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Canada Mortgage and Housing Corporation

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Canadian Market Overview

New Home Market

Housing starts strong in January

The seasonally adjusted annual rate¹ of housing starts was 248,500 units in January, up from 212,600 units in December.

Historically low mortgage rates, solid employment and income growth, and a high level of

consumer confidence continue to support residential construction activity.

The volatile multiples segment bounced back in January, accounting for most of the growth this month. Although

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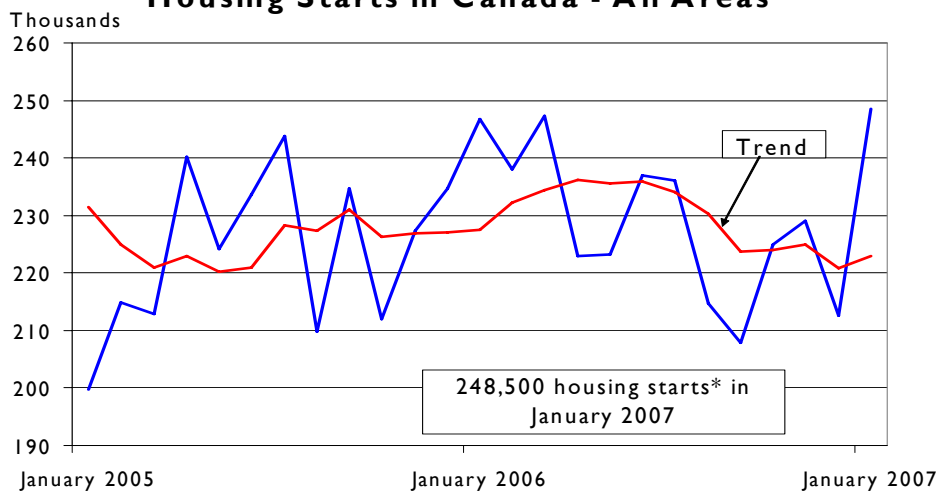
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Housing Starts in Canada - All Areas*



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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housing starts are expected to ease to 209,500 units in 2007, they will remain above the 200,000 mark for a sixth consecutive year.

Urban single and multiple starts increase in January

January's seasonally adjusted annual rate of urban starts of 215,500 units was up 18.7 per cent from 181,500 units in December. Urban multiple starts surged 30.5 per cent to 123,500 units in January, while single starts jumped 5.9 per cent to 92,000 units.

Urban starts rebounded in all regions in January, with urban multiple starts growing at a double-digit pace. Urban single starts were up overall, but declined in Quebec and British Columbia. The Atlantic region experienced the largest percentage increase in urban starts at 36.2 per cent.

Rural starts in January were estimated at a seasonally adjusted annual rate of 33,000 units.

New home construction off to a strong start in 2007

Actual starts in both rural and urban areas increased an estimated 12.2 per cent in January 2007 compared to a year ago, while actual starts in urban areas only, were up an estimated 11.3 per cent over the same period. Actual single starts in urban areas were 14.3 per cent lower in January 2007 than they were a year earlier, with all regions showing a decline. Actual urban multiple starts were up 36.5 per cent in January 2007 compared to January 2006.

New house prices remain strong in December

December was the first month since June 2000 in which the new house price index did not increase over the previous month. Yet, the year-over-year increase in the price of new homes, as measured by the New Housing Price index (NHPI), grew 10.7 per cent in December 2006. Much of the increase in the national NHPI is due to large year-over-year increases in Calgary (42.4 per cent) and Edmonton (41.5 per cent).

Existing Home Market

MLS®* sales increased in December

Seasonally adjusted MLS® (Multiple Listings Service®) sales were up 2.6 per cent to 40,748 units in December 2006, compared to 39,709 units in November 2006.

Actual MLS® sales for 2006 dipped slightly to 483,609 units compared to 483,789 units in 2005.

MLS® new listings were down in December

Seasonally adjusted MLS® new listings edged down by 2.1 per cent in December 2006 to 65,560 units compared to 66,997 units in the previous month.

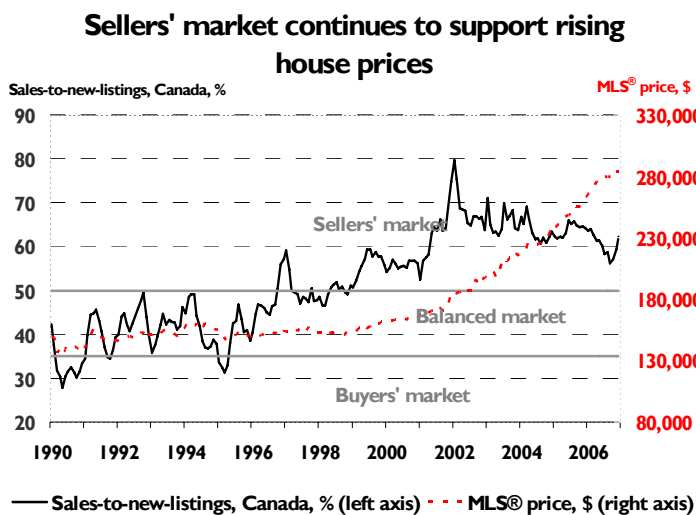
Actual new listings were up 5.8 per cent in 2006 compared to 2005.

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* MLS® is a registered trademark of the Canadian Real Estate Association.

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.



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 December at 62 per cent. For 2006 as a whole, the Canada-wide average MLS® price was 11.1 per cent higher 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*.

Economic conditions

In January, employment increased by 89,000 jobs. Just over half of the gains were full time positions (45,900 jobs) while the remaining half were in part time jobs (42,900 jobs).

The unemployment rate inched up 0.1 percentage point to 6.2 per cent in January as more individuals entered the labour force in search of employment.

The seasonally adjusted employment-to-population ratio reached a record level of 63.4 per cent in January. In other words, a 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 January, the price of goods and services included in the Consumer Price Index (CPI) basket increased 1.2 per cent compared to the same month in 2006. Much of the increase in the CPI was due to higher owned accommodation costs which includes mortgage interest costs and homeowners' replacement costs. ■

Energy prices contribute to higher construction costs in 2006

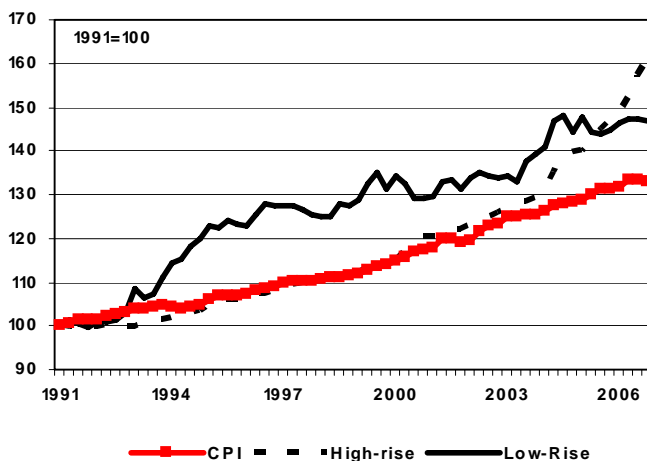
Building material prices for low-rise housing were up about one per cent in 2006, as declining prices for wood-based products offset increases in prices for materials produced using energy-intensive processes. High-rise construction experienced stronger cost increases.

For low-rise homes, material costs are measured by an index based on the prices of 39 building materials while for high-rise apartments, the index is based on contractors' bids on an extensive range of subcontracts. These bids reflect material prices, but also prevailing wage rates, equipment depreciation and profit margins. The inclusion of wages, profits and depreciation in the high rise index distorts the comparison of the low rise and high rise cost indices. Nevertheless, the trends in material and other construction costs give interesting insight into rising price pressures facing builders and home buyers.

Building material costs for low-rise housing inched up in 2006 after remaining flat in 2005. Low-rise housing includes single-detached and semi-detached houses as well as one-storey and stacked townhouses. All these dwelling types are built with wood-frame construction methods and materials. The rate of increase in costs for high-rise apartment building construction accelerated to 7.8 per cent from 5.5 per cent in 2005.

affected by changes in productive capacity and changes in the Canada/US exchange rate. Lumber prices began to decline in 2005 despite a high level of housing starts in the United States as the supply of lumber from countries other than Canada increased. BC government policy continues to encourage cutting trees affected by the mountain pine beetle soon after they have been attacked. The spreading beetle infestation in Canada was therefore another factor increasing lumber supply and depressing prices. With United States housing starts declining in 2006, the price of lumber expressed in US dollars was down about one per cent. Due to the appreciation of the Canadian dollar against the US currency, the decline in lumber prices in Canadian dollars was more pronounced at eight per cent. Particleboard demand is increasing since it continues to displace plywood in residential construction, but supply is increasing faster due to rising capacity. Consequently, particleboard prices fell another 24 per cent in 2006 after a 20 per cent decline in 2005. Rising capacity will keep prices low until 2008.

High-rise costs accelerate

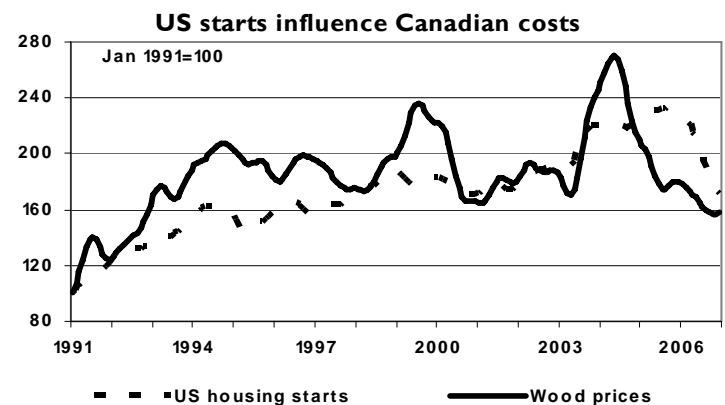


Source: Statistics Canada: Apartment Building Construction Price Index (ABCPI) and custom tabulation for singles building materials index

Construction Material Costs for Low-rise Housing

Wood products form the largest component of the low-rise housing index. Prices for wood are

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Source: CMHC, adapted from Statistics Canada, IPPI and custom tabulations, and Conference Board of Canada, e-Data

continued: Energy prices contribute to higher construction costs in 2006

The largest building materials price jumps in 2006 were for products that used oil and natural gas directly as a raw material or as fuels in the manufacturing process. The US dollar price of asphalt roofing materials were up 9.5 per cent, brick 8.5 per cent, ready mix concrete nearly 12 per cent, and drywall over 22 per cent. Since most building products are set in US dollars, the impact of higher energy prices on Canadian building materials prices was mitigated by the continued appreciation of the Canadian dollar. Roofing materials prices increased only 4.9 per cent, brick prices 5.9 per cent, ready-mix concrete 5.7 per cent and drywall 5.0 per cent. Prices for these products eased by the end of the year along with easing energy prices.

Construction Costs for Apartment Buildings

The Apartment Building Construction Price Index (ABCPI) is produced for seven large Canadian cities. When the price of a building material changes, it tends to have a fairly uniform effect across the country. However, in 2006 there was a sharp divergence in trends among the seven centres with average annual cost increases ranging from 14.2 per cent in Calgary to 4.0 per cent in

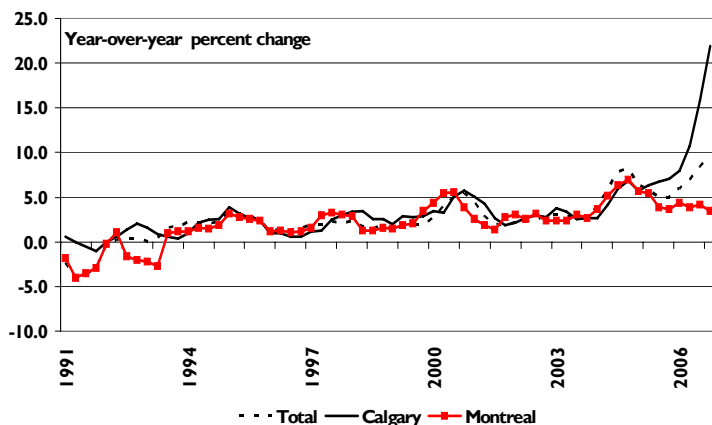
Montreal. The divergence was due to local market conditions, particularly with respect to labour costs. For example, average weekly earnings for construction contractors increased 10.7 per cent in Alberta but only 1.6 per cent in Quebec.

Despite the divergence, the ABCPI was up in all centres due to the rise in building materials prices. High-rise construction uses relatively large quantities of ready-mix concrete and drywall, which were among the materials that experienced the largest price increases in 2006. Steel prices also moved up modestly after having been flat in 2005. Montreal was the only centre where the rate of increase moderated in 2006, but even there the ABCPI was still up four per cent.

Because of strong demand, rising costs are passing through to house prices

Generally, demand has been strong enough to allow cost increases to be passed through to house prices. Prices for new single-detached houses rose just about 11 per cent during 2006, which was faster than the increase in low-rise building material costs. More generally, housing price increases were strongest in the same centres that showed the strongest increase in high-rise costs. ■

Apartment construction costs diverge



Source: CMHC, adapted from Statistics Canada, ABCPI

Selected Building Materials Prices

(% change over previous year)

	2005	2006
Plastic Sheet	9.3	8.1
Bricks	4.6	5.9
Ready Mix Concrete	3.4	5.8
Drywall	6	5
Foam Insulation	1.5	4.2
Steel, structural shapes	0.5	3.4
Lumber	-10.8	-8
Nails	5.3	-8.8
Particle Board	-20.1	-24

Source: CMHC, adapted from Statistics Canada, IPPI

This Month's Housing Data (SAAR)

	2006	Q2:06	Q3:06	Q4:06	M11:06	M12:06	M1:07
Housing starts, units, 000s							
Canada. Total. All areas	227.4	227.8	219.7	222.4	229.1	212.6	248.5
Per cent change from previous period	0.8	-6.7	-3.6	1.2	1.9	-7.2	16.9
Canada. Total. Rural areas	32.4	34.5	32.2	31.1	31.1	31.1	33.0
Per cent change from previous period	1.1	10.9	-6.7	-3.4	0.0	0.0	6.1
Canada. Total. Urban areas	195.0	193.3	187.5	191.3	198.0	181.5	215.5
Per cent change from previous period	0.8	-9.2	-3.0	2.0	2.2	-8.3	18.7
Canada. Single. Urban areas	94.1	92.3	93.5	89.7	89.4	86.9	92.0
Per cent change from previous period	0.1	-12.1	1.3	-4.1	-3.6	-2.8	5.9
Canada. Multiple. Urban areas	100.9	101.0	94.0	101.6	108.6	94.6	123.5
Per cent change from previous period	1.4	-6.5	-6.9	8.1	7.4	-12.9	30.5
Newfoundland. Total. All areas	2.2	2.0	2.4	2.2	2.3	2.2	2.2
Per cent change from previous period	-10.6	-25.9	20.0	-8.3	9.5	-4.3	0.0
Prince Edward Island. Total. All areas	0.7	0.6	0.7	0.6	0.5	0.6	0.5
Per cent change from previous period	-14.4	-57.1	16.7	-14.3	-16.7	20.0	-16.7
Nova Scotia. Total. All areas	4.9	5.0	4.3	4.7	5.6	4.2	6.4
Per cent change from previous period	2.5	-25.4	-14.0	9.3	33.3	-25.0	52.4
New Brunswick. Total. All areas	4.1	4.4	4.3	3.5	3.5	3.4	4.1
Per cent change from previous period	3.2	4.8	-2.3	-18.6	2.9	-2.9	20.6
Quebec. Total. All areas	47.9	45.5	44.9	51.2	49.6	49.0	50.8
Per cent change from previous period	-6.0	-7.5	-1.3	14.0	-9.7	-1.2	3.7
Ontario. Total. All areas	73.4	76.2	70.1	67.9	68.1	65.9	82.0
Per cent change from previous period	-6.8	-7.7	-8.0	-3.1	-2.4	-3.2	24.4
Manitoba. Total. All areas	5.0	5.4	4.3	5.3	3.8	3.8	7.9
Per cent change from previous period	6.3	5.9	-20.4	23.3	-53.1	0.0	107.9
Saskatchewan. Total. All areas	3.7	3.5	3.9	4.1	4.1	3.9	5.0
Per cent change from previous period	8.1	6.1	11.4	5.1	-4.7	-4.9	28.2
Alberta. Total. All areas	49.0	50.6	48.4	47.2	56.5	45.5	51.2
Per cent change from previous period	19.9	2.4	-4.3	-2.5	42.7	-19.5	12.5
British Columbia. Total. All areas	36.4	34.6	36.4	35.7	35.1	34.1	38.4
Per cent change from previous period	5.1	-12.4	5.2	-1.9	-7.4	-2.8	12.6

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	M11:06	M12:06	M1:07
Canada	195.0	193.3	187.5	191.3	198.0	181.5	215.5
Newfoundland	1.5	1.4	1.6	1.4	1.5	1.4	1.5
Prince Edward Island	0.5	0.4	0.5	0.4	0.3	0.4	0.4
Nova Scotia	3.3	3.2	3.0	3.2	4.1	2.7	4.7
New Brunswick	2.9	3.2	2.9	2.5	2.5	2.4	2.8
Quebec	39.5	36.6	36.9	42.4	40.8	40.2	42.2
Ontario	67.8	69.0	65.1	63.1	63.3	61.1	76.7
Manitoba	3.2	3.4	2.5	3.9	2.4	2.4	6.3
Saskatchewan	2.9	2.8	3.1	3.1	3.1	2.9	4.2
Alberta	40.9	42.2	39.7	39.8	49.1	38.1	42.2
British Columbia	32.6	31.1	32.2	31.5	30.9	29.9	34.5

* 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	M11:06	M12:06	M1:07
New Housing							
New & unoccupied singles & semis, units 000s	5.2	5.0	5.0	5.7	5.8	5.8	6.0
Per cent change from same period previous year	-2.5	-7.9	0.5	11.9	12.3	14.9	20.9
New & unoccupied row & apartments, units 000s	8.4	8.2	8.0	9.0	9.1	9.6	9.1
Per cent change from same period previous year	-6.9	-11.7	-14.2	5.5	5.0	11.9	13.5
New House Price Index, 1997=100	142.0	140.1	145.2	147.2	147.5	147.5	n.a.
Per cent change from same period previous year	9.7	9.1	11.6	11.2	11.4	10.7	n.a.
Existing Housing							
MLS[®] resales*, units 000s	483.6	485.2	473.1	479.1	476.5	489.0	n.a.
Per cent change from same period previous year	0.0	-0.3	-5.9	-2.2	-3.8	2.1	n.a.
MLS[®] average resale price**, \$C 000s	277.0	277.5	278.8	283.8	284.1	283.7	n.a.
Per cent change from same period previous year	11.1	12.4	10.6	9.9	10.5	8.1	n.a.
Mortgage Market							
Posted 1-Year Mortgage Rate, % (period average)	6.28	6.37	6.47	6.37	6.40	6.30	6.50
Posted 5-Year Mortgage Rate, % (period average)	6.66	6.82	6.83	6.60	6.55	6.45	6.65

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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