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HOUSING FACTS

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Canada Mortgage and Housing Corporation

Housing starts fall to 158,300 in April

In April, 158,300 housing units* were started in Canada, compared to the revised level of 167,300 units registered in March, for a decrease of 5.4%.

Urban single-family homes were to blame for the drop in housing starts in April, as they attained 79,300 units, in comparison with 90,800 in March.

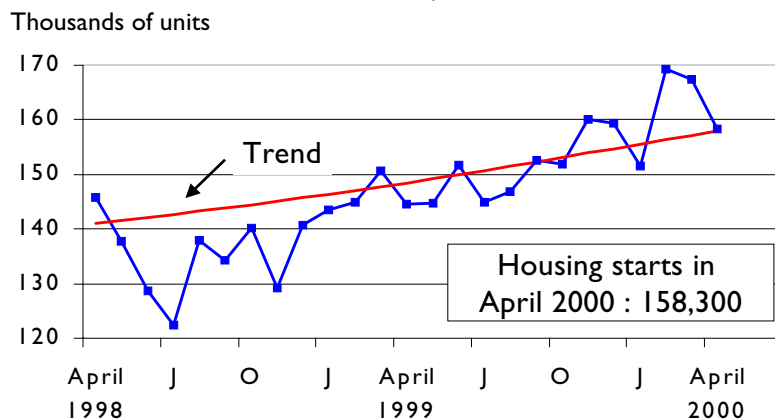
The increase in the number of multiple housing starts to

55,700 units (4.9%) was only able to partially offset the decrease in single-family home building activity.

The figures for April resumed a course closer to our forecast for this year. Also, the latest data should not be interpreted as the start of a slowdown in residential construction in Canada, as single-family housing starts remained above the levels recorded throughout 1999.

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 posted in British Columbia (29.9% to 13,900 units) and more modestly in the Prairies (0.8% to 24,700 units). Starts were down in the Atlantic Provinces, Ontario and Quebec.

In Ontario, urban starts fell by 10.1% to 70,500 units, after having registered a particularly dynamic first quarter. Quebec housing starts followed a path similar to that of Ontario in April, sustaining an 11% decrease to 19,400 units. Finally, starts in the Atlantic Region declined by 23.5% to 6,500 units, after achieving their best quarterly performance in three years.

In the large urban agglomerations, the number of housing starts, at seasonally adjusted annual rates, attained 40,800 in Toronto, 11,900 in Montréal and 10,800 in Vancouver. ■

Contributors: Philippe Le Goff, Ali Manouchehri and Louis Trottier.

Questions:

Philippe Le Goff at 1-613-748-2933
or plegoff@cmhc-schl.gc.ca

To suscribe: 1-613-748-2006 or

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

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Real estate still highly valued among households

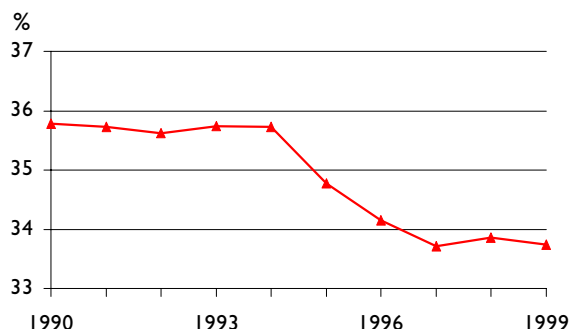
The increase in the value of residential assets was greater than that of residential investments in 1999. This confirms the appreciation in the value of existing homes.

- Residential assets (buildings and lands) still constitute a significant portion of household assets.
- In 1999, the value of real estate assets represented around 34% of total household assets and that of non-real estate assets, about 9%. Financial assets, for their part, accounted for over 57%.
- The relative decrease in non-financial holdings (the sum of the values of dwellings, lands, durable goods, equipment and other property) did not occur at the expense of housing. The share of real estate assets out of total tangible assets went from nearly 70% in 1970 up to 80% in the early 1990s.
- The increase in prices also benefited homeowners. The value of residences and lands held by households rose by \$58 billion in 1999. Apart from new construction (\$41 billion), \$17 billion is attributable to the net increase in home and land values.
- It is expected that this slight appreciation in residential assets will continue over the next few years. The prospects for moderate increases in prices and housing starts, along with

balanced or seller's housing markets will contribute to this phenomenon.

- The sustained increase in the value of real estate assets should also encourage households to renovate their homes, as the possibility of recovering their expenditures improves. ■

Share of residential assets
on total household assets, Canada



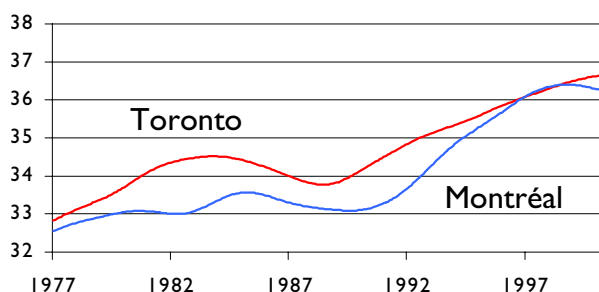
Sources: CMHC Housing facts and Statistics Canada

Average age of first-time buyers on the rise for the last 20 years

The aging of first-time buyers may mean shorter mortgages, better defined preferences for housing types and features, and reduced mobility.

- According to previously unpublished CMHC data for the Calgary, Edmonton, Halifax, Montréal, Toronto and Vancouver metropolitan areas, the average age of first-time home buyers went up from 32.3 years to 36.2 years between 1977 and 2000 (unweighted average). While the average age of first-time buyers may have varied over time in each of the urban centres in the sample, it has posted the same upward trend and similar growth such that the ranking is the same today as it was in 1977. Vancouver (37.1 years) is the area where people become homeowners the latest, and Calgary, the earliest (35.3 years).
- For lenders, older and undoubtedly better educated clients will be more critical of the product offered, all the more so since the new generation is proving to be less loyal in their consumer habits. It can also be anticipated that mortgage amortization periods will decline as the members of this generation, who are buying later, will also want to repay their mortgage before they retire.

First-time buyers: average age up

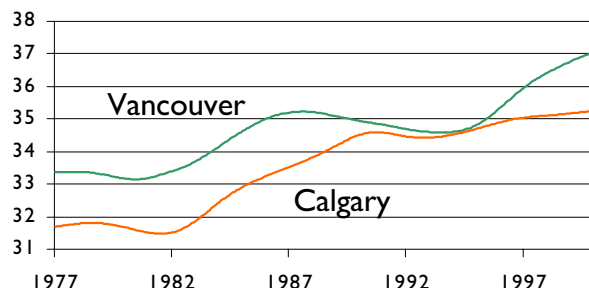


Source: CMHC Housing facts

- There are multiple factors underlying this marked increase in the age at which people become homeowners. The average age is higher in the metropolitan areas with the highest home prices (Vancouver and Toronto), but the average age is not the lowest where the average property price is the lowest (Montréal). This means that the explanation of this phenomenon is not limited to a question of affordability. In fact, the level of affordability

reached a peak in 1996-1997, and this did not prevent the average age from continuing on its upward course.

First-time buyers : average age up



Source: CMHC Housing facts

- What is also interesting is that the average age is about the same in Montréal and Toronto, while the average resale price on the Montréal market (\$121,000 in December 1999) is almost half of that in Toronto. In the case of Montréal, the weaker propensity to buy a property than in the other metropolitan areas therefore constitutes a factor that offsets the greater affordability on the market. What is more, the increase in the average age in Montréal probably results from the strong home ownership trend that started in 1992, when quite a few *older* renters became homeowners thanks to low mortgage rates, affordable prices and reduced down payment requirements.
- In general, the current phase of increase in the average age can be explained by the following factors:
 1. difficult labour market conditions for young people until very recently;
 2. rising student debt, longer studies;
 3. faster growth in prices and carrying costs than in the disposable income of young households;
 4. household formation among young people at a later age than their elders and weaker propensity to become homeowners by choice (Generation X); and
 5. arrival on the market of older households. ■

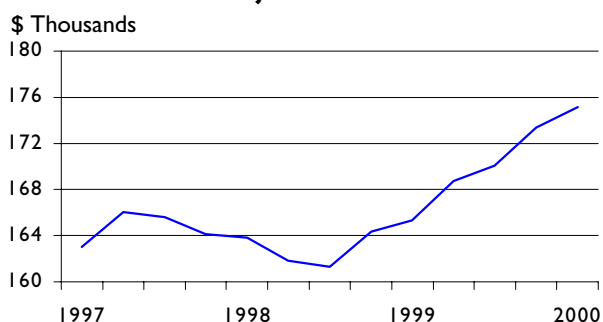
Resale sector: prices rising quickly in large markets

The current growth phase on Canadian resale markets is definitely a reminder of the late 1980s.

- The resale market is having some good moments in the 25 largest real estate markets in Canada. At seasonally adjusted rates, transactions were up by 5.6% in the first quarter. Combined with vigorous new construction activity, the housing market has not shown such vitality for the last 10 years.
- But the most spectacular aspect of the dynamic conditions currently observed on the resale market lies in the prices.
- Between March 1999 and March 2000, the average resale price in the 25 largest markets jumped up by 4.7%. The latest data even held a

few surprises, particularly in Vancouver, where the growth in prices (8.1%) in the past year was most astonishing given the depressed economic conditions prevailing in British Columbia. The vigour of the Ottawa market, buoyed by an increasingly diversified economy, is also worthy of note. ■

Average resale price*
25 major markets



Sources: CMHC Housing facts, Canada Real Estate Association
*Seasonally adjusted

Average resale price (\$)		
Urban Areas	Average price March 2000	March 2000 / March 1999
Halifax	126,062	6.6
Quebec city	90,337	1.5
Montreal	123,128	2.4
Ottawa	162,439	10.2
Toronto	228,130	5.0
Winnipeg	88,358	0.0
Calgary	173,307	5.3
Edmonton	123,047	4.7
Vancouver	301,228	8.1

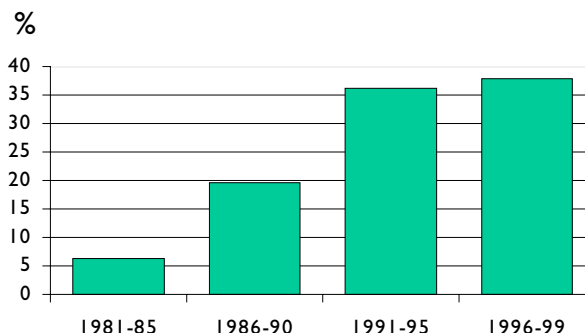
Sources: CMHC Housing facts, Canada Real Estate Association

Canadian homeowners have become increasingly mobile

Low mortgage rates, rising employment and income, and regional job market realities set the stage for more mobile households in the second half of 1990s.

- A recent survey shows 37.9 per cent of Canadians who bought their current home in the past twenty years, did so during 1996-99 compared to 6.3 per cent in 1981-85.
- The survey shows an increasing number of homeowners purchased their current homes in the 1990s. This pattern holds for all regions as well as across different income levels.
- A variety of factors have contributed to high mobility and shortening residence at current homes including uneven regional economic and job market growth, lower mortgage rates, rising income levels, extent of home price appreciation, and demographic forces. ■

Year of purchase of current home



Sources: CMHC Housing facts and FIRM Survey, December 1999

Mortgage lending on the Internet: how can its growth be stimulated?

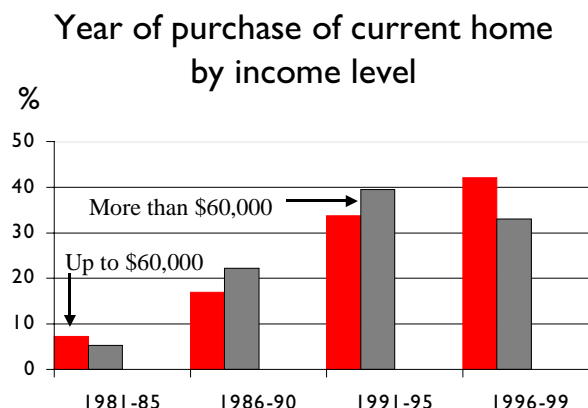
The expansion of mortgage lending on the Internet could go through the integration into lender Web sites of a risk assessment and scoring mechanism capable of differentiating levels of risk and lending conditions.

- Canadian lenders are increasingly adopting fee structures aimed at steering clients toward automated transactional services and consequently toward the Internet.
- With respect to mortgage lending, the Internet is a great tool to glean information on the different types of options available and on home buying in general. For consumers, obtaining a mortgage on the Internet is not as attractive, though, and many know that, for the moment, sitting down with a lending officer or dealing with a broker is still the way to get the best conditions.
- All the surveys show that consumers seek the best rate and are prepared to make concessions on the loan options in order to get a lower rate. In this regard, the major Canadian mortgage lenders will undoubtedly have to offer rate discounts on their Internet sites to stir up interest among Internet surfers.
- Without a more competitive and transparent approach, the mortgage lending business generated by the Internet will miss out on considerable growth potential.
- The introduction on lender Web sites, in a secure environment, of an automated risk assessment system, based on a scoring grid weighted according to different factors, could give a boost to mortgage lending on the Internet. Consumers would be attributed loan conditions (including the interest rate) on the basis of their level of risk.
- This way of doing things has already been successfully used by North American mortgage lending sector organizations and businesses since the mid-1990s. In addition to reducing the costs and turnaround times, this method provides a tremendous database that could be used for risk analysis and management purposes.
- Finally, despite the complexity of certain mortgage loans and the unavoidable signing session, several lenders have understood the usefulness of the Internet in the modern delivery of mortgage lending. All that is left to do now is to convince the clients. The American experience also showed that documentation requirements can be eased, when the borrower's credit report is fully used and the risk factors are known and well managed. ■

Lower income Canadians play a major role in housing markets

Canadians' love affair with homeownership took new dimensions in the 1990s, with an increasing number of lower income individuals opting to become homeowners.

- Lower income Canadians have become increasingly important in the homeownership market since the mid 1990s. A recent survey shows 42.1 per cent of Canadians making under \$60,000 annually, who bought their current home in the past twenty years, did so during 1996-99 compared to 16.9 per cent a decade earlier.
- Low mortgage rates and a stronger employment scene for lower income home buyers were among the major factors contributing to this trend.
- In contrast, a lower proportion of higher income individuals, making over \$60,000 per year, purchased their current homes in the second half of the 1990s. ■



Sources: CMHC Housing facts and FIRM Survey, December 1999

Materials: a green passport to the American market coming soon

Housing-related environmental issues are no longer in the forefront. Still, the players on the continental construction materials market will be increasingly forced by distributors to develop and market environmentally friendly products.

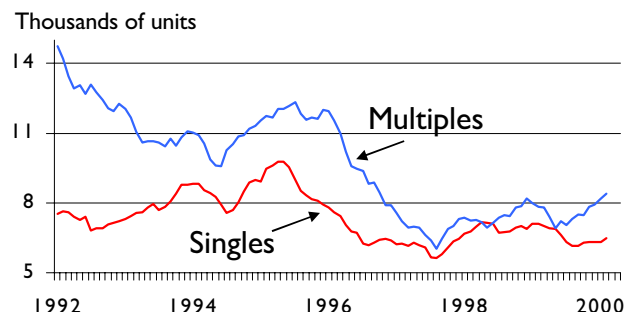
- A few years after the launch of the CMHC **Healthy House**, which was intended as a standard-bearer to raise awareness among the public and the housing industry on housing-related environmental issues, the current context is militating more than ever for the adoption of a more environmentally friendly approach.
- Going at full speed and facing labour and materials shortages, the American housing industry is now increasingly concerned with the environment and smart growth.
- In the wake of this environmental wave, Denver, Colorado, hosted the second **National Green Building Conference** in early April, sponsored by the United States National Association of Home Builders (NAHB). The entire elite of the industry gathered there to discuss such topics as the promotion of energy efficiency, environmentally friendly and alternative materials, environmental lot development, green mortgages and the marketing and sale of environmental considerations in the construction and renovation sector.
- Housing-related environmental issues in Canada will therefore probably first be addressed by the manufacturers who do business in the United States where, more and more, their products will have to conform to standards promoting the use of recycled products and minimizing the consumption of energy or resources. Already, the largest distributor of construction products and materials in North America, Home Depot, has adopted a green product purchasing policy. The certification of products, particularly wood products, will assure distributors and consumers that the materials were produced in accordance with forestry practices that maximize the protection of this resource.
- In fact, the environmental wave is so strong that some leading-edge Canadian construction materials technology firms have already associated themselves with the American public-private Program for Advanced Technology in Housing (PATH) to gain a stronger foothold on the U.S. market. The objective of PATH is to encourage affordability, sustainability, safety and resource conservation in housing through technological innovation. ■

Unoccupied new homes post a moderate increase in urban areas

The inventory is progressing along with the increase in starts for multiple housing projects, but remains very low in the case of single-family housing.

- Even with the strong housing demand in several urban centres, no overheating is in sight, as the industry is capable of adequately supplying the markets, as evidenced by the increase in the multiple housing inventory.
- In March, the number of completed but unoccupied multiple housing units represented 15.7% of housing starts, above the median level (14.2%) for the last three years.
- In the single-family home segment, the situation is somewhat tenuous, as the new home inventory accounted for 7.2% of housing starts, below the median level for the last three years (8.9%). ■

Unoccupied new units
Urban areas



Source: CMHC Housing facts

This Month's Housing Data

	1999	Q3:99	Q4:99	Q1:00	M2:00	M3:00	M4:00
Housing starts. units. 000's							
Canada. Total. All areas	150.0	147.9	157.5	162.7	169.3	167.3	158.3
chg	9.1	1.2	6.5	3.3	11.7	-1.2	-5.4
Canada. Total. Rural areas	22.9	20.5	25.0	23.4	23.4	23.4	23.3
chg	10.7	-6.4	22.0	-6.4	0.0	0.0	-0.4
Canada. Total. Urban areas	127.1	127.4	132.5	139.3	145.9	143.9	135.0
chg	8.8	2.6	4.0	5.1	13.9	-1.4	-6.2
Canada. Single. Urban areas	72.8	75.1	75.3	81.3	70.9	90.8	79.3
chg	6.6	3.4	0.3	8.0	-13.9	28.1	-12.7
Canada. Multiple. Urban areas	54.3	52.3	57.2	58.0	75.0	53.1	55.7
chg	12.0	1.4	9.4	1.4	63.8	-29.2	4.9
Newfoundland. Total. All areas	1.4	1.4	1.3	1.7	2.4	1.5	1.7
chg	-5.4	-6.7	-7.1	30.8	71.4	-37.5	13.3
Prince Edward Island. Total. All areas	0.6	0.7	0.3	0.5	0.5	0.6	0.3
chg	17.6	40.0	-57.1	66.7	0.0	20.0	-50.0
Nova Scotia. Total. All areas	4.3	3.1	5.1	6.4	5.8	6.7	4.0
chg	35.5	-31.1	64.5	25.5	-14.7	15.5	-40.3
New Brunswick. Total. All areas	2.8	2.7	3.2	4.5	3.6	3.8	2.8
chg	13.4	12.5	18.5	40.6	-41.9	5.6	-26.3
Quebec. Total. All areas	25.7	26.1	28.1	26.7	27.7	27.7	26.7
chg	11.2	8.3	7.7	-5.0	12.1	0.0	-3.6
Ontario. Total. All areas	67.2	64.7	69.6	78.8	84.5	82.9	74.7
chg	24.9	-6.4	7.6	13.2	22.6	-1.9	-9.9
Manitoba. Total. All areas	3.1	3.3	2.6	2.3	1.8	2.6	2.9
chg	8.2	6.5	-21.2	-11.5	-25.0	44.4	11.5
Saskatchewan. Total. All areas	3.1	3.8	2.3	2.4	1.9	2.4	2.7
chg	4.1	31.0	-39.5	4.3	-34.5	26.3	12.5
Alberta. Total. All areas	25.4	26.1	27.1	26.1	24.6	26.7	27.0
chg	-6.2	13.5	3.8	-3.7	-7.9	8.5	1.1
British Columbia. Total. All areas	16.3	16.0	17.9	13.3	16.5	12.4	15.4
chg	-18.2	6.7	11.9	-25.7	50.0	-24.8	24.2

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	Q3:99	Q4:99	Q1:00	M2:00	M3:00	M4:00
Canada	127.1	127.4	132.5	139.3	145.9	143.9	135.0
Newfoundland	0.9	0.9	1.0	1.5	2.2	1.3	1.4
Prince Edward Island	0.4	0.5	0.3	0.5	0.5	0.6	0.2
Nova Scotia	2.8	2.0	2.9	4.2	3.6	4.5	3.0
New Brunswick	1.9	2.0	1.8	2.8	1.9	2.1	1.9
Québec	19.5	20.7	20.2	20.8	21.8	21.8	19.4
Ontario	62.9	61.3	65.5	74.3	80.0	78.4	70.5
Manitoba	2.1	2.0	1.9	1.3	0.8	1.6	1.8
Saskatchewan	2.2	2.9	1.9	2.0	1.5	2.0	1.6
Alberta	20.2	21.0	21.4	20.3	18.8	20.9	21.3
British Columbia	14.2	14.1	15.6	11.6	14.8	10.7	13.9

* Seasonally adjusted.

This Month's Major Housing Indicators

	1999	Q3:99	Q4:99	Q1:00	M2:00	M3:00	M4:00
New Housing*							
New & unoccupied. singles & semis. 000's	6.3	6.4	6.3	6.3	6.3	6.4	6.3
chg	-8.3	-1.8	-2.3	1.6	1.5	0.9	-0.7
New & unoccupied. row & apartments. 000's	7.9	7.7	7.6	8.3	8.2	8.2	8.4
chg	-3.4	3.5	-1.3	8.9	4.1	0.5	2.7
New house price Index. 1992 = 100	101.0	101.1	101.8	n.d.	102.3	n.d.	n.d.
chg	0.9	0.5	0.7	n.d.	0.3	n.d.	n.d.
Existing Housing*							
MLS resales. units. 000's	335.7	347.1	323.2	343.0	337.2	362.6	n.d.
chg	6.7	-1.8	-6.9	5.9	2.4	7.5	n.d.
MLS average resale price. \$C. 000's	158.0	158.7	161.7	162.1	162.8	160.9	n.d.
chg	3.7	1.0	1.9	0.6	0.0	-1.2	n.d.
Mortgage market							
1-year mortgage rate.%	6.8	7.0	7.3	7.6	7.6	7.7	7.7
5-year mortgage rate. %	7.6	7.8	8.3	8.5	8.6	8.4	8.4
Building materials							
Total costs building materials Index. 1992=100	130.9	134.7	129.8	132.8	132.7	133.2	n.d.
chg	5.1	2.3	-3.6	1.8	0.3	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.