

# HOUSING NOW

## Canada



CANADA MORTGAGE AND HOUSING CORPORATION

Date Released: August 2012

## Canadian Market Overview

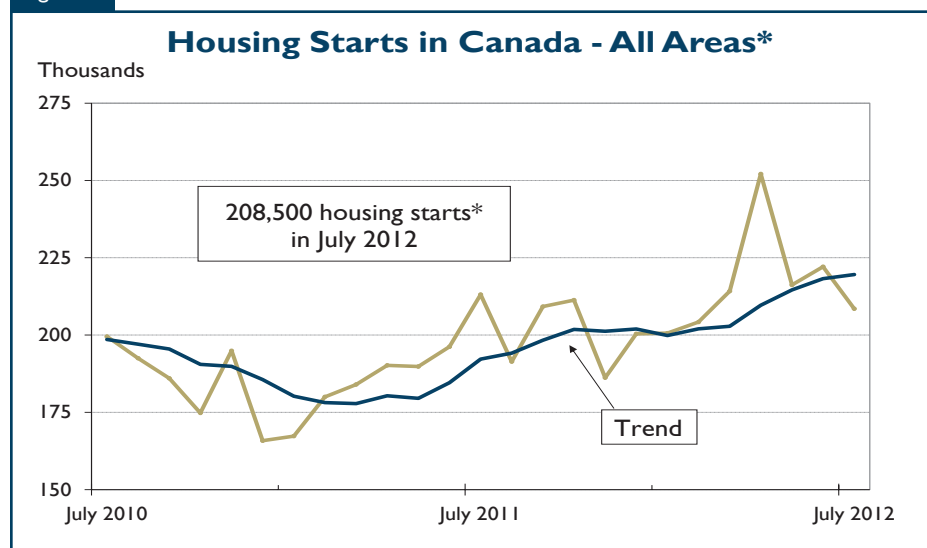
### New Home Market

#### *Housing starts decreased in July*

The number of housing starts was trending at 219,600 units in July. The trend is a moving average of the monthly seasonally adjusted annual rate (SAAR)<sup>1</sup> of housing starts. The stand-alone monthly SAAR was

208,500 units in July, down from 222,100 in June, and below the trend estimate for the first time in seven months. The decline in July reflected declines in both the single and multiple starts segments of the market.

Figure 1



Source: CMHC

\*Seasonally adjusted at annual rates

<sup>1</sup>All starts figures in this report, other than actual starts, are seasonally adjusted annual rates (SAAR) — that is, monthly figures are adjusted to remove normal seasonal variation and multiplied by 12 to reflect annual levels. By removing seasonal ups and downs, seasonal adjustment makes it possible to highlight the fundamental trends of a series. Reporting monthly figures at annual rates indicates the annual level of starts that would be obtained if the monthly pace was maintained for 12 months. This facilitates comparison of the current pace of activity to annual forecasts as well as to historical annual levels.

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### Urban single and multiple starts declined in July

The seasonally adjusted annual rate of total urban<sup>2</sup> starts decreased 6.4 per cent to 187,300 units in July from 200,100 units in June. Urban multiple starts led the decline in July, falling by 7.6 per cent to 123,000 units. Single starts posted a relatively smaller decline of 4.0 per cent to 64,300 units in July.

### Urban starts decreased in British Columbia, the Atlantic Region and the Prairies

In July, the seasonally adjusted annual rate of urban starts decreased in British Columbia (-29.2 per cent), the Atlantic Region (-18.4 per cent) and the Prairies (-8.8 per cent). Urban starts increased in Ontario (2 per cent) and Québec (3 per cent).

Non-urban areas of Canada were estimated to see a decrease of 3.6 per cent to a seasonally adjusted annual rate of rural starts of 21,200 units in July from 22,000 units in June.

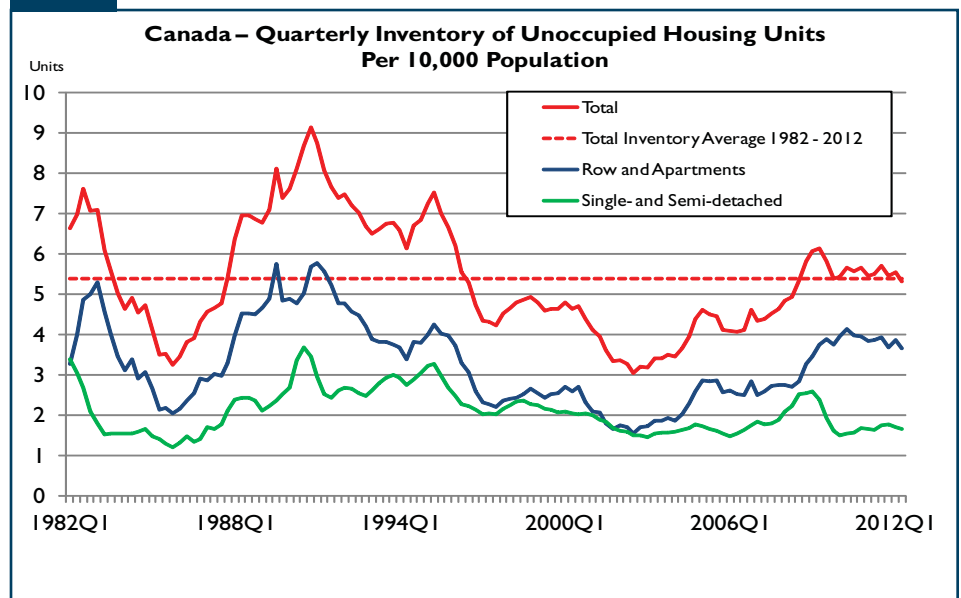
### Inventories of new and unoccupied units<sup>3</sup>

The stock of newly completed and unoccupied housing units has been stable over the past year.

The number of newly completed and unoccupied singles and semis in urban centres with a population of at least 50,000 fluctuated in a narrow range between 5,500 and 6,200 units during 2011. Following four consecutive monthly declines, the number of newly completed and unoccupied single and semi-detached homes increased slightly in July to 5,865, within the 2011 range. On the other hand, the number of newly completed and unoccupied row and apartment units registered its fifth decline in six months to stand at 12,473, in July, below the 2011 range of 12,600 to 14,200 units.

Similarly, the ratio of the stock of newly completed and unoccupied units to population, a simple gauge of potential overbuilding, has stabilized in recent quarters at levels close to its historical average. In the second quarter of 2012, the total level of housing inventory per 10,000 population stood at 5.3, just below its 1982-2012 average of 5.4. As for the inventory of row and apartment units, the level recorded in the second quarter of 2012 was 3.7, above its historical average of 3.3 unoccupied units per 10,000 population, while the inventory of single and semi-detached units was 1.7, below its historical average of 2.1.

Figure 2



Data are seasonally adjusted and annualized, and cover Canada's major markets  
Sources: CMHC, Canadian Real Estate Association (CREA), MLS

<sup>2</sup>Urban centres are defined as centres with a population of over 10,000. CMHC surveys urban centres 10,000-49,999 at the end of every quarter. Months which are not at the end of a quarter are thus estimates.

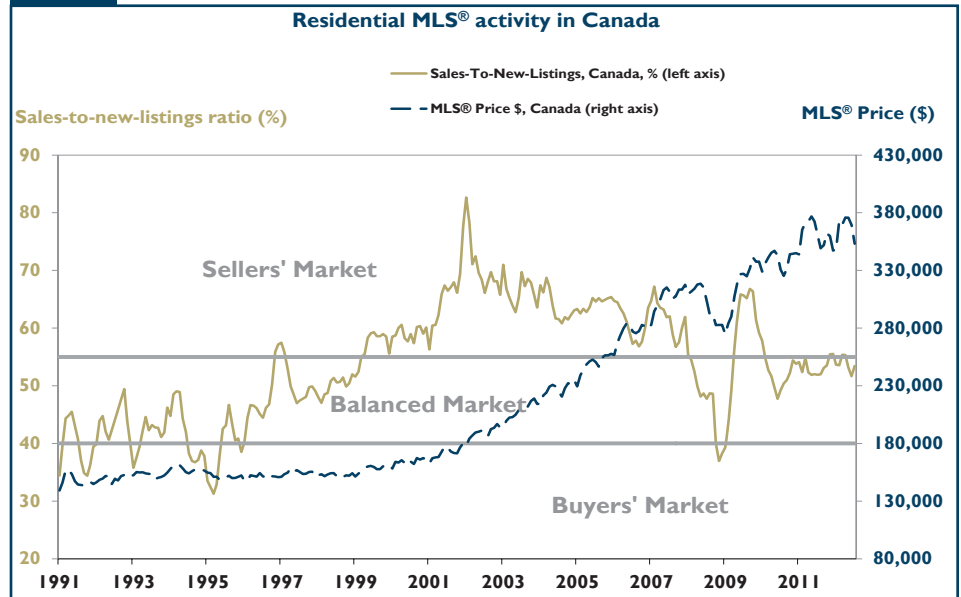
<sup>3</sup>The inventory of housing units is defined as the level of newly completed and unoccupied units. Units under construction are not taken into account in this inventory because some units under construction are pre-sold. The level of inventories discussed here is for urban centres with a population of over 50,000.

## New housing price index stable in June

The New Housing Price Index (NHPI) increased 2.3 per cent in June 2012 from June 2011. This compares to the 2.4 per cent year-over-year increase that was observed in May 2012.

New home prices increased in 18 out of 21 centres on a year-over-year basis. The largest increases in the NHPI were in Toronto and Oshawa at 5.0 per cent, followed by Regina (4.7 per cent) and Winnipeg (4.4 per cent). Declines were registered in Victoria (-2.6 per cent), Vancouver (-0.9 per cent) and St. John, Fredericton and Moncton (-0.1 per cent).

Figure 3



Data are seasonally adjusted and annualized, and cover Canada's major markets  
Sources: CMHC, Canadian Real Estate Association (CREA), MLS

## Existing Home Market

### MLS®<sup>4</sup> sales steady while new listings fall in July

The seasonally adjusted annual rate of MLS® (Multiple Listing Service®) sales were essentially unchanged at 461,004 units in July from 461,052 units in June 2012.

The seasonally adjusted annual rate of MLS® new listings in July was 862,920, a decrease of 3.3 per cent from 892,656 in June.

### Balanced market conditions continue in July

An indicator of price pressure in the existing home market is the sales-to-new-listings ratio<sup>5</sup>. New listings are a gauge of the supply of existing homes, while MLS® sales are a proxy for demand.

In July, the lack of growth in MLS® sales, combined with the decrease in new listings, pushed up the sales-to-new-listings ratio for Canada to 53.4 per cent from 51.6 per cent in June. While the market remains in balanced conditions, developments in July have moved it closer to a sellers' market.

### MLS® price decreased slightly in July

The national seasonally adjusted average MLS® price decreased 0.8 per cent in July to \$357,998 from \$361,023 in June. In July, the unadjusted MLS® average price decreased 2.0 per cent from a year ago.

Earlier this year the Canadian Real Estate Association (CREA) launched a house price index that uses statistical techniques to control for changes over time in the types and quality of homes that are sold. According to this new measure, house prices in the markets covered<sup>6</sup> increased 4.5 per cent between July 2011 and July 2012.

<sup>4</sup>Multiple Listing Service (MLS®) is a registered trademark owned by the Canadian Real Estate Association.

<sup>5</sup>Taking the Canadian MLS® market as a whole, a sales-to-new-listings ratio below 40 per cent has historically accompanied prices that are rising at a rate that is less than inflation, a situation known as a buyers' market. A sales-to-new-listings ratio above 55 per cent is associated with a sellers' market. In a sellers' market, home prices generally rise more rapidly than overall inflation. When the sales-to-new-listings ratio is between these thresholds, the market is said to be balanced.

<sup>6</sup>The MLS® Home Price Index is based on single family, townhouse/row unit, and apartment unit sales activity in Greater Vancouver, the Fraser Valley, Calgary, Greater Toronto and Greater Montréal.

Of the housing types tracked by the index, year-over-year price gains were strongest for single detached homes in July, at over twice the rate of price growth for townhouse and apartment units. Price increases were led by Greater Toronto (7.1 per cent), followed by Calgary (6.0 per cent), the Fraser Valley (2.5 per cent), Greater Montreal (2.1 per cent), and Greater Vancouver (0.6 per cent).

In general, the trends in the two price measures published by CREA have converged towards moderation in recent months, but there are large differences in the growth estimates. To begin with, average existing home price growth has trended steadily down for the past year, falling from a recent month-over-month high of 3.1 per cent in February 2012 to monthly declines in 4 of the last 5 months that have ranged from -0.5% to -1.8%. On the other hand, CREA's measure of home prices that accounts for changes in the types and quality of home has shown more recent and more restrained moderation. In particular, month-over-month price growth was stable in a range of 1.1% to 1.3% over February to April of this year before declining in the last three months, culminating with July's 0.3 per cent decline, the first decline measured on this index.

### **Teranet-National Bank House Price Index increased in July**

By comparison, the Teranet-National Bank House Price Index, which also uses statistical techniques to control for changes in the types and quality

of homes sold over time, has seen positive month-to-month price growth since March 2012, in a range of 0.5% to 1.2%. In July, the index recorded a monthly increase of 0.7%, a decline from the rate of 1.2% recorded in June.

On balance, these measures are signalling a steady moderation in home price growth.

### **Economic conditions**

According to Statistics Canada, employment declined 0.2 per cent in July following two months of no growth. In July, a 1.6 per cent decline in part-time employment outweighed a slight 0.1 per cent gain in full-time employment. As a result, Statistics Canada reported that the unemployment rate rose to 7.3 per cent in July from 7.2 per cent in June.

Compared with 12 months earlier, employment was up 0.8 per cent in July (an increase of 139,200 jobs). Gains were concentrated in full-time employment, which saw a year-over-year increase of 1.4% (a gain of 199,000 jobs), while part-time employment fell 1.8 per cent over the same period (a loss of 59,700 jobs).

Statistics Canada's Consumer Price Index rose 1.3 per cent in the 12 months to July, following a 1.5 per cent gain in June. The decrease in year-over-year inflation since June reflected decelerated growth in most of the major components of the index, with the exception of food prices. Core inflation, which excludes the eight most

volatile items and the effect of changes in indirect taxes, rose 1.7 per cent in the 12 months to July, following a 2.0 per cent gain in June.

On July 17th, the Bank of Canada announced that it would maintain the Target for the Overnight Rate unchanged at 1.0 per cent. In its latest July 2012 Monetary Policy Report, the Bank of Canada stated that "[...]while global headwinds are restraining Canadian economic activity, domestic factors are expected to support moderate growth in Canada. The Bank expects the Canadian economy to grow at a pace roughly in line with its production potential in the near term, before picking up through 2013."

The next interest rate announcement of the Governing Council of the Bank of Canada is scheduled to take place September 5th, 2012. ■

## This Month's Housing Data (SAAR)

	2011	Q4:11	Q1:12	Q2:12	M05:12	M06:12	M07:12
<b>Housing starts, units, 000s</b>							
<b>Canada. Total. All areas</b>	<b>194.0</b>	<b>199.7</b>	<b>205.5</b>	<b>229.3</b>	<b>216.2</b>	<b>222.1</b>	<b>208.5</b>
Per cent change from previous period	2.1	-2.7	2.9	11.6	-14.2	2.7	-6.1
<b>Canada. Total. Rural areas</b>	<b>19.6</b>	<b>20.6</b>	<b>19.0</b>	<b>22.6</b>	<b>21.9</b>	<b>22.0</b>	<b>21.2</b>
Per cent change from previous period	-17.5	-9.6	-7.8	18.9	7.4	0.5	-3.6
<b>Canada. Total. Urban areas</b>	<b>174.4</b>	<b>179.1</b>	<b>186.5</b>	<b>206.7</b>	<b>194.3</b>	<b>200.1</b>	<b>187.3</b>
Per cent change from previous period	4.9	-1.9	4.1	10.8	-16.1	3.0	-6.4
<b>Canada. Single. Urban areas</b>	<b>67.1</b>	<b>67.5</b>	<b>67.4</b>	<b>67.9</b>	<b>67.3</b>	<b>67.0</b>	<b>64.3</b>
Per cent change from previous period	-9.6	-3.0	-0.1	0.7	-5.1	-0.4	-4.0
<b>Canada. Multiple. Urban areas</b>	<b>107.3</b>	<b>111.6</b>	<b>119.1</b>	<b>138.8</b>	<b>127.0</b>	<b>133.1</b>	<b>123.0</b>
Per cent change from previous period	16.7	-1.2	6.7	16.5	-21.0	4.8	-7.6
<b>Newfoundland. Total. All areas</b>	<b>3.5</b>	<b>3.2</b>	<b>3.6</b>	<b>4.0</b>	<b>3.7</b>	<b>3.8</b>	<b>4.3</b>
Per cent change from previous period	-3.3	-11.1	12.5	11.1	-14.0	2.7	13.2
<b>Prince Edward Island. Total. All areas</b>	<b>0.9</b>	<b>1.2</b>	<b>0.5</b>	<b>1.1</b>	<b>0.7</b>	<b>1.3</b>	<b>1.2</b>
Per cent change from previous period	24.3	-7.7	-58.3	120.0	-41.7	85.7	-7.7
<b>Nova Scotia. Total. All areas</b>	<b>4.6</b>	<b>4.9</b>	<b>3.9</b>	<b>3.9</b>	<b>4.2</b>	<b>4.1</b>	<b>2.8</b>
Per cent change from previous period	7.8	-10.9	-20.4	0.0	35.5	-2.4	-31.7
<b>New Brunswick. Total. All areas</b>	<b>3.5</b>	<b>3.8</b>	<b>2.5</b>	<b>3.8</b>	<b>4.2</b>	<b>4.6</b>	<b>3.7</b>
Per cent change from previous period	-15.8	-7.3	-34.2	52.0	82.6	9.5	-19.6
<b>Quebec. Total. All areas</b>	<b>48.4</b>	<b>48.1</b>	<b>41.3</b>	<b>52.5</b>	<b>42.9</b>	<b>49.1</b>	<b>50.6</b>
Per cent change from previous period	-5.8	-2.6	-14.1	27.1	-32.9	14.5	3.1
<b>Ontario. Total. All areas</b>	<b>67.8</b>	<b>66.8</b>	<b>79.0</b>	<b>81.8</b>	<b>79.3</b>	<b>72.9</b>	<b>74.5</b>
Per cent change from previous period	12.2	-6.2	18.3	3.5	-18.8	-8.1	2.2
<b>Manitoba. Total. All areas</b>	<b>6.1</b>	<b>7.3</b>	<b>6.8</b>	<b>7.8</b>	<b>12.4</b>	<b>5.1</b>	<b>6.4</b>
Per cent change from previous period	3.3	12.3	-6.8	14.7	138.5	-58.9	25.5
<b>Saskatchewan. Total. All areas</b>	<b>7.0</b>	<b>7.4</b>	<b>8.9</b>	<b>9.6</b>	<b>7.0</b>	<b>10.9</b>	<b>7.5</b>
Per cent change from previous period	19.0	-8.6	20.3	7.9	-36.9	55.7	-31.2
<b>Alberta. Total. All areas</b>	<b>25.7</b>	<b>30.4</b>	<b>31.2</b>	<b>35.5</b>	<b>33.6</b>	<b>33.9</b>	<b>31.5</b>
Per cent change from previous period	-5.1	10.9	2.6	13.8	-15.4	0.9	-7.1
<b>British Columbia. Total. All areas</b>	<b>26.4</b>	<b>26.6</b>	<b>27.8</b>	<b>29.3</b>	<b>28.2</b>	<b>36.4</b>	<b>26.0</b>
Per cent change from previous period	-0.3	-5.7	4.5	5.4	19.0	29.1	-28.6

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.



## This Month's Housing Data, continued (SAAR)\*

	2011	Q4:11	Q1:12	Q2:12	M05:12	M06:12	M07:12
<b>Housing starts, units, 000s</b>							
<b>Canada. Total. Urban areas</b>	174.4	179.1	186.5	206.7	194.3	200.1	187.3
<b>Newfoundland. Total. Urban areas</b>	2.3	2.0	2.5	2.6	2.3	2.2	2.6
<b>Prince Edward Island. Total. Urban areas</b>	0.7	0.8	0.3	0.8	0.4	1.0	1.0
<b>Nova Scotia. Total. Urban areas</b>	4.1	4.4	3.2	3.2	3.4	3.4	2.1
<b>New Brunswick. Total. Urban areas</b>	2.5	2.5	2.0	2.8	3.0	3.2	2.3
<b>Quebec. Total. Urban areas</b>	41.8	41.0	35.3	45.2	36.6	43.0	44.3
<b>Ontario. Total. Urban areas</b>	65.2	64.1	77.1	79.7	77.4	71.0	72.4
<b>Manitoba. Total. Urban areas</b>	4.2	5.2	4.3	5.4	9.4	3.1	3.5
<b>Saskatchewan. Total. Urban areas</b>	5.7	6.4	7.0	7.1	4.9	7.8	5.8
<b>Alberta. Total. Urban areas</b>	23.6	28.3	28.9	32.5	30.8	31.2	29.1
<b>British Columbia. Total. Urban areas</b>	24.3	24.4	25.9	27.4	26.1	34.2	24.2

SOURCE: CMHC, Starts & Completions Survey. All quarterly and monthly 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.

## This Month's Major Housing Indicators

	2011	Q4:11	Q1:12	Q2:12	M05:12	M06:12	M07:12
<b>New Housing</b>							
<b>New &amp; unoccupied singles &amp; semis, units 000s</b>	6.2	6.2	6.1	5.7	5.8	5.7	5.9
Per cent change from same period previous year	6.0	6.0	4.2	2.9	4.6	2.9	4.8
<b>New &amp; unoccupied row &amp; apartments, units 000s</b>	12.9	12.9	13.1	12.7	12.5	12.7	12.5
Per cent change from same period previous year	-6.0	-6.0	1.6	-4.1	-1.2	-4.1	-8.2
<b>New House Price Index, 2007=100</b>	105.5	106.4	107.0	107.8	107.8	108.0	n.a.
Per cent change from same period previous year	2.2	2.5	2.4	2.4	2.4	2.3	n.a.

## Existing Housing

<b>MLS® resales*, units 000s</b>	458.4	471.4	473.7	472.6	469.2	461.1	461.0
Per cent change from same period previous year	2.6	7.3	3.3	6.3	6.5	2.0	1.9
<b>MLS® average resale price**, 000s</b>	363.1	360.6	368.4	364.3	362.9	361.0	358.0
Per cent change from same period previous year	7.1	3.9	1.0	-0.4	-1.1	-0.8	-1.0

## Mortgage Market

<b>Posted 1-Year Mortgage Rate, % (period average)</b>	3.52	3.50	3.30	3.20	3.20	3.20	3.10
<b>Posted 5-Year Mortgage Rate, % (period average)</b>	5.37	5.29	5.26	5.34	5.34	5.24	5.24

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

n.a. Figures not available.

\* Annual data is actual. Quarterly and monthly data are seasonally adjusted and annualized (SAAR).

\*\* Annual data is actual. Quarterly and monthly data is seasonally adjusted.

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