



## PRESS RELEASE



*Canadian Mortgage News - National Archive 2004*

### Starts Expected to Remain Strong in 2004

**OTTAWA, Ontario, May 4, 2004** — Housing starts are expected to remain strong in 2004, reaching 208,500 units, down slightly from 2003 levels but still their second highest level since 1989, according to Canada Mortgage and Housing Corporation's (CMHC) **CMHC Housing Outlook, National Edition** report for the second quarter of 2004.

"Low mortgage rates combined with accelerated economic growth and continued strong consumer confidence will contribute to the robust performance of the housing market this year", said Bob Dugan, Chief Economist at CMHC. "Gradually rising mortgage rates next year and a better balance between listings and sales in the existing home market, will ease new home construction in 2005, when starts are expected to reach 192,200 units."

"Existing home sales, as measured by MLS<sup>®</sup>, will decrease slightly from last year's record levels. Moderate increases in mortgage rates next year, along with higher house prices, will cause existing home sales to continue to edge lower in 2005. As sales moderate, relative to the number of listings on the market, growth in the average price of existing homes will slow from 7.7 per cent this year to 4.2 per cent in 2005."

"Over the medium term (2006–2008), housing starts will continue to decline, reaching 170,000 units by 2008," added Dugan. "The decrease in starts in the medium term will reflect rising mortgage rates as monetary policy moves from an expansionary to a more neutral stance bringing starts in line with the rate of household formation."

British Columbia is expected to have the highest percentage growth in housing starts nationally in 2004 as stronger economic growth fuels employment and income growth, creating high levels of consumer confidence. It will be one of two provinces with an increase in housing starts in 2005. Starts are expected to reach 30,000 units this year and increase to 30,700 units in 2005.

Expectations for 2004 remain high in Ontario, but slower migration, less spillover demand from existing home markets and a shrinking pool of first time buyers will slow construction. Starts will drop from last year's peak level of 85,180 units to 77,000 units, bringing starts more in line with demographic trends. Levels will continue to drop in 2005 to 71,000 units.

Continued increases in net migration, low interest rates and still tight housing markets will support high residential construction activity in Quebec with 49,500 units in 2004, down slightly from the record high of 50,289 units in 2003. Starts will continue to fall in 2005 to 43,000 units.

In the Prairies, weaker employment prospects, combined with lower migration will cause starts to decline this year. Levels will remain high however, compared with the last decade. The trend will continue into 2005 with fewer starts in Alberta at 29,550 units, down from an expected 33,050 units in 2004 and Manitoba at 3,780 units, down from an expected 4,000 units in 2004. Starts in Saskatchewan are expected to increase to 3,150 units in 2005, up from an expected 3,050 units this year.

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Following the Atlantic region's large gains in housing starts since 2001, new construction is expected to moderate in 2004 and 2005 partly due to softer employment conditions. New Brunswick is the only Atlantic province where starts will increase this year, to 4,625 units, due to continuing intra-provincial migration to large urban centers.

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| <b>National Housing Outlook</b>      |                        |                           |                           |
|--------------------------------------|------------------------|---------------------------|---------------------------|
| <b>Key Housing Market Indicators</b> |                        |                           |                           |
|                                      | <b>2003<br/>Actual</b> | <b>2004<br/>Forecasts</b> | <b>2005<br/>Forecasts</b> |
| Total housing starts (units)         | *218,400               | *208,500                  | *192,200                  |
| Total single-detached houses         | *123,200               | *119,400                  | *110,000                  |
| Total multiple housing units         | *95,200                | *89,100                   | *83,400                   |
| Total MLS® sales**                   | *439,500               | *438,400                  | *419,600                  |
| Average MLS® selling price (\$)**    | *206,200               | *222,100                  | *231,500                  |

| <b>Provincial Housing Outlook</b> |                        |                           |                           |
|-----------------------------------|------------------------|---------------------------|---------------------------|
| <b>Total Housing Starts</b>       |                        |                           |                           |
|                                   | <b>2003<br/>Actual</b> | <b>2004<br/>Forecasts</b> | <b>2005<br/>Forecasts</b> |
| Newfoundland and Labrador         | 2,692                  | 2,400                     | 2,300                     |
| Prince Edward Island              | 814                    | 750                       | 700                       |
| Nova Scotia                       | 5,096                  | 4,125                     | 3,825                     |
| New Brunswick                     | 4,489                  | 4,625                     | 4,200                     |
| Quebec                            | 50,289                 | 49,500                    | 43,000                    |
| Ontario                           | 85,180                 | 77,000                    | 71,000                    |
| Manitoba                          | 4,206                  | 4,000                     | 3,780                     |
| Saskatchewan                      | 3,315                  | 3,050                     | 3,150                     |
| Alberta                           | 36,171                 | 33,050                    | 29,550                    |
| British Columbia                  | 26,174                 | 30,000                    | 30,700                    |

SOURCE: CMHC Housing Outlook, National Edition, Second Quarter 2004.

\* Rounded off to the nearest hundred.

\*\* The term MLS® stands for Multiple Listing Service and is a registered trademark of the Canadian Real Estate

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Association (CREA). Data is for 10 provinces.