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HOUSING FACTS

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Canada Mortgage and Housing Corporation

Annual rate of starts up by 3.9 per cent in December

In December, the revised seasonally adjusted annual rate (SAAR) of housing starts in Canada reached 174,100 units*, in comparison with the level of 167,600 units recorded in November, for an increase of 3.9 per cent.

In urban areas, the annual rate of single starts rose by 2.0 per cent to 85,700 units, while the multiple starts rate jumped up by 7.6 per cent to 68,300 units.

The figures for December put the crowning touch on an exceptional fourth quarter. The

figures reflect strong housing demand. Demand for new housing is up because of a more limited choice of dwellings for sale or for rent in several metropolitan areas.

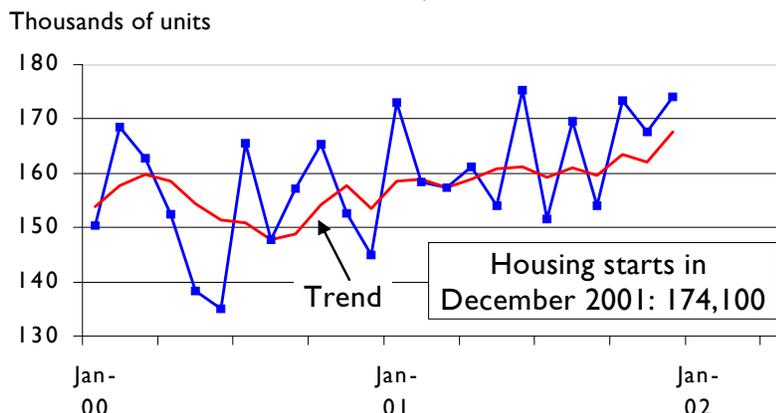
Despite weak job creation recently, the low mortgage rates and limited number of unoccupied housing units will continue to buoy up housing starts over the next few months.

Please see Housing starts on page 2...

In this Issue:

Unoccupied housing stock decreases	2
The ABCs of mortgage credit dynamics	3
Two new metropolitan areas: Abbotsford and Kingston	4
Real estate investment trusts stand out	5
Tables	6

**Housing Starts in Canada
All Areas, *SAAR**



Source: CMHC Housing Facts
*Seasonally adjusted annual rates



HOME TO CANADIANS
Canada

Housing starts - Continued from page 1

In December, the seasonally adjusted annual rate of starts in Quebec registered a gain of 30.5 per cent to 29,500 units, thanks in part to rental apartment starts in urban centres. As for the Atlantic region, its annual rate of starts picked up in December, posting an increase of 34.8 per cent to 9,300 units.

Seasonally adjusted annual rates of starts were down, however, in the Prairies (-1.9 per cent to 30,600 units), Ontario (-0.3 per cent to 69,800 units) and British Columbia (-11.9 per cent to 14,800 units).

In the large metropolitan areas, seasonally adjusted annual rates of starts reached 39,400 units in Toronto, 17,100 units in Montréal and 10,300 units in Vancouver.

Total housing starts reached 162,733 units for all of 2001, 7.3 per cent up from the total of 151,653 units in 2000. ■

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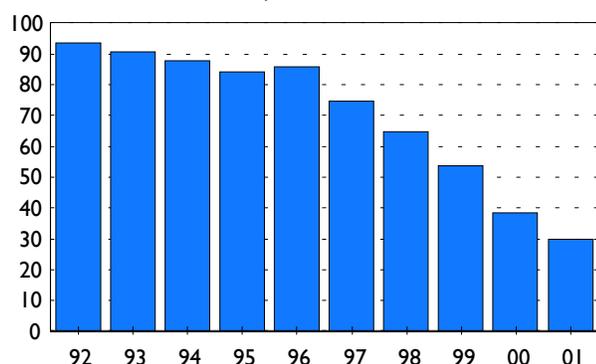
Unoccupied housing stock decreases in metropolitan areas

The unoccupied housing stock in metropolitan areas has been considerably drawn upon to meet the housing demand since 1997.

- The unoccupied housing stock (including new unoccupied homeowner detached, semi-detached, row and apartment dwellings, as well as existing unoccupied rental apartments in buildings with three or more housing units in metropolitan areas) went from 93,500 units in 1992 down to 30,000 in 2001, for a decrease of 63,500 units.
- The unoccupied housing stock has met greater housing demand, particularly since 1997. In the last five years, an average of around 10,000 vacant units became occupied. However, the fast pace at which the unoccupied housing stock is decreasing will now be coming to an end, given the small number of units still available. ■

Unoccupied housing stock

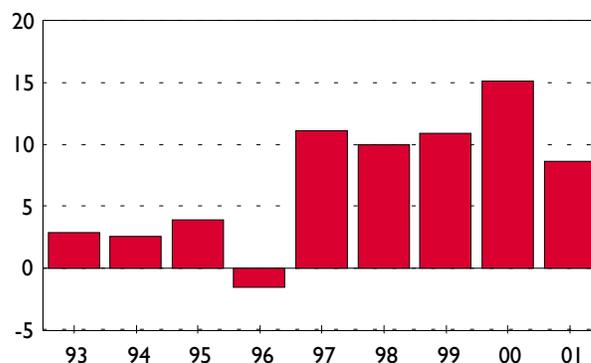
Thousands of units - metropolitan areas



Source: CMHC Housing Facts

Reduction in inventory of unoccupied units

Thousands of units - metropolitan areas



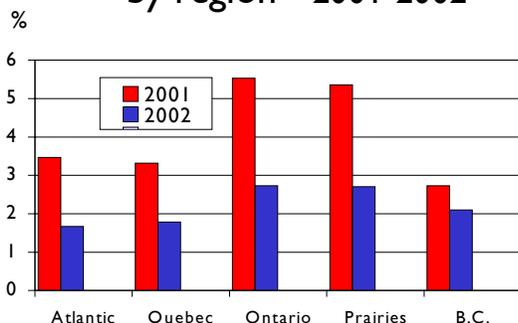
Source: CMHC Housing Facts

The ABCs of mortgage credit dynamics

In 2002, mortgage credit growth will slow down. The principal factors accounting for this deceleration include the downturn in starts and resales, and more moderate increases in house prices. Regional disparities, for their part, remain linked to a multitude of factors.

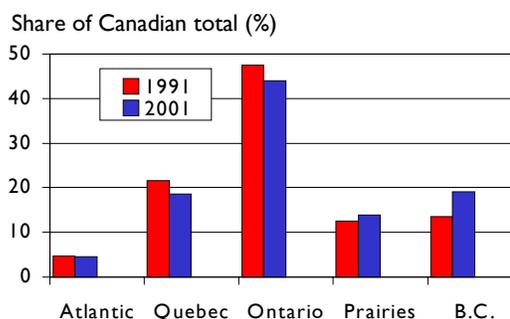
- Residential mortgage credit growth is mainly dependent on the increase in the number of households, the population’s age structure, the price level of the housing stock, and the propensity of households for indebtedness as measured by the loan-to-value ratio.
- The contribution of **new housing** to mortgage credit growth is important in two ways:
 1. Starts are the principal source of growth in the housing stock and, without a doubt, in the level of mortgage credit outstanding, since new homes are generally financed through mortgage loans. The slight decline in starts in Canada, predicted for 2002, to 154,600 units may therefore entail a lower demand for mortgage credit.
 2. In addition to the number of starts, their type (singles vs. multiples), the relative price levels on the markets, and the loan-to-value ratio level will have a great influence on mortgage credit growth.
 For example, single-family home building in British Columbia will have a more significant impact on the demand for mortgage credit than multiple housing construction in Nova Scotia. In fact, the average mortgage loan granted for single-family homes in British Columbia was \$198,298 in 2000, compared to an average of \$78,668 for multiple housing units in Nova Scotia.
- As for the **existing housing stock**, property values are reflected in the level of mortgage credit outstanding. The general increase in property values through resale transactions fuel mortgage credit growth.
- Lastly, **demographic considerations**, such as the age pyramid of a population and average household size, also account for changes in mortgage credit growth. An older population will have a greater proportion of homeowners who have repaid their mortgages and more households likely to be in a position to repay their mortgages more rapidly. Likewise, the number of households is more important than size. Three one-person households will generate a greater demand for mortgage credit than one family composed of three people. For example, the mortgage credit needed to finance three \$100,000 condominium apartments will be greater than that required for one \$175,000 single-family house.■

Mortgage credit growth by region - 2001-2002



Source: CMHC Housing Facts

Mortgage credit outstanding by region – 1991-2001 comparison



Source: CMHC Housing Facts

Two new metropolitan areas: Abbotsford and Kingston

In 2001, Canada got two new census metropolitan areas, for a total of 28. This new status for Abbotsford and Kingston implies that they will be monitored both more extensively and more closely in terms of statistics and analysis.

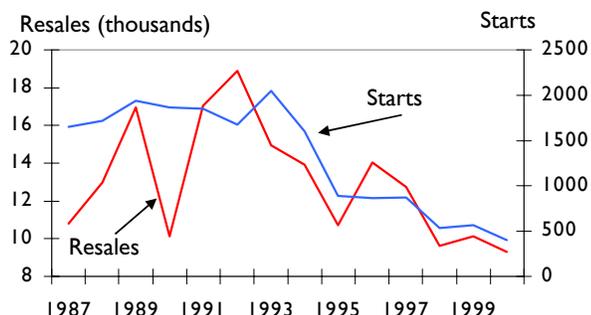
Abbotsford, British Columbia

- Situated southeast of Vancouver, near the U.S. border, Abbotsford has become British Columbia's third metropolitan area. Since the strong growth in the early 1990s, the Abbotsford housing market has generally progressed much like that of the rest of the province, sustaining a gradual decline in housing starts and resale transactions since 1992-1993.
- The downward trend may be a thing of the past, however, as from January to November 2001 resale transactions were up by 31.0 per cent and housing starts rose by 4.3 per cent.■

Kingston, Ontario

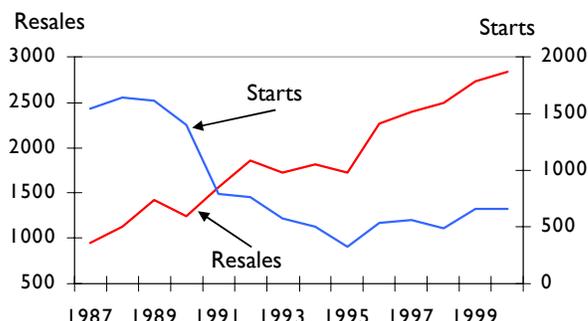
- Kingston has become the eleventh metropolitan area in Ontario. This former capital of Canada long stood in the anteroom of metropolitan areas on the basis of population (100,000 or more inhabitants). Both a university and military city, its location on Lake Ontario in the Thousand Islands region has also been attracting many retirees for quite some time. This strongly tinges the dynamics of its housing market.
- From January to November, housing starts jumped up by 6.5 per cent and resale transactions increased by 13.7 per cent over the same period in 2000.■

Abbotsford



Source: CMHC Housing Facts

Kingston



Source: CMHC Housing Facts

Certain Figures - 2000

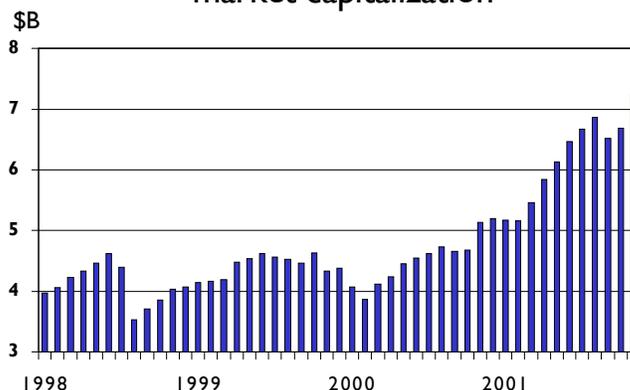
	Abbotsford	Kingston	CMA Median
Total starts:	405	659	1,713
Total resales:	9,321	2,838	4,863
Average resale price (\$):	218,599	129,639	124,203
Vacancy rate (%) - Privately initiated buildings with 3 or more units:	3.7	1.7	1.3

Real estate investment trusts stand out

Introduced in the 1970s, Canadian real estate investment trusts have almost doubled their market capitalization in the last three years. This financial product allows investors, regardless of their size, to invest in residential and non-residential real estate through conventional stock markets.

- Following the high level of speculative activity in the late 1980s and the major downturn in the early 1990s, North American real estate markets were set aside by investors who had got burned. But in the last few years, the fear has been dispelled, and investors are reinvesting capital in the Canadian real estate market. One of the preferred vehicles of investors is the real estate investment trust (REIT), a kind of mutual fund devoted to real estate. The first REITs in Canada became public in 1993, and they are now posting phenomenal success with investors who seek investments that offer gains in capital, regular income, and moderate risks.
- From January 1990 to October 2001, capitalization of REITs in Canada grew by 223 per cent overall, while the key index of the Toronto stock exchange, the TSE 300, went up by 51 per cent.
- Affected by the economic slowdown and the deflation of the technology bubble, the TSE 300 began its downturn in September 2000. During that time, REITs, which generally provide generous distributions, saw the value of their shares continue to rise more than ever. Many investors effectively withdrew their funds from the stock markets and turned to this type of investment, further contributing to the

Canadian Real Estate Investment Trusts market capitalization

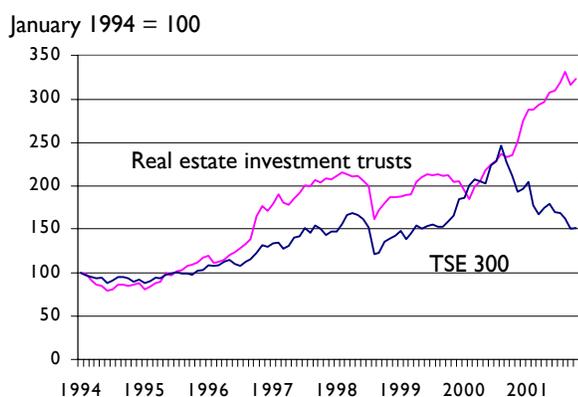


Source: CMHC Housing Facts, CIBC World Markets

increase in share prices.

- From January 1998 to November 2001, the market capitalization of Canadian REITs grew significantly, going from CDN\$4.0 billion to CDN\$7.3 billion, for a gain of 82.7 per cent.
- At the end of November 2001, the share value of CAP REIT and RESREIT, both specialized in residential rental real estate, registered annual gains of over 17 per cent, making them rank fourth and fifth, respectively, among Canadian REITs in this regard.
- Two other Canadian REITs have specialized in retirement residences. The share value of Retirement REIT jumped up by 20.5 per cent over the 12 months ending November 30, 2001, giving it the third rank overall.
- The rent increases on the residential rental market and the low vacancy rate level could incite real estate investment trusts to increase their portfolio of residential rental buildings. ■

Canadian Real Estate Investment Trusts and TSE 300



Sources: CMHC Housing Facts, CIBC World Markets

This Month's Housing Data (SAAR)

	2001	Q2:01	Q3:01	Q4:01	M10:01	M11:01	M12:01
Housing starts. units. 000's							
Canada. Total. All areas	162.7	164.5	156.3	171.6	172.8	167.6	174.1
% chg	7.3	2.2	-5.0	9.8	12.4	-3.0	3.9
Canada. Total. Rural areas	20.5	21.2	18.8	20.1	20.1	20.1	20.1
% chg	-0.7	-0.5	-11.3	6.9	6.9	0.0	0.0
Canada. Total. Urban areas	142.3	143.3	137.5	151.5	152.7	147.5	154.0
% chg	8.6	2.7	-4.0	10.2	13.1	-3.4	4.4
Canada. Single. Urban areas	78.2	74.0	77.8	85.0	85.4	84.0	85.7
% chg	5.2	-5.6	5.1	9.3	7.2	-1.6	2.0
Canada. Multiple. Urban areas	64.0	69.3	59.7	66.5	67.3	63.5	68.3
% chg	13.0	13.2	-13.9	11.4	21.7	-5.6	7.6
Newfoundland. Total. All areas	1.8	1.8	2.0	2.1	1.8	2.2	2.4
% chg	22.5	200.0	11.1	5.0	-14.3	22.2	9.1
Prince Edward Island. Total. All areas	0.7	0.4	0.8	1.1	1.0	1.2	0.9
% chg	-4.9	-20.0	100.0	37.5	42.9	20.0	-25.0
Nova Scotia. Total. All areas	4.1	3.7	4.1	4.5	3.6	4.2	5.5
% chg	-7.7	-9.8	10.8	9.8	9.1	16.7	31.0
New Brunswick. Total. All areas	3.5	3.3	3.4	4.5	6.6	2.8	4.0
% chg	12.4	-10.8	3.0	32.4	73.7	-57.6	42.9
Quebec. Total. All areas	27.7	26.7	25.7	31.0	29.1	28.6	35.5
% chg	12.1	-6.0	-3.7	20.6	19.8	-1.7	24.1
Ontario. Total. All areas	73.3	75.4	70.5	72.7	72.1	73.1	72.9
% chg	2.5	-1.0	-6.5	3.1	6.5	1.4	-0.3
Manitoba. Total. All areas	3.0	3.4	2.9	2.8	2.8	2.9	2.7
% chg	15.7	30.8	-14.7	-3.4	7.7	3.6	-6.9
Saskatchewan. Total. All areas	2.4	1.8	2.6	3.0	4.2	2.4	2.4
% chg	-5.3	-18.2	44.4	15.4	55.6	-42.9	0.0
Alberta. Total. All areas	29.2	29.6	27.9	32.2	32.7	32.1	31.7
% chg	11.1	12.5	-5.7	15.4	10.8	-1.8	-1.2
British Columbia. Total. All areas	17.2	18.4	16.4	17.7	18.9	18.1	16.1
% chg	19.5	12.9	-10.9	7.9	10.5	-4.2	-11.0

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*

	2001	Q2:01	Q3:01	Q4:01	M10:01	M11:01	M12:01
Canada	142.3	143.3	137.5	151.5	152.7	147.5	154.0
Newfoundland	1.2	1.1	1.3	1.5	1.2	1.6	1.8
Prince Edward Island	0.4	0.2	0.5	0.5	0.4	0.6	0.3
Nova Scotia	2.8	2.6	2.6	3.2	2.3	2.9	4.2
New Brunswick	2.2	1.7	2.3	3.5	5.6	1.8	3.0
Québec	21.9	20.9	21.1	25.0	23.1	22.6	29.5
Ontario	70.3	72.8	67.3	69.6	69.0	70.0	69.8
Manitoba	1.6	1.7	1.8	1.5	1.5	1.6	1.4
Saskatchewan	1.8	1.4	1.9	2.4	3.6	1.8	1.8
Alberta	24.5	24.2	24.0	27.9	28.4	27.8	27.4
British Columbia	15.7	16.7	14.7	16.4	17.6	16.8	14.8

* Thousands of units, seasonally adjusted.

This Month's Major Housing Indicators

	2000	Q2:01	Q3:01	Q4:01	M10:01	M11:01	M12:01
New Housing*							
New & unoccupied. singles & semis. 000's	6.3	6.5	5.4	5.3	5.3	5.2	5.3
%chg	0.2	0.8	-17.0	-1.5	-2.1	-0.4	1.0
New & unoccupied. row & apartments. 000's	7.3	5.8	5.7	5.4	5.3	5.6	5.4
%chg	-8.3	-4.4	2.9	-5.4	-6.0	4.8	-4.0
New house price Index. 1992 = 100	103.2	104.8	105.7	n.a.	106.8	n.a.	n.a.
%chg	2.2	0.7	0.8	n.a.	0.1	n.a.	n.a.
Existing Housing*							
MLS resales. units. 000's**	333.7	352.5	371.8	n.a.	392.0	418.5	n.a.
%chg	-0.6	5.7	5.4	n.a.	6.0	6.8	n.a.
MLS average resale price. \$C. 000's	164.1	165.6	171.5	n.a.	171.9	175.6	n.a.
%chg	3.8	-0.5	3.1	n.a.	0.5	2.2	n.a.
Mortgage market							
1-year mortgage rate.%	7.85	6.73	6.03	4.70	4.90	4.60	4.60
5-year mortgage rate. %	8.35	7.67	7.50	6.87	6.90	6.85	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).