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Canada Mortgage and Housing Corporation

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Canadian Market Overview

New Home Market

Starts pull back in April

The seasonally adjusted annual rate¹ of housing starts was 217,900 units in April, down from 251,700 units in March.

Multiple starts gave back all the gains registered in March. In contrast to the volatility in multiple starts, the pace of single

starts is slowing consistently as expected.

Both multiple and single starts decreased

The seasonally adjusted annual rate of urban starts declined 15.0 per cent to 186,800 units. Urban multiple starts were down 21.6 per cent to 96,400 units comparing April to March,

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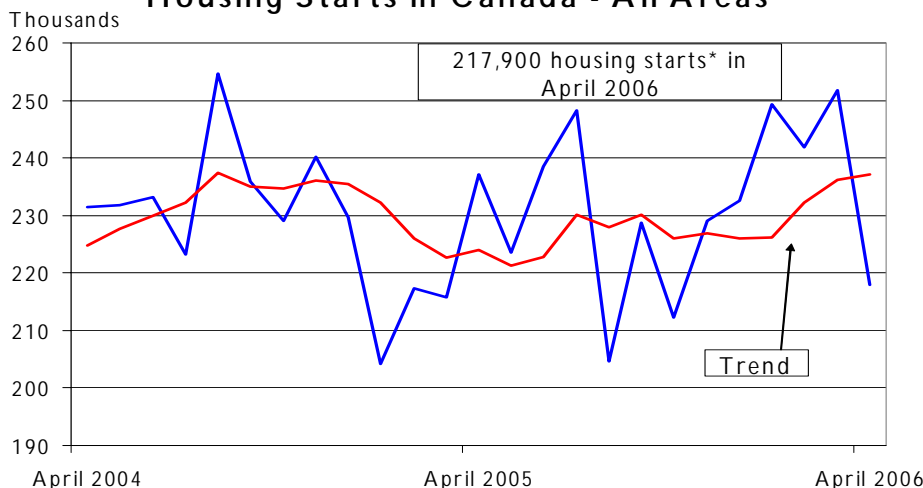
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Housing Starts in Canada - All Areas*



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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while singles were down 6.5 per cent to 90,400 units.

Urban starts declined in all regions

In April, urban housing starts declined in all regions. Strong declines in multiples pulled down urban starts by 24.7 per cent in Quebec and 20.1 per cent in the Prairies. In Ontario, total urban starts were down 12.2 per cent with single urban starts declining more than multiples. The declines in the Atlantic region and British Columbia were relatively modest at 6.5 per cent and 2.6 per cent respectively.

Rural starts in April were estimated at a seasonally adjusted annual rate of 31,100.

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

In the first four months of 2006, actual urban starts were up 8.4 per cent when compared to the same period a year earlier. Nationally, year-to-date actual urban multiple starts were up 9.3 per cent and singles were up 7.3 per cent compared to the same period in 2005.

New house prices increased steadily in March

The year-over-year increase in the price of new homes, as measured by the New Housing Price index (NHPI), rose 7.6 per cent in March 2006 compared to March 2005, the largest annual increase since January 1990. Higher building material and labour costs, as well as increasing land values contributed to the increase in house prices.

Existing Home Market

Strong level of MLS® sales

Seasonally adjusted MLS® (Multiple Listings Service) sales decreased to 41,552 units in March 2006 down 1.4 per cent from 42,132 units in February 2006.

For the first quarter of the year, actual MLS® sales were up 10.1 per cent to 114,302 compared to the same period in 2005.

MLS® new listings up slightly in March

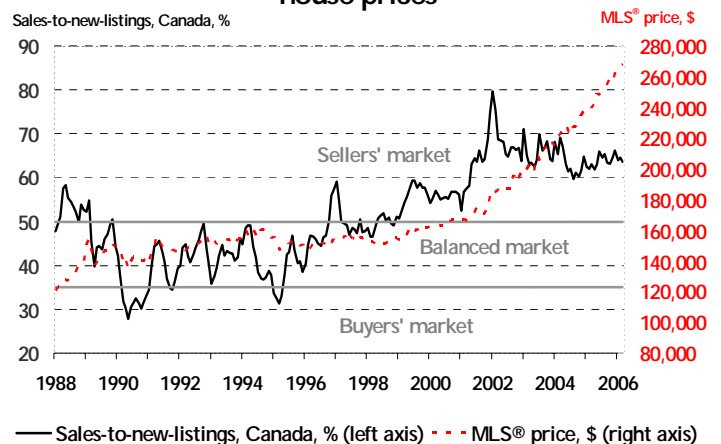
Seasonally adjusted MLS® new listings in March 2006 increased to 65,378 units, up 0.2 per cent from 65,252 units in February 2006.

Actual new listings for the first quarter of 2006 were up 9.0 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 ratio¹. 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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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*.

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

The sales-to-new-listings ratio for Canada remained in sellers' market territory in March, at about 64 per cent. As a result, the Canada-wide average MLS® price increased by 12.4 per cent in March 2006 compared to the same period the previous year.

Economic conditions

In April, employment increased by 22,000 jobs. The entire employment gain resulted from the creation of 26,400 full-time jobs, while part-time decreased by 4,500 jobs.

The unemployment rate was 6.4 per cent in April, only slightly above the 32-year low of 6.3 per cent reached in March.

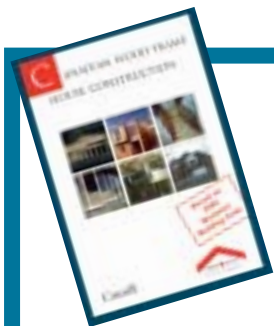
Employment was up 0.8 per cent for the first four months of 2006 compared to a year ago.

The seasonally adjusted employment-to-population ratio remained at its historic peak level of 62.9 per cent for a second consecutive month. 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 4.25 per cent on May 24th for a sixth consecutive time. With the economy operating close to full capacity, the gradual reduction in monetary stimulus will help to prevent rising inflationary pressures.

In April, the price of goods and services included in the Consumer Price Index (CPI) basket increased 2.4 per cent compared to the same month in 2005. The increase was mainly due to the higher prices of gasoline, automotive vehicles, and homeowners' replacement costs. These increases were restrained by a drop in prices for computer equipment and supplies, and lower prices in men's and women's clothing. ■



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This national best-selling guide to constructing a wood-frame house is the ideal learning tool and job-site manual. The new edition of Canadian Wood-Frame House Construction has been updated to reflect the residential requirements of the 2005 National Building Code of Canada. In addition, many changes have been made to bring the book in line with current building science research, construction methods and construction materials.

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CANADA'S HOTTEST HOUSING MARKETS IN 2006

CMHC released its second quarter *Housing Market Outlook* report in May. The resource rich economies of the West are continuing to add fuel to local housing demand. As a result, the housing markets in Calgary, Edmonton and Vancouver are forecast to outperform the rest of the country this year.

Housing demand in the West will be boosted by strong employment growth

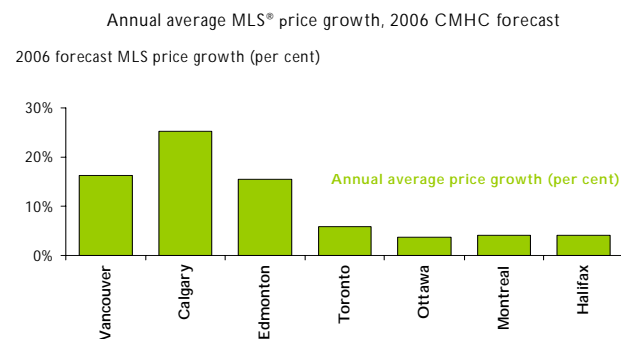
Low mortgage rates, high employment levels, and rising incomes will continue to support housing markets in 2006. Alberta and British Columbia will lead the nation in employment growth this year at 3.2 and 2.9 per cent respectively, more than double the 1.3 per cent rate forecast for the rest of Canada. Employment opportunities in the West will continue to attract workers from other parts of the country adding to the already strong demand for housing. The stronger-than-expected demand in western Canada's housing markets has resulted in upward revisions to local housing market forecasts for 2006.

Unlike western Canada, economic growth in Ontario and Quebec is slowing, as manufacturing industries in these provinces continue to adjust to the strong Canadian dollar. Weaker economic growth will generate lower job growth, and result in easing housing demand. Increased choice in the existing home market compared to the previous years will reduce the spillover of demand from the existing to the new home market and reduce the rate of price growth. Demand for new homes will slow as easing resale price growth coupled with rising construction costs increase the growing price differential between new and existing homes.

Western markets will lead price gains

A number of the existing home markets in western Canada will be firmly within sellers' market territory this year. The average MLS[®] price in Canada will increase by 11.2 per cent in 2006, but the price growth will vary significantly across local housing markets. The strongest MLS[®] price growth is forecast in the West with Calgary (25.3 per cent) leading the way, followed by Vancouver (16.3 per cent) and Edmonton (15.5 per cent). Price appreciation in central and eastern Canada's existing home markets will be more modest in 2006: 5.9 per cent in Toronto, 3.7 per cent Ottawa, 4.1 per cent in Montreal, and 4.1 per cent in Halifax.

Prices in the West will increase substantially

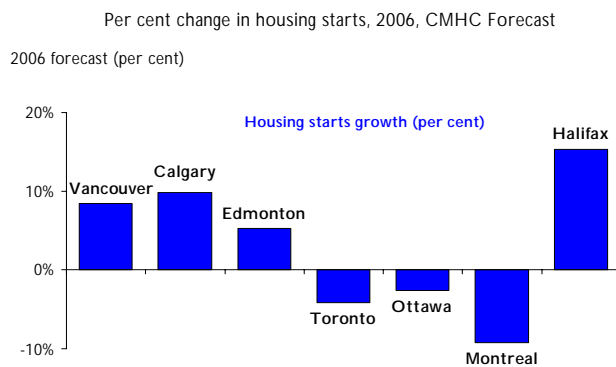


Source: CREA, CMHC Forecast

New home markets will respond to increased demand

Many of western Canada's hot housing markets will continue to build on the high level of construction activity seen last year. Housing starts in Calgary's hot housing market will increase an additional 9.8 per cent this year, while Vancouver and Edmonton will register increases of 8.4 and 5.3 per cent respectively. On the other hand, housing starts in central Canada are forecast to drop; starts will decrease by 4.1 per cent in Toronto, 2.6 per cent in Ottawa, and 9.2 per cent in Montreal. After three consecutive years of decreases, housing starts in Halifax will rebound 15.3 per cent. ■

Starts will move higher in western markets



Source: CMHC

GROWTH IN CONSTRUCTION COSTS EASED IN 2005

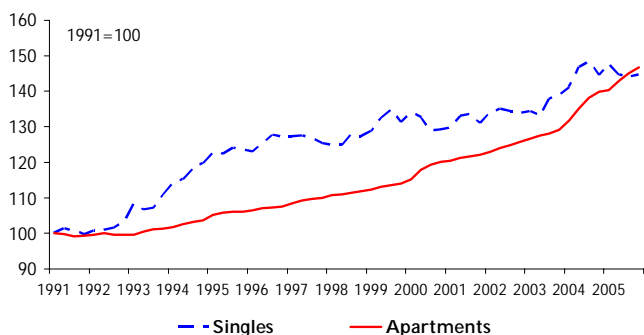
After rising rapidly in 2004, growth in building material prices slowed in 2005 due in part to the appreciation of the Canadian dollar against the US currency.

Building material costs for single-detached housing were flat in 2005 after having risen 6.7 per cent the previous year. The rise in costs of apartment construction eased slightly from the 6.5 per cent recorded in 2004 to 5.5 per cent in 2005.

For single-detached homes, these costs are measured by an index of the prices of 39 building materials while for apartments, the index is based on contractors' bids on an extensive range of subcontracts. These bids reflect prevailing wage rates, material prices, equipment depreciation and profit margins.

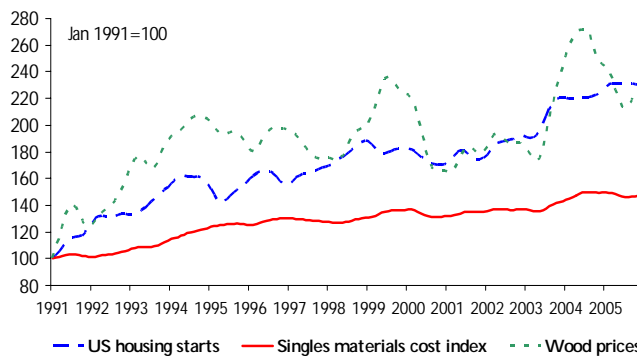
The prices for most building products are set in the world market and quoted in US dollars. The US dollar price of many building materials increased in 2005. However, during this period the Canadian dollar strengthened against its US counterpart, offsetting much of the rise in material prices for Canadian builders. For example, the US dollar price of ready-mix concrete increased by 12.2 per cent in 2005, whereas in Canadian dollars, it was up only 3.6 per cent. Similarly, growth in the Canadian dollar price of drywall accelerated from 5.5 per cent in 2004 to 6 per cent in 2005, which pales in comparison to the 18.1 per cent increase in the US dollar price. For petroleum-based products, the difference was not as pronounced. Plastic sheet prices were up 10.5 per cent in the US and 8.7 per cent in Canada.

Costs continue to rise for apartments but stabilize for singles



Source: Statistics Canada: Apartment Building Construction Price Index (ABCPI) and custom tabulation for singles materials cost index

US starts influence Canadian costs



Source: CMHC, adapted from Statistics Canada, IPPI and custom tabulations, and Conference Board of Canada, e-Data

Construction costs for single homes

Building costs for singles surged in 2003 and 2004 due to rising prices for wood products, particularly studs, plywood and particleboard. Prices for these products are the most volatile components of the building materials index and have tended to be correlated with the pace of housing construction in the United States. In 2005, construction costs for singles stabilized due in part to the rise in the value of the Canadian dollar and lower prices for wood products.

Prices for wood products in Canada also decreased in 2005 due to two key developments: production of wood in Canada increased and supply from other countries also increased, which helped drive down prices in the US market. Regulators in B.C. raised the allowable cut to mitigate losses from trees attacked by the mountain pine beetle. The wood from these trees can be salvaged, but only if it is harvested soon after the tree has died.

Construction costs for apartment buildings

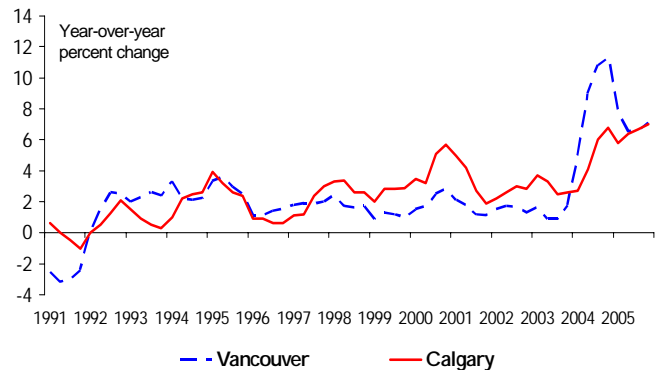
The Apartment Building Construction Price Index (ABCPI) is produced for seven large Canadian cities. At 6.5 per cent, apartment construction costs in Edmonton and Calgary were up more than they had been in 2004. The increase in apartment construction costs was strongest in Vancouver at 7.0 per cent. In the other centres, cost increases ranged from 3.7 per cent in Halifax to 5.0 per cent in Toronto.

A surge in steel prices drove up apartment construction costs across the country in 2004. In 2005, there were no sharp increases, but prices on a variety of products such as drywall, concrete, and hoists increased somewhat faster than in the previous year. Although all centres were subject to these trends, the strongest cost increases occurred in Vancouver, Calgary, and Edmonton. In these centres, tight labour markets and strong construction activity added to cost pressures.

Because of strong demand rising costs are passing through to house prices

Generally, demand has been strong enough to allow cost increases to be passed through to house prices. Prices for new single-detached houses rose just over ten per cent during 2005, at the same time as material costs were stabilizing. In most centres apartment prices were rising at similar or faster rates as apartment construction costs. ■

Apartment construction costs rising in the west



Source: CMHC, adapted from Statistics Canada, ABCPI

Selected Building Material Prices

(% change)

	2004	2005
Bricks	3.6	4.6
Drywall	5.6	6
Lumber	17	-9.7
Particle Board	18.8	-20.1
Nails	18.2	5.3
Foam Insulation	-1	0.9
Ready-Mix Concrete	2.6	3.6
Steel Reinforcing bars	46.3	-8.3
Steel, structural shapes	32.7	0.5

Source: CMHC, adapted from Statistics Canada, IPPPI

This Month's Housing Data (SAAR)

	2005	Q 3:05	Q 4:05	Q 1:06	M02:06	M03:06	M04:06
Housing starts, units, 000s							
Canada. Total. All areas	225.5	227.4	224.6	248.0	241.9	251.7	217.9
Per cent change from previous period	-3.4	-2.4	-1.2	10.4	-3.0	4.1	-13.4
Canada. Total. Rural areas	32.0	30.1	33.7	32.0	32.0	32.0	31.1
Per cent change from previous period	10.2	-11.2	12.0	-5.0	0.0	0.0	-2.8
Canada. Total. Urban areas	193.5	197.3	190.9	216.0	209.9	219.7	186.8
Per cent change from previous period	-5.3	-0.9	-3.2	13.1	-3.4	4.7	-15.0
Canada. Single. Urban areas	94.0	91.4	94.5	105.4	106.2	96.7	90.4
Per cent change from previous period	-9.5	-5.8	3.4	11.5	-5.8	-8.9	-6.5
Canada. Multiple. Urban areas	99.5	105.9	96.4	110.6	103.7	123.0	96.4
Per cent change from previous period	-1.0	3.7	-9.0	14.7	-0.9	18.6	-21.6
Newfoundland. Total. All areas	2.5	2.6	2.4	2.7	3.4	1.9	1.6
Per cent change from previous period	-13.0	13.0	-7.7	12.5	30.8	-44.1	-15.8
Prince Edward Island. Total. All areas	0.9	0.8	0.8	1.5	1.7	0.5	0.7
Per cent change from previous period	-6.2	33.3	0.0	87.5	-19.0	-70.6	40.0
Nova Scotia. Total. All areas	4.8	4.6	4.9	7.1	6.1	7.9	5.8
Per cent change from previous period	1.2	-13.2	6.5	44.9	-15.3	29.5	-26.6
New Brunswick. Total. All areas	4.0	3.9	4.2	4.2	3.7	3.2	4.4
Per cent change from previous period	0.3	-4.9	7.7	0.0	-32.7	-13.5	37.5
Quebec. Total. All areas	50.9	50.0	49.5	50.7	46.6	55.0	44.0
Per cent change from previous period	-12.9	-2.7	-1.0	2.4	-7.5	18.0	-20.0
Ontario. Total. All areas	78.8	78.5	74.7	83.5	80.0	76.3	67.0
Per cent change from previous period	-7.4	-9.7	-4.8	11.8	-15.1	-4.6	-12.2
Manitoba. Total. All areas	4.7	5.5	4.7	5.2	4.7	6.0	5.6
Per cent change from previous period	6.6	25.0	-14.5	10.6	-4.1	27.7	-6.7
Saskatchewan. Total. All areas	3.4	3.8	3.6	3.4	2.7	3.1	3.4
Per cent change from previous period	-9.1	11.8	-5.3	-5.6	-35.7	14.8	9.7
Alberta. Total. All areas	40.8	40.4	43.0	49.7	50.9	55.6	44.8
Per cent change from previous period	12.6	-4.0	6.4	15.6	19.2	9.2	-19.4
British Columbia. Total. All areas	34.7	37.3	36.8	40.0	42.1	42.2	40.5
Per cent change from previous period	5.3	14.8	-1.3	8.7	18.6	0.2	-4.0

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	M02:06	M03:06	M04:06
Canada	193.5	197.3	190.9	216.0	209.9	219.7	186.8
Newfoundland	1.8	1.9	1.7	1.9	2.6	1.1	0.9
Prince Edward Island	0.6	0.5	0.5	1.3	1.5	0.3	0.4
Nova Scotia	3.3	3.3	3.2	5.3	4.3	6.1	4.2
New Brunswick	2.7	2.7	2.9	2.8	2.3	1.8	3.2
Québec	41.3	43.0	40.4	43.8	39.7	48.1	36.2
Ontario	73.2	72.8	70.0	77.1	73.6	69.9	61.4
Manitoba	2.9	3.4	2.8	3.0	2.5	3.8	3.5
Saskatchewan	2.5	2.6	2.4	2.9	2.2	2.6	2.6
Alberta	34.3	34.3	34.5	41.8	43.0	47.7	37.1
British Columbia	31.1	32.8	32.5	36.1	38.2	38.3	37.3

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

This Month's Major Housing Indicators

	2005	Q3:05	Q4:05	Q1:06	M02:06	M03:06	M04:06
New Housing							
New & unoccupied singles & semis, units 000s	5,3	5,0	5,1	4,9	4,9	4,9	4,9
Per cent change from same period previous year	1,2	-0,7	-9,9	-12,7	-13,7	-13,3	-10,8
New & unoccupied row & apartments, units 000s	9,0	9,3	8,5	8,3	8,3	8,5	8,3
Per cent change from same period previous year	33,6	38,4	3,3	-6,2	-3,5	-8,7	-13,0
New House Price Index, 1997=100	129,4	130,1	132,4	135,4	135,3	136,6	n.a.
Per cent change from same period previous year	5,0	4,7	5,6	7,0	7,0	7,6	n.a.
Existing Housing							
MLS [®] resales*, units 000s	483,2	500,4	488,9	500,6	505,6	498,6	n.a.
Per cent change from same period previous year	4,9	9,9	7,9	10,0	10,2	8,0	n.a.
MLS [®] average resale price**, \$C 000s	249,3	251,4	258,5	267,2	266,7	268,4	n.a.
Per cent change from same period previous year	10,2	11,4	10,3	11,6	10,8	11,9	n.a.
Mortgage Market							
1-Year Mortgage Rate, % (period average)	5,06	4,97	5,55	5,90	5,85	6,05	6,25
5-Year Mortgage Rate, % (period average)	5,99	5,80	6,15	6,40	6,45	6,45	6,75

SOURCES: CMHC, Statistics Canada, Bank of Canada, The Canadian Real Estate Association.

n.a. Figures not available

* Quarterly and monthly data are seasonally adjusted and annualized (SAAR).

** Annual and quarterly data is actual. Monthly data is seasonally adjusted.

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