



PRESS RELEASE



Canadian Mortgage News - National Archive 2005

Starts to Stay Above 200,000 Through 2006

OTTAWA, Ontario, February 3, 2005 — Residential construction will moderate from 2004's 17-year high of 233,431 units to reach 216,300 starts this year, according to Canada Mortgage and Housing Corporation's (CMHC) first quarter Housing Market Outlook, Canada Edition report. Residential construction will continue to ease in 2006 with national housing starts dipping 7.0 per cent to 201,100 units.

"The housing market is set to slow in the months ahead as the demand for home ownership begins to ease toward more sustainable levels," said Bob Dugan, Chief Economist at CMHC. "Interest rates are forecast to nudge higher in both 2005 and 2006 and house prices will continue to rise. As a result, mortgage carrying costs will rise which will temper demand for home ownership."

Existing home sales, as measured by the Multiple Listing Service (MLS®), are forecast to decrease 2.4 per cent to 445,100 units this year. With prices up by about 30 per cent in the last three years and mortgage rates forecast to inch higher, existing home sales will decrease in 2005 and 2006. Fewer sales and an increase in the number of new listings will ease price pressures in the existing home market. MLS® prices, which increased by 9.7 per cent in 2004, will rise at a more modest pace as the resale markets in most metropolitan centres move toward a balanced state. The average price will increase by 5.8 per cent in 2005 and 3.4 per cent in 2006.

Housing starts in British Columbia are expected to rise modestly this year to 33,600 units, up 2.1 per cent from 32,925 units in 2004. Growth will be based on moderate economic growth, momentum from past employment gains, and positive migration flows.

Ontario home starts, at 85,114 units in 2004, ended the year just short of a 15-year record. Construction will be high, but edge lower over the next couple of years as mortgage rates inch up and the growing number of listings offer home buyers more choice. Starts in 2005 will reach 80,500 units, their third highest level in 15 years and edge lower in 2006 to 75,000 units, closer to the province's demographically driven level of demand.

In 2004, housing starts in Quebec reached 58,448 units, more than double the number of starts produced as recently as 2001. Looking ahead residential construction is not expected to sustain the strong pace set in 2004, nevertheless, high net-migration will continue to support a relatively high level of new home construction. Housing starts will fall 16.2 per cent in 2005 to reach 49,000 units in 2005 and fall further to 44,000 units in 2006.

Investment in the energy sector and a large provincial budget surplus will result in a strong Alberta economy in 2005 and 2006. These favourable economic conditions will allow Alberta to continue to attract workers from other provinces who are seeking job opportunities. Nevertheless, inter-provincial migration will remain at lower levels than a few years ago, therefore, housing starts will decrease to 33,000 units in 2005, down from 36,270 units in 2004. Starts will edge lower in 2006 reaching 31,500 units.

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Total housing starts in Saskatchewan will edge higher from 3,781 units in 2004 to 3,850 units in 2005 and then slide to 3,500 units in 2006. Normal levels of agriculture production and growth in the energy and mining sectors are the major factors behind the outlook.

In Manitoba, housing starts will decline slightly from 4,440 units in 2004 to 4,400 units in 2005 and rise to 4,800 units in 2006. Higher population growth is the major driver behind the strong outlook for residential construction.

After slowing to 3,947 units in 2004, new home construction in New Brunswick is expected to remain level this year. Housing starts are expected to reach 4,000 and 3,700 units in 2005 and 2006, respectively.

Nova Scotia's housing market will remain below its recent peak in the residential real estate cycle in both 2005 and 2006. However, economic conditions are expected to be sufficiently healthy over the forecast period. Total housing starts will edge higher from 4,717 units in 2004 to 4,750 units this year and decrease to 4,550 in 2006.

Prince Edward Island's economy is expected to grow at a moderate rate over the forecast period. Residential construction will remain strong but will decline from 919 starts in 2004 to 750 starts in 2005 and 710 starts next year.

In Newfoundland and Labrador economic conditions will deteriorate compared to recent years. When combined with rising inventories of existing homes residential construction will decline from 2,870 starts in 2004 to 2,475 and 2,225 starts in 2005 and 2006, respectively.

Information on this release:

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National Housing Outlook			
Key Housing Market Indicators			
	2004 Actual	2005 Forecasts	2006 Forecasts
Total housing starts (units)	233,431	*216,300	*201,100
Total single-detached houses	129,171	*118,500	*110,000
Total multiple housing units	104,260	*97,800	*91,100
Total MLS [®] sales**	456,108	*445,100	*427,300
Average MLS [®] selling price (\$)**	227,261	*240,500	*248,700

Provincial Housing Outlook			
Total Housing Starts			
	2004 Actual	2005 Forecasts	2006 Forecasts
Newfoundland and Labrador	2,870	2,475	2,225

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Prince Edward Island	919	750	710
Nova Scotia	4,717	4,750	4,550
New Brunswick	3,947	4,000	3,700
Quebec	58,448	49,000	44,000
Ontario	85,114	80,500	75,000
Manitoba	4,440	4,400	4,800
Saskatchewan	3,781	3,850	3,500
Alberta	36,270	33,000	31,500
British Columbia	32,925	33,600	31,100

Source: CMHC Housing Market Outlook, Canada Edition, First Quarter 2005.

* 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.