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Canada Mortgage and Housing Corporation

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Canadian Market Overview

New Home Market

Housing starts move lower in December

The seasonally adjusted annual rate¹ of housing starts decreased to 212,600 units in December, from 229,100 units in November. Even with the slowing trend in residential construction in recent months, new home starts at 227,395 units in 2006

surpassed the level in 2005 and reached their second highest level in nearly two decades.

Growth in 2006 housing starts was driven by low mortgage rates, solid employment and income growth, and a high level of consumer confidence. Housing starts are expected to remain above the 200,000 unit level for a sixth consecutive year in 2007.

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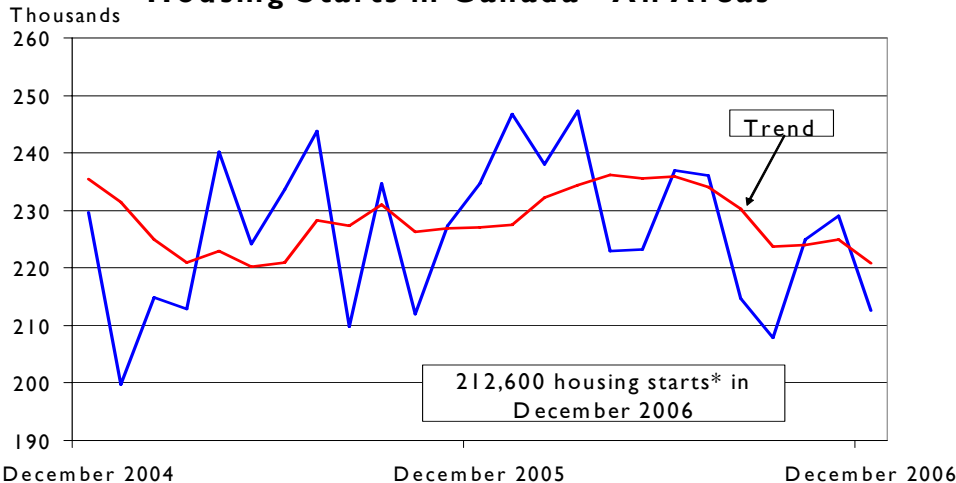
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Housing Starts in Canada - All Areas*



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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Urban single and multiple starts decreased in December

The seasonally adjusted annual rate of urban starts declined 8.3 per cent to 181,500 units in December compared to the previous month. Urban multiples fell 12.9 per cent to 94,600 units in December, while singles decreased 2.8 per cent to 86,900 units.

Urban starts decreased in all five regions

All regions saw urban starts fall in December compared to a month earlier. The largest declines were in the Prairie region and the Atlantic region where urban starts fell by 20.5 per cent and 17.9 per cent, respectively. Weaker activity in the urban multiples sector drove the decreases registered in both of these regions. Ontario, British Columbia, and Quebec recorded smaller declines of 3.5 per cent, 3.2 per cent, and 1.5 per cent, respectively.

Rural starts in December were estimated at a seasonally adjusted annual rate of 31,100 units.

Starts in 2006 surpass 2005

For the year 2006, total actual starts in Canada increased 0.8 per cent compared to 2005. Actual starts in urban areas in 2006 also rose 0.8 per cent while rural starts were up 1.1 per cent. Actual urban starts of single and multiple homes were up 0.1 per cent and 1.4 per cent in 2006, respectively.

Across the regions, actual all area starts in 2006 were up in the Prairies (17.7 per cent) and British Columbia (5.1 per cent), but were down in the Atlantic (-1.2 per cent), in Quebec (-6.0 per cent), and Ontario (-6.8 per cent).

New house prices remain strong in November

The year-over-year increase in the price of new homes, as measured by the New Housing Price index (NHPI), grew 11.4 per cent in November 2006, with both the house and land components recording double digit gains. Much of the increase in the national NHPI is due to large year-over-year increases in the Calgary (49.8 per cent) and Edmonton (42.8 per cent) markets.

Existing Home Market**MLS® sales inched up in November**

Seasonally adjusted MLS® (Multiple Listings Service®) sales were up 1.2 per cent to 39,721 units in November 2006, compared to 39,273 units in October 2006.

Year-to-date actual MLS® sales from January to November were up 0.1 per cent to 459,239 compared to the same period in 2005.

MLS® new listings were down slightly in November

Seasonally adjusted MLS® new listings in November 2006 edged down by 2.7 per cent to 67,024 units compared to 68,859 units in the previous month.

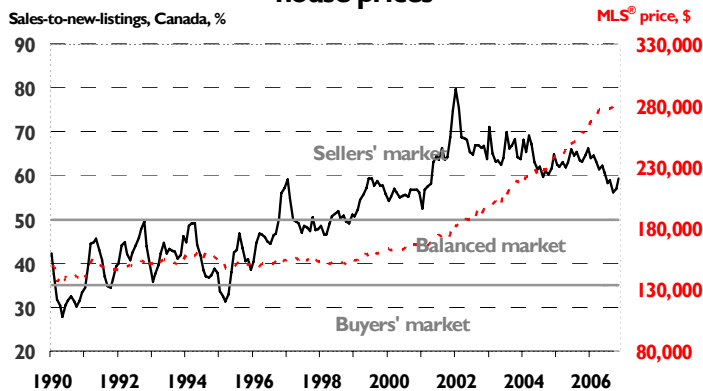
Actual new listings were up 6.0 per cent between January and November 2006 over the same period in 2005.

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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



— Sales-to-new-listings, Canada, % (left axis) - - - MLS® price, \$ (right axis)

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 November at 59 per cent. The Canada-wide average MLS® price was 9.6 per cent higher in November 2006 compared to November 2005.

Economic conditions

In December, employment increased by 61,600 jobs. Over half of the gains were in full time employment (36,900 jobs) while part time jobs accounted for about 40 per cent of the increase (24,800 jobs).

The unemployment rate dipped 0.2 percentage points to 6.1 per cent in December, which is equal to its lowest level over the past three decades.

For the the year 2006, employment was up 1.9 per cent, and a total of 314,600 net new jobs have been created, most of which were full-time jobs.

The seasonally adjusted employment-to-population ratio remained close to its historical peak level at 63.1 per cent in December. In other words, a near record share of Canadians were employed, which is supporting high levels of consumer confidence and strong demand for housing.

The Bank of Canada maintained its target for the overnight lending rate at 4.25 per cent on January 16th. According to the Bank of Canada, the Canadian economy is operating at or just above its production potential. The Bank predicts that the economy will continue to operate near its capacity throughout this year and next and that the current level of the overnight lending rate is consistent with achieving its inflation target.

In December, the price of goods and services included in the Consumer Price Index (CPI) basket increased 1.6 per cent compared to the same month in 2005. Much of the increase in the CPI was due to higher homeowners' replacement costs. For the year 2006, the CPI advanced 2.0 per cent compared to 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*.

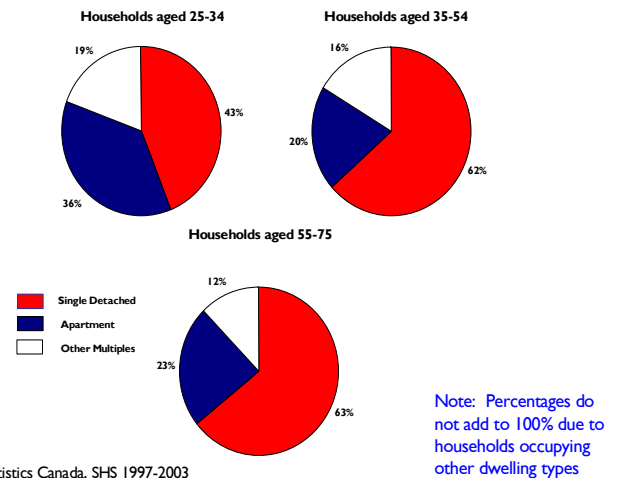
WHICH DWELLING TYPES DO THE DIFFERENT HOMEBUYER GROUPS PREFER ?

As households age, they go through changes which have an impact on the size and type of house they prefer. This article explores the current state of buyer preferences and future trends in housing demand.

As households get older, their needs change, and these changes are reflected in their housing preferences. For example, young couples who are becoming parents may start looking for larger homes to accommodate their growing families, while empty nesters may wish to downsize their homes in order to reduce maintenance and up-keep. To examine the impact of these changes as households age, we separate home buyers into three age categories: young households between 25 – 34 years of age, households between 35 and 54 years of age, and households between 55 to 75 years of age. Households aged 25-34 will mostly be first time buyers, while households aged 35-54 will more typically be move-up buyers. Older households, aged 55 to 75, will contain a significant number of empty nesters.¹ The proportion of couple households varies little across the three buyer age groups, with approximately two-thirds of households comprised of couples. The share of one-person households dips from 22 per cent to 18 per cent as households enter the 35 to 54 year age group and increases to 29 per cent for households in the 55 to 75 year age group.

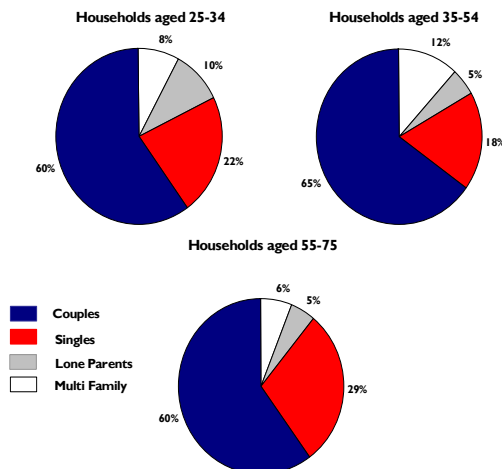
Partly as a result of this shift in household composition, buyer preferences change as households move through their lifecycle. The biggest swing in dwelling type preference occurs as households enter the 35 to 54 age group, which is associated with family growth. The proportion of households living in apartments declines from 36 per cent in the 25 to 34 age group to 20 per cent for the 35 to 54 year age group.

Buyer Group Dwelling Type Preferences



Source: Statistics Canada, SHS 1997-2003

Buyer Group Household Profile



Source: Statistics Canada, SHS 1997-2003

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¹We are making a simplifying assumption when we say households between 25 and 34 years of age are predominantly first time buyers, households between 35 and 54 are mostly move-up buyers, and households between 55 and 75 years of age are mostly empty nesters. While these assumptions are representative of households in these age groups, in reality, some households will not fit this pattern. For example, some households under the age of 35 will be move-up buyers and some households under 55 years of age will be empty-nesters.

Perhaps surprisingly, the shift in dwelling types is not as marked for households in the 55 to 75 year age group compared to the 35 to 54 year age group. For both of these groups, nearly two-thirds of households live in single detached homes. While older households (55 to 75 years of age) are likely to downsize after their children leave home, this data suggests that they generally prefer to stay in a single detached home rather than move to an apartment or other type of multiple unit. This may be because more than half of these older households own their current home outright (without a mortgage), so any financial motivation to downsize to a less expensive apartment or other type of multiple dwelling may be outweighed by the comfort and space of a single detached home in a familiar neighbourhood. However, the tendency toward apartment living does increase in the later retirement years, taking a sharp turn upwards after about the age of 75, when seniors increasingly begin to face challenges with daily activities or health.

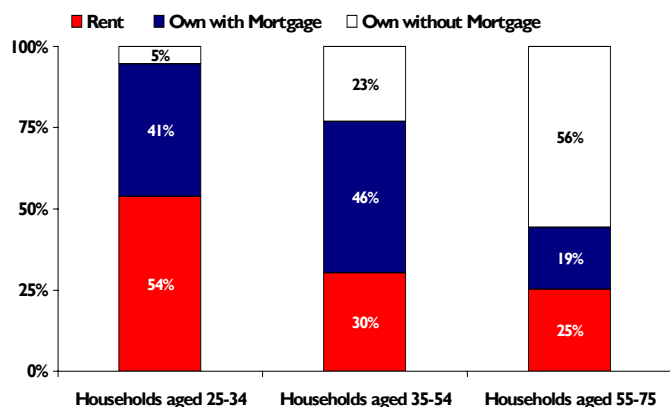
Results from CMHC's Intentions to Buy and Renovate Survey suggest that most respondents intend to buy a single-detached home

Results of the 2006 CMHC Intentions to Buy or Renovate (ITBR) Survey² indicate that a majority of the Repeat Buyers in the major centres surveyed intend on buying a single detached home. Overall, 74 per cent of current homeowners intend to purchase a single detached home, with a high of 85 per cent in Halifax and a low of 65 per cent in Montréal. Intentions to buy an apartment ranged from 3 per cent in Halifax and Calgary to 13 per cent in Vancouver, with an average of 6 per cent overall.

Repeat Buyer Intentions Dwelling Type Preferences

	Single %	Semi %	Row %	Apt %
Halifax	85	5	2	3
Montréal	65	18	8	7
Toronto	76	10	6	5
Calgary	84	4	6	3
Vancouver	72	2	8	13
Overall	74	10	5	6

Buyer Group Ownership Rates



Source: CMHC, ITBR Survey 2006

Note: Percentages do not add to 100% due to households intending to buy other dwelling types

Source: Statistics Canada, SHS 1997-2003

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²The 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 buy a home during the next 12 months. 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 majority of First Time Buyers also intend to make their next home purchase a single detached house, compared to other dwelling types. However, in all of the major centres surveyed, the proportion of households intending to buy a single detached home is considerably lower than for Repeat Buyers, while the opposite is true for multiple unit homes such as semi-detached, row and apartment units. Once again, Halifax has the highest intentions to buy a single detached home and the lowest intentions to buy any types of multiples. Vancouver, where house prices are relatively high, had the highest proportion of first-time buyers who intended to buy an apartment. Montréal and Toronto had the highest proportion of first-time buyers who intended to buy a semi-detached unit. Montréal also had the highest proportion of first-time buyers who intended to buy a row or townhouse.

First Time Buyer Intentions Dwelling Type Preferences

	Single %	Semi %	Row %	Apt %
Halifax	73	14	6	3
Montréal	39	20	25	12
Toronto	43	20	16	13
Calgary	66	6	15	10
Vancouver	44	5	17	29
Overall	46	17	12	15

Source: CMHC, ITBR Survey 2006

Note: Percentages do not add to 100% due to households intending to buy other dwelling types

Repeat Buying Intentions – Size and Price of Next Home Compared to Current Home

	Move Up		Move Over		Move Down	
	Size	Price	Size	Price	Size	Price
Halifax	49%	52%	28%	22%	23%	20%
Montréal	54%	39%	21%	16%	25%	32%
Toronto	57%	46%	19%	14%	23%	31%
Calgary	59%	58%	21%	15%	21%	39%
Vancouver	51%	47%	23%	17%	26%	28%
Overall	55%	46%	21%	15%	24%	30%

Note: Percentages for intentions by price do not add to 100% for each centre due to no response or 'don't know' responses

Source: CMHC, ITBR Survey 2006

Results of the ITBR Survey suggest that overall, about 55 per cent of repeat buyers plan on moving up to a larger home than they currently occupy. However, only 46 per cent of current homeowners surveyed expect to pay more for their next home. Nearly one quarter of repeat buyers intend to move to a smaller home within the next 12 months. Meanwhile, 30 per cent plan to pay less for their next home purchase, compared to the value of their current home.

Whether starting a family, or downsizing as children leave the home, the changing needs of households as they mature have an impact on the types of homes that best meet their needs. The increase in the share of homeowners and the popularity of single homes as households mature reflect these evolving needs. ■

This Month's Housing Data (SAAR)

	2006	Q2:06	Q3:06	Q4:06	M10:06	M11:06	M12:06
Housing starts, units, 000s							
Canada. Total. All areas	227.4	227.8	219.7	222.4	224.9	229.1	212.6
Per cent change from previous period	0.8	-6.7	-3.6	1.2	8.2	1.9	-7.2
Canada. Total. Rural areas	32.4	34.5	32.2	31.1	31.1	31.1	31.1
Per cent change from previous period	1.1	10.9	-6.7	-3.4	-3.4	0.0	0.0
Canada. Total. Urban areas	195.0	193.3	187.5	191.3	193.8	198.0	181.5
Per cent change from previous period	0.8	-9.2	-3.0	2.0	10.3	2.2	-8.3
Canada. Single. Urban areas	94.1	92.3	93.5	89.7	92.7	89.4	86.9
Per cent change from previous period	0.1	-12.1	1.3	-4.1	-1.7	-3.6	-2.8
Canada. Multiple. Urban areas	100.9	101.0	94.0	101.6	101.1	108.6	94.6
Per cent change from previous period	1.4	-6.5	-6.9	8.1	24.2	7.4	-12.9
Newfoundland. Total. All areas	2.2	2.0	2.4	2.2	2.1	2.3	2.2
Per cent change from previous period	-10.6	-25.9	20.0	-8.3	-16.0	9.5	-4.3
Prince Edward Island. Total. All areas	0.7	0.6	0.7	0.6	0.6	0.5	0.6
Per cent change from previous period	-14.4	-57.1	16.7	-14.3	100.0	-16.7	20.0
Nova Scotia. Total. All areas	4.9	5.0	4.3	4.7	4.2	5.6	4.2
Per cent change from previous period	2.5	-25.4	-14.0	9.3	2.4	33.3	-25.0
New Brunswick. Total. All areas	4.1	4.4	4.3	3.5	3.4	3.5	3.4
Per cent change from previous period	3.2	4.8	-2.3	-18.6	-26.1	2.9	-2.9
Quebec. Total. All areas	47.9	45.5	44.9	51.2	54.9	49.6	49.0
Per cent change from previous period	-6.0	-7.5	-1.3	14.0	23.4	-9.7	-1.2
Ontario. Total. All areas	73.4	76.2	70.1	67.9	69.8	68.1	65.9
Per cent change from previous period	-6.8	-7.7	-8.0	-3.1	9.4	-2.4	-3.2
Manitoba. Total. All areas	5.0	5.4	4.3	5.3	8.1	3.8	3.8
Per cent change from previous period	6.3	5.9	-20.4	23.3	113.2	-53.1	0.0
Saskatchewan. Total. All areas	3.7	3.5	3.9	4.1	4.3	4.1	3.9
Per cent change from previous period	8.1	6.1	11.4	5.1	4.9	-4.7	-4.9
Alberta. Total. All areas	49.0	50.6	48.4	47.2	39.6	56.5	45.5
Per cent change from previous period	19.9	2.4	-4.3	-2.5	-14.7	42.7	-19.5
British Columbia. Total. All areas	36.4	34.6	36.4	35.7	37.9	35.1	34.1
Per cent change from previous period	5.1	-12.4	5.2	-1.9	12.1	-7.4	-2.8

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*

	2006	Q2:06	Q3:06	Q4:06	M10:06	M11:06	M12:06
Canada	195.0	193.3	187.5	191.3	193.8	198.0	181.5
Newfoundland	1.5	1.4	1.6	1.4	1.3	1.5	1.4
Prince Edward Island	0.5	0.4	0.5	0.4	0.4	0.3	0.4
Nova Scotia	3.3	3.2	3.0	3.2	2.7	4.1	2.7
New Brunswick	2.9	3.2	2.9	2.5	2.4	2.5	2.4
Quebec	39.5	36.6	36.9	42.4	46.1	40.8	40.2
Ontario	67.8	69.0	65.1	63.1	65.0	63.3	61.1
Manitoba	3.2	3.4	2.5	3.9	6.7	2.4	2.4
Saskatchewan	2.9	2.8	3.1	3.1	3.3	3.1	2.9
Alberta	40.9	42.2	39.7	39.8	32.2	49.1	38.1
British Columbia	32.6	31.1	32.2	31.5	33.7	30.9	29.9

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

This Month's Major Housing Indicators

	2006	Q2:06	Q3:06	Q4:06	M10:06	M11:06	M12:06
New Housing							
New & unoccupied singles & semis, units 000s	5.2	5.0	5.0	5.7	5.6	5.8	5.8
Per cent change from same period previous year	-2.5	-7.9	0.5	11.9	8.5	12.3	14.9
New & unoccupied row & apartments, units 000s	8.4	8.2	8.0	9.0	8.3	9.1	9.6
Per cent change from same period previous year	-6.9	-11.7	-14.2	5.5	-0.5	5.0	11.9
New House Price Index, 1997=100	n.a.	140.1	145.2	n.a.	146.7	147.5	n.a.
Per cent change from same period previous year	n.a.	9.1	11.6	n.a.	11.4	11.4	n.a.
Existing Housing							
MLS[®] resales*, units 000s	n.a.	486.2	472.6	n.a.	470.8	476.7	n.a.
Per cent change from same period previous year	n.a.	-0.5	-5.6	n.a.	-3.5	-3.8	n.a.
MLS[®] average resale price**, \$C 000s	n.a.	276.7	277.8	n.a.	284.7	283.6	n.a.
Per cent change from same period previous year	n.a.	12.0	10.5	n.a.	10.1	10.5	n.a.
Mortgage Market							
Posted 1-Year Mortgage Rate, % (period average)	6.28	6.37	6.47	6.37	6.40	6.40	6.30
Posted 5-Year Mortgage Rate, % (period average)	6.66	6.82	6.83	6.60	6.80	6.55	6.45

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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