

# **CMHC and the Building Industry: Forty Years of Partnership**

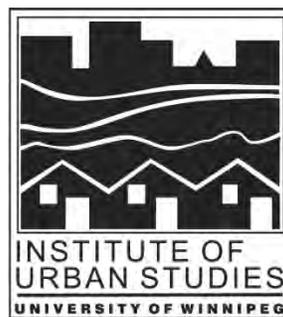
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**edited by Tom Carter  
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**The Institute of Urban Studies**





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**CMHC AND THE BUILDING INDUSTRY: FORTY YEARS OF PARTNERSHIP**

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## INTRODUCTION

It has been fifty years since Canada began implementing housing programs on a continuous basis, and forty years since a national housing agency, the Canada Mortgage and Housing Corporation (CMHC) was established (Hulchanski, 1986). Throughout this period, government and the private building industry, although they have not always agreed on policy initiatives or the program mechanisms used to implement policy, have worked together to improve the housing conditions of Canadians. There has been a strong and lasting relationship between CMHC, the government's policy and program vehicle, and the building industry; a relationship so strong it has been suggested that it has shaped all federal housing efforts (Bacher, 1986).

Many suggest this relationship has tilted Canadian housing policy in favour of those Canadians who are least in need of government assistance, the moderate and upper income households, and away from policies that may have emphasized the delivery of housing via the not-for-profit sector such as co-operatives and non-profit groups. Others, however, point to the tremendous improvement in general housing conditions indicated by the statistics; they suggest these improvements would not have occurred had this relationship not been present, in spite of the substantial growth in incomes and general improvement in economic conditions during this period.

Regardless of the point of view adopted, there is no doubt that government housing policy has always placed a high priority on improving the operation of the private market and ensured a role for the private sector in implementing social policy and improving the housing conditions of Canadians. This was evident even prior to the formation of CMHC. When the 1935 Dominion Housing Act was passed and the Canadian government formally assumed a responsibility to improve the housing circumstances of Canadians, Liberal M.P. Wilfred Hanbury stated:

If we leave the insurance and loan companies with the experience they have had in these matters in charge of this affair [the financing of housing], we have no need to fear that our [government] money will not be properly spent, and we need have little fear of politics entering in [to delivery]. (House of Commons Debate, 1935)

This point of view still persisted after World War II in the attitude of W.C. Clark, Deputy Minister of Finance who:

continued to hope that the Government could avoid having to build or own houses directly, even for its own employees and servicemen in isolated areas, and he was uneasy over the rush of events and requirements in the post war period that made it necessary for the government to enter actively into a building program of its own. Although conscious of the social welfare aspects of housing, he felt these should be secured by vigorous private or philanthropic enterprise, or by indirect government action. (Bryce, 1953)

Government attitudes certainly changed in the 1960s and 1970s under a more social welfare policy approach which saw the government play a much more direct role in providing housing for those

unable to meet their needs in the private market. However, the strong government - building industry relationship still exists. The Neilson Task Force Report states:

If a single theme could be identified for the federal government role in housing and mortgage markets, it would be one of encouraging a climate of stability in which the private sector can function most effectively. (Supply and Services Canada, 1986)

Regardless of whether the government/building industry relationship is viewed as a positive or negative influence on policy and the housing circumstances of Canadians, it has been a consistent relationship over the last several decades. The two papers in this publication highlight this relationship. Both focus on the period since World War II. The first by Frank Clayton on the single family home building industry concentrates on evolution and change in industry characteristics and the production process. However, the paper also discusses the positive stimulus of the private sector - government partnership, emphasizing common objectives and the government's ability to harness the powerful incentive of the profit motive in responding to the housing needs of Canadians.

The second paper by Joel Teal explores this partnership in even more detail, tracing evolving CMHC - industry relationships over four decades. The paper illustrates changes and highlights lessons we have learned. Mr. Teal's paper also looks at future trends and how such trends are likely to affect this relationship. Taken together, the two papers present an interesting perspective on Canadian Housing Policy since World War II.

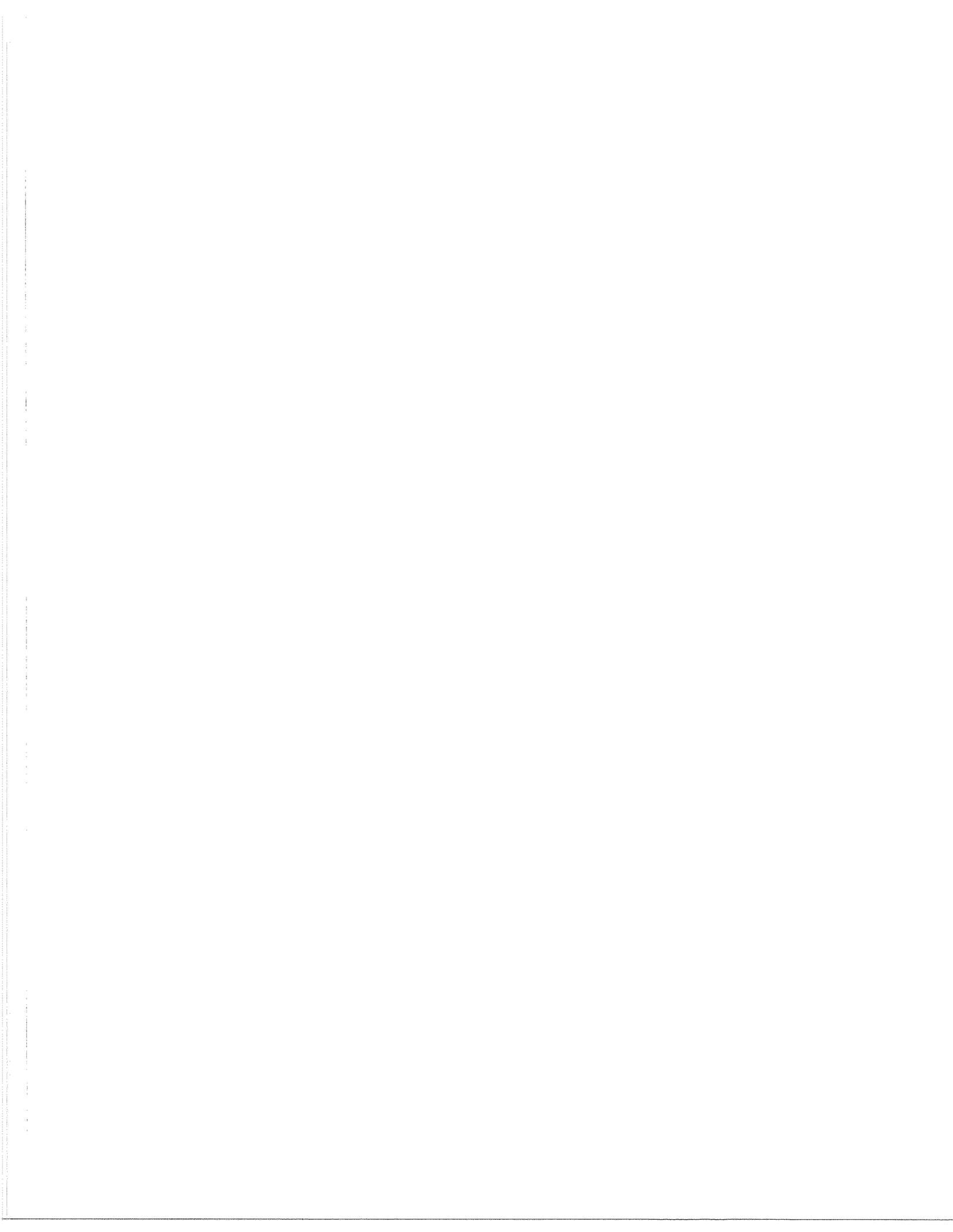
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# THE SINGLE-FAMILY HOMEBUILDING INDUSTRY IN CANADA 1946-2001

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February 1988

This paper presents highlights pertaining to single-family homebuilders from a recently completed in-depth study of the housing industry.<sup>1</sup> The *Housing Industry Study* was commissioned by CMHC to help fill a conspicuous lack of information on the producers of housing in Canada. This situation is in stark contrast to the numerous studies which have been done over the years on housing demand, needs, quality and the role of government.

## BACKGROUND

The *Housing Industry Study* separately examines four components of the housing industry: single-family homebuilders, residential land developers, apartment developers and residential renovators. Neither subtrades nor manufacturers are treated as being part of the housing industry. The study focuses on the evolution of the housing industry's characteristics and production processes. The emphasis is on the single-family homebuilding component of the industry both because of the availability of information and the fact that it represents the largest single component of housing industry output. The study examines changes over the forty year period subsequent to the ending of the second World War, and changes anticipated up to the year 2001.

Sources of information for the study included interviews with past and present participants in the housing industry, the compilation of statistical information, and a review of the literature, especially graduate theses done in a variety of fields.<sup>2</sup> The results of the study are to be published by CMHC in the form of a summary report and five working papers.<sup>3</sup>

## MAIN FINDINGS FOR THE SINGLE-FAMILY HOMEBUILDING INDUSTRY

Among the many findings of the study dealing with the single-family homebuilding industry, three stand out as the most significant:

- The single-family homebuilding industry has proven to be highly capable of adjusting to the changing marketplace, and its structure reflects the environment in which it operates. Changes in the industry have, at times, been dramatic. The flexibility in the structure of the industry distinguishes the single-family homebuilding industry per se from its major factors of production including land, labour and materials.

- Changes in the construction process for single-family housing have been largely evolutionary. However, the cumulative changes over the postwar period as a whole have been considerable. A significant shift to houses built in factories has not occurred.
- The tremendous feat of the housing industry in responding to the housing demands of Canadians during the postwar period was the result of a strong partnership between the private sector and the senior levels of government, especially the federal government. The power of the profit motive was allowed to flourish with government guidance and support.

#### A HIGH LEVEL OF ABILITY TO ADJUST TO THE CHANGING MARKETPLACE

The single-family homebuilding industry is characterized by many small builders who build fewer than 10 houses per year. There are fewer medium-sized builders (building between 25 and 99 houses per year) and even fewer large builders (building 100 or more houses per year). There are no super large builders operating on a national scale, as in the home appliance and automotive industries, but there are very few moderately large builders (e.g., Greenpark Homes in Toronto, which builds more than 1,500 houses in a typical year).

There are, however, wide regional variations in the structure of the homebuilding industry. While all markets have plenty of small builders, there are substantial regional differences in the number and the market share of large builders (firms building 100 or more houses per year). While there is a rough correlation between market size and the size of the average homebuilding firm, the exceptions are numerous as data on the average size of homebuilders in the year 1984 for five large metropolitan markets indicate (Table 1). These differences in large part reflect such local factors as land ownership patterns and planning and building regulations.

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Table 1  
Builder Activity Levels by Census Metropolitan Area

Census Metropolitan Area	Average Number of Single-Family Homes Built Per Firm
Toronto	21.5
Montreal	9.9
Vancouver	3.0
Winnipeg	12.3
Ottawa	22.5

Source: Statistics Canada: Construction Statistics Bulletin

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Following World War II, the homebuilding industry consisted mainly of very small firms. This is not surprising, given the low level of new housing production during the 1930s and the war years.<sup>4</sup> However, the explosion in the demand for new houses in the decade following the war caused a rapid expansion in the homebuilding industry, both in the number of firms and in the growth of larger builders. By the mid 1950s, NHA data indicate that a small number of large single-family builders had emerged—85 builders (4 percent of the total) built 40 percent of the houses.<sup>5</sup> The key to the growth of these larger builders was a standardized product, a ready availability of lots, and a huge demand for new housing.

The 1950s witnessed the rise of superbuilders, large firms operating in several markets across the country. These included Campeau Corporation, Quality Construction (now Qualico Developments), and, especially, Consolidated Building Corporation (CBC). CBC at its height was building in a number of markets from Vancouver to Montreal. The firm ultimately retreated to its Toronto base.

The decade of the 1960s was a period of consolidation for the single-family homebuilding industry, with annual single-family starts averaging below the numbers of the mid 1950s. During this decade the number of building firms declined, as did the market share accounted for by large builders. This consolidation also marked an end to the superbuilders. The reverse trend occurred when the demand for single-family houses expanded during the early and mid 1970s and the number of builders increased, as did the share of the larger builders. The superbuilders, however, never returned to the industry.

Then came the early 1980s, which decimated the single-family homebuilding industry. The recession of 1981-82 and, in particular, extraordinarily high interest rates sharply curtailed the demand for new housing. The number of active builders in Ontario dropped by 30 percent in the 1980-82 period. The average size of the surviving firms fell. Many builders retargetted their production to starter homes, while others diversified into renovation work. It is notable that, even in these bad times, data for Ontario and Quebec show that a sizable number of new firms entered the industry. In the mid 1980s, the demand for new single-family houses once again expanded. During this time, the number of homebuilding firms increased significantly, and the market share of large firms once again increased.

The conclusion emerging from this examination of the single-family homebuilding industry over the postwar period is that the size and structure of this industry has been very adaptable to changing market circumstances. This adaptability reflects the structure of the industry, which in turn is a product of a combination of factors, including the fact that the demand for new single-family houses is dispersed across an immense land mass, and that the demand is quite heterogeneous (by house type, design, size, floor plan, amenities, location and community and neighbourhood features, etc.). However, the

demand for other consumer goods such as automobiles and household appliances also shares these characteristics.

The uniqueness of the demand for housing is that new houses are tied to specific sites, and the bulk of factory-built houses makes transportation to the site very costly as distances increase. Because of this site-specific nature of new housing, regulation by municipalities of the land and building process is a prevalent feature. Together with the high cyclical volatility of the demand for new housing, these various factors act to retard the growth of very large building firms. Combined with ease of entry (upfront financial resources to build a few houses is often not onerous since land developers, suppliers and trades often provide credit terms), these characteristics help to explain the existence of a large number of small builders in all major market areas. The small size of the typical homebuilding firm gives the industry its adaptability but it does have negative repercussions for technological advancement in the production process.

#### EVOLUTIONARY CHANGES IN THE PRODUCTION PROCESS

A review of the materials used and the techniques employed in the construction of single-family homes over the postwar period shows that most changes have been evolutionary in nature. However, taken cumulatively, the change has been considerable. There have been many changes in material inputs: roof trusses supplanted traditional joists and rafters; prefabricated windows, cabinetry, counter tops and stairs replaced fabrication on site; new wall cladding materials, first aluminum and hardboard and then vinyl were introduced; plywood and, increasingly, waferboard replaced boards for wall and roof sheathing; new synthetic materials have made considerable inroads in areas such as prefinished trim and drain, waste and vent piping. Many of these changes represented the increasing use of factory-built materials and components, which in turn resulted in significant productivity improvements in on-site labour, especially in the first two decades of the postwar period.

The big surprise of the postwar period in terms of building technology, and a disappointment to many, has been the failure of entirely factory-built housing to be accepted into the mainstream of homebuilding technology, except, perhaps, for mobile homes in the early 1970s. One reason for this lack of market penetration was that municipal regulations imposed constraints on achieving sufficient production volumes in the first two postwar decades, when interest in factory-built housing was most intense. A second factor was the realization that potential savings over on-site construction were not substantial.

The *Housing Industry Study* explored the ways in which technological change has occurred in the single-family homebuilding industry. The development, introduction and ultimate widespread usage of roof trusses is examined in detail as a case study of technological change. It appears that single-

family building firms on their own are unlikely to pursue significant changes in the production process with any degree of vigour. There are two important reasons for this: the existence of numerous small builders, and the absence of superbuilders with the funds to invest in technological research, and since most changes are evolutionary in nature, the new processes or ideas are generally not patentable, which means that other builders can readily adopt the improvement without incurring developmental costs.

The roof trusses case study provides insight into the process of technological change in housebuilding. Key features included: a long gestation period (about 20 years from the first developmental work); a shortage of labour and materials and rising costs, providing a stimulus to look for ways to become more efficient; most of the development work occurring outside the housing industry through U.S. university and government research supported by manufacturers; Canadian builders initially adopting U.S. roof truss technology,<sup>6</sup> and; a period of a decade or more from first usage of significant numbers of trusses to widespread usage.

#### THE POSITIVE STIMULUS OF A PRIVATE SECTOR - GOVERNMENT PARTNERSHIP

In the early years of the postwar period the federal government, largely through CMHC but also through other agencies like the National Research Council (NRC), was a major participant in the development of the housing industry and housebuilding technology. This was a time when the industry was still in the adolescent phase of its development. The government and private sector participants had common objectives--to build many more houses at acceptable quality as efficiently as possible. The federal participants realized that the only way to do this was to harness the powerful incentive of the profit motive.

With respect to the expansion of the industry, the creation of CMHC in late 1945, the introduction of the Integrated Housing Program which encouraged builders to build speculative homes by guaranteeing a sales price, and the introduction of mortgage insurance in 1954 all were supportive forces. So too were the series of direct lending programs administered by CMHC through the 1957-1973 period.

On the technical side, the roof trusses case studies showed that the CMHC/NRC acceptance procedures were ultimately very positive for technical change. These agencies undertook studies of the load bearing capacity of the early truss designs and found the then current standards to be excessive. They formulated performance standards which were much less onerous. Hence, in contrast to the general perception of the results of regulation, regulation had positive repercussions on technological change. The key appeared to be scientists and engineers who understood the potential beneficial ramifications of trusses, and who were willing to challenge traditional thinking.

## THE FUTURE

The market environment faced by the homebuilding industry through the 1990s is expected to be characterized by the following: a progressive decline in the demand for new housing from the mid 1980s (although the extent of the decline will be highly dependent on future immigration levels); a continued preference for homeownership but reduced demand from traditional buyer groups (e.g., families with heads in the 25-45 age groups), and; a growing focus on lifestyle housing, catering to the needs and desires of various non-traditional buyer groups including singles, empty nesters and seniors.<sup>7</sup>

The housing product is also expected to change with the average size of new houses declining and the "intelligence" of the typical house increasing. The so-called "smart" house will have a single cable for power distribution, control/data signal distribution and audio/video signal distribution.

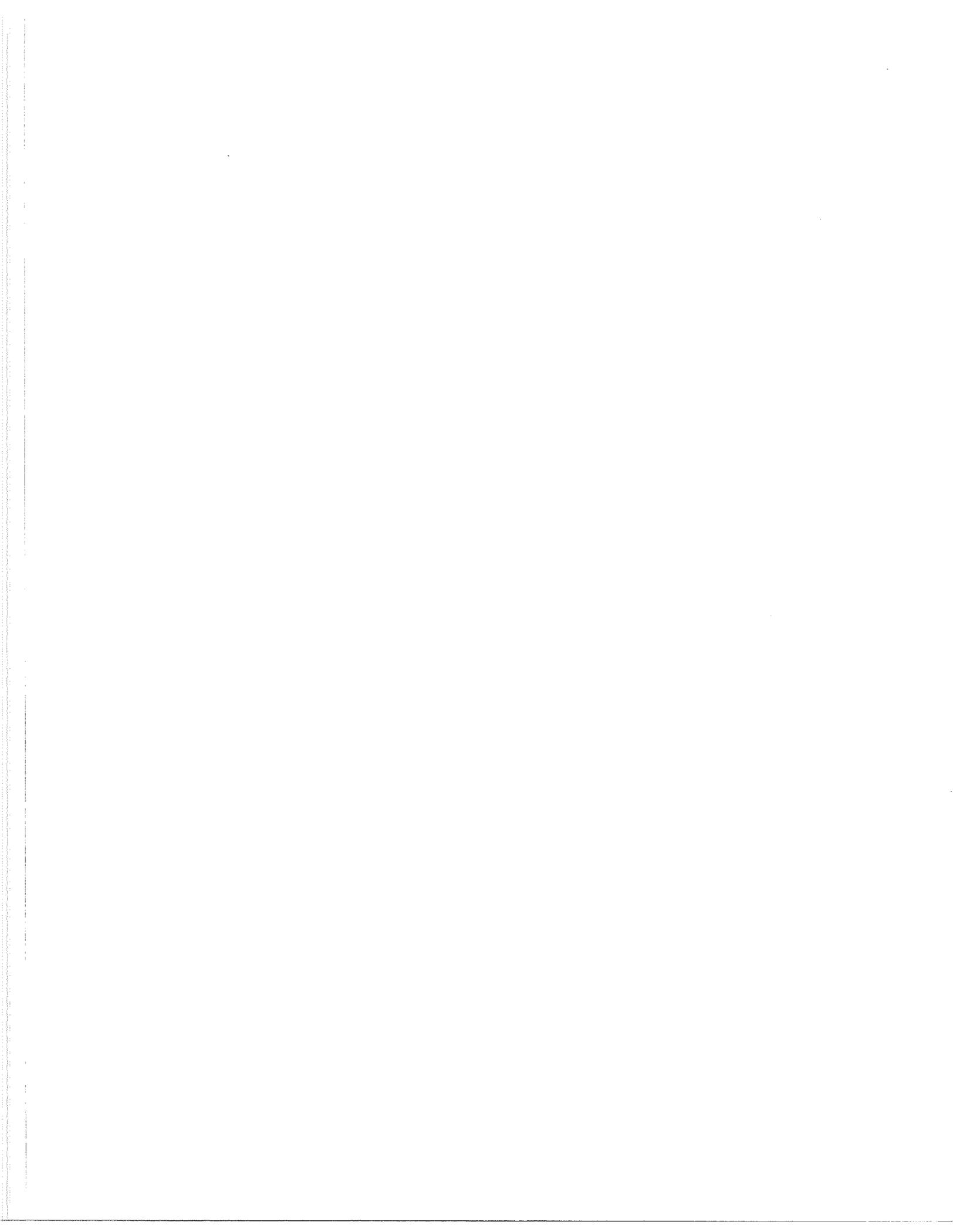
It is expected that a substantial number of builders will leave the single-family homebuilding industry over the 1986-2001 period. It is also expected that large firms will gradually increase their share of the market, because of the larger capital requirements associated with lifestyle housing. Finally, medium-sized builders will probably increasingly become specialists in particular market niches, or become more like general contractors working for developers of planned "lifestyle" developments.

Changes anticipated in the single-family homebuilding production process by the end of the century include: the process is expected to continue to grow more factory-based; the types of products used for wall and roof claddings will likely expand to include wood fibre materials, metal, vinyl and light-weight concrete; the use of preserved wood foundations may increase; framing and stressed-skin panel assemblies may increasingly be produced in wood-composite sections; house systems are expected to allow for the inclusion of "smart house" circuitry; heating, ventilating and cooling systems may increasingly utilize heat recovery from exhaust air; and exports of wood composite housing components to the United States are expected to increase.

The keys to success in the housing industry during the remainder of the century will be adaptability, flexibility, openness to innovation and the ability to recognize evolving market niches. Success will also depend on a strong and constructive relationship between the private sector and the senior levels of government, particularly in the area of technological development.

## ENDNOTES

1. Clayton Research Associates Ltd. and Scanada Consultants Ltd., *The Housing Industry: Perspective and Prospective*, February, 1988. This study was funded by Canada Mortgage and Housing Corporation.
2. Graduate theses proved to be a very fruitful source of historical information on various elements of the housing industry, generally in specific geographic markets.
3. The five working papers cover the following topics: the evolution of the housing industry in Canada, 1946-1986; the evolution of the housing production process, 1946-1986; the housing industry and the economy in Canada, 1946-1986; the housing industry and change, and; the housing industry in the future.
4. During the war years a number of very large homebuilding firms existed. However, these firms tended to be general contractors building large tracts of standardized housing for Wartime Housing Limited, a federal agency which was responsible for producing new housing for war workers and returning servicemen.
5. The average large builder constructed 171 houses in 1955.
6. The role of Canadian federal government agencies in facilitating the adoption of roof trusses is discussed in the next section.
7. Lifestyle housing will also cater to the needs of specific groups of buyers in the traditional homebuying age groups (e.g., two-earner families wanting recreation and child care facilities within their development).



# THE INTERRELATIONSHIP BETWEEN CMHC AND THE HOUSING INDUSTRY: A PRIVATE SECTOR PERSPECTIVE

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## INTRODUCTION

In discussing the interrelationship between Canada Mortgage and Housing Corporation (CMHC) and the housing industry, my remarks will focus on three specific areas: a summary of the evolution of the CMHC/industry relationship over the past four decades; an identification of the lessons learned; and finally, a brief look at some future trends. The observations relating to the past eighteen years are based in large part upon my personal experiences. For the earlier period, I will be depending upon impressions gained over the years from individuals I have known, and various reports which are available. Quotes from a variety of CMHC documents are included with apologies to the authors, and I must emphasize that my observations are my personal views.

## THE PAST FOUR DECADES - CMHC AND THE HOUSING INDUSTRY

Think back, if you will, to 1946. A crisis had been building up since the beginning of the depression years when people could not afford to build houses, and it continued through the war years when labour and materials were not available. A critical housing shortage developed, and this shortage was exacerbated when the returning veterans were discharged, got married and began looking for a place to raise a family.<sup>1</sup>

In 1946, Canada set out upon a quarter century of extraordinary expansion. At that time, however, there was no expectation of the great tide of population that would flow into the big cities, with formidable consequences: the problems of the poorer regions, drained of their economic thrust, and the dominating power of metropolitan populations which would threaten to upset the constitutional balance of the nation.<sup>2</sup>

Such future expectations were thrust into the background by enormous accommodation shortages and deplorable housing conditions. On top of this, the war years had initiated great migration from rural to urban areas, swelling cities beyond their capabilities. Many stories are told of squatter families and individuals moving into abandoned buildings, barracks, government offices, and in one incident an entire hotel in Vancouver was taken over by migrants.<sup>3</sup>

Even before CMHC started in business, the question had already arisen: was this to be simply a money-management agency, or was its role to include giving leadership in the planning of

communities and the social and physical design of housing? The housing difficulties facing the nation in 1946 were not unexpected; the Curtis Report released in 1944 presented a well-researched and well-rounded view of what would be needed in the postwar era, including subsidies for low-rental housing. However, for the industry, the most important recommendation of the report was that all housing programs, both public programs and public enterprise, should be under the general direction of a single federal agency or department.<sup>4</sup> CMHC was thus created.

Initially, there was very little notion of social housing. CMHC was devoted almost exclusively to getting the private housing industry in operation again after ten years of depression and five of wartime controls. The immediate issues lay in the transformation from a wartime to a peacetime economy and in the backlog of housing needs. It was decided the housing needs of the very poor could best be served by a healthy commercial housing market and industry, and by a fully employed labour force.<sup>5</sup>

The form of organization chosen to propel Canada's postwar housing production was very familiar to the Minister of Reconstruction and Supply, the Right Honourable C.D. Howe. Under wartime conditions, a number of Crown Corporations had proven their capacity to deal with urgent tasks, with the initiative and muscle not always available to government departments.<sup>6</sup> In a crisis, it had seemed best to set a clear objective, provide the necessary funds, and appoint strong management with reasonable freedom of action and a detachment from government and politics. In this crisis, the objective was clear: a lot of housing quickly.<sup>7</sup>

In the late 1940s and throughout the 1950s, several programs were introduced to achieve housing production objectives. For example: joint loans with lenders; guarantees to builders; spec loans to builders; the rental insurance plan; and, in 1954, perhaps the most significant of all, mortgage loan insurance. However, in addition to these market oriented production programs, there were some emerging initiatives targeted at low rental housing. A further development with far reaching effects upon CMHC and the industry was the adoption of the housing standards published by the National Research Council as the standards applicable to all NHA financing.

While CMHC and the industry were busy housing great numbers of new family formations, these new families themselves were busy having children. This baby boom was to have significant consequences for the industry later in the time frame. During this period, the housing industry was also born. In many instances, CMHC was in a parental role. The industry leaned on CMHC for technical know how, financial assistance and business advice. The CMHC branch managers of that era often look back nostalgically. "Why I remember when Henry built his first home. He didn't know much about the business, but we worked together and look at his company now!" Some envy can be sensed in the words of some CMHC oldtimers, but mostly they reflect a sense of pride and accomplishment. This is the dominant recollection of the 1950s—a brave new beginning.

A reading of CMHC's history in the 1960s leads one to the conclusion that this was a maturing organization, confident of its abilities and ready for some adventure. New programs were designed with broad, sometimes contradictory objectives. Municipal infrastructure loans, urban renewal, student housing, expanded and restructured public housing programs, non-profit housing, the first continuing co-op, a winter housebuilding program, mortgage insurance for existing housing and even special provisions for fallout shelter financing were all introduced during the 1960s.

This period reflected a heightened awareness of the plight of the poorer segments of Canadian society. It was also an idealistic period. There was a widely held conviction, a dream if you will, that given the mandate and enough money government programs could cure all the perceived ills of urban Canada. CMHC was established and strong--definitely the unchallenged leader in the CMHC - industry relationship. The industry itself was still relatively young, unsophisticated in the area of public policy, and busy building houses. If the mother corporation felt these programs were a good idea, it must be so!

By the end of the 1960s, the era of the flower children, some of the roses were losing their bloom. I quote the Lithwick Report of 1970:

The role of CMHC has been a mixed one. A number of programs have been launched with various and often conflicting objectives. Of the greatest importance in dollar terms are urban renewal and public housing. Urban Renewal--designed to eliminate blight--has led to the removal of more houses of low income groups than have been built under public housing programs. The total urban effects of these programs have been overlooked, both at the planning stage and after completion of the projects. Alternative policies have not often enough been considered, and as a result there have been less than optimal returns on the resources invested. CMHC seems to have assumed that housing can solve such complicated urban problems as slum development, poverty, sprawl and pollution. This is far from the case.<sup>8</sup>

Coincidentally with this analysis of previous program successes and failures, there was a new priority emerging for the 1970s. The baby boomers were starting to make their presence felt in the marketplace. This fact began to be reflected in rapidly escalating demand for a vast array of products, not the least of which was housing. In hindsight it should not have been surprising that we had the advent of worldwide inflation. Economic systems were not geared for the demand which had been thrust upon them because of demographics. The delivery systems for housing in Canada were no different.

The chief concern quickly became supply - supply in general and, more particularly, supply of affordable housing. Thus, the 1970s were dominated by the introduction of programs geared to supplying "affordable housing:" the special \$200 million Innovative Housing Program (a pilot program providing subsidized homeownership); the Assisted Homeownership Program (AHOP); private non-profit housing; land assembly; Neighbourhood Improvement Program (NIP); the Residential

Rehabilitation Assistance Program (RRAP), and; the Assisted Rental Program. The industry was booming. Arguably, it would have been booming with or without the CMHC programs. In looking back, there are many who believe that these programs added fuel to demand instead of dampening the fire through supply, as was their intent.

For the most part, however, the industry accepted these programs and participated enthusiastically. The Corporation was delivering programs which helped the industry chalk up production records which made the 1970s the boom years in virtually every market area in Canada. Beneath the surface, however, there was a growing awareness that these programs required considerable bureaucratic administration, and caused distortions in the rest of the market.

Then came the 1980s. We were just getting settled in for another decade of prosperity and--*wham!*--we were told in no uncertain terms that enough was enough. The instrument used to deliver the message was blunt--22 percent interest rates. We will never know whether this method of cooling inflation was necessary, or whether the costs outweighed the benefits. (Personally, I can hardly wait for the economic historians to debate this one!).

Nevertheless, what is certain is that the housing industry hit the skids and real estate markets, especially in the West, and particularly in Alberta, fell through the floor. CMHC also took it on the chin. The Mortgage Insurance Fund went into an actuarial deficit approaching \$1 billion. Furthermore, the overall federal government deficit was out of control. Financial programs to stimulate the market, like those of the 1970s, were in disfavour, particularly with a new Conservative government. A new feeling was also abroad in the housing industry. Majority opinion was forming that many of the old interventionist programs not targeted to the needy did more harm than good. The industry had grown up. It was anxious to stand on its own feet.

Notwithstanding this move away from support for stimulative programs, the industry today still views CMHC as a welcome partner with a leadership role in areas which enhance rather than distort the housing market. These areas include: mortgage insurance; mortgage backed securities; income targeted - industry built social housing; technical research; market analysis, and; construction standards leadership. After some colourful, inventive, and sometimes turbulent experiments with a number of different roles and programs, it would seem that CMHC has settled into a comfortable pew in the last half of the 1980s. During this decade, CMHC's mandate has been pulled apart piece by piece and put back together in a clear and constructive manner. The housing industry participated in this exercise, and concurs with the new directions.

## LESSONS LEARNED AND THEIR RELEVANCE TO CMHC - INDUSTRY RELATIONS

Were any lessons learned over the past forty years? Do these lessons give us guidance for future relations between CMHC and the housing industry? Clearly the answer to both these questions is "yes." What follows is my personal list:

### 1. **CMHC involvement in the marketplace by way of non-targeted financial incentive programs.**

Typically, these programs are introduced to stimulate economic activity or as a supply response in situations of excess demand. In both cases, they are inappropriate. Artificial stimulation of the housing sector for job creation or other spinoffs cannot be sustained on a national basis not to mention the fact that these programs create many unintended results. On again - off again intervention is particularly disruptive. As for the excess demand situation, history has shown repeatedly that, given time, the private sector responds and a supply - demand balance returns to the market.

The industry must keep a constant vigil to discourage stimulative initiatives. This frequently involves keeping an eye on fellow industry members who are not always convinced. CMHC must heed this message from the industry and recollect its own experiences. CMHC's role is to advise politicians who live with the constant temptation to use the housing industry to deliver politically attractive programs for short-term voter appeal.

### 2. **CMHC financial support mechanisms such as mortgage insurance and mortgage backed securities.**

These programs are appropriate as long as they are self-financing and do not undermine the existence or creation of similar products and services in the private sector. Within these programs, CMHC relationships with the industry include the users of the product, i.e., mortgage borrowers, the insured lenders, and the private sector competitors in both the insurance and securitization fields. These relationships take many forms and could be expanded upon at length. The key lesson is that CMHC must never forget that in these areas CMHC is in business. They must conduct their affairs accordingly. Risk management, sales and marketing, product design, customer service and numerous other functions not normally associated with "government agencies" come into play. To be successful, CMHC must constantly interface with the industry, the clients and competitors, like any successful entrepreneur.

### 3. **CMHC social housing programs targeted to the needy.**

These initiatives are an appropriate intervention in the housing field by the federal government through CMHC. The challenge is primarily one of resource allocation. Allocations must grapple with regional issues as well as definitions of need. The private industry has a role to play in the design and physical delivery of this housing. For its part, CMHC must constantly ensure that the delivery system maximizes the use of competitively selected private sector participants. CMHC must also monitor closely the delivery methods employed by the many provincial housing corporations responsible for program delivery. The industry must at the same time be a watchdog and a constructive participant.

### 4. **CMHC research in construction technology and market analysis.**

Research in construction technology is project-specific. There are numerous projects for which CMHC participation is entirely appropriate, and others which should be left to the private

sector. A co-operative relationship with the industry is essential in this area of growing interest. It is incumbent upon the industry to respond to CMHC's invitations to participate. Important work can be done, and needs to be. In the past, too much research money was spent which did not generate practical usable findings.

Market research, on the other hand, is a basic requirement for CMHC's operation, particularly mortgage insurance. The industry and CMHC can mutually benefit by improvements in market analysis and this is an appropriate area in which CMHC can provide leadership for a fragmented, non-research oriented industry.

## SOME TRENDS TO WATCH

CMHC has clarified its mandate and the policy principles upon which it operates. Nevertheless the future will undoubtedly bring new challenges which are unlike those of the past, and which require a different application of established principles. Some of the interesting future questions may be:

1. How can CMHC respond flexibly to the increasingly diverse regional housing environments which range from metropolitan Toronto to remote and isolated rural villages?
2. What new initiatives will be appropriate to address housing requirements for an aging population?
3. Will the Free Trade Agreement have implications for current construction standards and/or materials evaluation and certification?
4. Are there specific new initiatives which are appropriate for CMHC participation in the burgeoning renovation industry?
5. What should be done to enhance the quality and prolong the useful life of the existing public housing stock?
6. Are there regulations administered by CMHC which could be deregulated?
7. Is there a role for CMHC and the housing industry in debating Canada's stagnant population growth with particular attention to immigration policy?
8. Are there activities currently being performed by CMHC which should/could be privatized?
9. What are the expected impacts of Phase Two - Sales Tax Reform upon the housing sector?
10. What else can be done to improve the quantity and quality of affordable housing for needy Canadian families in a fair and equitable manner?

These may well be the issues that provide the challenges for CMHC and the industry in the future.

## SUMMARY

In summary, the partnership between CMHC and the industry is now 40 years old. It is a mature and productive relationship. It has many facets and occurs at many levels and concerns many subjects. It occurs between the respective executives of CMHC and the Canadian Home Builders Association. It occurs between site superintendents and building inspectors.

To say that the post-war era has been characterized by dramatic change and growth is an extreme understatement. In Canada we have seen entire new cities come into being. Our housing stock has actually tripled. I will repeat what many readers have heard a thousand times, because we must never lose this perspective: Canadians as a whole are now among the best housed people in the world. Both CMHC and the private sector can be justifiably proud of what has been accomplished. From where I sit, there is every reason to believe that the next 40 years, for CMHC and the housing industry will be as eventful and productive as the past.

## ENDNOTES

1. *Housing in Canada 1946-1970*. Supplement to the 25th Annual Report of CMHC, "Housing the Veterans" (Ottawa: CMHC, 1970).
2. *Housing in Canada 1946-1970*. Supplement to the 25th Annual Report of CMHC, "Twenty-Five Years" (Ottawa: CMHC, 1970).
3. R. Manore, *Perspective—January 1966* (Ottawa: CMHC, 1966).
4. Humphrey Carver, *Housing A Nation: 40 Years of Achievements, The Expanding Imagination* (Ottawa: CMHC, 1986).
5. R. Manore, *Perspective—January 1986* (Ottawa: CMHC, 1970).
6. *Housing in Canada 1946-1970*, "Housing the Veterans."
7. Ibid.
8. N.H. Lithwick, *Urban Canada—Problems and Prospects, Directions for Public Policy* (Ottawa: CMHC, 1970).