

HOUSING AND CONSTRUCTION

7.1 Housing supply and costs

7.1.1 House-building activity

Housing starts declined during 1982 to the lowest level since 1961 against a background of rising unemployment throughout the year and rising mortgage interest rates in the first seven months. The year ended, however, on an upward trend with a strong increase of starts in the fourth quarter. Federal and provincial housing programs, introduced to offset the effect of high interest rates on housing, helped to support the level of activity.

The overall decline by 29.3% in 1982 to 125,860 housing starts followed an upswing during 1981, when there were 177,973 or about 12% more than the 158,600 registered in 1980. The recovery in 1981 had reversed a four-year contraction in the housing sector.

British Columbia and Alberta recorded the sharpest declines in 1982. In British Columbia activity fell by 52.4% to 19,807 starts from a record level of 41,585 in 1981. In Alberta the decline was 30.4%.

Among the provinces Saskatchewan and the Atlantic provinces experienced fewer starts in 1981 than in 1980, but Saskatchewan and Prince Edward Island were the only provinces showing increases in 1982.

Completions also decreased during 1982 by 23.5% to 133,942 units from 174,996 units in 1981. All of the decline in completions was concentrated in the single detached sector which fell by 44.4% to 54,720 units in 1982. Completion of multiples actually increased by 3.4% to 79,222 units as MURB units started in 1981 were completed.

A building boom in the first half of 1981 kept housing completions for the year near the 1980 level. Completions were composed of 98,412 single detached and 76,584 multiple units.

7.1.2 Price changes

House-building costs and the price of land and completed housing moderated by the end of 1982 in contrast to the year's initial rapid price escalation. The pace of inflation in overall housing costs slowed by the fourth quarter as materials costs and land prices declined and the price of new housing stabilized.

The previously rapid escalation in residential sale prices halted in 1982. Sale prices were down 4.8% in

Windsor and 21.0% in Vancouver. Winnipeg prices increased the most, rising 9.3%. Net out-migration from the western provinces followed several years of population gains through migration from other provinces. This coupled with high unemployment nationally reduced home buyer demand.

The price of the typical new single detached house in metropolitan areas had risen by 12% in 1981 relative to average prices in 1980. This was up from price rises of 4% in 1979 and 8% in 1978. Prices had gone up most rapidly in Vancouver where they climbed by 26% on an annual basis. Almost all of this increase occurred in the first quarter of 1981. By the fourth quarter prices had dropped 16% from their first quarter level. In Montréal house prices grew by 14% and in Toronto by 17%, while in Windsor prices fell by 2% in 1981 from 1980. Windsor was the only centre in which prices actually fell.

Land costs. In contrast to higher house-construction costs and an average increase of 11% in land prices in 1980-81, the land component in the price of a new house declined by an average of 2.4% in 1982. In 1981 land prices in most centres grew much more slowly than the price of the house alone. The major exception was Vancouver, where land prices grew about 50% or five times faster than the price of the house alone. In contrast, in Toronto the price of the house alone grew by 25% as opposed to 2.5% for land only. In 1982, declining housing starts were associated with significant price drops in land, with the largest decline of 21.5% in Vancouver.

Materials and labour. Labour costs increased in 1982 for both residential and non-residential types of construction. Union wage rates in the residential construction trades increased 9%, less than the 9.3% average rise in 1981. Materials prices rose more quickly for non-residential building; for residential construction the decline in housing starts led to inventory build-ups, depressing prices. In 1981 the costs of building materials rose by 8%.

7.1.3 Home values

In the 1981 Census, the average value of owner-occupied private non-farm dwellings was given as close to \$74,000. However, more than half of all dwellings or 55.6% were valued by their owners