HOUSING FACTS

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Canada Mortgage and Housing Corporation

ROBUST HOME CONSTRUCTION IN SEPTEMBER

The seasonally adjusted annual rate[1] of housing starts declined to 232,200 in September from 234,800 in August.

Consumer confidence remains high and consumers continue to look positively toward the future. This combined with low mortgage rates continues to support healthy levels of activity in the housing market.

The low mortgage rates are helping to offset the impact of rising house prices on mortgage carrying costs, thus existing homeowners continue to be encouraged to move up and renter households are still moving into the home ownership market. Year-to-date, actual starts have exceeded last year's level by 6.1 per cent.

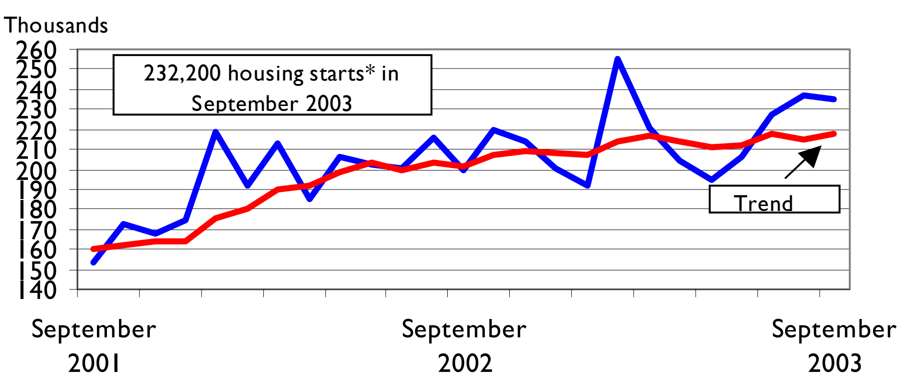
Nationally, urban single starts were 100,600 units at seasonally adjusted annual rates in September, virtually unchanged from the previous month. Urban single starts edged up in both Ontario and Quebec, while other regions registered slight declines. Canada-wide, year-to-date actual urban single starts were down 3.3 per cent compared to the same period in 2002.

The seasonally adjusted annual rate of urban multiple starts fell 2.5 per cent to 104,400 units in September compared to 107,100 units in August. Nationally, year-to-date actual urban multiple starts increased 20.7 per cent compared with the same period in 2002.

Rural starts in September were estimated at a seasonally adjusted annual rate of 27,200 units.■

In this Issue:

Housing Starts in Canada - All Areas*



*Seasonally adjusted at annual rates

[1] See note on page 2.

Source: CMHC

CMHC SCHL

HOME TO CANADIANS

Canada

Note: 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.

Contributors: Julie Privora Edward Heese

David Weingarden Bob Dugan

Questions:

Edward Heese at 1-613-748-2868 or eheese@cmhc-schl.gc.ca

To subscribe: 1-613-748-2006 or

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

Renovation Outlook for 2003-2004: Another strong year for renovations

Growth in renovation expenditures is expected to be strong in 2003 and moderate in 2004.

- The third quarter 2003 edition of CMHC's Housing Outlook reported that renovation spending is expected to increase 7.6 per cent to reach $32.1 billion in 2003 and to grow by 4.4 per cent to reach $33.5 billion in 2004. Record sales of existing homes over the past two years and historically low interest rates combined with the growth in mortgage refinancing activities have provided a strong stimulus for renovation activities.
- Resales are a principal driving force behind renovation spending. A record 421,227 dwellings were sold through the MLS® in 2002, creating expectations that renovation spending would be strong throughout 2003/2004. The strong correlation between renovation spending and home resales reflects the fact that households generally undertake renovations within the first three years after buying a house.
- Renovation expenditure consists of alterations and improvements as well as repairs. Alterations and improvements are expected to remain the main driver of renovation expenditures throughout 2003 and 2004.■

Renovation Expenditure Breakdown, Canada

(millions of dollars and annual percentage change)

	2002	2003F	2004F
Total Renovations	29,791	32,056	33,461
% change	7.1	7.6	4.4
Alterations & Improvements	22,008	23,705	24,808
% change	7.1	7.7	4.7
Repairs	7,783	8,351	8,613
% change	7.1	7.3	3.1

(F) Forecast

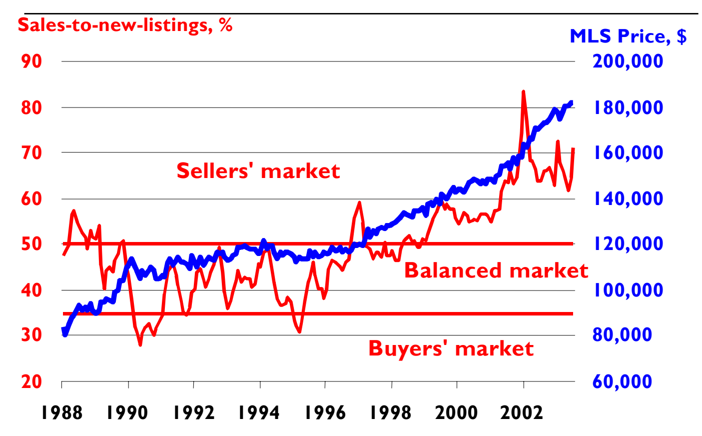
Sources: CMHC, adapted from Statistics Canada, National Accounts

Strong Sellers' Market Supports Rising House Prices

The Canadian housing market has been supported by low mortgage rates and, until very recently, strong job creation. Sales of existing homes set a record in 2002, and based on the first eight months of 2003, it appears that record will be surpassed this year. To assess the future direction of home prices in the resale market, one of a number of useful indicators is the sales to new listings ratio, which is calculated by dividing sales by new listings and multiplying by 100. New listings are used to gauge supply in the existing home market, while sales are used as a proxy for demand.

- A sales-to-new-listings ratio below thirty-five 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-listing ratio above fifty per cent is associated with a *sellers' market*. In a sellers' market, home prices generally rise more rapidly than overall inflation. When the sales-to-new-listings ratio is between these thresholds, the market is said to be *balanced* and home prices tend to increase at about the overall rate of inflation.

Sellers' Market Continues to Support Rising House Prices

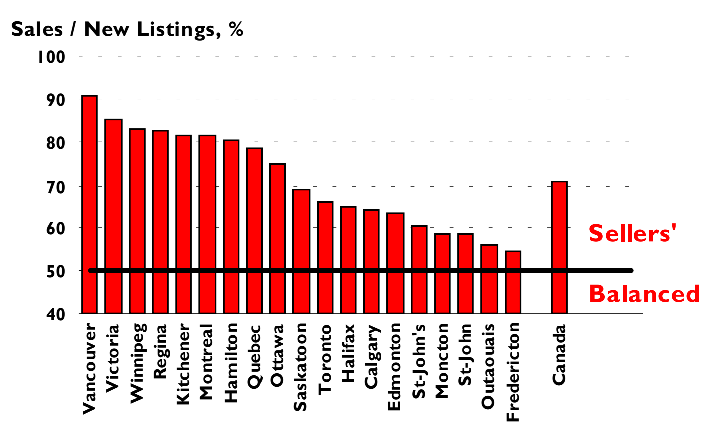


Source: CMHC, adapted from CREA, MLS®

- The August 2003 sales-to-new-listings ratio for Canada, at over seventy per cent, was firmly planted in sellers' market territory. As a result, house prices are expected to continue to increase faster than the rate of inflation.

- The thresholds for assessing a market can vary from centre to centre, however, they are useful generalizations that allow us to assess the balance between demand and supply and evaluate price pressures. The areas with higher sales-to-new-listings ratios are where we can expect to see continued strong increases in home values over the next year. The strongest markets are expected in Vancouver and Victoria followed by Winnipeg. Sales-to-new-listings ratios in Atlantic Canada are the lowest, however, they remain in sellers' market territory.■

Sales-to-New-Listings Ratio for Major Centres Across Canada



Source: CMHC, adapted from CREA, MLS®

The Secondary Rental Market: Focus on Accessory Units

Characteristics of and trends in the private primary rental market – apartments or townhouses in buildings with three or more units – are relatively well understood due to the information contained in the annual rental market surveys conducted by CMHC. Understanding of the secondary rental market (e.g., accessory units, duplexes, single homes rented out, etc.) has been limited due to a lack of data. A special survey conducted for CMHC in late 2002 provides some information on the part of the secondary rental market comprised of accessory units - rental units within a primary residence.

Methodology

- In October 2002, 29,000 households, selected so that they were representative of the total Canadian population, received questionnaires covering a number of topics. There was a 31 % response rate, producing a usable sample of 7,143 respondents. The survey was conducted for CMHC by the Print Measurement Bureau, and hence conforms with their operational guidelines and uses a sample drawn from respondents in the PMB database. Responsibility for the data and the interpretations, however, rests with CMHC.
- By asking households whether they rent out a part of their dwelling, this special survey focuses on accessory units within the secondary rental market. It captures units whose occupants are a part of a household which has a primary residence elsewhere (e.g., students, workers temporarily working too far from their primary residence to commute daily). It also captures accessory units that are primary residences but not easily recognized as such.

Definitions

- The primary rental market consists of publicly and privately-owned apartments or townhouses in buildings with three or more units. A characteristic of this market is its permanence. These units are generally purpose-built for the rental market, and are rarely withdrawn from the rental market.
- The secondary market consists of everything else, including accessory apartments or rooms, rented condominiums, single homes rented out, duplexes operated by small-scale land-lords etc.
- Accessory units are rental units within a primary residence. The most common examples are basements or floors of a house which are converted to a self-contained apartment. However, accessory units also include various combinations of rooms and shared kitchen and washroom facilities.

Results

- According to the 2001 Census conducted by Statistics Canada, about 66 per cent of Canada's 11.56 million households own their home with the remainder renting. According to the special survey conducted in 2002, about 10 per cent of homeowners said they rented out part of their home, while about 28 per cent of those living in rented accommodations indicated that they in turn rented out part of their dwelling to someone else. Consequently, across Canada, nearly 17 per cent of households rented out part of their residence for a total of about 1.95 million accessory rental units. Among five of Canada's largest cities, this percentage ranged from a high of 24 per cent in Montreal, to a low of 10 per cent in Edmonton.
- About a third of accessory units had their own civic address. These units would likely be permanently part of the rental market. About half of the accessory units were basement apartments. This percentage ranged from a low of 47 per cent in Montreal to a high of 62 per cent in Vancouver.

The Secondary Rental Market: Focus on Accessory Units (cont.)

- Most of the households that rented out a part of their residence did so for financial reasons. Thirty-six per cent said they did so to help pay for their housing costs and another 31 per cent said they wanted to increase their income.
- Across Canada, 53 per cent of accessory units were rented to people unrelated to the renting household. This percentage was 59 per cent in Montreal, 72 per cent in Vancouver, and 67 per cent in Toronto. Contrary to the situation in these centres, a large majority of accessory units in Calgary and Edmonton were rented to close friends and relatives. In Calgary, for example, 27 per cent of the accessory units were initiated to provide low-cost accommodation to children.
- With the exception of Montreal, the proportion of tenants in accessory units who were couples was higher than the national average in the larger cities. Relatively higher house prices in these centres likely encourage couples to delay their transition to home ownership.■

SURVEY RESULTS

	Montreal	Toronto	Calgary	Vancouver	Canada
Total households (millions)	1.41	1.69	0.36	0.79	11.57
Households renting out (%)	23.9	16.9	22.0	22.2	16.9
Total accessory units (millions)	0.34	0.28	0.08	0.18	1.95
Accessory units with own address (%)	50.0	29.0	5.6	14.1	34.4
Type of tenant in accessory unit					
Single person under 60 years of age (%)	36.6	29.9	56.9	34.6	37.5
Single person over 60 years of age (%)	16.9	20.9	6.9	17.3	19.4
Couple (%)	15.5	20.9	25.0	25.9	15.3
Couple with child/children (%)	15.5	14.9	11.1	19.8	12.5
Single Parent with child/children (%)	15.5	13.4	0.0	2.5	15.3
Location of the accessory unit					
Basement (%)	46.7	48.3	57.4	62.0	49.2
Room unit with separate address (%)	6.7	15.0	1.6	8.5	10.8
Attic (%)	0.0	1.7	11.5	8.5	6.2
Other (%)	46.7	35.0	29.5	21.1	33.8
Relationship of household to tenant					
Relative (%)	22.7	23.9	59.3	10.9	24.6
Close friend (%)	13.6	6.5	2.2	12.5	14.5
Student (%)	6.1	13.0	18.7	21.9	8.7
Aging parent (%)	4.5	2.2	0.0	4.7	8.7
Disabled (%)	6.1	0.0	0.0	3.1	5.8
Other (%)	47.0	54.3	19.8	46.9	37.7
Reason for renting					
Pay mortgage and other housing costs (%)	22.2	40.5	13.3	49.0	35.6
Increase income (%)	62.2	35.7	50.0	23.5	31.1
Provide low rent option for children (%)	2.2	7.1	26.7	11.8	6.7
Use surplus space (%)	4.4	4.8	3.3	3.9	6.7
Tight rental market (%)	2.2	2.4	1.7	9.8	6.7
Host/Care for older parents (%)	4.4	7.1	0.0	2.0	6.7
Tax incentives (%)	0.0	2.4	0.0	0.0	4.4
Student housing (%)	2.2	0.0	5.0	0.0	2.2

Source: PMB 2002 Fall RTS

This Month's Housing Data (SAAR)*

	2002	Q1:03	Q2:03	Q3:03	M7:03	M8:03	M9:03
Housing starts, units, 000s							
Canada. Total. All areas	**205.0**	**222.2**	**201.7**	**230.7**	**224.7**	**234.8**	**232.2**
Per cent change from previous period	26.0	5.0	-9.2	14.4	9.1	4.5	-1.1
Canada. Total. Rural areas	**25.9**	**31.5**	**24.5**	**27.2**	**27.2**	**27.2**	**27.2**
Per cent change from previous period	26.7	22.6	-22.2	11.0	11.0	0.0	0.0
Canada. Total. Urban areas	**179.1**	**190.7**	**177.2**	**203.5**	**197.5**	**207.6**	**205.0**
Per cent change from previous period	25.9	2.6	-7.1	14.8	8.9	5.1	-1.3
Canada. Single. Urban areas	**103.1**	**97.0**	**97.2**	**101.8**	**104.1**	**100.5**	**100.6**
Per cent change from previous period	31.8	-9.3	0.2	4.7	5.7	-3.5	0.1
Canada. Multiple. Urban areas	**76.1**	**93.7**	**80.0**	**101.7**	**93.4**	**107.1**	**104.4**
Per cent change from previous period	18.7	18.6	-14.6	27.1	12.7	14.7	-2.5
Newfoundland. Total. All areas	**2.4**	**1.6**	**3.0**	**2.5**	**2.4**	**2.8**	**2.5**
Per cent change from previous period	35.3	-42.9	87.5	-16.7	-11.1	16.7	-10.7
Prince Edward Island. Total. All areas	**0.8**	**0.9**	**1.6**	**0.7**	**0.8**	**0.5**	**0.6**
Per cent change from previous period	14.8	28.6	77.8	-56.3	-55.6	-37.5	20.0
Nova Scotia. Total. All areas	**5.0**	**9.9**	**4.2**	**4.9**	**5.1**	**4.8**	**4.5**
Per cent change from previous period	21.5	67.8	-57.6	16.7	-3.8	-5.9	-6.3
New Brunswick. Total. All areas	**3.9**	**3.7**	**5.1**	**4.7**	**5.1**	**4.6**	**4.3**
Per cent change from previous period	11.6	-27.5	37.8	-7.8	21.4	-9.8	-6.5
Quebec. Total. All areas	**42.5**	**46.8**	**43.2**	**56.5**	**52.3**	**61.1**	**56.3**
Per cent change from previous period	53.4	3.3	-7.7	30.8	21.1	16.8	-7.9
Ontario. Total. All areas	**83.6**	**90.2**	**79.0**	**85.9**	**84.9**	**86.5**	**86.4**
Per cent change from previous period	14.1	10.8	-12.4	8.7	0.2	1.9	-0.1
Manitoba. Total. All areas	**3.6**	**3.5**	**3.8**	**4.3**	**3.2**	**5.1**	**4.3**
Per cent change from previous period	22.1	-5.4	8.6	13.2	-20.0	59.4	-15.7
Saskatchewan. Total. All areas	**3.0**	**3.4**	**3.7**	**3.3**	**3.0**	**3.5**	**3.2**
Per cent change from previous period	24.4	0.0	8.8	-10.8	-11.8	16.7	-8.6
Alberta. Total. All areas	**38.8**	**38.4**	**35.4**	**37.8**	**38.5**	**36.9**	**38.3**
Per cent change from previous period	32.8	-3.5	-7.8	6.8	11.6	-4.2	3.8
British Columbia. Total. All areas	**21.6**	**23.8**	**22.7**	**30.1**	**29.4**	**29.0**	**31.8**
Per cent change from previous period	25.5	1.3	-4.6	32.6	33.0	-1.4	9.7

* Seasonally adjusted annual rate. All data are final.

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*

	2002	Q1:03	Q2:03	Q3:03	M7:03	M8:03	M9:03
Canada	**179.1**	**190.7**	**177.2**	**203.5**	**197.5**	**207.6**	**205.0**
Newfoundland	**1.6**	**1.2**	**2.1**	**1.6**	**1.5**	**1.9**	**1.6**
Prince Edward Island	**0.5**	**0.5**	**0.6**	**0.6**	**0.7**	**0.4**	**0.5**
Nova Scotia	**3.7**	**8.6**	**2.9**	**3.2**	**3.4**	**3.1**	**2.8**
New Brunswick	**2.6**	**2.1**	**3.5**	**3.1**	**3.5**	**3.0**	**2.7**
Québec	**33.5**	**35.2**	**34.7**	**45.3**	**41.1**	**49.9**	**45.1**
Ontario	**79.6**	**83.9**	**75.8**	**81.9**	**80.9**	**82.5**	**82.4**
Manitoba	**2.2**	**2.1**	**2.0**	**3.1**	**2.0**	**3.9**	**3.1**
Saskatchewan	**2.4**	**2.7**	**2.8**	**2.6**	**2.3**	**2.8**	**2.5**
Alberta	**32.7**	**33.5**	**31.3**	**33.6**	**34.3**	**32.7**	**34.1**
British Columbia	**20.3**	**20.9**	**21.5**	**28.5**	**27.8**	**27.4**	**30.2**

* Thousands of units, seasonally adjusted and annualized. All data are final.

This Month's Major Housing Indicators

	2002	Q1:03	Q2:03	Q3:03	M7:03	M8:03	M9:03
New Housing							
New & unoccupied singles & semis, units 000s	**4.8**	**4.7**	**4.8**	**4.6**	**4.6**	**4.6**	**4.7**
Per cent change from same period previous year	-16.4	-9.5	-3.4	5.6	4.6	6.2	5.8
New & unoccupied row & apartments, units 000s	**5.1**	**5.2**	**5.7**	**5.7**	**5.6**	**5.8**	**5.6**
Per cent change from same period previous year	-16.5	-2.8	8.7	19.9	12.4	27.4	20.4
New House Price Index, 1997=100	**111.3**	**114.6**	**115.9**	**n.a.**	**116.7**	**117.3**	**n.a.**
Per cent change from same period previous year	4.1	5.0	4.4	n.a.	4.7	4.7	n.a.
Existing Housing							
MLS® resales*, units 000s	**421.2**	**415.0**	**421.8**	**n.a.**	**501.3**	**455.4**	**n.a.**
Per cent change from same period previous year	10.6	-9.8	2.4	n.a.	28.4	13.4	n.a.
MLS® average resale price, $C 000s**	**188.1**	**197.7**	**203.5**	**n.a.**	**201.4**	**210.0**	**n.a.**
Per cent change from same period previous year	9.5	8.0	8.3	n.a.	8.4	12.3	n.a.
Mortgage Market							
1-Year Mortgage Rate, % (period average)	**5.17**	**5.05**	**5.08**	**4.55**	**4.55**	**4.55**	**4.55**
5-Year Mortgage Rate, % (period average)	**7.02**	**6.63**	**6.20**	**6.28**	**6.20**	**6.35**	**6.30**

SOURCES: CMHC, Statistics Canada, Bank of Canada, The Canadian Real Estate Association.
n.a. Figures not available
* Seasonally adjusted and annualized (SAAR). ** Seasonally adjusted.