The Housing Industry and Housing Trends in Canada

Canadian Home Builders' Association

November, 1995

Summary - The Housing Industry and Housing Trends in Canada

- New housing activity has fallen to deplorably low levels in Canada. CMHC expects only 112,500 starts this year. This is well below CMHC's projections of 153,000-167,500 annual new housing requirements in Canada.

- Canada's housing starts in 1995 will be the lowest of any year since the Second World War - as a percentage of population.

- With the very low level of new housing activity, the housing industry is losing critical capacity - companies and workers are leaving the industry.

- The affordability of homeownership has improved significantly in most parts of Canada since the late 1980s. The improvement in affordability is due mainly to lower interest rates and, in some centres, to lower house prices.

- The lack of consumer confidence is the key factor holding back housing sales. This lack of confidence is due to fears by Canadians regarding Canada's employment prospects and the security of their own jobs. Many potential purchasers can afford to buy a home but are unwilling to make the commitment required in such a major purchase. Their lack of confidence has led directly to the downturn in housing sales.

- On a regional basis, starts are down in all parts of Canada. British Columbia, which, until recently, led the country in starts due to a strong economy, has experienced a significant downturn. A decline in affordability due to increased housing prices is a major factor behind the slowdown in housing activity in B.C.

- Starts in Ontario and Quebec continue to decline. Lack of consumer confidence has resulted in fewer potential purchasers being willing to make the commitment required to purchase a home.

- All other provinces will also have lower starts in 1995 than in 1994. In Alberta, starts will return to the levels of 1991. Manitoba, Saskatchewan and the Atlantic Provinces are all experiencing poor levels of housing activity.

- The character of the demand for housing is shifting due to a variety of factors. The aging of the baby boom generation should mean an increase in the relative demand for new housing for move-up buyers. However, because of the poor economy and flagging consumer confidence, move-up buyers are staying in their original homes.

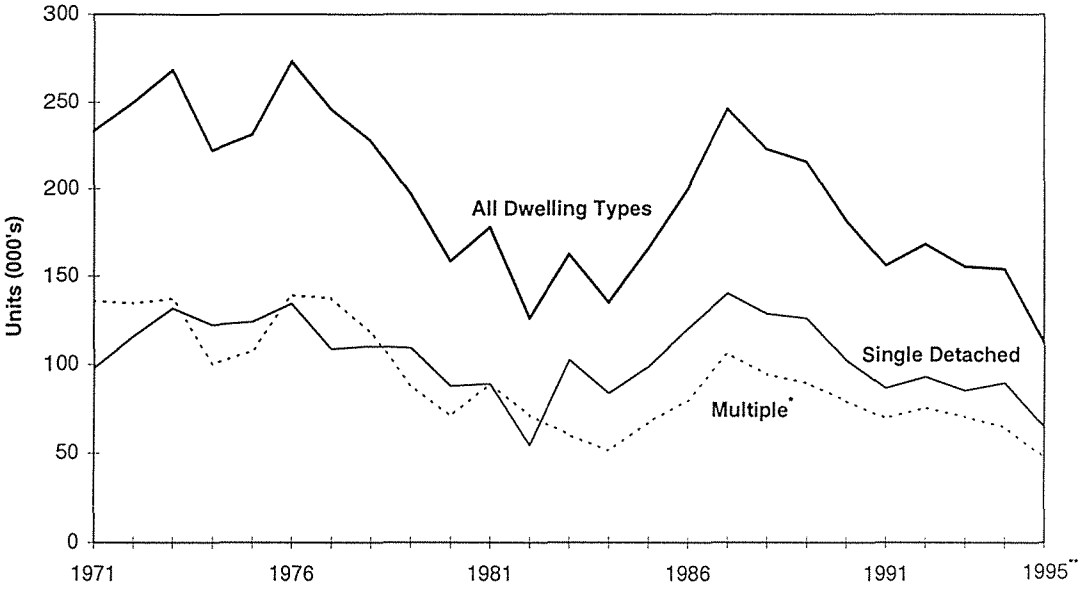
- Rental housing markets have tightened slightly in the past year; however, in most parts of Canada, there is an ample supply of rental housing. The major exceptions are Toronto and Vancouver, where vacancy rates are the lowest in Canada.

- While activity in the new housing industry has dropped significantly since the late 1980s, the pace of renovations is higher. Official estimates indicate that renovation spending in 1995 will total almost $19 billion - these estimates may understate the actual situaton, given the volume of underground renovation activity. Due to the lack of consumer confidence, growth in renovation spending has declined somewhat in 1995.

- Despite the decline in new housing activity in the past few years, housing continues to be a major employment generator. For each housing start, roughly 2.8 person-years of employment are generated in either construction or spin-off jobs in other industries. For the 112,500 starts expected in 1995, the estimated employment generated is roughly 315,000 jobs. Residential renovation spending generates a further roughly 400,000 jobs.

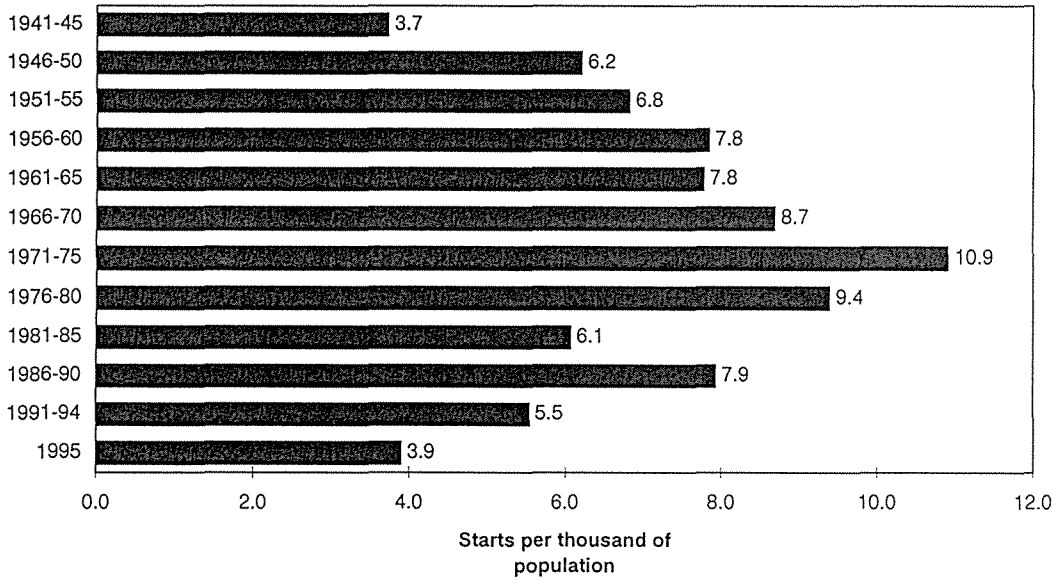
- With the low volumes of housing being built, the housing industry continues to underperform - rather than making its traditional contribution to the economic recovery. If starts in 1995 were at the levels required to meet underlying housing requirements, employment in Canada would be over 100,000 jobs higher than it is today.

HOUSING STARTS BY DWELLING TYPE
CANADA, 1971-1995



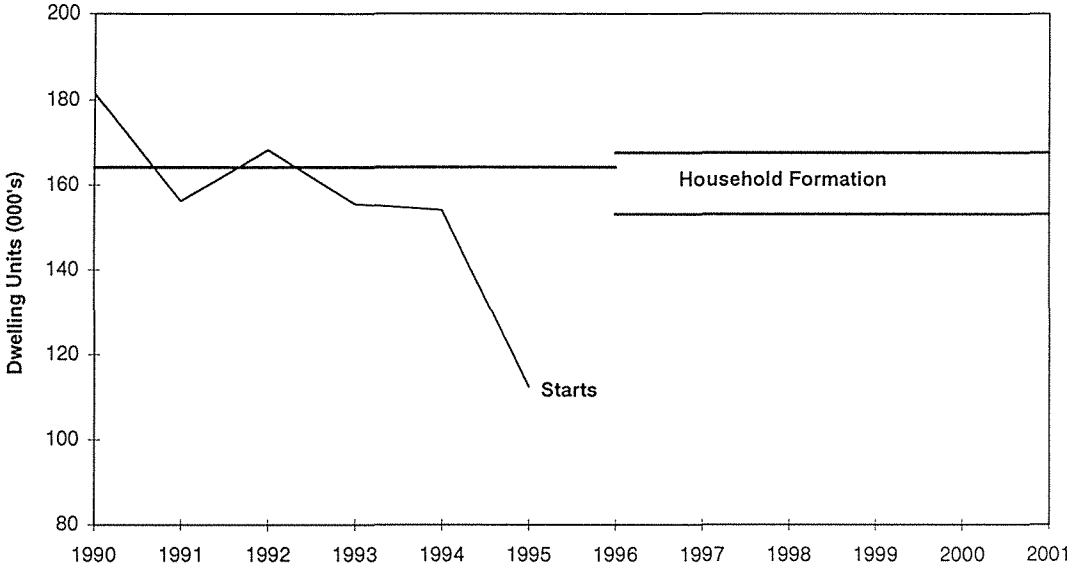
* Includes semi-detached, row and apartment units
** Forecast
Source: CMHC

HOUSING STARTS PER THOUSAND OF POPULATION
CANADA, 1941-1995



Source: Based on data from CMHC and Statistics Canada

AVERAGE ANNUAL HOUSING STARTS AND HOUSEHOLD FORMATION CANADA, 1991-2001

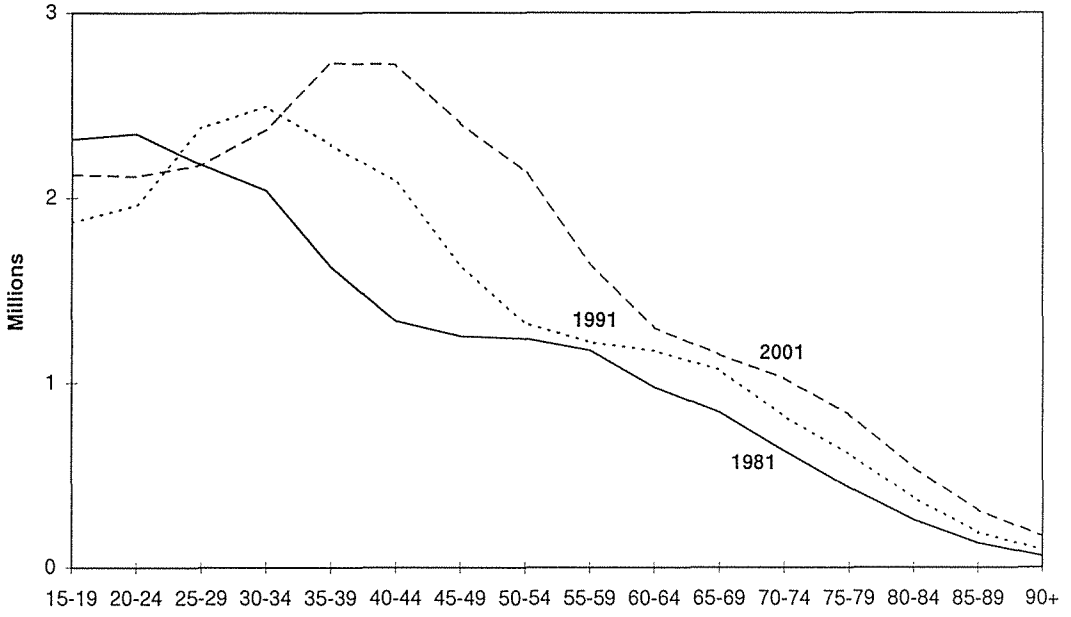


Source: CMHC

IMMIGRATION CANADA, 1971-1996

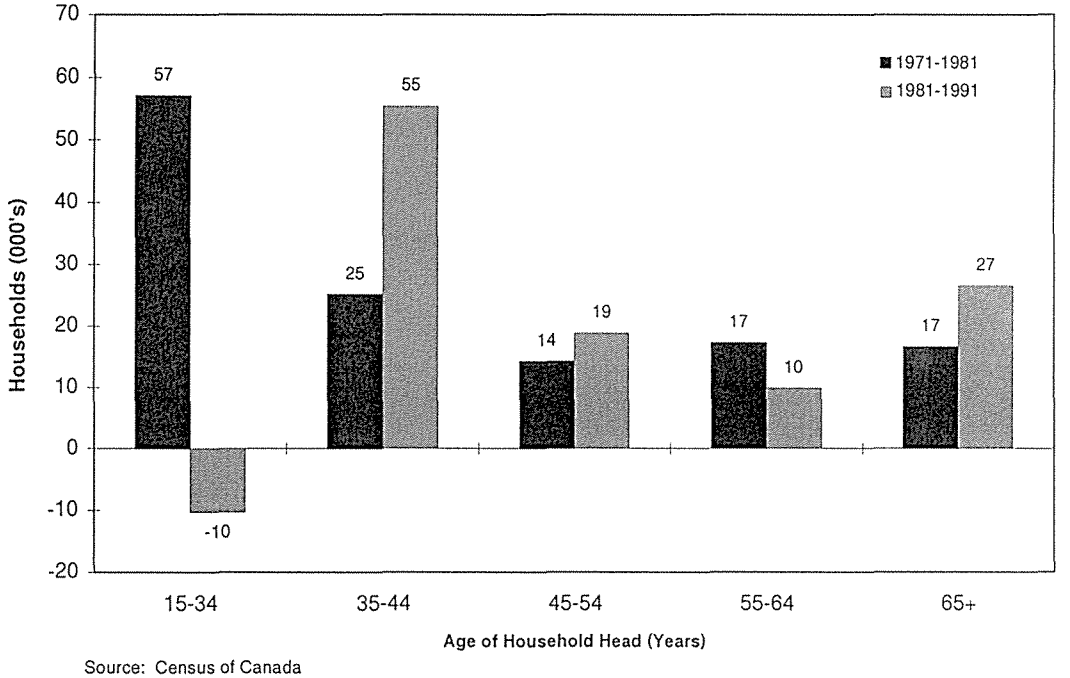
* Planned immigration range for calendar year 1996
Source: Statistics Canada

POPULATION BY AGE
CANADA 1981, 1991, 2001



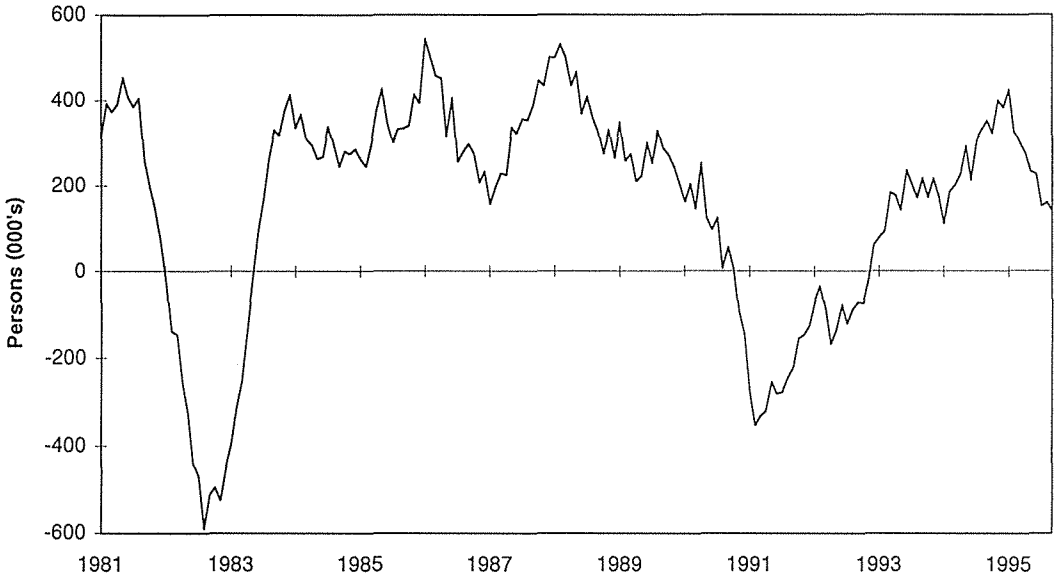
Source: Statistics Canada

HOUSEHOLD GROWTH BY AGE OF HEAD
CANADA, 1971-1991



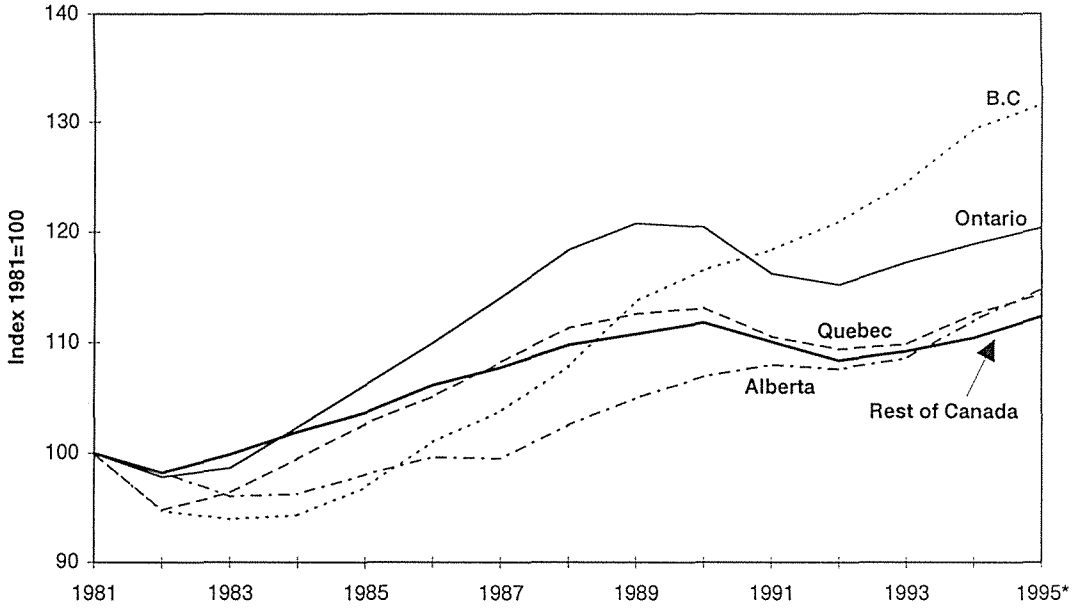
Source: Census of Canada

YEAR OVER YEAR CHANGE IN TOTAL EMPLOYMENT CANADA, 1981-1995



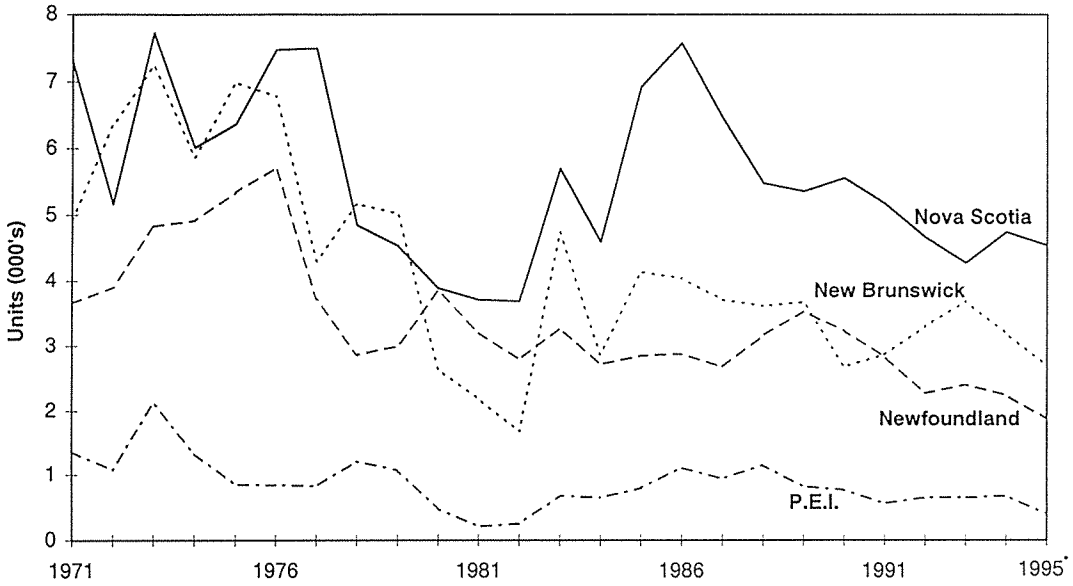
Source: Statistics Canada

TOTAL EMPLOYMENT BY SELECTED PROVINCES 1981-1995



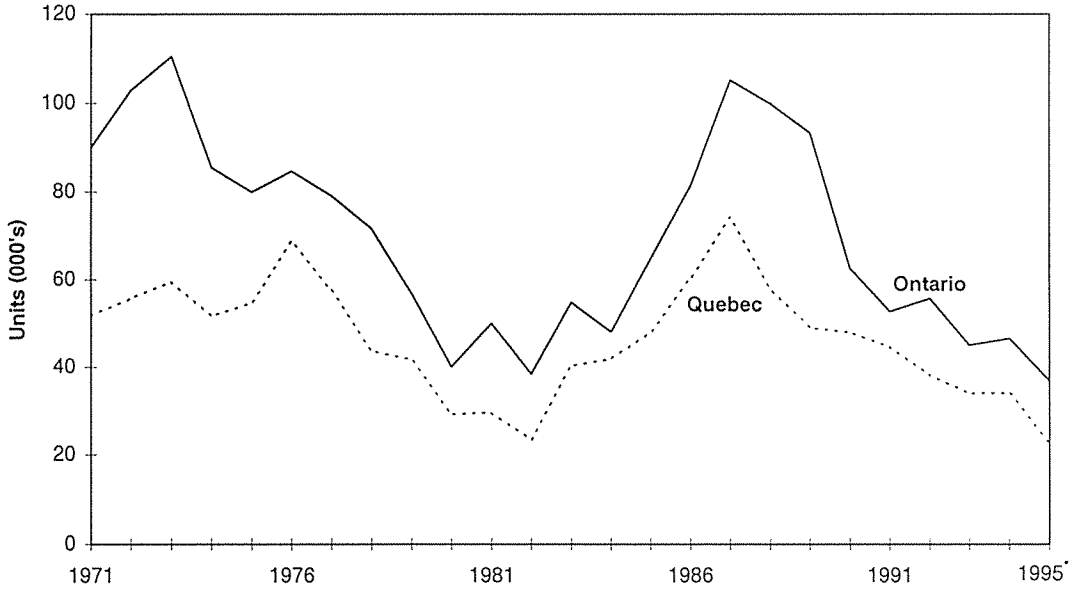
* January - September
Source: Based on Statistics Canada data

HOUSING STARTS - ATLANTIC PROVINCES
1971-1995



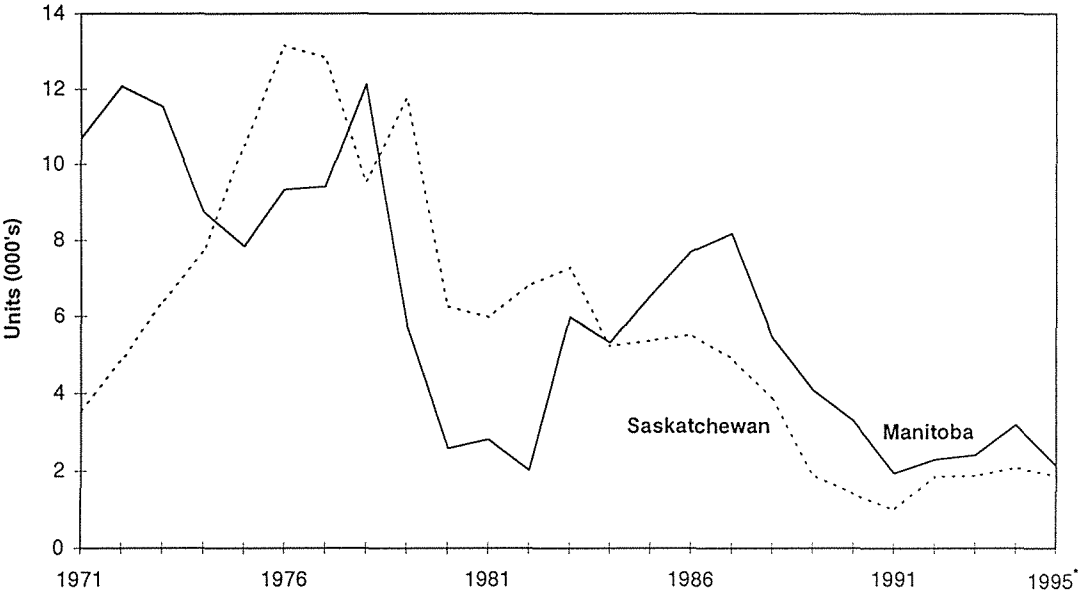
* Forecast
Source: CMHC

HOUSING STARTS - ONTARIO AND QUEBEC
1971-1995



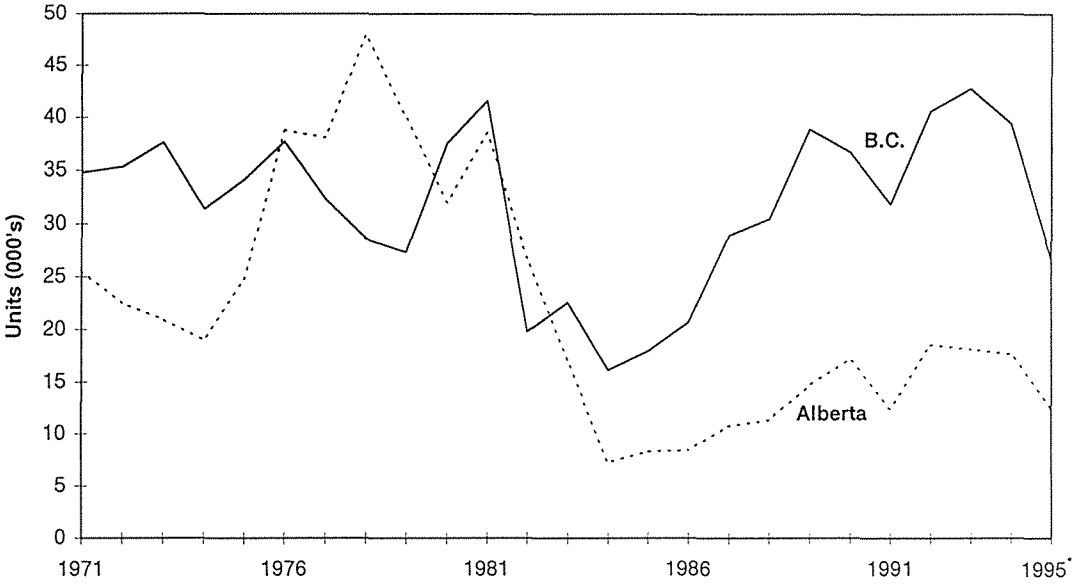
* Forecast
Source: CMHC

HOUSING STARTS - MANITOBA AND SASKATCHEWAN
1971-1995



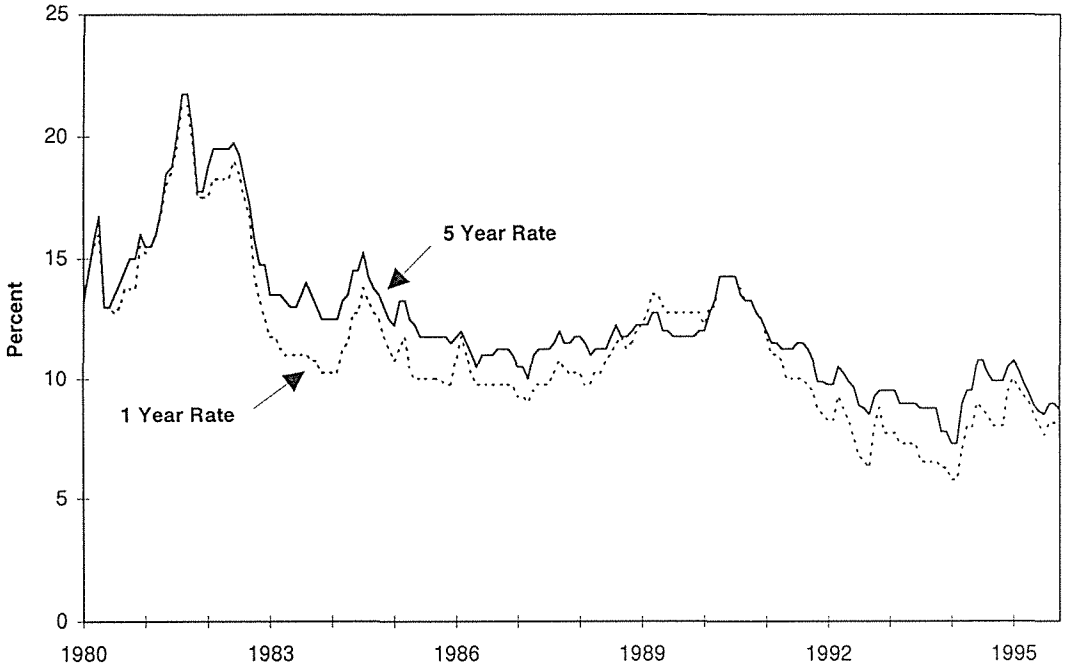
* Forecast
Source: CMHC

HOUSING STARTS - B.C. AND ALBERTA
1971-1995



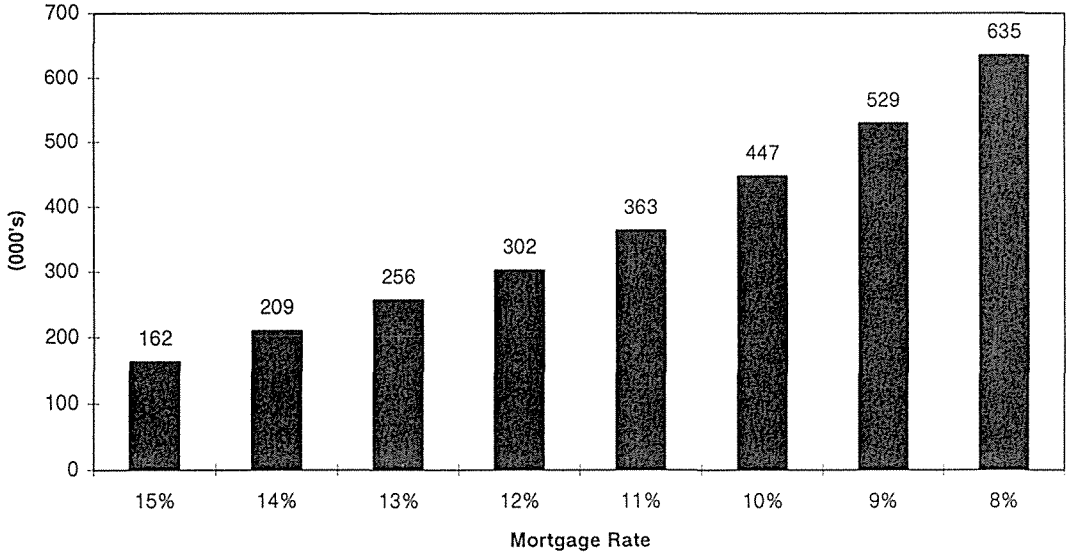
* Forecast
Source: CMHC

RESIDENTIAL MORTGAGE INTEREST RATES



Source: Bank of Canada

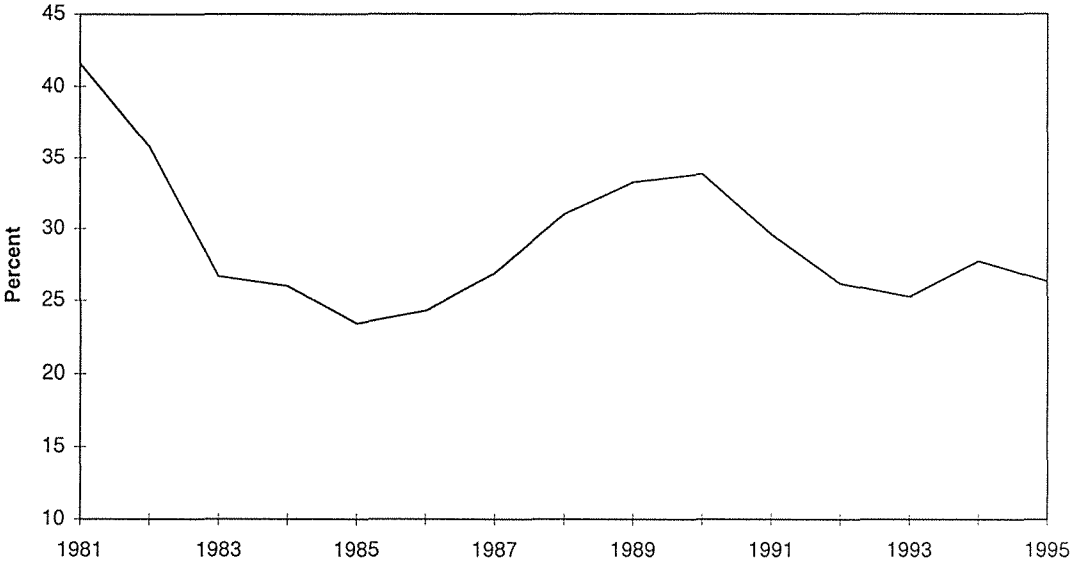
RENTERS ABLE TO AFFORD THE MORTGAGE PAYMENTS ON AN AVERAGE-PRICED HOME BY MORTGAGE INTEREST RATE, CANADA*



* Renter households with heads under 45 years of age. Assumes 1994 average-priced resale home, a 10% downpayment and 30% gross debt service ratio

Source: Clayton Research Associates based on data from Statistics Canada, the Bank of Canada and the Canadian Real Estate Association

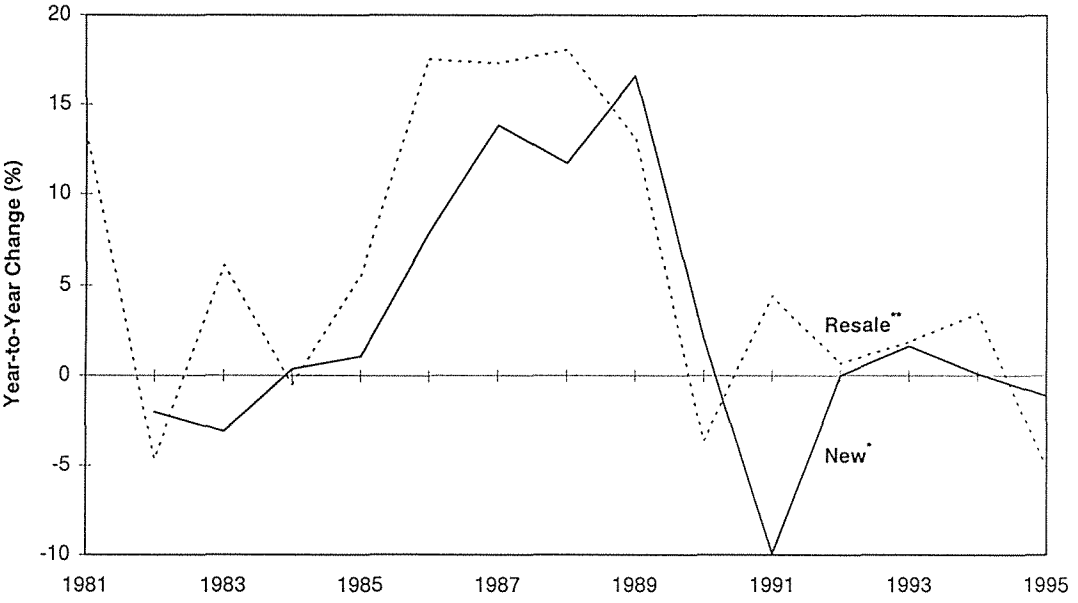
MORTGAGE PAYMENT ON AN AVERAGED-PRICED HOME AS A PERCENT OF AVERAGE FAMILY INCOME* CANADA 1981-1995



* Assumes a 10% downpayment

Source: Based on data from Statistics Canada, the Bank of Canada and the Canadian Real Estate Association

CHANGE IN AVERAGE HOUSE PRICES CANADA, 1981-1995

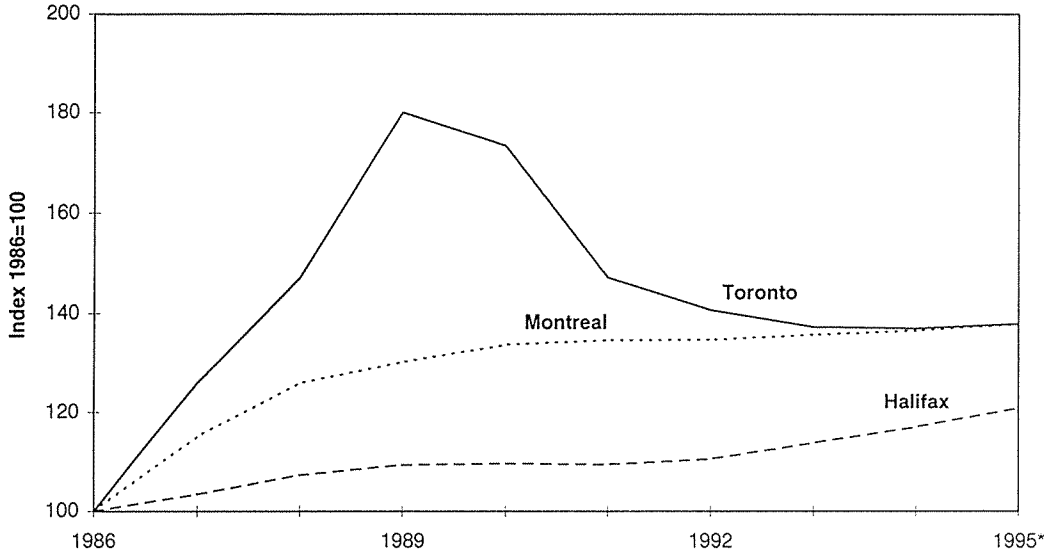


* Weighted average of new houses sold in metropolitan areas with adjustments made to exclude quality changes

** Average sales price of existing residential properties

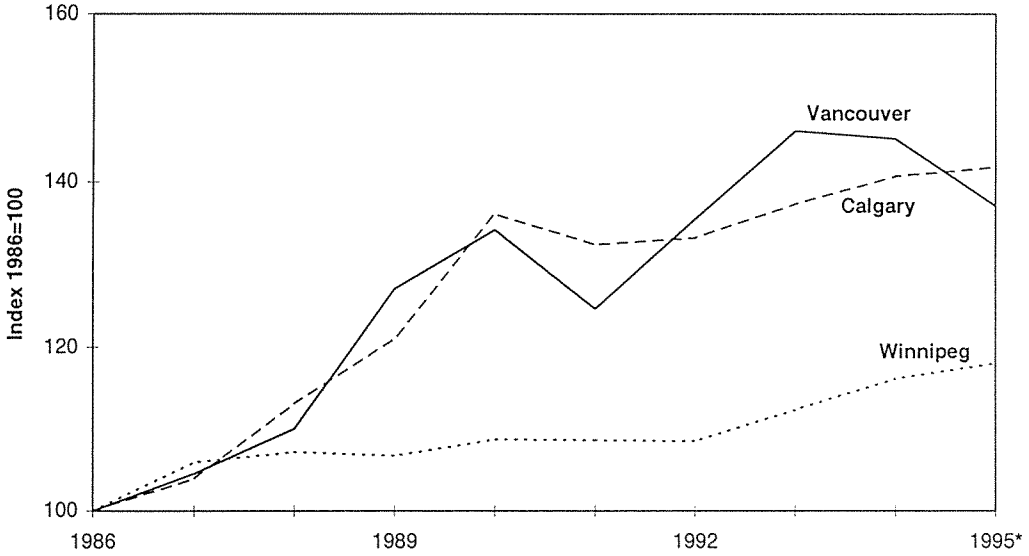
Source: Based on data from Statistics Canada and the Canadian Real Estate Association

NEW HOUSE PRICE INDEXES
HALIFAX, MONTREAL, TORONTO
1986-1995



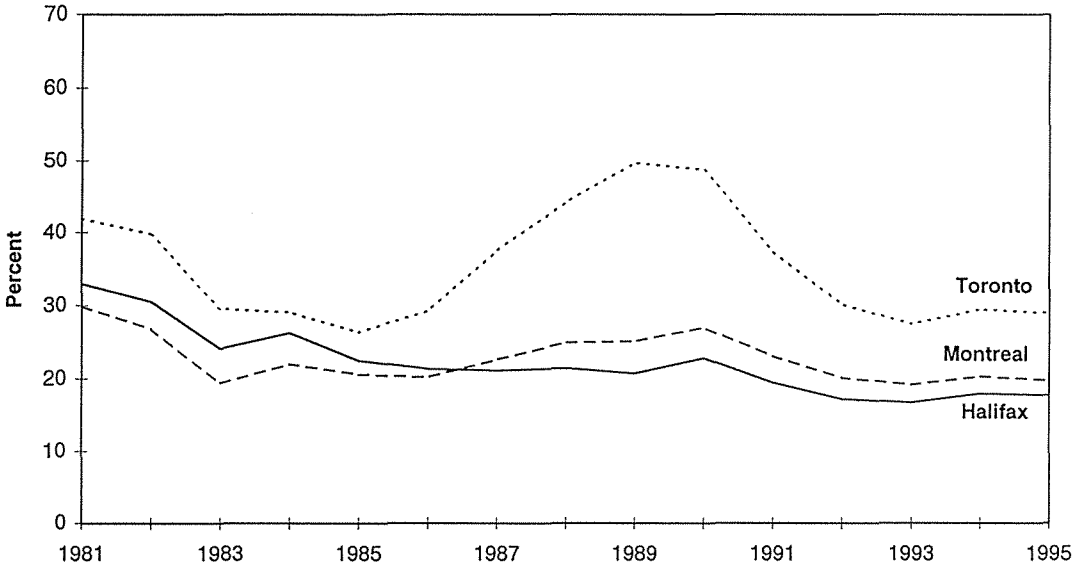
* August
Source: Statistics Canada

NEW HOUSE PRICE INDEXES
WINNIPEG, CALGARY, VANCOUVER
1986-1995



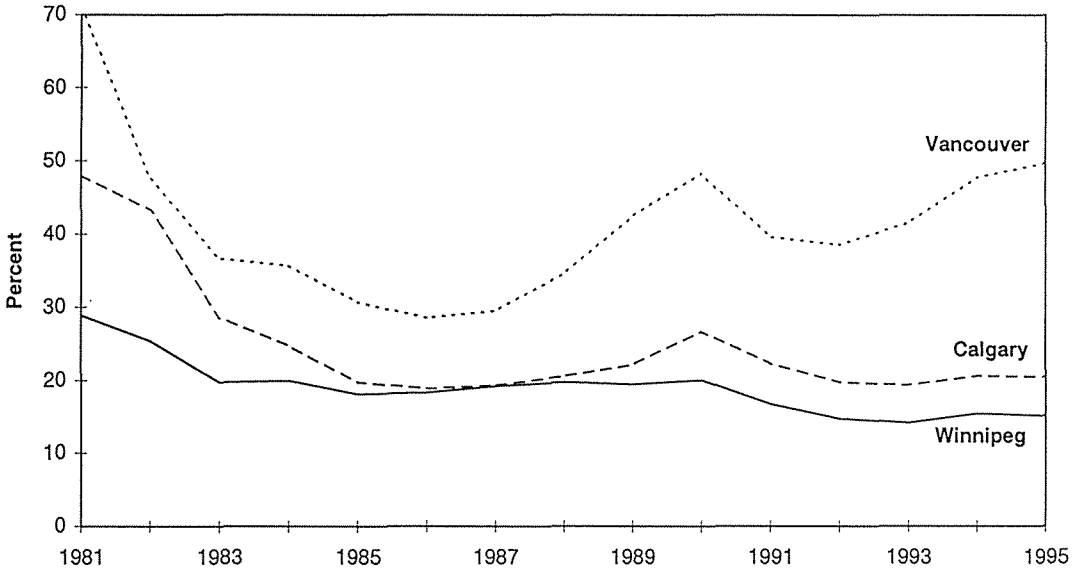
* August
Source: Statistics Canada

MORTGAGE PAYMENT ON AN AVERAGE-PRICED HOME AS A PERCENT OF AVERAGE FAMILY INCOME*, 1981-1995
Halifax, Montreal, Toronto



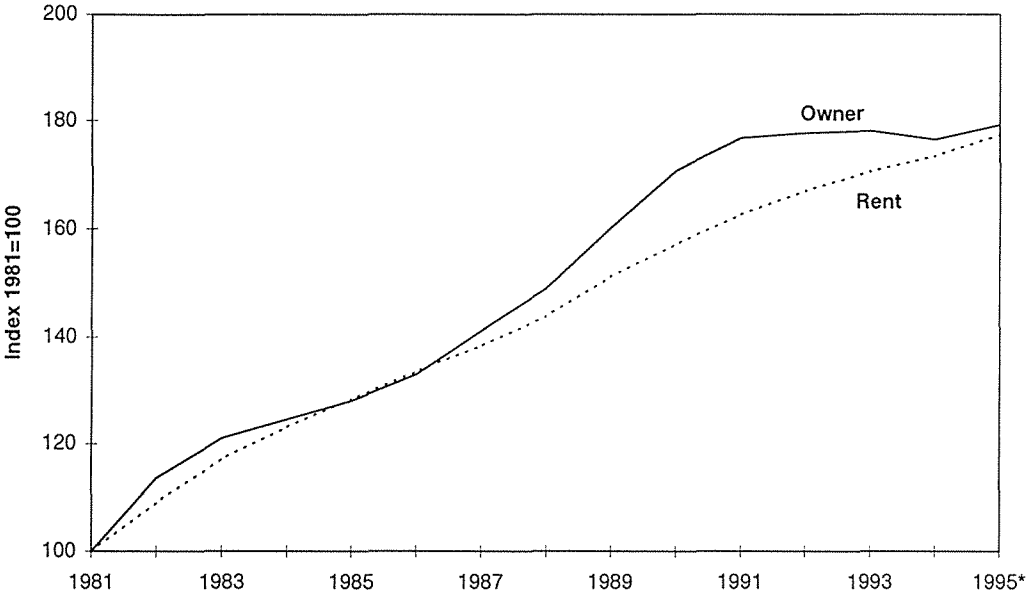
* Assumes a 10% downpayment
Source: Based on data from Statistics Canada, the Bank of Canada and the Canadian Real Estate Association

MORTGAGE PAYMENT ON AN AVERAGE-PRICED HOME AS A PERCENT OF AVERAGE FAMILY INCOME*, 1981-1995
Winnipeg, Calgary, Vancouver



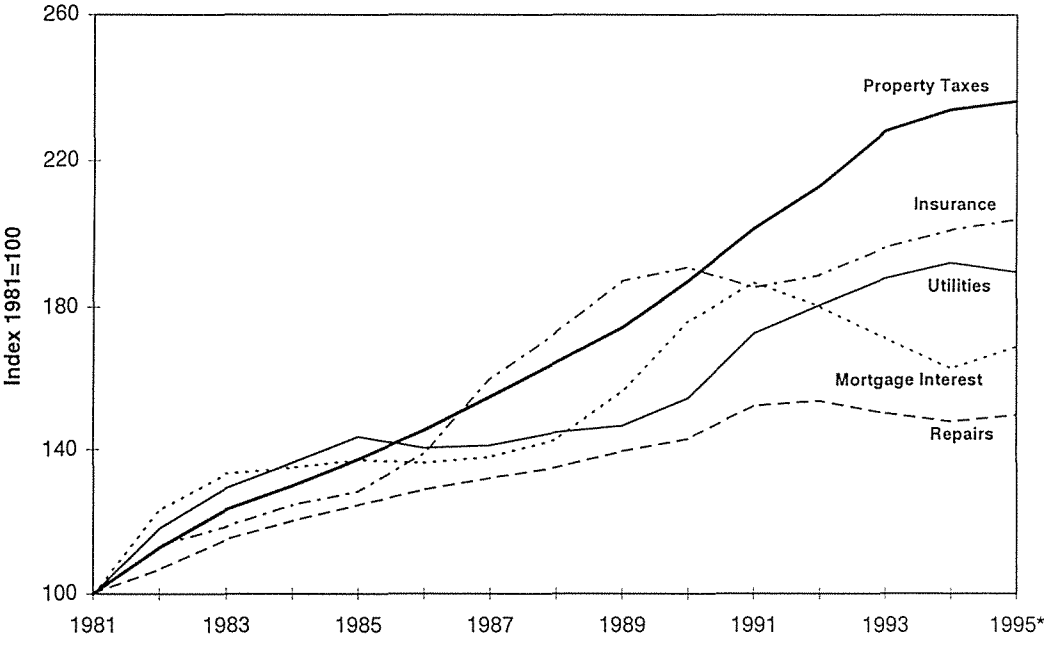
* Assumes a 10% downpayment
Source: Based on data from Statistics Canada, the Bank of Canada and the Canadian Real Estate Association

RENT AND OWNER COMPONENTS OF CPI
CANADA, 1981-1995



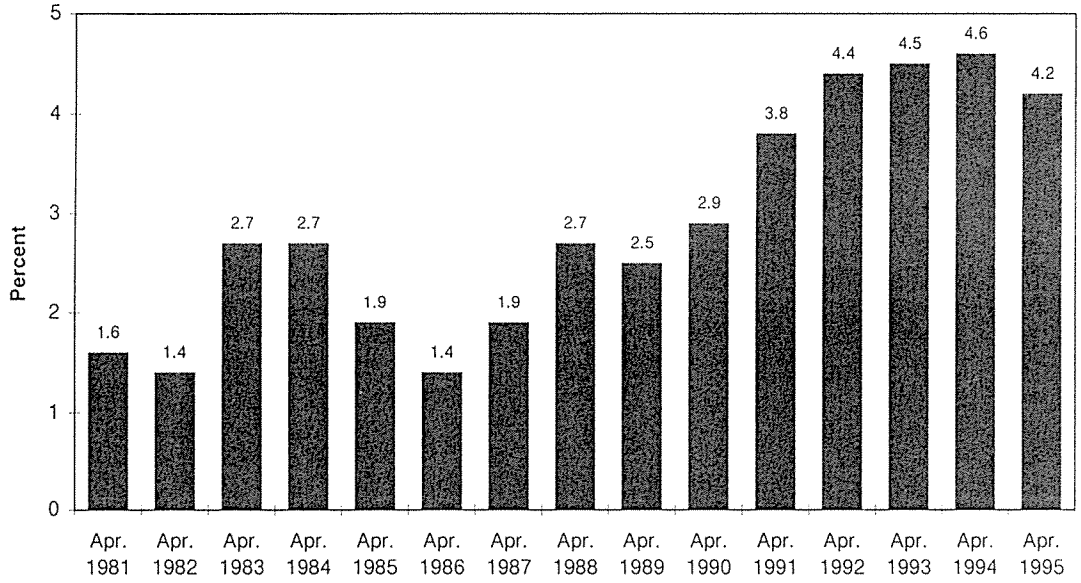
*Sept 1995
Source: Statistics Canada

OWNER COMPONENTS OF CPI
CANADA, 1981-1995



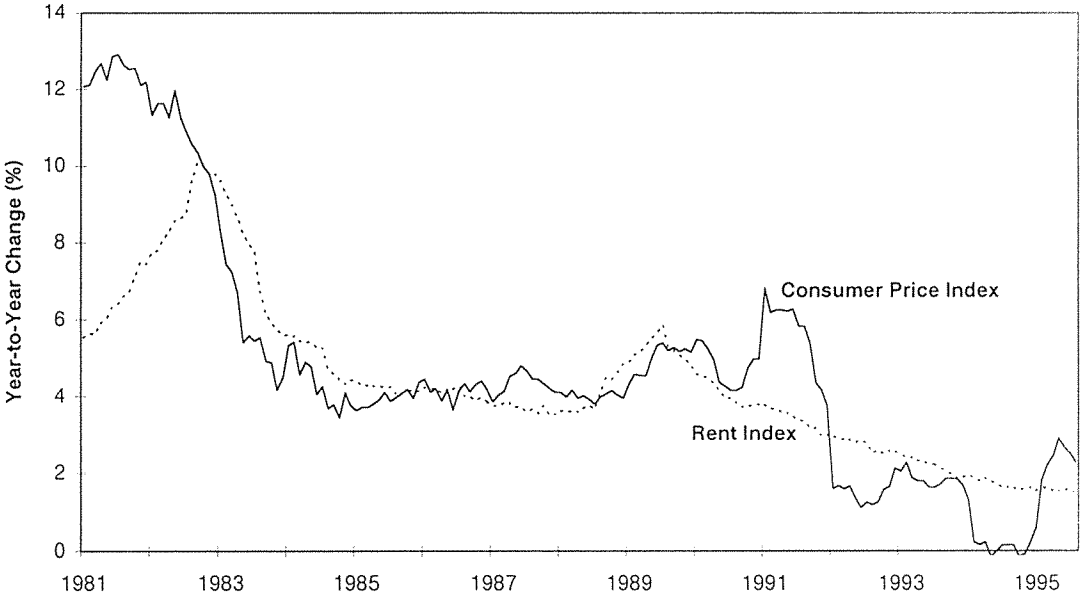
*Sept 1995
Source: Statistics Canada

RENTAL APARTMENT VACANCY RATE*
MAJOR CANADIAN CENTRES



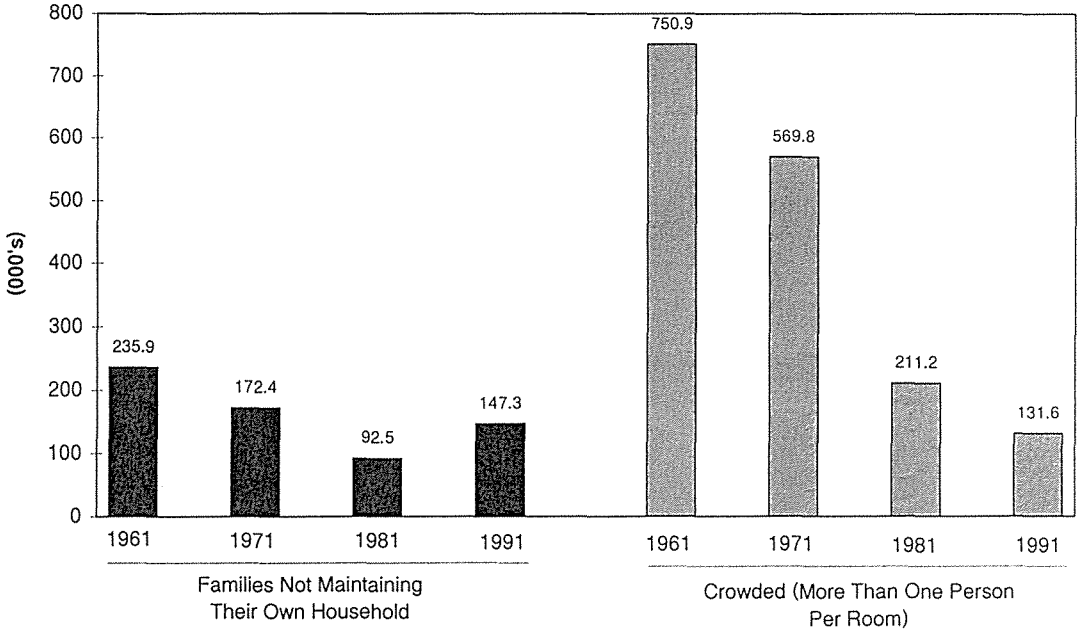
* Weighted average of metropolitan area privately initiated rental apartments in structures of six or more units (excluding newly completed units)
Source: CMHC

RENT INDEX* AND CONSUMER PRICE INDEX
CANADA, 1981-1995



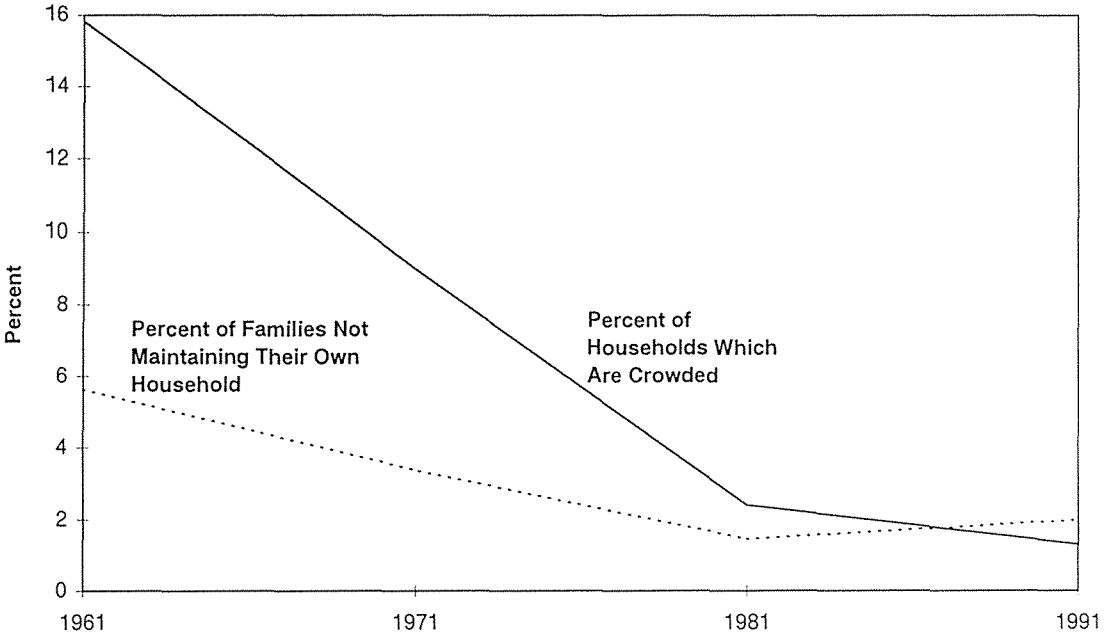
* Rent Component of Consumer Price Index
Source: Statistics Canada

NUMBER OF CROWDED HOUSEHOLDS
CANADA, 1961-1991



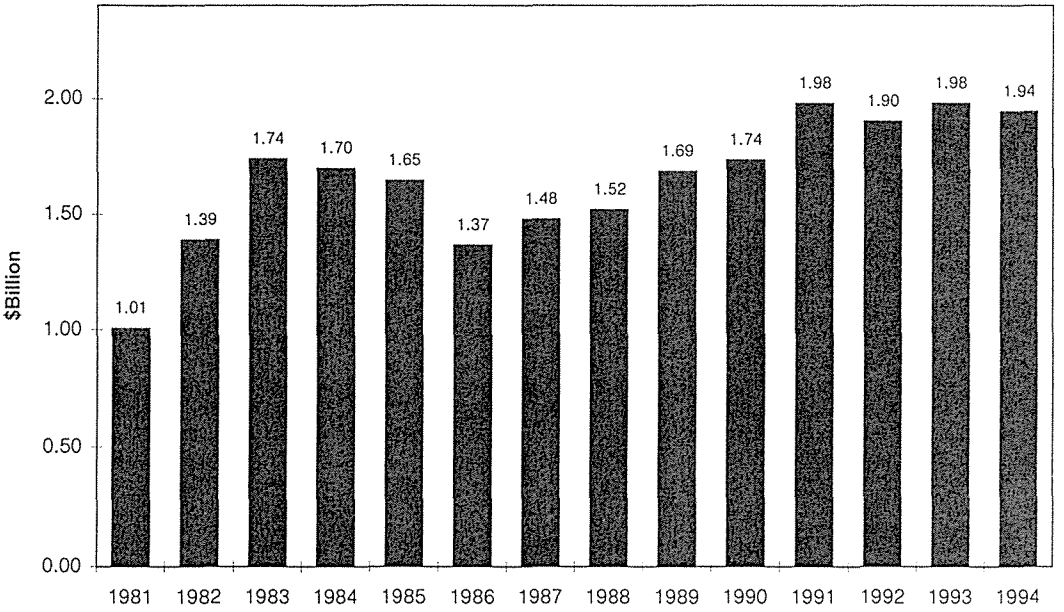
Source: Census of Canada

PERCENT OF HOUSEHOLDS WITH CROWDING
CANADA, 1961-1991



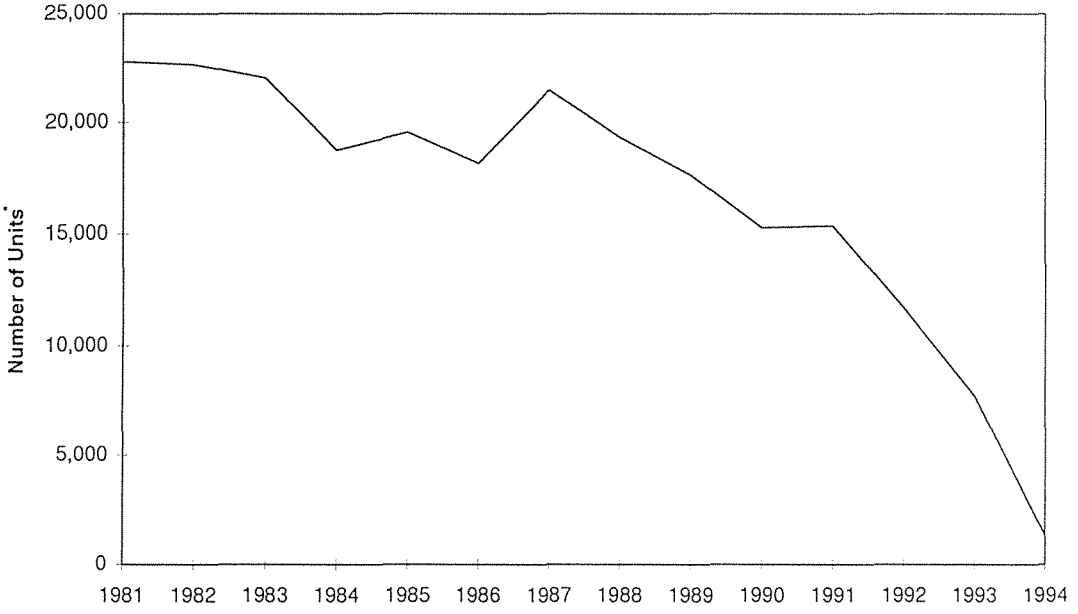
Source: Census of Canada

FEDERAL HOUSING SUBSIDIES
CANADA, 1981-1994



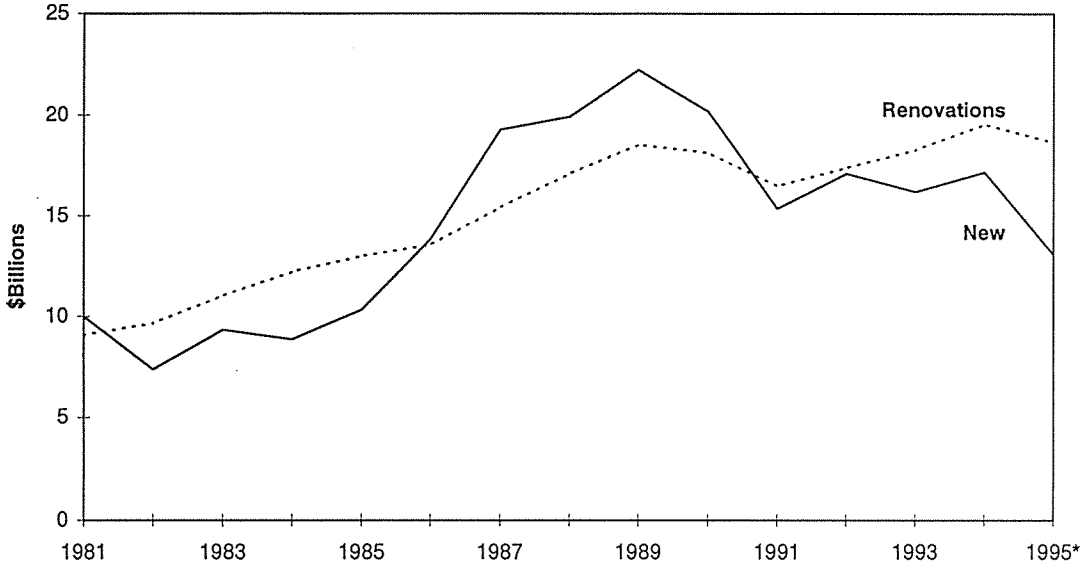
Source: CMHC

FEDERAL NON-PROFIT AND COOPERATIVE HOUSING
COMMITMENTS CANADA, 1981-1994



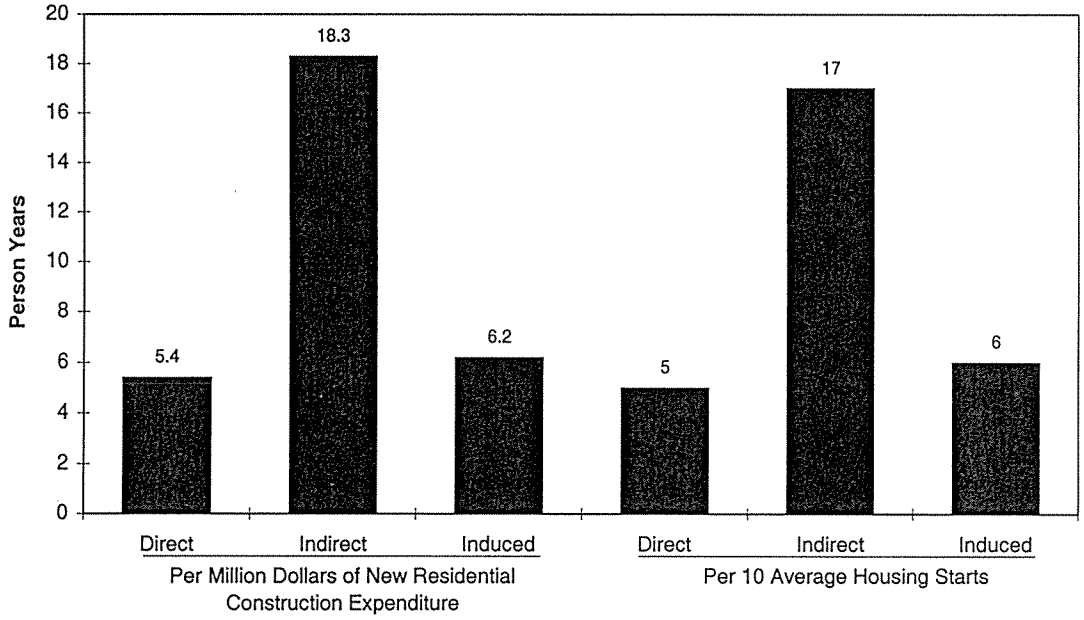
* Includes Hostel Beds
Source: CMHC

EXPENDITURES ON NEW HOUSING AND RENOVATIONS CANADA, 1981-1995



*Forecast
Source: Statistics Canada

EMPLOYMENT GENERATED BY NEW RESIDENTIAL CONSTRUCTION, CANADA



Source: CMHC