

# H

# HOUSING FACTS

March 2002, Volume 7, Number 3

Canada Mortgage and Housing Corporation

## Annual rate of starts declines 12.2 per cent in February

The seasonally adjusted annual rate\* of housing starts in Canada declined 12.2 per cent in February to 180,100 units from 205,100 units in January.

Urban singles were up 11.8 per cent to an annual rate of 99,800 units from 89,300 in January while urban multiple starts fell 37.1 per cent to an annual rate of 60,300 units from 95,800. Estimated rural starts remained at a seasonally adjusted annual rate of 20,000 units.

Despite the drop in the annual rate of housing starts in February, activity remains quite strong. In fact, the annual rate of single-detached starts is the highest since March 1990. Low mortgage rates are stimulating demand for housing and given the limited number of listings in the existing home market, many home buyers are looking for new houses.

Actual urban housing starts since January this year are 27.3

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

## In this Issue:

**Renovation: Who intends to renovate this year? ---- 2**

**Shelter costs weighed down by lower mortgage rates, cheaper energy ---- 3**

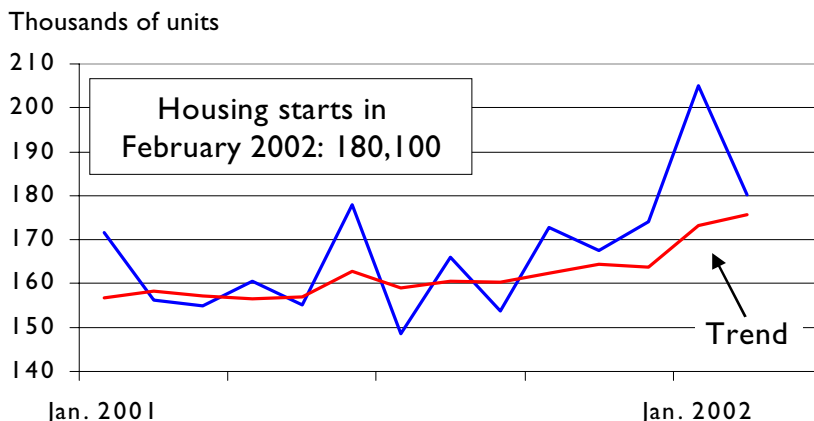
**Consumer attitudes toward buying a house near record high ----- 3**

**Atlantic Canada in step with national trends ----- 4**

**New homes: price growth varies significantly across the country ----- 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

per cent higher than the same period last year, 20,672 units compared with 16,233 units. The single detached market increased 26.2 per cent while multiples increased 28.5 per cent.

In February, seasonally adjusted annual rates of urban starts were down in all regions except in the Atlantic. Ontario posted the greatest decrease in its annual rate of urban starts (-20.9 per cent to 74,600 units).

Seasonally adjusted annual rates of starts were also lower in British Columbia (-17.3 per cent to 15,800 units, Quebec (-5.5 per cent to 30,900 units) and the Prairies (-0.6 per cent to 32,200 units). The rate of starts remained at 6,600 units in the Atlantic region.

In the large metropolitan areas, seasonally adjusted rates of starts reached 40,500 units in Toronto, 20,400 units in Montréal and 7,600 units in Vancouver. ■

Contributors: Ralph Freeze, Michel Laurence, Brian Martin, and David Weingarden .

### Questions:

**Michel Laurence at 1-613-748-2737 or [mlaurenc@cmhc-schl.gc.ca](mailto:mlaurenc@cmhc-schl.gc.ca)**

**To subscribe: 1-613-748-2006 or <http://www.cmhc-schl.gc.ca/mktinfo/store>**

© **Canada Mortgage and Housing Corporation, 2002.** All rights reserved. Canada Mortgage and Housing Corporation hereby grants permission to the subscriber to produce one electronic copy and to print one hard copy for the subscriber's personal use only. No part of this publication may be reproduced, modified, or redistributed in any form or by any means, for any purposes (including but not limited to sales) other than those noted above, without the prior written permission of Canada Mortgage and Housing Corporation.

## Renovation: Who intends to renovate this year?

CMHC's 2001 Consumer Intentions to Buy or Renovate survey contains a wealth of information on those who intend to renovate this year. Here is a look at part of their profile.

- The renovation market is expected to grow further and reach \$24.1 billion in 2002. It is important to know who will be doing this spending. According to CMHC's 2001 Consumer Intentions to Buy or Renovate (ITBR) survey, almost half of the renovation spending will be made by persons aged between 35 and 54. In fact 27% of renovation intenders are in the 35 to 44 age group, while 21% are in the 45 to 54 age group.
- The high percentage of renovation intenders in the these two age groups reflects, in part, an ability to pay. These age groups typically have a higher level of income than younger age groups.
- The age profile of renovation intenders fits well with the income profile. Almost half of the renovation spending will be made by persons with an household income between \$60,000 and \$120,000. ■

### Renovation intenders: profile by age

Age group	Percentage
18 to 24	7%
25 to 34	18%
35 to 44	27%
45 to 54	21%
55 to 64	13%
65 and over	10%
No response	3%
<b>Total</b>	<b>100%</b>

\* Note total does not add due to rounding

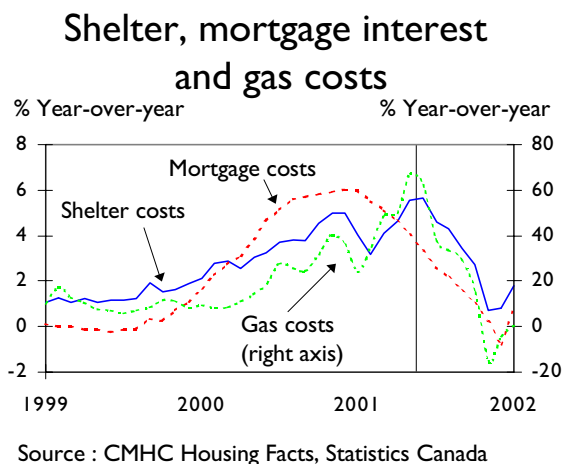
Source: CMHC Housing Facts

## Shelter costs weighed down by cheaper energy, lower mortgage rates

In the second half of 2001, the rate of increase in shelter costs slowed due to weaker energy prices and cheaper mortgages. This is a reversal of the situation experienced in the prior 18 months.

- The rate of increase in shelter costs climbed steadily in 1999 and 2000 before peaking at 5.6% in June 2001. In the second half of 2001 it fell steadily to a rate of less than 1% by the end of the year. The primary factors causing this pattern over the past three years were natural gas costs and mortgage rates.
- Natural gas prices were the major contributor to accelerating shelter costs from 1999 to May 2001, when the rate of increase in gas prices surged to 67%. The magnitude of gas cost swings increased its importance in determining shelter costs and therefore overall housing affordability. Also during this time frame the rate of increase in mortgage interest costs went from 0.1% to 4%.
- By June 2001, the rate of increase in gas costs plummeted to -20% and helped reduce the

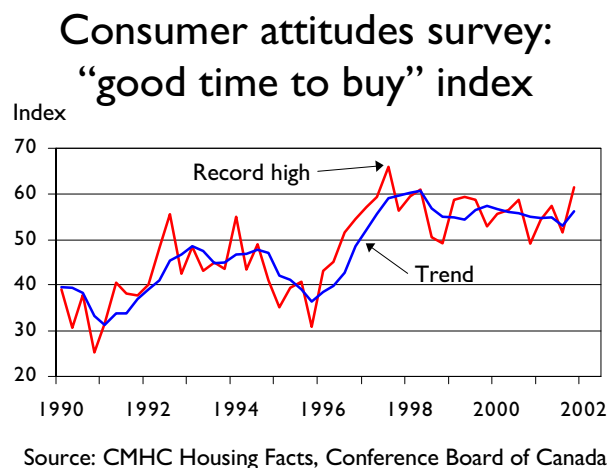
burden of housing costs. At the same time, the rate of increase in mortgage interest costs fell steadily, and finished the year in negative territory. This also helped ease the burden of housing costs as mortgages are one of the major costs of home ownership.■



## Consumer attitudes toward buying a house rarely more positive

Nationwide consumer attitudes towards buying a home have rarely been more positive. The consumer attitudes “good time to buy” index registered its third highest rating since 1970.

- In a recent survey of consumer attitudes, where respondents are asked if it is a good time to buy a big ticket item such as a house, the results were very positive. The index hit its third highest level since the start of the survey in 1970, and the highest since 1997.
- The trend in the index also shows remarkable strength. It is currently on a 5-year run above the 50 level, an unprecedented streak.
- The strength in the trend likely reflects the improved affordability of housing in recent years due primarily to lower mortgage rates.■



Note: Survey participants are asked to assess whether now is a good or a bad time to make a major purchase such as a house, car or other bit-ticket items. The percentage of negative responses is subtracted from the percentage of positive responses and the result is indexed to the base year of 1991.

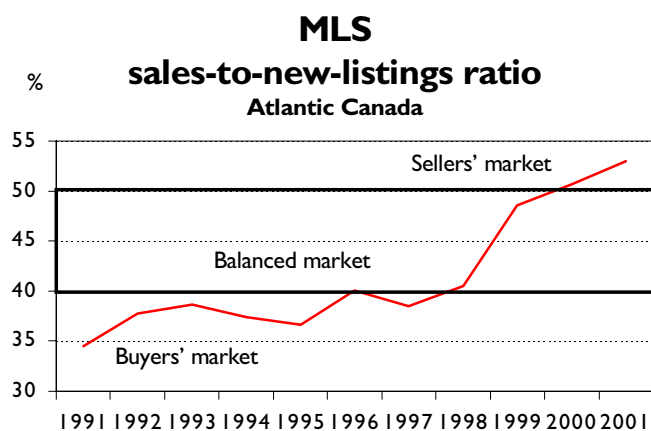
## Atlantic Canada in step with national trends

Atlantic Canada's housing market has been in step with national trends over the past few years. This has not always been the case. On many occasions the national trend would be going in one direction while the trend in the Atlantic went in another.

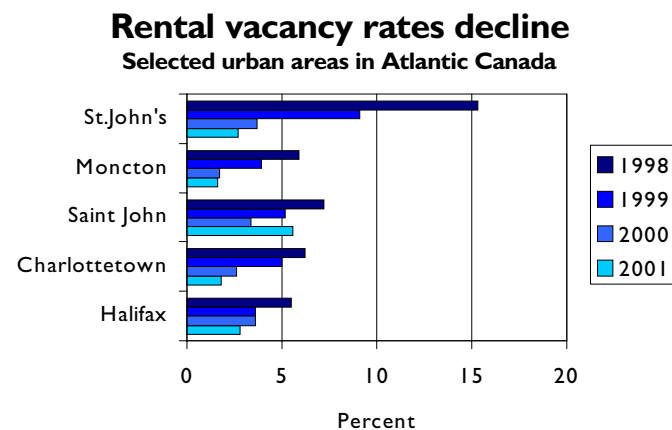
- One of the contributing factors to this situation has been the ability of each provincial economy in the Atlantic to maintain employment levels after major investment projects. Traditionally, big projects would provide a boost to employment levels, only to see a similar sized decline after completion of the project. Recently, the nature of these large projects has encouraged economic spin-offs which last beyond the construction phase. Examples include P.E.I.'s bridge, oil and gas development in Newfoundland and Nova Scotia, and refinery expansion in New Brunswick. Although the pace of growth will drop, actual employment levels have been maintained after project completion.
- The combination of employment growth and low mortgage rates has provided a push to housing markets. The resale sector has experienced the greatest impact. MLS sales are at record levels and prices in many markets are on the rise. An indication of resale

strength can be seen in the sales-to-new-listings ratio. The higher the ratio, the stronger the resale market and the more the market favours sellers. Since 1991, the market has steadily gained strength, moving from a buyers' market, to a balanced market and now to a sellers' market. This represents the whole region, including rural and small towns.

- The hottest resale markets as of the last quarter of 2001 are Halifax with a ratio at 86 per cent, Saint John and St. John's at 77 per cent, and Moncton at 71 per cent.
- Vacancy rates in the region have also been following the national trend. The graph below shows recent declines in apartment vacancy rates. Bucking the trend, Saint John experienced an increase in 2001 due to the completion of the Irving refinery project.
- The similarity of Atlantic Canada trends to national trends extends to new home construction, price movement, and average rents. ■



Source: CMHC Housing Facts, Canadian Real Estate Association



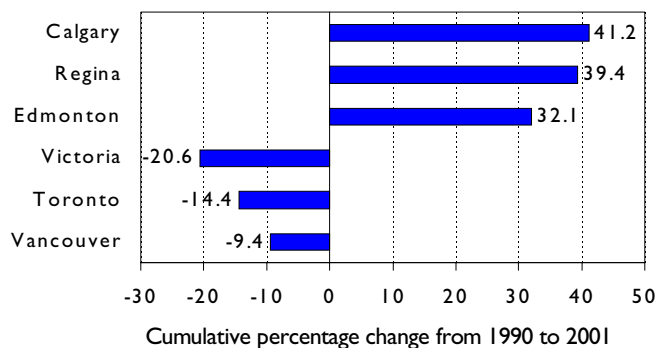
Source: CMHC Housing Facts

## New homes: price growth varies significantly across the country

New house price trends have differed significantly from one urban centre to the next since 1990. These differences reflect a variety of influences including demographics, economics, as well as local housing market conditions.

- The prolonged upturn in the nation's economy throughout most of the last decade has stimulated residential construction activity. While the majority of metropolitan areas have experienced sustained price growth for new homes, particularly over the past five years, a closer look at Statistics Canada's New House Price Index (NHPI) indicates that contractors' selling prices in a number of metropolitan areas have not fully recovered to their previous highs.
- Of particular note are the metropolitan areas of Victoria and Vancouver in British Columbia. Analysis of the NHPI for these centres indicates that between January 1990 and November 2001, selling prices for new homes have declined 20.6 per cent and 9.4 per cent, respectively. The B.C. economy was hard hit by the downturn in Asia, particularly during the last half of the 1990's. More moderate economic growth in the province, as a result of the weaker Asian export markets, helped cool house prices. The dwindling flow of Asian immigrants also reduced housing demand and weakened house prices.
- New house prices have not fully recovered in Metropolitan Toronto either, where the NHPI has fallen 14.4 per cent since 1990. Despite the robust economic expansion of recent years, Toronto has still not fully recovered from the substantial downturn of the 1990 to 1994 period. During this five year period, the NHPI slid approximately 26 per cent, highlighted by a 15 per cent dip in 1991. On the upside, new house prices in Toronto have been growing since 1997, averaging 2.4 per cent annually since that time.

**Growth in New housing price index**  
Selected census metropolitan areas



Source: CMHC Housing Facts, Statistics Canada

- At the other end of the spectrum, new house prices in Calgary and Edmonton have experienced increases since 1990. At 41.2 per cent, prices in Calgary have registered the largest gains of any metropolitan centre within the country. Large in-migration flows as a result of a strong oil and gas sector and a more diversified economy lifted demand for housing.
- New house prices in Edmonton have also recorded strong gains with the NHPI advancing 32.1 per cent. With the province of Alberta amongst the nation's leaders in economic growth, housing markets have also moved higher. In Saskatchewan, the Regina metropolitan area has posted similar gains with the NHPI advancing 39.4 per cent.
- While CMHC forecasts a slight dip in national housing starts this year, the supply and demand forces at play will continue to place upward pressure on new house prices in most urban centres in 2002. Price gains will continue in most urban centres, although at a more moderate pace. ■

## This Month's Housing Data (SAAR)

	2001	Q2:01	Q3:01	Q4:01	M12:01	M1:02	M2:02
<b>Housing starts, units, 000's</b>							
<b>Canada. Total. All areas</b>	<b>162.7</b>	<b>164.5</b>	<b>156.3</b>	<b>171.6</b>	<b>174.1</b>	<b>205.1</b>	<b>180.1</b>
% chg	7.3	2.2	-5.0	9.8	3.9	17.8	-12.2
<b>Canada. Total. Rural areas</b>	<b>20.5</b>	<b>21.2</b>	<b>18.8</b>	<b>20.1</b>	<b>20.1</b>	<b>20.0</b>	<b>20.0</b>
% chg	-0.7	-0.5	-11.3	6.9	0.0	-0.5	0.0
<b>Canada. Total. Urban areas</b>	<b>142.3</b>	<b>143.3</b>	<b>137.5</b>	<b>151.5</b>	<b>154.0</b>	<b>185.1</b>	<b>160.1</b>
% chg	8.6	2.7	-4.0	10.2	4.4	20.2	-13.5
<b>Canada. Single. Urban areas</b>	<b>78.2</b>	<b>74.0</b>	<b>77.8</b>	<b>85.0</b>	<b>85.7</b>	<b>89.3</b>	<b>99.8</b>
% chg	5.2	-5.6	5.1	9.3	2.0	4.2	11.8
<b>Canada. Multiple. Urban areas</b>	<b>64.0</b>	<b>69.3</b>	<b>59.7</b>	<b>66.5</b>	<b>68.3</b>	<b>95.8</b>	<b>60.3</b>
% chg	13.0	13.2	-13.9	11.4	7.6	40.3	-37.1
<b>Newfoundland. Total. All areas</b>	<b>1.8</b>	<b>1.8</b>	<b>2.0</b>	<b>2.1</b>	<b>2.4</b>	<b>1.9</b>	<b>2.7</b>
% chg	22.5	200.0	11.1	5.0	9.1	-20.8	42.1
<b>Prince Edward Island. Total. All areas</b>	<b>0.7</b>	<b>0.4</b>	<b>0.8</b>	<b>1.1</b>	<b>0.9</b>	<b>0.5</b>	<b>0.7</b>
% chg	-4.9	-20.0	100.0	37.5	-25.0	-44.4	40.0
<b>Nova Scotia. Total. All areas</b>	<b>4.1</b>	<b>3.7</b>	<b>4.1</b>	<b>4.5</b>	<b>5.5</b>	<b>5.7</b>	<b>4.2</b>
% chg	-7.7	-9.8	10.8	9.8	31.0	3.6	-26.3
<b>New Brunswick. Total. All areas</b>	<b>3.5</b>	<b>3.3</b>	<b>3.4</b>	<b>4.5</b>	<b>4.0</b>	<b>1.9</b>	<b>2.4</b>
% chg	12.4	-10.8	3.0	32.4	42.9	-52.5	26.3
<b>Quebec. Total. All areas</b>	<b>27.7</b>	<b>26.7</b>	<b>25.7</b>	<b>31.0</b>	<b>35.5</b>	<b>38.2</b>	<b>36.4</b>
% chg	12.1	-6.0	-3.7	20.6	24.1	7.6	-4.7
<b>Ontario. Total. All areas</b>	<b>73.3</b>	<b>75.4</b>	<b>70.5</b>	<b>72.7</b>	<b>72.9</b>	<b>97.4</b>	<b>77.7</b>
% chg	2.5	-1.0	-6.5	3.1	-0.3	33.6	-20.2
<b>Manitoba. Total. All areas</b>	<b>3.0</b>	<b>3.4</b>	<b>2.9</b>	<b>2.8</b>	<b>2.7</b>	<b>2.8</b>	<b>3.2</b>
% chg	15.7	30.8	-14.7	-3.4	-6.9	3.7	14.3
<b>Saskatchewan. Total. All areas</b>	<b>2.4</b>	<b>1.8</b>	<b>2.6</b>	<b>3.0</b>	<b>2.4</b>	<b>2.8</b>	<b>2.8</b>
% chg	-5.3	-18.2	44.4	15.4	0.0	16.7	0.0
<b>Alberta. Total. All areas</b>	<b>29.2</b>	<b>29.6</b>	<b>27.9</b>	<b>32.2</b>	<b>31.7</b>	<b>33.1</b>	<b>32.5</b>
% chg	11.1	12.5	-5.7	15.4	-1.2	4.4	-1.8
<b>British Columbia. Total. All areas</b>	<b>17.2</b>	<b>18.4</b>	<b>16.4</b>	<b>17.7</b>	<b>16.1</b>	<b>20.9</b>	<b>17.6</b>
% chg	19.5	12.9	-10.9	7.9	-11.0	29.8	-15.8

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	M12:01	M1:02	M2:02
Canada	142.3	143.3	137.5	151.5	154.0	185.1	160.1
Newfoundland	1.2	1.1	1.3	1.5	1.8	1.3	2.1
Prince Edward Island	0.4	0.2	0.5	0.5	0.3	0.2	0.4
Nova Scotia	2.8	2.6	2.6	3.2	3.0	1.1	1.6
New Brunswick	2.2	1.7	2.3	3.5	4.2	4.0	2.5
Québec	21.9	20.9	21.1	25.0	29.5	32.7	30.9
Ontario	70.3	72.8	67.3	69.6	69.8	94.3	74.6
Manitoba	1.6	1.7	1.8	1.5	1.4	1.5	1.9
Saskatchewan	1.8	1.4	1.9	2.4	1.8	2.1	2.1
Alberta	24.5	24.2	24.0	27.9	27.4	28.8	28.2
British Columbia	15.7	16.7	14.7	16.4	14.8	19.1	15.8

\* Thousands of units, seasonally adjusted.

## This Month's Major Housing Indicators

	2001	Q2:01	Q3:01	Q4:01	M12:01	M1:02	M2:02
<b>New Housing*</b>							
New & unoccupied. singles & semis. 000's	5.8	5.9	5.7	5.4	5.3	5.1	5.0
% chg	-7.0	-3.6	-2.9	-6.4	-2.9	-2.6	-2.0
New & unoccupied. row & apartments. 000's	6.1	6.8	5.6	5.2	5.1	5.2	5.2
% chg	-23.4	1.4	-17.6	-7.7	0.9	0.7	0.1
New house price Index. 1992 = 100	106.1	105.8	106.5	107.0	107.3	107.5	n.a.
% chg	2.7	0.8	0.7	0.5	0.2	0.2	na.
<b>Existing Housing*</b>							
MLS resales. units. 000's**	380.5	371.0	379.4	420.7	453.1	500.8	471.8
% chg	14.0	5.8	2.3	10.9	6.5	10.5	-5.8
MLS average resale price. \$C. 000's	171.6	170.1	173.4	177.3	182.2	180.2	182.9
% chg	4.7	2.6	1.9	2.3	3.6	-1.1	1.5
<b>Mortgage market</b>							
1-year mortgage rate.%	6.14	6.73	6.03	4.70	4.60	4.55	4.55
5-year mortgage rate. %	7.40	7.67	7.50	6.87	6.85	7.00	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).