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HOUSING FACTS

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Canada Mortgage and Housing Corporation

Annual starts rate falls to 156,600 units in September

In September, the seasonally adjusted annual rate of housing starts in Canada reached 156,600 units*, compared to the revised level of 169,500 units recorded in August, for a decrease of 7.6 per cent.

The rate of single urban starts was down slightly by 1.1 per cent to 78,700 units, while the multiple starts rate fell by 17.8 per cent to 55,400 units.

The downturn in September was not related to the attacks in the U.S. The level of starts rather reflects sales and com-

mitments prior to September 11. The decline in September was mainly due to the monthly volatility of multiple starts in Ontario and followed a major increase in August.

Single starts, a less volatile component on a monthly basis, remained robust. With the decrease in mortgage rates and low inventories of newly completed and unoccupied units, residential construction has so far been able to resist the economic slowdown.

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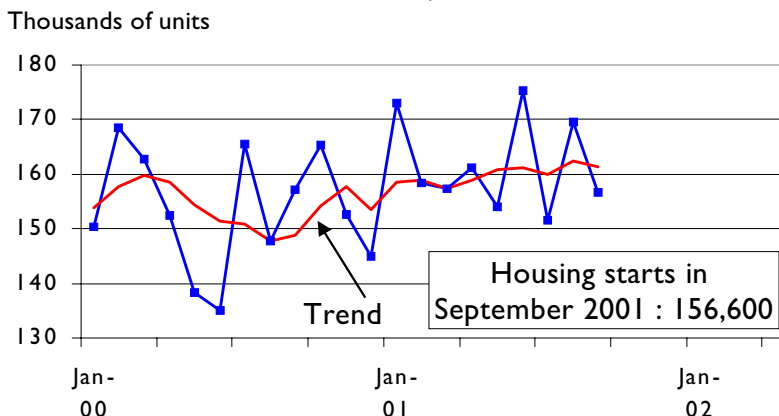
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Housing starts in Canada
all areas, *saar



Source: CMHC Housing Facts
*Seasonally adjusted annual rate



HOME TO CANADIANS
Canada

Housing starts - Continued from page 1

In September, the seasonally adjusted annual rate of starts in British Columbia posted a gain of 18.9 per cent to 15,100 units, thanks in particular to the rental apartment construction segment. In the Prairies, the annual rate of starts rose by 9.5 per cent to 28,900 units.

Elsewhere, the rate of starts was down in Ontario (-19.3 per cent to 64,600 units), in Quebec (-8.8 per cent to 19,600 units) and in the Atlantic region (-7.8 per cent to 5,900 units).

In the large urban agglomerations, the seasonally adjusted annual rate of starts reached 36,400 units in Toronto, 11,900 units in Montréal and 10,000 units in Vancouver.

After three quarters of activity, however, actual urban starts are up by 7.2 per cent over the same period in 2000.■

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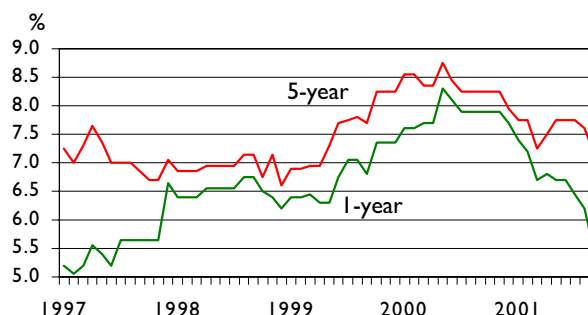
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Mortgage rates: fears of a recession drive down rates

The one-year mortgage rate is currently at its lowest level since 1997, while the five-year rate is the lowest recorded since 1999.

- Following the attacks on September 11, the European, American and Canadian central banks promptly lowered their short-term rates by 50 bp, bringing down mortgage rates in their wake, in view of responding to market concerns and, more fundamentally, to the weakness of the global economy.
- The economic data published in August and September in Canada and the U.S. confirmed the serious extent of the economic slowdown. Even though purchase intentions in the U.S. manufacturing sector (National Association of Purchasing Management) improved in August, for the moment, corporate spending and employment are declining and economic growth is generally anemic. The current phase of easing interest and mortgage rates is therefore likely to continue over the next few months in order to boost growth.
- In this context, the mortgage rate outlook from now until the end of 2002 is encouraging for the housing markets. These rates should hover between 4.50 per cent and 5.50 per cent for one-year loans, between 5.50 per cent and 6.50 per cent for three-year loans and between 6.50 per cent and 7.50 per cent for five-year loans.■

Mortgage rates

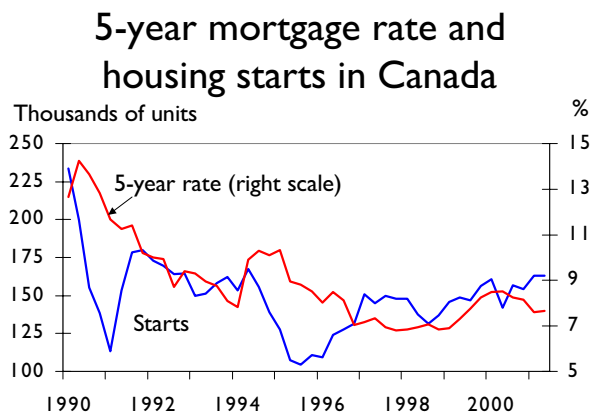
Sources: CMHC Housing Facts and Bank of Canada

Housing market conditions: comparison between 1990 and 2001

The Canadian housing market is in a much better position today than it was in the early 1990s to face a major economic slowdown.

- Contrary to the situation that prevailed in 1990, on the eve of the last recession in Canada, several key macro-economic variables are continuing to move in a direction that will support the housing market:

1. Credit conditions have been improving since the spring while, eleven years ago, mortgage rates were still rising even after the slowdown on the real estate markets was well under way, which further aggravated the situation.
 2. Overall, despite their debt levels, households continue to benefit from faster-growing incomes, especially on account of their reduced tax burdens. In fact, the budgetary balance achieved by most governments in Canada is allowing them to support growth, rather than curb it as was the case when they were fighting deficits in the 1990s.
 3. Finally, immigration remains strong and the unemployment rate is even lower than it was in 1990.
- The housing market itself is probably the best guarantee of its own robustness. New unoccupied housing stocks remain at very low levels, the resale market (see page 4) is still balanced or favouring buyers in most sectors and, lastly, the vacancy rate is falling. In 1990, not only was the vacancy rate higher than it is today, but it was also trending upwards.



Sources: CMHC Housing Facts and Bank of Canada Quarterly data

Economic indicators - Canada

	1990	2001*
GDP (%)	0.3	1.6
Unemployment rate (%)	8.2	7.2
5-year mortgage rate (%)	13.4	7.5
Household disposable income annual growth (%)	1.5	3.4
Total net migration (Thousand)	163.7	195.1

*Forecast

- In brief, the slowdown will undoubtedly come next year, but in an orderly fashion, thanks to the easing of interest rates intended to lessen the shock of the economic disruptions generated by the September 11 attacks in the United States.■

Housing markets indicators Canada

	1990	2001*
New unoccupied units Urban centres of 50,000+ (Thousand)	22.3**	10.0
Rental vacancy rate (%) Structures of 6 units and more	3.3	1.3
Sales to new listings ratio (%)	33.0	65.7

*Forecast. **1992.

Resale market: intense activity points to an increase in risks

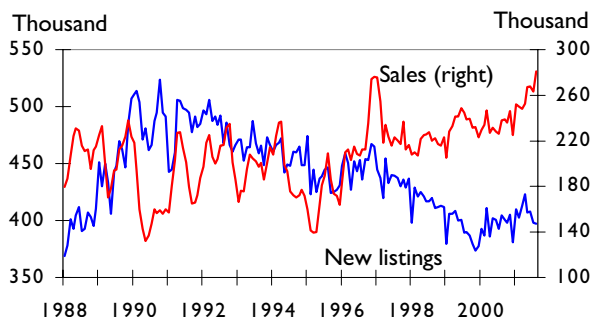
During the summer, the increase in transactions on the resale market, combined with a decrease in new listings, thrust prices to new heights in the major metropolitan areas at a time when the economy is facing a slowdown.

- In July, the average resale price in Canada's 25 largest real estate markets reached over \$191,000, a record level, before falling back down to \$182,000 in August.
- Another record was set: the sales-to-new listings ratio, which measures the relationship between supply and demand, exceeded the 70-per-cent mark in August for the first time. It is considered that this ratio ranges from 35 per cent to 50 per cent on a balanced market. In fact, the resale market for Canada's 25 largest metropolitan areas, taken all together, clearly favours

sellers. In such a context, the decrease in mortgage rates, which results from the economic slowdown and not from a slackening of the housing markets, will no doubt intensify the upward pressure on prices.

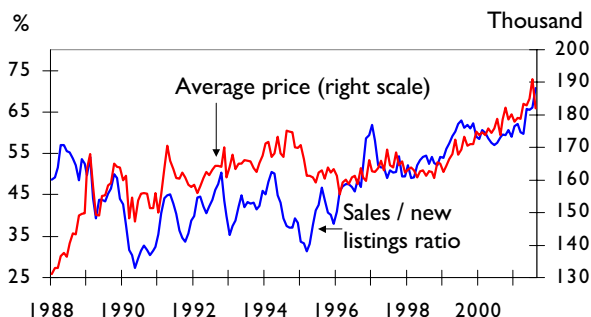
- Considering the lag between the real estate markets and economic growth, the current situation looks like the development of a real estate bubble and therefore commands caution.■

Sales and new listings
25 major markets



Sources: CMHC Housing Facts and Canadian Real Estate Association

Average resale price and sales to new listings ratio - 25 major markets



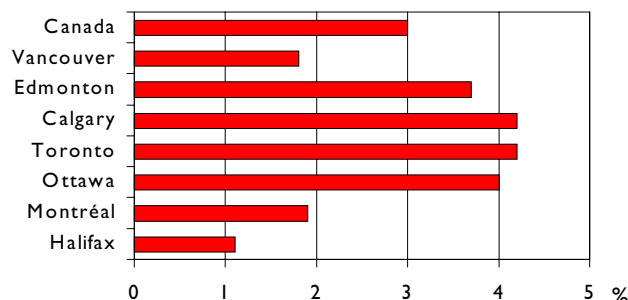
Sources: CMHC Housing Facts and Canadian Real Estate Association

Apartment construction costs up by 3 per cent over one year

The increase in apartment construction costs has been slowing down, however, since the peak of 5.5 per cent on an annual basis was recorded in the fourth quarter of 2000.

- In the second quarter of 2001, the growth in the apartment building construction composite price index continued at a much slower pace than in previous quarters. This deceleration coincided with the downturn in prices for energy and several materials.
- At the metropolitan area level, Ottawa, Toronto, Calgary and Edmonton, where the industry is contending with tighter job markets and higher labour costs, posted the greatest price increases. It should be noted that the rise in costs in these metropolitan areas remains above inflation.■

Apartments building costs annual growth rate



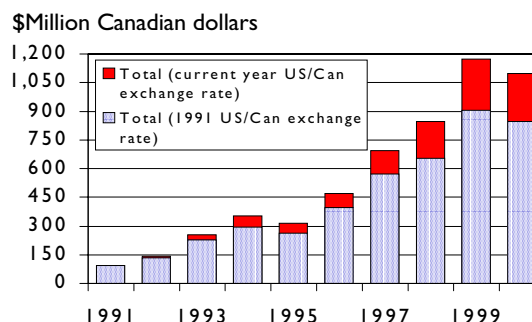
Sources: CMHC Housing Facts, Statistics Canada

Atlantic region exports running out of steam

In 2000, 96 per cent of exports of housing-related materials and products went to the United States. From January to June 2001, the value of the Atlantic region's exports to the U.S. was down by 16 per cent and should fall below the \$1-billion Canadian mark this year.

- In 1999 and 2000, softwood lumber exporters from the Atlantic region greatly benefited from the intense activity on the U.S. real estate market and the imposition of export quotas on Alberta, British Columbia, Ontario and Quebec under the former Canada-U.S. softwood lumber agreement. In fact, the value of the Atlantic region's exports of housing-related materials and products to the U.S. reached over CDN\$ 1 billion during these two years, with softwood lumber accounting for around 72 per cent of this total value.
- The increase in the value of the Atlantic region's exports to the U.S. was phenomenal during the past decade, but the U.S. economic slowdown will put an end to this growth. From January to June, the value of softwood lumber exports to the U.S. is already down by 26 per cent from the same period in 2000, even if the Atlantic provinces are exempt from the threat of imposed retroactive countervailing duties. It should be noted that, during the first six months of 2001, the www.randomlengths.com framing lumber composite price index was on average 10 per cent lower than the level re-

Atlantic's exports to the U.S.
Housing related products



Sources : CMHC Housing Facts, Statistics Canada and Bank of Canada

corded for the same period in 2000.

- The principal markets for the Atlantic region's products are the New England states, where Maine and Massachusetts are the main gateways (sea and land) for the Atlantic region. A certain proportion of the products exported is without a doubt subsequently redistributed to other states.■

Atlantic's exports Housing related products*

Main American exports markets in 2000	Year 2000 (millions of \$)	Change in % 1999-2000	Average annual change in % 1991-2000
Maine	196.6	62.3	90.0
Massachusetts	164.1	-17.2	96.2
Pennsylvania	79.5	-5.9	111.4
Georgia	62.2	36.5	793.7
New York	52.3	-27.4	67.3
N. Carolina	50.3	-28.3	730.1
Michigan	46.3	-0.4	385.0
United States	1 096.2	-6.6	120.2

Sources: CMHC and Statistics Canada
*Value of total exports in Canadian dollars. Based on SIC codes weighted to reflect the consumption of residential housing markets.

Housing starts forecasts for Atlantic's main American exports markets

Main American exports markets	Average annual number of authorized building permits 1998-2000	Average annual housing starts 2001-2005*
Maine	6 050	4 600
Massachusetts	18 740	22 700
Pennsylvania	41 787	35 600
Georgia	88 933	68 200
New York	41 707	52 900
N. Carolina	81 213	66 600
Michigan	53 740	45 900
United States	1 622 687	1 546 300

Source: CMHC Housing Facts, U.S. Bureau of the Census, NAHB

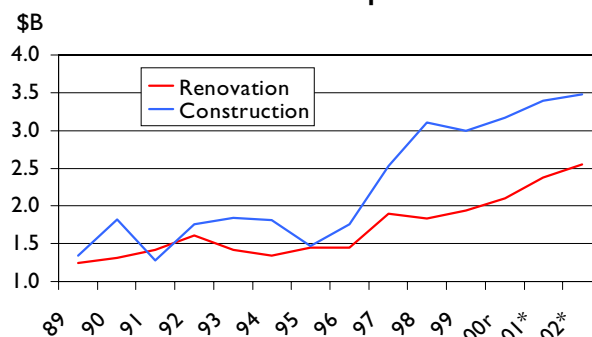
*Based on forecast housing starts intensity (NAHB) for the sub-region and its forecast population in 2005.

Close-up on Alberta

Alberta posts an interesting economic performance, despite the slowdown across North America and the drop in prices for oil and gas products. The labour force participation rate remains very high and labour shortages persist.

- In Alberta, the sturdy economic foundations will continue to favour strong activity in the residential construction sector in 2001 and 2002. This year and next year, starts will surpass the 25,000-unit mark. Around one third of these starts will be multiple housing units.
- The resale markets, particularly those in Calgary and Edmonton, will again post very good results, while MLS sales should exceed the 45,000-unit mark in 2001 and 2002.
- The major increase in the disposable income of Albertans, who are blessed by a favourable tax system and a very dynamic job market, will boost renovation spending and also homeownership, which will be facilitated by the decrease in mortgage rates. In fact, the rental housing vacancy rates in Edmonton and Calgary will be on the rise this year and next year.

New construction and renovation* expenditures



Sources: CMHC Housing Facts and Statistics Canada
*Alterations and improvements and repairs

- The drop in natural gas prices in the last few months will reduce the revenue of the Albertan government and the investment intentions of exploration companies in 2002. On the other hand, the colossal sums invested in large long-term projects, like the tar sands, continue to support economic activity. The favourable job prospects in the province will attract new workers, at a time when the other Canadian provinces will be harder hit by the economic slowdown. This situation will have a positive impact on the housing demand.■

Key numbers for Alberta's housing market

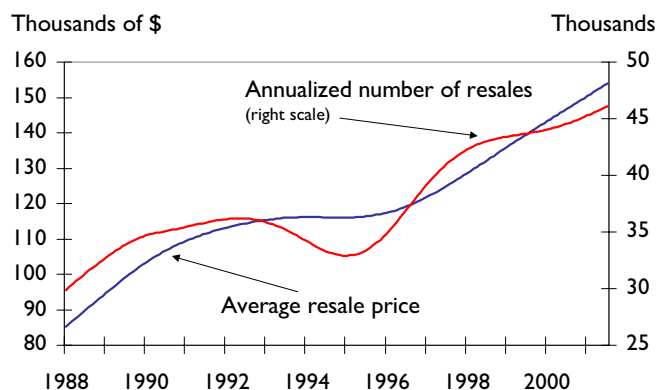
	2000	2001*
• Housing starts	26,266	27,650
• Number of resales	43,311	46,500
• Rental vacancy rate in Calgary	1.3%	1.8%
• Ownership rate	68.3%	n.a.
• Average resale price annual change	4.8%	3.9%
• Value of resales	6.3 \$B	7.1 \$B
• New construction expenditures	3.2 \$B	3.4 \$B
• Renovation expenditures	2.1 \$B	2.4 \$B
• Exports**	1.1 \$B	n.a.

Main export markets**: USA, Japan, Germany.

Sources : CMHC, Statistics Canada and Canadian Real Estate Association.

*: Forecasts. **: Housing related materials and products

Number of resales and average resale price trends



Sources : CMHC Housing Facts and Canadian Real Estate Association

➔ Next month: New Brunswick

This Month's Housing Data (SAAR)

	2000	Q1:01	Q2:01	Q3:01	M7:01	M8:01	M9:01
Housing starts. units. 000's							
Canada. Total. All areas	151.7	161.8	163.4	159.3	151.6	169.5	156.6
% chg	1.1	5.1	1.0	-2.5	-13.5	11.8	-7.6
Canada. Total. Rural areas	20.6	20.2	21.3	22.5	22.5	22.5	22.5
% chg	-9.9	5.8	5.4	5.6	5.6	0.0	0.0
Canada. Total. Urban areas	131.1	141.6	142.1	136.8	129.1	147.0	134.1
% chg	3.1	5.0	0.4	-3.7	-16.2	13.9	-8.8
Canada. Single. Urban areas	74.4	80.1	73.4	77.1	72.9	79.6	78.7
% chg	2.1	6.9	-8.4	5.0	-4.1	9.2	-1.1
Canada. Multiple. Urban areas	56.7	61.5	68.7	59.7	56.2	67.4	55.4
% chg	4.4	2.5	11.7	-13.1	-27.9	19.9	-17.8
Newfoundland. Total. All areas	1.5	0.9	1.6	1.4	1.4	1.4	1.6
% chg	6.4	-43.8	77.8	-12.5	-17.6	0.0	14.3
Prince Edward Island. Total. All areas	0.7	0.9	0.3	1.0	1.1	0.7	0.9
% chg	15.3	-10.0	-66.7	233.3	266.7	-36.4	28.6
Nova Scotia. Total. All areas	4.4	4.1	3.8	4.0	4.4	4.3	3.3
% chg	4.3	10.8	-7.3	5.3	10.0	-2.3	-23.3
New Brunswick. Total. All areas	3.1	3.9	3.3	3.0	2.6	3.1	3.2
% chg	11.0	34.5	-15.4	-9.1	-23.5	19.2	3.2
Quebec. Total. All areas	24.7	28.3	26.2	27.6	28.6	28.1	26.2
% chg	-4.1	11.0	-7.4	5.3	6.7	-1.7	-6.8
Ontario. Total. All areas	71.5	76.4	75.1	70.9	61.5	83.3	67.9
% chg	6.4	5.1	-1.7	-5.6	-27.1	35.4	-18.5
Manitoba. Total. All areas	2.6	2.6	3.5	3.5	4.0	3.4	3.2
% chg	-18.3	0.0	34.6	0.0	25.0	-15.0	-5.9
Saskatchewan. Total. All areas	2.5	2.2	1.9	2.2	2.8	1.5	2.4
% chg	-18.6	0.0	-13.6	15.8	16.7	-46.4	60.0
Alberta. Total. All areas	26.3	26.2	29.7	29.1	27.4	29.0	30.8
% chg	3.2	-0.4	13.4	-2.0	-7.4	5.8	6.2
British Columbia. Total. All areas	14.4	16.3	18.0	16.6	17.8	14.7	17.1
% chg	-11.6	5.2	10.4	-7.8	-8.7	-17.4	16.3

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*

	2000	Q1:01	Q2:01	Q3:01	M7:01	M8:01	M9:01
Canada	131.1	141.6	142.1	136.8	129.1	147.0	134.1
Newfoundland	1.0	0.7	1.1	1.1	1.1	1.1	1.3
Prince Edward Island	0.4	0.4	0.2	0.5	0.6	0.2	0.4
Nova Scotia	3.0	2.8	2.6	2.5	2.9	2.8	1.8
New Brunswick	2.0	2.6	1.7	2.2	1.8	2.3	2.4
Québec	19.9	23.0	20.8	21.0	22.0	21.5	19.6
Ontario	67.4	72.8	72.2	67.6	58.2	80.0	64.6
Manitoba	1.5	1.6	1.8	1.8	2.3	1.7	1.5
Saskatchewan	1.9	1.5	1.4	1.8	2.4	1.1	2.0
Alberta	21.5	21.2	24.1	23.7	22.0	23.6	25.4
British Columbia	12.4	15.0	16.2	14.6	15.8	12.7	15.1

* Thousands of units, seasonally adjusted.

This Month's Major Housing Indicators

	2000	Q1:01	Q2:01	Q3:01	M7:01	M8:01	M9:01
New Housing*							
New & unoccupied. singles & semis. 000's	6.3	6.1	5.8	5.8	6.0	5.8	5.8
%chg	0.2	-2.6	-4.6	-0.3	0.4	-1.5	0.7
New & unoccupied. row & apartments. 000's	7.3	6.4	6.5	5.6	6.2	5.5	5.6
%chg	-8.3	-9.1	1.6	-14.9	-4.6	-11.5	0.3
New house price Index. 1992 = 100	103.2	104.8	105.7	n.a.	106.4	n.a.	n.a.
%chg	2.2	0.7	0.8	n.a.	0.3	n.a.	n.a.
Existing Housing*							
MLS resales. units. 000's**	333.7	352.7	371.4	n.a.	374.5	397.8	n.a.
%chg	-0.6	5.7	5.4	n.a.	-1.2	6.2	n.a.
MLS average resale price. \$C. 000's	164.1	165.6	171.5	n.a.	177.1	171.4	n.a.
%chg	3.8	-0.5	3.1	n.a.	2.6	-3.2	n.a.
Mortgage market							
1-year mortgage rate.%	7.85	7.10	6.73	6.03	6.45	6.20	5.45
5-year mortgage rate. %	8.35	7.58	7.67	7.50	7.75	7.60	7.15

SOURCES: 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).