HOUSING REPORT

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Hindsight is 2020: How the 2010s Stack Up in Canada's Housing History

As we sit at the start of the 2020s, we look back at how Canada's housing activity in the 2010s measured up against the previous 5 decades.

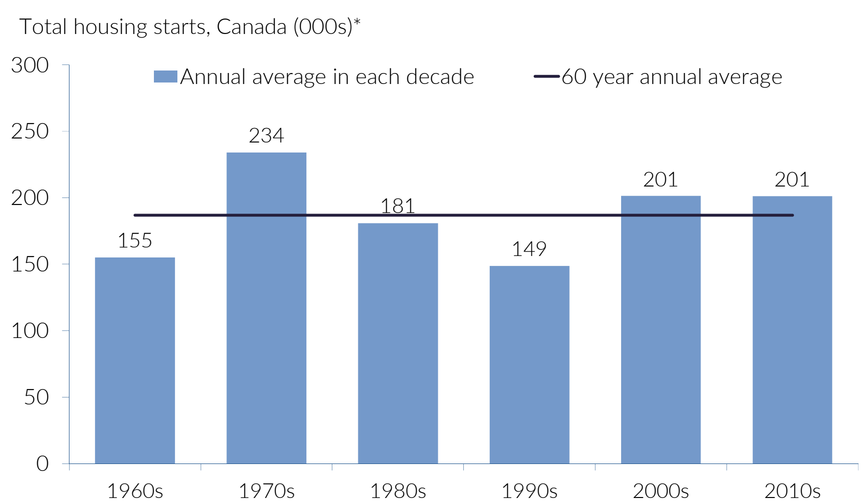
Overall, the 2010s Were a Decent Decade for Housing Starts

Total housing starts in Canada during the 2010s reached 201,000 units on an average annual basis – virtually identical to the 2000s (Chart 1) and tied for the 2nd best decade ever, after the 1970s.

There was of course fluctuation in the level of starts from year to year – with the decade's low suffered in 2013 at just under 188,000 units and the high of just under 220,000 units celebrated in 2017. But in general, the 2010s were not a very volatile period for annual total housing starts at the Canada-wide level. In fact, it was the least volatile of any of the past 6 decades for annual total housing starts (in statistics speak, we say it had the lowest "coefficient of variation").

Chart 1

The 2010s Looked a Lot Like the 2000s for Total Housing Starts in Canada



* Note that total starts in prior decades were all lower than the 1960s
Source: Altus Group based on CMHC data

Highlights

- Total housing starts in the 2010s mirrored the previous decade
- Record decade for apartment starts while single-family's relative role continued to diminish
- British Columbia earns the crown for the decade's top starts performance
- Employment growth a better predictor of housing starts than total population growth
- House price appreciation in the 2010s near the longer-term average
- Low mortgage rates in the 2010s did not improve homeownership affordability

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Record Decade for Apartment Starts While Single-Family's Role Continued to Diminish

Although total housing starts in the 2010s mirrored the 2000s, the composition by dwelling type was quite different. In the 2000s, just under three-quarters of housing starts were single-family homes (i.e. detached, semis and row/townhouse units); in the 2010s that proportion had dropped to just over half (Chart 2).

Roughly 92,000 apartment units were started on average per year during the decade of the 2010s, the strongest decade ever for apartments, even surpassing the 1970s burst of activity. The difference in the 1970s was that apartments were dominated by purpose-built rental construction while in the 2010s, condominium apartments are more common.

British Columbia the Starts Outperformer

While the decade started off slowly, B.C. wins the crown for the top performance for housing starts in the decade of the 2010s as a whole. B.C., along with Manitoba and Saskatchewan, were the only regions where starts in the 2010s were above the longer-term average AND were higher in the 2010s than the 2000s (Chart 3). It was only B.C. however that had its strongest decade ever for starts.

We said earlier that Canada-wide total housing starts were less volatile during the 2010s than the previous 5 decades. And that was also the case for Quebec, Ontario, Manitoba and (surprise!) Alberta. While B.C. starts were also less volatile than in the 2000s, there was more fluctuation than in the 1970s, while Saskatchewan starts were as equally volatile in the 2010s as the 2000s.

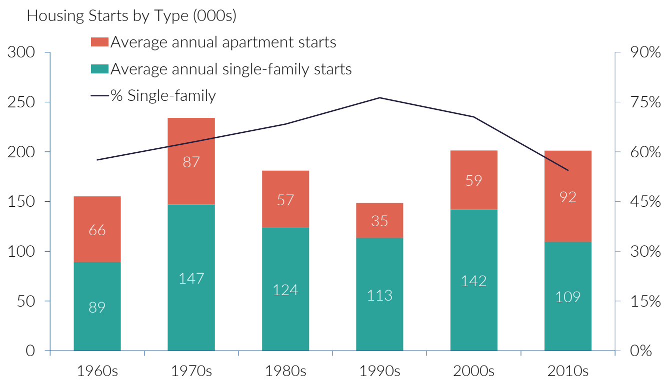
Total Population Growth Not a Great Predictor of Housing Starts

Briefly looking at some of factors that drove variable housing starts trends in recent decades, let's start with population growth. While more population typically means the need for more housing, total population growth alone is not a great predictor of housing starts – the number of housing starts per additional 1,000 population fluctuated widely over the past 6 decades (Chart 4).

Other factors do come into play – including the age structure of the population and changes in the age-specific rates of forming households, with the latter influenced by economic conditions and housing affordability.

Chart 2

But The 2010s Did Differ by Dwelling Type – With Apartments Having a Record Decade



Source: Altus Group based on CMHC data

Chart 3

Starts Patterns Were Mixed by Region

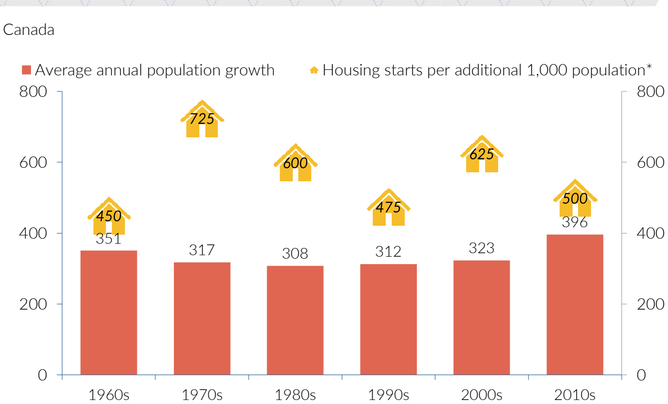
Total Housing Starts (000s)

	B.C.	Alberta	Saskatch-ewan	Mani-toba	Ontario	Quebec	Atlantic Canada	Canada
1960s	19.7	13.6	6.1	6.4	60.5	39.7	9.1	155.1
1970s	32.7	29.4	8.2	9.6	83.8	53.2	17.1	234.0
1980s	27.5	17.5	5.3	5.1	67.7	45.4	12.5	181.0
1990s	31.2	19.1	2.1	2.6	51.7	31.9	10.0	148.6
2000s	27.3	35.4	3.9	4.3	74.4	44.2	11.7	201.3
2010s	33.9	30.6	6.0	6.5	69.9	44.2	10.0	201.1
60 yr avg	*28.7*	*24.3*	*5.3*	*5.8*	*68.0*	*43.1*	*11.7*	*186.8*

Source: Altus Group based on CMHC data

Chart 4

Housing Starts Relatively "Weak" in the 2010s in Relation to Population Growth



* Rounded to nearest 25

Source: Altus Group based on Statistics Canada data

But Housing Starts Show More Correlation with Job Growth

If we look at a similar analysis as in the previous section, but using job growth, the number of housing starts per additional 1,000 jobs shows more consistency historically (Chart 5) – with the one notable outlier being the 1990s.

Real House Price Appreciation in the 2010s Near the Long-term Average

Comprehensive information on longer-term trends in new housing prices is not available, so we will rely here on prices of existing homes (as measured by homes sold through the Multiple Listing Service).

Over the past 6 decades, average house prices in Canada increased by an average of 6.3% per year. The 2010s saw the 2nd slowest price growth in the past 6 decades, at 4.6% (Chart 6). But that slower growth occurred in a relatively low inflation environment. After adjusting for general inflation, the average "real" price increase in the 2010s was more in line with the longer-term average of 2.4% per year and the increases in the 1960s, 1970s and 1980s. But it was well below the "catch up" average increase that characterized the 2000s after relatively stagnant prices in the 1990s.

Lower Mortgage Rates Did Not Improve Homeownership Affordability in the 2010s

The key inputs to the affordability of homeownership are house prices, interest rates and income. Posted 5 year mortgage rates were lower on average in the 2010s than any of the previous 5 decades (Chart 7). But this potential benefit was offset by higher home prices (in absolute terms and in relation to average family income). As a result, annual mortgage payments in relation to income went up slightly over the decade.

Of course, other factors also would have come into play that differentiated access to homeownership in different decades, including the extent of rate discounting and changes in various mortgage-related policies.

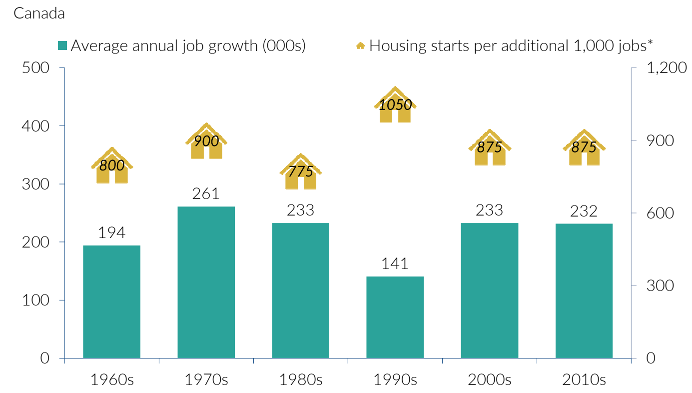
Looking Ahead to the 2020s

So what do the 2020s have in store? Stay tuned for our next quarterly housing starts forecast issue, where we will present our updated outlook for 2020 and our first look at 2021.*

**Forecasts beyond 2021 are available on a custom basis.*

Chart 5

But More Correlation to Job Growth

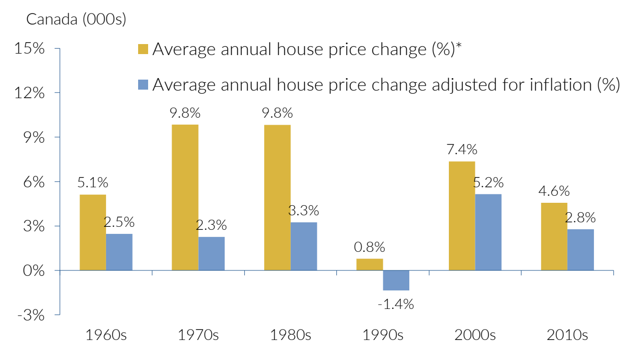


* Rounded to nearest 25

Source: Altus Group based on Statistics Canada data

Chart 6

Slower House Price Growth in the 2010s vs. the 2000s



* Based on homes sold through the Multiple Listing Service (MLS). MLS is a registered certification mark of The Canadian Real Estate Association

Source: Altus Group based on data from The Canadian Real Estate Association and Statistics Canada

Chart 7

Benefits of Lower Mortgage Rates in the 2010s More Than Offset by Higher Prices

	Average house price (current $, rounded)	Average house price ($2019, rounded)	5 year fixed mortgage rate (posted)	Annual mortgage payment as % of average family income*	Ratio of average house price to average family income
1960s	$17,000	$136,000	7.7%	16%	2.2
1970s	$41,500	$195,500	10.6%	21%	2.3
1980s	$93,000	$205,000	13.6%	26%	2.3
1990s	$152,000	$238,500	9.1%	22%	2.7
2000s	$242,000	$308,000	6.8%	20%	3.0
2010s	$428,000	$460,000	5.1%	23%	4.1
60 yr avg	*$162,500*	*$257,000*	*8.8%*	*21%*	*2.8*

* Assumes a 20% downpayment and 25 year amortization

Source: Altus Group based on data from The Canadian Real Estate Association, Bank of Canada and Statistics Canada

Starts Retreat in October

Canada-wide housing starts for the month of October were 200,700 units seasonally adjusted at annual rate (SAAR), down from the revised number for September, according to CMHC estimates. Starts fell in the single-family sector and, more notably, the apartment sector.

Regional highlights for October include:

- Atlantic Canada starts were down in all provinces;
- Starts rebounded in Quebec due entirely to a surge in activity in the Montreal CMA;
- Ontario starts slipped due to lower starts outside of the Toronto CMA;
- Starts jumped in Manitoba and dipped in Saskatchewan;
- Alberta starts gave back recent increases; and
- B.C. starts eased due to a falloff in the Vancouver CMA, which more than offset a gain in the remainder of the province.

Housing Starts by Type and Area

	October 2018	September 2019	October 2019
	Total Starts (000s), SAAR		
Canada, Total	213.4	221.2	200.7
By Type of Unit			
Single-family	94.2	94.8	90.9
Apartment	119.2	126.5	109.7
By Area			
British Columbia	32.7	41.2	34.7
Vancouver CMA	*17.7*	*25.0*	*15.6*
Other Areas	*15.0*	*16.2*	*19.1*
Alberta	17.5	32.9	24.0
Saskatchewan	6.6	3.8	2.8
Manitoba	6.8	4.9	7.1
Ontario	91.7	85.0	71.5
Toronto CMA	*44.6*	*32.8*	*32.1*
Other Areas	*47.1*	*52.2*	*39.4*
Quebec	50.7	41.5	53.5
Montreal CMA	*33.3*	*18.8*	*31.5*
Other Areas	*17.4*	*22.7*	*22.0*
New Brunswick	2.9	4.5	2.3
Nova Scotia	2.9	4.5	2.7
Prince Edward Island	0.8	1.9	1.3
Newfoundland	0.9	1.1	1.0

Source: CMHC and estimates by Altus Group

Labour Force Indicators

	Employment Growth		Unemployment Rate	
	Jan-Oct 18-Jan-Oct 19-	Oct 18-Oct 19	Oct 2018	Oct 2019
	000s		%	
St. John's	5	4	8.8	7.3
Halifax	8	8	6.5	5.9
Quebec	7	14	3.9	3.0
Montreal	16	37	5.9	5.5
Ottawa	20	57	4.7	4.2
Toronto/Oshawa	114	173	6.2	5.7
Kitchener-Waterloo	13	5	5.1	5.4
London	-5	-4	4.9	6.2
Winnipeg	9	2	6.0	5.2
Regina	3	4	6.8	5.2
Saskatoon	6	5	6.8	5.5
Calgary	33	41	8.1	7.2
Edmonton	17	-11	6.3	7.1
Vancouver	55	26	4.3	5.0
Victoria	-3	2	3.9	3.2

Based on seasonally adjusted 3 month averages
Source: Altus Group based on Statistics Canada data

Resale Housing Market Indicators

	MLS Sales*			Months of Inventory**	
	Oct 2018	Oct 2019	% Change	Oct 2018	Oct 2019
	Units				
St. John's	383	426	11	n.a.	n.a.
Halifax	463	514	11	n.a.	n.a.
Quebec	564	707	25	13.8	10.9
Montreal	3,707	4,211	14	5.7	4.0
Ottawa	1,393	1,628	17	n.a.	n.a.
Toronto/Oshawa	7,448	8,491	14	2.5	1.8
Kitchener-Waterloo	514	538	5	n.a.	n.a.
London	906	928	2	1.7	1.8
Winnipeg	1,032	1,100	7	4.2	3.7
Regina	255	256	0	8.9	7.7
Saskatoon	367	394	7	n.a.	n.a.
Calgary	1,702	1,868	10	6.3	5.1
Edmonton	1,234	1,334	8	7.1	5.9
Vancouver	1,966	2,858	45	6.6	4.3
Victoria	550	577	5	3.4	3.5

* Multiple Listing Service (MLS) is a registered certification mark owned by The Canadian Real Estate Association
** Active listings at month end divided by sales during the month. A 5 months inventory of resale product is considered to be a "normal" market.
Source: Altus Group based on data from The Canadian Real Estate Association and local real estate boards

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