

❖ Prefabricated Housing Review ❖

Volume 6 Issue 2

Summer 2000

Highlights

- Exports rise 34 % on strong US demand
- Shipments to Japan and Asia-Pacific improve
- Imports push higher in first quarter
- Higher interest rates expected to slow growth



International Trade

Prefabricated building exports in the first quarter of 2000 continued the upward trend which started in the latter half of 1999. Exports in the first quarter of the year were up 34 percent, reaching \$88.9 million. This compared with exports of \$66.4 million in the first quarter of 1999. The US continues to dominate as the primary destination for Canadian exports accounting for 62 percent of total exports. Improving economic conditions in Japan resulted in the first increase in quarterly exports to this country in nearly two years.

Provincially, British Columbia led all other regions with exports of \$35.6 million for the first three months of the year. This represents a 66 percent increase from a year ago. Ontario, with exports of \$35.2 million, is the second largest exporting province.

Exports to the US

Exports to the US continued to grow in the first three months of 2000, pushing to a new record level for the usually slow period. Canadian prefabricated building exports to the US rose 48.5 percent to \$55.1 million. This compared with exports of \$37.1 million a year ago. Although exports to the total US are strong, growth in some regional markets appears to have weakened.

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SPECIAL FEATURE

SourceCAN Registry

**Team Canada 2000:
Beijing - Shanghai - Hong Kong**

Market Report : Germany

Comments or suggestions?

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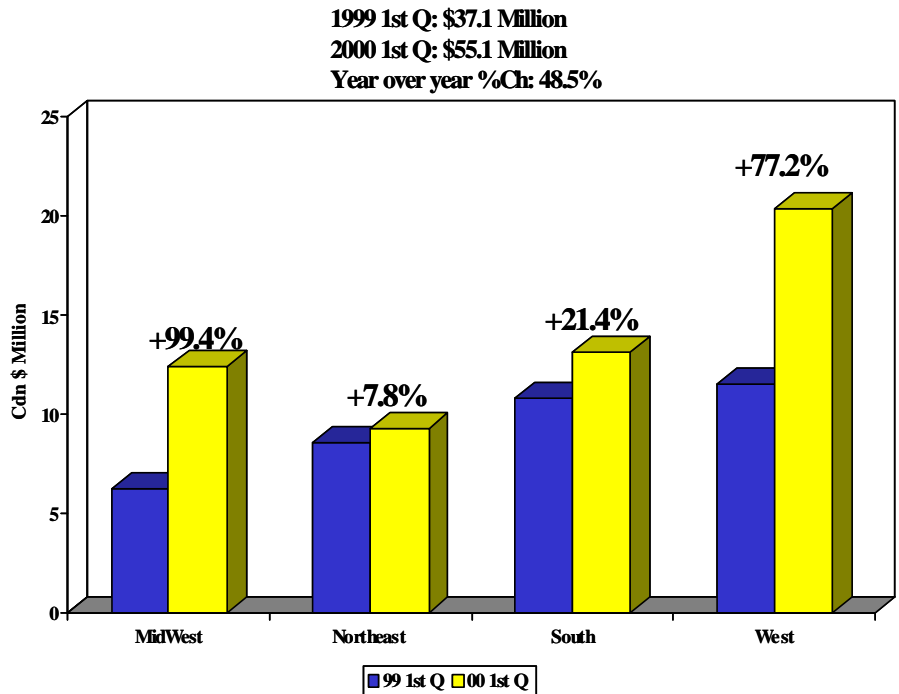
Interest rates, should they continue to rise, could affect new residential construction for the balance of the year. However, overall economic growth in the US is expected to remain strong.

Prefabricated building exports to the US Midwest grew the fastest in the first quarter, soaring 99.4 percent to \$12.4 million. Exports to Illinois, which were \$2.7 million, increased 227 percent. Exports to Iowa also grew tremendously, up 613.4 percent to \$2.4 million. Exports to the US West were \$20.4 million in the first quarter of 2000, up 77.2 percent from a year ago. The strong quarter was led by higher exports to Colorado. Exports to this state, the single largest market in the first quarter, skyrocketed 318 percent to \$5.4 million.

In contrast to the fast growing US Midwest and West markets, exports to the Northeast grew by a more modest 7.8 percent for the January to March 2000 period. Canadian shipments to this region were \$9.3 million. New York, traditionally the largest market for Canadian manufacturers, increased 28.1 percent to \$2.7 million. These gains were offset by falling exports to Maine and Massachusetts, down 15 and 29 percent respectively.

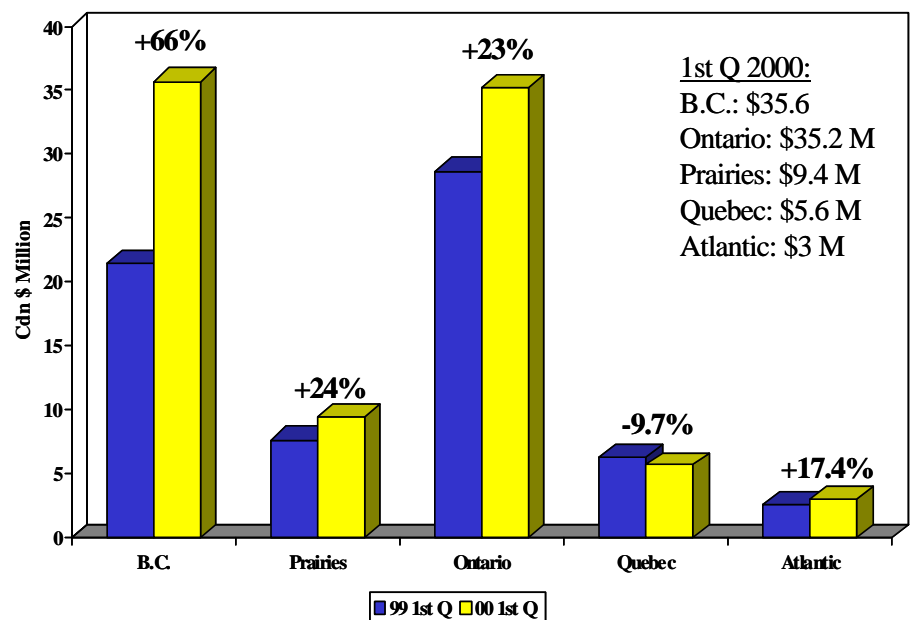
Exports to the US South were \$13.1 million in the first quarter, up 22.9 percent for the period. Housing starts in the region were down in the first few months of the year, due mostly to higher mortgage rates. Exports to Florida and Texas led all others in the region, reaching \$2.9 and \$2.7 million respectively.

Prefabricated Building Exports to the US By Region: 99/00 1st Q



Source: Industry Canada based on Statistics Canada data, 2000

Source of Canadian Exports by Region: 99/00 1st Q



Source: Industry Canada based on Statistics Canada data, 2000

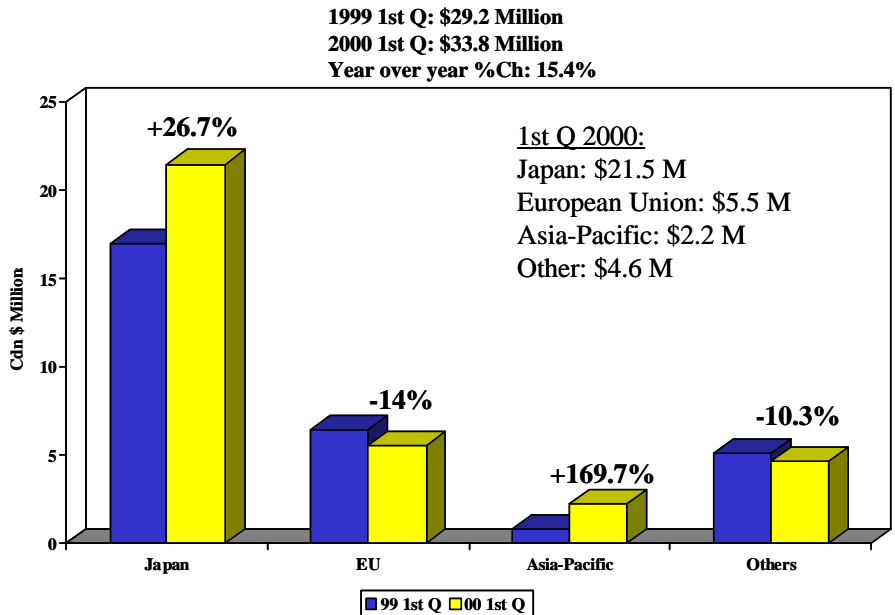
Offshore Markets

Exports to Japan were up 26.7 percent to \$21.5 million in the first quarter of 2000. Demand for Canadian prefabricated structures was solid, continuing the trend set in the third and fourth quarters of 1999. Although the Japanese construction sector saw increased activity in the first three months of the year, prefabricated housing starts in Japan were unchanged from a year ago. Japan accounted for 24.2 percent of prefabricated building exports through the first quarter, up for the first time in over seven quarters.

Prefabricated building exports to the Asia-Pacific region were up 169.7 percent in the first quarter, reaching \$2.2 million. Economic conditions, which improved throughout 1999 and the first three months of the year, pushed demand higher. Unlike in established markets such as the US, or Japan, exports to this region remain variable from quarter to quarter. For example, exports to China were \$1.1 million in the first quarter of 2000, but only \$142 099 in the first quarter of 1999.

Exports to the European Union (EU) were \$5.5 million between January and March, a decrease of 14 percent from the same period a year ago. The fall in Canadian exports was due primarily to a decrease in shipments to Germany, traditionally the largest market for Canadian manufacturers in Western Europe. Exports to Germany were \$1.81 million in the

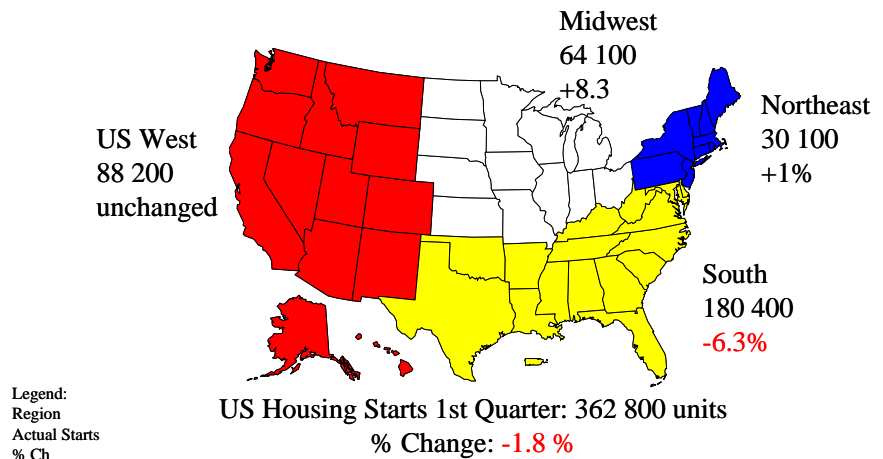
Prefabricated Building Exports to Offshore Markets: 99/00 1st Q



Source: Industry Canada based on Statistics Canada data, 2000

US Housing Starts: 1st Quarter 2000

"... higher mortgage rates are already influencing the construction sector."



Source: US Dept. of Commerce, 2000

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Top 20 Export Markets in the US, 1st Q '00

In millions of dollars.

	2000	1999	% ch 99/00
1 Colorado	5.41	1.29	317.9%
2 Washington	4.65	2.96	57.2%
3 Florida	2.87	1.96	46.1%
4 Texas	2.76	1.57	75.3%
5 Illinois	2.70	0.83	226.9%
6 New York	2.68	2.09	28.1%
7 Iowa	2.49	0.35	613.4%
8 Michigan	2.34	0.93	151.6%
9 Nevada	2.27	0.34	566.8%
10 North Carolina	2.27	1.61	41.0%
11 California	2.24	1.96	14.1%
12 Arizona	1.95	1.03	88.9%
13 Maine	1.83	2.15	-14.8%
14 Pennsylvania	1.81	0.72	149.6%
15 Georgia	1.78	0.98	81.2%
16 Ohio	1.69	1.31	28.9%
17 Virginia	1.61	2.45	-34.3%
18 Oregon	1.38	0.91	51.3%
19 Montana	1.26	1.42	-11.3%
20 New Hampshire	1.01	0.93	8.2%

Source: Industry Canada based on Statistics Canada data, 2000

first quarter, down 35.3 percent from \$2.8 million in 1999. On a more positive note, exports to France (\$1.84 million) and to the United Kingdom (\$1.1 million) were both higher. Exports to the EU represent 6.2 percent of total Canadian exports.



Please note

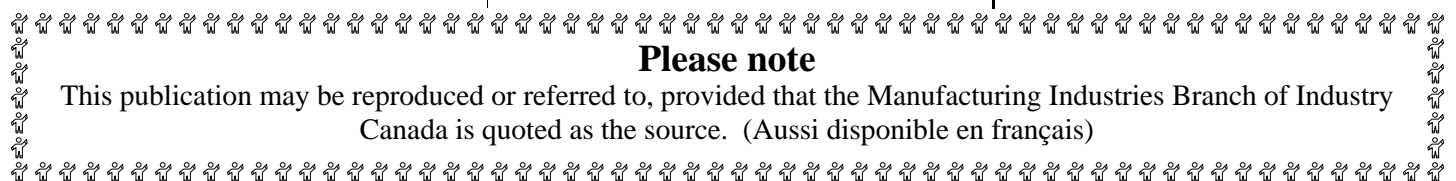
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IMPORTS

Imports increased 44.1 percent for the January to March period, reaching \$24.9 million. The US accounted for 93 percent of imports. Product from Illinois, the largest source of prefabricated building imports, grew 42 percent to \$6.16 million for the first three months of the year. Growing imports suggest Canadian demand for prefabricated buildings is strong.

Mobile Homes

Mobile home shipments were \$61.8 million in the first quarter, up 11.3 percent. Strong demand from the Canadian market helped to push production higher. The strong quarter was reflected in the seasonally adjusted and annualized rate shipment figures, which rose 10 percent to \$332.9 million. Shipments are expected to slow slightly during the remainder of the year as higher interest rates will increase borrowing costs.



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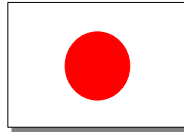
Canada



Housing Starts (Jan-April):
39 605
April Housing Starts (SAAR):
158 300
GDP Growth (1st Quarter):
4.9% annualized

While the Canadian economy remains healthy and robust, inflation and interest rate concerns will influence construction activity throughout the year. Canadian housing starts in April, on a seasonally adjusted and annualized rate (SAAR), fell 5.4 percent as compared to March. Total building permits in Canada were 45 900 through the first four months of the year, unchanged from a year ago. Building permits in Toronto and Vancouver retreated by 6.4 and 5.5 percent for the first four months of the year. Despite possible further increases in mortgage rates later on in the year, new housing starts are expected to remain slightly above last year's level.

Japan



Housing Starts (Jan-April):
398 990
April Housing Starts (SAAR):
1.236 million
GDP Growth (1st Quarter):
2.4% annualized

After shrinking for two consecutive quarters, the Japanese economy grew by 2.4 percent in the first three months of the year. Part of the first quarter growth was due to the solid housing and construction sector. Demand for new housing was up 5.2 percent in first quarter, and reached 398 990 through April. Two by four housing starts rose 14 percent in the first quarter, while prefabricated starts were unchanged from the same period a year ago.



United States



Housing Starts (Jan-April):
515 400
April Housing Starts (SAAR):
1.656 million
GDP Growth (1st Quarter):
5.4% annualized

Despite several interest rate increases, the US economy continues to grow at a brisk pace. The fast economic growth is expected to slow as the effects of previous interest rate hikes are felt. These hikes, through higher mortgage rates, are already influencing the construction sector. Total housing starts for the first four months were down slightly, to 515 400. Starts in all regions have cooled, most notably the important US South where starts have fallen 4 percent from a year ago. Building permits in April were 1.597 million (SAAR), down 1 percent year over year.



Special Feature

SourceCAN Registry

The SourceCAN registry is designed as a single point of entry to the largest, most comprehensive and up-to-date database of Canadian companies available online. It offers services that help companies find customers in export markets. SourceCAN also assists in identifying and developing contacts with domestic or foreign manufacturers for sourcing as well as importing. The **enclosed brochure** provides more details about SourceCAN. To register your company go to: www.sourcecan.com.

Team Canada 2000: Beijing - Shanghai - Hong Kong



A Team Canada trade mission to China, tentatively scheduled for November 18-26, 2000, is being organized by the Department of Foreign Affairs and International Trade. The mission will be led by the Prime Minister and will visit Beijing, Shanghai and Hong Kong. Those interested in joining the mission or wanting more information should visit the Team Canada 2000 China Mission web site at: <http://www.tcm-mec.gc.ca/China/mission-e.asp>



Market Report: Germany

The Market Research Division of the Department of Foreign Affairs and International Trade has published a report titled "The Wood Frame Housing and Associated Parts Market In Germany". The study focuses on the market for prefabricated houses and associated parts including doors, windows, and kitchen cabinets in Germany. You can access this and other country market reports on the Infoexport web site at: <http://www.infoexport.gc.ca/main-e.asp?act=3&nid=565> Visit this site regularly for updates and new market reports.