

HOUSING NOW

Canada



CANADA MORTGAGE AND HOUSING CORPORATION

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Canadian Market Overview

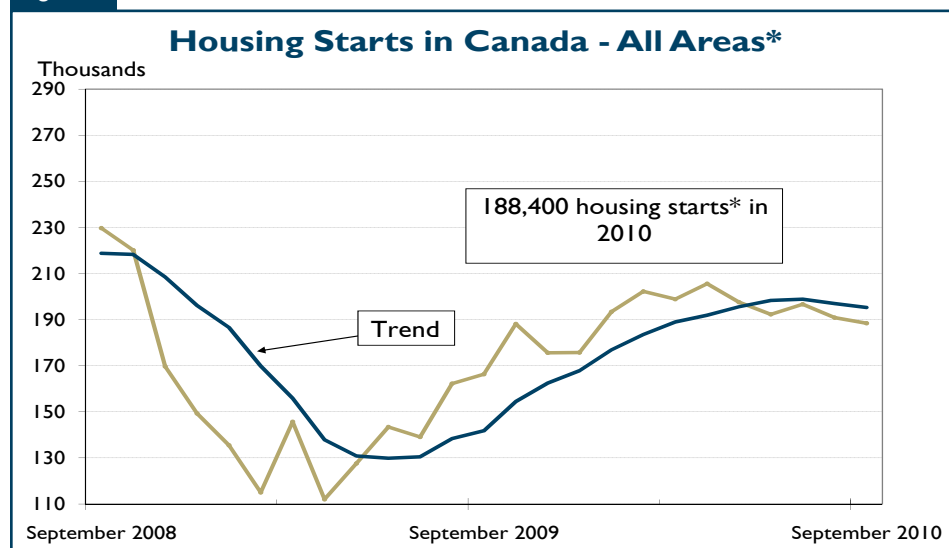
New Home Market

Housing starts decreased in September

in housing starts in September reflected lower single urban starts in Atlantic Canada and Ontario.

The seasonally adjusted annual rate¹ of housing starts was 188,400 units in September, down 1.3 per cent from 190,900 units in August. The decrease

Figure 1



Source: CMHC

*Seasonally adjusted at annual rates

¹All starts figures in this release, other than actual starts, are seasonally adjusted annual rates (SAAR) — that is, monthly figures are adjusted to remove normal seasonal variation and multiplied by 12 to reflect annual levels. By removing seasonal ups and downs, seasonal adjustment makes it possible to highlight the fundamental trends of a series. Reporting monthly figures at annual rates indicates the annual level of starts that would be obtained if the monthly pace was maintained for 12 months. This facilitates comparison of the current pace of activity to annual forecasts as well as to historical annual levels.

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Urban single starts move down, urban multiples unchanged in September

The seasonally adjusted annual rate of urban starts decreased by 3.3 per cent to 163,200 units in September. Urban multiple starts were unchanged at 99,600, while single urban starts decreased by 8.1 per cent to 63,600 units.

Urban starts increased in British Columbia, Quebec, and the Prairies in September

September's seasonally adjusted annual rate of urban starts increased 6.4 per cent in British Columbia, 3.9 per cent in Quebec, and 0.6 per cent in the Prairies. Reductions in urban starts were seen in Atlantic Canada (-23.7 per cent) and Ontario (-10.9 per cent).

Rural starts were estimated at a seasonally adjusted annual rate of 25,200 units in September.

Year-to-date starts up compared to 2009

On a year-to-date basis (to September 2010), total housing starts in urban areas have increased by an estimated 39.7 per cent compared to the same period in 2009. Urban single starts for the first nine months of 2010 were up 43.0 per cent while urban multiple starts were 37.1 per cent higher than the same period last year.

Year-to-date actual starts in rural and urban areas combined increased by an estimated 37.2 per cent compared to the first nine months of 2009.

New Housing Price Index increases in August

According to Statistics Canada, the New Housing Price Index (NHPI) increased 0.1 per cent in August following a 0.1 per cent decrease in July. On a year-over-year basis, the NHPI was up 2.9 per cent in August after an identical 2.9 per cent year-over-year increase in July.

In August 2010, new home prices increased in 17 out of 21 centres on a year-over-year basis. The largest year-over-year increases in the NHPI were in Regina (6.1 per cent), Winnipeg (5.3 per cent), and St. John's (4.9 per cent). The centres registering declines were Charlottetown (-2.2 per cent), Greater Sudbury and Thunder Bay (-1.8 per cent), Windsor (-1.3 per cent), and Victoria (-0.4 per cent).

Existing Home Market

MLS[®] sales rise in September

The seasonally adjusted annual rate of MLS[®] (Multiple Listing Service[®]) sales rose 3.0 per cent to 406,956 units in September,

compared to 395,196 units in August.

For the first nine months of 2010, actual MLS[®] sales were down 0.4 per cent compared to the same period in 2009.

MLS[®] new listings rise in September

The seasonally adjusted annual rate of MLS[®] new listings in September moved up by 0.7 per cent to 809,148 units, compared to 803,688 units in August. Actual new listings for the first nine months of 2010 were up by 10.1 per cent compared to the same period last year.

Sales-to-new-listings ratio² moves up in September

An indicator of price pressure in the existing home market is the sales-to-new-listings ratio. New listings are a gauge of the supply of existing homes, while MLS[®] sales are a proxy for demand.

The seasonally adjusted sales-to-new-listings ratio for Canada was 50.3 per cent in September, up from August's 49.2 per cent. Overall, balanced market conditions continue to characterize Canada's housing sector.

The September seasonally adjusted average MLS[®] price

¹Multiple Listing Service (MLS[®]) is a registered certification mark owned by the Canadian Real Estate Association

²Taking the Canadian MLS[®] market as a whole, a sales-to-new-listings ratio below 40 per cent has historically accompanied prices that are rising at a rate that is less than inflation, a situation known as a buyers' market. A sales-to-new-listings ratio above 55 per cent is associated with a sellers' market. In a sellers' market, home prices generally rise more rapidly than overall inflation. When the sales-to-new-listings ratio is between these thresholds, the market is said to be balanced.

in Canada rose 0.2 per cent to \$332,882, compared to \$332,243 in August. The unadjusted (actual) MLS® average price was down marginally in September to \$331,089 from \$331,683 a year ago.

Economic conditions

According to Statistics Canada, there was little change in employment in September, as full-time gains were offset by part-time losses. The unemployment rate edged down 0.1 percentage points to 8.0 per cent, as fewer people, particularly youth, participated in the labour market. Since September 2009, overall employment has risen by 349,000 (2.1 per cent).

The agency also reports that the part-time employment decline of 44,000 was mostly offset by an increase of 37,000 in full time employment. Over the past year, however, part-time employment has grown by 4.6 per cent (146,000), a faster pace than the 1.5 per cent growth in full time employment (203,000). Overall, September saw employment declines in Ontario, Saskatchewan, New Brunswick and Prince Edward Island, while Quebec, Newfoundland and Labrador, and Nova Scotia posted gains.

With respect to the provinces, Statistics Canada notes that employment fell by 23,000 in Ontario in September. The unemployment rate remained

unchanged at 8.8 per cent, as there were fewer people, particularly youth, participating in the labour market. Despite the decline in September, employment in Ontario grew by 127,000 (1.9 per cent) from a year earlier.

Following a notable gain in August, employment in Saskatchewan dropped by 4,600 in September, pushing the unemployment rate up 0.7 percentage points to 5.5 per cent. Despite this loss, employment has increased by 7,000 (1.3 per cent) over the past 12 months.

There were 2,500 fewer workers in New Brunswick in September, bringing total losses over the past 12 months to 5,600 (-1.5 per cent).

Employment in Prince Edward Island declined by 2,200. This

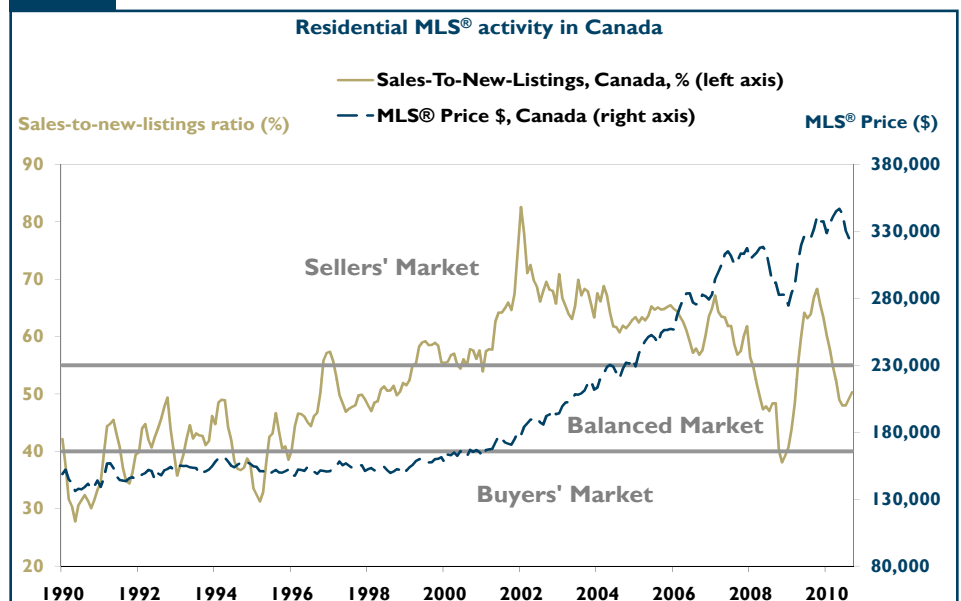
brought employment back to the same level as a year earlier.

In Quebec, employment was up 15,000 in September, pushing the unemployment rate down 0.5 percentage points to 7.7 per cent. The number of workers in Quebec has risen by 122,000, or 3.2 per cent, over the past year, the second highest growth rate at the national level after Newfoundland and Labrador.

Newfoundland and Labrador posted employment gains of 4,900. This province has had the fastest rate of growth of all provinces over the past 12 months, at 5.3 per cent (11,000). The unemployment rate has trended down, reaching 13.5 per cent in September, the lowest rate since July 2008.

In Nova Scotia, employment rose by 3,500 in September, pushing the unemployment rate

Figure 2



Data are seasonally adjusted and annualized, and cover Canada's major markets
Sources: CMHC, Canadian Real Estate Association (CREA), MLS®

down 0.8 percentage points to 9.0 per cent. Employment gains in the province have totalled 7,400 (1.6 per cent) over the past 12 months.

With respect to consumer prices, Statistics Canada reported that the Consumer Price Index rose 1.9 per cent in the 12 months to September, following a 1.7 per cent increase in August. Excluding energy, the Consumer Price Index (CPI) was up 1.5 per cent in September. On a seasonally adjusted monthly basis, consumer prices rose 0.3 per cent in September following a 0.1 per cent increase in August. Shelter costs rose 2.5 per cent in September compared with the same month last year. As well as paying higher prices for electricity and homeowners' replacement costs, consumers also paid more for natural gas and rent. The mortgage interest cost index, which measures the change in the interest portion of payments on outstanding mortgage debt, declined 3.3 per cent in September following a 3.8 per cent decrease in August.

On October 19, the Bank of Canada did not change the Target for the Overnight Rate. It remains at 1.00 per cent. The Bank of Canada has now paused its interest rate increases after moving the Target for the Overnight Rate upwards at three consecutive meetings. The Bank noted that while the economic recovery is progressing, it is slower than it

had previously expected.

On October 20th, the Bank released its latest Monetary Policy Report (MPR). This MPR stated that the global economic recovery is entering a new phase. Canadian economic growth is now expected to be 3.0 per cent in 2010, 2.3 per cent in 2011, and 2.6 per cent in 2012. In advanced economies, temporary factors supporting growth in 2010, such as the inventory cycle and pent-up demand, have largely run their course and fiscal stimulus will shift to fiscal consolidation. ■

This Month's Housing Data (SAAR)

	2009	Q1:10	Q2:10	Q3:10	M7:10	M8:10	M9:10
Housing starts, units, 000s							
Canada. Total. All areas	149.1	192.9	199.7	190.7	196.7	190.9	188.4
Per cent change from previous period	-29.4	8.1	3.5	-4.5	2.3	-2.9	-1.3
Canada. Total. Rural areas	18.7	23.1	26.5	23.5	21.2	22.1	25.2
Per cent change from previous period	-21.0	6.9	14.7	-11.3	-19.4	4.2	14.0
Canada. Total. Urban areas	130.4	169.8	173.2	167.2	175.5	168.8	163.2
Per cent change from previous period	-30.4	8.3	2.0	-3.5	5.7	-3.8	-3.3
Canada. Single. Urban areas	60.5	86.3	79.1	69.6	71.5	69.2	63.6
Per cent change from previous period	-18.7	9.2	-8.3	-12.0	-6.7	-3.2	-8.1
Canada. Multiple. Urban areas	69.8	83.5	94.1	97.6	104.0	99.6	99.6
Per cent change from previous period	-38.2	7.3	12.7	3.7	16.3	-4.2	0.0
Newfoundland. Total. All areas	3.1	5.4	4.2	3.3	3.4	3.4	3.2
Per cent change from previous period	-6.3	50.0	-22.2	-21.4	-24.4	0.0	-5.9
Prince Edward Island. Total. All areas	0.9	0.5	0.9	0.7	0.7	1.0	0.6
Per cent change from previous period	23.2	-58.3	80.0	-22.2	-30.0	42.9	-40.0
Nova Scotia. Total. All areas	3.4	4.4	4.4	4.6	6.7	3.3	4.2
Per cent change from previous period	-13.7	25.7	0.0	4.5	116.1	-50.7	27.3
New Brunswick. Total. All areas	3.5	4.5	3.6	4.3	6.3	5.1	2.6
Per cent change from previous period	-17.6	25.0	-20.0	19.4	34.0	-19.0	-49.0
Quebec. Total. All areas	43.4	52.5	54.3	50.3	56.6	48.7	52.3
Per cent change from previous period	-9.4	12.2	3.4	-7.4	4.2	-14.0	7.4
Ontario. Total. All areas	50.4	59.7	64.0	60.8	55.7	64.4	57.9
Per cent change from previous period	-32.9	-0.8	7.2	-5.0	-1.8	15.6	-10.1
Manitoba. Total. All areas	4.2	5.1	5.8	7.0	10.3	6.3	4.4
Per cent change from previous period	-24.6	24.4	13.7	20.7	27.2	-38.8	-30.2
Saskatchewan. Total. All areas	3.9	5.1	5.1	6.2	5.4	7.6	5.5
Per cent change from previous period	-43.4	-3.8	0.0	21.6	-14.3	40.7	-27.6
Alberta. Total. All areas	20.3	28.5	31.2	26.6	29.0	23.5	27.8
Per cent change from previous period	-30.4	-1.0	9.5	-14.7	8.2	-19.0	18.3
British Columbia. Total. All areas	16.1	27.2	26.2	26.9	22.6	27.6	29.9
Per cent change from previous period	-53.2	27.7	-3.7	2.7	-15.7	22.1	8.3

SOURCE: CMHC, Starts and Completions Survey. All data are seasonally adjusted and annualized. This seasonally adjusted data goes through stages of revision at different times through the yearly cycle resulting in finalization of preliminary data. These revisions take place at the end of each month, quarter and year.

This Month's Housing Data, continued (SAAR)*

	2009	Q1:10	Q2:10	Q3:10	M7:10	M8:10	M9:10
Canada. Total. Urban areas	130.4	169.8	173.2	167.2	175.5	168.8	163.2
Newfoundland. Total. Urban areas	2.0	2.6	2.5	2.0	2.0	2.1	1.9
Prince Edward Island. Total. Urban areas	0.7	0.4	0.7	0.5	0.6	0.8	0.4
Nova Scotia. Total. Urban areas	2.8	3.8	3.4	3.9	6.1	2.7	3.5
New Brunswick. Total. Urban areas	2.6	3.1	2.7	3.1	5.2	4.1	1.6
Quebec. Total. Urban areas	37.0	46.1	45.6	41.8	48.8	40.8	42.4
Ontario. Total. Urban areas	47.9	56.6	60.4	57.5	53.0	61.2	54.5
Manitoba. Total. Urban areas	2.8	3.5	3.7	5.3	8.7	4.2	2.6
Saskatchewan. Total. Urban areas	2.9	4.1	3.9	5.0	4.2	6.5	4.5
Alberta. Total. Urban areas	17.7	25.4	27.2	24.4	27.0	21.5	25.3
British Columbia. Total. Urban areas	13.8	24.2	23.1	23.7	19.9	24.9	26.5

* Thousands of units, quarterly and monthly data are seasonally adjusted and annualized

This Month's Major Housing Indicators

	2009	Q1:10	Q2:10	Q3:10	M7:10	M8:10	M9:10
New Housing							
New & unoccupied singles & semis, units 000s	7.4	5.3	5.4	5.0	4.9	5.0	5.1
Per cent change from same period previous year	-1.9	-40.2	-36.3	-25.9	-34.8	-23.5	-17.7
New & unoccupied row & apartments, units 000s	12.3	13.5	13.4	13.7	13.9	13.8	13.4
Per cent change from same period previous year	29.4	19.9	11.7	6.3	8.2	6.1	4.4
New House Price Index, 1997=100	154.6	156.8	157.9	n.a.	158.0	158.2	n.a.
Per cent change from same period previous year	-2.3	0.9	2.9	n.a.	2.9	2.9	n.a.

Existing Housing

MLS® resales*, units 000s	465.3	518.6	449.4	393.5	378.3	395.2	407.0
Per cent change from same period previous year	7.7	46.2	-2.4	-22.4	-25.0	-22.2	-20.1
MLS® average resale price**, 000s	320.3	342.0	339.5	332.0	330.9	332.2	332.9
Per cent change from same period previous year	5.0	19.3	9.1	0.8	1.8	0.6	0.0

Mortgage Market

Posted 1-Year Mortgage Rate, % (period average)	4.02	3.60	3.70	3.37	3.50	3.30	3.30
Posted 5-Year Mortgage Rate, % (period average)	5.63	5.58	6.04	5.52	5.79	5.39	5.39

SOURCE: CMHC, Statistics Canada, Bank of Canada, The Canadian Real Estate Association

n.a. Figures not available

* Quarterly and monthly data are seasonally adjusted and annualized (SAAR).

** Annual data is actual. Monthly and quarterly data is seasonally adjusted.

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