



■ **BOARD OF DIRECTORS** in session. It was told housing continues to play a significant role in the Canadian economy.

SIGNIFICANT ISSUES AHEAD, MPs TOLD

Housing plays key role in economy

THE residential construction industry continues to contribute significantly to Canada's economy, the House of Common Standing Committee on Finance has been told.

Assuming generally positive economic conditions in Canada, and a near-term continuation of current interest rates, the CHBA expects housing demand to be in line with projected housing requirements in the 188,000 range, Acting President Ron Olson and Past President Victor Fiume told the Committee in a pre-budget submission.

"However, this positive picture belies some significant issues," Olson said.

"In relation to both new home and renovation activity, the current abnormally low interest rate environment is a major factor.

"The outlook carries a strong note of uncertainty and caution, given significant uncertainties in the world economy.

"The weak U.S. economy and the European debt crisis threaten continued economic growth in this country.

"The central message of our presentation is that home ownership affordability has deteriorated significantly."

Olson said that by home ownership affordability, the CHBA means the relationship between



■ **OLSON:** "The positive picture belies some significant issues."

prices and income levels.

"Given the current record low interest rates, access to home ownership is extremely positive," he said.

"However, overall affordability levels, as measured by the share of income required to purchase an average home, are markedly worse than in the decade prior to 2005.

Deterioration

"To the point, today's artificially low mortgage rates are masking the ongoing deterioration of housing affordability."

As interest rates inevitably rise to more normal levels, Olson said, the deterioration in affordability will become more evident — and will be reflected in a marked reduction in housing activity levels as would-be purchasers are priced out of the market.

"It is imperative to take action now to improve housing affordability so that this does not happen," he said.

"The major factors in the erosion of housing affordability are government-mandated costs — which have escalated rapidly — and regulation.

"Direct government-imposed costs come through the ever-growing array of taxes, fees, levies, and other development-related charges on every new home. At the upper end, such costs now total well over \$100,000 per new home."

Transferred debt

Olson said these costs are financed through the mortgages held by new home buyers. In short, government-imposed costs effectively transfer public sector debt into household mortgages.

"This is the most significant factor behind the serious decline in housing affordability," he said.

"It will lead inevitably to lower housing activity and reduced employment in our industry overall.

"As well, this decline will exacerbate inter-generational inequity. First-time home buyers, in particular, will be faced with increased house prices due in part to government-imposed costs.

"In this context, it is important to note that while overall employment has recovered to above pre-recession levels, the recovery has been uneven."

Action call as skills shortage looms for home builders

|| LIKE many industry sectors, the residential construction industry will experience serious shortages of skilled trades people in the years ahead, a federal committee on human resources, skills, and social development has been told.

Training programs, such as provincial apprenticeship programs, will not be able to supply enough skilled people to meet this demand looking forward, former CHBA President Gary Friend told the committee.

"The nature of the residential construction industry influences our views about the immigration of skilled labor," Friend said. "First, many skilled trades people in the residential construction industry are employed under contract, whether immigrant or Canadian-born.

Small businesses

"Second, most of the companies in the residential construction industry are small businesses. They do not have the resources, on their own, to address what can be a complex and lengthy process to find and hire a skilled immigrant worker.

"Third, many of the skilled trades people working in the residential construction industry are not recognized by the Red Seal Program and therefore do not receive the same level of recognition in our immigration programs as Red Seal trades."

Friend said the CHBA supports the recent direction of Canada's immigration policies including more provincial involvement and responsibility; more flexibility in the range of occupations eligible for programs such as the Provincial Nominee Program and the Temporary Foreign Worker Pro-



■ **FRIEND**

See Skills shortage, Page 2 ▶

In the news

THE WORLD OF HOUSING TODAY

BILD CEO DIES

STEPHEN DUPUIS, President and CEO of Toronto's Building Industry and Land Development Association, passed away suddenly in September. He was 52 years old and had been an inspirational leader of the residential construction industry for more than 25 years. He is survived by his wife, Linda, and two children, Kendall and Carson.

ON THE CALENDAR

The CHBA's 69th National Conference will be held at the Fairmont Tremblant, Mont-Tremblant, Que., Mar. 16 to 18, 2012. The Annual Meeting of Members will be held on the morning of Mar. 16. Plan to attend.



Tech talk

NOTES FROM THE TECHNICAL RESEARCH COMMITTEE

New R-2000 standard cut energy budget

THE new R-2000 Standard is cutting its current energy budget in half making it 50% more energy efficient than provincial Code requirements. This is in line with the CHBA's recommendations and will reassert R-2000 as Canada's "best-in-class" standard. The Association will work with Natural Resources Canada to make this bold move a success. The new Standard will come into effect in the New Year and will become mandatory in July, 2012.

ENERGY EFFICIENCY IN HOUSING AND SMALL BUILDINGS

CHBA volunteers and staff have worked on the proposed new energy efficiency requirements for Part 9 of the National Building Code that will be the subject of public review in January and February of 2012. The CHBA will seek comments from the builder members of its Technical Research Committee in developing a response to this public review.

DRYWALL COMPOUND UPDATE

A REPORT recently completed for the CHBA examines recent research on the risks associated with handling asbestos-containing drywall compound during residential renovations. The survey found that regulations that require extensive (Level 2) procedures in four provinces may not be warranted. The CHBA is now seeking comments on the report from federal research agencies to ensure its findings are sound. Based on these findings, provinces with less onerous (Level 1) requirements should not introduce additional requirements without demonstrating that they are needed.



MARK CARNEY, Governor of the Bank of Canada (centre), meets with members of the CHBA Executive Board in Ottawa this Fall. The meeting updated Carney on the state of the residential construction industry in Canada.

Skills shortage looms

continued

gram; more responsiveness to employer requirements with the shift to employer determination of occupations in need; increased opportunities to immigrate for people who have worked in Canada; and the mandatory language requirement introduced in 2010.

"The CHBA has expressed support for these and other recent measures in submissions to Citizenship and Immigration Canada and Human Resources and Skills Development Canada," Friend said.



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ADVANCES MADE, BUT...

Challenges ahead for brownfields

SOME advances have been made during the last few years to facilitate redevelopment of brownfields sites for housing, but there are still important challenges to be overcome, Ed Charlton told the Fall meeting of the CHBA's Urban Council.

As real estate manager for Imperial Oil's wholly-owned subsidiary, Devon Estates Ltd. managing its surplus properties, Charlton is working with others to clean up and then sell old service stations, refineries, and tank farms.

"We want to clean up our lands," he said. "About \$150 million a year is being spent on remediating old Imperial Oil sites alone. But we want to do it once — not two or three times because of other people's decisions afterwards."

A concern

Charlton said this is not an idle concern — Imperial Oil still recalls its experience of dismantling a refinery and tank farm in Calgary "to the industry standard of the day" in 1975-77.

Almost 25 years after the property had been sold to the City of Calgary and then redeveloped for single family housing, known as Lynnview Ridge, Alberta issued an Environmental Protection Order requiring the company to go back in and clean it up all over again.

In the end, Charlton said, "because of emotional fears of perceived risk rather than real risk based on science, the home owners' lives were disrupted for no good reason, both the City and Imperial Oil suffered negative reputational impacts, and the company absorbed very high costs."

But today...

Fast forward to today, with Charlton managing a prime 72-acre waterfront parcel in Port Credit, Ont., that "everybody wants to see redeveloped."

"One of our first principles (learning from Lynnview Ridge) is 'no low rise single-family dwellings,'" Charlton said. "That's not ever going to happen unless we have certainty about the future liability situation."

In this connection, Charlton referred to the recommendations made in 2003 by the NRTEE (National Round Table on the Environment and the Economy), an advisory body to the federal Prime Minister.

It recommended that



URBAN COUNCIL in session. It was told new home builders face challenges in developing brownfields sites.

legislation and regulations be changed to allow for binding contractual allocation of liability, termination of regulatory liability, and termination of civil liability after a limitation period

Recommendations

Moreover, the NRTEE recommended the creation of an insurance fund for post-liability termination claims, along with a site-specific assessment and approvals regime, and regulatory approvals of

remediation. Unfortunately, this sensible package of changes has not been fully implemented anywhere in Canada, he said.

Charlton said the Record of Site Condition system that became effective in Ontario in October, 2004, and amended on July 1 of 2011 is as good a regulatory closure as exists here.

"The Ministry of the Environment will not approve anything, but they will acknowledge [the document] and put it up on the Environmental

Site Registry," he said.

"According to the regulation, we can then sell the land for its intended land use and don't have to be concerned about a subsequent redevelopment to a more sensitive land use, or a future change in regulatory standards."

"Site specific risk-based remediation does not mean I get to leave my contamination in the ground," Charlton said.

"It means this site is being properly remediated, based on actual risks."

Fixing the looming infrastructure deficit

THE looming municipal infrastructure deficit can be fixed with public support, and balanced commitment from all three levels of government, Manitoba Heavy Construction Association president Chris Lorenc told the Fall meeting of the CHBA Urban Council in Ottawa.

"Municipalities have to change the way they think about and deliver infrastructure," said Lorenc, who also leads the IFC (Infrastructure Funding Council) in Manitoba. "They need to focus on [its role in] growing the economy."

Commitment

Lorenc said the province and the federal government need to make long-term commitments, and share more revenues.

"They get more taxes when the economy grows, but for municipalities, none of their revenues is tied to growth."

Consumer research suggests the public understands and can get behind this issue. "The message shouldn't be 'Your Number One priority is health care,'" he said. "It should be 'Your Number One priority is growing the economy, so you can enjoy good health care.'"

The IFC's report *New Relationships: A New Balance* calculates that stay-



LORENC: "Government at all three levels needs to play a leading role."

ing with the status quo will produce a municipal infrastructure deficit of \$13.4 billion by 2020 in Manitoba alone. However, following the report's recommendations could reduce that by almost two thirds by 2030.

The report offers key recommendations for municipalities, the province, and the federal government:

It says municipalities should:

■ **MAXIMIZE** existing financial tools (create a clean, public, long-term strategy with measurable benchmarks and public review, add to infrastructure budgets and provide for annual increases, plan 'smart debt' into the long-term capital plan, consider special purpose

fees, and refine user fees);

■ **ADOPT** efficiencies and best practices (e.g., cost/benefit analysis, budgeting for life cycle maintenance and operations costs, new technologies and sustainable development practices); and

■ **MOVE** to regional delivery and funding strategies.

The province should:

■ **GIVE** more flexibility in municipalities' access to borrowing;

■ **ALLOCATE** an amount equal to an extra 1% of the provincial sales tax specifically dedicated to core and social infrastructure — with a referendum for public approval, if required;

■ **INCREASE** provincial funding for education and allow municipalities to use the resulting "property tax space" to introduce a municipal levy for infrastructure.

The federal government should:

■ **MAKE** the current \$2 billion annual Gas Tax Fund (plus indexed increases) permanent, and enlarge the program to transfer 100% of the revenues within three years; and

■ **CONTINUE** and enhance infrastructure funding role on an ongoing and permanent basis.

Marketing TODAY

A NATIONAL section reporting on the CHBA's National Marketing Committee



■ **SLUTSKY:** "This generation doesn't like to think — their view is that thinking hurts the brain."

AN EXPERT'S ADVICE

For 'Gen Y' the secret is speed — and simplicity

|| **SPEED** is a key element in marketing to Generation Y's potential new home buyers, a marketing expert says. This group feels "entitled" to information, and wants lots of it — quickly — in the simplest form possible.

"Millennials don't like to think," marketing expert Matthew Slutsky says. "Their view is that thinking sucks. It takes a long time, and it hurts the brain. The solution: easy-to-understand information, delivered with lightning speed. You have but milliseconds to touch a Generation Y. If you are operating slowly, you will lose the potential clients."

That was the advice Slutsky brought to the CHBA National Marketing Committee meeting session on "Marketing To Generation Y."

Slutsky said it is important that the online personality of new homes builders matches their print personality because Generation Y potential buyers will pick up on discrepancies very quickly.

Don't be a hoarder

"Don't hoard your information," Slutsky said. "Give them as much information as possible and in the simplest form possible. Make it really easy to understand and keep it short. Use videos that last no longer than two minutes — they are a great way to get information out. And you can actually get people to share your videos, which spreads your message even farther."

At the same time, Slutsky said, successful marketing to Generation Y requires a very wide presence — one has to be "everywhere." That is where the Internet can be a real asset.

"Make sure you are seen everywhere online. Don't just gather e-mail addresses — get cell phone numbers, too. Also, texting is more checked than e-mail, so send text messages to them."

"And many Generation Y new home buyers feel a need to have their opinions heard," he said. "So they are apt to write reviews [about the homes they see]. You should capitalize on this. Give them opportunities to share their opinions. Make sure the content on your website is shareable."

A MARKETING SPECIALIST'S VIEW

Dealing with the different attitude

NEW home builders need to completely rethink their strategies if they are to succeed in marketing to "Generation Y" buyers, the National Marketing Committee's Fall meeting in Ottawa was told.

The people in this age group — they are 21 to 34 years old — make up more than half the world's population, the Committee was told.

And they bring a totally different perspective to the buying of a new home.

That was the message from Ron Galletta, Account Services Director for Toronto marketing firm Blackjet Inc.

Rethink

"In marketing to this generation, you need to rethink everything," Galletta said. "And you have to take special account of social media because it is a key factor for them."

"To rethink, it is necessary to revisit the way we have always thought about marketing."

"We have always segmented our markets. Back in the '50s and '60s, high school students were segmented into four groups: jocks, greasers, preps, and nerds."

"We picked one of them as our audience and targeted them."

"Back in those days, targeting these audiences was simple. We would spend as much as we could to hammer home our message."

But Generation Y, which was born between 1977 and 1990, is a totally different story, Galletta said.

Everything

"The difference between them and Generation X is that they grew up with *everything* — and more of it," he said. "They also grew up with a cell phone. That means they have access to everything."

"So it is almost impossible to isolate a market segment today."

"The proliferation of online media has led to 'micro tribes,' the desensitization of sex and violence, and the abolition of social stereotypes."

"There are *thousands* of micro tribes. So how do we pick a newspaper or a TV channel to target these groups? We can't. It's almost impossible."

"So if we can't segment, and we can't select media, what do we do? We think like Lady Gaga!"

"In the new world, brands need to focus on becoming valuable conversation topics, and in-



■ **GALLETTA:** "It is no longer about advertising. It is about setting the mark."



spire valuable ideas — not interrupt existing ones.

"This is the key to successful marketing. It is no longer about advertising. It is about setting the mark."

"Stop thinking about blasting the message at the audience. Instead, become the conversation item. Create a brand story that people want to talk about."

The links

Galletta said "link backs" are the new key to successful marketing.

"In the old days," he said, "you would buy a Yellow Pages ad. And the bigger, the better. Today you have to invest more in research. Look for link backs to your web site."

The other key approach in selling to Generation Y, Galletta said, is "mobile marketing."

"When thinking about where to market," he said, "it is right in front of us: the cell phone. Everybody is addicted to it."

"And brand experience is everything. Generation Y will judge you by the way they experience you. So be authentic! Generation Y sees right through the fake stuff."

A BUILDER'S VIEW

Why price is a key factor

|| **PRICE** is a key component when Generation Y sets out to buy a new home, according to a Vancouver new home builder who specializes in marketing to the group.

"This is the biggest investment they will ever make, so risk adversity and security in decision are important," Ben Smith of Polygon Homes Ltd. told the CHBA National Marketing Committee's Fall meeting in Ottawa.

"Generation Y is influenced by what is fashionable. To them, a sense of community is important. So are family and family values."

Amenities

"They are keenly interested in amenities in the area where they buy — the activities available, the play areas, the outdoors."

"And they are influenced by several forms of media."

In order to successfully market to this group, Smith said, he studied the brands they relate to — products like *House & Home* magazine, "Tiny Prints," and "Real



■ **SMITH:** "This is the biggest investment they will ever make, so security matters."

Simple" — and tried to get a sense of what Generation Y found appealing about them, then used that in *his* approach.

"But the key question," Smith said, "is whether you are being authentic. Or are you letting your sales people go and take whatever approach they want? If so, that's not wise."

Smith said his Red Maple Park development, in the Yorkson neighborhood of Langley,

south west of Vancouver, takes a "safe traditional approach" to architecture because that is what appeals to Generation Y.

"They want contemporary interiors because that is who they are. Everyone else wants modern, but that scares Generation Y."

"The best approach is to develop a community planned around a central amenity building and clubhouse. Monuments, street-fronting homes with cute front doors and yards, and integrated and leveraged park amenities all appeal to Generation Y."

It's positive

"And a park represents many positive things to this group, so include one in your development."

"And give them things to talk about. Better: take it a step further and *reward* them for talking about it."

Smith said Generation Y home buyers want lots of information, so he hands out a list of his competitors and tells buyers to go look at all of them — then come back to him. And that works.

The new world of home marketing

THE way new homes are marketed has changed significantly in the 30 years since he started in the business, Nova Scotia's Richard Lind told the National Marketing Committee's Fall meeting in Ottawa.

What was available back then was a fairly standard sort of bungalow or storey-and-a-half sometimes split level that a customer could pick out of a book.

"New home builders did not want to get into a situation where special expertise was needed to

build a house," Lind said. "I hadn't built any houses, so my portfolio had pictures of houses I could build. I had a carpenter's ticket, so I put that in my resume.

Generating confidence

"I was totally dependent on my ability to bring forward to the buyers the information they needed to generate confidence in me."

It's a far different story today, Lind said.

"Today, customers will come to you with more knowledge about

what they want than you can possibly imagine," he said. "They will have consumer reports on why they want this product rather than that one. And they also know there are dozens of services and licenses and labels.

"And they want to be assured that I know how to do the things that they want done. In selling to today's customer, you have to be able to actually do all the things you market, otherwise your competitors are going to steal your clients."



■ **ECHO HAVEN**, the Calgary project in CMHC's EQUilibrium program. Features included in the house were inspired by CMHC's Healthy Housing Program that launched 15 years ago.

20-YEAR-OLD PROGRAM AN 'INSPIRATION'

Looking back at housing systems

THE "Healthy Housing" program launched 15 years ago was the inspiration for its current EQUilibrium Initiative, Canada Mortgage and Housing Corporation told the CHBA National Marketing Committee's Fall meeting in Ottawa.

The program brought focus to the elements of the five key requirements in the demonstration projects, CMHC's Sue Ann Rothwell told the Committee.

And it also promoted the "house as a system" concept.

An update

Rothwell's report was an update on the status of the EQUilibrium Initiative which now has 10 projects completed in various cities across the country.

"The Harmony House in Burnaby, B.C., is now well along in the construction process," she said. "Official opening is tentatively set for December 16. Industry and public tours will occur in December and January.

Backgrounding the history of the Initiative, Rothwell said CMHC announced its Healthy



■ **HEALTHY HOUSE** in Toronto, built in the 1990s, is a duplex on a back lane on an unserved lot for water and energy. It was open for tours between 1995 and 1996.

Housing Design Competition winners in 1992.

"Proponents were asked to respond with design ideas on five key requirements: occupant health, energy efficiency, resource efficiency, environmental responsibility, and affordability," she said.

"The two demonstration projects were in different cities and completed at different times.

New services

"The Vancouver house was open for visits in 1993. The addition to an existing Vancouver house meant that no new services were needed and added a dwelling space in a desirable location.

"The Toronto house was open for tours for one year between 1995 and 1996.

"The delay on the house was related to getting approvals for the water systems.

"The urban infill house built on a back lane in an established neighborhood demonstrated that it is possible to use rainwater harvesting, gray water, and black water to meet the needs of a family."

Renovation TODAY

Underground economy is alive and well, study shows

A COUNTRY-WIDE study of the illegal "underground economy" shows that although its growth has slowed, it is still a significant factor, especially in the residential construction industry, the Fall meeting of the Canadian Renovators' Council in Ottawa was told.

According to a Statistics Canada report, the main reason for the slower growth compared with the total economy is that industries traditionally considered to be involved in underground economic activity did not grow as fast as the overall economy, or as fast as those industries less impacted by it.

The CRA (Canada Revenue Agency) said the study's findings will be used to maximize the effectiveness of its activities to combat the underground operators. The underground economy information in the study will be analyzed along with industry-level estimates of unreported income,



■ **RENOVATORS' COUNCIL** in session. It was told that although the growth of the "underground economy" has slowed, it is still a significant factor.

and in-depth information about the tax behavior of businesses. The resulting analysis will form the basis of "targeted strategies" to enhance compliance with Canada's tax laws and will help direct the CRA's resources to industry sectors that are the least compliant with tax laws.

DRYWALL REMOVAL UPDATE

INCOMPLETE testing is a contributing factor in overestimating the risks associated with removing drywall with ACDJC (asbestos-containing drywall joint compound) in some provincial regulations, according to a study done for the CHBA.

In a follow-up on information presented to its Spring meeting, the Council was told that Canadian and U.S. environmental professionals who did the tests consistently concluded that renovation-related activities involving ACDJC release asbestos fibers in negligible quantities that are well below the thresholds of risk to worker or occupant health.

The research shows that TEM (Transmission Electron Microscopy) is the only valid testing method for determining exposure to airborne fibers during the removal of asbestos.

Regulations dealing with asbestos removal vary across the country, the Council was told, but in some provinces, they can have a very large impact on the costs of a renovation. The CHBA wants to make sure that regulations are based on sound research and clear evidence of need, which is not always the case.

GETTING OUT THE RADON MESSAGE

HEALTH CANADA'S National Radon Laboratory has tested more than 14,000 homes across Canada, and 7% showed radon levels greater than the safe limit listed in its guidelines. Through an agreement with the National Environmental Health Association, a U.S.-based organization, Health Canada aims to have a certification program for radon measurement and mitigation specialists in place by the Spring of 2012.

Study sees 'a return to normality'

THE Canadian housing market is performing well in late 2011 with a new economic order and a return to normality, a new CHBA study shows. But the risk environment is elevated.

Both short-term and medium-to-longer-term risks are emerging.

And new home builders should continue to look for opportunities and bring innovative products to market, the study says.

However, decisions should be made with the elevated risk environment in mind.

The Altus Group of Toronto prepared the study, titled "Reflections On Housing." It begins by noting that uncertain times call for caution.

Based on recent data, it says, the housing sector is performing at a very sustainable pace.

Some 190,000 new housing starts are expected in 2011, which is on par with 2010 and up 27% from 2009. Statistics Canada reports new home prices to be rising at a rate of about 2.3% — comfortably in line with overall inflation.

CREA (The Canadian Real Estate Association) reports that resale housing markets remain "firmly entrenched in balanced territory," the report says.

Sales are 'in line'

The number of sales remains in line with a 10-year average and price growth is in line with inflation.

"This is good news for home builders as solid market performance at a steady pace is favorable for business," the study says. "At the same time, however, a

number of risk factors have emerged making future performance in the housing market less certain. Some of these risk factors can be considered short term in nature, and therefore could be expected to affect the business environment for new home builders during the next several quarters.

"These include the continued build-up in household debt, deteriorating consumer confidence, slowing economic growth in Canada, and increased concerns about international economic events.

"These risks and factors will likely have an influence on the housing sector during the medium to long term and should be on the radar of Canadian new home builders as they plan for the years ahead."

DESPITE EXPORT PROBLEMS, ERC TOLD ALL IS WELL

A positive story on the economy

THE economic picture across Canada has generally been positive this year according to reports tabled at the CHBA Economic Research Committee's Fall meeting in Ottawa.

Although some economists expressed concerns about household credit, an air of cautious optimism prevailed at the meeting.

Setting the tone was the lead-off presentation from the CHBA's economist Dr. Peter Andersen.

He said: "Hard data shows that the economy is OK. Not great, but OK."

"Something happened in early August that shook our confidence. We had to wait to the end of October to find out what was really going on. It turns out to be OK so expectations have been revised upward."

Export problems

"In Canada we have some export problems, but we do have economic growth. We finished the third quarter on a good note."

"After filtering through all the assumptions, my maximum probability scenario is for growth at about 2½% in 2012. However, I will guarantee that interest rates will rise again next year."

Dr. Andersen said mortgage rates have been "very friendly" for the residential construction industry. And so Canada's numbers are stronger than those in the United States.

"Help Wanted advertising is flashing a green light, which is good news," he said.

"And the report on motor vehicle sales tells us the direction of the business cycle — September was the best month since February. In fact, retail



■ ANDERSEN: "Hard data show the economy is OK. Not great, but OK."

sales growth has continued [in the United States] and that means a lot for us in Canada. There is a direct connection between the U.S. market and Canadian production. Americans buy them; we make them."

Dr. Andersen said conditions are right for consumers to make a comeback, and housing starts are almost back to pre-recession levels.

"This means building activity is going ahead," he said. "I don't expect to see any downturn in housing starts any time soon. Multiple starts are setting the market on fire. So there may be some moderation going ahead."

Peter Norman of the Altus Group told the Committee that he thinks the housing sector in Canada is on track for about 190,000 new housing units this year.

"It will be on the high side of where it should be," Norman said.

"Housing price increases across the country appear to be very moderate. Resale housing markets are also very balanced. Typical prices



■ NORMAN: "The housing sector is on track for about 109,000 new starts."

seem to be steady and stable.

"We do have very long and steep housing activity cycles in Canada. We appear to be on the down side of one of the longer cycles."

"It is reasonable to expect lower housing starts in the longer term. About 175,000 units is a good long-term demographic."

It is favorable

"When we look at the long-term cycle, it is pretty favorable right now. But one thing that does trouble me is that demographic demand over the last period has been low. It should have been high."

Norman said that for 2012, his view is that the trend on first-time buyers is not going to be a big boost, and there will not be a general boost in housing demand. This leads to expectations for housing starts at lower levels.

"I see the trend over future years being at progressively lower levels," Norman said.

"Housing starts have performed very well in the last three quarters. I think concerns over fu-



■ LABERGE: "Net migration will remain supportive of housing markets."

ture economic growth are an influence.

"Part-time jobs are elevated in Canada at the moment, and the rate of unemployment is elevated. And interest rates have been low for the last few quarters."

Mathieu Laberge, Deputy Chief Economist for Canada Mortgage and Housing Corporation, told the Committee he expects employment levels will continue to improve in the coming months, and net migration will remain supportive of housing markets.

"Mortgage rates will remain below 60-year lows," Laberge said. "The forecast range through 2012 is below 5%."

"Despite a recent uptick, real household credit growth has trended steadily down since the end of the recent economic downturn. Even credit card debt is growing."

"The debt-to-income ratio reached a new all-time high of 148.7% in the second quarter of 2011. Household assets declined slight and debt continued to rise in the second quarter."

THE Bottom line

HOUSING AND THE ECONOMY IN BRIEF

A snapshot view from the provinces

THE housing picture was generally mixed in provincial HBA reports tabled at the CHBA's Economic Research Committee Fall meeting in Ottawa. Items from the reports:

NEWFOUNDLAND AND LABRADOR: Continued growth is expected in employment, income, and population — three key drivers of the housing market. This will support the housing market, but current prices will limit demand, especially from first-time buyers. Low mortgage rates and continued income growth will help offset historically high house prices. Excess supply of both new and existing home inventory will restrain price growth during the remainder of this year and into 2012.

NOVA SCOTIA: In October, Irving Shipbuilding landed a \$25 billion, three-decade defense department contract to build warships in Halifax for the Canadian Navy. Early estimates predict that this contract will boost the provincial economy by about 2% a year, generating an optimistic outlook that has lifted the economic spirits of Nova Scotians. Before the announcement, forecasts called for a continued weak energy market and lower mega project spending as major contributing factors in the slowing of the Nova Scotia economy.

NEW BRUNSWICK: Economic growth in New Brunswick is expected to remain below 2% through the rest of 2011. The economic impact of higher prices in the energy sector, as well as some improvement in potash prices contributing to an improvement in exports, will be offset by a reduction in capital investment. Declines in employment and resulting softness in the provincial retail sector will also impact the current outlook for growth.

ONTARIO: The residential construction industry in the province is expected to close 2011 with slightly improved housing start volumes, then moderate in 2012. The Greater Toronto Area high-rise condominium market continues to advance at a record pace, driven by investors attracted to the area by relative affordability and the perceived stability of the Canadian dollar and Canadian real estate.

MANITOBA: CMHC projections for both 2011 and 2012 are extremely positive. Although there will undoubtedly be a decline in multi-family starts, the call is for increases in the single-family detached sector, with 5,400 starts being predicted for 2012.

SASKATCHEWAN: The province continues to maintain its growth pattern for industry investment, net immigration, and residential construction activity. Population has increased by more than 5,000 and housing is in high demand in most economic regions. Starts reflect the strength of the residential construction industry and the contributions made to the provincial economy through the resulting employment opportunities.

ALBERTA: Single-detached housing starts are projected to end 2011 about 10% lower than in 2010 as the economy has not moved up as rapidly as some had estimated. Growth is expected in 2012 as inventories become depleted and both wages and populations rise. Multi-family starts have also been sluggish for the year, and are projected to end at about 8% lower than 2010 levels.

BRITISH COLUMBIA: Housing starts in most of the province are stagnant and the second home market — once second to none in Canada — is rapidly disappearing. There is a severe downturn in housing starts and permits. Skilled trades are leaving the province, and some new home builders are deciding to move or close down. But in some areas, multi-family projects in the \$400K range are seeing some success.

HOUSING STARTS BY PROVINCE

	2008	2009	2010	2011*	2012*
N.L.	3,261	3,057	3,606	3,375	3,500
P.E.I.	712	877	756	675	650
Nova Scotia	3,982	3,438	4,309	3,800	4,100
N.B.	4,274	3,521	4,101	3,100	3,000
Quebec	47,901	43,403	51,363	47,500	44,300
Ontario	75,076	50,370	60,433	62,400	60,750
Manitoba	5,537	4,174	5,888	5,300	5,400
Sask.	6,828	3,866	5,907	6,100	5,700
Alberta	29,164	20,298	27,088	18,000	22,000
B.C.	34,321	16,077	26,479	23,000	27,000
Canada	211,056	149,081	189,930	173,250	176,400

Source: Canada Mortgage and Housing Corporation
* CHBA Economic Research Committee October, 2011 builder forecast

Tackling our top issues

Committee meeting deals with housing affordability, environment, innovation, and technology transfer and diffusion

MAJOR issues that are likely to affect the residential construction industry in the immediate future were addressed by the CHBA's Vision Action Committee at a meeting in Ottawa this Fall.

And its recommendations were approved by the Fall meeting of the Association's Board of Directors.

Committee Chair John Hrynkow said his group had a fruitful facilitated two-day meeting during which its members discussed where the Association is headed.

Tabled at the Board meeting was the Committee's list of external recommendations.

Details:

I. Housing Affordability and Accessibility

I. Prepare an analysis report on the analytic definitions and the historical trends and interactions among the terms "affordability," "accessibility," and "security," as well as interventions that affect the latter —



■ HRYNKOW: "It was a fruitful facilitated meeting."

from government, banks, industry. Develop a common and understandable message with common definitions. All levels should act and speak with one

common voice, internally and externally.

Decide on what channels and actions are appropriate to communicate this report to members/public/government.

II. Re-affirm the message that infrastructure investment should be supported by the effective use of the property tax base.

2. Environmental Update

I. Review the Association's policy positions on the environment, including development of both homes and communities, and make recommendations, where required, to update these policy positions.

II. Pending the satisfactory completion of the "next generation" ERS (EnerGuide Rating System), move forward to support adoption by governments of requirements for mandatory ERS rating of existing housing stock as a condition of resale.

III. Taking the Smart Regulation approach, and in line with CHBA's environmental policies,

undertake policy research to determine the feasibility of government regulations to require existing homes to be upgraded to meet a minimum energy efficiency standard as a condition of resale.

IV. Continue to review and evaluate all CHBA policy positions to ensure appropriate consideration of environmental, economic and social factors.

V. Continue to take action to foster nationwide uniformity with respect to code-based energy efficiency requirements for new homes, and to oppose regulatory application of voluntary, market-driven new home labeling by any jurisdiction.

3. Innovation — Technology and Technical Transfer and Diffusion

I. Investigate how to facilitate acceptance of innovative products and systems by the AHJ (Authority Having Jurisdiction).

II. Reiterate and re-affirm our support for the Local Energy Efficiency Partnership initiative and the desire to have it expanded across the country.

III. Collaborate with CMHC in the transfer of knowledge from the Equilibrium initiative, including referencing this knowledge, as appropriate, in the next edition of the CHBA Builders' Manual.

4. Residential Care Building

I. The Canadian Commission on Building and Fire Codes should revisit the issue of residential care and address the suitability of the current occupancy classifications and their associated requirements for this current and emerging market segment.

Getting ready for Tremblant

II CREATE and Transform. That's the theme for the CHBA's 69th National Conference in Mont-Tremblant, Que., next March.

Powerful forces are transforming Canadian housing markets and presenting entrepreneurs with compelling business opportunities, Conference Chair Tom Cochren says. And that will be the focus of the conference.

"As the baby boom generation enters its retirement years," says Cochren, "we face the greatest demographic shift in more than a half century — one that will fundamentally reshape market demand.

"New building products, materials, and technologies offer opportunities and benefits that have never been available, or affordable before.

"The green revolution, combined with the need for denser, more compact communities, opens the door for new and innovative approaches to development and redevelopment.

"The need for greater efficiency and flexibility is driving interest in next generation business models for project development, human resource investment, and risk management."

The focus

Cochren says the 2012 CHBA National Conference will be held March 16-18, 2012, at the Fairmont Tremblant Resort in Mont-Tremblant, Que. It will focus on these transformative forces, and the new opportunities they hold for housing entrepreneurs.

It will also explore how renovators, new home builders, and their business allies can translate the market, technology and business changes occurring today into new avenues for success.

"This is an exciting time in the Canadian housing industry," Cochren says.

"Renovators, new home builders, and developers are driving innovation and creat-



■ KEY SPEAKERS at the CHBA's 2012 National Conference include (clockwise from top left) former Defense Staff Chief Gen. Rick Hillier, digital visionary Mitch Joel, teacher and TV celebrity Sean Wise, McGill Economics Professor William Watson and McMaster University's Dr. Nick Bontis who will lead a session on learning to work smarter.

ing new opportunities. The 2012 National Conference will capture this energy and invite you to create and transform your business future."

Cochren says March marks a special time of year in Mont-Tremblant, as some of the best skiing of the year coincides with transitional Quebec "rites of spring" including festivities to mark the maple syrup season.

Leadership

General Rick Hillier, former Chief of the Defense Staff for the Canadian Forces will be the keynote speaker at the Conference Opening Breakfast.

His views on leadership in challenging times are based on lessons learned from the school of hard knocks.

He illustrates leadership lessons through the stories of the men and women who rep-

resent Canada around the world.

Human business in a social media age will be the topic for the afternoon session and will feature leading digital visionary Mitch Joel, President of the award-winning digital marketing and communications agency Twist Image.

He will help delegates understand online marketing as a new generation of digital opportunities unfolds.

And the first day of the Conference will wind up on a party note as Bourbon Street comes to Mont-Tremblant as the CHBA celebrates Housing Night in Canada with a Mardi Gras carnival.

Sunday sessions of the Conference will kick off with the CHBA National Awards Breakfast celebrating the achievements of Canada's leading renovators and new home builders.

Keynote speaker for the

event will be Sean Wise, a member of the Ted Rogers School of Management at Ryerson University in Toronto and online host of CBC's "Dragon's Den."

He will explore with delegates what reality television can teach them about business, integrating the latest business theory and cutting-edge research with behind-the-scenes stories from his show.

The annual Economic Session will offer insight into the forces that will be creating and transforming business opportunities in the year ahead and feature McGill Economics Professor William Watson.

And Dr. Nick Bontis, award-winning professor of strategic management at McMaster University, will lead a session on learning to work smarter.

He says information bombardment is the most damaging threat to productivity — but it doesn't have to be that way.

Social aspects

Cochren says the Conference won't only be about business.

"Social aspects have not been forgotten in putting together the Conference program," he says.

"Our Welcome Reception will bring all of these festivities to life in a relaxed, casual evening where you can meet old friends and make new ones.

"And you will want to be part of the excitement of the 2011 CHBA National SAM Awards — the home building industry's premier annual celebration of renovation and new home achievements and marketing excellence across Canada."

Cochren says the Fairmont Tremblant is a beautiful four-season resort built around Eastern Canada's premier ski area.

"This is your chance to create, transform — and have some fun," he says. "So plan now to be in Mont-Tremblant."

SAM Award finalists named

II THE finalists for the 2011 CHBA National SAM Awards, presented by Schlage and Trane, were announced this month.

These prestigious awards celebrate excellence in new homes, home renovation, innovative technology and construction, outstanding presentation and marketing across Canada. Twenty-three CHBA National SAM Awards will be presented at the Association's 69th National Conference in Mont-Tremblant, Quebec, on March 17, 2012.

"This year's SAM Award theme — Create and Transform — says it all," Incoming President Ron Olson said.

They're exceptional

"These new home builders, renovators and developers are indeed creating and transforming communities across the country in exceptional ways. The quality and creativity they have demonstrated is truly remarkable and exciting. We are very proud to see our industry represented by these fine projects."

A complete listing all National SAM Award finalists may be found at the CHBA website, www.chba.ca/SAMS.