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# HOUSING FACTS

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Canada Mortgage and Housing Corporation

## Starts jump back up to 174,100 units in January

In January, 174,100 housing units\* were started in Canada, compared to the revised level of 145,000 units recorded in December, for a gain of 20.1 per cent.

The increase in urban multiple housing construction (48.3 per cent to 76,800 units) drove up the number of total starts to a level that had not been observed since June 1994. Single starts, for their part, went up by 5.8 per cent to 78,200 units.

In January, the growth in multiple starts was spectacular in several metropolitan areas.

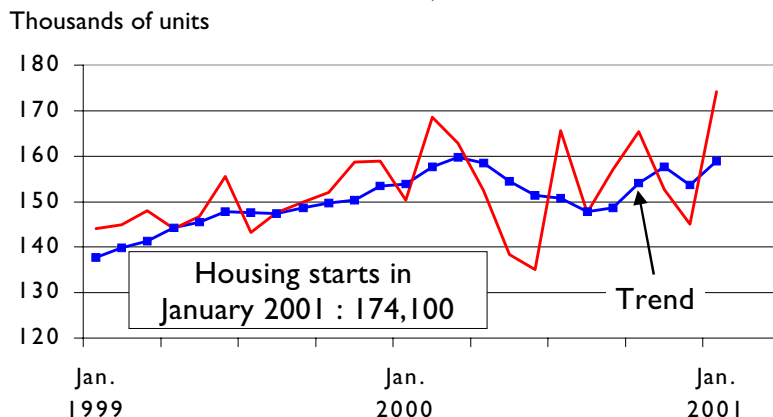
For observers of the new construction market and the economy in general, this relief confirms that the housing market is sufficiently robust not to be swept along in the medium term by the slowdown in the North American economy this year.

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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 January, all regions recorded increases of at least 10 per cent over December. Thanks to the volume of multiple housing construction in Vancouver, British Columbia posted the greatest gains with a rise of 73.4 per cent to 18,900 units. The other regions obtained the following results: the Atlantic Region (33.8 per cent to 8,300 units), Ontario (20.8 per cent to 79,600 units), Quebec (16.3 per cent to 20,700 units) and the Prairies (10.4 per cent to 27,500 units).

In the large urban agglomerations, starts reached 44,600 units in Toronto, 10,900 units in Montréal and 15,400 units in Vancouver, at seasonally adjusted annual rates. In the case of Vancouver, this was the highest level registered since November 1997.■

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**Looking back on the year 2000: markets tighten significantly**

The lower than expected growth in housing starts contrasted with the record prices and transactions on the resale market, on top of which the rental vacancy rate reached a very low level.

- In 2000, 151,653 housing units were started in Canada, up by 1.1 per cent over the 149,968 units recorded in 1999. Urban starts were up by 3.1 per cent, while rural starts fell by 9.9 per cent to 20,601 units (see the article on page 5).
- In relation to the last few years, this was a solid performance that rested on an extremely favourable context. Employment growth in recent years fostered household formation, and international immigration continued to pick up since bottoming out in 1998. Another factor was the increase in household disposable income, supported by a strong job market and tax relief measures. In addition, mortgage rates peaked in July at levels that did not jeopardize market accessibility, and they have been going down ever since. Finally, unoccupied new and existing home inventories remained very low. These conditions are still prevailing, and housing starts should post a greater rebound in 2001.■

**Summary**

	2000	Annual change
<b>Urban housing starts</b>		
Homeowners	92,281	+3.5%
Condos	28,319	-0.4%
Rental	10,155	+9.5%
Total*	131,052	+3.1%
<b>Resales</b>	336,414	+0.4%
<b>Average MLS resale price</b>	\$164,386	+4.0%
<b>Rental vacancy rate</b>	1.6%	

Source: CMHC Housing facts

## Relative weight of residential construction in the economy

Despite the fact that residential construction has been declining for nearly 40 years, it still represents a key socio-economic indicator for both business and government.

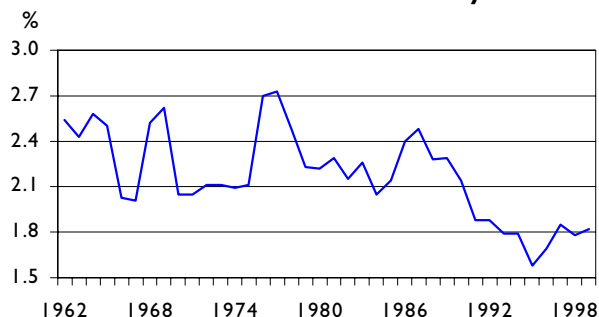
- In 1999, residential construction accounted for 1.82 per cent of Canada's gross domestic product (GDP). With the recovery in housing starts since 1995, the weight of residential construction in the economy went up slightly, but still remains much lower than it was during the 1960s, 1970s and 1980s. This trend essentially reflects the housing starts trend, itself dependent on the slowdown in demographic growth and household formation during the 1990s.
- The level of employment in the residential construction sector met with the same fate. Its weight had fallen to just 1.07 per cent of all jobs in Canada in 1998, compared to 1.56 per cent in 1987. The arrival of new products on the market and the improvement of construction techniques and equipment over the years also reduced the number of workers required for residential construction by raising their productivity.
- But, over and above its contributory input into the national economy, the importance of residential construction as an economic data element resides in all its related information. A housing start is the perfect symbol of household formation and, consequently, of goods and services consumption. It is also one of the only economic statistics available on a monthly basis at the local level across the country.

Residential construction		
Province	% of GDP. 1999	% of jobs 1998
Nfld.	n.d.	1.3
P.E.I.	1.9	1.3
N.S.	1.7	1.1
N.B.	1.5	1.3
Québec	1.7	0.9
Ontario	1.9	1.1
Manitoba	1.2	1.0
Sask.	1.2	0.9
Alberta	1.8	1.0
B.C.	2.2	1.3

Sources: CMHC Housing Facts and Statistics Canada

- Users of housing starts data have an excellent tool to forecast the sources of the demand for such diverse goods and services as household appliances or preserved wood, new schools or food markets, and new mortgages. Thanks to the many types of information provided by housing starts data, users can get a profile of their clients in urban growth centres and thereby better plan the supply of their products.■

Share of residential construction in the Canadian economy



Sources: CMHC Housing Facts , Statistics Canada

### Methodology

1. The data comes from the National Accounts published by Statistics Canada. The expression *residential construction* is limited to the expenses incurred for new housing starts and does not include renovation and repair expenditures.
2. The employment data comes from a special compilation based on the Statistics Canada Labour Force Survey.

## Forecast for 2001-2002: growth phase to continue

Despite the economic slowdown predicted by most observers, Canadian housing markets should continue to grow.

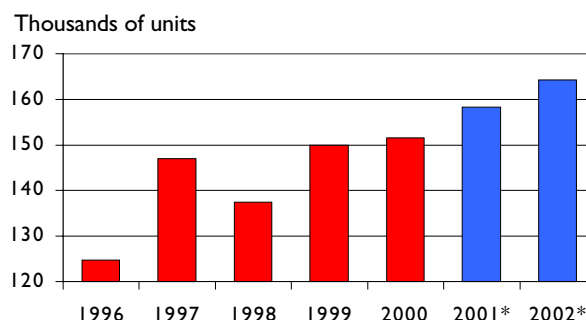
- In our latest issue of **CMHC Housing Outlook**, we forecast that housing starts will reach 158,400 units in 2001 and 164,300 units in 2002, on account of higher employment and income levels, very low new and existing home inventories and increased migration. These positive factors will be enhanced by the decrease in mortgage rates this year, in spite of the economic slowdown.
- After posting a small gain in 2000, resales will increase by 2.4 per cent in 2001 and 0.4 per cent in 2002, setting one record after another. This year, the greatest levels of activity will take place in Ontario, Quebec and B.C.
- This year, it is expected that existing home prices will rise at a rate similar to last year's pace. In fact, prices should go up by about 4.1 per cent in 2001, before slowing down their growth rate to 2.9 per cent in 2002. ■

### 2001-2002 Forecast

	2000	2001*	2002*
Housing Starts	151,653	158,400	164,300
Resales (e)	336,414	344,400	345,800
Average resale price (\$) (e)	164,386	171,100	176,100

Sources: CMHC Housing Facts, Canadian Real Estate Association  
(e) : estimate

### Housing starts in Canada



Source: CMHC Housing Facts. \*Forecast

## Housing market in 2001: foreseeable risks

Notwithstanding strong economic fundamentals, the following factors could thwart the anticipated performance on the housing markets in 2001.

- Even if there is every indication that the Canadian economy is solid, the greatest risk at the national level remains a **recession in the United States** this year. The impact on our exports in several industrial sectors and the resulting jobs would inevitably deal a blow to the confidence of Canadian consumers and their capacity to invest in residential real estate.
- Regionally, potential work **conflicts and stoppages** could materialize as several construction trades will be renewing their work contracts this year. As was seen in 2000, strikes can have a major impact on housing starts in the short term.
- Several provinces will be closely following the consequences of the **end of the lumber trade agreement** with the United States on March 31, 2001. The adoption of free trade pure and simple would be favourable to Canadian exporters. The imposition of countervailing duties by the United States could hurt certain areas where the economy depends heavily on forestry.
- The interest rate and tax reductions are timely, as the Canadian **consumer debt level** remains close to the record 100 per cent of household disposable income which, in the event of an economic slowdown and job losses, constitutes a major risk for the housing markets. ■

## Easing mortgage rates to help housing markets

The rise in home prices is attenuated by the increase in income levels and the decrease in mortgage rates.

- The mortgage rates outlook remains positive with the one, three and five-year mortgage rates in the 6.50-7.25, 6.75-7.50, and 7.00-7.75 per cent range respectively.
- Lower consumer confidence, weaker manufacturing sector, equity market corrections, heightened financial risk, and moderate inflation rates point to lower interest rates in the U.S. this year. Close ties between our economy and that of the U.S. will help usher lower interest and mortgage rates in Canada in 2001. However, the vibrant Canadian economy will slow the pace and magnitude of interest rate reductions at home compared to the U.S.
- The main risk to the forecast is that mortgage rates could move lower if the manufacturing sector weakens further, labour market and consumer spending weakness intensify, or new sources of financial stress emerge in the U.S. and Canada. ■

Mortgage interest rates			
Year / quarter	1-year	3-year	5-year
2000:1	7.63	8.25	8.48
2000:2	8.03	8.33	8.52
2000:3	7.90	8.10	8.25
2000:4	7.83	8.00	8.15
<b>2000</b>	<b>7.85</b>	<b>8.17</b>	<b>8.35</b>
2001:1	7.15	7.45	7.62
2001:2	6.87	7.17	7.39
2001:3	6.68	7.00	7.22
2001:4	6.22	6.82	7.10
<b>2001</b>	<b>6.81</b>	<b>7.11</b>	<b>7.33</b>

Source: CMHC Housing facts

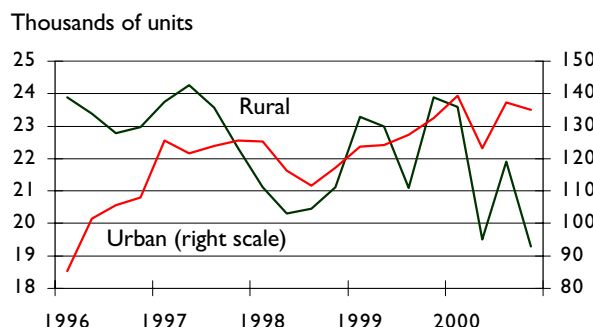
## Rural starts: why the weakness?

Rural starts dropped sharply at the end of the year 2000.

- During two quarters last year, rural starts fell below the 20,000-unit mark, at the seasonally adjusted annual rate (SAAR). This was a determining factor in our overestimation of the level of housing starts in 2000. Had it not been for the weakness of rural starts, the final results would have been in line with our forecasts.
- There are several reasons why rural starts declined, including these:
  1. It is not surprising that the relative share of rural starts is decreasing, given that rural areas are getting smaller and smaller, with the territorial expansion of urban centres from one census to another.
  2. It is also obvious that economic growth is greater in urban areas than in rural areas, and rural economic growth does not generate a housing demand that is proportional to its level of growth.
  3. It seems that part of the rural demand,

particularly in resort areas with non-traditional tenure options, escapes the estimate. Since these dwellings are not used as principal residences, they are not accounted for in the surveys on which the estimates are based. ■

### Housing starts in rural areas



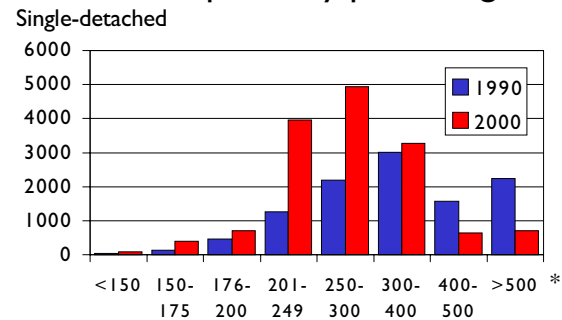
Source: CMHC Housing facts

## New homes: demand refocuses on certain price ranges

Since 1990, the distribution of the new single-detached housing demand by price range has more or less tightened depending on the metropolitan areas. Here is a glance at three markets.

- Depending on prevailing local economic conditions, the distribution of the absorption of new single-detached homes by price range has varied a great deal between 1999 and 2000. From one urban centre to another, local conditions have combined with economic fundamentals. In general, inflation played a significant role by raising the overall level of new home prices. The increase in buyers' capacity to pay, thanks to higher incomes, greater wealth or better financing conditions, has enabled them to adjust.
- This being said, it is currently much more difficult to find a new single-detached house in the major metropolitan areas for under \$100,000. This market segment is now held by condominium apartments and semi-detached and row homes. For example, in Halifax, the number of new houses absorbed at a price below \$100,000 decreased by nearly 90 per cent between 1990 and 2000. In this largest city of the Atlantic Provinces, the most popular price range is now from \$150,000 to \$175,000.
- The shift in the demand towards higher price ranges was also observed in Toronto, but with this particularity: a decline in the demand for properties priced at over \$400,000. In comparison with the growth phase in the late 1980s, buyers appear to be more cautious and better informed with regard to purchasing a home, and they learned from the upsurge and ensuing drop in prices.

### Toronto Absorptions by price range

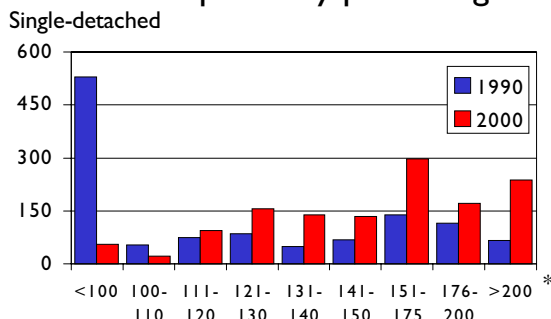


Source: CMHC Housing Facts  
\*Thousands of \$

- Vancouver, for its part, is experiencing a cyclical low in its housing market and a significant decrease in the total demand. However, Vancouver has managed to stand out from other markets with its continued preponderance of higher price ranges. In 2000, only 24 single-detached houses were sold for less than \$200,000.
- In addition to economic conditions, absorption by price range varies according to the types of products offered by builders, the competition and local urban development policies. A more in-depth analysis of new housing demand trends may be obtained by contacting your local CMHC market analyst. ■

### Halifax

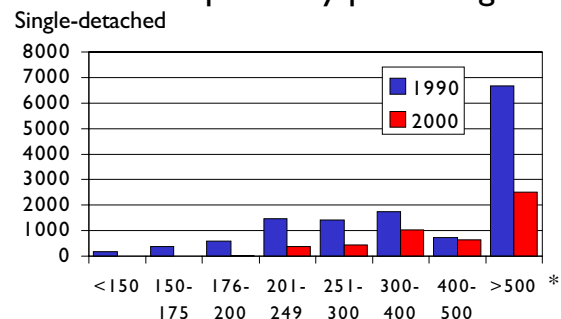
#### Absorptions by price range



Source: CMHC Housing Facts  
\* Thousands of \$

### Vancouver

#### Absorptions by price range



Source: CMHC Housing Facts  
\*Thousands of \$

## This Month's Housing Data

	2000	Q2:00	Q3:00	Q4:00	MI1:00	MI2:00	MI:01
<b>Housing starts. units. 000's</b>							
<b>Canada. Total. All areas</b>	<b>151.7</b>	<b>141.8</b>	<b>156.6</b>	<b>154.2</b>	<b>152.7</b>	<b>145.0</b>	<b>174.1</b>
% chg	1.1	-11.7	10.4	-1.5	-7.6	-5.0	20.1
<b>Canada. Total. Rural areas</b>	<b>20.6</b>	<b>19.5</b>	<b>21.9</b>	<b>19.3</b>	<b>19.3</b>	<b>19.3</b>	<b>19.1</b>
% chg	-9.9	-17.4	12.3	-11.9	0.0	0.0	-1.0
<b>Canada. Total. Urban areas</b>	<b>131.1</b>	<b>122.3</b>	<b>134.7</b>	<b>134.9</b>	<b>133.4</b>	<b>125.7</b>	<b>155.0</b>
% chg	3.1	-10.7	10.1	0.1	-8.6	-5.8	23.3
<b>Canada. Single. Urban areas</b>	<b>74.4</b>	<b>73.0</b>	<b>73.2</b>	<b>74.9</b>	<b>77.5</b>	<b>73.9</b>	<b>78.2</b>
% chg	2.1	-8.2	0.3	2.3	5.6	-4.6	5.8
<b>Canada. Multiple. Urban areas</b>	<b>56.7</b>	<b>49.3</b>	<b>61.5</b>	<b>60.0</b>	<b>55.9</b>	<b>51.8</b>	<b>76.8</b>
% chg	4.4	-14.1	24.7	-2.4	-23.0	-7.3	48.3
<b>Newfoundland. Total. All areas</b>	<b>1.5</b>	<b>1.4</b>	<b>1.6</b>	<b>1.5</b>	<b>1.2</b>	<b>1.5</b>	<b>1.1</b>
% chg	6.4	-17.6	14.3	-6.2	-33.3	25.0	-26.7
<b>Prince Edward Island. Total. All areas</b>	<b>0.7</b>	<b>0.5</b>	<b>0.7</b>	<b>0.9</b>	<b>0.8</b>	<b>1.0</b>	<b>0.8</b>
% chg	15.3	-50.0	40.0	28.6	-27.3	25.0	-20.0
<b>Nova Scotia. Total. All areas</b>	<b>4.4</b>	<b>4.4</b>	<b>4.4</b>	<b>3.7</b>	<b>3.4</b>	<b>4.7</b>	<b>5.7</b>
% chg	4.3	-25.4	0.0	-15.9	6.2	38.2	21.3
<b>New Brunswick. Total. All areas</b>	<b>3.1</b>	<b>2.3</b>	<b>3.6</b>	<b>2.9</b>	<b>3.6</b>	<b>2.2</b>	<b>3.7</b>
% chg	11.0	-50.0	56.5	-19.4	28.6	-38.9	68.2
<b>Quebec. Total. All areas</b>	<b>24.7</b>	<b>22.9</b>	<b>26.0</b>	<b>26.0</b>	<b>28.3</b>	<b>23.0</b>	<b>25.7</b>
% chg	-4.1	-12.3	13.5	0.0	5.6	-18.7	11.7
<b>Ontario. Total. All areas</b>	<b>71.5</b>	<b>63.4</b>	<b>74.7</b>	<b>72.7</b>	<b>70.1</b>	<b>68.9</b>	<b>83.0</b>
% chg	6.4	-18.4	17.8	-2.7	-11.5	-1.7	20.5
<b>Manitoba. Total. All areas</b>	<b>2.6</b>	<b>2.8</b>	<b>2.5</b>	<b>2.6</b>	<b>2.5</b>	<b>2.7</b>	<b>2.7</b>
% chg	-18.3	21.7	-10.7	4.0	-10.7	8.0	0.0
<b>Saskatchewan. Total. All areas</b>	<b>2.5</b>	<b>2.6</b>	<b>2.6</b>	<b>2.3</b>	<b>2.6</b>	<b>1.6</b>	<b>2.0</b>
% chg	-18.6	13.0	0.0	-11.5	0.0	-38.5	25.0
<b>Alberta. Total. All areas</b>	<b>26.3</b>	<b>26.2</b>	<b>27.4</b>	<b>26.1</b>	<b>27.4</b>	<b>26.3</b>	<b>28.9</b>
% chg	3.2	2.3	4.6	-4.7	11.8	-4.0	9.9
<b>British Columbia. Total. All areas</b>	<b>14.4</b>	<b>15.3</b>	<b>13.1</b>	<b>15.5</b>	<b>12.8</b>	<b>13.1</b>	<b>20.6</b>
% chg	-11.6	15.0	-14.4	18.3	-37.6	2.3	57.3

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\*

	2000	Q2:00	Q3:00	Q4:00	M11:00	M12:00	M1:01
<b>Canada</b>	131.1	122.3	134.7	134.9	133.4	125.7	155.0
Newfoundland	1.0	1.0	1.1	1.1	0.8	1.1	0.8
Prince Edward Island	0.4	0.3	0.4	0.5	0.4	0.6	0.5
Nova Scotia	3.0	3.1	3.0	2.3	2.0	3.3	4.0
New Brunswick	2.0	1.6	2.1	1.9	2.6	1.2	3.0
Québec	19.9	17.8	22.3	20.8	23.1	17.8	20.7
Ontario	67.4	59.4	70.0	69.7	67.1	65.9	79.6
Manitoba	1.5	1.5	1.6	1.4	1.3	1.5	1.6
Saskatchewan	1.9	2.0	2.1	1.5	1.8	0.8	1.7
Alberta	21.5	22.5	21.1	22.4	23.7	22.6	24.2
British Columbia	12.4	13.1	11.0	13.3	10.6	10.9	18.9

\* Seasonally adjusted.

## This Month's Major Housing Indicators

	2000	Q2:00	Q3:00	Q4:00	M11:00	M12:00	M1:01
<b>New Housing*</b>							
<b>New &amp; unoccupied, singles &amp; semis, 000's</b>	6.32	6.21	6.11	6.31	6.19	6.31	6.21
%chg	0.24	-2.31	-1.61	2.95	3.18	1.91	-1.58
<b>New &amp; unoccupied, row &amp; apartments, 000's</b>	7.27	8.12	8.24	6.54	6.99	6.54	6.97
%chg	-8.30	-0.87	1.46	-20.12	-10.00	-6.44	6.57
<b>New house price Index, 1992 = 100</b>	n.d.	102.93	103.47	n.d.	104.25	n.d.	n.d.
%chg	n.d.	0.65	0.52	n.d.	0.27	n.d.	n.d.
<b>Existing Housing*</b>							
<b>MLS resales, units, 000's</b>	333.70	333.05	336.24	333.39	354.01	317.57	n.d.
%chg	-0.61	-2.58	0.95	-0.88	3.94	-10.29	n.d.
<b>MLS average resale price, \$C, 000's</b>	164.09	162.42	164.35	166.33	166.25	165.97	n.d.
%chg	3.84	0.19	1.42	1.20	-1.49	-0.17	n.d.
<b>Mortgage market</b>							
<b>1-year mortgage rate, %</b>	7.85	8.03	7.90	7.83	7.90	7.70	7.40
<b>5-year mortgage rate, %</b>	8.35	8.51	8.25	8.15	8.25	7.95	7.75

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

chg % change from previous period.

n.a. Figures not available

\* Seasonally adjusted.