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HOUSING FACTS

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Canada Mortgage and Housing Corporation

The annual rate of housing starts in Canada decreased 11.3 per cent in April

The seasonally adjusted annual rate* of housing starts in Canada decreased 11.3 per cent in April to 184,500 units from a revised 208,000 units in March.

Urban singles were down 6.4 per cent to an annual rate of 96,600 units in April from 103,200 in March while urban multiple starts declined 17.7 per cent to an annual rate of 62,000 units from 75,300. Rural starts were estimated at a seasonally adjusted annual rate of 25,900 units in April, down

from a revised rate of 29,500 units in March. (revised)

The April decline in the seasonally adjusted annual rate was to be expected as it came on the heels of a very high and unsustainable rate in March, which was the second best month in more than 10 years. Despite the decline, the April rate of housing starts is still 14.9% higher than a year ago

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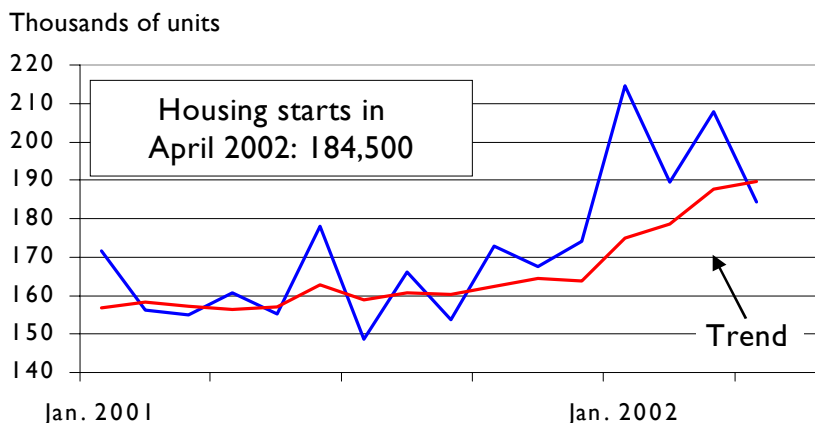
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Housing Starts in Canada All Areas, *SAAR



Source: CMHC Housing Facts
*Seasonally adjusted annual rates



HOME TO CANADIANS
Canada

Housing starts - Continued from page 1

and the trend in new home construction remains positive.

Among the provinces, seasonally adjusted annual rates of urban starts were down March to April in Ontario and in the Western provinces, up slightly in the Atlantic provinces, and essentially unchanged in Quebec.

In the large metropolitan areas, seasonally adjusted rates of starts decreased in Toronto to 39,500 units in April from 43,000 units in March and in Vancouver to 8,300 units from 11,100 units, but rose in Montréal to 20,300 units from 19,700 units.

Actual urban housing starts for January to April this year are 25.2 per cent higher than for the same period last year (47,855 units compared with 38,218 units). The single detached market increased 32.1 per cent while multiples increased 17.7 percent. ■

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Renovation: How much will be spent, and what will be done?

CMHC's 2001 Consumer Intentions to Buy or Renovate survey contains a wealth of information on both the spending intentions and type of renovation intentions for this year.

- The largest proportion of the renovation intenders, 21%, said they are planning to spend between \$3,000-\$5,000 on renovations this year. Over 36% of total renovation intenders said that they planned to spend more than \$5,000.
- The most popular type of renovation is external construction or repairs. A total of 18% of renovation intenders said they are planning this type of renovation. The next most popular types of renovation plans are new bathrooms at 13%, new flooring or carpeting at 12%, and new kitchens at 10% of intenders. ■

**Renovation intenders:
distribution by intended work**

Intended Work	Percentage
External construction/repair	18%
Bathroom	13%
Carpet/Flooring	12%
Kitchen	10%
Paint/Wallpaper	9%
Doors/Windows	9%

Source: CMHC Housing Facts

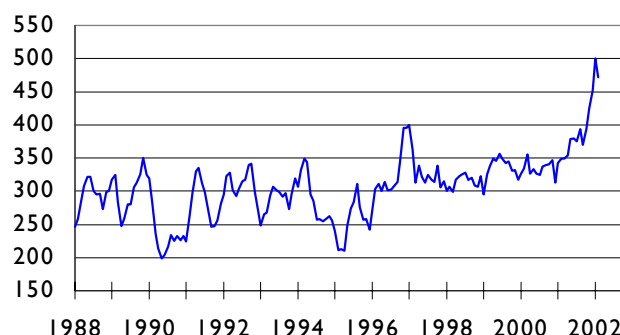
MLS resales are on fire. January 2002 saw over 500,000 units sold

The resale housing market has never been hotter. January 2002 posted a record high of half a million sales. This follows the previous two months which also saw records broken.

- The amount of activity in the resale market lately has been nothing short of amazing. Since 1980 when data was first recorded, a 400,000 sales level (at seasonally adjusted annual rates) has never occurred. We have now seen four straight months over 400,000. January 2002 capped this hot streak with a previously unheard of record of just over 500,000 sales.
- With mortgage rates near historical lows, the carrying cost of owning a house has rarely been lower. Therefore more people are drawn into the housing market. Since the resale market reacts quicker to movements in interest rates than the new home market (see article below), we are seeing low mortgage rates contribute to a surge in resales.
- A mild winter has also fueled resales. Typically, during the winter months, resales slump as the cold weather keeps people from being active in the market. However this winter has been unseasonably mild, so activity has remained high. In fact, the high level of activity has even spilled over into the new home market.■

MLS resales at record high

Thousands of transactions, seasonally adjusted at annual rates



Source: CMHC Housing Facts, The Canadian Real Estate Association

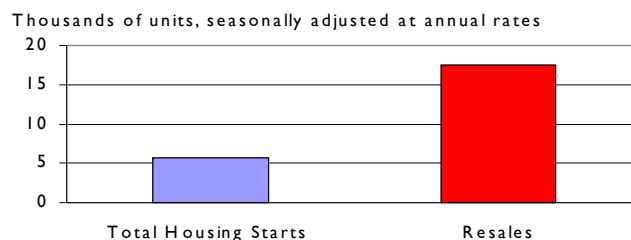
What is the impact of mortgage rates on the housing market?

Changes in mortgage rates clearly have a significant impact on the housing market. But what is that impact and is it measurable? Recent analysis by CMHC sheds new light on this ever-present subject.

- Recent analysis by CMHC shows the direct impact of changes in mortgage rates on the housing market. Specifically, the impact of a 1% decrease in the 5-year mortgage rate on both the new home and resale markets were examined between 1986 and 2001.
- A decrease of 1% in the 5-year mortgage rate was found to correspond to an increase in housing starts of 5,700 units at seasonally adjusted annual rates (or SAAR) after a lag of three months. In the resale market a decrease of 1% in the 5-year mortgage rate corresponds to an immediate increase in total resales of 19,500 (SAAR) units and 17,500 units (SAAR) after a lag of three months.
- Not surprisingly, the impact was shown to be quicker and greater on the resale market because typically there are enough listings to accommodate large swings in demand. This is unlike the new home market where there is a time lag involved in building a new house.■

Mortgage rates and the housing market

Impact of a 1% decrease in 5-year mortgage rates with a 3 month lag



Source: CMHC Housing Facts

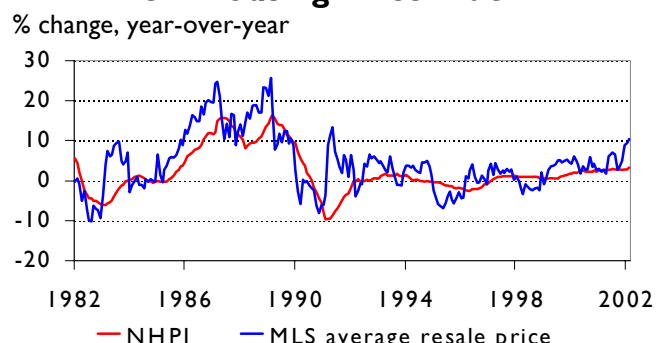
House prices are rising... but is it a bubble?

The increase in house prices is accelerating as demand for housing exceeds supply. This is leading some market commentators to speak of a price bubble - where prices for comparable homes record double-digit percentage gains only to be followed large percentage losses. However, it is not clear if we really have a price bubble at this point in time.

- To correctly interpret the significance of the most recent trends, it is important to be aware of the different characteristics of the various measures of house prices.
- The most widely-watched measure is the MLS¹ average resale home price. The average resale price for 26 large metropolitan areas rose 10.9% in March this year relative to last year. This is the largest gain since May 1991. The measure is, however, inflated as it picks up not only price gains, but also changes in the type and location of homes sold. On the one hand, there are surveys which indicate an increase in the number of homes sold at the upper end of the price range. On the other hand, there has been an increase in the volume of sales in the more expensive urban housing markets such as Vancouver.
- The better measure is the New Housing Price Index which is adjusted for the different types of homes sold over time in order to approximate a pure price effect. This index of contractors' selling prices rose 3.2% in February this year relative to last year. This was the largest gain since May 1990, but on the basis of this growth rate, there is no reason to believe in a price bubble at this point in time.
- There is, however, a potential for a price bubble to develop over the next year or two, for two reasons:
 - 1) Variation in the MLS average price typically leads the New Housing Price Index by about 6 months. This relationship, combined with the recent gain in the MLS average price, suggests acceleration in the index and therefore a risk of a price bubble developing.
 - 2) Historical data also suggests a particularly strong relationship between total job creation and the percentage increase in house prices, with

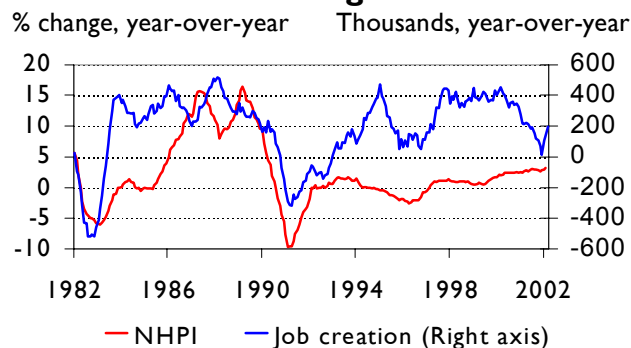
a price bubble appearing only subsequent to sustained year-over-year creation of more than 200,000 jobs for more than three or four years. Total year-over-year job creation was over the 200,000 mark from 1997 to 2000, but moderated through much of 2001, and thus likely postponed a potential price bubble. However, the risk of a price bubble will rise again as job creation is expected to ramp up with the return of robust economic growth over the next few years.■

MLS average resale home price and New Housing Price Index



Source: CMHC Housing Facts, Statistics Canada, Canadian Real Estate Association

Total job creation and New Housing Price Index



Source: CMHC Housing Facts, Statistics Canada, Canadian Real Estate Association

¹Multiple Listing Service (MLS) is a registered certification mark owned by the Canadian Real Estate Association

Census 2001: Which housing markets are hot, which are not

Cities growing the fastest offer opportunities for residential construction and related industries, while cities in decline present challenges. From the 2001 census we can identify both the areas of opportunity and the areas that present challenges.

- The 2001 census contains information that can shed light on the housing market. Canada is becoming more urbanized, with the larger urban centres growing at faster rates. As shown below, four of the top five fastest growing census metropolitan areas (or CMAs, which are urban centres with at least 100,000 population), are among the largest in Canada. All five of the fastest declining CMAs are among the smallest CMAs in Canada.
- The shift of population from smaller to larger centres implies increased demand for more housing and therefore more housing starts. It also implies a greater demand for multiple housing construction because of the higher density of the larger centres. However, the shift of population away from the smaller centres implies risks and challenges for housing markets in those centres. Demand for additional housing will slow significantly in areas with a declining population.
- This relationship between population and housing is quite clear from table 1 below. The table compares population growth and estimated housing stock growth between 1996 and 2001. Housing stock growth is estimated by the total number of housing starts between 1996 and 2001 divided by the estimated stock of housing in 1996. From this comparison it becomes clear that the areas experiencing rapid population growth also had strong growth in the total stock of housing. In contrast, centres with declining populations had fewer additions to the stock of housing.
- By extension, the above relationship between population growth and the housing market can help identify potential market opportunities in smaller centres. Table 2 below lists fast growing potential hot spots among smaller centres like the census agglomerations (CAs), which are not large enough to be considered CMAs but have at least 10,000 population, and the smallest communities, those with a minimum of 5,000 population. ■

Table 1

CMAs cumulative growth 1996-2001 for centres with a population of 100,000+		
Fastest Growing	Population	Housing
Calgary, AL	15.8%	18.6%
Oshawa, ON	10.2%	16.0%
Toronto ON	9.8%	11.2%
Edmonton, AL	8.7%	9.9%
Vancouver, BC	8.5%	8.0%
Fastest Declining		
Trois-Rivieres, QC	-1.7%	3.7%
Saint John, NB	-2.4%	3.2%
Chicoutimi-Jonquiere, QC	-3.4%	3.2%
Thunder Bay, ON	-3.7%	2.2%
Sudbury, ON	-6.0%	1.6%

Source: CMHC Housing Facts, Statistics Canada

Table 2

Cumulative population growth 1996-2001 for smaller centres	
Fastest Growing CA'S (pop.10,000-100,000)	
Barrie, ON	25.1%
Grand Prarie, AL	18.0%
Wood Buffalo, AL	17.9%
Brooks, AL	15.0%
Red Deer, AL	12.7%
Fastest Growing, (pop. 5,000-10,000)	
Cochrane, AL	58.9%
Sylvan Lake, AL	44.5%
Strathmore AL	43.4%
Wasaga Beach, ON	42.8%
Vaughn, ON	37.3%

Source: CMHC Housing Facts, Statistics Canada

This Month's Housing Data (SAAR)

2001 Q3:01 Q4:01 Q1:02 M2:02 M3:02 M4:02

Housing starts, units, 000's

Canada. Total. All areas	162.7	156.3	171.6	204.2	189.6	208.0	184.5
% chg	7.3	-5.0	9.8	19.0	-11.6	9.7	-11.3
Canada. Total. Rural areas	20.5	18.8	20.1	29.5	29.5	29.5	25.9
% chg	-0.7	-11.3	6.9	46.8	0.0	0.0	-12.2
Canada. Total. Urban areas	142.3	137.5	151.5	174.7	160.1	178.5	158.6
% chg	8.6	-4.0	10.2	15.3	-13.5	11.5	-11.1
Canada. Single. Urban areas	78.2	77.8	85.0	97.6	99.8	103.2	96.6
% chg	5.2	5.1	9.3	14.8	11.8	3.4	-6.4
Canada. Multiple. Urban areas	64.1	59.7	66.5	77.1	60.3	75.3	62.0
% chg	13.0	-13.9	11.4	15.9	-37.1	24.9	-17.7
Newfoundland. Total. All areas	1.8	2.0	2.1	1.7	2.2	1.7	2.0
% chg	22.5	11.1	5.0	-19.0	57.1	-22.7	17.6
Prince Edward Island. Total. All areas	0.7	0.8	1.1	0.5	0.5	0.8	1.1
% chg	-4.9	100.0	37.5	-54.5	66.7	60.0	37.5
Nova Scotia. Total. All areas	4.1	4.1	4.5	4.3	3.8	3.7	4.3
% chg	-7.7	10.8	9.8	-4.4	-28.3	-2.6	16.2
New Brunswick. Total. All areas	3.5	3.4	4.5	2.4	2.5	2.6	3.8
% chg	12.4	3.0	32.4	-46.7	25.0	4.0	46.2
Quebec. Total. All areas	27.7	25.7	31.0	41.4	40.7	40.7	39.1
% chg	12.1	-3.7	20.6	33.5	-4.2	0.0	-3.9
Ontario. Total. All areas	73.3	70.5	72.7	89.6	81.0	87.0	77.4
% chg	2.5	-6.5	3.1	23.2	-19.6	7.4	-11.0
Manitoba. Total. All areas	3.0	2.9	2.8	3.4	3.5	3.5	3.2
% chg	15.7	-14.7	-3.4	21.4	12.9	0.0	-8.6
Saskatchewan. Total. All areas	2.4	2.6	3.0	2.3	2.6	1.8	3.2
% chg	-5.3	44.4	15.4	-23.3	0.0	-30.8	77.8
Alberta. Total. All areas	29.2	27.9	32.2	39.9	35.9	47.2	35.5
% chg	11.1	-5.7	15.4	23.9	-1.6	31.5	-24.8
British Columbia. Total. All areas	17.2	16.4	17.7	18.7	16.9	19.0	14.8
% chg	19.5	-10.9	7.9	5.6	-16.3	12.4	-22.1

SOURCE: CMHC

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

% chg: Percent change from previous period.

Annual rate of housing starts, urban areas*

	2001	Q2:01	Q3:01	Q4:01	M2:02	M3:02	M4:02
Canada	142.3	137.5	151.5	174.7	160.1	178.5	158.6
Newfoundland	1.2	1.3	1.5	1.6	2.1	1.6	1.6
Prince Edward Island	0.4	0.5	0.5	0.4	0.4	0.7	0.5
Nova Scotia	2.8	2.6	3.2	3.0	2.5	2.4	2.9
New Brunswick	2.2	2.3	3.5	1.5	1.6	1.7	2.7
Québec	21.9	21.1	25.0	31.6	30.9	30.9	31.0
Ontario	70.3	67.3	69.6	83.2	74.6	80.6	71.6
Manitoba	1.6	1.8	1.5	1.8	1.9	1.9	1.7
Saskatchewan	1.8	1.9	2.4	1.8	2.1	1.3	2.0
Alberta	24.5	24.0	27.9	32.2	28.2	39.5	30.6
British Columbia	15.7	14.7	16.4	17.6	15.8	17.9	14.0

* Thousands of units, seasonally adjusted.

This Month's Major Housing Indicators

	2001	Q3:01	Q4:01	Q1:02	M2:02	M3:02	M4:02
New Housing*							
New & unoccupied singles & semis, 000's	5.8	5.7	5.3	5.1	5.0	4.9	n.a.
%chg	-7.0	-3.0	-6.7	-5.5	-1.9	-1.6	n.a.
New & unoccupied row & apartments, 000's	6.1	5.7	5.2	5.2	5.2	5.3	n.a.
%chg	-23.4	-17.1	-8.6	0.4	0.3	2.9	n.a.
New House Price Index, 1992=100	106.1	106.5	107.1	108.2	108.2	108.6	n.a.
%chg	2.7	0.8	0.5	1.0	0.6	0.4	n.a.
Existing Housing**							
MLS resales, units. 000's	380.6	379.6	424.0	464.9	466.4	427.4	n.a.
%chg	14.0	2.3	11.7	9.6	-6.9	-8.3	n.a.
MLS average resale price. \$C, 000's	171.6	173.6	176.7	182.4	182.2	185.0	n.a.
%chg	4.7	2.2	1.8	3.2	1.1	1.6	n.a.
Mortgage Market							
1-Year Mortgage Rate, %	6.14	6.03	4.70	4.80	4.55	5.30	5.40
5-Year Mortgage Rate, %	7.40	7.50	6.87	7.05	6.85	7.30	7.45

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).