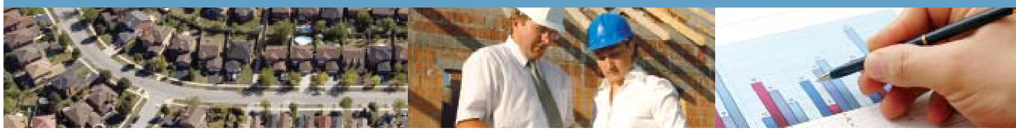
HOUSING MARKET INFORMATION

HOUSING MARKET OUTLOOK
Canada Highlights Edition



CANADA MORTGAGE AND HOUSING CORPORATION

Date Released: Third Quarter 2010

Canada's Housing Market Is Stabilizing

Figure 1

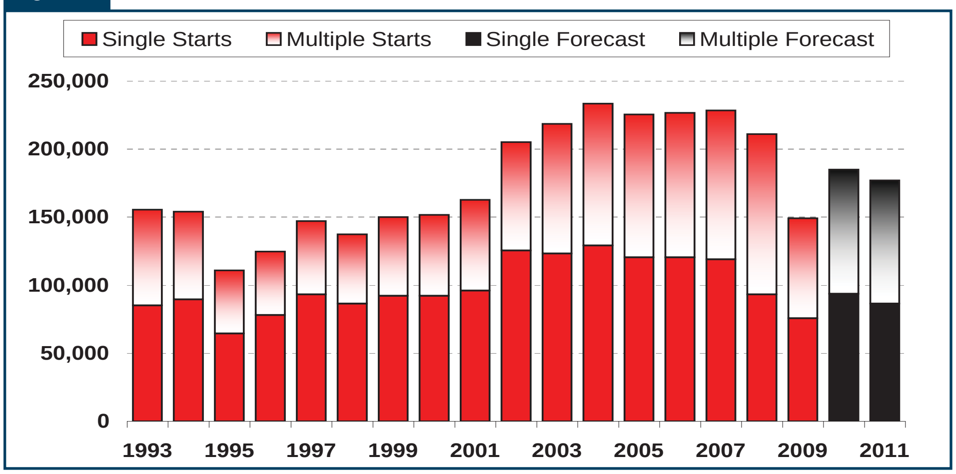
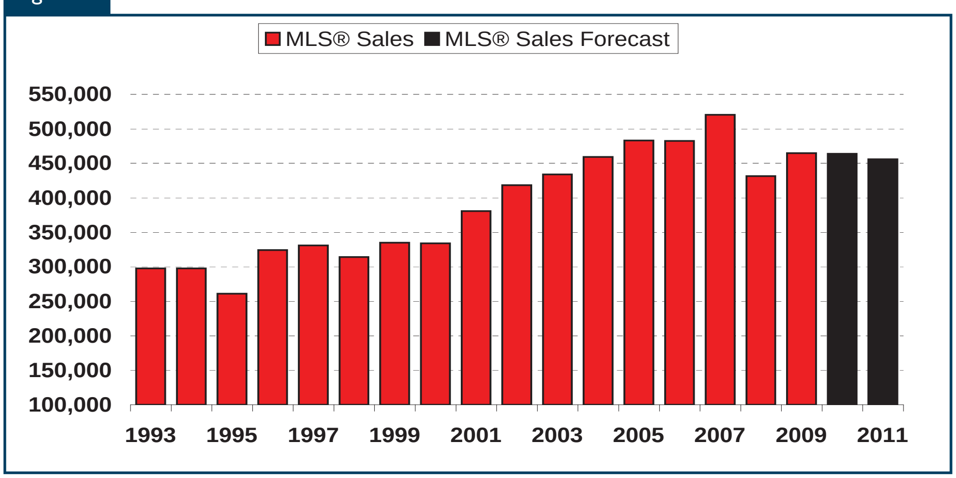


Figure 2



[1]The outlook is subject to uncertainty. Although point forecasts are presented in this publication, CMHC also presents forecast ranges and risks where appropriate. The forecasts and historical data included in this document are based on information available as of July 30, 2010.

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

Overview[1]

Housing starts will moderate

Housing starts have started to moderate after a strong finish in 2009 and a robust first quarter of 2010. Through the rest of 2010, housing starts are expected to moderate, reaching a seasonally adjusted annual rate of 167,500 units by the fourth quarter. Given the degree of economic uncertainty, we have considered an array of economic scenarios to generate a range for the housing outlook in 2010 and 2011. Accordingly, we expect starts to be between 170,200 and 198,400 units in 2010 and between 146,900 and 210,500 units in 2011. CMHC's point forecast is for an increase from 149,081 units in 2009 to 184,900 in 2010 then declining to 176,900 in 2011.

MLS®[2] sales will decline

After strong growth in 2009 and in the first quarter of 2010, existing home sales through the Multiple Listings Service® (MLS®) are now declining. For 2010, we forecast that MLS® sales will be between 450,000 and 485,700 units. In 2011, MLS® sales will be between 425,000 and 490,700 units. CMHC's point forecast is 463,800 MLS® sales this year and 456,000 next year, compared to 464,730 units sold in 2009.

Economic Forecasts

Economic conditions are improving

Employment is forecast to improve along with overall economic conditions and increase by 1.7 per cent in 2010 and by 2.0 per cent in 2011. The unemployment rate is expected to be in the 8.0 per cent range in 2010 and about 7.6 per cent in 2011.

The Bank of Canada increased the Target for the Overnight Rate by 25 basis points on July 20th following a similar increase on June 1. This marked the first rate change since March 2009, when the Bank reduced the Target for the Overnight Rate from 0.50 per cent to 0.25 per cent.

With the overnight rate expected to increase in the coming months, mortgage rates, particularly short term mortgage rates and variable mortgage rates, are also expected to increase.

According to CMHC's base case scenario, posted mortgage rates will gradually increase in the second half of 2010 and in 2011. For 2010, the one-year posted mortgage rate is assumed to be in the 3.4 to 4.5 per cent range, while three and five-year posted mortgage rates are forecast to be in the 4.0 to 6.5 per cent range. For 2011, the one-year posted mortgage rate is assumed be in the 4.5 to 6.0 per cent range, while three and five-year posted mortgage rates are forecast to be in the 5.0 to 7.5 per cent range.

Rates could, however, increase at a faster pace if the economy ends up recovering more quickly than presently anticipated. Conversely, rate increases could be more muted if the economic recovery is more modest in nature.

Net migration (immigration minus emigration) was about 269,000 in 2009. Over the next two years, net migration is expected to increase. This is due to an improving economic environment and better employment opportunities. In 2010, net migration is forecast to increase to 275,840 while 2011 will see 288,450. These increases will fuel demand for housing, particularly rental housing.

Housing Forecasts

Housing starts have started to moderate in recent months after a strong finish in 2009 and a robust first quarter of 2010. Through the rest of 2010, housing starts are expected to moderate, reaching a seasonally adjusted annual rate of 167,500 units by the fourth quarter. Given the degree of economic uncertainty, we have considered an array of economic scenarios to generate a range for the housing outlook in 2010 and 2011. Accordingly, we expect starts to be between 170,200 and 198,400 units in 2010 and between 146,900 and 210,500 units in 2011. CMHC's point forecast for housing starts is for an increase from 149,081 units in 2009 to 184,900 in 2010 then declining to 176,900 in 2011.

Single-detached starts now moderating

Single-detached housing starts have increased in Canada since the second quarter of 2009. This was a result of lower levels of inventory on the resale market, which led to a spillover of demand in the new home market. Single starts moderated in the second quarter of 2010 and will continue to moderate in the second half of 2010. The number of single-detached starts is expected to reach 93,600 in 2010, up from 75,659 in 2009. Single starts will decrease to 86,400 units in 2011.

Multi-family starts to increase in 2010

Like the singles market, the number of multi-family housing starts (row, semi-detached and apartment units) is expected to decrease in the second half of 2010 following some robust growth from mid-2009 to mid-2010. There will be about 91,300 multiple unit starts in 2010, decreasing slightly to 90,500 units in 2011.

Balanced market conditions will moderate price movements

By the last quarter of 2009 and into the first quarter of 2010, the resale market was in sellers' market territory across most markets in Canada. During this time, the increase in existing home sales outpaced the growth of new listings. Recently, MLS® sales have moderated and markets have moved back to balanced conditions. Consequently, the average MLS® price has stabilized and is expected to decrease modestly in the third quarter of 2010. By the fourth quarter of 2010, the average MLS® price of an existing home will be about $337,450 compared to $341,614 in the final quarter of 2009. For 2011, the average MLS® price is expected to move up to $342,200.

Housing Forecast Summary

		New Construction			Resale Market	
		Total Starts	Single-Detached Starts	Multiple Starts	MLS® Sales	MLS® Average Price
British Columbia	2009	16,077	7,892	8,185	85,028	465,725
	2010(F)	23,900	10,950	12,950	82,500	491,750
	2011(F)	25,700	11,100	14,600	86,400	493,700
Alberta	2009	20,298	14,344	5,954	57,786	341,201
	2010(F)	28,450	20,325	8,125	51,400	353,400
	2011(F)	30,700	21,700	9,000	53,200	362,700
Saskatchewan	2009	3,866	2,829	1,037	10,856	233,695
	2010(F)	4,725	3,550	1,175	10,500	239,250
	2011(F)	4,900	3,600	1,300	10,800	246,200
Manitoba	2009	4,174	3,042	1,132	13,086	201,343
	2010(F)	5,125	3,725	1,400	13,300	216,650
	2011(F)	4,950	3,550	1,400	13,600	222,000
Ontario	2009	50,370	22,634	27,736	195,840	318,366
	2010(F)	61,525	27,500	34,025	201,300	342,600
	2011(F)	56,700	21,000	35,700	188,000	341,515
Quebec	2009	43,403	17,535	25,868	79,290	225,412
	2010(F)	49,425	19,525	29,900	81,800	238,900
	2011(F)	42,600	17,800	24,800	81,100	242,000
New Brunswick	2009	3,521	2,154	1,367	7,003	154,906
	2010(F)	3,700	2,300	1,400	6,750	158,800
	2011(F)	3,650	2,250	1,400	6,675	161,350
Nova Scotia	2009	3,438	2,193	1,245	10,021	196,690
	2010(F)	3,950	2,400	1,550	10,300	209,500
	2011(F)	3,950	2,300	1,650	10,400	213,500
Prince Edward Island	2009	877	430	447	1,404	146,044
	2010(F)	700	450	250	1,300	147,000
	2011(F)	695	435	260	1,200	148,250
Newfoundland / Labrador	2009	3,057	2,606	451	4,416	206,374
	2010(F)	3,350	2,875	475	4,500	233,050
	2011(F)	3,150	2,675	475	4,550	238,000
Canada*	2009	149,081	75,659	73,422	464,730	320,362
	2010(F)	184,900	93,600	91,300	463,800	338,900
	2011(F)	176,900	86,400	90,500	456,000	342,200

[1]MLS® is a registered trademark of the Canadian Real Estate Association (CREA).
Source: CMHC (Starts and Completions Survey) and CREA

* The point estimate for the national forecast of total housing starts is 182,000 units for 2010 and 179,600 units in 2011. Economic uncertainty is reflected by the current range of forecasts which varies from 166,900 units to 199,600 units for 2010 and 148,600 units to 208,800 units in 2011.

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	2009	365	210	n.a.	2,904	340,206	6.1	781
	2010(F)	500	260	n.a.	2,950	345,000	6.0	790
	2011(F)	550	280	n.a.	3,000	355,000	4.5	810
Calgary	2009	6,318	4,775	-6.7	24,880	385,882	5.3	1,099
	2010(F)	8,800	6,500	2.3	21,400	403,000	4.9	1,090
	2011(F)	9,700	7,000	2.7	21,700	413,500	4.0	1,100
Charlottetown	2009	669	268	0.9	531	177,237	3.4	701
	2010(F)	475	275	0.5	550	178,000	4.5	725
	2011(F)	480	270	1.0	525	180,000	5.0	735
Edmonton	2009	6,317	3,897	-11.2	19,139	320,378	4.5	1,015
	2010(F)	9,500	6,000	0.0	17,000	333,000	4.4	1,000
	2011(F)	10,300	6,400	3.0	17,500	342,500	3.5	1,020
Gatineau	2009	3,116	1,056	1.5	4,335	206,005	2.2	690
	2010(F)	2,850	950	3.6	4,400	215,300	2.6	705
	2011(F)	2,600	850	3.0	4,250	220,500	2.8	720
Greater Sudbury	2009	450	224	0.7	1,977	200,947	2.9	830
	2010(F)	410	250	1.0	2,250	215,000	3.9	850
	2011(F)	440	290	1.5	2,350	223,500	3.5	870
Halifax	2009	1,733	875	1.1	5,862	237,214	2.9	877
	2010(F)	2,220	1,000	1.2	6,200	250,000	2.9	900
	2011(F)	2,380	1,050	1.5	6,350	255,000	3.1	920
Hamilton	2009	1,860	899	-1.1	12,680	290,946	4.1	831
	2010(F)	2,820	1,400	1.3	13,600	312,000	3.8	835
	2011(F)	2,525	1,250	1.1	12,200	310,000	3.4	840
Kelowna	2009	657	404	n.a.	3,660	400,450	3.0	897
	2010(F)	975	525	n.a.	3,800	420,000	3.0	890
	2011(F)	1,075	600	n.a.	4,100	435,000	2.5	910
Kingston	2009	717	432	n.a.	3,377	242,729	1.3	909
	2010(F)	650	500	n.a.	3,420	248,800	1.6	935
	2011(F)	630	430	n.a.	3,100	251,000	1.2	960
Kitchener	2009	2,298	1,161	0.6	6,580	269,552	3.3	856
	2010(F)	2,760	1,260	2.0	6,700	287,000	2.9	870
	2011(F)	2,650	1,200	1.5	6,400	285,500	2.7	890
London	2009	2,168	1,056	1.4	8,314	214,510	5.0	910
	2010(F)	2,370	1,600	1.0	8,800	225,000	5.6	920
	2011(F)	2,140	1,300	1.0	8,200	226,000	4.0	950
Montréal	2009	19,251	5,446	2.3	41,802	274,842	2.5	669
	2010(F)	21,800	6,100	2.7	43,300	292,700	2.5	678
	2011(F)	19,700	5,700	2.1	42,500	298,800	2.6	685
Oshawa[1]	2009	980	836	n.a.	9,330	278,300	4.2	900
	2010(F)	1,704	1,400	n.a.	9,770	296,000	4.2	917
	2011(F)	1,484	1,100	n.a.	8,770	296,200	3.8	935
Ottawa	2009	5,814	2,471	1.5	14,923	304,801	1.5	1,028
	2010(F)	5,900	2,100	3.6	15,000	326,500	1.7	1,065
	2011(F)	5,625	1,875	3.0	14,350	331,500	1.2	1,105
Québec	2009	5,513	1,746	7.0	7,969	212,198	0.6	676
	2010(F)	5,900	1,800	5.0	7,400	232,000	0.6	700
	2011(F)	5,600	1,600	5.0	7,800	248,000	0.8	721

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Sources: CMHC, Canadian Real Estate Association, Local real estate boards, Statistics Canada, CMHC Forecast 2010-2011

Source for Quebec CMA's MLS® data: The Quebec Federation of Real Estate Boards by Centris™, CMHC compilation

[1] MLS® 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	2009	930	569	5.6	3,704	244,088	0.6	832
	2010(F)	970	650	3.5	3,550	254,000	0.8	865
	2011(F)	1,100	700	4.3	3,750	263,000	1.2	875
Saguenay	2009	584	337	n.a.	1,472	151,911	1.5	518
	2010(F)	1,150	390	n.a.	1,400	163,000	2.0	535
	2011(F)	650	350	n.a.	1,450	170,000	2.2	545
Saint John	2009	659	369	3.3	1,986	171,027	3.6	644
	2010(F)	670	390	0.8	1,975	174,500	3.8	665
	2011(F)	715	420	1.0	2,025	178,000	4.0	685
Saskatoon	2009	1,428	1,101	-7.6	3,834	278,895	1.9	905
	2010(F)	1,500	1,200	2.4	3,600	285,000	2.2	935
	2011(F)	1,750	1,300	3.3	3,800	295,000	2.4	945
Sherbrooke	2009	1,580	668	n.a.	1,803	193,245	3.9	553
	2010(F)	1,660	660	n.a.	1,810	203,000	4.8	560
	2011(F)	1,530	630	n.a.	1,820	207,000	4.9	565
St. Catharines-Niagara[1]	2009	859	574	-0.6	5,808	209,563	4.4	804
	2010(F)	1,020	600	2.0	6,100	216,000	4.4	820
	2011(F)	950	520	2.0	5,700	215,000	4.1	835
St. John's	2009	1,703	1,385	11.5	3,642	218,862	0.9	677
	2010(F)	1,775	1,450	8.0	3,650	245,000	1.0	725
	2011(F)	1,900	1,550	5.0	3,600	255,000	1.3	775
Thunder Bay	2009	180	166	0.7	1,423	145,100	2.3	742
	2010(F)	230	175	1.0	1,480	149,000	2.6	760
	2011(F)	205	165	1.5	1,350	150,500	2.3	780
Toronto	2009	25,949	8,130	-0.1	89,255	396,154	3.1	1,096
	2010(F)	33,200	11,000	2.5	90,000	427,000	3.2	1,104
	2011(F)	31,600	7,000	1.8	85,500	425,000	2.9	1,117
Trois-Rivières	2009	1,027	375	n.a.	1,036	142,048	2.7	520
	2010(F)	1,500	375	n.a.	960	148,500	2.7	530
	2011(F)	860	360	n.a.	930	154,000	3.0	540
Vancouver	2009	8,339	2,929	-6.3	36,257	592,441	2.1	1,169
	2010(F)	12,000	3,500	-1.0	34,000	655,000	2.0	1,210
	2011(F)	14,000	4,000	1.5	33,000	670,000	1.8	1,258
Victoria	2009	1,034	647	-7.8	7,660	476,137	1.4	1,001
	2010(F)	2,000	910	0.5	6,800	510,000	1.5	1,020
	2011(F)	2,000	890	2.0	7,100	508,000	1.2	1,050
Windsor	2009	391	303	0.1	4,661	153,691	13.0	747
	2010(F)	522	400	0.8	4,650	157,000	11.8	750
	2011(F)	486	380	1.9	4,480	158,000	10.5	760
Winnipeg	2009	2,033	1,505	2.5	11,509	207,342	1.1	809
	2010(F)	2,800	1,700	4.0	11,700	225,000	1.2	835
	2011(F)	2,650	1,750	4.0	12,000	230,000	1.4	860
All Major Areas	2009	107,577	46,379	-2.3	356,245	340,933	2.8	862
	2010(F)	133,981	57,150	1.9	352,670	362,096	2.8	883
	2011(F)	131,435	52,920	2.2	343,235	366,170	2.7	898

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Sources: CMHC, Canadian Real Estate Association, Local real estate boards, Statistics Canada, CMHC Forecast 2010-2011

Source for Quebec CMA's MLS® data: The Quebec Federation of Real Estate Boards by Centris™, CMHC compilation

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