

# Residential construction to ease in 2005

**H**ousing starts in Canada will reach 226,800 units this year as favourable economic factors carry starts to a 17-year high, according to Canada Mortgage and Housing Corporation's (CMHC) fourth quarter, *CMHC Housing Outlook, National Edition Report*.

"Activity in the new home market in the third quarter hit heights not seen since the latter half of the 1980s, so the stage is now set for residential construction activity to slow in the months ahead," said Bob Dugan, Chief Economist at CMHC. "Looking at the months ahead, rising prices and mortgage rates will result in lower housing demand."

"Housing starts will slowly drift back toward more sustainable levels over the medium term, but will still remain high at 210,200 units in 2005."

Resale activity, as measured by the Multiple Listing Service (MLS), is expected to set all time high sales records for the third consecutive year at 462,600 units in 2004. MLS sales will rise across the nation this year with the exception of Nova Scotia where they will fall for the second consecutive year.

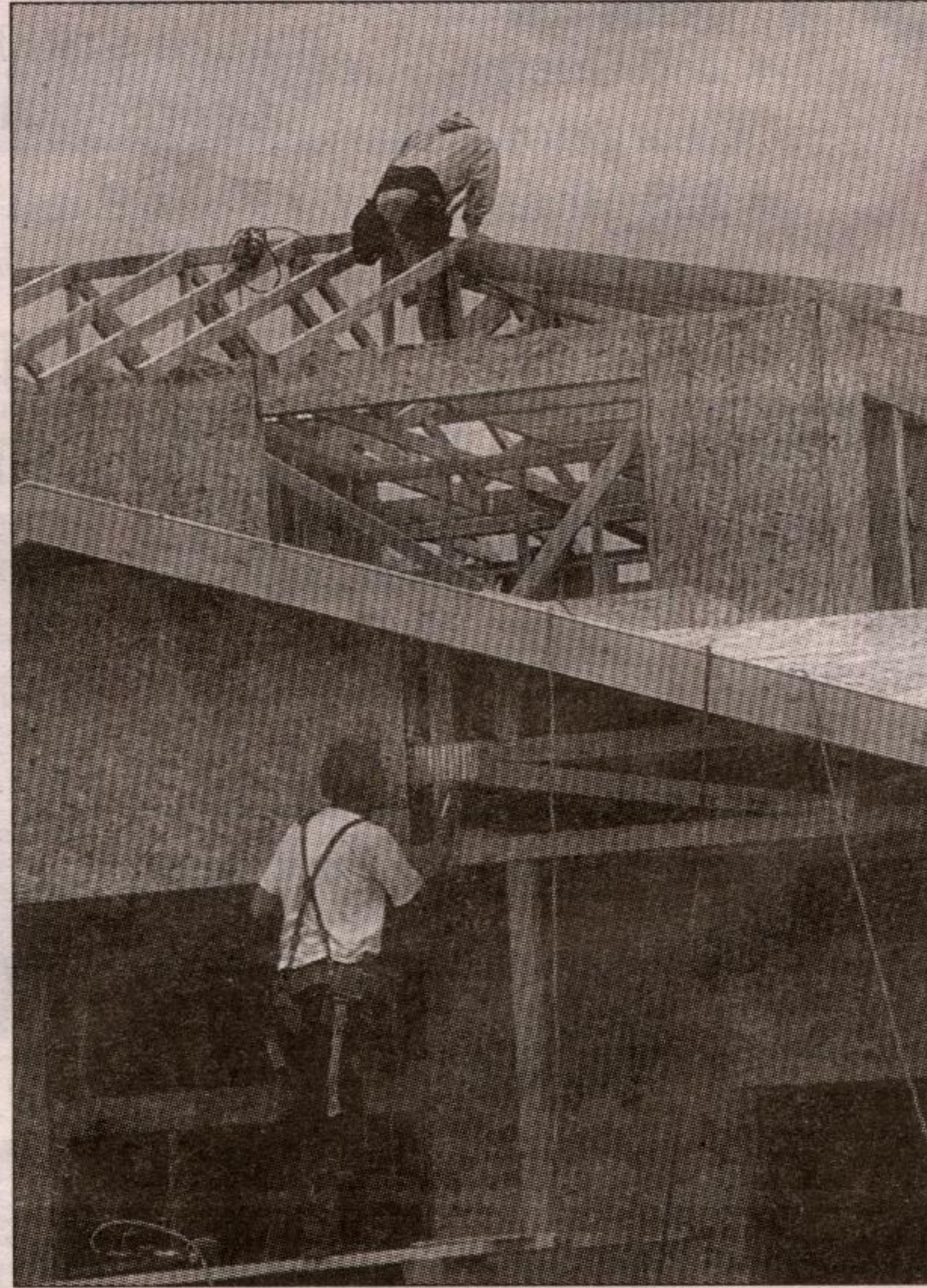
"Resale activity will dip 3.6 per cent next year to 445,900 with the greatest declines coming in Alberta and British Columbia. As sales activity backs off its record setting clip and listings increase, the existing home market will move closer to a balanced position next year, resulting in a deceleration of price gains. Look for the average MLS price to

climb 5.3 per cent next year following this year's 9.2 per cent," added Dugan.

Ontario has moved into its third year of strong home construction. Key drivers of Ontario's housing demand include low mortgage rates, moderately strong in-migration and respectable job growth.

Starts will edge higher to reach 85,200 units this year, virtually on par with last year's 14-year high of 85,180 units. In 2005, starts will reach 79,000 units, closer to the province's demographically driven demand.

British Columbia's residential construction boom is expected to increase 21.1 per cent to 31,700 units this year. Solid gains in employment, increased interprovincial migration and high levels of consumer confidence will contin-



ue to drive housing demand into 2005. B.C. is forecast to be the only province in Canada to register an increase in housing starts next year at 32,400 units. After benefiting from favourable economic and demographic conditions, Quebec housing starts will be strong at 56,000 units this year. Sluggish employment growth and the slight rise

in mortgage rates next year will lead to lower housing demand. For 2005, in spite of continued high levels of net migration, loosening resale and rental housing markets will cause residential construction in Quebec to fall to 48,000 units.

High levels of investment in the oil and gas sector will continue to boost both the Alberta and Saskatchewan economies. Saskatchewan has also benefited from a rebound in the agriculture and manufacturing sectors. In Manitoba, higher levels of consumer spending, capital investment and exports are fuelling the economy.

Residential construction has been trending higher in both Manitoba and Saskatchewan with starts this year expected to reach 4,600 units and 3,400 units respectively. Housing starts in Alberta however, are set to register a decline to 34,000 units. In 2005, home construction will slow to 4,400 units in Manitoba, 3,200 units in Saskatchewan and 32,000 in Alberta.

In New Brunswick, rising building material and land costs, wages and mortgage rates will cause housing starts to decline to 3,750 in 2004 and 3,700 units in 2005.

With only modest economic and employment growth forecast for Nova Scotia through 2005, the outlook is an uninterrupted, steady decline in housing activity as total housing starts fall to 4,450 units this year and 4,225 units next year.

Prince Edward Island starts are forecast to decline to 750 units next year after posting 900 starts this year, the highest level since 1988.

In Newfoundland and Labrador, economic growth will ease as oil production moderates and government restraint takes hold. With a slowing economy and rising costs associated with home ownership, starts are forecast to be lower in 2005 at 2,500 units after reaching 2,750 units this year.

**Alan McPhedran, \*Sales Rep.**



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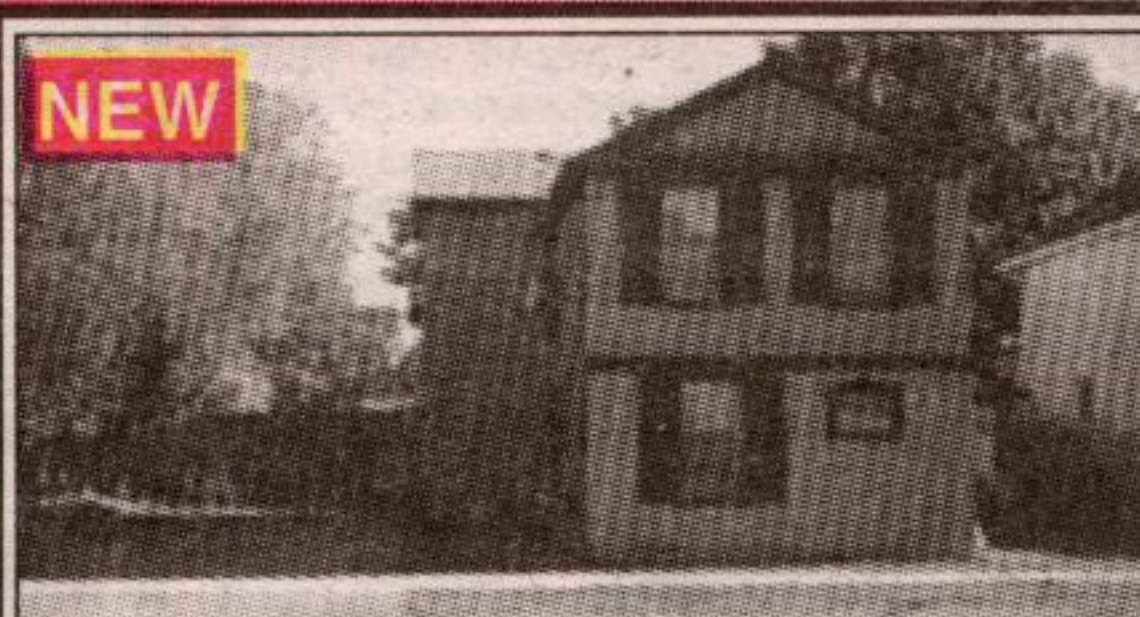
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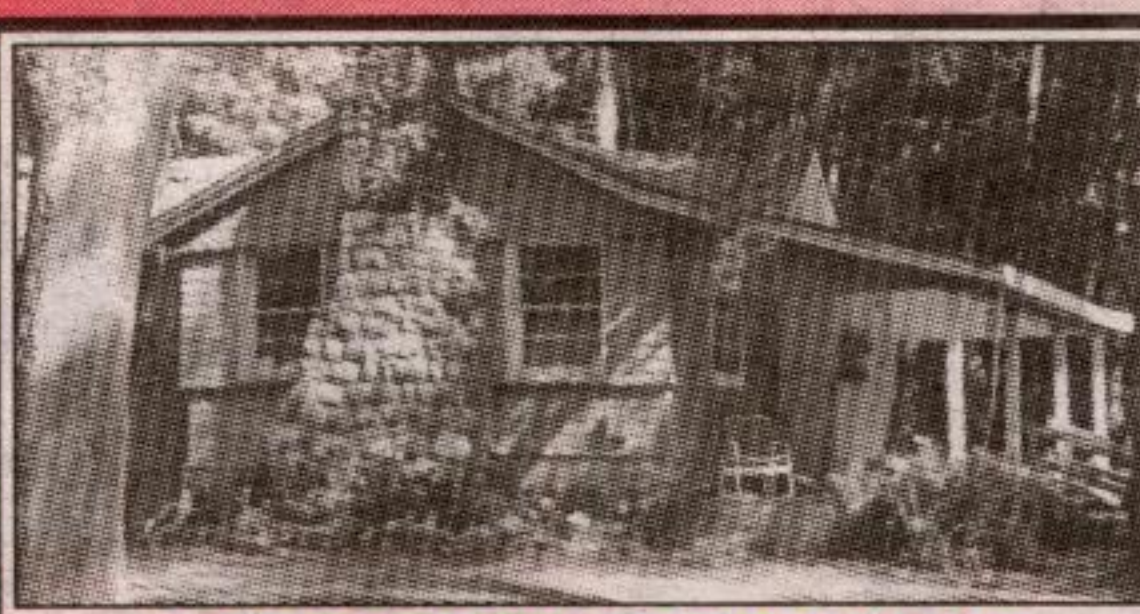
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**NEW**

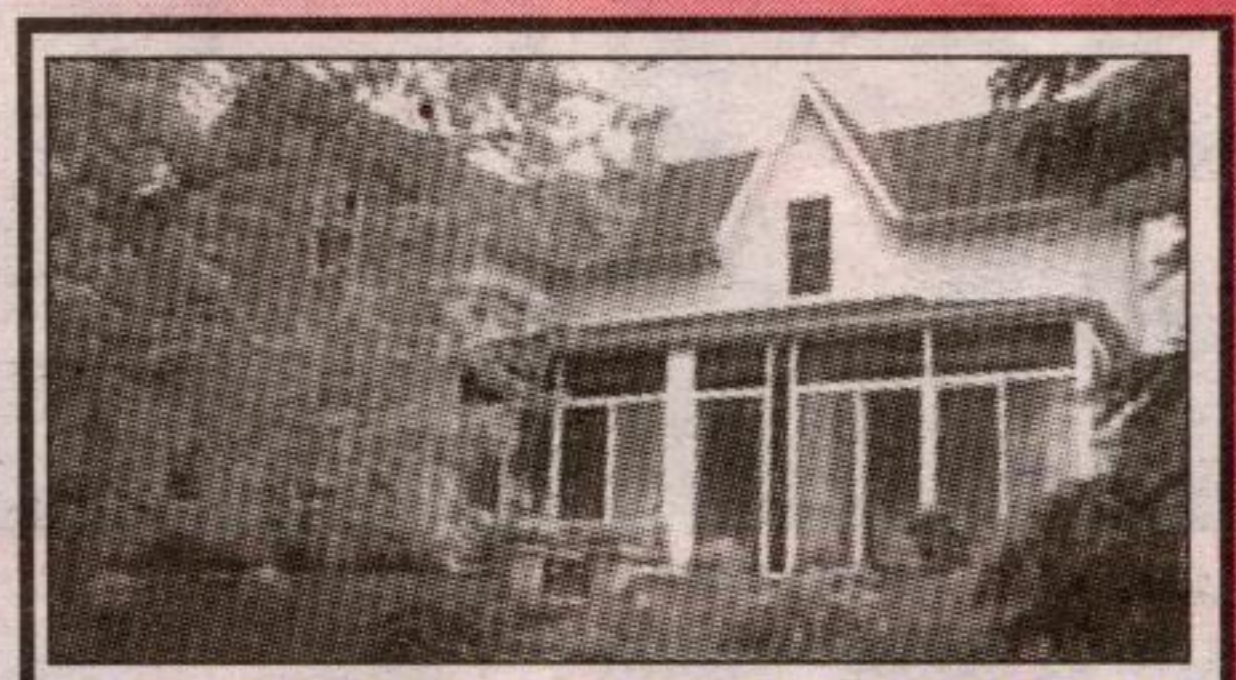
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**96 ACRE FARM IN GREAT LOCATION OF ERIN \$829,000**

96 Acre property, south of Erin Village on 9th line (it is a quiet but Paved Rd). This 4 bdrm Victorian stands proud surrounded by the prettiest views in the most sought after location of the County! Fully equipped Equestrian facility - Barn/lighted riding area/ indoor arena/staff house/drive shed/3 large paddocks, trails/woods/streams/ponds/3 fields currently producing hay, 3 additional fields lying fallow. 3 Minutes to the Village, 15 minutes to the GO train - Come See!! 353-04