

**HOUSING AND CONSTRUCTION****7.1 Housing supply and costs****7.1.1 House-building activity**

Dwelling starts in Canada totalled 245,986 units in 1987, a 23% increase over the 199,785 units started in 1986. This was the highest level of house building activity since 1976 and represented the third consecutive year of growth in the housing industry.

Building activity was high throughout 1987, although the spring and summer months were exceptionally strong.

Single-detached starts totalled 140,139 units in 1987. This 17% increase over 1986 activity was the greatest increase in annual single-detached starts ever reported. The strength of the single-detached market was attributed to lower mortgage interest rates, which varied from 9.25% to 11.75%, and the resulting increased affordability. In addition, the strong performance of most provincial economies and subsequent improvements in employment and consumer confidence boosted investment in housing.

Construction of multiple units increased 33% with units totalling 105,847 in 1987, compared with 79,777 units in 1986. The strength of this market was attributed to low rental vacancy rates as well as a high demand for condominium units in some large urban centres in Quebec, Ontario and British Columbia.

As a result of the large number of starts in 1987, completions at the national level increased 18% to 217,976 units from the 184,605 units completed the previous year. This was the highest number of completions reported since 1979.

House building activity varied significantly at the provincial level increasing in Quebec, Ontario, Manitoba, Alberta and British Columbia and decreasing in all Atlantic provinces and Saskatchewan. The decreases in activity were attributed to weaker provincial economies, limited employment opportunities, out-migration and subsequent limited demand for new housing.

**7.1.2 Construction, land and housing costs**

The new housing price index rose substantially in 1987. The average price increase on a new home between 1986 and 1987 was 14.1%. This rate of increase was well in excess of the overall Consumer Price Index (CPI) which advanced only 4.3% over the same period. Nevertheless, the average price of a new home in 1987 was only 19.1% higher than in 1981. The CPI, in comparison, rose 38.2% during the same period.

The rate of increase in construction costs remained well below that of new housing prices. Residential building material costs, labour wages, and land costs advanced 4.0, 3.2 and 9.9%, respectively, in 1987. This differential between input costs and selling prices suggested that builders' profit margins were strengthened. This was particularly evident in southern Ontario markets and in Montreal.

Price behaviour at the metropolitan level varied considerably. The largest increases were recorded in Toronto and Hamilton, which advanced 26.1% and 16.8%, respectively. The softest market remained British Columbia. Prices in Vancouver rose only 4.5%, while Victoria recorded a drop of 2.3%. Prices in these two markets, as well as Edmonton and Calgary, still remained below their 1981 levels.

In 1987, the increase in shelter cost was higher for owned accommodation than rented accommodation. This reversed the trend which began in 1982. According to the CPI, the respective rates of increase were 6.2% for owners and 3.6% for renters. For homeowners, replacement costs and homeowners' insurance premiums had the most notable increases of 15.0% each. Conversely, utilities' costs rose only 0.5%.

**7.2 Housing markets****7.2.1 Provincial trends**

Housing starts at the provincial level, in 1987, declined in Newfoundland, Prince Edward Island and Nova Scotia, following a peak in 1986. Ontario, Alberta and Quebec experienced