HOUSING NOW

Canada

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Canada Mortgage and Housing Corporation

www.cmhc.ca

APRIL 2006

Canadian Market Overview

New Home Market

Starts remain strong in March

The seasonally adjusted annual rate[1] of housing starts was 251,700 units in March, up from 241,900 units in February.

Apartment starts surged in a number of centres in March. Despite the rise in multiple starts, single starts decreased for a second consecutive month suggesting that the pace of new home starts will begin to pull back.

Multiple starts increased while single starts decreased

The seasonally adjusted annual rate of urban starts rose 4.7 per cent to 219,700 units with activity in single and multiple starts diverging. Multiple starts were up 18.6 per cent to 123,000 units, while singles were down 8.9 per cent to

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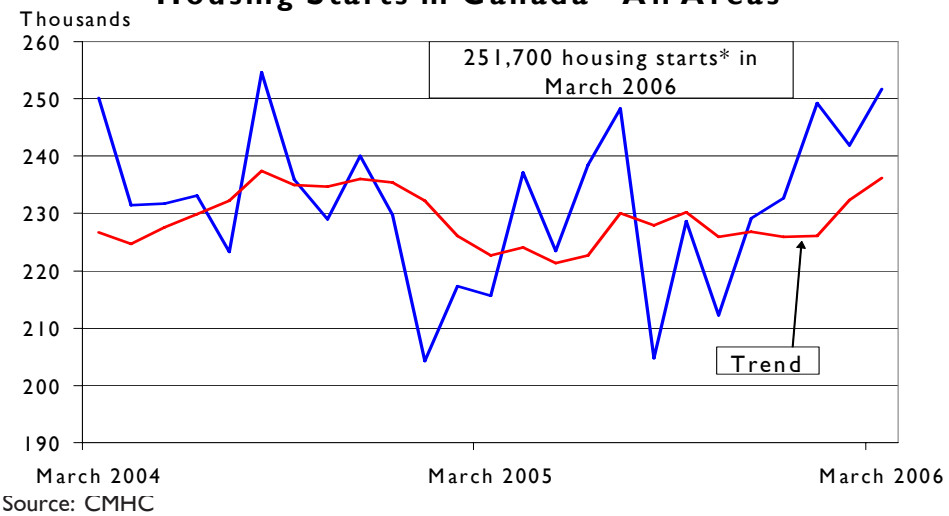
Housing Starts in Canada - All Areas*



Source: CMHC

*Seasonally adjusted at annual rates

Monthly housing starts numbers published in Housing Now Canada are final and may differ from the preliminary numbers in the starts press release

[1] All starts figures, other than actual starts, are seasonally adjusted annual rates (SAAR) that are monthly figures adjusted to remove normal seasonal variation and multiplied by 12 to reflect annual levels.

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CMHC SCHL
HOME TO CANADIANS

96,700 units in March compared to the previous month.

Urban starts increased in Quebec and the Prairie provinces

The Quebec region led the country with a 21.2 per cent increase in urban housing starts to 48,100 units due in large part to a jump in multiple construction in Montreal. Strong growth in each of the Prairie provinces led to a second consecutive month of double-digit gains in urban housing starts in the region (13.4 per cent). Elsewhere, urban housing starts declined in the Atlantic region (-13.1 per cent) and in Ontario (-5.0 per cent), but were virtually unchanged in British Columbia (0.3 per cent).

Rural starts in March were estimated at a seasonally adjusted annual rate of 32,000 units.

Year-to-date actual urban starts are higher than in the same period last year

For the first three months of the year, actual urban starts were 19.1 per cent higher than in the same period in 2005. Year-to-date in 2006, single starts are up 16.7 per cent and multiple starts are up 21.2 per cent compared to the same period last year.

New house prices remained strong in February

The year-over-year increase in the price of new homes, as measured by the New Housing Price index (NHPI), was 7.0 per cent in February 2006, up from 6.6 per cent in January 2006. Higher building material and labour costs, as well as increasing land values contributed to the increase in house prices.

Existing Home Market

MLS® sales up slightly

Seasonally adjusted MLS® (Multiple Listings Service) sales rose to 41,500 units in February 2006 up 0.2 per cent from 41458 units in January 2006.

For the first two months of the year, actual MLS® sales were up 10.7 per cent to 64,832 compared to the same period in 2005.

MLS® new listings take a break in February

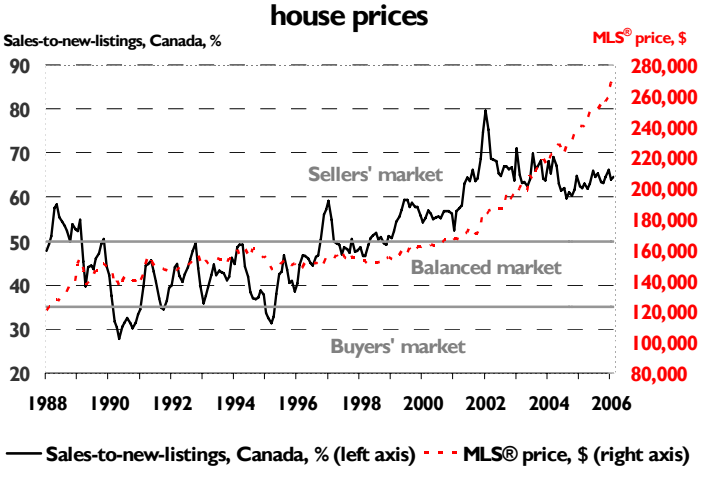
Seasonally adjusted MLS® new listings in February 2006 fell to 64,382 units, down 0.5 per cent from 64,711 units in January 2006.

Actual new listings for the first two months of 2006 were up 8.3 per cent over the same period in 2005.

Sellers' market conditions across Canada continue to support strong growth in house prices

An indicator of price pressure in the existing home market is the sales-to-new-listings ratio[1]. New listings are a gauge of supply of existing

Sellers' market continues to support rising house prices



Data are seasonally adjusted and annualized

Sources: CMHC, Canadian Real Estate Board (CREA), MLS®

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homes, while MLS® sales are a proxy for demand.

The sales-to-new-listings ratio for Canada remained in sellers' market territory in February, at about 65 per cent. As a result, the average MLS® price was 12.3 per cent higher in January 2006 compared to the same period the previous year.

Economic conditions

In March, employment increased by 51,000 jobs. Full-time employment contributed most to the gain with an increase of 44,000 jobs, while part-time employment was up by 7,000 jobs.

The unemployment rate edged down by 0.1 percentage point to a 32-year low of 6.3 per cent in March.

Employment in March 2006 was up 2.1 per cent compared to a year ago.

The seasonally adjusted employment-to-population ratio remains close to historical peak levels. In other words, a record share of Canadians are employed, which is supporting high levels of consumer confidence and strong demand for housing.

The Bank of Canada raised its target for the overnight lending rate by a quarter of a percentage point to 4 per cent on April 25th for a fifth consecutive time. With the economy operating close to full capacity, the gradual reduction in monetary stimulus will help to prevent rising inflationary pressures.

In March, the price of goods and services included in the Consumer Price Index (CPI) basket increased 2.2 per cent compared to the same month in 2005. The increase was mainly due to the higher cost of gasoline, purchase and leasing of automotive vehicles, and homeowners' replacement costs. These increases were restrained by a drop in computer equipment and supplies, and lower prices in men's and women's clothing.

[1] Taking the Canadian market as a whole, a sales-to-new-listings ratio below 35 per cent has historically accompanied prices that are rising at a rate that is less than inflation, a situation known as a *buyers' market*. A sales-to-new-listings ratio above 50 per cent is associated with a *sellers' market*. In a sellers' market, home prices generally rise more rapidly than overall inflation. When the sales-to-new-listings ratio is between these thresholds, the market is said to be *balanced*.

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PUNCHING THE CLOCK FOR HOUSING

Using average hourly earnings data for different centres across Canada, we calculated the average number of hours a person would need to work in a month to bring the mortgage payment on an average priced house down to 30 per cent of monthly income. A similar calculation is made using average rents and the results for different centres are compared.

House prices and apartment rents vary from centre to centre as do average incomes. To get an idea of the burden that mortgage payments or rents put on people's budgets, we examine the number of work hours that a person earning the average hourly wage needs to work in a month to bring the average two-bedroom rent[1] or the average mortgage payment[2] down to 30 per cent of their income. The average number of work hours needed to rent or own was calculated for each year from 1997 to 2005, for each major centre, and each province.

Using this ratio, we can rank different housing markets in terms of the number of hours of work required to own or rent a dwelling without spending more than 30 per cent of income. This should not, however, be interpreted as a complete affordability measure. Ideally, measures of affordability are based on household income. Our analysis uses average hourly wages of individuals which is often lower than household income. Ideally, measures of affordability also take into account shelter costs other than the monthly rent or the mortgage payment, such as property taxes and heating. Our analysis does not factor in these other shelter costs.

Hourly wage rates across the country

In 2005, individual hourly wages varied widely from one province to another and from one centre to another. The gap between the centre with the highest average wage rate (Ottawa) and the centre with the lowest average wage rate (Saint John) was about $7.38 per hour (see table I). When looking at the provinces, there was a difference of $5.45 per hour between the highest average wage rate (Ontario) and the lowest (PEI). All the provinces and the centres in the Atlantic

Table I: Average hourly wage per person

	Hourly wage 2005 ($/hour)
Ottawa	25.89
Oshawa	23.52
Gatineau	23.18
Calgary	22.94
Hamilton	22.92
Windsor	22.87
Toronto	22.32
Victoria	21.98
Vancouver	21.91
Kingston	21.68
Kitchener	21.45
Sudbury	21.28
Thunder Bay	21.22
London	21.20
Edmonton	21.18
Saguenay	20.86
Québec	20.77
Montréal	20.71
Abbotsford	20.37
Trois-Rivières	20.27
Regina	20.27
Ste-Catharines	20.10
Saskatoon	20.04
Sherbrooke	19.98
Halifax	19.76
Winnipeg	19.52
St John's	19.18
Saint John	18.51
Ontario	22.07
British Columbia	21.58
Alberta	21.35
CANADA	**20.99**
Québec	20.23
Manitoba	18.73
Saskatchewan	18.69
Nova Scotia	18.37
Newfoundland	18.05
New Brunswick	17.31
PEI	16.62

[1] Based on the CMHC rental market survey, the average rent taken into account was surveyed for buildings of three or more apartment units

[2] Monthly average mortgage payments were calculated with average annual MLS price, 20 % down payment, five year term mortgage rate, and 25 year amortization period.

region had the lowest average hourly wages, at less than $20 per hour. Average hourly wages in the provinces of Saskatchewan, Manitoba, Quebec and their respective centres were above those in the Maritime Provinces but remained below the Canadian average of $20.99 per hour per person[3]. Alberta and British Columbia had average hourly wages that were slightly higher than the Canadian average while Ontario had the highest average of $22.07 per hour. The province of Alberta and the Calgary CMA registered the largest hourly wage growth between 1997 and 2005 (more than 36 %).

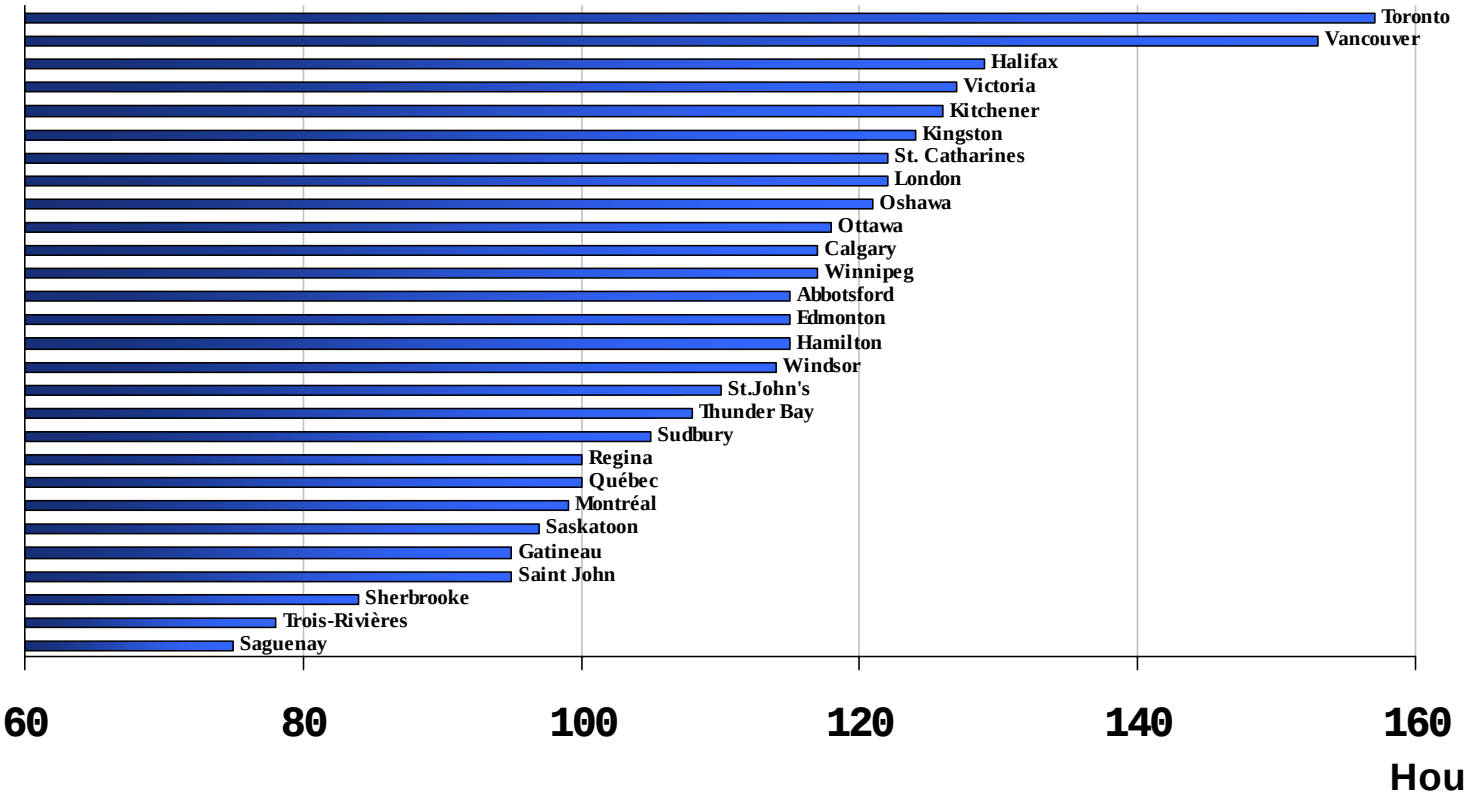
The ranking of centres by hours worked required is different for home ownership than for renting. The combination of average hourly wage rates and prices[4] allows us to compare the number of work hours needed (so that housing costs equal 30% of gross income) to the number of work hours available in a typical work month[5].

[3] With the exception of the Gatineau centre which presented an average of 23.2 $ per hour per person in 2005

[4] For monthly mortgage or rent payments.

[5] Based on the assumption of a 37.5 hour work week, the number of work hours available in a typical work month is 162.5

Graph 1 : Number of work hours needed to RENT at the average hourly wage* by centre (2005)



Source: CMHC, CREA

** Two bedroom apartment rent represents 30 % of gross salary earned*

The average number of work hours needed to rent remained low across Canada

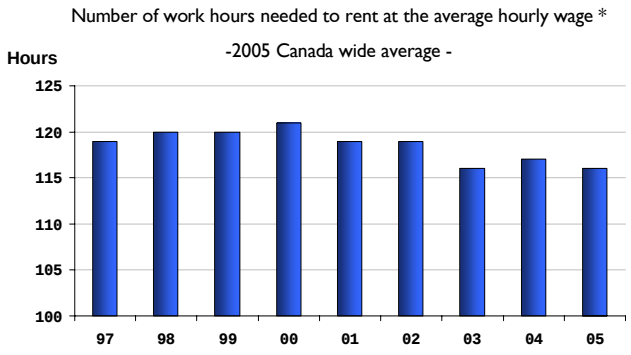
In Canada in 2005, a person earning the average hourly wage would have to work 116 hours in order to bring the average rent on a two bedroom apartment to 30% of his/her gross income. This is well below the 162.5 hours available in the typical work month. Average rents were low enough in all centres that fewer than 162.5 hours of work were required per month.

Toronto and Vancouver share the distinction of requiring the highest number of hours to bring the average two bedroom rent down to 30 per cent of income (more than 150 work hours in 2005, see graph I).

All the Quebec centres ranked at the bottom of the list. In these centres, 100 or less work hours per month was required to bring the average rent payment down to 30 per cent of income in 2005.

Between 1997 and 2005, the number of monthly work hours needed to make out 30 per cent of income has decreased for 22 out of 28 centres. In these cases, income growth has outpaced rent growth during the period. The number of work hours needed also decreased at the national level (see graph II). Between 1997 and 2005, the number of work hours needed to rent has not changed much (less than 10 per cent change for 24 out of 28 centres).

Graph II : The number of work hours needed to RENT has trended down over the past six years in Canada



Source: CMHC, CREA ** Two bedroom apartment rent represents 30 % of gross salary earned*

Table II: Number of hours required to bring the average rent on a two bedroom apartment down to 30 per cent of gross income (2005)

	Work Hours required To RENT
Toronto	157
Vancouver	153
Halifax	129
Victoria	127
Kitchener	126
Kingston	124
Ste-Catharines	122
London	122
Oshawa	121
Ottawa	118
Calgary	117
Winnipeg	117
Abbotsford	115
Edmonton	115
Hamilton	115
Windsor	114
St John's	110
Thunder Bay	108
Sudbury	105
Regina	100
Québec	100
Montréal	99
Saskatoon	97
Gatineau	95
Saint John	95
Sherbrooke	84
Trois-Rivières	78
Saguenay	75
Ontario	136
Nova Scotia	132
British Columbia	130
PEI	123
Alberta	119
Manitoba	119
CANADA	**116**
New Brunswick	113
Newfoundland	107
Saskatchewan	103
Québec	97

Sources: CMHC, adpated from Statistics Canada

The number of work hours needed to own was on the rise between 1997 and 2005

In 2005, the Canada wide number of monthly work hours required at the average hourly wage to bring the mortgage payment on an average priced house down to 30 % of gross income was 202 hours. This implies that in some centres homeownership requires an income that is higher than the average. Vancouver (331 work hours), Victoria (295 work hours), Abbotsford (273 work hours), and Toronto (257 work hours) were the only centres for which the work hours required were higher than the Canadian average in 2005.

Thunder Bay, Trois-Rivières, and Saguenay required less than 100 hours of work per month to bring the mortgage on the averaged priced home down to 30 per cent of income in 2005. In Vancouver, the required number of monthly work hours was four times the number in Saguenay in 2005. It should be noted that Vancouver, Victoria and Toronto ranked among the highest monthly work hours for both renting and owning, while Saguenay and Trois-Rivières ranked lowest.

It is also interesting to note that the gap between the lowest and highest number of monthly work hours was smaller for renting than for owning in 2005. In the case of renting, the centre requiring the least hours of work in a month was Saguenay (75 work hours). This is half the number of hours required in Toronto (157 work hours). In the case of owning, Saguenay was also the centre which required the least number of monthly work hours (82 hours). This is a quarter of what is required in Vancouver (331 work hours).

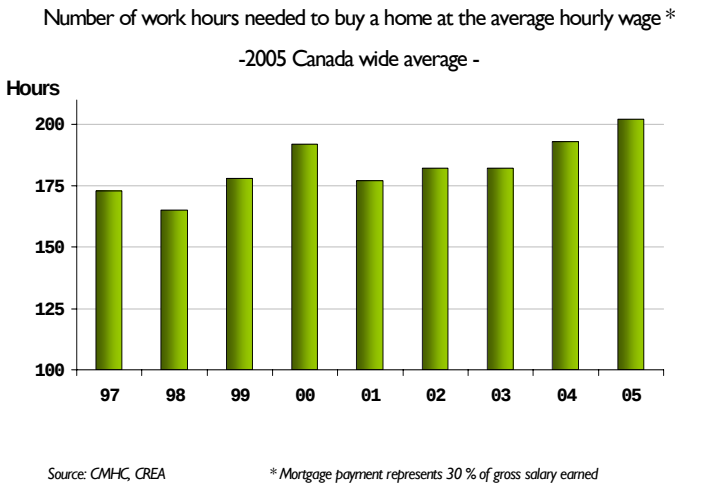
Table III: Number of monthly hours of work required to bring the morgtgage payment on an average priced house down to 30 per cent of gross income (2005)

	Work Hours required To OWN
Vancouver	331
Victoria	295
Abbotsford	273
Toronto	257
Calgary	186
Oshawa	183
Kitchener	175
Hamilton	171
Ste-Catharines	170
Montréal	168
Ottawa	164
Halifax	163
Edmonton	156
Kingston	154
London	144
Sherbrooke	130
St John's	125
Saskatoon	123
Windsor	122
Winnipeg	120
Québec	116
Gatineau	115
Saint John	110
Sudbury	108
Regina	104
Thunder Bay	97
Trois-Rivières	83
Saguenay	82
British Columbia	262
Ontario	203
CANADA	**202**
Alberta	174
Québec	156
Nova Scotia	148
Newfoundland	133
Manitoba	122
PEI	120
New Brunswick	119
Saskatchewan	112

Sources: CMHC, CREA, adpated from Statistics Canada

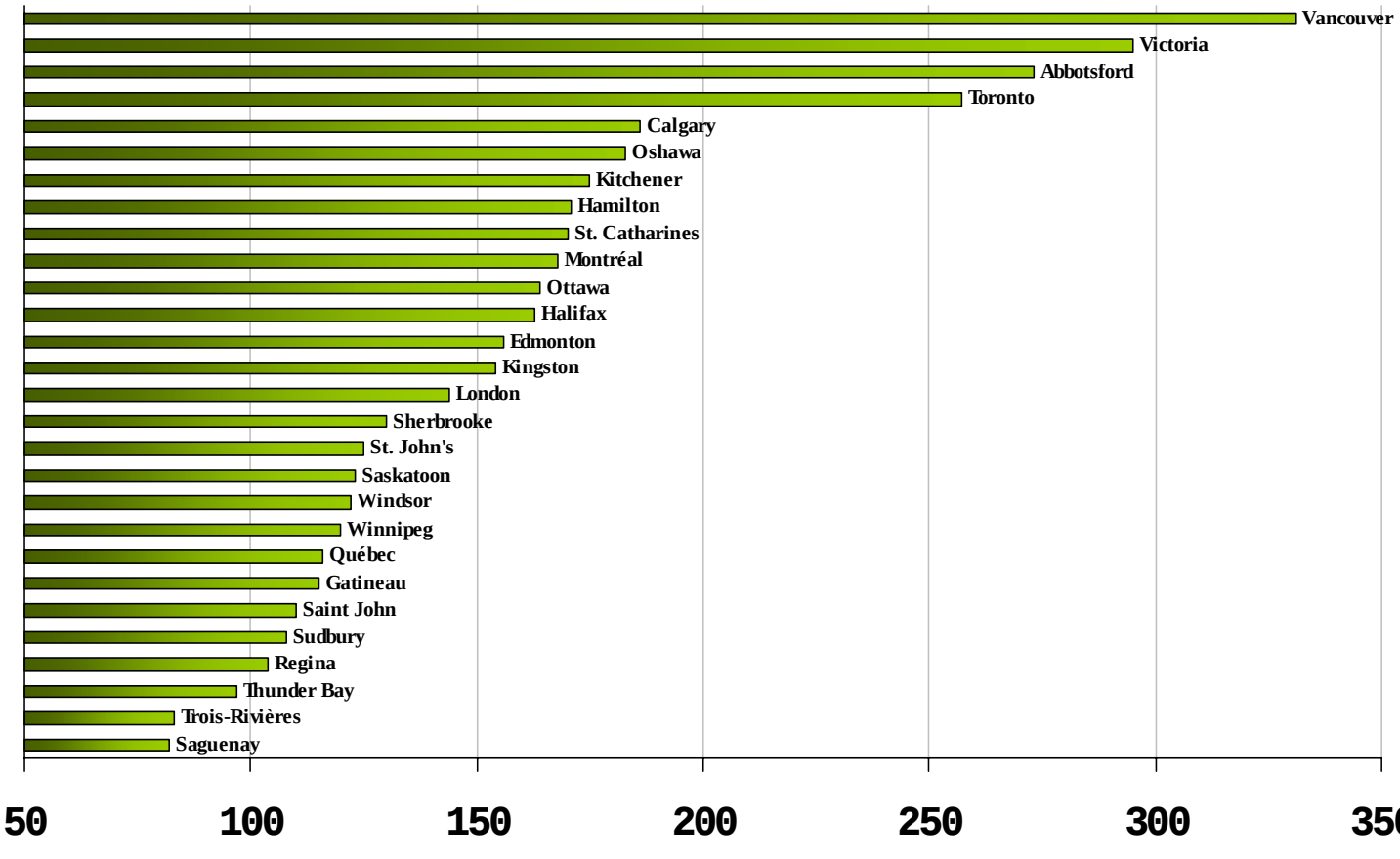
Between 1997 and 2005, the number of work hours needed in a month to bring the mortgage payment down to 30 per cent of income has increased for 24 out of 28 centres and has trended higher for Canada (see graph IV). Montréal, Victoria, and Québec City posted the largest increases with 37%, 37%, and 31%, respectively. On the other hand, Sudbury, Windsor, and Thunder Bay all posted decreases in the monthly hours of work required of 1 %, 9 %, and 15 %, respectively.

Graph IV : The number of work hours needed to OWN has increased for the past nine years in Canada



Source: CMHC, CREA ** Mortgage payment represents 30 % of gross salary earned*

Graph III : Number of work hours needed to OWN at the average hourly wage by centre (2005)



Source: CMHC, CREA ** Mortgage payment represents 30 % of gross salary earned*

At the provincial level, British Columbia (262 work hours) and Ontario (203 work hours) posted the highest number of monthly hours required to bring the mortgage payment on the average priced home to 30 per cent of income. Alberta came in third position with an average of 174 monthly work hours required. The province of Saskatchewan with 112 work hours required per month was the lowest.

The gap between the work hours needed to own or rent tended to be larger in more expensive markets. The incentives to get into homeownership were quite high in centres like Windsor, Saguenay, Trois-Rivières, Winnipeg, and Sudbury where the difference between owning and renting was less than 10 work hours per month in 2005. More surprisingly, in Thunder Bay, buying a home required fewer hours of work than renting.

Table IV: Average hourly wage per person, MLS average price and two bedroom apartment rent

	Hourly wage 2005 ($/hour)	MLS average price 2005 ($)	Two Bedroom Rent 2005 ($)
Ottawa	25.89	248,358	920
Oshawa	23.52	252,606	855
Gatineau	23.18	156,591	660
Calgary	22.94	250,832	808
Hamilton	22.92	229,753	791
Windsor	22.87	137,062	683
Toronto	22.32	336,176	1,052
Victoria	21.98	380,897	837
Vancouver	21.91	425,745	1,004
Kingston	21.68	195,757	807
Kitchener	21.45	220,511	811
Sudbury	21.28	134,440	668
Thunder Bay	21.22	121,183	689
London	21.20	178,910	775
Edmonton	21.18	193,934	732
Saguenay	20.86	100,891	472
Québec	20.77	141,485	621
Montréal	20.71	203,720	616
Abbotsford	20.37	326,312	704
Trois-Rivières	20.27	99,010	474
Regina	20.27	123,600	607
Ste-Catharines	20.10	200,549	736
Saskatoon	20.04	144,787	584
Sherbrooke	19.98	152,886	505
Halifax	19.76	188,484	762
Winnipeg	19.52	163,001	780
St John's	19.18	141,167	634
Saint John	18.51	119,718	526
Ontario	22.07	263,041	903
British Columbia	21.58	332,224	844
Alberta	21.35	218,266	765
CANADA	**20.99**	**249,311**	**731**
Québec	20.23	184,583	591
Manitoba	18.73	133,854	669
Saskatchewan	18.69	122,765	577
Nova Scotia	18.37	159,556	726
Newfoundland	18.05	141,167	578
New Brunswick	17.31	120,641	586
PEI	16.62	117,238	612

This Month's Housing Data (SAAR)

	2005	Q3:05	Q4:05	Q1:06	M01:06	M02:06	M03:06
Housing starts, units, 000s							
Canada. Total. All areas	**225.5**	**227.4**	**224.6**	**248.0**	**249.3**	**241.9**	**251.7**
Per cent change from previous period	-3.4	-2.4	-1.2	10.4	7.2	-3.0	4.1
Canada. Total. Rural areas	**32.0**	**30.1**	**33.7**	**32.0**	**32.0**	**32.0**	**32.0**
Per cent change from previous period	10.2	-11.2	12.0	-5.0	-5.0	0.0	0.0
Canada. Total. Urban areas	**193.5**	**197.3**	**190.9**	**216.0**	**217.3**	**209.9**	**219.7**
Per cent change from previous period	-5.3	-0.9	-3.2	13.1	9.3	-3.4	4.7
Canada. Single. Urban areas	**94.0**	**91.4**	**94.5**	**105.4**	**112.7**	**106.2**	**96.7**
Per cent change from previous period	-9.5	-5.8	3.4	11.5	15.2	-5.8	-8.9
Canada. Multiple. Urban areas	**99.5**	**105.9**	**96.4**	**110.6**	**104.6**	**103.7**	**123.0**
Per cent change from previous period	-1.0	3.7	-9.0	14.7	3.5	-0.9	18.6
Newfoundland. Total. All areas	**2.5**	**2.6**	**2.4**	**2.7**	**2.6**	**3.4**	**1.9**
Per cent change from previous period	-13.0	13.0	-7.7	12.5	-3.7	30.8	-44.1
Prince Edward Island. Total. All areas	**0.9**	**0.8**	**0.8**	**1.5**	**2.1**	**1.7**	**0.5**
Per cent change from previous period	-6.2	33.3	0.0	87.5	110.0	-19.0	-70.6
Nova Scotia. Total. All areas	**4.8**	**4.6**	**4.9**	**7.1**	**7.2**	**6.1**	**7.9**
Per cent change from previous period	1.2	-13.2	6.5	44.9	75.6	-15.3	29.5
New Brunswick. Total. All areas	**4.0**	**3.9**	**4.2**	**4.2**	**5.5**	**3.7**	**3.2**
Per cent change from previous period	0.3	-4.9	7.7	0.0	57.1	-32.7	-13.5
Quebec. Total. All areas	**50.9**	**50.0**	**49.5**	**50.7**	**50.4**	**46.6**	**55.0**
Per cent change from previous period	-12.9	-2.7	-1.0	2.4	1.6	-7.5	18.0
Ontario. Total. All areas	**78.8**	**78.5**	**74.7**	**83.5**	**94.2**	**80.0**	**76.3**
Per cent change from previous period	-7.4	-9.7	-4.8	11.8	12.5	-15.1	-4.6
Manitoba. Total. All areas	**4.7**	**5.5**	**4.7**	**5.2**	**4.9**	**4.7**	**6.0**
Per cent change from previous period	6.6	25.0	-14.5	10.6	22.5	-4.1	27.7
Saskatchewan. Total. All areas	**3.4**	**3.8**	**3.6**	**3.4**	**4.2**	**2.7**	**3.1**
Per cent change from previous period	-9.1	11.8	-5.3	-5.6	31.3	-35.7	14.8
Alberta. Total. All areas	**40.8**	**40.4**	**43.0**	**49.7**	**42.7**	**50.9**	**55.6**
Per cent change from previous period	12.6	-4.0	6.4	15.6	-0.2	19.2	9.2
British Columbia. Total. All areas	**34.7**	**37.3**	**36.8**	**40.0**	**35.5**	**42.1**	**42.2**
Per cent change from previous period	5.3	14.8	-1.3	8.7	-6.6	18.6	0.2

SOURCE: CMHC, Starts and Completions Survey. All data are seasonally adjusted and annualized. This seasonally adjusted data goes through stages of revision at different times through the yearly cycle resulting in finalization of preliminary data. These revisions take place at the end of each month, quarter and year.

Annual rate of housing starts, urban areas*

	2005	Q3:05	Q4:05	Q1:06	M01:06	M02:06	M03:06
Canada	**193.5**	**197.3**	**190.9**	**216.0**	**217.3**	**209.9**	**219.7**
Newfoundland	**1.8**	**1.9**	**1.7**	**1.9**	**1.8**	**2.6**	**1.1**
Prince Edward Island	**0.6**	**0.5**	**0.5**	**1.3**	**1.9**	**1.5**	**0.3**
Nova Scotia	**3.3**	**3.3**	**3.2**	**5.3**	**5.4**	**4.3**	**6.1**
New Brunswick	**2.7**	**2.7**	**2.9**	**2.8**	**4.1**	**2.3**	**1.8**
Québec	**41.3**	**43.0**	**40.4**	**43.8**	**43.5**	**39.7**	**48.1**
Ontario	**73.2**	**72.8**	**70.0**	**77.1**	**87.8**	**73.6**	**69.9**
Manitoba	**2.9**	**3.4**	**2.8**	**3.0**	**2.7**	**2.5**	**3.8**
Saskatchewan	**2.5**	**2.6**	**2.4**	**2.9**	**3.7**	**2.2**	**2.6**
Alberta	**34.3**	**34.3**	**34.5**	**41.8**	**34.8**	**43.0**	**47.7**
British Columbia	**31.1**	**32.8**	**32.5**	**36.1**	**31.6**	**38.2**	**38.3**

* Thousands of units, quaterly and monthly data are seasonally adjusted and annualized.

This Month's Major Housing Indicators

	2005	Q3:05	Q4:05	Q1:06	M01:06	M02:06	M03:06
New Housing							
New & unoccupied singles & semis, units 000s	**5.3**	**5.0**	**5.1**	**4.9**	**5.0**	**4.9**	**4.9**
Per cent change from same period previous year	1.2	-0.7	-9.9	-12.7	-11.2	-13.7	-13.3
New & unoccupied row & apartments, units 000s	**9.0**	**9.3**	**8.5**	**8.3**	**8.0**	**8.3**	**8.5**
Per cent change from same period previous year	33.6	38.4	3.3	-6.2	-6.1	-3.5	-8.7
New House Price Index, 1997=100	**129.4**	**130.1**	**132.4**	**n.a.**	**134.4**	**135.3**	**n.a.**
Per cent change from same period previous year	5.0	4.7	5.6	n.a.	6.6	7.0	n.a.
Existing Housing							
MLS® resales*, units 000s	**483.2**	**500.4**	**488.9**	**n.a.**	**497.5**	**498.7**	**n.a.**
Per cent change from same period previous year	4.9	9.9	7.9	n.a.	11.9	8.7	n.a.
MLS® average resale price*, $C 000s	**249.3**	**251.4**	**258.5**	**n.a.**	**266.5**	**269.8**	**n.a.**
Per cent change from same period previous year	10.2	11.4	10.3	n.a.	12.1	12.0	n.a.
Mortgage Market							
1-Year Mortgage Rate, % (period average)	**5.06**	**4.97**	**5.55**	**5.90**	**5.80**	**5.85**	**6.05**
5-Year Mortgage Rate, % (period average)	**5.99**	**5.80**	**6.15**	**6.40**	**6.30**	**6.45**	**6.45**

SOURCES: CMHC, Statistics Canada, Bank of Canada, The Canadian Real Estate Association.
n.a. Figures not available
* Quaterly and monthly data are seasonally adjusted and annualized (SAAR).
** Annual and quarterly data is actual. Monthly data is seasonally adjusted.

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