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HOUSING FACTS

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Canada Mortgage and Housing Corporation

Annual rate of starts dip 0.8 per cent in June

The seasonally adjusted annual rate* of housing starts in Canada slipped 0.8 per cent in June to 200,800 units from 202,500 units in May.

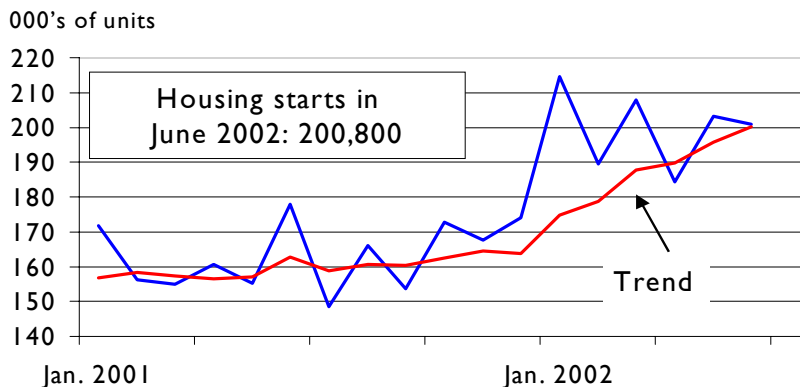
Urban singles declined 4.6 per cent to an annual rate of 102,500 units from 107,400 in May while urban multiple starts rose 4.5 per cent to an annual rate of 73,900 units from 70,700. Estimated rural starts were a revised 24,400 units at seasonally adjusted annual rates.

New residential construction has shown tremendous momentum in the first half of 2002. It reflects a combination

of factors which have prevailed so far this year: low mortgage rates, strong job creation, high consumer confidence, and low inventories of unoccupied units. While all provinces have shown higher housing starts this year relative to last year, Quebec, Ontario and Alberta have led the way.

Actual urban housing starts for January to June this year are 25.5 per cent higher than for the same period last year (83,860 units compared with 66,802 units). The single-detached market increased 36.7 per cent while multiples increased 12.7 per cent. ■

Housing Starts in Canada - All Areas*



Source: CMHC Housing Facts

* Seasonally adjusted at annual rates

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The impact of recent employment growth on housing

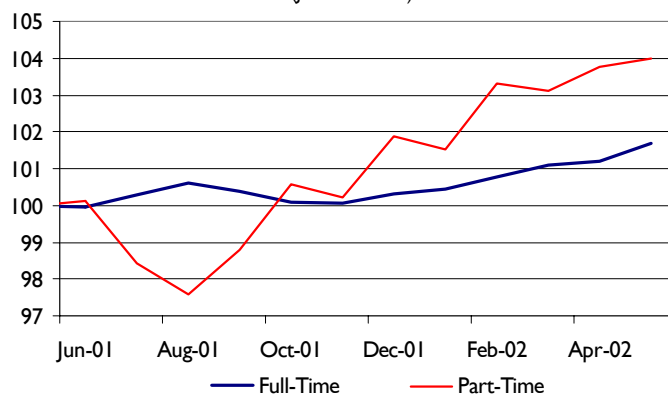
Rising part-time employment and employment growth within lower paying industries may be a signal that future demand for housing will be more modest than total employment growth would suggest.

- Canadian total employment has increased for the sixth consecutive month. However, a closer look reveals that part-time employment accounts for a large proportion (34%) of this growth. Over the last twelve months, part-time employment growth outpaced full-time employment growth by more than a 2-to-1 margin. This may signal that demand for housing will be more modest than total employment growth would suggest.
- A closer look at employment growth by industry reveals that the most recent growth has been within sectors that are typically lower paying. For example, typical lower average income sectors such as accommodation & food services, grew 2.6 per cent over the last twelve months. Higher paying sectors such as finance, insurance & real estate and professional services saw marginally positive or even negative growth over the past twelve months.

The accommodation & food services industry has an average weekly wage of \$291 per week compared to well over \$800 per week for the higher paying industries. The fact that the fastest employment growth is in lower paying industries implies more modest demand for housing than suggested by the impressive total growth numbers. ■

Employment Index Growth

(June 2001=100)



Source: CMHC Housing Facts

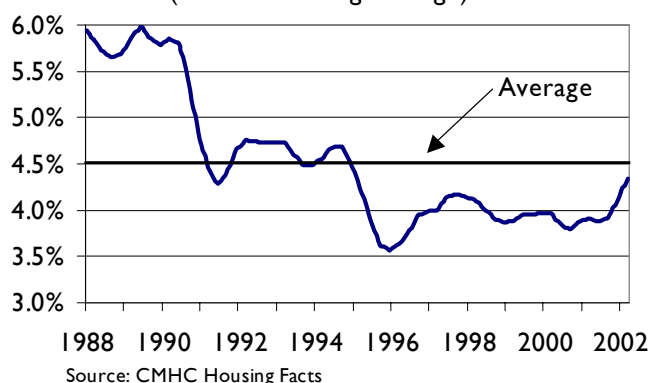
Housing is becoming more important to the economy

The housing sector has become more important to the economy in the past two years due to pent-up demand for housing and historically low mortgage rates.

- During the housing bust of the 1980's and 1990's the share of housing (comprised of new construction and renovation) to the Canadian economy fell from 6% to a low of 3.5% in 1995. The current housing expansion has started to move this share back up to its historical average of 4.5%.
- For much of the past decade housing has lagged demographic demand. Therefore, significant pent-up demand was built. This demand is now being unleashed due to historical lows in mortgage rates. Furthermore, the weakness of financial markets has increased the incentives to invest in housing as opposed to other types of assets.
- The current housing expansion is on more solid footing than the 80's housing boom.

Mortgage rates are not expected to increase as sharply as in the late 80's and there is still some pent-up demand in the market. This implies a continued housing expansion in the medium term and an increasing importance of the housing sector to the total economy. ■

Share of housing to the economy
(6-month moving average)



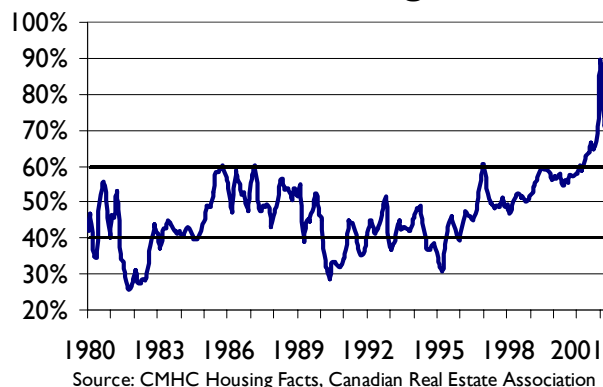
Resale market cooling off from beginning of the year

The mild winter helped propel MLS* resales to new heights, and the sales to new listings ratio to unprecedented levels. A return to historical norms should occur over the rest of the year.

- The mild winter, among many other factors propelled the resale market up to its highest levels ever in the first quarter of 2002. During the peak of the market in January, resales hit 500,000 (SAAR) for the first time and the sales to new listings ratio touched the unprecedented level of 90 per cent.
- Until a year ago this ratio had usually stayed between 40% and 60% with a long term average of 47%. The chart to the right shows that extreme values are short lived, and are followed by values in line with the average. A ratio of over 60% for extended periods is simply not sustainable, as history shows.
- Given this historical perspective, the level of resales should drift down to more moderate

levels over the course of the year and the sales-to new listings ratio should fall back below 60% over the coming months. ■

MLS* sales-to-new listings ratio
down from heights



The term MLS* stands for Multiple Listing Service and is a registered trademark of the Canadian Real Estate Association (CREA).

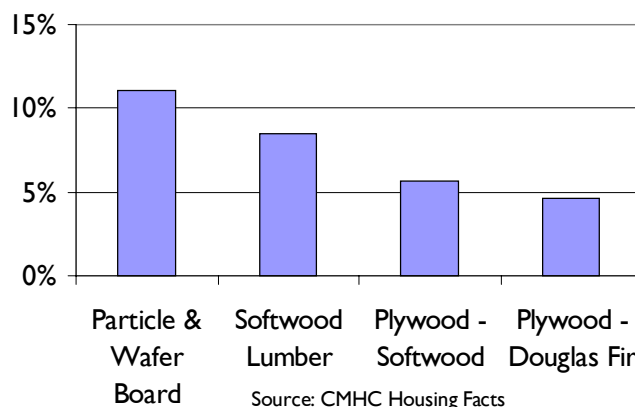
Wood products contributing to housing cost increases in 2002

So far in 2002 prices of lumber, plywood and engineered wood products are up sharply while prices of petroleum-based and other construction materials are weak or declining.

- The cost of many construction materials have remained relatively stable in 2002. However, prices of wood products have increased at a rate far exceeding inflation. The prices of particleboard and wafer board are up 11% and softwood lumber is up by 8.5%. Douglas fir plywood and softwood plywood prices are up 4.7% and 5.6% respectively. These increases likely reflect the trade duties put in place by the United States this past May.
- Construction materials showing weaker price growth, below the rate of inflation, include bricks, building paper, furnaces, windows and doors. Unionized wages, a key input cost of new housing construction, has increased at a rate of 1.2% this year.

- Petroleum based housing construction materials such as carpets, polyethylene film, and various plastic products have actually declined in price this year. Prices of concrete, nails, gypsum wallboard, and lighting fixtures are also down slightly this year.■

Wood prices up strongly in 2002



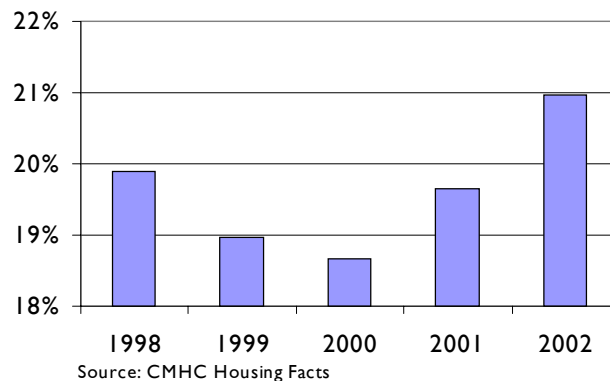
Canadians showing an increasing preference for the condo lifestyle

Condominium starts and market share have been on the upswing in the past few years.

- As Canada's population ages, there is a growing preference for the low maintenance lifestyle of condominium living. First-time buyers are also spurring condo sales as historically low mortgage rates make modestly priced condos an attractive alternative to renting.
- Condominium starts as a percentage of total housing starts are on the rise in Canada. So far in 2002, condo starts accounted for 21% of all housing starts (an increase of 2.3 percentage points since 2000). Condominium starts account for a significant market share of housing starts in Vancouver (45%), Toronto (29%), Montreal (26%) and Edmonton (26%).
- On a year-to-date basis (January to May) condo starts across Canada are up 7.1% in

2002 from 2001. Condominium starts have been exceptionally strong in the Edmonton, Ottawa-Gatineau and Montreal markets, while the Calgary and Halifax condo markets have posted modest declines so far in 2002.■

Condo share of housing starts, Canada



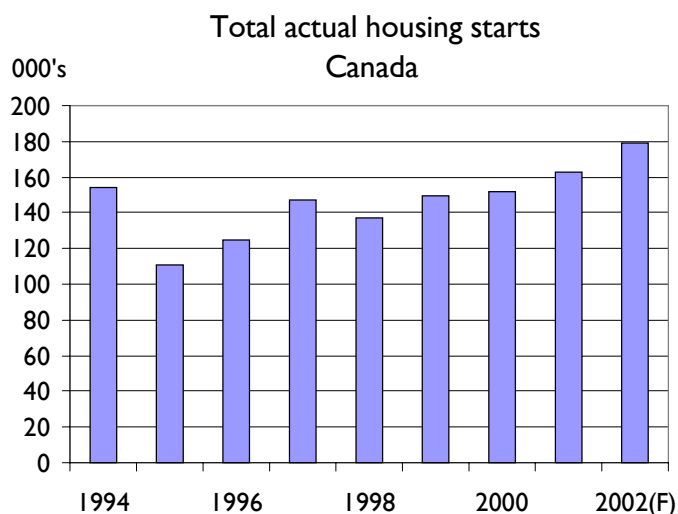
How long will this expansion last?

Canada's housing cycle is currently in an expansion phase thanks to a growing economy and record immigration. Starts will plateau in the next three years and will then begin to edge down.

- Housing demand over the next five years will benefit from a growing economy and near record immigration. Canada's housing cycle is in an expansion phase. Rising housing sales and tight rental markets will combine with income growth in a recovering economy to lift Canada's housing starts to their highest level in twelve years.
- Provincial housing construction cycles will vary. For example, Alberta's housing starts cycle is peaking. Ontario's has passed its expansion midpoint. Starts in Quebec and Saskatchewan are in an expansion phase. British Columbia's construction cycle has recently bottomed and is just entering into its recovery phase.
- Long-term housing demand is determined by demographic factors characterizing Canada's population. Current population growth rates average under one per cent a year for all ages and close to 1.3 per cent a year for the working age population. These population growth rates are moderate by historical standards. Migration far outweighs the natural increase

(births minus deaths) as the engine of population growth.

- Last year's immigration numbers were above 250,000 and exceeded the planned upper limit by approximately 25,000 persons. The long-term government plan, as stated by Citizenship and Immigration Canada, is to increase the immigration target to one per cent of Canada's population. Actual immigration targets will depend on the country's ability and available resources to integrate newcomers. By 2011, newcomers to Canada will likely account for a significant part of the country's labour force growth.
- A key point to remember is that because most of the baby boom population already owns homes, the peak of the current housing expansion phase will be lower than the previous housing expansion peaks in 1976 and 1987. Starts will plateau in the next three years and will then begin to edge down.■



Source: CMHC Housing Facts

Forecasted annual housing starts average 2002-2006	
Newfoundland	1,800
Prince Edward Island	650
Nova Scotia	4,150
New Brunswick	3,350
Quebec	32,800
Ontario	72,900
Manitoba	2,800
Saskatchewan	2,650
Alberta	29,900
British Columbia	23,250
Canada	174,200

*Total may not add due to rounding

Source: CMHC Housing Facts

This Month's Housing Data (SAAR)

	2001	Q3:01	Q4:01	Q1:02	M4:02	M5:02	M6:02
Housing starts, units, 000's							
Canada. Total. All areas	162.7	156.3	171.6	204.2	184.7	202.5	200.8
% chg	7.3	-5.0	9.8	19.0	-11.2	9.6	-0.8
Canada. Total. Rural areas	20.5	18.8	20.1	29.5	24.4	24.4	24.4
% chg	-0.7	-11.3	6.9	46.8	-17.3	0.0	0.0
Canada. Total. Urban areas	142.3	137.5	151.5	174.7	160.3	178.1	176.4
% chg	8.6	-4.0	10.2	15.3	-10.2	11.1	-1.0
Canada. Single. Urban areas	78.2	77.8	85.0	97.6	98.4	107.4	102.5
% chg	5.2	5.1	9.3	14.8	-4.7	9.1	-4.6
Canada. Multiple. Urban areas	64.1	59.7	66.5	77.1	61.9	70.7	73.9
% chg	13.0	-13.9	11.4	15.9	-17.8	14.2	4.5
Newfoundland. Total. All areas	1.8	2.0	2.1	1.7	2.4	3.0	2.4
% chg	22.5	11.1	5.0	-19.0	41.2	25.0	-20.0
Prince Edward Island. Total. All areas	0.7	0.8	1.1	0.5	0.7	1.3	0.6
% chg	-4.9	100.0	37.5	-54.5	-12.5	85.7	-53.8
Nova Scotia. Total. All areas	4.1	4.1	4.5	4.3	4.4	4.8	4.7
% chg	-7.7	10.8	9.8	-4.4	18.9	9.1	-2.1
New Brunswick. Total. All areas	3.5	3.4	4.5	2.4	4.3	3.7	4.3
% chg	12.4	3.0	32.4	-46.7	65.4	-14.0	16.2
Quebec. Total. All areas	27.7	25.7	31.0	41.4	39.7	39.2	40.5
% chg	12.1	-3.7	20.6	33.5	-2.5	-1.3	3.3
Ontario. Total. All areas	73.3	70.5	72.7	89.6	75.0	84.8	79.8
% chg	2.5	-6.5	3.1	23.2	-13.8	13.1	-5.9
Manitoba. Total. All areas	3.0	2.9	2.8	3.4	3.3	3.9	3.7
% chg	15.7	-14.7	-3.4	21.4	-5.7	18.2	-5.1
Saskatchewan. Total. All areas	2.4	2.6	3.0	2.3	2.7	2.4	2.2
% chg	-5.3	44.4	15.4	-23.3	50.0	-11.1	-8.3
Alberta. Total. All areas	29.2	27.9	32.2	39.9	36.9	38.3	39.9
% chg	11.1	-5.7	15.4	23.9	-21.8	3.8	4.2
British Columbia. Total. All areas	17.2	16.4	17.7	18.7	15.3	21.1	22.7
% chg	19.5	-10.9	7.9	5.6	-19.5	37.9	7.6

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*

	2001	Q3:01	Q4:01	Q1:02	M4:02	M5:02	M6:02
Canada	142.3	137.5	151.5	174.7	160.3	178.1	176.4
Newfoundland	1.2	1.3	1.5	1.6	1.7	2.3	1.7
Prince Edward Island	0.4	0.5	0.5	0.4	0.5	1.1	0.4
Nova Scotia	2.8	2.6	3.2	3.0	3.0	3.4	3.3
New Brunswick	2.2	2.3	3.5	1.5	2.9	2.3	2.9
Québec	21.9	21.1	25.0	31.6	31.3	30.8	32.1
Ontario	70.3	67.3	69.6	83.2	72.1	81.9	76.9
Manitoba	1.6	1.8	1.5	1.8	1.7	2.3	2.1
Saskatchewan	1.8	1.9	2.4	1.8	2.1	1.8	1.6
Alberta	24.5	24.0	27.9	32.2	30.9	32.3	33.9
British Columbia	15.7	14.7	16.4	17.6	14.1	19.9	21.5

* Thousands of units, seasonally adjusted.

This Month's Major Housing Indicators

	2001	Q3:01	Q4:01	Q1:02	M4:02	M5:02	M6:02
New Housing*							
New & unoccupied singles & semis, 000's	5.8	5.7	5.3	5.1	4.9	4.8	n.a.
%chg	-7.0	-3.0	-6.7	-5.5	-1.9	-0.2	n.a.
New & unoccupied row & apartments, 000's	6.1	5.7	5.2	5.2	5.2	5.4	n.a.
%chg	-23.4	-17.1	-8.6	0.4	-2.3	3.9	n.a.
New House Price Index, 1992=100	106.1	106.5	107.1	108.2	109.4	110.0	n.a.
%chg	2.7	0.8	0.5	1.0	0.6	0.5	n.a.
Existing Housing**							
MLS resales, units. 000's	380.6	379.6	424.0	464.9	440.8	413.5	n.a.
%chg	14.0	2.3	11.7	9.6	3.5	-6.2	n.a.
MLS average resale price. \$C, 000's	171.6	173.6	176.7	182.4	187.6	187.3	n.a.
%chg	4.7	2.2	1.8	3.2	0.4	-0.1	n.a.
Mortgage Market							
1-Year Mortgage Rate, %	6.14	6.03	4.70	4.80	5.40	5.55	5.55
5-Year Mortgage Rate, %	7.40	7.50	6.87	7.05	7.45	7.40	7.25

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).