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# HOUSING FACTS

January 9, 2001; Volume 6, Number 1

Canada Mortgage and Housing Corporation

## Starts fall again in December to 148,000

In December, 148,000 housing units\* were started in Canada, compared to the revised level of 155,600 units recorded in November, for a decrease of 4.9 per cent.

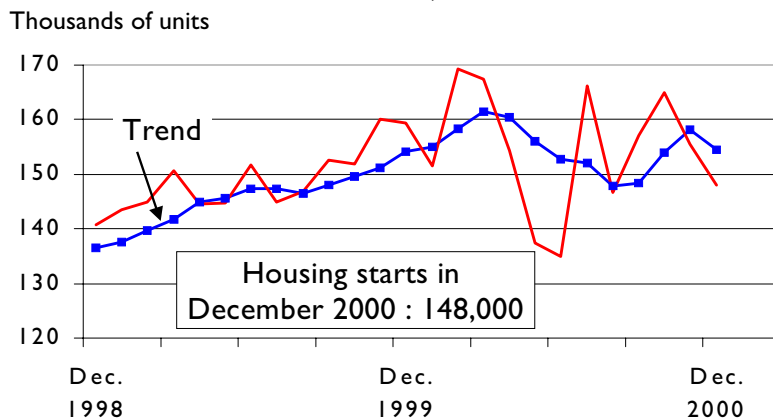
The decrease in urban single starts (-4.8 per cent to 73,900 units) came in addition to the decline in multiple starts (-6.9 per cent to 52,900 units).

The decline in starts in December mainly signalled the continued pause in the multiple housing construction sector following the brisk pace posted in certain markets such as Montréal and Toronto.

Although single starts were down, they remained within the range characterizing a steady housing demand.

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

Housing starts in Canada  
all areas, \*saar



Source: CMHC Housing facts  
\*Seasonally adjusted annual rate

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HOME TO CANADIANS  
Canada

**Housing starts - Continued from page 1**

Regionally, the Atlantic Region was the only one to show positive results in December, as it recorded an increase of 8.8 per cent in its starts, for a total of 6,200 units. The other four regions sustained decreases this past month, starting with Quebec (-20.7 per cent to 18,800 units), followed by the Prairies (-6.4 per cent to 24,900 units), Ontario (-1.9 per cent to 65,900 units) and finally British Columbia (-1.8 per cent to 11,000 units).

In the large urban agglomerations, starts reached 34,900 units in Toronto, 9,900 units in Montréal and 6,800 units in Vancouver, at seasonally adjusted annual rates.

The preliminary real urban starts data for 2000 shows a gain of 3.1 per cent over 1999.■

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**One out of ten respondents called on a mortgage broker**

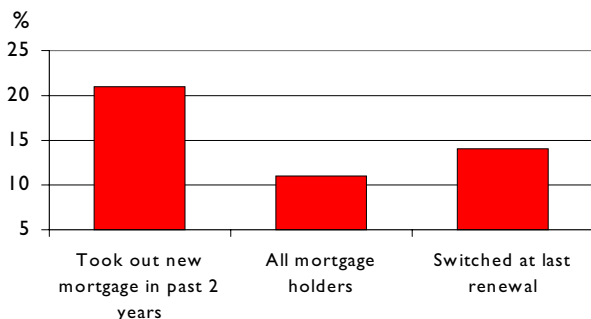
**More and more mortgage holders are using the services of mortgage brokers.**

- According to the September 2000 FIRM Survey, 11 per cent of mortgage holders called on a mortgage broker to get their mortgage with their current lender. This proportion reached 21 per cent among those who got a new loan in the last two years.
- Consumers primarily use the services of a mortgage broker to get the best possible rate. They also call on the broker's expertise to

effectively shop around, on their behalf, for a product that they buy only rarely, considering that most households choose a five-year term for their mortgage.

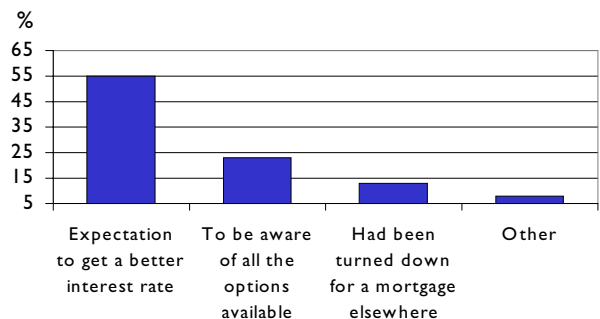
- Appreciated by consumers, the mortgage brokerage industry is getting organized and becoming more visible, and it can be expected that it will take on a greater role in the residential mortgage financing sector.■

**Mortgage brokers market share**



Sources: CMHC Housing facts, FIRM Survey, September 2000

**Reasons for using a mortgage broker**



Sources: CMHC Housing facts, FIRM Survey, septembre 2000

## Profitability: it is better to build bungalows in Saskatoon

Microdata on the profitability of businesses working in the residential construction industry shows that, in general, it is more profitable to build single-family houses and that profitability in this industry is highly volatile.

- Microdata drawn from the Statistics Canada business tax statistics administrative database shows the volatility of the financial performance of residential construction businesses. The data used only takes into account incorporated businesses, which excludes all self-builders, who are more common in smaller agglomerations. The data on business profitability for the period from 1993 to 1998 primarily demonstrates the difficult conditions in the majority of Canadian housing markets during the 1995-1996 period and the gradual improvement observed in 1997-1998.
- As such, the net income per business in 1997-1998 benefited from the reduction in the number of active businesses following the significant decrease in housing starts in most areas in 1995-1996.
- In general, business profitability has nothing to do with the size of the metropolitan area, and the most expensive markets are not necessarily the most profitable. In fact, it is rather the

### Average net profit by company in decreasing order for 1998 Single-family housing (\$)

Metropolitan areas	1998	1997
Saskatoon	81 931	69 357
Edmonton	63 789	-879
Toronto	45 144	38 437
St. Catharines	39 846	36 465
Hamilton	36 441	37 491
Ottawa-Hull	36 317	13 153
Calgary	30 319	-8 822
Montréal	27 267	23 631

Sources: CMHC Housing facts and Statistics Canada

### Average net profit by company in decreasing order for 1998 Multiple housing (\$)

Metropolitan areas	1998	1997
Ottawa-Hull	61 680	4 208
Toronto	55 423	-47 914
Edmonton	42 481	27 167
Chicoutimi-Jonquière	32 429	99 333
Saskatoon	29 900	41 333
Victoria	24 176	4 136
Montréal	19 573	16 979
Kitchener	10 875	-23 500

Sources: CMHC Housing facts and Statistics Canada

level of competition on a given market, and particularly the number of active businesses on this market at the time when the housing demand rises, that affects the net income level per business.

- Since 1999, conditions on Canadian housing markets have greatly improved, and builders have seemingly been able to pass on the major fluctuations in materials and labour costs to consumers, who are generally less sensitive to price hikes as a result of the increase in disposable income.
- The available data does not indicate whether the probable increase in profitability in 1999 and 2000 was mitigated by the arrival on the market of a large number of new businesses. The outlook for 2001 is excellent, although some concerns with regard to labour costs could reduce the margin made available through price decreases for several materials. ■

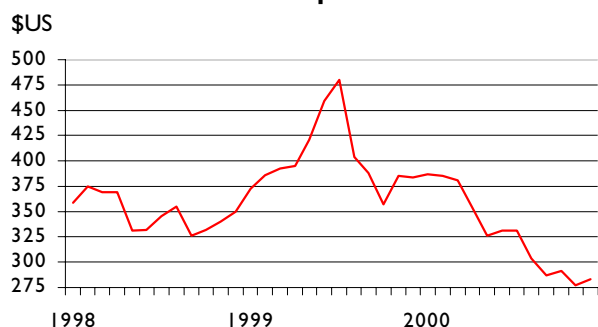
## Construction costs: first materials, now labour and energy

The significant decrease in materials prices in 2000 will allow builders to moderate their cost increases as skilled worker salaries are on an upward slope.

- In the space of a few months, conditions on the North American construction materials market completely turned around. The shortage and skyrocketing prices of key materials for residential construction gave way to a rapid drop in prices resulting from excess capacity and a decline in housing starts in the United States in 2000.

- In 1999, many materials producers in the industry expanded their capacity and modernized their facilities to meet the demand, for the first time in 10 years. Today, the industry is seeking to sell off its production and, in the case of lumber, some sawmills have announced temporary shutdowns to stabilize prices.
- However, the increase in oil prices drove up production costs for manufacturers using this raw material. In fact, the price of PVC pipes and ducts rose by 25 per cent in the third quarter of 2000 on an annual basis. Over the same period, the price of asphalt jumped by 28 per cent and that of diesel for machinery by 38 per cent.
- In Canada as in the U.S., labour and salaries should be mainly responsible for the upward pressure on costs this year. There might be some difficult negotiations and, in certain cases, pressure tactics like those seen in Toronto in 1998 and 2000 could be used, as it is expected that housing starts will increase in Canada in 2001 and that the job market will continue to tighten. ■

Lumber prices\*



Sources : CMHC Housing facts and Random Lengths  
\*Framing Lumber Composite Price

## Rental market: rents are higher in Ottawa than in Vancouver

Three Ontario metropolitan areas head the list of most expensive rental markets.

- The weighted average rent, calculated from the results of the latest CMHC rental market survey, confirms Toronto's position as Canada's most expensive metropolitan rental market. In addition, Ottawa and Oshawa have now moved up ahead of Vancouver. Weighting is used to take into account the types of apartments (bachelor, one-, two- or three-bedroom) included in the survey universe.
- The survey also revealed that, for newer apartments (15 years or less), the weighted monthly averages are \$1,040 in Toronto, followed by Ottawa at \$901 and Edmonton at \$899. ■

Rents weighted average (\$)	
Metropolitan areas	Apartments october 2000
Toronto	908
Ottawa	786
Oshawa	755
Vancouver	740
Kitchener	665
Windsor	647
Calgary	633

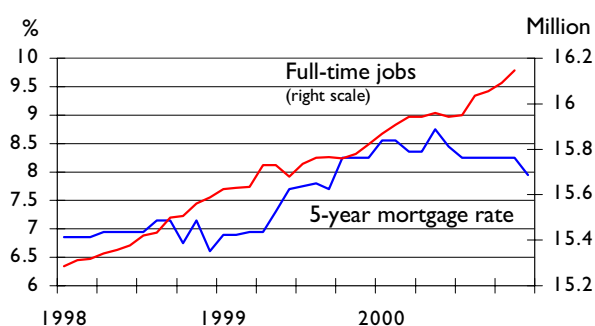
Source: CMHC Housing facts

## Easing mortgage rates bring a respite to buyers

The rise in home prices is attenuated by the increase in income levels and the decrease in mortgage rates.

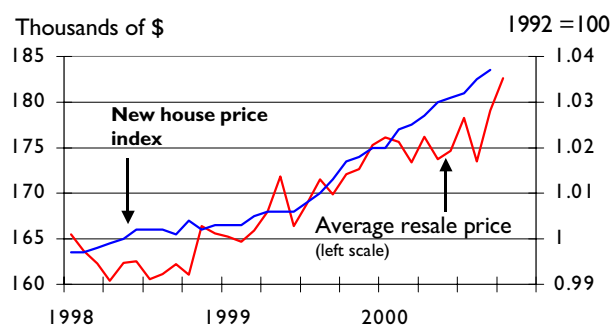
- Amid the U.S. election imbroglio and major upheavals on the stock market, the head of the U.S. Federal Reserve stated that an economic slowdown was now to be feared for our southern neighbours. This statement indirectly triggered a new decrease in mortgage rates in Canada that, in the short term, will ease the inflationary pressures currently faced by first-time buyers on several Canadian markets.
- The mortgage rate drop of 30 to 60 basis points for one-year and five-year rates will partially offset the breathtaking rise in energy prices (for gas and oil in particular) and the no less significant increase in new and existing home prices on most markets in the last three years. After a few good years for employment and with the gradual increase in disposable income, homeownership has become a more tangible objective for many households, and the limited supply of rental housing units has made this goal more imperative.■

The good news



Sources: CMHC Housing facts, Statistics Canada, Bank of Canada

Housing prices up



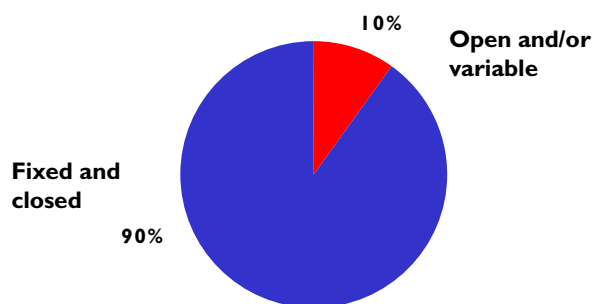
Sources: CMHC Housing facts and Statistics Canada

## Mortgages: fixed rates and closed terms still dominate

While mortgage rates should go down over the next few months according to most analysts, consumers remain loyal to fixed rates and closed terms.

- Between June and September 2000, the FIRM Survey noted a very small increase (from 9 to 10 per cent) in the proportion of residential mortgage holders who have variable rate or open mortgages, that is, where the owner can opt for another type of mortgage during the loan term.
- Although the data has been available only since 1994, it would seem that this proportion is rather stable and that this market is marginal, hovering between 8 and 11 per cent including all the different varieties offered by lenders. In the United States, depending on the prevailing conditions, this proportion can reach one third.■

Mortgage loans types market share



Sources: CMHC Housing facts FIRM Survey, september 2000

## Demographics: outlook favourable to condominiums

With the increase in the number of people aged from 65 to 74 years, condominiums will take up an increasingly apparent place across the urban landscape.

- Twenty-five years ago, the condominium market was just starting out in urban centres and, with the market so tight, this tenure option was simply not available.
- In 2000, after 11 months of activity, condominiums accounted for 21.7 per cent of urban starts, with 26,398 units. This proportion will increase on account of the new preferences of seniors and their growing demographic weight in our society.
- Over the next 15 years or so, the number of households aged from 65 to 74 years will rise by about 100,000 per year in Canada according to CMHC's *The Long-Term Housing Outlook*. This demographic trend will be slow but generalized. Aging will not be the only factor, though, as the condominium market share will also grow as a result of the pressure from a population that will continue to become more urban and for which household size will decline.
- The social trends that are gradually bringing about a decline in the relative weight of traditional families with children, who massively privilege suburban single-family homes, will continue. The preferred housing options of couples without children (including empty nesters) and single persons, such as condominiums, will remain popular. In 1996, these two groups represented over two thirds of condominium owners.

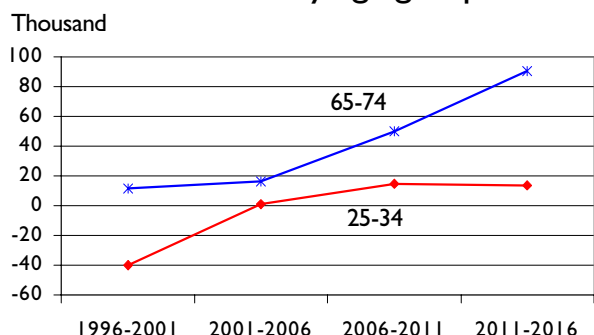
### Homeownership rate in Canada (%)

Age of the maintainer	1991	1996
25-34	47.2	46.0
35-44	68.2	66.4
45-54	75.0	74.2
55-64	75.7	76.4
65-74	70.7	73.3
Total	62.8	63.8

Sources: CMHC Housing facts and Statistics Canada

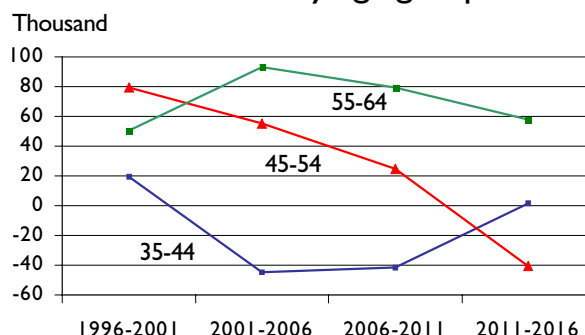
- Recent data effectively shows that the homeownership rate of households aged from 65 to 74 years decreases only very slightly in comparison with the younger cohorts. However, households who will turn 65 over the next 15 years will also be richer than their predecessors, a fact that will enable most of them to choose their tenure option without any financial restrictions.■

Average annual change in the number of households by age group



Sources: CMHC Housing facts and CMHC long-term housing outlook

Average annual change in the number of households by age group



Sources: CMHC Housing facts and CMHC long-term housing outlook

## This Month's Housing Data

	1999	Q2:00	Q3:00	Q4:00	M10:00	M11:00	M12:00
<b>Housing starts. units. 000's</b>							
<b>Canada. Total. All areas</b>	<b>150.0</b>	<b>142.1</b>	<b>156.6</b>	<b>156.1</b>	<b>164.9</b>	<b>155.6</b>	<b>148.0</b>
% chg	9.1	-12.7	10.2	-0.3	5.0	-5.6	-4.9
<b>Canada. Total. Rural areas</b>	<b>22.9</b>	<b>19.0</b>	<b>21.6</b>	<b>21.2</b>	<b>21.2</b>	<b>21.2</b>	<b>21.2</b>
% chg	10.7	-20.5	13.7	-1.9	-1.9	0.0	0.0
<b>Canada. Total. Urban areas</b>	<b>127.1</b>	<b>123.1</b>	<b>135.0</b>	<b>134.9</b>	<b>143.7</b>	<b>134.4</b>	<b>126.8</b>
% chg	8.8	-11.6	9.7	-0.1	6.1	-6.5	-5.7
<b>Canada. Single. Urban areas</b>	<b>72.8</b>	<b>74.3</b>	<b>73.8</b>	<b>74.2</b>	<b>71.4</b>	<b>77.6</b>	<b>73.9</b>
% chg	6.6	-8.6	-0.7	0.5	-1.5	8.7	-4.8
<b>Canada. Multiple. Urban areas</b>	<b>54.3</b>	<b>48.8</b>	<b>61.2</b>	<b>60.7</b>	<b>72.3</b>	<b>56.8</b>	<b>52.9</b>
% chg	12.0	-15.9	25.4	-0.8	14.8	-21.4	-6.9
<b>Newfoundland. Total. All areas</b>	<b>1.4</b>	<b>1.4</b>	<b>1.6</b>	<b>1.5</b>	<b>1.8</b>	<b>1.3</b>	<b>1.5</b>
% chg	-5.4	-17.6	14.3	-6.2	20.0	-27.8	15.4
<b>Prince Edward Island. Total. All areas</b>	<b>0.6</b>	<b>0.6</b>	<b>0.7</b>	<b>0.8</b>	<b>0.9</b>	<b>0.6</b>	<b>0.8</b>
% chg	17.6	20.0	16.7	14.3	50.0	-33.3	33.3
<b>Nova Scotia. Total. All areas</b>	<b>4.3</b>	<b>4.9</b>	<b>4.4</b>	<b>3.7</b>	<b>3.2</b>	<b>3.3</b>	<b>4.7</b>
% chg	35.5	-23.4	-10.2	-15.9	14.3	3.1	42.4
<b>New Brunswick. Total. All areas</b>	<b>2.8</b>	<b>2.4</b>	<b>3.8</b>	<b>2.7</b>	<b>2.7</b>	<b>3.3</b>	<b>2.0</b>
% chg	13.4	-46.7	58.3	-28.9	-43.7	22.2	-39.4
<b>Quebec. Total. All areas</b>	<b>25.7</b>	<b>22.4</b>	<b>26.0</b>	<b>26.2</b>	<b>26.4</b>	<b>28.6</b>	<b>23.7</b>
% chg	11.2	-16.1	16.1	0.8	2.7	8.3	-17.1
<b>Ontario. Total. All areas</b>	<b>67.2</b>	<b>63.6</b>	<b>74.6</b>	<b>73.0</b>	<b>77.6</b>	<b>71.3</b>	<b>70.0</b>
% chg	24.9	-19.3	17.3	-2.1	7.9	-8.1	-1.8
<b>Manitoba. Total. All areas</b>	<b>3.1</b>	<b>2.8</b>	<b>2.6</b>	<b>2.4</b>	<b>2.6</b>	<b>2.3</b>	<b>2.5</b>
% chg	8.2	21.7	-7.1	-7.7	13.0	-11.5	8.7
<b>Saskatchewan. Total. All areas</b>	<b>3.1</b>	<b>2.7</b>	<b>2.5</b>	<b>1.9</b>	<b>2.2</b>	<b>2.2</b>	<b>1.2</b>
% chg	4.1	12.5	-7.4	-24.0	0.0	0.0	-45.5
<b>Alberta. Total. All areas</b>	<b>25.4</b>	<b>26.0</b>	<b>27.2</b>	<b>28.4</b>	<b>26.9</b>	<b>29.6</b>	<b>28.7</b>
% chg	-6.2	-0.4	4.6	4.4	-10.0	10.0	-3.0
<b>British Columbia. Total. All areas</b>	<b>16.3</b>	<b>15.3</b>	<b>13.2</b>	<b>15.4</b>	<b>20.5</b>	<b>13.0</b>	<b>12.8</b>
% chg	-18.2	15.0	-13.7	16.7	33.1	-36.6	-1.5

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	Q2:00	Q3:00	Q4:00	M10:00	M11:00	M12:00
<b>Canada</b>	<b>127.1</b>	<b>123.1</b>	<b>135.0</b>	<b>134.9</b>	<b>143.7</b>	<b>134.4</b>	<b>126.8</b>
Newfoundland	0.9	1.1	1.1	1.1	1.4	0.9	1.1
Prince Edward Island	0.4	0.3	0.4	0.6	0.7	0.4	0.6
Nova Scotia	2.8	3.1	3.2	2.3	1.8	1.9	3.3
New Brunswick	1.9	1.6	2.2	1.9	1.9	2.5	1.2
Québec	19.5	17.7	22.2	21.3	21.5	23.7	18.8
Ontario	62.9	60.3	70.1	68.9	73.5	67.2	65.9
Manitoba	2.1	1.6	1.6	1.4	1.6	1.3	1.5
Saskatchewan	2.2	2.0	2.0	1.5	1.8	1.8	0.8
Alberta	20.2	22.4	21.0	22.3	20.8	23.5	22.6
British Columbia	14.2	13.0	11.2	13.6	18.7	11.2	11.0

\* Seasonally adjusted.

## This Month's Major Housing Indicators

	1999	Q2:00	Q3:00	Q4:00	M10:00	M11:00	M12:00
<b>New Housing*</b>							
<b>New &amp; unoccupied. singles &amp; semis. 000's</b>	<b>6.30</b>	<b>6.21</b>	<b>6.11</b>	<b>6.31</b>	<b>6.00</b>	<b>6.19</b>	<b>6.31</b>
%chg	-8.33	-2.31	-1.61	2.95	-1.80	3.18	1.91
<b>New &amp; unoccupied. row &amp; apartments. 000's</b>	<b>7.93</b>	<b>8.12</b>	<b>8.24</b>	<b>6.54</b>	<b>7.76</b>	<b>6.99</b>	<b>6.54</b>
%chg	-3.37	-0.87	1.46	-20.12	-5.82	-10.00	-6.44
<b>New house price Index. 1992 = 100</b>	<b>100.95</b>	<b>102.93</b>	<b>103.47</b>	<b>n.a.</b>	<b>104.00</b>	<b>n.a.</b>	<b>n.a.</b>
%chg	0.89	0.65	0.52	n.a.	0.29	n.a.	n.a.
<b>Existing Housing*</b>							
<b>MLS resales. units. 000's</b>	<b>335.73</b>	<b>333.05</b>	<b>336.24</b>	<b>n.a.</b>	<b>340.60</b>	<b>354.01</b>	<b>n.a.</b>
%chg	6.73	-2.58	0.95	n.a.	0.33	3.94	n.a.
<b>MLS average resale price. \$C. 000's</b>	<b>158.03</b>	<b>162.42</b>	<b>164.73</b>	<b>n.a.</b>	<b>168.76</b>	<b>166.25</b>	<b>n.a.</b>
%chg	3.72	0.19	1.42	n.a.	0.98	-1.49	n.a.
<b>Mortgage market</b>							
<b>1-year mortgage rate.%</b>	<b>6.80</b>	<b>8.03</b>	<b>7.90</b>	<b>7.83</b>	<b>7.90</b>	<b>7.90</b>	<b>7.70</b>
<b>5-year mortgage rate. %</b>	<b>7.56</b>	<b>8.51</b>	<b>8.25</b>	<b>8.15</b>	<b>8.25</b>	<b>8.25</b>	<b>7.95</b>

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

chg % change from previous period.

n.a. Figures not available

\* Seasonally adjusted.