



PRESS RELEASE



Canadian Mortgage News - National Archive 2005

Housing Starts Will Remain Strong

OTTAWA, Ontario, October 24, 2005 — Housing starts will ease in 2005, and reach 223,600 units, a decrease of 4.2 per cent from the 17-year high in 2004, according to Canada Mortgage and Housing Corporation's (CMHC) fourth quarter Housing Market Outlook, Canada Edition report. In 2006, residential construction will remain strong at 207,200 units, the fifth consecutive year that starts are over the 200,000 level.

"Housing markets across the country continue to respond to low mortgage rates", said Bob Dugan, Chief Economist at CMHC. "However, increased competition from the existing home market and rising mortgage carrying costs due to strong house price growth and modest increases in mortgage rates will slow the pace of new home construction in 2006."

Sales of existing homes will establish a new record of 476,000 units in 2005, then dip to 453,700 units in 2006. After posting their strongest increase in 16 years in 2005 (10.2 per cent), house price growth in 2006 will moderate to 4.9 per cent as existing home markets become more balanced.

At the provincial level, housing starts in British Columbia will record a fifth consecutive year of increase in 2005 to 33,600 units before slipping to 31,600 units next year. Starts are expected to moderate in 2006 due in part to eroding pent-up demand but will remain well above their 20-year average. As well, net interprovincial migration levels, while trending higher, will not be sufficient to push starts higher in 2006.

In Alberta, high demand for homes will continue to be supported by strong migration, economic growth, and job creation. Housing starts will move higher to 40,000 units this year, then dip to 38,000 units in 2006. About two-thirds of this activity will take place in the Calgary and Edmonton Census Metropolitan Areas.

Housing starts in Saskatchewan will dip to 3,250 units in 2005. However, stronger employment and migration will translate into a positive performance for the resale and new home markets in Saskatchewan. Housing starts will reach 3,500 units in 2006 due to a rise in multiple family starts.

In 2005, housing starts across Manitoba are forecast to reach 4,600 units, the third consecutive year in which starts have exceeded 4,000 units, the first such occurrence since the 1980s. Starts in 2006 will increase further to 4,800 units. This is due to the fact that Manitoba is now experiencing its strongest population growth in twenty years which is the result of positive net migration.

In Ontario, a resurgence in the number of immigrants moving to the province will help to support housing demand; however, this will be partially offset by Western Canada's energy-based economy which will continue to attract workers from Ontario. New home starts in Ontario will fall 5.4 per cent to 80,500 units in 2005 from 85,114 units in 2004. Home starts will continue to ease in 2006 to 75,200 units.

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In Quebec, weakening economic conditions and eroding pent-up demand are contributing to the decrease in housing starts in 2005 and will continue to do so in 2006. However, demographic conditions, more specifically, the aging population and strong migration will sustain demand in some market segments and temper the decline in housing starts, which will fall to 50,000 units in 2005 and 43,000 units in 2006.

Slowing economic and employment growth in New Brunswick will pull residential construction down in 2005 from last year's levels but will remain solid in historical terms. Total starts will decline to 3,600 units in 2005, followed by a further decrease in 2006 to 3,400 units.

In Nova Scotia, housing starts are on track to increase to 4,800 units this year up from 2004's very good performance. A modest decline in starts to 4,725 units is expected in 2006. Persistently low mortgage rates and the high employment levels have been instrumental factors supporting the buoyant housing sector this year while the spectre of rising mortgage rates and trepidation about high gasoline and home heating costs are expected to dampen housing demand next year.

Housing starts in Prince Edward Island are expected to decrease to 785 units in 2005, after housing starts reached their highest level since 1988 last year. Although a further decrease in starts to 725 units is expected in 2006, new home construction will remain strong in historical terms.

In Newfoundland and Labrador, further population losses, slightly higher mortgage rates, and sluggish employment growth will be largely responsible for the easing in domestic demand. These conditions will trickle down to provincial housing markets resulting in a decrease in housing starts to 2,500 units in 2005 and to 2,200 units in 2006.

Information on this release:

Bob Dugan
 CMHC
 (613) 748-4009
bdugan@cmhc-schl.gc.ca

| National Housing Outlook | | | |
|-----------------------------------|------------------------|---------------------------|---------------------------|
| Key Housing Market Indicators | | | |
| | 2004 Actual | 2005 Forecasts | 2006 Forecasts |
| Total housing starts (units) | 233,431 | *223,600 | *207,200 |
| Total single-detached houses | 129,171 | *118,600 | *107,700 |
| Total multiple housing units | 104,260 | *105,000 | *99,500 |
| Total MLS® sales** | 460,717 | *476,000 | *453,700 |
| Average MLS® selling price (\$)** | 226,279 | *249,400 | *261,500 |

| Provincial Housing Outlook | | | |
|-----------------------------------|------------------------|---------------------------|---------------------------|
| Total Housing Starts | | | |
| | 2004 Actual | 2005 Forecasts | 2006 Forecasts |
| Newfoundland and Labrador | 2,870 | 2,500 | 2,200 |

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|----------------------|--------|--------|--------|
| Prince Edward Island | 919 | 785 | 725 |
| Nova Scotia | 4,717 | 4,800 | 4,725 |
| New Brunswick | 3,947 | 3,600 | 3,400 |
| Quebec | 58,448 | 50,000 | 43,000 |
| Ontario | 85,114 | 80,500 | 75,200 |
| Manitoba | 4,440 | 4,600 | 4,800 |
| Saskatchewan | 3,781 | 3,250 | 3,500 |
| Alberta | 36,270 | 40,000 | 38,000 |
| British Columbia | 32,925 | 33,600 | 31,600 |

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