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Metropolitan Housing Outlook **Autumn 2010**



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
by Alan Arcand, Mario Lefebvre, Jane McIntyre, Greg Sutherland, and Robin Wiebe

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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 two times a year, in the spring and fall.

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What Has Changed?

Canada's economy is expected to expand by 3 per cent in 2010 and 2.5 per cent in 2011, down from 3.2 per cent and 3.3 per cent respectively in the previous *Metropolitan Housing Outlook*. While the recovery in late 2009 and the early part of this year was strong, real gross domestic product growth is starting to soften, as consumption and residential investment slow. Reduced infrastructure stimulus will also start to take away from growth after spending peaks early next year.

The Canadian dollar is expected to average US\$0.97 this year, down one cent from the last outlook. Continued strength in the loonie is being driven by rising prices for oil and other raw materials, as well as a growing interest rate differential between Canada and the United States. Our dollar is expected to increase to US\$0.99 in 2011—again, one cent lower than previously expected.

The recovery in the economy in late 2009 and early 2010 and significantly low interest rates led to substantial growth in housing starts in the first half of 2010. Accordingly, starts are now expected to reach 191,300 units this year, an upward revision from the 187,300 units in the last forecast. However, starts are expected to slow in the coming months, in line with slower economic growth and rising interest rates. As a result, the housing starts outlook for 2011 has been lowered to 175,500 units from 193,600 units.

Changes in new home prices are in line with the revisions to housing starts. A stronger-than-expected new home market in 2010 will result in higher than previously expected price growth, while a weaker-than-expected new home market in 2011 will result in a downward revision to price growth. The current outlook expects that new home prices will

now rise by 2.3 per cent this year and by 1.4 per cent next year. This compares with growth rates of 1.6 per cent and 1.9 per cent in the last *Metropolitan Housing Outlook*.

The downward revision in Canada's 2011 housing market outlook will affect both the number and value of mortgage approvals. The number of approvals had been forecast to decrease by 3.7 per cent in 2011, but the latest outlook now calls for a 6.9 per cent drop. In dollar terms, mortgage approvals are now expected to fall by 6.2 per cent next year, much larger than the 1.3 per cent dip anticipated previously.

Executive Summary

National Overview

Canada's strong economic rebound during the fall of 2009 and spring of this year is wavering as domestic demand falters. Real consumer spending growth will slow to between 2 and 2.5 per cent, softer housing markets will trim residential investment, and infrastructure stimulus will wane. Continued economic recovery in Canada hinges on a better trade performance and a steady rise in private capital investment—both reliant on the world economy. Still, 2010's strong start suggests real gross domestic product growth will reach 3 per cent this year. A softer domestic economy and frail U.S. recovery will limit GDP growth in 2011 to 2.5 per cent. By 2012, more robust U.S. expansion will lift exports, boosting GDP 2.9 per cent.

Strong economic recovery and rebounding employment earlier this year, along with fears of future inflationary pressures and overheated housing markets, led the Bank of Canada to lift its key policy rate 75 basis points between June and September, to 1.25 per cent. But softer domestic demand, low inflation, a strong loonie, and an unstable global outlook may defer future hikes. Continued economic recovery would ultimately encourage the Bank to nudge rates back to their neutral level—assumed to be at least 4 per cent (given 2 per cent inflation). Accordingly, the five-year mortgage rate is expected to remain at 5.6 per cent in 2010. Despite a forecast 2011 increase, the five-year

rate will reach pre-recessionary levels only in 2012. Similar patterns await one- and three-year terms.

Spurred by economic recovery and low interest rates, Canadian housing demand revived in mid-2009. While providing welcome relief, this could not prevent last year's 29.4 per cent drop in housing starts. Resale markets recovered more briskly, with prices rising 5 per cent last year following 2008's 1.6 per cent decline.

Demand also picked up as purchasers sought to beat anticipated higher mortgage rates and the July 1 harmonized sales tax in Ontario and British Columbia, and so housing markets are now expected to cool, cutting housing starts by 8.2 per cent in 2011. But in the second half of 2011 and 2012, an improved job picture is expected to lift starts, despite high household debt and rising mortgage rates. Thereafter, increasing demographic demand should buoy starts. Resale price growth is forecast to reach 6.1 per cent this year, but then stagnate in 2011. Annual average advances above 2 per cent are forecast in 2012–2014.

Housing market recovery and strong price growth boosted the number and dollar value of mortgage approvals 10.6 per cent and 13.5 per cent respectively in 2009. The value of approvals continued to rise in the first half of 2010, but is expected to fall in the year's second half as slowing housing markets cut price

advances. This will limit growth in approval value to 3.1 per cent in 2010 and actually cut it 6.2 per cent next year. Meanwhile, the volume of approved mortgages is expected to fall by 1.4 per cent in 2010 and another 6.9 per cent in 2011. This year's decline is forecast to be led by a 2.1 drop in conventional mortgage approvals; high-ratio approvals are expected to ease 0.6 per cent. Next year's weaker housing markets will result in conventional mortgage volumes declining by 6.4 per cent while high-ratio approval volumes drop by 7.5 per cent.

Provincial Overview

Housing starts, which fell in all areas last year, are expected to rise everywhere this year and then retreat universally again next year. Resale price movements have been slightly less consistent, although average values rose everywhere except Alberta last year and are predicted to increase across the board this year. Dips are forecast in Ontario and British Columbia for 2011. Regional new home pricing, which was uneven in 2009, is forecast to rise everywhere this year and next.

British Columbia's real GDP will increase 3.7 per cent this year but only 2.3 per cent in 2011. Employment is forecast to rise 2.1 per cent both this year and next. Housing starts will soar 65 per cent to nearly 26,520 homes in 2010, but ease by 5.2 per cent in 2011. Faster house price growth is expected this year: 3.5 per cent for new units and 8.3 per

cent for existing homes. Advances will cool next year, with existing home prices dipping.

Alberta's real GDP is forecast to expand 3 per cent this year and 3.2 per cent in 2011, despite mixed energy industry prospects. Employment's small predicted 0.6 per cent rise this year nonetheless improves upon a 2009 drop. Next year promises 3.3 per cent job growth. Housing starts will rise 45.5 per cent to 29,500 units this year after three annual declines, but dip to near 27,310 units in 2011. We expect new home prices to advance 0.9 per cent and existing home values 3.4 per cent in 2010. Prices for both are projected to rise 1.2 per cent next year.

Weak agriculture output will limit GDP growth in Manitoba and Saskatchewan to 1.5 per cent this year, but 2.9 per cent expansion is forecast in 2011. Employment actually rose in 2009 and is predicted to increase 1.7 per cent this year and 1.6 per cent next. Starts near 11,280 units are forecast for 2010, a 40 per cent increase, but then only a 1.8 per cent uptick is anticipated in 2011. Average prices are expected to rise 3.7 per cent for new homes and 5 per cent for existing units this year, but only about 1 per cent each in 2011.

Manufacturing recovery will help lift GDP growth in Ontario to 3.9 per cent this year, before it slows to 2.7 per cent in 2011. Employment is slated to rise 1.9 per cent this year and 2.8 per cent in 2011. Housing starts, while cooling over the course of the year, will still end 2010 up 18.5 per cent, before dropping by 1.3 per cent in 2011. Prices for new and existing homes are

forecast to advance 2.2 per cent and 8.2 per cent respectively this year. Prices for new homes are projected to rise only 1.6 per cent next year, but this is better than the 0.8 per cent dip predicted for existing dwellings.

Quebec's economy is on track to expand a solid 3 per cent this year. But GDP growth is forecast to decelerate sharply to 1.8 per cent in 2011, as new tax measures dampen consumer spending. Employment fell in 2009, but is forecast to rise 1.9 per cent this year and 1.4 per cent in 2011. Housing starts are predicted to rebound 18 per cent this year, but fall by a roughly equivalent amount next year. Growth of existing house prices will hit 6.8 per cent in 2010, but slide to 1.5 per cent in 2011. New home prices, meanwhile, are forecast to rise 2.3 per cent this year and 1.6 per cent in 2011.

Economic growth of 2.5 per cent is on tap for Atlantic Canada this year, and similar 2.3 per cent expansion is predicted for 2011. Economic stimulus measures, an expanding trade sector, and assorted resource plays bolster the outlook. Employment gains of 1 per cent and 1.5 per cent are expected this year and next. Housing starts are forecast to end 2010 up 19.6 per cent at 13,000 units, but retreat similarly in 2011. New and existing home prices are expected to advance 1.8 per cent and 6.4 per cent respectively this year, but only 1.5 per cent and 0.6 per cent in 2011.

Municipal Overview

All nine cities covered by this report are on track to post healthy economic growth this year, a big

improvement over 2009, when total output fell in all cities except Québec City. Toronto's 4.2 per cent GDP expansion is forecast to lead this year, while Winnipeg's 2 per cent will trail. Slower growth is expected everywhere but Calgary in 2011. Alberta's cities are predicted to see the strongest medium-term expansion, with 2012–2014 GDP growth averaging over 4 per cent per year. By contrast, Ottawa and Québec City will achieve annual average growth of only 2.4 per cent.

Québec City was also alone among our report's nine cities in avoiding a drop in housing starts last year; Vancouver starts fell the most (58 per cent). Starts are forecast to rise everywhere this year, with Victoria's volumes more than doubling. By contrast, only 9 per cent more starts are predicted for the nation's capital. Victoria will surrender many of its gains next year, with starts expected to fall 27 per cent, the most among our nine cities. Only Toronto, with a modest 1 per cent gain, is forecast to see more starts next year.

Sales of existing homes rose in all cities except Winnipeg last year, and even Winnipeg's small dip left volumes historically high. In our other eight cities, 2009 represented a year of recovery from 2008 downturns. Most cities saw sales ease in early 2010; persistent softness expected in the second half of 2010 will leave volumes down everywhere. For the year as a whole, drops will range from Montréal's tiny 2.6 per cent to nearly 21 per cent in Vancouver and Victoria. Sales are forecast to fall again next year in all nine cities, but the 2011 contractions will be generally much

smaller than this year's. Next year's biggest declines will be suffered by Ottawa, Toronto, and Vancouver, all of which are expected to see 9–10 per cent fewer sales.

Market conditions are eroding following improvement in 2009. The sales-to-new-listings ratio is predicted to fall in all nine cities this year. Buyers' conditions are forecast in our four westernmost cities this year and sellers' conditions in our three easternmost. Toronto and Winnipeg are expected to see balanced markets. No change in market state is forecast for the five Western markets, including Winnipeg, next year. In the East, Toronto is expected to remain balanced while Québec City remains a sellers' market in 2011. Ottawa and

Montréal will see their sellers' markets erode to buyers' and balanced states respectively in 2011.

Average resale price hikes in 2009 were higher in two cities and slower in three, while prices actually fell in four markets. Indeed, only Montréal and Toronto enjoyed faster price growth last year. This situation will reverse dramatically this year, as home values rose briskly in most areas late last year and in early 2010. Price growth is expected to accelerate in all nine markets this year. Vancouver's 11.8 per cent advance is forecast to lead all cities, while Québec City will also post a double-digit price increase. Although Edmonton's 1.4 per cent price hike will be the lowest among the major cities in Canada, Edmonton will see

accelerating price growth next year, while hikes in all other cities will taper off.

Last year's weak pricing cut principle and interest payments in all nine of our markets; the four westernmost cities each saw carrying charges drop at least 13 per cent. But faster price growth this year will lift these payments across the board. Vancouver's 14.6 per cent increase will lead the pack, with Toronto and Québec City expected to see increases nearer 10 per cent. In 2011, carrying charges are expected to rise again, but at a slower pace everywhere except Edmonton.

Demographic and Housing Indicators

| | Population (000s) | | | Housing Starts | | | Housing Completions | | | Existing Home Prices | | | New Home Prices | | |
|---------------------------|-------------------|--------|--------|----------------|---------|---------|---------------------|---------|---------|----------------------|---------|---------|-----------------|---------|---------|
| | 2009 | 2010f | 2011f | 2009 | 2010f | 2011f | 2009 | 2010f | 2011f | 2009 | 2010f | 2011f | 2009 | 2010f | 2011f |
| Canada | 33,690 | 34,075 | 34,483 | 149,081 | 191,250 | 175,508 | 176,804 | 181,368 | 175,890 | 316,813 | 336,245 | 336,543 | 387,056 | 396,007 | 401,598 |
| Atlantic Provinces | 4,444 | 4,481 | 4,508 | 10,893 | 13,033 | 10,515 | 11,217 | 12,293 | 10,454 | 182,401 | 194,150 | 195,304 | 314,269 | 320,051 | 324,767 |
| Quebec | 7,820 | 7,894 | 7,951 | 43,403 | 51,194 | 42,179 | 43,188 | 47,413 | 43,031 | 224,580 | 239,750 | 243,407 | 286,835 | 293,541 | 298,236 |
| Québec City | 746 | 754 | 761 | 5,376 | 6,273 | 5,118 | 5,120 | 6,883 | 5,645 | 210,738 | 232,497 | 237,014 | 215,381 | 222,386 | 225,166 |
| Montréal | 3,815 | 3,861 | 3,904 | 19,269 | 23,922 | 20,086 | 19,486 | 22,103 | 20,057 | 272,232 | 288,534 | 291,204 | 302,377 | 310,107 | 314,276 |
| Ontario | 13,052 | 13,188 | 13,351 | 50,370 | 59,694 | 58,891 | 55,096 | 56,717 | 62,882 | 315,595 | 341,580 | 338,756 | 463,451 | 473,765 | 481,493 |
| Ottawa | 1,221 | 1,236 | 1,245 | 8,928 | 9,722 | 7,734 | 9,440 | 10,072 | 8,576 | 282,065 | 306,757 | 303,647 | 367,733 | 381,128 | 384,020 |
| Toronto | 5,623 | 5,717 | 5,822 | 26,242 | 29,280 | 29,559 | 28,356 | 27,752 | 29,600 | 409,819 | 447,805 | 444,180 | 536,274 | 548,140 | 557,940 |
| Prairies | 2,247 | 2,278 | 2,301 | 8,040 | 11,284 | 11,486 | 10,152 | 10,603 | 9,628 | 216,656 | 227,490 | 229,129 | 358,037 | 371,208 | 374,987 |
| Winnipeg | 742 | 752 | 760 | 2,025 | 3,434 | 3,075 | 2,670 | 3,157 | 3,301 | 207,342 | 226,781 | 229,847 | 378,502 | 391,069 | 393,400 |
| Alberta | 3,675 | 3,732 | 3,789 | 20,298 | 29,529 | 27,311 | 27,563 | 26,961 | 27,889 | 340,442 | 351,918 | 356,188 | 429,462 | 433,285 | 438,507 |
| Calgary | 1,230 | 1,261 | 1,285 | 6,162 | 9,750 | 9,065 | 8,238 | 9,881 | 9,601 | 385,866 | 397,840 | 402,321 | 474,381 | 483,749 | 489,534 |
| Edmonton | 1,155 | 1,179 | 1,198 | 6,124 | 11,675 | 11,088 | 9,232 | 10,402 | 11,287 | 320,378 | 324,970 | 331,423 | 378,708 | 376,515 | 380,965 |
| British Columbia | 4,449 | 4,518 | 4,580 | 16,077 | 26,518 | 25,127 | 29,538 | 25,771 | 25,103 | 458,116 | 496,315 | 493,008 | 622,846 | 644,891 | 652,748 |
| Vancouver | 2,328 | 2,371 | 2,410 | 8,213 | 15,216 | 14,765 | 16,788 | 16,556 | 13,182 | 592,474 | 662,385 | 661,655 | 646,547 | 672,756 | 680,495 |
| Victoria | 352 | 356 | 360 | 1,009 | 2,156 | 1,579 | 2,463 | 1,726 | 1,641 | 476,013 | 500,097 | 498,200 | 430,529 | 420,661 | 428,247 |
| | 1.3 | 1.1 | 1.0 | -46.9 | 113.6 | -26.8 | 14.6 | -29.9 | -4.9 | -1.8 | 5.1 | -0.4 | -7.8 | -2.3 | 1.8 |

Financial Indicators (Canada only)

| | 2009 | 2010f | 2011f | 2009 | 2010f | 2011f |
|----------------------------------|------|-------|-------|---------------------------------|-------|-------|
| Exchange rate (U.S./Can.) | 0.88 | 0.97 | 0.99 | 4.0 | 3.5 | 4.4 |
| Inflation rate | 0.3 | 1.8 | 2.3 | One-year mortgage rate | 4.6 | 4.3 |
| Bank rate | 0.6 | 0.8 | 2.3 | Three-year mortgage rate | 5.6 | 5.8 |
| | | | | Five-year mortgage rate | 5.6 | 5.8 |
| | | | | Federal bonds: 1-3 years | 1.2 | 1.5 |
| | | | | Federal bonds: 7 years | 2.7 | 2.6 |
| | | | | Federal bonds: long term | 3.9 | 3.7 |

Italics indicate percentage change.

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

Canada



Canada's real GDP growth is expected to ease from 3 per cent in 2010 to 2.5 per cent next year. The over-exuberance in domestic spending early this year is wearing away, so the pace of household spending and residential investment will slow in 2011. Housing starts are on track to rebound by 28.3 per cent in 2010, but fall by 8.2 per cent next year. Price growth is also expected to decelerate in both the new and resale housing markets. Accordingly, mortgage approvals (in both unit and dollar value terms) are projected to fall in 2011.

Economic Outlook

As expected, the strong economic rebound in Canada over the fall of 2009 and spring of this year has started to lose steam. Over the past six months, growth from within has ebbed—a trend that will continue in 2011. Growth in real consumer spending will slow to between 2 and 2.5 per cent, residential investment will decline because of a softening housing market, and reduced infrastructure stimulus will start to take away from growth after spending peaks early next year. To continue on its path of recovery, Canada will need a better trade performance and a steady rise in private capital investment—components that depend on the health of the global economy.

Households and business leaders are aware of Canada's exposure to and dependence on the U.S. and

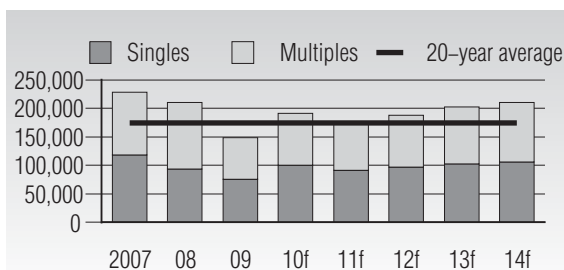
global economies. This is evident in the Conference Board's measure of Canadian consumer confidence—after reaching near-normal levels in January this year, the Consumer Confidence Index fell sharply in February and has continued to trend down, likely because of fears about the European sovereign debt crisis and ongoing concern about a double-dip recession south of the border. Business confidence is also slipping, with the biggest constraint on new investment due to low capacity use across many Canadian industries. Still, the strong start to 2010 suggests real GDP will grow by 3 per cent this year, while a softer domestic economy and still frail U.S. recovery will restrain real GDP growth to 2.5 per cent in 2011. In line with a more robust U.S. recovery, real GDP will advance 2.9 per cent in 2012, largely thanks to an even better trade performance.

Financial Markets Outlook

Monthly core inflation, which excludes the effects of indirect taxes and volatile food and energy items, has eased steadily since the start of 2010 to average just 1.6 per cent in recent months. Overall inflation, as measured by the Consumer Price Index (CPI), was even weaker up until July, when the effects of sales tax harmonization in Ontario and British Columbia were felt. CPI inflation is expected to be 1.8 per cent in 2010 and 2.3 per cent in 2011.

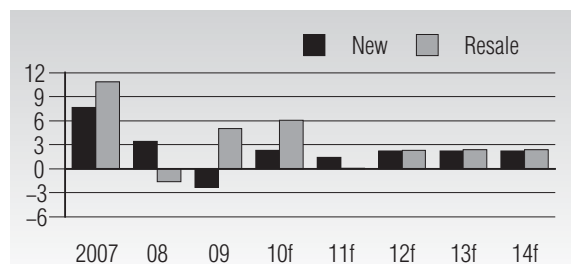
At the same time, Canada's relatively healthy fiscal situation, solid banking system, and strong economic recovery helped the loonie appreciate from just over US\$0.82 in early 2009 to average nearly US\$0.97 over the first half of 2010—roughly a 20 per cent increase. The Canadian dollar is expected to continue to strengthen modestly in the coming months,

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.

thanks to increasing oil and other raw material prices as well as a growing interest rate differential as the Bank of Canada removes monetary stimulus while the U.S. Federal Reserve remains on the sidelines. Softer domestic demand, the weak inflation outlook, a strong loonie, and an unstable global outlook have given the Bank of Canada cause to pause temporarily from its course of unwinding monetary stimulus. Earlier this year, a strong recovery and rebound in employment prompted the Bank to start lifting its key policy rate. If the economic recovery progresses as expected, the Bank of Canada will steadily lift rates in an attempt to get them back to “normal” levels. The neutral rate—rate at which monetary policy is neither stimulative nor contractionary—is assumed to be upwards of 4 per cent (in a 2 per cent inflation environment).

Housing Outlook

Canada’s housing market quickly bounced back from the economic downturn in 2008 and 2009. By the second half of last year, demand was bolstered not only by the beginnings of a recovery in the economy, but also by very low interest rates. Accordingly, after falling by 7.6 per cent and 29.4 per cent respectively

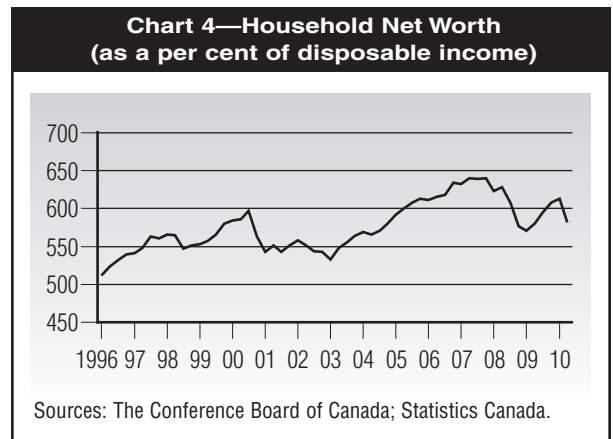
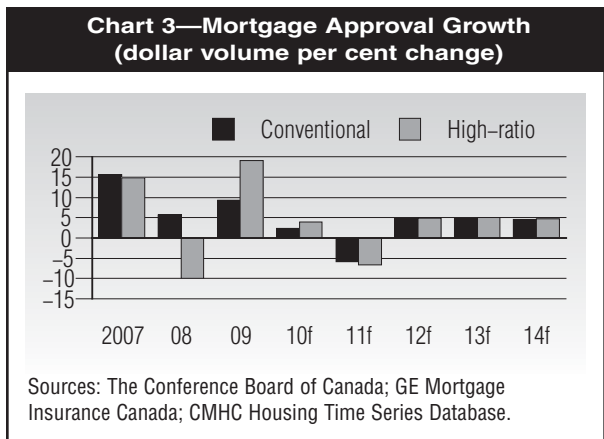
over the past two years, housing starts are expected to reach 191,300 units in 2010, a 28.3 per cent increase. But price growth in the new home market is projected to be a modest 2.3 per cent. Still, this is welcome news given that prices declined by the same rate in 2009—the first drop in new home prices since 1996.

However, much of the growth in the housing market this year has already happened. Anticipating higher mortgage rates, homebuyers hurried their purchases in the first half of the year. Moreover, the harmonized sales tax (HST), which took effect on July 1 in Ontario and British Columbia, boosts the cost of real estate commissions and the final price tag for upscale new homes (those over \$400,000 in Ontario and \$525,000 in B.C.). This factor will also serve to cool activity in the housing market in the coming months. As a result, growth in new housing construction is forecast to weaken as 2010 winds down and remain weak through the first half of 2011. Indeed, starts are forecast to fall by 8.2 per cent next year. At the same time, new home prices are expected to rise by a more modest 1.4 per cent next year. Meanwhile, growth in resale home prices is forecast to slow sharply from 6.1 per cent this year to just 0.1 per cent next year.

Notwithstanding high levels of indebtedness and rising mortgage rates, the recovering labour market should help sustain moderate demand for housing over the near term. Housing starts are expected to start recovering in the second half of 2011 and increase in 2012. Demographic requirements should then keep housing starts above 200,000 units in the latter years of the forecast period. Balanced markets will limit annual average new and resale price growth to 2.2 per cent and 2.3 per cent, respectively, from 2012 to 2014.

Mortgage Outlook

As a precaution against potentially high inflationary pressures and overheated housing markets, the Bank of Canada has entered a period of monetary tightening, raising the bank rate by 0.25 points in June, in July, and again in September 2010. Still, borrowing costs, including mortgage rates, should remain relatively low by historical standards over the next few years. The five-year mortgage rate is expected to average 5.6 per cent in 2010, unchanged from 2009, increase slightly in 2011, and reach pre-recessionary levels only in 2012. A similar pattern is expected for the three- and one-year rates.



Thanks to the stronger housing market and price growth, the level and dollar value of mortgage approvals increased rapidly last year, growing by 10.6 per cent and 13.5 per cent, respectively. The dollar value of approvals continued to increase in the first half of 2010, but will fall through the rest of the year as the

housing market and price growth weaken. Overall, the dollar value of mortgage approvals is expected to climb by 3.1 per cent but to decline by 6.2 per cent next year. The number of mortgage approvals is expected to fall by 1.4 per cent in 2010 and 6.9 per cent in 2011. The decline will be slightly more pronounced

for conventional mortgages this year, forecast to fall by 2.1 per cent, compared with a 0.6 per cent drop in the number of high-ratio approvals. Next year's weaker housing markets will result in a drop of 6.4 per cent in the number of conventional mortgage approvals and of 7.5 per cent in high-ratio approvals.

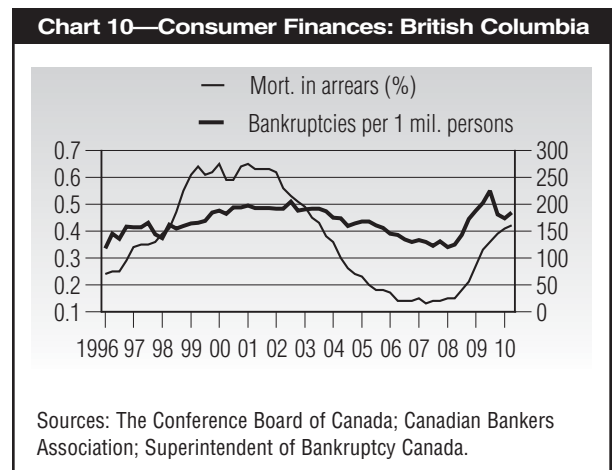
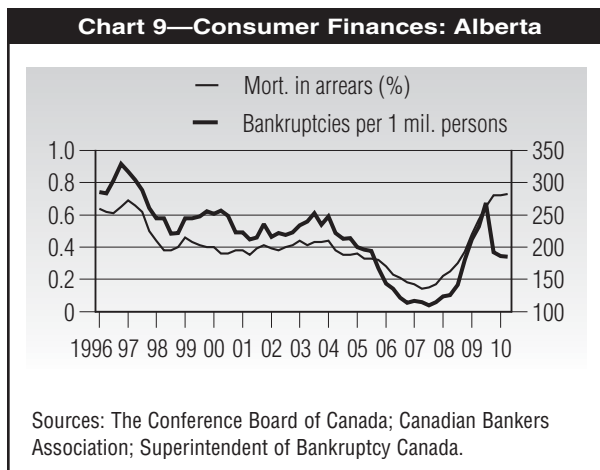
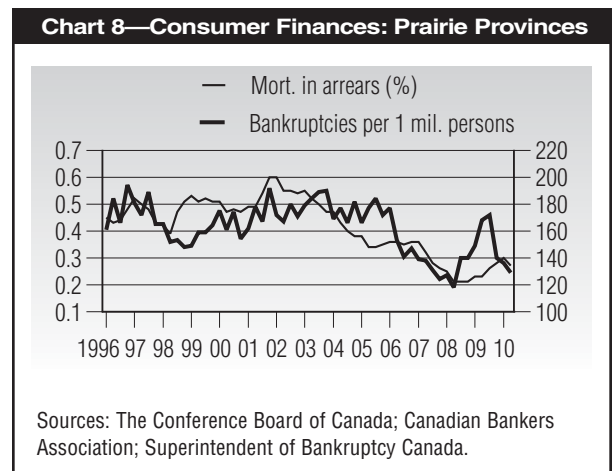
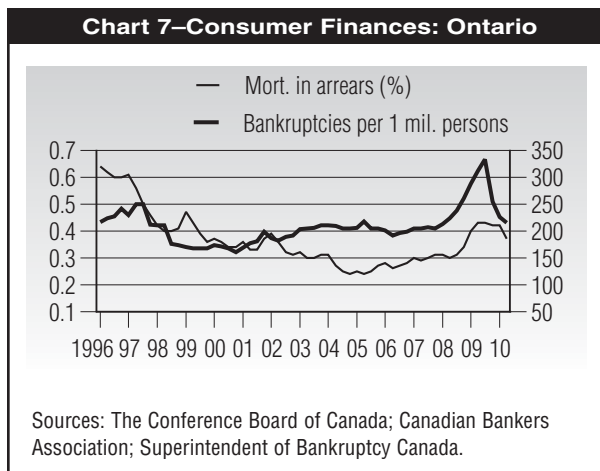
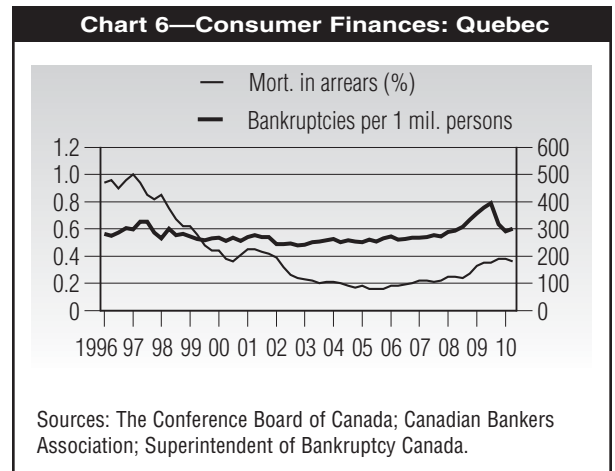
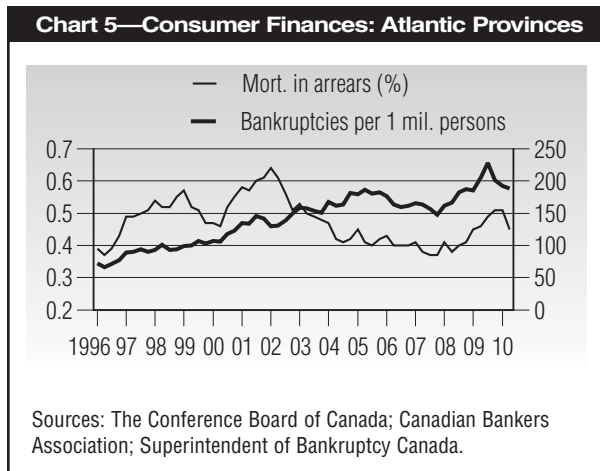


Table 1—Economic Indicators

| | 2007 | 2008 | 2009 | 2010f | 2011f | 2012f | 2013f | 2014f |
|--------------------------------------------------------|-------------------------|-------------------------|--------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| Real GDP at market prices (2002 \$ millions) | 1,311,260 <i>2.2</i> | 1,318,055 <i>0.5</i> | 1,285,604 <i>-2.5</i> | 1,324,572 <i>3.0</i> | 1,358,334 <i>2.5</i> | 1,398,271 <i>2.9</i> | 1,442,714 <i>3.2</i> | 1,482,539 <i>2.8</i> |
| Total employment (000s) | 16,864 <i>2.3</i> | 17,121 <i>1.5</i> | 16,849 <i>-1.6</i> | 17,140 <i>1.7</i> | 17,535 <i>2.3</i> | 17,900 <i>2.1</i> | 18,151 <i>1.4</i> | 18,371 <i>1.2</i> |
| Unemployment rate (%) | 6.0 | 6.1 | 8.3 | 8.1 | 7.4 | 6.7 | 6.4 | 6.2 |
| Personal income per capita (\$) | 35,718 <i>5.0</i> | 36,803 <i>3.0</i> | 36,462 <i>-0.9</i> | 37,374 <i>2.5</i> | 38,703 <i>3.6</i> | 40,161 <i>3.8</i> | 41,556 <i>3.5</i> | 42,867 <i>3.2</i> |
| Population (000s) | 32,887 <i>1.1</i> | 33,276 <i>1.2</i> | 33,690 <i>1.2</i> | 34,075 <i>1.1</i> | 34,483 <i>1.2</i> | 34,887 <i>1.2</i> | 35,294 <i>1.2</i> | 35,707 <i>1.2</i> |
| Retail sales (\$ millions) | 412,565 <i>5.9</i> | 427,896 <i>3.7</i> | 415,413 <i>-2.9</i> | 435,464 <i>4.8</i> | 450,914 <i>3.5</i> | 471,221 <i>4.5</i> | 492,038 <i>4.4</i> | 512,281 <i>4.1</i> |
| Exchange rate (U.S./Can.) | 0.93 | 0.94 | 0.88 | 0.97 | 0.99 | 1.01 | 1.01 | 1.00 |
| Inflation rate (%) | 2.1 | 2.4 | 0.3 | 1.8 | 2.3 | 2.2 | 2.1 | 2.1 |

Table 2—Financial Indicators (%)

| | | | | | | | | |
|----------------------------------------------|-----|-----|-----|-----|-----|-----|-----|-----|
| Bank rate | 4.6 | 3.2 | 0.6 | 0.8 | 2.3 | 4.1 | 4.5 | 4.5 |
| Prime lending rate | 6.1 | 4.7 | 2.4 | 2.5 | 3.8 | 5.6 | 6.0 | 6.0 |
| Three-month Treasury bill | 4.2 | 2.4 | 0.3 | 0.6 | 1.9 | 3.7 | 4.1 | 4.1 |
| One-year conventional mortgage rate | 6.9 | 6.7 | 4.0 | 3.5 | 4.4 | 6.1 | 6.6 | 6.6 |
| Three-year conventional mortgage rate | 7.1 | 6.9 | 4.6 | 4.3 | 5.0 | 6.6 | 7.1 | 7.2 |
| Five-year conventional mortgage rate | 7.1 | 7.1 | 5.6 | 5.6 | 5.8 | 7.0 | 7.4 | 7.5 |
| Federal bonds: 1 year | 4.2 | 2.7 | 1.2 | 1.5 | 2.1 | 3.5 | 4.1 | 4.3 |
| Federal bonds: 5 years | 4.2 | 3.0 | 2.4 | 2.4 | 2.6 | 3.8 | 4.3 | 4.5 |
| Federal bonds: 7 years | 4.2 | 3.3 | 2.7 | 2.6 | 2.7 | 3.7 | 4.3 | 4.5 |
| Federal bonds: 10 years | 4.3 | 3.6 | 3.3 | 3.2 | 3.1 | 4.0 | 4.4 | 4.6 |
| Federal bonds: long term | 4.3 | 4.0 | 3.9 | 3.7 | 3.6 | 4.2 | 4.6 | 4.8 |

Table 3—Housing Indicators

| | | | | | | | | |
|--------------------------------------------|------------------------|-------------------------|-------------------------|------------------------|------------------------|-----------------------|-----------------------|-----------------------|
| Housing starts | 228,343 <i>0.4</i> | 211,056 <i>-7.6</i> | 149,081 <i>-29.4</i> | 191,250 <i>28.3</i> | 175,508 <i>-8.2</i> | 188,384 <i>7.3</i> | 202,688 <i>7.6</i> | 210,890 <i>4.0</i> |
| Singles | 118,917 <i>-2.0</i> | 93,202 <i>-21.6</i> | 75,659 <i>-18.8</i> | 100,631 <i>33.0</i> | 91,862 <i>-8.7</i> | 97,391 <i>6.0</i> | 102,886 <i>5.6</i> | 106,628 <i>3.6</i> |
| Multiples | 109,426 <i>3.2</i> | 117,854 <i>7.7</i> | 73,422 <i>-37.7</i> | 90,619 <i>23.4</i> | 83,646 <i>-7.7</i> | 90,993 <i>8.8</i> | 99,801 <i>9.7</i> | 104,262 <i>4.5</i> |
| Housing completions | 209,152 <i>-3.4</i> | 214,102 <i>2.4</i> | 176,804 <i>-17.4</i> | 181,368 <i>2.6</i> | 175,890 <i>-3.0</i> | 177,581 <i>1.0</i> | 188,383 <i>6.1</i> | 199,721 <i>6.0</i> |
| Singles | 115,706 <i>-0.2</i> | 104,014 <i>-10.1</i> | 78,283 <i>-24.7</i> | 93,071 <i>18.9</i> | 92,661 <i>-0.4</i> | 93,650 <i>1.1</i> | 99,207 <i>5.9</i> | 103,563 <i>4.4</i> |
| Multiples | 93,446 <i>-7.1</i> | 110,088 <i>17.8</i> | 98,521 <i>-10.5</i> | 88,297 <i>-10.4</i> | 83,229 <i>-5.7</i> | 83,931 <i>0.8</i> | 89,176 <i>6.2</i> | 96,158 <i>7.8</i> |
| Average price of a new home (\$) | 383,133 <i>7.7</i> | 396,197 <i>3.4</i> | 387,056 <i>-2.3</i> | 396,007 <i>2.3</i> | 401,598 <i>1.4</i> | 410,276 <i>2.2</i> | 419,218 <i>2.2</i> | 428,306 <i>2.2</i> |
| Average price of a resale home (\$) | 306,612 <i>10.9</i> | 301,701 <i>-1.6</i> | 316,813 <i>5.0</i> | 336,245 <i>6.1</i> | 336,543 <i>0.1</i> | 344,270 <i>2.3</i> | 352,473 <i>2.4</i> | 360,762 <i>2.4</i> |

Italics indicate percentage change.

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

Atlantic Canada



Atlantic Canada's housing market enjoyed healthy growth through the first half of this year, thanks to low interest rates and the economic recovery. But slower economic growth is already hurting new home construction, and slowly rising interest rates in 2011 will reduce housing demand further next year. Accordingly, starts are forecast to fall by 19.3 per cent in 2011, following a 19.6 per cent gain in 2010. In response to the lower demand, price growth in the new and resale home markets is also expected to moderate.

Economic Outlook

New oil production from North Amethyst, combined with rebounding wholesale trade and a strong public sector will allow the Newfoundland and Labrador economy to expand by 3.4 per cent in 2010 and 4.5 per cent in 2011. Real GDP in Nova Scotia is on track to rise by 2.2 per cent this year, but as the provincial government begins to unwind its recession-fighting stimulus measures next year and the HST hike moderates consumer spending, growth will decelerate to 1.5 per cent. In New Brunswick, stronger housing, mining, manufacturing, and domestic trade will contribute to economic growth of 2.2 per cent in 2010, before weakness in construction and mining leads to slower growth of 1.4 per cent next year. Meanwhile, Prince Edward Island was the only province in Canada not to experience a recession last year. Its real GDP

will grow another 2.3 per cent in 2010 and 3 per cent next year. Overall, Atlantic Canada's economy will grow by 2.5 per cent this year and 2.3 per cent next year.

Housing Outlook

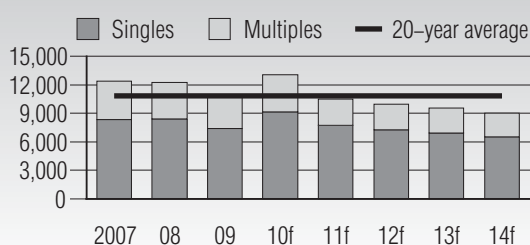
Atlantic Canada's new housing market expanded at a brisk pace from 1999 to 2003, with housing starts rising by an average of 11.8 per cent per year to a record 13,100 units, largely thanks to pent-up demand and solid economic activity. Stronger demand also led to average annual price growth of 3 per cent, up significantly from just 1.2 per cent over 1990 to 1998. Resale price growth was an even stronger 5.9 per cent per year. But with pent-up demand mostly fulfilled by 2004, and a slower economy, builders reduced housing starts by 3 per cent on an average annual basis over the next three years. Growth in new home prices also eased, but average

resale price growth increased to 6.6 per cent per year, implying tight conditions in this market.

A boom in the Newfoundland and Labrador economy, thanks to the province's burgeoning oil and gas sector, brought an abundance of buyers and builders back to the new home market in 2007, increasing Atlantic Canada's housing starts by 3.7 per cent. Unfortunately, the recession in 2008 reduced consumer confidence, weakened consumption, and caused builders to cut starts by 1.3 per cent in 2008 and a further 10.9 per cent last year.

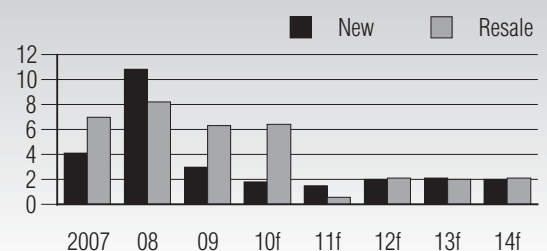
But renewed economic growth in late 2009, along with low interest rates, sparked a rebound in the new housing market. Housing starts are on track to rise by 19.6 per cent this year, topping 13,000 units for the first time since 2003. New home price growth is forecast to remain modest at 1.8 per cent this year, but

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.

resale price growth is projected to come in at a strong 6.4 per cent.

However, housing starts are currently above the region's demographic requirements. Therefore, as interest rates begin to rise through 2011 and

economic growth slows, demand for housing will decline. Starts are forecast to drop by 19.3 per cent next year and keep falling through the medium term, to 9,000 units by 2014. Price growth is forecast to weaken next year to 1.5 per cent

for new homes and 0.6 per cent for existing homes, and then hover around 2 per cent per year in both markets over the rest of the forecast period.

Table 1—Economic Indicators

| | 2007 | 2008 | 2009 | 2010f | 2011f | 2012f | 2013f | 2014f |
|-------------------------------------------------------|----------------------|----------------------|-----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Real GDP at basic prices (2002 \$ millions) | 69,185 <i>3.1</i> | 69,994 <i>1.2</i> | 67,860 <i>-3.0</i> | 69,570 <i>2.5</i> | 71,163 <i>2.3</i> | 73,333 <i>3.0</i> | 74,682 <i>1.8</i> | 75,522 <i>1.1</i> |
| Total employment (000s) | 1,096 <i>1.4</i> | 1,110 <i>1.2</i> | 1,104 <i>-0.5</i> | 1,115 <i>1.0</i> | 1,132 <i>1.5</i> | 1,154 <i>1.9</i> | 1,160 <i>0.6</i> | 1,157 <i>-0.3</i> |
| Unemployment rate | 9.2 | 9.3 | 10.6 | 10.1 | 9.4 | 8.3 | 8.1 | 8.0 |
| Personal income per capita | 30,632 <i>4.0</i> | 31,408 <i>2.5</i> | 32,007 <i>1.9</i> | 32,826 <i>2.6</i> | 34,067 <i>3.8</i> | 35,476 <i>4.1</i> | 36,713 <i>3.5</i> | 37,751 <i>2.8</i> |
| Population (000s) | 4,380 <i>0.2</i> | 4,407 <i>0.6</i> | 4,444 <i>0.8</i> | 4,481 <i>0.8</i> | 4,508 <i>0.6</i> | 4,534 <i>0.6</i> | 4,559 <i>0.5</i> | 4,580 <i>0.5</i> |
| Retail sales (\$ millions) | 29,172 <i>6.0</i> | 30,819 <i>5.6</i> | 30,996 <i>0.6</i> | 32,923 <i>6.2</i> | 34,063 <i>3.5</i> | 35,467 <i>4.1</i> | 36,641 <i>3.3</i> | 37,531 <i>2.4</i> |
| Inflation rate | 1.8 | 3.0 | 0.0 | 2.2 | 2.1 | 2.3 | 2.0 | 2.0 |

Italics indicate percentage change.

Sources: The Conference Board of Canada; Statistics Canada.

Table 2—Housing Indicators

| | 2007 | 2008 | 2009 | 2010f | 2011f | 2012f | 2013f | 2014f |
|--------------------------------------------|-----------------------|------------------------|------------------------|-----------------------|------------------------|-----------------------|-----------------------|-----------------------|
| Housing starts | 12,391 <i>3.7</i> | 12,229 <i>-1.3</i> | 10,893 <i>-10.9</i> | 13,033 <i>19.6</i> | 10,515 <i>-19.3</i> | 9,948 <i>-5.4</i> | 9,583 <i>-3.7</i> | 9,034 <i>-5.7</i> |
| Singles | 8,377 <i>10.5</i> | 8,401 <i>0.3</i> | 7,383 <i>-12.1</i> | 9,156 <i>24.0</i> | 7,746 <i>-15.4</i> | 7,254 <i>-6.4</i> | 6,925 <i>-4.5</i> | 6,554 <i>-5.4</i> |
| Multiples | 4,014 <i>-8.3</i> | 3,828 <i>-4.6</i> | 3,510 <i>-8.3</i> | 3,876 <i>10.4</i> | 2,769 <i>-28.6</i> | 2,694 <i>-2.7</i> | 2,657 <i>-1.3</i> | 2,480 <i>-6.7</i> |
| Housing completions | 11,469 <i>0.4</i> | 12,442 <i>8.5</i> | 11,217 <i>-9.8</i> | 12,293 <i>9.6</i> | 10,454 <i>-15.0</i> | 9,956 <i>-4.8</i> | 9,711 <i>-2.5</i> | 9,507 <i>-2.1</i> |
| Singles | 7,512 <i>-2.6</i> | 8,412 <i>12.0</i> | 7,453 <i>-11.4</i> | 8,810 <i>18.2</i> | 7,831 <i>-11.1</i> | 7,359 <i>-6.0</i> | 7,059 <i>-4.1</i> | 6,852 <i>-2.9</i> |
| Multiples | 3,957 <i>6.5</i> | 4,030 <i>1.8</i> | 3,764 <i>-6.6</i> | 3,483 <i>-7.5</i> | 2,623 <i>-24.7</i> | 2,597 <i>-1.0</i> | 2,652 <i>2.1</i> | 2,655 <i>0.1</i> |
| Average price of a new home (\$) | 275,412 <i>4.1</i> | 305,105 <i>10.8</i> | 314,269 <i>3.0</i> | 320,051 <i>1.8</i> | 324,767 <i>1.5</i> | 331,242 <i>2.0</i> | 338,177 <i>2.1</i> | 344,921 <i>2.0</i> |
| Average price of a resale home (\$) | 158,622 <i>7.0</i> | 171,558 <i>8.2</i> | 182,401 <i>6.3</i> | 194,150 <i>6.4</i> | 195,304 <i>0.6</i> | 199,406 <i>2.1</i> | 203,394 <i>2.0</i> | 207,665 <i>2.1</i> |

Italics indicate percentage change.

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

Quebec



Quebec's economy is on track to advance by 3 per cent in 2010, the strongest gain in 10 years. But economic growth is forecast to slow to 1.8 per cent next year, as a heavier tax burden will constrain consumer spending. This will lead to lower demand for new housing, reducing starts by 17.6 per cent. Price growth in both the new and resale markets will also be much weaker next year. New home prices are forecast to rise by 1.6 per cent and resale prices by 1.5 per cent.

Economic Outlook

Quebec's economy started to recover from the recession in mid-2009. Since then, over 100,000 new jobs have been created. Labour markets are now cooling, but another 54,000 new jobs are still forecast for next year. Wages and salaries will benefit from the strength in the job market, with gains of 4.7 per cent expected in 2010 and 4.4 per cent in 2011. As a result, consumers have been spending generously this year; real consumer expenditures are forecast to rise by 4.5 per cent. Next year, consumption growth is forecast to decelerate sharply to 1.7 per cent. Several ongoing megaprojects will keep non-residential investment growing until 2012, but higher interest rates and a move back towards demographic requirements will lead to lower new home construction in the second half of this

year and into 2011. All told, this is expected to result in a 3 per cent increase in real gross domestic product for Quebec in 2010 and more modest growth of 1.8 per cent next year.

Housing Outlook

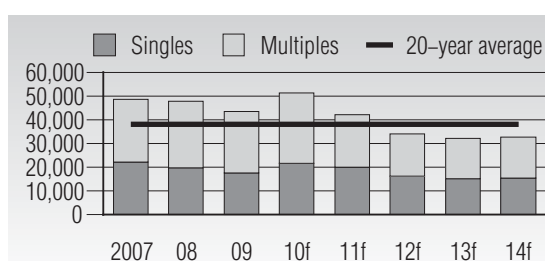
Driven by pent-up demand and low interest rates, housing starts in Quebec increased by 25 per cent on an average annual basis from 2001 to 2004. Price growth averaged a strong 5.7 per cent per year for new homes and 11.3 per cent for existing homes. By 2005, however, slower economic growth began to take its toll on Quebec's housing market. As demand fell, builders reduced starts, lowering them by 12.9 per cent in 2005 and 6 per cent in 2006. The market showed signs of new life in 2007 as economic growth improved, leading to a 1.4 per cent increase in starts. But the start of the recession in 2008 dampened

consumer confidence and, in turn, consumer demand, especially for big-ticket items such as housing. Accordingly, builders left the market once more, reducing starts by 1.3 per cent in 2008 and a further 9.4 per cent in 2009.

Lower demand also resulted in more moderate average price growth for new homes of 4.8 per cent per year from 2005 to 2008, and just 2.9 per cent last year. The average annual increase in resale prices over the past few years has also been solid but slower than it was earlier in the decade—5.8 per cent from 2005 to 2008, followed by a 4.4 per cent gain in 2009.

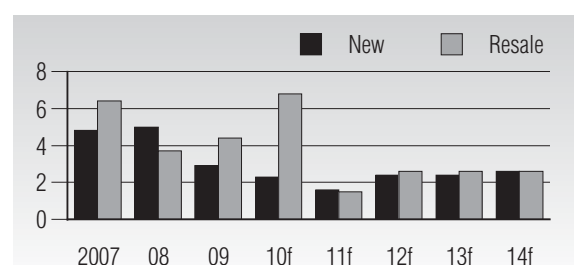
Strong job growth and low interest rates provided a big lift to the new housing market in the first half of this year. But higher financing rates and a realignment of supply with demographic fundamentals

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.

will put a damper on new home construction in the last half of 2010 and through 2011. As a result, housing starts are forecast to reach 51,200 units in 2010, an increase of 17.9 per cent, before falling 17.6 per cent to 42,200 units in 2011.

Price growth in the new market will continue to slow as demand cools. New home prices are forecast to increase by 2.3 per cent in 2010 and by just 1.6 per cent in 2011. Resale price growth has been strong recently and is on pace to reach 6.8 per cent

this year. But the resale market is also expected to slow in the coming months because of higher interest rates and slower economic growth. As a result, the average price of an existing home is forecast to grow by only 1.5 per cent in 2011.

Table 1—Economic Indicators

| | 2007 | 2008 | 2009 | 2010f | 2011f | 2012f | 2013f | 2014f |
|-------------------------------------------------------|-----------------------|-----------------------|------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Real GDP at basic prices (2002 \$ millions) | 246,300 <i>2.8</i> | 249,428 <i>1.3</i> | 246,908 <i>-1.0</i> | 254,215 <i>3.0</i> | 258,668 <i>1.8</i> | 264,252 <i>2.2</i> | 270,532 <i>2.4</i> | 275,846 <i>2.0</i> |
| Total employment (000s) | 3,851 <i>2.3</i> | 3,880 <i>0.7</i> | 3,843 <i>-0.9</i> | 3,916 <i>1.9</i> | 3,970 <i>1.4</i> | 4,009 <i>1.0</i> | 4,034 <i>0.6</i> | 4,055 <i>0.5</i> |
| Unemployment rate | 7.2 | 7.3 | 8.5 | 7.9 | 7.8 | 7.5 | 7.1 | 6.8 |
| Personal income per capita | 32,643 <i>5.1</i> | 33,311 <i>2.0</i> | 33,277 <i>-0.1</i> | 34,252 <i>2.9</i> | 35,498 <i>3.6</i> | 36,634 <i>3.2</i> | 37,784 <i>3.1</i> | 38,918 <i>3.0</i> |
| Population (000s) | 7,680 <i>0.7</i> | 7,745 <i>0.8</i> | 7,820 <i>1.0</i> | 7,894 <i>0.9</i> | 7,951 <i>0.7</i> | 8,009 <i>0.7</i> | 8,066 <i>0.7</i> | 8,122 <i>0.7</i> |
| Retail sales (\$ millions) | 90,406 <i>4.5</i> | 94,806 <i>4.9</i> | 93,740 <i>-1.1</i> | 100,145 <i>6.8</i> | 103,560 <i>3.4</i> | 107,056 <i>3.4</i> | 110,792 <i>3.5</i> | 114,497 <i>3.3</i> |
| Inflation rate | 1.6 | 2.1 | 0.6 | 1.6 | 3.2 | 2.7 | 2.1 | 2.2 |

Italics indicate percentage change.

Sources: The Conference Board of Canada; Statistics Canada.

Table 2—Housing Indicators

| | 2007 | 2008 | 2009 | 2010f | 2011f | 2012f | 2013f | 2014f |
|--------------------------------------------|-----------------------|------------------------|------------------------|-----------------------|------------------------|------------------------|------------------------|-----------------------|
| Housing starts | 48,553 <i>1.4</i> | 47,901 <i>-1.3</i> | 43,403 <i>-9.4</i> | 51,194 <i>17.9</i> | 42,179 <i>-17.6</i> | 34,011 <i>-19.4</i> | 32,123 <i>-5.6</i> | 32,626 <i>1.6</i> |
| Singles | 22,177 <i>1.2</i> | 19,778 <i>-10.8</i> | 17,535 <i>-11.3</i> | 21,638 <i>23.4</i> | 19,922 <i>-7.9</i> | 16,210 <i>-18.6</i> | 15,226 <i>-6.1</i> | 15,456 <i>1.5</i> |
| Multiples | 26,376 <i>1.6</i> | 28,123 <i>6.6</i> | 25,868 <i>-8.0</i> | 29,556 <i>14.3</i> | 22,257 <i>-24.7</i> | 17,801 <i>-20.0</i> | 16,897 <i>-5.1</i> | 17,171 <i>1.6</i> |
| Housing completions | 49,188 <i>0.9</i> | 47,606 <i>-3.2</i> | 43,188 <i>-9.3</i> | 47,413 <i>9.8</i> | 43,031 <i>-9.2</i> | 37,037 <i>-13.9</i> | 32,996 <i>-10.9</i> | 32,434 <i>-1.7</i> |
| Singles | 21,837 <i>0.0</i> | 19,154 <i>12.3</i> | 16,762 <i>-12.5</i> | 20,422 <i>21.8</i> | 19,593 <i>-4.1</i> | 17,099 <i>-12.7</i> | 15,282 <i>-10.6</i> | 15,017 <i>-1.7</i> |
| Multiples | 27,351 <i>1.6</i> | 28,452 <i>4.0</i> | 26,426 <i>-7.1</i> | 26,991 <i>2.1</i> | 23,438 <i>-13.2</i> | 19,938 <i>-14.9</i> | 17,714 <i>-11.2</i> | 17,417 <i>-1.7</i> |
| Average price of a new home (\$) | 265,479 <i>4.8</i> | 278,757 <i>5.0</i> | 286,835 <i>2.9</i> | 293,541 <i>2.3</i> | 298,236 <i>1.6</i> | 305,353 <i>2.4</i> | 312,640 <i>2.4</i> | 320,684 <i>2.6</i> |
| Average price of a resale home (\$) | 207,508 <i>6.4</i> | 215,167 <i>3.7</i> | 224,580 <i>4.4</i> | 239,750 <i>6.8</i> | 243,407 <i>1.5</i> | 249,841 <i>2.6</i> | 256,447 <i>2.6</i> | 263,231 <i>2.6</i> |

Italics indicate percentage change.

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

Ontario



Economic Outlook

After being the hardest hit by the recession, Ontario is set to be the fastest-growing province this year, with an estimated GDP growth rate of 3.9 per cent. Investment is playing a leading role in the recovery of Ontario's economy, thanks to strong residential and non-residential (business and government) investment. Exports are also expected to bounce back this year. However, overall investment growth is forecast to slow in 2011 as government stimulus spending winds down and the Ontario government attempts to tackle the deficit. At the same time, the trade recovery is expected to moderate over the next 18 months. As a result, real GDP growth will slow to 2.7 per cent in 2011.

Housing Outlook

Driven by a strong economy, spillover demand from the resale

Ontario's economy posted strong growth late in 2009 and early in 2010 as it recovered from the recession, but economic growth is expected to slow in the coming months. Lower real GDP growth and rising interest rates will reduce new home demand in 2011. Accordingly, after a post-recession gain of 18.5 per cent this year, starts are forecast to decline 1.3 per cent next year. New home price growth will slow in 2011, while resale prices edge down next year following a big gain in 2010.

market, and low interest rates after 2001, annual housing starts in Ontario increased an average of 11.9 per cent from 1996 to 2003, to reach 85,200 units—above demographic requirements for the province. So, once economic growth slowed, builders pulled back from the market. Starts slipped 0.1 per cent in 2004 and then fell by 7.2 per cent on an average annual basis from 2005 to 2007.

Meanwhile, growth in prices accelerated in line with higher demand and then stayed strong. New home prices increased by 3.9 per cent per year from 1996 to 2003, while resale prices averaged 5.6 per cent growth per year, suggesting a tightening market on the resale side as well. Over the next four years, new home price growth averaged 4 per cent annually, while resale price growth strengthened to an average of 7.2 per cent per year.

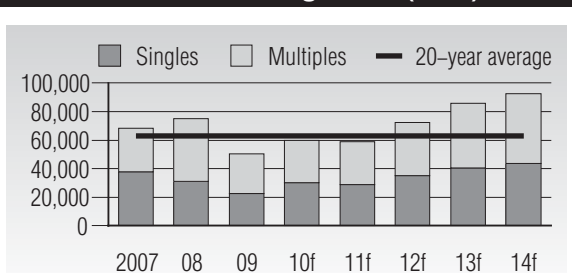
10.2 per cent, thanks in part to a number of new downtown condominium high-rises. However, much of the activity came in the first quarter of 2008. Indeed, activity quickly faded through the year as rumblings of a global recession emerged. Starts fell steadily for the next six quarters, ending last year 32.9 per cent lower.

An improving economy and attractive interest rates helped to boost demand and bring builders back to the market in the second half of 2009. This year, housing starts are on track to increase by 18.5 per cent. But slower economic growth, the implementation of the HST, and slightly higher interest rates in 2011 will result in starts falling by 1.3 per cent to 58,900 units in 2011, before recovering over the medium term thanks to healthy increases in real GDP and population.

New home price growth stagnated in 2009, as the housing market weakened under the strain of the

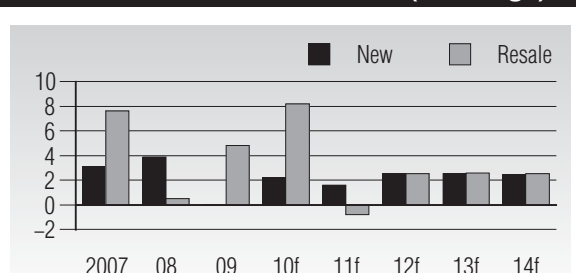
Housing starts rose for the first time in five years in 2008, increasing

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.

recession. Only modest price growth is expected over this year and next—2.2 per cent and 1.6 per cent respectively. Meanwhile, resale price growth is on pace to rise by 8.2 per cent, before falling by 0.8 per cent in 2011, the first decline since

1995. Both the new and resale housing markets are expected to post average price growth of 2.5 per cent per year from 2012 to 2014.

Table 1—Economic Indicators

| | 2007 | 2008 | 2009 | 2010f | 2011f | 2012f | 2013f | 2014f |
|-------------------------------------------------------|-----------------------|------------------------|------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Real GDP at basic prices (2002 \$ millions) | 492,346 <i>2.3</i> | 491,114 <i>-0.3</i> | 476,002 <i>-3.1</i> | 494,616 <i>3.9</i> | 508,037 <i>2.7</i> | 525,514 <i>3.4</i> | 542,843 <i>3.3</i> | 557,789 <i>2.8</i> |
| Total employment (000s) | 6,593 <i>1.6</i> | 6,686 <i>1.4</i> | 6,527 <i>-2.4</i> | 6,649 <i>1.9</i> | 6,835 <i>2.8</i> | 7,019 <i>2.7</i> | 7,149 <i>1.8</i> | 7,257 <i>1.5</i> |
| Unemployment rate | 6.4 | 6.5 | 9.0 | 8.6 | 7.8 | 6.6 | 6.0 | 5.8 |
| Personal income per capita | 36,496 <i>4.2</i> | 37,230 <i>2.0</i> | 36,666 <i>-1.5</i> | 38,050 <i>3.8</i> | 39,668 <i>4.3</i> | 41,086 <i>3.6</i> | 42,435 <i>3.3</i> | 43,768 <i>3.1</i> |
| Population (000s) | 12,777 <i>1.0</i> | 12,917 <i>1.1</i> | 13,052 <i>1.0</i> | 13,188 <i>1.0</i> | 13,351 <i>1.2</i> | 13,520 <i>1.3</i> | 13,699 <i>1.3</i> | 13,886 <i>1.4</i> |
| Retail sales (\$ millions) | 145,965 <i>3.8</i> | 151,672 <i>3.9</i> | 147,920 <i>-2.5</i> | 159,044 <i>7.5</i> | 167,997 <i>5.6</i> | 175,730 <i>4.6</i> | 183,095 <i>4.2</i> | 190,406 <i>4.0</i> |
| Inflation rate | 1.8 | 2.3 | 0.4 | 3.0 | 2.8 | 2.1 | 2.2 | 2.2 |

Italics indicate percentage change.

Sources: The Conference Board of Canada; Statistics Canada.

Table 2—Housing Indicators

| | 2007 | 2008 | 2009 | 2010f | 2011f | 2012f | 2013f | 2014f |
|--------------------------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|-----------------------|-----------------------|-----------------------|
| Housing starts | 68,123 <i>-7.2</i> | 75,076 <i>10.2</i> | 50,370 <i>-32.9</i> | 59,694 <i>18.5</i> | 58,891 <i>-1.3</i> | 72,573 <i>23.2</i> | 86,025 <i>18.5</i> | 92,564 <i>7.6</i> |
| Singles | 37,910 <i>-1.0</i> | 31,108 <i>-17.9</i> | 22,634 <i>-27.2</i> | 30,082 <i>32.9</i> | 28,848 <i>-4.1</i> | 35,035 <i>21.4</i> | 40,698 <i>16.2</i> | 43,774 <i>7.6</i> |
| Multiples | 30,213 <i>-13.9</i> | 43,968 <i>45.5</i> | 27,736 <i>-36.9</i> | 29,612 <i>6.8</i> | 30,042 <i>1.5</i> | 37,538 <i>25.0</i> | 45,328 <i>20.8</i> | 48,790 <i>7.6</i> |
| Housing completions | 63,995 <i>-14.2</i> | 67,667 <i>5.7</i> | 55,096 <i>-18.6</i> | 56,717 <i>2.9</i> | 62,882 <i>10.9</i> | 74,065 <i>17.8</i> | 80,897 <i>9.2</i> | 83,654 <i>3.4</i> |
| Singles | 36,377 <i>-9.0</i> | 34,532 <i>-5.1</i> | 24,743 <i>-28.3</i> | 29,520 <i>19.3</i> | 32,840 <i>11.2</i> | 38,121 <i>16.1</i> | 40,067 <i>5.1</i> | 40,569 <i>1.3</i> |
| Multiples | 27,618 <i>-20.2</i> | 33,135 <i>20.0</i> | 30,353 <i>-8.4</i> | 27,197 <i>-10.4</i> | 30,043 <i>10.5</i> | 35,944 <i>19.6</i> | 40,830 <i>13.6</i> | 43,085 <i>5.5</i> |
| Average price of a new home (\$) | 445,958 <i>3.1</i> | 463,527 <i>3.9</i> | 463,451 <i>0.0</i> | 473,765 <i>2.2</i> | 481,493 <i>1.6</i> | 493,616 <i>2.5</i> | 505,875 <i>2.5</i> | 518,097 <i>2.4</i> |
| Average price of a resale home (\$) | 299,670 <i>7.6</i> | 301,146 <i>0.5</i> | 315,595 <i>4.8</i> | 341,580 <i>8.2</i> | 338,756 <i>-0.8</i> | 347,303 <i>2.5</i> | 356,177 <i>2.6</i> | 364,908 <i>2.5</i> |

Italics indicate percentage change.

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

Prairies



Although real GDP tumbled 3.3 per cent in 2009 in Saskatchewan and Manitoba, the news wasn't all bad. Last year's unemployment rate was the lowest of all regions, and population growth accelerated. Even though housing starts faltered and resale house price increases slowed, both remained historically decent. The economy started to recover this year, and stronger growth is anticipated in 2011. Starts will snap back, and price growth should accelerate this year. Ongoing population growth will lift starts in the medium term, while keeping new and existing home prices advancing moderately.

Economic Outlook

Weak agriculture output, partly the result of excessive rainfall, will limit GDP growth in Manitoba and Saskatchewan combined to 1.5 per cent this year, following a 3.3 per cent decline in 2009. Better growth of 2.9 per cent is predicted for 2011 and 2.8 per cent per year on average in 2012–2014. This promises to accelerate employment hikes. Uniquely among our five regions, employment rose in 2009 and is predicted to increase 1.7 per cent this year and 1.6 per cent next. The unemployment rate nonetheless rose to 5 per cent last year and is slated to remain near there through 2011, but fall to 4.4 per cent by 2014. Recently strong population growth will ease but remain decent. In Manitoba, manufacturing's recovery has been unspectacular and, despite large public infrastructure investments, the construction sector will contract as several large

projects end. The potential takeover of PotashCorp dominates Saskatchewan news. Meanwhile, several potash-related construction projects promise to double potash production by 2014.

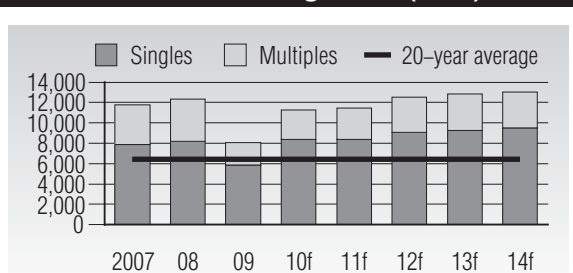
Housing Outlook

Housing starts in the Prairie provinces of Manitoba and Saskatchewan cooled during the recent recession, following two incendiary years. Starts fell 35 per cent to just over 8,000 homes in 2009, but remained well above the annual average near 6,270 units during the two decades prior to the boom. And, volumes snapped back from an annualized rate under 5,500 units in first quarter of 2009 to over 10,000 units in each of the three quarters ending in mid-2010. Single-family starts, which dominate new construction here, rose 86 per cent between the first quarter of 2009 and the second quarter of

2010, while starts of multi-family units more than doubled, albeit from a smaller base. This year's good beginning will lift starts to roughly 11,280 units in 2010, with singles ending the year up 43 per cent to just below 8,400 units and multiples finishing up a third to near 2,900 units.

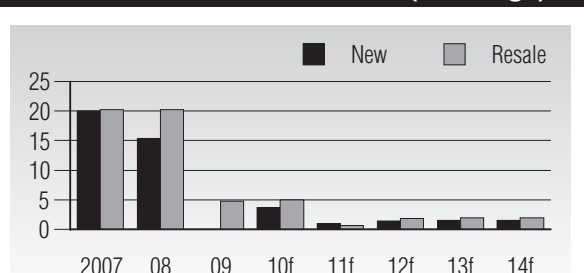
Area demographics favour continued strength. The population rose 1.4 per cent last year and similar expansion is forecast through 2012. This is robust in a region that averaged only 0.3 per cent annual population growth in 1990–2009. Accordingly, housing starts are forecast to rise each year in 2011–2014 and exceed 13,000 units in 2014, the most since 1987. Given the area's relatively affordable housing and lack of serious land constraints, single starts are forecast to retain their pre-eminent 73 per cent share of total starts in 2010–2014.

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 rises also cooled last year, following recently out-sized increases, but have picked up again in 2010. New home prices were flat in 2009, after increases of 20 per cent and 15.4 per cent in 2007 and 2008 respectively. Meanwhile, the average existing

house price rose 4.8 per cent last year, trailing twin 20.2 per cent increases in 2007 and 2008. This year, average new home prices are expected to rise 3.7 per cent, while existing homes will see a 5 per cent increase. In 2011, prices are forecast to rise near 1 per cent for both unit

types. Subsequent years are expected to see price hikes near 1.5 per cent for new homes and about 2 per cent for existing units.

Table 1—Economic Indicators

| | 2007 | 2008 | 2009 | 2010f | 2011f | 2012f | 2013f | 2014f |
|-------------------------------------------------------|-----------------------|----------------------|-----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Real GDP at basic prices (2002 \$ millions) | 76,012 <i>3.5</i> | 78,542 <i>3.3</i> | 75,964 <i>-3.3</i> | 77,066 <i>1.5</i> | 79,303 <i>2.9</i> | 81,689 <i>3.0</i> | 84,028 <i>2.9</i> | 86,255 <i>2.6</i> |
| Total employment (000s) | 1,098 <i>1.8</i> | 1,120 <i>2.0</i> | 1,128 <i>0.7</i> | 1,147 <i>1.7</i> | 1,166 <i>1.6</i> | 1,185 <i>1.7</i> | 1,200 <i>1.2</i> | 1,210 <i>0.8</i> |
| Unemployment rate | 4.3 | 4.1 | 5.0 | 5.2 | 5.0 | 4.8 | 4.5 | 4.4 |
| Personal income per capita | 32,160 <i>7.5</i> | 34,585 <i>7.5</i> | 34,266 <i>-0.9</i> | 34,936 <i>2.0</i> | 36,177 <i>3.6</i> | 37,349 <i>3.2</i> | 38,590 <i>3.3</i> | 39,786 <i>3.1</i> |
| Population (000s) | 2,191 <i>0.7</i> | 2,217 <i>1.2</i> | 2,247 <i>1.4</i> | 2,278 <i>1.3</i> | 2,301 <i>1.0</i> | 2,324 <i>1.0</i> | 2,345 <i>0.9</i> | 2,364 <i>0.8</i> |
| Retail sales (\$ millions) | 27,145 <i>11.1</i> | 29,653 <i>9.2</i> | 29,513 <i>-0.5</i> | 30,949 <i>4.9</i> | 32,129 <i>3.8</i> | 33,432 <i>4.1</i> | 34,753 <i>4.0</i> | 35,972 <i>3.5</i> |
| Inflation rate | 2.5 | 2.7 | 0.8 | 1.3 | 2.2 | 2.5 | 2.1 | 2.2 |

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

Table 2—Housing Indicators

| | 2007 | 2008 | 2009 | 2010f | 2011f | 2012f | 2013f | 2014f |
|--------------------------------------------|------------------------|------------------------|------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Housing starts | 11,745 <i>34.3</i> | 12,365 <i>5.3</i> | 8,040 <i>-35.0</i> | 11,284 <i>40.3</i> | 11,486 <i>1.8</i> | 12,513 <i>8.9</i> | 12,862 <i>2.8</i> | 13,021 <i>1.2</i> |
| Singles | 7,874 <i>26.2</i> | 8,208 <i>4.2</i> | 5,871 <i>-28.5</i> | 8,389 <i>42.9</i> | 8,392 <i>0.0</i> | 9,042 <i>7.7</i> | 9,266 <i>2.5</i> | 9,504 <i>2.6</i> |
| Multiples | 3,871 <i>54.7</i> | 4,157 <i>7.4</i> | 2,169 <i>-47.8</i> | 2,895 <i>33.5</i> | 3,094 <i>6.9</i> | 3,471 <i>12.2</i> | 3,596 <i>3.6</i> | 3,517 <i>-2.2</i> |
| Housing completions | 9,326 <i>18.3</i> | 12,114 <i>29.9</i> | 10,152 <i>-16.2</i> | 10,603 <i>4.4</i> | 9,628 <i>-9.2</i> | 11,041 <i>14.7</i> | 11,851 <i>7.3</i> | 12,400 <i>4.6</i> |
| Singles | 7,014 <i>25.8</i> | 7,999 <i>14.0</i> | 6,499 <i>-18.7</i> | 7,415 <i>14.1</i> | 7,089 <i>-4.4</i> | 8,053 <i>13.6</i> | 8,447 <i>4.9</i> | 8,754 <i>3.6</i> |
| Multiples | 2,311 <i>0.2</i> | 4,115 <i>78.0</i> | 3,652 <i>-11.2</i> | 3,188 <i>-12.7</i> | 2,539 <i>-20.4</i> | 2,988 <i>17.7</i> | 3,403 <i>13.9</i> | 3,646 <i>7.1</i> |
| Average price of a new home (\$) | 310,289 <i>20.0</i> | 358,027 <i>15.4</i> | 358,037 <i>0.0</i> | 371,208 <i>3.7</i> | 374,987 <i>1.0</i> | 380,237 <i>1.4</i> | 385,941 <i>1.5</i> | 391,730 <i>1.5</i> |
| Average price of a resale home (\$) | 171,989 <i>20.2</i> | 206,646 <i>20.2</i> | 216,656 <i>4.8</i> | 227,490 <i>5.0</i> | 229,129 <i>0.7</i> | 233,483 <i>1.9</i> | 238,152 <i>2.0</i> | 242,916 <i>2.0</i> |

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

Alberta



Alberta's economy and housing markets are slowly regaining strength following a sharp correction in 2009. Rising output this year will lift employment slightly, but population advances will cool. Housing starts are forecast to rebound, along with house prices. Next year looks a little better for the economy, but will produce only mixed housing market results. Generally decent population growth will support moderate advances in housing starts and price hikes for both new and existing homes, albeit not to their boom-era pace.

Economic Outlook

Alberta's recovery is clouded by opposing outlooks for its oil and gas industries. While the natural gas industry is still suffering from low prices, the price of oil is high enough to spur additional oil sands development, subject to concerns about global economic weakness. Following a 5.1 per cent plunge in 2009, the first downturn since 1986, provincial gross domestic product is forecast to expand 3 per cent this year and 3.2 per cent in 2011. The medium term is expected to be even stronger, with GDP slated to increase 4 per cent per year on average in 2012–2014. The expected 0.6 per cent rise in employment this year will be small, but still improve upon the 1.2 per cent decline in 2009. Much better 3.3 per cent growth is expected in 2011, with hikes averaging 2.4 per cent in 2012–2014. This will ultimately cut the unemployment

rate, forecast to peak this year at 6.9 per cent, to 4.2 per cent by 2014.

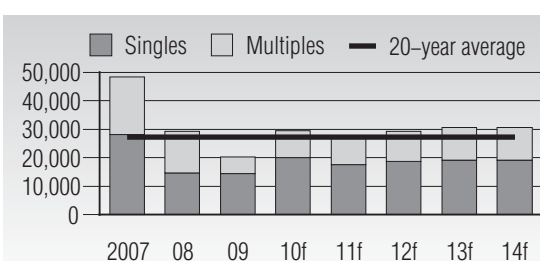
Housing Outlook

Alberta's improving economy is reflected in a better housing market. Housing starts reached an annualized 30,340 units in the first half of 2010, twice the year-earlier level. Both single- and multiple-family starts roughly doubled over this period, although they remain off recent peaks. First-half strength will lift total starts 45 per cent to 29,500 units this year after three straight annual declines. This level remains far below the 48,000–49,000 units started in 2006 and 2007, but betters the annual average of 27,260 units during the two decades to 2009. Alberta was probably a little overbuilt during the early 2000s, but the population surge in a booming economy, along with the big drop in 2008–2009, likely cleared the backlog.

Demographics suggest only small future starts increases. Population growth is forecast to slow to 1.5 per cent in 2010, the least since 1996, from an average of 2.2 per cent in the prior decade, then hover near this level through 2014. Accordingly, we expect housing starts to dip near 27,300 units next year and climb back slowly to 30,500 units by 2014. Multiple-family starts are generally expected to rise faster than singles and to hit nearly 11,400 units by 2014. They will then account for 37 per cent of total starts, up from 29 per cent in 2009 and equivalent to their share during the past decade. Single starts, meanwhile, are forecast to hit almost 19,180 units by 2014. During 2009, 14,344 singles and 5,954 multiples were started.

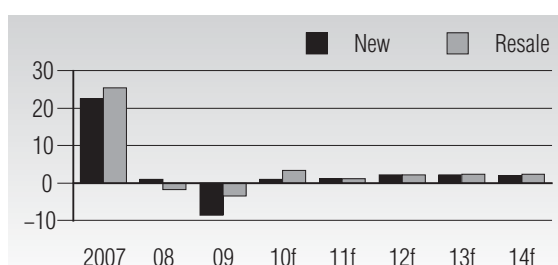
Prices for both new and existing houses are recovering. Average new home prices resumed quarterly advances in the third quarter of

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.

2009 and had moved up 1.4 per cent year-over-year by the second quarter of 2010. At the same time, average existing home prices were up 7.1 per cent year-over-year, despite dipping 2.2 per cent in the

first quarter of 2010. For the year as a whole, we expect new home prices to advance 0.9 per cent and existing home values a faster 3.4 per cent. Prices for both new and existing units are projected to rise 1.2 per

cent next year and at least 2 per cent annually in 2012–2014. This will lift existing home prices above their 2007 high by 2012; new-unit prices, by contrast, are not expected to regain their 2008 peak.

Table 1—Economic Indicators

| | 2007 | 2008 | 2009 | 2010f | 2011f | 2012f | 2013f | 2014f |
|-------------------------------------------------------|-----------------------|-----------------------|------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Real GDP at basic prices (2002 \$ millions) | 179,275 <i>2.3</i> | 179,754 <i>0.3</i> | 170,547 <i>-5.1</i> | 175,670 <i>3.0</i> | 181,328 <i>3.2</i> | 189,639 <i>4.6</i> | 197,073 <i>3.9</i> | 203,682 <i>3.4</i> |
| Total employment (000s) | 1,959 <i>4.7</i> | 2,013 <i>2.7</i> | 1,988 <i>-1.2</i> | 2,001 <i>0.6</i> | 2,067 <i>3.3</i> | 2,134 <i>3.3</i> | 2,182 <i>2.2</i> | 2,217 <i>1.6</i> |
| Unemployment rate | 3.5 | 3.6 | 6.6 | 6.9 | 6.4 | 5.2 | 4.6 | 4.2 |
| Personal income per capita | 45,506 <i>6.4</i> | 47,985 <i>5.4</i> | 47,401 <i>-1.2</i> | 48,649 <i>2.6</i> | 50,737 <i>4.3</i> | 53,046 <i>4.6</i> | 55,243 <i>4.1</i> | 57,157 <i>3.5</i> |
| Population (000s) | 3,502 <i>2.7</i> | 3,583 <i>2.3</i> | 3,675 <i>2.6</i> | 3,732 <i>1.5</i> | 3,789 <i>1.5</i> | 3,847 <i>1.5</i> | 3,907 <i>1.6</i> | 3,968 <i>1.6</i> |
| Retail sales (\$ millions) | 61,487 <i>9.9</i> | 61,614 <i>0.2</i> | 56,478 <i>-8.3</i> | 60,086 <i>6.4</i> | 63,170 <i>5.1</i> | 67,145 <i>6.3</i> | 71,015 <i>5.8</i> | 74,482 <i>4.9</i> |
| Inflation rate | 4.9 | 3.2 | -0.1 | 1.2 | 2.1 | 2.4 | 2.0 | 2.2 |

Italics indicate percentage change.

Sources: The Conference Board of Canada; Statistics Canada.

Table 2—Housing Indicators

| | 2007 | 2008 | 2009 | 2010f | 2011f | 2012f | 2013f | 2014f |
|--------------------------------------------|------------------------|------------------------|------------------------|-----------------------|------------------------|-----------------------|-----------------------|-----------------------|
| Housing starts | 48,336 <i>-1.3</i> | 29,164 <i>-39.7</i> | 20,298 <i>-30.4</i> | 29,529 <i>45.5</i> | 27,311 <i>-7.5</i> | 29,336 <i>7.4</i> | 30,525 <i>4.1</i> | 30,536 <i>0.0</i> |
| Singles | 28,105 <i>-11.7</i> | 14,716 <i>-47.6</i> | 14,344 <i>-2.5</i> | 19,997 <i>39.4</i> | 17,612 <i>-11.9</i> | 18,679 <i>6.1</i> | 19,156 <i>2.6</i> | 19,176 <i>0.1</i> |
| Multiples | 20,231 <i>18.1</i> | 14,448 <i>-28.6</i> | 5,954 <i>-58.8</i> | 9,532 <i>60.1</i> | 9,699 <i>1.7</i> | 10,657 <i>9.9</i> | 11,369 <i>6.7</i> | 11,360 <i>-0.1</i> |
| Housing completions | 41,845 <i>6.9</i> | 39,530 <i>-5.5</i> | 27,563 <i>-30.3</i> | 26,961 <i>-2.2</i> | 27,889 <i>3.4</i> | 29,095 <i>4.3</i> | 28,586 <i>-1.7</i> | 27,970 <i>-2.2</i> |
| Singles | 29,019 <i>11.1</i> | 22,604 <i>-22.1</i> | 13,944 <i>-38.3</i> | 18,274 <i>31.0</i> | 18,848 <i>3.1</i> | 19,233 <i>2.0</i> | 18,488 <i>-3.9</i> | 17,882 <i>-3.3</i> |
| Multiples | 12,826 <i>-1.7</i> | 16,926 <i>32.0</i> | 13,618 <i>-19.5</i> | 8,688 <i>-36.2</i> | 9,042 <i>4.1</i> | 9,862 <i>9.1</i> | 10,098 <i>2.4</i> | 10,088 <i>-0.1</i> |
| Average price of a new home (\$) | 464,915 <i>22.4</i> | 469,712 <i>1.0</i> | 429,462 <i>-8.6</i> | 433,285 <i>0.9</i> | 438,507 <i>1.2</i> | 447,975 <i>2.2</i> | 457,199 <i>2.1</i> | 466,428 <i>2.0</i> |
| Average price of a resale home (\$) | 358,956 <i>25.4</i> | 352,546 <i>-1.8</i> | 340,442 <i>-3.4</i> | 351,918 <i>3.4</i> | 356,188 <i>1.2</i> | 364,001 <i>2.2</i> | 372,308 <i>2.3</i> | 380,931 <i>2.3</i> |

Italics indicate percentage change.

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

British Columbia



A better economy, ongoing population growth, and improved affordability are boosting British Columbia housing markets, despite the introduction of the HST. Recovering employment is forecast to boost household incomes, while mortgage carrying costs remain below recent peaks. Housing starts will recoup some of last year's losses in 2010, and house price gains will accelerate. Both starts and price growth are expected to ease next year. But rising employment and decent population increases underpin medium-term forecasts of rising starts and gentle price growth.

Economic Outlook

British Columbia's economy bounced back strongly from the recession in late 2009, thanks to strong growth in goods-producing industries and a solid services sector. Even though economic activity is expected to be much slower in the latter half of 2010, good early-year advances are expected to lift real GDP by 3.7 per cent this year. A cooling of GDP growth to 2.3 per cent is forecast for 2011, although advances will accelerate to average 3.1 per cent annually in 2011–2014. Following a 2.3 per cent dip in 2009, employment is forecast to rise 2.1 per cent this year and remain above 2 per cent in 2011 and 2012. This will cut the unemployment rate to 7.5 per cent in 2010 after last year's jump to 7.6 per cent. Further unemployment rate dips are expected through 2014. Slower economic growth will

be reflected in an easing of forecast population hikes to 1.4 per cent by 2011, below the 1.7 per cent annual average of the 20 years to 2009.

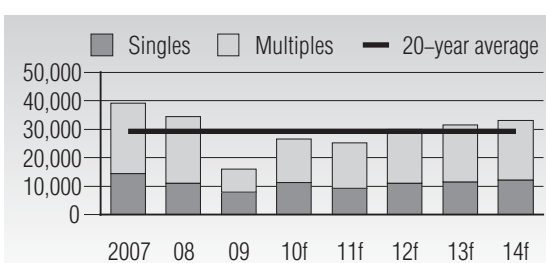
Housing Outlook

Like the overall economy, British Columbia's housing market began to bounce back in late 2009. For 2009 as a whole, however, housing starts hit a nine-year low under 16,100 units. New home construction continued to improve in this year's first half, with volumes of nearly 28,200 units in the second quarter of 2010, more than double their year-earlier pace. Both single- and multiple-family starts have rebounded. Between their trough in the first quarter of 2009 and the second quarter of 2010, single starts nearly tripled to an annualized 13,500 units. Multiple starts' second-quarter level of 14,680 annualized units, meanwhile, was a lesser but

still-substantial doubling of their low in the second quarter of 2009. A pickup in multi-family construction is important in B.C., since multiples made up 61 per cent of the province's starts in the five years to 2009, well above Quebec's second-place 56 per cent.

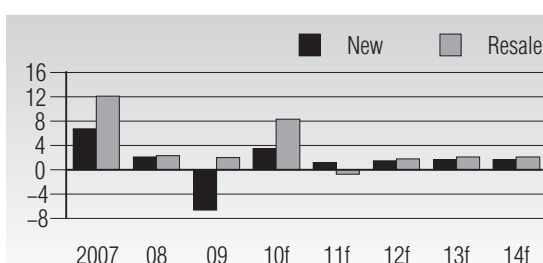
Higher employment this year will combine with still-low mortgage rates to lift residential construction. But the application of the HST to homes above \$525,000 will be a slight drag the market. Single starts are forecast to rise 44 per cent to 11,370 units, while multiples are expected to rise 85 per cent to nearly 15,150 units. Even these increases will leave both single and multiple starts well off mid-decade highs. As a result, total starts will approach 26,520 homes in 2010—not even close to the 39,195 units started in 2007.

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.

Slowing economic expansion and a small mortgage rate uptick in 2011 will trim total starts to 25,127 units, with single starts bearing the adjustment. Then, continued population increases above 1.3 per cent and slightly faster economic growth are expected to propel starts to over 30,000 units by 2012 and to 33,100

units in 2014. The share of multiples is expected to hit 63 per cent by 2014, up from a historical norm of 55 per cent.

Better markets will improve house price growth in 2010, although 2011 will be slightly weaker.

Average new home prices are forecast

to rebound from a 6.6 per cent drop in 2009 to advance 3.5 per cent this year, while a healthy 8.3 per cent price uptick is expected among existing homes, up from 2 per cent last year. In 2011, new home prices are expected to rise more slowly, while average existing values are projected to fall fractionally.

Table 1—Economic Indicators

| | 2007 | 2008 | 2009 | 2010f | 2011f | 2012f | 2013f | 2014f |
|-------------------------------------------------------|-----------------------|-----------------------|------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Real GDP at basic prices (2002 \$ millions) | 151,162 <i>2.7</i> | 151,532 <i>0.2</i> | 148,101 <i>-2.3</i> | 153,530 <i>3.7</i> | 157,040 <i>2.3</i> | 162,433 <i>3.4</i> | 168,059 <i>3.5</i> | 172,208 <i>2.5</i> |
| Total employment (000s) | 2,266 <i>3.2</i> | 2,313 <i>2.1</i> | 2,260 <i>-2.3</i> | 2,308 <i>2.1</i> | 2,357 <i>2.1</i> | 2,407 <i>2.1</i> | 2,446 <i>1.6</i> | 2,468 <i>0.9</i> |
| Unemployment rate | 4.2 | 4.6 | 7.6 | 7.5 | 6.6 | 6.0 | 5.6 | 5.4 |
| Personal income per capita | 35,153 <i>4.4</i> | 36,204 <i>3.0</i> | 35,521 <i>-1.9</i> | 36,428 <i>2.6</i> | 37,757 <i>3.6</i> | 39,118 <i>3.6</i> | 40,401 <i>3.3</i> | 41,508 <i>2.7</i> |
| Population (000s) | 4,303 <i>1.5</i> | 4,375 <i>1.7</i> | 4,449 <i>1.7</i> | 4,518 <i>1.6</i> | 4,580 <i>1.4</i> | 4,642 <i>1.4</i> | 4,705 <i>1.4</i> | 4,769 <i>1.4</i> |
| Retail sales (\$ millions) | 56,930 <i>7.1</i> | 57,783 <i>1.5</i> | 55,222 <i>-4.4</i> | 59,652 <i>8.0</i> | 62,550 <i>4.9</i> | 65,612 <i>4.9</i> | 68,445 <i>4.3</i> | 70,892 <i>3.6</i> |
| Inflation rate | 1.7 | 2.1 | 0.0 | 2.0 | 2.8 | 2.2 | 2.0 | 2.2 |

Italics indicate percentage change.

Sources: The Conference Board of Canada; Statistics Canada.

Table 2—Housing Indicators

| | 2007 | 2008 | 2009 | 2010f | 2011f | 2012f | 2013f | 2014f |
|--------------------------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|-----------------------|-----------------------|-----------------------|
| Housing starts | 39,195 <i>7.6</i> | 34,321 <i>-12.4</i> | 16,077 <i>-53.2</i> | 26,518 <i>64.9</i> | 25,127 <i>-5.2</i> | 30,003 <i>19.4</i> | 31,569 <i>5.2</i> | 33,108 <i>4.9</i> |
| Singles | 14,474 <i>-6.2</i> | 10,991 <i>-24.1</i> | 7,892 <i>-28.2</i> | 11,370 <i>44.1</i> | 9,341 <i>-17.8</i> | 11,172 <i>19.6</i> | 11,615 <i>4.0</i> | 12,164 <i>4.7</i> |
| Multiples | 24,721 <i>17.7</i> | 23,330 <i>-5.6</i> | 8,185 <i>-64.9</i> | 15,148 <i>85.1</i> | 15,786 <i>4.2</i> | 18,831 <i>19.3</i> | 19,954 <i>6.0</i> | 20,944 <i>5.0</i> |
| Housing completions | 33,261 <i>-4.2</i> | 34,668 <i>4.2</i> | 29,538 <i>-14.8</i> | 25,771 <i>-12.8</i> | 25,103 <i>-2.6</i> | 28,022 <i>11.6</i> | 29,132 <i>4.0</i> | 29,707 <i>2.0</i> |
| Singles | 13,949 <i>-5.3</i> | 11,316 <i>-18.9</i> | 8,883 <i>-21.5</i> | 10,470 <i>17.9</i> | 9,986 <i>-4.6</i> | 10,955 <i>9.7</i> | 11,232 <i>2.5</i> | 11,295 <i>0.6</i> |
| Multiples | 19,313 <i>-3.4</i> | 23,352 <i>20.9</i> | 20,655 <i>-11.5</i> | 15,301 <i>-25.9</i> | 15,117 <i>-1.2</i> | 17,067 <i>12.9</i> | 17,900 <i>4.9</i> | 18,412 <i>2.9</i> |
| Average price of a new home (\$) | 653,243 <i>6.7</i> | 666,770 <i>2.1</i> | 622,846 <i>-6.6</i> | 644,891 <i>3.5</i> | 652,748 <i>1.2</i> | 662,633 <i>1.5</i> | 673,898 <i>1.7</i> | 685,306 <i>1.7</i> |
| Average price of a resale home (\$) | 439,201 <i>12.1</i> | 449,174 <i>2.3</i> | 458,116 <i>2.0</i> | 496,315 <i>8.3</i> | 493,008 <i>-0.7</i> | 502,083 <i>1.8</i> | 512,849 <i>2.1</i> | 523,847 <i>2.1</i> |

Italics indicate percentage change.

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

Québec City



Economic Outlook

A recovering manufacturing sector, along with stronger growth in construction and in most services-producing industries, will help real GDP expand at its fastest rate in eight years in 2010. But global economic growth is moderating, as stimulus measures wind down and governments around the world turn their attention to deficit reduction. As well, consumer spending in Québec City will be constrained by provincial tax hikes. Housing market activity is also set to cool in 2011, as rising interest rates erode affordability. Accordingly, real GDP growth in Québec City is forecast to slow from 3.1 per cent in 2010 to 2.1 per cent in 2011.

Housing Outlook

EXISTING HOUSING MARKET

Québec City's existing home

Real GDP in the Québec census metropolitan areas is on track to accelerate sharply from 0.1 per cent in 2009 to 3.1 per cent in 2010, before slowing to 2.1 per cent next year. Lower economic growth along with rising interest rates will put a damper on both the resale and new housing markets in 2011. Unit sales of existing homes are expected to fall by 1.1 per cent next year, while housing starts are forecast to tumble by 18.4 per cent. Price growth will also moderate.

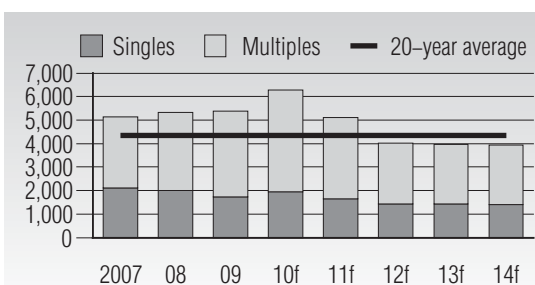
market expanded rapidly in the late 1990s and up until 2001, largely because of pent-up demand and healthy economic growth at that time. Unit sales nearly doubled in this period, increasing from 4,400 units in 1995 to 7,600 units in 2001. However, sellers did not respond to this growth in demand—new listings kept falling—leading to an increase in the sales-to-new-listings ratio. Still, price growth remained fairly modest, as market conditions ranged from a buyers' to a balanced state through to 2000. The market transitioned into a sellers' state in 2001.

Existing sales growth was much more muted over the next few years, inching up by 0.6 per cent per year from 2002 to 2007. But new listings growth was also fairly soft. As a result, sellers' market conditions prevailed over this entire period. Accordingly, home prices rose by an average of 11.1 per cent per year from 2002 to 2007, to reach nearly \$180,000.

The onset of the global economic downturn in 2008 weakened demand in the resale market, pushing unit sales down 1.1 per cent that year. But with the market still in sellers' territory, price growth remained strong at 8.9 per cent. Improving economic activity and significantly lower interest rates by the start of 2009 led to a quick 2.9 per cent rebound in unit sales last year, and an additional 7.6 per cent rise in prices. In level terms, unit sales topped 8,000 units, and prices, \$200,000, for the first time ever.

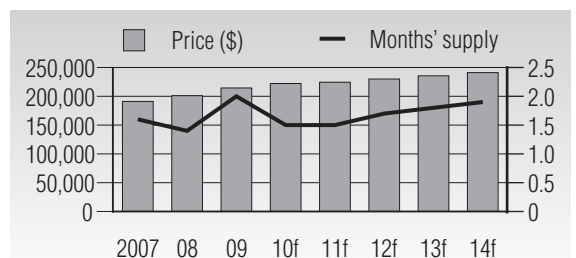
The good news seems to be short-lived, however. Unsustainable at current levels, demand has fallen steadily so far in 2010 and is expected to remain weak for the rest of the year as well, in line with slower growth in the economy. As a result, unit sales are forecast to drop 12.4 per cent in 2010 and an additional 1.1 per cent next year. The market will also be hindered by higher interest rates in 2011.

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.

Prices have continued to increase rapidly this year, on pace to grow by more than 10 per cent. But price growth is forecast to slow to just 1.9 per cent next year and then average a modest 2.5 per cent per year through the medium term. Existing home sales are expected to increase by a solid 5.2 per cent on an annual average basis from 2012 to 2014.

NEW HOUSING MARKET

Spillover demand from the resale market helped to boost growth in Québec City's new housing market in the early 2000s. From 2000 to 2004,

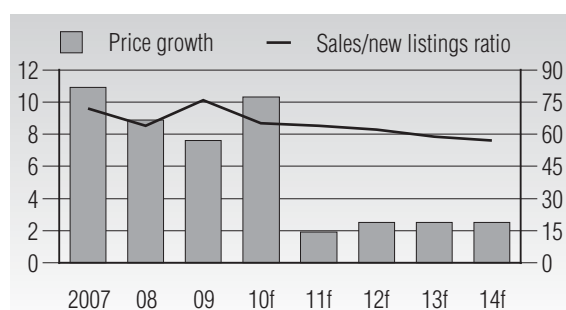
builders increased housing starts by an annual average rate of 29.7 per cent, to 6,200 units—their highest level since 1992. Initially, this growth was not enough to meet the increase in demand. As a result, months' supply slipped from 1.8 months in 1999 to just 0.6 months by 2003. This led to stronger price increases, with new home prices rising by 6.5 per cent per year on average from 2002 to 2004.

Almost immediately, these higher prices seemed to affect demand. Months' supply began to creep back up again, leading builders to reduce

starts starting in 2005. For the next three years (2005 to 2007), starts fell by 5.8 per cent on an average annual basis, bringing them back down to 5,100 units. Price growth remained solid, however, at an annual average pace of 4.5 per cent.

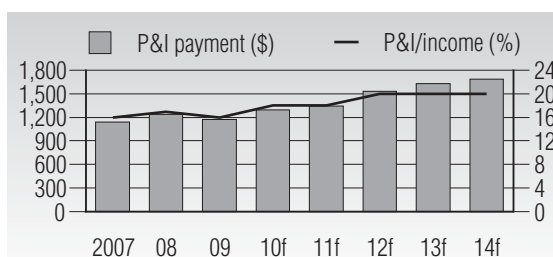
Housing starts increased by 3.7 per cent in 2008, as builders were encouraged by a small decline in inventories. Although Québec City suffered through a mild recession in the first half of 2009, an economic recovery in the second half of the year and lower interest rates were enough to boost starts further in

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

| | 2007 | 2008 | 2009 | 2010f | 2011f | 2012f | 2013f | 2014f |
|-------------------------------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|
| Real GDP at basic prices (2002 \$ millions) | 24,354 | 24,860 | 24,894 | 25,674 | 26,211 | 26,845 | 27,468 | 28,106 |
| | 3.2 | 2.1 | 0.1 | 3.1 | 2.1 | 2.4 | 2.3 | 2.3 |
| Total employment (000s) | 386 | 390 | 392 | 397 | 403 | 407 | 410 | 414 |
| | 2.4 | 1.1 | 0.5 | 1.4 | 1.3 | 1.1 | 0.7 | 1.0 |
| Unemployment rate (%) | 5.0 | 4.6 | 4.9 | 5.2 | 5.2 | 5.0 | 4.9 | 4.7 |
| Personal income per capita (\$) | 35,510 | 36,292 | 36,345 | 37,350 | 38,780 | 40,171 | 41,518 | 42,984 |
| | 4.6 | 2.2 | 0.1 | 2.8 | 3.8 | 3.6 | 3.4 | 3.5 |
| Population (000s) | 731 | 738 | 746 | 754 | 761 | 767 | 773 | 780 |
| | 0.9 | 1.0 | 1.1 | 1.0 | 0.9 | 0.8 | 0.8 | 0.8 |
| Retail sales (\$ millions) | 10,772 | 11,334 | 11,250 | 11,937 | 12,386 | 12,836 | 13,277 | 13,768 |
| | 4.1 | 5.2 | -0.7 | 6.1 | 3.8 | 3.6 | 3.4 | 3.7 |
| Inflation rate (%) | 1.3 | 2.1 | 0.8 | 1.7 | 3.1 | 2.7 | 2.1 | 2.2 |

Italics indicate percentage change.

Sources: The Conference Board of Canada; Statistics Canada.

2009, by a modest 0.8 per cent in 2009. Starts continued to climb through the first half of 2010 as well. In fact, they are on pace to reach 6,300 units this year, an increase of 16.7 per cent.

Unfortunately, at this level, starts are above current demographic requirements for the census

metropolitan area. With economic growth expected to slow in the coming months, some reduction in starts is now expected. As in the resale market, demand for new homes will also be hurt by rising interest rates in 2011. Accordingly, housing starts are forecast to drop by 18.4 per cent next year and by 21.4 per cent in 2012. At the same time, new

home price inflation is expected to slow as well. After rising by 7 per cent in 2009, new home prices are set to increase by 3.3 per cent in 2010 and by just 1.3 per cent in 2011. A more balanced market will mean only moderate price growth through the medium term also, at an average of 2.3 per cent per year from 2012 to 2014.

Table 2—New Housing Market Indicators

| | 2007 | 2008 | 2009 | 2010f | 2011f | 2012f | 2013f | 2014f |
|-----------------------------------------|--------------|-------------|--------------|-------------|--------------|--------------|--------------|-------------|
| Housing starts | 5,144 | 5,335 | 5,376 | 6,273 | 5,118 | 4,023 | 3,954 | 3,932 |
| | <i>-2.2</i> | <i>3.7</i> | <i>0.8</i> | <i>16.7</i> | <i>-18.4</i> | <i>-21.4</i> | <i>-1.7</i> | <i>-0.6</i> |
| Singles | 2,117 | 1,994 | 1,728 | 1,956 | 1,653 | 1,443 | 1,424 | 1,417 |
| | <i>-5.5</i> | <i>-5.8</i> | <i>-13.3</i> | <i>13.2</i> | <i>-15.5</i> | <i>-12.7</i> | <i>-1.3</i> | <i>-0.5</i> |
| Multiples | 3,027 | 3,340 | 3,647 | 4,317 | 3,465 | 2,579 | 2,530 | 2,515 |
| | <i>0.2</i> | <i>10.4</i> | <i>9.2</i> | <i>18.4</i> | <i>-19.7</i> | <i>-25.6</i> | <i>-1.9</i> | <i>-0.6</i> |
| Under construction | 2,187 | 2,941 | 2,484 | 2,996 | 2,335 | 1,869 | 1,764 | 1,882 |
| | <i>7.9</i> | <i>34.5</i> | <i>-15.6</i> | <i>20.6</i> | <i>-22.1</i> | <i>-19.9</i> | <i>-5.6</i> | <i>6.7</i> |
| Housing completions | 4,442 | 5,486 | 5,120 | 6,883 | 5,645 | 4,467 | 3,873 | 3,819 |
| | <i>-25.0</i> | <i>23.5</i> | <i>-6.7</i> | <i>34.4</i> | <i>-18.0</i> | <i>-20.9</i> | <i>-13.3</i> | <i>-1.4</i> |
| Singles | 2,162 | 1,983 | 1,757 | 1,945 | 1,696 | 1,497 | 1,392 | 1,386 |
| | <i>-6.3</i> | <i>-8.3</i> | <i>-11.4</i> | <i>10.7</i> | <i>-12.8</i> | <i>-11.7</i> | <i>-7.0</i> | <i>-0.4</i> |
| Multiples | 2,280 | 3,503 | 3,363 | 4,938 | 3,950 | 2,969 | 2,481 | 2,433 |
| | <i>-36.9</i> | <i>53.6</i> | <i>-4.0</i> | <i>46.8</i> | <i>-20.0</i> | <i>-24.8</i> | <i>-16.4</i> | <i>-1.9</i> |
| Newly completed and unabsorbed | 617 | 603 | 856 | 864 | 754 | 631 | 599 | 613 |
| | <i>-5.5</i> | <i>-2.3</i> | <i>42.0</i> | <i>1.0</i> | <i>-12.7</i> | <i>-16.3</i> | <i>-5.2</i> | <i>2.3</i> |
| Absorptions | 4,724 | 5,219 | 5,092 | 6,856 | 5,847 | 4,528 | 3,886 | 3,794 |
| | <i>-16.8</i> | <i>10.5</i> | <i>-2.4</i> | <i>34.6</i> | <i>-14.7</i> | <i>-22.5</i> | <i>-14.2</i> | <i>-2.4</i> |
| Months' supply | 1.6 | 1.4 | 2.0 | 1.5 | 1.5 | 1.7 | 1.8 | 1.9 |
| Average price of a new home (\$) | 191,176 | 201,357 | 215,381 | 222,386 | 225,166 | 230,345 | 235,643 | 241,299 |
| | <i>4.0</i> | <i>5.3</i> | <i>7.0</i> | <i>3.3</i> | <i>1.3</i> | <i>2.3</i> | <i>2.3</i> | <i>2.4</i> |

Italics indicate percentage change.

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

Table 3—Resale Housing Market Indicators

| | 2007 | 2008 | 2009 | 2010f | 2011f | 2012f | 2013f | 2014f |
|--------------------------------------------|-------------|-------------|--------------|--------------|-------------|------------|------------|------------|
| Unit sales | 7,897 | 7,809 | 8,037 | 7,039 | 6,959 | 7,315 | 7,694 | 8,098 |
| | <i>5.5</i> | <i>-1.1</i> | <i>2.9</i> | <i>-12.4</i> | <i>-1.1</i> | <i>5.1</i> | <i>5.2</i> | <i>5.3</i> |
| Dollar volume sales (\$ millions) | 1,420 | 1,529 | 1,694 | 1,636 | 1,649 | 1,778 | 1,917 | 2,069 |
| | <i>17.0</i> | <i>7.7</i> | <i>10.8</i> | <i>-3.4</i> | <i>0.8</i> | <i>7.8</i> | <i>7.9</i> | <i>7.9</i> |
| New listings | 11,015 | 12,135 | 10,640 | 10,831 | 10,891 | 11,877 | 12,961 | 14,155 |
| | <i>-6.0</i> | <i>10.2</i> | <i>-12.3</i> | <i>1.8</i> | <i>0.6</i> | <i>9.1</i> | <i>9.1</i> | <i>9.2</i> |
| Sales-to-new-listings ratio (%) | 72 | 64 | 76 | 65 | 64 | 62 | 59 | 57 |
| Average price of a resale home (\$) | 179,767 | 195,766 | 210,738 | 232,497 | 237,014 | 243,041 | 249,215 | 255,549 |
| | <i>10.9</i> | <i>8.9</i> | <i>7.6</i> | <i>10.3</i> | <i>1.9</i> | <i>2.5</i> | <i>2.5</i> | <i>2.5</i> |

Italics indicate percentage change.

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

Montréal



Montréal's economy is in recovery mode this year—real GDP is expected to rise by 3 per cent. While this has led to increased demand and higher starts in the new home market, the resale market has been weakening. Both markets are forecast to contract in 2011 as economic growth slows and interest rates rise. Prices will follow suit, growing near the 1 per cent range—the smallest price increases since 1998.

Economic Outlook

Montréal's economy is rebounding nicely from the global recession. Although real GDP fell by 0.9 per cent last year—the first decline since 1991—it is expected to advance by 3 per cent in 2010. Growth is being driven by recoveries in manufacturing and in wholesale and retail trade, as well as a healthy increase in construction output, thanks to a host of non-residential construction projects and a jump in housing starts. However, economic growth is expected to slow next year to 2 per cent. In particular, new tax measures will curtail consumer spending, while higher interest rates will cool housing market activity.

Housing Outlook

EXISTING HOUSING MARKET

Unit sales in Montréal's existing home market expanded by an annual average of 16.4 per cent from 1996 to

2002, boosted by healthy economic growth and pent-up demand from the early 1990s. The sales-to-new-listings ratio also rose rapidly, leading to a sellers' market by 2002, and resulting in strong price growth of 15.6 per cent per year from 2002 to 2004.

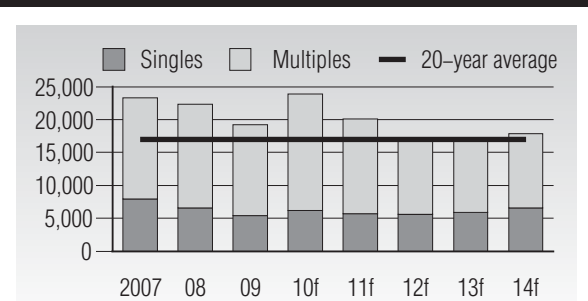
Higher prices became the incentive sellers needed to enter the market—new listings rose by 32.3 per cent on an average annual basis from 2003 to 2004. Higher prices also became a deterrent to buyers who were already put off by a period of weaker economic growth, thus pushing the sales-to-new-listings ratio down. Still, the market remained in a sellers' state, as growth in resale prices averaged a solid 6.3 per cent annually from 2005 to 2007.

The global recession in 2008 curtailed the demand for existing homes, leading to a significant 8.2 per cent decline in unit sales. However, by the second quarter of 2009, as economic growth improved and interest rates fell, demand picked

up once more. In turn, sales rose by 6 per cent in 2010. Sellers also responded to the changing economic environment, limiting new listings and keeping the sales-to-new-listings ratio in mildly sellers' territory. Accordingly, price growth slowed but remained healthy, averaging 4 per cent through 2008 and 2009.

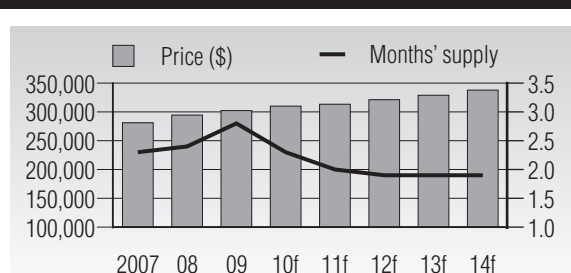
After a burst of growth in the fourth quarter of 2009 and the first quarter of 2010, the economy has continued to expand but at a slower rate. Therefore, despite low interest rates, demand in the resale market has weakened through 2010. Unit sales fell in the first half of the year, and are expected to keep declining in the coming months as interest rates rise and economic growth remains relatively soft. In total, sales are forecast to fall 2.6 per cent this year and a further 3.8 per cent in 2011. Although listings have continued to increase in 2010, the market has remained a sellers' market, with prices are on track to rise by 6 per cent this year. But growth

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.

is forecast to weaken to 0.9 per cent next year as listings outpace sales once more. Unit sales are forecast to climb by 4.2 per cent on average per year over 2012 to 2014, while prices will increase by 2.7 per cent annually.

NEW HOUSING MARKET

Spillover demand from the resale market kept Montréal's new housing market on the upswing from the mid-1990s until 2004. The new home market also benefitted from an aging population, as well as wealthy foreigners and young professionals—all of whom are prime customers of multi-family dwellings. Indeed,

multiple-unit starts alone rose by 25 per cent on an average annual basis from 1997 to 2004, while overall starts increased an annual average of 20 per cent.

In spite of the sharp rise in housing starts, demand initially outstripped supply. As a result, months' supply in the new home market fell to 0.9 months in 2003—less than half its level in the mid-1990s. The consequence of this tighter market was higher price growth, especially from 2003 to 2005, when new home prices gained an average of 6.3 per cent per year, for a total of \$28,000.

In level terms, new home prices topped \$250,000 by 2005. These higher prices combined with slower economic growth to weaken demand. Indeed, after staying relatively flat from 1997 to 2003, inventories began to rise—the number of unsold units nearly tripled from 2003 to 2006. Consequently, builders decreased starts by 11.7 per cent in 2005 and an additional 9.4 per cent in 2006. Starts then rose briefly in 2007, by a modest 2.4 per cent, as conditions improved, but fell again in 2008 as the recession hit. Housing starts fell 4.4 per cent in 2008 and a further 13.6 per cent in 2009. Despite the

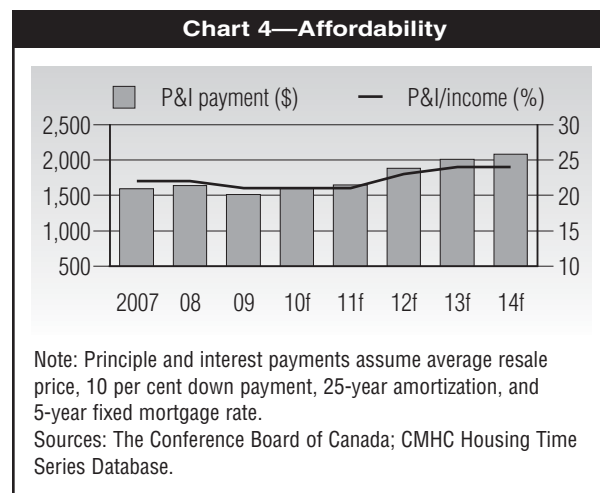


Table 1—Economic Indicators

| | 2007 | 2008 | 2009 | 2010f | 2011f | 2012f | 2013f | 2014f |
|-------------------------------------------------------|------------|-------------|-------------|------------|------------|------------|------------|------------|
| Real GDP at basic prices (2002 \$ millions) | 121,780 | 123,459 | 122,309 | 125,938 | 128,425 | 131,970 | 135,526 | 138,779 |
| | <i>2.7</i> | <i>1.4</i> | <i>-0.9</i> | <i>3.0</i> | <i>2.0</i> | <i>2.8</i> | <i>2.7</i> | <i>2.4</i> |
| Total employment (000s) | 1,902 | 1,897 | 1,879 | 1,942 | 1,964 | 1,997 | 2,015 | 2,034 |
| | <i>2.4</i> | <i>-0.2</i> | <i>-1.0</i> | <i>3.3</i> | <i>1.1</i> | <i>1.7</i> | <i>0.9</i> | <i>0.9</i> |
| Unemployment rate (%) | 6.9 | 7.5 | 9.2 | 8.4 | 8.0 | 7.8 | 7.4 | 7.1 |
| Personal income per capita (\$) | 34,019 | 34,609 | 34,499 | 35,853 | 36,920 | 38,273 | 39,483 | 40,701 |
| | <i>4.4</i> | <i>1.7</i> | <i>-0.3</i> | <i>3.9</i> | <i>3.0</i> | <i>3.7</i> | <i>3.2</i> | <i>3.1</i> |
| Population (000s) | 3,721 | 3,765 | 3,815 | 3,861 | 3,904 | 3,948 | 3,993 | 4,039 |
| | <i>1.0</i> | <i>1.2</i> | <i>1.3</i> | <i>1.2</i> | <i>1.1</i> | <i>1.1</i> | <i>1.1</i> | <i>1.1</i> |
| Retail sales (\$ millions) | 40,613 | 41,898 | 41,874 | 43,627 | 45,407 | 47,325 | 49,160 | 51,050 |
| | <i>3.3</i> | <i>3.2</i> | <i>-0.1</i> | <i>4.2</i> | <i>4.1</i> | <i>4.2</i> | <i>3.9</i> | <i>3.8</i> |
| Inflation rate (%) | 1.6 | 2.1 | 0.8 | 1.5 | 3.2 | 2.7 | 2.1 | 2.2 |

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

higher inventories, months' supply remained fairly low, ranging between 1.6 to 2.4 months between 2005 and 2008. Accordingly, new home prices continued to climb at a solid pace, averaging annual growth of 4.6 per cent over 2005 to 2008. But months' supply approached 3 months last year, resulting in more modest new home price growth of 2.3 per cent.

Lower interest rates and the end of the recession have boosted new home demand this year. Starts are on track to rise by 24.1 per cent in 2010, to 23,900 units—relatively high by historical standards. Price growth is expected to come in at a decent 2.6 per cent. But with interest rates expected to rise, and economic growth forecast to be slower next

year, demand is forecast to weaken in 2011. In response, builders are expected to reduce starts over the next three years, bringing them back down to 17,100 units by 2013. Still, inventories are expected to climb, restraining new home price increases to an average of 2.4 per cent annually.

Table 2—New Housing Market Indicators

| | 2007 | 2008 | 2009 | 2010f | 2011f | 2012f | 2013f | 2014f |
|-----------------------------------------|------------------------|-----------------------|------------------------|-----------------------|------------------------|------------------------|-----------------------|-----------------------|
| Housing starts | 23,337 <i>2.4</i> | 22,304 <i>-4.4</i> | 19,269 <i>-13.6</i> | 23,922 <i>24.1</i> | 20,086 <i>-16.0</i> | 17,313 <i>-13.8</i> | 17,053 <i>-1.5</i> | 17,829 <i>4.6</i> |
| Singles | 7,981 <i>2.8</i> | 6,586 <i>-17.5</i> | 5,429 <i>-17.6</i> | 6,155 <i>13.4</i> | 5,720 <i>-7.1</i> | 5,639 <i>-1.4</i> | 5,944 <i>5.4</i> | 6,583 <i>10.7</i> |
| Multiples | 15,355 <i>2.2</i> | 15,718 <i>2.4</i> | 13,840 <i>-11.9</i> | 17,767 <i>28.4</i> | 14,367 <i>-19.1</i> | 11,674 <i>-18.7</i> | 11,109 <i>-4.8</i> | 11,246 <i>1.2</i> |
| Under construction | 15,128 <i>-11.5</i> | 15,176 <i>0.3</i> | 12,868 <i>-15.2</i> | 13,919 <i>8.2</i> | 14,062 <i>1.0</i> | 14,072 <i>0.1</i> | 14,069 <i>0.0</i> | 14,053 <i>-0.1</i> |
| Housing completions | 24,361 <i>0.9</i> | 23,808 <i>-2.3</i> | 19,486 <i>-18.2</i> | 22,103 <i>13.4</i> | 20,057 <i>-9.3</i> | 17,318 <i>-13.7</i> | 17,045 <i>-1.6</i> | 17,846 <i>4.7</i> |
| Singles | 7,720 <i>-7.5</i> | 7,364 <i>-4.6</i> | 5,216 <i>-29.2</i> | 5,928 <i>13.7</i> | 5,719 <i>-3.5</i> | 5,625 <i>-1.6</i> | 5,934 <i>5.5</i> | 6,579 <i>10.9</i> |
| Multiples | 16,641 <i>5.3</i> | 16,444 <i>-1.2</i> | 14,270 <i>-13.2</i> | 16,175 <i>13.3</i> | 14,339 <i>-11.4</i> | 11,694 <i>-18.4</i> | 11,111 <i>-5.0</i> | 11,267 <i>1.4</i> |
| Newly completed and unabsorbed | 4,798 <i>14.6</i> | 4,648 <i>-3.1</i> | 4,662 <i>0.3</i> | 4,352 <i>-6.6</i> | 3,558 <i>-18.2</i> | 2,802 <i>-21.2</i> | 2,690 <i>-4.0</i> | 2,830 <i>5.2</i> |
| Absorptions | 24,850 <i>9.8</i> | 23,487 <i>-5.5</i> | 19,746 <i>-15.9</i> | 22,361 <i>13.2</i> | 21,199 <i>-5.2</i> | 17,779 <i>-16.1</i> | 17,005 <i>-4.4</i> | 17,635 <i>3.7</i> |
| Months' supply | 2.3 | 2.4 | 2.8 | 2.3 | 2.0 | 1.9 | 1.9 | 1.9 |
| Average price of a new home (\$) | 281,659 <i>4.3</i> | 295,491 <i>4.9</i> | 302,377 <i>2.3</i> | 310,107 <i>2.6</i> | 314,276 <i>1.3</i> | 321,818 <i>2.4</i> | 329,542 <i>2.4</i> | 338,110 <i>2.6</i> |

Italics indicate percentage change.

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

Table 3—Resale Housing Market Indicators

| | 2007 | 2008 | 2009 | 2010f | 2011f | 2012f | 2013f | 2014f |
|--------------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Unit sales | 43,629 <i>11.2</i> | 40,052 <i>-8.2</i> | 42,471 <i>6.0</i> | 41,361 <i>-2.6</i> | 39,786 <i>-3.8</i> | 41,458 <i>4.2</i> | 43,192 <i>4.2</i> | 45,038 <i>4.3</i> |
| Dollar volume sales (\$ millions) | 10,941 <i>18.3</i> | 10,390 <i>-5.0</i> | 11,562 <i>11.3</i> | 11,934 <i>3.2</i> | 11,586 <i>-2.9</i> | 12,399 <i>7.0</i> | 13,266 <i>7.0</i> | 14,207 <i>7.1</i> |
| New listings | 70,807 <i>-1.0</i> | 74,800 <i>5.6</i> | 69,257 <i>-7.4</i> | 71,853 <i>3.7</i> | 73,394 <i>2.1</i> | 76,143 <i>3.7</i> | 78,979 <i>3.7</i> | 81,995 <i>3.8</i> |
| Sales-to-new-listings ratio (%) | 62 | 54 | 61 | 58 | 54 | 54 | 55 | 55 |
| Average price of a resale home (\$) | 250,768 <i>6.3</i> | 259,415 <i>3.4</i> | 272,232 <i>4.9</i> | 288,534 <i>6.0</i> | 291,204 <i>0.9</i> | 299,068 <i>2.7</i> | 307,143 <i>2.7</i> | 315,436 <i>2.7</i> |

Italics indicate percentage change.

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

Toronto



Economic Outlook

Toronto's economy enjoyed strong growth coming out of the recession, with real GDP on track to climb by 4.2 per cent in 2010. Increased demand, at home and abroad, has provided a lift to manufacturing output this year. Meanwhile, the construction sector has benefited from government stimulus spending and a rebound in housing starts, thanks to low interest rates, improved consumer confidence, and a strengthening job market. However, more moderate growth in the second half of 2010 and into 2011 will result in slower real GDP growth of 3.3 per cent next year.

Housing Outlook

EXISTING HOUSING MARKET

Unit sales of existing homes in Toronto increased at an annual average rate of 10.2 per cent from

Toronto is on track to post a 4.2 per cent increase in real GDP this year, but economic growth will slow to 3.3 per cent next year in line with a weaker global economy. The slower economy, the HST, and slightly higher interest rates in 2011 will hurt the local housing market. While the new housing market will be fairly stable in 2010 and 2011, lower demand will pull sales in the resale market down by 3.2 per cent this year and by 9.4 per cent next year.

2001 to 2004, driven by lower interest rates and pent-up demand from the previous decade. Although new listings outpaced sales, the market remained in a sellers' state. As a result, price growth averaged a vigorous 6.6 per cent per year. Demand for resale housing started to slow in 2005. Unit sales increased just 1.8 per cent that year before falling 1.4 per cent in 2006. Still, the sales-to-new-listings ratio remained relatively high, and so price growth stayed strong.

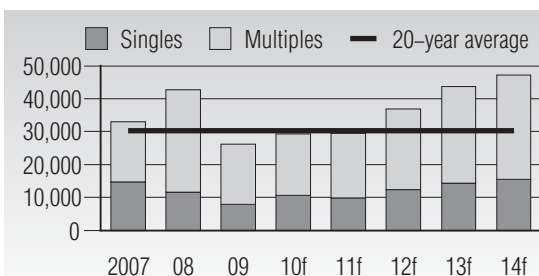
The market then came roaring back in 2007 when sales jumped 12.7 per cent. But the good times were short-lived, as the market was hit by both a new land transfer tax and the start of the global recession in 2008. As a result, unit sales slipped once again, falling 20.3 per cent to 67,700 units that year. The market also flipped to a buyers' state, limiting price growth to just 0.9 per cent. Still, in level terms, resale prices topped \$393,800 in 2008, over \$140,000 than at the

start of the decade. The run-up in prices affected affordability, as mortgage payments as a share of household income jumped to over 23 per cent, the highest level since the early 1990s.

Unit sales rebounded by 17.9 per cent last year, aided by the economic recovery and still enticingly low interest rates. In turn, the sales-to-new-listings ratio also increased in 2009, pushing the market back into sellers' territory, and resulting in higher price growth of 4.1 per cent.

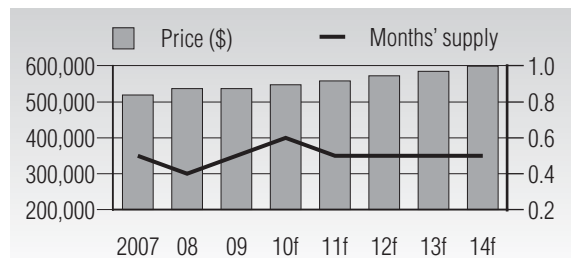
Sales continued to expand through the first quarter of 2010, partly as a result of buyers looking to purchase homes before the July 1 introduction of the harmonized sales tax (which applies to closing costs). However, demand weakened considerably in the second and third quarters of this year. For the year as a whole, sales are projected to decline by 3.2 per cent. Sales are forecast to drop a further 9.4 per

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.

cent next year as interest rates begin to rise. Price growth is on pace to reach 9.3 per cent in 2010, but will then decline by 0.8 per cent next year, in line with a slacker market. This will be the first decline in resale prices since 1995. Over the medium term, Toronto's resale market is expected to see a 3.3 per cent average annual rise in unit sales, thanks to an improving economy and solid population growth. But a more balanced market will limit price growth to a modest average annual increase of 2.4 per cent.

resale market, as housing starts increased by an average 14.1 per cent per year from 1996 to 2003. Despite the dramatic increase, demand still outstripped supply. Months' supply slipped from 1.1 months in the mid 1990s to 0.5 months by 2004. Eventually the tighter market resulted in higher price growth. Over 2003 and 2004, new home prices grew by an annual average rate of 5.3 per cent. In contrast, price growth averaged 2.1 per cent per year from 1996 to 2002.

fell by an average of 7.6 per cent per year, to a nine-year low of 33,000 units in 2007—enough to keep months' supply low and price growth solid. New home prices increased by an average of 3.7 per cent per year from 2005 to 2007, allowing prices to surpass \$500,000 in 2006.

As months' supply dipped to an all-time low in 2008, builders re-entered the market, increasing starts by 29.1 per cent. Unfortunately, the onset of the global recession quickly weakened the market once more, pulling starts and prices downward, by 38.5 per cent and 0.1 per cent respec-

NEW HOUSING MARKET

The boom in Toronto's new housing market began earlier than in the

Housing starts peaked in 2004, one year after absorptions peaked. From 2004 to 2007, housing starts

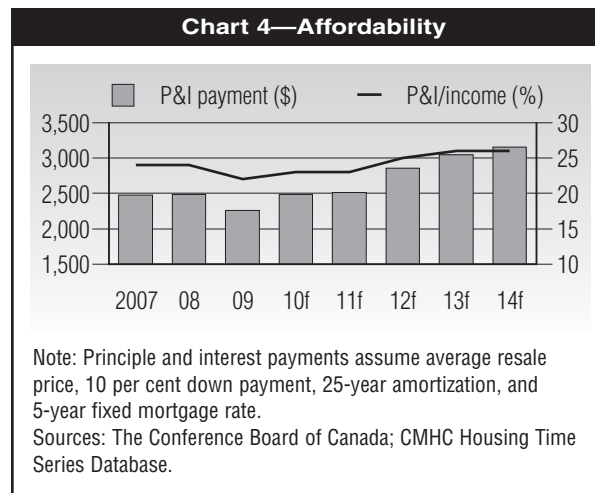
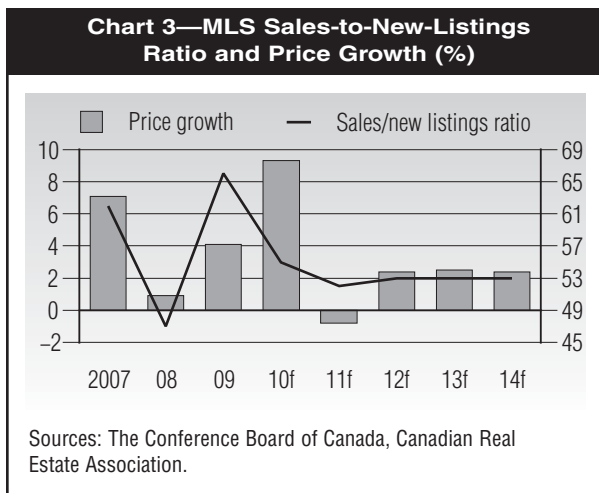


Table 1—Economic Indicators

| | 2007 | 2008 | 2009 | 2010f | 2011f | 2012f | 2013f | 2014f |
|-------------------------------------------------------|-----------------------|-----------------------|------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Real GDP at basic prices (2002 \$ millions) | 222,133 <i>3.0</i> | 222,692 <i>0.3</i> | 217,539 <i>-2.3</i> | 226,663 <i>4.2</i> | 234,214 <i>3.3</i> | 243,565 <i>4.0</i> | 252,625 <i>3.7</i> | 261,057 <i>3.3</i> |
| Total employment (000s) | 2,865 <i>2.3</i> | 2,920 <i>1.9</i> | 2,890 <i>-1.0</i> | 2,949 <i>2.0</i> | 3,044 <i>3.2</i> | 3,140 <i>3.1</i> | 3,229 <i>2.8</i> | 3,300 <i>2.2</i> |
| Unemployment rate (%) | 6.8 | 6.8 | 9.5 | 9.0 | 8.2 | 7.1 | 6.3 | 6.0 |
| Personal income per capita (\$) | 38,453 <i>3.2</i> | 39,187 <i>1.9</i> | 38,549 <i>-1.6</i> | 39,738 <i>3.1</i> | 41,331 <i>4.0</i> | 42,768 <i>3.5</i> | 44,269 <i>3.5</i> | 45,665 <i>3.2</i> |
| Population (000s) | 5,433 <i>1.8</i> | 5,531 <i>1.8</i> | 5,623 <i>1.7</i> | 5,717 <i>1.7</i> | 5,822 <i>1.8</i> | 5,934 <i>1.9</i> | 6,052 <i>2.0</i> | 6,174 <i>2.0</i> |
| Retail sales (\$ millions) | 58,126 <i>5.4</i> | 61,049 <i>5.0</i> | 59,118 <i>-3.2</i> | 62,271 <i>5.3</i> | 65,889 <i>5.8</i> | 69,412 <i>5.3</i> | 72,694 <i>4.7</i> | 76,098 <i>4.7</i> |
| Inflation rate (%) | 1.9 | 2.4 | 0.5 | 3.1 | 2.8 | 2.1 | 2.2 | 2.2 |

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

tively in 2009. This was the first time in 13 years that new home prices fell.

New home construction picked up in the second half of last year, spurred on by the beginnings of an economic recovery and very low interest rates. The turnaround continued into the first quarter of 2010, when the number of starts increased

again. As a result, housing starts are forecast to increase by 11.6 per cent this year. But activity is expected to slow again in the coming months as economic growth cools and interest rates slowly rise, holding growth in starts to just 1 per cent in 2011.

New home prices are forecast to rise by 2.2 per cent this year and by 1.8 per cent in 2011.

The medium-term outlook is bright, as strong population growth is expected to spur healthy advances in housing starts. Over 2012 to 2014, price growth in the new home market is projected to average 2.4 per cent per year, in line with a stable months' supply.

Table 2—New Housing Market Indicators

| | 2007 | 2008 | 2009 | 2010f | 2011f | 2012f | 2013f | 2014f |
|-----------------------------------------|--------------|--------------|--------------|-------------|-------------|-------------|-------------|-------------|
| Housing starts | 33,050 | 42,670 | 26,242 | 29,280 | 29,559 | 36,831 | 43,605 | 47,242 |
| | <i>-11.5</i> | <i>29.1</i> | <i>-38.5</i> | <i>11.6</i> | <i>1.0</i> | <i>24.6</i> | <i>18.4</i> | <i>8.3</i> |
| Singles | 14,691 | 11,598 | 7,927 | 10,572 | 9,900 | 12,315 | 14,397 | 15,467 |
| | <i>3.4</i> | <i>-21.1</i> | <i>-31.7</i> | <i>33.4</i> | <i>-6.4</i> | <i>24.4</i> | <i>16.9</i> | <i>7.4</i> |
| Multiples | 18,359 | 31,073 | 18,315 | 18,708 | 19,659 | 24,516 | 29,208 | 31,775 |
| | <i>-20.6</i> | <i>69.3</i> | <i>-41.1</i> | <i>2.1</i> | <i>5.1</i> | <i>24.7</i> | <i>19.1</i> | <i>8.8</i> |
| Under construction | 43,237 | 48,351 | 47,939 | 50,135 | 50,357 | 50,350 | 50,337 | 50,304 |
| | <i>3.1</i> | <i>11.8</i> | <i>-0.9</i> | <i>4.6</i> | <i>0.4</i> | <i>0.0</i> | <i>0.0</i> | <i>-0.1</i> |
| Housing completions | 30,357 | 36,258 | 28,356 | 27,752 | 29,600 | 36,833 | 43,618 | 47,269 |
| | <i>-20.4</i> | <i>19.4</i> | <i>-21.8</i> | <i>-2.1</i> | <i>6.7</i> | <i>24.4</i> | <i>18.4</i> | <i>8.4</i> |
| Singles | 14,082 | 13,882 | 8,852 | 9,917 | 9,909 | 12,337 | 14,402 | 15,496 |
| | <i>-4.7</i> | <i>-1.4</i> | <i>-36.2</i> | <i>12.0</i> | <i>-0.1</i> | <i>24.5</i> | <i>16.7</i> | <i>7.6</i> |
| Multiples | 16,275 | 22,376 | 19,504 | 17,835 | 19,691 | 24,497 | 29,216 | 31,774 |
| | <i>-30.3</i> | <i>37.5</i> | <i>-12.8</i> | <i>-8.6</i> | <i>10.4</i> | <i>24.4</i> | <i>19.3</i> | <i>8.8</i> |
| Newly completed and unabsorbed | 1,214 | 1,219 | 1,168 | 1,384 | 1,307 | 1,523 | 1,798 | 1,955 |
| | <i>-16.2</i> | <i>0.4</i> | <i>-4.1</i> | <i>18.4</i> | <i>-5.6</i> | <i>16.5</i> | <i>18.1</i> | <i>8.8</i> |
| Absorptions | 30,842 | 36,047 | 28,399 | 27,546 | 29,621 | 36,512 | 43,406 | 47,144 |
| | <i>-19.4</i> | <i>16.9</i> | <i>-21.2</i> | <i>-3.0</i> | <i>7.5</i> | <i>23.3</i> | <i>18.9</i> | <i>8.6</i> |
| Months' supply | 0.5 | 0.4 | 0.5 | 0.6 | 0.5 | 0.5 | 0.5 | 0.5 |
| Average price of a new home (\$) | 518,619 | 537,010 | 536,274 | 548,140 | 557,940 | 571,888 | 585,613 | 599,083 |
| | <i>2.7</i> | <i>3.5</i> | <i>-0.1</i> | <i>2.2</i> | <i>1.8</i> | <i>2.5</i> | <i>2.4</i> | <i>2.3</i> |

Italics indicate percentage change.

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

Table 3—Resale Housing Market Indicators

| | 2007 | 2008 | 2009 | 2010f | 2011f | 2012f | 2013f | 2014f |
|--------------------------------------------|-------------|--------------|--------------|-------------|--------------|------------|------------|------------|
| Unit sales | 84,959 | 67,722 | 79,874 | 77,308 | 70,075 | 72,417 | 74,728 | 77,380 |
| | <i>12.7</i> | <i>-20.3</i> | <i>17.9</i> | <i>-3.2</i> | <i>-9.4</i> | <i>3.3</i> | <i>3.2</i> | <i>3.5</i> |
| Dollar volume sales (\$ millions) | 33,148 | 26,671 | 32,734 | 34,619 | 31,126 | 32,942 | 34,849 | 36,958 |
| | <i>20.8</i> | <i>-19.5</i> | <i>22.7</i> | <i>5.8</i> | <i>-10.1</i> | <i>5.8</i> | <i>5.8</i> | <i>6.1</i> |
| New listings | 137,871 | 144,541 | 120,749 | 139,717 | 134,356 | 137,152 | 141,094 | 145,996 |
| | <i>-1.5</i> | <i>4.8</i> | <i>-16.5</i> | <i>15.7</i> | <i>-3.8</i> | <i>2.1</i> | <i>2.9</i> | <i>3.5</i> |
| Sales-to-new-listings ratio (%) | 62 | 47 | 66 | 55 | 52 | 53 | 53 | 53 |
| Average price of a resale home (\$) | 390,159 | 393,835 | 409,819 | 447,805 | 444,180 | 454,890 | 466,343 | 477,614 |
| | <i>7.1</i> | <i>0.9</i> | <i>4.1</i> | <i>9.3</i> | <i>-0.8</i> | <i>2.4</i> | <i>2.5</i> | <i>2.4</i> |

Italics indicate percentage change.

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

Ottawa–Gatineau



Ottawa–Gatineau’s economy has bounced back strongly from the downturn in 2009, but growth going forward will be more modest. Real GDP growth is forecast to reach 3.5 per cent in 2010 before decelerating to 2.2 per cent in 2011. This slowdown, combined with the introduction of the HST and slightly higher interest rates, will result in contractions in both the resale and new housing markets in 2011. New home price growth is forecast to slow next year, while resale prices are expected to fall for first time in 13 years.

Economic Outlook

Ottawa–Gatineau has enjoyed a sharp turnaround in economic activity since the recession ended in mid-2009, with real GDP growth set to reach 3.5 per cent in 2010, the strongest growth in 10 years. But the pace of economic growth is expected to slow next year and remain more modest over the rest of the forecast period. The federal government has announced a departmental spending freeze that will restrict growth in the local public administration sector. And since this sector accounts for one-quarter of Ottawa–Gatineau’s total output, the slower growth will have a significant impact on the area’s overall economy.

Housing Outlook

EXISTING HOUSING MARKET

Ottawa-Gatineau’s resale housing market enjoyed impressive demand

growth in the second half of the 1990s, as unit sales rose by 16.5 per cent on an average annual basis, spurred on by an expanding public service sector and a booming high-tech industry. Price growth accelerated to 3.6 per cent in 1999 and 4.9 per cent in 2000. In contrast, prices fell by an average of 0.6 per cent per year from 1994 to 1998, when a buyers’ market largely prevailed.

Sales growth slowed to an average of 1.9 per cent annually from 2001 to 2005. But although the sales-to-new-listings ratio edged down, it remained high, and so price growth averaged a strong 9.3 per cent per year.

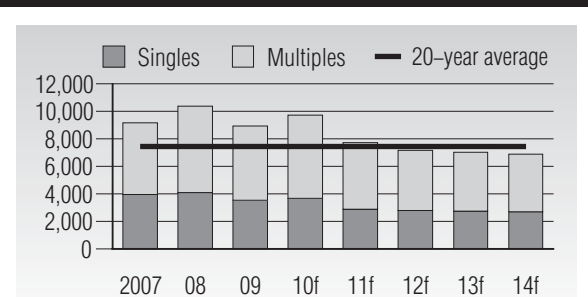
Unit sales picked up again in 2006 and 2007, growing by 4.9 per cent and 5.8 per cent respectively. Unfortunately, the global recession in 2008 weakened consumer confidence, discouraged buyers, and pushed unit sales down by 6.8 per cent that year. Still, resale price growth

remained healthy, at 6.5 per cent, as the market ranged between a balanced and sellers’ market. Once consumers realized that the downturn was ending, they quickly came back to the market to take advantage of low interest rates. Accordingly, sales of existing homes jumped 7.1 per cent in 2009 to reach 19,300 units—the second highest level on record.

Unit sales posted another gain in this year’s first quarter. But some of the market strength could be attributed to buyers trying to get ahead of the July 1 introduction of the HST, which boosted closing costs. Sales will slow in the final months of 2010 and through 2011 as economic growth cools and interest rates rise slightly. The net result will be a 6.2 per cent drop in sales for 2010 and a 9 per cent decline in 2011.

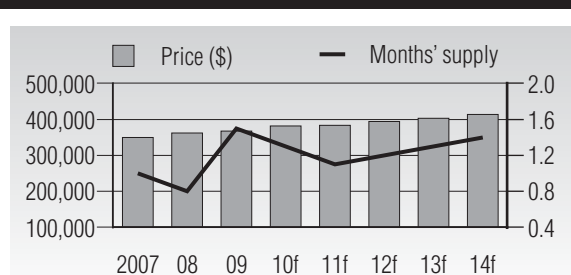
A jump in the sales-to-new-listings ratio in 2009 helped to keep resale prices on an upward trend through

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.

2009 and 2010. The average price of an existing home rose 5.1 per cent last year and is anticipated to grow by 8.8 per cent in 2010, topping \$300,000 for the first time. But with sales now slowing, the market is expected to slacken somewhat. Therefore, prices are expected to decline by 1 per cent next year, the first dip since 1998.

NEW HOUSING MARKET

The new home market in Ottawa–Gatineau also grew rapidly from 1996 to 2002, thanks to the healthy economy and spillover demand from the resale market. After falling to an all-time low of

3,300 units in 1995, housing starts increased an average of 18 per cent per year over 1996 to 2002, to reach 10,300 units. Despite this growth in starts, months' supply tumbled from 3.5 months in 1995 to 0.6 months by 2002, as demand outstripped supply. Accordingly, price growth accelerated, averaging 8.9 per cent per year from 2000 to 2002.

Demand in the new home market then slowed over the five years from 2003 to 2007, pushing months' supply back up. As a result, growth in housing starts was relatively flat. Price growth slowed, but remained healthy. The average price of a new

home rose by 4 per cent annually over 2003 to 2007.

A drop in months' supply resulted in a major increase in starts in the first quarter of 2008, leading to 13 per cent growth for the year overall. Unfortunately, by late 2008 and into early 2009, the global economic slowdown eroded consumer confidence and, in turn, the demand for big-ticket items such as housing. Builders retreated from the market once more, reducing starts by 14 per cent last year. Still, even with the decline in starts, months' supply increased to 1.5 months—its highest level in 13 years. Price growth

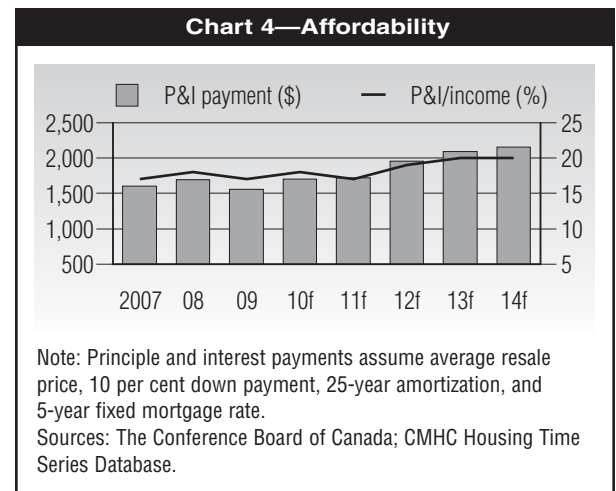
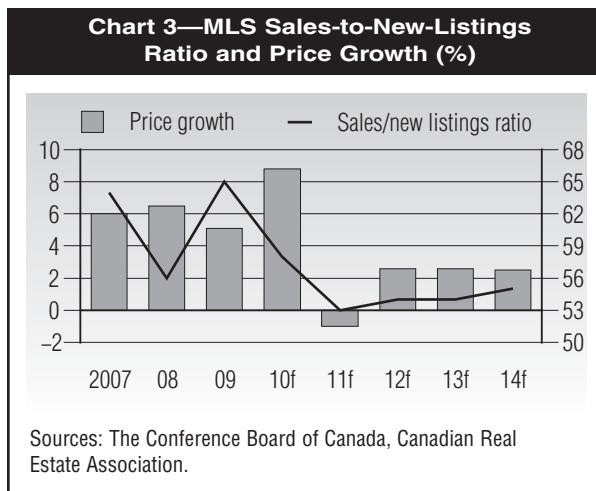


Table 1—Economic Indicators

| | 2007 | 2008 | 2009 | 2010f | 2011f | 2012f | 2013f | 2014f |
|-------------------------------------------------------|----------------------|----------------------|-----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Real GDP at basic prices (2002 \$ millions) | 45,389 <i>2.8</i> | 45,948 <i>1.2</i> | 45,607 <i>-0.7</i> | 47,199 <i>3.5</i> | 48,233 <i>2.2</i> | 49,353 <i>2.3</i> | 50,543 <i>2.4</i> | 51,763 <i>2.4</i> |
| Total employment (000s) | 651 <i>1.2</i> | 669 <i>2.9</i> | 659 <i>-1.5</i> | 678 <i>2.8</i> | 680 <i>0.4</i> | 687 <i>1.1</i> | 696 <i>1.3</i> | 707 <i>1.5</i> |
| Unemployment rate (%) | 5.3 | 4.8 | 5.7 | 6.0 | 5.8 | 5.6 | 5.3 | 5.2 |
| Personal income per capita (\$) | 40,077 <i>4.0</i> | 41,075 <i>2.5</i> | 40,990 <i>-0.2</i> | 42,838 <i>4.5</i> | 44,153 <i>3.1</i> | 45,476 <i>3.0</i> | 47,054 <i>3.5</i> | 48,862 <i>3.8</i> |
| Population (000s) | 1,183 <i>1.2</i> | 1,201 <i>1.5</i> | 1,221 <i>1.6</i> | 1,236 <i>1.2</i> | 1,245 <i>0.7</i> | 1,254 <i>0.7</i> | 1,265 <i>0.9</i> | 1,276 <i>0.9</i> |
| Retail sales (\$ millions) | 14,214 <i>3.8</i> | 14,904 <i>4.9</i> | 14,811 <i>-0.6</i> | 15,642 <i>5.6</i> | 16,444 <i>5.1</i> | 17,020 <i>3.5</i> | 17,586 <i>3.3</i> | 18,230 <i>3.7</i> |
| Inflation rate (%) | 1.9 | 2.2 | 0.6 | 3.1 | 2.9 | 2.1 | 2.2 | 2.2 |

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

decelerated sharply to 1.5 per cent in 2009.

Enticingly low interest rates and a recovering economy brought buyers and builders back to the market in the final quarter of 2009 and through the first half of this year. Some 9,700 housing starts are expected in 2010, an 8.9 per cent increase over

2009. But with the introduction of the HST, economic growth cooling, and interest rates expected to rise slightly in 2011, housing starts are expected to fall 20.4 per cent to 7,700 units next year. At this level, however, starts are still above demographic requirements. Hence, they will continue to fall through the medium term, slipping to 6,900 units by 2014.

With months' supply forecast to remain between 1.1 months and 1.4 months in the coming years, price growth should remain in check. After rising by 3.6 per cent this year and a projected 0.8 per cent in 2011, average new home prices are expected to grow by a modest 2.6 per cent per year from 2012 to 2014.

Table 2—New Housing Market Indicators

| | 2007 | 2008 | 2009 | 2010f | 2011f | 2012f | 2013f | 2014f |
|-----------------------------------------|-------------|-------------|--------------|-------------|--------------|--------------|-------------|-------------|
| Housing starts | 9,193 | 10,384 | 8,928 | 9,722 | 7,734 | 7,161 | 7,020 | 6,897 |
| | <i>5.2</i> | <i>13.0</i> | <i>-14.0</i> | <i>8.9</i> | <i>-20.4</i> | <i>-7.4</i> | <i>-2.0</i> | <i>-1.8</i> |
| Singles | 3,967 | 4,089 | 3,519 | 3,658 | 2,867 | 2,759 | 2,734 | 2,696 |
| | <i>7.6</i> | <i>3.1</i> | <i>-13.9</i> | <i>4.0</i> | <i>-21.6</i> | <i>-3.8</i> | <i>-0.9</i> | <i>-1.4</i> |
| Multiples | 5,226 | 6,296 | 5,409 | 6,064 | 4,867 | 4,403 | 4,286 | 4,200 |
| | <i>3.4</i> | <i>20.5</i> | <i>-14.1</i> | <i>12.1</i> | <i>-19.7</i> | <i>-9.5</i> | <i>-2.6</i> | <i>-2.0</i> |
| Under construction | 5,684 | 6,707 | 6,093 | 6,170 | 5,409 | 5,029 | 5,036 | 5,126 |
| | <i>22.7</i> | <i>18.0</i> | <i>-9.2</i> | <i>1.3</i> | <i>-12.3</i> | <i>-7.0</i> | <i>0.1</i> | <i>1.8</i> |
| Housing completions | 8,310 | 9,539 | 9,440 | 10,072 | 8,576 | 7,302 | 6,945 | 6,807 |
| | <i>1.4</i> | <i>14.8</i> | <i>-1.0</i> | <i>6.7</i> | <i>-14.9</i> | <i>-14.9</i> | <i>-4.9</i> | <i>-2.0</i> |
| Singles | 3,566 | 4,049 | 3,760 | 3,861 | 3,130 | 2,729 | 2,695 | 2,662 |
| | <i>-0.2</i> | <i>13.5</i> | <i>-7.1</i> | <i>2.7</i> | <i>-18.9</i> | <i>-12.8</i> | <i>-1.2</i> | <i>-1.2</i> |
| Multiples | 4,744 | 5,490 | 5,680 | 6,211 | 5,446 | 4,574 | 4,251 | 4,146 |
| | <i>2.6</i> | <i>15.7</i> | <i>3.5</i> | <i>9.4</i> | <i>-12.3</i> | <i>-16.0</i> | <i>-7.1</i> | <i>-2.5</i> |
| Newly completed and unabsorbed | 695 | 665 | 1,105 | 1,091 | 838 | 712 | 739 | 776 |
| | <i>14.6</i> | <i>-4.4</i> | <i>66.1</i> | <i>-1.2</i> | <i>-23.2</i> | <i>-15.0</i> | <i>3.8</i> | <i>5.0</i> |
| Absorptions | 8,103 | 9,698 | 8,827 | 10,255 | 8,854 | 7,345 | 6,906 | 6,775 |
| | <i>-3.8</i> | <i>19.7</i> | <i>-9.0</i> | <i>16.2</i> | <i>-13.7</i> | <i>-17.0</i> | <i>-6.0</i> | <i>-1.9</i> |
| Months' supply | 1.0 | 0.8 | 1.5 | 1.3 | 1.1 | 1.2 | 1.3 | 1.4 |
| Average price of a new home (\$) | 349,131 | 362,282 | 367,733 | 381,128 | 384,020 | 393,620 | 403,854 | 414,354 |
| | <i>1.8</i> | <i>3.8</i> | <i>1.5</i> | <i>3.6</i> | <i>0.8</i> | <i>2.5</i> | <i>2.6</i> | <i>2.6</i> |

Italics indicate percentage change.

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

Table 3—Resale Housing Market Indicators

| | 2007 | 2008 | 2009 | 2010f | 2011f | 2012f | 2013f | 2014f |
|--------------------------------------------|-------------|-------------|-------------|-------------|--------------|------------|------------|------------|
| Unit sales | 19,341 | 18,023 | 19,295 | 18,099 | 16,463 | 17,038 | 17,610 | 18,219 |
| | <i>5.8</i> | <i>-6.8</i> | <i>7.1</i> | <i>-6.2</i> | <i>-9.0</i> | <i>3.5</i> | <i>3.4</i> | <i>3.5</i> |
| Dollar volume sales (\$ millions) | 4,873 | 4,837 | 5,442 | 5,552 | 4,999 | 5,307 | 5,626 | 5,964 |
| | <i>12.1</i> | <i>-0.7</i> | <i>12.5</i> | <i>2.0</i> | <i>-10.0</i> | <i>6.2</i> | <i>6.0</i> | <i>6.0</i> |
| New listings | 30,273 | 32,181 | 29,826 | 31,278 | 30,834 | 31,644 | 32,434 | 33,276 |
| | <i>-4.1</i> | <i>6.3</i> | <i>-7.3</i> | <i>4.9</i> | <i>-1.4</i> | <i>2.6</i> | <i>2.5</i> | <i>2.6</i> |
| Sales-to-new-listings ratio (%) | 64 | 56 | 65 | 58 | 53 | 54 | 54 | 55 |
| Average price of a resale home (\$) | 251,958 | 268,354 | 282,065 | 306,757 | 303,647 | 311,471 | 319,485 | 327,371 |
| | <i>6.0</i> | <i>6.5</i> | <i>5.1</i> | <i>8.8</i> | <i>-1.0</i> | <i>2.6</i> | <i>2.6</i> | <i>2.5</i> |

Italics indicate percentage change.

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

Winnipeg



Winnipeg's housing market outlook is bright. Persistent employment growth and a relatively low unemployment rate are spurring solid population growth, underpinning housing requirements. Although resale volumes and housing starts both stumbled in 2009, they remained historically decent, and resale prices continued to advance. Ongoing economic strength will keep employment rising, population growth reasonable, and housing markets active over the medium term. A balanced resale market will be accompanied by moderate sales and price advances. In the new home market, healthy demand will underpin steady rises in housing starts.

Economic Outlook

Winnipeg's economy is set to expand 2 per cent this year and 2.4 per cent annually in 2011–2014, following last year's negligible 0.5 per cent GDP contraction. Widespread services sector improvement and a pickup in manufacturing prospects will drive the turnaround. A strong labour market kept the annual unemployment rate below 5 per cent from 2005 to 2008, before last year's mild rise to 5.4 per cent, which was still below the 20-year average. This proved irresistible: net in-migration soared to a record near 9,200 people last year. Smaller but still solid population gains are anticipated as Winnipeg's labour market remains attractive.

sales eased during the first half of 2010, they remained firmly above year-earlier levels. Listings, meanwhile, have edged up, giving homebuyers a little more choice. This has slightly cooled price growth, although year-to-year comparisons still look strong. Winnipeg house prices remain modest set against both local incomes and local rents, compared with this report's other cities. This is a legacy of persistent buyers' market conditions in the 1990s. Since our medium-term outlook features only slightly faster rises in listings than in sales, the market should remain generally balanced, with moderate price increases.

hovering between 11,400 and 12,300 units during the last five years. Although little change is forecast for this year and next, sales are then forecast to drift up modestly, hitting nearly 12,000 units by 2014.

New listings, meanwhile, have edged higher since mid-2009, averaging 16,300 units during the first half of 2010, up from fewer than 15,500 in 2009. Ongoing market balance and reasonable sales prospects will continue to attract supply, boosting new listings modestly this year and to a 13-year high in 2011. Expected further increases will ultimately lift listings above 19,000 units, but 1990's record of 31,000 listings will not be challenged.

Local sales averaged 11,700 units at an annual rate during the first half of 2010, little changed from 2008 and 2009 averages. Indeed, Winnipeg volumes appear to have reached a "new normal," with sales

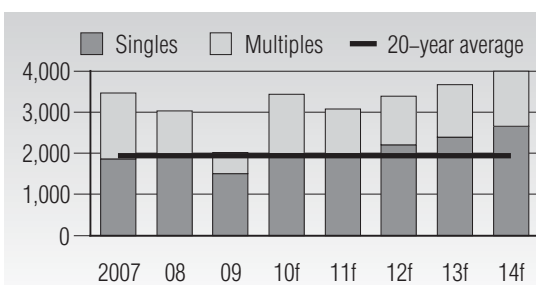
This gently rising listing supply, combined with steady sales demand, has eased Winnipeg's resale market more firmly into a balanced market

Housing Outlook

EXISTING HOUSING MARKET

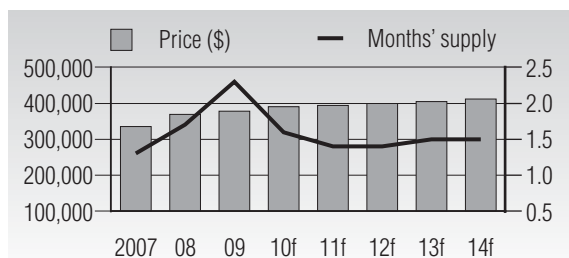
Winnipeg's resale market is in a strong balanced position. Although

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.

range, following near-sellers' conditions in the second half of last year. The sales-to-new-listings ratio, which hit 80 per cent in 2009's fourth quarter, retreated modestly to near 72 per cent in 2010's first half. Modestly faster growth in listings than in sales will trim the ratio to the low 60 per cent range—indicative of a balanced market—by the end of our forecast period.

Balanced market conditions in the first half of 2009 cooled price growth to 5.3 per cent for the year as a whole, after six years of double-digit advances. Strong price hikes early in 2010 are expected to prompt

significantly faster 9.4 per cent price growth this year. But our forecast of balanced markets in 2011–2014 suggests only moderate increases ahead.

Existing houses are affordable in Winnipeg. Principle and interest charges on the average resale unit are expected to average roughly \$1,262 this year, consuming 12 per cent of average household incomes, the lowest among this report's nine cities. Although affordability will diminish modestly through our forecast, it will continue to lead our nine-city pack.

NEW HOUSING MARKET

The hangover from overbuilding

in 2005–2007 is dissipating. Now, decent population growth, a healthy resale market, and good absorptions are all helping to reduce builder inventories in Winnipeg. This should underpin generally firming housing starts throughout our forecast.

The ramp-up in population growth to a record-high 1.5 per cent in 2009 certainly provides an ample demographic foundation, particularly following rises near 1 per cent in both 2007 and 2008. This kept new home absorptions high, at 2,800 units last year and near this level during the first half of 2010, albeit slightly below 2008's total above 3,200 units.

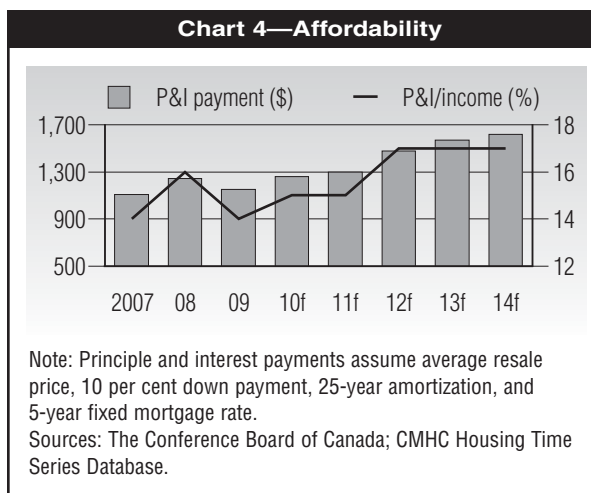
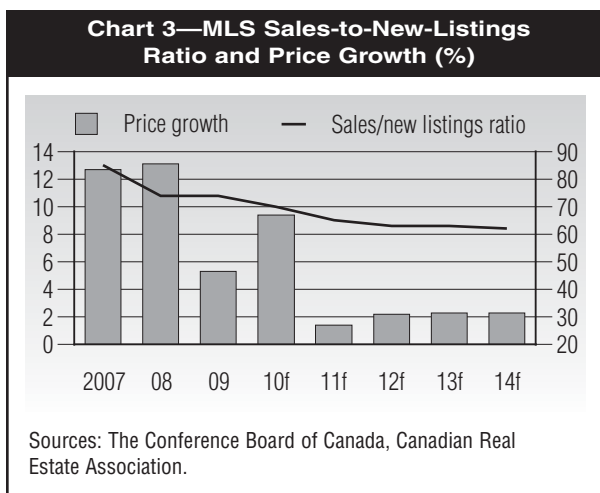


Table 1—Economic Indicators

| | 2007 | 2008 | 2009 | 2010f | 2011f | 2012f | 2013f | 2014f |
|-------------------------------------------------------|------------|------------|-------------|------------|------------|------------|------------|------------|
| Real GDP at basic prices (2002 \$ millions) | 24,670 | 25,121 | 25,002 | 25,508 | 25,993 | 26,710 | 27,441 | 28,093 |
| | <i>3.8</i> | <i>1.8</i> | <i>-0.5</i> | <i>2.0</i> | <i>1.9</i> | <i>2.8</i> | <i>2.7</i> | <i>2.4</i> |
| Total employment (000s) | 390 | 395 | 395 | 401 | 406 | 413 | 418 | 422 |
| | <i>2.2</i> | <i>1.2</i> | <i>0.1</i> | <i>1.4</i> | <i>1.3</i> | <i>1.7</i> | <i>1.1</i> | <i>1.0</i> |
| Unemployment rate (%) | 4.7 | 4.3 | 5.4 | 5.8 | 5.7 | 5.2 | 4.7 | 4.6 |
| Personal income per capita (\$) | 35,114 | 36,344 | 36,508 | 37,400 | 38,564 | 39,957 | 41,351 | 42,703 |
| | <i>4.8</i> | <i>3.5</i> | <i>0.5</i> | <i>2.4</i> | <i>3.1</i> | <i>3.6</i> | <i>3.5</i> | <i>3.3</i> |
| Population (000s) | 723 | 732 | 742 | 752 | 760 | 768 | 775 | 782 |
| | <i>1.0</i> | <i>1.2</i> | <i>1.5</i> | <i>1.3</i> | <i>1.0</i> | <i>1.0</i> | <i>1.0</i> | <i>0.9</i> |
| Retail sales (\$ millions) | 8,803 | 9,354 | 9,366 | 9,856 | 10,192 | 10,617 | 11,031 | 11,409 |
| | <i>7.9</i> | <i>6.3</i> | <i>0.1</i> | <i>5.2</i> | <i>3.4</i> | <i>4.2</i> | <i>3.9</i> | <i>3.4</i> |
| Inflation rate (%) | 2.1 | 2.3 | 0.6 | 1.1 | 2.2 | 2.6 | 2.2 | 2.2 |

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

Population growth is expected to exceed 1 per cent both this year and next, before easing slightly in 2013–14. This will help lift new unit absorptions to a record level above 3,400 units in 2011 and ultimately to over 4,000 units by 2014. Such good take-up sliced builders' unsold backlogs to a seasonally adjusted 10-quarter low under 330

units in this year's second quarter. These falling inventories should buoy developer confidence.

Accordingly, housing starts are projected to snap back to over 3,400 units this year, following a 33 per cent dip to a seven-year low of only 2,025 units in 2009. Starts averaged over 3,500 units annualized

during the first eight months of 2010, setting the stage for a 70 per cent rise in starts for the year as a whole. Although 2011 is forecast to see starts pull back, they are still expected to exceed 3,000 units. Annual increases projected thereafter will lift starts to a 26-year high of over 4,000 units by 2014.

Table 2—New Housing Market Indicators

| | 2007 | 2008 | 2009 | 2010f | 2011f | 2012f | 2013f | 2014f |
|-----------------------------------------|------------------------|------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Housing starts | 3,468 <i>18.6</i> | 3,034 <i>-12.5</i> | 2,025 <i>-33.3</i> | 3,434 <i>69.6</i> | 3,075 <i>-10.4</i> | 3,386 <i>10.1</i> | 3,670 <i>8.4</i> | 4,019 <i>9.5</i> |
| Singles | 1,868 <i>6.6</i> | 1,919 <i>2.7</i> | 1,508 <i>-21.5</i> | 1,981 <i>31.4</i> | 1,982 <i>0.0</i> | 2,210 <i>11.5</i> | 2,395 <i>8.4</i> | 2,650 <i>10.7</i> |
| Multiples | 1,599 <i>36.4</i> | 1,114 <i>-30.3</i> | 517 <i>-53.6</i> | 1,453 <i>180.7</i> | 1,094 <i>-24.7</i> | 1,176 <i>7.5</i> | 1,275 <i>8.4</i> | 1,369 <i>7.4</i> |
| Under construction | 2,233 <i>32.4</i> | 2,420 <i>8.4</i> | 1,621 <i>-33.0</i> | 1,549 <i>-4.5</i> | 1,371 <i>-11.5</i> | 1,461 <i>6.6</i> | 1,505 <i>3.0</i> | 1,427 <i>-5.1</i> |
| Housing completions | 2,590 <i>-1.1</i> | 3,543 <i>36.8</i> | 2,670 <i>-24.6</i> | 3,157 <i>18.2</i> | 3,301 <i>4.6</i> | 3,184 <i>-3.5</i> | 3,712 <i>16.6</i> | 4,115 <i>10.8</i> |
| Singles | 1,707 <i>-2.3</i> | 1,927 <i>12.9</i> | 1,620 <i>-15.9</i> | 1,844 <i>13.8</i> | 2,052 <i>11.2</i> | 2,109 <i>2.8</i> | 2,478 <i>17.5</i> | 2,744 <i>10.7</i> |
| Multiples | 883 <i>1.5</i> | 1,616 <i>83.0</i> | 1,050 <i>-35.0</i> | 1,313 <i>25.0</i> | 1,250 <i>-4.8</i> | 1,075 <i>-13.9</i> | 1,234 <i>14.8</i> | 1,371 <i>11.1</i> |
| Newly completed and unabsorbed | 278 <i>6.4</i> | 471 <i>69.7</i> | 544 <i>15.5</i> | 414 <i>-24.0</i> | 398 <i>-3.9</i> | 371 <i>-6.6</i> | 448 <i>20.7</i> | 504 <i>12.4</i> |
| Absorptions | 2,594 <i>0.5</i> | 3,236 <i>24.7</i> | 2,808 <i>-13.2</i> | 3,148 <i>12.1</i> | 3,405 <i>8.2</i> | 3,147 <i>-7.6</i> | 3,644 <i>15.8</i> | 4,054 <i>11.2</i> |
| Months' supply | 1.3 | 1.7 | 2.3 | 1.6 | 1.4 | 1.4 | 1.5 | 1.5 |
| Average price of a new home (\$) | 334,941 <i>11.8</i> | 369,137 <i>10.2</i> | 378,502 <i>2.5</i> | 391,069 <i>3.3</i> | 393,400 <i>0.6</i> | 399,695 <i>1.6</i> | 405,690 <i>1.5</i> | 411,775 <i>1.5</i> |

Italics indicate percentage change.

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

Table 3—Resale Housing Market Indicators

| | 2007 | 2008 | 2009 | 2010f | 2011f | 2012f | 2013f | 2014f |
|--------------------------------------------|------------------------|------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Unit sales | 12,320 <i>6.2</i> | 11,854 <i>-3.8</i> | 11,509 <i>-2.9</i> | 11,131 <i>-3.3</i> | 11,038 <i>-0.8</i> | 11,358 <i>2.9</i> | 11,675 <i>2.8</i> | 11,986 <i>2.7</i> |
| Dollar volume sales (\$ millions) | 2,146 <i>19.7</i> | 2,335 <i>8.8</i> | 2,386 <i>2.2</i> | 2,524 <i>5.8</i> | 2,537 <i>0.5</i> | 2,667 <i>5.1</i> | 2,803 <i>5.1</i> | 2,943 <i>5.0</i> |
| New listings | 14,491 <i>-2.0</i> | 16,050 <i>10.8</i> | 15,479 <i>-3.6</i> | 15,943 <i>3.0</i> | 17,082 <i>7.1</i> | 17,891 <i>4.7</i> | 18,660 <i>4.3</i> | 19,406 <i>4.0</i> |
| Sales-to-new-listings ratio (%) | 85 | 74 | 74 | 70 | 65 | 63 | 63 | 62 |
| Average price of a resale home (\$) | 174,188 <i>12.7</i> | 196,940 <i>13.1</i> | 207,342 <i>5.3</i> | 226,781 <i>9.4</i> | 229,847 <i>1.4</i> | 234,812 <i>2.2</i> | 240,121 <i>2.3</i> | 245,551 <i>2.3</i> |

Italics indicate percentage change.

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

Calgary



Calgary's housing markets rebounded in 2009 through early 2010, but activity remained below recent peaks. As well, markets have been softening as interest rates rise and the economy slows, setting the stage for a modest dip in sales and starts in 2011. But ongoing good population growth will then support a gradual recovery in housing starts, albeit not to boom-era levels. On the resale side, similar increases in sales and listings are expected to result in generally balanced markets and slow-but-steady price increases. The average price will not surpass its 2007 peak until 2013.

Economic Outlook

Calgary's economy is poised to expand 3.1 per cent in 2010 and 3.5 per cent in 2011, following last year's 4.5 per cent decline. The 2009 fall-off resulted from low oil prices and the global financial crisis, but stronger manufacturing and construction activity are now lifting the goods sector, while better retail spending and continued public sector strength are helping services. Employment, though, is expected to shrink fractionally for a second consecutive year before more than recouping these losses in 2011. Solid population growth will continue to underpin housing demand.

Housing Outlook

EXISTING HOUSING MARKET

The market for existing Calgary homes has slipped into a buyers' position following a strong end to

2009. Sales fell during each of 2010's first two quarters, but remain above 2008 lows. Encouraged by last year's late strength, home sellers ramped up listings. This increase in buyer choice inevitably impaired quarterly price growth, although year-over-year advances remained brisk. Area resale homes do not seem over-valued measured against either high local incomes or the rental stock. Calgary's average price sits roughly in the middle of our report's nine cities by both measures.

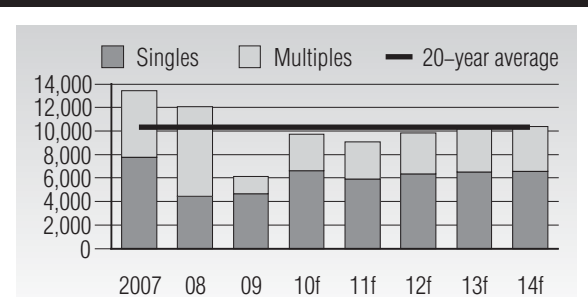
A surge in sales to an annualized 28,200 units in the second half of 2009 proved short-lived, but did lift their 2009 total by 7.5 per cent. Average volumes during the first half of 2010 were off 20 per cent to 22,668 annualized units. Sales will keep easing in 2010's second half, leaving full-year volumes 17 per cent behind 2009's. A modest dip is forecast for 2011. We expect sales to rise

gently in 2012–2014, but peaks above 30,000 units annually seen in 2005–2007 will remain unchallenged.

New listings sagged 26 per cent against 2009's weak backdrop, hitting a four-year low of only 41,640 units. The market's improvement late last year boosted vendor confidence in their homes' resale prospects, lifting annualized listings above 51,000 units in the second quarter of this year. Although discouragement with this spring's cooling market will again shave supply in 2010's second half, the spring surge will propel the yearly new listings average to nearly 45,800 units. Unexceptional markets in 2011–2012 will keep new listings near 40,000 units annually.

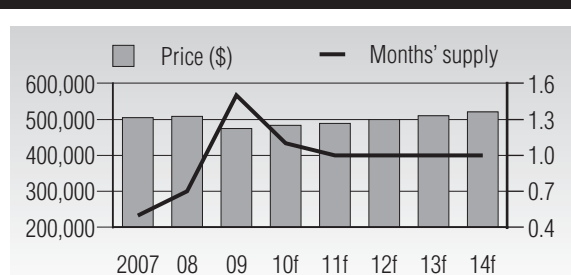
A period of market balance likely spells welcome relief in Calgary, following overheated markets earlier this decade. Calgary's sales-to-new-listings ratio averaged

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.

60 per cent last year, up from 41 per cent in 2008, but nowhere near 2005–2006 levels well above 70 per cent. Easing sales and rising listings in 2010's first half cut the ratio to only 41 per cent in the second quarter. Sales are forecast to drop less than listings in 2010's second half, but this will still leave the full-year ratio at only 45 per cent. An expected upward drift in sales in 2011–2014 will nudge the ratio higher.

While price declines like last year's 4.8 per cent tumble seem past, advances will remain modest in this environment. This year's forecast 3.1 per cent increase is a

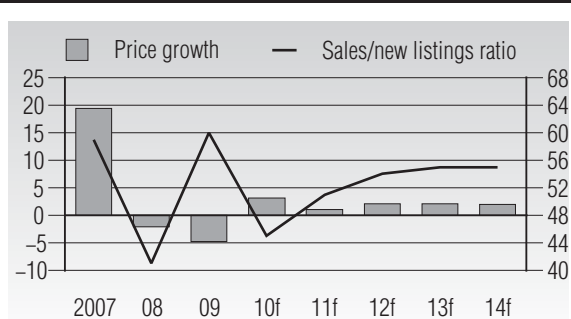
pale echo of boom-era hikes. Price growth in the low 2 per cent range is forecast in the balanced market we expect during 2011–2014. The drop in last year's average existing house prices cut average principle and interest charges 16.4 per cent, although the resulting \$2,138 payment remained comparatively expensive. But this equates to only 15 per cent of typically high local household incomes. By this measure, only Winnipeg has better affordability. Rising house prices are expected to lift carrying charges modestly this year, to an average of \$2,215.

NEW HOUSING MARKET

Recovery from last year's 49 per cent collapse in housing starts is in progress, with modestly firming absorptions whittling builders' unsold inventories. These nonetheless remain high and will keep starts well behind boom-era levels this year and next.

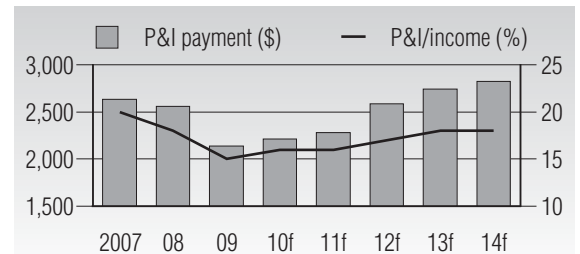
Calgary's population growth exceeded 3 per cent in 2009—for the fourth year of the last five—but this did not prevent new unit absorptions from falling to a 13-year low near 8,350 units. Still, demographics can support more starts. While Calgary was arguably over-

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

| | 2007 | 2008 | 2009 | 2010f | 2011f | 2012f | 2013f | 2014f |
|-------------------------------------------------------|---------------|---------------|----------------|---------------|---------------|---------------|---------------|---------------|
| Real GDP at basic prices (2002 \$ millions) | 63,149 3.3 | 63,840 1.1 | 60,949 -4.5 | 62,864 3.1 | 65,083 3.5 | 67,933 4.4 | 70,883 4.3 | 73,845 4.2 |
| Total employment (000s) | 680 3.9 | 704 3.5 | 698 -0.9 | 694 -0.6 | 720 3.7 | 737 2.4 | 756 2.7 | 773 2.2 |
| Unemployment rate (%) | 3.2 | 3.5 | 6.7 | 7.3 | 6.7 | 5.6 | 4.9 | 4.4 |
| Personal income per capita (\$) | 52,011 4.4 | 54,529 4.8 | 53,899 -1.2 | 54,315 0.8 | 56,259 3.6 | 57,882 2.9 | 59,929 3.5 | 61,961 3.4 |
| Population (000s) | 1,157 2.9 | 1,192 3.0 | 1,230 3.2 | 1,261 2.5 | 1,285 1.9 | 1,310 2.0 | 1,336 2.0 | 1,361 1.9 |
| Retail sales (\$ millions) | 22,233 8.0 | 22,304 0.3 | 20,589 -7.7 | 21,632 5.1 | 22,802 5.4 | 24,193 6.1 | 25,693 6.2 | 27,163 5.7 |
| Inflation rate (%) | 5.0 | 3.2 | -0.1 | 1.2 | 2.1 | 2.4 | 2.0 | 2.2 |

Italics indicate percentage change.

Sources: The Conference Board of Canada; Statistics Canada.

built, at least modestly, during the early 2000s, last year's drop in starts likely cleared any underbrush. Although population growth is expected to slow, it will remain solid, prompting rising starts.

In fact, this has already begun. New home take-up improved to over 9,500 units annualized in the

first half of 2010 and will set the stage for a decent absorption increase to 9,850 units in 2010. This will cut the backlog of completed and unoccupied units this year and next, encouraging a modest recovery in starts. Indeed, total housing starts approached 10,700 units on an annualized basis during 2010's first quarter, the most in seven quarters, before a

modest pullback in the spring. Absorptions are projected to hover near 10,000 units annually in 2011–2012. This will result in further shaving of builder stocks and propel starts modestly higher. But previous mid-decade volumes, like the 2006 peak near 17,000 starts, will remain well out of reach.

Table 2—New Housing Market Indicators

| | 2007 | 2008 | 2009 | 2010f | 2011f | 2012f | 2013f | 2014f |
|-----------------------------------------|--------------|--------------|--------------|--------------|--------------|-------------|-------------|-------------|
| Housing starts | 13,441 | 12,073 | 6,162 | 9,750 | 9,065 | 9,844 | 10,241 | 10,387 |
| | <i>-20.7</i> | <i>-10.2</i> | <i>-49.0</i> | <i>58.2</i> | <i>-7.0</i> | <i>8.6</i> | <i>4.0</i> | <i>1.4</i> |
| Singles | 7,765 | 4,433 | 4,662 | 6,648 | 5,911 | 6,380 | 6,518 | 6,598 |
| | <i>-26.0</i> | <i>-42.9</i> | <i>5.2</i> | <i>42.6</i> | <i>-11.1</i> | <i>7.9</i> | <i>2.2</i> | <i>1.2</i> |
| Multiples | 5,676 | 7,640 | 1,500 | 3,102 | 3,154 | 3,464 | 3,723 | 3,789 |
| | <i>-12.2</i> | <i>34.6</i> | <i>-80.4</i> | <i>106.8</i> | <i>1.7</i> | <i>9.8</i> | <i>7.5</i> | <i>1.8</i> |
| Under construction | 14,627 | 13,784 | 9,362 | 8,882 | 8,215 | 7,920 | 7,420 | 6,894 |
| | <i>13.1</i> | <i>-5.8</i> | <i>-32.1</i> | <i>-5.1</i> | <i>-7.5</i> | <i>-3.6</i> | <i>-6.3</i> | <i>-7.1</i> |
| Housing completions | 13,112 | 14,195 | 8,238 | 9,881 | 9,601 | 10,089 | 10,843 | 10,862 |
| | <i>3.3</i> | <i>8.3</i> | <i>-42.0</i> | <i>19.9</i> | <i>-2.8</i> | <i>5.1</i> | <i>7.5</i> | <i>0.2</i> |
| Singles | 9,149 | 6,908 | 4,291 | 6,134 | 5,923 | 6,241 | 6,554 | 6,482 |
| | <i>11.8</i> | <i>-24.5</i> | <i>-37.9</i> | <i>42.9</i> | <i>-3.4</i> | <i>5.4</i> | <i>5.0</i> | <i>-1.1</i> |
| Multiples | 3,963 | 7,287 | 3,947 | 3,660 | 2,827 | 2,997 | 3,439 | 3,531 |
| | <i>-12.1</i> | <i>83.9</i> | <i>-45.8</i> | <i>-7.3</i> | <i>-22.8</i> | <i>6.0</i> | <i>14.8</i> | <i>2.6</i> |
| Newly completed and unabsorbed | 521 | 831 | 1,015 | 927 | 825 | 806 | 867 | 884 |
| | <i>-13.9</i> | <i>59.6</i> | <i>22.2</i> | <i>-8.6</i> | <i>-11.0</i> | <i>-2.3</i> | <i>7.6</i> | <i>2.0</i> |
| Absorptions | 13,135 | 13,737 | 8,348 | 9,850 | 9,728 | 10,068 | 10,780 | 10,863 |
| | <i>0.3</i> | <i>4.6</i> | <i>-39.2</i> | <i>18.0</i> | <i>-1.2</i> | <i>3.5</i> | <i>7.1</i> | <i>0.8</i> |
| Months' supply | 0.5 | 0.7 | 1.5 | 1.1 | 1.0 | 1.0 | 1.0 | 1.0 |
| Average price of a new home (\$) | 505,055 | 508,298 | 474,381 | 483,749 | 489,534 | 500,304 | 510,810 | 521,537 |
| | <i>16.2</i> | <i>0.6</i> | <i>-6.7</i> | <i>2.0</i> | <i>1.2</i> | <i>2.2</i> | <i>2.1</i> | <i>2.1</i> |

Italics indicate percentage change.

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

Table 3—Resale Housing Market Indicators

| | 2007 | 2008 | 2009 | 2010f | 2011f | 2012f | 2013f | 2014f |
|--------------------------------------------|-------------|--------------|--------------|--------------|--------------|-------------|------------|------------|
| Unit sales | 32,177 | 23,135 | 24,881 | 20,595 | 20,330 | 21,269 | 22,219 | 23,177 |
| | <i>-2.6</i> | <i>-28.1</i> | <i>7.5</i> | <i>-17.2</i> | <i>-1.3</i> | <i>4.6</i> | <i>4.5</i> | <i>4.3</i> |
| Dollar volume sales (\$ millions) | 13,323 | 9,376 | 9,601 | 8,193 | 8,179 | 8,738 | 9,321 | 9,919 |
| | <i>16.4</i> | <i>-29.6</i> | <i>2.4</i> | <i>-14.7</i> | <i>-0.2</i> | <i>6.8</i> | <i>6.7</i> | <i>6.4</i> |
| New listings | 54,203 | 56,189 | 41,641 | 45,766 | 40,221 | 39,524 | 40,632 | 42,204 |
| | <i>21.2</i> | <i>3.7</i> | <i>-25.9</i> | <i>9.9</i> | <i>-12.1</i> | <i>-1.7</i> | <i>2.8</i> | <i>3.9</i> |
| Sales-to-new-listings ratio (%) | 59 | 41 | 60 | 45 | 51 | 54 | 55 | 55 |
| Average price of a resale home (\$) | 414,054 | 405,285 | 385,866 | 397,840 | 402,321 | 410,824 | 419,520 | 427,974 |
| | <i>19.4</i> | <i>-2.1</i> | <i>-4.8</i> | <i>3.1</i> | <i>1.1</i> | <i>2.1</i> | <i>2.1</i> | <i>2.0</i> |

Italics indicate percentage change.

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

Edmonton



Edmonton's economy bounced back nicely from the recession, although growth has slowed recently. Housing markets have also cooled, with existing sales on track to fall in 2010 and dip modestly in 2011. Housing starts are also projected to weaken next year. Nevertheless, solid economic expansion through the medium term will boost employment and foster decent population growth. The resale market's current balance is forecast to persist, producing small increases in sales and prices. Meanwhile, new construction markets, not seriously oversupplied during the boom, will benefit from steady absorption.

Economic Outlook

Edmonton's record 5.1 per cent economic contraction in 2009 was its first downturn since 1991. Manufacturing and construction suffered most, but services like retail, transportation, and warehousing were also squeezed. A retail turnaround and increased manufacturing shipments will contribute to GDP growth of 3.5 per cent in 2010 and 3.2 per cent in 2011. Employment will edge higher in 2010, but not recoup 2009's 0.6 per cent drop, which lifted Edmonton's unemployment rate to a 12-year high of 6.7 per cent. Job growth is expected to hit 2 per cent in 2011, although a still relatively high unemployment rate will draw fewer in-migrants.

downshifted significantly to a balanced state. The second quarter's sales drop was the third straight, although volumes remain above the trough straddling 2008 and 2009. This has not prevented potential home sellers from boosting listings significantly. The resulting improvement in buyers' bargaining position helped slice average selling prices in the first two quarters of 2010, although year-over-year gains continue. Edmonton's average resale price is slightly below the average of this report's other eight cities. As a multiple of household income, local home prices also sit roughly mid-pack with the other eight cities, but homes here are less costly compared with local rental units than everywhere but Winnipeg.

in 2009. Sales are projected to ease further in second half of 2010, ending the year at roughly 16,160 units. Sales are forecast to dip again in 2011 but rise gently in 2012–2014.

Last year's firmer market has attracted more supply. New listings hit 35,600 units at an annual pace during the second quarter of 2010, the most in almost two years and a big increase from roughly 30,700 units in 2009. While listings are forecast to end 2010 higher than last year, little change is subsequently expected. Supply will remain well off 2007–2008 peak levels near 40,000 units.

Cooling sales and rising listings have significantly downgraded the market from its strong balanced position during much of 2009. The sales-to-new-listings ratio, which approached 70 per cent in last year's second and third quarters, plunged to roughly 48 per cent, barely above

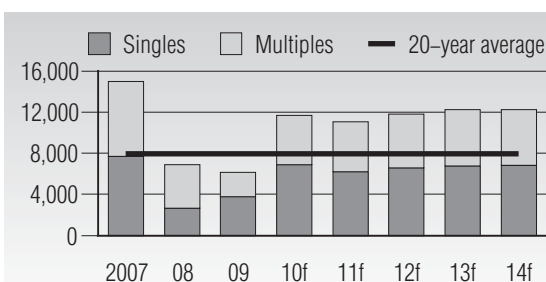
Housing Outlook

EXISTING HOUSING MARKET

Edmonton's resale market has

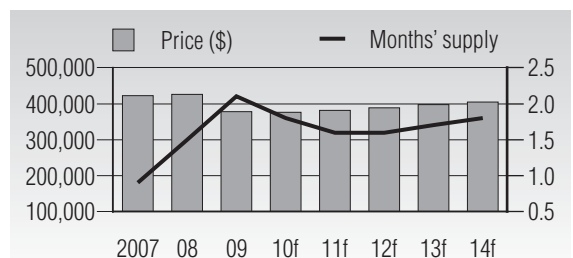
Sales of an annualized 17,000 units in the second quarter of 2010 were down 3.9 per cent from the first quarter and well off the 19,139 transactions

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.

a buyers' market reading, by the second quarter of this year. This period of softness stands in marked contrast to the frantic sellers' market prevalent earlier this decade. Slightly faster increases in sales than in listings are expected to nudge the ratio higher, particularly in 2012–2014, although it is expected to remain in balanced territory.

While the firming market in the second half of 2009 strengthened Edmonton's existing home prices, this was insufficient to prevent a second straight drop in their annual average. Then, an easing sales-to-new-listings ratio proceeded to cut

the average resale price 5.5 per cent between the fourth quarter of 2009 and the second quarter of 2010. We believe price declines are over. Look for modest hikes this year and next, with advances accelerating gently in ensuing years as the market firms gradually. Still, housing affordability has improved significantly since Edmonton's boom ended. This year's average principle and interest charges are expected to be more than 16 per cent below their 2007 peak. These carrying costs are expected to be near the middle of our nine-city pack in absolute terms, but to consume a relatively low 17 per cent of average household income.

NEW HOUSING MARKET

Although Edmonton's housing boom did not produce serious overbuilding, slowing absorptions in 2008 and 2009 prompted a sharp rise in completed and unoccupied units. Alarmed builders accordingly slashed housing starts. Slightly rising absorptions through the medium term will improve builders' moods, prompting a strong starts rebound this year, a modest dip in 2011, and gradual advances ahead.

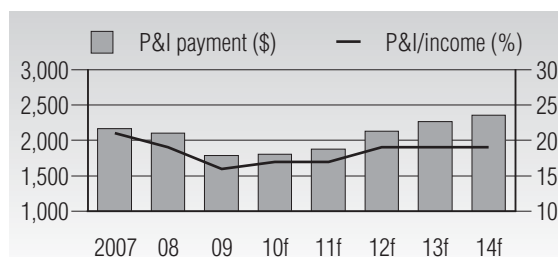
Last year's local economic downturn did little to dampen population growth, which clocked in at 2.5 per cent, well above the prior 20 years'

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

| | 2007 | 2008 | 2009 | 2010f | 2011f | 2012f | 2013f | 2014f |
|-------------------------------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|
| Real GDP at basic prices (2002 \$ millions) | 50,305 | 51,169 | 48,568 | 50,287 | 51,900 | 54,130 | 56,455 | 58,713 |
| | 3.3 | 1.7 | -5.1 | 3.5 | 3.2 | 4.3 | 4.3 | 4.0 |
| Total employment (000s) | 599 | 621 | 617 | 618 | 630 | 646 | 664 | 676 |
| | 6.8 | 3.6 | -0.6 | 0.1 | 2.0 | 2.5 | 2.7 | 1.9 |
| Unemployment rate (%) | 3.8 | 3.7 | 6.7 | 7.1 | 6.6 | 5.4 | 5.0 | 4.4 |
| Personal income per capita (\$) | 42,247 | 44,506 | 44,290 | 44,865 | 46,197 | 47,754 | 49,660 | 51,423 |
| | 4.4 | 5.3 | -0.5 | 1.3 | 3.0 | 3.4 | 4.0 | 3.5 |
| Population (000s) | 1,102 | 1,127 | 1,155 | 1,179 | 1,198 | 1,217 | 1,236 | 1,254 |
| | 2.6 | 2.3 | 2.5 | 2.0 | 1.6 | 1.6 | 1.5 | 1.5 |
| Retail sales (\$ millions) | 19,427 | 19,450 | 17,949 | 18,766 | 19,641 | 20,823 | 22,105 | 23,330 |
| | 7.7 | 0.1 | -7.7 | 4.6 | 4.7 | 6.0 | 6.2 | 5.5 |
| Inflation rate (%) | 4.8 | 3.4 | 0.2 | 1.3 | 2.1 | 2.4 | 2.0 | 2.2 |

Italics indicate percentage change.

Sources: The Conference Board of Canada; Statistics Canada.

average. Growth is expected reach 2 per cent again in 2010, with cooling but still historically decent advances expected subsequently. Resulting brisk housing demand has been evident in rising new unit take-up. While absorptions fell to a cyclical trough near 6,500 units in the second quarter of 2009, this proved transitory, as absorptions averaged 10,500 units

during second half of 2009 and over 8,800 units in first half of 2010. Higher absorptions have trimmed stocks of completed and unoccupied new units from a recent peak above 1,600 units in the third quarter of 2009 to fewer than 1,360 units last spring. We expect absorptions to rebound smartly this year and next, but more fitfully thereafter.

Improving absorptions have already started to lift housing starts, which dipped to an 11-year low near 6,120 units last year. Starts averaged 11,640 units during the first half of this year, and expectations are for slightly stronger activity in the second half. Volumes are forecast to ease in 2011, but rise moderately in 2012–2014.

Table 2—New Housing Market Indicators

| | 2007 | 2008 | 2009 | 2010f | 2011f | 2012f | 2013f | 2014f |
|-----------------------------------------|--------------|--------------|--------------|--------------|-------------|-------------|-------------|-------------|
| Housing starts | 14,965 | 6,857 | 6,124 | 11,675 | 11,088 | 11,803 | 12,249 | 12,255 |
| | <i>0.0</i> | <i>-54.2</i> | <i>-10.7</i> | <i>90.7</i> | <i>-5.0</i> | <i>6.4</i> | <i>3.8</i> | <i>0.1</i> |
| Singles | 7,691 | 2,663 | 3,764 | 6,873 | 6,208 | 6,581 | 6,747 | 6,796 |
| | <i>-15.4</i> | <i>-65.4</i> | <i>41.3</i> | <i>82.6</i> | <i>-9.7</i> | <i>6.0</i> | <i>2.5</i> | <i>0.7</i> |
| Multiples | 7,275 | 4,194 | 2,360 | 4,802 | 4,880 | 5,222 | 5,502 | 5,460 |
| | <i>23.8</i> | <i>-42.3</i> | <i>-43.7</i> | <i>103.5</i> | <i>1.6</i> | <i>7.0</i> | <i>5.4</i> | <i>-0.8</i> |
| Under construction | 14,909 | 13,987 | 8,499 | 8,372 | 8,220 | 8,451 | 8,626 | 8,757 |
| | <i>23.4</i> | <i>-6.2</i> | <i>-39.2</i> | <i>-1.5</i> | <i>-1.8</i> | <i>2.8</i> | <i>2.1</i> | <i>1.5</i> |
| Housing completions | 11,839 | 11,217 | 9,232 | 10,402 | 11,287 | 11,437 | 12,185 | 12,067 |
| | <i>-2.8</i> | <i>-5.3</i> | <i>-17.7</i> | <i>12.7</i> | <i>8.5</i> | <i>1.3</i> | <i>6.5</i> | <i>-1.0</i> |
| Singles | 7,641 | 6,224 | 3,107 | 6,226 | 6,543 | 6,472 | 6,821 | 6,721 |
| | <i>8.5</i> | <i>-18.5</i> | <i>-50.1</i> | <i>100.4</i> | <i>5.1</i> | <i>-1.1</i> | <i>5.4</i> | <i>-1.5</i> |
| Multiples | 4,198 | 4,993 | 6,125 | 4,176 | 4,745 | 4,965 | 5,364 | 5,346 |
| | <i>-18.2</i> | <i>18.9</i> | <i>22.7</i> | <i>-31.8</i> | <i>13.6</i> | <i>4.6</i> | <i>8.1</i> | <i>-0.3</i> |
| Newly completed and unabsorbed | 851 | 1,363 | 1,592 | 1,524 | 1,564 | 1,488 | 1,679 | 1,795 |
| | <i>-31.8</i> | <i>60.2</i> | <i>16.8</i> | <i>-4.3</i> | <i>2.6</i> | <i>-4.8</i> | <i>12.9</i> | <i>6.9</i> |
| Absorptions | 11,684 | 10,805 | 9,197 | 10,228 | 11,501 | 11,391 | 11,972 | 11,997 |
| | <i>-9.3</i> | <i>-7.5</i> | <i>-14.9</i> | <i>11.2</i> | <i>12.4</i> | <i>-1.0</i> | <i>5.1</i> | <i>0.2</i> |
| Months' supply | 0.9 | 1.5 | 2.1 | 1.8 | 1.6 | 1.6 | 1.7 | 1.8 |
| Average price of a new home (\$) | 422,095 | 426,372 | 378,708 | 376,515 | 380,965 | 388,965 | 396,744 | 404,282 |
| | <i>32.1</i> | <i>1.0</i> | <i>-11.2</i> | <i>-0.6</i> | <i>1.2</i> | <i>2.1</i> | <i>2.0</i> | <i>1.9</i> |

Italics indicate percentage change.

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

Table 3—Resale Housing Market Indicators

| | 2007 | 2008 | 2009 | 2010f | 2011f | 2012f | 2013f | 2014f |
|--------------------------------------------|-------------|--------------|--------------|--------------|-------------|------------|------------|------------|
| Unit sales | 20,426 | 17,370 | 19,139 | 16,158 | 15,615 | 16,234 | 16,912 | 17,537 |
| | <i>-7.1</i> | <i>-15.0</i> | <i>10.2</i> | <i>-15.6</i> | <i>-3.4</i> | <i>4.0</i> | <i>4.2</i> | <i>3.7</i> |
| Dollar volume sales (\$ millions) | 6,917 | 5,781 | 6,132 | 5,251 | 5,175 | 5,504 | 5,876 | 6,257 |
| | <i>25.4</i> | <i>-16.4</i> | <i>6.1</i> | <i>-14.4</i> | <i>-1.4</i> | <i>6.3</i> | <i>6.8</i> | <i>6.5</i> |
| New listings | 40,708 | 40,058 | 30,696 | 32,203 | 30,121 | 30,326 | 31,141 | 32,076 |
| | <i>60.3</i> | <i>-1.6</i> | <i>-23.4</i> | <i>4.9</i> | <i>-6.5</i> | <i>0.7</i> | <i>2.7</i> | <i>3.0</i> |
| Sales-to-new-listings ratio (%) | 50 | 43 | 62 | 50 | 52 | 54 | 54 | 55 |
| Average price of a resale home (\$) | 338,653 | 332,832 | 320,378 | 324,970 | 331,423 | 339,007 | 347,438 | 356,769 |
| | <i>35.0</i> | <i>-1.7</i> | <i>-3.7</i> | <i>1.4</i> | <i>2.0</i> | <i>2.3</i> | <i>2.5</i> | <i>2.7</i> |

Italics indicate percentage change.

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

Vancouver



Recently strong population growth and foreign demand have so far enabled Vancouver's housing market to withstand recent economic weakness and chronically terrible affordability. Our forecast thus sees the resale market hovering between buyers' and balanced conditions, firming gradually to a generally balanced state with typically moderate price increases. But affordability problems pose a real risk to this benign scenario. They could also seriously impair housing starts, which are currently forecast to snap back in 2010 and subsequently edge up. Starts also face challenges from easing population growth and resale competition.

Economic Outlook

Vancouver's economy shrank by 1.7 per cent last year, torpedoed by a big drop in output from manufacturing, construction, and primary and utilities. The economy is on track to expand by 3.9 per cent this year thanks in particular to a rebound in construction activity and the temporary boost of the Winter Olympics. Although 2009's downturn trimmed employment by only 0.2 per cent, ongoing labour force growth sharply lifted the unemployment rate. This rate will edge even higher in 2010, despite a small employment gain, and decline only gradually thereafter, keeping population growth slightly below its long-term average of 2 per cent.

Housing Outlook

EXISTING HOUSING MARKET

Vancouver's resale market slipped into a buyers' position dur-

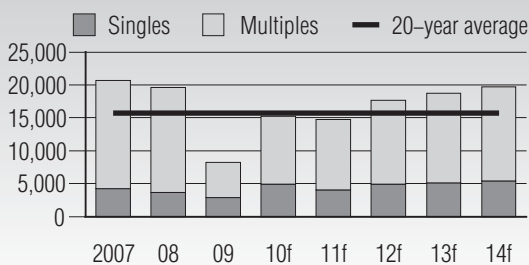
ing the second quarter of the year, as falling sales combined with rising listings to increase home-seekers' choice. Balanced conditions are expected to return by the fourth quarter, though, as these trends are modestly reversed. Prices, which have held up well through this turbulence, are expected to falter slightly in the near term, but generally edge higher. Vancouver's house prices are this report's highest compared with both local incomes and the local rental stock. Such skewed valuations can increase the risk of a resale price correction. Still, balanced markets are currently forecast for the medium term, as listings will shrink relative to sales. This should keep prices increasing gradually.

Sales of existing Vancouver units rebounded strongly last year, posting record volumes above 47,200 homes in the fourth quarter. This lifted 2009 sales to 36,255 units,

up 44.2 per cent from 2008. This unsustainable pace had already fallen to an average nearer 34,000 units during the first half of 2010; sales are projected to end the year off 20 per cent at 28,800 units. A further drop, to 26,000 units, is in the cards for 2011, before modest hikes resume. Still, our forecast of 29,100 transactions in 2014 will be well off the 42,220 units sold in 2005.

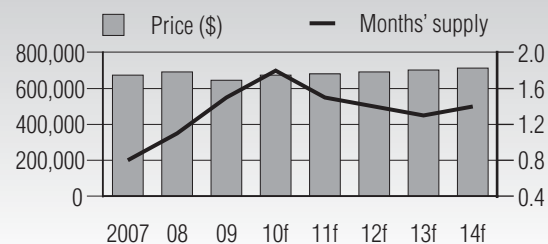
Surging sales emboldened home sellers, who ramped up listings to an annualized volume of nearly 70,000 units—close to a record high—during the second quarter of 2010. Accordingly, the market abruptly lurched from last year's sellers' conditions and a sales-to-new-listings ratio above 70 per cent to a buyers' market with a 45 per cent ratio in the second quarter of this year. We expect sales to advance faster than listings during the medium term, bringing 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.

sales-to-new-listings ratio to about 54 per cent by 2014, although the nearer term looks weaker.

Price hikes have eroded with the market's balance. Quarterly price growth in Vancouver cooled to 2.7 per cent in 2010's first half from an average of nearly 7 per cent in the prior three quarters. But, while a slow start to 2009 cut full-year average prices by 0.2 per cent, a strong finish will sharply boost average prices this year. A marginal price drop is forecast next year, and then weak balanced markets in the medium term will support only moderate price advances.

Locally poor housing affordability is legendary. Despite falling 13.1 per cent in 2009, the principle and interest charges on Vancouver's average resale unit remained by far the highest among our nine cities. This monthly payment consumed an astonishing 38 per cent of average household income. Resumed house price growth in 2010 will lift carrying costs 12 per cent this year—back up the 2007–2008 peak

NEW HOUSING MARKET

Vancouver housing starts fell dramatically last year, as absorptions cooled and builder inventories rose. Further easing in absorptions will keep the number of completed and

unoccupied units high and builders cautious. Starts will remain below 2007's peak throughout our forecast.

Despite economic weakness, Vancouver's population rose an estimated 2.1 per cent in 2009, roughly matching the rise in 2008. Collectively, these two years enjoyed the fastest population hikes in over a decade. Notwithstanding the implied increase in housing demand, new home absorptions fell 5.8 per cent last year, to the fewest since 2005, and the number of completed and unoccupied units rose to an eight-year high near 2,200 units. We expect population growth to fall below

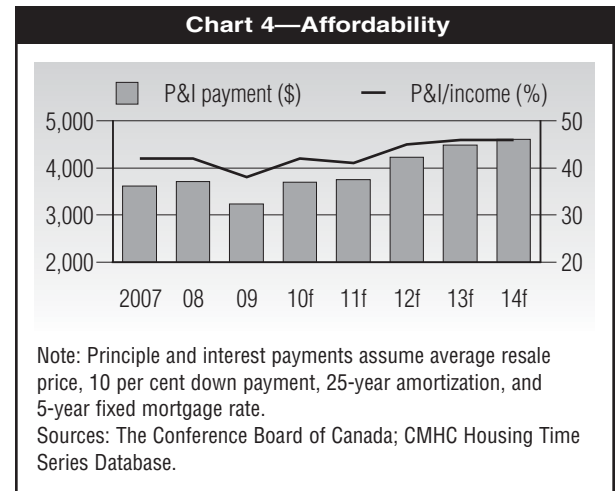
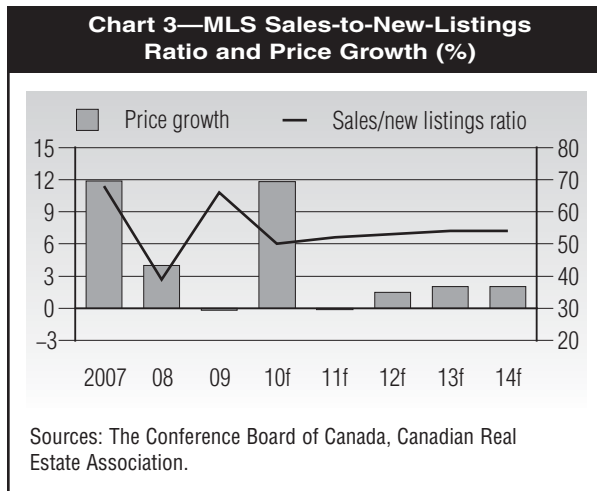


Table 1—Economic Indicators

| | 2007 | 2008 | 2009 | 2010f | 2011f | 2012f | 2013f | 2014f |
|-------------------------------------------------------|----------------------|----------------------|-----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Real GDP at basic prices (2002 \$ millions) | 81,228 <i>3.2</i> | 81,513 <i>0.4</i> | 80,110 <i>-1.7</i> | 83,254 <i>3.9</i> | 85,764 <i>3.0</i> | 88,876 <i>3.6</i> | 91,898 <i>3.4</i> | 94,836 <i>3.2</i> |
| Total employment (000s) | 1,223 <i>3.0</i> | 1,237 <i>1.1</i> | 1,234 <i>-0.2</i> | 1,248 <i>1.1</i> | 1,281 <i>2.7</i> | 1,309 <i>2.2</i> | 1,333 <i>1.8</i> | 1,354 <i>1.6</i> |
| Unemployment rate (%) | 4.1 | 4.3 | 7.1 | 7.3 | 6.5 | 5.8 | 5.3 | 5.1 |
| Personal income per capita (\$) | 36,175 <i>2.9</i> | 37,056 <i>2.4</i> | 36,159 <i>-2.4</i> | 36,894 <i>2.0</i> | 38,338 <i>3.9</i> | 39,664 <i>3.5</i> | 40,962 <i>3.3</i> | 42,313 <i>3.3</i> |
| Population (000s) | 2,231 <i>1.9</i> | 2,279 <i>2.2</i> | 2,328 <i>2.1</i> | 2,371 <i>1.9</i> | 2,410 <i>1.6</i> | 2,448 <i>1.6</i> | 2,488 <i>1.6</i> | 2,528 <i>1.6</i> |
| Retail sales (\$ millions) | 25,713 <i>6.0</i> | 26,174 <i>1.8</i> | 25,518 <i>-2.5</i> | 27,255 <i>6.8</i> | 28,604 <i>5.0</i> | 30,060 <i>5.1</i> | 31,339 <i>4.3</i> | 32,688 <i>4.3</i> |
| Inflation rate (%) | 2.1 | 2.3 | 0.1 | 2.3 | 2.9 | 2.2 | 2.0 | 2.2 |

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

2 per cent this year and ease to 1.6 per cent annually by 2014. Cooling resident growth helps explain our call for further absorption dips in 2010 and 2011. Indeed, new-unit take-up slowed in each of 2010's first two quarters, leading to rising unabsorbed inventories. Unsold builder stocks are likely to remain relatively high

in this environment, creating significant drag on housing starts.

Unsurprisingly, then, while starts are forecast to nearly double this year to over 15,200 units following last year's plunge to 8,213 homes, this value is well behind the recent peak above 20,600 units in 2007.

Builder trepidation is forecast to prompt a fractional easing to near 14,760 units in 2011. Despite gradual gains thereafter, we expect starts to remain below 20,000 units through 2014.

Table 2—New Housing Market Indicators

| | 2007 | 2008 | 2009 | 2010f | 2011f | 2012f | 2013f | 2014f |
|-----------------------------------------|--------------|--------------|--------------|--------------|--------------|-------------|-------------|------------|
| Housing starts | 20,664 | 19,649 | 8,213 | 15,216 | 14,765 | 17,663 | 18,700 | 19,663 |
| | <i>9.9</i> | <i>-4.9</i> | <i>-58.2</i> | <i>85.3</i> | <i>-3.0</i> | <i>19.6</i> | <i>5.9</i> | <i>5.1</i> |
| Singles | 4,208 | 3,646 | 2,835 | 4,902 | 4,030 | 4,890 | 5,157 | 5,435 |
| | <i>-25.4</i> | <i>-13.4</i> | <i>-22.2</i> | <i>72.9</i> | <i>-17.8</i> | <i>21.3</i> | <i>5.5</i> | <i>5.4</i> |
| Multiples | 16,456 | 16,003 | 5,378 | 10,314 | 10,735 | 12,773 | 13,543 | 14,228 |
| | <i>25.1</i> | <i>-2.8</i> | <i>-66.4</i> | <i>91.8</i> | <i>4.1</i> | <i>19.0</i> | <i>6.0</i> | <i>5.1</i> |
| Under construction | 22,682 | 26,324 | 20,577 | 14,650 | 15,793 | 17,407 | 18,494 | 19,212 |
| | <i>4.6</i> | <i>16.1</i> | <i>-21.8</i> | <i>-28.8</i> | <i>7.8</i> | <i>10.2</i> | <i>6.2</i> | <i>3.9</i> |
| Housing completions | 17,816 | 19,150 | 16,788 | 16,556 | 13,182 | 16,123 | 17,857 | 18,980 |
| | <i>-1.4</i> | <i>7.5</i> | <i>-12.3</i> | <i>-1.4</i> | <i>-20.4</i> | <i>22.3</i> | <i>10.8</i> | <i>6.3</i> |
| Singles | 4,552 | 3,716 | 3,338 | 4,260 | 4,082 | 4,538 | 4,967 | 5,193 |
| | <i>-14.2</i> | <i>-18.4</i> | <i>-10.2</i> | <i>27.6</i> | <i>-4.2</i> | <i>11.2</i> | <i>9.5</i> | <i>4.6</i> |
| Multiples | 13,264 | 15,434 | 13,450 | 12,296 | 9,100 | 11,586 | 12,890 | 13,787 |
| | <i>3.9</i> | <i>16.4</i> | <i>-12.9</i> | <i>-8.6</i> | <i>-26.0</i> | <i>27.3</i> | <i>11.3</i> | <i>7.0</i> |
| Newly completed and unabsorbed | 1,163 | 1,668 | 2,193 | 2,354 | 1,764 | 1,794 | 1,969 | 2,138 |
| | <i>38.3</i> | <i>43.4</i> | <i>31.5</i> | <i>7.3</i> | <i>-25.1</i> | <i>1.7</i> | <i>9.8</i> | <i>8.6</i> |
| Absorptions | 17,571 | 18,245 | 17,188 | 16,095 | 13,705 | 15,935 | 17,673 | 18,843 |
| | <i>-1.6</i> | <i>3.8</i> | <i>-5.8</i> | <i>-6.4</i> | <i>-14.9</i> | <i>16.3</i> | <i>10.9</i> | <i>6.6</i> |
| Months' supply | 0.8 | 1.1 | 1.5 | 1.8 | 1.5 | 1.4 | 1.3 | 1.4 |
| Average price of a new home (\$) | 674,490 | 690,091 | 646,547 | 672,756 | 680,495 | 690,703 | 702,445 | 714,386 |
| | <i>7.1</i> | <i>2.3</i> | <i>-6.3</i> | <i>4.1</i> | <i>1.2</i> | <i>1.5</i> | <i>1.7</i> | <i>1.7</i> |

Italics indicate percentage change.

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

Table 3—Resale Housing Market Indicators

| | 2007 | 2008 | 2009 | 2010f | 2011f | 2012f | 2013f | 2014f |
|--------------------------------------------|-------------|--------------|--------------|--------------|--------------|------------|------------|------------|
| Unit sales | 38,978 | 25,147 | 36,255 | 28,835 | 26,040 | 27,035 | 28,094 | 29,109 |
| | <i>6.9</i> | <i>-35.5</i> | <i>44.2</i> | <i>-20.5</i> | <i>-9.7</i> | <i>3.8</i> | <i>3.9</i> | <i>3.6</i> |
| Dollar volume sales (\$ millions) | 22,248 | 14,933 | 21,480 | 19,100 | 17,229 | 18,162 | 19,249 | 20,340 |
| | <i>19.6</i> | <i>-32.9</i> | <i>43.8</i> | <i>-11.1</i> | <i>-9.8</i> | <i>5.4</i> | <i>6.0</i> | <i>5.7</i> |
| New listings | 57,147 | 65,121 | 54,828 | 57,777 | 49,689 | 50,956 | 52,303 | 53,528 |
| | <i>4.0</i> | <i>14.0</i> | <i>-15.8</i> | <i>5.4</i> | <i>-14.0</i> | <i>2.6</i> | <i>2.6</i> | <i>2.3</i> |
| Sales-to-new-listings ratio (%) | 68 | 39 | 66 | 50 | 52 | 53 | 54 | 54 |
| Average price of a resale home (\$) | 570,795 | 593,815 | 592,474 | 662,385 | 661,655 | 671,813 | 685,151 | 698,751 |
| | <i>11.9</i> | <i>4.0</i> | <i>-0.2</i> | <i>11.8</i> | <i>-0.1</i> | <i>1.5</i> | <i>2.0</i> | <i>2.0</i> |

Italics indicate percentage change.

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

Victoria



Victoria's housing markets are showing mixed results, typical of a tepid economy. Employment is forecast to recover only slightly in 2010 after last year's unnerving drop. Meanwhile, rapidly falling resale volumes and rising listings have jolted this market from last year's sellers' condition into a weak buyers' state, with only slight medium-term improvement expected. Sales are expected to remain well below their 2007 high throughout our forecast. But builders' easing unsold inventories are encouraging, prompting a housing starts hike this year, with slow-but-steady population growth propelling increases in most years thereafter.

Economic Outlook

Following 2009's 1.2 per cent drop, Victoria's real GDP is poised to expand 3 per cent in 2010 thanks to rebounds in construction and services. Cooler but still decent GDP growth of 2.3 per cent awaits in 2011. Employment also fell 4.9 per cent in 2009, the first annual drop since 2001, lifting the unemployment rate 3 percentage points to 6.4 per cent. But last year's population growth of 1.3 per cent nonetheless remained decent. Resumed economic expansion this year and next is forecast to create jobs, trimming unemployment and keeping population growth to near 1 per cent both this year and in 2011.

for three straight quarters, following the bounce-back in 2009. The spring market was particularly soggy. A listings increase has substantially increased buyer selection and slowed price advances, although these remained positive during the year's first half. Victoria houses are expensive relative to both local incomes and local rental units, prompting thoughts of over-valuation. Only Vancouver is more expensive by these measures. Although sales are forecast to drop both this year and next, weak listings growth in the medium term will lift Victoria's resale market into balanced territory and produce generally moderate price increases.

6,200 units in the second quarter alone. Slight additional dips forecast for the second half will slice sales to roughly 6,000 units in 2010. Although another sales decrease is forecast for 2011, the following years are expected to see transactions edge higher, but not to 2007's peak.

Strengthening sales through 2009 emboldened vendors, resulting in a record high of 14,840 listings on an annualized basis in the first quarter of 2010 and only slightly fewer in the second. This promises to boost 2010 listings almost 9 per cent to near 12,780 units, after a significant decline in 2009. But another expected sales drop in 2011 is likely to slice new listings again.

Housing Outlook

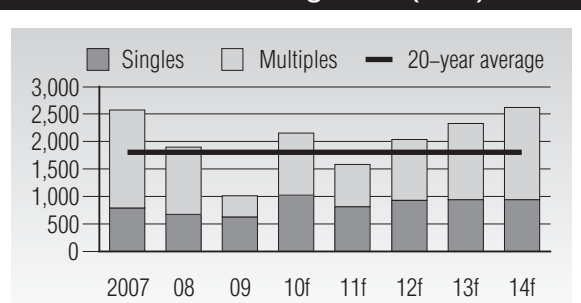
EXISTING HOUSING MARKET

Victoria's housing market is in a buyers' position. Sales have fallen

Resale volumes rose 24 per cent to 7,662 units in 2009, following 2008's 27 per cent drop. Sales have since cooled significantly this year, averaging 7,100 annualized units during the first half of 2010 and just

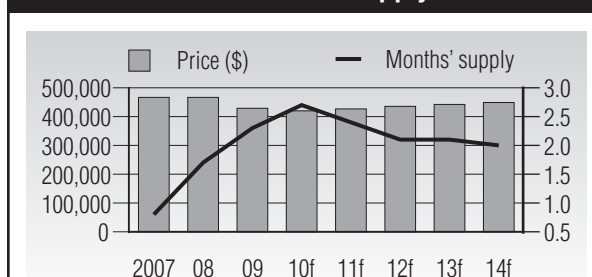
Falling sales and rising listings have quickly and sharply ended the sellers' resale conditions prevalent last year. The sales-to-new-listings ratio had flown above 75 per cent

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.

in the third quarter of 2009, but dove to only 43 per cent by the second quarter of 2010. Relatively larger drops in new listings than in sales are forecast to start improving the market's tone later this year, although full market balance will not be achieved in 2010.

Resale price growth has cooled in this buyers' market. While weakness in late 2008 and early 2009 led to a 1.8 per cent price decline in 2009 overall, quarterly price hikes averaged 4.7 per cent in the year's final three quarters. This will set the stage for a 5.1 per cent price rise in 2010, despite negligible

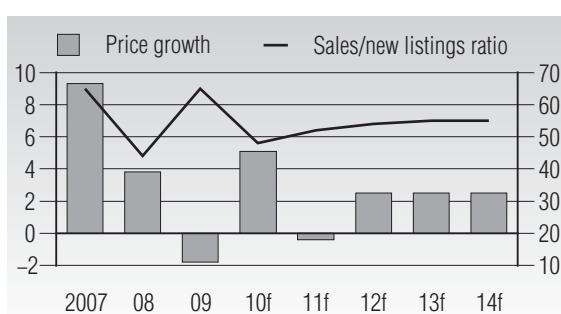
quarterly advances during the year's first half. A marginal price dip is projected next year. We expect only limited price increases in following years as tepid markets continue.

Poor resale affordability is a real issue in Victoria. Mortgage financing charges on the average resale unit are expected to be \$2,776 this year, below only Vancouver. Moreover, the typical household should expect to pay 34 per cent of its income on this payment—again, second only to Vancouver. Affordability will erode further as small increases in resale prices persist and mortgage rates rise.

NEW HOUSING MARKET

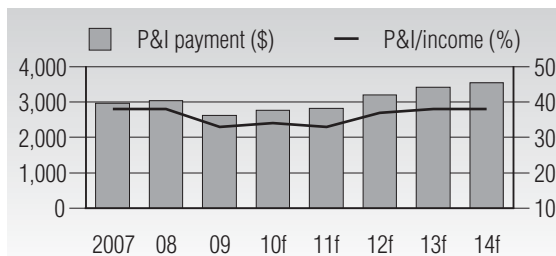
The demographic boost provided by a third straight year of population growth at or above 1 per cent in 2009 is increasing Victoria housing requirements. New unit absorptions averaged 2,160 units annually in 2007–2009, well above the prior decade's average. This provides solid evidence of housing demand, despite a run-up in completed and unoccupied units to an average of 450 units during 2009, due to soaring completions. And although absorptions averaged only 1,710 units in the first half of 2010, easing completions simultaneously shaved inventories below 390 units. Even though population

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

| | 2007 | 2008 | 2009 | 2010f | 2011f | 2012f | 2013f | 2014f |
|-------------------------------------------------------|------------|------------|-------------|------------|------------|------------|------------|------------|
| Real GDP at basic prices (2002 \$ millions) | 11,477 | 11,589 | 11,454 | 11,792 | 12,067 | 12,410 | 12,721 | 13,030 |
| | <i>3.1</i> | <i>1.0</i> | <i>-1.2</i> | <i>3.0</i> | <i>2.3</i> | <i>2.8</i> | <i>2.5</i> | <i>2.4</i> |
| Total employment (000s) | 183 | 191 | 181 | 182 | 186 | 189 | 191 | 193 |
| | <i>4.4</i> | <i>4.3</i> | <i>-4.9</i> | <i>0.6</i> | <i>1.8</i> | <i>1.9</i> | <i>1.1</i> | <i>0.8</i> |
| Unemployment rate (%) | 3.3 | 3.4 | 6.4 | 6.3 | 6.1 | 5.7 | 5.2 | 5.0 |
| Personal income per capita (\$) | 37,976 | 39,369 | 38,912 | 39,782 | 41,311 | 42,875 | 44,330 | 45,882 |
| | <i>4.6</i> | <i>3.7</i> | <i>-1.2</i> | <i>2.2</i> | <i>3.8</i> | <i>3.8</i> | <i>3.4</i> | <i>3.5</i> |
| Population (000s) | 343 | 348 | 352 | 356 | 360 | 363 | 366 | 369 |
| | <i>1.0</i> | <i>1.4</i> | <i>1.3</i> | <i>1.1</i> | <i>1.0</i> | <i>0.9</i> | <i>0.8</i> | <i>0.8</i> |
| Retail sales (\$ millions) | 3,937 | 4,011 | 3,846 | 4,102 | 4,274 | 4,457 | 4,607 | 4,769 |
| | <i>6.8</i> | <i>1.9</i> | <i>-4.1</i> | <i>6.7</i> | <i>4.2</i> | <i>4.3</i> | <i>3.4</i> | <i>3.5</i> |
| Inflation rate (%) | 1.1 | 1.8 | 0.1 | 1.6 | 2.8 | 2.2 | 2.0 | 2.2 |

Italics indicate percentage change.

Sources: The Conference Board of Canada; Statistics Canada.

growth is slated to cool somewhat throughout our forecast, absorptions will drift higher, exceeding 2,000 units annually in both 2013 and 2014. This will help limit builder stocks despite generally rising completions.

After hitting a nine-year low near 1,000 units in 2009, total housing starts rebounded strongly

to average 2,600 units in the first half of 2010. Significant increases in both single- and multiple-unit starts have bolstered the jump.

Although volumes are projected to taper off during the year's second half, the strong start to the year will lift starts above 2,150 units for 2010 as a whole. Following a retrenchment to just under 1,600 units in 2011,

starts are generally projected to post decent increases, exceeding 2,600 units by 2014—not far off the 2006 peak of 2,710 units.

Table 2—New Housing Market Indicators

| | 2007 | 2008 | 2009 | 2010f | 2011f | 2012f | 2013f | 2014f |
|-----------------------------------------|--------------|--------------|--------------|--------------|--------------|-------------|-------------|-------------|
| Housing starts | 2,581 | 1,902 | 1,009 | 2,156 | 1,579 | 2,033 | 2,325 | 2,620 |
| | <i>-4.8</i> | <i>-26.3</i> | <i>-46.9</i> | <i>113.6</i> | <i>-26.8</i> | <i>28.8</i> | <i>14.3</i> | <i>12.7</i> |
| Singles | 789 | 672 | 626 | 1,021 | 814 | 927 | 937 | 938 |
| | <i>-15.7</i> | <i>-14.9</i> | <i>-6.8</i> | <i>63.1</i> | <i>-20.3</i> | <i>13.9</i> | <i>1.1</i> | <i>0.1</i> |
| Multiples | 1,791 | 1,230 | 383 | 1,135 | 765 | 1,106 | 1,388 | 1,683 |
| | <i>1.0</i> | <i>-31.3</i> | <i>-68.9</i> | <i>196.2</i> | <i>-32.6</i> | <i>44.7</i> | <i>25.4</i> | <i>21.3</i> |
| Under construction | 3,124 | 3,300 | 2,085 | 1,846 | 1,769 | 1,924 | 2,131 | 2,328 |
| | <i>33.5</i> | <i>5.6</i> | <i>-36.8</i> | <i>-11.5</i> | <i>-4.2</i> | <i>8.8</i> | <i>10.7</i> | <i>9.3</i> |
| Housing completions | 2,141 | 2,149 | 2,463 | 1,726 | 1,641 | 1,814 | 2,132 | 2,418 |
| | <i>4.7</i> | <i>0.4</i> | <i>14.6</i> | <i>-29.9</i> | <i>-4.9</i> | <i>10.5</i> | <i>17.6</i> | <i>13.4</i> |
| Singles | 815 | 760 | 635 | 960 | 881 | 890 | 931 | 925 |
| | <i>-9.6</i> | <i>-6.7</i> | <i>-16.4</i> | <i>51.1</i> | <i>-8.2</i> | <i>1.1</i> | <i>4.6</i> | <i>-0.7</i> |
| Multiples | 1,326 | 1,389 | 1,828 | 794 | 870 | 1,033 | 1,311 | 1,604 |
| | <i>16.0</i> | <i>4.8</i> | <i>31.6</i> | <i>-56.6</i> | <i>9.7</i> | <i>18.8</i> | <i>26.9</i> | <i>22.3</i> |
| Newly completed and unabsorbed | 150 | 283 | 452 | 395 | 348 | 320 | 359 | 402 |
| | <i>23.5</i> | <i>88.0</i> | <i>59.8</i> | <i>-12.4</i> | <i>-12.0</i> | <i>-8.1</i> | <i>12.0</i> | <i>12.1</i> |
| Absorptions | 2,130 | 1,950 | 2,401 | 1,751 | 1,741 | 1,790 | 2,088 | 2,378 |
| | <i>7.5</i> | <i>-8.4</i> | <i>23.1</i> | <i>-27.1</i> | <i>-0.6</i> | <i>2.8</i> | <i>16.6</i> | <i>13.9</i> |
| Months' supply | 0.8 | 1.7 | 2.3 | 2.7 | 2.4 | 2.1 | 2.1 | 2.0 |
| Average price of a new home (\$) | 467,431 | 467,101 | 430,529 | 420,661 | 428,247 | 435,527 | 442,931 | 450,018 |
| | <i>0.5</i> | <i>-0.1</i> | <i>-7.8</i> | <i>-2.3</i> | <i>1.8</i> | <i>1.7</i> | <i>1.7</i> | <i>1.6</i> |

Italics indicate percentage change.

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

Table 3—Resale Housing Market Indicators

| | 2007 | 2008 | 2009 | 2010f | 2011f | 2012f | 2013f | 2014f |
|--------------------------------------------|-------------|--------------|--------------|--------------|--------------|-------------|------------|------------|
| Unit sales | 8,402 | 6,171 | 7,662 | 6,082 | 5,910 | 6,156 | 6,419 | 6,624 |
| | <i>12.0</i> | <i>-26.6</i> | <i>24.2</i> | <i>-20.6</i> | <i>-2.8</i> | <i>4.2</i> | <i>4.3</i> | <i>3.2</i> |
| Dollar volume sales (\$ millions) | 3,924 | 2,992 | 3,647 | 3,041 | 2,944 | 3,144 | 3,360 | 3,554 |
| | <i>22.5</i> | <i>-23.7</i> | <i>21.9</i> | <i>-16.6</i> | <i>-3.2</i> | <i>6.8</i> | <i>6.9</i> | <i>5.8</i> |
| New listings | 12,840 | 13,927 | 11,745 | 12,776 | 11,415 | 11,309 | 11,681 | 12,039 |
| | <i>4.6</i> | <i>8.5</i> | <i>-15.7</i> | <i>8.8</i> | <i>-10.7</i> | <i>-0.9</i> | <i>3.3</i> | <i>3.1</i> |
| Sales-to-new-listings ratio (%) | 65 | 44 | 65 | 48 | 52 | 54 | 55 | 55 |
| Average price of a resale home (\$) | 467,030 | 484,898 | 476,013 | 500,097 | 498,200 | 510,651 | 523,453 | 536,558 |
| | <i>9.3</i> | <i>3.8</i> | <i>-1.8</i> | <i>5.1</i> | <i>-0.4</i> | <i>2.5</i> | <i>2.5</i> | <i>2.5</i> |

Italics indicate percentage change.

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

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