National Scene
CANADIAN HOME BUILDERS' ASSOCIATION
May 2018

CHBA's Day On The Hill 2018 Finds Receptive Audience

Each year, the Canadian Home Builders' Association's *Day on the Hill* brings together Members of Parliament and home building industry leaders from across Canada for a day on Parliament Hill to discuss housing, Canadians and communities.

CHBA delegates meet with NDP Leader Jagmeet Singh and MP Sheri Benson.

The 2018 Day on the Hill took place May 29th and involved Association members and staff from across the country who took part in 55 meetings with MPs and Senators. An evening reception hosted by CHBA saw more parliamentarians and their staff spend time talking with members. Also at the reception, Minister of Families, Children and Social Development (and Minister responsible for CMHC), the Honourable Jean-Yves Duclos thanked the Association for our work on behalf of Canadian home buyers and homeowners, and noted the need to get moving on supply.

Minister Duclos speaks at CHBA's Day on the Hill Reception on May 29, 2018 at the Chateau Laurier in Ottawa.

The focus of this year's event was declining affordability and the pressing need for governments to recognize the key role that home ownership plays in defining what it means to be middle-class in Canada. You can get this year's CHBA InfoGuide provided to all MPs at www.chba.ca/dayonthehill.

In delivering this message, CHBA representatives found a receptive audience.

Most MPs reported on anecdotal conversations with their constituents about the increasing difficulty faced by young families wanting to become homeowners. CHBA presented them with some hard data on the situation, drawn from a recent national survey conducted for the Association by noted pollster Allan Greg. *(See additional details on the survey in the next article.)*

These survey results paint a sobering picture. The vast majority of the 1,500 survey respondents said that home ownership remains a hallmark of being middle class in Canada, but for younger people and new Canadians, this is becoming far more difficult to achieve. Only 10 percent of Canadians feel that governments, at all three levels, are doing a good job of addressing this growing crisis.

In conversations with Parliamentarians, CHBA members made the point that lack of supply, onerous approvals processes, high new home taxes, punitive mortgage rules and lagging infrastructure investment are all factors the erode affordability, and things over which governments have control.

The federal government plays a key role in housing, and its policies help determine whether young Canadians and families can achieve their dreams of having a home of their own.

The purpose of the Day on the Hill is to deliver MPs a clear picture of current housing issues, and to share ideas about how best to protect affordability. CHBA's message is clear – by protecting affordability and keeping home ownership accessible for the middle class, we also make our communities stronger and more competitive.

Members of Parliament know that housing matters – to everyone, in every community, to the economy, and to the economic prosperity of Canadians. CHBA's Day on the Hill ensures they also recognize governments' role in keeping homeownership a viable middle class aspiration.

CHBA Survey Sheds Light on Canada's Affordability Crisis

While Canadians are renowned for our obsession with the weather, talking about homeownership is surely a close second. In recent years, these conversations have revolved around rising house prices, tighter mortgage rules and the real challenge that younger Canadians face in becoming homeowners.

CHBA's Policy InfoGuide can be downloaded at www.chba.ca/dayonthehill

A recent CHBA national survey sheds light on the extent of Canadians' discontent with the current housing situation.

In late April, CHBA commissioned a national poll of 1,500 Canadians to more accurately measure their perceptions and concerns around affordability. The results of this survey helped anchor recent conversations with decision-makers in Ottawa. However, every politician in Canada would do well to study the results.

- 3 in 4 Canadians think that being middle class means you should be able to own a home.
- 80% believe becoming a homeowner is more difficult than in the past.
- Canadians equate home ownership with financial security and a more secure retirement.
- 76% of those surveyed think that current trends mean that, in the future, only the rich will be able to own a home in an area they want to live.
- 7 in 10 Canadians see falling home ownership rates as a serious issue, and 81% see the challenges facing first-time buyers as indicating cracks in Canada's socio-economic system.

The survey also probed Canadians' view of governments in relation to the affordability crisis. Only one in ten think that any level of government is doing a good job in this area.

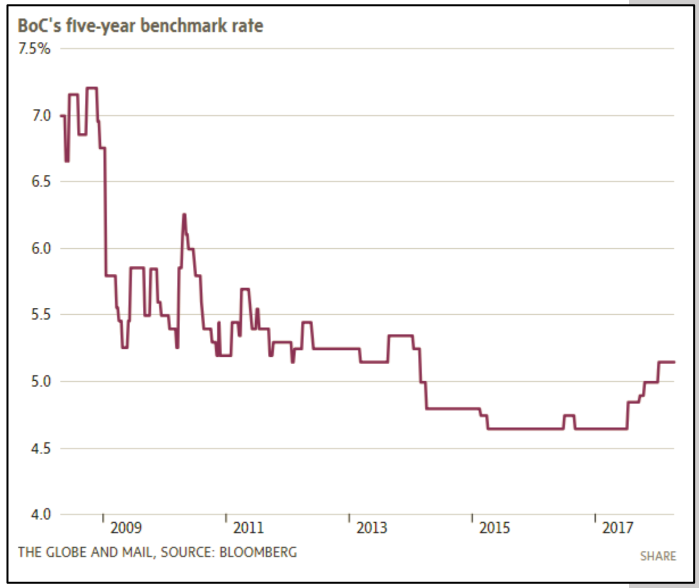
A strong majority of those polled say that governments have an important role to play in helping Canadians become homeowners, and that younger people and new Canadians should be given more flexibility to allow them to get into the market.

With the next federal election less than a year and a half away, the various issues around housing affordability are bound to gain traction in political circles. And with all parties proclaiming their commitment to help the middle class, surveys like this one can play an important role in shaping those conversations and ensuring they focus on the real drivers behind diminished affordability, including restrictive mortgage rules, high new home taxes, and over-regulation. CHBA will continue to work hard to ensure this happens.

You can get additional survey insights in CHBA's Policy InfoGuide at www.chba.ca/dayonthehill.

Roller Coaster Mortgage Rates

The headline news for housing in May was mortgage rates: Canada's six chartered banks all increased their benchmark fixed-rates, which prompted the Bank of Canada to raise its posted 5-year rate – which it uses for stress-testing – by 20 basis points to 5.34%.



Analysis prepared for CHBA indicates that the stress test at the 5.34% level has the potential to "price out" as many as 17% of all would-be buyers across Canada, ranging from 8% in New Brunswick to as many as 31% of buyers in British Columbia.

The increase equates to a 1.5% reduction in home-buying power, and it also means bigger penalties for those who try to get out of their mortgage early.

While fixed-rates rose, a number of lenders have dropped their variable rates at the same time. The current spread of more than a full percentage point between variable and fixed rates is the widest it's been in Canada since 2011, with lenders reacting in a predictable way as their mortgage business declines in response to declining sales activity among existing buyers.

Other highlights from May

- Statistics Canada reported that new housing construction investment totalled $4.6 billion in March, up 9.7% from March 2017. This increase was mainly attributable to higher investment in apartment buildings (+$333.2 million).

- Statistics Canada also reported that single-family building permits fell 7.9% to $2.4 billion in March, with Ontario posting the largest decline (-13.7%). Toronto posted the largest decrease in the single-family component, down 27.6%.

- CMHC reported that the national six-month trend in housing starts remained stable in April at historically elevated levels, with lower starts of single-detached dwellings balanced by higher starts of multi-unit dwellings. Notably, the national inventory of newly completed and unabsorbed multi-unit dwellings has been stable over the same period, indicating that demand for this type of unit remains balanced with supply.

- Statistics Canada reported that prices for the construction of new residential buildings rose more than those for new non-residential buildings in the first quarter of 2018. Increases for both building types were driven, in part, by higher costs for masonry work, as well as for materials including steel, lumber and concrete.

- Strong demand for softwood lumber in both the U.S. and Canada, combined with supply shortages, transportation issues, and the Canadian dollar, have amplified the impact of the U.S. duties imposed last year, as the cost of the duties is simply being passed on to consumers in the U.S. and is not resulting in the normal lowering of prices in Canada.