



PRESS RELEASE



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Housing Starts to Dip in 2008 Following a Rise in 2007

OTTAWA, Ontario, October 30, 2007 — Housing starts will reach 227,530 units in 2007, an increase of 0.1 per cent from the 227,395 units in 2006, according to Canada Mortgage and Housing Corporation's (CMHC) fourth quarter *Housing Market Outlook, Canada Edition* report. However, in 2008, residential construction will decline to about 214,000 units. Despite this drop, 2008 will mark the seventh consecutive year in which housing starts exceed 200,000 units.

"Continuing high employment levels, income gains and low mortgage rates have been a boon to Canada's housing markets. Despite this, however, housing starts are expected to decrease in 2008," said Bob Dugan, Chief Economist at CMHC. "The pull back in housing starts next year will be mainly due to the increases in house prices in recent years, which have pushed mortgage carrying costs higher."

Existing home sales, as measured by the Multiple Listing Service (MLS®)¹, are poised to experience their best year on record with just over 521,000 units in 2007, a 7.8 per cent increase over 2006. The high level of MLS® sales will be led by activity in the Prairies. With respect to 2008, the level of MLS® sales will fall by 3.9 per cent, but will still be slightly over 500,000 units, the second highest on record. Growth in the average MLS® price will remain high at 10.1 per cent in 2007, mainly because of continued strong price pressures in Canada's western provinces. As most resale markets move toward more balanced conditions, growth in average MLS® price is forecast to slow to 4.2 per cent in 2008.

At the provincial level, British Columbia's housing starts will remain above historical averages but are expected to decline slightly moving into 2008. A tight labour market, income growth, and high levels of consumer confidence will help to offset the dampening effect of rising mortgage carrying costs on the demand for new and existing homes in British Columbia. Housing starts should decline slightly from 36,443 units in 2006 to 36,200 units in 2007 and 33,250 units in 2008. The average MLS® price in British Columbia will grow by 12.1 per cent in 2007 and by 6.0 per cent in 2008 as increased listings and fewer resales bring more balanced supply and demand conditions for existing homes.

Alberta continues to experience low unemployment, an abundance of job opportunities, and continuing overall prosperity. Despite these positives, Alberta is expected to face a drop in net migrants between now and the end of 2008 due to the growing difference in provincial house prices and improved economic conditions in other provinces. With lower migration and higher mortgage carrying costs, housing starts will ease from 48,962 units in 2006 to 47,750 units in 2007 and 42,250 units in 2008. Following an unprecedented 30.7 per cent gain in 2006, the average MLS® price is expected to climb another 24.4 per cent in 2007 and 6.8 per cent in 2008.

Saskatchewan has been experiencing steady economic growth, a healthy employment situation and gains in net migration, all of which has contributed to strong housing demand. Total housing starts are forecast to reach about 6,000 units in 2007, the highest level in 24 years. However, escalating costs will push housing starts down to 5,500 units in 2008. The average MLS® price in Saskatchewan will rise by 28.7 per cent in 2007 while 2008 will see growth in prices of approximately 13.5 per cent.

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Manitoba is one of five provinces whose economic growth is expected to exceed the national average. This success has contributed to a five-year high in job creation, thus increasing net migration to levels not seen since 1982. These factors will contribute to the high levels of new home construction expected between now and the end of 2008. Total housing starts will reach 5,750 units in 2007, the best performance in 20 years. Starts will edge lower to 5,600 units in 2008. The average MLS[®] price in Manitoba will rise by 11.8 per cent and 8.0 per cent in 2007 and 2008, respectively.

The Ontario economy is expected to improve slightly heading into 2008. Accordingly, this will help sustain a high level of housing demand across the province. New home construction activity will be moderate between now and the end of 2008. Housing starts are expected to decline from 73,417 units in 2006 to 67,700 units in 2007. For 2008, a slight up-tick to 68,175 units is expected. The average MLS[®] price in Ontario will rise by 6.2 per cent in 2007, while 2008 should see a more modest increase of 3.3 per cent.

Solid job creation and steady economic growth in Quebec, will cause housing starts to increase from 47,877 units in 2006 to 52,400 units in 2007. Looking ahead to 2008, starts are forecast to slide to 48,420. A buoyant resale market will also fuel average MLS[®] price growth in Quebec, by 6.8 per cent in 2007 and 3.3 per cent in 2008.

Positive labour market conditions in New Brunswick will help stem the net outflow of interprovincial migrants into 2008. Nevertheless, rising mortgage carrying costs and more choice in the resale market will result in lower levels of new home construction. Housing starts are forecast to decline from 4,085 units in 2006 to 4,025 units in 2007 and 3,725 units in 2008. The average MLS[®] price in New Brunswick should rise by 7.6 per cent and 3.7 per cent in 2007 and 2008, respectively.

As slower employment and population growth pervades Nova Scotia, new home construction activity is expected to be restrained between now and the end of 2008. Housing starts are forecast to stabilize from 4,896 units in 2006 to 4,700 units in 2007 and to 4,525 units in 2008. The average MLS[®] price in Nova Scotia is expected to rise by 7.5 per cent and 3.3 per cent in 2007 and 2008, respectively.

Prince Edward Island's economy is expected to expand at a modest, but stable pace between now and the end of 2008 with employment growth in the range of one per cent per year. As a result, housing starts will slowly decline from 738 units in 2006 to 680 units in 2007 and 630 units in 2008. The average MLS[®] price in Prince Edward Island will rise by 5.6 per cent and 3.8 per cent in 2007 and 2008, respectively.

In Newfoundland, a strong economy will push housing demand up from 2,234 units in 2006 to 2,325 units in 2007. However, it is expected that higher homeownership and construction costs and lower employment growth will dampen housing demand past 2007. Housing starts for 2008 are forecast to fall by 3.2 per cent to 2,250 units. The average MLS[®] price in Newfoundland will rise by 6.1 per cent and 6.4 per cent in 2007 and 2008, respectively.

As Canada's national housing agency, Canada Mortgage and Housing Corporation (CMHC) draws on over 60 years of experience to help Canadians access a variety of quality, environmentally sustainable, and affordable homes — homes that will continue to create vibrant and healthy communities and cities across the country.

For more information, call 1-800-668-2642.

¹ Multiple Listing Service (MLS[®]) is a registered certification mark owned by the Canadian Real Estate Association.

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National Housing Outlook

Key Housing Market Indicators

	2006 Actual	2007 Forecasts	2008 Forecasts
Total housing starts (units)	227,395	227,530	214,325
Total single-detached houses	121,313	117,005	107,500
Total multiple housing units	106,082	110,525	106,825
Total MLS® sales ¹	483,223	521,100	500,800
Average MLS® selling price (\$)	277,020	305,000	317,900

Provincial Housing Outlook

Total Housing Starts

	2006 Actual	2007 Forecasts	2008 Forecasts
Newfoundland and Labrador	2,234	2,325	2,250
Prince Edward Island	738	680	630
Nova Scotia	4,896	4,700	4,525
New Brunswick	4,085	4,025	3,725
Quebec	47,877	52,400	48,420
Ontario	73,417	67,700	68,175
Manitoba	5,028	5,750	5,600
Saskatchewan	3,715	6,000	5,500
Alberta	48,962	47,750	42,250
British Columbia	36,443	36,200	33,250

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

¹ 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.