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HOUSING FACTS

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Canada Mortgage and Housing Corporation

Starts fall to 151,800 units in July

In July, housing starts in Canada reached 151,800 units*, at the seasonally adjusted annual rate, compared to the revised level of 175,300 units recorded in June, for a decrease of 13.4 per cent.

Single urban starts were down by 4.1 per cent to 72,900 units, while multiple starts declined by 27.7 per cent to 56,400 units.

The downturn in starts in July was expected following the exceptional growth registered in June. The decrease in starts was essentially due to the multiple housing segment in Ontario and, more particularly, in the Toronto area.

Beyond the monthly variations, residential construction in Canada is staying on course to reach a level of around 158,000 new units for this year.

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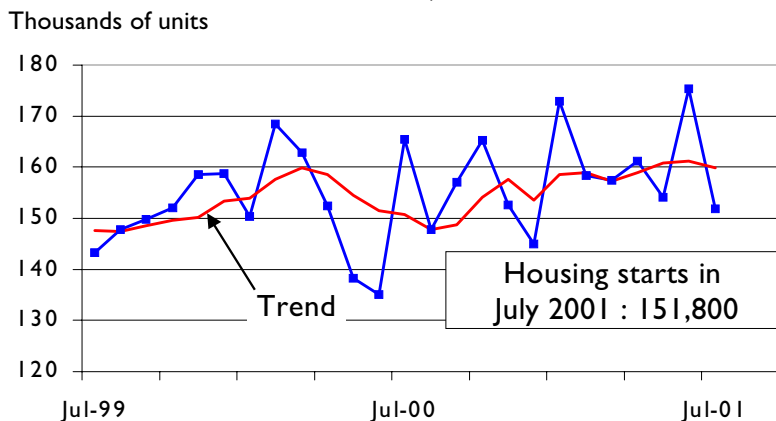
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**Housing starts in Canada
all areas, *saar**



Source: CMHC Housing facts
*Seasonally adjusted annual rate



HOME TO CANADIANS
Canada

Housing starts - Continued from page 1

In July, starts in the Atlantic Region posted a gain of 6.7 per cent to 6,400 units, at the seasonally adjusted annual rate. Starts were also up in Quebec (2.8 per cent) to 22,000 units, with increases in both single and multiple housing construction.

Starts were down, however, in the other regions: Ontario (-28.3 per cent to 58,400 units), British Columbia (-10.7 per cent to 15,800 units) and the Prairies (-2.6 per cent to 26,700 units).

In the large urban agglomerations, starts reached 30,400 units in Toronto, 12,900 units in Montréal and 12,500 units in Vancouver, at seasonally adjusted annual rates.

However, after seven months of activity, actual urban starts are up by 7.5 per cent over the same period in 2000. ■

Contributors: Philippe Le Goff and John-John D'Argensio

Questions:

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

To subscribe: 1-613-748-2006 or

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

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Real resale price below level reached at last peak

Even with the real estate market recovery in the last few years, the average resale price, adjusted for inflation, is still 13.6 per cent below the level attained in the late 1980s.

- Apart from Calgary and Edmonton, where the growth in average real prices is buoyed up by Alberta's exceptional economic prosperity, only the Ottawa area is on its way back up to the level reached at the last peak recorded on the real estate market (1988-90), in terms of the average real resale price. Toronto and Montréal still show a significant lag since the 1995 trough, even with the rise observed in the last few years.
- Vancouver, and British Columbia in general, did not have the same real estate cycle as the rest of Canada. In fact, the last cyclical peak was reached during the winter of 1995, and the last trough in relation to the current level dates back to the winter of 1999. This explains the small rise (1.0%) in the average real price in Vancouver over its last trough in 1999.
- Due in part to the increase in household disposable income in 2001-2002, CMHC expects the average resale price to rise by more than the inflation rate over the next two years. This will slightly further narrow the gap with the price level observed at the time of the last peak in real estate market conditions in Canada. ■

Real resale prices

	Average price (\$) April 2001	Gap with bottom (%)	Gap with peak (%)
Montréal	111,423	14.0	-14.9
Ottawa	154,731	29.7	-4.5
Toronto	232,431	32.7	-32.1
Calgary	156,965	46.3	-3.3
Edmonton	114,272	22.6	-4.4
Vancouver	245,739	1.0	-27.4
25 major markets	161,111	9.5	-16.8
Canada	149,636	8.3	-13.6

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

Residential investments rise faster than the GDP

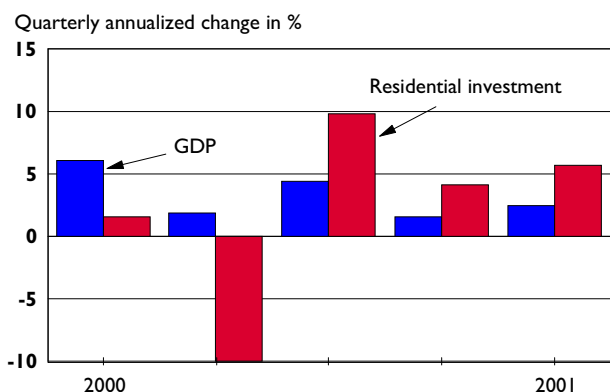
In the first quarter of 2001, new residential construction contributed to the rise in the gross domestic product (GDP) with an annual quarterly growth rate of 16 per cent.

- For the first three quarters, the annual quarterly growth rate for total residential investments considerably surpassed the GDP growth rate, confirming that the real estate market continues to be a driving force behind the Canadian economy during this slowdown period.
- In the first quarter of 2001, the growth of residential investments was supported exclusively by new construction expenditures, as the other major component, improvement and

modification spending, was down by 7.8 per cent. This data corroborates the increase (4.2%) in starts in the first quarter of 2001 to 161,800 units, at the seasonally adjusted annual rate. This being said, starts from April to June 2001, which attained 163,400 units, suggest that residential investments will contribute even more to the growth of the Canadian economy in the second quarter, on the assumption that renovation spending will rebound.

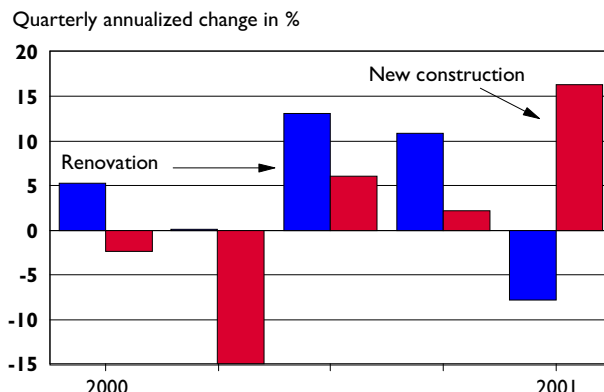
- Total residential investments account for around 4.6 per cent of the GDP.■

GDP* and total residential investment



Sources: CMHC Housing Facts and Statistics Canada
*GDP, chained \$ 1997

New construction and renovation* spending



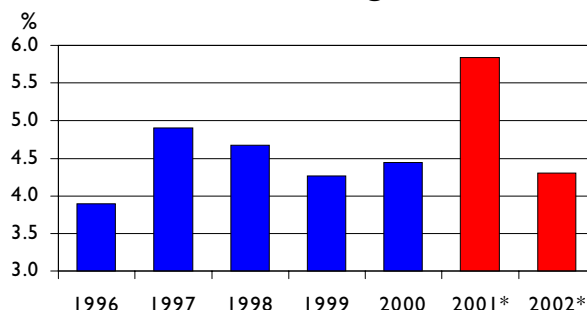
Sources: CMHC Housing Facts and Statistics Canada
*Alterations and improvements only. Chained \$ 1997

Mortgage credit: faster growth in 2001

This year, the annual increase in mortgage credit outstanding will reach 5.8 per cent.

- Since the beginning of the current expansion phase on Canada's housing markets in 1996, mortgage credit outstanding has been rising at an annual rate hovering between 3.5 per cent and 5.0 per cent. On one hand, mortgage credit activity benefited from moderate price increases and housing starts. However, on the other hand, the aging of the significant baby-boomer cohort is resulting in a larger number of households who are paying off their mortgage.
- This year, the increase in starts in Canada and the rise in prices will boost mortgage credit. In 2002, the more modest growth on the housing market will be reflected in mortgage credit activity.■

Outstanding mortgage credit annual change



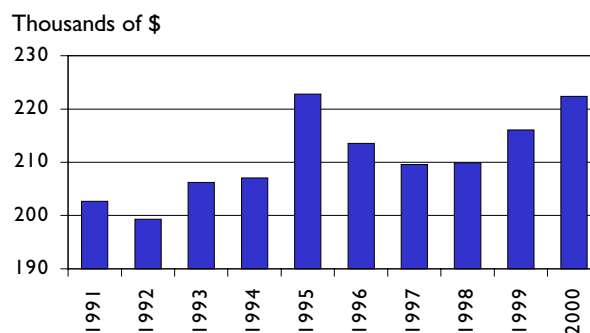
Sources: CMHC Housing Facts, Bank of Canada and Statistics Canada. *: Forecast.

Average price of new houses absorbed in Canada

The average price of new single- and semi-detached houses reached \$222,367 in 2000 according to CMHC's data for urban centres with 50,000 or more inhabitants.

- The 2.9 per cent rise in the average price of new single- and semi-detached houses in 2000 reflects the good economic health of several urban areas across Canada and especially the increase in disposable income. For the last 10 years, though, the average price of new houses has followed a course that has not always mirrored the vitality of the Canadian housing market as measured by the level of starts, among other factors.
- In fact, it is mainly the vigour and synchronization of regional markets and the distribution of starts by price range that determine the average price trend at the national level. The real estate boom in Vancouver explains why the average price in Canada jumped in 1995, when the rest of the Canadian market was going through a difficult period.■

Average new house price singles and semi-detached in Canada*



Source: CMHC Housing Facts

*Urban centres of 50,000 inhabitants and more

Renovation market outlook : strong growth in 2001-2002

Tax reductions, record levels on the resale market, and stability in the job market will sustain renovation spending in 2001. However, the North American economic slowdown will curb growth slightly in 2002.

- We expect renovation spending will continue to increase in 2001 and in 2002. Total spending in 2001 will increase by 5.1 per cent to stand at 23.2 billion dollars. The North American economic slowdown will reduce the growth rate of expenditures in 2002. Spending is expected to grow by 4.2 per cent to reach 24.1 billion dollars in 2002.
- Several factors underlie the forecast, such as low mortgage rates and employment growth. Disposable income growth and record sales of existing homes are particularly important.
- Growth of disposable income is one of the most significant variables in explaining renovation spending totals. Recent cuts to federal and provincial taxes will help raise disposable income and stimulate renovation spending. It is anticipated that disposable income will grow by approximately 5% and 4.3% in 2001 and 2002, increases that are above expected inflation rates.
- The resale market will reach a record level in 2001. This is good news for the renovation market since households generally do major renovation work within the first three years of purchasing a home.■

	Renovation expenditures*					
	2000		2001		2002	
	\$**	%	\$**	%	\$**	%
Nfld.	415	3.2	400	-3.7	397	-0.7
PEI	91	-2.4	81	-11.4	81	-0.3
N.S.	696	6.6	627	-9.8	645	2.8
N.B.	466	0.9	431	-7.6	428	-0.9
Qué.	5,257	2.7	5,448	3.6	5,536	1.6
Ont.	8,536	4.7	8,875	3.9	8,984	1.2
Man.	601	-0.6	593	-1.4	596	0.5
Sask.	635	1.2	624	-1.9	652	4.6
Alb.	2,095	8.2	2,381	13.6	2,548	7.0
B.C.	3,244	8.9	3,694	13.9	4,269	15.5
Can.	22,041	4.8	23,156	5.1	24,138	4.2

Source : CMHC Housing Facts, Statistics Canada

*Alterations and improvements and repairs

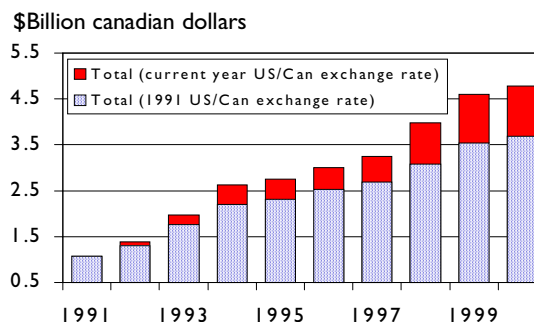
** Millions of \$

Export: Ontario strengthens its ties with its southern neighbours

The strong growth in the housing demand in the U.S. during the 1990s and the drop in the value of the Canadian dollar brought about an explosion in Ontario's exports of housing-related products.

- The value of Ontario's exports of housing-related products to the United States reached close to \$4.8 billion Canadian in 2000. Since 1991, the average annual growth rate in Ontario's exports to the U.S. has been 38.8 per cent. While the states bordering Ontario are its best clients, it can be seen that, over the last nine years, the province has increased its shipments to more distant high-growth markets, such as California. Ontario's top seven state clients account for over 50 per cent of its exports to the United States.
- The proximity of Ontario's major clients is evidence of intensified trade flows and ongoing economic integration at the regional level between the two countries. This being said, a certain part of Ontario's exports to bordering states may be re-exported to other states or countries, including Canada. In fact, U.S. exports of housing-related products to Ontario reached \$3.4 billion Canadian last year, representing an average annual increase of 18.4 per cent since 1991.

Ontario's exports to the USA
Housing related products



Sources : CMHC Housing Facts, Statistics Canada and Bank of Canada

- The demand for housing-related products, for which starts serve as indicators, among Ontario's major state clients is expected to be relatively good from now until 2005. However, these states will post slightly slower growth rates than the American average. From now until 2005, the most dynamic housing markets will be located in the southern and western states, such as Georgia, Colorado, etc...■

**Ontario's exports
Housing related products***

Main American exports markets in 2000	Year 2000 (millions of \$)	Change in % 1999-2000	Average annual change in % 1991-2000
Michigan	728.4	-1.5	28.4
New York	453.2	2.6	28.4
Ohio	384.6	-4.3	28.3
Pennsylvania	279.9	12.4	18.4
Illinois	262.8	12.9	36.6
Indiana	182.9	-6.9	46.2
California	162.8	-7.9	58.4
United States	4,778.7	4.0	38.8

Sources: CMHC and Statistics Canada
*Value of total exports in Canadian dollars. Based on SIC codes weighted to reflect the consumption of residential housing markets.

**Housing starts forecasts for Ontario's
main American exports markets**

Main American exports markets	Average annual number of authorized building permits 1998-2000	Average annual housing starts 2001-2005*
Michigan	53,740	45,900
New York	41,707	52,900
Ohio	51,220	53,700
Pennsylvania	41,787	35,600
Illinois	51,297	65,000
Indiana	40,027	29,200
California	135,887	158,400
United States	1,622,687	1,546,300

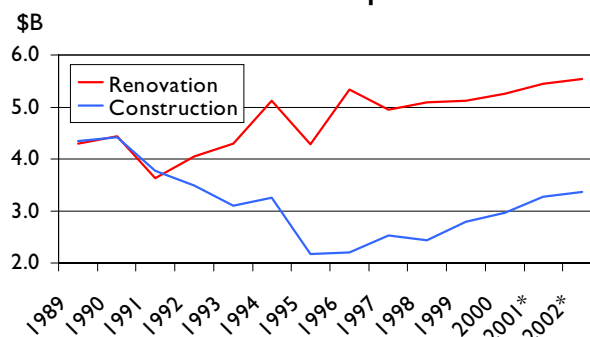
Source: CMHC Housing Facts, U.S. Bureau of the Census, NAHB
*Based on forecast housing starts intensity (NAHB) for the sub-region and its forecast population in 2005.

Close-up on Québec

The Québec market is characterized by a marked inclination for the recycling of buildings in urban core and the development of resort areas, as new tenure options continues both in the city and in the country.

- Investments in the residential sector are progressing at a good pace and starts are holding up at about the 25,000 unit mark, thus mirroring the moderate population growth. The rental housing vacancy rate is at its lowest level in 15 years in Montréal, a situation that is making Québec's major metropolitan area look more and more like other large cities around the world.
- But the most interesting aspect of Québec's housing market is without a doubt the proliferation of conversion of non-residential building. Factories and warehouses have already been converted, and projects to transform churches into housing now appear to be in the cards for real estate developers.

New construction and renovation* expenditures



Sources: CMHC Housing Facts and Statistics Canada

*Alterations and improvements and repairs

Key numbers for Québec's housing market

	2000	2001*
• Housing starts	24,695	26,400
• Number of resales	53,755	55,300
• Rental vacancy rate in Montréal	1.5%	1.0%
• Ownership rate	56.5%	n.a.
• Average resale price annual change	3.5%	4.7%
• Value of resales	6.0 \$B	6.4 \$B
• New construction expenditures	3.0 \$B	3.3 \$B
• Renovation expenditures	5.3 \$B	5.4 \$B
• Exports**	4,1 \$B	n.a.

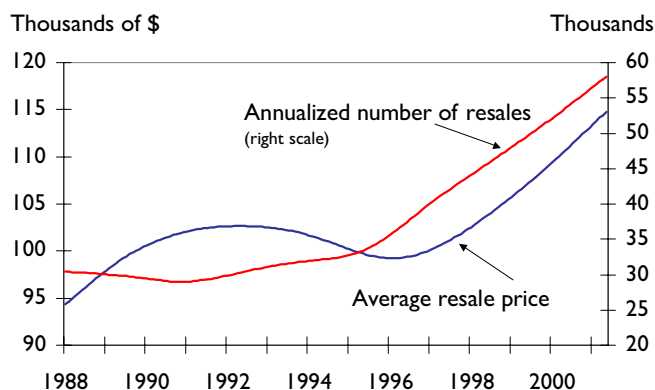
Main export markets**: USA, U.K., Germany.

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

**Housing related materials and products

- The suburbs are not being outdone. While newly built rental apartments are becoming scarcer, bungalows may well become a major source of rental housing over the coming years, as more empty-nesters decide to rent or to convert, whole or part of their dwelling, into rental accommodation.
- Resort areas, such as Mont-Tremblant, continue to prosper, as condominium construction is holding up, with developers rivalling each other in creativity for property structures and tenure options. ■

Number of resales and average resale price trends



Sources : CMHC Housing Facts and Canadian Real Estate Association

This Month's Housing Data

	2000	Q4:00	Q1:01	Q1:02	M5:01	M6:01	M7:01
Housing starts. units. 000's							
Canada. Total. All areas	151.7	155.2	161.8	163.4	154.1	175.3	151.8
% chg	1.1	-1.3	5.1	1.0	-4.3	13.8	-13.4
Canada. Total. Rural areas	20.6	20.3	20.2	21.3	21.3	21.3	22.5
% chg	-9.9	-10.2	5.8	5.4	0.0	0.0	5.6
Canada. Total. Urban areas	131.1	134.9	141.6	142.1	132.8	154.0	129.3
% chg	3.1	0.1	5.0	0.4	-5.0	16.0	-16.0
Canada. Single. Urban areas	74.4	74.9	80.1	73.4	70.2	76.0	72.9
% chg	2.1	2.3	6.9	-8.4	-5.5	8.3	-4.1
Canada. Multiple. Urban areas	56.7	60.0	61.5	68.7	62.6	78.0	56.4
% chg	4.4	-2.4	2.5	11.7	-4.4	24.6	-27.7
Newfoundland. Total. All areas	1.5	1.5	0.9	1.6	1.8	1.7	1.4
% chg	6.4	0.0	-43.8	77.8	38.5	-5.6	-17.6
Prince Edward Island. Total. All areas	0.7	1.2	0.9	0.3	0.4	0.3	1.1
% chg	15.3	50.0	-10.0	-66.7	0.0	-25.0	266.7
Nova Scotia. Total. All areas	4.4	3.7	4.1	3.8	2.9	4.0	4.4
% chg	4.3	-14.0	10.8	-7.3	-38.3	37.9	10.0
New Brunswick. Total. All areas	3.1	3.0	3.9	3.3	3.2	3.4	2.6
% chg	11.0	-18.9	34.5	-15.4	3.2	6.2	-23.5
Quebec. Total. All areas	24.7	26.1	28.3	26.2	24.4	26.8	28.6
% chg	-4.1	-1.1	11.0	-7.4	-10.6	9.8	6.7
Ontario. Total. All areas	71.5	73.0	76.4	75.1	69.6	84.4	61.7
% chg	6.4	-2.3	5.1	-1.7	-2.7	21.3	-26.9
Manitoba. Total. All areas	2.6	2.6	2.6	3.5	3.2	3.2	4.0
% chg	-18.3	0.0	0.0	34.6	-15.8	0.0	25.0
Saskatchewan. Total. All areas	2.5	2.2	2.2	1.9	1.5	2.4	2.8
% chg	-18.6	-15.4	0.0	-13.6	-21.1	60.0	16.7
Alberta. Total. All areas	26.3	26.3	26.2	29.7	29.1	29.6	27.4
% chg	3.2	-4.7	-0.4	13.4	-4.0	1.7	-7.4
British Columbia. Total. All areas	14.4	15.6	16.3	18.0	18.0	19.5	17.8
% chg	-11.6	19.1	5.2	10.4	7.1	8.3	-8.7

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	M5:01	M6:01	M7:01
Canada	131.1	134.9	141.6	142.1	132.8	154.0	129.3
Newfoundland	1.0	1.1	0.7	1.1	1.3	1.2	1.1
Prince Edward Island	0.4	0.5	0.4	0.2	0.3	0.2	0.6
Nova Scotia	3.0	2.3	2.8	2.6	1.7	2.8	2.9
New Brunswick	2.0	1.9	2.6	1.7	1.6	1.8	1.8
Québec	19.9	20.8	23.0	20.8	19.0	21.4	22.0
Ontario	67.4	69.7	72.8	72.2	66.7	81.5	58.4
Manitoba	1.5	1.4	1.6	1.8	1.5	1.5	2.3
Saskatchewan	1.9	1.5	1.5	1.4	1.0	1.9	2.4
Alberta	21.5	22.4	21.2	24.1	23.5	24.0	22.0
British Columbia	12.4	13.3	15.0	16.2	16.2	17.7	15.8

* Thousands of units, seasonally adjusted.

This Month's Major Housing Indicators

	2000	Q4:00	Q1:01	Q2:01	M5:01	M6:01	M7:01
New Housing*							
New & unoccupied. singles & semis. 000's	6.32	6.31	6.20	5.95	6.02	5.95	5.99
%chg	0.24	2.95	-1.70	-4.03	-1.63	-1.16	0.67
New & unoccupied. row & apartments. 000's	7.27	6.54	6.77	6.86	7.23	6.86	6.24
%chg	-8.30	-20.12	3.52	1.33	3.43	-5.12	-5.10
New house price Index. 1992 = 100	103.22	104.18	104.85	n.a.	105.69	n.a.	n.a.
%chg	2.24	0.66	0.63	n.a.	0.21	n.a.	n.a.
Existing Housing*							
MLS resales. units. 000's**	333.70	333.63	352.73	371.85	378.54	378.96	n.a.
%chg	-0.61	0.25	5.72	5.42	6.11	0.11	n.a.
MLS average resale price. \$C. 000's	164.09	167.25	165.61	171.35	170.95	172.66	n.a.
%chg	3.84	1.45	-0.99	3.46	0.30	1.00	n.a.
Mortgage market							
1-year mortgage rate.%	7.85	7.83	7.10	6.73	6.70	6.70	6.45
5-year mortgage rate. %	8.35	8.15	7.58	7.67	7.75	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).