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Canada

## YOUR LINK TO THE HOUSING MARKET

Canada Mortgage and Housing Corporation

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### Canadian Market Overview

NOVEMBER 2005

#### New Home Market

##### **Housing starts fall in October**

The seasonally adjusted annual rate<sup>1</sup> of housing starts was 206,800 units in October, down from 229,600 units in September.

Although residential construction activity declined in October, housing starts across Canada have now been above the 200,000 level for 29 consecutive months. Low

mortgage rates and full-time job creation continue to be a boon for new home construction.

##### **Both urban single and multiple starts fell in October**

The seasonally adjusted annual rate of urban starts fell 11.3 per cent to 177,200 units in October with decreases in both single and multiple starts. The more volatile multiple starts segment dropped 14.6 per cent

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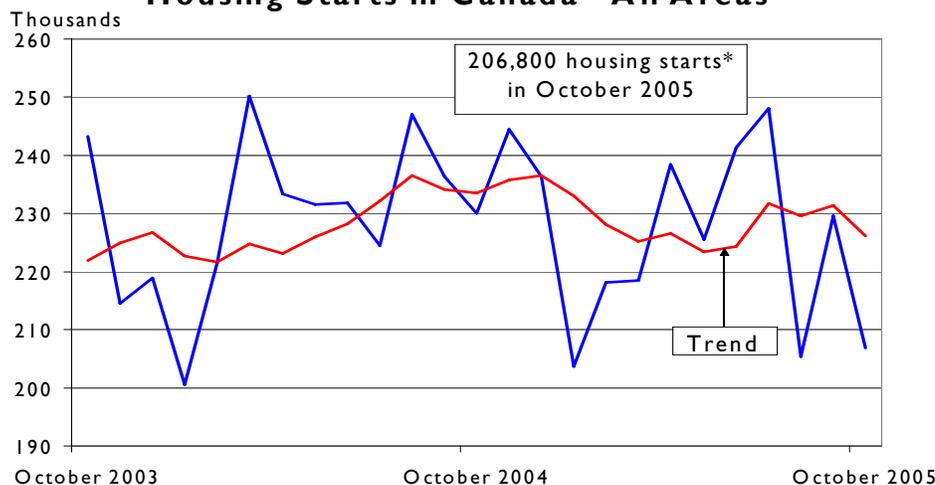
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#### Housing Starts in Canada - All Areas\*



Source: CMHC

\*Seasonally adjusted at annual rates

Monthly housing starts numbers published in Housing Now Canada are final and may differ from the preliminary numbers in the starts press release

<sup>1</sup> All starts figures, other than actual starts, are seasonally adjusted annual rates (SAAR) that are monthly figures adjusted to remove normal seasonal variation and multiplied by 12 to reflect annual levels.

to 88,300 units, while single starts declined 7.8 per cent to 88,900 units in October compared to September.

### **Urban starts decreased in the Prairies, Quebec, Ontario, and British Columbia**

Urban housing starts were down across all regions except for the Atlantic in October. Housing starts were down 16.8 per cent to 54,500 units in Ontario, 15.4 per cent to 38,400 units in the Prairies, 12.3 per cent to 39,800 units in Quebec, and 1.1 per cent to 34,700 units in British Columbia. In the Atlantic region, the seasonally adjusted annual rate of urban starts rose 16.7 per cent to 9,800 units.

Rural starts in October were estimated at a seasonally adjusted annual rate of 29,600 units.

### **Year-to-date actual urban starts are lower than in the same period last year**

For the first ten months of 2005, actual urban starts were 5.7 per cent lower than in the same period in 2004. Year-to-date single starts decreased 10.8 per cent, while multiple starts declined 0.3 per cent compared to the same period last year.

Across the regions, actual urban starts in the first 10 months of 2005 were up compared to the previous year in the Prairies (5.4 per cent) and British Columbia (1.3 per cent), but were down in Quebec (11.0 per cent), Ontario (10.9 per cent), and the Atlantic (2.3 per cent).

### **New house prices in September remain strong**

The year-over-year increase in the price of new homes, as measured by the New Housing Price index (NHPI), was 4.9 per cent in September 2005, up from 4.6 per cent in August. Higher building material and labour costs, coupled with higher energy costs and increasing land values, contributed to the increase in house prices.

## **Existing Home Market**

### **MLS® sales slip in September**

Seasonally adjusted MLS® (Multiple Listings Service) sales were down 2.7 per cent to 42,254 units in September, compared to 43,416 units in August. Despite the decrease, September's level was the second highest on record.

Year-to-date MLS® actual sales from January to September 2005, at 383,574 units, were up 4.1 per cent from the same period in 2004.

### **MLS® new listings increased in September**

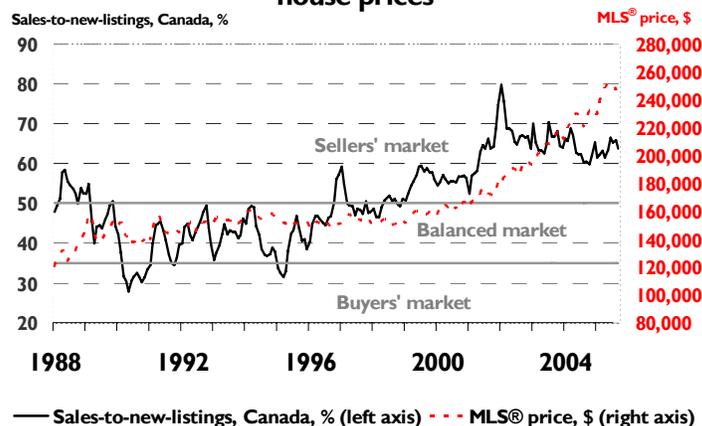
Seasonally adjusted MLS® new listings increased by 0.6 per cent in September to 66,417 units, compared to 66,043 units in the previous month.

Actual new listings for the first nine months of 2005 were up 4.3 per cent over the same period in 2004.

### **Sellers' market conditions across Canada continue to support strong growth in house prices**

An indicator of price pressure in the existing home market is the sales-to-new-listings ratio<sup>1</sup>.

#### **Sellers' market continues to support rising house prices**



Sources: CMHC, Canadian Real Estate Board (CREA), MLS®

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<sup>1</sup> Taking the Canadian market as a whole, a sales-to-new-listings ratio below 35 per cent has historically accompanied prices that are rising at a rate that is less than inflation, a situation known as a *buyers' market*. A sales-to-new-listings ratio above 50 per cent is associated with a *sellers' market*. In a sellers' market, home prices generally rise more rapidly than overall inflation. When the sales-to-new-listings ratio is between these thresholds, the market is said to be *balanced*.

New listings are a gauge of supply of existing homes, while MLS® sales are a proxy for demand.

The sales-to-new-listings ratio for Canada remained in sellers' market territory in August, at about 64 per cent. The Canada-wide average MLS® price increased by 9.9 per cent in the first nine months of 2005 compared to the same period in 2004.

## Economic conditions

In October, employment grew by 69,000 jobs mainly in part-time positions. This helped push down the unemployment rate to 6.6 per cent in October, the lowest level in over three decades. The sectors that saw substantial growth in October were the trades sector (30,000 jobs), finance, insurance, real estate and leasing sector (26,000 jobs), professional, scientific and technical services sector (18,000 jobs), and the natural resources sector (9,000 jobs). On the other hand, employment fell in the public administration sector (-13,000 jobs) and the manufacturing sector (-7,700 jobs) in October.

Employment in October 2005 was up 1.4 per cent compared to a year ago.

The seasonally adjusted employment-to-population ratio remains close to historical peak levels. In other words, a near record share of Canadians are employed, which is supporting high

levels of consumer confidence and strong demand for housing.

The Bank of Canada raised its target for the overnight lending rate by a quarter of a percentage point to 3.0 per cent on October 18<sup>th</sup> following a similar move on September 7<sup>th</sup>. An economy that is operating close to full capacity and an attempt to keep inflation in line with the target were cited as factors prompting the hike in the rate. Nevertheless, monetary conditions remain stimulative.

In October, the price of goods and services included in the Consumer Price Index (CPI) basket increased 2.6 per cent compared to October 2004. The increase was due to higher gasoline prices, cost of purchasing and leasing automotive vehicles, natural gas prices, homeowners' replacement cost, fuel oil prices, and property taxes. These increases were partially offset by lower prices for computer equipment and supplies. ■

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## Going the distance for different homes

This article evaluates the degree to which the location of newly built single detached homes and condominium apartments is changing in relation to the downtown employment core in different Canadian Census Metropolitan Areas (CMAs). Our results show that there was a slight increase in the average distance between new single homes and the downtown core, while condominium units are being built closer to downtown.

- Population growth in many CMAs has caused residential construction to expand further from their downtown employment cores (see page 7). In many Canadian CMAs, this trend was particularly evident for the construction of single detached homes during the economic boom that followed the end of World War II, which coincided with the birth of the baby-boom generation and the automobile's golden era. Is this trend of building further from the downtown employment core still evident for recently built single detached homes? Does the construction of condominium apartment units, a growing segment of the housing market, follow this same trend or are condos more likely to be concentrated around the downtown employment core?
- To answer these questions, we have identified the main downtown employment core in 4 major Canadian CMAs (Vancouver, Calgary, Toronto and Montréal). We then calculated the average commuting distance using the shortest available route between these employment cores and the location of new single detached homes as well as new condominium apartments in each of these 4 CMAs. The change in the geographic expanse of each CMA is reviewed for the last 16 years (1990-2005<sup>1</sup>).
- This article doesn't measure urban sprawl in Canadian CMAs. Factors such as density measures (number of homes per square kilometer) or planning measures to manage urban development are not taken into account.

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Table 1: Average Travel Distance between New Single Detached Homes and Downtown (km)

|   | Calgary        | Montreal      | Toronto       | Vancouver      |
|---|----------------|---------------|---------------|----------------|
| 1990-1995   | 15.1           | 29.4          | 34.8          | 25.4           |
| 2000-2005*  | 17.9           | 30.5          | 36.5          | 28.9           |
| Increase in distance between the 1990-1995 and 2000-2005* periods, km (%) | 2.8 km (+19 %) | 1.1 km (+4 %) | 1.7 km (+5 %) | 3.6 km (+14 %) |

Average distances are calculated with the shortest road travel  
 Source: CMHC \* Data available up to October 2005

<sup>1</sup> For 2005, data were available only from January to October

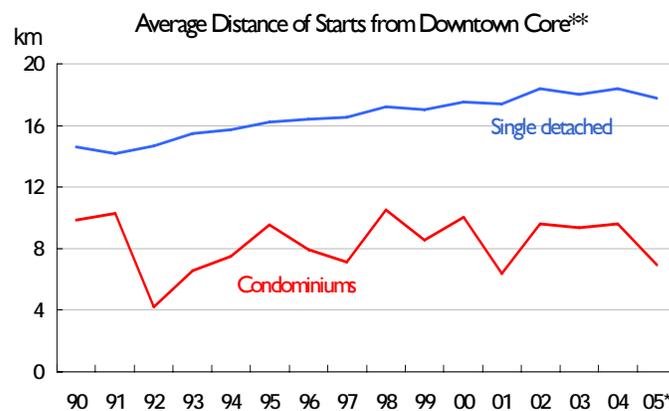
**continued: Going the distance for different homes**

**New single homes are being built farther from the downtown employment core**

- The average travel distance between new single homes and the downtown employment core has increased slightly for the reviewed CMA's during the last 16 years. Calgary, one of the leading CMA's in terms of household growth<sup>2</sup>, posted an increase in the average commuting distance of 2.8 km (up 19 per cent) between the 1990-1995 and the 2001-2005 periods, the largest percentage increase of the 4 CMA's examined (see Table 1). The travel distance has also gone up appreciably in Vancouver with an increase of 3.6 km (up 14 %). Toronto remains the CMA with the highest average travel distance to go from new single homes to downtown.

As a result, the construction of apartment condominiums has followed a different pattern than singles in the CMA's we examined. For

**Chart 1 : CALGARY CMA**  
**Commuting distance between single homes and downtown have increased steadily**



Source: CMHC \* Data from January to October \*\* Central point retained: 2nd Street W. and 8th Avenue S.W.

**Condos are built closer to downtown than singles**

- Condominium apartments are dwellings primarily designed for high density urban areas.

continued on page 6....

Table 2: Average Distance between New Condominium Apartment Structures and Downtown (km)

|   | Calgary       | Montreal      | Toronto         | Vancouver       |
|---|---------------|---------------|-----------------|-----------------|
| 1990-1995   | 8.8           | 18.2          | 18.7            | 20.2            |
| 2000-2005*  | 8.9           | 18.5          | 13.2            | 13.2            |
| Increase in distance between the 1990-1995 and 2000-2005* periods, km (%) | 0.1 km (+2 %) | 0.4 km (+2 %) | -5.5 km (-29 %) | -7.0 km (-35 %) |

Average distances are calculated with the shortest road travel  
 Source: CMHC \* Data available up to October 2005

<sup>2</sup> According to Statistics Canada, Calgary posted the second highest rate of household growth between 1991 and 2001 (an increase of 29.1 per cent) just after Abbotsford (32.8 per cent).

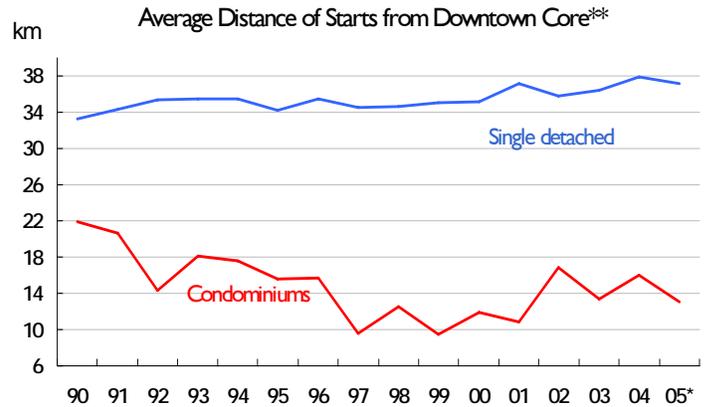
**continued: Going the distance for different homes**

Calgary and Montréal, the average distance of new condominium apartments did not change much between the 1990-1995 and 2000-2005 periods (see table 2).

- However, in Toronto and Vancouver, new condominium apartments have been built on average closer to downtown in recent years. The average distance decreased by 35 per cent in Vancouver (a reduction of 7.0 km) and 29 per cent in Toronto (a reduction of 5.5 km) between the 1990-1995 and 2000-2005 periods.
- For these two centres, the average distance between new condominium apartments and the downtown employment core has been

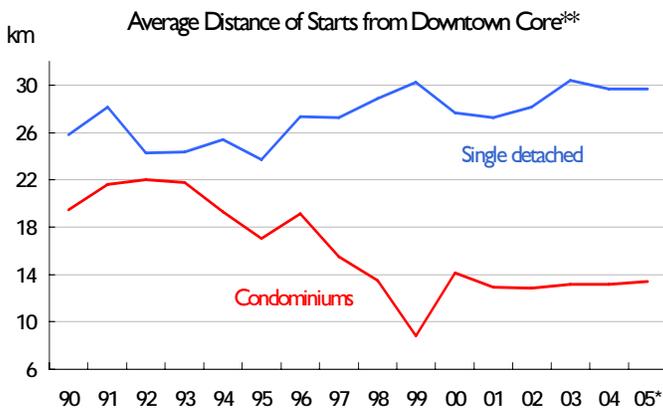
less than half that of single detached homes in recent years.

**Chart 3 : TORONTO CMA**  
**The average travel distance widens between new single homes and condominium apartment units**



Source: CMHC \* Data from January to October  
 \*\* Central point retained: Bay Street and King Street W.

**Chart 2 : VANCOUVER CMA**  
**Single homes are gradually more distant while condominiums are built closer to downtown**



Source: CMHC \* Data from January to October  
 \*\* Central point retained: Georgia Street W. and Granville Street

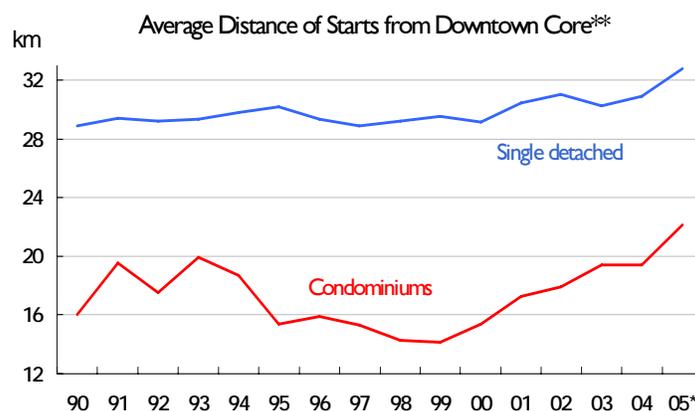
- In Toronto and Vancouver, homes in the downtown area are expensive. Furthermore, newly built single homes are far from the downtown employment core. These factors have contributed to the popularity of centrally located condominium apartments in these centres.

continued on page 7....

## continued: Going the distance for different homes

- In Montréal, the average travel distance between condominium apartments and the employment core has not really changed between the 1990-1995 and 2001-2005 periods. Nevertheless, the city has experienced a unique pattern with respect to the location of its condominium projects. The average distance increased at the beginning of the last decade reaching 19.9 km in 1993 (see chart 4). Fewer structures were built outside the centre area during the subsequent five years, when condo starts were low. Hence, the average distance decreased steadily from 1993 to 1999 to a low of 14.1 km. Since 1999, however, the pace of condominium construction has gone up and so has the average travel distance between new condominium structures and the employment core, which reached a high of 22.1 km in 2005.

**Chart 4: MONTRÉAL CMA**  
**Condominiums are moving away from downtown since 1999**



Source: CMHC \* Data from January to October \*\* Central point retained: 1 Place Ville-Marie

### Conclusion

- Overall, the average distance between new single detached homes and the downtown employment core is larger than the distance for condominium apartments. This lends support to the idea that, over the last 16 years, single detached homes have been built primarily in the suburbs, while condominium apartments have been erected in urban and central high density areas. The construction patterns for condominium apartment structures are very different from single homes which are progressively more distant for most CMAs. Consequently, the gap between the average commuting distances of newly built condominium apartments and single homes has widened for all the reviewed CMAs. This is particularly true for Vancouver, where this gap has almost tripled between the 1990-1995 and 2000-2005 periods (5.2 km vs. 15.7km). Also, with 23.3km, Toronto still shows the largest gap.

### Downtown Employment Cores

|                  |   |
|------------------|---|
| <b>Calgary</b>   | 2 <sup>nd</sup> Street W. and 8 <sup>th</sup> Avenue S.W. |
| <b>Montréal</b>  | University Street and René-Lévesque W.                    |
| <b>Toronto</b>   | Bay Street and King Street W.                             |
| <b>Vancouver</b> | Georgia Street W. and Granville Street                    |

Source: CMHC

## This Month's Housing Data (SAAR)

|   | 2004  | Q1:05 | Q2:05 | Q3:05 | M8:05 | M9:05 | M10:05 |
|---|-------|-------|-------|-------|-------|-------|--------|
| <b>Housing starts, units, 000s</b>            |       |       |       |       |       |       |        |
| <b>Canada. Total. All areas</b>               | 233.4 | 213.3 | 235.4 | 227.7 | 205.4 | 229.6 | 206.8  |
| Per cent change from previous period          | 6.9   | -10.0 | 10.4  | -3.3  | -17.2 | 11.8  | -9.9   |
| <b>Canada. Total. Rural areas</b>             | 29.0  | 28.7  | 34.1  | 29.8  | 29.8  | 29.8  | 29.6   |
| Per cent change from previous period          | 9.5   | -5.6  | 18.8  | -12.6 | 0.0   | 0.0   | -0.7   |
| <b>Canada. Total. Urban areas</b>             | 204.4 | 184.6 | 201.3 | 197.9 | 175.6 | 199.8 | 177.2  |
| Per cent change from previous period          | 6.5   | -10.6 | 9.0   | -1.7  | -19.6 | 13.8  | -11.3  |
| <b>Canada. Single. Urban areas</b>            | 103.9 | 93.4  | 98.6  | 91.7  | 87.7  | 96.4  | 88.9   |
| Per cent change from previous period          | 3.6   | -8.9  | 5.6   | -7.0  | -3.9  | 9.9   | -7.8   |
| <b>Canada. Multiple. Urban areas</b>          | 100.5 | 91.2  | 102.7 | 106.2 | 87.9  | 103.4 | 88.3   |
| Per cent change from previous period          | 9.7   | -12.3 | 12.6  | 3.4   | -30.8 | 17.6  | -14.6  |
| <b>Newfoundland. Total. All areas</b>         | 2.9   | 3.1   | 2.5   | 2.7   | 2.7   | 3.1   | 2.7    |
| Per cent change from previous period          | 6.6   | 6.9   | -19.4 | 8.0   | 8.0   | 14.8  | -12.9  |
| <b>Prince Edward Island. Total. All areas</b> | 0.9   | 1.5   | 1.0   | 0.8   | 1.0   | 0.9   | 0.8    |
| Per cent change from previous period          | 12.9  | 114.3 | -33.3 | -20.0 | 42.9  | -10.0 | -11.1  |
| <b>Nova Scotia. Total. All areas</b>          | 4.7   | 4.0   | 5.4   | 4.7   | 5.4   | 3.9   | 4.7    |
| Per cent change from previous period          | -7.4  | -14.9 | 35.0  | -13.0 | 17.4  | -27.8 | 20.5   |
| <b>New Brunswick. Total. All areas</b>        | 3.9   | 3.2   | 4.3   | 4.0   | 4.0   | 4.1   | 5.4    |
| Per cent change from previous period          | -12.1 | -20.0 | 34.4  | -7.0  | 5.3   | 2.5   | 31.7   |
| <b>Quebec. Total. All areas</b>               | 58.4  | 55.1  | 52.6  | 50.3  | 45.7  | 52.6  | 47.7   |
| Per cent change from previous period          | 16.2  | -9.1  | -4.5  | -4.4  | -13.4 | 15.1  | -9.3   |
| <b>Ontario. Total. All areas</b>              | 85.1  | 71.3  | 88.2  | 78.2  | 63.5  | 70.9  | 60.3   |
| Per cent change from previous period          | -0.1  | -15.5 | 23.7  | -11.3 | -36.6 | 11.7  | -15.0  |
| <b>Manitoba. Total. All areas</b>             | 4.4   | 4.3   | 4.4   | 5.5   | 5.9   | 4.5   | 5.2    |
| Per cent change from previous period          | 5.6   | 7.5   | 2.3   | 25.0  | -4.8  | -23.7 | 15.6   |
| <b>Saskatchewan. Total. All areas</b>         | 3.8   | 2.5   | 3.3   | 3.8   | 4.0   | 3.7   | 3.0    |
| Per cent change from previous period          | 14.1  | -40.5 | 32.0  | 15.2  | 8.1   | -7.5  | -18.9  |
| <b>Alberta. Total. All areas</b>              | 36.3  | 36.7  | 41.6  | 40.4  | 37.5  | 46.6  | 37.8   |
| Per cent change from previous period          | 0.3   | -7.3  | 13.4  | -2.9  | 1.6   | 24.3  | -18.9  |
| <b>British Columbia. Total. All areas</b>     | 32.9  | 31.6  | 32.1  | 37.3  | 35.7  | 39.3  | 39.2   |
| Per cent change from previous period          | 25.8  | -0.6  | 1.6   | 16.2  | -2.7  | 10.1  | -0.3   |

SOURCE: CMHC, Starts and Completions Survey. All data are seasonally adjusted and annualized. This seasonally adjusted data goes through stages of revision at different times through the yearly cycle resulting in finalization of preliminary data. These revisions take place at the end of each month, quarter and year.

**Annual rate of housing starts, urban areas\***

|                             | 2004         | Q1:05        | Q2:05        | Q3:05        | M8:05        | M9:05        | M10:05       |
|-----------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| <b>Canada</b>               | <b>204.4</b> | <b>184.6</b> | <b>201.3</b> | <b>197.9</b> | <b>175.6</b> | <b>199.8</b> | <b>177.2</b> |
| <b>Newfoundland</b>         | <b>2.1</b>   | <b>2.5</b>   | <b>1.7</b>   | <b>1.9</b>   | <b>1.9</b>   | <b>2.3</b>   | <b>1.9</b>   |
| <b>Prince Edward Island</b> | <b>0.6</b>   | <b>1.1</b>   | <b>0.5</b>   | <b>0.5</b>   | <b>0.7</b>   | <b>0.6</b>   | <b>0.4</b>   |
| <b>Nova Scotia</b>          | <b>3.3</b>   | <b>2.5</b>   | <b>3.9</b>   | <b>3.4</b>   | <b>4.1</b>   | <b>2.6</b>   | <b>3.2</b>   |
| <b>New Brunswick</b>        | <b>2.6</b>   | <b>1.8</b>   | <b>3.0</b>   | <b>2.8</b>   | <b>2.8</b>   | <b>2.9</b>   | <b>4.3</b>   |
| <b>Québec</b>               | <b>46.7</b>  | <b>41.6</b>  | <b>40.0</b>  | <b>43.1</b>  | <b>38.5</b>  | <b>45.4</b>  | <b>39.8</b>  |
| <b>Ontario</b>              | <b>79.9</b>  | <b>69.4</b>  | <b>81.3</b>  | <b>72.8</b>  | <b>58.1</b>  | <b>65.5</b>  | <b>54.5</b>  |
| <b>Manitoba</b>             | <b>2.9</b>   | <b>2.7</b>   | <b>2.7</b>   | <b>3.4</b>   | <b>3.8</b>   | <b>2.4</b>   | <b>3.3</b>   |
| <b>Saskatchewan</b>         | <b>3.1</b>   | <b>2.0</b>   | <b>2.8</b>   | <b>2.6</b>   | <b>2.8</b>   | <b>2.5</b>   | <b>2.2</b>   |
| <b>Alberta</b>              | <b>32.2</b>  | <b>32.0</b>  | <b>35.8</b>  | <b>34.3</b>  | <b>31.4</b>  | <b>40.5</b>  | <b>32.9</b>  |
| <b>British Columbia</b>     | <b>30.9</b>  | <b>29.0</b>  | <b>29.6</b>  | <b>33.1</b>  | <b>31.5</b>  | <b>35.1</b>  | <b>34.7</b>  |

\* Thousands of units, seasonally adjusted and annualized.

**This Month's Major Housing Indicators**

|  | 2004         | Q1:05        | Q2:05        | Q3:05        | M8:05        | M9:05        | M10:05      |
|--|--------------|--------------|--------------|--------------|--------------|--------------|-------------|
| <b>New Housing</b>   |              |              |              |              |              |              |             |
| <b>New &amp; unoccupied singles &amp; semis, units 000s</b>  | <b>5.2</b>   | <b>5.7</b>   | <b>5.5</b>   | <b>5.0</b>   | <b>4.9</b>   | <b>4.9</b>   | <b>5.1</b>  |
| Per cent change from same period previous year               | 9.3          | 12.5         | 4.1          | -0.7         | -2.0         | -3.0         | -5.4        |
| <b>New &amp; unoccupied row &amp; apartments, units 000s</b> | <b>6.7</b>   | <b>8.8</b>   | <b>9.3</b>   | <b>9.3</b>   | <b>9.5</b>   | <b>8.9</b>   | <b>8.4</b>  |
| Per cent change from same period previous year               | 18.9         | 49.6         | 54.0         | 38.4         | 43.5         | 27.7         | 5.2         |
| <b>New House Price Index, 1997=100</b>                       | <b>123.2</b> | <b>126.5</b> | <b>128.4</b> | <b>130.1</b> | <b>130.0</b> | <b>130.8</b> | <b>n.a.</b> |
| Per cent change from same period previous year               | 5.5          | 5.1          | 4.7          | 4.7          | 4.6          | 4.9          | n.a.        |
| <b>Existing Housing</b>                                      |              |              |              |              |              |              |             |
| <b>MLS<sup>®</sup> resales*, units 000s</b>                  | <b>461.1</b> | <b>454.3</b> | <b>491.4</b> | <b>507.6</b> | <b>521.0</b> | <b>507.0</b> | <b>n.a.</b> |
| Per cent change from same period previous year               | 6.0          | -0.1         | 2.9          | 10.2         | 13.7         | 10.4         | n.a.        |
| <b>MLS<sup>®</sup> average resale price*, \$C 000s</b>       | <b>226.2</b> | <b>239.2</b> | <b>246.3</b> | <b>251.2</b> | <b>250.0</b> | <b>253.3</b> | <b>n.a.</b> |
| Per cent change from same period previous year               | 9.2          | 8.8          | 8.8          | 11.2         | 9.5          | 11.5         | n.a.        |
| <b>Mortgage Market</b>                                       |              |              |              |              |              |              |             |
| <b>1-Year Mortgage Rate, % (period average)</b>              | <b>4.59</b>  | <b>4.88</b>  | <b>4.83</b>  | <b>4.97</b>  | <b>5.00</b>  | <b>5.00</b>  | <b>5.25</b> |
| <b>5-Year Mortgage Rate, % (period average)</b>              | <b>6.23</b>  | <b>6.12</b>  | <b>5.90</b>  | <b>5.80</b>  | <b>5.80</b>  | <b>5.80</b>  | <b>6.00</b> |

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

n.a. Figures not available

\* Seasonally adjusted and annualized (SAAR).

\*\* Annual and quarterly data is actual. Monthly data is seasonally adjusted.