

HOUSING NOW

Canada



CANADA MORTGAGE AND HOUSING CORPORATION

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Canadian Market Overview

New Home Market

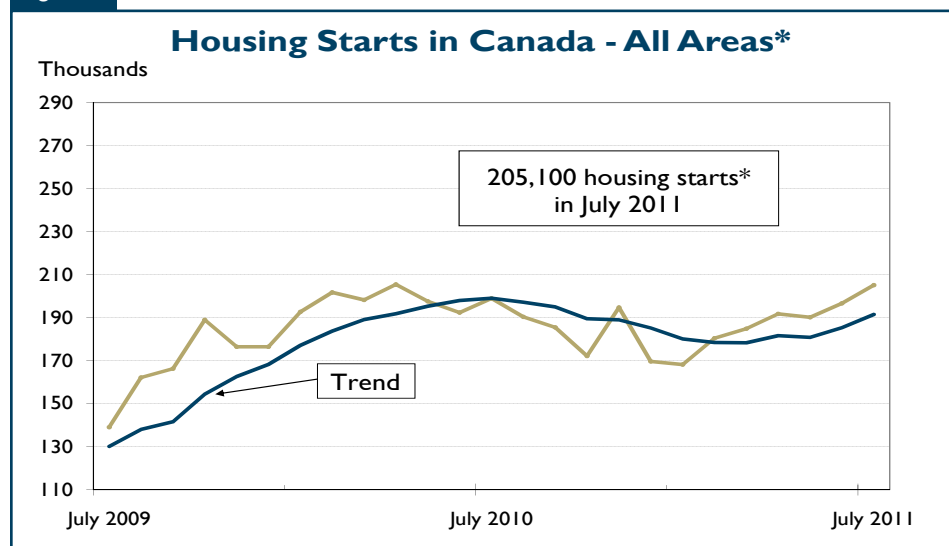
Housing starts edged up in July 2011

The seasonally adjusted annual rate¹ of housing starts was 205,100 units in July, up 4.3 per cent from 196,600 units in June.

Housing starts rose in July due to an increase in multiple starts in all regions except Quebec.

Housing starts have been above the trend since February 2011, but moderation is expected in the coming months.

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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Increase in urban multiple starts is partly offset by an decrease in single starts in July

The seasonally adjusted annual rate of urban² starts increased by 4.7 per cent to 185,200 units in July compared to 176,900 units in June. Urban single starts edged down 7.8 per cent to 65,000 units, while urban multiple starts increased 13.0 per cent to 120,200 units in July.

Urban starts increases in most regions

In July, the seasonally adjusted annual rate of urban starts increased in the Atlantic region (36.1 per cent), in British Columbia (33.0 per cent) and in Ontario (1.7 per cent). On the other hand, urban starts decreased in Quebec (-7.8 per cent) and in the Prairie Region (-0.3 per cent).

The seasonally adjusted annual rate of rural starts was 19,900 units in July compared to 19,700 units in June.

Actual starts up in July

In July, actual urban starts increased 3.4 per cent compared to the same period in 2010. Actual urban single starts for July were down 11.2 per cent compared to a year earlier, while actual urban multiple starts edged higher 15.4 per cent in July compared to 2010.

Estimated actual starts in rural and urban areas combined increased by an estimated 3.0 per cent in July compared to a year earlier.

The stock of unabsorbed new housing units has been relatively stable over the past year. After falling 28.4 per cent between 2009 and 2010, the number of new and unoccupied singles and semis has fluctuated narrowly between 5,500 and 6,000 since January 2011 and stood at 5,600 during July, 2011. With respect to row and apartments, the number of new and unoccupied units has oscillated in a band from 12,600 and 14,200 and stood at 13,600 during July, 2011.

New house prices are up in June

The New Housing Price Index (NHPI) increased 2.1 per cent in June compared to June 2010. This follows a year-over-year increase of 1.9 per cent in May.

In June 2011, new home prices increased in 13 out of 21 centres, compared to June 2010. The largest increases in the NHPI were in Toronto and Oshawa (4.7 per cent), followed by Winnipeg (4.4 per cent) and St. John's (4.3 per cent). The centres that registered the declines in the NHPI were Windsor (-4.3 per cent), Victoria (-1.7 per cent), Greater Sudbury and Thunder Bay (-1.0 per cent), London and Vancouver (-0.7 per

cent), St. Catharines-Niagara (-0.6 per cent), Saint John, Fredericton and Moncton (-0.4 per cent), and Calgary (-0.3 per cent).

Existing Home Market

MLS® sales down in July

The seasonally adjusted annual rate of MLS® (Multiple Listing Service®) sales was down 0.1 per cent to 449,904 units in July, compared to 450,408 units in June.

MLS® new listings edged up in July

The seasonally adjusted annual rate of MLS® new listings in July was 868,992 up 0.9 per cent from 861,456 in June.

The Sales-to-New-Listings ratio in balanced 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 in balanced market conditions in July, at about 51.8 per cent. This compares to a sales-to-new-listings ratio of 52.3 per cent in June.

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 trademark 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.

MLS® price decreases marginally

The July seasonally adjusted average MLS® price in Canada decreased marginally to \$362,423, compared to \$363,442 in June. The unadjusted MLS® average price was up 9.3 per cent in July to \$361,181 from \$330,532 a year ago.

Economic conditions

Labour market conditions and interest rates are key factors driving housing demand.

According to Statistics Canada, employment was little changed in July following three consecutive months of increases in employment. Full-time employment edged up by 25,500 jobs in July, while part-time employment decreased by 18,400 jobs.

Compared to July 2010, total employment across Canada was up 1.5 per cent (252,000 jobs). Over the past year, full-time employment added 351,000 net new jobs, while part-time employment subtracted 99,000 net new jobs.

Among the provinces, Alberta and Newfoundland and Labrador, were the only provinces with notable employment gains in July compared to June, while employment was little changed in the remaining provinces.

The agency also reported that Canada's unemployment rate decreased by 0.2 percentage points to 7.2 per cent in July.

This was due to fewer people participating in the labour market.

On July 19th, the Bank of Canada announced that it was leaving the target for the overnight interest rate unchanged at 1.0 per cent. According to the Bank of Canada, the global and Canadian economic recovery is proceeding much as anticipated.

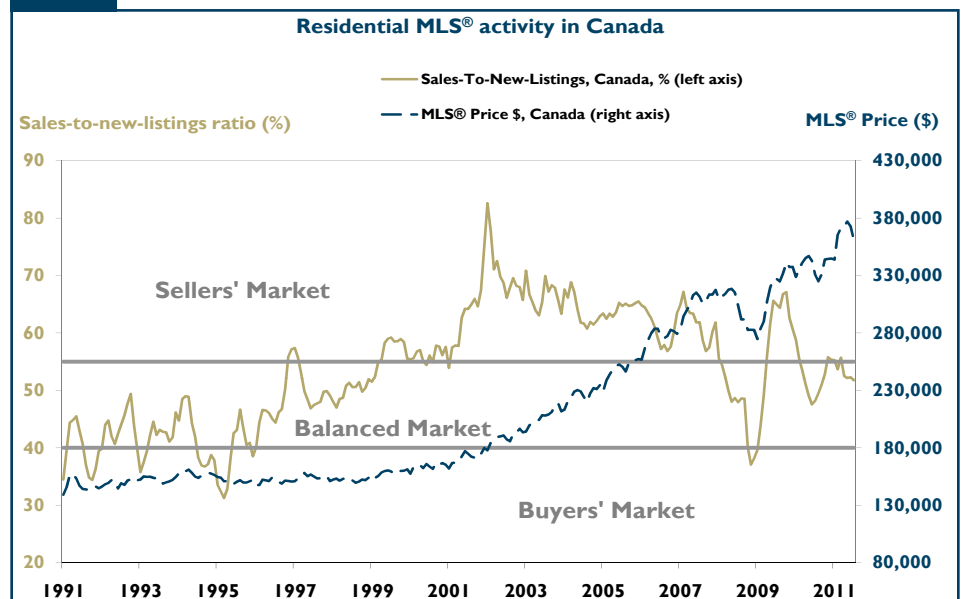
Since the last Monetary Policy Report (MPR) of the Bank of Canada, the U.S. Federal Reserve committed to keeping the federal funds rates low until at least mid-2013. The next interest rate announcement of the Governing Council of the Bank of Canada is scheduled to take place on September 7, 2011. The next MPR is scheduled to be released on October 24, 2011.

Statistics Canada's Consumer Price Index, which is a measure of inflation, rose 2.7 per cent in the 12 months to July, primarily the result of higher prices for gasoline and food purchased from stores. This follows a 3.1 per cent increase posted in June.

Core inflation, which excludes the eight most volatile items and the effect of changes in indirect taxes, increased to 1.6 per cent in the 12 months to July up from 1.3 per cent in June.

The agency also reported that shelter costs rose 1.3 per cent in the 12 months to July. In addition to higher prices for fuel oil and water, homeowners' replacement cost increased 2.0 per cent. However, mortgage interest cost, which measures the change in the interest portion of payments on outstanding mortgage debt, decreased 1.9 per cent. Prices for natural gas and electricity also fell.■

Figure 2



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

⁵Core inflation is defined as the 12-month rate of increase in the CPI excluding food, energy, and the effects of changes in indirect taxes.

This Month's Housing Data (SAAR)

	2010	Q4:10	Q1:11	Q2:11	M05:11	M06:11	M07:11
Housing starts, units, 000s							
Canada. Total. All areas	189.9	180.0	174.6	195.0	190.1	196.6	205.1
Per cent change from previous period	27.4	-5.6	-3.0	11.7	-0.8	3.4	4.3
Canada. Total. Rural areas	23.8	23.0	17.8	18.7	19.5	19.7	19.9
Per cent change from previous period	27.0	-1.3	-22.6	5.1	16.1	1.0	1.0
Canada. Total. Urban areas	166.2	157.0	156.8	176.3	170.6	176.9	185.2
Per cent change from previous period	27.5	-6.2	-0.1	12.4	-2.5	3.7	4.7
Canada. Single. Urban areas	74.2	64.4	61.5	68.4	63.5	70.5	65.0
Per cent change from previous period	22.7	-7.9	-4.5	11.2	-5.2	11.0	-7.8
Canada. Multiple. Urban areas	91.9	92.6	95.3	107.9	107.1	106.4	120.2
Per cent change from previous period	31.6	-5.0	2.9	13.2	-0.7	-0.7	13.0
Newfoundland. Total. All areas	3.6	3.2	3.7	3.7	3.5	4.6	4.1
Per cent change from previous period	18.0	-3.0	15.6	0.0	66.7	31.4	-10.9
Prince Edward Island. Total. All areas	0.8	0.9	0.8	0.8	0.8	0.7	1.2
Per cent change from previous period	-13.8	28.6	-11.1	0.0	14.3	-12.5	71.4
Nova Scotia. Total. All areas	4.3	3.9	4.1	4.2	4.9	3.7	5.7
Per cent change from previous period	25.3	-15.2	5.1	2.4	6.5	-24.5	54.1
New Brunswick. Total. All areas	4.1	4.3	1.5	3.2	2.9	4.0	6.0
Per cent change from previous period	16.5	-2.3	-65.1	113.3	11.5	37.9	50.0
Quebec. Total. All areas	51.4	47.9	47.0	49.0	50.8	48.3	45.6
Per cent change from previous period	18.3	-4.6	-1.9	4.3	12.9	-4.9	-5.6
Ontario. Total. All areas	60.4	58.6	61.6	71.2	58.2	74.5	75.2
Per cent change from previous period	20.0	-3.5	5.1	15.6	-25.8	28.0	0.9
Manitoba. Total. All areas	5.9	5.4	4.5	5.9	6.4	5.7	7.4
Per cent change from previous period	41.1	-21.7	-16.7	31.1	25.5	-10.9	29.8
Saskatchewan. Total. All areas	5.9	7.5	6.3	6.9	5.8	8.3	5.6
Per cent change from previous period	52.8	21.0	-16.0	9.5	-15.9	43.1	-32.5
Alberta. Total. All areas	27.1	22.9	20.9	23.8	25.3	23.6	24.3
Per cent change from previous period	33.5	-14.9	-8.7	13.9	13.5	-6.7	3.0
British Columbia. Total. All areas	26.5	25.4	24.2	26.3	31.5	23.2	30.0
Per cent change from previous period	64.7	-5.2	-4.7	8.7	31.3	-26.3	29.3

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)*

	2010	Q4:10	Q1:11	Q2:11	M05:11	M06:11	M07:11
Housing starts, units, 000s							
Canada. Total. Urban areas	166.2	157.0	156.8	176.3	170.6	176.9	185.2
Newfoundland. Total. Urban areas	2.2	2.2	2.4	2.5	2.2	3.1	2.5
Prince Edward Island. Total. Urban areas	0.6	0.7	0.5	0.6	0.6	0.5	1.0
Nova Scotia. Total. Urban areas	3.5	3.2	3.4	3.7	4.2	3.1	4.9
New Brunswick. Total. Urban areas	3.0	2.8	1.0	2.4	2	3.0	4.8
Quebec. Total. Urban areas	43.5	41.0	40.0	42.7	44.3	42.5	39.2
Ontario. Total. Urban areas	57.1	54.9	59.0	68.6	55.6	71.7	72.9
Manitoba. Total. Urban areas	4.0	3.4	3.2	4.0	4.6	3.7	5.3
Saskatchewan. Total. Urban areas	4.6	5.5	5.3	5.5	4.4	6.3	4.2
Alberta. Total. Urban areas	24.1	20.1	19.6	21.8	23.4	21.8	22.2
British Columbia. Total. Urban areas	23.6	23.2	22.4	24.5	29.3	21.2	28.2

SOURCE: CMHC, Starts & Completions Survey. All quarterly and monthly 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 Major Housing Indicators

	2010	Q4:10	Q1:11	Q2:11	M05:11	M06:11	M07:11
New Housing							
New & unoccupied singles & semis, units 000s	5.3	5.6	5.9	5.6	5.5	5.6	5.6
Per cent change from same period previous year	-28.4	-1.8	11.1	4.3	0.1	6.7	14.5
New & unoccupied row & apartments, units 000s	13.6	13.7	13.6	12.8	12.7	13.3	13.6
Per cent change from same period previous year	11.1	6.6	0.6	-4.5	-2.4	-4.8	-2.9
New House Price Index, 2007=100	103.2	103.8	104.5	105.3	105.3	105.6	n.a.
Per cent change from same period previous year	2.2	2.2	2.0	2.0	1.9	2.1	n.a.

Existing Housing

MLS® resales*, units 000s	447.0	446.8	465.1	443.3	439.5	450.4	449.9
Per cent change from same period previous year	-3.9	-15.9	-7.1	0.2	-0.1	11.7	18.1
MLS® average resale price**, 000s	339.0	342.4	365.1	366.3	366.7	363.4	362.4
Per cent change from same period previous year	5.8	1.2	7.0	7.9	7.9	9.2	10.0

Mortgage Market

Posted 1-Year Mortgage Rate, % (period average)	3.49	3.30	3.45	3.63	3.70	3.50	3.50
Posted 5-Year Mortgage Rate, % (period average)	5.61	5.31	5.32	5.56	5.59	5.39	5.39

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

n.a. Figures not available.

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

** Annual data is actual. Quarterly and monthly data is seasonally adjusted.

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