HOUSING NOW

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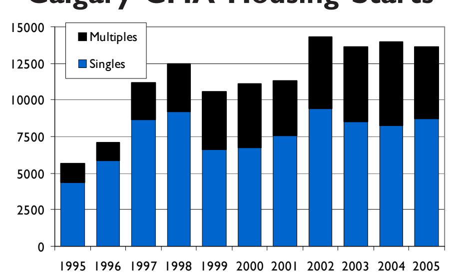
Canada Mortgage and Housing Corporation
www.cmhc.ca

Despite Decline, 2005 an Exceptional Year for Housing Starts

In the Calgary Census Metropolitan Area (CMA), builders started 13,667 homes of all types in 2005, down by over two per cent from 2004's performance. Nonetheless, total housing starts surpassed the 13,000-unit mark for an unprecedented fourth year in succession. At 925 units, December's starts were 27 per cent lower than December 2004 as single- and multi-family construction both recorded weaker activity. Single-family construction in December experienced a seven per cent decline from the previous year, while multi-family starts fell 51 per cent.

Despite December's decline, single-family starts for all of 2005 reported an impressive gain. A total of 8,719 single-family homes began construction in 2005, six per cent higher than in 2004. This represents the first year-over-year gain in three years, following nine and three per cent declines in 2003 and 2004, respectively. Moreover, 2005's starts represent the third highest total for single-family builders on record, next to 9,413 units in 2002 and 9,219 in 1998. Despite the gain, overall construction was held back by the torrential rain in the summer and a lack of production capacity. Without those factors, a new single-family starts record would likely have been achieved in 2005.

Calgary CMA Housing Starts



Source: CMHC

The largest gain for single-family construction occurred in Airdrie, where 2005's activity was 19 per cent higher than the previous year. Conversely, Cochrane reported the steepest decline in single-family starts in 2005, down 46 per cent from 2004. Within Calgary's city limits, 2005 witnessed a seven per cent increase over 2004.

As alluded to earlier, Calgary's single-family market is operating at capacity and as a result, arguably underperformed in 2005. Factors in support of this premise include the level of outstanding building permits and the continued escalation in the number of units under construction. In all of 2005, single-family building permits were 20 per cent higher than the previous year, far exceeding the six per cent gain in housing starts. The outstanding permits will be carried into 2006, providing additional pressure for a market having difficulty satisfying demand. Further evidence of this comes by way of the number of units under construction. At the end of December, 4,205 single-family units were under construction, representing the highest total on record. In such an environment, it remains impossible to add to inventories.

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Moreover, the capacity constraints have placed strong upward pressure on prices. In 2005, the average price of a new single-family unit jumped 11 per cent to \$315,796, the highest rate of price growth since 1990.

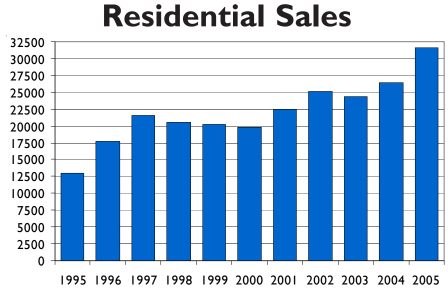
Meanwhile, after three consecutive year-over-year gains, multi-family starts, which include semi-detached, row, and apartment units, fell short of 2004's activity. Following a 23-year high of 5,775 units in 2004, construction began on 4,948 multi-family units in 2005, representing a decline of 14 per cent. The decline in 2005 was only the second such occurrence in the last nine years. Apartments were responsible for all of the decrease. Following a 22-year high of 3,915 apartment starts in 2004, new construction fell 28 per cent in 2005 to 2,805 units. Conversely, semi-detached and row units report year-over-year gains of eight and 23 per cent, respectively.

The decline of multi-family housing starts in 2005 was deemed warranted and paves the way for stronger activity in 2006. In the months leading up to 2005, a number of concerns were identified resulting in a forecast for fewer starts in 2005. The number of complete and unabsorbed units in inventory was escalating while the per cent of units absorbed at completion was in decline. Inventories marched to a 21-year high of 783 units in May 2005, as the per cent of multi-family units absorbed at completion fell to a four year low of 59 per cent. Since then, however, the situation has reversed in a more favourable direction. At the end of December, multi-family units in inventory fell to 286 units, the lowest total in almost three years. Meanwhile, the per cent of units absorbed at completion returned to lofty levels, averaging 86 per cent in the fourth quarter of the year.

Calgary's Resale Market Sets Huge Records

Following record performances in both 2003 and 2004, Calgary's resale market set a new record for residential sales in 2005. Total transactions through the Calgary Real Estate Board (CREB) totalled 31,567 units, 19 per cent above corresponding levels in 2004. Each month in 2005 recorded higher sales than the previous year, with some recording gains as high as 31 per cent. By type, condominium units recorded the largest gain in sales in 2005. At a record 8,803 units, condominium sales in 2005 were 26 per cent higher than the previous year. Single-family sales, meanwhile, enjoyed a

Calgary MLS® Total Residential Sales



Source: CREB

17 per cent gain over 2004, reaching 22,764 units.

In the fourth quarter of 2005, conditions in Calgary's resale market continued to tighten, confirming a market controlled by the seller. Total active listings descended throughout the year, reaching an eight-year low of 2,039 units in December. While some of the decline is arguably seasonal, it must be noted that December's active listings were less than half the selection available one year earlier. With the severe shortage of listings and record level of sales, the sales-to-active listings ratio escalated to 89 per cent in the fourth quarter of 2005, the highest quarterly average on record. This has created an environment of short listing durations, multiple offers, and sales in excess of list price. The end result has been hefty price growth.

At a record $250,789 for all units in 2005, the average price in Calgary's resale market climbed 13 per cent over 2004, the highest annual rate of price growth since 1990. Single-family resale homes were the big gainers in 2005, jumping 14 per cent to an average of $276,567. The average condominium, meanwhile, increased 11 per cent in 2005, reaching $184,127.

Job Growth Restricted as Market at Full-Employment

In 2005, the Calgary CMA recorded the weakest job growth since 1993. A total of 7,450 jobs were created in 2005, representing a considerable departure from the previous 10-year average of 19,500 new positions. While the decline in job creation comes as a concern, readers should be aware that the apparent weakness is not a result of a softening labour market. In fact, the opposite is true. Calgary continues to face severe labour shortages, as evidenced by our record low unemployment rate and high rate of labour force participation. In the fourth quarter of 2005, Calgary's unemployment rate averaged 4.3 per cent, almost two percentage points lower than the nation as a whole. Meanwhile, Calgary's labour force participation rate continues to be among the highest in the country, averaging 74 per cent in the fourth quarter. By comparison, the corresponding figure for Canada was under 67 per cent. Given the factors stated above, the only way for Calgary's labour force to expand would be to see an upward spike in net migration. If that was to occur, Calgary's job creation would have been much higher.

Given persistent labour shortages, Calgary's economy has been cutting part-time jobs in favor of full-time positions. In 2005, 16,100 full-time positions were created in the Calgary CMA, all at the expense of 7,400 part-time jobs. The fact that full-time job creation surpassed the overall rate of job growth is further testament to Calgary's red-hot labour market. Never before has the rate of full-time job growth surpassed overall job creation to that extent. The majority of the gains can be attributed to the oil and gas, professional, scientific and technical services, education, and health care sectors.

Table 1A

STARTS ACTIVITY BY AREA

Calgary CMA - December 2005

Area	Single 2005	Single 2004	Multiple Semi	Multiple Row	Multiple Apt	Total 2005	Total 2004	%Chg 2005/2004
AIRDRIE	45	34	4	13	55	117	55	**
BEISEKER	0	0	0	0	0	0	0	**
CALGARY CITY	**565**	**595**	**58**	**58**	**77**	**758**	**1108**	**-31.59**
CHESTERMERE LAKE	21	29	2	0	0	23	37	-37.84
COCHRANE	10	13	2	0	0	12	16	-25.00
CROSSFIELD	1	3	0	0	0	1	3	-66.67
IRRICANA	0	1	0	0	0	0	1	**
MD ROCKYVIEW	14	33	0	0	0	14	39	-64.10
TOTAL	**656**	**708**	**66**	**71**	**132**	**925**	**1259**	**-26.53**

Table 1B

STARTS ACTIVITY BY AREA

Calgary CMA - Year to Date 2005

Area	Single 2005	Single 2004	Multiple Semi	Multiple Row	Multiple Apt	Total 2005	Total 2004	%Chg 2005/2004
AIRDRIE	516	433	32	137	55	740	686	7.87
BEISEKER	0	2	0	0	0	0	2	**
CALGARY CITY	**7493**	**6982**	**836**	**984**	**2729**	**12042**	**12194**	**-1.25**
CHESTERMERE LAKE	336	320	52	34	0	422	488	-13.52
COCHRANE	65	121	10	0	21	96	197	-51.27
CROSSFIELD	13	20	6	0	0	19	22	-13.64
IRRICANA	4	6	2	0	0	6	18	-66.67
MD ROCKYVIEW	292	349	50	0	0	342	401	-14.71
TOTAL	**8719**	**8233**	**988**	**1155**	**2805**	**13667**	**14008**	**-2.43**

** Indicates a greater than 100 per cent change

HOUSING NOW provides an overview of a survey conducted monthly by CMHC.
These surveys deal with Housing Starts, Completions and Absorptions for all CMA's across Canada.

For more information please contact Richard Corriveau at (403) 515-3005

Table 2A

HOUSING COMPLETIONS BY AREA

Calgary CMA - December 2005

Area	Single 2005	Single 2004	Multiple Semi	Multiple Row	Multiple Apt	Total 2005	Total 2004	%Chg 2005/2004
AIRDRIE	26	53	6	4	0	36	69	-47.83
BEISEKER	0	0	0	0	0	0	0	**
CALGARY CITY	**498**	**590**	**54**	**14**	**103**	**669**	**855**	**-21.75**
CHESTERMERE LAKE	18	19	6	0	0	24	27	-11.11
COCHRANE	10	9	0	0	0	10	9	11.11
CROSSFIELD	0	1	0	0	0	0	1	**
IRRICANA	0	0	0	0	0	0	0	**
MD ROCKYVIEW	22	35	0	0	0	22	39	-43.59
TOTAL	**574**	**707**	**66**	**18**	**103**	**761**	**1000**	**-23.90**

Table 2B

HOUSING COMPLETIONS BY AREA

Calgary CMA - Year to Date 2005

Area	Single 2005	Single 2004	Multiple Semi	Multiple Row	Multiple Apt	Total 2005	Total 2004	%Chg 2005/2004
AIRDRIE	429	431	22	94	112	657	644	2.02
BEISEKER	1	2	0	0	0	1	6	-83.33
CALGARY CITY	**6715**	**7109**	**776**	**696**	**2867**	**11054**	**11404**	**-3.07**
CHESTERMERE LAKE	327	288	42	21	48	438	376	16.49
COCHRANE	102	92	6	17	50	175	161	8.70
CROSSFIELD	16	17	8	0	0	24	25	-4.00
IRRICANA	7	4	4	4	0	15	10	50.00
MD ROCKYVIEW	380	348	66	4	0	450	388	15.98
TOTAL	**7977**	**8291**	**924**	**836**	**3077**	**12814**	**13014**	**-1.54**

** Indicates a greater than 100 per cent change

Table 3
HOUSING ACTIVITY SUMMARY
Calgary CMA

Activity	Ownership					Rental				Grand
	Freehold			Condominium		Private		Assisted		
	Single[1]	Semi[1]	Row	Row	Apt	Row	Apt	Row	Apt	Total
Starts										
Current Month	656	66	0	71	132	0	0	0	0	925
Previous Year	708	72	0	112	367	0	0	0	0	1,259
Year-To-Date 2005	8,719	988	18	1,137	2,780	0	4	0	21	13,667
Year-To-Date 2004	8,233	918	17	925	3,451	0	332	0	132	14,008
Under Construction										
2005	4,205	706	22	935	4,133	0	5	0	21	10,027
2004	3,462	648	20	619	3,969	0	332	0	132	9,182
Completions										
Current Month	574	66	0	18	103	0	0	0	0	761
Previous Year	707	58	0	104	131	0	0	0	0	1,000
Year-To-Date 2005	7,977	924	17	797	2,606	22	471	0	0	12,814
Year-To-Date 2004	8,291	832	35	1,150	2,461	4	241	0	0	13,014
Completed & Not Absorbed										
2005	564	131	0	34	66	0	55	0	0	850
2004	706	193	0	112	178	0	122	0	0	1,311
Total Supply[2]										
2005	4,769	837	22	969	4,199	0	60	0	21	10,877
2004	4,168	841	20	731	4,147	0	454	0	132	10,493
Absorptions										
Current Month	624	77	0	23	140	0	21	0	0	885
Previous Year	747	59	0	103	120	0	3	0	0	1032
Year-To-Date 2005	8,119	986	11	875	2718	22	490	0	0	13,221
Year-To-Date 2004	8,304	761	35	1,144	2,480	9	192	0	0	12,925
3-month Average	690	75	1	58	208	5	57	0	0	1,094
12-month Average	677	82	1	73	227	2	41	0	0	1,103

1 May include units intended for condominium.
2 Sum of units under construction, complete and unoccupied.