

HOUSING MARKET OUTLOOK

Canada Highlights Edition

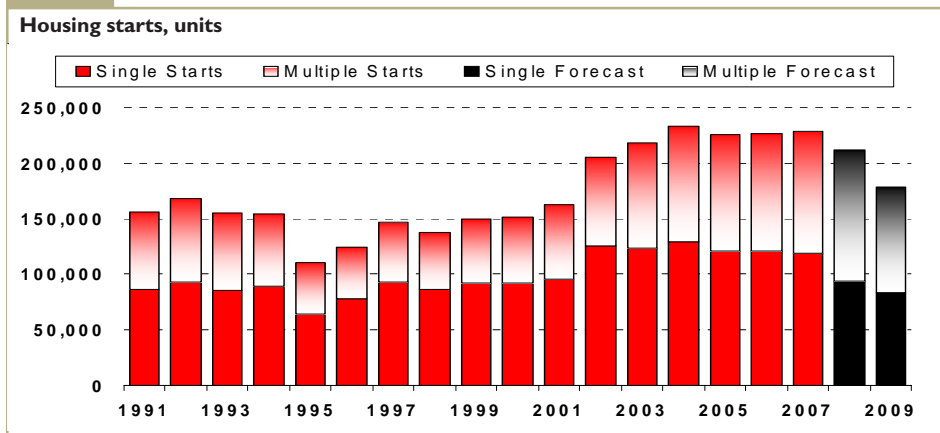


Canada Mortgage and Housing Corporation

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Housing starts to moderate in 2009

Figure 1 Housing starts will moderate in 2009



Overview

Economic fundamentals will remain strong in Canada. High employment levels, rising incomes and low mortgage rates will provide a solid foundation for healthy housing markets. However, increased supply of existing homes listed for sale coupled with the rise in house prices in recent years will moderate the demand for housing in 2008 and 2009.

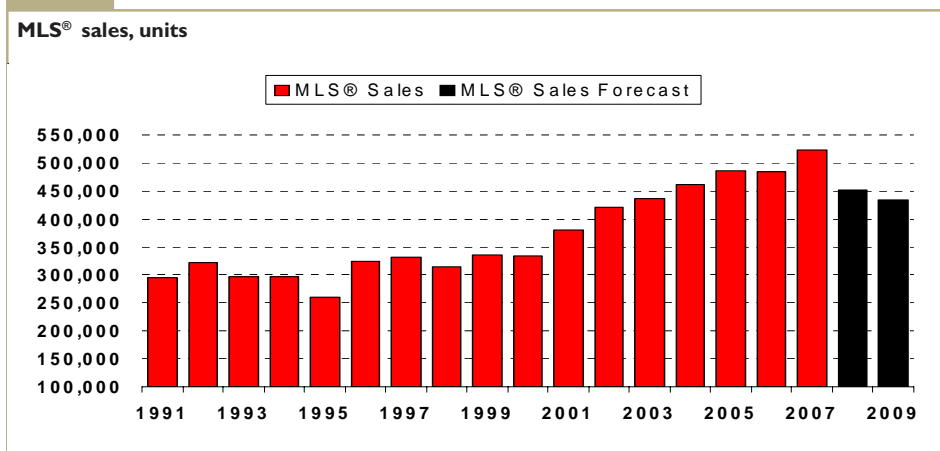
Housing starts will moderate in 2009

The multi-family sector will keep residential construction strong this year despite a moderation in single-detached activity. Housing starts this year will remain above the 200,000 unit mark before moderating to 177,975 units in 2009.

Strong MLS® sales in 2008

Existing home sales, as measured by the Multiple Listing Service (MLS®), are expected to decrease in 2008 to 452,225 units. In 2009, the trend will continue with a decrease to 433,375 units. Despite a moderation of MLS® sales, demand remains strong by historical standards.

Figure 2 MLS® sales to moderate in 2009



¹Multiple Listing Service (MLS®) is a registered certification mark owned by the Canadian Real Estate Association;

Economic Forecasts

Economic conditions support healthy housing demand

Despite the financial market turbulence and related economic uncertainty, the outlook for Canadian GDP growth remains positive over the medium term. Overall, according to most current forecasts, Canada's real GDP growth will moderate to a range of 0.4 per cent to 1.0 per cent in 2008, and from -0.3 per cent to 2.2 per cent in 2009. The Bank of Canada's forecast sits at 0.6 per cent for both 2008 and 2009.

Employment in Canada grew by nearly 194,000 people in the first three

quarters of this year and was up 1.1 per cent on a year-over-year basis. Although there is uncertainty, employment growth is expected to be in the 1.4 per cent to 1.8 per cent range this year and in the 0.5 per cent to 1.5 per cent range in 2009. Tight labour market conditions will continue to drive wages and incomes higher.

Mortgage rates are expected to be relatively stable throughout the last quarter of this year, remaining within 25-50 basis points of their current levels. Posted mortgage rates will decrease slightly in the first half of 2009 as the cost of credit to financial institutions eases. Rising bond yields, however, will nudge mortgage rates

marginally higher in the latter half of 2009. For the last quarter of 2008 and in 2009, the one year posted mortgage rate will be in the 6.00-6.75 per cent range, while three and five year posted mortgage rates are forecast to be in the 6.50-7.25 per cent range.

Housing Forecasts

Housing starts begin to moderate in 2008

Despite positive economic fundamentals, housing activity will moderate over the next year and a half. Most of the pent-up demand that built up during the 1990s has now been fulfilled and residential construction activity will gradually move in line with Canadian demographic fundamentals. Higher home prices will temper homeownership demand, particularly in the Western provinces. Competition from the existing home market will increase as housing markets move toward balanced conditions, giving homebuyers more choice. This, in turn, will ease the spillover demand from the existing market into the new home market.

These trends will moderate new home construction. The number of starts is expected to moderate to 212,188 units in 2008 and 177,975 units in 2009.

Higher prices moderate demand for single-detached housing

The rising house prices of previous years will moderate single-detached housing starts where activity is forecast to dip below the 100,000 unit mark. Single-detached starts will decrease to 94,263 units in 2008, then drop to 83,600 units next year coming off of 10 years of high levels.

As house prices have moved higher, less expensive multi-family housing (row, semi-detached, and apartment units) has increased in popularity relative to single-detached housing. This year and next will see multi-family housing starts out-number single-detached activity for the first time since 1982. Furthermore, 2008 marks the fifth consecutive year in which multiple starts have surpassed the 100,000 unit mark.

Multi-family housing starts are forecast to rise to 117,925 units this year, while they are forecast to moderate to 94,375 units in 2009.

Growth in house prices will slow as housing market becomes more balanced

Existing home sales, as measured by the Multiple Listing service (MLS®), are expected to ease to 452,225 units in 2008 and to 433,375 units in 2009 as rising house prices cool home ownership demand.

As more new listings enter the resale market, and sales continue to ease, future price growth will be well below the price increases seen over the previous 6 years. For 2008 and 2009, the MLS® annual average price will rise 0.3 per cent to \$306,500 in 2008 and 0.1 per cent to \$306,700 in 2009.

Housing Forecast Summary						
		New Construction			Resale Market	
		Total Starts	Single-Detached Starts	Multiple Starts	MLS® Sales	MLS® Average Price
British Columbia	2007	39,195	14,474	24,721	102,805	439,119
	2008(F)	35,800	11,800	24,000	75,000	449,450
	2009(F)	29,200	11,500	17,700	74,400	418,200
Alberta	2007	48,336	28,105	20,231	71,430	356,235
	2008(F)	29,750	14,500	15,250	59,500	353,500
	2009(F)	24,000	15,000	9,000	61,000	356,000
Saskatchewan	2007	6,007	4,017	1,990	12,054	174,405
	2008(F)	6,500	4,300	2,200	10,250	222,500
	2009(F)	4,900	3,300	1,600	9,000	227,000
Manitoba	2007	5,738	3,857	1,881	13,928	169,189
	2008(F)	5,450	3,900	1,550	13,900	191,500
	2009(F)	5,200	3,800	1,400	14,100	198,000
Ontario	2007	68,123	37,910	30,213	213,379	299,544
	2008(F)	74,450	31,850	42,600	187,050	306,850
	2009(F)	62,000	25,000	37,000	173,000	312,250
Quebec	2007	48,553	22,177	26,376	83,847	202,392
	2008(F)	47,938	19,263	28,675	81,400	211,800
	2009(F)	42,000	17,500	24,500	79,000	217,000
New Brunswick	2007	4,242	2,733	1,509	8,161	136,603
	2008(F)	4,200	2,650	1,550	7,700	144,500
	2009(F)	3,625	2,325	1,300	7,000	151,500
Nova Scotia	2007	4,750	2,887	1,863	11,857	180,989
	2008(F)	4,300	2,825	1,475	11,175	190,900
	2009(F)	3,725	2,425	1,300	10,175	196,000
Prince Edward Island	2007	750	573	177	1,769	133,457
	2008(F)	700	525	175	1,450	139,000
	2009(F)	600	450	150	1,300	143,000
Newfoundland / Labrador	2007	2,649	2,184	465	4,471	149,258
	2008(F)	3,100	2,650	450	4,800	176,500
	2009(F)	2,725	2,300	425	4,400	187,500
Canada*	2007	228,343	118,917	109,426	523,701	305,707
	2008(F)	212,188	94,263	117,925	452,225	306,500
	2009(F)	177,975	83,600	94,375	433,375	306,700

MLS® is a registered trademark of the Canadian Real Estate Association (CREA).

Source: CMHC (Starts and Completions Survey, Market Absorption Survey) and CREA

*The point estimate for the forecast of total housing starts is 212,188 units in 2008 and 177,975 units in 2009. Economic uncertainty is reflected by the current range of forecasts which varies from 200,000 units to 219,000 units in 2008 and 165,000 units to 195,000 units in 2009.

Local Housing Market Indicators								
Major Centres	Year	Total housing starts	Single-detached housing starts	New housing price index annual % chg.	MLS® sales	MLS® average price	Rental vacancy rate	Average rent
Abbotsford	2007	1,088	527	n.a.	3,843	338,976	2.1	752
	2008(F)	1,400	400	n.a.	2,750	350,000	2.3	780
	2009(F)	900	350	n.a.	2,550	330,000	2.5	805
Calgary	2007	13,505	7,777	16.2	32,176	414,066	1.5	1,089
	2008(F)	11,100	4,300	1.0	25,000	405,000	2.5	1,140
	2009(F)	7,000	4,500	-2.5	25,700	406,000	3.0	1,150
Charlottetown	2007	394	295	1.3	650	166,244	4.3	659
	2008(F)	375	275	2.0	575	174,000	4.0	670
	2009(F)	325	225	2.0	500	176,000	3.8	700
Edmonton	2007	14,888	7,682	32.1	20,427	338,636	1.5	958
	2008(F)	6,500	2,600	1.8	18,000	334,000	3.0	1,020
	2009(F)	6,000	3,000	0.5	18,500	335,000	4.0	1,050
Gatineau	2007	2,788	1,037	1.8	4,607	185,693	2.9	662
	2008(F)	3,000	1,050	1.7	4,300	195,900	3.4	670
	2009(F)	2,600	850	1.7	4,200	201,800	3.0	680
Greater Sudbury	2007	587	514	4.3	2,751	182,502	0.6	749
	2008(F)	715	525	6.0	2,531	211,700	0.3	779
	2009(F)	600	500	5.0	2,404	221,200	0.2	810
Halifax	2007	2,489	1,207	5.8	6,938	215,018	3.1	815
	2008(F)	2,200	1,175	9.0	6,450	228,000	2.9	830
	2009(F)	2,025	1,025	3.0	6,200	228,000	3.2	855
Hamilton	2007	3,004	1,761	4.5	13,866	268,857	3.5	830
	2008(F)	3,285	1,775	3.1	12,800	280,000	3.7	855
	2009(F)	3,045	1,685	2.6	12,000	288,000	3.6	890
Kelowna	2007	2,805	1,130	n.a.	5,584	410,175	0.0	846
	2008(F)	2,400	850	n.a.	3,800	435,000	0.3	905
	2009(F)	1,850	750	n.a.	4,000	405,000	0.6	940
Kingston	2007	880	600	n.a.	3,725	222,300	3.2	856
	2008(F)	635	570	n.a.	3,580	232,500	3.0	873
	2009(F)	610	520	n.a.	3,550	237,000	2.9	895
Kitchener	2007	2,740	1,159	1.5	7,031	252,429	2.7	829
	2008(F)	2,560	1,300	2.5	6,500	271,000	2.5	841
	2009(F)	2,650	1,400	2.6	6,100	277,000	2.4	854
London	2007	3,136	1,983	3.6	9,689	202,808	3.8	816
	2008(F)	2,610	1,400	3.0	8,700	211,000	3.2	833
	2009(F)	2,085	1,050	2.5	8,200	216,300	3.2	856
Montréal	2007	23,233	8,013	4.3	43,543	253,340	2.9	647
	2008(F)	22,300	7,000	3.5	42,200	266,000	3.1	660
	2009(F)	20,100	6,400	3.0	40,500	276,000	3.3	675
Oshawa ¹	2007	2,389	1,747	n.a.	10,223	269,971	3.7	877
	2008(F)	2,203	1,650	n.a.	9,100	277,100	3.5	889
	2009(F)	2,030	1,380	n.a.	8,400	280,000	3.4	905
Ottawa	2007	6,506	2,973	1.8	14,739	273,058	2.3	961
	2008(F)	6,850	2,920	1.7	14,000	288,500	1.9	980
	2009(F)	6,000	2,350	1.7	13,400	299,000	1.6	1,000
Québec	2007	5,284	2,144	4.0	7,287	178,212	1.2	641
	2008(F)	5,430	1,930	5.0	8,190	194,950	1.2	654
	2009(F)	4,550	1,650	3.0	8,300	204,700	1.2	664

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Sources: CMHC, Canadian Real Estate Association, Local real estate boards, Statistics Canada, CMHC Forecast 2008-2009

¹MLS® data for St. Catharines-Niagara is aggregated using total numbers of the area's three real estate boards and Oshawa data is that of the Durham board.

NOTE: Rental universe = Privately initiated rental apartment structures of three units and over

Local Housing Market Indicators (cont.)								
Major Centres	Year	Total housing starts	Single-detached housing starts	New housing price index annual % chg.	MLS® sales	MLS® average price	Rental vacancy rate	Average rent
Regina	2007	1,398	864	22.2	3,957	165,613	1.7	661
	2008(F)	1,350	950	23.0	3,250	231,000	1.0	760
	2009(F)	1,120	800	9.0	2,800	236,000	1.2	855
Saguenay	2007	685	373	n.a.	1,260	136,977	2.8	490
	2008(F)	800	385	n.a.	1,230	150,000	3.0	500
	2009(F)	720	345	n.a.	1,225	160,000	3.2	510
Saint John	2007	687	412	0.9	2,253	140,544	5.2	570
	2008(F)	850	490	2.5	2,150	157,000	4.8	590
	2009(F)	770	440	2.0	2,000	163,000	4.5	610
Saskatoon	2007	2,380	1,485	38.8	4,446	232,755	0.6	693
	2008(F)	2,400	1,250	22.0	3,600	287,000	2.0	860
	2009(F)	1,800	1,000	1.5	3,200	292,500	2.0	875
Sherbrooke	2007	1,318	666	n.a.	1,919	184,892	2.4	529
	2008(F)	1,530	780	n.a.	1,820	186,750	2.1	545
	2009(F)	1,250	600	n.a.	1,780	188,600	2.2	560
St. Catharines-Niagara ¹	2007	1,149	798	4.1	6,668	202,313	4.0	765
	2008(F)	1,140	690	3.5	6,100	207,000	3.8	780
	2009(F)	1,000	600	3.0	5,800	211,000	3.5	795
St. John's	2007	1,480	1,174	5.0	4,471	149,258	2.6	614
	2008(F)	1,775	1,425	16.0	4,800	176,500	1.0	650
	2009(F)	1,650	1,300	7.5	4,400	187,500	1.5	725
Thunder Bay	2007	249	185	4.3	1,593	129,734	3.8	709
	2008(F)	216	200	6.0	1,657	140,500	3.3	717
	2009(F)	270	190	5.0	1,624	146,500	3.0	730
Toronto	2007	33,293	14,769	2.7	95,164	377,029	3.2	1,061
	2008(F)	41,200	11,500	4.0	82,000	387,000	3.5	1,077
	2009(F)	32,000	7,000	3.0	75,000	394,000	3.0	1,095
Trois-Rivières	2007	1,197	430	n.a.	863	128,000	1.5	487
	2008(F)	1,150	400	n.a.	830	143,000	1.8	497
	2009(F)	1,000	350	n.a.	790	148,500	2.2	504
Vancouver	2007	20,736	4,211	7.1	38,978	570,795	0.7	1,084
	2008(F)	20,000	3,900	4.4	26,500	588,000	0.8	1,120
	2009(F)	16,500	3,600	-3.0	27,500	535,000	1.0	1,160
Victoria	2007	2,579	795	0.5	8,403	466,974	0.5	907
	2008(F)	2,340	740	1.0	6,700	485,000	0.3	950
	2009(F)	2,000	700	0.7	6,800	455,000	0.3	990
Windsor	2007	614	417	-2.1	4,987	163,215	12.8	774
	2008(F)	388	280	0.6	4,600	160,000	13.3	768
	2009(F)	343	255	1.0	4,300	157,500	10.9	778
Winnipeg	2007	3,371	1,870	11.8	12,319	174,202	1.5	740
	2008(F)	2,875	1,925	6.7	12,000	200,000	1.1	770
	2009(F)	2,700	1,850	6.5	12,100	208,000	1.3	800
All Major Areas	2007	161,327	71,764	7.7	390,499	-	2.6	-
	2008(F)	156,557	57,585	3.6	390,499	-	2.8	-
	2009(F)	129,788	49,315	1.4	340,563	-	2.8	-

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