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HOUSING FACTS

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Canada Mortgage and Housing Corporation

2003 STARTS BEST SINCE 1988

The seasonally adjusted annual rate¹ of housing starts was 219,400 in December, compared to 216,800 in November.

Annual starts in 2003 were at their highest level since 1988, thanks to low mortgage rates, growing employment and increasing incomes. Total housing starts for 2003 are an estimated 218,400, representing 6.5 per cent growth over 2002.

A better balance between listings and sales in the existing home market as well as expected rising mortgage rates will ease the pace of new home construction to just over 204,000 units in 2004.

Urban single starts decreased 2.2 per cent in December to 103,500 units, at seasonally adjusted annual rates, from 105,800 units in November. This decrease was reflected in all regions of

the country from Ontario westward but Quebec and the Atlantic region had slight increases. Canada-wide, actual urban single starts for 2003 are estimated to be 2.7 per cent lower than in 2002.

The seasonally adjusted annual rate of urban multiple starts rose 5.9 per cent to 88,200 units in December, from 83,300 units in November. Most of the increases occurred in Ontario but British Columbia, the Prairies, and the Atlantic region also had gains while multiple starts fell in Quebec. Nationally, actual urban multiple starts for 2003 are estimated to have increased by 20.5 per cent over 2002 levels.

Rural starts in December were estimated at a seasonally adjusted annual rate of 27,700 units.■

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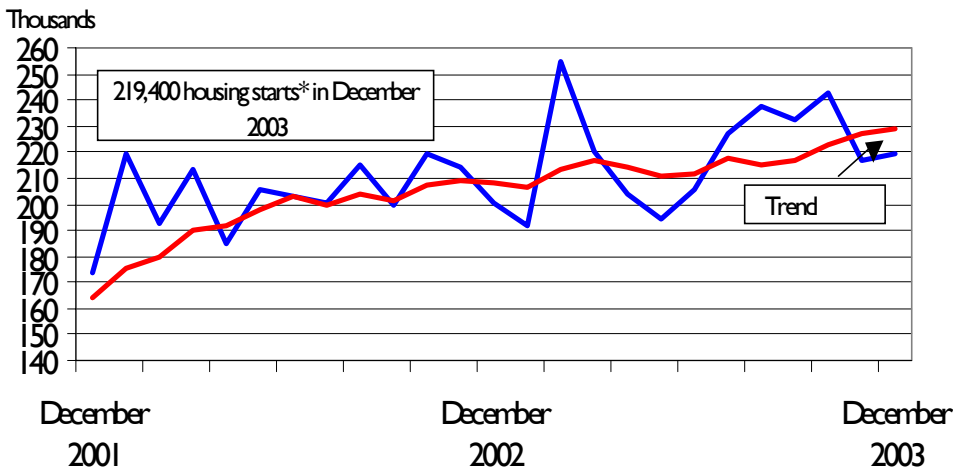
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Housing Starts in Canada - All Areas*



Source: CMHC

*Seasonally adjusted at annual rates

¹ See note on page 2.



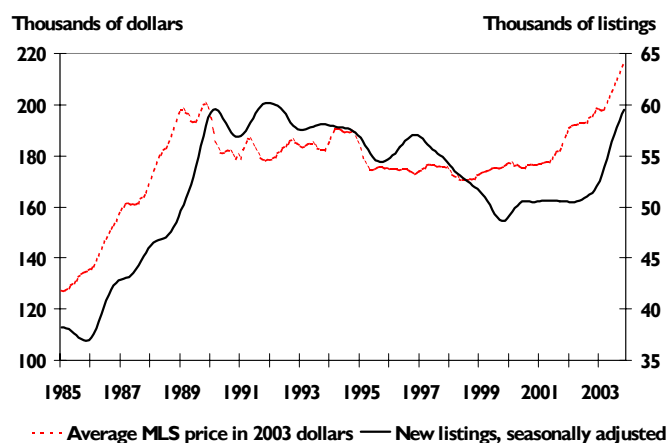
HOME TO CANADIANS
Canada

MLS® new listings surged in 2003

A key development in the existing home market during 2003 was the surge in new listings. Since 1990, new listings were mainly flat or declined. In 2003, growth in new listings surged into double-digit territory. What changed?

- New listings are created when people who already own a home decide to move to another home and list their homes through the Multiple Listing Service®. New listings can increase when factors that favour home buying becomes advantageous. These include low interest rates, employment and income growth, and household formation. Listings often increase as well when home prices rise. This relationship between price and new listings is examined below.
- As illustrated in the graph, there is a clear relationship between the trend in inflation-adjusted housing prices and new listings. The data for both prices and new listings have been adjusted to remove seasonal and random variations.
- There are a number of reasons for both the relationship and the lag. As prices rise, homeowners' equity in their home increases. Those who wish to move to a larger dwelling, or one with more amenities, now have the means for the downpayment on a more expensive house. The fact that their investment in a dwelling has provided a good return encourages them to continue to invest in housing and to return to a more leveraged position.
- For homeowners who have been waiting for the proper time to move to smaller accommodations, rising prices signal a selling opportunity. People generally take some time to become aware of a change in price trends and to accept that the change will last for some time. Moreover, they may wait until prices increase enough to cover the high transaction costs associated with real estate before they decide to list their homes.
- Inflation-adjusted prices have been trending upward since early 2001, and the rate of increase reached a year-over-year rate of over 8 per cent in early 2002. The trend in new listings turned up in mid-2002, and the rate of increase accelerated to a double-digit pace in mid-2003 - a lag in both cases of about a year and a half.

New listings jump in 2003



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

- Although the relationship is not entirely consistent throughout the period shown, the elapsed time between a rise in housing prices and a response in new listings varies between 12 and 24 months.

Montreal's Rental Market: A Profile

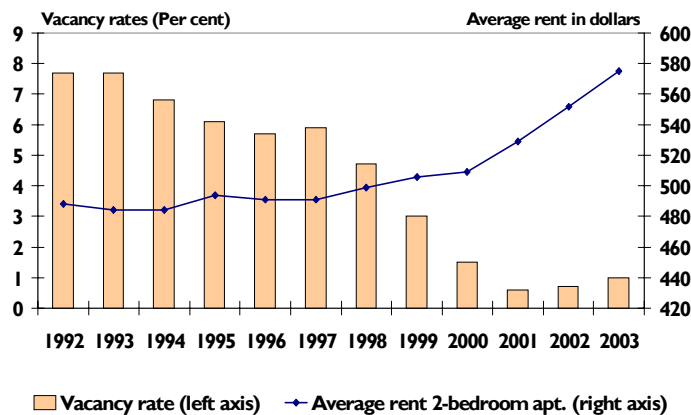
Montreal's rental market, the largest in Canada, has also become one of the tightest in the country. A detailed analysis of recent trends is available in the **Rental Market Report for Montreal**.

- Although Montreal is not Canada's largest metropolitan area, it is the largest rental market in the country. According to the 2001 Census of Canada, there were close to 706,000 renter households in Montreal, far more than Toronto, the next largest market, which had just over 601,000. Montreal has about 55 per cent more apartments and row-houses than Toronto in privately initiated buildings with three or more units, the part of the rental market covered by CMHC's Rental Market Survey (RMS).
- Rentals, which were the dominant type of construction in a number of centres in the early 1990s, have recently been overtaken by condominiums. In Montreal, however, rental has been a relatively stable part of construction since 1989, while the part represented by condominiums has been growing steadily. At 32 per cent in 2003, condominiums represented a larger share of new construction in Montreal than in most other centres. On average, the share of construction represented by condominium starts in Montreal (32 per cent) was exceeded in only four Canadian markets: Vancouver, Victoria, Hamilton and Saskatoon. On average, since 1989, the share of condominiums in new construction in Montreal has equalled that in Toronto.

- A drop in the vacancy rate in Montreal since 1997 has coincided with rising rents. However, rents remain lower than in many major centres across the country. In 2003, average rents in dwellings covered by the Rental Market Survey in Montreal, depending on apartment size, were between 14 and 21 per cent below the average for the 28 largest urban centres in the country. For two-bedroom apartments, the most popular size, only five centres had lower average rents than Montreal. Both incomes and house prices are lower in Montreal than in a many of the other largest urban centres, a factor contributing to the lower rent levels. Moreover, in Montreal, a larger proportion of renters pay for heating in addition to their rent than in other centres. This is partially due to the fact that a greater proportion of dwellings are heated with electricity¹ in Quebec, and electricity can be metered separately for each apartment.

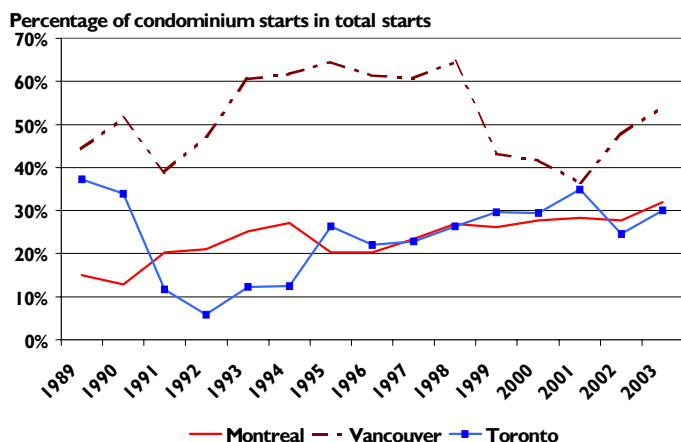
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Low vacancy rates raise rents in Montreal



Source: CMHC's Rental market survey

Trend to condos more stable in Montreal



Source: CMHC's Rental market survey

¹ La consommation d'énergie, p3. at <http://www.mrnfp.gouv.qc.ca/publications/energie/energie/energie-au-quebec-2002-1.pdf>

continued: Montreal's Rental Market: A Profile

	Vacancy Rate			Average Rent*		
	2001	2002	2003	2001	2002	2003
Montreal	0.6%	0.7%	1.0%	529	552	575
Toronto	0.9%	2.5%	3.8%	1027	1047	1040
Vancouver	1.0%	1.4%	2.0%	919	954	965

*Average Rent by Metropolitan Area in Privately Initiated 3+ Units, 2 Bedroom

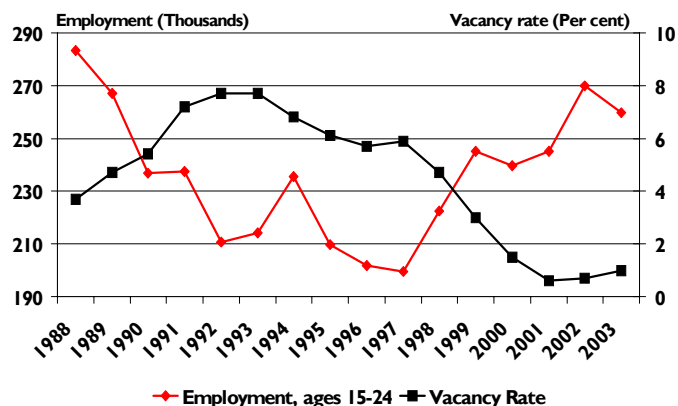
Source: CMHC's Rental Market Report

● The drop in the vacancy rate in dwellings covered by the RMS has brought Montreal down from one of the highest rates in the country in the early 1990s to one of the lowest rates. A number of factors contributed to this change. The participation of youths aged 15 to 24 in the labour market, for example, has major influence on rental demand. According to the Census of Canada, the growth of youth employment in Montreal between 1996 and 2001 translated into an increase of 12.7 per cent in the number of households headed by people in the 20-24 age cohort. Almost all households in this group (92 per cent) are

renters. The number of households headed by members of this cohort in the rest of the country grew by only 0.7 per cent. Also adding to rental demand was the number of international immigrants to Montreal; this group grew only marginally between 2002 and 2003, but the number was about 40 per cent higher last year than in 1997. In addition, while rental construction is growing, the rental market is becoming tighter because a large proportion of the new building is being tailored specifically for seniors rather than the general public. Finally, it is traditional for most leases in the province of Quebec to begin on July 1st. This tight market situation becomes acute in Montreal when all renters and potential renters compete for the same accommodations at the same time.

● The most significant increase in vacancies in Montreal has occurred among apartments with the highest rents. This is a sign that recent low interest rates have encouraged a number of renters to become homeowners.

Employed youth up, vacancy rate down in Montreal



Sources: CMHC's Rental market survey, Statistics Canada, Labour force survey

This Month's Housing Data (SAAR)

	2003	2003:2	2003:3	2003:4	2003:10	2003:11	2003:12
Housing starts, units, 000s							
Canada. Total. All areas	218.4	202.2	229.2	226.2	242.8	216.8	219.4
Per cent change from previous period	6.5	-8.5	13.4	-1.3	5.2	-10.7	1.2
Canada. Total. Rural areas	26.5	23.4	26.6	27.7	27.7	27.7	27.7
Per cent change from previous period	2.3	-22.8	13.7	4.1	4.1	0.0	0.0
Canada. Total. Urban areas	191.9	178.8	202.6	198.5	215.1	189.1	191.7
Per cent change from previous period	7.1	-6.2	13.3	-2.0	5.3	-12.1	1.4
Canada. Single. Urban areas	100.3	97.8	102.0	103.7	101.7	105.8	103.5
Per cent change from previous period	-2.7	0.6	4.3	1.7	0.8	4.0	-2.2
Canada. Multiple. Urban areas	91.6	81.0	100.6	94.8	113.4	83.3	88.2
Per cent change from previous period	20.5	-13.3	24.2	-5.8	9.8	-26.5	5.9
Newfoundland. Total. All areas	2.7	2.9	2.5	3.0	3.4	3.0	2.6
Per cent change from previous period	11.3	81.3	-13.8	20.0	36.0	-11.8	-13.3
Prince Edward Island. Total. All areas	0.8	1.0	0.7	0.7	0.7	0.6	0.9
Per cent change from previous period	5.0	42.9	-30.0	0.0	0.0	-14.3	50.0
Nova Scotia. Total. All areas	5.1	4.1	4.9	5.2	3.5	5.6	6.7
Per cent change from previous period	2.5	-59.4	19.5	6.1	-25.5	60.0	19.6
New Brunswick. Total. All areas	4.5	4.9	4.8	4.2	4.0	4.0	4.5
Per cent change from previous period	16.2	36.1	-2.0	-12.5	-11.1	0.0	12.5
Quebec. Total. All areas	50.3	44.0	56.2	56.2	56.3	57.0	55.4
Per cent change from previous period	18.5	-4.8	27.7	0.0	0.7	1.2	-2.8
Ontario. Total. All areas	85.2	79.4	85.5	86.5	99.5	78.4	81.8
Per cent change from previous period	1.9	-11.7	7.7	1.2	16.1	-21.2	4.3
Manitoba. Total. All areas	4.2	3.7	4.3	4.9	6.4	4.4	4.0
Per cent change from previous period	16.3	5.7	16.2	14.0	45.5	-31.3	-9.1
Saskatchewan. Total. All areas	3.3	3.7	3.2	2.9	3.4	2.6	2.5
Per cent change from previous period	11.9	8.8	-13.5	-9.4	6.3	-23.5	-3.8
Alberta. Total. All areas	36.2	35.3	37.5	34.3	33.8	34.8	34.2
Per cent change from previous period	-6.7	-8.5	6.2	-8.5	-10.8	3.0	-1.7
British Columbia. Total. All areas	26.2	23.2	29.6	28.3	31.8	26.4	26.8
Per cent change from previous period	21.0	-0.4	27.6	-4.4	1.6	-17.0	1.5

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	2003:2	2003:3	2003:4	2003:10	2003:11	2003:12
Canada	191.9	178.8	202.6	198.5	215.1	189.1	191.7
Newfoundland	1.9	2.0	1.7	2.3	2.7	2.3	1.9
Prince Edward Island	0.6	0.6	0.6	0.5	0.5	0.4	0.7
Nova Scotia	3.6	2.9	3.1	3.8	2.1	4.2	5.3
New Brunswick	3.0	3.4	3.2	2.8	2.6	2.6	3.1
Québec	39.9	35.6	45.2	44.0	44.1	44.8	43.2
Ontario	80.9	76.0	81.4	81.8	94.8	73.7	77.1
Manitoba	2.7	2.0	3.0	3.4	4.9	2.9	2.5
Saskatchewan	2.6	2.9	2.5	2.4	2.9	2.1	2.0
Alberta	32.1	31.2	33.4	30.5	30.0	31.0	30.4
British Columbia	24.7	22.2	28.5	27.0	30.5	25.1	25.5

* Thousands of units, seasonally adjusted and annualized.

This Month's Major Housing Indicators

	2003	2003:2	2003:3	2003:4	2003:10	2003:11	2003:12
New Housing							
New & unoccupied singles & semis, units 000s	4.8	4.8	4.6	5.0	4.9	5.1	5.1
Per cent change from same period previous year	-0.9	-3.4	5.6	5.3	4.6	4.1	7.1
New & unoccupied row & apartments, units 000s	5.7	5.7	5.7	6.0	6.0	5.8	6.3
Per cent change from same period previous year	10.9	8.7	19.9	19.6	27.7	17.6	14.6
New House Price Index, 1997=100	n.a.	115.9	117.3	n.a.	118.4	119.2	n.a.
Per cent change from same period previous year	n.a.	4.4	4.8	n.a.	5.0	5.0	n.a.
Existing Housing							
MLS[®] resales*, units 000s	n.a.	421.8	475.4	n.a.	471.5	442.3	n.a.
Per cent change from same period previous year	n.a.	2.4	18.0	n.a.	9.0	9.8	n.a.
MLS[®] average resale price**, \$C 000s	n.a.	203.5	208.0	n.a.	213.0	216.1	n.a.
Per cent change from same period previous year	n.a.	8.3	9.7	n.a.	12.6	10.8	n.a.
Mortgage Market							
1-Year Mortgage Rate, % (period average)	4.84	5.08	4.55	4.68	4.55	4.75	4.75
5-Year Mortgage Rate, % (period average)	6.39	6.20	6.28	6.45	6.40	6.50	6.45

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

n.a. Figures not available

* Seasonally adjusted and annualized (SAAR). ** Seasonally adjusted.