

RELEASE

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Similar pace of Prairie housing starts expected in 2011

Calgary, November 15, 2010 – According to Canada Mortgage and Housing Corporation's (CMHC) fourth quarter 2010 *Housing Market Outlook, Prairies Highlights* report released today, it is expected that all three Prairie Provinces will report substantial gains in housing starts this year and moderate only slightly in 2011. For the three provinces combined, housing starts are projected to rise to approximately 38,575 units in 2010, up from 28,338 in 2009. "Rising supply levels and slowing demand will inhibit activity into the early part of 2011, leading to a modest decline in annual production," said Lai Sing Louie, CMHC's Regional Economist. "Already, the number of housing units completed and unabsorbed has shown a noticeable upswing from the low experienced during the spring of 2010," he added. In 2011, housing starts in the Prairies are forecast to moderate by less than two per cent.

Across Alberta, the likelihood of rising single-detached inventories will cause builders to ease production over the remainder of 2010 before gradually increasing production in 2011. Moderation in single-detached starts for the remainder of 2010 will still allow starts to be nearly a third higher from 2009 levels. Market conditions that favour the buyer exist in Alberta's housing markets and will likely continue in the months ahead. A firming labour market with employment growth and wage gains will support new home sales. A movement towards improved market balance in 2011 will allow single-detached starts to increase in the low single-digits.

While the reduction of multi-family starts in Alberta in 2009 allowed for a reduction in inventory, an uptick in starts in 2010 has moved multi-family inventory back near its peak. Price incentives are appearing and this will help reduce inventory and entice demand. By year-end, multi-family starts are projected to show an increase of over 45 per cent from last year's low. Despite the growth occurring in 2010, it will still leave the level of production well below long term averages. The management of inventory and continued low level of apartment starts will constrain multi-family activity which is projected to decrease slightly in 2011.

Resale transactions in Alberta slowed as 2010 progressed and by year-end are projected to decrease by double digits from 2009. Changing market conditions have removed the urgency to buy as downward price adjustments have delayed some transactions. The pace of sales is projected to remain relatively stable for the remainder of this year before improving. The current buyers' market conditions will transition to balanced conditions but not likely before next spring. An expanding economy with employment and wage growth will aid demand moving forward. Overall, resale transactions in 2011 are projected to be at a similar level to 2010.

Alberta's resale price growth of over seven per cent earlier in 2010 will dissipate to below three per cent on an annual basis by year-end. A lower level of demand and elevated supply has softened market conditions in most of Alberta's major markets and created price reductions. It will take time to reduce the level of active listings in the market and for demand to prevent further price adjustments. Looking ahead, average prices will rise from month to month in 2011, but projections indicate only a marginal gain on an annual basis.

In Saskatchewan, single-detached starts continued to underpin the recovery in residential construction. Accordingly, single-detached units will account for about three-quarters of all housing starts across Saskatchewan this year. This represents a significant increase from the 68 per cent share averaged over

the previous ten years. The gains recorded this year will increase inventory, thus some moderation in new single-detached construction is expected moving forward. Provincial builders are forecasted to break ground on 3,600 single-detached units in 2011.

Saskatchewan's multi-family starts have advanced this year as builders have ramped up production in response to stronger consumer demand for multi-family homes. Accordingly, 1,325 multi-family units are expected to break ground across the province in 2010, representing a gain of 28 per cent from 2009. This year's increase will likely contribute to higher inventory levels next year. On the other hand, an influx of migrants to the province will help ensure demand for multi-family housing remains strong. Given these factors, multi-family starts are forecasted to ease slightly to 1,300 units in 2011.

Resale home buyers across Saskatchewan will continue to benefit from a slower pace of price increases over the forecast period. The number of resale transactions in 2010 is expected to moderate below last year's annual sales. On the strength of an improving labour market, rising wages, and migration patterns, resale transactions will post an advance of near three per cent in 2011, rising to 10,800 units.

Reflecting balanced market conditions, existing home prices in Saskatchewan will rise modestly over the forecast period. The number of homes on the market is expected to remain high through the balance of this year and going into 2011, moderating the pace of price growth through 2011. Accordingly, the average MLS® price will advance by almost three per cent to \$239,900 in 2010. Next year will usher in a similar growth rate with the average MLS® price expected to climb to \$246,200.

In Manitoba, single-detached starts have rebounded in 2010 and will finish the year near the elevated level set in 2007. With the economy and employment projected to expand, the new home sector will remain fairly strong in 2011. After experiencing gains of nearly 20 per cent in 2010, single-detached starts will soften only slightly in 2011. Production will remain at an elevated level, with some units going into inventory. Projected higher mortgage rates and price gains will also prevent an increase in construction.

Spurred by low vacancy rates, rental apartment construction has dominated multi-family starts in Winnipeg and posted very strong numbers so far this year. Multiple-family starts in this centre, which make up the majority of Manitoba's starts, are projected to finish 2010 with more than double the activity of 2009. Gains in multi-family production will be difficult to achieve in 2011, but starts across Manitoba will remain strong as inventory is quickly absorbed by renters seeking accommodation in a tight rental market. Buyers looking for multi-family accommodations, which tend to be more affordable than detached units, will help keep condominium inventories in check.

The number of resale transactions in Manitoba will see another year of modest decline in 2010. In 2011, however, sales numbers will start to make the slow climb back towards the level set in 2008. Demand will slow at the entry level where buyers are most sensitive to the increase in carrying costs brought on by rising house prices. Population gains will continue to be a dominant source of demand next year.

Recent price gains in Manitoba's resale market and a positive economic climate will encourage owners to list and move-up. As a result, active listings will rise through 2010 and 2011, relieving the upward pressure on prices. Sellers' market conditions this year are expected to become more balanced moving forward. Price gains near double digits in 2010 will moderate next year to the low single digits.

As Canada's national housing agency, CMHC draws on more than 60 years of experience to help Canadians access a variety of quality, environmentally sustainable and affordable homes. CMHC also provides reliable, impartial and up-to-date housing market reports, analysis and knowledge to support and assist consumers and the housing industry in making vital decisions. For more information, visit www.cmhc.ca or call 1-800-668-2642.

CMHC Market Analysis standard reports are also available free for download at <http://www.cmhc.ca/housingmarketinformation>.

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The *Housing Market Outlook, Prairies Highlights* and *Housing Market Outlook, Canada* reports are available free of charge on the CMHC Web site: <http://www.cmhc-schl.gc.ca>

Total Housing Starts	2008	2009	2010 Forecast	2011 Forecast
Alberta	29,164	20,298	27,900	28,000
Calgary CMA	11,438	6,318	9,100	8,900
Edmonton CMA	6,615	6,317	9,700	9,600
Saskatchewan	6,828	3,866	5,175	4,900
Regina CMA	1,375	930	1,150	1,075
Saskatoon CMA	2,319	1,428	2,125	1,700
Manitoba	5,537	4,174	5,500	5,000
Winnipeg CMA	3,009	2,033	3,300	3,250
Prairies Region	41,529	28,338	38,575	37,900

Total MLS® Sales¹	2008	2009	2010 Forecast	2010 Forecast
Alberta	56,399	57,786	47,900	48,800
Calgary CMA	23,136	24,880	20,300	20,700
Edmonton CMA	17,369	19,139	15,600	15,850
Saskatchewan	10,203	10,856	10,500	10,800
Regina CMA	3,338	3,704	3,550	3,450
Saskatoon CMA	3,540	3,834	3,500	3,600
Manitoba	13,525	13,086	12,600	12,900
Winnipeg CMA	11,854	11,509	11,100	11,400
Prairies Region	80,127	81,728	71,000	72,500

Average MLS® Price (\$)¹	2008	2009	2010 Forecast	2010 Forecast
Alberta	\$352,856	\$341,201	\$350,150	\$352,600
Calgary CMA	\$405,268	\$385,882	\$399,000	\$401,000
Edmonton CMA	\$332,852	\$320,378	\$330,000	\$331,500
Saskatchewan	\$224,468	\$233,696	\$239,900	\$246,200
Regina CMA	\$229,716	\$244,088	\$258,000	\$265,000
Saskatoon CMA	\$287,803	\$278,895	\$291,000	\$296,000
Manitoba	\$190,296	\$201,343	\$219,300	\$223,300
Winnipeg CMA	\$196,940	\$207,342	\$226,000	\$232,000
Prairies Region	\$309,068	\$304,527	\$310,624	\$313,744

SOURCE: CMHC Housing Market Outlook, Prairies Highlights, fourth Quarter 2010.

¹ The term MLS® stands for Multiple Listing Service and is a registered trademark of the Canadian Real Estate Association (CREA).