



PRESS RELEASE



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Housing Starts to Moderate in 2008

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

Higher mortgage carrying costs will be a catalyst for the decrease in residential construction to 215,475 units in 2008, from 228,343 in 2007. As a result, seven 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.

“Increased competition from the existing home market, coupled with the elimination of the pent-up demand that built up during the 1990s, will exert downward pressure on housing starts, which will decline to 194,000 units in 2009 from 215,000 in 2008.”

Existing home sales, as measured by the Multiple Listing Service (MLS®)¹, are expected to fall by 11.9 per cent in 2008 to 458,300 units. In 2009, the trend will continue with a decrease to 446,600 units (-2.6 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 \$317,450 (+3.3 per cent) in 2008 and \$327,000 (+3.0 per cent) in 2009.

At the provincial level, despite British Columbia's growing population and job numbers, a well-supplied resale home market will lower new construction. Home starts will move back toward their long-term average by 2009. A tight labour market and robust income growth will partially offset the dampening effect of rising mortgage carrying costs on the demand for new and existing homes. As well, an increase in the number of existing homes for sale will offer more choice to home shoppers and reduce new home demand. Housing starts will decline to 35,800 units in 2008 and 31,500 in 2009 from 39,195 units in 2007. The average MLS® price in British Columbia will grow by 7.6 per cent in 2008 and 3.3 per cent in 2009.

Alberta continues to experience very low unemployment and overall prosperity. Despite these positive factors, 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 32,750 in 2008 and 29,000 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 1.1 per cent in 2008 and 2.8 per cent in 2009.

Since 2007, Saskatchewan has experienced a rebound in economic growth, strong job creation and a surge in net migration. This continues to contribute to strong housing demand within the province. Total housing starts reached 6,007 units in 2007, the highest level in 24 years. However, escalating costs will stabilize housing starts at 6,700 units this year and 5,750 units in 2009. The average MLS® price in Saskatchewan rose by 32.0 per cent during 2007 and is

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expected to climb 29.0 per cent in 2008 and 6.7 per cent in 2009.

Manitoba's solid economic performance and tight labour market conditions have boosted net migration to levels not seen since 1982 and 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 5,400 units in 2008 before rebounding to 5,550 in 2009. The average MLS® price in Manitoba increased 12.6 per cent in 2007 and will continue to increase by 14.1 per cent in 2008 and 7.8 per cent in 2009.

In Ontario, economic uncertainty, rising new housing prices and a greater selection of homes available in the resale market will result in fewer new home sales in 2008 and, by extension, a dip in new home starts in 2009. Housing starts will move up to 76,025 units in 2008 from 68,123 units last year due to pent-up demand; 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 2.8 per cent and 2.3 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 46,600 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 2.7 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 slightly to 4,200 units in 2008 from 4,242 units in 2007. Moving into 2009, starts are expected to fall to 3,875 units. The average MLS® price in New Brunswick rose by 7.7 per cent during 2007. The price increases will be more modest at 4.7 per cent in 2008 and 2.1 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 to 4,475 units in 2008 and 4,200 in 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 2.4 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 650 in 2009 from 750 units in 2007. The average MLS® price in Prince Edward Island will rise by 3.4 per cent in 2008 and 1.4 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. Housing starts for 2007 were up 18.6 per cent to 2,649 units. For 2008 and 2009, starts will reach 2,825 units for both years. The average MLS® price in Newfoundland and Labrador will rise by 14.9 per cent in 2008 and 6.4 per cent in 2009.

As Canada's national housing agency, Canada Mortgage and Housing Corporation (CMHC) draws on more than 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).

Information on this release:

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	215,475	194,100
Total single-detached houses	118,917	97,925	93,225
Total multiple housing units	109,426	117,550	100,875
Total MLS [®] sales ²	520,192	458,300	446,600
Average MLS [®] selling price (\$)	307,306	317,450	327,000

Provincial Housing Outlook

Total Housing Starts

	2007 Actual	2008 Forecasts	2009 Forecasts
Newfoundland and Labrador	2,649	2,825	2,825
Prince Edward Island	750	700	650
Nova Scotia	4,750	4,475	4,200
New Brunswick	4,242	4,200	3,875
Quebec	48,553	46,600	45,750
Ontario	68,123	76,025	65,000
Manitoba	5,738	5,400	5,550
Saskatchewan	6,007	6,700	5,750
Alberta	48,336	32,750	29,000
British Columbia	39,195	35,800	31,500

SOURCE: CMHC Housing Market Outlook, Canada Edition, Third Quarter 2008.

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.