

Housing Starts Cooling in 2007 and 2008

OTTAWA, Ontario, September 15, 2007 — Housing starts will moderate in 2007, reaching 220,000 units, a decrease of 3.2 per cent from 2006, according to Canada Mortgage and Housing Corporation's (CMHC) third quarter *Housing Market Outlook, Canada Edition* report. Residential construction will continue to decline in 2008 to 207,200 units, yet will mark seven consecutive years in which housing starts exceed 200,000 units.

"Despite high employment levels, income gains and low mortgage rates, housing starts will trend downwards in 2007," said Bob Dugan, Chief Economist at CMHC. "The slight pull back in housing starts this year and next will be mainly due to the continued growth in house prices coupled with modest increases in mortgage rates. The level of new home construction will decrease in all provinces except for Manitoba, Quebec, and Saskatchewan."

Existing home sales, as measured by the Multiple Listing Service (MLS)¹, will register their best year on record with 514,450 units in 2007, a 6.5-per-cent increase over 2006. The record activity in the Prairies will be a key factor leading to the increase in the national level of MLS sales compared to the previous year. The level of MLS sales is expected to reach 494,750 units in 2008, its second highest level on record. Growth in the average MLS price will remain high at 9.9 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 price is forecast to slow to 5.2 per cent in 2008.

At the provincial level, British Columbia home starts will remain above historical averages but will decline slightly. Income growth, a tight labour market, 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 will decline slightly from 36,443 units in 2006 to 35,525 units in 2007, and continue to ease to 32,500 units in 2008. The average MLS price in British Columbia will grow by 11.7 per cent in 2007 and by 6.3 per cent in 2008 as increased listings and fewer resales bring supply and demand for existing homes into more balance.

Despite the record low unemployment rate and abundance of job opportunities, Alberta will see a net drop in migrants over the next two years due to the growing difference in provincial house prices and improved economic performances elsewhere across Canada. With lower migration and higher mortgage carrying costs, housing starts will ease from 48,962 units in 2006 to 47,300 units in 2007 and 44,500 units in 2008. Despite the decline in housing starts, 2007 will be the third best year on record. Following an unprecedented 30.7 per cent gain in 2006, the average MLS 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 situation and gains in net migration have contributed to the strong housing demand. Total housing starts are forecast to reach 5,700 units in 2007, the highest level in 24 years. Escalating costs will push housing starts down to 4,900 units in 2008, making it the second highest level of starts since 1986. The average MLS price in Saskatchewan will rise by 24.2 per cent and 10.4 per cent in 2007 and 2008, respectively.

In Manitoba, economic growth will exceed the national average, contributing 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 over the next two years. Total housing starts will reach

5,500 units in 2007, the best performance in 20 years, and will edge lower to 5,250 units in 2008. The average MLS[®] price in Manitoba will rise by 11.2 per cent and 7.5 per cent in 2007 and 2008, respectively.

An improving economic outlook in Ontario will help sustain a high level of housing demand across the province. New home construction activity will moderate over the next two years but remain near historical averages. Housing starts will decline from 73,417 units in 2006 to 66,950 units in 2007 and to 64,500 units in 2008. The average MLS[®] price in Ontario will rise by 5.3 per cent and 3.4 per cent in 2007 and 2008, respectively.

Continued steady economic growth in Quebec, coupled with solid job creation, will cause housing starts to increase from 47,877 units in 2006 to 48,100 units in 2007. Starts in Quebec will slide to 45,000 units in 2008. Thanks to the strong resale market, the average MLS[®] price growth in Quebec will be 6.2 per cent in 2007 and 2.2 per cent in 2008.

In New Brunswick, the positive labour market conditions will help reduce the net outflow of interprovincial migrants in 2007 and 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 3,750 units in 2007 and 3,625 units in 2008. The average MLS[®] price in New Brunswick will rise by 6.4 per cent and 3.5 per cent in 2007 and 2008, respectively.

In Nova Scotia, slower employment and population growth, coupled with higher personal debt levels will constrain new home construction activity over the next two years. Housing starts are forecast to ease from 4,896 units in 2006 to 4,475 units in 2007 and to 4,300 units in 2008. The average MLS[®] price in Nova Scotia will rise by 5.5 per cent and 3.4 per cent in 2007 and 2008, respectively.

Prince Edward Island's economy is expected to expand at a modest pace over the two coming years, and employment will continue to grow by less than one per cent per year. As a result, housing starts will decline from 738 units in 2006 to 625 units in 2007 and 590 units in 2008. The average MLS[®] price in Prince Edward Island will rise by 3.0 per cent and 2.6 per cent in 2007 and 2008, respectively.

In Newfoundland, higher homeownership and construction costs and lower employment growth will dampen housing demand over the next two years. Housing starts will move lower from 2,234 units in 2006 to 2,100 units in 2007 followed by a decrease to 2,025 units in 2008. The average MLS[®] price in Newfoundland will rise by 0.7 per cent and 1.2 per cent in 2007 and 2008, respectively.

Renovation spending will continue its upward trend through to 2008 thanks to strong growth in the Canadian economy, low mortgage and interest rates, and a solid housing sector. In 2007, renovation spending will increase by 9.8 per cent to reach \$49.9 billion. As activity in the resale market begins to slow, growth in renovation spending will ease to 6.8 per cent in 2008 to reach \$53.3 billion.

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.

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