resale price. \$C. 000's	158.0	158.7	161.7	n.a.	162.7	161.9	n.a.
chg	3.7	1.0	1.9	n.a.	1.2	-0.5	n.a.
Mortgage market							
1-year mortgage rate. %	6.8	7.0	7.3	8.0	7.7	8.3	8.1
5-year mortgage rate. %	7.6	7.8	8.3	8.5	8.4	8.8	8.5
Building materials							
Total costs building materials Index. 1992=100	130.9	134.7	129.8	n.a.	132.8	n.a.	n.a.
chg	5.1	2.3	-3.6	n.a.	-0.2	n.a.	n.a.

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

chg % change from previous period.

n.a. Figures not available

* Seasonally adjusted.