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Metropolitan Housing Outlook *Autumn 2006*



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

ECONOMIC PERFORMANCE AND TRENDS



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

This report offers an in-depth analysis of the history of and the forecast for 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 makes a clear connection between the economy and activity in the housing market. It also provides insights into the financial situation of consumers at the national level.

Five census metropolitan areas are covered:
Montréal, Ottawa, Toronto, Calgary and Vancouver.

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

This report is completed three times a year, in the spring, fall and winter.



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What Has Changed?

Once again, the Conference Board's housing starts forecast has been revised upwards. In the spring/summer 2006 edition of the *Metropolitan Housing Outlook*, housing starts were forecast to decline by 5.5 per cent in 2006, to 213,100. The outlook now calls for housing starts to rise by 0.1 per cent this year, to 225,600. The change is due to much stronger activity in the first quarter of this year. This can be partly explained by unseasonably warm temperatures and other one-off factors such as the advance purchase of building permits in Ontario.

The forecast for Canadian real gross domestic product (GDP) growth in 2006 is lower in this outlook—2.7 per cent compared with 3 per cent in the previous *Metropolitan Housing Outlook* publication. A

weaker trade performance, stemming from both stronger imports and weaker exports, explains this downward revision.

The Canadian dollar is expected to average US\$0.89 this year. This is a 2-cent upward revision from the last publication. The loonie is being boosted in part by expectations that the U.S. Federal Reserve has ended its run of monetary tightening and may even lower interest rates in the near future.

Despite weakening demand, price growth in the housing market remains fairly strong. As a result, the forecast growth in home prices for 2006 has been significantly lifted since the last outlook. The average price of a new home is expected to rise by 9.4 per cent this

year. This compares with 8.3 per cent growth in the previous forecast. In the existing home market, prices are now expected to increase by 12.4 per cent in 2006, much higher than the 5.5 per cent growth expected in the last publication.

Given the stronger price increases, the dollar volume of mortgage approvals is expected to increase by 11.4 per cent this year, a substantial revision from the 4.6 per cent forecast in the last outlook. Breaking it down by market segments, the dollar volume of high-ratio mortgages is now forecast to rise by 12 per cent in 2006, while the dollar volume of conventional mortgages is expected to grow by 10.9 per cent. These numbers compare with the previously published growth rates of 5.8 per cent and of 3.6 per cent, respectively.

Nos prévisions actualisées

Encore une fois, Le Conference Board du Canada a révisé à la hausse ses prévisions relatives aux mises en chantier de logements. Dans l'édition printemps/été 2006 de la *Note de conjoncture résidentielle métropolitaine*, on prévoyait un déclin en 2006 de 5,5 p. 100 des mises en chantier, qui devaient ainsi passer à 213 100 unités. Selon la présente note de conjoncture, le nombre de ces dernières devrait atteindre 225 600 cette année, soit une hausse de 0,1 p. 100. Ce changement est attribuable à une activité beaucoup plus forte pendant le premier trimestre de cette année. Cela peut s'expliquer partiellement par le temps anormalement doux et d'autres facteurs ponctuels tels que l'achat préalable de permis de construire en Ontario.

D'après la note de conjoncture actuelle, le produit intérieur brut (PIB) réel du Canada connaît une croissance plus basse en 2006 — celle-ci devrait s'élever à 2,7 p. 100, au lieu des 3 p. 100 présentés dans l'édition précédente de la *Note*

de conjoncture résidentielle métropolitaine. Cette révision à la baisse s'explique par une performance plus modeste du commerce extérieur net alors que les importations seront plus fortes qu'initialement anticipée et les exportations, plus faibles.

Le dollar canadien devrait atteindre 0,89 \$US, en moyenne, cette année. Il s'agit d'une révision à la hausse de 2 cents par rapport aux dernières prévisions. Cette nouvelle vigueur du dollar s'explique en partie par l'attitude de la Réserve fédérale américaine dont on s'attend qu'elle cesse ses mesures de resserrement monétaire et qu'elle baisse même ses taux d'intérêt prochainement.

Malgré le fléchissement de la demande, la croissance des prix sur le marché du logement demeure relativement robuste. En conséquence, la croissance prévue des prix des maisons en 2006 est plus prononcée que lors de la dernière note de conjoncture. On prévoit que le prix

moyen d'une maison neuve s'accroîtra de 9,4 p. 100 cette année, contrairement aux 8,3 p. 100 annoncés précédemment. Sur le marché des logements existants, les prix devraient augmenter de 12,4 p. 100 en 2006, soit un taux de croissance beaucoup plus élevé que les 5,5 p. 100 prévus dans la dernière édition.

Étant donné les hausses prononcées des prix, la valeur en dollars des prêts hypothécaires approuvés devrait augmenter de 11,4 p. 100 cette année, une révision considérable par rapport au 4,6 p. 100 prévu dans la dernière note de conjoncture. Si on fait une ventilation par segment de marché, la valeur en dollars des prêts hypothécaires à proportion élevée devrait augmenter de 12 p. 100 en 2006 selon les prévisions actuelles et celle des prêts hypothécaires ordinaires de 10,9 p. 100, au lieu de 5,8 p. 100 et 3,6 p. 100 respectivement, comme nous l'avions annoncé dans nos prévisions précédentes.

Executive Summary

National Overview

The correction in the U.S. housing market this year will hurt Canada's economy. Fortunately, any downward pressure from the United States will be at least partly offset by Canada's strong domestic economy, as consumer spending, business investment and government spending are all expected to post healthy gains. In total, real gross domestic product (GDP) is forecast to rise by 2.7 per cent this year. An improved manufacturing sector and a stable exchange rate will push growth in real GDP to 2.9 per cent in 2007.

The housing market in Canada increased at a brisk pace from 1996 to 2004, spurred on by pent-up demand from the early 1990s, a stable economy and lower interest rates starting in 2001. Housing starts then declined by 3.4 per cent last year as demand began to wane.

Overall, the new home market has been stable in 2006, with a meagre 0.1 per cent increase in starts expected for the year as a whole. However, that result would have been worse if not for a strong showing in housing starts in the first half of this year. In fact, starts have weakened lately, and a drop of 10.2 per cent is anticipated for next year. Starts will continue to fall through the medium term, as they align with demographic requirements.

Prices in the new home market accelerated in line with demand between 2000 and 2004, averaging annual growth of 3.9 per cent. Growth

was even higher last year, reaching 5 per cent. The increases in existing home prices over the past few years were stronger still, at 6.8 per cent from 1999 to 2004, and 10 per cent last year alone.

Price growth is expected to soar in 2006, mainly because of healthy economic growth in Western Canada. New home prices are forecast to rise by 9.4 per cent, and existing home prices by 12.4 per cent. As demand growth weakens through the medium term, price growth in both markets will decelerate, to 3.1 per cent for new homes and 4 per cent for existing homes, from 2008 onward.

The total number of mortgage approvals, which rose significantly over most of the past decade, is expected to rise by a modest 1.2 per cent in 2006. But with home prices continuing to increase rapidly this year, the dollar value of approvals is forecast to jump by 11.4 per cent.

A weaker market next year will result in a 3.3 decline in total approvals. The number of approvals will then continue falling through the medium term, in line with weaker demand. Note, however, that moderate price increases will keep growth in the dollar volume of approvals positive in the coming years.

Provincial Overview

On a provincial basis, economic growth continues to vary significantly. Alberta will post the largest increase this year, at 6.6 per cent, thanks to a red-hot energy sector.

Newfoundland and Labrador and British Columbia will also post strong growth in 2006, at 4.6 per cent and 3.6 per cent, respectively. In Newfoundland and Labrador, the benefits of a full year of production at the Voisey's Bay mine and at the White Rose oil platform are offsetting weakness in other parts of its economy. British Columbia's economy is being boosted by its natural resources sector.

Growth in Manitoba's economy is forecast to reach 3.7 per cent this year, thanks to robust activity in the province's construction, agriculture and mining sectors. However, a weak mining sector will hold the increase in Saskatchewan's economy to only 2.5 per cent in 2006. As a result, the overall gain for these two Prairie provinces this year is expected to be 3.1 per cent.

Quebec's economy continues to be relatively weak. Real GDP growth is forecast to be a modest 2.1 per cent this year, constrained by a frail trade sector. This makes Quebec one of the slowest-growing provinces in 2006. Ontario is not expected to fare much better: growth in real GDP is forecast at 2.5 per cent. Again, the trade sector is one of the primary reasons for the weak showing in the province this year.

The three Maritime provinces—Prince Edward Island, Nova Scotia and New Brunswick—are all set to post modest increases in their GDP this year. Growth is expected to come in at 2.1 per cent, 2.7 per cent, and 2.2 per cent, respectively. Slower

growth in agriculture will constrain overall growth in Prince Edward Island this year. Meanwhile, economic growth in Nova Scotia and New Brunswick is expected to be driven mainly by growth in their services sectors.

Alberta and British Columbia were the only two provinces to record an increase in housing starts last year. In the rest of the country, demand for new homes fell with satiated pent-up demand and slower economic growth. Housing starts in Alberta and British Columbia are forecast to grow rapidly again this year, owing to the two provinces' strong economies. Starts in Alberta are set to rise by 18.2 per cent. British Columbia's growth in housing starts, while much weaker than Alberta's, will still reach a respectable 5.9 per cent in 2006.

Four provinces are set to experience a decline in starts this year. Two of them are Quebec and Ontario. Relatively weak economic growth and higher interest rates will result in a 13.2 per cent drop in housing starts in Quebec and a 4.2 per cent drop in Ontario.

Although Newfoundland and Labrador will post strong economic growth overall this year, weakness in some parts of its economy will contribute to a decline in housing starts in 2006. This will hold the overall growth in housing starts for the Atlantic region to 2.6 per cent. At the same time, a slight decline in Saskatchewan's housing starts for 2006 is expected to be overshadowed by the growth in Manitoba's housing starts, allowing these two Prairie provinces to post a still-sound 5.2 per cent increase in housing starts this year.

Starts in all regions of the country are forecast to fall next year, as they continue to trend towards levels compatible with demographic requirements.

House price inflation has been particularly strong in the western provinces this year. This is not surprising given the continued strength in housing demand. Growth in the average price of a new home will range from 30 per cent in Alberta to 3.4 per cent in Ontario and the Atlantic region. A similar pattern is emerging for existing home price as well, with growth being even stronger in some cases.

As demand wanes next year, price growth in both the new and existing home markets will moderate. Over the medium term, price growth in the country's regions will range from 2.3 per cent to 3 per cent per year for the new home market, and from 3.5 per cent to 4 per cent per year for the existing home market.

Municipal Overview

Of the five census metropolitan areas (CMAs) covered in the *Metropolitan Housing Outlook*, Calgary and Vancouver are expected to post the biggest increases in real GDP this year. In line with Alberta's booming energy sector, economic growth in Calgary is forecast to reach 6.6 per cent this year. Meanwhile, a strong construction sector will help to boost Vancouver's economy by 3.5 per cent in 2006.

Real GDP growth for both Ottawa–Gatineau and Toronto will be slightly more modest this year, at 3 per cent. Growth in Toronto will be spurred on by healthy increases in construction and the city's services

sector. Strength in Ottawa–Gatineau's services sector is expected to contribute to overall growth in that city as well. Montréal's economy is forecast to be weak this year, yet again. For a fifth straight year, real GDP growth in Montréal will hover around 2 per cent (1.9 per cent in 2006 to be precise), held back by a poorly performing manufacturing sector.

Housing starts fell in each of the five CMAs in 2005, as demand weakened. But this year, only Montréal and Toronto are expected to post further declines. Growth in housing starts is forecast to be very strong in Calgary, at 28.2 per cent, thanks to its robust economy and an influx of people to the city. Starts are expected to rise by 8.9 per cent in Vancouver in 2006, as builders respond to the significant growth in absorptions last year and the additional increase expected for this year.

Housing start growth in Ottawa–Gatineau, while much more modest than in Calgary or Vancouver, will still reach 2.6 per cent in 2006. This growth is welcome news for the industry, following the whopping 32.1 per cent decline last year.

The existing home market will also be vibrant this year in both Ottawa–Gatineau and Calgary. Unit sales are forecast to rise by 5.5 per cent and 12 per cent, respectively. In Montréal, unit sales are expected to climb by a more modest 2 per cent. However, Vancouver's unit sales are set to fall by 8.2 per cent, mainly because of higher interest rates. Toronto is expected to post a decline in unit sales this year as well.

Growth in new home prices at the municipal level has continued to be strong in most CMAs so far

in 2006. The exception to this is Ottawa–Gatineau, where new home prices are expected to rise by a modest 2.9 per cent this year. Elsewhere, new home price increases are set to range from 3.8 per cent in

Toronto to the jaw-dropping 37.6 per cent in Calgary. The average price of resale homes will show pretty much the same regional growth patterns as that of new homes in 2006, with Calgary recording the strongest

increase. House price inflation in both the new and existing markets will moderate in every CMA over the medium term, as markets reach their equilibrium levels.

La scène nationale

La correction que subira le marché américain du logement cette année nuira à l'économie canadienne. Heureusement, les pressions à la baisse exercées par les États-Unis seront compensées, du moins en partie, par la robustesse de l'économie intérieure au Canada. En effet, on s'attend à ce que tant les dépenses de consommation que les investissements des entreprises et les dépenses publiques affichent de solides gains. Dans l'ensemble, le produit intérieur brut (PIB) réel devrait s'accroître de 2,7 p. 100 cette année, taux qui grimpera à 2,9 p. 100 en 2007 grâce à l'amélioration des résultats dans le secteur manufacturier et à la stabilité du taux de change.

Stimulé par la demande refoulée qui a marqué le début des années 90, une économie stable et l'abaissement des taux d'intérêt qui s'est amorcé en 2001, le marché canadien du logement a connu une croissance énergétique de 1996 à 2004. L'an dernier, toutefois, la demande a commencé à fléchir, entraînant du coup un recul de 3,4 p. 100 des mises en chantier.

De façon générale, le marché des logements neufs est demeuré stable en 2006; on n'escompte qu'une modeste augmentation de 0,1 p. 100 des mises en chantier pour l'ensemble de l'année. Cependant, n'eût été du nombre considérable de mises en chantier observé au premier semestre de l'année, ce taux aurait été encore plus faible. D'ailleurs, les mises en chantier ont commencé à ralentir dernièrement, si bien que nous

prévoyons une baisse de 10,2 p. 100 l'an prochain. Cette tendance à la baisse se poursuivra à moyen terme, à mesure que la demande s'alignera sur les besoins démographiques.

Les prix sur le marché des logements neufs se sont accrus au même rythme que la demande entre 2000 et 2004, soit à raison de 3,9 p. 100 en moyenne annuellement. S'établissant à 5 p. 100, ce taux d'expansion a été encore plus rapide l'an dernier. Du côté des logements existants, les hausses des prix des dernières années ont été encore plus importantes : 6,8 p. 100 par année de 1999 à 2004, et 10 p. 100 l'an dernier seulement.

On s'attend à ce que les prix montent en flèche en 2006, en raison surtout de la croissance économique robuste dans l'Ouest canadien. De fait, on prévoit que les prix des logements neufs feront un bond de 9,4 p. 100 et que ceux des logements existants grimperont de 12,4 p. 100. Sous l'effet du fléchissement de la demande à moyen terme, la croissance des prix sur les deux marchés ralentira pour s'établir à 3,1 p. 100 par année dans le cas des logements neufs et à 4 p. 100 par année dans celui des logements existants, et ce à compter de 2008.

Le nombre total de prêts hypothécaires consentis, qui a considérablement augmenté durant la majeure partie de la dernière décennie, devrait enregistrer une modeste hausse de 1,2 p. 100 en 2006. Toutefois, compte tenu du fait que les prix des logements poursuivront leur ascension rapide cette année, la valeur en dollars

des hypothèques consenties devrait grimper de 11,4 p. 100.

Le repli que connaîtra le marché l'an prochain entraînera un recul de 3,3 p. 100 du nombre total d'hypothèques consenties. Ce nombre continuera ensuite de baisser à moyenne échéance, suivant ainsi le mouvement à la baisse de la demande. Il est à noter, toutefois, que la valeur en dollars des hypothèques consenties, stimulée par des hausses modérées des prix, continuera d'afficher une croissance positive au cours des prochaines années.

La scène provinciale

À l'échelon provincial, la croissance économique demeure très inégale. Ainsi, l'Alberta affichera la plus forte expansion cette année, soit 6,6 p. 100, grâce à un secteur énergétique en plein essor. Terre-Neuve-et-Labrador et la Colombie-Britannique enregistreront aussi une forte progression en 2006 : 4,6 p. 100 et 3,6 p. 100, respectivement. À Terre-Neuve-et-Labrador, les retombées d'une année complète de production à la mine de Voisey's Bay et sur la plateforme pétrolière de White Rose compensent la faiblesse d'autres secteurs de l'économie provinciale. L'économie de la Colombie-Britannique est, quant à elle, propulsée par son secteur des ressources naturelles.

Par ailleurs, la croissance de l'économie du Manitoba devrait atteindre 3,7 p. 100 cette année, soutenue par une activité robuste dans les secteurs de la construction, de l'agriculture et de l'exploitation

minière. Par contre, en Saskatchewan, la faiblesse du secteur minier limitera l'expansion de l'économie à 2,5 p. 100 en 2006. Par conséquent, les deux provinces des Prairies afficheront une croissance globale de 3,1 p. 100 cette année.

L'économie du Québec continue d'être relativement faible. On s'attend à ce que la croissance réelle du PIB y soit modeste — 2,1 p. 100 — cette année, à cause de l'entrave que crée le repli du commerce extérieur net. Ces résultats feront du Québec l'une des provinces où la croissance économique sera la plus lente en 2006. La situation en Ontario ne devrait être guère meilleur : la croissance réelle du PIB devrait se situer à 2,5 p. 100. Là encore, le commerce extérieur net sera l'un des principaux facteurs de ralentissement de l'économie provinciale cette année.

Pour ce qui est des trois provinces maritimes, à savoir l'Île-du-Prince-Édouard, la Nouvelle-Écosse et le Nouveau-Brunswick, on prévoit une modeste progression du PIB cette année : 2,1 p. 100, 2,7 p. 100 et 2,2 p. 100, respectivement. Le recul accusé dans le secteur agricole freinera la croissance globale de l'économie de l'Île-du-Prince-Édouard cette année, tandis que la Nouvelle-Écosse et le Nouveau-Brunswick devront leur expansion, pour l'essentiel, à leur secteur des services.

L'Alberta et la Colombie-Britannique ont été les seules provinces à enregistrer une hausse du nombre de mises en chantier l'an dernier. En effet, dans le reste du pays, la demande de logements neufs a fléchi sous l'effet de la satisfaction de la demande refoulée et

du ralentissement de la croissance économique. Les mises en chantier en Alberta et en Colombie-Britannique augmenteront rapidement de nouveau cette année grâce à des économies provinciales fortes. Le nombre de mises en chantier en Alberta devrait grimper de 18,2 p. 100; en Colombie-Britannique, la croissance, bien que beaucoup plus faible, devrait tout de même atteindre le taux respectable de 5,9 p. 100 en 2006.

Selon nos prévisions, quatre provinces, notamment le Québec et l'Ontario, accuseront un repli des mises en chantier cette année. La faiblesse relative de la croissance économique et le relèvement des taux d'intérêt se traduiront par une chute de 13,2 p. 100 du nombre de mises en chantier au Québec et de 4,2 p. 100 en Ontario.

Bien qu'on escompte une forte expansion économique pour l'ensemble de l'année à Terre-Neuve-et-Labrador, les mises en chantier vont y fléchir en 2006, ce qui limitera la hausse globale des mises en chantier dans la région atlantique à 2,6 p. 100. Parallèlement, les mises en chantier en Saskatchewan enregistreront un léger recul en 2006 qui devrait être éclipsé par une progression au Manitoba, ce qui permettra aux deux provinces combinées des Prairies d'afficher une augmentation quand même non négligeable des mises en chantier de 5,2 p. 100 cette année.

L'année prochaine, on anticipe une baisse des mises en chantier dans toutes les régions du pays, baisse qui devrait continuer d'évoluer vers un rapprochement avec les impératifs démographiques.

L'inflation des prix des logements a été particulièrement marquée dans les provinces de l'Ouest cette année. Cela n'a rien de surprenant compte tenu de la vigueur soutenue de la demande. Ainsi, la croissance du prix moyen d'un logement neuf oscillera entre 30 p. 100 en Alberta et 3,4 p. 100 en Ontario et dans la région atlantique. Une tendance semblable s'esquisse en ce qui concerne le prix des logements existants, où la hausse s'avère encore plus forte dans certains cas.

Avec l'essoufflement de la demande l'année prochaine, la montée des prix sur les marchés des logements neufs et existants se modérera. À moyen terme, la hausse des prix dans les différentes régions du pays se situera entre 2,3 et 3 p. 100 par année pour le marché des logements neufs et entre 3,5 et 4 p. 100 par année pour le marché des logements existants.

La scène municipale

Parmi les cinq régions métropolitaines de recensement (RMR) couvertes par la *Note de conjoncture résidentielle métropolitaine*, Calgary et Vancouver devraient afficher les hausses du PIB réel les plus importantes cette année. Sous l'impulsion du secteur énergétique en Alberta, Calgary devrait enregistrer une croissance économique de 6,6 p. 100 cette année. En parallèle, la vigueur du secteur de la construction contribuera à donner un élan de 3,5 p. 100 à l'économie de Vancouver en 2006.

La croissance du PIB réel d'Ottawa-Gatineau et de Toronto sera légèrement plus timide cette année, soit 3 p. 100. À Toronto,

l'expansion sera stimulée par des gains appréciables dans les secteurs de la construction et des services. Il en sera de même à Ottawa–Gatineau, où le secteur des services contribuera à l'essor global de la région. En revanche, à Montréal, on escompte une faible économie cette année encore. Pour la cinquième année de suite, le PIB réel de Montréal croîtra de quelque 2 p. 100 (de 1,9 p. 100 en 2006, plus précisément), à cause d'un secteur manufacturier peu reluisant.

Les mises en chantier ont ralenti dans les cinq RMR en 2005 sous l'effet du tassement de la demande. Cette année, seules Montréal et Toronto devraient accuser de nouvelles baisses. Calgary, en revanche, devrait afficher une très forte hausse, soit 28,2 p. 100, grâce à son économie robuste et à sa capacité d'attirer des résidents d'autres provinces canadiennes. À Vancouver, on prévoit une augmentation des mises

en chantier de 8,9 p. 100 en 2006, reflétant ainsi le fait que les constructeurs s'adapteront à l'accélération considérable de l'écoulement observée l'an dernier et à la nouvelle hausse prévue cette année.

À Ottawa–Gatineau, l'augmentation des mises en chantier, bien que beaucoup plus modeste qu'à Calgary ou à Vancouver, atteindra toute de même 2,6 p. 100 en 2006. L'industrie accueillera favorablement cette nouvelle qui arrive après une chute fulgurante de 32,1 p. 100 l'année dernière.

Le marché des logements existants lui aussi sera dynamique cette année tant à Ottawa–Gatineau qu'à Calgary. Le nombre d'unités vendues devrait y grimper de 5,5 p. 100 et de 12 p. 100, respectivement. À Montréal, le nombre d'unités vendues devrait augmenter par un plus modeste 2 p. 100. Mais à Vancouver, on prévoit une baisse de 8,2 p. 100,

essentiellement à cause du relèvement des taux d'intérêt. Toronto devrait aussi afficher un recul du nombre d'unités vendues cette année.

La croissance des prix des logements neufs à l'échelon municipal est jusqu'ici demeurée forte dans les RMR, à l'exception d'Ottawa–Gatineau, où elle devrait atteindre un taux relativement modeste de 2,9 p. 100 cette année. Ailleurs, on prévoit une hausse se situant entre 3,8 p. 100 (à Toronto) et le taux ahurissant de 37,6 p. 100 (à Calgary). Le prix de revente moyen suivra essentiellement les mêmes tendances régionales que celui des logements neufs en 2006, Calgary affichant là encore la plus forte hausse. L'inflation des prix des logements neufs et existants se tassera dans toutes les RMR à moyen terme, à mesure que les marchés retrouveront leur équilibre.

Canada



Economic Outlook

Canada's economic performance this year is being shaped by several unfolding world events. Most important will be the impact of the housing price correction south of the border and its effect on the debt-laden American consumer. Inescapably, Canadian sectors supplying the residential construction industry will be hurt in 2006. Softer U.S. demand will also hurt already strained exporters and manufacturers, as well as domestic sectors catering to American tourists. A weaker U.S. economy will also result in easing commodity prices, in turn lowering profits in Canada.

Thankfully, Canada's domestic economy has enough momentum to perform well this year. Together, consumer spending, business investment and government spending spurred domestic demand to an

Domestic demand will help drive moderate GDP growth of 2.7 per cent this year, but it will not be reflected in the housing market. Housing starts fell by 3.4 per cent last year and are expected to remain steady this year before declining by 10.2 per cent in 2007. Price growth is also expected to moderate from 2008 onward, with the price of a new home forecast to rise by 3.1 per cent per year, while the price of an existing home rises by 4 per cent per year.

annualized pace of 4 per cent in the second quarter of 2006 despite a sharp reduction in residential construction. As has been the trend since 2003, it was the trade sector—indeed an outstanding jump in imports—that held back growth to only 2 per cent in the quarter. Overall, the forecast for real gross domestic product (GDP) growth this year is expected to be 2.7 per cent. A stable exchange rate and a modestly recovering manufacturing sector will help generate growth of 2.9 per cent in 2007.

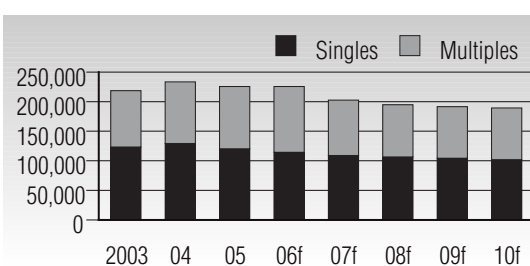
Financial Markets Outlook

Canada's Consumer Price Index (CPI) in recent history has been largely driven by energy prices. Prices for oil and gas rose to record levels as a result of last year's Hurricane Katrina and of global tension surrounding Iran and other oil nations. However, the end of this summer's driving season coupled with relatively high inventories of

oil and gasoline led to a temporary reprieve from rising gasoline prices. This softening will, for now, dampen overall inflation. The effect is being augmented by the July reduction in the federal GST, which will strip about 0.3 percentage points from overall price inflation both this year and next. This will leave growth in the CPI at 1.9 per cent for 2006 and 1.4 per cent for 2007. Core inflation, which excludes volatile items such as food and energy prices and the effects of the reduction in the GST, is running at 1.5 per cent, well below the Bank of Canada's target of 2 per cent.

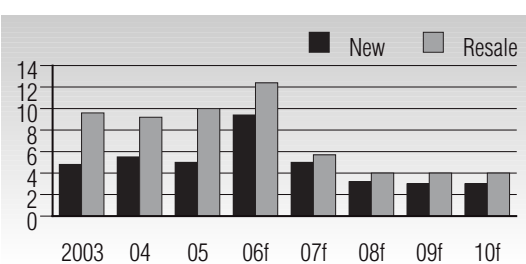
In addition to lower energy prices and slower overall inflation, the value of U.S. real estate has also fallen recently, easing demand and price pressures on a few commodities throughout North America. Waning U.S. performance is therefore expected to make the U.S. Federal Reserve nervous enough to reduce its key lending rate by

Chart 1—Housing Starts



Sources: The Conference Board of Canada; Canada Mortgage and Housing Corporation.

Chart 2—House Price Growth (% change)



Sources: The Conference Board of Canada; Canada Mortgage and Housing Corporation; Canadian Real Estate Association.

50 basis points early in 2007. But the Bank of Canada is expected to remain on the sidelines. Lower inflationary pressures will serve to keep the Bank from reducing interest rates in the near term, leaving the overnight target rate at 4.25 until mid-2007, after which rates are expected to step up again as the U.S. economy begins to recover.

Despite a sharp drop in oil prices, the Canadian dollar averaged over US\$0.90 during August and has held its strength since then. Expectations that the Fed ended its run of monetary tightening, and that it may now lower interest rates in the near future, have helped keep the loonie strong. However, easing prices for energy and other commodities and softer corporate profit growth next year will result in the Canadian dollar easing to just under US\$0.88 by the end of 2007.

Mortgage rates had been sliding down for several years. After peaking at 8.4 per cent in 2000, the five-year conventional mortgage rate fell steadily through to 2005, dropping to 5.8 per cent at its lowest point in the fourth quarter of last year. However, higher overall interest rates this year have led to increased mortgage rates. The five-year rate moved up to 6.4 per cent in the first quarter of 2006, and stood at 6.6 per cent in November. The Bank of Canada is expected to hold steady on interest rates at least until the middle of 2007, when it will begin to move up once again. The forecast calls for the rate to average 6.7 per cent this year, increasing to 6.8 per cent for 2007.

Housing Outlook

From 1996 to 2004, housing starts in Canada increased at an average pace of 9 per cent annually, thanks to pent-up demand from the early 1990s, sound economic growth and lower interest rates from 2001 onward. In level terms, housing starts jumped from 124,700 units in 1996 to 233,400 units in 2004. In line with the higher demand for housing, the price of a new home in Canada grew by 3.9 per cent from 2000 to 2004, on an average annual basis, to reach \$308,500—nearly \$50,000 more than in 2000.

The rapid rise in resale home prices indicates that the resale market in Canada also did well. In fact, the price of an existing home increased by an average of 6.8 per cent per year from 1999 to 2004. By 2004, the average price of an existing home had reached \$226,100, nearly \$70,000 higher than in 1999, but still much lower than prices in the new home market.

After eight years of strong growth, the shine finally came off Canada's new housing market last year. With pent-up demand believed to be satisfied, housing starts slipped 3.4 per cent to a still healthy level of 225,500 units in 2005. Somewhat surprisingly, housing starts roared out of the gates this year, averaging a remarkable 248,000 units in the first quarter on a seasonally adjusted annualized basis, a rebound of nearly 10 per cent from the fourth quarter of 2005. Housing starts then fell off again in the second quarter when back-to-back declines in April and May brought starts to 228,900 units. The first quarter growth is thought

to have resulted from unseasonably warm temperatures and other one-off factors such as the advance purchase of building permits in Ontario by builders anticipating increased land development charges in 2006. Sustained strength in Alberta's and B.C.'s housing markets also contributed. But affordability issues arising from higher interest rates and record-high prices (growth in new home prices is forecast to reach a substantial 9.4 per cent this year) are expected to keep housing demand at bay in coming months. Still, for the year 2006 as a whole, housing starts will post a marginal increase of 0.1 per cent.

Demographic trends suggest yearly new home construction should be closer to 200,000. The Conference Board expects starts to move towards that level, falling by 10.2 per cent in 2007, down to 202,600 units, and continuing to decline through the medium term. Price growth will also ease, as the average price of a new home is expected to increase by 5 per cent in 2007 and then 3.1 per cent annually from 2008 onward.

As in the new home market, growth in existing home prices has showed few signs of easing in 2006. During the first three months of the year alone, the average price of a home on Canada's Multiple Listing Service (MLS) was 4.4 per cent higher than in the fourth quarter of 2005. Overall, existing home prices are expected to increase by 12.4 per cent this year. But with demand slowing, a more moderate 5.7 per cent increase in existing home prices is anticipated next year, easing to 4 per cent annually from 2008 to 2010.

Mortgage Outlook

From 2001 to 2004, total mortgage approvals, in terms of both numbers and dollar value, increased rapidly, in line with the strength in the housing market. The total number of approvals rose by an average of 12.7 per cent annually over this time period. The total dollar value of approvals grew even faster, by a whopping 21.5 per cent, on an average annual basis, owing to robust price growth.

Growth in the number of approvals slowed to 2.5 per cent last year as the demand for new housing decelerated. However, the dollar value of approvals continued to grow at a brisk pace—11.6 per cent—as price growth remained strong. The same is expected for 2006, with the number of approvals rising by 1.2 per cent while the dollar value of approvals increases by 11.4 per cent.

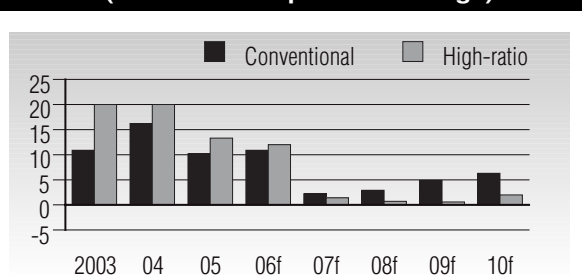
As the housing market weakens through 2007 and into the medium term, the number of mortgage approvals is expected to fall. The significant drop in housing starts forecast for 2007 will lead to a 3.3 per cent drop in the number of mortgage approvals. The number of approvals is then expected to decline by an average of 0.7 per cent from 2008 to 2010. Moderate price growth will help to keep growth in the dollar volume of approvals positive, at 2.7 per cent, on an average annual basis, from 2007 to 2010.

The number of high-ratio mortgages increased at a faster rate than the number of conventional mortgages over the past five years. A high-ratio mortgage is one where the buyer has a down payment of less than 25 per cent of the purchase price. Given the substantial increases in home prices since 2001, more borrowers have likely been forced into the high-ratio category. This is

especially true in the new home market, where average house prices topped \$300,000 in 2004. High-ratio mortgages on new homes averaged unit growth of 10.5 per cent and dollar value growth of 19 per cent annually from 2001 to 2005. By contrast, unit and dollar values of conventional mortgage approvals for new homes rose by only 2.5 per cent and 10.9 per cent, respectively, between 2001 and 2005.

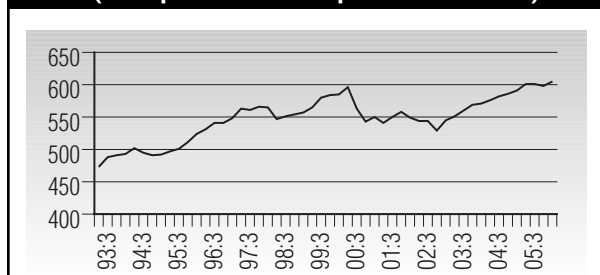
With prices still much lower in the existing home market, the split between growth in high-ratio mortgages and conventional mortgages was not as pronounced. The number of high-ratio mortgages for existing homes increased an average of 12.5 per cent yearly over the past five years, compared with a 10.3 per cent average increase for conventional mortgages for existing homes. In dollar value terms, the average increase in high-ratio mortgages on existing homes was 21.8 per cent, while that for conventional mortgages was 19.6 per cent.

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



Sources: The Conference Board of Canada; Genworth Financial Canada; Canada Mortgage and Housing Corporation.

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



Sources: The Conference Board of Canada; Statistics Canada.

Table 1—Economic Indicators

	2003	2004	2005	2006f	2007f	2008f	2009f	2010f
Real GDP at market prices (1997 \$ millions)	1,088,773 <i>1.8</i>	1,124,688 <i>3.3</i>	1,157,705 <i>2.9</i>	1,188,989 <i>2.7</i>	1,223,459 <i>2.9</i>	1,263,251 <i>3.3</i>	1,303,240 <i>3.2</i>	1,343,307 <i>3.1</i>
Total employment (000s)	15,672 <i>2.4</i>	15,949 <i>1.8</i>	16,169 <i>1.4</i>	16,461 <i>1.8</i>	16,718 <i>1.6</i>	16,978 <i>1.6</i>	17,233 <i>1.5</i>	17,472 <i>1.4</i>
Unemployment rate	7.6	7.2	6.8	6.5	6.6	6.4	6.3	6.2
Personal income per capita	29,484 <i>2.7</i>	30,658 <i>4.0</i>	31,884 <i>4.0</i>	33,343 <i>4.6</i>	34,420 <i>3.2</i>	35,644 <i>3.6</i>	36,891 <i>3.5</i>	38,162 <i>3.4</i>
Population (000s)	31,627 <i>1.0</i>	31,932 <i>1.0</i>	32,232 <i>0.9</i>	32,537 <i>0.9</i>	32,835 <i>0.9</i>	33,141 <i>0.9</i>	33,455 <i>0.9</i>	33,779 <i>1.0</i>
Retail sales (\$ millions)	331,143 <i>3.6</i>	346,721 <i>4.7</i>	368,612 <i>6.3</i>	393,264 <i>6.7</i>	415,610 <i>5.7</i>	437,978 <i>5.4</i>	461,812 <i>5.4</i>	486,113 <i>5.3</i>
Exchange rate (U.S./Can.)	0.72	0.77	0.83	0.89	0.89	0.87	0.86	0.85
Inflation rate	2.8	1.8	2.2	1.9	1.4	2.0	2.0	2.0

Table 2—Financial Indicators

Bank rate	3.2	2.5	2.9	4.3	4.6	4.8	4.8	4.8
Prime lending rate	4.7	4.0	4.4	5.8	5.9	6.0	6.0	6.0
Three-month treasury bill	2.9	2.2	2.7	4.0	4.2	4.4	4.4	4.4
One-year conventional mortgage rate	4.8	4.6	5.1	6.3	6.2	6.2	6.1	6.1
Three-year conventional mortgage rate	5.8	5.7	5.6	6.5	6.6	6.8	6.8	6.8
Five-year conventional mortgage rate	6.4	6.2	6.0	6.7	6.8	7.0	7.1	7.2
Federal bonds: 1–3 years	3.2	2.9	3.2	4.1	4.4	4.6	4.7	4.7
Federal bonds: 3–10 years	4.3	4.1	3.7	4.2	4.5	4.8	4.9	5.0
Federal bonds: 10 years and over	5.3	5.1	4.4	4.4	4.7	5.0	5.2	5.3

Table 3—Housing Indicators

Housing starts	218,426 <i>6.5</i>	233,431 <i>6.9</i>	225,481 <i>-3.4</i>	225,620 <i>0.1</i>	202,573 <i>-10.2</i>	194,703 <i>-3.9</i>	191,500 <i>-1.6</i>	189,222 <i>-1.2</i>
Singles	123,227 <i>-1.7</i>	129,171 <i>4.8</i>	120,463 <i>-6.7</i>	114,473 <i>-5.0</i>	109,071 <i>-4.7</i>	106,579 <i>-2.3</i>	104,453 <i>-2.0</i>	101,909 <i>-2.4</i>
Multiples	95,199 <i>19.5</i>	104,260 <i>9.5</i>	105,018 <i>0.7</i>	111,147 <i>5.8</i>	93,502 <i>-15.9</i>	88,124 <i>-5.8</i>	87,047 <i>-1.2</i>	87,313 <i>0.3</i>
Housing completions	199,290 <i>7.8</i>	215,500 <i>8.1</i>	211,937 <i>-1.7</i>	222,044 <i>4.8</i>	209,589 <i>-5.6</i>	198,424 <i>-5.3</i>	189,929 <i>-4.3</i>	186,285 <i>-1.9</i>
Singles	121,387 <i>7.3</i>	125,886 <i>3.7</i>	118,559 <i>-5.8</i>	117,557 <i>-0.8</i>	108,592 <i>-7.6</i>	106,114 <i>-2.3</i>	104,189 <i>-1.8</i>	101,939 <i>-2.2</i>
Multiples	77,902 <i>8.5</i>	89,614 <i>15.0</i>	93,378 <i>4.2</i>	104,487 <i>11.9</i>	100,996 <i>-3.3</i>	92,310 <i>-8.6</i>	85,740 <i>-7.1</i>	84,346 <i>-1.6</i>
Average price of a new home (\$)	292,264 <i>4.8</i>	308,460 <i>5.5</i>	324,008 <i>5.0</i>	354,409 <i>9.4</i>	372,188 <i>5.0</i>	384,098 <i>3.2</i>	395,621 <i>3.0</i>	407,489 <i>3.0</i>
Average price of a resale home (\$)	207,038 <i>9.6</i>	226,110 <i>9.2</i>	248,815 <i>10.0</i>	279,736 <i>12.4</i>	295,609 <i>5.7</i>	307,433 <i>4.0</i>	319,730 <i>4.0</i>	332,520 <i>4.0</i>

Italics indicate percentage change.

Sources: The Conference Board of Canada; The Bank of Canada; Canada Mortgage and Housing Corporation; Canadian Real Estate Association; Statistics Canada.

Canada



Perspectives économiques

La correction des prix des logements au sud de la frontière et son effet sur le consommateur américain très endetté nuira aux exportateurs canadiens et aux fabricants déjà mis à rude épreuve. Le ralentissement de l'économie américaine entraînera aussi une diminution des cours des produits de base qui, à son tour, comprimera les profits au Canada.

Heureusement, l'économie intérieure du Canada est suffisamment dynamique pour enregistrer un bon rendement cette année. Ensemble, les dépenses de consommation, l'investissement des entreprises et les dépenses publiques ont poussé la demande intérieure à une croissance annualisée de 4 p. 100 au deuxième trimestre de 2006, malgré un brusque ralentissement des activités dans la construction résidentielle. Fidèle à

La croissance du PIB sera modérée cette année, à 2,7 p. 100. Bien que la demande intérieure restera solide, cela ne se reflétera pas dans le marché de l'habitation. Les mises en chantier ont chuté de 3,4 p. 100 l'an dernier et devraient rester stables cette année, avant de décliner de 10,2 p. 100 en 2007. La croissance des prix devrait aussi ralentir à partir de 2008, avec une hausse annuelle anticipée du prix des logements neufs de 3,1 p. 100 et des logements existants, de 4 p. 100.

la tendance observée depuis 2003, le commerce extérieur — dont les importations ont, en fait, pris un essor remarquable — a restreint la croissance du produit intérieur brut (PIB) réel à un faible 2 p. 100 pendant le trimestre. Dans l'ensemble, le PIB réel devrait progresser de 2,7 p. 100 cette année. La stabilité du taux de change et le modeste redressement du secteur manufacturier aideront à générer une croissance de 2,9 p. 100 en 2007.

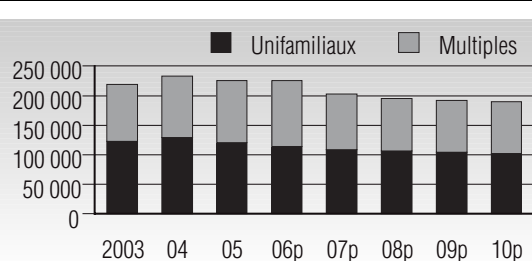
Perspectives des marchés financiers

Dernièrement, l'indice des prix à la consommation (IPC) du Canada a été stimulé en grande partie par les prix de l'énergie. Les cours du pétrole et du gaz ont atteint des niveaux records à la suite de l'ouragan Katrina, l'an dernier, et de la tension mondiale entourant l'Iran et d'autres pays producteurs de pétrole. Néanmoins, la diminution des déplacements en automobile qui

accompagne la fin de la saison estivale, conjuguée au niveau relativement élevé des stocks de pétrole et de gaz, a temporairement modéré la montée des prix de l'essence. Ce fléchissement contiendra l'inflation globale pendant un moment. L'effet est intensifié par la réduction de la TPS fédérale en juillet, qui fera reculer l'inflation des prix globale d'environ 0,3 point de pourcentage cette année et l'an prochain. La croissance de l'IPC atteindra donc 1,9 p. 100 en 2006 et 1,4 p. 100 en 2007. L'inflation de base, qui exclut des éléments volatils comme les prix des aliments et de l'énergie et les effets de la réduction de la TPS, se maintient à 1,5 p. 100, bien en dessous de l'objectif de 2 p. 100 de la Banque du Canada.

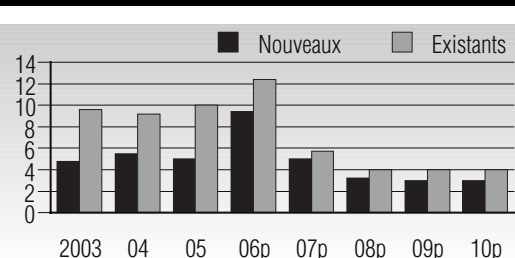
À la diminution des prix de l'énergie et de l'inflation globale s'est ajoutée récemment celle de la valeur des propriétés foncières et immobilières aux États-Unis, ce qui a réduit la demande et les pressions exercées

Graphique 1 — Mises en chantier



Sources : Le Conference Board du Canada; Société canadienne d'hypothèques et de logement.

Graphique 2 — Croissance des prix des logements (variation en pourcentage)



Sources : Le Conference Board du Canada; Société canadienne d'hypothèques et de logement; Association canadienne de l'immeuble.

sur les prix de quelques produits de base dans toute l'Amérique du Nord. Le déclin du rendement de l'économie américaine devrait donc inquiéter suffisamment la Réserve fédérale pour qu'elle réduise le taux d'intérêt directeur de 50 points de base au début de 2007. La Banque du Canada ne devrait cependant pas intervenir. L'apaisement des tensions inflationnistes l'incitera à ne pas réduire les taux d'intérêt à court terme et à laisser le taux de financement à un jour à 4,25 p. 100 jusqu'au milieu de 2007, après quoi on s'attend à ce qu'elle recommence à faire monter son taux, encouragée en cela par la reprise de l'économie américaine.

En dépit de la chute abrupte des cours du pétrole, le dollar canadien a, en moyenne, dépassé 0,90 \$US en août et a maintenu sa vigueur depuis. Les prévisions concernant la fin des mesures de resserrement monétaire et une baisse prochaine des taux d'intérêt par la Réserve fédérale américaine ont contribué à soutenir la force du huard. Toutefois, le repli des prix de l'énergie et d'autres produits de base, combiné à la croissance réduite des bénéfices des sociétés l'an prochain, abaissera le dollar canadien juste en dessous de 0,88 \$US d'ici la fin de 2007.

Les taux d'intérêt hypothécaire ont diminué pendant plusieurs années. Après avoir atteint un sommet de 8,4 p. 100 en 2000, le taux hypothécaire ordinaire sur cinq ans a décliné régulièrement jusqu'en 2005 et atteint son niveau le plus bas, à 5,8 p. 100, au quatrième trimestre de l'an dernier. Néanmoins, la hausse des taux d'intérêt généraux de cette année a fait monter les taux hypothécaires. Le taux sur cinq ans s'est accru à 6,4 p. 100 au premier trimestre

de 2006. Il se chiffrait à 6,6 p. 100 en novembre. La Banque du Canada devrait maintenir les mêmes taux d'intérêt jusqu'au milieu de 2007, pour ensuite recommencer à monter. On prévoit une moyenne de 6,7 p. 100 cette année, suivie d'une moyenne de 6,8 p. 100 en 2007.

Perspectives du secteur résidentiel

De 1996 à 2004, les mises en chantier au Canada ont augmenté à une cadence annuelle de 9 p. 100 en moyenne, grâce à la demande refoulée du début des années 1990, à une forte croissance économique et à la baisse des taux d'intérêt à partir de 2001. Elles sont passées de 124 700 unités, en 1996, à 233 400 unités en 2004. Parallèlement à l'intensification de la demande, le prix moyen d'un nouveau logement au Canada est monté de 3,9 p. 100 annuellement de 2000 à 2004, pour atteindre 308 500 dollars, presque 50 000 dollars de plus qu'en 2000.

La hausse rapide des prix des logements existants indique que le marché de la revente a également fait bonne figure au Canada. En fait, leur prix s'est accru en moyenne de 6,8 p. 100 de 1999 à 2004. En 2004, le prix moyen avait atteint 226 100 dollars, presque 70 000 dollars de plus qu'en 1999, mais un prix encore beaucoup inférieur à celui du marché des logements neufs.

En 2005, après huit ans de forte croissance, le marché des logements neufs au Canada a finalement perdu un peu de son lustre. Avec la demande refoulée maintenant satisfaite — du moins c'est ce qu'on croit —, les mises en chantier ont diminué de 3,4 p. 100 à un niveau encore

respectable de 225 500 unités. Chose étonnante, elles ont explosé cette année et atteint une moyenne remarquable de 248 000 unités au premier trimestre, sur une base annualisée et ajusté pour la saisonnalité, ce qui représente une remontée de presque 10 p. 100 par rapport au quatrième trimestre de 2005. Elles ont ensuite régressé de nouveau au deuxième trimestre, où les déclinés consécutifs d'avril et de mai les ont menées à 228 900 unités. On croit que la croissance du premier trimestre a bénéficié des températures supérieures à la normale et d'autres facteurs ponctuels, dont l'achat à l'avance de permis par les constructeurs de l'Ontario, qui anticipaient la hausse des coûts d'aménagement de terrain en 2006. La vigueur soutenue des marchés de l'habitation en Alberta et en Colombie-Britannique a aussi contribué à cette croissance. Cependant, on prévoit qu'avec un marché moins abordable en raison des taux d'intérêt plus élevés et des prix à des niveaux records — une hausse appréciable de 9,4 p. 100 des prix des logements neufs est anticipée cette année — la demande de logements se calmera pendant les prochains mois. Malgré tout, les mises en chantier afficheront un accroissement marginal de 0,1 p. 100 pour l'ensemble de 2006.

D'après les tendances démographiques, les logements neufs devraient se situer annuellement autour de 200 000 unités. Le Conference Board prévoit une évolution vers ce niveau, avec une chute de 10,2 p. 100 en 2007, à 202 600 unités, et un déclin continu à moyen terme. La croissance des prix diminuera aussi et le prix moyen d'un nouveau logement devrait s'accroître de 5 p. 100 en 2007 et de 3,1 p. 100 annuellement à partir de 2008.

Comme pour le marché des logements neufs, la croissance des prix des logements existants n'a montré que très peu de signes d'essoufflement en 2006. Pendant les premiers trois mois seulement, le prix moyen affiché sur la liste du service interagences du Canada a dépassé de 4,4 p. 100 celui du quatrième trimestre de 2005. Dans l'ensemble, les prix des logements existants devraient s'accroître de 12,4 p. 100 cette année. Néanmoins, en raison du ralentissement de la demande, on s'attend à une croissance plus modérée de 5,7 p. 100 l'an prochain suivie d'un ralentissement, à 4 p. 100 annuellement, de 2008 à 2010.

Du côté des prêts hypothécaires

De 2001 à 2004, les approbations de prêts hypothécaires — en chiffres absolus et en valeur — ont augmenté rapidement, proportionnellement au vigoureux marché de l'habitation. Le nombre total d'approbations s'est accru en moyenne de 12,7 p. 100 par an pendant cette période. La valeur totale des approbations a progressé encore plus vite et fait un bond phénoménal de 21,5 p. 100 par année en moyenne, grâce à la croissance soutenue des prix.

L'an dernier, la croissance du nombre d'approbations a décliné à 2,5 p. 100, à cause de l'essoufflement de la demande de logements neufs. La valeur monétaire des approbations a cependant continué de progresser à vive allure, avec une croissance de 11,6 p. 100, la poussée des prix s'étant maintenue. On s'attend à un scénario semblable en 2006, avec des hausses respectives de 1,2 p. 100 et de 11,4 p. 100.

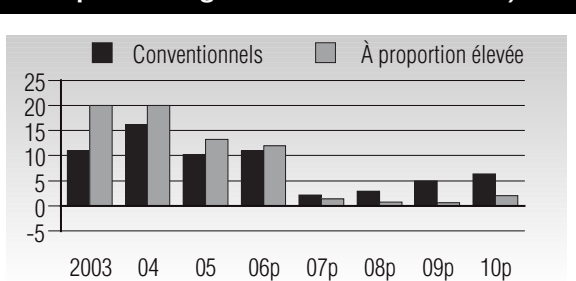
Le nombre d'approbations de prêts hypothécaires devrait diminuer parallèlement au ralentissement anticipé du marché de l'habitation en 2007 et à moyen terme. La chute importante du nombre de mises en chantier anticipée en 2007 entraînera une baisse de 3,3 p. 100 du nombre d'approbations. On prévoit ensuite que celui-ci affichera un déclin moyen annuel de 0,7 p. 100 de 2008 à 2010. Une hausse des prix modérée aidera à maintenir la croissance de la valeur monétaire des approbations à 2,7 p. 100 en moyenne par année, de 2007 à 2010.

Le nombre de prêts hypothécaires à proportion élevée s'est accru à un rythme plus rapide que celui des prêts hypothécaires ordinaires pendant les cinq dernières années. Dans ce type de prêt hypothécaire,

l'acheteur paie un versement initial inférieur à 25 p. 100 du prix d'achat. La forte augmentation des prix des logements depuis 2001 a probablement obligé plus d'emprunteurs à se tourner vers le prêt hypothécaire à proportion élevée. Cela est particulièrement vrai pour le marché des logements neufs, dont le prix moyen a dépassé 300 000 dollars en 2004. De 2001 à 2005, le nombre de prêts hypothécaires à proportion élevée pour l'achat d'un logement neuf s'est accru en moyenne de 10,5 p. 100 et la valeur monétaire, de 19 p. 100, annuellement. Par contre, le nombre et la valeur monétaire des approbations de prêts hypothécaires ordinaires pour des logements neufs n'ont monté que de 2,5 p. 100 et 10,9 p. 100 respectivement, pendant la même période.

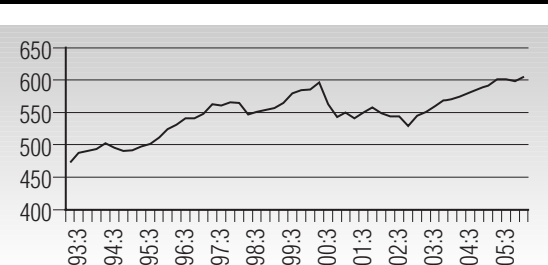
Sur le marché de la revente, l'écart entre la croissance des prêts hypothécaires à proportion élevée et ordinaires n'est pas aussi marqué, parce que les prix des logements existants sont demeurés beaucoup plus bas. Le nombre de prêts hypothécaires à proportion élevée pour l'achat de logements existants s'est accru en moyenne de 12,5 p. 100 par année pendant les cinq dernières années, en comparaison de 10,3 p. 100

Graphique 3 — Croissance des prêts hypothécaires approuvés (variation en pourcentage de la valeur en dollars)



Sources : Le Conference Board du Canada; Genworth Financial Canada; Société canadienne d'hypothèques et de logement.

Graphique 4 — Valeur nette des ménages (en pourcentage du revenu disponible)



Sources : Le Conference Board du Canada; Statistique Canada.

pour les prêts hypothécaires ordinaires. La valeur monétaire des

prêts hypothécaires à proportion élevée a augmenté en moyenne de

21,8 p. 100, et celle des prêts hypothécaires ordinaires, de 19,6 p. 100.

Tableau 1 — Indicateurs économiques

	2003	2004	2005	2006p	2007p	2008p	2009p	2010p
PIB réel aux prix du marché (en millions de dollars de 1997)	1 088 773 1,8	1 124 688 3,3	1 157 705 2,9	1 188 989 2,7	1 223 459 2,9	1 263 251 3,3	1 303 240 3,2	1 343 307 3,1
Emplois totaux (en milliers)	15 672 2,4	15 949 1,8	16 169 1,4	16 461 1,8	16 718 1,6	16 978 1,6	17 233 1,5	17 472 1,4
Taux de chômage	7,6	7,2	6,8	6,5	6,6	6,4	6,3	6,2
Revenu personnel par habitant	29 484 2,7	30 658 4,0	31 884 4,0	33 343 4,6	34 420 3,2	35 644 3,6	36 891 3,5	38 162 3,4
Population (en milliers)	31 627 1,0	31 932 1,0	32 232 0,9	32 537 0,9	32 835 0,9	33 141 0,9	33 455 0,9	33 779 1,0
Ventes au détail (en millions \$)	331 143 3,6	346 721 4,7	368 612 6,3	393 264 6,7	415 610 5,7	437 978 5,4	461 812 5,4	486 113 5,3
Taux de change (É.-U./Canada)	0,72	0,77	0,83	0,89	0,89	0,87	0,86	0,85
Taux d'inflation	2,8	1,8	2,2	1,9	1,4	2,0	2,0	2,0

Tableau 2 — Indicateurs financiers

Taux officiel d'escompte	3,2	2,5	2,9	4,3	4,6	4,8	4,8	4,8
Taux préférentiel	4,7	4,0	4,4	5,8	5,9	6,0	6,0	6,0
Bon du Trésor de 3 mois	2,9	2,2	2,7	4,0	4,2	4,4	4,4	4,4
Taux hypothécaire ordinaire sur 1 an	4,8	4,6	5,1	6,3	6,2	6,2	6,1	6,1
Taux hypothécaire ordinaire sur 3 ans	5,8	5,7	5,6	6,5	6,6	6,8	6,8	6,8
Taux hypothécaire ordinaire sur 5 ans	6,4	6,2	6,0	6,7	6,8	7,0	7,1	7,2
Obligations fédérales : 1-3 ans	3,2	2,9	3,2	4,1	4,4	4,6	4,7	4,7
Obligations fédérales : 3-10 ans	4,3	4,1	3,7	4,2	4,5	4,8	4,9	5,0
Obligations fédérales : 10 ans et plus	5,3	5,1	4,4	4,4	4,7	5,0	5,2	5,3

Tableau 3 — Indicateurs du secteur résidentiel

Mises en chantier	218 426 6,5	233 431 6,9	225 481 -3,4	225 620 0,1	202 573 -10,2	194 703 -3,9	191 500 -1,6	189 222 -1,2
Logements unifamiliaux	123 227 -1,7	129 171 4,8	120 463 -6,7	114 473 -5,0	109 071 -4,7	106 579 -2,3	104 453 -2,0	101 909 -2,4
Multiples	95 199 19,5	104 260 9,5	105 018 0,7	111 147 5,8	93 502 -15,9	88 124 -5,8	87 047 -1,2	87 313 0,3
Nouveaux logements	199 290 7,8	215 500 8,1	211 937 -1,7	222 044 4,8	209 589 -5,6	198 424 -5,3	189 929 -4,3	186 285 -1,9
Logements unifamiliaux	121 387 7,3	125 886 3,7	118 559 -5,8	117 557 -0,8	108 592 -7,6	106 114 -2,3	104 189 -1,8	101 939 -2,2
Multiples	77 902 8,5	89 614 15,0	93 378 4,2	104 487 11,9	100 996 -3,3	92 310 -8,6	85 740 -7,1	84 346 -1,6
Prix moyen d'un logement nouveau (\$)	292 264 4,8	308 460 5,5	324 008 5,0	354 409 9,4	372 188 5,0	384 098 3,2	395 621 3,0	407 489 3,0
Prix moyen d'un logement existant (\$)	207 038 9,6	226 110 9,2	248 815 10,0	279 736 12,4	295 609 5,7	307 433 4,0	319 730 4,0	332 520 4,0

L'italique signale les variations en pourcentage.

Sources : Le Conference Board du Canada; La Banque du Canada; Société canadienne d'hypothèques et de logement; Association canadienne de l'immeuble; Statistique Canada.

Atlantic Canada



Economic Outlook

Atlantic Canada's economy is expected to grow by 2.9 per cent in 2006 and by a further 3 per cent next year—up from only 1 per cent growth in 2004 and 2005.

Double-digit growth in Newfoundland and Labrador's mining sector will offset weakness in construction and manufacturing, leading to real gross domestic product (GDP) growth of 4.6 per cent. Prince Edward Island's real GDP growth is expected to be much slower in 2006 and 2007, at 2.1 per cent and 2.2 per cent, respectively, because of an only modest increase in the Island's agriculture sector. Nova Scotia is set to record growth of 2.7 per cent in real GDP for both 2006 and 2007, partly as a result of gains in the services sector. And in New Brunswick, a recovery in the job market is fuelling healthy growth

After falling for two years in a row, housing starts in Atlantic Canada are forecast to increase by 2.6 per cent this year. But next year, starts are expected to drop by 35.3 per cent, partly because of higher interest rates in the second half of the year, and as starts finally align with demographic requirements. Price growth will be strong in 2006 but is forecast to moderate by 2008 to only 2.3 per cent annually in the new home market and 3.5 per cent annually in the existing home market.

in the service industries, particularly retail trade, allowing economic growth to reach 2.2 per cent annually over the next two years.

Housing Outlook

An increase in real GDP growth starting in 1998, together with falling interest rates starting in 2001, boosted demand for housing in Atlantic Canada from 1999 to 2003, allowing housing starts to increase at an average annual rate of 11.8 per cent, to reach 13,100 units by 2003.

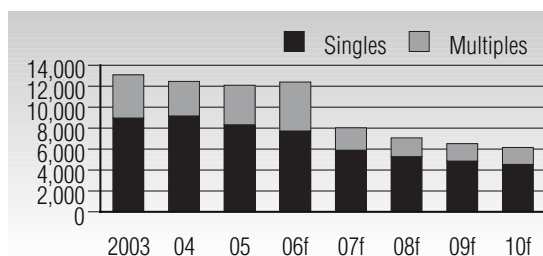
Average price growth in the new home market remained moderate, at 3 per cent per year from 1999 to 2003, despite the healthy increase in demand. Price increases in the resale market were much higher, averaging 5.9 per cent annually. Given that resale prices have stayed about \$120,000 lower than new home prices, builders may have felt pressure to keep price increases at bay

so as not to force people out of the more-expensive new home market.

Demand for new housing began to fall by 2004, in line with slower economic growth in the Atlantic provinces. Accordingly, housing starts declined by 4.9 per cent in 2004 and 2.9 per cent last year, while price growth decelerated to 2 per cent in 2005. But buoyed on by relatively lower prices, demand for existing homes remained strong, allowing average prices to accelerate from 6 per cent growth in 2003 to 8.4 per cent last year.

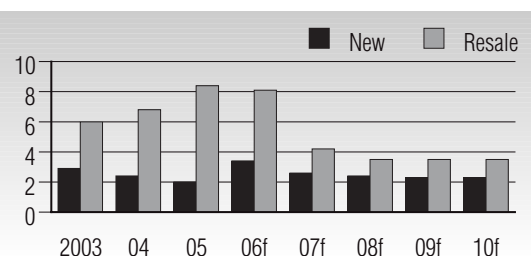
Both markets are poised to do well in 2006. Housing starts are expected to rise by 2.6 per cent, while the 8.1 per cent growth in existing home prices reflects the continued strength of the resale market. Even though Newfoundland and Labrador will have the strongest economy, it will have the lowest growth in housing starts. P.E.I.'s

Chart 1—Housing Starts



Sources: The Conference Board of Canada; Canada Mortgage and Housing Corporation.

Chart 2—House Price Growth (% change)



Sources: The Conference Board of Canada; Canada Mortgage and Housing Corporation; Canadian Real Estate Association.

starts continue to defy expectations, while in Nova Scotia, income gains have helped push up new home construction. Finally, housing starts in New Brunswick reached a record level in the first quarter and are expected to post a healthy gain overall in 2006.

Next year, however, higher interest rates will be partly responsible for the 35.3 per cent decline in housing starts in the Atlantic region. Prices will moderate as well, averaging 2.6 per cent growth in the new market and 4.2 per cent growth in the existing one. The rate of home

construction has outpaced household formation for several years now, so housing starts in Atlantic Canada are expected to trend downward over the medium term. Softer housing demand will keep price growth at 2.3 per cent for new homes and 3.5 per cent for existing homes.

Table 1—Economic Indicators

	2003	2004	2005	2006f	2007f	2008f	2009f	2010f
Real GDP at basic prices (1997 \$ millions)	58,150 <i>2.6</i>	58,786 <i>1.1</i>	59,371 <i>1.0</i>	61,117 <i>2.9</i>	62,939 <i>3.0</i>	63,766 <i>1.3</i>	64,737 <i>1.5</i>	65,809 <i>1.7</i>
Total employment (000s)	1,053 <i>1.4</i>	1,074 <i>2.0</i>	1,076 <i>0.2</i>	1,087 <i>1.0</i>	1,094 <i>0.7</i>	1,101 <i>0.6</i>	1,109 <i>0.8</i>	1,116 <i>0.6</i>
Unemployment rate	11.2	10.7	10.4	10.1	10.1	9.9	9.5	9.1
Personal income per capita	25,209 <i>3.4</i>	26,203 <i>3.9</i>	27,258 <i>4.0</i>	28,466 <i>4.4</i>	29,611 <i>4.0</i>	30,747 <i>3.8</i>	31,954 <i>3.9</i>	33,130 <i>3.7</i>
Population (000s)	4,361 <i>0.1</i>	4,371 <i>0.2</i>	4,377 <i>0.1</i>	4,369 <i>-0.2</i>	4,372 <i>0.1</i>	4,376 <i>0.1</i>	4,381 <i>0.1</i>	4,387 <i>0.1</i>
Retail sales (\$ millions)	24,961 <i>2.3</i>	25,399 <i>1.8</i>	26,350 <i>3.7</i>	27,615 <i>4.8</i>	28,522 <i>3.3</i>	29,560 <i>3.6</i>	30,672 <i>3.8</i>	31,800 <i>3.7</i>
Inflation rate	3.4	1.9	2.9	2.5	1.7	1.8	1.9	1.8

Italics indicate percentage change.

Sources: The Conference Board of Canada; Statistics Canada.

Table 2—Housing Indicators

	2003	2004	2005	2006f	2007f	2008f	2009f	2010f
Housing starts	13,091 <i>8.9</i>	12,453 <i>-4.9</i>	12,094 <i>-2.9</i>	12,404 <i>2.6</i>	8,021 <i>-35.3</i>	7,068 <i>-11.9</i>	6,512 <i>-7.9</i>	6,151 <i>-5.5</i>
Singles	8,960 <i>1.7</i>	9,151 <i>2.1</i>	8,314 <i>-9.1</i>	7,715 <i>-7.2</i>	5,888 <i>-23.7</i>	5,270 <i>-10.5</i>	4,847 <i>-8.0</i>	4,523 <i>-6.7</i>
Multiples	4,131 <i>28.3</i>	3,302 <i>-20.1</i>	3,780 <i>14.5</i>	4,689 <i>24.1</i>	2,133 <i>-54.5</i>	1,798 <i>-15.7</i>	1,665 <i>-7.4</i>	1,628 <i>-2.3</i>
Housing completions	12,960 <i>31.1</i>	13,608 <i>5.0</i>	11,621 <i>-14.6</i>	12,952 <i>11.4</i>	11,399 <i>-12.0</i>	8,512 <i>-25.3</i>	7,320 <i>-14.0</i>	6,765 <i>-7.6</i>
Singles	9,965 <i>33.5</i>	9,087 <i>-8.8</i>	8,350 <i>-8.1</i>	8,204 <i>-1.7</i>	7,233 <i>-11.8</i>	6,104 <i>-15.6</i>	5,575 <i>-8.7</i>	5,164 <i>-7.4</i>
Multiples	2,995 <i>23.7</i>	4,521 <i>50.9</i>	3,271 <i>-27.6</i>	4,747 <i>45.1</i>	4,166 <i>-12.3</i>	2,408 <i>-42.2</i>	1,745 <i>-27.5</i>	1,601 <i>-8.3</i>
Average price of a new home (\$)	245,494 <i>2.9</i>	251,285 <i>2.4</i>	256,294 <i>2.0</i>	265,058 <i>3.4</i>	271,898 <i>2.6</i>	278,423 <i>2.4</i>	284,827 <i>2.3</i>	291,378 <i>2.3</i>
Average price of a resale home (\$)	122,328 <i>6.0</i>	130,601 <i>6.8</i>	141,606 <i>8.4</i>	153,063 <i>8.1</i>	159,505 <i>4.2</i>	165,088 <i>3.5</i>	170,866 <i>3.5</i>	176,847 <i>3.5</i>

Italics indicate percentage change.

Sources: The Conference Board of Canada; Canada Mortgage and Housing Corporation; Canadian Real Estate Association; Statistics Canada.

Quebec



Economic Outlook

Quebec's economic outlook is constrained again this year by a weak trade sector. Overall, growth in real gross domestic product (GDP) will ease to 2.1 per cent, one of the slowest among the provinces. Exporters are still adjusting to stiff foreign competition, a Canadian dollar near US\$0.90 and slower U.S. demand for products in several sectors, so real net exports will drop by \$2 billion and strip 0.8 percentage points off GDP growth. But since no further losses are expected from net trade next year, economic growth is expected to improve to 2.5 per cent.

Growth in domestic demand is forecast to hold steady in 2006, at 2.6 per cent. Decent wage growth and fiscal relief will bolster after-tax income gains and personal consumer expenditures. Despite a decline in the housing market, the construction industry is expected to do well

With a weak economy, higher mortgage rates, and pent-up demand now believed to be fulfilled, Quebec's housing market is slowing down. Housing starts fell 12.9 per cent last year and are forecast to fall by 13.2 per cent in 2006 and 17.6 per cent in 2007. Growth in the average price of a new home will slow to 3.4 per cent by next year, down from 5.8 per cent in 2004. Price growth for existing homes is forecast to be 3.9 per cent in 2007, down from 12.3 per cent in 2004.

as a result of publicly financed capital initiatives. But on the private sector front, total real non-residential business investment is forecast to decline by 1.6 per cent in 2006 and make no gains in 2007.

Housing Outlook

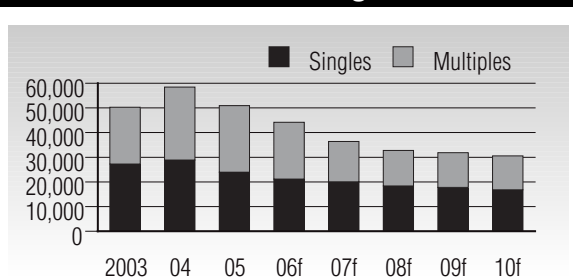
Between 2001 and 2004, housing starts in Quebec grew by leaps and bounds, averaging yearly increases of 25 per cent. This growth was spurred on by pent-up demand stemming from the last half of the 1990s, as well as a healthy economy and lower interest rates starting in 2001. Increased demand also led to higher prices. New house prices rose by 5.7 per cent, on an average annual basis, from 2001 to 2004. The average price of an existing home grew even faster over this time frame, by 11.4 per cent per year.

Unfortunately, by the final quarter of 2004, the market was beginning to slow, in line with satiated pent-up

demand and a softening economy. Quebec's economy, particularly its trade sector, has been hard hit by the rapidly rising Canadian dollar. All in all, housing starts fell in three of the four quarters in 2005, leading to a 12.9 per cent decline in total starts for the year as a whole. The outlook for both 2006 and 2007 is not any better, as increases in mortgage rates early in 2006 also took their toll on the construction of new homes. Housing starts are forecast to fall by 13.2 per cent this year and by an additional 17.6 per cent next year. The supply of new homes will continue to decline somewhat moving forward as it aligns with demographic needs. By 2010, housing starts in Quebec will have fallen to 30,600 units, almost back to their 2001 level.

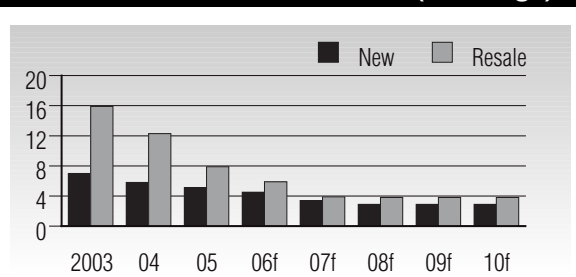
Despite declining housing starts, price growth has stayed strong. New home prices continued to grow by 5.1 per cent last year, while existing home prices registered a 7.9 per

Chart 1—Housing Starts



Sources: The Conference Board of Canada; Canada Mortgage and Housing Corporation.

Chart 2—House Price Growth (% change)



Sources: The Conference Board of Canada; Canada Mortgage and Housing Corporation; Canadian Real Estate Association.

cent increase. Additional growth of 4.5 per cent and 5.9 per cent, respectively, is forecast for 2006. However, as demand weakens further through

this year and next, house prices will eventually start to moderate. Between 2008 and 2010, the average price of a new home will rise by only 2.9 per

cent annually, while existing home prices will grow by 3.8 per cent per year.

Table 1—Economic Indicators

	2003	2004	2005	2006f	2007f	2008f	2009f	2010f
Real GDP at basic prices (1997 \$ millions)	214,292 <i>2.1</i>	219,943 <i>2.6</i>	225,096 <i>2.3</i>	229,913 <i>2.1</i>	235,761 <i>2.5</i>	242,106 <i>2.7</i>	248,615 <i>2.7</i>	255,222 <i>2.7</i>
Total employment (000s)	3,628 <i>1.6</i>	3,681 <i>1.5</i>	3,717 <i>1.0</i>	3,756 <i>1.0</i>	3,804 <i>1.3</i>	3,849 <i>1.2</i>	3,898 <i>1.3</i>	3,940 <i>1.1</i>
Unemployment rate	9.1	8.5	8.3	8.4	8.8	8.7	8.3	7.9
Personal income per capita	27,730 <i>3.4</i>	28,828 <i>4.0</i>	29,808 <i>3.4</i>	30,957 <i>3.9</i>	32,171 <i>3.9</i>	33,416 <i>3.9</i>	34,684 <i>3.8</i>	36,014 <i>3.8</i>
Population (000s)	7,488 <i>0.6</i>	7,541 <i>0.7</i>	7,593 <i>0.7</i>	7,639 <i>0.6</i>	7,674 <i>0.5</i>	7,709 <i>0.4</i>	7,741 <i>0.4</i>	7,773 <i>0.4</i>
Retail sales (\$ millions)	75,326 <i>4.5</i>	78,518 <i>4.2</i>	83,262 <i>6.0</i>	85,939 <i>3.2</i>	89,167 <i>3.8</i>	92,992 <i>4.3</i>	96,860 <i>4.2</i>	101,141 <i>4.4</i>
Inflation rate	2.5	1.9	2.3	2.4	1.8	2.0	2.1	2.0

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

Table 2—Housing Indicators

	2003	2004	2005	2006f	2007f	2008f	2009f	2010f
Housing starts	50,289 <i>18.5</i>	58,448 <i>16.2</i>	50,910 <i>-12.9</i>	44,169 <i>-13.2</i>	36,412 <i>-17.6</i>	32,782 <i>-10.0</i>	31,826 <i>-2.9</i>	30,555 <i>-4.0</i>
Singles	27,225 <i>7.8</i>	28,871 <i>6.0</i>	23,930 <i>-17.1</i>	21,150 <i>-11.6</i>	20,044 <i>-5.2</i>	18,350 <i>-8.5</i>	17,751 <i>-3.3</i>	16,828 <i>-5.2</i>
Multiples	23,064 <i>34.1</i>	29,577 <i>28.2</i>	26,980 <i>-8.8</i>	23,020 <i>-14.7</i>	16,368 <i>-28.9</i>	14,432 <i>-11.8</i>	14,075 <i>-2.5</i>	13,727 <i>-2.5</i>
Housing completions	45,496 <i>28.5</i>	53,073 <i>16.7</i>	50,066 <i>-5.7</i>	46,268 <i>-7.6</i>	38,180 <i>-17.5</i>	30,926 <i>-19.0</i>	26,134 <i>-15.5</i>	24,451 <i>-6.4</i>
Singles	25,565 <i>12.2</i>	28,994 <i>13.4</i>	23,470 <i>-19.1</i>	19,632 <i>-16.4</i>	15,629 <i>-20.4</i>	14,243 <i>-8.9</i>	12,848 <i>-9.8</i>	12,092 <i>-5.9</i>
Multiples	19,931 <i>58.1</i>	24,079 <i>20.8</i>	26,596 <i>10.5</i>	26,636 <i>0.2</i>	22,551 <i>-15.3</i>	16,683 <i>-26.0</i>	13,287 <i>-20.4</i>	12,359 <i>-7.0</i>
Average price of a new home (\$)	218,589 <i>7.0</i>	231,356 <i>5.8</i>	243,153 <i>5.1</i>	254,119 <i>4.5</i>	262,734 <i>3.4</i>	270,353 <i>2.9</i>	278,193 <i>2.9</i>	286,261 <i>2.9</i>
Average price of a resale home (\$)	152,503 <i>15.9</i>	171,304 <i>12.3</i>	184,786 <i>7.9</i>	195,727 <i>5.9</i>	203,320 <i>3.9</i>	211,046 <i>3.8</i>	219,066 <i>3.8</i>	227,390 <i>3.8</i>

Italics indicate percentage change.
Sources: The Conference Board of Canada; Canada Mortgage and Housing Corporation; Canadian Real Estate Association; Statistics Canada.

Québec



Perspectives économiques

Cette année encore, la faiblesse du commerce extérieur pèse sur les prévisions économiques du Québec. En général, la croissance du produit intérieur brut (PIB) réel fléchira à 2,1 p. 100, ce qui en fait le taux le plus faible parmi les provinces canadiennes. Les exportateurs continuent de s'adapter à une concurrence étrangère farouche, à un dollar canadien avoisinant les 0,90 \$US et à une plus faible demande américaine de produits dans plusieurs secteurs. Par conséquent, les exportations nettes réelles chuteront de 2 milliards de dollars et ôterons 0,8 point de pourcentage à la croissance du PIB. Mais puisqu'on ne prévoit pas d'autres pertes dans les échanges commerciaux nets l'année prochaine, la croissance économique devrait monter à 2,5 p. 100.

Avec une faible économie, des taux hypothécaires plus élevés et une demande refoulée qu'on croit maintenant satisfaite, le marché du logement québécois ralentit la cadence. Les mises en chantier de logements ont chuté de 12,9 p. 100 l'année dernière et devraient baisser de 13,2 p. 100 en 2006 et de 17,6 p. 100 en 2007. La croissance du prix moyen d'un logement neuf fléchira à 3,4 p. 100 d'ici l'année prochaine, après s'être chiffrée à 5,8 p. 100 en 2004. La croissance des prix des logements existants devrait baisser à 3,9 p. 100 en 2007, après avoir atteint 12,3 p. 100 en 2004.

La croissance de la demande intérieure devrait se stabiliser à 2,6 p. 100 en 2006. L'augmentation décente des salaires et des mesures de soutien financier se traduiront par un accroissement du revenu net d'impôt et des dépenses de consommation des particuliers. Malgré le déclin du marché du logement, l'industrie de la construction devrait bien se porter grâce à des projets d'immobilisations financés par l'État. Mais dans le secteur privé, le total des investissements non résidentiels réels des entreprises devrait chuter de 1,6 p. 100 en 2006 et n'enregistrer aucun progrès en 2007.

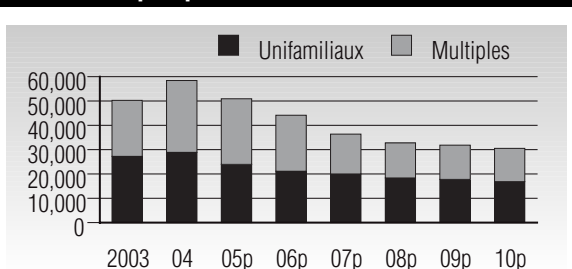
Perspectives du secteur résidentiel

Entre 2001 et 2004, les mises en chantier de logements au Québec ont grimpé en flèche, atteignant des augmentations annuelles de 25 p. 100 en moyenne. Cette croissance a été

stimulée par la demande refoulée de la dernière moitié des années 1990, ainsi que par une économie robuste et des taux d'intérêt plus bas à partir de 2001. Cette demande a mené également à une hausse des prix. Les prix des logements neufs ont augmenté de 5,7 p. 100 par an, en moyenne, de 2001 à 2004, et celui des logements existants de 11,4 p. 100.

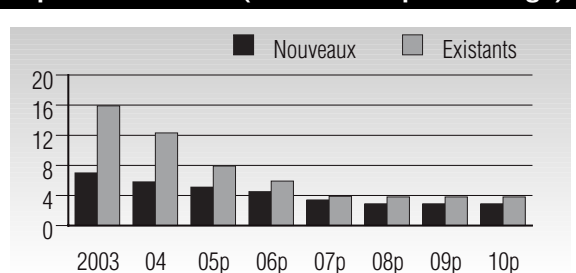
Malheureusement, au dernier trimestre de 2004, le marché a commencé à ralentir, en même temps qu'était satisfaite la demande refoulée et que fléchissait l'économie. Au Québec, cette économie, et particulièrement son commerce extérieur, a beaucoup souffert de l'envolée rapide du dollar canadien. Globalement, le nombre des mises en chantier a chuté durant trois des quatre trimestres de 2005, engendrant une baisse de 12,9 p. 100 pour l'ensemble de l'année. Les prévisions pour 2006

Graphique 1 — Mises en chantier



Sources : Le Conference Board du Canada; Société canadienne d'hypothèques et de logement.

Graphique 2 — Croissance des prix résidentiels (variation en pourcentage)



Sources : Le Conference Board du Canada; Société canadienne d'hypothèques et de logement; Association canadienne de l'immeuble.

et 2007 ne sont pas meilleures : les augmentations des taux hypothécaires au début de 2006 ont eu également des conséquences néfastes sur la construction de nouvelles maisons. Les mises en chantier devraient chuter de 13,2 p. 100 cette année et de 17,6 p. 100 l'année prochaine. L'offre de logements neufs continuera de baisser quelque peu pour se conformer davantage aux besoins démographiques. D'ici 2010, les

mises en chantier au Québec chuteront à 30 600 unités, un niveau semblable à celui de 2001.

Malgré le déclin des mises en chantier de logements, l'augmentation des prix est restée très prononcée. Les prix des logements neufs ont poursuivi leur croissance, de 5,1 p. 100 l'année dernière, tandis que ceux des logements existants ont enregistré une hausse de 7,9 p. 100.

Les prix des deux catégories devraient s'accroître respectivement de 4,5 p. 100 et de 5,9 p. 100 en 2006. Cependant, comme la demande baissera encore cette année et la prochaine, la croissance du prix des logements finira par se stabiliser. Entre 2008 et 2010, le prix moyen d'un logement neuf augmentera seulement de 2,9 p. 100 annuellement, et celui des logements existants de 3,8 p. 100.

Tableau 1 — Indicateurs économiques

	2003	2004	2005	2006f	2007f	2008f	2009f	2010f
PIB réel aux prix de base (en millions de dollars de 1997)	214 292 <i>2.1</i>	219 943 <i>2.6</i>	225 096 <i>2.3</i>	229 913 <i>2.1</i>	235 761 <i>2.5</i>	242 106 <i>2.7</i>	248 615 <i>2.7</i>	255 222 <i>2.7</i>
Emplois totaux (en milliers)	3 628 <i>1.6</i>	3 681 <i>1.5</i>	3 717 <i>1.0</i>	3 756 <i>1.0</i>	3 804 <i>1.3</i>	3 849 <i>1.2</i>	3 898 <i>1.3</i>	3 940 <i>1.1</i>
Taux de chômage	9.1	8.5	8.3	8.4	8.8	8.7	8.3	7.9
Revenu personnel par habitant	27 730 <i>3.4</i>	28 828 <i>4.0</i>	29 808 <i>3.4</i>	30 957 <i>3.9</i>	32 171 <i>3.9</i>	33 416 <i>3.9</i>	34 684 <i>3.8</i>	36 014 <i>3.8</i>
Population (en milliers)	7 488 <i>0.6</i>	7 541 <i>0.7</i>	7 593 <i>0.7</i>	7 639 <i>0.6</i>	7 674 <i>0.5</i>	7 709 <i>0.4</i>	7 741 <i>0.4</i>	7 773 <i>0.4</i>
Ventes au détail (en millions de \$)	75 326 <i>4,5</i>	78 518 <i>4,2</i>	83 262 <i>6,0</i>	85 939 <i>3,2</i>	89 167 <i>3,8</i>	92 992 <i>4,3</i>	96 860 <i>4,2</i>	101 141 <i>4,4</i>
Taux d'inflation	2,5	1,9	2,3	2,4	1,8	2,0	2,1	2,0

L'italique signale les variations en pourcentage.

Sources : Le Conference Board du Canada; Statistique Canada.

Tableau 2 — Indicateurs du secteur résidentiel

	2003	2004	2005	2006f	2007f	2008f	2009f	2010f
Mises en chantier	50 289 <i>18,5</i>	58 448 <i>16,2</i>	50 910 <i>-12,9</i>	44 169 <i>-13,2</i>	36 412 <i>-17,6</i>	32 782 <i>-10,0</i>	31 826 <i>-2,9</i>	30 555 <i>-4,0</i>
Logements unifamiliaux	27 225 <i>7,8</i>	28 871 <i>6,0</i>	23 930 <i>-17,1</i>	21 150 <i>-11,6</i>	20 044 <i>-5,2</i>	18 350 <i>-8,5</i>	17 751 <i>-3,3</i>	16 828 <i>-5,2</i>
Multiplés	23 064 <i>34,1</i>	29 577 <i>28,2</i>	26 980 <i>-8,8</i>	23 020 <i>-14,7</i>	16 368 <i>-28,9</i>	14 432 <i>-11,8</i>	14 075 <i>-2,5</i>	13 727 <i>-2,5</i>
Logements nouveaux	45 496 <i>28,5</i>	53 073 <i>16,7</i>	50 066 <i>-5,7</i>	46 268 <i>-7,6</i>	38 180 <i>-17,5</i>	30 926 <i>-19,0</i>	26 134 <i>-15,5</i>	24 451 <i>-6,4</i>
Logements unifamiliaux	25 565 <i>12,2</i>	28 994 <i>13,4</i>	23 470 <i>-19,1</i>	19 632 <i>-16,4</i>	15 629 <i>-20,4</i>	14 243 <i>-8,9</i>	12 848 <i>-9,8</i>	12 092 <i>-5,9</i>
Multiplés	19 931 <i>58,1</i>	24 079 <i>20,8</i>	26 596 <i>10,5</i>	26 636 <i>0,2</i>	22 551 <i>-15,3</i>	16 683 <i>-26,0</i>	13 287 <i>-20,4</i>	12 359 <i>-7,0</i>
Prix moyen d'un logement nouveau (\$)	218 589 <i>7,0</i>	231 356 <i>5,8</i>	243 153 <i>5,1</i>	254 119 <i>4,5</i>	262 734 <i>3,4</i>	270 353 <i>2,9</i>	278 193 <i>2,9</i>	286 261 <i>2,9</i>
Prix moyen d'un logement existant (\$)	152 503 <i>15,9</i>	171 304 <i>12,3</i>	184 786 <i>7,9</i>	195 727 <i>5,9</i>	203 320 <i>3,9</i>	211 046 <i>3,8</i>	219 066 <i>3,8</i>	227 390 <i>3,8</i>

L'italique signale les variations en pourcentage.

Sources : Le Conference Board du Canada; Société canadienne d'hypothèques et de logement; Association canadienne de l'immeuble; Statistique Canada.

Ontario



Economic Outlook

Business investment and consumer spending in Ontario are expected to remain robust this year and next, but the pace of residential investment will ease somewhat. Exports will be constrained by weaker demand for motor vehicles, coupled with the strong Canadian dollar. Meanwhile, increased demand for machinery and equipment, together with strong household purchasing power, will continue to stimulate import growth. Overall, Ontario's real gross domestic product (GDP) is expected to grow by 2.5 per cent this year, before a more balanced economic performance in 2007 results in stronger growth of 2.9 per cent.

Employment growth and wage gains, together with higher interest rates and modest advances in equity portfolios, will lift total personal income growth to 4.8 per cent in 2006. Similar gains are forecast for

Somewhat reduced housing affordability, higher mortgage rates and a softer economy are expected to result in housing starts falling by 4.2 per cent this year and 1.2 per cent in 2007. Easing demand growth is also leading to decelerating house price inflation in both the new and existing home markets. It will moderate further though the medium term, when the average price of a new home is forecast to rise by 3.1 per cent annually, while that of an existing home is expected to increase by 4 per cent per year.

next year. These gains will help support consumer spending in both 2006 and 2007.

Housing Outlook

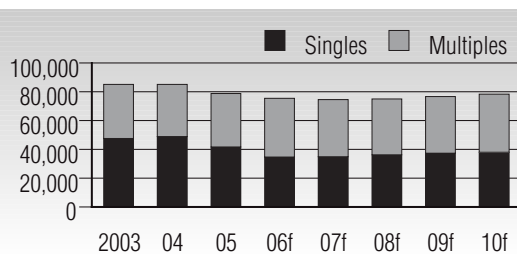
Housing starts in Ontario rose by an annual average of 17.6 per cent from 1996 until 1999, largely because of sound economic growth. The market also had some making up to do, as activity had been tame in the early 1990s, leading to what is referred to as pent-up demand. Growth in housing starts then moderated but stayed strong until 2003, at an annual average of 6.2 per cent, thanks in part to lower interest rates from 2001 onwards. By 2003, housing starts, at 85,200 units, were nearly double their 1996 level.

But when economic growth slowed to 1.8 per cent in 2003, it did not take long for housing demand to follow suit. Demand stalled in 2004, when total housing starts stayed at their 2003 level, and then tumbled

by 7.4 per cent in 2005. The recent drop in housing demand was partly due to the significant run-up in the average price of a new home, which rose by 4.5 per cent per year from 2000 to 2004. By mid-2004, average new home prices in Ontario had surpassed the \$400,000 mark.

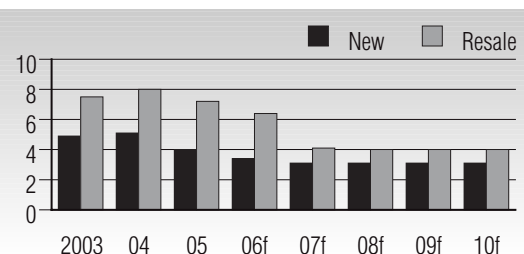
Existing home prices increased even more quickly than new home prices between 2000 and 2004, indicating increased demand in the resale market as well. Specifically, the average price of an existing home grew by 7.1 per cent per year. The stronger price growth relative to the new home market was due in part to the price discrepancy between the two markets—the average price of an existing home was still about \$150,000 lower than the average price of a new home in 2004. This significant gap gave existing home sellers more room to increase prices without forcing buyers out of the market.

Chart 1—Housing Starts



Sources: The Conference Board of Canada; Canada Mortgage and Housing Corporation.

Chart 2—House Price Growth (% change)



Sources: The Conference Board of Canada; Canada Mortgage and Housing Corporation; Canadian Real Estate Association.

Despite the housing market slowdown, the average price of an existing home will still increase by 6.4 per cent this year, while the average price of a new home goes up by 3.4 per cent. This is because the slowdown is in fact a return to

more normal levels of activity and not a collapse of the housing market. All in all, housing starts are set to decline by 4.2 per cent this year and by 1.2 per cent next year. As Ontario's economy then gets stronger, starts will begin to rise

slowly through the medium term. Price growth in both the new and resale markets will be more modest from 2008 onward, at 3.1 per cent per year and 4 per cent per year, respectively.

Table 1—Economic Indicators

	2003	2004	2005	2006f	2007f	2008f	2009f	2010f
Real GDP at basic prices (1997 \$ millions)	421,797 <i>1.8</i>	434,383 <i>3.0</i>	447,375 <i>3.0</i>	458,559 <i>2.5</i>	472,008 <i>2.9</i>	485,587 <i>2.9</i>	500,938 <i>3.2</i>	517,652 <i>3.3</i>
Total employment (000s)	6,213 <i>3.0</i>	6,317 <i>1.7</i>	6,397 <i>1.3</i>	6,496 <i>1.5</i>	6,593 <i>1.5</i>	6,706 <i>1.7</i>	6,822 <i>1.7</i>	6,943 <i>1.8</i>
Unemployment rate	6.9	6.8	6.6	6.5	7.0	7.0	6.8	6.5
Personal income per capita	31,341 <i>2.0</i>	32,326 <i>3.1</i>	33,485 <i>3.6</i>	34,742 <i>3.8</i>	36,008 <i>3.6</i>	37,327 <i>3.7</i>	38,683 <i>3.6</i>	40,080 <i>3.6</i>
Population (000s)	12,236 <i>1.4</i>	12,385 <i>1.2</i>	12,522 <i>1.1</i>	12,644 <i>1.0</i>	12,770 <i>1.0</i>	12,905 <i>1.1</i>	13,044 <i>1.1</i>	13,187 <i>1.1</i>
Retail sales (\$ millions)	125,122 <i>3.4</i>	129,086 <i>3.2</i>	135,416 <i>4.9</i>	141,206 <i>4.3</i>	147,152 <i>4.2</i>	153,893 <i>4.6</i>	161,019 <i>4.6</i>	168,688 <i>4.8</i>
Inflation rate	2.7	1.9	2.2	2.3	1.8	2.3	2.4	2.1

Italics indicate percentage change.

Sources: The Conference Board of Canada; Statistics Canada.

Table 2—Housing Indicators

	2003	2004	2005	2006f	2007f	2008f	2009f	2010f
Housing starts	85,180 <i>1.9</i>	85,114 <i>-0.1</i>	78,795 <i>-7.4</i>	75,468 <i>-4.2</i>	74,571 <i>-1.2</i>	75,032 <i>0.6</i>	76,644 <i>2.1</i>	78,359 <i>2.2</i>
Singles	47,610 <i>-6.9</i>	48,929 <i>2.8</i>	41,682 <i>-14.8</i>	34,671 <i>-16.8</i>	34,921 <i>0.7</i>	36,256 <i>3.8</i>	37,337 <i>3.0</i>	38,052 <i>1.9</i>
Multiples	37,570 <i>15.7</i>	36,185 <i>-3.7</i>	37,113 <i>2.6</i>	40,797 <i>9.9</i>	39,650 <i>-2.8</i>	38,776 <i>-2.2</i>	39,307 <i>1.4</i>	40,307 <i>2.5</i>
Housing completions	76,081 <i>-6.4</i>	81,105 <i>6.6</i>	77,186 <i>-4.8</i>	77,774 <i>0.8</i>	73,509 <i>-5.5</i>	76,642 <i>4.3</i>	78,342 <i>2.2</i>	80,052 <i>2.2</i>
Singles	46,641 <i>-0.7</i>	48,105 <i>3.1</i>	43,343 <i>-9.9</i>	40,048 <i>-7.6</i>	33,168 <i>-17.2</i>	34,045 <i>2.6</i>	35,965 <i>5.6</i>	37,096 <i>3.1</i>
Multiples	29,441 <i>-14.2</i>	33,000 <i>12.1</i>	33,844 <i>2.6</i>	37,726 <i>11.5</i>	40,341 <i>6.9</i>	42,597 <i>5.6</i>	42,377 <i>-0.5</i>	42,956 <i>1.4</i>
Average price of a new home (\$)	381,035 <i>4.9</i>	400,411 <i>5.1</i>	416,390 <i>4.0</i>	430,742 <i>3.4</i>	443,894 <i>3.1</i>	457,655 <i>3.1</i>	471,842 <i>3.1</i>	486,470 <i>3.1</i>
Average price of a resale home (\$)	226,676 <i>7.5</i>	244,854 <i>8.0</i>	262,504 <i>7.2</i>	279,419 <i>6.4</i>	290,755 <i>4.1</i>	302,385 <i>4.0</i>	314,481 <i>4.0</i>	327,060 <i>4.0</i>

Italics indicate percentage change.

Sources: The Conference Board of Canada; Canada Mortgage and Housing Corporation; Canadian Real Estate Association; Statistics Canada.

Prairies



Economic Outlook

Overall, real gross domestic product (GDP) growth for the Prairie provinces of Manitoba and Saskatchewan is forecast to slow slightly in 2006, to 3.1 per cent, down from 3.3 per cent in 2005.

But Manitoba's GDP will grow by a robust 3.7 per cent, thanks to a boom in construction, a rebound in agriculture output and robust mining activity. Strength in construction and manufacturing is expected to keep the province's economy growing at a healthy clip of 2.9 per cent in 2007.

Meanwhile, even with a 7.9 per cent increase in construction output this year, overall economic growth in Saskatchewan will cool to 2.5 per cent from the robust gain of 3.7 per cent attained in 2005. Steep declines

Sound economic growth in Manitoba and Saskatchewan is supporting the housing industry. Starts will be particularly strong in Manitoba, where GDP growth is forecast to rank third among the provinces. Increasing interest rates in the second half of 2007 will take their toll, however, with starts in Manitoba and Saskatchewan forecast to tumble by 14.5 per cent next year. In line with lower demand, average price increases next year will slow to 4.2 per cent for new homes and 5.5 per cent for existing homes—half the increases expected this year.

in uranium and potash production in the first few months of the year will reduce overall mining output, which is forecast to decline by 1 per cent this year. But growth in the mining sector is expected pick up next year, lifting Saskatchewan's real GDP to 2.8 per cent.

Housing Outlook

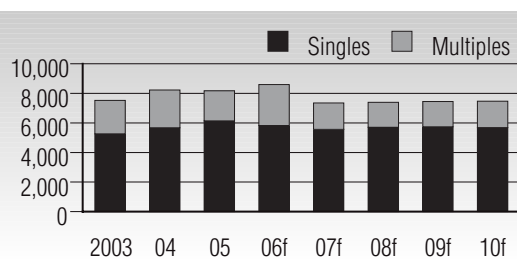
Housing starts in Manitoba and Saskatchewan rose by an annual average of 10.2 per cent from 1996 to 2004. Demand for new housing was boosted by pent-up demand from the early 1990s, as well as sound economic growth and lower interest rates starting in 2001. This upward trend came to a halt last year, when starts declined by a mild 0.6 per cent to 8,200 units—still nearly double the 1996 level.

In most Canadian provinces, huge price increases accompanied

the surge in housing markets. But in the Manitoba and Saskatchewan, annual price growth from 1996 to 2003 in both the new and resale markets was modest, averaging 1.8 per cent and 3.8 per cent, respectively. Over the past two years, however, the price of a new home has risen by 7.4 per cent, on an average annual basis, while the price of an existing home has increased by an average of 10.4 per cent per year. This likely indicates that with growth in housing starts easing, demand outstripped supply significantly through 2004 and 2005. This may also be why starts have picked up again this year.

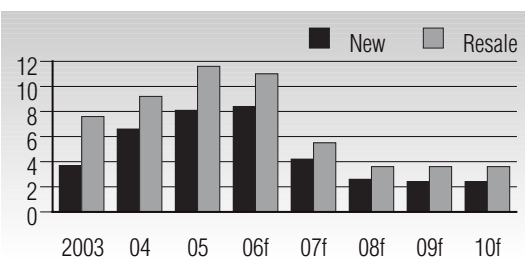
The housing market in the Prairies will enjoy another landmark year this year, with housing starts peaking at 8,600 units. All of this growth will come from Manitoba, as Saskatchewan's starts are expected to fall slightly.

Chart 1—Housing Starts



Sources: The Conference Board of Canada; Canada Mortgage and Housing Corporation.

Chart 2—House Price Growth (% change)



Sources: The Conference Board of Canada; Canada Mortgage and Housing Corporation; Canadian Real Estate Association.

Higher interest rates in the second half of 2007 will lower overall housing demand next year, leading to a retreat in the market. Housing starts are expected to fall by 14.5 per cent in 2007. Starts will then stabilize around 7,500 units between 2008 and 2010, in line with demographic requirements.

Price growth in the new and existing home markets will remain robust for 2006, as demand remains alive and well. Average home prices are forecast to increase by 8.4 per cent in the new home market and by 11 per cent in the existing home market. As demand wanes, prices will post more modest growth. After

an expected increase of 4.2 per cent next year, growth in new home prices will slow to only 2.4 per cent per year from 2008 onwards. Existing home prices will slow to 3.6 per cent growth per year in the medium term, following a forecast increase of 5.5 per cent for next year.

Table 1—Economic Indicators

	2003	2004	2005	2006f	2007f	2008f	2009f	2010f
Real GDP at basic prices (1997 \$ millions)	61,429 <i>2.8</i>	63,173 <i>2.8</i>	65,227 <i>3.3</i>	67,257 <i>3.1</i>	69,173 <i>2.8</i>	70,919 <i>2.5</i>	72,549 <i>2.3</i>	74,086 <i>2.1</i>
Total employment (000s)	1,046 <i>1.1</i>	1,056 <i>1.0</i>	1,064 <i>0.7</i>	1,075 <i>1.1</i>	1,088 <i>1.2</i>	1,099 <i>1.0</i>	1,109 <i>0.9</i>	1,117 <i>0.8</i>
Unemployment rate	5.3	5.3	4.9	4.7	4.9	4.8	4.7	4.6
Personal income per capita	26,058 <i>3.7</i>	27,525 <i>5.6</i>	28,282 <i>2.8</i>	29,720 <i>5.1</i>	30,833 <i>3.7</i>	31,936 <i>3.6</i>	33,052 <i>3.5</i>	34,124 <i>3.2</i>
Population (000s)	2,155 <i>0.2</i>	2,164 <i>0.4</i>	2,171 <i>0.3</i>	2,170 <i>0.0</i>	2,177 <i>0.3</i>	2,186 <i>0.4</i>	2,194 <i>0.4</i>	2,204 <i>0.4</i>
Retail sales (\$ millions)	20,811 <i>4.3</i>	21,951 <i>5.5</i>	23,525 <i>7.2</i>	24,515 <i>4.2</i>	25,482 <i>3.9</i>	26,479 <i>3.9</i>	27,484 <i>3.8</i>	28,501 <i>3.7</i>
Inflation rate	2.0	2.1	2.5	2.1	1.8	1.9	2.2	2.0

Italics indicate percentage change.

Sources: The Conference Board of Canada; Statistics Canada.

Table 2—Housing Indicators

	2003	2004	2005	2006f	2007f	2008f	2009f	2010f
Housing starts	7,521 <i>14.3</i>	8,221 <i>9.3</i>	8,168 <i>-0.6</i>	8,589 <i>5.2</i>	7,346 <i>-14.5</i>	7,396 <i>0.7</i>	7,448 <i>0.7</i>	7,469 <i>0.3</i>
Singles	5,262 <i>6.4</i>	5,677 <i>7.9</i>	6,134 <i>8.1</i>	5,824 <i>-5.1</i>	5,563 <i>-4.5</i>	5,707 <i>2.6</i>	5,734 <i>0.5</i>	5,684 <i>-0.9</i>
Multiples	2,259 <i>38.3</i>	2,544 <i>12.6</i>	2,034 <i>-20.0</i>	2,766 <i>36.0</i>	1,783 <i>-35.5</i>	1,689 <i>-5.3</i>	1,714 <i>1.5</i>	1,785 <i>4.1</i>
Housing completions	6,955 <i>20.5</i>	7,653 <i>10.0</i>	7,977 <i>4.2</i>	8,237 <i>3.3</i>	8,561 <i>3.9</i>	8,082 <i>-5.6</i>	8,018 <i>-0.8</i>	8,054 <i>0.4</i>
Singles	5,057 <i>10.0</i>	5,460 <i>8.0</i>	5,972 <i>9.4</i>	6,083 <i>1.9</i>	6,483 <i>6.6</i>	6,583 <i>1.5</i>	6,705 <i>1.8</i>	6,698 <i>-0.1</i>
Multiples	1,897 <i>61.9</i>	2,192 <i>15.6</i>	2,005 <i>-8.6</i>	2,153 <i>7.4</i>	2,078 <i>-3.5</i>	1,499 <i>-27.9</i>	1,314 <i>-12.3</i>	1,357 <i>3.3</i>
Average price of a new home (\$)	204,104 <i>3.7</i>	217,597 <i>6.6</i>	235,317 <i>8.1</i>	255,033 <i>8.4</i>	265,797 <i>4.2</i>	272,708 <i>2.6</i>	279,253 <i>2.4</i>	285,955 <i>2.4</i>
Average price of a resale home (\$)	105,630 <i>7.6</i>	115,380 <i>9.2</i>	128,755 <i>11.6</i>	142,879 <i>11.0</i>	150,779 <i>5.5</i>	156,207 <i>3.6</i>	161,830 <i>3.6</i>	167,656 <i>3.6</i>

Italics indicate percentage change.

Sources: The Conference Board of Canada; Canada Mortgage and Housing Corporation; Canadian Real Estate Association; Statistics Canada.

Alberta



Economic Outlook

Thanks to a booming energy sector and strength in the construction industry, Alberta's real gross domestic product (GDP) growth reached 4.8 per cent in 2005 and is set to soar to 6.6 per cent this year. Economic growth will moderate to 4 per cent in 2007 as the pace of activity in the energy industry becomes more in line with reality.

Strong economic activity is attracting workers from other provinces and abroad. Despite this, labour shortages are looming in key areas such as construction, drilling and engineering services, and even in lower-paying services-oriented occupations. Job creation will outpace labour force growth again this year, lowering the unemployment rate to 3.6 per cent.

Spurred on by solid net interprovincial migration and a red-hot economy, housing starts in Alberta are set to reach 48,300 units in 2006, up 18.2 per cent from last year. Prices will grow by an unbelievable 30.1 per cent in the new housing market and 28.1 per cent in the resale market. As economic growth moderates next year—by Alberta standards at least—starts will begin to fall, and home price inflation will begin to slow. Through the medium term, housing starts will keep declining and price growth will continue to decelerate.

Resource royalties collected in fiscal 2005–06 were about \$6.7 billion more than budgeted, so a \$400 prosperity cheque was sent to each Albertan early this year, supporting activity in retail trade and personal services.

Housing Outlook

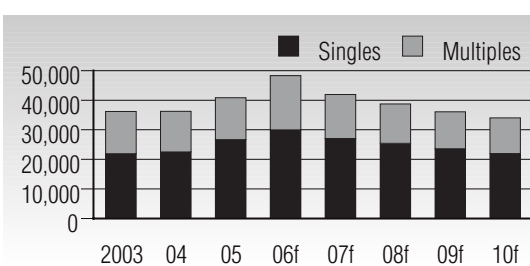
As in much of the rest of the country, housing starts began to rise rapidly in Alberta in 1996. Pent-up demand, strong economic growth and lower interest rates starting in 2001 all helped to spur growth in the province's housing market. Excluding 1999, housing starts increased by a whopping 20.6 per cent on an average annual basis from 1996 to 2002. Although housing starts fell by 6.7 per cent in 2003, a pickup in the economy the following year caused the demand for new housing to increase once more. Since 2004, Alberta has enjoyed above-average

growth in real GDP thanks largely to a red-hot energy sector. This has translated into higher income and population growth and, in turn, higher demand in the housing market. In 2005, housing starts in Alberta rose by 12.6 per cent—compared with a decline of 3.4 per cent at the national level.

In line with the increased demand, the price of a new home increased by an annual average of 4.6 per cent between 1997 and 2005. Higher demand also spilled over into the resale market, pushing up existing home prices by an average of 7.2 per cent per year.

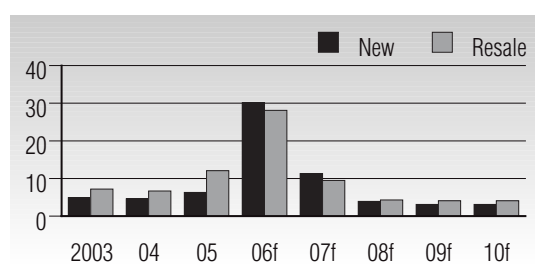
With an abundance of new people settling in the province this year, new home prices are set to increase by a substantial 30.1 per cent. Growth in existing home prices will not be far behind, at 28.1 per cent. Since housing starts are forecast to

Chart 1—Housing Starts



Sources: The Conference Board of Canada; Canada Mortgage and Housing Corporation.

Chart 2—House Price Growth (% change)



Sources: The Conference Board of Canada; Canada Mortgage and Housing Corporation; Canadian Real Estate Association.

increase by 18.2 per cent this year, the rapid rise in home prices is not due simply to a supply constraint, as some have argued.

As the economy moves back toward a more sustainable pace of growth next year, and as mortgage rates climb in the second half of 2007, the housing market will come

back down to more normal levels. Starts are expected to decline by 13.2 per cent in 2007 and then continue falling over the medium term. Another year of significant price increases is in the cards in 2007, however, raising more concerns about affordability. By next year, the average price of a new home in Alberta will have surpassed

\$400,000—\$124,000 more than in 2005. Price growth is forecast to moderate from 2008 onward, in line with more sustainable demand. Specifically, the average price of a new home is forecast to increase by 3.1 per cent annually by 2009, while the price of an existing home is forecast to advance by 4.1 per cent per year.

Table 1—Economic Indicators

	2003	2004	2005	2006f	2007f	2008f	2009f	2010f
Real GDP at basic prices (1997 \$ millions)	125,487 <i>3.5</i>	131,161 <i>4.5</i>	137,482 <i>4.8</i>	146,489 <i>6.6</i>	152,415 <i>4.0</i>	157,609 <i>3.4</i>	162,790 <i>3.3</i>	168,166 <i>3.3</i>
Total employment (000s)	1,717 <i>2.7</i>	1,758 <i>2.4</i>	1,784 <i>1.5</i>	1,862 <i>4.3</i>	1,907 <i>2.4</i>	1,944 <i>1.9</i>	1,979 <i>1.8</i>	2,012 <i>1.7</i>
Unemployment rate	5.1	4.6	3.9	3.6	3.9	3.9	3.9	3.8
Personal income per capita	33,458 <i>3.3</i>	35,450 <i>6.0</i>	37,810 <i>6.7</i>	40,328 <i>6.7</i>	41,352 <i>2.5</i>	42,653 <i>3.1</i>	43,980 <i>3.1</i>	45,409 <i>3.2</i>
Population (000s)	3,154 <i>1.5</i>	3,198 <i>1.4</i>	3,251 <i>1.6</i>	3,338 <i>2.7</i>	3,403 <i>2.0</i>	3,462 <i>1.7</i>	3,517 <i>1.6</i>	3,569 <i>1.5</i>
Retail sales (\$ millions)	39,318 <i>4.4</i>	43,372 <i>10.3</i>	48,758 <i>12.4</i>	54,572 <i>11.9</i>	57,272 <i>4.9</i>	59,762 <i>4.3</i>	62,320 <i>4.3</i>	65,167 <i>4.6</i>
Inflation rate	4.4	1.4	2.1	3.5	2.7	2.4	2.3	2.1

Italics indicate percentage change.

Sources: The Conference Board of Canada; Statistics Canada.

Table 2—Housing Indicators

	2003	2004	2005	2006f	2007f	2008f	2009f	2010f
Housing starts	36,171 <i>-6.7</i>	36,270 <i>0.3</i>	40,847 <i>12.6</i>	48,291 <i>18.2</i>	41,926 <i>-13.2</i>	38,758 <i>-7.6</i>	36,056 <i>-7.0</i>	34,009 <i>-5.7</i>
Singles	21,918 <i>-10.6</i>	22,487 <i>2.6</i>	26,684 <i>18.7</i>	29,965 <i>12.3</i>	27,063 <i>-9.7</i>	25,437 <i>-6.0</i>	23,580 <i>-7.3</i>	21,963 <i>-6.9</i>
Multiples	14,253 <i>0.1</i>	13,783 <i>-3.3</i>	14,163 <i>2.8</i>	18,326 <i>29.4</i>	14,862 <i>-18.9</i>	13,320 <i>-10.4</i>	12,475 <i>-6.3</i>	12,047 <i>-3.4</i>
Housing completions	35,810 <i>11.2</i>	35,264 <i>-1.5</i>	36,816 <i>4.4</i>	42,152 <i>14.5</i>	45,755 <i>8.5</i>	42,789 <i>-6.5</i>	39,152 <i>-8.5</i>	36,461 <i>-6.9</i>
Singles	23,088 <i>6.2</i>	21,880 <i>-5.2</i>	24,592 <i>12.4</i>	28,694 <i>16.7</i>	30,750 <i>7.2</i>	29,262 <i>-4.8</i>	27,476 <i>-6.1</i>	25,630 <i>-6.7</i>
Multiples	12,722 <i>21.4</i>	13,384 <i>5.2</i>	12,223 <i>-8.7</i>	13,459 <i>10.1</i>	15,005 <i>11.5</i>	13,526 <i>-9.9</i>	11,677 <i>-13.7</i>	10,831 <i>-7.2</i>
Average price of a new home (\$)	249,756 <i>4.9</i>	261,123 <i>4.6</i>	277,452 <i>6.3</i>	360,897 <i>30.1</i>	401,755 <i>11.3</i>	417,423 <i>3.9</i>	430,363 <i>3.1</i>	443,704 <i>3.1</i>
Average price of a resale home (\$)	182,866 <i>7.2</i>	195,027 <i>6.7</i>	218,532 <i>12.1</i>	279,928 <i>28.1</i>	306,534 <i>9.5</i>	319,715 <i>4.3</i>	332,823 <i>4.1</i>	346,469 <i>4.1</i>

Italics indicate percentage change.

Sources: The Conference Board of Canada; Canada Mortgage and Housing Corporation; Canadian Real Estate Association; Statistics Canada.

British Columbia



Strength in B.C.'s economy will allow housing starts to increase by a healthy 5.9 per cent this year. But higher interest rates and a minor slowdown in economic growth will lead to a 6.5 per cent decline in starts for 2007. And while price growth is expected to remain robust this year, it will slow through the medium term, in line with lower demand. By 2008, average prices are expected to increase by 2.9 per cent per year for new homes and 4.1 per cent annually for existing homes.

Economic Outlook

High commodity prices are leading to elevated levels of activity in British Columbia's natural resource industries, creating spin-off benefits throughout the economy, including stronger demand for manufactured goods and transportation services, as well as increased royalty revenues for the government. Overall, the economy is expected to grow by 3.6 per cent this year and by 3.1 per cent in 2007.

Although growth in wood-product manufacturing is forecast to be modest, manufacturing gains in primary metals, non-metallic minerals, transportation equipment and machinery will be robust. High natural gas royalties helped the provincial government pad its surplus in the past fiscal year, providing room for a significant signing bonus for public sector workers, and supporting

consumer spending. As another beneficiary of the strong resource sector, wholesale trade activity is expected to keep posting strong gains. Several large infrastructure projects are also underway in the province.

Housing Outlook

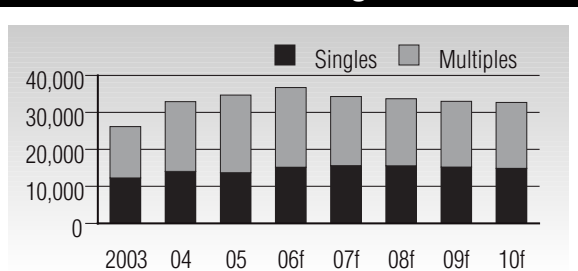
While most of the country saw demand for housing take off in 1996, it was not until interest rates started to fall in 2001 that B.C.'s housing starts began to soar. But soar they did. From 2001 to 2004, housing starts increased by an average annual rate of 23 per cent. And while many provinces posted declines in housing starts last year, B.C. recorded a 5.3 per cent gain.

Healthy economic growth in the province is attracting residents from across the country (except perhaps from Alberta), fuelling housing demand. This is particularly true

in the Lower Mainland, where population growth is the strongest. As a result, housing starts are expected to increase by a further 5.9 per cent this year, reaching 36,700 units. Next year, as interest rates rise and economic growth decelerates slightly, the market is expected to soften, with starts contracting by 6.5 per cent. Housing starts will keep falling through the medium term, albeit at a smaller rate. By 2010, housing starts are forecast to be 32,700, still nearly double their 2001 level.

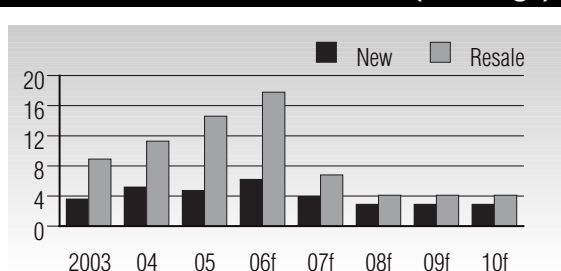
Price growth for new homes was moderate at the start of the housing boom, averaging just 2.9 per cent per year from 2002 to 2003. It then picked up, following suit with the higher demand, reaching 4.9 per cent on an average annual basis over the past two years. The resale home market has seen much stronger price growth since 2002. The price of an existing home increased, on average, 10.5 per cent per year

Chart 1—Housing Starts



Sources: The Conference Board of Canada; Canada Mortgage and Housing Corporation.

Chart 2—House Price Growth (% change)



Sources: The Conference Board of Canada; Canada Mortgage and Housing Corporation; Canadian Real Estate Association.

from 2002 to 2005. Given the huge discrepancy in prices between the new and the resale home markets, prices in the resale market have likely had more room to move. As of last year, the average price of a new home, at \$574,500, was more than \$240,000 higher than the average price of an existing home. At

this price level, more people were forced into the resale market, boosting demand, and thus prices, even further.

Thanks to continued momentum in the housing market, price increases for both a new home and an existing home are expected to be even

stronger this year, at 6.2 per cent and 17.8 per cent respectively. With the market expected to slow next year, price growth will start to moderate as well. Average prices for new homes are expected to rise by a more modest 2.9 per cent from 2008 onward, while average prices for existing homes increase by 4.1 per cent per year.

Table 1—Economic Indicators

	2003	2004	2005	2006f	2007f	2008f	2009f	2010f
Real GDP at basic prices (1997 \$ millions)	122,016 <i>2.6</i>	127,290 <i>4.3</i>	132,052 <i>3.7</i>	136,769 <i>3.6</i>	141,008 <i>3.1</i>	144,754 <i>2.7</i>	148,621 <i>2.7</i>	152,483 <i>2.6</i>
Total employment (000s)	2,014 <i>2.5</i>	2,063 <i>2.4</i>	2,130 <i>3.3</i>	2,193 <i>2.9</i>	2,231 <i>1.7</i>	2,264 <i>1.5</i>	2,294 <i>1.4</i>	2,321 <i>1.2</i>
Unemployment rate	8.0	7.2	5.9	4.9	5.2	5.2	5.2	5.2
Personal income per capita	28,161 <i>2.3</i>	29,284 <i>4.0</i>	30,495 <i>4.1</i>	32,149 <i>5.4</i>	33,380 <i>3.8</i>	34,588 <i>3.6</i>	35,820 <i>3.6</i>	37,024 <i>3.4</i>
Population (000s)	4,149 <i>0.9</i>	4,196 <i>1.1</i>	4,247 <i>1.2</i>	4,295 <i>1.1</i>	4,331 <i>0.8</i>	4,367 <i>0.8</i>	4,404 <i>0.8</i>	4,441 <i>0.8</i>
Retail sales (\$ millions)	44,421 <i>2.7</i>	47,217 <i>6.3</i>	50,027 <i>6.0</i>	52,263 <i>4.5</i>	54,253 <i>3.8</i>	56,492 <i>4.1</i>	58,815 <i>4.1</i>	61,221 <i>4.1</i>
Inflation rate	2.2	2.0	2.0	1.9	1.9	2.0	2.1	2.0

Italics indicate percentage change.

Sources: The Conference Board of Canada; Statistics Canada.

Table 2—Housing Indicators

	2003	2004	2005	2006f	2007f	2008f	2009f	2010f
Housing starts	26,174 <i>21.0</i>	32,925 <i>25.8</i>	34,667 <i>5.3</i>	36,698 <i>5.9</i>	34,297 <i>-6.5</i>	33,667 <i>-1.8</i>	33,015 <i>-1.9</i>	32,679 <i>-1.0</i>
Singles	12,252 <i>14.2</i>	14,056 <i>14.7</i>	13,719 <i>-2.4</i>	15,148 <i>10.4</i>	15,592 <i>2.9</i>	15,559 <i>-0.2</i>	15,203 <i>-2.3</i>	14,859 <i>-2.3</i>
Multiples	13,922 <i>27.8</i>	18,869 <i>35.5</i>	20,948 <i>11.0</i>	21,550 <i>2.9</i>	18,705 <i>-13.2</i>	18,108 <i>-3.2</i>	17,812 <i>-1.6</i>	17,820 <i>0.0</i>
Housing completions	21,988 <i>8.1</i>	24,797 <i>12.8</i>	28,271 <i>14.0</i>	34,662 <i>22.6</i>	32,184 <i>-7.1</i>	31,474 <i>-2.2</i>	30,962 <i>-1.6</i>	30,502 <i>-1.5</i>
Singles	11,071 <i>16.3</i>	12,359 <i>11.6</i>	12,832 <i>3.8</i>	14,896 <i>16.1</i>	15,329 <i>2.9</i>	15,876 <i>3.6</i>	15,621 <i>-1.6</i>	15,260 <i>-2.3</i>
Multiples	10,917 <i>0.9</i>	12,437 <i>13.9</i>	15,439 <i>24.1</i>	19,765 <i>28.0</i>	16,855 <i>-14.7</i>	15,598 <i>-7.5</i>	15,341 <i>-1.6</i>	15,243 <i>-0.6</i>
Average price of a new home (\$)	521,619 <i>3.6</i>	548,849 <i>5.2</i>	574,458 <i>4.7</i>	610,263 <i>6.2</i>	633,867 <i>3.9</i>	652,249 <i>2.9</i>	671,165 <i>2.9</i>	690,629 <i>2.9</i>
Average price of a resale home (\$)	259,945 <i>8.9</i>	289,274 <i>11.3</i>	331,505 <i>14.6</i>	390,407 <i>17.8</i>	417,068 <i>6.8</i>	434,167 <i>4.1</i>	451,968 <i>4.1</i>	470,499 <i>4.1</i>

Italics indicate percentage change.

Sources: The Conference Board of Canada; Canada Mortgage and Housing Corporation; Canadian Real Estate Association; Statistics Canada.

Montréal



Economic Outlook

Real gross domestic product (GDP) growth in Montréal hovered at a modest 2 per cent per year from 2001 to 2005, weakened by real manufacturing output, which dropped 7.7 per cent between 2000 and 2005. Despite an anticipated slight recovery for manufacturing this year, the sector will continue to exert a dampening effect on total GDP, holding growth in total output to 1.9 per cent. A further recovery in manufacturing for next year should finally allow GDP growth to reach 2.8 per cent.

Montréal's services sector has been a source of strength, posting average annual growth of 3 per cent over the last 10 years. Services sector growth is expected to remain relatively solid this year and next, at 2.7 per cent and 2.9 per cent, respectively. Some of the stimulus

Given a soft economy, higher interest rates and satisfied pent-up demand, housing starts in Montréal are expected to fall sharply in the short term—by 17.8 per cent this year and 12.9 per cent in 2007. Starts will continue to fall through the medium term, in line with demographic requirements. Weaker demand is also leading to slower home price inflation, although the average price of a new home is still expected to increase by 4.4 per cent this year, while existing home prices are set to rise by 5.8 per cent.

for this growth will continue to come from vigorous domestic demand: retail sales are forecast to rise by 3.6 per cent in 2006 and 3.8 per cent in 2007. The transportation and communications sector is expected to record the lowest growth of all the service sectors in 2006, at 1.2 per cent, because of economic difficulties in the manufacturing sector.

Housing Outlook

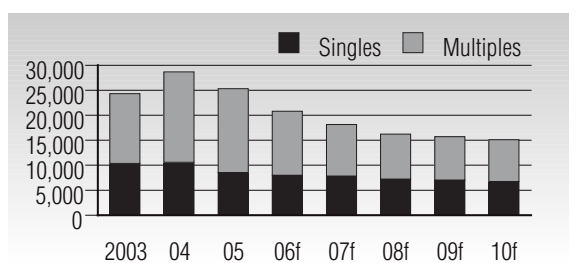
EXISTING HOUSING MARKET

Years of pent-up demand helped to drive existing home sales up by an average of 13.4 per cent annually in Montréal between 1996 and 2002. Sales of existing homes then fell by 1 per cent in 2003, and growth has been much weaker since then, reaching only 2.4 per cent in 2004 and 1.9 per cent in 2005. This weakness likely resulted from both a slower economy and the fulfillment of pent-up demand.

The market has had an extra factor working against it in 2006, as mortgage rates increased early in the year. This partly explains why growth in existing home sales will come in at a soft 2 per cent for the year as a whole. Next year, the market is forecast to contract by 3.8 per cent. However, the level of sales will still be high by historical standards. As a result, in spite of a stronger economy, unit sales will continue to fall through the medium term, moving towards the level needed to meet demographic requirements.

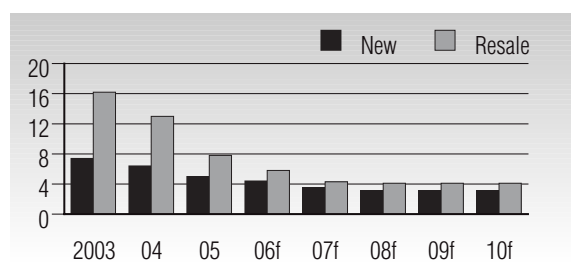
Increasing demand for existing homes resulted in strong price growth of 14.4 per cent per year from 2002 to 2004. Growth last year was slower but, at 7.8 per cent, still well above the historical average. Since 2001, existing home prices have increased by nearly \$80,000, reaching \$204,065 last year. As demand weakens in the coming years, price growth will slow further. The average price of

Chart 1—Housing Starts



Sources: The Conference Board of Canada; Canada Mortgage and Housing Corporation.

Chart 2—House Price Growth (% change)



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

an existing home is forecast to rise by 5.8 per cent in 2006 and by 4.3 per cent next year, then settle at 4.1 per cent annual growth for the rest of the forecast.

Montréal's sales-to-new-listings ratio increased from 31.2 per cent in 1996 to 72.4 per cent in 2002. While much of the increase was due to higher demand for existing homes, it was also partly due to average declines of 2.7 per cent per year in the number of new listings in the city each year. However, in 2003, as prices began to soar, sellers took notice. New listings skyrocketed, increasing by 12.3 per cent, on an average annual basis, from 2003 to 2005. As a result, the

sales-to-new-listings ratio had fallen back to 52.9 per cent by last year. With weakening demand and price growth, both sales and new listings are forecast to fall in the coming years. This will keep the ratio steady at around 51 per cent for the rest of the forecast period.

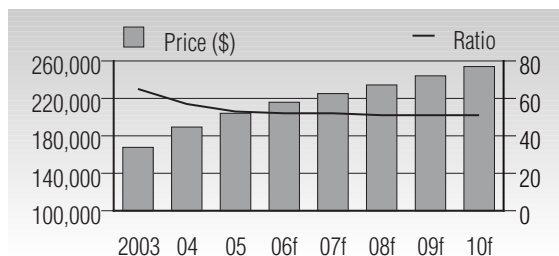
NEW HOUSING MARKET

Demand was also strong in Montréal's new housing market between 1996 and 2004, leading to average annual growth of 17.4 per cent. However, up until 2003, despite the huge growth in starts, there were still not enough new homes being built to satisfy demand. As a result, months' supply fell from 3.4 in 1996 to a low of 0.9 in 2003. This tightness

in the market led to a significant rise in new home prices of 5.7 per cent per year, on average, from 2000 to 2004. In terms of levels, new home prices reached \$246,700 in 2004, nearly \$60,000 more than they were in 1996.

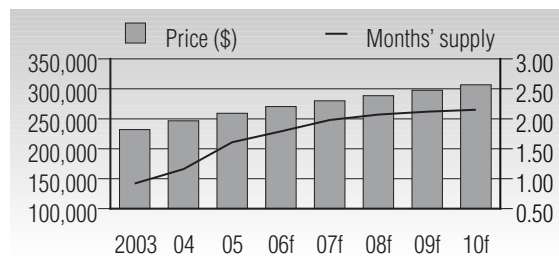
By 2004, months' supply started to creep back up, sending a signal to builders that demand was weakening. In response, builders lowered housing starts by 11.7 per cent last year. A continued soft economy and higher interest rates are taking their toll on the city's housing market this year. Accordingly, housing starts are expected to fall by an additional 17.8 per cent this year and 12.9 per cent in 2007.

Chart 3—Resale Housing Price and Sales-to-New-Listings Ratio



Sources: The Conference Board of Canada; Canada Mortgage and Housing Corporation; Canadian Real Estate Association.

Chart 4—New Housing Price and Months' Supply



Sources: The Conference Board of Canada; Canada Mortgage and Housing Corporation.

Table 1—Economic Indicators

	2003	2004	2005	2006f	2007f	2008f	2009f	2010f
Real GDP at basic prices (1997 \$ millions)	105,387 <i>1.7</i>	107,656 <i>2.2</i>	109,743 <i>1.9</i>	111,845 <i>1.9</i>	114,953 <i>2.8</i>	118,486 <i>3.1</i>	121,948 <i>2.9</i>	125,393 <i>2.8</i>
Total employment (000s)	1,788 <i>1.4</i>	1,804 <i>0.9</i>	1,823 <i>1.1</i>	1,840 <i>0.9</i>	1,867 <i>1.5</i>	1,899 <i>1.7</i>	1,928 <i>1.6</i>	1,953 <i>1.3</i>
Unemployment rate	9.5	8.7	8.7	8.9	9.0	8.9	8.4	8.2
Personal income per capita	29,237 <i>2.7</i>	30,273 <i>3.5</i>	31,530 <i>4.2</i>	32,915 <i>4.4</i>	34,123 <i>3.7</i>	35,476 <i>4.0</i>	36,813 <i>3.8</i>	38,144 <i>3.6</i>
Population (000s)	3,579 <i>0.9</i>	3,610 <i>0.9</i>	3,636 <i>0.7</i>	3,662 <i>0.7</i>	3,690 <i>0.8</i>	3,718 <i>0.8</i>	3,744 <i>0.7</i>	3,771 <i>0.7</i>
Retail sales (\$ millions)	34,647 <i>5.4</i>	36,294 <i>4.8</i>	38,482 <i>6.0</i>	39,862 <i>3.6</i>	41,388 <i>3.8</i>	43,297 <i>4.6</i>	45,164 <i>4.3</i>	47,099 <i>4.3</i>
Inflation rate	2.4	1.9	2.2	2.2	1.8	2.0	2.1	2.0

Italics indicate percentage change.

Sources: The Conference Board of Canada; Statistics Canada.

Despite the declines in starts, months' supply will continue to creep back up—a sign that demand is falling faster than supply. Indeed, the number of newly completed but unabsorbed houses jumped by an annual average of 48.5 per cent over

the past two years and is expected to climb by another 8.8 per cent in 2006. Only in 2008 will the market start to find a better balance between demand and supply. From that point on, months' supply will remain stable at 2.1.

Growth in new home prices is forecast to remain moderate for at least the next year. The average price of a new home in Montréal is expected to increase by 4.4 per cent in 2006 and by 3.5 per cent next year. New home prices will then rise by 3.1 per cent annually from 2008 to 2010.

Table 2—New Housing Market Indicators

	2003	2004	2005	2006f	2007f	2008f	2009f	2010f
Housing starts	24,321 <i>18.3</i>	28,673 <i>17.9</i>	25,317 <i>-11.7</i>	20,811 <i>-17.8</i>	18,129 <i>-12.9</i>	16,214 <i>-10.6</i>	15,721 <i>-3.0</i>	15,105 <i>-3.9</i>
Singles	10,360 <i>-0.5</i>	10,578 <i>2.1</i>	8,544 <i>-19.2</i>	7,999 <i>-6.4</i>	7,817 <i>-2.3</i>	7,218 <i>-7.7</i>	7,041 <i>-2.4</i>	6,731 <i>-4.4</i>
Multiples	13,961 <i>37.7</i>	18,095 <i>29.6</i>	16,773 <i>-7.3</i>	12,812 <i>-23.6</i>	10,312 <i>-19.5</i>	8,997 <i>-12.8</i>	8,679 <i>-3.5</i>	8,373 <i>-3.5</i>
Under construction	12,234 <i>40.3</i>	17,389 <i>42.1</i>	17,575 <i>1.1</i>	16,488 <i>-6.2</i>	14,181 <i>-14.0</i>	13,105 <i>-7.6</i>	12,074 <i>-7.9</i>	11,569 <i>-4.2</i>
Housing completions	20,280 <i>26.1</i>	24,920 <i>22.9</i>	25,699 <i>3.1</i>	24,693 <i>-3.9</i>	19,331 <i>-21.7</i>	17,194 <i>-11.1</i>	15,654 <i>-9.0</i>	15,079 <i>-3.7</i>
Singles	9,935 <i>7.9</i>	10,473 <i>5.4</i>	9,282 <i>-11.4</i>	8,955 <i>-3.5</i>	7,701 <i>-14.0</i>	7,254 <i>-5.8</i>	6,949 <i>-4.2</i>	6,715 <i>-3.4</i>
Multiples	10,345 <i>50.4</i>	14,447 <i>39.7</i>	16,417 <i>13.6</i>	15,738 <i>-4.1</i>	11,629 <i>-26.1</i>	9,940 <i>-14.5</i>	8,705 <i>-12.4</i>	8,363 <i>-3.9</i>
Newly completed and unabsorbed	1,515 <i>-0.2</i>	2,311 <i>52.5</i>	3,341 <i>44.6</i>	3,635 <i>8.8</i>	3,238 <i>-10.9</i>	2,992 <i>-7.6</i>	2,794 <i>-6.6</i>	2,712 <i>-2.9</i>
Absorptions	19,811 <i>21.4</i>	23,840 <i>20.3</i>	25,144 <i>5.5</i>	24,674 <i>-1.9</i>	19,682 <i>-20.2</i>	17,354 <i>-11.8</i>	15,826 <i>-8.8</i>	15,146 <i>-4.3</i>
Months' supply	0.9	1.2	1.6	1.8	2.0	2.1	2.1	2.1
New housing price	231,875 <i>7.4</i>	246,712 <i>6.4</i>	259,128 <i>5.0</i>	270,511 <i>4.4</i>	279,998 <i>3.5</i>	288,678 <i>3.1</i>	297,627 <i>3.1</i>	306,854 <i>3.1</i>

Italics indicate percentage change.

Sources: The Conference Board of Canada; Canada Mortgage and Housing Corporation; Canadian Real Estate Association; Statistics Canada.

Table 3—Resale Housing Market Indicators

	2003	2004	2005	2006f	2007f	2008f	2009f	2010f
Unit sales	47,436 <i>-1.0</i>	48,564 <i>2.4</i>	49,506 <i>1.9</i>	50,512 <i>2.0</i>	48,577 <i>-3.8</i>	47,217 <i>-2.8</i>	46,037 <i>-2.5</i>	45,438 <i>-1.3</i>
Dollar volume sales (\$ millions)	7,919 <i>15.9</i>	9,181 <i>15.9</i>	10,085 <i>9.9</i>	10,901 <i>8.1</i>	10,938 <i>0.3</i>	11,068 <i>1.2</i>	11,234 <i>1.5</i>	11,543 <i>2.8</i>
New listings	73,154 <i>10.6</i>	84,895 <i>16.0</i>	93,667 <i>10.3</i>	97,459 <i>4.0</i>	94,149 <i>-3.4</i>	92,102 <i>-2.2</i>	90,275 <i>-2.0</i>	89,504 <i>-0.9</i>
Sales-to-new-listings ratio	65	57	53	52	52	51	51	51
Resale price	167,610 <i>16.2</i>	189,325 <i>13.0</i>	204,065 <i>7.8</i>	215,914 <i>5.8</i>	225,185 <i>4.3</i>	234,417 <i>4.1</i>	244,029 <i>4.1</i>	254,034 <i>4.1</i>

Italics indicate percentage change.

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

Montréal



Perspectives économiques

La croissance du produit intérieur brut (PIB) réel de Montréal a oscillé autour d'un modeste 2 p. 100 par an de 2001 à 2005. Elle a été ralentie par la production manufacturière réelle qui a chuté de 7,7 p. 100 entre 2000 et 2005. Bien que l'on s'attende cette année à un léger mieux dans le secteur de la fabrication, celui-ci continuera à freiner la croissance du PIB total, limitant la croissance de ce dernier à 1,9 p. 100. L'année prochaine, un rendement encore légèrement amélioré du secteur de la fabrication devrait enfin permettre au PIB d'atteindre une croissance de 2,8 p. 100.

Le secteur des services de Montréal a été une source de vigueur, avec une croissance annuelle moyenne de 3 p. 100 sur les 10 dernières années. On s'attend

Étant donné que l'économie piétine, que les taux d'intérêt sont maintenant un peu plus élevés et que la demande refoulée est désormais satisfaite, on prévoit une chute brutale du nombre de mises en chantier à Montréal à court terme de l'ordre de 17,8 p. 100 cette année et de 12,9 p. 100 en 2007. Les mises en chantier continueront de baisser à moyen terme, afin de se fixer au niveau dicté par les besoins démographiques. L'affaiblissement de la demande conduira à ralentir l'inflation des prix des logements, même si le prix moyen des logements neufs continuera d'augmenter de 4,4 p. 100 cette année, alors que le prix des logements existants devrait s'accroître de 5,8 p. 100.

à ce que la croissance de ce secteur reste relativement solide cette année et l'année prochaine, respectivement à 2,7 et à 2,9 p. 100. La forte demande intérieure compte parmi les facteurs qui expliquent ce résultat : les ventes au détail devraient augmenter de 3,6 p. 100 en 2006 et de 3,8 p. 100 en 2007. En 2006, on s'attend à ce que le secteur des transports et des communications enregistre la croissance la plus modeste de tous les secteurs de services, à 1,2 p. 100, en raison des difficultés économiques du secteur de la fabrication.

Perspectives du secteur résidentiel

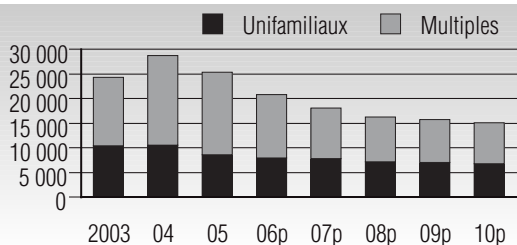
MARCHÉ DES LOGEMENTS EXISTANTS

Des années de demande refoulée ont contribué à amener la croissance des ventes de logements existants à une moyenne annuelle de 13,4 p. 100

à Montréal, entre 1996 et 2002. Les ventes de logements existants ont ensuite chuté de 1 p. 100 en 2003; depuis, la croissance a été modeste, à 2,4 p. 100 seulement en 2004 et à 1,9 p. 100 en 2005. On peut penser que cette atonie est le résultat à la fois d'une économie au ralenti et d'une demande refoulée maintenant satisfaite.

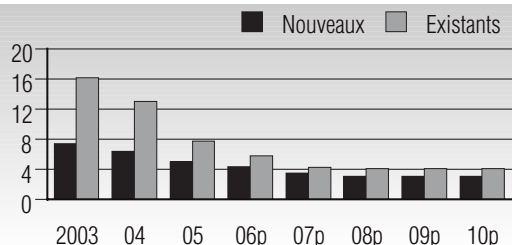
Un facteur supplémentaire a joué contre le marché en 2006; en effet, les taux d'intérêt hypothécaires ont augmenté au début de l'année. Cela peut partiellement expliquer pourquoi les ventes de logements existants n'augmenteront que de 2 p. 100 sur toute l'année. L'an prochain, le marché devrait se contracter de 3,8 p. 100. Toutefois, le niveau des ventes restera très élevé par rapport aux standards historiques. Au final, en dépit d'une économie plus forte, les ventes de logement continueront de chuter à

Graphique 1 — Mises en chantier



Sources : Le Conference Board du Canada; Société canadienne d'hypothèques et de logement.

Graphique 2 — Croissance des prix des logements (variation en pourcentage)



Sources : Le Conference Board du Canada; Association canadienne de l'immeuble.

moyen terme, pour se rapprocher du niveau nécessaire à la satisfaction des besoins démographiques.

De 2002 à 2004, l'augmentation de la demande de logements existants s'est traduite par une forte hausse des prix, de l'ordre de 14,4 p. 100 par an. L'année dernière, la croissance a été moins forte, mais, à 7,8 p. 100, elle reste loin au-dessus des moyennes passées. Depuis 2001, les prix des logements existants ont augmenté de près de 80 000 \$, pour atteindre 204 065 \$ l'an dernier. Dans les années à venir, la hausse des prix devrait ralentir davantage en raison de l'affaiblissement de la demande. L'augmentation du prix moyen d'un logement existant devrait être de 5,8 p. 100 en 2006 et de 4,3 p. 100 l'année prochaine, puis s'établir à 4,1 p. 100 par an pour le reste de la période de prévisions.

Le ratio des ventes par rapport aux nouvelles inscriptions à Montréal est passé de 31,2 p. 100 en 1996 à 72,4 p. 100 en 2002. Bien que la raison principale de cette hausse soit l'augmentation de la demande de logements existants, la baisse moyenne

de 2,7 p. 100 par an des nouvelles inscriptions entre aussi en ligne de compte. Néanmoins, en 2003, les vendeurs ont remarqué que les prix commençaient à s'emballer. Les nouvelles inscriptions se sont alors envolées, augmentant de 12,3 p. 100 en moyenne annuelle, entre 2003 et 2005. Du coup, le ratio des ventes par rapport aux nouvelles inscriptions est retombé pour se situer à 52,9 p. 100 l'année dernière. Avec la baisse de la demande et le ralentissement de la croissance des prix, on s'attend à ce que les ventes et les nouvelles inscriptions chutent dans les années à venir, ce qui devrait maintenir le ratio autour de 51 p. 100 pour le reste de la période de prévisions.

MARCHÉ DES LOGEMENTS NEUFS

La demande de logements neufs a également été forte à Montréal entre 1996 et 2004, ce qui a conduit à une croissance annuelle de 17,4 p. 100 des mises en chantier de logement. Cependant, malgré cette montée en flèche des mises en chantier, il n'y avait toujours pas suffisamment de logements neufs en 2003 pour satis-

faire la demande. L'offre mensuelle a ainsi chuté de 3,4 en 1996 à un faible 0,9 en 2003. Cette tension du marché a conduit à une importante hausse des prix des logements neufs, de l'ordre de 5,7 p. 100 par an en moyenne, entre 2000 et 2004. En matière de prix, les logements neufs ont atteint 246 700 dollars en 2004, soit près de 60 000 dollars au-dessus de leur niveau de 1996.

En 2004, l'offre mensuelle a commencé à se redresser, signifiant aux constructeurs que la demande s'affaiblissait. En réponse, les constructeurs ont diminué les mises en chantier de 11,7 p. 100 l'année dernière. Une faiblesse économique prolongée et des taux d'intérêt en hausse font sentir leurs effets sur le marché du logement de la ville cette année. On s'attend à ce que les mises en chantier chutent encore de 17,8 p. 100 cette année et de 12,9 p. 100 en 2007.

Malgré le déclin des mises en chantiers, l'offre mensuelle continuera à augmenter, signe que la demande baisse plus vite que l'offre. En effet, le nombre de nouveaux

Tableau 1 — Indicateurs économiques

	2003	2004	2005	2006p	2007p	2008p	2009p	2010p
Le PIB réel aux prix de base (en millions de dollars de 1997)	105 387 <i>1,7</i>	107 656 <i>2,2</i>	109 743 <i>1,9</i>	111 845 <i>1,9</i>	114 953 <i>2,8</i>	118 486 <i>3,1</i>	121 948 <i>2,9</i>	125 393 <i>2,8</i>
Emplois totaux (en milliers)	1 788 <i>1,4</i>	1 804 <i>0,9</i>	1 823 <i>1,1</i>	1 840 <i>0,9</i>	1 867 <i>1,5</i>	1 899 <i>1,7</i>	1 928 <i>1,6</i>	1 953 <i>1,3</i>
Taux de chômage	9,5	8,7	8,7	8,9	9,0	8,9	8,4	8,2
Revenu personnel par habitant	29 237 <i>2,7</i>	30 273 <i>3,5</i>	31 530 <i>4,2</i>	32 915 <i>4,4</i>	34 123 <i>3,7</i>	35 476 <i>4,0</i>	36 813 <i>3,8</i>	38 144 <i>3,6</i>
Population (en milliers)	3 579 <i>0,9</i>	3 610 <i>0,9</i>	3 636 <i>0,7</i>	3 662 <i>0,7</i>	3 690 <i>0,8</i>	3 718 <i>0,8</i>	3 744 <i>0,7</i>	3 771 <i>0,7</i>
Ventes au détail (en millions de \$)	34 647 <i>5,4</i>	36 294 <i>4,8</i>	38 482 <i>6,0</i>	39 862 <i>3,6</i>	41 388 <i>3,8</i>	43 297 <i>4,6</i>	45 164 <i>4,3</i>	47 099 <i>4,3</i>
Taux d'inflation	2,4	1,9	2,2	2,2	1,8	2,0	2,1	2,0

L'italique signale les variations en pourcentage.
Sources : Le Conference Board du Canada; Statistique Canada.

logements construits mais non absorbés a bondi de 48,5 p. 100 en moyenne annuelle ces deux dernières années, et l'on s'attend à une nouvelle hausse de 8,8 p. 100 en 2006. C'est seulement en 2008 que le marché trouvera un nouvel

équilibre entre offre et demande. À partir de cette date, l'offre mensuelle se stabilisera à 2,1.

La hausse des prix des logements neufs devrait rester modérée au moins l'année prochaine. Pour

Montréal, on s'attend à une augmentation des prix moyens de 4,4 p. 100 en 2006 et de 3,5 p. 100 l'année prochaine. Ensuite, les prix devraient augmenter de 3,1 p. 100 par an entre 2008 et 2010.

Tableau 2 — Indicateurs du marché des logements neufs

	2003	2004	2005	2006p	2007p	2008p	2009p	2010p
Mises en chantier	24 321 <i>18,3</i>	28 673 <i>17,9</i>	25 317 <i>-11,7</i>	20 811 <i>-17,8</i>	18 129 <i>-12,9</i>	16 214 <i>-10,6</i>	15 721 <i>-3,0</i>	15 105 <i>-3,9</i>
Logements unifamiliaux	10 360 <i>-0,5</i>	10 578 <i>2,1</i>	8 544 <i>-19,2</i>	7 999 <i>-6,4</i>	7 817 <i>-2,3</i>	7 218 <i>-7,7</i>	7 041 <i>-2,4</i>	6 731 <i>-4,4</i>
Multiples	13 961 <i>37,7</i>	18 095 <i>29,6</i>	16 773 <i>-7,3</i>	12 812 <i>-23,6</i>	10 312 <i>-19,5</i>	8 997 <i>-12,8</i>	8 679 <i>-3,5</i>	8 373 <i>-3,5</i>
En construction	12 234 <i>40,3</i>	17 389 <i>42,1</i>	17 575 <i>1,1</i>	16 488 <i>-6,2</i>	14 181 <i>-14,0</i>	13 105 <i>-7,6</i>	12 074 <i>-7,9</i>	11 569 <i>-4,2</i>
Logements nouveaux	20 280 <i>26,1</i>	24 920 <i>22,9</i>	25 699 <i>3,1</i>	24 693 <i>-3,9</i>	19 331 <i>-21,7</i>	17 194 <i>-11,1</i>	15 654 <i>-9,0</i>	15 079 <i>-3,7</i>
Logements unifamiliaux	9 935 <i>7,9</i>	10 473 <i>5,4</i>	9 282 <i>-11,4</i>	8 955 <i>-3,5</i>	7 701 <i>-14,0</i>	7 254 <i>-5,8</i>	6 949 <i>-4,2</i>	6 715 <i>-3,4</i>
Multiples	10 345 <i>50,4</i>	14 447 <i>39,7</i>	16 417 <i>13,6</i>	15 738 <i>-4,1</i>	11 629 <i>-26,1</i>	9 940 <i>-14,5</i>	8 705 <i>-12,4</i>	8 363 <i>-3,9</i>
Logements terminés et à vendre	1 515 <i>-0,2</i>	2 311 <i>52,5</i>	3 341 <i>44,6</i>	3 635 <i>8,8</i>	3 238 <i>-10,9</i>	2 992 <i>-7,6</i>	2 794 <i>-6,6</i>	2 712 <i>-2,9</i>
Logements vendus	19 811 <i>21,4</i>	23 840 <i>20,3</i>	25 144 <i>5,5</i>	24 674 <i>-1,9</i>	19 682 <i>-20,2</i>	17 354 <i>-11,8</i>	15 826 <i>-8,8</i>	15 146 <i>-4,3</i>
Offre mensuelle	0,9	1,2	1,6	1,8	2,0	2,1	2,1	2,1
Prix des logements neufs	231 875 <i>7,4</i>	246 712 <i>6,4</i>	259 128 <i>5,0</i>	270 511 <i>4,4</i>	279 998 <i>3,5</i>	288 678 <i>3,1</i>	297 627 <i>3,1</i>	306 854 <i>3,1</i>

L'italique signale les variations en pourcentage.

Sources: Le Conference Board du Canada; Société canadienne d'hypothèques et de logement; Association canadienne de l'immeuble; Statistique Canada.

Tableau 3—Indicateurs du marché de la revente de logements

	2003	2004	2005	2006p	2007p	2008p	2009p	2010p
Ventes d'unités	47 436 <i>-1,0</i>	48 564 <i>2,4</i>	49 506 <i>1,9</i>	50 512 <i>2,0</i>	48 577 <i>-3,8</i>	47 217 <i>-2,8</i>	46 037 <i>-2,5</i>	45 438 <i>-1,3</i>
Ventes selon la valeur en dollars (par million de dollars)	7 919 <i>15,9</i>	9 181 <i>15,9</i>	10 085 <i>9,9</i>	10 901 <i>8,1</i>	10 938 <i>0,3</i>	11 068 <i>1,2</i>	11 234 <i>1,5</i>	11 543 <i>2,8</i>
Nouvelles inscriptions	73 154 <i>10,6</i>	84 895 <i>16,0</i>	93 667 <i>10,3</i>	97 459 <i>4,0</i>	94 149 <i>-3,4</i>	92 102 <i>-2,2</i>	90 275 <i>-2,0</i>	89 504 <i>-0,9</i>
ratio ventes/nouvelles inscriptions	65	57	53	52	52	51	51	51
Prix de revente	167 610 <i>16,2</i>	189 325 <i>13,0</i>	204 065 <i>7,8</i>	215 914 <i>5,8</i>	225 185 <i>4,3</i>	234 417 <i>4,1</i>	244 029 <i>4,1</i>	254 034 <i>4,1</i>

L'italique signale les variations en pourcentage.

Sources : Le Conference Board du Canada; Association canadienne de l'immeuble.

Toronto



Economic Outlook

Despite the strong Canadian dollar's impact on industries sensitive to foreign trade, especially manufacturing and tourism, gross domestic product (GDP) growth in the Toronto census metropolitan area (CMA) has reached or surpassed the 3 per cent mark in three of the last four years. The economy is expected to reach this mark again in 2006, largely because of strength in the construction industry and in the services sector.

While non-residential construction will be strong this year, robust domestic demand will continue to be the main driver of Toronto's economy. Wholesale and retail trade output is forecast to increase by 5.7 per cent in 2006, following a 6.6 per cent gain in 2005. Likewise, finance, insurance and real estate output is expected to climb a solid 3.6 per cent this year.

Toronto's new housing market has been weakening since 2004. After several years of strong growth, housing starts fell in each of the past two years. And a further decline is expected for this year. However, stronger economic growth is forecast to help to boost starts by 2.3 per cent in 2007. Growth in new home prices will be moderate in the medium term, settling at 3.2 per cent per year. Existing home prices are forecast to settle at a somewhat stronger growth rate of 4.2 per cent per year.

Even better results are expected for Toronto's economy next year. The manufacturing sector will receive a lift from increased production at Ford's Oakville Assembly Complex. The improved manufacturing sector will also support increased growth in transportation and communication output, offsetting slower growth in the wholesale and retail trade sector.

Housing Outlook

EXISTING HOUSING MARKET

As interest rates fell in 2001, the housing market in Toronto began to soar. The market for existing homes got particularly active that year, lifted by pent-up demand from the 1990s and by people scrambling to take advantage of lower mortgage costs. Overall, unit sales shot up by 15.9 per cent in 2001 alone. Low vacancy rates in the rental market also helped to keep sales growth strong until 2004, despite a year of modest economic growth in 2003. Unit sales averaged annual increases

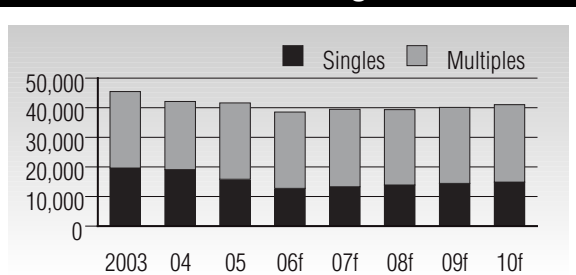
of 7.9 per cent from 2002 to 2004. Last year, growth in the market was much weaker, although still positive, at 1 per cent.

The increase in demand for existing homes boosted prices by an average of 7.8 per cent per year between 2002 and 2004. And while the increase in sales was much lower last year, price growth continued to be strong, at 6.3 per cent.

Higher prices have encouraged many new sellers in the market. New listings increased more quickly than sales, by an annual average of 13.2 per cent between 2002 and 2004. As a result, the sales-to-new-listings ratio fell from 76 per cent in 2002 to 65.2 per cent in 2004. The rate fell further last year, to 63.5 per cent, reflecting the weaker sales growth in 2005.

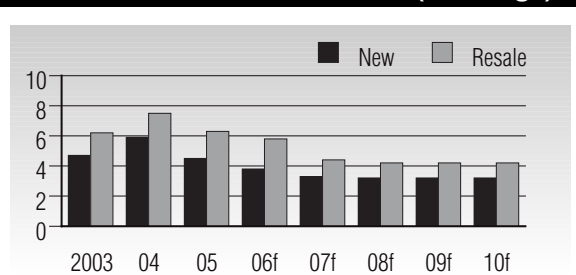
Unit sales are expected to fall this year, by 0.7 per cent. The fulfillment of pent-up demand and higher mortgage rates are two reasons for

Chart 1—Housing Starts



Sources: The Conference Board of Canada; Canada Mortgage and Housing Corporation.

Chart 2—House Price Growth (% change)



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

the decline. Another is the cost of housing in Toronto. After four years of strong price growth, and with another 5.8 per cent increase expected this year, more and more buyers are facing affordability issues. Average resale home prices are forecast to top \$360,000 in 2006, over \$100,000 more than in 2001.

With interest rates set to begin climbing again in the second half of next year, unit sales are expected to decline by 2.8 per cent in 2007 and by a further 1.7 per cent in 2008. Price growth will also moderate, in line with the lower demand. The average price of an existing home is expected to increase by a more modest 4.4 per cent next year, and

then average growth of 4.2 per cent annually for the rest of the forecast.

NEW HOUSING MARKET

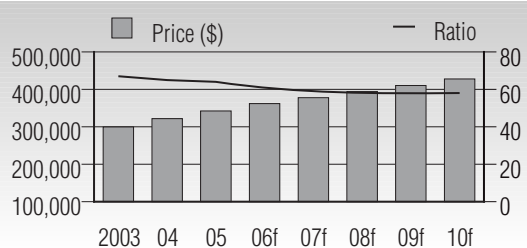
The boom in Toronto's new home market started in the mid-1990s and lasted through to 2003. A sound economy, combined with pent-up demand, pushed housing starts up by an average of 14.3 per cent per year from 1996 to 2003. This allowed housing starts to more than double over this time frame, reaching nearly 46,000 units by 2003.

Despite this growth in starts, demand initially outpaced new construction. Absorptions increased at a substantial pace, and so the level of months' supply dropped

significantly from 1996 to 1997, going from 0.8 months to 0.5 months. Since then, months' supply has moved only 0.1 month either up or down each year, hovering between 0.6 months and 0.4 months, indicating that builders have been better able to follow customer demand.

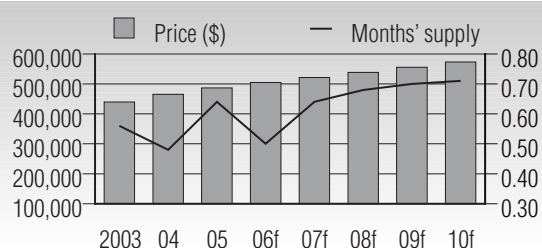
Price growth in the new home market has been surprisingly modest given the increase in demand and the resulting growth in starts. The price of a new home in Toronto rose by an annual average of only 2.4 per cent from 1996 to 2003. However, with average new home prices well over \$400,000—more than \$100,000 higher than in the resale market—builders may have

Chart 3—Resale Housing Price and Sales-to-New-Listings Ratio



Sources: The Conference Board of Canada; Canada Mortgage and Housing Corporation; Canadian Real Estate Association.

Chart 4—New Housing Price and Months' Supply



Sources: The Conference Board of Canada; Canada Mortgage and Housing Corporation.

Table 1—Economic Indicators

	2003	2004	2005	2006f	2007f	2008f	2009f	2010f
Real GDP at basic prices (1997 \$ millions)	184,014 <i>2.1</i>	190,290 <i>3.4</i>	196,687 <i>3.4</i>	202,614 <i>3.0</i>	209,575 <i>3.4</i>	217,160 <i>3.6</i>	225,568 <i>3.9</i>	234,447 <i>3.9</i>
Total employment (000s)	2,649 <i>2.2</i>	2,707 <i>2.2</i>	2,763 <i>2.1</i>	2,806 <i>1.5</i>	2,865 <i>2.1</i>	2,939 <i>2.6</i>	3,014 <i>2.6</i>	3,088 <i>2.5</i>
Unemployment rate	7.7	7.5	7.0	6.7	7.1	7.0	6.8	6.6
Personal income per capita	32,941 <i>0.8</i>	33,926 <i>3.0</i>	35,066 <i>3.4</i>	36,294 <i>3.5</i>	37,468 <i>3.2</i>	38,821 <i>3.6</i>	40,217 <i>3.6</i>	41,624 <i>3.5</i>
Population (000s)	5,117 <i>1.9</i>	5,214 <i>1.9</i>	5,304 <i>1.7</i>	5,393 <i>1.7</i>	5,489 <i>1.8</i>	5,589 <i>1.8</i>	5,690 <i>1.8</i>	5,793 <i>1.8</i>
Retail sales (\$ millions)	49,977 <i>3.6</i>	51,413 <i>2.9</i>	53,775 <i>4.6</i>	55,974 <i>4.1</i>	58,485 <i>4.5</i>	61,502 <i>5.2</i>	64,738 <i>5.3</i>	68,231 <i>5.4</i>
Inflation rate	3.0	1.7	1.8	2.0	1.7	2.3	2.4	2.1

Italics indicate percentage change.

Sources: The Conference Board of Canada; Statistics Canada.

been keeping price increases in check so as not to push perspective buyers into the resale market.

Demand for new homes has been weakening since 2004. Satisfied pent-up demand, higher prices and, more recently, rising interest rates have all served to lower demand in the marketplace and, subsequently, housing

starts. Starts fell by 7.4 per cent in 2004 and by 1.2 per cent last year. A further decline of 7.3 per cent will bring starts to 38,600 units this year. Higher economic growth in 2007 is expected to bring some relief next year, even with increasing interest rates in the last half of the year. Accordingly, starts are forecast to post a 2.3 per cent increase in 2007.

Although price growth picked up over the past few years, averaging 5 per cent per year between 2003 and 2005, it is forecast to start to moderate again this year. The average price of a new home is expected to increase by 3.8 per cent in 2006, slowing to 3.2 per cent per year from 2008 onward.

Table 2—New Housing Market Indicators

	2003	2004	2005	2006f	2007f	2008f	2009f	2010f
Housing starts	45,475 <i>3.8</i>	42,115 <i>-7.4</i>	41,596 <i>-1.2</i>	38,556 <i>-7.3</i>	39,444 <i>2.3</i>	39,362 <i>-0.2</i>	40,119 <i>1.9</i>	41,040 <i>2.3</i>
Singles	19,626 <i>-11.3</i>	19,076 <i>-2.8</i>	15,797 <i>-17.2</i>	12,747 <i>-19.3</i>	13,276 <i>4.1</i>	13,899 <i>4.7</i>	14,438 <i>3.9</i>	14,840 <i>2.8</i>
Multiples	25,849 <i>19.2</i>	23,039 <i>-10.9</i>	25,799 <i>12.0</i>	25,808 <i>0.0</i>	26,167 <i>1.4</i>	25,463 <i>-2.7</i>	25,681 <i>0.9</i>	26,200 <i>2.0</i>
Under construction	36,272 <i>3.5</i>	40,397 <i>11.4</i>	42,228 <i>4.5</i>	43,005 <i>1.8</i>	39,464 <i>-8.2</i>	39,921 <i>1.2</i>	40,129 <i>0.5</i>	41,024 <i>2.2</i>
Housing completions	38,644 <i>-14.4</i>	39,620 <i>2.5</i>	39,296 <i>-0.8</i>	39,848 <i>1.4</i>	38,283 <i>-3.9</i>	39,352 <i>2.8</i>	39,545 <i>0.5</i>	40,481 <i>2.4</i>
Singles	18,156 <i>-10.1</i>	19,179 <i>5.6</i>	16,917 <i>-11.8</i>	15,469 <i>-8.6</i>	12,709 <i>-17.8</i>	13,443 <i>5.8</i>	14,242 <i>5.9</i>	14,828 <i>4.1</i>
Multiples	20,488 <i>-17.9</i>	20,441 <i>-0.2</i>	22,379 <i>9.5</i>	24,379 <i>8.9</i>	25,573 <i>4.9</i>	25,909 <i>1.3</i>	25,303 <i>-2.3</i>	25,653 <i>1.4</i>
Newly completed and unabsorbed	1,783 <i>22.8</i>	1,573 <i>-11.8</i>	2,108 <i>34.0</i>	1,645 <i>-22.0</i>	2,031 <i>23.5</i>	2,226 <i>9.6</i>	2,311 <i>3.8</i>	2,402 <i>3.9</i>
Absorptions	38,429 <i>-14.0</i>	39,574 <i>3.0</i>	39,645 <i>0.2</i>	39,516 <i>-0.3</i>	38,080 <i>-3.6</i>	39,178 <i>2.9</i>	39,478 <i>0.8</i>	40,381 <i>2.3</i>
Months' supply	0.6	0.5	0.6	0.5	0.6	0.7	0.7	0.7
New housing price	439,478 <i>4.7</i>	465,562 <i>5.9</i>	486,497 <i>4.5</i>	505,035 <i>3.8</i>	521,648 <i>3.3</i>	538,341 <i>3.2</i>	555,567 <i>3.2</i>	573,346 <i>3.2</i>

Italics indicate percentage change.

Sources: The Conference Board of Canada; Canada Mortgage and Housing Corporation; Canadian Real Estate Association; Statistics Canada.

Table 3—Resale Housing Market Indicators

	2003	2004	2005	2006f	2007f	2008f	2009f	2010f
Unit sales	79,366 <i>6.2</i>	84,854 <i>6.9</i>	85,672 <i>1.0</i>	85,040 <i>-0.7</i>	82,690 <i>-2.8</i>	81,285 <i>-1.7</i>	80,634 <i>-0.8</i>	81,199 <i>0.7</i>
Dollar volume sales (\$ millions)	21,299 <i>12.8</i>	24,424 <i>14.7</i>	26,469 <i>8.4</i>	29,272 <i>10.6</i>	31,255 <i>6.8</i>	32,015 <i>2.4</i>	33,094 <i>3.4</i>	34,727 <i>4.9</i>
New listings	118,633 <i>20.8</i>	130,291 <i>9.8</i>	134,801 <i>3.5</i>	139,682 <i>3.6</i>	140,716 <i>0.7</i>	139,948 <i>-0.5</i>	139,720 <i>-0.2</i>	141,215 <i>1.1</i>
Sales-to-new-listings ratio	67	65	64	61	59	58	58	58
Resale price	299,477 <i>6.2</i>	321,818 <i>7.5</i>	342,221 <i>6.3</i>	362,063 <i>5.8</i>	378,001 <i>4.4</i>	393,877 <i>4.2</i>	410,420 <i>4.2</i>	427,658 <i>4.2</i>

Italics indicate percentage change.

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

Ottawa



Economic Outlook

Ottawa–Gatineau’s economy is set to rise by 3 per cent this year, supported by healthy domestic demand and a turnaround in the high-tech sector. Vigorous domestic demand will lead to a 5.6 per cent increase in wholesale and retail trade output, while robust global investment spending has allowed high-tech manufacturers to shrug off the effects of the stronger Canadian dollar. Offsetting the gains, however, have been job losses in public administration. But job growth in this sector is expected to resume next year. Overall, economic growth will accelerate to 3.2 per cent in 2007.

Housing Outlook

EXISTING HOUSING MARKET

Demand in Ottawa–Gatineau’s resale home market increased steadily from 1996 to 2004. Growth in unit

Housing demand in Ottawa–Gatineau has strengthened in 2006.

Sales of existing homes are forecast to grow by 5.5 per cent, and housing starts, which fell by 32.1 per cent in 2005, are expected to increase by 2.6 per cent. With the market now in equilibrium, growth in both markets will be weaker through the medium term. Price growth will also be moderate. Between 2008 and 2010, average annual prices are expected to rise by 3.7 per cent in the resale market and by 2.8 per cent in the new home market.

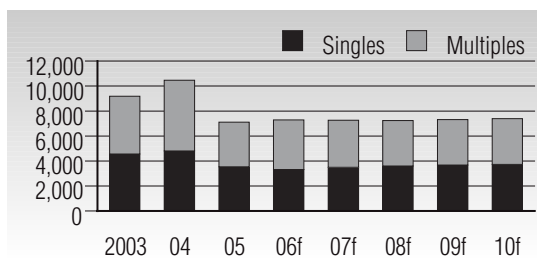
sales was particularly strong over 1996 to 2000, averaging 16.5 per cent annually, thanks to pent-up demand and a healthy economy. Despite lower interest rates starting in 2001, the increase in unit sales was a more modest 2.7 per cent per year on average from 2001 to 2004, as the economy weakened.

Price growth in the resale market lagged the spurt in demand in the mid-1990s. Between 2000 and 2004, however, existing home prices increased by an average of 9.5 per cent annually. With little or no growth in prices in the late 1990s, there was not much incentive for sellers to put their homes on the market. As a result, new listings fell, leading to a substantial increase in the sales-to-new-listings ratio from 38.5 per cent in 1996 to 71.6 per cent in 2000. Once prices shot up, growth in new listings accelerated from 1.6 per cent in 2001 to 14.5 per cent in 2004. By 2004, the sales-to-new-listings ratio had fallen back to 60.1 per cent.

Demand in the existing home market fell slightly last year, as unit sales contracted by 0.3 per cent. However, buoyed by relatively high prices—the average price of an existing home was \$231,000 in 2005—an influx of new sellers continued. With sales stalling and new listings increasing by 8.5 per cent last year, the sales-to-new-listings ratio fell further, to 55.1 per cent.

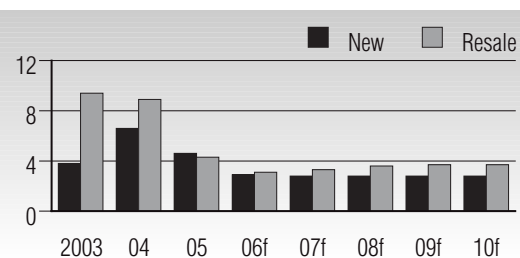
Healthy activity in 2006 is helping to push the demand for existing homes back up. Unit sales are set to rise by 5.5 per cent this year. Both price growth and the increase in new listings will be much more modest, however, at 3.1 per cent and 1.4 per cent, respectively. Demand is expected to fall once again in 2007, as interest rates increase in the second half of the year, leading to a 4.3 per cent decline in unit sales next year. Sales are then expected to keep falling slowly through the medium term, adjusting to demographic requirements. But they will remain high by

Chart 1—Housing Starts



Sources: The Conference Board of Canada; Canada Mortgage and Housing Corporation.

Chart 2—House Price Growth (% change)



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

historical standards, hovering around 17,500 units from 2008 to 2010.

Weaker demand will limit average price growth for an existing home to 3.7 per cent annually between 2008 and 2010. As a result, new listings will rise by an average of only 1 per cent per year over the same time frame. By 2010, the sales-to-new-listings ratio is expected to stand at 51.2 per cent.

NEW HOUSING MARKET

Demand in the new home market in Ottawa–Gatineau also increased strongly from 1996 to 2002, thanks to pent-up demand, sound employment and vibrant growth in real

gross domestic product (GDP). With the exception of a 3 per cent decline in 1998, absorptions rose by an average of 14.4 per cent per year during this time. Suppliers responded, as annual growth in housing starts averaged 17.6 per cent. By 2002, housing starts had more than doubled from their 1996 level, reaching 10,300 units. Still, the increase in housing starts was not enough to satisfy growing demand, as months' supply dropped from 2.1 months in 1996 to 0.5 months in 2001.

Between 2002 and 2004, months' supply stayed around 0.5–0.6 months. Housing starts fell by 11.3 per cent in 2003, as home builders believed

the slowdown in economic activity would bring about a decline in housing demand. But such was not the case, as absorptions rose by a significant 11.7 per cent in 2003 and 6.9 per cent in 2004. Builders adjusted to demand and, as a result, housing starts increased by 14 per cent in 2004.

New home prices were at first slow to follow the increase in demand. Average prices fell by 1.5 per cent in 1996, and then rose by only 1.3 per cent per year on average from 1997 to 1999. Price growth then picked up substantially, increasing by an annual average of 7.4 per cent between 2000 and 2004.

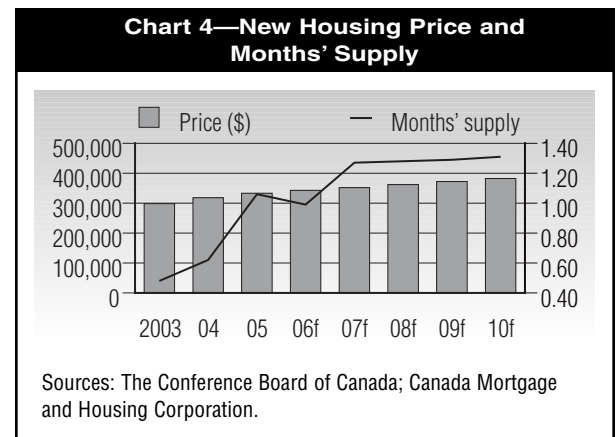
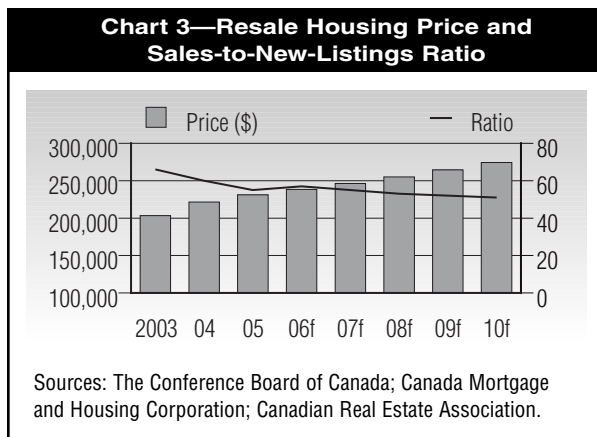


Table 1—Economic Indicators

	2003	2004	2005	2006f	2007f	2008f	2009f	2010f
Real GDP at basic prices (1997 \$ millions)	38,616	39,655	40,859	42,086	43,439	44,783	46,122	47,466
	<i>2.5</i>	<i>2.7</i>	<i>3.0</i>	<i>3.0</i>	<i>3.2</i>	<i>3.1</i>	<i>3.0</i>	<i>2.9</i>
Total employment (000s)	606	609	618	644	639	656	670	682
	<i>5.3</i>	<i>0.4</i>	<i>1.5</i>	<i>4.1</i>	<i>-0.8</i>	<i>2.7</i>	<i>2.1</i>	<i>1.9</i>
Unemployment rate	6.7	6.7	6.6	5.7	6.7	6.7	6.7	6.5
Personal income per capita	34,271	35,367	36,139	38,249	39,130	40,846	42,417	43,960
	<i>1.1</i>	<i>3.2</i>	<i>2.2</i>	<i>5.8</i>	<i>2.3</i>	<i>4.4</i>	<i>3.8</i>	<i>3.6</i>
Population (000s)	1,132	1,141	1,149	1,158	1,170	1,182	1,194	1,206
	<i>1.2</i>	<i>0.8</i>	<i>0.6</i>	<i>0.8</i>	<i>1.0</i>	<i>1.0</i>	<i>1.0</i>	<i>1.0</i>
Retail sales (\$ millions)	12,100	12,444	12,818	13,612	14,193	14,851	15,502	16,180
	<i>2.2</i>	<i>2.8</i>	<i>3.0</i>	<i>6.2</i>	<i>4.3</i>	<i>4.6</i>	<i>4.4</i>	<i>4.4</i>
Inflation rate	2.5	1.9	2.3	2.1	1.8	2.3	2.4	2.1

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

A 17.1 per cent drop in absorptions in 2005 provided builders with a good reason to take a break again. Accordingly, housing starts dropped 32.1 per cent to 7,100 units, the lowest level in five years. But this year, the stable economy is leading to a small 2.6 per cent rise

in starts. Higher interest rates in the latter half of 2007 will result in a 0.4 per cent decline in starts in each of the next two years. Housing starts will then rise by 1.1 per cent in 2009 and in 2010, keeping starts around 7,300 units throughout the medium term.

Price growth is expected to be a modest 2.9 per cent this year, bringing average new home prices to \$342,500. Growth is then expected to stay at or around 2.8 per cent per year from 2008 onward, in line with a stable economy and the relatively weak growth in housing starts.

Table 2—New Housing Market Indicators

	2003	2004	2005	2006f	2007f	2008f	2009f	2010f
Housing starts	9,182 <i>-11.3</i>	10,470 <i>14.0</i>	7,105 <i>-32.1</i>	7,287 <i>2.6</i>	7,260 <i>-0.4</i>	7,233 <i>-0.4</i>	7,313 <i>1.1</i>	7,397 <i>1.1</i>
Singles	4,562 <i>-15.2</i>	4,806 <i>5.3</i>	3,542 <i>-26.3</i>	3,315 <i>-6.4</i>	3,493 <i>5.4</i>	3,602 <i>3.1</i>	3,684 <i>2.3</i>	3,729 <i>1.2</i>
Multiples	4,620 <i>-7.0</i>	5,664 <i>22.6</i>	3,563 <i>-37.1</i>	3,972 <i>11.5</i>	3,767 <i>-5.2</i>	3,632 <i>-3.6</i>	3,629 <i>-0.1</i>	3,668 <i>1.1</i>
Under construction	5,711 <i>18.8</i>	5,760 <i>0.9</i>	5,006 <i>-13.1</i>	3,951 <i>-21.1</i>	3,065 <i>-22.4</i>	3,058 <i>-0.2</i>	3,063 <i>0.2</i>	3,095 <i>1.0</i>
Housing completions	9,051 <i>7.7</i>	10,187 <i>12.6</i>	8,290 <i>-18.6</i>	8,007 <i>-3.4</i>	7,096 <i>-11.4</i>	7,175 <i>1.1</i>	7,202 <i>0.4</i>	7,298 <i>1.3</i>
Singles	5,024 <i>5.7</i>	4,625 <i>-7.9</i>	4,001 <i>-13.5</i>	3,684 <i>-7.9</i>	3,256 <i>-11.6</i>	3,477 <i>6.8</i>	3,614 <i>4.0</i>	3,706 <i>2.5</i>
Multiples	4,027 <i>10.4</i>	5,562 <i>38.1</i>	4,289 <i>-22.9</i>	4,323 <i>0.8</i>	3,840 <i>-11.2</i>	3,699 <i>-3.7</i>	3,588 <i>-3.0</i>	3,592 <i>0.1</i>
Newly completed and unabsorbed	358 <i>-8.5</i>	505 <i>41.0</i>	701 <i>38.8</i>	658 <i>-6.2</i>	746 <i>13.4</i>	763 <i>2.3</i>	775 <i>1.5</i>	791 <i>2.1</i>
Absorptions	9,211 <i>11.7</i>	9,852 <i>6.9</i>	8,167 <i>-17.1</i>	8,071 <i>-1.2</i>	7,035 <i>-12.8</i>	7,150 <i>1.6</i>	7,194 <i>0.6</i>	7,278 <i>1.2</i>
Months' supply	0.5	0.6	1.1	1.0	1.3	1.3	1.3	1.3
New housing price	298,523 <i>3.8</i>	318,223 <i>6.6</i>	332,849 <i>4.6</i>	342,496 <i>2.9</i>	352,092 <i>2.8</i>	361,950 <i>2.8</i>	372,085 <i>2.8</i>	382,503 <i>2.8</i>

Italics indicate percentage change.

Sources: The Conference Board of Canada; Canada Mortgage and Housing Corporation; Canadian Real Estate Association; Statistics Canada.

Table 3—Resale Housing Market Indicators

	2003	2004	2005	2006f	2007f	2008f	2009f	2010f
Unit sales	17,477 <i>0.4</i>	18,091 <i>3.5</i>	18,033 <i>-0.3</i>	19,017 <i>5.5</i>	18,207 <i>-4.3</i>	17,752 <i>-2.5</i>	17,556 <i>-1.1</i>	17,486 <i>-0.4</i>
Dollar volume sales (\$ millions)	3,430 <i>10.7</i>	3,901 <i>13.7</i>	4,044 <i>3.7</i>	4,483 <i>10.9</i>	4,482 <i>0.0</i>	4,527 <i>1.0</i>	4,644 <i>2.6</i>	4,796 <i>3.3</i>
New listings	26,355 <i>9.2</i>	30,175 <i>14.5</i>	32,729 <i>8.5</i>	33,181 <i>1.4</i>	33,201 <i>0.1</i>	33,472 <i>0.8</i>	33,821 <i>1.0</i>	34,162 <i>1.0</i>
Sales-to-new-listings ratio	66	60	55	57	55	53	52	51
Resale price	203,419 <i>9.4</i>	221,586 <i>8.9</i>	231,166 <i>4.3</i>	238,364 <i>3.1</i>	246,198 <i>3.3</i>	255,061 <i>3.6</i>	264,498 <i>3.7</i>	274,284 <i>3.7</i>

Italics indicate percentage change.

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

Calgary



Thanks to exceptionally strong economic activity, more and more people have relocated to Calgary, causing the demand for new homes to go through the roof this year. Construction is expected to start on a record-breaking 17,500 units in 2006. As economic growth eases next year, starts are expected to fall by 14.1 per cent, and then continue falling through the medium term. In turn, price growth in both the new and resale markets will decelerate to 3.4 per cent and 4.4 per cent, respectively, from 2009 onward.

Economic Outlook

Widespread gains in the goods and the services sectors allowed Calgary's real gross domestic product (GDP) to increase by 5.7 per cent in 2005. This year, Calgary is still benefiting from elevated global demand for energy, leading to a vigorous gain in real GDP of 6.6 per cent. In line with output, employment growth is on track for a remarkable year. As a result, domestic demand is expected to remain sound, and so retail sales are forecast to grow by 13.2 per cent. Growth in total output will slow—by Calgary standards— to 3.9 per cent in 2007.

Housing Outlook

EXISTING HOUSING MARKET

The booming economy and lower interest rates led to average annual growth in existing home sales of 7.7 per cent from 2001 to

2004. Unit sales grew by another 19.1 per cent in 2005 to reach a record 31,600. A year after demand picked up, price growth also started to accelerate. From 2002 to 2005, existing home prices in Calgary grew by an average of 8.4 per cent per year. Up until 2004, sellers were encouraged by this rise in prices, and so new listings increased by an average of 8.1 per cent per year, lowering the sales-to-new-listings ratio from 73.2 per cent in 2002 to 64.4 per cent in 2004. Surprisingly, new listings fell last year, by 3.3 per cent, despite continued strong growth in sales and prices. Accordingly, the sales-to-new-listings ratio increased to 79.6 per cent in 2005.

Red-hot economic growth and an influx of new migrants to the city are fuelling growth in unit sales of 12 per cent this year. Meanwhile, prices are set to rise by a whopping 39.5 per cent, prompting an increase in new listings of 3.8 per cent.

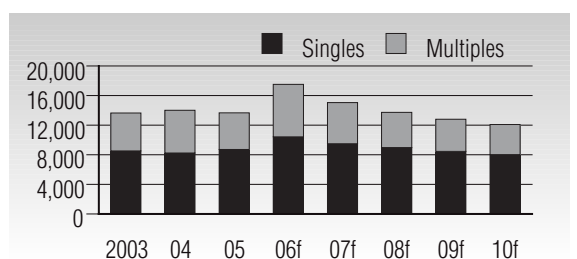
But next year, more modest economic growth and increases in interest rates will result in a 3.8 per cent decline in unit sales. A further 1.4 per cent decline is forecast for 2008. Price growth is expected to moderate to 12.7 per cent in 2007 and 4.6 per cent in 2008. Meanwhile, new listings are forecast to grow by 10.9 per cent in 2007—still buoyed by substantial price increases.

As the city moves back to more sustainable levels of activity, unit sales will weaken further, and existing home prices will grow by a more modest 4.4 per cent between 2008 and 2010. All the while, new listings are expected to keep increasing by an average of 5.2 per cent per year, so the sales-to new-listings ratio will fall to 63 per cent by 2010.

NEW HOUSING MARKET

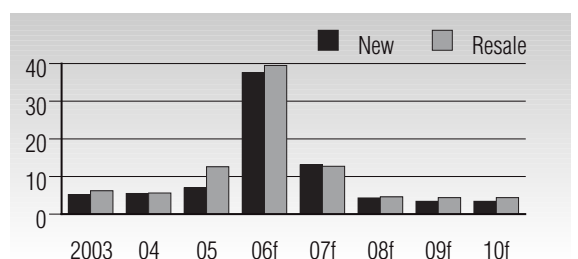
Pent-up demand and strong economic growth boosted absorptions in Calgary's new home market by

Chart 1—Housing Starts



Sources: The Conference Board of Canada; Canada Mortgage and Housing Corporation.

Chart 2—House Price Growth (% change)



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

an annual average of 29.8 per cent from 1996 to 1998. In turn, housing starts increased by an average of 31.4 per cent per year. After a break in 1999, absorptions resumed their upward climb, averaging growth of 11.1 per cent per year from 2000 to 2003. This growth was due, in part, to lower interest rates starting in 2001. Builders responded to the strong demand, and so housing starts reached 14,300 units in 2002, double their 1996 level.

Even though Calgary's economy posted exceptional growth over the past two years, demand for new housing eased. Specifically, absorptions were lower in each of

the past two years than in 2003. Home builders quickly adjusted to the cooling in demand, as housing starts increased by a modest 2.7 per cent in 2004 before declining by 2.4 per cent in 2005.

Until recently, price growth in the new home market followed the general trends in housing activity. As starts increased in the last half of the 1990s, so did the growth in new home prices, although sometimes with a one-year lag. Prices rose by an average of 6.3 per cent per year from 1997 to 1999, then slowed for a couple of years following the dip in both starts and absorptions in 1999. From 2002 until 2004,

prices averaged a healthy 5.3 per cent annual increase, again in tandem with overall housing activity. But in spite of the decline in absorptions and housing starts, price growth climbed to 7 per cent last year, pushing new home prices above \$300,000 for the first time.

With Calgary's economy still thriving in 2006, the new home market has picked up again. Builders are set to lift the level of housing starts by 28.2 per cent. Even this increase in supply has not been enough to satisfy demand, as people have been moving to Calgary in greater numbers to take advantage of the energy boom. As a result,

Chart 3—Resale Housing Price and Sales-to-New-Listings Ratio

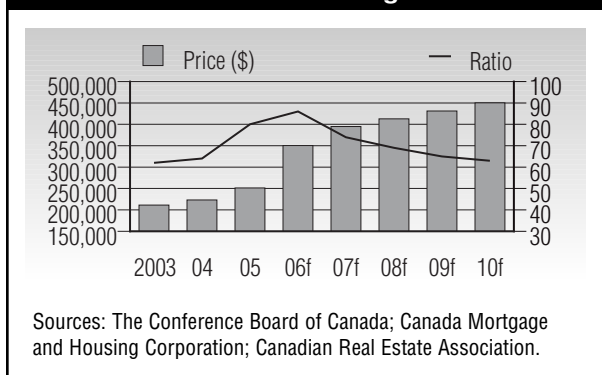


Chart 4—New Housing Price and Months' Supply

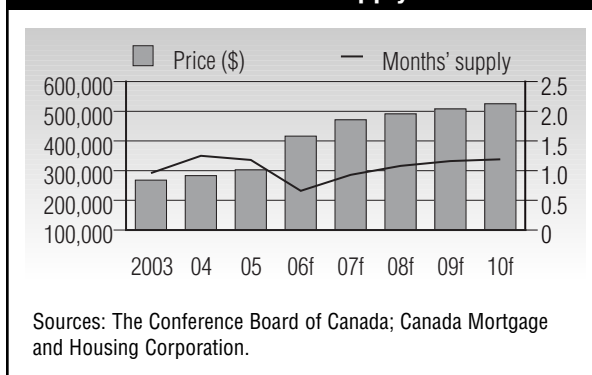


Table 1—Economic Indicators

	2003	2004	2005	2006f	2007f	2008f	2009f	2010f
Real GDP at basic prices (1997 \$ millions)	43,230 <i>2.3</i>	45,095 <i>4.3</i>	47,687 <i>5.7</i>	50,849 <i>6.6</i>	52,807 <i>3.9</i>	54,698 <i>3.6</i>	56,599 <i>3.5</i>	58,516 <i>3.4</i>
Total employment (000s)	584 <i>1.8</i>	599 <i>2.6</i>	606 <i>1.2</i>	648 <i>7.0</i>	660 <i>1.9</i>	674 <i>2.1</i>	689 <i>2.2</i>	702 <i>1.9</i>
Unemployment rate	5.4	5.0	3.9	3.4	3.7	3.7	3.9	4.0
Personal income per capita	38,493 <i>2.5</i>	40,918 <i>6.3</i>	42,530 <i>3.9</i>	46,783 <i>10.0</i>	47,989 <i>2.6</i>	49,502 <i>3.2</i>	51,113 <i>3.3</i>	52,689 <i>3.1</i>
Population (000s)	1,020 <i>1.8</i>	1,039 <i>1.9</i>	1,060 <i>2.1</i>	1,084 <i>2.3</i>	1,107 <i>2.0</i>	1,127 <i>1.8</i>	1,147 <i>1.8</i>	1,168 <i>1.8</i>
Retail sales (\$ millions)	13,914 <i>3.9</i>	15,468 <i>11.2</i>	17,019 <i>10.0</i>	19,274 <i>13.2</i>	20,219 <i>4.9</i>	21,256 <i>5.1</i>	22,292 <i>4.9</i>	23,373 <i>4.9</i>
Inflation rate	3.5	1.7	2.0	3.7	2.7	2.4	2.3	2.1

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

months' supply is forecast to fall to 0.7, a level not seen since 1998, and average new home prices are set to increase by 37.6 per cent, or \$114,000.

As economic growth slows next year and interest rates rise further, housing starts are forecast to fall by

14.1 per cent. Although absorptions are still forecast to grow by 13.8 per cent, this growth stems entirely from a 24.2 per cent increase in the third quarter of this year. On a quarterly basis, there will be very little growth in absorptions throughout 2007. Price growth will decelerate to a still-strong 13.1 per cent.

Over the medium term, housing starts will continue to fall back in line with demographic requirements. As a result, the average price of a new home is expected to increase by 4.3 per cent in 2008 and then by an average of 3.4 per cent in 2009 and 2010.

Table 2—New Housing Market Indicators

	2003	2004	2005	2006f	2007f	2008f	2009f	2010f
Housing starts	13,642	14,008	13,667	17,518	15,044	13,730	12,798	12,088
	<i>-4.9</i>	<i>2.7</i>	<i>-2.4</i>	<i>28.2</i>	<i>-14.1</i>	<i>-8.7</i>	<i>-6.8</i>	<i>-5.5</i>
Singles	8,526	8,233	8,719	10,423	9,500	8,967	8,460	8,016
	<i>-9.4</i>	<i>-3.4</i>	<i>5.9</i>	<i>19.5</i>	<i>-8.9</i>	<i>-5.6</i>	<i>-5.7</i>	<i>-5.2</i>
Multiples	5,116	5,775	4,948	7,095	5,544	4,763	4,339	4,072
	<i>3.9</i>	<i>12.9</i>	<i>-14.3</i>	<i>43.4</i>	<i>-21.9</i>	<i>-14.1</i>	<i>-8.9</i>	<i>-6.1</i>
Under construction	8,902	8,791	9,589	13,435	15,058	13,562	12,157	11,220
	<i>11.3</i>	<i>-1.2</i>	<i>9.1</i>	<i>40.1</i>	<i>12.1</i>	<i>-9.9</i>	<i>-10.4</i>	<i>-7.7</i>
Housing completions	14,287	13,014	12,814	14,062	16,293	14,831	13,433	12,476
	<i>13.1</i>	<i>-8.9</i>	<i>-1.5</i>	<i>9.7</i>	<i>15.9</i>	<i>-9.0</i>	<i>-9.4</i>	<i>-7.1</i>
Singles	8,972	8,291	7,977	9,175	10,043	9,129	8,694	8,218
	<i>6.5</i>	<i>-7.6</i>	<i>-3.8</i>	<i>15.0</i>	<i>9.5</i>	<i>-9.1</i>	<i>-4.8</i>	<i>-5.5</i>
Multiples	5,315	4,723	4,837	4,888	6,250	5,703	4,739	4,257
	<i>26.3</i>	<i>-11.1</i>	<i>2.4</i>	<i>1.1</i>	<i>27.9</i>	<i>-8.8</i>	<i>-16.9</i>	<i>-10.2</i>
Newly completed and unabsorbed	1,112	1,333	1,266	779	1,236	1,336	1,299	1,245
	<i>18.0</i>	<i>19.8</i>	<i>-5.0</i>	<i>-38.5</i>	<i>58.6</i>	<i>8.1</i>	<i>-2.8</i>	<i>-4.2</i>
Absorptions	13,982	12,845	13,190	14,058	15,996	14,817	13,479	12,532
	<i>7.8</i>	<i>-8.1</i>	<i>2.7</i>	<i>6.6</i>	<i>13.8</i>	<i>-7.4</i>	<i>-9.0</i>	<i>-7.0</i>
Months' supply	1.0	1.3	1.2	0.7	0.9	1.1	1.2	1.2
New housing price	268,180	283,031	302,746	416,568	471,151	491,410	508,118	525,394
	<i>5.2</i>	<i>5.5</i>	<i>7.0</i>	<i>37.6</i>	<i>13.1</i>	<i>4.3</i>	<i>3.4</i>	<i>3.4</i>

Italics indicate percentage change.

Sources: The Conference Board of Canada; Canada Mortgage and Housing Corporation; Canadian Real Estate Association; Statistics Canada.

Table 3—Resale Housing Market Indicators

	2003	2004	2005	2006f	2007f	2008f	2009f	2010f
Unit sales	24,359	26,511	31,569	35,343	34,014	33,538	33,336	33,636
	<i>-1.4</i>	<i>8.8</i>	<i>19.1</i>	<i>12.0</i>	<i>-3.8</i>	<i>-1.4</i>	<i>-0.6</i>	<i>0.9</i>
Dollar volume sales (\$ millions)	5,144	5,908	7,919	12,369	13,428	13,850	14,374	15,142
	<i>5.0</i>	<i>14.9</i>	<i>34.0</i>	<i>56.2</i>	<i>8.6</i>	<i>3.1</i>	<i>3.8</i>	<i>5.3</i>
New listings	39,276	41,167	39,821	41,347	45,856	48,914	51,198	53,400
	<i>15.8</i>	<i>4.8</i>	<i>-3.3</i>	<i>3.8</i>	<i>10.9</i>	<i>6.7</i>	<i>4.7</i>	<i>4.3</i>
Sales-to-new-listings ratio	62	64	80	86	74	69	65	63
Resale price	211,256	223,132	251,142	350,391	394,837	412,999	431,171	450,143
	<i>6.2</i>	<i>5.6</i>	<i>12.6</i>	<i>39.5</i>	<i>12.7</i>	<i>4.6</i>	<i>4.4</i>	<i>4.4</i>

Italics indicate percentage change.

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

Vancouver



Economic Outlook

After increasing by a healthy 3.7 per cent last year, Vancouver's real gross domestic product (GDP) is set to grow by 3.5 per cent this year. Output in the construction sector is expected to reach 8.5 per cent, thanks to an increase in housing starts and to several Olympic and non-Olympic projects. Consumer spending will rebound this year, fuelling gains in wholesale and retail trade. Led by gains in most services-producing industries, employment is forecast to increase by 2.4 per cent. Despite declining residential construction activity next year, the economy will continue to grow at a 3.5 per cent pace.

Housing Outlook

EXISTING HOUSING MARKET

Vancouver's resale housing market was unstable from 1996 until 2000, as unit sales rose rapidly

Although Vancouver's existing home market is set to post a decline in unit sales this year, housing starts will increase by 8.9 per cent. Average prices will rise by 18.7 per cent in the resale market and 6.4 per cent in the new market. As demand wanes with rising interest rates in 2007, both unit sales and starts will fall. House price inflation will moderate over the medium term, in line with weaker demand, slowing to an average of 4.3 per cent for existing homes and 3.3 per cent for new homes.

in one year, only to be followed by a sharp decline in the next. This pattern closely resembled that of overall economic growth during the time, which ranged from 1.6 per cent in 1998 to 5.4 per cent in 2000.

Resale sales then increased at a whopping average pace of 22.8 per cent per year between 2001 and 2003, thanks to solid growth in real GDP and declining interest rates. However, despite continued sound economic growth, unit sales have become volatile again, falling by 2.7 per cent in 2004, then increasing by 11.2 per cent last year.

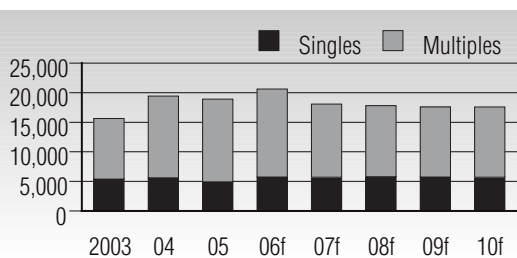
While growth in existing home prices showed the same volatile pattern as unit sales through the last half the 1990s, it has increased in every year since 2002. The average price of an existing home rose by 5.3 per cent in 2002. By last year, growth had climbed to 13.5 per cent. Higher prices initially encouraged more sellers into the Vancouver market, thus driving up new listings

by an average of 10.2 per cent per year from 2002 to 2004. But the increase in demand was still stronger, allowing the sales-to-new-listings ratio to rise from 69.2 per cent in 2001 to 80.3 per cent in 2003. While the drop in sales in 2004 resulted in a sharp decline in the sales-to-new-listings ratio, the subsequent increase in sales in 2005 brought the ratio back up to 80 per cent again.

Higher interest rates in 2006 have weakened the demand for existing homes, leading to an anticipated drop of 8.2 per cent in unit sales. Still, sales will stay high by historical standards, and average prices are set to grow by 18.7 per cent. New listings are thus expected to rise by 3.2 per cent in 2006, pushing the sales-to-new-listing ratio down to 71.2 per cent.

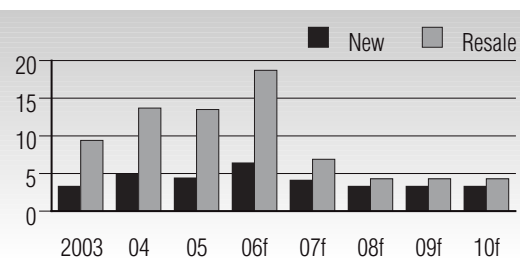
Rising interest rates in the latter half of next year will result in unit sales declining by 0.5 per cent for the year. Price growth, although much slower than this year, is

Chart 1—Housing Starts



Sources: The Conference Board of Canada; Canada Mortgage and Housing Corporation.

Chart 2—House Price Growth (% change)



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

still expected to be 6.9 per cent, driving new listings up by a further 6.6 per cent.

Growth in unit sales of existing homes is expected to return to a sustainable pace over the medium term, averaging 1.9 per cent per year, reflecting the city's demographic requirements. Price growth will moderate, as a result, slowing to an annual average of 4.3 per cent from 2008 onward.

NEW HOUSING MARKET

As in the existing home market, demand in Vancouver's new home market rose significantly from 2002 to 2004, mainly because of solid increases in real GDP and lower

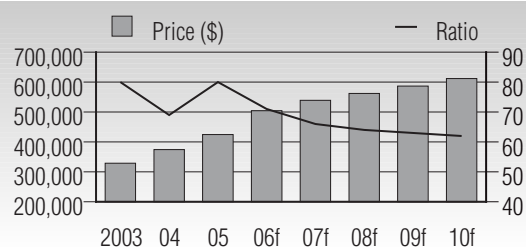
interest rates. Absorptions increased by an annual average of 14.2 per cent over this time period, while housing starts rose by a substantial 24.2 per cent, on an average annual basis, from 2001 to 2004. By 2004, housing starts in Vancouver, at 19,400, were more than double their 2000 level. But that increase in supply was not enough to keep up with the increase in demand. Accordingly, months' supply fell from 4.4 in 2000 to 0.8 in 2004.

Despite the higher demand, growth in new home prices remained relatively modest, ranging from 2.9 per cent to 4.9 per cent per year between 2001 and 2004. Still, average new home prices in Vancouver

were well over \$550,000 by 2004—almost \$200,000 more than the average price of an existing home in the city and the highest in Canada. Accordingly, builders were likely more cautious in raising prices so as not to discourage too many potential buyers.

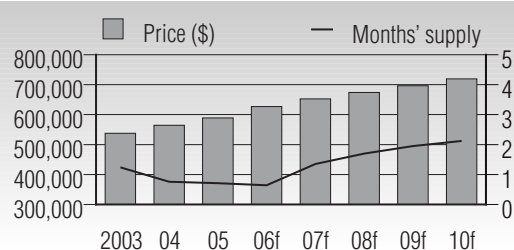
Demand for new housing remained strong last year, with absorptions rising by 12.1 per cent. But home builders did not follow suit. Instead, they took a breather, decreasing their housing starts by 2.7 per cent. That increased the degree of tension in the new housing market, which is why new home prices are set to rise by 6.4 per cent this year, 2 percentage points more

Chart 3—Resale Housing Price and Sales-to-New-Listings Ratio



Sources: The Conference Board of Canada; Canada Mortgage and Housing Corporation; Canadian Real Estate Association.

Chart 4—New Housing Price and Months' Supply



Sources: The Conference Board of Canada; Canada Mortgage and Housing Corporation.

Table 1—Economic Indicators

	2003	2004	2005	2006f	2007f	2008f	2009f	2010f
Real GDP at basic prices (1997 \$ millions)	64,435 3.1	67,121 4.2	69,587 3.7	72,038 3.5	74,530 3.5	77,092 3.4	79,769 3.5	82,488 3.4
Total employment (000s)	1,103 2.9	1,127 2.2	1,156 2.5	1,183 2.4	1,212 2.5	1,239 2.2	1,268 2.4	1,296 2.2
Unemployment rate	7.3	6.8	5.7	4.5	4.5	4.4	4.3	4.3
Personal income per capita	29,209 1.5	30,292 3.7	31,541 4.1	32,741 3.8	34,042 4.0	35,369 3.9	36,773 4.0	38,174 3.8
Population (000s)	2,142 1.5	2,174 1.5	2,208 1.6	2,241 1.5	2,271 1.3	2,301 1.3	2,334 1.4	2,368 1.5
Retail sales (\$ millions)	21,839 1.7	22,239 1.8	22,598 1.6	23,882 5.7	24,959 4.5	26,203 5.0	27,479 4.9	28,818 4.9
Inflation rate	2.0	2.0	1.9	1.8	1.9	2.0	2.1	2.0

Italics indicate percentage change.

Sources: The Conference Board of Canada; Statistics Canada.

than in 2005. With absorptions forecast to rise by 21.5 per cent in 2006, home builders have joined in on the party, and housing starts are set to increase by 8.9 per cent to reach 20,000 units. Months' supply will stay relatively stable as a result, going from 0.7 last year to 0.6 in 2006.

In 2007, housing starts are projected to decline to 18,100, a 12.2 per cent drop, as interest rates pick up again in the second half of the year. While this level will be lower than that recorded in recent years, it will remain fairly high by historical standards.

The increase in interest rates, combined with high prices, is expected to keep demand for new housing on a downward trend over medium term. Absorptions are set to fall in every year from 2007 onward. Price growth will start to slow as well, decelerating to 4.1 per cent for 2007 and then to 3.3 per cent annually for 2008 to 2010.

Table 2—New Housing Market Indicators

	2003	2004	2005	2006f	2007f	2008f	2009f	2010f
Housing starts	15,626	19,430	18,914	20,598	18,079	17,794	17,583	17,574
	<i>18.4</i>	<i>24.3</i>	<i>-2.7</i>	<i>8.9</i>	<i>-12.2</i>	<i>-1.6</i>	<i>-1.2</i>	<i>0.0</i>
Singles	5,382	5,614	4,935	5,728	5,706	5,788	5,747	5,706
	<i>8.1</i>	<i>4.3</i>	<i>-12.1</i>	<i>16.1</i>	<i>-0.4</i>	<i>1.4</i>	<i>-0.7</i>	<i>-0.7</i>
Multiples	10,244	13,816	13,979	14,870	12,372	12,006	11,836	11,868
	<i>24.7</i>	<i>34.9</i>	<i>1.2</i>	<i>6.4</i>	<i>-16.8</i>	<i>-3.0</i>	<i>-1.4</i>	<i>0.3</i>
Under construction	11,899	16,490	19,395	20,747	19,409	18,146	17,218	16,685
	<i>15.5</i>	<i>38.6</i>	<i>17.6</i>	<i>7.0</i>	<i>-6.4</i>	<i>-6.5</i>	<i>-5.1</i>	<i>-3.1</i>
Housing completions	13,394	14,302	15,834	20,307	20,422	19,137	18,482	18,094
	<i>11.0</i>	<i>6.8</i>	<i>10.7</i>	<i>28.2</i>	<i>0.6</i>	<i>-6.3</i>	<i>-3.4</i>	<i>-2.1</i>
Singles	5,275	5,272	4,692	5,674	5,733	5,697	5,706	5,634
	<i>29.9</i>	<i>-0.1</i>	<i>-11.0</i>	<i>20.9</i>	<i>1.0</i>	<i>-0.6</i>	<i>0.2</i>	<i>-1.3</i>
Multiples	8,119	9,030	11,142	14,633	14,689	13,439	12,775	12,459
	<i>1.4</i>	<i>11.2</i>	<i>23.4</i>	<i>31.3</i>	<i>0.4</i>	<i>-8.5</i>	<i>-4.9</i>	<i>-2.5</i>
Newly completed and unabsorbed	1,374	914	939	1,006	2,186	2,669	2,956	3,160
	<i>11.3</i>	<i>-33.5</i>	<i>2.8</i>	<i>7.2</i>	<i>117.3</i>	<i>22.1</i>	<i>10.7</i>	<i>6.9</i>
Absorptions	13,662	14,374	16,112	19,570	19,469	18,810	18,221	17,916
	<i>12.6</i>	<i>5.2</i>	<i>12.1</i>	<i>21.5</i>	<i>-0.5</i>	<i>-3.4</i>	<i>-3.1</i>	<i>-1.7</i>
Months' supply	1.2	0.8	0.7	0.6	1.3	1.7	1.9	2.1
New housing price	537,897	564,395	589,218	626,977	652,632	674,169	696,416	719,398
	<i>3.3</i>	<i>4.9</i>	<i>4.4</i>	<i>6.4</i>	<i>4.1</i>	<i>3.3</i>	<i>3.3</i>	<i>3.3</i>

Italics indicate percentage change.

Sources: The Conference Board of Canada; Canada Mortgage and Housing Corporation; Canadian Real Estate Association; Statistics Canada.

Table 3—Resale Housing Market Indicators

	2003	2004	2005	2006f	2007f	2008f	2009f	2010f
Unit sales	39,022	37,972	42,222	38,755	38,573	39,259	40,072	40,811
	<i>11.8</i>	<i>-2.7</i>	<i>11.2</i>	<i>-8.2</i>	<i>-0.5</i>	<i>1.8</i>	<i>2.1</i>	<i>1.8</i>
Dollar volume sales (\$ millions)	12,856	14,197	17,976	19,619	20,792	22,073	23,498	24,961
	<i>22.2</i>	<i>10.4</i>	<i>26.6</i>	<i>9.1</i>	<i>6.0</i>	<i>6.2</i>	<i>6.5</i>	<i>6.2</i>
New listings	48,494	55,218	52,736	54,411	58,029	61,115	63,561	65,412
	<i>2.3</i>	<i>13.9</i>	<i>-4.5</i>	<i>3.2</i>	<i>6.6</i>	<i>5.3</i>	<i>4.0</i>	<i>2.9</i>
Sales-to-new-listings ratio	<i>80</i>	<i>69</i>	<i>80</i>	<i>71</i>	<i>66</i>	<i>64</i>	<i>63</i>	<i>62</i>
Resale price	329,134	374,249	424,789	504,290	539,016	562,194	586,368	611,582
	<i>9.4</i>	<i>13.7</i>	<i>13.5</i>	<i>18.7</i>	<i>6.9</i>	<i>4.3</i>	<i>4.3</i>	<i>4.3</i>

Italics indicate percentage change.

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

Economic Indicators

	GDP (1997 \$ millions)			Employment (000s)			Unemployment Rate			Personal Income per Capita			Retail Sales (\$ millions)		
	2005	2006f	2007f	2005	2006f	2007f	2005	2006f	2007f	2005	2006f	2007f	2005	2006f	2007f
Canada	1,157,705 2.9	1,188,989 2.7	1,223,459 2.9	16,169 1.4	16,461 1.8	16,718 1.6	6.8	6.5	6.6	31,884 4.0	33,343 4.6	34,420 3.2	368,612 6.3	393,264 6.7	415,610 5.7
Atlantic provinces	59,371 1.0	61,117 2.9	62,939 3.0	1,076 0.2	1,087 1.0	1,094 0.7	10.4	10.1	10.1	27,258 4.0	28,466 4.4	29,611 4.0	26,350 3.7	27,615 4.8	28,522 3.3
Quebec	225,096 2.3	229,913 2.1	235,761 2.5	3,717 1.0	3,756 1.0	3,804 1.3	8.3	8.4	8.8	29,808 3.4	30,957 3.9	32,171 3.9	83,262 6.0	85,939 3.2	89,167 3.8
Montréal	109,743 1.9	111,845 1.9	114,953 2.8	1,823 1.1	1,840 0.9	1,867 1.5	8.7	8.9	9.0	31,530 4.2	32,915 4.4	34,123 3.7	38,482 6.0	39,862 3.6	41,388 3.8
Ontario	447,375 3.0	458,559 2.5	472,008 2.9	6,397 1.3	6,496 1.5	6,593 1.5	6.6	6.5	7.0	33,485 3.6	34,742 3.8	36,008 3.6	135,416 4.9	141,206 4.3	147,152 4.2
Ottawa	40,859 3.0	42,086 3.0	43,439 3.2	618 1.5	644 4.1	639 -0.8	6.6	5.7	6.7	36,139 2.2	38,249 5.8	39,130 2.3	12,818 3.0	13,612 6.2	14,193 4.3
Toronto	196,687 3.4	202,614 3.0	209,575 3.4	2,763 2.1	2,806 1.5	2,865 2.1	7.0	6.7	7.1	35,066 3.4	36,294 3.5	37,468 3.2	53,775 4.6	55,974 4.1	58,485 4.5
Prairies	65,227 3.3	67,257 3.1	69,173 2.8	1,064 0.7	1,075 1.1	1,088 1.2	4.9	4.7	4.9	28,282 2.8	29,720 5.1	30,833 3.7	23,525 7.2	24,515 4.2	25,482 3.9
Alberta	137,482 4.8	146,489 6.6	152,415 4.0	1,784 1.5	1,862 4.3	1,907 2.4	3.9	3.6	3.9	37,810 6.7	40,328 6.7	41,352 2.5	48,758 12.4	54,572 11.9	57,272 4.9
Calgary	47,687 5.7	50,849 6.6	52,807 3.9	606 1.2	648 7.0	660 1.9	3.9	3.4	3.7	42,530 3.9	46,783 10.0	47,989 2.6	17,019 10.0	19,274 13.2	20,219 4.9
British Columbia	132,052 3.7	136,769 3.6	141,008 3.1	2,130 3.3	2,193 2.9	2,231 1.7	5.9	4.9	5.2	30,495 4.1	32,149 5.4	33,380 3.8	50,027 6.0	52,263 4.5	54,253 3.8
Vancouver	69,587 3.7	72,038 3.5	74,530 3.5	1,156 2.5	1,183 2.4	1,212 2.5	5.7	4.5	4.5	31,541 4.1	32,741 3.8	34,042 4.0	22,598 1.6	23,882 5.7	24,959 4.5

Italics indicate percentage change.
Sources: The Conference Board of Canada; The Bank of Canada; Canada Mortgage and Housing Corporation; Canadian Real Estate Association; Statistics Canada.

Demographic and Housing Indicators

	Population (000s)			Housing Starts			Housing Completions			Existing Home Prices			New Home Prices		
	2005	2006f	2007f	2005	2006f	2007f	2005	2006f	2007f	2005	2006f	2007f	2005	2006f	2007f
Canada	32,232 0.9	32,537 0.9	32,835 0.9	225,481 -3.4	225,620 0.1	202,573 -10.2	211,937 -1.7	222,044 4.8	209,589 -5.6	248,815 10.0	279,736 12.4	295,609 5.7	324,008 5.0	354,409 9.4	372,188 5.0
Atlantic provinces	4,377 0.1	4,369 -0.2	4,372 0.1	12,094 -2.9	12,404 2.6	8,021 -35.3	11,621 -14.6	12,952 11.4	11,399 -12.0	141,606 8.4	153,063 8.1	159,505 4.2	256,294 2.0	265,058 3.4	271,898 2.6
Quebec	7,593 0.7	7,639 0.6	7,674 0.5	50,910 -12.9	44,169 -13.2	36,412 -17.6	50,066 -5.7	46,288 -7.6	38,180 -17.5	184,786 7.9	195,727 5.9	203,320 3.9	243,153 5.1	254,119 4.5	262,734 3.4
Montréal	3,636 0.7	3,662 0.7	3,690 0.8	25,317 -11.7	20,811 -17.8	18,129 -12.9	25,699 3.1	24,693 -3.9	19,331 -21.7	204,065 7.8	215,914 5.8	225,185 4.3	259,128 5.0	270,511 4.4	279,998 3.5
Ontario	12,522 1.1	12,644 1.0	12,770 1.0	78,795 -7.4	75,468 -4.2	74,571 -1.2	77,186 -4.8	77,774 0.8	73,509 -5.5	262,504 7.2	279,419 6.4	290,755 4.1	416,390 4.0	430,742 3.4	443,894 3.1
Ottawa	1,149 0.6	1,158 0.8	1,170 1.0	7,105 -32.1	7,287 2.6	7,260 -0.4	8,290 -18.6	8,007 -3.4	7,096 -11.4	231,166 4.3	238,364 3.1	246,198 3.3	332,849 4.6	342,496 2.9	352,092 2.8
Toronto	5,304 1.7	5,393 1.7	5,489 1.8	41,596 -1.2	38,556 -7.3	39,444 2.3	39,296 -0.8	39,848 1.4	38,283 -3.9	342,221 6.3	362,063 5.8	378,001 4.4	486,497 4.5	505,035 3.8	521,648 3.3
Prairies	2,171 0.3	2,170 0.0	2,177 0.3	8,168 -0.6	8,589 5.2	7,346 -14.5	7,977 4.2	8,237 3.3	8,561 3.9	128,755 11.6	142,879 11.0	150,779 5.5	235,317 8.1	255,083 8.4	265,797 4.2
Alberta	3,251 1.6	3,338 2.7	3,403 2.0	40,847 12.6	48,291 18.2	41,926 -13.2	36,816 4.4	42,152 14.5	45,755 8.5	218,532 12.1	279,928 28.1	306,534 9.5	277,452 6.3	360,897 30.1	401,755 11.3
Calgary	1,060 2.1	1,084 2.3	1,107 2.0	13,667 -2.4	17,518 28.2	15,044 -14.1	12,814 -1.5	14,062 9.7	16,293 15.9	251,142 12.6	350,391 39.5	394,837 12.7	302,746 7.0	416,568 37.6	471,151 13.1
British Columbia	4,247 1.2	4,295 1.1	4,331 0.8	34,667 5.3	36,698 5.9	34,297 -6.5	28,271 14.0	34,662 22.6	32,184 -7.1	331,505 14.6	390,407 17.8	417,068 6.8	574,458 4.7	610,263 6.2	633,867 3.9
Vancouver	2,208 1.6	2,241 1.5	2,271 1.3	18,914 -2.7	20,598 8.9	18,079 -12.2	15,834 10.7	20,307 28.2	20,422 0.6	424,789 13.5	504,290 18.7	539,016 6.9	589,218 4.4	626,977 6.4	652,632 4.1

Financial Indicators (Canada only)

	2005	2006f	2007f	2005	2006f	2007f	2005	2006f	2007f
Exchange rate (US\$/CDN\$)	0.83	0.89	0.89	5.1	6.3	6.2	Federal bonds: 1-3 years	3.2	4.1
Inflation rate	2.2	1.9	1.4	5.6	6.5	6.6	Federal bonds: 3-10 years	3.7	4.2
Bank rate	2.9	4.3	4.6	6.0	6.7	6.8	Federal bonds: 10 years and over	4.4	4.4

Italics indicate percentage change.
Sources: The Conference Board of Canada; The Bank of Canada; Canada Mortgage and Housing Corporation; Canadian Real Estate Association; Statistics Canada.



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