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# HOUSING FACTS

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Canada Mortgage and Housing Corporation

## Annual rate of starts slip 0.2 per cent in July

The seasonally adjusted annual rate<sup>1</sup> of housing starts in Canada slipped 0.2 per cent in July to 200,300 units from a revised<sup>2</sup> 200,800 units in June.

Urban multiple starts rose 4.6 per cent to an annual rate of 77,300 units from 73,900, while urban singles declined 4.6 per cent to an annual rate of 97,800 units from 102,500 in June. Rural starts in July were estimated at an annual rate of 25,200 units. Rural starts in June were revised downward to an annual rate of 24,400 units, from a preliminary 25,900 units.

The difficulties in the stock market are helping the housing market. Money has flowed out of stocks and into bonds, thus lowering interest and mortgage rates, and helping sustain housing demand.

Actual urban housing starts for January to July this year are 27.1 per cent higher than for the same period last year (100,148 units compared with 78,811 units). The single-detached market increased 35.8 per cent while multiples increased 16.6 per cent. ■

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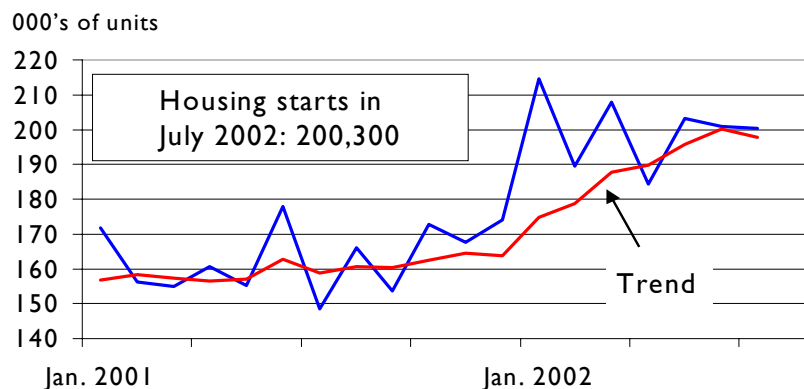
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### Housing Starts in Canada - All Areas\*



Source: CMHC Housing Facts



\* Seasonally adjusted at annual rates

<sup>1-2</sup> See notes on page 2.

HOME TO CANADIANS  
Canada

1. All starts figures, other than actual starts, are seasonally adjusted annual rates (SAAR) that are monthly figures adjusted to remove normal seasonal variation and multiplied by 12 to reflect annual levels.
2. Figures for the most recent month are preliminary and subject to revisions due to corrections or updates from quarterly enumeration or sampling results.

**Special note:**

Prior to July 2002, the *CMHC Starts and Completions Survey* consisted of a monthly enumeration of new housing activity in urban centres with a population of 10,000 persons and over. As of July 2002, the survey will be conducted monthly in urban centres with a population of 50,000 persons and over and quarterly in urban centres with a population of 10,000 to 49,999 persons. Statistical models will be used to estimate provincial and national housing starts in urban centres with a population of 10,000 persons and over, on a monthly basis.

The methodology is unchanged for estimating housing starts in rural areas (areas other than urban centres with a population of 10,000 persons and over.) In these areas, a sample survey is used on a quarterly basis. As was the case in the past, statistical models continue to be used to estimate national housing starts in all areas on a monthly basis.

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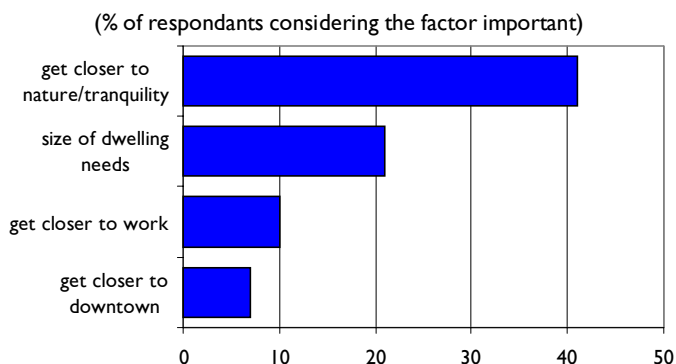
## Where will the baby boomers live in the next 10 years?

The 45 to 64 years' age group is a very significant cohort within society. It set the tone for many social trends and strongly influenced the real estate market over the years. As the members of this age group will soon be retiring, their future housing choices will have a major impact on the real estate market.

- To better define the impacts of the aging boomers on the housing market, CMHC conducted a study\* during the summer of 2001, in the Montréal and Québec census metropolitan areas, on the residential preference of heads of households aged from 45 to 64 years.
- Three in four heads of households would prefer to stay in their current living environment, which presents some interesting opportunities for the renovation market. One in four homeowners intends to undertake major renovations within the next five years. The top projects being considered are kitchen renovations and bathroom renovations.
- One in four heads of households strongly intends to move in the next 5 to 10 years. The arrival of retirement will be the main reason motivating the moves. The heads of households with the highest incomes will be the most mobile. Most will opt for a smaller property, mainly because their chil-

dren have left home. The most important factor that will influence the baby-boomers choice of their next home is getting closer to nature/ tranquility. ■

### Importance of factors in choosing next home



Source: CMHC Housing Facts

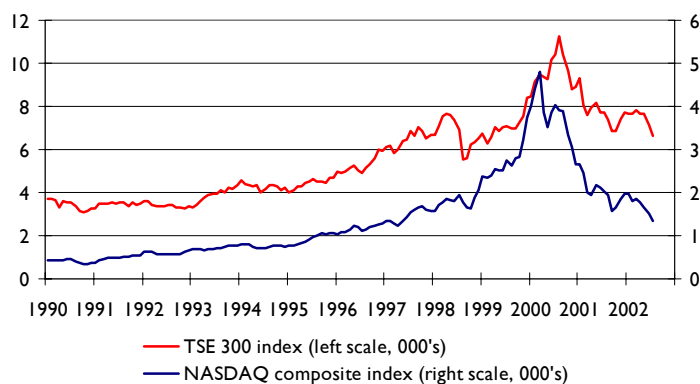
\* Study on the residential path of households aged 45-64 years in the CMA of Montréal and Québec. CMHC, 2001

## Stock market meltdown: potential impacts on housing markets

Wealth effects are triggered when changes to a household's net worth translate into changes in consumer confidence and spending. Although the recent stock market meltdown has put pressure on household finances, it has yet to put any meaningful dent in confidence or housing demand.

- The high tech meltdown, the events of 9/11, and corporate accounting irregularities in the U.S. have delivered heavy hits to investor confidence in the last two years. The result has been a sharp sell off in North American stock markets with the Dow Jones and TSX shedding a cumulative 34 per cent and 45 per cent respectively from their highs of mid-2000. With a large percentage of Canadian households owning stocks, directly or indirectly, it is relevant to ask what impact these events are having on Canada's housing markets.

**Stock market meltdown**

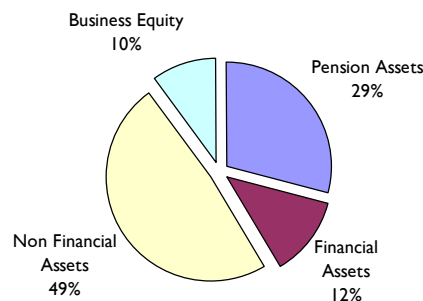


Source: CMHC Housing Facts, Statistics Canada

- Bond markets are one medium through which the financial markets can impact housing demand. For many domestic and foreign investors, faulty corporate accounting drained their remaining confidence in corporate earnings, prompting them to divert much of their personal capital into the relative safety of bond markets. Resulting demand for Canadian bonds has pushed prices up and pulled yields lower. Major lenders are thus faced with cheaper financing terms, which they can pass on to consumers borrowing to buy homes, refinance them or undertake renovations. This situation suggests good things ahead for housing consumers, who typically prefer the certainty of longer-term closed mortgages. (See page 4 for details)

- Some segments of Canada's housing markets are also attracting investor capital as uncertain investors seek to park funds temporarily in tangible assets like real estate. Condo markets are particularly attractive. The surge in housing demand has pushed up real estate prices in Canada's major markets, especially for condominium units. As a result, condo investment offers attractive capital gains, along with an income return from rentals, that have more than outpaced returns available on other financial assets recently. Real estate returns have also benefited from tight rental markets in major Canadian centres.

**Canadian household assets**  
Principle residence the biggest component of non financial assets



Source: CMHC Housing Facts, Statistics Canada

- The consumer balance sheet is commonly cited as the mechanism within which changes to individual wealth influence confidence and spending. Falling asset values, which represent declining wealth, are thought to weaken spending. In turn, lower spending puts downward pressure on corporate profits, which would weaken job growth and eventually result in weaker housing demand. Though it has yet to occur in either the U.S. or Canada, there is still a risk that this scenario could unfold over the longer term. ■

## Weak stock markets will keep mortgage rates low in the short term

Although weak stock markets have some negative effects on the economy as a whole, one positive effect is that it keeps mortgage rates low and supports the housing market.

- The decline in stock markets over the past two years contributed to the drop in mortgage rates. As people removed their money from the stock markets, bonds have been widely viewed as the main beneficiary, as bonds are considered safer investments than stocks. As this shift occurred, bond prices rallied while their yields (interest rates) declined.
- Because mortgage lending is primarily financed through the bond market, when bond yields go down banks tend to bring down mortgage rates, passing on the reduced rates to consumers. For example, the five year Government of Canada (GOC) bond has gone from 4.99% to 4.06% in just the past 3 months, and the 5-year mortgage rate has followed it down, going from 7.45% to 6.85% over the same period.
- If the stock market continues to languish it is likely that money will remain in bonds, holding down interest rates and therefore holding down mortgage rates over the coming months. This would be a positive development for the housing market. ■

### Weak stock markets keep interest rates down

	13-Aug	Basis point change over		
		3 months	1 year	2 years
5 Year Mortgage rate	6.85	-60	-90	-140
5 Year GOC Bond Yield	4.06	-93	-114	-194

Source: CMHC Housing Facts, Bank of Canada

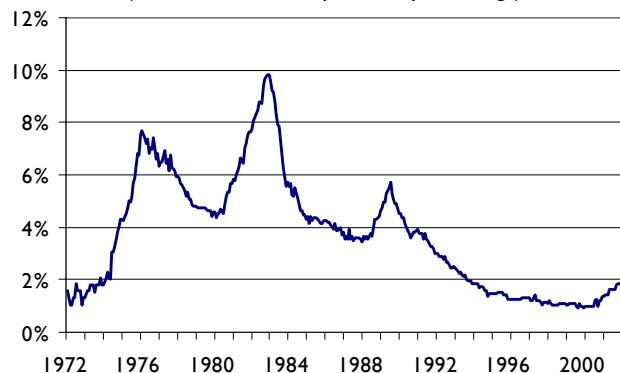
## Rental cost inflation is beginning to move up

After nearly a decade of decline, the rate of inflation on rental accommodation costs has begun to move up, but it is still low by historical standards.

- The rate of inflation on rental accommodation costs has begun to move up after almost 10 years of decline. Since 1993 it has been below 2% on a year over year basis. Only this year has it broken above the 2% mark. Yet this is still in line with consumer price inflation and is well below historical levels.
- The recent increase could reflect the reduced stock of vacant rental housing. Also the leading edge of the echo-boom generation is beginning to enter the rental demand phase, putting pressure on the rental housing market.
- As would be expected this trend varies across Canada. Amongst the bigger cities, Edmonton, Ottawa and Toronto currently have the fastest rate of growth in the cost of rental accommodation, while Charlottetown and Thunder Bay currently have the weakest increases. ■

### Rental accommodation costs rising

(Rental costs, Canada, year over year change)



Source: CMHC Housing Facts, Statistics Canada

## Immigration - what has happened since September 11th?

This article examines whether the terrorist attacks in the United States on Sept. 11, 2001 and the resultant uncertainty and heightening of security concerns in North America have had any subsequent impact on immigration to Canada.

- Before the September 11 attacks, monthly immigration to Canada for permanent residency was higher in each month of 2001 from January to August than it was in the corresponding month of 2000 (see Table 1). Immigration from January to August 2001 averaged 22,236 per month, an increase of 20.1% over the monthly average of 18,508 immigrants over the same period in 2000.
- There was a dramatic reversal after the attacks. From September to December 2001, immigration was lower each month than in the previous year. From September through December 2001, immigration averaged 18,179 a decrease of 8.3% from the corresponding four months of 2000.
- This reversal, however, did not last into 2002. From January to June 2002, immigration has been higher every month than in the corresponding month of 2001. The monthly average immigration of 22,270 from January to June 2002 was 4.0% higher than the monthly average of 21,419 who immigrated over the corresponding 6 months of 2001.
- Overall, from September 2001 to June 2002, immigration averaged 20,633 per month, which was less than 1% below the monthly average of 20,783 immigrants who came to Canada from Sept. 2000 to June 2001 (see Table 2).
- The above suggests that the terrorist attacks and the resulting uncertainty and heightening of security concerns in North America has had a modest and short-lived impact on immigration to Canada. The most severe impact - a drop in month over corresponding previous year month - was confined to the last 4 months of 2001. Although growth in immigration (measured for this same month over corresponding previous year month basis) has resumed, the growth has been more muted than before the September 11 attacks.
- High immigration levels will boost housing demand, especially in the four largest provinces. Some immigrants arrive in Canada with the resources to purchase homes. Of those who do not, many initially rent and will buy a house after living in Canada for 10-15 years.\*■

Table 1

Immigration to Canada (monthly average)			
	2000	2001	Change
Jan.-Aug.	18,508	22,236	20.1%
Sept.-Dec.	19,830	18,179	-8.3%
	2001	2002	
Jan.-June	21,419	22,270	4.0%

Source: CMHC Housing Facts  
Citizenship and Immigration Canada

Table 2

Immigration to Canada (monthly average)	
Sept. 2000 to June 2001	20,783
Sept. 2001 to June 2002	20,633
Change	-0.7%

Source: CMHC Housing Facts  
Citizenship and Immigration Canada

\* Immigrants and the Canadian Housing Market, CMHC, 1996

## This Month's Housing Data (SAAR)

	2001	Q4:01	Q1:02	Q2:02	M5:02	M6:02	M7:02
<b>Housing starts, units, 000's</b>							
<b>Canada. Total. All areas</b>	<b>162.7</b>	<b>171.6</b>	<b>204.2</b>	<b>195.7</b>	<b>202.5</b>	<b>200.8</b>	<b>201.1</b>
% chg	7.3	9.8	19.0	-4.2	9.6	-0.8	0.1
<b>Canada. Total. Rural areas</b>	<b>20.5</b>	<b>20.1</b>	<b>29.5</b>	<b>24.4</b>	<b>24.4</b>	<b>24.4</b>	<b>25.2</b>
% chg	-0.7	6.9	46.8	-17.3	0.0	0.0	3.3
<b>Canada. Total. Urban areas</b>	<b>142.3</b>	<b>151.5</b>	<b>174.7</b>	<b>171.3</b>	<b>178.1</b>	<b>176.4</b>	<b>175.9</b>
% chg	8.6	10.2	15.3	-1.9	11.1	-1.0	-0.3
<b>Canada. Single. Urban areas</b>	<b>78.2</b>	<b>85.0</b>	<b>97.6</b>	<b>102.7</b>	<b>107.4</b>	<b>102.5</b>	<b>98.6</b>
% chg	5.2	9.3	14.8	5.2	9.1	-4.6	-3.8
<b>Canada. Multiple. Urban areas</b>	<b>64.1</b>	<b>66.5</b>	<b>77.1</b>	<b>68.6</b>	<b>70.7</b>	<b>73.9</b>	<b>77.3</b>
% chg	13.0	11.4	15.9	-11.0	14.2	4.5	4.6
<b>Newfoundland. Total. All areas</b>	<b>1.8</b>	<b>2.1</b>	<b>1.7</b>	<b>2.6</b>	<b>3.0</b>	<b>2.4</b>	<b>2.0</b>
% chg	22.5	5.0	-19.0	52.9	25.0	-20.0	-16.7
<b>Prince Edward Island. Total. All areas</b>	<b>0.7</b>	<b>1.1</b>	<b>0.5</b>	<b>0.8</b>	<b>1.3</b>	<b>0.6</b>	<b>1.0</b>
% chg	-4.9	37.5	-54.5	60.0	85.7	-53.8	66.7
<b>Nova Scotia. Total. All areas</b>	<b>4.1</b>	<b>4.5</b>	<b>4.3</b>	<b>4.6</b>	<b>4.8</b>	<b>4.7</b>	<b>4.2</b>
% chg	-7.7	9.8	-4.4	7.0	9.1	-2.1	-10.6
<b>New Brunswick. Total. All areas</b>	<b>3.5</b>	<b>4.5</b>	<b>2.4</b>	<b>4.1</b>	<b>3.7</b>	<b>4.3</b>	<b>2.5</b>
% chg	12.4	32.4	-46.7	70.8	-14.0	16.2	-41.9
<b>Quebec. Total. All areas</b>	<b>27.7</b>	<b>31.0</b>	<b>41.4</b>	<b>39.7</b>	<b>39.2</b>	<b>40.5</b>	<b>43.8</b>
% chg	12.1	20.6	33.5	-4.1	-1.3	3.3	8.1
<b>Ontario. Total. All areas</b>	<b>73.3</b>	<b>72.7</b>	<b>89.6</b>	<b>79.9</b>	<b>84.8</b>	<b>79.8</b>	<b>91.3</b>
% chg	2.5	3.1	23.2	-10.8	13.1	-5.9	14.4
<b>Manitoba. Total. All areas</b>	<b>3.0</b>	<b>2.8</b>	<b>3.4</b>	<b>3.6</b>	<b>3.9</b>	<b>3.7</b>	<b>3.6</b>
% chg	15.7	-3.4	21.4	5.9	18.2	-5.1	-2.7
<b>Saskatchewan. Total. All areas</b>	<b>2.4</b>	<b>3.0</b>	<b>2.3</b>	<b>2.4</b>	<b>2.4</b>	<b>2.2</b>	<b>2.8</b>
% chg	-5.3	15.4	-23.3	4.3	-11.1	-8.3	27.3
<b>Alberta. Total. All areas</b>	<b>29.2</b>	<b>32.2</b>	<b>39.9</b>	<b>38.3</b>	<b>38.3</b>	<b>39.9</b>	<b>28.5</b>
% chg	11.1	15.4	23.9	-4.0	3.8	4.2	-28.6
<b>British Columbia. Total. All areas</b>	<b>17.2</b>	<b>17.7</b>	<b>18.7</b>	<b>19.7</b>	<b>21.1</b>	<b>22.7</b>	<b>21.4</b>
% chg	19.5	7.9	5.6	5.3	37.9	7.6	-5.7

SOURCE: CMHC

All data are seasonally adjusted at an annual rate, latest month's figures are preliminary.

% chg: Per cent change from previous period.

## Annual rate of housing starts, urban areas\*

	2001	Q4:01	Q1:02	Q2:02	M5:02	M6:02	M7:02
<b>Canada</b>	<b>142.3</b>	<b>151.5</b>	<b>174.7</b>	<b>171.3</b>	<b>178.1</b>	<b>176.4</b>	<b>175.9</b>
<b>Newfoundland</b>	<b>1.2</b>	<b>1.5</b>	<b>1.6</b>	<b>1.9</b>	<b>2.3</b>	<b>1.7</b>	<b>1.5</b>
<b>Prince Edward Island</b>	<b>0.4</b>	<b>0.5</b>	<b>0.4</b>	<b>0.6</b>	<b>1.1</b>	<b>0.4</b>	<b>0.8</b>
<b>Nova Scotia</b>	<b>2.8</b>	<b>3.2</b>	<b>3.0</b>	<b>3.2</b>	<b>3.4</b>	<b>3.3</b>	<b>2.7</b>
<b>New Brunswick</b>	<b>2.2</b>	<b>3.5</b>	<b>1.5</b>	<b>2.7</b>	<b>2.3</b>	<b>2.9</b>	<b>1.7</b>
<b>Québec</b>	<b>21.9</b>	<b>25.0</b>	<b>31.6</b>	<b>31.3</b>	<b>30.8</b>	<b>32.1</b>	<b>34.4</b>
<b>Ontario</b>	<b>70.3</b>	<b>69.6</b>	<b>83.2</b>	<b>77.0</b>	<b>81.9</b>	<b>76.9</b>	<b>86.9</b>
<b>Manitoba</b>	<b>1.6</b>	<b>1.5</b>	<b>1.8</b>	<b>2.0</b>	<b>2.3</b>	<b>2.1</b>	<b>1.9</b>
<b>Saskatchewan</b>	<b>1.8</b>	<b>2.4</b>	<b>1.8</b>	<b>1.8</b>	<b>1.8</b>	<b>1.6</b>	<b>2.2</b>
<b>Alberta</b>	<b>24.5</b>	<b>27.9</b>	<b>32.2</b>	<b>32.3</b>	<b>32.3</b>	<b>33.9</b>	<b>23.3</b>
<b>British Columbia</b>	<b>15.7</b>	<b>16.4</b>	<b>17.6</b>	<b>18.5</b>	<b>19.9</b>	<b>21.5</b>	<b>20.5</b>

\* Thousands of units, seasonally adjusted.

## This Month's Major Housing Indicators

	2001	Q4:01	Q1:02	Q2:02	M5:02	M6:02	M7:02
<b>New Housing*</b>							
<b>New &amp; unoccupied singles &amp; semis, 000's</b>	<b>5.8</b>	<b>5.7</b>	<b>5.3</b>	<b>5.1</b>	<b>4.9</b>	<b>4.8</b>	<b>n.a.</b>
%chg	-7.0	-3.0	-6.7	-5.5	-1.9	-0.2	n.a.
<b>New &amp; unoccupied row &amp; apartments, 000's</b>	<b>6.1</b>	<b>5.7</b>	<b>5.2</b>	<b>5.2</b>	<b>5.2</b>	<b>5.4</b>	<b>n.a.</b>
%chg	-23.4	-17.1	-8.6	0.4	-2.3	3.9	n.a.
<b>New House Price Index, 1992=100</b>	<b>106.1</b>	<b>107.1</b>	<b>108.2</b>	<b>109.9</b>	<b>110.0</b>	<b>110.3</b>	<b>110.5</b>
%chg	2.7	0.5	1.1	1.5	0.6	0.3	0.2
<b>Existing Housing**</b>							
<b>MLS resales, units. 000's</b>	<b>380.6</b>	<b>424.0</b>	<b>464.4</b>	<b>411.6</b>	<b>409.2</b>	<b>385.9</b>	<b>387.9</b>
%chg	14.0	11.7	9.5	-11.4	-7.2	-5.7	0.5
<b>MLS average resale price. \$C, 000's</b>	<b>171.6</b>	<b>176.7</b>	<b>182.9</b>	<b>186.4</b>	<b>186.5</b>	<b>184.8</b>	<b>185.3</b>
%chg	4.7	1.8	3.5	1.9	-0.6	-0.9	0.3
<b>Mortgage Market</b>							
<b>1-Year Mortgage Rate, %</b>	<b>4.60</b>	<b>4.60</b>	<b>5.30</b>	<b>5.55</b>	<b>5.55</b>	<b>5.55</b>	<b>5.35</b>
<b>5-Year Mortgage Rate, %</b>	<b>6.85</b>	<b>6.85</b>	<b>7.30</b>	<b>7.25</b>	<b>7.40</b>	<b>7.25</b>	<b>7.05</b>

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).