

Possibility of Canadian housing boom slowing down

Although the outlook for housing in Canada over the long term is strong, it is unlikely that the record level of housing starts in 1973 will be maintained, says the Bank of Montreal in its November *Business Review*.

The *Review* notes that the Central Mortgage and Housing Corporation has estimated that the demand for housing in the period from 1971 to 1976 would average 233,000 units annually. In the first three years of this period, housing completions have averaged 228,000, slightly below the projected demand. With incomes high and rising and vacancy rates remaining low, the basic demand factors stay strong, says the *Review*.

"On the supply side, however, there may be more substantive reasons to expect some slowing down," the *Review* comments. "Many building materials are at present in relatively short supply and prices have risen sharply. Furthermore, with investment spending of a non-residential nature speeding up, a shift into this area of men, materials and capital from the housing sector could well occur."

Soaring construction costs

The *Review* also points out that the supply of good serviced land has decreased after three years of heavy building during which housing starts in the first nine months of 1973 climbed to a level 64 percent above those of the corresponding period in 1970. While increases in land costs have shown no

signs of accelerating, rising at an average annual rate of about 6 per cent since 1962, construction costs have recently begun to soar. Since 1970, the cost of residential construction per square foot has risen at an average annual rate of 7.3 per cent. The increase in the most recent 12-month period was a huge 13.7 per cent.

While it is true that the trust companies and the mortgage loan companies, which at present account for some 45 per cent of the mortgage market, have a large proportion of their assets in mortgages, their deposits are also largely contractual in the form of term certificates, on which the interest costs do not change until maturity. Thus, when rates rise there is a lag in the increase in deposit costs, which alleviates some of the squeeze on their margins.

The *Review* states that although interest rates are high at present, the monetary authorities have continued to permit a fairly substantial growth in bank deposits. The banks — which now account for some 30 per cent of the funds for new residential construction — have continued to be very active mortgage lenders.

The main problem of the past "boom-bust cycles" — an adequate flow of mortgage funds — thus appears to have been substantially alleviated, the *Review* concludes. But "the problem of inflationary costs has markedly worsened and, in fact, may pose a serious threat to the housing boom in Canada at the present time".

Public Service award to Under-Secretary of State for External Affairs

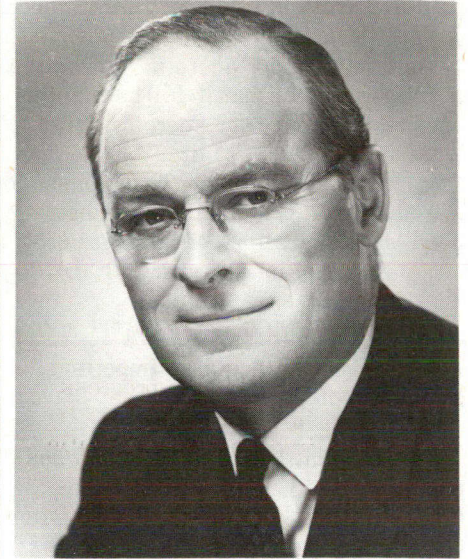
Albert Edgar Ritchie, Under-Secretary of State for External Affairs, will receive the Outstanding Achievement Award of the Public Service of Canada for 1973.

The award, the highest honour the Federal Government can confer on a public servant, consists of a citation signed by the Governor General and the Prime Minister and an honorarium of \$5,000. The presentation will take place at Government House early in the New Year.

Mr. Ritchie, a native of Andover, New Brunswick, is an economist, diplomat

and administrator who has contributed much to the development of Canadian commercial and foreign economic policy, particularly in Canada's relations with the United States.

Members of the selection committee of prominent citizens were: Toronto broadcaster Betty Kennedy (chairman); Sister Catherine Wallace, President of Mount St. Vincent University; Gordon R. Sharwood, Chairman of Guaranty Trust Company of Canada; Mrs. Livia Thür, vice-rector of the University of Quebec; and Kelly H. Gibson, Chairman of Pacific Petroleum Ltd.



Public Service Outstanding Achievement Award winner A.E. Ritchie.

Previous award winners

Mr. Ritchie is the eighth recipient of the Outstanding Achievement Award, which was instituted in 1966. Previous recipients were Dr. W.B. Lewis of Atomic Energy of Canada Limited; R.B. Bryce, Deputy Minister of Finance; Louis Rasminsky, former Governor of the Bank of Canada; Marcel Cadioux, then Under-Secretary of State for External Affairs; Dr. James M. Harrison, Assistant Deputy Minister of Energy, Mines and Resources; Norman McLaren, National Film Board producer; and R. Gordon Robertson, Clerk of the Privy Council and Secretary to the Cabinet.

Biography

Mr. Ritchie, who was a Rhodes Scholar at Oxford University, joined the Department of External Affairs in 1944. He served in Washington until 1946, when he resigned to join the United Nations staff in New York. He became Special Assistant to the UN Assistant Secretary-General for Economic Affairs, and later was Special Assistant to the Executive Secretary of the UN Preparatory Committee and Conference on Trade and Employment.

He rejoined the External Affairs Department in 1948 and was posted to London. He returned to Ottawa to head the Department's Economic Division from 1952-1957.

Mr. Ritchie was posted to Washington from 1957 to 1959 as Minister and for a