CANADIAN HOUSING OBSERVER 2014

Housing Markets

A Chapter from the Canadian Housing Observer

Canada

CMHC SCHL
HOME TO CANADIANS

Cover Photo: Henri Masson, Perkins, Quebec, 1971, Oil on canvas, 32” x 46”, FAC 1020, Firestone Collection of Canadian Art, The Ottawa Art Gallery; Donated to the City of Ottawa by the Ontario Heritage Foundation, Photo Credit: Tim Wickens

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Housing Markets

Henri Masson, Rivière-au-Renard, Gaspé, 1961, Oil on canvas, 18" x 24", FAC 0997, Firestone Collection of Canadian Art, The Ottawa Art Gallery; Donated to the City of Ottawa by the Ontario Heritage Foundation, Photo Credit: Tim Wickens

This chapter presents housing market developments in 2013.

Canadian housing starts remained above the 1955 to 2013 historical average, despite a decrease of 12.5% in 2013

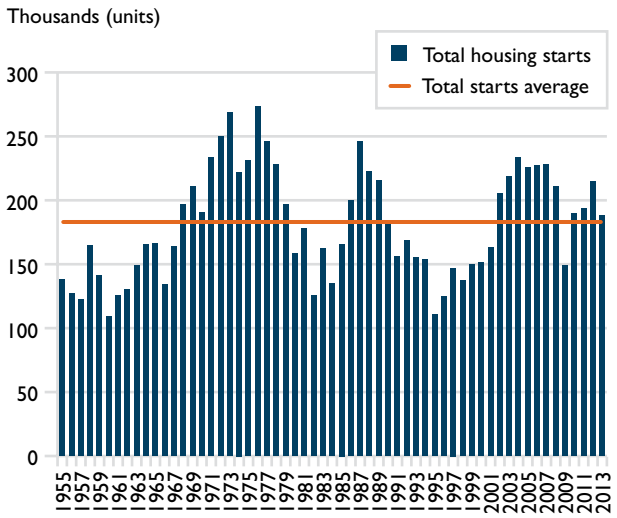
Housing starts declined by 12.5% in 2013 to 187,923 units. However, the decline registered in 2013 followed a roughly decade-long interval during which annual activity generally exceeded the 1955 to 2013 historical average of 181,000 units.[1] From 2003 to 2013 the average annual rate of housing starts stood at 207,258 units, despite this period having included reduced housing starts in 2009, due to the 2008–2009 economic downturn. From 2010 to 2011, recovery in economic conditions supported the return of housing starts to levels closer to the 1955 to 2013 historical average. The variability of housing starts was exemplified by the increase registered in 2012 to levels reminiscent of the expansionary period of the early 2000s. However, the moderation in housing starts in 2013 brought the level of activity back closer to its historical average *(see Figure 3-1).*

[1] Household formation ultimately drives the pace of housing construction because a larger number of households tend to require a larger housing stock to accommodate it. Other factors, including fluctuations in the pace of employement and income growth can drive short-term fluctuations between the level of construction and household formation. While the rate of household formation is the best benchmark against which to measure short-term fluctuations in new construction, estimates of household formation are based on Census estimates that are not available on a timely basis. As a result, more readily available data on the historical average rate of new private dwelling construction are often used as a proxy for the rate of household formation.

For more detailed discussion on household formation in Canada and its relationship to housing construction, see the chapter on *Demographic Influences on Housing Demand* in this edition of the Observer.

FIGURE 3-1

Total housing starts, Canada, 1955-2013



Source: CMHC *(Starts and Completions Survey)*

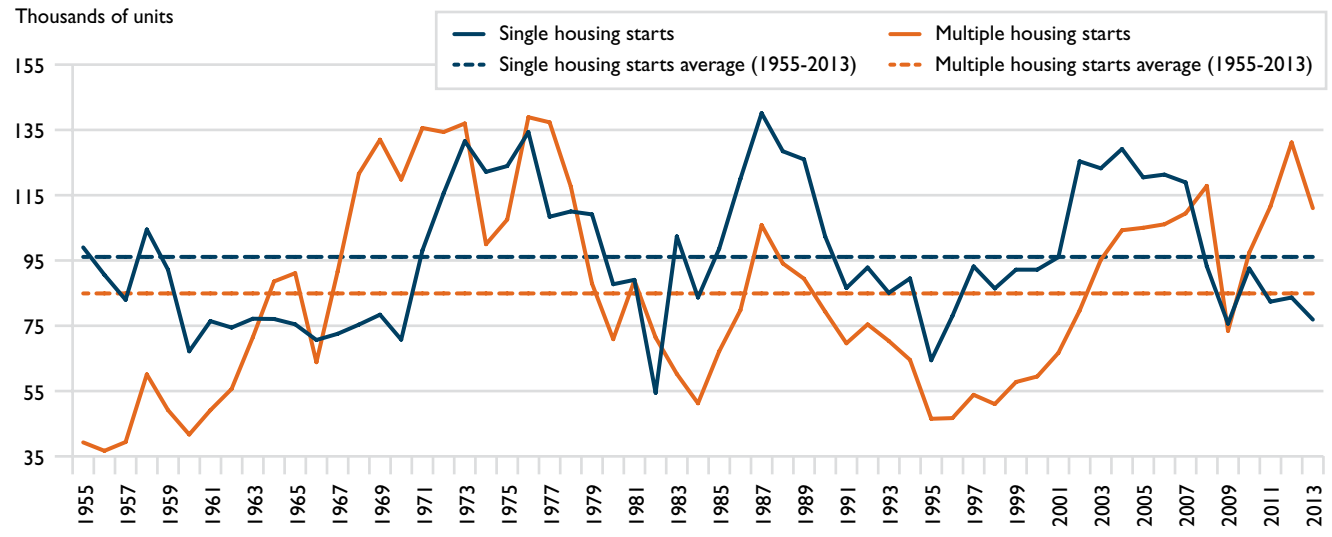
Rising multiple-unit inventories contributed to the decline of housing starts in 2013

The reduction in total housing starts in 2013 was led by a decline of 15.3% in multiple housing starts. Multiple starts consist of semi-detached, row, and apartment units. Lower multiple starts in 2013 were largely due to a downturn in condominium starts. Despite declining in 2013 to 111,030 units, multiple housing starts posted their fourth highest level since 1990 *(see Figure 3-2)* and remained well-above the 1955 to 2013 annual average level of 84,909 units.[2]

Single-detached housing starts, on the other hand, registered a smaller decline of 8.1% from 83,657 units in 2012 to 76,893 units in 2013, below their 1955 to 2013 average of 96,099 units.

FIGURE 3-2

Single and multiple housing starts, Canada, 1955-2013



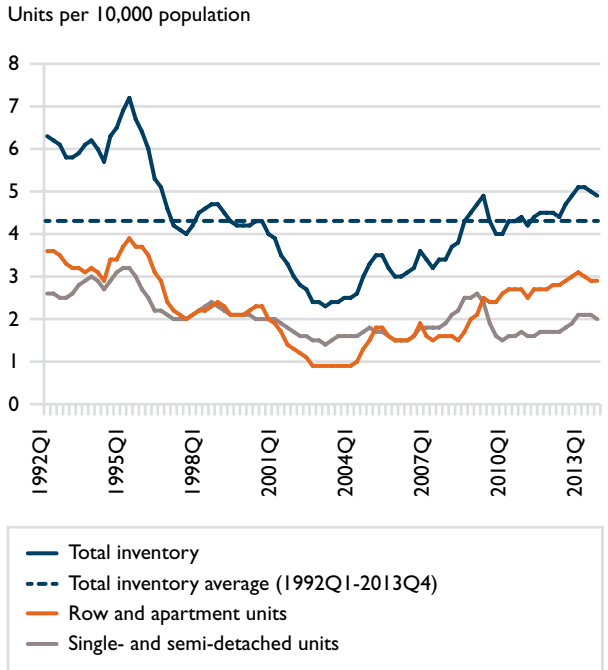
Source: CMHC *(Starts and Completions Survey)*

[2] Figure 3-2 shows that multiple housing starts reached a recent peak in 2012 that was reminiscent of highs last seen in the late 1960s and throughout the 1970s. However, multiple starts activity in the earlier period was driven by growth in purpose-built rental apartments, which subsequently moderated. The more recent upward trend in multiple housing starts, since the mid-1990s, has been driven by growth in condominium starts instead of purpose-built rental apartments. See the section, *"Condominiums play a significant role in the Canadian housing market as they account for an increasing share of the housing supply" on page 3-4,* for further information.

The level of completed and unabsorbed row and apartment unit inventory per 10,000 population trended steadily higher since 2008, and stood at 2.9 at the end of 2013, above the 1992 to 2013 historical average of 2.3 units *(see Figure 3-3)*.[3] This encouraged builders to moderate the pace of new construction of multiple units in 2013, particularly of apartment units, as the decrease in multiple housing starts was mainly due to lower apartment starts, which includes purpose-built rental apartments and condominium apartments. Apartment starts declined by 18.2% in 2013 to 78,493 units, which nonetheless left the level of apartment starts nearly 50% above the 1990 to 2013 average level of 52,695. Starts of row housing units registered a relatively modest decline of 4.7% in 2013 to 19,993, which was still 10% above the 1990 to 2013 historical average of 18,144.

FIGURE 3-3

Inventory of completed and unabsorbed housing units per 10,000 population, Canada, 1992-2013



Source: CMHC *(Starts and Completions Survey)*

Fast Facts

- Housing starts declined by 12.5% in 2013 to 187,923 units, following a roughly decade-long interval during which annual activity generally exceeded the 1955 to 2013 historical average of 181,000 units. Developments in 2013 brought the level of housing starts activity back closer to its historical average.
- The inventory of completed and unabsorbed housing units increased in 2013, mainly due to growth in the unabsorbed inventory of multiple units.
- Sales of existing homes through the Multiple Listing Service® (MLS®) totalled 457,761 units in 2013, essentially unchanged from the 2012 level of 454,341 sales, remaining well above the 1980 to 2013 annual average of 339,313. However, when adjusted for population, the level of MLS® sales per 10,000 population stood at 130 units, above but closer to the 1980 to 2013 annual average of 112 sales.
- The average MLS® price increased at an annual rate of 8.1% during the 1999 to 2007 sellers' market period. With the emergence of balanced market conditions from 2007 to 2013 that remained near the threshold of a sellers' market, the average MLS® price increased at an annual rate of 3.2% over this period.
- On the purpose-built primary rental market, an increase in the number of rental starts contributed to a slight increase in the national vacancy rate, from 2.8% in 2012 to 2.9% in 2013. However, despite the increase in the supply of purpose-built rental units in 2013, the vacancy rate remained below its 1990 to 2013 historical average of 3.2%. Since 2002, vacancy rates have been low by historical standards and very stable, remaining within a relatively narrow range of 2.0% to 3.0%.

[3] A unit is defined as "absorbed" when a binding, non-conditional agreement is made to buy the dwelling.

The inventory of completed and unabsorbed single- and semi-detached units per 10,000 population stood at 2.0 units in the fourth quarter of 2013, essentially on par with the 1992 to 2013 historical average of 2.1 units.

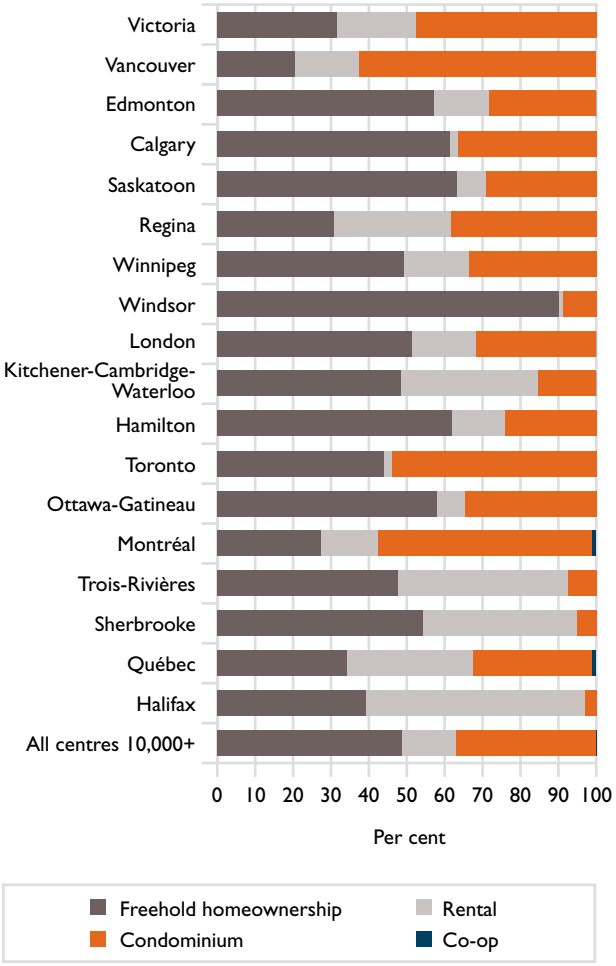
Condominiums play a significant role in the Canadian housing market as they account for an increasing share of the housing supply

Lower apartment starts in 2013 were due to a decline in condominium starts. Condominium starts decreased from 77,693 units in 2012 to 62,794 in 2013, a decline of 19.2%. However, the decline in condominium construction in 2013 nonetheless left the level of condominium starts nearly 50% above the 1990 to 2013 average.

Condominium apartment starts have become a major component of overall housing starts activity. In the early 1990s, less than one out of five housing starts was a condominium. This proportion has gradually trended higher, so that by 2013 more than one start out of three was a condominium. In 2013, the share of condominium starts was the highest in Vancouver at 62.6%, followed by Montréal at 56.3% and Toronto at 53.9% *(see Figure 3-4)*. This long-term trend toward a higher share of condominium starts, especially in higher-priced urban centres, is likely due to the relatively lower price of condominium apartment units compared to freehold single-detached dwellings. In addition, in most large urban centres, the secondary rental condominium market has become an increasingly important complement to purpose-built rental housing. While the share of condominium starts has trended higher, the share of purpose-built rental starts has trended lower, from over 20% of total starts in the early 1990s to 14% by 2013. In 2013, the share of purpose-built rental starts in Vancouver (16.8%) and Montréal (15%) was similar to the national average, and well-below the national average in Toronto, at 2.1%. In addition, vacancy rates for rental condominiums in most Census Metropolitan Areas (CMAs) covered by CMHC's secondary rental market surveys are generally low and stable.[4] This suggests that, in addition to ownership demand, stronger demand for condominium-based rental accommodation has supported the expansion of this type of tenure.

FIGURE 3-4

Share of starts by intended tenure,[1] all urban centres 10,000+ and selected CMAs, 2013



[1] A freehold title is an interest in land that gives the holder full and exclusive ownership of the land and building for an indefinite period.

See CMHC's *Housing Information Monthly* for more information at www.cmhc.ca/housingmarketinformation.

Source: CMHC *(Starts and Completions Survey)*

[4] We conduct a survey of the secondary rental market as part of our Fall *Rental Market Survey*. See CMHC's *Fall 2013 Rental Market Report —Canada Highlights,* available for free download at www.cmhc.ca/housingmarketinformation. This report includes further details on the purpose-built and secondary condominium rental markets in selected CMAs.

Highlights from CMHC's Condominium Owners Survey

In 2013, we gathered new data on a segment of domestic condominium investment activity in Toronto and Vancouver, as information on condominium investment in Canada was rather limited. While the results of the *Condominium Owner Surveys* (COS) are not representative of other markets or all types of investors, the survey helped to shed some light on the profile and purchasing motivations of a segment of condominium investors in Toronto and Vancouver. The survey did not cover Canadian households that own condominium units in Toronto or Vancouver but do not reside in these CMAs. Foreign investors, and corporate investors were also not covered by the survey.

A total of 42,426 households were surveyed in Toronto and Vancouver. Of those that own at least one condominium, 82.9% own a condominium and reside in it and 17.1% own their primary residence and at least one secondary condominium unit. This latter group of condominium owners are considered to be condominium investors and are referred to as "COS investors" in this report.

About half of COS investors in Toronto and Vancouver rent out their last purchased unit, while one-third have their last unit occupied by family.

Among COS investors, 58.4% expected to keep their secondary unit for more than five years at the time of the survey. However, 11.9% reported that they originally bought their last secondary unit with the intention of reselling it for a profit within a year of purchase.

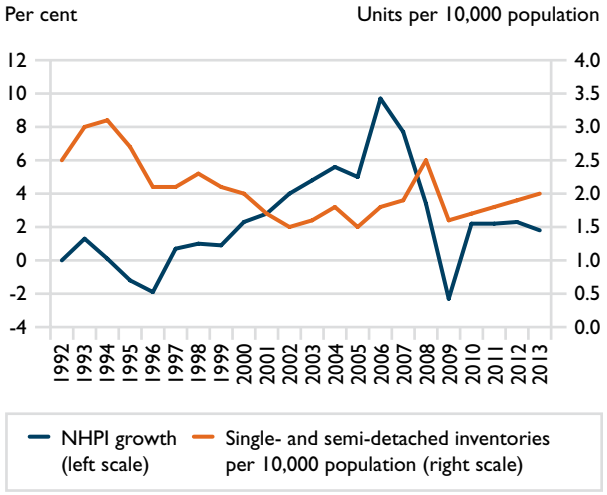
CMHC's *Condominium Owners Report* is available for free download at www.cmhc.ca/housingmarketinformation.

Stability in recent years in the inventory of completed and unabsorbed single- and semi-detached units supported moderation in the growth of the New Housing Price Index from mid-2000s peak

Statistics Canada's New Housing Price Index (NHPI),[5] measures the change in the selling price of new single-detached residential homes. It is based on housing specifications that remain constant between periods in order to control for changes in the quality of new homes. Periods when the inventory decreases tend to precede or coincide with periods of acceleration in NHPI growth, while periods of increasing inventory tend to be followed by periods of weaker NHPI growth or declines in the index *(see Figure 3-5)*. For example, from 2005 to 2008, the inventory of completed and unabsorbed single-

FIGURE 3-5

Inventory of completed and unabsorbed single- and semi-detached housing units per 10,000 population and growth in the New Housing Price Index, Canada, 1992-2013



Source: CMHC *(Starts and Completions Survey)*, Statistics Canada (CANSIM)

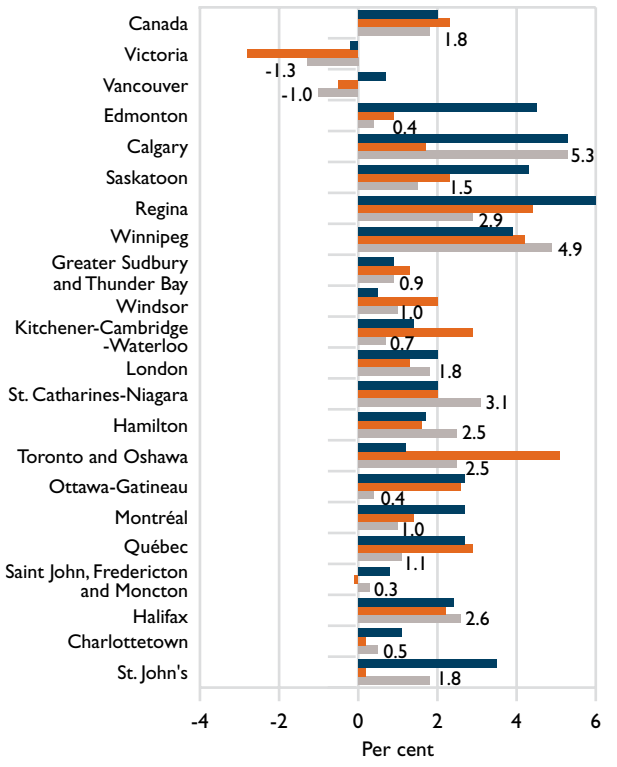
[5] For more information, see *Capital Expenditure Price Statistics,* Catalogue number 62-007-X (Ottawa: Statistics Canada, October 31, 2013). The NHPI does not provide coverage for all CMAs as defined in the 2011 Census. In addition, some geographic regions that are covered by the NHPI are not currently defined as a specific CMA (according to the 2011 Census definition), and some individual CMAs are aggregated in the NHPI. As a result, the urban centres covered by the NHPI are referred to as "Metropolitan Areas" by Statistics Canada rather than as "Census Metropolitan Areas". For consistency with the nomenclature adopted for the previous discussion of existing home markets, NHPI localities are referred to here as "urban centres".

and semi-detached homes increased from 1.5 units per 10,000 population to 2.5 units, reflecting the negative impact on housing demand from the global economic downturn that commenced during that period. As a result, the annual growth in the NHPI went from a high of 9.7% in 2006 to a low of -2.3% by 2009. From 2009 to 2013, the inventory of completed and unabsorbed single- and semi-detached homes essentially stabilized at levels close to the 1992 to 2013 average of 2.0 units per 10,000 population. This was followed, from 2010 to 2013, by very stable NHPI growth at levels in line with the 1992 to 2013 historical annual average of 2.4%.

In 2013, NHPI growth was led by Calgary and Winnipeg, which registered respective gains of 5.3% and 4.9% *(see Figure 3-6)*. Among the surveyed centres, only Victoria (-1.3%) and Vancouver (-1.0%) registered declines in 2013. The decline in Vancouver followed two slight declines in 2012 and 2011, while Victoria registered a sixth consecutive decline in 2013, although the pace of decline moderated from the -2.8% in 2012.

FIGURE 3-6

Changes in Statistics Canada's New Housing Price Index (%), urban centres, 1990-2013 average, and 2012 and 2013 values



Note: Value for Canada is based on the average of 21 urban centres covered by this index.

Source: Statistics Canada (CANSIM)

Starts increased in only two provinces in 2013

Across the country, only Alberta and Manitoba recorded increases in housing starts in 2013 *(see Figure 3-7)*. Alberta saw a 7.8% increase in total housing starts, leaving starts above their 1990 to 2013 historical average. Rising wages and employment opportunities, driven by investments in the energy sector, encouraged elevated levels of in-migration to Alberta in 2013. These positive factors helped lift demand for new homes and supported a decline in the inventory of completed and unabsorbed homes. Manitoba's low unemployment rate helped support an increase in housing starts in 2013, which left the level of housing starts further above its historical average than it had been in 2012.

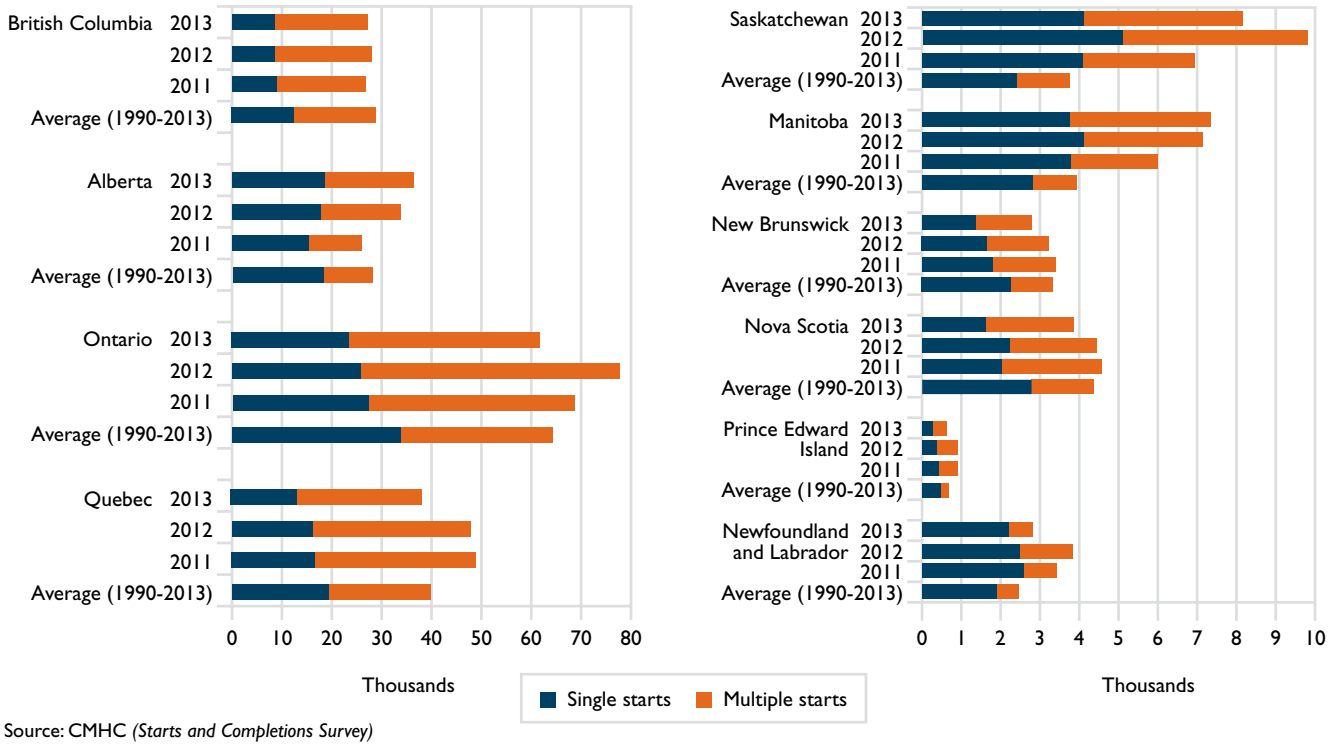
Saskatchewan was the one Prairie province to register a decline in housing starts in 2013. This decline reflected the response of builders to a growing inventory of completed and unabsorbed homes; however, strong employment gains and heightened levels of in-migration to Saskatchewan continued to support a level of housing starts well above the 1990 to 2013 historical average.

Housing starts in British Columbia remained relatively stable in 2013 at levels essentially on par with the 1990 to 2013 average. Economic growth in 2013 was little changed from the 2012 pace, while remaining essentially on par with the average pace of Canadian GDP growth, a pattern that has existed in British Columbia for several years, and has supported the stability of housing starts in the province.

In 2013, Ontario registered a 20% decline in housing starts. However, this followed a strong gain in 2012 that drove activity in Ontario to levels further above the 1990 to 2013 average, particularly in the condominium part of the multiple starts segment. In 2013, increasing levels of completed and unabsorbed housing inventory encouraged builders to lower their level of new construction activity, particularly of condominium apartment units. As a result, total housing starts in 2013 returned to levels closer to, but still above, the historical average in Ontario.

FIGURE 3-7

Housing starts by Province, 2011 to 2013 levels and 1990 to 2013 average



Source: CMHC *(Starts and Completions Survey)*

Housing starts in Quebec decreased also by 20% in 2013. Similar to developments in Ontario, the decline in Quebec follows levels of activity in recent years that exceeded the 1990 to 2013 average, particularly with respect to multiple housing starts. Increasing inventory of completed and unabsorbed units in 2013 likewise encouraged builders in Quebec to reduce the level of housing starts to levels that were roughly 4% below the historical average level.

In the Atlantic provinces, continuing weakness in economic conditions and relatively slow population growth was accompanied by declines in housing starts in Prince Edward Island (-32%), Newfoundland and Labrador (-26%), New Brunswick (-14%) and Nova Scotia (-13%). With the exception of Newfoundland and Labrador, the declines recorded in 2013 left the level of housing starts in the Atlantic provinces below their respective 1990 to 2013 average levels.

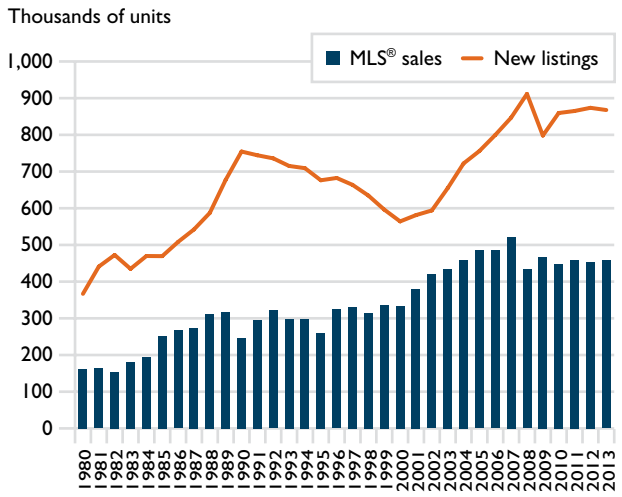
Sales of existing homes remained relatively stable in 2013

In 2013, sales of existing homes through the Multiple Listing Service® (MLS®) totalled 457,761 units, essentially unchanged from the 2012 level of 454,341 sales, remaining well above the 1980 to 2013 annual average of 339,313. When adjusted for population, the level of MLS® sales per 10,000 population stood at 130 units, above but closer to the 1980 to 2013 annual average of 112 sales.

While demand for existing homes held steady in 2013, the supply of new listings of existing homes decreased by 0.7% to 866,890 units, after an upward trend observed from 2009 to 2012 *(see Figure 3-8)*. The level of new listings in 2013 exceeded the 1980 to 2013 annual average of 663,236 new listings. The level of new listings per 10,000 population in 2013 stood at 247 units, close to the 1980 to 2013 historical average level of 222 new listings per 10,000 population.

FIGURE 3-8

MLS® sales and new listings, Canada, 1980-2013



Source: Canadian Real Estate Association (CREA)
MLS® is a registered trademark for CREA

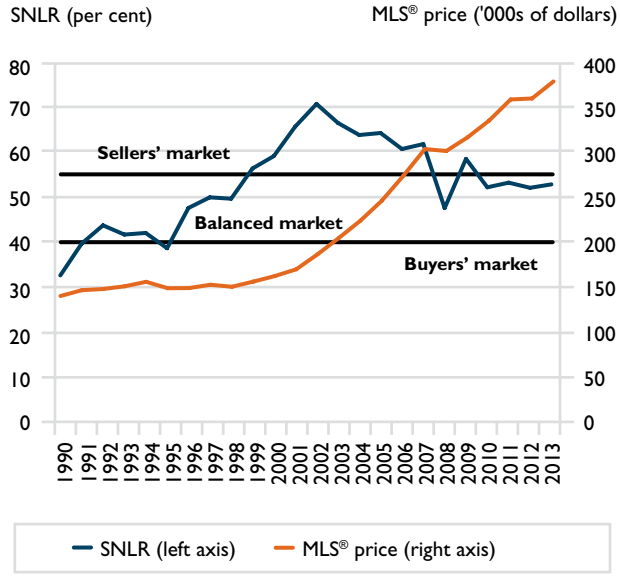
The sales-to-new-listings ratio (SNLR) is often used as a rough barometer of the state of the housing market. Historically, time periods with a national sales-to-new-listings ratio below 40% have been associated with a buyers' market, with the nominal average Canadian house price rising more slowly than the rate of inflation. Conversely, time periods with a national SNLR above 55% have been associated with a sellers' market, and the average Canadian house price rising more rapidly than inflation. When the SNLR is between these two thresholds, the housing market is considered to be in balance from a national perspective, and the national average house price is expected to rise at a rate similar to inflation.[6]

The market was in balanced conditions, from a national perspective, throughout 2013, with a sales-to-new-listings ratio of 52.8 for the whole year *(see Figure 3-9)*. This was toward the upper end of balanced market conditions, near the 55% threshold of sellers' market conditions. Market conditions have been in balance but close to sellers' market conditions since 2010.

Price growth in Canada has responded to changing market conditions *(see Figure 3-9)*. Market conditions gradually moved from buyers' to balanced market conditions during the 1990s as housing demand was supported by improvement in economic fundamentals. Price growth was restrained over this period, as indicated by the relatively flat trend in the average MLS® price level that characterized the 1990s. At the turn of the century, market conditions entered sellers' market territory, where they remained until the economic downturn pushed housing markets back into balanced market conditions in 2008. During the 1999 to 2007 sellers' market period, the average MLS® price increased at an annual rate of 8.1%. With the emergence of balanced market conditions in recent years that are near the threshold of a sellers' market, the average MLS® price increased at an annual rate of 3.2% from 2007 to 2013.

FIGURE 3-9

MLS® sales-to-new-listings ratio (SNLR) and average MLS® price, Canada, 1990-2013



Source: Canadian Real Estate Association (CREA);
MLS® is a registered trademark for CREA

[6] These thresholds reflect calculations by CMHC.

Overview of house price differential between Canada and the United States from 2000 to 2013

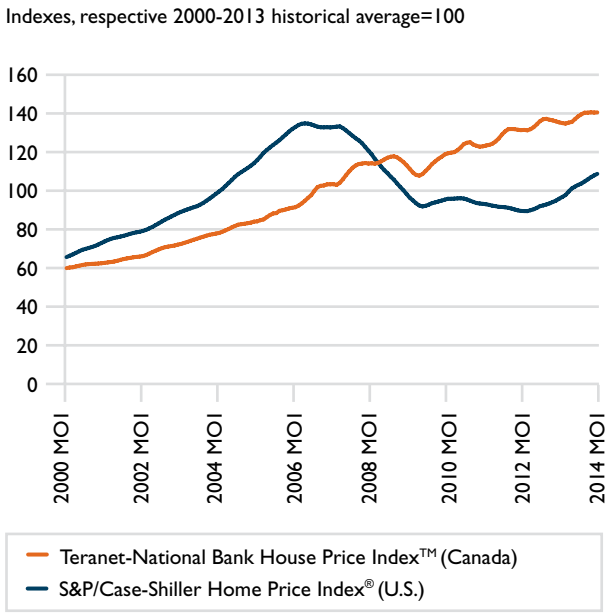
Concerns over a potential emergence of a sharp housing correction, such as the one seen in the U.S., have been persistent in Canada following several years of building activity that saw housing starts climb to levels that were well-above their average level since 1955. Figure 3-10 illustrates the divergent experience of the Canadian and U.S. housing markets from 2000 to 2013 by comparing changes in the level of house prices. The price measure used for Canada is the Teranet-National Bank House Price Index™, while the price measure used for the U.S. is the S&P/Case-Shiller® Home Price Index.[7]

The U.S. and Canadian housing markets have followed very different trends since 2000. From 2000 to roughly mid-2006, house prices increased in both Canada and the U.S. during a time of increasing housing activity; however, U.S. prices grew much more rapidly than Canadian house prices *(see Figure 3-10)*. From 66 in January 2000, the U.S. index increased to a peak of 135 in April 2006, an increase of more than 100%. In contrast, the Canadian index increased from 60 in January 2000 to 95 in April 2006, an increase of 58%.

In the U.S., home prices held steady near the 2006 peak index value of 135 for a few months before declining sharply beginning in early 2007. U.S. home prices fell to 92 by mid-2009, a decline of about 32% from the 2006 peak. Following several years of recovery in U.S. economic and financial conditions, the U.S. index began to register gains in house prices in the first half of 2012, reaching a value of 109 by December 2013, still well-below the 2006 peak.

FIGURE 3-10

Comparison of quality-adjusted house price indexes in Canada and the United States, January 2000 to December 2013



Source: Teranet and National Bank, S&P Dow Jones Inc.
Calculations by CMHC

In contrast, the Canadian housing market continued to experience about two years of steady price gains while U.S. house prices were declining, continuing the trend of more gradual price growth in Canada from the first half of the 2000s. This trend continued until August 2008, when the index reached a value of 118. Canada then experienced a relatively brief and mild downturn in home prices amidst a global economic downturn over 2008 to 2009, declining to 108 by April 2009, a decline

[7] The price measures used in Figure 3-10 for Canada and the U.S. both control for changes in the quality and mix of types of homes sold, allowing for better comparability relative to other available measures that are based on respective local currencies. In Figure 3-10, each measures has been indexed to its respective historical average value from January 2000 to December 2013, so as to allow price changes to be measured against the historical average. Relative to the base value of 100, the indices show the per cent change in price levels from the 13-year average. For example, an index value of 110 would indicate that home prices were 10% above the historical average price level.

of 9%. As economic conditions improved, the Canadian housing market entered a period of relatively stable house price growth that permitted price levels to recover by December 2009, or roughly a year and a quarter after the initial downturn in Canada, unlike the U.S. experience, where price levels remained below pre-recessionary levels in 2013, some 8 years after the initial downturn.

Comparing house prices in the U.S. and Canada: controlling for differences due to exchange rates, inflation and other factors that affect the purchasing power of homebuyers

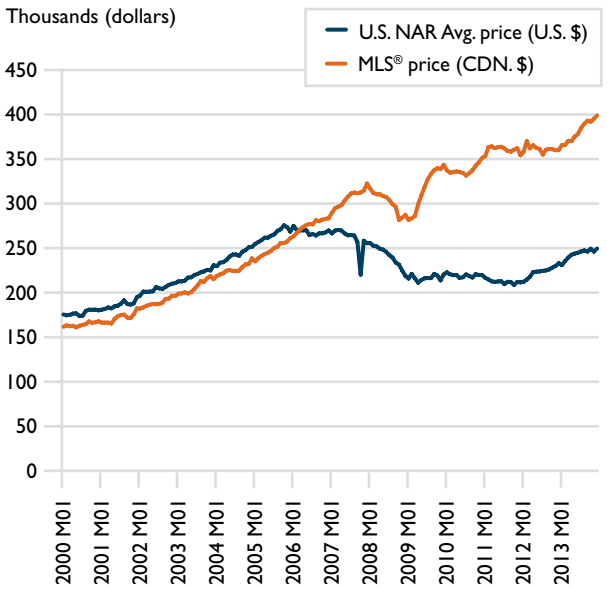
The cross-country comparability of house price measures can also be enhanced by considering exchange rates and differences in overall inflationary environments between the U.S. and Canadian economies.[8]

Figure 3-11 illustrates that Canadian house prices have significantly exceeded U.S. house prices since the 2007-2008 downturn. This is the expected consequence of the divergent history described above. It is important to note that the price gap in 2013 between the U.S. and Canada is largest when prices are measured in their respective local currencies *(see Figure 3-11).*

Figure 3-12 compares the same house price measures shown in Figure 3-11 while adjusting for differences in price levels between the U.S. and Canada. In particular, Figure 3-12 uses estimates of the Comparative Price Level (CPL) between the two countries to adjust for differences in the exchange rate and inflationary environments which affect prices and income that impact purchasing power. Once these adjustments are taken into account, Canadian and U.S. house price levels converge somewhat, however, the U.S. price continues to remain below the Canadian price. This Canadian "premium" could be a cause for concern, because it may indicate that house prices in Canada are overvalued. CMHC is analyzing these differences, in order to understand the reasons for the price differential, be they structural, temporary or reflective of relative overvaluation in Canada.

FIGURE 3-11

Comparison of house price measures in Canada and the United States, using local currencies, January 2000 to December 2013

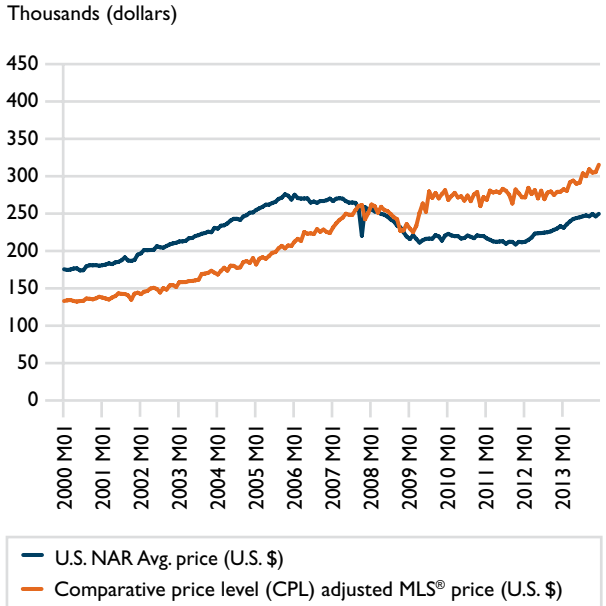


Source: Canadian Real Estate Association (CREA); MLS® is a registered trademark for CREA. U.S. National Association of Realtors (NAR)

[8] The price measures used for Canada and the U.S. in Figure 3-11 are based on their respective local currencies. In Figure 3-12, the Canadian price measure is adjusted using estimates of the Comparative Price Levels (CPL) between the U.S. and Canada from the OECD. A CPL estimate permits the comparison of the cost of the same basket of goods in different currencies without distortions caused by the exchange rate or differences in the inflationary environment between countries. For example, if Country A has a CPL of 0.90 with Country B, this means that a unit of Country A's currency would only buy 90% of the reference basket of goods that Country B's currency buys when the exchange rate and inflationary environment are taken into account. The OECD provides updated estimates of CPLs between various countries, including between the U.S. and Canada, in its monthly statistical publication, *Main Economic Indicators,* which is available on the OECD's website. See www.oecd-ilibrary.org/economics/main-economic-indicators_22195009 (October 23, 2014) for further information.

FIGURE 3-12

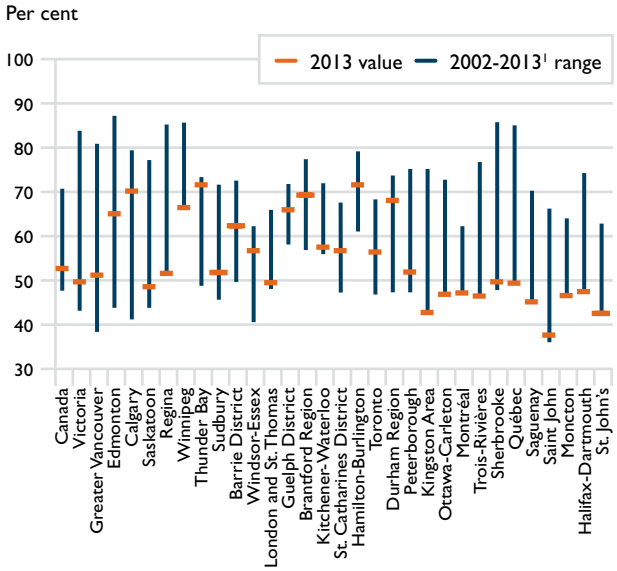
Comparison of house price measures in Canada and the United States, with Canada adjusted for comparative price levels, January 2000 to December 2013



Source: Canadian Real Estate Association (CREA); MLS® is a registered trademark for CREA. U.S. NAR, OECD. Calculations by CMHC

FIGURE 3-13

Sales-to-new-listings ratio (SNLR), Canada and selected urban centres, 2002-2013 range[1] and 2013 value



[1] Minimums and maximums for Montréal are for the 2004-2013 period.

Source: Canadian Real Estate Association (CREA). The geographic definitions used by CREA differ from those used by Statistics Canada. Quebec Federation of Real Estate Boards (QFREB) by the Centris® System

Housing market conditions varied across the country in 2013

The SNLR threshold values that mark the rough boundaries between balanced, buyers' and sellers' markets reflect historical experience at the aggregate Canadian level. As a result, SNLR thresholds for particular sub-markets may not coincide precisely with the aggregate national thresholds, reflecting the diversity of housing markets across Canada. Nonetheless, in 2013, most centres in eastern Ontario, Quebec and Atlantic Canada saw SNLR values at the low ends of their 2002-2013 ranges,[9] generally indicating balanced markets *(see Figure 3-13)*. Centres elsewhere in Ontario, Manitoba and Saskatchewan, displayed a high degree of variability with respect to market conditions in 2013. In 2013, market conditions tended to be tighter in Alberta and were generally balanced in British Columbia.

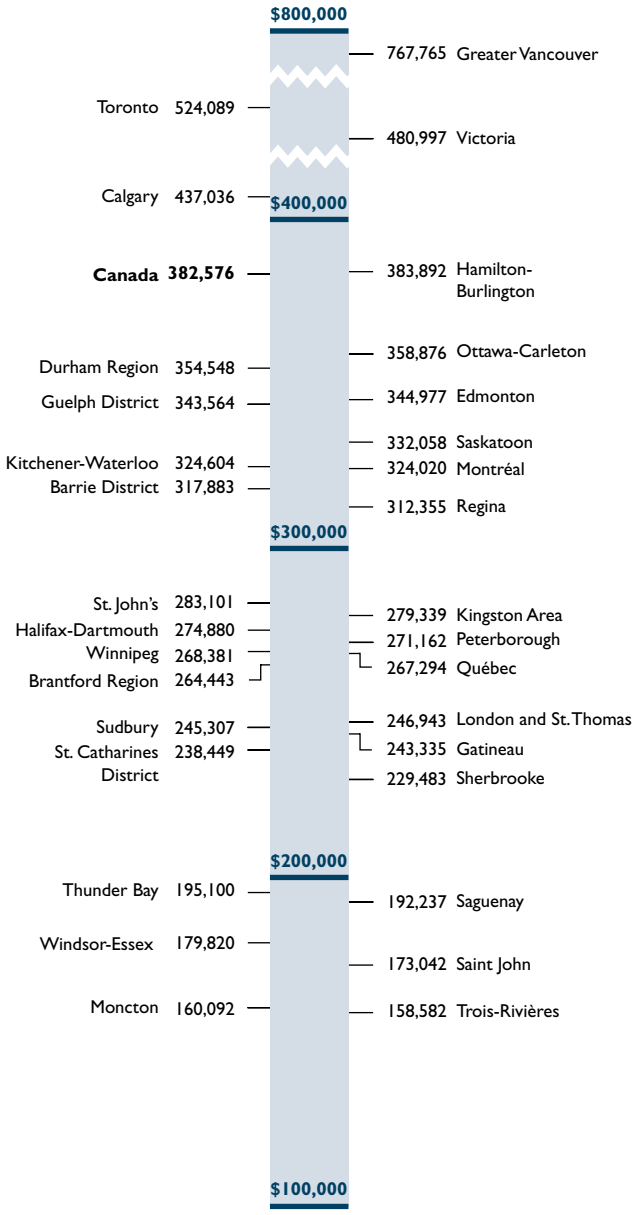
The mortgage-payment-to-income ratio remained in line with its historical average, despite growth in the average MLS® house price

Over the course of 2013, the relative stability in sales combined with the slight decline in new listings led to an increase of 5.3% in the average MLS® price from $363,469 in 2012 to $382,576 *(see Figures 3-14 and 3-15)*. Greater Vancouver recorded the highest average resale price of all major urban centres at $767,765, followed by Toronto at $524,089 and Victoria at $480,997. The lowest average resale prices in 2013 were in Trois-Rivières ($158,582) and Moncton ($160,092).

[9] The use of a shorter range of data here reflects data availability.

FIGURE 3-14

Average resale price, Canada and urban centres, 2013 (dollars)

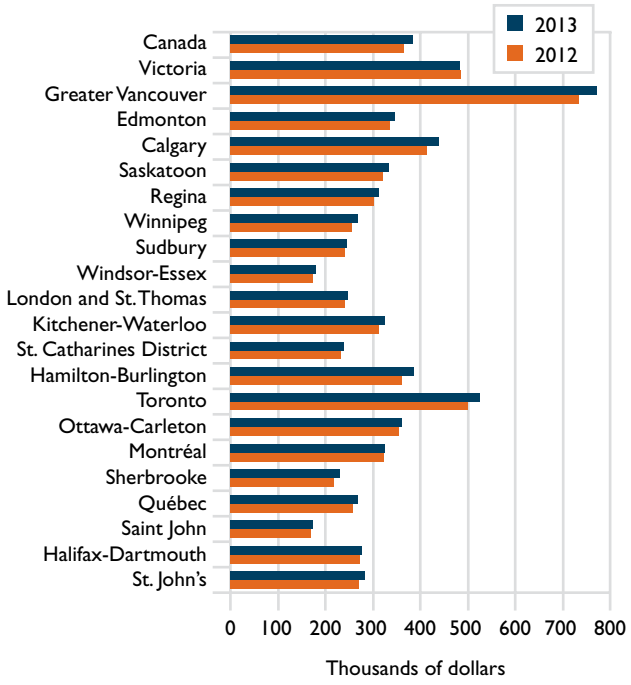


Note: The geographic definitions used by CREA differ from those used by Statistics Canada.

Source: CREA (MLS®) MLS® is a registered trademark of the Canadian Real Estate Association. QFREB by the Centris® System. The Centris® System contains all the listings of Quebec real estate brokers

FIGURE 3-15

Average resale price, Canada and selected urban centres, 2012 and 2013



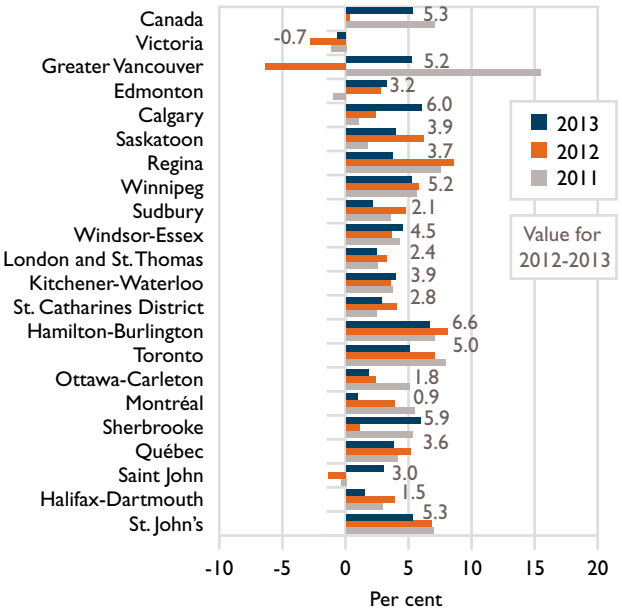
Source: Canadian Real Estate Association (CREA). The geographic definitions used by CREA differ from those used by Statistics Canada. Quebec Federation of Real Estate Boards (QFREB) by the Centris® System

In most urban centres, house prices increased in 2013 by more than the national rate of inflation of 1.3% *(see Figure 3-16)*. While balanced market conditions generally imply a level of house price growth that is similar to inflation, the fact that market conditions have stabilized at the high end of the balanced market range in recent years has led to house price growth that exceeds inflation, but by a smaller margin than would likely be observed under actual sellers' market conditions. Regionally, Hamilton-Burlington saw the highest increase in its average MLS® price (6.6%), followed by Calgary (6.0%) and Sherbrooke (5.9%). Victoria was the only major urban centre to post a decrease in its average MLS® price in 2013 (-0.7%).[10]

[10] Annual data on MLS® average prices by Metropolitan Area can be found in Appendix A Table 6.

FIGURE 3-16

Changes in average resale prices, Canada and selected urban centres, 2011-2013



Source: Canadian Real Estate Association (CREA). The geographic definitions used by CREA differ from those used by Statistics Canada. Quebec Federation of Real Estate Boards (QFREB) by the Centris® System

The mortgage-payment-to-income ratio indicates the financial accessibility of housing by taking into account additional variables beyond house prices that affect the costs of carrying a mortgage on a home, including mortgage rates and amortization periods, in order to estimate the size of a typical mortgage payment as a share of income.

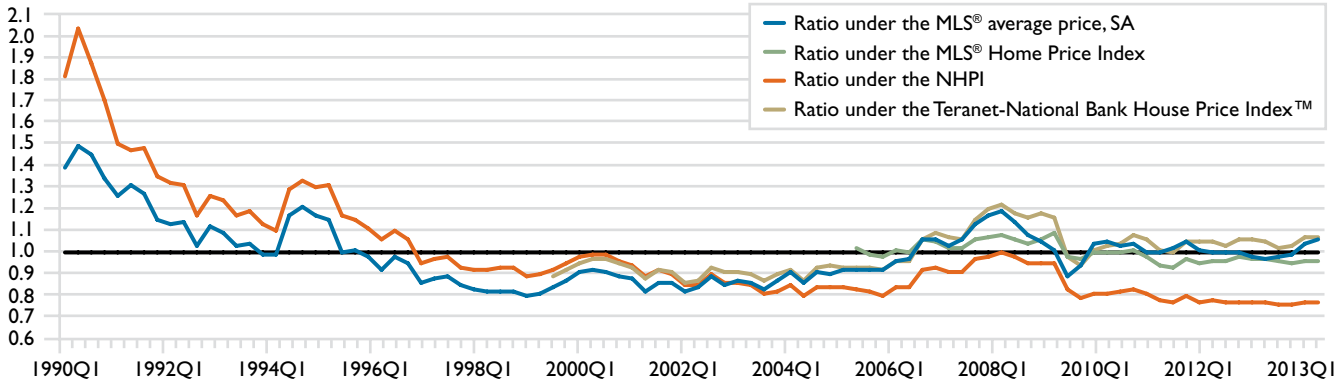
The mortgage-payment-to-income ratio was near its historical average in 2013, where it has stabilized since about the first quarter of 2011, despite increases registered in recent years in various house price measures, including the MLS® average price measure *(see Figure 3-17)*. This ratio takes into account mortgage interest rates and amortization, and is superior to a simple price-to-income ratio in measuring the capacity of households to access or maintain homeownership.[11]

The main factor that kept the level of the mortgage payment-to-income ratio in 2013 in line with its 1990-2013 average value, despite increasing house prices, was the low level of mortgage interest rates when compared to historical experience. More generally, the trend towards lower interest rates over the period 1990-2013 largely explains the declining trend in the mortgage payment-to-income ratio since the early 1990s.

FIGURE 3-17

Indexes of the mortgage payment-to-income ratio under alternative price measures, Canada, 1990-2013

Indexes of the mortgage payment-to-income ratio, respective 1990-2013 average = 1.0



Note: Assumes a 20% down payment, with the mortgage amortized over 25 years, with interest determined by the chartered banks' posted 5-year mortgage interest rate. The measure of income used is per capita disposable income.

Source: Canadian Real Estate Association (CREA); MLS® is a registered trademark for CREA. Statistics Canada, Teranet-National Bank House Price Index™. Calculations by CMHC

[11] See CMHC's *Housing Now Canada, March 2014 edition* for more information, available at www.cmhc.ca/housingmarketinformation/ (May 8, 2014).

Vacancy rates increased slightly in 2013, but remained below the historical average

Based on data from our *Rental Market Survey*, the average vacancy rate in Canada's centres of 10,000 or more inhabitants increased slightly, to 2.9% in October 2013, from 2.8% in October 2012 *(see Table 3-1 on page 3-20)*. Between October 2012 and October 2013, starts of purpose-built rental apartments increased by 3.7%. Any completions during this period of these or earlier starts would have added to the rental supply, placing upward pressure on the national vacancy rate. Despite the slight increase in the vacancy rate in 2013, it remained below the 1990 to 2013 average rate of 3.2%. Since 2002, vacancy rates have been low by historical standards and very stable, remaining within a relatively narrow range of 2.0 to 3.0%. The strong demand for rental units that has been evident since 2002, as indicated by the low and stable vacancy rate for purpose-built rental apartments, coincides with the growth of the secondary condominium rental apartment segment, particularly in larger urban centres.

The stability of the vacancy rate in 2013 when compared to 2012 resulted to some extent from rental housing demand being supported by higher net immigration and a small increase in full-time employment among people aged 15 to 24, along with this demand being largely accommodated by the increase in the supply of rental units.[12]

Between October 2012 and October 2013, the vacancy rate decreased in British Columbia and Alberta, while increasing in the other provinces. In October 2013, the vacancy rate for purpose-built rental housing was lowest in Alberta (1.6%), British Columbia and Manitoba (both at 2.4%), and highest in New Brunswick (8.9%), and Prince Edward Island (7.1%).

Our October 2013 *Rental Market Survey* also included condominium apartments offered for rent in 11 CMAs.[13] Vacancy rates in these condominium apartments ranged from a high of 5.9% in Québec, to a low of 0.7% in Saskatoon *(see Table 3-2 on page 3-20)*.

Average rents for two-bedroom apartments increased 2.5%

In October 2013, the average monthly rent for a two-bedroom apartment in new and existing purpose-built structures across the 35 major centres surveyed by us increased by 2.5% from October 2012 *(see Table 3-1 on page 3-20)*. This rent increase was measured only for two-bedroom apartments in structures common to both the 2012 and 2013 surveys.[14] This exceeded the 2.2% rent increase that was observed between October 2011 and October 2012.

Across all centres with at least 10,000 population, the average rent for a two-bedroom apartment was $894 in October 2013. Across CMAs, the lowest average rent was $555 in Trois-Rivières, followed by Saguenay at $571 and Sherbrooke at $591, while the highest average rent was $1,281 in Vancouver, followed by Calgary at $1,224 and Toronto at $1,213 *(see Figure 3-18)*.

Stable employment and income growth supported housing activity in 2013

The return to more historically typical levels of housing starts activity, at the national level, in 2013 accompanied stability in national employment and in per capita disposable income growth since the 2008-2009 economic downturn. In 2013, real (i.e., inflation-adjusted) income and employment growth were at or close to their 1990 to 2013

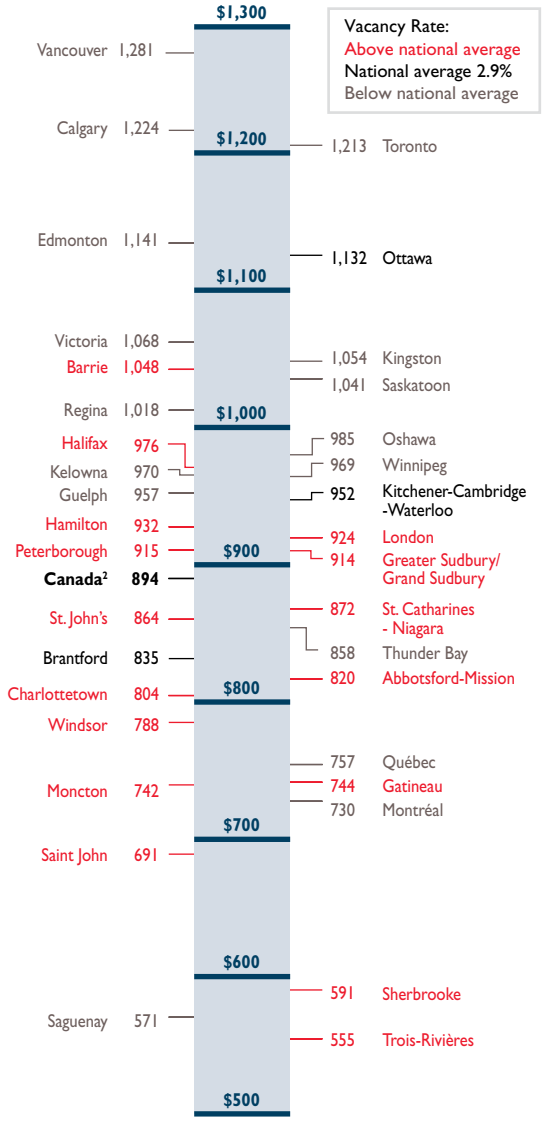
[12] See: CMHC's *Rental Market Report – Canada Highlights* available at /www.cmhc.ca/housingmarketinformation/ (May 8, 2014).

[13] These include the CMAs of Victoria, Vancouver, Calgary, Edmonton, Regina, Saskatoon, Winnipeg, Toronto, Ottawa-Gatineau, Montréal and Québec. The Ottawa-Gatineau CMA is treated as two separate markets.

[14] The *Rental Market Survey* tracked changes in rent levels from 2012 to 2013 based on a fixed sample (i.e., structures that were included in the sample in both years). This is a more reliable indicator of rent movement as it excludes new units coming onto the rental market which could skew the overall measure of changes in rents, especially in smaller markets.

FIGURE 3-18

Average rents[1] and vacancy rates for two-bedroom apartments, Canada and Metropolitan Areas, 2013



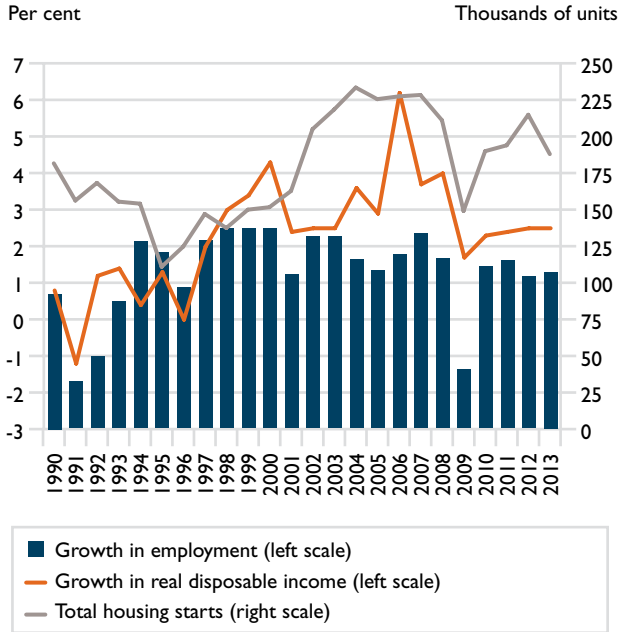
[1] In privately initiated apartment structures with at least three units.
[2] Only includes provincial data.

Source: CMHC (*Rental Market Survey*)

average levels. Specifically, in 2013, real per capita disposable income increased by 2.5%, the same pace as in 2012 and slightly above the 1990 to 2013 average of 2.3% *(see Figure 3-19)*. Employment in Canada increased by 1.3%, slightly above the 2012 pace and in line with the average historical pace of growth since 1990. This led to a decline in the unemployment rate, from 7.3% in 2012 to 7.1% in 2013. Economic conditions varied across regions in 2013, as provinces in the Prairie region saw gains in GDP, employment and net migration that exceeded the national average, which helped support generally stronger housing activity in the Prairies.

FIGURE 3-19

Annual growth in employment and real disposable income per capita, and total housing starts, Canada, 1990-2013

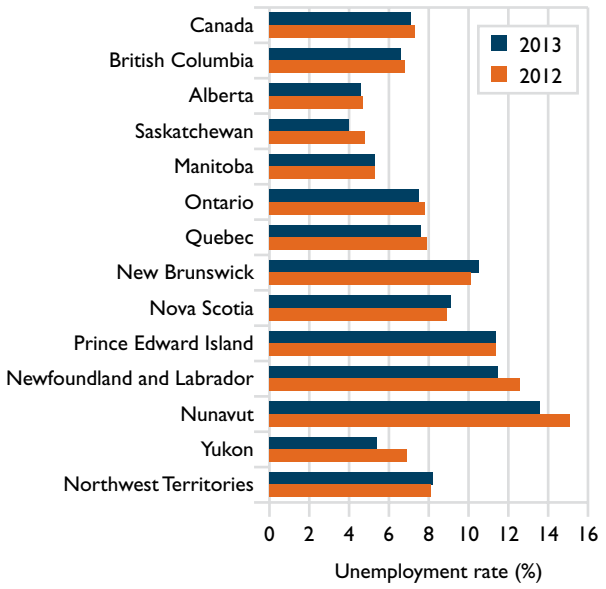


Source: CMHC *(Starts and Completions Survey)*; Statistics Canada (CANSIM)

The unemployment rate also varied across the country in 2013, with the Prairie provinces and B.C. registering unemployment rates below the national average. However, across the country, most provinces and territories saw slightly lower unemployment rates than in 2012 *(see Figure 3-20)*.

FIGURE 3-20

Unemployment rate, Canada, Provinces and Territories, 2012-2013



Source: Statistics Canada (CANSIM)

Housing-related expenditures contributed nearly $322 billion to Canadian Gross Domestic Product (GDP)[15]

In 2013, housing-related expenditures contributed about $322 billion to Canadian Gross Domestic Product (GDP), representing 17.1% of total GDP *(see Figure 3-21)*. This represents a slight moderation from the 17.3% recorded in 2012 and is also lower than the 1990 to 2013 average of 17.6%. From 1990 to 1994, this ratio was near the 20% mark before trending down until 2000. Housing-related expenditures include housing-related consumption (i.e., paid rent plus imputed rent[16] and expenditures on maintenance and repairs), and residential investment (i.e., the value of new construction, renovations and the transfer costs associated with the sale of existing homes, including real estate commissions, legal fees and land transfer fees).[17]

Housing-related consumption increased by 3.1% in 2013, to about $195 billion, a pace similar to that in 2012. Residential investment grew modestly in 2013, by 1.0% to $128 billion, continuing the recovery in housing investment that began in 2010, and contributing 6.8% to GDP, close to the previous high of 7.0% in 2007, prior to the 2008-2009 economic downturn.

[15] The information on housing-related GDP is based on data available as at April 11, 2014. Note that direct comparison with years previous to 2012 is not possible for all variables due to changes in 2012 to national accounting methods at Statistics Canada. For further details, see Statistics Canada's *Canadian System of National Accounts 2012 Historical Revision,* available at www.statcan.gc.ca/nea-cen/hr2012-rh2012/start-debut-eng.htm (April 11, 2014).

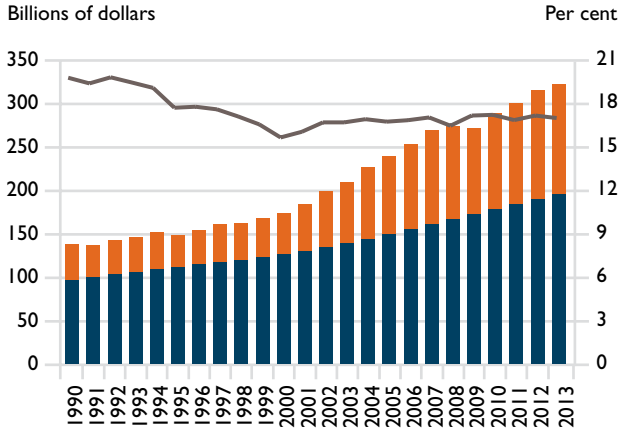
[16] The housing-related spending of tenants is typically calculated by aggregating the rents paid. Owners are treated as though they are paying an "imputed" rent to themselves, based on what they would be able to charge if they rented their dwelling to someone else. This means that owners without mortgages are treated in the same way as owners with mortgages and the contribution of owner-occupied housing to overall economic activity is not understated.

[17] Housing-related investment is composed of the three categories of expenditure that Statistics Canada defines as investment in residential structures for the purposes of the National Accounts (i.e. the value of new residential construction, renovations to existing structures and ownership transfer costs). In particular, since new construction and renovations of existing structures add to Canada's existing capital stock, these expenditures are defined as investment instead of consumption. Ownership transfer costs of the existing capital stock are included in investment because it is a type of spending that directly facilitates investment transactions. See Statistics Canada's *System of Macroeconomic Accounts Glossary,* available at www.statcan.gc.ca/nea-cen/gloss/index-eng.htm (October 23, 2014).

Housing-related consumption is based on CMHC calculations and includes those categories of household spending on housing-related goods and services that do not add to the residential capital stock. Instead, these categories reflect the final consumption of some of the existing stock of residential goods and services. For example, expenditure on rent in 2013 represented the dollar value of the rental services that flowed from the owners of the existing stock of rental dwellings to renters in 2013, it did not represent new additions to the stock of rental dwellings. Renovations add value to the existing residential stock (for example, through additions or improvements to an existing dwelling); repairs by definition only maintain the existing stock of dwellings, but do not expand it. For this reason, renovations are considered housing-related investment, and repairs are considered housing-related consumption.

FIGURE 3-21

Housing-related spending, by type, and as a percentage of Gross Domestic Product, Canada, 1990-2013



Source: CMHC, adapted from Statistics Canada

Investment in new dwellings decreased by 1.7% in 2013 to $57 billion, marking the first pause in the increase that began in 2010 when the value of investment in new dwellings rose 21.7% over the previous year to a total of $48 billion. In 2013, investment in new dwellings accounted for 3.0% of GDP, remaining close to the level of 3.3% registered in 2007, prior to the 2008-2009 economic downturn. Expenditures on home renovations continued to grow in 2013, reaching $47 billion, an increase of 3.1% from the previous year. Total expenditures on renovation represented 2.5% of GDP in 2013, exceeding the 1990 to 2013 average of 2%. Transfer costs totalled $23.5 billion in 2013, a 3.5% increase from 2012. Transfer costs, as a percentage of GDP, totalled 1.3% in 2013, compared to 1.2% in 2012, and above the 1990 to 2013 average of 1.0%.

Annex

Henri Masson, Rivière-au-Renard, Gaspé, 1961, Oil on canvas, 18" x 24", FAC 0997, Firestone Collection of Canadian Art, The Ottawa Art Gallery; Donated to the City of Ottawa by the Ontario Heritage Foundation, Photo Credit: Tim Wickens

Tables

Tables

TABLE 3-1

Monthly rents and vacancy rates, Canada[1] and Provinces, 2013

	Monthly rent[2] (two-bedroom apartments)		Vacancy rate[2] (apartment structures of 3+ units)	
	Level ($)	Fixed sample rent growth (%)	Level (%)	Change (percentage points)
Canada[1]	**894**	**2.5**	**2.9**	**0.1**
British Columbia	1,087	1.8	2.4	-0.3
Alberta	1,158	6.1	1.6	-0.4
Saskatchewan	998	3.8	3.0	0.8
Manitoba	937	4.6	2.4	0.8
Ontario	1,059	2.7	2.6	0.1
Quebec	699	1.7	3.1	0.1
New Brunswick	715	1.0	8.9	2.0
Nova Scotia	929	1.1	3.7	0.3
Prince Edward Island	790	1.2	7.1	2.1
Newfoundland and Labrador	784	5.2	2.7	0.5

[1] Data for Canada refer to all centres with at least 10,000 people for the rent level and vacancy rate, while the fixed sample rent growth rate is a CMA total only.

[2] For rent and vacancy rates, levels are for October 2013; changes are from October 2012 to October 2013. The percentage change in monthly rent is based on a fixed sample; i.e., on structures included in the sample in both years. Rent statistics are for two-bedroom apartment units, while vacancy rates include all bedroom-types in apartment structures of three or more units.

Source: CMHC *(Rental Market Survey)*, Fall 2013

TABLE 3-2

Rental condominium apartment vacancy rates, average rents and percentage of condominium apartments rented out, selected CMAs, October 2012 and October 2013

	Vacancy rate (%)		Average rent (2-bedroom) ($)		Percentage of condominium apartments rented out (%)	
	Oct-12	Oct-13	Oct-12	Oct-13	Oct-12	Oct-13
Victoria	2.2	2.1	1,368	1,270	20.7	21.5
Vancouver	1.0	1.1	1,662	1,580	25.9	26.3
Edmonton	2.5	1.1	1,286	1,292	31.8	32.2
Calgary	2.1	1.0	1,355	1,400	30.4	30.1
Saskatoon	0.9	0.7	N/A	N/A	20.6	20.0
Regina	1.9	1.4	N/A	N/A	25.2	22.8
Winnipeg	1.3	1.5	1,160	1,089	14.5	13.9
Toronto	1.2	1.8	1,592	1,752	22.6	26.1
Ottawa-Gatineau (Ont. part)	3.2	3.6	1,271	1,432	20.7	24.0
Montréal	2.7	2.7	1,027	1,121	11.0	12.1
Québec	2.2	5.9	1,022	980	9.0	9.9

N/A indicates that data are not available.

Rent statistics are for two-bedroom apartment units, while vacancy rates include all bedroom-types in apartment structures of three or more units.

Source: CMHC *(Rental Market Survey)*, Fall 2013

Alternative text and data for figures

Figure 3-1: Total housing starts, Canada, 1955-2013

Year	Total starts level
1955	138,276
1956	127,311
1957	122,340
1958	164,632
1959	141,345
1960	108,858
1961	125,577
1962	130,095
1963	148,624
1964	165,658
1965	166,565
1966	134,474
1967	164,123
1968	196,878
1969	210,415
1970	190,528
1971	233,653
1972	249,914
1973	268,529
1974	222,123
1975	231,456
1976	273,203
1977	245,724
1978	227,667
1979	197,049
1980	158,601
1981	177,973
1982	125,860
1983	162,645
1984	134,900
1985	165,826

Year	Total starts level
1986	199,785
1987	245,986
1988	222,562
1989	215,382
1990	181,630
1991	156,197
1992	168,271
1993	155,443
1994	154,057
1995	110,933
1996	124,713
1997	147,040
1998	137,439
1999	149,968
2000	151,653
2001	162,733
2002	205,034
2003	218,426
2004	233,431
2005	225,481
2006	227,395
2007	228,343
2008	211,056
2009	149,081
2010	189,930
2011	193,950
2012	214,827
2013	187,923
Total starts average	181,008

Source: CMHC *(Starts and Completions Survey)*

Figure 3-2: Single and multiple housing starts, Canada, 1955-2013

Year	Single housing starts	Multiple housing starts
1955	99,003	39,273
1956	90,620	36,691
1957	82,955	39,385
1958	104,508	60,124
1959	92,178	49,167
1960	67,171	41,687
1961	76,430	49,147
1962	74,443	55,652
1963	77,158	71,466
1964	77,079	88,579
1965	75,441	91,124
1966	70,642	63,832
1967	72,534	91,589
1968	75,339	121,539
1969	78,404	132,011
1970	70,749	119,779
1971	98,056	135,597
1972	115,570	134,344
1973	131,552	136,977
1974	122,143	99,980
1975	123,929	107,527
1976	134,313	138,890
1977	108,403	137,321
1978	110,029	117,638
1979	109,117	87,932
1980	87,721	70,880
1981	89,071	88,902
1982	54,457	71,403
1983	102,385	60,260
1984	83,651	51,249
1985	98,624	67,202
1986	120,008	79,777
1987	140,139	105,847
1988	128,465	94,097

Year	Single housing starts	Multiple housing starts
1989	125,968	89,414
1990	102,315	79,315
1991	86,567	69,630
1992	92,851	75,420
1993	85,099	70,344
1994	89,509	64,548
1995	64,425	46,508
1996	77,996	46,717
1997	93,186	53,854
1998	86,431	51,008
1999	92,190	57,778
2000	92,184	59,469
2001	96,026	66,707
2002	125,374	79,660
2003	123,227	95,199
2004	129,171	104,260
2005	120,463	105,018
2006	121,313	106,082
2007	118,917	109,426
2008	93,202	117,854
2009	75,659	73,422
2010	92,554	97,376
2011	82,392	111,558
2012	83,657	131,170
2013	76,893	111,030
Single housing starts average (1955-2013)	96,066	-
Multiple housing starts average (1955-2013)	-	84,909

Source: CMHC *(Starts and Completions Survey)*

Figure 3-3: Inventory of completed and unabsorbed housing units per 10,000 population, Canada, 1992-2013

Year	Total inventory	Row and apartment units	Single- and semi-detached units
1992Q1	6.3	3.6	2.6
1992Q2	6.2	3.6	2.6
1992Q3	6.1	3.5	2.5
1992Q4	5.8	3.3	2.5
1993Q1	5.8	3.2	2.6
1993Q2	5.9	3.2	2.8
1993Q3	6.1	3.1	2.9
1993Q4	6.2	3.2	3.0
1994Q1	6.0	3.1	2.9
1994Q2	5.7	2.9	2.7
1994Q3	6.3	3.4	2.9
1994Q4	6.5	3.4	3.1
1995Q1	6.9	3.7	3.2
1995Q2	7.2	3.9	3.2
1995Q3	6.7	3.7	3.0
1995Q4	6.4	3.7	2.7
1996Q1	6.0	3.5	2.5
1996Q2	5.3	3.1	2.2
1996Q3	5.1	2.9	2.2
1996Q4	4.6	2.4	2.1
1997Q1	4.2	2.2	2.0
1997Q2	4.1	2.1	2.0
1997Q3	4.0	2.0	2.0
1997Q4	4.2	2.1	2.1
1998Q1	4.5	2.2	2.2
1998Q2	4.6	2.2	2.3
1998Q3	4.7	2.3	2.4
1998Q4	4.7	2.4	2.3
1999Q1	4.5	2.3	2.2
1999Q2	4.3	2.1	2.1
1999Q3	4.2	2.1	2.1
1999Q4	4.2	2.1	2.1
2000Q1	4.2	2.2	2.1
2000Q2	4.3	2.3	2.0
2000Q3	4.3	2.3	2.0
2000Q4	4.0	2.0	2.0
2001Q1	3.9	1.9	2.0
2001Q2	3.5	1.7	1.9
2001Q3	3.3	1.4	1.8
2001Q4	3.0	1.3	1.7
2002Q1	2.8	1.2	1.6
2002Q2	2.7	1.1	1.6
2002Q3	2.4	0.9	1.5
2002Q4	2.4	0.9	1.5

Year	Total inventory	Row and apartment units	Single- and semi-detached units
2003Q1	2.3	0.9	1.4
2003Q2	2.4	0.9	1.5
2003Q3	2.4	0.9	1.6
2003Q4	2.5	0.9	1.6
2004Q1	2.5	0.9	1.6
2004Q2	2.6	1.0	1.6
2004Q3	3.0	1.3	1.7
2004Q4	3.3	1.5	1.8
2005Q1	3.5	1.8	1.7
2005Q2	3.5	1.8	1.7
2005Q3	3.2	1.6	1.6
2005Q4	3.0	1.5	1.5
2006Q1	3.0	1.5	1.5
2006Q2	3.1	1.5	1.5
2006Q3	3.2	1.6	1.6
2006Q4	3.6	1.9	1.8
2007Q1	3.4	1.6	1.8
2007Q2	3.2	1.5	1.8
2007Q3	3.4	1.6	1.8
2007Q4	3.4	1.6	1.9
2008Q1	3.7	1.6	2.1
2008Q2	3.8	1.5	2.2
2008Q3	4.3	1.7	2.5
2008Q4	4.5	2.0	2.5
2009Q1	4.7	2.1	2.6
2009Q2	4.9	2.5	2.4
2009Q3	4.3	2.4	1.9
2009Q4	4.0	2.4	1.6
2010Q1	4.0	2.6	1.5
2010Q2	4.3	2.7	1.6
2010Q3	4.3	2.7	1.6
2010Q4	4.4	2.7	1.7
2011Q1	4.2	2.5	1.6
2011Q2	4.4	2.7	1.6
2011Q3	4.5	2.7	1.7
2011Q4	4.5	2.7	1.7
2012Q1	4.5	2.8	1.7
2012Q2	4.4	2.8	1.7
2012Q3	4.7	2.9	1.8
2012Q4	4.9	3.0	1.9
2013Q1	5.1	3.1	2.1
2013Q2	5.1	3.0	2.1
2013Q3	5.0	2.9	2.1
2013Q4	4.9	2.9	2.0
Total inventory average (1992Q1-2013Q4)	4.3		

Source: CMHC *(Starts and Completions Survey)*

Figure 3-4: Share of starts by intended tenure,[1] all urban centres 10,000+ and selected CMAs, 2013

Census Metropolitan Area	Freehold homeownership (%)	Rental (%)	Condominium (%)	Co-op (%)
Victoria	31.6	20.6	47.8	0
Vancouver	20.5	16.8	62.6	0
Edmonton	57.1	14.5	28.4	0
Calgary	61.4	1.9	36.7	0
Saskatoon	63.2	7.6	29.3	0
Regina	30.8	30.8	38.5	0
Winnipeg	49.2	17.2	33.6	0
Windsor	90.1	1.1	8.8	0
London	51.4	16.7	31.9	0
Kitchener-Cambridge-Waterloo	48.4	36.1	15.5	0
Hamilton	61.9	13.8	24.3	0
Toronto	44.0	2.1	53.9	0
Ottawa-Gatineau	58.0	7.3	34.7	0
Montréal	27.4	15.0	56.3	1.3
Trois-Rivières	47.6	45.0	7.4	0
Sherbrooke	54.1	40.8	5.1	0
Québec	34.3	33.1	31.5	1.0
Halifax	39.1	58.0	3.0	0
All centres 10,000+	48.7	14.3	36.9	0.2

[1] A freehold title is an interest in land that gives the holder full and exclusive ownership of the land and building for an indefinite period.

See CMHC's *Housing Information Monthly* for more information at www.cmhc.ca/housingmarketinformation.

Source: CMHC *(Starts and Completions Survey)*

Figure 3-5: Inventory of completed and unabsorbed single- and semi-detached housing units per 10,000 population and growth in the New Housing Price Index, Canada, 1992-2013

Year	Single- and semi-detached inventories per 10,000 population (units)	NHPI growth (%)
1992	2.5	0.0
1993	3.0	1.3
1994	3.1	0.1
1995	2.7	-1.2
1996	2.1	-1.9
1997	2.1	0.7
1998	2.3	1.0
1999	2.1	0.9
2000	2.0	2.3
2001	1.7	2.8
2002	1.5	4.0
2003	1.6	4.8
2004	1.8	5.6
2005	1.5	5.0
2006	1.8	9.7
2007	1.9	7.7
2008	2.5	3.4
2009	1.6	-2.3
2010	1.7	2.2
2011	1.8	2.2
2012	1.9	2.3
2013	2.0	1.8

Source: CMHC *(Starts and Completions Survey)*, Statistics Canada (CANSIM)

Figure 3-6: Changes in Statistics Canada's New Housing Price Index, urban centres, 1990-2013 average and 2012 and 2013 values

	1990-2013 average (%)	2012 (%)	2013 (%)
Canada	2.0	2.3	1.8
Victoria	-0.2	-2.8	-1.3
Vancouver	0.7	-0.5	-1.0
Edmonton	4.5	0.9	0.4
Calgary	5.3	1.7	5.3
Saskatoon	4.3	2.3	1.5
Regina	6.0	4.4	2.9
Winnipeg	3.9	4.2	4.9
Greater Sudbury and Thunder Bay	0.9	1.3	0.9
Windsor	0.5	2.0	1.0
Kitchener-Cambridge-Waterloo	1.4	2.9	0.7
London	2.0	1.3	1.8
St. Catharines-Niagara	2.0	2.0	3.1
Hamilton	1.7	1.6	2.5
Toronto and Oshawa	1.2	5.1	2.5
Ottawa-Gatineau	2.7	2.6	0.4
Montréal	2.7	1.4	1.0
Québec	2.7	2.9	1.1
Saint John, Fredericton and Moncton	0.8	-0.1	0.3
Halifax	2.4	2.2	2.6
Charlottetown	1.1	0.2	0.5
St. John's	3.5	0.2	1.8

Note: Value for Canada is based on the average of 21 urban centres covered by this index.

Source: Statistics Canada (CANSIM)

Figure 3-7: Housing starts by Province, 2011 to 2013 levels and 1990 to 2013 average

	Number of single starts	Number of multiple starts
British Columbia		
2013	8,522	18,532
2012	8,333	19,132
2011	8,867	17,533
Average (1990-2013)	12,461	16,381
Alberta		
2013	18,431	17,580
2012	17,493	15,903
2011	15,193	10,511
Average (1990-2013)	17,983	9,825
Ontario		
2013	23,270	37,815
2012	25,567	51,175
2011	26,884	40,937
Average (1990-2013)	33,391	30,258
Quebec		
2013	13,144	24,614
2012	16,059	31,308
2011	16,544	31,833
Average (1990-2013)	19,205	20,215

Figure 3-7: Housing starts by Province, 2011 to 2013 levels and 1990 to 2013 average (continued)

	Number of single starts	Number of multiple starts
Saskatchewan		
2013	4,184	4,106
2012	5,171	4,797
2011	4,152	2,879
Average (1990-2013)	2,455	1,346
Manitoba		
2013	3,820	3,645
2012	4,169	3,073
2011	3,831	2,252
Average (1990-2013)	2,859	1,132
New Brunswick		
2013	1,376	1,467
2012	1,697	1,602
2011	1,823	1,629
Average (1990-2013)	2,306	1,082
Nova Scotia		
2013	1,639	2,280
2012	2,258	2,264
2011	2,045	2,599
Average (1990-2013)	2,827	1,606
Prince Edward Island		
2013	282	354
2012	387	554
2011	431	509
Average (1990-2013)	476	231
Newfoundland and Labrador		
2013	2,225	637
2012	2,523	1,362
2011	2,612	876
Average (1990-2013)	1,937	564

Source: CMHC *(Starts and Completions Survey)*

Figure 3-8: MLS® sales and new listings, Canada, 1980-2013

The Figure shows the level of yearly MLS® sales and new listings over the 33-year period, 1980 to 2013. Annual sales trended upward over the period to a high of 522,495 in 2007 before declining to 433,058 in 2008 and increasing to 457,761 in 2013. The number of new listings dropped steadily from 1990 to 2000 before reversing the trend and increasing to a high of 910,794 in 2008, declining again in 2009 and levelling out at 866,890 in 2013.

Please visit the Canadian Real Estate Association (CREA) website to obtain MLS® data at www.crea.ca.

Source: CREA (MLS®) MLS® is a registered trademark of the Canadian Real Estate Association

Figure 3-9: MLS® sales-to-new-listings ratio (SNLR) and average MLS® price, Canada, 1990-2013

The Figure shows the condition of the Canadian housing market over time as it moved through periods of buyers' market, sellers' market and balanced market conditions. Prior to 1999, the market was primarily in balanced conditions, occasionally experiencing buyers' market conditions. In 1999, the market entered a period of sellers' market conditions until 2008, when it returned to balanced, where it has remained, except for a slight sellers' market in 2009. The Figure also shows the average MLS® price over the period has grown steadily from $142,000 in 1990 to $382,576 in 2013.

Please visit the Canadian Real Estate Association (CREA) website to obtain MLS® data at www.crea.ca.

Source: CREA (MLS®) MLS® is a registered trademark of the Canadian Real Estate Association

Figure 3-10: Comparison of quality-adjusted house price indexes for Canada and the United States (average index value from January 2000 to December 2013 = 100, respectively)

Year and Month	Teranet-National Bank House Price Index™ (Canada)	S&P/Case-Shiller Home Price Index® (United States)
2000 January	59.94	65.64
2000 February	60.26	66.35
2000 March	60.39	67.07
2000 April	60.84	67.86
2000 May	61.17	68.68
2000 June	61.58	69.43
2000 July	61.84	69.90
2000 August	62.01	70.38
2000 September	62.13	70.87
2000 October	62.20	71.44
2000 November	62.32	72.15
2000 December	62.46	72.95
2001 January	62.66	73.77
2001 February	62.89	74.47
2001 March	63.10	75.10
2001 April	63.36	75.59
2001 May	63.74	75.89
2001 June	64.24	76.28
2001 July	64.63	76.67
2001 August	64.97	77.15
2001 September	65.22	77.67
2001 October	65.54	78.10
2001 November	65.74	78.48
2001 December	65.90	78.74
2002 January	66.14	79.19
2002 February	66.66	79.73
2002 March	67.40	80.47
2002 April	68.21	81.24
2002 May	68.92	82.17
2002 June	69.64	83.12
2002 July	70.26	84.10
2002 August	70.78	85.02
2002 September	71.08	85.82
2002 October	71.37	86.69
2002 November	71.63	87.50
2002 December	72.10	88.35
2003 January	72.43	89.05
2003 February	72.98	89.69
2003 March	73.48	90.30

Year and Month	Teranet-National Bank House Price Index™ (Canada)	S&P/Case-Shiller Home Price Index® (United States)
2003 April	74.07	90.86
2003 May	74.61	91.45
2003 June	75.11	91.95
2003 July	75.69	92.73
2003 August	76.17	93.65
2003 September	76.72	94.78
2003 October	77.20	95.91
2003 November	77.49	97.11
2003 December	77.82	98.37
2004 January	78.11	99.59
2004 February	78.76	100.84
2004 March	79.48	102.42
2004 April	80.17	103.97
2004 May	81.05	105.54
2004 June	81.75	107.21
2004 July	82.42	108.57
2004 August	82.69	109.64
2004 September	82.88	110.70
2004 October	83.19	111.77
2004 November	83.47	112.94
2004 December	84.01	114.24
2005 January	84.14	115.85
2005 February	84.75	117.62
2005 March	85.14	119.59
2005 April	86.29	121.03
2005 May	87.39	122.38
2005 June	88.23	123.67
2005 July	88.39	124.88
2005 August	89.6	126.14
2005 September	89.89	127.64
2005 October	90.34	129.11
2005 November	90.81	130.59
2005 December	91.16	131.91
2006 January	91.45	132.96
2006 February	92.28	134.01
2006 March	93.42	134.65
2006 April	94.78	134.82
2006 May	96.31	134.74
2006 June	97.70	134.29
2006 July	100.00	133.72
2006 August	101.88	133.13
2006 September	102.54	132.83
2006 October	102.71	132.80

Year and Month	Teranet-National Bank House Price Index™ (Canada)	S&P/Case-Shiller Home Price Index® (United States)
2006 November	103.30	132.87
2006 December	103.32	132.75
2007 January	103.37	132.94
2007 February	103.03	133.16
2007 March	104.09	133.29
2007 April	105.99	132.35
2007 May	108.17	131.15
2007 June	110.11	129.75
2007 July	111.88	128.44
2007 August	113.09	127.11
2007 September	113.83	126.00
2007 October	114.05	124.59
2007 November	114.34	122.59
2007 December	114.05	120.75
2008 January	114.20	118.82
2008 February	113.98	116.49
2008 March	114.41	114.57
2008 April	115.21	112.48
2008 May	116.17	110.61
2008 June	117.08	109.08
2008 July	117.60	107.26
2008 August	117.79	105.71
2008 September	117.28	103.80
2008 October	116.16	101.95
2008 November	114.83	100.23
2008 December	113.15	98.31
2009 January	111.31	96.35
2009 February	109.37	94.99
2009 March	108.16	93.49
2009 April	107.81	92.36
2009 May	108.59	91.87
2009 June	110.24	92.19
2009 July	111.86	92.79
2009 August	113.81	93.54
2009 September	115.15	93.96
2009 October	116.52	94.42
2009 November	117.54	94.87
2009 December	118.78	95.38
2010 January	119.37	95.83
2010 February	119.68	95.83
2010 March	119.96	95.92
2010 April	120.96	96.03
2010 May	122.36	96.08

Year and Month	Teranet-National Bank House Price Index™ (Canada)	S&P/Case-Shiller Home Price Index® (United States)
2010 June	124.13	95.95
2010 July	124.83	95.46
2010 August	125.10	94.83
2010 September	123.86	94.22
2010 October	123.26	93.61
2010 November	122.78	93.39
2010 December	122.98	93.21
2011 January	123.39	93.00
2011 February	123.72	92.66
2011 March	124.32	92.25
2011 April	125.48	92.02
2011 May	127.03	91.66
2011 June	129.07	91.59
2011 July	130.70	91.43
2011 August	131.86	91.16
2011 September	131.92	90.78
2011 October	131.86	90.29
2011 November	131.55	89.84
2011 December	131.34	89.54
2012 January	131.47	89.46
2012 February	131.25	89.43
2012 March	131.84	89.91
2012 April	132.88	90.41
2012 May	134.40	91.14
2012 June	136.05	92.03
2012 July	137.00	92.40
2012 August	137.21	92.90
2012 September	136.72	93.47
2012 October	136.39	94.17
2012 November	135.89	94.88
2012 December	135.38	95.85
2013 January	134.99	96.78
2013 February	134.74	97.75
2013 March	135.26	99.57
2013 April	135.59	101.20
2013 May	137.09	102.12
2013 June	138.51	103.02
2013 July	139.54	103.72
2013 August	140.39	104.77
2013 September	140.39	105.86
2013 October	140.58	106.99
2013 November	140.46	107.92
2013 December	140.54	108.72

Source: Teranet and National Bank, S&P Dow Jones Inc. Calculations by CMHC

Figure 3-11: Comparison of house price measures in Canada and the United States, using local currencies, January 2000 to December 2013

The Figure shows the level of MLS® average resale prices for Canada from January 2000 to December 2013, measured in Canadian dollars. The Figure also shows the level of average resale prices for the U.S. over the same time period, using data from the U.S. National Association of Realtors, measured in U.S. dollars. The average resale price in Canada has exceeded the average price in the U.S. since April 2006, with the gap widening from $893 in April 2006 to $149,378 by December 2013.

Source: Canadian Real Estate Association (CREA); MLS® is a registered trademark for CREA. U.S. National Association of Realtors (NAR)

Figure 3-12: Comparison of house price measures in Canada and the United States, with Canada adjusted for comparative price levels, January 2000 to December 2013

The Figure shows the level of MLS® average resale prices for Canada from January 2000 to December 2013, adjusted using estimates of the Comparative Price Levels (CPL) between the U.S. and Canada from the OECD. This allows the average price in Canada to be measured in U.S. dollars. The Figure also shows the average resale prices for the U.S. over the same time period, using data from the U.S. National Association of Realtors, measured in U.S. dollars. Once adjusted for CPL and expressed in U.S. currency, the average resale price in Canada does not exceed the average price in the U.S. prior to September 2007, and the gap is smaller, widening from $3,141 in September 2007 to $65,519 by December 2013.

Source: Canadian Real Estate Association (CREA); MLS® is a registered trademark for CREA. U.S. NAR, OECD. Calculations by CMHC

Figure 3-13: Sales-to-new-listings ratio (SNLR), Canada and selected urban centres, 2002-2013 range[1] and 2013 value

The Figure shows housing market conditions for 31 urban centres over the period 2002 to 2013. By 2013, the majority of urban centres were experiencing balanced or near-balanced housing conditions.

[1] Minimums and maximums for Montréal are for the 2004-2013 period.

Please visit the Canadian Real Estate Association (CREA) website to obtain MLS® data at www.crea.ca. Please visit the Quebec Federation of Real Estate Brokers website to obtain data by the Centris® System at www.centris.ca.

Source: Canadian Real Estate Association (CREA). The geographic definitions used by CREA differ from those used by Statistics Canada. Quebec Federation of Real Estate Boards (QFREB) by the Centris® System

Figure 3-14: Average resale price, Canada and urban centres, 2013

The Figure shows the average resale prices for 32 urban centres in 2013. Average prices in the majority of urban centres were between $200,000 and $400,000. Greater Vancouver, Toronto, Victoria and Calgary all experienced average prices above $400,000 and 6 urban centres experienced average prices between $100,000 and $200,000. These were Thunder Bay, Windsor-Essex, Saguenay, Trois-Rivières, Saint John and Moncton.

Note: The geographic definitions used by CREA differ from those used by Statistics Canada.

Please visit the Canadian Real Estate Association (CREA) website to obtain MLS® data at www.crea.ca. Please visit the Quebec Federation of Real Estate Brokers website to obtain data by the Centris® System at www.centris.ca.

Source: Canadian Real Estate Association (CREA); MLS® is a registered trademark of the Canadian Real Estate Association. QFREB by the Centris® System. The Centris® System contains all the listings of Quebec real estate brokers

Figure 3-15: Average resale price, Canada and selected urban centres, 2012 and 2013

The Figure shows the average resale prices for 21 urban centres in 2012 and 2013. Average prices in the majority of urban centres were between $200,000 and $400,000 over this period. Victoria, Vancouver, Toronto and Calgary all experienced average prices above $400,000, while Saint John and Windsor-Essex experienced average prices between $100,000 and $200,000.

Note: The geographic definitions used by CREA differ from those used by Statistics Canada.

Please visit the Canadian Real Estate Association (CREA) website to obtain MLS® data at www.crea.ca. Please visit the Quebec Federation of Real Estate Brokers website to obtain data by the Centris® System at www.centris.ca.

Source: Canadian Real Estate Association (CREA); MLS® is a registered trademark of the Canadian Real Estate Association. QFREB by the Centris® System. The Centris® System contains all the listings of Quebec real estate brokers

Figure 3-16: Changes in average resale prices, Canada and selected urban centres, 2011-2013

The Figure shows the changes in average resale prices in 21 urban centres over the period 2010 to 2011, 2011 to 2012 and the period 2012 to 2013. Victoria experienced a decline in resale prices in 2011, 2012 and 2013, compared to the previous year. Vancouver experienced a decline in prices from 2011 to 2012 and an increase from 2012 to 2013. All urban centres except for Victoria experienced an increase in prices from 2012 to 2013. The greatest price increases from 2012 to 2013 were recorded in Hamilton-Burlington (6.6%) and Calgary (6.0%).

Please visit the Canadian Real Estate Association (CREA) website to obtain MLS® data at www.crea.ca. Please visit the Quebec Federation of Real Estate Brokers website to obtain data by the Centris® System at www.centris.ca.

Source: Canadian Real Estate Association (CREA); MLS® is a registered trademark of the Canadian Real Estate Association. QFREB by the Centris® System. The Centris® System contains all the listings of Quebec real estate brokers

Figure 3-17: Indexes of the mortgage payment-to-income ratio under alternative price measures, Canada, 1990-2013

The Figure shows the level of the mortgage-payment-to-income ratio for Canada from 1990 to 2013 under alternative housing price measures, including the MLS® average price, the MLS® Home Price Index, the Teranet-National Bank House Price Index™ and Statistic Canada's New Housing Price Index. The historical average value of the ratio is given a value of 1.0. Under the MLS® average price, the ratio declined from a peak of 1.5 in the third quarter of 1990 to 1.1 in the fourth quarter of 2013. Under the MLS® Home Price Index, the ratio has held steady at 1.0 for most periods, including the fourth quarter of 2013. Under the Teranet-National Bank House Price Index™, the ratio declined from a peak of 1.2 in the fourth quarter of 2008 to 1.1 in the fourth quarter of 2013. Under Statistics Canada's New Housing Price Index, the ratio declined from a peak of 2.0 in the second quarter of 1990 to 0.8 in the fourth quarter of 2013.

Note: Calculations assume a 20% down payment, with the mortgage amortized over 25 years, with interest determined by the chartered banks' posted 5-year mortgage interest rate. The measure of income used is per capita disposable income.

Please visit the Canadian Real Estate Association (CREA) website to obtain MLS® data at www.crea.ca.

Source: Canadian Real Estate Association (CREA); MLS® is a registered trademark of the Canadian Real Estate Association, Statistics Canada, Teranet-National Bank House Price Index™. Calculations by CMHC

Figure 3-18: Average rents[1] and vacancy rates for two-bedroom apartments, Canada and Metropolitan Areas, 2013

Geography	Average rent ($)	Vacancy Rate	
		(%)	Above, below or at national average
Vancouver	1,281	1.7	below
Calgary	1,224	1.0	below
Toronto	1,213	1.6	below
Edmonton	1,141	1.4	below
Ottawa	1,132	2.9	at national average
Victoria	1,068	2.8	below
Kingston	1,054	2.3	below
Barrie	1,048	3.0	above
Saskatoon	1,041	2.7	below
Regina	1,018	1.8	below
Oshawa	985	2.1	below
Halifax	976	3.2	above
Kelowna	970	1.8	below
Winnipeg	969	2.5	below
Guelph	957	1.9	below
Kitchener-Cambridge-Waterloo	952	2.9	at national average
Hamilton	932	3.4	above
London	924	3.3	above
Peterborough	915	4.8	above
Greater Sudbury/Grand Sudbury	914	3.4	above
Canada[2]	894	2.9	at national average
St. Catharines - Niagara	872	4.1	above
St. John's	864	3.2	above
Thunder Bay	858	2.6	below
Brantford	835	2.9	at national average
Abbotsford-Mission	820	3.2	above
Charlottetown	804	7.9	above
Windsor	788	5.9	above
Québec	757	2.3	below
Gatineau	744	5.1	above
Moncton	742	9.1	above
Montréal	730	2.8	below
Saint John	691	11.4	above
Sherbrooke	591	5.3	above
Saguenay	571	2.8	below
Trois-Rivières	555	5.1	above

[1] In privately initiated apartment structures with at least three units.
[2] Only includes provincial data

Source: CMHC *(Rental Market Survey)*

Figure 3-19: Annual growth in employment and real disposable income per capita, and total housing starts, Canada, 1990-2013

Year	Growth in employment (%)	Growth in real disposable income (%)	Total housing starts (units)
1990	0.7	0.8	181,630
1991	-1.8	-1.2	156,197
1992	-1.0	1.2	168,271
1993	0.5	1.4	155,443
1994	2.1	0.4	154,057
1995	1.8	1.3	110,933
1996	0.9	0.0	124,713
1997	2.1	2.0	147,040
1998	2.5	3.0	137,439
1999	2.5	3.4	149,968
2000	2.5	4.3	151,653
2001	1.2	2.4	162,733
2002	2.4	2.5	205,034
2003	2.4	2.5	218,426
2004	1.7	3.6	233,431
2005	1.3	2.9	225,481
2006	1.8	6.2	227,395
2007	2.4	3.7	228,343
2008	1.7	4.0	211,056
2009	-1.6	1.7	149,081
2010	1.4	2.3	189,930
2011	1.6	2.4	193,950
2012	1.2	2.5	214,827
2013	1.3	2.5	187,923

Source: CMHC *(Starts and Completions Survey)*; Statistics Canada (CANSIM)

Figure 3-20: Unemployment rate, Canada, Provinces and Territories, 2012 and 2013

Geography	Unemployment rate 2012 (%)	Unemployment rate 2013 (%)
Canada	7.3	7.1
British Columbia	6.8	6.6
Alberta	4.7	4.6
Saskatchewan	4.8	4.0
Manitoba	5.3	5.3
Ontario	7.8	7.5
Quebec	7.9	7.6
New Brunswick	10.1	10.5
Nova Scotia	8.9	9.1
Prince Edward Island	11.4	11.4
Newfoundland and Labrador	12.6	11.5
Nunavut	15.1	13.6
Yukon	6.9	5.4
Northwest Territories	8.1	8.2

Source: Statistics Canada (CANSIM)

Figure 3-21: Housing-related spending, by type, and as a percentage of Gross Domestic Product, Canada, 1990-2013

Year	Housing-related consumption (billions of dollars)	Housing-related investment (billions of dollars)	Housing-related spending as a percentage of GDP (%)
1990	96.04	41.59	19.92
1991	99.45	36.64	19.53
1992	102.59	39.71	19.95
1993	105.79	39.47	19.59
1994	108.93	42.23	19.22
1995	111.50	35.95	17.85
1996	113.85	39.32	17.92
1997	116.73	43.14	17.74
1998	119.53	42.10	17.25
1999	122.41	44.88	16.70
2000	125.65	47.89	15.80
2001	129.07	54.68	16.19
2002	133.54	65.36	16.84
2003	138.30	71.19	16.84
2004	143.54	82.50	17.06
2005	148.89	89.36	16.89
2006	154.51	98.16	16.99
2007	160.20	108.87	17.18
2008	166.15	107.25	16.61
2009	171.58	99.67	17.31
2010	177.35	111.24	17.36
2011	183.02	116.20	17.00
2012	188.66	126.31	17.31
2013	194.51	127.54	17.14

Source: CMHC, adapted from Statistics Canada

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- Housing Market Outlook, Canada
- Housing Market Outlook, Highlight Reports – Canada and Regional
- Housing Market Outlook, Major Centres
- Housing Market Tables: Selected South Central Ontario Centres
- Housing Now, Canada
- Housing Now, Major Centres
- Housing Now, Regional
- Monthly Housing Statistics
- Northern Housing Outlook Report
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