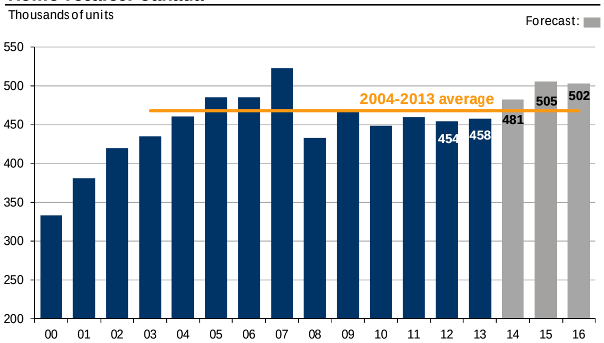
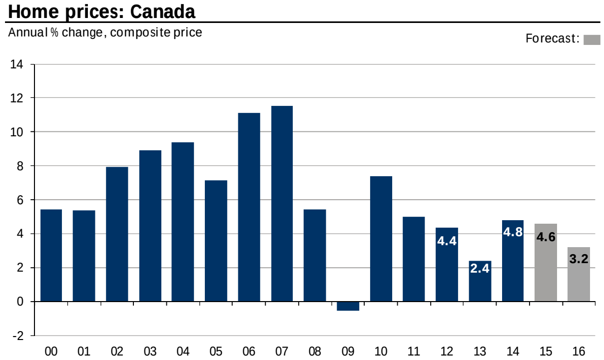
Home resales: Canada



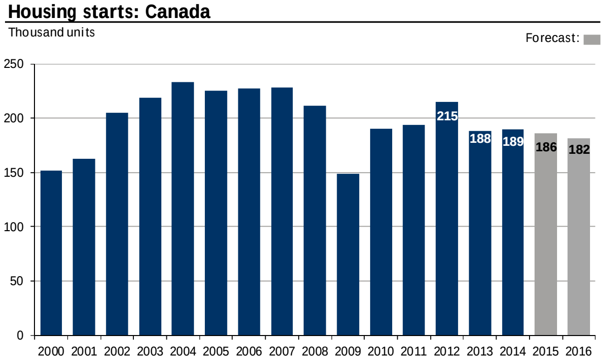
Source: Canadian Real Estate Association, RBC Economics Research

Home prices: Canada



Source: Royal LePage, RBC Economics Research

Housing starts: Canada



Source: CMHC, RBC Economics Research

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CANADIAN HOUSING FORECAST

August 19, 2015

Resilient but uneven: Canada's housing market still heads toward a soft landing

General overview

- Canada's housing market is poised to post one of its best years on record in 2015 despite the Canadian economy being hit by a significant negative shock (plunge in oil prices) and a spike in condo completions. Low interest rates continue to provide substantial stimulus for housing demand at this stage.
- Strong momentum is not equally shared across the country, however, with home resale activity plummeting in oil industry sensitive markets (Alberta and Saskatchewan) contrasting with record or near-record levels in Ontario and British Columbia.
- We continue to expect a cooling in housing activity in the period ahead, although this should be seen as 'event driven' rather than 'time driven'. The main 'event' in our view will be a rise in interest rates.
- Our base case scenario is that interest rates will rise gradually starting in 2016 (in the latter half of the year for short-term rates but before then for longer-term rates), thereby causing housing activity to slow down modestly nationwide next year.
- A full normalization of interest rates over the medium term would apply intensifying downward pressure on homebuyer demand with most of the effect being felt beyond 2016.
- The risk of a market crash is low under our base case scenario of a gradual pace of interest rate increases and continuing growth in the economy.
- A prolonged slump in Canada's economy—and resulting rise in unemployment—would magnify downside risks materially for the housing market.

Existing home market

- Our forecast calls for home resales to rise by 5.0% to 505,400 units in Canada in 2015, which would constitute the second-highest level on record. We project home resales to fall significantly in Alberta and Saskatchewan; however, this would be more than offset by a very strong gain in British Columbia, and solid advances in Ontario and Quebec—largely reflecting developments to date. Our forecast shows a slight easing of 0.7% to 501,800 units in Canada in 2016, resulting from a rise in interest rates. We expect this moderation to be broadly based with only Alberta and Saskatchewan bucking the trend (due to the favourable comparison against weak levels in 2015).
- We expect that a moderate pace of property appreciation will be maintained nationwide in 2015 with home prices rising by 4.6% overall—little changed from 4.8% registered in 2014—before decelerating to a rate of 3.2% in 2016. Our forecast calls for price gains in all provinces in 2015 except Saskatchewan in 2015, although advances in Alberta and the Atlantic region are forecasted to be slim. We expect stronger price gains to be registered in Ontario and British Columbia. Despite an expected cooling in demand next year, all provincial markets are likely to remain balanced and show mild price increases in 2016. We

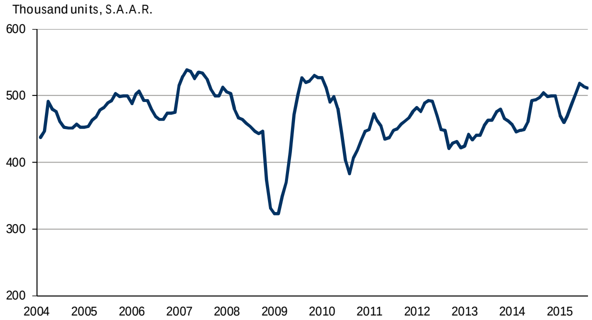
Forecast assumptions

%, unless specified otherwise

	2014	2015f	2016f
BoC overnight rate (year-end)	1.00	0.50	1.25
5-year bond yield (year-end)	1.34	1.15	2.25
Population growth (y/y)	1.1	1.0	1.0
Oil prices (WTI, avg. US$/bbl)	93	56	72
Unemployment rate			
Canada	6.9	6.7	6.4
British Columbia	6.1	5.7	5.5
Alberta	4.7	6.0	5.3
Saskatchewan	3.8	4.7	4.5
Manitoba	5.4	5.3	5.1
Ontario	7.3	6.7	6.3
Quebec	7.7	7.4	7.2
Atlantic	10.0	10.0	9.9

Home resales in Canada

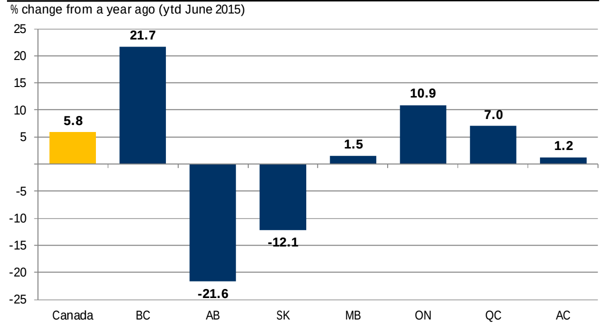
Thousand units, S.A.A.R.



Source: CREA, RBC Economics Research

Home resales by province - ytd 2015

% change from a year ago (ytd June 2015)



Source: CREA, RBC Economics Research

project British Columbia and Ontario to post the larger gains once again.

Housing construction

- A wave of condo completions in some of Canada's major markets (particularly Toronto) has become the centre of attention. Elevated inventories of unabsorbed units are likely to hold back builders from ramping up housing starts in the near term despite solid momentum in the resale market in Canada.
- Our forecast shows housing starts slowing slightly to 185,800 units in 2015 from 189,400 units in 2014—thereby continuing to be within our estimated range for current demographic requirements (180,000-190,000 units). We expect more pronounced declines in areas of the country negatively hit by the oil price plunge (Alberta, Saskatchewan, and Newfoundland and Labrador), although other provinces such as Quebec and Manitoba also are poised to record lower levels compared to 2014. Stronger projected starts in British Columbia and Ontario will provide substantial offsets.
- We expect further modest slowing in starts in 2016 (to 181,500 units) amid rising interest rates and cooling home resale activity. Still, the projected level would be consistent with demographic requirements and, therefore, would not signal any material degradation of conditions facing builders (although such could develop subsequently beyond 2016). Our forecast for 2016 shows a mixed picture at the provincial level with housing starts rising in Ontario, Quebec, Manitoba and Saskatchewan, and declining in Alberta, British Columbia and most of Atlantic Canada.

Two 'risk events' are unfolding;…

The Canadian housing market's remarkable flight of the past 10-15 years has been accompanied by increased vulnerability to a number of risks. Two of those risks are unfolding in 2015: a shock to Canada's economy delivered by the plunge in oil prices and a spike in condo completions in the key Toronto market. While both events could be potential triggers of a generalized downturn, we believe that Canada's market still has more distance to travel before landing.

...yet, Canada's housing sector keeps on sailing this year,…

Certainly, to date, Canada's housing sector remains impressively resilient. Despite a likely contraction in the Canadian economy during the first half of 2015 and increased supply of newly built units, home resales were ahead of last year's solid pace—averaging 492,100 units (annualized) in the first half of 2015, including a very robust tally of 512,400 units in the second quarter, compared to last year's total of 481,200 units—and prices continued to increase at a fairly steady rate of 4%-5% annually. Interest rate cuts no doubt provided an extra boost, with stable to improving labour market conditions and growing population of home-buying age also offering a generally positive backdrop for housing demand in the country.

...although wide divergences exist across the country

That being said, much of the strength has been concentrated in Ontario and British Columbia where resale market momentum picked up noticeably since the spring. Activity so far this year was also quite solid in Manitoba—where resales continued to hover around all-time highs—and signs emerged that the Quebec market shifted to a slightly higher gear. The Ontario, BC, Manitoba, and to a lesser extent, Quebec markets benefit from strong support from improving labour market trends and low interest rates. By contrast, the plunge in oil prices knocked down markets in Alberta, Saskatchewan and parts of Atlantic Canada significantly with resales plummeting to multi-year lows this winter and recovering only a fraction of the losses since then.

Remainder of 2015 likely to be less eventful

Looking ahead to the rest of this year, we expect the risk events that unfolded in the first half of 2015 to stay in the picture but believe that they will not intensify. We project growth in the Canadian economy to resume, and expect that housing (condo) completions will stay well below the extremely high levels recorded in the first quarter of this year—in fact, the spike in completions had already run its course by the second quarter. In addition to a growing economy (and rising jobs and incomes that it generates), housing demand in Canada will continue to be stimulated by low interest rates, with the Bank of Canada's second cut in the overnight rate in July providing even more inducement. Overall, we expect housing activity to remain quite brisk in Canada (albeit easing somewhat from the hectic pace recorded in the second quarter) and recent price trends to be largely sustained during the second half of 2015. This sales pattern would result in the second-strongest home resale total ever (505,400 units) at the national level in 2015. At the local and provincial levels, we expect markets to stay on multiple tracks across Canada; however, we believe that the worse is likely behind us in hard-hit Alberta and Saskatchewan, where home resales have trended slightly higher since the winter lows and demand-supply conditions have returned to balance (although barely so in the case of Saskatchewan). While still vulnerable to further bouts of anxiety—arising from renewed weakness in global oil prices or new rounds of layoffs in the energy sector—we expect the slow (and still partial) recovery to proceed further in these markets consistent with our assumption that oil prices will rise from an average of US$56/barrel (WTI) in 2015 to US$72/barrel in 2016. At the other end of the spectrum, we expect deteriorating trends in housing affordability in Ontario and British Columbia will take the edge off Canada's hottest markets in terms of demand but price momentum is likely to remain more or less intact.

The next chapter for Canada's housing sector will be written by interest rates

It has long been our view that the eventual rise in interest rates from generational low levels will produce significant headwinds for Canada's housing sector. Much of the market's vibrancy in the past several years can be attributed to exceptionally low—and declining—interest rates. While the monetary policy normalization process has been elusive to date, we continue to believe that interest rates hold the key to the future direction of the housing sector in Canada over the medium term. Our base case scenario is that the Bank of Canada will begin to remove monetary stimulus by the middle of 2016 and raise the overnight rate by 75 basis points to 1.25% during the second half of next year. Our scenario for longer term rates sees gradual increases starting much earlier—in the latter part of 2015—and tallying a greater cumulative ascent—approximately 150 basis points from recent weeks' levels for the 5-year Government of Canada bond yield—by the end of 2016. Our interest rate scenario therefore implies intensifying pressure on housing affordability and, ultimately, homebuyer demand in Canada in the period ahead. In our opinion, such pressure would start slowing down home resale activity by the latter stages of 2015 but increasingly so during 2016.

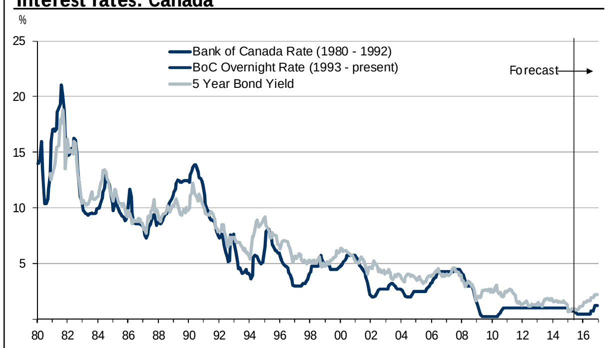
Upcoming cooling phase best seen as 'event driven' rather than 'time driven'

It is important to clarify that our expectation for a cooling in housing demand in Canada is 'event dependent' rather than 'time dependent', with the main event being a rise in interest rates. Should interest rates remain low for longer than we anticipate, market activity most likely would be stronger than we anticipate, and vice versa.

A cooling not a crash…

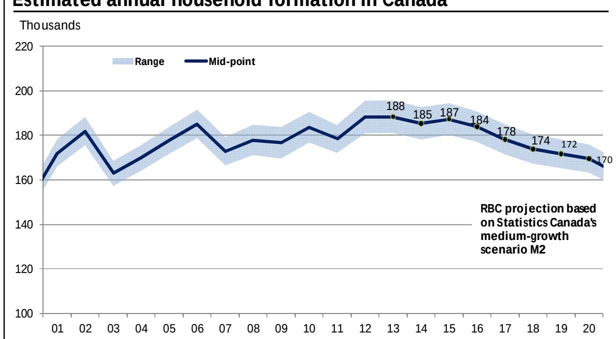
It is also important to stress that by 'cooling' (or 'soft landing') we mean a moderate and controlled decline in home resales of less than 10% over

Interest rates: Canada



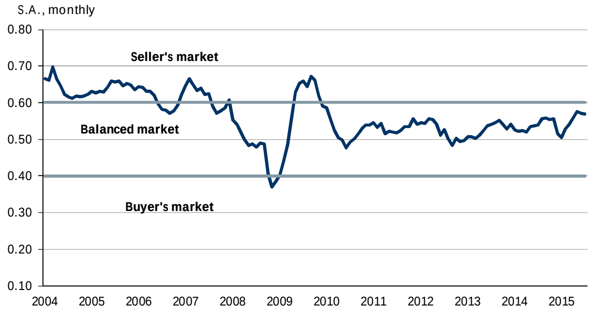
Source: Bank of Canada, RBC Economics Research

Estimated annual household formation in Canada



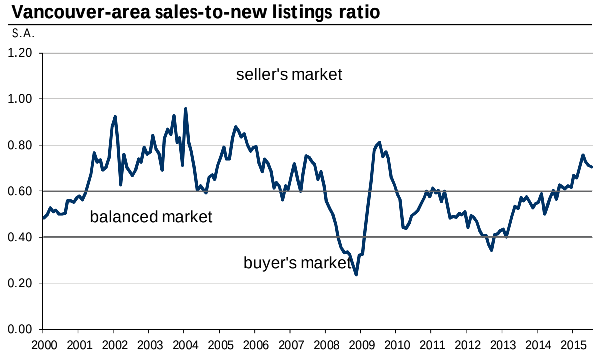
Source: Statistics Canada, RBC Economics Research

Sales-to-new listings ratio in Canada



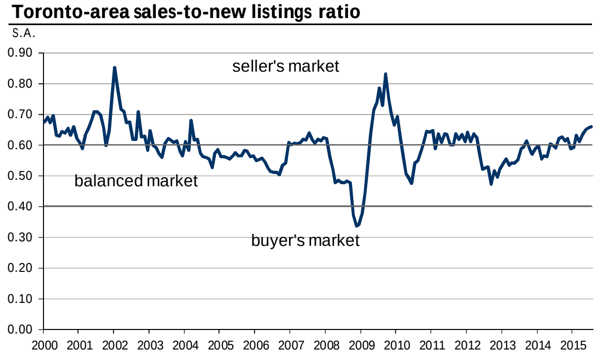
Source: CREA, RBC Economics Research

Vancouver-area sales-to-new listings ratio



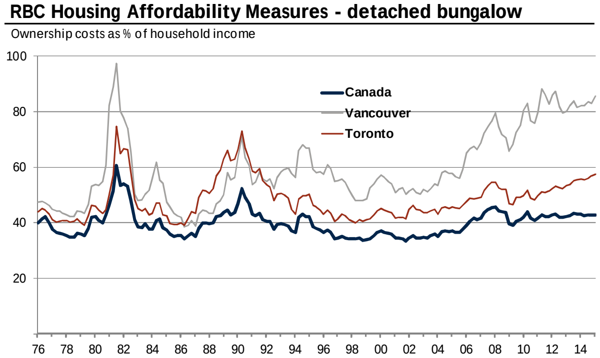
Source: CREA, RBC Economics Research

Toronto-area sales-to-new listings ratio



Source: CREA, RBC Economics Research

RBC Housing Affordability Measures - detached bungalow



Source: Royal LePage, Statistics Canada, RBC Economics Research

the entire down cycle (potentially lasting several years). Our forecast calls for home resales to fall by less than 1% in Canada in 2016, although we would expect steeper declines to take place after 2016 based on our interest rate scenario. In our opinion, the risk of a crash—resales plummeting by more than 25% nationwide for instance—is low for three main reasons. First, we expect the Canadian economy to grow and create jobs and boost incomes. Severe housing downturns usually coincide with recessions. Two of the last three episodes when annual home resales fell by more than 10% in Canada took place during recessions (1990 and 2008). The other episode was a decline of 12% in 1995. Second, we expect demographic demand to remain fairly brisk with household formation (ranging between 180,000 and 190,000) being sustained by continued strong immigration. The federal government this year boosted its target for new permanent residents by 20,000 to a range of 260,000 to 285,000—the highest planned admission range in decades—and we expect similar ambitious targets in the coming years. Third, the rise in interest rates is most likely to be a gradual and drawn-out process. We believe that monetary authorities in Canada and abroad will proceed very cautiously. These three factors will help minimize the magnitude of any correction.

…nor a collapse (or even any decline) in prices

Rising interest rates and slowing homebuyer demand necessarily will weigh on home prices; however, we believe that national prices are unlikely to fall outright, at least in the short term. The more probable outcome in our view will be a deceleration to a rate of 3.2% in Canada in 2016, or roughly in line with the growth rate of average income per household. Having said this, we expect downward pressure on prices only to intensify after 2016, thereby resulting in further deceleration over the medium term. While the possibility of price declines cannot be dismissed for segments of some local markets (e.g. condos in Montreal), the generally strong starting points for demand-supply conditions will continue to fuel property appreciation across Canada in the short term, especially for single-family homes (which see stronger demand than supply in many areas). The majority of local markets currently stand comfortably in balanced territory, and a few 'hot' markets—including Toronto and Vancouver, two clear-cut sellers' markets—have a substantial buffer before tipping in favour of buyers. The expected slowing in demand no doubt will erode market conditions but insufficiently so to disrupt balance and cause prices to drop in 2016. Similarly, we expect that any increase in the supply of homes available for sale arising from stronger housing completions will be minimal and entirely confined to the condo segment of major cities. Recent evidence suggests that only a fraction of condos recently completed end up in the resale market within a year of registration. We consider the likelihood of a national price collapse (e.g. a drop of 25% or more) as quite remote at this stage.

Rich property valuation…

Much has been said about Canada's elevated home prices and the likelihood that properties may be materially overvalued. Our preferred gauge of market stress—our housing affordability measure, which calculates the share of household income required to cover the costs of owning a home at market prices—has shown the presence of higher-than-average home ownership costs associated prevailing price levels for several years now, which we interpret as a sign of rich valuation.

…is primarily a Vancouver and Toronto story…

Digging deeper, however, it becomes quite clear that the affordability stresses found at the national level almost entirely reflect the situation in two major markets: Vancouver and Toronto. Affordability—and therefore, valuation—conforms to historical norms in virtually every other market in Canada, thereby suggesting little in the way of widespread excessive valuation across the country.

…for the single-family home segments,…

Digging even deeper reveals that within Vancouver and Toronto, affordability is most stretched for single-detached homes, whereas affordability of condominium apartments is just a little worse than it has been on average over the past 30 years. In other words, valuation concerns in Canada in effect are primarily about the elevated prices of single-detached homes in Vancouver and Toronto.

…and does not foretell any imminent correction

In this regard, it is worth keeping in mind that while demand for single-detached homes has been, and continues to be, strong in these markets, construction of this type of housing fell considerably in the past decade—down by almost one-quarter in Vancouver and by half in Toronto—due in part to restrictive urban development policies favouring higher-density housing. With demand outstripping supply, it is not entirely surprising to see high and rapidly rising prices in these market segments. Having said this, we do not dismiss the notion that some degree of overvaluation has crept in. Even so, we would not expect that the mere presence of overvaluation triggers a price decline—Vancouver is a prime example where extremely poor affordability can persist for years, if not decades, without tripping the market.

New condo completions becoming the centre of attention,…

On the new construction side of the housing sector, our focus has turned to condo completions. Very high numbers of condos under construction in Canada's large urban centres in recent years forewarned about an incoming wave of new condo units washing onto the shores of Canada's housing market. Indeed, one of the highlights so far in 2015 has been a spike in condo apartment completions of never-seen-before proportion in the Toronto area early this year (see our February 27 *Canadian Housing Commentary*). This development came on the heels of similar, albeit far less spectacular, waves in markets such as Montreal, Ottawa and Regina in 2014.

...raising absorption challenges...

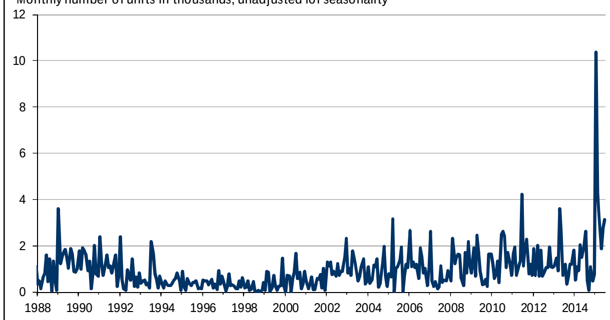
Necessarily, any significant run-up in completions raises concerns about absorption. A case in point: the unabsorbed inventory of newly completed condos has surged in Toronto this year. More gradual—but still substantial—increases also had occurred last year in Montreal, Ottawa and Regina. These large unabsorbed inventories pose a risk to the resale condo market in key cities in Canada. It is important to note, however, that the risk is not widespread, as unabsorbed condo inventories are either low or declining in most other cities across Canada, including Vancouver, Calgary and Edmonton.

...but any adverse effects are likely to be contained and transitory

Our view is that plentiful availability of newly built units will exert downward pressure on condo prices in the affected markets; however, the effects will be contained and transitory. The challenges posed by the glut of condo supply already have been in plain view in Ottawa, Regina and Montreal, where condo prices are down or flat at best in the first half of 2015 compared to the same period a year ago. In Toronto, condo prices continue to rise but at less than half the rate of increase in single-detached homes. While we believe that there is further downside for condo prices in the near term in major Canadian cities, a collapse is unlikely for two main reasons. First, the wave of condo completions will run its course soon. What we have seen recently is the bulge of condos started in 2012 exiting the production pipeline, and with condo starts having moderated significantly after 2012, very high levels of condo completions are unlikely to be sustained for much longer. And second, we expect demand from owner-occupants to continue to rise. We believe that condos will continue to attract a growing share of homebuyers (especially among first-time buyers) due to condos' greater affordability (and availability)

New apartment completions in Toronto

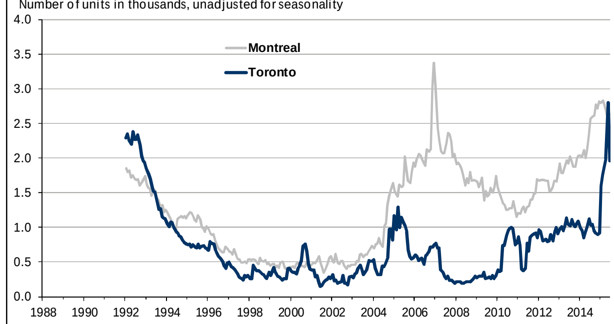
Monthly number of units in thousands, unadjusted for seasonality



Source: CMHC, RBC Economics Research

Completed and unoccupied apartment units

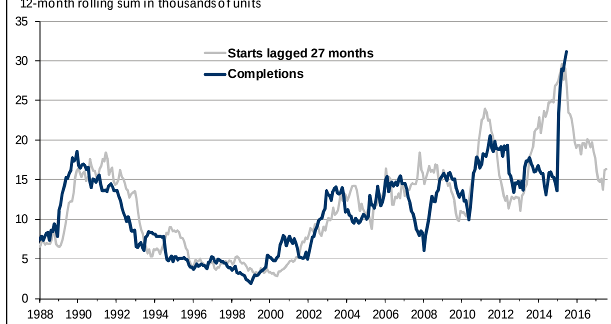
Number of units in thousands, unadjusted for seasonality



Source: CMHC, RBC Economics Research

Apartment starts and completions in Toronto

12-month rolling sum in thousands of units



Source: CMHC, RBC Economics Research

relative to single-detached homes. Demand from condo investors will be more of a wildcard, however. Opportunities in the condo rental space—the object of the investment—may become sparser as availability of rental units increase.

Where to look for signs of condo trouble in Toronto? The rental market

Toronto's massive condo boom has been a regular source of dire predictions for the past several years. In a report published in 2012 (*Booming Toronto condo market does not imply a bubble*), we argued that while it raised the risk of overshooting underlying demand, the boom itself was not necessarily a sign of excess or bubble. To a large extent, strong condo construction reflects a structural shift that has taken place in the Toronto area's housing mix fostered by policy favouring high-rise development against urban sprawl-inducing low-rise development. Given this changing frame of reference, the past record of condo construction is no longer relevant to assess whether too many units are being built today or in the future. Instead, we point to the condo rental market for early warning signs of potential trouble. With close to one-third of all condo apartments in the Toronto area estimated to be in the rental pool (according to CMHC) and likely a much higher proportion of new condos snapped up by investors as rental properties each year, the rental market now plays a pivotal role in Toronto's condo space. Any excess supply no doubt would be revealed readily by declining rents—and rising vacancies, although vacancy statistics produced by CMHC are too infrequent (annual) for close monitoring. To date, Toronto Real Estate Board figures show that condo rents continue to increase for the most part in the Greater Toronto Area, thereby suggesting no particular imbalance at this stage.

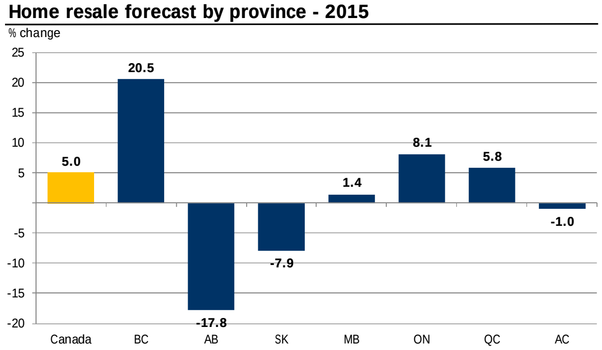
Canada's housing sector is vulnerable to a number of downside risks…

All things considered, our base case for Canada's housing sector remains reasonably sanguine—other than some challenges in oil-producing provinces, we see no generalized crash or severe correction on the horizon in Canada. Risks to our scenario lie both on the upside and downside. On the downside, high household indebtedness, rich property valuations in key markets, heavy reliance on low interest rates to fuel demand and strong participation of investors in the condo market represent potential vulnerabilities, each of which—or collectively—could cause substantial damage to Canada's housing market. A sudden surge in interest rates or plunge in employment (resulting from a deep recession)—or both—likely would impair households' financial situation and sap demand for housing, and quite possibly trigger a negative feedback loop between property values, household balance sheets and mortgage lending, thereby causing a severe market downturn. Developments this year have demonstrated that the economic shock necessary to produce such an alternate scenario would need to be more widely spread than the hit from the oil price nosedive.

…but there are upside risks too!

On the upside, it must be reminded that Canada's housing market has shown an impressive capacity to outperform predictions in recent years and it could do the same again in the period ahead. Interest rates may not rise as much—or at all or even decline further—as we assume, and continue to stimulate growth in homebuyer demand. Stronger-than-expected growth in the Canadian economy (fuelled by a booming US economy, for example) or rapid increases in net migration also may support further housing gains.

Home resale forecast by province - 2015



Source: CREA, RBC Economics Research

Resale market forecasts

Home resales to reach their second-highest level on record in 2015

We project overall home resales in Canada to rise by 5.0% to 505,400 units in 2015—the second-highest level on record—with a mix of declines and increases at the provincial level. Our forecast shows sharp annual drops in Alberta (by 17.8%) and Saskatchewan (by 7.9%), and a more moderate easing in the Atlantic region (by 1.0%), primarily due to the hit from the plunge in oil prices. At the same time our forecast shows a very strong gain in British Columbia (up 20.5%), and solid advances in Ontario (up 8.1%) and to a lesser extent Quebec (up 5.8%), thanks to low interest rates and improved labour markets. Our forecast for Manitoba home resales shows continued relative stability with only a minimal gain (of 1.4%).

Hot Ontario and BC markets see stronger price advances

We expect balanced demand-supply conditions to sustain modest price increases in the majority of markets across Canada in 2015. Demand-supply conditions clearly favouring sellers in Toronto and Vancouver will cause Ontario and British Columbia to stand out, however, with our forecast for these provinces showing the faster rising home prices among the provinces (8.1% and 7.8%, respectively—both constituting multi-year highs). We project price changes to remain slightly positive in Alberta (at +0.7%) despite the slump in resales but negative in Saskatchewan (-1.0%) due to excess supplies.

Home resales forecasted to ease in 2016,...

Consistent with our expectation for an interest rate increase next year, our forecast calls for a small 0.7% decline in home resales in Canada in 2016. At 501,800 units, the forecasted level of activity would continue to be quite solid from a historical perspective (the third-highest result on record), although it would mask noticeable weakening in the pace by the late stages of the year when cumulative increases in interest rates bite more—thereby setting the stage for a more material annual decline the following year. At the provincial level, we project moderate drops in home resales in all provinces in 2016 except Alberta and Saskatchewan, where depressed activity in early 2015 will provide a favourable base effect for the year over year comparison—resales would remain substantially lower than 2014 levels in both cases.

...but home prices to rise further, albeit at a slower pace

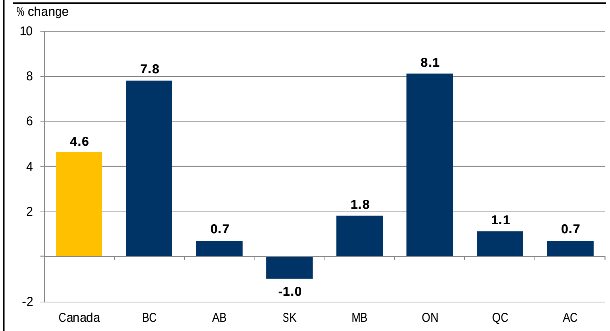
Despite a generalized easing in home resales, we expect markets across Canada to remain balanced in 2016, thereby supporting further modest price increases. We believe, however, that the slowing in resale activity will restrain the rate at which prices will climb in the hotter markets of the country, especially by the late stages of the year. We project price gains to decelerate to 4.9% in British Columbia and 4.3% in Ontario in 2016—the slowest rates in three years in these provinces. On the other hand, we expect that the re-balancing of demand-supply conditions in Alberta and Saskatchewan will produce modestly stronger price gains in these markets in 2016. Overall, our forecast calls for home prices to rise by 3.2% in Canada, or slightly weaker than the 4.6% rate projected for 2015.

Housing starts forecast

Housing starts set to stay near demographically-required levels in 2015...

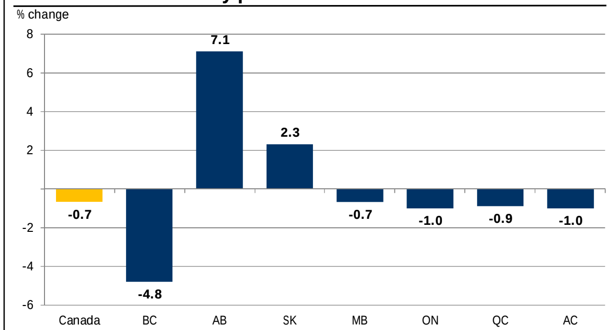
With the new home market in several key areas of the country focusing on absorbing newly completed units (which could well reach a seven-year high at the national level), there will continue to be muted pressure to start new housing units. Housing starts averaged 184,000 units (annualized) across Canada in the first half of 2015, slightly slower than the 187,500 units registered overall in 2014 but still within the range of 180,000-190,000 units required to meet demand from household formation. We expect overall starts to total 185,800 units in 2015—in the middle of the demographic requirement range for the third year in a row, and suggesting continued discipline on the part of builders. Our forecast calls

Home price forecast by province - 2015



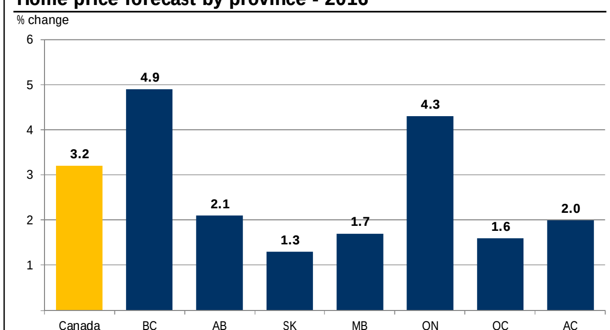
Source: CREA, RBC Economics Research

Home resale forecast by province - 2016



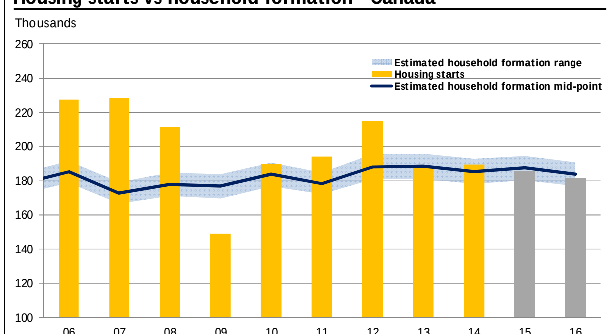
Source: CREA, RBC Economics Research

Home price forecast by province - 2016



Source: Royal LePage, RBC Economics Research

Housing starts vs household formation - Canada



Source: CMHC, Statistics Canada, RBC Economics Research for increases in British Columbia and to a lesser extent Ontario, and declines in almost all other provinces, including Alberta and Saskatchewan—where economic uncertainty will dampen demand—and Quebec—contending with elevated levels of unabsorbed units.

...although they are likely to moderate in 2016

Working off unabsorbed condo inventories is likely to become less of a priority in 2016, and we expect builders to take their cue increasingly from the existing home market (and the factors that will drive it) next year, where we project activity to ease slightly. New home construction typically lags developments in the existing home market by several months, and we expect this relationship to result in a weakening of housing starts in Canada in the latter part of 2016. For the year as a whole, we project housing starts to moderate to 181,500 units in 2016—still within the range consistent with demographic requirements. Performance will vary at the provincial level, with starts forecasted to rise modestly from 2015 in several provinces, including Ontario (reflecting new condo projects getting underway), Quebec, Manitoba and Saskatchewan, and decline somewhat in other provinces, including Alberta, British Columbia and most of Atlantic Canada.

Home resales forecast (units)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015f	2016f
Canada*	485,000	522,500	433,100	466,200	447,900	459,500	454,300	457,600	481,200	505,400	501,800
	0.0	*7.7*	*-17.1*	*7.6*	*-3.9*	*2.6*	*-1.1*	*0.7*	*5.2*	*5.0*	*-0.7*
British Columbia	96,700	102,800	68,900	85,000	74,600	76,700	67,600	72,900	84,000	101,200	96,300
	-9.0	*6.3*	*-33.0*	*23.4*	*-12.2*	*2.8*	*-11.9*	*7.8*	*15.2*	*20.5*	*-4.8*
Alberta	74,000	71,000	56,000	57,500	49,700	53,800	60,400	66,100	71,800	59,000	63,200
	13.0	*-4.1*	*-21.1*	*2.7*	*-13.6*	*8.2*	*12.3*	*9.4*	*8.6*	*-17.8*	*7.1*
Saskatchewan	9,500	12,500	10,500	11,100	10,900	13,100	13,900	13,500	13,900	12,800	13,100
	9.2	*31.6*	*-16.0*	*5.7*	*-1.8*	*20.2*	*6.1*	*-2.9*	*3.0*	*-7.9*	*2.3*
Manitoba	13,000	13,900	13,400	13,100	13,100	13,900	13,900	13,700	13,800	14,000	13,900
	1.6	*6.9*	*-3.6*	*-2.2*	*0.0*	*6.1*	*0.0*	*-1.4*	*0.7*	*1.4*	*-0.7*
Ontario	196,400	214,800	182,300	197,000	196,700	201,500	197,600	198,500	206,000	222,700	220,500
	-1.0	*9.4*	*-15.1*	*8.1*	*-0.2*	*2.4*	*-1.9*	*0.5*	*3.8*	*8.1*	*-1.0*
Quebec	71,600	80,600	76,800	79,100	80,000	77,200	77,400	71,200	70,700	74,800	74,100
	1.7	*12.6*	*-4.7*	*3.0*	*1.1*	*-3.5*	*0.3*	*-8.0*	*-0.7*	*5.8*	*-0.9*
Atlantic Canada	22,900	26,300	24,500	22,800	22,500	22,900	23,100	21,200	20,600	20,400	20,200
	2.2	*14.8*	*-6.8*	*-6.9*	*-1.3*	*1.8*	*0.9*	*-8.2*	*-2.8*	*-1.0*	*-1.0*

Home price forecast

Composite price	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015f	2016f
Canada**	254,200	283,600	299,000	297,300	319,200	335,100	349,800	358,200	375,300	392,600	405,100
		11.6	*5.4*	*-0.6*	*7.4*	*5.0*	*4.4*	*2.4*	*4.8*	*4.6*	*3.2*
British Columbia	383,100	425,800	458,600	448,800	495,600	528,900	531,600	525,900	552,300	595,200	624,600
		11.1	*7.7*	*-2.1*	*10.4*	*6.7*	*0.5*	*-1.1*	*5.0*	*7.8*	*4.9*
Alberta	283,000	370,100	346,800	324,400	330,400	329,900	339,100	352,200	376,000	378,500	386,600
		30.8	*-6.3*	*-6.5*	*1.8*	*-0.2*	*2.8*	*3.9*	*6.8*	*0.7*	*2.1*
Saskatchewan	164,900	237,000	295,300	288,800	307,700	321,600	341,200	353,600	353,300	349,800	354,500
		43.7	*24.6*	*-2.2*	*6.5*	*4.5*	*6.1*	*3.6*	*-0.1*	*-1.0*	*1.3*
Manitoba	184,700	200,900	220,600	232,800	254,900	268,700	285,800	299,700	304,400	309,800	315,000
		8.8	*9.8*	*5.5*	*9.5*	*5.4*	*6.4*	*4.9*	*1.6*	*1.8*	*1.7*
Ontario	274,900	295,600	313,800	312,500	336,800	354,600	377,800	392,400	418,300	452,300	471,800
		7.5	*6.2*	*-0.4*	*7.8*	*5.3*	*6.5*	*3.9*	*6.6*	*8.1*	*4.3*
Quebec	186,200	198,000	209,900	216,600	231,400	244,600	254,600	258,300	266,000	268,800	273,200
		6.3	*6.0*	*3.2*	*6.8*	*5.7*	*4.1*	*1.5*	*3.0*	*1.1*	*1.6*
Atlantic Canada	160,100	172,600	187,100	194,200	203,500	213,300	223,000	227,700	230,200	231,800	236,400
		7.8	*8.4*	*3.8*	*4.8*	*4.8*	*4.5*	*2.1*	*1.1*	*0.7*	*2.0*

Housing starts forecast (units)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015f	2016f
Canada	**227,395**	**228,343**	**211,056**	**149,081**	**189,930**	**193,950**	**214,827**	**187,923**	**189,401**	**185,800**	**181,500**
	0.8	*0.4*	*-7.6*	*-29.4*	*27.4*	*2.1*	*10.8*	*-12.5*	*0.8*	*-1.9*	*-2.3*
British Columbia	**36,443**	**39,195**	**34,321**	**16,077**	**26,479**	**26,400**	**27,465**	**27,054**	**28,356**	**33,100**	**31,000**
	5.1	*7.6*	*-12.4*	*-53.2*	*64.7*	*-0.3*	*4.0*	*-1.5*	*4.8*	*16.7*	*-6.3*
Alberta	**48,962**	**48,336**	**29,164**	**20,298**	**27,088**	**25,704**	**33,396**	**36,011**	**40,590**	**35,700**	**30,300**
	19.9	*-1.3*	*-39.7*	*-30.4*	*33.5*	*-5.1*	*29.9*	*7.8*	*12.7*	*-12.0*	*-15.1*
Saskatchewan	**3,715**	**6,007**	**6,828**	**3,866**	**5,907**	**7,031**	**9,968**	**8,290**	**8,329**	**5,200**	**6,500**
	8.1	*61.7*	*13.7*	*-43.4*	*52.8*	*19.0*	*41.8*	*-16.8*	*0.5*	*-37.6*	*25.0*
Manitoba	**5,028**	**5,738**	**5,537**	**4,174**	**5,888**	**6,083**	**7,242**	**7,465**	**6,220**	**5,100**	**6,300**
	6.3	*14.1*	*-3.5*	*-24.6*	*41.1*	*3.3*	*19.1*	*3.1*	*-16.7*	*-18.0*	*23.5*
Ontario	**73,417**	**68,123**	**75,076**	**50,370**	**60,433**	**67,821**	**76,742**	**61,085**	**59,134**	**63,800**	**64,300**
	-6.8	*-7.2*	*10.2*	*-32.9*	*20.0*	*12.2*	*13.2*	*-20.4*	*-3.2*	*7.9*	*0.8*
Quebec	**47,877**	**48,553**	**47,901**	**43,403**	**51,363**	**48,387**	**47,367**	**37,758**	**38,810**	**34,600**	**35,500**
	-6.0	*1.4*	*-1.3*	*-9.4*	*18.3*	*-5.8*	*-2.1*	*-20.3*	*2.8*	*-10.8*	*2.6*
Atlantic Canada	**11,953**	**12,391**	**12,229**	**10,893**	**12,772**	**12,524**	**12,647**	**10,260**	**7,962**	**8,300**	**7,700**
	-1.2	*3.7*	*-1.3*	*-10.9*	*17.2*	*-1.9*	*1.0*	*-18.9*	*-22.4*	*4.2*	*-7.2*

* Includes sales in the Territories.
** Weighted average, using provincial population as weights.
Second line shows annual percent change.

Source: Canadian Real Estate Association, CMHC, Royal LePage, RBC Economics Research