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HOUSING FACTS

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Canada Mortgage and Housing Corporation

Housing starts rise considerably to 176,200 units in June

In June, housing starts in Canada reached 176,200 units, at the seasonally adjusted annual rate, compared to 155,000 units recorded in May, for an increase of 13.7 per cent.

Single urban starts were up by 8.3 per cent to 76,000 units, while multiple starts rose by 24.6 per cent to 78,000 units.

The major hike in multiple starts resulted from a strong demand for apartments in several regions. In the case of multiple housing, June marked the fourth consecutive monthly increase in starts.

As for single starts, the gain registered in June showed that demand remains strong.

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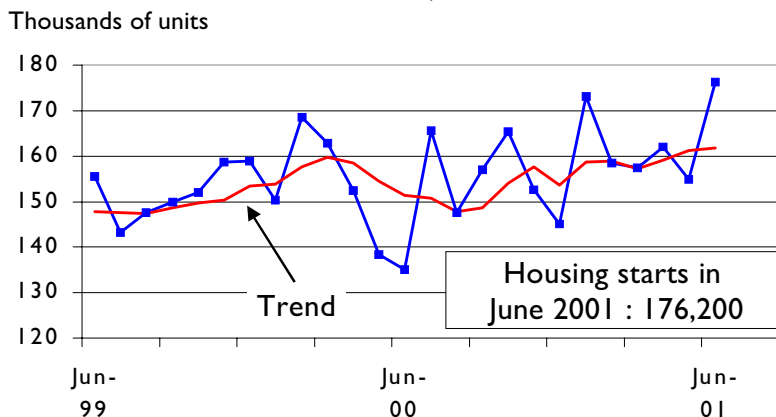
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Housing starts in Canada
all areas, *saar



Source: CMHC Housing facts
*Seasonally adjusted annual rate



HOME TO CANADIANS
Canada

Housing starts - Continued from page 1

In June, starts posted gains in all regions. In fact, starts jumped by 22.4 per cent in the Atlantic Region to 6,000 units, thanks to rises in Nova Scotia and New Brunswick. The results for the other regions were as follows: starts were up in Ontario (22.2 per cent to 81,500 units), Quebec (12.6 per cent to 21,400 units), British Columbia (9.2 per cent to 17,700 units) and in the Prairies (5.4 per cent to 27,400 units).

In the large urban agglomerations, starts reached 48,100 units in Toronto, 12,300 units in Montréal and 14,500 units in Vancouver, at seasonally adjusted annual rates.

After six months of activity, real urban starts are up by 11.4 per cent over the same period in 2000. ■

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Outlook for 2001-2002: economy to catch up with housing markets

The downturn in starts in Ontario and Alberta will bring about a slight decrease in activity in 2002; however, the other provinces should post gains next year.

- In the latest issue of **CMHC Housing Outlook**, it is reported that starts are expected to reach 158,000 units in 2001 and 156,600 units in 2002. Despite the slowdown of the North American economy, favourable mortgage rates, higher immigration levels and solid prices will continue to boost residential construction.
- Following a significant gain in 2001, the number of resales will fall slightly by 0.6 per cent in

2002, still remaining close to the record level forecast for this year. Resale transactions should climb by 18 per cent this year in British Columbia.

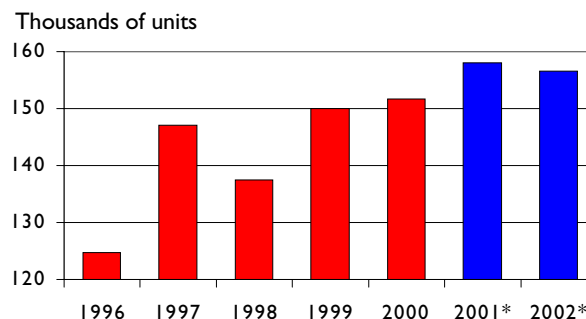
- This year and next year, CMHC anticipates that the average price of existing homes will rise faster than inflation, with increases of 4.0 per cent and 3.3 per cent, respectively. ■

Key forecast numbers

	2000	2001*	2002*
Housing starts	151,653	158,000	156,600
Number of resales	333,197	352,500	350,400
Average resale price (\$)	164,135	170,700	176,300

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

Housing starts in Canada



Source: CMHC Housing Facts. *Forecast

Energy conservation: the rental housing market is promising

The inevitable upgrading of heating and air conditioning systems in the rental housing stock is likely to provide significant market opportunities for manufacturers. In fact, the legislation in certain provinces encourages landlords to conserve energy.

- In most metropolitan areas, the context today is more conducive to rental building investments and renovations, as vacancy rates are low and landlords can more easily amortize the costs thanks to low interest rates and rising rental incomes.
- For many landlords, capital investments promoting energy conservation are currently among the types of work most likely to maintain and improve the profitability of their assets, given the rise in energy prices over the past 18 months. In addition, legal provisions in Ontario, for example, allow for the recovery of material and installation costs above the predefined annual rental increase percentage, when energy conservation measures are involved.

Distribution of rental housing structures in % by construction period

	Before 1950	1951 to 1980	1980 to 1990	1991 to 2000	Median age
Nfld.	26.0	42.9	21.7	9.5	23
PEI	38.2	29.9	18.1	13.8	30
N.S.	53.6	34.5	8.2	3.7	39
N.B.	65.2	20.8	3.8	10.2	30
Québec	41.5	34.5	18.4	5.6	29
Ontario	40.2	49.0	7.8	2.9	42
Man.	43.6	48.7	6.1	1.7	44
Sask.	19.2	62.8	16.8	1.2	30
Alberta	3.5	84.1	10.0	2.4	26
B.C.	16.7	61.3	9.0	13.0	31
Canada	38.6	41.9	14.2	5.3	32

Source : CMHC Housing Facts

*Rental housing private stock, 3 units and more.

Distribution of rental housing structures in % by construction period

	Before 1950	1951 to 1980	1980 to 1990	1991 to 2000	Median age
Calgary	2.9	89.4	6.8	0.9	27
Edmonton	3.2	86.1	9.2	1.6	29
Halifax	40.3	40.4	13.2	6.1	39
Montréal	48.4	31.9	16.3	3.4	29
Ottawa	45.0	41.6	9.4	4.0	47
Québec	31.1	41.4	18.5	9.1	31
Toronto	41.2	52.2	4.6	2.0	44
Vancouver	14.7	65.4	6.4	13.5	33

Source : CMHC Housing Facts

*Rental housing private stock, 3 units and more.

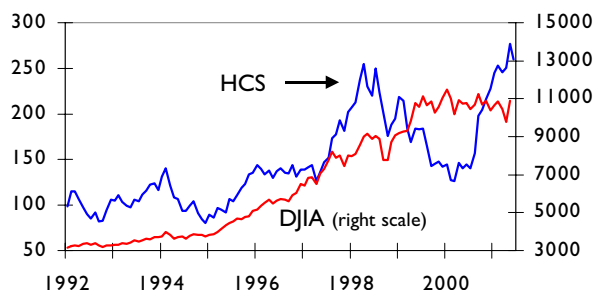
- For manufacturers of heating and air conditioning systems and insulation products and energy consultants, the rental housing stock offers significant business potential for energy retrofitting, given the age of these dwellings. In fact, while many buildings have been renovated since their construction and equipment that has reached the end of its useful life has been replaced or modernized, the fact remains that a good 80.5% of rental buildings with more than three units in Canada are over 20 years old.
- The business potential is especially important in Toronto, Calgary and Edmonton. In Toronto, 93.3% of rental properties were built over 20 years ago. This proportion is 92.3% in Calgary and 89.3% in Edmonton.
- Manufacturers and landlords would no doubt find a mutual interest in establishing business relations, if they have not already done so. ■

Residential construction favoured by stock market investors

The stock market performance of the residential construction industry in the United States shows that investors are optimistic about a sector that is standing out from the generalized lacklustre conditions.

- For several weeks now, stock markets have been hesitant about which direction to take in the face of interest rate decreases on the one hand and corporate announcements of declining profitability and layoffs on the other. In the midst of the uncertainty, the performance of the Dow Jones home construction subindex (HCS), which groups the main residential builders in the United States, continues to rise, easily surpassing the Dow Jones Industrial Average (DJIA) for the past year. On June 15, the DJIA had made no gains over the last 12 months, while the U.S. home construction subindex had posted an increase of 42.3%.
- Stock markets are first-rate leading economic indicators, and investors who had abandoned the traditional sectors for technology securities in recent years are now rediscovering residential construction securities, among others, for which the drop in interest rates since last fall will be beneficial.

Dow Jones industrial (DJIA) and home construction index



Sources: CMHC Housing Facts et Dow Jones Indexes

- In fact, several American economists have revised their U.S. housing starts forecasts upwards to 1.58 million units this year and 1.55 million units in 2002. The counter-current trend in the U.S. residential construction sector is good news for Canadian exporters.■

In Quebec, the rental housing stock is held by 277,100 owners

Over a third of the Quebec rental housing stock consists of buildings with three or fewer units.

- The preliminary results of an as yet unpublished survey conducted by the **Société d'habitation du Québec** (SHQ), in cooperation with CMHC, the **Régie du logement du Québec** and the **Régie du bâtiment du Québec**, entitled **“Étude sur les logements privés et les propriétaires-bailleurs au Québec”** [Study on private dwellings and landlords in Quebec], show that the Quebec rental housing stock has a relatively low density and that its ownership is not very concentrated.
- The primary objective of this survey was to develop specific, segmented and structured knowledge about the characteristics of the Quebec rental housing stock and the owners of these dwellings, in order to help public authorities make more informed decisions concerning their interventions in terms of housing assistance, economic promotion and support for the activities in this sector. The survey is also aimed at gaining a better understanding of the conditions surrounding residential renovation. The final report will be available this fall.■

Ownership of private rental stock in Québec in 2001

Number of units owned	Estimated number of landlords	Share of the stock (%)
1	100 000	9.2
2	84 000	15.1
3	37 000	10.2
4-5	22 000	8.5
6-9	20 000	12.9
10-19	7 500	9.0
20-49	4 700	12.3
50-99	1 100	7.0
100-199	500	6.5
200 +	300	9.4

Source: CMHC Housing Facts and Étude sur les logements privés et les propriétaires-bailleurs au Québec

Materials prices: the price of wood remains highly volatile

The Statistics Canada building construction price indices show that the significant increases in the past year are isolated instances. The data does not, however, reflect the high volatility of recent North American economic conditions for several types of materials.

- This year, the prices of building materials will not create any upward pressure on new home construction costs, as was the case in 1998, 1999 and the first six months of 2000. Although residential construction remains robust in Canada, like in the U.S., in spite of the economic slowdown, the shortages have waned in the last two years, especially on account of the supply from new production capacities, as in the case of gypsum and concrete. Now, the volatile economic conditions have made it such that manufacturers have started to reduce their production of gypsum board panels to maintain prices.
- In the case of lumber, the permanent or temporary closure of many sawmills last winter, when the price of wood reached its lowest level in ten years, has had its effects. The new balance between supply and demand caused prices to rebound in recent weeks. The random lengths structural timber composite price index reached \$402 in May compared to \$324 in April and \$301 in March.
- Lumber prices may also have risen due to American distributors' fear that many Canadian manufacturers might limit their shipments to the U.S. to avoid exposure to the countervailing duties, retroactive to April 2001. ■

Building material price indices Statistics Canada

Materials 1992=100	Level in April 2001	Annual change (%)
Concrete bricks/blocks	113.9	0.0
Carpets in rolls	111.2	3.3
Metal doors and windows	132.7	0.1
Wood doors and windows	115.6	0.0
Warm air furnaces	114.2	0.3
Gypsum wallboard	177.5	0.2
Exterior siding (métal)	136.8	0.0
Paints and enamels	124.9	3.3
Particle board	101.6	-41.2
Plywood Douglas Fir	118.7	-17.0
Plywood (other softwood)	130.2	-22.3
Ready-mix concrete	115.7	4.0

Sources: CMHC Housing Facts and Statistics Canada

Southern Ontario decelerates with the automobile industry

Toronto and Ottawa, however, manage to support the general level of activity in Ontario.

- The vitality of the demand for automobiles across North America in recent years was an economic boon to Ontario and the metropolitan areas where parts and assembly plants are concentrated. At the present time, the production rate reduction measures are having an obvious impact on the demand for new housing.
- From January to June 2001, construction in the Kitchener, Windsor, St. Catharines-Niagara and Oshawa metropolitan areas was down in relation to the same period in 2000. The decline was observed in both single and multiple starts. ■

Housing starts

	Change in % January-June 2000-2001
Kitchener-Waterloo	-23.6
Oshawa	-12.7
St. Catharines-Niagara	-4.1
Windsor	-27.8
Ontario, urban centres	12.1
Canada, urban centres	11.4

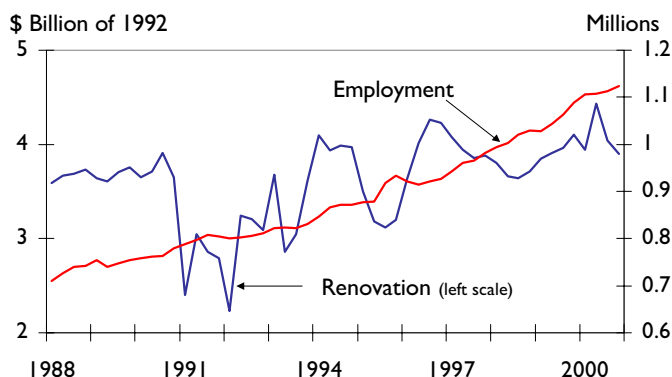
Source: CMHC Housing Facts

Renovation: 45-64 years' age group to play a key role

The foreseeable increase in the numbers and level of activity of the 45-64 years' cohort will be beneficial for spending on alterations and improvements. Here's a look at Quebec and Ontario.

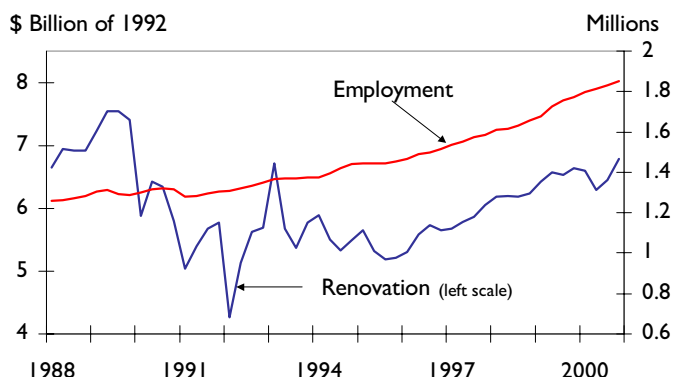
- Renovation spending on improvements and modifications has increased considerably in the past few years. Apart from the gradual improvement of the economy and the decrease in mortgage rates, the major growth in the number of employed persons aged from 45 to 64 years is not extraneous to this situation.
- Spending on improvements and modifications is very high in this age group because they are usually at the peak of both their professional activities and their employment income. Their discretionary income likely to be channelled into renovations is even more significant since these households often no longer have mortgages or dependants.
- The demographic trends will stimulate renovation. Between 2001 and 2005, the average annual growth of the 45-64 years' population segment will be 2.9% in Quebec and 3.5% in Ontario.
- Lastly, the shift to a service economy and the retention and later retirement age of older workers because of an insufficient succession, forecast by demographers, could also be favourable to renovation by keeping the people aged from 45 to 64 years employed longer.■

Renovation* spending and employment of 45 to 64 year-olds - Québec



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

Renovation* spending and employment of 45 to 64 year-olds - Ontario



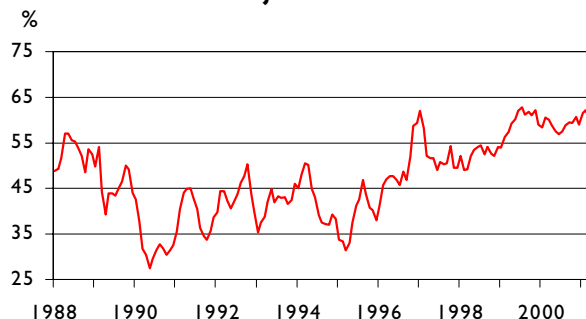
Sources : CMHC Housing Facts and Statistics Canada
*Alterations and improvements

Resale market: more balanced conditions in sight

The sales-to-new listings ratio rose above 65% in May 2001 in the 25 major metropolitan areas.

- The rise in the ratio of the number of sales to the number of new listings over the last few months in the 25 largest real estate markets signals a gradual movement towards more balanced market conditions. In certain markets, the rise in new listings means a wider choice of properties for buyers and a slowdown in price increases. Obviously, local conditions vary greatly.
- Overall, resale markets will continue to be very active in 2002 (see forecasts on page 2).■

Sales-to-new listings ratio 25 major markets



Sources: CMHC Housing Facts, Canadian Real Estate Association
*Monthly data seasonally adjusted

This Month's Housing Data

	2000	Q4:00	Q1:01	Q1:02	M4:01	M5:01	M6:01
Housing starts. units. 000's							
Canada. Total. All areas	151.7	155.2	163.0	164.3	162.0	155.0	176.2
% chg	1.1	-1.3	5.0	0.8	2.9	-4.3	13.7
Canada. Total. Rural areas	20.6	20.3	21.4	22.2	22.2	22.2	22.2
% chg	-9.9	-10.2	5.4	3.7	3.7	0.0	0.0
Canada. Total. Urban areas	131.1	134.9	141.6	142.1	139.8	132.8	154.0
% chg	3.1	0.1	5.0	0.4	2.8	-5.0	16.0
Canada. Single. Urban areas	74.4	74.9	80.1	73.4	74.3	70.2	76.0
% chg	2.1	2.3	6.9	-8.4	-5.8	-5.5	8.3
Canada. Multiple. Urban areas	56.7	60.0	61.5	68.7	65.5	62.6	78.0
% chg	4.4	-2.4	2.5	11.7	14.7	-4.4	24.6
Newfoundland. Total. All areas	1.5	1.5	0.8	1.5	1.2	1.7	1.6
% chg	6.4	0.0	-46.7	87.5	140.0	41.7	-5.9
Prince Edward Island. Total. All areas	0.7	1.2	0.9	0.4	0.5	0.5	0.4
% chg	15.3	50.0	-25.0	-55.6	-44.4	0.0	-20.0
Nova Scotia. Total. All areas	4.4	3.7	4.1	4.2	5.1	3.3	4.4
% chg	4.3	-14.0	10.8	2.4	104.0	-35.3	33.3
New Brunswick. Total. All areas	3.1	3.0	4.0	2.6	2.4	2.5	2.7
% chg	11.0	-18.9	33.3	-35.0	-25.0	4.2	8.0
Quebec. Total. All areas	24.7	26.1	28.8	27.8	28.9	26.0	28.4
% chg	-4.1	-1.1	10.3	-3.5	4.7	-10.0	9.2
Ontario. Total. All areas	71.5	73.0	77.3	76.6	73.0	71.1	85.9
% chg	6.4	-2.3	5.9	-0.9	-7.1	-2.6	20.8
Manitoba. Total. All areas	2.6	2.6	2.6	2.9	3.2	2.6	2.6
% chg	-18.3	0.0	0.0	11.5	23.1	-18.8	0.0
Saskatchewan. Total. All areas	2.5	2.2	2.2	1.7	1.7	1.3	2.2
% chg	-18.6	-15.4	0.0	-22.7	-26.1	-23.5	69.2
Alberta. Total. All areas	26.3	26.3	26.0	29.0	29.6	28.4	28.9
% chg	3.2	-4.7	-1.1	11.5	16.1	-4.1	1.8
British Columbia. Total. All areas	14.4	15.6	16.3	17.5	16.3	17.5	19.0
% chg	-11.6	19.1	4.5	7.4	19.0	7.4	8.6

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	Q4:00	Q1:01	Q2:01	M4:01	M5:01	M6:01
Canada	131.1	134.9	141.6	142.1	139.8	132.8	154.0
Newfoundland	1.0	1.1	0.7	1.1	0.8	1.3	1.2
Prince Edward Island	0.4	0.5	0.4	0.2	0.3	0.3	0.2
Nova Scotia	3.0	2.3	2.8	2.6	3.5	1.7	2.8
New Brunswick	2.0	1.9	2.6	1.7	1.5	1.6	1.8
Québec	19.9	20.8	23.0	20.8	21.9	19.0	21.4
Ontario	67.4	69.7	72.8	72.2	68.6	66.7	81.5
Manitoba	1.5	1.4	1.6	1.8	2.1	1.5	1.5
Saskatchewan	1.9	1.5	1.5	1.4	1.4	1.0	1.9
Alberta	21.5	22.4	21.2	24.1	24.7	23.5	24.0
British Columbia	12.4	13.3	15.0	16.2	15.0	16.2	17.7

* Seasonally adjusted.

This Month's Major Housing Indicators

	2000	Q4:00	Q1:01	Q2:01	M4:01	M5:01	M6:01
New Housing*							
New & unoccupied. singles & semis. 000's	6.32	6.31	6.20	5.95	6.12	6.02	5.95
%chg	0.24	2.95	-1.70	-1.16	-1.29	-1.63	-1.16
New & unoccupied. row & apartments. 000's	7.27	6.54	6.77	6.86	6.99	7.23	6.86
%chg	-8.30	-20.12	3.52	-5.12	3.25	3.43	-5.12
New house price Index. 1992 = 100	103.22	104.18	104.85	n.a.	105.47	n.a.	n.a.
%chg	2.24	0.66	0.63	n.a.	0.29	n.a.	n.a.
Existing Housing*							
MLS resales. units. 000's**	333.70	333.63	352.73	n.a.	356.72	378.54	n.a.
%chg	-0.61	0.25	5.72	n.a.	2.02	6.11	n.a.
MLS average resale price. \$C. 000's	164.09	167.25	165.61	n.a.	170.44	171.74	n.a.
%chg	3.84	1.45	-0.99	n.a.	2.71	0.77	n.a.
Mortgage market							
1-year mortgage rate.%	7.85	7.83	7.10	7.10	6.80	6.70	6.70
5-year mortgage rate. %	8.35	8.15	7.58	7.58	7.50	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. ** Seasonally adjusted at annual rate (SAAR).