

longer exists, and I do not believe that, except in very isolated instances, will the lack of building materials play any part in limiting the amount of new residential construction in 1952.

One of the most important current developments is a changed attitude of prospective purchasers and renters for new residential accommodation. We believe that the sharp increase in the cost which has taken place over the last eighteen months with the effect of converting a minimum \$7,000 house into one which now costs \$9,000, has not yet been accepted by people in the market for houses. By this I mean that a family who had taken the decision to build or buy a new house is thinking in terms of something rather more for the \$9,000 than they are presently able to secure. It may be that as the months, and perhaps years, go by, people will become adjusted to the new level of cost of houses, but for the moment, it is an important limitation upon the activities of some builders who have doubts as to whether there is an unlimited market for new houses at present prices.

In the same manner, but in lesser degree, this consumer attitude towards current building costs, applies in the rental field. Fully serviced, rental accommodation of four rooms cannot be produced for much less than \$85 a month under present conditions, and many families who would like new accommodation find that such rental level is beyond their means.

Although an accurate measure of effective demand is difficult to obtain, I believe that new housing at the rate of 94,000 units a year would not be absorbed by new owners and renters under present circumstances. Whether we like it or not, the reduction in effective demand is now a limiting factor upon private building.

Part of the whole problem of effective demand is what might be described the "cost-income" relationship. The prospective home owner must have two resources to purchase a house. In the first case, he must have a down payment of the order of 20 per cent of the cost of the house. Equally important, the prospective home owner must have an income sufficient to meet principal repayments, interest, taxes and other current charges upon his home. From time to time, one hears the suggestion that the way to produce more residential units is to increase mortgage financing so that the amount of equity is greatly reduced and families with relatively modest savings will be in a position to become home owners. The difficulty with this approach is that the higher the mortgage, the higher the monthly payments. A number of builders have told us that their interest is not directed so much to a higher level of mortgage but rather to any steps which can be taken to reduce the amount of monthly carrying charge. The point which I wish to make is that any move to widen the band of purchasers by reducing the amount of down payment will only be effective to the extent that the individuals with smaller savings have sufficient income to carry the higher monthly payments.

The credit circumstances of the last twelve months have had a marked effect upon the availability of mortgage credit, not only for home owners, but also for speculative builders and landlords. Up to the end of 1950, the mortgage market was a borrowers' market, the reverse is now the case.

From time to time, one hears the suggestion that reduced corporate mortgage lending has been the most important reason for fewer starts. I would agree to some extent with this suggestion, but it is well to remember that the lending institutions are not the greatest source of funds for new residential construction. Our publication, "Mortgage Lending in Canada", carries a distribution of the source of funds spent on new residential construction. The honourable members will notice that, in the year 1950—and the figures for 1951 are not far different—total lending by government was about 13 per cent and by corporate lenders about 26 per cent of the total funds required. Although the operations of lending institutions are an important factor, the changed