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HOUSING FACTS

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Canada Mortgage and Housing Corporation

Rate of starts slips to 168,900 units in November

In November, the seasonally adjusted annual rate (SAAR) of housing starts in Canada reached 168,900 units, in comparison with the revised level of 173,400 units recorded in October, for a decrease of 2.6 per cent.

In urban areas, the rate of single starts was down very slightly by 0.7 per cent to 84,100 units, while the multiple starts rate sustained a downturn of 5.8 per cent to 63,300 units.

The figures for November highlighted the robustness of the single-family housing demand, as starts of this type surpassed the annual rate of 84,000 units for a second straight month.

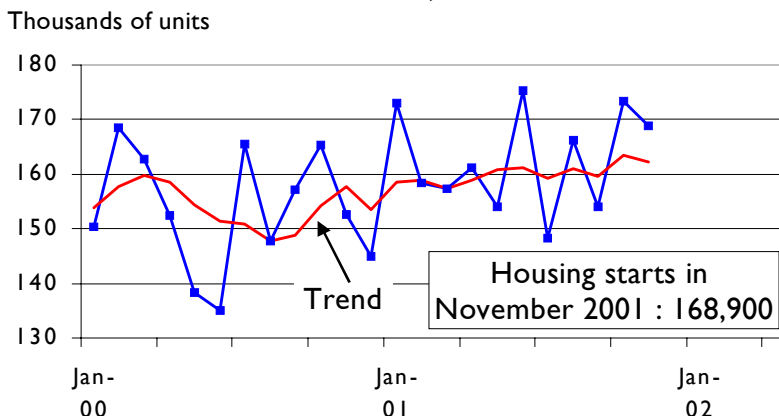
Despite the decline in November, multiple housing construction is still doing well, supported by a strong demand for rental apartments and mortgage rates that remain very favourable.

Please see **Housing starts** on page 2...

In this Issue:

- Rental apartment vacancy rate falls to 1.1 per cent in October 2001 2
- Mortgage rates very volatile in 2001 3
- Metropolitan areas with high growth potential in 2002 3
- Immigration: major increase in the first half of 2001 --- 4
- Ottawa's resale market cools down. 4
- Green homes: gaining acceptance in the U.S. --- 5
- Tables 6

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

In November, the seasonally adjusted annual rate of starts was down in all regions, except Ontario where a gain of 3.0 per cent was posted (71,000 units).

In British Columbia, the annual starts rate fell 4.0 per cent to 17,000 units. In Quebec, the drop was 4.9 per cent to 21,500 units. In the Prairies, the rate of starts was down 6.9 per cent to 31,000 units, but still remained at a very high level in relation to the average for the last three years. Finally, the greatest decrease was recorded in the Atlantic region, where starts dropped 26.6 per cent to 6,900 units, following the exceptional performance registered in October.

In the large metropolitan areas, the seasonally adjusted annual rate of starts reached 42,900 units in Toronto, 13,500 units in Montréal and 9,700 units in Vancouver.■

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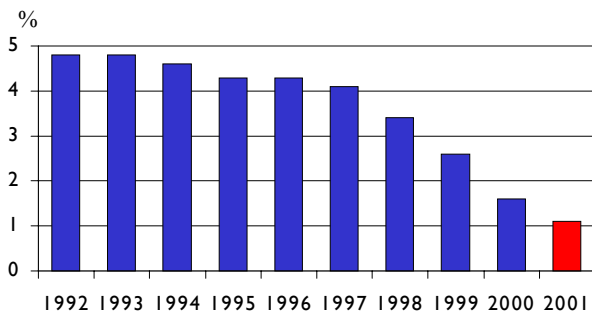
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Rental apartment vacancy rate falls to 1.1% in October 2001

The low level of unoccupied rental apartment units, in structures of 3 units and more, presents opportunities for builders, as rents are rising faster than inflation in several metropolitan areas.

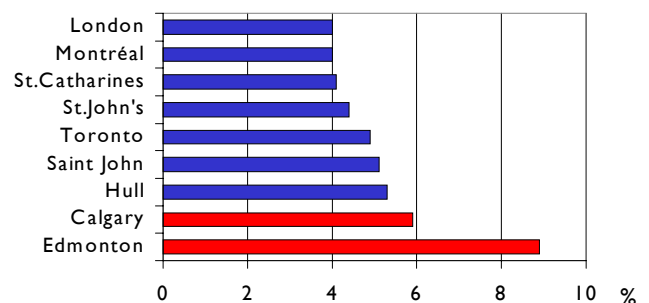
- According to CMHC's Rental Market Survey, the apartment vacancy rate in metropolitan areas went from 1.6 per cent in October 2000 down to 1.1 per cent this past October.
- The rates fell in 17 of the 26 metropolitan areas. The lowest rates were recorded in Victoria (0.5 per cent) and Montréal (0.6 per cent).
- As for rents, all metropolitan areas posted gains. The non-weighted increase was 3.4 per cent for all metropolitan areas, for a two-bedroom apartment.
- Current conditions on the rental market reflect a limited level of rental housing starts relative to the demand resulting from strong employment growth and higher immigration levels over the past few years.■

Average vacancy rate – metropolitan areas
Apartments – structures of 3 units and more



Source : CMHC Housing Facts

Rents increase – Two-bedroom
Apartments – structures of 3 units and more



Source : CMHC Housing Facts

Mortgage rates very volatile in 2001

This economic downturn is marked by a higher than average number of changes to mortgage rates.

- Canadian financial institutions have changed their posted mortgage rates at a fast pace in 2001. As at December 4, the one-year rate changed 17 times and the five-year rate 18 times. Since 1991, one-year and five year rates have been changed an average of 13.3 and 11.1 times, respectively. With the exception of 1991-1992, short-term rates have been just as volatile as long-term rates.
- This mortgage rates volatility is affecting risk management among mortgage borrowers and investors. However, greater stability is expected in mortgage rates in 2002 as the economy slowly recovers.■

Number of mortgage rates changes

Year	1-year	5-year
1991	14	9
1992	21	14
1993	3	3
1994	11	9
1995	12	11
1996	11	10
1997	10	11
1998	10	11
1999	15	18
2000	8	8
2001*	17	18

Source: CMHC Housing Facts

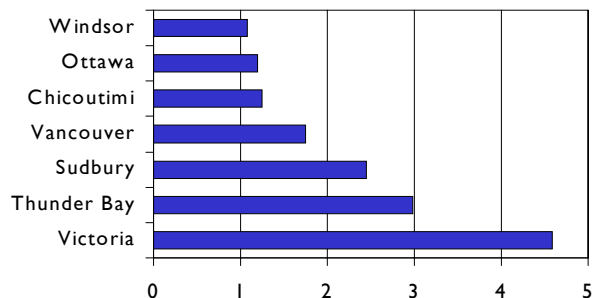
*:As at December 4.

Metropolitan areas with high growth potential in 2002

Overall activity in both the resale and new housing markets will decline in 2002. However, certain urban markets will still see gains.

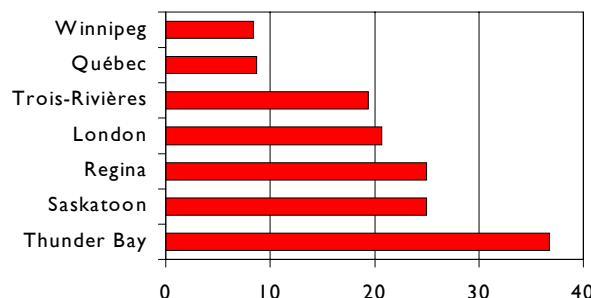
- **Resale market:** With a gain of over 4 per cent in 2002, the Victoria resale market will be leading the pack of metropolitan areas. Stimulated by the low mortgage rate levels and the lowest rental housing vacancy rate in Canada (0.5 per cent), the number of resale transactions in Victoria will reach 5,700 units in 2002.
- **New home market:** Next year, Thunder Bay will post the strongest growth in starts among the metropolitan areas, thereby putting an end to an almost continuous decline in home building for the past 10 years. In fact, 260 housing starts are forecast. This increase of 36 per cent will be essentially concentrated in the multiple housing segment.■

Resales in 2002
The highest gains in %



Source: CMHC Housing Facts

Housing starts in 2002
The highest gains in %



Source: CMHC Housing Facts

Immigration: major increase in the first half of 2001

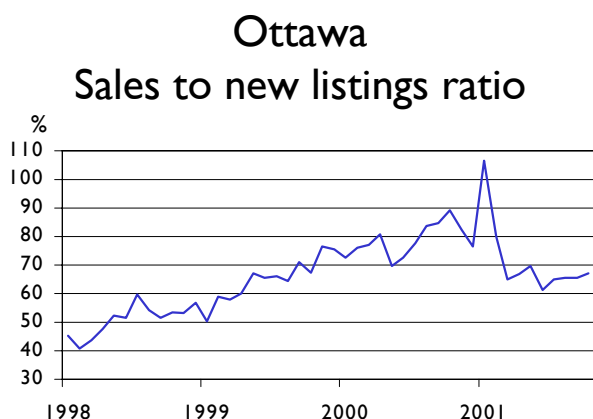
During the first six months of the year, Ontario received 60 per cent of all immigrants.

- Between January and June 2001, the total number of immigrants who arrived in Canada reached 128,164 persons, in comparison with 103,447 persons one year earlier. This represents an increase of nearly 24 per cent. Ontario, Quebec, British Columbia and Alberta received 96 per cent of all immigrants during this period.
- The fact that immigration is picking up, after having bottomed out in 1998 as a result of the Asian financial and economic crisis, partly explains the strong demand for rental housing, particularly in the Toronto, Vancouver and Montréal metropolitan areas
- Immigration will drop from 245,000 persons in 2001 down to 225,000 people in 2002, according to our forecast. This level of immigration will still partially offset the negative impact of the economic slowdown on household formation and housing demand levels.■

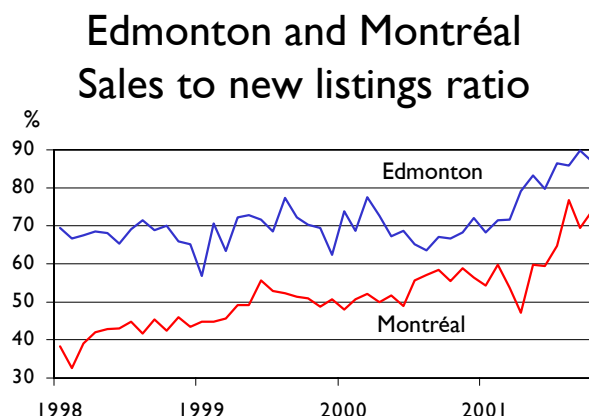
Resales: the hottest market in the country, Ottawa, cools down

The sales-to-new listings ratio, which measures the relative importance of supply and demand, indicates that the Ottawa resale market is slowing down, but remains robust.

- Overall, metropolitan area resale markets continue to post conditions that are favourable to sellers, despite the economic slowdown. In October 2001, the sales-to-new listings ratio was 68 per cent. The resale market is considered to be balanced when this ratio ranges from 35 per cent to 50 per cent, depending on the areas.
- There are some significant differences among these metropolitan areas. In **Ottawa**, the bursting of the technology bubble at the beginning of the year caused resale market activity to ease significantly. The sales-to-new listings ratio went from an exceptional 106 per cent, a highly overheated level, to 67 per cent in October.
- In contrast to Ottawa, **Montréal** and **Edmonton** have posted large gains in their sales-to-new-listings ratio.
- The **Montréal** resale market is in fact heading for a sixth consecutive year of growth in its number of transactions. This intense activity will no doubt continue to be fuelled by the presence of a very tight rental market, where the vacancy rate (0.6 per cent) will encourage many households to become homeowners.
- In **Edmonton**, the sales-to-new listings ratio has remained above 80 per cent since the beginning of the year, which is an exceptional level, similar to that observed in Ottawa in 2000.■



Source: CMHC Housing Facts



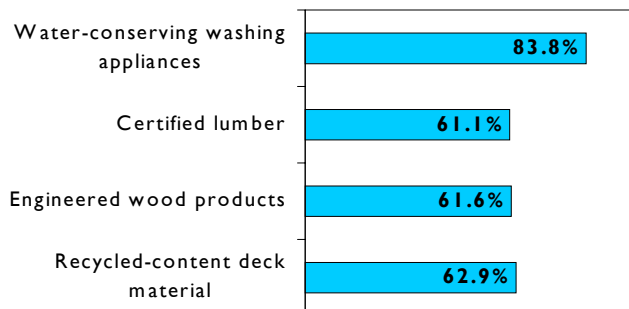
Source: CMHC Housing Facts

Green homes: gaining acceptance in the U.S.

An American study has revealed that consumers are increasingly willing to pay to improve the environmental performance and energy efficiency of their home. They are also willing to wait longer before recouping their investments through lower monthly bills.

- In its second annual study on **The State of Green Building**, a consortium of U.S. housing industry companies and organizations under the leadership of the Cahners Residential Group has revealed that builders underestimate the willingness of American consumers to pay more for a new home with features that would improve the environmental performance and energy efficiency of their home.
- Even if consumer intentions are not always fully reflected in reality, 79.9 per cent of consumers indicated that new homes do not meet their environmental performance expectations. In fact, 91.0 per cent said that they were willing to pay more for energy-efficiency upgrades to their new or existing home. On average, they would be ready to spend around \$2,300, while hoping to recover their investment within four years.
- Among the features aimed at conserving resources (excluding energy), those that reduce water consumption were the most important to respondents.
- The 2001 study also demonstrated that the use of engineered wood is becoming more popular, to the detriment of traditional lumber products. In fact, 62 per cent of consumers want new homes built with engineered wood products, compared to 50 per cent last year.

Resource-Conserving Features: Consumer Preferences

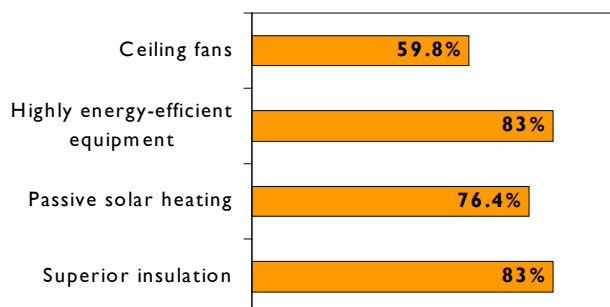


Sources: CMHC Housing Facts, The State of Green Building 2001

Certified wood products are also making gains in the public opinion, as 61 per cent of respondents feel that the use of certified wood products should be the standard in new home building, compared to 46 per cent in 2000.

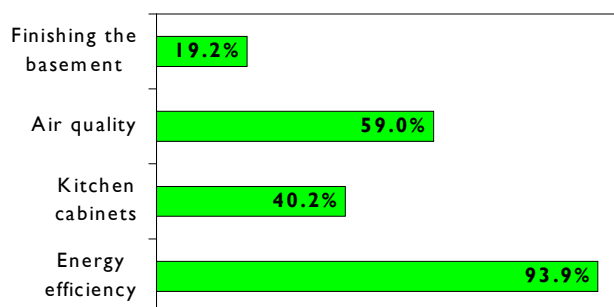
- Lastly, the study showed that upgrades that enhance a home's environmental performance are more highly rated by American consumers than other types of improvements.■

Energy-Efficiency Features: Consumer Preferences



Sources: CMHC Housing Facts, The State of Green Building 2001

Which Upgrades Are Highly Rated by Consumers?



Sources: CMHC Housing Facts, The State of Green Building 2001

This Month's Housing Data (SAAR)

	2000	Q1:01	Q2:01	Q3:01	M9:01	MI0:01	MI1:01
Housing starts. units. 000's							
Canada. Total. All areas	151.7	162.5	163.4	156.1	154.0	173.4	168.9
% chg	1.1	5.6	0.6	-4.5	-7.3	12.6	-2.6
Canada. Total. Rural areas	20.6	20.9	21.3	19.2	19.2	21.5	21.5
% chg	-9.9	10.0	1.9	-9.9	0.0	12.0	0.0
Canada. Total. Urban areas	131.1	141.6	142.1	136.9	134.8	151.9	147.4
% chg	3.1	5.0	0.4	-3.7	-8.3	12.7	-3.0
Canada. Single. Urban areas	74.4	80.1	73.4	77.1	79.1	84.7	84.1
% chg	2.1	6.9	-8.4	5.0	-0.6	7.1	-0.7
Canada. Multiple. Urban areas	56.7	61.5	68.7	59.8	55.7	67.2	63.3
% chg	4.4	2.5	11.7	-13.0	-17.4	20.6	-5.8
Newfoundland. Total. All areas	1.5	1.0	1.6	1.8	2.1	1.7	2.1
% chg	6.4	-41.2	60.0	12.5	16.7	-19.0	23.5
Prince Edward Island. Total. All areas	0.7	0.6	0.4	0.8	0.7	0.7	0.9
% chg	15.3	-33.3	-33.3	100.0	40.0	0.0	28.6
Nova Scotia. Total. All areas	4.4	4.3	3.8	4.2	3.5	4.2	4.8
% chg	4.3	16.2	-11.6	10.5	-22.2	20.0	14.3
New Brunswick. Total. All areas	3.1	3.8	3.3	3.3	3.5	6.4	2.7
% chg	11.0	31.0	-13.2	0.0	2.9	82.9	-57.8
Quebec. Total. All areas	24.7	28.5	26.3	25.7	24.4	28.8	27.7
% chg	-4.1	12.2	-7.7	-2.3	-6.5	18.0	-3.8
Ontario. Total. All areas	71.5	76.4	75.2	70.3	67.4	71.8	73.9
% chg	6.4	5.1	-1.6	-6.5	-18.5	6.5	2.9
Manitoba. Total. All areas	2.6	2.7	3.4	3.0	2.7	2.8	2.9
% chg	-18.3	3.8	25.9	-11.8	-6.9	3.7	3.6
Saskatchewan. Total. All areas	2.5	2.2	1.9	2.6	2.8	4.4	2.7
% chg	-18.6	0.0	-13.6	36.8	47.4	57.1	-38.6
Alberta. Total. All areas	26.3	26.3	29.7	27.8	29.5	33.3	32.6
% chg	3.2	0.0	12.9	-6.4	6.5	12.9	-2.1
British Columbia. Total. All areas	14.4	16.7	17.8	16.6	17.4	19.3	18.6
% chg	-11.6	7.7	6.6	-6.7	18.4	10.9	-3.6

SOURCE: CMHC

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

% chg: Per cent change from previous period.

Annual rate of housing starts, urban areas*

	2000	Q1:01	Q2:01	Q3:01	M9:01	M10:01	M11:01
Canada	131.1	141.6	142.1	136.9	134.8	151.9	147.4
Newfoundland	1.0	0.7	1.1	1.1	1.4	1.2	1.6
Prince Edward Island	0.4	0.4	0.2	0.5	0.4	0.4	0.6
Nova Scotia	3.0	2.8	2.6	2.5	1.8	2.3	2.9
New Brunswick	2.0	2.6	1.7	2.2	2.4	5.5	1.8
Québec	19.9	23.0	20.8	21.1	19.8	22.6	21.5
Ontario	67.4	72.8	72.2	67.6	64.7	68.9	71.0
Manitoba	1.5	1.6	1.8	1.8	1.5	1.5	1.6
Saskatchewan	1.9	1.5	1.4	1.8	2.0	3.5	1.8
Alberta	21.5	21.2	24.1	23.7	25.4	28.3	27.6
British Columbia	12.4	15.0	16.2	14.6	15.4	17.7	17.0

* Thousands of units, seasonally adjusted.

This Month's Major Housing Indicators

	2000	Q1:01	Q2:01	Q3:01	M9:01	M10:01	M11:01
New Housing*							
New & unoccupied. singles & semis. 000's	6.3	6.1	5.8	5.7	5.7	5.3	5.6
%chg	0.2	-2.7	-4.5	-2.8	-0.9	-6.1	5.0
New & unoccupied. row & apartments. 000's	7.3	6.4	6.5	5.4	5.4	5.2	5.2
%chg	-8.3	-9.4	1.3	-17.4	-2.8	-2.6	-0.5
New house price Index. 1992 = 100	103.2	104.8	105.7	106.5	106.7	n.a.	n.a.
%chg	2.2	0.7	0.8	0.7	0.2	n.a.	n.a.
Existing Housing*							
MLS resales. units. 000's**	333.7	352.7	371.4	380.1	369.9	398.0	n.a.
%chg	-0.6	5.7	5.4	2.3	-6.5	4.9	n.a.
MLS average resale price. \$C. 000's	164.1	165.6	171.5	172.9	171.0	171.9	n.a.
%chg	3.8	-0.5	3.1	0.8	0.2	0.5	n.a.
Mortgage market							
1-year mortgage rate.%	7.85	7.10	6.73	6.03	5.45	4.90	4.60
5-year mortgage rate. %	8.35	7.58	7.67	7.50	7.15	6.90	6.85

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

chg % change from previous period.

n.a. Figures not available

* Seasonally adjusted. ** Seasonally adjusted at annual rate (SAAR).