

## STATEMENTS AND SPEECHES

INFORMATION DIVISION  
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No. 55/12 THE HOUSE-BUILDING INDUSTRY IN CANADA

An address by the Minister of Public Works,  
Mr. R.H. Winters, at a meeting of the  
National House Builders' Convention, Toronto,  
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### Post-War Programme

In opening my remarks today, and before discussing present developments and perhaps contemplating the future a bit, I would like to refer to our post-war house building programme as a background. I don't wish to suggest that the number of units built in itself represents the only measure or even the best measure of the accomplishments of the house building industry. It has been necessary to emphasize quantity in the period we are considering, but at the same time it is important to pay adequate attention to the kind of houses, and their setting. I will say more on that point later.

Since the end of the war, in round numbers there have been over 800,000 houses built in Canada. They have been built by you people, by others in the industry you represent, by the Government and by some who do not belong to your industry but who choose to build their own houses. It has been a substantial accomplishment.

These houses represent an investment of 6.8 billion dollars and provide accommodation for more than 3 million people, something more than the combined populations of Greater Montreal and Greater Toronto. Visualize five Vancouvers--eight Winnipegs--or 25 Halifaxes.

Economists like to think of these houses in terms of employment, or the demand for building materials, and I must say that I myself get some satisfaction from such concepts. In Toronto, for instance, last year's housing programme provided an average of close to 20,000 man years of employment in on-site construction alone. On-site employment is apart altogether from the employment opportunities afforded in Toronto by the servicing of raw land for residential use, and by the production and distribution of building materials for the new housing.

Municipal officials probably think of housing in terms of miles of trunk sewers, water mains, and roads, or in terms of the provision of new school facilities.

Mortgage lenders think of the new houses as security for investment income over the years to come.

The post-war housing programme, whatever it has meant to Canadians in general, reflects the greatly expanded capacity of your industry. And this expanded capacity carries with it problems as well as benefits.

#### Growth in Capacity

In 1945 less than 50,000 new houses were completed in Canada. Because of conditions prevailing then I doubt if your industry could have built many more than 50,000 units in 1945 at any price level. Last year, however, there were over 106,000 housing completions in Canada and the industry was not working as close to capacity as in the immediate post-war years. There are more builders now, building better homes. We have more materials and labour and better materials and labour than we did in 1946.

Production of cement for instance is now more than twice as great as in 1946. Brick production is up 75 per cent. Output of asphalt shingles is up about 50 per cent. The construction labour force has increased by more than 50 per cent since 1946.

The greater availability of labour and materials in itself has done much to raise the capacity of the construction industry in general and house builders in particular. But equally important has been the greater availability of good house building entrepreneurship.

The light construction industry is notoriously easy of access. When the profits are good there seems no limit to those who are anxious to become house builders. Any prolonged period of high demand, such as we have had for the last 10 years is bound to attract many new people into the industry. From 1946 to 1952, for instance, the number of corporate builders' income tax returns, tabulated by the Department of National Revenue, increased by 138 per cent. There has doubtless been further increase since 1952. This expansion has unquestionably contributed to the growth in the industry's capacity.

Now with so many builders there is bound to be a wide variation of technical and managerial skills among them. This means that there is room for improvement in the efficiency of some of the builders. Even the best builders readily admit that they can benefit and improve under the impetus of competition. That there has been an overall improvement is demonstrated by the type of housing being built today compared to that built in the immediate post-war period.

The improvement in the efficiency of builders has probably done more to raise house building capacity over the past 10 years than the increase in your numbers. I feel it will be even more important in the future.

#### Post-War Demand

Underlying the growth in Canada's house building capacity since the end of the war has been the high and growing demand for new housing.

You will recall that we came out of the war with an accumulated demand for new housing of major proportions. Housing was in fact regarded by many at that time as Canada's No. 1 national problem. This demand derived from the growth in incomes and population, the floating nature of a sizeable portion of our population because of wartime conditions and the restrictions that were placed on house building during the war years. But even after the rehabilitation of servicemen and defence workers had been substantially achieved, the demand for new housing continued to increase - under pressure perhaps less acute but nevertheless steady.

There were three main factors behind the growth in demand of the post-war decade: (1) high rates of net family formation, (2) increasing incomes, and (3) changes resulting in easier and more widespread mortgage financing. These three factors do not stand alone but they figure prominently in the picture.

#### Net Family Formation

Since the end of 1945 the number of families in Canada has increased by over three quarters of a million. This is somewhat less than the number of houses completed in the same period but it is evident that the sheer growth in the number of families has been among the most important factors in supporting the demand for housing.

Changes in net family formation have followed in the past changes in immigration and the number of marriages. The marriage rate has been remarkably stable. It reached a peak of 134,000 in 1946 but this peak was nearly equalled in 1953. Marriages have not been less than 123,000 in any year throughout the period.

Immigration on the other hand has varied considerably since the end of the war. As a component of net family formation it was of considerable importance in 1946 with the entry of close to 40,000 war brides, and in the period since 1950 when over 30,000 married women have entered the country each year.

Population factors other than net family formation have of course contributed to the demand for new housing. Movement of population off the farms for instance adds to the demand for housing in non-farm areas. The agricultural labour force has declined by about 400,000 since 1946. The extent to which this shift in labour force has meant a shift in families or households requiring housing accommodation is uncertain, but it must be considerable.

In addition to net family formation and the movement of population off the farms, the formation of non-family households also affects housing demand. A considerable part of our population does not live in family groups. In 1951 families made up only 88 per cent of total households in the country, 440,000 non-family households making up the rest. From year to year we must expect these non-family households to increase, as the rest of the population increases.

### Incomes

The increase in incomes in the post war period has represented another source of new housing demand. Numbers of families and households cannot bring about a demand for home ownership or economic rental units unless those requiring accommodation can make their demand effective. The average income per capita in Canada, after taxes, has increased by 40 per cent from just under \$800 in 1946 to over \$1,100 in 1954.

### Mortgage Lending

The translation of net family formation and rising incomes into housing demand was facilitated in the post-war period by developments in mortgage financing. The availability of mortgage money, and the terms on which it is lent, have much to do with the demand for new housing at any given time. During the post-war period, Government policy has been directed to making a good supply of mortgage money available for new house building at pretty liberal terms.

### Government Policy

Now I wouldn't wish to over-emphasize the role the Government has played in achieving Canada's substantial housing accomplishments, but no recitation of housing developments in Canada over the past decade would be complete if it failed to give due weight to a number of factors within the sphere of Federal Government influence.

The Government's instrument in the field of housing is the National Housing Act and it is a fact that housing in Canada has been pretty sensitive to Government policy as reflected in various changes in the Act from time to time to cope with situations as they arose.

Since the beginning of 1946 joint loans under the National Housing Act, 1944, were approved for a total of 178,000 dwelling units. Since the joint lending technique was terminated early in 1954, insured loans by approved lenders have been made for an additional 43,000 dwellings. From 1946 to 1954 loans on direct Government account under the Housing Acts were approved for 32,000 dwellings. The Federal Government built 32,000 low rental dwellings for veterans mostly between 1946 and 1950. Rental guarantees were approved on projects involving about 22,000 new apartments. These figures give some idea of the amount of new house building in which Government policy played a direct part during the post-war period.

The National Housing Act, 1954, is very different from the legislative instrument with which we entered the post-war period nearly 10 years ago. The changes in legislation have come about in response to varying conditions facing your industry from time to time. I don't think it can be said that the Government has been slow to react to the various situations and to request Parliament to equip it with the authority to deal with them.

You will recall that in the immediate post-war years up to the end of 1949 the number of housing starts and completions in Canada depended mainly on available supplies of construction workers and materials. There

was no question in this period of any shortage of mortgage funds under the joint lending provisions of the National Housing Act, or under the conventional lending operations of institutional mortgage lenders. The construction industry rapidly increased its output during this period.

But increased construction output could not all be devoted to residential purposes and in the post-war years up to and including 1949 house building had to share the capacity of the construction industry with construction demands in other important fields.

In 1947 the Central Mortgage and Housing Corporation was empowered by Parliament to make direct loans to home owners in areas where lending institutions did not carry on a lending business. This measure was intended to extend the benefits of the N.H.A. lending terms to borrowers in outlying areas of the country that would otherwise have denied the benefits of a statute that was intended to have national application.

In 1948 the rental guarantee provisions were introduced to establish incentives for rental entrepreneurs and in part to provide them with mortgage loan assistance. At this time there was a need for increased rental accommodation and this section has been useful in helping to meet the demand.

In 1949, after we consulted each Provincial Government, the Federal-Provincial rental housing and land assembly provisions were enacted by Parliament. Up to 1949 the Federal Government by means of war workers' houses and the veterans' rental programme had provided the only significant supply of new low rental housing. It was considered that municipalities and Provincial Governments should be provided with statutory arrangements for providing housing, and particularly rental housing, where needs could not be met by private enterprise alone working either within or outside the provisions of the Act. There seemed also to be a need to assist in the provision of serviced residential land, which was a developing obstacle in the path of a high level of house building. The Federal-Provincial housing and land assembly provisions were designed to cope with these problems.

Towards the end of 1949 the capacity of the construction industry had reached a point where the number of prospective house purchasers could be increased without too great a risk of inflated prices. For this reason, at the same time as the Federal-Provincial housing arrangements were introduced, provision was also made for increasing the amount of loan to home owners under the Act by one sixth, subject to contract and sale price limitations on the completed houses.

Within a year, however, the outbreak in hostilities in Korea served notice that a major defence build up was necessary and the way had to be cleared for a heavy defence construction programme. Because of the prospect of rising prices and shortages of building materials, notably those with steel content, the one-sixth additional loan provision was withdrawn in February 1951.

This condition prevailed until October 1951. The national economy had by then adjusted itself to the point where an increased level of housing starts could be supported without prejudice to the defence effort. Higher loan levels were introduced at that time. Housing starts, which had declined to 69,000 in 1951, rose sharply to 83,000 units in 1952, and to over 100,000 in 1953.

This period of expansion in housing starts after the end of 1951 was characterized by difficulties not present in the immediate post-war period. Foremost among these was the shortage of private mortgage funds.

Changes in housing measures from 1951 were increasingly directed to the problems of maintaining a good supply of mortgage funds.

You will recall that increases in the maximum rates of interest authorized for National Housing Act loans were made in June 1951, and September 1952, to ensure a continued flow of new mortgages under the Act in the face of attractive rates in other fields. In the summer of 1952 arrangements were put into effect whereby the Corporation was authorized to make direct loans to prospective home owners in centres of up to 55,000 in population, to compensate for a withdrawal from these centres of joint lenders under the National Housing Act. During this period the available supply of private mortgage funds was tending to fall short of demand.

Even with house building proceeding at the high rate of over 100,000 we had serious doubts throughout 1953 about the adequacy of existing lending arrangements. In that year the mortgage investment of joint lenders had to be supplemented by the Central Mortgage and Housing Corporation which, in addition to its share of joint loans, made direct loans to the extent of about \$60 millions.

In the circumstances the Government sought additional sources of private mortgage money. Through the National Housing Act, 1954, Parliament provided the basis, for the first time in Canada's history, for the present vigorous participation of the banks in mortgage lending for new housing.

I have reviewed the outstanding changes in Government housing measures over the past few years partly to refresh your minds and partly to explain again some of the changes that were not too palatable at the time and which I'm sure were sometimes difficult to understand and accept.

However, by one means or another, collectively we were able to keep housing to the fore in Canada's developing and sometimes complex economy and to maintain a pretty high level of house building performance over the post war years.

#### Present Situation

At the present time the situation is buoyant. In 1954 housing starts and completions attained an all-time record and at the end of the year there were 69,000 units under construction. This too, was an all-time record.

In the current year the housing programme is off to a good start. At the end of February of this year housing starts were up by 7 per cent and completions by 5 per cent over the first two months of last year. Houses in the various stages of construction at the end of February were in excess of the same time last year by 20 per cent.

The Home Improvement provisions of the Act were brought into effect throughout Canada on February 1st of this year and already the indications are that the volume of loans under this Part of the Act will be very high in the year 1955.

#### Change in Situation

There is little question that the house building industry now can develop the capacity to meet the housing demands that stem at any particular time from the growth of our economy and population. Housing completions exceeded net family formation by a small margin in 1953 and by quite a wide margin last year, about 20,000. Moreover, your industry has been able to meet these demands with little strain on the cost structure. There has even been some reduction in the price of houses in several areas. In the past ten years your industry has met the problem of how to expand output to meet demand.

Perhaps in some areas we are now entering the stage where the buyer no longer signs up for a hole in the ground; although my latest report from the Toronto area shows that despite all the building here there are less than ten days' supply of new houses on hand. That indicates brisk demand.

Now, what of future demand? I won't venture to forecast the course of demand for new housing over the next few years but there are several factors we can examine. One such is family formation. In the depression years of the early 30's there was a turn down in the number of births. Those children are now of marriageable age and the effect is beginning to be felt in fewer marriages. Net family formation therefore, over the next few years, may be slightly less than the 90,000 per year it has averaged since 1951. I don't believe any increase will be very marked and in due course the numbers will be swelled when our present large school population attains marriageable age. In other words, the present pressures for more schools will in 10 to 15 years be transferred to a demand for more housing. As for average incomes there are bound to be fluctuations, but the trend is certain to be upward over the long pull.

Population and income factors, however, do not constitute the only bases of new housing demand. I have already spoken of mortgage financing conditions as another important factor. Working through the private market and concentrating purely on the flow of mortgage money, the size of down payments and the period of amortization, it is possible theoretically, I suppose, further to stimulate demand. But there is a limit to how low the down payment should be if we are to maintain stability and that essential pride in home ownership which is a prominent ingredient of good citizenship.

### Continued High Level of Housebuilding

If we - all of us together - take the appropriate steps when and as required, your industry can look forward to a high level of house building. To achieve this, some changes of concept and approach may be necessary, but the past record shows that we are flexible enough to meet changing conditions.

The present situation is full of opportunity. In the past the demand for housing has come from growth in population and incomes and stimulation through changes in the National Housing Act. There is, however, a great potential market as yet relatively untapped.

It could be said that the 800,000 new houses built since the end of the war have merely filled the immediate gap created by new family formation since that time. The automobile companies in 1946 and 1947 met the deferred post-war demand with the models they could produce with the tools at hand. By stimulating the market with new designs they kept demand at that high level, and even increased it. They made a future for themselves by creating a different, better and more appealing product; - new style, new design, new techniques, new colours, new engineering, new methods of distribution, new techniques of salesmanship. With these they rendered older models obsolete, and thereby created a whole new market and new extension of demand. Similar markets can be found for housing. New designs, new layout, better homes, will create their own demand. The more significant you make the improvements in design and technique, the bigger will be the stimulus in demand. As soon as the housewife sees coming to the market the house she really wants to live in, she will get it, by one means or another. New homes of this kind will set your industry in real competition with the others, for a new share in the consumer's dollar.

Up till recently, people have bought the kind of homes produced often because they had to. In the future they will buy the new kind of homes you will produce, because they will want to.

A large proportion of the demand for new automobiles comes from people who already own a car, and who want a better one or an additional one. If more Canadians could obtain new types of better housing there would be created new housing demand, independent entirely of population growth and rising incomes. But they will not be interested unless they are aware how much better the housing can be. I do not mean more expensive, I mean just better in design, in relation to nearby houses and in relation to the whole urban environment.

I am suggesting that it is partly up to you - the house builders of Canada - to stimulate the kind of housing appetite that will expand your own future market. In this endeavour one outstanding project is better than ten fair ones. The builders who have well designed and attractive projects will be sought after by the market. But they will not only attract a bigger proportion of existing demand. They will literally create new demand.



Quality Increasingly Important

I am also suggesting that the quality of new houses is coming to have a more important bearing than it did in the past on the quantity of new houses built from year to year. There is no call to abandon the objective of quantity. But in order to achieve it we must all place more emphasis on new ways and kinds of housing. There is a mutuality in the two objectives.

We have been so concerned with the problems of meeting the increase in demand from year to year that we have not had much time to devote to new ways of housing or renewal of deteriorating housing and slum clearance. Houses, like automobiles, become obsolete and should at the appropriate time either be replaced or turned in for new ones. As you find it easier to meet the demand that derives from growth you will find it more important to develop these other market potentials. There is every reason why we should expect a continued high level of house building if you make the necessary innovations and adaptations in design, engineering and salesmanship.

As distinct from these great opportunities to add to the demand for new housing, there is also the need for urban repair, redevelopment and renewal.

We need greater emphasis on urban planning, housing design and neighbourhood balance. Not all of them are as controllable or as manoeuvrable as we might wish. But they are not beyond control. You could help by urging each city and town to lay down a master plan, and if there already is one, you might add your voices to those insisting on its implementation. By your own performance in better unit design and in better layout of projects and subdivisions, you too will create the new public opinion that will lead to demands for civic redevelopment.

The Government also has a role to play in the improvement of housing conditions. And I am not referring only to the obvious areas of Government participation such as slum clearance and the provision of subsidized low rental housing. We have a role also in assisting you to improve the quality of the new product reaching the market. We have a role to play in research and promotion in all aspects of community planning and housing design. To the extent that the Government can promote better planning practices and better design, we will also help to widen the housing market.

Much progress has already been made. In all the aspects of housing quality, from urban planning to plain workmanship, there has been considerable improvement in the past five years. But the provision of only slightly better housing is not going to do much to stimulate the demand of those who have almost as good housing. As an immediate objective we must strive for the exemplary. Each worthy achievement will

generate an appetite for more; - an appetite representing a demand that did not exist before. It will raise the housing objectives of the whole community.

Conclusion

I would like to bring my remarks to an end with the observation that every mediocre project that you build represents a lost opportunity and that every good one will generate a demand for more.

The demand for new housing does not rest wholly on per capita income, interest rates or net family formation. It rests in large part on the appeal of what you build. It is within the power of the house building industry to develop the kind of housing that Canadians will ask you to build for them in greater numbers.

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