Climate Change Accord Raises Bar for Canada – Housing Remains Bright Spot

This month’s landmark Paris Agreement on Climate Change represented a real breakthrough with the governments of 195 countries reaching a deal to move the world closer to a low-carbon economy. So what does it mean for Canada’s residential construction industry moving forward?

The residential sector is responsible for just 6% of GHG emissions – down from 8% in 1990. Despite having 38% more houses in Canada today than in 1990, total residential emissions have fallen 11% since then. With new housing energy efficiency 47% better than in 1990, the real opportunity lies in retrofitting existing homes. CHBA continues to advocate for a home renovation tax credit targeted to encouraging home energy efficiency improvements. Our research shows that a dollar invested in the average existing Canadian home will yield four to seven times more GHG reductions that the same amount spent on a new home. At the same time, new housing energy performance is excellent and we must be careful not to add unnecessary costs through excessive regulation. As the federal government works towards a new climate change strategy for Canada, CHBA will be speaking more about our industry’s success and what needs to be done in the future.

Minimum Down Payment Raised for New Insured Mortgages

Federal Finance Minister Bill Morneau announced that, effective February 15, 2016, the minimum down payment for new insured mortgages will increase from 5% to 10% for the portion of house prices above $500,000. The 5% down payment for properties up to $500,000 remains unchanged. Although not a measure CHBA would have recommended, the impacts are expected to be negligible (affecting less than one percent of homebuyers). CHBA continues in its work to inform the new government of the real issues facing today’s housing market and industry, and to advocate strongly for protecting access to housing markets for first-time home buyers. We are also pushing for coordinated policies by federal, provincial and municipal governments to address limited supply (particularly of low-rise homes); core infrastructure and transit deficits; and rising government charges and taxes. The strong economies of Toronto and Vancouver attract tens of thousands of new residents annually and these factors push up home prices especially for the ground-oriented, family-friendly homes in short supply.

2016 CHBA National Conference Registration Now Open

Register today for the housing event of 2016. It’s happening in beautiful Kelowna, B.C. from May 4 – 6 at the Delta Grand Okanagan Resort. In addition to warm weather, you can expect all the fabulous events the CHBA National Conference is known for, plus some new features for 2016:

- **Net Zero Boot Camp** – all-day pre-Conference session on Monday, May 2 (additional registration and fee required).
- **Professional development seminars** – concurrent streams addressing technology/innovation and business management topics – included for all registered Conference attendees!

- Take in the inaugural presentation of the new **2016 CHBA National Awards for Housing Excellence** – included for all registered Conference attendees.

- The first-ever **CHBA Golf Tournament** on Wednesday, May 4th at the incredible Harvest Golf Club (*additional registration and fee required, registration limited*).

- For non-golfers, take in a **wine tour**, visiting some of the Okanagan's most celebrated wineries (*additional registration and fee required*).

Register Today! Go to [www.chba.ca/conference](http://www.chba.ca/conference) for full details and online registration.

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**Getting Ready for the Second CHBA Home Buyer Preference Survey**

It’s not too late to register to take part in the second CHBA Home Buyer Preference Survey. It’s easy for CHBA home builder members to participate– just provide e-contact information for your home buyers from the past two years. In return, you get a custom report on your customers’ input covering more than 50 in-depth areas of home design, building features, buying preferences, and demographics. Participating builders also get 60% off the cost of the national report, which includes provincial-level data and online access that allow custom analysis to reflect each builders’ business interests and region. For more information and to register to take part in the survey, visit [www.chba.ca/buyersurvey](http://www.chba.ca/buyersurvey).

**CHBA’s National Awards for Housing Excellence – January 29th Deadline for Entries**

The deadline for the 2016 CHBA National Awards for Housing Excellence has been extended for two weeks in recognition of the holiday break. Everything you need to know about is now online at [www.chba.ca/awards](http://www.chba.ca/awards). The extended deadline for entries is Friday, January 29. Our thanks to Masco/Delta Faucet and Genworth Canada for their continuing support.

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**Net-Zero Energy Housing Council Webinars on Tap**

Last spring and summer, several leading Lower Mainland BC builders participated in Natural Resources Canada's Local Energy Efficiency Partnership (LEEP) initiative. During some of the LEEP workshops, builders requested three presentations on Photovoltaic (PV) systems. CHBA's Net Zero Energy Housing Council is pleased to host these webinars as part of its NZE Webinar series. Register now for three presentations from experts on PV best practices and costing. The dates and speakers are:

1. Jan 26 @ 1:30 ET - Ben Giudici, Riverside Energy Systems
2. Feb 2 @ 1:30 ET - Matthew Shiedel, Building Knowledge Canada Inc.
3. Feb 9 @ 1:30 ET - Kyle Kasawski, Solarmax Power Inc.

Visit [chba.ca/nzehc](http://chba.ca/nzehc) for more information and to register for the webinars.
Mixed Expectations for Housing Activity in 2016
There is a divergence in thought when it comes to the housing start outlook for next year.

CMHC’s 2016 point forecast of 178,000 units considers the economic downturn in Alberta and builders adjusting levels to temper high-rise supply in the GTA as the main forces that will pull housing starts below the demographic demand trend of 185,000 units per year.

However, TD Economics expects that demand for housing will continue to be higher than expected, and that continued low mortgage interest rates will help get people into homes despite decreasing affordability. TD forecasts 197,000 starts for 2016.

2015 certainly saw this scenario play out, as the year should close out between 191,000-195,000 starts, which is 5,000-10,000 starts higher than expected a year ago.

In reality, anything between 180,000-200,000 starts nationally is a reasonable level of activity given long term starts figures. Of course, the underlying story on Canada’s housing markets will continue to be wide regional divergences that have entrenched themselves over the past few years.

This divergence presents a dichotomy of risks, with two “hot” markets that are producing extremely leveraged homebuyers and other markets in economically challenged regions looking at long-term depressed levels of activity. On top of these factors, government mortgage regulations and the ever-expected normalization of interest rates will have an impact as well.

Finally, there will continue to be a rebalancing of build-type seen across the country. As noted last month, the Greater Toronto Area saw a resurgence of single-family home numbers due to pent-up demand.

At the same time, multi-units made up 68.4% of all new construction in urban areas over the first 11 months of the year, the highest level since 1971. It’s important to note that multiple start numbers includes semi-detached and rowhomes (more granular data is not yet available), so it’s not all high-rise condos.

However, there has been a clear movement to multiples due to affordability issues and urban planning policies. Whether demand for “family-oriented” housing – typically multi-bedroom low-rise – is being factored into the equation is not clear at this point, which could mean a built-up in unmet demand.

Behind the Scenes Action in Mortgage Markets
Somewhat overlooked when mortgage regulation changes were announced this month were complementary announcements from Canada Mortgage and Housing Corporation and the Office of the Superintendent of Financial Institutions.

CMHC announced increases to guarantee fees charged to lenders for CMHC-sponsored securitization programs, Mortgage Backed Securities and Canada Mortgage Bonds, while OSFI announced plans to consult on and update regulatory capital requirements for residential mortgages for federally regulated lenders and private mortgage insurers.

These measures could have a noticeable impact on banks’ mortgage lending practices, credit availability and mortgage rates. CHBA will be following these developments closely, in addition to requesting more federal transparency about key mortgage market indicators.