

H

OUSING NOW

Canada

YOUR LINK TO THE HOUSING MARKET

Canada Mortgage and Housing Corporation

www.cmhc.ca

MAY 2005

Canadian Market Overview

New Home Market

Strong housing starts in April

The seasonally adjusted annual rate¹ of housing starts was 230,400 units in April, up 5.5 per cent from 218,400 units in March.

The strength in housing starts in April was broadly based regionally and in both single and multiple homes, lifting total starts above the 230,000 mark.

Favourable economic factors, such as high levels of employment and low mortgage rates, continue to stimulate residential construction activity.

Multiple construction growth was a key contributor to strong urban starts in April

The seasonally adjusted annual rate of urban starts rose 5.6 per cent to 200,400 units in April, with multiples leading the way.

continued on page 2...

In this Issue:

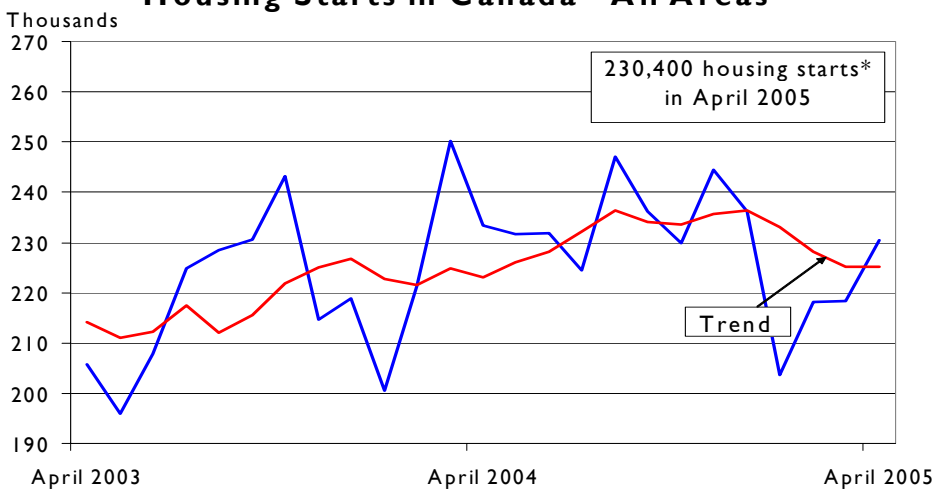
Canadian Market Overview ----- 1

Demographics and their contribution to the housing market ----- 4

Wood Buffalo's economy fuelling on high octane --- 5

Tables:
Starts Statistics----- 9

Housing Starts in Canada - All Areas*



Source: CMHC

*Seasonally adjusted at annual rates

Monthly housing starts numbers published in Housing Now Canada are final and may differ from the preliminary numbers in the starts press release

¹ All starts figures, other than actual starts, are seasonally adjusted annual rates (SAAR) that are monthly figures adjusted to remove normal seasonal variation and multiplied by 12 to reflect annual levels.

Multiple urban starts climbed 8.1 per cent in April to 104,400 units while single starts increased 3.1 per cent to 96,000 units on a seasonally adjusted annual basis.

Urban starts increased in all regions except British Columbia

In April, the seasonally adjusted annual rate of urban starts increased in four of the five regions across Canada compared to the previous month. The largest increases were in the Atlantic provinces and in Quebec, where starts rose 17.1 per cent and 16.3 per cent, respectively. Starts in April also increased compared to March in Ontario (9.7 per cent) and in the Prairies (0.5 per cent), but fell 12.0 per cent in British Columbia.

Rural starts in April were estimated at a seasonally adjusted annual rate of 30,000 units.

Year-to-date actual urban starts are lower than in the same period last year

For the first four months of 2005, actual urban starts were 5.4 per cent lower than in the same period of 2004. Year to date single starts are down 9.7 per cent, while multiple starts eased 1.2 per cent compared to the same period last year.

Resale Market

MLS® sales remain strong

Seasonally adjusted MLS® (Multiple Listings Service) sales were up 0.2 per cent to 38,198 units in March 2005, compared to 38,139 units in February 2005.

MLS® actual sales for the first quarter of 2005, at 103,971 units, were down 3.5 per cent from the same period in 2004.

Sales of existing homes in 2004 reached a record level for a fourth consecutive year, thanks to strong demand due to low interest rates and a strong labour market.

MLS® new listings fall slightly

Seasonally adjusted MLS® new listings in March 2005 were down 0.2 per cent to 61,303 units, compared to 61,443 units in the previous month.

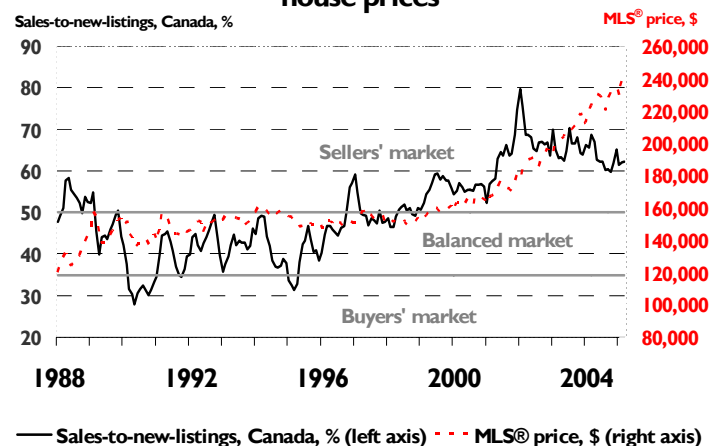
Actual new listings for the first quarter of 2005 were up 3.5 per cent over the same period in 2004. In 2004, new listings grew 9.8 per cent to 727,253 units, a level not seen since 1992.

Sellers' market conditions across Canada continue to support strong growth in house prices

An indicator of price pressure in the existing home market is the sales-to-new-listings ratio. New listings are a gauge of supply in the existing home market, while MLS® sales are used as a proxy for demand.

Taking the Canadian market as a whole, a sales-to-new-listings ratio below 35 per cent has historically accompanied prices that are rising at a rate that is less than inflation, a situation known as a *buyers' market*. A sales-to-new-listings ratio above 50 per cent is associated with a *sellers' market*. In a sellers' market, home prices generally

Sellers' market continues to support rising house prices



Sources: CMHC, Canadian Real Estate Board (CREA), MLS®

continued on page 3...

rise more rapidly than overall inflation. When the sales-to-new-listings ratio is between these thresholds, the market is said to be *balanced*.

The sales-to-new-listings ratio for Canada remained in sellers' market territory in March 2005, at about 62 per cent. The average MLS® price for existing homes across Canada increased at an annualized rate of 8.5 per cent in the first quarter of 2005 compared to the same period in 2004.

Economic conditions

In April, employment increased slightly by an estimated 29,000 jobs. Full-time employment was up by 49,600 jobs, while part-time employment decreased. The sectors that saw substantial growth in April were educational services (29,000 jobs), the construction sector (26,000 jobs), the professional, scientific and technical services (23,000 jobs), and public administration (23,000 jobs).

The unemployment rate edged down 0.1 percentage point to 6.8 per cent in April, the lowest level since December 2000.

Employment in April 2005 was up 1.3 per cent compared to a year ago.

The seasonally adjusted employment-to-population ratio remains close to record peak levels. In other words, a near record share of Canadians are employed, thus helping to boost consumer confidence and support strong demand for housing.

The Bank of Canada left its target for the overnight lending rate unchanged at 2.5 per cent on May 26th, following similar decisions on April 12th and March 1st. Core inflation remains slightly below the two per cent target, however, it has been creeping higher in recent months. As economic growth strengthens in the second half of the year, interest rates are likely to move higher. Economic growth is expected to come primarily from strength in domestic demand. Mortgage rates have remained low and have helped keep the financing costs of buying a home down.

The year-over-year increase in the price of new homes, measured by the New Housing Price index (NHPI), slowed to 5.1 per cent in March 2005, the lowest rate since March 2004. Strong demand for housing, higher building material and labour costs, as well as increasing land values, contributed to the increase in house prices.

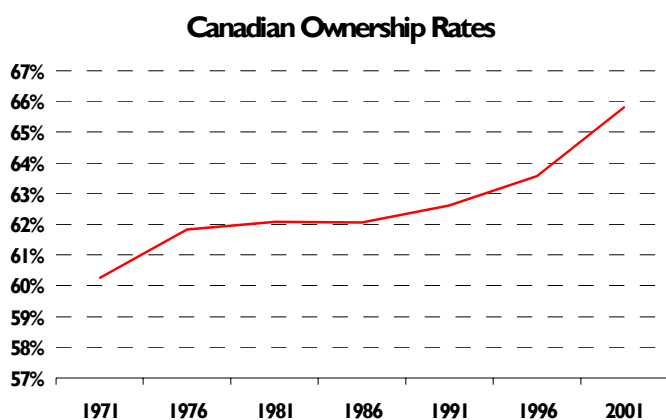
In April, the price of goods and services included in the Consumer Price Index (CPI) basket increased 2.4 per cent compared to April 2004. The increase was mainly due to higher gasoline prices, homeowners' replacement cost, restaurant meal prices, property taxes and fuel oil prices. These increases were restrained by lower prices for computer equipment and supplies, women's clothing and traveller accommodations. ■

Demographics and their contribution to the housing market

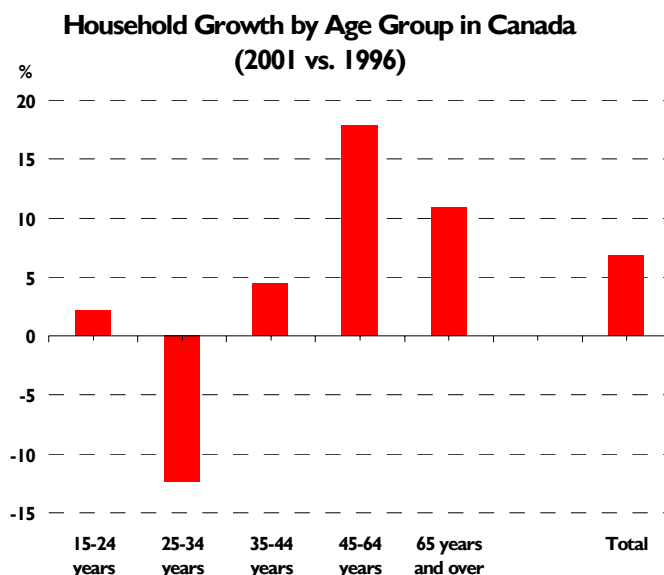
Household growth was strongest for households aged 45 and older between 1996 and 2001. Since only a small share of households in this age group are renters, growth in this segment of the population has contributed to the rise in home ownership rates.

- According to the Census of Canada, the ownership rate (the share of Canadian households that own their home) increased by 3.5 per cent between 1996 and 2001, faster than in previous census periods.
- The rise in ownership rates implies that the share of households that rent is decreasing. In other words, growth in rental demand has not kept up with the growth in homeownership demand.

other hand, the highest propensity to rent is in households aged 34 and under. In fact, 83 per cent of households under the age of 25 were renters while 53 per cent of households between the age of 25 and 34 were renters. However, growth in these younger households was weak between 1996 and 2001.



Sources: CMHC, adapted from Statistics Canada (Census)



Sources: CMHC and Statistics Canada (Census 2001)

- Positive economic factors over the past few years have helped boost demand for homeownership, thus stimulating residential construction activity. Low mortgage rates have kept the carrying cost of a mortgage down despite solid price gains. Strong employment growth, particularly in full time jobs has boosted income and has contributed to solid consumer confidence.
- However, these positive economic factors are not solely responsible for the strong Canadian housing market. Indeed, demographic factors have also played a significant role.
- A key demographic trend is the strong household growth in older age groups. Between the 1996 and 2001 census, the fastest growing segment of Canadian households was the 45 year and over age group. According to the 2001 Census, only a small proportion of households aged 45 years and older were renters, that is, less than 30 per cent. On the

- Another key demographic trend is the rising share of young adults living with their parents over the last 20 years. In 2001, 41.1 per cent of Canadians aged 20 to 29 were living with their parents (this was up from 39 per cent in 1996), up sharply from 27.5 per cent 20 years ago. This means that people in this age group contributed less to rental demand than they had in the past. In other words, more people in this age group enter the rental market at an older age and in some cases go directly to the homeownership market.
- The changing age structure of the Canadian population has a significant impact on home tenure. As the largest segment of the population, the baby boomers, continues to enter into the 45 year and older age category, we expect to see continued growth in ownership housing demand.■

Wood Buffalo's economy fuelling on high octane

Canada has become a key producer of crude oil thanks in part to the huge reserves in the Northern Alberta oilsands and to the technological improvements, which have helped lower the cost of extracting oil in this area. Due to strong demand and high prices for oil, economic activity in the Regional Municipality of Wood Buffalo (RMWB), a community at the heart of the oilsands, is booming. The arrival of numerous oilsands workers in recent years has drastically changed the face of housing in Alberta's north-east.

The significant oil reserves in the regional municipality of Wood Buffalo in Alberta have made it one of the fastest growing centres in Canada

- Alberta sits on currently established recoverable oil reserves of 177 billion barrels, eight times the total reserves of the United States. This number jumps to over 300 billion barrels if we consider the total reserve of the Athabasca oilsands deposit, making it the biggest oil deposit in the world, ahead of Saudi Arabia. This reservoir of economic wealth has brought investment and workers in large numbers to northern Alberta in recent years. The arrival of these numerous workers has, in turn, had a huge impact on housing demand throughout the Wood Buffalo region.
- The government of Alberta has identified 62 major investment projects in the RMWB, worth a total of \$60.8 billion. Of these, 32 projects (worth \$59.3 billion) are directly related to the oilsands. The major investors in the region are Syncrude, with a total of \$11.6 billion in investment projects, Suncor, with an additional \$5.9 billion, and Albian Sands, who just built its \$5.7 billion Athabasca Oil Sands project. Canadian Natural Resources Limited (CNRL) announced their Horizon project earlier this year that will bring an additional investment of \$10 billion to the RMWB region.
- The oilsands are benefiting from high oil prices, but also from technological development in oil recovery techniques allowing additional deposits to become economically recoverable. As an example, the world's first commercial "Steam Assisted Gravity Drainage" (SAGD) project started production in 2002 and today there are already 12 projects worth a total of \$10 billion in the RMWB using this technology.
- The Regional Municipality of Wood Buffalo was established in 1995 when the City of Fort McMurray was amalgamated with the surrounding communities. RMWB's population was about 67,105, as of March 2004, and covers an area of 61,565 square kilometers. Fort McMurray is the largest community in the RMWB with a population of about 56,111. Other communities within RMWB account for approximately 3,330 persons, while a shadow population of about 8,000 people live in work camps at Syncrude and Suncor's mine sites.¹
- The investment of tens of billions of dollars in the oilsands has translated into strong employment growth, bringing an influx of people to the region. The population in the RMWB grew at an average annual rate of 7.5 per cent between 2002 and 2004. In Fort McMurray, which is the urban core of the RMWB, the growth was even stronger, at 9.4 per cent per year. This surpasses the provincial annual population growth rate, which averaged 1.4 per cent annually during the same period.
- The population is expected to continue growing over the next five years and is expected to reach 80,000 by 2010, not including the 10,000 to 15,000 people living in the work camps. This is significant growth for an area whose population was barely over 50,000 in 2002, and under 40,000 in 1999.

continued on page 6....

¹ These numbers are from the 2004 RMWB census — <http://www.woodbuffalo.ab.ca>

continued: Wood Buffalo's economy fuelling on high octane

- Fort McMurray's labour market is reflected in the city's demographic profile, as the typical oilsands worker is a young male. RMWB's population is predominantly male (57 per cent compared to 49 per cent across the country). The proportion of the population aged 65 and older is less than two percent while the proportion of people aged 55 and older is less than eight per cent. This compares to 13 and 23 per cent, respectively, for all of Canada. The median age of RMWB residents is 31.0 years of age compared to 37.6 years of age for Canada.

The rapid growth in Wood Buffalo has put housing in short supply

Wood Buffalo has the second lowest rental vacancy rate in Canada

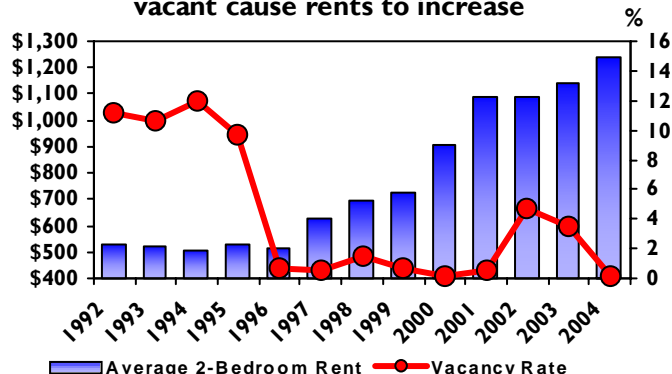
- A considerable proportion of Wood Buffalo's population is transient. A quarter of its residents arrived less than two years ago. For those planning to stay for a short period of time, or those who are not sure yet of the duration of their stay, the rental market is a natural choice of housing tenure. The lack of supply of existing and new homes for sale has also boosted rental demand because it limits the potential for renter households to jump into homeownership. As a result, the vacancy rate in Wood Buffalo is low and rents are relatively high.

- Due to the addition of many new rental units, vacancy rates had climbed in 2002 and 2003. However, nearly all of these units were absorbed in 2004 and the vacancy rate declined to under half of one per cent. Vacancy rates will remain low in the area until new rental units are built.
- According to the results of CMHC's 2004 Rental Market Survey conducted in October, the RMWB now boasts the second lowest vacancy rate in the country at 0.2 per cent, down from 3.5 per cent a year earlier. Tight vacancies have led to strong increases in average rent. The average two-bedroom apartment rent rose nine per cent in 2004 to \$1,242 per month. As a result, RMWB has the second highest average rent for a two-bedroom apartment among all urban areas in the country. In 2004, only Yellowknife's rents were more expensive. The monthly rents for two-bedroom apartments in Toronto and Vancouver were lower at \$1,052 and \$984, respectively. With average two-bedroom rents forecast to reach \$1,325 in 2005, Wood Buffalo will likely post the highest rents nation-wide next year.

Sellers' market conditions lead to significant price gains for existing home

- By September of 2004, MLS® sales in the RMWB had already surpassed the previous year's total, setting a new record. Sales exceeded 1,500 units in 2004, an increase of 52 per cent over 2003. Between January and April of 2005, more than 500 sales have been registered by the Fort McMurray Real Estate Board, an increase of 30 per cent compared to the same period in 2004². By contrast, new listings rose by 8 per cent in the first four months of the year compared to the same period last year. Because sales are growing more rapidly than new listings, the inventory of existing homes for sale is being depleted.

Wood Buffalo - Few rental units left vacant cause rents to increase



Source : CMHC

² All resale market data are provided by the Fort McMurray Real Estate Board

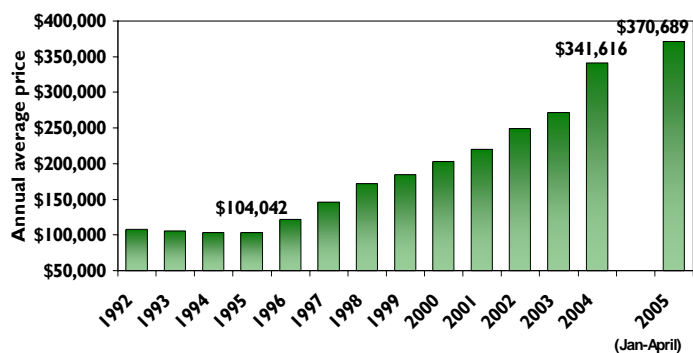
continued on page 7...

continued: Wood Buffalo's economy fuelling on high octane

Therefore, while demand conditions will remain favourable, sales will be hard-pressed to establish a new record in 2005 due to a lack of listings.

- After accounting for seasonal factors, the

Wood Buffalo – Single-detached average MLS® Price Growth of 25 % in 2004



Sources: Fort McMurray Real Estate Board, CMHC Calculation

inventory of units for sale at the end of April 2005 was at its lowest level since 1988, with only 136 units available. This compares to a peak of 302 units in June 2004. With sales growing by 30 per cent and a diminishing inventory, the sales-to-active-listings ratio has increased, creating sellers' market conditions in the RMWB, a fact that has been reflected in the rapid increase in the average price of existing homes, which averaged \$297,329 from January through April 2005. This is an increase of 32 per cent over the same period in 2004. For single-detached dwellings, prices averaged \$370,689 from January to April, up 30 per cent from the previous year.

- The market is even tighter in the multiple-family segment, which includes row and semi-detached homes and apartments. Average prices for these units reached \$240,401 in the first four months of the year, an increase of 45 per cent year-over-year. Multi-family units have been sought after by many households who are looking for a less expensive alternative to single-detached homes. As a result, the

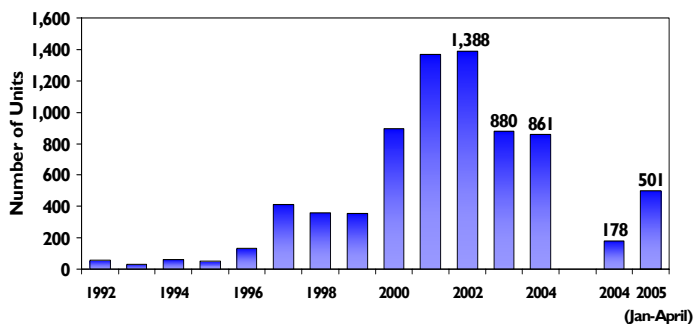
inventory of existing multiple family dwellings for sale through MLS® was depleted to only 23 listings at the end of April. This compares to average monthly sales of 35 units.

Shortages of labour and available land will constrain growth in housing starts

- While demand for new homes will also remain strong, single-detached starts will be limited by factors such as lot and labour availability. Thus, the number of single detached starts will remain near 500 units in 2005. In 2006, as the city plans to release more land, there is potential for the number of single starts to increase, however, the limited supply of labour will constrain the growth in new construction.
- Total housing starts in Fort McMurray reached 501 units in the first four months of 2005, almost three times as much as in the same period in 2004. Both single-family and multi-family dwellings contributed to this growth. 183 single-family houses have been started in the first four months of 2005, 81 per cent more than during the same four months in 2004.
- The increase in housing starts this year is even more pronounced in the multi-family market than in the single-detached market. Major projects pushed the number of multi-family starts to 318 from January to April, up significantly from the 77 units started in the

continued on page 8....

Wood Buffalo - Housing Starts
Multiples will be the major source of the growth in 2005



Source : CMHC

continued: Wood Buffalo's economy fuelling on high octane

same period last year – in fact higher than the yearly total for 2004.

- Multi-unit starts (semi-detached, row and apartment units) in RMWB averaged 520 units annually during the 3-year period from 2000 to 2002, with activity peaking in 2002 at 626 units. This compares to a total of 178 units over the entire decade of the 1990's, which works out to less than 20 units a year on average. This robust level of multiple starts drove rental apartment vacancies upward to a cyclical peak of 4.7 per cent in October 2002. As a response to the rising apartment vacancies, multiple starts declined to 383 units in 2003 and to 271 units in 2004.
- With current and upcoming investment projects in the oilsands, we can expect the level of economic activity and housing demand to remain particularly high in Fort McMurray in the next few years. February 10th's announcement that Canadian Natural Resources Limited is proceeding with its multi-\$billion Horizon mega-project is only going to add fuel to this fire. ■

Contributors: Charles Fortin Julie Taylor Bob Dugan

Questions:

**Julie Taylor at 1-613-748-2239
or jtaylor@cmhc-schl.gc.ca
To subscribe: 1-613-748-2006 or**

<http://www.cmhc-schl.gc.ca/mktinfo/store>

Product # 63830-2005-04

© Canada Mortgage and Housing Corporation, 2005.

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.

This Month's Housing Data (SAAR)

	2004	Q3:04	Q4:04	Q1:05	M02:05	M03:05	M04:05
Housing starts, units, 000s							
Canada. Total. All areas	233.4	236.3	236.9	213.3	218.1	218.4	230.4
Per cent change from previous period	6.9	1.7	0.3	-10.0	7.1	0.1	5.5
Canada. Total. Rural areas	29.0	32.7	30.4	28.7	28.7	28.7	30.0
Per cent change from previous period	9.5	38.0	-7.0	-5.6	0.0	0.0	4.5
Canada. Total. Urban areas	204.4	203.6	206.5	184.6	189.4	189.7	200.4
Per cent change from previous period	6.5	-2.4	1.4	-10.6	8.2	0.2	5.6
Canada. Single. Urban areas	103.9	105.2	102.5	93.4	94.5	93.1	96.0
Per cent change from previous period	3.6	0.3	-2.6	-8.9	1.8	-1.5	3.1
Canada. Multiple. Urban areas	100.5	98.4	104.0	91.2	94.9	96.6	104.4
Per cent change from previous period	9.7	-5.2	5.7	-12.3	15.5	1.8	8.1
Newfoundland. Total. All areas	2.9	2.9	2.9	3.1	3.9	2.7	1.6
Per cent change from previous period	6.6	3.6	0.0	6.9	39.3	-30.8	-40.7
Prince Edward Island. Total. All areas	0.9	0.8	0.7	1.5	1.3	1.3	0.5
Per cent change from previous period	12.9	-27.3	-12.5	114.3	-27.8	0.0	-61.5
Nova Scotia. Total. All areas	4.7	4.9	4.7	4.0	4.2	3.6	6.6
Per cent change from previous period	-7.4	16.7	-4.1	-14.9	0.0	-14.3	83.3
New Brunswick. Total. All areas	3.9	4.3	4.0	3.2	3.0	3.9	3.6
Per cent change from previous period	-12.1	4.9	-7.0	-20.0	11.1	30.0	-7.7
Quebec. Total. All areas	58.4	60.5	60.6	55.1	56.2	52.1	57.6
Per cent change from previous period	16.2	10.4	0.2	-9.1	-1.4	-7.3	10.6
Ontario. Total. All areas	85.1	85.8	84.4	71.3	73.9	72.3	81.5
Per cent change from previous period	-0.1	-2.3	-1.6	-15.5	9.2	-2.2	12.7
Manitoba. Total. All areas	4.4	5.7	4.0	4.3	4.0	5.2	4.1
Per cent change from previous period	5.6	35.7	-29.8	7.5	5.3	30.0	-21.2
Saskatchewan. Total. All areas	3.8	3.2	4.2	2.5	2.5	2.2	2.7
Per cent change from previous period	14.1	-31.9	31.3	-40.5	-10.7	-12.0	22.7
Alberta. Total. All areas	36.3	34.7	39.6	36.7	37.4	40.1	40.7
Per cent change from previous period	0.3	1.2	14.1	-7.3	14.7	7.2	1.5
British Columbia. Total. All areas	32.9	33.5	31.8	31.6	31.7	35.0	31.3
Per cent change from previous period	25.8	-2.6	-5.1	-0.6	12.0	10.4	-10.6

SOURCE: CMHC, Starts and Completions Survey. All data are seasonally adjusted and annualized. This seasonally adjusted data goes through stages of revision at different times through the yearly cycle resulting in finalization of preliminary data. These revisions take place at the end of each month, quarter and year.

Annual rate of housing starts, urban areas*

	2004	Q3:04	Q4:04	Q1:05	M02:05	M03:05	M04:05
Canada	204.4	203.6	206.5	184.6	189.4	189.7	200.4
Newfoundland	2.1	2.1	2.2	2.5	3.3	2.1	1.3
Prince Edward Island	0.6	0.5	0.4	1.1	0.9	0.9	0.2
Nova Scotia	3.3	3.5	3.1	2.5	2.7	2.1	5.0
New Brunswick	2.6	3.0	2.5	1.8	1.6	2.5	2.4
Québec	46.7	44.1	49.3	41.6	42.7	38.6	44.9
Ontario	79.9	81.4	77.2	69.4	72.0	70.4	77.2
Manitoba	2.9	3.9	2.6	2.7	2.4	3.6	2.5
Saskatchewan	3.1	2.9	3.3	2.0	2.0	1.7	2.0
Alberta	32.2	30.5	35.6	32.0	32.7	35.4	36.4
British Columbia	30.9	31.7	30.3	29.0	29.1	32.4	28.5

* Thousands of units, seasonally adjusted and annualized.

This Month's Major Housing Indicators

	2004	Q3:04	Q4:04	Q1:05	M02:05	M03:05	M04:05
New Housing							
New & unoccupied singles & semis, units 000s	5.2	5.0	5.7	5.7	5.7	5.7	5.5
Per cent change from same period previous year	9.3	8.3	12.6	12.5	14.0	10.0	6.7
New & unoccupied row & apartments, units 000s	6.7	6.7	8.3	8.8	8.6	9.3	9.5
Per cent change from same period previous year	18.9	18.6	37.1	49.6	51.2	56.4	60.5
New House Price Index, 1997=100	123.2	124.2	125.4	126.5	126.5	127.0	n.a.
Per cent change from same period previous year	5.5	5.9	5.4	5.1	5.1	5.1	n.a.
Existing Housing							
MLS[®] resales*, units 000s	461.1	460.6	451.3	453.1	457.7	458.4	n.a.
Per cent change from same period previous year	6.0	-0.5	0.6	-0.4	4.1	-7.1	n.a.
MLS[®] average resale price*, \$C 000s	226.2	225.8	233.1	238.5	239.0	238.2	n.a.
Per cent change from same period previous year	9.2	7.4	8.1	8.5	8.1	7.5	n.a.
Mortgage Market							
1-Year Mortgage Rate, % (period average)	4.59	4.60	4.90	4.88	4.80	5.05	4.90
5-Year Mortgage Rate, % (period average)	6.23	6.38	6.25	6.12	6.05	6.25	6.05

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

n.a. Figures not available

* Seasonally adjusted and annualized (SAAR).

** Annual and quarterly data is actual. Monthly data is seasonally adjusted.