



PRESS RELEASE



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Housing Starts to Fall Slightly in 2008

OTTAWA, Ontario, February 04, 2008 — Housing starts reached 228,343 units in 2007, an increase of 0.4 per cent from 227,395 in 2006, according to Canada Mortgage and Housing Corporation's (CMHC) first quarter Housing Market Outlook, Canada Edition report. In 2008, residential construction will decline to about 211,700 units, given higher mortgage carrying costs. Nevertheless, Canada's housing market remains strong and 2008 will mark the seventh consecutive year in which housing starts exceed 200,000 units.

“Despite some global financial instability with regards to the U.S. housing market, Canada continues to experience robust employment levels, ongoing income gains and low mortgage rates,” said Bob Dugan, Chief Economist for CMHC. “This has strongly supported Canada's housing markets. However, housing starts are expected to decrease in 2008 mainly due to recent increases in house prices, which will push mortgage carrying costs higher for home buyers.”

Existing home sales, as measured by the Multiple Listing Service (MLS®)¹, are poised to experience a very strong year with about 520,000 units in 2007, a 7.6 per cent increase over 2006. In 2008 the level of MLS® sales is expected to fall by 3.9 per cent to 499,650 units, while 2009 will see an additional decrease to 488,300. Growth in the average MLS® price has remained high at 10.6 per cent in 2007, mainly because of continued strong price pressures in Canada's western provinces. However, as most resale markets move toward more balanced conditions, growth in average MLS® price is forecast to slow to 5.2 per cent in 2008 and 3.8 per cent in 2009.

At the provincial level, British Columbia's housing starts, which have been above historical averages, are expected to decline in 2008. It is anticipated that a continuing tight labour market, robust 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 from 39,195 units in 2007 to 33,250 in 2008 and 31,700 in 2009. The average MLS® price in British Columbia will grow by 12.1 per cent in 2007, 6.0 per cent in 2008 and 5.0 per cent in 2009. This moderation is due to increased listings and fewer resales bringing more balanced supply and demand conditions to existing homes.

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 to the growing difference in provincial house prices and improved labour market conditions in other provinces. These factors will combine to reduce housing starts from 48,336 units in 2007 to 39,500 in 2008 and 37,750 in 2009. Following an unprecedented 30.7 per cent gain in 2006, and a forecasted strong 24.4 per cent rise in 2007, the average MLS® price is expected to climb 3.9 per cent in 2008 and 5.4 per cent in 2009.

During 2007, Saskatchewan experienced steady economic growth, a healthy employment situation and gains 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 push housing starts down to 5,600 units in 2008 and 5,300 in 2009. The average MLS® price in Saskatchewan will rise by 31.7 per cent during 2007, 26.4 per cent in 2008 and 8.2 per cent in 2009.

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Manitoba is one of five provinces whose economic growth is expected to exceed the national average for 2007. This success has contributed to a five-year high in job creation, which has increased net migration to levels not seen since 1982. These factors will contribute to healthy levels of new home construction through 2008. Total housing starts reached 5,738 units in 2007, the best performance in 20 years. Starts will edge up slightly to 5,800 units in 2008 and 5,900 in 2009. The average MLS® price in Manitoba will rise by 12.5 per cent in 2007, 9.8 per cent in 2008 and 5.7 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 are expected to move up from 68,123 units in 2007 to 69,150 units in 2008, while a more modest economy in 2009 will push starts down somewhat to 67,150 units. The average MLS® price in Ontario will rise by 7.6 per cent in 2007, while 2008 and 2009 should see increases of 6.2 per cent and 2.9 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 of the economy will cause a slight shift downwards in 2008 to 46,500 units and 45,375 in 2009. A reasonably healthy resale market will also fuel average MLS® price growth in Quebec; 6.6 per cent in 2007, 3.8 per cent in 2008 and 3.0 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 from 4,242 units in 2007 to 3,925 in 2008, 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 should rise by 8.1 per cent during 2007, 3.6 per cent during 2008 and 2.8 per cent during 2009.

Nova Scotia will experience slower employment and population growth during 2008, causing new home construction activity to be more restrained. Housing starts are forecast to stabilize from 4,750 units in 2007 to 4,550 in 2008 and 4,500 in 2009. The average MLS® price in Nova Scotia is expected to rise by 7.5 per cent for 2007, while 2008 and 2009 will see growth of 4.4 per cent and 2.6 per cent, respectively.

Prince Edward Island's economy is expected to undergo modest economic growth through 2008. As a result, housing starts will slowly decline from 750 units in 2007 to 700 in 2008 and 675 in 2009. The average MLS® price in Prince Edward Island will rise by 6.0 per cent in 2007, 3.4 per cent in 2008 and 3.3 per cent in 2009.

In Newfoundland, a strong export-driven economy has pushed housing demand up. However, it is expected that higher homeownership and construction costs and lower employment growth will dampen housing demand in 2008. Housing starts for 2007 were up 18.6 per cent to 2,649 units. For 2008, minimal change is expected at 2,650 units. Meanwhile, 2009 will see an additional increase of 0.9 per cent to 2,675 units. The average MLS® price in Newfoundland will rise by 7.0 per cent in 2007, 7.2 per cent in 2008 and 6.3 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.

Information on this release:

Kristen Scheel
Media Relations
CMHC
613-748-4632
kscheel@cmhc.ca

Julie Girard
 Media Relations
 CMHC
 613-748-4684
jgirard@cmhc.ca

National Housing Outlook

Key Housing Market Indicators

	2007 Actual	2008 Forecasts	2009 Forecasts
Total housing starts (units)	228,343	211,700	204,700
Total single-detached houses	118,917	106,300	101,100
Total multiple housing units	109,426	105,400	103,600
Total MLS® sales ¹	519,722	499,650	488,300
Average MLS® selling price (\$)	306,407	322,400	334,500

Provincial Housing Outlook

Total Housing Starts

	2007 Actual	2008 Forecasts	2009 Forecasts
Newfoundland and Labrador	2,649	2,650	2,675
Prince Edward Island	750	700	675
Nova Scotia	4,750	4,550	4,500
New Brunswick	4,242	3,925	3,650
Quebec	48,553	46,500	45,375
Ontario	68,123	69,150	67,150
Manitoba	5,738	5,800	5,900
Saskatchewan	6,007	5,600	5,300
Alberta	48,336	39,500	37,750
British Columbia	39,195	33,250	31,700

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

¹The term MLS® stands for Multiple Listing Service and is a registered trademark of the Canadian Real Estate Association (CREA). Data are for 10 provinces. All 2007 MLS figures are estimated as at the time of the forecast. Final figures have since been released by the Canadian Real Estate Association.