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Federal help, reduced mortgage rates should reverse 1974 housing slowdown

Canada's housing market during 1974 reflected the economic climate which, early in the year, was generally healthy. Inflation, however, was a major problem and house prices, which were already high, continued to climb. Interest rates for all loans, including mortgages, were also at a high level, largely owing to international pressures.

This information is contained in the 1974 annual report of Central Mortgage and Housing Corporation, recently tabled in the House of Commons.

Mortgage approvals decreased sharply as long-term investment funds diminished and the volume of housing starts began to decline accordingly.

By mid-year, while inflation continued to push prices upwards, people were reluctant to commit themselves to expensive, long-range purchases such as houses, and the demand subsided.

In the second half of the year, home-builders, particularly rental entrepreneurs, were reluctant to build in a slow market and starts decreased even more sharply.

As a result of these and other factors, after three years of steady growth, housing starts across Canada during 1974 declined by 17 per cent to 222,123.

While starts were down, the number of completions reached a record level of 257,243 during 1974, as a result of the high volume of starts in the previous year. Most of the increase in completions was in single-detached houses and row housing.

Housing starts continue to dwindle

Housing starts during February were at a seasonally-adjusted annual rate of 156,000 for all areas.

Actual starts during the month in the urban areas were 5,031, a decline of 44 per cent from the 9,029 recorded for the same month one year ago.

Starts of single-detached dwellings during the month totalled 2,177, a decline of 48 per cent from those of February 1974. Starts of multiple dwellings dropped 41 per cent to 2,854.

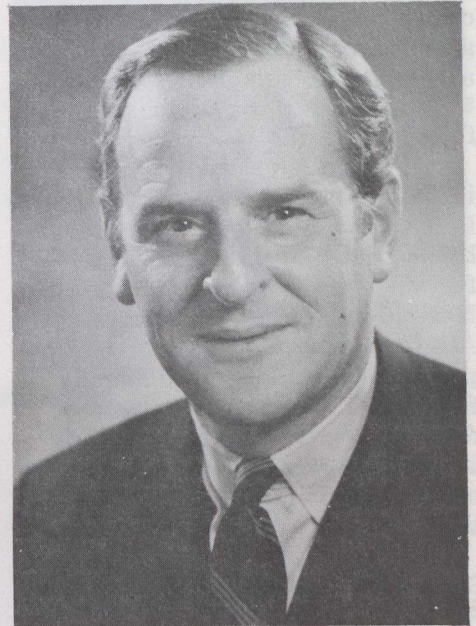


Photo Gerald Campbell

Barney Danson, Minister of State for Urban Affairs, is the minister responsible for Central Mortgage and Housing Corporation, the housing agency of the Federal Government.

Assisted home ownership
Housing starts financed directly by CMHC during 1974 showed a modest increase of 5 per cent to 30,352, principally because of a substantial increase in the Assisted Home-Ownership Program, which produced 11,773 starts. The demand for AHOP assistance surpassed expectations and in all, some 18,300 AHOP loans were made. Late in the year the program was restricted to new houses in the interest of increasing production and generally providing a stimulus to the economy. The program, originally budgeted at \$300 million for 1974, proved to be so popular that an additional amount of \$150 million was provided. Almost all of these funds were committed before the end of the year.

To steer housing production away from more expensive homes and into the low and medium price ranges, private lenders agreed with CMHC's request early in the year to limit high-ratio loans to buyers of moderately-priced housing. As concern shifted