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HOUSING FACTS

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Canada Mortgage and Housing Corporation

HOUSING STARTS REMAIN HIGH IN MAY

The seasonally adjusted annual rate¹ of housing starts was 197,900 in May, reflecting robust construction activity in the residential sector. Last month's slight decline in the housing starts trend is consistent with the expected moderation in the level of activity later this year and in 2004.

Low mortgage rates, favourable labour market conditions and consumer confidence continue to support healthy levels of activity in the housing market. Rising house prices also yielded higher returns on residential real estate than on bonds and equities, further boosting demand for housing.

Sales of new homes have stimulated construction activity given the low inventories of completed units available for sale. Year-to-date, actual starts have exceeded last year's level by 2.4 per cent.

While the seasonally adjusted annual

rate of urban multiple starts decreased 9.1 per cent to 74,500 units in May 2003 compared with 82,000 units in April, the rate is line with the average of 76,000 in 2002. Year-to-date actual urban multiple starts having increased 12.5 per cent, remain high compared with the same period in 2002.

The seasonally adjusted annual rate of urban single starts edged down 2.4 per cent to 94,100 units in May from 96,400 the previous month. This was reflected in all regions of the country except Ontario where urban single starts increased 3.1 per cent. In terms of actual starts, urban single starts year-to-date are 5.3 per cent lower than for the same period of 2002.

Rural starts in May were estimated at a seasonally adjusted annual rate of 29,300 units. ■

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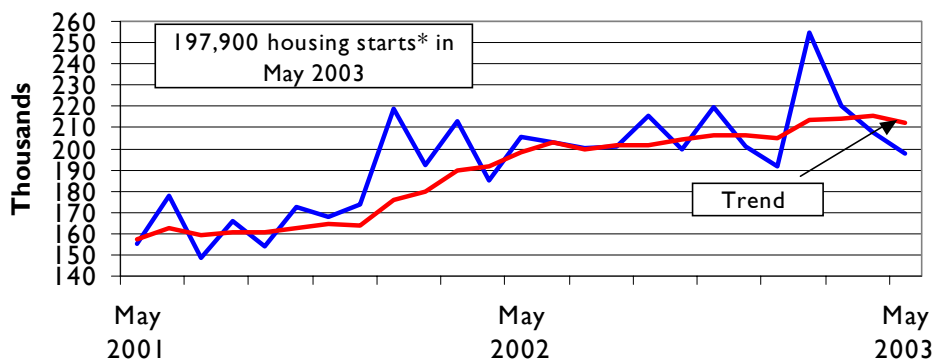
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Housing Starts in Canada - All Areas*



Source: CMHC

*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.

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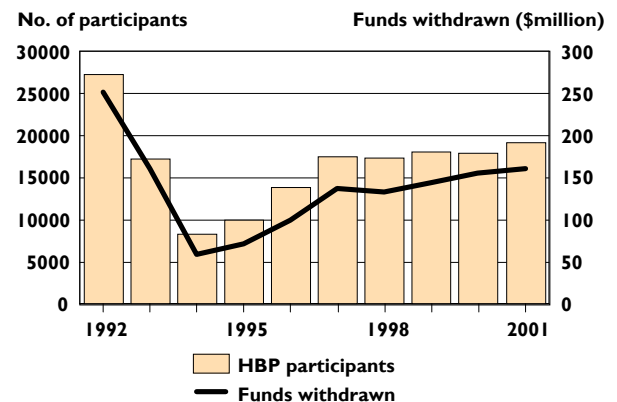
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A series* on RRSP Home Buyers' Plan: Prairies

Over 166,000 Prairie 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 the Prairies, the federal government's Home Buyers' Plan (HBP) combined with low mortgage rates helped over 19,200 individuals realize their homeowner dream in 2001 by enabling them to withdraw more than \$161 million in RRSP funds to purchase homes. The average amount withdrawn under the plan was \$8,387.
- Since its inception in 1992, over 166,000 individuals in the Prairies have participated in the plan channeling \$1.376 billion to the housing market. Nearly 23 per cent of the funds withdrawn have already been repaid.
- The Prairie provinces have accounted for about 14 per cent of participants and 11 per cent of RRSP funds withdrawn under HBP. ■

The Prairie'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, Quebec, and British Columbia region have been analysed in the March, April and May 2003 issues.

Outlook for 2003-2004: Expect steady housing construction

A strong year for starts expected in 2003 with slight cooling down in 2004.

- The latest edition of **CMHC Housing Outlook** reported that starts are expected to reach 205,500 units in 2003 and 193,700 units in 2004. Continued employment and income growth will sustain housing market expansion throughout 2003 with strong construction continuing in 2004. The decline in starts for 2004 will be due to expected higher mortgage rates. Over the medium term (2005-2007), it is expected that starts will decline, with levels around 180,000 in 2007.
- Following a record high in 2002, the number of MLS[®] resales for 2003 will fall only slightly (4.5 per cent) thanks to a steady economy expected throughout 2003. Rising mortgage rates later this year and next, coupled with higher house prices will mean fewer sales in 2004. Thus, this will temper the demand for new housing over the medium term.

- CMHC anticipates that the average price of existing homes will rise at a slower pace over the next two years as listings rise and the resale market cools. The average resale price growth is expected to rise 5.3 per cent this year and 4.9 per cent in 2004. ■

Key forecast numbers

	2002	2003(F)	2004(F)
Housing starts	205,034	205,500	193,700
Number of resales	420,676	395,800	380,900
Average resale price (\$)	188,168	199,600	209,400

Sources: CMHC Housing Outlook, Canadian Real Estate Association (CREA)
(F) Forecast

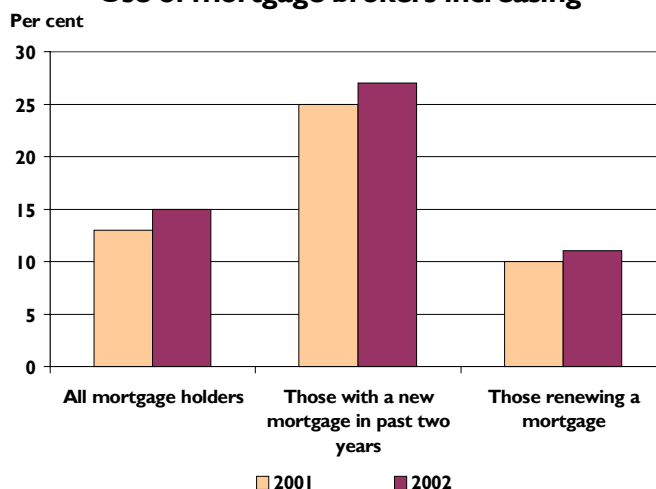
Mortgage brokers play an active role in the mortgage market

The use of mortgage broker services is increasing, especially among new mortgage holders.

- Mortgage brokers assist homebuyers and real estate investors obtain mortgage financing through dealings with an array of lenders.
- The recent FIRM survey shows that an increasing proportion of mortgage holders rely on mortgage brokers. In fact, 15 per cent of all mortgage holders surveyed used a mortgage broker to initially arrange their mortgage with their lender in 2002. This is up from 13 per cent in 2001.
- Of those individuals who have taken out a mortgage (within the past two years), 27 per cent have used the services of a mortgage broker. As well, the largest group amongst of these mortgage holders (44.6 per cent) who have used the services of a mortgage broker fall within the age range of 35 to 49.
- When renewing their mortgage, an increasing number of individuals are using mortgage

brokers. Also, the survey revealed that 28 per cent of mortgage renewers who used a broker switched lenders compared with 12 per cent of renewers who did not use one. ■

Use of mortgage brokers increasing



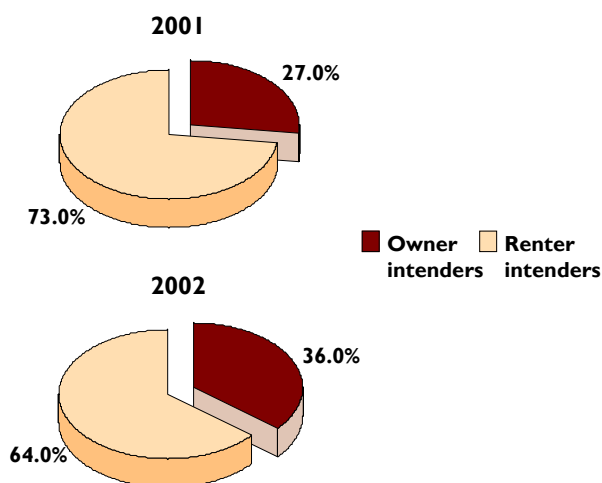
Source: FIRM survey Clayton Research/Ipsos Reid

Increasing proportion of repeat buyers in 2003

First-time buyers still hold a strong share of the intended home purchasing market but an increasing proportion of repeat buyers are entering the market.

- CMHC's 2002 Consumer Intentions to Buy or Renovate survey states that, of the households who intend to purchase a home, 64 per cent will be first-time buyers (are currently renters), while the 36 per cent remainder are repeat buyers (already own their own home). The percentage of individuals who are repeat buyers has increased since 2001, where only 27 per cent of individuals who intended to purchase a home surveyed in 2001 already owned their own home.

Increasing share of repeat buyers

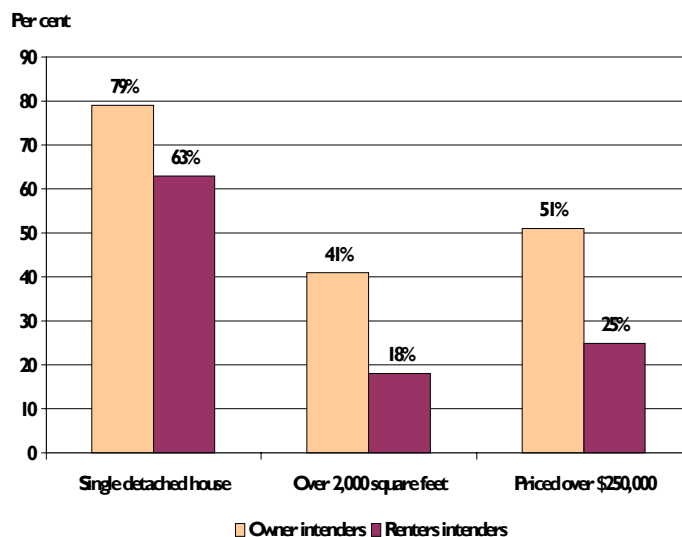


Source: CMHC Consumers Intentions to Buy or Renovate

- The type of house repeat buyers are searching for differs from those sought after by first-time buyers. Individuals that own their own home are more likely to search for a single detached house, with over 2,000 square feet, and an intent to pay over \$250,000.
- Of those individuals who are repeat buyers and intend to purchase a home, more than half (56 per cent) intend to purchase a home priced higher than their current home, while

26 per cent intend to purchase a home priced lower than their current home. The remaining 17 per cent of individuals intend to move laterally and purchase a home similarly priced to their current home.

Repeat buyers prefer larger, single detached homes



Source: CMHC Consumer Intentions to Buy or Renovate

- When intending repeat buyers were asked what the most important reason to purchase a new home was, 37 per cent stated that it was the desire for a larger, better house, suggesting move-up intentions. On the other hand, just over 15 per cent of repeat buyers indicated movement to a better neighbourhood as the primary reason. This suggests that some move-up buyers intend to spend more on an improved location rather than a larger home. ■

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

Do rising MLS® prices affect MLS® new listings?

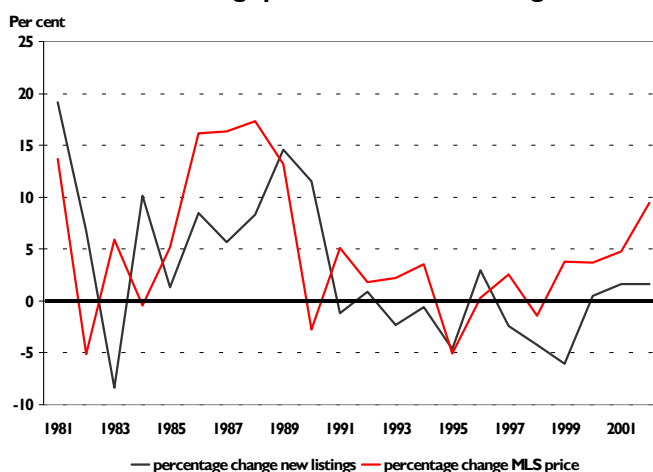
As MLS® prices increase, more households put their houses up for sale. What is the relationship between the time of price changes and listings?

- As individuals become aware of increasing housing values, they may be tempted to list their homes to take advantage of the increasing prices within the housing market. Does available data show a relationship between average prices and listings? That is, as the prices of existing homes increase, will individuals list their homes?
- By comparing the MLS® average price and MLS® new listings growth over 5 year increments, beginning in 1980, a pattern emerges between the average price and new listings. It was found that the price growth in the 1985-1989 period was the largest gain since 1980, when the MLS® average price grew by 79.5 per cent. The largest gain in the number of MLS® new listings was seen in the 1986-1990 period, where the number of MLS® new listings increased by 46.3 per cent. This analysis points to approximately a 12 month lag between an increase in average prices and a corresponding increase in the new listings.
- The graph below illustrates that the relationship between prices and listings holds on a year to year basis, as well as for longer periods. Thus, the reaction of individuals to an increase in the MLS® average price occurs approximately 12 months after the initial price increase, and then leads to an increase in the MLS® new listings. The only time that this did not hold was during 1995. An increase in interest rates led to a build-up in new housing inventories and a general drop in house prices in this period. As well, minimal job creation and income gains in the early half of 1995 coupled with volatile interest rates, heightened the risk associated with owning real estate and likely led to higher listings. By 1998, new

listings were again responding to changes in the MLS® average price with approximately a one year lag, as observed in the data.

- Moving forward, the MLS® average price has increased by 23.5 per cent during the 1998-2002 period. This growth in prices over the past five years has been followed by an increase in the number of MLS® new listings in the lagged period of 1999-2002. Thus, prices led new listings again. One other thing to note, prices rose in 2002 by 9.5 per cent, while MLS® new listings remained level. Based on past trends, we would expect an increase in listings over the next 12 months.
- Although there are other factors such as low mortgage rates, and strong employment and income growth, that contribute to changes in new listings, MLS® average price has the strongest correlation with and affect on new listings. ■

MLS average prices lead MLS new listings



Source: CMHC, Canadian Real Estate Association (CREA)

What's new in the manufactured housing industry?

Two-thirds of manufactured homes produced in 2002 were single section units, while over 90 per cent of exports to the United States were multiple section units.

- Manufactured homes are factory-built and may be constructed in one or more sections. Single section houses are delivered to the site as one complete unit such as mobile homes, while multiple section houses (or modular homes) are delivered in two or more sections and joined on site. These houses are built in a controlled environment and the factory can operate throughout the year.
- According to the Canadian Manufactured Housing Institute, first quarter 2003 shipments of Canadian factory-built housing units across North America increased approximately 20 per cent year-over-year, with a 20 per cent increase in multiple section units. As well, first quarter 2003 multiple section Canadian exports to the United States increased approximately 40 per cent year-over-year.
- The table below shows that across Canada almost two-thirds of manufactured home shipments were single section units (2002 data), which has been the case over the past seven years. On the other hand, shipments to the United States mainly consist of multiple section units, with over 90 per cent of shipments being multiple section units.
- There is a wide variation in the demand for single or multiple section units across the provinces. Saskatchewan and Quebec had a greater demand for single section manufactured homes in 2002 (85 per cent), while in Ontario and British Columbia multiple section units were preferred (85 per cent and 63 per cent respectively). Multiple unit sections tend to be more expensive. ■

Demand for single and multiple section units vary across provinces

	Percentage of single section units	Percentage of multiple section units
Newfoundland	N/A	N/A
PEI	81	19
Nova Scotia	67	33
New Brunswick	59	41
Quebec	85	15
Ontario	15	85
Manitoba	85	15
Saskatchewan	95	5
Alberta	82	18
British Columbia	37	63
NWT/YT/NUN	67	33
Canada	65	35
Exports - USA	7	93

Source: CMHC Canadian Manufactured Housing Institute

This Month's Housing Data (SAAR)

	2002	Q3:02	Q4:02	Q1:03	M3:03	M4:03	M5:03
Housing starts, units, 000's							
Canada. Total. All areas	205.0	205.5	211.6	222.2	220.4	207.7	197.9
% chg	26.0	3.9	3.0	5.0	-13.5	-5.8	-4.7
Canada. Total. Rural areas	25.9	24.7	25.7	31.5	31.5	29.3	29.3
% chg	26.7	0.4	4.0	22.6	0.0	-7.0	0.0
Canada. Total. Urban areas	179.1	180.8	185.9	190.7	188.9	178.4	168.6
% chg	25.9	4.4	2.8	2.6	-15.4	-5.6	-5.5
Canada. Single. Urban areas	103.1	103.5	106.9	97.0	93.2	96.4	94.1
% chg	31.7	0.4	3.3	-9.3	-8.6	3.4	-2.4
Canada. Multiple. Urban areas	76.1	77.3	79.0	93.7	95.7	82.0	74.5
% chg	18.7	10.3	2.2	18.6	-21.2	-14.3	-9.1
Newfoundland. Total. All areas	2.4	2.1	2.9	1.6	1.5	2.3	2.5
% chg	35.3	-16.0	38.1	-44.8	-25.0	53.3	8.7
Prince Edward Island. Total. All areas	0.8	0.9	0.7	0.9	0.7	0.4	0.9
% chg	14.8	12.5	-22.2	28.6	-22.2	-42.9	125.0
Nova Scotia. Total. All areas	5.0	4.4	5.9	9.9	19.9	4.0	4.1
% chg	21.5	-8.3	34.1	67.8	215.9	-79.9	2.5
New Brunswick. Total. All areas	3.9	3.3	5.1	3.7	3.4	5.4	4.6
% chg	11.6	-19.5	54.5	-27.5	-5.6	58.8	-14.8
Quebec. Total. All areas	42.5	43.7	45.4	46.8	44.6	42.7	43.2
% chg	53.4	8.7	3.9	3.1	-6.5	-4.3	1.2
Ontario. Total. All areas	83.6	83.4	80.7	90.2	78.9	76.7	77.2
% chg	14.1	3.1	-3.2	11.8	-34.8	-2.8	0.7
Manitoba. Total. All areas	3.6	3.9	3.7	3.5	3.3	3.1	3.6
% chg	22.1	14.7	-5.1	-5.4	-2.9	-6.1	16.1
Saskatchewan. Total. All areas	3.0	3.4	3.4	3.4	3.8	4.8	2.6
% chg	24.4	36.0	0.0	0.0	35.7	26.3	-45.8
Alberta. Total. All areas	38.8	36.6	40.1	38.4	40.3	40.1	35.8
% chg	32.8	-5.4	9.6	-4.2	-4.0	-0.5	-10.7
British Columbia. Total. All areas	21.6	23.8	23.6	23.8	24.0	28.1	23.3
% chg	25.5	19.6	-0.8	0.8	-4.8	17.1	-17.1

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	M3:03	M4:03	M5:03
Canada	179.1	180.8	185.9	190.7	188.9	178.4	168.6
Newfoundland	1.6	1.4	1.5	1.2	1.1	1.8	2.0
Prince Edward Island	0.5	0.6	0.5	0.5	0.3	0.3	0.8
Nova Scotia	3.7	3.5	4.7	8.6	18.6	2.4	2.5
New Brunswick	2.6	2.3	3.6	2.1	1.8	4.5	3.7
Québec	33.5	35.3	36.4	35.2	33.0	33.9	34.4
Ontario	79.6	79.3	76.9	83.9	72.6	71.1	71.6
Manitoba	2.2	2.6	2.1	2.1	1.9	1.7	2.2
Saskatchewan	2.4	3.0	2.7	2.7	3.1	4.2	2.0
Alberta	32.7	30.3	34.9	33.5	35.4	33.2	28.9
British Columbia	20.3	22.5	22.6	20.9	21.1	25.3	20.5

* Thousands of units, seasonally adjusted.

This Month's Major Housing Indicators

	2002	Q3:02	Q4:02	Q1:03	M3:03	M4:03	M5:03
New Housing*							
New & unoccupied singles & semis, 000's	4.8	4.6	4.8	4.6	4.5	4.6	n.a.
%chg	-16.4	-5.6	4.7	-5.3	-1.4	1.6	n.a.
New & unoccupied row & apartments, 000's	5.1	4.8	5.1	5.1	5.3	5.4	n.a.
%chg	-16.5	-9.6	7.1	-0.5	1.3	2.8	n.a.
New House Price Index, 1992=100	110.4	110.9	112.4	113.7	113.9	n.a.	n.a.
%chg	4.1	0.9	1.3	1.2	0.1	n.a.	n.a.
Existing Housing**							
MLS [®] resales, units. 000's	421.2	402.7	409.9	401.6	400.6	395.1	n.a.
%chg	10.6	-2.3	1.8	-2.0	1.0	-1.4	n.a.
MLS [®] average resale price. \$C, 000's	188.2	189.7	192.6	197.8	200.8	196.9	n.a.
%chg	9.7	1.0	1.6	2.7	2.3	-1.9	n.a.
Mortgage Market							
1-Year Mortgage Rate, %	5.17	5.33	5.03	5.05	5.35	5.35	5.05
5-Year Mortgage Rate, %	7.02	6.85	6.80	6.63	6.85	6.65	6.15

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).