



## PRESS RELEASE



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### **Starts will Reach 17 Year High in 2004**

**OTTAWA, Ontario, August 4, 2004** — Housing starts are expected to hit 225,700 units, up from 2003's robust pace of 218,426 starts, making 2004 the strongest year since 1987 for new home construction, according to Canada Mortgage and Housing Corporation's (CMHC) third quarter CMHC Housing Outlook, National Edition report.

"In March of this year, the five-year mortgage rate was at the lowest level since April 1951. Although rates have risen, they remain very low and together with solid employment and income gains will propel housing starts to a 17-year high," said Bob Dugan, Chief Economist at CMHC. "As mortgage rates continue to rise next year, demand for new homes will cool and starts will slow to 204,200 units."

"Existing home sales, as measured by Multiple Listing Service (MLS®), have established record levels in each of the past two years and 2004 will be no different. MLS® sales will increase to 457,000 units in 2004, up 5.1 per cent from last year's pace. Moderate increases in mortgage rates in 2005, along with higher house prices, will cause existing home sales to edge lower to reach 433,100 units. As sales moderate, relative to the number of listings on the market, growth in the average price of existing homes will slow from 9.2 per cent this year to 4.6 per cent in 2005."

"The outlook for renovation spending is also upbeat. Record levels of sales of existing homes, a strong job market, and low borrowing costs are the catalysts for strong growth in renovation spending forecast for this year. Spending on renovations will rise 9.1 per cent in 2004 to reach \$36.3 billion and will continue to advance strongly in 2005, reaching \$38.5 billion, a 6.0 per cent increase over 2004. The strength in renovation spending will be broadly based across the country this year with the largest gains occurring in British Columbia and Quebec," added Dugan.

Housing starts in British Columbia are expected to increase by 21.1 per cent to 31,700 units in 2004, the strongest growth among all provinces. B.C.'s housing market reflects improved economic growth, which will fuel employment and income gains. Starts are expected to increase to 32,400 units in 2005 making the province the only one where starts are forecast to increase next year.

In Ontario, starts will edge lower to reach 84,500 units, marginally below last year's 14-year high of 85,180 units. In 2005, lower levels of net inter-provincial migration and less spillover demand from existing home markets will slow housing starts to 76,500 units, moving them more in line with underlying household formation.

In Quebec, continued increases in net migration, low interest rates and stronger growth in the province's economy will support high residential construction activity in 2004 when starts increase to 56,000 units. Starts are expected to fall in 2005 to 47,000 units.

In the Prairies, the housing market trends are mixed. In Alberta, starts are expected to slow again this year to 33,900 units. The fewer starts reflect weaker household formation due to reduced inflows of migrants from other provinces compared with a few years ago. Starts in Saskatchewan and Manitoba will strengthen this year to reach 3,400 units and 4,300 units, respectively. Employment and income gains and higher inflows of migrants to these provinces are key

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drivers behind the increase in starts this year. Next year, housing starts in all three of the Prairie Provinces are forecast to decrease. Starts will fall to 30,000 units in Alberta, to 3,150 units in Saskatchewan and to 4,000 units in Manitoba in 2005.

Following the Atlantic region's large gains in housing starts since 2001, new construction is expected to moderate in 2004 and 2005 but, will remain at high levels. Prince Edward Island is the only Atlantic province where new construction will increase this year reaching 900 units in 2004. Starts will fall to 750 units in 2005.

### Information on this release:

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<b>National Housing Outlook</b>			
<b>Key Housing Market Indicators</b>			
	<b>2003 Actual</b>	<b>2004 Forecasts</b>	<b>2005 Forecasts</b>
Total housing starts (units)	*218,400	*225,700	*204,200
Total single-detached houses	*123,200	*127,700	*116,200
Total multiple housing units	*95,200	*98,000	*88,000
Total MLS® sales**	*434,700	*457,000	*433,100
Average MLS® selling price (\$)**	*207,200	*226,200	*236,500

<b>Provincial Housing Outlook</b>			
<b>Total Housing Starts</b>			
	<b>2003 Actual</b>	<b>2004 Forecasts</b>	<b>2005 Forecasts</b>
Newfoundland and Labrador	2,692	2,575	2,450
Prince Edward Island	814	900	750
Nova Scotia	5,096	4,100	3,875
New Brunswick	4,489	4,300	4,100
Quebec	50,289	56,000	47,000
Ontario	85,180	84,500	76,500
Manitoba	4,206	4,300	4,000
Saskatchewan	3,315	3,400	3,150
Alberta	36,171	33,900	30,000
British Columbia	26,174	31,700	32,400

SOURCE: CMHC Housing Outlook, National Edition, Third 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 Association (CREA). Data is for 10 provinces.