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Metropolitan Housing Outlook **Autumn 2011**



In-Depth Housing Analysis for Canada, the Provinces, and Nine Metropolitan Areas

ECONOMIC PERFORMANCE AND TRENDS



Metropolitan Housing Outlook: In-Depth Housing Analysis for Canada, the Provinces, and Nine Metropolitan Areas
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Preface

This report provides an in-depth analysis of the housing market at the national, provincial, and metropolitan levels. Covering a wide range of housing market statistics, such as interest rates, housing starts, mortgage approvals, and home prices, this report connects the economy with housing market activity. It also provides insights into the financial situation of consumers.

Nine census metropolitan areas are covered: Québec City, Montréal, Toronto, Ottawa–Gatineau, Winnipeg, Calgary, Edmonton, Vancouver, and Victoria.

Provincial coverage includes the Atlantic provinces, Quebec, Ontario, the Prairies, Alberta, and British Columbia.

This report is completed twice a year.

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What Has Changed?

Real gross domestic product in Canada is expected to grow by 2.1 per cent this year and 2.4 per cent in 2012. This is a downward revision from the 2.4 per cent and 2.7 per cent growth rates forecast in the last *Metropolitan Housing Outlook*. Overall growth in 2011 has been hampered by production problems in the auto manufacturing sector earlier in the year, caused by the tsunami that hit Japan in March, as well as stalled oil production due to wildfires in northern Alberta and several maintenance shutdowns in other parts of Canada. Next year, growth will be lower than originally forecast because of public sector restraint, as the federal and provincial governments try to balance their books.

The Canadian dollar is expected to average US\$1.03 in 2011, unchanged from the previous forecast. Unsettled stock and commodity markets led to a depreciation in the Canadian dollar versus its U.S. counterpart in late September. Still, the loonie is

expected to again average US\$1.03 next year (also unchanged), partly thanks to continued strong demand for oil and other commodities from emerging economies.

With interest rates remaining low longer than expected, housing starts are forecast to reach 186,100 units in 2011, an upward revision from 175,000 units in the last outlook. However, the tightening of mortgage rules this year will combine with high household debt and weaker consumer confidence next year to hold starts to 186,200 units, down from the 187,000 units forecast for 2012 last time.

The strength in housing starts this year spilled over into new home prices as well. The current forecast calls for a 2.1 per cent increase in new home prices for 2011, up from 1.9 per cent last time. Next year, new home prices are expected to rise by 2.5 per cent, down 0.3 percentage points from our previous forecast.

Low interest rates are also sustaining demand for existing homes. As a result, resale prices are also expected to be higher than originally forecast, with average resale prices anticipated to grow by 6.6 per cent this year and 2 per cent in 2012, up from 5.8 per cent and 1.4 per cent in our previous forecast.

In spite of stronger housing starts, growth in both the number and the value of mortgage approvals has been downgraded since the last outlook. Much of this weakness stems from declines in the last three quarters of 2010, as growth this year has been strong. The number of mortgage approvals is expected to increase by 1.3 per cent in 2011, down from 1.6 per cent in the previous *Metropolitan Housing Outlook*. The dollar value of approvals is anticipated to grow by 5.2 per cent this year, a 1.2 percentage point decline from our previous forecast of 6.4 per cent.

Executive Summary

National Overview

Canada's domestic economy is sailing in conflicting currents. The more positive stream features employment recovery, balanced housing markets, rebounding profits, and surging business investment. The less favourable flow includes spending retrenchment by indebted consumers and governments, along with slowing public infrastructure investment as the federal Economic Action Plan tails off in 2012. Externally, a sluggish recovery in the United States and supply-chain disruptions resulting from Japan's tsunami in March have been drags on the economy. And while another recession has so far been avoided, real GDP is expected to grow only 2.1 per cent in 2011. Over the next two years, strong commodity prices will drive investment and production in the resource sector, but fiscal restraint and ongoing weakness in the United States are expected to curtail growth. Still, real GDP growth is expected to edge up to 2.4 per cent in 2012 and to 3.3 per cent in 2013.

Canada's central bankers face a tumultuous and risky world. In late October, the Bank of Canada kept the bank rate at 1.25 per cent, amid concerns about weaker Canadian economic growth, Europe's sovereign debt crisis, and volatility in financial markets. Moreover, the Canadian economy continues to run well below capacity, and nominal wage growth is not accelerating. Although headline inflation recently surged above 3 per cent, this resulted almost entirely from temporary

increases in food and gasoline prices. Core inflation, which excludes these items, remained tame at around 2 per cent. All this, combined with the expected slow progress of the U.S. economy, is expected to keep the Bank of Canada from raising the bank rate until late in 2012—still well ahead of U.S. increases. The uncertain global economy has prompted a “flight to quality” among currency traders, something that has boosted the U.S. dollar. But as traders regain confidence in the global economy, this effect will dissipate. The Canadian dollar is expected to average US\$1.03 in 2012. Mortgage interest rates will change little in this environment. Posted rates for a three-year term, for instance, which averaged 4.3 per cent in 2010, are forecast to edge modestly higher to 4.4 per cent in 2011 and to 4.5 per cent in 2012. Meanwhile, the average five-year conventional mortgage rate is expected to edge down—from 5.4 per cent this year and to 5.3 per cent next year.

To offset the stimulative effect of low interest rates on highly indebted consumers and to curtail their housing aspirations, the federal government tightened mortgage regulations in March for the third time since late 2008. The maximum amortization period was reduced from 35 years to 30. This means some potential home purchasers, especially first-time buyers and those who would just barely qualify for mortgages, cannot now get financing.

Housing markets have remained solid, despite the tighter mortgage rules, because of continued low interest rates and decent employment

growth. Sales of existing homes have remained strong enough to spur new home construction, lifting housing starts to an annualized average of 192,000 units over the six months to August, and to a forecast 186,100 units for the year. Price growth in both markets has also stayed decent. New home prices are forecast to rise by 2.1 per cent this year, and resale prices by 6.6 per cent.

In 2012, high household indebtedness, weak consumer confidence, moderating gains in real disposable income, the end of certain tax rebates, and the ongoing impact of stricter mortgage rules will combine to hamper housing activity. On the other hand, interest rates are expected to remain low and employment is forecast to post steady gains in 2012 and 2013. This should underpin further home price growth and prompt home builders to start 186,200 units in 2012.

Provincial Overview

Widespread economic slowing will limit housing gains in most provinces this year, as all six regions covered in this report will see output expand below its 2010 pace. Next year looks slightly stronger, with only Atlantic Canada and the Prairie provinces of Manitoba and Saskatchewan seeing growth decelerate.

Following two years of moving together, trends in regional housing starts are diverging this year. Advances and declines are equally distributed among our six regions. We expect another mixed outlook

next year. By contrast, resale prices are forecast to rise across the board in 2011 and everywhere except British Columbia in 2012. New home prices are predicted to increase in all regions both this year and next.

In British Columbia, output is forecast to expand 2.4 per cent this year and 3 per cent in 2012, down from 4 per cent in 2010. Moderating economic growth will cap job creation at 0.9 per cent this year, but an accelerating GDP advance in 2012 will boost employment 2.4 per cent. Housing starts are forecast to rise 2 per cent this year and 8 per cent next, but remain well off the past decade's peak. New home prices are forecast to end 2011 little changed, but rise 2 per cent in 2012. Average existing home values, meanwhile, are forecast to rise 12 per cent this year, but growth is expected to slip by just under 1 per cent in 2012.

Improving energy markets underpin a decent outlook in Alberta, where GDP is forecast to rise 3 per cent in 2011 and 3.5 per cent next year. Employment is poised to advance 3.2 per cent in both 2011 and 2012, following two years of losses. Housing starts, though, are on track to dip 10 per cent in 2011, following a 34 per cent snap-back from recession last year. Starts are forecast to rise 17 per cent next year. Prices for both new and existing homes are forecast to rise less than 1 per cent this year, but near 4 per cent in 2012.

The combined economies of Manitoba and Saskatchewan are forecast to grow 3 per cent this year and similarly in 2012, underpinned by decent natural resource prices

and a slight firming of the manufacturing sector. Employment did not fall during the recession, but is forecast to rise only moderately this year before gains accelerate in 2012. Housing starts, which surged back from recession in 2010, are forecast to rise moderately this year and ease fractionally next. Average new home prices are forecast to rise roughly 3 per cent in both 2011 and 2012, while existing home prices are slated to rise just below 5 per cent this year and nearly 3 per cent next.

In Ontario, GDP is forecast to rise 2.3 per cent this year and 2.5 per cent in 2012, as manufacturing's prospects remain muted. Job growth, however, is forecast to exceed 2 per cent in 2011—for the first time since 2003—and maintain that pace in 2012. Housing starts are forecast to rise 6 per cent in both 2011 and 2012 after recovering from recession in 2010. New home prices are predicted to increase 4 per cent in 2011 and 2 per cent in 2012, while the corresponding hikes among resale homes should be 6 per cent and 2 per cent.

Moderate 1.8 per cent GDP expansion is on tap for Quebec both this year and in 2012 as growth eases across several sectors. Employment is forecast to rise 1.6 per cent this year and 1.3 per cent in 2012. Housing starts will feel the effects of a decelerating economy, falling 9 per cent this year and 16 per cent in 2012, pulled lower by weak multiple-unit starts. But new-unit prices will still gain just over 2 per cent both this year and in 2012, while the average value of existing homes is expected to rise by 4 per cent in 2011 and 3 per cent in 2012.

The Atlantic provinces are forecast to see output growth slow to 2.5 per cent in 2011 and to 1.8 per cent in 2012, following 3.4 per cent expansion in 2010. Job increases will remain lacklustre at 0.6 per cent this year, about the same result as in 2010. Next year promises a better 1.4 per cent expansion. Housing starts are predicted to fall 6 per cent in 2011 and 17 per cent next year, chiefly because of falling construction in the volatile multiple-unit segment. Still, we expect prices for new homes to rise nearly 3 per cent this year and 2 per cent next, with similar average gains among existing units.

Municipal Overview

Although GDP is expected to rise in all the cities in this report for a second consecutive year in 2011, growth will trail last year's everywhere. Edmonton is forecast to have the strongest advance again this year, although its 3.5 per cent expansion lags last year's 4.6 per cent. Québec City is predicted to have this year's slowest growth, at 1.8 per cent. In 2012, Calgary's 3.5 per cent advance will lead all hikes. Several cities will huddle will near 2.1 per cent expansion next year, the slowest rate of expansion that we anticipate for 2012 among all cities in this report. Calgary is expected to have the fastest annual average growth between 2013 and 2015, at 4.1 per cent, while Québec City will trail all cities with average growth of 2.4 per cent.

Multiple Listing Service sales of existing homes are expected to rise in six of our nine cities during 2011. Vancouver's 14 per cent rise is forecast to lead gainers. But fewer

sales are predicted in Montréal, Ottawa, and Victoria. Next year, sales hikes are in the cards for all cities except Vancouver and Winnipeg. Victoria's 5.1 per cent rise leads all expected rises. Modest annual sales gains averaging 2 to 4 per cent are expected across the board between 2013 and 2015. These increases will lift sales above the past decade's average in all cities except Calgary and Victoria.

Total housing starts rose in all cities during 2010, led by big rebounds in the British Columbia cities. But widespread easing is on tap for 2011. Only Toronto and Vancouver are expected to post construction gains this year, and volumes in both remain well off the previous decade's peaks. Meanwhile, starts are forecast to drop 23 per cent in Victoria. Next year looks set to be another soft one in many places, with Montréal's 15 per cent drop the largest. The only cities forecast to post an increase in starts in 2012 are Calgary, up 17 per cent, Victoria, up 14 per cent, and Winnipeg, up 10 per cent. Winnipeg is expected to have the fastest average annual growth in starts between 2013 and 2015, at 11.6 per cent. On the other end of the scale, little change in starts is expected for Ottawa and Québec City.

Most cities had balanced markets in 2010, although buyers' conditions prevailed in Calgary and Victoria. The sales-to-new-listings ratio for 2011 is expected to be little changed from 2010 in all cities. The main change has been Calgary's ascent into a balanced state this year, leaving only Victoria in buyers' territory. No market currently appears to be in a sellers' position. Another year of relatively stable sales-to-new-listings ratios everywhere is expected for 2012, leaving all markets' stance unchanged. Victoria will join the ranks of the balanced markets in 2013, and such conditions will remain in place between 2013 and 2015 across the board.

Slower resale price growth is expected in all cities except Vancouver in 2011, with the average MLS price actually declining in Edmonton and Victoria. Vancouver's 17 per cent price growth, this year's fastest, was partially illusory, as it was fuelled by a shift toward sales of high-end homes in upscale neighbourhoods. Still, such price jumps prompted worries of a housing bubble. Price growth is already cooling in Vancouver, and its average price is expected to dip 1 per cent next year. That, however, is the only drop forecast. Calgary and Edmonton are expected to set the 2012 pace, with

equivalent 4.3 per cent gains in existing home prices. They are also predicted to have the fastest medium-term price increases.

While principle and interest charges on the average resale unit rose everywhere in 2010, Victoria, Edmonton, and Calgary are all forecast to see such payments fall this year as interest rates remain low and house prices drop, or rise only slightly. Vancouver, which already has our cities' worst affordability, will again see these charges rise the fastest. Such costs are estimated to equal nearly 48 per cent of average household incomes in Vancouver this year, up from 43 per cent in 2010. At the other end of the scale, average principle and interest payments in Edmonton consume under 15 per cent of average household income. Faster gains in incomes than in house prices, together with largely unchanged interest rates, are forecast to cut principle and interest charges relative to household incomes, at least slightly, everywhere in 2012.

Economic Indicators

	GDP (2002 \$ millions)				Employment (000s)				Unemployment Rate				Personal Income per Capita				Retail Sales (\$ millions)			
	2010	2011f	2012f	2010	2011	2012f	2010	2011f	2012f	2010	2011f	2012f	2010	2011f	2012f	2010	2011f	2012f		
	Canada	1,324,993	1,352,947	1,385,416	17,045	17,330	17,683	8.0	7.4	6.8	37,578	38,527	39,532	438,401	451,302	469,896	4.1	2.9	2.6	
Atlantic Provinces	70,397	72,128	73,401	1,099	1,105	1,121	10.5	9.9	9.2	33,514	34,296	35,498	32,466	33,427	34,540	3.3	3.0	3.5		
Quebec	253,413	257,895	262,524	3,917	3,979	4,032	7.9	7.7	7.6	34,571	35,658	36,718	99,631	102,495	106,648	4.1	2.9	3.0		
Québec City	25,669	26,122	26,671	409	409	419	4.9	5.5	5.5	38,872	39,638	41,034	12,308	12,793	13,351	4.4	3.9	3.5		
Montréal	126,579	128,975	132,003	1,954	1,979	2,014	8.7	8.0	7.9	35,881	36,895	38,105	44,521	45,219	47,301	4.6	1.6	3.3		
Ontario	485,011	495,928	508,567	6,610	6,761	6,921	8.6	7.7	6.9	37,898	39,227	40,471	155,889	161,907	169,388	4.6	3.9	3.2		
Ottawa	47,152	48,191	49,211	687	695	703	6.6	6.2	5.9	43,039	43,968	45,065	15,933	16,667	17,366	4.2	4.6	2.5		
Toronto	221,674	227,891	234,553	2,919	2,977	3,049	9.0	8.1	7.3	39,447	40,560	41,624	62,875	65,910	68,930	4.6	4.8	2.6		
Prairies	79,023	81,388	83,768	1,144	1,154	1,173	5.3	5.2	5.0	35,320	36,391	37,181	30,801	32,196	33,128	2.9	4.5	2.2		
Winnipeg	25,714	26,230	26,769	408	409	417	5.7	5.6	5.6	36,606	37,360	38,247	9,731	10,030	10,219	1.9	3.1	2.4		
Alberta	178,346	183,633	189,993	2,018	2,083	2,150	6.5	5.5	5.0	48,331	50,380	52,475	59,856	63,212	67,091	6.1	5.6	4.2		
Calgary	62,725	64,490	66,759	705	726	749	6.8	5.8	5.3	54,862	56,778	58,886	21,776	22,964	24,235	5.5	5.5	3.7		
Edmonton	52,075	53,891	55,724	633	662	677	6.7	5.6	5.4	47,317	49,596	51,149	20,063	21,274	22,567	6.1	6.0	3.1		
British Columbia	153,971	157,743	162,403	2,257	2,278	2,332	7.6	7.7	6.6	35,950	36,723	37,948	58,145	59,589	62,294	4.5	2.5	3.3		
Vancouver	82,964	85,276	87,944	1,219	1,240	1,258	7.5	7.4	6.4	36,858	37,741	38,650	26,676	27,417	28,703	4.7	2.8	2.4		
Victoria	11,999	12,223	12,509	183	185	188	6.0	6.2	5.8	39,518	40,085	41,519	4,064	4,144	4,318	4.2	2.0	1.4		

Italics indicate percentage change; f = forecast.

Sources: Bank of Canada; CMHC Housing Time Series Database; Canadian Real Estate Association; Statistics Canada; The Conference Board of Canada.

Demographic and Housing Indicators

	Population (000s)			Housing Starts			Housing Completions			Existing Home Prices			New Home Prices		
	2010	2011f	2012f	2010	2011f	2012f	2010	2011f	2012f	2010	2011f	2012f	2010	2011f	2012f
	Canada	34,059	34,409	34,815	189,930	186,116	186,204	186,278	176,467	183,234	338,354	360,784	367,988	395,561	403,777
Atlantic Provinces	4,480	4,512	4,548	12,778	12,048	9,963	11,608	11,327	10,638	193,303	197,454	200,628	322,036	330,971	337,047
Quebec	7,897	7,970	8,038	51,368	46,553	38,928	45,664	45,759	42,980	241,511	251,932	259,932	293,690	300,301	307,379
Québec City	754	763	770	6,691	5,541	5,161	6,419	5,855	5,671	233,962	243,035	249,219	222,372	225,219	229,989
Montréal	3,859	3,901	3,946	22,146	20,885	17,810	19,922	20,801	20,004	292,998	303,325	312,795	311,888	321,401	328,635
Ontario	13,192	13,339	13,504	60,392	63,767	67,524	61,410	57,555	61,953	341,872	362,298	369,878	475,064	492,459	504,437
Ottawa	1,239	1,254	1,264	9,137	8,189	7,779	9,539	8,299	7,931	303,251	319,650	327,614	382,463	393,861	402,999
Toronto	5,741	5,846	5,952	29,307	40,226	40,041	31,393	37,586	40,038	448,187	479,596	488,756	550,269	570,863	583,753
Prairies	2,276	2,306	2,338	11,774	12,236	12,110	10,340	11,128	11,552	231,547	241,997	248,518	371,886	383,279	393,683
Winnipeg	754	764	773	3,210	3,024	3,325	2,388	2,706	3,318	228,686	238,085	246,715	396,430	412,461	417,666
Alberta	3,712	3,768	3,836	27,126	24,477	28,539	29,434	22,617	25,373	352,267	354,877	368,333	432,291	433,478	451,237
Calgary	1,243	1,265	1,291	9,231	8,289	9,661	10,991	8,002	8,926	398,764	403,432	420,823	482,596	484,520	505,321
Edmonton	1,176	1,194	1,215	10,028	9,188	8,619	9,443	9,180	8,846	328,803	323,923	337,870	375,844	380,774	395,568
British Columbia	4,524	4,575	4,640	26,492	27,035	29,140	27,784	22,789	26,515	504,771	567,320	564,389	640,353	641,288	652,201
Vancouver	2,391	2,434	2,474	15,232	17,037	16,466	16,474	13,453	15,636	675,853	788,893	779,384	667,719	668,046	678,412
Victoria	358	361	363	2,168	1,671	1,898	1,784	1,758	1,886	504,479	502,683	514,760	418,664	414,511	421,950
	1.1	0.7	0.7	112.4	-23.0	13.6	-27.6	-1.4	7.3	6.0	-0.4	2.4	-2.8	-1.0	1.8

Financial Indicators (Canada only)

	2010	2011f	2012f	2010	2011f	2012f
Exchange Rate (U.S./Can.)	0.97	1.03	1.03	3.5	3.5	3.8
Inflation Rate	1.8	2.8	2.0	4.3	4.4	4.5
Bank Rate	0.9	1.2	1.5	5.6	5.4	5.3
				One-year mortgage rate		
						Federal Bonds: 1-3 years
						Federal Bonds: 7 years
						Federal Bonds: long term
				1.5	1.4	1.4
				2.7	2.5	2.1
				3.7	3.4	2.9

Italics indicate percentage change; f = forecast.
 Sources: Bank of Canada; CMHC Housing Time Series Database; Canadian Real Estate Association; Statistics Canada; The Conference Board of Canada.

Canada



Economic Outlook

Canada's domestic economy recovered nicely from the global recession. The job count has risen above its pre-recession peak, housing activity has picked up firmly, profits are on the rise, and business investment has surged. But economic activity is weakening. Indeed, GDP declined in the second quarter of this year, as oil production stalled as a result of wildfires in northern Alberta and maintenance shutdowns in other parts of the country. Manufacturing—especially of autos and parts—was also affected by supply-chain constraints resulting from the tsunami that hit Japan. Although these effects were temporary, real GDP is set to grow by only 2.1 per cent in 2011. Strong commodity prices will continue to drive investment and production in the resource sector and help stimulate our domestic economy. But household debt levels are at a peak, and there are already

Growth in the Canadian economy is set reach 2.1 per cent this year, held back by softer oil production and manufacturing supply-chain issues in the first half of the year. Real GDP growth will improve to just 2.4 per cent in 2012, limited by fiscal restraint. Housing starts had a strong second quarter in 2011, rising by nearly 12 per cent. However, they are expected to ease heading into 2012 as low interest rates are offset by tighter mortgage rules and cautious consumers.

signs that consumers are tightening their purse strings. Governments, too, will spend less, as federal and provincial finances are stretched. Moreover, public infrastructure investment will decline sharply in 2012. A sluggish outlook for the United States is also bad news for Canadian exports. Overall, real GDP growth is expected to edge up to 2.4 per cent in 2012. Growth of 3.3 per cent is forecast for 2013, as a rebounding U.S. economy will stimulate exports and boost overall economic activity.

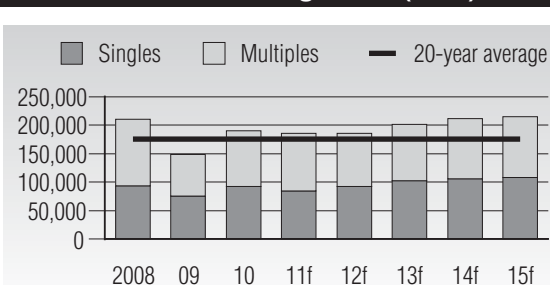
Financial Markets Outlook

Canada's central bankers have been grappling with the tumultuous, risk-laden global economic environment. In late October, the Bank of Canada kept the bank rate at 1.25 per cent, citing concerns about weaker Canadian economic growth, the European sovereign debt crisis, and financial volatility. Moreover, the Canadian economy continues to run

well below full capacity, and nominal wage growth is not accelerating. The recent surge in headline inflation to rates above 3 per cent was due almost entirely to temporary increases in food and gasoline prices. Core inflation, which excludes these items, remained at a still-tame pace of around 2 per cent. The expected slow progress of the U.S. economic recovery, a risky global environment, and easing domestic inflation are expected to keep the Bank of Canada from raising the bank rate until late in 2012—still well ahead of U.S. increases.

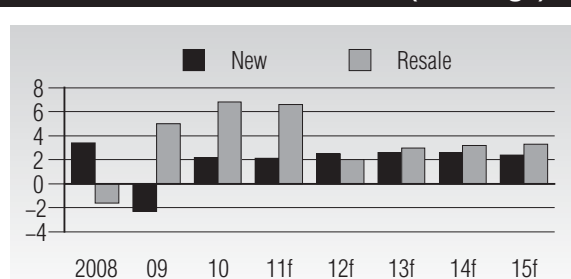
The turmoil in stock and commodity markets also had the effect of rapidly deflating the Canadian dollar vis-à-vis its U.S. counterpart in late September, as financial capital flooded to U.S. Treasuries. As currency traders regain confidence in the global economy, the “flight to quality” effect will wear off, helping to bolster the loonie over the near term. Moreover, relentless growth in demand for oil and other commodities from emerging

Chart 1—Housing Starts (000s)



Sources: The Conference Board of Canada; CMHC Housing Time Series Database.

Chart 2—House Price Growth (% change)



Sources: The Conference Board of Canada; CMHC Housing Time Series Database; Canadian Real Estate Association.

economies is expected to keep the Canadian dollar strong throughout the medium term.

Housing Outlook

From the second quarter of 2008 to the second quarter of 2009, annualized housing starts in Canada fell by more than 100,000 units to 131,000, as lower consumer confidence during the recession weakened demand. But as the economy improved, the housing market came roaring back in the last half of 2009 and through the first half of 2010. Housing starts were boosted by spillover demand from the resale market and extremely low interest rates. Price growth also improved with the increased demand: after falling by 2.3 per cent in 2009, new home prices rose by 2.2 per cent last year, while growth in resale home prices increased from 5 per cent to 6.8 per cent. However, these higher prices, rising inventories, and a pause in the recovery led builders to retreat temporarily from the new home market at the end of last year.

So far this year, despite tighter mortgage regulations that took effect in March, low interest rates have allowed sales of existing homes to remain strong enough to spur housing starts to 186,100 units in

2011. New home prices are forecast to rise by 2.1 per cent this year, and resale prices, by 6.6 per cent.

Overall, indicators suggest the real estate market will stay in balance even though housing demand growth is forecast to ease in 2012. Softer demand will come from moderating gains in real disposable income, the removal of tax rebates, and a full year of impact from the tightening of mortgage regulations. Moreover, because of the economic and financial difficulties in the U.S. and Europe and the high level of household debt, consumer confidence in Canada has been going sideways during most of 2011, suggesting that people will remain cautious about making major purchases, such as buying a home.

Offsetting this weakness and helping to sustain housing activity through 2012, interest rates are expected to dip even lower next year, and employment is forecast to post steady gains in 2012 and 2013. This should underpin further new home price growth and give home builders sufficient motivation to start 186,200 units in 2012. An even stronger 202,100 dwellings are forecast in 2013 as economic growth accelerates and starts gradually align with demographic demand.

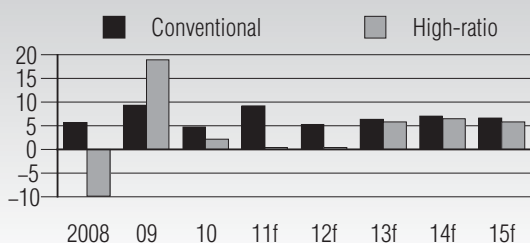
Average resale home prices rose significantly during the first half of 2011, partly because of a shift in the composition of sales toward high-end homes, particularly in Vancouver. Given signs that this shift is abating, growth in the national average home price is expected to slow in 2012.

Mortgage Outlook

The maximum mortgage amortization period dropped from 35 to 30 years in March, disqualifying some homebuyers, especially first-time buyers, from obtaining the financing they needed to purchase their own home. Mortgage rates are staying low, however, more than offsetting the impact of the tighter mortgage rules. Indeed, the five-year conventional mortgage rate is expected to slip to 5.4 per cent in 2011, down 0.2 percentage points from last year. Next year, with the Bank of Canada holding steady on the bank rate, the five-year conventional mortgage rate is forecast to fall to 5.3 per cent, before moving slowly upward through the medium term.

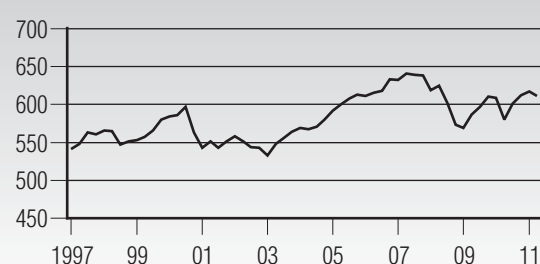
Both the number and dollar value of mortgages in Canada will increase this year. After rising by 10.6 per cent in 2009 and then falling by 1.4 per cent last year, the number of mortgages is set to grow by 1.3 per

Chart 3—Mortgage Approval Growth (dollar volume per cent change)



Sources: The Conference Board of Canada; GE Mortgage Insurance Canada; CMHC Housing Time Series Database.

Chart 4—Household Net Worth (as a per cent of disposable income)



Sources: The Conference Board of Canada; Statistics Canada.

cent in 2011. Growth is expected to improve to 2.2 per cent next year. Solid price growth, especially in the resale market, will allow the dollar value of mortgages to grow at an even faster pace this year, up by 5.2 per cent. This follows a 13.5 per cent increase in 2009 and 3.6 per cent growth in 2010. With prices moder-

ating, growth in the dollar value of mortgages is forecast to slow to 3.2 per cent for 2012.

The number of conventional mortgage approvals is set to rise by 5.4 per cent this year and 4.4 per cent in 2012. However, high-ratio approvals are expected to decline

3.6 per cent this year and 0.7 per cent next year, partly because tighter mortgage rules are making it harder for those in the high-ratio category to get a mortgage. But price growth will still lead to small increases in the dollar value of high-ratio mortgage approvals.

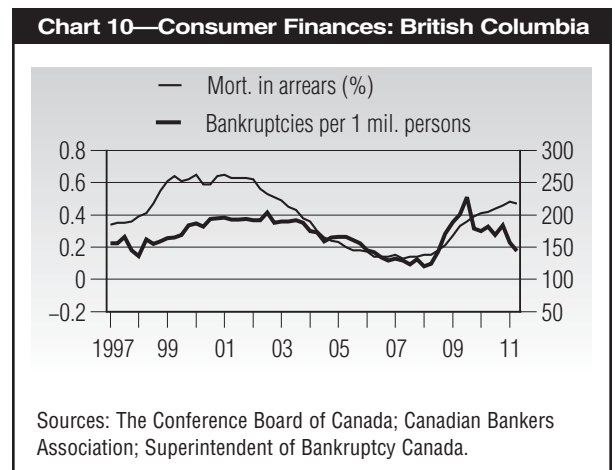
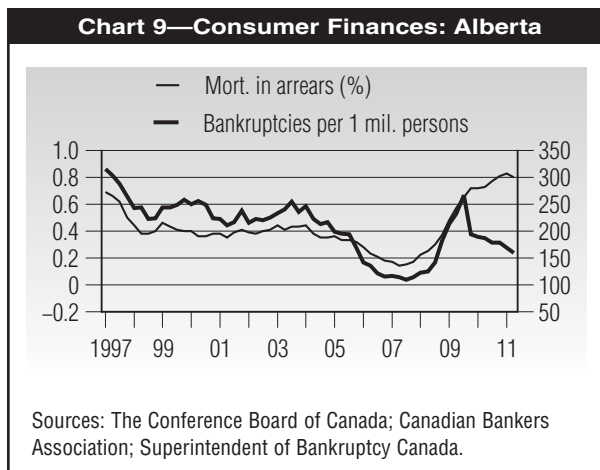
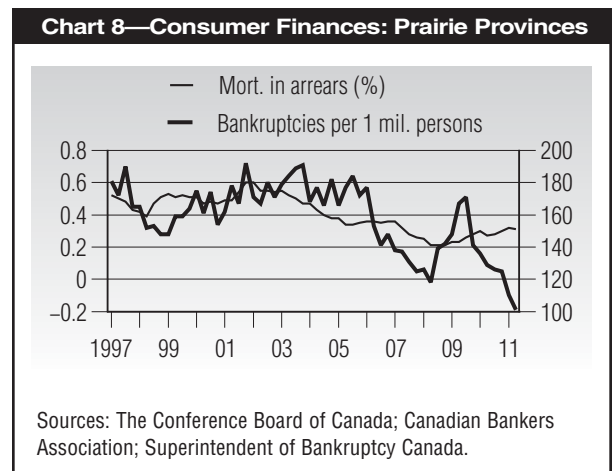
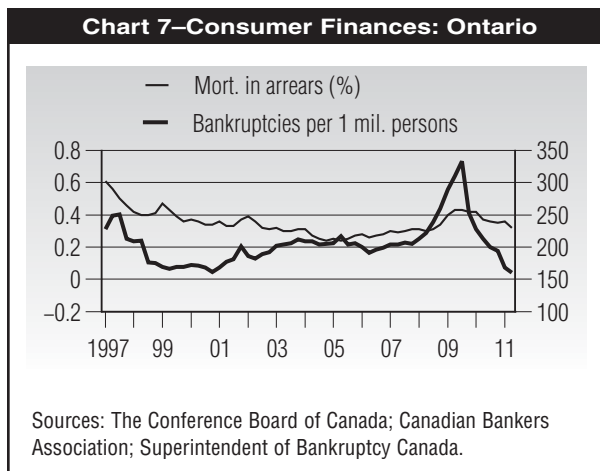
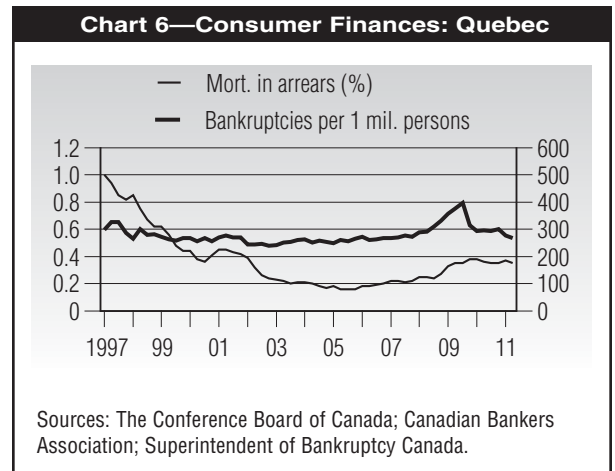
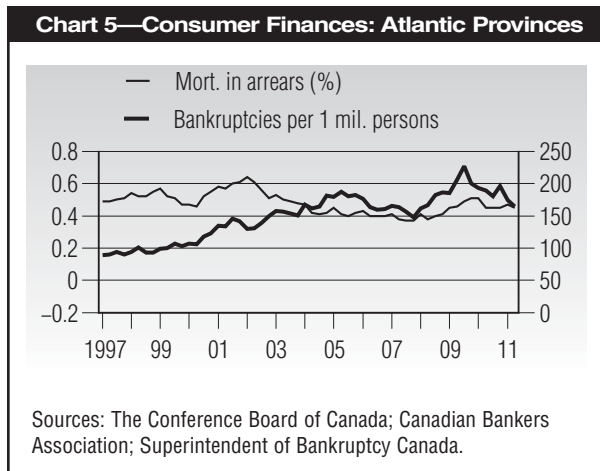


Table 1—Economic Indicators

	2008	2009	2010	2011f	2012f	2013f	2014f	2015f
Real GDP at market prices (2002 \$ millions)	1,320,291 <i>0.7</i>	1,283,722 <i>-2.8</i>	1,324,993 <i>3.2</i>	1,352,947 <i>2.1</i>	1,385,416 <i>2.4</i>	1,430,732 <i>3.3</i>	1,470,593 <i>2.8</i>	1,508,660 <i>2.6</i>
Total employment (000s)	17,082 <i>1.7</i>	16,814 <i>-1.6</i>	17,045 <i>1.4</i>	17,330 <i>1.7</i>	17,683 <i>2.0</i>	18,032 <i>2.0</i>	18,314 <i>1.6</i>	18,539 <i>1.2</i>
Unemployment rate (%)	6.1	8.3	8.0	7.4	6.8	6.4	6.1	5.9
Personal income per capita (\$)	36,929 <i>3.4</i>	36,494 <i>-1.2</i>	37,578 <i>3.0</i>	38,527 <i>2.5</i>	39,532 <i>2.6</i>	40,889 <i>3.4</i>	42,204 <i>3.2</i>	43,470 <i>3.0</i>
Population (000s)	33,263 <i>1.2</i>	33,669 <i>1.2</i>	34,059 <i>1.2</i>	34,409 <i>1.0</i>	34,815 <i>1.2</i>	35,229 <i>1.2</i>	35,647 <i>1.2</i>	36,069 <i>1.2</i>
Retail sales (\$ millions)	427,896 <i>3.7</i>	415,413 <i>-2.9</i>	438,401 <i>5.5</i>	451,302 <i>2.9</i>	469,896 <i>4.1</i>	491,859 <i>4.7</i>	513,169 <i>4.3</i>	533,447 <i>4.0</i>
Exchange rate (U.S./Can.)	0.94	0.88	0.97	1.03	1.03	1.03	1.02	1.01
Inflation rate (%)	2.4	0.3	1.8	2.8	2.0	2.2	2.2	2.1

Table 2—Financial Indicators (%)

Bank rate	3.2	0.6	0.9	1.2	1.5	3.3	4.3	4.3
Prime lending rate	4.7	2.4	2.6	3.0	3.3	5.0	6.0	6.0
Three-month Treasury bill	2.4	0.3	0.6	0.9	1.2	2.9	3.8	3.8
One-year conventional mortgage rate	6.7	4.0	3.5	3.5	3.8	5.4	6.3	6.4
Three-year conventional mortgage rate	6.9	4.6	4.3	4.4	4.5	5.9	6.8	7.0
Five-year conventional mortgage rate	7.1	5.6	5.6	5.4	5.3	6.3	7.1	7.3
Federal bonds: 1 year	2.7	1.2	1.5	1.4	1.4	2.7	3.7	4.0
Federal bonds: 5 years	3.0	2.4	2.4	2.1	1.8	2.9	3.8	4.1
Federal bonds: 7 years	3.3	2.7	2.7	2.5	2.1	3.0	3.8	4.1
Federal bonds: 10 years	3.6	3.3	3.2	2.9	2.4	3.2	3.9	4.2
Federal bonds: long term	4.0	3.9	3.7	3.4	2.9	3.4	4.1	4.3

Table 3—Housing Indicators

Housing starts	211,056 <i>-7.6</i>	149,081 <i>-29.4</i>	189,930 <i>27.4</i>	186,116 <i>-2.0</i>	186,204 <i>0.0</i>	202,056 <i>8.5</i>	211,456 <i>4.7</i>	215,198 <i>1.8</i>
Singles	93,202 <i>-21.6</i>	75,659 <i>-18.8</i>	92,554 <i>22.3</i>	84,500 <i>-8.7</i>	93,171 <i>10.3</i>	102,566 <i>10.1</i>	106,652 <i>4.0</i>	108,099 <i>1.4</i>
Multiples	117,854 <i>7.7</i>	73,422 <i>-37.7</i>	97,376 <i>32.6</i>	101,616 <i>4.4</i>	93,032 <i>-8.4</i>	99,490 <i>6.9</i>	104,803 <i>5.3</i>	107,099 <i>2.2</i>
Housing completions	214,021 <i>2.4</i>	176,829 <i>-17.4</i>	186,278 <i>5.3</i>	176,467 <i>-5.3</i>	183,234 <i>3.8</i>	191,565 <i>4.5</i>	200,361 <i>4.6</i>	207,449 <i>3.5</i>
Singles	103,990 <i>-10.1</i>	78,270 <i>-24.7</i>	90,541 <i>15.7</i>	82,646 <i>-8.7</i>	88,129 <i>6.6</i>	97,697 <i>10.9</i>	103,517 <i>6.0</i>	106,181 <i>2.6</i>
Multiples	110,031 <i>17.8</i>	98,559 <i>-10.4</i>	95,737 <i>-2.9</i>	93,821 <i>-2.0</i>	95,105 <i>1.4</i>	93,868 <i>-1.3</i>	96,843 <i>3.2</i>	101,268 <i>4.6</i>
Average price of a new home (\$)	396,232 <i>3.4</i>	387,036 <i>-2.3</i>	395,561 <i>2.2</i>	403,777 <i>2.1</i>	413,905 <i>2.5</i>	424,713 <i>2.6</i>	435,770 <i>2.6</i>	446,233 <i>2.4</i>
Average price of a resale home (\$)	301,687 <i>-1.6</i>	316,761 <i>5.0</i>	338,354 <i>6.8</i>	360,784 <i>6.6</i>	367,968 <i>2.0</i>	379,071 <i>3.0</i>	391,270 <i>3.2</i>	404,089 <i>3.3</i>

Italics indicate percentage change; f = forecast.

Sources: The Conference Board of Canada; Bank of Canada; CMHC Housing Time Series Database; Canadian Real Estate Association; Statistics Canada.

Atlantic Canada



Economic Outlook

Real gross domestic product in Atlantic Canada is forecast to increase by 2.5 per cent this year and 1.8 per cent in 2012. Metal mining and oil projects will help propel GDP growth in Newfoundland and Labrador to 4.6 per cent in 2011.

Meanwhile, cuts to public spending and agricultural weakness will lead to only a 1.7 per cent increase in Prince Edward Island's GDP this year. Next year, lower public investment will be offset by stronger manufacturing and tourism, resulting in GDP growth of 2.1 per cent for the island. Nova Scotia's economy is facing headwinds this year from weak consumer demand, more limited business investment, and austere fiscal measures, but gains in the goods-producing sector will help GDP advance by around 2 per cent over 2011 and 2012. New Brunswick's increased industrial

Overall, Atlantic Canada is expected to see modest growth in its economy this year and next. Demand in the region's housing market has already begun to weaken, and further declines are expected in the coming months. Accordingly, starts are forecast to fall by 5.7 per cent this year and 17.3 per cent in 2012. Price growth will moderate as well, slipping from 2.8 per cent this year to 1.8 per cent next year in the new home market, and from 2.1 per cent to 1.6 per cent in the resale market.

production, particularly manufacturing and mining, are acting as stabilizers against the negative impact of dampening fiscal measures, limited private investment, and weak consumer demand, resulting in GDP growth of 1.5 per cent this year and 2 per cent next year.

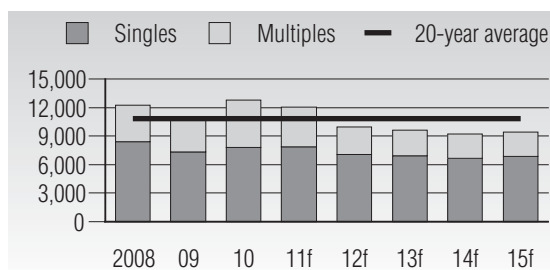
Housing Outlook

Atlantic Canada's housing market grew rapidly in the early 2000s, fuelled by pent-up demand, a solid economy, and lower interest rates. Housing starts then dipped for a few years before recovering in 2007, increasing by 3.8 per cent, as demand was boosted by a healthy Newfoundland and Labrador economy (thanks to its burgeoning oil and gas sector). Price growth accelerated as well, rising to 4.1 per cent for the new market and 7 per cent for the resale market. But the global recession the following year shook consumer confidence and, with it, demand for new housing. Housing

starts slipped 1.4 per cent in 2008 and a further 10.8 per cent in 2009. Although new home prices initially grew at an even faster pace, with growth reaching 10.8 per cent in 2008, price growth fell back to 3 per cent the next year.

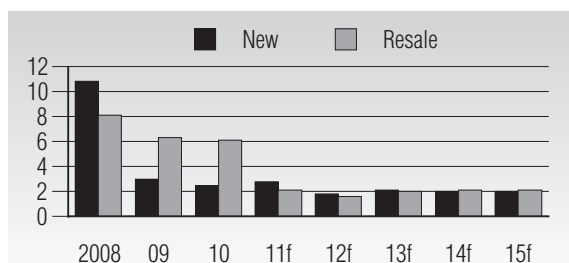
Stronger economic growth, low interest rates, and a sales tax rebate of up to \$7,000 on the purchase of a new home in Nova Scotia increased demand in the housing market once more last year. In response, builders in the Atlantic region increased starts by 17.1 per cent to 12,800 units in 2010. Over the first half of this year, starts continued to rise in Newfoundland, Nova Scotia, and Prince Edward Island. In New Brunswick, housing starts tumbled to an annualized 1,500 units in the first three months of 2011, the lowest quarterly number ever, although they regained their composure in the second quarter with 4,419 units. Tighter mortgage rules are expected to hamper demand and starts

Chart 1—Housing Starts (000s)



Sources: The Conference Board of Canada; CMHC Housing Time Series Database.

Chart 2—House Price Growth (% change)



Sources: The Conference Board of Canada; CMHC Housing Time Series Database; Canadian Real Estate Association.

through the rest of this year. In all, Atlantic Canada's housing starts are forecast to fall by 5.7 per cent in 2011.

Despite sound job creation and income growth in some of the Atlantic provinces, overall starts

will fall in the region next year as well, this time by 17.3 per cent. Starts are expected to keep declining over the next two years, moving the market back toward demographic requirements. New home price growth will also ease, going from a forecast 2.8 per cent this year to 1.8 per cent

in 2012 and 2.1 per cent in 2013. Resale prices are expected to follow a similar pattern, increasing 2.1 per cent in 2011, 1.6 per cent next year, and 2 per cent in 2013.

Table 1—Economic Indicators

	2008	2009	2010	2011f	2012f	2013f	2014f	2015f
Real GDP at basic prices (2002 \$ millions)	70,197 <i>1.0</i>	68,072 <i>-3.0</i>	70,397 <i>3.4</i>	72,128 <i>2.5</i>	73,401 <i>1.8</i>	74,615 <i>1.7</i>	75,788 <i>1.6</i>	77,245 <i>1.9</i>
Total employment (000s)	1,099 <i>0.9</i>	1,092 <i>-0.7</i>	1,099 <i>0.6</i>	1,105 <i>0.6</i>	1,121 <i>1.4</i>	1,133 <i>1.1</i>	1,138 <i>0.5</i>	1,145 <i>0.6</i>
Unemployment rate	9.3	10.5	10.5	9.9	9.2	8.6	8.3	8.0
Personal income per capita	31,647 <i>3.4</i>	32,381 <i>2.3</i>	33,514 <i>3.5</i>	34,296 <i>2.3</i>	35,498 <i>3.5</i>	36,711 <i>3.4</i>	37,841 <i>3.1</i>	39,006 <i>3.1</i>
Population (000s)	4,407 <i>0.6</i>	4,441 <i>0.8</i>	4,480 <i>0.9</i>	4,512 <i>0.7</i>	4,548 <i>0.8</i>	4,585 <i>0.8</i>	4,620 <i>0.8</i>	4,656 <i>0.8</i>
Retail sales (\$ millions)	30,819 <i>5.6</i>	30,996 <i>0.6</i>	32,466 <i>4.7</i>	33,427 <i>3.0</i>	34,540 <i>3.3</i>	35,668 <i>3.3</i>	36,719 <i>2.9</i>	37,875 <i>3.1</i>
Inflation rate	3.0	0.0	2.0	3.4	2.0	1.9	2.0	2.0

Italics indicate percentage change; f = forecast.

Sources: The Conference Board of Canada; Statistics Canada.

Table 2—Housing Indicators

	2008	2009	2010	2011f	2012f	2013f	2014f	2015f
Housing starts	12,228 <i>-1.4</i>	10,910 <i>-10.8</i>	12,778 <i>17.1</i>	12,048 <i>-5.7</i>	9,963 <i>-17.3</i>	9,628 <i>-3.4</i>	9,204 <i>-4.4</i>	9,416 <i>2.3</i>
Singles	8,405 <i>0.2</i>	7,368 <i>-12.3</i>	7,822 <i>6.2</i>	7,892 <i>0.9</i>	7,034 <i>-10.9</i>	6,955 <i>-1.1</i>	6,673 <i>-4.1</i>	6,839 <i>2.5</i>
Multiples	3,823 <i>-4.8</i>	3,541 <i>-7.4</i>	4,956 <i>39.9</i>	4,156 <i>-16.1</i>	2,929 <i>-29.5</i>	2,673 <i>-8.8</i>	2,531 <i>-5.3</i>	2,577 <i>1.8</i>
Housing completions	12,443 <i>8.5</i>	11,223 <i>-9.8</i>	11,608 <i>3.4</i>	11,327 <i>-2.4</i>	10,638 <i>-6.1</i>	9,924 <i>-6.7</i>	9,462 <i>-4.6</i>	9,581 <i>1.3</i>
Singles	8,400 <i>11.8</i>	7,447 <i>-11.3</i>	7,738 <i>3.9</i>	7,456 <i>-3.6</i>	7,306 <i>-2.0</i>	7,117 <i>-2.6</i>	6,827 <i>-4.1</i>	6,963 <i>2.0</i>
Multiples	4,043 <i>2.1</i>	3,776 <i>-6.6</i>	3,871 <i>2.5</i>	3,871 <i>0.0</i>	3,333 <i>-13.9</i>	2,807 <i>-15.8</i>	2,635 <i>-6.1</i>	2,618 <i>-0.7</i>
Average price of a new home (\$)	305,130 <i>10.8</i>	314,320 <i>3.0</i>	322,036 <i>2.5</i>	330,971 <i>2.8</i>	337,047 <i>1.8</i>	344,035 <i>2.1</i>	350,829 <i>2.0</i>	357,760 <i>2.0</i>
Average price of a resale home (\$)	171,432 <i>8.1</i>	182,249 <i>6.3</i>	193,303 <i>6.1</i>	197,454 <i>2.1</i>	200,628 <i>1.6</i>	204,627 <i>2.0</i>	208,909 <i>2.1</i>	213,282 <i>2.1</i>

Italics indicate percentage change; f = forecast.

Sources: The Conference Board of Canada; CMHC Housing Time Series Database; Canadian Real Estate Association; Statistics Canada.

Quebec



Growth in Quebec's real GDP will ease to just 1.8 per cent this year and next, a marked contrast to the nearly 3 per cent gain in 2010. Public infrastructure spending and a hot housing market helped lift Quebec's economy out of the recession last year, but efforts to balance the government's budget will limit infrastructure and consumer spending starting in 2012. In turn, the housing market will also see lower demand. Housing starts have been running ahead of demographic needs, something that will lead to a realignment as pent-up demand dwindles.

Economic Outlook

The Quebec government is following through with its course of steady tax increases laid out in last year's fiscal plan. To help eliminate the deficit, the province is increasing the QST by another percentage point at the beginning of 2012, bringing the provincial sales tax to 9.5 per cent. Accordingly, real consumer spending will rise by only 2.1 per cent in 2011 and 1.9 per cent in 2012. The province will benefit over the next two years from large ongoing hydroelectric and mining projects that are pushing up business non-residential investment. Additional projects (mainly in the mining sector) could propel business investment even higher. But a tame recovery in exports is depressing the outlook. The struggling U.S. economy has been unable to bring

much vigour to Quebec's exports. Imports, however, have been advancing rapidly, as the strength in the Canadian dollar has boosted foreign purchases of machinery and equipment. Overall, Quebec's economy is expected to expand by a modest 1.8 per cent per year in 2011 and 2012.

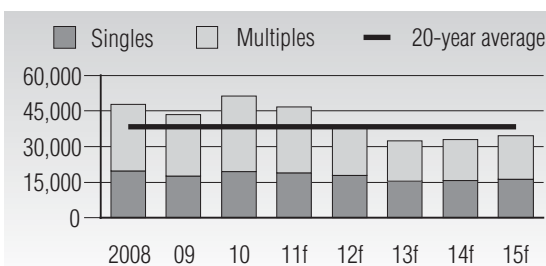
Housing Outlook

Driven in large part by pent-up demand and low interest rates, housing starts in Quebec rose by an annual average of 25 per cent from 2001 to 2004. Increased demand also drove up new home prices by 5.7 per cent per year on average. Growth in existing home prices was even stronger still, reaching an average of 11.3 per cent annually from 2001 to 2004 (up from an average of just 3 per cent per year from 1996 to 2000), in line with with a higher level of activity in the resale market.

Several years of modest economic growth resulted in builders retreating from the market in 2005. Over the next two years, housing starts in the province fell by nearly 20 per cent. Builders then returned briefly in 2007, before the 2008 recession caused them to reduce starts once more. By the first quarter of 2009, housing starts had fallen back to 36,700 units, seasonally adjusted at annual rates—their lowest level since the end of 2001. Growth in new home prices weakened as well, going from 5 per cent in 2008 to 2.9 per cent in 2009.

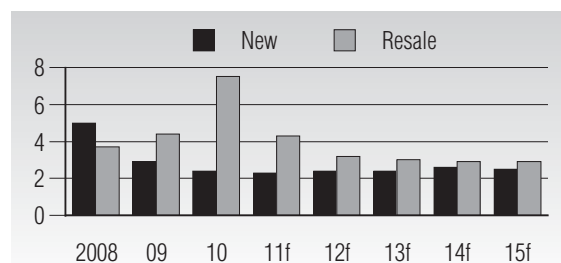
A recovering economy and low interest rates brought consumers back to the Quebec new home market over the rest of 2009. Accordingly, builders increased starts to more than 50,000 units in 2010—above demographic requirements. Since then, the market has been in rebalancing

Chart 1—Housing Starts (000s)



Sources: The Conference Board of Canada; CMHC Housing Time Series Database.

Chart 2—House Price Growth (% change)



Sources: The Conference Board of Canada; CMHC Housing Time Series Database; Canadian Real Estate Association.

mode. In spite of continued low interest rates and sound employment growth, housing starts fell in four of the past six quarters. New home price growth also moderated further, slipping to 2.4 per cent for 2010. Price growth picked up in the resale market, however, rising to 7.5 per cent last year.

Additional tax increases and tighter mortgage rules will keep housing demand on a downward trend in Quebec over the next couple of years. As a result, builders are expected to reduce housing starts by 9.4 per cent this year and by 16.4 per cent in each of 2012 and

2013. As the market moves more in line with population needs, price growth will remain moderate over our forecast horizon (2011 to 2015), at 2.4 per cent on an average annual basis for the new home market and an average of 3.3 per cent per year for the resale market.

Table 1—Economic Indicators

	2008	2009	2010	2011f	2012f	2013f	2014f	2015f
Real GDP at basic prices (2002 \$ millions)	247,965 <i>1.2</i>	246,729 <i>-0.5</i>	253,413 <i>2.7</i>	257,895 <i>1.8</i>	262,524 <i>1.8</i>	268,649 <i>2.3</i>	274,867 <i>2.3</i>	280,606 <i>2.1</i>
Total employment (000s)	3,878 <i>1.2</i>	3,847 <i>-0.8</i>	3,917 <i>1.8</i>	3,979 <i>1.6</i>	4,032 <i>1.3</i>	4,070 <i>0.9</i>	4,110 <i>1.0</i>	4,134 <i>0.6</i>
Unemployment rate	7.3	8.5	7.9	7.7	7.6	7.3	6.7	6.4
Personal income per capita	33,705 <i>3.6</i>	33,670 <i>-0.1</i>	34,571 <i>2.7</i>	35,658 <i>3.1</i>	36,718 <i>3.0</i>	37,815 <i>3.0</i>	38,960 <i>3.0</i>	40,063 <i>2.8</i>
Population (000s)	7,743 <i>0.8</i>	7,818 <i>1.0</i>	7,897 <i>1.0</i>	7,970 <i>0.9</i>	8,038 <i>0.9</i>	8,098 <i>0.8</i>	8,159 <i>0.7</i>	8,216 <i>0.7</i>
Retail sales (\$ millions)	94,806 <i>4.9</i>	93,740 <i>-1.1</i>	99,631 <i>6.3</i>	102,495 <i>2.9</i>	106,648 <i>4.1</i>	110,292 <i>3.4</i>	114,377 <i>3.7</i>	118,367 <i>3.5</i>
Inflation rate	2.1	0.6	1.3	3.3	2.7	2.0	2.0	2.1

Italics indicate percentage change; f = forecast.

Sources: The Conference Board of Canada; Statistics Canada.

Table 2—Housing Indicators

	2008	2009	2010	2011f	2012f	2013f	2014f	2015f
Housing starts	47,837 <i>-1.5</i>	43,557 <i>-8.9</i>	51,368 <i>17.9</i>	46,553 <i>-9.4</i>	38,928 <i>-16.4</i>	32,534 <i>-16.4</i>	33,044 <i>1.6</i>	34,639 <i>4.8</i>
Singles	19,784 <i>-10.8</i>	17,529 <i>-11.4</i>	19,544 <i>11.5</i>	18,842 <i>-3.6</i>	17,950 <i>-4.7</i>	15,418 <i>-14.1</i>	15,597 <i>1.2</i>	16,281 <i>4.4</i>
Multiples	28,053 <i>6.4</i>	26,027 <i>-7.2</i>	31,824 <i>22.3</i>	27,711 <i>-12.9</i>	20,979 <i>-24.3</i>	17,116 <i>-18.4</i>	17,446 <i>1.9</i>	18,358 <i>5.2</i>
Housing completions	47,725 <i>-3.1</i>	43,247 <i>-9.4</i>	45,664 <i>5.6</i>	45,759 <i>0.2</i>	42,980 <i>-6.1</i>	37,058 <i>-13.8</i>	33,009 <i>-10.9</i>	34,109 <i>3.3</i>
Singles	19,138 <i>-12.3</i>	16,737 <i>-12.5</i>	18,713 <i>11.8</i>	17,473 <i>-6.6</i>	17,957 <i>2.8</i>	16,514 <i>-8.0</i>	15,203 <i>-7.9</i>	15,883 <i>4.5</i>
Multiples	28,587 <i>4.3</i>	26,510 <i>-7.3</i>	26,951 <i>1.7</i>	28,286 <i>5.0</i>	25,022 <i>-11.5</i>	20,544 <i>-17.9</i>	17,805 <i>-13.3</i>	18,226 <i>2.4</i>
Average price of a new home (\$)	278,777 <i>5.0</i>	286,937 <i>2.9</i>	293,690 <i>2.4</i>	300,301 <i>2.3</i>	307,379 <i>2.4</i>	314,799 <i>2.4</i>	322,990 <i>2.6</i>	331,065 <i>2.5</i>
Average price of a resale home (\$)	215,209 <i>3.7</i>	224,638 <i>4.4</i>	241,511 <i>7.5</i>	251,932 <i>4.3</i>	259,932 <i>3.2</i>	267,770 <i>3.0</i>	275,636 <i>2.9</i>	283,677 <i>2.9</i>

Italics indicate percentage change; f = forecast.

Sources: The Conference Board of Canada; CMHC Housing Time Series Database; Canadian Real Estate Association; Statistics Canada.

Ontario



Economic Outlook

Ontario's economic growth has slowed in 2011 as a result of global supply-chain disruptions caused by the Japanese earthquake and the easing of fiscal stimulus spending. However, business investment remains strong thanks to a brighter (if still uncertain) outlook for the U.S. economy and to government incentives to support business investment activity in Ontario. The federal and provincial governments have made financial contributions to entice large investments from global companies, such as Toyota and Samsung. Consumer spending also received a boost this year from the last of the provincial government's three payments aimed at easing consumers' transition to the harmonized sales tax, which was introduced in 2010. Ontarians received their final transition cheques in June,

Real GDP in Ontario is forecast to increase by 2.3 per cent this year, limited by weakness in manufacturing in the early part of the year, as well as the winding down of the infrastructure spending program. Still, sound job creation and the final transition payments for the HST will support consumer spending, helping to boost housing starts by 5.6 per cent this year. Next year, solid population growth is expected to lead to an additional 5.9 per cent increase in starts.

and that pumped around \$1.4 billion into the economy. Overall, real gross domestic product growth is expected to reach 2.3 per cent in 2011. As Ontario's manufacturing sector returns to more normal levels of production next year, real GDP will advance 2.5 per cent.

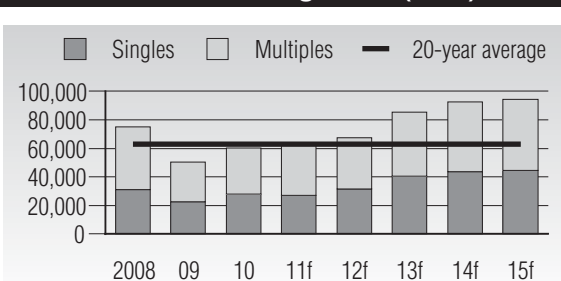
Housing Outlook

After more than doubling in less than a decade to reach a high of 85,200 units in 2003, housing starts eased over the next few years as builders pulled back from the market in the face of slower growth in the economy and consumer demand. A jump in multiple-unit starts in the first quarter of 2008 pushed total housing starts back up by 10.1 per cent that year, even as single-family starts continued to decline. The multiples market was being driven by a number of new high-rise buildings in Toronto's downtown core. But by the end of 2008, the loom-

ing recession hampered consumer confidence and, in turn, demand for big-ticket items such as housing. Accordingly, builders left the market again, lowering housing starts by 33 per cent in 2009. In turn, average new home prices stagnated for the first time since 1995. The market did not stay down long though. Low interest rates and a recovering economy helped to bolster demand once more last year, leading to a 20.2 per cent increase in total housing starts for 2010.

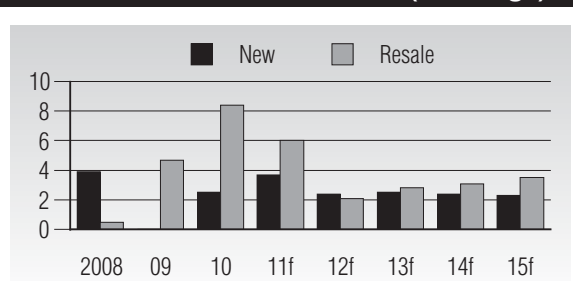
After a slowdown in the second half of last year, housing starts have resumed their upward trend so far in 2011. Despite the federal government's tightening of mortgage rules, Ontario's housing market remains on solid footing. In part, consumer spending is being supported this year by improving labour markets and the last of the three HST transition rebate cheques. The housing market has the added bonus of continued

Chart 1—Housing Starts (000s)



Sources: The Conference Board of Canada; CMHC Housing Time Series Database.

Chart 2—House Price Growth (% change)



Sources: The Conference Board of Canada; CMHC Housing Time Series Database; Canadian Real Estate Association.

low interest rates. Combined, these factors will result in another strong year for housing starts in Ontario, as almost 63,800 units are planned for 2011, an increase of 5.6 per cent. Ontario's residential construction industry is also supported by solid

demographics: with the number of new households being formed rising steadily, housing starts are expected to reach 67,500 units in 2012.

Given the strength in the market, growth in new home prices will pick

up to 3.7 per cent in 2011, while existing home prices are forecast to rise by 6 per cent. Next year, prices in both markets will begin to moderate, with growth moving down to 2.4 per cent for the new market and 2.1 per cent for the resale market.

Table 1—Economic Indicators

	2008	2009	2010	2011f	2012f	2013f	2014f	2015f
Real GDP at basic prices (2002 \$ millions)	486,161 <i>-0.7</i>	468,961 <i>-3.5</i>	485,011 <i>3.4</i>	495,928 <i>2.3</i>	508,567 <i>2.5</i>	526,036 <i>3.4</i>	540,992 <i>2.8</i>	554,623 <i>2.5</i>
Total employment (000s)	6,665 <i>1.5</i>	6,503 <i>-2.4</i>	6,610 <i>1.6</i>	6,761 <i>2.3</i>	6,921 <i>2.4</i>	7,058 <i>2.0</i>	7,141 <i>1.2</i>	7,214 <i>1.0</i>
Unemployment rate	6.5	9.0	8.6	7.7	6.9	6.1	6.0	6.0
Personal income per capita	37,196 <i>2.0</i>	36,601 <i>-1.6</i>	37,898 <i>3.5</i>	39,227 <i>3.5</i>	40,471 <i>3.2</i>	41,840 <i>3.4</i>	43,062 <i>2.9</i>	44,230 <i>2.7</i>
Population (000s)	12,912 <i>1.1</i>	13,048 <i>1.0</i>	13,192 <i>1.1</i>	13,339 <i>1.1</i>	13,504 <i>1.2</i>	13,681 <i>1.3</i>	13,866 <i>1.3</i>	14,055 <i>1.4</i>
Retail sales (\$ millions)	151,672 <i>3.9</i>	147,920 <i>-2.5</i>	155,889 <i>5.4</i>	161,907 <i>3.9</i>	169,388 <i>4.6</i>	177,080 <i>4.5</i>	184,373 <i>4.1</i>	191,507 <i>3.9</i>
Inflation rate	2.3	0.4	2.4	3.3	2.3	2.0	2.0	2.1

Italics indicate percentage change; f = forecast.
Sources: The Conference Board of Canada; Statistics Canada.

Table 2—Housing Indicators

	2008	2009	2010	2011f	2012f	2013f	2014f	2015f
Housing starts	74,973 <i>10.1</i>	50,243 <i>-33.0</i>	60,392 <i>20.2</i>	63,767 <i>5.6</i>	67,524 <i>5.9</i>	85,439 <i>26.5</i>	92,454 <i>8.2</i>	94,515 <i>2.2</i>
Singles	31,110 <i>-18.0</i>	22,568 <i>-27.5</i>	28,078 <i>24.4</i>	27,044 <i>-3.7</i>	31,597 <i>16.8</i>	40,400 <i>27.9</i>	43,565 <i>7.8</i>	44,438 <i>2.0</i>
Multiples	43,863 <i>45.4</i>	27,676 <i>-36.9</i>	32,314 <i>16.8</i>	36,723 <i>13.6</i>	35,927 <i>-2.2</i>	45,039 <i>25.4</i>	48,889 <i>8.5</i>	50,077 <i>2.4</i>
Housing completions	67,737 <i>5.8</i>	55,128 <i>-18.6</i>	61,410 <i>11.4</i>	57,555 <i>-6.3</i>	61,953 <i>7.6</i>	73,387 <i>18.5</i>	84,856 <i>15.6</i>	90,114 <i>6.2</i>
Singles	34,521 <i>-5.1</i>	24,758 <i>-28.3</i>	27,465 <i>10.9</i>	25,527 <i>-7.1</i>	28,931 <i>13.3</i>	36,190 <i>25.1</i>	41,709 <i>15.2</i>	43,892 <i>5.2</i>
Multiples	33,216 <i>20.1</i>	30,371 <i>-8.6</i>	33,945 <i>11.8</i>	32,028 <i>-5.6</i>	33,023 <i>3.1</i>	37,196 <i>12.6</i>	43,148 <i>16.0</i>	46,222 <i>7.1</i>
Average price of a new home (\$)	463,653 <i>3.9</i>	463,608 <i>0.0</i>	475,064 <i>2.5</i>	492,459 <i>3.7</i>	504,437 <i>2.4</i>	516,963 <i>2.5</i>	529,453 <i>2.4</i>	541,710 <i>2.3</i>
Average price of a resale home (\$)	301,033 <i>0.5</i>	315,243 <i>4.7</i>	341,872 <i>8.4</i>	362,298 <i>6.0</i>	369,878 <i>2.1</i>	380,057 <i>2.8</i>	391,659 <i>3.1</i>	405,322 <i>3.5</i>

Italics indicate percentage change; f = forecast.
Sources: The Conference Board of Canada; CMHC Housing Time Series Database; Canadian Real Estate Association; Statistics Canada.

Prairies



A favourable economic outlook in Manitoba and Saskatchewan is laying a solid foundation for robust housing markets. After a tepid advance this year, employment growth is predicted to accelerate in 2012 and advance briskly thereafter. Housing starts will end 2011 little changed from 2010, but increases beginning in 2012 are forecast to ultimately lift starts above 13,300 units, a record high, by 2015. House price inflation has slowed sharply since 2008 but remains positive. We expect steady annual price hikes of 3 to 4 per cent for both new and existing units through 2015.

Economic Outlook

Economic growth in Manitoba and Saskatchewan clocked in at a combined 3.2 per cent last year despite spring flooding, which damaged crops. GDP is forecast to rise a similar 3 per cent in 2011 and 2.9 per cent in 2012. Employment, that essential housing market driver, grew by 1.4 per cent in 2010 and appears set to rise by a more anemic 0.8 per cent in 2011. Next year's 1.7 per cent growth looks better. This job growth is forecast to cut the unemployment rate from 5.2 per cent this year to 5 per cent in 2012. Favourable job prospects are expected to keep the population growing at least 1.3 per cent annually through 2015. In Manitoba, strength in the mining, manufacturing, and transportation sectors should offset a contraction in the agricultural sector, the result of more spring flooding this year.

In Saskatchewan, the potash, uranium, and oil and gas industries are driving the economy, boosting incomes and attracting capital.

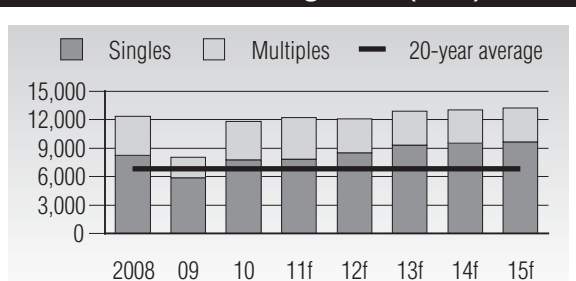
Housing Outlook

Housing starts in Manitoba and Saskatchewan remained strong during the first half of 2011. Although the annualized pace of 11,300 units was down slightly from a year earlier, the pullback followed a 46.4 per cent jump in 2010. Moreover, this year's rate rivals the region's highest historical volumes. Single-detached units dominate the Prairies' housing market, making up two-thirds of total starts in 2010. Thus, although multiple starts rose on a year-over-year basis in the first half, total starts eased as single-detached starts dipped. We expect singles starts to end 2011 down 0.4 per cent at 7,800 units and multiple starts to reach a brisk 4,400 units. Accordingly, total starts will exceed

12,200, up 3.9 per cent from 2010. A rise in single-detached starts in 2012 won't be enough to offset a significant pullback in multiple starts, leading to a 1 per cent drop in total starts to 12,100 units.

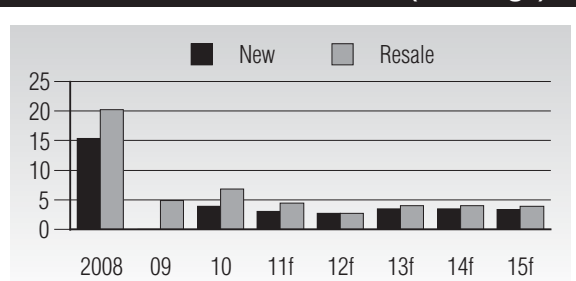
Continued economic health on the Prairies is expected to prompt an average annual employment gain of 1.5 per cent between 2013 and 2015. Newcomers attracted by these job opportunities are forecast to boost the population by an average of 1.3 per cent per year—more than triple the average growth rate recorded during the past two decades. Resulting housing requirements will lift regional starts to a record of over 13,200 units by 2015. The construction mix will continue to favour single-detached homes, forecast to make up nearly three-quarters of all starts between 2013 and 2015.

Chart 1—Housing Starts (000s)



Sources: The Conference Board of Canada; CMHC Housing Time Series Database.

Chart 2—House Price Growth (% change)



Sources: The Conference Board of Canada; CMHC Housing Time Series Database; Canadian Real Estate Association.

House price growth has recently been uneven. The average price for existing homes dipped during the first quarter of 2011, before rising modestly in the second. Still, these units' average price during the first half of 2011 was up more than 6 per

cent from a year earlier and is forecast to end 2011 up 4.5 per cent from the average 2010 level. For new homes, average prices rose in both the first and second quarters of this year, but were up only about 3 per cent year-over-year. The average

price gain for a new home is predicted to be 3.1 per cent this year. In 2012, our call is for both new and existing home prices to rise 2.7 per cent. Our medium-term forecast sets price increases for both at an average of 4 per cent annually.

Table 1—Economic Indicators

	2008	2009	2010	2011f	2012f	2013f	2014f	2015f
Real GDP at basic prices (2002 \$ millions)	78,240 <i>3.4</i>	76,577 <i>-2.1</i>	79,023 <i>3.2</i>	81,388 <i>3.0</i>	83,768 <i>2.9</i>	86,830 <i>3.7</i>	89,490 <i>3.1</i>	91,877 <i>2.7</i>
Total employment (000s)	1,121 <i>1.7</i>	1,128 <i>0.6</i>	1,144 <i>1.4</i>	1,154 <i>0.8</i>	1,173 <i>1.7</i>	1,195 <i>1.8</i>	1,213 <i>1.5</i>	1,228 <i>1.3</i>
Unemployment rate	4.1	5.0	5.3	5.2	5.0	4.8	4.5	4.4
Personal income per capita	35,017 <i>8.9</i>	34,839 <i>-0.5</i>	35,320 <i>1.4</i>	36,391 <i>3.0</i>	37,181 <i>2.2</i>	38,351 <i>3.1</i>	39,500 <i>3.0</i>	40,620 <i>2.8</i>
Population (000s)	2,216 <i>1.2</i>	2,244 <i>1.3</i>	2,276 <i>1.4</i>	2,306 <i>1.3</i>	2,338 <i>1.4</i>	2,369 <i>1.4</i>	2,401 <i>1.3</i>	2,432 <i>1.3</i>
Retail sales (\$ millions)	29,653 <i>9.2</i>	29,513 <i>-0.5</i>	30,801 <i>4.4</i>	32,196 <i>4.5</i>	33,128 <i>2.9</i>	34,532 <i>4.2</i>	35,965 <i>4.1</i>	37,373 <i>3.9</i>
Inflation rate	2.7	0.8	1.1	3.2	2.0	2.0	2.0	2.0

Italics indicate percentage change; f = forecast.
Sources: The Conference Board of Canada; Statistics Canada.

Table 2—Housing Indicators

	2008	2009	2010	2011f	2012f	2013f	2014f	2015f
Housing starts	12,373 <i>5.2</i>	8,040 <i>-35.0</i>	11,774 <i>46.4</i>	12,236 <i>3.9</i>	12,110 <i>-1.0</i>	12,898 <i>6.5</i>	13,045 <i>1.1</i>	13,217 <i>1.3</i>
Singles	8,212 <i>4.1</i>	5,864 <i>-28.6</i>	7,776 <i>32.6</i>	7,804 <i>0.4</i>	8,491 <i>8.8</i>	9,289 <i>9.4</i>	9,499 <i>2.3</i>	9,667 <i>1.8</i>
Multiples	4,161 <i>7.4</i>	2,176 <i>-47.7</i>	3,999 <i>83.7</i>	4,432 <i>10.8</i>	3,619 <i>-18.3</i>	3,609 <i>-0.3</i>	3,547 <i>-1.7</i>	3,551 <i>0.1</i>
Housing completions	12,041 <i>28.9</i>	10,065 <i>-16.4</i>	10,340 <i>2.7</i>	11,128 <i>7.6</i>	11,552 <i>3.8</i>	12,400 <i>7.3</i>	12,569 <i>1.4</i>	12,771 <i>1.6</i>
Singles	8,003 <i>14.1</i>	6,494 <i>-18.9</i>	7,828 <i>20.5</i>	7,437 <i>-5.0</i>	7,806 <i>5.0</i>	8,747 <i>12.0</i>	8,988 <i>2.8</i>	9,170 <i>2.0</i>
Multiples	4,038 <i>73.7</i>	3,572 <i>-11.5</i>	2,513 <i>-29.7</i>	3,690 <i>46.9</i>	3,745 <i>1.5</i>	3,654 <i>-2.4</i>	3,582 <i>-2.0</i>	3,601 <i>0.5</i>
Average price of a new home (\$)	358,065 <i>15.4</i>	358,080 <i>0.0</i>	371,886 <i>3.9</i>	383,279 <i>3.1</i>	393,683 <i>2.7</i>	407,532 <i>3.5</i>	421,866 <i>3.5</i>	436,277 <i>3.4</i>
Average price of a resale home (\$)	206,625 <i>20.2</i>	216,799 <i>4.9</i>	231,547 <i>6.8</i>	241,997 <i>4.5</i>	248,518 <i>2.7</i>	258,459 <i>4.0</i>	268,797 <i>4.0</i>	279,280 <i>3.9</i>

Italics indicate percentage change; f = forecast.
Sources: The Conference Board of Canada; CMHC Housing Time Series Database; Canadian Real Estate Association; Statistics Canada.

Alberta



Strength in the oil industry will prompt modest but steady expansion in Alberta's economy and, by ricochet, the province's housing market. Employment is forecast to rise 3.2 per cent both this year and next, buoying population growth and consumers' housing appetite in the medium term. Although housing starts are forecast to drop in 2011, subsequent years will see gradual improvement, albeit not to boom-era levels, which were unsustainable. Price growth for both new and existing homes resumed in 2010 and has continued, slowly, this year. Larger increases await in 2012.

Economic Outlook

Recent dips notwithstanding, relatively high oil prices are expected throughout our forecast, underpinning our call for a decent economic outlook in Alberta. Provincial GDP is forecast to expand 3 per cent in 2011, in a good climate for energy investment. This, along with strong consumer demand and a thriving goods sector, will outweigh sluggish services industry performance. Energy-related investment will spur non-residential construction, with resulting production hikes subsequently boosting manufacturing and mineral fuels output. Hints of a fresh construction upswing have again tightened labour markets; the 65,300 new jobs forecast for 2011 will more than recover losses in 2009 and 2010. Accordingly, the unemployment rate is expected to average 5.5 per cent this year. In 2012, real GDP growth will

accelerate to 3.5 per cent as services sector activity strengthens. Another 66,800 new jobs are projected for 2012, cutting the unemployment rate to 5 per cent. Job-seeking newcomers will boost population growth, supporting housing demand.

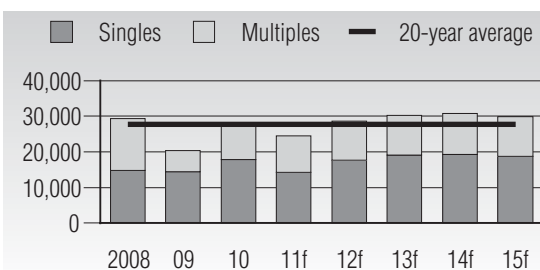
Housing Outlook

Although Alberta housing starts rose 33.5 per cent to over 27,100 units in 2010, lingering weakness in the job market made developers nervous and reminded them of the 2009 recession. Provincial housing starts then averaged fewer than 23,000 units at an annual rate during the first half of 2011. All of the easing was on the single-detached side, where starts fell to an annualized average of 13,200 units, compared with nearly 17,900 units for all of 2010. Starts of multi-family homes, by contrast, averaged roughly 9,400 units, up slightly from 9,250 units last year.

Both single and multiple starts are expected to rise slightly in this year's second half but still total just 24,500 starts for the year.

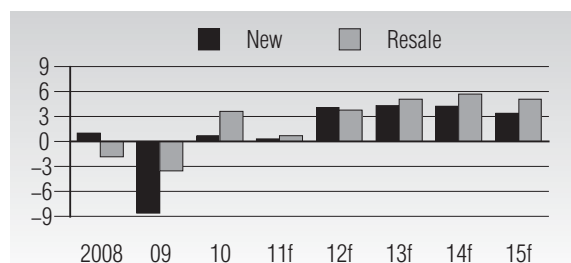
Population growth eased to 1.4 per cent in 2010, the first increase under 2 per cent since 2004. Population growth is forecast to accelerate and average 1.7 per cent per year between 2012 and 2015, prompting a 16.6 per cent increase in housing starts next year alone to 28,500 units. Starts are then forecast to hover near 30,000 units between 2013 and 2015. Such volumes remain well behind boom-era—and unsustainable—peaks above 48,000 units in each of 2006 and 2007. Both single- and multi-family homes will see construction drift higher in the medium term. Unlike many other Canadian markets, the ratio of multiples to total starts in Alberta will remain about the same, averaging 38 per cent between 2011 and 2015.

Chart 1—Housing Starts (000s)



Sources: The Conference Board of Canada; CMHC Housing Time Series Database.

Chart 2—House Price Growth (% change)



Sources: The Conference Board of Canada; CMHC Housing Time Series Database; Canadian Real Estate Association.

The 2009 recession significantly eroded residential value. New home prices dropped 8.6 per cent in 2009 alone, while those for existing homes fell 3.5 per cent. In 2010, new home prices rose by a tepid 0.7 per cent, while existing home prices increased

a slightly stronger 3.6 per cent. Weak pricing in the first half of 2011 is forecast to limit this year's gains to less than 1 per cent for both home types. Next year looks significantly stronger, with new home prices forecast to rise 4.1 per cent and

existing home expected to increase by 3.8 per cent. Between 2013 and 2015, we expect average annual price increases of 4 per cent for new homes and 5.3 per cent for existing homes.

Table 1—Economic Indicators

	2008	2009	2010	2011f	2012f	2013f	2014f	2015f
Real GDP at basic prices (2002 \$ millions)	180,501 <i>1.2</i>	171,830 <i>-4.8</i>	178,346 <i>3.8</i>	183,633 <i>3.0</i>	189,993 <i>3.5</i>	197,810 <i>4.1</i>	205,869 <i>4.1</i>	213,056 <i>3.5</i>
Total employment (000s)	2,053 <i>3.1</i>	2,025 <i>-1.3</i>	2,018 <i>-0.4</i>	2,083 <i>3.2</i>	2,150 <i>3.2</i>	2,204 <i>2.5</i>	2,256 <i>2.4</i>	2,294 <i>1.7</i>
Unemployment rate	3.6	6.6	6.5	5.5	5.0	4.5	4.0	3.8
Personal income per capita	48,228 <i>5.4</i>	46,788 <i>-3.0</i>	48,331 <i>3.3</i>	50,380 <i>4.2</i>	52,475 <i>4.2</i>	54,597 <i>4.0</i>	56,628 <i>3.7</i>	58,503 <i>3.3</i>
Population (000s)	3,578 <i>2.2</i>	3,660 <i>2.3</i>	3,712 <i>1.4</i>	3,768 <i>1.5</i>	3,836 <i>1.8</i>	3,901 <i>1.7</i>	3,967 <i>1.7</i>	4,033 <i>1.6</i>
Retail sales (\$ millions)	61,614 <i>0.2</i>	56,478 <i>-8.3</i>	59,856 <i>6.0</i>	63,212 <i>5.6</i>	67,091 <i>6.1</i>	71,070 <i>5.9</i>	75,042 <i>5.6</i>	78,837 <i>5.1</i>
Inflation rate	3.2	-0.1	1.0	2.7	2.3	2.0	2.0	2.0

Italics indicate percentage change; f = forecast.

Sources: The Conference Board of Canada; Statistics Canada.

Table 2—Housing Indicators

	2008	2009	2010	2011f	2012f	2013f	2014f	2015f
Housing starts	29,241 <i>-39.5</i>	20,325 <i>-30.5</i>	27,126 <i>33.5</i>	24,477 <i>-9.8</i>	28,539 <i>16.6</i>	30,298 <i>6.2</i>	30,758 <i>1.5</i>	29,917 <i>-2.7</i>
Singles	14,701 <i>-47.6</i>	14,422 <i>-1.9</i>	17,876 <i>23.9</i>	14,192 <i>-20.6</i>	17,592 <i>24.0</i>	19,007 <i>8.0</i>	19,261 <i>1.3</i>	18,680 <i>-3.0</i>
Multiples	14,540 <i>-28.2</i>	5,903 <i>-59.4</i>	9,251 <i>56.7</i>	10,286 <i>11.2</i>	10,947 <i>6.4</i>	11,291 <i>3.1</i>	11,497 <i>1.8</i>	11,237 <i>-2.3</i>
Housing completions	39,471 <i>-5.6</i>	27,638 <i>-30.0</i>	29,434 <i>6.5</i>	22,617 <i>-23.2</i>	25,373 <i>12.2</i>	28,434 <i>12.1</i>	29,448 <i>3.6</i>	29,346 <i>-0.3</i>
Singles	22,618 <i>-22.1</i>	13,956 <i>-38.3</i>	18,078 <i>29.5</i>	14,274 <i>-21.0</i>	15,671 <i>9.8</i>	18,121 <i>15.6</i>	18,890 <i>4.2</i>	18,802 <i>-0.5</i>
Multiples	16,853 <i>31.6</i>	13,681 <i>-18.8</i>	11,355 <i>-17.0</i>	8,343 <i>-26.5</i>	9,702 <i>16.3</i>	10,312 <i>6.3</i>	10,557 <i>2.4</i>	10,544 <i>-0.1</i>
Average price of a new home (\$)	469,732 <i>1.0</i>	429,466 <i>-8.6</i>	432,291 <i>0.7</i>	433,478 <i>0.3</i>	451,237 <i>4.1</i>	470,480 <i>4.3</i>	490,454 <i>4.2</i>	507,215 <i>3.4</i>
Average price of a resale home (\$)	352,511 <i>-1.8</i>	340,091 <i>-3.5</i>	352,267 <i>3.6</i>	354,877 <i>0.7</i>	368,333 <i>3.8</i>	387,118 <i>5.1</i>	409,138 <i>5.7</i>	429,955 <i>5.1</i>

Italics indicate percentage change; f = forecast.

Sources: The Conference Board of Canada; CMHC Housing Time Series Database; Canadian Real Estate Association; Statistics Canada.

British Columbia



British Columbia faces moderating but still decent economic growth this year and next. The primary sector is forecast to drive gains this year, with additional lift from services in 2012. We expect only slight employment growth in 2011, but larger increases thereafter. This should somewhat offset the dampening effects of eventual interest rate hikes on housing demand. Housing starts are set to grow by just 2 per cent this year, as singles sag, but rise 7.8 per cent in 2012. Prices for existing homes are forecast to jump sharply this year and dip slightly next, while those for new homes will stall this year and rise modestly in 2012.

Economic Outlook

British Columbia's real GDP is expected to rise 2.4 per cent this year, down from 4 per cent in 2010, as services sector gains moderate. But robust demand from Asia will produce strong primary sector growth. In 2012, continued primary sector health will be aided by renewed services sector vigour to lift real GDP by 3 per cent. B.C.'s forestry output is expected to rise at an annual rate averaging 5.8 per cent in 2011 and 2012. While housing starts, and thus lumber demand, in the U.S. remain soft, Asia's lumber requirements are soaring. Strong demand for wood products has prompted several B.C. mills to reopen, boosting manufacturing output. The mining industry's outlook is also promising, thanks to the opening of new mines and increased output at existing sites.

Still, employment is expected to advance by only 0.9 per cent this year, prompting an unemployment rate rise to an average of 7.7 per cent. Better employment growth of 2.4 per cent next year is predicted to trim the unemployment rate to 6.6 per cent.

Housing Outlook

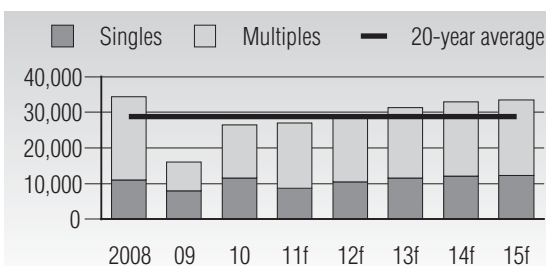
British Columbia housing markets are obviously influenced by its largest city, Vancouver. Through much of late 2010 and early 2011, the Vancouver resale market was exhibiting symptoms of a housing bubble. This boosted provincial resale price growth despite weaker conditions elsewhere. A cooling Vancouver market will also have province-wide effect.

Although B.C. housing starts have recently eased, a return to 2009-style weakness is not foreseen. Much

of that year's softness resulted from collapsing multiple-unit construction, which accounted for an outsized 58 per cent of all starts in the province between 2000 and 2009. Last year, though, saw multiple starts nearly double. Another 21.8 per cent rise in multiple starts is predicted for 2011, followed by a small gain of 1.8 per cent in 2012. Further moderate increases between 2013 and 2015 will nonetheless leave multiple starts at 21,300 units, well off the nearly 25,000 dwellings built in 2007.

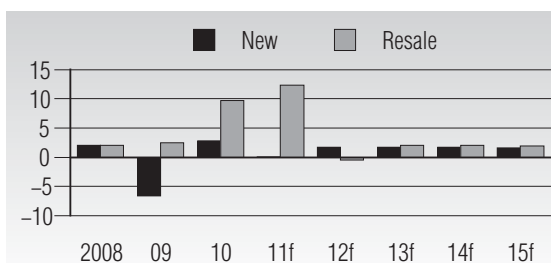
Single-detached starts, meanwhile, also sprang back after two down years, rising a solid 45 per cent in 2010. Despite this jump, last year's 11,500 single starts were well off the 2006 peak above 15,400 units. Single starts are forecast to dip to only 8,700 units in 2011, offsetting the rise in multiple starts, and limiting total housing starts to 27,000 units. In 2012, both single and multiple

Chart 1—Housing Starts (000s)



Sources: The Conference Board of Canada; CMHC Housing Time Series Database.

Chart 2—House Price Growth (% change)



Sources: The Conference Board of Canada; CMHC Housing Time Series Database; Canadian Real Estate Association.

starts will rise, lifting total starts by 7.8 per cent to 29,100 units. Moderate gains in ensuing years are forecast to lift starts to almost 33,500 units by 2015, still below the 2007 peak.

Price growth for both new and existing homes perked up in 2010. Prices for new homes rebounded to

rise 2.8 per cent following a 2009 dip, while those for existing units jumped nearly 10 per cent. New home prices were soft at the start of 2011 and will end the year largely unchanged. Next year promises slightly better 1.7 per cent growth. Existing home prices, by contrast, spiked in the first quarter and are

forecast to end 2011 up 12.4 per cent. Such increases are unsustainable, and so the average resale price is forecast to stall in 2012. Both new and existing home prices are expected to rise moderately between 2013 and 2015, reflecting a balanced market stance.

Table 1—Economic Indicators

	2008	2009	2010	2011f	2012f	2013f	2014f	2015f
Real GDP at basic prices (2002 \$ millions)	150,833 <i>0.0</i>	148,082 <i>-1.8</i>	153,971 <i>4.0</i>	157,743 <i>2.4</i>	162,403 <i>3.0</i>	167,761 <i>3.3</i>	172,546 <i>2.9</i>	176,853 <i>2.5</i>
Total employment (000s)	2,266 <i>2.0</i>	2,218 <i>-2.1</i>	2,257 <i>1.8</i>	2,278 <i>0.9</i>	2,332 <i>2.4</i>	2,392 <i>2.6</i>	2,436 <i>1.8</i>	2,469 <i>1.4</i>
Unemployment rate	4.6	7.7	7.6	7.7	6.6	5.7	5.2	5.0
Personal income per capita	36,026 <i>2.2</i>	35,310 <i>-2.0</i>	35,950 <i>1.8</i>	36,723 <i>2.1</i>	37,948 <i>3.3</i>	39,275 <i>3.5</i>	40,479 <i>3.1</i>	41,617 <i>2.8</i>
Population (000s)	4,375 <i>1.7</i>	4,453 <i>1.8</i>	4,524 <i>1.6</i>	4,575 <i>1.1</i>	4,640 <i>1.4</i>	4,704 <i>1.4</i>	4,769 <i>1.4</i>	4,834 <i>1.4</i>
Retail sales (\$ millions)	57,783 <i>1.5</i>	55,222 <i>-4.4</i>	58,145 <i>5.3</i>	59,589 <i>2.5</i>	62,294 <i>4.5</i>	65,084 <i>4.5</i>	67,777 <i>4.1</i>	70,356 <i>3.8</i>
Inflation rate	2.1	0.0	1.4	2.6	2.0	2.0	2.0	2.0

Italics indicate percentage change; f = forecast.

Sources: The Conference Board of Canada; Statistics Canada.

Table 2—Housing Indicators

	2008	2009	2010	2011f	2012f	2013f	2014f	2015f
Housing starts	34,404 <i>-12.2</i>	16,007 <i>-53.5</i>	26,492 <i>65.5</i>	27,035 <i>2.0</i>	29,140 <i>7.8</i>	31,261 <i>7.3</i>	32,951 <i>5.4</i>	33,494 <i>1.6</i>
Singles	10,990 <i>-24.1</i>	7,908 <i>-28.0</i>	11,458 <i>44.9</i>	8,727 <i>-23.8</i>	10,508 <i>20.4</i>	11,498 <i>9.4</i>	12,057 <i>4.9</i>	12,194 <i>1.1</i>
Multiples	23,415 <i>-5.3</i>	8,099 <i>-65.4</i>	15,034 <i>85.6</i>	18,307 <i>21.8</i>	18,632 <i>1.8</i>	19,763 <i>6.1</i>	20,894 <i>5.7</i>	21,300 <i>1.9</i>
Housing completions	34,644 <i>4.3</i>	29,528 <i>-14.8</i>	27,784 <i>-5.9</i>	22,789 <i>-18.0</i>	26,515 <i>16.3</i>	29,266 <i>10.4</i>	30,665 <i>4.8</i>	31,902 <i>4.0</i>
Singles	11,314 <i>-18.9</i>	8,881 <i>-21.5</i>	10,732 <i>20.8</i>	8,998 <i>-16.2</i>	9,651 <i>7.3</i>	11,093 <i>14.9</i>	11,709 <i>5.6</i>	12,175 <i>4.0</i>
Multiples	23,330 <i>21.0</i>	20,648 <i>-11.5</i>	17,051 <i>-17.4</i>	13,791 <i>-19.1</i>	16,864 <i>22.3</i>	18,173 <i>7.8</i>	18,956 <i>4.3</i>	19,727 <i>4.1</i>
Average price of a new home (\$)	666,859 <i>2.1</i>	622,921 <i>-6.6</i>	640,353 <i>2.8</i>	641,288 <i>0.1</i>	652,201 <i>1.7</i>	663,255 <i>1.7</i>	674,449 <i>1.7</i>	685,208 <i>1.6</i>
Average price of a resale home (\$)	448,886 <i>2.1</i>	460,095 <i>2.5</i>	504,771 <i>9.7</i>	567,320 <i>12.4</i>	564,389 <i>-0.5</i>	575,764 <i>2.0</i>	587,374 <i>2.0</i>	598,648 <i>1.9</i>

Italics indicate percentage change; f = forecast.

Sources: The Conference Board of Canada; CMHC Housing Time Series Database; Canadian Real Estate Association; Statistics Canada.

Québec City



Economic Outlook

Weakness in manufacturing and related sectors will limit Québec City's GDP growth to 1.8 per cent in 2011, but a slightly faster 2.1 per cent rise is anticipated in 2012. Employment growth will stall this year after four straight annual increases, including a 3.6 per cent increase in 2010, but pick up to 2.3 per cent in 2012. Flat employment, along with moderate labour force growth, is predicted to lift the unemployment rate to 5.5 per cent this year—still low by historical standards, keeping net in-migration brisk, albeit below last year's record high.

Housing Outlook

EXISTING HOUSING MARKET

Unit sales of existing homes in Québec City increased rapidly in the late 1990s, resulting in a tight market with strong price growth.

Growth in Québec City's economy is expected to slow to 1.8 per cent in 2011, with higher taxes and weak job creation taking some steam out of consumer demand. The housing market will feel the pinch of a weaker economy. Existing home sales are forecast to increase by a modest average of 3.6 per cent per year over this year and next, while housing starts will decline. Lower demand growth will also lead to slower price growth in both markets.

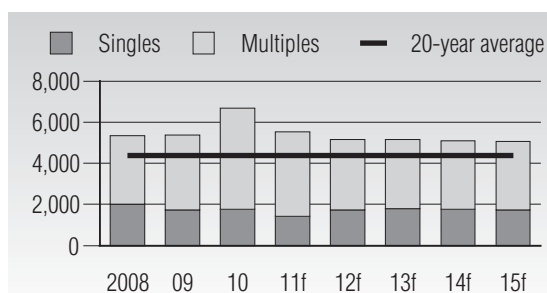
Higher prices meant buyers were spending more and more of their income on housing. Mortgage payments as a per cent of household income rose from 9.6 per cent in 2001 to 15.8 per cent by 2007. Accordingly, unit sales grew very little during this time period, hovering between 7,000 to 8,000 units. Still, sellers were encouraged by the higher prices. From 2004 to 2006, new listings rose by an average of 9.2 per cent annually, helping to reduce the sales-to-new-listings ratio to 64 per cent, its lowest level since 1999.

Existing home sales took a tumble in the last half of 2008, as demand fell in line with weaker economic growth and reduced consumer confidence, both of which were being pulled down by the global recession. The economic recovery and low interest rates brought a number of buyers back to the existing home market in 2009, offsetting

the 2008 decline in sales. But a decline in new listings—as sellers were still cautious coming out of the recession—kept the resale market in sellers' territory. As a result, existing home prices continued to be robust, increasing by 9.1 per cent in 2008 and 7.5 per cent in 2009.

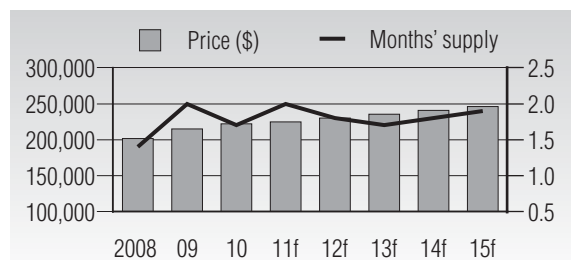
A slowdown in the recovery last year, together with higher taxes, pushed buyers out of the resale market once more. Unit sales contracted 10.9 per cent in 2010. Although sales picked up in the final quarter of the year and through the first quarter of 2011, they weakened again in the second quarter, and are expected to show only modest improvement through the final half of this year. Housing demand in the census metropolitan area this year is being constrained by higher personal taxes and also by tighter mortgage rules. Overall, unit sales are forecast to grow by 3.4 per cent this year, to 7,300 units.

Chart 1—Housing Starts (000s)



Sources: The Conference Board of Canada; CMHC Housing Time Series Database.

Chart 2—New Housing Price and Months' Supply



Sources: The Conference Board of Canada; CMHC Housing Time Series Database.

Next year, a stable economy and stronger employment growth will push sales up a further 3.8 per cent.

Sellers continue to be enticed by high prices. Existing home prices rose another 11.3 per cent last year and are expected to grow by 3.9 per cent in 2011, to \$243,000. Growth in new listings will help to hold the sales-to-new-listings ratio steady, near 60 per cent, over the next few years, keeping resale price growth at a modest 2.5 per cent in 2012, and an average of 2.8 per cent over the medium term.

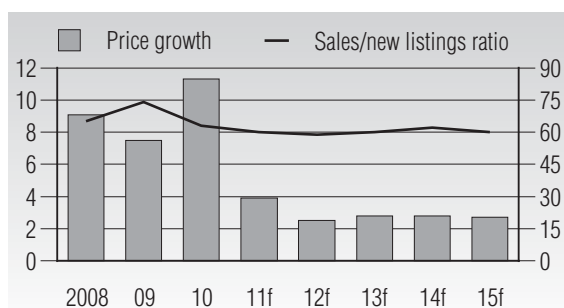
NEW HOUSING MARKET

Québec City's new home market grew rapidly in the early 2000s, before easing over 2005 to 2007. Strong population growth led to higher absorptions in 2008, encouraging builders to increase the number of starts again, even as the global recession was looming. Housing starts increased 3.8 per cent that year and 0.5 per cent in 2009. The recovery in the economy outweighed tax increases last year, pushing starts up an additional 24.8 per cent to 6,700 units—the second highest level ever recorded. Growth in new home prices remained relatively

brisk through 2008 and 2009, increasing by an average of 6.1 per cent per year, before moderating to 3.2 per cent growth in 2010.

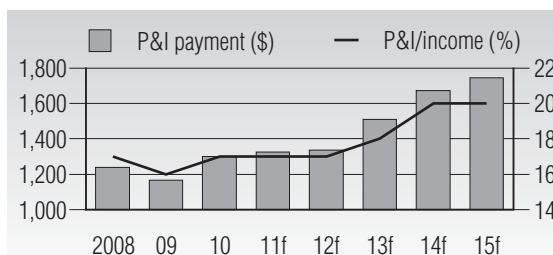
At their 2010 level, starts were much above demographic requirements, and inventories moved up to around 2 months. Moreover, entering 2011, demand for new homes was hurt by slower economic growth, modest gains in employment, additional tax increases, and tighter mortgage rules. Builders reduced starts substantially through the first half of 2011 and are expected to continue to do so over the next

Chart 3—MLS Sales-to-New-Listings Ratio and Price Growth (%)



Sources: The Conference Board of Canada, Canadian Real Estate Association.

Chart 4—Affordability



Note: Principle and interest payments assume average resale price, 10 per cent down payment, 25-year amortization, and 5-year fixed mortgage rate.

Sources: The Conference Board of Canada; CMHC Housing Time Series Database.

Table 1—Economic Indicators

	2008	2009	2010	2011f	2012f	2013f	2014f	2015f
Real GDP at basic prices (2002 \$ millions)	24,760	24,948	25,669	26,122	26,671	27,384	28,006	28,604
	<i>2.2</i>	<i>0.8</i>	<i>2.9</i>	<i>1.8</i>	<i>2.1</i>	<i>2.7</i>	<i>2.3</i>	<i>2.1</i>
Total employment (000s)	393	395	409	409	419	423	428	432
	<i>2.0</i>	<i>0.4</i>	<i>3.6</i>	<i>0.0</i>	<i>2.3</i>	<i>1.2</i>	<i>1.2</i>	<i>0.8</i>
Unemployment rate (%)	4.6	4.9	4.9	5.5	5.5	5.2	5.0	4.8
Personal income per capita (\$)	37,267	37,641	38,872	39,638	41,034	42,325	43,572	44,773
	<i>4.4</i>	<i>1.0</i>	<i>3.3</i>	<i>2.0</i>	<i>3.5</i>	<i>3.1</i>	<i>2.9</i>	<i>2.8</i>
Population (000s)	738	746	754	763	770	777	785	792
	<i>1.0</i>	<i>1.0</i>	<i>1.2</i>	<i>1.1</i>	<i>1.0</i>	<i>1.0</i>	<i>1.0</i>	<i>1.0</i>
Retail sales (\$ millions)	11,496	11,497	12,308	12,793	13,351	13,852	14,359	14,867
	<i>5.9</i>	<i>0.0</i>	<i>7.1</i>	<i>3.9</i>	<i>4.4</i>	<i>3.8</i>	<i>3.7</i>	<i>3.5</i>
Inflation rate (%)	2.1	0.8	1.4	3.1	2.7	2.0	2.0	2.1

Italics indicate percentage change; f = forecast.

Sources: The Conference Board of Canada; Statistics Canada.

couple of years. While much of the growth in housing starts over the past couple of years has been in the multiple-unit market, both singles and multiples are expected to decline in 2011. In total, housing starts are expected to decrease by 17.2 per cent in 2011 and 6.8 per cent next year.

With the higher inventories, price growth in the new home market is forecast to moderate further this year, slipping to 1.3 per cent. New home prices are then expected to increase by 2.1 per cent next year and average 2.3 per cent growth per year over the medium term.

Table 2—New Housing Market Indicators

	2008	2009	2010	2011f	2012f	2013f	2014f	2015f
Housing starts	5,335 <i>3.8</i>	5,360 <i>0.5</i>	6,691 <i>24.8</i>	5,541 <i>-17.2</i>	5,161 <i>-6.8</i>	5,157 <i>-0.1</i>	5,106 <i>-1.0</i>	5,058 <i>-0.9</i>
Singles	2,004 <i>-5.5</i>	1,741 <i>-13.2</i>	1,773 <i>1.8</i>	1,430 <i>-19.3</i>	1,728 <i>20.8</i>	1,793 <i>3.8</i>	1,765 <i>-1.5</i>	1,740 <i>-1.4</i>
Multiples	3,330 <i>10.3</i>	3,619 <i>8.7</i>	4,919 <i>35.9</i>	4,111 <i>-16.4</i>	3,434 <i>-16.5</i>	3,364 <i>-2.0</i>	3,340 <i>-0.7</i>	3,318 <i>-0.7</i>
Under construction	2,944 <i>34.5</i>	2,484 <i>-15.6</i>	3,155 <i>27.0</i>	3,133 <i>-0.7</i>	2,530 <i>-19.3</i>	2,541 <i>0.5</i>	2,913 <i>14.6</i>	3,348 <i>14.9</i>
Housing completions	5,486 <i>23.5</i>	5,120 <i>-6.7</i>	6,419 <i>25.4</i>	5,855 <i>-8.8</i>	5,671 <i>-3.1</i>	4,915 <i>-13.3</i>	4,687 <i>-4.6</i>	4,616 <i>-1.5</i>
Singles	1,983 <i>-8.3</i>	1,757 <i>-11.4</i>	1,959 <i>11.5</i>	1,156 <i>-41.0</i>	1,736 <i>50.1</i>	1,767 <i>1.8</i>	1,738 <i>-1.6</i>	1,701 <i>-2.1</i>
Multiples	3,503 <i>53.6</i>	3,363 <i>-4.0</i>	4,460 <i>32.6</i>	4,698 <i>5.3</i>	3,935 <i>-16.2</i>	3,148 <i>-20.0</i>	2,949 <i>-6.3</i>	2,914 <i>-1.2</i>
Newly completed and unabsorbed	601 <i>-2.5</i>	856 <i>42.5</i>	863 <i>0.8</i>	996 <i>15.3</i>	868 <i>-12.8</i>	706 <i>-18.7</i>	701 <i>-0.7</i>	734 <i>4.7</i>
Absorptions	5,226 <i>10.6</i>	5,097 <i>-2.5</i>	6,264 <i>22.9</i>	5,925 <i>-5.4</i>	5,814 <i>-1.9</i>	5,014 <i>-13.8</i>	4,652 <i>-7.2</i>	4,580 <i>-1.6</i>
Months' supply	1.4	2.0	1.7	2.0	1.8	1.7	1.8	1.9
Average price of a new home (\$)	201,426 <i>5.3</i>	215,470 <i>7.0</i>	222,372 <i>3.2</i>	225,219 <i>1.3</i>	229,989 <i>2.1</i>	235,279 <i>2.3</i>	240,926 <i>2.4</i>	246,467 <i>2.3</i>

Italics indicate percentage change; f = forecast.

Sources: The Conference Board of Canada; CMHC Housing Time Series Database.

Table 3—Resale Housing Market Indicators

	2008	2009	2010	2011f	2012f	2013f	2014f	2015f
Unit sales	7,826 <i>-1.4</i>	7,947 <i>1.5</i>	7,078 <i>-10.9</i>	7,321 <i>3.4</i>	7,596 <i>3.8</i>	7,923 <i>4.3</i>	8,263 <i>4.3</i>	8,602 <i>4.1</i>
Dollar volume sales (\$ millions)	1,530 <i>7.6</i>	1,670 <i>9.1</i>	1,656 <i>-0.9</i>	1,779 <i>7.4</i>	1,893 <i>6.4</i>	2,030 <i>7.2</i>	2,176 <i>7.2</i>	2,327 <i>6.9</i>
New listings	12,059 <i>9.2</i>	10,681 <i>-11.4</i>	11,166 <i>4.5</i>	12,249 <i>9.7</i>	12,824 <i>4.7</i>	13,187 <i>2.8</i>	13,330 <i>1.1</i>	14,325 <i>7.5</i>
Sales-to-new-listings ratio (%)	65	74	63	60	59	60	62	60
Average price of a resale home (\$)	195,532 <i>9.1</i>	210,163 <i>7.5</i>	233,962 <i>11.3</i>	243,035 <i>3.9</i>	249,219 <i>2.5</i>	256,197 <i>2.8</i>	263,369 <i>2.8</i>	270,478 <i>2.7</i>

Italics indicate percentage change; f = forecast.

Sources: The Conference Board of Canada; Canadian Real Estate Association.

Montréal



Growth in Montréal's real GDP is forecast to slow to 1.9 per cent in 2011 but pick up to 2.3 per cent in 2012. Employment growth will mirror this performance, easing this year but accelerating slightly in 2012. Both the resale and the new housing markets will feel the pinch of the slowdown, and prices will grow only modestly. While sales of existing units will rise in 2012, in line with stronger economic growth, starts in the new market are expected to continue to decline as builders try to reduce inventories.

Economic Outlook

After slowing to 1.9 per cent this year, Montréal's gross domestic product growth is forecast to reach 2.3 per cent in 2012, and average 2.5 per cent annually between 2013 and 2015. But the job market will be lacklustre, with employment rising only 1.3 per cent this year and 1.8 per cent in 2012. Still, the unemployment rate is forecast to fall to 8 per cent this year and 7.9 per cent in 2012. Large international inflows will keep overall net in-migration strong in Montréal, despite inter-provincial and intercity losses, boosting the city's population an average of 1.1 per cent annually throughout our forecast.

Housing Outlook

EXISTING HOUSING MARKET

Montréal's resale home market has enjoyed impressive growth

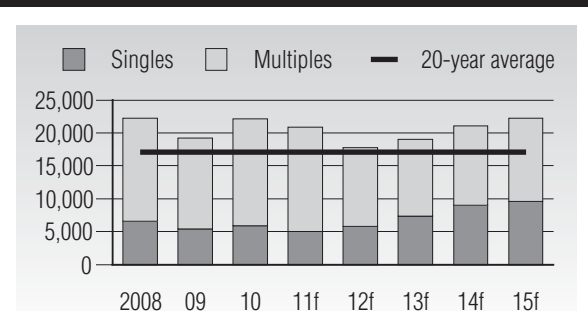
since 1996. Over the past 15 years, unit sales of existing homes have declined only twice—in 2003 and 2008. With increased sales and lower listings, the sales-to-new-listings ratio climbed from 36 per cent in 1995 to over 100 per cent by 2002, moving from a buyers' market to a sellers' market and pushing up prices. Sales growth then slowed, as buyers were turned off by the higher prices and a weaker economy

A jump in real GDP growth in 2007 boosted demand once more, pushing unit sales up by 11.6 per cent and prices up by 6.2 per cent. Sales then dipped by 7.4 per cent in 2008 as the global recession lowered consumer confidence. Price growth slipped to 3.5 per cent—its lowest rate since 2001. But the downturn was short-lived. By the second quarter of 2009, with the economic recovery under way and interest rates at historically low levels, buyers came back to the market, raising

unit sales of existing homes by 3.4 per cent. A slowdown in the recovery in late 2010, together with provincial tax hikes, resulted in modest sales growth of just 1.2 per cent last year. Meanwhile, a decline in new listings in 2009 tightened the market, sending price growth back upward. Existing home prices increased 4.9 per cent that year, and a further 7.8 per cent last year.

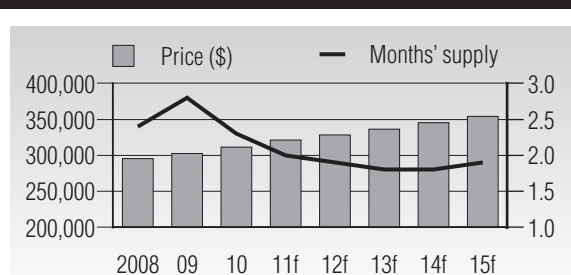
Sales have continued to weaken so far this year, pulled down by weak employment growth, additional tax increases, and tighter mortgage rules. Sellers have also retreated from the market, resulting in a dip in the sales-to-new-listings ratio from 59 per cent in 2010 to 55 per cent in 2011. In turn, price growth in the resale market is expected to decelerate to a still sound 3.5 per cent for 2011. Next year, stronger employment and GDP growth will help to offset the negative effects of tighter mortgage rules, allowing

Chart 1—Housing Starts (000s)



Sources: The Conference Board of Canada; CMHC Housing Time Series Database.

Chart 2—New Housing Price and Months' Supply



Sources: The Conference Board of Canada; CMHC Housing Time Series Database.

existing home sales to expand by 2 per cent. A more stable sales-to-new-listings ratio over the next few years will keep resale price growth at an annual average of 3.1 per cent over our forecast horizon (2012 to 2015).

NEW HOUSING MARKET

Like the resale market, Montréal's new housing market also experienced a period of solid growth from the mid-1990s until 2004. Housing starts increased by an average of 20 per cent per year from 1997 to 2004, rising to 28,500 units—a fourfold increase. Builders then

reduce starts as higher prices and more moderate economic growth tempered demand. Over 2008 and 2009, as the global downturn reduced consumer confidence, housing starts dropped more than 18 per cent, down to 19,300 units—their lowest level since 2001. In spite of the decline in starts, months' supply remained above 2 months, lowering price growth in the new home market from an average of 4.5 per cent per year between 2006 and 2008, to just 2.4 per cent for 2009.

Spillover demand from the resale market, low interest rates,

and the economic recovery lured buyers and builders back to the new home market in 2010. Starts rose 15 per cent to 22,100—the eighth time in the past nine years that starts have surpassed 20,000 units. At 17.8 per cent last year, the growth in multiple-family units was significantly higher than in single-detached units. The multiples market continues to be the strongest growing market in Montréal. Indeed, multiple-unit starts have more than tripled in number over the past decade, while single-family starts have largely remained at the same level.

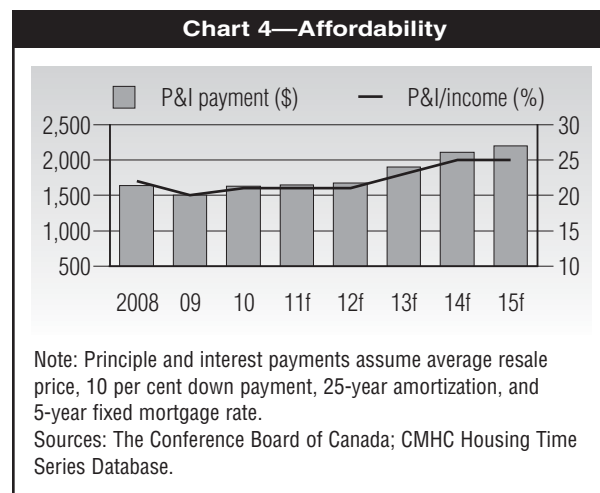
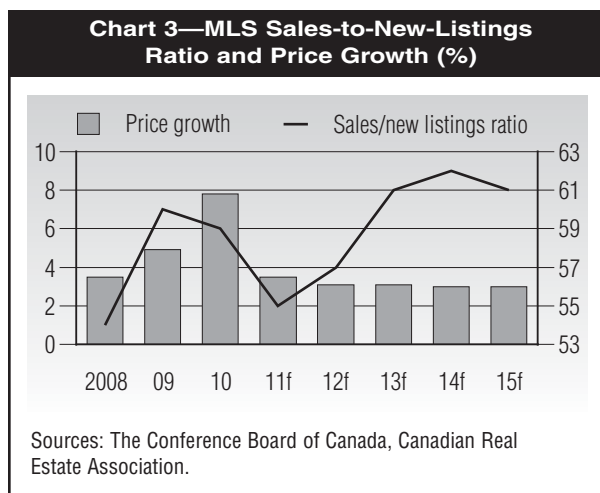


Table 1—Economic Indicators

	2008	2009	2010	2011f	2012f	2013f	2014f	2015f
Real GDP at basic prices (2002 \$ millions)	123,777 <i>1.4</i>	123,356 <i>-0.3</i>	126,579 <i>2.6</i>	128,975 <i>1.9</i>	132,003 <i>2.3</i>	135,433 <i>2.6</i>	138,687 <i>2.4</i>	142,180 <i>2.5</i>
Total employment (000s)	1,917 <i>0.5</i>	1,904 <i>-0.6</i>	1,954 <i>2.6</i>	1,979 <i>1.3</i>	2,014 <i>1.8</i>	2,036 <i>1.1</i>	2,059 <i>1.1</i>	2,080 <i>1.0</i>
Unemployment rate (%)	7.4	9.2	8.7	8.0	7.9	7.7	7.2	6.8
Personal income per capita (\$)	35,059 <i>3.1</i>	34,927 <i>-0.4</i>	35,881 <i>2.7</i>	36,895 <i>2.8</i>	38,105 <i>3.3</i>	39,231 <i>3.0</i>	40,332 <i>2.8</i>	41,497 <i>2.9</i>
Population (000s)	3,765 <i>1.1</i>	3,819 <i>1.4</i>	3,859 <i>1.1</i>	3,901 <i>1.1</i>	3,946 <i>1.2</i>	3,989 <i>1.1</i>	4,034 <i>1.1</i>	4,077 <i>1.1</i>
Retail sales (\$ millions)	41,892 <i>3.2</i>	41,861 <i>-0.1</i>	44,521 <i>6.4</i>	45,219 <i>1.6</i>	47,301 <i>4.6</i>	49,042 <i>3.7</i>	50,902 <i>3.8</i>	52,897 <i>3.9</i>
Inflation rate (%)	2.1	0.8	1.2	3.0	2.7	2.0	2.0	2.1

Italics indicate percentage change; f = forecast.
Sources: The Conference Board of Canada; Statistics Canada.

Additional taxes and tighter mortgage rules are dampening the new home market this year. Both multiple-unit and single-unit starts are expected to decline in 2011. Single-family starts are forecast to tumble 14.2 per cent this year, a

much bigger drop than the 2.7 per cent decline expected for multiples. In total, housing starts are forecast to fall by 5.7 per cent in 2011. Despite the declines in starts, inventories remain above 2 months. As builders try to push inventories lower, a

further 14.7 per cent drop in 2012 will put starts at an 11-year low of only 17,800 units. New home price growth is expected to remain moderate, at 3.1 per cent this year and an average of 2.4 per cent per year from 2012 to 2015.

Table 2—New Housing Market Indicators

	2008	2009	2010	2011f	2012f	2013f	2014f	2015f
Housing starts	22,242 <i>-4.8</i>	19,258 <i>-13.4</i>	22,146 <i>15.0</i>	20,885 <i>-5.7</i>	17,810 <i>-14.7</i>	19,052 <i>7.0</i>	21,065 <i>10.6</i>	22,221 <i>5.5</i>
Singles	6,576 <i>-17.6</i>	5,424 <i>-17.5</i>	5,853 <i>7.9</i>	5,023 <i>-14.2</i>	5,848 <i>16.4</i>	7,375 <i>26.1</i>	8,984 <i>21.8</i>	9,639 <i>7.3</i>
Multiples	15,666 <i>1.9</i>	13,834 <i>-11.7</i>	16,293 <i>17.8</i>	15,861 <i>-2.7</i>	11,962 <i>-24.6</i>	11,677 <i>-2.4</i>	12,080 <i>3.5</i>	12,582 <i>4.2</i>
Under construction	15,172 <i>0.3</i>	12,864 <i>-15.2</i>	14,385 <i>11.8</i>	15,095 <i>4.9</i>	13,428 <i>-11.0</i>	12,723 <i>-5.2</i>	13,430 <i>5.6</i>	14,288 <i>6.4</i>
Housing completions	23,808 <i>-2.3</i>	19,486 <i>-18.2</i>	19,922 <i>2.2</i>	20,801 <i>4.4</i>	20,004 <i>-3.8</i>	18,870 <i>-5.7</i>	20,217 <i>7.1</i>	21,355 <i>5.6</i>
Singles	7,364 <i>-4.6</i>	5,216 <i>-29.2</i>	6,034 <i>15.7</i>	5,052 <i>-16.3</i>	5,749 <i>13.8</i>	7,351 <i>27.9</i>	8,845 <i>20.3</i>	9,626 <i>8.8</i>
Multiples	16,444 <i>-1.2</i>	14,270 <i>-13.2</i>	13,888 <i>-2.7</i>	15,749 <i>13.4</i>	14,256 <i>-9.5</i>	11,519 <i>-19.2</i>	11,372 <i>-1.3</i>	11,729 <i>3.1</i>
Newly completed and unabsorbed	4,650 <i>-3.1</i>	4,663 <i>0.3</i>	3,965 <i>-15.0</i>	3,446 <i>-13.1</i>	3,277 <i>-4.9</i>	2,857 <i>-12.8</i>	2,997 <i>4.9</i>	3,278 <i>9.4</i>
Absorptions	23,471 <i>-5.5</i>	19,726 <i>-16.0</i>	21,083 <i>6.9</i>	20,666 <i>-2.0</i>	20,549 <i>-0.6</i>	19,104 <i>-7.0</i>	19,893 <i>4.1</i>	21,087 <i>6.0</i>
Months' supply	2.4	2.8	2.3	2.0	1.9	1.8	1.8	1.9
Average price of a new home (\$)	295,500 <i>4.9</i>	302,473 <i>2.4</i>	311,888 <i>3.1</i>	321,401 <i>3.1</i>	328,635 <i>2.3</i>	336,522 <i>2.4</i>	345,272 <i>2.6</i>	353,904 <i>2.5</i>

Italics indicate percentage change; f = forecast.

Sources: The Conference Board of Canada; CMHC Housing Time Series Database.

Table 3—Resale Housing Market Indicators

	2008	2009	2010	2011f	2012f	2013f	2014f	2015f
Unit sales	40,444 <i>-7.4</i>	41,803 <i>3.4</i>	42,309 <i>1.2</i>	40,413 <i>-4.5</i>	41,230 <i>2.0</i>	41,972 <i>1.8</i>	42,686 <i>1.7</i>	43,369 <i>1.6</i>
Dollar volume sales (\$ millions)	10,477 <i>-4.2</i>	11,365 <i>8.5</i>	12,396 <i>9.1</i>	12,258 <i>-1.1</i>	12,897 <i>5.2</i>	13,536 <i>5.0</i>	14,179 <i>4.8</i>	14,838 <i>4.6</i>
New listings	74,797 <i>5.6</i>	69,379 <i>-7.2</i>	72,153 <i>4.0</i>	73,843 <i>2.3</i>	71,847 <i>-2.7</i>	68,921 <i>-4.1</i>	69,331 <i>0.6</i>	71,272 <i>2.8</i>
Sales-to-new-listings ratio (%)	54	60	59	55	57	61	62	61
Average price of a resale home (\$)	259,046 <i>3.5</i>	271,863 <i>4.9</i>	292,998 <i>7.8</i>	303,325 <i>3.5</i>	312,795 <i>3.1</i>	322,492 <i>3.1</i>	332,166 <i>3.0</i>	342,130 <i>3.0</i>

Italics indicate percentage change; f = forecast.

Sources: The Conference Board of Canada; Canadian Real Estate Association.

Toronto



Toronto's economy is forecast to expand by 2.8 per cent this year and 2.9 per cent in 2012. The existing home market has continued to grow in 2011 in spite of tighter mortgage rules. Low interest rates and solid population growth will allow unit sales to rise by a forecast 1.9 per cent in 2011 and 2 per cent next year. Housing starts have also been strong so far in 2011, but are forecast to slow in the coming months. Starts are expected to slip 0.5 per cent in 2012, after rising by 37.3 per cent this year.

Economic Outlook

Real gross domestic product in Toronto is forecast to grow by 2.8 per cent this year, down from last year's 3.9 per cent post-recession recovery. Last year, strength came from the manufacturing, construction, transportation and warehousing, and wholesale and retail trade sectors. A more fragile global economy in recent months has reduced growth in most of these sectors so far this year. Still, the transportation and warehousing sector is expected to be a growth leader again in 2011, along with the business services sector. A decline in Toronto's construction output will limit the improvement in overall economic growth to 2.9 per cent for 2012.

Housing Outlook

EXISTING HOUSING MARKET

The introduction of a land transfer tax and the start of the global

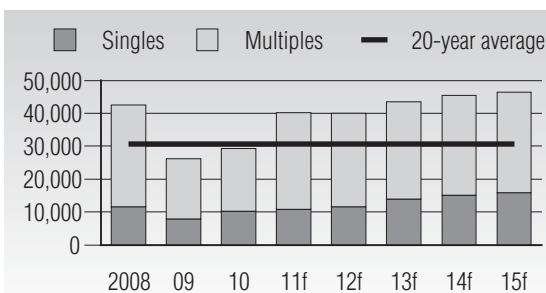
recession diminished demand for Toronto's resale housing in 2008, as unit sales tumbled more than 20 per cent, falling to 67,700 units. This was the first time in six years that unit sales had slipped below 70,000 units. It was also the first time since 1995 that the sales-to-new-listings ratio had fallen below 50 per cent, back into buyers' territory. As a result, resale home prices grew just 0.9 per cent that year.

Unit sales then started to rise rapidly in the second half of 2009, boosted by low interest rates and the economic recovery. But sellers were still cautious about putting homes on the market, and so homebuyers had relatively few units to pick from. With housing demand exceeding supply, prices soared by about 19 per cent in the early part of 2010. Not surprisingly, sellers flocked to the market. By spring, the increase in supply was beginning to trim price growth, although

it remained in double-digits for several more months. Around the same time, the economic recovery slowed, causing buyers, already spooked by big price hikes, to retreat from the market. By the final quarter of last year, unit sales plunged, leaving them down 1.6 per cent in total for 2010.

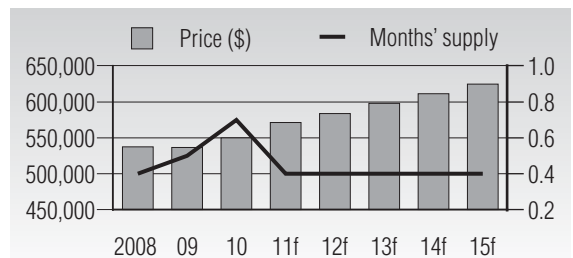
This year, the story in Toronto's existing home market has been nowhere near as dramatic. Slower price growth has made it somewhat easier on buyers, although it has also trimmed listings. Continued low interest rates have further comforted purchasers. Indeed, sales have edged higher, and annual price growth has exceeded 8 per cent in recent months. Overall, unit sales are expected to increase by a modest annual average of 2 per cent in 2011 and 2012. With listings beginning to rise again, resale price growth is forecast to slow to 7 per cent this year and 1.9 per cent in 2012, down from 9.4 per cent last year.

Chart 1—Housing Starts (000s)



Sources: The Conference Board of Canada; CMHC Housing Time Series Database.

Chart 2—New Housing Price and Months' Supply



Sources: The Conference Board of Canada; CMHC Housing Time Series Database.

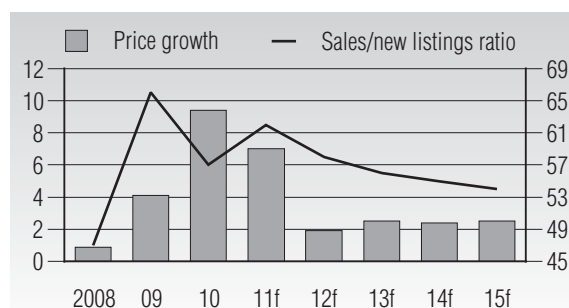
NEW HOUSING MARKET

After pushing up the number of annual housing starts to a near-record level in 2004, builders pulled back over the next few years. But months' supply stayed relatively low, and so average growth in new home prices rose to 4.2 per cent per year. Even though 2008 was marred by the new land transfer tax and the beginnings of a global recession, a strong first quarter led to a substantial 28.8 per cent increase in housing starts that year. Much of this growth was due to the start of a number of new high-rise buildings in the downtown core.

Builders were leaving the market again by the final quarter of 2008 though, as the recession hit full force. Housing starts then fell by 38.7 per cent in 2009, down to 26,100 units, their lowest level in 11 years. As the economy improved last year, spillover demand from the resale market resulted in starts growing by 12.1 per cent. Starts have continued to gain momentum in recent months, largely spurred on by low interest rates, falling inventories, and healthy population growth. Accordingly, they are expected to rise by 37.3 per cent this year.

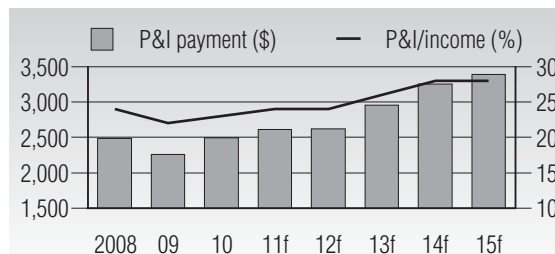
The multiple-unit market has been particularly active so far in 2011. Rising prices and ever-increasing commuting times have spurred interest in more affordable multiple-family units, which are frequently located closer to the downtown core. Multiple-family units are also attractive to Toronto's constantly growing immigrant community and to the elderly, who will make up an increasing share of the population. Indeed, the share of multiple-family unit sales is expected to keep rising. But with total starts now hovering around 40,000 units, and with mortgage rules tightening, overall housing activity is expected to slow in the

Chart 3—MLS Sales-to-New-Listings Ratio and Price Growth (%)



Sources: The Conference Board of Canada, Canadian Real Estate Association.

Chart 4—Affordability



Note: Principle and interest payments assume average resale price, 10 per cent down payment, 25-year amortization, and 5-year fixed mortgage rate.

Sources: The Conference Board of Canada; CMHC Housing Time Series Database.

Table 1—Economic Indicators

	2008	2009	2010	2011f	2012f	2013f	2014f	2015f
Real GDP at basic prices (2002 \$ millions)	219,134	213,316	221,674	227,891	234,553	244,223	253,022	260,691
	-0.2	-2.7	3.9	2.8	2.9	4.1	3.6	3.0
Total employment (000s)	2,893	2,852	2,919	2,977	3,049	3,146	3,204	3,250
	2.0	-1.4	2.3	2.0	2.4	3.2	1.8	1.4
Unemployment rate (%)	6.9	9.5	9.0	8.1	7.3	6.6	6.3	6.2
Personal income per capita (\$)	39,146	38,139	39,447	40,560	41,624	43,209	44,496	45,644
	1.1	-2.6	3.4	2.8	2.6	3.8	3.0	2.6
Population (000s)	5,536	5,634	5,741	5,846	5,952	6,065	6,182	6,301
	1.8	1.8	1.9	1.8	1.8	1.9	1.9	1.9
Retail sales (\$ millions)	61,041	59,103	62,875	65,910	68,930	72,534	76,072	79,405
	5.0	-3.2	6.4	4.8	4.6	5.2	4.9	4.4
Inflation rate (%)	2.4	0.5	2.5	3.1	2.3	2.0	2.0	2.1

Italics indicate percentage change; f = forecast.

Sources: The Conference Board of Canada; Statistics Canada.

coming months, leading to a 0.5 per cent decline in housing starts in 2012, before they move back upward in 2013.

Although months' supply edged up through 2009 and 2010, it remained low. Given that demand was still healthy in the first half of this year, growth in new home prices has picked up somewhat and is forecast to come in at 3.7 per cent for

the year 2011 as a whole. With months' supply now back in balanced territory, new home prices will average a more moderate 2.3 per cent per year for the rest of the forecast period (2012 to 2015).

Table 2—New Housing Market Indicators

	2008	2009	2010	2011f	2012f	2013f	2014f	2015f
Housing starts	42,611 <i>28.8</i>	26,140 <i>-38.7</i>	29,307 <i>12.1</i>	40,226 <i>37.3</i>	40,041 <i>-0.5</i>	43,470 <i>8.6</i>	45,519 <i>4.7</i>	46,470 <i>2.1</i>
Singles	11,551 <i>-21.4</i>	7,932 <i>-31.3</i>	10,195 <i>28.5</i>	10,888 <i>6.8</i>	11,668 <i>7.2</i>	13,869 <i>18.9</i>	15,043 <i>8.5</i>	15,813 <i>5.1</i>
Multiples	31,061 <i>69.0</i>	18,208 <i>-41.4</i>	19,112 <i>5.0</i>	29,338 <i>53.5</i>	28,373 <i>-3.3</i>	29,602 <i>4.3</i>	30,477 <i>3.0</i>	30,656 <i>0.6</i>
Under construction	48,379 <i>11.8</i>	47,960 <i>-0.9</i>	47,565 <i>-0.8</i>	48,833 <i>2.7</i>	49,407 <i>1.2</i>	49,298 <i>-0.2</i>	49,394 <i>0.2</i>	49,409 <i>0.0</i>
Housing completions	36,258 <i>19.4</i>	28,356 <i>-21.8</i>	31,393 <i>10.7</i>	37,586 <i>19.7</i>	40,038 <i>6.5</i>	43,589 <i>8.9</i>	45,444 <i>4.3</i>	46,421 <i>2.2</i>
Singles	13,882 <i>-1.4</i>	8,852 <i>-36.2</i>	9,804 <i>10.8</i>	10,017 <i>2.2</i>	11,668 <i>16.5</i>	13,894 <i>19.1</i>	14,954 <i>7.6</i>	15,764 <i>5.4</i>
Multiples	22,376 <i>37.5</i>	19,504 <i>-12.8</i>	21,589 <i>10.7</i>	27,569 <i>27.7</i>	28,370 <i>2.9</i>	29,696 <i>4.7</i>	30,489 <i>2.7</i>	30,657 <i>0.5</i>
Newly completed and unabsorbed	1,214 <i>-0.1</i>	1,164 <i>-4.1</i>	1,709 <i>46.8</i>	1,237 <i>-27.6</i>	1,352 <i>9.3</i>	1,477 <i>9.3</i>	1,506 <i>1.9</i>	1,554 <i>3.2</i>
Absorptions	36,054 <i>16.9</i>	28,401 <i>-21.2</i>	30,647 <i>7.9</i>	38,230 <i>24.7</i>	39,897 <i>4.4</i>	43,456 <i>8.9</i>	45,454 <i>4.6</i>	46,352 <i>2.0</i>
Months' supply	0.4	0.5	0.7	0.4	0.4	0.4	0.4	0.4
Average price of a new home (\$)	537,214 <i>3.5</i>	536,436 <i>-0.1</i>	550,269 <i>2.6</i>	570,863 <i>3.7</i>	583,753 <i>2.3</i>	597,764 <i>2.4</i>	611,512 <i>2.3</i>	624,965 <i>2.2</i>

Italics indicate percentage change; f = forecast.

Sources: The Conference Board of Canada; CMHC Housing Time Series Database.

Table 3—Resale Housing Market Indicators

	2008	2009	2010	2011f	2012f	2013f	2014f	2015f
Unit sales	67,734 <i>-20.3</i>	79,907 <i>18.0</i>	78,666 <i>-1.6</i>	80,181 <i>1.9</i>	81,757 <i>2.0</i>	83,801 <i>2.5</i>	86,147 <i>2.8</i>	88,387 <i>2.6</i>
Dollar volume sales (\$ millions)	26,676 <i>-19.5</i>	32,748 <i>22.8</i>	35,257 <i>7.7</i>	38,454 <i>9.1</i>	39,959 <i>3.9</i>	41,982 <i>5.1</i>	44,193 <i>5.3</i>	46,476 <i>5.2</i>
New listings	144,542 <i>4.8</i>	120,753 <i>-16.5</i>	137,936 <i>14.2</i>	128,797 <i>-6.6</i>	140,171 <i>8.8</i>	149,444 <i>6.6</i>	157,431 <i>5.3</i>	163,929 <i>4.1</i>
Sales-to-new-listings ratio (%)	47	66	57	62	58	56	55	54
Average price of a resale home (\$)	393,842 <i>0.9</i>	409,830 <i>4.1</i>	448,187 <i>9.4</i>	479,596 <i>7.0</i>	488,756 <i>1.9</i>	500,974 <i>2.5</i>	512,998 <i>2.4</i>	525,822 <i>2.5</i>

Italics indicate percentage change; f = forecast.

Sources: The Conference Board of Canada; Canadian Real Estate Association.

Ottawa–Gatineau



Economic growth in the Ottawa–Gatineau census metropolitan area is expected to ease this year and next, resulting in slower job growth. As a result, the region’s housing market will also slow. Existing home sales are expected to decline by 5.2 per cent this year and grow by a modest 3.7 per cent in 2012. Housing starts in the new home market are forecast to fall in both years, down by more than 15 per cent in total.

Economic Outlook

Ottawa–Gatineau’s economy grew by a solid 3.1 per cent in 2010, a sharp turnaround from the 1.2 per cent contraction in 2009. However, economic growth is expected to moderate to 2.2 per cent this year and 2.1 per cent in 2012. Efforts to reduce the federal deficit will restrict growth in the local public administration sector—a sector that accounts for one-quarter of Ottawa–Gatineau’s total output. Housing starts are also expected to weaken over this year and next, putting a damper on overall construction activity. Meanwhile, the high-tech sector’s 2011 outlook is mixed, although 2012 looks better.

Housing Outlook

EXISTING HOUSING MARKET

Demand in Ottawa–Gatineau’s existing home market flourished from 1996 to 2001, increasing in

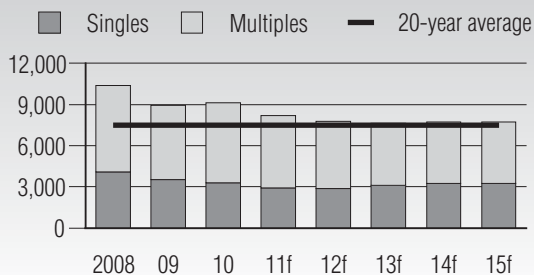
line with a rapidly growing high-tech industry. Unit sales of existing homes reached a record 17,800 units, an increase of nearly 10,000. Price growth began to accelerate once the market moved into sellers’ territory. From 2000 to 2004, existing home prices increased by 9.9 per cent on an average annual basis. At the same time, the high-tech sector was losing steam, hampering growth in the local economy and tempering demand in the existing home market. Unit sales gained just 0.6 per cent per year on average from 2002 to 2006. However, sellers, attracted now by the higher prices, began to flock to market, raising new listings by an average of 6.8 per cent annually over these four years. In turn, the sales-to-new-listings ratio headed downward—but not enough to reach buyers’ territory.

Demand improved in 2007, but the looming recession quickly pulled demand down once again in 2008, lowering sales by 6.4 per cent that year. Fortunately, the downturn was

also short-lived. By the second quarter of 2009, as the economic recovery got under way, sales were moving back up, completely offsetting the decline of the previous year. With new listings moving in tandem with unit sales, the market remained in a balanced stance. Accordingly, prices continued to grow at a sound pace, by an average of 5.7 per cent per year from 2007 to 2009.

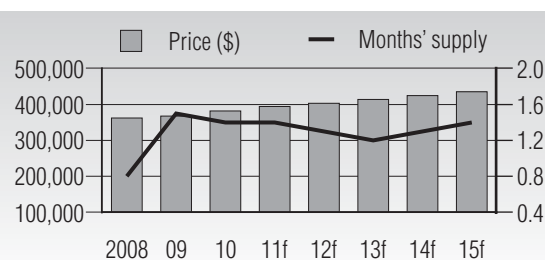
A slowing recovery, and the introduction of the HST last July, helped to reduce sales in by 2.2 per cent in 2010. Sales have continued to decline so far this year as well, hurt by tighter mortgage rules and consumer cautiousness due to restraints in the public service sector. Unit sales fell in each of the first two quarters of 2011 and are expected to slip 5.2 per cent for the year as a whole. Next year, economic growth in the region will remain moderate. Still, following several years of strong population growth, demand in the

Chart 1—Housing Starts (000s)



Sources: The Conference Board of Canada; CMHC Housing Time Series Database.

Chart 2—New Housing Price and Months’ Supply



Sources: The Conference Board of Canada; CMHC Housing Time Series Database.

existing home market is expected to improve, boosting sales by 3.7 per cent.

Existing home prices increased by 7.5 per cent last year and are forecast to grow by 5.4 per cent this year. But with the market's balanced state expected to continue through the medium term, average increases in resale prices will be held to 3.2 per cent annually.

NEW HOUSING MARKET

The strength in the economy, together with spillover demand from the resale market, boosted growth in Ottawa–Gatineau's new

home market from 1996 to 2002 as well. But the increased growth in starts wasn't enough to prevent months' supply from dropping from 3.5 months in 1995 to 0.6 months by 2002, resulting in annual average price growth of 6.4 per cent from 2000 to 2006. As in the resale market, demand began to wane in the mid-2000s as economic growth slowed and months' supply headed up to the 1-month mark. In fact, there was little growth in the region's housing starts, on an average annual basis, from 2003 to 2007. Growth in new home prices slipped to 1.8 per cent in 2007—the lowest annual increase in prices in nine years.

Builders increased housing starts by nearly 30 per cent in the first quarter of 2008, only to reduce them again in the last half of the year as the global recession emerged. Further increases in months' supply led builders to reduce starts through much of 2009 as well, even as the economy picked up. On an annual basis, starts rose 13 per cent in 2008 and then declined by 14 per cent in 2009. Low interest rates encouraged builders to increase starts by 2.3 per cent last year, but they have since weakened again in 2011. The new home construction market is facing headwinds on many fronts, including slower

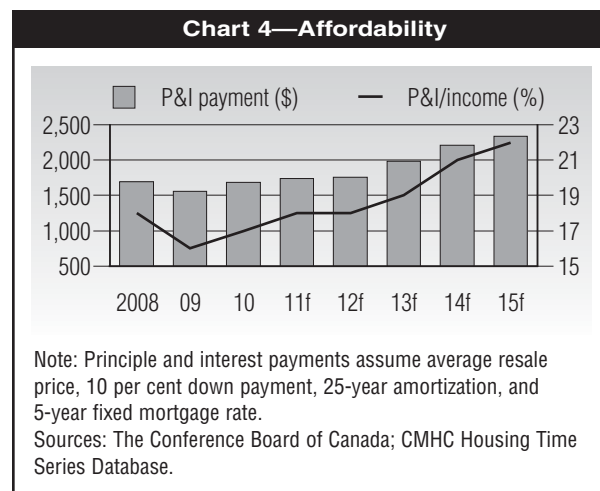
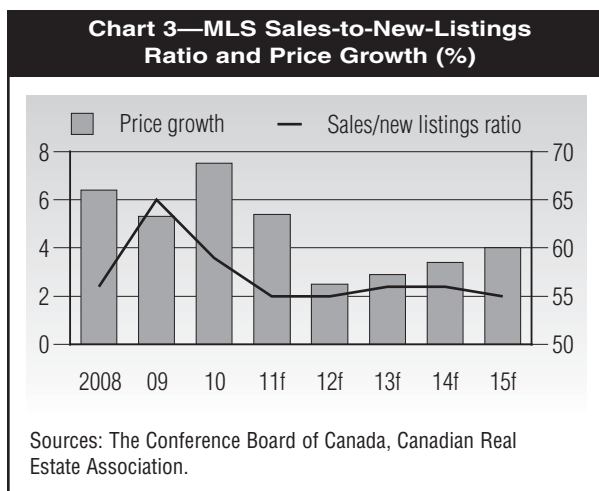


Table 1—Economic Indicators

	2008	2009	2010	2011f	2012f	2013f	2014f	2015f
Real GDP at basic prices (2002 \$ millions)	46,301 <i>1.2</i>	45,756 <i>-1.2</i>	47,152 <i>3.1</i>	48,191 <i>2.2</i>	49,211 <i>2.1</i>	50,542 <i>2.7</i>	51,861 <i>2.6</i>	53,210 <i>2.6</i>
Total employment (000s)	680 <i>3.8</i>	671 <i>-1.3</i>	687 <i>2.4</i>	695 <i>1.1</i>	703 <i>1.2</i>	714 <i>1.5</i>	723 <i>1.3</i>	733 <i>1.4</i>
Unemployment rate (%)	4.8	5.7	6.6	6.2	5.9	5.8	5.6	5.4
Personal income per capita (\$)	41,874 <i>3.2</i>	41,767 <i>-0.3</i>	43,039 <i>3.0</i>	43,968 <i>2.2</i>	45,065 <i>2.5</i>	46,477 <i>3.1</i>	47,911 <i>3.1</i>	49,409 <i>3.1</i>
Population (000s)	1,200 <i>1.4</i>	1,219 <i>1.5</i>	1,239 <i>1.7</i>	1,254 <i>1.2</i>	1,264 <i>0.8</i>	1,276 <i>0.9</i>	1,289 <i>1.1</i>	1,305 <i>1.2</i>
Retail sales (\$ millions)	15,209 <i>5.6</i>	15,104 <i>-0.7</i>	15,933 <i>5.5</i>	16,667 <i>4.6</i>	17,366 <i>4.2</i>	18,027 <i>3.8</i>	18,728 <i>3.9</i>	19,468 <i>4.0</i>
Inflation rate (%)	2.2	0.6	2.5	3.2	2.3	2.0	2.0	2.1

Italics indicate percentage change; f = forecast.
Sources: The Conference Board of Canada; Statistics Canada.

resale housing market activity, tighter mortgage rules, and public sector restraint. This combination will result in builders reducing starts by 10.4 per cent this year and 5 per cent in 2012.

New home price growth is expected to stay in the 3 per cent range this year but slow slightly, to an annual average of 2.5 per cent through the medium term, in line with weaker demand.

Table 2—New Housing Market Indicators

	2008	2009	2010	2011f	2012f	2013f	2014f	2015f
Housing starts	10,384 <i>13.0</i>	8,933 <i>-14.0</i>	9,137 <i>2.3</i>	8,189 <i>-10.4</i>	7,779 <i>-5.0</i>	7,645 <i>-1.7</i>	7,736 <i>1.2</i>	7,715 <i>-0.3</i>
Singles	4,081 <i>2.9</i>	3,507 <i>-14.1</i>	3,299 <i>-6.0</i>	2,917 <i>-11.6</i>	2,856 <i>-2.1</i>	3,093 <i>8.3</i>	3,234 <i>4.6</i>	3,254 <i>0.6</i>
Multiples	6,303 <i>20.7</i>	5,425 <i>-13.9</i>	5,838 <i>7.6</i>	5,271 <i>-9.7</i>	4,922 <i>-6.6</i>	4,552 <i>-7.5</i>	4,502 <i>-1.1</i>	4,461 <i>-0.9</i>
Under construction	6,706 <i>18.0</i>	6,092 <i>-9.1</i>	6,170 <i>1.3</i>	5,728 <i>-7.2</i>	5,514 <i>-3.7</i>	5,424 <i>-1.6</i>	5,461 <i>0.7</i>	5,602 <i>2.6</i>
Housing completions	9,539 <i>14.8</i>	9,440 <i>-1.0</i>	9,539 <i>1.0</i>	8,299 <i>-13.0</i>	7,931 <i>-4.4</i>	7,717 <i>-2.7</i>	7,632 <i>-1.1</i>	7,561 <i>-0.9</i>
Singles	4,049 <i>13.5</i>	3,760 <i>-7.1</i>	3,721 <i>-1.0</i>	2,955 <i>-20.6</i>	2,879 <i>-2.6</i>	3,035 <i>5.4</i>	3,205 <i>5.6</i>	3,253 <i>1.5</i>
Multiples	5,490 <i>15.7</i>	5,680 <i>3.5</i>	5,818 <i>2.4</i>	5,345 <i>-8.1</i>	5,052 <i>-5.5</i>	4,683 <i>-7.3</i>	4,427 <i>-5.5</i>	4,308 <i>-2.7</i>
Newly completed and unabsorbed	666 <i>-4.3</i>	1,107 <i>66.4</i>	1,089 <i>-1.7</i>	998 <i>-8.4</i>	865 <i>-13.3</i>	773 <i>-10.7</i>	800 <i>3.6</i>	853 <i>6.5</i>
Absorptions	9,696 <i>19.7</i>	8,815 <i>-9.1</i>	9,668 <i>9.7</i>	8,467 <i>-12.4</i>	8,073 <i>-4.6</i>	7,739 <i>-4.1</i>	7,588 <i>-2.0</i>	7,511 <i>-1.0</i>
Months' supply	0.8	1.5	1.4	1.4	1.3	1.2	1.3	1.4
Average price of a new home (\$)	362,324 <i>3.7</i>	367,853 <i>1.5</i>	382,463 <i>4.0</i>	393,861 <i>3.0</i>	402,999 <i>2.3</i>	413,477 <i>2.6</i>	424,228 <i>2.6</i>	434,833 <i>2.5</i>

Italics indicate percentage change; f = forecast.

Sources: The Conference Board of Canada; CMHC Housing Time Series Database.

Table 3—Resale Housing Market Indicators

	2008	2009	2010	2011f	2012f	2013f	2014f	2015f
Unit sales	18,096 <i>-6.4</i>	19,257 <i>6.4</i>	18,828 <i>-2.2</i>	17,844 <i>-5.2</i>	18,504 <i>3.7</i>	19,022 <i>2.8</i>	19,554 <i>2.8</i>	20,063 <i>2.6</i>
Dollar volume sales (\$ millions)	4,851 <i>-0.5</i>	5,434 <i>12.0</i>	5,710 <i>5.1</i>	5,704 <i>-0.1</i>	6,062 <i>6.3</i>	6,412 <i>5.8</i>	6,816 <i>6.3</i>	7,273 <i>6.7</i>
New listings	32,153 <i>6.1</i>	29,823 <i>-7.2</i>	31,932 <i>7.1</i>	32,188 <i>0.8</i>	33,605 <i>4.4</i>	34,262 <i>2.0</i>	35,181 <i>2.7</i>	36,165 <i>2.8</i>
Sales-to-new-listings ratio (%)	56	65	59	55	55	56	56	55
Average price of a resale home (\$)	268,066 <i>6.4</i>	282,206 <i>5.3</i>	303,251 <i>7.5</i>	319,650 <i>5.4</i>	327,614 <i>2.5</i>	337,116 <i>2.9</i>	348,581 <i>3.4</i>	362,526 <i>4.0</i>

Italics indicate percentage change; f = forecast.

Sources: The Conference Board of Canada; Canadian Real Estate Association.

Winnipeg



Ongoing population growth, fostered by a healthy economy and decent employment prospects, heralds a solid future for Winnipeg housing markets. The resale market's current balance is expected to persist, as sales and listings will both drift gently higher throughout our forecast. The resulting moderate price increases are expected to keep local affordability good. Although housing starts are predicted to pull back in the near term, volumes are expected to rise steadily thereafter, propelled by the good economy. Expectations for higher starts are further bolstered by evidence of pent-up demand.

Economic Outlook

Moderate output expansion is on tap for Winnipeg, with GDP forecast to rise 2 per cent this year and 2.1 per cent in 2012, near average advances over the past decade. Ensuing years are expected to see growth average 2.8 per cent between 2013 and 2015, lifting annual job gains above 1 per cent following a negligible 0.2 per cent rise this year. Accordingly, the unemployment rate will ease to 5.6 per cent this year and next, then drift down to 5 per cent by 2015. The favourable economic backdrop will keep population growth sound and thus housing demand high by historical standards.

Housing Outlook

EXISTING HOUSING MARKET

Winnipeg's resale market has been balanced for three years. This has persisted this year despite rising

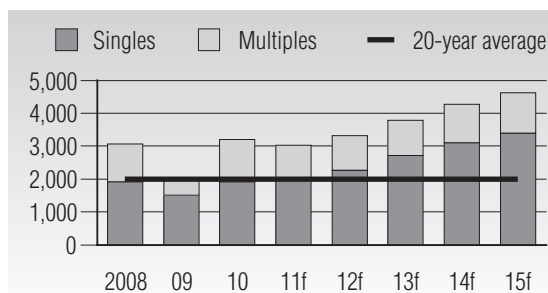
first-quarter sales and their second-quarter drop-off—related to a tightening of mortgage-eligibility rules—because listings performed similarly. We expect this balance to persist throughout our forecast, even though we anticipate listings will rise faster than sales. Transaction volumes remain decent but unspectacular: largely thanks to the first-quarter jump, we expect sales to end 2011 above 12,000 units, up from 11,570 in 2010 and the most since 2007. A slight pull-back is forecast for 2012, with modest annual hikes thereafter. By 2015, our call is for Multiple Listing Service sales in Winnipeg to exceed 12,700 units. This implies record-setting volumes in both 2014 and 2015.

Listings, meanwhile, are expected to drift higher during the second half of 2011 and end the year at 16,300 units, up 2 per cent from the 2010 level. Next year is forecast to

see a similar rise. Ongoing small increases are forecast to put new listings near 19,200 units by 2015. This remains well below the bloated inventories of the late 1980s and early 1990s, which typically exceeded 25,000 listings. The sales-to-new-listings ratio has fluctuated in a relatively tight band between 71 and 76 per cent since the first quarter of 2010. This includes this year's second-quarter dip to 74 per cent, which remains near the top end of the local balanced-market range. Slightly faster increases in listings than in sales during the second half of 2011 were expected to trim the sales-to-new-listings ratio to 72 per cent by the fourth quarter, followed by further drops to 71 per cent next year and to 66 per cent by 2015—still in balanced market territory.

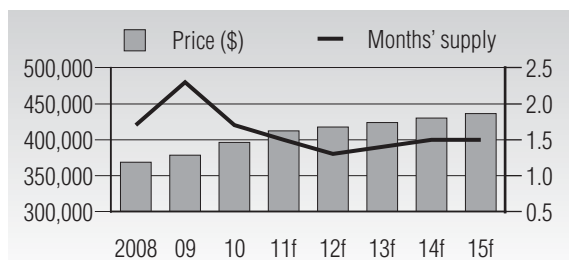
While an easing sales-to-new-listings ratio trimmed the average MLS price in the second quarter of

Chart 1—Housing Starts (000s)



Sources: The Conference Board of Canada; CMHC Housing Time Series Database.

Chart 2—New Housing Price and Months' Supply



Sources: The Conference Board of Canada; CMHC Housing Time Series Database.

this year, this price dip followed five straight quarterly increases and a 10.3 per cent jump in 2010. We expect price growth to resume in this year's second half and post a 4.1 per cent gain for the year 2011 as a whole. Next year, a slightly lower sales-to-listings ratio will slow price advances to 3.6 per cent. Balanced but cooler markets between 2013 and 2015 will produce annual gains averaging 3.2 per cent. Last year's big price jump lifted Winnipeg's average monthly mortgage costs by 10 per cent. But this cost still consumes only about 16 per cent of average household income, less than in all of our report's cities

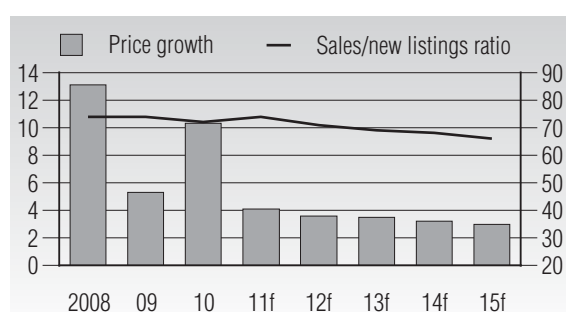
except Calgary and Edmonton. This proportion is expected to stabilize in 2011 and 2012, then rise moderately.

NEW HOUSING MARKET

Good economic conditions have boosted residential construction, and so housing starts, while slightly declining, are on track to exceed 3,000 units for the fourth year in the past five. This is remarkable for a city where annual starts averaged fewer than 1,500 units between 1991 and 2002. Continued population growth and hints that even such buoyant starts lag demographic requirements are forecast to keep new construction volumes rising

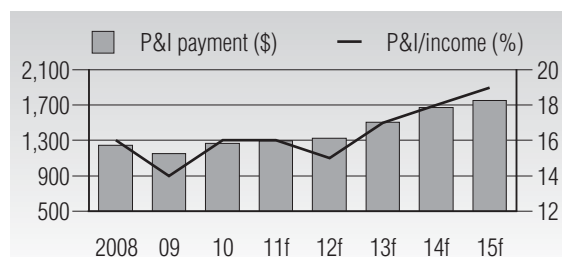
after a small dip this year. Population growth has exceeded 1 per cent for four straight years, including a record-high 1.5 per cent spurt in 2010. This has significantly boosted absorptions and kept builder inventories of unsold units low. New-unit take-up eased last year, but remained above 2,500 units for the fifth straight year—well above historical norms. Meanwhile, the average number of unsold new units hit a three-year low in 2010, with volumes falling throughout the year. We expect these builder stocks to decline slightly further in 2011.

Chart 3—MLS Sales-to-New-Listings Ratio and Price Growth (%)



Sources: The Conference Board of Canada, Canadian Real Estate Association.

Chart 4—Affordability



Note: Principle and interest payments assume average resale price, 10 per cent down payment, 25-year amortization, and 5-year fixed mortgage rate.

Sources: The Conference Board of Canada; CMHC Housing Time Series Database.

Table 1—Economic Indicators

	2008	2009	2010	2011f	2012f	2013f	2014f	2015f
Real GDP at basic prices (2002 \$ millions)	25,171	25,157	25,714	26,230	26,769	27,564	28,323	29,047
	<i>1.6</i>	<i>-0.1</i>	<i>2.2</i>	<i>2.0</i>	<i>2.1</i>	<i>3.0</i>	<i>2.8</i>	<i>2.6</i>
Total employment (000s)	401	401	408	409	417	424	430	434
	<i>1.5</i>	<i>0.0</i>	<i>1.9</i>	<i>0.2</i>	<i>1.8</i>	<i>1.6</i>	<i>1.4</i>	<i>1.1</i>
Unemployment rate (%)	4.3	5.5	5.7	5.6	5.6	5.4	5.1	5.0
Personal income per capita (\$)	36,350	36,160	36,606	37,360	38,247	39,496	40,696	41,870
	<i>3.7</i>	<i>-0.5</i>	<i>1.2</i>	<i>2.1</i>	<i>2.4</i>	<i>3.3</i>	<i>3.0</i>	<i>2.9</i>
Population (000s)	732	742	754	764	773	783	792	800
	<i>1.2</i>	<i>1.4</i>	<i>1.5</i>	<i>1.4</i>	<i>1.2</i>	<i>1.2</i>	<i>1.2</i>	<i>1.1</i>
Retail sales (\$ millions)	9,266	9,187	9,731	10,030	10,219	10,603	10,975	11,353
	<i>5.5</i>	<i>-0.9</i>	<i>5.9</i>	<i>3.1</i>	<i>1.9</i>	<i>3.8</i>	<i>3.5</i>	<i>3.4</i>
Inflation rate (%)	2.3	0.6	0.8	3.1	2.0	2.0	2.0	2.0

Italics indicate percentage change; f = forecast.

Sources: The Conference Board of Canada; Statistics Canada.

Such decent fundamentals have encouraged builders, who boosted total housing starts above 3,200 units last year, the most since 2007. Despite such buoyancy, the ratio of starts to population growth remained below its 20-year average for the third straight year. Accordingly, housing starts are forecast to remain above 3,000 units this year, despite a

modest pullback, and increase each year thereafter. By 2015, we expect total starts to exceed 4,600 units. Even though this would be the highest volume since 1987, it would still just meet estimated demographic requirements. Thus, housing starts could easily exceed our expectations.

Winnipeg's housing affordability remains among the best in Canada's large urban centres. Although multiple units' share of total starts has moved up in recent years, decent affordability will allow singles to keep dominating new construction in the area.

Table 2—New Housing Market Indicators

	2008	2009	2010	2011f	2012f	2013f	2014f	2015f
Housing starts	3,068	2,005	3,210	3,024	3,325	3,777	4,272	4,623
	<i>-12.0</i>	<i>-34.6</i>	<i>60.1</i>	<i>-5.8</i>	<i>9.9</i>	<i>13.6</i>	<i>13.1</i>	<i>8.2</i>
Singles	1,919	1,508	1,913	1,968	2,276	2,709	3,106	3,393
	<i>2.7</i>	<i>-21.4</i>	<i>26.9</i>	<i>2.8</i>	<i>15.7</i>	<i>19.0</i>	<i>14.6</i>	<i>9.2</i>
Multiples	1,149	497	1,296	1,056	1,049	1,068	1,166	1,230
	<i>-29.0</i>	<i>-56.7</i>	<i>160.7</i>	<i>-18.5</i>	<i>-0.7</i>	<i>1.8</i>	<i>9.2</i>	<i>5.5</i>
Under construction	2,420	1,622	1,850	2,361	2,400	2,430	2,476	2,483
	<i>8.5</i>	<i>-33.0</i>	<i>14.0</i>	<i>27.6</i>	<i>1.7</i>	<i>1.3</i>	<i>1.9</i>	<i>0.3</i>
Housing completions	3,543	2,670	2,388	2,706	3,318	3,729	4,230	4,640
	<i>36.8</i>	<i>-24.6</i>	<i>-10.6</i>	<i>13.3</i>	<i>22.6</i>	<i>12.4</i>	<i>13.4</i>	<i>9.7</i>
Singles	1,927	1,620	1,790	1,814	2,257	2,681	3,075	3,407
	<i>12.9</i>	<i>-15.9</i>	<i>10.5</i>	<i>1.3</i>	<i>24.4</i>	<i>18.8</i>	<i>14.7</i>	<i>10.8</i>
Multiples	1,616	1,050	598	893	1,062	1,048	1,156	1,233
	<i>83.0</i>	<i>-35.0</i>	<i>-43.0</i>	<i>49.3</i>	<i>18.9</i>	<i>-1.3</i>	<i>10.2</i>	<i>6.7</i>
Newly completed and unabsorbed	470	545	348	336	370	415	504	569
	<i>69.5</i>	<i>15.8</i>	<i>-36.1</i>	<i>-3.4</i>	<i>10.1</i>	<i>12.3</i>	<i>21.3</i>	<i>12.9</i>
Absorptions	3,239	2,809	2,522	2,673	3,295	3,654	4,156	4,569
	<i>24.8</i>	<i>-13.3</i>	<i>-10.2</i>	<i>6.0</i>	<i>23.3</i>	<i>10.9</i>	<i>13.7</i>	<i>9.9</i>
Months' supply	1.7	2.3	1.7	1.5	1.3	1.4	1.5	1.5
Average price of a new home (\$)	369,082	378,375	396,430	412,461	417,666	423,931	430,290	436,745
	<i>10.2</i>	<i>2.5</i>	<i>4.8</i>	<i>4.0</i>	<i>1.3</i>	<i>1.5</i>	<i>1.5</i>	<i>1.5</i>

Italics indicate percentage change; f = forecast.

Sources: The Conference Board of Canada; CMHC Housing Time Series Database.

Table 3—Resale Housing Market Indicators

	2008	2009	2010	2011f	2012f	2013f	2014f	2015f
Unit sales	11,854	11,509	11,573	12,017	11,874	12,159	12,439	12,737
	<i>-3.8</i>	<i>-2.9</i>	<i>0.6</i>	<i>3.8</i>	<i>-1.2</i>	<i>2.4</i>	<i>2.3</i>	<i>2.4</i>
Dollar volume sales (\$ millions)	2,335	2,386	2,647	2,861	2,930	3,105	3,278	3,457
	<i>8.8</i>	<i>2.2</i>	<i>10.9</i>	<i>8.1</i>	<i>2.4</i>	<i>6.0</i>	<i>5.6</i>	<i>5.5</i>
New listings	16,051	15,478	15,975	16,318	16,675	17,533	18,350	19,172
	<i>10.8</i>	<i>-3.6</i>	<i>3.2</i>	<i>2.1</i>	<i>2.2</i>	<i>5.1</i>	<i>4.7</i>	<i>4.5</i>
Sales-to-new-listings ratio (%)	74	74	72	74	71	69	68	66
Average price of a resale home (\$)	196,940	207,342	228,686	238,085	246,715	255,356	263,526	271,431
	<i>13.1</i>	<i>5.3</i>	<i>10.3</i>	<i>4.1</i>	<i>3.6</i>	<i>3.5</i>	<i>3.2</i>	<i>3.0</i>

Italics indicate percentage change; f = forecast.

Sources: The Conference Board of Canada; Canadian Real Estate Association.

Calgary



Moderate economic growth is setting the stage for decent housing markets in Calgary. Rising employment is predicted to fuel ongoing population growth and generate fresh housing demand, albeit not at boom-era levels. A balanced resale market, featuring gently rising transactions and respectable annual price increases, is our call through 2015. Housing starts are also forecast to remain healthy but temperate. This year's expected dip should be followed by a solid bounce-back in 2012 and smaller increases in 2013 and 2014. Single-detached homes will continue to make up roughly two-thirds of local starts.

Economic Outlook

Calgary's oil-fuelled economy is poised to expand 2.8 per cent this year, 3.5 per cent in 2012, and more than 4 per cent annually between 2013 and 2015. This is forecast to boost employment 3 per cent this year, 3.2 per cent in 2012, and more moderately thereafter. The unemployment rate, which likely peaked at 6.8 per cent in 2010, will dip to 5.8 per cent this year and to 5.3 per cent next. The rate is expected to drop below 4 per cent by 2015. A strong labour market will continue to attract migrants, boosting population growth.

Housing Outlook

EXISTING HOUSING MARKET

Calgary's resale market is regaining its footing following three volatile years. Balanced conditions prevail. Sales, which collapsed,

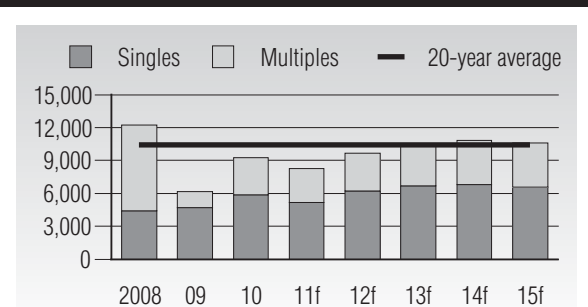
soared, and then softened again, are stabilizing, albeit well below boom-era levels. Although transactions during the first half of 2011 were little changed from a year earlier, a falling supply of listings has firmed the market. Home vendors have accordingly bargained more aggressively, lifting the average resale price in the first half of 2011, following dips in the second half of 2010.

Transaction volumes hovered between 22,000 and 23,000 units at an annual rate during the first half of 2011, up a little from the last half of 2010. Sales are forecast to keep edging higher and end the year near 22,500 units, up 7 per cent from 2010. Another 3.3 per cent increase, to 23,200 units, is predicted for 2012. In the medium term, we see volumes rising gently through 2015, but remaining well below boom-era levels. The slight sales improvement earlier this year attracted a

modest supply increase as potential vendors viewed their units' market prospects somewhat more favourably. New listings averaged 43,900 units at an annualized rate in the first half of 2011, up slightly from last year's second half. But we expect listings to ease through the rest of 2011 and end the year off 8.5 per cent at 42,330 units. A similar decline is in the cards for 2012, cutting new listings below 39,000 units. Listings are forecast to drift gently higher in 2014 and 2015, although not to the last decade's peaks.

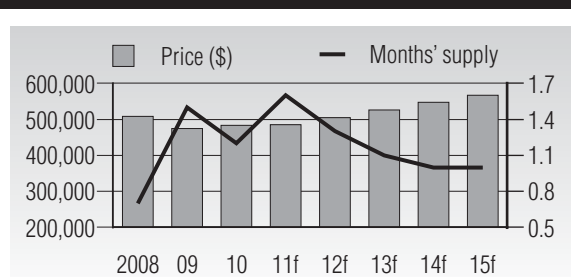
Calgary's sales-to-new-listings ratio is in balanced market territory and expected to remain there. Slightly faster increases in sales than in new listings pushed the sales-to-new-listings ratio above 50 per cent in the first quarter of 2011 (for the first time since 2009) and fractionally higher in the second. The slight sales increases and listings declines

Chart 1—Housing Starts (000s)



Sources: The Conference Board of Canada; CMHC Housing Time Series Database.

Chart 2—New Housing Price and Months' Supply



Sources: The Conference Board of Canada; CMHC Housing Time Series Database.

we expect during the second half of 2011 will push the ratio to 57 per cent by the fourth quarter, leading to a full-year average of 53 per cent. Further sales hikes and listings declines are forecast to lift the ratio to 60 per cent in 2012 and to 63 per cent by 2014. This slight market firming will lift average price growth from 1.2 per cent this year to 4.3 per cent next year and at least 5 per cent each year between 2013 and 2015. Moderating price hikes will improve Calgary's already decent affordability. Principle and interest charges are forecast to drop relative to local incomes both this year and in 2012.

NEW HOUSING MARKET

While both completions of new homes and their absorptions fell in the first half of 2011, completions fell faster, easing the stock of newly completed and unoccupied units. The resulting modest improvement in builder sprits should nudge starts higher in the medium term. But inventories remain relatively high and developers are wary.

An acceleration in 2010 brought residential construction closer to estimated demographic requirements after two years of shortfalls. Still, the ratio of housing starts to population growth remained slightly below

its 20-year average for the third straight year in 2010, suggesting there might be some unsatisfied housing needs locally. Moreover, an improving economy is expected to boost net in-migration and lift population growth, with nearly 104,000 residents expected to be added to Calgary's population between 2011 and 2015. This will only add to pent-up demand and lead to sound residential construction activity moving forward.

Inventories of unsold new homes remained above 1,000 units on average during the first and second quarters of 2011, despite their modest easing from late 2010. Falling

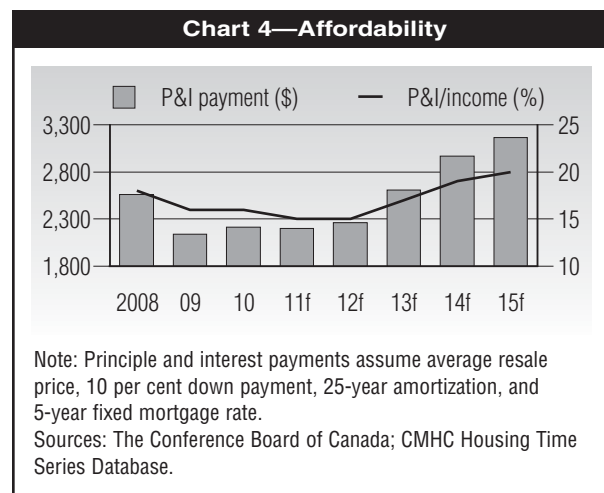
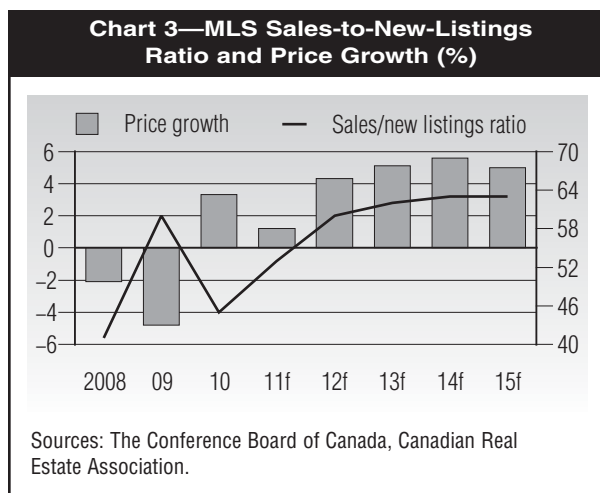


Table 1—Economic Indicators

	2008	2009	2010	2011f	2012f	2013f	2014f	2015f
Real GDP at basic prices (2002 \$ millions)	63,690 <i>1.4</i>	60,891 <i>-4.4</i>	62,725 <i>3.0</i>	64,490 <i>2.8</i>	66,759 <i>3.5</i>	69,476 <i>4.1</i>	72,305 <i>4.1</i>	75,219 <i>4.0</i>
Total employment (000s)	718 <i>4.1</i>	713 <i>-0.7</i>	705 <i>-1.2</i>	726 <i>3.0</i>	749 <i>3.2</i>	769 <i>2.6</i>	785 <i>2.2</i>	800 <i>1.9</i>
Unemployment rate (%)	3.5	6.7	6.8	5.8	5.3	4.7	4.1	3.8
Personal income per capita (\$)	55,061 <i>3.2</i>	53,430 <i>-3.0</i>	54,862 <i>2.7</i>	56,778 <i>3.5</i>	58,886 <i>3.7</i>	60,843 <i>3.3</i>	62,687 <i>3.0</i>	64,535 <i>2.9</i>
Population (000s)	1,187 <i>2.8</i>	1,220 <i>2.8</i>	1,243 <i>1.8</i>	1,265 <i>1.8</i>	1,291 <i>2.1</i>	1,317 <i>2.0</i>	1,343 <i>1.9</i>	1,369 <i>1.9</i>
Retail sales (\$ millions)	22,348 <i>-1.3</i>	20,590 <i>-7.9</i>	21,776 <i>5.8</i>	22,964 <i>5.5</i>	24,235 <i>5.5</i>	25,505 <i>5.2</i>	26,883 <i>5.4</i>	28,339 <i>5.4</i>
Inflation rate (%)	3.2	-0.1	0.8	2.3	2.2	2.0	2.0	2.0

Italics indicate percentage change; f = forecast.
Sources: The Conference Board of Canada; Statistics Canada.

absorptions in recent quarters suggest that the time required to exhaust these stocks remains high. Accordingly, total starts fell from an average annual rate of above 10,000 units in the first half of 2010 to roughly 7,500 units a year later. Absorptions, and thus starts,

are forecast to pick up in the second half of 2011. This will not be enough to prevent starts from dropping 10.2 per cent to 8,300 units for the year 2011 as a whole. Accelerating economic growth will prompt a starts rebound to nearly 9,700 dwellings in 2012 and roughly 10,600 new

units annually between 2013 and 2015. Single-detached homes are expected to make up just under two-thirds of these starts, in line with the past decade's average.

Table 2—New Housing Market Indicators

	2008	2009	2010	2011f	2012f	2013f	2014f	2015f
Housing starts	12,212 <i>-9.1</i>	6,171 <i>-49.5</i>	9,231 <i>49.6</i>	8,289 <i>-10.2</i>	9,661 <i>16.5</i>	10,454 <i>8.2</i>	10,819 <i>3.5</i>	10,614 <i>-1.9</i>
Singles	4,428 <i>-43.0</i>	4,695 <i>6.0</i>	5,849 <i>24.6</i>	5,153 <i>-11.9</i>	6,213 <i>20.6</i>	6,714 <i>8.1</i>	6,835 <i>1.8</i>	6,591 <i>-3.6</i>
Multiples	7,784 <i>37.5</i>	1,475 <i>-81.0</i>	3,383 <i>129.3</i>	3,136 <i>-7.3</i>	3,448 <i>9.9</i>	3,740 <i>8.5</i>	3,984 <i>6.5</i>	4,023 <i>1.0</i>
Under construction	13,785 <i>-5.8</i>	9,363 <i>-32.1</i>	8,536 <i>-8.8</i>	6,974 <i>-18.3</i>	7,357 <i>5.5</i>	7,893 <i>7.3</i>	8,143 <i>3.2</i>	8,214 <i>0.9</i>
Housing completions	14,195 <i>8.3</i>	8,238 <i>-42.0</i>	10,991 <i>33.4</i>	8,002 <i>-27.2</i>	8,926 <i>11.5</i>	10,061 <i>12.7</i>	10,639 <i>5.7</i>	10,616 <i>-0.2</i>
Singles	6,908 <i>-24.5</i>	4,291 <i>-37.9</i>	6,364 <i>48.3</i>	4,851 <i>-23.8</i>	5,714 <i>17.8</i>	6,574 <i>15.1</i>	6,808 <i>3.6</i>	6,642 <i>-2.4</i>
Multiples	7,287 <i>83.9</i>	3,947 <i>-45.8</i>	4,627 <i>17.2</i>	3,151 <i>-31.9</i>	3,212 <i>1.9</i>	3,487 <i>8.6</i>	3,831 <i>9.9</i>	3,975 <i>3.8</i>
Newly completed and unabsorbed	830 <i>59.6</i>	1,015 <i>22.3</i>	1,031 <i>1.5</i>	1,077 <i>4.5</i>	962 <i>-10.7</i>	913 <i>-5.1</i>	904 <i>-1.0</i>	893 <i>-1.3</i>
Absorptions	13,739 <i>4.6</i>	8,348 <i>-39.2</i>	10,750 <i>28.8</i>	8,070 <i>-24.9</i>	9,062 <i>12.3</i>	10,091 <i>11.4</i>	10,630 <i>5.3</i>	10,647 <i>0.2</i>
Months' supply	0.7	1.5	1.2	1.6	1.3	1.1	1.0	1.0
Average price of a new home (\$)	508,180 <i>0.7</i>	474,307 <i>-6.7</i>	482,596 <i>1.7</i>	484,520 <i>0.4</i>	505,321 <i>4.3</i>	526,545 <i>4.2</i>	548,133 <i>4.1</i>	566,770 <i>3.4</i>

Italics indicate percentage change; f = forecast.

Sources: The Conference Board of Canada; CMHC Housing Time Series Database.

Table 3—Resale Housing Market Indicators

	2008	2009	2010	2011f	2012f	2013f	2014f	2015f
Unit sales	23,138 <i>-28.1</i>	24,881 <i>7.5</i>	20,996 <i>-15.6</i>	22,460 <i>7.0</i>	23,211 <i>3.3</i>	24,024 <i>3.5</i>	24,841 <i>3.4</i>	25,636 <i>3.2</i>
Dollar volume sales (\$ millions)	9,376 <i>-29.6</i>	9,601 <i>2.4</i>	8,372 <i>-12.8</i>	9,061 <i>8.2</i>	9,768 <i>7.8</i>	10,625 <i>8.8</i>	11,602 <i>9.2</i>	12,572 <i>8.4</i>
New listings	56,187 <i>3.7</i>	41,640 <i>-25.9</i>	46,278 <i>11.1</i>	42,334 <i>-8.5</i>	38,731 <i>-8.5</i>	38,579 <i>-0.4</i>	39,520 <i>2.4</i>	40,710 <i>3.0</i>
Sales-to-new-listings ratio (%)	41	60	45	53	60	62	63	63
Average price of a resale home (\$)	405,232 <i>-2.1</i>	385,866 <i>-4.8</i>	398,764 <i>3.3</i>	403,432 <i>1.2</i>	420,823 <i>4.3</i>	442,287 <i>5.1</i>	467,052 <i>5.6</i>	490,395 <i>5.0</i>

Italics indicate percentage change; f = forecast.

Sources: The Conference Board of Canada; Canadian Real Estate Association.

Edmonton



Edmonton's housing market has cooled in the last few years, but still enjoys support from a decent economy and good affordability. The resale market has recently weathered uneven pricing, but remains balanced and is forecast to enjoy moderate price growth in the medium term. The new home market is suffering and will continue to suffer from high inventories of unsold units in the near term, but will benefit from our medium-term forecast of gentle population increases. Housing starts will rise throughout our forecast, but remain below the past decade's peak.

Economic Outlook

Short-run economic growth will remain brisk, with GDP forecast to rise 3.5 per cent this year and 3.4 per cent in 2012. The medium term also looks decent, with annual output growth approaching 4 per cent between 2013 and 2015. As a result, employment is forecast to post steady advances above 2 per cent, following this year's 4.6 per cent jump, cutting the unemployment rate from 6.7 per cent in 2010 to 5.6 per cent in 2011 and 5.4 per cent in 2012. A solid job market will keep annual population growth near its long-term average of 1.7 per cent.

Housing Outlook

EXISTING HOUSING MARKET

Balanced conditions returned to Edmonton's resale market during the autumn of 2010. The market has hovered around the balanced

range since, even as sales rose modestly this spring while listings eased. This turn of events did allow prices to rise again in the second quarter of 2011 following three losing quarters. A decent economic outlook should keep the market balanced and prices rising moderately. Local resale affordability remains good: both mortgage carrying costs and house prices are relatively low compared with household incomes in the area.

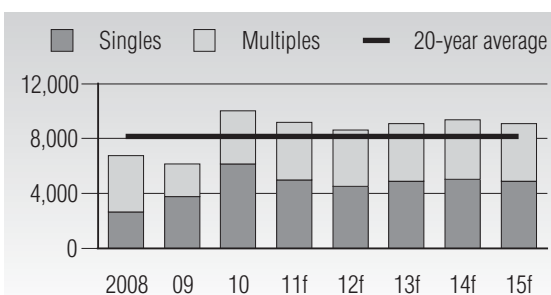
Annualized sales have fluctuated narrowly between 15,000 and 17,000 units over the last year or so, after surging in 2009. Sales are forecast to close 2011 near 16,500 units, little changed from 2010. Next year should see a stronger 3.5 per cent rise to 17,000 units. Subsequent years are expected to enjoy modest sales increases, spurred by continued local economic expansion.

This year, the supply of new listings is not walking hand in hand

with fluctuation in sales. New listings edged higher in this year's first quarter, stabilized in the second, and are anticipated to close the year 2011 at 30,800 units—off 7.1 per cent from the 2010 level. The second-quarter sales pickup lifted the resale market more firmly into the balanced stance, although the 53 per cent sales-to-new-listings ratio was relatively low for a balanced market. This was still an improvement from the second and third quarters of 2010. Easing listings are forecast to lift the ratio to nearly 57 per cent by the fourth quarter, raising it to an average of 53 per cent for 2011 from 50 per cent in 2010. Continued listings drops and small sales increases should lift the ratio to 60 per cent next year and to 64 per cent by 2015—still in balanced market territory.

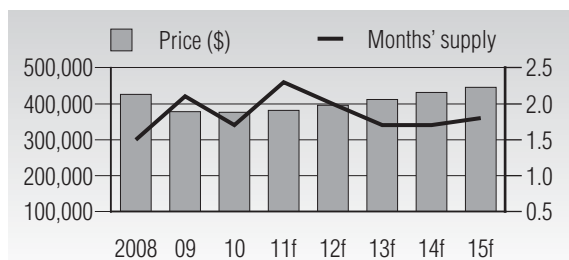
Unsurprisingly, home values have been soft. The average MLS price will end the year off 1.5 per cent from the average 2010 level—

Chart 1—Housing Starts (000s)



Sources: The Conference Board of Canada; CMHC Housing Time Series Database.

Chart 2—New Housing Price and Months' Supply



Sources: The Conference Board of Canada; CMHC Housing Time Series Database.

the third annual drop in the past four years. A firming but still balanced market is forecast to boost the average price 4.3 per cent next year. Ongoing market balance should produce moderate price increases averaging just over 5 per cent between 2013 and 2015. These will put Edmonton's average resale price above its 2007 peak by 2013.

This year's easing prices will improve affordability. Average principle and interest charges are forecast to dip by 3.4 per cent and consume 14.8 per cent of average household income this year, down from 15.9 per cent in 2010.

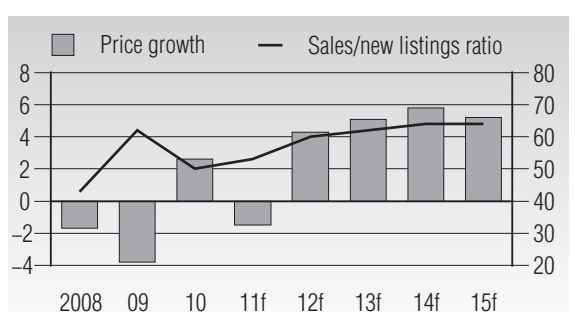
NEW HOUSING MARKET

Builder inventories rose during the first half of 2011 as absorptions sagged more than completions. Since stocks were already high, housing starts weakened sharply, with builders cutting starts to an annualized rate of 7,600 units during the first quarter and allowing only a modest recovery to 9,300 units in the second. Absorptions are forecast to rise faster than completions in the second half of 2011, nudging starts higher, to nearly 10,000 units at an annual rate. This will nonetheless leave total starts near 9,200 units for 2011 as a whole, down 8.4 per cent from 2010. Still, builder inventories

are expected to stay elevated both this year and next, keeping starts muted. This continued inventory overhang is forecast to cut starts a further 6.2 per cent to 8,600 units in 2012. We project annual starts will average 9,200 units between 2013 and 2015. As in many other cities, an aging population will continue to lift the share of multiple-family units to total housing starts.

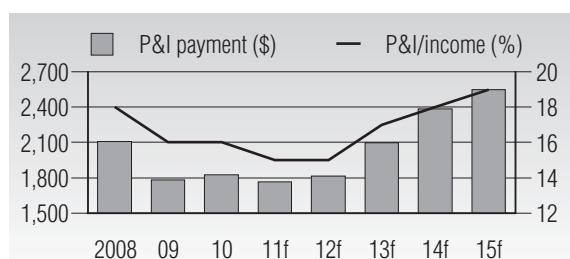
Ongoing population gains are forecast to stabilize new construction volumes in the medium term, but at levels well off the last decade's peak. Population growth, which significantly determines housing

Chart 3—MLS Sales-to-New-Listings Ratio and Price Growth (%)



Sources: The Conference Board of Canada, Canadian Real Estate Association.

Chart 4—Affordability



Note: Principle and interest payments assume average resale price, 10 per cent down payment, 25-year amortization, and 5-year fixed mortgage rate.

Sources: The Conference Board of Canada; CMHC Housing Time Series Database.

Table 1—Economic Indicators

	2008	2009	2010	2011f	2012f	2013f	2014f	2015f
Real GDP at basic prices (2002 \$ millions)	51,960 <i>2.8</i>	49,808 <i>-4.1</i>	52,075 <i>4.6</i>	53,891 <i>3.5</i>	55,724 <i>3.4</i>	57,940 <i>4.0</i>	60,166 <i>3.8</i>	62,438 <i>3.8</i>
Total employment (000s)	643 <i>4.3</i>	638 <i>-0.8</i>	633 <i>-0.7</i>	662 <i>4.6</i>	677 <i>2.2</i>	693 <i>2.4</i>	708 <i>2.2</i>	724 <i>2.1</i>
Unemployment rate (%)	3.8	6.7	6.7	5.6	5.4	5.0	4.5	4.3
Personal income per capita (\$)	46,746 <i>7.1</i>	45,782 <i>-2.1</i>	47,317 <i>3.4</i>	49,596 <i>4.8</i>	51,149 <i>3.1</i>	52,946 <i>3.5</i>	54,692 <i>3.3</i>	56,557 <i>3.4</i>
Population (000s)	1,128 <i>2.2</i>	1,156 <i>2.6</i>	1,176 <i>1.7</i>	1,194 <i>1.5</i>	1,215 <i>1.7</i>	1,236 <i>1.7</i>	1,256 <i>1.6</i>	1,276 <i>1.6</i>
Retail sales (\$ millions)	20,332 <i>1.8</i>	18,867 <i>-7.2</i>	20,063 <i>6.3</i>	21,274 <i>6.0</i>	22,567 <i>6.1</i>	23,873 <i>5.8</i>	25,153 <i>5.4</i>	26,496 <i>5.3</i>
Inflation rate (%)	3.4	0.2	1.0	2.6	2.3	2.0	2.0	2.0

Italics indicate percentage change; f = forecast.

Sources: The Conference Board of Canada; Statistics Canada.

requirements and ultimately starts, cooled in 2010 despite the economic recovery. The further easing we expect this year, to 1.5 per cent, will be Edmonton's smallest rate of

population increase since 2001. But the decent local economy should keep new arrivals coming and boost population's advance in 2012. Annual population growth is projected to

average a moderate 1.6 per cent in 2013 to 2015. This is expected to keep absorptions near 9,100 units per year between 2011 and 2015, slightly above their 15-year average.

Table 2—New Housing Market Indicators

	2008	2009	2010	2011f	2012f	2013f	2014f	2015f
Housing starts	6,743 <i>-54.8</i>	6,141 <i>-8.9</i>	10,028 <i>63.3</i>	9,188 <i>-8.4</i>	8,619 <i>-6.2</i>	9,081 <i>5.4</i>	9,352 <i>3.0</i>	9,093 <i>-2.8</i>
Singles	2,660 <i>-65.4</i>	3,758 <i>41.3</i>	6,161 <i>63.9</i>	4,957 <i>-19.6</i>	4,499 <i>-9.2</i>	4,886 <i>8.6</i>	5,032 <i>3.0</i>	4,871 <i>-3.2</i>
Multiples	4,083 <i>-43.6</i>	2,383 <i>-41.6</i>	3,867 <i>62.3</i>	4,231 <i>9.4</i>	4,120 <i>-2.6</i>	4,195 <i>1.8</i>	4,321 <i>3.0</i>	4,222 <i>-2.3</i>
Under construction	13,991 <i>-6.1</i>	8,504 <i>-39.2</i>	8,677 <i>2.0</i>	8,055 <i>-7.2</i>	7,935 <i>-1.5</i>	8,061 <i>1.6</i>	8,210 <i>1.8</i>	8,195 <i>-0.2</i>
Housing completions	11,217 <i>-5.3</i>	9,232 <i>-17.7</i>	9,443 <i>2.3</i>	9,180 <i>-2.8</i>	8,846 <i>-3.6</i>	8,865 <i>0.2</i>	9,257 <i>4.4</i>	9,182 <i>-0.8</i>
Singles	6,224 <i>-18.5</i>	3,107 <i>-50.1</i>	5,433 <i>74.9</i>	5,297 <i>-2.5</i>	4,611 <i>-12.9</i>	4,619 <i>0.2</i>	4,911 <i>6.3</i>	4,829 <i>-1.7</i>
Multiples	4,993 <i>18.9</i>	6,125 <i>22.7</i>	4,010 <i>-34.5</i>	3,882 <i>-3.2</i>	4,235 <i>9.1</i>	4,246 <i>0.3</i>	4,346 <i>2.4</i>	4,353 <i>0.2</i>
Newly completed and unabsorbed	1,361 <i>59.9</i>	1,591 <i>16.9</i>	1,394 <i>-12.4</i>	1,679 <i>20.4</i>	1,539 <i>-8.3</i>	1,275 <i>-17.1</i>	1,299 <i>1.8</i>	1,371 <i>5.5</i>
Absorptions	10,795 <i>-7.6</i>	9,187 <i>-14.9</i>	9,606 <i>4.6</i>	8,834 <i>-8.0</i>	9,192 <i>4.0</i>	9,011 <i>-2.0</i>	9,168 <i>1.7</i>	9,140 <i>-0.3</i>
Months' supply	1.5	2.1	1.7	2.3	2.0	1.7	1.7	1.8
Average price of a new home (\$)	426,465 <i>1.0</i>	378,764 <i>-11.2</i>	375,844 <i>-0.8</i>	380,774 <i>1.3</i>	395,568 <i>3.9</i>	412,578 <i>4.3</i>	430,731 <i>4.4</i>	445,376 <i>3.4</i>

Italics indicate percentage change; f = forecast.

Sources: The Conference Board of Canada; CMHC Housing Time Series Database.

Table 3—Resale Housing Market Indicators

	2008	2009	2010	2011f	2012f	2013f	2014f	2015f
Unit sales	17,369 <i>-15.0</i>	19,140 <i>10.2</i>	16,403 <i>-14.3</i>	16,467 <i>0.4</i>	17,046 <i>3.5</i>	17,659 <i>3.6</i>	18,224 <i>3.2</i>	18,789 <i>3.1</i>
Dollar volume sales (\$ millions)	5,781 <i>-16.4</i>	6,132 <i>6.1</i>	5,393 <i>-12.0</i>	5,334 <i>-1.1</i>	5,759 <i>8.0</i>	6,271 <i>8.9</i>	6,847 <i>9.2</i>	7,426 <i>8.5</i>
New listings	40,059 <i>-1.6</i>	30,696 <i>-23.4</i>	33,130 <i>7.9</i>	30,789 <i>-7.1</i>	28,598 <i>-7.1</i>	28,265 <i>-1.2</i>	28,558 <i>1.0</i>	29,159 <i>2.1</i>
Sales-to-new-listings ratio (%)	43	62	50	53	60	62	64	64
Average price of a resale home (\$)	332,852 <i>-1.7</i>	320,361 <i>-3.8</i>	328,803 <i>2.6</i>	323,923 <i>-1.5</i>	337,870 <i>4.3</i>	355,106 <i>5.1</i>	375,699 <i>5.8</i>	395,229 <i>5.2</i>

Italics indicate percentage change; f = forecast.

Sources: The Conference Board of Canada; Canadian Real Estate Association.

Vancouver



The housing bubble spectre that haunted Vancouver's resale market earlier this year turned out to be a statistical phantom fuelled by a shift in the resale mix toward high-end homes. The more prosaic local reality is a balanced market with moderate price increases. Ongoing employment gains will continue to attract newcomers to Vancouver and spur modest population growth. Housing starts are poised for medium-term gains, but not to the peak levels of the last decade. Multiple starts will continue their local prominence. Affordability, already the worst in Canada, is forecast to deteriorate further.

Economic Outlook

Vancouver's economy enjoys decent prospects, with GDP forecast to rise 2.8 per cent this year and 3.1 per cent in 2012—strong by national standards. Employment growth of 1.7 per cent this year and 1.4 per cent in 2012 is expected to trim the unemployment rate to 6.4 per cent next year, slightly below the national average. This will keep the population rising, although the expected rise trails recent norms. Healthy income gains should support housing demand, despite poor affordability. The medium-term outlook is decent, too, with GDP hikes exceeding 3 per cent annually between 2013 and 2015 and steady employment gains.

Housing Outlook

EXISTING HOUSING MARKET

The threat of a housing bubble

in Vancouver has largely withered under analytical scrutiny. Recent rapid price hikes turned out to be the result of an upswing in sales of pricey homes in tony neighbourhoods. The role of foreign purchasers in the increase is fuelling ongoing debate. Markets in other Vancouver areas were much softer; some actually favoured buyers. Throughout all this, the area-wide sales-to-new-listings ratio signalled a balanced market, which we expect will persist. A small average price drop is forecast next year, with modest increases to follow. This will aid local affordability, although it remains outrageously poor.

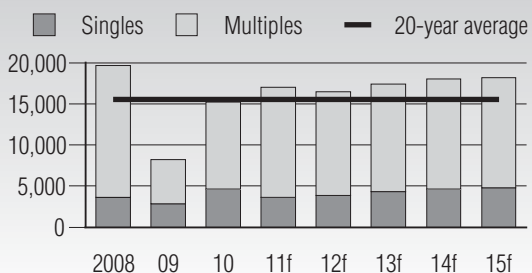
Resale transactions spiked in the first quarter of 2011, but sagged in the second as stricter mortgage-eligibility rules took effect. Sales are forecast to edge higher during the second half of 2011 and end the year up 13.7 per cent at 35,400 units.

We expect a similar number in 2012. Such volumes are on par with the past decade's average, but well off their 2005 peak. Sales are forecast to drift higher, approaching 38,200 units by 2015.

Rising first-quarter sales also attracted significantly more new listings, cutting the sales-to-new-listings ratio to 55 per cent during the second quarter of 2011 from 60 per cent in each of the two prior quarters, but not altering the market's balanced state. Slightly faster rises in sales than in new listings are forecast to lift the ratio later this year to a 2011 average of 57 per cent—still indicating a balanced market. Little change is expected in 2012, as sales and listings are both forecast to level off.

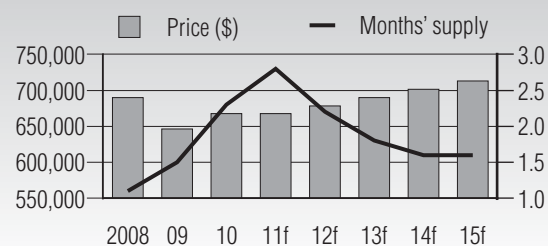
Despite the market's balanced metrics, average prices jumped 16.5 per cent in the first quarter

Chart 1—Housing Starts (000s)



Sources: The Conference Board of Canada; CMHC Housing Time Series Database.

Chart 2—New Housing Price and Months' Supply



Sources: The Conference Board of Canada; CMHC Housing Time Series Database.

of 2011. This record hike, the first double-digit quarterly increase since 1989, fuelled the bubble speculation. The second quarter's advance was a much calmer 2.1 per cent. Still, the big first-quarter jump will lift this year's average price by 16.7 per cent relative to the average 2010 price. We expect the average price to ease 1.2 per cent in 2012, but advance near 2 per cent annually between 2013 and 2015, lifting mortgage payments on an average MLS unit to 53 per cent of average household income by 2015, up from 48 per cent this year—compared with an average of 20 per cent for the other eight cities covered in this report.

Expressing Vancouver's poor affordability another way, we estimate the average resale price will be 7.3 times the average household income this year. The next-highest multiple, in Victoria, is 5.1. In Toronto, it's 3.7.

NEW HOUSING MARKET

Fuelled by rising construction of multi-family units, Vancouver housing starts accelerated in early 2011. Employment increases, even if moderate, have helped housing demand, while a levelling stock of completed and unoccupied units has buoyed builder confidence and accelerated supply additions. But

inventories remain swollen, and so starts are easing during the second half of 2011. Still-high inventories in 2012 are forecast to modestly trim multi-family starts and therefore total starts. Since single-detached homes are very expensive in Vancouver, it is not surprising that the multiples' share of total Vancouver starts was our report's highest between 2006 and 2010.

Relatively rapid population growth continues to spur new construction. Annual population increases have averaged 2 per cent over the past two decades, behind only Calgary among our report's cities. Moreover,

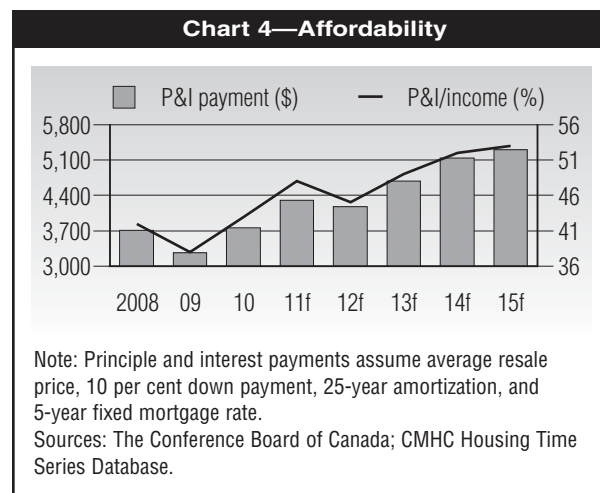
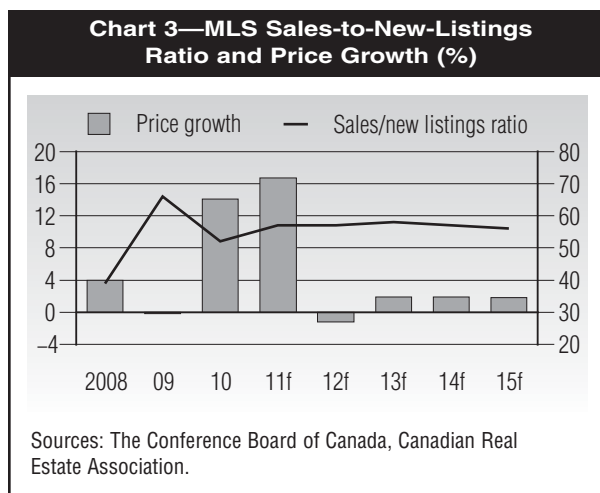


Table 1—Economic Indicators

	2008	2009	2010	2011f	2012f	2013f	2014f	2015f
Real GDP at basic prices (2002 \$ millions)	80,875	79,854	82,964	85,276	87,944	90,974	93,987	96,954
	<i>0.3</i>	<i>-1.3</i>	<i>3.9</i>	<i>2.8</i>	<i>3.1</i>	<i>3.4</i>	<i>3.3</i>	<i>3.2</i>
Total employment (000s)	1,207	1,204	1,219	1,240	1,258	1,291	1,317	1,338
	<i>1.5</i>	<i>-0.3</i>	<i>1.3</i>	<i>1.7</i>	<i>1.4</i>	<i>2.7</i>	<i>2.0</i>	<i>1.6</i>
Unemployment rate (%)	4.4	7.2	7.5	7.4	6.4	5.6	5.1	4.8
Personal income per capita (\$)	37,508	36,358	36,858	37,741	38,650	39,949	41,220	42,465
	<i>2.0</i>	<i>-3.1</i>	<i>1.4</i>	<i>2.4</i>	<i>2.4</i>	<i>3.4</i>	<i>3.2</i>	<i>3.0</i>
Population (000s)	2,279	2,337	2,391	2,434	2,474	2,518	2,559	2,600
	<i>2.1</i>	<i>2.5</i>	<i>2.3</i>	<i>1.8</i>	<i>1.7</i>	<i>1.8</i>	<i>1.7</i>	<i>1.6</i>
Retail sales (\$ millions)	26,168	25,507	26,676	27,417	28,703	30,031	31,413	32,818
	<i>1.8</i>	<i>-2.5</i>	<i>4.6</i>	<i>2.8</i>	<i>4.7</i>	<i>4.6</i>	<i>4.6</i>	<i>4.5</i>
Inflation rate (%)	2.3	0.1	1.7	2.4	2.0	2.0	2.0	2.0

Italics indicate percentage change; f = forecast.
Sources: The Conference Board of Canada; Statistics Canada.

the 2011 ratio of starts to population growth appears set to trail its historical average for the fourth straight year, suggesting that some pent-up demand exists in the market and that starts could surprise on the upside. Accordingly, absorptions are forecast to rise gradually over the medium term, hitting 17,800 units by 2015,

shaving builder stocks by a quarter from this year's peak.

Improved new unit take-up, declining inventories and a strong economy suggest a relatively good medium-term outlook for new construction. Housing starts are projected to rise each year between 2013 and

2015, hitting 18,140 units by our forecast's end. While this trails the 2007 peak, it remains above the past decade's average. Starts of multi-family units are projected to continue their dominance, accounting for three-quarters of new construction between 2012 and 2015.

Table 2—New Housing Market Indicators

	2008	2009	2010	2011f	2012f	2013f	2014f	2015f
Housing starts	19,649	8,209	15,232	17,037	16,466	17,374	18,040	18,144
	<i>-4.9</i>	<i>-58.2</i>	<i>85.6</i>	<i>11.8</i>	<i>-3.3</i>	<i>5.5</i>	<i>3.8</i>	<i>0.6</i>
Singles	3,647	2,828	4,611	3,594	3,839	4,304	4,611	4,773
	<i>-13.3</i>	<i>-22.5</i>	<i>63.1</i>	<i>-22.1</i>	<i>6.8</i>	<i>12.1</i>	<i>7.1</i>	<i>3.5</i>
Multiples	16,002	5,381	10,621	13,443	12,627	13,070	13,430	13,371
	<i>-2.7</i>	<i>-66.4</i>	<i>97.4</i>	<i>26.6</i>	<i>-6.1</i>	<i>3.5</i>	<i>2.8</i>	<i>-0.4</i>
Under construction	26,322	20,579	14,979	18,021	19,186	19,826	20,601	21,113
	<i>16.1</i>	<i>-21.8</i>	<i>-27.2</i>	<i>20.3</i>	<i>6.5</i>	<i>3.3</i>	<i>3.9</i>	<i>2.5</i>
Housing completions	19,150	16,788	16,474	13,453	15,636	16,693	17,306	17,787
	<i>7.5</i>	<i>-12.3</i>	<i>-1.9</i>	<i>-18.3</i>	<i>16.2</i>	<i>6.8</i>	<i>3.7</i>	<i>2.8</i>
Singles	3,716	3,338	3,935	3,816	3,409	4,018	4,368	4,577
	<i>-18.4</i>	<i>-10.2</i>	<i>17.9</i>	<i>-3.0</i>	<i>-10.7</i>	<i>17.9</i>	<i>8.7</i>	<i>4.8</i>
Multiples	15,434	13,450	12,539	9,636	12,227	12,675	12,938	13,211
	<i>16.4</i>	<i>-12.9</i>	<i>-6.8</i>	<i>-23.2</i>	<i>26.9</i>	<i>3.7</i>	<i>2.1</i>	<i>2.1</i>
Newly completed and unabsorbed	1,662	2,192	2,811	3,152	2,921	2,546	2,349	2,330
	<i>43.2</i>	<i>31.9</i>	<i>28.2</i>	<i>12.1</i>	<i>-7.3</i>	<i>-12.8</i>	<i>-7.8</i>	<i>-0.8</i>
Absorptions	18,257	17,190	14,828	13,666	15,991	17,066	17,383	17,792
	<i>3.9</i>	<i>-5.8</i>	<i>-13.7</i>	<i>-7.8</i>	<i>17.0</i>	<i>6.7</i>	<i>1.9</i>	<i>2.4</i>
Months' supply	1.1	1.5	2.3	2.8	2.2	1.8	1.6	1.6
Average price of a new home (\$)	690,205	646,526	667,719	668,046	678,412	689,945	701,674	712,901
	<i>2.3</i>	<i>-6.3</i>	<i>3.3</i>	<i>0.0</i>	<i>1.6</i>	<i>1.7</i>	<i>1.7</i>	<i>1.6</i>

Italics indicate percentage change; f = forecast.

Sources: The Conference Board of Canada; CMHC Housing Time Series Database.

Table 3—Resale Housing Market Indicators

	2008	2009	2010	2011f	2012f	2013f	2014f	2015f
Unit sales	25,148	36,256	31,144	35,404	35,186	36,206	37,184	38,188
	<i>-35.5</i>	<i>44.2</i>	<i>-14.1</i>	<i>13.7</i>	<i>-0.6</i>	<i>2.9</i>	<i>2.7</i>	<i>2.7</i>
Dollar volume sales (\$ millions)	14,933	21,480	21,049	27,930	27,423	28,755	30,092	31,461
	<i>-32.9</i>	<i>43.8</i>	<i>-2.0</i>	<i>32.7</i>	<i>-1.8</i>	<i>4.9</i>	<i>4.7</i>	<i>4.5</i>
New listings	65,120	54,829	59,817	61,873	61,653	62,772	65,472	68,371
	<i>14.0</i>	<i>-15.8</i>	<i>9.1</i>	<i>3.4</i>	<i>-0.4</i>	<i>1.8</i>	<i>4.3</i>	<i>4.4</i>
Sales-to-new-listings ratio (%)	39	66	52	57	57	58	57	56
Average price of a resale home (\$)	593,791	592,457	675,853	788,893	779,384	794,193	809,281	823,847
	<i>4.0</i>	<i>-0.2</i>	<i>14.1</i>	<i>16.7</i>	<i>-1.2</i>	<i>1.9</i>	<i>1.9</i>	<i>1.8</i>

Italics indicate percentage change; f = forecast.

Sources: The Conference Board of Canada; Canadian Real Estate Association.

Victoria



Uneven employment growth and slowing population increases will temper gains in Victoria housing markets this year. Resale transactions are projected to ease for the third year of the last four, average prices are expected to slip, and starts are forecast to drop. Next year looks better, with sales, prices, and starts all predicted to rise. Combined with higher employment, even moderating population hikes will help boost housing starts in the medium term. But sales and price growth for existing homes are forecast to remain modest by the past decade's standards.

Economic Outlook

Slowing advances in both the goods and services sectors of Victoria's economy are forecast to limit GDP growth to 1.9 per cent in 2011. Stronger services output will propel GDP to a faster 2.3 per cent gain in 2012, despite moderating goods sector expansion. Job growth, lacklustre in 2010, is forecast to remain tepid in 2011, lifting the unemployment rate to 6.2 per cent. A slight acceleration in employment growth in 2012 will cut the unemployment rate to 5.8 per cent. Population hikes are forecast to dip below 1 per cent this year and remain there through 2015.

Housing Outlook

EXISTING HOUSING MARKET

Victoria's resale market has been in a buyers' position since the second quarter of 2010. Sales actually

dropped in the second quarter of this year, the result of a tepid economy and weak affordability. Resale transactions dipped below 5,300 units at an annual rate during the second quarter, from 6,170 units for the year 2010 as a whole. We expect sales to edge higher in the second half of 2011, but not enough to prevent the 2011 average volume from declining to 5,770 units, the second consecutive annual drop. Sales are forecast to rise to 6,065 units in 2012, then edge higher, hitting nearly 6,700 units by 2015—still well below the 2007 peak.

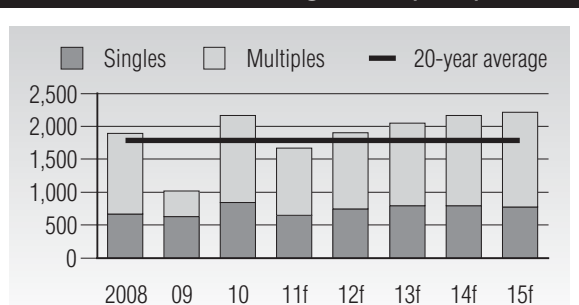
Potential home sellers seem to have been slightly discouraged by the weakness in sales. A fall in the annualized supply of new listings during the second quarter will result in a drop in overall listings for 2011 of 3.1 per cent to roughly 12,840 units, with another 8.3 per cent decline to 11,800 listings in

store for 2012 as potential vendors remain wary. Little medium-term change is expected, although a slight upward drift is forecast for 2014 and 2015.

The second quarter's big drop in sales far outpaced the dip in listings. This cut Victoria's sales-to-new-listing ratio to 41 per cent, the lowest since 2008. The decline underscores further weakening in Victoria's resale market. Rising sales and easing listings in this year's second half will boost the ratio modestly, although it is expected to remain in buyers' territory. Next year, further sales hikes and listings decreases are forecast to lift the ratio gingerly into balanced market territory.

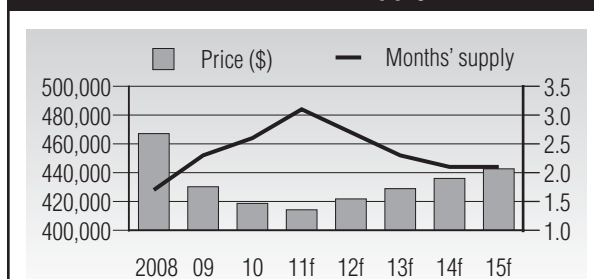
Values have suffered in this weak market. Victoria's average resale price fell during the first quarter, and a spring rebound did not fully recover the drop. We

Chart 1—Housing Starts (000s)



Sources: The Conference Board of Canada; CMHC Housing Time Series Database.

Chart 2—New Housing Price and Months' Supply



Sources: The Conference Board of Canada; CMHC Housing Time Series Database.

expect the average resale price to ease by 0.4 per cent overall this year, marking the second annual decline in the past three years. The onset of a balanced market will lift the average price 2.4 per cent in 2012. This year's price dip will produce a slight improvement in Victoria's notoriously poor resale affordability. The area's ratio of house prices to average incomes and the proportion of local incomes consumed by principle and interest charges are below only Vancouver's among the cities covered in this report. The price easing, along with relatively stable mortgage interest rates, will trim mortgage carrying costs by 2 per cent this

year. Only a slight increase is on tap for 2012, as price growth is expected to remain modest and interest rates low.

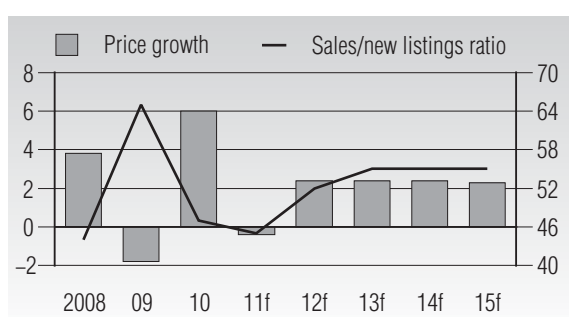
NEW HOUSING MARKET

Weakening absorptions in the first half of 2011 reflected Victoria's sluggish employment growth. Annualized new-unit take-up fell below 1,470 units in the second quarter—a five-year low. This downward trend started last year, when absorptions fell 24.6 per cent. Absorptions will end 2011 off 5.6 per cent. Such dips have swollen builder inventories. As a result, Victoria housing starts are forecast to drop

23 per cent this year after more than doubling in 2010. The decline will be evenly split across the segments of the market, as single-detached starts are expected to fall by 23.8 per cent this year, while multiples are forecast to decline by 22.4 per cent. Such drops will slow growth in builder inventories later this year and begin trimming them in 2012, setting the stage for a forecast 15.5 per cent increase in singles starts, along with a 12.5 per cent rise in multiple starts, in 2012.

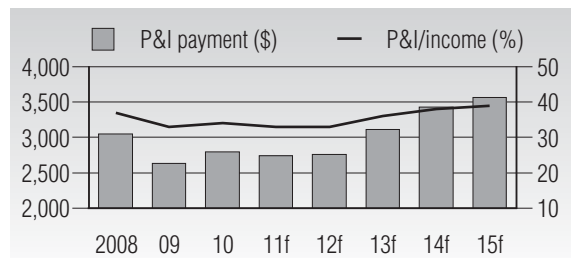
The medium-term outlook for new construction is largely favourable. Population advances will remain

Chart 3—MLS Sales-to-New-Listings Ratio and Price Growth (%)



Sources: The Conference Board of Canada, Canadian Real Estate Association.

Chart 4—Affordability



Note: Principle and interest payments assume average resale price, 10 per cent down payment, 25-year amortization, and 5-year fixed mortgage rate.

Sources: The Conference Board of Canada; CMHC Housing Time Series Database.

Table 1—Economic Indicators

	2008	2009	2010	2011f	2012f	2013f	2014f	2015f
Real GDP at basic prices (2002 \$ millions)	11,783	11,677	11,999	12,223	12,509	12,846	13,188	13,534
	<i>0.9</i>	<i>-0.9</i>	<i>2.8</i>	<i>1.9</i>	<i>2.3</i>	<i>2.7</i>	<i>2.7</i>	<i>2.6</i>
Total employment (000s)	191	183	183	185	188	192	194	196
	<i>4.8</i>	<i>-3.9</i>	<i>0.2</i>	<i>0.7</i>	<i>1.9</i>	<i>1.9</i>	<i>1.4</i>	<i>1.0</i>
Unemployment rate (%)	3.3	6.5	6.0	6.2	5.8	5.2	4.8	4.6
Personal income per capita (\$)	39,516	38,836	39,518	40,085	41,519	42,977	44,476	46,001
	<i>4.3</i>	<i>-1.7</i>	<i>1.8</i>	<i>1.4</i>	<i>3.6</i>	<i>3.5</i>	<i>3.5</i>	<i>3.4</i>
Population (000s)	348	354	358	361	363	366	368	371
	<i>1.3</i>	<i>1.7</i>	<i>1.1</i>	<i>0.7</i>	<i>0.7</i>	<i>0.8</i>	<i>0.7</i>	<i>0.7</i>
Retail sales (\$ millions)	4,051	3,879	4,064	4,144	4,318	4,485	4,662	4,844
	<i>3.1</i>	<i>-4.2</i>	<i>4.8</i>	<i>2.0</i>	<i>4.2</i>	<i>3.9</i>	<i>3.9</i>	<i>3.9</i>
Inflation rate (%)	1.8	0.1	1.0	2.4	2.0	2.0	2.0	2.0

Italics indicate percentage change; f = forecast.

Sources: The Conference Board of Canada; Statistics Canada.

positive, despite easing. Moreover, the ratio of housing starts to population growth has been recently low by historical standards; this suggests that there is some pent-up demand for new homes. Accordingly, total

starts are forecast to rise modestly each year between 2013 and 2015. The increase is expected to be driven by significant gains in multiple starts, thanks to the continuation of the aging population phenomenon.

Single starts are also expected to rise, but much more slowly. Total starts are projected to hit 2,200 units by 2015—a good volume by Victoria standards, but significantly below the past decade's peak.

Table 2—New Housing Market Indicators

	2008	2009	2010	2011f	2012f	2013f	2014f	2015f
Housing starts	1,897	1,021	2,168	1,671	1,898	2,049	2,163	2,217
	<i>-26.5</i>	<i>-46.2</i>	<i>112.4</i>	<i>-23.0</i>	<i>13.6</i>	<i>8.0</i>	<i>5.6</i>	<i>2.5</i>
Singles	671	632	846	645	745	798	798	773
	<i>-15.1</i>	<i>-5.8</i>	<i>33.9</i>	<i>-23.8</i>	<i>15.5</i>	<i>7.1</i>	<i>0.1</i>	<i>-3.2</i>
Multiples	1,226	389	1,322	1,026	1,154	1,252	1,365	1,444
	<i>-31.6</i>	<i>-68.3</i>	<i>240.2</i>	<i>-22.4</i>	<i>12.5</i>	<i>8.5</i>	<i>9.1</i>	<i>5.8</i>
Under construction	3,299	2,085	1,921	1,800	1,794	1,814	1,831	1,848
	<i>5.6</i>	<i>-36.8</i>	<i>-7.9</i>	<i>-6.3</i>	<i>-0.3</i>	<i>1.1</i>	<i>1.0</i>	<i>0.9</i>
Housing completions	2,149	2,463	1,784	1,758	1,886	2,031	2,145	2,200
	<i>0.4</i>	<i>14.6</i>	<i>-27.6</i>	<i>-1.4</i>	<i>7.3</i>	<i>7.7</i>	<i>5.6</i>	<i>2.5</i>
Singles	760	635	851	642	746	792	800	769
	<i>-6.7</i>	<i>-16.4</i>	<i>34.0</i>	<i>-24.5</i>	<i>16.2</i>	<i>6.1</i>	<i>0.9</i>	<i>-3.8</i>
Multiples	1,389	1,828	933	1,116	1,140	1,239	1,346	1,430
	<i>4.8</i>	<i>31.6</i>	<i>-49.0</i>	<i>19.6</i>	<i>2.1</i>	<i>8.7</i>	<i>8.7</i>	<i>6.3</i>
Newly completed and unabsorbed	282	451	393	439	433	395	382	379
	<i>87.9</i>	<i>59.8</i>	<i>-12.7</i>	<i>11.5</i>	<i>-1.3</i>	<i>-8.8</i>	<i>-3.4</i>	<i>-0.7</i>
Absorptions	1,950	2,402	1,811	1,711	1,922	2,061	2,151	2,202
	<i>-8.4</i>	<i>23.1</i>	<i>-24.6</i>	<i>-5.6</i>	<i>12.4</i>	<i>7.2</i>	<i>4.4</i>	<i>2.4</i>
Months' supply	1.7	2.3	2.6	3.1	2.7	2.3	2.1	2.1
Average price of a new home (\$)	467,213	430,626	418,664	414,511	421,950	429,123	435,989	442,964
	<i>-0.1</i>	<i>-7.8</i>	<i>-2.8</i>	<i>-1.0</i>	<i>1.8</i>	<i>1.7</i>	<i>1.6</i>	<i>1.6</i>

Italics indicate percentage change; f = forecast.

Sources: The Conference Board of Canada; CMHC Housing Time Series Database.

Table 3—Resale Housing Market Indicators

	2008	2009	2010	2011f	2012f	2013f	2014f	2015f
Unit sales	6,170	7,660	6,170	5,769	6,065	6,295	6,497	6,685
	<i>-26.6</i>	<i>24.1</i>	<i>-19.5</i>	<i>-6.5</i>	<i>5.1</i>	<i>3.8</i>	<i>3.2</i>	<i>2.9</i>
Dollar volume sales (\$ millions)	2,992	3,647	3,113	2,900	3,122	3,319	3,508	3,693
	<i>-23.7</i>	<i>21.9</i>	<i>-14.7</i>	<i>-6.8</i>	<i>7.7</i>	<i>6.3</i>	<i>5.7</i>	<i>5.3</i>
New listings	13,928	11,747	13,249	12,844	11,777	11,548	11,791	12,137
	<i>8.5</i>	<i>-15.7</i>	<i>12.8</i>	<i>-3.1</i>	<i>-8.3</i>	<i>-1.9</i>	<i>2.1</i>	<i>2.9</i>
Sales-to-new-listings ratio (%)	44	65	47	45	52	55	55	55
Average price of a resale home (\$)	484,976	476,137	504,479	502,683	514,760	527,168	539,871	552,338
	<i>3.8</i>	<i>-1.8</i>	<i>6.0</i>	<i>-0.4</i>	<i>2.4</i>	<i>2.4</i>	<i>2.4</i>	<i>2.3</i>

Italics indicate percentage change; f = forecast.

Sources: The Conference Board of Canada; Canadian Real Estate Association.

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