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HOUSING FACTS

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Canada Mortgage and Housing Corporation

STARTS REMAIN STRONG IN MARCH

The seasonally adjusted annual rate¹ of housing starts in Canada was 210,500² in March with the new housing market continuing to show a high level of activity.

Despite the decrease in starts in March compared with February, the underlying housing market remains strong thanks to employment growth, increasing incomes and low mortgage rates. Actual starts for the first quarter of 2003 exceeded last year's first quarter by 6.1 per cent.

The seasonally adjusted annual rate of urban single starts decreased 10.2 per cent to 93,200 units in March from 103,800 units in February. In terms of actual starts, urban single starts year-to-date were only 0.4 per cent lower than for the same period of 2002. The

seasonally adjusted annual rate of urban multiple starts decreased 20.7 per cent to 95,600 units in March compared with 120,600 units in February.

Nevertheless, actual first quarter urban multiple starts were impressive, increasing by 13 per cent compared with the same period in 2002.

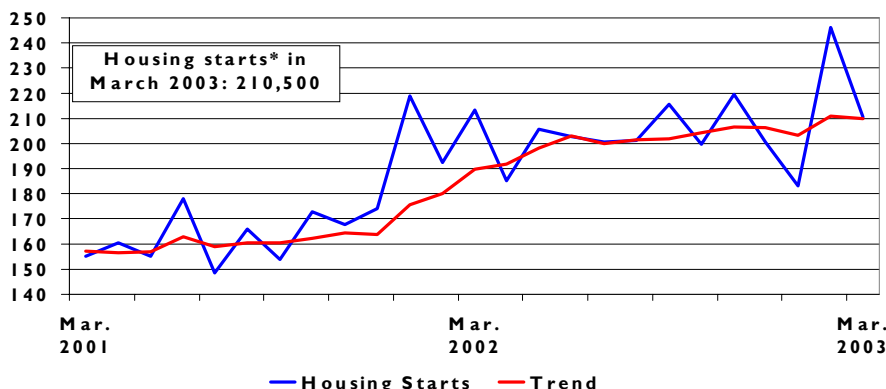
The large number of condominium projects in Toronto, which began construction in February, propelled multiple starts noticeably higher. As expected however, this high level of multiple starts did not continue in March so total starts moved to a level more in line with recent trends.

Rural starts in March were estimated at an annual rate of 21,700 units. ■

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Housing Starts in Canada - All Areas*



* Seasonally adjusted at annual rates
¹⁻² See notes on page 2



HOME TO CANADIANS
Canada

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.
2. Figures for the most recent month are preliminary and subject to revisions due to corrections or updates from quarterly enumeration or sampling results.

Special note:

Prior to July 2002, the *CMHC Starts and Completions Survey* consisted of a monthly enumeration of new housing activity in urban centres with a population of 10,000 persons and over. As of July 2002, the survey will be conducted monthly in urban centres with a population of 50,000 persons and over and quarterly in urban centres with a population of 10,000 to 49,999 persons. Statistical models will be used to estimate provincial and national housing starts in urban centres with a population of 10,000 persons and over, on a monthly basis.

The methodology is unchanged for estimating housing starts in rural areas (areas other than urban centres with a population of 10,000 persons and over.) In these areas, a sample survey is used on a quarterly basis. As was the case in the past, statistical models continue to be used to estimate national housing starts in all areas on a monthly basis.

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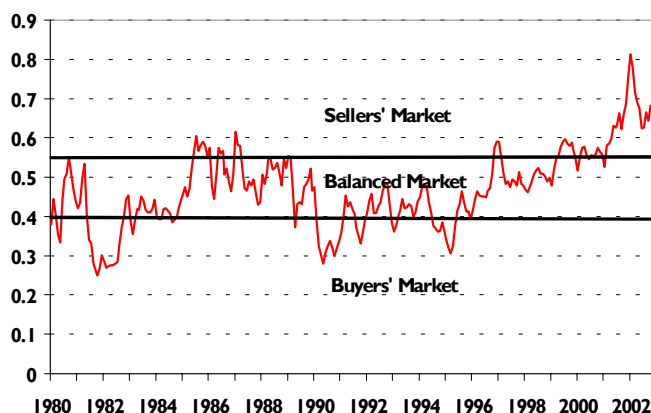
MLS® resale market remains strong

Historically, the MLS® sales-to-new listing ratio has never been higher. From coast to coast, resale markets are hot, which points to strong price growth and a spill-over of demand into the new home market.

- Canada's MLS® sales-to-new listings ratio, which is an indicator of resale market tightness, has never, in over 20 years, been so firmly planted in the sellers' market territory for such an extended period of time.
- As a consequence of the extended period in the sellers' market, MLS® prices have been rising. The average price of a Canadian MLS® sale has risen annually by an average of 5.5 per cent since 1999, easily exceeding the rate of inflation. As well, the high ratio suggests that some demand is not being satisfied in the resale market and is being diverted to the new home market, evident by strong housing starts.
- In general, the high ratio points to the extraordinary robustness of resale markets from coast to coast. This extended period of above historical rates is the result of

historically low interest rates and strong job and income growth seen in many regions across the country. ■

MLS® sales-to-new listing ratio



Sources: CMHC, Canadian Real Estate Association

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

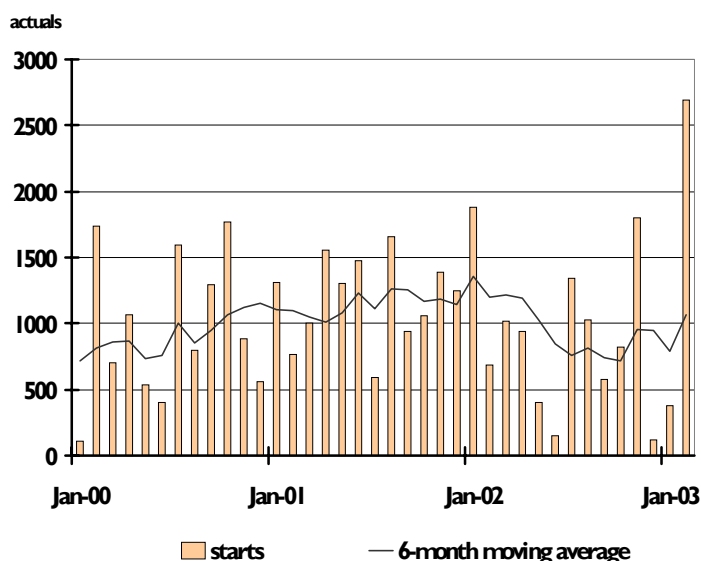
Toronto condominium starts on the mend

The recent jump in the Toronto condominium market in February was aided by the surge in condominium completions at the end of 2002, which freed up skilled labour and equipment.

- A strong local economy and low mortgage rates reduced standing inventories to low levels in 2002. As of January 2003, there were around 270 completed and unoccupied condo units available. Based on the low level of inventories and high reported condo sales, a higher number of condo starts had been expected for 2002, but this was not the case. After declining from around 14,200 starts in 2001 to 10,700 starts in 2002, the expected turnaround in Toronto condominium starts materialized in February, aided by a few important factors.
- Condominium starts decreased in 2002 as a result of a surge in the high-rise residential construction seen in 2001. This caused a shortage in skilled trade labour and heavy equipment, such as cranes, which led to a backlog of projects in the condo market. Thus, builders had to complete current projects before they were able to begin new projects. Condominium completions jumped from low levels of around 4,800 completed units in 2001 to around 14,200 completed units in 2002. As well, a record level of 2,234 completed units was set in December 2002. The high level of completed units in 2002 freed up resources for the rebound in condominium starts.
- Multiple unit building permits issued in Toronto increased from around 18,200 units in 2001 to around 20,000 units in 2002 indicating that condo construction would commence.
- Condo starts tend to be volatile month to month. This was particularly evident in February when Toronto's starts spiked to record highs. However, given the low

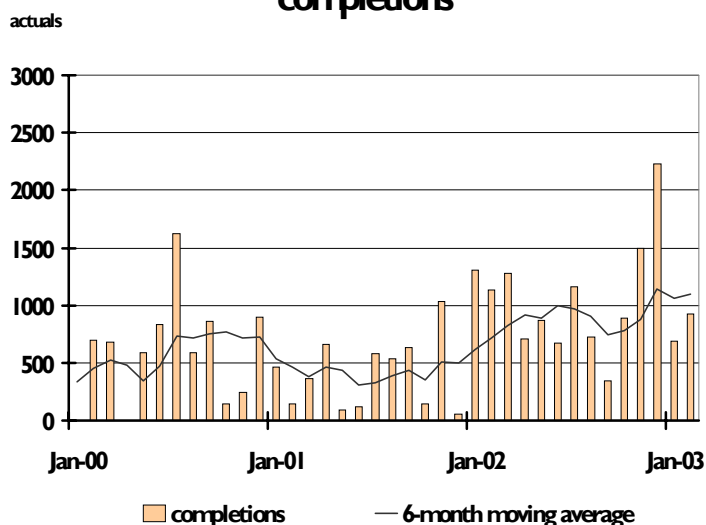
inventories and high building permit numbers, Toronto's condo market is expected to remain robust, but with the growth spread over a longer period. ■

Toronto CMA condominium starts



Source: CMHC

Toronto CMA condominium completions



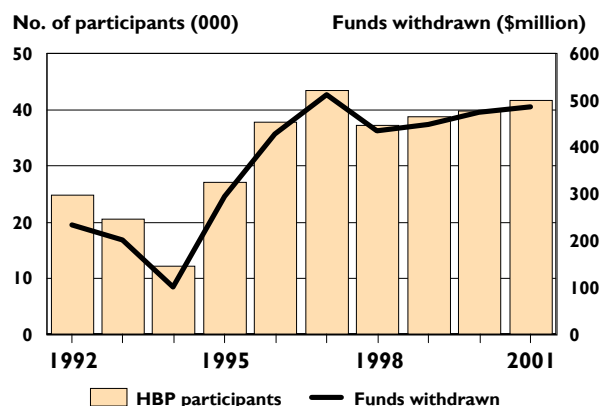
Source: CMHC

A series* on RRSP Home Buyers' Plan: Quebec

Over 323,000 Quebec residents have taken advantage of the Home Buyers' Plan to purchase homes.

- The Home Buyers' Plan (HBP) was introduced by the federal government in 1992 to help individuals purchase homes. It allows Canadians, who meet certain eligibility conditions, to withdraw up to \$20,000 tax-free from their Registered Retirement Saving Plans (RRSPs) for this purpose. The amounts withdrawn remain tax-exempt if they are repaid within 15 years.
- Nationally, the second largest number of individuals to ever participate in the Home Buyers' Plan was recorded in 2001. On average, \$12,000 or 7.0 per cent of the Canada MLS average price was withdrawn by home buyers from their RRSPs to acquire a dwelling.
- In Quebec, the federal government's Home Buyers' Plan combined with low mortgage rates helped over 41,000 individuals realize their homeowner dreams in 2001 by enabling them to withdraw more than \$487 million in RRSP funds to purchase homes. The average amount withdrawn under the plan was \$11,670.
- Since its inception in 1992, some 323,000 individuals in Quebec have participated in the plan channelling \$3.6 billion to the housing market. Nearly 20 per cent of the funds withdrawn have already been repaid.
- Quebec has accounted for about 27 per cent of participants and 30 per cent of RRSP funds withdrawn under HBP. ■

Quebec's participation in the Home Buyers' Plan



Sources: CMHC, CCRA

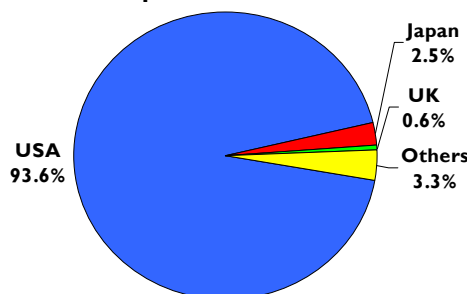
*The series will be continued in future editions of Housing Facts and will cover all regions in Canada. The Ontario region was analysed in the March 2003 issue.

Canada's housing-related exports

The Canadian economy generates a small, but growing amount of exports of value-added housing-related products. Canada's export markets and sources for these products are briefly examined.

- In 2002, exports in housing-related building products increased 1.2 per cent from 2001 to \$8.4 billion. The trade in value-added housing-related building products remains highly concentrated in destination. More than 90 per cent of Canadian housing-related building material exports are destined for the United States. This compares to the roughly 85 per cent share of total Canadian exports that head to the United States last year.
- Though the destination is fairly concentrated, the sources are not. As would be expected Ontario holds the largest share of Canadian housing-related building material exports, at 41.0 per cent of the total. Quebec is next with a 24.4 per cent share and the British Columbia-Yukon region is third with about a 18.5 per cent share. ■

U.S. dominates housing-related export destinations



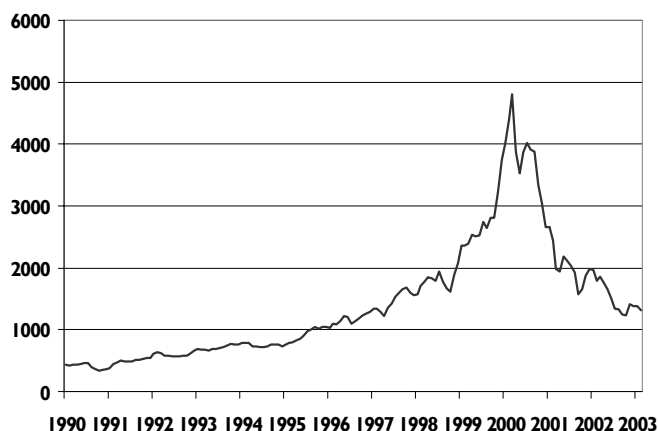
Source: CMHC

The market remains hot, but no bubble on the horizon

Many observers wonder if there is a bubble in the housing market. It is understandable that the question would arise given the record-setting activity in the housing market over the past year. However, there is no bubble in the market.

- A bubble occurs when an asset experiences price increases well in excess of historical norms for sustained periods of time and is mainly based on the expectation of rising prices rather than supportable long-term trends in the demand for and the supply of an asset. Thus, the rapid price increase, which causes speculative buying to occur, is followed by a sudden and rapid decline in prices (the bubble bursting) and then an extended period of weakness. An example is the Nasdaq from 1999-present, and the house bubble of the late 1980s.

NASDAQ composite index



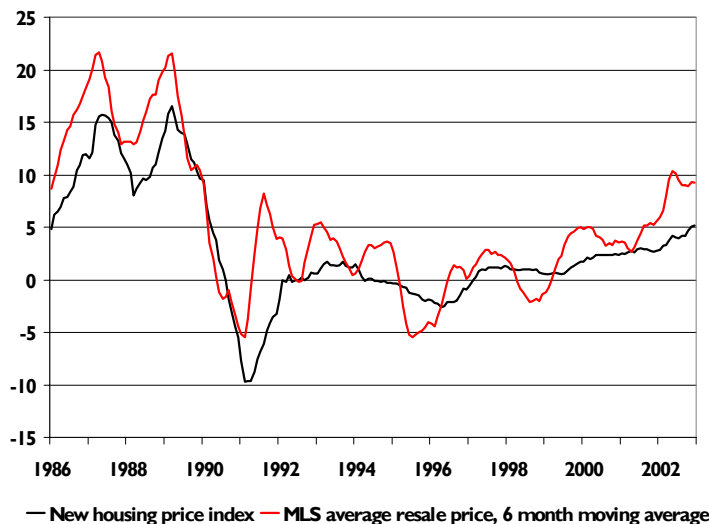
Source: Conference Board of Canada

- Given the heightened state of activity over the past few years, it should not be surprising that there are questions on whether we are experiencing or approaching a bubble now. The answer is no.
- There are several indications that we are not experiencing the same situation as seen in the late 1980s. One such indicator is the growth in house prices, which is nowhere near the rate of growth seen in the late 1980s. Growth in MLS® prices has come off its short-lived peak

of 10.4 per cent in May 2002 and is currently around 9.3 per cent, which is less than half the growth rate of the late 1980s bubble. Furthermore, although the New Housing Price Index calculated by Statistics Canada has drifted up in recent months, it only posted a growth rate of just over 5.1 per cent. This compares to a growth rate three times that high in the late 1980s. From a price standpoint, we are currently seeing strong gains but with very little reported speculative buying.

- The recent price gains are seen as sustainable since they are backed by the solid fundamental of low mortgage rates. Rates are not expected to jump dramatically, and therefore, continue to support a high level of housing demand. As well, employment and income growth have been healthy over the past few years and continue to be strong. This evidence argues that Canada is not experiencing a housing market bubble. ■

House prices rising, but not like late 1980's
(percentage change, year over year)



Sources: CMHC, Statistics Canada, CREA

Who intends to purchase a home and how much will be spent?

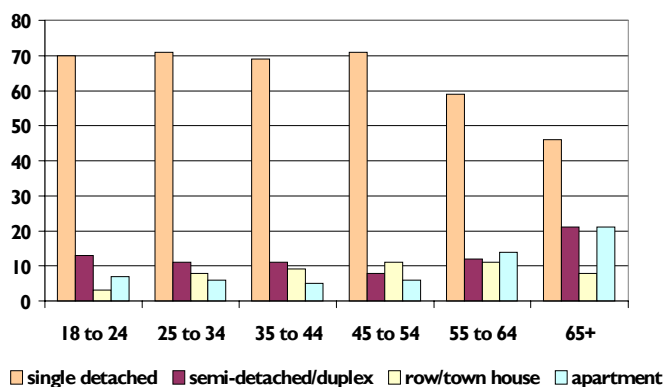
CMHC's 2002 Consumer Intentions to Buy or Renovate survey contains a wealth of information on both the spending intentions and type of dwelling intended for this year.

- CMHC's 2002 report on Consumer Intentions to Buy or Renovate contains a wealth of information on households who intend to buy a home.
- According to the 2002 survey, 11 per cent of households located in Canada's top 5 centres stated that they intended to buy a home within the year (note - results vary by centre). This is equivalent to the 2001 survey results when again 11 per cent stated their intentions. This points to another strong year for housing markets in 2003.

looking for and intended to buy a pre-owned home, while only 32 per cent of households claimed to be interested in a brand new home.

- Nationally, 35 per cent of all home buyer intenders are looking for a home priced below \$200,000.

Type of home searched for by respondent age



Source: CMHC Consumer Intentions to Buy or Renovate

- All age groups stated that single-detached homes were their preferred structure type. In fact, 68 per cent of all respondents preferred a single-detached home, while only 11 per cent of individuals claimed to be interested in a semi-detached/duplex home. As well, the older the age group, the more likely they were to prefer an apartment.
- Of the households which intend to purchase a home, 56 per cent claimed that they were

Price range of home (National)

Price Range	Percentage
Under \$99,999	5%
\$100,000 to \$124,999	9%
\$125,000 to \$149,999	5%
\$150,000 to \$174,999	10%
\$175,000 to \$199,999	6%
\$200,000 to \$249,999	19%
\$250,000 to \$299,999	12%
\$300,000 to \$399,999	13%
\$400,000 to \$499,999	4%
\$500,000 or more	5%
Don't know	11%
Total*	100%

* Note total does not add due to rounding

Source: CMHC Consumers Intentions to Buy or Renovate

- According to the survey, the older the household, the more willing they are to purchase a higher priced home. That is, 41 per cent of households age 65 and older are looking for a home priced above \$250,000, while 35 per cent of households between the age of 35 to 44 are looking for a house priced above \$250,000. ■

Detailed data on consumers' home buying and renovation intentions are available from www.cmhc.ca

This Month's Housing Data (SAAR)

	2002	Q3:02	Q4:02	Q1:03	M1:03	M2:03	M3:03
Housing starts, units, 000's							
Canada. Total. All areas	205.0	205.5	211.6	213.3	183.2	246.1	210.5
% chg	26.0	3.9	3.0	0.8	-8.7	34.3	-14.5
Canada. Total. Rural areas	25.9	24.7	25.7	21.7	21.7	21.7	21.7
% chg	26.7	0.4	4.0	-15.6	-15.6	0.0	0.0
Canada. Total. Urban areas	179.1	180.8	185.9	191.6	161.5	224.4	188.8
% chg	25.9	4.4	2.8	3.1	-7.7	38.9	-15.9
Canada. Single. Urban areas	103.1	103.5	106.9	98.2	97.8	103.8	93.2
% chg	31.7	0.4	3.3	-8.1	-7.6	6.1	-10.2
Canada. Multiple. Urban areas	76.1	77.3	79.0	93.4	63.7	120.6	95.6
% chg	18.7	10.3	2.2	18.2	-7.9	89.3	-20.7
Newfoundland. Total. All areas	2.4	2.2	2.8	1.7	1.5	2.1	1.5
% chg	35.3	-12.0	27.3	-39.3	-40.0	40.0	-28.6
Prince Edward Island. Total. All areas	0.8	0.9	0.7	0.7	0.8	0.7	0.5
% chg	14.8	12.5	-22.2	0.0	0.0	-12.5	-28.6
Nova Scotia. Total. All areas	5.0	4.4	5.9	9.8	3.5	6.0	19.9
% chg	21.5	-8.3	34.1	66.1	-50.7	71.4	231.7
New Brunswick. Total. All areas	3.9	3.3	5.1	2.9	3.2	2.9	2.6
% chg	11.6	-19.5	54.5	-43.1	-23.8	-9.4	-10.3
Quebec. Total. All areas	42.5	43.7	45.3	42.9	44.8	44.2	39.8
% chg	53.4	8.7	3.7	-5.3	3.5	-1.3	-10.0
Ontario. Total. All areas	83.6	83.6	81.4	88.5	69.3	119.2	76.9
% chg	14.1	3.7	-2.6	8.7	-7.1	72.0	-35.5
Manitoba. Total. All areas	3.6	3.9	3.7	3.7	4.1	3.6	3.5
% chg	22.1	14.7	-5.1	0.0	24.2	-12.2	-2.8
Saskatchewan. Total. All areas	3.0	3.4	3.4	3.2	3.5	2.5	3.3
% chg	24.4	36.0	0.0	-5.9	-14.6	-28.6	32.0
Alberta. Total. All areas	38.8	36.4	39.8	38.5	33.4	41.4	40.8
% chg	32.8	-6.2	9.3	-3.3	-10.7	24.0	-1.4
British Columbia. Total. All areas	21.6	23.7	23.5	21.4	19.1	23.5	21.7
% chg	25.5	17.9	-0.8	-8.9	-18.4	23.0	-7.7

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*

	2002	Q3:02	Q4:02	Q1:03	M1:03	M2:03	M3:03
Canada	179.1	180.8	185.9	191.6	161.5	224.4	188.8
Newfoundland	1.6	1.4	1.5	1.3	1.1	1.7	1.1
Prince Edward Island	0.5	0.6	0.5	0.5	0.6	0.5	0.3
Nova Scotia	3.7	3.5	4.7	8.5	2.2	4.7	18.6
New Brunswick	2.6	2.3	3.6	2.1	2.4	2.1	1.8
Québec	33.5	35.3	36.4	36.2	38.1	37.5	33.1
Ontario	79.6	79.3	76.9	84.1	64.9	114.8	72.5
Manitoba	2.2	2.6	2.1	2.1	2.5	2.0	1.9
Saskatchewan	2.4	3.0	2.7	2.7	3.0	2.0	2.8
Alberta	32.7	30.3	34.9	33.2	28.1	36.1	35.5
British Columbia	20.3	22.5	22.6	20.9	18.6	23.0	21.2

* Thousands of units, seasonally adjusted.

This Month's Major Housing Indicators

	2002	Q3:02	Q4:02	Q1:03	M1:03	M2:03	M3:03
New Housing*							
New & unoccupied singles & semis, 000's	4.8	4.6	4.8	n.a.	4.6	4.5	n.a.
%chg	-16.4	-5.4	4.5	n.a.	-0.9	-2.5	n.a.
New & unoccupied row & apartments, 000's	5.1	4.8	5.0	n.a.	4.8	5.2	n.a.
%chg	-16.5	-10.4	5.5	n.a.	-13.6	9.7	n.a.
New House Price Index, 1992=100	110.4	110.9	112.4	n.a.	113.3	n.a.	n.a.
%chg	4.1	0.9	1.3	n.a.	0.4	n.a.	n.a.
Existing Housing**							
MLS resales, units. 000's	421.2	402.7	409.9	n.a.	419.8	393.3	n.a.
%chg	10.6	-2.3	1.8	n.a.	6.4	-6.3	n.a.
MLS average resale price. \$C, 000's	188.2	189.7	192.6	n.a.	197.2	203.4	n.a.
%chg	9.7	1.0	1.6	n.a.	1.6	3.1	n.a.
Mortgage Market							
1-Year Mortgage Rate, %	5.17	5.33	5.03	5.05	4.90	4.90	5.35
5-Year Mortgage Rate, %	7.02	6.85	6.80	6.63	6.45	6.60	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).