

HOUSING NOW

Canada



Canada Mortgage and Housing Corporation

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Canadian Market Overview

New Home Market

Housing starts decrease in June

The seasonally adjusted annual rate¹ of housing starts was 225,300 units in June, down from 235,200 units in May.

Following a significant increase in May, the volatile multiple

segment moved lower losing most of the ground it gained the previous month. Although housing starts will remain high in 2007, they are expected to resume a gradual decreasing trend.

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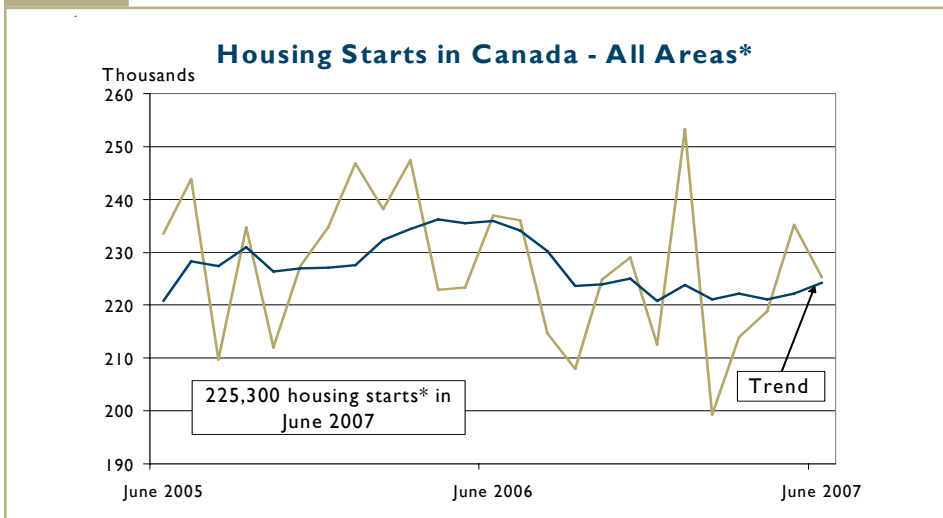
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Figure 1



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.

Single starts were up while urban multiple starts were down in June

The seasonally adjusted annual rate of urban starts decreased 4.9 per cent to 192,700 in June compared to May. Urban single starts were up 2.1 per cent to 92,200 units in June, while multiple starts decreased 10.5 per cent to 100,500 units.

Urban starts increased in three out of five regions

In June, seasonally adjusted urban starts increased by 12.8 per cent in Quebec, 6.8 per cent in the Atlantic, and 3.0 per cent in British Columbia. Urban starts decreased by 5.8 per cent in the Prairies and 19.4 per cent in Ontario. In the Prairies and Ontario, the decrease in urban starts reflects multiple starts, which were down by 15.2 per cent and 36.1 per cent respectively. Urban multiple starts were up or were stable in the remaining regions, with Quebec leading the way at 18.6 per cent. Urban single starts were up in all regions.

Rural starts were estimated at a seasonally adjusted annual rate of 32,600 units in June.

Year-to-date actual starts are lower than in the same period last year

Actual starts, in rural and urban areas combined, were down an estimated 3.5 per cent in the first half of 2007 compared to the same period in 2006. Year to date actual starts in urban areas alone were down an estimated 4.7 per cent compared to the same period in 2006. Actual single starts in urban areas from January to June 2007 were 7.5 per cent lower than they were in the same period last year, while actual urban multiple starts edged down 2.0 per cent over this period.

The increase in new house prices remain strong in May

The year-over-year increase in the price of new homes, as measured by the New Housing Price index (NHPI), was 8.6 per cent in May 2007. The strongest increases in house

prices between May 2006 and May 2007 were in Saskatoon (38.6 per cent), Edmonton (37.0 per cent), Calgary (22.0 per cent), and Regina (21.6 per cent).

Existing Home Market

MLS[®] sales up in May

Seasonally adjusted MLS[®]¹ (Multiple Listings Service[®]) sales were up 2.5 per cent to 44,858 units in May, compared to 43,766 units in April.

For the first five months of the year, actual MLS[®] sales were up 7.8 per cent to 233,156 units compared to the same period in 2006.

MLS[®] new listings increased in May

Seasonally adjusted MLS[®] new listings increased by 1.1 per cent in May to 71,324 units compared to 70,570 units in the previous month.

Actual new listings for the first five months of 2007 were up 6.0 per cent over the same period in 2006.

¹Multiple Listing Service (MLS) is a registered certification mark owned by 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 the supply of existing homes, while MLS® sales are a proxy for demand.

The sales-to-new-listings ratio for Canada remained in sellers' market territory in May at 62 per cent. Sellers' market conditions continue to support strong growth in house prices, particularly in western provinces.

The Canada-wide average MLS® price was 9.3 per cent higher

in May 2007 compared to a year ago.

Economic conditions

The solid employment growth (34,800 jobs) in June was due to strong gains in full time jobs (62,600 jobs gained), which offset the loss in part time jobs (27,800 jobs lost). Overall, the first half of 2007 created 197,000 more jobs compared to the same period in 2006.

The unemployment rate remained unchanged for a fifth consecutive month at 6.1 per cent in June, its lowest level in 33 years.

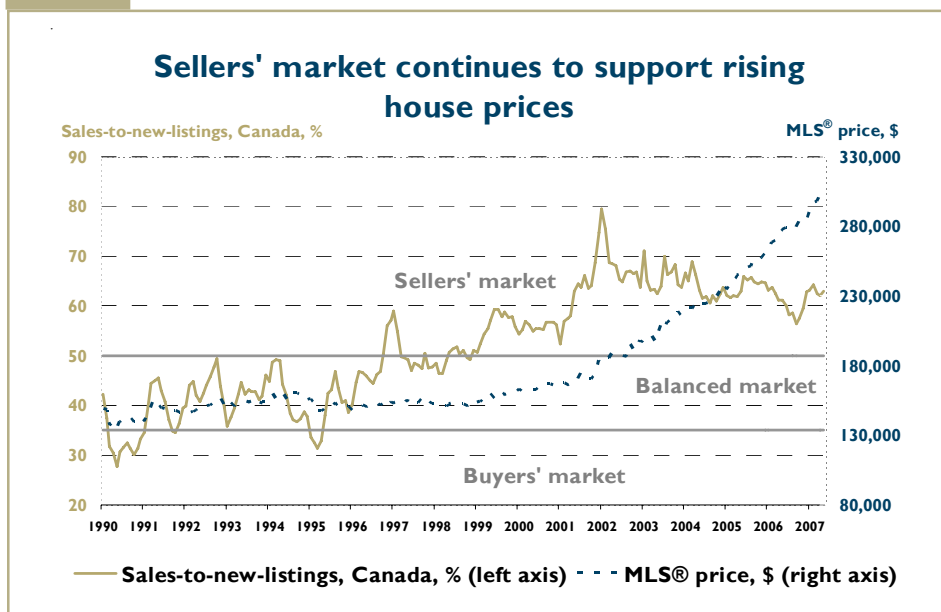
The seasonally adjusted employment-to-population ratio increased slightly in June to 63.5 per cent from 63.4 per

cent in May. In other words, a near record share of Canadians are employed, which is supporting high levels of consumer confidence and strong demand for housing.

The Bank of Canada raised its target for the overnight lending rate by one-quarter of one percentage point to 4.50 per cent on July 10th. According to the Bank of Canada, higher rates were needed to reduce the inflationary pressure associated with the stronger-than-expected economic growth in the first half of 2007.

In June, the price of goods and services included in the Consumer Price Index (CPI) basket increased by 2.2 per cent compared to the same month in 2006. This increase was mainly due to the increases in owned accommodation costs, which includes mortgage interest cost and homeowner's replacement cost. The costs associated with operating a vehicle such as the cost of gas also contributed to the year-over-year increase in the CPI. These increases were partially offset by lower prices for computer equipment and supplies. ■

Figure 2



Data are seasonally adjusted and annualized

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

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.

2006 Mortgage Consumer Survey

Since 1999, CMHC's Mortgage Consumer Survey has been asking mortgage consumers about their attitudes and behaviours towards acquiring or renewing a mortgage. In general, mortgage consumers have high expectations when it comes to their mortgage transactions.

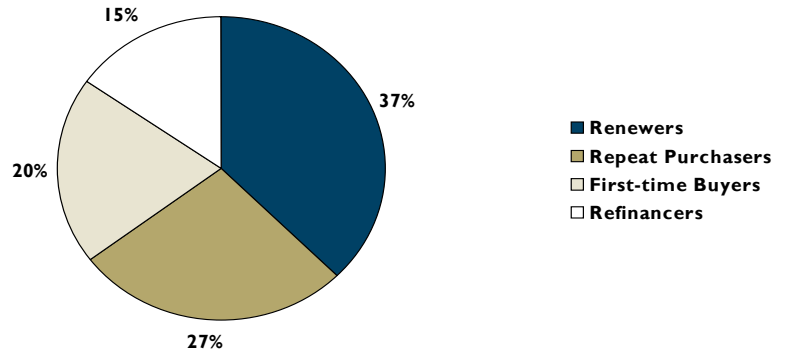
The CMHC Mortgage Consumer Survey was started in 1999 to study "active" mortgage consumers' attitudes and behaviours regarding various aspects of acquiring or renewing a mortgage. Survey respondents are categorized into four groups: first-time purchasers, repeat purchasers, renewers, and refiners¹. In 2006, 38 per cent of respondents were mortgage renewers, 27 per cent were prospective repeat and recent repeat buyers, 20 per cent of respondents were first-time and prospective first-time buyers, and 15 per cent were refiners.

Are mortgage consumers satisfied?

Last year, the majority (54 per cent) of active mortgage consumers surveyed were "totally satisfied" with the services provided by either their mortgage lender or mortgage broker. On the other hand, only 6 per cent were "totally unsatisfied" with the services provided. Mortgage

Figure 3

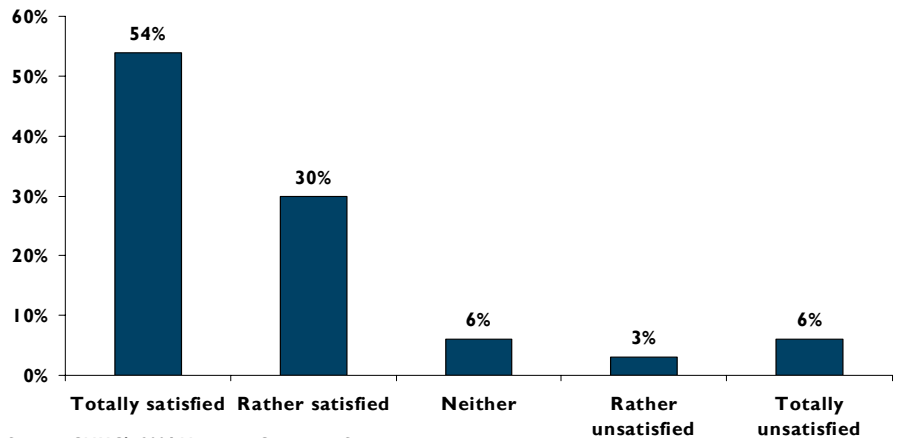
Renewers were the largest consumer group in 2006



Source: CMHC's 2006 Mortgage Consumer Survey

Figure 4

Mortgage consumers satisfied with their mortgage originator



Source: CMHC's 2006 Mortgage Consumer Survey

¹ **First-time purchasers** include those who intend to buy their first house in the next 12 months or who have purchased their first home in the past 12 months.

Repeat purchasers are those who own a home or have previously owned a home and intend to purchase a home in the next 12 months or who have purchased a home in the past 12 months.

Renewers include those who will be renewing their mortgage in the next 9 months, or those who have renewed their mortgage in the past 9 months

Refinancers are those who have refinanced in the past 12 months.

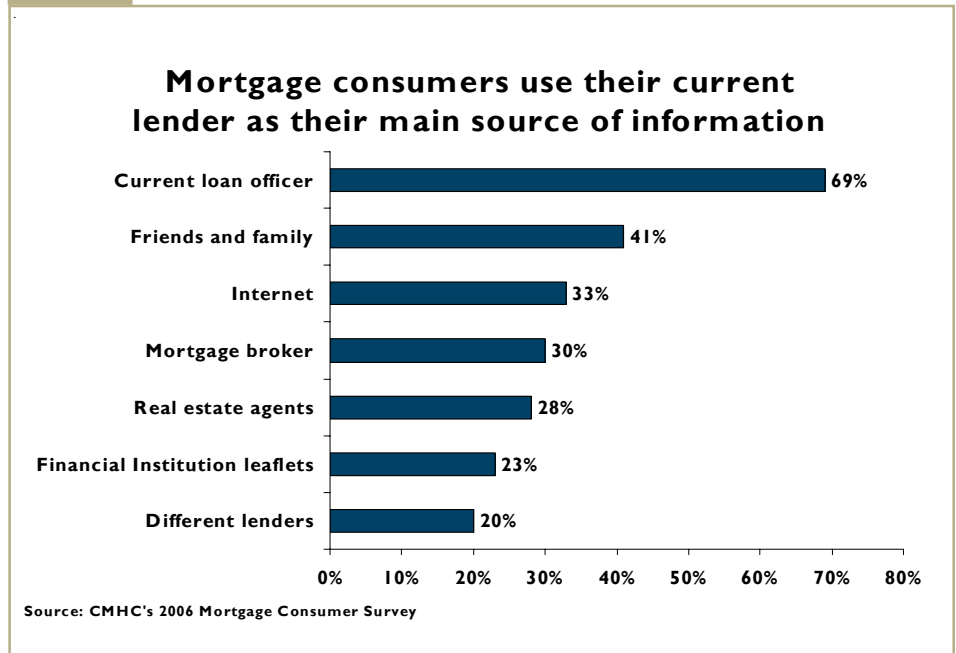
consumers surveyed indicated that some areas for improvement were the need for more information and education for clientele, and better customer service. Amongst the four categories, first-time buyers were had the highest percentage who were “totally satisfied” (60 per cent) with the service provided during their mortgage transaction, while renewers had the lowest percentage who were “totally satisfied” (49 per cent).

The high levels of customer satisfaction were related to survey respondents’ confidence in the mortgage process, such as, feeling that they had made the best mortgage decision with a good understanding of all options available to them, and that they received the best deal for their needs. As well, a large proportion (85 per cent) felt that the mortgage originator listened to their needs. Despite the high level of satisfaction, 30 per cent of respondents found the whole experience stressful, while over a quarter (26 per cent) felt they had to double-check the advice received by the mortgage originator.

What do mortgage consumers look for in a lender?

The majority of respondents, 71 per cent, preferred a mortgage service provider that has a wide array of products and is a major financial institution. A higher proportion of respondents that were recent repeat buyers and those who stayed with their current lender at their last transaction preferred a mortgage lender with a wide array of

Figure 5



products over a provider only offering mortgage-related services.

A minority of respondents, 18 per cent, preferred a specialized mortgage service provider that only offered mortgage-related products and services. A higher proportion of mortgage consumers who used a broker for their last transaction and those that switched lenders for their last transaction preferred a provider that only offered mortgage-related services.

When faced with a choice between large national lenders versus regional lenders, the majority of mortgage consumers, 48 per cent, prefer a large national lender operating in most parts of the country. One-third of mortgage consumers prefer a regional lender, while 14 per cent indicated no preference. Canadian mortgage consumers look for institutions that are well known to them and that are Canadian. More

than a half of mortgage consumers indicated that it was very important that the mortgage lender was well known to the respondent, while close to two-thirds of mortgage consumers indicated that it was very important that their mortgage lender was a Canadian institution.

What type of relationship do mortgage consumers have with their mortgage originators?

More than two-thirds of mortgage consumers (68 per cent) stated that a personal relationship with a mortgage originator was important when negotiating a mortgage. In fact, 69 per cent of survey respondents reported that their current loans officer was a source of information when negotiating a mortgage. Other useful sources used by mortgage consumers surveyed are personal sources, such as friends and family (41 per cent), and the internet (33 per cent).

The majority of mortgage consumers surveyed stayed with their existing lender, but in 2006, there was a greater propensity to switch lenders compared to 2005, especially among refinancers and repeat purchasers. Of those mortgage consumers who decided to stay with their existing mortgage lender, service and relationship were the most important reasons for staying. In contrast, of those mortgage

consumers who switched lenders, lower mortgage rates were the main reason. However, in some instances, service did play a factor in some mortgage consumers switching lenders, with more than 20 per cent of respondents stating either bad service from their former lender or good service from their new lender as a reason for switching (See table 2).

In the end, mortgage consumers who were provided with good

service and were happy with their whole mortgage experience were more likely to refer their mortgage originator to friends. In fact, 81 per cent of respondents said they would recommend their mortgage originator to a friend.

Mortgage consumers have high expectations

In 2006, an increasing proportion of renewers negotiated changes to their lender's original written offer.

Table 1

Reasons for STAYING with Current Lender			
Segment	<i>Service</i>	<i>Relationship</i>	<i>Rate</i>
Renewers	50%	21%	42%
Refinancers	49%	24%	33%
First-time purchasers*	10%	31%	25%
Repeat purchasers	42%	41%	25%

Source: CMHC's 2006 Mortgage Consumer Survey

*in this case, current lender would be the lender that the first-time purchasers deals with for other loans or accounts.

Table 2

Reasons for SWITCHING Lenders			
Segment	<i>Service : Bad from Existing</i>	<i>Service: Good from New</i>	<i>Rate</i>
Renewers	31%	28%	54%
Refinancers	25%	20%	45%
First-time purchasers*	15%	14%	40%
Repeat purchasers	16%	30%	35%

Source: CMHC's 2006 Mortgage Consumer Survey

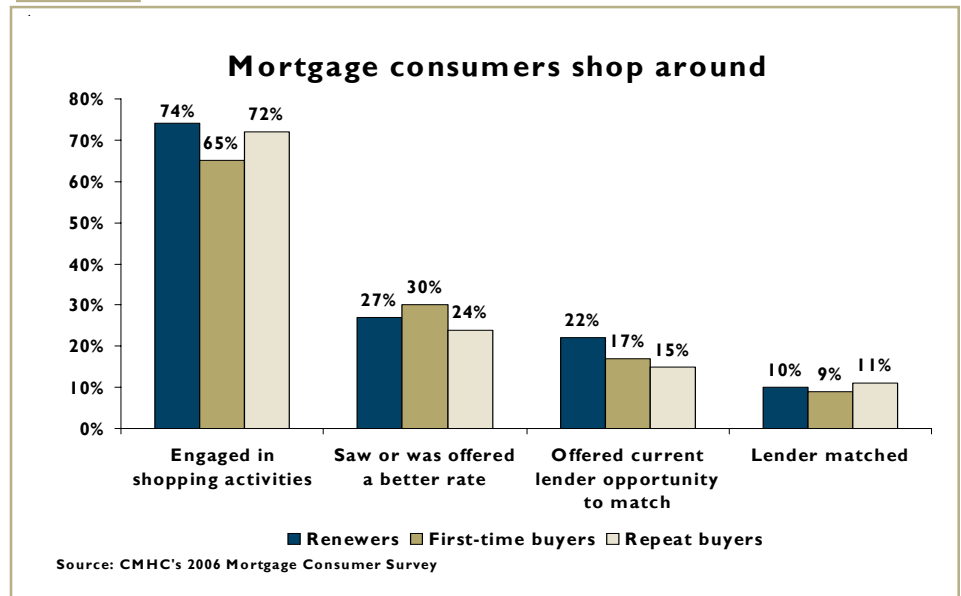
*in this case, current lender would be the lender that the first-time purchasers deals with for other loans or accounts.

In fact, only half of renewers surveyed renewed based on their lender's original offer last year. The proportion of respondents that renewed based on their lender's initial offer has trended down since the inception of the survey in 1999. Of those that renegotiated following their lender's original offer, slightly more than half renegotiated the interest rate, while about one-sixth reduced their mortgage balance.

Seventy per cent of renewers and recent purchasers surveyed "shopped around", by either checking competitive interest rates, getting information from other lenders, shopping for options, or a combination of the three. Close to one quarter of respondents who "shopped around" were offered a better rate, while about ten per cent of all respondents had their current lender match the new rate obtained from shopping around.

In 2006, the survey results indicated that the majority of "active" mortgage consumers surveyed were satisfied with the service and information provided to them when negotiating a mortgage. Also, mortgage consumers are well informed and have high expectations regarding their mortgage experience. Thus, strong relationships between mortgage consumers and mortgage originators are key in today's competitive mortgage market environment. ■

Figure 6



This Month's Housing Data (SAAR)

	2006	Q4:07	Q1:07	Q2:07	M04:07	M05:07	M06:07
Housing starts, units, 000s							
Canada. Total. All areas	227.4	222.4	222.1	226.3	218.8	235.2	225.3
Per cent change from previous period	0.8	1.2	-0.1	1.9	2.2	7.5	-4.2
Canada. Total. Rural areas	32.4	31.1	36.1	32.6	32.6	32.6	32.6
Per cent change from previous period	1.1	-3.4	16.1	-9.7	-9.7	0.0	0.0
Canada. Total. Urban areas	195.0	191.3	186.0	193.7	186.2	202.6	192.7
Per cent change from previous period	0.8	2.0	-2.8	4.1	4.7	8.8	-4.9
Canada. Single. Urban areas	94.1	89.7	85.7	90.3	88.4	90.3	92.2
Per cent change from previous period	0.1	-4.1	-4.5	5.4	3.6	2.1	2.1
Canada. Multiple. Urban areas	100.9	101.6	100.3	103.4	97.8	112.3	100.5
Per cent change from previous period	1.4	8.1	-1.3	3.1	5.6	14.8	-10.5
Newfoundland. Total. All areas	2.2	2.2	2.3	2.2	2.3	2.2	2.4
Per cent change from previous period	-10.6	-8.3	4.5	-4.3	21.1	-4.3	9.1
Prince Edward Island. Total. All areas	0.7	0.6	0.5	0.8	0.9	0.6	0.8
Per cent change from previous period	-14.4	-14.3	-16.7	60.0	80.0	-33.3	33.3
Nova Scotia. Total. All areas	4.9	4.7	5.0	4.0	3.1	4.1	4.6
Per cent change from previous period	2.5	9.3	6.4	-20.0	6.9	32.3	12.2
New Brunswick. Total. All areas	4.1	3.5	3.6	4.1	4.0	4.3	3.9
Per cent change from previous period	3.2	-18.6	2.9	13.9	-11.1	7.5	-9.3
Quebec. Total. All areas	47.9	51.2	47.0	50.9	48.2	49.6	54.9
Per cent change from previous period	-6.0	14.0	-8.2	8.3	0.8	2.9	10.7
Ontario. Total. All areas	73.4	67.9	65.4	66.9	63.1	75.8	62.0
Per cent change from previous period	-6.8	-3.1	-3.7	2.3	13.1	20.1	-18.2
Manitoba. Total. All areas	5.0	5.3	5.9	5.5	4.1	7.5	5.1
Per cent change from previous period	6.3	23.3	11.3	-6.8	-24.1	82.9	-32.0
Saskatchewan. Total. All areas	3.7	4.1	4.9	6.4	5.6	6.2	7.5
Per cent change from previous period	8.1	5.1	19.5	30.6	21.7	10.7	21.0
Alberta. Total. All areas	49.0	47.2	50.1	48.6	52.6	47.5	45.7
Per cent change from previous period	19.9	-2.5	6.1	-3.0	-0.9	-9.7	-3.8
British Columbia. Total. All areas	36.4	35.7	37.4	36.9	34.9	37.4	38.4
Per cent change from previous period	5.1	-1.9	4.8	-1.3	-6.9	7.2	2.7

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	Q4:07	Q1:07	Q2:07	M04:07	M05:07	M06:07
Canada	195.0	191.3	186.0	193.7	186.2	202.6	192.7
Newfoundland	1.5	1.4	1.6	1.4	1.5	1.4	1.6
Prince Edward Island	0.5	0.4	0.3	0.5	0.6	0.3	0.5
Nova Scotia	3.3	3.2	3.8	2.7	1.8	2.8	3.3
New Brunswick	2.9	2.5	2.4	2.7	2.6	2.9	2.5
Quebec	39.5	42.4	38.8	42.7	40.0	41.4	46.7
Ontario	67.8	63.1	60.4	61.4	57.6	70.3	56.5
Manitoba	3.2	3.9	3.6	3.9	2.5	5.9	3.5
Saskatchewan	2.9	3.1	3.7	5.3	4.5	5.1	6.4
Alberta	40.9	39.8	40.0	40.1	44.1	39.0	37.2
British Columbia	32.6	31.5	31.4	33.0	31.0	33.5	34.5

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

This Month's Major Housing Indicators

	2006	Q4:07	Q1:07	Q2:07	M04:07	M05:07	M06:07
New Housing							
New & unoccupied singles & semis, units 000s	5.2	5.7	6.1	5.9	6.1	6.1	5.6
Per cent change from same period previous year	-2.5	11.9	23.2	17.6	23.3	17.7	11.9
New & unoccupied row & apartments, units 000s	8.4	9.0	8.6	7.9	7.5	7.9	8.3
Per cent change from same period previous year	-6.9	5.5	3.6	-3.9	-10.1	-5.0	3.6
New House Price Index, 1997=100	142.0	147.2	148.7	n.a.	150.5	152.1	n.a.
Per cent change from same period previous year	9.7	11.2	9.8	n.a.	8.9	8.6	n.a.

Existing Housing

MLS[®] resales*, units 000s	483.8	483.3	516.9	n.a.	525.2	538.3	n.a.
Per cent change from same period previous year	0.0	-1.9	4.6	n.a.	9.0	10.3	n.a.
MLS[®] average resale price**, \$C 000s	277.0	284.4	294.8	n.a.	302.2	305.4	n.a.
Per cent change from same period previous year	11.1	9.9	10.2	n.a.	10.0	9.9	n.a.

Mortgage Market

Posted 1-Year Mortgage Rate, % (period average)	6.28	6.37	6.47	6.83	6.60	6.85	7.05
Posted 5-Year Mortgage Rate, % (period average)	6.66	6.60	6.60	7.01	6.64	7.14	7.24

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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