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# HOUSING FACTS

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Canada Mortgage and Housing Corporation

## HOUSING STARTS REMAIN AT HIGH LEVEL

The seasonally adjusted annual rate<sup>1</sup> of housing starts was 218,600 in July, down from 232,100 in June.

Even though starts decreased slightly in July, housing construction remains at a high level. Nationally, the housing market continues to benefit from positive economic factors, especially growth in employment and strong consumer confidence. This year, 225,700 starts are expected, the highest level since 1987.

The seasonally adjusted annual rate of urban starts was down 8.0 per cent to 191,800 units in July. Urban single starts increased 5.5 per cent in July to 107,500 but urban multiple starts declined 20.9 per cent to 84,300 on a seasonally adjusted annual basis.

In all regions of Canada, except Quebec, the seasonally adjusted annual rate of urban starts fell in July: 11.0 per cent in the Atlantic; 10.3 per cent in Ontario; 18.8 per cent in the Prairies and; 5.8 per cent in British Columbia. In Quebec, the seasonally adjusted annual rate of urban starts increased 5.4 per cent.

Rural starts in July were estimated at a seasonally adjusted annual rate of 26,800 units.

Year to date actual urban starts were 8.4 per cent higher through July than for the same period last year. Single starts were up 5.2 per cent while multiple starts were up 12.3 per cent. ■

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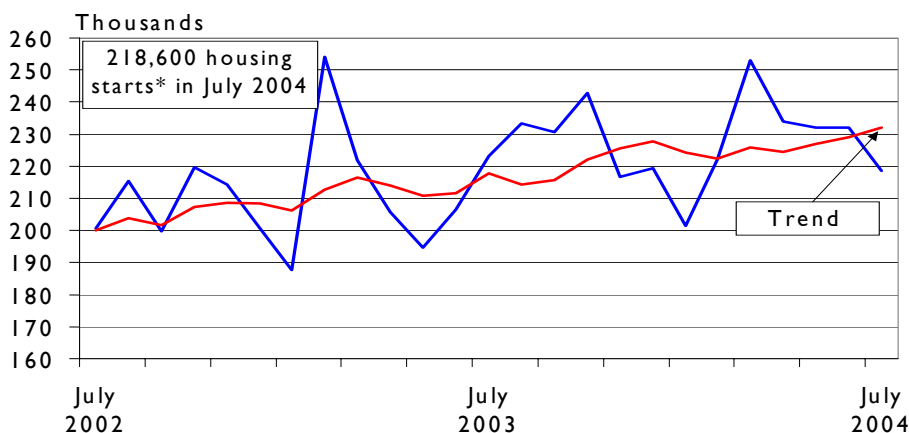
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### Housing Starts in Canada - All Areas\*



Source: CMHC

\*Seasonally adjusted at annual rates

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



HOME TO CANADIANS  
Canada

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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## Housing construction remains strong

Housing starts are expected to surpass last year's 15-year record high this year, while sales of existing homes are expected to reach a new record level.

- The latest edition of **CMHC Housing Outlook** reported that housing starts are expected to increase from last year's rapid pace of over 218,000 units to reach 225,700 units this year. Job creation is expected to remain strong this year. This continued strong growth in full-time employment will translate into stronger income gains in 2004, thus keeping demand for ownership housing high. As for 2005, starts will slow to 204,200 units, in part due to gradually rising mortgage rates and reduced spill over of demand from the existing home market.
- Sales of existing homes through the Multiple Listing Service® will reach a new record level with 457,000 units in 2004. Moderate increases in mortgage rates next year, coupled with higher house prices will mean fewer sales in 2005, which will eventually temper the demand for new housing. MLS® sales are expected to slip next year to 433,100 units.
- CMHC anticipates that the average price of existing homes will have risen sharply again in 2004 but the price increases will moderate significantly in 2005 as listings rise and the sales edge lower. The average price of existing homes listed with the MLS® is expected to increase by 9.2 per cent this year and 4.6 per cent in 2005.
- Thanks to past strength in the resale market, robust housing starts and the effects of a strong job market, strong growth in renovation spending is expected this year. Total spending on renovations

**continued on page 3....**

## continued: Housing construction remains strong

will increase by 9.1 per cent to reach \$36.3 billion dollars in 2004. As activity in the resale market cools and interest rates rise modestly in 2005, growth in

renovation spending is expected to slow to 6.0 per cent reaching \$38.5 billion dollars next year. ■

### Key forecast numbers

	2003	2004(F)	2005(F)
Housing starts	218,426	225,700	204,200
Number of resales	434,682	457,000	433,100
Average resale price (\$)	207,199	226,200	236,500
Renovation Spending (\$ millions)	33,242	36,264	38,453

(F): CMHC Forecast

Sources: CMHC, Canadian Real Estate Association (CREA), Statistics Canada

## National labour market conditions in the construction industry

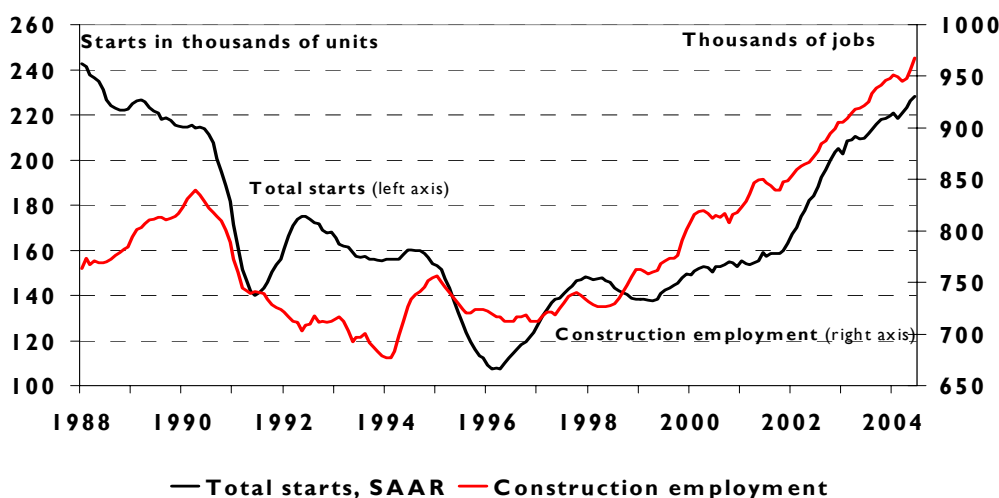
Construction activity across Canada has been on the rise. This has raised concern within the construction industry about possible labour shortages.

- Data on total housing starts show that construction activity is near its previous late 80s peak. This high level of activity has significantly boosted demand for construction workers leading to concern about labour shortages. Indeed, labour shortages were one

of the most frequently cited problems in the Spring/Summer 2004 edition of the Pulse Survey of builders and renovators published by the Canadian Home Builders Association.

Trends in employment and the unemployment **continued on page 4....**

### Labour demand high



Sources: CMHC, Statistics Canada

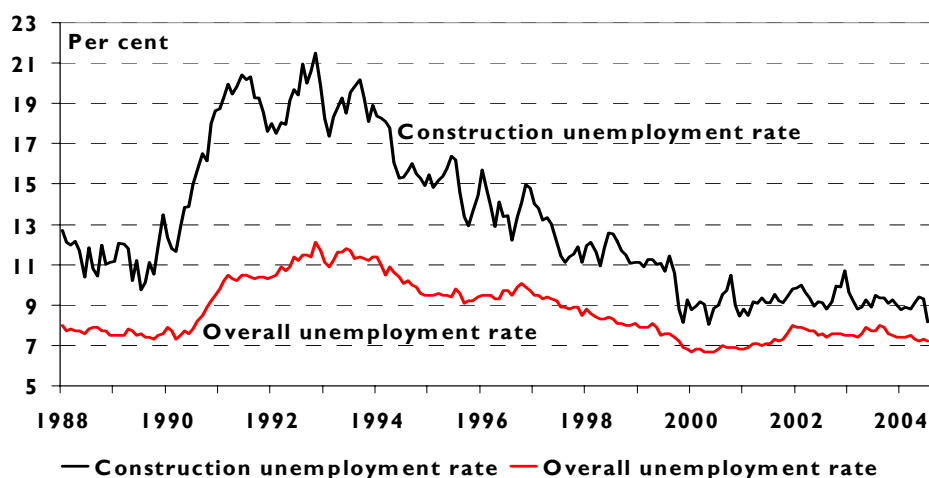
**continued: National labour market conditions in the construction industry**

rate in the industry can be used to shed light on this issue.

- Nationally, employment in the construction industry has grown along with the increase in building activity, and currently exceeds levels recorded in the late 1980s by a substantial margin. The industry unemployment rate, which is presently hovering around 8 to 9 per cent, is below the rate of 10 to 12 per cent observed during the last period of strong

growth (i.e. the late 80s). Seasonality, as well as low barriers to entry for some trades within the construction industry contribute to the higher construction unemployment rate compared to the overall unemployment rate.

- Differences in construction unemployment rates vary significantly by region. Provinces, like Ontario and Alberta, have tighter labour markets and are more likely to experience labour shortages.■

**Unemployment rate low**

Sources: CMHC, Statistics Canada

**Construction Unemployment Rates (per cent)**

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
BC	13.4	13.2	12.7	10.2	11.4	10.2	10.2	9.8	10.1	8.9
Alberta	13.8	12.3	11.2	7.1	8.4	8.0	7.0	6.4	7.0	7.6
Saskatchewan	16.3	13.8	12.8	9.6	11.4	13.0	10.9	9.9	10.5	10.6
Manitoba	15.5	14.1	11.9	11.3	9.5	8.9	8.6	8.4	9.5	9.0
Ontario	15.3	13.1	12.1	10.0	8.3	7.9	5.7	6.3	7.1	6.2
Quebec	19.1	17.9	17.1	18.0	16.4	13.6	11.0	11.8	12.1	12.1
New Brunswick	24.9	22.3	20.2	24.4	23.7	17.2	20.0	23.4	19.9	20.5
Nova Scotia	23.8	21.8	20.6	20.6	17.1	16.2	18.2	15.7	15.8	16.0
PEI	30.0	23.5	20.6	30.1	23.3	23.0	22.9	18.3	17.0	18.5
Newfoundland	34.6	27.9	36.0	37.5	34.8	32.1	29.3	30.8	34.9	34.5

Sources: CMHC, Statistics Canada

## Homes are the foundation of Canadians' wealth

A surge in stock prices meant that in the first quarter of 2004, the increase in the equity that Canadian households<sup>1</sup> have in their homes lagged the increase in the other forms of wealth they possess for the first time since 2000. However, residential net worth is one of the more stable components in Canadians' wealth - growing in value at an average annual rate of 5.5 per cent since 1990 and showing only one year-over-year quarterly decline during that period.

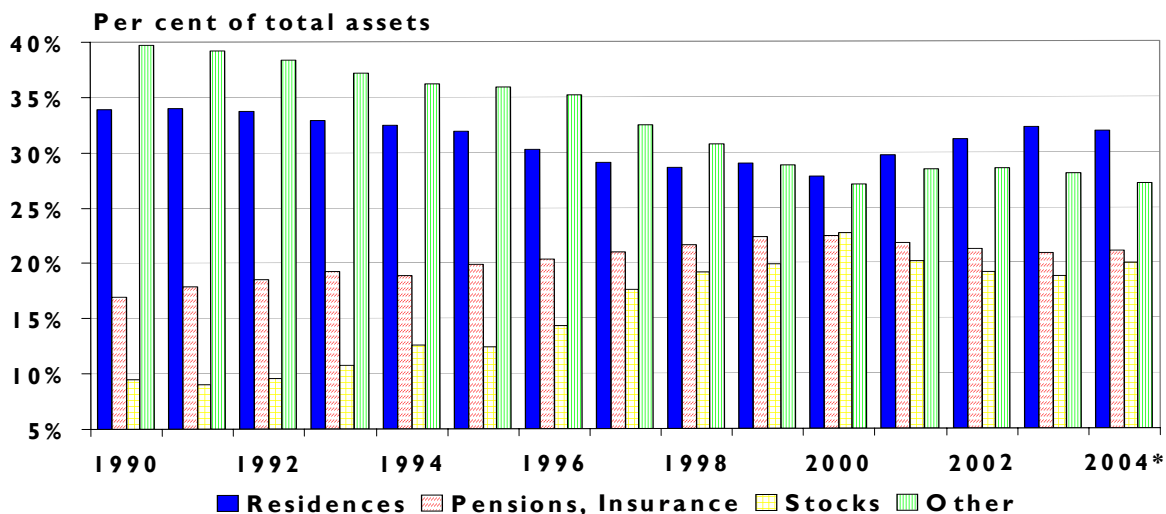
- Canadian households' assets were valued over \$5 trillion for the first time in the first quarter of 2004. At about \$1.6 trillion, their homes (land and structures) represented about 32 per cent of this total, off a bit from the 34 per cent recorded at the beginning of the 1990s but up from a low of about 27 per cent in 2000. Pensions and life insurance represented about 21% of assets, while stocks were another 20 per cent. Other assets include consumer durables (mainly vehicles and furniture), a variety of financial instruments such as bank deposits, bonds etc. and assets used in unincorporated businesses (machinery and equipment, buildings and inventories).
- Wealth or net worth is the value of assets after the liabilities incurred to acquire the assets have been deducted. Households' liabilities

include mortgages, bank loans and other forms of borrowing. Residential net worth<sup>2</sup> currently accounts for a smaller share of total net worth (27 per cent) than do residential assets of total assets (32 per cent). This reflects the fact that households are more likely to borrow money when they buy residential assets than other assets.

- A high rate of housing starts and rising prices for both land and existing housing meant that year-over-year growth in the value of gross residential assets accelerated in the first quarter of 2004 to 8.7 per cent (see table). Both land and buildings contributed to the acceleration. The value of net mortgages increased at a steady, lower rate, resulting in an

continued on page 5....

### Housing is the main household<sup>1</sup> asset



\*Note: the data for 2004 is for Quarter I of 2004

Sources: CMHC, adapted from Statistics Canada, National Balance Sheet

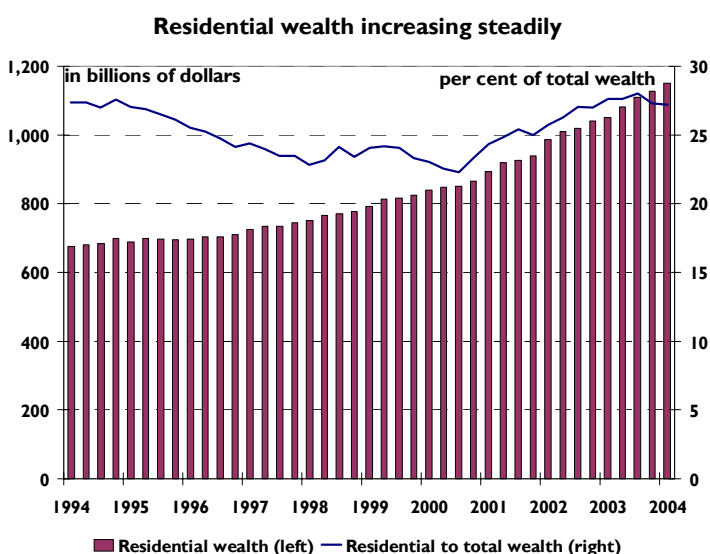
<sup>1</sup> households, as defined by Statistics Canada refer to persons and unincorporated businesses

<sup>2</sup> mortgages taken to acquire land or buildings can be allocated to residential or non-residential property based on gross values of these assets. Thus, it is possible to calculate the value of residential wealth and compare trends in this component of net worth to trends in other sources of household wealth.

## continued: Homes are the foundation of Canadians' wealth

even stronger 9.5 per cent increase in the value of residential net worth in this period. The stronger growth in residential wealth compared to residential assets suggests that the households are not overextending themselves in order to acquire these assets.

cent. The main factor was the 12.3 per cent increase in pension and life insurance assets and the 21.5% rise in the value of stocks owned by households. The sharp increase in these two categories since mid-2003 has meant that the share of residential net worth in total net worth has plateaued following a period of recovery that began in 2000.



Sources: CMHC, adapted from Statistics Canada, National Balance Sheet

- Despite the strong growth in residential net worth in the first quarter, its share in total net worth declined slightly as net worth from other sources climbed by an even stronger 13.7 per

- The rapid rise in the value of stock assets in the mid-1990s and the subsequent declines which ended only recently have resulted in fluctuations in total household assets and hence the proportion of residential assets of the total. Nevertheless, residential net worth has risen at a relatively steady rate through much of the 1990s despite relatively flat housing prices. The strong increases in house prices since 2000 have caused growth in residential net worth to accelerate somewhat. Therefore, residential net worth has been one of the more stable components in Canadians' wealth – growing in value at an average rate of 5.5 per cent since 1990 and showing only one year-over-year quarterly decline during that period.■

### Canadian Household Wealth\*

	Values (\$ billions)					Year-over-year per cent change		
	2001 Q4	2002 Q4	2003 Q1	2003 Q4	2004 Q1	2002 Q4	2003 Q4	2004 Q1
Total Assets	4,528	4,665	4,611	4,985	5,079	3.0	6.9	10.2
Net Worth	3,760	3,853	3,800	4,129	4,229	2.5	7.2	11.3
Residential Assets	1,349	1,475	1,490	1,593	1,619	9.4	8.0	8.7
Structures <sup>1</sup>	823	886	896	956	972	7.6	7.9	8.5
Land <sup>2</sup>	525	589	594	636	647	12.2	8.0	8.9
Mortgages <sup>3</sup>	409	435	440	465	470	6.3	6.9	6.9
Residential Net Worth	939	1,040	1,050	1,127	1,149	10.7	8.4	9.5

<sup>1</sup>Residential buildings represent 97% of the value of buildings owned by the household sector

<sup>2</sup>The value of residential land is estimated to be 87.5% of land owned by the household sector

<sup>3</sup>Mortgages held as assets by the household are assumed to be liabilities of the household sector. The ratio of gross residential assets to total assets is used to allocate net mortgages between residential and non-residential assets.

\* households, as defined by Statistics Canada refer to persons and unincorporated businesses

Sources: CMHC, adapted from Statistics Canada, National Balance Sheet

## This Month's Housing Data (SAAR)

	2003	Q4:03	Q1:04	Q2:04	M5:04	M6:04	M7:04
<b>Housing starts, units, 000s</b>							
<b>Canada. Total. All areas</b>	218.4	226.2	225.5	232.7	232.1	232.1	218.6
Per cent change from previous period	6.5	-1.3	-0.3	3.2	-0.8	0.0	-5.8
<b>Canada. Total. Rural areas</b>	26.5	27.7	31.4	23.6	23.6	23.6	26.8
Per cent change from previous period	2.3	4.1	13.4	-24.8	0.0	0.0	13.6
<b>Canada. Total. Urban areas</b>	191.9	198.5	194.1	209.1	208.5	208.5	191.8
Per cent change from previous period	7.1	-2.0	-2.2	7.7	-0.9	0.0	-8.0
<b>Canada. Single. Urban areas</b>	100.3	103.7	101.0	104.7	108.1	101.9	107.5
Per cent change from previous period	-2.7	1.7	-2.6	3.7	3.6	-5.7	5.5
<b>Canada. Multiple. Urban areas</b>	91.6	94.8	93.1	104.4	100.4	106.6	84.3
Per cent change from previous period	20.5	-5.8	-1.8	12.1	-5.4	6.2	-20.9
<b>Newfoundland. Total. All areas</b>	2.7	3.0	3.5	2.8	2.7	2.8	2.6
Per cent change from previous period	11.3	20.0	16.7	-20.0	-6.9	3.7	-7.1
<b>Prince Edward Island. Total. All areas</b>	0.8	0.7	1.0	1.2	1.1	1.3	0.9
Per cent change from previous period	5.0	0.0	42.9	20.0	10.0	18.2	-30.8
<b>Nova Scotia. Total. All areas</b>	5.1	5.2	5.9	4.1	4.0	4.6	4.1
Per cent change from previous period	2.5	6.1	13.5	-30.5	8.1	15.0	-10.9
<b>New Brunswick. Total. All areas</b>	4.5	4.2	2.4	4.1	4.4	3.7	3.7
Per cent change from previous period	16.2	-12.5	-42.9	70.8	4.8	-15.9	0.0
<b>Quebec. Total. All areas</b>	50.3	56.2	59.0	55.4	57.1	52.7	56.9
Per cent change from previous period	18.5	0.0	5.0	-6.1	1.1	-7.7	8.0
<b>Ontario. Total. All areas</b>	85.2	86.5	79.5	87.9	88.2	88.7	81.2
Per cent change from previous period	1.9	1.2	-8.1	10.6	1.6	0.6	-8.5
<b>Manitoba. Total. All areas</b>	4.2	4.9	4.0	4.1	4.2	4.0	4.9
Per cent change from previous period	16.3	14.0	-18.4	2.5	0.0	-4.8	22.5
<b>Saskatchewan. Total. All areas</b>	3.3	2.9	3.0	4.6	7.1	2.7	3.0
Per cent change from previous period	11.9	-9.4	3.4	53.3	82.1	-62.0	11.1
<b>Alberta. Total. All areas</b>	36.2	34.3	36.4	33.8	29.5	40.1	32.0
Per cent change from previous period	-6.7	-8.5	6.1	-7.1	-7.5	35.9	-20.2
<b>British Columbia. Total. All areas</b>	26.2	28.3	30.8	34.7	33.8	31.5	29.3
Per cent change from previous period	21.0	-4.4	8.8	12.7	-13.1	-6.8	-7.0

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	M5:04	M6:04	M7:04
<b>Canada</b>	<b>191.9</b>	<b>198.5</b>	<b>194.1</b>	<b>209.1</b>	<b>208.5</b>	<b>208.5</b>	<b>191.8</b>
<b>Newfoundland</b>	<b>1.9</b>	<b>2.3</b>	<b>2.7</b>	<b>2.1</b>	<b>2.0</b>	<b>2.1</b>	<b>2.0</b>
<b>Prince Edward Island</b>	<b>0.6</b>	<b>0.5</b>	<b>0.7</b>	<b>0.8</b>	<b>0.7</b>	<b>0.9</b>	<b>0.6</b>
<b>Nova Scotia</b>	<b>3.6</b>	<b>3.8</b>	<b>4.8</b>	<b>3.1</b>	<b>3.0</b>	<b>3.6</b>	<b>2.7</b>
<b>New Brunswick</b>	<b>3.0</b>	<b>2.8</b>	<b>1.5</b>	<b>2.9</b>	<b>3.2</b>	<b>2.5</b>	<b>2.8</b>
<b>Québec</b>	<b>39.9</b>	<b>44.0</b>	<b>46.6</b>	<b>47.0</b>	<b>48.7</b>	<b>44.3</b>	<b>46.7</b>
<b>Ontario</b>	<b>80.9</b>	<b>81.8</b>	<b>73.3</b>	<b>83.8</b>	<b>84.1</b>	<b>84.6</b>	<b>75.9</b>
<b>Manitoba</b>	<b>2.7</b>	<b>3.4</b>	<b>2.3</b>	<b>2.6</b>	<b>2.7</b>	<b>2.5</b>	<b>3.2</b>
<b>Saskatchewan</b>	<b>2.6</b>	<b>2.4</b>	<b>2.3</b>	<b>3.9</b>	<b>6.4</b>	<b>2.0</b>	<b>2.1</b>
<b>Alberta</b>	<b>32.1</b>	<b>30.5</b>	<b>31.9</b>	<b>30.2</b>	<b>25.9</b>	<b>36.5</b>	<b>28.0</b>
<b>British Columbia</b>	<b>24.7</b>	<b>27.0</b>	<b>28.0</b>	<b>32.7</b>	<b>31.8</b>	<b>29.5</b>	<b>27.8</b>

\* Thousands of units, seasonally adjusted and annualized.

## This Month's Major Housing Indicators

	2003	Q4:03	Q1:04	Q2:04	M5:04	M6:04	M7:04
<b>New Housing</b>							
<b>New &amp; unoccupied singles &amp; semis, units 000s</b>	<b>4.8</b>	<b>5.0</b>	<b>5.0</b>	<b>5.3</b>	<b>5.3</b>	<b>5.2</b>	<b>4.9</b>
Per cent change from same period previous year	-0.9	5.3	7.3	8.6	9.2	7.0	7.0
<b>New &amp; unoccupied row &amp; apartments, units 000s</b>	<b>5.7</b>	<b>6.0</b>	<b>5.9</b>	<b>6.0</b>	<b>5.7</b>	<b>6.4</b>	<b>6.6</b>
Per cent change from same period previous year	10.9	19.6	13.1	5.5	1.1	8.7	17.7
<b>New House Price Index, 1997=100</b>	<b>116.7</b>	<b>119.0</b>	<b>120.4</b>	<b>122.6</b>	<b>122.7</b>	<b>123.5</b>	<b>n.a.</b>
Per cent change from same period previous year	4.8	5.0	5.0	5.8	5.8	6.2	n.a.
<b>Existing Housing</b>							
<b>MLS<sup>®</sup> resales*, units 000s</b>	<b>434.6</b>	<b>441.6</b>	<b>446.4</b>	<b>477.4</b>	<b>470.8</b>	<b>477.8</b>	<b>n.a.</b>
Per cent change from same period previous year	3.9	8.8	8.1	14.3	14.1	7.8	n.a.
<b>MLS<sup>®</sup> average resale price**, \$C 000s</b>	<b>207.3</b>	<b>215.0</b>	<b>220.8</b>	<b>225.5</b>	<b>228.1</b>	<b>223.0</b>	<b>n.a.</b>
Per cent change from same period previous year	9.7	10.7	9.9	10.7	12.7	7.2	n.a.
<b>Mortgage Market</b>							
<b>1-Year Mortgage Rate, % (period average)</b>	<b>4.84</b>	<b>4.68</b>	<b>4.30</b>	<b>4.57</b>	<b>4.55</b>	<b>4.70</b>	<b>4.60</b>
<b>5-Year Mortgage Rate, % (period average)</b>	<b>6.39</b>	<b>6.45</b>	<b>5.85</b>	<b>6.45</b>	<b>6.50</b>	<b>6.70</b>	<b>6.55</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.