

RELEASE

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CMHC FORECASTS HOUSING DEMAND TO REMAIN ELEVATED

Saskatoon, May 15, 2008 – Canada Mortgage and Housing Corporation (CMHC) released its forecast for Saskatoon housing markets today. Despite rising rents and rapid price escalation in 2008 and 2009, demand for ownership and rental housing will be firm and well above the ten-year average.

Single-detached starts will see an increase of just over 11 per cent in 2008 reaching 1,650 units compared to 1,485 in 2007. The forecast for single-detached start has not been surpassed since 1979 when 1,763 single starts took place. Construction of single-detached units will back off to 1,450 units in 2009 as the effects of rapidly rising prices and higher inventories in the competing resale market are felt.

Rapid job growth, wage gains, and surging migration are the major contributing factors to the rise in single-detached housing starts. A scarcity of resale listings is also contributing to the robust level of single-detached demand. Buyers who would normally purchase an existing home have focused on the new housing market due to lack of supply on the resale side.

Saskatoon's resale market will see a 12.5 per cent increase in sales to 5,000 units in 2008, the highest number of sales on record. Sales will moderate somewhat to 4,750 units in 2009, due to rapidly escalating prices and weaker speculative demand. Slowing in-migration will also have its influence. The 2009 forecast will still be a historically high level of resale transactions in Saskatoon.

CMHC forecasts an increase in average residential resale price of 18.1 per cent in 2008, with a slower increase of 8.2 per cent in 2009. The forecasted increase in 2008 of 18 per cent will be modest by comparison with the 2007 increase, but will still be among the highest gains on record. Higher listings and buyer resistance to higher prices will result in weaker price gains in both 2008 and 2009.

CMHC is forecasting only a slight increase in the average vacancy rate in 2008 to one per cent with a minimal rise to 1.2 per cent in October 2009. The average vacancy rate will vary widely across the city but all areas will see a tight rental market. The forecast calls for an increase of \$87 in the two-bedroom monthly average rent in 2008 and a more modest increase of \$55 in 2009 bringing the average rent for a two bedroom suite to \$780 in 2008 and \$835 in October 2009.

Paul Caton, Senior Market Analyst for CMHC Saskatchewan says the forecast shows the housing market will begin to take a breather into 2009. "Saskatoon's housing markets have seen record breaking price and rent increases in the last year," says the analyst. "This escalation cannot continue at the same pace and there are already signs that the market is slowing to a more sustainable level," he added.

As Canada's national housing agency, Canada Mortgage and Housing Corporation (CMHC) draws on over 60 years of experience to help Canadians access a variety of quality, environmentally sustainable, and affordable homes—homes that will continue to create vibrant and healthy communities and cities across the country. For more information, visit www.cmhc.ca or call 1 800 668-2642.

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Forecast Summary Saskatoon CMA Spring 2008							
	2005	2006	2007	2008f	% chg	2009f	% chg
Resale Market							
MLS [®] Sales	3,246	3,430	4,446	5,000	12.5	4,750	-5.0
MLS [®] New Listings	4,908	4,637	5,816	5,900	1.4	5,900	0.0
MLS [®] Average Price (\$)	144,787	160,577	232,754	275,000	18.2	297,500	8.2
New Home Market							
Starts:							
Single-Detached	751	959	1,485	1,650	11.1	1,450	-12.1
Multiples	311	537	895	900	0.6	800	-11.1
Starts - Total	1,062	1,496	2,380	2,550	7.1	2,250	-11.8
Average Price (\$):							
Single-Detached	213,464	239,365	272,802	328,000	20.2	360,000	9.8
Median Price (\$):							
Single-Detached	198,177	219,687	256,568	305,000	18.9	335,000	9.8
New Housing Price Index (% chg.)	5.6	9.1	38.8	25.0	-	13.0	-
Rental Market							
October Vacancy Rate (%)	4.6	3.2	0.6	1.0	-	1.2	-
Two-bedroom Average Rent (October) (\$)	584	608	693	780	-	835	-
Economic Overview							
Mortgage Rate (1 year) (%)	5.80	6.30	7.35	6.95	-	6.83	-
Mortgage Rate (5 year) (%)	6.30	6.45	7.54	7.01	-	6.97	-
Annual Employment Level	126,400	128,000	135,500	138,000	1.8	140,300	1.7
Employment Growth (%)	4.4	1.3	5.9	1.8	-	1.7	-
Unemployment rate (%)	5.0	4.4	4.0	4.2	-	4.0	-
Net Migration ⁽¹⁾	970	3,721	4,500	3,500	-	2,800	

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Source: CMHC (Starts and Completions Survey, Market Absorption Survey), adapted from Statistics Canada (CANSIM), CREA, Statistics Canada (CANSIM)

NOTE: Rental universe = Privately initiated rental apartment structures of three units and over

(1) 2007 migration data is forecasted