

HOUSING MARKET OUTLOOK

Canada Highlights Edition



Canada Mortgage and Housing Corporation

Date Released: First Quarter 2009

Housing market activity lower in 2009

Overview¹

Housing starts lower in 2009

Housing starts are expected to be in the range of 141,000 to 180,000 units (point forecast of about 160,250) for 2009 and much the same range for 2010 (point forecast of about 163,350).

The economic downturn will result in decreased demand for home ownership this year, leading to a decline in housing starts and existing home sales in 2009. Housing market activity will begin to strengthen as the Canadian economy rebounds in 2010. The level of housing starts over the forecast period will be more in line with demographic fundamentals.

MLS® sales decline in 2009

Existing home sales activity will decrease by 14.6 per cent to 370,500 units this year, but will rebound by 9.3 per cent to 405,000 in 2010.

Figure 1 Fewer housing starts expected for 2009 and 2010

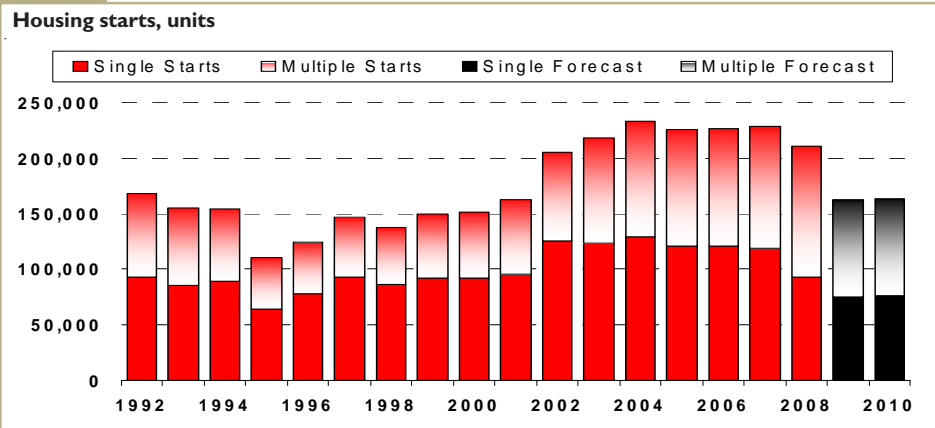
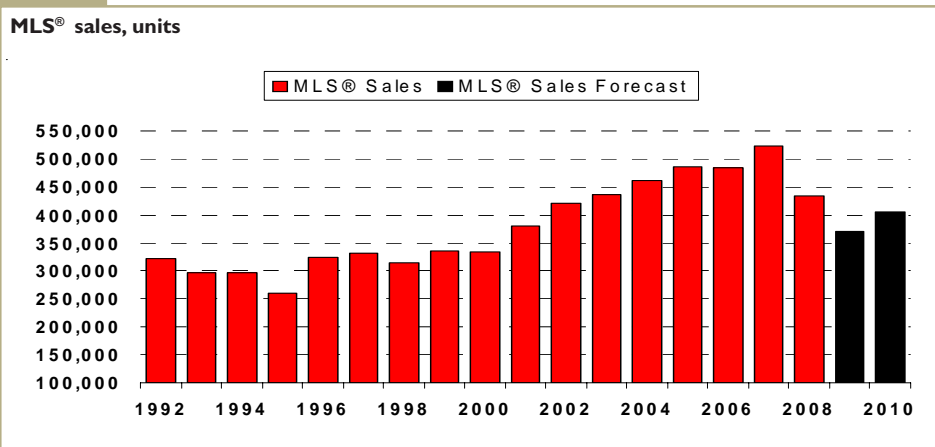


Figure 2 MLS® sales decline in 2009 but rebound in 2010



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.

²Multiple Listing Service (MLS) is a registered certification mark owned by the Canadian Real Estate Association

Economic Forecasts

Economic conditions are more uncertain, but still support housing

Forecasts for economic growth by private sector forecasters have been revised down significantly. For example, in October of last year, the average forecast for Canadian GDP growth in 2009 was 1.1 per cent. By January 2009, the average forecast for Canadian GDP growth in 2009 was revised down to -0.7 per cent.

Employment in Canada grew by 98,000 people when comparing December 2008 to December 2007.

In addition, wages were up 4.3 per cent over the same time period. Due to economic uncertainty, employment growth is expected to be in the -0.8 to -0.2 per cent range this year and 0.75 to 2 per cent for 2010.

The Bank of Canada has cut the Target for the Overnight Rate by a total of 350 basis points over the course of 2008, bringing the rate down to 1.00 per cent.

Mortgage rates are expected to be relatively stable throughout the first half of this year, remaining within 25-50 basis points of their current levels. Posted mortgage rates will

increase slightly in the second half of 2009 as bond yields begin to move higher. For 2009, the one year posted mortgage rate will be in the 5.00-6.00 per cent range, while five year posted mortgage rates are forecast to be in the 5.75-6.75 per cent range.

Housing Forecasts

Housing starts will turn down in 2009

The new home market is moderating due to four key factors. First, strong house price growth over the last six years has tempered home ownership demand particularly in Western Canada. Second, the record high levels of new listings have increased the competition from the existing home market and reduced spillover demand. Third, pent-up demand that built up during the 1990s is nearly exhausted and new home construction will become more aligned with long run demographic demand. And, finally, uncertainty about the economic outlook remains high.

These trends will moderate new home construction. The number of starts is expected to move lower to a level between 141,000 and 180,000 units in 2009 and 2010.

Single-detached housing starts will decrease

The rising house prices of previous years, as well as uncertainty about the economic outlook, will be the main causes of the continued moderation in single-detached housing starts. For Canada, singles are expected to fall to a level ranging between 65,800 and 83,800 units in 2009, and to increase marginally to a level ranging between 68,600 and 84,600 units in 2010.

Multi-family housing gains in popularity

In the context of higher house prices, less expensive multi-family housing (row, semi-detached, and apartment units) have increased in popularity. Despite this increase in demand, the multiple starts segment will also moderate this year. For 2009, starts will decrease in all provinces and will total 85,425 units for Canada.

Growth in house prices will slow as the housing market turns into a buyers' market

Existing home sales activity will decrease to 370,500 units this year, but will rebound to 405,000 in 2010 as economic activity becomes more positive across Canada.

The Canadian resale market was back into buyers' market territory by the end of 2008. For 2009, prices are expected to decrease by 5.2 per cent to \$287,900. 2010 is expected to see a minimal increase in the average MLS® price.

Housing Forecast Summary						
		New Construction			Resale Market	
		Total Starts	Single-Detached Starts	Multiple Starts	MLS® Sales	MLS® Average Price
British Columbia	2008	34,321	10,991	23,330	68,923	454,599
	2009(F)	22,800	8,800	14,000	61,800	407,700
	2010(F)	20,700	8,000	12,700	65,700	405,400
Alberta	2008	29,164	14,716	14,448	56,399	352,857
	2009(F)	19,200	12,700	6,500	50,000	333,000
	2010(F)	22,000	14,200	7,800	53,500	343,000
Saskatchewan	2008	6,828	4,518	2,310	10,203	224,586
	2009(F)	4,150	2,750	1,400	8,600	217,500
	2010(F)	4,500	3,000	1,500	9,000	224,000
Manitoba	2008	5,537	3,690	1,847	13,525	190,296
	2009(F)	4,750	3,300	1,450	11,800	184,000
	2010(F)	5,000	3,400	1,600	12,400	191,000
Ontario	2008	75,076	31,108	43,968	181,001	302,354
	2009(F)	58,250	23,000	35,250	144,000	291,700
	2010(F)	59,700	24,000	35,700	162,000	288,800
Quebec	2008	47,901	19,778	28,123	79,402	210,775
	2009(F)	40,700	17,000	23,700	73,000	207,000
	2010(F)	40,500	16,500	24,000	80,000	208,000
New Brunswick	2008	4,274	2,519	1,755	7,555	145,762
	2009(F)	3,475	2,250	1,225	6,500	146,500
	2010(F)	3,650	2,350	1,300	6,750	149,000
Nova Scotia	2008	3,982	2,636	1,346	10,874	189,902
	2009(F)	3,675	2,350	1,325	9,500	191,000
	2010(F)	3,900	2,400	1,500	9,850	194,500
Prince Edward Island	2008	712	521	191	1,413	139,944
	2009(F)	575	425	150	1,300	140,250
	2010(F)	625	450	175	1,325	141,500
Newfoundland / Labrador	2008	3,261	2,725	536	4,695	178,477
	2009(F)	2,675	2,250	425	4,000	179,500
	2010(F)	2,775	2,300	475	4,200	182,500
Canada*	2008	211,056	93,202	117,854	433,990	303,607
	2009(F)	160,250	74,825	85,425	370,500	287,900
	2010(F)	163,350	76,600	86,750	405,000	288,100

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 160,250 units for 2009 and 163,350 units in 2010. Economic uncertainty is reflected by the current range of forecasts which varies from 141,000 units to 180,000 units for 2009 and 143,000 units to 180,000 units in 2010.

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	2008	1,285	358	n.a.	2,674	355,099	2.6	765
	2009(F)	650	250	n.a.	2,500	330,000	3.0	780
	2010(F)	600	225	n.a.	2,600	330,000	3.0	792
Calgary	2008	11,438	4,387	0.6	23,136	405,267	2.1	1,148
	2009(F)	5,500	3,800	-3.0	20,000	380,000	2.7	1,155
	2010(F)	6,200	4,200	1.0	22,000	390,000	2.5	1,200
Charlottetown	2008	426	280	1.4	595	175,231	2.3	672
	2009(F)	350	225	2.0	540	177,000	2.0	715
	2010(F)	375	250	2.0	555	179,500	1.8	735
Edmonton	2008	6,615	2,613	1.0	17,369	332,852	2.4	1,034
	2009(F)	5,100	2,600	-3.0	16,000	315,000	3.5	1,070
	2010(F)	6,200	3,200	1.5	17,000	325,000	3.0	1,120
Gatineau	2008	3,304	1,120	3.8	4,203	194,873	1.9	677
	2009(F)	2,700	850	0.4	3,800	196,000	2.5	690
	2010(F)	2,600	800	0.6	3,700	198,000	2.5	705
Greater Sudbury	2008	543	469	5.5	2,396	211,207	0.7	800
	2009(F)	560	400	2.0	1,900	205,000	0.5	840
	2010(F)	520	420	3.0	2,000	203,000	0.4	870
Halifax	2008	2,096	1,180	7.9	6,472	232,106	3.4	833
	2009(F)	1,980	1,000	3.5	5,950	233,000	3.5	850
	2010(F)	2,180	1,050	2.0	6,200	238,000	3.3	865
Hamilton	2008	3,529	1,675	2.8	12,110	280,790	3.2	836
	2009(F)	3,260	1,475	-2.6	10,500	272,000	3.0	850
	2010(F)	3,405	1,450	-0.7	11,800	270,500	3.0	864
Kelowna	2008	2,257	765	n.a.	3,445	430,755	0.3	967
	2009(F)	1,250	600	n.a.	3,100	383,500	1.0	1,000
	2010(F)	1,200	625	n.a.	3,600	380,000	1.4	1,030
Kingston	2008	672	546	n.a.	3,473	235,047	1.3	880
	2009(F)	590	400	n.a.	3,200	233,500	1.2	905
	2010(F)	640	460	n.a.	3,300	237,000	1.9	928
Kitchener	2008	2,634	1,446	2.4	6,269	271,222	1.8	845
	2009(F)	2,500	1,300	0.0	5,300	265,000	1.6	860
	2010(F)	2,550	1,250	0.0	5,900	260,000	1.5	875
London	2008	2,385	1,369	3.5	8,620	212,092	3.9	834
	2009(F)	1,696	850	0.0	6,900	210,000	4.2	842
	2010(F)	1,546	800	0.0	7,100	210,000	3.9	852
Montréal	2008	21,927	6,602	4.9	40,440	258,028	2.4	659
	2009(F)	18,900	5,750	3.6	38,500	255,000	2.0	668
	2010(F)	17,700	5,150	3.2	40,500	253,000	2.3	675
Oshawa ¹	2008	1,987	1,500	n.a.	8,797	273,984	4.2	889
	2009(F)	1,508	900	n.a.	7,000	264,500	3.7	903
	2010(F)	1,568	890	n.a.	7,200	261,500	3.3	918
Ottawa	2008	6,998	2,956	3.8	13,908	290,483	1.4	995
	2009(F)	5,760	2,250	0.4	12,100	292,000	1.0	1,025
	2010(F)	6,070	2,350	0.6	12,750	297,000	0.7	1,055
Québec	2008	5,457	2,031	5.3	7,846	198,835	0.6	653
	2009(F)	4,623	1,828	3.0	7,297	204,800	0.6	663
	2010(F)	4,150	1,554	2.8	7,662	210,944	0.6	673

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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	2008	1,375	979	26.2	3,338	229,716	0.5	756
	2009(F)	1,070	750	4.0	2,800	228,000	1.2	850
	2010(F)	1,150	800	4.0	2,900	235,000	2.0	860
Saguenay	2008	869	400	n.a.	1,490	146,473	1.6	518
	2009(F)	625	290	n.a.	1,350	152,000	2.3	530
	2010(F)	540	300	n.a.	1,400	157,000	2.0	540
Saint John	2008	832	488	2.5	2,166	158,117	3.1	618
	2009(F)	725	425	2.5	1,800	163,500	2.8	600
	2010(F)	735	430	2.0	1,850	170,000	2.5	615
Saskatoon	2008	2,319	1,288	20.6	3,540	287,803	1.9	841
	2009(F)	1,325	775	-4.0	3,000	277,000	2.0	860
	2010(F)	1,400	850	3.0	3,150	285,000	3.0	870
Sherbrooke	2008	1,627	802	n.a.	1,774	188,412	2.8	543
	2009(F)	1,300	600	n.a.	1,580	190,300	2.8	555
	2010(F)	1,175	625	n.a.	1,595	192,200	2.9	565
St. Catharines-Niagara ¹	2008	1,138	680	4.3	5,896	203,648	4.3	777
	2009(F)	970	580	-1.0	5,300	197,000	4.0	790
	2010(F)	1,000	560	0.0	5,400	195,000	4.0	800
St. John's	2008	1,863	1,485	19.6	4,695	178,477	0.8	630
	2009(F)	1,550	1,200	6.0	3,450	195,000	1.0	700
	2010(F)	1,675	1,275	3.0	3,575	200,000	1.5	725
Thunder Bay	2008	167	165	5.5	1,973	139,301	2.2	719
	2009(F)	220	150	2.0	1,450	141,500	1.6	732
	2010(F)	250	160	3.0	1,500	144,500	2.0	740
Toronto	2008	42,212	11,308	3.5	76,387	379,943	2.0	1,095
	2009(F)	29,200	6,500	1.0	60,000	364,000	1.9	1,117
	2010(F)	29,700	7,000	-0.5	68,500	359,000	1.5	1,140
Trois-Rivières	2008	1,148	373	n.a.	799	141,610	1.7	505
	2009(F)	950	340	n.a.	760	146,000	2.0	515
	2010(F)	800	310	n.a.	750	150,000	2.3	525
Vancouver	2008	19,591	3,634	2.3	25,149	593,767	0.5	1,124
	2009(F)	12,500	3,200	-5.0	23,000	527,000	0.8	1,164
	2010(F)	11,000	2,900	-1.0	25,000	528,000	0.8	1,210
Victoria	2008	1,905	673	-0.1	6,171	484,898	0.5	965
	2009(F)	1,350	650	-8.0	5,400	427,000	0.7	1,005
	2010(F)	1,250	550	-3.0	5,600	420,000	0.8	1,045
Windsor	2008	453	328	0.4	4,546	159,709	14.6	772
	2009(F)	356	280	0.5	3,950	152,000	17.0	773
	2010(F)	400	320	1.0	4,000	151,000	13.0	776
Winnipeg	2008	3,009	1,930	10.2	11,854	196,940	1.0	769
	2009(F)	2,500	1,650	4.0	10,500	190,000	1.2	800
	2010(F)	2,600	1,700	1.5	11,000	197,500	1.4	825
All Major Areas	2008	156,783	56,262	3.4	325,649	-	2.2	-
	2009(F)	115,463	43,978	-0.4	281,112	-	2.1	-
	2010(F)	115,204	44,564	0.6	302,727	-	2.1	-

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