

The 44th **Pulse Survey** of new home builders and renovators was conducted by the Canadian Home Builders' Association (CHBA) in December 2010 and January 2011 – with the assistance of Canada Mortgage and Housing Corporation and Natural Resources Canada. A total of 369 new home builders and renovators across Canada responded to the survey that was tabulated and analyzed on behalf of the CHBA by Altus Group Economic Consulting.

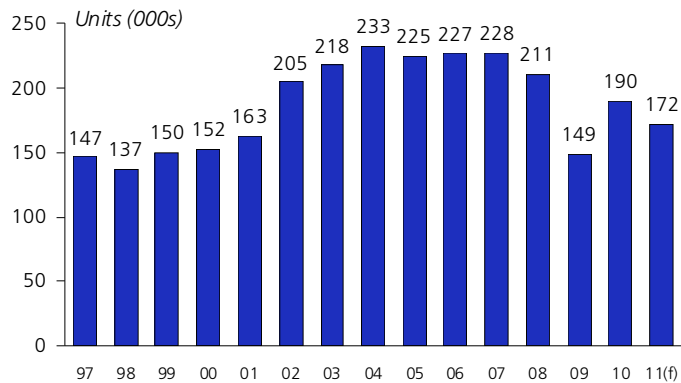
The main highlights of the survey include:

- **New home builders expect housing starts to moderate in 2011**, at about 172,100 units, from the 189,900 units started in 2010. While expectations for 2011 are modestly below the 10 year average for housing starts (205,800), they remain in line with estimates of demographic requirements.
- **Renovators expect higher renovation activity in 2011**. In all regions, the majority of renovators expect their renovation activity to increase or be stable.
- **Rising costs due to development charges remains the top concern for new home builders in most regions**. About 1 in 3 new home builders identify rising costs due to development charges as a critical problem, and as many as 47% in Ontario.
- **The underground economy is a large and growing critical problem for renovators**. Increasing builder liability, consumer confidence and shortages of trade/labour are critical problems for some renovators.
- **Home builders report stable employment in the industry in the past year, and employment is expected to be higher over the next year in most regions but Quebec**.
- **Traffic is generally lower at new home sales sites**. The decrease is across all buyer segments (i.e. first-time buyer, move-up, move-down), and in most regions.
- **Inventories of new single-detached homes are up in Atlantic Canada and Alberta and B.C. , lower in the rest of the country**.
- **The move-up market will continue to be the main target market for most new home builders, with some shift from the tract/semi-custom towards the custom segment**.
- **The average construction timeframe (from start to completion) for a single-family home is 24 weeks**, up from 15 weeks 10 years ago. Average construction timeframes are higher in Western Canada.

- **Canada-wide, more than two in five new home builders expect new single-detached house prices to increase over the next year.**
- **Renovation contracts on average are larger in Alberta and British Columbia.** Canada-wide, the average size of contracts reported in the past year was \$50,000 and the average duration about 8 weeks.

New Home Builders Expect Housing Starts to Moderate in 2011

Total Housing Starts, Canada



Source: CMHC (historical) and **Pulse Survey** (forecast)

- New home builders expect housing starts to moderate to about 172,000 units¹ in 2011 – down somewhat from 2010 and below the 10 year average. While 172,000 units is down modestly from 190,000 in 2010, it is in line with long term demographic requirements for housing.
- New home builders expect generally lower starts in 2011 in all provinces.

¹ New home builders were provided with information on estimated starts in their province in 2010 and asked to forecast starts in 2011. The national forecast is the sum of the medians of forecasts for each province.

Total Housing Starts by Province

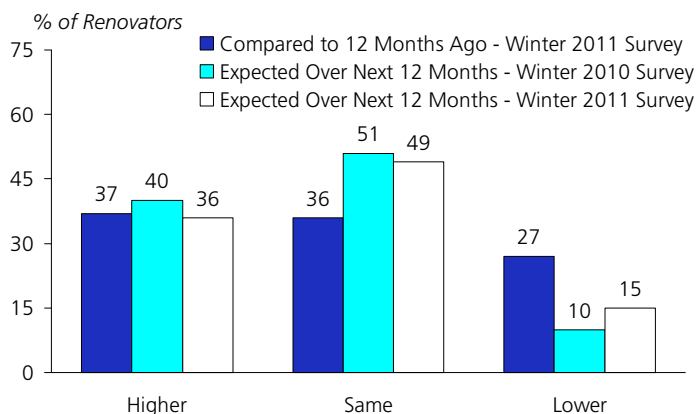
	Avg. Ann. 1997-2001	Avg. Ann. 2002-2006	2007	2008	2009	2010	2011f
	<i>Units (000s)</i>						
Newfoundland	1.6	2.5	2.6	3.3	3.1	3.6	3.5
Prince Edward Island	0.6	0.8	0.8	0.7	0.9	0.8	0.6
Nova Scotia	3.9	4.9	4.8	4.0	3.4	4.3	4.0
New Brunswick	2.9	4.1	4.2	4.3	3.5	4.1	3.3
Quebec	25.4	50.0	48.6	47.9	43.4	51.3	45.0
Ontario	64.0	81.2	68.1	75.1	50.4	60.4	55.0
Manitoba	2.8	4.4	5.7	5.5	4.2	5.8	5.0
Saskatchewan	2.7	3.4	6.0	6.8	3.9	5.9	5.2
Alberta	26.3	40.2	48.3	29.2	20.3	27.1	26.0
British Columbia	19.4	30.4	39.2	34.3	16.1	26.4	24.5
Canada	149.8	222.0	228.3	211.1	149.1	189.9	172.1

Note: totals may not add due to rounding

Source: CMHC and new home builder forecasts from **Pulse Survey**

But Most Renovators Expect Stable or Improving Activity

Change in Renovation Activity



- Renovators report increases in activity in the past year – about one-third of CHBA renovator members (37%) say their renovation activity is now higher than 12 months ago, compared to only 27% reporting a decline.
- On balance, renovators expect further increases in renovation activity over the next year (with 36% expecting higher activity versus 15% expecting lower).
- In all regions, renovators generally expect stable or improving activity levels.

Change in Renovation Activity by Region

	<u>Compared to 12 Months Ago</u>				<u>Expected Over Next 12 Months</u>			
	Higher	Same	Lower	Total	Higher	Same	Lower	Total
	% of Respondents							
Atlantic*	47	47	5	100	24	71	6	100
Quebec	24	56	20	100	16	76	8	100
Ontario	32	30	38	100	32	48	21	100
Man./Sask.*	71	14	14	100	83	17	0	100
Alberta	40	40	20	100	70	15	15	100
B.C.	42	31	28	100	37	46	17	100
Canada	37	36	27	100	36	49	15	100

* Due to relatively small sample sizes, data for the provinces in Atlantic Canada (Newfoundland, P.E.I, Nova Scotia and New Brunswick), as well as for Manitoba and Saskatchewan, are combined in this and subsequent charts

Rising Costs Due to Development Charges and Serviced Lot Prices Remain Top Concerns for New Home Builders

Critical Problems for New Home Builders

	Winter 2009	Winter 2010	Winter 2011	
	<i>% of Respondents Indicating a Critical Problem</i>			
Shortages of:				
Trades/Labour	4	2	4	
Serviced Lots	10	18	16	
Building Materials	0	0	0	■ In the Winter 2011 Pulse Survey , rising costs due to development charges remain the top concern for new home builders, with about one-third identifying it as a critical problem nationally, and as high as 47% in Ontario.
Financing	19	10	6	
Rising Costs Due to:				
Trades/Labour	5	2	3	
Serviced Lot Prices	25	23	27	■ Rising costs due to serviced lot prices continue to be a critical problem for a large proportion of new home builders in most regions (27%), and is more pronounced in Ontario (39%) and Manitoba/Saskatchewan (35%).
Building Materials	2	1	0	
Development Charges	33	33	33	
Regulatory Issues:				
More Onerous Building Code Requirements	11	11	13	■ Regulatory issues (such as more onerous municipal standards, building code requirements and environmental regulations, and potential requirements for sprinklers) remain of concern to many new home builders, particularly in Ontario and B.C.
More Onerous Municipal Approvals/Standards	19	17	19	
More Onerous Environmental Regulations	14	14	17	
Potential Requirements for Sprinklers	16	15	18	■ Consumer confidence appears to be re-emerging as a critical issue. Nearly 1 in 7 new home builders now citing consumer confidence as a critical problem up from 1 in 10 last year.
Consumer/Municipal Attitudes Towards Growth	14	12	9	
Consumer Confidence	54	9	14	
Consumer Expectation Re: Level of Protection	9	3	4	
Builder Profitability	25	13	15	■ Concerns about shortages and associated rising costs of trades/labour have eased in recent years, but still a critical problem for new home builders in Atlantic Canada. The most often-cited trades/labour shortages are for framers, drywallers and bricklayers.
Underground Economy	12	15	15	
Theft of Materials from Sites	8	5	2	
Interest Rates	3	3	3	
Mold	2	1	1	
Insurance Rates/Premiums	6	6	6	
Insurance Coverage	4	6	4	
Increasing Builder Liability	16	13	12	

Critical Problems for New Home Builders by Region

	Atlantic	Quebec	Ontario	Man./ Sask.	Alberta	B.C.	Canada
<i>% of Respondents Indicating a Critical Problem</i>							
Shortages of:							
Trades/Labour	25	0	3	6	2	0	4
Serviced Lots	10	11	29	24	6	5	16
Building Materials	0	0	0	0	0	0	0
Financing	5	0	8	0	4	8	6
Rising Costs Due to:							
Trades/Labour	20	0	3	0	0	0	3
Serviced Lot Prices	20	11	39	35	20	16	27
Building Materials	0	0	1	0	0	0	0
Development Charges	26	0	47	24	24	32	33
Regulatory Issues:							
More Onerous Building Code Requirements	10	0	16	6	8	19	13
More Onerous Municipal Approvals/Standards	10	0	27	12	10	29	19
More Onerous Environ- mental Regulations	20	0	26	0	12	16	17
Potential Requirements for Sprinklers	0	0	24	6	22	16	18
Consumer/Municipal Attitudes Towards Growth	5	0	8	6	12	11	9
Consumer Confidence	11	13	11	6	18	22	14
Consumer Expectation Re: Level of Protection	5	0	4	6	6	0	4
Builder Profitability	20	0	15	0	20	16	15
Underground Economy	20	0	24	0	4	19	15
Theft of Materials from Sites	5	0	4	6	0	0	2
Interest Rates	5	0	4	0	4	0	3
Mold	0	0	1	0	2	3	1
Insurance Rates/Premiums	5	0	11	6	2	5	6
Insurance Coverage	5	0	7	0	4	0	4
Increasing Builder Liability	5	0	15	12	16	11	12

Underground Economy a Large and Growing Problem for Renovators

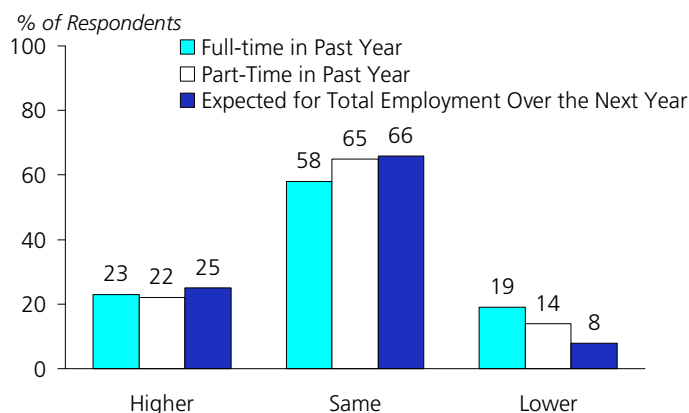
Critical Problems for Renovators

	Winter 2009	Winter 2010	Winter 2011
<i>% of Respondents Indicating a Critical Problem</i>			
Shortages of:			
Trades/Labour	15	4	8
Building Materials	0	0	0
Rising Costs Due to:			
Trades/Labour	8	4	5
Building Materials	1	1	3
Consumer Confidence	9	6	9
Consumer Expectations Re: Level of Protection	1	3	3
Builder Profitability	6	6	6
Underground Economy	17	42	54
Theft of Materials from Sites	8	4	1
Mold	1	10	1
Insurance Rates/Premiums	4	7	5
Insurance Coverage	3	6	3
Increasing Builder Liability	5	9	10

- The underground economy is a large and growing concern among renovators with over half of respondents identifying it as a critical problem.
- Shortage of trades and labour is also a growing concern and increasing builder liability remains of concern to about 10% of renovators.
- Consumer confidence is a critical problem for some 9% of renovators, up from 6% in 2010.
- Concerns over mold, insurance rates/premiums and insurance coverage have decreased somewhat over the past year.

Employment Stable in Past Year and More Jobs Expected Over the Next Year in Most Regions Except for Quebec

Changes in Employment



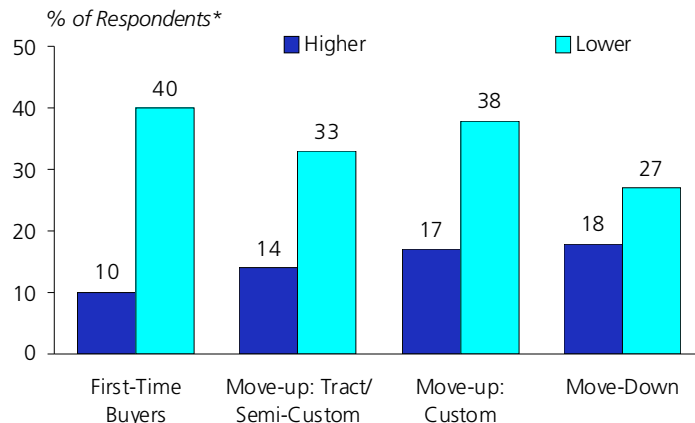
- New home builders and renovators report that employment in the home building industry has been generally stable over the past year. Some 23% of all respondents to the **Pulse Survey** report that full-time employment is up compared to a year ago, a slightly lower percentage (19%) report it as down. The pattern varies by region. Home builders in Quebec on average report lower employment.
- Employment is relatively steady for part-time jobs Canada-wide, with Atlantic Canada the only exception, reporting employment is down.
- Looking ahead, some increase in employment is expected in most regions but Quebec (i.e. the proportion of home builders in all regions that expects employment to increase is larger than the proportion that expects a decrease).

Change in Employment by Region

	Employment Now Compared to a Year Ago								Over the Next Year, Expect Total Employment to:			
	Full-Time				Part-Time				Stay the			
	Higher	Same	Lower	Total	Higher	Same	Lower	Total	Increase	Same	Decrease	Total
	% of Respondents											
Atlantic	22	66	13	100	14	57	29	100	13	81	6	100
Quebec	8	69	23	100	19	62	19	100	7	83	10	100
Ontario	21	65	14	100	19	76	4	100	20	74	7	100
Man./Sask.	46	50	4	100	27	73	0	100	39	61	0	100
Alberta	25	50	25	100	24	59	17	100	31	57	12	100
B.C.	27	45	27	100	26	53	21	100	42	47	11	100
Canada	23	58	19	100	22	65	14	100	25	66	8	100

Lower Traffic at New Home Sites for All Buyer Segments

Changes in Traffic Compared to Last Year



* The remaining respondents reported that traffic was the same as a year earlier

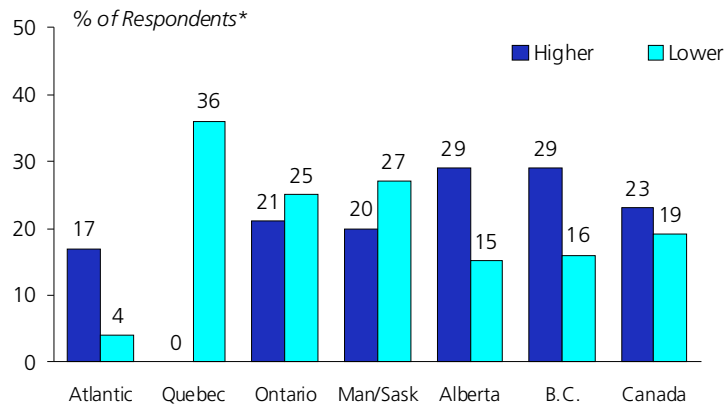
- Canada-wide, new home builders report lower traffic than a year ago at new home sales sites in all buyer segments, with the first-time buyer segment reporting the most decline.
- By region, lower traffic is reported for most buyer segments. Manitoba/Saskatchewan is the only region with stable or increased traffic across most segments. Ontario also reports slightly higher traffic among the move-down segment.

Changes in Traffic Compared to Last Year by Region

		Move-Up Buyers			
		First-Time Buyers	Tract, Semi-Custom Homes	Fully Customized Homes	Move-Down Buyers
<i>% of Respondents</i>					
Atlantic	Higher	5	5	23	14
	Lower	41	29	36	33
Quebec	Higher	0	9	0	18
	Lower	36	27	44	27
Ontario	Higher	10	18	17	21
	Lower	32	27	35	18
Man./Sask.	Higher	31	29	21	17
	Lower	15	29	36	17
Alberta	Higher	11	7	11	16
	Lower	53	36	42	34
B.C.	Higher	7	14	20	15
	Lower	49	43	39	33
Canada	Higher	10	14	17	18
	Lower	40	33	38	27

New Home Inventories Up in Atlantic Canada

Changes in Inventory of Started But Unsold Single-Detached Homes Compared to Last Year

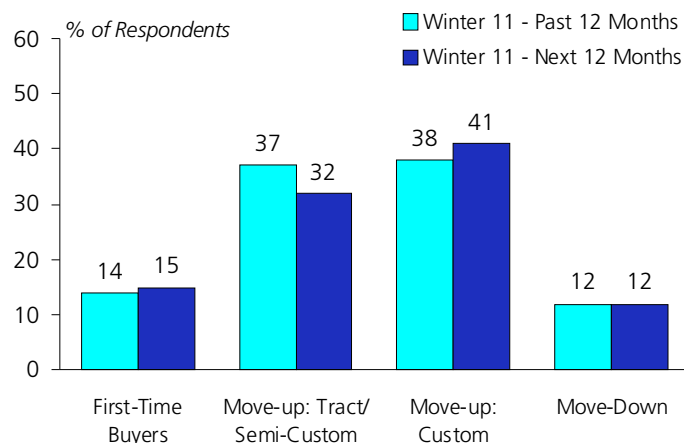


* The remaining respondents reported that inventory was the same as a year earlier

- On balance, new home builders report higher inventories in Canada. Almost 1 in 4 new home builders report inventories of started-but-unsold new single-detached homes as up from a year ago.
- By region, inventories are up in Atlantic Canada, Alberta and B.C. and lower elsewhere, particularly in Quebec where no respondent reports higher inventories.

Move-Up Market Will Remain Primary Target Market for Most New Home Builders

Main Target Market



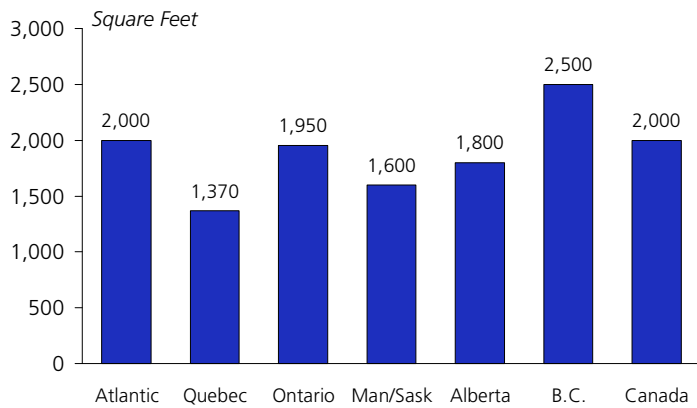
- Canada-wide, about three-quarters of new home builders made move-up buyers their primary target market in the past year (with about half of these targeting the custom segment).
- Over the next year, the move-up market will continue to be the main target market for most new home builders with some shift from the tract/semi-custom segment towards the custom segment.
- New home builders in most regions plan some shift toward the custom segment in the move-up market over the next year, with Alberta the only exception.

Main Target Market by Region

	First-Time Buyers	Move-Up Buyers		Move-Down Buyers	Total
		Tract, Semi-Custom Homes	Fully Customized Homes		
<i>% of Respondents</i>					
Last 12 Months					
Atlantic	13	26	57	4	100
Quebec	33	22	44	0	100
Ontario	10	45	28	16	100
Man./Sask.	7	47	40	7	100
Alberta	22	41	33	4	100
B.C.	9	26	45	21	100
Canada	14	37	38	12	100
Next 12 Months					
Atlantic	10	24	62	5	100
Quebec	0	40	50	10	100
Ontario	16	36	30	19	100
Man./Sask.	8	46	46	0	100
Alberta	26	40	33	0	100
B.C.	13	15	51	21	100
Canada	15	32	41	12	100

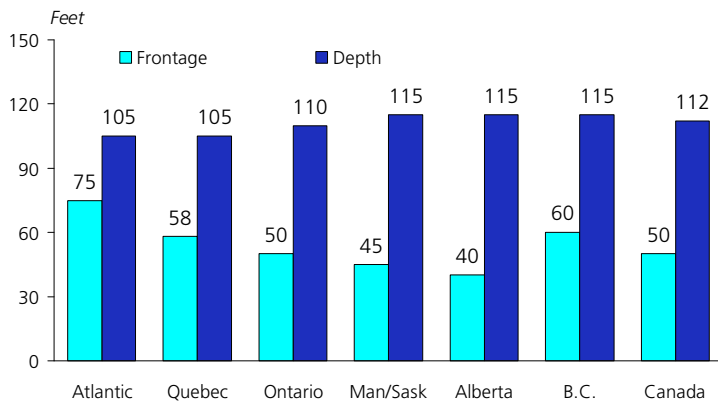
Average New Single-Detached House is 2,000 Square Feet on a 50 Foot Wide by 112 Foot Deep Lot

Average Size of New Single-Detached Houses



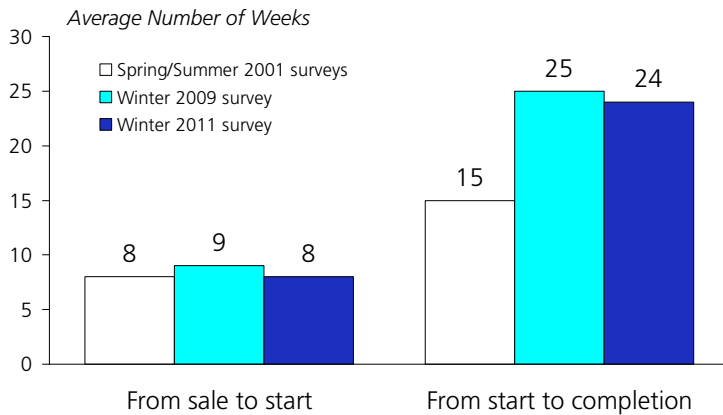
- Canada-wide, new home builders responding to the latest Pulse Survey report the average size of a new single-detached house built in their market at about 2,000 square feet.
- By region, average sizes range from a high of 2,500 square feet in B.C. to a low of 1,370 square feet in Quebec.
- Canada-wide, the average lot size reported for new homes is 50 feet wide by 112 feet deep.

Average Lot Sizes for new Single-Detached Houses



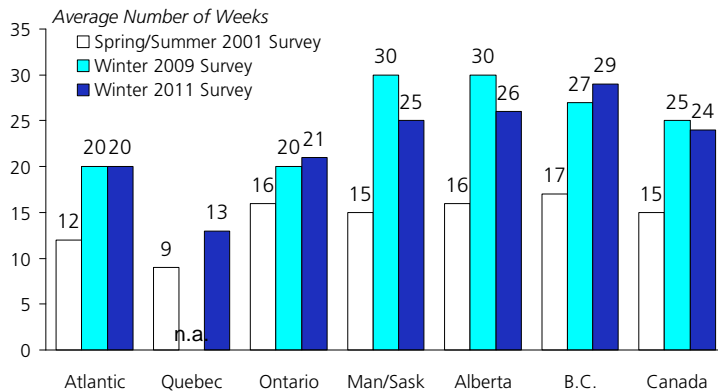
Average Construction Timeframe for Single-Family Homes Stable at about 24 Weeks

Average Timeframes for Single-Family Homes



- Canada-wide, new home builders reported that the average time from sale to start of construction on a single-family home is about 8 weeks.
- Once started, the average construction time is estimated at 24 weeks, similar to last year and up from 15 weeks 10 years ago.
- New home builders in Western Canada reported the longest average time between start and completion. Construction timeframes decreased somewhat in Manitoba/Saskatchewan and Alberta over the past year.

Average Time from Start to Completion Single-Family Homes



Majority of New Home Builders Expect New House Prices to Increase

Expected Changes in New Single-Detached House Prices Over Next Year

	Higher	Same	Lower	Total
	<i>% of Respondents</i>			
Atlantic	52	43	4	100
Quebec	43	50	7	100
Ontario	53	41	7	100
Man./Sask.	50	44	6	100
Alberta	42	48	10	100
B.C.	20	66	14	100
Canada	42	49	9	100

- Canada-wide, about 40% new home builders expect that new single-detached house prices will increase over the next year.
- A majority of respondents in Atlantic Canada, Ontario, and Manitoba/Saskatchewan (at 50% or more) expect single-detached house prices to be higher in 2011 than 2010. Most builders in B.C. (66%) expect stable prices.

Average Reported Renovation Contract was \$50,000 and Took 8 Weeks to Complete

Average Size and Duration of Renovation Projects*

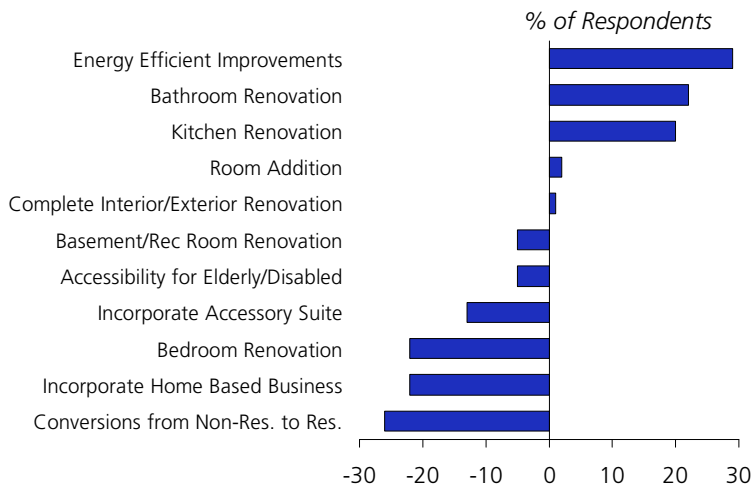
	Average Size \$000s	Average Duration Weeks
Atlantic	50	6
Quebec	25	4
Ontario	50	7
Man./Sask.**	50	8
Alberta	100	12
B.C.	150	12
Canada	50	8

* The median responses are presented here
 ** Very small sample

- Overall, the average size of contracts reported by renovators responding to the Winter 2011 **Pulse Survey** is \$50,000 and the average duration of renovation projects about 8 weeks.¹
- Project sizes are typically smaller in Eastern Canada than Western Canada.
- Requests are up on average for energy efficient improvements, kitchen and bathroom renovations.

¹ Renovators were asked to provide the average size and duration of their renovation projects. The median responses are presented here (the median is the point at which half the responses are above and half are below).

Net Change* in Requests for Renovation Projects in Past Year



* % of respondents reporting increased requests minus % of respondents reporting decreased requests

Significant Proportion of Smaller Renovation Jobs and Repair Work Lost To the Underground Economy

Share of Construction Activity in Market Area Estimated to be Undertaken on a Cash Deal Basis

	Small Repair Jobs	Small Renovations (<\$5,000)	Medium-Sized Renovations (\$5,000-\$20,000)	Large Renovations (\$20,000+)	New Home Building
% of Respondents					
<10%	8	10	15	32	77
10-19%	2	5	19	31	16
20-29%	7	16	32	21	5
30-49%	17	30	17	10	2
50% or more	66	40	17	5	0
Total	100	100	100	100	100
Median	50% or more	30-49%	20-29%	10-19%	<10%

■ “Cash deal” arrangements are believed to be most prevalent among small repair jobs and small renovation projects (less than \$5,000)¹.

■ “Cash deals” are believed to be less common for large renovations (over \$20,000) and in new home building.

■ In general, work in the underground “cash” economy is believed to be most prevalent in Ontario for all sizes of renovations.

¹ Respondents to the Winter 2011 Pulse Survey were asked to estimate the proportion of new home building and renovation work of different types in their market area that they believe is undertaken on a “cash deal” basis (i.e. in the underground economy).

Share of Construction Activity in Market Area Estimated to be Undertaken on a Cash Deal Basis by Region

	Small Repair Jobs	Small Renovations (<\$5,000)	Medium-Sized Renovations (\$5,000-\$20,000)	Large Renovations (\$20,000+)	New Home Building
% of Respondents Estimating at Least 30% of Construction Activity in Their Market Area Being Done on a Cash Deal Basis					
Atlantic	81	72	38	9	0
Quebec	73	57	21	8	0
Ontario	93	82	48	25	5
Man./Sask.	76	48	24	5	0
Alberta	74	67	13	11	0
B.C.	83	62	34	12	2
Canada	84	69	34	15	2