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HOUSING FACTS

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Canada Mortgage and Housing Corporation

HOUSING STARTS REMAIN HIGH IN JUNE

The seasonally adjusted annual rate¹ of housing starts was 232,100 in June, virtually unchanged from May.

June's strong results continue to reflect positive economic factors, particularly low mortgage rates, improving employment and strong consumer confidence. This is the strongest mid-year level of housing starts since 1987.

The seasonally adjusted annual rate of urban starts did not change from the previous month and remained at 208,500 units in June. Urban single starts decreased 5.7 per cent in June to 101,900 but urban multiple starts rose 6.2 per cent to 106,600 on a seasonally adjusted annual basis.

In all regions of Canada, except British Columbia and Quebec, the seasonally adjusted annual rate of urban starts increased in June: 2.2 per cent in the Atlantic; 0.6 per cent in Ontario and; 17.1 per cent in the Prairies. In British Columbia and Quebec, the seasonally adjusted annual rate of urban starts decreased in June by 7.2 per cent and 9.0 per cent respectively.

Rural starts in June were estimated at a seasonally adjusted annual rate of 23,600 units.

Year to date actual urban starts were 11.2 per cent higher through June than for the same period last year. Single starts were up 5.3 per cent while multiple starts were up 18.1 per cent. ■

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Housing Starts in Canada - All Areas*



Source: CMHC

*Seasonally adjusted at annual rates

¹ 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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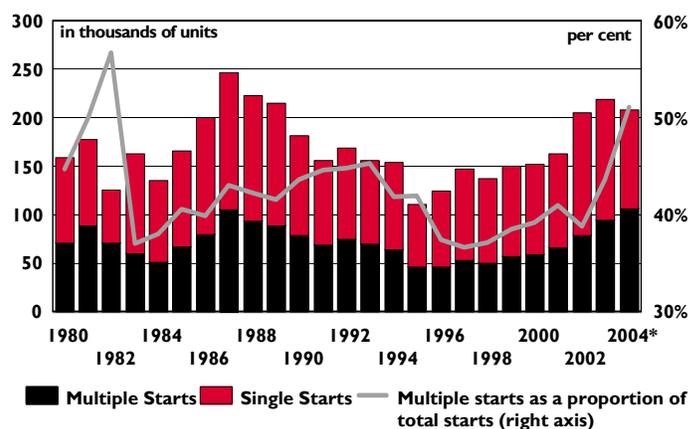
Construction shifting to multiples

In the first half of 2004, multiple home starts were up 18.1 per cent while single-detached home starts were up only 5.3 per cent compared to a year ago. What is behind the relative strength in multiples?

- In CMHC's Starts and Completions Survey, housing starts are categorized into four basic types of housing units – single-detached houses, semi-detached houses, row houses, and apartments. The latter three are frequently referred to collectively as “multiples”. Since the late 1990s, the proportion of multiple home starts has increased as a share of total starts. Indeed, the share of multiple starts has increased from 36.6 per cent in 1997 to 43.6 per cent in 2003. This trend continues with the share of multiple home starts increasing to 47.4 per cent of total starts in the second quarter of 2004. Multiple-family homes are generally more affordable than single-detached housing, so when mortgage carrying costs rise, whether due to a rise in house prices or mortgage rates, people looking for affordable alternatives turn to multiple housing.

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The share of multiple starts has climbed steadily since 1997



*Note: 2004 singles and multiples starts are seasonally adjusted and annualized as of June 2004

Source: CMHC

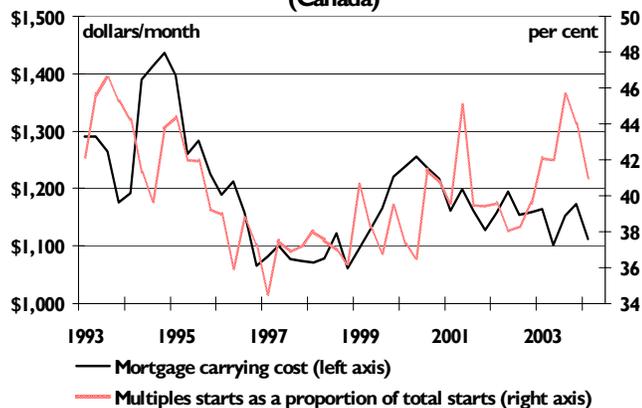
continued: Construction shifting to multiples

● The graph below shows that there is a strong relationship between the mortgage carrying cost¹ and the popularity of multiple-family homes. Mortgage carrying costs vary with changes in house prices and mortgage rates. The average MLS[®] house price was flat through most of the 1990s and then showed strong increases in the last several years. As a result, in the early 2000's, mortgage carrying costs were higher than in the late 1990's and the share of multiple starts has risen. Recently, low interest rates have offset high prices and have lowered the mortgage carrying cost.

rate than total starts and the ratio of multiples to total starts will rise. Falling prices, and thus a declining mortgage carrying cost encourages buyers to turn to the single-detached home market.

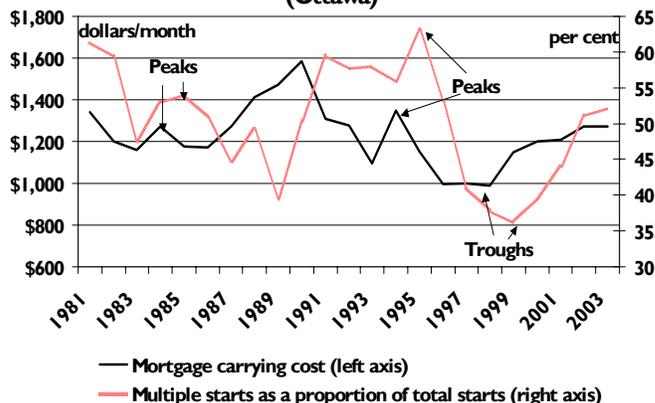
● Data from local markets, such as Ottawa, show that there is a visible lag between the changes in the mortgage carrying cost and changes in the popularity of multiple-family homes. The presence of the lag can be explained by the fact that many builders of multiple-family homes do not begin construction before a significant number of buyers have made their commitment to purchase.

Increasing mortgage carrying costs encourage multiples construction (Canada)



Sources: CMHC, Statistics Canada (NHPI), Canadian Real Estate Board (CREA), MLS[®], Bank of Canada

Multiple family starts lag mortgage carrying costs (Ottawa)



Sources: CMHC, Statistics Canada (NHPI), Canadian Real Estate Board (CREA), MLS[®], Bank of Canada

● In periods when the mortgage carrying cost of a house increases, there is a greater chance that prospective buyers will look into the more affordable market of multiple-family homes, where they can find the right combination of price, location and other amenities to meet their needs. In these conditions, starts of multiple-family homes will increase at a faster

● With house prices anticipated to continue rising in 2004 and mortgage rates expected to start to increase moderately, the proportion of multiple-family homes in total starts is expected to remain high over the remainder of 2004. ■

¹To calculate the mortgage carrying cost, the New House Price Index (NHPI) from Statistics Canada was multiplied by the 1997 MLS[®] average price (the base year for the index) to obtain a constant quality house price level.

Down Payments

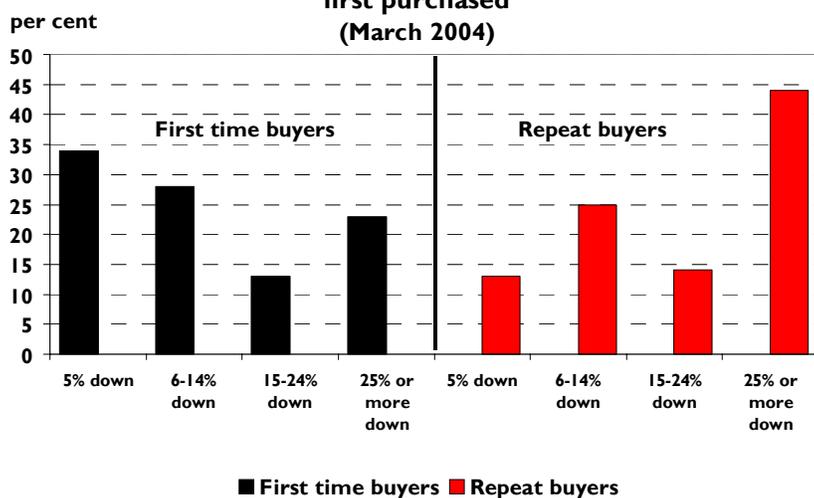
As reported in the March 2004 FIRM Residential Mortgage Survey, rising employment, income and house prices, coupled with low interest rates have benefited first time buyers allowing them to make the transition to home ownership.

- As reported in the FIRM Residential Mortgage Survey, the proportion of all the residential mortgage holders who had a down payment of 5 per cent when they first purchased their home was between 20 and 23 per cent over the March 2003 to March 2004 FIRM survey period. As for all the residential mortgage holders who had put a down payment of 25 per cent or more, the proportion ranged between 33 and 35 per cent over the same period. More than half of the respondents were first time buyers (54 per cent) while the remaining 46 per cent of respondents were repeat buyers.
- The proportion of first time buyers who had made a down payment equal to 25 per cent or more of the purchase price of their home ranged between 18 and 23 per cent between March 2003 and March 2004. Of first time buyers, almost half (48 per cent) had a down payment of \$14,999 or less, while 29 per cent put down between \$15,000 and \$49,999. Less than ten per cent of first time buyers had a

down payment of \$50,000 or more¹.

- As for repeat buyers, the proportion that made a down payment equal to 25 per cent or more ranged from 44 to 49 per cent between March 2003 and March 2004. On the other hand, the proportion that made a down payment of 5 per cent ranged from 9 to 13 per cent over the same time period. Of the repeat buyers, almost a quarter (23 per cent) had a down payment of \$14,999 or less, while a third (34 per cent) put down between \$15,000 and \$49,999. More than a quarter (27 per cent) of repeat buyers had a down payment of \$50,000 or more¹.
- The proportion of buyers who assumed a high ratio mortgage at purchase may reflect a number of recent factors such as rising employment, incomes and housing prices, as well as low interest rates. As a result of these factors, more people can make the transition to homeownership or move up to a larger home.
- Of all residential mortgage holders surveyed, equity from the sale of a previous home was used most often as the primary source of their down payment (46 per cent of residential mortgage holders). Of those residential mortgage holders, the average total down payment was \$63,000. The second most likely source of down payment used by residential mortgage holders was from savings, which include RRSP and non-RRSP savings (39 per cent). The average down payment amount, of individuals who used RRSP savings as their primary source was \$21,000, while the average down payment for those who used non-RRSP savings as their primary source was \$26,000.

The size of the down payment when the house was first purchased (March 2004)



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

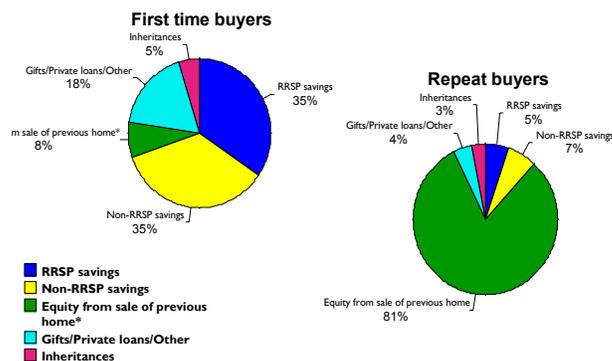
¹The sum of the shares of home buyers by the size of their down payments is less than 100 per cent due to the fact that some respondents did not state their down payment size.

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continued: Down Payments

- The majority (over 80 per cent) of repeat buyers choose to use equity from a previous home as the primary source of their down payment. Of those repeat buyers who used equity from a previous home sale as the primary source of down payment, the average total down payment was \$66,000.
- On the other hand, 70 per cent of first time buyers used savings (RRSP and non-RRSP savings) as their primary source of down payment. The average total down payment amount made by first time buyers who used RRSP savings as the primary source was \$18,000, while those with non-RRSP savings as the primary source had an average total down payment amount of \$25,000.■

Share of primary source of down payment



Sources: Clayton Research/psos-Reid, The FIRM Residential Mortgage Survey, CMHC

*For first time buyers who claimed to have used equity from the sale of a previous home, individuals may have used equity from the sale of a rental/vacation property owned but that was not their principal residence or a respondent may have identified themselves as a first-time buyer, but their spouse had previously owned a home.

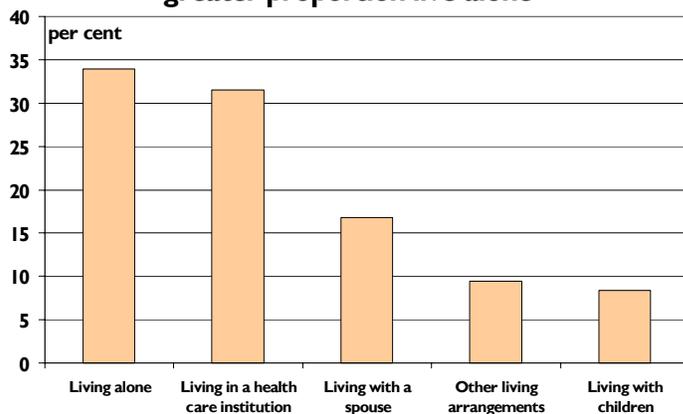
The ageing population and its impact on the housing market

As the Canadian population ages, housing needs change, thus impacting the types of homes being sought after.

- The changing age structure of Canada’s population will have an influence on how many and what types of homes will be in demand. Although individuals 85 years or older currently represent a small proportion of the population (about 1.5 per cent, which has doubled since the 1981 census), current trends regarding their living arrangements can provide insight into the housing needs of this growing segment of the population.
- According to the 2001 Census (Profile of Canadian families and households: Diversification continues), close to one in three individuals 85 years or older were living alone (34 per cent), while a similar share lived in health care institutions¹ (31 per cent). Less than ten per cent of them were living with their children and an equal proportion had other living arrangements such as, living with other relatives (a niece or nephew) or with

non-relatives (a lodger). Finally, close to one in five individuals 85 years or older (17 per cent) were living with a spouse.

Among individuals 85 years or older, a greater proportion live alone



Source: Adapted from Statistics Canada, 2001 Census, Profile of Canadian families and households: Diversification continues, catalogue #96F0030XIE2001003

¹Health care institutions include hospitals, nursing care homes, residences for senior citizens, and facilities for the disabled.

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continued: The ageing population and its impact on the housing market

- Compared to the national average, the proportion of individuals 85 years and older living with their children is slightly more pronounced in the Atlantic provinces. Newfoundland and Labrador has the largest proportion of individuals 85 years and older who lived with their children (13 per cent) or who had other living arrangements (19 per cent). P.E.I., New Brunswick and Nova Scotia also have relatively high proportions of older parents living with their children.
- As for Manitoba and Saskatchewan, 2001 Census results show that the proportion of individuals 85 years and older living alone is the highest across the country with 43 per cent and 42 per cent respectively. The proportion of these individuals who live alone is also relatively large in Ontario and British Columbia at 33 per cent and 37 per cent respectively.
- On the other hand, in Manitoba and Saskatchewan, the proportion of individuals 85 years or older living with children or in other living arrangements are among the lowest.
- The high proportion of individuals 85 years and older living with their children or living alone may have an impact on the housing market through renovations. In the Atlantic, where these trends are prevalent, older parents living with their children may have a positive impact on the demand for inter-generational home sharing.
- In Quebec, according to the 2001 Census, the proportion of individuals 85 years or older living in health care institutions, which include retirement homes, was the most pronounced across Canada at 40 per cent. Over the past few years, construction of retirement homes in Quebec has been very strong, especially in Montreal. Until 1998, apartment building projects in Montreal targeted to seniors represented a small fraction of rental construction activity. More recently, however, they have accounted for between 30 and 40 per cent of rental starts and may be contributing to the large proportion of individuals choosing this type of dwelling.
- As the Canadian population ages, housing needs will change, thus impacting the types of homes demanded. If the trends captured in the 2001 Census are an indication of future trends of living arrangements amongst individuals 85 years and older, then as this segment of the population grows, it will play a part in assessing how many and what types of homes will be sought after. ■

Living arrangements for individuals 85 years or older, 2001 Census

	Live Alone	Living with spouse/partner	Living with children	Living in health care institution	Other living arrangements
Newfoundland and Labrador	25%	15%	13%	28%	19%
Prince Edward Island	32%	13%	12%	35%	9%
Nova Scotia	37%	16%	10%	25%	12%
New Brunswick	35%	15%	12%	27%	12%
Quebec	29%	13%	10%	40%	9%
Ontario	33%	17%	9%	30%	11%
Manitoba	43%	17%	7%	27%	6%
Saskatchewan	42%	21%	5%	28%	4%
Alberta	32%	18%	7%	36%	7%
British Columbia	37%	21%	7%	25%	9%
Canada	34%	17%	8%	31%	9%

Source: Adapted from Statistics Canada, 2001 Census, Profile of Canadian families and households: Diversification continues, catalogue #96F0030XIE2001003

This Month's Housing Data (SAAR)

	2003	Q4:03	Q1:04	Q2:04	M4:04	M5:04	M6:04
Housing starts, units, 000s							
Canada. Total. All areas	218.4	226.2	225.5	232.7	234.0	232.1	232.1
Per cent change from previous period	6.5	-1.3	-0.3	3.2	-7.5	-0.8	0.0
Canada. Total. Rural areas	26.5	27.7	31.4	23.6	23.6	23.6	23.6
Per cent change from previous period	2.3	4.1	13.4	-24.8	-24.8	0.0	0.0
Canada. Total. Urban areas	191.9	198.5	194.1	209.1	210.4	208.5	208.5
Per cent change from previous period	7.1	-2.0	-2.2	7.7	-5.0	-0.9	0.0
Canada. Single. Urban areas	100.3	103.7	101.0	104.7	104.3	108.1	101.9
Per cent change from previous period	-2.7	1.7	-2.6	3.7	-2.3	3.6	-5.7
Canada. Multiple. Urban areas	91.6	94.8	93.1	104.4	106.1	100.4	106.6
Per cent change from previous period	20.5	-5.8	-1.8	12.1	-7.5	-5.4	6.2
Newfoundland. Total. All areas	2.7	3.0	3.5	2.8	2.9	2.7	2.8
Per cent change from previous period	11.3	20.0	16.7	-20.0	0.0	-6.9	3.7
Prince Edward Island. Total. All areas	0.8	0.7	1.0	1.2	1.0	1.1	1.3
Per cent change from previous period	5.0	0.0	42.9	20.0	11.1	10.0	18.2
Nova Scotia. Total. All areas	5.1	5.2	5.9	4.1	3.7	4.0	4.6
Per cent change from previous period	2.5	6.1	13.5	-30.5	-65.1	8.1	15.0
New Brunswick. Total. All areas	4.5	4.2	2.4	4.1	4.2	4.4	3.7
Per cent change from previous period	16.2	-12.5	-42.9	70.8	75.0	4.8	-15.9
Quebec. Total. All areas	50.3	56.2	59.0	55.4	56.5	57.1	52.7
Per cent change from previous period	18.5	0.0	5.0	-6.1	-16.7	1.1	-7.7
Ontario. Total. All areas	85.2	86.5	79.5	87.9	86.8	88.2	88.7
Per cent change from previous period	1.9	1.2	-8.1	10.6	-6.4	1.6	0.6
Manitoba. Total. All areas	4.2	4.9	4.0	4.1	4.2	4.2	4.0
Per cent change from previous period	16.3	14.0	-18.4	2.5	2.4	0.0	-4.8
Saskatchewan. Total. All areas	3.3	2.9	3.0	4.6	3.9	7.1	2.7
Per cent change from previous period	11.9	-9.4	3.4	53.3	14.7	82.1	-62.0
Alberta. Total. All areas	36.2	34.3	36.4	33.8	31.9	29.5	40.1
Per cent change from previous period	-6.7	-8.5	6.1	-7.1	-12.8	-7.5	35.9
British Columbia. Total. All areas	26.2	28.3	30.8	34.7	38.9	33.8	31.5
Per cent change from previous period	21.0	-4.4	8.8	12.7	23.5	-13.1	-6.8

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	Q4:03	Q1:04	Q2:04	M4:04	M5:04	M6:04
Canada	191.9	198.5	194.1	209.1	210.4	208.5	208.5
Newfoundland	1.9	2.3	2.7	2.1	2.2	2.0	2.1
Prince Edward Island	0.6	0.5	0.7	0.8	0.6	0.7	0.9
Nova Scotia	3.6	3.8	4.8	3.1	2.7	3.0	3.6
New Brunswick	3.0	2.8	1.5	2.9	3.0	3.2	2.5
Québec	39.9	44.0	46.6	47.0	48.1	48.7	44.3
Ontario	80.9	81.8	73.3	83.8	82.7	84.1	84.6
Manitoba	2.7	3.4	2.3	2.6	2.7	2.7	2.5
Saskatchewan	2.6	2.4	2.3	3.9	3.2	6.4	2.0
Alberta	32.1	30.5	31.9	30.2	28.3	25.9	36.5
British Columbia	24.7	27.0	28.0	32.7	36.9	31.8	29.5

* Thousands of units, seasonally adjusted and annualized.

This Month's Major Housing Indicators

	2003	Q4:03	Q1:04	Q2:04	M4:04	M5:04	M6:04
New Housing							
New & unoccupied singles & semis, units 000s	4.8	5.0	5.0	5.3	5.2	5.3	5.2
Per cent change from same period previous year	-0.9	5.3	7.3	8.6	9.7	9.2	7.0
New & unoccupied row & apartments, units 000s	5.7	6.0	5.9	6.0	5.9	5.7	6.4
Per cent change from same period previous year	10.9	19.6	13.1	5.5	6.6	1.1	8.7
New House Price Index, 1997=100	116.7	119.0	120.4	n.a.	121.7	122.7	n.a.
Per cent change from same period previous year	4.8	5.0	5.0	n.a.	5.6	5.8	n.a.
Existing Housing							
MLS[®] resales*, units 000s	434.6	441.6	446.4	n.a.	483.5	471.8	n.a.
Per cent change from same period previous year	3.9	8.8	8.1	n.a.	21.9	14.3	n.a.
MLS[®] average resale price**, \$C 000s	207.3	215.0	220.8	n.a.	225.3	231.4	n.a.
Per cent change from same period previous year	9.7	10.7	9.9	n.a.	12.7	14.3	n.a.
Mortgage Market							
1-Year Mortgage Rate, % (period average)	4.84	4.68	4.30	4.57	4.45	4.55	4.70
5-Year Mortgage Rate, % (period average)	6.39	6.45	5.85	6.45	6.15	6.50	6.70

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.