



PRESS RELEASE



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Housing Starts to Slow in 2008

OTTAWA, Ontario, May 15, 2008 — New home construction will begin to slow in 2008, but remain high by historical standards, according to Canada Mortgage and Housing Corporation's (CMHC) second quarter Housing Market Outlook, Canada Edition report.

Higher mortgage carrying costs will be a catalyst for the decrease in residential construction to 214,650 units in 2008, from 228,343 in 2007. As a result, 7 of the 10 provinces will register a lower number of housing starts in 2008 than in 2007.

“Strong economic fundamentals such as continuing high employment levels, rising incomes and low mortgage rates will provide a solid foundation for healthy housing markets this year,” said Bob Dugan, Chief Economist for CMHC. “Most of the pent-up demand that built up during the 1990s has now been fulfilled and residential construction activity will gradually move in line with Canadian demographic fundamentals. These factors will continue to exert downward pressure on housing starts, which will decline to 199,900 units in 2009.”

Existing home sales, as measured by the Multiple Listing Service (MLS®)¹, are expected to fall by 8.5 per cent in 2008 to 475,900 units. In 2009, the trend will continue with a decrease to 465,000 units (-2.3 per cent). Despite a slowdown of MLS® sales, demand remains strong by historical standards. For 2008 and 2009, MLS® price growth will remain above inflation. Prices will reach \$323,000 (+5.1 per cent) in 2008 and \$333,500 (+3.3 per cent) in 2009.

At the provincial level, British Columbia's housing starts, which have been above historical averages, will decline in 2008 and 2009. A tight labour market, robust income growth, and high levels of consumer confidence will partially offset the dampening effect of rising mortgage carrying costs on the demand for new and existing homes in British Columbia. Housing starts will decline to 34,700 units in 2008, and 32,900 in 2009 from 39,195 units in 2007. The average MLS® price in British Columbia will grow by 9.3 per cent in 2008 and 3.3 per cent in 2009. This moderation is due to an increase in listings and fewer existing home sales bringing more balanced supply and demand conditions to market.

Alberta continues to experience very low unemployment and continuing overall prosperity. Despite these positives, the province is expected to face a drop in net migrants between now and the end of 2008 due in part to the increased house prices in Alberta and improved labour market conditions in other provinces. These factors will combine to reduce housing starts to 37,250 in 2008 and 33,000 in 2009 from 48,336 units in 2007. Following exceptional 30.7 per cent and 24.8 per cent gains in 2006 and 2007 respectively, growth in the average MLS® price is expected to slow to 3.6 per cent in 2008 and 5.1 per cent in 2009.

Over the last year, Saskatchewan experienced a rebound in economic growth, strong job creation and a surge in net migration. This contributed to strong housing demand. Total housing starts reached 6,007 units in 2007, the highest level in 24 years. However, escalating costs will stabilize housing starts at 6,600 units this year and 5,900 units in 2009. The average MLS® price in Saskatchewan rose by 32.0 per cent during 2007 and is expected to climb 26.1 per cent in

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2008 and 8.2 per cent in 2009.

Manitoba's economic growth exceeded the national average in 2007 and job creation rebounded. The Provincial Nominee Program has boosted net migration to levels not seen since 1982. These factors have contributed to healthy levels of new home construction. Total housing starts reached 5,738 units in 2007, the best performance in 20 years. Starts will edge down to 5,450 units in 2008 before rebounding to 5,650 in 2009. The average MLS® price in Manitoba increased 12.6 per cent in 2007 and will continue to increase at a pace above the national average by 13.5 per cent in 2008 and 7.8 per cent in 2009.

The Ontario economy is expected to improve slightly during 2008 and this will help sustain housing demand across the province. New home construction activity will be moderate between now and the end of 2008. Housing starts will move up to 72,175 units in 2008 from 68,123 units last year given an increase in new condominium projects; however starts will decrease to 65,000 units in 2009. The average MLS® price in Ontario rose by 7.6 per cent in 2007. For 2008 and 2009, the increases will be more modest at 3.5 per cent and 2.4 per cent respectively.

Solid job creation and steady economic growth in Quebec during 2007 pushed housing starts up by 1.4 per cent to 48,553 units. A moderation in employment growth will cause a slight shift downwards in 2008 to 46,500 units and 45,750 in 2009. A reasonably healthy resale market will also fuel average MLS® price growth in Quebec; prices will increase by 4.7 per cent in 2008 and 2.8 per cent in 2009.

In New Brunswick, rising mortgage carrying costs, a slower economy and more choice in the resale market will result in lower levels of new home construction. Housing starts are forecast to decline to 3,925 units in 2008 from 4,242 units in 2007, a decrease of 7.5 per cent. Moving into 2009, starts are expected to fall to 3,650 units. The average MLS® price in New Brunswick rose by 7.7 per cent during 2007. The price increases will be more modest at 4.0 per cent in 2008 and 2.8 per cent in 2009.

Nova Scotia is experiencing slower employment and population growth during 2008, causing new home construction activity to be more restrained. Housing starts are forecast to decrease slightly to 4,500 units in 2008 and 2009 from 4,750 units in 2007. After rising 7.3 per cent in 2007, the average MLS® price in Nova Scotia is expected to increase by 5.0 per cent in 2008 and 2.6 per cent in 2009.

Prince Edward Island's economy is expected to undergo modest economic growth through 2008. As a result, housing starts will slowly decline to 700 units in 2008 and 675 in 2009 from 750 units in 2007. The average MLS® price in Prince Edward Island will rise by 3.0 per cent in 2008 and 3.3 per cent in 2009. Last year, the average price on the resale market increased by 6.4 per cent.

In Newfoundland and Labrador, a strong export-driven economy has pushed housing demand up. This is the only province that is anticipating two years of growth. Housing starts for 2007 were up 18.6 per cent to 2,649 units. For 2008, starts will reach 2,825 units before increasing further to 2,850 units in 2009. The average MLS® price in Newfoundland and Labrador will rise by 10.5 per cent in 2008 and 6.1 per cent in 2009.

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 The term MLS® stands for Multiple Listing Service and is a registered trademark of the Canadian Real Estate Association (CREA).

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National Housing Outlook

Key Housing Market Indicators

	2007 Actual	2008 Forecasts	2009 Forecasts
Total housing starts (units)	228,343	214,650	199,900
Total single-detached houses	118,917	102,700	99,050
Total multiple housing units	109,426	111,950	100,850
Total MLS [®] sales ¹	520,192	475,900	465,000
Average MLS [®] selling price (\$)	307,306	323,000	333,500

Provincial Housing Outlook

Total Housing Starts

	2007 Actual	2008 Forecasts	2009 Forecasts
Newfoundland and Labrador	2,649	2,825	2,850
Prince Edward Island	750	700	675
Nova Scotia	4,750	4,500	4,500
New Brunswick	4,242	3,925	3,650
Quebec	48,553	46,500	45,750
Ontario	68,123	72,175	65,000
Manitoba	5,738	5,450	5,650
Saskatchewan	6,007	6,600	5,900
Alberta	48,336	37,250	33,000
British Columbia	39,195	34,700	32,900

Source: CMHC Housing Market Outlook, Canada Edition, First Quarter 2008.

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