



PRESS RELEASE



Canadian Mortgage News - National Archive 2005

Starts to Gradually Descend from 2004 Peak

OTTAWA, Ontario, May 16, 2005 — Residential construction will taper off in 2005, and reach 216,400 units, a decrease of 7.3 per cent from 2004, according to Canada Mortgage and Housing Corporation's (CMHC) second quarter **Housing Market Outlook, Canada Edition** report. This will be the third highest level for housing starts in 17 years. In 2006, residential construction will continue to slow but will remain strong by historical standards. Housing starts will drop 7.5 per cent to 200,200 units next year.

"The outlook for housing starts remains upbeat for this year and next," said Bob Dugan, Chief Economist at CMHC. "However, a slight rise in mortgage rates, eroding pent-up demand, slower employment growth, and waning spill-over of buyers from the existing home market are some of the factors that point to a gradual slowing in the pace of new home construction."

Existing home sales, as measured by the Multiple Listing Service (MLS®), will register their second best year on record with 441,100 units in 2005, a slight decrease of 4.3 per cent compared to the previous year. A rise in new listings will help maintain the level of transactions well above the 400,000 mark for each of the next two years. However, the steady price increases of the past three years and the expected rise in mortgage rates will push mortgage carrying costs higher and housing demand will ease gradually. This in turn will create more balanced conditions in the existing home market and cause price growth to slow to 6.8 per cent in 2005 and 4.3 per cent in 2006.

This edition of the **Housing Market Outlook** also includes an update to the 5-year housing starts forecast. "Over the medium term, housing starts will continue to decline, reaching 176,600 units by 2009," added Dugan. "The decrease in starts in the medium term will reflect both rising mortgage rates and the absorption of the remaining pent-up demand for housing, bringing starts in line with demographic fundamentals."

Fuelled by a growing economy, employment gains, and positive net interprovincial as well as international migration, British Columbia's housing expansion will be prolonged into 2005. Housing starts will increase slightly to 33,600 units in 2005 and decrease to 31,600 units in 2006.

Ontario home starts will remain high but will decline from 85,114 units in 2004 to 78,500 units in 2005. Starts will continue to slow in 2006 to 71,500 units, as gradually rising interest rates combined with increasing construction costs and land constraints will moderate new home construction.

After three years of strong growth, housing starts in Quebec will slide to 50,000 units in 2005 and to 45,000 units the following year. Once again, the province's demographic situation with high net migration and a growing seniors population will continue to support strong levels of construction activity.

Alberta's economy will be one of the strongest among the provinces over the next two years due to rising levels of capital spending in the oil and gas sector and higher government expenditures. However, housing starts have been surpassing household growth over the past three years and pent-up demand is now eroding. Consequently, housing starts

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will decrease to 34,000 units in 2005 and to 32,500 in 2006.

Total housing starts in Saskatchewan will peak at 3,850 units in 2005 and then dip slightly to 3,600 units in 2006. The improvement in net migration, increased household formation among youths, and growing demand for condominiums from households aged 45 years or more will keep housing starts in 2005 and 2006 slightly above the average of about 3,500 units over the past five years.

In Manitoba, a favourable labour market and population growth will push construction activity ahead over the next two years. Housing starts are forecast to increase to 4,600 units in 2005 and to 4,800 in 2006.

New home construction will remain healthy in New Brunswick and will inch higher compared to the previous year. Housing starts are expected to reach 4,000 and 3,700 units in 2005 and 2006, respectively.

Despite the absence of substantial net migration in Nova Scotia, economic and labour market conditions will provide the context for a soft landing for the housing market. Housing starts are expected to decline to 4,575 units in 2005 and to 4,550 units in 2006.

Prince Edward Island's economy is expected to strengthen due to improving tourism and the launch of several capital projects. Housing starts will remain strong but will slide to 800 units in 2005 and then to 710 units in 2006.

In Newfoundland and Labrador, the economic outlook has recently improved due to increased federal transfers and higher revenues related to oil production. However, competition from an increasing supply of existing homes will lower demand for newly built homes. Housing starts will decline to 2,475 units and 2,250 units 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	*216,400	*200,200
Total single-detached houses	129,171	*116,500	*107,500
Total multiple housing units	104,260	*99,900	*92,700
Total MLS® sales**	460,703	*441,100	*425,300
Average MLS® selling price (\$)**	226,283	*241,700	*252,100

Provincial Housing Outlook
Total Housing Starts

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	2004 Actual	2005 Forecasts	2006 Forecasts
Newfoundland and Labrador	2,870	2,475	2,250
Prince Edward Island	919	800	710
Nova Scotia	4,717	4,575	4,550
New Brunswick	3,947	4,000	3,700
Quebec	58,448	50,000	45,000
Ontario	85,114	78,500	71,500
Manitoba	4,440	4,600	4,800
Saskatchewan	3,781	3,850	3,600
Alberta	36,270	34,000	32,500
British Columbia	32,925	33,600	31,600

SOURCE: CMHC Housing Market Outlook, Canada Edition, Second 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.