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May 18, 2007

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Attention News Editors:

Housing starts will slow down in 2007 and 2008

OTTAWA, May 15 /CNW Telbec/ - Housing starts will ease this year to 213,425 units after reaching 227,395 units in 2006, according to Canada Mortgage and Housing Corporation's (CMHC) second quarter Housing Market Outlook, Canada Edition report. Residential construction will continue to decline in 2008 to 200,175 units, marking 7 consecutive years in which housing starts exceed 200,000 units.

"Although fundamental factors such as high employment levels, income gains and low mortgage rates remain supportive of strong demand, housing starts will resume a gradual downward trend in 2007. The level of new home construction will decrease in all provinces with the exception of Saskatchewan," said Bob Dugan, Chief Economist at CMHC. "The lower demand for homeownership will be mainly due to the rise in mortgage carrying costs and the erosion of the pent-up demand that built up during the 1990s."

Existing home sales, as measured by the Multiple Listing Service (MLS(R))(1), will register their best year on record with 487,500 units in 2007. The record activity in Alberta will be a key factor leading to the 0.9 per cent increase in the national level of MLS(R) sales compared to the previous year. A rising supply of listings will give home buyers more choice and help keep the level of MLS(R) sales well above the 450,000 mark for the next two years. The level of MLS(R) sales is expected to reach 466,490 units in 2008, its fourth highest level on record. Growth in the average MLS(R) price will remain high at 9.6 per cent in 2007 mainly because of continued strong price pressures in Western Canada. As most resale markets move toward more balanced conditions, growth in average MLS(R) price is forecast to slow to 4.9 per cent in 2008.

For the longer term, between 2009 and 2011, the annual number of housing starts will slow gradually to reach 188,300 units, a level that is more consistent with demographic fundamentals. Housing demand will continue to be supported by a positive economic picture and a healthy employment market which will attract a steady inflow of immigrants throughout this period.

At the provincial level, British Columbia home starts will remain above historical averages but will decline slightly. Demand for housing will remain high thanks to strong employment and income growth, as well as positive net migration. However, an increasing choice of existing homes on the resale market will mean less spill-over of demand into the new home market. Housing starts will decline from 36,443 units in 2006 to 34,700 units in 2007, and ease to 32,300 units in 2008. The average MLS(R) price in British Columbia will grow by 8.7 per cent and 4.2 per cent in 2007 and 2008, respectively.

Despite a softer pace of economic growth, Alberta will remain among the top economic performers through 2008. Positive economic fundamentals and strong net migration will maintain a strong demand for residential construction, although escalating mortgage carrying costs will start to inhibit net migration over the next two years. Total housing starts are expected to ease from 48,962 units in 2006 to 47,000 units this year, making 2007 the third best year on record. In 2008 starts will decline to 44,500 units. Following an unprecedented 30.7 per cent gain in 2006, the average MLS(R) price is expected to climb another 26.1 per cent in 2007 and

9.7 per cent in 2008.

In Saskatchewan, steady economic growth, a healthy employment picture as well as improved net migration bode well for housing demand. Total housing starts are forecast to reach 3,850 units in 2007 compared to 3,715 units in 2006. Housing starts are expected to decline to 3,700 units in 2008.

In Manitoba, strong non-residential construction activity, a solid job market, and an increased level of international immigration due to the successful Provincial Nominee Program will continue to support high levels of new home construction. Total housing starts are expected to edge lower from 5,028 units in 2006 to 5,000 units in 2007 and 4,900 units in 2008.

In Ontario, housing demand across the province will remain healthy despite moderate economic growth, higher new home prices, increased choice in the resale market, and land constraints. Housing starts will slide from 73,417 units in 2006 to 68,000 units in 2007 and to 63,875 units in 2008. These declines will move housing starts in line with the average level over the last fifteen years. The average MLS(R) price in Ontario will rise by 5.4 per cent and 3.3 per cent in 2007 and 2008, respectively.

In Quebec, modest economic growth and the absorption of the pent-up demand that built-up during the 1990s will cause housing starts to decrease from 47,877 units in 2006 to 43,775 units in 2007 and to slide to 40,250 units in 2008. The average MLS(R) price growth in Quebec will moderate to 4.6 per cent in 2007 and 2.9 per cent in 2008.

In New Brunswick, rising construction 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 3,700 units and 3,600 units in 2007 and 2008, respectively.

In Nova Scotia, despite negative net migration, economic conditions will remain supportive of housing demand with low mortgage rates, elevated consumer confidence and gains in household income. Housing starts are forecast to ease 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 expand at a moderate pace over the two coming years and employment will continue to grow under one per cent. As a result, housing starts will decline from 738 units in 2006 to 625 units in 2007 and 600 units in 2008.

In Newfoundland, despite GDP growth of 5.0 per cent in 2007 due to major oil production projects, tepid employment, ongoing population losses and higher mortgage carrying costs will cause housing starts to move lower from 2,234 units in 2006 to 2,125 units in 2007. Housing starts will continue to decline 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, visit www.cmhc.ca or call 1 800 668-2642.

(1) Multiple Listing Service (MLS(R)) 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	213,400(1)	200,200(1)
Total single-detached houses	121,313	110,800(1)	103,700(1)
Total multiple housing units	106,082	102,700(1)	96,500(1)
Total MLS(R) sales(2)	483,223	487,500(1)	466,500(1)
Average MLS(R) selling price (\$)(2)	277,020	303,500(1)	318,400(1)

Provincial Housing Outlook

Total Housing Starts

	2006	2007	2008
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	Actual	Forecasts	Forecasts
Newfoundland and Labrador	2,234	2,125	2,050
Prince Edward Island	738	625	600
Nova Scotia	4,896	4,650	4,400
New Brunswick	4,085	3,700	3,600
Quebec	47,877	43,775	40,250
Ontario	73,417	68,000	63,875
Manitoba	5,028	5,000	4,900
Saskatchewan	3,715	3,850	3,700
Alberta	48,962	47,000	44,500
British Columbia	36,443	34,700	32,300

SOURCE: CMHC Housing Market Outlook, Canada Edition, Second Quarter 2007.

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- (1) Rounded off to the nearest hundred.
(2) The term MLS(R) stands for Multiple Listing Service and is a registered trademark of the Canadian Real Estate Association (CREA). Data are for 10 provinces.
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<http://www.cmhc-schl.gc.ca>

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