



PRESS RELEASE



Canadian Mortgage News - National Archive 2006

Housing Starts Will Slow Down in 2006

OTTAWA, Ontario, May 10, 2006 — Housing starts will begin to taper off in 2006, and reach 222,200 units after hitting 225,481 units in 2005, according to Canada Mortgage and Housing Corporation's (CMHC) second quarter Housing Market Outlook, Canada Edition report. Residential construction will continue to ease in 2007 to 204,100 units, marking 6 consecutive years in which housing starts exceed 200,000 units.

"Housing starts this year will be stronger than previously forecast, mainly due to persistent strong demand in Alberta and British Columbia, but will not match last year's pace," said Bob Dugan, Chief Economist at CMHC. "Higher mortgage carrying costs, due to modest increases in mortgage rates, and rising house prices will temper housing demand this year and next."

Existing home sales, as measured by the Multiple Listing Service (MLS®), will register their second best year on record with 478,400 units in 2006, a slight decrease of 0.9 per cent compared to the previous year. Rising new listings will give home buyers more choice and help keep the level of MLS® sales well above the 450,000 mark for each of the next two years. However, four consecutive years of strong price growth combined with rising mortgage rates will ease housing demand in many centres across Canada. Sales will edge lower in all regions except in the prairies. Growth in the average MLS® price will accelerate from 10.2 per cent in 2005 to 11.2 per cent in 2006 due entirely to a pick-up in Alberta and B.C. Growth in houses prices is expected to slow in the rest of the country.

"Over the medium term, housing starts will continue to slow gradually, reaching 184,400 units by 2010," added Dugan. "The decrease in starts in the medium term will be more pronounced for single homes than for multiple family dwellings, because multiple dwellings are less expensive than single homes. The ageing population and increases in immigration will also contribute to the relative strength of multiple starts."

Alberta will have one of the fastest growing economies 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. Positive economic fundamentals and strong net migration will continue to fuel demand for residential construction. Housing starts are expected to reach 45,000 units in 2006 and 41,000 in 2007.

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 2006. Housing starts will increase to 37,000 units in 2006 and decrease to 34,900 units in 2007.

Ontario home starts will remain above historical averages but will edge lower over the next couple of years as gradually rising new home prices, increasing choice in the resale market, and land constraints will moderate new home construction. Housing starts will decrease to 75,000 units in 2006 and to 68,500 units in 2007.

Housing starts in Quebec will slide to 45,000 units in 2006 and to 40,000 units the following year. Once again, the province's demographic situation with high net migration and a growing seniors population will continue to support

Canadian Mortgage News - Housing Starts Will Slow Down in 2006

strong levels of construction activity.

Total housing starts in Saskatchewan will reach 3,600 units in both 2006 and 2007. The increased output in the agriculture and in the raw material sector, and the improving net migration outlook will support a healthy level of residential construction.

Manitoba is the only province in which MLS® sales and housing starts are both forecast to rise in 2006 and 2007. Favourable economic and demographic factors will push housing starts to 4,800 units in 2006 and to 5,000 units in 2007.

In New Brunswick, an increase in the number of existing homes listed for sale and rising new home prices will result in lower levels of new home construction. Housing starts are expected to decrease to 3,650 units in 2006 and 3,350 units in 2007.

In Nova Scotia, tepid growth in employment will curb housing demand, slowing MLS® sales and the pace of price growth. Despite this, total housing starts are forecast to increase to 5,100 units in 2006 due to accelerating apartment construction. Housing starts will decline to 4,800 units in 2007.

Prince Edward Island's economy is expected to grow at a moderate rate over the forecast period. Housing starts will reach 800 units in 2006 and 750 units in 2007.

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.

Canada Mortgage and Housing Corporation (CMHC) has been Canada's national housing agency for over 60 years. CMHC is committed to helping Canadians access a wide choice of quality, affordable homes, while making vibrant, healthy communities and cities a reality across the country. For more information call 1 (800) 668-2642.

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National Housing Outlook			
Key Housing Market Indicators			
	2005 Actual	2006 Forecasts	2007 Forecasts
Total housing starts (units)	225,481	222,200 ¹	204,100 ¹
Total single-detached houses	120,463	116,700 ¹	105,600 ¹
Total multiple housing units	105,018	105,500 ¹	98,500 ¹
Total MLS® sales ²	482,788	478,400 ¹	460,200 ¹
Average MLS® selling price (\$)²	249,365	277,200 ¹	290,600 ¹

Provincial Housing Outlook
Total Housing Starts

Canadian Mortgage News - Housing Starts Will Slow Down in 2006

	2005 Actual	2006 Forecasts	2007 Forecasts
Newfoundland and Labrador	2,498	2,250	2,150
Prince Edward Island	862	775	750
Nova Scotia	4,775	5,100	4,800
New Brunswick	3,959	3,650	3,350
Quebec	50,910	45,000	40,000
Ontario	78,795	75,000	68,500
Manitoba	4,731	4,800	5,000
Saskatchewan	3,437	3,600	3,600
Alberta	40,847	45,000	41,000
British Columbia	34,667	37,000	34,900

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