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HOUSING FACTS

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Canada Mortgage and Housing Corporation

Housing starts drop to 156,100 in February

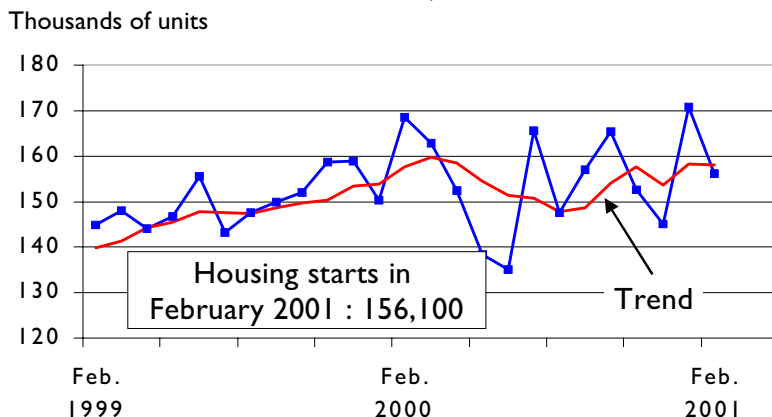
In February, 156,100 housing units* were started in Canada, compared to the revised number of 170,700 units recorded in January. This is an 8.6% decline.

In urban areas, the increased number of housing starts of single units (6.7% to 83,300 units) could not make up for the reduction in multiple units starts, which fell 26.9% to 53,700 units.

In February, a drop in the construction of multiple units in all regions except Quebec was greatly anticipated as a result of the spectacular results recorded in January in several metropolitan areas. The number of housing starts is still in line with our forecast and reflects the fact that the current environment supports the housing market.

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

In February, housing starts in Quebec jumped due to the high levels of single-detached dwelling construction in most metropolitan areas. Housing starts reached 26,600 units, an increase of 28.5%. All other regions experienced a slowdown. Activity in other regions was as follows: Ontario (-10.9% to 68,000 units), Atlantic region (-14.6% to 7,000 units), the Prairies (-21.1% to 21,700 units) and British Columbia (-27.5% to 13,700 units).

In the large urban centres, the number of starts, in terms of the seasonally adjusted annual rate, reached 36,400 in Toronto, 17,400 in Montreal and 8,100 in Vancouver.

After two months of activity, the actual starts in urban centres have increased by 10.4% compared to the same period in 2000.■

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Rents and average income of young renters: a comparison

The growth in the income of renters aged from 20 to 44 years in 2000 was greater than the increase in rents in certain major metropolitan areas, but this was not the case everywhere.

- In certain metropolitan areas, the median and average work income levels are rising faster than the rents. For those who are aspiring to become homeowners, this means that their capacity to save for a down payment is improving. This is not the case in Toronto and Ottawa, however, where the very low rental vacancy rates have caused rents to rise at a rate well above that of the average income of renters. In Edmonton and Vancouver, the average income of renters was even slightly down.
- Evidently, for homeownership, lower mortgage rates or a lighter tax burden can be positive factors. As well, the position of renters is always relative to the number of properties for sale and their prices. Renters in Montréal, Halifax and especially Calgary are in a good position. In fact, according to the latest CMHC survey of buying intentions, Calgary heads the list for buying intentions in general, while renters in Montréal and Toronto are showing the greatest interest for homeownership in 2001.■

Weekly income of renters aged between 20 to 44 in 2000

	Avg.* (\$)	Change in average income 1999-2000	Change in average rent** 1999-2000
Halifax	458.0	5.9 %	1.7 %
Montréal	532.6	3.3 %	0.6 %
Ottawa-Hull	596.4	0.9 %	12.0 %
Toronto	641.0	1.0 %	9.1 %
Calgary	595.7	7.8 %	0.0 %
Edmonton	520.2	-0.4 %	4.3 %
Vancouver	599.4	-0.8 %	3.0 %

Sources: CMHC Housing Facts and Statistics Canada

*January to October.

**Two- bedroom apartments

Manufactured homes: solutions for residential construction

Manufactured homes hold, on average, only 2 to 5 per cent of the single-family home market in Canada, compared to around one quarter in the United States, where it is perceived as a product with a future.

- Even with the greater efficiencies developed over the last few decades, housing production in North America still faces some major challenges. The industry is now attempting to find solutions to the scarcity of skilled workers, the aging of its work force, the cyclical nature of the demand and the volatility of materials prices. Ignored by a majority of consumers who still associate it with a poor quality product, manufactured housing and its related construction techniques offer many solutions to industry problems and consumer needs.
- In fact, the production of manufactured homes and panels does not depend on the weather, in addition to the fact that the materials are not exposed to theft, vandalism or deterioration. In theory, with a single company handling production, this allows for tight quality control and effective schedule management. By purchasing large quantities of materials and products, the company can also realize economies of scale.

Manufactured housing no longer has anything to do with “trailer parks”

1. Manufactured housing is no longer a low end or poor quality product.
2. In the United States, manufactured homes are increasingly present in urban areas.
3. Manufactured housing is no longer restricted to single-family homes. Modular systems have technical features that make them suitable for the construction of multiple housing and retirement homes.
4. In the United States, over two thirds of manufactured homes are never moved.
5. The average floor area of manufactured homes sold in the United States is greater than the average area of these dwellings in Canada.

- The principal asset of manufactured housing remains its affordability, a major factor in a context of rapidly growing prices on the U.S. market. In Canada, this is an advantage that has been virtually unused in the marketing of such homes to the general public. The modular construction system could also be part of the solution to the low profitability problem faced by the industry in the rental apartment segment.
- Canadian manufacturers must intensify their efforts to appeal to consumers and improve their product distribution networks by strengthening their ties with real estate developers and builders.
- Export remains an important outlet. Despite the temporary difficulties experienced by the industry in the United States, the market is promising with the aging of the population and the arrival of Generation X on the housing market. The southern States will continue to account for the bulk of the demand, as economic growth is stronger there than in the north. In the last few years, the demand for manufactured homes has followed the general market trend. Over 290,000 units should be absorbed on the U.S. market in 2001.■

Fact sheet - United States

Year	1998	1999
Multi-section manufactured homes		
Average sales price (\$US)	48,700	50,200
Average square footage	1,580	1,605
Cost by square footage(\$US)	30.80	31.28
New single-family site-built homes*		
Average sales price (\$US)	142,125	153,425
Average square footage	2,170	2,230
Cost by square footage(\$US)	65.50	68.80

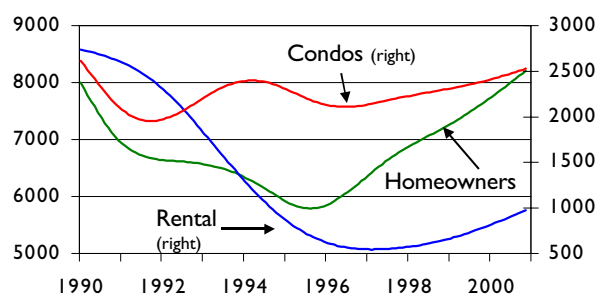
Sources : CMHC Housing Facts, Man. Housing Institute (MHI) *Price of structure

Condominium housing has become the most stable market

Over the past decade, condominium housing starts in Canada were less affected by the prevailing economic conditions, even increasing their market share.

- According to many attentive observers of the Toronto housing market, condominium construction is about to slow down after having progressed at a feverish pace for several months. This draws attention to the fact that, nationally, condominium starts have remained less sensitive to economic cycles since 1990 than homeowner or renter products. Today, condominiums account for just under one out of five housing starts (18 per cent). This proportion stood at about 15 per cent in 1990.
- This is because developers and builders offer households different products and price ranges meeting a great variety of needs and incomes.
- As well, it is a known fact that the condominium market has captured a considerable share of the rental market since 1992. For one thing, homeownership went up with the decrease in mortgage rates and the introduction of specific government measures, such as the First Home Loan Insurance (FHLI) program. For another, the industry prefers to build condominium apartments that may be either sold or rented depending on the market conditions.
- Currently, over 2,500 condominiums are started every month, compared to more than 8,000 homeowner dwellings and about 1,000 rental housing units. ■

Housing starts by intended market
Monthly trend



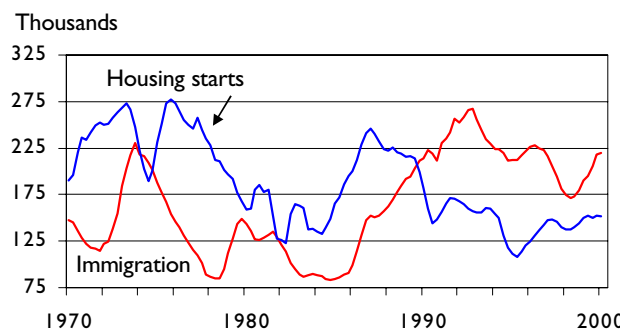
Source : CMHC Housing Facts

Increase in Canadian immigration quotas

Over the next few years, the quota of immigrants admitted into Canada will be raised from 225,000 to 235,000 people.

- The recent announcement by the federal government that it will increase the quota of immigrants admitted into Canada will have an impact on residential construction. If the maximum level is reached, this could represent an annual increase of about 3,000 housing starts. According to the current distribution model, the Toronto, Vancouver, Montréal, Ottawa and Calgary metropolitan areas would share this new inflow.
- Depending on the origin and wealth of the immigrants, the impact will be felt more or less rapidly on the housing market. On the basis of what has been observed in the past, the bulk of the impact on residential construction will occur 5 to 10 years after the arrival of the immigrants. The market therefore has plenty of time to get ready for this new migration inflow. ■

Immigration and housing starts



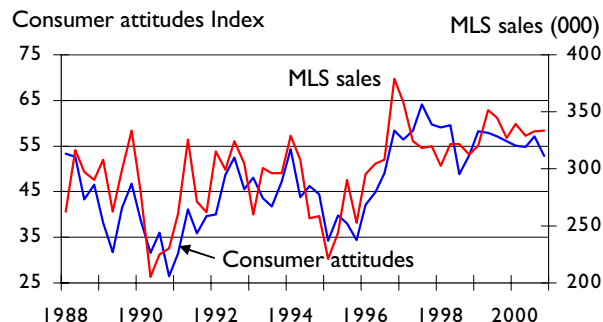
Sources: CMHC Housing Facts and Statistics Canada

Canadian consumers walk the talk

Canadian consumers mean business when it comes to acting upon their intention to purchase a home. Since 1988, resales followed closely consumer attitudes.

- How well do surveys of Consumer Attitudes, such as the one published by the Conference Board of Canada, predict trends in housing markets? As the graph shows, consumer confidence effectively tracks the trend of existing home sales.
- This consumer confidence index at the closing quarter of 2000 stood near the level in the first quarter of 1997, the year in which there was record home sales. While many factors are favourable to homebuying, it will be interesting to see if recent economic news and stock market turmoil will affect consumer confidence and home sales in the coming months.
- In its quarterly survey of Consumer Attitudes, the Conference Board of Canada asks consumers whether it is now a good time to make a major outlay by buying things such as a house. A rise in this index, points to an up-tick in sales in less than six months.■

Resales and consumer attitudes*



Sources: CMHC Housing Facts, Conference Board of Canada
Canadian Real Estate Association

*Those who answer “Yes” to the question: Is it a good time to buy a big ticket item?

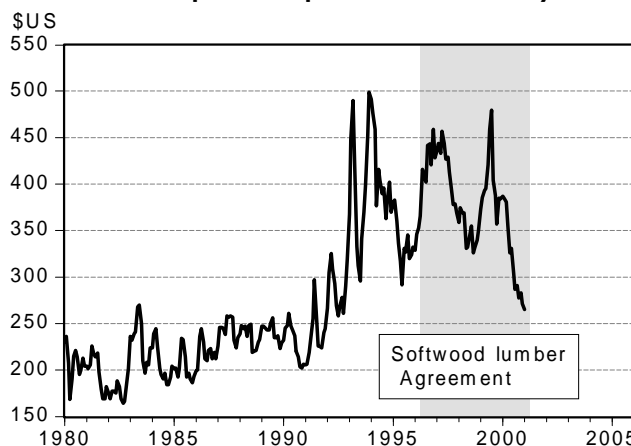
End of the Canada-U.S. lumber agreement: uncertainty over prices

In all likelihood, it is the uncertainty surrounding transition periods between two trade relations systems that generate the greatest volatility in prices.

- At the time of writing, there is still some uncertainty with regard to the system that will prevail when the Canada-U.S. softwood lumber agreement comes to an end on March 31. Everyone is wondering where prices will be heading over the next few months, for this key residential construction product.
- Opinion is obviously divided on the impact that this Agreement has had on prices. Advocates of a return to free trade, a position generally held across Canada and several sectors in the U.S., maintain that the Agreement kept prices at higher levels than the market would have warranted and that, during this period, the price fluctuations were more significant. One thing is certain: the fluctuations were present well before the implementation of the Agreement.
- As for the price levels and the amplitude of the fluctuations, it is also clear that the Agreement did not immunize the price of lumber against market forces. Most of the major price movements can be explained by prevailing economic

conditions, environmental restrictions and vigorous residential construction activity in the U.S., rather than trade policy, since producers adjusted to the quota system in the medium term. This year, a decline in the demand and excess capacity should keep prices low.■

Framing lumber Composite price - monthly



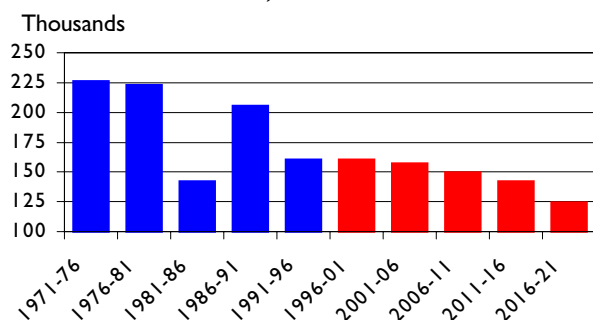
Sources: CMHC Housing Facts and Random lengths Framing lumber composite price

The future through a demographic lens

Despite the important influence of socio-economic factors on the performance of housing markets, demographic factors help set the long-term direction of these markets.

- Demographic forces play a key role in shaping housing demand. What do the most recent demographic trends reveal about housing markets in the next twenty years?
- Projections show household growth declining, but at a much more gradual pace than in the past. Growth should be relatively stable through 2006.
- The major reason for the persistent downward trend in household formation is declining population growth, largely a product of an aging population of baby boomers.

Average annual household growth, Canada, 1971-2021



Sources: CMHC Housing Facts , Statistics Canada

- The influence of the baby boomers is readily evident in the age pattern of household growth. With the arrival of the first baby boomers, the populations of affected age groups swell, but later on, these same populations shrink as boomers give way to the smaller baby bust generation.
- For example, strong growth in households headed by the 45-54 group will continue through 2011. After 2011, the total number of households headed by this group will drop with the arrival of the baby bust cohorts.
- Growth in senior households will really take off after 2011, when baby boomers first begin to hit age 65. The 55-64 household group will enjoy strong growth through 2021.
- The increase in the average age of the population will be positive for home ownership. The proportion of households owning homes will rise steadily through 2021.

Annual household growth (thousands)

Canada, 1996-2021					
Age Group	1996-2001	2001-2006	2006-2011	2011-2016	2016-2021
15-24	4.3	2.8	2.7	-0.6	-9.7
25-34	-44.1	0.3	13.6	11.4	7.8
35-44	30.0	-36.7	-42.8	2.7	15.7
45-54	80.4	58.3	30.9	-34.4	-40.2
55-64	44.8	85.7	77.8	58.0	31.7
65-74	8.6	12.3	44.3	82.7	76.1
75+	36.5	34.8	22.8	22.5	43.2

Sources: CMHC Housing Facts and Statistics Canada

- The increase in ownership in no way indicates that rental demand will be insignificant. Renters will account for around 30 per cent of the total growth in households, a proportion consistent with historical experience.
- The above analysis highlights growing and shrinking household segments. While we cannot be sure what the housing needs and preferences of households in the future will be, housing industry players would do well to focus on products and services designed to appeal to expanding demographic segments, in particular the 45+ household group. ■

Methodology

CMHC developed household projections based on Statistics Canada's most recent medium-growth population scenario. Assumptions underlying this scenario include an annual intake of 225,000 immigrants. This level is at the upper end of the the official target for 2001 (200-225,000). The government target for next year is 210-235,000.

This Month's Housing Data

	2000	Q2:00	Q3:00	Q4:00	M12:00	M1:01	M2:01
Housing starts. units. 000's							
Canada. Total. All areas	151.7	141.8	156.6	154.2	145.0	170.7	156.1
% chg	1.1	-11.7	10.4	-1.5	-5.0	17.7	-8.6
Canada. Total. Rural areas	20.6	19.5	21.9	19.3	19.3	19.1	19.1
% chg	-9.9	-17.4	12.3	-11.9	0.0	-1.0	0.0
Canada. Total. Urban areas	131.1	122.3	134.7	134.9	125.7	151.6	137.0
% chg	3.1	-10.7	10.1	0.1	-5.8	20.6	-9.6
Canada. Single. Urban areas	74.4	73.0	73.2	74.9	73.9	78.1	83.3
% chg	2.1	-8.2	0.3	2.3	-4.6	5.7	6.7
Canada. Multiple. Urban areas	56.7	49.3	61.5	60.0	51.8	73.5	53.7
% chg	4.4	-14.1	24.7	-2.4	-7.3	41.9	-26.9
Newfoundland. Total. All areas	1.5	1.4	1.6	1.5	1.5	1.1	1.1
% chg	6.4	-17.6	14.3	-6.2	25.0	-26.7	0.0
Prince Edward Island. Total. All areas	0.7	0.5	0.7	0.9	1.0	0.8	0.5
% chg	15.3	-50.0	40.0	28.6	25.0	-20.0	-37.5
Nova Scotia. Total. All areas	4.4	4.4	4.4	3.7	4.7	5.6	5.0
% chg	4.3	-25.4	0.0	-15.9	38.2	19.1	-10.7
New Brunswick. Total. All areas	3.1	2.3	3.6	2.9	2.2	3.7	3.4
% chg	11.0	-50.0	56.5	-19.4	-38.9	68.2	-8.1
Quebec. Total. All areas	24.7	22.9	26.0	26.0	23.0	25.7	31.6
% chg	-4.1	-12.3	13.5	0.0	-18.7	11.7	23.0
Ontario. Total. All areas	71.5	63.4	74.7	72.7	68.9	79.7	71.4
% chg	6.4	-18.4	17.8	-2.7	-1.7	15.7	-10.4
Manitoba. Total. All areas	2.6	2.8	2.5	2.6	2.7	2.7	2.8
% chg	-18.3	21.7	-10.7	4.0	8.0	0.0	3.7
Saskatchewan. Total. All areas	2.5	2.6	2.6	2.3	1.6	2.0	1.6
% chg	-18.6	13.0	0.0	-11.5	-38.5	25.0	-20.0
Alberta. Total. All areas	26.3	26.2	27.4	26.1	26.3	28.9	23.4
% chg	3.2	2.3	4.6	-4.7	-4.0	9.9	-19.0
British Columbia. Total. All areas	14.4	15.3	13.1	15.5	13.1	20.6	15.4
% chg	-11.6	15.0	-14.4	18.3	2.3	57.3	-25.2

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*

	2000	Q2:00	Q3:00	Q4:00	MI2:00	MI:01	M2:01
Canada	131.1	122.3	134.7	134.9	125.7	151.6	137.0
Newfoundland	1.0	1.0	1.1	1.1	1.1	0.8	0.8
Prince Edward Island	0.4	0.3	0.4	0.5	0.6	0.5	0.2
Nova Scotia	3.0	3.1	3.0	2.3	3.3	3.9	3.3
New Brunswick	2.0	1.6	2.1	1.9	1.2	3.0	2.7
Québec	19.9	17.8	22.3	20.8	17.8	20.7	26.6
Ontario	67.4	59.4	70.0	69.7	65.9	76.3	68.0
Manitoba	1.5	1.5	1.6	1.4	1.5	1.6	1.7
Saskatchewan	1.9	2.0	2.1	1.5	0.8	1.7	1.3
Alberta	21.5	22.5	21.1	22.4	22.6	24.2	18.7
British Columbia	12.4	13.1	11.0	13.3	10.9	18.9	13.7

* Seasonally adjusted.

This Month's Major Housing Indicators

	2000	Q2:00	Q3:00	Q4:00	MI2:00	MI:01	M2:01
New Housing*							
New & unoccupied, singles & semis, 000's	6.32	6.21	6.11	6.31	6.31	6.21	6.14
%chg	0.24	-2.31	-1.61	2.95	1.91	-1.58	-1.13
New & unoccupied, row & apartments, 000's	7.27	8.12	8.24	6.54	6.54	6.97	6.82
%chg	-8.30	-0.87	1.46	-20.12	-6.44	6.57	-2.15
New house price Index, 1992 = 100	103.22	102.93	103.47	104.18	104.33	n.d.	n.d.
%chg	2.24	0.65	0.52	0.66	0.10	n.d.	n.d.
Existing Housing*							
MLS resales, units, 000's	333.70	333.05	336.24	333.39	317.57	353.45	n.d.
%chg	-0.61	-2.58	0.95	-0.88	-10.29	11.30	n.d.
MLS average resale price, \$C, 000's	164.09	162.42	164.35	166.33	165.97	166.21	n.d.
%chg	3.84	0.19	1.42	1.20	-0.17	0.14	n.d.
Mortgage market							
1-year mortgage rate, %	7.85	8.03	7.90	7.83	7.70	7.40	7.40
5-year mortgage rate, %	8.35	8.51	8.25	8.15	7.95	7.75	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.