Pulse

The CHBA Poll

Winter 2012

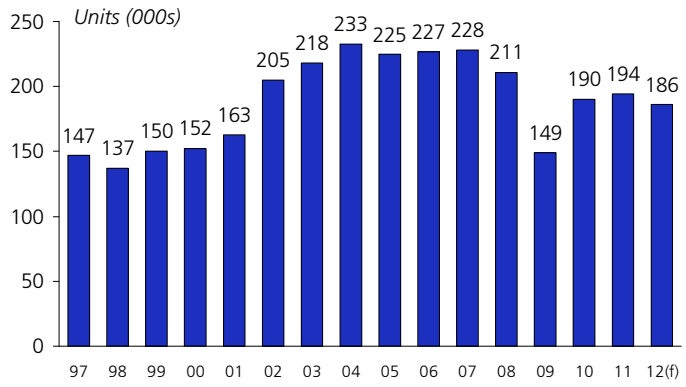
The 45th **Pulse Survey** of new home builders and renovators was conducted by the Canadian Home Builders' Association (CHBA) in December 2011 and January 2012 – with the assistance of Canada Mortgage and Housing Corporation and Natural Resources Canada. A total of 373 new home builders and renovators 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 modestly lower housing starts in 2012**. However expectations for 2012 remain in line with estimates of demographic requirements.
- **Renovators expect stable or improving renovation activity in 2012.**
- **Shortages of lots, more onerous municipal approvals and environmental regulations are growing concerns for new home builders.**
- **Rising costs due to development charges remains a critical problem for new home builders**.
- **The underground "cash" economy remains a critical problem for renovators as does shortages (and costs) of trades**.
- **A rising number of renovator members are concerned about increasing builder liability.**
- **New home builders and renovators report stable employment in the industry in the past year.** Further stability in employment is expected in 2012.
- **First-time buyer and semi-custom buyer traffic is lower at new home sales sites.** New home builders report higher traffic in the move-down segment.
- **Inventories of new single-detached homes are higher in most regions.** Manitoba/Saskatchewan is the only region to report, on average, lower inventories, and Quebec builders report stable inventories.
- **The custom home market will remain the primary target for new home builders in 2012.**
- **The average new single-detached home is about 1,900 sq. ft.** and new home builders expect them to get smaller in 2012.
- **Two out of three new home builders expect new house prices to increase in 2012.**

New Home Builders Expect Modestly Lower Housing Starts in 2012

Total Housing Starts, Canada



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

- New home builders expect housing starts to moderate to about 186,000 units[1] in 2012 – down marginally from 2011. While new home builder expectations are modestly below the 10-year average, they remain generally in line with long-term demographic requirements for housing.

- Relative to housing starts activity in 2011, new home builders in Alberta expect higher starts in 2012; new home builders in all other provinces expect declines, with new home builders in Manitoba and Saskatchewan expecting the sharpest declines, albeit down to still very high levels by historical standards.

1 *New home builders were provided with information on estimated starts in their province in 2011 and asked to forecast starts in 2012. The national forecast is the sum of the medians of forecasts for each province.*

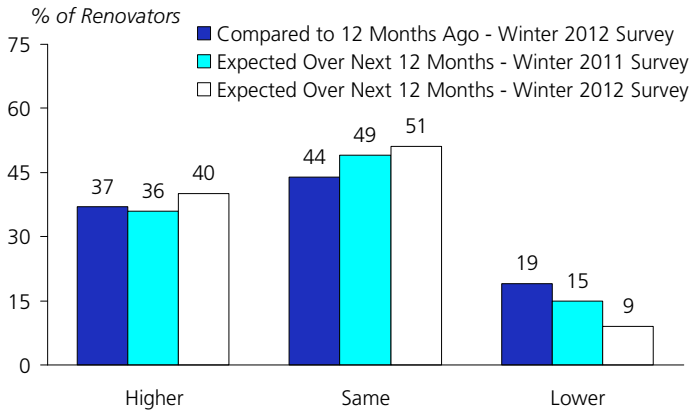
Total Housing Starts by Province

	Avg. Ann. 1998-2002	Avg. Ann. 2003-2007	2008	2009	2010	2011	2012f
		Units (000s)					
Newfoundland	1.7	2.6	3.3	3.1	3.6	3.5	3.4
Prince Edward Island	0.7	0.8	0.7	0.9	0.8	0.9	0.8
Nova Scotia	4.2	4.8	4.0	3.4	4.3	4.6	4.5
New Brunswick	3.1	4.1	4.3	3.5	4.1	3.5	3.3
Quebec	28.7	51.2	47.9	43.4	51.3	48.4	45.0
Ontario	69.9	78.1	75.1	50.4	60.4	67.8	65.0
Manitoba	3.0	4.8	5.5	4.2	5.8	6.1	5.5
Saskatchewan	2.8	4.1	6.8	3.9	5.9	7.0	6.5
Alberta	29.4	42.1	29.2	20.3	27.1	25.7	26.0
British Columbia	17.9	33.9	34.3	16.1	26.4	26.4	26.0
Canada	161.4	226.6	211.1	149.1	189.9	194.0	185.9

Note: totals may not add due to rounding
Source: CMHC and new home builder forecasts from **Pulse Survey**

And 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, about twice the share reporting a decline.
- On balance, renovators expect further increases in renovation activity over the next year (with 40% expecting higher activity versus 9% expecting lower).
- In all regions, renovators expect generally stable or improving activity levels.

Change in Renovation Activity by Region

	Compared to 12 Months Ago				Expected Over Next 12 Months			
	Higher	Same	Lower	Total	Higher	Same	Lower	Total
	% of Respondents							
Atlantic*	39	44	17	100	41	41	18	100
Quebec	15	55	30	100	29	61	11	100
Ontario	40	40	19	100	46	44	10	100
Man./Sask.*	10	80	10	100	20	80	0	100
Alberta	55	35	10	100	33	56	11	100
B.C.	51	36	13	100	50	47	3	100
Canada	37	44	19	100	40	51	9	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

Shortages of Lots, More Onerous Municipal Approvals and Environmental Regulations Growing Concerns for New Home Builders

Critical Problems for New Home Builders

	Winter 2010	Winter 2011	Winter 2012
	% of Respondents Indicating a Critical Problem		
Shortages of:			
Trades/Labour	2	4	4
Serviced Lots	18	16	21
Building Materials	0	0	0
Financing	10	6	3
Rising Costs Due to:			
Trades/Labour	2	3	3
Serviced Lot Prices	23	27	32
Building Materials	1	0	8
Development Charges	33	33	30
Regulatory Issues:			
More Onerous Building Code Requirements	11	13	15
More Onerous Municipal Approvals/Standards	17	19	23
More Onerous Environmental Regulations	14	17	19
Potential Requirements for Sprinklers	15	18	12
Consumer/Municipal Attitudes Towards Growth	12	9	10
Consumer Confidence	9	14	12
Consumer Expectation Re: Level of Protection	3	4	2
Builder Profitability	13	15	8
Underground Economy	15	15	12
Theft of Materials from Sites	5	2	4
Interest Rates	3	3	1
Mold	1	1	0
Insurance Rates/Premiums	6	6	2
Insurance Coverage	6	4	2
Increasing Builder Liability	13	12	11

- In the **Winter 2012 Pulse Survey**, rising costs due to the price of serviced lots is identified as the top concern for new home builders, with about one-third identifying it as a critical problem nationally, and as high as 50% in Manitoba/Saskatchewan.
- Rising costs due to development charges continues to be a critical problem for a large proportion of new home builders in most regions (30%), and is most pronounced in Ontario (44%) and B.C. (31%).
- Few new home builders report critical problems due to shortages of trades/labour and building materials. Concerns over shortages of financing are also dissipating over the past few years. Shortages of serviced lots remains a critical problem for about 1 in 5 new home builders.
- Regulatory issues remain of concern to many new home builders. More onerous municipal approvals and standards, in particular, is a growing concern. While potential requirements for sprinklers is becoming less of a concern, it remains high (20%) for Alberta new home builders.
- Consumer confidence remains a concern (12% of new home builders) especially in B.C. (27%).
- Concerns about builder profitability, insurance rates and increasing builder liability are easing.

Critical Problems for New Home Builders by Region

	Atlantic	Quebec	Ontario	Man./ Sask.	Alberta	B.C.	Canada
	% of Respondents Indicating a Critical Problem						
Shortages of:							
Trades/Labour	13	0	2	13	4	2	4
Serviced Lots	7	22	40	19	6	13	21
Building Materials	0	0	0	0	0	0	0
Financing	0	0	0	6	2	9	3
Rising Costs Due to:							
Trades/Labour	18	0	2	0	2	2	3
Serviced Lot Prices	29	33	44	50	22	20	32
Building Materials	0	0	9	6	10	11	8
Development Charges	18	0	44	29	18	31	30
Regulatory Issues:							
More Onerous Building Code Requirements	13	0	18	13	14	16	15
More Onerous Municipal Approvals/Standards	24	0	32	6	18	23	23
More Onerous Environ-mental Regulations	24	0	28	6	8	24	19
Potential Requirements for Sprinklers	13	0	11	13	20	7	12
Consumer/Municipal Attitudes Towards Growth	6	0	12	6	8	13	10
Consumer Confidence	7	0	9	6	8	27	12
Consumer Expectation Re: Level of Protection	0	0	4	6	2	0	2
Builder Profitability	13	0	4	0	10	15	8
Underground Economy	7	0	15	6	6	20	12
Theft of Materials from Sites	6	0	6	0	2	4	4
Interest Rates	0	0	2	0	0	2	1
Mold	0	0	0	0	0	0	0
Insurance Rates/Premiums	0	0	3	0	2	4	2
Insurance Coverage	0	0	5	0	2	0	2
Increasing Builder Liability	6	11	10	6	8	17	11

Rising Number of Renovator Members Concerned with Increasing Builder Liability

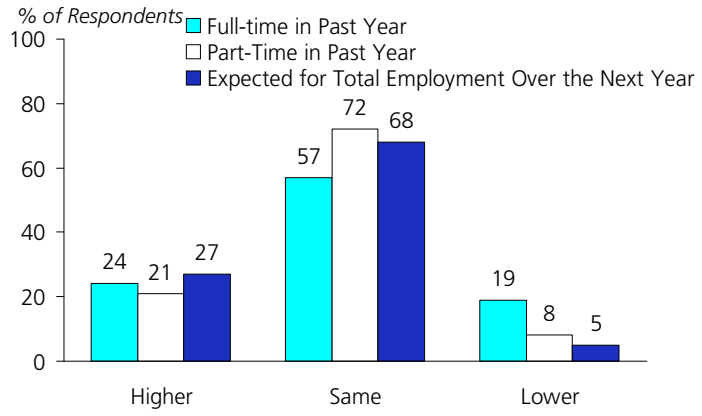
Critical Problems for Renovators

	Winter 2010	Winter 2011	Winter 2012
	% of Respondents Indicating a Critical Problem		
Shortages of:			
Trades/Labour	4	8	8
Building Materials	0	0	0
Rising Costs Due to:			
Trades/Labour	4	5	8
Building Materials	1	3	4
Consumer Confidence	6	9	1
Consumer Expectations Re: Level of Protection	3	3	0
Builder Profitability	6	6	4
Underground Economy	42	54	39
Theft of Materials from Sites	4	1	5
Mold	10	1	3
Insurance Rates/Premiums	7	5	8
Insurance Coverage	6	3	4
Increasing Builder Liability	9	10	15

- The underground economy remains a problem for renovators, but the proportion of respondents identifying it as a critical problem eased modestly from recent years.
- Shortage of trades and labour remains a critical problem for some 8% of respondents, and rising costs due to shortage of trades is a problem for a growing number of respondents.
- An emerging critical problem for many renovators is increasing builder liability – a critical concern for about one in six respondents.
- Concerns over consumer confidence among renovators have decreased significantly over the past year.

Employment Stable or Expanding in Past Year and More Stability Expected for 2012

Changes in Employment



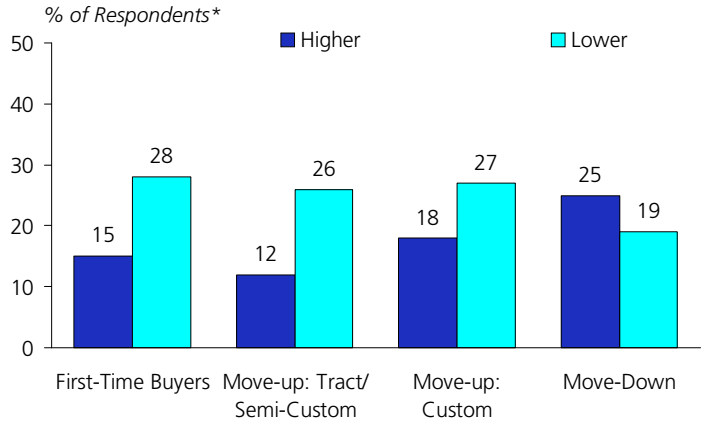
- New home builders and renovators report that employment in the home building industry has been stable over the past year. Some 24% of all respondents to the **Pulse Survey** report that full-time employment is up compared to a year ago, a slightly lower percentage (19%) report it as down. The pattern varies by region. Builders in Quebec and B.C. on average report lower full-time employment.
- Nearly three-quarters of builders report stable part-time employment but with larger variations by region. Builders in Quebec report significantly higher part-time employment.
- Builders remain optimistic in terms of labour requirements going forward. Over two-thirds see no change in employment and most of the balance expects to take on more workers. Strongest expectations are found in the Prairies.

Change in Employment by Region

	Employment Now Compared to a Year Ago								Over the Next Year, Expect Total Employment to:			
	Full-Time				Part-Time							
	Higher	Same	Lower	Total	Higher	Same	Lower	Total	Increase	Stay the Same	Decrease	Total
	% of Respondents											
Atlantic	23	54	23	100	17	75	8	100	15	79	7	101
Quebec	15	67	19	100	34	55	10	100	15	78	7	100
Ontario	25	61	14	100	21	72	7	100	29	68	3	100
Man./Sask.	27	68	5	100	15	85	0	100	39	57	4	100
Alberta	29	50	21	100	18	79	4	100	32	62	7	100
B.C.	22	49	29	100	15	74	12	100	30	66	4	100
Canada	24	57	19	100	21	72	8	100	27	68	5	100

Lower Traffic at New Home Sites for Most Buyer Segments

Changes in Traffic Compared to Last Year



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

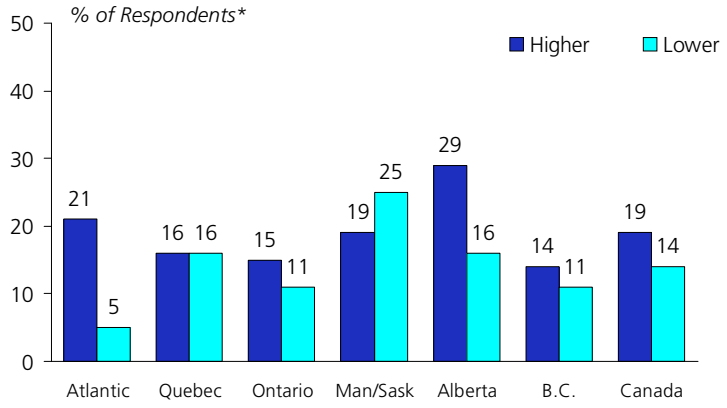
- New home builders report lower traffic than a year ago at new home sales sites in most buyer segments except for the move-down segment. This is consistent with expectations for modestly lower housing starts in 2012 (see page 2)
- In the first-time buyer segment, some 28% of respondents report lower traffic in their market area – almost twice the proportion reporting higher traffic. In the case of the move-down buyer, one-quarter of respondents report higher traffic, modestly more than those reporting lower.
- Lower first-time buyer traffic is reported for all regions, and lower semi-custom traffic is reported for all regions but Alberta. In about half the regions new home builders report higher traffic within the custom and move-down buyer segments.

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**
			% of Respondents		
Atlantic	Higher	6	6	19	44
	Lower	19	22	13	25
Quebec	Higher	6	13	6	20
	Lower	22	31	31	27
Ontario	Higher	20	14	12	25
	Lower	27	25	31	19
Man./Sask.	Higher	14	14	27	0
	Lower	36	7	13	9
Alberta	Higher	20	15	30	27
	Lower	33	28	17	16
B.C.	Higher	11	6	15	22
	Lower	30	31	39	22
Canada	Higher	15	12	18	25
	Lower	28	26	27	19

New Home Inventories Higher in Most Regions

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*

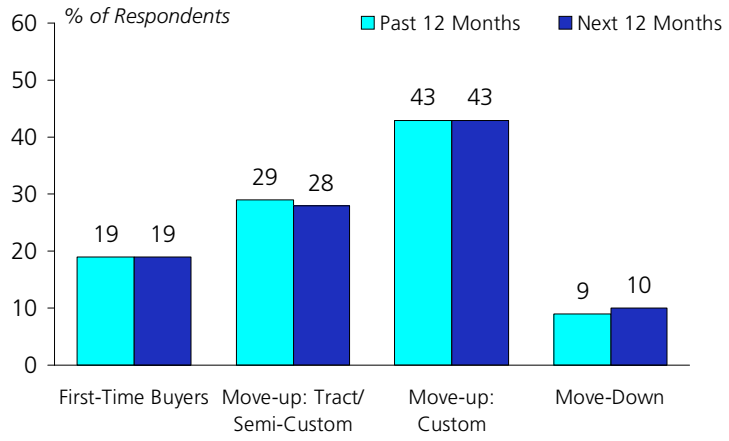
- New home builders report modestly higher inventories, Canada-wide. Almost 1 in 5 new home builders report inventories of started-but-unsold new single-detached homes as up from the same time last year, relative to 1 in 6 reporting them as down. About two-thirds of new home builders say inventories are the same compared to last year.

- Inventories are reported as up in all regions except for Manitoba/Saskatchewan (on balance lower) and Quebec (on balance the same). Inventories are up most sharply in Atlantic Canada (21% reporting higher relative to 5% lower) and Alberta (29% and 16% respectively).

- Modestly rising inventories across most of the country is consistent with generally lower traffic levels at new home sites (see page 8).

Custom Market Will Remain Primary Target in 2012

Main Target Market



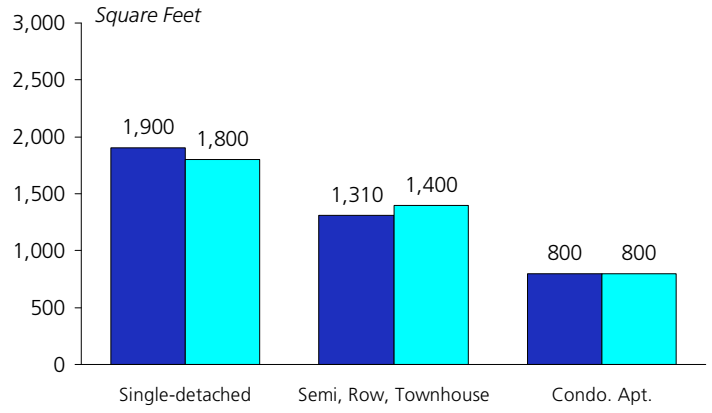
- Canada-wide, the move-up/custom type of homebuyer was the main target market for new home builders in the past 12 months. It is expected to remain the main target market over the next 12 months, despite modestly lower traffic at new home sites within this segment (see page 8).
- Generally, new home builders expect about the same focus from all market segments over the next year as they had over the last.
- First-time buyers are the main target market for the largest proportion of new home builders in Quebec and the least proportion in Manitoba/Saskatchewan. Over the next year, first-time buyers are expected to become a more important market segment in Atlantic Canada and Ontario.

Main Target Market by Region

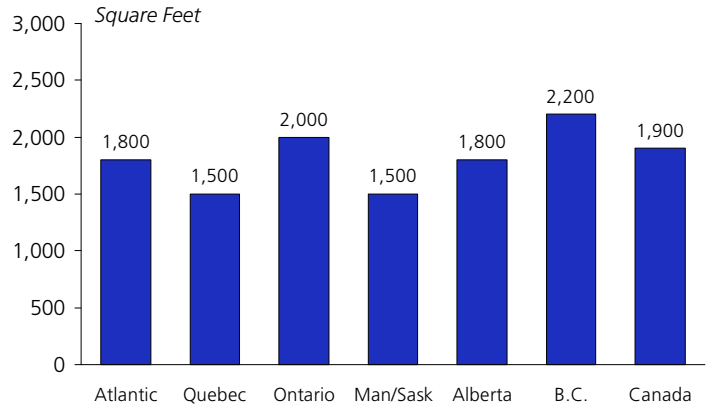
		Move-Up Buyers			
	First-Time Buyers	Tract, Semi-Custom Homes	Fully Customized Homes	Move-Down Buyers	Total
			% of Respondents		
Last 12 Months					
Atlantic	17	22	50	11	100
Quebec	38	19	38	6	100
Ontario	14	36	32	19	100
Man./Sask.	13	38	50	0	100
Alberta	24	36	38	2	100
B.C.	16	19	60	5	100
Canada	19	29	43	9	100
Next 12 Months					
Atlantic	19	19	50	13	100
Quebec	29	21	36	14	100
Ontario	20	37	31	12	100
Man./Sask.	13	31	56	0	100
Alberta	23	40	35	2	100
B.C.	14	9	58	19	100
Canada	19	28	43	10	100

Average New Single-Detached Homes About 1,900 sq. ft. and New Home Builders Expect Them to Get Smaller in the Coming Year

Average Size of New Houses



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 1,900 square feet, and expect single-detached home sizes to decline modestly in the coming year.
- By contrast, new home builders expect the size of semi/row/townhouse units to go up modestly, and for apartment condominium units to stay about the same at 800 square feet.
- By region, average sizes for single-detached homes range from a high of 2,200 square feet in B.C. to a low of 1,500 square feet in Quebec and Manitoba/Saskatchewan.

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
		% of Respondents		
Atlantic	89	11	0	100
Quebec	57	38	5	100
Ontario	76	19	4	100
Man./Sask.	68	32	0	100
Alberta	60	34	6	100
B.C.	41	41	19	100
Canada	63	29	7	100

- Canada-wide, almost two in three new home builders expect that new single-detached house prices will increase over the next year. Only 7% expect a decline.
- New home builders generally expect higher prices in all regions with builders in Atlantic Canada the most certain (89% expect increase 0% decrease) and in B.C. the least certain (41% and 19% respectively).

Average Reported Renovation Contract is $63,000 and Takes 8 Weeks to Complete

Average Size and Duration of Renovation Projects*

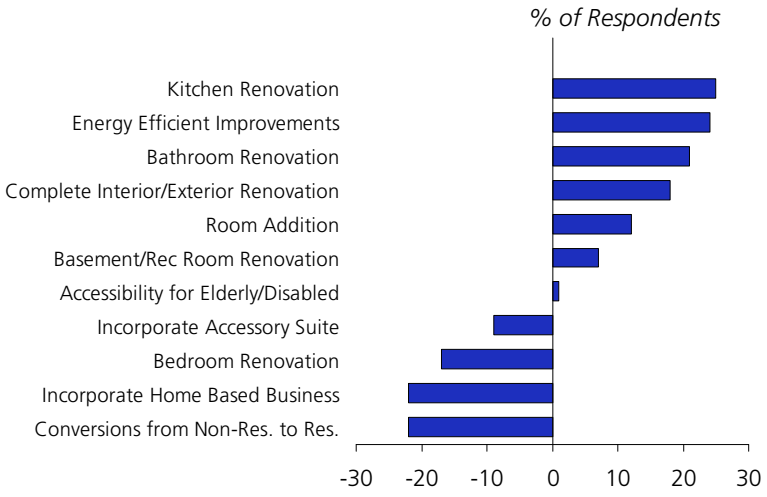
	Average Size *$000s*	Average Duration *Weeks*
Atlantic	50	6
Quebec	20	3
Ontario	73	10
Man./Sask.**	125	13
Alberta	150	12
B.C.	100	10
Canada	63	8

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

- Overall, the average size of contracts reported by renovators responding to the Winter 2012 **Pulse Survey** is $63,000 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 kitchen renovations, energy efficient improvements, bathroom renovations, complete interior/exterior renovations, room additions and basement/rec room 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*