HOUSING MARKET INFORMATION

HOUSING MARKET OUTLOOK

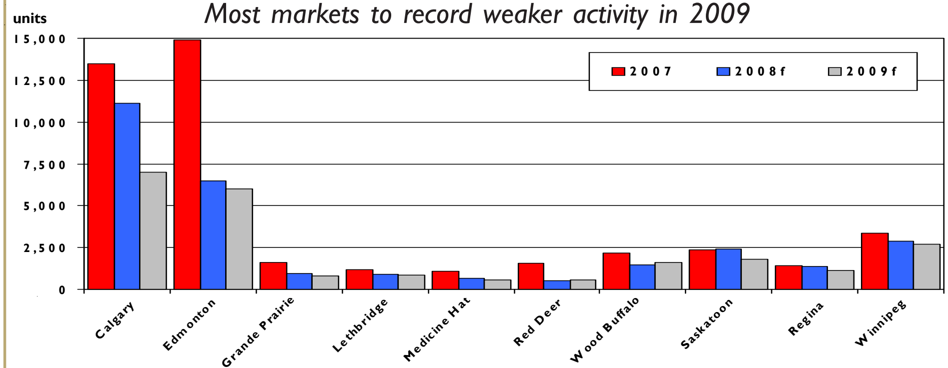
Prairie Region Highlights

Canada Mortgage and Housing Corporation

Date Released: Fourth Quarter 2008

Weaker Alberta construction leads to lower Prairie housing starts

Figure 1

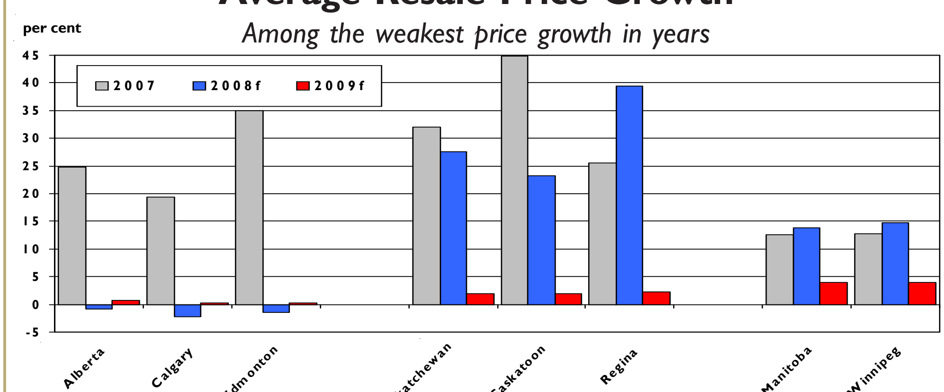


Total Housing Starts

Most markets to record weaker activity in 2009

Source: CMHC, CMHC forecast

Figure 2



Average Resale Price Growth

Among the weakest price growth in years

Source: CREA, CMHC forecast

Overview:

Housing Starts:

Housing starts across the Prairie Provinces are expected to fall 31 per cent in 2008 and another 18 per cent in 2009. This year's decline can be attributed to a strong reduction in single-detached construction in Alberta. Multi-family construction in Alberta will face a strong decline next year, as will overall starts in Saskatchewan. Manitoba home builders will enjoy a relatively consistent performance over the forecast period, with starts varying only a few hundred units from 2007's 20-year high.

Resales:

Following the record 97,412 transactions in 2007, MLS® sales across the Prairies will fall 14 per cent this year and remain flat in 2009. Alberta's 17 per cent decline will be most evident this year, though Saskatchewan's 15 per cent moderation will not go unnoticed. Both markets are responding to the price escalation from previous years. Sales in Manitoba will hold firm through the next two years.

Continued on the next page...

Canada

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Overview continued...

Resale Prices:

In 2008, Saskatchewan will lead provincial price growth for the second consecutive year, posting a 28 per cent gain. Manitoba will enjoy a double-digit gain for the sixth consecutive year in 2008, while prices in Alberta post a modest decline. No province will experience gains beyond four per cent in 2009, as markets face heightened supply levels relative to demand.

Prairies Housing Outlook

Economic growth in Alberta will continue but come off from its strong pace in recent years. Real GDP will increase by 2.1 per cent this year due to moderate consumer spending growth, lower housing activity, and a slowdown in non-conventional oil production. With a 1.9 per cent gain in 2009, Alberta will be among the provincial lead in economic growth, though it will not prevent a further reduction in housing starts.

Single-detached starts in Alberta will be cut in half in 2008 to 14,500 units. Weaker net migration and strong price gains from previous years have cut into demand, while an oversupplied resale market and surplus of unoccupied new units has resulted in further production cuts. Expect a modest improvement by mid-2009, providing resale active listings and new home inventories are past their peak. Recent price declines will also provide an opportunity for buyers moving forward.

Although multi-family starts in Alberta will drop by 25 per cent this year, construction will still exceed demand. Another 41 per cent reduction in starts will be required in 2009 to prevent another strong decline in subsequent years. Most of next year's decline will occur in Calgary, where 2008 production will be among the highest level in 27 years.

Despite the recent decline in Alberta's existing home prices, price escalation from the previous two years has contributed to a sharp reduction in MLS® sales this year. Existing home sales across the province will fall 17 per cent in 2008. The largest drop will occur in Calgary, where prices advanced 65 per cent from 2005 to 2007. With prices declining in most markets this year, the resulting gains in affordability should promote a modest improvement in sales in 2009.

Alberta's average resale price will be slow to rebound from the first decline in 13 years. Active listings are now past their peak, but will remain elevated by historical standards. After a one per cent decline in 2008, Alberta's average resale price will advance by 0.7 per cent in 2009, reaching $356,000.

After a 2.8 per cent gain in real GDP last year, the Saskatchewan economy will expand by a nation-leading 3.3 per cent in 2008 and 2.2 per cent in 2009. Growth will be underpinned by the natural resources sector including potash, oil, and agriculture products. Previously elevated commodity prices and increased production have boosted resource exports, while a number of major projects stimulate capital investment. Population and wage gains are also fuelling a hefty increase in personal consumption.

Fuelled by Saskatchewan's strong economy and remarkable turnaround in net migration, single-detached starts in 2008 are on pace to reach a 29-year high. Next year, however, starts are forecast to decline by 25 per cent. Price escalation from previous years will be a dominant factor pushing starts lower. A strong rebound in active resale listings, rising new home inventories, and weaker net migration will also moderate construction. Single-detached starts in Saskatchewan are expected to total 3,300 units in 2009 after reaching 4,300 units this year.

Multi-family construction in Saskatchewan will follow a similar trend. Demand from first-time buyers and investors are driving multiple starts in 2008 to historically high levels. In 2009, however, increasing inventories, strong resale competition, and rising costs will push multi-family starts downward. Expect 1,600 units to begin construction next year, down from 2,200 in 2008.

Despite an impressive start to 2008, MLS® sales in Saskatchewan will decline 15 per cent below last year's record. Sales peaked during the spring of this year as buyers bought in anticipation of further price increases. Since then, a surge in listings has slowed the rate of price growth considerably and buyers have become resistant to the recent run up in prices. The current downward trend in sales will continue into 2009 with a further 12 per cent reduction. Following the record 32 per cent gain in 2007, the average MLS® price will advance 28 per cent this year. The majority of 2008's gain will be attributed to strength in the first half of the year. In 2009, the sharp rebound in active listings and lower demand will result in a modest price gain of two per cent.

In Manitoba, investment in a number of major projects will outweigh weakness in consumer spending, exports, and manufacturing, paving the way for continued expansion of the provincial economy. In 2008, the province will see GDP growth of 2.3 per cent, followed by a 1.7 per cent gain in 2009. The pace of economic growth combined with impressive levels of international migration will contribute to a strong and stable market for Manitoba's home builders. Through the next few years, total housing starts will only vary a few hundred units from 2007's 20-year high.

Single-detached starts in Manitoba are expected to total 3,900 units in 2008 and 3,800 in 2009, among the highest totals since 1987. Additional lot selection in Winnipeg's Waverly West will help maintain a strong share of starts within the city. Meanwhile, the share of single-detached starts outside of Winnipeg will inch upward as a result of persistent strength across a number of centres in southern Manitoba. Thompson will also be a notable contributor to single-detached construction for the first time in many years.

In Manitoba's multi-family sector, last year's heightened pace of activity has led a rise in the number of complete and unabsorbed units in 2008. Builders have responded with weaker production and are on pace for 1,550 starts this year. Despite this year's moderation in housing starts, demand for multi-family accommodations will remain strong, particularly for affordably priced units and those for rental tenure. Expect 1,400 multi-family units to begin construction in 2009.

MLS® sales in Manitoba will decline slightly in 2008 due to a shortage of listings in the early part of the year. Additional listings will facilitate a new record for sales in 2009, reaching 14,100 units. Despite the new record, 2009's sales will only surpass the previous two-year average by one per cent. The listings shortages in the early part of 2008 will also result in double-digit price gains in Manitoba for the sixth consecutive year. An increased selection of homes for sale will lead to more balanced market conditions in 2009, resulting in a modest price gain of 3.4 per cent.

Mortgage Rates

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 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.

Mortgage rates		
1 Year	Q3 2008	6.75
	% pt. chg from Q3 2007	-0.30
	2008 (F)	6.75
	2009 (F)	6.31
5 Year	Q3 2008	6.95
	% pt. chg from Q3 2007	-0.27
	2008 (F)	7.05
	2009 (F)	6.92

Source: Bank of Canada, CMHC Forecast

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Prairie Region Economic and Housing Indicators

		Labour Market				Housing Market				
		Emp. Growth SA (%)	Unemp. Rate SA (%)	Average Weekly Earnings ($)		Total Starts	Single-Detached Starts	Multiple Starts	MLS® Sales	MLS® Average Price ($)
Calgary	Q3 2008	3.2	3.7	941	Q3 2008	2,044	1,073	971	6,240	394,820
	Q3 2007	4.3	3.1	911	Q3 2007	3,967	2,215	1,752	6,906	426,261
	Change[1]	-1.2	0.6	3.2%	% Change	-48.5	-51.6	-44.6	-9.6	-7.4
Edmonton	Q3 2008	2.8	3.5	899	Q3 2008	1,260	618	642	5,054	329,816
	Q3 2007	6.0	4.1	848	Q3 2007	4,497	2,051	2,446	3,860	348,630
	Change[1]	-3.1	-0.6	5.9%	% Change	-72.0	-69.9	-73.8	30.9	-5.4
Regina	Q3 2008	6.8	3.7	804	Q3 2008	406	265	141	802	239,978
	Q3 2007	-4.2	5.9	758	Q3 2007	426	252	174	1,085	178,267
	Change[1]	11.0	-2.2	6.0%	% Change	-4.7	5.2	-19.0	-26.1	34.6
Saskatoon	Q3 2008	1.3	4.6	803	Q3 2008	521	256	265	818	290,478
	Q3 2007	5.9	4.1	721	Q3 2007	675	389	286	1,129	247,143
	Change[1]	-4.6	0.5	11.3%	% Change	-22.8	-34.2	-7.3	-27.5	17.5
Winnipeg	Q3 2008	0.8	4.4	721	Q3 2008	747	542	205	n/a	n/a
	Q3 2007	1.8	4.2	700	Q3 2007	977	545	432	3,371	172,185
	Change[1]	-1.0	0.2	2.9%	% Change	-23.5	-0.6	-52.5	n/a	n/a
Alberta	September 08	2.5	3.8	909	Q3 2008	7,038	4,137	2,901	n/a	n/a
	September 07	4.7	3.6	872	Q3 2007	14,157	8,006	6,151	15,803	365,132
	Change[1]	-2.2	0.2	4.2%	% Change	-50.3	-48.3	-52.8	n/a	n/a
Saskatchewan	September 08	3.2	4.1	776	Q3 2008	2,175	1,317	858	n/a	n/a
	September 07	1.1	3.9	718	Q3 2007	2,026	1,329	697	3,216	184,328
	Change[1]	2.1	0.2	8.1%	% Change	7.4	-0.9	23.1	n/a	n/a
Manitoba	September 08	1.3	4.6	713	Q3 2008	1,572	1,150	422	n/a	n/a
	September 07	1.7	4.2	683	Q3 2007	1,700	1,162	538	3,854	166,689
	Change[1]	-0.4	0.4	4.3%	% Change	-7.5	-1.0	-21.6	n/a	n/a
Prairie Region	September 08	2.4	4.0	850	Q3 2008	10,785	6,604	4,181	n/a	n/a
	September 07	3.5	3.7	810	Q3 2007	17,883	10,497	7,386	22,873	306,274
	Change[1]	-1.1	0.3	4.8%	Change	-39.7	-37.1	-43.4	n/a	n/a
Canada	September 08	1.6	6.1	789	Q3 2008	58,292	27,724	30,568	n/a	n/a
	September 07	2.5	5.9	761	Q3 2007	67,838	35,174	32,664	132,267	306,682
	Change[1]	-0.8	0.2	3.7%	% Change	-14.1	-21.2	-6.4	n/a	n/a

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[1]Changes to the Unemployment Rate and Employment Growth represent the ***absolute*** difference between current rates and the rates for the same period in the previous year.

Source: Statistics Canada (CANSIM), CMHC (Starts and Completions Survey), CREA
"SA" means Seasonally Adjusted

Prairie Region Housing Forecast - New Construction

	Housing Starts	2007	2008(F)	% chg (2007/2008)	2009(F)	% chg (2008/2009)	YTD 2008	YTD 2007	% chg (2007/2008)
Calgary	Single-Detached	7,777	4,300	-44.7	4,500	4.7	3,401	6,114	-44.4
	Multiple	5,728	6,800	18.7	2,500	-63.2	6,460	4,690	37.7
	Total	13,505	11,100	-17.8	7,000	-36.9	9,861	10,804	-8.7
Edmonton	Single-Detached	7,682	2,600	-66.2	3,000	15.4	1,972	6,317	-68.8
	Multiple	7,206	3,900	-45.9	3,000	-23.1	3,428	5,721	-40.1
	Total	14,888	6,500	-56.3	6,000	-7.7	5,400	12,038	-55.1
Grande Prairie	Single-Detached	695	550	-20.9	550	0.0	438	695	-37.0
	Multiple	615	385	-37.4	250	-35.1	292	615	-52.5
	Total	1,310	935	-28.6	800	-14.4	730	1,310	-44.3
Lethbridge	Single-Detached	920	800	-13.0	650	-18.8	609	716	-14.9
	Multiple	285	100	-64.9	225	125.0	89	237	-62.4
	Total	1,205	900	-25.3	875	-2.8	698	953	-26.8
Medicine Hat	Single-Detached	484	425	-12.2	350	-17.6	339	371	-8.6
	Multiple	614	250	-59.3	200	-20.0	175	493	-64.5
	Total	1,098	675	-38.5	550	-18.5	514	864	-40.5
Red Deer	Single-Detached	974	315	-67.7	340	7.9	256	812	-68.5
	Multiple	584	200	-65.8	235	17.5	170	485	-64.9
	Total	1,558	515	-66.9	575	11.7	426	1,297	-67.2
Wood Buffalo	Single-Detached	946	700	-26.0	750	7.1	554	814	-31.9
	Multiple	1,229	750	-39.0	850	13.3	578	917	-37.0
	Total	2,175	1,450	-33.3	1,600	10.3	1,132	1,731	-34.6
Regina	Single-Detached	864	950	10.0	800	-15.8	741	624	18.8
	Multiple	534	400	-25.1	320	-20.0	353	453	-22.1
	Total	1,398	1,350	-3.4	1,120	-17.0	1,094	1,077	1.6
Saskatoon	Single-Detached	1,485	1,250	-15.8	1,000	-20.0	1,076	1,145	-6.0
	Multiple	895	1,150	28.5	800	-30.4	1,019	735	38.6
	Total	2,380	2,400	0.8	1,800	-25.0	2,095	1,880	11.4
Winnipeg	Single-Detached	1,870	1,925	2.9	1,850	-3.9	1,471	1,425	3.2
	Multiple	1,501	950	-36.7	850	-10.5	776	1,232	-37.0
	Total	3,371	2,875	-14.7	2,700	-6.1	2,247	2,657	-15.4
Alberta	Single-Detached	28,105	14,500	-48.4	15,000	3.4	11,435	22,385	-48.9
	Multiple	20,231	15,250	-24.6	9,000	-41.0	12,518	15,495	-19.2
	Total	48,336	29,750	-38.5	24,000	-19.3	23,953	37,880	-36.8
Saskatchewan	Single-Detached	4,017	4,300	7.0	3,300	-23.3	3,588	3,006	19.4
	Multiple	1,990	2,200	10.6	1,600	-27.3	1,964	1,623	21.0
	Total	6,007	6,500	8.2	4,900	-24.6	5,552	4,629	19.9
Manitoba	Single-Detached	3,857	3,900	1.1	3,800	-2.6	2,809	2,788	0.8
	Multiple	1,881	1,550	-17.6	1,400	-9.7	1,309	1,530	-14.4
	Total	5,738	5,450	-5.0	5,200	-4.6	4,118	4,318	-4.6
Prairie Region	Single-Detached	35,979	22,700	-36.9	22,100	-2.6	17,832	28,179	-36.7
	Multiple	24,102	19,000	-21.2	12,000	-36.8	15,791	18,648	-15.3
	Total	60,081	41,700	-30.6	34,100	-18.2	33,623	46,827	-28.2
Canada	Single-Detached	118,917	94,263	-20.7	83,600	-11.3	72,320	90,068	-19.7
	Multiple	109,426	117,925	7.8	94,375	-20.0	91,669	83,101	10.3
	Total	228,343	212,188	-7.1	177,975	-16.1	163,989	173,169	-5.3

Source: CMHC (Starts and Completions Survey)
(F) = CMHC Forecast

Prairie Region Housing Forecast - Resale Market									
		2007	2008(F)	% chg (2007/2008)	2009(F)	% chg (2008/2009)	YTD 2008	YTD 2007	% chg (2007/2008)
Calgary	MLS® Sales	32,176	25,000	-22.3	25,700	2.8	17,759	24,947	-28.8
	MLS® Avg. Price	414,066	405,000	-2.2	406,000	0.2	411,510	415,398	-0.9
Edmonton	MLS® Sales	20,427	18,000	-11.9	18,500	2.8	12,892	16,029	-19.6
	MLS® Avg. Price	338,636	334,000	-1.4	335,000	0.3	337,399	339,064	-0.5
Grande Prairie	MLS® Sales	2,550	2,325	-8.8	2,400	3.2	1,699	1,934	-12.2
	MLS® Avg. Price	264,791	267,500	1.0	275,000	2.8	266,909	267,641	-0.3
Lethbridge	MLS® Sales	2,770	2,400	-13.4	2,450	2.1	1,787	2,139	-16.5
	MLS® Avg. Price	229,646	244,000	6.3	248,000	1.6	243,827	226,550	7.6
Medicine Hat	MLS® Sales	1,915	1,600	-16.4	1,550	-3.1	1,211	1,430	-15.3
	MLS® Avg. Price	249,268	261,500	4.9	265,000	1.3	263,347	246,571	6.8
Red Deer	MLS® Sales	5,075	4,400	-13.3	4,550	3.4	3,223	3,954	-18.5
	MLS® Avg. Price	270,494	280,000	3.5	286,000	2.1	279,124	270,548	3.2
Wood Buffalo	MLS® Sales	2,366	2,200	-7.0	2,300	4.5	1,581	1,688	-6.3
	MLS® Avg. Price	463,239	548,000	18.3	575,000	4.9	544,967	447,344	21.8
Regina	MLS® Sales	3,957	3,250	-17.9	2,800	-13.8	2,473	2,889	-14.4
	MLS® Avg. Price	165,613	231,000	39.5	236,000	2.2	229,332	157,804	45.3
Saskatoon	MLS® Sales	4,446	3,600	-19.0	3,200	-11.1	2,736	3,328	-17.8
	MLS® Avg. Price	232,754	287,000	23.3	292,500	1.9	288,980	226,783	27.4
Winnipeg	MLS® Sales	12,319	12,000	-2.6	12,100	0.8	8,801	8,890	-1.0
	MLS® Avg. Price	174,203	200,000	14.8	208,000	4.0	200,099	173,513	15.3
Alberta	MLS® Sales	71,430	59,500	-16.7	61,000	2.5	42,751	55,273	-22.7
	MLS® Avg. Price	356,235	353,500	-0.8	356,000	0.7	357,145	356,325	0.2
Saskatchewan	MLS® Sales	12,054	10,250	-15.0	9,000	-12.2	7,714	8,973	-14.0
	MLS® Avg. Price	174,405	222,500	27.6	227,000	2.0	225,253	168,366	33.8
Manitoba	MLS® Sales	13,928	13,900	-0.2	14,100	1.4	10,047	10,081	-0.3
	MLS® Avg. Price	169,189	191,500	13.2	198,000	3.4	192,945	168,617	14.4
Prairie Region	MLS® Sales	97,412	83,649	-14.1	84,100	0.5	60,512	74,327	-18.6
	MLS® Avg. Price	306,991	310,529	1.2	315,705	1.7	313,069	308,175	1.6
Canada	MLS® Sales	523,701	452,225	-13.6	433,375	-4.2	330,181	383,939	-14.0
	MLS® Avg. Price	305,707	306,500	0.3	306,700	0.1	309,698	303,929	1.9

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Source: CREA
(F) = CMHC Forecast YTD (January-August)

Prairie Region Housing Forecast - Rental Market				
	Vacancy Rate		Average Rent 2-Bedroom Units	
	Oct 2007	Oct 2008(F)	Oct 2007	Oct 2008(F)
Calgary	1.5	2.5	1,089	1,140
Edmonton	1.5	3.0	958	1,020
Regina	1.7	1.0	661	760
Saskatoon	0.6	2.0	693	860
Winnipeg	1.5	1.1	740	770
Canada[1]	2.6	2.8	n/a	n/a

Source: CMHC Fall Rental Market Survey
(F) = CMHC Forecast
[1] All centres 100,000+

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