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HOUSING FACTS

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Canada Mortgage and Housing Corporation

Rate of starts up to 173,500 units in October

In October, the seasonally adjusted annual rate (SAAR) of housing starts in Canada reached 173,500 units, compared to the revised level of 154,000 units recorded in September, for an increase of 12.7 per cent.

In urban areas, the rate of single starts posted a gain of 7.2 per cent to 84,800 units, the highest level since March 2000. The multiple starts rate recorded an increase of 20.6 per cent to 67,200 units.

The vigour of residential construction continued to be supported by low mortgage rates and very low inventories of unoccupied units. Combined with higher immigration for the past three years, these factors have so far made it possible to largely offset the growing weakness on the labour market.

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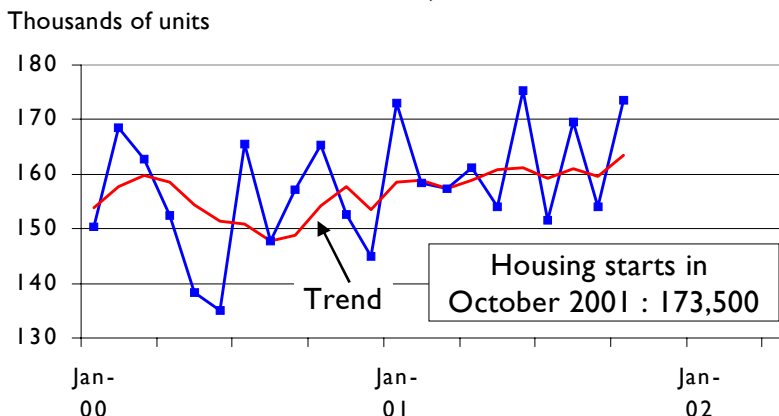
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Housing starts in Canada all areas, *saar



Source: CMHC Housing Facts
*Seasonally adjusted annual rate



HOME TO CANADIANS
Canada

Housing starts - Continued from page 1

In October, the seasonally adjusted annual rate of starts was up in all regions. In the Atlantic region, the rate of starts registered a gain of 56.7 per cent to 9,400 units, thanks in particular to rental apartment construction in New Brunswick.

In the Prairies, the rate of starts rose by 15.2 per cent to 33,300 units, a level unequalled since May 1983. The rate of starts was also up in British Columbia 14.9 per cent to 17,700 units, Quebec 14.6 per cent to 22,700 units and Ontario 6.5 per cent to 68,900 units.

In the large urban agglomerations, the seasonally adjusted annual rate of starts reached 41,200 units in Toronto, 13,000 units in Montréal and 9,400 units in Vancouver. ■

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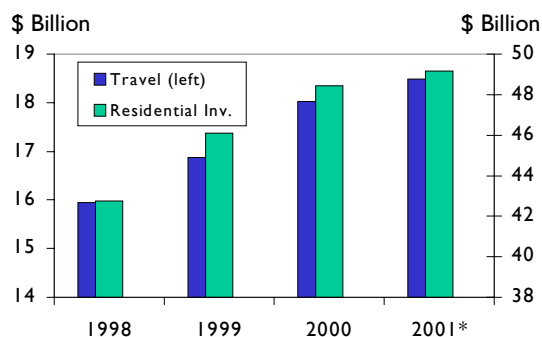
Housing could benefit from international tourism downturn

Consumer spending on tourism has dropped as a result of the September 11 attacks. Consumers could decide to redirect on other products and services, such as those related to housing.

- In 2000, Canadians spent over \$18 billion outside the country on pleasure trips of all types. The year 2000 was quite good for tourism thanks to the millennium celebrations and also to the increase in the disposable income of Canadian households, with the economic expansion phase at its height. The preliminary figures for the first six months of 2001 show an increase of 4.7 per cent over the same period in 2000.
- The events of September 11 in the United States changed all this. Over and above the major decline in air travel in the days and weeks that followed the attacks, opinion polls show that Canadians will be more inclined to stay at home over the next few months. Accordingly, many analysts of the travelling industry report about 25 to 30 per cent cancellations for international destinations.
- Although it may be difficult to quantify, it is likely that a portion of the discretionary expenditures set aside for pleasure trips or vacations abroad will be used to undertake renovations, repay a mortgage or make up a

down payment with a view to buying a home.

- The impact could be substantial. For example, if only half of the drop in travel and tourism spending was spent on housing over the next 12 months, residential investment in Canada could post a gain of about 5 per cent (\$2.7 billion). ■

Residential investment and expenditures of Canadians travelling outside the country

Sources : CMHC Housing Facts, Statistics Canada

*Annual projection based on the first 6 months of the year.

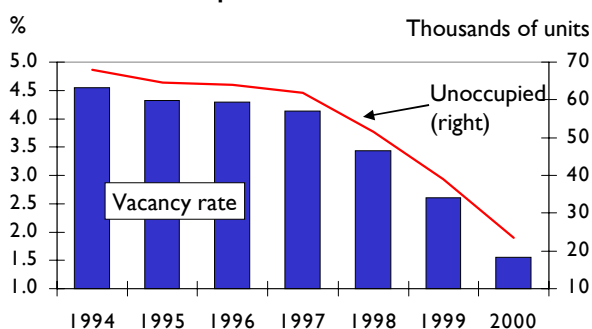
The unoccupied rental housing stock is trending lower

Between 1997 and 2000, the unoccupied rental housing stock has been drawn down due in part to an increase in demand for rental accommodation.

- In October 2000, the rental apartment vacancy rate for the large metropolitan areas fell to 1.6 per cent, and CMHC's latest survey conducted in October 2001 should confirm a continued decrease in the vacancy rate.

market, comprising mainly of condominium apartments and accessory units, seems to play a key role in the supply of rental housing in many metropolitan areas.■

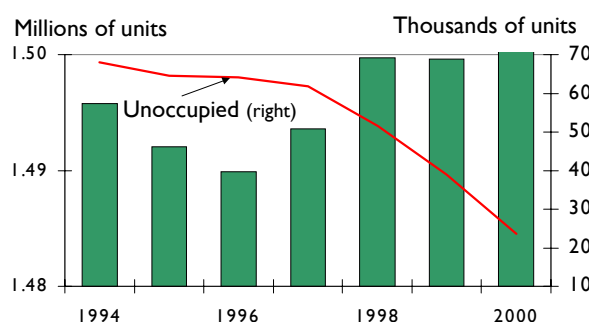
Vacancy rate and unoccupied apartments*



Source: CMHC Housing Facts

*Metropolitan areas. Units in structures of 3 and more

Rental stock and unoccupied apartments*

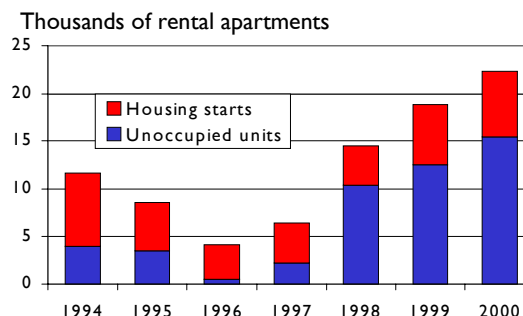


Source: CMHC Housing Facts

*Metropolitan areas. Units in structures of 3 and more

- The main reason for the drop in the vacancy rate has been the take-up in the number of unoccupied units. In October 2000, the number of unoccupied rental apartments in buildings with three or more units across the 26 metropolitan areas had fallen to 23,500. This represented a decrease of 38,000 units in three years.
- On the other hand, even though rental starts have been increasing for the last five years, the rental housing stock is growing only very slowly, breaking the mark of 1.5 million apartments in 2000.
- From the point of view of demand, for certain households in certain metropolitan areas, the characteristics of unoccupied apartments may be inadequate. In fact, the type, location, rent or physical condition of available units may not always correspond to demand needs. Although it may be very difficult to quantify, this situation partly explains why the secondary rental

Absorption of rental apartments* demand by existing and new units



Source: CMHC Housing Facts

*Metropolitan areas

Natural gas for homeowners, electricity for renters

Heating systems vary greatly depending on the region and household type.

- In Canada, 42.8 per cent of respondents to the Print Measurement Bureau (PMB) survey stated that they use natural gas for heating, compared to 35.5 per cent who use electricity and 13.6 per cent who use oil. Lastly, 8.1 per cent use other types of heating systems (e.g. wood).
- Homeowners and renters have very different profiles in terms of the types of heating systems that they use. In fact, while natural gas heating (45.8 per cent) ranks first among homeowners ahead of electric heating (31.7 per cent), the opposite holds true for renters, as 50.7 per cent of these households use electricity for heating, compared to 30.4 per cent who use natural gas. This is due, in part, to the fact that electric baseboard heating allows tenants to heat their units independently and that this type of heating does not require the installation of air circulation systems, contrary to gas heating. ■

Homeowners heating type in Canada

	Oil	Natural Gas	Electricity	Others
Halifax	54.1%	0.7 %	34.1%	11.1 %
Montréal	19.3%	5.7 %	66.8%	8.2%
Toronto	9.2%	77.7%	11.8%	1.3%
Winnipeg	0.0%	84.7%	13.9%	1.4%
Calgary	1.0%	89.5%	9.3%	0.2%
Vancouver	2.5%	66.9%	27.6%	3.0%

Source: Print Measurement Bureau 2000

- In Quebec, abundant electricity promotes the use of this heating system. In Ontario, and especially in the western provinces where most natural gas deposits are found, natural gas heating predominates. Only the Atlantic provinces use heating oil as their principal means of heating.

Renters heating type in Canada

	Huile	Gaz naturel	Électricité	Autres
Halifax	54.3%	0.0%	45.7%	0.0%
Montréal	12.9%	8.4%	73.9%	4.8%
Toronto	7.5%	48.4%	35.9%	8.2%
Winnipeg	0.0%	64.3%	32.1%	3.6%
Calgary	0.0%	88.4%	11.6%	0.0%
Vancouver	3.6%	46.0%	42.7%	7.7%

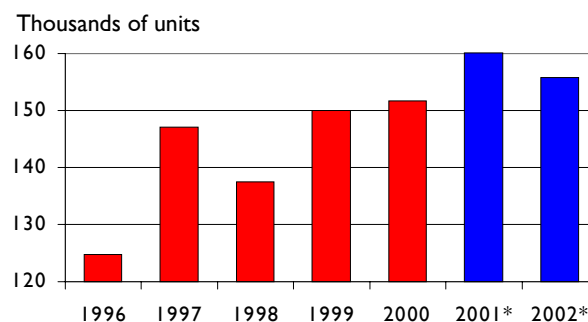
Source : Print Measurement Bureau 2000

Forecast for 2001-2002: housing markets down slightly next year

The downturn in starts in Ontario, Alberta and Quebec will bring about a slight decrease in activity in 2002.

- In its latest issue of **CMHC Housing Outlook**, CMHC forecasts that housing starts will reach 160,100 units in 2001 and 155,800 units in 2002. Despite the slowdown in the North American economy, favourable mortgage rates, higher immigration and low inventories of new and existing unoccupied units will continue to stimulate residential construction.
- Following a major gain in 2001, resales will decline slightly by 2 per cent in 2002, but will remain at a very high level in historical terms. Resale price growth will be strong in 2001 and more moderate in 2002. ■

Housing starts in Canada



Source: CMHC Housing Facts. *Forecast

One in five unoccupied units has been vacant for over a year

A significant portion of the new and unoccupied housing stock has been vacant for over a year as a result of the increased number of model homes, but also a mis-match between demand and supply.

- In urban centres with 50,000 or more inhabitants, 2,413 new unoccupied units out of a total of 11,081, or 21.7 per cent, had been on the market for over a year as at the end of September. This proportion of unoccupied units over a year was only 15 per cent for single-detached and 16.7 per cent for row units, but 27.2 per cent for apartments and 31.9 per cent for semi-detached units. These proportions are significant considering that there is very little speculative home building in most Canadian housing markets.

- What are the reasons for this phenomenon?

1. The first reason lies in the presence of model homes. Such model homes are used by builders to market the different features of their products. This formula is used extensively, particularly in Calgary, where many single-family housing projects are under development.

Obviously, the more residential development centres there are in a metropolitan area, and the more spread out they are, the more the model home formula is used. As a result, the presence of many model homes is a good indicator of the health of the housing market.

2. The second reason lies in the mis-match between housing demand and supply. A number of units stay on the sidelines due to construction defects, a poor location, an overly high selling price or simply because they do not meet buyer needs and preferences. ■

New housing units completed but unoccupied for more than a year - September 2001

	Singles	Semis	Row	Apartments
Victoria	22	15	1	39
%*	27.8	62.5	9.1	41.9
Vancouver	34	24	78	500
%*	10.2	23.5	24.4	41.6
Edmonton	78	20	8	63
%*	19.2	20.0	20.5	16.8
Calgary	180	45	3	25
%*	25.8	30.0	3.9	5.9
Winnipeg	6	5	3	0
%*	5.0	38.5	37.5	0.0
Windsor	0	0	0	0
%*	0.0	0.0	0.0	0.0
London	11	3	41	17
%*	11.5	100.0	45.5	26.6
Kitchener	15	0	14	5
%*	11.8	0.0	31.1	100.0
Hamilton	20	6	6	22
%*	10.8	25.0	4.7	20.2
Toronto	27	192	9	88
%*	4.8	38.7	2.5	30.0
Ottawa	3	0	17	0
%*	3.8	0.0	24.6	0.0
Hull	11	6	2	0
%*	19.0	26.1	100.0	0.0
Montréal	79	12	5	40
%*	16.2	13.6	16.0	8.0
Québec	6	4	1	21
%*	9.2	44.4	7.7	36.2
Halifax	17	0	0	0
%*	32.6	0.0	0.0	0.0
Metropolitan areas	542	355	205	855
%*	14.6	30.4	15.6	24.2
Urban Centres 50 000+	630	430	245	1 108
%*	15.0	31.9	16.7	27.2

Source: CMHC Housing Facts

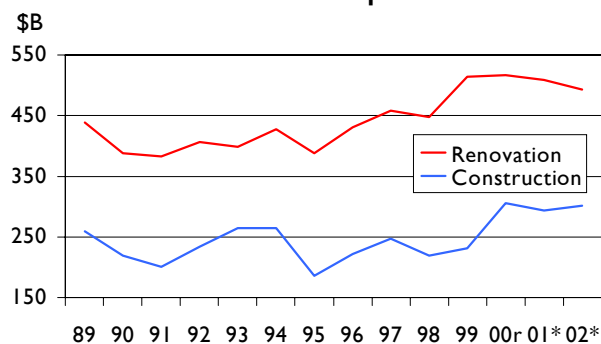
* In percentage of total completed but unoccupied units

Close-up on New Brunswick

Like all the other provinces, New Brunswick is sustaining an economic slowdown that will affect employment, individual income and public finances. However, the major housing markets should hold out thanks to internal migration.

- In New Brunswick, migration from rural areas to the urban areas of Moncton and Fredericton in particular is generating a housing demand that will allow the province to post over 3,000 housing starts, both this year and next year. This year, multiple housing construction will rise to its highest level since 1993. In fact, the development of call centres in the southern part of the province is attracting a bilingual labour force, with few dwellings available to accommodate these new households. Thanks to this situation, along with the drop in mortgage rates, resale transactions will reach around 4,600 units this year and 4,650 units in 2002.
- New Brunswick, whose economy remains dependent on the strength of its mining and forest product exports, will suffer from the North American economic slowdown. However,

New construction and renovation* expenditures



Sources: CMHC Housing Facts and Statistics Canada
*Alterations and improvements and repairs

the province could manage to do relatively well, given that its softwood lumber products are exempt from the 19.3 per cent countervailing duties, since its production essentially comes from private forests.

- With the completion of many large projects (highway, refinery, gas pipeline) that gave some vitality to the provincial economy in recent years, the province will have to rely on emerging sectors, such as e-commerce, to ensure its growth alongside the traditional pillar of natural resources.■

Key numbers for New Brunswick housing market

	2000	2001*
• Housing starts	3,079	3,100
• Number of resales	4,525	4,600
• Rental vacancy rate in Moncton	1.7%	1.3%
• Ownership rate	74.4%	n.a.
• Average resale price annual change	4.8%	3.9%
• Value of resales	414 \$M	432 \$M
• New construction expenditures	306 \$M	293 \$M
• Renovation expenditures	517 \$M	509 \$M
• Exports***	0.8 \$B	n.a.

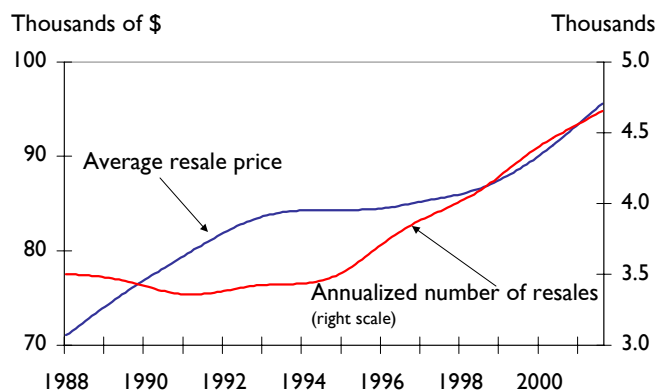
Main export markets**: USA, Germany, UK.

Sources : CMHC Housing facts, Statistics Canada and Canadian Real Estate Association.

*: Forecasts. **Alterations, improvements and repairs.

***: Housing related materials and products

Number of resales and average resale price trends



Sources : CMHC Housing Facts and Canadian Real Estate Association

This Month's Housing Data (SAAR)

	2000	Q1:01	Q2:01	Q3:01	M8:01	M9:01	M10:01
Housing starts. units. 000's							
Canada. Total. All areas	151.7	162.5	163.4	156.1	166.2	154.0	173.5
% chg	1.1	5.6	0.6	-4.5	12.1	-7.3	12.7
Canada. Total. Rural areas	20.6	20.9	21.3	19.2	19.2	19.2	21.5
% chg	-9.9	10.0	1.9	-9.9	0.0	0.0	12.0
Canada. Total. Urban areas	131.1	141.6	142.1	136.9	147.0	134.8	152.0
% chg	3.1	5.0	0.4	-3.7	13.9	-8.3	12.8
Canada. Single. Urban areas	74.4	80.1	73.4	77.1	79.6	79.1	84.8
% chg	2.1	6.9	-8.4	5.0	9.2	-0.6	7.2
Canada. Multiple. Urban areas	56.7	61.5	68.7	59.8	67.4	55.7	67.2
% chg	4.4	2.5	11.7	-13.0	19.9	-17.4	20.6
Newfoundland. Total. All areas	1.5	1.0	1.6	1.8	1.8	2.1	1.7
% chg	6.4	-41.2	60.0	12.5	0.0	16.7	-19.0
Prince Edward Island. Total. All areas	0.7	0.6	0.4	0.8	0.5	0.7	0.7
% chg	15.3	-33.3	-33.3	100.0	-44.4	40.0	0.0
Nova Scotia. Total. All areas	4.4	4.3	3.8	4.2	4.5	3.5	4.2
% chg	4.3	16.2	-11.6	10.5	-2.2	-22.2	20.0
New Brunswick. Total. All areas	3.1	3.8	3.3	3.3	3.4	3.5	6.4
% chg	11.0	31.0	-13.2	0.0	17.2	2.9	82.9
Quebec. Total. All areas	24.7	28.5	26.3	25.7	26.1	24.4	28.9
% chg	-4.1	12.2	-7.7	-2.3	-1.9	-6.5	18.4
Ontario. Total. All areas	71.5	76.4	75.2	70.3	82.7	67.4	71.8
% chg	6.4	5.1	-1.6	-6.5	35.8	-18.5	6.5
Manitoba. Total. All areas	2.6	2.7	3.4	3.0	2.9	2.7	2.8
% chg	-18.3	3.8	25.9	-11.8	-17.1	-6.9	3.7
Saskatchewan. Total. All areas	2.5	2.2	1.9	2.6	1.9	2.8	4.4
% chg	-18.6	0.0	-13.6	36.8	-40.6	47.4	57.1
Alberta. Total. All areas	26.3	26.3	29.7	27.8	27.7	29.5	33.3
% chg	3.2	0.0	12.9	-6.4	6.1	6.5	12.9
British Columbia. Total. All areas	14.4	16.7	17.8	16.6	14.7	17.4	19.3
% chg	-11.6	7.7	6.6	-6.7	-17.4	18.4	10.9

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*

	2000	Q1:01	Q2:01	Q3:01	M8:01	M9:01	M10:01
Canada	131.1	141.6	142.1	136.9	147.0	134.8	152.0
Newfoundland	1.0	0.7	1.1	1.1	1.1	1.4	1.2
Prince Edward Island	0.4	0.4	0.2	0.5	0.2	0.4	0.4
Nova Scotia	3.0	2.8	2.6	2.5	2.8	1.8	2.3
New Brunswick	2.0	2.6	1.7	2.2	2.3	2.4	5.5
Québec	19.9	23.0	20.8	21.1	21.5	19.8	22.7
Ontario	67.4	72.8	72.2	67.6	80.0	64.7	68.9
Manitoba	1.5	1.6	1.8	1.8	1.7	1.5	1.5
Saskatchewan	1.9	1.5	1.4	1.8	1.1	2.0	3.5
Alberta	21.5	21.2	24.1	23.7	23.6	25.4	28.3
British Columbia	12.4	15.0	16.2	14.6	12.7	15.4	17.7

* Thousands of units, seasonally adjusted.

This Month's Major Housing Indicators

	2000	Q1:01	Q2:01	Q3:01	M8:01	M9:01	M10:01
New Housing*							
New & unoccupied. singles & semis. 000's	6.3	6.1	5.8	5.8	5.8	5.8	6.0
%chg	0.2	-2.6	-4.6	-0.3	-1.5	0.7	3.4
New & unoccupied. row & apartments. 000's	7.3	6.4	6.5	5.6	5.5	5.6	5.1
%chg	-8.3	-9.1	1.6	-14.9	-11.5	0.3	-8.9
New house price Index. 1992 = 100	103.2	104.8	105.7	n.a.	106.5	n.a.	n.a.
%chg	2.2	0.7	0.8	n.a.	0.1	n.a.	n.a.
Existing Housing*							
MLS resales. units. 000's**	333.7	352.7	371.4	380.1	395.4	369.7	n.a.
%chg	-0.6	5.7	5.4	2.3	6.2	-6.5	n.a.
MLS average resale price. \$C. 000's	164.1	165.6	171.5	172.9	170.6	171.0	n.a.
%chg	3.8	-0.5	3.1	0.8	-3.2	0.2	n.a.
Mortgage market							
1-year mortgage rate.%	7.85	7.10	6.73	6.03	6.20	5.45	4.90
5-year mortgage rate. %	8.35	7.58	7.67	7.50	7.60	7.15	6.90

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).