



PRESS RELEASE



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Housing Starts Will Begin to Taper Off

OTTAWA, Ontario, August 4, 2005 — Residential construction will moderate in 2005, and reach 218,900 units, a decrease of 6.2 per cent from 2004, according to Canada Mortgage and Housing Corporation's (CMHC) third quarter **Housing Market Outlook, Canada Edition** report. In 2006, residential construction will continue to ease dipping 8.5 per cent to 200,200 units.

"The unanticipated decrease in longer term mortgage rates in the second quarter of this year will help invigorate the housing market", said Bob Dugan, Chief Economist at CMHC. "Housing starts this year will be slightly stronger than previously forecast, but will not match last year's pace of over 233,000 units. While economic conditions will continue to favour high levels of new home construction, continued growth in house prices coupled with expected modest increases in mortgage rates will lead to a slight pull back in housing starts this year and next."

Existing home sales, as measured by the Multiple Listing Service (MLS®), will remain near record levels in 2005, edging down to 455,900 units. A rise in new listings will help keep MLS® sales strong in 2006 at 433,700 units, nevertheless they will decline by 4.9 per cent compared to 2005. The steady price increases of the past three years and the expected rise in mortgage rates will push mortgage carrying costs higher and will cause housing demand to ease gradually. Strong sales in 2005 will continue to foster sellers' market conditions, as a result, the rate of increase in existing home prices will moderate only slightly to 9.0 per cent. However, in 2006, the existing home market is expected to become more balanced causing price growth to slow to 4.9 per cent.

"The outlook for renovation spending is also upbeat. Near record levels of sales of existing homes, a strong job market, and low borrowing costs are the catalysts for strong renovation spending, which will reach \$40.7 billion in 2005, an increase of 10.1 per cent over the previous year. Renovation spending will continue to advance strongly in 2006, reaching \$43.6 billion, a 7.1 per cent increase over 2005. The strength in renovation spending will be broadly based across the country this year with the largest percentage gains occurring in British Columbia and New Brunswick", added Dugan.

At the provincial level, British Columbia's growing economy, coupled with strong employment gains, and high levels of consumer confidence will contribute to an above average level of new home construction this year. Moderation in the housing market is anticipated in 2006 as relatively high home prices and gradually rising interest rates calm the market. Housing starts will increase slightly to 33,600 units in 2005 and decrease to 31,600 units in 2006.

Ontario home starts will remain above historical averages but will decline from 85,114 units in 2004 to 78,000 units in 2005. Starts will continue to slow in 2006 to 71,000 units, as rising new home prices, increasing construction costs, land constraints, and increased choice in the existing home market continue to moderate demand for new homes.

After three years of strong growth, housing starts in Quebec will slide to 51,000 units in 2005 and to 44,100 units the following year. With a weaker job outlook and lackluster economic growth, housing starts are expected to retreat but will remain at relatively high levels thanks to the province's favourable demographic situation, which will support

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household formation.

In Alberta, housing starts have been surpassing household growth over the past three years and pent-up demand in the market has been satisfied. Consequently, housing starts will decrease slightly to 36,000 units in 2005 and to 34,000 in 2006. The strong performance in Alberta has been the result of a strong economy, favourable demographic conditions, and high levels of consumer confidence.

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 output in the agriculture and natural resource sectors, and more buoyant household growth will keep housing starts in 2005 and 2006 slightly above the five-year average of about 3,500 units.

In Manitoba, strong population growth and favourable labour market conditions 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 last year. Housing starts are expected to reach 3,950 and 3,720 units in 2005 and 2006, respectively.

Nova Scotia's housing market is expected to remain buoyant as healthy economic and labour market conditions, coupled with low borrowing costs keep home ownership demand simmering. Housing starts are expected to increase to 4,775 units in 2005 and to 4,425 units in 2006.

Prince Edward Island's economy is expected to strengthen due to the launch of several capital projects. Housing starts will remain strong but will slide to 825 units in 2005 and then to 760 units in 2006.

In Newfoundland and Labrador, moderating employment gains and competition from an increasing supply of existing homes listed for sale will lower demand for newly built homes. Housing starts will decline to 2,300 units and 2,150 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	*218,900	*200,200
Total single-detached houses	129,171	*117,600	*106,200
Total multiple housing units	104,260	*101,300	*94,000
Total MLS® sales**	460,703	*455,900	*433,700
Average MLS® selling price (\$)**	226,283	*246,700	*258,700

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Provincial Housing Outlook			
Total Housing Starts			
	2004 Actual	2005 Forecasts	2006 Forecasts
Newfoundland and Labrador	2,870	2,300	2,150
Prince Edward Island	919	825	760
Nova Scotia	4,717	4,775	4,425
New Brunswick	3,947	3,950	3,720
Quebec	58,448	51,000	44,100
Ontario	85,114	78,000	71,000
Manitoba	4,440	4,600	4,800
Saskatchewan	3,781	3,850	3,600
Alberta	36,270	36,000	34,000
British Columbia	32,925	33,600	31,600

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