

HOUSING NOW

Canada



CANADA MORTGAGE AND HOUSING CORPORATION

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Canadian Market Overview

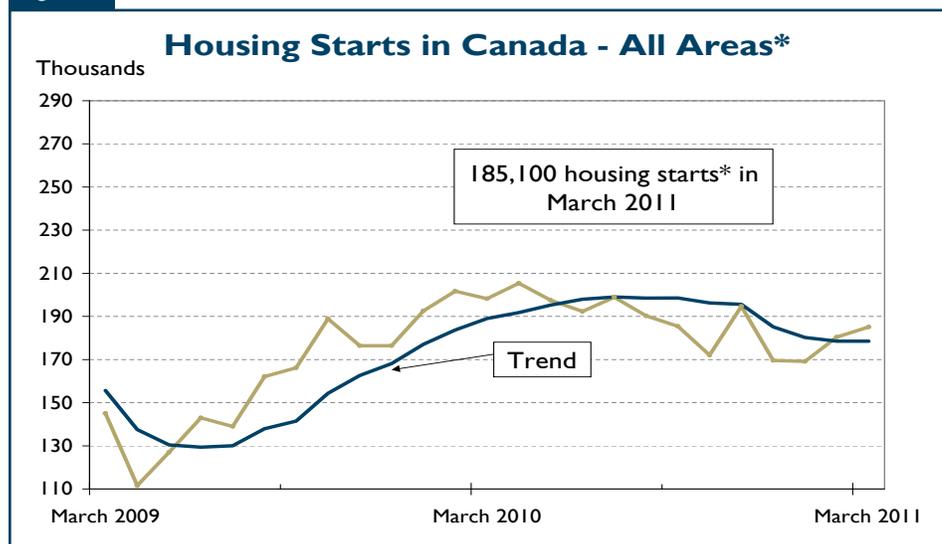
New Home Market

Housing starts edged up in March 2011

The seasonally adjusted annual rate¹ of housing starts was 185,100 units in March, up 2.6 per cent from 180,400 units in February. Housing starts moved higher in March mostly because

of increases in rural starts. Urban starts saw little change as the increase in Ontario's multiples segment was offset by a decrease in British Columbia's multiples and a decrease in single and multiple housing starts in the Prairies.

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.

Table of Contents

- 1 Canadian Market Overview
- 1 New Home Market
 - Housing Starts
- 2 New Housing Price Index
- 2 Existing Home Market
 - MLS® Sales
 - MLS® New Listings
 - Sales-to-New-Listings Ratio
 - MLS® Prices
- 3 Economic Conditions
- 4 Feature Article: Canada's Starts and Rate of Household Formation
- 8 Starts Statistics
- 9 Other Housing Statistics

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Increase in urban multiple starts is offset by a decrease in single starts in March

The seasonally adjusted annual rate of urban² starts increased by 0.5 per cent to 163,600 units in March compared to 162,800 units in February. Urban single starts decreased 8.1 per cent to 62,200 units, while urban multiple starts increased 6.6 per cent to 101,400 units in March.

Change in Urban starts mixed across the regions

In March, the seasonally adjusted annual rate of urban starts increased in Ontario (13.7 per cent), in Atlantic Canada (11.5 per cent), and in Quebec (8.6 per cent). On the other hand, urban starts decreased in British Columbia (-23.4 per cent) and in the Prairie Region (-19.3 per cent).

The seasonally adjusted annual rate of rural starts was 21,500 units in March compared to 17,600 units in February.

Actual starts up in March

In March, actual urban starts increased 2.5 per cent compared to the same period in 2010. Actual urban single starts for March were down 34.4 per cent compared to a year earlier, while actual urban multiple starts rose 37.4 per cent in March compared to 2010.

Estimated actual starts in rural

²Urban centres are defined as centres with a population of over 10,000. CMHC surveys urban centres 10,000-49,999 at the end of every quarter. Months which are not at the end of a quarter are thus estimates.

³Multiple Listing Service (MLS[®]) is a registered certification mark owned by the Canadian Real Estate Association.

⁴Taking 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.

and urban areas combined increased by an estimated 3.2 per cent in March compared to a year earlier.

New house prices continue to increase in February

The New Housing Price Index (NHPI) increased by 0.4 per cent year-over-year in February following growth of 0.2 per cent in January.

In February 2011, new home prices increased in 15 out of 21 centres, compared to February 2010. The largest increases in the NHPI were in St. John's (6.2 per cent), followed by Regina (5.9 per cent) and Winnipeg (4.6 per cent). The centres that registered declines in the NHPI were Windsor (-4.0 per cent), Greater Sudbury and Thunder Bay (-1.4 per cent), Victoria (-1.0 per cent), St. Catharines and Niagara (-0.8 per cent), and Vancouver (-0.2 per cent). New home prices, meanwhile, were stable in London.

Existing Home Market

MLS^{®3} sales up in March

The seasonally adjusted annual rate of MLS[®] (Multiple Listing Service[®]) sales was up 0.1 per cent to 464,520 units in March, compared to 464,136 units in February.

MLS[®] new listings moderated in March

The seasonally adjusted annual rate of MLS[®] new listings in March was 821,952, down 5.0 per cent from 864,900 in February.

The Sales-to-New-Listings ratio in balanced-to-sellers' conditions

An indicator of price pressure in the existing home market is the sales-to-new-listings ratio⁴. New listings are a gauge of the supply of existing homes, while MLS[®] sales are a proxy for demand.

The sales-to-new-listings ratio for Canada remained near the threshold between balanced and sellers' market conditions in March, at about 56.5 per cent. This compares to a sales-to-new-listings ratio of 53.7 per cent in February.

MLS[®] price increases reflect current market conditions

The March seasonally adjusted average MLS[®] price in Canada increased marginally to \$371,053, compared to \$368,553 in February. The unadjusted MLS[®] average price was up 8.9 per cent in March to \$371,286 from \$341,081 a year ago.

Economic conditions

According to Statistics Canada, overall employment was unchanged in March, as gains in full-time work were offset by declines in part time. The unemployment rate edged down 0.1 of a percentage point to 7.7%. Over the past 12 months, employment has risen by 1.8% (305,000).

Full-time employment rose by 91,000 in March, and was offset by a decline of 92,000 in part time employment. This large increase brought gains in full-time employment to 251,000 (1.8%) over the past 12 months, while part time increased by 54,000 (1.7%).

Among the provinces, Statistics Canada reports that there was little change in employment across the provinces.

With respect to consumer prices, Statistics Canada reported that Consumer prices rose 3.3% in the 12 months to March, the largest year-over-year increase since September 2008. This advance follows a 2.2% increase in the 12 months to February. The overall increase in March was broad based, however, the largest gains were in energy prices.

On a seasonally adjusted monthly basis, consumer prices rose 0.8% from February to March.

The Bank of Canada's core index advanced 1.7% in the 12 months to March, following a 0.9% rise in February. The higher increase in March was mainly a result of larger price increases for travel services, clothing, and the purchase of passenger vehicles.

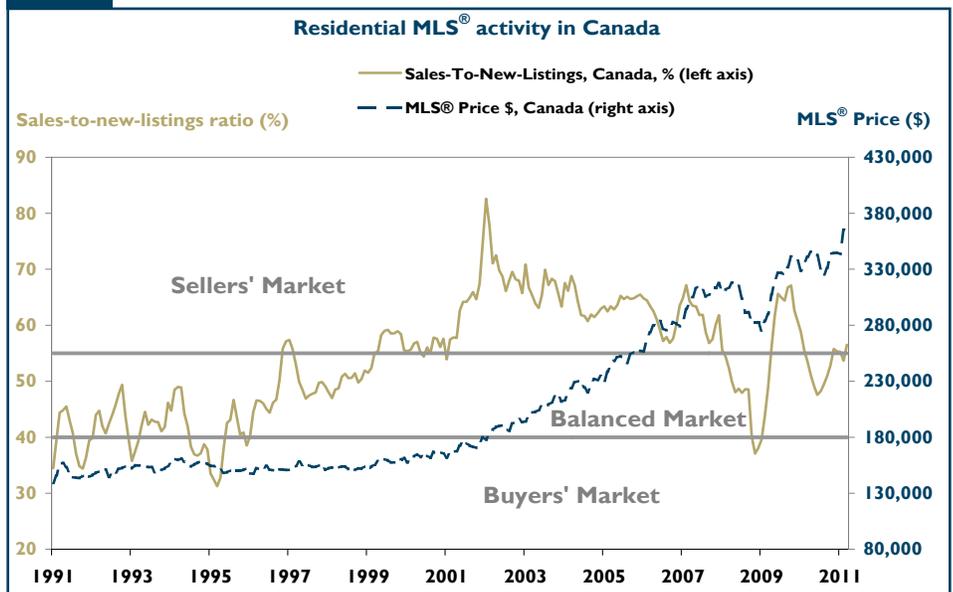
Meanwhile, shelter costs rose 2.4% in March, after increasing 2.2% in February. In addition to higher prices for fuel oil and other fuels, as well as for electricity, homeowners' replacement cost increased 3.2% in the 12 months to March.

On April 12, 2011, the Bank of Canada maintained its target for the overnight rate at 1.0 per cent, noting that the global economic recovery is moving along as expected. The last increase in interest rates occurred September 8, 2010 and amounted to 0.25 basis points.

On April 13, 2011, the Bank of Canada released its Monetary Policy Report (MPR). In brief, the report stated that although recent economic activity in Canada has been stronger than originally anticipated, the profile is largely consistent with the underlying dynamics outlined in its January's MPR Update.

The next interest rate announcement of the Governing Council of the Bank of Canada is scheduled to take place on May 31, 2011. The next Monetary Policy Report is scheduled to be released on July 20, 2011. ■

Figure 2



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

Canada's Starts and Rate of Household Formation

Canada's new home markets have been very strong for a number of years. At present, however, they are moving towards more sustainable long-run levels.

The rate of household formation is an important driver of housing starts in the longer term. In fact, Statistics Canada notes that the most direct socio-demographic influence on the demand for housing is the rate of household formation and dissolution. The lifespan of households depends not only on the age at which people form their own households, but also on migration, divorce, aging and how many elderly remain in private households.

The agency also states that the typical household life cycle runs from residing with parents, to renting, to the purchase of a first home, perhaps the purchase of a more expensive home, and ultimately in old age to renting, institutionalization or living with relatives again. Labour force activity and income also change with the life cycle.

The Canada Context

During the period from 2002 to 2008, inclusive, Canadian housing starts had been above the 200,000 unit level. The last time such a period occurred was from 1971 to 1978.

Figure 3

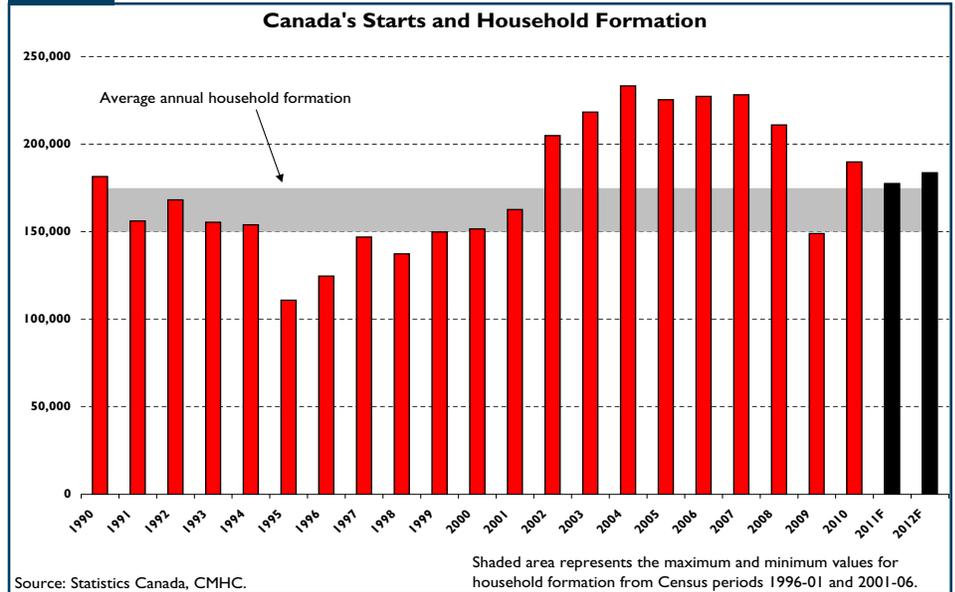
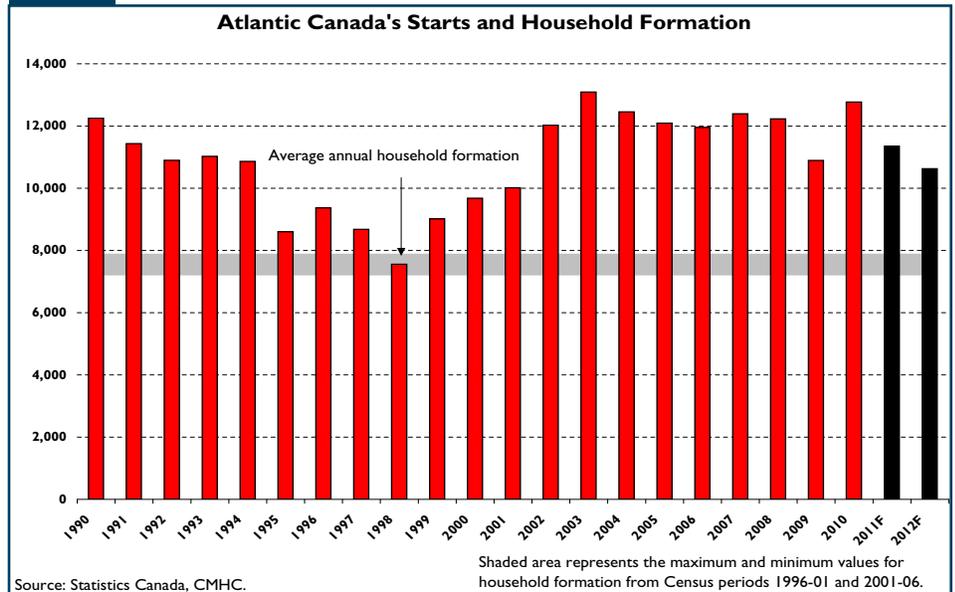


Figure 4



The high level of housing starts during 2002-2008 was due to a strong domestic economy, particularly in Western Canada. Employment in that region drew many migrants and the housing market, in general, flourished. Housing demand in the rest of Canada was also strong due to solid employment and income growth as well as very low mortgage rates.

Towards the end of 2008 and in the first half of 2009, housing starts moderated from the record setting pace of previous years. However, the downturn was short-lived as housing starts rebounded in the second half of 2009 due to historically low interest rates and the economic recovery.

When looking at the rate of household formation from the previous two census periods (1996-2001 and 2001-2006; the shaded areas on the graphs, represent the maximum and minimum values for household formation from these census periods), one can see that the average rate for Canada was in the range of 150,000 to 175,000 households per year. This is plotted in Figure 3. When comparing the 2002 to 2008 period of over 200,000 annual housing starts to the average household formation level, it is evident that Canada's housing market would, at some point, need to slow to levels more in line with overall demographic demand.

Figure 5

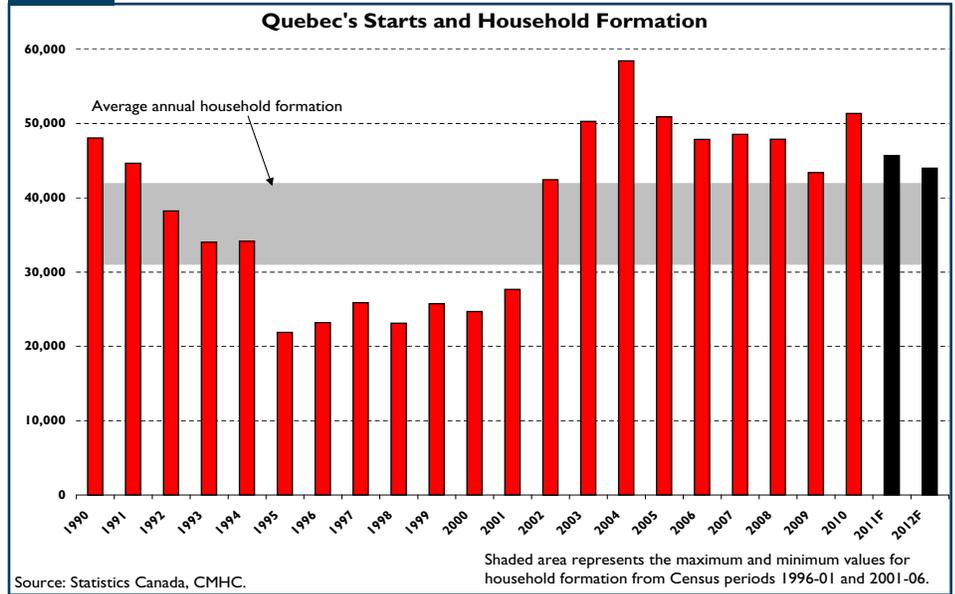
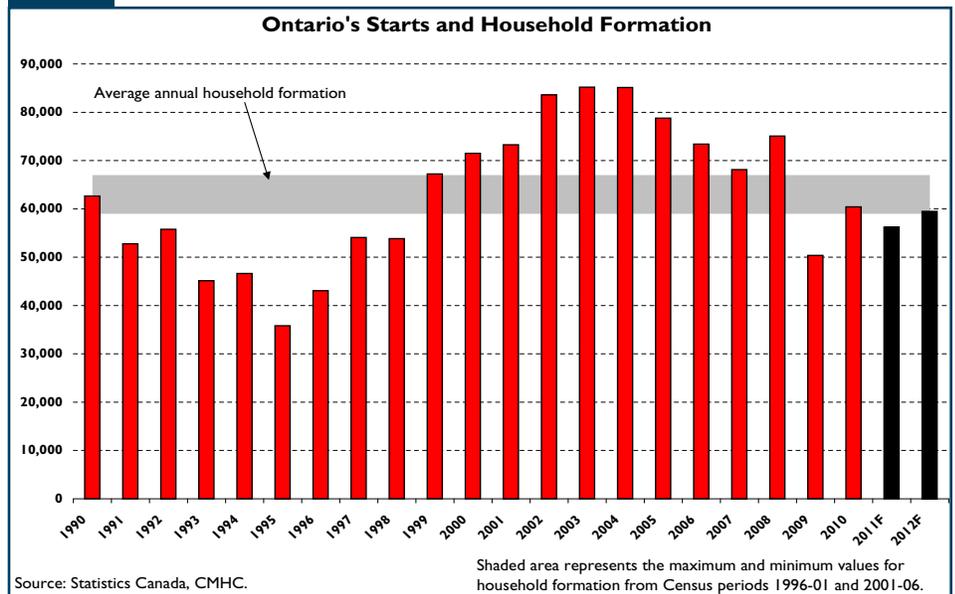


Figure 6



The Canadian Regional Context

With respect to Atlantic Canada (Figure 4), starts have been running ahead of household formation due in part to urbanization. This trend, along with a buoyant economy will maintain housing starts above the annual average level of household formation in 2011 and 2012.

In Quebec (Figure 5), housing starts are expected to move towards levels more in-line with its historical range of household formation.

In Ontario (Figure 6), however, the strong markets of the past have changed due to a weakening in the province's economy. Challenges with the economy have pushed starts towards the lower bound of the region's historical range of household formation.

In the Prairies (Figure 7), following an exceptional pace in housing starts activity, particularly in 2006 and 2007, housing starts have almost returned to levels more consistent with its historical range of household formation.

Finally, British Columbia (Figure 8) is also experiencing a return to more sustainable levels of housing starts, similar to Ontario and the Prairies. BC's starts are at the middle-to-upper end of its historical range of household formation.

Figure 7

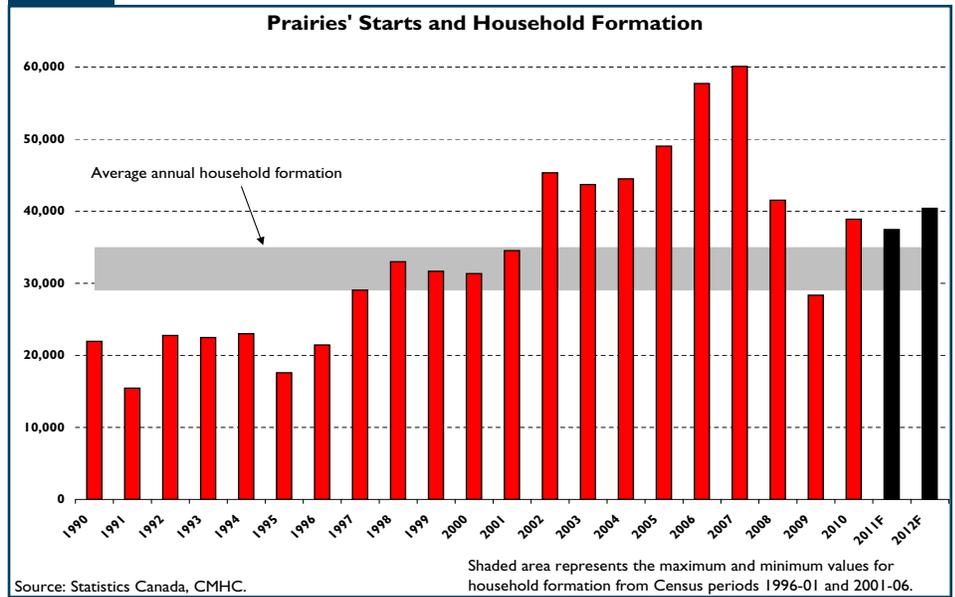
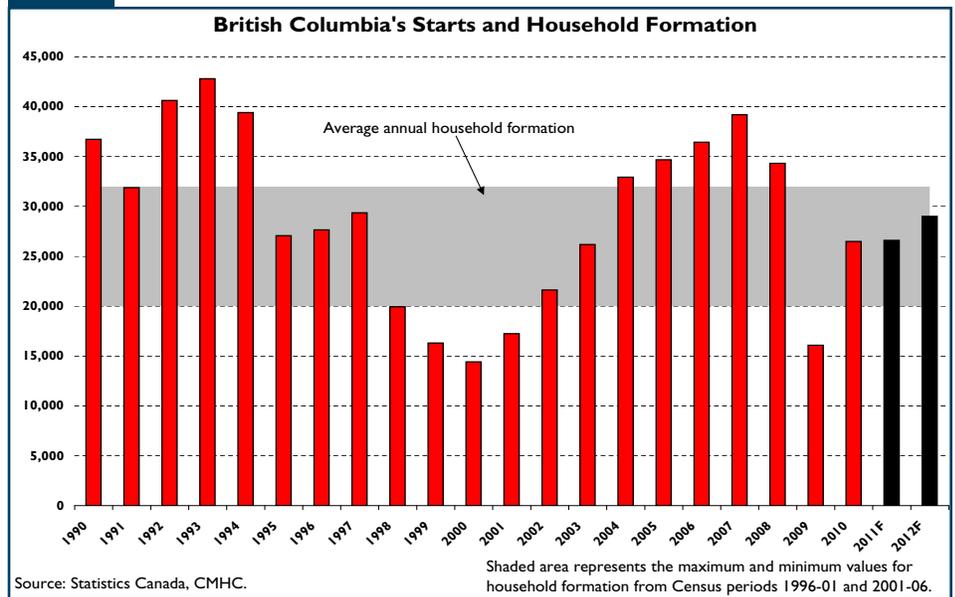


Figure 8



The Canadian Outlook

Many factors will have an impact on housing demand over the next couple of years as Canada's economy continues to recover from the economic downturn. These factors include changes for government-backed mortgage insurance, as well as Canada's employment situation, future changes in mortgage rates, and any lingering global financial uncertainty.

Some of these factors will contribute to stronger housing demand, while others will dampen housing demand. On balance, we expect these factors to bring housing starts more in line with demographic fundamentals over the next couple of years. Housing starts are expected to be 177,600 units for 2011 and 183,800 units for 2012. ■

This Month's Housing Data (SAAR)

	2010	Q3:10	Q4:10	Q1:11	M01:11	M02:11	M03:11
Housing starts, units, 000s							
Canada. Total. All areas	189.9	190.7	180.0	173.1	169.1	180.4	185.1
Per cent change from previous period	27.4	-4.6	-5.6	-3.8	-0.3	6.7	2.6
Canada. Total. Rural areas	23.8	23.3	23.0	18.3	21.3	17.6	21.5
Per cent change from previous period	27.0	-11.7	-1.3	-20.4	9.2	-17.4	22.2
Canada. Total. Urban areas	166.2	167.4	157.0	154.8	147.8	162.8	163.6
Per cent change from previous period	27.5	-3.5	-6.2	-1.4	-1.5	10.1	0.5
Canada. Single. Urban areas	74.2	69.9	64.4	60.0	65.3	67.7	62.2
Per cent change from previous period	22.7	-11.9	-7.9	-6.8	-0.6	3.7	-8.1
Canada. Multiple. Urban areas	91.9	97.5	92.6	94.8	82.5	95.1	101.4
Per cent change from previous period	31.6	3.6	-5.0	2.4	-2.3	15.3	6.6
Newfoundland. Total. All areas	3.6	3.3	3.2	3.7	4.7	3.1	4.2
Per cent change from previous period	18.0	-21.4	-3.0	15.6	46.9	-34.0	35.5
Prince Edward Island. Total. All areas	0.8	0.7	0.9	0.9	1.3	0.5	0.6
Per cent change from previous period	-13.8	-22.2	28.6	0.0	18.2	-61.5	20.0
Nova Scotia. Total. All areas	4.3	4.6	3.9	4.1	5.3	4.1	3.3
Per cent change from previous period	25.3	4.5	-15.2	5.1	89.3	-22.6	-19.5
New Brunswick. Total. All areas	4.1	4.4	4.3	1.5	2.4	1.0	1.3
Per cent change from previous period	16.5	22.2	-2.3	-65.1	-22.6	-58.3	30.0
Quebec. Total. All areas	51.4	50.2	47.9	46.8	48.7	42.8	50.3
Per cent change from previous period	18.3	-7.0	-4.6	-2.3	2.1	-12.1	17.5
Ontario. Total. All areas	60.4	60.7	58.6	61.0	51.1	66.2	75.5
Per cent change from previous period	20.0	-4.9	-3.5	4.1	9.4	29.5	14.0
Manitoba. Total. All areas	5.9	6.9	5.4	4.5	3.6	5.4	4.1
Per cent change from previous period	41.1	19.0	-21.7	-16.7	-44.6	50.0	-24.1
Saskatchewan. Total. All areas	5.9	6.2	7.5	6.3	6.0	9.3	5.3
Per cent change from previous period	52.8	21.6	21.0	-16.0	-20.0	55.0	-43.0
Alberta. Total. All areas	27.1	26.9	22.9	20.6	19.1	22.4	20.8
Per cent change from previous period	33.5	-14.9	-14.9	-10.0	-9.0	17.3	-7.1
British Columbia. Total. All areas	26.5	26.8	25.4	23.7	26.9	25.6	19.7
Per cent change from previous period	64.7	1.5	-5.2	-6.7	-10.3	-4.8	-23.0

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)*

	2010	Q3:10	Q4:10	Q1:11	M01:11	M02:11	M03:11
Canada. Total. Urban areas	166.2	167.4	157.0	154.8	147.8	162.8	163.6
Newfoundland. Total. Urban areas	2.2	2.0	2.2	2.3	2.5	2.0	2.8
Prince Edward Island. Total. Urban areas	0.6	0.5	0.7	0.6	0.6	0.4	0.4
Nova Scotia. Total. Urban areas	3.5	3.9	3.2	3.4	4.6	3.1	2.8
New Brunswick. Total. Urban areas	3.0	3.2	2.8	1.0	1.2	0.6	0.8
Quebec. Total. Urban areas	43.5	41.7	41.0	39.7	40.7	37.3	40.5
Ontario. Total. Urban areas	57.1	57.5	54.9	58.2	48.4	63.3	72.0
Manitoba. Total. Urban areas	4.0	5.2	3.4	3.1	2.4	4.1	2.9
Saskatchewan. Total. Urban areas	4.6	5.0	5.5	5.3	4.7	7.6	4.2
Alberta. Total. Urban areas	24.1	24.7	20.1	19.3	17.8	20.9	19.2
British Columbia. Total. Urban areas	23.6	23.7	23.2	21.9	24.9	23.5	18.0

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

This Month's Major Housing Indicators

	2010	Q3:10	Q4:10	Q1:11	M01:11	M02:11	M03:11
New Housing							
New & unoccupied singles & semis, units 000s	5.3	5.0	5.6	5.9	6.0	5.9	5.8
Per cent change from same period previous year	-28.4	-25.9	-1.8	11.1	11.0	11.6	10.9
New & unoccupied row & apartments, units 000s	13.6	13.7	13.7	13.6	14.2	13.7	12.9
Per cent change from same period previous year	11.1	6.5	6.6	0.6	2.9	0.7	-2.0
New House Price Index, 2007=100	103.2	103.4	103.8	n.a.	104.2	104.6	n.a.
Per cent change from same period previous year	2.2	2.8	2.2	n.a.	1.9	2.1	n.a.

Existing Housing

MLS[®] resales*, units 000s	447.0	397.9	446.8	466.9	472.1	464.1	464.5
Per cent change from same period previous year	-3.9	-23.5	-15.9	-6.8	-6.7	-5.9	-7.7
MLS[®] average resale price**, 000s	339.0	332.0	342.4	365.6	357.5	368.6	371.1
Per cent change from same period previous year	5.8	0.3	1.2	7.2	5.0	8.0	8.6

Mortgage Market

Posted 1-Year Mortgage Rate, % (period average)	3.49	3.37	3.30	3.45	3.35	3.50	3.50
Posted 5-Year Mortgage Rate, % (period average)	5.61	5.52	5.31	5.32	5.19	5.44	5.34

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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