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*Canadian Mortgage News - National Archive 2006*

### **CMHC Releases Comprehensive Report on the State of Canada's Housing**

**OTTAWA, Ontario, December 11, 2006** — A review of six decades of housing progress reveals significant improvements in housing conditions in Canada, according to the Canadian Housing Observer 2006 released today by Canada Mortgage and Housing Corporation (CMHC). Whether measured in terms of the improved features and physical condition of their homes, or increased rates of homeownership, Canadians have been the beneficiaries of substantial improvements in their housing.

In its annual review of the state of Canada's housing, the Observer noted that the housing sector made a significant contribution to the Canadian economy in 2005, with strong employment growth, rising incomes and low mortgage rates fuelling sustained housing demand and high levels of new construction, resales, renovation and mortgage lending activity.

"The Observer is a leading source of comprehensive and authoritative data – an indispensable tool for anyone with an interest in housing," said Karen Kinsley, President of CMHC. "For a wide range of users including planners, policy makers, researchers and builders, it provides in-depth information about Canada's housing needs and challenges."

The Observer presents a detailed review of housing conditions and trends in Canada and the key factors influencing them. Marking CMHC's 60th anniversary, the Observer includes a special feature on housing progress in Canada, tracing how Canadians' housing needs have evolved over the past six decades and some of the notable achievements that have been recorded along the way.

The Observer also deals with the challenge of sustainable development and how communities are renewing existing neighbourhoods through infill development, adaptive reuse and conversion, redevelopment of brownfields, as well as the use of secondary suites.

This year, CMHC has expanded the on-line data resources that accompany the Observer. These provide detailed information on housing conditions and trends in Canada, provinces and territories, and major urban centres. The publication and related housing statistics are available on CMHC's website [www.cmhc.ca](http://www.cmhc.ca).

Canada Mortgage and Housing Corporation (CMHC) has been Canada's national housing agency for more than 60 years. CMHC is committed to helping Canadians access a wide choice of quality, affordable homes, and making vibrant and sustainable communities a reality across the country.

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## **Backgrounder**

### **Key Findings**

#### **Demographic and socio-economic influences on housing demand**

- Strong employment growth, rising incomes and low mortgage rates continued to fuel housing demand in 2005.
- The modest increase (3.3 per cent) in median real after-tax household incomes between 1990 and 2004, masks divergent trends for owners (up 4.5 per cent) and renters (down 4.8 per cent).
- The strength of housing construction in recent years has occurred in spite of a slowing in population growth and aging of the population.
- Seniors are a growing force in the housing market. More than one in eight Canadians were aged 65 or over in 2001; this share will almost double in the next 15 years.
- The growth rate of the Aboriginal population was 22 per cent between 1996 and 2001, significantly outpacing that of non-Aboriginal Canadians (3.4 per cent).
- With population growth slowing, and immigration typically in excess of 200,000 per year, net international migration now accounts for approximately two-thirds of population growth in Canada.
- Nearly 60 per cent of new immigrants interviewed under the Longitudinal Survey of Immigrants to Canada said that they plan to buy a home in the next few years.

#### **Market developments**

- The new home market remained buoyant in 2005 with housing starts registering their second strongest showing in the last 18 years. With 225,500 starts, 2005 marked the fourth consecutive year in which starts exceeded the 200,000-unit threshold.
- Existing home sales reached a fifth consecutive record high in 2005, with the average MLS® sales price up more than ten per cent.
- Renovation spending set a new high in 2005, at \$40 billion.
- The rental market stabilized in 2005 with most major centres recording only modest changes in average rents and vacancy rates.
- Rental completions across major centres were up marginally for the twelve months to September 2005, and condominium completions rose close to 30 per cent to almost 49,000 units.

#### **Housing finance**

- The value of mortgages approved in 2005 was up 10.9 per cent to \$182.1 billion. The average value of mortgage approved was \$145,000, an increase of 8.8 per cent from 2004.
- The value of mortgages outstanding averaged \$624 billion during 2005, up \$55.7 billion from the average during 2004.
- The posted five-year fixed mortgage rate averaged 6.0 per cent in 2005. The spread between the five-year fixed and the open variable rate narrowed to 1.3 percentage points by the end of 2005.
- Through mortgage-backed securities, investors held 16.3 per cent of average mortgages outstanding in 2005, up from 14.4 per cent in 2004. Banks held 60.6 per cent of mortgages, down from 62 per cent in 2004.
- About 27 per cent of people obtaining, renewing or refinancing mortgages arranged them through brokers, similar to the percentage in 2004 but up from 14 per cent in 1999.

#### **In your neighbourhood: intensifying and renewing existing neighbourhoods**

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- More than 80 per cent of Canadians live in urban centres, making Canada one of the most urbanized countries in the world.
- Since the mid-1940s, most development has occurred at the edge of urban areas in less compact forms on “greenfield” lands such as farms and forests.
- Intensification projects often face additional costs but municipalities can assist in various ways.
- Local concerns about infill developments are frequently a challenge, but one that can be addressed by early public consultation.
- The strong market demand for infill accommodation is making developers and municipalities more creative in adding dwellings in existing residential areas.

### **Housing outcomes by income group**

- Housing consumption patterns are strongly influenced by a household's ability to pay for housing.
- Data from the 2001 Census reveal that the lower the income, the higher the proportion of one-person households, lone-parent households and seniors.
- The proportion of households owning their home varies directly with income.
- The lower a household's income, the older and smaller its dwelling is likely to be, and it is more likely to be an apartment than a single-detached home.
- The proportion of income spent on shelter is significantly higher for households in the bottom income group, where about 60 per cent of households were in core housing need.
- On average, these households in core housing need paid close to half their monthly income on shelter.

### **60 years of housing progress in Canada**

- The year 2006 marks the 60<sup>th</sup> anniversary of the founding of CMHC.
- Each era of housing in the past six decades has had its own unique challenges and opportunities, calling for distinct responses from government and industry. The results of these efforts are reflected in the housing conditions that Canadians currently enjoy.
- In 1941, many Canadian homes lacked basic indoor plumbing features such as piped running water (39 per cent), flush toilets (44 per cent) or baths or showers (55 per cent), features that are almost universally present today.
- Over the same period, marked improvements took place in the state of repair of Canadian homes and in levels of homeownership. Homes in need of major repair declined from 27 per cent to 8 per cent. The proportion of households who own their homes increased from just over one-half (57 per cent) to two-thirds.
- Canadians are widely acknowledged to be among the best housed in the world today.