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Canada Mortgage and Housing Corporation

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Canadian Market Overview

New Home Market

Housing starts move higher in October

The seasonally adjusted annual rate¹ of housing starts rose to 223,200 units in October, from 209,000 units in September.

The rise in housing starts in October reflected higher multiple starts, which rebounded

from a two-year low in September. Single starts, the bellwether component of the new home market, fell to their second lowest level of the year. Despite the increase in October, the pace of housing starts since August has been slower than in the first half of 2006. This is consistent with our view that residential construction will

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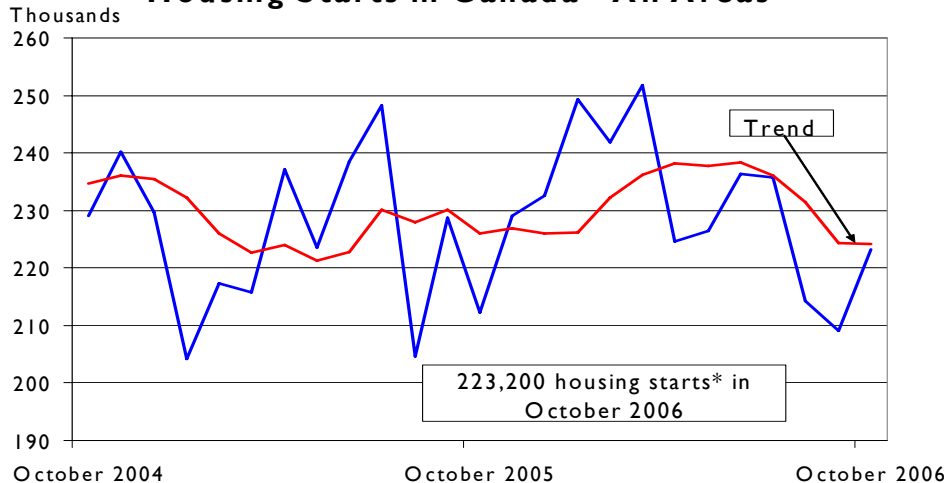
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Housing Starts in Canada - All Areas*



Source: CMHC

*Seasonally adjusted at annual rates

Monthly housing starts numbers published in Housing Now Canada are final and may differ from the preliminary numbers in the starts press release

¹ All starts figures, other than actual starts, are seasonally adjusted annual rates (SAAR) that are monthly figures adjusted to remove normal seasonal variation and multiplied by 12 to reflect annual levels.

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decrease gradually between now and the end of 2007.

Multiple starts increased sharply while singles were down

The seasonally adjusted annual rate of urban starts increased 8.3 per cent to 191,700 units in October compared to the previous month. Urban multiples rose 23 per cent to 99,900 units in October, while singles decreased 4.2 per cent to 91,800 units.

Urban starts were up in Quebec, British Columbia, and Ontario

Urban starts increased in three out of five regions in October compared to September. Higher start levels were recorded in Quebec, British Columbia, and Ontario where urban starts were up 28.2 per cent, 10 per cent, and 9.7 per cent, respectively. The increase in these regions was entirely due to a rise in urban multiple starts. Indeed, urban single starts were down in all regions except British Columbia, where they were unchanged in October. Urban starts decreased 6.4 per cent and 15.7 per cent in the Prairie and Atlantic regions, respectively.

Rural starts in October were estimated at a seasonally adjusted annual rate of 31,500 units.

Year-to-date actual starts are up slightly compared to the same period last year

For the first ten months of 2006, total actual starts in all urban and rural areas across Canada increased 1.6 per cent compared to a year ago. Looking only at urban areas, the year-to-date increase in housing starts was slightly lower at 1.3 per cent. Both year-to-date actual urban single starts and actual urban multiple starts rose compared to the same period in 2005, by 1.6 per cent and 1.1 per cent, respectively.

Across the regions, on a year-to-date basis, actual urban starts were up in the Prairies (17.2 per cent) and British Columbia (6.4 per cent), but were down in the Atlantic (0.9 per cent), Ontario (5.1 per cent), and Quebec (6.3 per cent) regions.

New house prices increased in September

The year-over-year increase in the price of new homes, as measured by the New Housing Price index (NHPI), rose 11.9 per cent in September 2006 compared to September 2005. The increase is mainly attributable to the rapid rise in house prices in Calgary and Edmonton. High demand for new housing, higher building material and labour costs, and increasing land values all contributed to the increase in house prices.

Existing Home Market

MLS® sales slip in September

Seasonally adjusted MLS® (Multiple Listings Service) sales were down 1.9 per cent to 38,890 units in September 2006, compared to 39,657 units in August 2006.

From January to September 2006, actual MLS® sales were up slightly to 386,366 units, a 0.8 per cent increase over the same period in 2005.

MLS® new listings rose in September

Seasonally adjusted MLS® new listings increased by 2.3 per cent to 68,872 units in September, compared to 67,329 units the previous month.

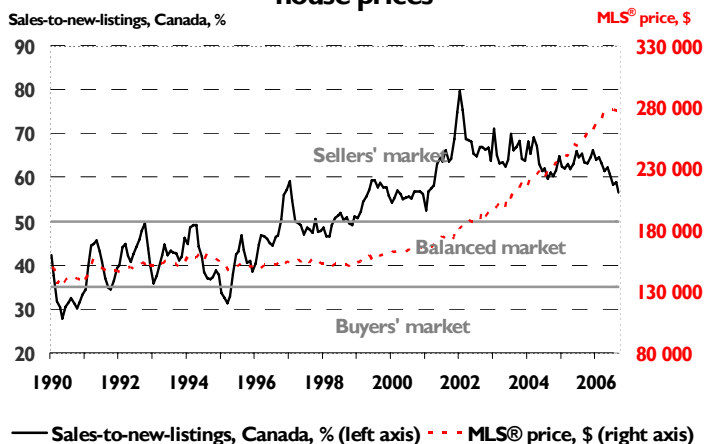
Actual new listings from January to September of 2006 were up 5.5 per cent compared to the same period in 2005.

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Sellers' market conditions across Canada continue to support growth in house prices

An indicator of price pressure in the existing home market is the sales-to-new-listings ratio¹. New listings are a gauge of supply of existing homes, while MLS® sales are a proxy for demand.

Sellers' market continues to support rising house prices



Data are seasonally adjusted and annualized

Sources: CMHC, Canadian Real Estate Association (CREA), MLS®

The sales-to-new-listings ratio for Canada remained in sellers' market territory in September, but continued to decrease below the 60 per cent threshold for a third month at about 56 per cent in September. It supports the fact that the resale market is slowly moving toward more balanced conditions. The Canada-wide average MLS® price increased by 9.3 per cent in September 2006 compared to September 2005.

¹ Taking the Canadian market as a whole, a sales-to-new-listings ratio below 35 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 50 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*.

Economic conditions

After four months of relative stability, employment increased by a robust 51,000 jobs in October. Gains in full time jobs (68,000) more than offset a small decline in part time employment (17,000 jobs).

The unemployment rate edged down by 0.2 of a percentage point to 6.2 per cent in October, which is still one of the lowest levels in three decades.

For the first ten months of the year, employment was up 1.6 per cent and a total of 261,000 net new jobs have been created.

The seasonally adjusted employment-to-population ratio remained close to its historical peak level at 63.0 per cent in October. In other words, a record share of Canadians are employed, which is supporting high levels of consumer confidence and strong demand for housing.

After six consecutive increases that ended in May 2006, the Bank of Canada maintained its target for the overnight lending rate at 4.25 per cent on October 17th. According to the Bank of Canada, the price pressures resulting from the economy operating above its capacity will be offset by the impact of the high dollar which will soften import prices.

In October, the price of goods and services included in the Consumer Price Index (CPI) basket increased by 0.9 per cent compared to the same month in 2005. The increase was mainly due to higher homeowners' replacement costs, mortgage interest costs, and electricity prices. These increases were restrained by a drop in prices of gasoline and computer equipment and supplies. ■

ARE CONSUMERS PLANNING TO IMPROVE THE ENERGY EFFICIENCY OF THEIR HOMES THROUGH RENOVATIONS ?

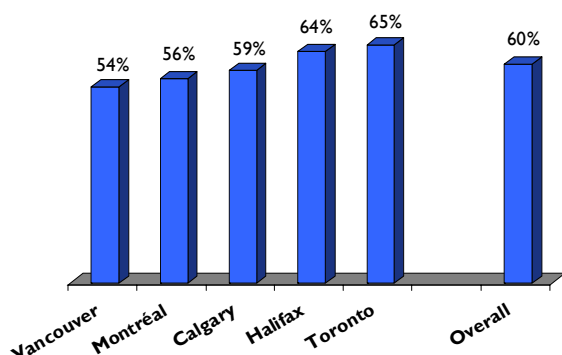
This article looks at findings from CMHC's 2006 Intentions to Buy or Renovate (ITBR) Survey regarding the extent to which households are planning to improve the energy efficiency of their homes in the next 5 years.

The 2006 CMHC Intentions to Buy or Renovate (ITBR) Survey asked homeowners and renters in the five metropolitan areas of Vancouver, Calgary, Toronto, Montréal, and Halifax if they plan make their residence more energy efficient in the next five years¹. According to the survey, 60 per cent of households in the five surveyed centres intend to renovate their homes to improve energy efficiency. Intentions across the centres surveyed showed little variation, ranging from 54 per cent in Vancouver to 65 per cent in Toronto.

Intentions to Make Home More Energy Efficient						
By Income Group						
	<\$40,000	\$40,000 - \$79,999	\$80,000 - \$119,999	\$120,000 +	No Income Provided	Total
% of all intenders	11%	29%	27%	17%	16%	100%
% of all intenders within each income group	61%	65%	61%	62%	52%	60%

Source: CMHC ITBR Survey

Intentions to Make Home More Energy Efficient by Centre



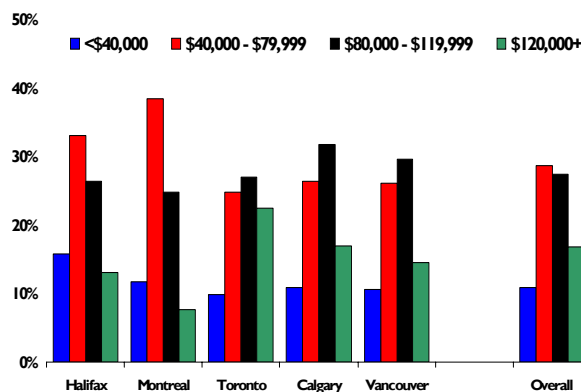
Source: CMHC ITBR Survey

¹The Intentions to Buy or Renovate (ITBR) Survey was conducted in the first quarter of 2006 using a sample of approximately 4,000 households in each of the following 5 centres: Vancouver, Calgary, Toronto, Montréal and Halifax. Respondents were asked about their plans to undertake renovations to improve the energy efficiency of their home during the next 5 years. Demographic information related to income, family size, age and current tenure was also gathered. An aggregate 5-centre total was derived by weighting each centre's results by 2006 population projections. Detailed tables are available for home buying and renovating intentions for each of the 5 major centres and for the overall results. Data in the overall tables are weighted to be representative of the total population in the five centres. Major market highlights and detailed data tables reports are available for free on CMHC's web site at www.cmhc.ca.

The results suggest that the two middle income groups account for the highest proportion of households that plan to undertake energy efficiency improving renovations. These findings are generally consistent with the income distribution of the population surveyed for this question. The lower-middle income group has a marginally higher propensity to do these types of renovations.

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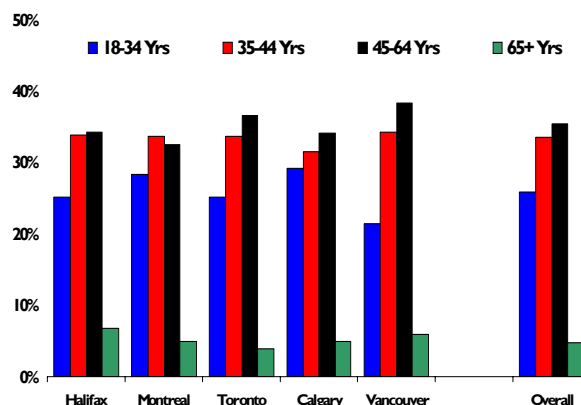
Intentions to Make Home More Energy Efficient by Income Group



Source: CMHC ITBR Survey

Looking at intentions by age group, those in the middle two age groups have the highest intentions to make their home more energy efficient. Again, these results are consistent across all centres surveyed. Compared to the age distribution of the surveyed population, the two younger groups have slightly higher intentions than their share of respondents would suggest, while the opposite is true for the two older age categories. This points to the younger age groups having a higher propensity to undertake renovations to increase energy efficiency compared to the older groups.

Intentions to Make Home More Energy Efficient by Age



Source: CMHC ITBR Survey

Intentions to Make Home More Energy Efficient					
By Age Group					
	18-34 yrs	35-44 yrs	45-64 yrs	65+ yrs	Total
% of all intenders	26%	34%	35%	5%	100%
% of all intenders within each income group	65%	62%	58%	50%	60%

Source: CMHC ITBR Survey

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The most popular types of renovations for improving energy efficiency include replacing windows (37%), upgrading attic insulation (14%), installing a high efficiency furnace (13%), and sealing drafts (12%)². In all five of the centres surveyed, replacing windows is the top ranked renovation among households who intend to improve the energy efficiency of their home. The percentage of respondents planning to install a high efficiency furnace as a means of increasing energy efficiency is high in all centres except Montreal where only 4 per cent of households intend to do so. The relatively lower proportion reported for Montréal can be attributed to the fact that Quebec homeowners are more likely to use electric baseboard heaters than are residents of other provinces.

While respondents from each of the centres chose replacing windows as the top type of renovation for increasing the energy efficiency of their home, there is some variation in the second ranked type from city to city. Halifax follows the overall trend, awarding the second rank to upgrading attic insulation, as do Montréal residents, who are equally likely to insulate their basement or attic or to upgrade their heating system. Installing a high efficiency furnace is the second most popular renovation for those in both Toronto and Calgary. Meanwhile, Vancouverites said they are more likely to opt for sealing drafts in the house or upgrading their current heating system. ■

Intentions to Do Various Types of Renovations to Increase Energy Efficiency						
	Halifax	Montréal	Toronto	Calgary	Vancouver	Overall
Replace Windows	53%	30%	34%	44%	45%	37%
Upgrade Attic Insulation	18%	14%	13%	13%	14%	14%
High Efficiency Furnace	10%	4%	14%	20%	15%	13%
Seal Drafts	12%	10%	10%	14%	18%	12%
Insulate Basement	16%	14%	11%	9%	7%	11%
Upgrade Heating System	8%	14%	7%	7%	18%	10%
Programmable Thermostat	2%	11%	4%	2%	3%	5%
Insulate Hot Water Tank	4%	5%	4%	4%	7%	5%

Source: CMHC ITBR Survey

² Only those respondents who indicated that they were planning to make their home more energy efficient in the next 5 years were asked what type of renovations they were planning for this purpose.

This Month's Housing Data (SAAR)

	2005	Q1:06	Q2:06	Q3:06	M08:06	M09:06	M10:06
Housing starts, units, 000s							
Canada. Total. All areas	225.5	248.0	228.9	219.6	214.2	209.0	223.2
Per cent change from previous period	-3.4	10.4	-7.7	-4.1	-9.1	-2.4	6.8
Canada. Total. Rural areas	32.0	32.0	35.3	32.0	32.0	32.0	31.5
Per cent change from previous period	10.2	-5.0	10.3	-9.3	0.0	0.0	-1.6
Canada. Total. Urban areas	193.5	216.0	193.6	187.6	182.2	177.0	191.7
Per cent change from previous period	-5.3	13.1	-10.4	-3.1	-10.6	-2.9	8.3
Canada. Single. Urban areas	94.0	105.4	92.1	94.5	94.9	95.8	91.8
Per cent change from previous period	-9.5	11.5	-12.6	2.6	2.0	0.9	-4.2
Canada. Multiple. Urban areas	99.5	110.6	101.5	93.1	87.3	81.2	99.9
Per cent change from previous period	-1.0	14.7	-8.2	-8.3	-21.1	-7.0	23.0
Newfoundland. Total. All areas	2.5	2.7	2.1	2.5	2.5	2.7	1.8
Per cent change from previous period	-13.0	12.5	-22.2	19.0	8.7	8.0	-33.3
Prince Edward Island. Total. All areas	0.9	1.5	0.5	0.7	1.2	0.4	0.6
Per cent change from previous period	-6.2	87.5	-66.7	40.0	100.0	-66.7	50.0
Nova Scotia. Total. All areas	4.8	7.1	5.3	4.4	3.2	4.2	4.1
Per cent change from previous period	1.2	44.9	-25.4	-17.0	-42.9	31.3	-2.4
New Brunswick. Total. All areas	4.0	4.2	4.6	4.3	4.0	4.7	3.8
Per cent change from previous period	0.3	0.0	9.5	-6.5	-7.0	17.5	-19.1
Quebec. Total. All areas	50.9	50.7	45.8	44.5	47.9	43.6	52.8
Per cent change from previous period	-12.9	2.4	-9.7	-2.8	13.8	-9.0	21.1
Ontario. Total. All areas	78.8	83.5	76.6	70.1	66.9	64.2	70.9
Per cent change from previous period	-7.4	11.8	-8.3	-8.5	-15.7	-4.0	10.4
Manitoba. Total. All areas	4.7	5.2	5.5	4.4	4.9	3.9	8.2
Per cent change from previous period	6.6	10.6	5.8	-20.0	14.0	-20.4	110.3
Saskatchewan. Total. All areas	3.4	3.4	3.5	3.9	3.2	4.1	3.9
Per cent change from previous period	-9.1	-5.6	2.9	11.4	-28.9	28.1	-4.9
Alberta. Total. All areas	40.8	49.7	50.4	48.6	47.0	47.3	40.4
Per cent change from previous period	12.6	15.6	1.4	-3.6	-8.6	0.6	-14.6
British Columbia. Total. All areas	34.7	40.0	34.6	36.2	33.4	33.9	36.6
Per cent change from previous period	5.3	8.7	-13.5	4.6	-18.9	1.5	8.0

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.

Annual rate of housing starts, urban areas*

	2005	Q1:06	Q2:06	Q3:06	M08:06	M09:06	M10:06
Canada	193.5	216.0	193.6	187.6	182.2	177.0	191.7
Newfoundland	1.8	1.9	1.4	1.6	1.6	1.8	1.4
Prince Edward Island	0.6	1.3	0.4	0.5	1.0	0.2	0.4
Nova Scotia	3.3	5.3	3.5	3.1	1.9	2.9	2.6
New Brunswick	2.7	2.8	3.3	3.0	2.7	3.4	2.6
Quebec	41.3	43.8	36.7	36.3	39.7	35.4	45.4
Ontario	73.2	77.1	69.5	65.4	62.2	59.5	65.3
Manitoba	2.9	3.0	3.4	2.5	3.0	2.0	6.3
Saskatchewan	2.5	2.9	2.8	3.0	2.3	3.2	3.1
Alberta	34.3	41.8	41.5	40.0	38.4	38.7	31.7
British Columbia	31.1	36.1	31.1	32.2	29.4	29.9	32.9

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

This Month's Major Housing Indicators

	2005	Q1:06	Q2:06	Q3:06	M08:06	M09:06	M10:06
New Housing							
New & unoccupied singles & semis, units 000s	5.3	4.9	5.0	5.0	5.0	5.1	5.6
Per cent change from same period previous year	1.2	-12.7	-7.9	0.5	2.0	2.7	8.5
New & unoccupied row & apartments, units 000s	9.0	8.3	8.2	8.0	7.9	7.9	8.3
Per cent change from same period previous year	33.6	-6.2	-11.7	-14.2	-16.7	-11.1	-0.5
New House Price Index, 1997=100	129.4	135.4	140.1	145.2	145.7	146.4	n.a.
Per cent change from same period previous year	5.0	7.0	9.1	11.6	12.1	11.9	n.a.
Existing Housing							
MLS[®] resales*, units 000s	483.2	500.0	486.2	472.0	475.9	466.7	n.a.
Per cent change from same period previous year	4.9	9.9	-0.5	-5.7	-7.3	-6.7	n.a.
MLS[®] average resale price**, \$C 000s	249.3	267.2	276.7	277.5	276.9	277.6	n.a.
Per cent change from same period previous year	10.2	11.6	12.0	10.4	10.6	9.2	n.a.
Mortgage Market							
Posted 1-Year Mortgage Rate, % (period average)	5.06	5.90	6.37	6.47	6.40	6.40	6.40
Posted 5-Year Mortgage Rate, % (period average)	5.99	6.40	6.82	6.83	6.85	6.70	6.80

SOURCES: 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 and quarterly data is actual. Monthly data is seasonally adjusted.

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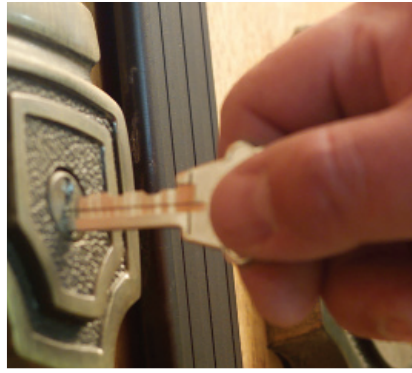
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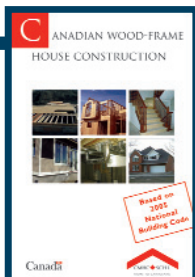
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