



PRESS RELEASE



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Housing Starts Will Slow in 2007

OTTAWA, Ontario, August 14, 2006 —Housing starts will register another strong year in 2006, according to Canada Mortgage and Housing Corporation's (CMHC) third quarter Housing Market Outlook, Canada Edition report. Starts will reach 227,900 units in 2006, before decreasing to 209,100 units next year. Although residential construction will ease, 2007 will mark the sixth consecutive year 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 where starts will increase by 20 per cent in 2006," 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 in Canada in the latter part of this year and next."

Existing home sales, as measured by the Multiple Listing Service (MLS®), will register their second best year on record with 481,700 units in 2006, a slight decrease compared to the previous year. A rising supply of listings will give home buyers more choice thereby reducing the spillover effect into the new home market. The level of MLS® sales will remain high in 2007 at 462,200 units, their third highest level on record. However, marginally higher mortgage carrying costs will ease demand for existing homes in many centres across Canada.

Strong MLS® price growth in the western provinces will push the Canadian average price increase to a 17-year high of 12.0 per cent in 2006. In 2007, higher listings and lower MLS® sales will move the resale market toward more balanced conditions, and growth in average MLS® prices will slow to 6.4 per cent.

In 2006 new home construction in British Columbia entered its sixth consecutive year of growth. This is the longest up-swing since the 1985-1989 expansion and the most consecutive years of growth on record. A healthy economy, a strong labour market, confident consumers, and relatively low mortgage rates will result in 37,000 housing starts this year, a 6.7 per cent increase from last year. In 2007, housing starts in B.C. will decrease to 34,900 units.

In Alberta, robust growth in the resource sector is creating high paying jobs, which are attracting workers from other parts of the country and boosting population growth in the province. As a result, total housing starts are expected to reach 49,000 units this year, surpassing the previous record of 47,925 in 1978. The strong performance will continue into 2007, though starts will slip to 45,000 units as escalating ownership costs inhibit demand.

Despite persistent migratory outflows, housing starts in Saskatchewan will remain elevated thanks to strong activity in Regina and Saskatoon. Total housing starts are expected to increase 4.7 per cent to 3,600 units in 2006 and remain unchanged in 2007.

Buoyed by favourable demographic and economic conditions, housing starts in Manitoba will surpass 5,000 for the first time since 1988. Total housing starts are forecast to reach 5,150 units in 2006 and 5,100 units next year.

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Less stimulative economic and demographic conditions suggest that Ontario home starts will moderate, but will remain above historical averages. Housing starts will decrease to 77,000 units in 2006 and to 70,000 units in 2007. The decrease in housing starts in Ontario in 2006 reflects weaker single starts due to rising new detached home prices. In 2007, the decrease in housing starts will reflect decreases in both single and multiple units due to increased choice in the resale market and a limited supply of land.

Declining residential construction, a dip in sales of existing homes, weaker price growth and a more balanced rental market will be the hallmarks of Quebec's housing market in 2006. Modest economic growth, rising mortgage carrying costs, and the erosion of pent up demand will cause demand for ownership housing to slow. Housing starts will drop by 11.6 per cent in 2006 to 45,000 units and will decrease to 40,000 units in 2007.

In New Brunswick, rising mortgage carrying costs and modest provincial economic growth will contribute to a slight decrease in new residential construction. Starts will decrease to 3,445 units and 3,120 units in 2006 and 2007, respectively.

Housing starts in Nova Scotia will reach 5,075 total units this year and 4,800 total units in 2007. However, softer demand for new rental and condo units could cause starts to be lower than forecast.

In P.E.I., housing starts are expected to decline slightly over the forecast period but remain strong in historic terms. Expect total starts to reach 725 units in both 2006 and 2007.

In Newfoundland and Labrador, housing starts will decline to 1,875 units this year and 1,850 units in 2007, as higher mortgage carrying costs and weaker employment growth dampen housing demand.

Canada Mortgage and Housing Corporation (CMHC) has been Canada's national housing agency for more than 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 1-800-668-2642.

Information on this release:

Bob Dugan
 CMHC
 613-748-4009
BDugan@cmhc-schl.gc.ca

National Housing Outlook			
Key Housing Market Indicators			
	2005 Actual	2006 Forecasts	2007 Forecasts
Total housing starts (units)	225,481	227,900 ¹	209,100 ¹
Total single-detached houses	120,463	118,800 ¹	107,600 ¹
Total multiple housing units	105,018	109,000 ¹	101,500 ¹
Total MLS [®] sales ²	482,788	481,700 ¹	462,200 ¹
Average MLS [®] selling price (\$) ²	249,365	279,300 ¹	297,100 ¹

Provincial Housing Outlook
Total Housing Starts

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	2005 Actual	2006 Forecasts	2007 Forecasts
Newfoundland and Labrador	2,498	1,875	1,850
Prince Edward Island	862	725	725
Nova Scotia	4,775	5,075	4,800
New Brunswick	3,959	3,445	3,120
Quebec	50,910	45,000	40,000
Ontario	78,795	77,000	70,000
Manitoba	4,731	5,150	5,100
Saskatchewan	3,437	3,600	3,600
Alberta	40,847	49,000	45,000
British Columbia	34,667	37,000	34,900

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

¹Rounded off to the nearest hundred.

²The term MLS[®] stands for Multiple Listing Service and is a registered trademark of the Canadian Real Estate Association (CREA). Data are for 10 provinces.