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CANADA MORTGAGE AND HOUSING CORPORATION

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Canadian Market Overview

New Home Market

Housing starts decline in December

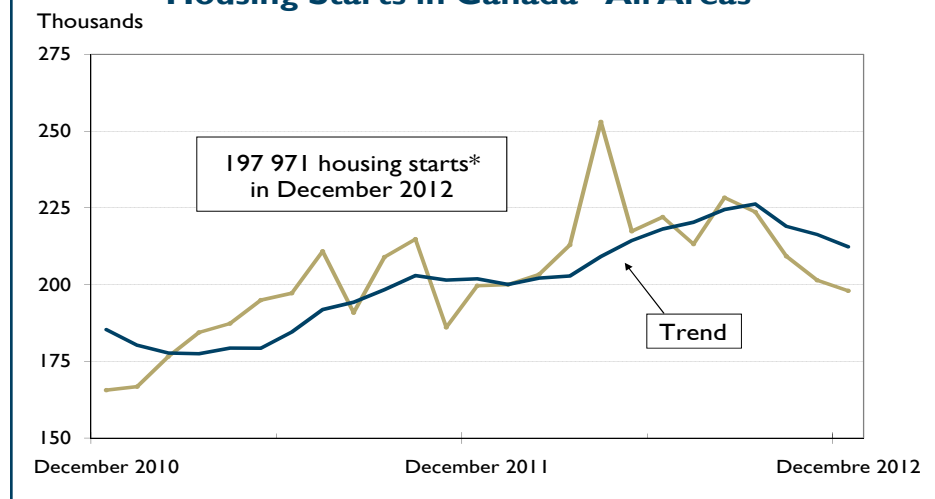
The number of housing starts was trending at 212,284 units in December. The trend is a six-month moving average of the monthly seasonally adjusted annual rates (SAAR)¹. The standalone monthly SAAR was 197,971 units in December,

down from 201,407 units in November.

Total housing starts in Canada reached 214,827 units in 2012, compared to 193,950 in 2011.

Figure 1

Housing Starts in Canada - All Areas*



Source: CMHC

*Seasonally adjusted at annual rates

¹All starts figures in this report, 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 starts stay relatively stable in December

In Canada's urban centres², the seasonally adjusted annual rate of housing starts was 178,833 units in December. It remained stable from November (-0.1 per cent).

The annual rate of multiple starts fell by 4.8 per cent to 111,414 units, while the annual rate of single starts rose by 8.6 per cent to 67,419 units.

In non-urban areas, the estimated seasonally adjusted annual rate of rural starts declined by 14.3 per cent, reaching 19,138 units in December, compared to 22,333 units in November.

Inventories of new and unoccupied units remain stable

Inventories of new and unoccupied housing units³ had been stable over the past year but rose slightly in December.

The inventory of new and unoccupied single- and semi-detached homes increased to 6,750 units in December, from 6,608 in November and was slightly above the 2011 narrow range of 5,500 to 6,200 units.

As for row homes and apartments, the inventory of

new and unoccupied units remained within the 2011 range of 12,600 to 14,200 units, reaching 13,943 units in December, compared to 13,371 in November.

The ratio of the inventory of new and unoccupied units to population, a simple gauge of potential overbuilding, rose slightly at the end of 2012, reaching 5.8 in the fourth quarter of 2012, compared to 5.4 in the third quarter. However, the ratio of the inventory of new and unoccupied units to population still remained close to its historical average of 5.4.

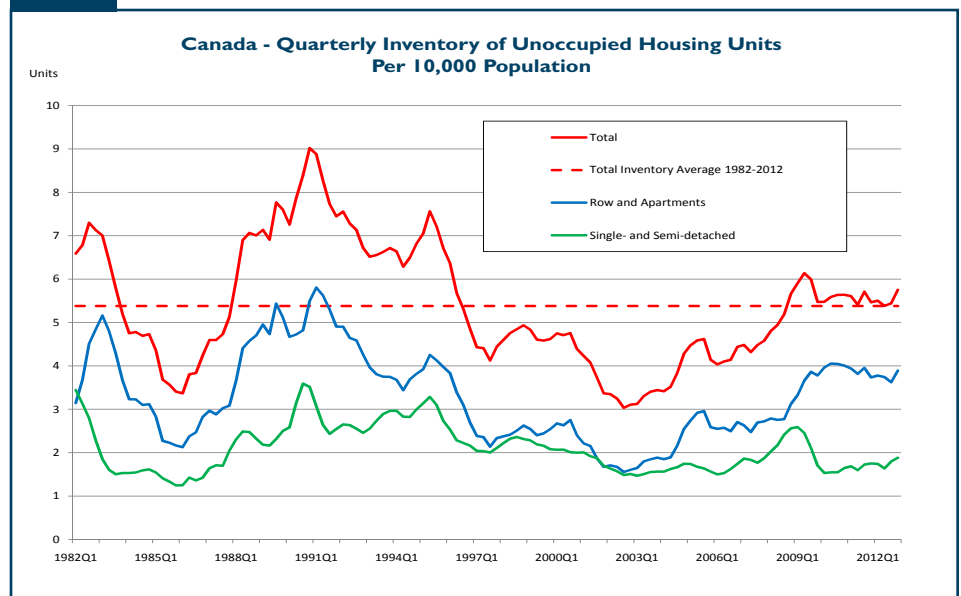
Construction intentions decrease for single-family and multi-family dwellings

Statistics Canada conducts a building permits survey among 2,400 municipalities. These permits measure construction intentions and can serve as indicators of future starts.

The value of building permits for all dwellings fell by 6.8 per cent in November.

Construction intentions for multi-family dwellings declined by 10.8 per cent to \$1.5 billion, for a fifth monthly decrease in a row. The value of permits for single-family dwellings fell by

Figure 2



Data are seasonally adjusted and annualized, and cover Canada's major markets

Source: CMHC

Last data point: 2012Q4.

² Urban centres are defined as centres with a population of at least 10,000. CMHC surveys urban centres with 10,000 to 49,999 inhabitants at the end of every quarter. Months that are not at the end of a quarter are estimates.

³ The inventory of housing units is defined as the level of newly completed and unoccupied units. Units under construction are not taken into account in this inventory because some units under construction are pre-sold. The level of inventories discussed here is for urban centres with a population of over 50,000.

4.0 per cent to \$2.2 billion, for a third monthly drop in four months.

Municipalities across Canada issued permits for the construction of 199,500 new dwellings (annual rate), down by 9.6 per cent in November from the previous month.

The decrease was due to the decline of 13.7 per cent in permits issued for the construction of multi-family dwellings, which reached 119,800 units in November, while those issued for single-family dwellings fell by 2.7 per cent from October to November, to 79,600 units.

New Housing Price Index growth remains stable

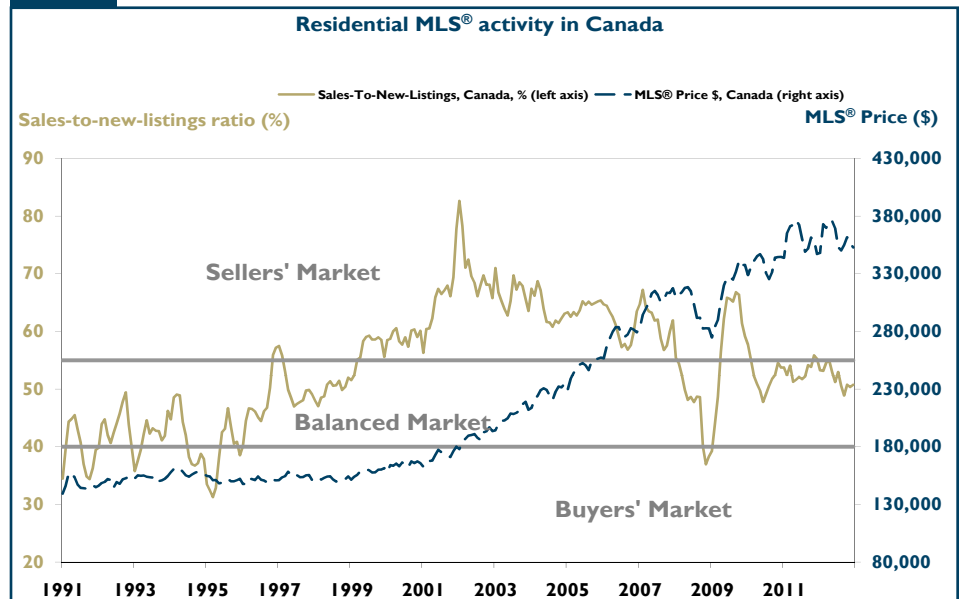
The growth in the New Housing Price Index (NHPI) remained relatively stable in relation to the previous month, as the NHPI rose by 2.2 per cent in November 2012 compared to the same month in 2011, after having posted a similar increase the previous month.

Existing Home Market

MLS® new listings decline in December

The seasonally adjusted annual rate of Multiple Listing Service® (MLS®)⁴ sales fell by

Figure 3



Data are seasonally adjusted and annualized, and cover Canada's major markets
Sources: CMHC, Canadian Real Estate Association (CREA), MLS
Last data point: 2012M12

0.5 per cent to 424,632 units in December, from 426,804 units in November.

The seasonally adjusted annual rate of MLS® new listings in December was 836,436 units, for a decrease of 1.3 per cent from 847,584 units in November.

Balanced market conditions continue in December

An indicator of price pressure in the existing home market is the sales-to-new listings ratio⁵. 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 remained in balanced market conditions in December, as the decrease in new listings outpaced the decline in MLS® sales, which slightly brought up the ratio to 50.8 per cent in December, from 50.4 per cent in November. Market conditions have been balanced since May 2012.

Resale market prices remain relatively stable

The national seasonally adjusted average MLS® price rose (+0.5 per cent) in December to \$362,024, from \$360,279 in November. Also in December, the unadjusted average MLS®

⁴Multiple Listing Service (MLS®) is a registered trademark owned by the Canadian Real Estate Association.

⁵Taking 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.

price increased, edging up to \$352,787, from \$347,078 a year before.

The MLS® Home Price Index⁶, which uses statistical techniques to control for changes over time in the types and quality of homes sold, rose by 3.3 per cent from December 2011 to December 2012 in the markets covered, but decreased by 0.3 per cent in December 2012 from the previous month.

By comparison, the Teranet–National Bank National Composite House Price Index™, which also uses statistical techniques to control for changes in the types and quality of homes sold over time, posted a 0.4-per-cent decrease in December, following an identical decline in November, but still showed a 3.1-per-cent increase over the previous year.

Economic conditions

According to Statistics Canada, employment rose by 1.8 per cent in December over 12 months earlier, a gain that was entirely attributable to full-time employment. Given the increase in the employment rate, Statistics Canada reported that the unemployment rate fell by 0.1 of a percentage point, to 7.1 per cent, in December.

Compared with the corresponding month in 2011, employment was up 1.8 per cent in December (an increase of 312,000 jobs). Almost all the

gains posted on a year-over-year basis were concentrated in full-time employment, which recorded an increase of 2.2 per cent (306,700 jobs), while part-time employment remained stable (+0.2 per cent) over the same period, with a small increase of 5,200 jobs.

Statistics Canada's Consumer Price Index rose by 0.8 per cent in the 12 months to December, after having recorded an identical increase in November. Core inflation, which excludes the eight most volatile items and the effect of changes in indirect taxes, rose by 1.1 per cent in the 12 months to December, following an increase of 1.2 per cent in the previous period.

On January 23, the Bank of Canada announced that it would maintain the target for the overnight rate unchanged at 1.0 per cent. The Bank stated that "While some modest withdrawal of monetary policy stimulus will likely be required over time, consistent with achieving the 2 per cent inflation target, the more muted inflation outlook and the beginnings of a more constructive evolution of imbalances in the household sector suggest that the timing of any such withdrawal is less imminent than previously anticipated."

In its latest (January 2013) Monetary Policy Report (MPR), the Bank of Canada stated that "The global economic outlook is slightly weaker than the Bank had projected in its October MPR. [...] In Canada, the

slowdown in the second half of 2012 was more pronounced than the Bank had anticipated, owing to weaker business investment and exports. Caution about high debt levels has begun to restrain household spending. The Bank expects economic growth to pick up through 2013."

The five-year posted mortgage interest rate remained unchanged at 5.24 per cent and has been stable since June 2012.

The next interest rate announcement of the Governing Council of the Bank of Canada is scheduled to take place on March 6, 2013. ■

⁶The MLS® Home Price Index is based on single family, townhouse/row unit, and apartment unit sales activity in Greater Vancouver, the Fraser Valley, Calgary, Regina, Greater Toronto and Greater Montréal.

This Month's Housing Data (SAAR)

	2012	Q2:12	Q3:12	Q4:12	M10:12	M11:12	M12:12
Housing starts, units, 000s							
Canada. Total. All areas	214.8	228.9	221.6	204.0	209.2	201.4	198.0
Per cent change from previous period	10.8	11.6	-3.2	-7.9	-6.4	-3.7	-1.7
Canada. Total. Rural areas	21.3	22.4	22.2	21.7	22.2	22.3	19.1
Per cent change from previous period	8.5	18.8	-0.8	-2.6	4.5	0.8	-14.3
Canada. Total. Urban areas	193.6	206.5	199.4	182.4	187.1	179.1	178.8
Per cent change from previous period	11.0	10.8	-3.5	-8.5	-7.6	-4.3	-0.1
Canada. Single. Urban areas	67.2	68.0	68.5	65.3	66.0	62.1	67.4
Per cent change from previous period	0.1	1.1	0.8	-4.6	-2.3	-5.9	8.6
Canada. Multiple. Urban areas	126.4	138.6	130.9	117.1	121.1	117.0	111.4
Per cent change from previous period	17.8	16.3	-5.5	-10.6	-10.2	-3.4	-4.8
Newfoundland. Total. All areas	3.9	4.0	4.3	3.7	3.4	3.7	3.8
Per cent change from previous period	11.4	13.6	6.6	-14.1	-11.7	10.0	0.6
Prince Edward Island. Total. All areas	0.9	1.1	1.2	1.0	0.8	0.8	1.3
Per cent change from previous period	0.1	138.8	6.0	-19.3	-42.5	-5.4	64.5
Nova Scotia. Total. All areas	4.5	3.7	5.4	5.2	9.4	3.2	3.2
Per cent change from previous period	-2.6	-1.2	45.3	-3.8	54.1	-65.6	-2.1
New Brunswick. Total. All areas	3.3	3.8	3.4	2.9	3.0	3.0	2.3
Per cent change from previous period	-4.4	47.1	-11.2	-13.3	-53.9	0.9	-23.5
Quebec. Total. All areas	47.4	52.5	48.6	45.7	43.3	48.4	42.8
Per cent change from previous period	-2.1	27.0	-7.5	-5.8	-12.8	11.9	-11.6
Ontario. Total. All areas	76.7	81.7	78.7	69.1	69.5	59.7	78.3
Per cent change from previous period	13.2	3.2	-3.8	-12.1	-3.2	-14.0	31.0
Manitoba. Total. All areas	7.2	7.8	8.3	6.5	7.3	7.3	4.7
Per cent change from previous period	19.1	16.1	6.2	-21.8	-14.3	-0.3	-35.6
Saskatchewan. Total. All areas	10.0	9.6	10.7	11.1	10.9	11.9	10.0
Per cent change from previous period	41.8	9.6	11.9	3.7	-16.9	9.2	-15.7
Alberta. Total. All areas	33.4	35.4	32.4	34.4	33.6	39.7	30.0
Per cent change from previous period	29.9	13.2	-8.4	6.2	0.7	18.1	-24.6
British Columbia. Total. All areas	27.5	29.3	28.7	24.4	28.1	23.7	21.8
Per cent change from previous period	4.0	5.9	-1.9	-15.1	-4.6	-15.8	-7.9

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)*

	2012	Q2:12	Q3:12	Q4:12	M10:12	M11:12	M12:12
Housing starts, units, 000s							
Canada. Total. Urban areas	193.6	206.5	199.4	182.4	187.1	179.1	178.8
Newfoundland. Total. Urban areas	2.5	2.6	2.7	2.4	2.3	2.3	2.5
Prince Edward Island. Total. Urban areas	0.7	0.8	0.9	0.7	0.6	0.4	1.0
Nova Scotia. Total. Urban areas	3.9	3.1	4.8	4.7	8.6	2.9	2.6
New Brunswick. Total. Urban areas	2.5	2.9	2.8	2.0	2.0	2.2	1.6
Quebec. Total. Urban areas	40.5	45.2	41.6	38.7	36.3	41.1	36.2
Ontario. Total. Urban areas	74.4	79.7	76.7	65.8	66.5	56.5	75.4
Manitoba. Total. Urban areas	4.9	5.4	5.9	4.0	4.6	4.7	2.9
Saskatchewan. Total. Urban areas	7.9	7.2	8.2	9.6	9.5	10.4	8.9
Alberta. Total. Urban areas	30.6	32.4	29.4	31.7	30.4	36.5	27.5
British Columbia. Total. Urban areas	25.5	27.3	26.3	22.6	26.2	22.0	20.2

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

	2012	Q2:12	Q3:12	Q4:12	M10:12	M11:12	M12:12
New Housing							
New & unoccupied singles & semis, units 000s	6.8	5.7	6.1	6.8	6.4	6.6	6.8
Per cent change from same period previous year	9.0	2.9	6.7	9.0	8.4	9.2	9.0
New & unoccupied row & apartments, units 000s	13.9	12.7	12.7	13.9	13.5	13.4	13.9
Per cent change from same period previous year	7.8	-4.1	-5.6	7.8	1.6	6.1	7.8
New House Price Index, 2007=100	n.a.	107.8	108.3	n.a.	108.7	108.8	n.a.
Per cent change from same period previous year	n.a.	2.4	2.3	n.a.	2.4	2.2	n.a.

Existing Housing

MLS® resales*, units 000s	453.4	470.3	440.3	428.9	435.2	426.8	424.6
Per cent change from same period previous year	-1.1	6.9	-4.0	-10.5	-8.1	-10.3	-13.0
MLS® average resale price**, 000s	363.7	364.5	361.0	361.8	363.1	360.3	362.0
Per cent change from same period previous year	0.3	-0.2	-0.5	0.3	0.3	-0.7	1.3

Mortgage Market

Posted 1-Year Mortgage Rate, % (period average)	3.17	3.20	3.10	3.07	3.10	3.10	3.00
Posted 5-Year Mortgage Rate, % (period average)	5.27	5.34	5.24	5.24	5.24	5.24	5.24

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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