

In 1987, Saskatchewan housing starts declined 11% to 4,895 from the previous year. This was the lowest level of housing activity reported since 1972. Limited economic growth, as a result of low demand and prices for agricultural, oil and potash products, resulted in minimal employment growth and provincial out-migration. The weak performance of the economy combined with the expiry of the \$3,000 first-time home buyer grant at the end of 1986 contributed to the 21% decline in single-detached starts. The 9% increase in multiple start activity was the result of a surge in the construction of condominium units. In 1987, 557 condominium units were constructed compared with 181 in 1986.

During the past few years, Alberta has been recovering from an economic recession which occurred in 1983 as a result of a severe decline in oil prices. In 1987, housing starts increased 28% to 10,790 units from the 8,462 units reported in 1986. Approximately 88% or 9,495 units were single-detached, a 33% increase over 1986 activity. The decline in house prices which occurred with the recession combined with lower mortgage interest rates, increased the affordability of ownership units in 1987. The strength of demand for single-detached units has prolonged the recovery of the weak rental markets. Surplus rental units in many urban markets maintained low multiple-unit construction activity which totalled 1,295 units in 1987, a 2% decline from the 1,316 units constructed the previous year. There were, however, signs of improvement in some rental markets which reported improvement in vacancy rates and rent levels at the end of 1987.

In British Columbia, housing starts increased 40% to 28,944 units in 1987 from 20,687 units in 1986. This was the strongest increase in housing starts among the provinces. A large increase in activity occurred in the construction of condominium units which included almost two-thirds of the 11,729 row and apartment starts. The increase in rental units was stimulated by the low vacancy rates experienced in many southern urban centres. In 1987, British Columbia reported the highest economic growth and benefitted from strong employment creation in the forest industry and in-migration which subsequently stimulated the demand for housing.

7.2.2 Mortgage lending

The volume of mortgage approvals extended by major financial institutions increased by 22% in 1987 to a level of \$43.3 billion. The strong growth in financing reflected the underlying buoyancy in the housing market. A total of 713,852 new

and existing units were financed, which was almost the same number as in 1986. Existing units comprised 83.9% of the total, down slightly from the previous year's figure of 86.1%. New units were 16.1% and 13.9%, respectively, in 1987 and 1986.

Among the major financial institutions, the chartered banks accounted for the largest portion of lending. Their market share of total approvals was 54.0% in 1987, an increase from 51.5% in the previous year. Life insurance companies lost market share in 1987. They held 6.2% of the market, down from 7.6% in 1986. However, the companies continued to dominate financing of the non-residential construction.

Market share held by trust and loan companies combined fell marginally in the year to 37.4% from 37.9% in 1986. Their share of the market has fallen significantly since 1985 when it was 41.8%.

The steady decline observed in recent years in the proportion of National Housing Act (NHA) loans to total approvals appeared to slow in 1987. NHA loans comprised 20.3% of total approvals, a marginal decrease from 20.5% in 1986. However, in 1984, NHA loans comprised 39% of the total.

Major developments in the mortgage market occurred primarily in the secondary market. Issues of NHA Mortgage-Backed Securities reached \$456.1 million in 1987 which was the first full year of operations. Of that total, approximately 90% were 5-year terms, with the remainder 10-year terms. Approximately 80% of total issues were purchased by retail investors. NHA Mortgage-Backed Securities competed with similar investments issued by private companies.

7.3 Canada Mortgage and Housing Corporation

Canada Mortgage and Housing Corporation (CMHC) is the federal government's housing agency, charged with the administration of the National Housing Act (NHA). It is a Crown corporation with a board of directors reporting to a minister responsible to Parliament.

Under the terms of the NHA, the Corporation is authorized, on the government's behalf, to establish a system of mortgage loan insurance; to acquire lands for public purposes; and to assist Canadians, mainly by the provision of loans and contributions, in gaining access to suitable accommodation, whether as homeowners, tenants or members of co-operative organizations; and in improving existing dwellings and the quality of their community environment. It also has a general