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Metropolitan Housing Outlook **Summer 2011**



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

ECONOMIC PERFORMANCE AND TRENDS



Metropolitan Housing Outlook: In-Depth Housing Analysis for Canada, the Provinces, and Nine Metropolitan Areas
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 twice a year.

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What Has Changed?

The Canadian economy is forecast to grow by 2.4 per cent in 2011, a slight downward revision from the 2.5 per cent growth expected in the last *Metropolitan Housing Outlook*. Growth will be based on moderately strong household spending, as governments start to pull back on economic stimulus spending.

The dollar is expected to remain above parity in 2011, averaging US\$1.03. This is a 4-cent upward revision from the last forecast. The loonie will remain higher than previously expected thanks to continued strong growth in commodity prices as well as soon-to-be-rising interest rates. In particular, the price of Brent crude oil (the European benchmark) is up roughly 20 per cent from last November, while the West Texas Intermediate oil price has come up 13 per cent.

With mortgage rules tightening, housing inventories up, and interest rates expected to rise in the second half of this year, housing starts are forecast to decline to 175,000 units in 2011, down from 190,000 units in 2010. Both of these levels are lower than previously reported in our last edition of the *Metropolitan Housing Outlook*. Residential construction is expected to pick up again in 2012, as housing starts are forecast to reach 187,000 units.

In spite of lower starts, new home prices are expected to rise by 1.9 per cent in 2011, up slightly from the 1.4 per cent increase forecast in the previous outlook. Stronger-than-expected growth in the first quarter of this year is the main reason for this revision.

Similarly, growth in both the number and value of mortgage approvals has been revised upward since the last outlook, despite the downward revision to starts. The number of mortgage approvals is now expected to rise by 1.6 per cent in 2011, up from a 6.9 per cent forecast drop six months ago. Again, this is due to strength in the first quarter of the year as buyers got ahead of the tighter mortgage rules. When combined with higher price growth, the dollar value of approvals is expected to rise by 6.4 per cent this year, a significant increase over the 6.2 per cent decrease previously forecast.

Executive Summary

National Overview

Canada's 3.1 per cent real gross domestic product growth was among the strongest in developed nations in 2010. Low interest rates boosted residential construction activity and consumer spending. Meanwhile, recovering resource prices lifted profits and spurred mining activity. Not to be left out, governments boosted real spending 4.9 per cent in 2010, a near-record pace, for a second consecutive year. Modestly lower growth is on tap, with real GDP forecast to grow by 2.4 per cent this year. Slowing spending increases by both consumers and governments will temper the thrust provided by strong employment gains and escalating consumer confidence. GDP growth of 2.7 per cent is our call for 2012, as exports will continue to rebound in the face of anticipated stronger U.S. demand.

The Bank of Canada has temporarily shelved its monetary policy tightening following three interest rate hikes in the summer of 2010. It has now left rates unchanged for six straight fixed action dates. Caution has been dictated by a volatile world economy and facilitated by muted inflation pressures—at least until recently. Moreover, current strength in the Canadian dollar has both acted as a monetary policy tool and trimmed inflation by cutting import costs. Still, with short-term interest rates uncommonly low, we expect the Bank will scout opportunities to raise these, particularly if the U.S. economic recovery continues to solidify. Although low interest rates

stimulated the economy and housing markets over the past two years, they are also perceived to have triggered rising consumer indebtedness. Now, higher rates obviously present a big risk to leveraged consumers. The Conference Board expects monetary policy tightening by mid-year, which will lift mortgage rates. The five-year mortgage rate is forecast to increase from a record low of 5.3 per cent in the fourth quarter of last year to 5.8 per cent by the end of 2011 and to 6.6 per cent next year. Meanwhile, inactivity by the U.S. Federal Reserve, along with rising prices for oil and other raw materials, will boost the loonie.

At these levels, mortgage rates are still historically low. As a result, the government has been tightening mortgage rules to curb consumer indebtedness. In March, the government reduced the maximum amortization period from 35 years to 30 years, decreased the percentage of the property value allowed for home refinancing from 90 per cent to 85 per cent, and withdrew its insurance backing on home equity lines of credit.

Canadian housing demand was stimulated by low mortgage rates and nascent economic recovery in the second half of 2009 and the first half of 2010. Resale volumes and prices rose on cue. But supply grew more rapidly than demand, which generated slowing resale price growth and an overhang of builder inventories. Accordingly, builders started to trim construction volumes in the second half of 2010.

Housing markets are expected to keep slackening modestly this year because of rising mortgage rates, tighter mortgage rules, and high consumer debt. Housing starts will fall from 190,000 units in 2010 to 175,000 units in 2011, before rising employment and consumer confidence boosts them to 187,000 units next year. Demographic patterns should allow starts to surpass the 200,000-unit threshold annually later in our forecast. New home prices are expected to rise by just 1.9 per cent this year, but accelerate to an average of 2.1 per cent annually from 2012 to 2015. Slower growth is expected among resale prices as well; these are forecast to advance 5.8 per cent this year, down from a 6.8 per cent increase in 2010. In the medium term, balanced resale markets will foster price advances of only 2.3 per cent per year on average.

Provincial Overview

Regional housing starts have recently sung in unison; drops everywhere during 2009 were followed by across-the-board gains in 2010. This year is forecast to see the chorus continue, with starts predicted to decline in all six regions. Resale prices were similarly harmonious, with all areas witnessing increases in 2010. No discord is in sight for 2011 either, as prices are slated to rise everywhere. New home prices were also in tune, with values rising in all regions last year and expected to do so again in 2011.

The British Columbia economy is forecast to expand 1.9 per cent this year and 3.2 per cent in 2012. This growth is expected to lift employment 1.6 per cent in 2011 and 2.9 per cent in 2012. Still, housing starts are predicted to dip slightly as construction of single-family units falls. Moderate house price advances are expected; 0.6 per cent on average for new homes and 5.2 per cent for existing units.

Alberta's economic outlook appears solid, with a 2.4 per cent GDP gain on tap for this year and robust 3.8 per cent growth in 2012. Employment is predicted to shrug off two down years, advancing 2.2 per cent in 2011 and 3 per cent in 2012. Still, we expect a slight housing starts dip this year, following last year's bounce-back. New home prices are expected to rise 2.0 per cent on average this year, while those for resale units are anticipated to advance 1.0 per cent.

The Prairie provinces of Manitoba and Saskatchewan also enjoy a bright outlook. GDP is forecast to advance 3 per cent this year in the two provinces combined, and a stronger 3.5 per cent rise is in the cards for 2012. We see employment rising 1.7 per cent this year and 2.5 per cent—a record high—in 2012. Total starts are nonetheless predicted to fall 4.3 per cent this year, undermined by losses in the volatile multiple-unit segment. But a 9.2 per cent starts jump is in store for 2012. Prices for both new and existing homes will rise modestly this year and again in 2012.

Ontario's prospects are decent, although this year's 2.1 per cent predicted GDP growth will trail 2010's 3.5 per cent. A better 2.7 per cent hike awaits in 2012. This

healthy economic growth will lift employment 1.8 per cent this year and a further 2.5 per cent in 2012. Although both single- and multiple-family starts advanced briskly in 2010, strength is forecast to wane in both segments this year, and total starts are forecast to decline by 3.6 per cent. But starts are predicted to rise 16.2 per cent in 2012. Price growth for new homes is forecast to hit 2.7 per cent in 2011, while price advances for existing homes will sag to a three-year low of 3.4 per cent. Weaker price growth for both unit classes is our call in 2012.

Economic growth will also slow in Quebec this year, with provincial GDP set to expand only 1.8 per cent and 1.9 per cent in 2012. Such increases will still boost employment 1.7 per cent this year and 1.4 per cent next. A big expected drop in multiple starts this year will cut total starts 13.7 per cent. In 2012, starts are projected to drop a further 12.1 per cent. Average new home prices are still expected to rise 3.1 per cent this year and 2.4 per cent in 2012. Gains for existing homes prices are forecast to come in at 4.7 per cent this year and 2.6 per cent next year.

In the Atlantic provinces, GDP growth of 2.1 per cent is expected in 2011, down from 3.1 per cent in 2010. Next year's forecast calls for a 1.8 per cent expansion. Employment, largely stable in the last few years, will rise a somnolent 0.8 per cent in 2011. Next year's forecast calls for a 2.2 per cent advance, though, which would be a 10-year high. Surging multiple-unit construction catapulted total starts 18.4 per cent last year, but multiples will sag in 2011, leading to a 14.9 per cent total starts drop. Starts are forecast to fall another

7.2 per cent in 2012. New home prices are predicted to rise 1.7 per cent this year and 1.6 per cent in 2012. The increase among resale units will be similar at 1.6 per cent in 2011 and 1.8 per cent in 2012.

Municipal Overview

For the second consecutive year, real GDP is forecast to expand in each of this report's nine cities during 2011. Calgary should enjoy this year's fastest GDP expansion, at 3.4 per cent, with Victoria's 1.7 per cent rise being the slowest. Slightly faster growth is expected across the board in 2012, with output rising 4.1 per cent in Calgary and above 3 per cent in Toronto, Edmonton, and Vancouver.

While the British Columbia cities saw last year's largest advances in housing starts, they had also suffered two of the three largest declines in 2009. Starts more than doubled in Victoria last year and rose 85 per cent in Vancouver. Still, volumes in both cities remained behind the pre-recession peak recorded in 2007. Declines are on tap for most cities this year; starts are forecast to rise only in Toronto. Drops are projected to range from 1.1 per cent in Vancouver to Victoria's 32.2 per cent. Mixed prospects await in 2012: rising starts are forecast for six cities, led by Victoria's 21.6 per cent increase, while a 23.3 per cent decline is forecast for Québec City.

Drops in resale transactions through the Multiple Listing Service proliferated during 2010, with seven cities experiencing losses. Victoria's 19.5 per cent decline led the downswing. Only Montréal (up 1.3 per cent) and Winnipeg (0.6 per cent

higher) saw increases. More pervasive gains are expected this year, as rising sales are expected everywhere but Ottawa and Toronto. Vancouver's 13 per cent jump will be the fastest. Widespread sales increases are expected to continue in 2012, led by a 4 per cent rise in Québec City. Only Vancouver and Winnipeg are expected to see sales drop next year. The medium term looks generally decent. Average volumes between 2013 and 2015 are expected to be above the past decade's average everywhere except Calgary and Victoria.

Most markets enjoyed balanced conditions during 2010, although Calgary saw buyers' conditions and Edmonton's balance was borderline, nearing a buyers' stance. Widespread but modest tightening in market stances is expected this year, but all markets are expected to be balanced. The sales-to-new-listings ratio is forecast to rise or stay the same in all cities except Ottawa, but changes will be modest. Calgary's predicted

10 percentage point increase leads forecast hikes. More diversity is in the cards next year, with a higher ratio expected in only four cities, led by jumps in the Alberta cities. Still, balanced conditions are expected to continue everywhere.

All cities saw resale prices rise last year, an improvement from 2009, when four suffered declines. Three cities enjoyed double-digit gains in 2010, led by Vancouver's 14.1 per cent increase. Québec City and Winnipeg also posted strong gains. Further price increases are generally expected, although Victoria is expected to see a small dip. Vancouver's forecast of a 8.9 per cent price rise will again lead all cities. In 2012, prices are expected to rise everywhere but Vancouver, although only modest increases are in the cards. The medium term looks moderate in most cities. Average forecast increases between 2013 and 2015 range from 2.1 per cent in Vancouver to 3.9 per cent in Edmonton.

Last year's price increases combined with only slight mortgage rate changes to boost principle and interest payments everywhere. Unsurprisingly, Vancouver's large price hike resulted in a 15.2 per cent leap in its carrying costs—the most among our nine cities. Toronto, Québec City, and Winnipeg also saw big jumps. Principle and interest payments are forecast to rise more slowly everywhere this year than last, with outright drops expected in the Alberta cities and Victoria. In 2012, rising interest rates are expected to boost carrying charges 12 per cent or more in all areas except Vancouver, leading to a general erosion in housing affordability.

Economic Indicators

	GDP (2002 \$ millions)				Employment (000s)				Unemployment Rate				Personal Income per Capita				Retail Sales (\$ millions)			
	2010	2011f	2012f		2010	2011f	2012f		2010	2011f	2012f		2010	2011f	2012f		2010	2011f	2012f	
				%				%				%				%				%
Canada	1,325,085	1,356,395	1,392,357	17,045	17,353	17,730	8.0	7.5	6.9	37,476	38,701	40,042	436,670	456,761	476,310	4.6	5.1	5.5	4.3	
Atlantic Provinces	70,188	71,641	72,959	1,099	1,108	1,131	10.5	10.1	8.7	33,165	34,050	35,464	32,412	33,265	34,439	2.6	4.6	4.2	3.5	
Quebec	254,107	258,568	263,590	3,917	3,982	4,037	7.9	7.9	7.6	34,423	35,298	36,432	98,796	102,970	106,953	2.2	5.4	3.2	3.9	
Québec City	26,180	26,778	27,428	410	414	420	4.9	4.8	4.6	38,735	39,492	40,870	12,230	12,811	13,368	3.1	6.5	3.5	4.4	
Montréal	126,757	129,392	132,714	1,954	1,976	2,022	8.7	8.2	8.1	35,740	36,478	37,889	43,955	45,954	48,019	2.8	5.0	3.9	4.5	
Ontario	485,547	495,503	508,757	6,610	6,731	6,902	8.6	7.8	6.9	37,567	38,767	39,994	155,250	162,565	168,832	2.6	5.0	3.2	3.9	
Ottawa	46,985	48,002	49,109	687	690	702	6.6	6.3	6.0	42,715	43,267	44,564	15,877	16,644	17,224	2.4	5.3	3.0	3.5	
Toronto	221,982	228,100	235,681	2,919	2,975	3,061	9.0	8.2	7.4	38,932	39,920	41,158	62,452	65,814	68,773	2.3	5.6	3.1	4.5	
Prairies	77,457	79,750	82,534	1,144	1,164	1,193	5.3	5.3	5.0	34,940	35,819	37,043	30,782	32,068	33,339	0.4	4.3	3.4	4.0	
Winnipeg	25,527	26,032	26,650	408	413	421	5.7	5.6	5.6	36,724	37,309	38,534	9,791	10,057	10,394	1.4	6.0	3.3	3.4	
Alberta	177,709	182,011	188,994	2,018	2,062	2,124	6.5	6.3	5.8	48,132	49,673	51,873	59,679	63,279	66,917	2.2	5.7	4.4	5.7	
Calgary	63,045	65,204	67,863	705	725	753	6.8	6.3	5.7	54,364	56,101	58,447	21,589	22,973	24,255	4.1	5.6	4.2	5.6	
Edmonton	51,548	53,134	55,150	633	651	670	6.7	6.0	5.9	46,617	48,057	49,858	19,782	20,978	22,088	3.8	5.9	3.7	5.3	
British Columbia	153,629	156,471	161,491	2,257	2,294	2,361	7.6	7.1	6.3	35,738	36,530	37,997	58,153	60,257	63,043	1.6	5.3	4.0	4.6	
Vancouver	82,784	84,750	87,565	1,219	1,242	1,269	7.5	7.2	6.2	36,556	37,367	38,553	26,726	27,426	29,033	1.8	4.8	3.2	5.9	
Victoria	11,959	12,167	12,484	183	185	190	6.0	6.0	5.8	39,327	40,197	41,764	4,067	4,221	4,390	0.2	5.0	2.2	4.0	

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

Demographic and Housing Indicators

	Population (000s)			Housing Starts			Housing Completions			Existing Home Prices			New Home Prices		
	2010	2011f	2012f	2010	2011f	2012f	2010	2011f	2012f	2010	2011f	2012f	2010	2011f	2012f
	Canada	34,059	34,485	34,882	189,930	174,785	187,077	186,215	170,931	177,961	338,378	358,727	365,290	395,561	404,057
Atlantic Provinces	4,480	4,521	4,558	12,772	10,330	9,970	11,947	11,197	10,426	193,301	196,460	199,926	321,509	327,101	332,203
Quebec	7,897	7,969	8,034	51,363	44,489	38,593	46,531	47,943	42,217	241,511	252,958	259,475	293,672	302,752	310,061
Québec City	754	762	768	6,734	5,898	4,424	6,419	6,507	4,968	234,050	246,681	253,287	222,372	227,487	232,719
Montreal	3,859	3,899	3,942	22,154	18,842	17,498	19,922	19,269	17,522	293,089	306,697	313,495	311,888	319,373	327,038
Ontario	13,192	13,348	13,509	60,433	58,357	67,275	61,287	56,979	60,422	341,875	353,456	360,010	475,024	488,033	500,633
Ottawa	1,239	1,254	1,264	9,152	8,454	7,773	9,539	8,930	8,063	303,298	312,444	320,972	382,463	387,817	397,512
Toronto	5,741	5,848	5,955	29,322	32,863	36,055	31,393	32,773	35,588	448,262	469,011	477,209	550,269	561,274	575,306
Prairies	2,276	2,312	2,344	11,795	10,805	12,258	10,765	11,517	11,708	231,542	241,305	248,513	371,839	383,660	395,633
Winnipeg	754	764	774	3,190	2,547	3,135	2,388	2,890	3,123	228,686	241,826	251,540	396,430	404,358	410,828
Alberta	3,712	3,770	3,835	27,088	24,686	28,894	28,037	24,099	26,913	352,277	355,854	370,727	432,256	440,720	460,659
Calgary	1,243	1,264	1,290	9,240	8,367	9,807	10,991	8,370	9,223	398,764	401,275	418,916	482,596	493,213	514,915
Edmonton	1,176	1,194	1,215	10,033	7,381	8,929	9,443	8,144	8,083	328,803	329,021	344,813	375,844	384,113	399,477
British Columbia	4,524	4,589	4,654	26,479	26,118	30,087	26,592	24,195	26,699	504,757	530,788	525,770	640,318	644,231	655,267
Vancouver	2,391	2,437	2,478	15,221	15,694	16,348	16,474	13,672	14,165	675,853	735,707	724,512	667,719	673,060	683,156
Victoria	358	361	364	2,176	1,482	1,790	1,784	1,663	1,581	504,479	498,440	511,079	418,664	422,432	429,614

Financial Indicators (Canada only)

	2010	2011f	2012f	2010	2011f	2012f
Exchange Rate (U.S./Can.)	0.97	1.03	1.03	3.5	3.8	5.6
Inflation Rate	1.8	2.2	2.1	4.3	4.6	6.1
Bank Rate	0.9	1.7	3.5	5.6	5.5	6.6
				One-year mortgage rate		
				Three-year mortgage rate		
				Five-year mortgage rate		
				Federal Bonds: 1-3 years		
				Federal Bonds: 7 years		
				Federal Bonds: long term		

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



Economic Outlook

Canada's economic recovery was one of the strongest among developed nations in 2010, with real gross domestic product increasing 3.1 per cent.

However, growth in real government spending is expected to slow to 0.7 per cent this year—assuming that federal and provincial governments adhere to spending targets set out in their budgets. Moreover, growth in real household spending is expected to ease. Indeed, Canadian households are overextended; debt levels are high, debt-servicing costs are rising, and savings rates are near rockbottom. Still, strong employment gains and escalating consumer confidence support our forecast for a real consumer spending advance of 2.9 per cent in 2011. All in all, real GDP is forecast to grow by 2.4 per cent this year. A continued rebound in exports will allow for a modest improvement to 2.7 per cent in 2012.

After rebounding by 3.1 per cent last year, real GDP growth in Canada will soften to 2.4 per cent in 2011. The Canadian housing market is also expected to be weaker this year because of higher inventories of newly completed but unoccupied homes, and as buyers contend with tighter mortgage rules and rising mortgage rates. Housing starts will ease to 175,000 units this year before recovering in 2012 to 187,000—a level more closely aligned with demographic requirements.

Financial Markets Outlook

The Bank of Canada continues to take a cautious approach as it contemplates when to resume hiking interest rates. After raising interest rates three times over a four-month period in the summer of 2010, the Bank has now chosen to hold interest rates steady for six straight fixed action dates. The Bank's pause in its monetary policy tightening cycle has been driven by several key factors. First, and most importantly, inflation in Canada remained muted, at least until recently, despite the effects of high gasoline prices, some provincial sales tax increases, and escalating food prices. The Bank is also hedging against the risks to the economy presented by a volatile global situation. Moreover, the appreciation in the loonie has put additional pressure on the Bank to avoid boosting rates.

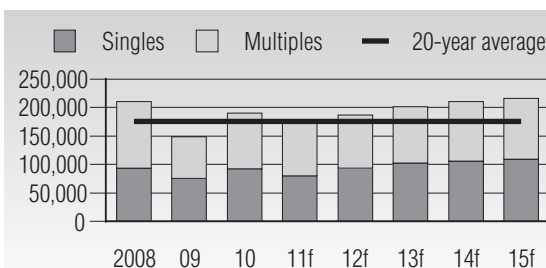
Still, with short-term interest rates more than a full percentage point below inflation, the Bank is

expected to look for an opportunity to bolster its benchmark interest rate, especially if it feels it can do so without derailing the recovery's progress—a situation that is likely if the U.S. economic recovery continues to gain traction. The Conference Board expects the Bank will begin raising rates by mid-year. As the Bank of Canada removes monetary stimulus while the U.S. Federal Reserve remains on the sidelines, the growing interest rate differential will lead to a modest strengthening of the Canadian dollar.

Housing Outlook

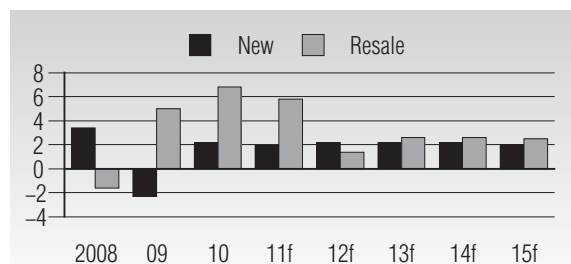
As the number of housing units supplied grew faster than demand for homes, home price growth weakened in 2010, especially in the third quarter. This weaker price pressure resulted in builders pulling back from the market, reducing residential construction activity in the second half of 2010.

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.

Real estate markets are expected to continue to soften modestly this year. Rising mortgage rates, tighter mortgage rules, and high debt levels will all moderate demand for housing and, in turn, growth in home prices. New home prices are expected to rise by just 1.9 per cent. And while prices in the resale market are forecast to advance 5.8 per cent, this is still lower than the 6.8 per cent increase recorded for 2010. Builders in the new home market are contending with higher inventories as well. As a result, housing starts are set to fall from 190,000 units in 2010 to 175,000 units in 2011.

With financing rates still low by historical standards, and as employment and confidence grows, housing starts are forecast to rise to 187,000 units next year. Demographic patterns should then allow residential construction to surpass the 200,000-unit threshold annually in the later years of the forecast period. Balanced markets should keep average annual price growth modest however, at 2.3 per cent for new homes from 2012 to 2015, and 2.6 per cent for resale homes.

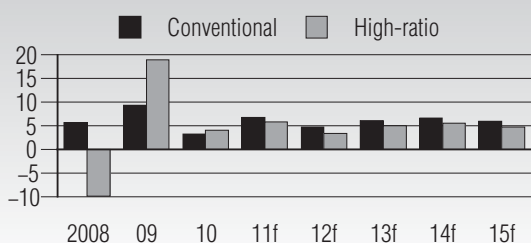
Mortgage Outlook

Although low interest rates played a central role in stimulating housing market activity over the past two years, they have also been a source of growing concern, as they are perceived to have triggered rising indebtedness among consumers. The spike in bankruptcies during late 2009 and early 2010 was national in scope, as shown in charts 5 to 10. The number of mortgages in arrears also rose in most regions around the same time. It has subsequently eased in most jurisdictions—except Alberta and B.C. In Alberta, resale prices dropped in 2008 and 2009, following a big run-up in the middle of the decade. The province's average resale price had yet, in 2010, to recover its mid-decade peak, alone among our six regions. This could mean that at least some homeowners are paying larger mortgages than their house is worth—a psychological repayment obstacle. Moreover, Alberta was the only region in our report where employment fell in 2010. This would also strain household finances, although not yet enough to prompt more bankruptcies. To discourage further borrowing and indebtedness, the Bank of Canada is expected to increase interest rates gradually in the second half of this

year. Similarly, mortgage rates should also begin to rise. The five-year mortgage rate is forecast to increase from a record low of 5.3 per cent in the fourth quarter of last year to 5.8 per cent by the end of 2011. Next year, the five-year rate is expected to average 6.6 per cent—still low by historical standards. But the government has been tightening mortgage rules, which is yet another mean of limiting further indebtedness. Last March, the government reduced the maximum amortization period from 35 years to 30 years, decreased the percentage of the property value allowed for home refinancing from 90 per cent to 85 per cent, and withdrew its insurance backing on home equity lines of credit. The regulations are putting further downward pressure on the housing market in 2011.

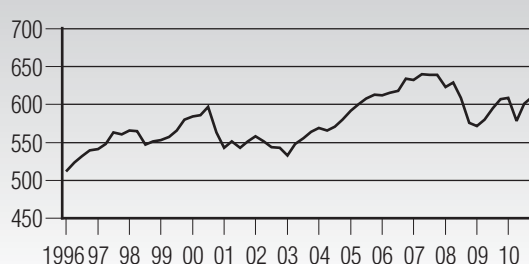
The recovery in the housing market and continued price growth led to a nearly 11 per cent increase in the volume of mortgage approvals over the past two years, while the dollar value of approvals rose by just over 17 per cent. Despite a slowdown in the housing market this year, the number of approvals is still expected to increase by 1.6 per cent. However, this growth is largely due to a strong first quarter, likely boosted by buyers looking to secure a mortgage approval

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



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

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



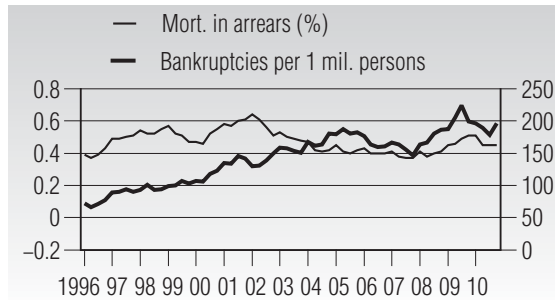
Sources: The Conference Board of Canada; Statistics Canada.

before the tighter rules came into effect. Stronger price growth in the first quarter, especially in the resale market, is expected to lead to a 6.4 per cent increase in the dollar value of approvals this year.

The number of conventional mortgage approvals is forecast to rise by 1.9 per cent in 2011, just slightly more than the 1.4 per cent growth expected for high-ratio mortgage approvals. The number of both conventional approvals and highratio approvals is expected to rise in 2012 as well, as the housing

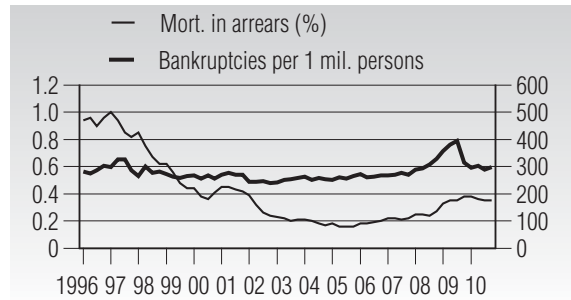
market improves. But the number of conventional approvals is expected to grow at a faster pace next year (3.2 per cent versus 1.8 per cent for high-ratio approvals), as the full impact of the tighter mortgage rules filters into the numbers.

Chart 5—Consumer Finances: Atlantic Provinces



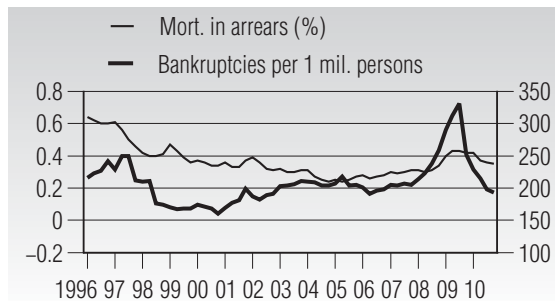
Sources: The Conference Board of Canada; Canadian Bankers Association; Superintendent of Bankruptcy Canada.

Chart 6—Consumer Finances: Quebec



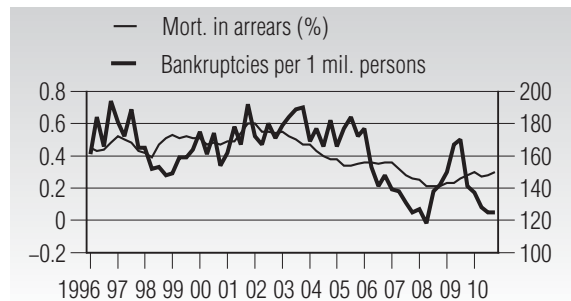
Sources: The Conference Board of Canada; Canadian Bankers Association; Superintendent of Bankruptcy Canada.

Chart 7—Consumer Finances: Ontario



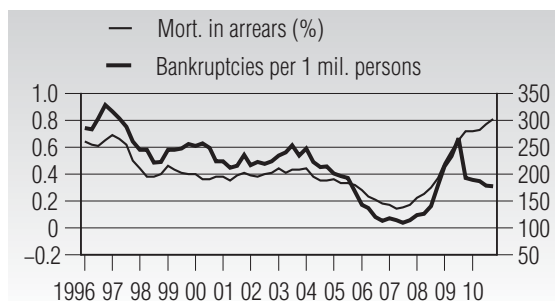
Sources: The Conference Board of Canada; Canadian Bankers Association; Superintendent of Bankruptcy Canada.

Chart 8—Consumer Finances: Prairie Provinces



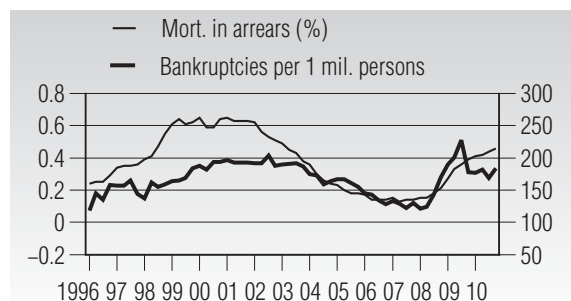
Sources: The Conference Board of Canada; Canadian Bankers Association; Superintendent of Bankruptcy Canada.

Chart 9—Consumer Finances: Alberta



Sources: The Conference Board of Canada; Canadian Bankers Association; Superintendent of Bankruptcy Canada.

Chart 10—Consumer Finances: British Columbia



Sources: The Conference Board of Canada; Canadian Bankers Association; Superintendent of Bankruptcy Canada.

Table 1—Economic Indicators

	2008	2009	2010	2011f	2012f	2013f	2014f	2015f
Real GDP at market prices (2002 \$ millions)	1,318,055 <i>0.5</i>	1,285,604 <i>-2.5</i>	1,325,085 <i>3.1</i>	1,356,395 <i>2.4</i>	1,392,357 <i>2.7</i>	1,434,628 <i>3.0</i>	1,474,949 <i>2.8</i>	1,512,333 <i>2.5</i>
Total employment (000s)	17,082 <i>1.7</i>	16,814 <i>-1.6</i>	17,045 <i>1.4</i>	17,353 <i>1.8</i>	17,730 <i>2.2</i>	18,063 <i>1.9</i>	18,304 <i>1.3</i>	18,489 <i>1.0</i>
Unemployment rate (%)	6.1	8.3	8.0	7.5	6.9	6.2	5.8	5.7
Personal income per capita (\$)	36,817 <i>3.1</i>	36,485 <i>-0.9</i>	37,476 <i>2.7</i>	38,701 <i>3.3</i>	40,042 <i>3.5</i>	41,458 <i>3.5</i>	42,758 <i>3.1</i>	44,000 <i>2.9</i>
Population (000s)	33,263 <i>1.2</i>	33,669 <i>1.2</i>	34,059 <i>1.2</i>	34,485 <i>1.2</i>	34,882 <i>1.2</i>	35,289 <i>1.2</i>	35,703 <i>1.2</i>	36,120 <i>1.2</i>
Retail sales (\$ millions)	427,896 <i>3.7</i>	415,413 <i>-2.9</i>	436,670 <i>5.1</i>	456,761 <i>4.6</i>	476,310 <i>4.3</i>	497,040 <i>4.4</i>	517,546 <i>4.1</i>	537,175 <i>3.8</i>
Exchange rate (U.S./Can.)	0.94	0.88	0.97	1.03	1.03	1.03	1.02	1.01
Inflation rate (%)	2.4	0.3	1.8	2.2	2.1	2.0	2.0	2.0

Table 2—Financial Indicators (%)

Bank rate	3.2	0.6	0.9	1.7	3.5	4.2	4.3	4.3
Prime lending rate	4.7	2.4	2.6	3.4	5.3	6.0	6.0	6.0
Three-month Treasury bill	2.4	0.3	0.6	1.4	3.6	4.1	4.1	4.1
One-year conventional mortgage rate	6.7	4.0	3.5	3.8	5.6	6.3	6.4	6.4
Three-year conventional mortgage rate	6.9	4.6	4.3	4.6	6.1	6.9	7.0	7.0
Five-year conventional mortgage rate	7.1	5.6	5.6	5.5	6.6	7.2	7.3	7.4
Federal bonds: 1 year	2.7	1.2	1.5	1.9	3.1	3.9	4.1	4.2
Federal bonds: 5 years	3.0	2.4	2.4	2.7	3.5	4.1	4.3	4.3
Federal bonds: 7 years	3.3	2.7	2.7	3.0	3.6	4.2	4.3	4.4
Federal bonds: 10 years	3.6	3.3	3.2	3.4	3.9	4.3	4.5	4.5
Federal bonds: long term	4.0	3.9	3.7	3.8	4.1	4.5	4.6	4.7

Table 3—Housing Indicators

Housing starts	211,056 <i>-7.6</i>	149,081 <i>-29.4</i>	189,930 <i>27.4</i>	174,785 <i>-8.0</i>	187,077 <i>7.0</i>	201,970 <i>8.0</i>	210,741 <i>4.3</i>	216,460 <i>2.7</i>
Singles	93,202 <i>-21.6</i>	75,659 <i>-18.8</i>	92,554 <i>22.3</i>	80,405 <i>-13.1</i>	93,623 <i>16.4</i>	102,522 <i>9.5</i>	106,553 <i>3.9</i>	109,444 <i>2.7</i>
Multiples	117,854 <i>7.7</i>	73,422 <i>-37.7</i>	97,376 <i>32.6</i>	94,379 <i>-3.1</i>	93,455 <i>-1.0</i>	99,448 <i>6.4</i>	104,188 <i>4.8</i>	107,016 <i>2.7</i>
Housing completions	214,102 <i>2.4</i>	176,825 <i>-17.4</i>	186,215 <i>5.3</i>	170,931 <i>-8.2</i>	177,961 <i>4.1</i>	190,554 <i>7.1</i>	200,024 <i>5.0</i>	207,869 <i>3.9</i>
Singles	103,993 <i>-10.1</i>	78,259 <i>-24.7</i>	90,531 <i>15.7</i>	80,550 <i>-11.0</i>	86,566 <i>7.5</i>	97,920 <i>13.1</i>	103,357 <i>5.6</i>	106,892 <i>3.4</i>
Multiples	110,110 <i>17.8</i>	98,566 <i>-10.5</i>	95,685 <i>-2.9</i>	90,381 <i>-5.5</i>	91,395 <i>1.1</i>	92,634 <i>1.4</i>	96,667 <i>4.4</i>	100,977 <i>4.5</i>
Average price of a new home (\$)	396,232 <i>3.4</i>	387,036 <i>-2.3</i>	395,561 <i>2.2</i>	403,083 <i>1.9</i>	412,000 <i>2.2</i>	420,928 <i>2.2</i>	430,028 <i>2.2</i>	438,449 <i>2.0</i>
Average price of a resale home (\$)	301,702 <i>-1.6</i>	316,804 <i>5.0</i>	338,378 <i>6.8</i>	358,015 <i>5.8</i>	363,019 <i>1.4</i>	372,368 <i>2.6</i>	382,134 <i>2.6</i>	391,732 <i>2.5</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



Economic Outlook

Atlantic Canada's economy is expected to grow by 2.1 per cent in 2011 and 1.8 per cent in 2012. Elevated offshore oil production at Hibernia and escalating production at North Amethyst will delay the inevitable contraction in Newfoundland and Labrador's mineral fuels sector until next year, allowing the economy to grow 3.6 per cent in 2011 before sliding to a 1.5 per cent increase in 2012. Meanwhile, new wind power generation will fuel GDP growth of 3.3 per cent on Prince Edward Island, before growth decelerates to 1.7 per cent in 2012. In Nova Scotia, government austerity measures and limited residential and business non-residential construction investment will slow GDP growth from 2.3 per cent in 2010 to 1.6 per cent this year and 1.8 per cent in 2012. Similar issues in New Brunswick will result in overall economic

Modest economic growth is expected for Atlantic Canada over the next two years. At the same time, mortgage rules are tightening and interest rates are rising. These factors will combine to reduce demand in the new housing market, resulting in starts falling by more than 20 per cent in total through 2011 and 2012. New home price growth will moderate as well, to an annual average of 1.7 per year. Resale price growth will be much lower as well, also averaging 1.7 per cent per year over the next two years.

growth slowing from 2.4 per cent last year to a meagre 1.3 per cent this year, before bouncing back to 2.2 per cent next year.

Housing Outlook

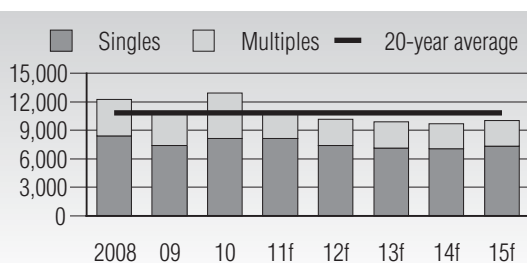
Boosted by strong economic growth and pent-up demand, housing starts in Atlantic Canada rose by 11.8 per cent on an average annual basis between 1999 and 2003, to reach 13,100 units, a level not seen since 1989. In response to the higher demand, price growth also accelerated for new and resale homes. By 2004, pent-up demand from the 1990s appeared to be largely satisfied, and so builders reduced starts by an annual average of 3 per cent from 2004 to 2006.

Housing starts rose 3.7 per cent in 2007, largely thanks to a surge in the Newfoundland and Labrador economy brought about by the province's rapidly developing oil and gas

sector. Price growth was also slightly higher, at 4.1 per cent. But the global recession quickly reduced consumer confidence and, in turn, demand for housing, resulting in Atlantic Canada's housing starts falling by 1.3 per cent in 2008 and 10.9 per cent in 2009. Growth in new home prices initially continued to accelerate, increasing to 10.8 per cent for 2008—by far the largest growth rate on record. Resale price growth was also stronger in 2008, at 8.1 per cent. By 2009, price growth had fallen back to 3 per cent in the new market and to 6.3 per cent in the resale market.

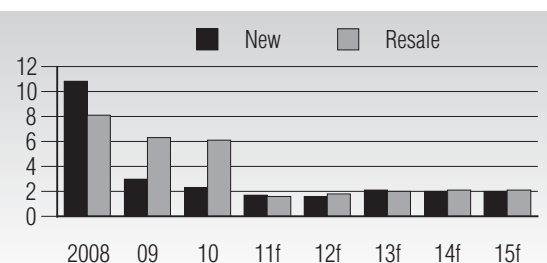
Low interest rates and improving economies brought builders back to the market by the second half of 2009. Housing starts climbed 18.4 per cent to 12,900 units in 2010. Nova Scotia received an extra boost from a sales tax rebate of up to \$7,000 on the purchase of a new home, which helped bolster housing starts by 25.3 per cent in that province alone,

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.

to more than 4,300 units. However, this rebate has now ended. In addition, rising borrowing costs and tighter mortgage rules, as well as modest economic growth, will limit new home construction for the entire Atlantic region. Accordingly, Atlantic Canada's starts are expected to

plummet 14.9 per cent this year. However, the level will remain greater than demographic requirements would suggest.

By 2012, as the housing market moves toward underlying demographic fundamentals, housing

starts will retreat further, falling 7.2 per cent to 10,200 units. Price growth over this year and next will average just 1.7 per cent for both new and existing homes.

Table 1—Economic Indicators

	2008	2009	2010	2011f	2012f	2013f	2014f	2015f
Real GDP at basic prices (2002 \$ millions)	70,197 <i>1.0</i>	68,072 <i>-3.0</i>	70,188 <i>3.1</i>	71,641 <i>2.1</i>	72,959 <i>1.8</i>	74,324 <i>1.9</i>	75,621 <i>1.7</i>	77,292 <i>2.2</i>
Total employment (000s)	1,099 <i>0.9</i>	1,092 <i>-0.7</i>	1,099 <i>0.6</i>	1,108 <i>0.8</i>	1,131 <i>2.2</i>	1,142 <i>0.9</i>	1,144 <i>0.2</i>	1,153 <i>0.8</i>
Unemployment rate	9.3	10.5	10.5	10.1	8.7	8.2	8.0	7.9
Personal income per capita	31,563 <i>3.1</i>	32,314 <i>2.4</i>	33,165 <i>2.6</i>	34,050 <i>2.7</i>	35,464 <i>4.2</i>	36,691 <i>3.5</i>	37,752 <i>2.9</i>	38,979 <i>3.3</i>
Population (000s)	4,407 <i>0.6</i>	4,441 <i>0.8</i>	4,480 <i>0.9</i>	4,521 <i>0.9</i>	4,558 <i>0.8</i>	4,594 <i>0.8</i>	4,629 <i>0.8</i>	4,667 <i>0.8</i>
Retail sales (\$ millions)	30,819 <i>5.6</i>	30,996 <i>0.6</i>	32,412 <i>4.6</i>	33,265 <i>2.6</i>	34,439 <i>3.5</i>	35,577 <i>3.3</i>	36,570 <i>2.8</i>	37,757 <i>3.2</i>
Inflation rate	3.0	0.0	2.0	1.9	2.0	2.1	1.9	1.9

Italics indicate percentage change.

Sources: The Conference Board of Canada; Statistics Canada.

Table 2—Housing Indicators

	2008	2009	2010	2011f	2012f	2013f	2014f	2015f
Housing starts	12,229 <i>-1.3</i>	10,893 <i>-10.9</i>	12,899 <i>18.4</i>	10,984 <i>-14.9</i>	10,188 <i>-7.2</i>	9,893 <i>-2.9</i>	9,677 <i>-2.2</i>	10,010 <i>3.4</i>
Singles	8,401 <i>0.3</i>	7,383 <i>-12.1</i>	8,133 <i>10.2</i>	8,134 <i>0.0</i>	7,423 <i>-8.7</i>	7,141 <i>-3.8</i>	7,035 <i>-1.5</i>	7,303 <i>3.8</i>
Multiples	3,828 <i>-4.6</i>	3,510 <i>-8.3</i>	4,766 <i>35.8</i>	2,849 <i>-40.2</i>	2,765 <i>-3.0</i>	2,753 <i>-0.4</i>	2,641 <i>-4.0</i>	2,707 <i>2.5</i>
Housing completions	12,430 <i>8.3</i>	11,237 <i>-9.6</i>	11,947 <i>6.3</i>	11,197 <i>-6.3</i>	10,426 <i>-6.9</i>	10,031 <i>-3.8</i>	9,765 <i>-2.6</i>	9,999 <i>2.4</i>
Singles	8,407 <i>11.9</i>	7,449 <i>-11.4</i>	7,811 <i>4.8</i>	7,946 <i>1.7</i>	7,639 <i>-3.9</i>	7,296 <i>-4.5</i>	7,063 <i>-3.2</i>	7,268 <i>2.9</i>
Multiples	4,023 <i>1.5</i>	3,788 <i>-5.9</i>	4,137 <i>9.2</i>	3,250 <i>-21.4</i>	2,787 <i>-14.3</i>	2,735 <i>-1.9</i>	2,703 <i>-1.2</i>	2,731 <i>1.1</i>
Average price of a new home (\$)	305,010 <i>10.8</i>	314,239 <i>3.0</i>	321,509 <i>2.3</i>	327,108 <i>1.7</i>	332,203 <i>1.6</i>	339,179 <i>2.1</i>	345,963 <i>2.0</i>	352,882 <i>2.0</i>
Average price of a resale home (\$)	171,429 <i>8.1</i>	182,245 <i>6.3</i>	193,301 <i>6.1</i>	196,460 <i>1.6</i>	199,926 <i>1.8</i>	203,925 <i>2.0</i>	208,207 <i>2.1</i>	212,580 <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



Economic Outlook

Several new tax measures introduced in the last Quebec provincial budget came into effect over the past year. However, they were just the tip of the iceberg. The fiscal plan calls for additional tax increases over the next two years that will take away from households' spending power. Indeed, real after-tax income is forecast to actually fall 0.1 per cent in 2011 and gain just 1 per cent in 2012. Until this year, real disposable incomes in the province had not lost ground since the 1990–91 recession. The heavier tax burden will put the brakes on consumer demand, sending ripples through the buoyant housing market and retail sector. With a weaker domestic economy, real economic growth is forecast to advance by a paltry 1.8 per cent in 2011 and 1.9 per cent in 2012.

Quebec's consumer demand will be hurt by a heavier tax burden this year and next. As a result, real GDP growth is expected to be weak, at 1.8 per cent in 2011 and 1.9 per cent in 2012. The housing market will feel the added pinch of higher interest rates and tighter mortgage rules. Housing starts are forecast to fall by 13.7 per cent this year and a further 12.1 per cent next year, while price growth in both the new and resale markets will moderate as well.

Housing Outlook

Low interest rates and pent-up demand helped push Quebec's housing starts up by an average of 25 per cent per year from 2001 to 2004, to reach 58,400 units, their highest level since 1987. However, by 2005, with the level of starts above demographic needs, several years of weaker economic growth slowed the demand for housing. As a result, housing starts fell over the next two years, down by 12.9 per cent and 6 per cent, respectively. Builders increased starts by 1.4 per cent in 2007 but were quick to retreat from the market once again as the global recession took hold. In 2008 and 2009 combined, housing starts fell nearly 11 per cent, back down to 43,400 units.

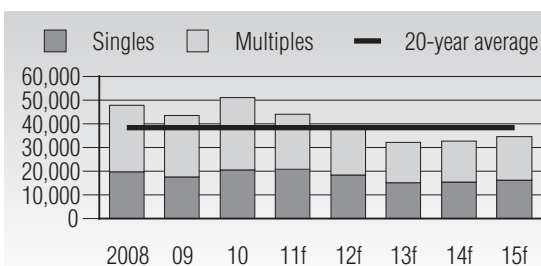
New home prices also increased rapidly from 2001 to 2004, rising by an annual average of 5.7 per cent. And even as starts weakened through

2005 and 2006, price growth remained relatively strong, at 4.7 per cent per year on average. Prices were even more robust in the resale market—averaging annual increases of 9.7 per cent from 2001 to 2006—indicating strong demand for existing homes as well. The global downturn in late 2008 finally moderated growth in new home prices to 2.9 per cent in 2009. But resale prices continued to do well, gaining 4.4 per cent.

The economic recovery, combined with low interest rates and solid employment growth, led to higher demand for housing last year, raising starts by 17.7 per cent, although growth in new home prices slowed further, to 2.3 per cent. Resale price growth was strong, however, at 7.5 per cent.

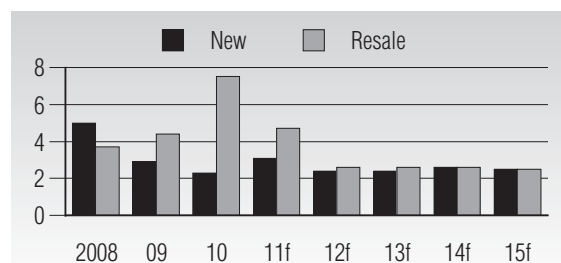
With much weaker income growth forecast for 2011 (because of further tax increases), rising interest rates in the second half of the year, and

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.

stricter mortgage requirements, Quebec's housing market will sputter in 2011. Housing starts are expected to drop from 51,100 units in 2010 to 44,100 units this year, and then fall to 38,800 units in 2012. Indeed, weakness in residential construction will

shave nearly 0.5 percentage points from real GDP growth next year.

Price growth is forecast to decelerate this year, to 3.1 per cent in the new market and 4.7 per cent in the resale market. Given that

demand growth will remain muted for the next couple of years, average annual price growth will be just 2.5 per cent for new homes from 2012 to 2015 and 2.6 per cent for resale homes.

Table 1—Economic Indicators

	2008	2009	2010	2011f	2012f	2013f	2014f	2015f
Real GDP at basic prices (2002 \$ millions)	247,965 <i>1.2</i>	246,729 <i>-0.5</i>	254,107 <i>3.0</i>	258,568 <i>1.8</i>	263,590 <i>1.9</i>	269,761 <i>2.3</i>	275,821 <i>2.2</i>	281,711 <i>2.1</i>
Total employment (000s)	3,878 <i>1.2</i>	3,847 <i>-0.8</i>	3,917 <i>1.8</i>	3,982 <i>1.7</i>	4,037 <i>1.4</i>	4,069 <i>0.8</i>	4,101 <i>0.8</i>	4,132 <i>0.7</i>
Unemployment rate	7.3	8.5	7.9	7.9	7.6	7.3	7.0	6.9
Personal income per capita	33,585 <i>3.2</i>	33,668 <i>0.2</i>	34,423 <i>2.2</i>	35,298 <i>2.5</i>	36,432 <i>3.2</i>	37,552 <i>3.1</i>	38,689 <i>3.0</i>	39,854 <i>3.0</i>
Population (000s)	7,743 <i>0.8</i>	7,818 <i>1.0</i>	7,897 <i>1.0</i>	7,969 <i>0.9</i>	8,034 <i>0.8</i>	8,095 <i>0.8</i>	8,155 <i>0.7</i>	8,212 <i>0.7</i>
Retail sales (\$ millions)	94,806 <i>4.9</i>	93,740 <i>-1.1</i>	98,796 <i>5.4</i>	102,970 <i>4.2</i>	106,953 <i>3.9</i>	110,751 <i>3.6</i>	114,918 <i>3.8</i>	118,975 <i>3.5</i>
Inflation rate	2.1	0.6	1.3	2.6	2.4	2.1	2.1	2.1

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

Table 2—Housing Indicators

	2008	2009	2010	2011f	2012f	2013f	2014f	2015f
Housing starts	47,901 <i>-1.3</i>	43,403 <i>-9.4</i>	51,090 <i>17.7</i>	44,097 <i>-13.7</i>	38,757 <i>-12.1</i>	32,118 <i>-17.1</i>	32,629 <i>1.6</i>	34,527 <i>5.8</i>
Singles	19,778 <i>-10.8</i>	17,535 <i>-11.3</i>	20,481 <i>16.8</i>	20,880 <i>1.9</i>	18,467 <i>-11.6</i>	15,213 <i>-17.6</i>	15,429 <i>1.4</i>	16,324 <i>5.8</i>
Multiples	28,123 <i>6.6</i>	25,868 <i>-8.0</i>	30,609 <i>18.3</i>	23,217 <i>-24.1</i>	20,289 <i>-12.6</i>	16,905 <i>-16.7</i>	17,200 <i>1.7</i>	18,203 <i>5.8</i>
Housing completions	47,663 <i>-3.2</i>	43,225 <i>-9.3</i>	46,531 <i>7.6</i>	47,943 <i>3.0</i>	42,217 <i>-11.9</i>	35,885 <i>-15.0</i>	32,566 <i>-9.2</i>	33,840 <i>3.9</i>
Singles	19,150 <i>-12.3</i>	16,735 <i>-12.6</i>	18,884 <i>12.8</i>	20,450 <i>8.3</i>	19,166 <i>-6.3</i>	16,493 <i>-13.9</i>	15,059 <i>-8.7</i>	15,737 <i>4.5</i>
Multiples	28,513 <i>4.1</i>	26,490 <i>-7.1</i>	27,647 <i>4.4</i>	27,493 <i>-0.6</i>	23,052 <i>-16.2</i>	19,392 <i>-15.9</i>	17,506 <i>-9.7</i>	18,102 <i>3.4</i>
Average price of a new home (\$)	278,778 <i>5.0</i>	286,932 <i>2.9</i>	293,672 <i>2.3</i>	302,735 <i>3.1</i>	310,061 <i>2.4</i>	317,460 <i>2.4</i>	325,629 <i>2.6</i>	333,682 <i>2.5</i>
Average price of a resale home (\$)	215,205 <i>3.7</i>	224,631 <i>4.4</i>	241,511 <i>7.5</i>	252,958 <i>4.7</i>	259,475 <i>2.6</i>	266,310 <i>2.6</i>	273,326 <i>2.6</i>	280,256 <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.

Ontario



Ontario's economy is expected to grow by a modest 2.1 per cent in 2011, hampered by the winding down of government infrastructure spending and reduced consumer spending. Reductions in consumer spending will affect the province's housing market as well. Starts are expected to fall by 3.6 per cent this year. Price growth, in both the new and resale markets, will remain relatively modest in 2011, at 2.7 per cent and 3.4 per cent, respectively.

Economic Outlook

In 2010, Ontario's economy was driven by public investment and consumers loosening their purse strings. Economic growth is easing this year as government infrastructure spending winds down, residential construction declines, and consumer spending growth subsides. But exports will continue to recover as U.S. consumer demand finally begins to pick up in 2011. Ontario's auto exports, in particular, are recovering rapidly. At the same time, renewed business confidence is expected to drive business and machinery investment. Overall, real GDP growth is expected to be just 2.1 per cent in 2011 and 2.7 per cent in 2012.

Housing Outlook

Bolstered by a healthy economy and low interest rates after 2001, housing demand pushed starts up

in Ontario by 11.9 per cent on an average annual basis from 1996 to 2003, to 85,200 units—their highest level since 1989. Higher demand also pushed house prices up—by an annual average of 3.9 per cent for new homes and 5.6 per cent for existing homes. Slower economic growth then began to take its toll on demand in the new housing market, and so builders reduced starts by an average of 5.4 per cent per year from 2004 to 2007. But price growth in both markets accelerated further, averaging 4 per cent annually in the new home market and 7.2 per cent annually in the resale market.

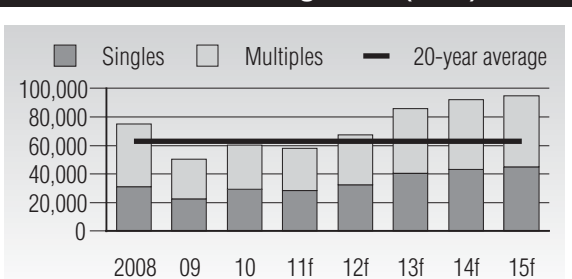
While single-family starts continued to fall through 2008, there was a sharp increase in multiple-unit starts in the first quarter of the year, largely due to construction on a number of high-rise buildings in Toronto. As a result, total housing starts jumped 10.2 per cent that year, while new home prices rose by 3.9 per

cent to reach \$463,700. Unfortunately, by the end of 2008 and through the first half of 2009, the global recession was hampering the Ontario economy and, in turn, lowering demand for housing. Multiple starts quickly fell back, pushing total starts down by 32.9 per cent in 2009, while new home prices recorded no growth for the first time since 1995.

Once the economy began to improve in the second half of 2009, low interest rates brought buyers back to the market: housing starts grew 19.8 per cent last year. Price growth improved as well, rising to 2.5 per cent for the new home market and a significant 8.4 per cent in the resale market.

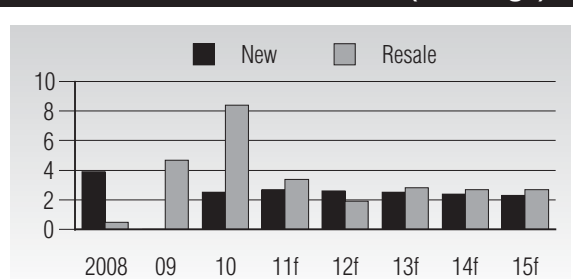
Sales are now expected to shrink 3.6 per cent in 2011 as builders and consumers adjust to last July's introduction of the HST, which boosted the cost of buying a new home. Higher interest rates and

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.

stricter mortgage rules will also dampen demand. But strong household formation will fuel a 16.2 per

cent rebound in starts in 2012 and average annual growth of 12.4 per cent from 2013 to 2015. Average

prices will rise by a modest 2.4 per cent per year for new homes and 2.5 per cent for existing homes.

Table 1—Economic Indicators

	2008	2009	2010	2011f	2012f	2013f	2014f	2015f
Real GDP at basic prices (2002 \$ millions)	486,161	468,961	485,547	495,503	508,757	526,537	542,060	556,658
	<i>-0.7</i>	<i>-3.5</i>	<i>3.5</i>	<i>2.1</i>	<i>2.7</i>	<i>3.5</i>	<i>2.9</i>	<i>2.7</i>
Total employment (000s)	6,665	6,503	6,610	6,731	6,902	7,050	7,146	7,228
	<i>1.5</i>	<i>-2.4</i>	<i>1.6</i>	<i>1.8</i>	<i>2.5</i>	<i>2.1</i>	<i>1.4</i>	<i>1.2</i>
Unemployment rate	6.5	9.0	8.6	7.8	6.9	6.1	6.0	6.0
Personal income per capita	37,075	36,608	37,567	38,767	39,994	41,386	42,634	43,832
	<i>1.6</i>	<i>-1.3</i>	<i>2.6</i>	<i>3.2</i>	<i>3.2</i>	<i>3.5</i>	<i>3.0</i>	<i>2.8</i>
Population (000s)	12,912	13,048	13,192	13,348	13,509	13,687	13,871	14,061
	<i>1.1</i>	<i>1.0</i>	<i>1.1</i>	<i>1.2</i>	<i>1.2</i>	<i>1.3</i>	<i>1.3</i>	<i>1.4</i>
Retail sales (\$ millions)	151,672	147,920	155,250	162,565	168,832	176,527	183,870	190,750
	<i>3.9</i>	<i>-2.5</i>	<i>5.0</i>	<i>4.7</i>	<i>3.9</i>	<i>4.6</i>	<i>4.2</i>	<i>3.7</i>
Inflation rate	2.3	0.4	2.4	2.3	2.1	2.4	2.1	2.1

Italics indicate percentage change.

Sources: The Conference Board of Canada; Statistics Canada.

Table 2—Housing Indicators

	2008	2009	2010	2011f	2012f	2013f	2014f	2015f
Housing starts	75,076	50,370	60,327	58,140	67,587	85,709	91,922	94,834
	<i>10.2</i>	<i>-32.9</i>	<i>19.8</i>	<i>-3.6</i>	<i>16.2</i>	<i>26.8</i>	<i>7.2</i>	<i>3.2</i>
Singles	31,108	22,634	29,298	28,546	32,618	40,519	43,393	44,848
	<i>-17.9</i>	<i>-27.2</i>	<i>29.4</i>	<i>-2.6</i>	<i>14.3</i>	<i>24.2</i>	<i>7.1</i>	<i>3.4</i>
Multiples	43,968	27,736	31,029	29,595	34,969	45,190	48,529	49,986
	<i>45.5</i>	<i>-36.9</i>	<i>11.9</i>	<i>-4.6</i>	<i>18.2</i>	<i>29.2</i>	<i>7.4</i>	<i>3.0</i>
Housing completions	67,661	55,038	61,287	56,979	60,422	72,350	84,621	90,036
	<i>5.7</i>	<i>-18.7</i>	<i>11.4</i>	<i>-7.0</i>	<i>6.0</i>	<i>19.7</i>	<i>17.0</i>	<i>6.4</i>
Singles	34,527	24,741	28,170	28,325	30,296	36,678	41,694	43,792
	<i>-5.1</i>	<i>-28.3</i>	<i>13.9</i>	<i>0.6</i>	<i>7.0</i>	<i>21.1</i>	<i>13.7</i>	<i>5.0</i>
Multiples	33,134	30,297	33,117	28,654	30,126	35,672	42,927	46,244
	<i>20.0</i>	<i>-8.6</i>	<i>9.3</i>	<i>-13.5</i>	<i>5.1</i>	<i>18.4</i>	<i>20.3</i>	<i>7.7</i>
Average price of a new home (\$)	463,697	463,598	475,024	488,023	500,633	512,982	525,294	537,378
	<i>3.9</i>	<i>0.0</i>	<i>2.5</i>	<i>2.7</i>	<i>2.6</i>	<i>2.5</i>	<i>2.4</i>	<i>2.3</i>
Average price of a resale home (\$)	301,032	315,238	341,875	353,456	360,010	369,965	379,826	390,079
	<i>0.5</i>	<i>4.7</i>	<i>8.4</i>	<i>3.4</i>	<i>1.9</i>	<i>2.8</i>	<i>2.7</i>	<i>2.7</i>

Italics indicate percentage change.

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

Prairies



Improved economic output and employment growth in Manitoba and Saskatchewan will be reflected in increased single-detached starts this year, although a dip in the more volatile multi-family section will trim total starts. The economic outlook for subsequent years is similarly healthy. This should produce steady population gains and underpin strong housing demand. Accordingly, we project housing starts will hit record levels by 2015, with singles starts continuing to make up the lion's share. Average prices for both new and existing homes will keep rising, albeit more slowly than during the 2000s.

Economic Outlook

The combined GDP of Manitoba and Saskatchewan recovered by just 1.1 per cent in 2010, dampened by a wet spring that delayed seeding and cut agricultural output. Despite severe flooding this spring, a better-looking overall economic forecast features output hikes of 3 per cent in 2011 and 3.5 per cent in 2012, along with employment growth at a three-year high of 1.7 per cent this year and a potentially record-breaking 2.5 per cent in 2012. This will eventually trim the unemployment rate from its six-year peak of 5.3 per cent in 2010, though no change is expected in the rate this year. Decent job prospects will attract newcomers and lift population growth to 1.6 per cent in 2011 and an average of 1.3 per cent per year between 2012 and 2015. Manitoba's economy will be spurred by better performances in the mining, manufacturing, and utility industries. High commodity prices will energize

Saskatchewan, with the mining sector benefiting from increased potash and oil production and from rising mineral exploration.

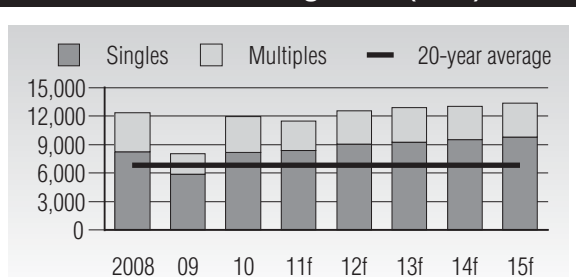
Housing Outlook

Last year's modest economic recovery helped support a 48.9 per cent gain in housing starts to nearly 12,000 units in Manitoba and Saskatchewan, following a 35 per cent collapse in 2009. Starts strengthened as the year progressed, with the fourth quarter's annualized value coming in near 13,500 units, well above the opening quarter's 10,100 reading. Single-family starts, which form the bulk of new construction on the Prairies, almost doubled their pace between the first quarter of 2009 and the fourth quarter of 2010. Meanwhile, the level of multiple starts rose nearly fivefold. But total starts pulled back from this unsustainable pace to an annualized rate near 11,500 units during the first

quarter of 2011, as both singles and multiples cooled. The easing sets the stage for a small dip in starts to 11,500 units this year as falling multiple starts outweigh a small single-family gain. We expect a 9.2 per cent rise in housing starts next year, which will put total starts at 12,500 units, the most since 1987.

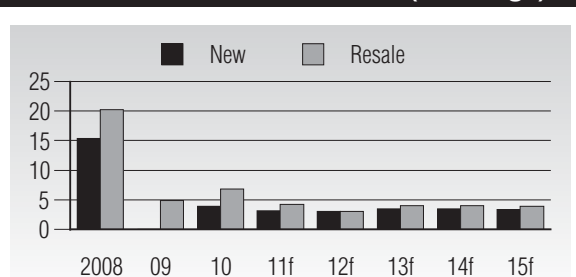
Strong population hikes and ongoing employment growth provide a solid backdrop for new construction in Manitoba and Saskatchewan, despite threatening interest rate hikes. These provinces were arguably overbuilt relative to population growth during the 2000s, but the big pull-back in starts in 2009 and the modest easing expected this year will clear any inventory backlogs. Starts are forecast to hit a record high of over 13,300 units by 2015. Although singles' share of new construction is expected to slip, we nonetheless expect such units to make up roughly 72 per cent of total starts throughout

Chart 1—Housing Starts (000s)



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

Chart 2—House Price Growth (% change)



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

the forecast period—a significantly higher share than in all regions but the Atlantic provinces.

Decent housing demand helped boost the average value of existing homes 6.8 per cent in 2010 and of new homes by 3.9 per cent. Still,

such increases pale in comparison to the double-digit hikes posted by both types of housing during the middle of the last decade. We think the era of outsized gains is over, although we are certainly not expecting any kind of correction. New home prices are forecast to

rise 3.2 per cent in 2011 and average 3.4 per cent growth annually between 2012 and 2015. For resale units, we expect a 4.2 per cent increase this year, then average annual increases of 3.7 per cent.

Table 1—Economic Indicators

	2008	2009	2010	2011f	2012f	2013f	2014f	2015f
Real GDP at basic prices (2002 \$ millions)	78,240 <i>3.4</i>	76,577 <i>-2.1</i>	77,457 <i>1.1</i>	79,750 <i>3.0</i>	82,534 <i>3.5</i>	85,519 <i>3.6</i>	88,163 <i>3.1</i>	90,636 <i>2.8</i>
Total employment (000s)	1,121 <i>1.7</i>	1,128 <i>0.6</i>	1,144 <i>1.4</i>	1,164 <i>1.7</i>	1,193 <i>2.5</i>	1,210 <i>1.5</i>	1,223 <i>1.1</i>	1,229 <i>0.5</i>
Unemployment rate	4.1	5.0	5.3	5.3	5.0	4.7	4.6	4.6
Personal income per capita	34,920 <i>8.6</i>	34,790 <i>-0.4</i>	34,940 <i>0.4</i>	35,819 <i>2.5</i>	37,043 <i>3.4</i>	38,127 <i>2.9</i>	39,135 <i>2.6</i>	40,033 <i>2.3</i>
Population (000s)	2,216 <i>1.2</i>	2,244 <i>1.3</i>	2,276 <i>1.4</i>	2,312 <i>1.6</i>	2,344 <i>1.4</i>	2,376 <i>1.4</i>	2,407 <i>1.3</i>	2,438 <i>1.3</i>
Retail sales (\$ millions)	29,653 <i>9.2</i>	29,513 <i>-0.5</i>	30,782 <i>4.3</i>	32,068 <i>4.2</i>	33,339 <i>4.0</i>	34,654 <i>3.9</i>	35,947 <i>3.7</i>	37,061 <i>3.1</i>
Inflation rate	2.7	0.8	1.1	2.1	2.0	2.1	2.0	1.9

Italics indicate percentage change.

Sources: The Conference Board of Canada; Statistics Canada.

Table 2—Housing Indicators

	2008	2009	2010	2011f	2012f	2013f	2014f	2015f
Housing starts	12,365 <i>5.3</i>	8,040 <i>-35.0</i>	11,795 <i>46.7</i>	10,805 <i>-8.4</i>	12,258 <i>13.4</i>	12,815 <i>4.5</i>	13,013 <i>1.5</i>	13,338 <i>2.5</i>
Singles	8,208 <i>4.2</i>	5,871 <i>-28.5</i>	7,806 <i>32.9</i>	7,325 <i>-6.2</i>	8,690 <i>18.6</i>	9,225 <i>6.2</i>	9,482 <i>2.8</i>	9,779 <i>3.1</i>
Multiples	4,157 <i>7.4</i>	2,169 <i>-47.8</i>	3,989 <i>83.9</i>	3,480 <i>-12.8</i>	3,568 <i>2.5</i>	3,589 <i>0.6</i>	3,531 <i>-1.6</i>	3,559 <i>0.8</i>
Housing completions	12,027 <i>28.9</i>	10,122 <i>-15.8</i>	10,765 <i>6.4</i>	11,517 <i>7.0</i>	11,708 <i>1.7</i>	12,425 <i>6.1</i>	12,549 <i>1.0</i>	12,785 <i>1.9</i>
Singles	8,003 <i>14.1</i>	6,505 <i>-18.7</i>	7,738 <i>19.0</i>	8,112 <i>4.8</i>	8,445 <i>4.1</i>	8,884 <i>5.2</i>	8,988 <i>1.2</i>	9,169 <i>2.0</i>
Multiples	4,024 <i>73.6</i>	3,617 <i>-10.1</i>	3,027 <i>-16.3</i>	3,405 <i>12.5</i>	3,263 <i>-4.2</i>	3,541 <i>8.5</i>	3,561 <i>0.6</i>	3,616 <i>1.6</i>
Average price of a new home (\$)	358,049 <i>15.4</i>	358,032 <i>0.0</i>	371,839 <i>3.9</i>	383,660 <i>3.2</i>	395,633 <i>3.1</i>	409,480 <i>3.5</i>	423,811 <i>3.5</i>	438,221 <i>3.4</i>
Average price of a resale home (\$)	206,616 <i>20.2</i>	216,790 <i>4.9</i>	231,542 <i>6.8</i>	241,305 <i>4.2</i>	248,513 <i>3.0</i>	258,453 <i>4.0</i>	268,792 <i>4.0</i>	279,274 <i>3.9</i>

Italics indicate percentage change.

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

Alberta



A firmer tone to energy markets will propel Alberta's economy and housing markets. Although economic growth is set to ease this year, it will accelerate significantly in 2012. Resulting employment gains should keep population growth decent and, in turn, housing demand solid. While starts are forecast to ease in 2011, a decent rebound is on tap for 2012, with further gains thereafter, although not to the boom-era levels of the mid-2000s. House price inflation, which has been soft in recent years, will remain moderate this year, with moderate acceleration anticipated after that.

Economic Outlook

Energy production continues to be a key underpinning of Alberta's economy. Stronger oil prices are spurring resumption of investment in the oil sands. This will boost the construction industry following two weak years. The manufacturing and transportation industries will also enjoy oil production spinoffs. Thus, although provincial GDP growth will slow to 2.4 per cent this year, it is set to accelerate to 3.8 per cent in 2012. Despite last year's solid rise in GDP, Alberta's employment sagged for a second consecutive year, although the dip was small. This year's forecast of 2.2 per cent job growth will fully recoup the losses over the past few years and put the provincial employment level at a record high. Ensuing years are forecast to set additional records, with an average annual gain of 2.3 per cent. This will make the province

attractive to newcomers again and keep population growth averaging 1.7 per cent between 2011 and 2015, equalling the 1990s' norm.

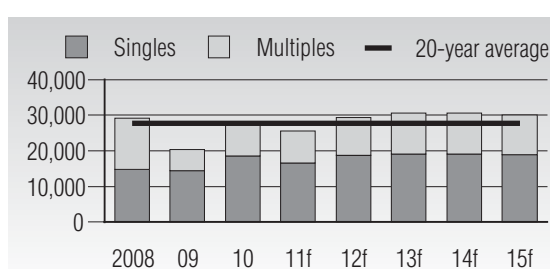
Housing Outlook

Alberta's housing market has reflected its employment ups and downs. Housing starts began 2010 well enough, averaging an annualized 30,000 units during the year's first half, but wilted to average only 25,000 units in its final six months. This still produced annual starts of 27,484 units, up 35.4 per cent from 2009. Both single- and multiple-family starts rose, with the latter's gain an impressive 49.8 per cent. Despite the jump, starts remained well off boom-era peaks. And 2011 got off to a weak first quarter as easing single-detached activity shaved total starts to an annualized 23,000 units (close to the second-lowest level since 1997), despite a

decent jump in multiples. Fortunately, hikes are expected in both single- and multiple-unit construction through the rest of this year, allowing total starts to end 2011 near 25,600 units. This will still be 6.9 per cent lower than in 2010.

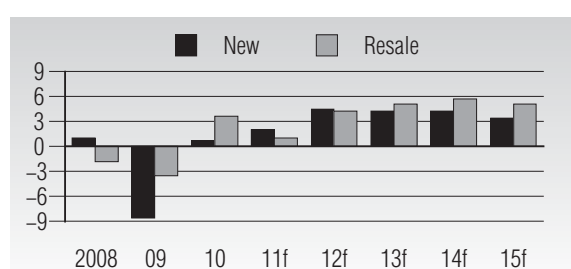
We expect ongoing population growth to ultimately produce higher starts, despite rising interest rates. Between 2011 and 2015, our forecast assumes a ratio of housing starts to population growth very close to its 20-year average; the ratio was only half this historical norm in 2009. Starts are therefore projected to rise 14.6 per cent to a five-year high near 29,340 units in 2012 and post a further small increase in 2013. Multiple starts are forecast to generally rise faster than singles throughout our forecast; by 2015, multiples will make up 37 per cent of total starts, up from 32 per cent in 2010.

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.

Although sound housing demand has boosted prices significantly for both new and existing homes over the past decade, recent years have been weaker. New homes' 0.7 per cent price growth during 2010 did little to erase the 8.6 per cent

drop in 2009. Meanwhile, the average price increase of 3.6 per cent for existing units followed a cumulative 5.2 per cent decline in 2008 and 2009. Price moderation continues, with increases of 2.0 per cent for new homes and 1.0 per cent for

existing units expected this year. Price growth will accelerate slightly to an annual average of 4.1 per cent for new homes and 5.0 per cent for existing homes between 2012 and 2015.

Table 1—Economic Indicators

	2008	2009	2010	2011f	2012f	2013f	2014f	2015f
Real GDP at basic prices (2002 \$ millions)	180,501 <i>1.2</i>	171,830 <i>-4.8</i>	177,709 <i>3.4</i>	182,011 <i>2.4</i>	188,994 <i>3.8</i>	196,639 <i>4.0</i>	204,267 <i>3.9</i>	210,451 <i>3.0</i>
Total employment (000s)	2,053 <i>3.1</i>	2,025 <i>-1.3</i>	2,018 <i>-0.4</i>	2,062 <i>2.2</i>	2,124 <i>3.0</i>	2,170 <i>2.2</i>	2,216 <i>2.1</i>	2,258 <i>1.9</i>
Unemployment rate	3.6	6.6	6.5	6.3	5.8	5.3	4.8	4.5
Personal income per capita	48,126 <i>5.2</i>	46,823 <i>-2.7</i>	48,132 <i>2.8</i>	49,673 <i>3.2</i>	51,873 <i>4.4</i>	53,932 <i>4.0</i>	55,898 <i>3.6</i>	57,872 <i>3.5</i>
Population (000s)	3,578 <i>2.2</i>	3,660 <i>2.3</i>	3,712 <i>1.4</i>	3,770 <i>1.6</i>	3,835 <i>1.7</i>	3,901 <i>1.7</i>	3,967 <i>1.7</i>	4,032 <i>1.6</i>
Retail sales (\$ millions)	61,614 <i>0.2</i>	56,478 <i>-8.3</i>	59,679 <i>5.7</i>	63,279 <i>6.0</i>	66,917 <i>5.7</i>	70,751 <i>5.7</i>	74,590 <i>5.4</i>	78,372 <i>5.1</i>
Inflation rate	3.2	-0.1	1.0	1.7	1.9	2.1	2.1	1.8

Italics indicate percentage change.

Sources: The Conference Board of Canada; Statistics Canada.

Table 2—Housing Indicators

	2008	2009	2010	2011f	2012f	2013f	2014f	2015f
Housing starts	29,164 <i>-39.7</i>	20,295 <i>-30.4</i>	27,088 <i>33.5</i>	24,686 <i>-8.9</i>	28,894 <i>17.0</i>	30,419 <i>5.3</i>	30,510 <i>0.3</i>	30,047 <i>-1.5</i>
Singles	14,716 <i>-47.6</i>	14,341 <i>-2.5</i>	17,851 <i>24.5</i>	14,503 <i>-18.8</i>	17,941 <i>23.7</i>	19,076 <i>6.3</i>	19,126 <i>0.3</i>	18,832 <i>-1.5</i>
Multiples	14,448 <i>-28.6</i>	5,954 <i>-58.8</i>	9,237 <i>55.1</i>	10,183 <i>10.2</i>	10,954 <i>7.6</i>	11,343 <i>3.6</i>	11,384 <i>0.4</i>	11,215 <i>-1.5</i>
Housing completions	39,522 <i>-5.5</i>	27,572 <i>-30.2</i>	28,037 <i>1.7</i>	24,099 <i>-14.0</i>	26,913 <i>11.7</i>	28,568 <i>6.2</i>	29,438 <i>3.0</i>	29,261 <i>-0.6</i>
Singles	22,602 <i>-22.1</i>	13,945 <i>-38.3</i>	17,669 <i>26.7</i>	16,158 <i>-8.6</i>	17,621 <i>9.1</i>	18,521 <i>5.1</i>	18,925 <i>2.2</i>	18,723 <i>-1.1</i>
Multiples	16,921 <i>32.0</i>	13,627 <i>-19.5</i>	10,368 <i>-23.9</i>	7,941 <i>-23.4</i>	9,292 <i>17.0</i>	10,047 <i>8.1</i>	10,512 <i>4.6</i>	10,538 <i>0.2</i>
Average price of a new home (\$)	469,701 <i>1.0</i>	429,455 <i>-8.6</i>	432,256 <i>0.7</i>	440,720 <i>2.0</i>	460,659 <i>4.5</i>	480,194 <i>4.2</i>	500,470 <i>4.2</i>	517,486 <i>3.4</i>
Average price of a resale home (\$)	352,502 <i>-1.8</i>	340,074 <i>-3.5</i>	352,277 <i>3.6</i>	355,854 <i>1.0</i>	370,727 <i>4.2</i>	389,690 <i>5.1</i>	411,920 <i>5.7</i>	432,937 <i>5.1</i>

Italics indicate percentage change.

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

British Columbia



Although B.C.'s economy is expected to keep growing, expansion will slow this year as effects from Vancouver's 2010 Olympics wane. Importantly, employment will increase, partially offsetting the drag on housing demand from rising short-term mortgage rates. Falling single-family starts will pull total starts lower this year, despite a solid gain in multiple starts. Starts of both unit types are projected to rise in 2012. Average prices for both new and existing homes will increase this year, albeit more modestly than in 2010, but existing unit values are forecast to dip in 2012.

Economic Outlook

A post-Olympic slowdown will dampen British Columbia's economy this year. Weak performances by services industries, construction, and forestry will cut real GDP growth to 1.9 per cent in 2011, after a 3.2 per cent spurt in 2010. But economic growth will improve to 3.2 per cent in 2012 and rise faster yet in 2013. Expansion of the shale gas industry in the province's northeast will lift non-residential construction investment and natural gas production over the next several years. Moreover, better export markets will boost demand for B.C.'s natural resources—particularly its forest products—next year. Employment is forecast to rise 1.6 per cent in 2011, before increasing by nearly 3 per cent in 2012 and a further 2.1 per cent in 2013. This will cut the unemployment rate to 7.1 per cent this year and 5.5 per cent by

2013. A sound labour market will attract newcomers. Population, which grew by a 12-year high of 1.8 per cent in 2009, will continue to grow throughout the forecast horizon, supporting housing demand.

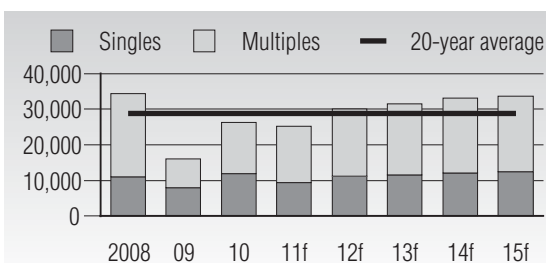
Housing Outlook

B.C. housing starts rebounded smartly as the economy firmed last year, with the province's vital multi-family segment ending 2010 up 75.6 per cent at nearly 14,400 units. Single-family starts also shook off their 2009 losses, rising 51.3 per cent to nearly 12,000 units. Singles starts averaged a particularly strong 13,100 units in the first half of the year as buyers rushed to beat the application of the harmonized sales tax to residential real estate. Last year's upswing still leaves total starts well behind those of the previous decade's boom. Although the HST's future in B.C. hinges on the

mail-in referendum taking place this summer, it has been factored in as staying throughout our forecast horizon.

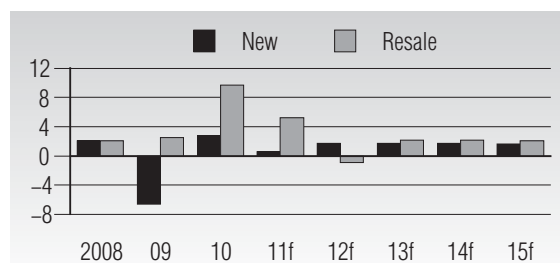
This year got off to a mixed start. Annualized single starts fell to a six-quarter low near 9,100 units in the first quarter, but multiple starts jumped 10 per cent. Economic conditions remain benign: the provincial job picture is relatively decent, and low mortgage rates continue. Although we expect mortgage rates to increase throughout 2011, further employment gains are expected to buoy homebuyer spirits. Accordingly, both single and multiple starts are expected to rise throughout 2011. But the first-quarter dip in singles will cut their 2011 annual figure by 21.1 per cent from the 2010 level, to near 9,400 units. Multiple starts, by contrast, are expected to jump 10.4 per cent to roughly 15,900 units. This will put total starts at about

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.

25,300 homes, down 3.9 per cent from 2010. Next year looks better, with ongoing job creation and population growth fuelling an 18.7 per cent increase to 30,000 units. Ensuing years are forecast to see continued gains lifting total construction volumes to 33,700 units by 2015—still below the 2007 peak of 39,200 starts.

Prices advanced last year broadly in line with the past decade's buoyant norms. The price increase for an average new home came in at 2.8 per cent, partially recouping a 6.6 per cent drop in 2009. Further increases of 0.6 per cent and 1.7 per cent are forecast for 2011 and 2012 respectively.

Existing home prices grew by 9.7 per cent last year, after annual hikes of just above 2 per cent in both 2008 and 2009, and are set to rise 5.2 per cent in 2011 and slip 0.9 per cent in 2012.

Table 1—Economic Indicators

	2008	2009	2010	2011f	2012f	2013f	2014f	2015f
Real GDP at basic prices (2002 \$ millions)	150,833 <i>0.0</i>	148,082 <i>-1.8</i>	153,629 <i>3.7</i>	156,471 <i>1.9</i>	161,491 <i>3.2</i>	167,031 <i>3.4</i>	171,715 <i>2.8</i>	175,905 <i>2.4</i>
Total employment (000s)	2,266 <i>2.0</i>	2,218 <i>-2.1</i>	2,257 <i>1.8</i>	2,294 <i>1.6</i>	2,361 <i>2.9</i>	2,411 <i>2.1</i>	2,438 <i>1.1</i>	2,464 <i>1.1</i>
Unemployment rate	4.6	7.7	7.6	7.1	6.3	5.8	5.6	5.5
Personal income per capita	35,928 <i>1.9</i>	35,259 <i>-1.9</i>	35,738 <i>1.4</i>	36,530 <i>2.2</i>	37,997 <i>4.0</i>	39,297 <i>3.4</i>	40,367 <i>2.7</i>	41,435 <i>2.6</i>
Population (000s)	4,375 <i>1.7</i>	4,453 <i>1.8</i>	4,524 <i>1.6</i>	4,589 <i>1.4</i>	4,654 <i>1.4</i>	4,718 <i>1.4</i>	4,784 <i>1.4</i>	4,849 <i>1.4</i>
Retail sales (\$ millions)	57,783 <i>1.5</i>	55,222 <i>-4.4</i>	58,153 <i>5.3</i>	60,257 <i>3.6</i>	63,043 <i>4.6</i>	65,789 <i>4.4</i>	68,202 <i>3.7</i>	70,496 <i>3.4</i>
Inflation rate	2.1	0.0	1.4	2.1	2.0	2.2	2.1	2.0

Italics indicate percentage change.

Sources: The Conference Board of Canada; Statistics Canada.

Table 2—Housing Indicators

	2008	2009	2010	2011f	2012f	2013f	2014f	2015f
Housing starts	34,321 <i>-12.4</i>	16,077 <i>-53.2</i>	26,306 <i>63.6</i>	25,278 <i>-3.9</i>	30,005 <i>18.7</i>	31,571 <i>5.2</i>	33,110 <i>4.9</i>	33,710 <i>1.8</i>
Singles	10,991 <i>-24.1</i>	7,892 <i>-28.2</i>	11,937 <i>51.3</i>	9,417 <i>-21.1</i>	11,170 <i>18.6</i>	11,608 <i>3.9</i>	12,144 <i>4.6</i>	12,361 <i>1.8</i>
Multiples	23,330 <i>-5.6</i>	8,185 <i>-64.9</i>	14,369 <i>75.6</i>	15,860 <i>10.4</i>	18,835 <i>18.8</i>	19,963 <i>6.0</i>	20,967 <i>5.0</i>	21,349 <i>1.8</i>
Housing completions	34,758 <i>4.5</i>	29,577 <i>-14.9</i>	26,592 <i>-10.1</i>	24,195 <i>-9.0</i>	26,699 <i>10.3</i>	29,241 <i>9.5</i>	30,876 <i>5.6</i>	32,092 <i>3.9</i>
Singles	11,315 <i>-18.9</i>	8,876 <i>-21.6</i>	10,551 <i>18.9</i>	10,163 <i>-3.7</i>	10,331 <i>1.7</i>	11,348 <i>9.8</i>	11,843 <i>4.4</i>	12,234 <i>3.3</i>
Multiples	23,443 <i>21.3</i>	20,701 <i>-11.7</i>	16,041 <i>-22.5</i>	14,033 <i>-12.5</i>	16,368 <i>16.6</i>	17,893 <i>9.3</i>	19,033 <i>6.4</i>	19,859 <i>4.3</i>
Average price of a new home (\$)	666,888 <i>2.1</i>	622,920 <i>-6.6</i>	640,318 <i>2.8</i>	644,168 <i>0.6</i>	655,267 <i>1.7</i>	666,406 <i>1.7</i>	677,687 <i>1.7</i>	688,530 <i>1.6</i>
Average price of a resale home (\$)	448,891 <i>2.1</i>	460,108 <i>2.5</i>	504,757 <i>9.7</i>	530,788 <i>5.2</i>	525,770 <i>-0.9</i>	537,332 <i>2.2</i>	549,135 <i>2.2</i>	560,593 <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



Québec City's real GDP growth is forecast to ease to 2.3 per cent in 2011 and a similar 2.4 per cent in 2012. The resale market is expected to see growth in its unit sales this year, but construction of new homes will fall. By 2012, both markets will feel the pinch of higher interest rates and stricter mortgage rules. Price growth will moderate over the coming years, settling around 2.7 per cent per year in the resale market and 2.3 per cent per year in the new home market.

Economic Outlook

Québec City's economy is expected to expand by 2.3 per cent in 2011, on the heels of a 10-year-high rise of 3.7 per cent in 2010. Employment, which advanced a solid 3.8 per cent in 2010, is forecast to rise only 1 per cent in 2011, but 1.4 per cent in each of 2012 and 2013. Still, the 2011 employment hike will outpace that of the labour force for the second straight year, trimming the unemployment rate to 4.8 per cent. But population growth will ease somewhat, shaving housing demand and thus housing starts.

Housing Outlook

EXISTING HOUSING MARKET

A solid economy, combined with pent-up housing demand, resulted in Québec City's existing home sales rising by 10 per cent on an average annual basis from 1996 to 2001. In

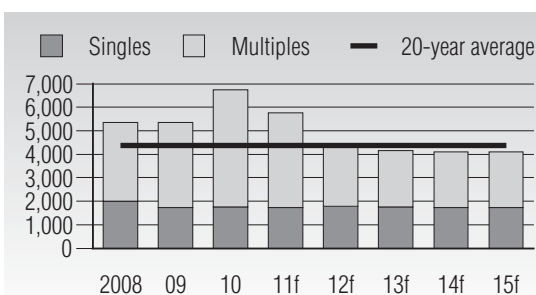
turn, the sales-to-new-listings ratio also increased at a brisk pace, moving the market from a buyers' state to a sellers' state. As a result, existing home prices increased by an average of 12.5 per cent per year from 2002 to 2007. While higher prices then encouraged sellers to enter the market (new listings grew by 9.1 per cent, on average, from 2004 to 2006), they also discouraged buyers. Indeed, the percentage of household income spent on mortgage payments rose from 10.4 per cent in 2002 to 15.8 per cent in 2007. Accordingly, annual unit sales remained in the 7,000- to 8,000-unit range through this period. The recession in late 2008 and 2009 kept demand for existing homes muted through those two years as well.

Despite the years of weaker demand growth, Québec City's existing home market remained in a sellers' market stance through 2009, as potential sellers held back from listing their properties. Thus, resale prices continued to increase at a

brisk pace, growing by an average of 8.2 per cent annually over 2008 and 2009. In level terms, existing home prices topped \$200,000 for the first time in 2009.

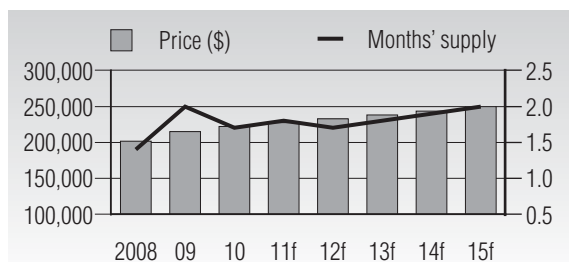
Unit sales fell to 7,100 units last year—their lowest level in six years, even as economic growth improved in line with the global recovery. Price growth remained robust in 2010, however, at 11.3 per cent. Much of the weakness in unit sales was in the first half of the year. A pickup in employment through the second half of 2010 helped to improve consumer demand for housing, boosting sales in the final two quarters and into the first quarter of 2011. This recent growth will outweigh the negative impacts of higher taxes, rising interest rates, and stricter mortgage rules this year, leading to a forecast 4.6 per cent increase in Québec City's unit sales for the year 2011 as a whole. With price growth expected to reach over 5 per cent in 2011, sellers will continue to be encouraged to enter

Chart 1—Housing Starts (000s)



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

Chart 2—New Housing Price and Months' Supply



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

the market. Over the next couple of years, the sales-to-new-listings ratio will start to slip back toward balanced territory, finally easing price growth. From 2012 to 2015, existing home prices are forecast to increase by just 2.7 per cent per year, on average.

NEW HOUSING MARKET

While Québec City's resale market grew rapidly in the late 1990s, high inventories of new homes kept builders at bay until 2000. Hence, as unit sales of existing homes were stalling in 2001, starts of new homes were just picking up. From 2000 to

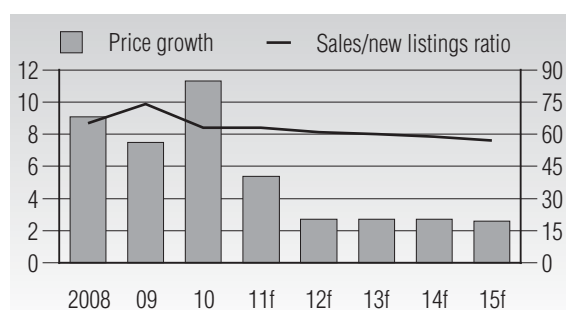
2004, housing starts increased by 29.9 per cent on an average annual basis, reaching 6,200 units in 2004—their highest level in 12 years. Despite the significant increases in starts, months' supply fell, going from 1.8 months in 1999 to just 0.4 months by 2003. In turn, the tighter market led to stronger price growth. New home prices rose by an average of 7.6 per cent per year over 2003 and 2004.

As in the resale market, higher prices were quick to discourage buyers. Accordingly, months' supply began to rise once more, prompting

builders to pull back from the market. Housing starts fell by an annual average of 5.9 per cent from 2005 to 2007. In turn, price growth moderated to an annual average of 4.5 per cent.

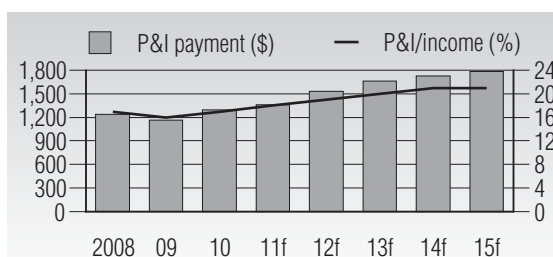
Three years of stronger population growth from 2008 to 2010 kept builders in the market even with the recession in late 2008 and 2009. Starts rose by just over 4 per cent through 2008 and 2009 combined, and then increased by a substantial 25.8 per cent last year, to 6,700 units—the second highest level on record. Most of the growth in starts over the past three years has been 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

	2008	2009	2010	2011f	2012f	2013f	2014f	2015f
Real GDP at basic prices (2002 \$ millions)	24,959	25,250	26,180	26,778	27,428	28,145	28,824	29,463
	<i>2.4</i>	<i>1.2</i>	<i>3.7</i>	<i>2.3</i>	<i>2.4</i>	<i>2.6</i>	<i>2.4</i>	<i>2.2</i>
Total employment (000s)	394	395	410	414	420	426	431	435
	<i>2.1</i>	<i>0.4</i>	<i>3.8</i>	<i>1.0</i>	<i>1.4</i>	<i>1.4</i>	<i>1.1</i>	<i>1.0</i>
Unemployment rate (%)	4.6	4.9	4.9	4.8	4.6	4.4	4.3	4.2
Personal income per capita (\$)	37,136	37,554	38,735	39,492	40,870	42,340	43,728	45,093
	<i>4.0</i>	<i>1.1</i>	<i>3.1</i>	<i>2.0</i>	<i>3.5</i>	<i>3.6</i>	<i>3.3</i>	<i>3.1</i>
Population (000s)	738	746	754	762	768	775	781	788
	<i>1.0</i>	<i>1.0</i>	<i>1.2</i>	<i>1.0</i>	<i>0.8</i>	<i>0.8</i>	<i>0.8</i>	<i>0.8</i>
Retail sales (\$ millions)	11,511	11,485	12,230	12,811	13,368	13,880	14,425	14,946
	<i>5.9</i>	<i>-0.2</i>	<i>6.5</i>	<i>4.7</i>	<i>4.4</i>	<i>3.8</i>	<i>3.9</i>	<i>3.6</i>
Inflation rate (%)	2.1	0.8	1.4	2.6	2.4	2.1	2.1	2.1

Italics indicate percentage change.

Sources: The Conference Board of Canada; Statistics Canada.

multiple units. In fact, starts of single-family homes declined by close to 19 per cent over 2008 and 2009, and grew by just 2 per cent in 2010.

But population growth will ease somewhat this year. In addition, inventories are now up around 2 months, interest rates are set to rise, income growth is expected to be lower, and

stricter mortgage rules have come into effect. All of these factors will lower new housing demand and thus housing starts. Starts are poised to drop to 5,800 units this year and to 4,400 units by 2012.

Price growth in the new home market has already started to ease. After rising by 7 per cent in 2009,

new home prices grew by a more modest 3.2 per cent last year and are expected to increase by just 2.3 per cent in 2011. Relatively high inventories will hold new home price growth to an average of 2.3 per cent annually from 2012 to 2015.

Table 2—New Housing Market Indicators

	2008	2009	2010	2011f	2012f	2013f	2014f	2015f
Housing starts	5,345	5,352	6,734	5,759	4,415	4,152	4,103	4,093
	<i>4.0</i>	<i>0.1</i>	<i>25.8</i>	<i>-14.5</i>	<i>-23.3</i>	<i>-6.0</i>	<i>-1.2</i>	<i>-0.2</i>
Singles	2,000	1,737	1,771	1,723	1,777	1,769	1,746	1,745
	<i>-5.6</i>	<i>-13.2</i>	<i>2.0</i>	<i>-2.7</i>	<i>3.2</i>	<i>-0.5</i>	<i>-1.3</i>	<i>-0.1</i>
Multiples	3,345	3,615	4,964	4,036	2,638	2,384	2,356	2,348
	<i>10.8</i>	<i>8.1</i>	<i>37.3</i>	<i>-18.7</i>	<i>-34.7</i>	<i>-9.6</i>	<i>-1.1</i>	<i>-0.3</i>
Under construction	2,943	2,482	3,155	2,804	2,148	1,980	2,114	2,317
	<i>34.5</i>	<i>-15.7</i>	<i>27.1</i>	<i>-11.1</i>	<i>-23.4</i>	<i>-7.8</i>	<i>6.8</i>	<i>9.6</i>
Housing completions	5,486	5,120	6,419	6,369	4,959	4,149	3,919	3,883
	<i>23.5</i>	<i>-6.7</i>	<i>25.4</i>	<i>-0.8</i>	<i>-22.1</i>	<i>-16.3</i>	<i>-5.5</i>	<i>-0.9</i>
Singles	1,983	1,757	1,959	1,643	1,778	1,765	1,740	1,728
	<i>-8.3</i>	<i>-11.4</i>	<i>11.5</i>	<i>-16.1</i>	<i>8.2</i>	<i>-0.7</i>	<i>-1.4</i>	<i>-0.7</i>
Multiples	3,503	3,363	4,460	4,725	3,181	2,383	2,179	2,155
	<i>53.6</i>	<i>-4.0</i>	<i>32.6</i>	<i>6.0</i>	<i>-32.7</i>	<i>-25.1</i>	<i>-8.6</i>	<i>-1.1</i>
Newly completed and unabsorbed	600	856	862	959	724	643	629	633
	<i>-2.7</i>	<i>42.6</i>	<i>0.7</i>	<i>11.2</i>	<i>-24.5</i>	<i>-11.1</i>	<i>-2.2</i>	<i>0.6</i>
Absorptions	5,229	5,099	6,267	6,510	5,118	4,191	3,922	3,876
	<i>10.6</i>	<i>-2.5</i>	<i>22.9</i>	<i>3.9</i>	<i>-21.4</i>	<i>-18.1</i>	<i>-6.4</i>	<i>-1.2</i>
Months' supply	1.4	2.0	1.7	1.8	1.7	1.8	1.9	2.0
Average price of a new home (\$)	201,426	215,470	222,372	227,487	232,719	238,072	243,785	249,392
	<i>5.3</i>	<i>7.0</i>	<i>3.2</i>	<i>2.3</i>	<i>2.3</i>	<i>2.3</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

	2008	2009	2010	2011f	2012f	2013f	2014f	2015f
Unit sales	7,828	7,954	7,079	7,405	7,697	8,032	8,382	8,730
	<i>-1.5</i>	<i>1.6</i>	<i>-11.0</i>	<i>4.6</i>	<i>4.0</i>	<i>4.4</i>	<i>4.4</i>	<i>4.1</i>
Dollar volume sales (\$ millions)	1,531	1,672	1,657	1,827	1,950	2,090	2,241	2,396
	<i>7.4</i>	<i>9.2</i>	<i>-0.9</i>	<i>10.2</i>	<i>6.7</i>	<i>7.2</i>	<i>7.2</i>	<i>6.9</i>
New listings	12,074	10,683	11,171	11,788	12,623	13,448	14,327	15,233
	<i>9.3</i>	<i>-11.5</i>	<i>4.6</i>	<i>5.5</i>	<i>7.1</i>	<i>6.5</i>	<i>6.5</i>	<i>6.3</i>
Sales-to-new-listings ratio (%)	65	74	63	63	61	60	59	57
Average price of a resale home (\$)	195,537	210,219	234,050	246,681	253,287	260,236	267,382	274,464
	<i>9.1</i>	<i>7.5</i>	<i>11.3</i>	<i>5.4</i>	<i>2.7</i>	<i>2.7</i>	<i>2.7</i>	<i>2.6</i>

Italics indicate percentage change.

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

Montréal



Real GDP growth in Montréal is forecast to moderate in 2011, down to 2.1 per cent, following a 2.8 per cent increase in 2010. The lower growth is due to a slower global recovery since mid-2010, combined with a weaker housing market and several tax increases this year. Sales in Montréal's existing home market are expected to rise by just 1.4 per cent in 2011, while housing starts are forecast to decline, dropping 17.6 per cent. A softer housing market will result in subdued house price growth.

Economic Outlook

Montréal's real GDP increased 2.8 per cent last year, thanks to healthy growth in construction, manufacturing, transportation and warehousing, and wholesale and retail trade, all of which reaped the benefits of a global recovery. As the recovery slowed in the second half of last year, Montréal's growth also slowed. The housing market has weakened in recent months as well, public infrastructure stimulus spending is coming to an end, and tax measures introduced last year are putting a damper on consumer spending. Accordingly, total output is set to grow by 2.1 per cent in 2011, before expanding by 2.6 per cent next year as global conditions improve.

Housing Outlook

EXISTING HOUSING MARKET

After an extended period of strong growth in the late 1990s,

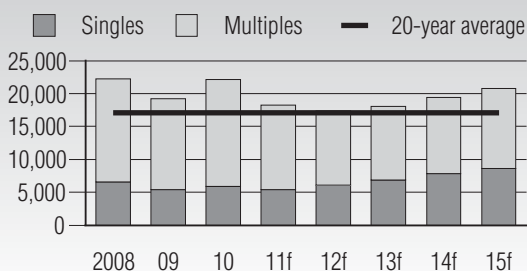
Montréal's resale home market took a breather in 2002. Rising sales and lower listings had led to a substantial increase in the sales-to-new-listings ratio, bringing the market to a sellers' state by 2001. Accordingly, resale price growth accelerated to 18 per cent on an average annual basis from 2002 to 2004. This price growth was an incentive for sellers to finally enter the market—new listings rose rapidly, increasing by 38.5 per cent in 2003 alone. At the same time, the higher prices, combined with slower economic growth after 2000, were also hampering demand. From a record 44,600 sales in 2001, unit sales contracted more than 16 per cent over 2002 and 2003, and then grew only modestly for the next three years (2004 to 2006).

Demand in Montréal's resale home market seemed to be on its way up once more in 2007, as the economy enjoyed its strongest growth in seven years, and unit

sales rose 11.5 per cent. But the good news was short-lived. The global recession quickly reduced consumer spending, especially for big-ticket items, thus lowering unit sales by 7.5 per cent in 2008, and holding resale price growth to 3.5 per cent. Low mortgage rates and an economic recovery boosted unit sales once more in 2009, up by 3.4 per cent. Sellers were not as quick to react—new listings slipped 7.2 per cent, pushing the sales-to-new-listings ratio clearly back into sellers' territory once again.

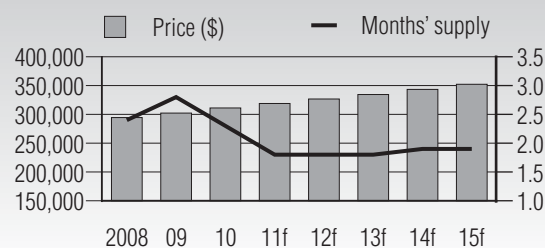
Higher taxes combined with a slowdown in the recovery through the second half of 2010 kept growth in unit sales at 1.3 per cent last year. However, given the increase in the sales-to-new-listings ratio in 2009, resale price growth picked up to 7.9 per cent. Sales are expected to increase by 1.4 per cent this year, as additional tax increases come into effect, mortgage rules tighten,

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.

and interest rates rise in the coming months. Resale price growth is also forecast to moderate to 4.6 per cent, although at this rate, the average price of an existing home will still top \$300,000 for the first time ever.

Stronger economic activity in 2012 is expected to result in a 3.6 per cent increase in unit sales next year, while price growth is forecast to be just 2.2 per cent. Slight declines in the sales-to-new-listings ratio through the medium term will hold growth in existing home prices to an average of 2.6 per cent annually from 2013 to 2015.

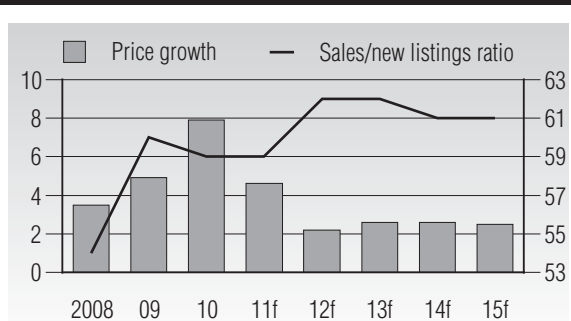
NEW HOUSING MARKET

Montréal's new housing market expanded rapidly from the mid-1990s until 2004, particularly in the multiples segment of the market, which reaped the benefits of an aging population and a growing number of young professionals—prime buyers of multi-family dwellings. This was especially evident in the early 2000s, as multiple starts increased by an average of 44.7 per cent per year from 2002 to 2004. The singles' market also performed relatively well, posting a 15.6 per cent average annual increase. Despite the strong growth in starts, months'

supply had dropped to 0.9 months in 2003, down significantly from 3.3 months in 1996. Accordingly, price growth picked up to 6.2 per cent on an average annual basis from 2002 to 2005, bringing average new home prices to nearly \$260,000.

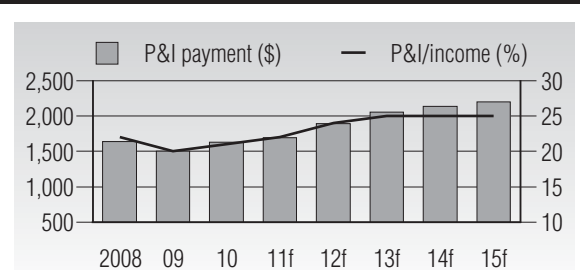
Through 2005 and 2006, higher prices and slower economic growth weakened new housing demand. In turn, builders reduced starts over these two years by more than 20 per cent. Starts rose briefly in 2007, up by 2.5 per cent, before falling sharply again in 2008 and 2009, as the world entered into a recession, lowering

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



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

Chart 4—Affordability



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

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

Table 1—Economic Indicators

	2008	2009	2010	2011f	2012f	2013f	2014f	2015f
Real GDP at basic prices (2002 \$ millions)	123,748 <i>1.4</i>	123,268 <i>-0.4</i>	126,757 <i>2.8</i>	129,392 <i>2.1</i>	132,714 <i>2.6</i>	136,328 <i>2.7</i>	139,904 <i>2.6</i>	143,047 <i>2.2</i>
Total employment (000s)	1,916 <i>0.5</i>	1,904 <i>-0.6</i>	1,954 <i>2.6</i>	1,976 <i>1.2</i>	2,022 <i>2.3</i>	2,044 <i>1.1</i>	2,068 <i>1.2</i>	2,086 <i>0.9</i>
Unemployment rate (%)	7.4	9.2	8.7	8.2	8.1	7.8	7.5	7.3
Personal income per capita (\$)	34,936 <i>2.7</i>	34,759 <i>-0.5</i>	35,740 <i>2.8</i>	36,478 <i>2.1</i>	37,889 <i>3.9</i>	39,085 <i>3.2</i>	40,279 <i>3.1</i>	41,382 <i>2.7</i>
Population (000s)	3,765 <i>1.1</i>	3,819 <i>1.4</i>	3,859 <i>1.1</i>	3,899 <i>1.0</i>	3,942 <i>1.1</i>	3,986 <i>1.1</i>	4,032 <i>1.1</i>	4,077 <i>1.1</i>
Retail sales (\$ millions)	41,896 <i>3.2</i>	41,869 <i>-0.1</i>	43,955 <i>5.0</i>	45,954 <i>4.5</i>	48,019 <i>4.5</i>	49,908 <i>3.9</i>	51,973 <i>4.1</i>	53,866 <i>3.6</i>
Inflation rate (%)	2.1	0.8	1.2	2.6	2.4	2.1	2.1	2.1

Italics indicate percentage change.

Sources: The Conference Board of Canada; Statistics Canada.

consumer confidence and the demand for big-tickets items such as housing, and pushing up inventories. By 2009, starts had slipped to 19,300 units, the first time Montréal's housing starts had fallen below 20,000 units since 2001. With months' supply on the upswing, price growth was more moderate, averaging 3.8 per cent per year from 2007 to 2009.

A combination of increased economic growth and low interest rates quickly brought buyers and builders back to the market last year. Starts grew by 15 per cent in 2010, to 22,200 units. Much of this growth was in multiple-unit starts, which increased to 16,300 units, their highest level since 1988. While the resale market is expected to expand again

in 2011, slower overall economic growth, tighter mortgage rules, and rising interest rates later this year will result in housing starts falling by 17.6 per cent in 2011 and 4.7 per cent next year. Steady but still high months' supply will hold new home price increases to an average of 2.5 per cent per year over the next few years.

Table 2—New Housing Market Indicators

	2008	2009	2010	2011f	2012f	2013f	2014f	2015f
Housing starts	22,248	19,260	22,154	18,249	17,399	18,053	19,437	20,791
	<i>-4.8</i>	<i>-13.4</i>	<i>15.0</i>	<i>-17.6</i>	<i>-4.7</i>	<i>3.8</i>	<i>7.7</i>	<i>7.0</i>
Singles	6,582	5,434	5,862	5,398	6,079	6,864	7,874	8,662
	<i>-17.5</i>	<i>-17.4</i>	<i>7.9</i>	<i>-7.9</i>	<i>12.6</i>	<i>12.9</i>	<i>14.7</i>	<i>10.0</i>
Multiples	15,666	13,825	16,292	12,851	11,320	11,189	11,563	12,129
	<i>1.9</i>	<i>-11.7</i>	<i>17.8</i>	<i>-21.1</i>	<i>-11.9</i>	<i>-1.2</i>	<i>3.3</i>	<i>4.9</i>
Under construction	15,178	12,870	14,396	15,100	14,962	14,924	14,881	14,719
	<i>0.3</i>	<i>-15.2</i>	<i>11.9</i>	<i>4.9</i>	<i>-0.9</i>	<i>-0.3</i>	<i>-0.3</i>	<i>-1.1</i>
Housing completions	23,808	19,486	19,922	18,676	17,424	17,993	19,517	21,002
	<i>-2.3</i>	<i>-18.2</i>	<i>2.2</i>	<i>-6.3</i>	<i>-6.7</i>	<i>3.3</i>	<i>8.5</i>	<i>7.6</i>
Singles	7,364	5,216	6,034	5,385	6,116	6,791	8,014	8,811
	<i>-4.6</i>	<i>-29.2</i>	<i>15.7</i>	<i>-10.8</i>	<i>13.6</i>	<i>11.0</i>	<i>18.0</i>	<i>10.0</i>
Multiples	16,444	14,270	13,888	13,291	11,308	11,202	11,504	12,190
	<i>-1.2</i>	<i>-13.2</i>	<i>-2.7</i>	<i>-4.3</i>	<i>-14.9</i>	<i>-0.9</i>	<i>2.7</i>	<i>6.0</i>
Newly completed and unabsorbed	4,649	4,662	3,966	2,963	2,579	2,681	2,976	3,278
	<i>-3.1</i>	<i>0.3</i>	<i>-14.9</i>	<i>-25.3</i>	<i>-13.0</i>	<i>3.9</i>	<i>11.0</i>	<i>10.1</i>
Absorptions	23,485	19,742	21,086	19,300	17,599	17,822	19,199	20,691
	<i>-5.5</i>	<i>-15.9</i>	<i>6.8</i>	<i>-8.5</i>	<i>-8.8</i>	<i>1.3</i>	<i>7.7</i>	<i>7.8</i>
Months' supply	2.4	2.8	2.3	1.8	1.8	1.8	1.9	1.9
Average price of a new home (\$)	295,500	302,473	311,888	319,373	327,038	334,887	343,594	352,184
	<i>4.9</i>	<i>2.4</i>	<i>3.1</i>	<i>2.4</i>	<i>2.4</i>	<i>2.4</i>	<i>2.6</i>	<i>2.5</i>

Italics indicate percentage change.

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

Table 3—Resale Housing Market Indicators

	2008	2009	2010	2011f	2012f	2013f	2014f	2015f
Unit sales	40,396	41,772	42,324	42,905	44,454	45,980	47,556	49,091
	<i>-7.5</i>	<i>3.4</i>	<i>1.3</i>	<i>1.4</i>	<i>3.6</i>	<i>3.4</i>	<i>3.4</i>	<i>3.2</i>
Dollar volume sales (\$ millions)	10,466	11,352	12,405	13,159	13,936	14,790	15,695	16,607
	<i>-4.3</i>	<i>8.5</i>	<i>9.3</i>	<i>6.1</i>	<i>5.9</i>	<i>6.1</i>	<i>6.1</i>	<i>5.8</i>
New listings	74,795	69,376	72,151	72,439	71,447	73,971	77,438	80,955
	<i>5.6</i>	<i>-7.2</i>	<i>4.0</i>	<i>0.4</i>	<i>-1.4</i>	<i>3.5</i>	<i>4.7</i>	<i>4.5</i>
Sales-to-new-listings ratio (%)	54	60	59	59	62	62	61	61
Average price of a resale home (\$)	259,094	271,751	293,089	306,697	313,495	321,658	330,033	338,294
	<i>3.5</i>	<i>4.9</i>	<i>7.9</i>	<i>4.6</i>	<i>2.2</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.

Toronto



A stalled global recovery late last year and the winding down of the government stimulus package are behind a deceleration in Toronto's economic growth this year, although real GDP growth is expected to improve to 3.3 per cent in 2012. The weaker economic growth in 2011, combined with rising interest rates and tighter mortgage rules, will keep the resale housing market on a downward trend for at least one more year. But thanks to strong activity in the first quarter, housing starts are expected to rise this year, up by 9.3 per cent.

Economic Outlook

Toronto's economy expanded by 4 per cent last year, led by a revival in its manufacturing, construction, and wholesale and retail trade sectors following the worldwide downturn in late 2008 and 2009. However, a slowdown in the global recovery, as well as the end of government stimulus spending, is expected to hold growth in the census metropolitan area's real GDP to 2.8 per cent for 2011. The largest driver of growth will continue to be the goods sector, as manufacturing remains on the road to recovery. A more stable world economy will allow real GDP in Toronto to grow by 3.3 per cent in 2012.

Housing Outlook

EXISTING HOUSING MARKET

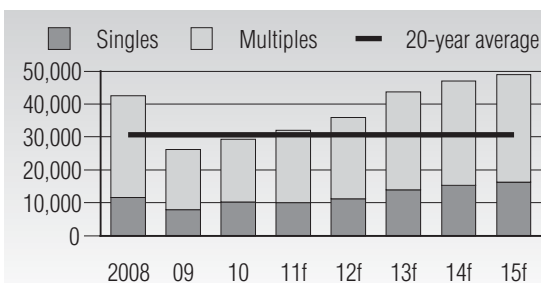
Strong population growth, pent-up demand from the 1990s, and lower

interest rates helped push up unit sales of existing homes in Toronto by an average of 10.2 per cent per year from 2001 to 2004, while price growth averaged a healthy 6.6 per cent annual increase. By 2005, with demand waning, unit sales increased just 1.8 per cent, before falling 1.4 per cent in 2006. In turn, average price growth slipped to 3.4 per cent per year. But demand in the resale housing market increased once more in 2007, boosted by stronger growth in employment and population. Sales of existing homes increased 12.7 per cent, resulting in price growth of 7.1 per cent. However, this demand quickly fell again in 2008, as the city introduced a land transfer tax and the global recession started to pinch. Accordingly, sales dropped a total of 20.3 per cent that year, to 67,700 units—their lowest level in six years. This decline pushed the sales-to-new-listings ratio into buyers' territory for the first time since 1995, thus holding price growth to just 0.9 per cent.

As the local economy recovered from the recession, so too did demand for housing. Low interest rates in 2009 also helped to boost sales. Overall, unit sales increased 17.9 per cent, up to 79,900 units. With an increase in the sales-to-new-listings ratio, resale price growth also picked up, rising to 4.1 per cent. Sales continued to do well through the first quarter of 2010, but then fell steadily though the middle of the year as the recovery stalled, leaving them down 1.6 per cent for the year as a whole. Price growth remained on an upward trend, however, rising by 9.4 per cent last year.

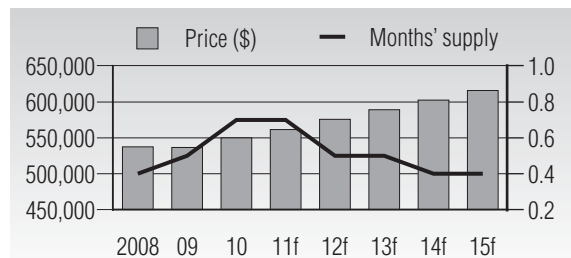
With interest rates expected to rise and mortgage rules tightening this year, unit sales of existing homes are forecast to decline by an additional 0.8 per cent in 2011 and price growth will slow to 4.6 per cent. While sound population growth and a healthier economy in 2012 will allow the market to expand yet

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.

again next year, price growth is forecast to slide further, to 1.7 per cent. Growth in unit sales is expected to be 1.4 per cent for 2012, increasing to an annual average of 2.7 per cent from 2013 to 2015. A steady and more balanced sales-to-new-listings ratio will hold the growth in resale prices to 2.5 per cent through the medium term.

NEW HOUSING MARKET

Toronto's new housing market took off in the mid-1990s, with housing starts rising by an annual average of 14.1 per cent from 1996 to 2003, to 45,500 units. Even so, this growth was initially not enough to keep up

with increased demand. Months' supply dropped from 1.1 months in 1995 to 0.4 months by 2002. In turn, the tighter market led to higher average price growth of 5 per cent per year from 2003 to 2005. With starts at record highs, and months' supply stabilizing, builders began to pull back. Housing starts fell 7.6 per cent on an average annual basis from 2004 to 2007, to 33,100 units. The decline was split between single and multiple housing starts. Price growth moderated to an annual average of 3.3 per cent over 2006 and 2007.

A strong first quarter in 2008—multiple-family starts rose by a

whopping 82.5 per cent—resulted in a 28.8 per cent increase in housing starts and 3.5 per cent growth in new home prices that year. But the market quickly weakened as the recession hit full force in the second half of 2008, and so starts fell once more in 2009, this time by 38.7 per cent, and new home prices edged down 0.1 per cent—their first drop since 1996.

Low interest rates last year combined with the recovery in the economy brought buyers back to the housing market in 2010, and so builders increased starts by 12.3 per cent. Growth was more pronounced

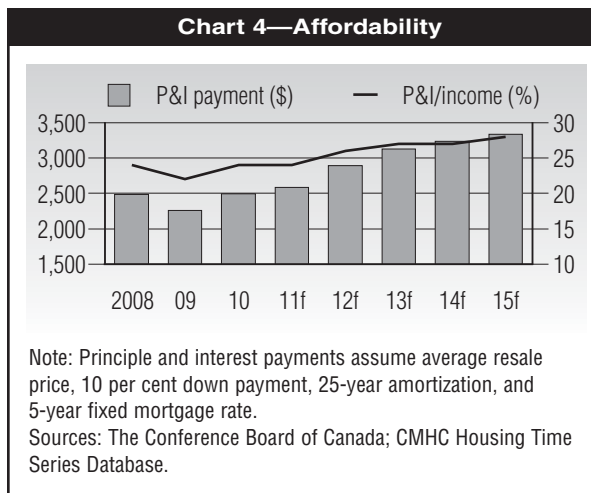
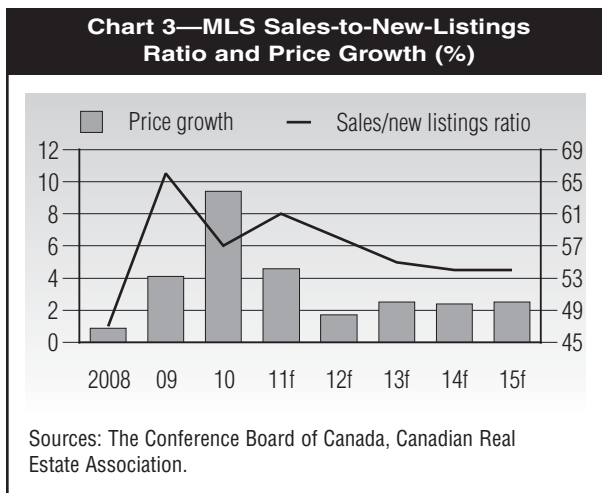


Table 1—Economic Indicators

	2008	2009	2010	2011f	2012f	2013f	2014f	2015f
Real GDP at basic prices (2002 \$ millions)	219,148	213,375	221,982	228,100	235,681	244,932	253,803	261,579
	<i>-0.2</i>	<i>-2.6</i>	<i>4.0</i>	<i>2.8</i>	<i>3.3</i>	<i>3.9</i>	<i>3.6</i>	<i>3.1</i>
Total employment (000s)	2,893	2,853	2,919	2,975	3,061	3,167	3,238	3,284
	<i>2.0</i>	<i>-1.4</i>	<i>2.3</i>	<i>1.9</i>	<i>2.9</i>	<i>3.5</i>	<i>2.2</i>	<i>1.4</i>
Unemployment rate (%)	6.9	9.5	9.0	8.2	7.4	6.6	6.3	6.2
Personal income per capita (\$)	39,019	38,069	38,932	39,920	41,158	42,770	44,148	45,275
	<i>0.8</i>	<i>-2.4</i>	<i>2.3</i>	<i>2.5</i>	<i>3.1</i>	<i>3.9</i>	<i>3.2</i>	<i>2.6</i>
Population (000s)	5,536	5,634	5,741	5,848	5,955	6,067	6,184	6,303
	<i>1.8</i>	<i>1.8</i>	<i>1.9</i>	<i>1.8</i>	<i>1.8</i>	<i>1.9</i>	<i>1.9</i>	<i>1.9</i>
Retail sales (\$ millions)	61,048	59,114	62,452	65,814	68,773	72,199	75,684	78,792
	<i>5.0</i>	<i>-3.2</i>	<i>5.6</i>	<i>5.4</i>	<i>4.5</i>	<i>5.0</i>	<i>4.8</i>	<i>4.1</i>
Inflation rate (%)	2.4	0.5	2.5	2.1	2.1	2.4	2.1	2.1

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

in single-family units, but the multiples market also posted a healthy gain. Slower economic growth, tightening mortgage rules, and rising interest rates later this year will push single starts down once more, by 2 per cent. However, low inventories are expected to result in a 15.4 per cent increase in multiple-unit starts this year, pushing up overall housing

starts by 9.3 per cent. As the economy continues to improve in 2012, sound population growth will fuel Toronto's housing market again. Total starts are expected to increase by 11.9 per cent next year, with both the singles and multiples markets benefitting. Starts will then continue to grow through the medium term as well.

New home prices increased by 2.6 per cent last year, but price growth is forecast to slow to 2 per cent for 2011. A fairly stable months' supply over 2012 to 2015 will result in average price growth of 2.4 per cent per year.

Table 2—New Housing Market Indicators

	2008	2009	2010	2011f	2012f	2013f	2014f	2015f
Housing starts	42,585 <i>28.8</i>	26,118 <i>-38.7</i>	29,322 <i>12.3</i>	32,060 <i>9.3</i>	35,862 <i>11.9</i>	43,787 <i>22.1</i>	46,998 <i>7.3</i>	48,876 <i>4.0</i>
Singles	11,567 <i>-21.3</i>	7,937 <i>-31.4</i>	10,218 <i>28.7</i>	10,013 <i>-2.0</i>	11,263 <i>12.5</i>	13,952 <i>23.9</i>	15,216 <i>9.1</i>	16,212 <i>6.5</i>
Multiples	31,018 <i>69.0</i>	18,181 <i>-41.4</i>	19,104 <i>5.1</i>	22,047 <i>15.4</i>	24,599 <i>11.6</i>	29,834 <i>21.3</i>	31,782 <i>6.5</i>	32,664 <i>2.8</i>
Under construction	48,358 <i>11.8</i>	47,941 <i>-0.9</i>	47,570 <i>-0.8</i>	44,757 <i>-5.9</i>	45,133 <i>0.8</i>	45,885 <i>1.7</i>	45,723 <i>-0.4</i>	45,357 <i>-0.8</i>
Housing completions	36,258 <i>19.4</i>	28,356 <i>-21.8</i>	31,393 <i>10.7</i>	31,969 <i>1.8</i>	35,395 <i>10.7</i>	43,077 <i>21.7</i>	47,427 <i>10.1</i>	49,280 <i>3.9</i>
Singles	13,882 <i>-1.4</i>	8,852 <i>-36.2</i>	9,804 <i>10.8</i>	9,858 <i>0.5</i>	11,157 <i>13.2</i>	13,399 <i>20.1</i>	15,401 <i>14.9</i>	16,445 <i>6.8</i>
Multiples	22,376 <i>37.5</i>	19,504 <i>-12.8</i>	21,589 <i>10.7</i>	22,111 <i>2.4</i>	24,238 <i>9.6</i>	29,678 <i>22.4</i>	32,026 <i>7.9</i>	32,835 <i>2.5</i>
Newly completed and unabsorbed	1,217 <i>0.1</i>	1,167 <i>-4.1</i>	1,720 <i>47.4</i>	1,761 <i>2.4</i>	1,575 <i>-10.5</i>	1,693 <i>7.5</i>	1,702 <i>0.5</i>	1,707 <i>0.3</i>
Absorptions	36,045 <i>16.9</i>	28,393 <i>-21.2</i>	30,621 <i>7.8</i>	32,352 <i>5.7</i>	35,352 <i>9.3</i>	42,919 <i>21.4</i>	47,508 <i>10.7</i>	49,225 <i>3.6</i>
Months' supply	0.4	0.5	0.7	0.7	0.5	0.5	0.4	0.4
Average price of a new home (\$)	537,214 <i>3.5</i>	536,436 <i>-0.1</i>	550,269 <i>2.6</i>	561,274 <i>2.0</i>	575,306 <i>2.5</i>	589,114 <i>2.4</i>	602,663 <i>2.3</i>	615,922 <i>2.2</i>

Italics indicate percentage change.

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

Table 3—Resale Housing Market Indicators

	2008	2009	2010	2011f	2012f	2013f	2014f	2015f
Unit sales	67,724 <i>-20.3</i>	79,879 <i>17.9</i>	78,625 <i>-1.6</i>	78,001 <i>-0.8</i>	79,101 <i>1.4</i>	81,113 <i>2.5</i>	83,424 <i>2.8</i>	85,629 <i>2.6</i>
Dollar volume sales (\$ millions)	26,673 <i>-19.5</i>	32,738 <i>22.7</i>	35,245 <i>7.7</i>	36,583 <i>3.8</i>	37,748 <i>3.2</i>	39,690 <i>5.1</i>	41,814 <i>5.4</i>	44,007 <i>5.2</i>
New listings	144,553 <i>4.8</i>	120,764 <i>-16.5</i>	137,942 <i>14.2</i>	127,154 <i>-7.8</i>	137,411 <i>8.1</i>	146,272 <i>6.4</i>	153,620 <i>5.0</i>	159,465 <i>3.8</i>
Sales-to-new-listings ratio (%)	47	66	57	61	58	55	54	54
Average price of a resale home (\$)	393,849 <i>0.9</i>	409,843 <i>4.1</i>	448,262 <i>9.4</i>	469,011 <i>4.6</i>	477,209 <i>1.7</i>	489,313 <i>2.5</i>	501,225 <i>2.4</i>	513,930 <i>2.5</i>

Italics indicate percentage change.

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

Ottawa–Gatineau



A weaker public service sector will slow growth in Ottawa–Gatineau’s economy to 2.2 per cent this year and 2.3 per cent in 2012. The softer economy will also weaken housing demand. Starts are expected to drop by more than 15 per cent over this year and next. Meanwhile, unit sales in the resale market are forecast to fall 2.6 per cent in 2011, and then grow by a modest 3.1 per cent in 2012. Price growth in the two markets will moderate this year as well, in line with softer demand.

Economic Outlook

After bouncing back from recession with growth of 2.7 per cent in 2010, Ottawa–Gatineau’s economy will moderate to 2.2 per cent growth in 2011 and 2.3 per cent in 2012. Efforts to reduce the federal deficit will restrict growth in the local public administration sector, which accounts for one-quarter of Ottawa–Gatineau’s total output. Housing starts are expected to weaken over the next two years as well, putting a damper on overall construction activity. And although the manufacturing sector is expected to enjoy solid gains this year and next, growth will be just about half the pace achieved in 2010.

Housing Outlook

EXISTING HOUSING MARKET

A burgeoning high-tech industry led to increased demand in Ottawa–Gatineau’s resale home

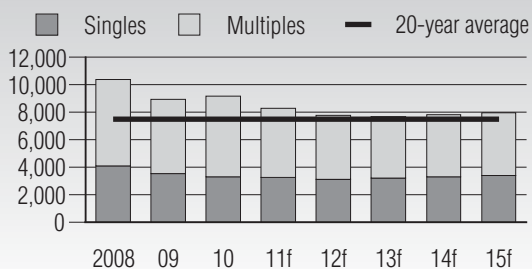
market from 1996 to 2001, with unit sales of existing homes growing by an average of 14.4 per cent per year. At the same time, new listings fell, as sellers were initially unimpressed by lack of strong price growth. Accordingly, the sales-to-new-listings ratio rose significantly. As the market tightened, price growth finally began to pick up steam. From 2000 to 2002, new home prices advanced by an average of 8.9 per cent per year. By 2002, growth in the high-tech sector had tapered off, reducing growth in the overall economy and, in turn, lowering demand for housing. As a result, over the next four years, unit sales increased by just 0.7 per cent on an average annual basis. But the tighter market and stronger price growth were now finally attracting sellers. New listings rose by an average of 8.9 per cent per year, pushing the sales-to-new-listings ratio back down.

Buyers came back to the market in 2006 and 2007, increasing unit

sales by 4.9 per cent and 5.8 per cent respectively. However, the threat of recession reduced demand the following year, reducing sales 6.4 per cent in 2008. Still, despite the ups and downs in the market, price growth remained healthy over these three years, averaging 5.4 per cent annually.

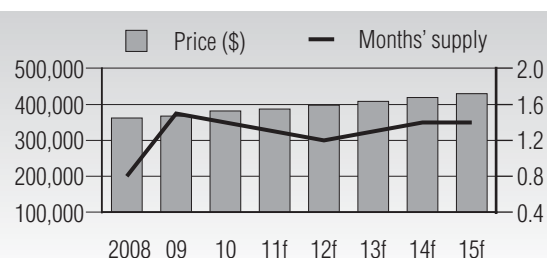
At the first sign of recovery, buyers were quick to return to the resale market. Boosted as well by low interest rates, Ottawa–Gatineau’s unit sales rose by 6.4 per cent in 2009. Sales continued to grow through the first quarter of 2010 as well, but then fell back as economic growth slowed in the second half of last year. The market was further hampered by the introduction of the HST on July 1, 2010, which raised closing costs on existing homes. In total, unit sales slipped 2.2 per cent last year. This year, rising interest rates and tightening mortgage rules are expected to result in a further 2.6 per cent decline in unit sales. By next year, unit sales are forecast to rise modestly, up 3.1 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, in line with stronger employment and income growth.

Price growth in the resale market was solid through 2009 and 2010, rising 6.5 per cent per year, on average. In level terms, the average price of an existing home topped \$300,000 for the first time last year—double what it was in 2000. Reduced demand is expected to slow price growth to 3 per cent in 2011. Over 2012 to 2105, resale prices are forecast to increase by an annual average of 2.8 per cent, as growth in sales is met by higher listings.

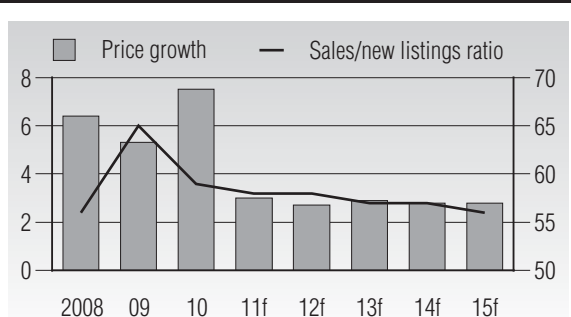
NEW HOUSING MARKET

By the mid-1990s, Ottawa–Gatineau’s new home market was also beginning to expand at a rapid pace, thanks to strength in the economy and spillover demand from the resale market. Housing starts increased 18 per cent on an average annual basis from 1996 to 2002, to reach 10,200 units—their highest level since 1988. Still, even with this annual growth, months’ supply initially fell, as demand rose faster than supply. As a result, price growth also picked up by 2000, to an average of 8.9 per cent per year from 2000 to 2002.

Lower economic growth then reduced demand in the new home market from 2003 to 2007. With months’ supply headed back upward, builders held starts relatively flat during these years. Growth in new home prices slipped to 4 per cent per year on average, reaching nearly \$350,000 by 2007.

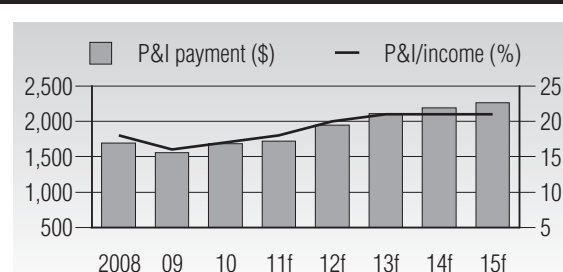
Housing starts rose significantly in the first quarter of 2008, resulting in a 12.9 per cent increase for the year overall. However, as in the resale market, rumblings of a global recession quickly reduced demand—starts fell in each of the next six quarters, to end 2009 down 14 per cent. In

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

	2008	2009	2010	2011f	2012f	2013f	2014f	2015f
Real GDP at basic prices (2002 \$ millions)	46,304	45,769	46,985	48,002	49,109	50,484	51,899	53,356
	<i>1.2</i>	<i>-1.2</i>	<i>2.7</i>	<i>2.2</i>	<i>2.3</i>	<i>2.8</i>	<i>2.8</i>	<i>2.8</i>
Total employment (000s)	680	671	687	690	702	715	725	737
	<i>3.8</i>	<i>-1.3</i>	<i>2.4</i>	<i>0.4</i>	<i>1.8</i>	<i>1.8</i>	<i>1.5</i>	<i>1.6</i>
Unemployment rate (%)	4.8	5.7	6.6	6.3	6.0	5.6	5.4	5.3
Personal income per capita (\$)	41,738	41,709	42,715	43,267	44,564	46,077	47,587	49,137
	<i>2.9</i>	<i>-0.1</i>	<i>2.4</i>	<i>1.3</i>	<i>3.0</i>	<i>3.4</i>	<i>3.3</i>	<i>3.3</i>
Population (000s)	1,200	1,219	1,239	1,254	1,264	1,276	1,290	1,307
	<i>1.4</i>	<i>1.5</i>	<i>1.7</i>	<i>1.2</i>	<i>0.8</i>	<i>0.9</i>	<i>1.1</i>	<i>1.3</i>
Retail sales (\$ millions)	15,201	15,071	15,877	16,644	17,224	17,889	18,607	19,325
	<i>5.6</i>	<i>-0.9</i>	<i>5.3</i>	<i>4.8</i>	<i>3.5</i>	<i>3.9</i>	<i>4.0</i>	<i>3.9</i>
Inflation rate (%)	2.2	0.6	2.5	2.4	2.1	2.4	2.1	2.1

Italics indicate percentage change.

Sources: The Conference Board of Canada; Statistics Canada.

spite of the decline, months' supply doubled, going from 0.8 months in 2008 to 1.5 months in 2009. In turn, price growth in the new home market slipped to 1.5 per cent—the lowest level of growth since 1998.

With months' supply heading down again last year, builders were encouraged to increase housing

starts by 2.6 per cent. Increased demand also helped drive up new home price growth to 4 per cent for 2010. But housing starts are forecast to decline by 9.2 per cent in 2011 and 6.6 per cent in 2012, as the combination of rising interest rates, slower resale housing market activity, tighter mortgage rules, and slower overall economic growth dampens demand.

Growth in new home prices is expected to drop to 1.4 per cent this year. Through the medium term, 2012 to 2015, stable months' supply will keep price growth in the new home market to an average of 2.6 per cent per year.

Table 2—New Housing Market Indicators

	2008	2009	2010	2011f	2012f	2013f	2014f	2015f
Housing starts	10,374	8,920	9,152	8,307	7,762	7,683	7,807	7,953
	<i>12.9</i>	<i>-14.0</i>	<i>2.6</i>	<i>-9.2</i>	<i>-6.6</i>	<i>-1.0</i>	<i>1.6</i>	<i>1.9</i>
Singles	4,083	3,510	3,306	3,245	3,101	3,220	3,311	3,374
	<i>3.0</i>	<i>-14.0</i>	<i>-5.8</i>	<i>-1.8</i>	<i>-4.4</i>	<i>3.8</i>	<i>2.8</i>	<i>1.9</i>
Multiples	6,291	5,410	5,846	5,061	4,661	4,463	4,496	4,579
	<i>20.5</i>	<i>-14.0</i>	<i>8.1</i>	<i>-13.4</i>	<i>-7.9</i>	<i>-4.2</i>	<i>0.7</i>	<i>1.8</i>
Under construction	6,707	6,093	6,171	5,544	5,129	5,071	5,213	5,424
	<i>18.0</i>	<i>-9.2</i>	<i>1.3</i>	<i>-10.2</i>	<i>-7.5</i>	<i>-1.1</i>	<i>2.8</i>	<i>4.0</i>
Housing completions	9,539	9,440	9,539	8,782	8,052	7,637	7,619	7,734
	<i>14.8</i>	<i>-1.0</i>	<i>1.0</i>	<i>-7.9</i>	<i>-8.3</i>	<i>-5.2</i>	<i>-0.2</i>	<i>1.5</i>
Singles	4,049	3,760	3,721	3,203	3,201	3,189	3,305	3,382
	<i>13.5</i>	<i>-7.1</i>	<i>-1.0</i>	<i>-13.9</i>	<i>-0.1</i>	<i>-0.4</i>	<i>3.6</i>	<i>2.3</i>
Multiples	5,490	5,680	5,818	5,580	4,851	4,448	4,314	4,353
	<i>15.7</i>	<i>3.5</i>	<i>2.4</i>	<i>-4.1</i>	<i>-13.1</i>	<i>-8.3</i>	<i>-3.0</i>	<i>0.9</i>
Newly completed and unabsorbed	665	1,106	1,089	976	830	825	869	912
	<i>-4.3</i>	<i>66.3</i>	<i>-1.6</i>	<i>-10.3</i>	<i>-15.0</i>	<i>-0.5</i>	<i>5.3</i>	<i>5.0</i>
Absorptions	9,696	8,816	9,668	8,976	8,155	7,605	7,574	7,692
	<i>19.7</i>	<i>-9.1</i>	<i>9.7</i>	<i>-7.2</i>	<i>-9.1</i>	<i>-6.7</i>	<i>-0.4</i>	<i>1.6</i>
Months' supply	0.8	1.5	1.4	1.3	1.2	1.3	1.4	1.4
Average price of a new home (\$)	362,324	367,853	382,463	387,817	397,512	407,848	418,452	428,913
	<i>3.7</i>	<i>1.5</i>	<i>4.0</i>	<i>1.4</i>	<i>2.5</i>	<i>2.6</i>	<i>2.6</i>	<i>2.5</i>

Italics indicate percentage change.

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

Table 3—Resale Housing Market Indicators

	2008	2009	2010	2011f	2012f	2013f	2014f	2015f
Unit sales	18,100	19,259	18,829	18,338	18,905	19,440	19,989	20,514
	<i>-6.4</i>	<i>6.4</i>	<i>-2.2</i>	<i>-2.6</i>	<i>3.1</i>	<i>2.8</i>	<i>2.8</i>	<i>2.6</i>
Dollar volume sales (\$ millions)	4,851	5,434	5,711	5,730	6,068	6,419	6,784	7,156
	<i>-0.5</i>	<i>12.0</i>	<i>5.1</i>	<i>0.3</i>	<i>5.9</i>	<i>5.8</i>	<i>5.7</i>	<i>5.5</i>
New listings	32,161	29,830	31,934	31,405	32,608	33,892	35,185	36,380
	<i>6.1</i>	<i>-7.2</i>	<i>7.1</i>	<i>-1.7</i>	<i>3.8</i>	<i>3.9</i>	<i>3.8</i>	<i>3.4</i>
Sales-to-new-listings ratio (%)	56	65	59	58	58	57	57	56
Average price of a resale home (\$)	268,004	282,148	303,298	312,444	320,972	330,210	339,388	348,822
	<i>6.4</i>	<i>5.3</i>	<i>7.5</i>	<i>3.0</i>	<i>2.7</i>	<i>2.9</i>	<i>2.8</i>	<i>2.8</i>

Italics indicate percentage change.

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

Winnipeg



Healthy output growth, rising employment, and record population increases have established a solid backdrop for Winnipeg housing markets. Economic and employment hikes are both poised to accelerate in 2012, following a decent 2011. A vigorous resale market is also in the cards, with brisk sales increases expected. Ongoing market balance will prompt further, albeit more restrained, price growth. Housing starts have been buoyed by sound population growth, which will continue throughout our forecast. Good housing affordability is another plus for this market.

Economic Outlook

Winnipeg's GDP grew 1.4 per cent during 2010. We expect this economy to expand 2 per cent in 2011, then nearly 2.7 per cent on average in the following two years. Although employment growth will ease to 1 per cent this year, slightly behind 2010's increase, a better 2.1 per cent rise is on tap for 2012. Unfortunately, such small employment gains will leave the unemployment rate unchanged at 5.6 per cent in both years. Still, newcomers attracted by the good economy boosted population growth to a record 1.5 per cent in 2010, with additional strong hikes expected in 2011 and 2012—something that bodes well for housing demand.

Housing Outlook

EXISTING HOUSING MARKET

Winnipeg's resale market continues to be healthy. Existing home

sales finished 2010 briskly, outpacing growth in listings supply. This pushed the market's stance close to a sellers' position and resulted in double-digit price growth. However, the average price for an existing home in Winnipeg is still lower than in any of the other cities in this report—the legacy of a vast oversupply of listings in the 1990s.

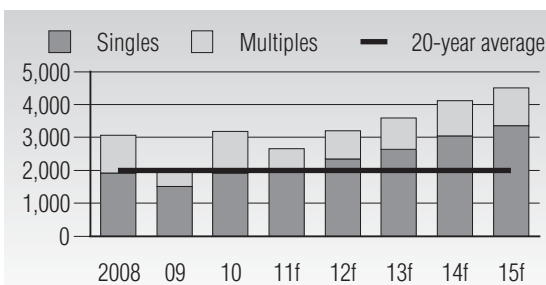
Housing demand remains solid. Sales ended 2010 at the year's highpoint, at an annualized 12,200 units during the fourth quarter. This brought annual transactions to 11,570 units, up 0.6 per cent from 2009 and near the five-year average. Sales edged up to 12,700 units in the first quarter of 2011, as buyers sought to beat April's mortgage rule tightening, but are expected to cool over the course of the year, to end 2011 only slightly higher, at 11,900 units. Little change is on tap for 2012, although steady

increases are forecast to lift volumes above 12,800 units by 2015.

The advance in sales outpaced the increase in new listings during both the fourth quarter of 2010 and the first quarter of 2011. But for the year 2011 as a whole, sales will increase only modestly, leaving vendors unmotivated and thus listings largely unchanged. Stronger demand in subsequent years will attract more listings, but not to the volume seen during the late 1980s and early 1990s.

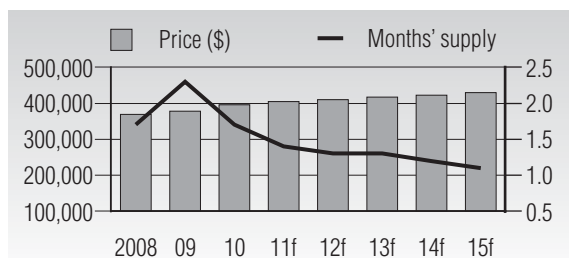
Although the relatively rapid increase in listings in 2010 shaved Winnipeg's sales-to-new-listings ratio to 72.4 per cent, the ratio remained near the top of this market's balanced stance. And the fourth quarter's ratio was the year's highest. The ratio edged up again in the first quarter of 2011, while remaining within a balanced market range. These recent increases

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.

should be enough to lift the full year's average ratio to nearly 75 per cent, a four-year high—even though growth in listings is expected to modestly outpace sales growth over the rest of the year.

This strong market lifted prices in each of 2010's four quarters, resulting in an annual increase of 10.3 per cent for the year 2010 as a whole. This was the seventh double-digit percentage jump in the past eight years. Such growth is unsustainable. We expect average prices to rise 5.7 per cent in 2011 and by an average of 3.2 per cent annually thereafter.

Despite the recent strong price growth, resale affordability remains relatively favourable. Winnipeg's average existing home price is expected to be just 2.4 times average household income this year, a figure above only Edmonton's among our nine cities. Meanwhile, principle and interest charges on the average Winnipeg unit are expected to consume a modest 15.9 per cent of average household income in 2011.

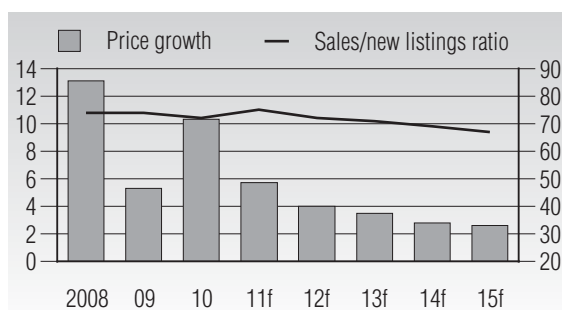
NEW HOUSING MARKET

Winnipeg housing starts have surfed the census metropolitan area's economic wave, exceeding 3,000 units in three of the past four

years. Solid population growth, a key ingredient in the performance of the new housing market in recent years, will continue unabated, allowing starts to keep on rising throughout our forecast. As elsewhere, the share of multiple-family starts is forecast to rise, driven by an aging population.

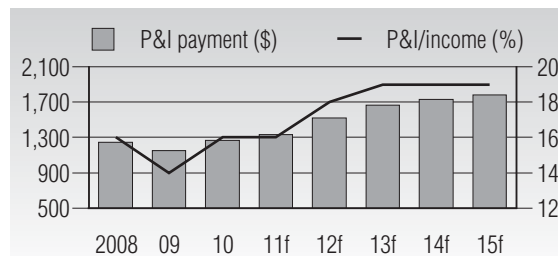
Winnipeg's decent economy has proven attractive to immigrants. Population growth hit a record 1.5 per cent in 2010, extending a four-year string of annual gains above 1 per cent. This has persistently buoyed new-home take-up; although absorptions dipped 10 per cent in 2010, they still exceeded 2,500 units for

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



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

Chart 4—Affordability



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

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

Table 1—Economic Indicators

	2008	2009	2010	2011f	2012f	2013f	2014f	2015f
Real GDP at basic prices (2002 \$ millions)	25,179 <i>1.6</i>	25,186 <i>0.0</i>	25,527 <i>1.4</i>	26,032 <i>2.0</i>	26,650 <i>2.4</i>	27,405 <i>2.8</i>	28,113 <i>2.6</i>	28,817 <i>2.5</i>
Total employment (000s)	401 <i>1.5</i>	401 <i>0.0</i>	408 <i>1.9</i>	413 <i>1.0</i>	421 <i>2.1</i>	427 <i>1.4</i>	431 <i>1.0</i>	435 <i>0.9</i>
Unemployment rate (%)	4.3	5.5	5.7	5.6	5.6	5.4	5.0	5.0
Personal income per capita (\$)	36,258 <i>3.4</i>	36,220 <i>-0.1</i>	36,724 <i>1.4</i>	37,309 <i>1.6</i>	38,534 <i>3.3</i>	39,736 <i>3.1</i>	40,864 <i>2.8</i>	42,025 <i>2.8</i>
Population (000s)	732 <i>1.2</i>	742 <i>1.4</i>	754 <i>1.5</i>	764 <i>1.4</i>	774 <i>1.3</i>	783 <i>1.2</i>	792 <i>1.2</i>	801 <i>1.1</i>
Retail sales (\$ millions)	9,286 <i>5.6</i>	9,235 <i>-0.5</i>	9,791 <i>6.0</i>	10,057 <i>2.7</i>	10,394 <i>3.4</i>	10,746 <i>3.4</i>	11,074 <i>3.0</i>	11,388 <i>2.8</i>
Inflation rate (%)	2.3	0.6	0.8	2.1	2.0	2.2	2.0	1.9

Italics indicate percentage change.

Sources: The Conference Board of Canada; Statistics Canada.

the fifth straight year. Ongoing strong population growth will lift absorptions 18 per cent to nearly 3,000 units this year, with steady increases in the cards thereafter. Such robust demand is keeping builder inventories well contained. The number of completed and unoccupied units averaged only 347 units during 2010, the fewest

in three years. Continued sound absorption will keep such stocks low this year and next.

Such good fundamentals have propelled Winnipeg housing starts well above the 2,000-unit average of the prior 20 years. Last year's 3,200 starts represented a 60 per cent gain from a recession-induced

35 per cent dip in 2009 and were the most since 2007. Although builders are expected to break ground on only 2,700 homes this year, the pause will be temporary. We expect starts to again surmount the 3,000-unit threshold next year and post steady gains thereafter. By 2015, we expect Winnipeg to see roughly 4,500 housing starts.

Table 2—New Housing Market Indicators

	2008	2009	2010	2011f	2012f	2013f	2014f	2015f
Housing starts	3,077	1,998	3,190	2,664	3,206	3,600	4,113	4,506
	<i>-11.7</i>	<i>-35.1</i>	<i>59.6</i>	<i>-16.5</i>	<i>20.3</i>	<i>12.3</i>	<i>14.3</i>	<i>9.5</i>
Singles	1,919	1,507	1,913	1,964	2,343	2,633	3,044	3,366
	<i>2.8</i>	<i>-21.5</i>	<i>26.9</i>	<i>2.6</i>	<i>19.3</i>	<i>12.4</i>	<i>15.6</i>	<i>10.6</i>
Multiples	1,157	491	1,277	701	863	967	1,069	1,140
	<i>-28.4</i>	<i>-57.6</i>	<i>160.0</i>	<i>-45.1</i>	<i>23.1</i>	<i>12.1</i>	<i>10.6</i>	<i>6.6</i>
Under construction	2,420	1,622	1,852	1,972	1,839	1,889	1,978	2,034
	<i>8.4</i>	<i>-33.0</i>	<i>14.1</i>	<i>6.5</i>	<i>-6.7</i>	<i>2.7</i>	<i>4.7</i>	<i>2.8</i>
Housing completions	3,543	2,670	2,388	3,007	3,193	3,549	4,013	4,478
	<i>36.8</i>	<i>-24.6</i>	<i>-10.6</i>	<i>25.9</i>	<i>6.2</i>	<i>11.1</i>	<i>13.1</i>	<i>11.6</i>
Singles	1,927	1,620	1,790	1,943	2,339	2,620	2,977	3,354
	<i>12.9</i>	<i>-15.9</i>	<i>10.5</i>	<i>8.6</i>	<i>20.4</i>	<i>12.0</i>	<i>13.6</i>	<i>12.7</i>
Multiples	1,616	1,050	598	1,064	854	929	1,036	1,125
	<i>83.0</i>	<i>-35.0</i>	<i>-43.0</i>	<i>77.9</i>	<i>-19.7</i>	<i>8.7</i>	<i>11.5</i>	<i>8.6</i>
Newly completed and unabsorbed	471	545	347	344	348	384	399	397
	<i>69.6</i>	<i>15.7</i>	<i>-36.3</i>	<i>-1.0</i>	<i>1.3</i>	<i>10.4</i>	<i>3.8</i>	<i>-0.5</i>
Absorptions	3,235	2,808	2,523	2,976	3,197	3,496	4,007	4,485
	<i>24.7</i>	<i>-13.2</i>	<i>-10.1</i>	<i>17.9</i>	<i>7.4</i>	<i>9.4</i>	<i>14.6</i>	<i>11.9</i>
Months' supply	1.7	2.3	1.7	1.4	1.3	1.3	1.2	1.1
Average price of a new home (\$)	369,082	378,375	396,430	404,358	410,828	416,990	423,245	429,594
	<i>10.2</i>	<i>2.5</i>	<i>4.8</i>	<i>2.0</i>	<i>1.6</i>	<i>1.5</i>	<i>1.5</i>	<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

	2008	2009	2010	2011f	2012f	2013f	2014f	2015f
Unit sales	11,854	11,509	11,573	11,906	11,875	12,189	12,497	12,826
	<i>-3.8</i>	<i>-2.9</i>	<i>0.6</i>	<i>2.9</i>	<i>-0.3</i>	<i>2.6</i>	<i>2.5</i>	<i>2.6</i>
Dollar volume sales (\$ millions)	2,335	2,386	2,647	2,879	2,987	3,173	3,344	3,521
	<i>8.8</i>	<i>2.2</i>	<i>10.9</i>	<i>8.8</i>	<i>3.7</i>	<i>6.2</i>	<i>5.4</i>	<i>5.3</i>
New listings	16,051	15,478	15,975	15,948	16,395	17,273	18,131	19,012
	<i>10.8</i>	<i>-3.6</i>	<i>3.2</i>	<i>-0.2</i>	<i>2.8</i>	<i>5.4</i>	<i>5.0</i>	<i>4.9</i>
Sales-to-new-listings ratio (%)	74	74	72	75	72	71	69	67
Average price of a resale home (\$)	196,940	207,342	228,686	241,826	251,540	260,304	267,562	274,492
	<i>13.1</i>	<i>5.3</i>	<i>10.3</i>	<i>5.7</i>	<i>4.0</i>	<i>3.5</i>	<i>2.8</i>	<i>2.6</i>

Italics indicate percentage change.
Sources: The Conference Board of Canada; Canadian Real Estate Association.

Calgary



Calgary's economy and housing market are regaining their footing as oil prices improve and the global economy recovers. GDP growth is expected to hit a five-year high in 2011 and then remain brisk, allowing employment to rebound from two annual losses. The resale market, currently balanced, is forecast to be weak in 2011 and gain strength only gradually thereafter. Following a 6.8 per cent anticipated drop this year, housing starts will be propelled to stronger levels thanks to continued sound population growth.

Economic Outlook

Recovering oil prices underpin our forecast of 3.4 per cent GDP growth in Calgary in 2011, the fastest in five years. Annual advances between 2012 and 2014 are slated to exceed 4 per cent. After two annual losses, employment will rise 3 per cent this year, in line with the economic recovery, cutting the unemployment rate from 6.8 per cent last year to 6.3 per cent in 2011. Better job conditions will attract newcomers to the area again, resulting in population growth of 1.7 per cent this year and back above 2 per cent per year in the medium term.

Housing Outlook

EXISTING HOUSING MARKET

Balanced conditions continue in Calgary's resale market despite soft demand. Following a strong finish to 2009, sales sagged in last year's

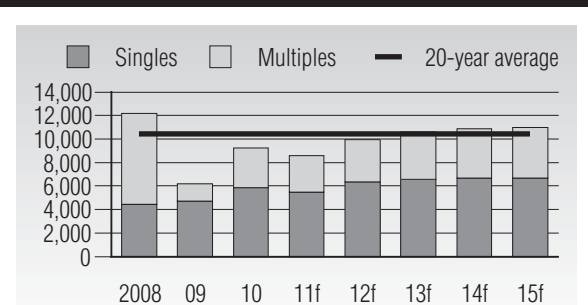
second quarter. The third quarter's annualized 19,000-unit volume was a six-quarter low. And, while listings declined in the second half of 2010, their early-year bounce considerably boosted supply, triggering price declines. Sales opened 2011 decently; the resulting market tightening should enliven prices. Homes remain relatively affordable in Calgary. Compared with local household incomes, both resale prices and mortgage carrying charges remain below our nine-city average.

Annualized sales rose 11 per cent in the first quarter of 2011, the second straight quarterly advance. Sales are forecast to flatten through the rest of 2011, but their first-quarter spurt will lift this year's overall total nearly 6.7 per cent to roughly 22,400 units. Modest annual increases thereafter will lift sales to above 25,700 units by 2015, historically decent, but well off the peaks recorded in the mid-2000s.

Encouraged by the strong level of sales at the end of 2009, home sellers ramped up listings to a seven-quarter high in 2010's second quarter. Although listings subsequently eased, they still ended 2010 up 11 per cent from 2009's tepid volume. The market's improved tone in the first quarter of this year has prompted a modest supply increase, but listings are forecast to level off later this year, as sales hover. This will put 2011 listings near 40,900 units, down 12 per cent from 2010. This year's improved sales should limit the decline in listings to 7 per cent in 2012, after which small increases in listings are forecast.

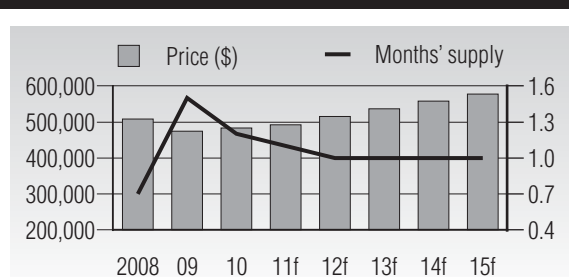
Calgary's sales-to-new-listings ratio has portrayed a balanced market, at best, since the city's boom ended in mid-2007, with only a brief foray into sellers' territory in mid-2009. Last year's ratio of 45.4 per cent was the third-lowest annual mark on records (which go back to 1988)

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.

and a significant decline from 2009's reading near 60 per cent. Still, the ratio approached 51 per cent in 2011's first quarter, the best figure since 2009, thanks to higher sales. Our expectation of small sales rises and listings drops will nudge the ratio higher, putting it at 54.8 per cent for 2011. Faster growth in sales than in listings will bump the ratio to 63 per cent by 2015.

Last year's 3.3 per cent advance in Calgary's average resale house price followed two annual declines, but still left the average value at 3.6 per cent below its 2007 peak. Our forecast of continued market balance will

limit price increases to 0.6 per cent this year although price growth will accelerate. This will allow local incomes to catch up slightly to house prices after lagging seriously during the boom. Unfortunately, rising interest rates will ultimately erode some of these gains. Principle and interest charges as a share of household income are forecast to dip slightly this year, but should rise slightly thereafter.

NEW HOUSING MARKET

Decent absorption of new homes in last year's second half overcame a significant increase in new-unit completions to trim the

number of completed and unoccupied units to a 2½-year low in the first quarter of 2011. But a modest slowdown in absorptions expected this year will keep builders cautious, despite this year's expected drop in builder inventories. Ongoing population hikes, while trailing boom-era levels, will fuel starts increases as of 2012.

Although the dip in population growth to 1.7 per cent forecast for 2011 will be the smallest hike since 1993, the ratio of both housing starts and new unit take-up to population increases has significantly trailed historical averages for two straight

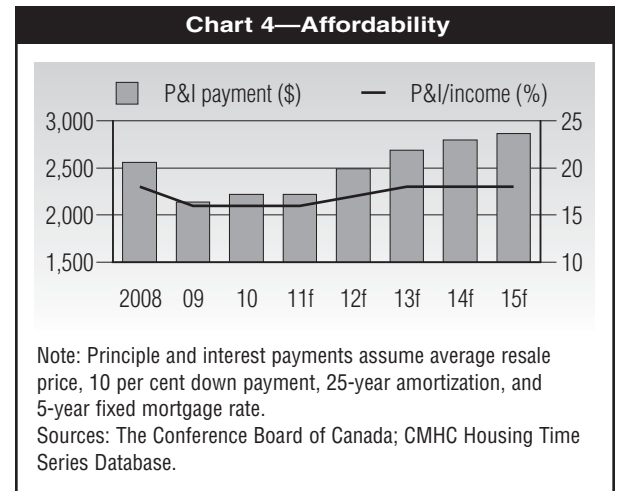
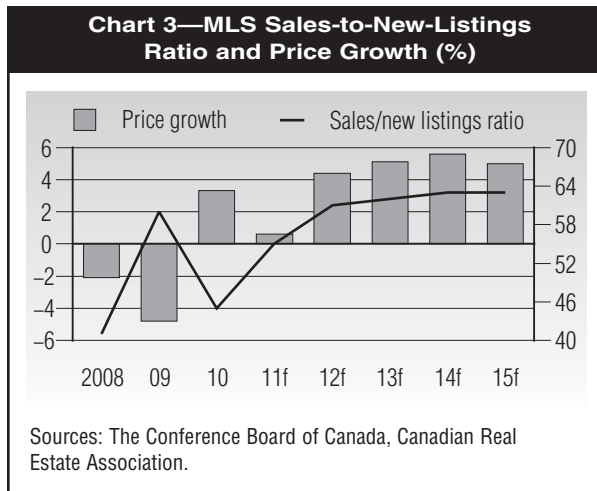


Table 1—Economic Indicators

	2008	2009	2010	2011f	2012f	2013f	2014f	2015f
Real GDP at basic prices (2002 \$ millions)	63,762 <i>1.5</i>	61,088 <i>-4.2</i>	63,045 <i>3.2</i>	65,204 <i>3.4</i>	67,863 <i>4.1</i>	70,768 <i>4.3</i>	73,708 <i>4.2</i>	76,685 <i>4.0</i>
Total employment (000s)	718 <i>4.1</i>	713 <i>-0.7</i>	705 <i>-1.2</i>	725 <i>3.0</i>	753 <i>3.8</i>	771 <i>2.4</i>	787 <i>2.1</i>	802 <i>1.8</i>
Unemployment rate (%)	3.5	6.7	6.8	6.3	5.7	5.3	4.7	4.5
Personal income per capita (\$)	54,953 <i>3.0</i>	53,096 <i>-3.4</i>	54,364 <i>2.4</i>	56,101 <i>3.2</i>	58,447 <i>4.2</i>	60,402 <i>3.3</i>	62,251 <i>3.1</i>	64,162 <i>3.1</i>
Population (000s)	1,187 <i>2.8</i>	1,220 <i>2.8</i>	1,243 <i>1.8</i>	1,264 <i>1.7</i>	1,290 <i>2.1</i>	1,316 <i>2.0</i>	1,342 <i>2.0</i>	1,368 <i>1.9</i>
Retail sales (\$ millions)	22,339 <i>-1.3</i>	20,435 <i>-8.5</i>	21,589 <i>5.6</i>	22,973 <i>6.4</i>	24,255 <i>5.6</i>	25,560 <i>5.4</i>	26,933 <i>5.4</i>	28,344 <i>5.2</i>
Inflation rate (%)	3.2	-0.1	0.8	1.6	1.9	2.1	2.1	1.8

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

years, suggesting future population additions will require new construction. Combined with an expected rebound in population growth to above 2 per cent in both 2012 and 2013, this latent housing shortfall signals decent underpinnings for the future of new home construction in Calgary.

Still, the immediate term looks rocky. Absorptions fell sharply in the first quarter of 2011 and are expected to remain soft, ending the year down 16 per cent to near 9,000 units. Modest improvement starting in 2012 will lift absorptions to nearly 11,000 units by 2015. This will ultimately energize starts, but not before they fall

6.8 per cent to 8,600 units this year—the second-lowest figure in the past 15 years. Our call is for starts to pick up to nearly 10,000 units in 2012, with small increases thereafter taking them to just under 11,000 units by 2015. Such projections leave the 2006 peak of 16,950 units unchallenged.

Table 2—New Housing Market Indicators

	2008	2009	2010	2011f	2012f	2013f	2014f	2015f
Housing starts	12,186	6,182	9,240	8,607	9,967	10,610	10,889	10,995
	<i>-9.3</i>	<i>-49.3</i>	<i>49.5</i>	<i>-6.8</i>	<i>15.8</i>	<i>6.5</i>	<i>2.6</i>	<i>1.0</i>
Singles	4,428	4,698	5,848	5,473	6,343	6,593	6,692	6,683
	<i>-43.0</i>	<i>6.1</i>	<i>24.5</i>	<i>-6.4</i>	<i>15.9</i>	<i>3.9</i>	<i>1.5</i>	<i>-0.1</i>
Multiples	7,758	1,484	3,392	3,134	3,624	4,017	4,197	4,312
	<i>37.0</i>	<i>-80.9</i>	<i>128.6</i>	<i>-7.6</i>	<i>15.6</i>	<i>10.8</i>	<i>4.5</i>	<i>2.7</i>
Under construction	13,784	9,363	8,536	7,866	8,123	8,717	9,045	9,183
	<i>-5.8</i>	<i>-32.1</i>	<i>-8.8</i>	<i>-7.8</i>	<i>3.3</i>	<i>7.3</i>	<i>3.8</i>	<i>1.5</i>
Housing completions	14,195	8,238	10,991	8,610	9,382	10,091	10,663	10,902
	<i>8.3</i>	<i>-42.0</i>	<i>33.4</i>	<i>-21.7</i>	<i>9.0</i>	<i>7.6</i>	<i>5.7</i>	<i>2.2</i>
Singles	6,908	4,291	6,364	5,103	5,996	6,503	6,643	6,673
	<i>-24.5</i>	<i>-37.9</i>	<i>48.3</i>	<i>-19.8</i>	<i>17.5</i>	<i>8.4</i>	<i>2.2</i>	<i>0.4</i>
Multiples	7,287	3,947	4,627	3,508	3,386	3,589	4,019	4,229
	<i>83.9</i>	<i>-45.8</i>	<i>17.2</i>	<i>-24.2</i>	<i>-3.5</i>	<i>6.0</i>	<i>12.0</i>	<i>5.2</i>
Newly completed and unabsorbed	831	1,014	1,031	782	752	804	861	889
	<i>59.6</i>	<i>22.1</i>	<i>1.7</i>	<i>-24.1</i>	<i>-3.9</i>	<i>6.9</i>	<i>7.1</i>	<i>3.3</i>
Absorptions	13,732	8,351	10,746	9,007	9,375	10,025	10,617	10,881
	<i>4.6</i>	<i>-39.2</i>	<i>28.7</i>	<i>-16.2</i>	<i>4.1</i>	<i>6.9</i>	<i>5.9</i>	<i>2.5</i>
Months' supply	0.7	1.5	1.2	1.0	1.0	1.0	1.0	1.0
Average price of a new home (\$)	508,180	474,307	482,596	493,213	514,915	536,541	558,539	577,529
	<i>0.7</i>	<i>-6.7</i>	<i>1.7</i>	<i>2.2</i>	<i>4.4</i>	<i>4.2</i>	<i>4.1</i>	<i>3.4</i>

Italics indicate percentage change.

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

Table 3—Resale Housing Market Indicators

	2008	2009	2010	2011f	2012f	2013f	2014f	2015f
Unit sales	23,138	24,881	20,996	22,399	23,180	24,034	24,891	25,726
	<i>-28.1</i>	<i>7.5</i>	<i>-15.6</i>	<i>6.7</i>	<i>3.5</i>	<i>3.7</i>	<i>3.6</i>	<i>3.4</i>
Dollar volume sales (\$ millions)	9,376	9,601	8,372	8,988	9,711	10,586	11,584	12,576
	<i>-29.6</i>	<i>2.4</i>	<i>-12.8</i>	<i>7.4</i>	<i>8.0</i>	<i>9.0</i>	<i>9.4</i>	<i>8.6</i>
New listings	56,187	41,640	46,278	40,880	38,167	38,536	39,621	40,867
	<i>3.7</i>	<i>-25.9</i>	<i>11.1</i>	<i>-11.7</i>	<i>-6.6</i>	<i>1.0</i>	<i>2.8</i>	<i>3.1</i>
Sales-to-new-listings ratio (%)	41	60	45	55	61	62	63	63
Average price of a resale home (\$)	405,232	385,866	398,764	401,275	418,916	440,480	465,367	488,825
	<i>-2.1</i>	<i>-4.8</i>	<i>3.3</i>	<i>0.6</i>	<i>4.4</i>	<i>5.1</i>	<i>5.6</i>	<i>5.0</i>

Italics indicate percentage change.

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

Edmonton



Healthy economic growth in Edmonton will end two years of employment declines. A resulting dip in the unemployment rate should prevent further erosion in the rate of population growth and support a modest improvement in housing markets. For now, the construction market is impaired by high builder inventories and slowing new-unit absorptions. Housing starts sagged during the first quarter of 2011 and are expected to drop significantly for the year as a whole. Starts should then improve but remain below peaks in 2006 and 2007.

Economic Outlook

After rebounding from the recession with 3.8 per cent GDP growth in 2010, Edmonton's economy will expand by another 3.1 per cent this year. This will boost employment growth to 2.8 per cent and cut the unemployment rate to 6 per cent from 6.7 per cent in 2010. The medium-term outlook features GDP hikes well above 3 per cent. Resulting job growth will cut the unemployment rate to 4.8 per cent by 2015. This should keep the population rising by 1.5 per cent on average between 2011 and 2015, near the 1.7 per cent average of the past 20 years.

Housing Outlook

EXISTING HOUSING MARKET

Edmonton's resale market has largely been in a buyers' or border-line-balanced position since 2007, except for a brief period in 2009.

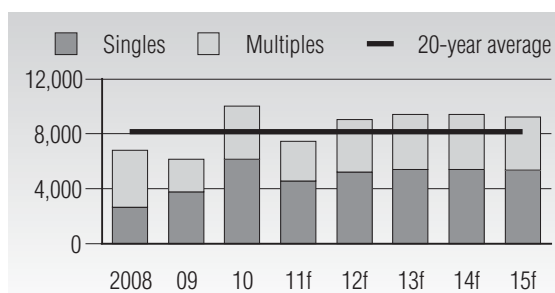
A listings pickup in early 2010 gave homebuyers more choice and softened prices, although prices fell in only one quarter on a year-over-year basis. A good economic outlook should ultimately buoy the market, although 2011 looks like another challenging year. Unit sales eased to an annualized 16,000 units during the first quarter of 2011, the latest of several uneven quarters. Such choppiness resulted in a 14.3 per cent decline in sales in 2010 to a seven-year low of 16,400 units, with little change expected this year. Thereafter, ongoing population and employment growth will propel sales gains each year.

Strong sales in 2009 attracted sellers to the market, lifting listings in the first half of 2010, but bumpy mid-year sales unnerved vendors and listings fell. Still, the early-year upswing propelled listings to a 7.9 per cent rise for 2010. Although listings edged higher in 2011's first quarter,

unsettled market conditions are forecast to trim these gains, resulting in an anticipated 8 per cent listings decline for 2011 as a whole. The medium term is expected to feature little change in supply, with listings forecast to remain almost flat throughout the forecast horizon.

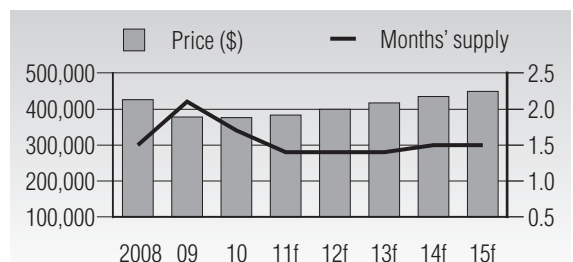
The combination of falling sales and rising listings in 2010 dropped the market into a fairly weak balanced position at mid-year, flirting with a buyers' stance, and it has since recovered only modestly. The sales-to-new-listings ratio fell to the mid-40 per cent range during the second and third quarters of 2010 and recovered only to 53.6 per cent in the fourth quarter. The ratio then eased to 50 per cent in 2011's opening quarter, but should rise modestly through the rest of the year. We expect the 2011 annual average figure to come in at 53.9 per cent, which will represent only a modest improvement from 2010. Future sales increases will

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.

ultimately propel the ratio to 64.4 per cent by 2015.

This murky market has clouded pricing. Although Edmonton's average price advanced 2.6 per cent in 2010 to \$328,800, this growth masked three quarterly price declines. Prices dipped another 1.2 per cent in the first quarter of 2011. This is forecast to limit price growth to 0.1 per cent for the year 2011 as a whole. While increased sales will prompt decent price growth of 3.6 per cent on average between 2012 and 2015, Edmonton's average resale price is forecast to remain below its 2007 peak until 2013. Easing prices will

help affordability this year: the ratio of both average house prices and carrying charges to local incomes is predicted to decline this year. Rising interest rates in subsequent years will boost the carrying charges' bite of local incomes, notwithstanding a levelling of the house-price-to-income ratio.

NEW HOUSING MARKET

Inventories of new homes were high by historical standards through much of 2010, despite a leap in absorptions late last year that trimmed them. Combined with our expectation of falling absorptions this year, these high inventories should produce

fewer housing starts in 2011. Next year looks better, with another drop in the number of completed and unoccupied new homes encouraging home builders. Moderate population growth will nudge starts higher, but not to 2006–2007 peaks.

While Edmonton's economy snapped back nicely during 2010, hangover from the 2009 recession sliced the year's estimated population growth below 2 per cent, the first such reading since 2004. Population growth is forecast to remain relatively subdued by recent historical standards, despite rising employment; we expect this year's 1.5 per cent population gain

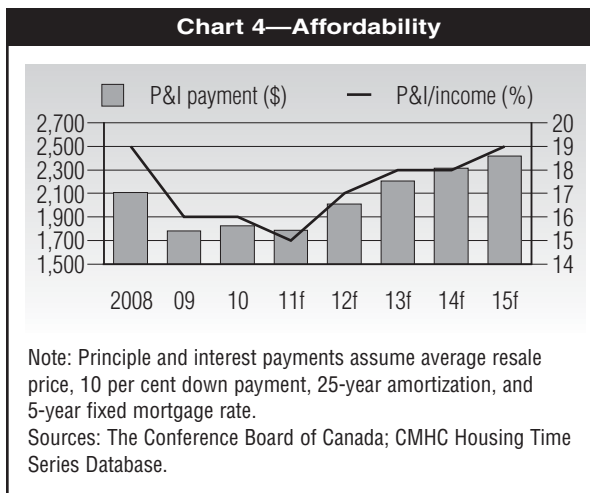
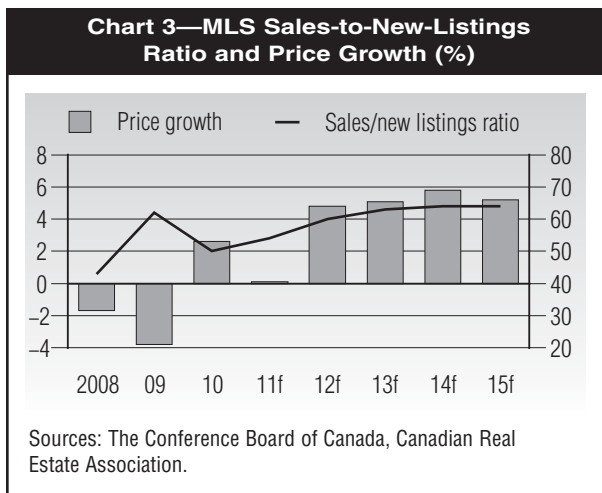


Table 1—Economic Indicators

	2008	2009	2010	2011f	2012f	2013f	2014f	2015f
Real GDP at basic prices (2002 \$ millions)	51,904	49,658	51,548	53,134	55,150	57,222	59,262	61,219
	<i>2.6</i>	<i>-4.3</i>	<i>3.8</i>	<i>3.1</i>	<i>3.8</i>	<i>3.8</i>	<i>3.6</i>	<i>3.3</i>
Total employment (000s)	642	638	633	651	670	683	694	703
	<i>4.3</i>	<i>-0.8</i>	<i>-0.7</i>	<i>2.8</i>	<i>3.0</i>	<i>1.9</i>	<i>1.5</i>	<i>1.4</i>
Unemployment rate (%)	3.8	6.7	6.7	6.0	5.9	5.6	5.1	4.8
Personal income per capita (\$)	46,654	45,386	46,617	48,057	49,858	51,459	52,990	54,604
	<i>6.8</i>	<i>-2.7</i>	<i>2.7</i>	<i>3.1</i>	<i>3.7</i>	<i>3.2</i>	<i>3.0</i>	<i>3.0</i>
Population (000s)	1,128	1,156	1,176	1,194	1,215	1,234	1,253	1,270
	<i>2.2</i>	<i>2.6</i>	<i>1.7</i>	<i>1.5</i>	<i>1.7</i>	<i>1.6</i>	<i>1.5</i>	<i>1.4</i>
Retail sales (\$ millions)	20,331	18,685	19,782	20,978	22,088	23,159	24,265	25,357
	<i>1.8</i>	<i>-8.1</i>	<i>5.9</i>	<i>6.0</i>	<i>5.3</i>	<i>4.9</i>	<i>4.8</i>	<i>4.5</i>
Inflation rate (%)	3.4	0.2	1.0	1.7	1.9	2.1	2.1	1.8

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

to be followed by rises averaging 1.6 per cent annually between 2012 and 2015. Slowing population hikes have sliced absorptions to below 10,000 units in each of the previous two years, and another dip is in the cards this year. Still, population growth should keep absorptions above long-term norms in the coming years, albeit nowhere near their 2006 peak.

Moderating absorptions are weighing on developers, who trimmed total housing starts to an annualized 6,600 units (a seven-quarter low) during the first quarter of 2011. The pullback followed a strong gain in 2010 to above 10,000 units. Construction volumes are forecast to improve modestly during the rest of 2011, but not enough to prevent

housing starts from declining by 25.6 per cent to roughly 7,500 units for the year 2011 as a whole. The drop in starts is expected to trim builder inventories over the next two years, despite slowing absorptions, and underpin a 26.3 per cent hike in starts to over 9,400 units by 2013. Starts are forecast to hover near this level in 2014 and 2015.

Table 2—New Housing Market Indicators

	2008	2009	2010	2011f	2012f	2013f	2014f	2015f
Housing starts	6,783	6,123	10,033	7,381	8,929	9,401	9,397	9,229
	<i>-54.6</i>	<i>-9.7</i>	<i>63.8</i>	<i>-26.4</i>	<i>21.0</i>	<i>5.3</i>	<i>0.0</i>	<i>-1.8</i>
Singles	2,659	3,777	6,134	4,203	5,042	5,361	5,404	5,352
	<i>-65.4</i>	<i>42.1</i>	<i>62.4</i>	<i>-31.5</i>	<i>20.0</i>	<i>6.3</i>	<i>0.8</i>	<i>-0.9</i>
Multiples	4,124	2,346	3,898	3,178	3,887	4,039	3,994	3,877
	<i>-43.1</i>	<i>-43.1</i>	<i>66.1</i>	<i>-18.5</i>	<i>22.3</i>	<i>3.9</i>	<i>-1.1</i>	<i>-2.9</i>
Under construction	13,989	8,502	8,686	8,557	8,844	9,531	9,825	9,916
	<i>-6.2</i>	<i>-39.2</i>	<i>2.2</i>	<i>-1.5</i>	<i>3.4</i>	<i>7.8</i>	<i>3.1</i>	<i>0.9</i>
Housing completions	11,217	9,232	9,443	8,144	8,083	8,891	9,213	9,183
	<i>-5.3</i>	<i>-17.7</i>	<i>2.3</i>	<i>-13.8</i>	<i>-0.7</i>	<i>10.0</i>	<i>3.6</i>	<i>-0.3</i>
Singles	6,224	3,107	5,433	4,813	4,677	5,308	5,399	5,388
	<i>-18.5</i>	<i>-50.1</i>	<i>74.9</i>	<i>-11.4</i>	<i>-2.8</i>	<i>13.5</i>	<i>1.7</i>	<i>-0.2</i>
Multiples	4,993	6,125	4,010	3,330	3,406	3,583	3,814	3,795
	<i>18.9</i>	<i>22.7</i>	<i>-34.5</i>	<i>-17.0</i>	<i>2.3</i>	<i>5.2</i>	<i>6.4</i>	<i>-0.5</i>
Newly completed and unabsorbed	1,361	1,591	1,395	980	937	1,057	1,113	1,145
	<i>60.0</i>	<i>17.0</i>	<i>-12.4</i>	<i>-29.7</i>	<i>-4.4</i>	<i>12.8</i>	<i>5.3</i>	<i>2.8</i>
Absorptions	10,801	9,191	9,604	8,590	8,028	8,793	9,174	9,154
	<i>-7.5</i>	<i>-14.9</i>	<i>4.5</i>	<i>-10.6</i>	<i>-6.5</i>	<i>9.5</i>	<i>4.3</i>	<i>-0.2</i>
Months' supply	1.5	2.1	1.7	1.4	1.4	1.4	1.5	1.5
Average price of a new home (\$)	426,465	378,764	375,844	384,113	399,477	416,655	434,987	449,777
	<i>1.0</i>	<i>-11.2</i>	<i>-0.8</i>	<i>2.2</i>	<i>4.0</i>	<i>4.3</i>	<i>4.4</i>	<i>3.4</i>

Italics indicate percentage change.
Sources: The Conference Board of Canada; CMHC Housing Time Series Database.

Table 3—Resale Housing Market Indicators

	2008	2009	2010	2011f	2012f	2013f	2014f	2015f
Unit sales	17,369	19,140	16,403	16,425	17,053	17,633	18,167	18,701
	<i>-15.0</i>	<i>10.2</i>	<i>-14.3</i>	<i>0.1</i>	<i>3.8</i>	<i>3.4</i>	<i>3.0</i>	<i>2.9</i>
Dollar volume sales (\$ millions)	5,781	6,132	5,393	5,404	5,880	6,389	6,962	7,537
	<i>-16.4</i>	<i>6.1</i>	<i>-12.0</i>	<i>0.2</i>	<i>8.8</i>	<i>8.6</i>	<i>9.0</i>	<i>8.3</i>
New listings	40,059	30,696	33,130	30,467	28,487	28,188	28,460	29,020
	<i>-1.6</i>	<i>-23.4</i>	<i>7.9</i>	<i>-8.0</i>	<i>-6.5</i>	<i>-1.1</i>	<i>1.0</i>	<i>2.0</i>
Sales-to-new-listings ratio (%)	43	62	50	54	60	63	64	64
Average price of a resale home (\$)	332,852	320,361	328,803	329,021	344,813	362,311	383,218	403,045
	<i>-1.7</i>	<i>-3.8</i>	<i>2.6</i>	<i>0.1</i>	<i>4.8</i>	<i>5.1</i>	<i>5.8</i>	<i>5.2</i>

Italics indicate percentage change.
Sources: The Conference Board of Canada; Canadian Real Estate Association.

Vancouver



Vancouver's resale housing market continues to defy gravity, with sales and average prices soaring, despite serious affordability concerns. Bubbles are always obvious after they burst, and Vancouver may be in one, but for now, decent demand appears set to continue. Rising employment and continued population growth are essential underpinnings. The new home market has recovered from a dismal 2009, but is expected to tread water in 2011 because of modest absorptions and persistent inventory overhangs. Next year looks better, with inventories poised to shrink slightly.

Economic Outlook

Economic growth has returned to Vancouver, with the census metropolitan area's real GDP rising nearly 4 per cent in 2010, erasing the memory of 2009's shrinkage. We expect economic growth to moderate to 2.4 per cent in 2011, then remain above 3 per cent throughout our forecast horizon. Employment, an essential housing market underpinning, has recovered its tiny 2009 loss; it is poised to rise roughly 2 per cent this year and in each of the subsequent two. Population growth is expected to slip below 2 per cent this year and subsequently ease further, but remain above the national average.

Housing Outlook

EXISTING HOUSING MARKET

Vancouver's resale market surged in the first quarter of 2011, as buyers rushed to beat federal

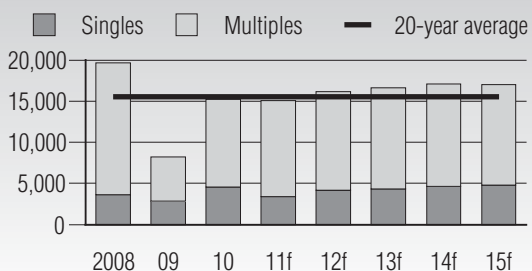
mortgage-tightening rules. This uptick followed similarly robust growth in 2010's fourth quarter. Still, the market's stance remains near our estimate of a balanced market following relative weakness early in 2010. Although local affordability strains credulity, media reports suggest offshore buyers are undeterred.

Annualized sales of existing homes surged above 40,000 units during the first quarter of this year, a big jump from the 26,000-unit pace just two quarters earlier. Although sales are expected to ease over the course of the year, they are predicted to end 2011 up 12.9 per cent at 35,150 units. Notwithstanding interest rate hikes, sales are forecast to remain at about the same annual level in 2012. We expect volumes to rise gradually in subsequent years, but they will not return to their 2005 peak of 42,220 units.

Leaping sales have clearly motivated potential home sellers. Listings jumped 20 per cent between the fourth quarter of 2010 and the first quarter of 2011, to an annualized volume near 66,000 units. Since this hike trailed the increase in sales slightly, the sales-to-new-listings ratio rose to 61 per cent in the first quarter, well above the average of 50 per cent during the first three quarters of 2010 and slightly above our estimate of a balanced-market ratio. We expect cooling sales to slacken the market's stance slightly this year, after which relatively large listings gains will further shave the ratio.

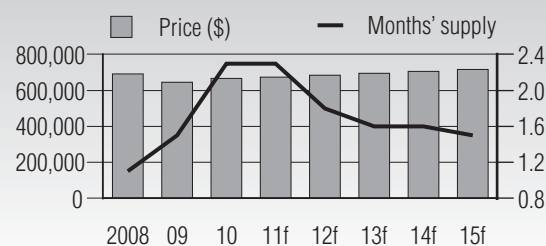
The slight market tightening prompted by the jump in sales, along with anecdotal evidence of heavy activity in the market's higher end, lifted Vancouver's average Multiple Listing Service price by 16 per cent in the first quarter of this year—a

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.

record quarterly jump. While such gains cannot be sustained, we still expect Vancouver's average MLS price to rise 8.9 per cent this year. In 2012, the market's moderating balance is forecast to prompt a 1.5 per cent price decline. Thereafter, weakly balanced markets will support only tepid price increases.

There is no sugar-coating it. Vancouver's housing affordability is terrible by Canada's standards. Principle and interest charges on an average MLS unit consumed 43 per cent of average household income in 2010, compared with an average of 18 per cent outside British Columbia.

Little relief is in prospect. Although incomes will rise slightly faster than house prices in our forecast, rising interest rates are predicted to lift principle and interest charges' bite of household income to 45 per cent in 2011 and to an astonishing 50 per cent by 2013.

NEW HOUSING MARKET

Increases in both single- and multiple-housing construction sharply boosted Vancouver housing starts last year. Employment growth and continued population increases fuelled the jump, which played out against a backdrop of uninspiring new-unit absorptions and high inventories.

Another year of job gains will help cut inventories and ease the decline in absorptions in 2011, although more robust growth in housing starts will have to wait until 2012. Growth will still not reach its full potential in 2012, as relatively high volumes of completed and unoccupied units will temper new construction gains.

Ongoing population growth continues to fuel local housing demand. The CMA's 2.3 per cent increase last year was the fastest among this report's nine cities and followed growth above 2 per cent in both 2008 and 2009. The recession in 2009 cut starts well below demographic requirements,

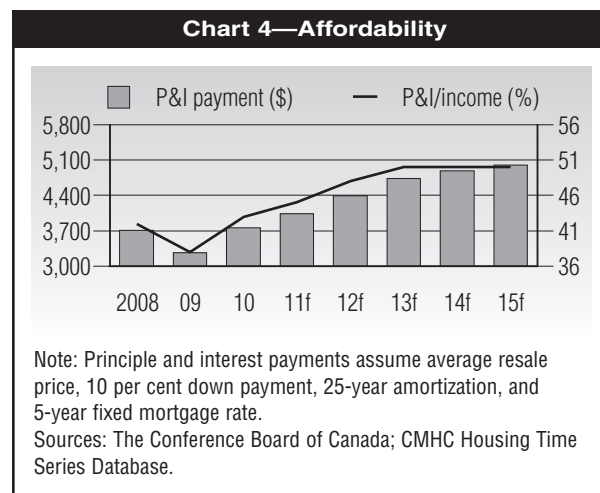
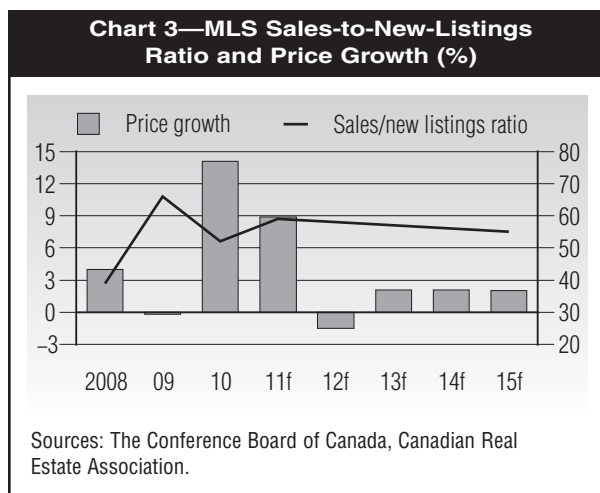


Table 1—Economic Indicators

	2008	2009	2010	2011f	2012f	2013f	2014f	2015f
Real GDP at basic prices (2002 \$ millions)	80,851	79,771	82,784	84,750	87,565	90,605	93,580	96,546
	<i>0.2</i>	<i>-1.3</i>	<i>3.8</i>	<i>2.4</i>	<i>3.3</i>	<i>3.5</i>	<i>3.3</i>	<i>3.2</i>
Total employment (000s)	1,207	1,204	1,219	1,242	1,269	1,296	1,318	1,337
	<i>1.5</i>	<i>-0.3</i>	<i>1.3</i>	<i>1.8</i>	<i>2.2</i>	<i>2.1</i>	<i>1.7</i>	<i>1.4</i>
Unemployment rate (%)	4.4	7.2	7.5	7.2	6.2	5.7	5.5	5.4
Personal income per capita (\$)	37,406	36,259	36,556	37,367	38,553	39,791	41,035	42,279
	<i>1.7</i>	<i>-3.1</i>	<i>0.8</i>	<i>2.2</i>	<i>3.2</i>	<i>3.2</i>	<i>3.1</i>	<i>3.0</i>
Population (000s)	2,279	2,337	2,391	2,437	2,478	2,520	2,561	2,602
	<i>2.1</i>	<i>2.5</i>	<i>2.3</i>	<i>1.9</i>	<i>1.7</i>	<i>1.7</i>	<i>1.6</i>	<i>1.6</i>
Retail sales (\$ millions)	26,170	25,510	26,726	27,426	29,033	30,310	31,568	32,862
	<i>1.8</i>	<i>-2.5</i>	<i>4.8</i>	<i>2.6</i>	<i>5.9</i>	<i>4.4</i>	<i>4.2</i>	<i>4.1</i>
Inflation rate (%)	2.3	0.1	1.7	2.2	2.0	2.2	2.1	2.0

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

and last year's construction level did not recoup the shortfall. This suggests that some pent-up demand has been accumulated over the past couple of years, which will boost absorptions gradually over the medium term. With the decline in absorptions coming to an end, the number of completed and unoccupied units will drop 23 per cent in

2012. By 2015, we expect absorptions to approach 17,000 units.

All in all, this year's softening demand and inventory conditions will shave total housing starts to just above 15,000 units, following last year's rebound to 15,220 starts. Construction is expected to recover further, to nearly 16,150 units, in

2012. Nonetheless, even by our forecast's end, starts are projected to remain below their 2007 peak. Unsurprisingly, given soaring house prices and land constraints, we expect multiple-family starts to make up three-quarters of Vancouver housing starts during the five years to 2015. Multiples' share was less than two-thirds during the 1990s.

Table 2—New Housing Market Indicators

	2008	2009	2010	2011f	2012f	2013f	2014f	2015f
Housing starts	19,637	8,213	15,221	15,049	16,149	16,624	17,079	16,978
	<i>-4.9</i>	<i>-58.2</i>	<i>85.3</i>	<i>-1.1</i>	<i>7.3</i>	<i>2.9</i>	<i>2.7</i>	<i>-0.6</i>
Singles	3,644	2,836	4,594	3,375	4,141	4,359	4,641	4,806
	<i>-13.4</i>	<i>-22.2</i>	<i>62.0</i>	<i>-26.5</i>	<i>22.7</i>	<i>5.3</i>	<i>6.5</i>	<i>3.5</i>
Multiples	15,993	5,377	10,627	11,674	12,008	12,265	12,437	12,173
	<i>-2.8</i>	<i>-66.4</i>	<i>97.6</i>	<i>9.9</i>	<i>2.9</i>	<i>2.1</i>	<i>1.4</i>	<i>-2.1</i>
Under construction	26,316	20,580	14,977	16,593	18,720	20,215	20,963	21,282
	<i>16.1</i>	<i>-21.8</i>	<i>-27.2</i>	<i>10.8</i>	<i>12.8</i>	<i>8.0</i>	<i>3.7</i>	<i>1.5</i>
Housing completions	19,150	16,788	16,474	13,027	13,966	15,556	16,483	16,838
	<i>7.5</i>	<i>-12.3</i>	<i>-1.9</i>	<i>-20.9</i>	<i>7.2</i>	<i>11.4</i>	<i>6.0</i>	<i>2.2</i>
Singles	3,716	3,338	3,935	3,660	3,650	4,160	4,401	4,625
	<i>-18.4</i>	<i>-10.2</i>	<i>17.9</i>	<i>-7.0</i>	<i>-0.3</i>	<i>14.0</i>	<i>5.8</i>	<i>5.1</i>
Multiples	15,434	13,450	12,539	9,366	10,316	11,396	12,082	12,213
	<i>16.4</i>	<i>-12.9</i>	<i>-6.8</i>	<i>-25.3</i>	<i>10.1</i>	<i>10.5</i>	<i>6.0</i>	<i>1.1</i>
Newly completed and unabsorbed	1,666	2,192	2,817	2,703	2,094	2,115	2,166	2,169
	<i>43.3</i>	<i>31.6</i>	<i>28.5</i>	<i>-4.1</i>	<i>-22.5</i>	<i>1.0</i>	<i>2.4</i>	<i>0.1</i>
Absorptions	18,241	17,185	14,793	14,151	14,186	15,485	16,451	16,848
	<i>3.8</i>	<i>-5.8</i>	<i>-13.9</i>	<i>-4.3</i>	<i>0.2</i>	<i>9.2</i>	<i>6.2</i>	<i>2.4</i>
Months' supply	1.1	1.5	2.3	2.3	1.8	1.6	1.6	1.5
Average price of a new home (\$)	690,205	646,526	667,719	673,060	683,156	694,770	706,581	717,886
	<i>2.3</i>	<i>-6.3</i>	<i>3.3</i>	<i>0.8</i>	<i>1.5</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

	2008	2009	2010	2011f	2012f	2013f	2014f	2015f
Unit sales	25,148	36,256	31,144	35,150	34,964	36,195	37,350	38,537
	<i>-35.5</i>	<i>44.2</i>	<i>-14.1</i>	<i>12.9</i>	<i>-0.5</i>	<i>3.5</i>	<i>3.2</i>	<i>3.2</i>
Dollar volume sales (\$ millions)	14,933	21,480	21,049	25,860	25,332	26,774	28,207	29,679
	<i>-32.9</i>	<i>43.8</i>	<i>-2.0</i>	<i>22.9</i>	<i>-2.0</i>	<i>5.7</i>	<i>5.4</i>	<i>5.2</i>
New listings	65,120	54,829	59,817	59,608	60,338	63,884	66,879	69,489
	<i>14.0</i>	<i>-15.8</i>	<i>9.1</i>	<i>-0.3</i>	<i>1.2</i>	<i>5.9</i>	<i>4.7</i>	<i>3.9</i>
Sales-to-new-listings ratio (%)	39	66	52	59	58	57	56	55
Average price of a resale home (\$)	593,791	592,457	675,853	735,707	724,512	739,710	755,196	770,147
	<i>4.0</i>	<i>-0.2</i>	<i>14.1</i>	<i>8.9</i>	<i>-1.5</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.

Victoria



Tepid employment growth and poor affordability underlie weak residential demand in Victoria. The recovery from the 2009 economic downturn has been largely jobless, and mortgage carrying charges consume a high share of local household incomes. Housing markets are suffering, as demonstrated by the market for resale homes, which is in a buyers' position, while unsold builder inventories are impairing new construction. But medium-term economic improvement should ultimately produce jobs and renewed activity in the housing market in the form of a rebound in resale price growth and rising housing starts.

Economic Outlook

Victoria's real GDP is forecast to rise 1.7 per cent in 2011, down from 2.5 per cent last year. Gains in the services sector, especially in business services, will drive growth. Persistent output advances will lift 2011 job growth to a three-year high of 0.9 per cent. This slim job hike will not be enough to lower the unemployment rate from 6 per cent. Faster GDP expansion of 2.6 per cent in 2012 will lead to an acceleration in employment growth to 2.6 per cent. Population growth will remain stable at a modest 0.8 per cent through the short term.

Housing Outlook

EXISTING HOUSING MARKET

Buyers' market conditions continue to prevail in Victoria's resale market. Although sales rose in both the last quarter of 2010 and the first

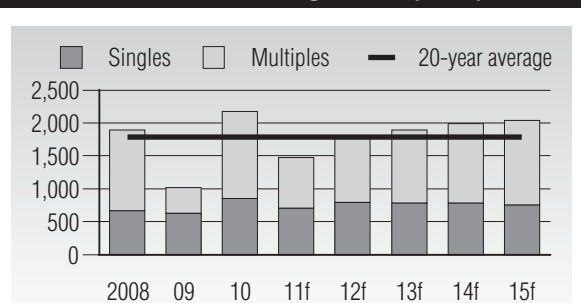
quarter of 2011, volumes remain well behind late 2009 levels. Moreover, signs of firming demand have emboldened sellers, boosting listings. This rising supply has improved buyers' bargaining positions. Resulting price softness is expected to shave the ratio of average resale prices to household incomes this year, improving affordability, although it remains above any of our report's nine cities except Vancouver.

Area sales fell 19.5 per cent to 6,170 units in 2010, the second-lowest total of the past decade. The 2007 peak of above 8,400 units is a fading memory. Transactions did jump significantly in the fourth quarter of 2010 and edged still higher in the first quarter of 2011, foreshadowing an expected volume gain to 6,250 units this year. We expect a slight further rise in sales to nearly 6,500 units next year, still well off the 2007 peak or even the 10-year average level.

The supply of new listings slowed sharply in last year's third quarter, as several quarters of slowing transactions prompted many potential home sellers to reconsider. Notwithstanding this dip, listings still rose 13 per cent for the year 2010 as a whole, recovering much of 2009's 16 per cent drop. Vendors, spooked by falling sales last year and tepid advances this year, are expected to shave new listings 5 per cent to 12,600 units in 2011, with a further 4 per cent drop on tap for 2012.

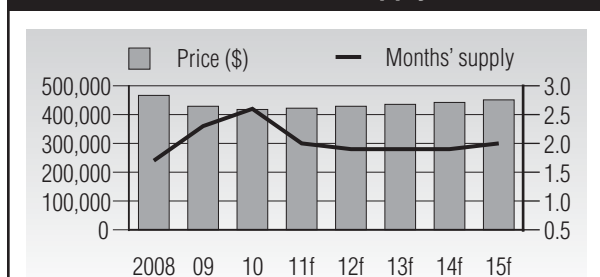
Last year's significant growth in supply, combined with flagging buyer demand, left Victoria's resale market in a weak buyers' state. The sales-to-new-listings ratio fell to 42 per cent in the third quarter of 2010—well below the 62 to 64 per cent reading characteristic of a balanced market in this area. Our expectation of a modest sales advance and a slight listings decline will nudge

Chart 1—Housing Starts (000s)



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

Chart 2—New Housing Price and Months' Supply



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

the ratio to over 50 per cent during this year's second half. But a balanced market, let alone the sellers' conditions prevalent during the last decade's early years, appears unlikely. This weak stance is expected to undermine house values. Last year, Victoria's average resale price rose 6 per cent, a three-year high and surprising for such a tepid market. But sustained market weakness will lead to an average price decline of 1.2 per cent this year.

Still, local resale affordability remains troubling. Victoria's average resale price was 5.2 times its average household income—below only

Vancouver among our report's nine cities. Principle and interest charges, both in absolute terms and as a proportion of local incomes, are similarly elevated. Although falling prices are forecast to improve affordability slightly this year, rising interest rates and price recovery will erode it again in 2012.

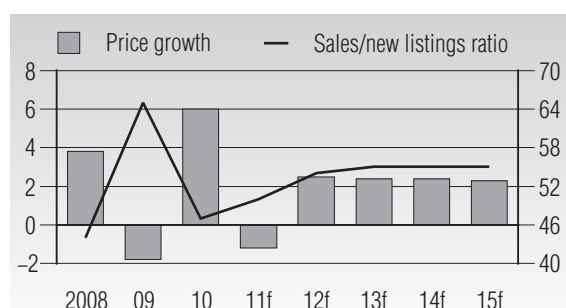
NEW HOUSING MARKET

Mixed demand conditions confront Victoria's new home builders. A surge in new home absorptions during the fourth quarter of last year limited the annual decline in new-unit take-up to 25 per cent over the year 2010 as a whole and shaved

the number of completed and unoccupied units. Nonetheless, consumer uptake remains lukewarm by both measures. Insecure builders, also facing the prospect of borrowers rattled by talk of rising interest rates, will curtail starts this year. Expectations of slowing population growth present additional challenges. But since Victoria appears slightly underbuilt by past demographic standards, starts should have some future momentum.

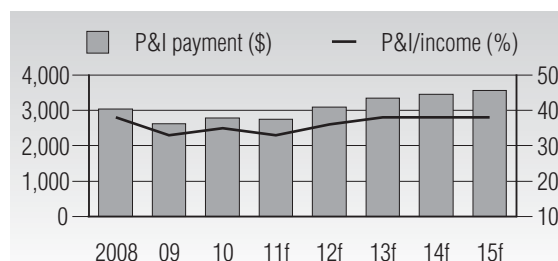
For now, though, builders are dealing with a relatively high level of inventories. In the fourth quarter of last year, stocks exceeded a seasonally adjusted volume of 400 units,

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



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

Chart 4—Affordability



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

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

Table 1—Economic Indicators

	2008	2009	2010	2011f	2012f	2013f	2014f	2015f
Real GDP at basic prices (2002 \$ millions)	11,780	11,666	11,959	12,167	12,484	12,804	13,126	13,451
	<i>0.8</i>	<i>-1.0</i>	<i>2.5</i>	<i>1.7</i>	<i>2.6</i>	<i>2.6</i>	<i>2.5</i>	<i>2.5</i>
Total employment (000s)	191	183	183	185	190	193	195	196
	<i>4.8</i>	<i>-3.9</i>	<i>0.2</i>	<i>0.9</i>	<i>2.6</i>	<i>1.6</i>	<i>1.0</i>	<i>0.7</i>
Unemployment rate (%)	3.3	6.5	6.0	6.0	5.8	5.6	5.3	5.2
Personal income per capita (\$)	39,408	38,723	39,327	40,197	41,764	43,204	44,660	46,147
	<i>4.0</i>	<i>-1.7</i>	<i>1.6</i>	<i>2.2</i>	<i>3.9</i>	<i>3.4</i>	<i>3.4</i>	<i>3.3</i>
Population (000s)	348	354	358	361	364	367	369	372
	<i>1.3</i>	<i>1.7</i>	<i>1.1</i>	<i>0.8</i>	<i>0.8</i>	<i>0.8</i>	<i>0.7</i>	<i>0.7</i>
Retail sales (\$ millions)	4,049	3,872	4,067	4,221	4,390	4,543	4,696	4,856
	<i>3.1</i>	<i>-4.4</i>	<i>5.0</i>	<i>3.8</i>	<i>4.0</i>	<i>3.5</i>	<i>3.4</i>	<i>3.4</i>
Inflation rate (%)	1.8	0.1	1.0	2.1	2.0	2.2	2.1	2.0

Italics indicate percentage change.

Sources: The Conference Board of Canada; Statistics Canada.

a high level locally. Housing starts are thus forecast to drop nearly a third to just below 1,500 units this year after their surge in 2010 to a three-year high near 2,200 units. Most of this year's decline is expected to come from the volatile multiple-unit sector. The starts pullback will prompt a big drop in builder inventories this

year, setting the stage for a 2012 construction rebound.

In the longer term, demographics remain broadly supportive of the new housing market. Although population growth is forecast to dip below 1 per cent this year and subsequently ease further, it will still be positive. Moreover, the ratio of

starts to population growth has trailed historical norms for a few years now, so reduced population increases are less troubling than at first blush. Accordingly, total starts are forecast to regain the 2,000-unit threshold by the end of our forecast horizon. Not surprisingly, an aging population will keep multiple starts rising more rapidly than single starts.

Table 2—New Housing Market Indicators

	2008	2009	2010	2011f	2012f	2013f	2014f	2015f
Housing starts	1,892	1,022	2,176	1,475	1,793	1,891	1,991	2,035
	<i>-26.7</i>	<i>-46.0</i>	<i>113.0</i>	<i>-32.2</i>	<i>21.6</i>	<i>5.5</i>	<i>5.3</i>	<i>2.2</i>
Singles	671	630	850	709	790	784	780	754
	<i>-15.0</i>	<i>-6.1</i>	<i>34.8</i>	<i>-16.6</i>	<i>11.5</i>	<i>-0.9</i>	<i>-0.4</i>	<i>-3.4</i>
Multiples	1,220	392	1,327	766	1,003	1,108	1,211	1,281
	<i>-31.9</i>	<i>-67.9</i>	<i>238.8</i>	<i>-42.3</i>	<i>31.0</i>	<i>10.5</i>	<i>9.3</i>	<i>5.8</i>
Under construction	3,300	2,085	1,922	1,936	1,993	2,167	2,289	2,386
	<i>5.6</i>	<i>-36.8</i>	<i>-7.9</i>	<i>0.8</i>	<i>2.9</i>	<i>8.8</i>	<i>5.6</i>	<i>4.2</i>
Housing completions	2,149	2,463	1,784	1,655	1,585	1,755	1,873	1,952
	<i>0.4</i>	<i>14.6</i>	<i>-27.6</i>	<i>-7.2</i>	<i>-4.2</i>	<i>10.8</i>	<i>6.7</i>	<i>4.2</i>
Singles	760	635	851	728	724	775	767	753
	<i>-6.7</i>	<i>-16.4</i>	<i>34.0</i>	<i>-14.5</i>	<i>-0.5</i>	<i>7.0</i>	<i>-1.0</i>	<i>-1.8</i>
Multiples	1,389	1,828	933	927	861	981	1,106	1,199
	<i>4.8</i>	<i>31.6</i>	<i>-49.0</i>	<i>-0.6</i>	<i>-7.2</i>	<i>13.9</i>	<i>12.8</i>	<i>8.4</i>
Newly completed and unabsorbed	282	451	394	298	254	276	300	317
	<i>87.9</i>	<i>59.8</i>	<i>-12.8</i>	<i>-24.3</i>	<i>-14.7</i>	<i>8.6</i>	<i>8.8</i>	<i>5.6</i>
Absorptions	1,950	2,401	1,811	1,790	1,600	1,725	1,853	1,938
	<i>-8.4</i>	<i>23.1</i>	<i>-24.6</i>	<i>-1.2</i>	<i>-10.6</i>	<i>7.8</i>	<i>7.4</i>	<i>4.6</i>
Months' supply	1.7	2.3	2.6	2.0	1.9	1.9	1.9	2.0
Average price of a new home (\$)	467,213	430,626	418,664	422,432	429,614	436,917	443,908	451,010
	<i>-0.1</i>	<i>-7.8</i>	<i>-2.8</i>	<i>0.9</i>	<i>1.7</i>	<i>1.7</i>	<i>1.6</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

	2008	2009	2010	2011f	2012f	2013f	2014f	2015f
Unit sales	6,170	7,660	6,170	6,245	6,488	6,734	6,950	7,151
	<i>-26.6</i>	<i>24.1</i>	<i>-19.5</i>	<i>1.2</i>	<i>3.9</i>	<i>3.8</i>	<i>3.2</i>	<i>2.9</i>
Dollar volume sales (\$ millions)	2,992	3,647	3,113	3,113	3,316	3,525	3,726	3,923
	<i>-23.7</i>	<i>21.9</i>	<i>-14.7</i>	<i>0.0</i>	<i>6.5</i>	<i>6.3</i>	<i>5.7</i>	<i>5.3</i>
New listings	13,928	11,747	13,249	12,597	12,048	12,289	12,635	12,992
	<i>8.5</i>	<i>-15.7</i>	<i>12.8</i>	<i>-4.9</i>	<i>-4.4</i>	<i>2.0</i>	<i>2.8</i>	<i>2.8</i>
Sales-to-new-listings ratio (%)	44	65	47	50	54	55	55	55
Average price of a resale home (\$)	484,976	476,137	504,479	498,440	511,079	523,462	536,140	548,582
	<i>3.8</i>	<i>-1.8</i>	<i>6.0</i>	<i>-1.2</i>	<i>2.5</i>	<i>2.4</i>	<i>2.4</i>	<i>2.3</i>

Italics indicate percentage change.
Sources: The Conference Board of Canada; Canadian Real Estate Association.

The Conference Board of Canada

255 Smyth Road
Ottawa ON K1H 8M7 Canada
Tel. 1-866-711-2262
Fax 613-526-4857
www.conferenceboard.ca

The Conference Board, Inc.

845 Third Avenue, New York NY
10022-6679 USA
Tel. 212-759-0900
Fax 212-980-7014
www.conference-board.org

The Conference Board Europe

Chaussée de La Hulpe 130, Box 11
B-1000 Brussels, Belgium
Tel. +32 2 675 54 05
Fax +32 2 675 03 95

The Conference Board Asia-Pacific

2802 Admiralty Centre, Tower 1
18 Harcourt Road, Admiralty
Hong Kong SAR
Tel. +852 2511 1630
Fax +852 2869 1403



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255 Smyth Road, Ottawa ON K1H 8M7 Canada
Tel. 613-526-3280 • Fax 613-526-4857 • Inquiries 1-866-711-2262

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