

The Conference Board of Canada
Insights You Can Count On



Genworth
Financial
Canada

Built on GE Heritage

Metropolitan Housing Outlook **Autumn 2005**



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
by Alan Arcand, Frédéric Clavet, Mario Lefebvre, Jane McIntyre and Greg Sutherland

About The Conference Board of Canada

We are:

- A not-for-profit Canadian organization that takes a business-like approach to its operations.
- Objective and non-partisan. We do not lobby for specific interests.
- Funded exclusively through the fees we charge for services to the private and public sectors.
- Experts in running conferences but also at conducting, publishing and disseminating research, helping people network, developing individual leadership skills and building organizational capacity.
- Specialists in economic trends, as well as organizational performance and public policy issues.
- Not a government department or agency, although we are often hired to provide services for all levels of government.
- Independent from, but affiliated with, The Conference Board, Inc. of New York, which serves nearly 2,000 companies in 60 nations and has offices in Brussels and Hong Kong.

Preface

This report offers an in-depth analysis of the history of and the forecast for 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 makes a clear connection between the economy and activity in the housing market. It also provides insights into the financial situation of consumers at the national level.

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, fall and winter.

©2005 The Conference Board of Canada*

Printed in Canada • All rights reserved

Agreement No. 40063028

*Incorporated as AERIC Inc.



Forecasts and research often involve numerous assumptions and data sources, and are subject to inherent risks and uncertainties. This information is not intended as specific investment, accounting, legal or tax advice.

Contents

What Has Changed?	2
Qu'est-ce qui a changé?	3
Executive Summary	4
Résumé	6
<hr/>	
National Overview	
Canada	8
Canada (français)	12
<hr/>	
Provincial Overview	
Atlantic	16
Quebec	18
Québec (français)	20
Ontario	22
Prairies	24
Alberta	26
British Columbia	28
<hr/>	
Metropolitan Overview	
Montréal	30
Montréal (français)	33
Toronto	36
Ottawa	39
Calgary	42
Vancouver	45

About Genworth Financial Canada

Genworth Financial Canada, together with its related affiliates, is the largest private sector mortgage insurance company in the world and the only private sector supplier of mortgage default insurance in Canada.

We work in partnership with lenders, mortgage brokers, real estate agents and builders to make affordable housing available to all Canadians.

The company combines global experience in mortgage default insurance with strengths in technology and Six Sigma Quality to deliver innovation to the mortgage marketplace.

For further information, please contact us at (800) 511-8888 or www.genworth.ca.

What Has Changed?

Housing starts were revised upward between The Conference Board of Canada's spring and fall 2005 editions of the *Metropolitan Housing Outlook*. The current forecast calls for housing starts to decline by 5 per cent this year, to 221,800. This level of starts is about 13,000 more than in our previous edition. The upward revision results from the unexpected strength exhibited in the second quarter of this year.

Canadian real gross domestic product (GDP) growth for 2005 has been revised upward from 2.3 per cent to 2.5 per cent, largely because of a surge in consumer spending and continued strength in business investment. Consumer spending grew by an annualized rate of 6.3 per cent in the first quarter of this year alone.

With continued high oil prices, the Conference Board's dollar outlook has not changed significantly. The loonie is still expected to average US\$0.80 this year.

The five-year conventional mortgage rate, at 6 per cent for this year, is only slightly higher than the 5.9 per cent rate expected in the previous forecast.

Growth in housing prices has been revised upward in this forecast. Despite a decline in housing starts, prices have still advanced strongly. Accordingly, the price of a new home is forecast to rise by 4.6 per cent this year, up from 3.7 per cent in the last outlook. Growth in resale prices has been even hotter. The average price of an existing home is expected to increase by 9.3 per cent in 2005—quite a bit higher than the 3.6 per cent growth forecast last time.

Higher price growth has resulted in a substantial upward revision to dollar volume mortgage approvals. Growth in approvals this year will reach 8 per cent, as compared to only 0.7 per cent in the previous forecast.

Growth in both high-ratio and conventional mortgage approvals has also been revised upward in this forecast mainly owing to higher price growth. Dollar volumes of high-ratio mortgages are forecast to increase by 9.7 per cent in 2005, while dollar volumes of conventional mortgages will grow by 6.4 per cent. This compares to the previous forecast's growth rates of only 0.5 per cent and 0.9 per cent respectively.

Qu'est-ce qui a changé?

Les mises en chantier ont été révisées à la hausse entre la parution de l'édition du printemps 2005 de la *Note de conjoncture résidentielle métropolitaine* du Conference Board et celle de l'automne. Selon les prévisions actuelles, elles accuseront une baisse de 5 p. 100 cette année pour s'établir à 221 800 unités. Cela représente une augmentation d'environ 13 000 unités par rapport à notre note précédente. Cette révision haussière résulte de la vigueur inattendue observée au deuxième trimestre de l'année.

La croissance du produit intérieur brut (PIB) réel canadien de 2005 a été légèrement revue à la hausse, de 2,3 à 2,5 p. 100, en raison essentiellement de la montée des dépenses de consommation et de l'investissement toujours aussi vigoureux des entreprises. Au premier trimestre de l'année seulement, les dépenses de consommation ont enregistré un bond annualisé de 6,3 p. 100.

Les prix du pétrole demeurant élevés, les prévisions du Conference Board concernant le dollar ont très peu changé. Ce dernier s'attend toujours à ce que le huard se situe en moyenne à 0,80 \$US cette année.

À 6 p. 100, le taux hypothécaire ordinaire sur cinq ans n'est supérieur que d'une coche aux 5,9 p. 100 anticipés dans la note précédente.

La présente note de conjoncture reflète une révision à la hausse de l'augmentation des prix des logements. Bien que les mises en chantier aient diminué, les prix ont tout de même fortement monté. On prévoit donc que le coût d'un logement neuf grimpera de 4,6 p. 100 cette année, taux qu'on établissait cette hausse à 3,7 p. 100 dans la note précédente. La croissance des prix de revente a été encore plus vigoureuse. On s'attend à ce que le coût moyen d'un logement existant monte de 9,3 p. 100 en 2005, ce qui représente une hausse beaucoup plus marquée que celle de 3,6 p. 100 escomptée la dernière fois.

L'accélération de la croissance des prix nous a obligés à effectuer une importante révision à la hausse de la valeur en dollars des hypothèques consenties. Celle-ci affichera une augmentation de 8 p. 100 cette année, au lieu de 0,7 p. 100 seulement comme nous le prévoyions précédemment.

Dans la présente note, en raison surtout de l'augmentation plus forte que prévu des prix, nous avons également revu à la hausse la croissance des prêts hypothécaires à proportion élevée et ordinaires consentis. La valeur en dollars des hypothèques à proportion élevée devrait s'accroître de 9,7 p. 100 en 2005, tandis que celle des hypothèques ordinaires s'appréciera de 6,4 p. 100. Dans la note précédente, nous avions fixé ces taux à 0,5 et à 0,9 p. 100 seulement, respectivement.

Executive Summary

National Overview

A surge in consumer spending and continued strength in business investment resulted in the domestic economy outperforming expectations through the first half of 2005. However, this increase in consumption and investment has also stimulated imports, while exporters are still contending with a relatively strong Canadian dollar. As such, the decline in the real trade balance will be sharp this year, holding growth in real gross domestic product (GDP) to 2.5 per cent. A more balanced performance is expected in 2006, as the business sector completes its adjustment to the high-flying loonie. This will lift real GDP growth to 2.9 per cent next year, a pace slightly above growth in economic potential.

Over the past four years, housing starts in Canada increased by a total of 43.4 per cent, to reach over 233,400 units in 2004. With pent-up demand now satisfied, Canada's new housing market is starting to cool down. Housing starts are forecast to fall by 5 per cent this year to a still very healthy 221,800 units.

However, growth in new house prices, which has been strong since 2001 as well, has yet to show signs of slowing. In fact, new house prices have continued rising at a fairly fast pace so far in 2005. The current forecast calls for the average price of a new house to increase by 4.6 per cent this year. The resale market is still vigorous this year and, as a result,

price growth will be even stronger for existing homes. The average price of an existing home is expected to rise by a strong 9.3 per cent in 2005.

As a result of the continued growth in house prices, the mortgage loan approval market will do well again this year in dollar terms. Although much lower than the 22.4 per cent average annual increase recorded from 2001 to 2004, the dollar value of approvals is still expected to increase by a respectable 8 per cent in 2005. In level terms, growth in the number of mortgage loan approvals is expected to remain positive as well, albeit at a much smaller rate of 0.3 per cent. New mortgages in the resale market will offset declines in the new housing market.

The trend towards high-ratio mortgages has carried on this year. Price hikes in recent years have forced more and more homebuyers into the high-ratio category. The number of high-ratio approvals is forecast to rise by 2.5 per cent, while the total number of conventional mortgages approved for 2005 is forecast to fall by 1.7 per cent.

But higher prices this year will result in growth in the dollar value for both high-ratio and conventional mortgages. The dollar value of total high-ratio mortgages is expected to rise by 9.7 per cent this year, while that of conventional mortgages is set to increase by 6.4 per cent.

Provincial Overview

The relative provincial economic growth positioning has not changed much since the spring *2005 Metropolitan Housing Outlook*. Increased oil sands development and exceptional domestic demand will allow Alberta to stay at the top of the provincial economic growth rankings in 2005, with real GDP growth expected to come in at 4.2 per cent. A solid performance in the goods-producing industries will lift economic growth in British Columbia to 3 per cent this year.

In the Prairie provinces of Manitoba and Saskatchewan, real GDP growth is forecast to stand at 2.6 per cent this year. This is a decent showing given that wet weather washed part of the crops away earlier this summer in both provinces.

A relatively large drop in residential and non-residential investment early in the year will limit real GDP growth at 2.2 per cent in Quebec. Economic growth will remain modest in Ontario as well this year, at 2.3 per cent, mainly because of mild exports and automobile production cutbacks.

The outlook for Atlantic Canada shows the region lagging behind the rest of the country, with anticipated real GDP growth of 1.9 per cent for 2005. A number of construction projects will give New Brunswick the largest increase in real GDP of all four Atlantic Provinces this year, at 2.4 per cent.

Owing mainly to its sound economy, Alberta is the only region in Canada that will not record a decline in its housing starts in 2005. Starts are in fact forecast to climb by an additional 7 per cent this year, reaching 38,800 units.

In British Columbia, housing starts are expected to fall by 2.4 per cent. However, this decline is marginal, given the 25.8 per cent increase in B.C.'s housing starts last year alone.

Manitoba and Saskatchewan will post the largest decline in housing starts this year, at 10.5 per cent overall. It should be noted that housing starts in these Prairies provinces grew by 9.3 per cent last year, to 8,200 units—a level not seen since 1988.

Quebec's housing starts are also forecast to decline in 2005, after increasing at a significant rate for several years. The province will post a 10 per cent decline in starts, down to a still respectable 52,600 units.

Ontario and the Atlantic Provinces are both expected to see their housing starts decline for the second year in a row. Housing starts in Ontario fell slightly last year, by 0.1 per cent. The decline is forecast to be much larger this year, at 8 per cent, owing to satisfied pent-up demand and weaker overall economic activity. Atlantic Canada's housing starts are forecast to fall by 8.2 per cent this year, after a 4.9 per cent decrease in 2004. This will bring housing starts in the Atlantic Region back down to 11,430 units this year. This level of starts was last seen in 2001.

For the most part, growth in house prices across the provinces this year is following the national pattern. Both new and resale home prices are still increasing at relatively strong rates, with resale prices growing more rapidly in most cases. The Atlantic Region is the only one in Canada where price growth has already started to moderate, but only in the new housing market. The average price for a new home in the region is expected to increase by only 1.7 per cent in 2005. This compares with a national average increase of 4.6 per cent.

Municipal Overview

Much of the economic strength at the municipal level this year will also come from the Western cities. Calgary will lead the pack with an expected 4.6 per cent increase in real GDP, largely due to strong domestic demand and high energy prices. Strength in the primary sectors and in the manufacturing sector in Vancouver will help that city's economy grow by 3.3 per cent in 2005.

Central Canadian cities will not be so lucky. Real GDP in Toronto is forecast to rise by 2.2 per cent, as growth in manufacturing is hampered this year by the high Canadian dollar, as well as plant closures by both Boeing and Kodak. Ottawa's and Montréal's economies are both expected to post real GDP increases of less than 2 per cent in 2005. Ottawa's economy is being weighed down by output declines in public administration and construction. Meanwhile, Montréal will, for a third year in a row, post only modest growth. Specifically, real GDP in

Montréal, which increased by 1.6 per cent in 2003 and by only 1.4 per cent last year, is expected to rise by 1.8 per cent this year.

After several years of strong growth, housing starts are expected to decline this year in all five census metropolitan areas (CMAs) covered in this report. Demand for new housing has started to weaken, especially in Central Canada. Absorptions are forecast to decline in Montréal, Ottawa and Toronto this year. As well, with the exception of Calgary, months' supply is expected to increase in all cities. The biggest decline in housing starts this year will occur in Ottawa, where starts are set to fall by 27.1 per cent. Toronto is expected to have the smallest decline, at 6 per cent.

Despite the drop in starts, new home prices in each CMA are still continuing to grow at a reasonably fast pace, with average increases ranging from 4.3 per cent (Ottawa, Calgary and Vancouver) to 5.1 per cent (Montréal) this year.

For all of the CMAs but Ottawa, growth in existing home prices is expected to be larger than growth in new home prices this year. There appears to be some life left in the resale market, especially in the Western cities. While unit sales of existing homes are forecast to rise in each of the five CMAs, growth in both Calgary and Vancouver is expected to reach double digits, at 17.5 per cent and 14.5 per cent, respectively. Higher prices will continue to encourage new sellers in each of the five regions as well, and so the number of new listings in each CMA will also continue to increase this year.

Résumé

La scène nationale

Soutenue par la montée des dépenses de consommation et l'investissement toujours aussi vigoureux des entreprises, l'économie intérieure a dépassé les attentes durant la première moitié de 2005. Toutefois, cette augmentation de la consommation et de l'investissement a aussi eu pour effet de stimuler les importations, à un moment où les exportateurs doivent toujours composer avec la valeur relativement élevée de la devise canadienne. Par conséquent, la détérioration de la balance commerciale réelle sera forte cette année et limitera la croissance du produit intérieur brut (PIB) réel à 2,5 p. 100 en 2005. Les résultats économiques devraient être plus équilibrés en 2006, à mesure que les entreprises achèveront de s'adapter à la vigueur du huard. Grâce à cette performance mieux équilibrée, le taux d'accroissement du PIB réel atteindra 2,9 p. 100 l'année prochaine.

Au cours des quatre dernières années, les mises en chantier au Canada ont augmenté au total de 43,4 p. 100 pour atteindre plus de 233 400 unités en 2004. La demande refoulée étant maintenant satisfaite, le marché des logements neufs à l'échelle du pays commence à se contracter. On s'attend donc à ce que les mises en chantier diminuent de 5 p. 100 cette année.

Toutefois, la hausse des prix des maisons neuves, forte depuis 2001 également, ne montre toujours pas de signes d'essoufflement. Nous prévoyons que le coût moyen d'une maison neuve augmentera de 4,6 p. 100 cette année. Le marché

de la revente ne perdra pas non plus de sa vigueur cette année, si bien que la montée des prix sur ce marché sera plus forte que pour les logements existants. Ainsi, le coût moyen d'une habitation existante devrait connaître une forte croissance de 9,3 p. 100 en 2005.

Face à la montée continue des prix des maisons, le marché de l'hypothèque, exprimé en dollars, affichera de bons résultats cette année encore. Ainsi, en 2005, la valeur en dollars des hypothèques consenties progressera de 8 p. 100. En termes de niveau, la croissance du nombre d'hypothèques consenties devrait rester positive, quoique ce sera au taux nettement inférieur de 0,3 p. 100. Cela étant, les nouvelles hypothèques pour l'achat de logements existants compenseront les chutes qu'accusera le marché des logements neufs.

La tendance vers les hypothèques à proportion élevée s'est poursuivie cette année. Les hausses de prix survenues ces dernières années ont obligé un nombre croissant d'acheteurs à se rabattre sur les hypothèques à proportion élevée. Le nombre de prêts de ce type consentis en 2005 devrait augmenter de 2,5 p. 100, tandis que celui des hypothèques ordinaires devrait reculer de 1,7 p. 100.

La scène provinciale

À l'échelle provinciale, les perspectives de croissance économique relative n'ont pas beaucoup changé depuis la Note de conjoncture résidentielle métropolitaine du printemps 2005. Deux facteurs, soit la mise en valeur accrue des sables bitumineux

et une demande intérieure exceptionnelle, permettront à l'Alberta de rester en tête du peloton au chapitre de la croissance économique provinciale en 2005; l'expansion de son PIB réel devrait se chiffrer à 4,2 p. 100. Par ailleurs, une robuste performance des industries de production de biens donnera une impulsion à l'économie de la Colombie-Britannique, qui progressera de 3 p. 100 cette année.

Les provinces du Manitoba et de la Saskatchewan enregistreront, selon nos prévisions, une croissance du PIB réel de 2,6 p. 100 cette année, performance satisfaisante compte tenu du temps pluvieux qui a anéanti une partie des récoltes plus tôt cet été.

Au Québec, une chute relativement importante de l'investissement dans les secteurs de la construction résidentielle et non résidentielle cette année limitera la croissance du PIB réel à 2,2 p. 100. L'expansion économique demeurera modeste en Ontario aussi cette année, s'établissant à 2,3 p. 100, principalement en raison de faibles exportations et de compressions dans le secteur de la production automobile.

Les perspectives pour la région de l'Atlantique laissent présager un retard par rapport au reste du pays; le PIB réel devrait avancer de 1,9 p. 100 en 2005. Un certain nombre de projets de construction permettront au Nouveau-Brunswick d'afficher cette année la plus forte croissance du PIB réel des quatre provinces de l'Atlantique, soit 2,4 p. 100.

Grâce en grande partie à une économie en plein essor, l'Alberta est la seule province du Canada qui

n'accusera pas de déclin en 2005 dans ses mises en chantier. Au contraire, leur nombre devrait grimper de 7 p. 100 encore cette année pour atteindre 38 800 unités.

En Colombie-Britannique, les mises en chantier baisseront, selon nos prévisions, de 2,4 p. 100. Toutefois, celles-ci ayant fait un bond de 25,8 p. 100 l'année dernière seulement, ce recul revêt une importance négligeable.

Le Manitoba et la Saskatchewan accuseront, quant à elles, la chute la plus importante du nombre de mises en chantier cette année : 10,5 p. 100 en tout. Il est à noter, néanmoins, que les mises en chantier dans ces provinces des Prairies avaient progressé de 9,3 p. 100 l'année dernière pour atteindre 8 200 unités.

Pour le Québec, nous prévoyons un déclin de 10 p. 100 des mises en chantier en 2005, mais elles atteindront le nombre tout de même respectable de 52 600 unités.

Enfin, s'agissant de l'Ontario et des provinces de l'Atlantique, nous escomptons une baisse du nombre de mises en chantier pour une deuxième année consécutive. En Ontario, les mises en chantier ont légèrement baissé l'année dernière, de 0,1 p. 100; cette année, la baisse devrait être nettement plus marquée, soit 8 p. 100, en raison d'une demande refoulée satisfaite et d'une activité économique globale affaiblie. Dans la région de l'Atlantique, la chute devrait atteindre 8,2 p. 100 cette année, après avoir été de 4,9 p. 100 en 2004.

Pour l'essentiel, la hausse des prix des maisons à l'échelle des provinces suivra cette année la tendance nationale. Ainsi, les prix des

maisons neuves et des maisons existantes poursuivent leur ascension à une vitesse relativement rapide. La région de l'Atlantique est la seule région du Canada où la montée des prix a déjà commencé à se modérer, mais c'est seulement vrai pour le marché des logements neufs. Le coût moyen d'une maison neuve dans la région devrait augmenter de 1,7 p. 100 seulement en 2005, contre 4,6 p. 100 pour la moyenne nationale.

La scène municipale

La force économique enregistrée cette année à l'échelle municipale sera attribuée essentiellement aux villes de l'Ouest. C'est Calgary qui devrait mener le peloton avec un taux de croissance du PIB réel de 4,6 p. 100, grâce en grande partie à une robuste demande intérieure et aux prix élevés de l'énergie. Par ailleurs, le dynamisme des secteurs primaires et du secteur manufacturier de Vancouver aidera l'économie de la ville à croître de 3,3 p. 100 en 2005.

Les villes du centre du Canada ne seront pas aussi chanceuses. Ainsi, le PIB réel de Toronto avancera de 2,2 p. 100; la croissance du secteur manufacturier sera surtout gênée cette année par un dollar canadien fort. Dans la même veine, nous prévoyons que les économies d'Ottawa et de Montréal enregistreront une expansion de leur PIB réel de moins de 2 p. 100 en 2005. L'économie d'Ottawa est grevée par une baisse de production dans les secteurs de l'administration publique et de la construction. Dans le même temps, Montréal affichera pour la troisième année consécutive une croissance modeste : le PIB de la ville qui avait augmenté de 1,6 p. 100 en 2003 et de 1,4 p. 100 seulement l'année dernière, devrait progresser de 1,8 p. 100 cette année.

Après plusieurs années de forte expansion, les mises en chantier accuseront un recul cette année dans les cinq régions métropolitaines de recensement (RMR). La demande de nouveaux logements a commencé à se tasser, surtout dans le centre du pays. Les taux d'absorption des villes de Montréal, d'Ottawa et de Toronto devraient régresser cette année. De plus, à l'exception de Calgary, l'offre mensuelle devrait augmenter dans toutes les villes. C'est à Ottawa que la baisse des mises en chantier sera la plus marquée cette année, soit 27,1 p. 100. À l'inverse, Toronto devrait essuyer la chute la moins prononcée, soit 6 p. 100.

Malgré la baisse des mises en chantier, les prix des maisons neuves dans toutes les RMR continueront de grimper à un rythme assez rapide, les hausses moyennes se situant entre 4,3 p. 100 (Ottawa, Calgary et Vancouver) et 5,1 p. 100 (Montréal) cette année.

Pour toutes les RMR sauf Ottawa, nous escomptons que la hausse des prix des logements existants sera plus importante que celle des prix des logements neufs cette année. Il semble y avoir encore un peu de souffle dans le marché de la revente, notamment dans les villes de l'Ouest. La vente d'unités existantes devrait afficher une croissance dans les cinq RMR, mais pour Calgary et Vancouver, nous prévoyons une expansion à deux chiffres, 17,5 p. 100 et 14,5 p. 100 respectivement. L'ascension des prix continuera d'encourager les nouveaux vendeurs dans les cinq RMR, si bien que le nombre de nouvelles inscriptions continuera lui aussi de croître cette année, et ce, dans toutes les RMR.

Canada



Economic Outlook

The domestic economy outperformed expectations in the first half of 2005, due to a surge in consumer spending and continued strength in business investment. On average in 2005, domestic demand is poised to advance by a healthy 3.8 per cent. The increase in consumption and investment has also stimulated imports, however, while exporters are still contending with the strong value of the Canadian currency. As such, the decline in the real trade balance will be sharp this year, removing nearly \$16 billion from the economy. Overall, real gross domestic product (GDP) is forecast to advance by 2.5 per cent in 2005.

A more balanced performance is expected in 2006. A series of interest rate hikes by the Bank of Canada, the first of which occurred in early September, will hold back

Despite strong domestic demand, real GDP growth will be limited to 2.5 per cent in 2005 as a result of steep erosion in the real trade balance. With the housing market moving toward a better balance between supply and demand, and with interest rates heading up this fall, housing starts are forecast to decline by 5 per cent this year and by a further 12.2 per cent in 2006. By next year, housing prices will have moderated as well, averaging increases of just 2.5 per cent in the new market and 2.7 per cent in the resale market.

domestic demand. Moreover, while the Canadian dollar should stay strong, it is expected to trade in a tighter and more stable band. This will help the business sector complete its adjustment to the high-flying loonie. As such, export growth is forecast to rebound while import growth will slow. The more balanced performance will lift real GDP growth to 2.9 per cent next year, a pace slightly above potential output growth.

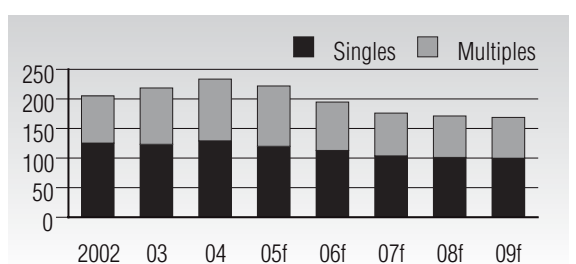
Financial Markets Outlook

The continued strength of the Canadian dollar has put a damper on exports and overall GDP in 2005 but, at the same time, has also put significant downward pressure on the price of imported goods. Cheaper imports, which account for 39 per cent of economic activity, will help contain inflation. As well, global competition continues to force

domestic producers to adapt or face a loss of market share. This pressure is restraining final price inflation despite the impact on production costs of the sharp rise in raw material prices.

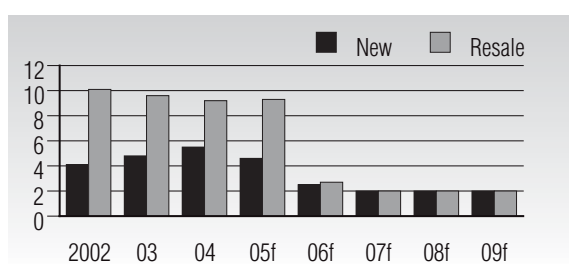
Indications of a weaker economic outlook as early as summer 2004 led to a change in financial market expectations about the profile of further interest rate increases. Consequently, the spread between short-term and long-term rates narrowed in the second half of 2004 and continued to do so in the first half of 2005. The further narrowing of the spread so far this year is entirely attributable to an easing in longer term rates. With the economy expected to return to its potential in the second half of next year, pre-emptive interest rate hikes by the Bank of Canada are expected to take place throughout most of next year.

Chart 1—Housing Starts (000s)



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.

Mortgage rates, which fell through to the third quarter of this year, are expected to stay more or less unchanged in the fourth quarter before rising again next year. For 2005 as a whole, the conventional five-year mortgage rate is expected to average 6 per cent, down from 6.2 per cent in 2004. By next year, the rate will have climbed back to an average of 6.3 per cent. The forecast rate for 2005 is just slightly higher than the previous forecast, which called for an average rate of 5.9 per cent.

Increased oil prices have helped push the dollar's value vis-à-vis the U.S. dollar as high as US\$0.85 in recent months, and high commodity prices are expected to support the dollar at an average of US\$0.80 for 2005. With the Federal Reserve Board raising rates at a faster pace than the Bank of Canada, higher interest rates in the United States should take some of the strength out of the Canadian dollar moving forward. By next year, the Canadian dollar is expected to average US\$0.79.

Housing Outlook

The Canadian housing market has been booming since the end of 2001, thanks to substantially lower interest rates. For several years before this, the market was quite slow as a result of overbuilding in the 1980s and government cutbacks in the mid-1990s. The introduction of lower interest rates changed all of that. Housing starts grew by 26 per cent in 2002 alone. Starts continued to rise in 2003 and 2004 as well. By 2004, total housing starts in Canada had reached over 233,400—

43.4 per cent more than in 2001. The resale market also enjoyed substantial growth over this time period.

This housing boom caused prices to rise quickly. Average new home prices rose by an average of 4.8 per cent annually from 2002 to 2004. The average price of an existing home increased even more rapidly, averaging 9.6 per cent per year over the same period. This pace of growth has been much more rapid than that of household income but, thanks to low lending rates, housing in every area of the country has remained relatively affordable. With interest rates set to increase, it could be argued that affordability will soon become an issue. However, given that much of the pent-up demand from the 1990s is now thought to have been largely satisfied, the Conference Board expects that there will be a gradual slowing of the housing market. This will allow home price inflation pressures to ease below the anticipated rate of increase of household income, partly offsetting higher interest rates, thus keeping housing costs within an affordable range.

While housing starts were relatively flat through the first half of 2005, declining by 10.4 per cent in the first quarter and then growing by 10.4 per cent in the second, the final two quarters of this year are expected to bring more weakness. The mounting stock of newly completed and unoccupied homes in Canada's census metropolitan areas continues to signal that the market is being oversupplied. While unsold stock has been trending upward since 2003, the rate of growth has picked up substantially since the second quarter of 2004. As of July

this year, the stock of newly built and unoccupied dwellings was 33.6 per cent higher than a year ago. The current forecast then calls for housing starts to decline by 5 per cent this year, to 221,800. This level of starts is about 13,000 more than in our previous forecast. The upward revision results from unexpected strength in the second quarter of the year.

Interest rates increased in September and October and are expected to continue to do so, placing upward pressure on the cost of ownership and likely dissuading some potential homebuyers from entering the market. In addition, the current levels of building activity are still unsustainable given that the pace of household formation, which is based on population growth, should be around 170,000 new households per year. As a result, the market will likely continue to weaken through next year. Indeed, housing starts are forecast to fall by 12.2 per cent in 2006, to 194,700 units.

Despite the moderation in the new home market, prices have not yet responded. The average price of a new home was 8.5 per cent higher in the first quarter of 2005 than during the same period a year earlier. One explanation for the apparent divergence in signals is the continued strength of prices in the resale market, which are expected to rise by 9.3 per cent this year. Since individuals in the market for a home must purchase either a new or resale dwelling, the growth in the price of newly built homes is tied to resale price inflation. The ability of builders to make price gains in the face of rising inventories is an indication that supply is not significantly out of balance with demand.

As conditions become more balanced in the resale market over the next year and a half, price growth for both new and existing homes will moderate. The outlook for 2006 calls for a 2.7 per cent increase in the average price of a resale home and a 2.5 per cent increase in the average price of a new home.

Mortgage Outlook

Over the past few years, the number of mortgage approvals increased in line with the booming housing market. From 2002 to 2004, the total number of mortgages approved in Canada increased at an average annual rate of 12.1 per cent. The average growth in the dollar value of approvals over the same period reached 20.7 per cent, due to strong growth in house prices.

With resale activity expected to set an annual record this year, growth in the number of mortgage loan approvals is expected to remain positive, reaching 0.3 per cent. And with housing prices still climbing strongly, the dollar value of approvals is projected to rise by yet another 8 per cent this year.

But the resale market is finally expected to soften in 2006, resulting in declines in both unit approvals and the dollar value of approvals. Specifically, the total number of mortgage approvals is forecast to fall by 4.1 per cent, while the dollar value of approvals is expected to drop by 1.9 per cent.

Rapid price increases over the past few years have meant that more and more buyers were forced to take high-ratio mortgages—mortgages where the buyer's down payment is less than 25 per cent of the total house price. High-ratio mortgages increased by 26.3 per cent in 2004 alone, while conventional mortgages rose by 10 per cent.

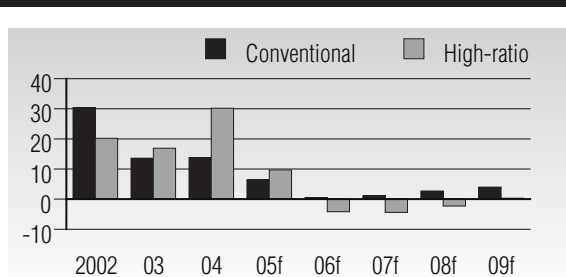
The increase in high-ratio mortgages was particularly pronounced in the resale market, as resale price growth has been stronger than price growth for new homes since 2001. This trend continued in 2004, with the total number of high-ratio mortgages approved for existing home purchases increasing by 30.9 per cent, compared with 5.7 per cent in the total number of high-ratio approvals for new homes. Conventional mortgage approvals on existing homes

rose 11.9 per cent last year, while conventional mortgage approvals for new homes actually declined, by 15.9 per cent.

The total number of conventional mortgages approved in 2005 is forecast to fall by 1.7 per cent, as continued price increases force a number of buyers to pick a high-ratio mortgage. In fact, the number of high-ratio approvals is forecast to rise by 2.5 per cent. Healthy price growth in 2005 will result in dollar value increases for both high-ratio and conventional mortgages. The dollar value of total high-ratio mortgages is expected to rise by 9.7 per cent this year. For conventional mortgages, the increase is forecast to be 6.4 per cent.

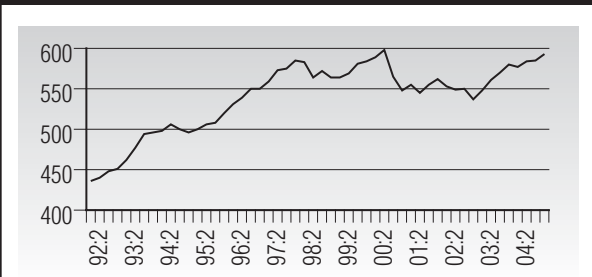
Moving forward into 2006, both high-ratio and conventional mortgage approvals are forecast to fall as the housing market finally shows signs of fatigue on both the new and resale fronts. Total high-ratio approvals are expected to decline by 6.3 per cent in unit terms, while total conventional approvals are expected to fall by 2 per cent.

**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

	2002	2003	2004	2005f	2006f	2007f	2008f	2009f
Real GDP at market prices (1997 \$ millions)	1,070,789 <i>3.1</i>	1,092,388 <i>2.0</i>	1,124,428 <i>2.9</i>	1,153,078 <i>2.5</i>	1,186,899 <i>2.9</i>	1,220,184 <i>2.8</i>	1,255,797 <i>2.9</i>	1,293,873 <i>3.0</i>
Total employment (000s)	15,308 <i>2.4</i>	15,664 <i>2.3</i>	15,952 <i>1.8</i>	16,187 <i>1.5</i>	16,476 <i>1.8</i>	16,757 <i>1.7</i>	17,032 <i>1.6</i>	17,310 <i>1.6</i>
Unemployment rate	7.7	7.6	7.2	6.8	6.9	7.0	6.9	6.5
Personal income per capita	28,711 <i>1.5</i>	29,416 <i>2.5</i>	30,405 <i>3.4</i>	31,393 <i>3.2</i>	32,605 <i>3.9</i>	33,857 <i>3.8</i>	35,122 <i>3.7</i>	36,401 <i>3.6</i>
Population (000s)	31,321 <i>1.1</i>	31,618 <i>0.9</i>	31,908 <i>0.9</i>	32,172 <i>0.8</i>	32,431 <i>0.8</i>	32,689 <i>0.8</i>	32,947 <i>0.8</i>	33,203 <i>0.8</i>
Retail sales (\$ millions)	319,525 <i>6.3</i>	331,147 <i>3.6</i>	346,721 <i>4.7</i>	365,796 <i>5.5</i>	377,546 <i>3.2</i>	389,878 <i>3.3</i>	402,625 <i>3.3</i>	415,937 <i>3.3</i>
Exchange rate (U.S./Can.)	0.64	0.72	0.77	0.80	0.79	0.80	0.81	0.82
Inflation rate	2.2	2.8	1.8	1.8	1.9	2.0	2.0	2.0
Five-year conventional mortgage rate	7.0	6.4	6.2	6.0	6.3	7.2	7.5	7.6

Italics indicate percentage change.

Sources: The Conference Board of Canada; Statistics Canada.

Table 2—Housing Indicators

	2002	2003	2004	2005f	2006f	2007f	2008f	2009f
Housing starts	205,034 <i>26.0</i>	218,426 <i>6.5</i>	233,431 <i>6.9</i>	221,825 <i>-5.0</i>	194,700 <i>-12.2</i>	176,024 <i>-9.6</i>	171,100 <i>-2.8</i>	168,783 <i>-1.4</i>
Singles	125,374 <i>30.6</i>	123,227 <i>-1.7</i>	129,171 <i>4.8</i>	119,900 <i>-7.2</i>	112,824 <i>-5.9</i>	103,629 <i>-8.1</i>	101,097 <i>-2.4</i>	99,828 <i>-1.3</i>
Multiples	79,660 <i>19.4</i>	95,199 <i>19.5</i>	104,260 <i>9.5</i>	101,925 <i>-2.2</i>	81,877 <i>-19.7</i>	72,394 <i>-11.6</i>	70,004 <i>-3.3</i>	68,955 <i>-1.5</i>
Housing completions	184,605 <i>21.9</i>	199,269 <i>7.9</i>	215,358 <i>8.1</i>	223,885 <i>4.0</i>	209,229 <i>-6.5</i>	184,313 <i>-11.9</i>	171,953 <i>-6.7</i>	166,949 <i>-2.9</i>
Singles	113,105 <i>20.0</i>	121,452 <i>7.4</i>	125,979 <i>3.7</i>	123,201 <i>-2.2</i>	114,816 <i>-6.8</i>	106,803 <i>-7.0</i>	101,102 <i>-5.3</i>	99,219 <i>-1.9</i>
Multiples	71,500 <i>25.1</i>	77,817 <i>8.8</i>	89,379 <i>14.9</i>	100,684 <i>12.6</i>	94,413 <i>-6.2</i>	77,510 <i>-17.9</i>	70,851 <i>-8.6</i>	67,730 <i>-4.4</i>
Average price of a new home (\$)	278,845 <i>4.1</i>	292,264 <i>4.8</i>	308,460 <i>5.5</i>	322,635 <i>4.6</i>	330,715 <i>2.5</i>	337,329 <i>2.0</i>	344,076 <i>2.0</i>	350,957 <i>2.0</i>
Average price of a resale home (\$)	188,827 <i>10.1</i>	207,015 <i>9.6</i>	225,971 <i>9.2</i>	246,952 <i>9.3</i>	253,655 <i>2.7</i>	258,728 <i>2.0</i>	263,902 <i>2.0</i>	269,180 <i>2.0</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

L'économie intérieure a dépassé les attentes durant la première moitié de 2005 grâce à une forte augmentation des dépenses de consommation et à l'investissement toujours aussi vigoureux des entreprises. Ainsi, en 2005, en moyenne, la demande intérieure est censée progresser d'un pas solide, soit 3,8 p. 100. La montée des dépenses de consommation et de l'investissement a également stimulé les importations, à un moment où les exportateurs doivent toujours composer avec la valeur élevée de la devise canadienne. Par conséquent, la détérioration de la balance commerciale réelle sera prononcée cette année, privant l'économie de près de 16 milliards de dollars. Dans l'ensemble, le produit intérieur brut (PIB) réel devrait croître de 2,5 p. 100 en 2005.

Malgré une demande intérieure forte, la croissance du PIB réel sera limitée à 2,5 p. 100 en 2005 à cause de l'érosion marquée de la balance commerciale réelle. Le marché résidentiel se dirigeant vers un meilleur équilibre entre l'offre et la demande, et les taux d'intérêt censés être majorés cet automne, force est d'escompter une baisse de 5 p. 100 du nombre de mises en chantier cette année et de 12,2 p. 100 en 2006.

Pour 2006, nous escomptons une performance plus équilibrée. La série de hausses des taux d'intérêt opérées par la Banque du Canada, la première survenue au début septembre, freinera la demande intérieure. Par ailleurs, le dollar canadien est censé demeurer fort, mais nous prévoyons néanmoins que son prix de vente oscillera entre des extrêmes plus rapprochées et plus stables. Les entreprises en profiteront pour achever de s'adapter à la vigueur du huard. Pour toutes ces raisons, nous pensons que la croissance des exportations se relèvera tandis que celle des importations accusera un ralentissement. Grâce à cette performance mieux équilibrée, le taux d'accroissement du PIB réel atteindra 2,9 p. 100 l'année prochaine.

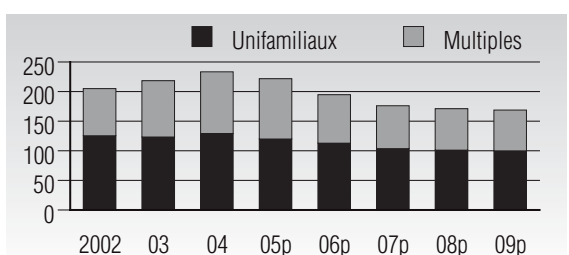
Perspectives des marchés financiers

La robustesse continue du dollar canadien a freiné les exportations et la croissance globale du PIB en 2005, créant parallèlement d'importantes pressions à la baisse sur les prix des

biens d'importation. Les importations bon marché, qui représentent 39 p. 100 de l'activité économique, contribueront à contenir l'inflation. En outre, la concurrence mondiale force toujours les producteurs canadiens à s'adapter, sinon ceux-ci risquent de perdre leur part du marché. Cette pression limite l'inflation du prix final, et ce, en dépit des effets de la flambée des prix des matières premières sur les coûts de production.

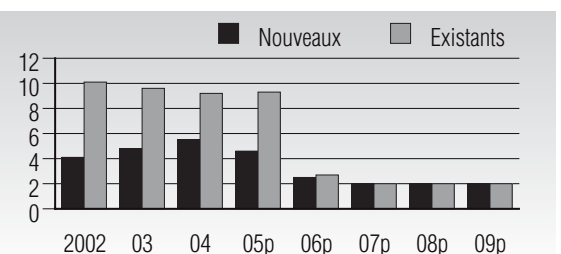
Les signes annonciateurs d'horizons économiques plus sombres dès le début de l'été 2004 ont provoqué un changement dans les attentes des marchés financiers quant aux hausses futures des taux d'intérêt. Par conséquent, l'écart entre les taux à court terme et les taux à long terme s'est rétréci durant la deuxième moitié de 2004 et a continué à diminuer durant la première moitié de 2005. L'ameusement de l'écart a été jusqu'ici entièrement attribuable à la détente des taux à long terme. L'économie étant censée atteindre de nouveau son potentiel durant le deuxième

Graphique 1 — Mises en chantier (en milliers)



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.

semestre de l'année prochaine, nous croyons que la Banque du Canada décrètera, en prévision, des augmentations des taux d'intérêt tout au long de la majeure partie de l'année prochaine.

Les taux hypothécaires, qui ont chuté pendant les trois premiers trimestres de cette année, resteront plus ou moins inchangés au quatrième trimestre avant de remonter l'année prochaine. Pour 2005 dans l'ensemble, le taux hypothécaire ordinaire sur cinq ans atteindra en moyenne, selon nos calculs, 6 p. 100, en baisse par rapport aux 6,2 p. 100 enregistrés en 2004. D'ici à l'année prochaine, le taux aura remonté en moyenne à 6,3 p. 100.

La flambée des prix du pétrole a aidé à propulser le dollar canadien face au dollar américain, le faisant grimper jusqu'à 0,85 \$US ces derniers mois, tandis que la hausse des prix des produits de base devrait soutenir le dollar autour de 0,80 \$US en moyenne en 2005. Puisque le Federal Reserve Board relèvera ses taux plus rapidement que ne le fera la Banque du Canada, les taux d'intérêt américains, plus élevés qu'au Canada, devraient soustraire au dollar canadien un peu de sa valeur au cours des mois à venir. D'ici à l'an prochain, le huard devrait s'échanger en moyenne contre 0,79 \$US.

Perspectives du secteur résidentiel

Depuis la fin de 2001, le marché résidentiel canadien connaît un véritable essor, grâce à la baisse considérable enregistrée par les taux d'intérêt. Plusieurs années avant, le marché avait été plutôt déprimé, situation attribuable à l'excès des constructions durant les années 80

et aux restrictions des dépenses publiques du milieu des années 90. L'abaissement des taux d'intérêt a changé toute la donne. Les mises en chantier ont augmenté de 26 p. 100 en 2002 seulement, tendance qui s'est poursuivie en 2003 et en 2004 également. Cette année-là, le nombre total de mises en chantier au Canada a dépassé les 233 400. Le marché de la revente a lui aussi été très florissant pendant cette période.

Ce boum résidentiel a provoqué une montée en flèche des prix. En effet, le coût moyen d'un logement neuf a augmenté en moyenne de 4,8 p. 100 par année entre 2002 et 2004. Pendant la même période, le coût moyen d'un logement existant a grimpé encore plus vite, soit à raison de 9,6 p. 100 par année en moyenne. Ce rythme de croissance a nettement dépassé celui du revenu des ménages, mais la faiblesse des taux débiteurs aidant, les logements dans toutes les régions du pays sont restés relativement abordables. Cela étant, avec la majoration prévue des taux d'intérêt, force est de se demander s'il en sera toujours ainsi. Qu'à cela ne tienne, étant donné que l'essentiel de la demande refoulée depuis les années 90 est désormais largement satisfaite — du moins, on le pense —, le Conference Board escompte un ralentissement graduel du marché du logement. Les pressions sur le prix des logements seront ainsi ramenées en-dessous du taux de croissance prévu du revenu des ménages. Du coup, cela neutralisera en partie l'effet de l'augmentation des taux d'intérêt et maintiendra le coût des logements dans une fourchette abordable.

Bien qu'au bout du compte, les mises en chantier aient été relativement stables pendant la première moitié de 2005 en reculant

de 10,4 p. 100 au premier trimestre puis en progressant de 10,4 p. 100 au trimestre suivant, les deux derniers trimestres de cette année devraient s'accompagner de baisses additionnelles. Le stock grandissant de logements neufs et vacants dans les régions métropolitaines de recensement du Canada continue de traduire une certaine saturation du marché. Le stock non vendu tend à la hausse depuis 2003, mais le taux de croissance s'est considérablement relevé depuis le deuxième trimestre de 2004. À partir de juillet de cette année, le stock de logements neufs et vacants dépassait de 33,6 p. 100 le niveau de l'année dernière. C'est pourquoi nous prévoyons que les mises en chantier baisseront de 5 p. 100 cette année pour s'établir à 221 800 unités.

Les taux d'intérêt ont augmenté en septembre et octobre et devraient grimper davantage, ce qui créera des pressions à la hausse sur le coût de la propriété et dissuadera probablement quelques acheteurs potentiels d'intégrer le marché résidentiel. Par ailleurs, les niveaux actuels de l'activité dans le secteur de la construction sont toujours insoutenables, étant donné que la cadence de formation des ménages, tributaire de la croissance démographique, devrait se situer autour de 170 000 nouveaux ménages par année. Par conséquent, le marché continuera vraisemblablement de se tasser tout au long de l'année prochaine, si bien que les mises en chantier chuteront de 12,2 p. 100 en 2006 pour s'établir à 194 700 unités.

En dépit de la modération du marché des logements neufs, les prix n'ont toujours pas réagi. Ainsi, le coût moyen d'un logement neuf au premier trimestre de 2005 a été supérieur de 8,5 p. 100 à celui

observé à la même période une année plus tôt. Cette divergence apparente des signaux s'explique notamment par la vigueur continue des prix sur le marché de la revente, qui devraient enregistrer une croissance de 9,3 p. 100 cette année. Comme les gens désireux d'acheter un logement doivent choisir entre un logement neuf ou un logement existant, la montée du prix des logements neufs est liée à l'inflation des prix de revente. La capacité des constructeurs de réaliser des bénéfices malgré des stocks grandissants indique que l'offre n'est pas excessivement déphasée par rapport à la demande.

À mesure que les conditions s'équilibreront davantage sur le marché de la revente dans le courant des 18 prochains mois, la montée des prix des logements neufs et existants se modérera. Les perspectives pour 2006 laissent entrevoir une augmentation de 2,7 p. 100 du coût moyen d'un logement mis en revente et de 2,5 p. 100 de celui d'un logement neuf.

Du côté des prêts hypothécaires

Ces dernières années, le nombre de prêts hypothécaires consentis a grimpé au rythme de l'essor du

marché résidentiel. Ainsi, entre 2002 et 2004, le nombre total d'hypothèques consenties au Canada a augmenté au taux annuel de 12,1 p. 100. La croissance moyenne de la valeur en dollars de ces prêts a atteint 20,7 p. 100 durant la même période, grâce à la forte poussée des prix des maisons.

Le nombre de remises en vente étant censé atteindre un record annuel cette année, nous escomptons que le nombre de prêts hypothécaires consentis continuera d'augmenter, au rythme de 0,3 p. 100. De plus, comme les prix des maisons poursuivent leur ascension en flèche, la valeur en dollars des prêts hypothécaires consentis devrait de son côté monter d'encore 8 p. 100 cette année.

Cela dit, nous prévoyons un fléchissement du marché de la revente en 2006, par suite du déclin du nombre de prêts hypothécaires consentis et de la valeur en dollars de ces derniers. Plus précisément, le nombre total de prêts hypothécaires consentis devrait baisser de 4,1 p. 100 et leur valeur en dollars, de 1,9 p. 100.

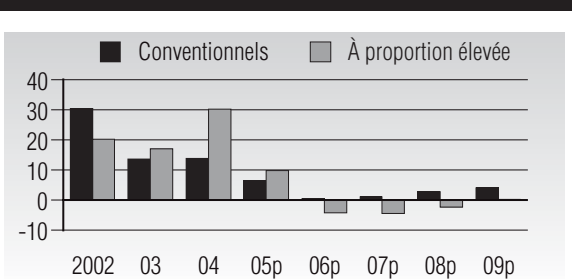
La flambée des prix des dernières années a forcé un nombre croissant

d'acheteurs à contracter des prêts hypothécaires à proportion élevée, c'est-à-dire des prêts où l'acheteur verse un acompte inférieur à 25 p. 100 du prix total de la maison. Les prêts de cette catégorie ont augmenté de 26,3 p. 100 en 2004 uniquement, contre 10 p. 100 pour les prêts hypothécaires ordinaires.

La croissance des prêts hypothécaires à proportion élevée a été particulièrement prononcée sur le marché de la revente, où les prix ont grimpé de façon plus marquée que pour les logements neufs depuis 2001. Cette tendance s'est poursuivie en 2004, le nombre total d'hypothèques à proportion élevée consenties pour l'achat de logements existants ayant enregistré une hausse de 30,9 p. 100, contre 5,7 p. 100 pour les logements neufs. Les prêts hypothécaires ordinaires consentis pour l'achat de logements existants ont augmenté de 11,9 p. 100 l'année dernière. En revanche, les prêts ordinaires accordés pour l'achat de logements neufs ont accusé un repli de 15,9 p. 100.

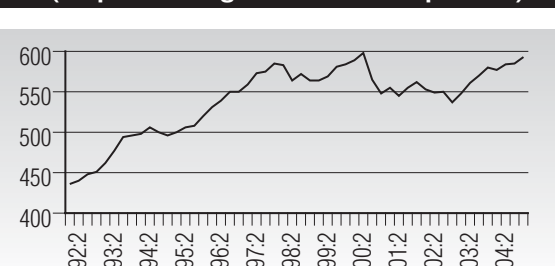
Nous escomptons que le nombre total de prêts hypothécaires ordinaires consentis en 2005 baissera de 1,7 p. 100, puisque la montée continue des prix forcera bon nombre d'acheteurs à se tourner vers des hypothèques à proportion élevée.

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.

De fait, le nombre de prêts hypothécaires à proportion élevée consentis devrait augmenter de 2,5 p. 100. Une croissance vigoureuse des prix en 2005 entraînera une appréciation de la valeur en dollars des hypothèques à proportion élevée et ordinaires, si bien que nous prévoyons que la valeur en dollars de tous les prêts

hypothécaires à proportion élevée progressera de 9,7 p. 100 cette année. Pour les prêts ordinaires, l'augmentation sera de 6,4 p. 100.

À l'approche de 2006, les prêts hypothécaires consentis, à proportion élevée et ordinaires, devraient accuser une baisse à mesure que le

marché résidentiel commencera à montrer des signes d'essoufflement. Le nombre total d'hypothèques à proportion élevée consenties, exprimé en unités, reculera de 6,3 p. 100, tandis que les prêts hypothécaires ordinaires consentis baisseront de 2 p. 100.

Tableau 1 — Indicateurs économiques

	2002	2003	2004	2005p	2006p	2007p	2008p	2009p
PIB réel aux prix du marché (en millions de dollars de 1997)	1 070 789 <i>3,1</i>	1 092 388 <i>2,0</i>	1 124 428 <i>2,9</i>	1 153 078 <i>2,5</i>	1 186 899 <i>2,9</i>	1 220 184 <i>2,8</i>	1 255 797 <i>2,9</i>	1 293 873 <i>3,0</i>
Emplois totaux (en milliers)	15 308 <i>2,4</i>	15 664 <i>2,3</i>	15 952 <i>1,8</i>	16 187 <i>1,5</i>	16 476 <i>1,8</i>	16 757 <i>1,7</i>	17 032 <i>1,6</i>	17 310 <i>1,6</i>
Taux de chômage	7,7	7,6	7,2	6,8	6,9	7,0	6,9	6,5
Revenu personnel par habitant	28 711 <i>1,5</i>	29 416 <i>2,5</i>	30 405 <i>3,4</i>	31 393 <i>3,2</i>	32 605 <i>3,9</i>	33 857 <i>3,8</i>	35 122 <i>3,7</i>	36 401 <i>3,6</i>
Population (en milliers)	31 321 <i>1,1</i>	31 618 <i>0,9</i>	31 908 <i>0,9</i>	32 172 <i>0,8</i>	32 431 <i>0,8</i>	32 689 <i>0,8</i>	32 947 <i>0,8</i>	33 203 <i>0,8</i>
Ventes au détail (en millions \$)	319 525 <i>6,3</i>	331 147 <i>3,6</i>	346 721 <i>4,7</i>	365 796 <i>5,5</i>	377 546 <i>3,2</i>	389 878 <i>3,3</i>	402 625 <i>3,3</i>	415 937 <i>3,3</i>
Taux de change (É.-U./Canada)	0,64	0,72	0,77	0,80	0,79	0,80	0,81	0,82
Taux d'inflation	2,2	2,8	1,8	1,8	1,9	2,0	2,0	2,0
Taux d'intérêt des hypothèques conventionnelles de 5 ans	7,0	6,4	6,2	6,0	6,3	7,2	7,5	7,6

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

Tableau 2 — Indicateurs du secteur résidentiel

	2002	2003	2004	2005p	2006p	2007p	2008p	2009p
Mises en chantier	205 034 <i>26,0</i>	218 426 <i>6,5</i>	233 431 <i>6,9</i>	221 825 <i>-5,0</i>	194 700 <i>-12,2</i>	176 024 <i>-9,6</i>	171 100 <i>-2,8</i>	168 783 <i>-1,4</i>
Logements unifamiliaux	125 374 <i>30,6</i>	123 227 <i>-1,7</i>	129 171 <i>4,8</i>	119 900 <i>-7,2</i>	112 824 <i>-5,9</i>	103 629 <i>-8,1</i>	101 097 <i>-2,4</i>	99 828 <i>-1,3</i>
Multiplés	79 660 <i>19,4</i>	95 199 <i>19,5</i>	104 260 <i>9,5</i>	101 925 <i>-2,2</i>	81 877 <i>-19,7</i>	72 394 <i>-11,6</i>	70 004 <i>-3,3</i>	68 955 <i>-1,5</i>
Nouveaux logements	184 605 <i>21,9</i>	199 269 <i>7,9</i>	215 358 <i>8,1</i>	223 885 <i>4,0</i>	209 229 <i>-6,5</i>	184 313 <i>-11,9</i>	171 953 <i>-6,7</i>	166 949 <i>-2,9</i>
Logements unifamiliaux	113 105 <i>20,0</i>	121 452 <i>7,4</i>	125 979 <i>3,7</i>	123 201 <i>-2,2</i>	114 816 <i>-6,8</i>	106 803 <i>-7,0</i>	101 102 <i>-5,3</i>	99 219 <i>-1,9</i>
Multiplés	71 500 <i>25,1</i>	77 817 <i>8,8</i>	89 379 <i>14,9</i>	100 684 <i>12,6</i>	94 413 <i>-6,2</i>	77 510 <i>-17,9</i>	70 851 <i>-8,6</i>	67 730 <i>-4,4</i>
Prix moyen d'un logement nouveau (\$)	278 845 <i>4,1</i>	292 264 <i>4,8</i>	308 460 <i>5,5</i>	322 635 <i>4,6</i>	330 715 <i>2,5</i>	337 329 <i>2,0</i>	344 076 <i>2,0</i>	350 957 <i>2,0</i>
Prix moyen d'un logement existant (\$)	188 827 <i>10,1</i>	207 015 <i>9,6</i>	225 971 <i>9,2</i>	246 952 <i>9,3</i>	253 655 <i>2,7</i>	258 728 <i>2,0</i>	263 902 <i>2,0</i>	269 180 <i>2,0</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.

Atlantic



Economic Outlook

Atlantic Canada continues to lag the country in terms of real gross domestic product (GDP) growth. After increasing by a meagre 1.3 per cent in 2004, real GDP growth is forecast to rise by only 1.9 per cent this year. Weaker manufacturing and construction activity will restrain real GDP growth in Newfoundland and Labrador, while weakness in government spending in Prince Edward Island will weigh heavily on that province's economic outlook. As well, declining natural gas production and slim prospects for oil or natural gas discoveries will hold economic growth in Nova Scotia to 1.8 per cent this year. New Brunswick will post the largest increase in real GDP in the region, at 2.4 per cent, because of a number of medium- to large-scale private and public non-residential construction projects.

Atlantic Canada's housing starts are expected to fall by 8.2 per cent this year and by 15.7 per cent in 2006. Satisfied pent-up demand, soft economic growth and rising interest rates are all contributing to this result. Housing starts will continue falling through the medium term, moving more in line with demographic requirements. Price growth will also slow in the coming years, with the price for both new and resale homes in Atlantic Canada growing by an annual average of 2 per cent from 2006 to 2009.

Faster growth is expected in the Atlantic Region's economy next year, with real GDP growth forecast to reach 2.8 per cent. Much of the strength will come from Newfoundland and Labrador, as the mining sector gets a boost from the start of production at White Rose and Voisey's Bay, leading to a 5.2 per cent increase in real GDP for that province alone.

Higher demand has resulted in price gains as well. From 1999 to 2003, new home prices rose by an average of 3 per cent per year, while average growth in existing home prices was almost double that rate, at 5.9 per cent annually. Still, even with the higher growth rates, the average price of an existing home in Atlantic Canada, at \$122,400 in 2003, was more than \$100,000 lower than that for a new home.

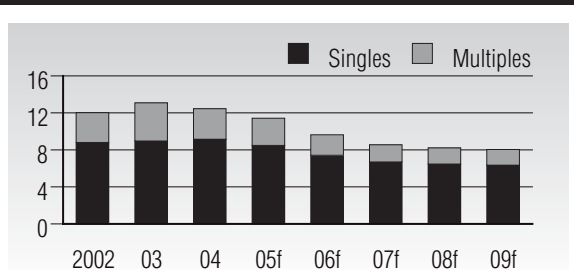
Housing Outlook

While most regions of Canada enjoyed a boom in their housing markets starting in the mid-1990s, the boom didn't happen until 1999 for Atlantic Canada. Since then, however, housing start growth has been very strong, averaging 11.8 per cent annually from 1999 to 2003. Stronger growth in real GDP, combined with pent-up demand, helped to boost housing starts in 1999 and 2000. The market was given a further push starting in 2001 when interest rates dropped.

The housing boom that started later also ended earlier than in most parts of the country. By the second quarter of 2003, housing starts were already starting to decline. Poor economic growth in 2004 weakened demand further, leading to a 4.9 per cent decline in housing starts.

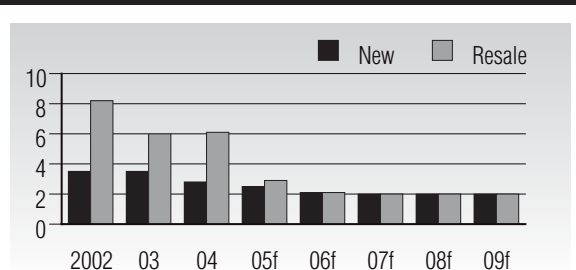
Starts are poised to fall again in 2005, by 8.2 per cent. For one thing, pent-up demand has been satisfied. Second, the market is reflecting the relative softness in the area's overall economic activity. Owing to weaker

Chart 1—Housing Starts (000s)



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, growth in new home prices will also be slower this year, increasing by only 1.7 per cent.

The biggest declines in housing starts are yet to come. Now that pent-up demand has been satisfied and interest rates are moving up, housing starts will move more in line with demographic requirements. And with population growth in the

region expected to be only 0.1 per cent annually from 2006 onward, housing starts are unsustainable at their current levels. Accordingly, housing starts will fall by 15.7 per cent in 2006 and by 11.2 per cent in 2007. They will then continue to fall at a slower pace, coming in at 8,050 units by 2009.

House price increases will be smaller as a result of the lower demand. The average price of both a new home and an existing home will increase by 2 per cent per year from 2006 to 2009. By the end of the forecast, new home prices will reach \$263,400—still about \$110,000 higher than the average price of an existing home.

Table 1—Economic Indicators

	2002	2003	2004	2005f	2006f	2007f	2008f	2009f
Real GDP at basic prices (1997 \$ millions)	57,015 <i>6.9</i>	58,631 <i>2.8</i>	59,420 <i>1.3</i>	60,551 <i>1.9</i>	62,229 <i>2.8</i>	63,277 <i>1.7</i>	64,169 <i>1.4</i>	65,284 <i>1.7</i>
Total employment (000s)	1,038 <i>2.3</i>	1,054 <i>1.5</i>	1,074 <i>1.9</i>	1,080 <i>0.6</i>	1,091 <i>1.0</i>	1,102 <i>1.0</i>	1,111 <i>0.8</i>	1,123 <i>1.1</i>
Unemployment rate	11.4	11.2	10.7	10.3	10.3	10.1	9.9	9.2
Personal income per capita	24,489 <i>2.7</i>	25,345 <i>3.5</i>	26,192 <i>3.3</i>	27,103 <i>3.5</i>	28,184 <i>4.0</i>	29,303 <i>4.0</i>	30,430 <i>3.8</i>	31,622 <i>3.9</i>
Population (000s)	4,355 <i>0.0</i>	4,361 <i>0.1</i>	4,370 <i>0.2</i>	4,376 <i>0.1</i>	4,378 <i>0.1</i>	4,381 <i>0.1</i>	4,384 <i>0.1</i>	4,387 <i>0.1</i>
Retail sales (\$ millions)	24,402 <i>4.7</i>	24,961 <i>2.3</i>	25,399 <i>1.8</i>	26,240 <i>3.3</i>	26,861 <i>2.4</i>	27,529 <i>2.5</i>	28,216 <i>2.5</i>	28,980 <i>2.7</i>
Inflation rate	2.8	3.4	1.9	2.5	1.5	1.7	1.8	1.8

Italics indicate percentage change.

Sources: The Conference Board of Canada; Statistics Canada.

Table 2—Housing Indicators

	2002	2003	2004	2005f	2006f	2007f	2008f	2009f
Housing starts	12,026 <i>20.1</i>	13,091 <i>8.9</i>	12,453 <i>-4.9</i>	11,433 <i>-8.2</i>	9,640 <i>-15.7</i>	8,562 <i>-11.2</i>	8,216 <i>-4.1</i>	8,051 <i>-2.0</i>
Singles	8,806 <i>17.7</i>	8,960 <i>1.7</i>	9,151 <i>2.1</i>	8,488 <i>-7.3</i>	7,428 <i>-12.5</i>	6,693 <i>-9.9</i>	6,472 <i>-3.3</i>	6,356 <i>-1.8</i>
Multiples	3,220 <i>27.1</i>	4,131 <i>28.3</i>	3,302 <i>-20.1</i>	2,945 <i>-10.8</i>	2,212 <i>-24.9</i>	1,869 <i>-15.5</i>	1,743 <i>-6.7</i>	1,695 <i>-2.7</i>
Housing completions	9,882 <i>8.4</i>	12,992 <i>31.5</i>	13,682 <i>5.3</i>	12,191 <i>-10.9</i>	11,055 <i>-9.3</i>	9,516 <i>-13.9</i>	8,843 <i>-7.1</i>	8,554 <i>-3.3</i>
Singles	7,469 <i>9.9</i>	9,950 <i>33.2</i>	9,089 <i>-8.7</i>	9,028 <i>-0.7</i>	8,226 <i>-8.9</i>	7,353 <i>-10.6</i>	6,950 <i>-5.5</i>	6,808 <i>-2.0</i>
Multiples	2,413 <i>3.9</i>	3,042 <i>26.1</i>	4,594 <i>51.0</i>	3,163 <i>-31.2</i>	2,829 <i>-10.5</i>	2,164 <i>-23.5</i>	1,893 <i>-12.5</i>	1,747 <i>-7.7</i>
Average price of a new home (\$)	225,562 <i>3.5</i>	233,593 <i>3.6</i>	240,071 <i>2.8</i>	244,257 <i>1.7</i>	249,280 <i>2.1</i>	254,266 <i>2.0</i>	258,812 <i>1.8</i>	263,429 <i>1.8</i>
Average price of a resale home (\$)	115,490 <i>8.2</i>	122,367 <i>6.0</i>	130,671 <i>6.8</i>	139,857 <i>7.0</i>	142,754 <i>2.1</i>	145,609 <i>2.0</i>	148,213 <i>1.8</i>	150,857 <i>1.8</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 domestic economy is benefiting from sturdy consumer spending—especially for big-ticket items. Retail sales were 8.3 per cent higher in the first four months of this year than in the same period of 2004, even with virtually no job creation. The forecast calls for final domestic demand growth to reach 3.1 per cent in 2005.

However, the strength of the loonie is still energizing the purchase of foreign goods and services, especially machinery and equipment, dampening the trade balance and stripping more than a full percentage point from bottom-line growth. The new housing market is cooling down, and non-residential construction is also softening, with the completion of projects such as the Alouette aluminum smelter in Sept-Îles. Overall,

The lustre has gone out of Quebec's housing market. With pent-up demand now satisfied and interest rates rising, the demand for new housing is becoming weaker. Housing starts are expected to decline by 10 per cent this year and by a further 13.4 per cent in 2006. Growth in house prices will then slow as well. While price growth this year is forecast to reach 5.1 per cent for new homes and 7.3 per cent for existing homes, by next year it will settle at 2.3 per cent and 2.4 per cent respectively.

total gross domestic product (GDP) is therefore expected to increase by only 2.2 per cent this year.

By 2006, the province can expect more moderate import growth and firmer exports. Prospects are also looking up for the beleaguered aerospace industry. After declining for most of last year, aerospace manufacturing grew by 6.4 per cent in the first quarter of 2005 over the same quarter a year ago. As well, Bombardier's order books have been replenished by orders from two U.S. airlines for regional aircraft.

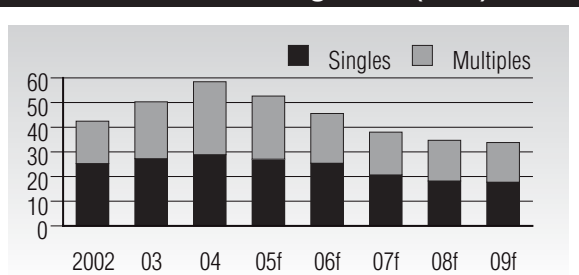
Housing Outlook

Quebec has witnessed some phenomenal growth in its housing starts since 2001. On average, total housing starts in the province increased by 25 per cent annually from 2001 to 2004. Pent-up demand, lower interest rates and a solid economy have all contributed to the strength in the housing market.

House prices have also risen in line with the higher demand. The price of a new home increased by an average of 5.7 per cent per year between 2001 and 2004. Price increases were even more pronounced in the resale home market, increasing by 11.3 per cent on an average annual basis over the same time frame.

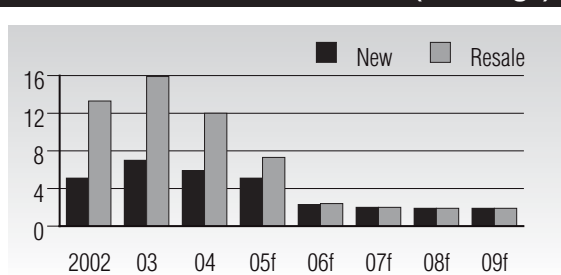
But the province's housing market is now cooling down. With pent-up demand likely satisfied, the demand for new housing has weakened. And this trend is forecast to continue as interest rates rise over the short term. While still at near-historical highs, housing starts have fallen in each of the first two quarters of this year, and, after a slight upturn in the third quarter, are expected to resume falling. The forecast calls for a decline in starts of 10 per cent this year, down to 52,630 units. This compares with 58,450 units last year—a level of starts not seen in 16 years.

Chart 1—Housing Starts (000s)



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.

Weaker demand will also result in smaller price increases in the coming months. However, price growth has held steady so far this year, resulting in only a moderate slowdown in house inflation for 2005. The average price of a new home is expected to grow by 5.1 per cent this year, while the average price of an existing home will increase by 7.3 per cent. By 2006, price increases

will have slowed to 2.3 per cent and 2.4 per cent, respectively.

New housing demand will align with demographic requirements moving forward. With Quebec's population expected to increase by only 0.4 per cent annually through the medium term, the current level of housing starts is unsustainable. As a result, the forecast calls for

additional declines in housing starts between 2006 and 2009. This will bring housing starts back down to 33,770 units by the end of the forecast. Price growth for both the new and existing home markets will decelerate correspondingly. Annual increases in the price of new homes and existing homes will be only 1.9 per cent per year from 2007 to 2009.

Table 1—Economic Indicators

	2002	2003	2004	2005f	2006f	2007f	2008f	2009f
Real GDP at basic prices (1997 \$ millions)	212,710 <i>4.1</i>	217,061 <i>2.0</i>	222,310 <i>2.4</i>	227,091 <i>2.2</i>	233,406 <i>2.8</i>	239,575 <i>2.6</i>	245,724 <i>2.6</i>	253,006 <i>3.0</i>
Total employment (000s)	3,568 <i>3.7</i>	3,624 <i>1.6</i>	3,687 <i>1.7</i>	3,718 <i>0.8</i>	3,784 <i>1.8</i>	3,839 <i>1.4</i>	3,890 <i>1.3</i>	3,947 <i>1.5</i>
Unemployment rate	8.7	9.2	8.5	8.1	8.2	8.3	8.1	7.4
Personal income per capita	26,821 <i>1.9</i>	27,725 <i>3.4</i>	28,630 <i>3.3</i>	29,433 <i>2.8</i>	30,677 <i>4.2</i>	31,895 <i>4.0</i>	33,144 <i>3.9</i>	34,413 <i>3.8</i>
Population (000s)	7,440 <i>0.6</i>	7,486 <i>0.6</i>	7,537 <i>0.7</i>	7,581 <i>0.6</i>	7,613 <i>0.4</i>	7,644 <i>0.4</i>	7,671 <i>0.4</i>	7,697 <i>0.3</i>
Retail sales (\$ millions)	72,099 <i>6.1</i>	75,326 <i>4.5</i>	78,518 <i>4.2</i>	83,712 <i>6.6</i>	86,479 <i>3.3</i>	89,079 <i>3.0</i>	91,829 <i>3.1</i>	94,740 <i>3.2</i>
Inflation rate	2.0	2.5	1.9	2.2	2.0	1.9	1.9	1.9

Italics indicate percentage change.

Sources: The Conference Board of Canada; Statistics Canada.

Table 2—Housing Indicators

	2002	2003	2004	2005f	2006f	2007f	2008f	2009f
Housing starts	42,452 <i>53.4</i>	50,289 <i>18.5</i>	58,448 <i>16.2</i>	52,630 <i>-10.0</i>	45,575 <i>-13.4</i>	38,014 <i>-16.6</i>	34,700 <i>-8.7</i>	33,772 <i>-2.7</i>
Singles	25,257 <i>46.9</i>	27,225 <i>7.8</i>	28,871 <i>6.0</i>	27,053 <i>-6.3</i>	25,397 <i>-6.1</i>	20,648 <i>-18.7</i>	18,174 <i>-12.0</i>	17,685 <i>-2.7</i>
Multiples	17,195 <i>63.9</i>	23,064 <i>34.1</i>	29,577 <i>28.2</i>	25,577 <i>-13.5</i>	20,178 <i>-21.1</i>	17,365 <i>-13.9</i>	16,525 <i>-4.8</i>	16,088 <i>-2.6</i>
Housing completions	35,401 <i>32.8</i>	45,722 <i>29.2</i>	53,268 <i>16.5</i>	55,051 <i>3.3</i>	52,359 <i>-4.9</i>	44,305 <i>-15.4</i>	37,958 <i>-14.3</i>	34,591 <i>-8.9</i>
Singles	22,782 <i>40.8</i>	25,695 <i>12.8</i>	29,244 <i>13.8</i>	27,522 <i>-5.9</i>	26,040 <i>-5.4</i>	23,757 <i>-8.8</i>	19,797 <i>-16.7</i>	17,674 <i>-10.7</i>
Multiples	12,620 <i>20.3</i>	20,026 <i>58.7</i>	24,024 <i>20.0</i>	27,529 <i>14.6</i>	26,319 <i>-4.4</i>	20,549 <i>-21.9</i>	18,161 <i>-11.6</i>	16,917 <i>-6.9</i>
Average price of a new home (\$)	199,322 <i>5.1</i>	213,213 <i>7.0</i>	225,704 <i>5.9</i>	237,250 <i>5.1</i>	242,671 <i>2.3</i>	247,524 <i>2.0</i>	252,180 <i>1.9</i>	256,877 <i>1.9</i>
Average price of a resale home (\$)	131,550 <i>13.3</i>	152,465 <i>15.9</i>	170,757 <i>12.0</i>	183,175 <i>7.3</i>	187,619 <i>2.4</i>	191,372 <i>2.0</i>	194,971 <i>1.9</i>	198,603 <i>1.9</i>

Italics indicate percentage change.

Sources: The Conference Board of Canada; Canada Mortgage and Housing Corporation; Canadian Real Estate Association; Statistics Canada.

Québec



Perspectives économiques

L'économie intérieure du Québec profite actuellement de la vigueur des dépenses de consommation, surtout pour les articles de prix unitaire élevé. Durant les quatre premiers mois de l'année, les ventes au détail ont été supérieures de 8,3 p. 100 à celles enregistrées pendant la même période en 2004, et ce, malgré une création d'emplois pratiquement nulle.

Par ailleurs, la force du huard continue de stimuler les achats de biens et de services étrangers, en particulier de matériel et d'outillage, entraînant du coup une détérioration de la balance commerciale et soustrayant un point de pourcentage complet à la croissance des résultats nets. Le marché des logements neufs se contracte; la construction non résidentielle aussi accuse un recul, car plusieurs projets, dont l'agrandissement de

Le marché résidentiel au Québec a perdu de son éclat. Puisque la demande refoulée est maintenant satisfaite et que les taux d'intérêt sont en hausse, la demande de logements neufs se raréfie. On s'attend à ce que les mises en chantier diminuent de 10 p. 100 cette année puis de 13,4 p. 100 en 2006. Cette baisse aura pour effet de ralentir la croissance des prix des maisons.

l'aluminerie Alouette à Sept-Îles, ont pris fin. Dans l'ensemble, le produit intérieur brut (PIB) global ne devrait donc s'accroître que de 2,2 p. 100.

D'ici à 2006, la province peut s'attendre à un ralentissement de la croissance des importations et à une accélération des exportations. L'avenir s'annonce aussi plus prometteur pour l'industrie de l'aérospatiale, passablement malmenée. Après un déclin qui s'est poursuivi pendant la majeure partie de l'année dernière, les expéditions manufacturières de produits de l'aérospatiale ont augmenté de 6,4 p. 100 pendant le premier trimestre de 2005 par rapport à la même période un an avant.

Perspectives du secteur résidentiel

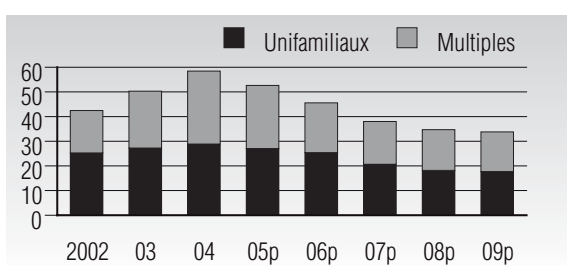
Depuis 2001, le Québec assiste à une croissance phénoménale de ses mises en chantier. En moyenne, le nombre total de mises en chantier dans la province a grimpé de 25 p. 100 par année entre 2001

et 2004. La demande refoulée, les faibles taux d'intérêt et la vigueur de l'économie sont autant de facteurs qui ont contribué au dynamisme du marché résidentiel.

Les prix des maisons ont augmenté en fonction du raffermissement de la demande. Entre 2001 et 2004, le coût d'une nouvelle maison s'est accru en moyenne de 5,7 p. 100 annuellement. La hausse a été encore plus marquée sur le marché de la revente des maisons, où elle a atteint 11,3 p. 100 par année, en moyenne, durant la même période.

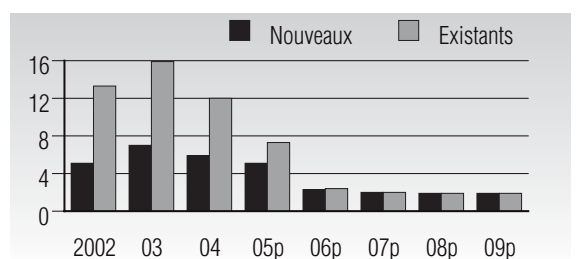
Mais le marché résidentiel de la province commence à s'essouffler. La demande qui s'était refoulée étant vraisemblablement satisfaite, la demande de logements neufs faiblit. Cette tendance devrait se maintenir sous l'effet du relèvement à court terme des taux d'intérêt. Bien qu'elles se situent toujours à des niveaux presque inégalés, les mises en chantier ont reculé à chacun des deux premiers trimestres de l'année; elles

Graphique 1 — Mises en chantier (en milliers)



Sources : Le Conference Board du Canada; Société canadienne d'hypothèques et de logement.

Graphique 2 — Croissance des prix résidentiels (variation en pourcentage)



Sources : Le Conference Board du Canada; Société canadienne d'hypothèques et de logement; Association canadienne de l'immeuble.

connaîtront une légère remontée au troisième trimestre, mais devraient reprendre leur descente par la suite. Nous prévoyons qu'elles chuteront à 52 630 unités cette année, ce qui représente une baisse de 10 p. 100 par rapport à l'an dernier.

Le repli de la demande se traduira également par des hausses de prix moindres au cours des prochains mois. On s'attend à ce que le coût

moyen d'un logement neuf augmente de 5,1 p. 100 cette année, tandis que celui d'un logement existant fera un bond de 7,3 p. 100. D'ici à 2006, le taux d'accroissement des prix ralentira à 2,3 et à 2,4 p. 100 respectivement.

La demande de logements neufs évoluera au même rythme que les besoins de la population de la province. Puisqu'on prévoit que celle-ci n'affichera qu'un gain de

0,4 p. 100 annuellement à moyen terme, le niveau actuel des mises en chantier est insoutenable. Nous nous attendons donc à de nouvelles diminutions des mises en chantier entre 2006 et 2009 qui ramèneront le nombre d'unités à 33 770 d'ici à la fin de la période de prévision. La croissance des prix des logements neufs et existants décélérera en conséquence. Elle sera de 1,9 p. 100 par année seulement de 2007 à 2009.

Tableau 1 — Indicateurs économiques

	2002	2003	2004	2005p	2006p	2007p	2008p	2009p
PIB réel aux prix de base (en millions de dollars de 1997)	212 710 <i>4,1</i>	217 061 <i>2,0</i>	222 310 <i>2,4</i>	227 091 <i>2,2</i>	233 406 <i>2,8</i>	239 575 <i>2,6</i>	245 724 <i>2,6</i>	253 006 <i>3,0</i>
Emplois totaux (en milliers)	3 568 <i>3,7</i>	3 624 <i>1,6</i>	3 687 <i>1,7</i>	3 718 <i>0,8</i>	3 784 <i>1,8</i>	3 839 <i>1,4</i>	3 890 <i>1,3</i>	3 947 <i>1,5</i>
Taux de chômage	8,7	9,2	8,5	8,1	8,2	8,3	8,1	7,4
Revenu personnel par habitant	26 821 <i>1,9</i>	27 725 <i>3,4</i>	28 630 <i>3,3</i>	29 433 <i>2,8</i>	30 677 <i>4,2</i>	31 895 <i>4,0</i>	33 144 <i>3,9</i>	34 413 <i>3,8</i>
Population (en milliers)	7 440 <i>0,6</i>	7 486 <i>0,6</i>	7 537 <i>0,7</i>	7 581 <i>0,6</i>	7 613 <i>0,4</i>	7 644 <i>0,4</i>	7 671 <i>0,4</i>	7 697 <i>0,3</i>
Ventes au détail (en millions de \$)	72 099 <i>6,1</i>	75 326 <i>4,5</i>	78 518 <i>4,2</i>	83 712 <i>6,6</i>	86 479 <i>3,3</i>	89 079 <i>3,0</i>	91 829 <i>3,1</i>	94 740 <i>3,2</i>
Taux d'inflation	2,0	2,5	1,9	2,2	2,0	1,9	1,9	1,9

L'italique signale les variations en pourcentage.

Sources : Le Conference Board du Canada; Statistique Canada.

Tableau 2 — Indicateurs du secteur résidentiel

	2002	2003	2004	2005p	2006p	2007p	2008p	2009p
Mises en chantier	42 452 <i>53,4</i>	50 289 <i>18,5</i>	58 448 <i>16,2</i>	52 630 <i>-10,0</i>	45 575 <i>-13,4</i>	38 014 <i>-16,6</i>	34 700 <i>-8,7</i>	33 772 <i>-2,7</i>
Logements unifamiliaux	25 257 <i>46,9</i>	27 225 <i>7,8</i>	28 871 <i>6,0</i>	27 053 <i>-6,3</i>	25 397 <i>-6,1</i>	20 648 <i>-18,7</i>	18 174 <i>-12,0</i>	17 685 <i>-2,7</i>
Multiples	17 195 <i>63,9</i>	23 064 <i>34,1</i>	29 577 <i>28,2</i>	25 577 <i>-13,5</i>	20 178 <i>-21,1</i>	17 365 <i>-13,9</i>	16 525 <i>-4,8</i>	16 088 <i>-2,6</i>
Logements nouveaux	35 401 <i>32,8</i>	45 722 <i>29,2</i>	53 268 <i>16,5</i>	55 051 <i>3,3</i>	52 359 <i>-4,9</i>	44 305 <i>-15,4</i>	37 958 <i>-14,3</i>	34 591 <i>-8,9</i>
Logements unifamiliaux	22 782 <i>40,8</i>	25 695 <i>12,8</i>	29 244 <i>13,8</i>	27 522 <i>-5,9</i>	26 040 <i>-5,4</i>	23 757 <i>-8,8</i>	19 797 <i>-16,7</i>	17 674 <i>-10,7</i>
Multiples	12 620 <i>20,3</i>	20 026 <i>58,7</i>	24 024 <i>20,0</i>	27 529 <i>14,6</i>	26 319 <i>-4,4</i>	20 549 <i>-21,9</i>	18 161 <i>-11,6</i>	16 917 <i>-6,9</i>
Prix moyen d'un logement nouveau (\$)	199 322 <i>5,1</i>	213 213 <i>7,0</i>	225 704 <i>5,9</i>	237 250 <i>5,1</i>	242 671 <i>2,3</i>	247 524 <i>2,0</i>	252 180 <i>1,9</i>	256 877 <i>1,9</i>
Prix moyen d'un logement existant (\$)	131 550 <i>13,3</i>	152 465 <i>15,9</i>	170 757 <i>12,0</i>	183 175 <i>7,3</i>	187 619 <i>2,4</i>	191 372 <i>2,0</i>	194 971 <i>1,9</i>	198 603 <i>1,9</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'immobilier; Statistique Canada.

Ontario



Economic Outlook

Strong consumer confidence, healthy wage growth, cheap financing and favourable prices will continue to spur consumer spending in Ontario, especially on big-ticket items. While debt levels remain high, they do not present any immediate threat to consumption because interest rates are still relatively low.

Growth in business investment, primarily for machinery and equipment, will remain strong over the short term, as firms deal with the increasing pressures of global competition. Moreover, the high dollar and improved corporate cash balances provide a perfect setting for firms to invest.

But while the increase in consumption and investment is stimulating imports, exporters are contending with the strong Canadian dollar, which, at least in part, explains why

Rising interest rates late this year and next year will contribute to an already weakening housing market in Ontario. While housing starts eased back only 0.1 per cent in 2004, declines of 8 per cent and 8.7 per cent are forecast for 2005 and 2006, respectively. With lower demand for housing, growth in housing prices is starting to slow as well, both for new and resale homes.

there were production cutbacks in the auto industry in the first half of this year. The weakening trade balance will limit real provincial gross domestic product (GDP) growth to 2.3 per cent in 2005. A better showing is expected in 2006, as export growth is forecast to accelerate, helping real GDP growth in Ontario to reach 2.9 per cent.

Housing Outlook

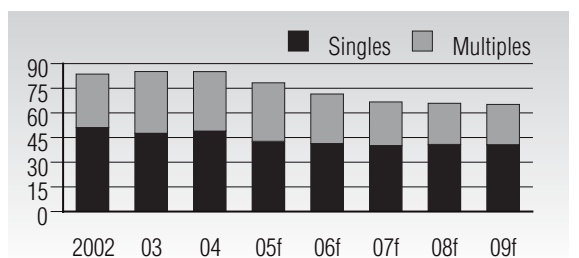
Strong fundamentals in Ontario's economy caused a boom in the province's housing market in the late 1990s. From 1996 to 1999, housing starts increased by an average annual rate of 17.6 per cent—tied with Alberta for the strongest growth in the country. Lower interest rates starting in 2001 combined with Ontario's overall solid economic performance pushed starts even higher. However, although the growth in starts in Ontario from 2001 to 2003 was positive, it was much lower than the national average (6.2 per cent compared with 13.3 per cent at the national level).

Prices for housing in Ontario have also increased steadily since 1997. By 2000, the average price of a new home had already surpassed \$300,000. As of last year, it stood at \$362,660.

With pent-up demand now satisfied and interest rates moving upward, demand for housing in Ontario is starting to wane. Housing starts fell in three of four quarters last year. And, despite strong growth in the second quarter of this year, housing starts are forecast to fall by 8 per cent for the year 2005 as a whole.

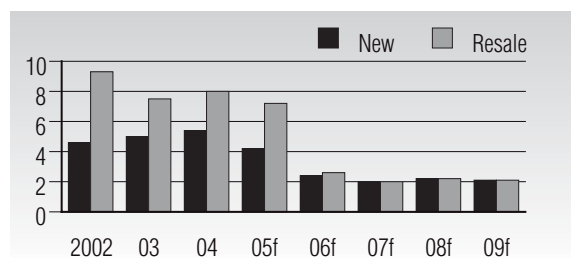
Given that the average price of an existing home in the province is \$118,000 less than that of a new home, a portion of the slowdown in housing starts over the past couple of years is likely attributable to demand shifting towards cheaper resale homes. This explains why price increases have been stronger in the resale market recently. Specifically, the price of a new home increased by an annual average of 4.8 per cent from 2001 to 2004, while the price

Chart 1—Housing Starts (000s)



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.

of an existing home increased by an average of 7.4 per cent, indicating stronger demand in the resale market.

Price growth in both the new and resale markets should start to moderate this year with weaker demand, although the biggest impact on prices will be felt in 2006. Average price increases for this year will

reach 4.2 per cent in the new housing market and 7.2 per cent in the resale market. By next year, continued decline in demand will result in a further 8.7 per cent drop in housing starts, while price gains are expected to moderate to roughly 2.5 per cent.

Ontario's housing starts will continue to fall through the medium term as they move back to more sustainable levels in line with demographic requirements. By 2009, housing starts will have fallen to 65,170 units, down from a peak of 85,180 in 2003. At the same time, price growth for both new and existing homes will fall to an average of 2.1 per cent annually.

Table 1—Economic Indicators

	2002	2003	2004	2005f	2006f	2007f	2008f	2009f
Real GDP at basic prices (1997 \$ millions)	416,888 <i>3.2</i>	424,218 <i>1.8</i>	436,858 <i>3.0</i>	446,694 <i>2.3</i>	459,674 <i>2.9</i>	473,594 <i>3.0</i>	489,294 <i>3.3</i>	505,724 <i>3.4</i>
Total employment (000s)	6,035 <i>1.9</i>	6,209 <i>2.9</i>	6,317 <i>1.7</i>	6,406 <i>1.4</i>	6,535 <i>2.0</i>	6,669 <i>2.1</i>	6,804 <i>2.0</i>	6,935 <i>1.9</i>
Unemployment rate	7.1	6.9	6.8	6.8	6.8	7.0	7.0	6.8
Personal income per capita	30,661 <i>0.8</i>	31,168 <i>1.7</i>	31,966 <i>2.6</i>	32,989 <i>3.2</i>	34,214 <i>3.7</i>	35,496 <i>3.7</i>	36,801 <i>3.7</i>	38,107 <i>3.5</i>
Population (000s)	12,070 <i>1.7</i>	12,233 <i>1.3</i>	12,373 <i>1.1</i>	12,501 <i>1.0</i>	12,648 <i>1.2</i>	12,800 <i>1.2</i>	12,952 <i>1.2</i>	13,105 <i>1.2</i>
Retail sales (\$ millions)	120,992 <i>5.9</i>	125,122 <i>3.4</i>	129,086 <i>3.2</i>	135,204 <i>4.7</i>	139,658 <i>3.3</i>	144,758 <i>3.7</i>	150,070 <i>3.7</i>	155,535 <i>3.6</i>
Inflation rate	2.0	2.7	1.9	2.2	2.3	2.2	2.2	2.1

Italics indicate percentage change.

Sources: The Conference Board of Canada; Statistics Canada.

Table 2—Housing Indicators

	2002	2003	2004	2005f	2006f	2007f	2008f	2009f
Housing starts	83,597 <i>14.1</i>	85,180 <i>1.9</i>	85,114 <i>-0.1</i>	78,278 <i>-8.0</i>	71,464 <i>-8.7</i>	66,688 <i>-6.7</i>	65,847 <i>-1.3</i>	65,174 <i>-1.0</i>
Singles	51,114 <i>29.0</i>	47,610 <i>-6.9</i>	48,929 <i>2.8</i>	42,710 <i>-12.7</i>	41,376 <i>-3.1</i>	40,128 <i>-3.0</i>	40,836 <i>1.8</i>	40,675 <i>-0.4</i>
Multiples	32,483 <i>-3.5</i>	37,570 <i>15.7</i>	36,185 <i>-3.7</i>	35,568 <i>-1.7</i>	30,089 <i>-15.4</i>	26,560 <i>-11.7</i>	25,011 <i>-5.8</i>	24,499 <i>-2.0</i>
Housing completions	81,243 <i>19.1</i>	75,894 <i>-6.6</i>	80,892 <i>6.6</i>	83,054 <i>2.7</i>	75,743 <i>-8.8</i>	68,457 <i>-9.6</i>	65,473 <i>-4.4</i>	64,426 <i>-1.6</i>
Singles	46,972 <i>14.0</i>	46,627 <i>-0.7</i>	48,037 <i>3.0</i>	45,430 <i>-5.4</i>	41,788 <i>-8.0</i>	39,841 <i>-4.7</i>	39,529 <i>-0.8</i>	40,220 <i>1.7</i>
Multiples	34,271 <i>26.9</i>	29,267 <i>-14.6</i>	32,855 <i>12.3</i>	37,624 <i>14.5</i>	33,955 <i>-9.8</i>	28,616 <i>-15.7</i>	25,944 <i>-9.3</i>	24,207 <i>-6.7</i>
Average price of a new home (\$)	327,775 <i>4.6</i>	344,160 <i>5.0</i>	362,660 <i>5.4</i>	377,872 <i>4.2</i>	386,961 <i>2.4</i>	394,700 <i>2.0</i>	403,227 <i>2.2</i>	411,847 <i>2.1</i>
Average price of a resale home (\$)	210,909 <i>9.3</i>	226,698 <i>7.5</i>	244,873 <i>8.0</i>	262,478 <i>7.2</i>	269,329 <i>2.6</i>	274,715 <i>2.0</i>	280,650 <i>2.2</i>	286,649 <i>2.1</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

Overall real gross domestic product (GDP) growth in the Prairie provinces of Manitoba and Saskatchewan is set to be 2.6 per cent this year. Manitoba's economy is forecast to increase by 2.5 per cent, as expected gains in the utilities sector and retail sales will be partly offset by agricultural losses due to flooding. And while high commodity prices continue to support key potash and uranium industries in Saskatchewan, flooding and a sluggish government sector will hold economic growth at 2.7 per cent for 2005.

Solid economic fundamentals, continued strength in manufacturing and utilities and a recovery in agriculture will lift Manitoba's real GDP growth to 3.2 per cent in 2006. Saskatchewan will not fare as well, with real GDP increasing by only

Housing starts in Manitoba and Saskatchewan are forecast to decline by 10.5 per cent in 2005, in line with satisfied pent-up demand. Starts will fall by a further 7.5 per cent in 2006 and then continue to fall through the medium term, as they align with demographic requirements. By 2009, housing starts in these Prairies provinces will have dropped back to 6,000 units. Price growth will also be slower over the medium term, averaging 2 per cent annually for both the new and the resale markets.

2.5 per cent, as activity in the services sector is forecast to remain soft. As a result, total real GDP for the Prairies will grow by 2.8 per cent next year.

Housing Outlook

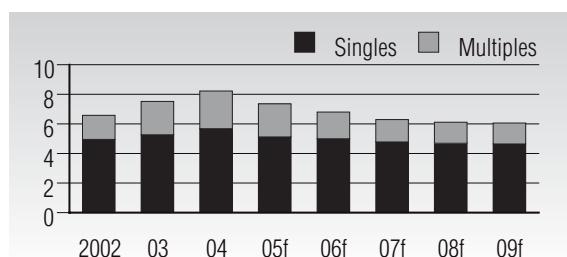
Pent-up demand, combined with real GDP growth of 3.4 per cent per year on average from 1996 to 2000, helped to lift housing starts in the last half of the 1990s. Lower interest rates starting in 2001 further stimulated demand for housing by making homes more affordable. As a result, housing starts increased by a very healthy average annual rate of 13.7 per cent between 1996 and 2004. By last year, housing starts in the Prairies had reached 8,200 units, a level not seen since 1988.

Despite the sharp growth in housing starts, average new home prices increased by only 1.9 per cent annually from 1996 to 2003, a sign

that supply and demand remained in equilibrium, at least in the new housing market. This growth improved to 6.6 per cent last year. Growth in existing home prices was much stronger, averaging 3.8 per cent per year from 1996 to 2003 and 9.2 per cent last year. However, the average existing home price, at \$115,400 in 2004, was still nearly half that of a new home. Accordingly, lower price increases in the new housing market may have been a way for builders to manage the price gap between the new and resale markets, as a wider gap may have led some potential buyers to focus on the lower-priced resale market.

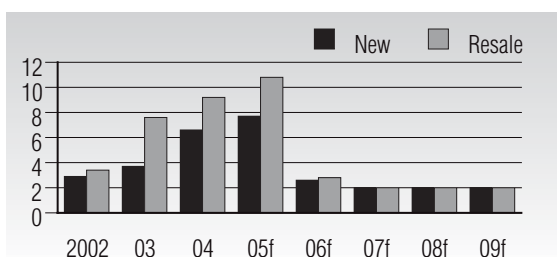
Demand for housing in Manitoba and Saskatchewan is now slowing. Although housing starts increased by 9.3 per cent overall last year, they actually fell in three of the four quarters of 2004 and in the first quarter of this year. While there was some upturn in the second

Chart 1—Housing Starts (000s)



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.

quarter, rising interest rates are expected to lower demand further. As a result, total housing starts are forecast to fall by 10.5 per cent this year and 7.5 per cent in 2006, bringing starts back to 6,800 units by next year.

Price growth will also slow, but not until 2006. The average price for a new home is forecast to rise by 7.7 per cent in 2005, before decelerating to 2.6 per cent growth next year. Likewise, the average price of an existing home is expected to increase by 10.8 per cent this year, with growth then slowing to 2.8 per cent in 2006.

Housing starts will continue to decline as real GDP growth in the Prairies slows to 2.2 per cent by 2009. Also, with pent-up demand satisfied, housing starts will now begin to move in line with demographic needs. Price growth will also decelerate further, as the average price of both a new home and an existing home will rise by 2 per cent per year from 2007 to 2009.

Table 1—Economic Indicators

	2002	2003	2004	2005f	2006f	2007f	2008f	2009f
Real GDP at basic prices (1997 \$ millions)	59,597 <i>1.0</i>	61,184 <i>2.7</i>	63,007 <i>3.0</i>	64,616 <i>2.6</i>	66,457 <i>2.8</i>	68,071 <i>2.4</i>	69,678 <i>2.4</i>	71,240 <i>2.2</i>
Total employment (000s)	1,036 <i>2.0</i>	1,046 <i>1.0</i>	1,056 <i>1.0</i>	1,068 <i>1.1</i>	1,081 <i>1.2</i>	1,093 <i>1.1</i>	1,104 <i>1.0</i>	1,115 <i>0.9</i>
Unemployment rate	5.3	5.3	5.3	4.9	4.9	4.9	4.9	4.6
Personal income per capita	25,240 <i>2.2</i>	25,985 <i>2.9</i>	27,331 <i>5.2</i>	28,026 <i>2.5</i>	29,058 <i>3.7</i>	30,094 <i>3.6</i>	31,168 <i>3.6</i>	32,230 <i>3.4</i>
Population (000s)	2,151 <i>0.0</i>	2,155 <i>0.2</i>	2,164 <i>0.4</i>	2,172 <i>0.4</i>	2,178 <i>0.3</i>	2,184 <i>0.3</i>	2,191 <i>0.3</i>	2,198 <i>0.3</i>
Retail sales (\$ millions)	19,958 <i>7.3</i>	20,811 <i>4.3</i>	21,951 <i>5.5</i>	23,188 <i>5.6</i>	23,858 <i>2.9</i>	24,496 <i>2.7</i>	25,180 <i>2.8</i>	25,875 <i>2.8</i>
Inflation rate	2.1	2.0	2.1	2.4	2.1	2.0	2.0	2.0

Italics indicate percentage change.

Sources: The Conference Board of Canada; Statistics Canada.

Table 2—Housing Indicators

	2002	2003	2004	2005f	2006f	2007f	2008f	2009f
Housing starts	6,580 <i>23.1</i>	7,521 <i>14.3</i>	8,221 <i>9.3</i>	7,354 <i>-10.5</i>	6,800 <i>-7.5</i>	6,290 <i>-7.5</i>	6,114 <i>-2.8</i>	6,058 <i>-0.9</i>
Singles	4,947 <i>21.0</i>	5,262 <i>6.4</i>	5,677 <i>7.9</i>	5,115 <i>-9.9</i>	4,995 <i>-2.3</i>	4,776 <i>-4.4</i>	4,690 <i>-1.8</i>	4,639 <i>-1.1</i>
Multiples	1,633 <i>29.9</i>	2,259 <i>38.3</i>	2,544 <i>12.6</i>	2,240 <i>-12.0</i>	1,806 <i>-19.4</i>	1,514 <i>-16.2</i>	1,424 <i>-5.9</i>	1,420 <i>-0.3</i>
Housing completions	5,771 <i>6.3</i>	6,942 <i>20.3</i>	7,664 <i>10.4</i>	7,835 <i>2.2</i>	7,073 <i>-9.7</i>	6,427 <i>-9.1</i>	6,089 <i>-5.3</i>	5,974 <i>-1.9</i>
Singles	4,601 <i>9.6</i>	5,049 <i>9.7</i>	5,449 <i>7.9</i>	5,357 <i>-1.7</i>	4,930 <i>-8.0</i>	4,730 <i>-4.0</i>	4,614 <i>-2.5</i>	4,580 <i>-0.7</i>
Multiples	1,170 <i>-5.0</i>	1,893 <i>61.8</i>	2,215 <i>17.0</i>	2,478 <i>11.9</i>	2,143 <i>-13.5</i>	1,696 <i>-20.9</i>	1,475 <i>-13.1</i>	1,393 <i>-5.5</i>
Average price of a new home (\$)	198,626 <i>2.9</i>	206,040 <i>3.7</i>	219,630 <i>6.6</i>	236,436 <i>7.7</i>	242,692 <i>2.6</i>	247,545 <i>2.0</i>	252,478 <i>2.0</i>	257,430 <i>2.0</i>
Average price of a resale home (\$)	98,173 <i>3.4</i>	105,659 <i>7.6</i>	115,407 <i>9.2</i>	127,834 <i>10.8</i>	131,452 <i>2.8</i>	134,081 <i>2.0</i>	136,752 <i>2.0</i>	139,434 <i>2.0</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

Despite adverse weather conditions earlier this summer, Alberta should have another stellar year, with real gross domestic product (GDP) growth holding firm at 4.2 per cent—the highest growth rate of any province. Alberta will not lead the country in 2006, however, as GDP growth is expected to advance by a more sustainable 3.2 per cent.

Economic activity is steaming ahead this year on several fronts. The construction sector is providing the biggest push, with billions of dollars being invested in a number of large oil sands mining and oil upgrader projects. Correspondingly, construction output is forecast to jump by 10 per cent this year and by a further 5.6 per cent in 2006. Although the June floods hurt the petrochemical industry, the manufacturing sector as a whole is still

Alberta's housing market is having another solid year, thanks in part to strong growth in real economic activity. Housing starts are poised to increase by 7 per cent this year, to 38,830 units. But higher interest rates will reduce demand for housing in 2006. As such, starts are forecast to fall by 14.6 per cent. Prices, both for new and existing homes, will begin to moderate next year as well, in line with weaker demand.

expected to post a healthy gain, with growth supported by the production of petroleum and coal products, primary and fabricated metals, and transportation equipment.

Consumer spending has expanded rapidly in recent years, as healthy job creation lifted Albertans' income growth. Income growth will decelerate, however, over the short term in line with more moderate employment growth. All in all, personal income growth is expected to average 5.2 per cent per year this year and next.

Housing Outlook

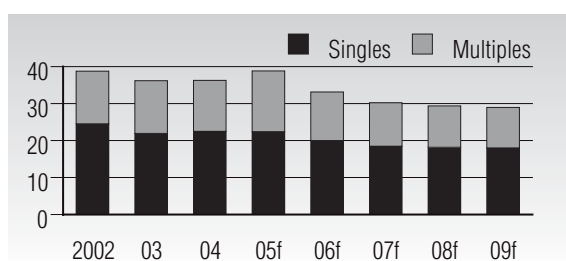
Pent-up demand and strong economic growth propelled housing starts in Alberta in the late 1990s. Starts continued to rise in 2001 and 2002, as a result of declining interest rates. In this two-year period alone, the province's housing starts increased by 47.5 per cent. Unfortunately, even with continued low

interest rates, Alberta's housing starts fell by 6.7 per cent in 2003, and then held fairly steady last year, posting only a 0.3 per cent increase. The most obvious explanation would be that pent-up demand in the province has been largely satisfied.

Somewhat surprisingly, housing starts have been on the rise again in the province since the last quarter of 2004. In fact, the Conference Board expects that housing starts will rise by 7 per cent this year. A couple of reasons help explain that result. First, Albertans have wanted to benefit from the low interest rates, knowing that they are on the way up. Second is the stellar performance of the provincial economy, which is poised to grow by more than 4 per cent for the second year in a row.

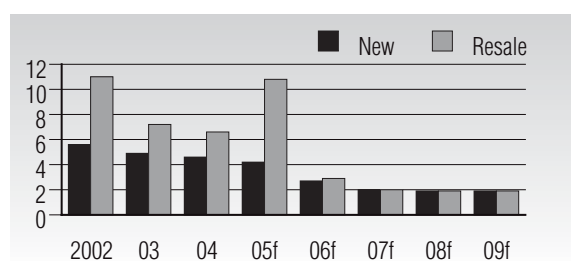
Reflecting the still vigorous housing market, the average price of a new home is forecast to rise by a further 4.2 per cent this year, a rate only slightly lower than that of

Chart 1—Housing Starts (000s)



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. Price growth on the resale side will be even stronger, at 10.8 per cent, on the heels of a 6.6 per cent increase in 2004.

Alberta's housing starts are expected to feel the pinch of higher interest rates by next year. As such,

housing starts are forecast to decline by 14.6 per cent in 2006. Starts will continue to decline through the medium term, moving in line with lower population growth in the province. By 2009, housing starts will have fallen to 28,950 units.

Average price increases for new and resale homes will also decelerate in the coming years. New house prices are forecast to grow by 2.7 per cent in 2006, while existing house prices will increase by 2.9 per cent. Prices for both will then average annual increases of 1.9 per cent for the rest of the forecast period.

Table 1—Economic Indicators

	2002	2003	2004	2005f	2006f	2007f	2008f	2009f
Real GDP at basic prices (1997 \$ millions)	120,507 <i>1.8</i>	124,371 <i>3.2</i>	129,635 <i>4.2</i>	135,097 <i>4.2</i>	139,419 <i>3.2</i>	143,437 <i>2.9</i>	148,280 <i>3.4</i>	152,970 <i>3.2</i>
Total employment (000s)	1,671 <i>2.5</i>	1,717 <i>2.8</i>	1,758 <i>2.4</i>	1,790 <i>1.8</i>	1,825 <i>1.9</i>	1,858 <i>1.8</i>	1,890 <i>1.7</i>	1,923 <i>1.7</i>
Unemployment rate	5.3	5.1	4.6	3.9	4.2	4.3	4.2	3.8
Personal income per capita	32,513 <i>1.2</i>	33,372 <i>2.6</i>	35,176 <i>5.4</i>	36,569 <i>4.0</i>	37,971 <i>3.8</i>	39,409 <i>3.8</i>	40,803 <i>3.5</i>	42,210 <i>3.4</i>
Population (000s)	3,108 <i>1.9</i>	3,153 <i>1.4</i>	3,196 <i>1.4</i>	3,240 <i>1.4</i>	3,277 <i>1.1</i>	3,313 <i>1.1</i>	3,349 <i>1.1</i>	3,385 <i>1.1</i>
Retail sales (\$ millions)	37,663 <i>9.0</i>	39,318 <i>4.4</i>	43,372 <i>10.3</i>	46,726 <i>7.7</i>	48,387 <i>3.6</i>	50,033 <i>3.4</i>	51,665 <i>3.3</i>	53,358 <i>3.3</i>
Inflation rate	3.4	4.4	1.4	1.6	2.0	1.9	1.9	1.9

Italics indicate percentage change.

Sources: The Conference Board of Canada; Statistics Canada.

Table 2—Housing Indicators

	2002	2003	2004	2005f	2006f	2007f	2008f	2009f
Housing starts	38,754 <i>32.8</i>	36,171 <i>-6.7</i>	36,270 <i>0.3</i>	38,826 <i>7.0</i>	33,140 <i>-14.6</i>	30,207 <i>-8.8</i>	29,366 <i>-2.8</i>	28,947 <i>-1.4</i>
Singles	24,520 <i>24.0</i>	21,918 <i>-10.6</i>	22,487 <i>2.6</i>	22,406 <i>-0.4</i>	20,007 <i>-10.7</i>	18,476 <i>-7.7</i>	18,180 <i>-1.6</i>	18,011 <i>-0.9</i>
Multiples	14,234 <i>51.3</i>	14,253 <i>0.1</i>	13,783 <i>-3.3</i>	16,420 <i>19.1</i>	13,133 <i>-20.0</i>	11,732 <i>-10.7</i>	11,186 <i>-4.7</i>	10,937 <i>-2.2</i>
Housing completions	32,193 <i>15.7</i>	35,807 <i>11.2</i>	35,266 <i>-1.5</i>	35,271 <i>0.0</i>	35,468 <i>0.6</i>	31,222 <i>-12.0</i>	29,527 <i>-5.4</i>	28,953 <i>-1.9</i>
Singles	21,750 <i>21.2</i>	23,084 <i>6.1</i>	21,870 <i>-5.3</i>	22,261 <i>1.8</i>	21,388 <i>-3.9</i>	19,396 <i>-9.3</i>	18,703 <i>-3.6</i>	18,625 <i>-0.4</i>
Multiples	10,443 <i>5.6</i>	12,723 <i>21.8</i>	13,396 <i>5.3</i>	13,010 <i>-2.9</i>	14,080 <i>8.2</i>	11,825 <i>-16.0</i>	10,825 <i>-8.5</i>	10,328 <i>-4.6</i>
Average price of a new home (\$)	231,245 <i>5.6</i>	242,674 <i>4.9</i>	253,787 <i>4.6</i>	264,443 <i>4.2</i>	271,586 <i>2.7</i>	277,018 <i>2.0</i>	282,371 <i>1.9</i>	287,839 <i>1.9</i>
Average price of a resale home (\$)	170,535 <i>11.0</i>	182,891 <i>7.2</i>	195,049 <i>6.6</i>	216,200 <i>10.8</i>	222,381 <i>2.9</i>	226,829 <i>2.0</i>	231,213 <i>1.9</i>	235,690 <i>1.9</i>

Italics indicate percentage change.

Sources: The Conference Board of Canada; Canada Mortgage and Housing Corporation; Canadian Real Estate Association; Statistics Canada.

British Columbia



Housing starts in British Columbia are forecast to decline by 2.4 per cent in 2005, after four years of spectacular growth. Rising interest rates are expected to result in even weaker demand next year, with starts falling by an additional 12.6 per cent. Price gains will then moderate as well. By 2006, the average price of a new home will increase by 2.6 per cent, compared to 4.8 per cent growth, on average, over the previous two years. Existing home prices will grow by 2.9 per cent in 2006, after increasing by an average of 11.4 per cent per year from 2004 to 2005.

Economic Outlook

Growth in British Columbia's economy has been driven by a solid performance in the goods-producing industries in 2005, with forestry, mining, utilities and construction all posting strong gains. However, moderate growth in the manufacturing and public sectors will hold real gross domestic product (GDP) growth to a still solid 3 per cent this year. Growth will be more balanced in 2006, with both the goods and service sectors contributing to a healthy bottom line of 2.9 per cent.

Strong housing starts have boosted demand for wood products and thus benefited the province's forestry sector. Even as housing demand cools, B.C.'s forestry sector will benefit from increased allowable cuts in areas infested with the mountain pine beetle and from Quebec's forestry supply-side constraints. The

outlook is positive for the transportation sector as well, given the frenzied activity at the Port of Vancouver and the insatiable global demand for Western Canada's natural resources.

Somewhat surprisingly, and in contrast to much of the rest of the country, consumer spending has not been an important contributor to the province's economy, despite sound employment gains. Retail sales growth was muted during the first half of the year.

Housing Outlook

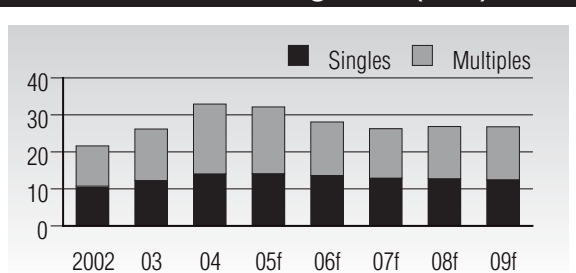
British Columbia's housing boom began at the same time as interest rates started falling in 2001. From the mid-1990s to 2000, housing starts fell by an average of 14.1 per cent per year. But from 2001 to 2004, housing starts increased by 23 per cent on an average annual basis. This surge brought the level of housing starts up from a low of 14,400 units in 2000 to 32,920 units last year.

Housing starts are now starting to weaken. And although they did increase in the second and third quarter of this year, it will not be enough to offset the declines recorded in the previous three quarters. All in all, housing starts are expected to post a 2.4 per cent decline for the year 2005 as a whole. Housing starts will continue to trend downward in the short term, as interest rates rise. This will result in a further 12.6 per cent drop in starts next year.

While housing starts are forecast to decline again in 2007, there will be some upturn in the market starting in 2008. By then, demand for housing is expected to rise as the province readies itself to host the 2010 Winter Olympics.

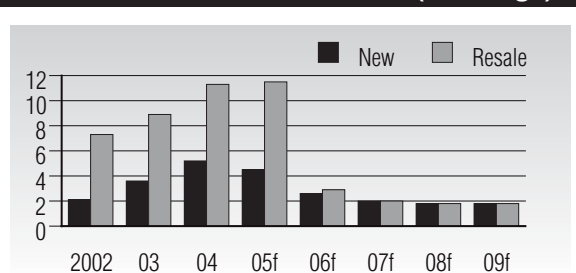
Increased demand for housing had brought slow but steady increases in new home prices, with growth averaging 2.8 per cent per year from 2001 to 2004. However, given the large declines in prices in the

Chart 1—Housing Starts (000s)



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 half of the 1990s, the average price for a new home remained at \$500,000 in 2004, much lower than its previous peak of \$577,000 in 1993.

The average price of an existing home has increased even more quickly since 2001, rising by 7 per cent annually between 2001 and 2004. Despite this higher growth, existing home prices remain well

below new home prices. In 2004, the average price of an existing home was \$289,230, compared to \$502,867 for a new home. The stronger growth in existing home prices in recent years may, therefore, reflect higher demand in this more affordable market.

Both new and existing home prices continue to rise. Thanks to sizable increases in the second

quarter, new home prices are poised to increase by 4.5 per cent in 2005, while existing home prices will surge by 11.5 per cent. As demand wanes, however, so too will house price inflation. By next year, average increases will be much smaller for both new and existing homes, at 2.6 per cent and 2.9 per cent respectively.

Table 1—Economic Indicators

	2002	2003	2004	2005f	2006f	2007f	2008f	2009f
Real GDP at basic prices (1997 \$ millions)	119,990 <i>3.6</i>	122,711 <i>2.3</i>	127,876 <i>4.2</i>	131,687 <i>3.0</i>	135,526 <i>2.9</i>	139,519 <i>2.9</i>	143,344 <i>2.7</i>	147,412 <i>2.8</i>
Total employment (000s)	1,960 <i>2.0</i>	2,014 <i>2.8</i>	2,060 <i>2.3</i>	2,124 <i>3.1</i>	2,159 <i>1.7</i>	2,197 <i>1.7</i>	2,233 <i>1.6</i>	2,268 <i>1.6</i>
Unemployment rate	8.6	8.1	7.2	6.0	6.1	6.3	6.3	6.0
Personal income per capita	27,578 <i>1.6</i>	28,189 <i>2.2</i>	29,101 <i>3.2</i>	30,106 <i>3.5</i>	31,188 <i>3.6</i>	32,363 <i>3.8</i>	33,526 <i>3.6</i>	34,719 <i>3.6</i>
Population (000s)	4,111 <i>0.9</i>	4,147 <i>0.9</i>	4,191 <i>1.1</i>	4,235 <i>1.1</i>	4,271 <i>0.8</i>	4,307 <i>0.8</i>	4,343 <i>0.8</i>	4,380 <i>0.8</i>
Retail sales (\$ millions)	43,265 <i>6.3</i>	44,421 <i>2.7</i>	47,217 <i>6.3</i>	49,451 <i>4.7</i>	50,998 <i>3.1</i>	52,642 <i>3.2</i>	54,287 <i>3.1</i>	56,034 <i>3.2</i>
Inflation rate	2.3	2.2	2.0	2.0	2.0	1.8	1.8	1.8

Italics indicate percentage change.

Sources: The Conference Board of Canada; Statistics Canada.

Table 2—Housing Indicators

	2002	2003	2004	2005f	2006f	2007f	2008f	2009f
Housing starts	21,625 <i>25.5</i>	26,174 <i>21.0</i>	32,925 <i>25.8</i>	32,145 <i>-2.4</i>	28,081 <i>-12.6</i>	26,262 <i>-6.5</i>	26,858 <i>2.3</i>	26,780 <i>-0.3</i>
Singles	10,730 <i>36.5</i>	12,252 <i>14.2</i>	14,056 <i>14.7</i>	14,112 <i>0.4</i>	13,621 <i>-3.5</i>	12,908 <i>-5.2</i>	12,743 <i>-1.3</i>	12,464 <i>-2.2</i>
Multiples	10,895 <i>16.3</i>	13,922 <i>27.8</i>	18,869 <i>35.5</i>	18,033 <i>-4.4</i>	14,459 <i>-19.8</i>	13,354 <i>-7.6</i>	14,114 <i>5.7</i>	14,316 <i>1.4</i>
Housing completions	20,261 <i>42.7</i>	21,885 <i>8.0</i>	24,707 <i>12.9</i>	29,802 <i>20.6</i>	27,531 <i>-7.6</i>	24,387 <i>-11.4</i>	24,063 <i>-1.3</i>	24,451 <i>1.6</i>
Singles	9,522 <i>19.6</i>	11,068 <i>16.2</i>	12,332 <i>11.4</i>	12,610 <i>2.3</i>	12,444 <i>-1.3</i>	11,727 <i>-5.8</i>	11,509 <i>-1.9</i>	11,313 <i>-1.7</i>
Multiples	10,739 <i>72.2</i>	10,817 <i>0.7</i>	12,375 <i>14.4</i>	17,192 <i>38.9</i>	15,087 <i>-12.2</i>	12,660 <i>-16.1</i>	12,554 <i>-0.8</i>	13,139 <i>4.7</i>
Average price of a new home (\$)	461,367 <i>2.1</i>	477,964 <i>3.6</i>	502,867 <i>5.2</i>	525,493 <i>4.5</i>	539,159 <i>2.6</i>	549,942 <i>2.0</i>	559,849 <i>1.8</i>	569,830 <i>1.8</i>
Average price of a resale home (\$)	238,642 <i>7.3</i>	259,888 <i>8.9</i>	289,230 <i>11.3</i>	322,472 <i>11.5</i>	331,844 <i>2.9</i>	338,480 <i>2.0</i>	344,578 <i>1.8</i>	350,721 <i>1.8</i>

Italics indicate percentage change.

Sources: The Conference Board of Canada; Canada Mortgage and Housing Corporation; Canadian Real Estate Association; Statistics Canada.

Montréal



The housing market is finally showing signs of fatigue in Montréal after three years of rapid growth. Housing starts have been declining steadily since the beginning of the third quarter of last year and are expected to post an 18.5 per cent decline in 2005. Oddly enough, sales of existing homes are not yet following suit—they are forecast to increase by another 2.4 per cent this year. Price growth for both new homes and existing homes will still be fairly strong in 2005, before slowing to just over 2 per cent next year.

Economic Outlook

Real gross domestic product (GDP) growth in Montréal has been modest over the past two years, coming in at 1.6 per cent in 2003 and 1.4 per cent in 2004. While the industries limiting growth this year will not be exactly the same as last year, the bottom-line result will have a feeling of déjà vu, as a timid gain of 1.8 per cent in real GDP is anticipated.

In contrast to recent years, activity in the residential construction sector is forecast to decline significantly in 2005, dampening the performance of the finance, insurance and real estate sector. Fortunately for the city's economy, most other sectors are on the rise this year, a sign of better days to come. The non-residential construction sector remains alive and well due to several ongoing projects in universities and hospitals. As well, the manufacturing

sector has proven to be quite resilient, even though the Canadian dollar kept on appreciating in 2004 and has remained relatively high so far in 2005. Specifically, manufacturing output grew by 3.4 per cent last year. It is expected to continue to grow this year, increasing by 2.8 per cent—a sound result given the continued strength in the loonie.

Housing Outlook

EXISTING HOUSING MARKET

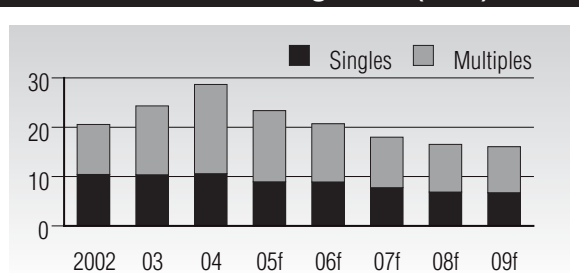
Montréal's resale housing market continues to surprise. Sales in this market have been strong since the mid-1990s. From 1996 to 2004, growth in unit sales of existing homes increased by an average of 10.6 per cent annually, buoyed by pent-up demand and low interest rates starting in 2001. The market slowed down in the second half of 2004 and was originally expected to be even weaker this year, as pent-up demand was thought to be largely

satisfied. However, thanks in part to continued low interest rates, existing home sales took a dramatic turn upward in the second quarter of this year, increasing by 10 per cent. The final result will be one more year of positive growth. Existing home sales are now forecast to increase by 2.4 per cent this year, before declining by 1.2 per cent in 2006.

Led by a strong demand, existing home prices have increased sharply over the past few years. From 2001 to 2004, the average price of an existing home in Montréal grew by an average annual rate of 11.6 per cent. With sales still pushing upward, further price growth of 7 per cent is anticipated this year. For the first time, the average price of an existing home will top \$200,000 in 2005.

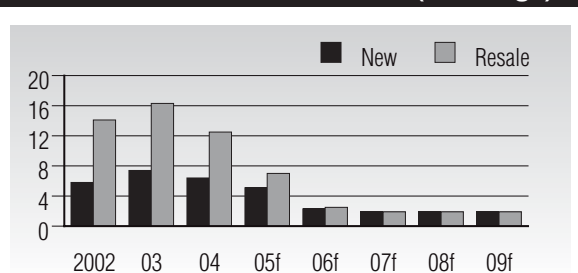
Price growth is expected to moderate starting next year as sales fall. Growth in the price of an existing home is forecast to come in at 2.5 per cent in 2006 and then average

Chart 1—Housing Starts (000s)



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.

1.9 per cent annually through the rest of the forecast.

Rapid price increases since 2001 lifted the number of sellers in the marketplace. As a result, the sales-to-new listings ratio fell from a peak of 72 in 2002 to 56 last year. It is expected to fall again in 2005, to 54, and then level off in 2006 as price growth moderates.

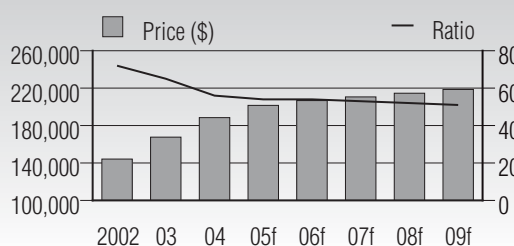
Existing home sales will continue to fall through the medium term, but so will the sales-to-listings ratio. Sellers are not expected to enter the market as massively as they did over the past few years, as weaker demand will translate into lower price growth.

NEW HOUSING MARKET

The new housing market in Montréal has also been given a boost by lower interest rates since 2001. Housing starts climbed from 13,300 units in 2001 to 28,670 in 2004, an average annual increase of 23.7 per cent. Still, this growth was not enough to keep up with the rapid increase in demand. Months' supply was cut by more than half—from 4 in 2000 to 1.9 in 2003. Prices rose sharply as a result. The average price of a new home in Montréal reached \$240,300 in 2004, up from \$189,300 in 2000.

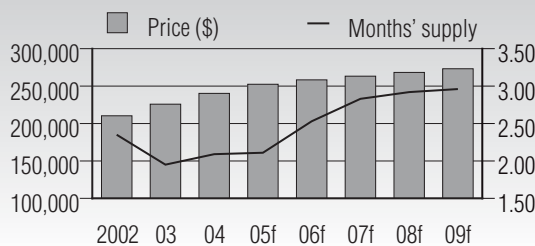
The market is now showing signs of fatigue, however. Demand for new housing has been waning and, as a result, months' supply increased to 2.1 and the number of newly completed but unoccupied houses rose by 15.6 per cent last year. Builders are now responding to these signals. In fact, housing starts posted a year-over-year decline of nearly 20 per cent in the second quarter of 2005, and further declines are forecast for the rest of this year. Housing starts are expected to fall by 18.5 per cent in 2005 and by a further 11.4 per cent in 2006. The decline in housing starts this year is expected to keep months' supply steady and help lower the number of newly completed but unoccupied houses.

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

	2002	2003	2004	2005f	2006f	2007f	2008f	2009f
Real GDP at basic prices (1997 \$ millions)	107,209 <i>5.2</i>	108,974 <i>1.6</i>	110,540 <i>1.4</i>	112,510 <i>1.8</i>	116,900 <i>3.9</i>	120,294 <i>2.9</i>	123,653 <i>2.8</i>	127,096 <i>2.8</i>
Total employment (000s)	1,761 <i>3.6</i>	1,786 <i>1.4</i>	1,809 <i>1.3</i>	1,829 <i>1.1</i>	1,864 <i>1.9</i>	1,895 <i>1.7</i>	1,923 <i>1.5</i>	1,952 <i>1.5</i>
Unemployment rate	8.6	9.6	8.6	8.1	7.7	7.5	7.3	7.1
Personal income per capita	28,487 <i>0.8</i>	29,174 <i>2.4</i>	30,110 <i>3.2</i>	31,098 <i>3.3</i>	32,364 <i>4.1</i>	33,642 <i>3.9</i>	34,879 <i>3.7</i>	36,099 <i>3.5</i>
Population (000s)	3,547 <i>1.1</i>	3,577 <i>0.9</i>	3,607 <i>0.8</i>	3,636 <i>0.8</i>	3,663 <i>0.7</i>	3,688 <i>0.7</i>	3,713 <i>0.7</i>	3,737 <i>0.7</i>
Retail sales (\$ millions)	32,863 <i>5.3</i>	34,644 <i>5.4</i>	36,294 <i>4.8</i>	38,033 <i>4.8</i>	39,631 <i>4.2</i>	40,964 <i>3.4</i>	42,249 <i>3.1</i>	43,535 <i>3.0</i>
Inflation rate	2.0	2.4	1.9	2.0	2.0	1.9	1.9	1.9

Italics indicate percentage change.

Sources: The Conference Board of Canada; Statistics Canada.

Months' supply is expected to continue climbing over the next few years as demand for new housing weakens further. The Conference

Board expects that housing starts in Montréal will keep falling throughout the medium term as they align with demographic requirements.

Price growth will also slow in line with weaker demand, falling to an average of 1.9 per cent annually by 2007.

Table 2—Housing Indicators

	2002	2003	2004	2005f	2006f	2007f	2008f	2009f
Housing starts	20,554 <i>54.5</i>	24,321 <i>18.3</i>	28,673 <i>17.9</i>	23,363 <i>-18.5</i>	20,703 <i>-11.4</i>	17,989 <i>-13.1</i>	16,528 <i>-8.1</i>	16,051 <i>-2.9</i>
Singles	10,416 <i>45.7</i>	10,360 <i>-0.5</i>	10,578 <i>2.1</i>	8,935 <i>-15.5</i>	8,889 <i>-0.5</i>	7,743 <i>-12.9</i>	6,861 <i>-11.4</i>	6,720 <i>-2.1</i>
Multiples	10,138 <i>64.9</i>	13,961 <i>37.7</i>	18,095 <i>29.6</i>	14,427 <i>-20.3</i>	11,814 <i>-18.1</i>	10,246 <i>-13.3</i>	9,667 <i>-5.6</i>	9,331 <i>-3.5</i>
Housing completions	16,085 <i>18.0</i>	20,280 <i>26.1</i>	24,920 <i>22.9</i>	26,595 <i>6.7</i>	22,410 <i>-15.7</i>	19,345 <i>-13.7</i>	17,029 <i>-12.0</i>	15,973 <i>-6.2</i>
Singles	9,207 <i>33.1</i>	9,935 <i>7.9</i>	10,473 <i>5.4</i>	9,792 <i>-6.5</i>	8,999 <i>-8.1</i>	8,312 <i>-7.6</i>	7,250 <i>-12.8</i>	6,722 <i>-7.3</i>
Multiples	6,878 <i>2.5</i>	10,345 <i>50.4</i>	14,447 <i>39.7</i>	16,803 <i>16.3</i>	13,412 <i>-20.2</i>	11,033 <i>-17.7</i>	9,779 <i>-11.4</i>	9,252 <i>-5.4</i>
Average price of a new home (\$)	210,342 <i>5.8</i>	225,831 <i>7.4</i>	240,282 <i>6.4</i>	252,496 <i>5.1</i>	258,345 <i>2.3</i>	263,281 <i>1.9</i>	268,230 <i>1.9</i>	273,223 <i>1.9</i>
Newly completed and unabsorbed	7,570 <i>-9.7</i>	7,008 <i>-7.4</i>	8,104 <i>15.6</i>	7,646 <i>-5.6</i>	9,196 <i>20.3</i>	9,590 <i>4.3</i>	9,511 <i>-0.8</i>	9,430 <i>-0.9</i>
Absorptions	9,935 <i>30.8</i>	10,828 <i>9.0</i>	11,682 <i>7.9</i>	11,418 <i>-2.3</i>	10,911 <i>-4.4</i>	10,169 <i>-6.8</i>	9,772 <i>-3.9</i>	9,557 <i>-2.2</i>
Months' supply	2.35	1.95	2.09	2.11	2.53	2.83	2.92	2.96
Average price of a resale home (\$)	144,151 <i>14.1</i>	167,577 <i>16.3</i>	188,443 <i>12.5</i>	201,564 <i>7.0</i>	206,674 <i>2.5</i>	210,623 <i>1.9</i>	214,582 <i>1.9</i>	218,577 <i>1.9</i>
Resale dollar volume sales (\$ millions)	6,818 <i>24.2</i>	8,086 <i>18.6</i>	9,255 <i>14.5</i>	10,154 <i>9.7</i>	10,266 <i>1.1</i>	9,720 <i>-5.3</i>	9,586 <i>-1.4</i>	9,726 <i>1.5</i>
Resale unit sales	47,477 <i>8.9</i>	48,171 <i>1.5</i>	49,102 <i>1.9</i>	50,283 <i>2.4</i>	49,678 <i>-1.2</i>	46,150 <i>-7.1</i>	44,674 <i>-3.2</i>	44,495 <i>-0.4</i>
Resale new listings	66,046 <i>-7.1</i>	73,500 <i>11.3</i>	87,514 <i>19.1</i>	92,538 <i>5.7</i>	92,164 <i>-0.4</i>	86,420 <i>-6.2</i>	85,418 <i>-1.2</i>	86,569 <i>1.3</i>
Sales-to-new-listings ratio	72	65	56	54	54	53	52	51

Italics indicate percentage change.

Sources: The Conference Board of Canada; Canada Mortgage and Housing Corporation; Canadian Real Estate Association; Statistics Canada.

Montréal



Perspectives économiques

La croissance du produit intérieur brut (PIB) réel à Montréal est modeste depuis deux ans : elle a été de 1,6 p. 100 en 2003 et de 1,4 p. 100 en 2004. Même si les industries qui entraveront la croissance cette année ne seront pas tout à fait les mêmes que celles de l'an dernier, les résultats ne changeront guère, car on prévoit que le PIB réel n'enregistrera qu'un gain timide de 1,8 p. 100.

À l'inverse des dernières années, l'activité du secteur de la construction résidentielle devrait chuter considérablement en 2005, nuisant ainsi au rendement du secteur des finances, des assurances et de l'immobilier. Heureusement, la plupart des autres secteurs affichent une croissance cette année, ce qui augure bien pour les jours à venir. Le secteur de la construction non résidentielle se porte

Après trois années de croissance rapide, le marché résidentiel à Montréal montre enfin des signes d'essoufflement. Les mises en chantier diminuent de façon constante depuis le début du troisième trimestre de l'an dernier; elles devraient afficher un recul de 18,5 p. 100 en 2005. Curieusement, les ventes de logements existants n'ont pas encore emboîté le pas — elles devraient connaître une nouvelle augmentation de 2,4 p. 100 cette année. La croissance des prix à la fois des logements neufs et des logements existants demeurera robuste en 2005, avant de faiblir en 2006 pour s'établir juste au-dessus de 2 p. 100.

toujours bien, résultat attribuable aux quelques projets en cours dans les universités et les hôpitaux. De même, le secteur manufacturier s'est montré assez tenace, même si le huard a poursuivi son envolée en 2004 et est resté relativement haut perché jusqu'à ce jour. Plus précisément, la production manufacturière a augmenté de 3,4 p. 100 l'année dernière. On s'attend à ce qu'elle continue de croître cette année au rythme de 2,8 p. 100, un résultat appréciable étant donné la vigueur persistante du huard.

Perspectives du secteur résidentiel

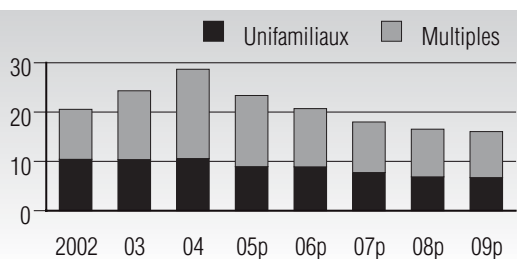
LE MARCHÉ DES LOGEMENTS EXISTANTS

À Montréal, le marché de la revente continue de surprendre. Les ventes de logements existants vont bon train depuis le milieu des années 90. De 1996 à 2004, stimulées par la

demande refoulée et les faibles taux d'intérêt enregistrés depuis 2001, elles ont affiché une croissance moyenne de 10,6 p. 100 par année. On a toutefois observé un ralentissement au second semestre de 2004; on croyait au départ que le marché faiblirait davantage cette année, puisqu'on pensait la demande refoulée largement satisfaite. Cependant, grâce en partie à la faiblesse persistante des taux d'intérêt, les ventes de logements existants ont connu tout un revirement au deuxième trimestre de l'année en cours pour grimper de 10 p. 100. Par conséquent, le marché aura droit à une autre année de croissance positive. On prévoit maintenant que les ventes de logements existants feront un bond de 2,4 p. 100 cette année, avant de reculer de 1,2 p. 100 en 2006.

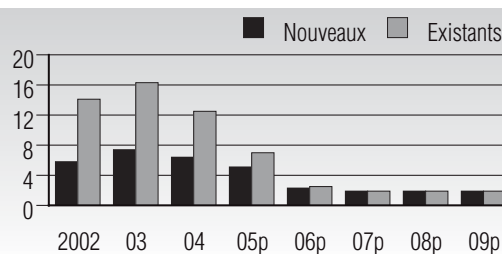
En raison de la forte demande, les prix des logements existants ont augmenté de façon marquée au cours

Graphique 1 — Mises en chantier (en milliers)



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.

des dernières années. De 2001 à 2004, le coût moyen d'un logement existant à Montréal a augmenté de 11,6 p. 100 en moyenne par année. Comme les ventes poursuivront leur mouvement ascendant, on s'attend à une autre hausse des prix de 7 p. 100 cette année, si bien que, pour la première fois, le coût moyen d'une habitation existante atteindra 200 000 \$ en 2005.

À compter de l'année prochaine, sous l'effet du repli des ventes, l'augmentation des prix devrait ralentir. On prévoit donc que le taux d'accroissement du coût d'un logement existant s'établira à 2,5 p. 100 en 2006, puis à 1,9 p. 100 en moyenne

par année jusqu'à la fin de la période de prévision.

L'escalade des prix observée depuis 2001 a fait gonfler le nombre de vendeurs sur le marché. Par conséquent, le ratio des ventes et des nouvelles inscriptions sur le marché a chuté à 56 l'an dernier, après avoir culminé à 72 en 2002. On pense qu'il reculera encore en 2005, jusqu'à 54, avant de se stabiliser en 2006 sous l'effet du tassement de la croissance des prix.

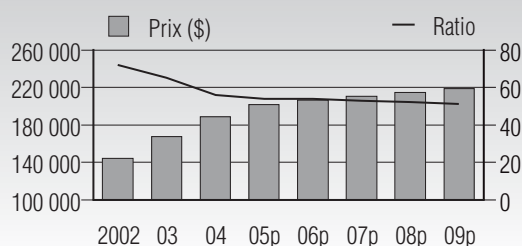
À l'instar des ventes de logements existants, le ratio des ventes et des nouvelles inscriptions continuera de perdre du terrain à moyen terme. On

suppose que les vendeurs, freinés par la relative stabilisation des prix sous l'effet d'une diminution de la demande, ne seront pas aussi nombreux à inscrire leur logement sur le marché que par les années passées.

LE MARCHÉ DES LOGEMENTS NEUFS

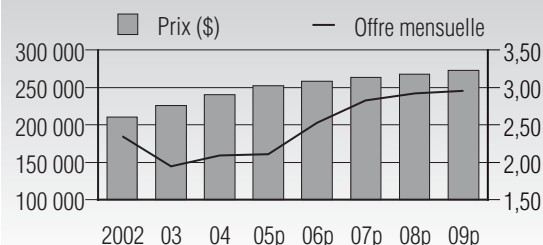
Le déclin des taux d'intérêt depuis 2001 a aussi contribué à l'essor du marché des logements neufs à Montréal. Le nombre de mises en chantier est passé de 13 300 unités en 2001 à 28 670 en 2004. Cela représente une croissance annuelle moyenne de 23,7 p. 100. Mais cette cadence n'a pas été suffisante pour

Graphique 3 — Prix des logements existants et ratio des ventes par rapport aux nouvelles inscriptions



Sources : Le Conference Board du Canada; Société canadienne d'hypothèques et de logement; Association canadienne de l'immeuble.

Graphique 4 — Prix des logements nouveaux et offre mensuelle



Sources : Le Conference Board du Canada; Société canadienne d'hypothèques et de logement.

Tableau 1 — Indicateurs économiques

	2002	2003	2004	2005p	2006p	2007p	2008p	2009p
Le PIB réel aux prix de base (en millions de dollars de 1997)	107 209 <i>5,2</i>	108 974 <i>1,6</i>	110 540 <i>1,4</i>	112 510 <i>1,8</i>	116 900 <i>3,9</i>	120 294 <i>2,9</i>	123 653 <i>2,8</i>	127 096 <i>2,8</i>
Emplois totaux (en milliers)	1 761 <i>3,6</i>	1 786 <i>1,4</i>	1 809 <i>1,3</i>	1 829 <i>1,1</i>	1 864 <i>1,9</i>	1 895 <i>1,7</i>	1 923 <i>1,5</i>	1 952 <i>1,5</i>
Taux de chômage	8,6	9,6	8,6	8,1	7,7	7,5	7,3	7,1
Revenu personnel par habitant	28 487 <i>0,8</i>	29 174 <i>2,4</i>	30 110 <i>3,2</i>	31 098 <i>3,3</i>	32 364 <i>4,1</i>	33 642 <i>3,9</i>	34 879 <i>3,7</i>	36 099 <i>3,5</i>
Population (en milliers)	3 547 <i>1,1</i>	3 577 <i>0,9</i>	3 607 <i>0,8</i>	3 636 <i>0,8</i>	3 663 <i>0,7</i>	3 688 <i>0,7</i>	3 713 <i>0,7</i>	3 737 <i>0,7</i>
Ventes au détail (en millions de \$)	32 863 <i>5,3</i>	34 644 <i>5,4</i>	36 294 <i>4,8</i>	38 033 <i>4,8</i>	39 631 <i>4,2</i>	40 964 <i>3,4</i>	42 249 <i>3,1</i>	43 535 <i>3,0</i>
Taux d'inflation	2,0	2,4	1,9	2,0	2,0	1,9	1,9	1,9

L'italique signale les variations en pourcentage.

Sources : Le Conference Board du Canada; Statistique Canada.

répondre à l'augmentation rapide de la demande. L'offre mensuelle a diminué de plus de 50 p. 100; de 4 en 2000, elle a chuté à 1,9 en 2003. Il s'en est suivi une hausse abrupte des prix. Le coût moyen d'un logement neuf à Montréal a atteint 240 300 \$ en 2004, alors qu'il s'établissait à 189 300 \$ en 2000.

Le marché a toutefois commencé à montrer des signes d'essoufflement. La demande de logements neufs étant en déclin, l'offre mensuelle a augmenté à 2,1 et le nombre de nouvelles maisons vacantes a grimpé de

15,6 p. 100 l'an dernier. Les constructeurs réagissent maintenant à ces changements. De fait, les mises en chantier ont affiché un recul sur douze mois de près de 20 p. 100 au deuxième trimestre de 2005, et d'autres baisses sont prévues d'ici à la fin de l'année. On prévoit donc une diminution de 18,5 p. 100 des mises en chantier en 2005 qui sera suivie d'une autre de 11,4 p. 100 en 2006. Cette tendance devrait permettre à l'offre mensuelle de se stabiliser et contribuer à faire baisser le nombre de nouvelles constructions vacantes.

Au cours des prochaines années, l'offre mensuelle devrait continuer de s'accroître à mesure que la demande de logements neufs continuera de se résorber. Le Conference Board s'attend à ce que les mises en chantier à Montréal poursuivent leur régression à moyen terme, en fonction de l'évolution démographique. La croissance des prix ralentira elle aussi au même rythme que la demande pour se chiffrer en moyenne à 1,9 p. 100 par année d'ici à 2007.

Tableau 2 — Indicateurs du secteur résidentiel

	2002	2003	2004	2005p	2006p	2007p	2008p	2009p
Mises en chantier	20 554 <i>54,5</i>	24 321 <i>18,3</i>	28 673 <i>17,9</i>	23 363 <i>-18,5</i>	20 703 <i>-11,4</i>	17 989 <i>-13,1</i>	16 528 <i>-8,1</i>	16 051 <i>-2,9</i>
Logements unifamiliaux	10 416 <i>45,7</i>	10 360 <i>-0,5</i>	10 578 <i>2,1</i>	8 935 <i>-15,5</i>	8 889 <i>-0,5</i>	7 743 <i>-12,9</i>	6 861 <i>-11,4</i>	6 720 <i>-2,1</i>
Multiplés	10 138 <i>64,9</i>	13 961 <i>37,7</i>	18 095 <i>29,6</i>	14 427 <i>-20,3</i>	11 814 <i>-18,1</i>	10 246 <i>-13,3</i>	9 667 <i>-5,6</i>	9 331 <i>-3,5</i>
Logements nouveaux	16 085 <i>18,0</i>	20 280 <i>26,1</i>	24 920 <i>22,9</i>	26 595 <i>6,7</i>	22 410 <i>-15,7</i>	19 345 <i>-13,7</i>	17 029 <i>-12,0</i>	15 973 <i>-6,2</i>
Logements unifamiliaux	9 207 <i>33,1</i>	9 935 <i>7,9</i>	10 473 <i>5,4</i>	9 792 <i>-6,5</i>	8 999 <i>-8,1</i>	8 312 <i>-7,6</i>	7 250 <i>-12,8</i>	6 722 <i>-7,3</i>
Multiplés	6 878 <i>2,5</i>	10 345 <i>50,4</i>	14 447 <i>39,7</i>	16 803 <i>16,3</i>	13 412 <i>-20,2</i>	11 033 <i>-17,7</i>	9 779 <i>-11,4</i>	9 252 <i>-5,4</i>
Prix moyen d'un logement nouveau (\$)	210 342 <i>5,8</i>	225 831 <i>7,4</i>	240 282 <i>6,4</i>	252 496 <i>5,1</i>	258 345 <i>2,3</i>	263 281 <i>1,9</i>	268 230 <i>1,9</i>	273 223 <i>1,9</i>
Logements terminés et à vendre	7 570 <i>-9,7</i>	7 008 <i>-7,4</i>	8 104 <i>15,6</i>	7 646 <i>-5,6</i>	9 196 <i>20,3</i>	9 590 <i>4,3</i>	9 511 <i>-0,8</i>	9 430 <i>-0,9</i>
Logements vendus	9 935 <i>30,8</i>	10 828 <i>9,0</i>	11 682 <i>7,9</i>	11 418 <i>-2,3</i>	10 911 <i>-4,4</i>	10 169 <i>-6,8</i>	9 772 <i>-3,9</i>	9 557 <i>-2,2</i>
Offre mensuelle	2,35	1,95	2,09	2,11	2,53	2,83	2,92	2,96
Prix moyen de vente du Service interagences (\$)	144 151 <i>14,1</i>	167 577 <i>16,3</i>	188 443 <i>12,5</i>	201 564 <i>7,0</i>	206 674 <i>2,5</i>	210 623 <i>1,9</i>	214 582 <i>1,9</i>	218 577 <i>1,9</i>
Ventes du Service interagences (millions de \$)	6 818 <i>24,2</i>	8 086 <i>18,6</i>	9 255 <i>14,5</i>	10 154 <i>9,7</i>	10 266 <i>1,1</i>	9 720 <i>-5,3</i>	9 586 <i>-1,4</i>	9 726 <i>1,5</i>
Ventes du Service interagences (unités)	47 477 <i>8,9</i>	48 171 <i>1,5</i>	49 102 <i>1,9</i>	50 283 <i>2,4</i>	49 678 <i>-1,2</i>	46 150 <i>-7,1</i>	44 674 <i>-3,2</i>	44 495 <i>-0,4</i>
Nouvelles inscriptions au Service interagences	66 046 <i>-7,1</i>	73 500 <i>11,3</i>	87 514 <i>19,1</i>	92 538 <i>5,7</i>	92 164 <i>-0,4</i>	86 420 <i>-6,2</i>	85 418 <i>-1,2</i>	86 569 <i>1,3</i>
Ratio des ventes par rapport aux nouvelles inscriptions	72	65	56	54	54	53	52	51

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.

Toronto



Satisfied pent-up demand and slower economic growth are hurting Toronto's housing market this year. As a result, total housing starts are set to fall by 6 per cent. Rising interest rates will lead to a further 6.6 per cent decline in housing starts next year. The weaker demand for housing will be reflected in more modest price increases beginning in 2006. Accordingly, growth in both new and resale house prices is forecast to be only 2.5 per cent for next year. A better balance between supply and demand through the medium term will keep price growth at 2.2 per cent annually.

Economic Outlook

For the second time in the last three years, Toronto's census metropolitan area's (CMA) economy is expected to underperform in 2005, growing by 2.2 per cent. While the mediocre performance that was recorded in 2003 could be largely blamed on the severe acute respiratory syndrome (SARS) crisis, the weakness this year is concentrated in the manufacturing sector, which has been weighed down by the sharp rise in the Canadian dollar and the closing of several major plants, including Boeing and Kodak.

Manufacturing weakness has been a drag on the transportation sector, which has also been hit with higher gasoline prices. But both of these sectors are expected to enjoy better times in 2006 as they adjust to the new realities of a higher dollar and higher input prices. Toronto's economy is expected to get back on

track in 2006, with real gross domestic product (GDP) forecast to expand 3.8 per cent—a rate more in line with recent history.

Housing Outlook

EXISTING HOUSING MARKET

Pent-up demand, a tight rental market and strong fundamentals in the economy all helped Toronto's existing home market take off when interest rates began to fall in 2001. Sales of existing homes soared between 2001 and 2004, averaging growth of 9.7 per cent annually, to reach a record 84,500 units last year.

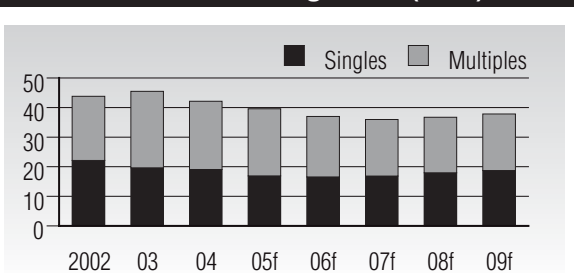
Strong demand meant existing home prices rose by an average of 7.8 per cent per year from 2002 to 2004, prompting a 13 per cent average annual increase in the number of new listings over this time frame. As the growth in new listings outpaced the growth in unit sales, the sales-to-new-listings ratio fell from

a high of 79 per cent in 1999 to 65 per cent last year.

Growth in unit sales of existing homes is now slowing, as higher prices and a less-than-stellar economy are dampening demand. Declines in unit sales were recorded in the last two quarters of 2004 and in the first quarter of this year. Fortunately, growth is expected to be positive for the rest of this year, allowing unit sales growth to come in at a modest 1.4 per cent for the year 2005 as a whole.

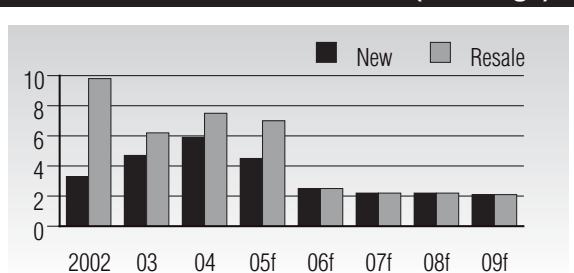
Existing home sales will quickly go back to their downward trend, however, as rising interest rates will make buying more expensive. Unit sales are in fact expected to decline by 1.4 per cent in 2006. With sales growth slowing and new listings forecast to rise by 5.3 per cent, the sales-to-new-listings ratio will fall to 62 per cent this year and 61 per cent next year.

Chart 1—Housing Starts (000s)



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.

Demand for existing homes is expected to remain weak through the medium term. Sales of existing homes are forecast to decline each year until at least 2008. The lower demand will lead to weaker house price inflation. Specifically, from 2007 to 2009, the price of an existing home will increase by a modest 2.2 per cent, on an average annual basis.

NEW HOUSING MARKET

Unlike the existing home market, demand for new homes in Toronto began to rise back in the mid-1990s. From 1996 to 2000, housing starts increased by 19.7 per cent, on an average annual basis. Starts continued

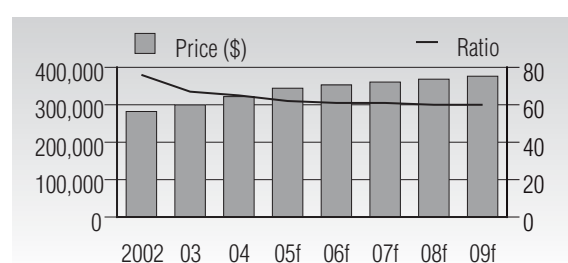
to grow at a significant, albeit slower, pace once interest rates dropped in 2001, increasing by an average of 5.3 per cent per year from 2001 to 2003. However, the demand for new housing was so strong that despite all the growth in starts, months' supply was still cut by more than half, going from 2.3 months in 1995 to 1 month in 2003.

Growth in the average price of a new home in Toronto had been relatively modest up to 2003, reflecting the equilibrium between demand and supply. The average price of a new home rose by an annual average of 2.4 per cent between 1996 and 2003—much lower than the average

price of an existing home. Given that the average price of a new home is now over \$400,000, and well above the average price of an existing home, it may be that builders kept a grip on price increases of new homes in order to keep the gap from increasing further. This strategy helps prevent buyers from moving massively to the existing home market because of affordability issues.

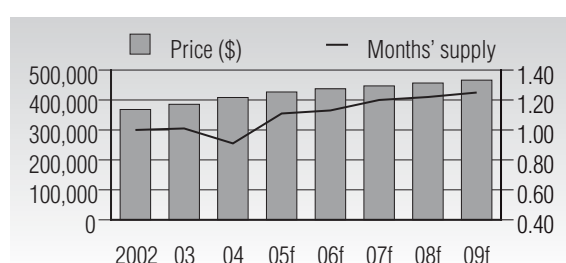
While demand for new housing continued to be strong last year, builders did not respond. The rate of absorptions grew by 5.1 per cent, while housing starts fell by 7.4 per cent, to 42,120 units. This caused months' supply to dip to 0.9. New

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

	2002	2003	2004	2005f	2006f	2007f	2008f	2009f
Real GDP at basic prices (1997 \$ millions)	189,716 <i>4.3</i>	189,411 <i>-0.2</i>	198,102 <i>4.6</i>	202,439 <i>2.2</i>	210,117 <i>3.8</i>	218,320 <i>3.9</i>	227,448 <i>4.2</i>	236,780 <i>4.1</i>
Total employment (000s)	2,590 <i>2.1</i>	2,645 <i>2.1</i>	2,704 <i>2.2</i>	2,743 <i>1.4</i>	2,823 <i>2.9</i>	2,904 <i>2.9</i>	2,988 <i>2.9</i>	3,070 <i>2.7</i>
Unemployment rate	7.4	7.7	7.5	7.3	7.0	6.9	6.9	6.8
Personal income per capita	32,639 <i>-0.5</i>	32,773 <i>0.4</i>	33,501 <i>2.2</i>	34,380 <i>2.6</i>	35,652 <i>3.7</i>	36,954 <i>3.7</i>	38,283 <i>3.6</i>	39,589 <i>3.4</i>
Population (000s)	5,020 <i>2.8</i>	5,115 <i>1.9</i>	5,204 <i>1.7</i>	5,294 <i>1.7</i>	5,398 <i>2.0</i>	5,507 <i>2.0</i>	5,618 <i>2.0</i>	5,730 <i>2.0</i>
Retail sales (\$ millions)	48,228 <i>6.8</i>	49,975 <i>3.6</i>	51,412 <i>2.9</i>	54,041 <i>5.1</i>	56,252 <i>4.1</i>	58,708 <i>4.4</i>	61,367 <i>4.5</i>	64,049 <i>4.4</i>
Inflation rate	2.1	3.0	1.7	1.8	2.2	2.2	2.2	2.1

Italics indicate percentage change.

Sources: The Conference Board of Canada; Statistics Canada.

house prices increased as a result, rising by 5.9 per cent—the highest one-year gain in new home prices since 1989.

So far this year, demand for new housing has weakened, reflecting the slower economy. Rising

interest rates will certainly not help. Overall, absorptions, which declined through most of last year, are forecast to fall by 3.4 per cent in 2005. Housing starts are following suit, dropping by 6 per cent this year, to back under 40,000 units.

Starts are expected to fall by another 6.6 per cent next year. Weaker demand will also affect prices starting next year, as growth in the price of a new home is forecast to moderate to 2.5 per cent in 2006, and then to average 2.2 per cent per year for the rest of the forecast.

Table 2—Housing Indicators

	2002	2003	2004	2005f	2006f	2007f	2008f	2009f
Housing starts	43,805 <i>6.8</i>	45,475 <i>3.8</i>	42,115 <i>-7.4</i>	39,597 <i>-6.0</i>	36,981 <i>-6.6</i>	35,977 <i>-2.7</i>	36,726 <i>2.1</i>	37,820 <i>3.0</i>
Singles	22,115 <i>31.3</i>	19,626 <i>-11.3</i>	19,076 <i>-2.8</i>	16,904 <i>-11.4</i>	16,550 <i>-2.1</i>	16,854 <i>1.8</i>	17,968 <i>6.6</i>	18,710 <i>4.1</i>
Multiples	21,690 <i>-10.3</i>	25,849 <i>19.2</i>	23,039 <i>-10.9</i>	22,693 <i>-1.5</i>	20,431 <i>-10.0</i>	19,123 <i>-6.4</i>	18,758 <i>-1.9</i>	19,109 <i>1.9</i>
Housing completions	45,170 <i>21.6</i>	38,644 <i>-14.4</i>	39,620 <i>2.5</i>	41,251 <i>4.1</i>	38,954 <i>-5.6</i>	36,893 <i>-5.3</i>	36,776 <i>-0.3</i>	37,643 <i>2.4</i>
Singles	20,205 <i>6.7</i>	18,156 <i>-10.1</i>	19,179 <i>5.6</i>	18,338 <i>-4.4</i>	17,369 <i>-5.3</i>	17,129 <i>-1.4</i>	17,889 <i>4.4</i>	18,844 <i>5.3</i>
Multiples	24,965 <i>37.1</i>	20,488 <i>-17.9</i>	20,441 <i>-0.2</i>	22,913 <i>12.1</i>	21,585 <i>-5.8</i>	19,764 <i>-8.4</i>	18,887 <i>-4.4</i>	18,799 <i>-0.5</i>
Average price of a new home (\$)	368,337 <i>3.3</i>	385,518 <i>4.7</i>	408,400 <i>5.9</i>	426,734 <i>4.5</i>	437,447 <i>2.5</i>	447,004 <i>2.2</i>	456,641 <i>2.2</i>	466,383 <i>2.1</i>
Newly completed and unabsorbed	8,444 <i>1.7</i>	7,535 <i>-10.8</i>	7,122 <i>-5.5</i>	8,443 <i>18.5</i>	8,207 <i>-2.8</i>	8,560 <i>4.3</i>	8,885 <i>3.8</i>	9,268 <i>4.3</i>
Absorptions	25,376 <i>0.4</i>	22,437 <i>-11.6</i>	23,572 <i>5.1</i>	22,780 <i>-3.4</i>	21,792 <i>-4.3</i>	21,399 <i>-1.8</i>	21,849 <i>2.1</i>	22,242 <i>1.8</i>
Months' supply	1.00	1.01	0.91	1.11	1.13	1.20	1.22	1.25
Average price of a resale home (\$)	282,096 <i>9.8</i>	299,514 <i>6.2</i>	321,833 <i>7.5</i>	344,307 <i>7.0</i>	352,971 <i>2.5</i>	360,682 <i>2.2</i>	368,458 <i>2.2</i>	376,319 <i>2.1</i>
Resale dollar volume sales (\$ millions)	18,993 <i>22.0</i>	21,464 <i>13.0</i>	24,348 <i>13.4</i>	28,200 <i>15.8</i>	29,827 <i>5.8</i>	29,229 <i>-2.0</i>	29,353 <i>0.4</i>	30,100 <i>2.5</i>
Resale unit sales	74,981 <i>10.5</i>	79,756 <i>6.4</i>	84,524 <i>6.0</i>	85,712 <i>1.4</i>	84,507 <i>-1.4</i>	81,043 <i>-4.1</i>	79,665 <i>-1.7</i>	79,984 <i>0.4</i>
Resale new listings	98,552 <i>8.5</i>	118,887 <i>20.6</i>	130,457 <i>9.7</i>	137,313 <i>5.3</i>	138,308 <i>0.7</i>	133,732 <i>-3.3</i>	132,554 <i>-0.9</i>	133,977 <i>1.1</i>
Sales-to-new-listings ratio	76	67	65	62	61	61	60	60

Italics indicate percentage change.

Sources: The Conference Board of Canada; Canada Mortgage and Housing Corporation; Canadian Real Estate Association; Statistics Canada.

Ottawa



While sales of existing homes will remain fairly steady in 2005, Ottawa's housing starts will tumble by 27.1 per cent. Higher prices and softer economic growth are hurting demand in the region's housing market. The demand for housing is expected to weaken further in the coming months. This will cause price growth to slow, for both existing homes and new homes. By 2006, the average increase in the price of an existing home is forecast to be 2.4 per cent, while that for a new home will be 2.3 per cent.

Economic Outlook

Following two years of solid economic growth, 2005 is turning out to be yet another transition year for the Ottawa census metropolitan area (CMA) economy. In fact, real gross domestic product (GDP) growth is on pace to finish below 2 per cent for the third time in five years. This year's weakness is due to declining output in the public administration and construction sectors. Public sector employment is projected to fall by 4.3 per cent this year, by nearly 6,000 jobs. Meanwhile, continued weakness in both residential and non-residential construction is causing the construction industry to contract by 4.6 per cent this year, following a 4.7 per cent decline in 2004.

On a positive note, the high-tech sector is showing some signs of life, expanding in this year's first half.

With that trend expected to continue into 2006, and turnarounds forecast for both public administration and construction, Ottawa can look forward to healthier economic activity next year, as total GDP growth is forecast to reach 2.9 per cent.

Housing Outlook

EXISTING HOUSING MARKET

Thanks to pent-up demand and to strong employment growth, mainly in the telecom and public service sectors, unit sales of existing homes in Ottawa more than doubled from 1995 to 2000—increasing by an average of 16.9 per cent annually. Lower interest rates starting in 2001 helped existing home sales rise by a further 2.5 per cent per year, on average, between 2001 and 2004.

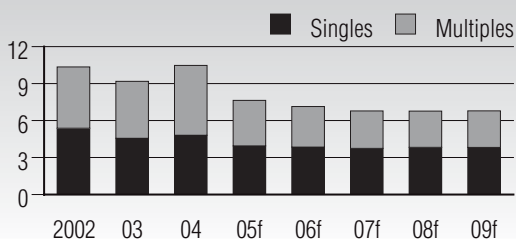
As a result of the sharp increase in demand, the sales-to-new-listing ratio grew rapidly, from a low of

30 per cent in 1995 to 72.4 per cent by 2000. But more people put their homes on the market starting in 2001, when price growth started to accelerate. From 2001 to 2004, existing homes prices increased by an average of 10.2 per cent annually.

However, while higher prices caused the number of sellers to increase substantially—new listings were up 7.6 per cent on an average annual basis over the past four years—they also dampened demand. And so, since 2001, the sales-to-new listings ratio has fallen continually. By 2004, it had dropped to 59 per cent.

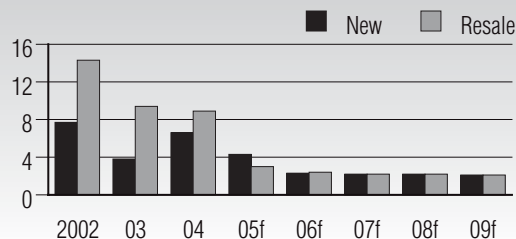
Moving forward, the Conference Board expects that continued growth in prices, combined with higher interest rates, will further weaken the demand for housing. The average price of an existing home in Ottawa is forecast to increase by 3 per cent this year, before slowing to 2.4 per

Chart 1—Housing Starts (000s)



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.

cent for 2006. Still, employment growth in the Ottawa CMA is set to accelerate to 1.8 per cent in 2005 from 0.6 per cent last year. This will help keep sales fairly steady in 2005, growing by only 0.4 per cent, before they decline by 2.3 per cent next year. Accordingly, the sales-to-new listings ratio will fall to 52 per cent by 2006. The ratio is expected to hold steady at 50 per cent through the medium term.

NEW HOUSING MARKET

Ottawa's new housing market also reaped the benefits of pent-up demand and high employment growth from the mid-1990s onward. From

1995 to 2000, housing starts more than doubled—rising by an average of 15.8 per cent per year. With the added bonus of lower interest rates in 2001, growth in housing starts continued to blossom. In 2002 alone, starts increased by 30.8 per cent, reaching 10,300 units—a level not seen since 1988.

Still, despite this growth, demand was outstripping supply. The number of newly completed but unabsorbed dwellings dropped by more than half, from 4,500 units in 1995 to 2,200 units in 2002. Likewise, months' supply dropped from a high of 6.4 in 1995 to 1.3 in 2002. As a result, prices averaged growth

of 7.3 per cent per year between 1999 and 2002. By 2002, the average price of a new home in Ottawa broke the \$300,000 mark.

Perhaps struck by two years in a row of soft economic growth in 2001 and 2002, builders took a break in 2003, as starts fell by 11.3 per cent. However, it became evident that the demand for new housing was still alive and well. Both the number of newly completed but unabsorbed dwellings and months' supply fell to new lows. And so, after a year of solid economic growth in the CMA in 2003, builders came back with a vengeance in 2004. Housing starts rebounded, posting a gain of 14 per

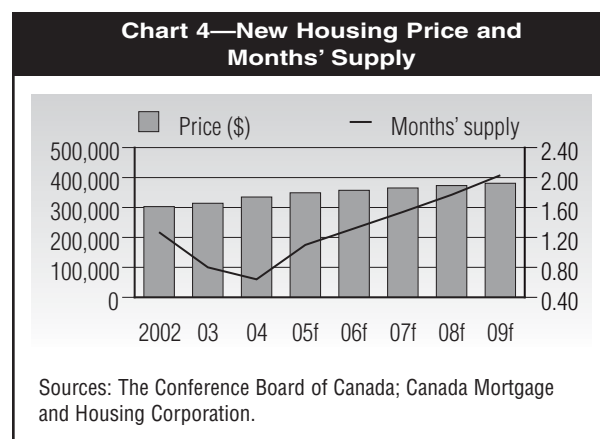
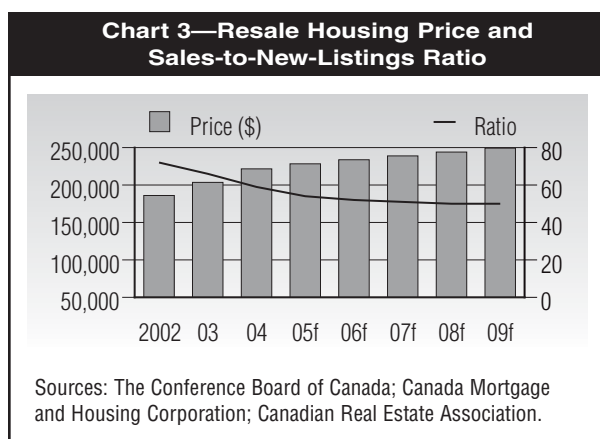


Table 1—Economic Indicators

	2002	2003	2004	2005f	2006f	2007f	2008f	2009f
Real GDP at basic prices (1997 \$ millions)	36,263 <i>0.8</i>	37,459 <i>3.3</i>	38,669 <i>3.2</i>	39,235 <i>1.5</i>	40,361 <i>2.9</i>	41,692 <i>3.3</i>	43,038 <i>3.2</i>	44,364 <i>3.1</i>
Total employment (000s)	576 <i>-0.2</i>	606 <i>5.1</i>	610 <i>0.6</i>	621 <i>1.8</i>	636 <i>2.4</i>	651 <i>2.5</i>	665 <i>2.1</i>	677 <i>1.8</i>
Unemployment rate	7.4	6.8	6.6	6.7	6.7	6.6	6.5	6.5
Personal income per capita	33,862 <i>0.7</i>	34,089 <i>0.7</i>	34,499 <i>1.2</i>	35,952 <i>4.2</i>	37,469 <i>4.2</i>	38,980 <i>4.0</i>	40,376 <i>3.6</i>	41,680 <i>3.2</i>
Population (000s)	1,119 <i>1.4</i>	1,132 <i>1.1</i>	1,143 <i>1.0</i>	1,153 <i>0.9</i>	1,166 <i>1.1</i>	1,180 <i>1.2</i>	1,194 <i>1.2</i>	1,208 <i>1.2</i>
Retail sales (\$ millions)	11,976 <i>5.5</i>	12,240 <i>2.2</i>	12,440 <i>1.6</i>	13,012 <i>4.6</i>	13,425 <i>3.2</i>	13,929 <i>3.8</i>	14,428 <i>3.6</i>	14,911 <i>3.3</i>
Inflation rate	2.1	2.5	1.9	2.1	2.2	2.2	2.2	2.1

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

cent, reaching 10,470 units. Even so, the number of newly completed but unabsorbed dwellings and months' supply continued to fall, reaching 1,120 units and 0.6 months respectively. This tightness in the market resulted in a 6.6 per cent increase in the average price of a new home last year alone.

Demand in the region is now weakening. The number of newly completed but unabsorbed dwellings has been rising for several months, as has months' supply. Even with continued low interest rates, higher prices will further deter new buyers this year. Builders have already responded to these signals. Housing starts declined by 34.9 per cent in the first quarter of this year, and are

expected to fall by 27.1 per cent for the year as a whole. Another 6.5 per cent decline is forecast in 2006.

Weaker demand will also lead to lower price increases over the medium term. The average price of a new home in Ottawa is expected to rise by 2.3 per cent next year and then by 2.2 per cent annually from 2007 to 2009.

Table 2—Housing Indicators

	2002	2003	2004	2005f	2006f	2007f	2008f	2009f
Housing starts	10,349 <i>30.8</i>	9,182 <i>-11.3</i>	10,470 <i>14.0</i>	7,633 <i>-27.1</i>	7,135 <i>-6.5</i>	6,782 <i>-4.9</i>	6,768 <i>-0.2</i>	6,788 <i>0.3</i>
Singles	5,381 <i>17.1</i>	4,562 <i>-15.2</i>	4,806 <i>5.3</i>	3,945 <i>-17.9</i>	3,848 <i>-2.5</i>	3,745 <i>-2.7</i>	3,825 <i>2.1</i>	3,823 <i>0.0</i>
Multiples	4,968 <i>49.9</i>	4,620 <i>-7.0</i>	5,664 <i>22.6</i>	3,688 <i>-34.9</i>	3,287 <i>-10.9</i>	3,037 <i>-7.6</i>	2,943 <i>-3.1</i>	2,964 <i>0.7</i>
Housing completions	8,400 <i>9.3</i>	9,051 <i>7.7</i>	10,187 <i>12.6</i>	9,011 <i>-11.5</i>	7,787 <i>-13.6</i>	7,039 <i>-9.6</i>	6,772 <i>-3.8</i>	6,755 <i>-0.3</i>
Singles	4,752 <i>3.1</i>	5,024 <i>5.7</i>	4,625 <i>-7.9</i>	4,194 <i>-9.3</i>	3,985 <i>-5.0</i>	3,769 <i>-5.4</i>	3,766 <i>-0.1</i>	3,815 <i>1.3</i>
Multiples	3,648 <i>18.5</i>	4,027 <i>10.4</i>	5,562 <i>38.1</i>	4,816 <i>-13.4</i>	3,802 <i>-21.1</i>	3,270 <i>-14.0</i>	3,006 <i>-8.1</i>	2,940 <i>-2.2</i>
Average price of a new home (\$)	302,801 <i>7.7</i>	314,200 <i>3.8</i>	334,935 <i>6.6</i>	349,182 <i>4.3</i>	357,372 <i>2.3</i>	365,177 <i>2.2</i>	373,048 <i>2.2</i>	381,004 <i>2.1</i>
Newly completed and unabsorbed	2,206 <i>-7.9</i>	1,553 <i>-29.6</i>	1,120 <i>-27.8</i>	1,844 <i>64.6</i>	2,088 <i>13.2</i>	2,344 <i>12.3</i>	2,633 <i>12.3</i>	3,030 <i>15.1</i>
Absorptions	5,255 <i>1.9</i>	5,893 <i>12.1</i>	5,262 <i>-10.7</i>	5,032 <i>-4.4</i>	4,749 <i>-5.6</i>	4,569 <i>-3.8</i>	4,463 <i>-2.3</i>	4,477 <i>0.3</i>
Months' supply	1.27	0.80	0.64	1.10	1.32	1.54	1.77	2.03
Average price of a resale home (\$)	186,052 <i>14.3</i>	203,509 <i>9.4</i>	221,655 <i>8.9</i>	228,305 <i>3.0</i>	233,784 <i>2.4</i>	238,890 <i>2.2</i>	244,039 <i>2.2</i>	249,244 <i>2.1</i>
Resale dollar volume sales (\$ millions)	3,104 <i>17.1</i>	3,455 <i>11.3</i>	3,883 <i>12.4</i>	4,076 <i>5.0</i>	4,127 <i>1.3</i>	4,015 <i>-2.7</i>	4,036 <i>0.5</i>	4,110 <i>1.8</i>
Resale unit sales	17,412 <i>2.6</i>	17,569 <i>0.9</i>	18,000 <i>2.4</i>	18,072 <i>0.4</i>	17,656 <i>-2.3</i>	16,808 <i>-4.8</i>	16,540 <i>-1.6</i>	16,490 <i>-0.3</i>
Resale new listings	24,178 <i>4.1</i>	26,466 <i>9.5</i>	30,336 <i>14.6</i>	33,681 <i>11.0</i>	33,694 <i>0.0</i>	32,828 <i>-2.6</i>	32,817 <i>0.0</i>	32,980 <i>0.5</i>
Sales-to-new-listings ratio	72	66	59	54	52	51	50	50

Italics indicate percentage change.

Sources: The Conference Board of Canada; Canada Mortgage and Housing Corporation; Canadian Real Estate Association; Statistics Canada.

Calgary



Calgary is set to record a 4.6 per cent increase in real GDP this year, thanks in part to a booming energy sector. This strength is boosting demand for existing homes. Unit sales of existing homes are forecast to rise by 17.5 per cent in 2005. Unfortunately, the same cannot be said for housing starts, which are expected to decline by 10.1 per cent. Demand for housing will weaken over the rest of the forecast period, in line with higher interest rates and demographic requirements. By 2009, housing starts will have fallen to 10,300 units, a level not seen since the late 1990s.

Economic Outlook

By Calgary's standards, output growth was relatively mild last year, coming in at 2.9 per cent. But in the first half of 2005, Calgary's real gross domestic product (GDP) roared out of the gate. The construction sector is leading growth among goods-producing industries. While housing starts are set to fall to 12,600 units this year, a 10.1 per cent decline, non-residential activity is expected to pick up the slack with several large building projects getting underway. Growth in the construction industry will easily offset weakness in the manufacturing sector.

Activity in the services sector is being lifted by both continued strong domestic demand and very high energy prices, since the city remains the services hub of the province's energy sector. Calgary-area companies have already improved their

bottom lines significantly, leading to substantial employment and income gains. All in all, Calgary's economic growth is set to surge in 2005, reaching 4.6 per cent. This will allow employment growth to come in at 1.8 per cent this year. With domestic demand projected to remain solid in 2006, wholesale and retail trade output will be strong again, increasing by 4.3 per cent. All in all, total real GDP in the census metropolitan area (CMA) is forecast to increase by 3.8 per cent in 2006.

Housing Outlook

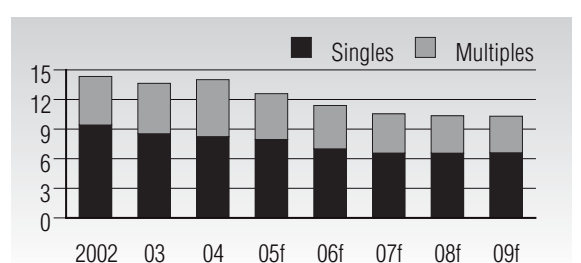
EXISTING HOUSING MARKET

With the exception of 2003, existing home sales in Calgary have been very strong since 2001, growing by an average of 10.8 per cent annually. Thanks to a booming energy sector, the CMA has enjoyed several years of sound economic growth,

including an 8 per cent increase in real GDP in 2000 alone. From 2001 to 2004, real GDP rose by an average of 2.7 per cent annually. This kind of economic activity lifted employment growth, resulting in population increases much higher than the national average, as people moved to Calgary in search of work. In turn, demand for housing has increased. Lower interest rates starting in 2001 also contributed, lifting the demand for housing even higher.

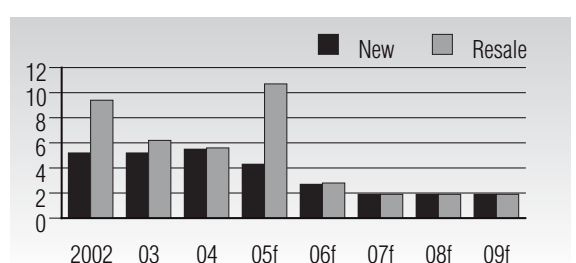
Stronger demand for housing brought along higher house price inflation. In fact, the average price of an existing home rose by 9.4 per cent in 2002 alone, and by an average of 5.9 per cent in each of the past two years. This lifted the number of new sellers, as people wanted to take advantage of the increase in prices. As a result, new listings were up by 6.3 per cent annually between 2001 and 2004.

Chart 1—Housing Starts (000s)



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.

As Calgary's economy continues to thrive and population growth remains relatively strong, demand for existing homes has also stayed robust in 2005. Unit sales have increased in each of the past three quarters, rising by a whopping 12 per cent in the second quarter of this year. The forecast calls for sales of existing homes to increase by 17.5 per cent in 2005, up to 31,200 units—a record high. Price growth will also be robust, at 10.7 per cent. Somewhat surprisingly, growth in new listings will not keep pace, leading to an increase in the sales-to-new-listings ratio from 65 per cent in 2004 to 72 per cent this year.

The demand for housing will slow by next year, as rising interest rates have their intended effect. Still, economic growth will keep sales of existing homes from declining for at least one more year. While growth is forecast to be much smaller than in 2005, unit sales will nonetheless increase in 2006, growing by 1.7 per cent. Sales will then begin to fall to more sustainable levels through the medium term, allowing house price inflation to stabilize at 1.9 per cent annually.

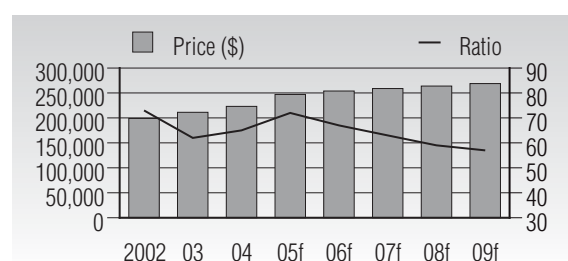
NEW HOUSING MARKET

Calgary's new housing market has also done well over the past few

years. Housing starts increased in each year from 2000 to 2002. And while starts did decline in 2003, low mortgage rates and brisk income gains led to another sound increase in new home construction in 2004. Builders broke ground on just over 14,000 units last year—the second highest level of housing starts recorded for Calgary. However, demand may have already been weakening, because at the same time that starts were increasing, absorptions were falling. Accordingly, months' supply rose from 2.9 in 2003 to 3.5 last year.

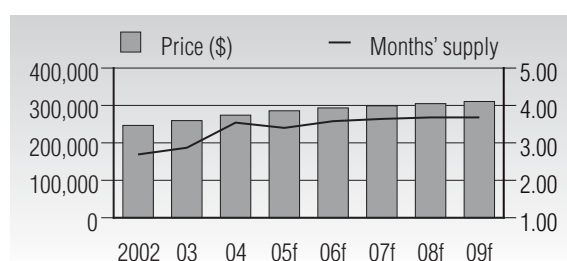
Unlike the existing home market, strong real GDP and population

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

	2002	2003	2004	2005f	2006f	2007f	2008f	2009f
Real GDP at basic prices (1997 \$ millions)	43,345 <i>3.8</i>	43,962 <i>1.4</i>	45,255 <i>2.9</i>	47,342 <i>4.6</i>	49,122 <i>3.8</i>	50,875 <i>3.6</i>	52,643 <i>3.5</i>	54,486 <i>3.5</i>
Total employment (000s)	573 <i>1.8</i>	583 <i>1.9</i>	598 <i>2.5</i>	609 <i>1.8</i>	621 <i>2.0</i>	632 <i>1.8</i>	643 <i>1.7</i>	654 <i>1.7</i>
Unemployment rate	5.7	5.4	5.0	4.1	4.6	4.5	4.3	4.1
Personal income per capita	37,686 <i>-1.3</i>	38,464 <i>2.1</i>	39,675 <i>3.1</i>	40,511 <i>2.1</i>	41,740 <i>3.0</i>	42,981 <i>3.0</i>	44,192 <i>2.8</i>	45,431 <i>2.8</i>
Population (000s)	1,002 <i>2.6</i>	1,019 <i>1.7</i>	1,037 <i>1.8</i>	1,057 <i>1.9</i>	1,075 <i>1.7</i>	1,092 <i>1.6</i>	1,109 <i>1.6</i>	1,126 <i>1.5</i>
Retail sales (\$ millions)	13,322 <i>7.0</i>	13,864 <i>4.1</i>	15,026 <i>8.4</i>	15,996 <i>6.5</i>	16,660 <i>4.1</i>	17,327 <i>4.0</i>	17,982 <i>3.8</i>	18,653 <i>3.7</i>
Inflation rate	3.7	3.5	1.7	1.5	2.0	1.9	1.9	1.9

Italics indicate percentage change.

Sources: The Conference Board of Canada; Statistics Canada.

growth will not be enough to keep starts increasing this year. In fact, a significant decline in housing starts was recorded in the first quarter of 2005. All in all, a 10.1 per cent decline in housing starts is expected for 2005 as a whole. Housing starts in Calgary will then continue to decline over the rest of the forecast

period, aligning with demographic requirements. By 2009, starts will have fallen back to a still healthy 10,300 units.

New home prices have been increasing at a fairly strong pace for the last eight years, with growth averaging 5 per cent annually

between 1997 and 2004. The average price of a new home in Calgary reached a record \$273,900 last year and is climbing higher again this year. Looking forward, price growth is expected to slow as demand wanes. By 2007, the average price of a new home is forecast to increase by only 1.9 per cent per year.

Table 2—Housing Indicators

	2002	2003	2004	2005f	2006f	2007f	2008f	2009f
Housing starts	14,339	13,642	14,008	12,592	11,389	10,548	10,356	10,308
	<i>26.3</i>	<i>-4.9</i>	<i>2.7</i>	<i>-10.1</i>	<i>-9.6</i>	<i>-7.4</i>	<i>-1.8</i>	<i>-0.5</i>
Singles	9,413	8,526	8,233	7,943	6,999	6,566	6,561	6,599
	<i>24.5</i>	<i>-9.4</i>	<i>-3.4</i>	<i>-3.5</i>	<i>-11.9</i>	<i>-6.2</i>	<i>-0.1</i>	<i>0.6</i>
Multiples	4,926	5,116	5,775	4,649	4,390	3,982	3,795	3,709
	<i>30.0</i>	<i>3.9</i>	<i>12.9</i>	<i>-19.5</i>	<i>-5.6</i>	<i>-9.3</i>	<i>-4.7</i>	<i>-2.3</i>
Housing completions	12,630	14,287	13,014	12,869	12,203	11,131	10,576	10,406
	<i>14.0</i>	<i>13.1</i>	<i>-8.9</i>	<i>-1.1</i>	<i>-5.2</i>	<i>-8.8</i>	<i>-5.0</i>	<i>-1.6</i>
Singles	8,421	8,972	8,291	8,141	7,259	6,676	6,521	6,558
	<i>24.0</i>	<i>6.5</i>	<i>-7.6</i>	<i>-1.8</i>	<i>-10.8</i>	<i>-8.0</i>	<i>-2.3</i>	<i>0.6</i>
Multiples	4,209	5,315	4,723	4,728	4,943	4,455	4,056	3,847
	<i>-1.9</i>	<i>26.3</i>	<i>-11.1</i>	<i>0.1</i>	<i>4.5</i>	<i>-9.9</i>	<i>-8.9</i>	<i>-5.1</i>
Average price of a new home (\$)	246,602	259,519	273,890	285,667	293,380	298,992	304,750	310,631
	<i>5.2</i>	<i>5.2</i>	<i>5.5</i>	<i>4.3</i>	<i>2.7</i>	<i>1.9</i>	<i>1.9</i>	<i>1.9</i>
Newly completed and unabsorbed	8,266	9,166	10,658	11,074	11,483	11,407	11,360	11,416
	<i>-27.4</i>	<i>10.9</i>	<i>16.3</i>	<i>3.9</i>	<i>3.7</i>	<i>-0.7</i>	<i>-0.4</i>	<i>0.5</i>
Absorptions	9,207	9,601	9,029	10,017	9,623	9,402	9,261	9,307
	<i>20.7</i>	<i>4.3</i>	<i>-5.9</i>	<i>10.9</i>	<i>-3.9</i>	<i>-2.3</i>	<i>-1.5</i>	<i>0.5</i>
Months' supply	2.69	2.87	3.54	3.40	3.58	3.64	3.68	3.68
Average price of a resale home (\$)	198,861	211,286	223,152	246,940	253,946	258,804	263,788	268,878
	<i>9.4</i>	<i>6.2</i>	<i>5.6</i>	<i>10.7</i>	<i>2.8</i>	<i>1.9</i>	<i>1.9</i>	<i>1.9</i>
Resale dollar volume sales (\$ millions)	4,917	5,153	5,937	7,723	8,066	7,595	7,238	7,135
	<i>19.2</i>	<i>4.8</i>	<i>15.2</i>	<i>30.1</i>	<i>4.4</i>	<i>-5.8</i>	<i>-4.7</i>	<i>-1.4</i>
Resale unit sales	24,778	24,375	26,580	31,227	31,763	29,349	27,441	26,535
	<i>9.5</i>	<i>-1.6</i>	<i>9.0</i>	<i>17.5</i>	<i>1.7</i>	<i>-7.6</i>	<i>-6.5</i>	<i>-3.3</i>
Resale new listings	34,164	39,436	41,151	43,161	47,558	46,288	46,197	46,229
	<i>4.6</i>	<i>15.4</i>	<i>4.3</i>	<i>4.9</i>	<i>10.2</i>	<i>-2.7</i>	<i>-0.2</i>	<i>0.1</i>
Sales-to-new-listings ratio	73	62	65	72	67	63	59	57

Italics indicate percentage change.
Sources: The Conference Board of Canada; Canada Mortgage and Housing Corporation; Canadian Real Estate Association; Statistics Canada.

Vancouver



Economic Outlook

Thriving construction output helped Vancouver's economy grow by 3 per cent in 2004. This year, although construction output growth will be negative, solid gains in the agriculture and forestry sectors will stimulate primary output, while sound growth in the wood and paper products industries, as well as robust food manufacturing activity, will lift total manufacturing output. All in all, output growth is forecast to reach 3.3 per cent this year.

In line with output, total employment growth was also healthy last year and into the first two quarters of this year. Total employment is expected to rise by 2.7 per cent for the year 2005 as a whole.

Vancouver's population growth is expected to reach 1.1 per cent in 2005, up from 0.9 per cent in 2004. Currently, migration to the census

After posting a gain of 3 per cent in 2004, Vancouver's economy is expected to strengthen further in 2005, with real GDP increasing by 3.3 per cent. While this will help keep sales moving in the resale market, it will not be enough to lift housing starts. After four years of exceptional growth, Vancouver's housing starts will decline this year, by 8.7 per cent. Price growth will remain strong in 2005 in both the new and resale markets, at 4.3 per cent and 9.3 per cent respectively, but then slow in line with lower demand starting next year.

metropolitan area (CMA) is stable, but with the 2010 Olympics drawing near, more in-migration is expected over the near term. This, in turn, will boost both population growth and the CMA's economic potential in the medium term.

Housing Outlook

EXISTING HOUSING MARKET

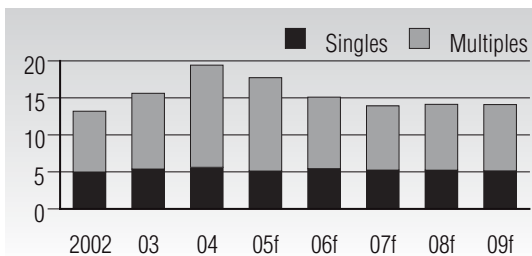
Existing home sales in Vancouver had their ups and downs in the last half of the 1990s but have been very strong since 2001. Growth in unit sales between 2001 and 2003 averaged 23.1 per cent per year, and while sales fell by 3.8 per cent last year to 37,800 units, they remain high by historical standards. Much of this growth over the past few years is the result of increased demand for housing stemming from lower interest rates and a strong economy. Vancouver's economy increased at a much faster pace than the national average from 2001 to 2003, with

growth averaging 3.4 per cent annually—a full percentage point higher than the national average.

Since 2002, the average price of an existing home increased by an average rate of 9.5 per cent annually, thanks to higher demand. As demand and prices have grown, so too has the number of sellers. As a result, new listings increased by 9.6 per cent, on an average annual basis, between 2002 and 2004. However, until last year, this growth was not enough to keep up with demand in the resale market, and so the sales-to-new-listings ratio increased in 2002 and 2003. With unit sales declining in 2004, the sales-to-new-listings ratio fell to 70 per cent, down from 80 per cent in the previous year.

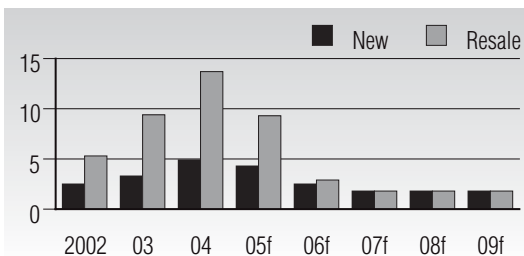
Continued growth in the overall economy and in employment has been getting the resale market moving again in 2005. In the first two quarters of this year, unit sales of existing homes posted double-digit

Chart 1—Housing Starts (000s)



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 rates. This growth will lead to a 14.5 per cent increase in unit sales for the year 2005 as a whole, allowing for a further 9.3 per cent rise in existing home prices.

With interest rates recently embarking on an upward trend, demand for existing homes will start to soften in the coming months. Growth in unit sales is forecast to slow to 1.2 per cent in 2006. Unit sales are then expected to decline in each of the next two years. Price growth will also be more moderate starting next year, in line with lower demand. The average price of an

existing home is expected to increase by 2.9 per cent in 2006 and by 1.8 per cent annually for the rest of the forecast (2007 to 2009).

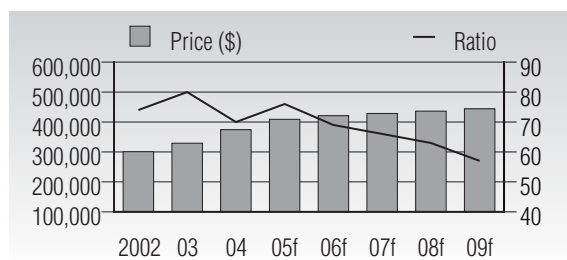
NEW HOUSING MARKET

Housing starts in Vancouver have been growing by leaps and bounds for the past four years. From 2001 to 2004, starts increased by an average annual rate of 24.2 per cent. This brought the level of housing starts to 19,400 units last year—the highest level of starts in 10 years and more than double the recent low of 8,200 starts in 2000.

Lower interest rates starting in 2001 and the sound economy have been helping to raise demand for housing in the city. Accordingly, absorptions rose by 16.5 per cent per year, on average, from 2001 to 2003. At the same time, months' supply dropped from 7 months in 2000 to 3.4 months in 2003.

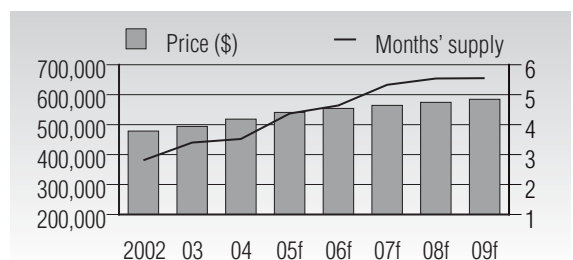
However, growth in absorptions slowed to 0.4 per cent in 2004, and months' supply started to edge back up, prompting builders to moderate their level of activity this year on fears that demand is weakening. Accordingly, starts are forecast to decline by 8.7 per cent in 2005, to 17,700 units.

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

	2002	2003	2004	2005f	2006f	2007f	2008f	2009f
Real GDP at basic prices (1997 \$ millions)	65,402 <i>4.8</i>	68,228 <i>4.3</i>	70,259 <i>3.0</i>	72,592 <i>3.3</i>	74,781 <i>3.0</i>	77,162 <i>3.2</i>	79,636 <i>3.2</i>	82,161 <i>3.2</i>
Total employment (000s)	1,069 <i>2.9</i>	1,102 <i>3.1</i>	1,124 <i>1.9</i>	1,155 <i>2.7</i>	1,178 <i>2.0</i>	1,201 <i>2.0</i>	1,223 <i>1.8</i>	1,245 <i>1.8</i>
Unemployment rate	7.8	7.2	6.8	6.2	6.3	6.1	6.1	6.0
Personal income per capita	28,818 <i>1.0</i>	29,231 <i>1.4</i>	29,947 <i>2.5</i>	31,106 <i>3.9</i>	32,136 <i>3.3</i>	33,206 <i>3.3</i>	34,188 <i>3.0</i>	35,138 <i>2.8</i>
Population (000s)	2,111 <i>1.7</i>	2,141 <i>1.4</i>	2,160 <i>0.9</i>	2,184 <i>1.1</i>	2,216 <i>1.5</i>	2,250 <i>1.5</i>	2,288 <i>1.7</i>	2,329 <i>1.8</i>
Retail sales (\$ millions)	21,476 <i>6.0</i>	21,842 <i>1.7</i>	22,243 <i>1.8</i>	22,928 <i>3.1</i>	23,866 <i>4.1</i>	24,737 <i>3.6</i>	25,616 <i>3.6</i>	26,497 <i>3.4</i>
Inflation rate	2.3	2.0	2.0	1.9	1.9	1.8	1.8	1.8

Italics indicate percentage change.

Sources: The Conference Board of Canada; Statistics Canada.

Strong increase in prices over the last few years will turn potential buyers away from the market. After falling through most of the 1990s, the average price for a new home began to increase again in 2001. By last year, the average price of a new home in Vancouver had passed \$500,000 again, for the first time since 1997. Vancouver's new home

prices are, on average, the highest in the country. Higher prices, combined with the added pressure of rising interest rates, will keep housing starts on a downward trend next year.

Looking forward, Vancouver is expected to see increased immigration leading up to the 2010 Olympic

Winter Games. Population growth, as a result, is projected to average 1.6 per cent per year from 2006 to 2009. Healthy population growth will increase the number of consumers in the economy and lift the demand for housing. As a result, growth in housing starts is forecast to be positive again in 2008.

Table 2—Housing Indicators

	2002	2003	2004	2005f	2006f	2007f	2008f	2009f
Housing starts	13,197 <i>21.5</i>	15,626 <i>18.4</i>	19,430 <i>24.3</i>	17,731 <i>-8.7</i>	15,099 <i>-14.8</i>	13,921 <i>-7.8</i>	14,131 <i>1.5</i>	14,097 <i>-0.2</i>
Singles	4,980 <i>41.8</i>	5,382 <i>8.1</i>	5,614 <i>4.3</i>	5,114 <i>-8.9</i>	5,435 <i>6.3</i>	5,241 <i>-3.6</i>	5,225 <i>-0.3</i>	5,135 <i>-1.7</i>
Multiples	8,217 <i>11.8</i>	10,244 <i>24.7</i>	13,816 <i>34.9</i>	12,617 <i>-8.7</i>	9,664 <i>-23.4</i>	8,680 <i>-10.2</i>	8,906 <i>2.6</i>	8,962 <i>0.6</i>
Housing completions	12,068 <i>50.8</i>	13,394 <i>11.0</i>	14,302 <i>6.8</i>	18,555 <i>29.7</i>	17,590 <i>-5.2</i>	15,282 <i>-13.1</i>	13,999 <i>-8.4</i>	13,814 <i>-1.3</i>
Singles	4,060 <i>25.2</i>	5,275 <i>29.9</i>	5,272 <i>-0.1</i>	4,933 <i>-6.4</i>	5,282 <i>7.1</i>	5,211 <i>-1.3</i>	5,111 <i>-1.9</i>	5,069 <i>-0.8</i>
Multiples	8,008 <i>68.2</i>	8,119 <i>1.4</i>	9,030 <i>11.2</i>	13,622 <i>50.9</i>	12,308 <i>-9.6</i>	10,071 <i>-18.2</i>	8,888 <i>-11.7</i>	8,745 <i>-1.6</i>
Average price of a new home (\$)	478,550 <i>2.5</i>	494,122 <i>3.3</i>	518,465 <i>4.9</i>	540,826 <i>4.3</i>	554,278 <i>2.5</i>	564,321 <i>1.8</i>	574,446 <i>1.8</i>	584,647 <i>1.8</i>
Newly completed and unabsorbed	4,356 <i>-30.6</i>	6,563 <i>50.7</i>	6,794 <i>3.5</i>	8,807 <i>29.6</i>	8,747 <i>-0.7</i>	9,668 <i>10.5</i>	9,840 <i>1.8</i>	9,631 <i>-2.1</i>
Absorptions	4,651 <i>13.2</i>	5,780 <i>24.3</i>	5,802 <i>0.4</i>	6,053 <i>4.3</i>	5,658 <i>-6.5</i>	5,443 <i>-3.8</i>	5,329 <i>-2.1</i>	5,206 <i>-2.3</i>
Months' supply	2.81	3.40	3.52	4.37	4.64	5.33	5.54	5.55
Average price of a resale home (\$)	300,828 <i>5.3</i>	329,151 <i>9.4</i>	374,274 <i>13.7</i>	409,059 <i>9.3</i>	420,945 <i>2.9</i>	428,572 <i>1.8</i>	436,262 <i>1.8</i>	444,009 <i>1.8</i>
Resale dollar volume sales (\$ millions)	10,558 <i>27.8</i>	13,001 <i>23.1</i>	14,153 <i>8.9</i>	17,776 <i>25.6</i>	18,451 <i>3.8</i>	18,334 <i>-0.6</i>	18,458 <i>0.7</i>	18,918 <i>2.5</i>
Resale unit sales	35,027 <i>21.5</i>	39,311 <i>12.2</i>	37,827 <i>-3.8</i>	43,301 <i>14.5</i>	43,832 <i>1.2</i>	42,780 <i>-2.4</i>	42,309 <i>-1.1</i>	42,605 <i>0.7</i>
Resale new listings	47,210 <i>13.5</i>	49,041 <i>3.9</i>	54,664 <i>11.5</i>	56,948 <i>4.2</i>	63,181 <i>10.9</i>	64,340 <i>1.8</i>	67,723 <i>5.3</i>	74,424 <i>9.9</i>
Sales-to-new-listings ratio	74	80	70	76	69	66	63	57

Italics indicate percentage change.

Sources: The Conference Board of Canada; Canada Mortgage and Housing Corporation; Canadian Real Estate Association; Statistics Canada.



The Conference Board of Canada

255 Smyth Road
Ottawa ON K1H 8M7 Canada
Tel. 1-866-711-2262
Fax (613) 526-4857
www.conferenceboard.ca

The Conference Board, Inc.

845 Third Avenue, New York, N.Y.
10022-6679 U.S.A.
Tel. (212) 759-0900
Fax (212) 980-7014
www.conference-board.org

The Conference Board Europe

Chaussée de La Hulpe 130, Box 11
B-1000 Brussels, Belgium
Tel. +32 2 675 54 05
Fax +32 2 675 03 95

The Conference Board Asia-Pacific

2802 Admiralty Centre, Tower 1
18 Harcourt Road, Admiralty
Hong Kong SAR
Tel. +852 2511 1630
Fax +852 2869 1403

The Conference Board of Canada
Insights You Can Count On



255 Smyth Road, Ottawa ON K1H 8M7 Canada
Tel. (613) 526-3280 • *Fax* (613) 526-4857 • *Inquiries* 1-866-711-2262

www.conferenceboard.ca