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HOUSING FACTS

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Canada Mortgage and Housing Corporation

Annual starts rate rebounds to 169,200 units in August

In August, the seasonally adjusted annual rate of housing starts in Canada reached 169,200 units*, compared to the revised level of 151,600 units recorded in July, for an increase of 11.6 per cent.

The rate of single urban starts was up by 9.2 per cent to 79,600 units, while multiple starts rose by 19.4 per cent to 67,100 units.

Residential construction in Canada was once again marked,

almost exclusively, by the large swings that have been characterizing starts activity in Ontario for several months.

Single starts, a less volatile component on a monthly basis, posted gains in most regions in August. This, combined with low inventories of newly completed and unoccupied units, suggests that housing demand remains strong despite the economic slowdown.

Please see **Housing starts**

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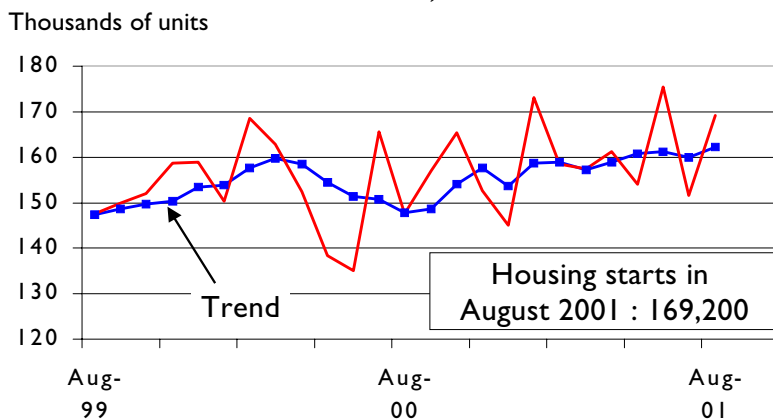
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Housing starts in Canada
all areas, *saar



Source: CMHC Housing facts
*Seasonally adjusted annual rate



HOME TO CANADIANS
Canada

Housing starts - Continued from page 1

In August, the rate of starts in Ontario registered an increase of 37.3 per cent to 79,900 units, with gains in both the single and multiple housing segments. In the Atlantic region, the annual rate of starts remained unchanged at 6,400 units.

Elsewhere, the rate of starts were down in the Prairies (-1.1 % to 26,400 units), in Quebec (-2.3% to 21,500 units) and in British Columbia (-20.9% to 12,500 units).

In the large urban agglomerations, the rate of starts reached 50,300 units in Toronto, 11,300 units in Montréal and 8,600 units in Vancouver, at seasonally adjusted annual rates.

After eight months of activity, actual urban starts are up by 8.7% over the same period in 2000. ■

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Rental construction: high density dominates in Ontario

In Canada, from July 2000 to June 2001, rental housing starts jumped up by 36% over the 12 previous months.

- From July 2000 to June 2001, 13,747 rental units were started, compared to 10,111 during the previous 12 months. The industry is therefore reacting to the steadily declining number of unoccupied rental dwellings in Canada for the past few years.
- Rental construction now comes mostly in the form of large buildings, especially in Ontario where 73% of the units built are contained in structures with over 50 units. Only Quebec continues to produce a relatively strong supply of new dwellings located in low-density buildings of less than 5 units.
- From July 2000 to June 2001, Quebec posted the most rental starts (4,291 units), followed by B.C. (2,866 units), the Prairies (2,580 units), Ontario (2,334 units) and the Atlantic Region (1,676 units). ■

Percentage share of rental housing starts* by size of structure (number of units)

Regions / Provinces	1 to 5	6 to 49	50 to 199	200 and more
Atl.	7.3	34.4	43.5	14.8
Quebec	17.8	39.6	31.8	10.8
Ontario	7.6	19.4	43.3	29.7
Prairies	8.3	71.2	20.5	0.0
B.C.	3.2	34.0	54.5	8.3
Canada 10 000+	10.2	39.1	38.3	12.4

Source: CMHC Housing Facts

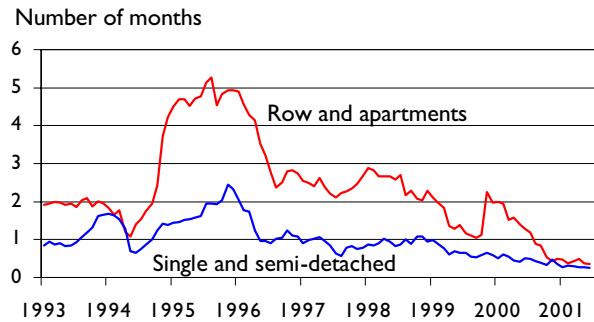
*This breakdown is based on a sample of 12,634 housing starts to which we must add 1,113 units to get total housing starts for this period.

Unoccupied units: historical lows in several metropolitan areas

In several metropolitan areas, the number of new unoccupied units has never been so low. This situation should lessen the impact of the economic slowdown on residential construction.

- Even with the robust housing activity observed in recent months, the number of new unoccupied units in metropolitan areas continue to decrease and are approaching historical lows. At the end of June 2001, in urban centres with 50,000 or more inhabitants, only 5,089 new single and semi-detached houses were unoccupied. As for row homes and apartments, 5,529 units were unoccupied. Since the peak in 1995, unoccupied housing stocks have been on a downward course, which is mainly attributable to rising demand, but also to the end of speculative building in most markets.
- Unoccupied units play a buffer role between supply and demand changes in the short term. Changes in the number of new unoccupied units in relation to the rate at which newly built dwellings are sold or rented (duration of supply) is similar to the inventory-to-sales ratio in the manufacturing sector.
- At the metropolitan area level, Ottawa remains one of the tightest markets in Canada, with just a few hundred new or existing unoccupied units in stock. The duration of the inventory is currently only about 10 days for all products in Ottawa. The numerous layoffs in the high-technology sector over the last year are not changing anything with regard to the scarcity of unoccupied dwellings within the city.

Ottawa's inventory duration

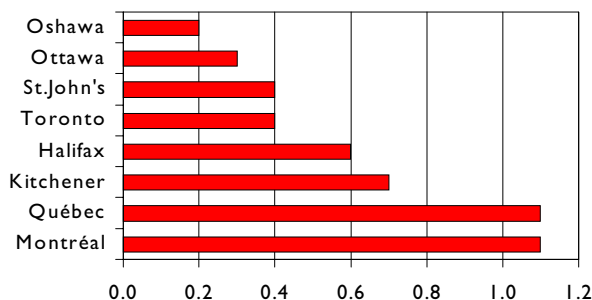


Source : CMHC Housing Facts

- Buyers of new homes and renters in the greater Toronto area or Oshawa are also contending with a limited supply of new unoccupied units. In Toronto, the duration of the inventory for single and semi-detached houses stood at less than 0.4 months this past June, compared to around 0.2 months for row homes and apartments. In other words, at this current pace, it would take only a week or two to deplete the stock of new unoccupied dwellings in the event of a work stoppage in the residential construction sector.■

Inventory duration (number of months)

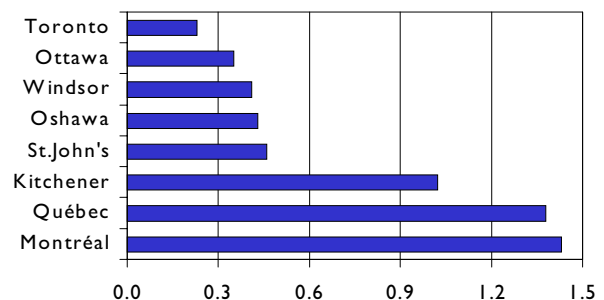
Single and semi-detached



Source : CMHC Housing Facts

Inventory duration (number of months)

Row houses and apartments



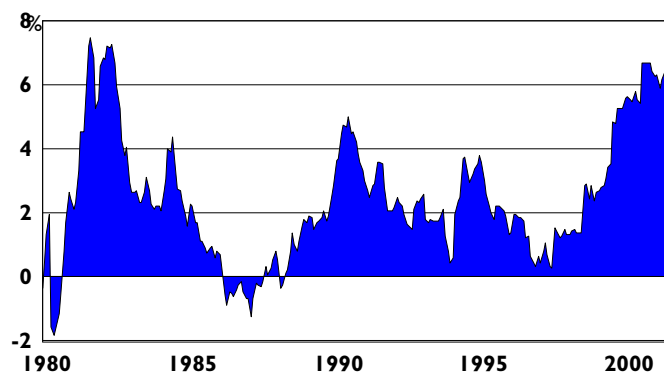
Source: CMHC Housing Facts

Mortgage loans: it costs more to opt for the long term

Currently, the gap between 1-year and 5-year mortgage rates is such that the long-term premium has reached its widest point in almost 20 years. But, this does not take into account rate discounts.

- For several years now, a majority of Canadians have been favouring long-term rates, particularly the 5-year rate, despite the fact that it is more expensive. The additional cost associated with choosing a long-term loan, compared to the successive renewals of a short-term mortgage loan, is effectively an insurance premium against volatility in the rates and therefore in the mortgage payments. Budget restrictions prompt most households to pay more, rather than risk sustaining an increase in their monthly payments.
- CMHC developed a measure of this premium by estimating the effective mortgage rate differential between two mortgage term selection strategies. One strategy is holding a 5-year term with the typically higher mortgage rate. The other strategy is holding a succession of 1-year terms over a 5-year period.
- Using this measure, the long-term premium averaged at 2.0% in the 1980s and at 2.4% in the 1990s. During the first seven months of this year, this premium reached an average of 6.3%.
- CMHC's analysis also reveals that it would have been more advantageous for borrowers to opt for the short term 90% of the time for the period from January 1980 to July 2001.
- CMHC's analysis was based on posted rates. However, given the growing presence of mortgage rate discounts, and given that many consumers base their decision on effective rates, not posted rates, results could be slightly different.■

Long-term* mortgage premium



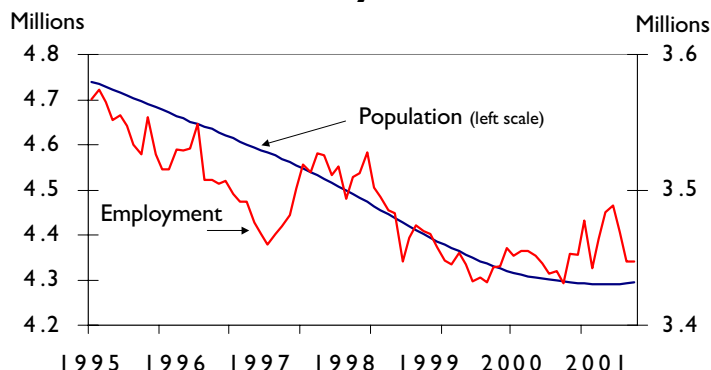
Source: CMHC Housing Facts *5-year mortgage rate

Decline in youth employment will have an impact on housing

Compared to the other age groups, employment among the 25-34 years' segment has mostly fallen since 1995.

- While several factors such as low mortgage rates, sustained immigration levels, and low inventories, are working to maintain the current pace of residential construction activity, prevailing conditions has been favouring multiple housing starts.
- However, the loss of jobs among the 25-34 year age group since the beginning of the year could modify the outlook. Over the coming year, the market segments most affected by the decline in youth employment will be the less expensive homeownership entry products or the rental products - which typically tend to be multiples.■

Employment and population of 25-34 year-olds



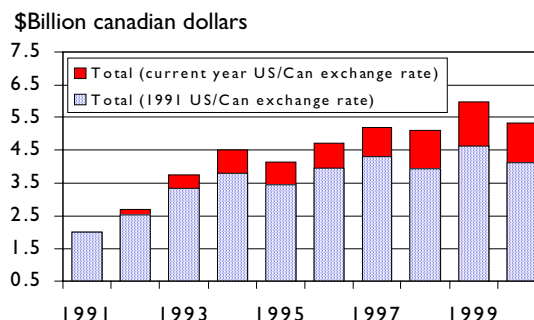
Sources: CMHC Housing Facts and Statistics Canada

Export: British Columbia and the issue of softwood lumber

In 2000, the value of softwood lumber exports to the U.S. market dropped by half a billion dollars, on an annual basis, thereby reflecting the decrease in the structural timber composite price index, which went from US\$402 in 1999 to US\$323 in 2000.

- The value of B.C.'s exports of housing-related products to the United States reached over \$5.3 billion Canadian in 2000. Since 1991, the average annual growth rate in B.C.'s exports to the U.S. has been 18.4 per cent. The key states of Washington, Oregon and California absorb 31.5% of the province's exports to the U.S. and 22.6% of all its exports worldwide.
- Much of B.C.'s exports is softwood lumber. In 2000, softwood lumber accounted for nearly 75% of the value of the province's exports to the U.S. This proportion is trending lower, however, as it stood at 90% in 1993. In the key markets of Washington, Oregon and California, the shares of softwood lumber exports reached 58%, 60% and 39%, respectively, last year, compared to over 80% at the beginning of the decade.
- B.C. is still well positioned, on account of its relative proximity to the high-growth markets in the western U.S. The state of California should remain a priority market for B.C. until 2005. The Rocky Mountain region, where starts activity will remain the strongest in the United

British Columbia's exports to the U.S.
Housing related products



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

States, also constitutes a promising market where B.C. could enhance its presence to offset the foreseeable impact of gloomier prospects in Japan, B.C.'s principal client after the U.S. This being said, the outcome of a new softwood lumber agreement will be one of the main factors that will shape B.C.'s trade over the next few years. ■

British Columbia'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
Washington	842.0	0.0	19.0
Oregon	459.5	-10.4	10.7
California	381.2	11.8	30.1
Texas	276.2	-17.9	28.0
Illinois	270.3	-9.1	13.7
Wisconsin	180.2	-15.1	15.2
Georgia	164.6	-24.5	10.3
United States	5,330.5	-11.1	18.4

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 B.C.'s main American exports markets

Main American exports markets	Average annual number of building permits 1998-2000	Average annual housing starts 2001-2005*
Washington	42,500	28,800
Oregon	22,993	16,600
California	135,887	158,400
Texas	148,173	122,500
Illinois	51,297	65,000
Wisconsin	35,053	29,000
Georgia	889,337	68,200
United States	1,622,687	1,546,300

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

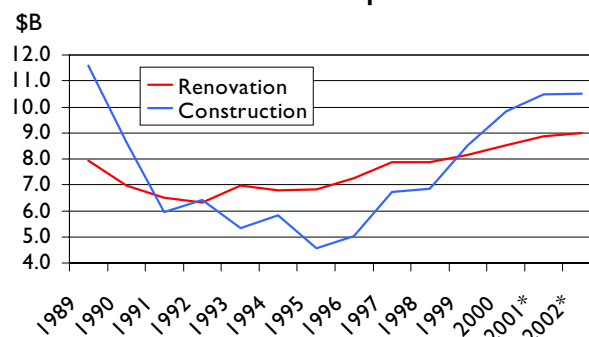
*Based on forecast housing starts intensity (NAHB) for the sub-region and its forecast population in 2005.

Close-up on Ontario

Due to the size of its population and the fact that it receives three out of five international immigrants, Ontario's housing markets are without a doubt among the most dynamic, and also the most expensive, in Canada.

- Ontario holds the key to housing market growth in Canada. In fact, Ontario garners, on average, 45% to 50% of starts in Canada and a similar proportion of resale transactions and residential renovation expenditures.
- More heavily integrated into the United States economy than the other provinces, Ontario's economy is also more closely tied to the Americans' consumption cycle on account of the type of products that it exports there (such as automobiles). The expansion of Ontario's economy since 1996 and the current slowdown is evidence of this close relationship with the U.S. economy.
- But one of the most interesting aspects of Ontario's housing market has been the persistently low level of unoccupied units, on both the

New construction and renovation* expenditures



Sources: CMHC Housing Facts and Statistics Canada

*Alterations and improvements and repairs

new and existing home markets, for the past few years. In fact most census metropolitan areas (CMAs) in Ontario stand out of all CMAs in Canada for the lowest rental housing vacancy rates and the smallest stocks of new unoccupied dwellings (see page 3). At the same time, Ontario's CMAs, except for those in the northern part of the province, are posting the greatest price increases on the rental and homeowner markets. So, it may be the fact that the housing supply must catch up to an obvious pent-up demand that will allow Ontario's industry to withstand the current economic slowdown phase. ■

Key numbers for Ontario's housing market

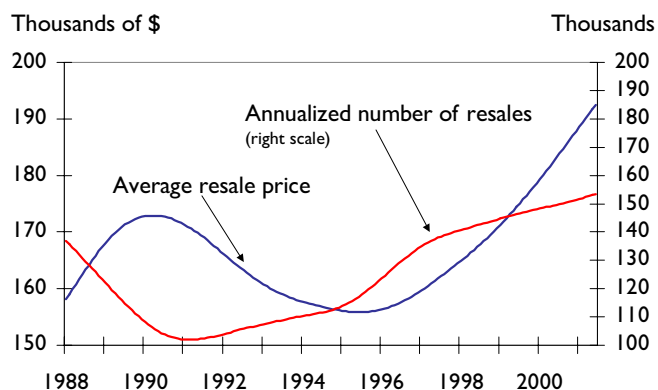
	2000	2001*
• Housing starts	71,521	73,900
• Number of resales	147,036	152,000
• Rental vacancy rate in Toronto	0.6%	0.7%
• Ownership rate	64.7%	n.a.
• Average resale price annual change	5.6%	5.0%
• Value of resales	27.0 \$B	29.3 \$B
• New construction expenditures	10.5 \$B	10.5 \$B
• Renovation expenditures	8.5 \$B	8.9 \$B
• Exports**	5,0 \$B	n.a.

Main export markets**: USA, U.K., 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: Alberta

This Month's Housing Data (SAAR)

	2000	Q4:00	Q1:01	Q1:02	M6:01	M7:01	M8:01
Housing starts. units. 000's							
Canada. Total. All areas	151.7	155.2	161.8	163.4	175.3	151.6	169.2
% chg	1.1	-1.3	5.1	1.0	13.8	-13.5	11.6
Canada. Total. Rural areas	20.6	20.3	20.2	21.3	21.3	22.5	22.5
% chg	-9.9	-10.2	5.8	5.4	0.0	5.6	0.0
Canada. Total. Urban areas	131.1	134.9	141.6	142.1	154.0	129.1	146.7
% chg	3.1	0.1	5.0	0.4	16.0	-16.2	13.6
Canada. Single. Urban areas	74.4	74.9	80.1	73.4	76.0	72.9	79.6
% chg	2.1	2.3	6.9	-8.4	8.3	-4.1	9.2
Canada. Multiple. Urban areas	56.7	60.0	61.5	68.7	78.0	56.2	67.1
% chg	4.4	-2.4	2.5	11.7	24.6	-27.9	19.4
Newfoundland. Total. All areas	1.5	1.5	0.9	1.6	1.7	1.4	1.4
% chg	6.4	0.0	-43.8	77.8	-5.6	-17.6	0.0
Prince Edward Island. Total. All areas	0.7	1.2	0.9	0.3	0.3	1.1	0.7
% chg	15.3	50.0	-10.0	-66.7	-25.0	266.7	-36.4
Nova Scotia. Total. All areas	4.4	3.7	4.1	3.8	4.0	4.4	4.3
% chg	4.3	-14.0	10.8	-7.3	37.9	10.0	-2.3
New Brunswick. Total. All areas	3.1	3.0	3.9	3.3	3.4	2.6	3.1
% chg	11.0	-18.9	34.5	-15.4	6.2	-23.5	19.2
Quebec. Total. All areas	24.7	26.1	28.3	26.2	26.8	28.6	28.1
% chg	-4.1	-1.1	11.0	-7.4	9.8	6.7	-1.7
Ontario. Total. All areas	71.5	73.0	76.4	75.1	84.4	61.5	83.2
% chg	6.4	-2.3	5.1	-1.7	21.3	-27.1	35.3
Manitoba. Total. All areas	2.6	2.6	2.6	3.5	3.2	4.0	3.4
% chg	-18.3	0.0	0.0	34.6	0.0	25.0	-15.0
Saskatchewan. Total. All areas	2.5	2.2	2.2	1.9	2.4	2.8	1.5
% chg	-18.6	-15.4	0.0	-13.6	60.0	16.7	-46.4
Alberta. Total. All areas	26.3	26.3	26.2	29.7	29.6	27.4	29.0
% chg	3.2	-4.7	-0.4	13.4	1.7	-7.4	5.8
British Columbia. Total. All areas	14.4	15.6	16.3	18.0	19.5	17.8	14.5
% chg	-11.6	19.1	5.2	10.4	8.3	-8.7	-18.5

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	Q4:00	Q1:01	Q2:01	M6:01	M7:01	M8:01
Canada	131.1	134.9	141.6	142.1	154.0	129.1	146.7
Newfoundland	1.0	1.1	0.7	1.1	1.2	1.1	1.1
Prince Edward Island	0.4	0.5	0.4	0.2	0.2	0.6	0.2
Nova Scotia	3.0	2.3	2.8	2.6	2.8	2.9	2.8
New Brunswick	2.0	1.9	2.6	1.7	1.8	1.8	2.3
Québec	19.9	20.8	23.0	20.8	21.4	22.0	21.5
Ontario	67.4	69.7	72.8	72.2	81.5	58.2	79.9
Manitoba	1.5	1.4	1.6	1.8	1.5	2.3	1.7
Saskatchewan	1.9	1.5	1.5	1.4	1.9	2.4	1.1
Alberta	21.5	22.4	21.2	24.1	24.0	22.0	23.6
British Columbia	12.4	13.3	15.0	16.2	17.7	15.8	12.5

* Thousands of units, seasonally adjusted.

This Month's Major Housing Indicators

	2000	Q4:00	Q1:01	Q2:01	M6:01	M7:01	M8:01
New Housing*							
New & unoccupied. singles & semis. 000's	6.3	6.3	6.2	6.0	6.0	6.0	5.8
%chg	0.2	3.0	-1.7	-4.0	-1.2	0.7	-4.0
New & unoccupied. row & apartments. 000's	7.3	6.5	6.8	6.9	6.9	6.2	5.5
%chg	-8.3	-20.1	3.5	1.3	-5.1	-5.1	-11.5
New house price Index. 1992 = 100	103.2	104.2	104.8	105.7	106.0	n.d.	n.d.
%chg	2.2	0.6	0.7	0.8	0.3	n.d.	n.d.
Existing Housing*							
MLS resales. units. 000's**	333.7	333.6	352.7	371.4	379.1	374.5	n.d.
%chg	-0.6	0.3	5.7	5.4	0.1	-1.2	n.d.
MLS average resale price. \$C. 000's	164.1	167.3	165.6	171.5	172.4	176.9	n.d.
%chg	3.8	1.5	-0.5	3.1	0.4	2.6	n.d.
Mortgage market							
1-year mortgage rate.%	7.85	7.83	7.10	6.73	6.70	6.45	6.20
5-year mortgage rate. %	8.35	8.15	7.58	7.67	7.75	7.75	7.60

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).