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HOUSING FACTS

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Canada Mortgage and Housing Corporation

Housing starts drop to 155,800 in November

In November, 155,800 units* were started in Canada, which when compared to the figure of 164,900 units recorded in October, represents a drop of 5.5%.

In the urban sector, the increased number of housing starts for single units (8.7% or 77,600 units) was not able to compensate for the decline in the number of housing starts for multiple units (-21.2% or 57,000 units).

Housing starts continue to rise and fall, governed by the marked fluctuations of the multiple unit market. November's data signals the return of housing starts to a more moderate level, following the marked growth that was experienced in October by Ontario and B.C.

The upturn for single-detached housing reinforces the idea that demand remains strong, easily able to absorb between 155,000 and 160,000 housing starts on an annual basis.

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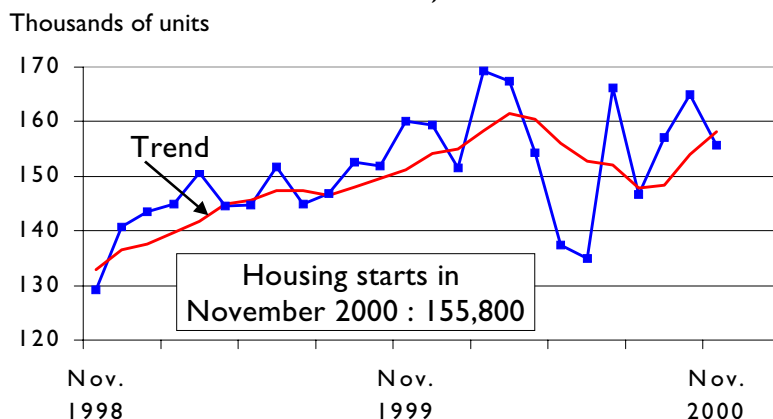
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Housing starts in Canada
all areas, *saar



Source: CMHC Housing facts
*Seasonally adjusted annual rate



HOME TO CANADIANS
Canada

Housing starts - Continued from page 1

From a regional standpoint, the Prairies, particularly Alberta, is in the lead with an increase in housing starts of 10.3%, or 26,700 units (seasonally adjusted annual rate). Quebec, which is not far behind, also did well in November, with 10.2%, or 23,700 housing starts. The three other regions experienced a decline last month, achieving the following results, which are presented in order: British Columbia (-40.1% or 11,200 units), Ontario (-8.4% or 67,300 units) and with a more modest decline, the Atlantic Region (-1.7% or 5,700 units).

In metropolitan areas, the number of housing starts, based on the seasonally adjusted annual rate, reached 40,900 in Toronto, 16,800 in Montreal and 6,400 in Vancouver.

After eleven months of activity, actual housing starts in urban centres increased by 4.1% compared to the same time period in 1999. ■

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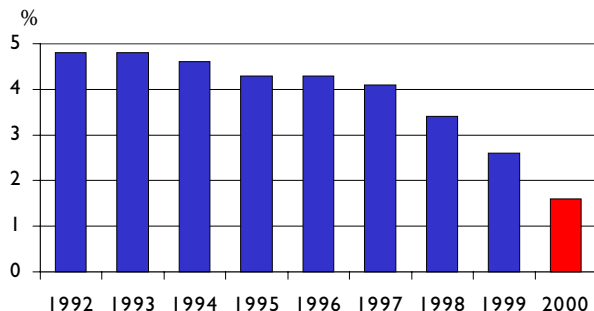
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The rental housing vacancy rate fell to 1.6% in October 2000

The scarcity of rental housing represents a formidable pool of opportunities for builders, as certain urban centres are showing major rental increases.

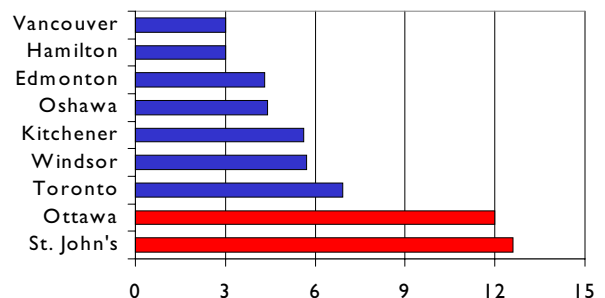
- According to the CMHC Rental Market Survey, the vacancy rate in metropolitan areas dropped from 2.6% in October 1999 to 1.6% this past October, reaching its lowest level since 1987.
- The rates went down in 22 of the 26 metropolitan areas. The lowest rates were observed in Ottawa (0.2%), Toronto (0.6%) and Kitchener (0.7%), while the most significant decreases were recorded in St. John's (from 9.2% to 3.8%), Ottawa (from 0.7% to 0.2%) and Hull (from 4.4% to 1.4%).
- As for rents, all metropolitan areas posted increases, sometimes well above the inflation rate in the area.
- Current rental market conditions reflect low volumes of rental housing starts and strong household formation. This trend will continue over the next few months. ■

Vacancy rate – metropolitan areas
Apartments – privately initiated 3 units and more



Source: CMHC Housing facts

Rents growth – 2 bedroom apartments
privately initiated 3 units and more



Source: CMHC Housing facts

Tight rental markets signal further increases in real rents

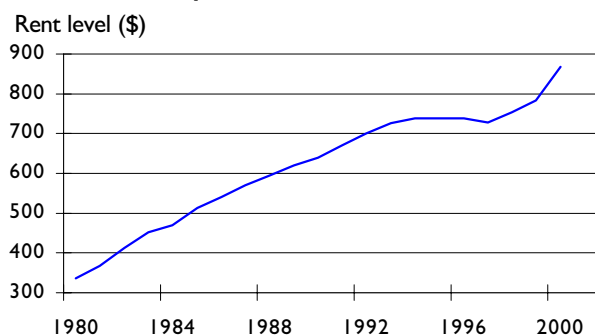
Analysis confirms Ottawa's equilibrium vacancy rate near 2.5 per cent.

- Recently-released data from CMHC's Rental Market Survey (RMS) indicates that average apartment rents in several Canadian Census Metropolitan Areas (CMA's) rose faster than inflation in the year ending October 2000. Frequently, such increases have been prompted by tightening supply and demand conditions for rental apartments. Specifically, many CMA's feature vacancy rates which are below their market's "equilibrium" or "balanced" level. A balanced market means renters enjoy reasonable choice of potential units, while landlords still have more of an incentive to provide rental units.
- Rising vacancy rates, by contrast, do not often result in a decrease in observed or surveyed rents. In Ottawa CMA, for example, RMS data indicates the average two-bedroom apartment rent has risen in 20 of the last 21 years, through both high and low vacancy rate periods. Still, higher vacancy periods appear to force landlords to accept erosion in the value of inflation-adjusted rents. In fact, the value of Ottawa rents deflated by the consumer price index fell in nine of the 21 years to 2000.
- Statistical and graphical comparison of inflation-adjusted two-bedroom apartment rents for Ottawa with the CMA's vacancy rate sup-

ports an inverse relationship between changes in inflation-adjusted rents and the vacancy rate. During the early to mid 1980's, a low vacancy rate prompted acceleration of inflation-adjusted rents. Conversely, the high vacancy rate observed in the mid-1990's pushed inflation-adjusted rents lower. Statistical estimates suggest an Ottawa vacancy rate near 2.5 per cent would prompt stable inflation-adjusted rents in the CMA, i.e. rents would move up at a pace similar to inflation.

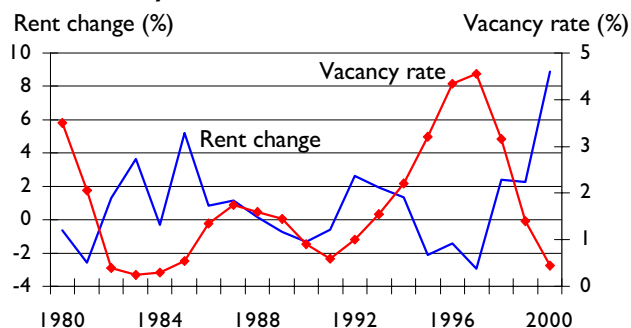
- Clearly, Ottawa's 0.2 per cent vacancy rate is well below this balanced market estimate. Accordingly, it is unsurprising that both observed and inflation-adjusted rents jumped sharply between October 1999 and October 2000. Observed two-bedroom rents jumped 10.9 per cent, an 18-year high; the 8.9 per cent inflation-adjusted rent increase is the fastest since at least 1979.
- Since CMHC expects tight rental markets to persist in many CMA's, look for rent increases continuing higher than inflation. ■

Ottawa CMA's two-bedroom apartments rents



Source: CMHC Housing facts

Real rent growth accelerates as the vacancy rate falls – Ottawa CMA



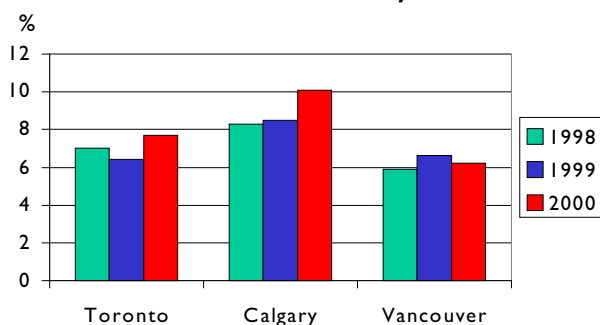
Source: CMHC Housing facts

Households remain enthusiastic about the real estate market

Every year, CMHC conducts a vast survey among at least 2,500 households in five large urban centres in order to measure their home purchase and renovation intentions.

- The complete results of the CMHC Consumer Intentions to Buy or Renovate a Home Survey will be available in early 2001. In the meantime, the data for Toronto and Calgary indicate that the real estate market will be even more active in these areas, as a greater proportion of households intend to buy a property.

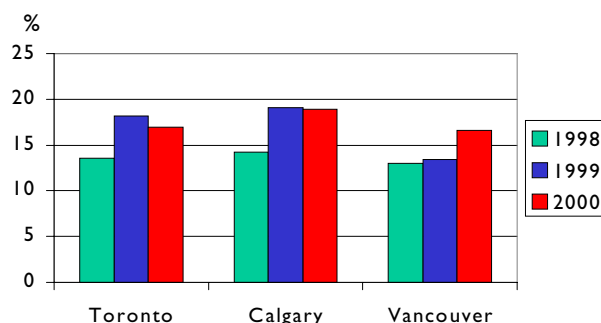
Proportion of households with strong intentions to buy



Sources: CMHC Housing facts, CMHC Consumer intentions to buy of renovate Survey

- Even if the percentage changes are modest, they represent significant increases in activity in markets that are already going full tilt. In Vancouver, however, a slight downturn in buying intentions was noted. According to the survey, the market will be dominated by first-time buyers in a proportion of 70% in Toronto, compared to

Proportion of households with strong intentions to renovate



Sources: CMHC Housing facts, CMHC Consumer intentions to buy of renovate Survey

over 60% in Calgary and Vancouver.

- While intentions to renovate appear stable for 2001 in Calgary and Toronto, a better economic outlook in the Vancouver area will evidently be favourable to renovation.
- As a result, over 37% of households who will most likely renovate in the Vancouver area will spend more than \$2,500. This proportion was 31% last year. In Toronto (45.7%) and Calgary (44%), the share of those who will spend more than \$2,500 also went up among households with the strongest intentions.
- The CMHC survey also covers the Montréal and Halifax metropolitan areas, for which the data compilation has not been completed at the time of publication.■

Apartment construction more and more costly

The Statistics Canada index jumped by 8.6% in Toronto and by 7.3% in Ottawa over one year.

- In the third quarter of 2000, the Statistics Canada apartment construction price composite index jumped by 5.1% on an annual basis, in the Halifax, Montréal, Ottawa, Toronto, Calgary, Edmonton and Vancouver metropolitan area. This was the largest increase since 1989. This faster rise in prices clearly reflects the growing scarcity of skilled labour in several metropolitan areas, as the demand is increasing simultaneously in the residential and non-residential sectors.■

Apartments, metropolitan areas

	Housing starts jan. to sept.	Construction composite price Index Third quarter
Change 99/00	2.9%	5.1%
Change 98/99	20.9%	1.9%

Sources: CMHC Housing facts and Statistics Canada

New CMHC mortgage insurance products

With CMHC's new refinance product, mortgage lenders will be able to offer their clients more flexible credit conditions and a wider range of options.

- As of December 11, 2000, CMHC's lender clients and borrowers will benefit from the modernization of CMHC's loan insurance products. In fact, the upgrade to the **emili** on-line approval system will speed up the processing of applications. Another service for consumers, the new mortgage loan insurance buyer **pre-qualification** product will enable them to know the maximum that they can pay even before they start looking for a property. In addition, CMHC's new portability product will allow borrowers to take advantage of lender **portability** programs in order to pay less for the new mortgage loan insurance premium.
- CMHC also made some improvements to its portfolio mortgage loan insurance product and to its progress advance progress product, which can now be granted through the **emili** system. As well, lenders will now be able to use **emili** to process insurance applications for low-ratio loans.
- Lastly, the opposite inset presents the main features of the new refinance product.■

Principal changes and advantages of the new refinance product

- CMHC does not require that the funds serve for renovations or improvements to the property. Borrowers can use these funds as they wish, except for defaults.
- Premiums are now set on the basis of the loan-to-value ratio rather than a fixed percentage as is currently the case for second mortgages.
- The premiums will be lower for all loan-to-value (LTV) ratios, with the exception of 85% and 90% LTV ratios, for which the premiums will remain unchanged.
- When borrowers propose an improvement project for their property, CMHC now allows the use of the "post-improvement" value as the loan value.
- With the new product, the financing can be combined and the amortization period of existing CMHC-insured loans can be extended.

For more information, please call us at :
1 888 GO-emili.

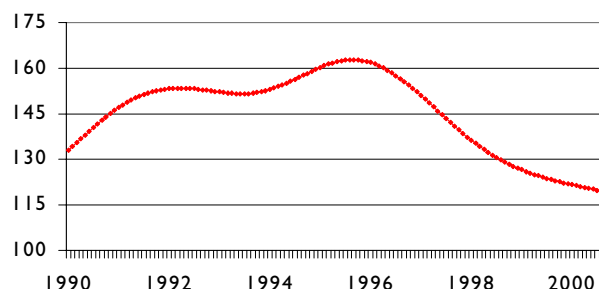
Bankruptcies: construction industry doing better and better

It comes as no surprise that the number of bankruptcies in the construction industry is down given the strong economic growth and the consolidation of the industry for the past 10 years.

- Since the peak in 1995-1996, bankruptcies among companies working in the residential and non-residential construction industry have been on a major downward trend. This trend will be stabilizing over the coming year at a level still below that observed in the early 1990s.
- The industry remains vulnerable, though, on account of the cyclical nature of the demand, its fragmentation and the volatility of costs. With nearly 1,500 bankruptcies per year, the construction industry has the second most bankruptcies per industry after retail trade.■

Number of bankruptcies Construction industry

Trend – monthly data



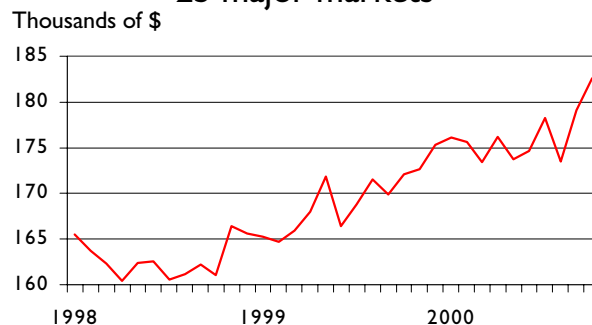
Sources: CMHC Housing facts and Office of the Superintendent of Financial institutions

Average resale price tops the \$180,000 level

In October 2000, the average MLS price in the 25 major markets reached \$182,656.

- The average resale price in the 25 largest residential real estate markets across Canada continues to rise. The stability of mortgage rates at relatively low levels and the growth in disposable income, along with a still limited supply of homes for sale on the market, are driving up prices towards new heights.
- Over the last 12 months, the average resale price rose by 6.2%, or more than twice the inflation rate as measured by the consumer price index (CPI). Since this is an average, the upward pressure on prices is even greater in certain metropolitan areas. ■

Average resale price
25 major markets



Sources: CMHC Housing facts, Canadian Real Estate Association

Energy efficiency: focus on ventilation

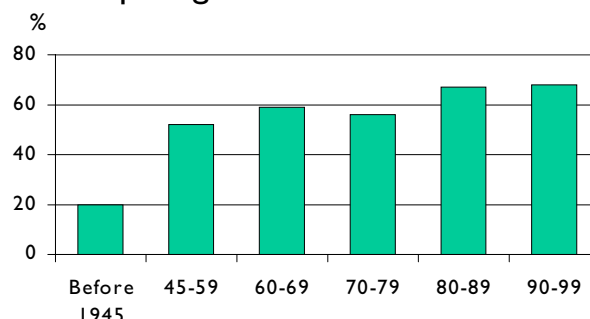
As energy prices remain high, data from the Office of Energy Efficiency indicates that major corrective action is required in the area of ventilation.

- Home airtightness has increased by 41% since the early 1980s. New homes are more and more energy-efficient and consumers are also very conscious of the necessity to reduce heat losses. And yet, according to reports of the **Energuide** program of the **Office of Energy Efficiency**, 55% of homes inspected in September 2000 showed deficiencies in natural flow or mechanical ventilation; this percentage is even higher for homes built less than 20 years ago.
- In fact, homeowners are spending a lot of money on insulation products and caulking as winter approaches to try to save a few dollars; in parallel, however, investments in ventilation systems necessary to offset this increase in airtightness of homes and maintain good air quality appear negligible.
- Set apart, in the executive home niche, buyers are generally not willing to pay for mechanical ventilation systems ensuring them adequate air quality. Moreover, as building standards do not require them to do so, builders do not integrate them into their standard products in order to limit their costs and remain competitive.
- However, it is more expensive to install these systems in existing homes. For manufacturers

and authorities in the public health field, it is a matter of informing consumers, all the while knowing that their savings will not show up on their next heating bill.

- The purpose of the **Energuide** program is to assess the energy performance rating of homes, improve energy efficiency of the residential housing stock in Canada and therefore lower energy consumption and greenhouse gas emissions. On average, 1,100 homes are inspected each month. ■

Percentage of houses
requiring additional ventilation



Sources: CMHC Housing facts and Office of Energy Efficiency, Natural Resources Canada (as September 2000)

This Month's Housing Data

	1999	Q1:00	Q2:00	Q3:00	M9:00	MI0:00	MI1:00
Housing starts. units. 000's							
Canada. Total. All areas	150.0	162.7	142.1	156.6	157.1	164.9	155.8
% chg	9.1	3.6	-12.7	10.2	7.2	5.0	-5.5
Canada. Total. Rural areas	22.9	23.9	19.0	21.6	21.6	21.2	21.2
% chg	10.7	-2.4	-20.5	13.7	0.0	-1.9	0.0
Canada. Total. Urban areas	127.1	139.3	123.1	135.0	135.5	143.7	134.6
% chg	8.8	5.1	-11.6	9.7	8.4	6.1	-6.3
Canada. Single. Urban areas	72.8	81.3	74.3	73.8	72.5	71.4	77.6
% chg	6.6	8.0	-8.6	-0.7	-0.3	-1.5	8.7
Canada. Multiple. Urban areas	54.3	58.0	48.8	61.2	63.0	72.3	57.0
% chg	12.0	1.4	-15.9	25.4	20.5	14.8	-21.2
Newfoundland. Total. All areas	1.4	1.7	1.4	1.6	1.5	1.8	1.3
% chg	-5.4	30.8	-17.6	14.3	7.1	20.0	-27.8
Prince Edward Island. Total. All areas	0.6	0.5	0.6	0.7	0.6	0.9	0.6
% chg	17.6	0.0	20.0	16.7	-25.0	50.0	-33.3
Nova Scotia. Total. All areas	4.3	6.4	4.9	4.4	2.8	3.2	3.3
% chg	35.5	33.3	-23.4	-10.2	-47.2	14.3	3.1
New Brunswick. Total. All areas	2.8	4.5	2.4	3.8	4.8	2.7	3.3
% chg	13.4	45.2	-46.7	58.3	50.0	-43.7	22.2
Quebec. Total. All areas	25.7	26.7	22.4	26.0	25.7	26.4	28.6
% chg	11.2	-4.0	-16.1	16.1	-5.2	2.7	8.3
Ontario. Total. All areas	67.2	78.8	63.6	74.6	71.9	77.6	71.4
% chg	24.9	13.7	-19.3	17.3	8.0	7.9	-8.0
Manitoba. Total. All areas	3.1	2.3	2.8	2.6	2.3	2.6	2.3
% chg	8.2	-11.5	21.7	-7.1	-23.3	13.0	-11.5
Saskatchewan. Total. All areas	3.1	2.4	2.7	2.5	2.2	2.2	2.2
% chg	4.1	4.3	12.5	-7.4	-21.4	0.0	0.0
Alberta. Total. All areas	25.4	26.1	26.0	27.2	29.9	26.9	29.7
% chg	-6.2	-4.7	-0.4	4.6	17.3	-10.0	10.4
British Columbia. Total. All areas	16.3	13.3	15.3	13.2	15.4	20.5	13.0
% chg	-18.2	-25.7	15.0	-13.7	41.3	33.1	-36.6

SOURCE: CMHC

All data are seasonally adjusted at an annual rate, latest month's figures are preliminary.

% chg: Per cent change from previous period.

Housing starts, urban areas*

	1999	Q1:00	Q2:00	Q3:00	M9:00	M10:00	M11:00
Canada	127.1	139.3	123.1	135.0	135.5	143.7	134.6
Newfoundland	0.9	1.5	1.1	1.1	1.0	1.4	0.9
Prince Edward Island	0.4	0.5	0.3	0.4	0.3	0.7	0.4
Nova Scotia	2.8	4.2	3.1	3.2	1.6	1.8	1.9
New Brunswick	1.9	2.8	1.6	2.2	3.2	1.9	2.5
Québec	19.5	20.8	17.7	22.2	21.9	21.5	23.7
Ontario	62.9	74.3	60.3	70.1	67.4	73.5	67.3
Manitoba	2.1	1.3	1.6	1.6	1.3	1.6	1.3
Saskatchewan	2.2	2.0	2.0	2.0	1.7	1.8	1.8
Alberta	20.2	20.3	22.4	21.0	23.7	20.8	23.6
British Columbia	14.2	11.6	13.0	11.2	13.4	18.7	11.2

* Seasonally adjusted.

This Month's Major Housing Indicators

	1999	Q1:00	Q2:00	Q3:00	M9:00	M10:00	M11:00
New Housing*							
New & unoccupied, singles & semis, 000's	6.30	6.36	6.21	6.11	6.11	6.00	6.19
%chg	-8.33	1.51	-2.31	-1.61	-1.61	-1.80	3.18
New & unoccupied, row & apartments, 000's	7.93	8.19	8.12	8.24	8.24	7.76	6.99
%chg	-3.37	8.30	-0.87	1.46	1.46	-5.82	-10.00
New house price Index, 1992 = 100	100.95	102.27	102.93	103.47	103.70	n.d.	n.d.
%chg	0.89	0.46	0.65	0.52	0.19	n.d.	n.d.
Existing Housing*							
MLS resales, units, 000's	335.73	341.87	333.05	336.24	339.07	340.60	n.d.
%chg	6.73	5.57	-2.58	0.95	-1.10	0.33	n.d.
MLS average resale price, \$C, 000's	158.03	162.11	162.42	164.	167.12	168.76	n.d.
%chg	3.72	0.55	0.19	1.42	3.40	0.98	n.d.
Mortgage market							
1-year mortgage rate, %	6.80	7.63	8.03	7.90	7.90	7.90	7.90
5-year mortgage rate, %	7.56	8.48	8.51	8.25	8.25	8.25	8.25

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

chg % change from previous period.

n.a. Figures not available

* Seasonally adjusted.