# INDUSTRY CANADA
# Prefabricated Housing Review

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# US Market Leads Industry Exports Higher
# Exports to Japan and Europe Grow In 3rd Quarter

## International Trade

Canada's prefabricated building export markets began to strengthen in the third quarter of 1999. While smaller markets continued to show signs of weakness, most major markets recorded a growth in demand for Canadian product. Between July and September, exports of Canadian prefabricated buildings were $142 million, an increase of 28 percent over the same period in 1998. This represents the second consecutive quarter of export growth for the industry. Despite exports to the US growing at a brisk pace, offshore industry exports have repeatedly fallen short of their 1997 highs for most of 1998 and the first quarter of 1999. July recorded an all time monthly high for exports at $50.8 million. Exports of prefabricated buildings were $319 million through the first nine months of the year, an increase of 17 percent over the same period in 1998.

## Exports to the United States

Prefabricated building exports to the US were robust in the third quarter. Canadian exports to the US grew 36 percent in the third quarter,

### *Also in this Issue*




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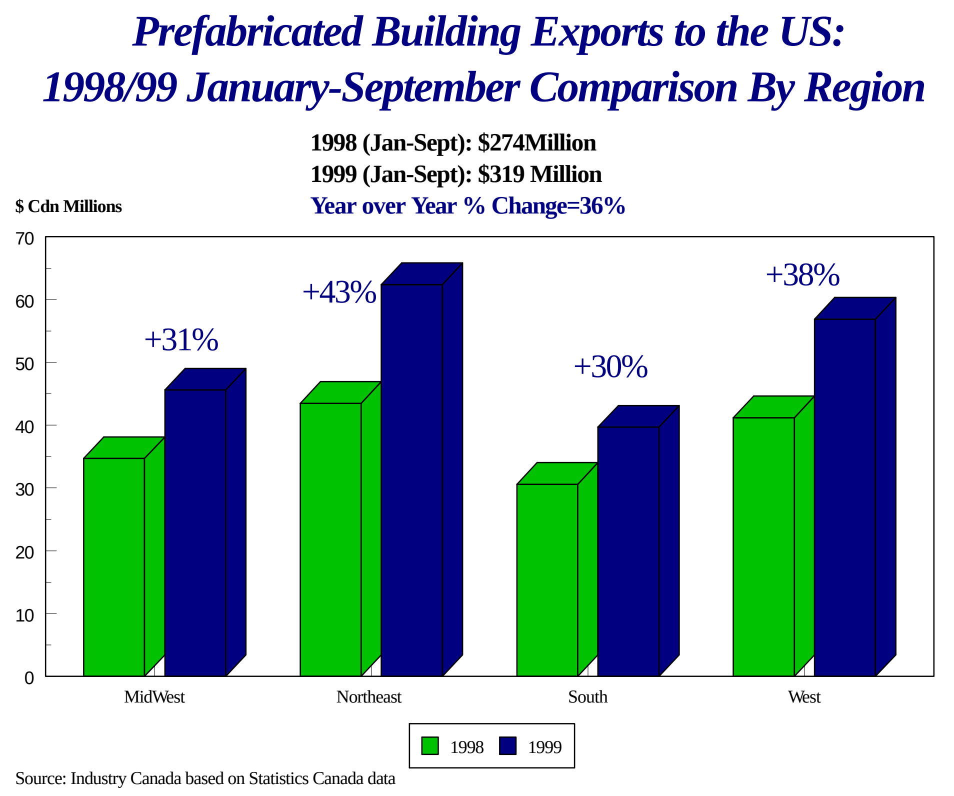
reaching $98 million. This compares to $72 million in the third quarter of 1998. Prefabricated building exports showed solid growth in all regions, fuelled by higher demand stemming from a booming economy. The strong third quarter results pushed total exports to the US to $205 million for the first nine months of the year, an increase of 36 percent.

Although the US South is the smallest market for Canadian prefabricated buildings, exports to this region grew the fastest in the third quarter. Strong demand from booming economies in southern states pushed exports up 49 percent in the third quarter, with exports reaching $16 million. Total exports to the US South were $40 million in the first nine months of the year, an increase of 30 percent from the same period last year. Virginia is the largest state market in the South with exports to the state reaching $8 million through the first three quarters of 1999.

The largest US region for Canadian prefabricated buildings remains the US Northeast. Exports increased 46 percent to $32 million in the third quarter. For the first nine months of the year, shipments of Canadian prefabricated buildings to the US Northeast were $62.4 million, an increase of 43 percent over $43.5 million in 1998. New York and Maine were the two largest destinations for Canadian prefabricated buildings, both regionally and nationally, between January and September. Exports to these states were $19.4 and $16.8 million respectively for the first nine months of the year.




Canadian exports to states on the US West Coast showed steady growth. Third quarter exports reached $25.7 million, the best result the Canadian industry has ever observed in this region. This represents an increase of 25 percent over the 1998 third quarter. This, combined with the first and second quarters, pushed exports for the first nine months of the year to $56.9 million, an increase of 38 percent. The states of Washington and California were the leading export destinations in the US West region with Canadian exports of $15 and $8 million respectively.

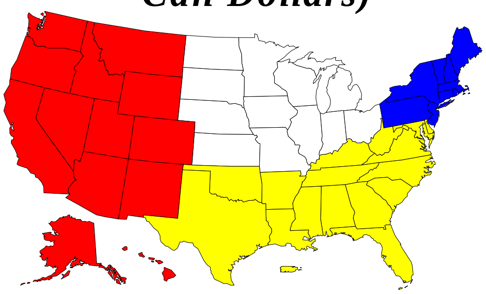
Exports to the US Midwest, the third largest market for Canadian prefabricated homes, rose 27 percent to $23.2 million in the third quarter. North Dakota was the leading market with exports of $10.3 million between January and September of 1999. Total exports to the US Midwest through the first nine months of 1999 were $45.6 million, an increase of 31 percent over $35 million for the same period in 1998.

# *Exports to the Top 20 US States*

*1999*

*Jan-Sept*

***(In Thousands of Cdn Dollars)***



Source: Industry Canada Based on Statistics Canada data, 1999

| | | Jan-Sept 99 | Jan-Sept 98 | % Ch 98/99 |
|---|---|---|---|---|
| 1 | New York | 19,371 | 17,633 | 9.9% |
| 2 | Maine | 16,761 | 9,754 | 71.8% |
| 3 | Washington | 15,136 | 10,908 | 38.8% |
| 4 | North Dakota | 10,325 | 8,375 | 23.3% |
| 5 | Massachusetts | 8,316 | 4,255 | 95.4% |
| 6 | Ohio | 8,310 | 4,617 | 80.0% |
| 7 | California | 7,968 | 6,755 | 18.0% |
| 8 | Virginia | 7,912 | 3,584 | 120.7% |
| 9 | Colorado | 7,808 | 3,196 | 144.3% |
| 10 | Florida | 7,353 | 6,747 | 9.0% |
| 11 | Michigan | 7,268 | 5,742 | 26.6% |
| 12 | Montana | 6,840 | 5,110 | 33.9% |
| 13 | Arkansas | 6,000 | 6,945 | -13.6% |
| 14 | Texas | 5,590 | 6,066 | -7.8% |
| 15 | North Carolina | 5,369 | 4,496 | 19.4% |
| 16 | Pennsylvania | 5,284 | 3,403 | 55.3% |
| 17 | Illinois | 5,078 | 3,920 | 29.6% |
| 18 | Oregon | 4,668 | 3,450 | 35.3% |
| 19 | New Hampshire | 4,543 | 2,494 | 82.2% |
| 20 | Wisconsin | 4,296 | 2,930 | 46.6% |

## Offshore Markets

The Japanese market for prefabricated buildings began to rebound in the third quarter. Total exports to Japan were $22 million between July and September, an increase of 14 percent from the third quarter of 1998. Housing activity, especially in the prefabricated building sector, started to increase over the summer months. Despite the strong quarter, exports to Japan for the first nine months of the year were actually down14 percent overall to $61.4 million. The Japanese market represents 19 percent of total Canadian prefabricated building exports. This is down from 45 percent just 2 years ago. Canadian producers, through August, were the largest suppliers of Japanese prefabricated housing imports.

Exports to the European Union (EU) continued to be strong through the third quarter. Between July and September, prefabricated building exports to this region grew 34 percent to $12 million, up from $8.7 million in the third quarter of 1998. July was a particularly strong month at $5.2 million. Exports to the EU account for 8 percent of total prefabricated building exports. After slowing down considerably in 1998, the EU economies saw some growth in 1999. Leading markets include Germany and the United Kingdom with imports of $11.6 million and $6.3 million through the first nine months of the year respectively. Total exports to the EU from January through September were $26.3 million.

Other Canadian markets for prefabricated buildings were mixed. Exports to Latin America and Eastern Europe saw decreases

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while third quarter exports to the Asia-Pacific region, excluding Japan, rose 49 percent to $3.5 million. Much of this was due to the improving economic conditions in many Asian countries. Despite this, exports to the Asia-Pacific region were down 12.2 percent for the first nine months of the year to $6.8 million. Exports to Latin America and Eastern Europe were both $3 million for the January to September period. Markets other then the US, EU and Japan account for 9 percent of total exports.

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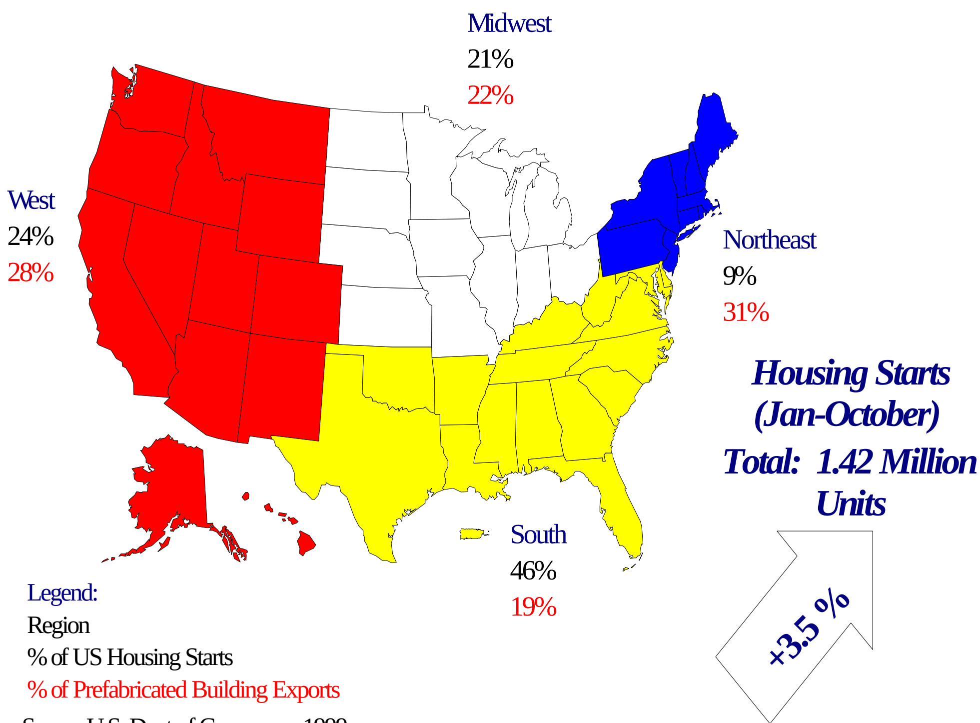
## *US Housing Starts January-October 1999*




Source:U.S. Dept of Commerce, 1999

## Imports

Imports of prefabricated buildings, primarily from the US, fell by 2 percent for the first nine months of the year. The total value of imports was $81.2 million between January and September, compared to $83 million for the same period in 1998. Illinois, Pennsylvania and Wisconsin were the leading source of imports at $14.4, $10.2 and $10 million respectively. For the first nine months of 1999, Canada had a net trade balance of $238 million.

## Mobile Homes

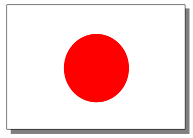
Canadian shipments of mobile homes were $82 million in the third quarter of 1999. This represents an increase of 6.2 percent over the third quarter of 1998. Seasonally adjusted and annualized shipments in the third quarter reached $265 million. Total shipments for the first nine months were $210 million, up 10 percent from $191 million in 1998. Exports of mobile homes were $6.7 million between January and September. This represents a 20 percent increase over the same period in 1998.

# Construction and Housing Review

## Construction in Canada

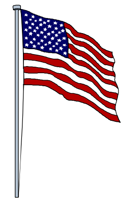
The stronger Canadian economy helped housing construction rebound in 1999. The summer months provided solid housing starts, leading to an overall increase for the year. In November, the latest available data, housing starts in Canada were 147 500 on a seasonally adjusted and annualized basis. Building permits for the year through to October were 135 700, up 6.7 percent from the previous year. The Toronto area remained the strongest construction market up 28 percent for the first ten months of the year to 29 600 building permits issued. Montreal was the second largest construction market for the first 10 months of 1999, with 10 700 building permits issued so far in 1999. This is an increase of 11 percent over the same period in 1998. Activity in Edmonton, with 5 900 building permits issued, was also strong. Calgary and Vancouver, the third and fourth largest construction markets, were down compared to the same period in 1998.

## Construction in Japan



The Japanese economy has begun to recover from the recession which severely impacted housing construction in the country. The recovery remains fragile and falling back into recession is a legitimate possibility. To illustrate this, Japan's gross domestic product fell by 1 percent in the third quarter, much greater than most economists had predicted. Housing construction in Japan for the first ten months did see some growth, especially in the latter summer months. Total housing starts in Japan through the first ten months of 1999 were 1.010 million, up nearly 1 percent for the year. Japanese prefabricated and 2x4 housing starts were particularly impressive through October. These sectors saw increases of 65 and 76 percent respectively over the same period last year.

## Construction in the United States



Economic growth in the US continued to be impressive through the late summer and early fall months of 1999. Low unemployment, stable prices and high consumer spending helped growth in all sectors of the economy. Housing and construction activity remained high across all regions even though on a seasonally adjusted basis, starts were lower than in the same period last year. This was most evident in September and October housing starts, where rates were off last years pace and may point towards a cooling down of housing construction activity in the US. Total housing starts through the first ten months of 1999 were 1.42 million. Building permits in October were 1.584 million on a seasonally adjusted and annualized basis.

US Housing Starts

January - October

| | Total | % Ch 98/99 |
|---|---|---|
| Total | 1,420,000 | 3.5% |
| Northeast | 130,100 | 3.5% |
| Midwest | 303,300 | 8.2% |
| South | 648,600 | 2.9% |
| West | 339,100 | 0.7% |

Source: US Department of Commerce