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Metropolitan Housing Outlook **Spring 2007**



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

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, summer and fall.

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What Has Changed?

Housing starts were stronger than expected in 2006. In the autumn edition of the *Metropolitan Housing Outlook*, housing starts were forecast to rise by 0.1 per cent, to 225,600. They in fact increased by 1.3 per cent last year, to 228,400. However, the decline in housing starts forecast for 2007 is steeper in the current outlook—a drop of 11.3 per cent versus 10.2 per cent in the previous outlook.

The estimate for Canadian real gross domestic product (GDP) growth in 2006 is unchanged from the last forecast, at 2.7 per cent. Unfortunately, the same cannot be said for 2007. The current outlook calls for economic growth of 2.7 per cent again this year, a 0.2 percentage point drop from the previous *Metro-*

politan Housing Outlook. This is mainly attributable to uncertainties in the U.S. economy.

The Canadian dollar is expected to average US\$0.87 this year. This is a 2-cent downward revision from the last publication. The loonie is being dragged down by sliding commodity prices.

Price growth in the new home market will begin to moderate this year, albeit more gradually than previously expected. The average price of a new home is forecast to rise by 5.6 per cent in 2007, up 0.6 percentage points from the last *Metropolitan Housing Outlook*. By contrast, the average price of an existing home is expected to rise by a smaller

amount than was last predicted—5.4 per cent versus 5.7 per cent last time.

There has been very little change in the growth of the dollar volume of mortgage approvals forecast for 2007 since the last publication. Last time, growth was forecast at 1.8 per cent. This time it's expected to be 1.9 per cent. Looking at the breakdown between conventional and high-ratio mortgages, however, shows more of a difference. The dollar volume of conventional mortgages is expected to increase by 2.6 per cent, while the dollar volume of high-ratio mortgages is forecast to rise by 1.1 per cent. These growth rates compare to 2.2 per cent and 1.4 per cent in the last *Metropolitan Housing Outlook*.

Nos prévisions actualisées

Les mises en chantier de logements ont été plus élevées que prévu en 2006. En effet, dans l'édition d'automne de la *Note de conjoncture résidentielle métropolitaine*, Le Conference Board du Canada prévoyait que les mises en chantier de logements progresseraient de 0,1 p. 100 pour atteindre 225 600 unités. Mais en fait, celles-ci ont progressé de 1,3 p. 100 l'an dernier, atteignant 228 400 unités. Cependant, la diminution des mises en chantier de logements prévue pour 2007 sera aussi plus forte que le Conference Board ne l'avait d'abord anticipé avec une chute de 11,3 p. 100, comparativement à 10,2 p. 100 dans la note de conjoncture précédente.

L'estimation de la croissance du produit intérieur brut (PIB) réel du Canada pour 2006 n'a pas changé depuis la dernière note de conjoncture, soit 2,7 p. 100. Malheureusement, on ne peut en dire autant pour 2007.

Les prévisions actuelles suggèrent une croissance de 2,7 p. 100 encore cette année, une chute de 0,2 point de pourcentage par rapport à la dernière note de conjoncture. Cela est principalement attribuable aux incertitudes relatives à l'économie des États-Unis.

Le dollar canadien devrait s'établir à 0,87 \$US, en moyenne, cette année. Il s'agit d'une révision à la baisse de 2 cents par rapport à il y a trois mois, laquelle s'explique par le fléchissement des prix des matières premières.

La croissance des prix des logements neufs commencera à ralentir cette année, mais moins précipitamment que prévu. Le prix moyen des logements neufs devrait augmenter de 5,6 p. 100 en 2007, soit 0,6 point de pourcentage de plus que ce que prévoyait la dernière *Note de conjoncture résidentielle métropolitaine*. En revanche, le prix moyen des

logements existants devrait s'accroître légèrement moins qu'annoncé dans nos dernières prévisions : de 5,4 p. 100 plutôt que de 5,7 p. 100.

Depuis notre dernière publication, il s'est produit très peu de changement dans la progression attendue de la valeur en dollars des prêts hypothécaires pour 2007. La dernière fois, nous annoncions une croissance de 1,8 p. 100. Cette fois-ci, nous nous attendons à 1,9 p. 100. La comparaison des prêts hypothécaires ordinaires et des prêts à proportion élevée laisse toutefois apparaître une plus grande différence. La valeur en dollars des hypothèques ordinaires devrait augmenter de 2,6 p. 100, mais celle des prêts à proportion élevée ne progressera que de 1,1 p. 100. Ces taux de croissance se comparent à ceux de 2,2 p. 100 et de 1,4 p. 100 annoncés dans la dernière *Note de conjoncture résidentielle métropolitaine*.

Executive Summary

National Overview

Canada's economy will toe the line this year, as real gross domestic product (GDP) is expected to increase by 2.7 per cent for the second year in a row. Strong gains in after-tax income, boosted by the wealth effect of higher raw material prices in recent years, will help to push forth the economy again in 2007. Economic growth next year is expected to be even better, at 3.3 per cent, thanks to continued strength in real disposable income.

From 1996 until 2004, housing starts increased at a brisk pace in Canada. Years of pent-up demand, combined with a solid economy and lower interest rates after 2001, pushed total housing starts up by an average of 9 per cent annually over this period. However, as demand slowed in 2005, housing starts began to fall, slipping by 3.4 per cent.

Housing starts recovered in the early part of last year, partly because of unseasonably warm temperatures, but total growth in starts for the year managed to reach only a very modest 1.3 per cent. With pent-up demand thought to be satisfied, and with interest rates rising through last year, any hope of a continued boom in the housing market has faded. In fact, housing starts are now expected to decline by 11.3 per cent in 2007, down to 202,600. As interest rates are expected to start climbing once again in the last half of 2007, starts are forecast to fall further in 2008 and through the medium term, moving more in line with household requirements.

Demand and supply of homes seemed to be moving in tandem through the last half of the 1990s, keeping house price inflation at a modest rate. However, from 2000 onward, growth in both new and existing home prices was much stronger. From 2000 to 2005, the average annual increase in new home prices reached 4.1 per cent. Growth was even stronger in 2006, at 9.7 per cent. Resale price growth was stronger than that of new homes, at an average of 7.9 per cent per year from 1999 to 2005, and at 11.2 per cent last year alone. Much of the growth in home prices for 2006 was due to substantial increases in Western Canada.

Price growth is forecast to moderate this year as the housing market cools. New home prices will grow by 5.6 per cent, while existing home prices will grow by 5.4 per cent. Further weakness in the market through the medium term will lead to even slower price growth of 3 per cent per year for new homes and 4 per cent per year for existing homes.

Mortgage loan approvals increased steadily, both in level and dollar terms, through the past 10 years. With demand now weakening, the total number of mortgage approvals is expected to fall by 2.9 per cent this year and by a further 2 per cent in 2008. Still, modest price increases in the market for 2007 will help to keep the dollar volume of mortgages increasing. The dollar value of approvals is forecast to rise by 1.9 per cent in each of 2007 and 2008.

Provincial Overview

On a provincial basis, the disparities in economic growth between the regions will change slightly in 2007. Last year, growth was particularly strong in Western Canada, as a red-hot energy sector boosted output in Alberta, while a strong natural resources sector lifted overall economic growth in British Columbia. Alberta's economy, which grew by an estimated 7 per cent in 2006, is expected to post a further gain of 5 per cent this year. Meanwhile, British Columbia's real GDP is expected to advance by 3.2 per cent in 2007, down slightly from 3.9 per cent last year.

But surpassing these two provinces as the top growth leader in 2007 will be Newfoundland and Labrador. In fact, this economy was initially expected to be near the top of the ranking in 2006, as the Conference Board first thought that its growth in real GDP would be near 5 per cent. However, a two-month strike at Voisey's Bay and an estimated six-month delay in production at the Terra Nova offshore oil field dampened overall growth prospects for the province last year, holding economic growth to 2.9 per cent. With both projects now operational, overall real GDP growth is forecast to jump to a country-leading 5.7 per cent in 2007.

The rest of the Atlantic provinces will not fare as well this year. Prince Edward Island's economy is expected to grow by a mere 1.5 per cent, and Nova Scotia's by 1.9 per cent. Both provinces will be hurt by declines in construction output in 2007.

New Brunswick is expected to see a modest 2.4 per cent increase in real GDP this year, thanks to widespread gains in both the goods and services sectors. In all, real GDP growth in the Atlantic region is forecast to reach 2.9 per cent in 2007, an improvement over the 2.3 per cent posted last year.

Economic growth in the Prairie provinces of Manitoba and Saskatchewan will hold steady in 2007, rising by 2.6 per cent, following a 2.5 per cent increase in 2006. Manitoba's goods sector is forecast to be stronger this year, boosted by improvements in both non-residential investment and manufacturing activity. Overall economic growth in the province is forecast to reach 2.9 per cent in 2007. Saskatchewan's gains will come from agriculture and mining this year. Real GDP in Saskatchewan is forecast to rise by 2.4 per cent.

While still modest, the central Canadian provinces are expected to show improvements in economic growth this year. Both Quebec and Ontario have been hard hit in recent years, as the high Canadian dollar has taken a toll on their manufacturing sectors. Last year, real GDP growth in each province reached only 1.6 per cent and 1.8 per cent respectively.

Strong domestic demand will help Quebec and Ontario in 2007. Quebec will also reap the benefits of solid foreign demand for aluminum and other primary metals this year, pushing total real GDP growth up to 2 per cent. Meanwhile, Ontario's economy is set to grow by 2.5 per cent in 2007, boosted by anticipated

solid performances in the chemical, electrical equipment, machinery and equipment, and refined petroleum and coal products industries.

Aside from Quebec and Ontario, all other regions of the country enjoyed a growth spurt in housing starts last year. Alberta posted the largest increase, at 19.3 per cent. Demand for new housing in the province soared as people flocked to Alberta in the hopes of finding work in the province's booming oil and gas sector. The rest of the country posted increases in housing starts in the 5 per cent range for 2006.

Housing starts are expected to fall throughout the country in 2007. Satiated demand, higher interest rates and, in some cases, affordability issues are all putting a strain on the Canadian housing market this year. The smallest drop in starts for 2007, at 0.8 per cent, will be in Ontario, where an improved economy will help to keep the decline modest. A sound economy will also hold the decline in British Columbia's housing starts to 6.3 per cent.

All other provinces are forecast to post double-digit declines in housing starts for this year. These decreases will range from 36.9 per cent in the Atlantic region to 13.9 per cent in Alberta. Alberta is one province where affordability issues are particularly pressing. Housing prices soared in Alberta last year, increasing by more than 30 per cent in both the new and the resale housing markets. For new homes, this translated into an increase of more than \$100,000 in just one year.

Price growth was relatively strong as well in the other western provinces last year. New home prices rose by an average of 6.6 per cent in British Columbia and by 9.4 per cent in the Prairie provinces of Manitoba and Saskatchewan. Growth in existing home prices was even stronger.

Price growth is expected to slow in each province in 2007, in line with lower demand. However, growth in new home prices will still reach 14.8 per cent in Alberta this year.

All provinces, including Alberta, are then expected to see much more moderate price growth through the medium term. New home prices will average annual increases in the 2.3 to 3.1 per cent range, while existing home prices will average growth of somewhere between 3.5 per cent and 4.1 per cent per year. In both markets, Alberta will be at the high end of the range.

Municipal Overview

Even though slower growth is expected for both cities this year, Calgary and Vancouver will continue to have the strongest economies of the five census metropolitan areas (CMAs) covered in the *Metropolitan Housing Outlook*. Calgary's economy has been booming, as it remains the services' hub of the province's energy sector. Last year alone, real GDP in the city increased by 7.3 per cent. And while growth is forecast to move back to more sustainable levels this year, it is still expected to reach 3.9 per cent. Meanwhile, widespread gains will support growth of 3.1 per cent in Vancouver's real GDP this year, following a 3.9 per cent increase in 2006.

While still modest by historical standards, growth in Toronto's economy is forecast to improve to 2.9 per cent in 2007, up from 2.3 per cent last year. Growth is expected to pick up thanks to the better results anticipated in the city's manufacturing and tourism sectors. Both Ottawa–Gatineau and Montréal are set to post economic growth of 2.5 per cent this year. This is a considerable upturn for Montréal's economy, which grew by just 1.5 per cent last year. The rebound will come about because of stronger manufacturing and construction output. Growth in Ottawa–Gatineau will be spurred on by healthy increases in domestic demand as well as continued improvements in the region's high-tech sector.

Housing starts fell in 2006 in two of the five CMAs covered in this publication—Montréal and Toronto. The biggest decline was recorded in Montréal, where housing starts dropped for the second year in a row, falling by 18.1 per cent. Unfortunately, Montréal's housing market has been feeling the effects of several years of weak economic growth. A relatively slow economy is also to blame for the

decline in housing starts in Toronto. Starts in Toronto have been falling since 2004 now, with the decline reaching 8.5 per cent last year.

The story is quite different for 2007, as all the CMAs, except Toronto, are expected to post declines in their housing starts. Toronto's starts, which rose by a very healthy 28 per cent in the final quarter of 2006, are forecast to increase by 2.5 per cent for the year 2007 as a whole.

The decline in housing starts in the other CMAs for 2007 will range from about 10 per cent in Ottawa–Gatineau and Vancouver to 15.5 per cent in Montréal. Lower demand, higher interest rates and, in the case of Calgary, skyrocketing prices will hamper the new home market in these CMAs.

The existing home market will also be hit this year by lower demand. Last year, only Toronto and Vancouver posted a decline in the sales of existing units. However, sales are expected to fall in each of the five CMAs for 2007, although the drops will not be as pronounced

as those expected for housing starts. Declines will range from 1.2 per cent in Vancouver to 3.9 per cent in Montréal.

Growth in new home prices took off in Calgary last year, rising to 43.8 per cent, thanks to a booming economy. Vancouver posted the second-highest gain last year, at 6.8 per cent. The other CMAs posted more moderate increases, with new home prices rising by a range of 3.1 per cent to 4.2 per cent.

House price inflation will start to moderate across the country this year, although in Calgary, growth is still forecast to reach 15.5 per cent in the new home market and 12.7 per cent in the resale market. Elsewhere, growth in home prices in 2007 for both the new and the resale housing markets will range from 3 per cent to 6.9 per cent.

Résumé

La scène nationale

Cette année, l'économie canadienne va conserver la même tendance, puisque nous anticipons que le produit intérieur brut (PIB) réel va augmenter de 2,7 p. 100 pour la deuxième année consécutive.

En 2007, l'économie profitera de nouveau des gains importants des revenus nets d'impôts, gonflés par l'effet de richesse qui a résulté des prix plus élevés des matières premières ces dernières années. Pour l'année prochaine, on s'attend à ce que la croissance économique soit encore meilleure et qu'elle atteigne 3,3 p. 100, soutenue par la constance du revenu réel disponible.

Entre 1996 et 2004, les mises en chantier ont vivement augmenté au Canada. Des années de demande refoulée, associées à une économie solide et à des taux d'intérêt en baisse après 2001, ont fait grimper le total des mises en chantier de logements de 9 p. 100 par an en moyenne. Mais en 2005, la demande s'est calmée et les mises en chantier ont commencé à décroître, pour perdre 3,4 p. 100.

La croissance totale annuelle des mises en chantier de logements n'a réussi à atteindre qu'un modeste 1,3 p. 100 malgré un mieux constaté au début de l'année dernière, en partie grâce à des températures élevées pour la saison. La demande refoulée étant en principe satisfaite et les taux d'intérêt ayant augmenté toute l'année dernière, les espoirs de forte croissance continue dans le secteur résidentiel se sont évanouis. En réalité, on s'attend maintenant à ce que les mises en chantier baissent de 11,3 p. 100 en 2007, pour atteindre

le nombre de 202 600. Comme on prévoit que les taux d'intérêt grimperont de nouveau dans la deuxième moitié de 2007, les mises en chantier devraient reculer encore en 2008 et à moyen terme, pour suivre de plus près l'évolution démographique.

Pendant la deuxième moitié des années 90, l'offre et la demande de logements ont apparemment évolué de concert, ce qui a contenu l'inflation du prix des logements à un taux modeste. Mais depuis 2000, l'augmentation des prix, tant des logements neufs que des logements existants, a été beaucoup plus forte. Entre 2000 et 2005, l'augmentation des prix des logements neufs a atteint 4,1 p. 100 en moyenne par année. L'augmentation a été encore plus forte en 2006, où elle s'est située à 9,7 p. 100. Avec un taux moyen annuel de 7,9 p. 100 entre 1999 et 2005 et de 11,2 p. 100 pour la seule année dernière, l'augmentation des prix à la revente a été plus forte que celle des prix des logements neufs. En 2006, la plus grande partie de l'augmentation dans les deux marchés était due aux fortes hausses constatées dans l'Ouest canadien.

Cette année, avec un marché des logements plus calme, on s'attend à ce que la croissance des prix soit plus modérée. Les prix des logements neufs n'augmenteront que de 5,6 p. 100, et ceux des logements existants de 5,4 p. 100. La faiblesse plus marquée du marché conduira à moyen terme à un ralentissement encore plus net des prix, de l'ordre de 3 p. 100 par an pour les logements neufs et de 4 p. 100 par an pour les logements existants.

Ces dix dernières années, le nombre de prêts hypothécaires consentis a augmenté de façon constante, tant en nombre qu'en valeur. La demande étant désormais en perte de vitesse, nous prévoyons que le nombre total d'hypothèques consenties baissera de 2,9 p. 100 cette année et de 2 p. 100 supplémentaire en 2008. Malgré tout, une modeste hausse des prix sur le marché préservera l'augmentation en valeur des hypothèques. On prévoit que le montant des prêts consentis augmentera de 1,9 p. 100 en 2007 et en 2008.

La scène provinciale

Du côté provincial, les disparités de la croissance économique entre les régions changeront légèrement en 2007. L'année dernière, la croissance a été particulièrement forte dans l'Ouest canadien, soutenu par un secteur de l'énergie chauffé au rouge en Alberta, et par un secteur des ressources naturelles qui a entraîné l'économie dans son ensemble en Colombie-Britannique. On s'attend à ce que l'économie de l'Alberta, qui a déjà connu une croissance d'environ 7 p. 100 en 2006, affiche une croissance de 5 p. 100 cette année. Dans le même temps, on prévoit que le PIB de la Colombie-Britannique augmente de 3,2 p. 100 en 2007, ce qui est légèrement en retrait par rapport aux 3,9 p. 100 de l'année dernière.

En 2007, la province de Terre-Neuve-et-Labrador surpassera ces deux championnes de la croissance. En réalité, on s'attendait à voir cette économie dans le peloton de tête dès 2006, puisque le Conference Board

avait d'abord estimé la croissance de son PIB à près de 5 p. 100. Mais une grève de deux mois à Voisey's Bay et un retard de production estimé à six mois sur le site pétrolier en mer de Terra Nova, ont freiné la croissance globale de la province l'année dernière, en la maintenant à 2,9 p. 100. Les deux projets étant maintenant opérationnels, on pense que la croissance globale du PIB réel bondira à 5,7 p. 100 en 2007, plaçant ainsi cette province en tête du pays.

Les autres provinces de l'Atlantique ne s'en sortiront pas aussi bien cette année. L'économie de l'Île-du-Prince-Édouard ne devrait croître que de 1,5 p. 100 et celle de la Nouvelle-Écosse de 1,9 p. 100. En 2007, ces deux provinces souffriront du ralentissement du secteur de la construction. Le Nouveau-Brunswick verra son PIB réel augmenter d'un modeste 2,4 p. 100, grâce à une croissance généralisée du secteur des biens et des services. Globalement, la croissance du PIB réel s'améliorera dans la région de l'Atlantique pour passer de 2,3 p. 100 l'année dernière à 2,9 p. 100 en 2007.

Dans les Prairies, la croissance économique du Manitoba et de la Saskatchewan combinés sera inchangée en 2007, puisqu'elle augmentera de 2,6 p. 100, après une hausse de 2,5 p. 100 en 2006. Au Manitoba, le secteur des biens devrait se renforcer cette année, grâce aux augmentations de l'investissement non-résidentiel et de l'activité manufacturière. On prévoit pour 2007 une croissance économique globale de 2,9 p. 100 dans cette province. Cette année, la croissance économique en Saskatchewan viendra en grande partie de l'agriculture et de l'activité minière. Le PIB réel de la

Saskatchewan devrait augmenter de 2,4 p. 100.

La croissance économique devrait s'améliorer dans les provinces du Canada central, même si elle restera modeste. Le Québec et l'Ontario ont beaucoup souffert ces dernières années, la vigueur du dollar canadien ayant pesé lourd sur leurs secteurs manufacturiers. L'année dernière, la croissance du PIB réel de ces deux provinces n'a atteint respectivement que 1,6 et 1,8 p. 100.

C'est la bonne santé de la demande intérieure qui aidera le Québec et l'Ontario en 2007. Cette année, le Québec recueillera également les fruits de la forte demande étrangère d'aluminium et d'autres métaux de première fusion. Celle-ci soulèvera la croissance du PIB réel total de la province à 2 p. 100. Pendant ce temps, l'économie de l'Ontario devrait augmenter de 2,5 p. 100, grâce aux bonnes performances attendues dans les secteurs des produits chimiques, de l'équipement électrique, du matériel et de l'outillage ainsi que dans les industries des produits raffinés du pétrole et du charbon.

À part le Québec et l'Ontario, toutes les régions ont profité d'une accélération des mises en chantier de logements l'année dernière. La plus forte hausse — 19,3 p. 100 — a été constatée en Alberta. L'arrivée massive de nouveaux travailleurs dans le secteur florissant du pétrole et du gaz a fait exploser la demande de logements neufs. Le reste du pays — les provinces de l'Atlantique, des Prairies et la Colombie-Britannique — a constaté une hausse des mises en chantier de l'ordre de 5 p. 100 en 2006.

On s'attend à ce que le nombre de mises en chantiers de logements décline partout dans le pays en 2007. Cette année, le marché immobilier canadien sera freiné par la combinaison d'une demande refoulée maintenant satisfaite, des taux d'intérêt plus hauts et, parfois, de problèmes de capacité financière. La baisse la moins forte sera constatée en Ontario, où l'économie en convalescence contiendra le déclin à 0,8 p. 100. En Colombie-Britannique, la solidité de l'économie limitera également le déclin à 6,3 p. 100.

Cette année, on prévoit une baisse des mises en chantier de logements qui dépassera les 10 p. 100 pour toutes les autres provinces. Cette baisse ira de 13,9 p. 100 en Alberta à 36,9 p. 100 dans les provinces de l'Atlantique. L'Alberta est la province où les problèmes de capacité financière seront particulièrement aigus. L'année dernière, les prix des maisons sont montés en flèche dans cette province : plus de 30 p. 100 d'augmentation, aussi bien sur le marché du neuf que sur celui de la revente. Pour les logements neufs, cela s'est traduit par une hausse de plus de 100 000 dollars en une seule année.

L'année dernière, la hausse des prix a également été assez forte dans les autres provinces de l'Ouest. Le prix des logements neuf a augmenté en moyenne de 6,6 p. 100 en Colombie-Britannique et de 9,4 p. 100 au Manitoba et en Saskatchewan. La hausse des prix des logements existants a été encore plus marquée.

En 2007, on s'attend à un ralentissement de la hausse des prix dans toutes les provinces, parallèlement à la baisse de la demande. Toutefois, en Alberta, la hausse des prix des

logements neufs atteindra quand même 14,8 p. 100.

À moyen terme, nous anticipons que toutes les provinces, y compris l'Alberta, connaîtront une hausse des prix beaucoup plus modérée. L'augmentation des prix des logements neufs se situera entre 2,3 et 3,1 p. 100 par an en moyenne, et celle des prix des logements existants entre 3,5 et 4,1 p. 100 par an. Sur ces deux marchés, l'Alberta restera dans la partie la plus élevée de la fourchette.

La scène municipale

Même si leur croissance devrait être plus faible cette année, l'économie de Calgary et celle de Vancouver continueront d'être les plus fortes des cinq régions métropolitaines de recensement (RMR) analysées dans la *Note de conjoncture résidentielle métropolitaine*. Calgary, qui conserve son statut de plaque tournante des services en direction du secteur de l'énergie de la province de l'Alberta, continuera de jouir d'une économie en pleine expansion. Le PIB réel de la ville s'est accru de 7,3 p. 100 pour la seule année dernière. Et même si l'on s'attend à un niveau de croissance plus raisonnable cette année, on prévoit qu'il atteindra tout de même 3,9 p. 100. Pendant la même période, la croissance du PIB réel de Vancouver, soutenue par des gains généralisés, sera de 3,1 p. 100, suite à une augmentation de 3,9 p. 100 en 2006.

Même si elle reste modeste par rapport à ce qu'elle a déjà été, la croissance de l'économie de Toronto devrait s'améliorer pour atteindre 2,9 p. 100 en 2007, contre 2,3 p. 100 l'année dernière. On prévoit que la

croissance reprendra grâce aux meilleurs résultats anticipés dans les secteurs manufacturier et touristique de la ville. Ottawa–Gatineau et Montréal sont censées connaître une croissance économique de 2,5 p. 100 cette année. Il s'agit d'un redressement important pour Montréal, qui a connu une faible croissance de 1,5 p. 100 l'année dernière. La ville vaudra ce rebond considérable à une reprise dans le secteur manufacturier ainsi qu'à une solide prestation dans le secteur de la construction. La croissance à Ottawa–Gatineau sera stimulée par la saine augmentation de la demande intérieure, ainsi que par les améliorations soutenues dans le secteur de la haute technologie.

En 2006, les mises en chantier de logements ont baissé dans deux des cinq RMR examinées par cette publication : Montréal et Toronto. La plus forte baisse — de 18,1 p. 100 — a été constatée à Montréal, où les mises en chantier de logements ont chuté pour la deuxième année consécutive. Malheureusement, le marché immobilier de Montréal subit les effets de plusieurs années de faible croissance économique. C'est également une économie relativement faible qui est à l'origine de la baisse des mises en chantier à Toronto. Cette baisse a été continue depuis 2004, atteignant 8,5 p. 100 l'année dernière.

Le paysage est assez différent en 2007, puisque toutes les RMR, sauf Toronto, devraient constater un déclin de leurs mises en chantier de logements. À Toronto, celles-ci, qui ont augmenté d'un très vigoureux 28 p. 100 au dernier trimestre de 2006, devraient finir l'année 2007 avec une croissance totale de 2,5 p. 100.

En 2007, la baisse des mises en chantier dans les autres RMR s'échelonnera entre 10 p. 100 à Ottawa–Gatineau et Vancouver et 15,5 p. 100 à Montréal. Une demande en baisse, des taux d'intérêt en hausse et, dans le cas de Calgary, des prix qui montent en flèche, freineront le marché des logements neufs dans ces RMR.

Le marché des logements existants sera également touché par la baisse de la demande cette année. L'an dernier, seules Toronto et Vancouver avaient constaté un déclin dans les ventes de logements existants. En revanche, en 2007, les ventes devraient baisser dans toutes les RMR, même si la chute ne sera pas aussi prononcée que celle qu'on annonce pour les logements neufs. Les baisses iront de 1,2 p. 100 à Vancouver jusqu'à 3,9 p. 100 à Montréal.

L'année dernière, à Calgary, les prix des logements neufs ont enregistré une ascension de 43,8 p. 100, grâce à l'explosion de l'économie. Vancouver a connu la deuxième augmentation la plus forte avec 6,8 p. 100. Les autres RMR ont affiché des hausses plus modestes, les prix des logements neufs ayant augmenté dans une fourchette de 3,1 à 4,2 p. 100.

L'inflation des prix des logements commencera à se calmer cette année dans l'ensemble du pays, même si la croissance à Calgary devrait atteindre 15,5 p. 100 pour les logements neufs et 12,7 p. 100 sur le marché de la revente. Partout ailleurs, la hausse des prix des logements s'étalera entre 3 et 6,9 p. 100 tant pour le marché des logements neufs que ceux de la revente.

Canada



Following an easing in the second half of 2006, Canada's economy is expected to grow by 2.7 per cent in 2007 and 3.3 per cent in 2008. However, despite this sound momentum, housing markets will weaken. Housing starts are expected to drop by 11.3 per cent this year and by 3.9 per cent in 2008. Price growth will finally begin to moderate this year and, by 2009, the average price of a new home will rise by 3 per cent annually, while existing home prices will grow by 4 per cent per year.

Economic Outlook

Growth in the Canadian economy continued to ease over the second half of 2006. However, despite this recent slowing trend and the deep-seated risk of a rougher landing south of the border, Canada's economic outlook remains upbeat for 2007 and even better for 2008, with real gross domestic product (GDP) growth forecast to expand by 2.7 per cent and 3.3 per cent respectively.

A number of elements underlie the positive outlook. Foremost is the wealth effect of high prices for raw materials. Over the past few years, significant price gains for many of Canada's raw materials have boosted business revenues, stock valuations, corporate profits and investment spending.

The wealth effect of higher resource prices resulted in peak

growth in real after-tax household income in 2006. Indeed, real disposable income expanded by an estimated 4.7 per cent last year, benefiting from solid employment gains, generous growth in real wages and the redistribution (through various channels) of roughly \$11 billion from federal and provincial governments to households.

Looking ahead, real disposable income will continue to grow strongly, expanding at an annual rate of 3.2 per cent on average over 2007 and 2008. Moreover, there is further upside risk in the coming round of federal and provincial budgets, which are likely to see additional fiscal dividends being shared with households.

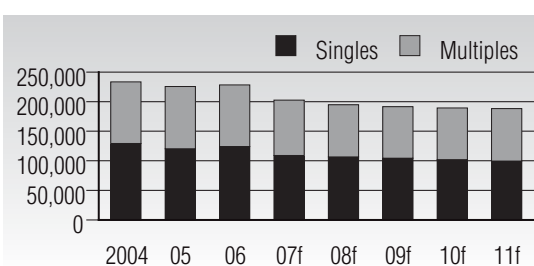
Financial Markets Outlook

For the past couple of years, the Consumer Price Index (CPI) in Canada has been largely influenced

by changing energy prices. Energy prices rose to record highs through 2005 and again through the first half of last year because of political uncertainty in the Middle East and a devastating hurricane season south of the border. By mid-2006, however, energy prices were beginning to soften. At the same time, the Canadian government introduced a 1 percentage point reduction in the GST. These factors have combined to keep inflationary pressures at bay in recent months, significantly dampening the CPI through to the end of last year. The low starting point for the CPI in 2007 suggests that annual inflation will be only 1.2 per cent this year but will pick up to a more normal 2 per cent in 2008.

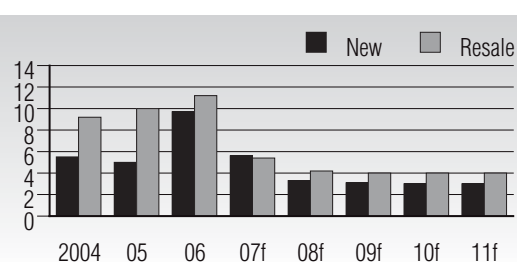
The U.S. Federal Reserve Board is expected to react to softer U.S. consumer spending by lowering the federal funds rate with two separate moves of 25 basis points in the first half of 2007. As the U.S. economy

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.

rebounds later this year, rates are expected to come back up, but only by 25 basis points.

The Bank of Canada is not expected to follow suit initially. Lower overall inflation and a stronger economy vis-à-vis the U.S. is likely to keep the Bank on the sidelines with respect to rate moves this year. As such, the Bank Rate is forecast to remain at its current level of 4.5 per cent through the end of 2007, at which time it will inch up 25 basis points, in step with the uptick in U.S. rates. As rates remain stable in Canada but fall south of the border, the short-term interest rate differential will lend some support to the weakening Canadian dollar.

In a recent address, the governor of the Bank of Canada suggested that growth in the North American economy would be lower than expected over the next six months. This had the effect, at least temporarily, of exacerbating a slide in the Canadian dollar versus the greenback and other major currencies over the last few months of 2006. Easing prices for energy and other commodities and softer corporate profit growth will have a dampening effect on the loonie this year as well. Indeed, the Canadian dollar is expected to remain below US\$0.87 through the first half of 2007, despite favourable moves in the interest rate differential.

When overall interest rates began falling in 2001, so too did mortgage rates. The cost of a conventional 5-year mortgage dipped to 5.8 per cent in the third quarter of 2005, down nearly 3 percentage points from 2000. Since then, rates

have slowly moved back up. By the end of 2006, the 5-year rate had come up to 6.7 per cent. With interest rates expected to remain unchanged this year, mortgage rates are also forecast to hold steady. However, increases in interest rates in 2008 will initiate a 0.4 percentage point increase in the conventional 5-year rate next year, up to 7.1 per cent.

Housing Outlook

Canada's housing market took off in the last half of the 1990s, driven by pent-up demand and a strong economy. The market continued to do well from 2000 to 2004, this time because demand for housing was sustained not only by sound economic growth, but also by declining interest rates starting in 2001. Over the eight years from 1996 to 2004, housing starts in Canada rose by 9 per cent on an average annual basis.

Increased demand in the housing market led to higher price growth from 2000 onward. The price of a new home increased by an average of 3.9 per cent per year from 2000 to 2004. On the resale side, price growth was even stronger over this time frame—7.5 per cent on an average annual basis. In level terms, this translated into a \$50,000 total price increase in the new home market and a \$70,000 price increase in the resale market. By 2004, the average price of a new home was over \$300,000, while the average price of an existing home was more than \$225,000.

With pent-up demand satisfied and economic growth slowing, housing starts dropped in 2005 by 3.4 per cent. The market did do better last

year, posting a 1.3 per cent increase, thanks entirely to a 9.9 per cent increase in starts in the first quarter of the year. Unfortunately, this growth was short-lived; it is thought to have occurred because of one-off factors such as unseasonably warm weather.

Housing starts have been trending down since the second quarter of 2006 and are expected to continue to ease throughout 2007 and 2008. Rising interest rates and record-high prices are starting to take their toll on the market. From an estimated 228,000 units in 2006, new home starts are forecast to decline to 203,000 units in 2007 and to 195,000 units in 2008.

The softness in housing demand has also been felt in the resale market, as sales of existing homes have fallen off in recent months. But, given the huge price increases of the past few years, new listings have continued to climb. The sales-to-new-listings ratio has fallen as a result, from a peak of 66.2 per cent in December 2005 to under 57 per cent in recent months.

Although growth in average resale and new home prices remains relatively strong, house price inflation has slowed recently and is forecast to continue to do so. Accordingly, growth in new home prices will slow from 9.7 per cent last year to 5.6 per cent in 2007 and 3.3 per cent in 2008. Resale prices will increase by 5.4 per cent in 2007 and 4.2 per cent in 2008, down from 11.2 per cent in 2006. Over the medium term, price growth will moderate to 3 per cent annually for the new home market and to 4 per cent per year for the resale market.

Mortgage Outlook

Growth in the number and dollar value of mortgage approvals picked up substantially after 2001, in line with increased housing activity. The total number of approvals rose by an average of 10.7 per cent annually from 2001 to 2005. The dollar volume of approvals grew at an even faster rate, by 19.5 per cent on an average annual basis, thanks to strong price growth over this period.

Although housing demand was weaker in 2006, growth in mortgage approvals remained positive. The number of approvals was only slightly higher, at 0.1 per cent. Continued strength in prices, however, allowed for a 7.8 per cent increase in the total dollar value of approvals last year.

A further downturn in the housing market will lead to a decline in the number of mortgage approvals this year and next. Approvals are expected to drop by 2.9 per cent

in 2007 and by 2 per cent in 2008. They should then hold steady through the medium term, averaging modest growth of only 0.2 per cent per year.

Despite the declining level of approvals over the next two years, price growth, though moderating, will allow the total dollar volume of approvals to continue to grow, by 1.9 per cent in each of 2007 and 2008. Growth in dollar volumes is then forecast to rise to an average of 4.1 per cent annually over 2009 to 2011.

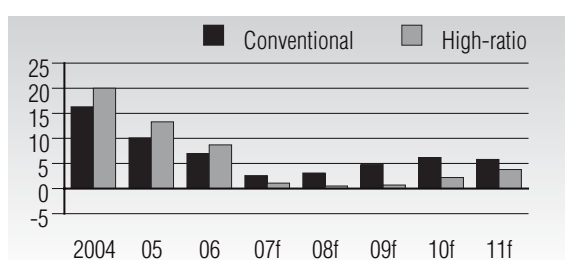
Growth in high-ratio mortgages has been particularly strong in recent years. The number of high-ratio mortgages increased by an annual average of 12.1 per cent between 2001 and 2005, while the dollar value of high-ratio mortgages rose by an average of 21.2 per cent per year.

For conventional mortgages, growth averaged 9.5 per cent per year in level terms and 18.2 per cent in dollar terms. With average

new home prices now surpassing \$300,000, more buyers have likely been forced to take high-ratio mortgages, therefore leading to the higher growth rates in this category of mortgages.

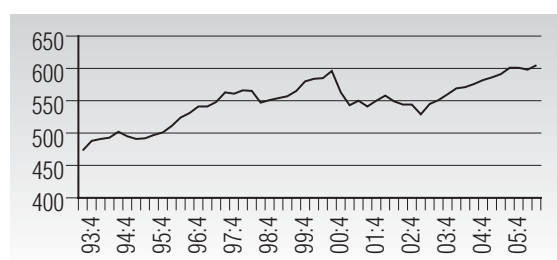
The price differential between the new home market and the existing home market largely explains why the outlook for conventional mortgages differs drastically for the two markets over the next few years. With the average price of an existing home roughly \$80,000 less than that of a new home, buyers of existing homes are more able to finance their purchase using a conventional mortgage. Accordingly, the dollar volume of conventional mortgage approvals for existing homes is expected to increase by 3.3 per cent this year and by a further 3.6 per cent next year. This compares with declines of 5.2 per cent and of 2.3 per cent, respectively, for the new home market.

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

	2004	2005	2006	2007f	2008f	2009f	2010f	2011f
Real GDP at market prices (1997 \$ millions)	1,124,688 <i>3.3</i>	1,157,705 <i>2.9</i>	1,188,904 <i>2.7</i>	1,220,799 <i>2.7</i>	1,260,970 <i>3.3</i>	1,299,783 <i>3.1</i>	1,339,649 <i>3.1</i>	1,380,315 <i>3.0</i>
Total employment (000s)	15,949 <i>1.8</i>	16,169 <i>1.4</i>	16,477 <i>1.9</i>	16,695 <i>1.3</i>	16,988 <i>1.8</i>	17,244 <i>1.5</i>	17,503 <i>1.5</i>	17,748 <i>1.4</i>
Unemployment rate	7.2	6.8	6.4	6.6	6.4	6.2	6.0	5.8
Personal income per capita	30,644 <i>4.0</i>	31,858 <i>4.0</i>	33,371 <i>4.7</i>	34,561 <i>3.6</i>	35,802 <i>3.6</i>	37,083 <i>3.6</i>	38,410 <i>3.6</i>	39,763 <i>3.5</i>
Population (000s)	31,947 <i>1.0</i>	32,258 <i>1.0</i>	32,568 <i>1.0</i>	32,861 <i>0.9</i>	33,167 <i>0.9</i>	33,482 <i>0.9</i>	33,806 <i>1.0</i>	34,140 <i>1.0</i>
Retail sales (\$ millions)	346,721 <i>4.7</i>	368,612 <i>6.3</i>	393,284 <i>6.7</i>	415,630 <i>5.7</i>	437,999 <i>5.4</i>	461,835 <i>5.4</i>	486,137 <i>5.3</i>	511,456 <i>5.2</i>
Exchange rate (US\$/CDN\$)	0.77	0.83	0.88	0.87	0.88	0.87	0.86	0.85
Inflation rate	1.8	2.2	2.0	1.2	2.0	2.0	2.0	2.0

Table 2—Financial Indicators

Bank Rate	2.5	2.9	4.3	4.5	4.8	4.8	4.8	4.8
Prime lending rate	4.0	4.4	5.8	6.0	6.2	6.2	6.2	6.2
Three-month treasury bill	2.2	2.7	4.0	4.2	4.4	4.4	4.4	4.4
One-year conventional mortgage rate	4.6	5.1	6.3	6.3	6.3	6.3	6.3	6.3
Three-year conventional mortgage rate	5.7	5.6	6.5	6.6	6.9	7.0	7.0	7.1
Five-year conventional mortgage rate	6.2	6.0	6.7	6.7	7.1	7.3	7.4	7.4
Federal bonds: 1–3 years	2.9	3.2	4.1	4.1	4.5	4.7	4.7	4.7
Federal bonds: 3–10 years	4.1	3.7	4.2	4.3	4.7	4.9	5.0	5.1
Federal bonds: 10 years and over	5.1	4.4	4.3	4.3	4.8	5.1	5.3	5.4

Table 3—Housing Indicators

Housing starts	233,431 <i>6.9</i>	225,481 <i>-3.4</i>	228,395 <i>1.3</i>	202,573 <i>-11.3</i>	194,703 <i>-3.9</i>	191,500 <i>-1.6</i>	189,222 <i>-1.2</i>	188,284 <i>-0.5</i>
Singles	129,171 <i>4.8</i>	120,463 <i>-6.7</i>	124,030 <i>3.0</i>	109,071 <i>-12.1</i>	106,579 <i>-2.3</i>	104,453 <i>-2.0</i>	101,909 <i>-2.4</i>	99,461 <i>-2.4</i>
Multiples	104,260 <i>9.5</i>	105,018 <i>0.7</i>	104,365 <i>-0.6</i>	93,502 <i>-10.4</i>	88,124 <i>-5.8</i>	87,047 <i>-1.2</i>	87,313 <i>0.3</i>	88,823 <i>1.7</i>
Housing completions	215,445 <i>8.1</i>	211,779 <i>-1.7</i>	220,693 <i>4.2</i>	211,946 <i>-4.0</i>	197,120 <i>-7.0</i>	189,929 <i>-3.6</i>	186,285 <i>-1.9</i>	184,186 <i>-1.1</i>
Singles	125,833 <i>3.7</i>	118,455 <i>-5.9</i>	118,613 <i>0.1</i>	114,021 <i>-3.9</i>	106,805 <i>-6.3</i>	104,189 <i>-2.4</i>	101,939 <i>-2.2</i>	99,414 <i>-2.5</i>
Multiples	89,612 <i>15.0</i>	93,324 <i>4.1</i>	102,080 <i>9.4</i>	97,925 <i>-4.1</i>	90,315 <i>-7.8</i>	85,740 <i>-5.1</i>	84,346 <i>-1.6</i>	84,773 <i>0.5</i>
Average price of a new home (\$)	308,460 <i>5.5</i>	324,008 <i>5.0</i>	355,493 <i>9.7</i>	375,341 <i>5.6</i>	387,727 <i>3.3</i>	399,747 <i>3.1</i>	411,739 <i>3.0</i>	424,091 <i>3.0</i>
Average price of a resale home (\$)	226,115 <i>9.2</i>	248,729 <i>10.0</i>	276,578 <i>11.2</i>	291,522 <i>5.4</i>	303,766 <i>4.2</i>	315,917 <i>4.0</i>	328,553 <i>4.0</i>	341,695 <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 croissance de l'économie canadienne a continué à ralentir dans la deuxième moitié de 2006. Cependant, en dépit de cette récente tendance à la baisse et du risque bien enraciné d'un atterrissage plus brutal au sud de la frontière, les perspectives économiques du Canada demeurent favorables pour 2007 et encore meilleures pour 2008. En effet, on prévoit pour ces deux années une croissance du PIB réel de 2,7 p. 100 et de 3,3 p. 100 respectivement.

Un bon nombre d'éléments sous-tendent cette vision positive. Le principal est l'effet de richesse que les prix élevés des matières premières apportent au Canada. Au cours des dernières années, les importantes hausses de prix affichées par un grand nombre des matières premières

Après un ralentissement dans la deuxième moitié de 2006, l'économie du Canada devrait croître de 2,7 p. 100 en 2007 et de 3,3 p.100 en 2008. Cependant, malgré cette impulsion solide, les marchés du logement, autant neufs qu'existants, faibliront. On prévoit que les mises en chantier de logements chuteront de 11,3 p. 100 cette année et de 3,9 p. 100 en 2008. L'essor des prix commencera enfin à ralentir cette année et, en 2009, le prix moyen des logements neufs augmentera de 3 p. 100 par an, alors que le prix moyen des logements existants affichera une hausse de 4 p. 100 par an.

du Canada ont gonflé les recettes des entreprises, la valeur des actions, les bénéfices des sociétés et les dépenses en investissements.

L'effet de richesse des prix élevés des ressources a entraîné une montée record du revenu réel après impôt des ménages en 2006. En effet, le revenu réel disponible a progressé d'un niveau estimé de 4,7 p. 100 l'an dernier, sous la poussée de solides gains de l'emploi, d'une généreuse croissance des salaires réels et de la redistribution aux ménages (de diverses manières) d'environ 11 milliards de dollars par les gouvernements fédéral et provinciaux.

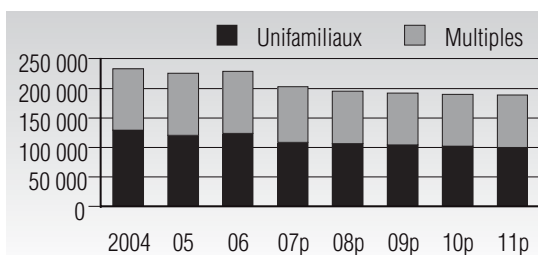
Nous prévoyons que le revenu réel disponible continuera à progresser fortement, à un taux annuel moyen de 3,2 p. 100 en 2007 et en 2008. En outre, ce taux risque d'être une sous-estimation, puisque les prochains

budgets fédéral et provinciaux comporteront probablement la remise aux ménages de dividendes budgétaires additionnels.

Perspectives des marchés financiers

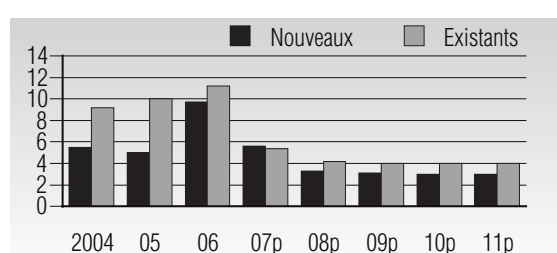
Ces toutes dernières années, l'Indice des prix à la consommation (IPC) du Canada a été fortement influencé par les variations des prix de l'énergie. Ces prix ont atteint des niveaux record en 2005 et à nouveau dans la première moitié de l'an dernier, à cause du climat politique incertain au Moyen-Orient et d'une saison des ouragans dévastatrice au sud de la frontière. À compter du milieu de 2006, toutefois, les prix de l'énergie ont commencé à baisser. En même temps, le gouvernement canadien a réduit la TPS d'un point de pourcentage. Ces facteurs se sont combinés pour contrôler les pressions

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.

inflationnistes ces derniers mois, ce qui a eu pour effet de faire nettement reculer l'IPC jusqu'à la fin de l'an dernier. Ce point de départ faible de l'IPC en 2007 laisse croire que l'inflation annuelle ne dépassera pas 1,2 p. 100 cette année, mais atteindra un niveau plus normal de 2 p. 100 en 2008.

Une inflation globale plus basse nous permet de croire que la Banque du Canada laissera ses taux inchangés cette année. Ainsi, nous prévoyons que le taux d'escompte demeurera à son niveau actuel de 4,5 p. 100 jusqu'à la fin de 2007, et qu'il montera alors d'un cran, soit de 25 points de base.

Dans une allocution récente, le gouverneur de la Banque du Canada a laissé entendre que la croissance de l'économie nord-américaine serait plus faible que prévu au cours des six prochains mois. Cela a eu pour conséquence, au moins à court terme, d'accélérer la glissade du dollar canadien par rapport au dollar américain et aux autres monnaies fortes pendant les derniers mois de 2006. La baisse des prix de l'énergie et des autres produits de base ainsi que le fléchissement des bénéfices des sociétés feront reculer le huard en 2007 également. En effet, on s'attend à ce que le dollar canadien demeure inférieur à 0,87 \$US pendant la première moitié de 2007.

Lorsque les taux d'intérêt globaux ont commencé à tomber en 2001, les taux hypothécaires ont suivi. Le coût d'une hypothèque conventionnelle de cinq ans a chuté à 5,8 p. 100 au troisième semestre de 2005, soit près de 3 points de pourcentage de moins qu'en 2000. Depuis, les taux sont lentement remontés. À la fin de 2006, le taux de 5 ans avait atteint

6,7 p. 100. Comme les taux d'intérêt devraient demeurer stables cette année, on prévoit que les taux hypothécaires le resteront également. Cependant, les hausses des taux d'intérêt en 2008 entraîneront une augmentation de 0,4 point de pourcentage du taux d'une hypothèque conventionnelle de 5 ans l'an prochain, qui grimpera alors à 7,1 p. 100.

Perspectives du secteur résidentiel

Le marché du logement au Canada s'est envolé dans la deuxième moitié des années 1990, poussé par la demande refoulée et une économie vigoureuse. Le marché a conservé ce dynamisme entre 2000 et 2004, alors que la demande de logements était soutenue non seulement par une croissance économique robuste, mais aussi par la baisse des taux d'intérêt à compter de 2001. Au cours des huit années entre 1996 et 2004, les mises en chantier de logements au Canada ont progressé en moyenne de 9 p. 100 par an.

La poussée de la demande sur le marché du logement a entraîné une accélération de la hausse des prix à compter de 2000. Le prix des logements neufs a augmenté de 3,9 p. 100 par année en moyenne entre 2000 et 2004. Du côté de la revente, la hausse des prix a été encore plus forte durant cette période, soit une moyenne annuelle de 7,5 p. 100. En dollars, cela s'est traduit par une augmentation de 50 000 dollars du prix des logements neufs et de 70 000 dollars du prix des logements existants. En 2004, le prix moyen des logements neufs dépassait 300 000 dollars, alors que le prix moyen des logements existants était de plus de 225 000 dollars.

Lorsqu'en 2005, la demande refoulée a été comblée et la croissance de l'économie a commencé à ralentir, les mises en chantier de logements ont chuté de 3,4 p. 100. Le marché s'est cependant quelque peu redressé l'an dernier, avec une hausse de 1,3 p. 100, attribuable uniquement à une progression de 9,9 p. 100 des mises en chantier au premier trimestre. Malheureusement, cette croissance n'a pas duré. On croit même qu'elle a été causée par des facteurs exceptionnels comme des températures particulièrement élevées.

Les mises en chantier de logements ont donc amorcé une tendance à la baisse depuis le deuxième trimestre de 2006, et on s'attend à ce qu'elles continuent ainsi tout au long de 2007 et de 2008. La remontée des taux d'intérêt et les prix records commencent à peser sur le marché. Après un nombre estimé de 228 000 unités en 2006, on prévoit que les mises en chantier de logements tomberont à 203 000 unités en 2007 et à 195 000 unités en 2008.

La faiblesse de la demande de logements s'est aussi fait sentir sur le marché des logements existants, où les ventes ont chuté ces derniers mois. Mais les énormes hausses de prix des dernières années font que les nouvelles inscriptions continuent à augmenter. En conséquence, le ratio des ventes aux nouvelles inscriptions a chuté, passant d'un sommet de 66,2 p. 100 en décembre 2005 à moins de 57 p. 100 ces derniers mois.

Bien que la croissance du prix moyen des logements existants et des logements neufs demeure relativement forte, l'inflation des prix des logements s'est atténuée ces derniers temps, et on prévoit qu'elle

continuera dans cette voie. En conséquence, la croissance des prix des logements neufs ralentira, passant de 9,7 p. 100 l'an dernier à 5,6 p. 100 en 2007 et à 3,3 p. 100 en 2008. Les prix des logements existants augmenteront de 5,4 p. 100 en 2007 et de 4,2 p. 100 en 2008, en baisse par rapport au taux de 11,2 p. 100 affiché en 2006. À moyen terme, la croissance des prix devrait s'établir à des taux modérés de 3 p. 100 par année pour le marché des logements neufs et de 4 p. 100 par année pour le marché des logements existants.

Perspectives des prêts hypothécaires

La croissance du nombre et de la valeur en dollars des prêts hypothécaires consentis s'est accélérée fortement après 2001, suivant en cela la progression du secteur du logement. Le nombre total de prêts consentis a augmenté d'une moyenne annuelle de 10,7 p. 100 entre 2001 et 2005. La valeur en dollars des prêts consentis a crû encore plus rapidement, pour atteindre 19,5 p. 100 par an en moyenne, grâce à la forte montée des prix au cours de la période.

Bien que la demande de logements ait faibli en 2006, la croissance

des prêts hypothécaires consentis est demeurée positive. Le nombre de prêts consentis a augmenté très légèrement, de 0,1 p. 100. Le maintien d'une forte croissance des prix, cependant, a entraîné une hausse de 7,8 p. 100 de la valeur en dollars des prêts consentis l'an dernier.

Un nouveau repli du marché du logement fera reculer le nombre de prêts hypothécaires consentis cette année et l'an prochain. On prévoit que les prêts consentis chuteront de 2,9 p. 100 en 2007 et de 2 p. 100 en 2008. Ils devraient ensuite demeurer stables à moyen terme, avec une modeste croissance annuelle moyenne de seulement 0,2 p. 100.

En dépit du déclin du nombre de prêts consentis au cours des deux prochaines années, la croissance, bien que moins vigoureuse, des prix permettra à la valeur en dollars des prêts consentis de continuer à augmenter, de 1,9 p. 100 en 2007 et en 2008. On prévoit que l'augmentation de la valeur des prêts s'établira ensuite à une moyenne de 4,1 p. 100 par an entre 2009 et 2011.

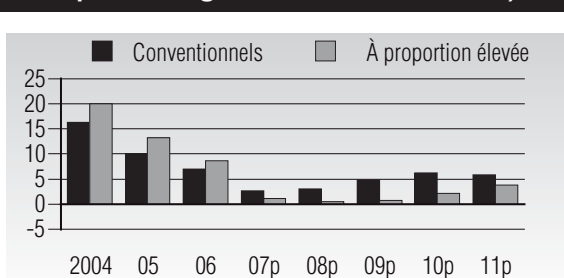
L'accroissement des prêts à proportion élevée a été particulièrement important ces dernières années.

Le nombre de prêts à proportion élevée a gonflé d'un taux annuel moyen de 12,1 p. 100 entre 2001 et 2005, alors que la valeur en dollars de ces prêts a augmenté de 21,2 p. 100 par an.

La croissance des prêts hypothécaires ordinaires s'est établie à une moyenne annuelle de 9,5 p. 100 en termes de nombre et de 18,2 p. 100 en valeur. Comme le prix moyen des logements neufs dépasse maintenant 300 000 dollars, de plus en plus d'acheteurs ont été forcés de choisir des prêts à proportion élevée, ce qui a entraîné la hausse plus rapide de cette catégorie de prêts hypothécaires.

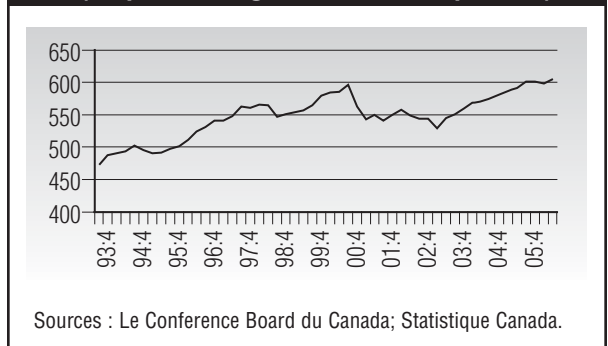
Le différentiel de prix entre le marché des logements neufs et le marché des logements existants suffit amplement à expliquer pourquoi la perspective de ces deux marchés est tellement différente pour les prochaines années. Comme le prix moyen d'un logement existant est encore inférieur de presque 80 000 dollars à celui d'un logement neuf, les acheteurs de logements existants sont davantage capables de financer leur achat à l'aide d'un prêt hypothécaire ordinaire. En conséquence, le volume en dollars des prêts ordinaires consentis pour des logements existants devrait

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.

augmenter de 3,3 p. 100 cette année
et de 3,6 l'an prochain. Cela se

compare aux déclin de 5,2 p. 100
et de 2,3 p. 100 respectivement

prévus pour ce type de prêt dans
le marché des logements neufs.

Tableau 1 — Indicateurs économiques

	2004	2005	2006	2007p	2008p	2009p	2010p	2011p
PIB réel aux prix du marché (en millions de dollars de 1997)	1 124 688 3,3	1 157 705 2,9	1 188 904 2,7	1 220 799 2,7	1 260 970 3,3	1 299 783 3,1	1 339 649 3,1	1 380 315 3,0
Emplois totaux (en milliers)	15 949 1,8	16 169 1,4	16 477 1,9	16 695 1,3	16 988 1,8	17 244 1,5	17 503 1,5	17 748 1,4
Taux de chômage	7,2	6,8	6,4	6,6	6,4	6,2	6,0	5,8
Revenu personnel par habitant	30 644 4,0	31 858 4,0	33 371 4,7	34 561 3,6	35 802 3,6	37 083 3,6	38 410 3,6	39 763 3,5
Population (en milliers)	31 947 1,0	32 258 1,0	32 568 1,0	32 861 0,9	33 167 0,9	33 482 0,9	33 806 1,0	34 140 1,0
Ventes au détail (en millions \$)	346 721 4,7	368 612 6,3	393 284 6,7	415 630 5,7	437 999 5,4	461 835 5,4	486 137 5,3	511 456 5,2
Taux de change (É.-U./Canada)	0,77	0,83	0,88	0,87	0,88	0,87	0,86	0,85
Taux d'inflation	1,8	2,2	2,0	1,2	2,0	2,0	2,0	2,0

Tableau 2 — Indicateurs financiers

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

Tableau 3 — Indicateurs du secteur résidentiel

Mises en chantier	233 431 6,9	225 481 -3,4	228 395 1,3	202 573 -11,3	194 703 -3,9	191 500 -1,6	189 222 -1,2	188 284 -0,5
Logements unifamiliaux	129 171 4,8	120 463 -6,7	124 030 3,0	109 071 -12,1	106 579 -2,3	104 453 -2,0	101 909 -2,4	99 461 -2,4
Multiples	104 260 9,5	105 018 0,7	104 365 -0,6	93 502 -10,4	88 124 -5,8	87 047 -1,2	87 313 0,3	88 823 1,7
Nouveaux logements	215 445 8,1	211 779 -1,7	220 693 4,2	211 946 -4,0	197 120 -7,0	189 929 -3,6	186 285 -1,9	184 186 -1,1
Logements unifamiliaux	125 833 3,7	118 455 -5,9	118 613 0,1	114 021 -3,9	106 805 -6,3	104 189 -2,4	101 939 -2,2	99 414 -2,5
Multiples	89 612 15,0	93 324 4,1	102 080 9,4	97 925 -4,1	90 315 -7,8	85 740 -5,1	84 346 -1,6	84 773 0,5
Prix moyen d'un logement nouveau (\$)	308 460 5,5	324 008 5,0	355 493 9,7	375 341 5,6	387 727 3,3	399 747 3,1	411 739 3,0	424 091 3,0
Prix moyen d'un logement existant (\$)	226 115 9,2	248 729 10,0	276 578 11,2	291 522 5,4	303 766 4,2	315 917 4,0	328 553 4,0	341 695 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

Real gross domestic product (GDP) in Atlantic Canada is expected to improve by 2.9 per cent this year, following a 2.3 per cent increase last year and dismal 1 per cent growth in each of 2004 and 2005.

Newfoundland and Labrador will continue to be the driving force behind the acceleration in Atlantic Canada's economy. With the Voisey's Bay mine and the Terra Nova oil field now operational, overall real GDP growth in the province is forecast to jump to a country-leading 5.7 per cent in 2007. Declining construction output will result in real GDP growth slowing to only 1.5 per cent in Prince Edward Island and 1.9 per cent in Nova Scotia. Meanwhile, New Brunswick's economy is set to

Atlantic Canada's housing starts are expected to undergo a major correction in 2007, falling by 36.9 per cent. While affordability is beginning to weigh on households, as prices and borrowing costs climb, the biggest issues for the region are soft economic growth and, more importantly, a weak population outlook. Weak demand will cause price growth for new homes to slow to 2.3 per cent per year from 2009 onward and price growth for resale homes to post an average annual increase of 3.5 per cent.

grow by 2.4 per cent in 2007, as production begins at the Caribou and Restigouche mines.

Housing Outlook

Housing starts did well in Atlantic Canada from 1999 to 2003, thanks to relatively strong economic growth and lower interest rates starting in 2001. Housing starts increased by an annual average of 11.8 per cent over 1999 to 2003, reaching 13,100 units in 2003.

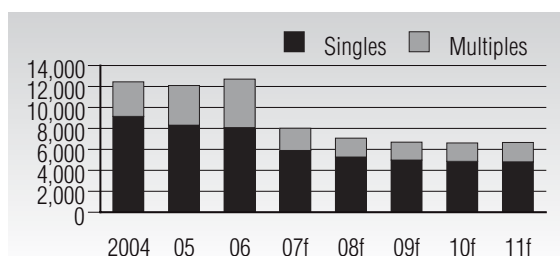
By 2004, the Atlantic economy began to slow. Housing starts were quick to follow suit, falling by 4.9 per cent in 2004 and by a further 2.9 per cent in 2005. Surprisingly, starts took off again in 2006, rising by 5 per cent. And while Newfoundland and Labrador posted the biggest economic gains last year, the rise in housing

starts was mainly seen in Nova Scotia and New Brunswick.

New home prices have increased at a very modest pace since 1999, despite the increased activity in the housing market. Between 1999 and 2006, the price of a new home rose by only 2.8 per cent on an average annual basis. In the resale market, however, house price inflation was more pronounced. From 1999 to 2001, the average price of an existing home grew by an average of 5.1 per cent per year, while from 2002 to 2005, resale prices rose by a healthy annual average of 7.4 per cent. And, even though resale price growth slowed in 2006, to 4.8 per cent, it was still stronger than in the new home market.

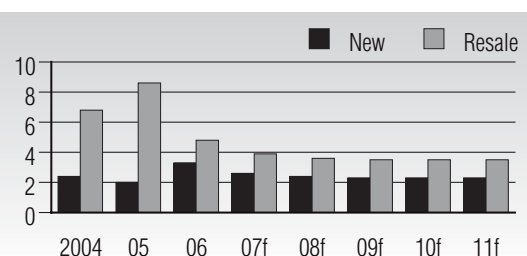
Notwithstanding the higher growth in recent years, existing home prices reached an average of only \$148,600

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.

last year—still far less than the average new home price of \$264,800. Modest price growth in the new home market may have been a necessary strategy for home builders to prevent potential buyers from choosing an existing home because of affordability issues.

Housing starts are expected to decline in all of the Atlantic provinces in 2007 and in 2008, as rising interest

rates later this year cause some affordability issues of their own. As well, aside from Newfoundland and Labrador, economic growth in the region is forecast to be modest in 2007. But more importantly, Atlantic Canada's housing markets will have to adjust to the area's tepid demographic fundamentals looking forward. Accordingly,

housing starts are expected to drop by a significant 36.9 per cent this year and by a further 11.9 per cent in 2008. This will bring starts back to 7,100 units. Between 2009 and 2011, new home prices will increase by an average of 2.3 per cent annually, while the average price of an existing home rises by 3.5 per cent per year.

Table 1—Economic Indicators

	2004	2005	2006	2007f	2008f	2009f	2010f	2011f
Real GDP at basic prices (1997 \$ millions)	58,786 <i>1.1</i>	59,366 <i>1.0</i>	60,735 <i>2.3</i>	62,504 <i>2.9</i>	63,506 <i>1.6</i>	64,734 <i>1.9</i>	65,860 <i>1.7</i>	67,043 <i>1.8</i>
Total employment (000s)	1,074 <i>2.0</i>	1,076 <i>0.2</i>	1,080 <i>0.4</i>	1,085 <i>0.5</i>	1,091 <i>0.5</i>	1,099 <i>0.8</i>	1,105 <i>0.6</i>	1,110 <i>0.4</i>
Unemployment rate	10.7	10.4	10.0	9.6	9.4	8.9	8.5	8.1
Personal income per capita	26,186 <i>3.8</i>	27,278 <i>4.2</i>	29,085 <i>6.6</i>	29,240 <i>0.5</i>	30,294 <i>3.6</i>	31,425 <i>3.7</i>	32,526 <i>3.5</i>	33,660 <i>3.5</i>
Population (000s)	4,371 <i>0.2</i>	4,368 <i>-0.1</i>	4,358 <i>-0.2</i>	4,362 <i>0.1</i>	4,370 <i>0.2</i>	4,379 <i>0.2</i>	4,389 <i>0.2</i>	4,401 <i>0.3</i>
Retail sales (\$ millions)	25,399 <i>1.8</i>	26,350 <i>3.7</i>	27,854 <i>5.7</i>	29,179 <i>4.8</i>	30,506 <i>4.5</i>	31,985 <i>4.8</i>	33,436 <i>4.5</i>	34,924 <i>4.4</i>
Inflation rate	1.9	2.9	2.4	1.5	1.8	1.9	1.8	1.8

Italics indicate percentage change.

Sources: The Conference Board of Canada; Statistics Canada.

Table 2—Housing Indicators

	2004	2005	2006	2007f	2008f	2009f	2010f	2011f
Housing starts	12,453 <i>-4.9</i>	12,094 <i>-2.9</i>	12,702 <i>5.0</i>	8,021 <i>-36.9</i>	7,068 <i>-11.9</i>	6,691 <i>-5.3</i>	6,610 <i>-1.2</i>	6,658 <i>0.7</i>
Singles	9,151 <i>2.1</i>	8,314 <i>-9.1</i>	8,078 <i>-2.8</i>	5,888 <i>-27.1</i>	5,270 <i>-10.5</i>	4,980 <i>-5.5</i>	4,861 <i>-2.4</i>	4,804 <i>-1.2</i>
Multiples	3,302 <i>-20.1</i>	3,780 <i>14.5</i>	4,624 <i>22.3</i>	2,133 <i>-53.9</i>	1,798 <i>-15.7</i>	1,711 <i>-4.8</i>	1,749 <i>2.2</i>	1,855 <i>6.1</i>
Housing completions	13,584 <i>4.6</i>	11,603 <i>-14.6</i>	12,330 <i>6.3</i>	11,317 <i>-8.2</i>	8,540 <i>-24.5</i>	7,440 <i>-12.9</i>	7,122 <i>-4.3</i>	7,063 <i>-0.8</i>
Singles	9,087 <i>-8.8</i>	8,353 <i>-8.1</i>	7,905 <i>-5.4</i>	7,170 <i>-9.3</i>	6,096 <i>-15.0</i>	5,639 <i>-7.5</i>	5,406 <i>-4.1</i>	5,310 <i>-1.8</i>
Multiples	4,497 <i>48.7</i>	3,250 <i>-27.7</i>	4,425 <i>36.2</i>	4,148 <i>-6.3</i>	2,445 <i>-41.1</i>	1,800 <i>-26.4</i>	1,716 <i>-4.7</i>	1,753 <i>2.2</i>
Average price of a new home (\$)	251,289 <i>2.4</i>	256,298 <i>2.0</i>	264,754 <i>3.3</i>	271,639 <i>2.6</i>	278,159 <i>2.4</i>	284,556 <i>2.3</i>	291,101 <i>2.3</i>	297,797 <i>2.3</i>
Average price of a resale home (\$)	130,601 <i>6.8</i>	141,797 <i>8.6</i>	148,639 <i>4.8</i>	154,399 <i>3.9</i>	159,958 <i>3.6</i>	165,556 <i>3.5</i>	171,351 <i>3.5</i>	177,348 <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 prospects have been weighed down in recent years by high energy costs, stiff global competition and a strong Canadian dollar, all of which have hurt manufacturers. There are now glimpses of hope for a gradual improvement. The Canadian dollar is drifting down, and several sectors are forecast to bounce back, including aerospace and information technology and communications. Moreover, solid foreign demand for aluminum and other primary metals bodes well for the province's exports. Specifically, total exports are forecast to advance by 3.1 per cent this year, helping to raise growth in real gross domestic product (GDP) from 1.6 per cent in 2006 to 2 per cent in 2007.

Further provincial income tax cuts and continued decent wage increases will boost after-tax income, in turn supporting growth in consumer

Housing starts in Quebec continue to fall in the face of relatively soft population and economic growth and rising interest rates. After declining by 12.9 per cent annually over the past two years, starts are now forecast to fall by 17.8 per cent in 2007 and by 10 per cent next year. The average price of a new home is expected to rise by a modest 2.9 per cent per year from 2009 onward, while the price of an existing home is expected to grow by an annual average of 3.8 per cent over the medium term.

spending in the near term. However, the outlook for private investment will remain tempered.

Housing Outlook

After some ups and downs in the last half of the 1990s, housing starts in Quebec increased at a rapid pace between 2001 and 2004. Growth averaged a whopping 25 per cent per year thanks to pent-up demand, low interest rates and a strong economy. With the increased demand for housing also came higher price growth. From 2001 to 2004, new home prices rose by an average of 5.7 per cent per year. Increased demand spilled over into the resale home market as well, pushing prices up a healthy 11.4 per cent on an average annual basis over the same period.

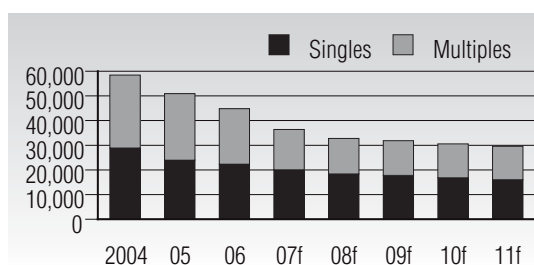
With pent-up demand satisfied, Quebec's housing market began to slow a couple of years ago. The market was also feeling the effects of several years of modest economic

growth in the province, brought on by a battered manufacturing sector. Accordingly, housing starts fell by 12.9 per cent in 2005 and again in 2006.

More declines are expected, as the rate of population growth suggests the current level of construction activity is not sustainable. In fact, recent Conference Board research indicates that the number of new households in the province will hover around 30,000 over the next few years. Accordingly, housing starts are forecast to decline by 17.8 per cent to 36,400 units in 2007 and by 10 per cent to 32,800 units in 2008. Starts will then continue to fall through the medium term, reaching the 30,000 threshold by 2011.

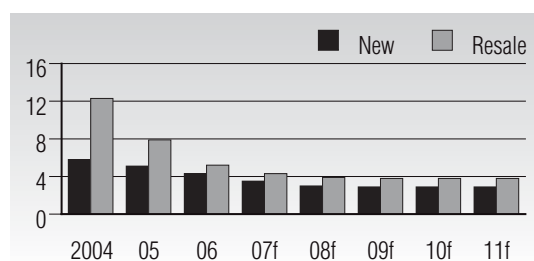
Price growth, both in the new and resale markets, remained fairly strong over the past two years, averaging 4.7 per cent and 6.5 per cent respectively. However, these increases are expected to moderate in the

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.

coming years, in line with weaker demand. Growth in new home prices is forecast to slow to 3.5 per cent this year and fall to 2.9 per cent annually from 2009 onward. Given that resale

prices are nearly \$60,000 less than new home prices—\$194,400 versus \$253,700 last year—there is likely still a little more room for price growth on the resale market over

the longer term. As a result, growth in existing home prices, while slowing, will still come in at 4.3 per cent in 2007 and 3.8 per cent by 2009.

Table 1—Economic Indicators

	2004	2005	2006	2007f	2008f	2009f	2010f	2011f
Real GDP at basic prices (1997 \$ millions)	219,943 <i>2.6</i>	225,078 <i>2.3</i>	228,745 <i>1.6</i>	233,341 <i>2.0</i>	239,994 <i>2.9</i>	246,689 <i>2.8</i>	252,632 <i>2.4</i>	258,752 <i>2.4</i>
Total employment (000s)	3,681 <i>1.5</i>	3,717 <i>1.0</i>	3,760 <i>1.2</i>	3,797 <i>1.0</i>	3,841 <i>1.2</i>	3,886 <i>1.2</i>	3,919 <i>0.8</i>	3,944 <i>0.6</i>
Unemployment rate	8.5	8.3	8.2	8.3	8.0	7.5	7.3	7.3
Personal income per capita	28,851 <i>4.0</i>	29,817 <i>3.3</i>	31,084 <i>4.3</i>	32,107 <i>3.3</i>	33,232 <i>3.5</i>	34,379 <i>3.5</i>	35,552 <i>3.4</i>	36,711 <i>3.3</i>
Population (000s)	7,542 <i>0.7</i>	7,593 <i>0.7</i>	7,641 <i>0.6</i>	7,681 <i>0.5</i>	7,724 <i>0.6</i>	7,766 <i>0.5</i>	7,808 <i>0.5</i>	7,852 <i>0.6</i>
Retail sales (\$ millions)	78,518 <i>4.2</i>	83,262 <i>6.0</i>	87,433 <i>5.0</i>	91,883 <i>5.1</i>	96,427 <i>4.9</i>	101,223 <i>5.0</i>	106,134 <i>4.9</i>	111,071 <i>4.7</i>
Inflation rate	1.9	2.3	1.9	1.3	2.0	2.1	2.0	2.0

Italics indicate percentage change.

Sources: The Conference Board of Canada; Statistics Canada.

Table 2—Housing Indicators

	2004	2005	2006	2007f	2008f	2009f	2010f	2011f
Housing starts	58,448 <i>16.2</i>	50,910 <i>-12.9</i>	44,322 <i>-12.9</i>	36,412 <i>-17.8</i>	32,782 <i>-10.0</i>	31,826 <i>-2.9</i>	30,555 <i>-4.0</i>	29,596 <i>-3.1</i>
Singles	28,871 <i>6.0</i>	23,930 <i>-17.1</i>	22,306 <i>-6.8</i>	20,044 <i>-10.1</i>	18,350 <i>-8.5</i>	17,751 <i>-3.3</i>	16,828 <i>-5.2</i>	15,988 <i>-5.0</i>
Multiples	29,577 <i>28.2</i>	26,980 <i>-8.8</i>	22,555 <i>-16.4</i>	16,368 <i>-27.4</i>	14,432 <i>-11.8</i>	14,075 <i>-2.5</i>	13,727 <i>-2.5</i>	13,608 <i>-0.9</i>
Housing completions	53,058 <i>16.6</i>	49,898 <i>-6.0</i>	45,545 <i>-8.7</i>	38,041 <i>-16.5</i>	30,984 <i>-18.5</i>	26,122 <i>-15.7</i>	24,433 <i>-6.5</i>	23,104 <i>-5.4</i>
Singles	28,927 <i>13.2</i>	23,314 <i>-19.4</i>	20,141 <i>-13.6</i>	15,342 <i>-23.8</i>	14,217 <i>-7.3</i>	12,844 <i>-9.7</i>	12,085 <i>-5.9</i>	11,143 <i>-7.8</i>
Multiples	24,131 <i>21.0</i>	26,584 <i>10.2</i>	25,404 <i>-4.4</i>	22,699 <i>-10.6</i>	16,767 <i>-26.1</i>	13,279 <i>-20.8</i>	12,348 <i>-7.0</i>	11,961 <i>-3.1</i>
Average price of a new home (\$)	231,335 <i>5.8</i>	243,119 <i>5.1</i>	253,655 <i>4.3</i>	262,448 <i>3.5</i>	270,322 <i>3.0</i>	278,161 <i>2.9</i>	286,227 <i>2.9</i>	294,528 <i>2.9</i>
Average price of a resale home (\$)	171,304 <i>12.3</i>	184,786 <i>7.9</i>	194,440 <i>5.2</i>	202,754 <i>4.3</i>	210,661 <i>3.9</i>	218,666 <i>3.8</i>	226,975 <i>3.8</i>	235,600 <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



Les mises en chantier de logements continuent à reculer au Québec en raison de la croissance démographique et économique relativement faible ainsi que de la hausse des taux d'intérêt. Après un repli annuel de 12,9 p. 100 ces deux dernières années, les mises en chantiers devraient maintenant chuter de 17,8 p. 100 en 2007 et de 10 p. 100 l'an prochain. On prévoit que le prix moyen des logements neufs augmentera modestement de 2,9 p. 100 par année à compter de 2009, tandis que le prix des logements existants devrait croître au taux annuel moyen de 3,8 p. 100 à moyen terme.

Perspectives économiques

Les perspectives économiques du Québec se sont assombries ces dernières années en raison des coûts élevés de l'énergie, d'une concurrence mondiale féroce et d'un dollar canadien fort, développements qui ont tous nui à la croissance du secteur manufacturier. On perçoit maintenant les signes avant-coureurs d'une amélioration graduelle. Le dollar canadien faiblit, et plusieurs secteurs devraient rebondir, notamment ceux de l'aérospatiale, de la technologie de l'information et des communications. Par ailleurs, des réductions supplémentaires de l'impôt provincial et d'autres augmentations raisonnables des salaires gonfleront le revenu après impôt, ce qui soutiendra la croissance des dépenses des consommateurs à court terme. Dans l'ensemble, nous prévoyons que la croissance du produit intérieur brut (PIB)

réel passera de 1,6 p. 100 en 2006 à 2 p. 100 en 2007.

annuelle moyenne de 11,4 p. 100 durant la même période.

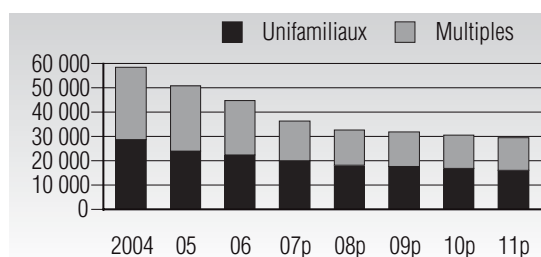
Perspectives du secteur résidentiel

Après une progression en dents de scie pendant la deuxième moitié des années 1990, les mises en chantier de logements ont augmenté rapidement au Québec entre 2001 et 2004. La croissance moyenne annuelle a atteint le niveau exceptionnel de 25 p. 100, grâce à la demande refoulée, aux faibles taux d'intérêt et à la vigueur de l'économie. Cette poussée de la demande de logements a entraîné une accélération de la hausse des prix. Entre 2001 et 2004, les prix des logements neufs ont progressé d'une moyenne annuelle de 5,7 p. 100. Cette demande accrue s'est répercutée sur le marché des logements existants, dont les prix ont connu une solide progression

Une fois la demande refoulée satisfaite, il y a quelques années, le marché immobilier du Québec a commencé à ralentir. Le marché a aussi ressenti les répercussions de plusieurs années de croissance économique modeste dans la province, imputable à l'effritement du secteur manufacturier. En conséquence, les mises en chantier de logements ont chuté de 12,9 p. 100 en 2005 et en 2006.

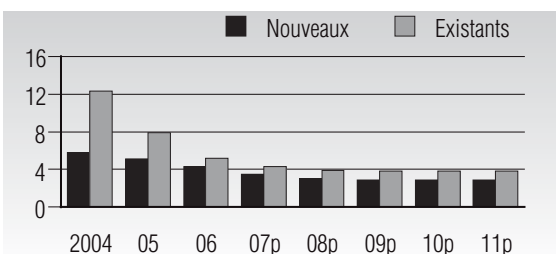
Nous prévoyons d'autres ralentissements, car le taux actuel de croissance démographique laisse voir que le niveau actuel d'activité dans le secteur de la construction ne peut pas durer. En fait, une étude récente du Conference Board indique que le nombre de nouveaux ménages formés annuellement dans la province se maintiendra aux environs de 30 000 au cours des prochaines années. En

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'immobilier.

conséquence, les mises en chantier de logements devraient reculer de 17,8 p. 100 en 2007 à 36 400 unités, et de 10 p. 100 en 2008 à 32 800 unités. Les mises en chantier continueront alors à décliner à moyen terme, pour atteindre en 2011 le seuil de 30 000 unités.

La croissance des prix dans les marchés des logements neufs et de la revente est demeurée plutôt forte

ces deux dernières années, avec une moyenne annuelle de 4,7 p. 100 et de 6,5 p. 100 respectivement. On s'attend toutefois à ce que cette croissance ralentisse ces prochaines années, parallèlement à la réduction de la demande. La croissance des prix des nouveaux logements devrait glisser à 3,5 p. 100 cette année et chuter à 2,9 p. 100 annuellement à compter de 2009. Comme les prix des logements existants sont de presque

60 000 dollars inférieurs à ceux des logements neufs — 194 400 dollars comparativement à 253 700 dollars l'an dernier —, il semble y avoir encore un peu de place, à plus long terme, pour une hausse plus forte des prix sur le marché de la revente. En conséquence, la croissance des prix des logements existants, bien que plus lente que ces dernières années, s'établira quand même à 4,3 p. 100 en 2007 et à 3,8 p. 100 en 2009.

Tableau 1 — Indicateurs économiques

	2004	2005	2006	2007p	2008p	2009p	2010p	2011p
PIB réel aux prix de base (en millions de dollars de 1997)	219 943 <i>2,6</i>	225 078 <i>2,3</i>	228 745 <i>1,6</i>	233 341 <i>2,0</i>	239 994 <i>2,9</i>	246 689 <i>2,8</i>	252 632 <i>2,4</i>	258 752 <i>2,4</i>
Emplois totaux (en milliers)	3 681 <i>1,5</i>	3 717 <i>1,0</i>	3 760 <i>1,2</i>	3 797 <i>1,0</i>	3 841 <i>1,2</i>	3 886 <i>1,2</i>	3 919 <i>0,8</i>	3 944 <i>0,6</i>
Taux de chômage	8,5	8,3	8,2	8,3	8,0	7,5	7,3	7,3
Revenu personnel par habitant	28 851 <i>4,0</i>	29 817 <i>3,3</i>	31 084 <i>4,3</i>	32 107 <i>3,3</i>	33 232 <i>3,5</i>	34 379 <i>3,5</i>	35 552 <i>3,4</i>	36 711 <i>3,3</i>
Population (en milliers)	7 542 <i>0,7</i>	7 593 <i>0,7</i>	7 641 <i>0,6</i>	7 681 <i>0,5</i>	7 724 <i>0,6</i>	7 766 <i>0,5</i>	7 808 <i>0,5</i>	7 852 <i>0,6</i>
Ventes au détail (en millions de \$)	78 518 <i>4,2</i>	83 262 <i>6,0</i>	87 433 <i>5,0</i>	91 883 <i>5,1</i>	96 427 <i>4,9</i>	101 223 <i>5,0</i>	106 134 <i>4,9</i>	111 071 <i>4,7</i>
Taux d'inflation	1,9	2,3	1,9	1,3	2,0	2,1	2,0	2,0

L'italique signale les variations en pourcentage.

Sources : Le Conference Board du Canada; Statistique Canada.

Tableau 2 — Indicateurs du secteur résidentiel

	2004	2005	2006	2007p	2008p	2009p	2010p	2011p
Mises en chantier	58 448 <i>16,2</i>	50 910 <i>-12,9</i>	44 322 <i>-12,9</i>	36 412 <i>-17,8</i>	32 782 <i>-10,0</i>	31 826 <i>-2,9</i>	30 555 <i>-4,0</i>	29 596 <i>-3,1</i>
Logements unifamiliaux	28 871 <i>6,0</i>	23 930 <i>-17,1</i>	22 306 <i>-6,8</i>	20 044 <i>-10,1</i>	18 350 <i>-8,5</i>	17 751 <i>-3,3</i>	16 828 <i>-5,2</i>	15 988 <i>-5,0</i>
Multiples	29 577 <i>28,2</i>	26 980 <i>-8,8</i>	22 555 <i>-16,4</i>	16 368 <i>-27,4</i>	14 432 <i>-11,8</i>	14 075 <i>-2,5</i>	13 727 <i>-2,5</i>	13 608 <i>-0,9</i>
Logements nouveaux	53 058 <i>16,6</i>	49 898 <i>-6,0</i>	45 545 <i>-8,7</i>	38 041 <i>-16,5</i>	30 984 <i>-18,5</i>	26 122 <i>-15,7</i>	24 433 <i>-6,5</i>	23 104 <i>-5,4</i>
Logements unifamiliaux	28 927 <i>13,2</i>	23 314 <i>-19,4</i>	20 141 <i>-13,6</i>	15 342 <i>-23,8</i>	14 217 <i>-7,3</i>	12 844 <i>-9,7</i>	12 085 <i>-5,9</i>	11 143 <i>-7,8</i>
Multiples	24 131 <i>21,0</i>	26 584 <i>10,2</i>	25 404 <i>-4,4</i>	22 699 <i>-10,6</i>	16 767 <i>-26,1</i>	13 279 <i>-20,8</i>	12 348 <i>-7,0</i>	11 961 <i>-3,1</i>
Prix moyen d'un logement nouveau (\$)	231 335 <i>5,8</i>	243 119 <i>5,1</i>	253 655 <i>4,3</i>	262 448 <i>3,5</i>	270 322 <i>3,0</i>	278 161 <i>2,9</i>	286 227 <i>2,9</i>	294 528 <i>2,9</i>
Prix moyen d'un logement existant (\$)	171 304 <i>12,3</i>	184 786 <i>7,9</i>	194 440 <i>5,2</i>	202 754 <i>4,3</i>	210 661 <i>3,9</i>	218 666 <i>3,8</i>	226 975 <i>3,8</i>	235 600 <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

The economic outlook for Ontario will remain tempered over the near term. Real gross domestic product (GDP) is expected to advance by a modest 2.5 per cent in 2007, following a 1.8 per cent increase last year. A solid performance by a number of industries—chemical, electrical equipment, machinery and equipment, and refined petroleum and coal products—is expected to enable total real exports to advance by 2.6 per cent in 2007, an improvement over the 1.2 per cent increase in 2006.

Strong domestic demand will continue to bolster economic activity, as business investment and consumer spending are expected to remain robust. Limited spare capacity in the commercial and industrial markets combined with moderate financing rates will continue to encourage

Housing starts in Ontario have fallen in each of the past three years and are expected to decline an additional 0.8 per cent in 2007. Higher mortgage rates combined with a still modest economy will temper housing demand this year. But starts will pick up next year as economic growth improves. Still, average price growth will decelerate in the medium term, to 3.1 per cent for new homes and to 4 per cent for existing homes.

investment in the non-residential construction sector. Furthermore, public spending commitments to upgrade energy and transportation infrastructure will support the investment forecast.

Housing Outlook

Ontario's housing starts grew by an annual average of 17.6 per cent through the last half of 1990s, as strength in the overall economy helped to boost demand for housing. The upward trend in housing starts continued into the new millennium, albeit at a more modest pace as the economy weakened. Fortunately, the decline in interest rates from 2001 onwards offset part of the effect of the deceleration in economic growth. From 2001 to 2003, housing starts rose by 6.1 per cent on an average annual basis.

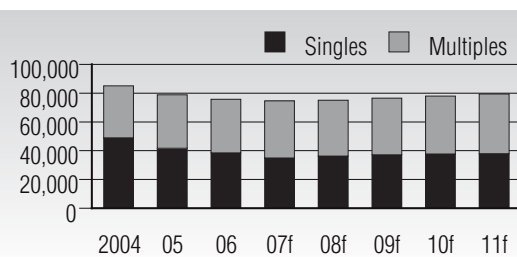
With pent-up demand satisfied, and an economy still growing at half the pace it was in the late 1990s,

housing starts slipped by 0.1 per cent in 2004. The declines over the past two years have been even more substantial: 7.4 per cent in 2005 and 4.6 per cent in 2006.

Increases in both new and resale home prices remained moderate in the last half of the 1990s, and began to take off only around 2002. The average price of a new home rose by 3 per cent per year from 1996 until 2001, with growth accelerating to 4.7 per cent annually since 2002. In the resale market, home prices grew by an average of 3.7 per cent per year between 1996 and 2001, and by a significant 7.6 per cent per year, on average, from 2002 onward.

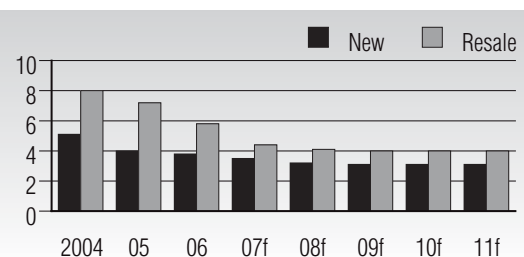
By 2004, the average price of new home had surpassed \$400,000; it went on to climb to \$432,300 by 2006. The average price for an existing home remains much lower, despite stronger growth in recent years. In 2006, the average price of an existing home was \$277,800.

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.

In spite of the anticipated stronger economic growth this year, housing starts are expected to keep falling, reaching 74,600 units, a drop of 0.8 per cent. Part of this decline can be attributed to higher mortgage rates, which have edged up slightly over the past year. Softening demand will lead to a deceleration in price

growth in both the new and the resale markets, which are expected to post average price increases of 3.5 per cent and 4.4 per cent, respectively, this year.

Next year, with economic growth picking up, Ontario's housing market will begin to show renewed signs of

life. From 2009 to 2011, housing starts are forecast to increase by 1.9 per cent annually. Increases in home prices will remain modest, however, at 3.1 per cent and 4 per cent per year for the new and resale markets, respectively.

Table 1—Economic Indicators

	2004	2005	2006	2007f	2008f	2009f	2010f	2011f
Real GDP at basic prices (1997 \$ millions)	434,383 <i>3.0</i>	447,338 <i>3.0</i>	455,582 <i>1.8</i>	466,867 <i>2.5</i>	482,250 <i>3.3</i>	498,524 <i>3.4</i>	515,509 <i>3.4</i>	532,650 <i>3.3</i>
Total employment (000s)	6,317 <i>1.7</i>	6,397 <i>1.3</i>	6,488 <i>1.4</i>	6,589 <i>1.6</i>	6,702 <i>1.7</i>	6,815 <i>1.7</i>	6,936 <i>1.8</i>	7,059 <i>1.8</i>
Unemployment rate	6.8	6.6	6.5	6.7	6.7	6.7	6.6	6.4
Personal income per capita	32,303 <i>3.1</i>	33,458 <i>3.6</i>	34,655 <i>3.6</i>	35,823 <i>3.4</i>	37,057 <i>3.4</i>	38,315 <i>3.4</i>	39,620 <i>3.4</i>	40,957 <i>3.4</i>
Population (000s)	12,394 <i>1.3</i>	12,537 <i>1.2</i>	12,659 <i>1.0</i>	12,782 <i>1.0</i>	12,924 <i>1.1</i>	13,074 <i>1.2</i>	13,234 <i>1.2</i>	13,401 <i>1.3</i>
Retail sales (\$ millions)	129,086 <i>3.2</i>	135,416 <i>4.9</i>	141,308 <i>4.4</i>	148,900 <i>5.4</i>	157,086 <i>5.5</i>	165,866 <i>5.6</i>	174,957 <i>5.5</i>	184,478 <i>5.4</i>
Inflation rate	1.9	2.2	1.9	1.4	2.3	2.4	2.1	2.1

Italics indicate percentage change.

Sources: The Conference Board of Canada; Statistics Canada.

Table 2—Housing Indicators

	2004	2005	2006	2007f	2008f	2009f	2010f	2011f
Housing starts	85,114 <i>-0.1</i>	78,795 <i>-7.4</i>	75,188 <i>-4.6</i>	74,589 <i>-0.8</i>	75,032 <i>0.6</i>	76,465 <i>1.9</i>	77,900 <i>1.9</i>	79,401 <i>1.9</i>
Singles	48,929 <i>2.8</i>	41,682 <i>-14.8</i>	38,520 <i>-7.6</i>	34,935 <i>-9.3</i>	36,256 <i>3.8</i>	37,204 <i>2.6</i>	37,714 <i>1.4</i>	37,878 <i>0.4</i>
Multiples	36,185 <i>-3.7</i>	37,113 <i>2.6</i>	37,218 <i>0.3</i>	39,654 <i>6.5</i>	38,776 <i>-2.2</i>	39,261 <i>1.3</i>	40,186 <i>2.4</i>	41,523 <i>3.3</i>
Housing completions	81,132 <i>6.7</i>	77,175 <i>-4.9</i>	78,297 <i>1.5</i>	73,907 <i>-5.6</i>	76,400 <i>3.4</i>	78,266 <i>2.4</i>	79,765 <i>1.9</i>	81,332 <i>2.0</i>
Singles	48,111 <i>3.2</i>	43,362 <i>-9.9</i>	40,170 <i>-7.4</i>	34,142 <i>-15.0</i>	34,172 <i>0.1</i>	35,920 <i>5.1</i>	36,890 <i>2.7</i>	37,406 <i>1.4</i>
Multiples	33,021 <i>12.2</i>	33,813 <i>2.4</i>	38,127 <i>12.8</i>	39,766 <i>4.3</i>	42,229 <i>6.2</i>	42,346 <i>0.3</i>	42,875 <i>1.3</i>	43,926 <i>2.4</i>
Average price of a new home (\$)	400,426 <i>5.1</i>	416,399 <i>4.0</i>	432,295 <i>3.8</i>	447,350 <i>3.5</i>	461,665 <i>3.2</i>	475,977 <i>3.1</i>	490,732 <i>3.1</i>	505,945 <i>3.1</i>
Average price of a resale home (\$)	244,854 <i>8.0</i>	262,504 <i>7.2</i>	277,794 <i>5.8</i>	289,949 <i>4.4</i>	301,837 <i>4.1</i>	313,910 <i>4.0</i>	326,467 <i>4.0</i>	339,525 <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

The Prairie provinces of Manitoba and Saskatchewan are expected to see only a slight improvement in real gross domestic product (GDP) growth this year. Overall real GDP is expected to expand by 2.6 per cent in 2007, following a 2.5 per cent increase last year.

With most goods sectors performing well in 2007, Manitoba can expect a gain of 2.9 per cent in overall economic growth. In fact, output in the goods-producing sector is forecast to rise by 3.7 per cent, thanks to continued growth in non-residential construction and an improvement in manufacturing. The province's services sector is expected to grow by a more moderate 2.5 per cent.

Although economic growth in Manitoba and Saskatchewan is expected to be steady in 2007, it will not be enough to support the recent level of housing demand. As a result, housing starts are forecast to fall by 14.7 per cent this year. In turn, new home price growth will also slow, from 9.4 per cent last year to a more modest 5.1 per cent this year. Resale prices are expected to increase by 4.9 per cent in 2007, much less than the 9.8 per cent growth seen in 2006.

At the same time, real GDP growth in Saskatchewan is expected to come in at a more modest 2.4 per cent. Growth in both agriculture and mining output in the province is forecast to improve in 2007. Higher exports of cattle and better crops are expected help agriculture output, while mining will receive a boost from higher uranium and potash production.

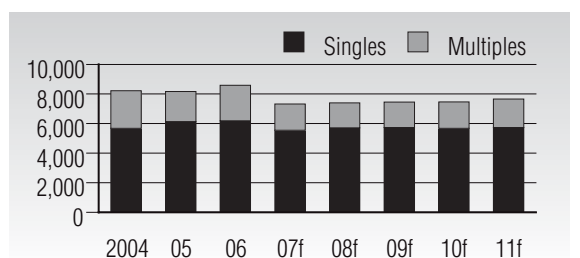
units. But that turned out to be a one-year pause, as builders, in part inspired by stronger economic growth, increased housing starts by 5.2 per cent last year.

Up until three years ago, growth in new home prices was modest, suggesting that demand and supply were moving in tandem. Specifically, from 1996 to 2003, new home prices increased by a meagre average of 1.8 per cent per year. Price growth picked up in 2004 and has become consistently stronger since then, a sign that the housing market has tightened. In 2006 alone, new home prices increased by 9.4 per cent. In level terms, new home prices increased from \$204,000 in 2003 to \$257,000 last year. Resale prices also increased at a faster pace over 2004 to 2006. Growth in that market reached 9.8 per cent last year, bringing the average price of an existing home to \$141,000.

Housing Outlook

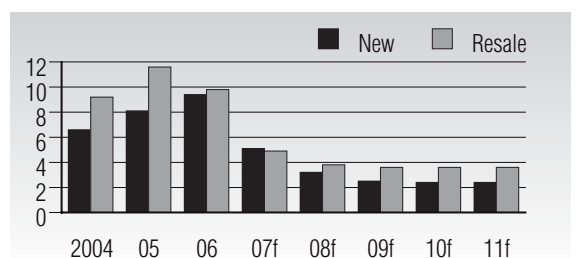
Similar to many other parts of the country, housing demand was strong in Manitoba and Saskatchewan between 1996 and 2004. During that time, housing starts rose by an annual average of 10.2 per cent, spurred on by pent-up demand from the early 1990s and lower interest rates after 2001. With pent-up demand thought to be satisfied, builders reduced starts in 2005, down 0.6 per cent to 8,200

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.

Demand for new housing is expected to be much weaker in the Prairie provinces of Manitoba and Saskatchewan in 2007. Accordingly, housing starts are forecast to fall by 14.7 per cent this year. This weakness will be spread across both provinces. Total housing starts will then hover

around 7,500 units for the rest of the forecast.

Price growth is also forecast to slow this year, in line with the decline in housing starts. The average price of a new home is expected to increase by 5.1 per cent in 2007, while resale

prices will rise by 4.9 per cent. Both markets can expect further deceleration in price growth through the medium term as well. From 2009 onward, new home prices are expected to grow by an average of 2.4 per cent annually, and resale prices by 3.6 per cent per year.

Table 1—Economic Indicators

	2004	2005	2006	2007f	2008f	2009f	2010f	2011f
Real GDP at basic prices (1997 \$ millions)	63,173 <i>2.8</i>	65,222 <i>3.2</i>	66,835 <i>2.5</i>	68,598 <i>2.6</i>	70,541 <i>2.8</i>	72,290 <i>2.5</i>	73,893 <i>2.2</i>	75,878 <i>2.7</i>
Total employment (000s)	1,056 <i>1.0</i>	1,064 <i>0.7</i>	1,076 <i>1.2</i>	1,087 <i>1.0</i>	1,099 <i>1.1</i>	1,110 <i>1.0</i>	1,119 <i>0.8</i>	1,130 <i>1.0</i>
Unemployment rate	5.3	4.9	4.7	4.8	4.7	4.7	4.7	4.6
Personal income per capita	27,506 <i>5.5</i>	28,341 <i>3.0</i>	29,503 <i>4.1</i>	30,489 <i>3.3</i>	31,568 <i>3.5</i>	32,650 <i>3.4</i>	33,678 <i>3.1</i>	34,804 <i>3.3</i>
Population (000s)	2,164 <i>0.4</i>	2,165 <i>0.0</i>	2,163 <i>-0.1</i>	2,171 <i>0.4</i>	2,180 <i>0.4</i>	2,190 <i>0.5</i>	2,201 <i>0.5</i>	2,213 <i>0.5</i>
Retail sales (\$ millions)	21,951 <i>5.5</i>	23,525 <i>7.2</i>	25,130 <i>6.8</i>	26,561 <i>5.7</i>	27,882 <i>5.0</i>	29,260 <i>4.9</i>	30,582 <i>4.5</i>	32,017 <i>4.7</i>
Inflation rate	2.1	2.5	2.2	1.8	1.9	2.2	2.0	2.0

Italics indicate percentage change.

Sources: The Conference Board of Canada; Statistics Canada.

Table 2—Housing Indicators

	2004	2005	2006	2007f	2008f	2009f	2010f	2011f
Housing starts	8,221 <i>9.3</i>	8,168 <i>-0.6</i>	8,593 <i>5.2</i>	7,329 <i>-14.7</i>	7,396 <i>0.9</i>	7,448 <i>0.7</i>	7,469 <i>0.3</i>	7,658 <i>2.5</i>
Singles	5,677 <i>7.9</i>	6,134 <i>8.1</i>	6,185 <i>0.8</i>	5,549 <i>-10.3</i>	5,707 <i>2.9</i>	5,734 <i>0.5</i>	5,684 <i>-0.9</i>	5,731 <i>0.8</i>
Multiples	2,544 <i>12.6</i>	2,034 <i>-20.0</i>	2,409 <i>18.4</i>	1,779 <i>-26.1</i>	1,689 <i>-5.1</i>	1,714 <i>1.5</i>	1,785 <i>4.1</i>	1,927 <i>8.0</i>
Housing completions	7,652 <i>10.0</i>	7,979 <i>4.3</i>	8,127 <i>1.8</i>	8,487 <i>4.4</i>	8,074 <i>-4.9</i>	8,016 <i>-0.7</i>	8,049 <i>0.4</i>	8,167 <i>1.5</i>
Singles	5,462 <i>8.0</i>	5,979 <i>9.5</i>	5,867 <i>-1.9</i>	6,377 <i>8.7</i>	6,564 <i>2.9</i>	6,702 <i>2.1</i>	6,694 <i>-0.1</i>	6,704 <i>0.2</i>
Multiples	2,190 <i>15.3</i>	2,001 <i>-8.6</i>	2,260 <i>13.0</i>	2,110 <i>-6.7</i>	1,510 <i>-28.4</i>	1,313 <i>-13.0</i>	1,356 <i>3.2</i>	1,463 <i>7.9</i>
Average price of a new home (\$)	217,575 <i>6.6</i>	235,297 <i>8.1</i>	257,474 <i>9.4</i>	270,543 <i>5.1</i>	279,200 <i>3.2</i>	286,180 <i>2.5</i>	293,048 <i>2.4</i>	300,082 <i>2.4</i>
Average price of a resale home (\$)	115,380 <i>9.2</i>	128,755 <i>11.6</i>	141,399 <i>9.8</i>	148,300 <i>4.9</i>	153,936 <i>3.8</i>	159,477 <i>3.6</i>	165,219 <i>3.6</i>	171,166 <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

Alberta's economy is firing on all cylinders. Easily surpassing that of all other provinces, Alberta's gross domestic product (GDP) growth hit an estimated 7 per cent in 2006. And this year's anticipated growth of 5 per cent growth is second only to Newfoundland and Labrador. Phenomenal growth in the goods-producing industries will be led by robust gains in manufacturing, mineral fuels and construction output, thanks largely to the frantic development of the oil sands.

Softer net interprovincial migration flows and more sustainable income gains will rein in consumer demand this year. Still, on the heels of three consecutive years of double-digit growth, retail sales are expected to increase by another 7.5 per cent in 2007.

Alberta's real GDP is expected to rise by 5 per cent this year, building on a 7 per cent gain last year. Nonetheless, housing starts are expected to drop by 13.9 per cent in 2007 and 7.6 per cent in 2008, as demand will be hampered by last year's jaw-dropping price increases. House price inflation is expected to be strong again this year. But by the medium term, new home prices are forecast to grow by only 3.1 per cent per year, while existing home prices will rise by 4.1 per cent annually.

Housing Outlook

Alberta has enjoyed a boom in its housing market since 1996. With the exception of two years of declines, housing starts increased by double-digit growth rates in nearly every year from 1996 to 2006. Initially, starts were being driven by pent-up demand and strong economic growth. Between 1996 and 2000, these factors led to a 14.7 per cent average annual increase in housing starts, even though starts dipped by 6.2 per cent in 1999. Declining interest rates beginning in 2001 kept housing starts growing at a fast pace despite slower economic growth. Starts rose by 11.1 per cent in that year and by 32.8 per cent in 2002.

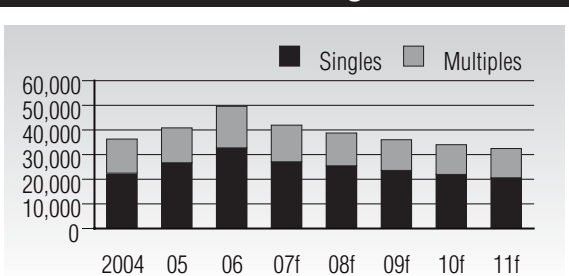
The market took a bit of a breather in 2003 and 2004, before bursting to life again in 2005, as economic growth in Alberta soared, thanks to the red-hot energy sector. Over the past two years, housing starts in Alberta

increased by 12.6 per cent and by 19.3 per cent respectively. By 2006, construction started on 48,700 units, over three times more than in 1995.

In line with the increased demand, the price of a new home rose by 4.6 per cent on an average annual basis from 1997 to 2005. Even stronger price growth of 7.2 per cent per year was recorded in the resale home market, indicating that demand for existing homes in the province had also increased significantly. In 2006 alone, average prices for both new and existing homes rose by more than 30 per cent. In level terms, this meant, on average, a \$100,000 price increase for new homes and a \$70,000 price increase for existing homes.

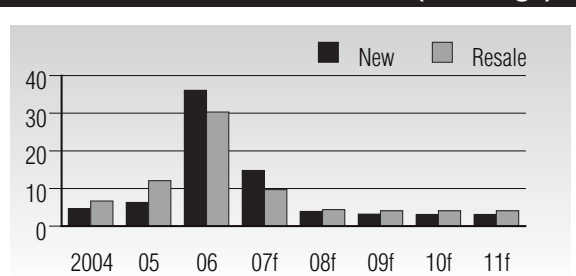
The shine is likely to come off the province's housing market in 2007. With prices rising so rapidly and economic growth moving back to more sustainable levels, housing starts have already begun to trend

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.

downward, falling in each of the final two quarters of 2006. Housing starts are forecast to drop by 13.9 per cent this year, and by a further 7.6 per cent in 2008, as interest rates start to move back up. This will bring housing starts to 38,800 for next year—still high by historical standards. Accordingly,

housing starts will keep falling through the medium term, moving back in line with demographic requirements.

Price growth is expected to slow as well. House price inflation will still be strong in 2007, at 14.8 per cent in

the new home market and at 9.7 per cent in the existing home market. But it will decelerate rapidly in 2008.

From 2009 to 2011, price growth will average 3.1 per cent for new homes and 4.1 per cent for existing homes.

Table 1—Economic Indicators

	2004	2005	2006	2007f	2008f	2009f	2010f	2011f
Real GDP at basic prices (1997 \$ millions)	131,161 <i>4.5</i>	137,471 <i>4.8</i>	147,121 <i>7.0</i>	154,466 <i>5.0</i>	160,904 <i>4.2</i>	166,805 <i>3.7</i>	173,285 <i>3.9</i>	180,279 <i>4.0</i>
Total employment (000s)	1,758 <i>2.4</i>	1,784 <i>1.5</i>	1,865 <i>4.5</i>	1,929 <i>3.5</i>	1,979 <i>2.6</i>	2,024 <i>2.3</i>	2,067 <i>2.1</i>	2,109 <i>2.1</i>
Unemployment rate	4.6	3.9	3.6	3.9	3.8	3.8	3.7	3.4
Personal income per capita	35,397 <i>5.8</i>	37,597 <i>6.2</i>	40,115 <i>6.7</i>	41,660 <i>3.9</i>	43,238 <i>3.8</i>	44,837 <i>3.7</i>	46,518 <i>3.7</i>	48,285 <i>3.8</i>
Population (000s)	3,202 <i>1.5</i>	3,268 <i>2.1</i>	3,360 <i>2.8</i>	3,426 <i>2.0</i>	3,493 <i>2.0</i>	3,557 <i>1.8</i>	3,618 <i>1.7</i>	3,677 <i>1.6</i>
Retail sales (\$ millions)	43,372 <i>10.3</i>	48,758 <i>12.4</i>	56,642 <i>16.2</i>	60,873 <i>7.5</i>	64,881 <i>6.6</i>	69,104 <i>6.5</i>	73,480 <i>6.3</i>	78,012 <i>6.2</i>
Inflation rate	1.4	2.1	4.2	3.7	2.4	2.3	2.1	2.1

Italics indicate percentage change.

Sources: The Conference Board of Canada; Statistics Canada.

Table 2—Housing Indicators

	2004	2005	2006	2007f	2008f	2009f	2010f	2011f
Housing starts	36,270 <i>0.3</i>	40,847 <i>12.6</i>	48,711 <i>19.3</i>	41,926 <i>-13.9</i>	38,758 <i>-7.6</i>	36,056 <i>-7.0</i>	34,009 <i>-5.7</i>	32,469 <i>-4.5</i>
Singles	22,487 <i>2.6</i>	26,684 <i>18.7</i>	32,741 <i>22.7</i>	27,063 <i>-17.3</i>	25,437 <i>-6.0</i>	23,580 <i>-7.3</i>	21,963 <i>-6.9</i>	20,566 <i>-6.4</i>
Multiples	13,783 <i>-3.3</i>	14,163 <i>2.8</i>	16,868 <i>19.1</i>	14,862 <i>-11.9</i>	13,320 <i>-10.4</i>	12,475 <i>-6.3</i>	12,047 <i>-3.4</i>	11,903 <i>-1.2</i>
Housing completions	35,255 <i>-1.5</i>	36,861 <i>4.6</i>	40,138 <i>8.9</i>	45,721 <i>13.9</i>	42,876 <i>-6.2</i>	39,137 <i>-8.7</i>	36,437 <i>-6.9</i>	34,340 <i>-5.8</i>
Singles	21,883 <i>-5.2</i>	24,612 <i>12.5</i>	27,406 <i>11.4</i>	30,449 <i>11.1</i>	29,217 <i>-4.0</i>	27,467 <i>-6.0</i>	25,615 <i>-6.7</i>	23,988 <i>-6.3</i>
Multiples	13,372 <i>5.2</i>	12,249 <i>-8.4</i>	12,732 <i>3.9</i>	15,272 <i>19.9</i>	13,658 <i>-10.6</i>	11,670 <i>-14.6</i>	10,822 <i>-7.3</i>	10,352 <i>-4.3</i>
Average price of a new home (\$)	261,133 <i>4.6</i>	277,455 <i>6.3</i>	377,736 <i>36.1</i>	433,503 <i>14.8</i>	450,409 <i>3.9</i>	464,822 <i>3.2</i>	479,232 <i>3.1</i>	494,088 <i>3.1</i>
Average price of a resale home (\$)	195,027 <i>6.7</i>	218,532 <i>12.1</i>	284,843 <i>30.3</i>	312,368 <i>9.7</i>	326,112 <i>4.4</i>	339,483 <i>4.1</i>	353,402 <i>4.1</i>	367,891 <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



British Columbia's economic growth is forecast to slow to 3.2 per cent this year, following a 3.9 per cent gain in 2006. Housing starts will finally start to drop this year as well, declining by 6.3 per cent. Weaker housing demand will ease the upward pressure on prices, with increases in new home prices decelerating from 4.4 per cent in 2007 to 2.9 per cent by 2011. Price growth will also be slower in the resale market, falling from 6.8 per cent this year to 4.1 per cent per year by the end of the forecast.

Economic Outlook

Overall gross domestic product (GDP) growth in British Columbia reached a robust 3.9 per cent in 2006. Growth for 2007 is expected to be a more modest, but still respectable, 3.2 per cent. Although growth in the services sector will be solid, it will be outpaced, yet again, by growth in the goods-producing industries. The mining outlook is particularly bright for 2007, as new mines will help boost output in the non-metallic and mineral fuel components. Activity in the manufacturing sector is also expected to continue to forge ahead unabated over the near term.

Employment posted a solid gain in 2006, increasing by 2.9 per cent. Momentum will slow somewhat in 2007, however, as GDP growth begins to decelerate. Employment growth is still expected to come in at a sound 1.8 per cent this year.

Personal disposable income growth will decelerate as well, advancing by 4 per cent in 2007, after posting a 6.8 per cent increase last year.

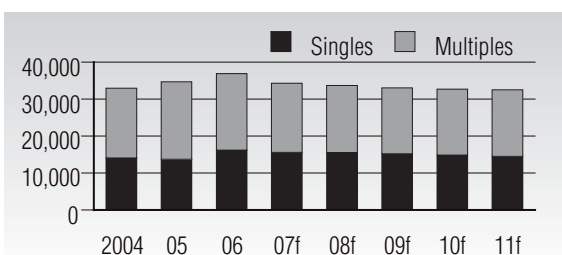
Housing Outlook

From 2001 to 2004, the housing market in British Columbia was red-hot, partly because of declining interest rates. Housing starts rose by 23 per cent on an average annual basis over this time period. In level terms, this translated into a near doubling in starts, from 17,200 units in 2001 to 32,900 units in 2004. Housing starts continued to grow through 2005 and 2006 as well, albeit at a more modest average pace of 5.5 per cent per year. This was still good news, however, as most other provinces had already begun to see downturns in their housing markets by then. B.C.'s relatively healthy economy helped to keep the demand for housing strong over the past two years.

Growth in new home prices picked up around 2003. From 2003 to 2006, the average price of a new home in B.C. rose by an annual average of 5 per cent. Existing home prices increased at an even faster pace of 13.1 per cent annually over the same time frame. This indicates that demand has also been strong in the resale housing market over the past few years.

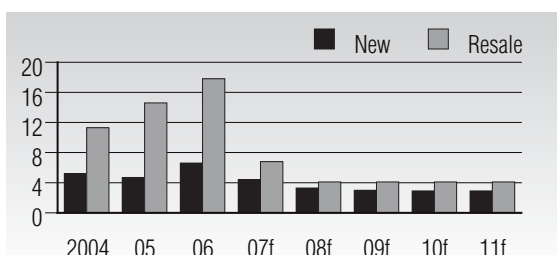
The difference in price growth between the two markets may reflect their level difference. By last year, the average price of a new home in British Columbia stood at \$612,300, over \$220,000 more than the average price of an existing home. More moderate price increases for new homes may have been a way for builders to ensure that the price gap between the two markets did not widen any further in an effort to keep as many potential buyers as possible in the new home 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.

B.C.'s housing market is expected to cool this year as economic growth slows. Total housing starts are forecast to fall by 6.3 per cent in 2007 and by 1.8 per cent next year. Still, even with both of these declines, housing starts will reach a relatively high 33,700 units next year. Starts

will continue to fall through the medium term, aligning with the province's demographic requirements.

Price growth will remain solid this year and next year, before moderating from 2009 onward. Specifically, the average price of a new

home will increase by 4.4 per cent this year, while the average price of an existing home will increase by 6.8 per cent. By 2009, these growth rates will have slowed to 3 per cent and 4.1 per cent respectively.

Table 1—Economic Indicators

	2004	2005	2006	2007f	2008f	2009f	2010f	2011f
Real GDP at basic prices (1997 \$ millions)	127,290 <i>4.3</i>	132,041 <i>3.7</i>	137,220 <i>3.9</i>	141,613 <i>3.2</i>	145,965 <i>3.1</i>	150,203 <i>2.9</i>	154,307 <i>2.7</i>	158,631 <i>2.8</i>
Total employment (000s)	2,063 <i>2.4</i>	2,130 <i>3.3</i>	2,192 <i>2.9</i>	2,232 <i>1.8</i>	2,267 <i>1.6</i>	2,299 <i>1.4</i>	2,327 <i>1.2</i>	2,355 <i>1.2</i>
Unemployment rate	7.2	5.9	4.7	4.6	4.5	4.5	4.6	4.6
Personal income per capita	29,255 <i>3.9</i>	30,451 <i>4.1</i>	32,040 <i>5.2</i>	33,167 <i>3.5</i>	34,294 <i>3.4</i>	35,432 <i>3.3</i>	36,532 <i>3.1</i>	37,716 <i>3.2</i>
Population (000s)	4,198 <i>1.1</i>	4,251 <i>1.3</i>	4,301 <i>1.2</i>	4,341 <i>0.9</i>	4,385 <i>1.0</i>	4,432 <i>1.1</i>	4,481 <i>1.1</i>	4,531 <i>1.1</i>
Retail sales (\$ millions)	47,217 <i>6.3</i>	50,027 <i>6.0</i>	53,576 <i>7.1</i>	56,825 <i>6.1</i>	59,739 <i>5.1</i>	62,838 <i>5.2</i>	65,900 <i>4.9</i>	69,214 <i>5.0</i>
Inflation rate	2.0	2.0	1.9	1.8	2.0	2.1	2.0	2.0

Italics indicate percentage change.

Sources: The Conference Board of Canada; Statistics Canada.

Table 2—Housing Indicators

	2004	2005	2006	2007f	2008f	2009f	2010f	2011f
Housing starts	32,925 <i>25.8</i>	34,667 <i>5.3</i>	36,621 <i>5.6</i>	34,297 <i>-6.3</i>	33,667 <i>-1.8</i>	33,015 <i>-1.9</i>	32,679 <i>-1.0</i>	32,501 <i>-0.5</i>
Singles	14,056 <i>14.7</i>	13,719 <i>-2.4</i>	16,200 <i>18.1</i>	15,592 <i>-3.8</i>	15,559 <i>-0.2</i>	15,203 <i>-2.3</i>	14,859 <i>-2.3</i>	14,494 <i>-2.5</i>
Multiples	18,869 <i>35.5</i>	20,948 <i>11.0</i>	20,692 <i>-1.2</i>	18,705 <i>-9.6</i>	18,108 <i>-3.2</i>	17,812 <i>-1.6</i>	17,820 <i>0.0</i>	18,006 <i>1.0</i>
Housing completions	24,764 <i>12.7</i>	28,262 <i>14.1</i>	34,941 <i>23.6</i>	32,115 <i>-8.1</i>	31,550 <i>-1.8</i>	30,948 <i>-1.9</i>	30,480 <i>-1.5</i>	30,180 <i>-1.0</i>
Singles	12,363 <i>11.7</i>	12,835 <i>3.8</i>	14,924 <i>16.3</i>	15,113 <i>1.3</i>	15,848 <i>4.9</i>	15,616 <i>-1.5</i>	15,251 <i>-2.3</i>	14,862 <i>-2.5</i>
Multiples	12,400 <i>13.8</i>	15,427 <i>24.4</i>	20,018 <i>29.8</i>	17,002 <i>-15.1</i>	15,702 <i>-7.7</i>	15,332 <i>-2.4</i>	15,229 <i>-0.7</i>	15,318 <i>0.6</i>
Average price of a new home (\$)	548,868 <i>5.2</i>	574,491 <i>4.7</i>	612,330 <i>6.6</i>	639,353 <i>4.4</i>	660,452 <i>3.3</i>	680,266 <i>3.0</i>	699,993 <i>2.9</i>	720,293 <i>2.9</i>
Average price of a resale home (\$)	289,274 <i>11.3</i>	331,505 <i>14.6</i>	390,524 <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>	489,789 <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

A poorly performing manufacturing sector has hampered growth in Montréal's real gross domestic product (GDP) since 2001. Last year, continued difficulties in manufacturing were compounded by a slowdown in the construction sector, resulting in the lowest growth in GDP in five years, at 1.5 per cent.

Fortunately, both the manufacturing and construction sectors are expected to rebound in the short term. Manufacturers have taken advantage of the higher-valued Canadian dollar to buy new machinery and equipment, thereby improving their competitiveness. This will lead to a gradual recovery in the industry. As well, the non-residential construction sector is expected to do well, thanks to various major projects. As a result, total

The modest recovery in Montréal's manufacturing sector will help lift the city's overall economic growth to 2.5 per cent in 2007, up from its poor showing of 1.5 per cent in 2006. But the city's housing market will weaken further, with housing starts set to decline by 15.5 per cent this year and 8.7 per cent in 2008, on the heels of a drop of roughly 30 per cent over the last two years. Weakening demand will lead to softer house price inflation over the coming years in the new and resale markets.

GDP is forecast to grow by 2.5 per cent in 2007 and by 2.8 per cent in 2008.

Housing Outlook

EXISTING HOUSING MARKET

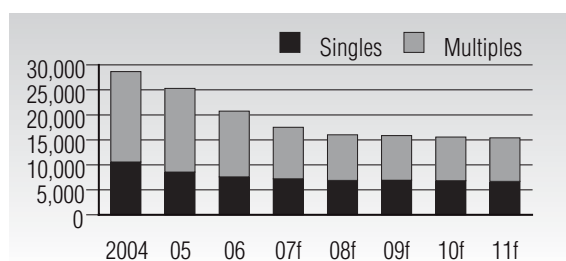
After seven years of phenomenal growth, Montréal's existing home market came to a halt in 2003. Pent-up demand had pushed unit sales of existing homes up by an annual average of 13.4 per cent from 1996 to 2002. But with pent-up demand satisfied and the city's economy struggling—real GDP growth reached only 1.7 per cent in 2003—sales began to falter. Unit sales dropped by 1 per cent in 2003 and grew by only 1.9 per cent in 2005 and 2.1 per cent last year.

Although Montréal's economy is set to improve, unit sales are expected to fall in 2007 by 3.9 per cent. This is in part because demand in the existing

home market will be further tempered by rising mortgage rates, which are expected to resume their upward climb by the end of this year. Accordingly, unit sales are forecast to continue falling through the medium term, down by 2.8 per cent in 2008 and by an average of 1.4 per cent per year from 2009 to 2011. By the end of the forecast (2011), unit sales will have fallen back to 45,200, near their 2001 level.

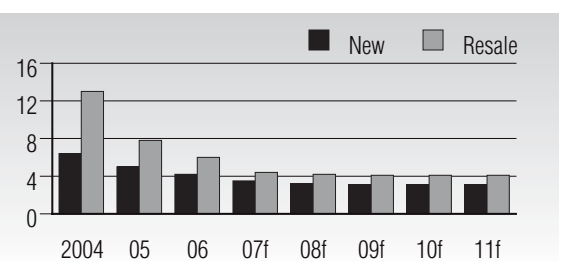
The strong demand in the resale home market in the early part of this decade also brought with it stronger growth in existing home prices. From 2002 to 2005, existing home prices rose by an average of 12.8 per cent per year. This growth resulted in average resale home prices surpassing \$200,000 in 2005. Price growth continued to be fairly strong in 2006 as well, at 6 per cent, despite the weakening demand. With sales falling off through the medium term, price

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.

growth will decelerate in the coming years, reaching 4.4 per cent in 2007, and stabilizing at 4.1 per cent annually from 2009 onward.

Initial increases in unit sales did not instantaneously bring more sellers to the resale market. As a result, Montréal's sales-to-new-listings ratio rose from 31.2 per cent to 72.4 per cent over 1996 to 2002. However, just as demand was starting to wane, sellers decided to step up, responding to increasing prices. New listings jumped by an annual average of 12.3 per cent from 2003 to 2005 and by an additional 5.7 per cent last year. This brought the sales-to-new-listings ratio back down to 51 per cent by 2006. New listings are expected to

fall over the rest of the forecast period, in response to lower demand and softer price increases. The sales-to-new-listings ratio will remain around 50 per cent from 2007 to 2011.

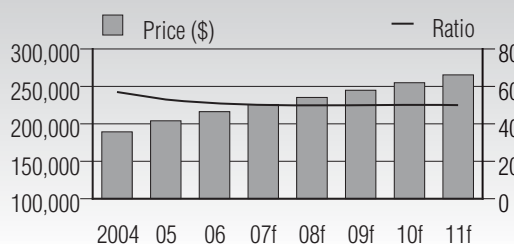
NEW HOUSING MARKET

The new housing market in Montréal was strong from the last half of the 1990s through to 2004. Housing starts increased by a brisk 17.4 per cent on an average annual basis over this time frame. And with the exception of a decline in 1998, absorptions grew at an even faster pace, at an average of 18.3 per cent per year. This resulted in a significant decline in months' supply, from 3.4 months in 1996 to a low of 0.9 months by 2003. With this

tightening in the market came more rapid growth in new home prices. The price of a new home rose to nearly \$250,000 by 2004, an average increase of 3.4 per cent per year from 1996 to 2004.

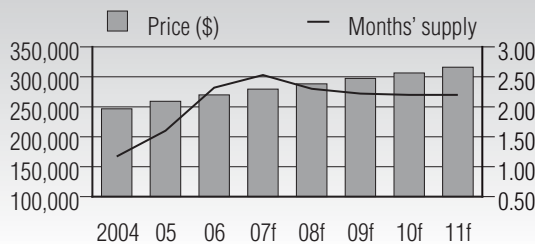
Similar to the resale market, weak growth in the economy began to take its toll on Montréal's new home market towards the end of 2004. Buyers became more cautious, and demand declined. Supply declined as well, as housing starts fell sharply in 2005 and 2006, down 11.7 per cent and 18.1 per cent respectively. But housing starts still reached 20,700 last year—almost three times their 1996 level—enough to allow months' supply to increase to 2.3 months.

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

	2004	2005	2006	2007f	2008f	2009f	2010f	2011f
Real GDP at basic prices (1997 \$ millions)	108,223 2.2	110,551 2.2	112,214 1.5	114,983 2.5	118,237 2.8	121,491 2.8	124,885 2.8	128,366 2.8
Total employment (000s)	1,804 0.9	1,823 1.1	1,854 1.7	1,881 1.5	1,902 1.1	1,932 1.6	1,960 1.4	1,982 1.1
Unemployment rate	8.7	8.7	8.6	8.7	8.7	8.4	8.1	7.9
Personal income per capita	30,301 3.6	31,615 4.3	33,288 5.3	34,474 3.6	35,586 3.2	36,828 3.5	38,157 3.6	39,464 3.4
Population (000s)	3,610 0.9	3,636 0.7	3,661 0.7	3,690 0.8	3,722 0.9	3,754 0.8	3,786 0.9	3,820 0.9
Retail sales (\$ millions)	36,287 4.7	38,473 6.0	40,515 5.3	42,651 5.3	44,799 5.0	47,069 5.1	49,425 5.0	51,867 4.9
Inflation rate	1.9	2.2	1.8	1.3	2.0	2.1	2.0	2.0

Italics indicate percentage change.

Sources: The Conference Board of Canada; Statistics Canada.

Given relatively modest population growth, more declines in housing starts are expected in the coming years, bringing starts to a more sustainable level. Starts are forecast to decline by 15.5 per cent in 2007 and by 8.7 per cent for 2008. Another factor that will push starts lower, at least in 2007, is the expected rise in mortgage rates

later this year. With supply and demand aligning, months' supply will stabilize at around 2.2 months over the rest of the forecast period.

Even though months' supply has risen over the past couple of years, a sign that the market is less tight than it was, price growth in the new home

market has remained relatively strong, averaging 4.6 per cent annually over 2005 and 2006. Growth in new home prices is forecast to weaken this year, coming in at 3.5 per cent in 2007.

It will then continue to decelerate through the medium term, down to 3.1 per cent per year from 2009 to 2011.

Table 2—New Housing Market Indicators

	2004	2005	2006	2007f	2008f	2009f	2010f	2011f
Housing starts	28,673	25,317	20,744	17,528	16,010	15,860	15,566	15,424
	<i>17.9</i>	<i>-11.7</i>	<i>-18.1</i>	<i>-15.5</i>	<i>-8.7</i>	<i>-0.9</i>	<i>-1.9</i>	<i>-0.9</i>
Singles	10,578	8,544	7,593	7,216	6,881	6,923	6,815	6,715
	<i>2.1</i>	<i>-19.2</i>	<i>-11.1</i>	<i>-5.0</i>	<i>-4.6</i>	<i>0.6</i>	<i>-1.6</i>	<i>-1.5</i>
Multiples	18,095	16,773	13,151	10,312	9,129	8,937	8,751	8,709
	<i>29.6</i>	<i>-7.3</i>	<i>-21.6</i>	<i>-21.6</i>	<i>-11.5</i>	<i>-2.1</i>	<i>-2.1</i>	<i>-0.5</i>
Under construction	17,389	17,575	17,444	16,426	13,652	12,333	11,979	11,758
	<i>42.1</i>	<i>1.1</i>	<i>-0.7</i>	<i>-5.8</i>	<i>-16.9</i>	<i>-9.7</i>	<i>-2.9</i>	<i>-1.8</i>
Housing completions	24,920	25,699	22,710	19,297	16,702	15,677	15,438	15,198
	<i>22.9</i>	<i>3.1</i>	<i>-11.6</i>	<i>-15.0</i>	<i>-13.4</i>	<i>-6.1</i>	<i>-1.5</i>	<i>-1.6</i>
Singles	10,473	9,282	8,168	7,326	7,010	6,880	6,861	6,751
	<i>5.4</i>	<i>-11.4</i>	<i>-12.0</i>	<i>-10.3</i>	<i>-4.3</i>	<i>-1.9</i>	<i>-0.3</i>	<i>-1.6</i>
Multiples	14,447	16,417	14,542	11,971	9,691	8,797	8,577	8,447
	<i>39.7</i>	<i>13.6</i>	<i>-11.4</i>	<i>-17.7</i>	<i>-19.0</i>	<i>-9.2</i>	<i>-2.5</i>	<i>-1.5</i>
Newly completed and unabsorbed	2,311	3,341	4,090	4,234	3,331	2,943	2,845	2,798
	<i>52.5</i>	<i>44.6</i>	<i>22.4</i>	<i>3.5</i>	<i>-21.3</i>	<i>-11.6</i>	<i>-3.3</i>	<i>-1.7</i>
Absorptions	23,833	25,133	21,596	20,038	17,402	15,903	15,499	15,237
	<i>20.3</i>	<i>5.5</i>	<i>-14.1</i>	<i>-7.2</i>	<i>-13.2</i>	<i>-8.6</i>	<i>-2.5</i>	<i>-1.7</i>
Months' supply	1.2	1.6	2.3	2.5	2.3	2.2	2.2	2.2
New housing price	246,712	259,128	270,044	279,462	288,405	297,345	306,563	316,066
	<i>6.4</i>	<i>5.0</i>	<i>4.2</i>	<i>3.5</i>	<i>3.2</i>	<i>3.1</i>	<i>3.1</i>	<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

	2004	2005	2006	2007f	2008f	2009f	2010f	2011f
Unit sales	48,564	49,506	50,548	48,577	47,217	46,037	45,438	45,211
	<i>2.4</i>	<i>1.9</i>	<i>2.1</i>	<i>-3.9</i>	<i>-2.8</i>	<i>-2.5</i>	<i>-1.3</i>	<i>-0.5</i>
Dollar volume sales (\$ millions)	9,181	10,085	10,920	10,969	11,110	11,276	11,587	12,002
	<i>15.9</i>	<i>9.9</i>	<i>8.3</i>	<i>0.4</i>	<i>1.3</i>	<i>1.5</i>	<i>2.7</i>	<i>3.6</i>
New listings	84,895	93,667	99,024	96,611	93,603	91,303	90,266	89,991
	<i>16.0</i>	<i>10.3</i>	<i>5.7</i>	<i>-2.4</i>	<i>-3.1</i>	<i>-2.5</i>	<i>-1.1</i>	<i>-0.3</i>
Sales-to-new-listings ratio	57	53	51	50	50	50	50	50
Resale price	189,325	204,065	216,283	225,827	235,312	244,959	255,003	265,458
	<i>13.0</i>	<i>7.8</i>	<i>6.0</i>	<i>4.4</i>	<i>4.2</i>	<i>4.1</i>	<i>4.1</i>	<i>4.1</i>

Italics indicate percentage change.

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

Montréal



Perspectives économiques

Depuis 2001, le rendement anémique du secteur de la fabrication nuit à la croissance du produit intérieur brut (PIB) réel de Montréal. L'an dernier, les difficultés constantes de la fabrication ont été amplifiées par un ralentissement dans le secteur de la construction, ce qui a entraîné la plus faible croissance du PIB en cinq ans, soit 1,5 p. 100.

Heureusement, on prévoit que les secteurs de la fabrication et de la construction rebondiront tous deux à court terme. Les fabricants ont tiré profit du haut niveau du dollar canadien pour effectuer de nouveaux investissements en matériel et en outillage, ce qui améliore leur compétitivité. Cela entraînera une reprise graduelle du secteur. En outre, le secteur de la construction non

La modeste reprise du secteur manufacturier de Montréal aidera à faire passer la croissance économique globale de la ville à 2,5 p. 100 en 2007, en hausse par rapport au faible taux de 1,5 p. 100 observé en 2006. Mais malgré cela, le marché du logement devrait se relâcher à nouveau. En effet, on prévoit que les mises en chantier de logements chuteront de 15,5 p. 100 cette année et de 8,7 p. 100 en 2008, dans la foulée d'une dégringolade d'environ 30 p. 100 ces deux dernières années. La réduction de la demande produira un fléchissement de l'inflation du prix des maisons au cours des prochaines années dans les marchés des logements neufs et des logements existants.

résidentielle devrait afficher de bons résultats, grâce à divers projets majeurs. En conséquence, le PIB global devrait progresser de 2,5 p. 100 en 2007 et de 2,8 p. 100 en 2008.

Perspectives du secteur résidentiel

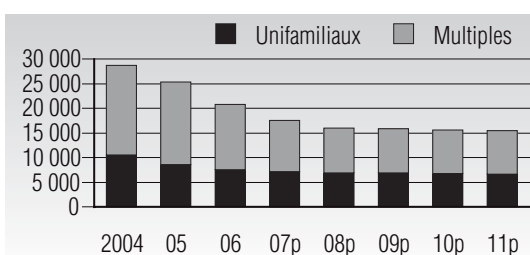
MARCHÉ DES LOGEMENTS EXISTANTS

Après sept ans de croissance phénoménale, le marché des logements existants à Montréal a marqué un arrêt. La demande refoulée avait fait croître les ventes de logements existants au taux annuel moyen de 13,4 p. 100 entre 1996 et 2002. Mais une fois cette demande satisfaite et l'économie de la ville battant de l'aile — la croissance du PIB réel n'a été que de 1,7 p. 100 en 2003 —, les ventes ont commencé à ralentir. Les ventes d'unités ont baissé de 1 p. 100

en 2003 et la croissance a été plutôt modeste depuis. En fait, les ventes n'ont progressé que de 1,9 p. 100 en 2005 et de 2,1 p. 100 l'an dernier.

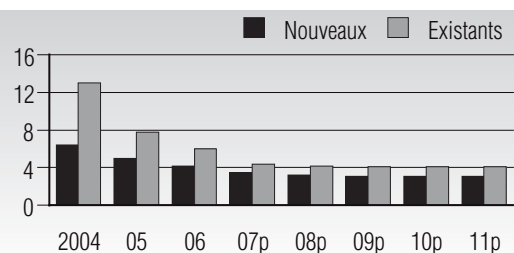
Même si on prévoit que l'économie de Montréal se redressera, les ventes d'unités devraient chuter de 3,9 p. 100 en 2007. Cela est partiellement attribuable au fait que le marché des logements existants sera encore affaibli par la hausse des taux hypothécaires, qui devraient recommencer à monter vers la fin de cette année. En conséquence, on prévoit que les ventes d'unités continueront à chuter à moyen terme, soit de 2,8 p. 100 en 2008, puis d'une moyenne de 1,4 p. 100 par année entre 2009 et 2011. À la fin de la période de prévision (2011), les ventes devraient avoir reculé presque au niveau de 2001, soit 45 200 unités.

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.

L'intense demande sur le marché des logements existants au début des années 2000 a aussi entraîné une forte croissance des prix de ces logements. Entre 2002 et 2005, les prix des logements existants ont augmenté d'une moyenne de 12,8 p. 100 par année. Cette progression a fait monter le prix de revente moyen à plus de 200 000 dollars en 2005. La poussée des prix est demeurée assez forte en 2006 également, à 6 p. 100, en dépit du fléchissement de la demande. Avec le déclin des ventes à moyen terme, la progression des prix ralentira au cours des prochaines années, à 4,4 p. 100 en 2007 puis à 4,1 p. 100 par année à compter de 2009.

Au début, l'augmentation des ventes d'unités n'a pas attiré davantage de vendeurs sur le marché de la revente. En conséquence, le ratio des ventes aux nouvelles inscriptions à Montréal est passé de 31,2 à 72,4 p. 100 entre 1996 et 2002. Cependant, juste au moment où la demande commençait à s'essouffler, les vendeurs ont décidé de passer à l'action, en réponse à la hausse des prix. Les nouvelles inscriptions ont bondi d'un taux annuel moyen de

12,3 p. 100 entre 2003 et 2005, et d'encore 5,7 p. 100 l'an dernier. Cela a ramené le ratio des ventes aux nouvelles inscriptions à 51 p. 100 en 2006. On s'attend à ce que les nouvelles inscriptions décroissent durant le reste de la période de prévision, en réaction au recul de la demande et au ralentissement de la croissance des prix. Le ratio des ventes aux nouvelles inscriptions devrait demeurer aux alentours de 50 p. 100 entre 2007 et 2011.

MARCHÉ DES LOGEMENTS NEUFS

Le marché des logements neufs à Montréal a connu une forte expansion depuis le milieu des années 1990 jusqu'en 2004. Pendant cette période, les mises en chantier ont augmenté à un rythme annuel moyen rapide de 17,4 p. 100. Sauf un fléchissement en 1998, l'absorption a augmenté encore plus rapidement, à un taux annuel moyen de 18,3 p. 100. Cela a entraîné une importante réduction de l'offre exprimée en mois, qui est passée de 3,4 mois en 1996 à un creux de 0,9 mois en 2003. Ce resserrement du marché a été suivi d'une montée plus rapide des prix des logements

neufs. Le prix moyen des logements neufs a atteint près de 250 000 dollars en 2004, soit une augmentation annuelle moyenne de 3,4 p. 100 entre 1996 et 2004.

Tout comme le marché de la revente, le marché des logements neufs à Montréal a commencé à se ressentir vers la fin de 2004 de la faiblesse de la croissance économique. Les acheteurs sont devenus plus prudents et la demande a baissé. L'offre s'est contractée également, lorsque les mises en chantier de logements ont chuté fortement en 2005 et 2006, de 11,7 p. 100 et de 18,1 p. 100 respectivement. Malgré ces baisses, le niveau des mises en chantier de logements se situait quand même à 20 700 unités l'an dernier — près de trois fois leur niveau de 1996 —, ce qui a été suffisant pour permettre à l'offre exprimée en mois de remonter à 2,3 mois.

Comme la croissance de la population y demeure modeste, on prévoit pour les prochaines années d'autres réductions des mises en chantier de logements à Montréal, ce qui les situera à un niveau plus

Tableau 1 — Indicateurs économiques

	2004	2005	2006	2007p	2008p	2009p	2010p	2011p
Le PIB réel aux prix de base (en millions de dollars de 1997)	108 223 <i>2,2</i>	110 551 <i>2,2</i>	112 214 <i>1,5</i>	114 983 <i>2,5</i>	118 237 <i>2,8</i>	121 491 <i>2,8</i>	124 885 <i>2,8</i>	128 366 <i>2,8</i>
Emplois totaux (en milliers)	1 804 <i>0,9</i>	1 823 <i>1,1</i>	1 854 <i>1,7</i>	1 881 <i>1,5</i>	1 902 <i>1,1</i>	1 932 <i>1,6</i>	1 960 <i>1,4</i>	1 982 <i>1,1</i>
Taux de chômage	8,7	8,7	8,6	8,7	8,7	8,4	8,1	7,9
Revenu personnel par habitant	30 301 <i>3,6</i>	31 615 <i>4,3</i>	33 288 <i>5,3</i>	34 474 <i>3,6</i>	35 586 <i>3,2</i>	36 828 <i>3,5</i>	38 157 <i>3,6</i>	39 464 <i>3,4</i>
Population (en milliers)	3 610 <i>0,9</i>	3 636 <i>0,7</i>	3 661 <i>0,7</i>	3 690 <i>0,8</i>	3 722 <i>0,9</i>	3 754 <i>0,8</i>	3 786 <i>0,9</i>	3 820 <i>0,9</i>
Ventes au détail (en millions de \$)	36 287 <i>4,7</i>	38 473 <i>6,0</i>	40 515 <i>5,3</i>	42 651 <i>5,3</i>	44 799 <i>5,0</i>	47 069 <i>5,1</i>	49 425 <i>5,0</i>	51 867 <i>4,9</i>
Taux d'inflation	1,9	2,2	1,8	1,3	2,0	2,1	2,0	2,0

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

durable. On prévoit que les mises en chantier baisseront de 15,5 p. 100 en 2007 et de 8,7 p. 100 en 2008.

Un autre facteur qui contribuera au fléchissement des mises en chantier, au moins en 2007, est la hausse prévue des taux hypothécaires plus tard cette année. L'offre et la demande tendant à s'équilibrer, l'offre exprimée en mois se stabilisera aux environs de

2,2 mois pour le reste de la période de prévision.

Même si l'offre exprimée en mois a augmenté ces toutes dernières années, signe que le marché est moins serré qu'il ne l'était, la croissance des prix sur le marché des logements neufs est demeurée relativement forte, à une moyenne annuelle de

4,6 p. 100 en 2005 et en 2006. La progression des prix des logements neufs devrait ralentir cette année, pour atteindre 3,5 p. 100. Ce ralentissement se poursuivra à moyen terme, alors qu'une croissance annuelle moyenne de 3,1 p. 100 est prévue entre 2009 et 2011.

Tableau 2 — Indicateurs du marché des logements neufs

	2004	2005	2006	2007p	2008p	2009p	2010p	2011p
Mises en chantier	28 673	25 317	20 744	17 528	16 010	15 860	15 566	15 424
	<i>17,9</i>	<i>-11,7</i>	<i>-18,1</i>	<i>-15,5</i>	<i>-8,7</i>	<i>-0,9</i>	<i>-1,9</i>	<i>-0,9</i>
Logements unifamiliaux	10 578	8 544	7 593	7 216	6 881	6 923	6 815	6 715
	<i>2,1</i>	<i>-19,2</i>	<i>-11,1</i>	<i>-5,0</i>	<i>-4,6</i>	<i>0,6</i>	<i>-1,6</i>	<i>-1,5</i>
Multiples	18 095	16 773	13 151	10 312	9 129	8 937	8 751	8 709
	<i>29,6</i>	<i>-7,3</i>	<i>-21,6</i>	<i>-21,6</i>	<i>-11,5</i>	<i>-2,1</i>	<i>-2,1</i>	<i>-0,5</i>
En construction	17 389	17 575	17 444	16 426	13 652	12 333	11 979	11 758
	<i>42,1</i>	<i>1,1</i>	<i>-0,7</i>	<i>-5,8</i>	<i>-16,9</i>	<i>-9,7</i>	<i>-2,9</i>	<i>-1,8</i>
Logements nouveaux	24 920	25 699	22 710	19 297	16 702	15 677	15 438	15 198
	<i>22,9</i>	<i>3,1</i>	<i>-11,6</i>	<i>-15,0</i>	<i>-13,4</i>	<i>-6,1</i>	<i>-1,5</i>	<i>-1,6</i>
Logements unifamiliaux	10 473	9 282	8 168	7 326	7 010	6 880	6 861	6 751
	<i>5,4</i>	<i>-11,4</i>	<i>-12,0</i>	<i>-10,3</i>	<i>-4,3</i>	<i>-1,9</i>	<i>-0,3</i>	<i>-1,6</i>
Multiples	14 447	16 417	14 542	11 971	9 691	8 797	8 577	8 447
	<i>39,7</i>	<i>13,6</i>	<i>-11,4</i>	<i>-17,7</i>	<i>-19,0</i>	<i>-9,2</i>	<i>-2,5</i>	<i>-1,5</i>
Logements terminés et à vendre	2 311	3 341	4 090	4 234	3 331	2 943	2 845	2 798
	<i>52,5</i>	<i>44,6</i>	<i>22,4</i>	<i>3,5</i>	<i>-21,3</i>	<i>-11,6</i>	<i>-3,3</i>	<i>-1,7</i>
Logements vendus	23 833	25 133	21 596	20 038	17 402	15 903	15 499	15 237
	<i>20,3</i>	<i>5,5</i>	<i>-14,1</i>	<i>-7,2</i>	<i>-13,2</i>	<i>-8,6</i>	<i>-2,5</i>	<i>-1,7</i>
Offre mensuelle	1,2	1,6	2,3	2,5	2,3	2,2	2,2	2,2
Prix des logements neufs	246 712	259 128	270 044	279 462	288 405	297 345	306 563	316 066
	<i>6,4</i>	<i>5,0</i>	<i>4,2</i>	<i>3,5</i>	<i>3,2</i>	<i>3,1</i>	<i>3,1</i>	<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

	2004	2005	2006	2007p	2008p	2009p	2010p	2011p
Ventes d'unités	48 564	49 506	50 548	48 577	47 217	46 037	45 438	45 211
	<i>2,4</i>	<i>1,9</i>	<i>2,1</i>	<i>-3,9</i>	<i>-2,8</i>	<i>-2,5</i>	<i>-1,3</i>	<i>-0,5</i>
Volume des ventes en dollars (million de dollars)	9 181	10 085	10 920	10 969	11 110	11 276	11 587	12 002
	<i>15,9</i>	<i>9,9</i>	<i>8,3</i>	<i>0,4</i>	<i>1,3</i>	<i>1,5</i>	<i>2,7</i>	<i>3,6</i>
Nouvelles inscriptions	84 895	93 667	99 024	96 611	93 603	91 303	90 266	89 991
	<i>16,0</i>	<i>10,3</i>	<i>5,7</i>	<i>-2,4</i>	<i>-3,1</i>	<i>-2,5</i>	<i>-1,1</i>	<i>-0,3</i>
Ratio ventes/nouvelles inscriptions	57	53	51	50	50	50	50	50
Prix de revente	189 325	204 065	216 283	225 827	235 312	244 959	255 003	265 458
	<i>13,0</i>	<i>7,8</i>	<i>6,0</i>	<i>4,4</i>	<i>4,2</i>	<i>4,1</i>	<i>4,1</i>	<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

The Toronto census metropolitan area (CMA) economy has been performing short of its potential for the past four years now, dragged down by the impact of a strong Canadian dollar on industries sensitive to foreign trade, especially manufacturing and tourism. Real gross domestic product (GDP) increased on average by 2.9 per cent per year from 2003 to 2005, and by only 2.3 per cent last year.

A boost in production at Ford's Oakville assembly complex starting in the last quarter of 2006 is forecast to help lift manufacturing output in 2007. As well, tourism industries are expected to benefit from increases in the number of domestic and overseas travellers. But domestic demand is expected to cool slightly, partly because of slower disposable income growth and rising interest rates. Accordingly, economic growth

More rapid economic growth in Toronto will help keep the new housing market moving this year, but it will not be enough for the resale market, where unit sales are expected to fall. Over the medium term, growth in both new and resale home prices will decelerate as each market finds a better balance between demand and supply. New home prices are forecast to increase by an average of 3.2 per cent annually, while growth in resale home prices is forecast at 4.2 per cent per year.

is forecast to remain modest, by Toronto's standards, at 2.9 per cent in 2007.

Housing Outlook

EXISTING HOUSING MARKET

Strong economic growth from 1998 to 2000, combined with falling interest rates starting in 2001, led to strong housing demand. Specifically, from 2001 to 2004, unit sales of existing homes increased by an average of 9.9 per cent per year. But the relatively weak economic showing over the past few years resulted in unit sales slowing sharply in 2005, to modest growth of 1 per cent, before declining by 1.4 per cent in 2006.

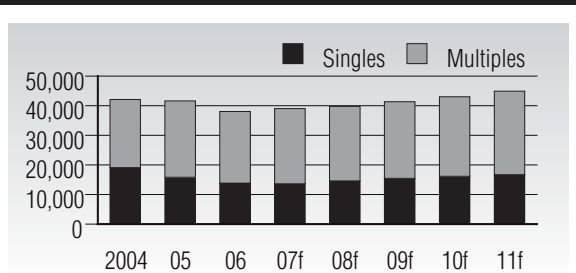
Resale housing prices grew by an average of 6.6 per cent annually between 2001 and 2005, driven by the increased demand. And even though unit sales began to fall last year, price growth was still a healthy 4.9 per cent. The strong increase in prices over the past few years

resulted in new listings growing by a substantial 10.2 per cent per year on average between 2001 and 2006—outpacing the rise in demand. Accordingly, the sales-to-new-listings ratio fell from 76.2 per cent in 2002 to 60.1 per cent last year.

Unit sales are forecast to drop by an additional 3.3 per cent in 2007, as a still-modest economic showing keeps housing demand in check. Buyers may also be getting worried about housing costs: average resale home prices topped \$350,000 last year, a full \$100,000 more than they were just five years ago. Sellers are expected to try their luck for one more year, however. New listings are thus expected to grow by 0.9 per cent, pushing the sales-to-new-listings ratio down to 57.6 per cent.

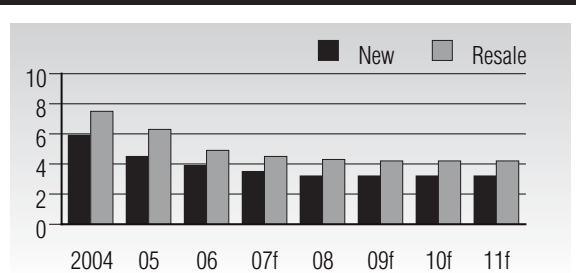
Next year, and through the medium term, demand and supply are expected to find a better balance. Unit sales are forecast to fall by 1.6 per cent in 2008 and by 0.7 per cent in 2009,

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.

and then increase by a modest 1 per cent per year, on average, over the last two years of the forecast. New listings will follow a similar pattern, keeping the sales-to-new-listings ratio steady at around 57 per cent.

Price growth will moderate with this more balanced market. From 2009 to 2011, the average price of an existing home is forecast to rise by 4.2 per cent annually.

NEW HOUSING MARKET

While Toronto's resale market really picked up only from 2001 onward, the city's new housing market saw increased growth starting in the mid-1990s. Pent-up demand, stemming from weak activity in the first-half

of the 1990s, allowed average annual growth in housing starts to reach a whopping 15.8 per cent from 1996 to 2002. By 2003, however, growth in housing starts was a much weaker 3.8 per cent, as demand began to falter in line with the slower economic growth, and as pent-up demand was satisfied. Starts then declined in each of the next three years, falling back to 38,100 units last year.

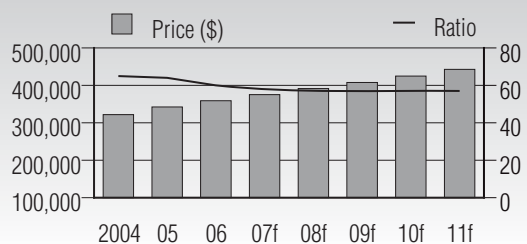
During the first couple of years of the housing boom, demand outstripped supply. Except for a decline in 1999, absorptions increased at a brisk 21.2 per cent pace, on an average annual basis, over 1996 to 2002. Accordingly, months' supply initially fell, down from 1 month in 1995 to

0.5 months in 1997. Since then, it has stayed around 0.5 months, indicating that the market has been tight.

New home prices reacted with a lag. After falling by 1.2 per cent in 1996, the average price of a new home rose by a modest 2.6 per cent annually from 1997 to 2002. Growth over the past few years has been stronger, averaging 4.7 per cent per year. By last year, the average price of a new home in Toronto surpassed \$500,000, about \$150,000 more than in 1996.

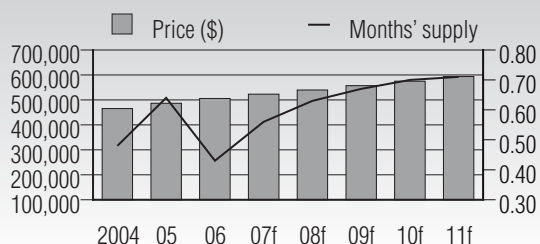
In spite of higher interest rates and a weak economy, housing starts in Toronto rose by 28 per cent in the final quarter of 2006. This growth

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

	2004	2005	2006	2007f	2008f	2009f	2010f	2011f
Real GDP at basic prices (1997 \$ millions)	192,205 <i>3.4</i>	198,683 <i>3.4</i>	203,217 <i>2.3</i>	209,191 <i>2.9</i>	217,565 <i>4.0</i>	226,461 <i>4.1</i>	235,679 <i>4.1</i>	245,281 <i>4.1</i>
Total employment (000s)	2,707 <i>2.2</i>	2,763 <i>2.1</i>	2,799 <i>1.3</i>	2,845 <i>1.6</i>	2,922 <i>2.7</i>	2,997 <i>2.6</i>	3,074 <i>2.6</i>	3,155 <i>2.6</i>
Unemployment rate	7.5	7.0	6.6	7.0	7.0	6.9	6.8	6.7
Personal income per capita	33,926 <i>3.0</i>	35,058 <i>3.3</i>	36,322 <i>3.6</i>	37,290 <i>2.7</i>	38,605 <i>3.5</i>	39,920 <i>3.4</i>	41,281 <i>3.4</i>	42,704 <i>3.4</i>
Population (000s)	5,214 <i>1.9</i>	5,304 <i>1.7</i>	5,397 <i>1.7</i>	5,498 <i>1.9</i>	5,603 <i>1.9</i>	5,712 <i>1.9</i>	5,826 <i>2.0</i>	5,944 <i>2.0</i>
Retail sales (\$ millions)	51,408 <i>2.9</i>	53,770 <i>4.6</i>	55,393 <i>3.0</i>	58,577 <i>5.7</i>	62,214 <i>6.2</i>	66,198 <i>6.4</i>	70,355 <i>6.3</i>	74,738 <i>6.2</i>
Inflation rate	1.7	1.8	1.8	1.3	2.3	2.4	2.1	2.1

Italics indicate percentage change.

Sources: The Conference Board of Canada; Statistics Canada.

provides a high starting point for 2007, and will help contribute to the 2.5 per cent increase in housing starts forecast for this year. And even though interest rates are set to resume their slight upward climb later in 2007, a stronger economy in 2008 will help to push housing starts up by an additional 2 per cent next year. Starts are expected to keep rising for the rest of

the medium term as well, as population growth in the Toronto CMA is expected to stay strong.

The average price of a new home is expected to increase by 3.5 per cent this year and by 3.2 per cent from 2008 onward. This is about 1 percentage point lower than the anticipated average growth in the resale market. Part

of the reason for the more moderate price growth in the new home market has to do with the price differential between the two markets. New home prices are about \$150,000 more than resale home prices. Home builders are expected to try to keep the price gap from widening any further, so as not to lose too many future homebuyers to the cheaper resale market.

Table 2—New Housing Market Indicators

	2004	2005	2006	2007f	2008f	2009f	2010f	2011f
Housing starts	42,115	41,596	38,056	39,003	39,797	41,352	43,047	44,902
	<i>-7.4</i>	<i>-1.2</i>	<i>-8.5</i>	<i>2.5</i>	<i>2.0</i>	<i>3.9</i>	<i>4.1</i>	<i>4.3</i>
Singles	19,076	15,797	13,824	13,625	14,593	15,440	16,123	16,667
	<i>-2.8</i>	<i>-17.2</i>	<i>-12.5</i>	<i>-1.4</i>	<i>7.1</i>	<i>5.8</i>	<i>4.4</i>	<i>3.4</i>
Multiples	23,039	25,799	24,232	25,378	25,204	25,912	26,924	28,236
	<i>-10.9</i>	<i>12.0</i>	<i>-6.1</i>	<i>4.7</i>	<i>-0.7</i>	<i>2.8</i>	<i>3.9</i>	<i>4.9</i>
Under construction	40,397	42,228	41,042	38,778	40,858	41,956	43,517	45,231
	<i>11.4</i>	<i>4.5</i>	<i>-2.8</i>	<i>-5.5</i>	<i>5.4</i>	<i>2.7</i>	<i>3.7</i>	<i>3.9</i>
Housing completions	39,620	39,296	41,205	38,880	40,410	41,402	42,936	44,620
	<i>2.5</i>	<i>-0.8</i>	<i>4.9</i>	<i>-5.6</i>	<i>3.9</i>	<i>2.5</i>	<i>3.7</i>	<i>3.9</i>
Singles	19,179	16,917	15,468	13,806	14,426	15,363	16,115	16,717
	<i>5.6</i>	<i>-11.8</i>	<i>-8.6</i>	<i>-10.7</i>	<i>4.5</i>	<i>6.5</i>	<i>4.9</i>	<i>3.7</i>
Multiples	20,441	22,379	25,737	25,074	25,984	26,038	26,821	27,903
	<i>-0.2</i>	<i>9.5</i>	<i>15.0</i>	<i>-2.6</i>	<i>3.6</i>	<i>0.2</i>	<i>3.0</i>	<i>4.0</i>
Newly completed and unabsorbed	1,573	2,108	1,472	1,793	2,114	2,315	2,486	2,632
	<i>-11.8</i>	<i>34.0</i>	<i>-30.2</i>	<i>21.8</i>	<i>17.9</i>	<i>9.5</i>	<i>7.4</i>	<i>5.9</i>
Absorptions	39,575	39,646	41,284	38,438	40,139	41,217	42,776	44,479
	<i>3.0</i>	<i>0.2</i>	<i>4.1</i>	<i>-6.9</i>	<i>4.4</i>	<i>2.7</i>	<i>3.8</i>	<i>4.0</i>
Months' supply	0.5	0.6	0.4	0.6	0.6	0.7	0.7	0.7
New housing price	465,562	486,497	505,409	523,161	539,903	557,179	575,009	593,409
	<i>5.9</i>	<i>4.5</i>	<i>3.9</i>	<i>3.5</i>	<i>3.2</i>	<i>3.2</i>	<i>3.2</i>	<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

	2004	2005	2006	2007f	2008f	2009f	2010f	2011f
Unit sales	84,854	85,672	84,479	81,685	80,378	79,815	80,454	81,339
	<i>6.9</i>	<i>1.0</i>	<i>-1.4</i>	<i>-3.3</i>	<i>-1.6</i>	<i>-0.7</i>	<i>0.8</i>	<i>1.1</i>
Dollar volume sales (\$ millions)	24,424	26,469	28,100	30,641	31,449	32,542	34,181	36,008
	<i>14.7</i>	<i>8.4</i>	<i>6.2</i>	<i>9.0</i>	<i>2.6</i>	<i>3.5</i>	<i>5.0</i>	<i>5.3</i>
New listings	130,291	134,801	140,531	141,754	140,307	140,002	141,597	143,468
	<i>9.8</i>	<i>3.5</i>	<i>4.3</i>	<i>0.9</i>	<i>-1.0</i>	<i>-0.2</i>	<i>1.1</i>	<i>1.3</i>
Sales-to-new-listings ratio	65	64	60	58	57	57	57	57
Resale price	321,818	342,221	358,935	375,145	391,276	407,710	424,833	442,676
	<i>7.5</i>	<i>6.3</i>	<i>4.9</i>	<i>4.5</i>	<i>4.3</i>	<i>4.2</i>	<i>4.2</i>	<i>4.2</i>

Italics indicate percentage change.

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

Ottawa



Economic activity in Ottawa–Gatineau is expected to stay stable over the near term, with real GDP forecast to increase by 2.5 per cent in 2007. But housing demand will begin to fall, as existing home sales are set to drop by 3.6 per cent, while housing starts fall by 10.6 per cent. Price growth has already started to decelerate. By next year, and through to the end of the forecast, existing home prices will increase by 3.7 per cent annually, while new home prices will rise by 2.8 per cent per year.

Economic Outlook

Real output rose in Ottawa–Gatineau by an estimated 2.6 per cent last year. Domestic demand continues to be the main driver of growth, but Ottawa–Gatineau can also boast a rebounding high-tech sector. On a negative note, the public administration sector posted its second consecutive annual decline in employment in 2006. Job growth in public administration is expected to resume in 2007, while activity in the high-tech sector remains healthy. But domestic demand is expected to slow. As a result, real gross domestic product (GDP) is forecast to grow by 2.5 per cent in 2007.

Housing Outlook

EXISTING HOUSING MARKET

Aside from a slight decline in 2005, unit sales of existing homes have risen in every year in Ottawa–Gatineau since 1996. Pent-up demand,

sound employment growth and a strong economy resulted in average annual increases in unit sales of 16.5 per cent over 1996 to 2000. Since 2001, however, the average increase has been a more modest 2.5 per cent annually. Much of the positive impact on the housing market from lower interest rates starting in 2001 was offset by slower economic growth.

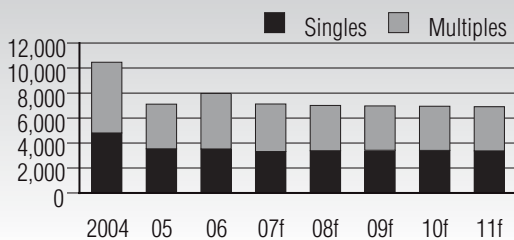
Prices in the resale home market posted average growth of only 0.6 per cent per year in the last half of the 1990s. But then, just as sales growth was moderating around 2000, house price inflation took off, growing at an average annual rate of 9.5 per cent between 2000 and 2004. In the past two years, price growth has started to slow again, reaching 4.3 per cent in 2005 and 3.6 per cent in 2006.

Existing home sellers, as is usually the case, entered the market in mass only once price growth took off in the new millennium. As a result,

while demand was increasing at a rapid pace through the late 1990s, new listings actually declined. Accordingly, the sales-to-new-listings ratio jumped from 38.4 per cent in 1996 to 71.6 per cent by 2000. Once prices began to take off, the number of new listings picked up, increasing by 10.7 per cent annually from 2003 to 2005. This, combined with the more modest growth in demand, brought the ratio back down to 55.1 per cent in 2005. With unit sales still rising last year but price growth decelerating, new listings fell in 2006, down by 0.7 per cent. This resulted in a slight increase in the sales-to-new-listings ratio, to 58 per cent.

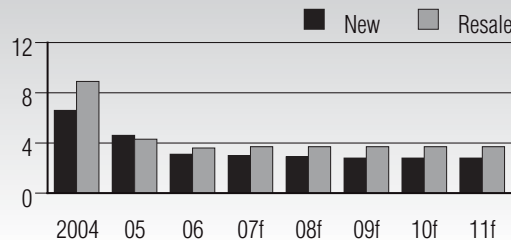
Unit sales are forecast to start falling in 2007, as demand weakens further. Rising interest rates late this year will keep unit sales falling through 2008 as well. But even with the declines, unit sales will still reach almost 18,000 next year—nearly double their level in 1996.

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.

Price growth is expected to stay around 3.7 per cent per year for the rest of the forecast period, reducing the number of new sellers entering the market. As new listings growth slows through the medium term, the sales-to-new-listings ratio will continue to fall. By 2011, the ratio is forecast to stand at 50.9 per cent.

NEW HOUSING MARKET

Demand for new housing in Ottawa–Gatineau also flourished from 1996 to 2002, as absorptions rose by an annual average of 12 per cent. Again, as in the resale market, demand was driven by pent-up demand from the early 1990s and by sound growth in employment and personal income. Housing starts rose rapidly to meet

the higher demand, increasing by 17.6 per cent on an average annual basis from 1996 to 2002. However, even with this strong growth in housing starts, demand still outstripped supply. Accordingly, months' supply fell from 2.1 months in 1996 to 0.6 months in 2002.

Ottawa–Gatineau's housing market has been moving more or less sideways since 2003. A weaker economy in 2003 led home builders to believe demand for housing would drop; as a result, they reduced housing starts by 11.3 per cent that year. As it turned out, demand for housing remained strong. In fact, absorptions rose by 11.7 per cent in 2003 and by an additional 6.9 per cent in 2004.

So builders came back to the market in 2004, raising starts by 14 per cent, up to 10,500—more than double their level in 1996.

The see-saw movement in the housing market continued over the past two years. A 17.1 per cent drop in absorptions for 2005 pushed starts down by 32.1 per cent that year. But then last year, absorptions and starts rose again, by 1.5 per cent and 12.2 per cent respectively. This brought housing starts to almost 8,000 units in 2006.

From 2000 until 2004, the average price of a new home rose quickly, up by 7.4 per cent annually. Since 2005, however, price growth has moderated,

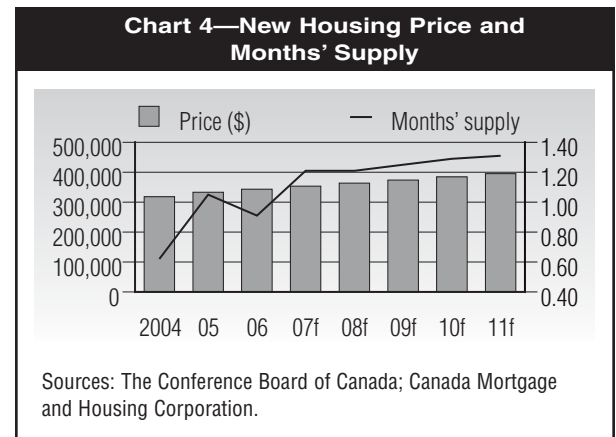
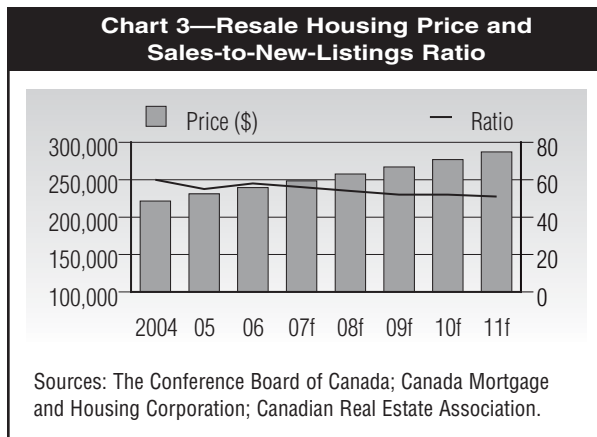


Table 1—Economic Indicators

	2004	2005	2006	2007f	2008f	2009f	2010f	2011f
Real GDP at basic prices (1997 \$ millions)	39,267 <i>2.7</i>	40,493 <i>3.1</i>	41,544 <i>2.6</i>	42,583 <i>2.5</i>	43,868 <i>3.0</i>	45,228 <i>3.1</i>	46,586 <i>3.0</i>	47,988 <i>3.0</i>
Total employment (000s)	609 <i>0.4</i>	618 <i>1.5</i>	648 <i>4.8</i>	645 <i>-0.5</i>	656 <i>1.8</i>	669 <i>1.9</i>	682 <i>1.9</i>	695 <i>1.9</i>
Unemployment rate	6.7	6.6	5.2	6.4	6.5	6.5	6.4	6.2
Personal income per capita	35,366 <i>3.2</i>	36,731 <i>3.9</i>	39,168 <i>6.6</i>	40,004 <i>2.1</i>	41,391 <i>3.5</i>	42,898 <i>3.6</i>	44,462 <i>3.6</i>	46,103 <i>3.7</i>
Population (000s)	1,141 <i>0.8</i>	1,149 <i>0.6</i>	1,158 <i>0.8</i>	1,169 <i>1.0</i>	1,181 <i>1.0</i>	1,192 <i>1.0</i>	1,204 <i>1.0</i>	1,216 <i>1.0</i>
Retail sales (\$ millions)	12,448 <i>2.8</i>	13,028 <i>4.7</i>	13,731 <i>5.4</i>	14,460 <i>5.3</i>	15,215 <i>5.2</i>	16,040 <i>5.4</i>	16,876 <i>5.2</i>	17,747 <i>5.2</i>
Inflation rate	1.9	2.3	1.9	1.4	2.3	2.4	2.1	2.1

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

reaching 4.6 per cent in 2005 and 3.1 per cent last year. Still, more than \$110,000 has been added to the average price of new home since 2000, taking it to \$343,200 in 2006.

Following the volatile results of the past few years, housing demand is expected to embark on a steady

downward trend over the next few years. This will trigger a decline in housing starts, beginning with this year's anticipated drop of 10.6 per cent to 7,100 units.

Starts are expected to keep falling, albeit at a slow pace, over the rest of the forecast. With supply

and demand both moderating in tandem, months' supply is forecast to remain steady at 1.3 months through the medium term. The balanced housing market will also keep price growth modest: from 2009 onward, the average price of a new home will increase by 2.8 per cent annually.

Table 2—New Housing Market Indicators

	2004	2005	2006	2007f	2008f	2009f	2010f	2011f
Housing starts	10,470	7,105	7,974	7,126	7,006	6,976	6,939	6,901
	<i>14.0</i>	<i>-32.1</i>	<i>12.2</i>	<i>-10.6</i>	<i>-1.7</i>	<i>-0.4</i>	<i>-0.5</i>	<i>-0.6</i>
Singles	4,806	3,542	3,525	3,319	3,390	3,423	3,413	3,371
	<i>5.3</i>	<i>-26.3</i>	<i>-0.5</i>	<i>-5.9</i>	<i>2.1</i>	<i>1.0</i>	<i>-0.3</i>	<i>-1.2</i>
Multiples	5,664	3,563	4,448	3,807	3,616	3,553	3,526	3,529
	<i>22.6</i>	<i>-37.1</i>	<i>24.9</i>	<i>-14.4</i>	<i>-5.0</i>	<i>-1.7</i>	<i>-0.8</i>	<i>0.1</i>
Under construction	5,760	5,006	4,382	3,486	3,114	2,998	2,967	2,946
	<i>0.9</i>	<i>-13.1</i>	<i>-12.5</i>	<i>-20.4</i>	<i>-10.7</i>	<i>-3.7</i>	<i>-1.0</i>	<i>-0.7</i>
Housing completions	10,187	8,290	8,149	7,545	7,087	6,985	6,943	6,898
	<i>12.6</i>	<i>-18.6</i>	<i>-1.7</i>	<i>-7.4</i>	<i>-6.1</i>	<i>-1.4</i>	<i>-0.6</i>	<i>-0.6</i>
Singles	4,625	4,001	3,600	3,325	3,333	3,396	3,407	3,381
	<i>-7.9</i>	<i>-13.5</i>	<i>-10.0</i>	<i>-7.6</i>	<i>0.2</i>	<i>1.9</i>	<i>0.3</i>	<i>-0.8</i>
Multiples	5,562	4,289	4,549	4,220	3,754	3,589	3,536	3,517
	<i>38.1</i>	<i>-22.9</i>	<i>6.1</i>	<i>-7.2</i>	<i>-11.0</i>	<i>-4.4</i>	<i>-1.5</i>	<i>-0.5</i>
Newly completed and unabsorbed	505	701	629	747	714	727	743	752
	<i>41.0</i>	<i>38.8</i>	<i>-10.4</i>	<i>18.8</i>	<i>-4.4</i>	<i>1.8</i>	<i>2.2</i>	<i>1.1</i>
Absorptions	9,849	8,165	8,291	7,420	7,108	6,966	6,929	6,893
	<i>6.9</i>	<i>-17.1</i>	<i>1.5</i>	<i>-10.5</i>	<i>-4.2</i>	<i>-2.0</i>	<i>-0.5</i>	<i>-0.5</i>
Months' supply	0.6	1.1	0.9	1.2	1.2	1.3	1.3	1.3
New housing price	318,223	332,849	343,169	353,462	363,713	373,897	384,366	395,128
	<i>6.6</i>	<i>4.6</i>	<i>3.1</i>	<i>3.0</i>	<i>2.9</i>	<i>2.8</i>	<i>2.8</i>	<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

	2004	2005	2006	2007f	2008f	2009f	2010f	2011f
Unit sales	18,091	18,033	18,831	18,149	17,713	17,518	17,448	17,483
	<i>3.5</i>	<i>-0.3</i>	<i>4.4</i>	<i>-3.6</i>	<i>-2.4</i>	<i>-1.1</i>	<i>-0.4</i>	<i>0.2</i>
Dollar volume sales (\$ millions)	3,901	4,044	4,420	4,507	4,562	4,678	4,832	5,021
	<i>13.7</i>	<i>3.7</i>	<i>9.3</i>	<i>2.0</i>	<i>1.2</i>	<i>2.6</i>	<i>3.3</i>	<i>3.9</i>
New listings	30,175	32,729	32,491	32,586	32,909	33,399	33,873	34,359
	<i>14.5</i>	<i>8.5</i>	<i>-0.7</i>	<i>0.3</i>	<i>1.0</i>	<i>1.5</i>	<i>1.4</i>	<i>1.4</i>
Sales-to-new-listings ratio	60	55	58	56	54	52	52	51
Resale price	221,586	231,166	239,484	248,350	257,538	267,067	276,949	287,196
	<i>8.9</i>	<i>4.3</i>	<i>3.6</i>	<i>3.7</i>	<i>3.7</i>	<i>3.7</i>	<i>3.7</i>	<i>3.7</i>

Italics indicate percentage change.

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

Calgary



Calgary's economy and its housing market recorded spectacular growth last year, thanks to a red-hot energy sector. But the jaw-dropping increases in home prices have hurt housing affordability. As a result, housing starts are expected to embark on a downward trend starting this year. House price inflation is forecast to remain high for at least one more year and then moderate in both the new and the resale housing markets through the medium term.

Economic Outlook

Thanks to continued strength in energy-related activities, widespread gains in both the goods and the services sectors allowed Calgary's real gross domestic product (GDP) to increase by a striking 7.3 per cent in 2006. While output growth was strong in many sectors, it was the construction and the wholesale and retail trade industries that saw the most impressive gains. Calgary's economy is expected to continue to thrive in 2007, helped by elevated demand for energy, numerous construction projects and unrelenting consumer spending growth. Total output will grow by a further 3.9 per cent this year.

Housing Outlook

EXISTING HOUSING MARKET

With the exception of 2003, Calgary's existing home market has

been growing at a fast pace since 2001. Lower interest rates and solid economic growth have helped to fuel housing demand. From 2001 to 2005, unit sales increased at an average rate of 10 per cent annually. Growth was a more modest, albeit still healthy, 3.1 per cent last year—good news in a year where much of the country saw declining sales.

Resale prices have also enjoyed stronger growth since about 2002. The average price of a resale home rose by 8.4 per cent per year between 2002 and 2005. And despite the lower growth in unit sales last year, resale prices increased a whopping 39.5 per cent in 2006 alone.

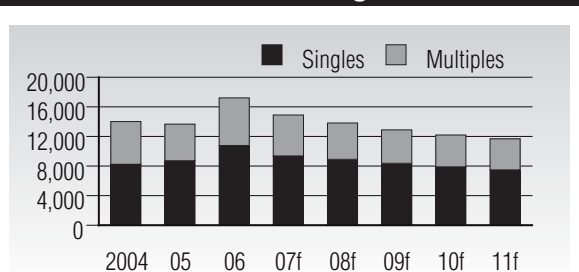
Sellers started pouring into the market once prices began to rise more rapidly. New listings shot up 15.8 per cent in 2003 and a further 4.8 per cent in 2004. They then took a bit of breather in 2005, before rising by 10.1 per cent last year. Initially, this growth was not enough to satisfy the

higher demand. As a result, the sales-to-new-listings ratio jumped from 62.1 per cent in 2003 to 79.7 per cent in 2005. With lower growth in unit sales last year, and higher growth in new listings, the sales-to-new-listings fell slightly, down to 76 per cent.

Unit sales are expected to start declining this year. A return to more sustainable levels of economic growth and last year's leap in prices will lead to a 3.6 per cent decline in unit sales in 2007 and a further 1.3 per cent decline in 2008. While resale prices are forecast to rise by a still strong 12.7 per cent in 2007, this will be the beginning of a decelerating trend, as the outlook calls for a 4.6 per cent rise in average resale prices for 2008, followed by annual increases of 4.4 per cent for the rest of the forecast period.

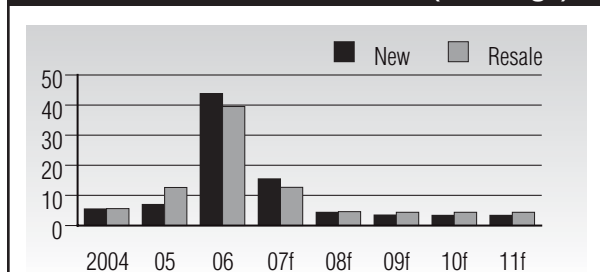
Although unit sales are expected to pick up again by 2009, growth will be muted—nothing that supply will not be able to handle. Accordingly, the sales-to-new-listings ratio will

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.

continue to drift downward, as equilibrium in the market is restored. By 2011, the sales-to-new-listings ratio is forecast to be 58.1 per cent.

NEW HOUSING MARKET

Calgary's new home market has been on a tear since the beginning of the second half of the 1990s. Focusing on the annual data reveals some ups and downs. But the big picture shows that Calgary's new housing market has been as hot as can be for over a decade now. Specifically, from a little below 6,000 units in 1995, housing starts rose threefold to over 17,000 units last year. Very healthy economic growth, which brought about a large influx of

migrants from other Canadian provinces, has a lot to do with the performance of the housing market. Lower interest rates since 2001 added further momentum to housing demand.

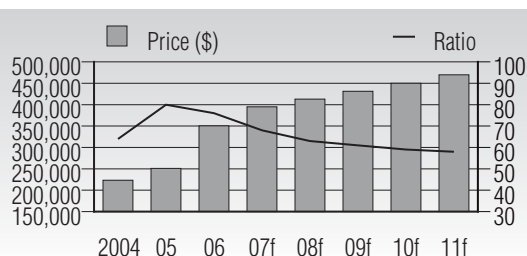
This abundant supply of new homes did not flood the market, as strong demand kept months' supply fairly low throughout the last 10-plus years. Months' supply reached a very low 0.6 months in 2006.

The big story in Calgary's housing market of late has been the spectacular increase in housing prices. Last year alone, the average price of new home grew by 43.8 per cent. In level terms, this translates into a \$133,000

increase as prices reached \$435,400. In other words, after topping the \$300,000 mark for the first time in 2005, new home prices topped \$400,000 just one year later.

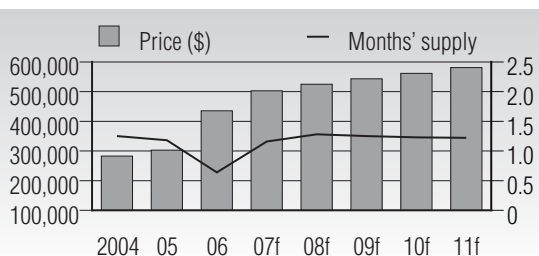
As economic growth begins to slow this year, at least by Calgary's standards, housing starts are expected to start to decline. Still, even though starts are forecast to drop by 13.5 per cent in 2007, the housing market will not crash. Construction is expected to start on roughly 14,900 units, the second-highest result since 1981. Demand will stay healthy as well, as population growth is forecast to remain strong. As a result, absorptions are set to grow by 17.5 per

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

	2004	2005	2006	2007f	2008f	2009f	2010f	2011f
Real GDP at basic prices (1997 \$ millions)	45,433 <i>4.4</i>	47,799 <i>5.2</i>	51,275 <i>7.3</i>	53,277 <i>3.9</i>	55,290 <i>3.8</i>	57,330 <i>3.7</i>	59,500 <i>3.8</i>	61,738 <i>3.8</i>
Total employment (000s)	599 <i>2.6</i>	606 <i>1.2</i>	651 <i>7.4</i>	660 <i>1.4</i>	677 <i>2.6</i>	692 <i>2.2</i>	705 <i>1.9</i>	716 <i>1.6</i>
Unemployment rate	5.0	3.9	3.5	3.6	3.6	3.7	3.6	3.5
Personal income per capita	40,900 <i>6.2</i>	43,718 <i>6.9</i>	45,745 <i>4.6</i>	46,180 <i>1.0</i>	47,571 <i>3.0</i>	49,017 <i>3.0</i>	50,430 <i>2.9</i>	51,866 <i>2.8</i>
Population (000s)	1,039 <i>1.9</i>	1,060 <i>2.1</i>	1,084 <i>2.2</i>	1,107 <i>2.1</i>	1,129 <i>2.0</i>	1,151 <i>2.0</i>	1,173 <i>1.9</i>	1,194 <i>1.8</i>
Retail sales (\$ millions)	15,459 <i>11.2</i>	17,491 <i>13.1</i>	19,854 <i>13.5</i>	21,274 <i>7.2</i>	22,550 <i>6.0</i>	23,906 <i>6.0</i>	25,342 <i>6.0</i>	26,844 <i>5.9</i>
Inflation rate	1.7	2.0	4.9	4.1	2.4	2.3	2.1	2.1

Italics indicate percentage change.

Sources: The Conference Board of Canada; Statistics Canada.

cent. Price growth will stay strong as well, at 15.5 per cent, bringing the average price of new home to just over \$500,000.

Such price growth can only trigger one thing: affordability issues. Accordingly, the Conference Board believes that it will get harder and harder for Calgary companies to

attract workers from other provinces. This will translate into a reduction in housing demand and, in turn, a decline in housing starts of 13.5 per cent this year. Starts are expected to decline by an additional 7.3 per cent in 2008 and by 6.6 per cent in 2009. They will then continue to decline through the medium term,

becoming more in line with demographic requirements.

Growth in new home prices will also moderate over the next few years. The average increase will slow to 4.4 per cent in 2008 and then to 3.4 per cent per year from 2010 onward.

Table 2—New Housing Market Indicators

	2004	2005	2006	2007f	2008f	2009f	2010f	2011f
Housing starts	14,008	13,667	17,227	14,907	13,817	12,899	12,208	11,688
	<i>2.7</i>	<i>-2.4</i>	<i>26.0</i>	<i>-13.5</i>	<i>-7.3</i>	<i>-6.6</i>	<i>-5.4</i>	<i>-4.3</i>
Singles	8,233	8,719	10,781	9,375	8,923	8,376	7,898	7,486
	<i>-3.4</i>	<i>5.9</i>	<i>23.7</i>	<i>-13.0</i>	<i>-4.8</i>	<i>-6.1</i>	<i>-5.7</i>	<i>-5.2</i>
Multiples	5,775	4,948	6,446	5,532	4,894	4,524	4,310	4,202
	<i>12.9</i>	<i>-14.3</i>	<i>30.3</i>	<i>-14.2</i>	<i>-11.5</i>	<i>-7.6</i>	<i>-4.7</i>	<i>-2.5</i>
Under construction	8,791	9,589	13,634	16,334	14,707	12,985	11,810	11,028
	<i>-1.2</i>	<i>9.1</i>	<i>42.2</i>	<i>19.8</i>	<i>-10.0</i>	<i>-11.7</i>	<i>-9.0</i>	<i>-6.6</i>
Housing completions	13,014	12,814	12,890	15,862	14,758	13,529	12,637	11,978
	<i>-8.9</i>	<i>-1.5</i>	<i>0.6</i>	<i>23.1</i>	<i>-7.0</i>	<i>-8.3</i>	<i>-6.6</i>	<i>-5.2</i>
Singles	8,291	7,977	8,772	9,819	9,044	8,553	8,043	7,609
	<i>-7.6</i>	<i>-3.8</i>	<i>10.0</i>	<i>11.9</i>	<i>-7.9</i>	<i>-5.4</i>	<i>-6.0</i>	<i>-5.4</i>
Multiples	4,723	4,837	4,118	6,043	5,715	4,977	4,593	4,370
	<i>-11.1</i>	<i>2.4</i>	<i>-14.9</i>	<i>46.7</i>	<i>-5.4</i>	<i>-12.9</i>	<i>-7.7</i>	<i>-4.9</i>
Newly completed and unabsorbed	1,333	1,266	701	1,464	1,592	1,421	1,303	1,225
	<i>19.8</i>	<i>-5.0</i>	<i>-44.6</i>	<i>108.8</i>	<i>8.8</i>	<i>-10.8</i>	<i>-8.2</i>	<i>-6.0</i>
Absorptions	12,846	13,190	12,918	15,185	14,890	13,685	12,735	12,046
	<i>-8.1</i>	<i>2.7</i>	<i>-2.1</i>	<i>17.5</i>	<i>-1.9</i>	<i>-8.1</i>	<i>-6.9</i>	<i>-5.4</i>
Months' supply	1.3	1.2	0.6	1.2	1.3	1.2	1.2	1.2
New housing price	283,031	302,746	435,368	502,828	524,953	543,326	561,799	580,900
	<i>5.5</i>	<i>7.0</i>	<i>43.8</i>	<i>15.5</i>	<i>4.4</i>	<i>3.5</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

	2004	2005	2006	2007f	2008f	2009f	2010f	2011f
Unit sales	26,511	31,569	32,546	31,376	30,968	30,782	31,059	31,463
	<i>8.8</i>	<i>19.1</i>	<i>3.1</i>	<i>-3.6</i>	<i>-1.3</i>	<i>-0.6</i>	<i>0.9</i>	<i>1.3</i>
Dollar volume sales (\$ millions)	5,908	7,919	11,326	12,386	12,789	13,272	13,982	14,787
	<i>14.9</i>	<i>34.0</i>	<i>43.0</i>	<i>9.4</i>	<i>3.3</i>	<i>3.8</i>	<i>5.3</i>	<i>5.8</i>
New listings	41,167	39,821	43,846	46,217	49,050	50,797	52,609	54,174
	<i>4.8</i>	<i>-3.3</i>	<i>10.1</i>	<i>5.4</i>	<i>6.1</i>	<i>3.6</i>	<i>3.6</i>	<i>3.0</i>
Sales-to-new-listings ratio	64	80	76	68	63	61	59	58
Resale price	223,132	251,142	350,345	394,837	412,999	431,171	450,143	469,949
	<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>	<i>4.4</i>

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

Vancouver



Vancouver's real GDP is forecast to expand by a healthy 3.1 per cent this year. Despite this, sales of existing homes are forecast to fall by 1.2 per cent, while housing starts are set to drop by 10 per cent. Further weakness in these markets over the medium term will lead to slower price growth as well. By 2010, growth in new home prices will decelerate to 3.3 per cent annually, while resale home prices are forecast to rise by 4.3 per cent per year.

Economic Outlook

Vancouver's economy grew at a steady pace through 2006, with real gross domestic product (GDP) growth coming in at an estimated 3.9 per cent. The goods sector was responsible for much of the gain, largely because of astounding growth in the construction sector. In 2007, widespread gains will drive real GDP growth of 3.1 per cent. In line with the economy, both employment and personal income are also set to record healthy increases. This will fuel consumer spending growth, as retail sales are expected to swell by 6.2 per cent in 2007 following an 8.1 per cent gain in 2006.

Housing Outlook

EXISTING HOUSING MARKET

Throughout the 1990s, Vancouver's resale housing market experienced large swings in unit sales from one

year to the next. But a decline in interest rates in 2001 allowed for an upward trend in unit sales that lasted from 2001 to 2003. Over these three years, unit sales rose by an annual average of 22.8 per cent.

Unfortunately, despite consistently healthy economic growth since 2004, and continued low interest rates, unit sales have resumed their volatile pattern over the past few years. Sales fell by 2.7 per cent in 2004, before bouncing back and growing by 11.2 per cent in 2005. They then declined in 2006, by 12.3 per cent, as slightly higher interest rates may have put a dent in housing demand.

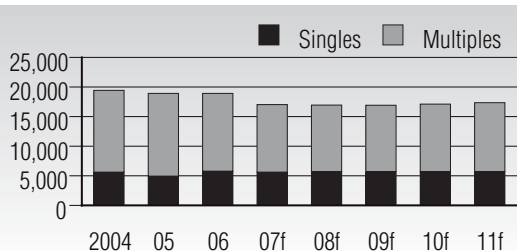
Buyers in the Vancouver market may also be put off by substantially higher resale prices. Until 2001, the average price of an existing home increased and decreased in line with the changes in unit sales. However, since 2002, existing home prices have grown by 12.2 per cent per year, on average. Prices rose by 19.3 per cent

in 2006 alone, to top \$500,000 for the first time.

The significant growth in prices resulted in an influx of new sellers in the resale market from 2002 to 2004, as new listings increased by an annual average of 10.2 per cent. Still, this growth was not initially enough to satisfy the increase in demand, and so the sales-to-new-listings ratio rose from 69.2 per cent in 2001 to 80.3 per cent in 2003.

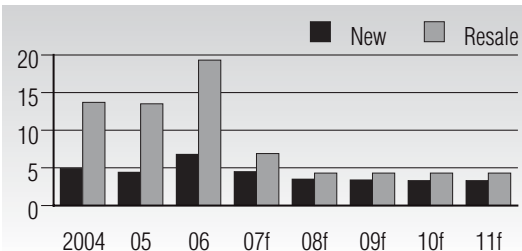
But even though price growth continued to be strong through 2005 and 2006, new listings have been moving almost sideways on average over the last two years, declining by 4.5 per cent in 2005, before rising by 5.6 per cent in 2006. This has resulted in sizable fluctuations in the sales-to-new-listings ratio. After falling to 69.3 per cent in 2004, the ratio moved back up to 80 per cent the following year and then back down to 66.6 per cent for 2006.

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.

More moderate economic growth and rising interest rates in the latter half of this year will lead to a 1.2 per cent decline in units sales for 2007 and a further 0.9 per cent drop for next year. Affordability issues arising from record-high home prices will also hurt sales this year and through the medium term. Unit sales are expected to move up slowly by an annual average of 0.9 per cent between 2009 and 2011.

Meanwhile, prices are also expected to continue rising, albeit at the more moderate pace of 6.9 per cent in 2007 and then 4.3 per cent annually for the rest of the forecast. This will bring the average price of

a resale home in Vancouver to over \$640,000 by 2011.

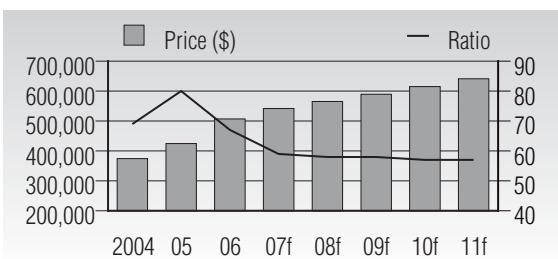
NEW HOUSING MARKET

Vancouver's new home market took a dive in the last half of the 1990s, with housing starts dropping to 8,200 by 2000—nearly half their 1996 level. The market began to turn around by 2001, however, thanks to pent-up demand from the previous decade and declining interest rates. From 2001 to 2004, housing starts enjoyed average annual growth of 24.2 per cent. But demand still outstripped supply, as months' supply dropped from 2.9 months in 2001 to 0.8 months in 2004.

New home prices during this time rose only modestly, by 2.9 per cent on an average annual basis. This may have been a way for builders to keep potential buyers in the new home market, and out of the cheaper resale market. Even with the more modest growth in the new home market, the average price of a new home in 2004 was \$564,400, about \$190,000 more than the average price of an existing home.

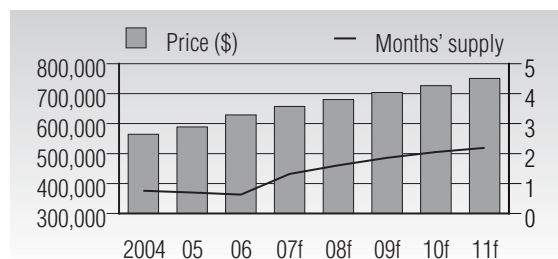
By 2004, demand for housing started to slow, and growth in absorptions decelerated to 5.2 per cent, down from 24.7 per cent in 2003 and 12.6 per cent in 2002. Accordingly, builders took a break in 2005,

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

	2004	2005	2006	2007f	2008f	2009f	2010f	2011f
Real GDP at basic prices (1997 \$ millions)	67,793 4.1	70,277 3.7	73,001 3.9	75,279 3.1	77,850 3.4	80,558 3.5	83,293 3.4	86,042 3.3
Total employment (000s)	1,127 2.2	1,156 2.5	1,190 3.0	1,231 3.4	1,257 2.1	1,284 2.1	1,310 2.0	1,335 1.9
Unemployment rate	6.8	5.7	4.3	4.2	4.3	4.3	4.2	4.2
Personal income per capita	30,275 3.6	31,683 4.7	32,789 3.5	34,019 3.8	35,234 3.6	36,513 3.6	37,824 3.6	39,151 3.5
Population (000s)	2,174 1.5	2,208 1.6	2,242 1.5	2,274 1.4	2,306 1.4	2,340 1.5	2,376 1.5	2,412 1.5
Retail sales (\$ millions)	22,238 1.8	22,597 1.6	24,436 8.1	25,950 6.2	27,410 5.6	29,000 5.8	30,627 5.6	32,299 5.5
Inflation rate	2.0	1.9	1.9	1.9	2.0	2.1	2.0	2.0

Italics indicate percentage change.

Sources: The Conference Board of Canada; Statistics Canada.

reducing housing starts by 2.7 per cent. But absorptions picked up again, posting double-digit gains in 2005 and in 2006. This led builders to hold the line last year, keeping housing starts at their 2005 level of 18,900 units.

Increased prices and higher borrowing rates will take a bite out of

housing demand over the next few years. As a result, housing starts are forecast to drop by 10 per cent this year, albeit to a still respectable 17,000 units—still more than double what they were in 2000. After interest rates begin to climb again in late 2007, starts will slip by another 0.4 per cent in 2008 and 0.1 per cent in 2009.

Absorptions are set to fall at a faster pace than starts over the medium term. This will result in an increase in months' supply, up to 2.2 months by 2011. Lower demand will also keep price growth modest. After rising by a forecast 4.5 per cent in 2007, new home prices are expected to grow by an average of 3.3 per cent per year over the medium term.

Table 2—New Housing Market Indicators

	2004	2005	2006	2007f	2008f	2009f	2010f	2011f
Housing starts	19,430	18,914	18,909	17,023	16,947	16,926	17,093	17,361
	<i>24.3</i>	<i>-2.7</i>	<i>0.0</i>	<i>-10.0</i>	<i>-0.4</i>	<i>-0.1</i>	<i>1.0</i>	<i>1.6</i>
Singles	5,614	4,935	5,779	5,613	5,733	5,731	5,728	5,711
	<i>4.3</i>	<i>-12.1</i>	<i>17.1</i>	<i>-2.9</i>	<i>2.1</i>	<i>0.0</i>	<i>-0.1</i>	<i>-0.3</i>
Multiples	13,816	13,979	13,130	11,410	11,213	11,195	11,365	11,650
	<i>34.9</i>	<i>1.2</i>	<i>-6.1</i>	<i>-13.1</i>	<i>-1.7</i>	<i>-0.2</i>	<i>1.5</i>	<i>2.5</i>
Under construction	16,490	19,395	21,018	17,825	16,462	15,746	15,528	15,503
	<i>38.6</i>	<i>17.6</i>	<i>8.4</i>	<i>-15.2</i>	<i>-7.6</i>	<i>-4.3</i>	<i>-1.4</i>	<i>-0.2</i>
Housing completions	14,302	15,834	18,955	18,495	17,093	16,725	16,702	16,828
	<i>6.8</i>	<i>10.7</i>	<i>19.7</i>	<i>-2.4</i>	<i>-7.6</i>	<i>-2.2</i>	<i>-0.1</i>	<i>0.8</i>
Singles	5,272	4,692	5,465	5,469	5,556	5,608	5,602	5,592
	<i>-0.1</i>	<i>-11.0</i>	<i>16.5</i>	<i>0.1</i>	<i>1.6</i>	<i>0.9</i>	<i>-0.1</i>	<i>-0.2</i>
Multiples	9,030	11,142	13,490	13,026	11,537	11,117	11,100	11,236
	<i>11.2</i>	<i>23.4</i>	<i>21.1</i>	<i>-3.4</i>	<i>-11.4</i>	<i>-3.6</i>	<i>-0.2</i>	<i>1.2</i>
Newly completed and unabsorbed	914	939	930	1,951	2,263	2,548	2,811	3,030
	<i>-33.5</i>	<i>2.8</i>	<i>-0.9</i>	<i>109.7</i>	<i>16.0</i>	<i>12.6</i>	<i>10.3</i>	<i>7.8</i>
Absorptions	14,375	16,113	18,401	17,699	16,850	16,431	16,456	16,623
	<i>5.2</i>	<i>12.1</i>	<i>14.2</i>	<i>-3.8</i>	<i>-4.8</i>	<i>-2.5</i>	<i>0.2</i>	<i>1.0</i>
Months' supply	0.8	0.7	0.6	1.3	1.6	1.9	2.0	2.2
New housing price	564,395	589,218	629,351	657,603	680,619	703,760	726,984	750,974
	<i>4.9</i>	<i>4.4</i>	<i>6.8</i>	<i>4.5</i>	<i>3.5</i>	<i>3.4</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

	2004	2005	2006	2007f	2008f	2009f	2010f	2011f
Unit sales	37,972	42,222	37,031	36,584	36,255	36,400	36,764	37,205
	<i>-2.7</i>	<i>11.2</i>	<i>-12.3</i>	<i>-1.2</i>	<i>-0.9</i>	<i>0.4</i>	<i>1.0</i>	<i>1.2</i>
Dollar volume sales (\$ millions)	14,197	17,976	18,811	19,818	20,485	21,452	22,599	23,853
	<i>10.4</i>	<i>26.6</i>	<i>4.6</i>	<i>5.4</i>	<i>3.4</i>	<i>4.7</i>	<i>5.3</i>	<i>5.6</i>
New listings	55,218	52,736	55,698	61,928	62,309	63,248	64,339	65,404
	<i>13.9</i>	<i>-4.5</i>	<i>5.6</i>	<i>11.2</i>	<i>0.6</i>	<i>1.5</i>	<i>1.7</i>	<i>1.7</i>
Sales-to-new-listings ratio	69	80	67	59	58	58	57	57
Resale price	374,249	424,789	506,771	541,741	565,036	589,332	614,673	641,104
	<i>13.7</i>	<i>13.5</i>	<i>19.3</i>	<i>6.9</i>	<i>4.3</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)		
	2006	2007f	2008f	2006	2007f	2008f	2006	2007f	2008f	2006	2007f	2008f	2006	2007f	2008f
Canada	1,188,904 2.7	1,220,799 2.7	1,260,970 3.3	16,477 1.9	16,695 1.3	16,988 1.8	6.4	6.6	6.4	33,371 4.7	34,561 3.6	35,802 3.6	393,284 6.7	415,630 5.7	437,999 5.4
Atlantic provinces	60,735 2.3	62,504 2.9	63,506 1.6	1,080 0.4	1,085 0.5	1,091 0.5	9.4	9.6	9.4	29,085 6.6	29,240 0.5	30,294 3.6	27,854 5.7	29,179 4.8	30,506 4.5
Quebec	228,745 1.6	233,341 2.0	239,994 2.9	3,760 1.2	3,797 1.0	3,841 1.2	8.0	8.3	8.0	31,084 4.3	32,107 3.3	33,232 3.5	87,433 5.0	91,883 5.1	96,427 4.9
Montréal	112,214 1.5	114,983 2.5	118,237 2.8	1,854 1.7	1,881 1.5	1,902 1.1	8.7	8.7	8.7	33,288 5.3	34,474 3.6	35,586 3.2	40,515 5.3	42,651 5.3	44,799 5.0
Ontario	455,582 1.8	466,867 2.5	482,250 3.3	6,488 1.4	6,589 1.6	6,702 1.7	6.7	6.7	6.7	34,655 3.6	35,823 3.4	37,057 3.4	141,308 4.4	148,900 5.4	157,086 5.5
Ottawa	41,544 2.6	42,583 2.5	43,868 3.0	648 4.8	645 -0.5	656 1.8	6.5	6.4	6.5	39,168 6.6	40,004 2.1	41,391 3.5	13,731 5.4	14,460 5.3	15,215 5.2
Toronto	203,217 2.3	209,191 2.9	217,565 4.0	2,799 1.3	2,845 1.6	2,922 2.7	7.0	7.0	7.0	36,322 3.6	37,290 2.7	38,605 3.5	55,393 3.0	58,577 5.7	62,214 6.2
Prairies	66,835 2.5	68,598 2.6	70,541 2.8	1,076 1.2	1,087 1.0	1,099 1.1	4.7	4.8	4.7	29,503 4.1	30,489 3.3	31,568 3.5	25,130 6.8	26,561 5.7	27,882 5.0
Alberta	147,121 7.0	154,466 5.0	160,904 4.2	1,865 4.5	1,929 3.5	1,979 2.6	3.8	3.9	3.8	40,115 6.7	41,660 3.9	43,238 3.8	56,642 16.2	60,873 7.5	64,881 6.6
Calgary	51,275 7.3	53,277 3.9	55,290 3.8	651 7.4	660 1.4	677 2.6	3.6	3.6	3.6	45,745 4.6	46,180 1.0	47,571 3.0	19,854 13.5	21,274 7.2	22,550 6.0
British Columbia	137,220 3.9	141,613 3.2	145,965 3.1	2,192 2.9	2,232 1.8	2,267 1.6	4.5	4.6	4.5	32,040 5.2	33,167 3.5	34,294 3.4	53,576 7.1	56,825 6.1	59,739 5.1
Vancouver	73,001 3.9	75,279 3.1	77,850 3.4	1,190 3.4	1,231 3.0	1,257 3.4	4.3	4.2	4.3	32,799 3.5	34,019 3.8	35,234 3.6	24,436 8.1	25,950 6.2	27,410 5.6

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		
	2006	2007f	2008f	2006	2007f	2008f	2006	2007f	2008f	2006	2007f	2008f	2006	2007f	2008f
	Canada	32,568 1.0	32,861 0.9	33,167 0.9	228,395 1.3	202,573 -11.3	194,703 -3.9	220,693 4.2	211,946 -4.0	197,120 -7.0	276,578 11.2	291,522 5.4	303,766 4.2	355,493 9.7	375,341 5.6
Atlantic provinces	4,358 -0.2	4,362 0.1	4,370 0.2	12,702 5.0	8,021 -36.9	7,068 -11.9	12,330 6.3	11,317 -8.2	8,540 -24.5	148,639 4.8	154,399 3.9	159,958 3.6	264,754 3.3	271,639 2.6	278,159 2.4
Quebec	7,641 0.6	7,681 0.5	7,724 0.6	44,322 -12.9	36,412 -17.8	32,782 -10.0	45,545 -8.7	38,041 -16.5	30,984 -18.5	194,440 5.2	202,754 4.3	210,661 3.9	253,655 4.3	262,448 3.5	270,322 3.0
Montréal	3,661 0.7	3,690 0.8	3,722 0.9	20,744 -18.1	17,528 -15.5	16,010 -8.7	22,710 -11.6	19,297 -15.0	16,702 -13.4	216,283 6.0	225,827 4.4	235,312 4.2	270,044 4.2	279,462 3.5	288,405 3.2
Ontario	12,659 1.0	12,782 1.0	12,924 1.1	75,188 -4.6	74,589 -0.8	75,032 0.6	78,297 1.5	73,907 -5.6	76,400 3.4	277,794 5.8	289,949 4.4	301,837 4.1	432,295 3.8	447,350 3.5	461,665 3.2
Ottawa	1,158 0.8	1,169 1.0	1,181 1.0	7,974 12.2	7,126 -10.6	7,006 -1.7	8,149 -1.7	7,545 -7.4	7,087 -6.1	239,484 3.6	248,350 3.7	257,538 3.7	343,169 3.1	353,462 3.0	363,713 2.9
Toronto	5,397 1.7	5,498 1.9	5,603 1.9	38,056 -8.5	39,003 2.5	39,797 2.0	41,205 4.9	38,880 -5.6	40,410 3.9	358,935 4.9	375,145 4.5	391,276 4.3	505,409 3.9	523,161 3.5	539,903 3.2
Prairies	2,163 -0.1	2,171 0.4	2,180 0.4	8,593 5.2	7,329 -14.7	7,396 0.9	8,127 1.8	8,487 4.4	8,074 -4.9	141,399 9.8	148,300 4.9	153,936 3.8	257,474 9.4	270,543 5.1	279,200 3.2
Alberta	3,360 2.8	3,426 2.0	3,493 2.0	48,711 19.3	41,926 -13.9	38,758 -7.6	40,138 8.9	45,721 13.9	42,876 -6.2	284,843 30.3	312,368 9.7	326,112 4.4	377,736 36.1	433,503 14.8	450,409 3.9
Calgary	1,084 2.2	1,107 2.1	1,129 2.0	17,227 26.0	14,907 -13.5	13,817 -7.3	12,890 0.6	15,862 23.1	14,758 -7.0	350,345 39.5	394,637 12.7	412,999 4.6	435,368 43.8	502,828 15.5	524,953 4.4
British Columbia	4,301 1.2	4,341 0.9	4,385 1.0	36,621 5.6	34,297 -6.3	33,667 -1.8	34,941 23.6	32,115 -8.1	31,550 -1.8	390,524 17.8	417,068 6.8	434,167 4.1	612,330 6.6	639,353 4.4	660,452 3.3
Vancouver	2,242 1.5	2,274 1.4	2,306 1.4	18,909 0.0	17,023 -10.0	16,947 -0.4	18,955 19.7	18,495 -2.4	17,093 -7.6	506,771 19.3	541,741 6.9	565,036 4.3	629,351 6.8	657,603 4.5	680,619 3.5

Financial Indicators (Canada only)

	2006	2007f	2008f	2006	2007f	2008f
Exchange rate (US\$/CDN\$)	0.88	0.87	0.88	6.3	6.3	6.3
Inflation rate	2.0	1.2	2.0	6.5	6.6	6.9
Bank Rate	4.3	4.5	4.8	6.7	6.7	7.1
				One-year mortgage rate		
				6.3	6.3	6.3
				Three-year mortgage rate		
				6.5	6.6	6.9
				Five-year mortgage rate		
				6.7	6.7	7.1
				Federal bonds: 1-3 years		
				4.1	4.1	4.5
				Federal bonds: 3-10 years		
				4.2	4.3	4.7
				Federal bonds: 10 years and over		
				4.3	4.3	4.8

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