



## PRESS RELEASE



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### **Housing Starts Will Moderate**

**OTTAWA, Ontario, January 31, 2006** — Housing starts will continue to moderate this year to 208,700 units after reaching 225,481 units in 2005, according to Canada Mortgage and Housing Corporation's (CMHC) first quarter Housing Market Outlook, Canada Edition report. After five consecutive years above 200,000 housing starts, residential construction will decline to 194,800 units in 2007.

"The housing market will continue to moderate both this year and next as demand for home ownership eases toward more sustainable levels," said Bob Dugan, Chief Economist at CMHC. "Higher mortgage carrying costs due to strong house price growth and modest increases in mortgage rates will contribute to the slower pace of new home construction."

After sales of existing homes established yet another record of 481,900 units in 2005, activity will ease to 461,500 units this year and to 444,000 units in 2007. Similarly, after posting a 10.0 per cent increase in 2005, the strongest in 16 years, house price growth will moderate to 5.5 per cent in 2006 and 3.8 per cent in 2007 as existing home markets become more balanced.

Also included in this issue of the Housing Market Outlook is a forecast of vacancy rates for key rental markets. The average rental apartment vacancy rate in Canada's 28 major centres remained unchanged at 2.7 per cent in October 2005. Looking ahead, renter households will continue to be drawn into homeownership. As a result, the vacancy rate will rise to 2.9 per cent in 2006 and 2007.

At the provincial level, new home construction in British Columbia will remain high by historical standards. Strong demand for new homes will come from the spill-over from the resale market, increased employment, growth in incomes, and high levels of consumer confidence. These factors will be offset, however, by gradually rising interest rates and rising construction costs. Nevertheless, housing starts will remain above the 30,000 unit level at 32,600 units in 2006 and 31,300 units next year.

In Alberta, projections for economic growth in 2006 and beyond are optimistic because of high levels of investment in the oil sands sector. Alberta's vibrant job market will continue to be a magnet for workers from other parts of Canada seeking job opportunities. The combination of a strong job market and population growth will keep total housing starts strong at 39,500 units in 2006 and 37,500 units in 2007.

The residential construction sector will contribute to economic growth in Saskatchewan in 2006 and 2007. Total housing starts are forecast to increase from 3,500 units in 2006 to 3,600 units in 2007. A key factor underpinning the growth in starts is the improving net migration outlook for the province as a strong job market will stem the outflow of workers to other provinces.

Manitoba is the only province in which MLS sales and housing starts are both forecast to rise in 2006 and 2007. A positive mix of economic and demographic factors will boost housing starts to 4,800 units in 2006 and to 5,000 units in

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2007.

A resurgence in the number of immigrants landing in Ontario will help support housing demand; however this will be partly offset by Western Canada's energy based economy which will continue to attract migrants from Ontario. Total Ontario home starts are expected to hit 73,800 and 68,000 units in 2006 and 2007, respectively.

In spite of the boost to housing demand stemming from immigration and the aging population, a sluggish provincial economy coupled with the slight rise in interest rates will weaken Quebec housing starts to 43,000 units in 2006 and to 38,500 units in 2007.

In New Brunswick, the high cost of raw materials has fuelled a rising disparity between the price of new homes and the price of existing homes. A steadily increasing supply of existing homes listed for sale is providing additional choices to potential homeowners, which will further erode the number of new starts to 3,650 units in 2006 and 3,350 units in 2007.

In Nova Scotia, rising mortgage rates following a prolonged period of impressive residential real estate appreciation will curb housing demand, slowing the pace of sales, price growth and residential construction activity. Total housing starts are forecast to match 2005's healthy production level in 2006 with 4,825 units before declining to 4,600 units in 2007.

In 2004, housing starts in Prince Edward Island posted their highest level of activity since 1988. Housing starts in Prince Edward Island will continue their modest descent in both 2006 and 2007 falling to 775 and 750 starts, respectively. Despite the declines, however, housing starts remain at strong levels in historic terms.

In Newfoundland and Labrador, ongoing population losses and rising interest rates will cause domestic demand to ease. Housing starts are expected to decline to 2,250 units in 2006 and to 2,150 units in 2007.

### Information on this release:

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<b>National Housing Outlook</b>			
<b>Key Housing Market Indicators</b>			
	<b>2005 Actual</b>	<b>2006 Forecasts</b>	<b>2007 Forecasts</b>
Total housing starts (units)	225,481	208,700 <sup>1</sup>	194,800 <sup>1</sup>
Total single-detached houses	120,463	108,900 <sup>1</sup>	99,500 <sup>1</sup>
Total multiple housing units	105,018	99,800 <sup>1</sup>	95,300 <sup>1</sup>
Total MLS® sales <sup>2</sup>	481,900 <sup>3</sup>	461,500 <sup>1</sup>	444,000 <sup>1</sup>
Average MLS® selling price (\$) <sup>2</sup>	248,900 <sup>3</sup>	262,700 <sup>1</sup>	272,600 <sup>1</sup>

<b>Provincial Housing Outlook</b>			
<b>Total Housing Starts</b>			
	<b>2005 Actual</b>	<b>2006 Forecasts</b>	<b>2007 Forecasts</b>

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Newfoundland and Labrador	2,498	2,250	2,150
Prince Edward Island	862	775	750
Nova Scotia	4,775	4,825	4,600
New Brunswick	3,959	3,650	3,350
Quebec	50,910	43,000	38,500
Ontario	78,795	73,800	68,000
Manitoba	4,731	4,800	5,000
Saskatchewan	3,437	3,500	3,600
Alberta	40,847	39,500	37,500
British Columbia	34,667	32,600	31,300

SOURCE: CMHC Housing Market Outlook, Canada Edition, First Quarter 2006.

**1** Rounded off to the nearest hundred.

**2** 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.

**3** Estimate.