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# HOUSING FACTS

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Canada Mortgage and Housing Corporation

## Housing starts down to 166,100 in March

In March, 166,100 housing units\* were started in Canada, in comparison with the level of 168,000 units recorded in February. This made for a slight decline of 1.1%.

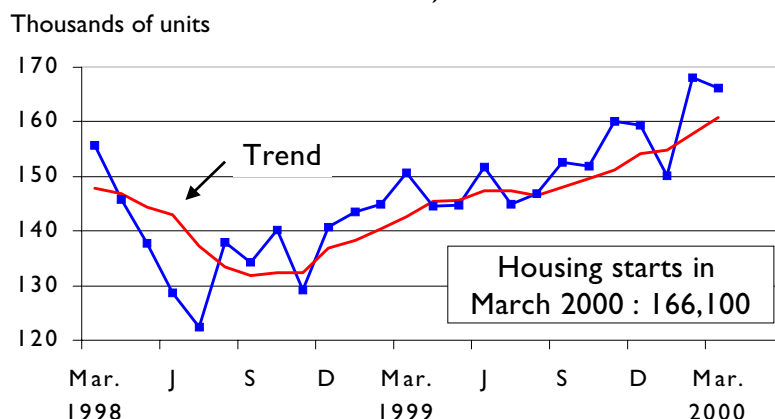
Urban single-family housing starts posted a major increase in March, attaining 90,900 units, compared to 70,900 in February. The number of multiple housing starts decreased, however, by 29.2% to 53,100 units.

For a second consecutive month, residential construction showed a great deal of vigour, and the thrust registered in the single-family home segment is pointing to a very busy springtime for the entire industry.

The figures for March confirm the strength of the housing demand in Canada, which should not be significantly affected by a gradual and moderate rise in mortgage rates.

Please see Housing starts on page 2...

Housing starts in Canada  
all areas, \*saar



Source: CMHC Housing facts

\*Seasonally adjusted annual rate

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HOME TO CANADIANS  
Canada

**Housing starts - Continued from page 1**

Regionally, gains were recorded in the Prairies (16% to 24,500 units) and, more modestly, in the Atlantic Provinces (4.9% to 8,600 units). In Quebec, the level of housing starts remained unchanged at 21,800 units.

In British Columbia, on the other hand, urban housing starts fell by 27.7% to 10,700 units. Ontario, for its part, followed the national trend with a 2% decrease to 78,400 starts.

In Ontario, as in Quebec, single-family housing starts progressed considerably thanks to the favourable economic conditions in these provinces.

In the large urban agglomerations, the number of housing starts, at the seasonally adjusted annual rate, attained 36,600 in Toronto, 16,300 in Montréal and 6,700 in Vancouver. ■

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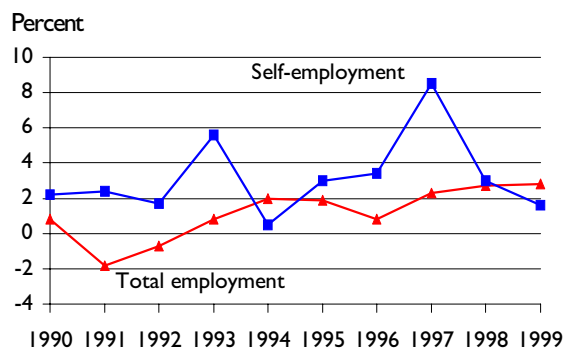
**Self-employment gives way to more balanced job growth**

**For the first time in years, the number of employees are increasing at a faster rate than the self-employed. Strong job gains and the security of salaried positions are expected to boost housing demand.**

- In the 1980s and 1990s, self-employment rose rapidly as firms cut costs and contracted out non-core functions.
- Since peaking in 1997 at the height of public sector cuts, growth in self-employment has slowed. In 1999, the number of employees increased faster than the self-employed.
- Slower self-employment growth likely reflects both weeding out of weaker businesses following the 1997 peak and movement of self-employed individuals back to conventional jobs and secure salaries once prospects improved.
- During the 1980s, two-thirds of the growth in self-employment consisted of business owners who hired employees. In contrast, entrepreneurs working alone accounted for 90 percent of the increase in self-employment between 1989 and 1996. This shift likely contributed to weak growth in paid employment through much of the 1990s, and a softer housing market as a result.
- The recent resurgence in hiring of employees and better balance between growth in tradi-

tional jobs with secure salaries and self-employment are expected to help drive construction of new homes to higher levels in coming years. ■

Employment growth, Canada



Sources: Housing facts and Statistics Canada

## New home warranties: a glance at the forces in place

Depending on their province of residence, buyers benefit from different levels of protection and a more or less limited choice of warranty programs when they buy a new home.

- There are essentially eight new home warranty programs in Canada that all have in common the fact that they are funded exclusively by builders to the benefit of consumers.
- A first group is composed of private non-profit organizations affiliated with the Canadian Home Builders' Association and working on a regional basis (ANWP in the Atlantic Provinces, ONHWP in Ontario, NHWP in Manitoba and Saskatchewan and ANHWP in Alberta). In Quebec, it is the provincial home builders' association, the *Association provinciale des constructeurs d'habitation du Québec* (APCHQ), that administers the new home warranty program.
- The second group is made up of three private companies that are present mainly in the western provinces. In particular, these companies hold the place that was left vacant following the bankruptcy of the New Home Warranty Program of British Columbia last year. In British Columbia, the law on the protection of residential property owners was reinforced in 1999 in the wake of the issue surrounding the leakage problems encountered in many condominium apartments in the Vancouver area.
- The Residential Warranty Company of Canada stands out from the others with its strong presence on the manufactured housing market, especially in the Atlantic Provinces.
- The list of protection options presented in the table below is not exhaustive, but it is clear that the trend is headed towards the reinforcement of warranties, as authorities are making laws to respond to consumer pressures.
- In some provinces, particularly British Columbia and Ontario, the law now requires that new home warranties provide a 2-year protection against leakage through the exterior building envelope, including doors and windows and foundations. In the case of condominium housing, this protection against water penetration applies to underground garages. It should be noted that warranty programs generally provide different levels of protection for multiple-family and condominium housing. The 2-year protection also covers equipment (parts and labour) related to the electrical, plumbing, heating and ventilation systems.
- In British Columbia, the law now prescribes a 10-year warranty on the building structure. This type of warranty is also available in other provinces under certain warranty programs, but at the consumer's expense.
- A few warranty programs also provide compensation (in very specific situations) for delays related to the taking of possession or occupancy of the property by the buyer.■

### New home warranty programs in Canada

Main features for single-family homes

	ANWP (Atlantic)	APCHQ (Québec)	National Home Warranty	London Garantee <sup>a</sup>	ONHWP (Ontario)	ANHWP (Alberta)	NHWP* (Sask. and Manitoba)	Residential Warranty Company of Canada <sup>c</sup>
Deposit protection	10,000	30,000	25,000	n.a.	20,000	15% or \$60,000	10,000	According to the provincial law
Workmanship and materials protection	1 year	1 year \$200,000	1 year \$50,000	2 years \$200,000	1 year \$100,000	1 year \$60,000	1 year \$50,000	
Major structural defects	5 years - \$30,000	5 years \$200,000	5 years \$50,000	10 ans \$200,000	7 years \$100,000	5 years \$60,000	5 years <sup>b</sup> \$50,000	

Source: CMHC Housing facts. \*Similar programs in Saskatchewan and Manitoba.

<sup>a</sup> Active in British Columbia. <sup>b</sup> Maximum protection. <sup>c</sup> Targeting the manufactured homes market.

## Marketing: is the model home concept becoming obsolete?

In the southern U.S., some builders are using a design centre rather than traditional model homes. The formula is similar to made-to-order construction, and clients can decide on everything. The concept could make a breakthrough in Canada thanks to computer graphics and the Internet.

- Some residential construction firms (building at least 50 homes per year) in the southern United States are experimenting with the concept of a design centre instead of a model home. Consumers can sit down and virtually choose most of the 30,000 components that make up a home.
- With the help of a sales representative or a designer, consumers select the decorating items, products or materials that they like. There is total consumer involvement. They can choose the type and brand of their heating, ventilation and air conditioning equipment, as well as the bathroom and kitchen hardware, the types and styles of the doors and windows, the plumbing and lighting fixtures, the floor coverings, etc. In general, clients can choose from a short list of reliable and popular products, in addition to being able to enhance the quality of the final product by adding optional fixtures and accessories.
- The design centre concept notably allows builders to save the construction and operating costs of the model homes that they must put up in the various developments.
- Thanks to client participation, this innovative approach also has the advantage of preventing surprises and misunderstandings between the buyer and the builder upon completion of the work.
- For manufacturers attempting to penetrate the market, the design centre concept, as it stands, can have certain drawbacks since the selection of materials could be reduced due to lack of display space.
- Finally, while builders are always seeking original products to distinguish themselves from the competition, they could tend to privilege popular products with renowned brands in order to prevent certain hesitations or objections on the part of their clients.
- In Canada, the industry is composed of a multitude of small businesses but this fragmentation should not prevent the implementation of design centres that use computer graphics and that could one day get their supplies on-line from digitized directories of products and materials. Clients could then integrate in 3-D every component of their future home. The use of technology would facilitate access to the concept by small businesses, in addition to widening the range of products from different manufacturers able to meet client needs.
- It remains to be seen if the market can do without the model home, which is still a very concrete and highly visible sales tool, especially for first-time buyer clients.■

## Home Buyers' Plan helps turn homeownership dream into reality

The Home Buyers' Plan assisted more than 105,000 individuals in 1999. Under the program, they withdrew more than one billion dollars from their RRSPs.

- The Home Buyers' Plan (HBP) was introduced by the federal government in 1992 to help individuals to purchase homes. It allows Canadians to withdraw up to \$20,000 tax-free from their RRSPs for this purpose. The amounts withdrawn remain tax-exempt if they are repaid within 15 years.
- The average withdrawal under HBP was about \$9,984 in 1999, in line with amounts withdrawn in the previous years.
- The average withdrawal under HBP amounted to 6.3 per cent of the price of an average house across the country in 1999, ranging from a low of 4.7 per cent in British Columbia to a high of 10.6 per cent in Quebec.
- The ratio of HBP participants to MLS sales remained close to 30 per cent. This suggests that up to one out of three home buyers used RRSP funds to make the purchase.
- The Ontario home buyers accounted for over 41% of both participants and amounts withdrawn in 1999. Quebec accounted for 31% of participants and 36% of the amounts withdrawn, followed by British Columbia.■

## Manufactured housing: solutions for a greater market share

A multipartite study proposes an action plan to boost the manufactured housing industry by emphasizing the affordability of the product and focusing primarily on the Canadian market.

- CMHC, together with the industry and different government partners working in the housing sector, conducted a study from which the report, entitled “**Revitalization of the Manufactured Housing Industry in Canada to Provide Affordable Housing Effectively**”, proposes solutions to boost the manufacturing housing industry in Canada. The report analyzes production costs, the affordability of the product, regulatory frameworks and obstacles, distribution systems, etc.
- This report points out that the market penetration of manufactured housing (mobile and modular homes combined) in Canada, in recent years ( $\pm 6\%$ ), has been much lower than in the United States, where it has hovered between 25% and 30%. Even in the northern states, the consumption of manufactured housing is well above the Canadian average, although below that of the rest of the United States. The warmer climate in the southern states is therefore not the only factor involved. It is estimated that, in 1997, 7.24% of all housing in the United States were mobile homes.
- The principal challenges for the industry, as identified in the report, are as follows:
  - 1 The American industry is more aggressive to protect its land zoning interests, while land use problems continue to plague the industry in Canada.
  - 2 Factory price differences between U.S. HUD Code products and Canada Z240 standard products are 25% to 32%, and 80% of these differences appear to be code-related.
  - 3 The project investigation found significant indications that there is an undue amount of time and energy spent by the industry on exporting opportunities in comparison with the domestic market.
  - 4 The industry needs closer cooperation between the sellers of manufactured homes to consumers and the manufacturers to consolidate the distribution system. ■

**To order this report, call 1 800 668-2642. For more information, contact Doug Pollard at (613) 748-2338.**

## Mortgage customers are willing to give up features for a better rate

Few mortgage customers are using special features each year. The most often used features are those related to prepayment, lump sum payments and doubling up.

- According to the latest FIRM Survey (September 99), 53% of respondents (potential buyers and current mortgage holders) were willing to give up some of the features in their mortgages in exchange for lower rates. Among current mortgage holders this percentage reached 71%.
- Although nearly 75 per cent of residential mortgage initiation is handled by six chartered banks, mortgage lending is a competitive business in Canada. Formal rate competition and negotiated discounts remain a primary competitive tool.
- Differences in posted rates among various lenders provide a benchmark for the level of negotiated discounts that borrowers can expect. Posted mortgage rates currently vary by  $\frac{1}{4}$  to  $1\frac{1}{4}$  percentage point among lenders.
- The September 1999 FIRM Survey also reveals that mortgage renewers expect to receive a

discount from the posted rates, equal to at least what they enjoyed when renewing their mortgages last time.■

### Least important features associated with a mortgage\*

Incentive points (air miles, etc...)	34%
Multi-rate/split-term	34%
Readvanceable	20%
Line of credit	17%
Portability/transferability	17%

Sources: CMHC Housing facts and FIRM Survey, September 1999.

\*For those who are willing to exchange some features for a lower rate.

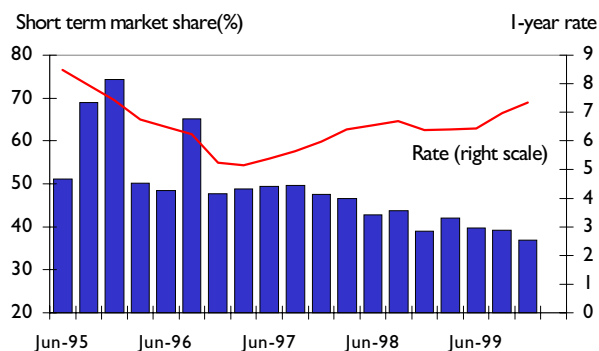
## First-time home-buyers less likely to choose short-term mortgages particularly when there is a risk of rising rates

The market share of short-term mortgages fluctuates with mortgage rates, and a smaller proportion of first-time home buyers consistently choose such mortgages compared to those already having had mortgages.

- There are a variety of short-term mortgage products in Canada, ranging from a simple open mortgage that can be repaid without penalty at any time to fixed terms that lead to a prepayment penalty. Some short-term mortgage rates tend to move with the prime rate while others track Treasury Bills and Government of Canada bond yields.
- A quarterly survey of mortgagors show that as mortgage rates fall, more borrowers opt for short-term mortgages, defined as mortgages with a life span of less than five years, in an attempt to reap the benefits of lower and falling rates.
- By the same token, as short-term mortgages rise, fewer borrowers want to risk facing higher rates and opt for longer-term mortgages.
- The expected rise in short-term mortgages over the next few months will result in a smaller percentage of borrowers going short.
- Those with experience in carrying a mortgage tend to favour short-term mortgages more

often than those getting a mortgage for the first time. The more cautious attitude by first-time mortgage holders likely reflects their higher degree of risk aversion in dealing with a new financial product. ■

### Rates and short-term mortgages



Source: CMHC Housing facts, Bank of Canada, Firm Survey

## Labour: the industry is managing quite well for the moment

Even if isolated shortages are affecting certain local markets, employment growth in the residential construction sector resulted in a decrease in average wages in 1999.

- According to data from the Canadian Home Builders' Association, there are some serious labour availability problems in Ontario and the Atlantic Provinces.
- While the shortages have not caused any major price rises, between 86% and 95% of builders in Ontario, Nova Scotia and Saskatchewan have sustained labour cost increases related to these shortages.
- The effects of these shortages will especially be felt in the renovation sector. Delays are more probable in this sector, given the reliance of the work on a more limited number of workers with more extensive knowledge and skills. ■

### % of new home builders reporting the lack of trades as a critical problem

Province	Spring 99	Fall 99
Toronto	33	48
Ontario outside Toronto	17	37
Nova Scotia	31	30
Saskatchewan	20	14
New Brunswick	33	13
Manitoba	0	13

Source: CMHC Housing facts, CHBA Pulse Survey

## This Month's Housing Data

	1999	Q2:99	Q3:99	Q4:99	M1:00	M2:00	M3:00
<b>Housing starts, units, 000's</b>							
<b>Canada, Total, All areas</b>	<b>150.0</b>	<b>147.0</b>	<b>148.2</b>	<b>157.0</b>	<b>150.2</b>	<b>168.0</b>	<b>166.1</b>
chg	9.1	0.5	0.8	5.9	-5.7	11.9	-1.1
<b>Canada, Total, Rural areas</b>	<b>22.9</b>	<b>22.8</b>	<b>20.8</b>	<b>24.5</b>	<b>22.1</b>	<b>22.1</b>	<b>22.1</b>
chg	10.7	0.9	-8.8	17.8	-9.8	0.0	0.0
<b>Canada, Total, Urban areas</b>	<b>127.1</b>	<b>124.2</b>	<b>127.4</b>	<b>132.5</b>	<b>128.1</b>	<b>145.9</b>	<b>144.0</b>
chg	8.8	0.5	2.6	4.0	-5.0	13.9	-1.3
<b>Canada, Single, Urban areas</b>	<b>72.8</b>	<b>72.6</b>	<b>75.1</b>	<b>75.3</b>	<b>82.3</b>	<b>70.9</b>	<b>90.9</b>
chg	6.6	8.4	3.4	0.3	3.0	-13.9	28.2
<b>Canada, Multiple, Urban areas</b>	<b>54.3</b>	<b>51.6</b>	<b>52.3</b>	<b>57.2</b>	<b>45.8</b>	<b>75.0</b>	<b>53.1</b>
chg	12.0	-8.8	1.4	9.4	-16.6	63.8	-29.2
<b>Newfoundland, Total, All areas</b>	<b>1.4</b>	<b>1.4</b>	<b>1.3</b>	<b>1.3</b>	<b>1.6</b>	<b>2.6</b>	<b>1.7</b>
chg	-5.4	-22.2	-7.1	0.0	33.3	62.5	-34.6
<b>Prince Edward Island, Total, All areas</b>	<b>0.6</b>	<b>0.6</b>	<b>0.9</b>	<b>0.5</b>	<b>0.8</b>	<b>0.8</b>	<b>1.0</b>
chg	17.6	-25.0	50.0	-44.4	60.0	0.0	25.0
<b>Nova Scotia, Total, All areas</b>	<b>4.3</b>	<b>5.3</b>	<b>3.1</b>	<b>4.8</b>	<b>5.8</b>	<b>4.8</b>	<b>5.7</b>
chg	35.5	23.3	-41.5	54.8	31.8	-17.2	18.7
<b>New Brunswick, Total, All areas</b>	<b>2.8</b>	<b>2.5</b>	<b>2.7</b>	<b>3.1</b>	<b>5.2</b>	<b>2.6</b>	<b>2.8</b>
chg	13.4	4.2	8.0	14.8	79.3	-50.0	7.7
<b>Quebec, Total, All areas</b>	<b>25.7</b>	<b>24.2</b>	<b>25.9</b>	<b>27.8</b>	<b>25.8</b>	<b>28.8</b>	<b>28.8</b>
chg	11.2	-1.2	7.0	7.3	-6.9	11.6	0.0
<b>Ontario, Total, All areas</b>	<b>67.2</b>	<b>69.2</b>	<b>64.7</b>	<b>69.3</b>	<b>68.0</b>	<b>83.6</b>	<b>82.0</b>
chg	24.9	6.6	-6.5	7.1	-6.1	22.9	-1.9
<b>Manitoba, Total, All areas</b>	<b>3.1</b>	<b>3.1</b>	<b>3.3</b>	<b>2.6</b>	<b>2.4</b>	<b>1.8</b>	<b>2.6</b>
chg	8.2	-13.9	6.5	-21.2	4.3	-25.0	44.4
<b>Saskatchewan, Total, All areas</b>	<b>3.1</b>	<b>2.9</b>	<b>3.8</b>	<b>2.3</b>	<b>3.2</b>	<b>2.2</b>	<b>2.7</b>
chg	4.1	-23.7	31.0	-39.5	45.5	-31.3	22.7
<b>Alberta, Total, All areas</b>	<b>25.4</b>	<b>22.9</b>	<b>26.4</b>	<b>27.4</b>	<b>26.2</b>	<b>24.1</b>	<b>26.2</b>
chg	-6.2	-5.4	15.3	3.8	-4.4	-8.0	8.7
<b>British Columbia, Total, All areas</b>	<b>16.3</b>	<b>14.9</b>	<b>16.1</b>	<b>17.9</b>	<b>11.3</b>	<b>16.8</b>	<b>12.7</b>
chg	-18.2	-6.3	8.1	11.2	-38.3	48.7	-24.4

SOURCE: CMHC

All data are seasonally adjusted at an annual rate, latest month's figures are preliminary.

% chg: Per cent change from previous period.

## Housing starts, urban areas\*

	1999	Q2:99	Q3:99	Q4:99	M1:00	M2:00	M3:00
<b>Canada</b>	<b>127.1</b>	<b>124.2</b>	<b>127.4</b>	<b>132.5</b>	<b>128.1</b>	<b>145.9</b>	<b>144.0</b>
Newfoundland	0.9	1.0	0.9	1.0	1.2	2.2	1.3
Prince Edward Island	0.4	0.4	0.5	0.3	0.5	0.5	0.7
Nova Scotia	2.8	3.7	2.0	2.9	4.6	3.6	4.5
New Brunswick	1.9	1.7	2.0	1.8	4.5	1.9	2.1
Québec	19.5	18.0	20.7	20.2	18.8	21.8	21.8
Ontario	62.9	64.5	61.3	65.5	64.4	80.0	78.4
Manitoba	2.1	2.1	2.0	1.9	1.4	0.8	1.6
Saskatchewan	2.2	2.0	2.9	1.9	2.5	1.5	2.0
Alberta	20.2	18.1	21.0	21.4	20.9	18.8	20.9
British Columbia	14.2	12.7	14.1	15.6	9.3	14.8	10.7

\* Seasonally adjusted.

## This Month's Major Housing Indicators

	1999	Q2:99	Q3:99	Q4:99	M1:00	M2:00	M3:00
<b>New Housing*</b>							
<b>New &amp; unoccupied, singles &amp; semis, 000's</b>	<b>6.3</b>	<b>6.5</b>	<b>6.4</b>	<b>6.3</b>	<b>6.2</b>	<b>6.3</b>	<b>6.4</b>
chg	-8.3	-4.9	-1.8	-2.3	-0.6	1.5	1.2
<b>New &amp; unoccupied, row &amp; apartments, 000's</b>	<b>7.9</b>	<b>7.4</b>	<b>7.7</b>	<b>7.6</b>	<b>7.9</b>	<b>8.2</b>	<b>8.4</b>
chg	-3.4	-4.0	3.5	-1.3	3.9	4.3	2.2
<b>New house price Index, 1992 = 100</b>	<b>101.0</b>	<b>100.6</b>	<b>101.1</b>	<b>101.8</b>	<b>102.0</b>	n.d.	n.d.
chg	0.9	0.2	0.5	0.7	0.1	n.d.	n.d.
<b>Existing Housing*</b>							
<b>MLS resales, units, 000's</b>	<b>335.7</b>	<b>353.4</b>	<b>347.1</b>	<b>323.1</b>	<b>329.2</b>	<b>333.3</b>	n.d.
chg	6.7	10.7	-1.8	-6.9	4.9	1.3	n.d.
<b>MLS average resale price, \$C, 000's</b>	<b>158.0</b>	<b>157.2</b>	<b>158.7</b>	<b>161.7</b>	<b>162.7</b>	<b>163.3</b>	n.d.
chg	3.7	1.7	1.0	1.9	0.2	0.3	n.d.
<b>Mortgage market</b>							
<b>1-year mortgage rate, %</b>	<b>6.8</b>	<b>6.5</b>	<b>7.0</b>	<b>7.3</b>	<b>7.6</b>	<b>7.6</b>	<b>7.7</b>
<b>5-year mortgage rate, %</b>	<b>7.6</b>	<b>7.3</b>	<b>7.8</b>	<b>8.3</b>	<b>8.6</b>	<b>8.6</b>	<b>8.3</b>
<b>Building materials</b>							
<b>Total costs building materials Index, 1992=100</b>	<b>130.9</b>	<b>131.6</b>	<b>134.7</b>	<b>129.8</b>	<b>132.1</b>	<b>132.4</b>	n.d.
chg	5.1	3.2	2.3	-3.6	0.5	0.3	n.d.

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

chg % change from previous period.

n.a. Figures not available

\* Seasonally adjusted.