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# HOUSING FACTS

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Canada Mortgage and Housing Corporation

## NEW HOME CONSTRUCTION OFF TO GOOD START IN 2004

The seasonally adjusted annual rate<sup>1</sup> of housing starts was 195,500 in January, compared with 219,400 starts in December 2003.

This year began with a high level of starts which shows the housing market continues to benefit from tight labour markets and low mortgage rates. January's mortgage rate reductions will boost new home sales but it will take a few months before this is reflected in starts.

The seasonally adjusted annual rate of urban starts fell 11.4 per cent to 169,900 units, with most of the decline coming from multiples. Multiple starts decreased 15.4 per cent in January to 74,600 while single starts declined 7.9 per cent to 95,300 on a seasonally adjusted annual basis.

The seasonally adjusted annual rate of urban starts declined in most

regions across Canada, except British Columbia. In British Columbia, seasonally adjusted starts rose 16.5 per cent due primarily to a 29.9 per cent increase in multiple starts. Single starts remained near the same level as December 2003. The seasonally adjusted annual rate of urban starts declined in the Prairies (- 3.7 per cent) and Quebec (-12.0 per cent) however, the largest decreases were in the Atlantic region and Ontario, falling 32.7 per cent and 20.6 per cent, respectively. Rural starts in January were estimated at a seasonally adjusted annual rate of 25,600 units, a 7.6 per cent decrease from December 2003. In January, actual starts increased 7.5 per cent compared with January 2003. The 4.0 per cent drop in single starts was more than offset by a 21.1 per cent increase in multiple starts. ■

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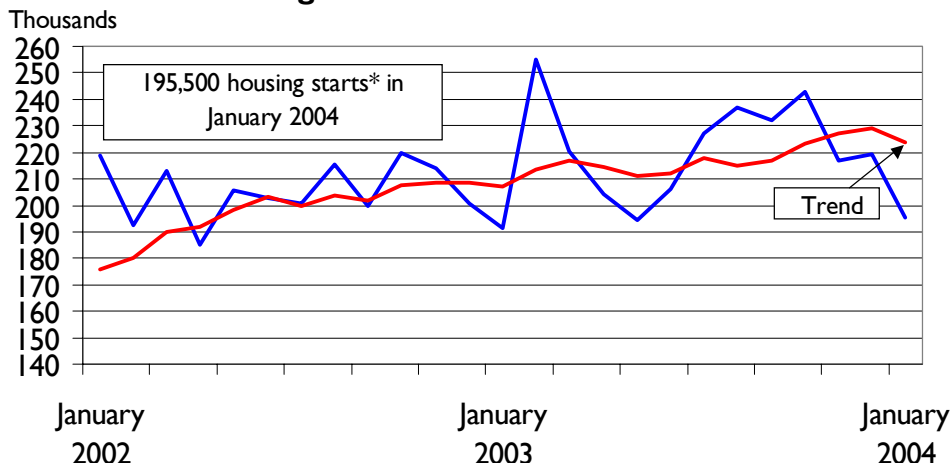
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**Housing Starts in Canada - All Areas\***



Source: CMHC

\*Seasonally adjusted at annual rates

<sup>1</sup> See note on page 2.



HOME TO CANADIANS  
Canada

I. 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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## Canada: A Favourable Environment for Housing

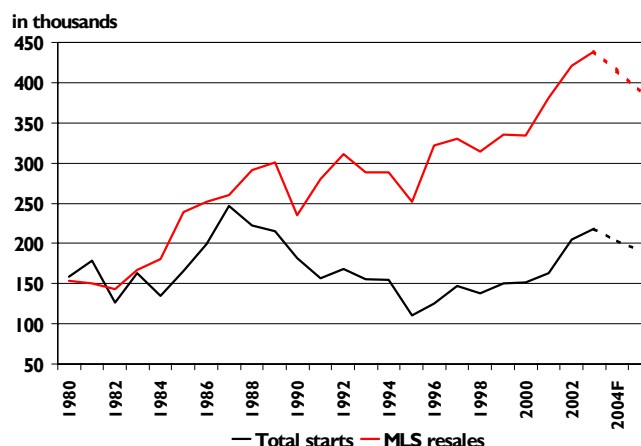
The economic environment was favourable for housing in 2003. Housing starts and sales of existing homes will remain robust this year as the market takes advantage of low mortgage rates and strong employment growth.

- Economic indicators remained favourable in 2003 despite a string of unexpected negative events and slower than expected economic growth throughout the year. Employment increased by 2.2 per cent, a similar pace as in 2002, and the unemployment rate edged down to reach 7.4 per cent by year's end. While estimated GDP growth of 1.7 per cent was less than the 3.3 per cent growth in 2002, final domestic demand grew at a robust pace. Moreover, mortgage rates were near a 50-year low and consumer confidence was relatively high. Net migration was also high, but due to geopolitical instability early in 2003 a small drop was recorded compared with 2002. However, the decrease in net migration was not significant enough to cool down the housing market.
- Last year was the most active year since 1988 for residential construction. A total of 218,400 housing starts were recorded, 6.5 per cent more than in 2002. The 1.7 per cent decrease in single-detached starts was more than offset by a 19.5 per cent jump in multiple starts. Most of the multiple units started were condominiums.

- Last year, the resale market surpassed its previous record set in 2002. A total of 439,000 existing homes were sold through the MLS®, representing a 4.2 per cent increase over 2002. Growth in the average price continued at almost the same pace as in 2002 (+ 9.7 per cent), pushing the average resale price past the \$200,000 mark. The resale market in 2003 was characterized by a rebound in new listings.

continued on page 3...

### Housing Activity Will Remain Strong



Sources: CMHC, Canadian Real Estate Board  
 F: CMHC's forecasts

**continued: Canada: A Favourable Environment for Housing**

Although the supply was higher, resale market conditions remained tight, thus maintaining the upward pressure on prices.

than in the last two years. The average resale price is expected to increase by 4.9 per cent in 2004 and 3.2 per cent in 2005.■

- Although both residential construction and the sales of existing homes will ease in 2004 and 2005, the level of activity will remain strong. Mortgage rates are expected to remain at low levels, but will rise modestly late in 2004 and continue in 2005, removing some stimulus to housing demand. Total starts are expected to decrease by 6.6 per cent in 2004 and 5.9 per cent 2005. The slowdown in single-family starts will continue in 2004 while multiple starts will decline for the first time in five years. On the resale market, MLS® sales are expected to decline by 5.6 per cent and 6.1 per cent respectively in 2004 and 2005. Buyers will have more choice and will face more balanced market conditions. Thus, there will be slightly less upward pressure on prices

**Key forecast numbers**

	2003	2004(F)	2005(F)
Housing starts	218,400	203,900	191,800
Number of resales	439,000	414,300	388,900
Average resale price (\$)	206,400	216,500	223,500

Sources: CMHC, Canada Real Estate Board (CREA)  
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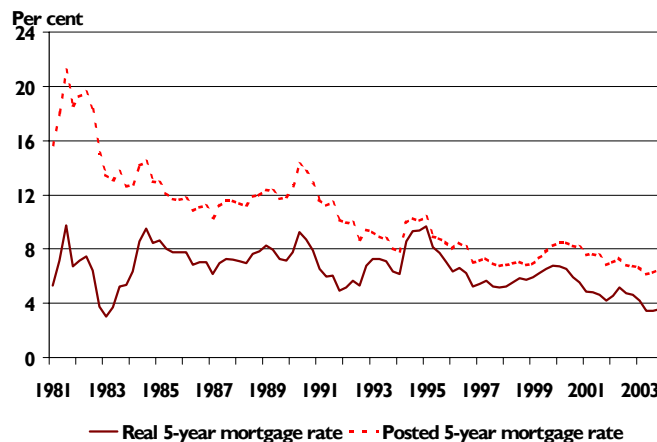
**Real mortgage rates among the lowest in four decades**

Low real mortgage rates (mortgage rates adjusted for inflation) have reduced the real mortgage carrying costs of a home to historical lows.

- Low mortgage rates boost sales of new and existing homes, which benefits many players in the housing industry. Low rates are also beneficial for home buyers because they reduce the cost of home ownership and continue to support the demand for housing. This is particularly true for first time buyers, who have no previous home equity and also may not have much capital for a large down payment. For example the difference between a mortgage rate of 7 per cent and 5 percent on a \$100,000 mortgage is lower total mortgage payment of \$120 per month.
- The five-year mortgage rate has been near 40 year lows for several months now. On an inflation-adjusted basis, mortgage rates are even lower, making the real mortgage carrying costs of a home quite low in historical terms. Over the past 20 years the average inflation adjusted five-year mortgage rate has been 6.5

per cent. Since 2001 that average has declined to only 4.4 percent, a decline of over 200 basis points.■

**Posted vs. Real five-year mortgage rate**



Sources: CMHC, Bank of Canada

## Immigration: An Important Dimension of Housing Demand

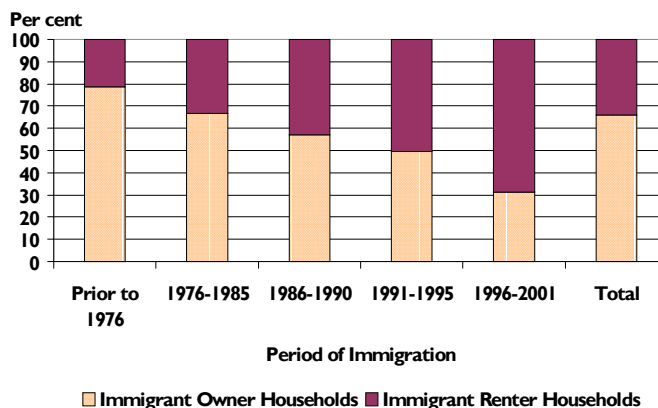
In Canada, immigration is an important contributor to housing demand. Its contribution to population growth helps overcome the country's low birth rate. With the federal government striving to keep the level of immigration high, immigration has increased greatly since the late 1980s.

- According to Citizenship and Immigration Canada (CIC) statistics, Canada welcomed almost 707,000 newcomers between 2000 and 2002, an annual average of about 236,000 people, in line with the government's target. Immigration levels have decreased in the last couple of years, due in part to increased geopolitical tensions. However, last September CIC reduced the pass mark for federal skilled worker applicants, which should boost immigration levels in the near term and stimulate the housing market.
- Upon arrival to Canada, new immigrants require a place to live, thus creating immediate housing demand. Consequently, it is useful to gain a better understanding of the immigration phenomenon and its impact on the housing market.

**The majority of immigrants had arranged accommodations before arrival and once settled, the majority rented a dwelling**

- According to Statistics Canada's Longitudinal Survey of Immigrants to Canada<sup>(1)</sup>, the majority of immigrants (81 per cent) who arrived in Canada between October 2000 and September 2001 had arranged their housing before their arrival in Canada. Immigrants who had family or friends in Canada were more likely to have arranged their accommodations in advance (89 per cent) than those who did not (62 per cent). After their arrival, about 24 per cent of new immigrants did not need to look for any further housing.
- At the time of the interviews, the majority of new immigrants were renters (74 per cent), 18 per cent were owners and 8 per cent were living in some sort of temporary accommodation (hotel, motel or home of

### Immigrants Eventually Become Homeowners



Sources: Statistics Canada, Census 2001, CMHC

company). As time passes, immigrant's tenure choice shifts toward home ownership.

### Other Factors Influencing Rental Market Performance

- Employment growth among young people is another important contributor to rental demand. Labour market conditions for people aged between 15 and 24 have been very favourable since 1998. This development in turn has boosted household formation in this age group, thus stimulating rental demand. Immigration and employment are not completely unrelated, as employment is one of main factors that influence immigrants in their destination choice.
- Low rental starts levels also contributed to the decline in the number of unoccupied dwellings in the second half of the 1990s. While the vacancy rate was high, the level of rental starts remained low. When vacancy rates declined, rental construction began to intensify.

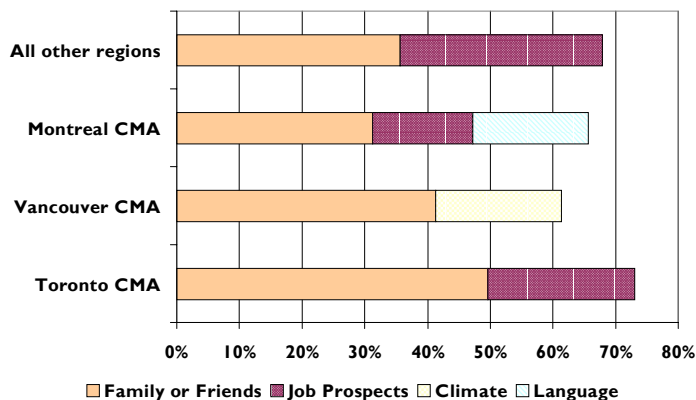
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**Continued: Immigration**

**Toronto, Vancouver and Montreal Attracted the Most New Immigrants**

- The Longitudinal Survey of Immigrants to Canada also shows that the bulk of immigrants who arrived in Canada settled in the Toronto census metropolitan area (46 per cent). The second most popular destination was Vancouver (15 per cent), followed closely by Montreal (13 per cent). Census results for 2001 corroborate this finding. According to the Census, 44 per cent of the total population in Toronto were immigrants, compared to 38 per cent in Vancouver and 18 per cent in Montreal.
- The survey also shows immigrants most often chose a destination because family or friends were already living there. In Vancouver, the second most important reason was climate; in Toronto it was job opportunities; in Montreal it was language.

**Most Important Reasons to Settle in...**



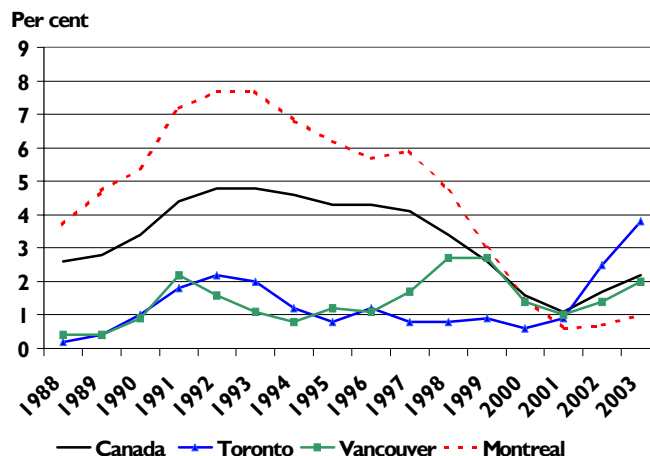
Sources: Statistics Canada, Longitudinal Survey of Immigrants to Canada, CMHC

- Until two years ago, the rental markets in Toronto and Vancouver had been tighter than the national average for all census metropolitan areas. Rental demand has weakened recently, because some renter households have likely taken advantage of low mortgage rates and purchased homes. On the supply side, in Toronto the rental construction continues to increase, while in Vancouver the investor condominium market has indirectly added

supply into the rental market. As a result of this interaction between the demand and supply, vacancy rates have increased in both Toronto and Vancouver.

- In Montreal, overconstruction at the end of the 1980s combined with the economic slowdown in the early 1990s negatively impacted the rental market. With a decline in rental starts, the excess supply has gradually declined, falling more quickly since the mid 1990s, when rental demand was stimulated by higher migration and improved employment opportunities for young people. As in Toronto and Vancouver, many renter households who could afford to buy a property took the plunge, which freed up some rental dwellings. The level of rental construction has increased over the past few years, but it remains historically low and is dominated by retirement homes. Consequently, the Montreal rental market is still facing tight conditions.

**Toronto and Vancouver Rental Markets Were Historically Tighter**



Source: CMHC

\* The average rental apartment vacancy rate in Canada's 28 census metropolitan areas as defined by Statistics Canada

continued on page 6...

## Continued: Immigration

### Did newcomers face difficulties in finding accommodation?

- According to the Longitudinal Survey, most newcomers did not have difficulty finding accommodations; 6 in 10 reported that they had faced no problems. Among those who had experienced difficulty, 31 per cent found housing costs too high. This problem was most prevalent in Ontario, where 37 per cent cited high costs as the most serious difficulty. In Quebec, only 20 per cent of immigrants cited high housing costs as a problem. This result is consistent with CMHC's 2003 Rental Market Survey, which shows that the average rent for a 2-bedroom dwelling in Toronto (\$1,040) was almost double that in Montreal (\$575). In the existing market, the 2003 MLS® average price was almost 60 per cent higher in Toronto (\$293,308) than in Montreal (\$185,883).
- The other problems faced by immigrants were that they did not have a guarantor or co-signer or could not get a credit rating (23 per cent), and that they could not find housing that met their needs (11 per cent).
- Immigrants in Montreal had the most difficulty finding suitable housing. This may be partly because the rental market was tighter in Montreal in 2001 than in Toronto and Vancouver.

### What is coming?

- With the federal government's efforts, immigration to Canada should stay strong as long as the economic environment remains favourable. In the short term, immigration will continue to favour the rental market. Despite the fact that the government intends to build on different initiatives to encourage newcomers to settle in other regions, Toronto, Vancouver

and Montreal should remain the most popular near-term destinations in light of the fact that social network is a principal determinant of where immigrants settle.

- Though 60 per cent of immigrants had no problem finding housing, almost one in four had difficulty getting a guarantor/co-signer or could not get a credit rating. Considering the fact that in the future immigration may extend to some other Canadian centres, the housing industry (including building owners, lenders, builders etc.) may face a new dimension of housing demand and should adapt the way they do business. Immigrants eventually become homeowners, thus driving homeownership demand. As more immigrants settle in different centres, housing demand characteristics may change. If it does, builders may have to adapt their style by changing the type of houses they construct as well as the marketing practices they use to attract buyers. ■

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(1): Longitudinal Survey of Immigrants to Canada: Process, progress and prospects, Statistics Canada – 89-611-XIE

**This Month's Housing Data (SAAR)**

	2003	2003:2	2003:3	2003:4	2003:11	2003:12	2004:01
Housing starts, units, 000s							
<b>Canada. Total. All areas</b>	<b>218.4</b>	<b>202.2</b>	<b>229.2</b>	<b>226.2</b>	<b>216.8</b>	<b>219.4</b>	<b>195.5</b>
Per cent change from previous period	6.5	-8.5	13.4	-1.3	-10.7	1.2	-10.9
<b>Canada. Total. Rural areas</b>	<b>26.5</b>	<b>23.4</b>	<b>26.6</b>	<b>27.7</b>	<b>27.7</b>	<b>27.7</b>	<b>25.6</b>
Per cent change from previous period	2.3	-22.8	13.7	4.1	0.0	0.0	-7.6
<b>Canada. Total. Urban areas</b>	<b>191.9</b>	<b>178.8</b>	<b>202.6</b>	<b>198.5</b>	<b>189.1</b>	<b>191.7</b>	<b>169.9</b>
Per cent change from previous period	7.1	-6.2	13.3	-2.0	-12.1	1.4	-11.4
<b>Canada. Single. Urban areas</b>	<b>100.3</b>	<b>97.8</b>	<b>102.0</b>	<b>103.7</b>	<b>105.8</b>	<b>103.5</b>	<b>95.3</b>
Per cent change from previous period	-2.7	0.6	4.3	1.7	4.0	-2.2	-7.9
<b>Canada. Multiple. Urban areas</b>	<b>91.6</b>	<b>81.0</b>	<b>100.6</b>	<b>94.8</b>	<b>83.3</b>	<b>88.2</b>	<b>74.6</b>
Per cent change from previous period	20.5	-13.3	24.2	-5.8	-26.5	5.9	-15.4
<b>Newfoundland. Total. All areas</b>	<b>2.7</b>	<b>2.9</b>	<b>2.5</b>	<b>3.0</b>	<b>3.0</b>	<b>2.6</b>	<b>2.6</b>
Per cent change from previous period	11.3	81.3	-13.8	20.0	-11.8	-13.3	0.0
<b>Prince Edward Island. Total. All areas</b>	<b>0.8</b>	<b>1.0</b>	<b>0.7</b>	<b>0.7</b>	<b>0.6</b>	<b>0.9</b>	<b>1.1</b>
Per cent change from previous period	5.0	42.9	-30.0	0.0	-14.3	50.0	22.2
<b>Nova Scotia. Total. All areas</b>	<b>5.1</b>	<b>4.1</b>	<b>4.9</b>	<b>5.2</b>	<b>5.6</b>	<b>6.7</b>	<b>4.4</b>
Per cent change from previous period	2.5	-59.4	19.5	6.1	60.0	19.6	-34.3
<b>New Brunswick. Total. All areas</b>	<b>4.5</b>	<b>4.9</b>	<b>4.8</b>	<b>4.2</b>	<b>4.0</b>	<b>4.5</b>	<b>2.6</b>
Per cent change from previous period	16.2	36.1	-2.0	-12.5	0.0	12.5	-42.2
<b>Quebec. Total. All areas</b>	<b>50.3</b>	<b>44.0</b>	<b>56.2</b>	<b>56.2</b>	<b>57.0</b>	<b>55.4</b>	<b>47.2</b>
Per cent change from previous period	18.5	-4.8	27.7	0.0	1.2	-2.8	-14.8
<b>Ontario. Total. All areas</b>	<b>85.2</b>	<b>79.4</b>	<b>85.5</b>	<b>86.5</b>	<b>78.4</b>	<b>81.8</b>	<b>65.8</b>
Per cent change from previous period	1.9	-11.7	7.7	1.2	-21.2	4.3	-19.6
<b>Manitoba. Total. All areas</b>	<b>4.2</b>	<b>3.7</b>	<b>4.3</b>	<b>4.9</b>	<b>4.4</b>	<b>4.0</b>	<b>3.5</b>
Per cent change from previous period	16.3	5.7	16.2	14.0	-31.3	-9.1	-12.5
<b>Saskatchewan. Total. All areas</b>	<b>3.3</b>	<b>3.7</b>	<b>3.2</b>	<b>2.9</b>	<b>2.6</b>	<b>2.5</b>	<b>3.2</b>
Per cent change from previous period	11.9	8.8	-13.5	-9.4	-23.5	-3.8	28.0
<b>Alberta. Total. All areas</b>	<b>36.2</b>	<b>35.3</b>	<b>37.5</b>	<b>34.3</b>	<b>34.8</b>	<b>34.2</b>	<b>34.3</b>
Per cent change from previous period	-6.7	-8.5	6.2	-8.5	3.0	-1.7	0.3
<b>British Columbia. Total. All areas</b>	<b>26.2</b>	<b>23.2</b>	<b>29.6</b>	<b>28.3</b>	<b>26.4</b>	<b>26.8</b>	<b>30.7</b>
Per cent change from previous period	21.0	-0.4	27.6	-4.4	-17.0	1.5	14.6

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.

## Annual rate of housing starts, urban areas\*

	2003	2003:2	2003:3	2003:4	2003:11	2003:12	2004:01
<b>Canada</b>	<b>191.9</b>	<b>178.8</b>	<b>202.6</b>	<b>198.5</b>	<b>189.1</b>	<b>191.7</b>	<b>169.9</b>
<b>Newfoundland</b>	<b>1.9</b>	<b>2.0</b>	<b>1.7</b>	<b>2.3</b>	<b>2.3</b>	<b>1.9</b>	<b>2.0</b>
<b>Prince Edward Island</b>	<b>0.6</b>	<b>0.6</b>	<b>0.6</b>	<b>0.5</b>	<b>0.4</b>	<b>0.7</b>	<b>1.0</b>
<b>Nova Scotia</b>	<b>3.6</b>	<b>2.9</b>	<b>3.1</b>	<b>3.8</b>	<b>4.2</b>	<b>5.3</b>	<b>2.7</b>
<b>New Brunswick</b>	<b>3.0</b>	<b>3.4</b>	<b>3.2</b>	<b>2.8</b>	<b>2.6</b>	<b>3.1</b>	<b>1.7</b>
<b>Québec</b>	<b>39.9</b>	<b>35.6</b>	<b>45.2</b>	<b>44.0</b>	<b>44.8</b>	<b>43.2</b>	<b>38.0</b>
<b>Ontario</b>	<b>80.9</b>	<b>76.0</b>	<b>81.4</b>	<b>81.8</b>	<b>73.7</b>	<b>77.1</b>	<b>61.2</b>
<b>Manitoba</b>	<b>2.7</b>	<b>2.0</b>	<b>3.0</b>	<b>3.4</b>	<b>2.9</b>	<b>2.5</b>	<b>1.9</b>
<b>Saskatchewan</b>	<b>2.6</b>	<b>2.9</b>	<b>2.5</b>	<b>2.4</b>	<b>2.1</b>	<b>2.0</b>	<b>2.6</b>
<b>Alberta</b>	<b>32.1</b>	<b>31.2</b>	<b>33.4</b>	<b>30.5</b>	<b>31.0</b>	<b>30.4</b>	<b>29.1</b>
<b>British Columbia</b>	<b>24.7</b>	<b>22.2</b>	<b>28.5</b>	<b>27.0</b>	<b>25.1</b>	<b>25.5</b>	<b>29.7</b>

\* Thousands of units, seasonally adjusted and annualized.

## This Month's Major Housing Indicators

	2003	2003:2	2003:3	2003:4	2003:11	2003:12	2004:01
<b>New Housing</b>							
<b>New &amp; unoccupied singles &amp; semis, units 000s</b>	<b>4.8</b>	<b>4.8</b>	<b>4.6</b>	<b>5.0</b>	<b>5.1</b>	<b>5.1</b>	<b>5.0</b>
Per cent change from same period previous year	-0.9	-3.4	5.6	5.3	4.1	7.1	5.8
<b>New &amp; unoccupied row &amp; apartments, units 000s</b>	<b>5.7</b>	<b>5.7</b>	<b>5.7</b>	<b>6.0</b>	<b>5.8</b>	<b>6.3</b>	<b>6.0</b>
Per cent change from same period previous year	10.9	8.7	19.9	19.6	17.6	14.6	24.6
<b>New House Price Index, 1997=100</b>	<b>116.7</b>	<b>115.9</b>	<b>117.3</b>	<b>119.0</b>	<b>119.2</b>	<b>119.5</b>	<b>n.a.</b>
Per cent change from same period previous year	4.8	4.4	4.8	5.0	5.0	5.0	n.a.
<b>Existing Housing</b>							
<b>MLS<sup>®</sup> resales*, units 000s</b>	<b>439.0</b>	<b>421.2</b>	<b>471.4</b>	<b>447.4</b>	<b>438.0</b>	<b>436.9</b>	<b>n.a.</b>
Per cent change from same period previous year	4.2	0.7	17.4	9.0	7.1	9.1	n.a.
<b>MLS<sup>®</sup> average resale price**, \$C 000s</b>	<b>206.4</b>	<b>203.2</b>	<b>208.0</b>	<b>213.5</b>	<b>215.2</b>	<b>212.8</b>	<b>n.a.</b>
Per cent change from same period previous year	9.7	8.1	10.9	10.8	11.4	8.6	n.a.
<b>Mortgage Market</b>							
<b>1-Year Mortgage Rate, % (period average)</b>	<b>4.84</b>	<b>5.08</b>	<b>4.55</b>	<b>4.68</b>	<b>4.75</b>	<b>4.75</b>	<b>4.30</b>
<b>5-Year Mortgage Rate, % (period average)</b>	<b>6.39</b>	<b>6.20</b>	<b>6.28</b>	<b>6.45</b>	<b>6.50</b>	<b>6.45</b>	<b>6.05</b>

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.