

CMHC statistics predicts demand for new homes will keep growing

Demand for new homes will continue to grow for the next few years, but will decline after the year 2000, a report from the Canada Mortgage and Housing Corporation (CMHC) says.

Canada Mortgage and Housing Corporation's new Canadian Housing Statistics publication includes 1991 statistics and a section dealing with future trends of Canadian housing demand.

Based on demographic developments, CMHC's potential housing demand projection model was used to forecast potential housing demand for Canada and the provinces up to 2011.

Nationally, the projections show potential housing demand increasing slightly to 195,700 in the mid-'90s, levelling off and then declining to an annual average of 168,300 for the period of 2006 to 2011.

Broken down further to annual demand by dwelling type and tenure, an increasing portion of demand will come from owner households up until 1996.

After the year 2001, following a

levelling off in the ownership share of demand, the trend will reverse, with an increasing portion of demand coming from renters.

"The pattern of demand reflects a projected build-up after 1996 of non-family households and their tendency to rent relative to family households that tend to own," said Gilles Proulx, CMHC's chief economist.

Demand for single-detached houses will increase as a proportion of total demand up until 1996, level off between 1996 and 2001, and then drop.

Apartment demand will experience the reverse of the above pattern.

The publication also details all of CMHC's 1991 statistical information in the areas of housebuilding activity, mortgage lending, affordability, construction, land and housing costs, price indexes as well as demographic aspects of housing demand.

According to the publication:

- Due to the slow recovery from the recession, total housing starts fell 14 per cent to 156,197 units, posting their lowest level since 1984 and the fourth consecutive year-over-year decline.

- The value of mortgage lending approvals, excluding the non-residential component, grew by 25.1 per cent to \$69.3 billion in 1991. The number of mortgage approvals rose 27.9 per cent to reach 947,979 units.

- Chartered banks accounted for 50.9 per cent of the mortgage lending activity in 1991, in comparison with 47.5 per cent in 1990. Loan companies also increased their market share to 13 per cent, up from 8.5 per cent in 1990. Life insurance companies and other small lenders posted marginal gains. Trust companies continued to lose market share, accounting for 22.5 per cent, down from 31.5 per cent in 1990.

- Housing affordability improved in all census metropolitan areas in 1991 due to the combination of interest rates dropping to an 18-year low and relatively stable house prices.

Owning vs. renting

Real estate agents are quick to point out that owning your own home is a better investment than renting.

Now a major study by Clayton Research Associates Ltd. proves that home ownership over the past generation has been far more financially advantageous than renting.

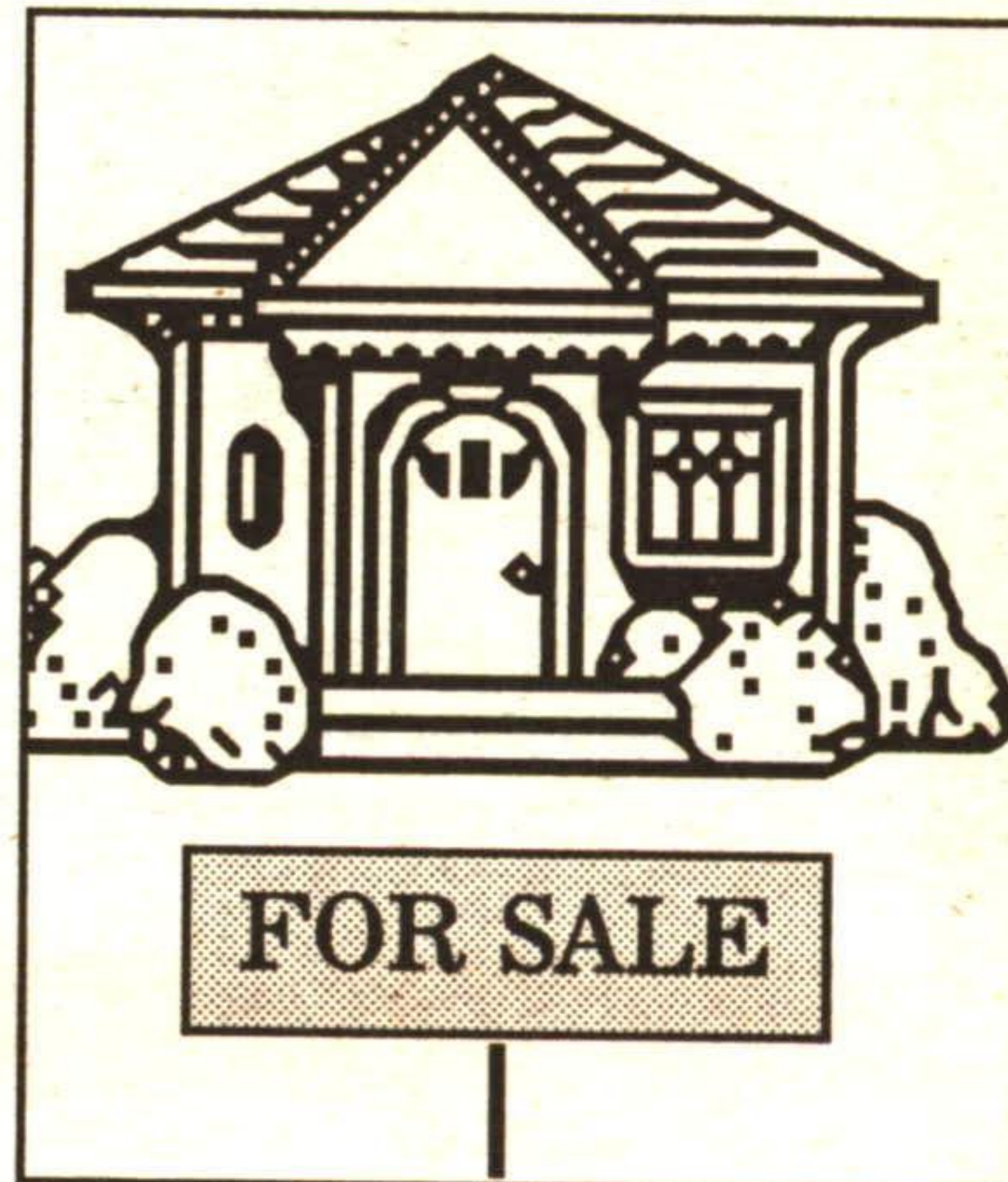
Two hypothetical families in Toronto acquired homes in 1961 - one bought and the other rented.

Thirty years later the family which bought was \$396,000 ahead of the family which rented. Factors such as downpayment, annual taxes, mortgage payments and annual upkeep costs were taken into consideration.

Clayton researchers did similar comparisons for 11 cities in Canada, and on average, buyers came out ahead of renters by \$139,000 over 20 years and \$198,000 over 30 years.

The study was sponsored by the Canadian Home Builders' Association. A spokesman for Clayton Research predicted the same results over the next 20 years, even if inflation remained at 2 per cent annually. Even at 0 per cent inflation, the home buyer would come out ahead of the renter by \$75,000 over 30 years.

The study also shows that there are good years and bad years to buy a house and that 1981 was not a good time for first-time buyers. However, those who bought in 1983 were ahead of the renters in net worth by 1991, and the spread will continue to widen, according to Clayton.



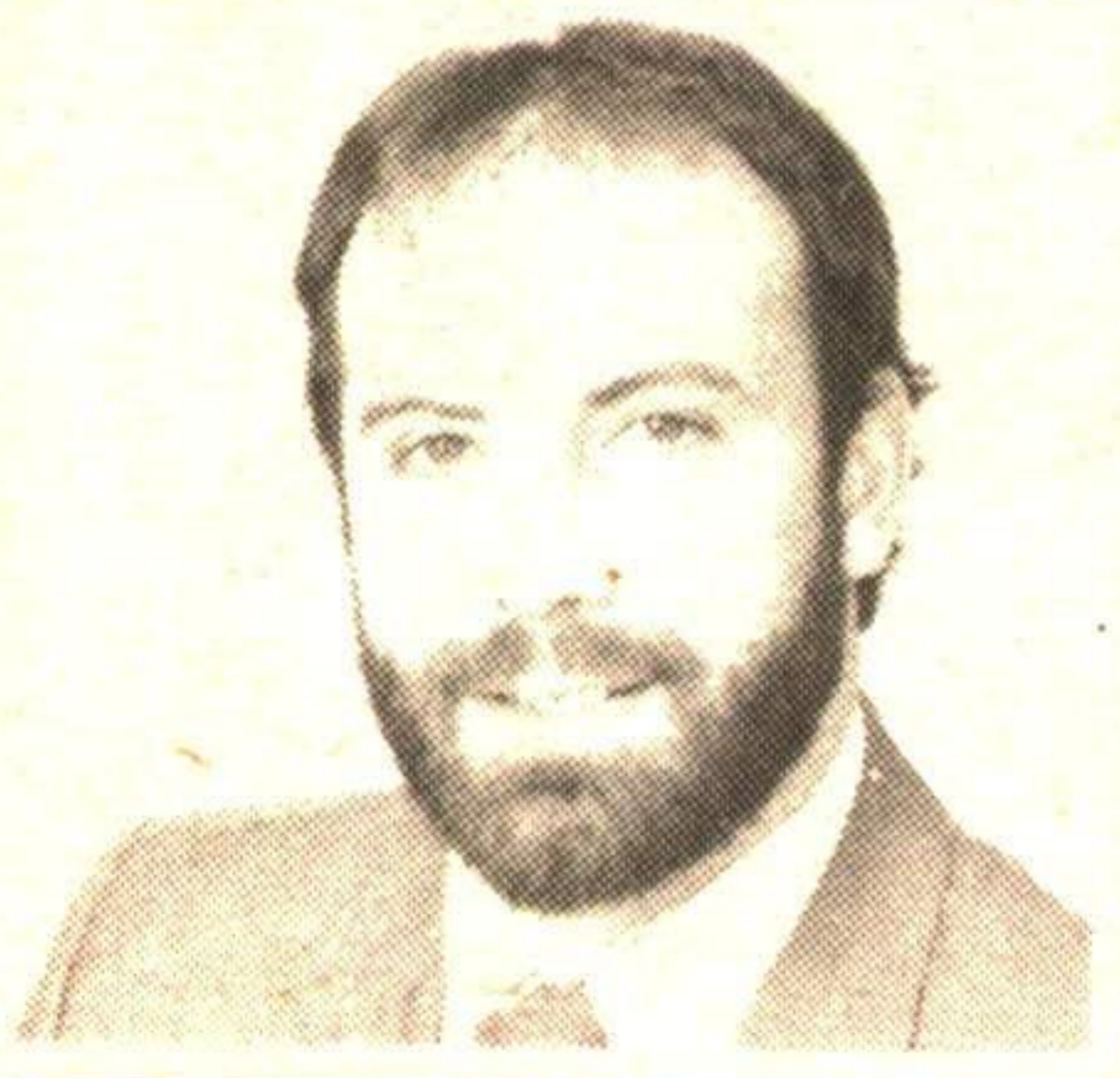
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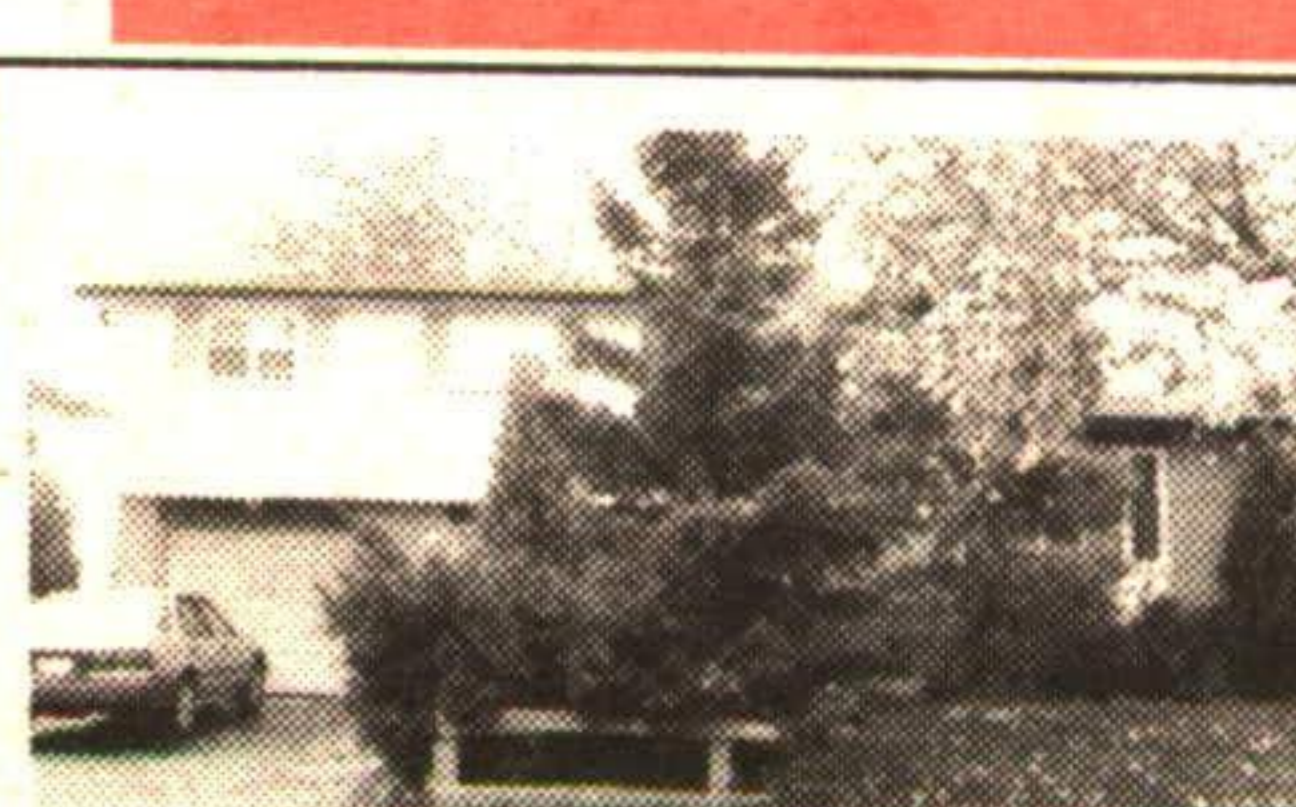
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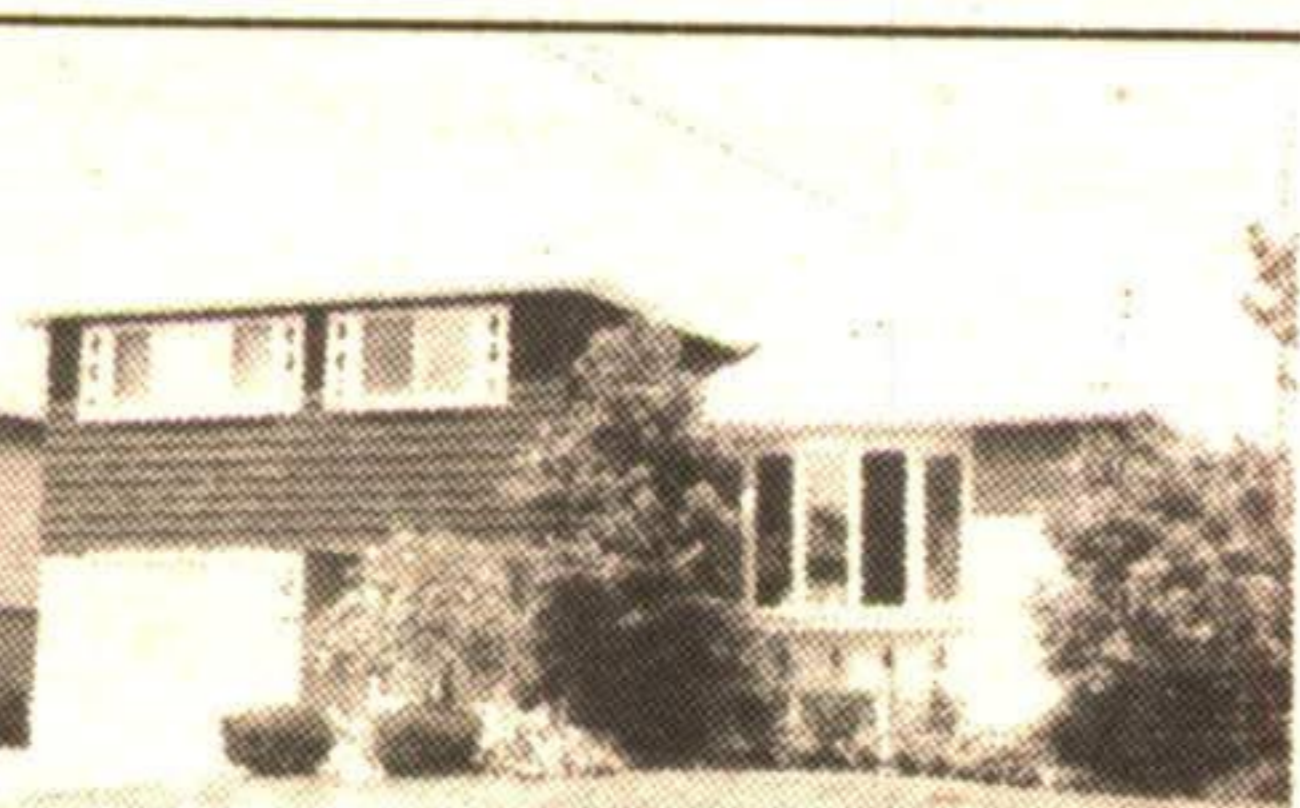
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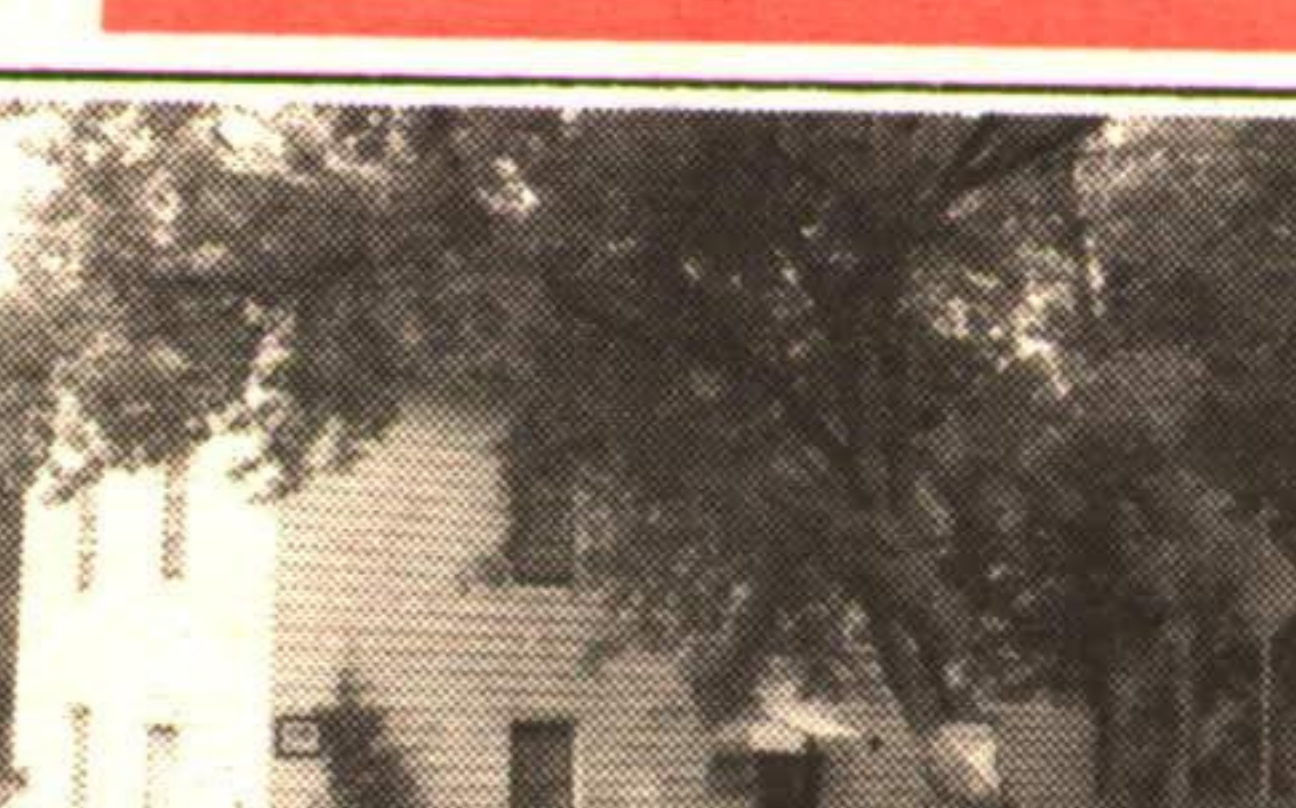
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