

HOUSING MARKET OUTLOOK

Atlantic Region Highlights

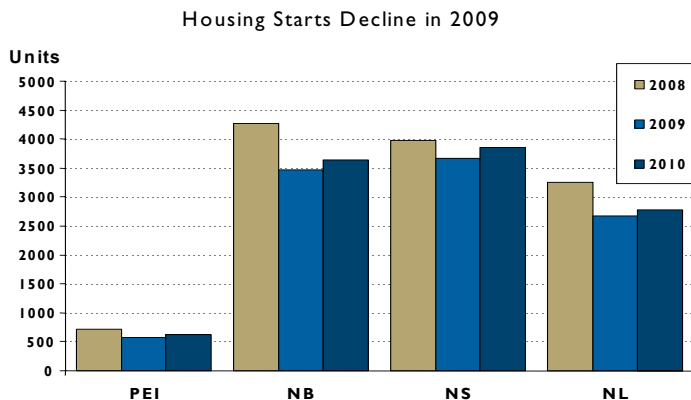


Canada Mortgage and Housing Corporation

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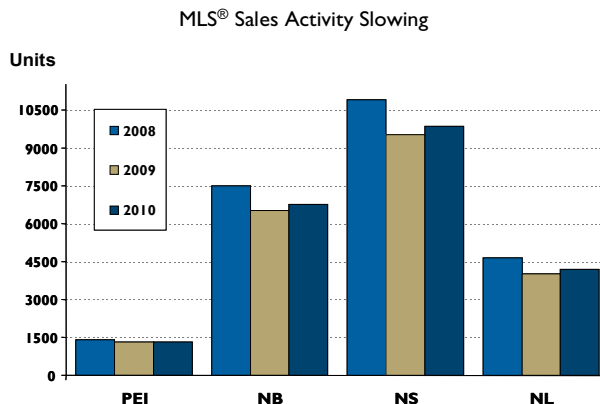
Housing Starts to Decline in 2009

Figure 1



Source: CMHC

Figure 2



Source: Canadian Real Estate Association MLS® is a registered trademark of the Canadian Real Estate Association

Overview¹

Housing starts are forecast to decline in 2009 in Atlantic Canada but rise marginally in 2010. Stability in singles activity in 2008 will be replaced by a slowdown in activity in 2009, as economic uncertainty continues to impact the housing sector. As well, the anticipated increase in multiple starts in 2008 did not materialize.

The expectations for 2009 have also been reduced, as the appetite for development moderates in the current economic environment. The entire region will face challenges in 2009, as weakness is expected to prevail in all four Atlantic provinces. The housing sector is expected to show positive growth in 2010, as consumers begin to regain their footing and a recovery begins to take hold.

Prices Continue to Rise

The price of existing homes continued to increase in 2008, with prices rising over seven per cent.

¹The outlook is subject to a heightened degree of uncertainty. Although point forecasts are presented in this publication, CMHC also presents forecast ranges and risks where appropriate. The forecasts included in this document are based on information available as of January 27, 2009.

Although inventory levels only rose marginally in 2008 and inventory is not anticipated to increase significantly in 2009, it is expected that the growth in prices will moderate, as the market continues to slow.

New home prices were also up in 2008 in the two to three per cent range in many of the large urban centers in Atlantic Canada. Although Halifax and St. John's had greater increases, due to the effects of tighter labour conditions, increases in land prices and greater demand for above average priced homes. As the trend for both inter-provincial and international migration remains positive, 2009 will be a year of better labour conditions. Thus, labour prices should become less of a factor in the growth in new home prices in the near term.

MLS® Sales to Decline

In 2009, existing home sales activity is expected to decline across the region. The overall level of sales activity will be impacted by softness in employment and economic growth. There is some downside risk to the forecast, as consumers remain cautious and income growth is not expected to be as strong in 2009. As well, global factors could continue to affect the outlook in 2009.

Economic Forecast

The expectation for 2009 is that consumers will be more reluctant to spend, as economic uncertainty continues to constrain growth. Increased government expenditures will contribute to economic activity

over the forecast period.

The Hebron project continues to drive confidence for future growth in the Newfoundland and Labrador economy. However, the project's contributions in 2009 will be offset by a slowdown in mining and other resource based activity, including the fishery. Declines in offshore oil production will continue to dampen growth in 2009-2010. Although, the eventual increase in royalties received from Hibernia, as well as additional infrastructure spending by the province will offset some of the expected declines in private sector spending.

Although consumer spending in Prince Edward Island remained strong in 2008, the outlook for spending is expected to slow in 2009. As well, the prospects for weaker demand in other key sectors, including manufacturing and tourism, will result in weaker economic growth in 2009. Furthermore, market conditions for the agriculture sector will continue to be challenging as a result of increased global competition and decreased global demand.

Achieving positive economic growth in 2009 will be a challenge for the Nova Scotia economy, as many industries and companies struggle to adjust to the new economic reality for the global economy. The outlook will be supported by the Deep Panuke project from EnCana, which will add to growth in 2009 and 2010, as the company continues to

believe in the long-term future growth potential from this project.

Economic weakness will persist in New Brunswick, as a result of soft commodity prices combined with a growing sense of global economic uncertainty. Reduced non-residential construction activity in New Brunswick is expected in 2009. Several current projects, including the LNG terminal project, the refurbishment of the Point Lepreau generating station in the Saint John area, and the expansion of the Potash Corp. facility in Sussex will slow as peak levels of activity have already been reached.

Housing Forecast

Multiple starts are expected to decline in 2009, but row starts will remain popular in some urban centres across Atlantic Canada, as the current price of housing will continue to force some consumers to shift away from more costly single-detached units. Higher prices will also continue to ease demand for single starts, as well as MLS® sales in 2009.

Atlantic Region Economic and Housing Indicators

		Labour Market				Housing Market				
		Emp. Growth SA ² (%)	Unemp. Rate SA ² (%)	Average Weekly Earnings (\$)		Total Starts	Single-Detached Starts	Multiple Starts	MLS® Sales	MLS® Average Price (\$)
St. John's	Q4 2008	6.7	7.2	776.81	Q4 2008	575	456	119	1,203	\$193,529
	Q4 2007	0.8	7.2	753.44	Q4 2007	434	360	74	1,326	\$152,160
	Change ¹	5.9	0.0	3.1%	% Change	32.5	26.7	60.8	-9.3	27.2
Charlottetown ¹	Q4 2008	-3.1	8.8	n/a	Q4 2008	133	69	64	113	\$183,931
	Q4 2007	0.3	7.8	n/a	Q4 2007	101	82	19	103	\$152,914
	Change ¹	-3.4	1.0	-	% Change	31.7	-15.9	236.8	9.7	20.3
Halifax ²	Q4 2008	1.4	5.3	740.78	Q4 2008	405	250	155	878	\$230,715
	Q4 2007	1.8	4.6	690.30	Q4 2007	562	376	186	1,199	\$216,792
	Change ¹	-0.5	0.7	7.3%	% Change	-27.9	-33.5	-16.7	-26.8	6.4
Fredericton	Q4 2008	3.9	4.0	n/a	Q4 2008	183	111	72	330	\$137,833
	Q4 2007	1.0	4.4	n/a	Q4 2007	161	121	40	441	\$132,032
	Change ¹	2.9	-0.3	-	% Change	13.7	-8.3	80.0	-25.2	4.4
Moncton	Q4 2008	7.5	3.6	691.72	Q4 2008	350	150	200	465	\$140,759
	Q4 2007	6.7	4.5	629.30	Q4 2007	332	159	173	569	\$138,675
	Change ¹	0.9	-0.9	9.9%	% Change	5.4	-5.7	15.6	-18.3	1.5
Saint John	Q4 2008	-3.6	6.6	738.06	Q4 2008	163	124	39	379	\$153,257
	Q4 2007	9.6	4.9	683.77	Q4 2007	186	126	60	466	\$141,522
	Change ¹	-13.2	1.7	7.9%	% Change	-12.4	-1.6	-35.0	-18.7	8.3
NL	December 08	-1.0	13.7	751.78	Q4 2008	963	803	160	1,203	\$193,529
	December 07	0.4	12.3	712.84	Q4 2007	817	653	164	1,326	\$152,160
	Change ¹	-1.4	1.4	5.5%	% Change	17.9	23.0	-2.4	-9.3	27.2
PEI	December 08	-0.9	11.7	643.26	Q4 2008	185	117	68	349	\$146,925
	December 07	1.0	10.4	609.77	Q4 2007	215	162	53	480	\$137,650
	Change ¹	-1.9	1.3	5.5%	% Change	-14.0	-27.8	28.3	-27.3	6.7
NS	December 08	0.2	8.2	692.35	Q4 2008	876	612	264	1,772	\$179,804
	December 07	1.5	7.6	664.30	Q4 2007	1,215	890	325	2,277	\$173,617
	Change ¹	-1.3	0.6	4.2%	% Change	-27.9	-31.2	-18.8	-22.2	3.6
NB	December 08	0.0	8.6	684.95	Q4 2008	1,019	620	399	1,298	\$138,963
	December 07	3.3	7.9	647.13	Q4 2007	1,069	730	339	1,623	\$132,884
	Change ¹	-3.3	0.7	5.8%	% Change	-4.7	-15.1	17.7	-20.0	4.6
Atlantic Region	December 08	-0.2	9.7	720.64	Q4 2008	3,043	2,152	891	4,622	\$169,424
	December 07	1.8	8.9	664.81	Q4 2007	3,316	2,435	881	5,706	\$154,019
	Change ¹	-2.0	0.8	8.4%	% Change	-8.2	-11.6	1.1	-19.0	10.0
Canada	December 08	0.5	6.6	795.92	Q4 2008	47,067	20,882	26,185	67,658	\$281,112
	December 07	2.2	5.9	764.99	Q4 2007	55,174	28,849	26,325	102,262	\$312,738
	Change ¹	-1.7	0.7	4.0%	% Change	-14.7	-27.6	-0.5	-33.8	-10.1

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

¹Changes 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.

²Seasonally adjusted Labour Force data is not available for Charlottetown, Fredericton, Moncton and, therefore, raw data was used.

Source: Statistics Canada (CANSIM), CMHC (Starts and Completions Survey), CREA, ¹ PEI Real Estate Association, ² Nova Scotia Association of REALTORS®

"SA" means Seasonally Adjusted

Atlantic Region Housing Forecast - New Construction

	Housing Starts	2008	2009(F)*	% chg (2008/2009)	2010(F)*	% chg (2009/2010)	YTD 2008	YTD 2007	% chg (2007/2008)
St. John's	Single-Detached	1,485	1,200	-19.2	1,275	6.3	1,485	1,174	26.5
	Multiple	378	350	-7.4	400	14.3	378	306	23.5
	Total	1,863	1,550	-16.8	1,675	8.1	1,863	1,480	25.9
Charlottetown	Single-Detached	280	225	-19.6	250	11.1	280	295	-5.1
	Multiple	146	125	-14.4	125	0.0	146	99	47.5
	Total	426	350	-17.8	375	7.1	426	394	8.1
Halifax	Single-Detached	1,180	1,000	-15.3	1,050	5.0	1,180	1,207	-2.2
	Multiple	916	980	7.0	1,130	15.3	916	1,282	-28.5
	Total	2,096	1,980	-5.5	2,180	10.1	2,096	2,489	-15.8
Fredericton	Single-Detached	475	430	-9.5	410	-4.7	475	432	10.0
	Multiple	223	160	-28.3	170	6.3	223	204	9.3
	Total	698	590	-15.5	580	-1.7	698	636	9.7
Moncton	Single-Detached	566	540	-4.6	560	3.7	566	655	-13.6
	Multiple	793	625	-21.2	695	11.2	793	770	3.0
	Total	1,359	1,165	-14.3	1,255	7.7	1,359	1,425	-4.6
Saint John	Single-Detached	488	425	-12.9	430	1.2	488	412	18.4
	Multiple	344	300	-12.8	305	1.7	344	275	25.1
	Total	832	725	-12.9	735	1.4	832	687	21.1
NL	Single-Detached	2,725	2,250	-17.4	2,300	2.2	2,725	2,184	24.8
	Multiple	536	425	-20.7	475	11.8	536	465	15.3
	Total	3,261	2,675	-18.0	2,775	3.7	3,261	2,649	23.1
PEI	Single-Detached	521	425	-18.4	450	5.9	521	573	-9.1
	Multiple	191	150	-21.5	175	16.7	191	177	7.9
	Total	712	575	-19.2	625	8.7	712	750	-5.1
NS	Single-Detached	2,636	2,350	-10.8	2,400	2.1	2,636	2,887	-8.7
	Multiple	1,346	1,325	-1.6	1,500	13.2	1,346	1,863	-27.8
	Total	3,982	3,675	-7.7	3,900	6.1	3,982	4,750	-16.2
NB	Single-Detached	2,519	2,250	-10.7	2,350	4.4	2,519	2,733	-7.8
	Multiple	1,755	1,225	-30.2	1,300	6.1	1,755	1,509	16.3
	Total	4,274	3,475	-18.7	3,650	5.0	4,274	4,242	0.8
Atlantic Region	Single-Detached	8,401	7,275	-13.4	7,500	3.1	8,401	8,377	0.3
	Multiple	3,828	3,125	-18.4	3,450	10.4	3,828	4,014	-4.6
	Total	12,229	10,400	-15.0	10,950	5.3	12,229	12,391	-1.3
Canada	Single-Detached	93,202	74,825	-19.7	76,600	2.4	93,202	118,917	-21.6
	Multiple	117,854	85,425	-27.5	86,750	1.6	117,854	109,426	7.7
	Total	211,056	160,250	-24.1	163,350	1.9	211,056	228,343	-7.6

* Although point forecasts are provided in this table, please refer to the Housing Forecast Range table at the end of this report for the relevant ranges

Source: CMHC (Starts and Completions Survey)

(F) = CMHC Forecast

Atlantic Region Housing Forecast - Resale Market

		2008	2009(F)*	% chg (2008/2009)	2010(F)*	% chg (2009/2010)	YTD 2008	YTD 2007	% chg (2007/2008)
St. John's	MLS® Sales(#)	4,695	3,450	-26.5	3,575	3.6	4,695	4,471	5.0
	MLS® Avg. Price (\$)	178,477	195,000	9.3	200,000	2.6	178,477	149,258	19.6
Charlottetown¹	MLS® Sales(#)	595	540	-9.2	555	2.8	595	658	-9.6
	MLS® Avg. Price (\$)	175,231	177,000	1.0	179,500	1.4	175,231	166,431	5.3
Halifax²	MLS® Sales(#)	6,472	5,950	-8.1	6,200	4.2	6,205	6,945	-10.7
	MLS® Avg. Price (\$)	232,106	233,000	0.4	238,000	2.1	229,916	215,668	6.6
Fredericton	MLS® Sales(#)	2,160	1,900	-12.0	1,950	2.6	2,160	2,448	-11.8
	MLS® Avg. Price (\$)	152,268	154,000	1.1	158,500	2.9	152,268	141,117	7.9
Moncton	MLS® Sales(#)	2,663	2,300	-13.6	2,350	2.2	2,663	2,849	-6.5
	MLS® Avg. Price (\$)	143,173	145,500	1.6	149,000	2.4	143,173	140,032	2.2
Saint John	MLS® Sales(#)	2,166	1,800	-16.9	1,850	2.8	2,166	2,253	-3.9
	MLS® Avg. Price (\$)	158,117	163,500	3.4	170,000	4.0	158,117	140,544	12.5
NL	MLS® Sales(#)	4,695	4,000	-14.8	4,200	5.0	4,695	4,471	5.0
	MLS® Avg. Price (\$)	178,477	179,500	0.6	182,500	1.7	178,477	149,258	19.6
PEI	MLS® Sales(#)	1,413	1,300	-8.0	1,325	1.9	1,413	1,769	-20.1
	MLS® Avg. Price (\$)	139,944	140,250	0.2	141,500	0.9	139,944	133,457	4.9
NS	MLS® Sales(#)	10,874	9,500	-12.6	9,850	3.7	10,869	11,857	-8.3
	MLS® Avg. Price (\$)	189,902	191,000	0.6	194,500	1.8	189,932	180,989	4.9
NB	MLS® Sales(#)	7,555	6,500	-14.0	6,750	3.8	7,555	8,161	-7.4
	MLS® Avg. Price (\$)	145,762	146,500	0.5	149,000	1.7	145,762	136,603	6.7
Atlantic Region	MLS® Sales(#)	24,538	21,300	-13.2	22,125	3.9	24,532	26,258	-6.6
	MLS® Avg. Price (\$)	171,247	172,163	0.5	175,167	1.7	171,258	158,589	8.0
Canada¹	MLS® Sales(#)	433,990	370,500	-14.6	405,000	9.3	433,985	523,307	-17.1
	MLS® Avg. Price (\$)	303,607	287,900	-5.2	288,100	0.1	303,609	305,864	-0.7

* Although point forecasts are provided in this table, please refer to the Housing Forecast Range table at the end of this report for the relevant ranges

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Source: CREA, ¹ PEI Real Estate Association, ² Nova Scotia Association of REALTORS®

(F) = CMHC Forecast YTD (January-August)

¹ Canada total excludes the territories

Atlantic Region Housing Forecast - Rental Market

	Vacancy Rate		Average Rent 2-Bedroom Units	
	Oct 2008	Oct 2009(F)	Oct 2008	Oct 2009(F)
St. John's	0.8	1.0	630	700
Charlottetown	2.3	2.0	672	715
Halifax	3.4	3.5	833	850
Fredericton	4.3	4.5	697	700
Moncton	2.4	2.5	656	640
Saint John	3.1	2.8	618	600
Canada¹	2.3	2.1	n/a	n/a

Source: CMHC Fall Rental Market Survey

(F) = CMHC Forecast

¹ All centres 100,000+

Atlantic Region - Housing Forecast Ranges

	2009			2010		
	Point Forecast	High Forecast	Low Forecast	Point Forecast	High Forecast	Low Forecast
Newfoundland						
Housing Starts	2,675	3,200	2,400	2,775	3,000	2,100
Multiple	425	500	350	475	500	300
Single	2,250	2,700	2,050	2,300	2,500	1,800
MLS® Sales	4,000	4,300	3,700	4,200	4,400	3,750
MLS® Average Price (\$)	179,500	187,500	178,000	182,500	190,000	178,500
Prince Edward Island						
Housing Starts	575	600	525	625	650	575
Multiple	150	150	125	175	175	150
Single	425	450	400	450	475	425
MLS® Sales	1,300	1,350	1,200	1,325	1,450	1,250
MLS® Average Price (\$)	140,250	144,000	139,000	141,500	145,000	140,000
Nova Scotia						
Housing Starts	3,675	4,100	3,200	3,900	4,400	3,000
Multiple	1,325	1,500	1,100	1,500	1,750	1,150
Single	2,350	2,600	2,100	2,400	2,650	1,850
MLS® Sales	9,500	10,175	8,750	9,850	10,500	8,500
MLS® Average Price (\$)	191,000	196,000	188,000	194,500	198,000	189,000
New Brunswick						
Housing Starts	3,475	3,700	2,900	3,650	4,000	2,750
Multiple	1,225	1,300	900	1,300	1,350	850
Single	2,250	2,400	2,000	2,350	2,650	1,900
MLS® Sales	6,500	7,500	6,000	6,750	7,250	5,800
MLS® Average Price (\$)	146,500	151,500	145,000	149,000	153,000	146,000
Canada						
Housing Starts	160,250	180,000	141,000	163,350	180,000	143,000
Multiple	85,425	96,200	75,200	86,750	95,400	74,400
Single	74,825	83,800	65,800	76,600	84,600	68,600
MLS® Sales	370,500	395,000	344,000	405,000	420,000	360,000
MLS® Average Price (\$)	287,900	305,000	270,000	288,100	310,000	270,000

Source: CMHC.

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