

The 43rd **Pulse Survey** of new home builders and renovators was conducted by the Canadian Home Builders' Association (CHBA) in December 2009 and January 2010 – with the assistance of Canada Mortgage and Housing Corporation and Natural Resources Canada. A total of 387 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.

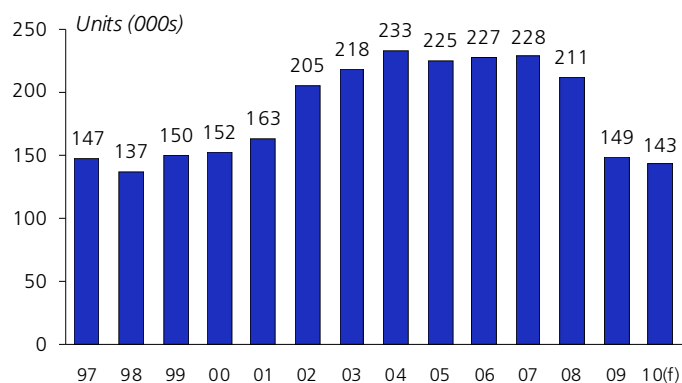
The main highlights of the survey include:

- **New home builders expect housing starts to remain low in 2010**, at about 143,000 units, generally similar to the 149,100 units started in 2009. Expectations for 2010 are well below the prevailing levels of the 2002-2008 period nationally and across most regions.
- **In contrast, renovators expect higher renovation activity.** In all regions, the majority of renovators expect their renovation activity to increase or be stable.
- **Rising costs due to development charges has become 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, especially in Ontario (61%).
- **In contrast to a year ago, consumer confidence is no longer of concern to most new home builders, but remains a critical problem for respondents in Ontario.**
- **For renovators, the underground economy is a large rising critical concern.** Concerns over shortages and associated rising costs of trades/labour have eased among renovators over the past year.
- **Home builders experienced minor job losses in the industry in the past year, but employment is expected to be higher over the next year in all regions.**
- **Traffic is generally higher or stable at new home sales sites.** The increase 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 Quebec, stable in Ontario and Manitoba/Saskatchewan, but down in the West.**
- **The move-up market will continue to be the main target market for most new home builders.** Some moderate shift, however, is planned towards targeting the move-down market.

- **Canada-wide, more than two-thirds of new home builders expect that new single-detached house prices will increase over the next year.**
- **Renovation contracts on average are larger in Man./Sask., Ontario 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 Remain Low in 2010

Total Housing Starts, Canada



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

- Canada-wide, new home builders expect that housing starts will remain generally low at about 142,900 units¹ in 2010 – well below the prevailing levels of the 2002-2008 period.
- Starts in 2010 are expected to be generally similar to 2009 across all provinces, according to new home builders.

¹ New home builders were provided with information on estimated starts in their province in 2009 and asked to forecast starts in 2010. The national forecast is the sum of the medians of forecasts for each province.

Total Housing Starts by Province

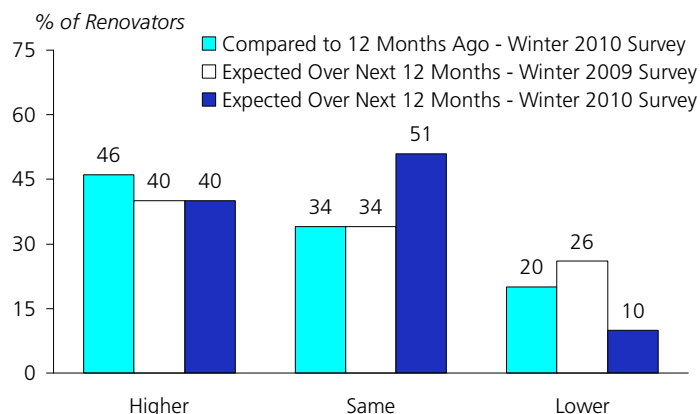
	Avg. Ann. 1997-2001	Avg. Ann. 2002-2006	2007	2008	2009	2010f
	Units (000s)					
Newfoundland	1.6	2.5	2.6	3.3	3.1	3.0
Prince Edward Island	0.6	0.8	0.8	0.7	0.9	0.7
Nova Scotia	3.9	4.9	4.8	4.0	3.4	3.2
New Brunswick	2.9	4.1	4.2	4.3	3.5	3.4
Quebec	25.4	50.0	48.6	47.9	43.4	43.0
Ontario	64.0	81.2	68.1	75.1	50.4	48.0
Manitoba	2.8	4.4	5.7	5.5	4.2	3.8
Saskatchewan	2.7	3.4	6.0	6.8	3.9	3.8
Alberta	26.3	40.2	48.3	29.2	20.3	18.0
British Columbia	19.4	30.4	39.2	34.3	16.1	16.0
Canada	149.8	222.0	228.3	211.1	149.1	142.9

Note: totals may not add due to rounding

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

But Most Renovators Expect Higher or Similar Activity to Last year

Change in Renovation Activity



- Renovators report increases in activity in the past year - almost half of CHBA renovator members (46%) say their renovation activity is now higher than 12 months ago, compared to only 20% reporting a decline.
- On average, renovators expect further increases in renovation activity over the next year (with 40% expecting higher activity versus 10% 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*	50	44	6	100	27	67	7	100
Quebec	41	47	13	100	35	55	10	100
Ontario	48	30	22	100	41	44	15	100
Man./Sask.*	60	40	0	100	60	40	0	100
Alberta	38	31	31	100	38	58	4	100
B.C.	49	28	23	100	44	49	7	100
Canada	46	34	20	100	40	51	10	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

Concerns Over Consumer Confidence Relieved for New Home Builders

Critical Problems for New Home Builders

	Winter 2008	Winter 2009	Winter 2010	
	<i>% of Respondents Indicating a Critical Problem</i>			
Shortages of:				
Trades/Labour	12	4	2	■ In the Winter 2010 Pulse Survey , rising costs due to development charges has become the top concern for new home builders, with about one-third (nearly two-thirds in Ontario, see chart next page) identifying it as a critical problem.
Serviced Lots	17	10	18	
Building Materials	0	0	0	■ Rising costs due to serviced lot prices remains a critical problem for a large proportion of new home builders in most regions (23%), especially Ontario (35%) and Atlantic Canada (31%).
Financing	2	19	10	
Rising Costs Due to:				
Trades/Labour	14	5	2	
Serviced Lot Prices	31	25	23	
Building Materials	2	2	1	
Development Charges	25	33	33	■ 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 Alberta.
Regulatory Issues:				
More Onerous Building Code Requirements	9	11	11	
More Onerous Municipal Approvals/Standards	14	19	17	
More Onerous Environmental Regulations	10	14	14	
Potential Requirements for Sprinklers	11	16	15	■ Consumer confidence is no longer as critical a problem as it was a year ago, in the eyes of most new home builders. However, a sizable number of respondents in Ontario (17%) still think it critical vs. less than 1 in 10 nationwide.
Consumer/Municipal Attitudes Towards Growth	10	14	12	
Consumer Confidence	6	54	9	
Consumer Expectation				
Re: Level of Protection	3	9	3	
Builder Profitability	4	25	13	■ Concerns about shortages and associated rising costs of trades/labour have eased over the past two years. The most often cited trades/labour shortages are for framers, drywallers and plumbers.
Underground Economy	6	12	15	
Theft of Materials from Sites	6	8	5	
Interest Rates	3	3	3	
Mold	2	2	1	
Insurance Rates/Premiums	7	6	6	
Insurance Coverage	4	4	6	
Increasing Builder Liability	11	16	13	

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	0	7	5	0	2	0	2
Serviced Lots	8	23	33	0	13	8	18
Building Materials	0	0	0	0	0	0	0
Financing	0	14	9	0	9	15	10
Rising Costs Due to:							
Trades/Labour	8	6	0	0	2	2	2
Serviced Lot Prices	31	15	35	0	24	12	23
Building Materials	0	0	2	0	0	2	1
Development Charges	23	15	61	14	22	21	33
Regulatory Issues:							
More Onerous Building Code Requirements	0	20	10	0	22	2	11
More Onerous Municipal Approvals/Standards	15	7	25	7	19	9	17
More Onerous Environ- mental Regulations	8	14	21	0	15	8	14
Potential Requirements for Sprinklers	8	8	25	0	19	8	15
Consumer/Municipal Attitudes Towards Growth	15	0	21	7	13	6	12
Consumer Confidence	8	0	17	0	6	8	9
Consumer Expectation Re: Level of Protection	15	0	0	0	5	2	3
Builder Profitability	8	13	19	0	11	11	13
Underground Economy	15	19	25	8	2	16	15
Theft of Materials from Sites	8	13	4	7	4	4	5
Interest Rates	15	6	1	0	2	4	3
Mold	0	7	0	8	2	0	1
Insurance Rates/Premiums	8	13	9	0	4	4	6
Insurance Coverage	8	13	10	0	4	4	6
Increasing Builder Liability	8	6	22	0	13	9	13

Underground Economy More Severe Problem for Renovators

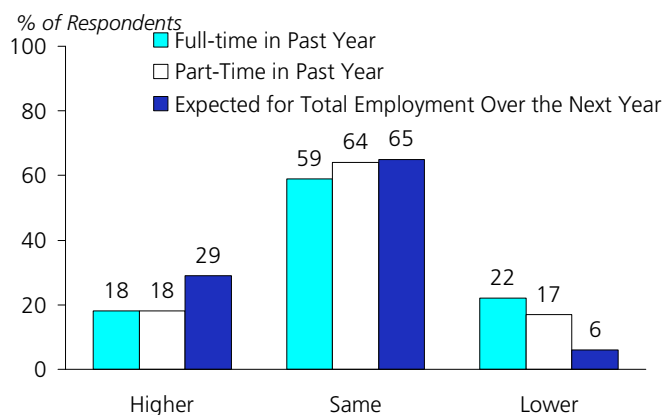
Critical Problems for Renovators

	Winter 2008	Winter 2009	Winter 2010
<i>% of Respondents Indicating a Critical</i>			
Shortages of:			
Trades/Labour	15	15	4
Building Materials	3	0	0
Rising Costs Due to:			
Trades/Labour	13	8	4
Building Materials	0	1	1
Consumer Confidence	1	9	6
Consumer Expectations Re: Level of Protection	1	1	3
Builder Profitability	4	6	6
Underground Economy	23	17	42
Theft of Materials from Sites	8	8	4
Mold	1	1	10
Insurance Rates/Premiums	3	4	7
Insurance Coverage	4	3	6
Increasing Builder Liability	3	5	9

- The underground economy is still the top concern among renovators with almost half of respondents identifying it as a critical problem.
- Shortages of trades/labour have eased for many renovators.
- Concerns over mold and increasing builder liability have increased over the past year.

Employment Stable in Past Year in General, with Regional Variation; More Jobs Expected Over the Next Year in All Regions

Changes in Employment



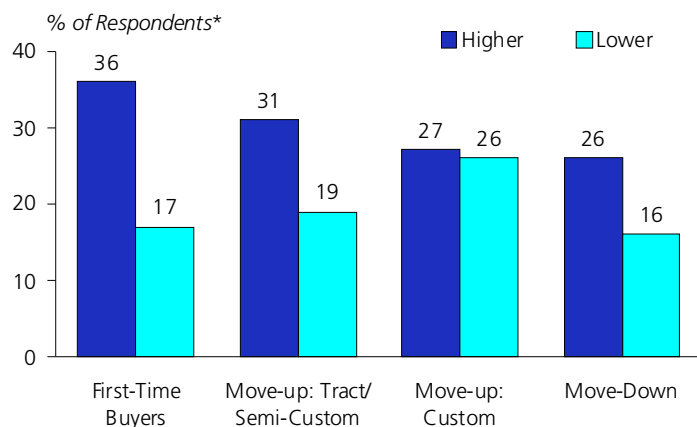
- New home builders and renovators report that employment in the home building industry has been generally stable over the past year. Some 18% of all respondents to the **Pulse Survey** report that full-time employment is up compared to a year ago, a slightly higher percentage (22%) report it as down. The pattern varies by region, however, with home builders in Atlantic Canada and Manitoba/Saskatchewan on average reporting employment as up (i.e. more reporting higher than lower employment).
- Employment is relatively steady for part-time jobs, Canada-wide.
- Looking ahead, some increase in employment is expected (i.e. the proportion of home builders in all regions that expect employment to increase is larger than the proportion that expect 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	36	56	8	100	38	50	13	100	35	57	9	100
Quebec	14	75	12	100	18	73	9	100	15	73	12	100
Ontario	15	65	20	100	19	70	10	100	25	71	4	100
Man./Sask.	26	68	5	100	17	83	0	100	18	82	0	100
Alberta	23	42	35	100	24	50	26	100	33	59	7	100
B.C.	15	54	32	100	9	61	30	100	41	55	4	100
Canada	18	59	22	100	18	64	17	100	29	65	6	100

Higher or Stable 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

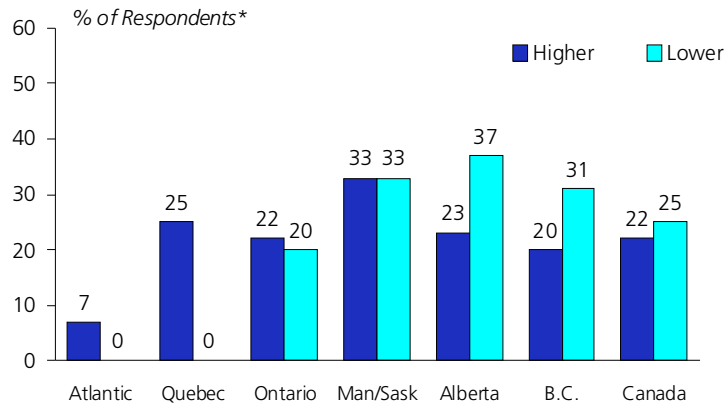
- Canada-wide, new home builders report higher traffic than a year ago at new home sales sites among first-time buyers, move-up (tract/semi-custom) and move-down segments. Traffic is relatively stable for the custom move-up segment.
- By region, higher or stable traffic is reported for most buyer segments, the exceptions being first-time buyers in Atlantic Canada, fully customized homes for move-up buyers in Alberta and the move-down segment in Alberta and Manitoba/Saskatchewan.

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	21	23	13	33
	Lower	29	8	7	27
Quebec	Higher	14	42	36	18
	Lower	7	17	21	18
Ontario	Higher	34	31	22	25
	Lower	16	19	20	11
Man./Sask.	Higher	38	25	25	17
	Lower	8	25	25	25
Alberta	Higher	37	29	29	15
	Lower	24	21	37	24
B.C.	Higher	47	34	33	38
	Lower	15	20	30	10
Canada	Higher	36	31	27	26
	Lower	17	19	26	16

New Home Inventories Up in the East and Down in the West

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

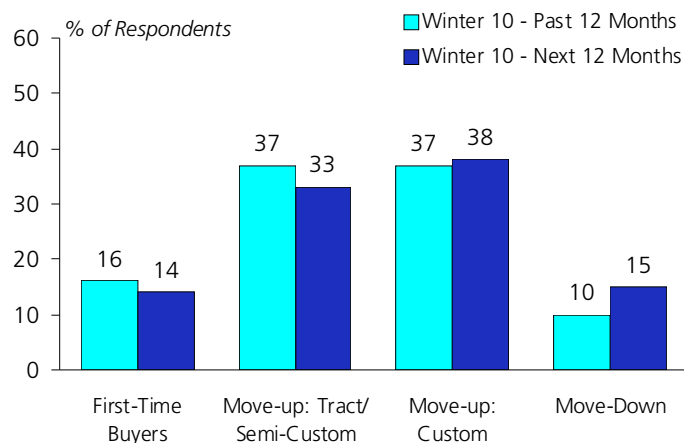


* The remaining respondents reported that inventory was the same as a year earlier

- Canada-wide, about 1 in 5 new home builders report that their inventories of started-but-unsold new single-detached homes are up from a year ago – a slightly higher percentage of respondents (about 1 in 4) report that inventories are lower.
- By region, inventories are down in Western Canada, stable in Manitoba/Saskatchewan and up in the east, particularly in Atlantic Canada and Quebec where none report lower inventories.

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

Main Target Market



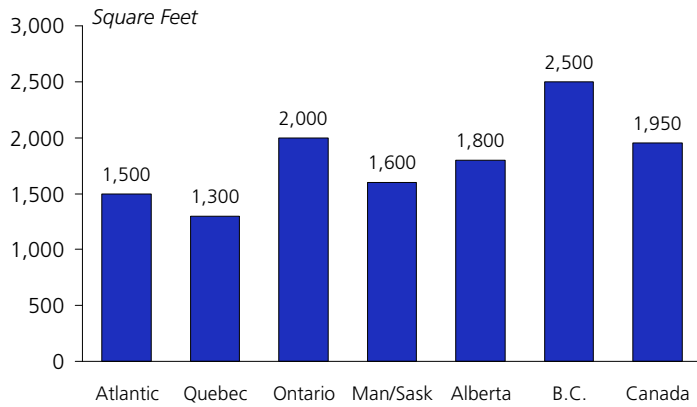
- Canada-wide, about three-quarters of new home builders made move-up buyers their primary target market in the past year (with slightly more than half of these targeting the custom segment).
- Over the next year, the move-up market will continue to be the main target market for most new home builders.
- New home builders in most regions plan some shift toward the move-down market over the next year with Quebec and Manitoba/Saskatchewan the only exceptions.

Main Target Market by Region

	Move-Up Buyers				Total
	First-Time Buyers	Tract, Semi-Custom Homes	Fully Customized Homes	Move-Down Buyers	
<i>% of Respondents</i>					
Last 12 Months					
Atlantic	19	44	38	0	100
Quebec	31	23	38	8	100
Ontario	10	39	33	18	100
Man./Sask.	20	40	40	0	100
Alberta	24	42	33	2	100
B.C.	13	29	45	13	100
Canada	16	37	37	10	100
Next 12 Months					
Atlantic	19	44	31	6	100
Quebec	33	11	56	0	100
Ontario	10	31	37	22	100
Man./Sask.	25	38	38	0	100
Alberta	15	43	38	4	100
B.C.	11	25	40	25	100
Canada	14	33	38	15	100

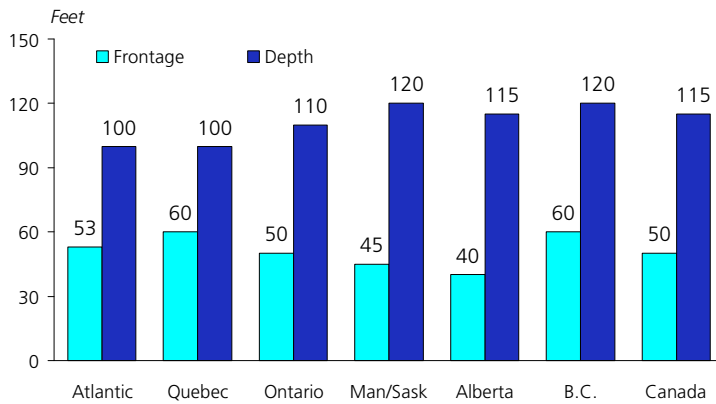
Average New Single-Detached House is 2,000 Square Feet on a 50 Foot Wide by 115 Foot Deep Lot

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 1,950 square feet.
- By region, average sizes range from a high of 2,500 square feet in B.C. to a low of 1,300 square feet in Quebec.
- Canada-wide, the average lot size reported for new homes is 50 feet wide by 115 feet deep.

Average Lot Sizes for new Single-Detached Houses



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	76	18	6	100
Quebec	71	29	0	100
Ontario	68	29	3	100
Man./Sask.	83	17	0	100
Alberta	64	29	7	100
B.C.	58	37	5	100
Canada	66	30	4	100

- Canada-wide, about two-thirds of new home builders expect that new single-detached house prices will increase over the next year. The percentage is even higher in Manitoba/Saskatchewan and Atlantic Canada.

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	15	3
Ontario	86	10
Man./Sask.**	100	10
Alberta	50	10
B.C.	80	12
Canada	50	8

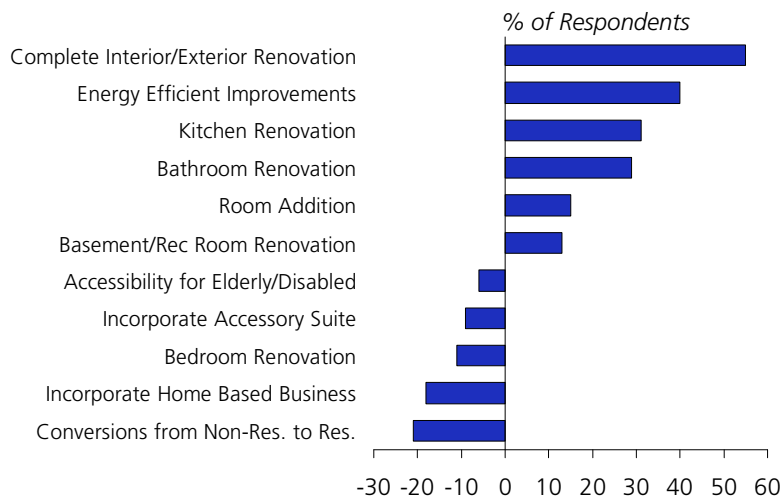
* The median responses are presented here

** Very small sample

- Overall, the average size of contracts reported by renovators responding to the Winter 2010 **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 complete interior/ exterior renovations, energy efficient improvements, kitchen and bathroom renovations and room additions.

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
<i>% of Respondents</i>					
<10%	7	9	15	35	76
10-19%	3	7	26	31	15
20-29%	8	19	28	21	5
30-49%	16	23	18	9	1
50% or more	67	42	13	5	2
Total	100	100	100	100	100
Median	50% or more	30-49%	20-29%	10-19%	<10%

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
<i>% of Respondents Estimating at Least 30% of Construction Activity in Their Market Area Being Done on a Cash Deal Basis</i>					
Atlantic	88	58	31	13	4
Quebec	66	60	25	23	13
Ontario	88	74	41	16	4
Man./Sask.	85	58	8	15	0
Alberta	77	51	27	9	0
B.C.	85	72	37	19	3
Canada	83	65	33	16	4

- Respondents to the Winter 2010 **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).
- Cash deal arrangements are believed to be most prevalent among small repair jobs and small renovations of less than \$5,000.
- Cash deals are believed to be less common for large renovations (over \$20,000) and in new home building.
- In general, among smaller jobs, work in the underground economy is believed to be most prevalent in Ontario and B.C.; among medium and large renovations in Quebec, Ontario and B.C.; and within new home building in Quebec.

