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HOUSING FACTS

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Canada Mortgage and Housing Corporation

High level of housing starts continues in April

April's seasonally adjusted annual rate¹ of 207,800 housing starts is consistent with strong home building activity in the country.

Economic fundamentals continue to support a buoyant new housing market while low levels of completed and unoccupied units are encouraging builders to remain active. Year-to-date, actual starts exceeded last year's level by 7.0 per cent.

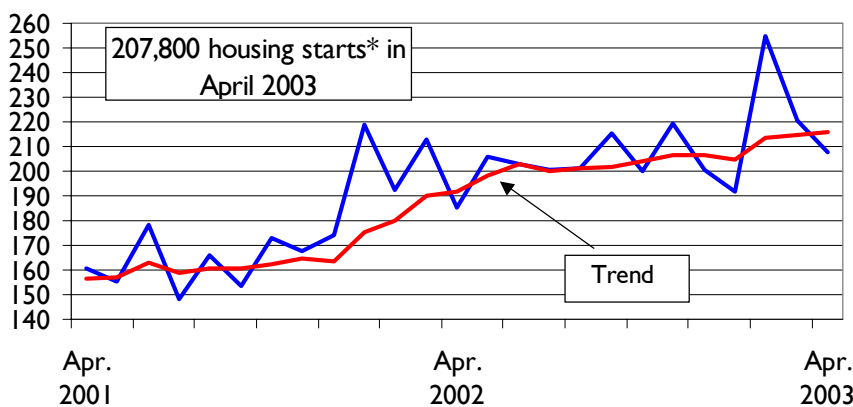
The seasonally adjusted annual rate of urban multiple starts decreased 14.3 per cent to 82,000 units in April compared with 95,700 units in March. This lower level of multiple starts in April

reflects a return to levels more in line with recent trends in the Atlantic region. Overall, actual urban multiple starts remain high, having increased by 17.4 per cent year-to-date compared with the same period in 2002.

The seasonally adjusted annual rate of urban single starts rose 3.5 per cent to 96,500 units in April from 93,200 in March. In terms of actual starts, urban single starts year-to-date are 1.6 per cent lower than for the same period of 2002.

Rural starts in April were estimated at a seasonally adjusted annual rate of 29,300 units. ■

Housing Starts in Canada - All Areas*



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* Seasonally adjusted at annual rates

¹⁻² See notes on page 2.

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.

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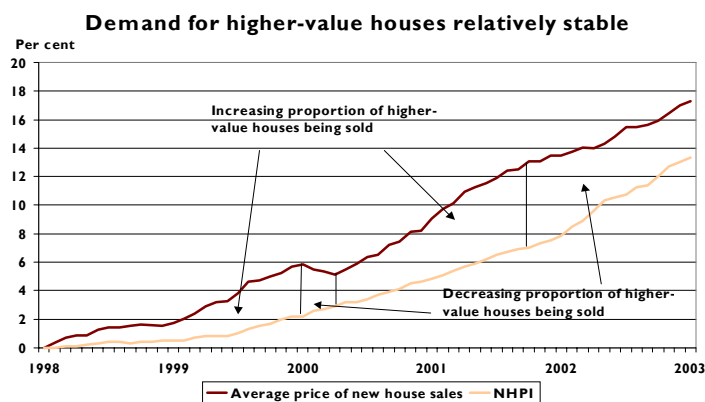
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Why are new house prices rising?

Are new houses getting more expensive or are people buying more house?

- The [CMHC Market Absorption Survey](#) reports that, on average, prices for new houses have risen 17.3 per cent since 1998. This increase reflects two basic factors. It is due to the market appreciation (i.e., similar houses in the same location are being sold for a higher price) as well as shifts in demand (i.e., because relatively more higher-value houses are being sold, the average price is being pushed up). The determinants of house value include location, size, and the number and quality of amenities.
- CMHC collects data on the number and prices of new houses as they are completed and sold. Average prices calculated from this data are an indicator of trends in what people are actually paying for new housing. The impacts of market appreciation and demand shifts on the trend in these average prices can be differentiated using the New Housing Price Index (NHPI) prepared by Statistics Canada. It is a measure of market appreciation since it tracks the prices at which developers sell houses with a constant location, size and set of features over time. Appreciation in the price of land is reflected in the index.
- The increase in average new house sale prices and the increase in the NHPI are charted

below. The gap between the lines is an indication of shifts in demand. A widening of the gap implies proportionately more higher-value houses are being sold. A narrowing of the gap occurs when there is a decrease in proportion of higher-value houses being sold.



- The chart uses data for Canada and shows the gap was increasing between 1998 and 2000, indicating most of the increase in new house prices was due to people buying more house. Since October 2001, the gap has been mainly constant or narrowing, indicating that increases in average prices are mainly due to market appreciation. However, the proportion of higher-value houses in the sales mix remains well above what it was in 1998. ■

A series* on RRSP Home Buyers' Plan: British Columbia

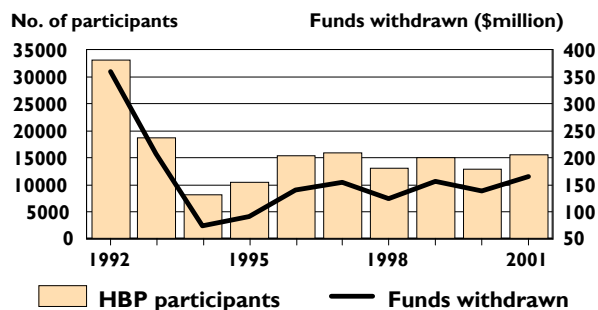
Over 150,000 British Columbia residents have taken advantage of the Home Buyers' Plan to purchase homes since its inception.

- The Home Buyers' Plan (HBP) was introduced by the federal government in 1992 to help individuals purchase homes. It allows Canadians, who meet certain eligibility conditions, to withdraw up to \$20,000 tax-free from their Registered Retirement Saving Plans (RRSPs) for this purpose. The amounts withdrawn remain tax-exempt if they are repaid within 15 years.
- In British Columbia, the federal government's Home Buyers' Plan (HBP) combined with low mortgage rates helped over 15,000 individuals realize their homeownership dream in 2001 by enabling them to withdraw more than \$165 million in RRSP funds to purchase homes. The average amount withdrawn under the plan was \$10,550.
- Since its inception in 1992, some 158,000 individuals in British Columbia have participated in the plan channeling \$1.6 billion

to the housing market. Over 24 per cent of the funds withdrawn have already been repaid.

- British Columbia has accounted for about 13 per cent of both participants and RRSP funds withdrawn under HBP.■

British Columbia's participation in the Home Buyers' Plan



Sources: CMHC, CCRA

*The series will be continued in future editions of Housing Facts and will cover all regions in Canada. The Ontario and Quebec region have been analysed in the March and April 2003 issues.

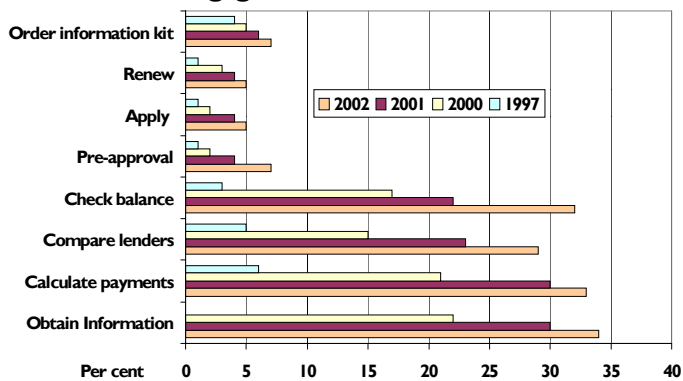
Canadians turning to the internet for mortgage information

The dotcom boom may have ended, but many consumers continue to find the internet a valuable tool, especially for routine transactions.

- According to the FIRM survey, the percentage of mortgage holders who have conducted mortgage-related activities on the internet has been increasing steadily. It is used most frequently to gather information and for routine transactions (e.g., making payments, checking balances). Fewer people use the internet to ask for information kits, possibly because the internet renders the kits redundant.
- The growth rate of internet usage for applications and renewals lags the growth rate of other features. However, ten and fifteen percent of mortgage holders respectively said they were very interested in applying or renewing on-line. Security concerns and a desire to negotiate may affect how many follow through on that interest.

- The percentage of respondent with security concerns dropped from a peak of 49 per cent in 2000 to 38 per cent in 2002, indicating lenders have had some success allaying this concern. However, the percentage that believes they will get a better deal at a branch has been constant at 34 per cent since 1999.

Mortgage-Related Internet Activities



Source: Financial Industry Research Monitor (FIRM) survey, December 2002, ClaytonResearch/Ipsos-Reid

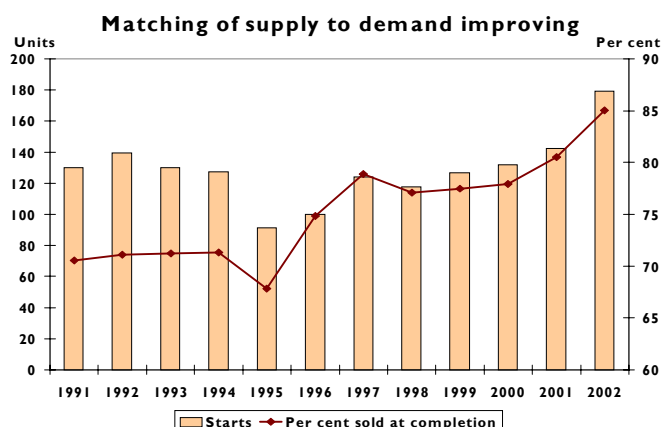
More housing sold by the time construction is finished

The percentage of housing sold at completion topped 85% in 2002, reflecting high demand and better matching of supply to demand by builders.

- Absorptions, defined as housing units that have been both completed and sold, can be used to examine the state of supply and demand conditions in the housing market. One way to gauge market conditions is to examine the level, and the percentage, of housing units that have been sold upon completion. Recent trends show two things: First, that demand has been strong; and second, the homebuilding industry has done a better job of matching supply to demand.
- If the percentage of units that have already been sold upon completion is high in a time of high market volume, then one may conclude that demand is high, as few completed units are being left unsold.
- This was especially the case last year, when the percentage of houses sold at completion topped 85% and the level of urban housing starts reached a 13-year high. When the percentage of units sold upon completion

decreases, inventories begin to rise, indicating the level of construction activity is exceeding demand. Subsequently, the pace of housing construction will fall and downward pressure on the percent of units sold upon completion will ease.

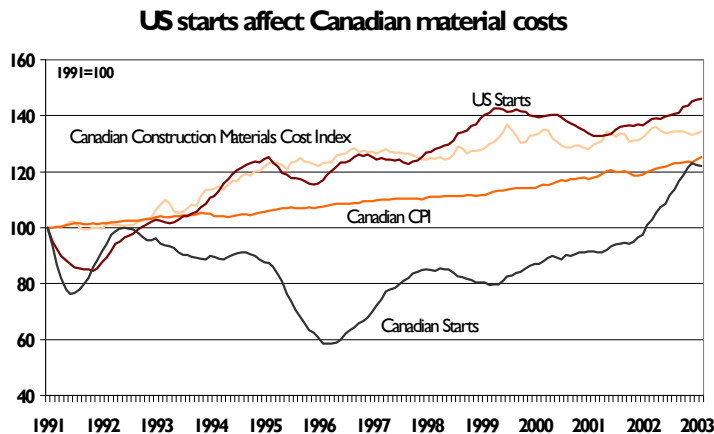
- In general, the industry is doing a better job of matching supply with demand. Key is their ability to accurately gauge the level of demand and to limit speculative building. ■



Modest increase in cost of building materials

Although the sharp increase in residential construction implies demand for construction materials is up, their overall cost has increased at a rate less than inflation since 2000.

- Two main reasons explain this trend:
 - First, given that most construction materials are freely traded since the implementation of the Free Trade Agreement, their prices in Canada are mainly influenced by construction trends in the US, where starts have increased at a slower pace than in Canada since mid-1999.
 - Second, the index used to track the cost of construction materials is based on prices for 39 building products. Although prices for some products are rising, prices for other products, notably lumber, are down, keeping builders' overall materials cost increases low. ■



Source: CMHC, Statistics Canada, Regional Financial Associates

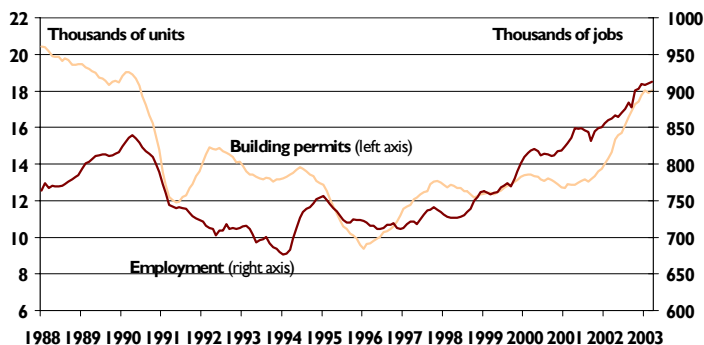
National labour market conditions in the construction industry

Construction activity across Canada has been on the rise. This has raised concern within the construction industry about a labour shortage.

- Data on building permits show that construction activity is near its previous late 80s peak. The high level is leading to concern about a labour shortage, the most frequently-cited problem in the Winter 2002/2003 edition of the Pulse Survey of builders and renovators published by the Canadian Home Builders Association. Trends in employment and the unemployment rate in the industry can be used to shed light on the issue.

levels recorded in the late 1980s by a substantial margin. The industry unemployment rate, which is presently hovering around 9 to 10 per cent, is slightly below the rate that occurred during the last period of strong growth (i.e. the late 80s).

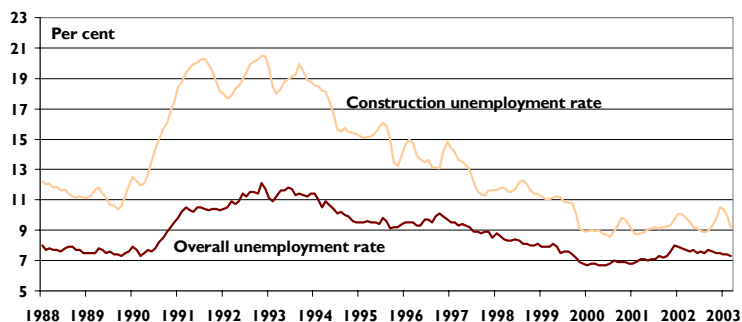
Labour demand high



Source: CMHC, Statistics Canada

- Nationally, employment in the construction industry has grown along with the increase in building activity, and currently exceeds

Unemployment back to cyclical lows



Source: CMHC, Statistics Canada

- Differences in construction unemployment rates vary significantly by region. Provinces, like Ontario and Alberta, have tighter labour markets and may experience a mismatch between the kinds of workers and skills needed versus what is available.

Construction Unemployment Rates (per cent)

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
BC	16.3	13.7	13.2	12.7	10.6	11.1	10.7	10.1	9.4	10.2
Alberta	16.4	13.9	12.3	11.3	7.4	8.2	8.3	7.0	6.3	7.0
Saskatchewan	21.3	17.0	13.6	13.4	9.6	10.9	13.3	11.1	9.9	10.2
Manitoba	17.5	15.8	14.2	11.9	11.3	9.5	9.3	8.2	8.6	9.5
Ontario	17.2	15.6	13.3	12.0	10.3	8.4	7.9	5.8	6.2	6.9
Quebec	21.6	19.1	18.1	17.1	18.1	16.8	13.7	11.1	11.8	11.8
New Brunswick	22.6	25.3	22.5	19.8	24.4	23.8	17.8	19.5	23.1	20.1
Nova Scotia	25.8	23.8	22.5	20.2	21.0	17.5	15.6	18.4	15.6	15.9
PEI	35.0	30.8	24.3	20.2	29.7	24.1	23.5	22.1	18.0	17.6
Newfoundland	37.1	34.7	28.2	34.6	38.5	35.1	32.6	28.9	30.4	33.8

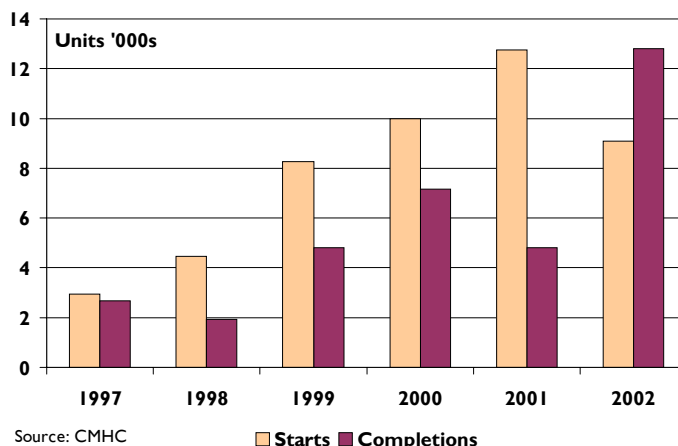
Source: CMHC, Statistics Canada

Toronto's Rental Condos Impact Vacancy Rate

New construction of apartment condos has been high in Toronto. Are there implications for the rental market?

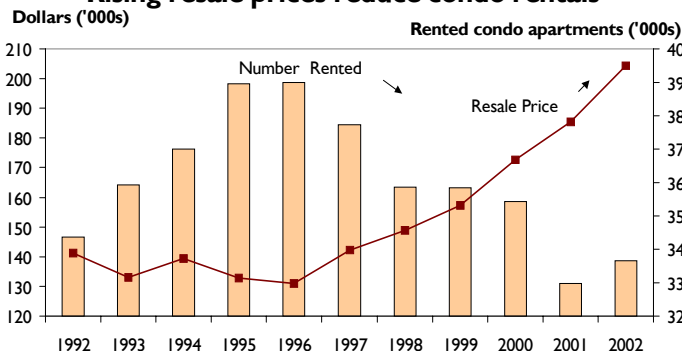
- Condo apartments have become a significant part of the Toronto housing market. According to CMHC's [Condominium Report for the Greater Toronto Area](#), in 2002 there were 157,266 condo apartments in the census metropolitan area of Toronto, up nearly 50 per cent from 1992.
- The majority of condos are purchased to be used as a residence by the owner, while a certain proportion are purchased by investors who plan to sell when capital appreciation meets their expectations and to rent in the interim.
- Price appreciation in the Toronto condominium apartment resale market starting in 1996 gave investors a strong incentive to sell. By 2001, the number of condos available to be rented out had fallen by 6,000 units from the peak of 39,000 in 1996. In the same period, there was a decline of 0.3 per cent in the vacancy rate of both the condo apartment rental market and the primary rental market covered by [CMHC's Rental Market Survey](#) to 0.1 per cent and 0.9 per cent respectively.

Condo apartment starts and completions, Toronto



- In 2002, a record of over 12,800 condo apartments were completed in Toronto, more than double the average of the previous three years. This jump in supply appears to have had two different impacts on the rental market:
 - There was small increase in the number of apartment condos available for rent, despite the continuing price increases in the condo resale market.
 - It contributed to an increase in the rental vacancy rate to 2.5%, the highest level in more than a decade. Low mortgage rates and the strong labour market of 2000 made ownership more feasible for renter households. Although this translated into demand for all types of housing, apartment condos are relatively attractive to first time buyers because their prices are, on average, lower than prices on other of housing types. The surge in condo completions in 2002 allowed many households, which had bought earlier, to move into their new homes, leaving apartments vacant.

Rising resale prices reduce condo rentals



This Month's Housing Data (SAAR)

	2002	Q3:02	Q4:02	Q1:03	M2:03	M3:03	M4:03
Housing starts, units, 000's							
Canada. Total. All areas	205.0	205.5	211.6	222.2	254.9	220.4	207.8
% chg	26.0	3.9	3.0	5.0	33.1	-13.5	-5.7
Canada. Total. Rural areas	25.9	24.7	25.7	31.5	31.5	31.5	29.3
% chg	26.7	0.4	4.0	22.6	0.0	0.0	-7.0
Canada. Total. Urban areas	179.1	180.8	185.9	190.7	223.4	188.9	178.5
% chg	25.9	4.4	2.8	2.6	39.6	-15.4	-5.5
Canada. Single. Urban areas	103.1	103.5	106.9	97.0	102.0	93.2	96.5
% chg	31.7	0.4	3.3	-9.3	5.9	-8.6	3.5
Canada. Multiple. Urban areas	76.1	77.3	79.0	93.7	121.4	95.7	82.0
% chg	18.7	10.3	2.2	18.6	90.6	-21.2	-14.3
Newfoundland. Total. All areas	2.4	2.1	2.9	1.6	2.0	1.5	2.3
% chg	35.3	-16.0	38.1	-44.8	53.8	-25.0	53.3
Prince Edward Island. Total. All areas	0.8	0.9	0.7	0.9	0.9	0.7	0.4
% chg	14.8	12.5	-22.2	28.6	-10.0	-22.2	-42.9
Nova Scotia. Total. All areas	5.0	4.4	5.9	9.9	6.3	19.9	4.0
% chg	21.5	-8.3	34.1	67.8	85.3	215.9	-79.9
New Brunswick. Total. All areas	3.9	3.3	5.1	3.7	3.6	3.4	5.4
% chg	11.6	-19.5	54.5	-27.5	-12.2	-5.6	58.8
Quebec. Total. All areas	42.5	43.7	45.4	46.8	47.7	44.6	42.8
% chg	53.4	8.7	3.9	3.1	-0.8	-6.5	-4.0
Ontario. Total. All areas	83.6	83.4	80.7	90.2	121.0	78.9	76.7
% chg	14.1	3.1	-3.2	11.8	70.9	-34.8	-2.8
Manitoba. Total. All areas	3.6	3.9	3.7	3.5	3.4	3.3	3.1
% chg	22.1	14.7	-5.1	-5.4	-12.8	-2.9	-6.1
Saskatchewan. Total. All areas	3.0	3.4	3.4	3.4	2.8	3.8	4.8
% chg	24.4	36.0	0.0	0.0	-26.3	35.7	26.3
Alberta. Total. All areas	38.8	36.6	40.1	38.4	42.0	40.3	40.1
% chg	32.8	-5.4	9.6	-4.2	27.7	-4.0	-0.5
British Columbia. Total. All areas	21.6	23.8	23.6	23.8	25.2	24.0	28.1
% chg	25.5	19.6	-0.8	0.8	13.5	-4.8	17.1

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*

	2002	Q3:02	Q4:02	Q1:03	M2:03	M3:03	M4:03
Canada	179.1	180.8	185.9	190.7	223.4	188.9	178.5
Newfoundland	1.6	1.4	1.5	1.2	1.6	1.1	1.8
Prince Edward Island	0.5	0.6	0.5	0.5	0.5	0.3	0.3
Nova Scotia	3.7	3.5	4.7	8.6	5.0	18.6	2.4
New Brunswick	2.6	2.3	3.6	2.1	2.0	1.8	4.5
Québec	33.5	35.3	36.4	35.2	36.1	33.0	34.0
Ontario	79.6	79.3	76.9	83.9	114.7	72.6	71.1
Manitoba	2.2	2.6	2.1	2.1	2.0	1.9	1.7
Saskatchewan	2.4	3.0	2.7	2.7	2.1	3.1	4.2
Alberta	32.7	30.3	34.9	33.5	37.1	35.4	33.2
British Columbia	20.3	22.5	22.6	20.9	22.3	21.1	25.3

* Thousands of units, seasonally adjusted.

This Month's Major Housing Indicators

	2002	Q3:02	Q4:02	Q1:03	M2:03	M3:03	M4:03
New Housing*							
New & unoccupied singles & semis, 000's	4.8	4.6	4.8	4.6	4.5	4.5	n.a.
%chg	-16.4	-5.6	4.7	-5.3	-2.1	-1.6	n.a.
New & unoccupied row & apartments, 000's	5.1	4.8	5.1	5.1	5.2	5.2	n.a.
%chg	-16.5	-9.6	7.1	-0.5	9.4	0.9	n.a.
New House Price Index, 1992=100	110.4	110.9	112.4	n.a.	113.8	n.a.	n.a.
%chg	4.1	0.9	1.3	n.a.	0.4	n.a.	n.a.
Existing Housing**							
MLS® resales, units. 000's	421.2	402.7	409.9	401.6	396.5	386.2	n.a.
%chg	10.6	-2.3	1.8	-2.0	-6.1	-2.6	n.a.
MLS® average resale price. \$C, 000's	188.2	189.7	192.6	197.8	196.2	201.7	n.a.
%chg	9.7	1.0	1.6	2.7	0.3	2.8	n.a.
Mortgage Market							
1-Year Mortgage Rate, %	5.17	5.33	5.03	5.05	4.90	5.35	5.35
5-Year Mortgage Rate, %	7.02	6.85	6.80	6.63	6.60	6.85	6.65

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).