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Canada Mortgage and Housing Corporation

www.cmhc.ca

Canadian Market Overview

APRIL 2005

New Home Market

Starts edge higher in March

The seasonally adjusted annual rate¹ of housing starts was 218,400 in March, up 0.1 per cent from 218,100 in February.

The high level of starts in March indicates that demand for new homes remains strong, supported by low mortgage rates and high levels of employment. Housing starts

were lower than they were a year earlier, suggesting that activity in the housing market is slowing from its peak level set in 2004.

Multiple construction growth offsets decline in urban single starts in March

The seasonally adjusted annual rate of urban starts rose 0.2 per cent to 189,700 units in March. An increase in multiple starts

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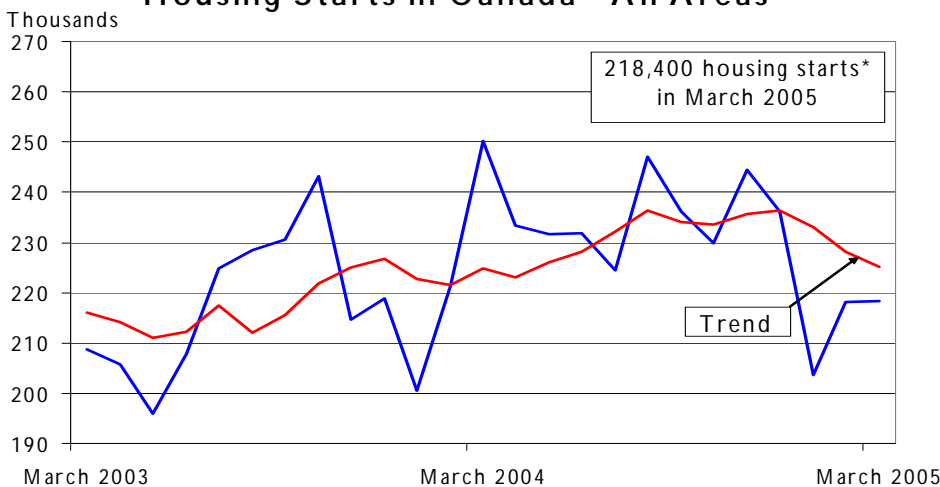
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Housing Starts in Canada - All Areas*



Source: CMHC

*Seasonally adjusted at annual rates

Monthly housing starts numbers published in Housing Now Canada are final and may differ from the preliminary numbers in the starts press release

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.

was partially offset by a decline in singles. Multiple starts climbed 1.8 per cent in March to 96,600 units while single starts declined 1.5 per cent to 93,100 units on a seasonally adjusted annual basis.

Urban starts increased in British Columbia and the Prairies, while they slowed in the remaining regions

In March, new construction activity was strongest in Western Canada. The seasonally adjusted annual rate of urban starts in British Columbia and the Prairies rose 11.3 per cent and 9.7 per cent, respectively. Urban housing starts decreased in March compared to last month in the Atlantic region (10.6 per cent), in Quebec (9.6 per cent), and in Ontario (2.2 per cent).

Rural starts in March were estimated at a seasonally adjusted annual rate of 28,700 units.

Year-to-date actual urban starts are lower than in the same period last year

For the first three months of 2005, actual urban starts were 6.0 per cent lower than in the same period of 2004. Year-to-date single starts fell 9.4 per cent, and multiple starts eased 2.8 per cent.

Resale Market

MLS® sales remain strong

Seasonally adjusted MLS® (Multiple Listings Service) sales rose to 38,215 units in February 2005 up 3.5 per cent from 36,928 units in January 2005.

MLS® actual sales for the first two months of 2005, at 58,000 units, were down 0.6 per cent from the same period in 2004.

Sales of existing homes in 2004 reached a record level for a fourth consecutive year, thanks to strong demand due to low interest rates and a strong labour market.

MLS® new listings rise

Seasonally adjusted MLS® new listings in February 2005 rose to 61,975 units, up 3.1 per cent from 60,095 units in January 2005.

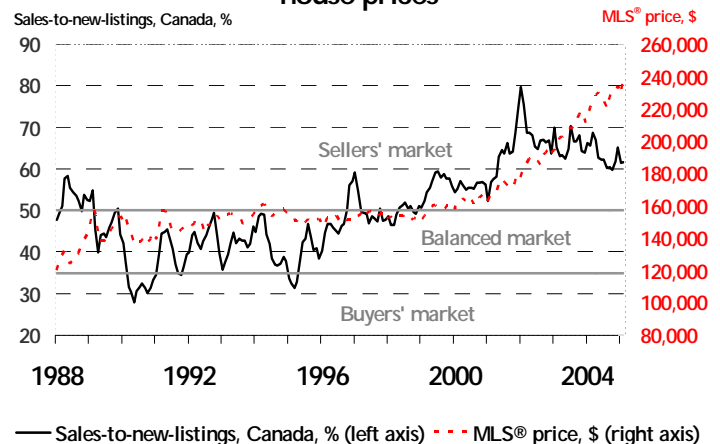
Actual new listings for the first two months of 2005 are up 6.2 per cent over the same period in 2004. This comes on the heels of 2004, a year in which new listings grew 9.8 per cent to 727,225 units, a level not seen since 1992.

Sellers' market conditions across Canada continue to support above inflation growth of average MLS® prices

An indicator of price pressure in the existing home market is the sales-to-new-listings ratio, New listings are a gauge of supply in the existing home market, while MLS® sales are used as a proxy for demand.

Taking the Canadian market as a whole, a sales-to-new-listings ratio below 35 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 50 per cent is associated with a *sellers'*

Sellers' market continues to support rising house prices



Sources: CMHC, Canadian Real Estate Board (CREA), MLS®

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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*.

The sales-to-new-listings ratio for Canada was firmly planted in sellers' market territory in February 2005, at about 62 per cent. The average MLS® price for existing homes across Canada increase at an annualized rate of 8.4 per cent in February 2005 compared to January 2005.

Economic conditions

In March, employment remained steady. An increase in part-time employment of 34,000 jobs was mostly offset by a decline in full-time employment. The unemployment rate edged down 0.1 percentage point to 6.9 per cent in March.

Employment in the first quarter of 2005 was up 0.2 per cent or 25,000 jobs. The sectors where job creation was strongest in the first quarter were retail and wholesale trade, educational services, and financial, insurance, real estate and leasing.

In March, the seasonally adjusted employment-to-population ratio remained close to record levels. In other words, a near record share of Canadians are employed, thus helping to boost consumer confidence and support strong demand for housing.

The Bank of Canada left its target for the overnight lending rate unchanged at 2.5 per cent on April 12th, following similar decisions on March 1st and January 25th. With core inflation remaining below the two per cent target, the Bank of Canada remains concerned about the strong Canadian dollar and its dampening effect on the demand for Canadian exports. Growth is expected to come primarily from strength in

domestic demand. Mortgage rates have remained low and have helped keep the financing costs of buying a home down.

The price of new homes, measured by the New Housing Price index (NHPI), rose 5.1 per cent in February 2005 compared to February 2004, the lowest rate of increase since March 2004. The strong housing market and higher building material and labour costs as well as some increase in land value, contributed to the increase in house prices.

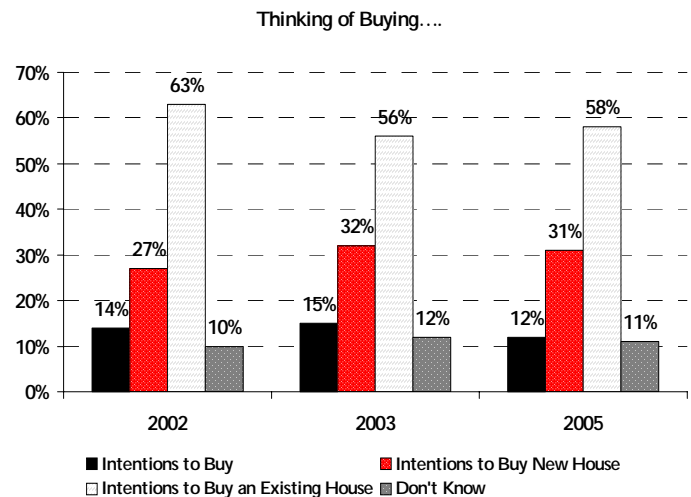
In March, the price of goods and services included in the Consumer Price Index (CPI) basket increased 2.3 per cent compared to March 2004. The increase was mainly due to higher gasoline prices, homeowners' replacement cost, restaurant meal prices, property taxes and fuel oil prices. These increases were restrained by lower prices for computer equipment and supplies, fresh vegetables and traveller accommodations. ■

Who intends to purchase a home?

CMHC's 2004 Consumer Intentions to Buy or Renovate survey contains a wealth of information on intentions to buy a home and the type of home potential buyers are looking for.

Overview of Survey Results

- CMHC's Consumer Intentions to Buy or Renovate Survey contains a wealth of information on households who intend to buy a home in the next twelve months. Home buying intentions were surveyed in six major centres across Canada: Vancouver, Calgary, Toronto, Ottawa, Montreal, and Halifax.
- According to the 2004 survey, 12 per cent of households located in these six centres stated that they intended to buy a home within the year. Across the six centres, the largest shares of potential buyers were in Vancouver and Calgary where 15 per cent of households said they intend to purchase a home in 2005¹. The share of households who intend to purchase in Toronto (13 per cent) and Ottawa (12 per cent) is high, while the share of households who intend to buy in Halifax (11 per cent) and Montreal (9 per cent) is lower. Intentions are slightly down from the past two surveys conducted for the years² 2002 and 2003, where 14 and 15 per cent of homeowners respectively were thinking of buying a house.
- Of those intending to purchase a home this year, almost a third (31 per cent) plan to purchase a newly built home. This is virtually unchanged from 2003, when the share of potential buyers intending to purchase a newly built home was 32 per cent.



Source: CMHC's Consumer Intentions to Buy or Renovate Survey

- More than half (58 per cent) of potential buyers intend to purchase an existing home. This is up slightly from 2003, when the share of potential buyers intending to purchase an existing home was 56 per cent.

A profile of potential home buyers:

- The majority of potential buyers, 51 per cent, are between the ages of 35 and 54. This share of buyers between the ages of 35 and 54 has increased from 37 per cent in 2003, while the proportion of potential home buyers under the age of 35 has decreased from close to half to one in three.
- Renters continue to be a key market segment. Sixty per cent of the potential home buyers currently rent their home, while the remainder (40 per cent) are owners.

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¹ The survey covers households that intend to purchase a home between the last quarter of 2004 to the last quarter of 2005.

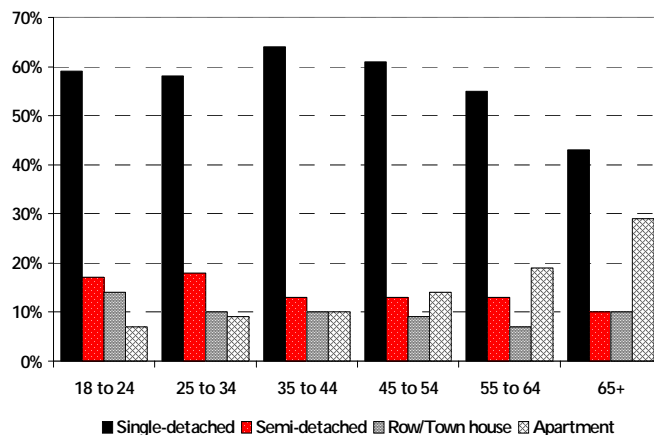
² Survey was not done in 2004

continued: Who intends to purchase a home?

- Smaller households, which consist of single person households (19 per cent) and two-person households (31 per cent), represent half of potential home buyers.
- Of the potential home buyers, 40 per cent do not have children under the age of 18 in their household.
- Just over half of the potential home buyers have a total household income between \$40,000 to \$100,000, while 15 per cent earned more than \$100,000.

- Potential buyers in all age groups stated that single-detached homes were their preferred structure type, with 59 per cent of respondents, while only 15 per cent of individuals claimed to prefer a semi-detached home. As well, the older the age group, the more likely they were to prefer an apartment.

Single-detached are preferred by all ages



Source: CMHC's Consumer Intentions to Buy or Renovate Survey

Total Household Income	
Less than \$40,000	13%
\$40,000 to less than \$60,000	18%
\$60,000 to less than \$80,000	15%
\$80,000 to less than \$100,000	18%
\$100,000 to less than \$120,000	7%
More than \$120,000	8%

Source: CMHC's Consumer Intentions to Buy or Renovate Survey

- Close to two thirds (66 per cent) of potential home buyers are thinking of buying a larger house compared to their current residence.
- The majority of potential buyers will be high ratio mortgage borrowers. Over half the potential buyers (52 per cent) plan to make a down payment of less than 25 per cent of the expected value of their purchase.
- Household savings is the main source of down payment for 48 per cent of the potential home buyers, while 28 per cent will use equity from their present home, 8 per cent will use the RRSP Home Buyer's Plan, and 4 per cent will get a bank or credit union loan.

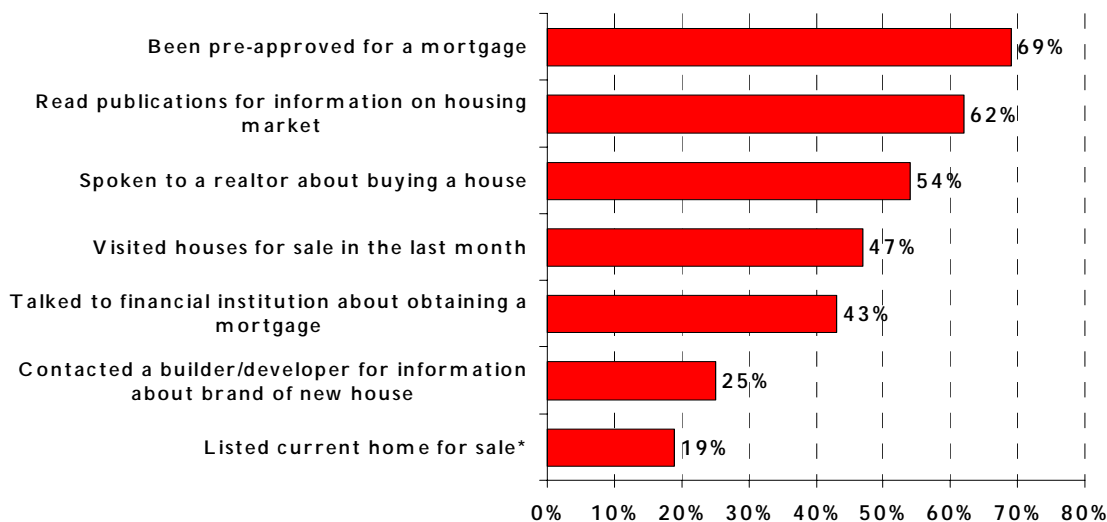
- Nationally, 32 per cent of all potential home buyers are looking for a home priced between \$200,000 and \$300,000. A larger share of households in the 55 to 64 year age group, 37 per cent intend to buy homes priced above \$300,000 compared to 32 per cent of all households. Only 30 per cent of households aged 65 or older and 27 per cent of households between 25 and 34 years of age intend to purchase a house priced above \$300,000.

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- The survey asked respondents what steps they have taken toward purchasing a home. The top step taken by potential buyers was to obtain a pre-approved mortgage (69 per cent), while 62 per cent of potential buyers read housing related publications. Only 19 per cent of the potential home buyers who are currently owners had listed their current home for sale at the time of the survey. ■

What have they done?



* percentage based on owners only

Source: CMHC's Consumer Intentions to Buy or Renovate Survey

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This Month's Housing Data (SAAR)

	2004	Q3:04	Q4:04	Q1:05	M1:05	M2:05	M3:05
Housing starts, units, 000s							
Canada. Total. All areas	233.4	236.3	236.9	213.3	203.7	218.1	218.4
Per cent change from previous period	6.9	1.7	0.3	-10.0	-13.8	7.1	0.1
Canada. Total. Rural areas	29.0	32.7	30.4	28.7	28.7	28.7	28.7
Per cent change from previous period	9.5	38.0	-7.0	-5.6	-5.6	0.0	0.0
Canada. Total. Urban areas	204.4	203.6	206.5	184.6	175.0	189.4	189.7
Per cent change from previous period	6.5	-2.4	1.4	-10.6	-15.0	8.2	0.2
Canada. Single. Urban areas	103.9	105.2	102.5	93.4	92.8	94.5	93.1
Per cent change from previous period	3.6	0.3	-2.6	-8.9	-9.2	1.8	-1.5
Canada. Multiple. Urban areas	100.5	98.4	104.0	91.2	82.2	94.9	96.6
Per cent change from previous period	9.7	-5.2	5.7	-12.3	-20.7	15.5	1.8
Newfoundland. Total. All areas	2.9	2.9	2.9	3.1	2.8	3.9	2.7
Per cent change from previous period	6.6	3.6	0.0	6.9	0.0	39.3	-30.8
Prince Edward Island. Total. All areas	0.9	0.8	0.7	1.5	1.8	1.3	1.3
Per cent change from previous period	12.9	-27.3	-12.5	114.3	157.1	-27.8	0.0
Nova Scotia. Total. All areas	4.7	4.9	4.7	4.0	4.2	4.2	3.6
Per cent change from previous period	-7.4	16.7	-4.1	-14.9	-22.2	0.0	-14.3
New Brunswick. Total. All areas	3.9	4.3	4.0	3.2	2.7	3.0	3.9
Per cent change from previous period	-12.1	4.9	-7.0	-20.0	-40.0	11.1	30.0
Quebec. Total. All areas	58.4	60.5	60.6	55.1	57.0	56.2	52.1
Per cent change from previous period	16.2	10.4	0.2	-9.1	-6.1	-1.4	-7.3
Ontario. Total. All areas	85.1	85.8	84.4	71.3	67.7	73.9	72.3
Per cent change from previous period	-0.1	-2.3	-1.6	-15.5	-16.7	9.2	-2.2
Manitoba. Total. All areas	4.4	5.7	4.0	4.3	3.8	4.0	5.2
Per cent change from previous period	5.6	35.7	-29.8	7.5	0.0	5.3	30.0
Saskatchewan. Total. All areas	3.8	3.2	4.2	2.5	2.8	2.5	2.2
Per cent change from previous period	14.1	-31.9	31.3	-40.5	-24.3	-10.7	-12.0
Alberta. Total. All areas	36.3	34.7	39.6	36.7	32.6	37.4	40.1
Per cent change from previous period	0.3	1.2	14.1	-7.3	-16.0	14.7	7.2
British Columbia. Total. All areas	32.9	33.5	31.8	31.6	28.3	31.7	35.0
Per cent change from previous period	25.8	-2.6	-5.1	-0.6	-18.2	12.0	10.4

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*

	2004	Q3:04	Q4:04	Q1:05	M1:05	M2:05	M3:05
Canada	204.4	203.6	206.5	184.6	175.0	189.4	189.7
Newfoundland	2.1	2.1	2.2	2.5	2.2	3.3	2.1
Prince Edward Island	0.6	0.5	0.4	1.1	1.4	0.9	0.9
Nova Scotia	3.3	3.5	3.1	2.5	2.7	2.7	2.1
New Brunswick	2.6	3.0	2.5	1.8	1.3	1.6	2.5
Québec	46.7	44.1	49.3	41.6	43.5	42.7	38.6
Ontario	79.9	81.4	77.2	69.4	65.8	72.0	70.4
Manitoba	2.9	3.9	2.6	2.7	2.2	2.4	3.6
Saskatchewan	3.1	2.9	3.3	2.0	2.3	2.0	1.7
Alberta	32.2	30.5	35.6	32.0	27.9	32.7	35.4
British Columbia	30.9	31.7	30.3	29.0	25.7	29.1	32.4

* Thousands of units, seasonally adjusted and annualized.

This Month's Major Housing Indicators

	2004	Q3:04	Q4:04	Q1:05	M1:05	M2:05	M3:05
New Housing							
New & unoccupied singles & semis, units 000s	5.2	5.0	5.7	5.7	5.6	5.7	5.7
Per cent change from same period previous year	9.3	8.3	12.6	12.5	13.5	14.0	10.0
New & unoccupied row & apartments, units 000s	6.7	6.7	8.3	8.8	8.5	8.6	9.3
Per cent change from same period previous year	18.9	18.6	37.1	49.6	41.4	51.2	56.4
New House Price Index, 1997=100	123.2	124.2	125.4	n.a.	126.1	126.5	n.a.
Per cent change from same period previous year	5.5	5.9	5.4	n.a.	5.2	5.1	n.a.
Existing Housing							
MLS [®] resales*, units 000s	461.1	460.6	451.3	n.a.	443.1	458.6	n.a.
Per cent change from same period previous year	6.0	-0.5	0.6	n.a.	2.7	4.3	n.a.
MLS [®] average resale price*, \$C 000s	226.2	225.8	233.1	n.a.	238.2	239.9	n.a.
Per cent change from same period previous year	9.2	7.4	8.1	n.a.	10.0	8.5	n.a.
Mortgage Market							
1-Year Mortgage Rate, % (period average)	4.59	4.60	4.90	4.88	4.80	4.80	5.05
5-Year Mortgage Rate, % (period average)	6.23	6.38	6.25	6.12	6.05	6.05	6.25

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.