



PRESS RELEASE



Canadian Mortgage News - National Archive 2004

Residential Construction to Ease in 2005

OTTAWA, Ontario, October 28, 2004 — Housing starts in Canada will reach 226,800 units this year as favourable economic factors carry starts to a 17-year high, according to Canada Mortgage and Housing Corporation's (CMHC) fourth quarter, CMHC Housing Outlook, National Edition report.

"Activity in the new home market in the third quarter hit heights not seen since the latter half of the 1980's, so the stage is now set for residential construction activity to slow in the months ahead," said Bob Dugan, Chief Economist at CMHC. "Looking at the months ahead, rising prices and mortgage rates will result in lower housing demand."

Housing starts will slowly drift back toward more sustainable levels over the medium term, but will still remain high at 210,200 units in 2005.

Resale activity, as measured by the Multiple Listing Service (MLS®), is expected to set all time high sales records for the third consecutive year at 462,600 units in 2004. MLS® sales will rise across the nation this year with the exception of Nova Scotia where they will fall for the second consecutive year.

"Resale activity will dip 3.6 per cent next year to 445,900 with the greatest declines coming in Alberta and British Columbia. As sales activity backs off its record setting clip and listings increase, the existing home market will move closer to a balanced position next year, resulting in a deceleration of price gains. Look for the average MLS® price to climb 5.3 per cent next year following this year's 9.2 per cent," added Dugan.

British Columbia's residential construction boom is expected to increase 21.1 per cent to 31,700 units this year. Solid gains in employment, increased interprovincial migration and high levels of consumer confidence will continue to drive housing demand into 2005. B.C. is forecast to be the only province in Canada to register an increase in housing starts next year at 32,400 units.

Ontario has moved into its third year of strong home construction. Key drivers of Ontario's housing demand include low mortgage rates, moderately strong in-migration and respectable job growth. Starts will edge higher to reach 85,200 units this year, virtually on par with last year's 14-year high of 85,180 units. In 2005, starts will reach 79,000 units, closer to the province's demographically driven demand.

After benefiting from favourable economic and demographic conditions, Quebec housing starts will be strong at 56,000 units this year. Sluggish employment growth and the slight rise in mortgage rates next year will lead to lower housing demand. For 2005, in spite of continued high levels of net migration, loosening resale and rental housing markets will cause residential construction in Quebec to fall to 48,000 units.

High levels of investment in the oil and gas sector will continue to boost both the Alberta and Saskatchewan economies. Saskatchewan has also benefited from a rebound in the agriculture and manufacturing sectors. In Manitoba, higher levels of consumer spending, capital investment and exports are fuelling the economy.

Canadian Mortgage News - Residential Construction to Ease in 2005

Residential construction has been trending higher in both Manitoba and Saskatchewan with starts this year expected to reach 4,600 units and 3,400 units respectively. Housing starts in Alberta however, are set to register a decline to 34,000 units. In 2005, home construction will slow to 4,400 units in Manitoba, 3,200 units in Saskatchewan and 32,000 in Alberta.

In New Brunswick, rising building material and land costs, wages and mortgage rates will cause housing starts to decline to 3,750 in 2004 and 3,700 units in 2005.

With only modest economic and employment growth forecast for Nova Scotia through 2005, the outlook is an uninterrupted, steady decline in housing activity as total housing starts fall to 4,450 units this year and 4,225 units next year.

Prince Edward Island starts are forecast to decline to 750 units next year after posting 900 starts this year, the highest level since 1988.

In Newfoundland and Labrador, economic growth will ease as oil production moderates and government restraint takes hold. With a slowing economy and rising costs associated with home ownership, starts are forecast to be lower in 2005 at 2,500 units after reaching 2,750 units this year.

Information on this release:

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National Housing Outlook

Key Housing Market Indicators

	2003 Actual	2004 Forecasts	2005 Forecasts
Total housing starts (units)	*218,400	*226,800	*210,200
Total single-detached houses	*123,200	*127,500	*118,000
Total multiple housing units	*95,200	*99,300	*92,200
Total MLS [®] sales**	*434,700	*462,600	*445,900
Average MLS [®] selling price (\$)**	*207,200	*226,200	*238,300

Provincial Housing Outlook

Total Housing Starts

	2003 Actual	2004 Forecasts	2005 Forecasts
Newfoundland and Labrador	2,692	2,750	2,500
Prince Edward Island	814	900	750
Nova Scotia	5,096	4,450	4,225
New Brunswick	4,489	3,750	3,700
Quebec	50,289	56,000	48,000
Ontario	85,180	85,200	79,000

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Manitoba	4,206	4,600	4,400
Saskatchewan	3,315	3,400	3,200
Alberta	36,171	34,000	32,000
British Columbia	26,174	31,700	32,400

SOURCE: CMHC Housing Outlook, National Edition, Fourth 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.