



## PRESS RELEASE



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### **Soft Landing for Housing Starts in 2007 and 2008**

**OTTAWA, Ontario, February 05, 2007** — Housing starts will moderate this year to 209,500 units after reaching 227,395 units in 2006, according to Canada Mortgage and Housing Corporation's (CMHC) first quarter Housing Market Outlook, Canada Edition report. Although residential construction will decline, 2007 will mark the sixth consecutive year in which housing starts exceed 200,000 units. Starts will ease further to 195,500 units in 2008.

"Construction activity will continue to moderate as demand for home ownership moves toward more sustainable levels," said Bob Dugan, Chief Economist at CMHC. "Most of the pent-up demand that built up during the 1990s has been absorbed, and higher mortgage carrying costs due to continued strong price growth and modest increases in mortgage rates will contribute to the slower pace of new home construction both this year and next."

Existing home sales, as measured by the Multiple Listing Service (MLS®), remained near record levels in 2006. Sales will ease to 464,550 units in 2007 and to 449,200 units in 2008. Similarly, after five years of strong growth in house prices, the rate of increase in the average MLS® price will moderate to 5.9 per cent in 2007 and 3.3 per cent in 2008 as existing home markets move toward balanced conditions. The strongest price growth will be in Western Canada; with the average MLS® price in Alberta growing by 13.3 per cent in 2007 — after having increased by 29.5 per cent in 2006. Average MLS® prices in Ontario and Quebec will grow by 3.2 per cent and 4.1 per cent in 2007, respectively.

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 decreased slightly by 0.1 of a percentage point to 2.6 per cent in October 2006 compared to October 2005. Looking ahead, favourable employment conditions, high levels of immigration, and the increasing gap between the cost of renting and owning will continue to exert downward pressure on vacancy rates. Nevertheless, many renter households will continue to be drawn into home ownership. As a result, the vacancy rate will remain essentially unchanged, inching up to 2.7 per cent in both 2007 and 2008. Strong rental demand will keep the Calgary vacancy rate low at 0.6 per cent in 2007 and 1.0 per cent in 2008. The apartment vacancy rate in Montréal will rise again to 3.2 per cent in 2007 and 3.5 per cent in 2008 as the growing home ownership trend continues to affect the largest rental market in Canada.

At the provincial level, new home construction in British Columbia will trend lower but remain high by historical standards. High levels of consumer confidence, employment and income growth, as well as positive net migration will translate into demand for housing. However, as the resale market moves toward balanced conditions, there will be less spill-over of demand into the new home market. As a result, housing starts will ease from 36,443 units in 2006 to 34,700 units in 2007, and decline to 32,300 units in 2008.

Although Alberta's vibrant job market will continue to be a magnet for workers from other parts of Canada, escalating house prices both in the new and resale markets will slow housing demand for the next two years. Total housing starts are expected to decline from 48,962 units in 2006 to 45,500 units this year, making 2007 the third best year on record. In 2008 starts will decrease to 42,500 units.

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In Saskatchewan, the improving net migration as well as the strong job market and robust income growth bode well for housing demand. Total housing starts are forecast to decline slightly from 3,715 units in 2006 to 3,600 units in both 2007 and 2008.

In Manitoba, strong non-residential construction activity, a healthy employment picture, and the successful Provincial Nominee Program which is attracting international immigrants will continue to support healthy levels of new home construction. Total housing starts are forecast to decline from 5,028 units in 2006 to 4,900 units in 2007 and 4,750 units in 2008.

In Ontario, slower growth in net migration, rising new home prices and increased choice in the resale market combined with land constraints will weaken housing starts from 73,417 units in 2006 to 67,000 units in 2007 and to 62,750 units in 2008. These declines will move housing starts in Ontario into line with the average level over the past decade and a half.

In Quebec, economic and demographic growth will remain moderate and the pent-up demand that accumulated during the 1990s is now exhausted. As a result, housing starts in Quebec will slide from 47,877 units in 2006 to 42,650 units in 2007 and to 38,925 units in 2008.

In New Brunswick, gains in the provincial energy sector will be partially offset by a weak outlook for the manufacturing and lumber industries. Continued migration to western Canada, as well as limited economic expansion, will slow employment growth. Housing starts are expected to decline from 4,085 units in 2006 to 3,700 units and 3,600 units in 2007 and 2008, respectively.

In Nova Scotia, despite weak employment growth, economic conditions remain generally supportive of housing demand with low mortgage rates, elevated consumer confidence and gains in household income. Housing starts are expected to decline from 4,896 units in 2006 to 4,650 units in 2007 and to 4,400 units in 2008.

Prince Edward Island's economy is expected to grow at a moderate rate over the two coming years and employment growth will slow to well under one per cent. As a result, housing starts will decline from 738 units in 2006 to 675 units in 2007 and 650 units in 2008.

An acceleration of GDP growth to 5.0 per cent in Newfoundland will not prevent a decline in housing starts from 2,234 units in 2006 to 2,125 units in 2007. With ongoing population losses and low employment growth, housing starts will continue to ease to 2,050 units in 2008.

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, call 1-800-668-2642.

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| National Housing Outlook      |  |  |  |
|-------------------------------|--|--|--|
| Key Housing Market Indicators |  |  |  |
|                               |  |  |  |

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|                                   | <b>2006<br/>Actual</b> | <b>2007<br/>Forecasts</b> | <b>2008<br/>Forecasts</b> |
|-----------------------------------|------------------------|---------------------------|---------------------------|
| Total housing starts (units)      | 227,395                | 209,500 <sup>1</sup>      | 195,500 <sup>1</sup>      |
| Total single-detached houses      | 121,313                | 109,300 <sup>1</sup>      | 101,300 <sup>1</sup>      |
| Total multiple housing units      | 106,082                | 100,200 <sup>1</sup>      | 94,300 <sup>1</sup>       |
| Total MLS® sales <sup>2</sup>     | 483,609 <sup>3</sup>   | 464,550 <sup>1</sup>      | 449,200 <sup>1</sup>      |
| Average MLS® selling price (\$)²  | 276,325 <sup>3</sup>   | 292,631 <sup>1</sup>      | 302,181 <sup>1</sup>      |
| <b>Provincial Housing Outlook</b> |                        |                           |                           |
| Total Housing Starts              |                        |                           |                           |
|                                   | <b>2006<br/>Actual</b> | <b>2007<br/>Forecasts</b> | <b>2008<br/>Forecasts</b> |
| Newfoundland and Labrador         | 2,234                  | 2,125                     | 2,050                     |
| Prince Edward Island              | 738                    | 675                       | 650                       |
| Nova Scotia                       | 4,896                  | 4,650                     | 4,400                     |
| New Brunswick                     | 4,085                  | 3,700                     | 3,600                     |
| Quebec                            | 47,877                 | 42,650                    | 38,925                    |
| Ontario                           | 73,417                 | 67,000                    | 62,750                    |
| Manitoba                          | 5,028                  | 4,900                     | 4,750                     |
| Saskatchewan                      | 3,715                  | 3,600                     | 3,600                     |
| Alberta                           | 48,962                 | 45,500                    | 42,500                    |
| British Columbia                  | 36,443                 | 34,700                    | 32,300                    |

Source: CMHC *Housing Market Outlook*, Canada Edition, First Quarter 2007.

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 are for 10 provinces.

3 Estimate.