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# HOUSING FACTS

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Canada Mortgage and Housing Corporation

## HOUSING STARTS REMAIN HIGH IN MAY

The seasonally adjusted annual rate<sup>1</sup> of housing starts was 238,900 in May, compared with 241,600 in April.

Housing construction is off to a strong start this year. January to May had the most starts for any such period since 1987. The housing market continues to benefit from positive economic factors nationwide, particularly low mortgage rates, improving employment and strong consumer confidence.

The seasonally adjusted annual rate of urban starts fell 1.3 per cent to 208,100 units in May. Urban multiple starts decreased 6.2 per cent in May to 101,100 but urban single starts rose 3.9 per cent to 107,000 on a seasonally adjusted annual basis.

In all regions of Canada, except British Columbia, the seasonally adjusted annual rate of urban starts increased in May: 6.2 per cent in the Atlantic; 2.3 per cent in Quebec; 2.1 per cent in Ontario and; 1.5 per cent in the Prairies. In British Columbia, the seasonally adjusted annual rate of urban starts fell 16.3 per cent in May, but despite this decline, starts are up nearly 55 per cent on a year-to-date basis, compared to last year.

Rural starts in May were estimated at a seasonally adjusted annual rate of 30,800 units.

Year to date actual urban starts were 10.4 per cent higher through May than for the same period last year. Single starts were up 5.4 per cent while multiple starts were up 15.9 per cent. ■

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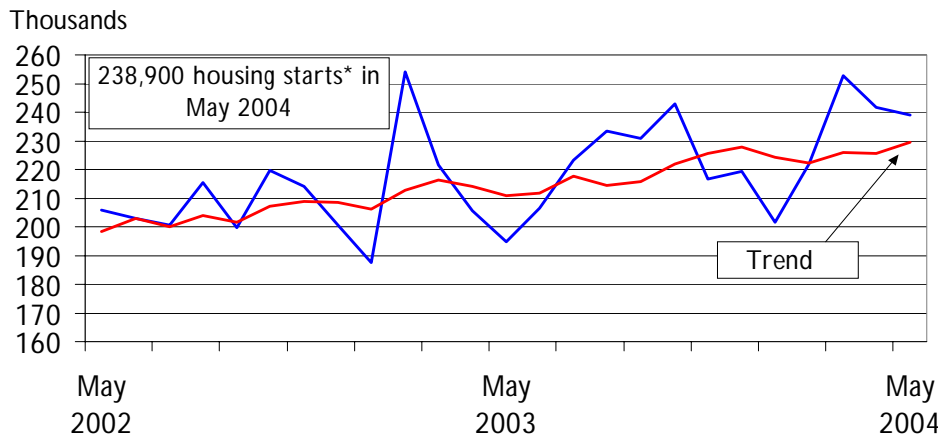
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Housing Starts in Canada - All Areas\*



Source: CMHC

\*Seasonally adjusted at annual rates

<sup>1</sup>See note 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.

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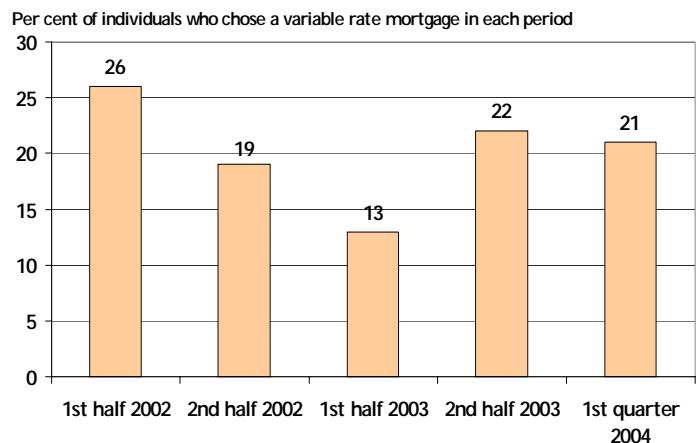
## Popularity of variable rate mortgages increases

The increase of the spread between variable and fixed mortgage rates has increased the proportion of homeowners who choose a variable rate mortgage.

- A variable rate mortgage offers individuals a lower rate than a fixed mortgage, however, there is a risk of rising mortgage rates. Fixed rate mortgages offer individuals the stability of a set rate, but remove the flexibility that would allow a homeowner to capitalize on favourable market developments, such as lower interest rates, until the mortgage term is up.
- In 2001 and 2002, the spread between variable and fixed mortgage rates increased so that a higher proportion of homeowners choose variable rate mortgages. This has also been the case through the later half of 2003 and into the first quarter of 2004.
- The March 2004 FIRM Residential Mortgage Survey reported that in the first quarter of 2004, 21 per cent of all

mortgages initiated during this period were variable rates. Recently, the popularity of variable rate mortgages has increased - almost double the proportion seen two years ago. ■

### Activity in variable rate mortgages



Sources: Clayton Research/Ipsos-Reid, March 2004 FIRM Residential Mortgage Survey, CMHC

## More young adults live with their parents

More and more young Canadians are living with their parents. The pursuit of a higher education, the low youth employment level compared to twenty years ago, and the increasing rents in many markets have contributed to this increasing trend.

- Between 1981 and 2001, there was a significant increase in the share of young adults living with their parents. According to Statistics Canada <sup>(1)</sup>, 41.1 per cent of Canadians aged 20 to 29 were living with their parents in 2001, up sharply from 27.5 per cent 20 years ago. Much of the increase occurred during the early 1990s. In 1991, 33 per cent of young adults lived with their parents and this proportion rose to 39 per cent in 1996. There are many factors that may have contributed to this upward trend, notably, the pursuit of higher education and until recently, the decrease in youth employment, which is currently lower than in the early 1980s.
- For the housing market, it means that the 20 to 29 year age group contributed less to rental demand than in the past. The

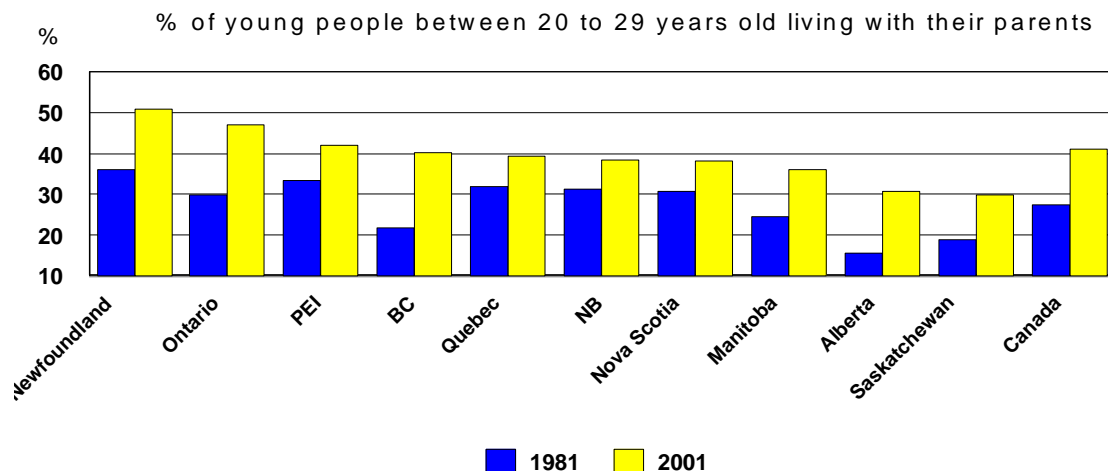
difficulty of finding an apartment and the increasing rents in many markets may have contributed to this trend of young adults living with their parents for a longer period.

- There are some important differences between the provinces. Newfoundland and Labrador has the highest proportion of young adults living with their parents. About one person in two (50.9 per cent) between 20 and 29 years of age lived with their parents in 2001.
- Over the last 20 years, the proportion of young adults living with their parents increased more in Ontario and British Columbia than in the other provinces. In 2001, Ontario had the second highest

continued on page 4....

<sup>(1)</sup>: 2001 Census Analysis Series - Profile of Canadian families and households: Diversification continues, Statistics Canada – 96F0030XIE2001003

### More young people live with their parents



Source: Statistics Canada

## Continued: More young adults live with their parents

proportion (47.1 per cent) while in 1981 this province ranked sixth (29.8 per cent). British Columbia had the fourth highest rank in 2001 (40.2 per cent) while in 1981 it was ranked among the lowest (21.8 per cent).

- In Toronto, 54 per cent of young adults lived with their parents in 2001, the largest proportion among the CMAs. In Vancouver this proportion is somewhat lower (45.7 per cent), however, it is still among the highest compared to other CMAs. The fact that these two centres are the most expensive rental markets in the country may have contributed to this trend.
- In Alberta, even if the percentage of young adults living with their parents almost doubled between 1981 and 2001, the

increase is less pronounced than in most other provinces. In 2001, 30.6 per cent of young adults were living with their parents compared to 15.6 per cent in 1981. Calgary is among the most expensive rental markets in the country and it would be reasonable to expect a pattern similar to Toronto and Vancouver. Over the past several years, Alberta benefited from strong economic growth, which was reflected in good job creation. This favourable environment encouraged many people to move to Alberta. Indeed, Alberta has been the top destination for interprovincial migrants since 1997. These young interprovincial migrants no longer live near their parents, which contributes to the lower proportion of young adults living with their parents in Alberta. ■

### % of people between the age of 20 to 29 years old living with their parents

Toronto	54.0%	Trois-Rivieres	38.3%
Hamilton	48.6%	Winnipeg	38.0%
St. Catharines-Niagara	47.7%	Quebec	37.7%
Oshawa	47.4%	London	36.1%
St. John's	46.3%	Ottawa-Gatineau	35.8%
Vancouver	45.7%	Edmonton	34.2%
Saguenay	45.2%	Kingston	32.7%
Thunder Bay	43.7%	Regina	32.6%
Windsor	43.4%	Calgary	31.8%
Greater Sudbury	41.3%	Halifax	30.7%
Abbotsford	41.0%	Victoria	30.0%
Montreal	39.1%	Saskatoon	27.0%
Kitchener	38.7%	Sherbrooke	25.6%
Saint John	38.6%		

Numbers are from Statistics Canada's Report (2)

Source: <sup>(2)</sup> 2001 Census Analysis Series - Profile of Canadian families and households: Diversification continues, Statistics Canada - 96F0030XIE2001003

## Total sales of existing homes reach a new record

In April 2004, the dollar value of residential sales through the Multiple Listing Services® (MLS® dollar volumes) reached a new record, breaking the past record set in July 2003. Both rising home prices and an increase in the number of homes sold, were responsible for the spike in the value of MLS® transactions.

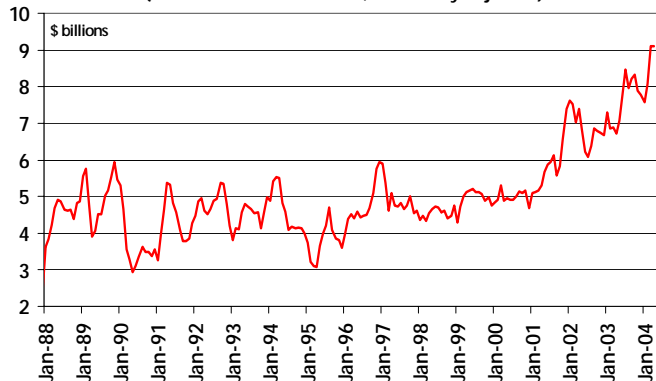
- An environment of high consumer confidence and low interest rates stimulated strong demand for housing, which drove up both the average MLS® home price and the number of MLS® transactions during the first 4 months of 2004. As a result, the aggregate value of sales reached a new record in April. Total MLS® dollar volumes, expressed in inflation adjusted 2004 dollars, reached a record in April of over \$9.1 billion in sales.

measured by the Consumer Price Index in the same period. The low mortgage rates, which reduce the carrying cost of mortgages, contributed to the demand for home ownership. Year-to-date (January to April) MLS® sales were up 10.6 per cent.

- Provincially, British Columbia has experienced the largest growth in the value of sales year-to-date. Both MLS® sales and the average price in British Columbia have experienced strong growth (both up over 15 per cent year-to-date). As for the other four regions, they too have experienced growth in the value of sales although the pace has been slower than in British Columbia.

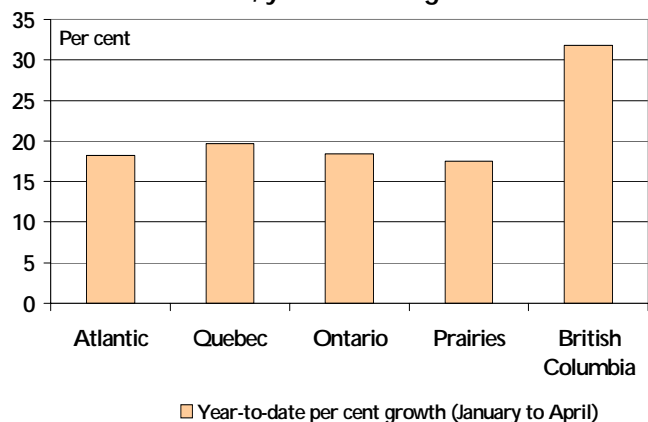
**Value of existing home transactions hits new record**

(in billions of 2004 dollars, seasonally adjusted)



Sources: CMHC, Canadian Real Estate Association (CREA), Statistics Canada

**Value of existing home transactions across Canada, year-to-date growth**



Sources: CMHC, Canadian Real Estate Association (CREA), Statistics Canada

- The value of sales through the MLS® is a product of the number of transactions and the sale price, and both these components have risen substantially over the past few years. Tight resale markets in many centres across the country pushed Canada's year-to-date (January to April) MLS® average price up about 9.3 per cent compared to a year ago. This is well above the inflation rate of 1.1 per cent as

- Overall, existing dwelling sales tend to be a leading indicator for housing starts. Therefore, the current record resale activity bodes well for housing starts in the next few months. ■

## This Month's Housing Data (SAAR)

	2003	2003:3	2003:4	2004:1	2004:M3	2004:M4	2004:M5
<b>Housing starts, units, 000s</b>							
<b>Canada. Total. All areas</b>	218.4	229.2	226.2	225.5	252.9	241.6	238.9
Per cent change from previous period	6.5	13.4	-1.3	-0.3	13.9	-4.5	-1.1
<b>Canada. Total. Rural areas</b>	26.5	26.6	27.7	31.4	31.4	30.8	30.8
Per cent change from previous period	2.3	13.7	4.1	13.4	0.0	-1.9	0.0
<b>Canada. Total. Urban areas</b>	191.9	202.6	198.5	194.1	221.5	210.8	208.1
Per cent change from previous period	7.1	13.3	-2.0	-2.2	16.2	-4.8	-1.3
<b>Canada. Single. Urban areas</b>	100.3	102.0	103.7	101.0	106.8	103.0	107.0
Per cent change from previous period	-2.7	4.3	1.7	-2.6	5.5	-3.6	3.9
<b>Canada. Multiple. Urban areas</b>	91.6	100.6	94.8	93.1	114.7	107.8	101.1
Per cent change from previous period	20.5	24.2	-5.8	-1.8	28.2	-6.0	-6.2
<b>Newfoundland. Total. All areas</b>	2.7	2.5	3.0	3.5	2.9	2.7	2.5
Per cent change from previous period	11.3	-13.8	20.0	16.7	-43.1	-6.9	-7.4
<b>Prince Edward Island. Total. All areas</b>	0.8	0.7	0.7	1.0	0.9	0.7	0.8
Per cent change from previous period	5.0	-30.0	0.0	42.9	80.0	-22.2	14.3
<b>Nova Scotia. Total. All areas</b>	5.1	4.9	5.2	5.9	10.6	4.0	4.4
Per cent change from previous period	2.5	19.5	6.1	13.5	221.2	-62.3	10.0
<b>New Brunswick. Total. All areas</b>	4.5	4.8	4.2	2.4	2.4	3.8	4.1
Per cent change from previous period	16.2	-2.0	-12.5	-42.9	4.3	58.3	7.9
<b>Quebec. Total. All areas</b>	50.3	56.2	56.2	59.0	67.8	59.3	60.5
Per cent change from previous period	18.5	27.7	0.0	5.0	13.2	-12.5	2.0
<b>Ontario. Total. All areas</b>	85.2	85.5	86.5	79.5	92.7	86.5	88.2
Per cent change from previous period	1.9	7.7	1.2	-8.1	20.9	-6.7	2.0
<b>Manitoba. Total. All areas</b>	4.2	4.3	4.9	4.0	4.1	4.5	4.5
Per cent change from previous period	16.3	16.2	14.0	-18.4	-4.7	9.8	0.0
<b>Saskatchewan. Total. All areas</b>	3.3	3.2	2.9	3.0	3.4	4.4	7.7
Per cent change from previous period	11.9	-13.5	-9.4	3.4	61.9	29.4	75.0
<b>Alberta. Total. All areas</b>	36.2	37.5	34.3	36.4	36.6	31.8	28.9
Per cent change from previous period	-6.7	6.2	-8.5	6.1	-5.2	-13.1	-9.1
<b>British Columbia. Total. All areas</b>	26.2	29.6	28.3	30.8	31.5	43.9	37.4
Per cent change from previous period	21.0	27.6	-4.4	8.8	7.5	39.4	-14.8

SOURCE: CMHC, Starts and Completions Survey. All data are seasonally adjusted and annualized. This seasonally adjusted data goes through stages of revision at different times through the yearly cycle resulting in finalization of preliminary data. These revisions take place at the end of each month, quarter and year.

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

	2003	2003:3	2003:4	2004:1	2004:M3	2004:M4	2004:M5
Canada	191.9	202.6	198.5	194.1	221.5	210.8	208.1
Newfoundland	1.9	1.7	2.3	2.7	2.1	2.1	1.8
Prince Edward Island	0.6	0.6	0.5	0.7	0.6	0.6	0.7
Nova Scotia	3.6	3.1	3.8	4.8	9.5	2.6	3.0
New Brunswick	3.0	3.2	2.8	1.5	1.5	2.8	3.1
Québec	39.9	45.2	44.0	46.6	55.4	48.4	49.5
Ontario	80.9	81.4	81.8	73.3	86.5	80.6	82.3
Manitoba	2.7	3.0	3.4	2.3	2.4	2.8	2.8
Saskatchewan	2.6	2.5	2.4	2.3	2.7	3.1	6.4
Alberta	32.1	33.4	30.5	31.9	32.1	27.8	25.0
British Columbia	24.7	28.5	27.0	28.0	28.7	40.0	33.5

\* Thousands of units, seasonally adjusted and annualized.

## This Month's Major Housing Indicators

	2003	2003:3	2003:4	2004:1	2004:M3	2004:M4	2004:M5
<b>New Housing</b>							
<b>New &amp; unoccupied singles &amp; semis, units 000s</b>	4.8	4.6	5.0	5.0	5.1	5.2	5.3
Per cent change from same period previous year	-0.9	5.6	5.3	7.3	10.3	9.7	9.2
<b>New &amp; unoccupied row &amp; apartments, units 000s</b>	5.7	5.7	6.0	5.9	6.0	5.9	5.7
Per cent change from same period previous year	10.9	19.9	19.6	13.1	8.5	6.6	1.1
<b>New House Price Index, 1997=100</b>	116.7	117.3	119.0	120.4	120.8	n.a.	n.a.
Per cent change from same period previous year	4.8	4.8	5.0	5.0	5.1	n.a.	n.a.
<b>Existing Housing</b>							
<b>MLS<sup>®</sup> resales*, units 000s</b>	439.4	466.1	441.6	445.8	489.9	485.0	n.a.
Per cent change from same period previous year	4.1	17.3	8.9	8.0	22.2	22.2	n.a.
<b>MLS<sup>®</sup> average resale price**, \$C 000s</b>	206.3	208.9	215.1	221.3	222.7	225.4	n.a.
Per cent change from same period previous year	9.8	10.9	10.8	10.1	8.9	12.7	n.a.
<b>Mortgage Market</b>							
<b>1-Year Mortgage Rate, % (period average)</b>	4.84	4.55	4.68	4.30	4.30	4.45	4.55
<b>5-Year Mortgage Rate, % (period average)</b>	6.39	6.28	6.45	5.85	5.70	6.15	6.50

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

n.a. Figures not available

\* Seasonally adjusted and annualized (SAAR).

\*\* Annual and quarterly data is actual. Monthly data is seasonally adjusted.