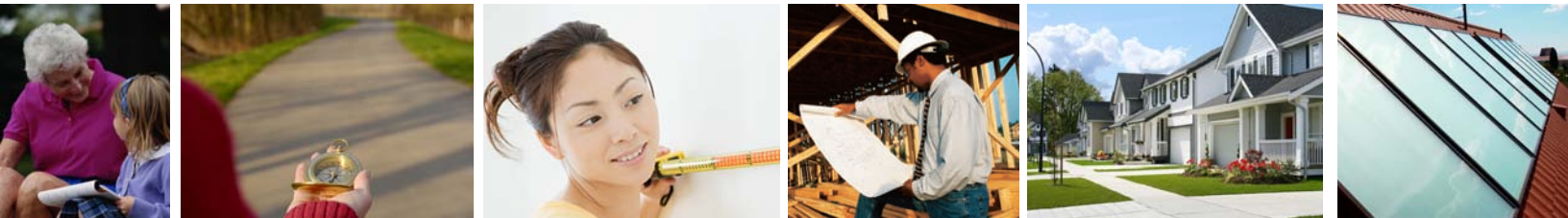


GAINING PERSPECTIVE: THE LOOK AHEAD

2009 CMHC Housing Outlook Conference - Winnipeg



FEBRUARY 19, 2009 • FORT GARRY HOTEL - WINNIPEG, MANITOBA

Canada 


CMHC  SCHL
HOME TO CANADIANS

FEBRUARY 19, 2009

NATIONAL HOUSING MARKET OUTLOOK

BOB DUGAN *Chief Economist* CMHC

As CMHC's Chief Economist, Bob leads a team of national and regional economists responsible for analyzing and forecasting activity in national and provincial housing markets. Prior to joining CMHC, Bob held a number of positions in the private sector and federal government.



GAINING PERSPECTIVE: THE LOOK AHEAD

2009 CMHC Housing Outlook Conference - Winnipeg



Housing Market Conditions and Outlook

Winnipeg Housing Outlook Conference

Bob Dugan

Chief Economist

Canada Mortgage and Housing Corporation

Canada 





Presentation Outline

- **Drivers of housing demand**
 - **Economic conditions**
 - **Interest rate outlook**
- **Housing Market Outlook**
 - **Existing home market**
 - **New home market**

Canadian economic growth

Consensus Economics Forecast for Canadian Real GDP growth in 2009

	Average Forecast	High forecast	Low forecast
October 2008	1.1%	2.2%	-0.3%
November 2008	0.5%	1.5%	-0.3%
December 2008	-0.1%	1.5%	-1.4%
January 2009	-0.7%	0.5%	-1.5%

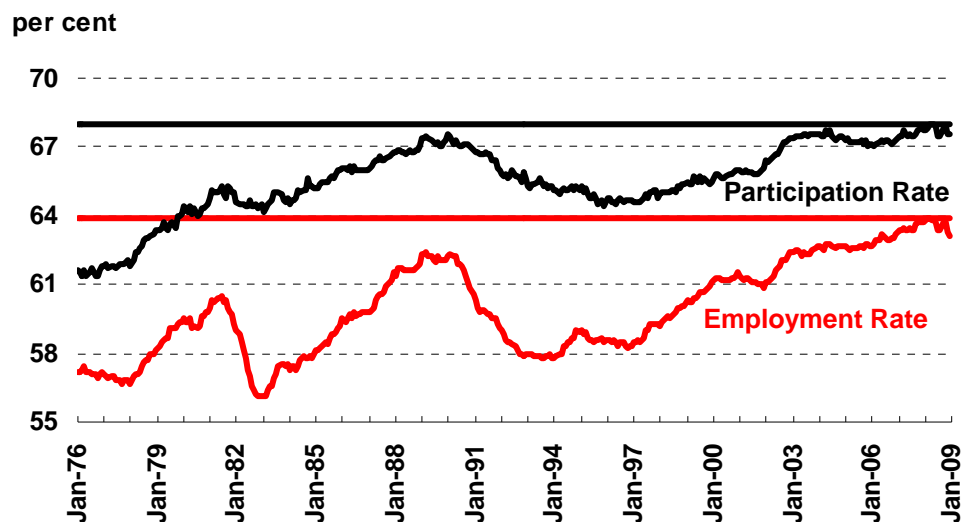
Consensus Economics Forecast for U.S. Real GDP growth in 2009

	Average Forecast	High forecast	Low forecast
October 2008	0.0%	1.0%	-1.7%
November 2008	-0.6%	1.2%	-2.1%
December 2008	-1.3%	0.3%	-2.5%
January 2009	-1.8%	-0.5%	-2.8%

- Canadian GDP contracted in the first quarter and grew modestly in the second quarter and third quarters.
- There is a great deal of uncertainty with respect to the economic outlook. Forecasters have revised their outlooks lower in recent months. For example, according to Consensus Economics, the average private sector forecast for GDP growth in 2009 was 1.1 per cent in October. By January, this was revised down to -0.7 per cent.
- On January 23rd, the Bank of Canada published its Monetary Policy Report, in which it forecast GDP growth of -1.2 per cent for 2009. However, the Bank expects a strong rebound in 2010 when real GDP will grow by 3.4 per cent.

Slower economic growth means employment will decrease in 2009

Tight Labour Market

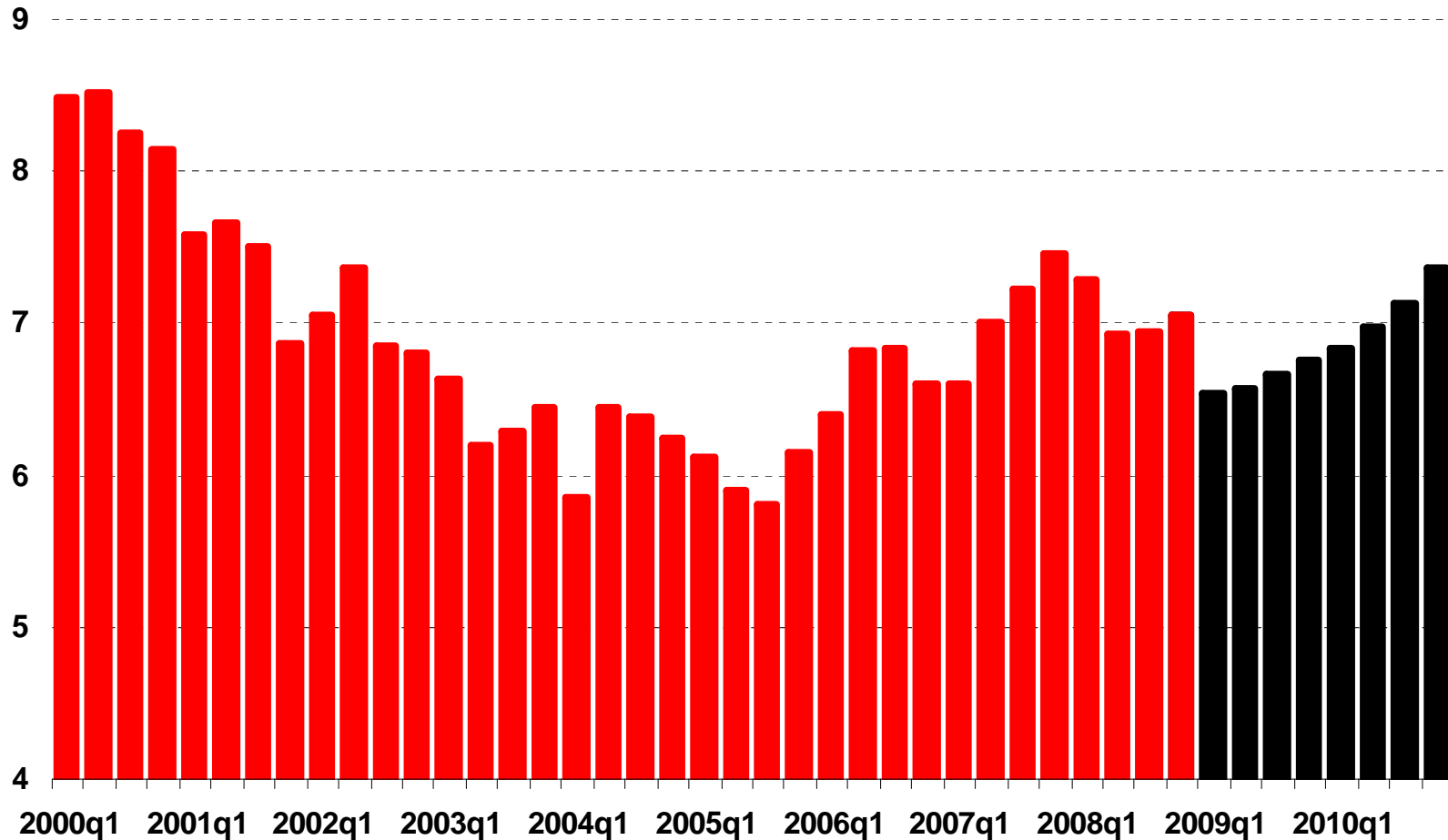


- Strong employment growth in recent years has caused both the employment to population ratio and the participation rate to rise to record high levels. This suggests that the labour market is still fairly tight.
- Given the tight labour market, growth in disposable income has been strong.
- Given the current economic environment, employment is forecast to decrease by about 0.2 per cent in 2009. As a result, the unemployment rate will rise to 7.2 per cent in 2009.

Source: CMHC, adapted from Statistics Canada (Labour Force Survey)

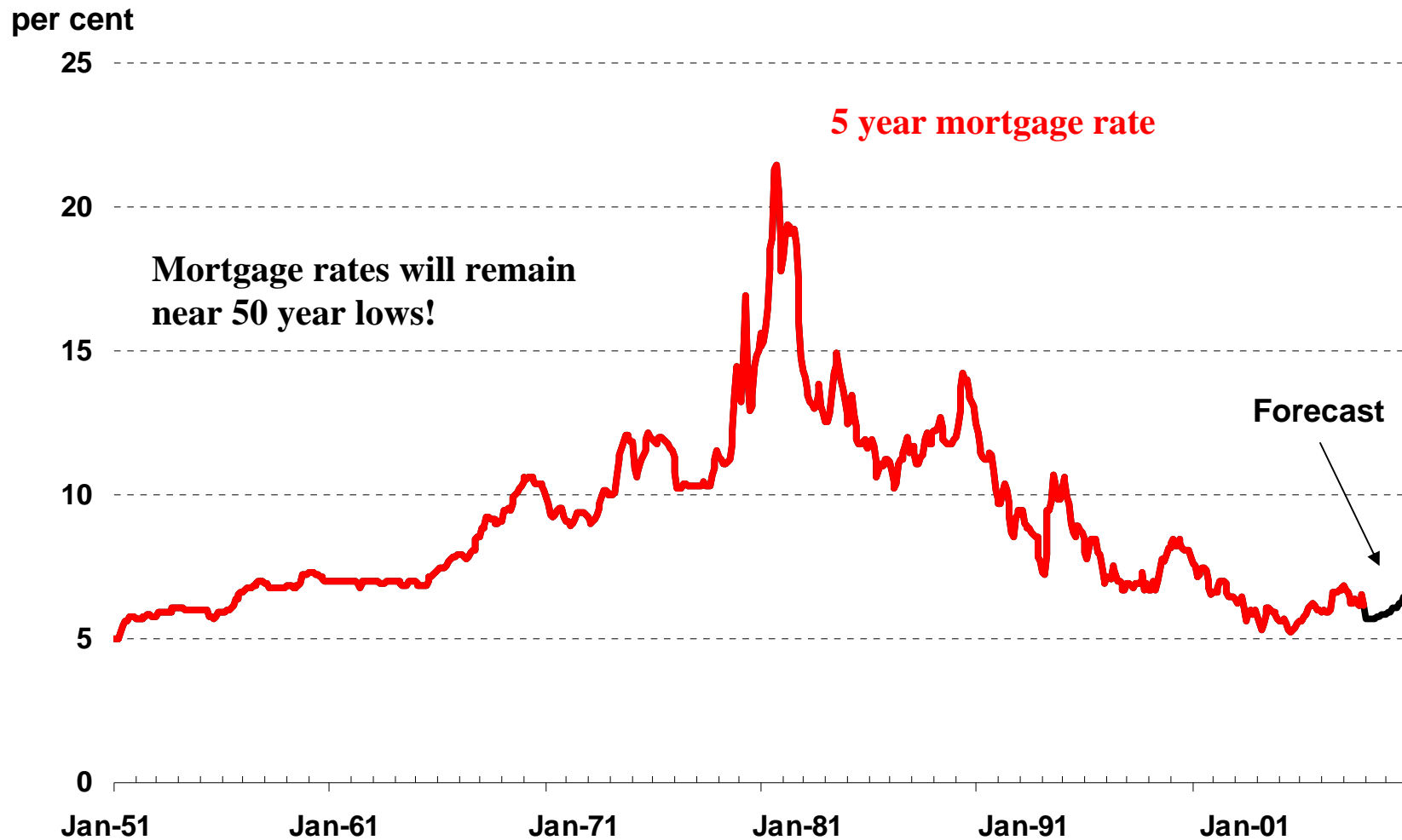
Mortgage rates will remain low, but will edge slightly higher late in 2009 and in 2010

per cent



Source: CMHC forecast, Bank of Canada, Statistics Canada

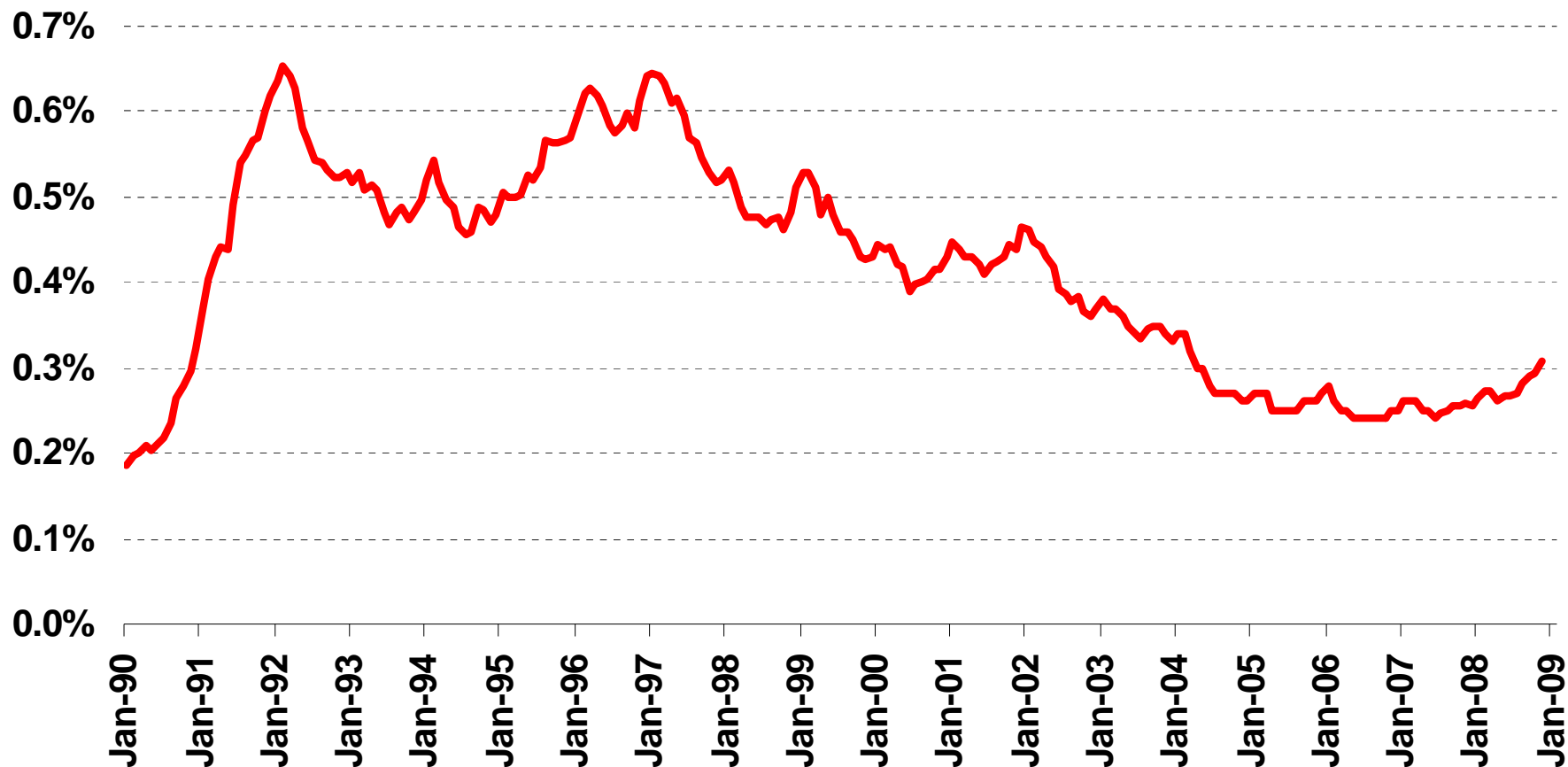
Rates will remain moderate by historical standards



Source: CMHC Forecast, Bank of Canada, Statistics Canada

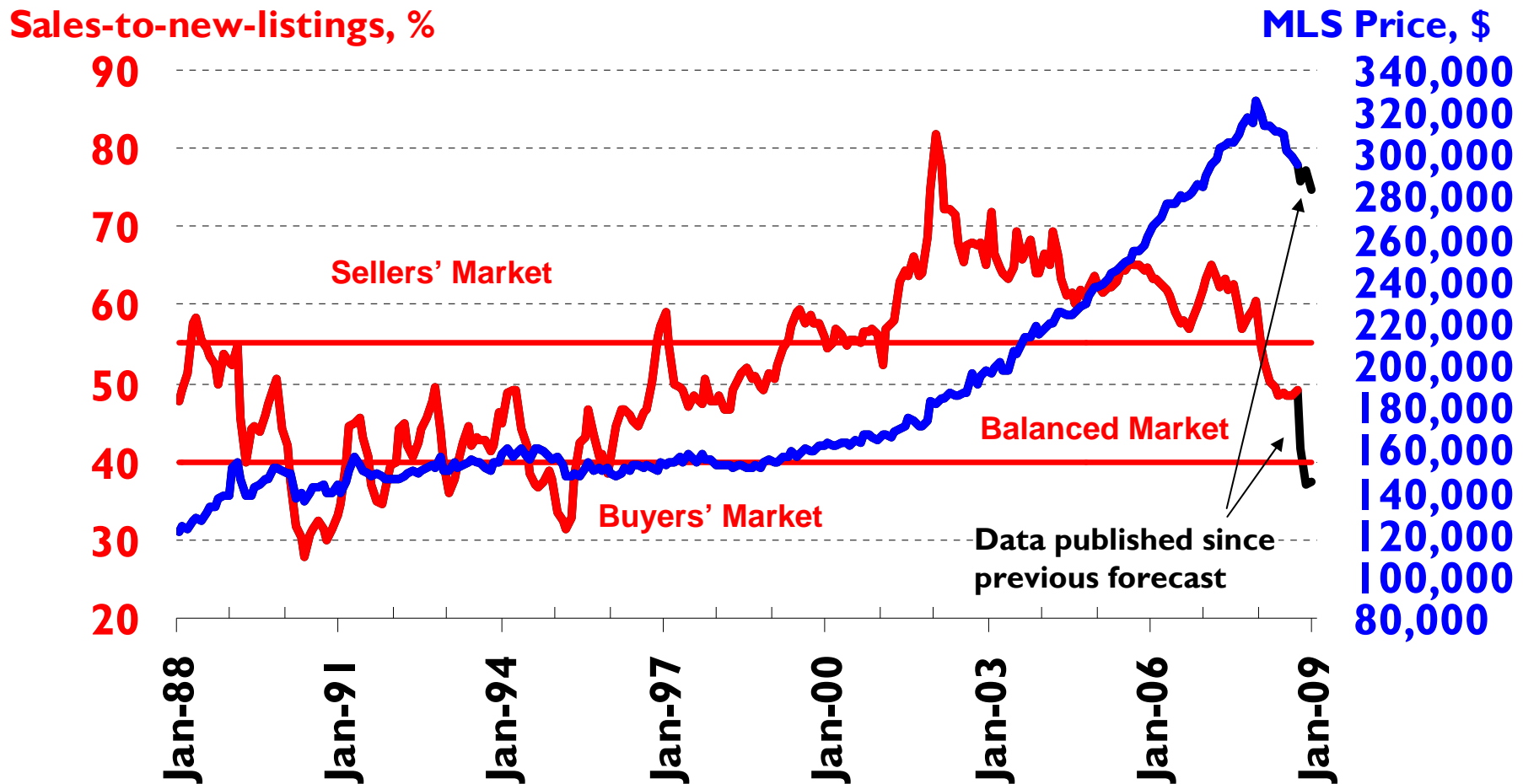
The share of mortgages in arrears is near its lowest level since 1990

per cent



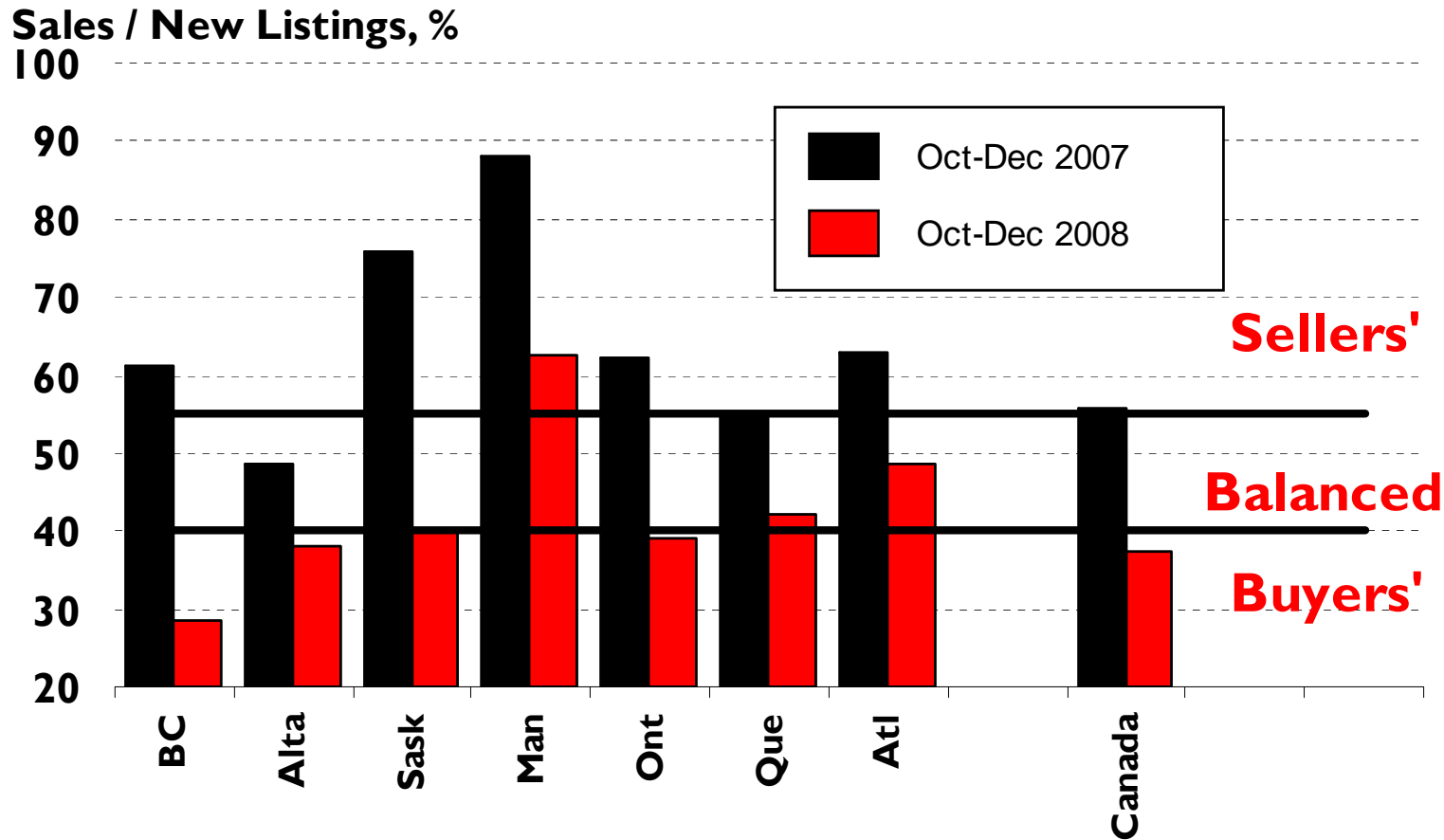
Sources: Canadian Bankers Association

Existing home market is drifting toward buyers' market conditions



Source: CREA, CMHC

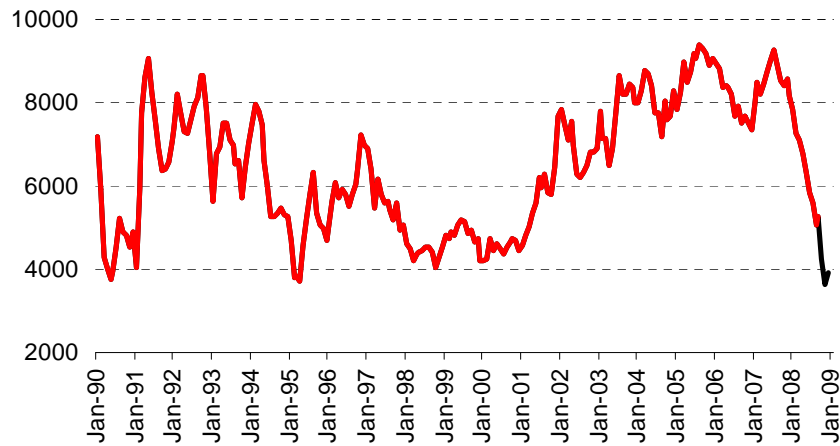
Sales-to-new-listings ratios have fallen across the country



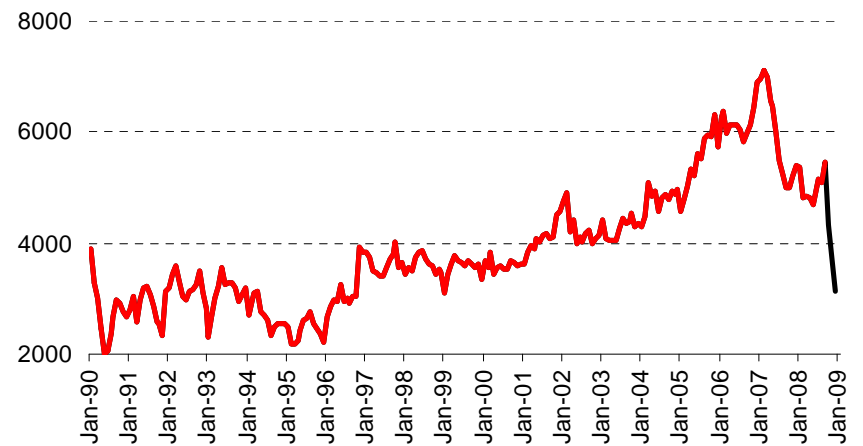
Source: CREA, CMHC

MLS Sales have decreased in both central and western Canada

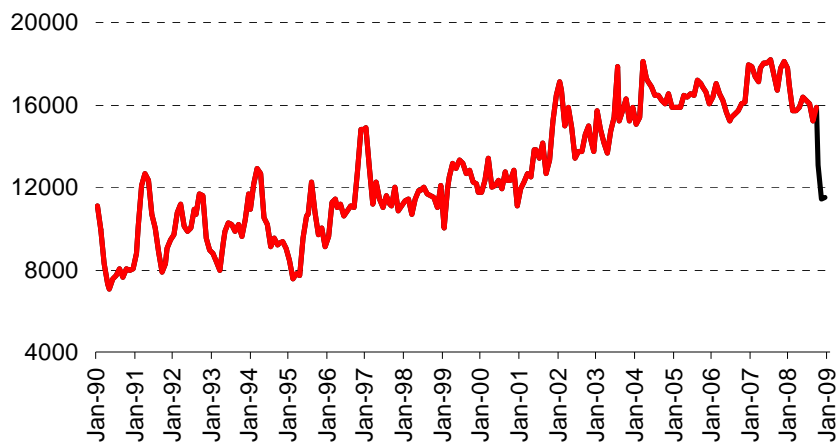
British Columbia



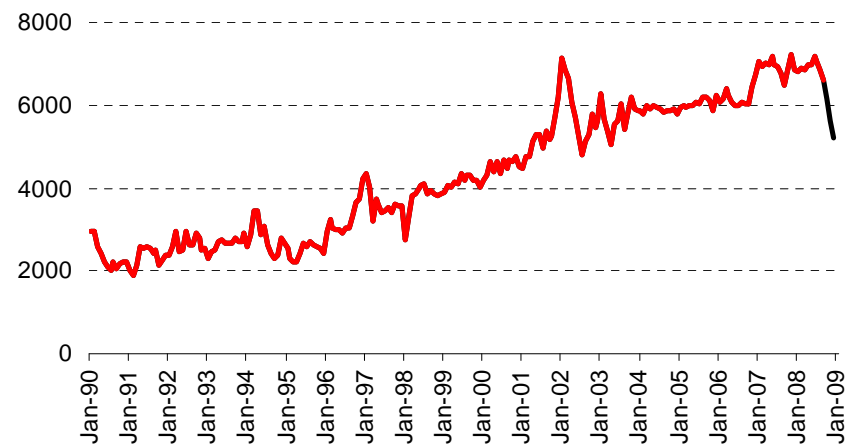
Alberta



Ontario

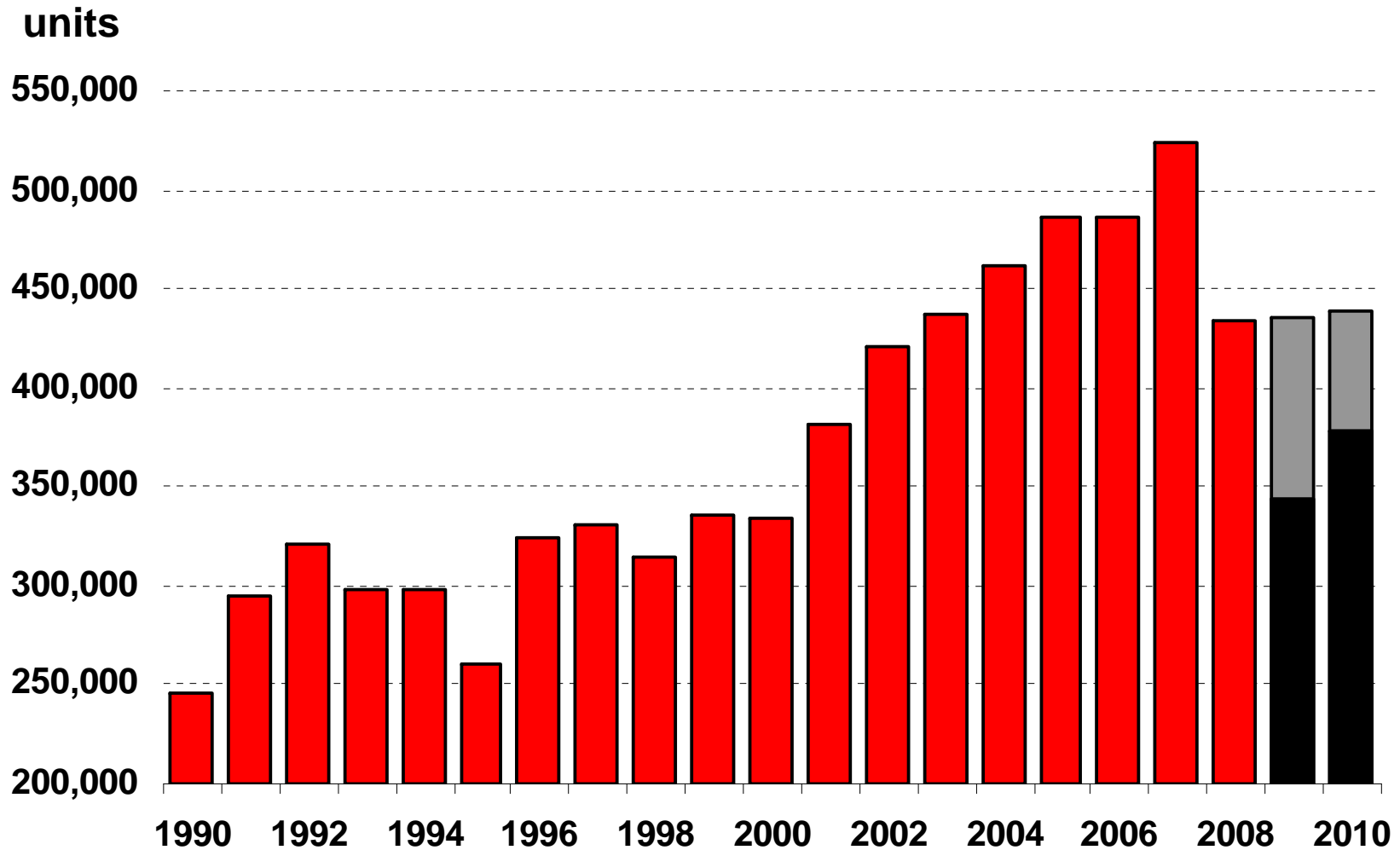


Quebec



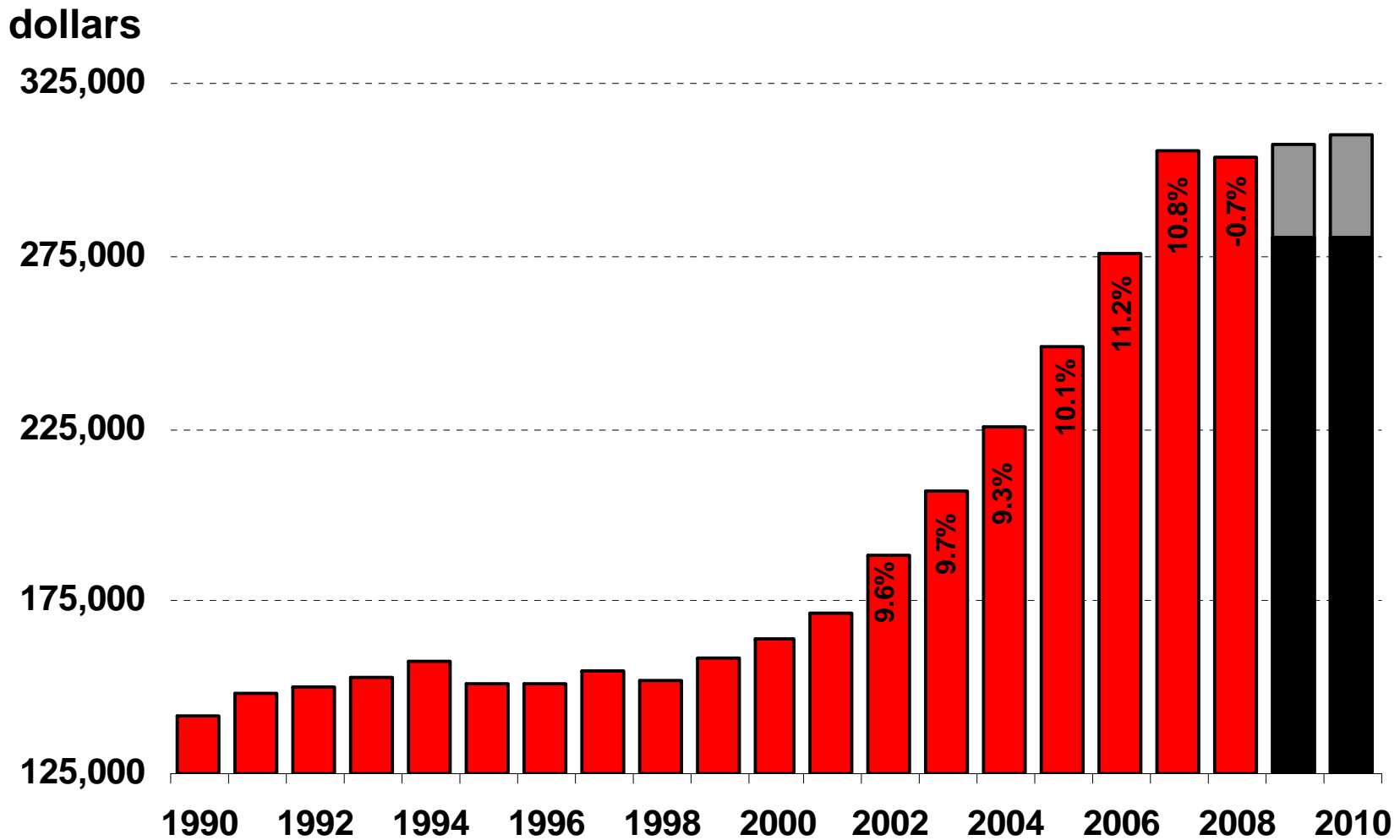
Source: CREA, CMHC

MLS[®] sales will decrease in 2009 but rebound in 2010



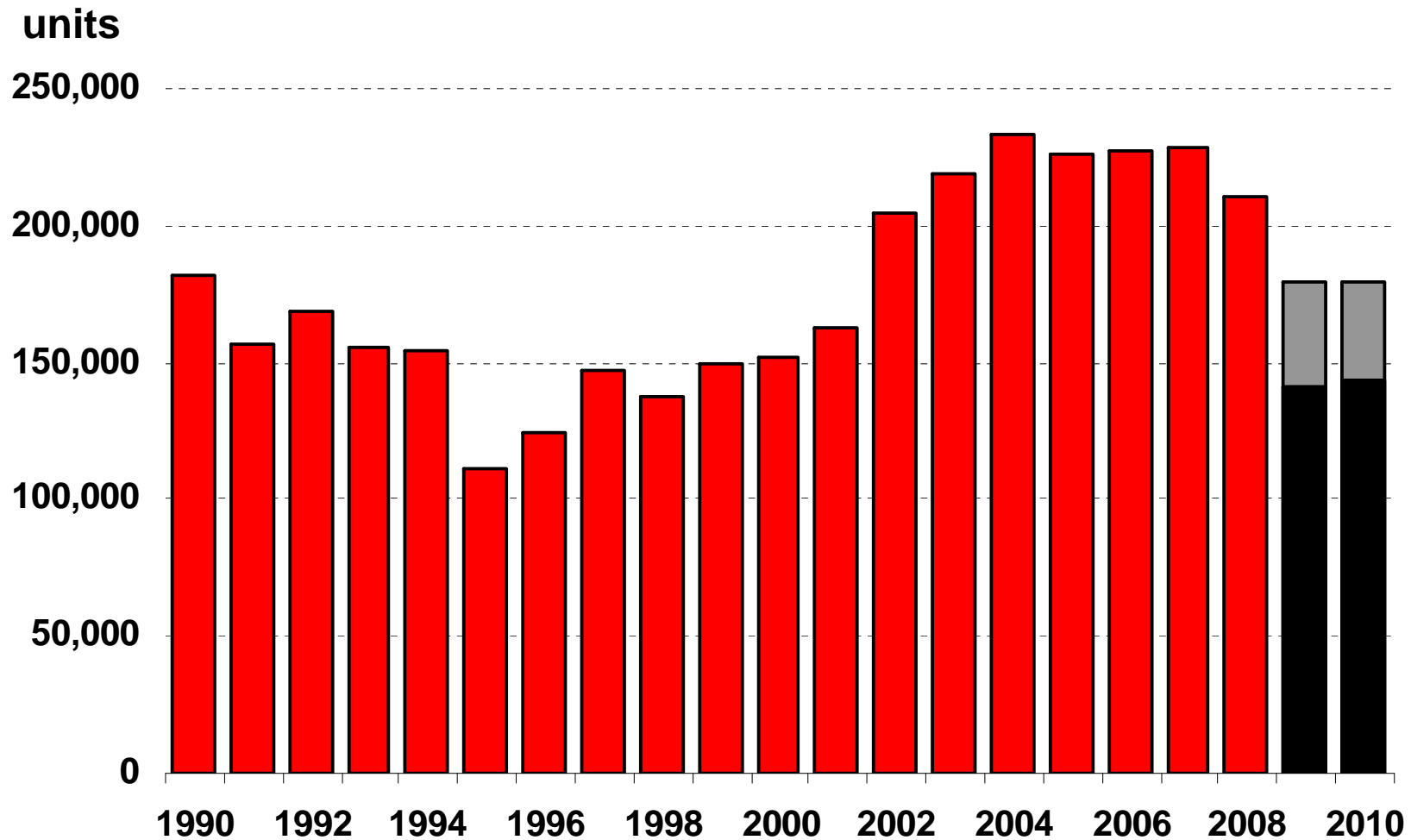
Source: CMHC, CREA

Balanced to buyers' market conditions will keep house prices below 2008 levels



Source: CMHC, CREA

Following 7 very strong years, starts will dip below demographic requirements in 2009 and 2010



Source: CMHC



Housing Outlook Summary

- **The rise in house prices in recent years will cause demand for home ownership to edge lower and existing home markets move toward balanced/buyers' market conditions.**
- **Existing home markets have moved into the balanced to buyers' range. As a result house prices will decrease in 2009.**
- **We expect MLS sales to continue their decrease from record levels in 2009 and 2010 and that housing starts will move below the level of household formation.**

MANITOBA ECONOMIC AND HOUSING MARKET OUTLOOK

RICHARD CORRIVEAU

Regional Economist

CMHC Prairie and Territories Region

As CMHC's Regional Economist for the Prairie and Territories Region, Richard plays a key role in developing the housing market forecast for Alberta, Saskatchewan, and Manitoba, as part of a national team of economists. Prior to assuming his current role, Richard was CMHC's Senior Market Analyst for Calgary.



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2009 CMHC HOUSING OUTLOOK CONFERENCE



MANITOBA ECONOMIC AND HOUSING MARKET OUTLOOK



RICHARD CORRIVEAU
REGIONAL ECONOMIST
PRAIRIE AND TERRITORIES

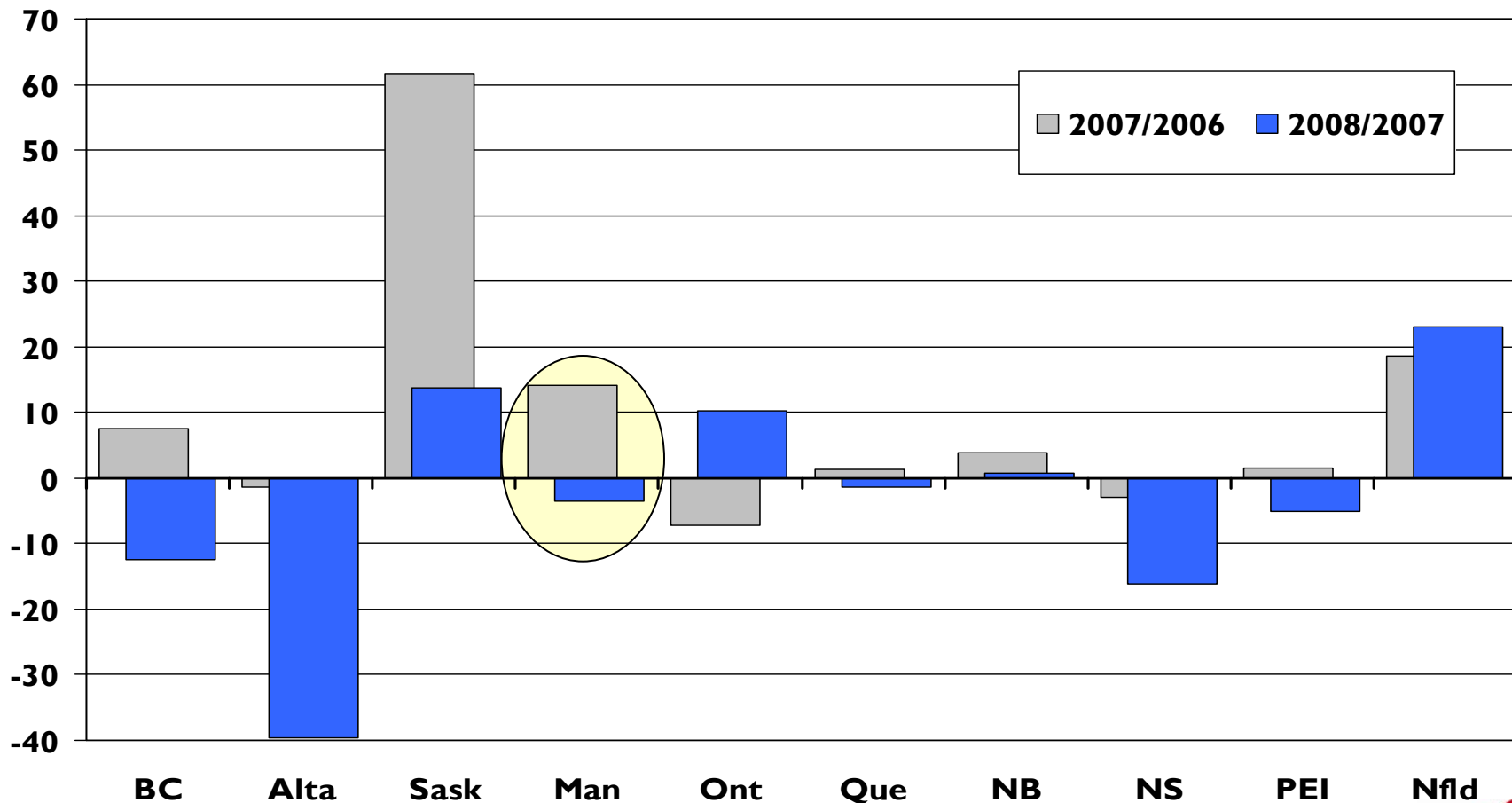




Provincial Housing Starts Yr/Yr % Change

Relative stability has characterized Manitoba's new home market

yr/yr per cent change



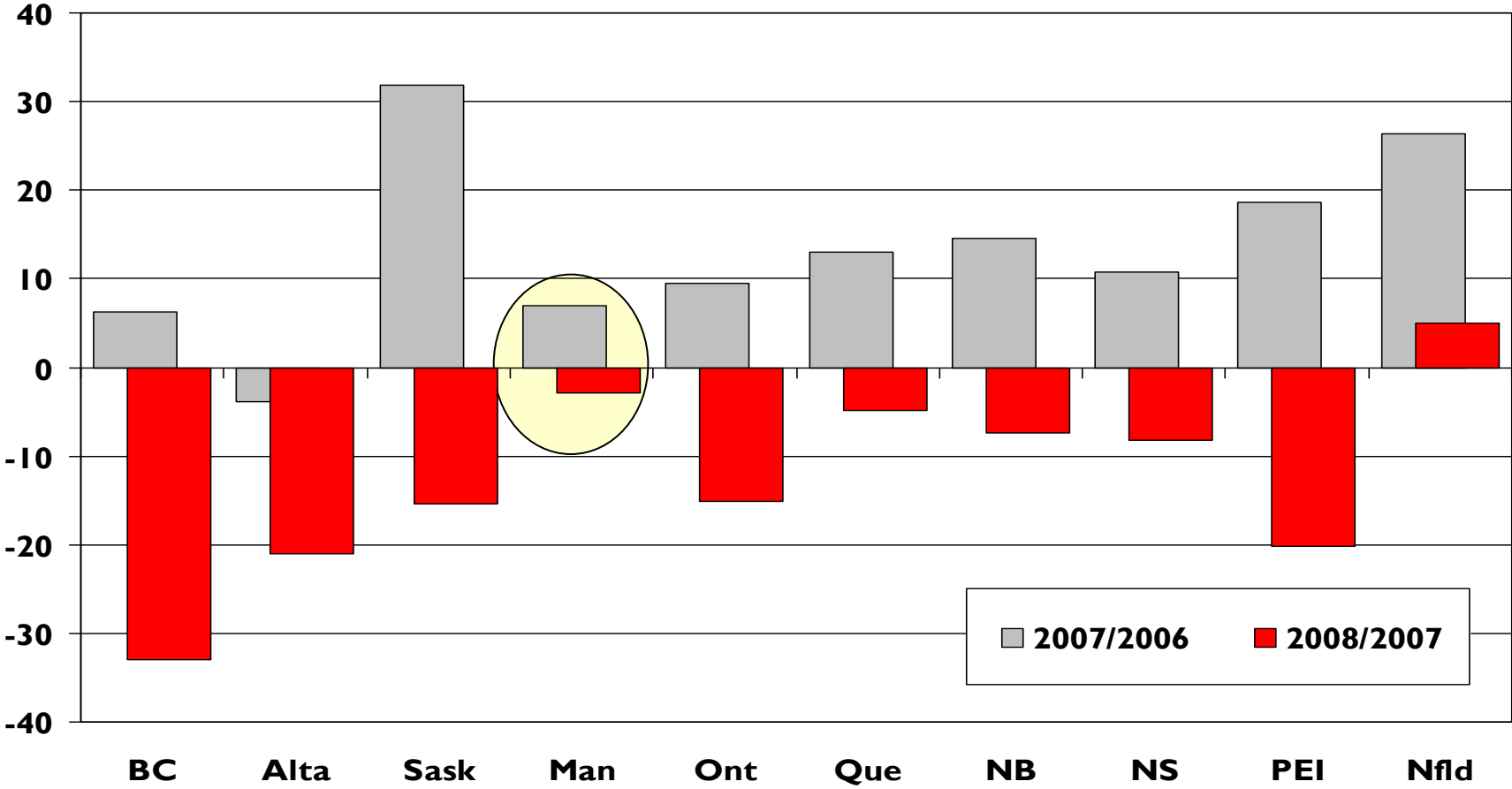
Source: CMHC, CMHC calculation



Provincial MLS[®] Sales Yr/Yr % Change

Volatility has characterized other provincial resale markets

yr/yr per cent change



Source: CREA, CMHC calculation





Agenda...

✓ Economic Outlook

- GDP growth
- Net migration
- Employment and wage gains

✓ Provincial Housing Market Outlook

- Housing starts
- Existing home sales and prices

✓ Topics of Interest

- Equity position among mortgage holders
- Mortgages in arrears



MANITOBA ECONOMIC OUTLOOK...

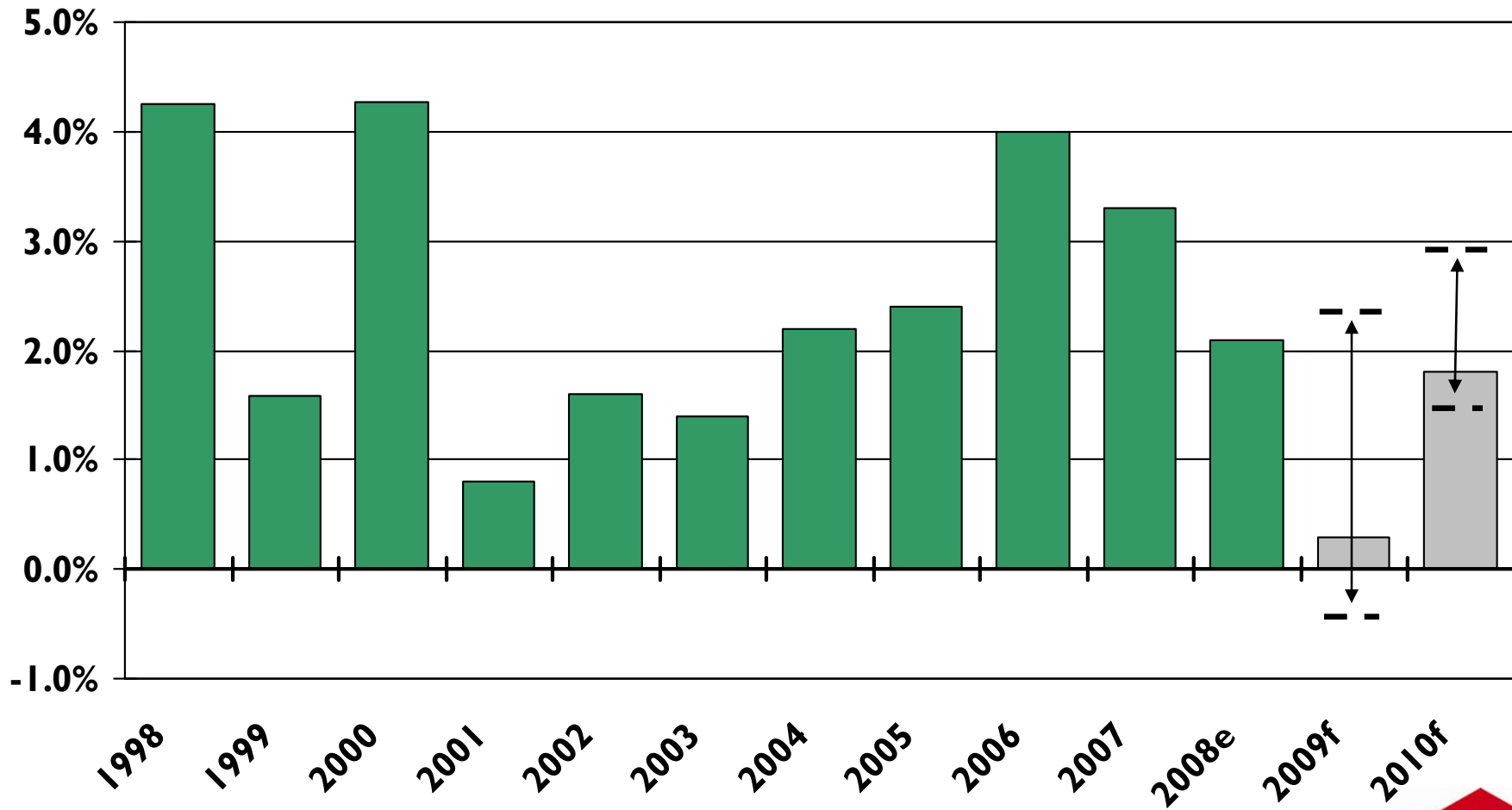




Manitoba GDP Growth Forecast

Weaker growth expected, but among provincial leaders

per cent change, real Gross Domestic Product

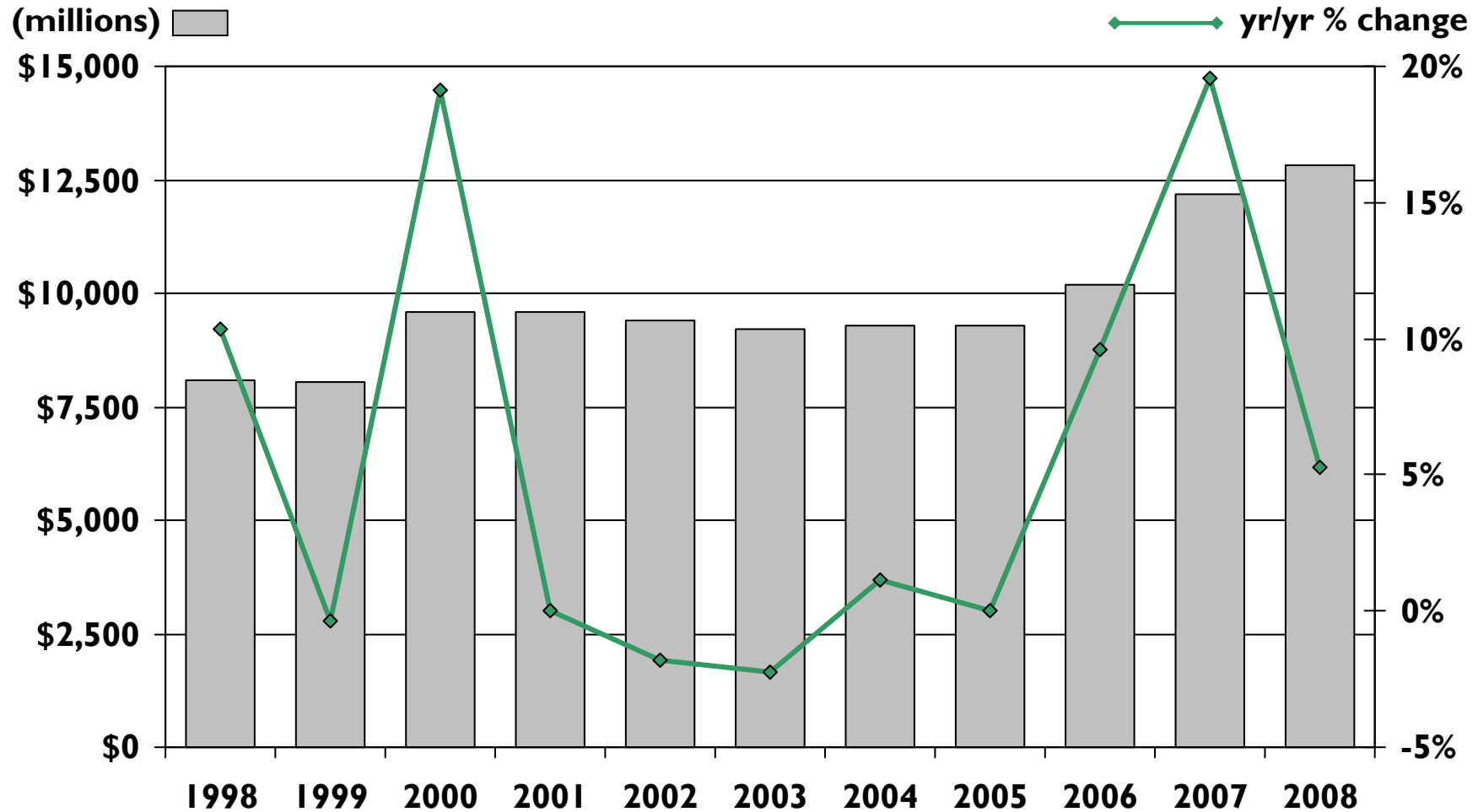


Source: Statistics Canada, CMHC forecast (f), min and max range from recent public forecasts



Manitoba International Exports

Weaker export growth expected as we move forward

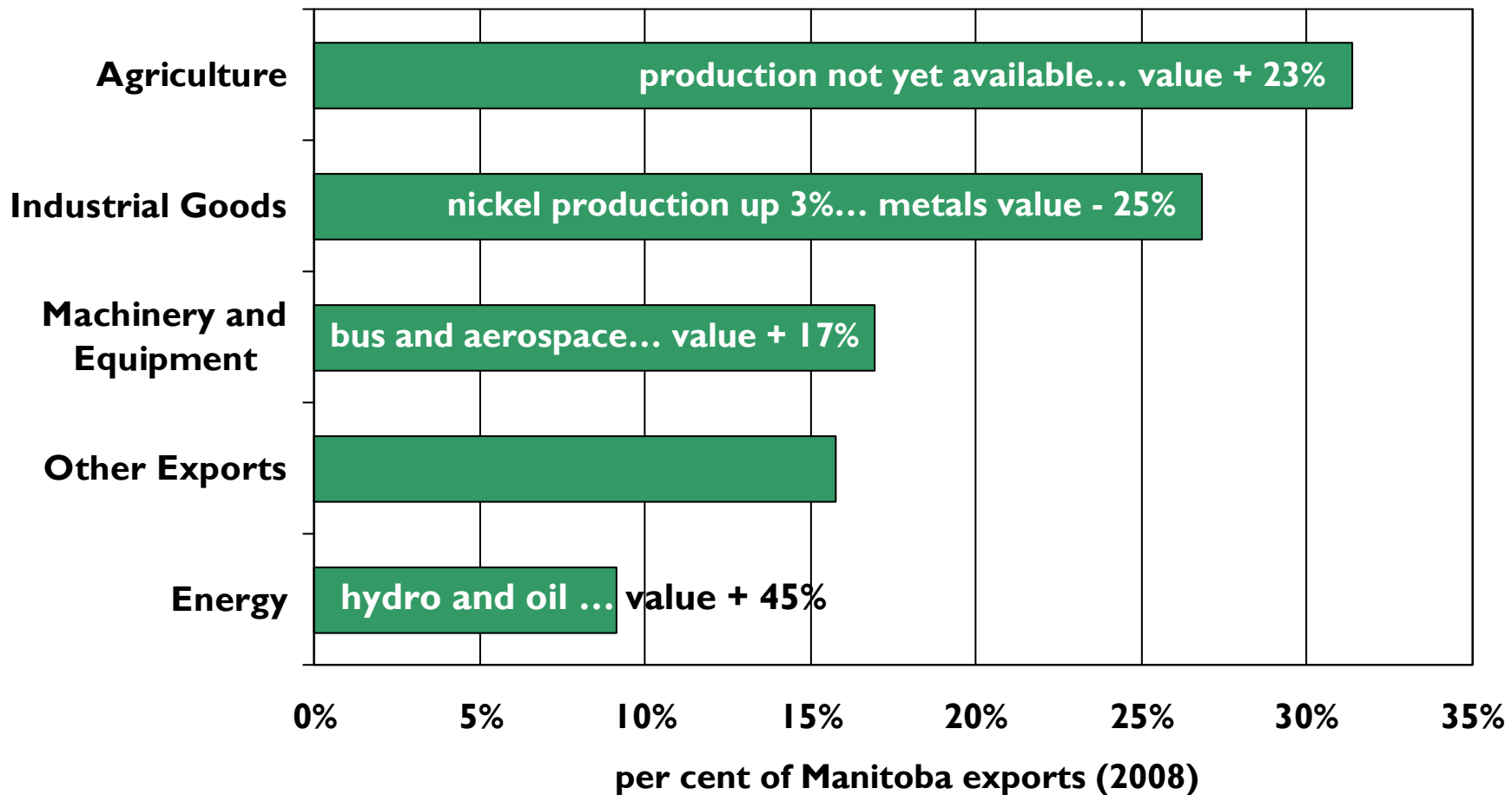


Source: Statistics Canada, CMHC research



Manitoba Exports by Industry

Commodity prices and not production will lead exports lower



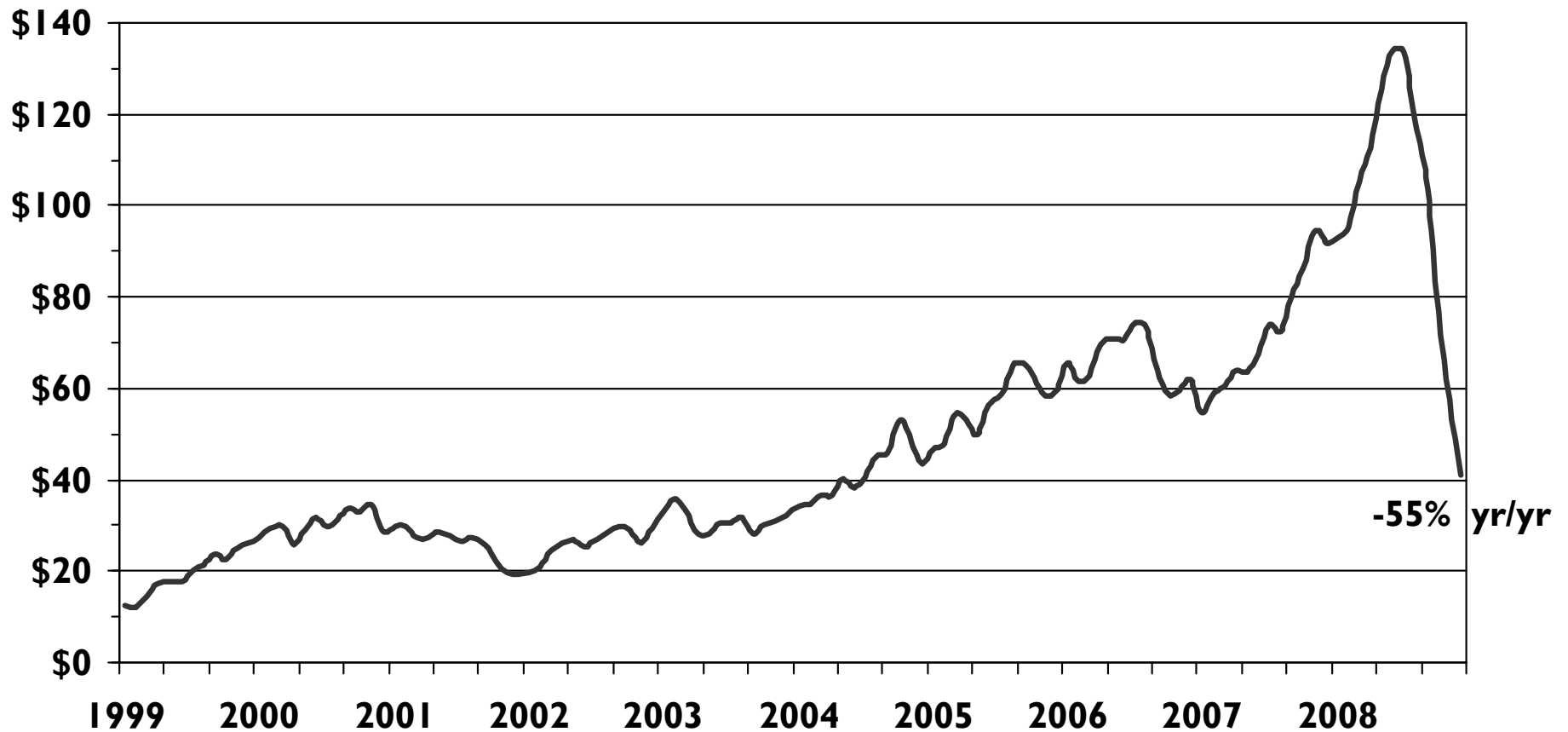
Source: Statistics Canada, Strategis, Trade Data Online, CMHC research



Crude Oil Price \$US per Barrel (WTI)

Weaker world demand and heightened supplies have cut prices

WTI (monthly average/bbl)



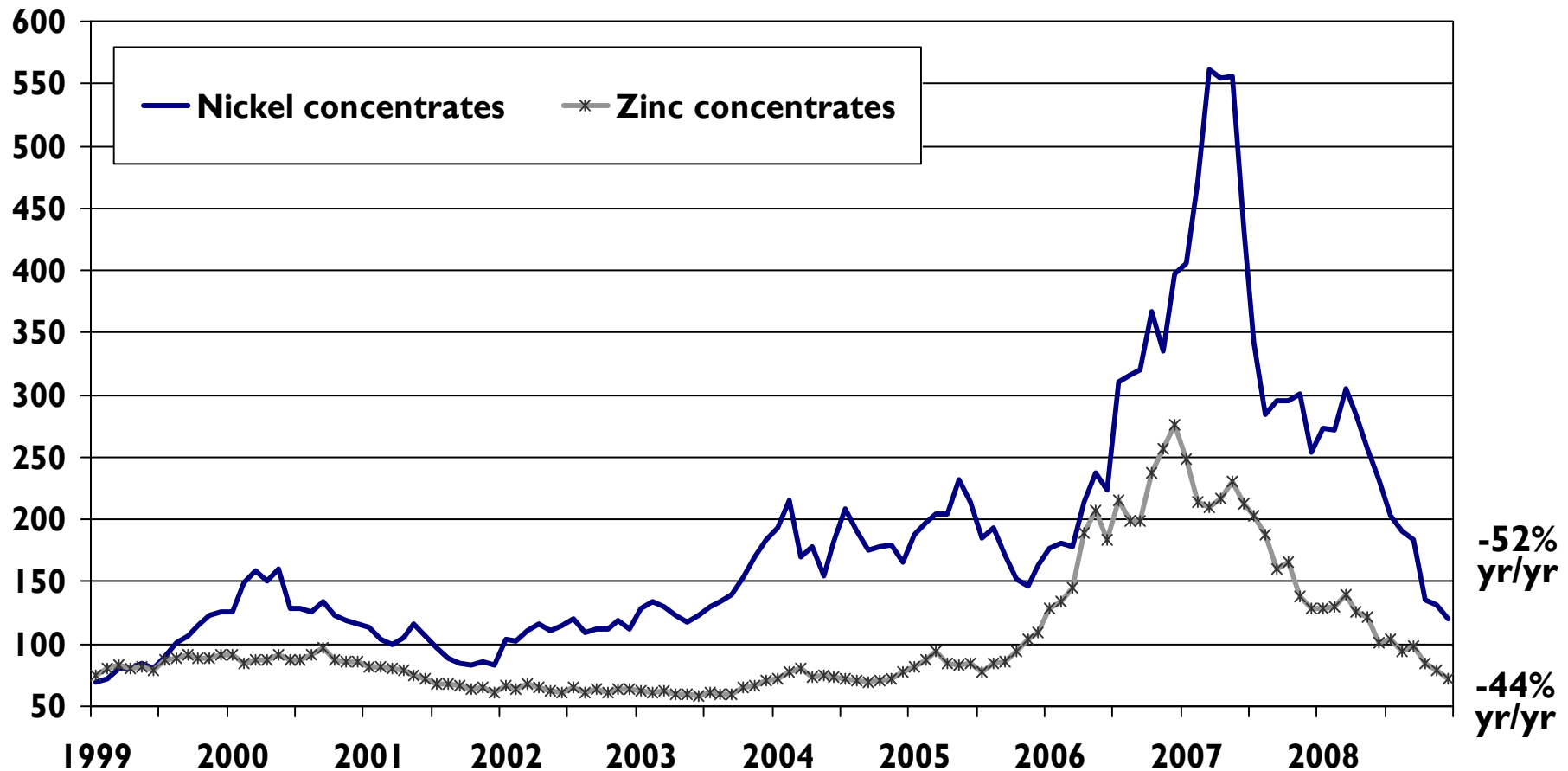
Source: Statistics Canada, CMHC research



Nickel and Zinc Price Indices

Metal prices down sharply due to weaker global economy

index (1997=100)



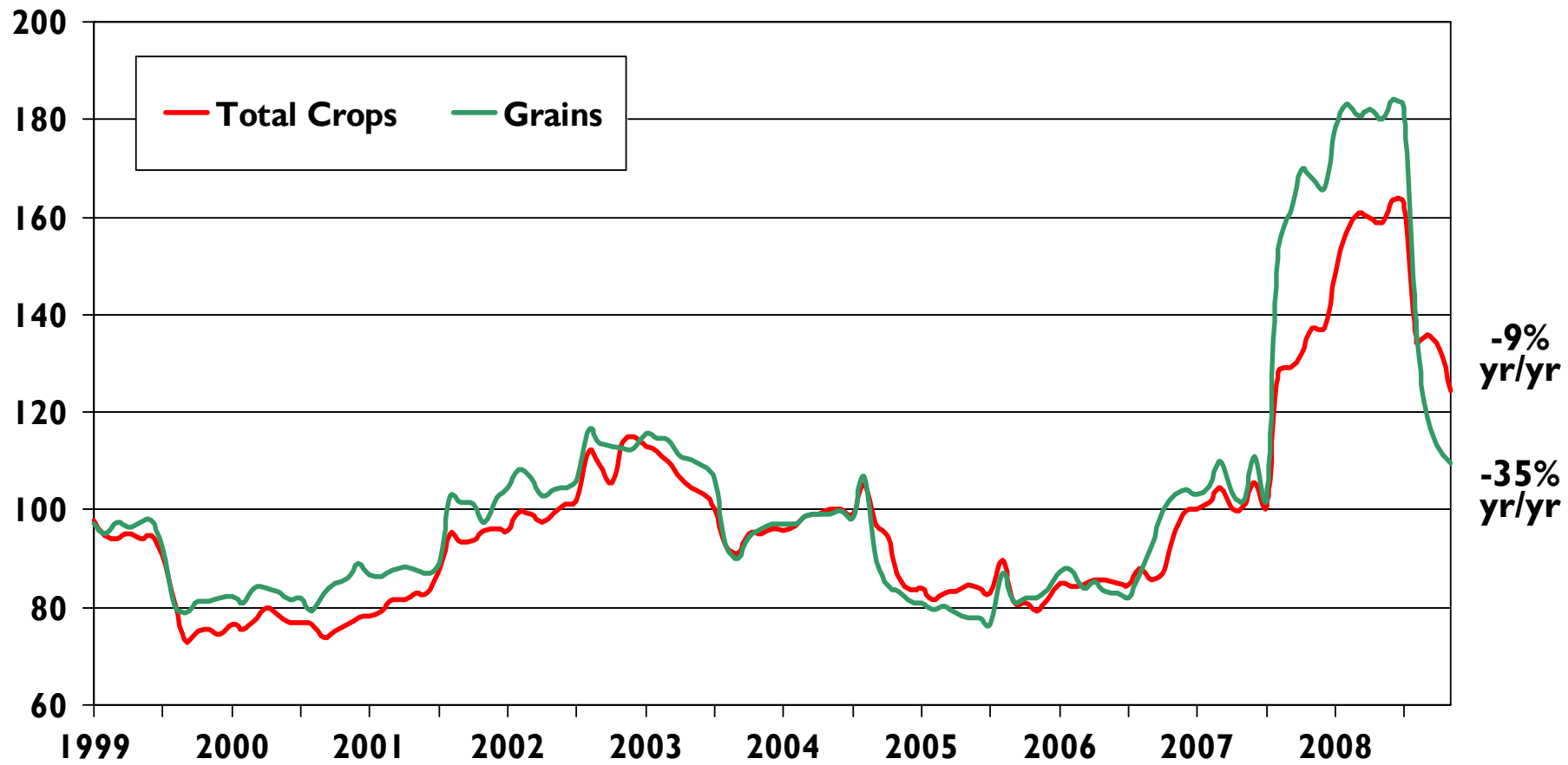
Source: Statistics Canada, CMHC research



Manitoba Farm Product Price Index

World's record crop yield now cutting into agriculture prices

index (1997=100)



Source: Statistics Canada, CMHC research

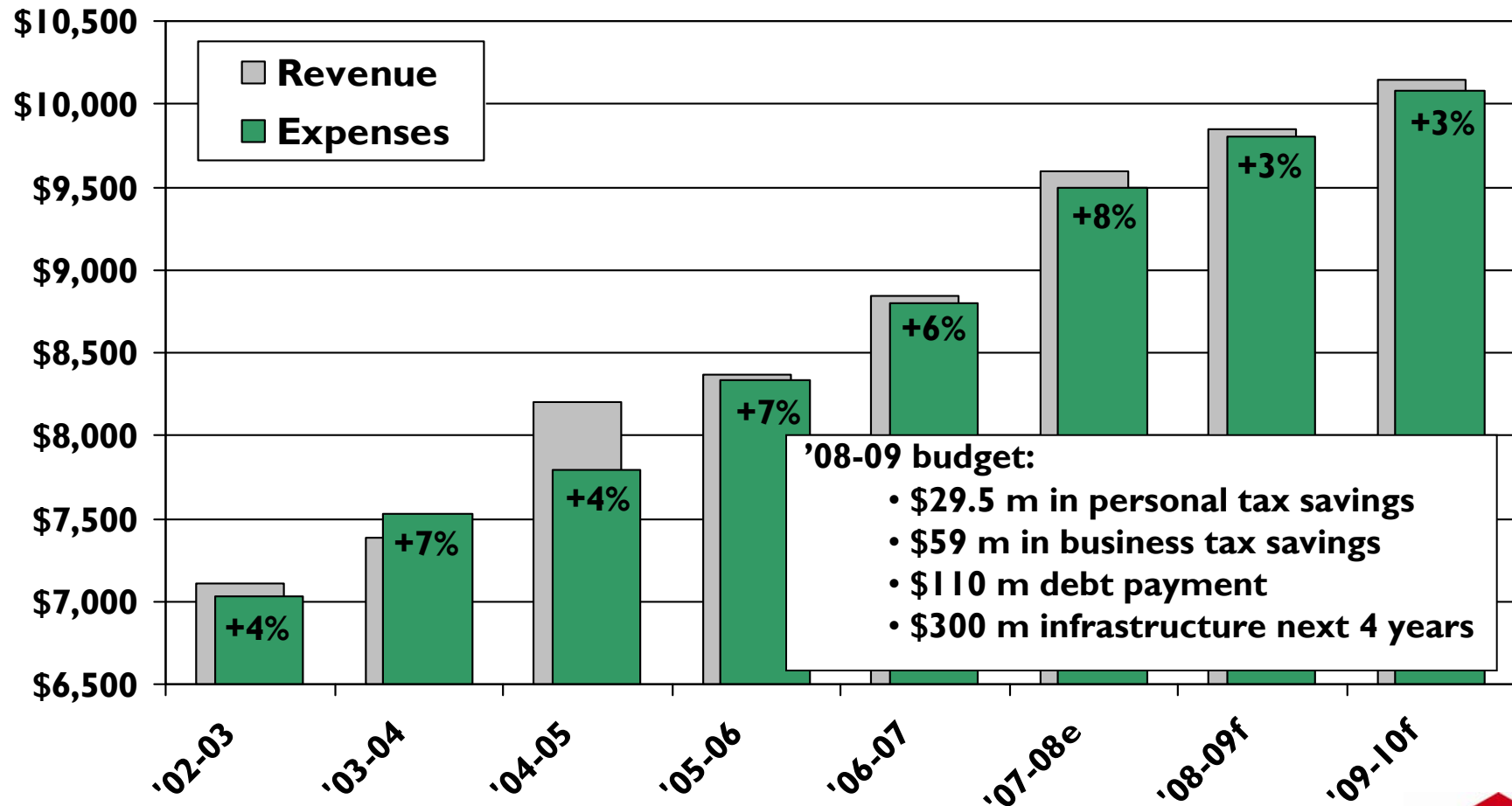




MB Government Revenues & Expenses

Modest surplus goes to health, education, and infrastructure

(millions)

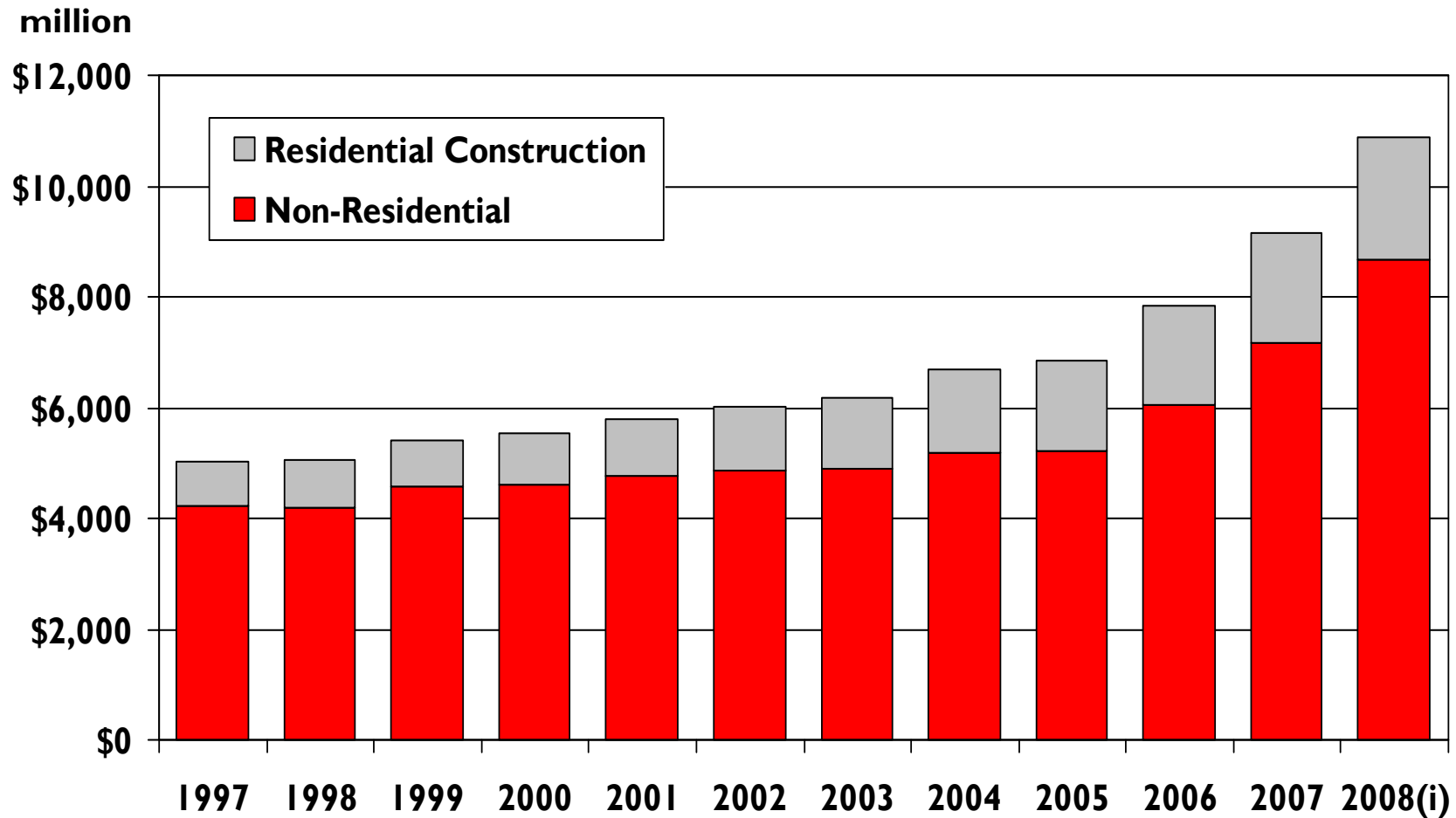


Source: Manitoba Finance (Provincial Budget (April) – Core Programs)



Manitoba Annual Capital Expenditures

Strongest gain in intentions was in non-residential component



Source: Statistics Canada, table 029-0005 and catalogue no. 61-205-XIB



Status of Major Capital Projects

A few large projects wrapped up in '08, new ones on the horizon

Commercial

- Manitoba Hydro Tower (\$278M)
 - Reaching completion in 2009, staff began moving in December, 2008

Oil, Gas, Pipelines, and Power

- Manitoba Hydro's Wuskwatim Generation Project (\$1.3B)
 - Construction of spillway, powerhouse, and dam to commence in 2009
- Manitoba Hydro's Riel Converter Station (\$700M)
 - Environmental approval expected summer 2009
- TransCanada's Keystone Pipeline (\$450M)
 - Easement acquisitions and permits '08, construction this year

Infrastructure and Other

- Red River Floodway Expansion (\$665M)
 - Many components completed, others still ongoing
- Winnipeg Airport Terminal (\$585M)
- Canadian Human Rights Museum (\$265M)

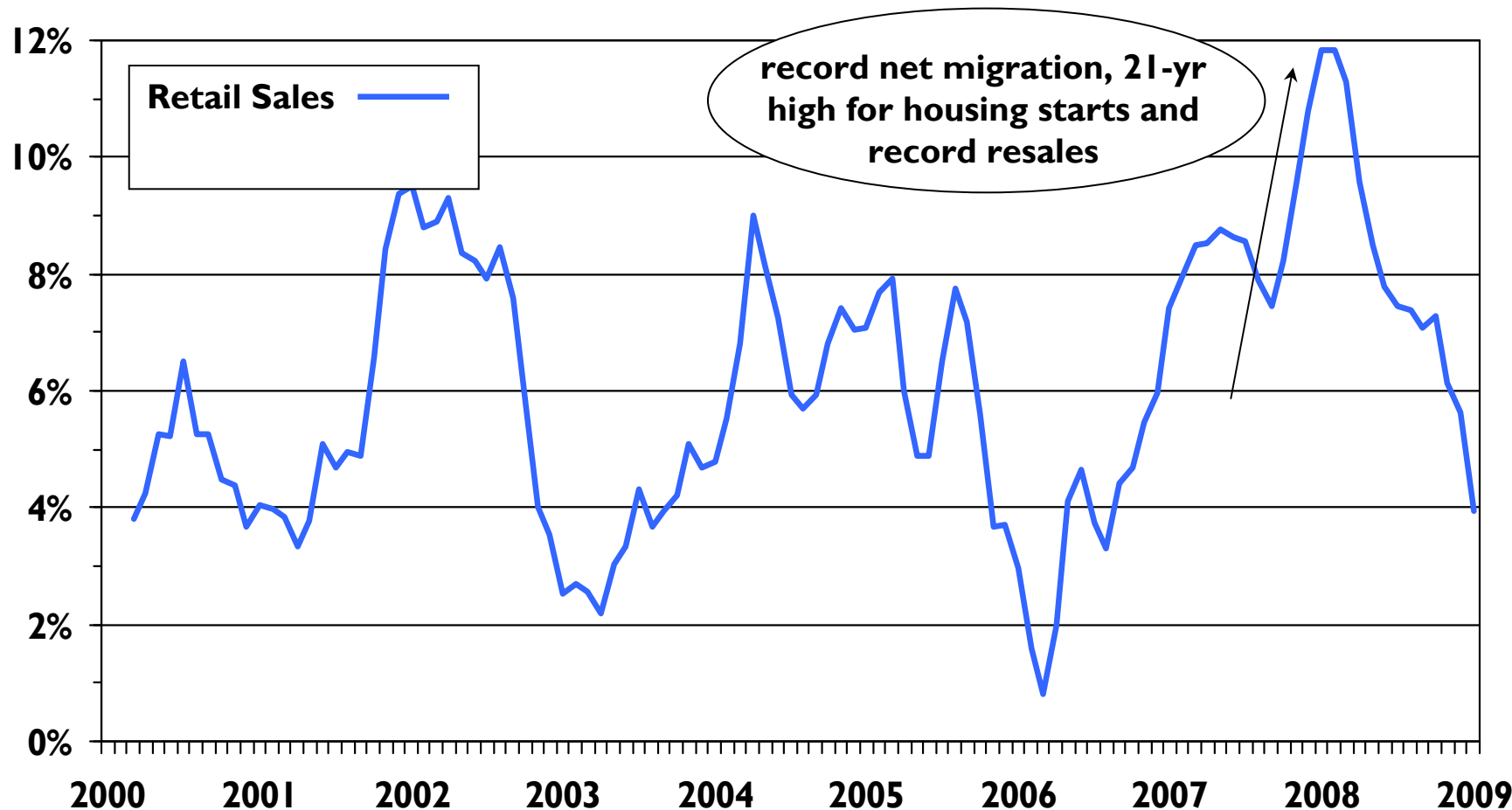
Source: CMHC research



Manitoba Personal Consumption

Record growth rate will not be maintained...

yr/yr per cent change in retail sales



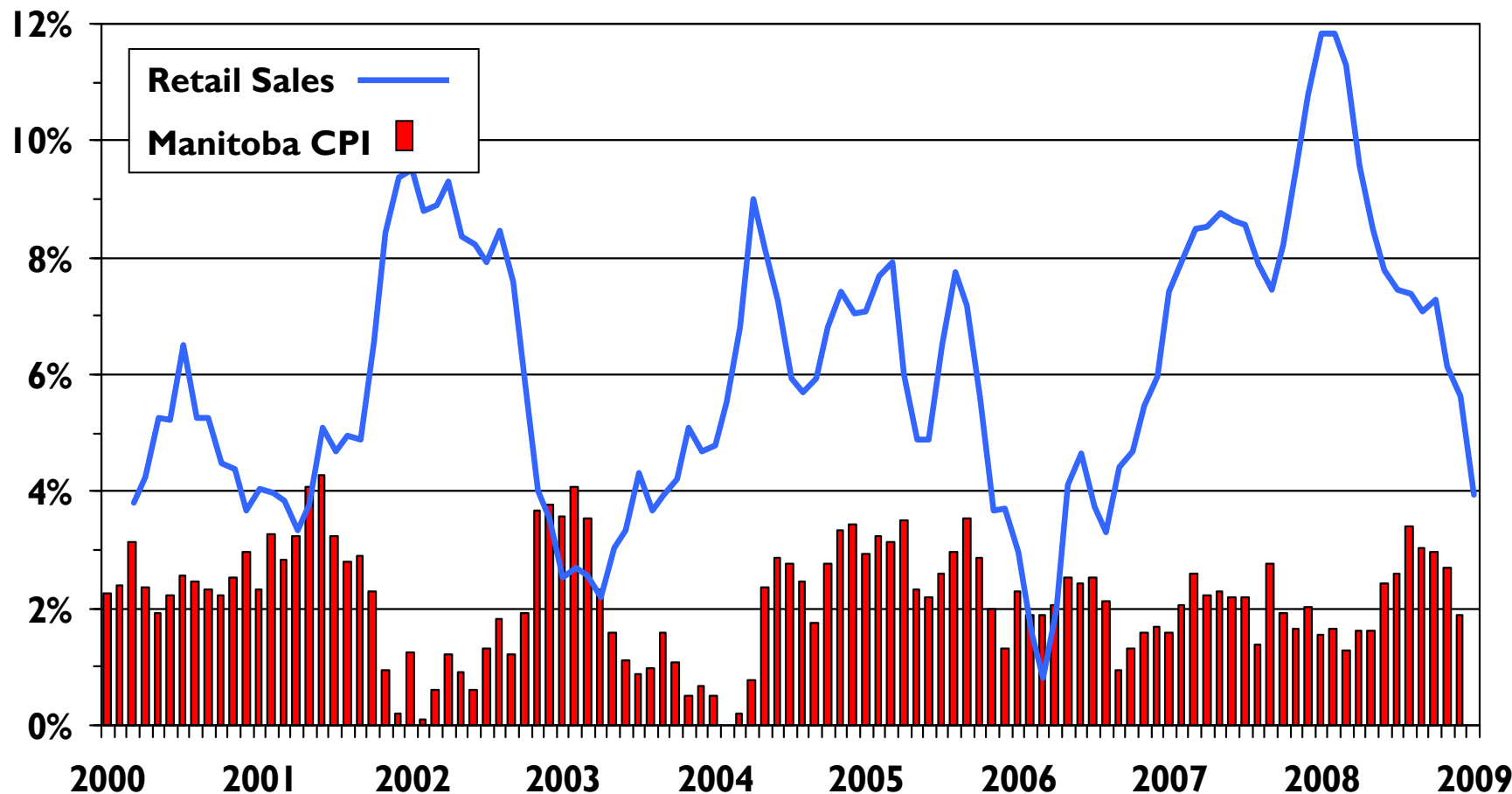
Source: Statistics Canada, CMHC research



Manitoba Personal Consumption

...but a declining rate of inflation will help in real terms

yr/yr per cent change in retail sales, CPI



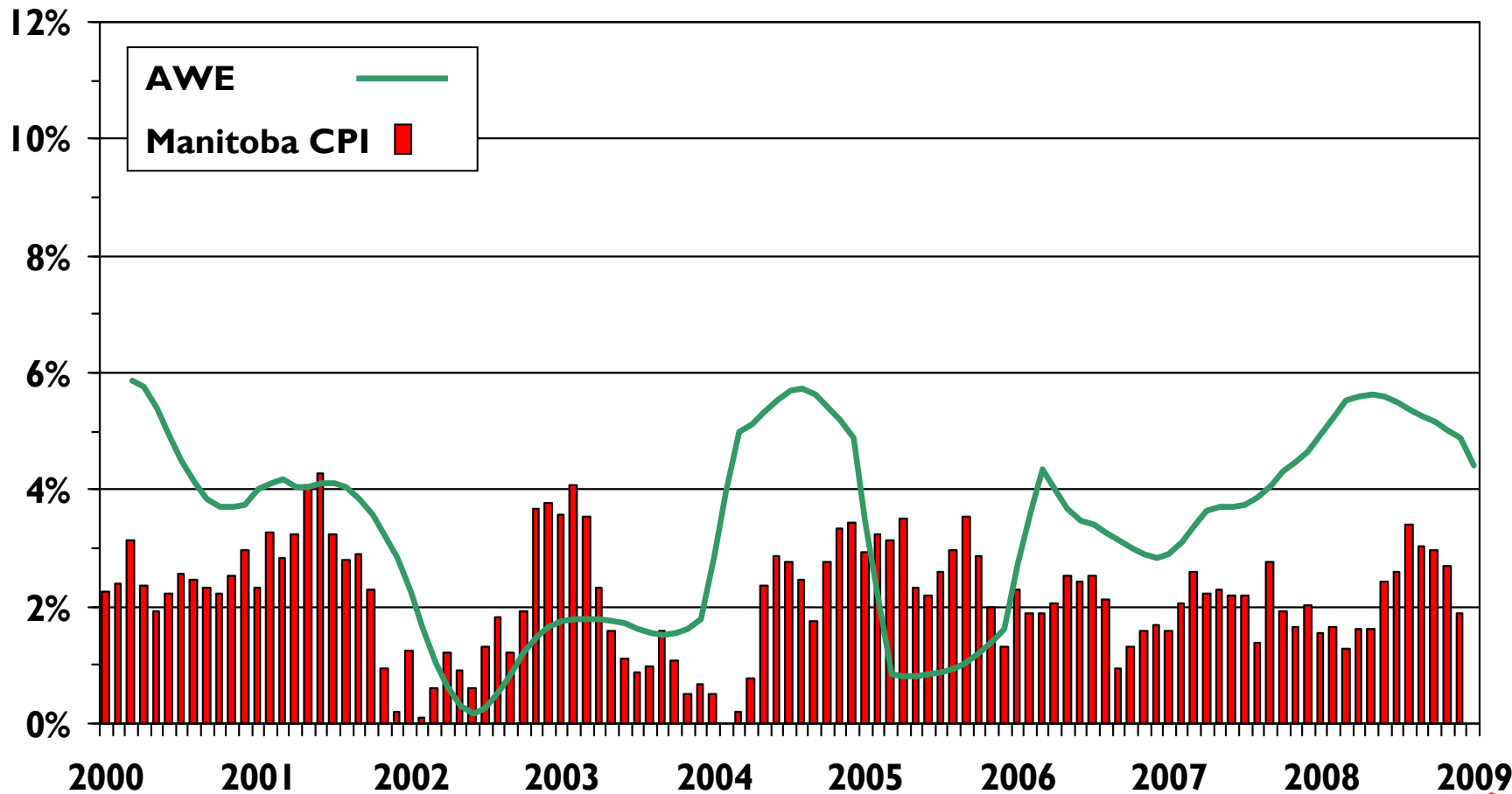
Source: Statistics Canada, CMHC research



Growth in Average Weekly Earnings

Future yr/yr gains will dissipate given the current environment

yr/yr per cent change in AWE, CPI



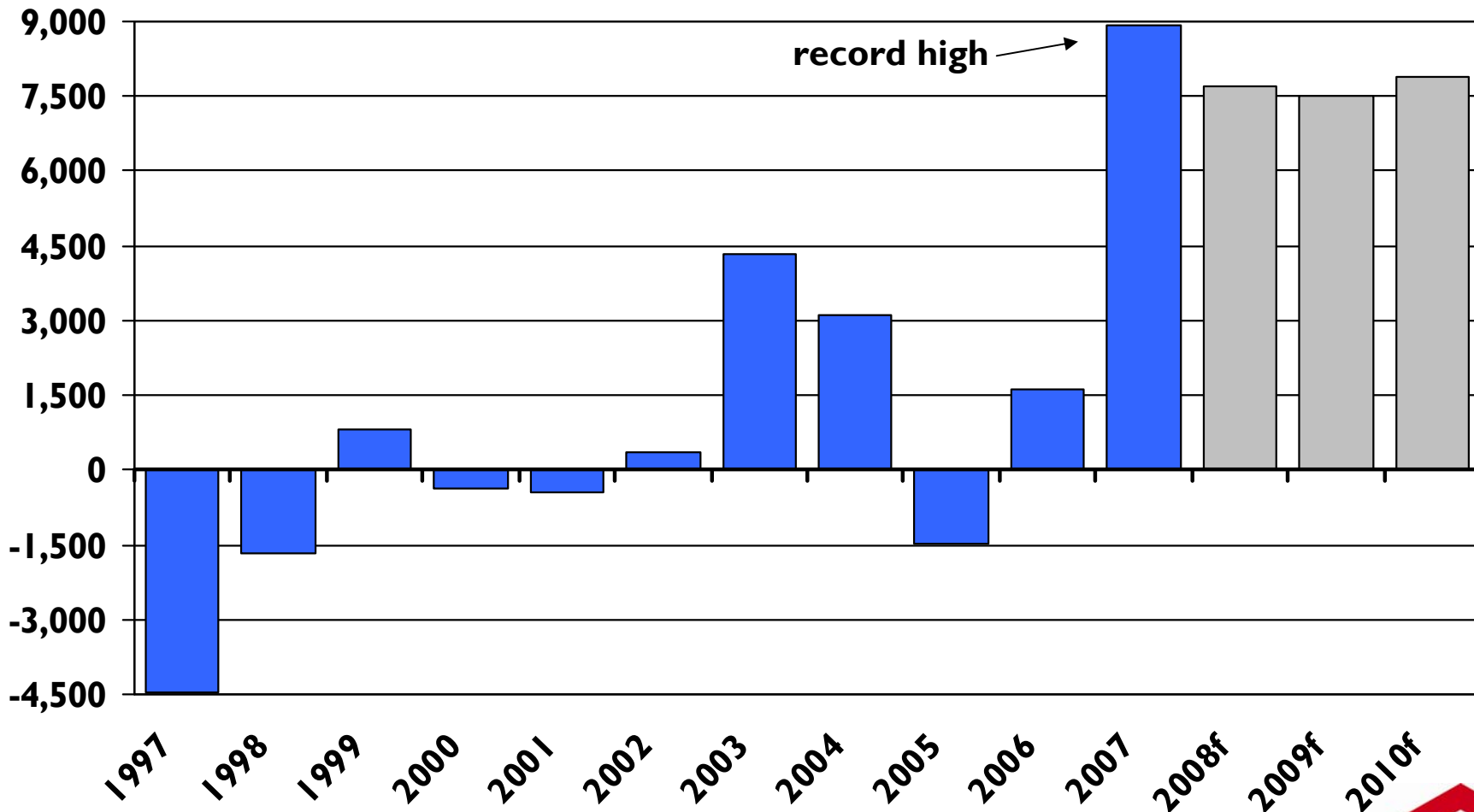
Source: Statistics Canada, CMHC research



Manitoba Total Net Migration

Weaker net migration will not sustain gains in consumption

net migration



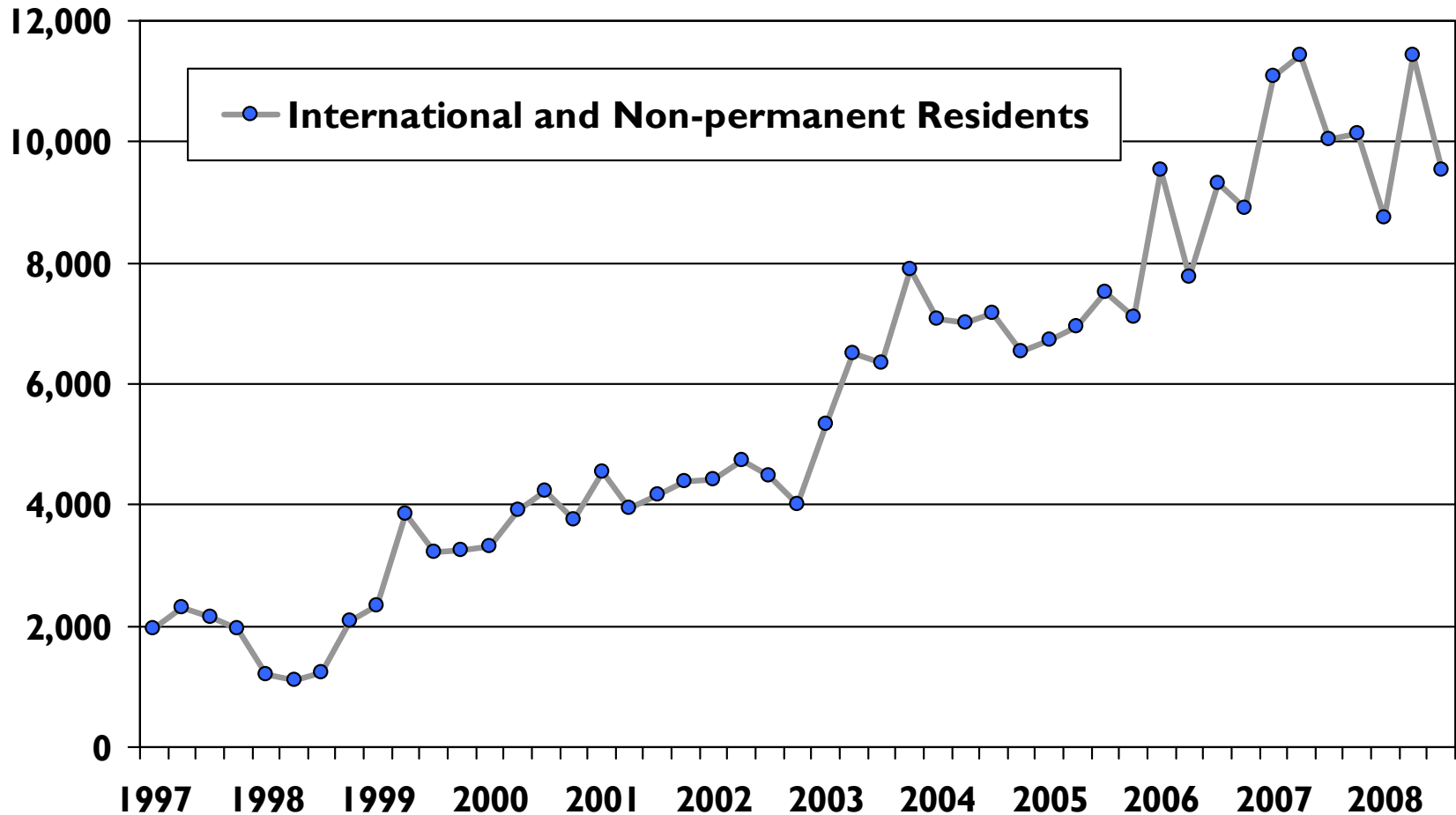
Source: Statistics Canada, CMHC Forecast (f)



MB International and Non-Perm (SAAR)

Future labour requirements met locally rather than abroad

net migration



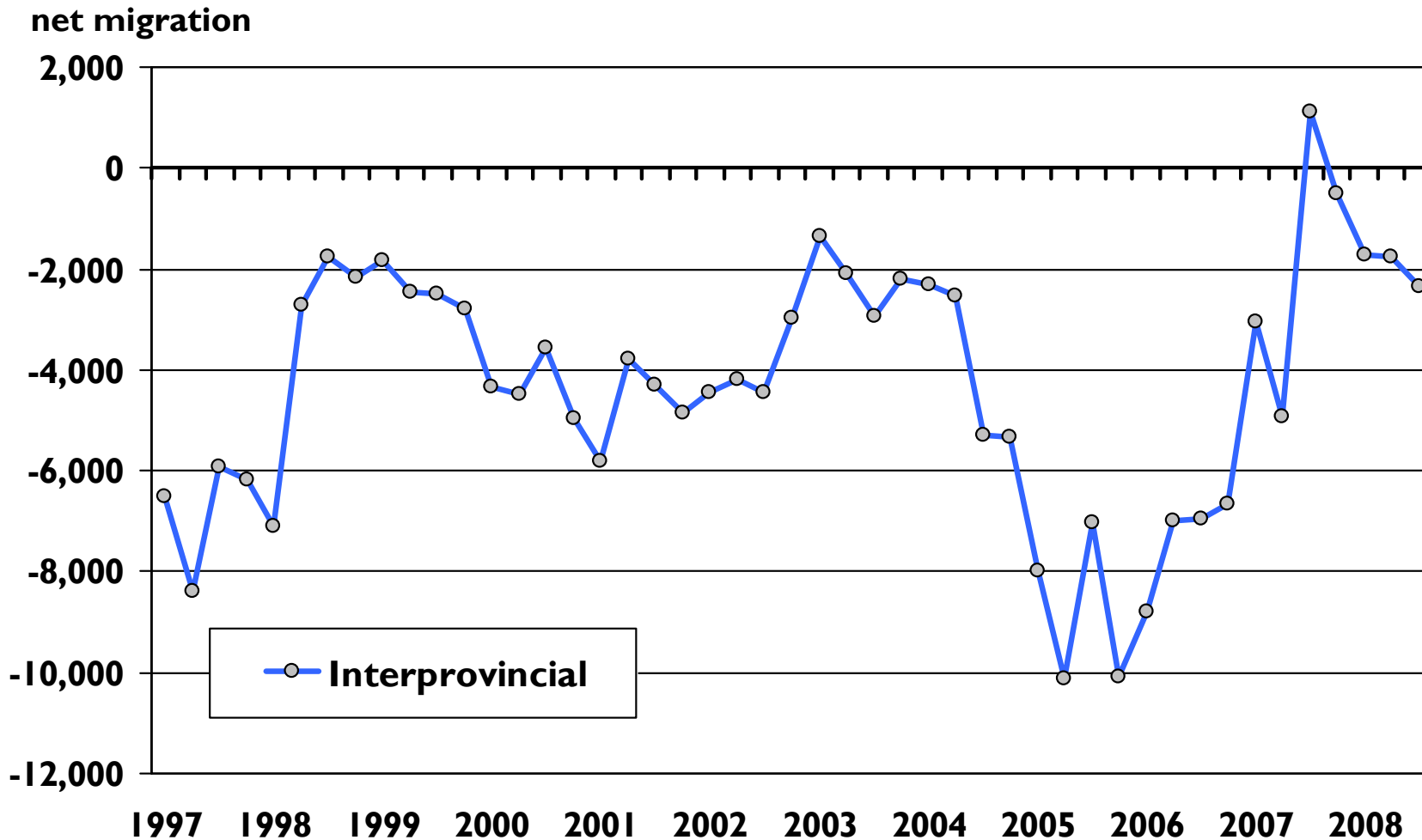
Source: Statistics Canada, Seasonal Adjustment by CMHC, CMHC research





MB Interprovincial Migration (SAAR)

Losses to other provinces should remain low in next few years



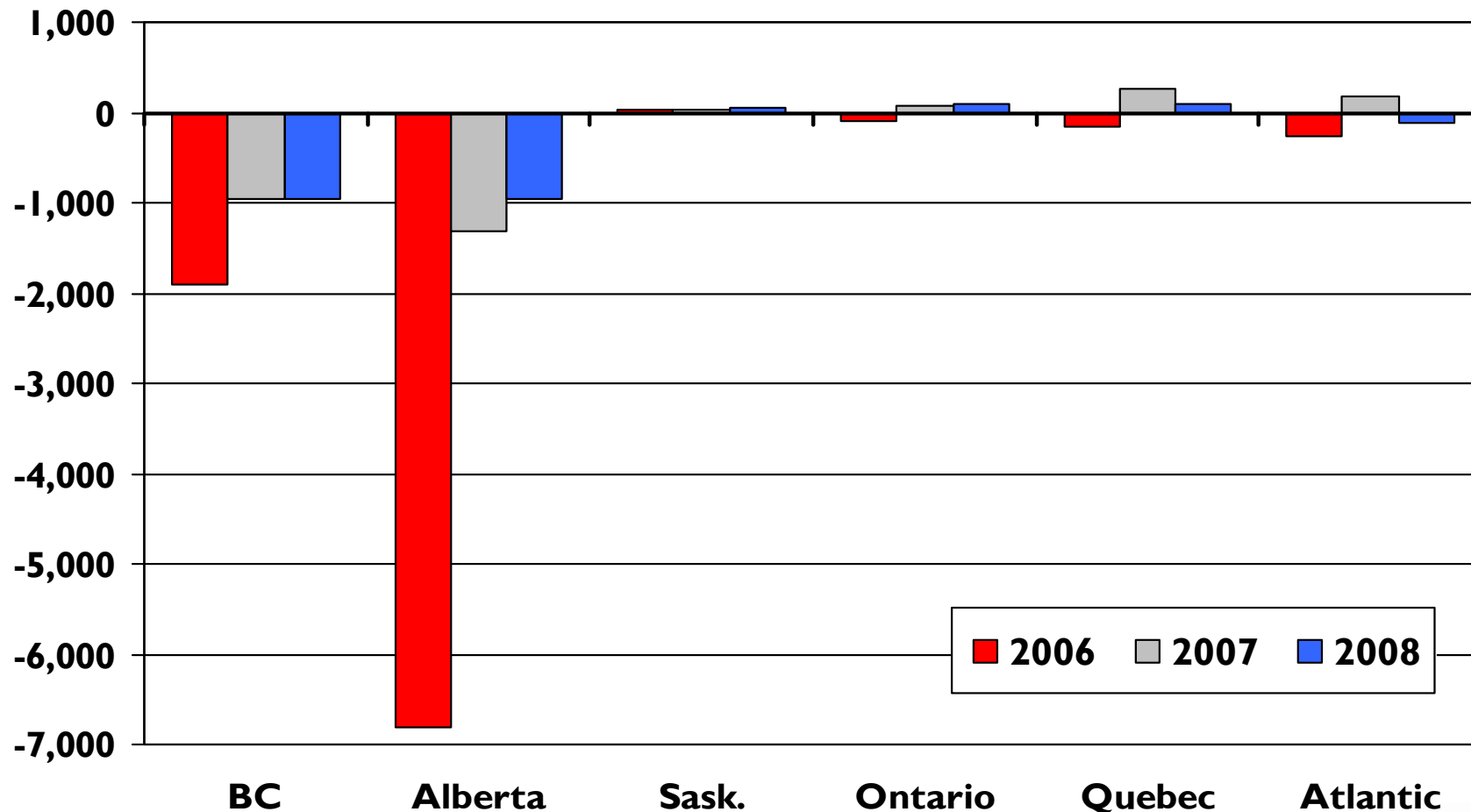
Source: Statistics Canada, Seasonal Adjustment by CMHC, CMHC research



MB Interprovincial Migration by Source

Losses to BC and Alberta have substantially dissipated

Manitoba interprovincial migration by source

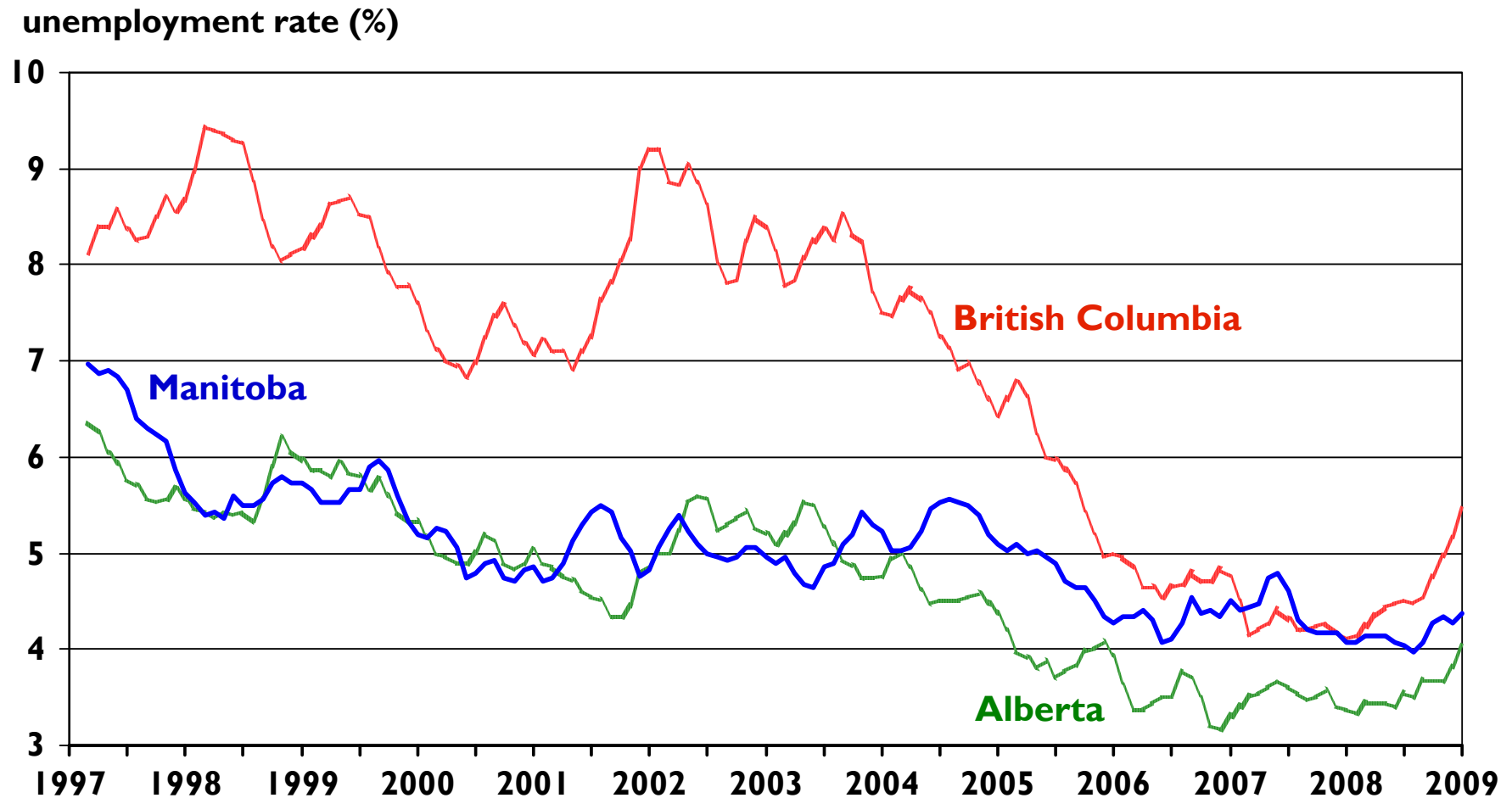


Source: Statistics Canada, CMHC research, YTD to end of September



Provincial Unemployment Rates

Manitoba up from record low, but other provinces rising faster



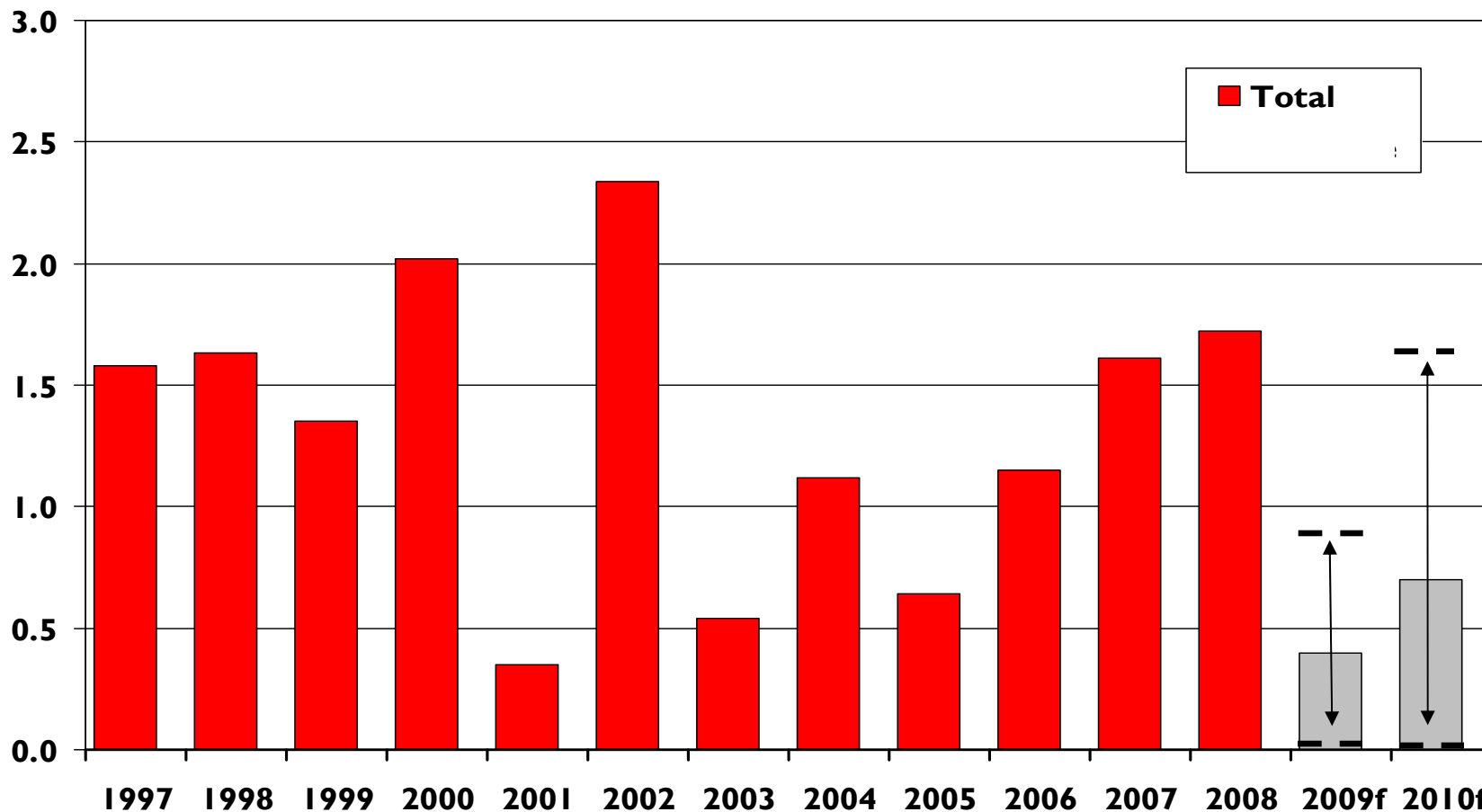
Source: Statistics Canada, seasonally adjusted



Manitoba Employment Growth

Despite weaker job creation in 2009, MB among growth leaders

per cent change, average employment



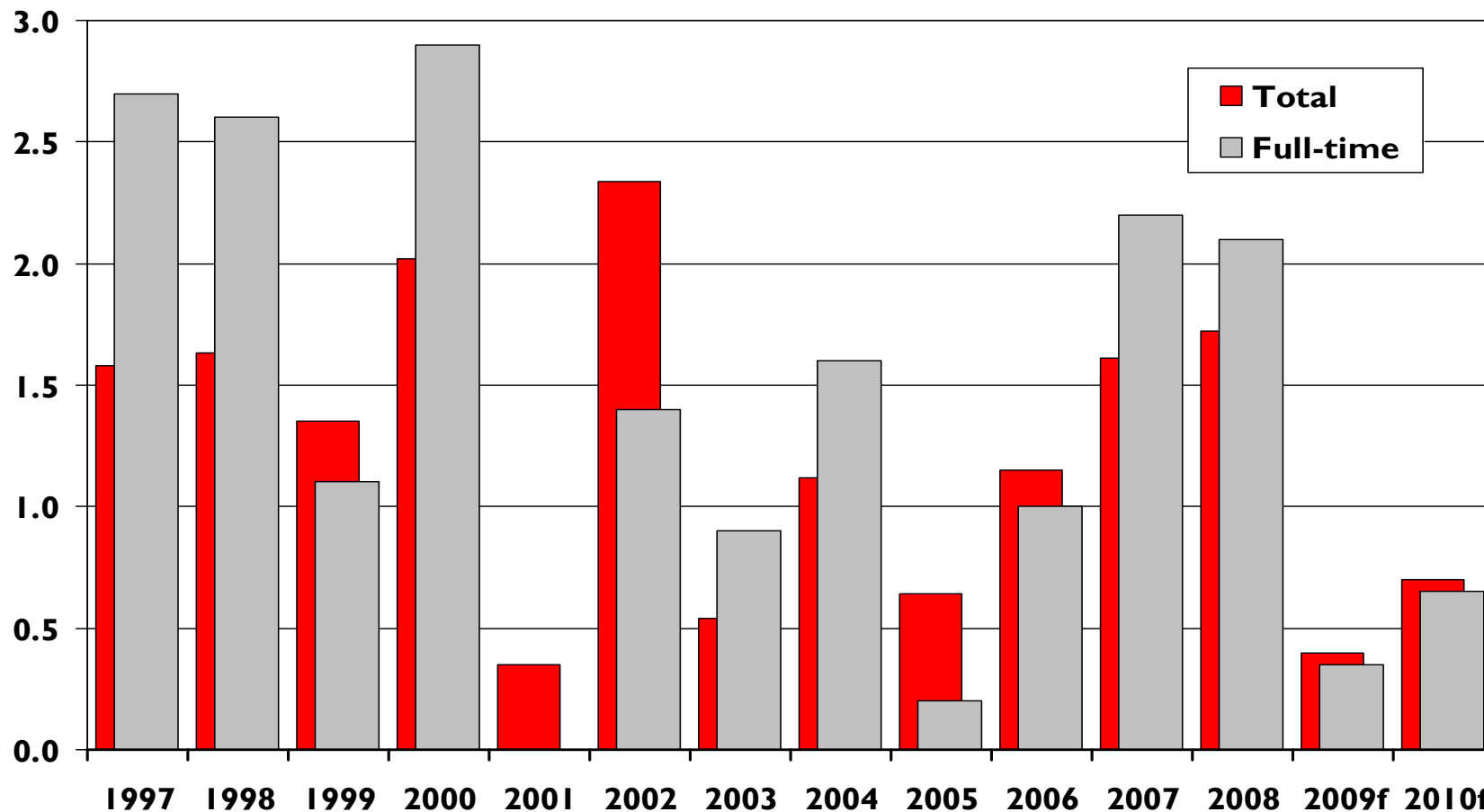
Source: Statistics Canada, CMHC forecast (f), min and max range from recent public forecasts



Manitoba Employment Growth

Majority of jobs created will continue to be full-time

per cent change, average employment



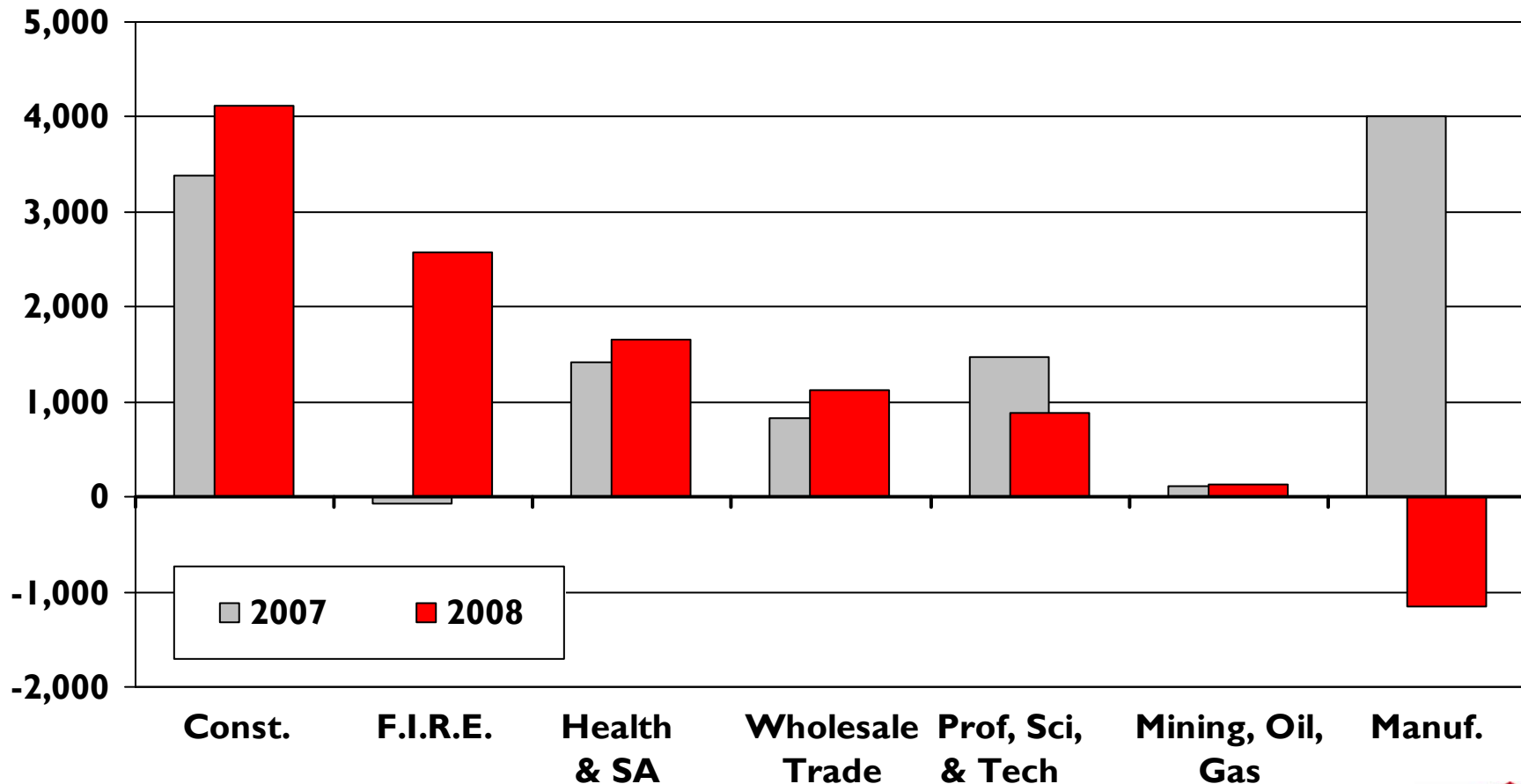
Source: Statistics Canada, CMHC forecast (f)



Employment Growth by Industry

Strong gains in first two industries will likely not be repeated

yr/yr change in employment



Source: Statistics Canada, CMHC research



Manitoba Economic Summary

Real GDP growth moderates

- High degree of uncertainty in today's environment
- Coming off the strong pace of recent years
- Among Canada's growth leaders

2008's employment gain will not be repeated

- Employers more conservative expanding payrolls in 2009
- Unemployment rate will increase from last year's record low
- Real wage gains will moderate following impressive gains in 2008

Net migration down modestly from 2007 record

- Strong gains from international sources will continue, with perhaps fewer non-permanent residents
- No reason to expect increased losses to other provinces



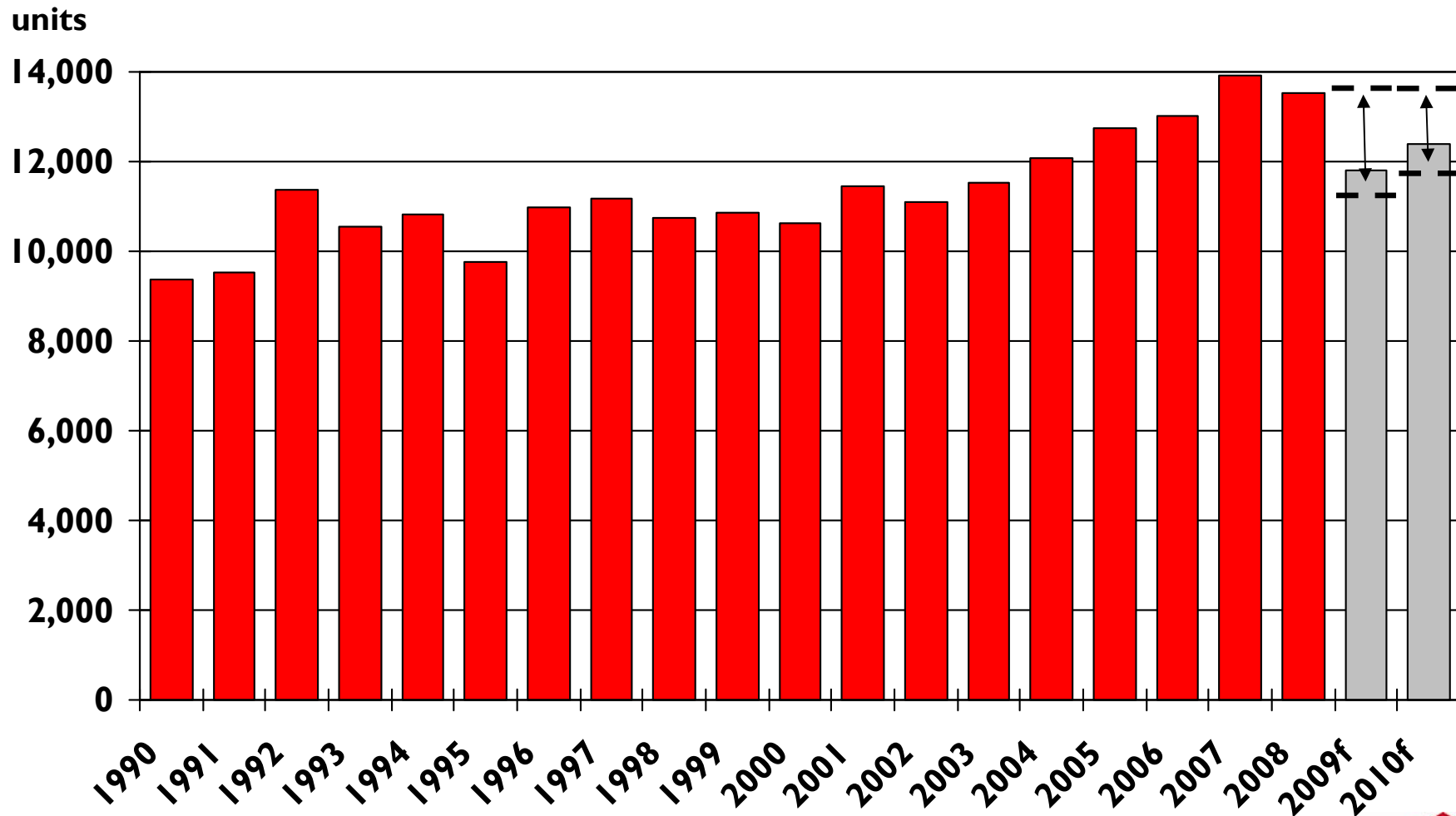
MANITOBA'S HOUSING MARKETS...





Manitoba Residential MLS[®] Sales

Despite decline in 2009, sales well above historical norms



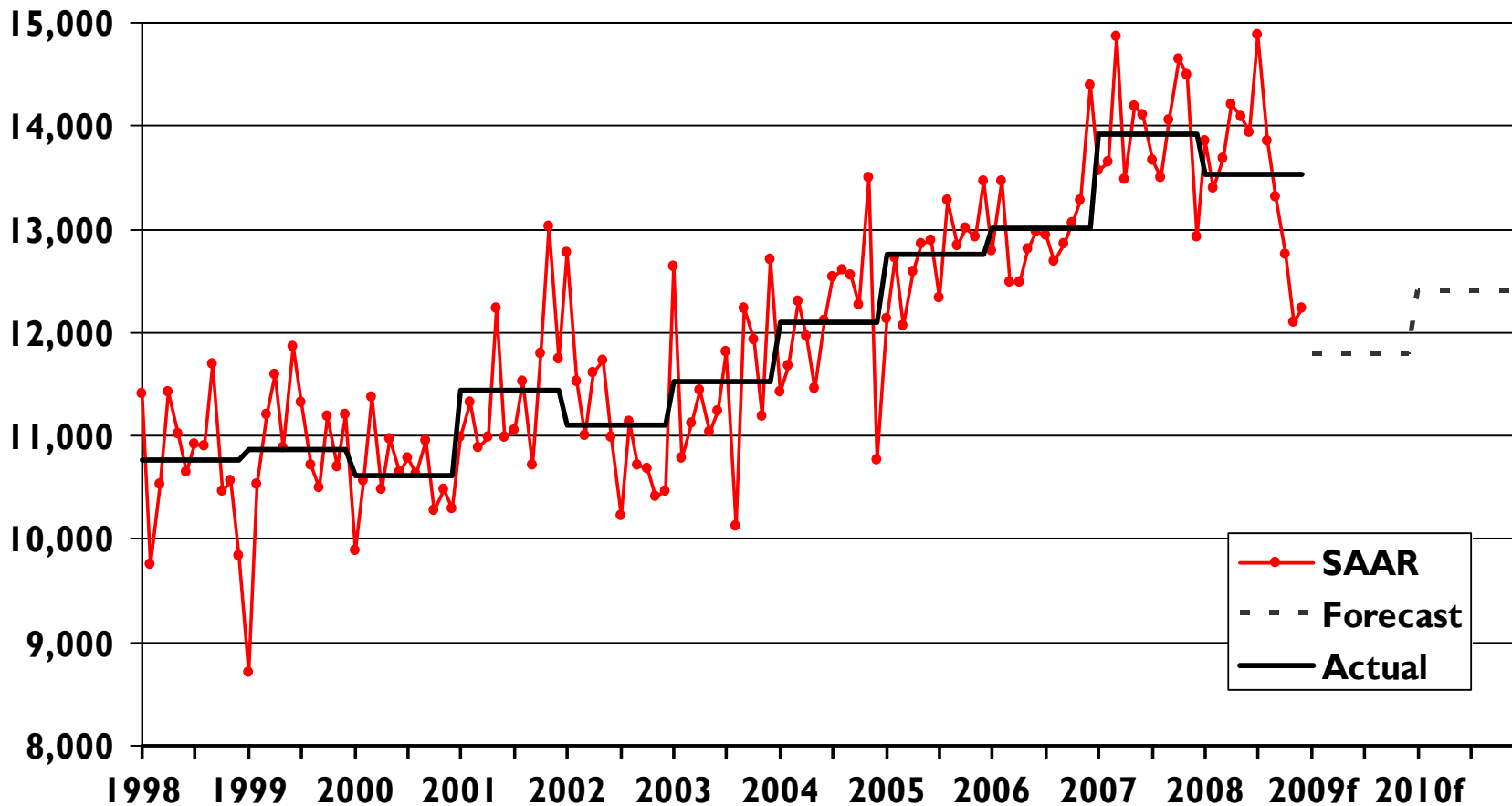
Source: CREA, CMHC forecast (f), min and max range from recent public forecasts



Manitoba MLS[®] Sales - SAAR

Sales are clearly past their peak and have yet to bottom out

sales (seasonally adjusted at annual rates)

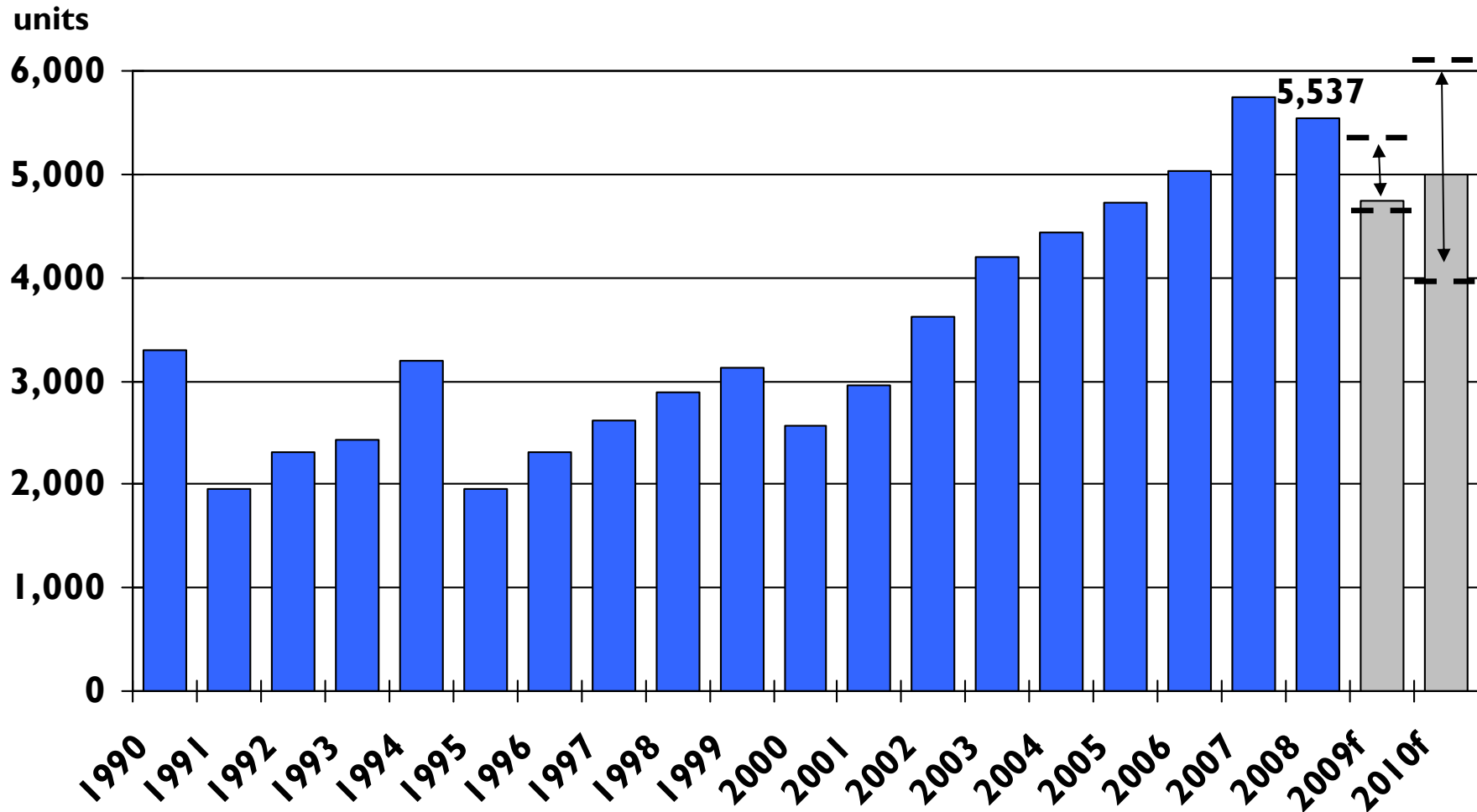


Source: CREA, calculations by CMHC, CMHC forecast



Manitoba Housing Starts

Moderate decline in '09 but elevated by historical standards



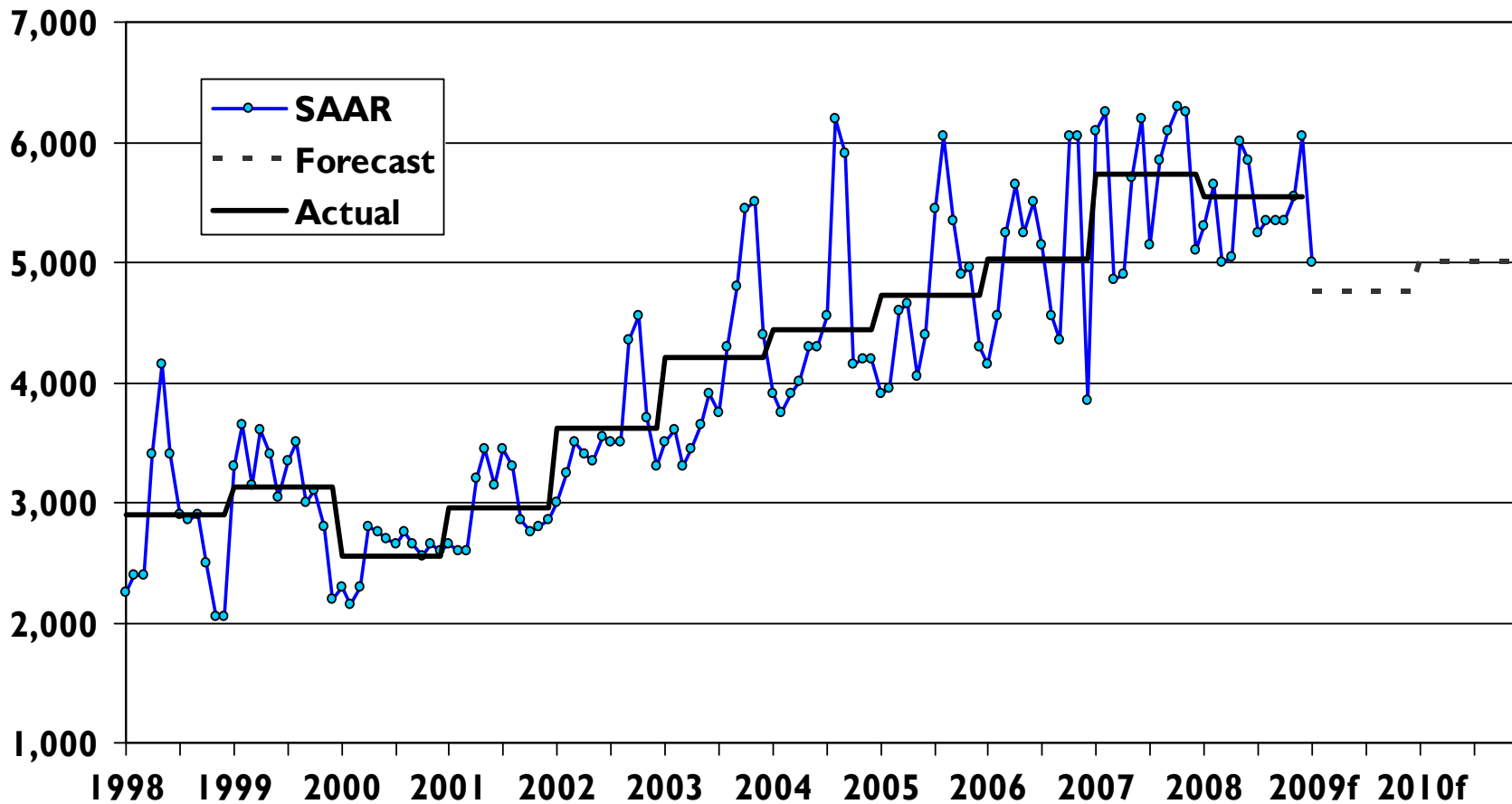
Source: CMHC, CMHC forecast (f), min and max range from recent public forecasts



Manitoba Housing Starts - SAAR

Temporary jump in 4Q 2008 was due to elevated multiples

starts (seasonally adjusted at annual rates)



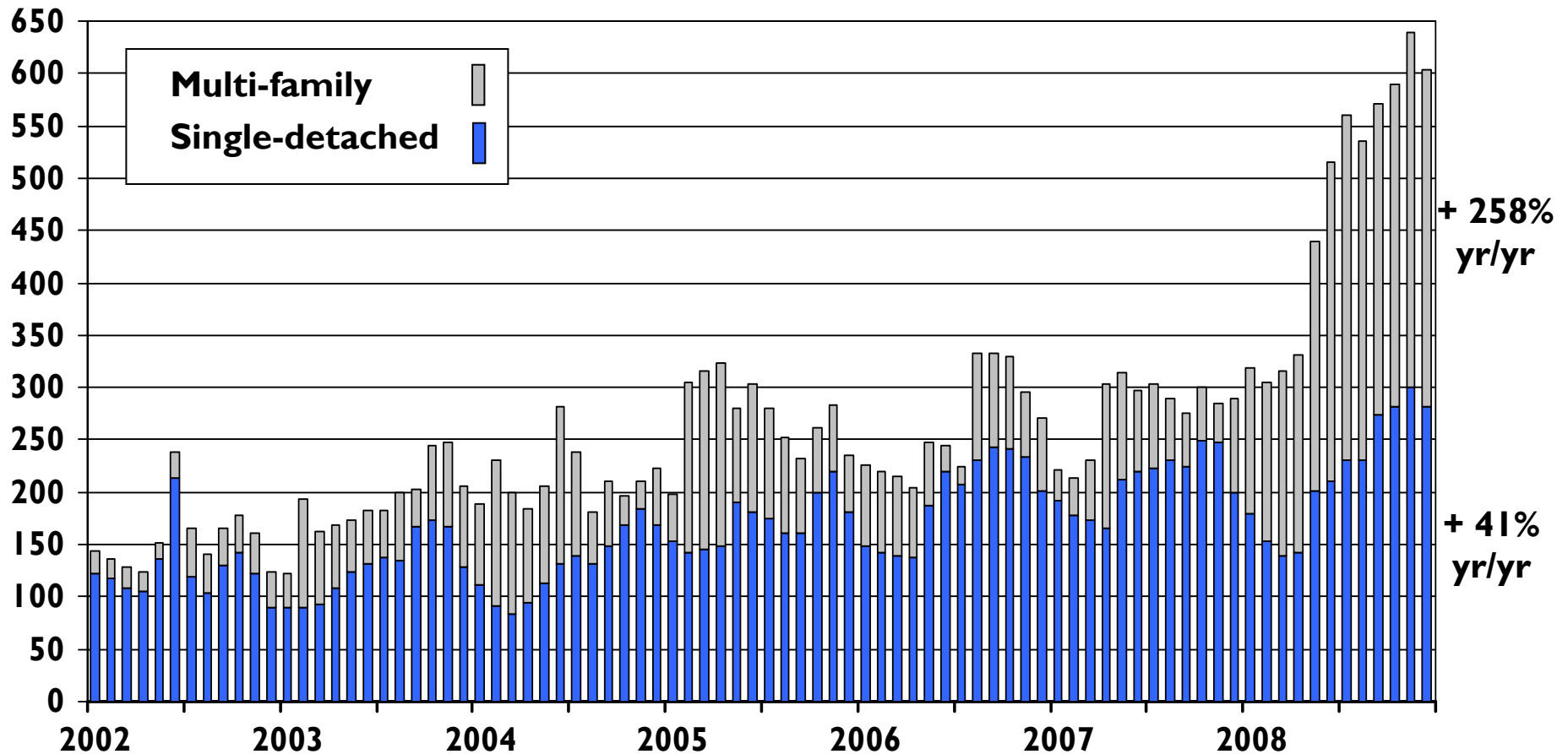
Source: CMHC, CMHC calculations and forecast (f)



Manitoba New Home Inventory

Sharp increase in inventory warrants downward adjustment

complete and unabsorbed units



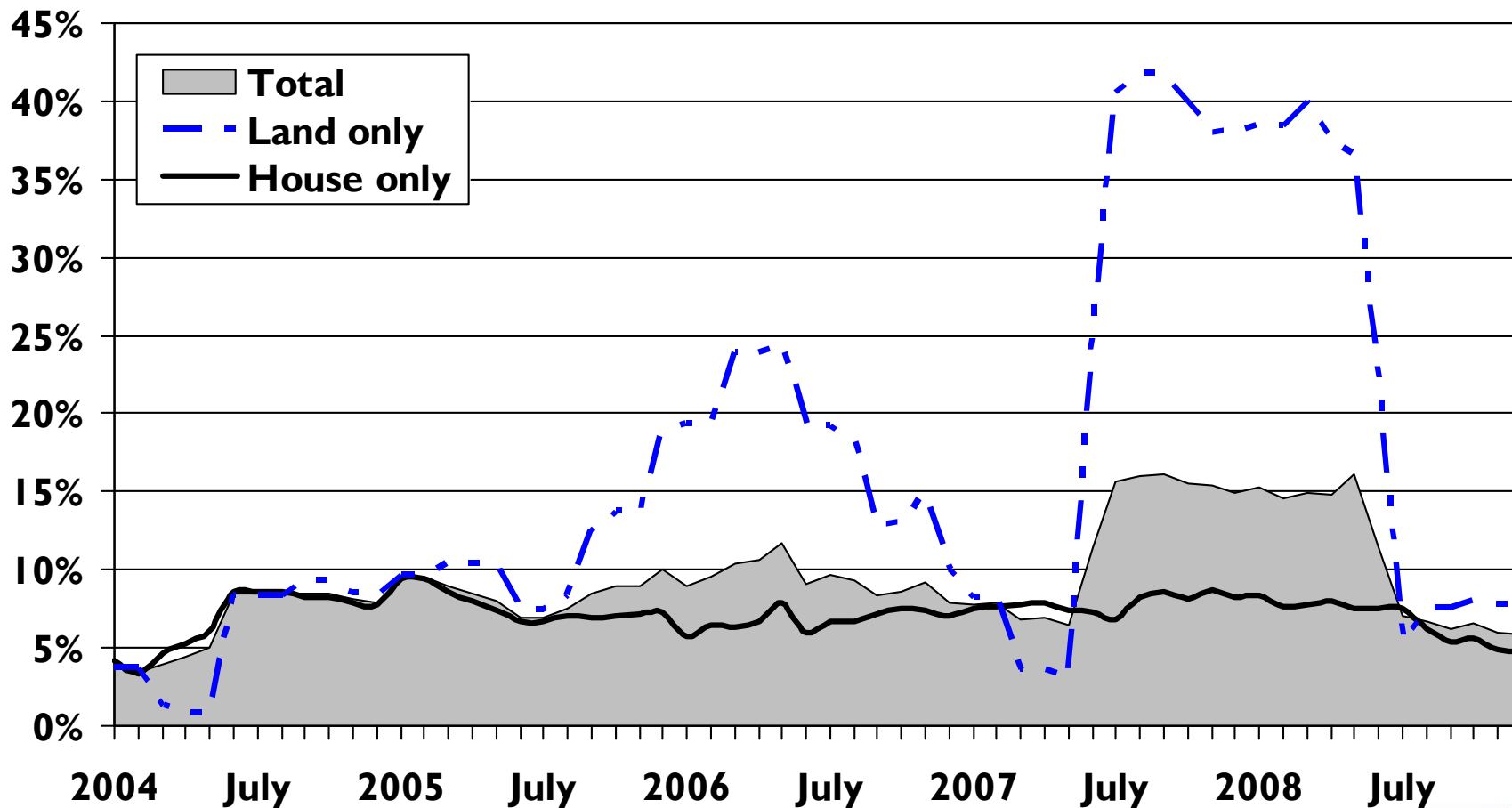
Source: CMHC, centres \geq 50,000 population



MB New House Price Index (Yr/Yr)

Price escalation from the last few years cutting into demand...

yr/yr % change



Source: Statistics Canada

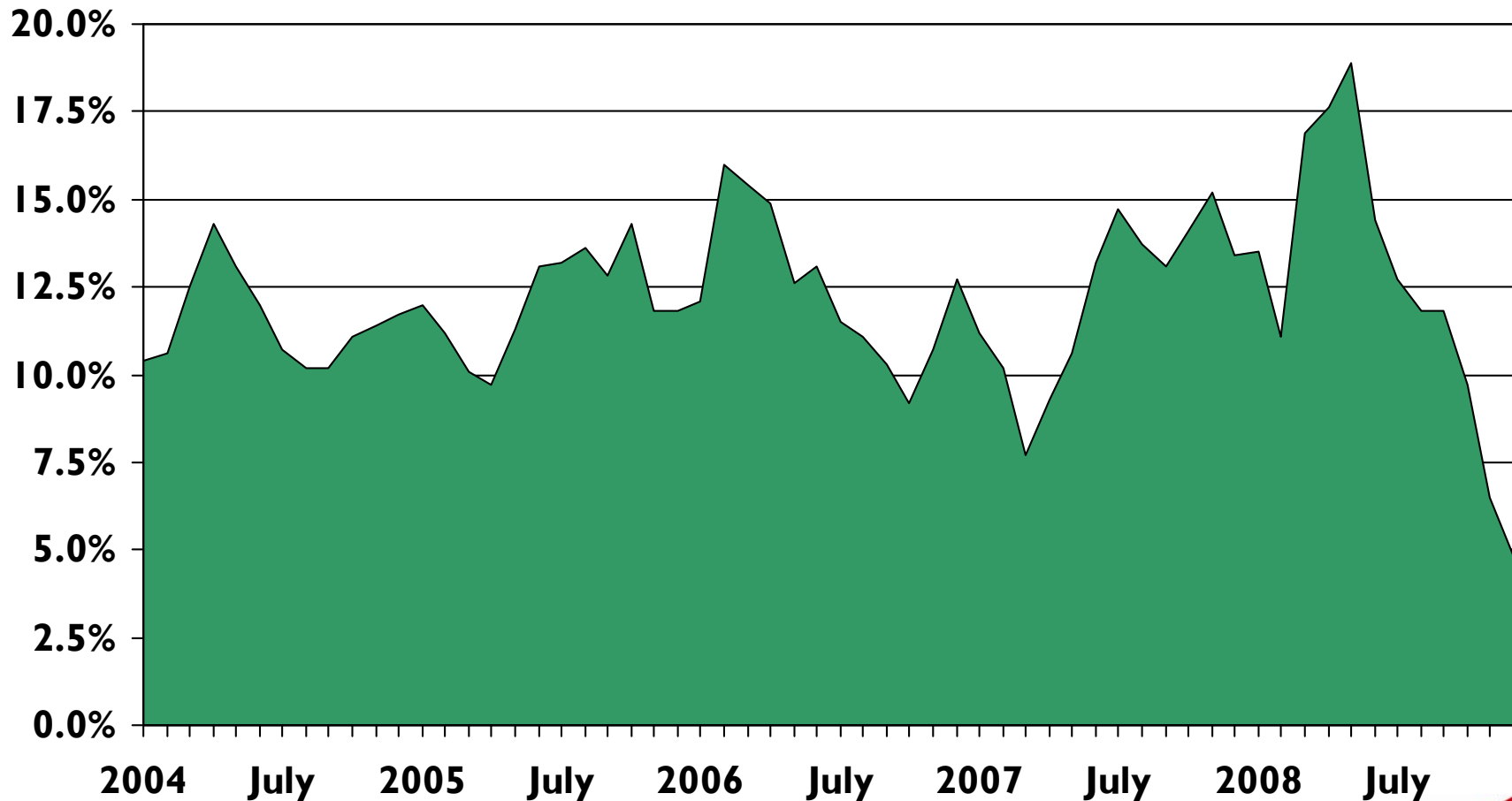




Manitoba Resale Price Growth (Yr/Yr)

Price escalation one of many factors leading demand lower

yr/yr % change



Source: CREA, CMHC calculations

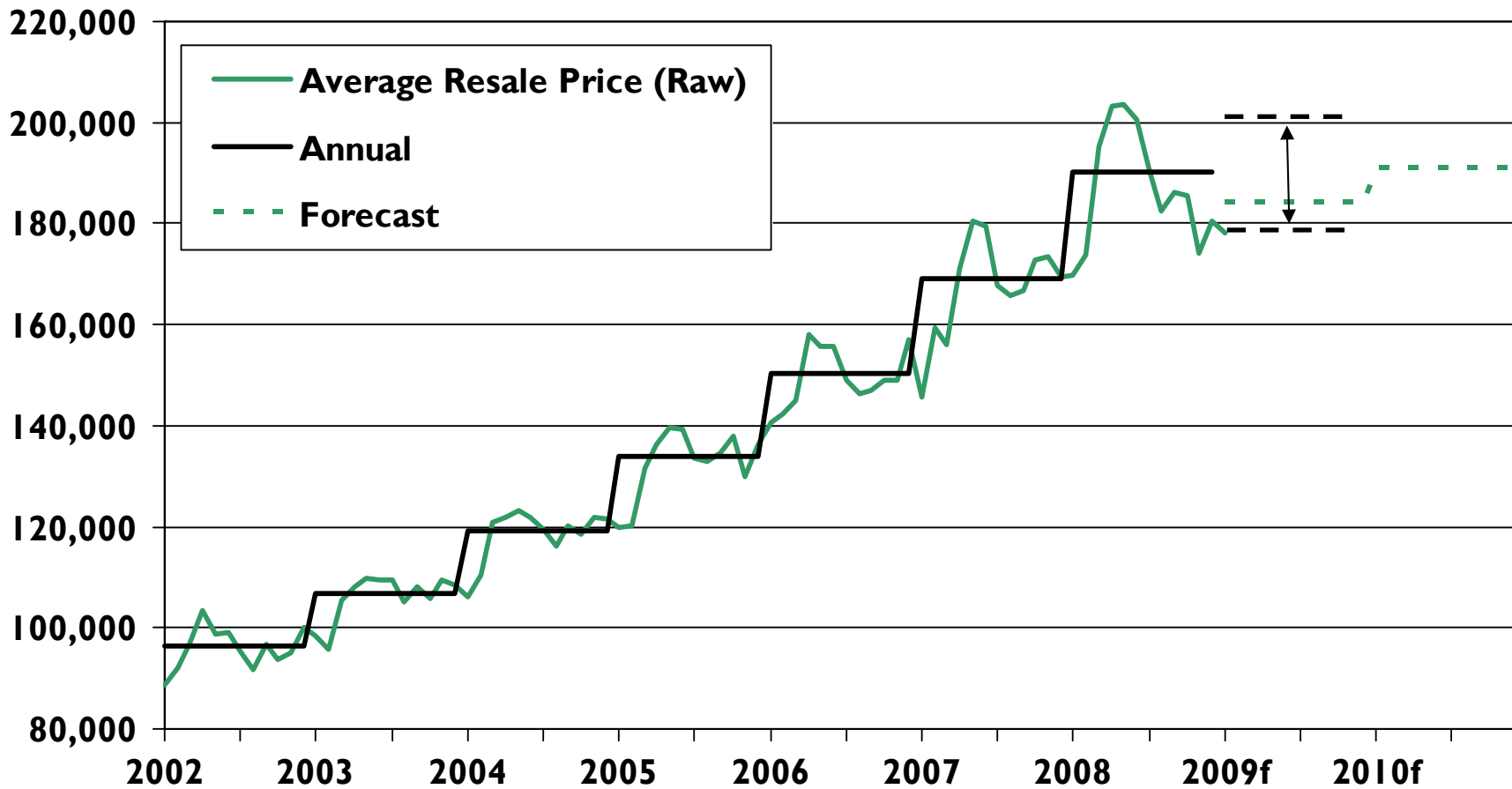




Manitoba Residential MLS® Price

Six consecutive years of double-digit price gains will end this year

average price (\$)



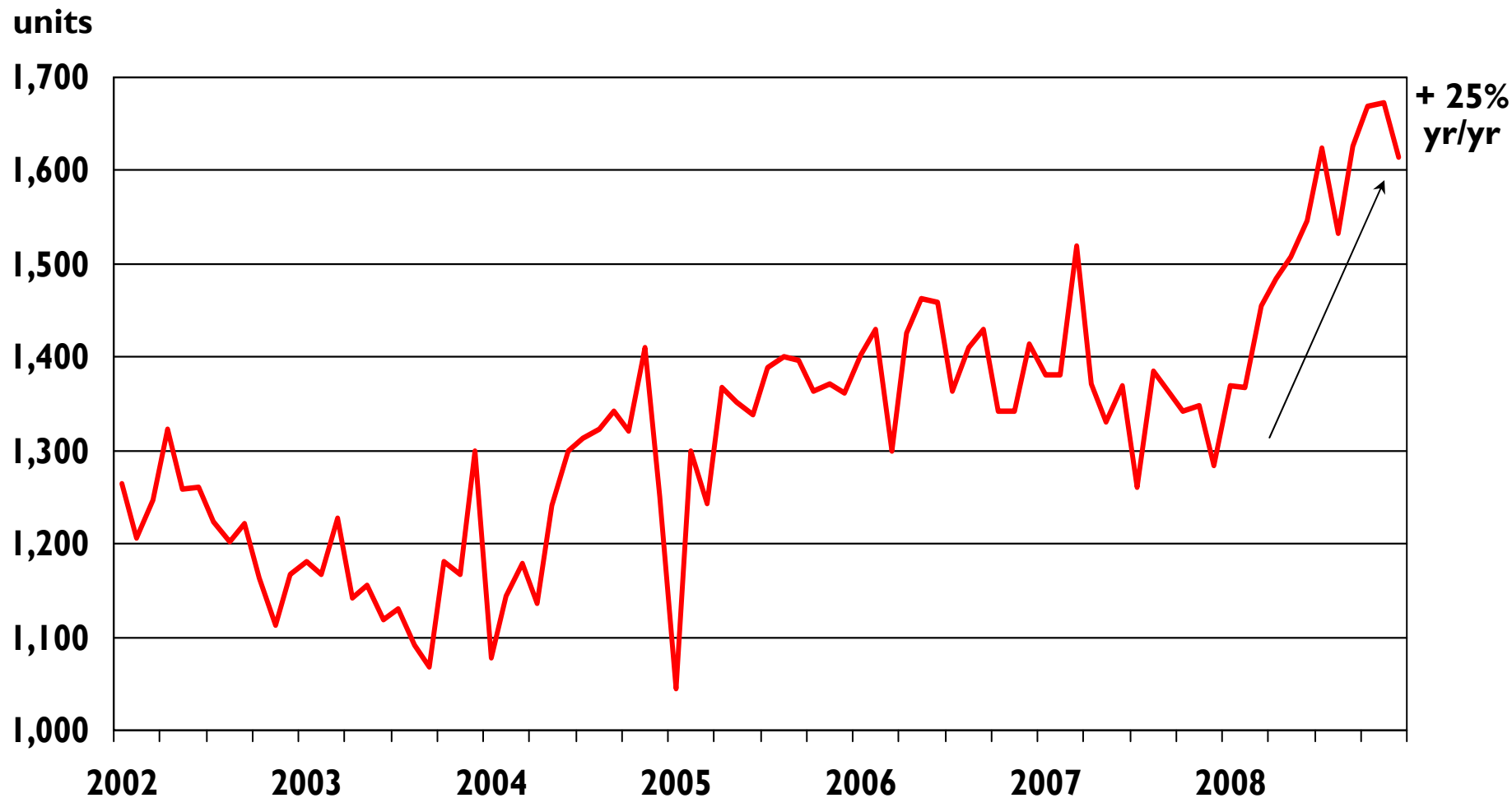
Source: CREA, CMHC forecast (f), min and max range from recent public forecasts





Manitoba Residential MLS® New Listings

Jump will inhibit price growth, multitude of choice for buyers...



Source: CREA, seasonally adjusted

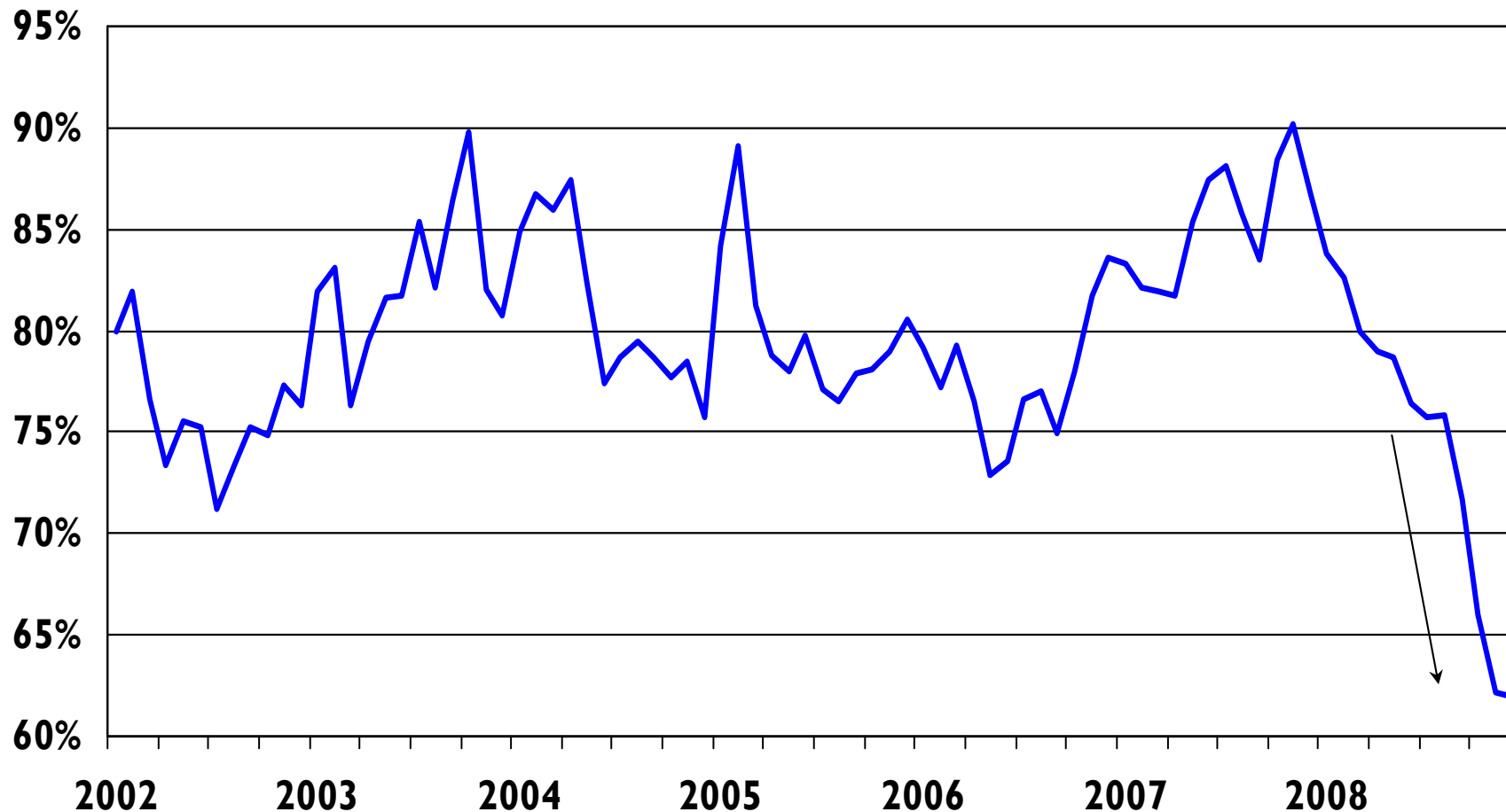




Manitoba Sales-to-New Listings Ratio

... ratio down nearly 30 pp, buyers conditions emerging

sales-to-new listings ratio



Source: CREA, seasonally adjusted





STATUS OF HOME EQUITY AND MORTGAGES IN ARREARS

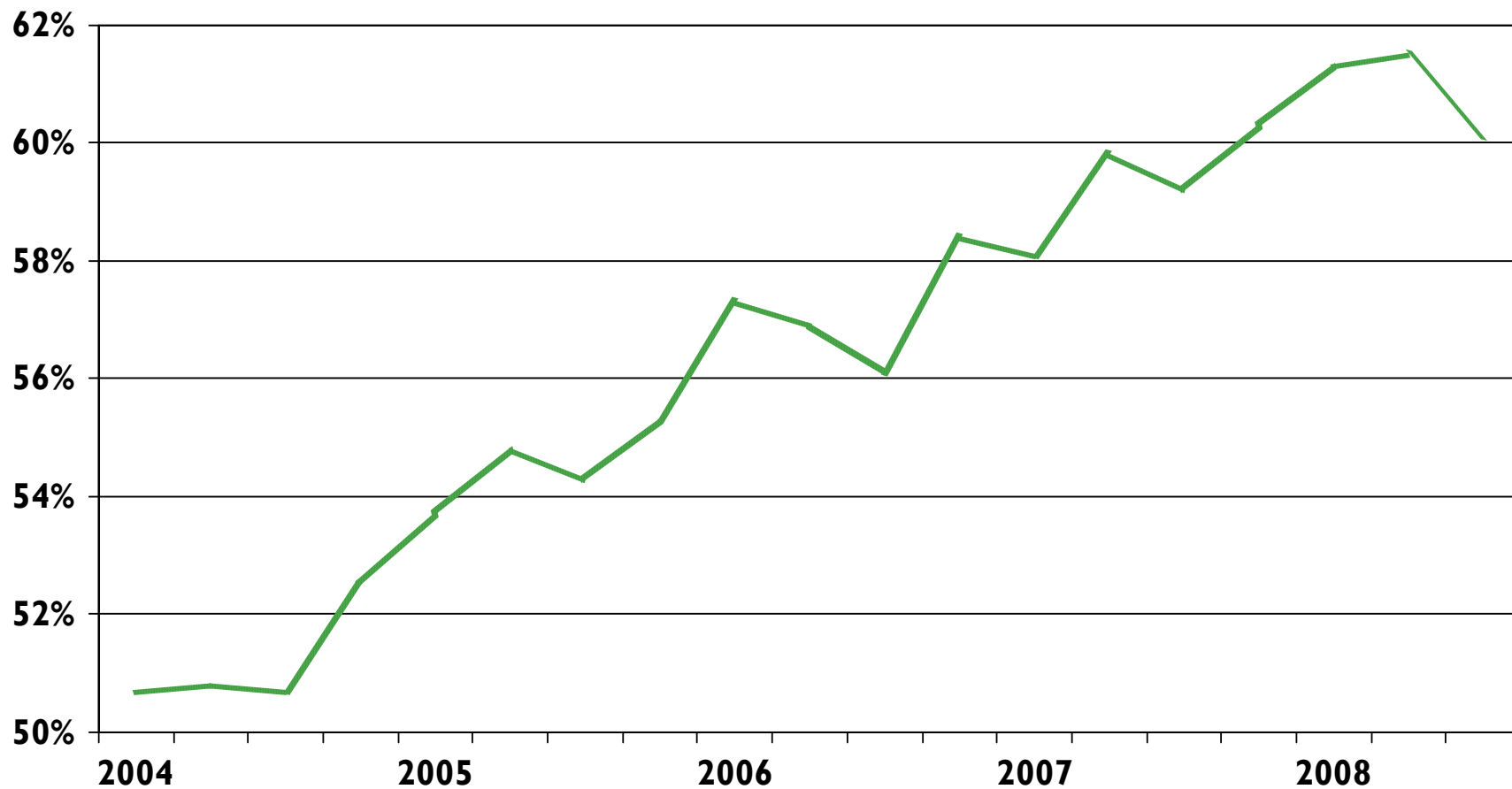




MB Ratio of Equity to House Price

Equity of average mortgage holder among highest on record

ratio of equity to average house price (Manitoba)



Source: Bank of Canada, Canadian Bankers Association, CREA, CMHC research

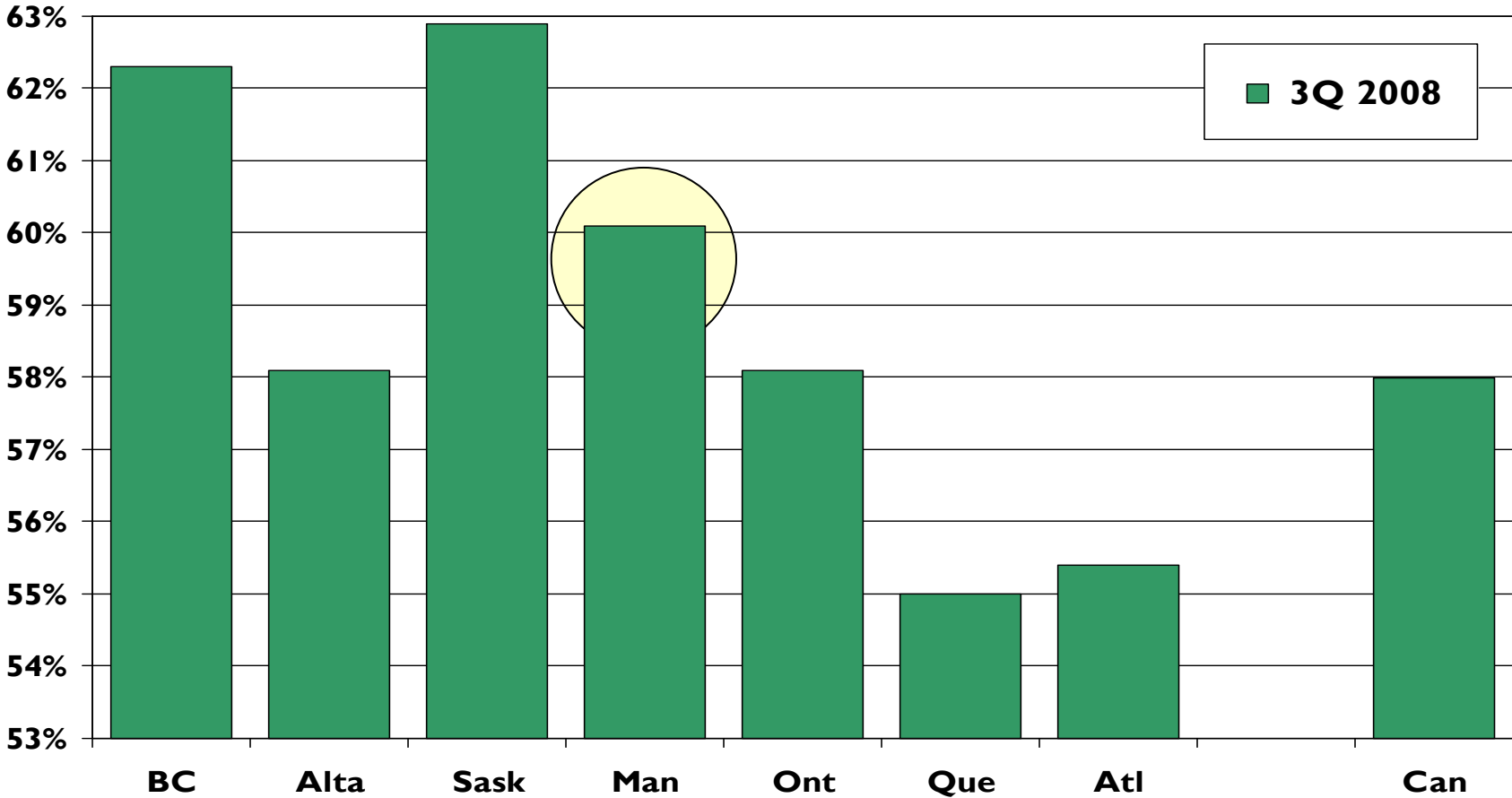




Ratio of Equity to House Price

Manitoba owners have one of highest equity ratios across Canada

ratio of equity to average house price (latest data)



Source: Bank of Canada, Canadian Bankers Association, CREA, CMHC research

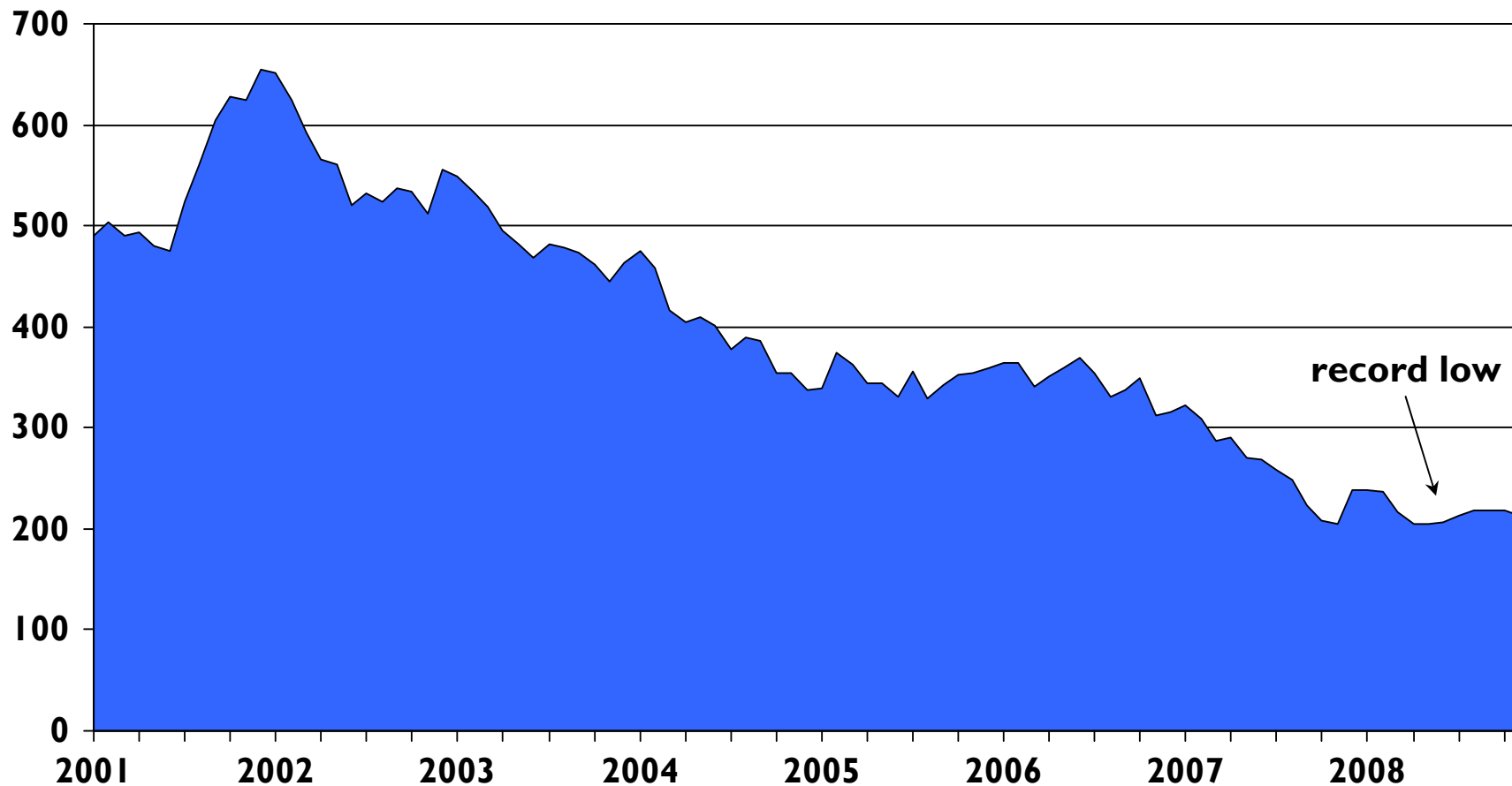




MB Residential Mortgages in Arrears

Despite rising number of mortgages, arrears are near record low

Manitoba mortgages in arrears



Source: Canadian Bankers Association, CMHC research, mortgage arrears is three or more months

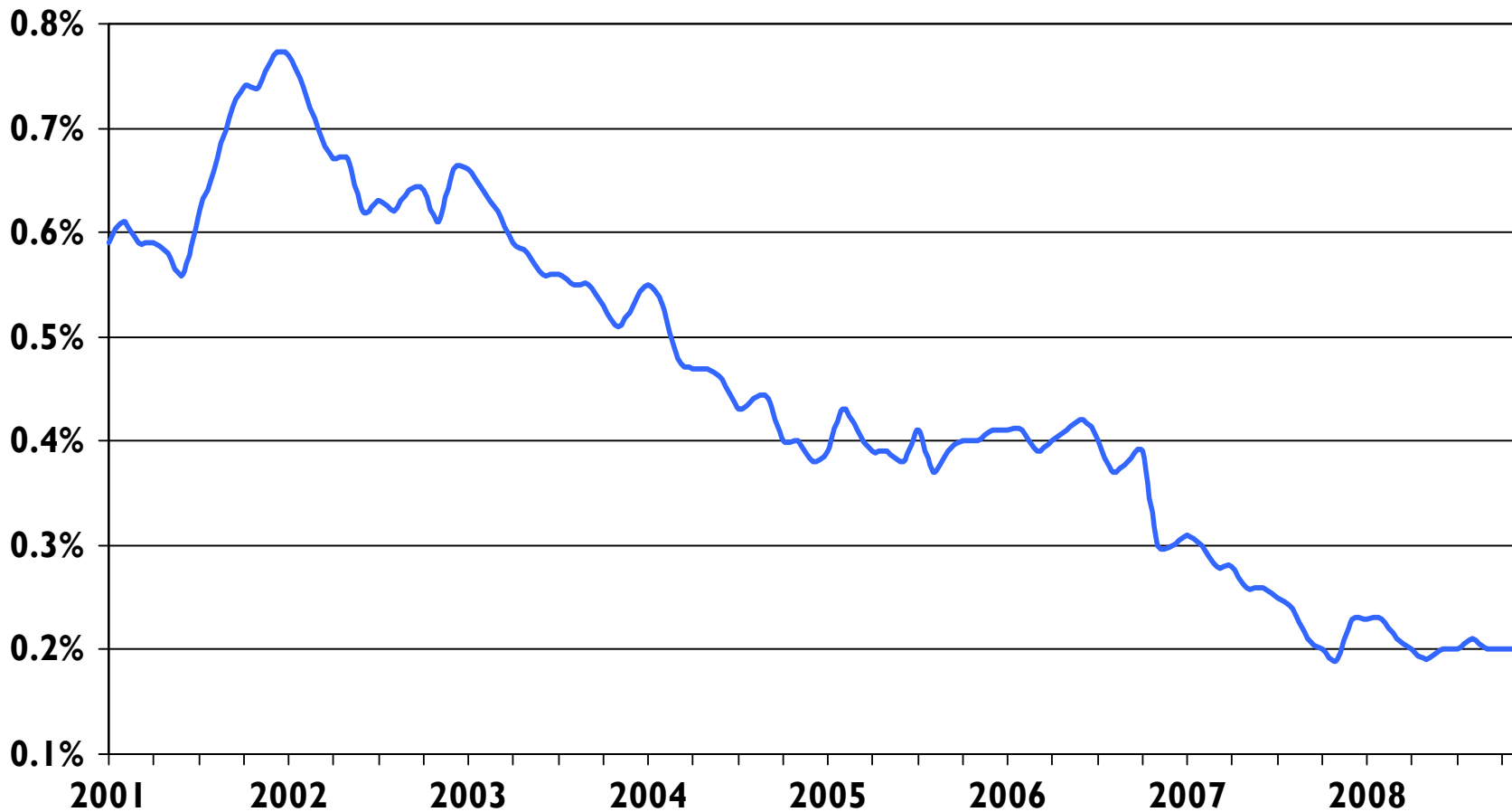




Ratio of Arrears to Total Mortgages

With low ratio of arrears, Manitoba is in an enviable position

ratio of arrears to total mortgages (%)



Source: Canadian Bankers Association, CMHC research, mortgage arrears is three or more months





THANK YOU!

RICHARD CORRIVEAU
REGIONAL ECONOMIST

richard.corriveau@cmhc.ca, 403-515-3005





CMHC  SCHL

Canada 

WINNIPEG RENTAL APARTMENT MARKET OUTLOOK

LINDSAY KENDALL

Market Analyst

CMHC Prairie and Territories Region

Before joining CMHC's Market Analysis team in early 2007, Lindsay worked for a prominent home builder in Calgary. Lindsay holds Bachelor of Arts and Master of Arts degrees in Economics, from the University of Calgary.



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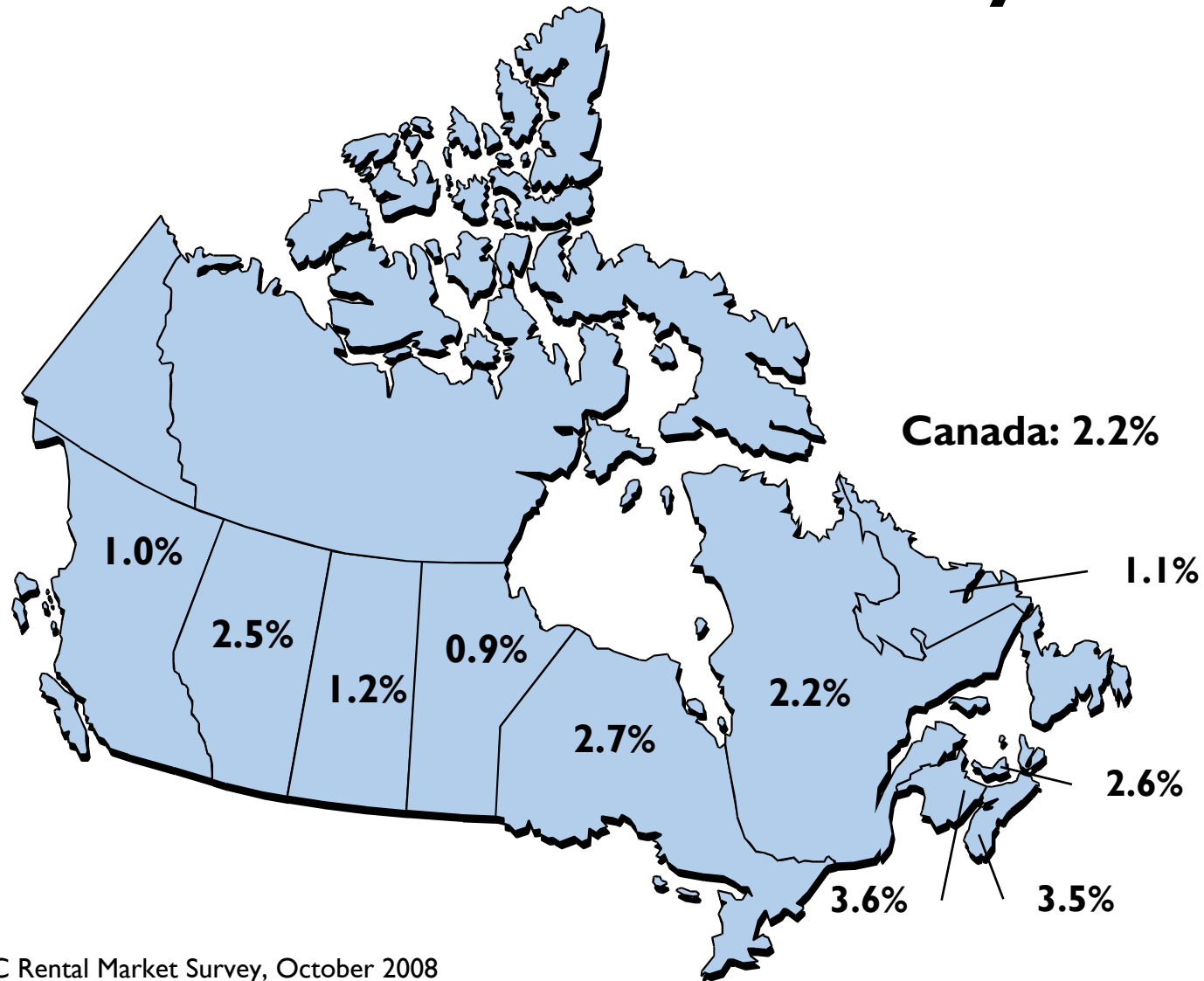
MANITOBA AND WINNIPEG RENTAL MARKET

LINDSAY KENDALL
MARKET ANALYST
PRAIRIE AND TERRITORIES





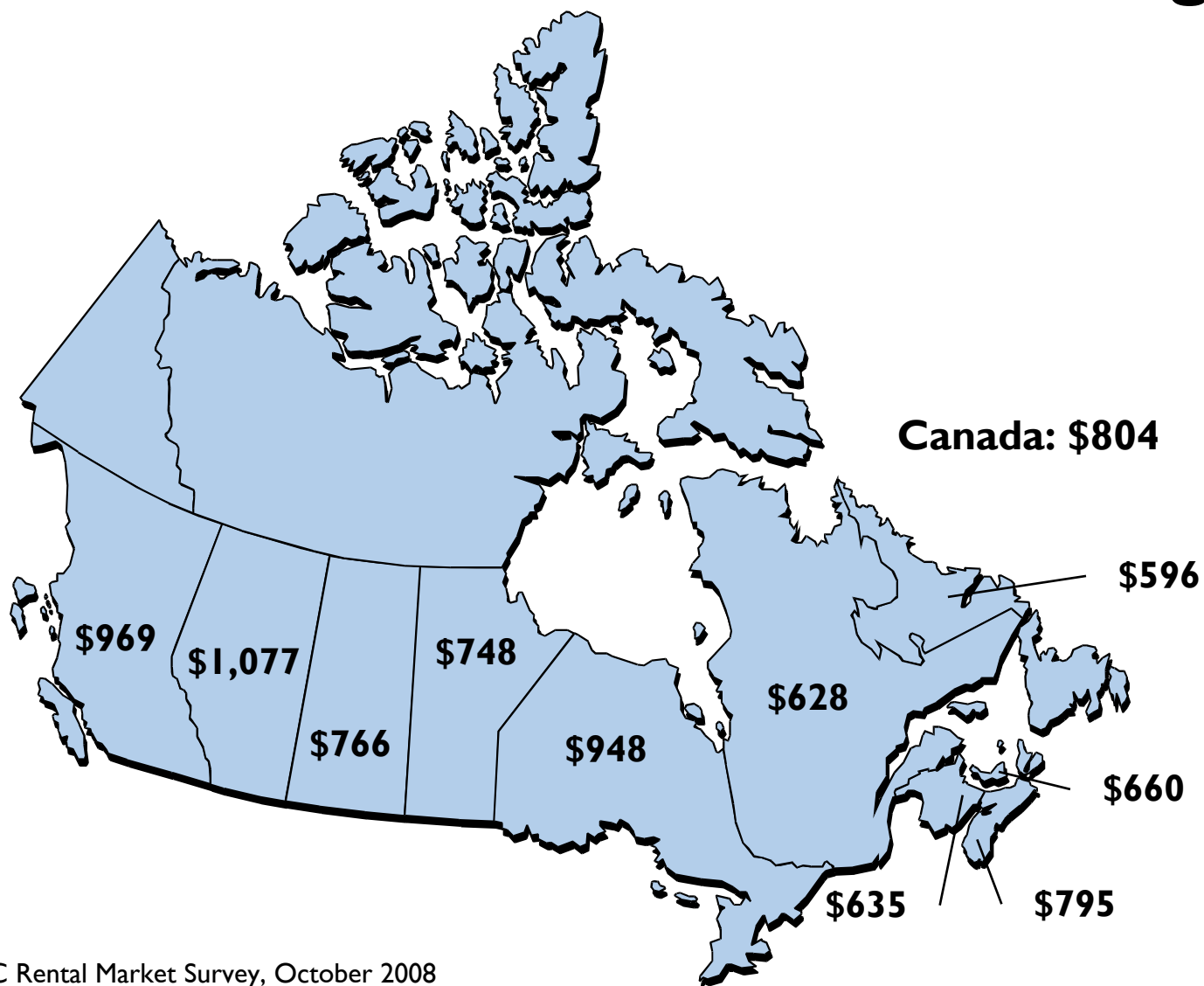
Provincial 2008 Vacancy Rate



Source: CMHC Rental Market Survey, October 2008



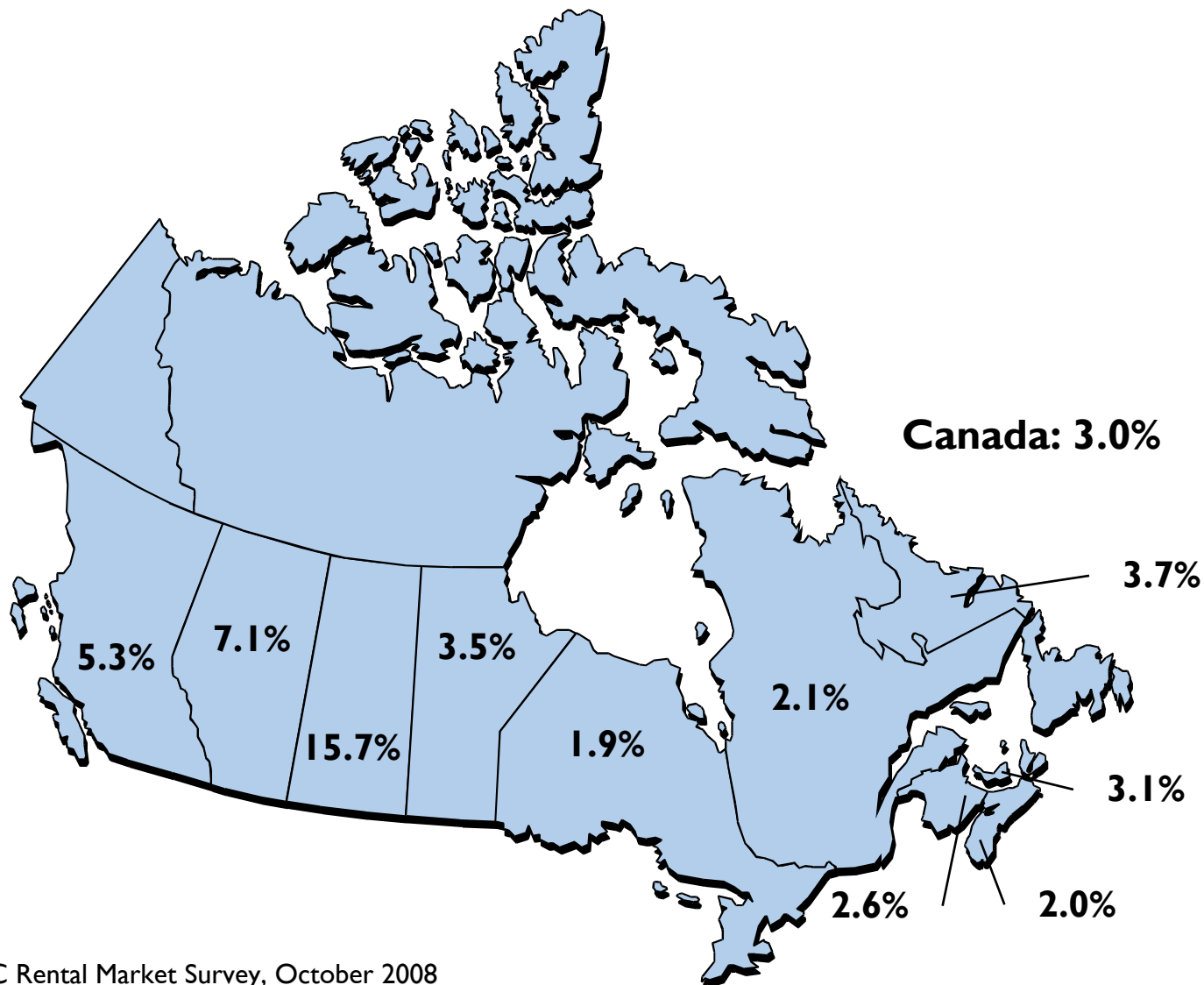
Provincial 2008 Two-Bedroom Average Rent



Source: CMHC Rental Market Survey, October 2008



Provincial 2008 Percentage Change of Two-Bedroom Rents



Source: CMHC Rental Market Survey, October 2008

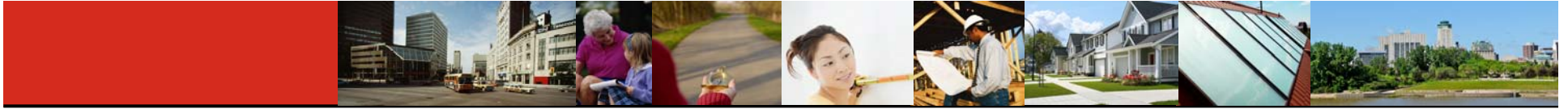
Note: Percentage change of average rent from fixed sample

2009 CMHC HOUSING OUTLOOK CONFERENCE



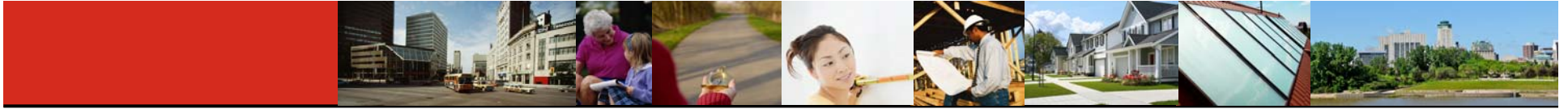
SURVEY METHODOLOGY





Rental Market Survey (RMS)

- **The Rental Market Survey is conducted twice a year**
 - **April and October**
 - **Combination of telephone interviews and site visits**
- **Purpose of the survey is to estimate the relative strength of the rental market**
- **The Rental Market Survey provides the following information for both new and existing structures**
 - **Vacancy and Availability Rates**
 - **Average Rents**



Methodology – Areas Surveyed

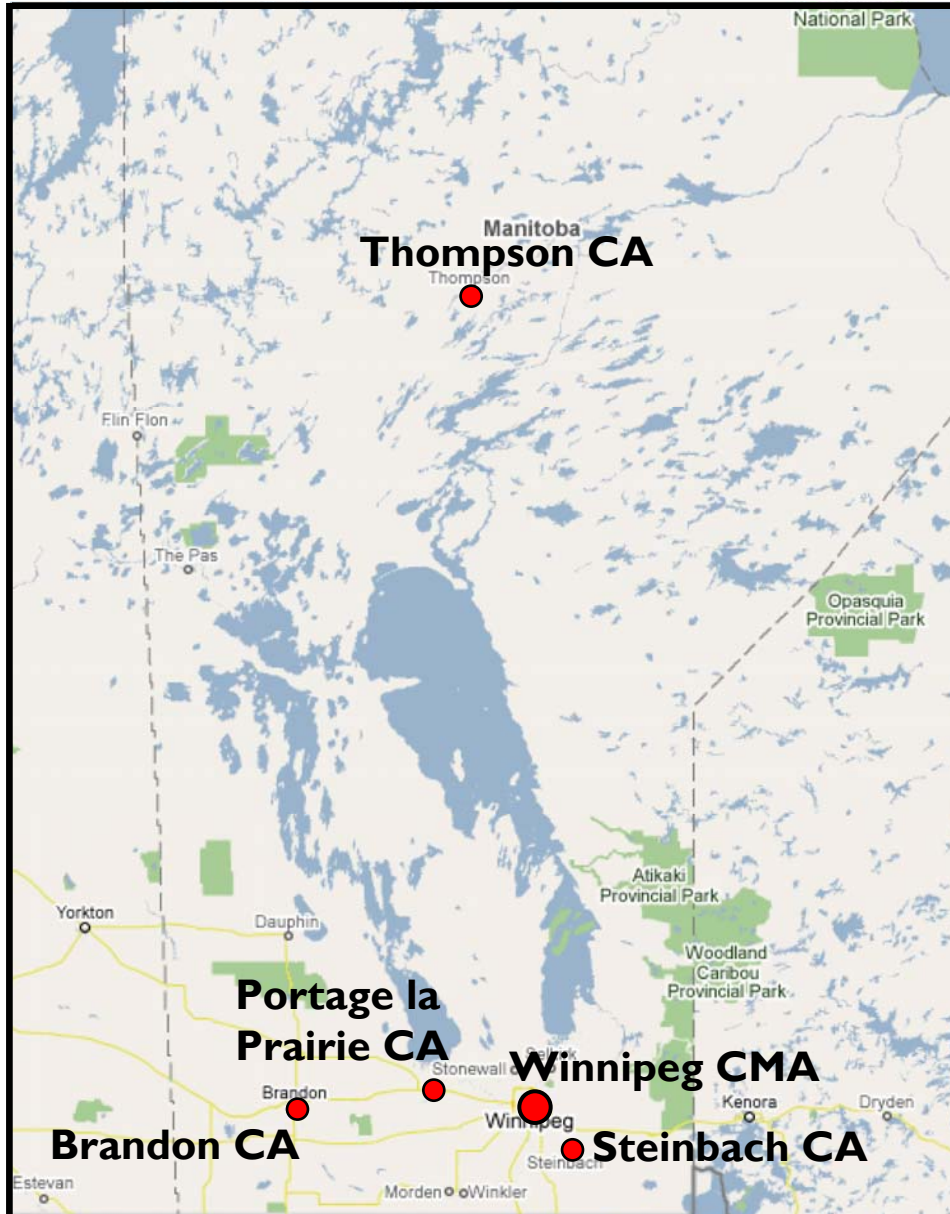
- **All urban centres with 10,000+ population**

- 1. Census Agglomerations (CAs) 10,000 – 99,999**

Brandon, Hanover RM, Portage La Prairie, Steinbach, and Thompson

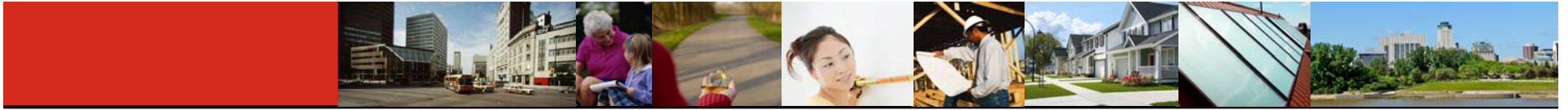
- 2. Census Metropolitan Areas (CMAs) 100,000+**

Winnipeg and surrounding areas



Methodology – Areas Surveyed

- **Winnipeg CMA**
- **Thompson CA**
- **Portage La Prairie CA**
- **Brandon CA**
- **Steinbach CA**



Methodology – Survey Universe

Privately-initiated apartment structures with 3+ units



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RESIDENTIAL TENANCIES ACT





The Basics

- **Regulates relations between landlords and tenants**
- **Outlines mandatory conditions in rental agreements**
- **Sets out procedures to follow where there is a dispute**
- **Regulates rents**



Rent Regulation

- **Each year, provides a guideline for rental increases**
 - **The 2009 rent increase guideline is 2.5%, effective Jan. 1, 2009**
 - **Landlords can usually raise rents once every 12 months**
- **Landlord can apply to the Residential Tenancies Branch increase rents above guideline**
 - **The Branch considers changes in the operating expenses, capital expenditures and changes in service, among other things, when reviewing rental rate changes**



Rent Regulation

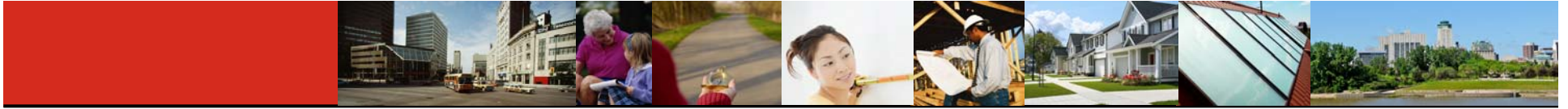
- **Some exceptions to the guidelines:**
 - **High-end rental units**
 - **Units renting for \$1,095 or more per month as of Dec. 31 2008**
 - **New supply**
 - **Units built and occupied after Apr. 9, 2001 are exempt for 15 years**
 - **Units built and occupied after Mar. 7, 2005 are exempt for 20 years**
 - **Rehabilitated units**
 - **Personal care, nursing homes**
 - **Student housing**
 - **Units managed by any of the three levels of government**

2009 CMHC HOUSING OUTLOOK CONFERENCE



MANITOBA RENTAL MARKET

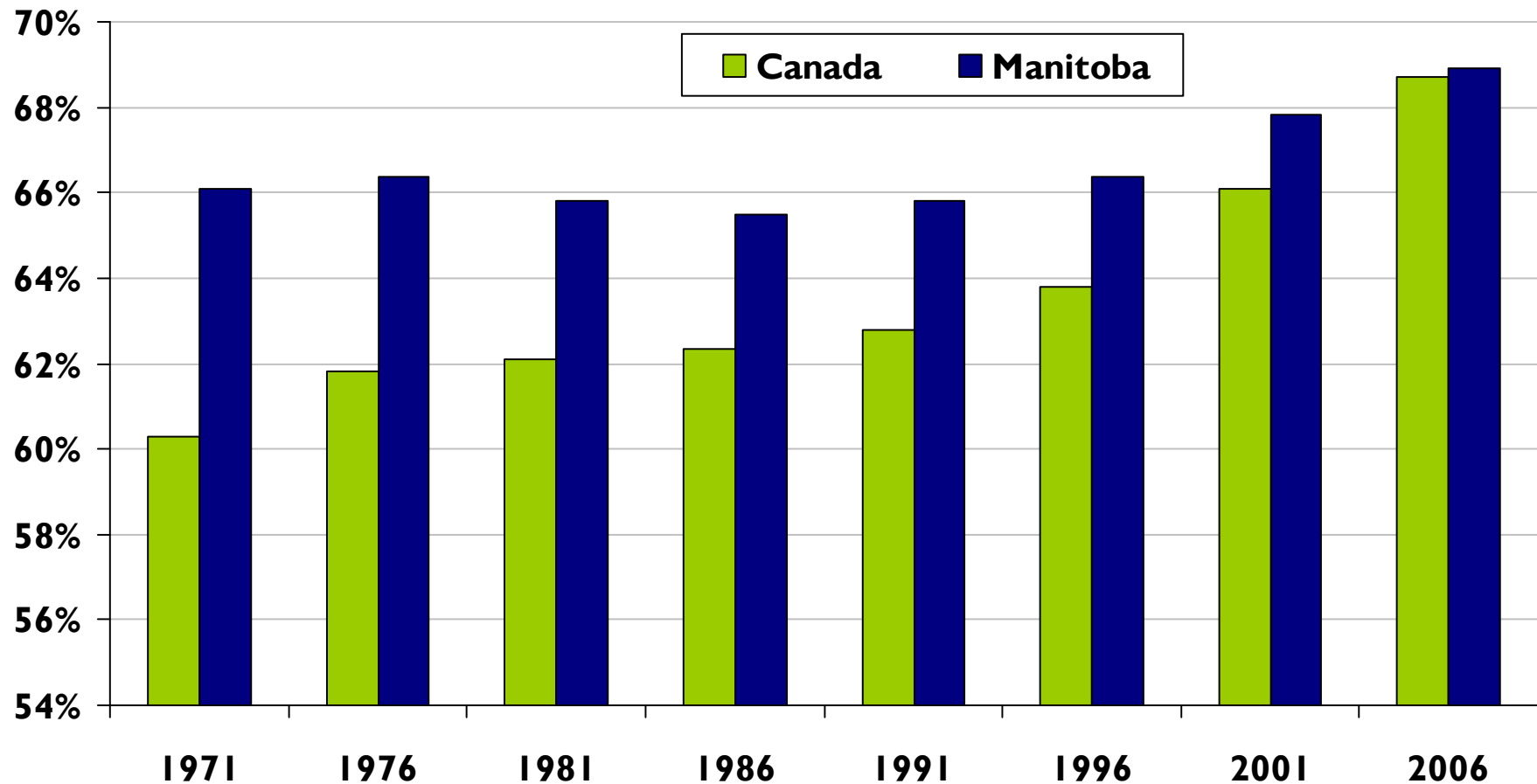




Manitoba Ownership Rates

Homeownership rate rising

proportion of households that own



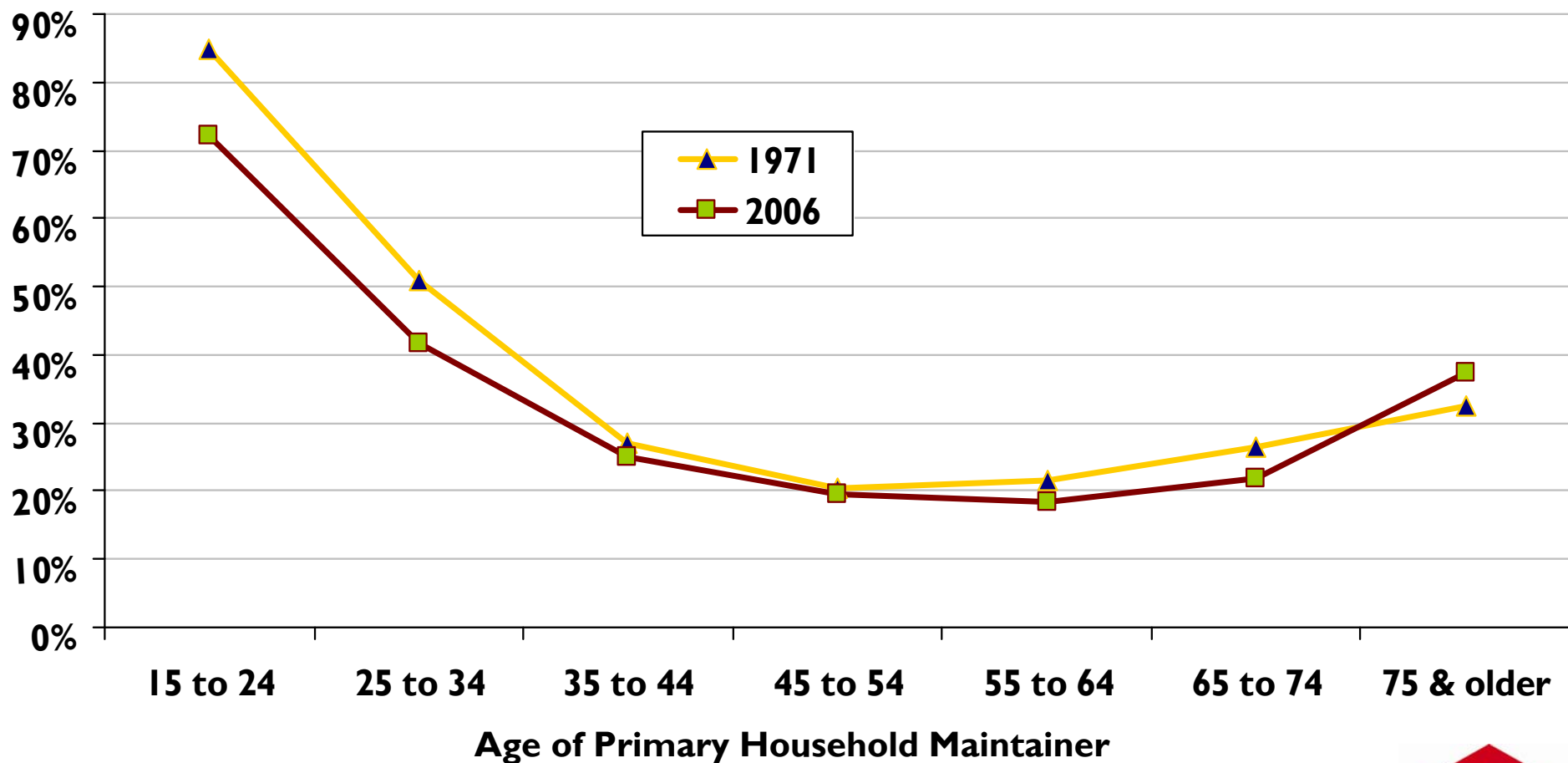
Source: CMHC 2008 Canadian Housing Observer, Statistics Canada (Census of Canada)



Manitoba – Household Renters by Age

Tendency to rent higher for younger households

proportion of rental households



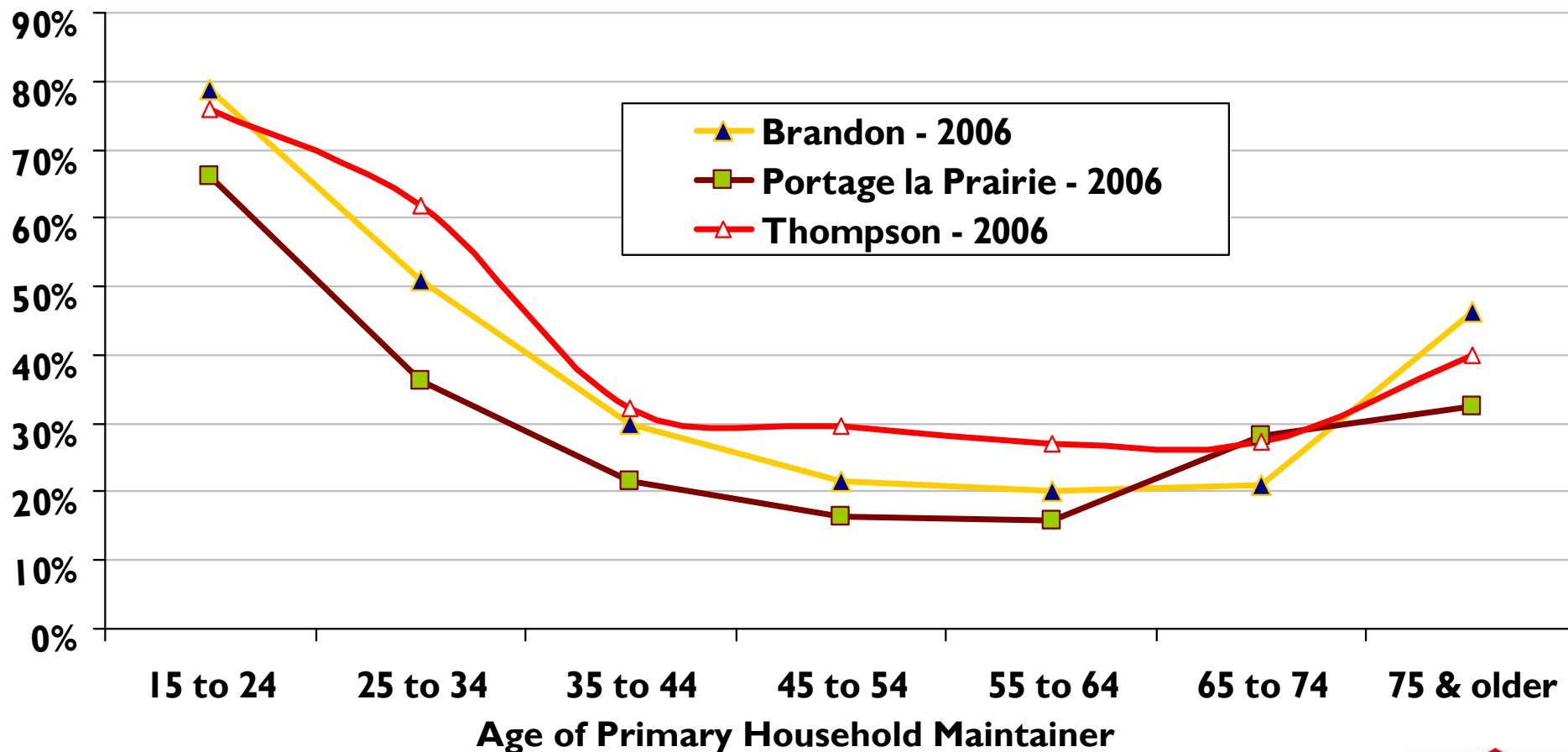
Source: CMHC 2008 Canadian Housing Observer, Statistics Canada (Census of Canada)



Manitoba – Household Renters by Age

Tendency to rent higher for younger households

proportion of rental households

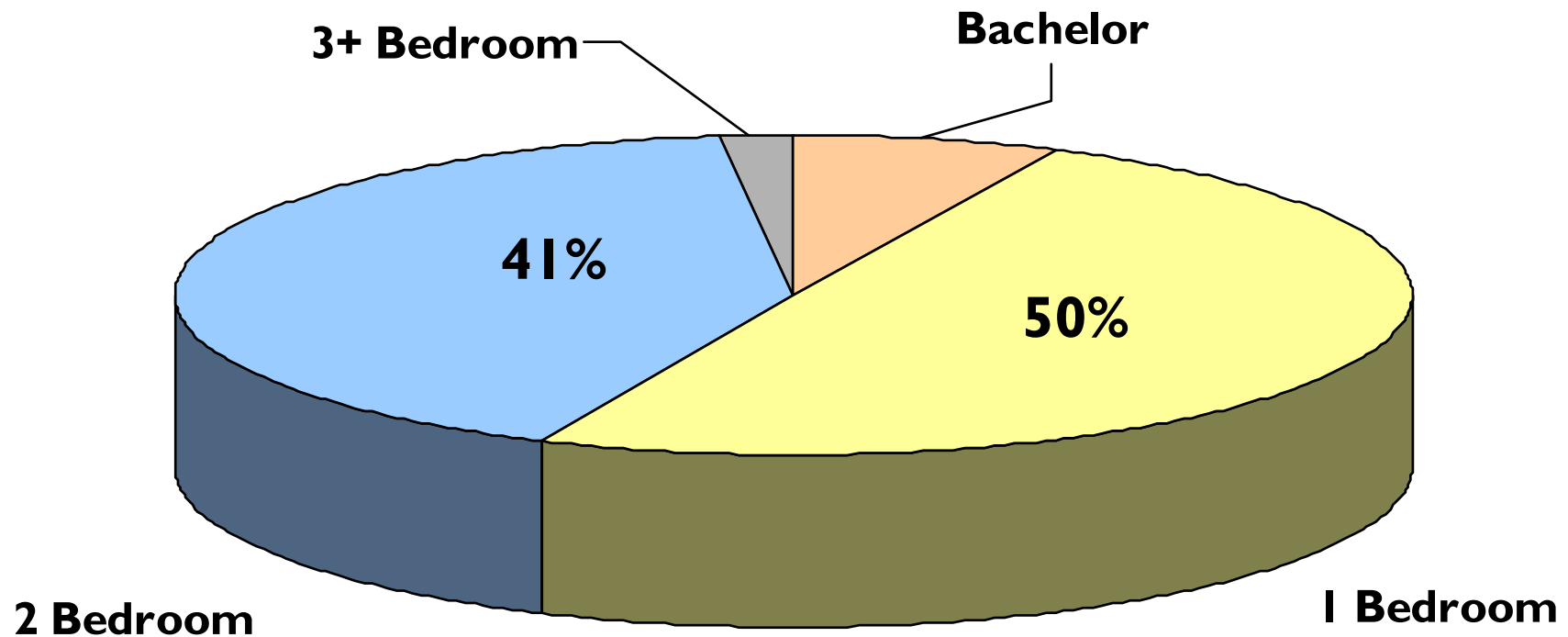


Source: Statistics Canada (Census of Canada 2006 Catalogue Number 97-554-XCB2006019)



Manitoba – Apartment Survey Universe

One- and two-bedroom units comprise 91% of the universe

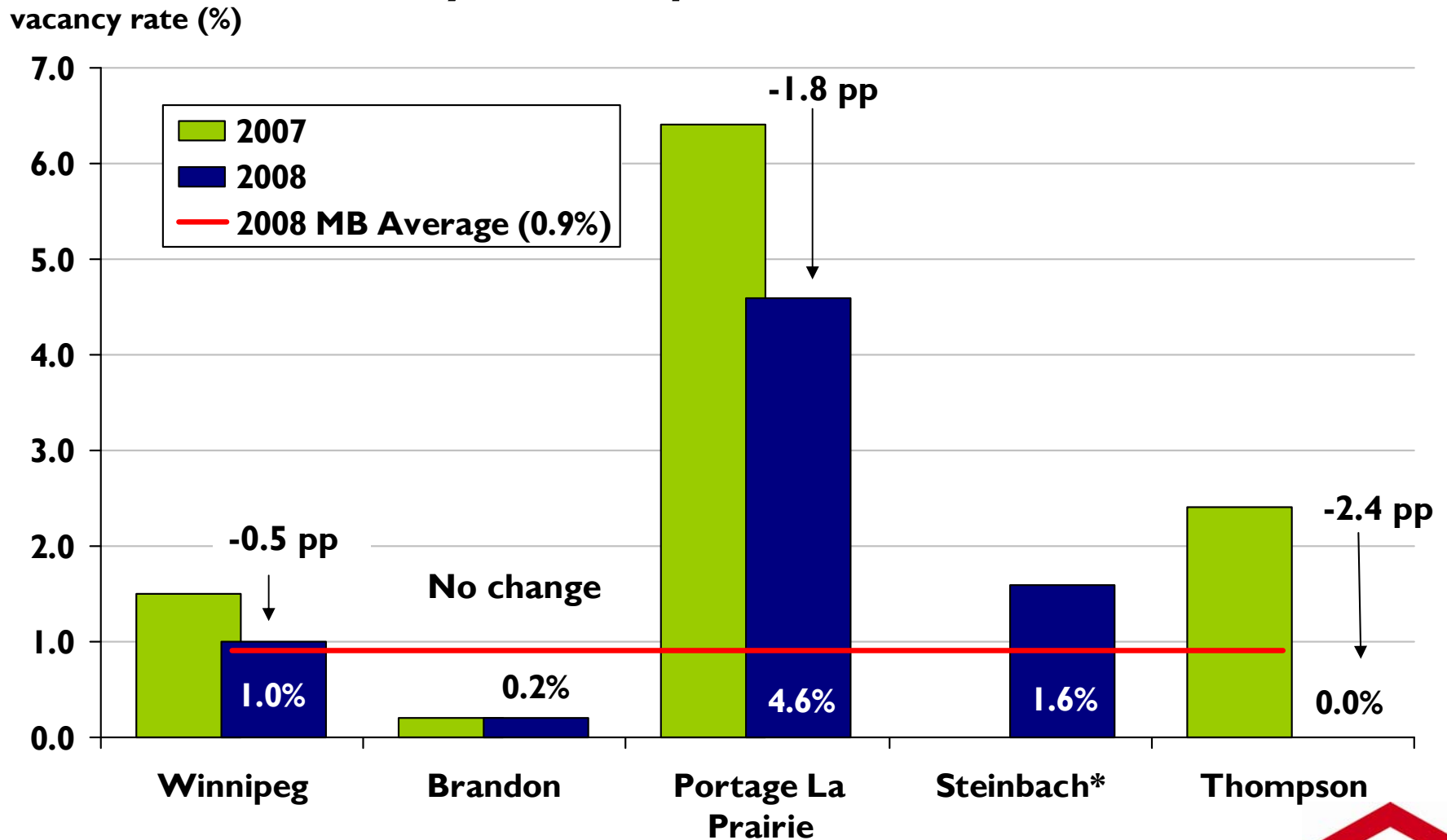


Total: 58,266



Manitoba – Vacancy Rates

Vacancy rate drops from 1.5% to 0.9%



*region not surveyed in 2007

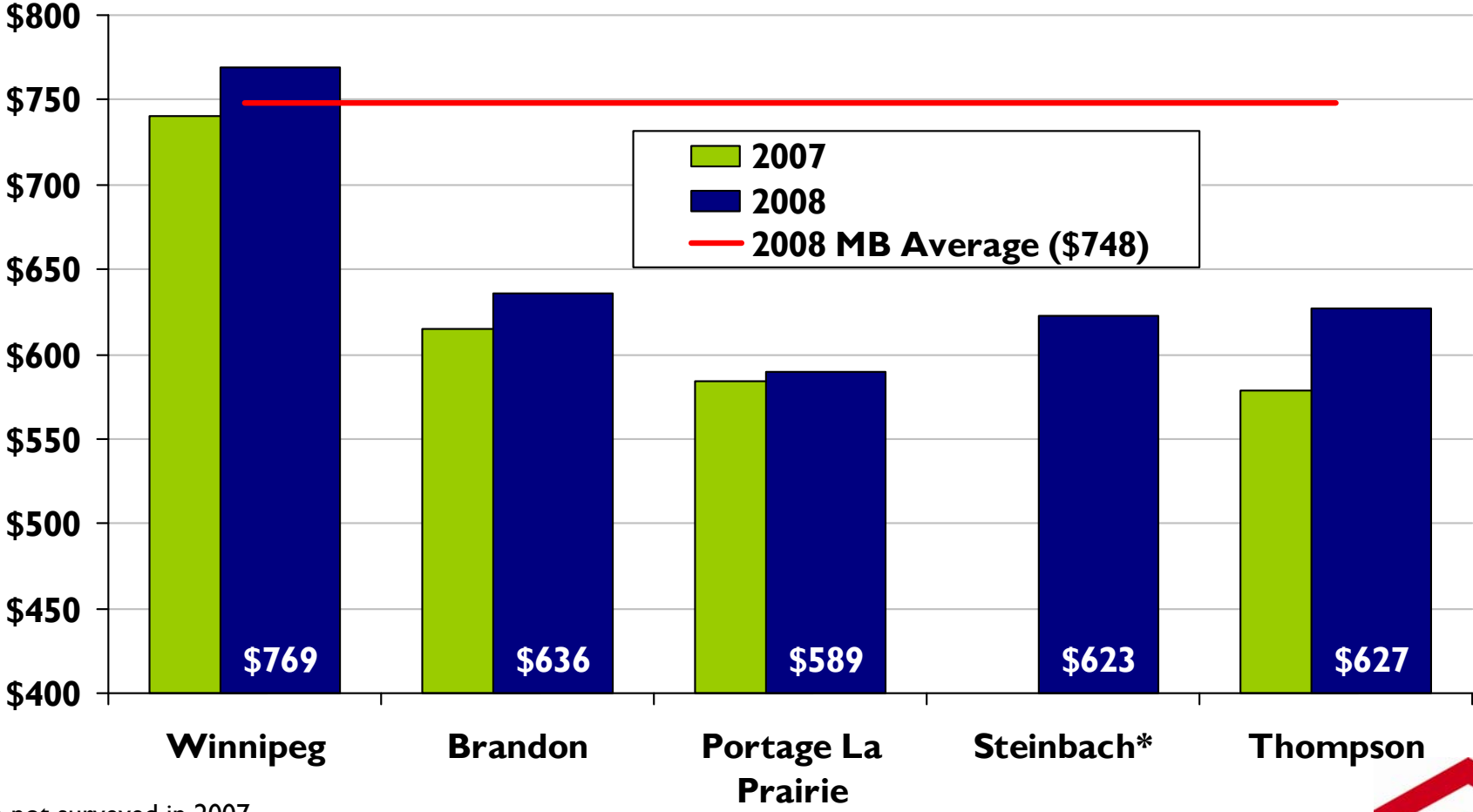
Source: CMHC October Rental Market Survey



Manitoba – Average Two-Bedroom Rents

Rents across the province are increasing

average two-bedroom apartment rent



*region not surveyed in 2007

Source: CMHC October Rental Market Survey



2009 CMHC HOUSING OUTLOOK CONFERENCE



WINNIPEG RENTAL MARKET

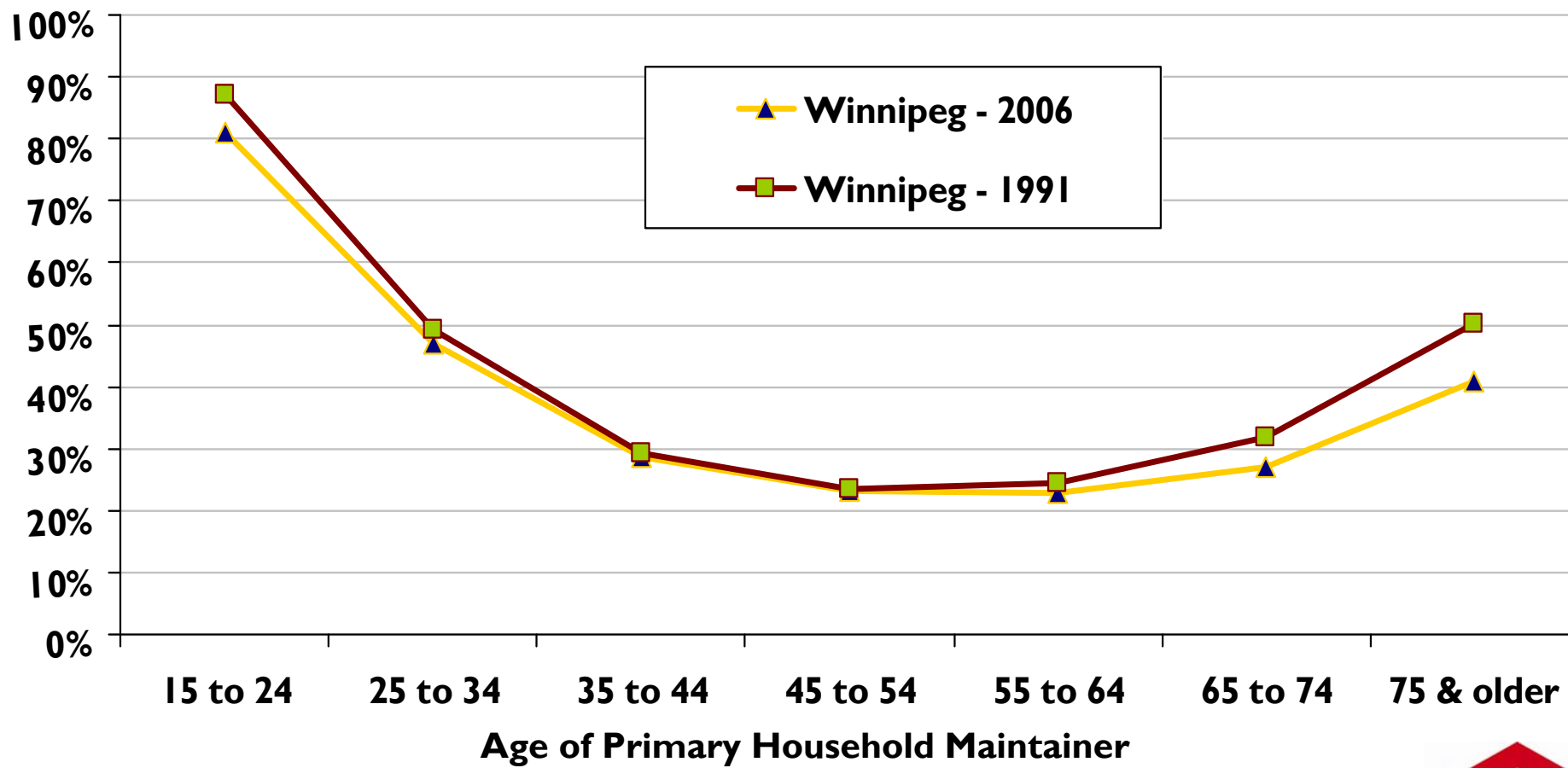




Winnipeg – Household Renters by Age

Tendency to rent higher for younger households

proportion of rental households

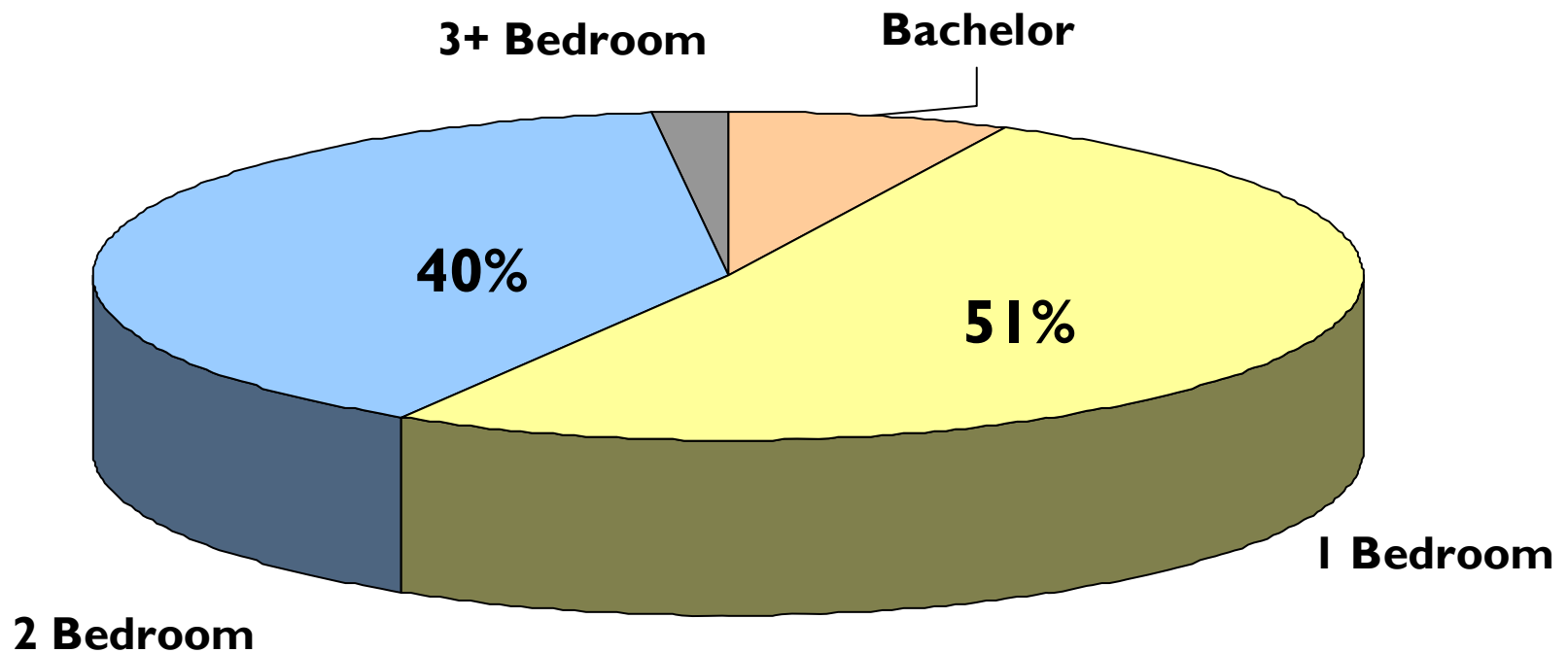


Source: CMHC 2008 Canadian Housing Observer, Statistics Canada (Census of Canada)



Winnipeg CMA – Apartment Survey Universe

One- and two-bedroom units comprise 91 per cent of universe

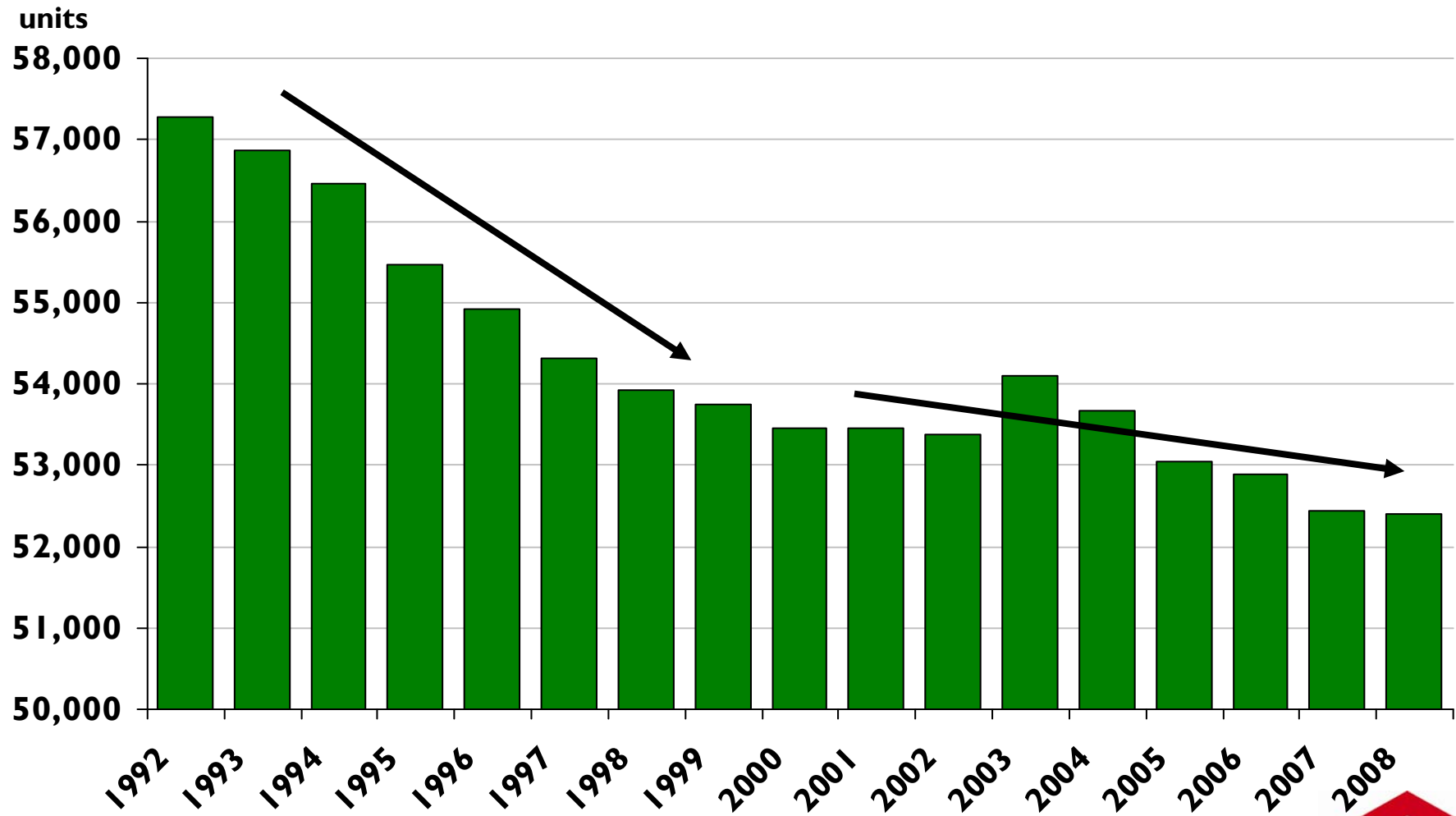


Total: 52,399



Winnipeg CMA – Rental Apartment Universe

Decline is slowing, not yet reversed

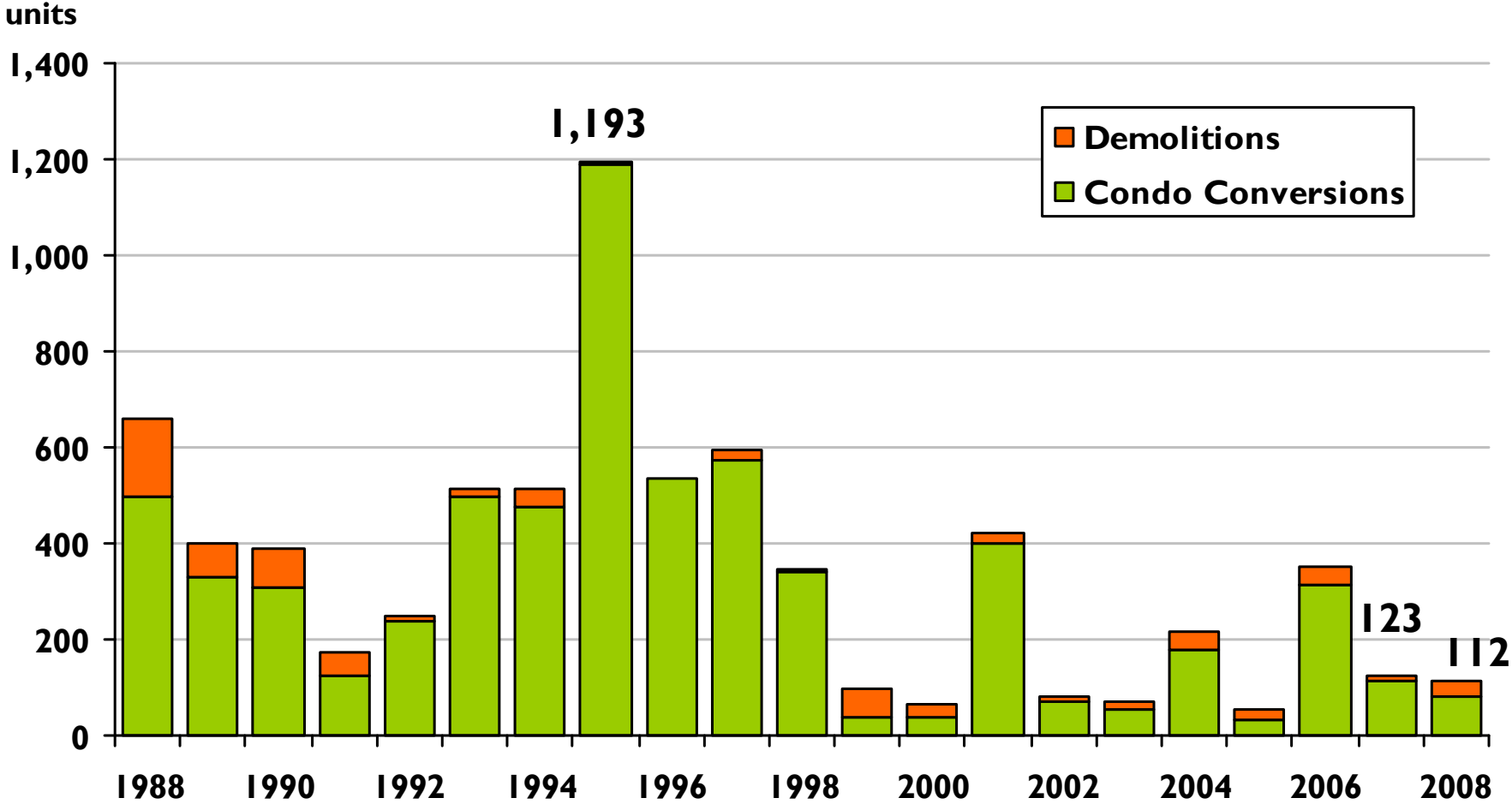


Source: CMHC October Rental Market Survey



Winnipeg CMA – Units Removed from Survey

Large amount of removals pre-1999

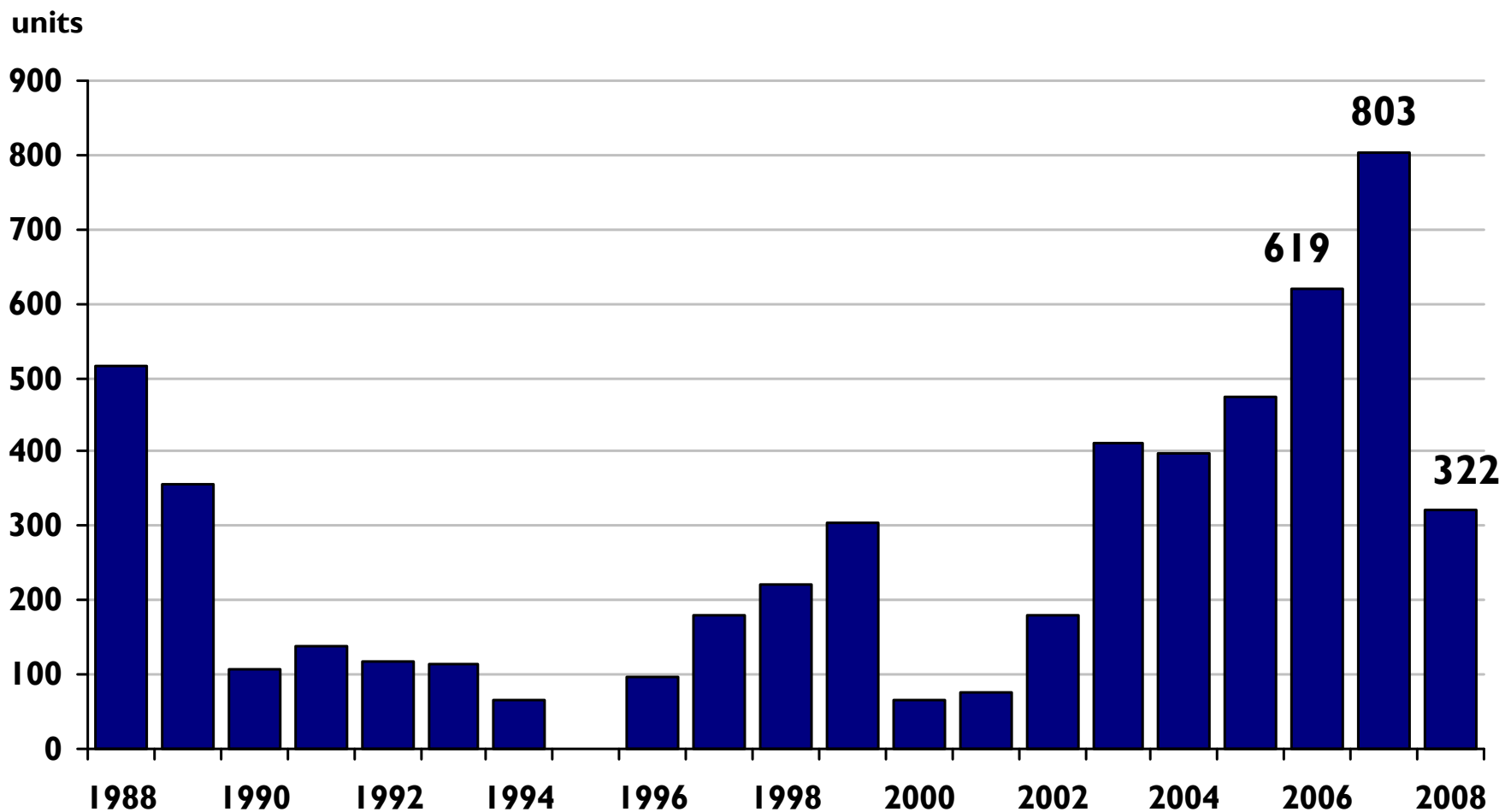


Source: CMHC Rental Market Survey



Winnipeg CMA – Rental Starts

Large amount of additions post 2002

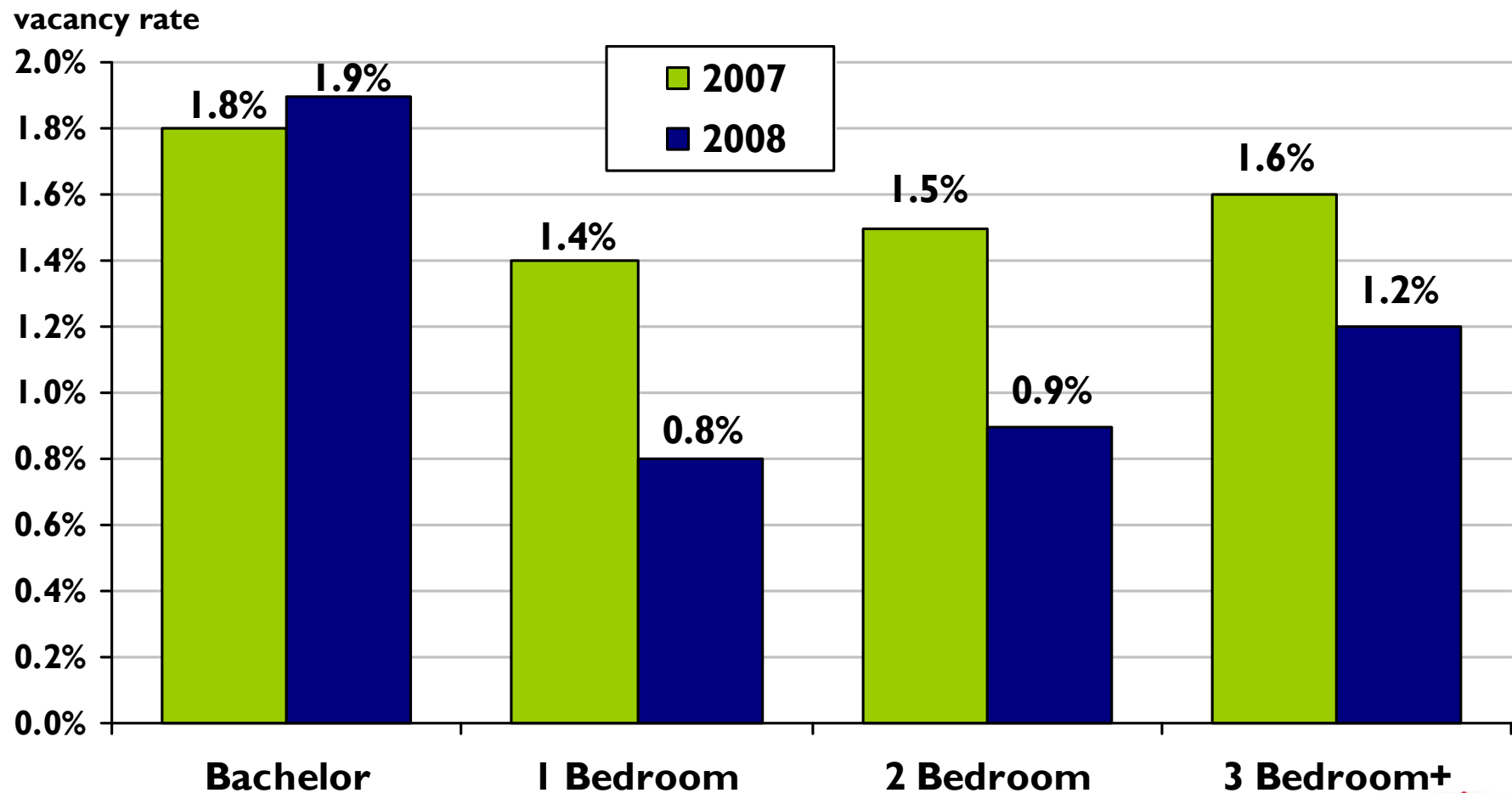


Source: CMHC



Winnipeg CMA – Apartment Vacancy Rate by Type

Vacancy rate drops for most unit types



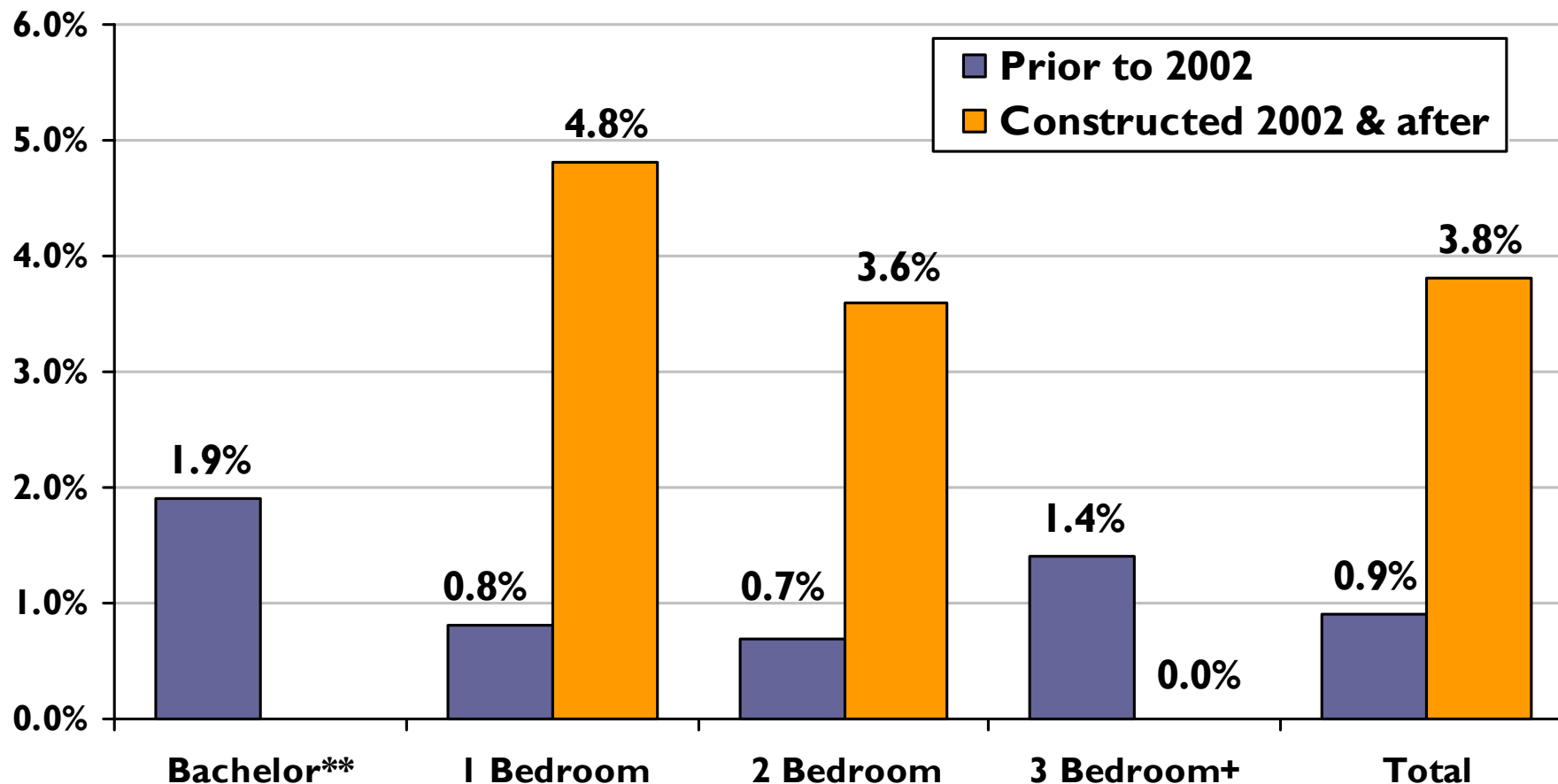
Source: CMHC October Rental Market Survey



Winnipeg CMA – Apartment Vacancy Rate

Vacancy rate higher in structures built after 2002

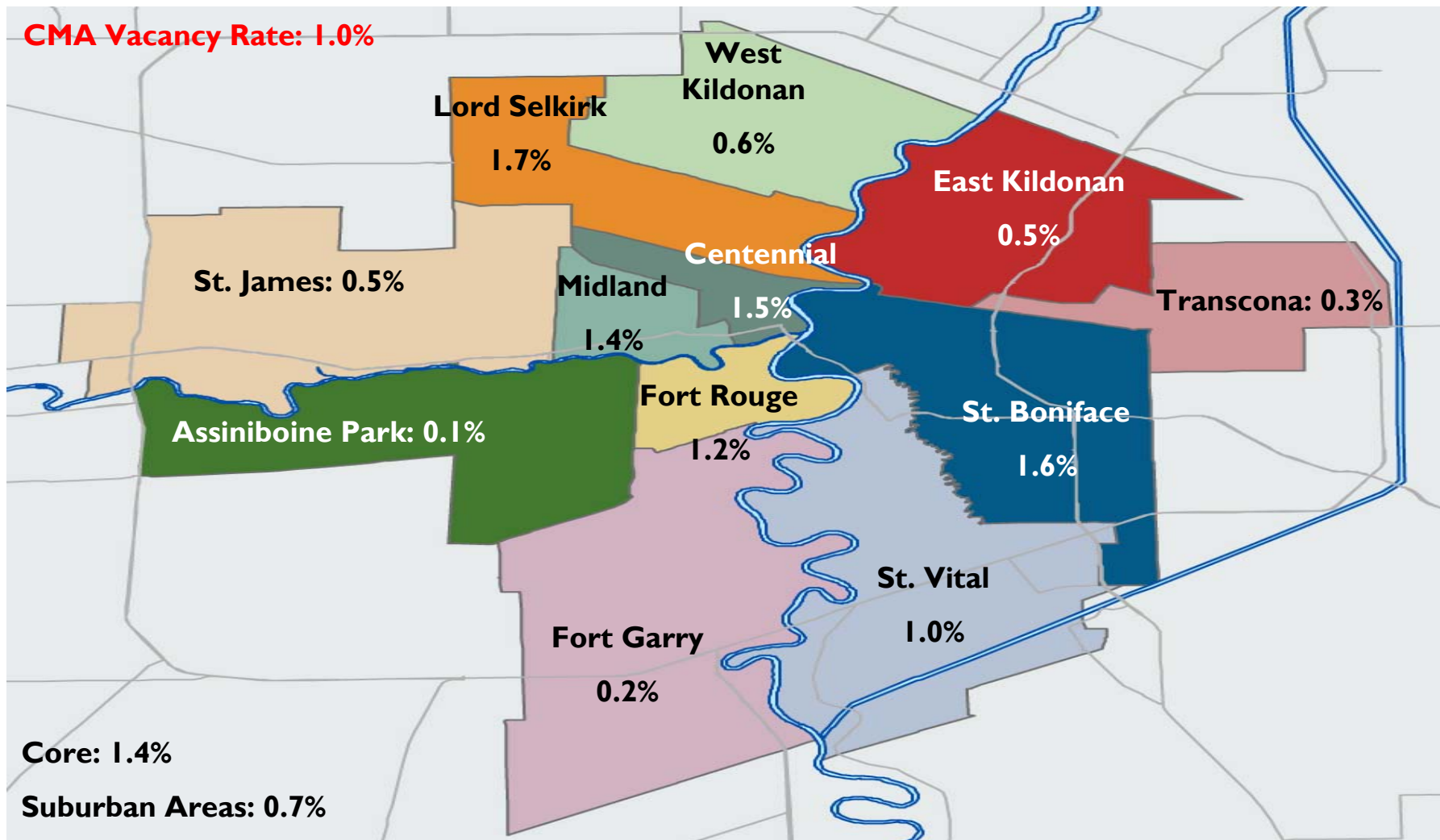
vacancy rate by period of construction



** Data suppressed in 2008 for bachelor suites
 Source: CMHC Rental Market Survey, October 2008



Winnipeg CMA – Apartment Vacancy Rate by Area

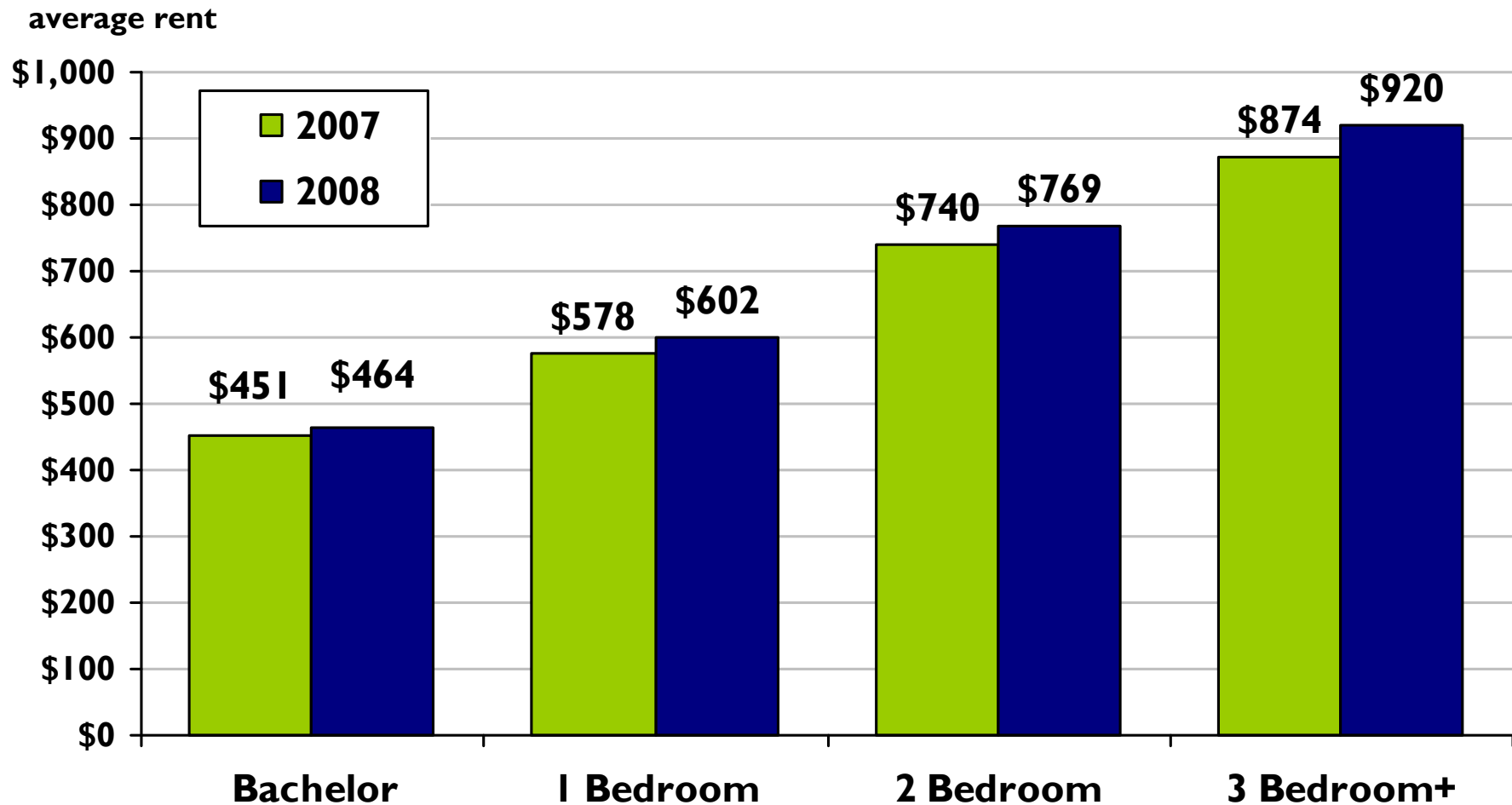


Source: CMHC Rental Market Survey, October 2008



Winnipeg CMA – Average Rent by Unit Type

Average rent increases across all unit types

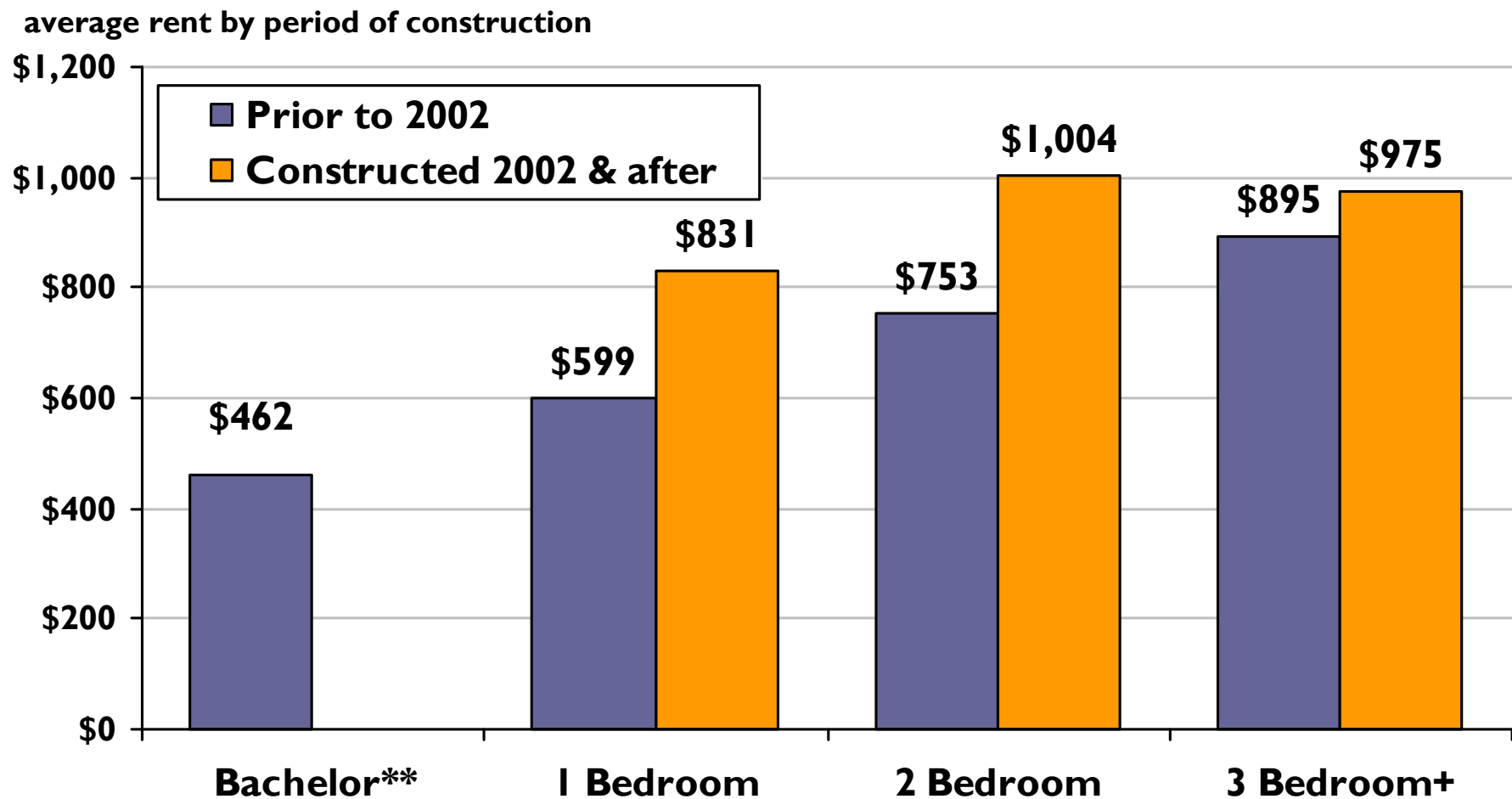


Source: CMHC October Rental Market Survey



Winnipeg CMA – Average Rent

Average rents higher in units built after 2002

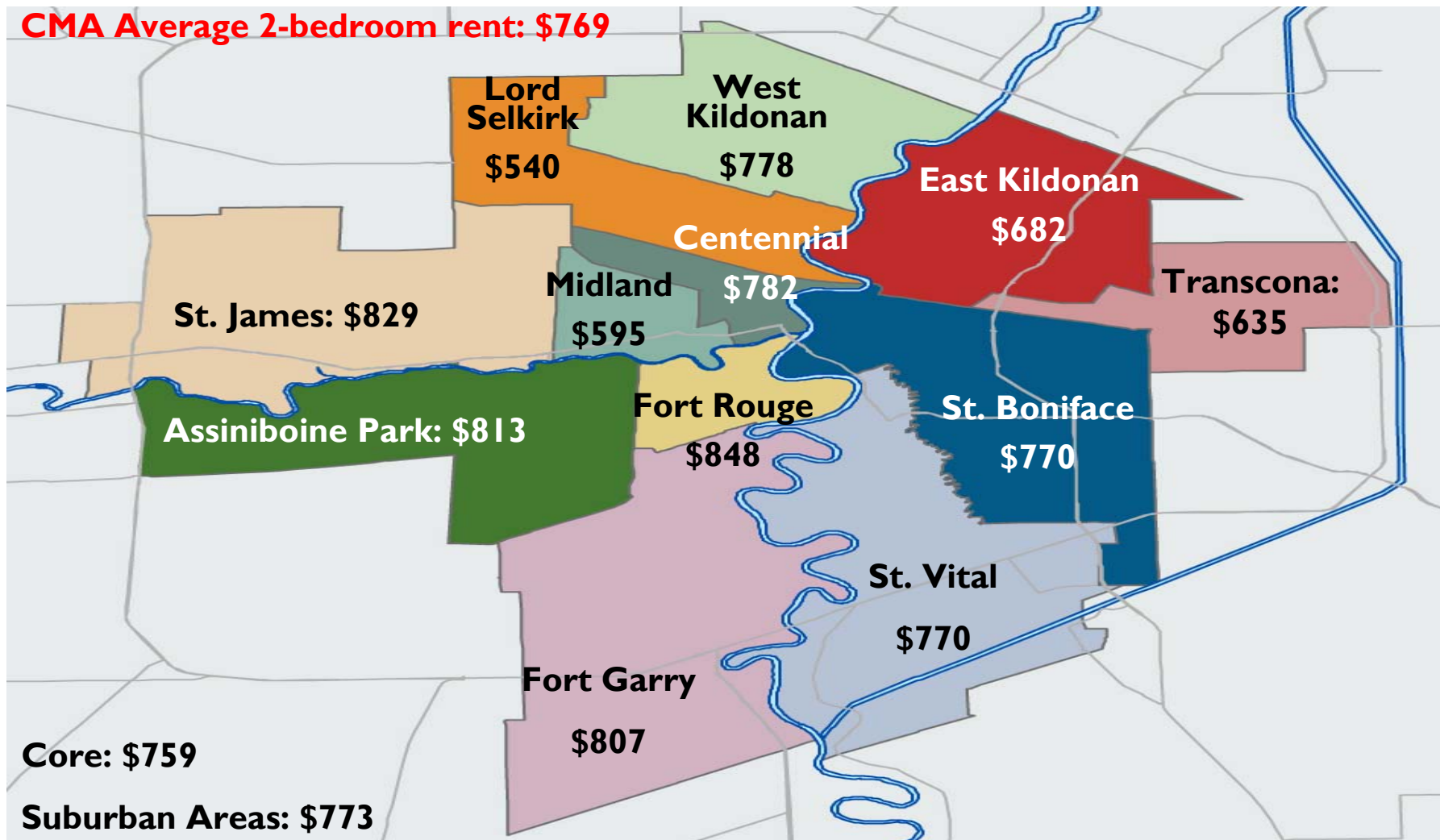


** Data suppressed in 2008 for bachelor suites
Source: CMHC Rental Market Survey, October 2008



Winnipeg CMA – Apartment Average Rent by Area

CMA Average 2-bedroom rent: \$769



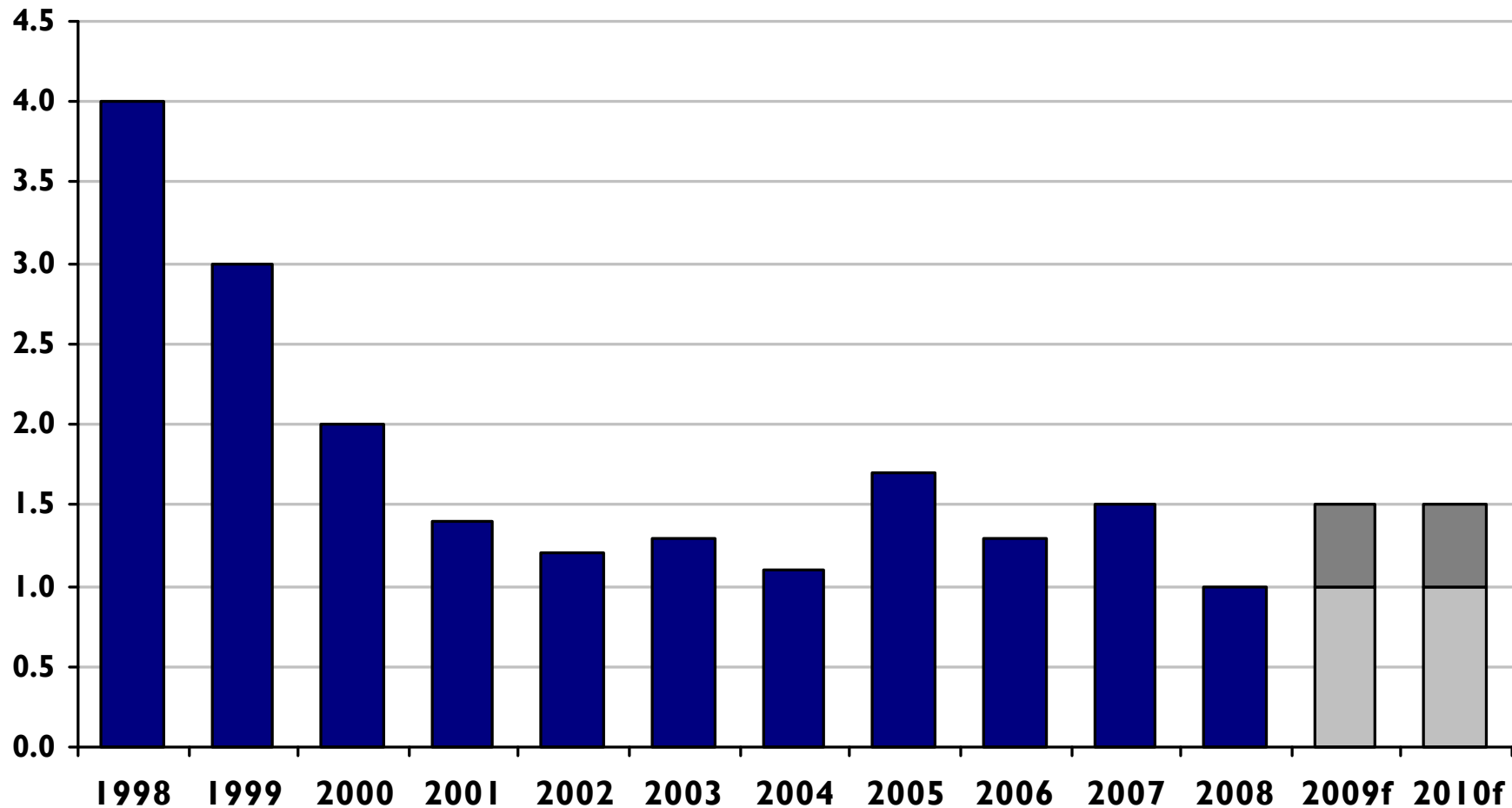
Source: CMHC Rental Market Survey, October 2008



Winnipeg CMA – Apartment Vacancy Rate

Vacancies drift upwards, but remain low

vacancy rate (%)

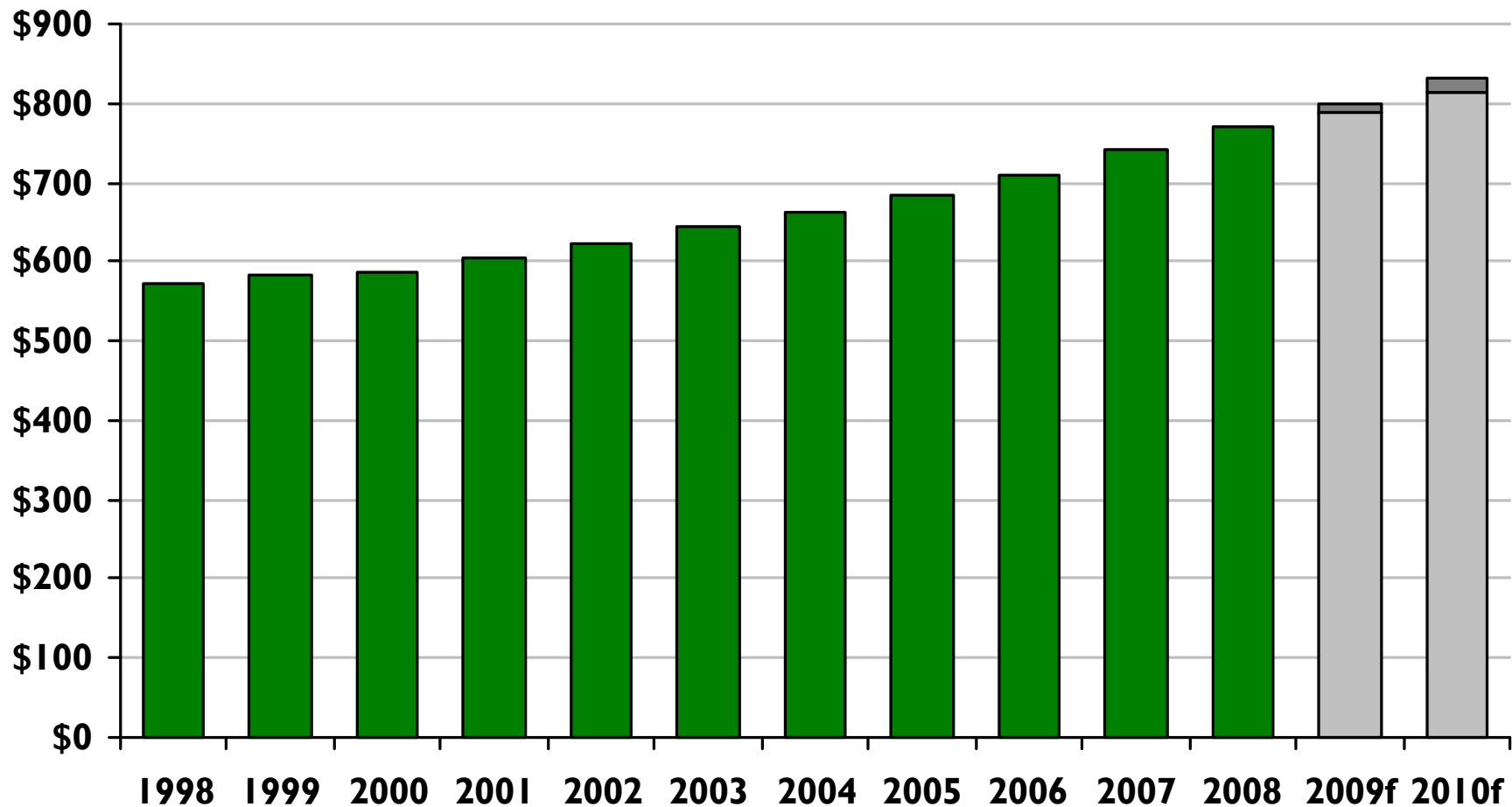


Source: CMHC October Rental Market Survey



Winnipeg CMA – Average Two-Bedroom Rent

Average rent increased from \$693 in 2007 to \$769 in 2008



Source: CMHC October Rental Market Survey



Summary – Winnipeg

- **Continued population growth boosted by new immigrants from international sources**
- **Current demographics favour rental demand**
- **Slower economic expansion could push vacancies up**
- **Rental rents continue to increase more than the guideline**
 - growing share of purpose-built is new and these units are exempt
 - newly renovated units can apply for exemption



THANK YOU!

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Market Analyst
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CMHC  SCHL

HOUSING FINANCE

PETER FRIEDMANN

*General Manager, Ontario Region and
Managing Director, Securitization, CMHC*

Peter Friedmann joined CMHC in 1977. Following various assignments in Ontario, including General Manager, he moved to British Columbia in that capacity. In 2003, he returned to the Ontario position and added responsibilities as Managing Director for Securitization in 2006. Peter holds a Bachelor of Arts (Honours) in Economics, a Master in Economics, and a CIM designation from the Canadian Securities Institute.



GAINING PERSPECTIVE: THE LOOK AHEAD

2009 CMHC Housing Outlook Conference - Winnipeg



Confidence in the Canadian Housing Finance System

Housing Outlook Conference

Peter M Friedmann
Ontario General Manager and
Managing Director of CMHC Securitization

February 2009

Not Since the Days of the Great Depression

- "a once-in-a-half-century, probably once-in-a-century type of event"
 - Alan Greenspan (Economist, Jan 22, 2009) referring to the current financial crisis
- Britain's economic conditions are "arguably the worst they have been for 60 years",
 - Alistair Darling, U.K. Chancellor of the Exchequer
- "It's not based on any particular data point, we just wanted to choose a really large number."
 - U.S. Treasury spokeswoman explaining how the \$700 billion number was chosen for the initial bailout (quoted on Forbes.com, Sept. 23, 2008)

Overview

- Define the problem
- Canada's Model for Securitization
- International Comparisons
- Funding Spreads
- Fundamentals
- Conclusions
- Looking Ahead

Who What Where When Why

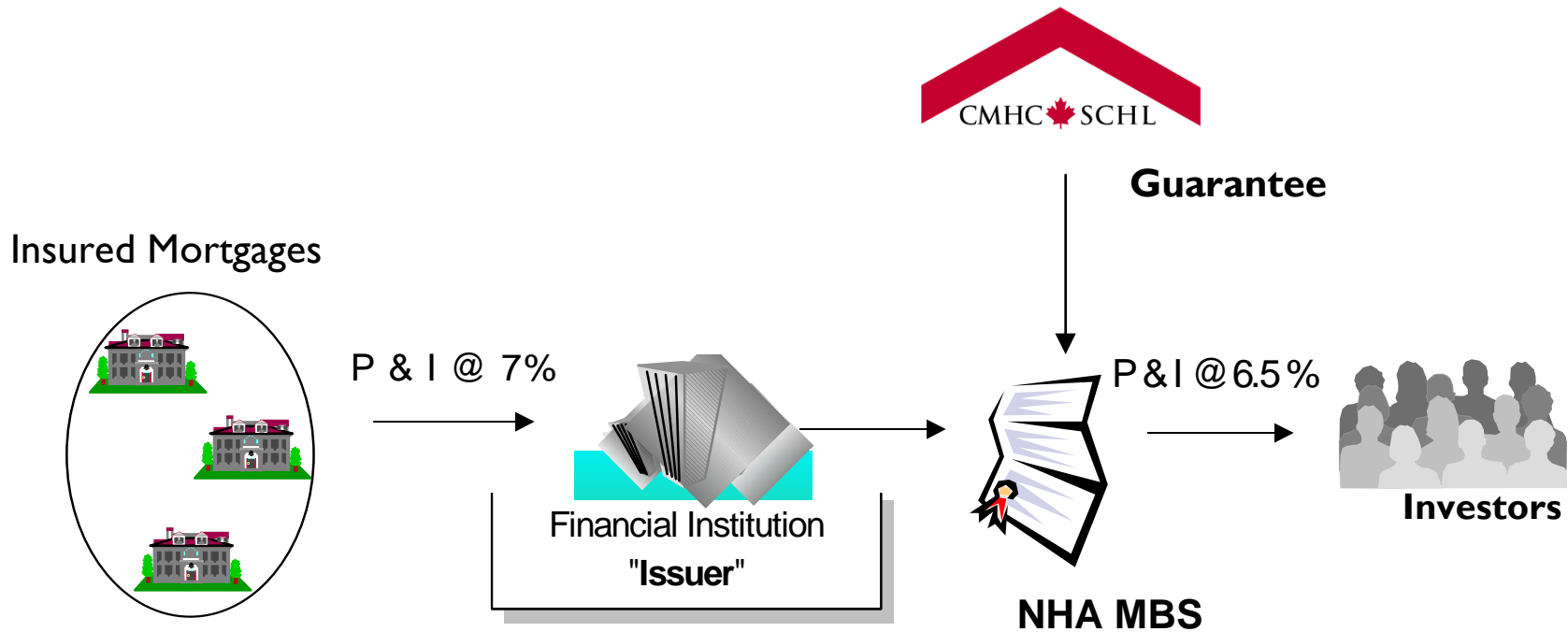
- New entrants in the Mortgage Market
- Asset quality
- USA and World-wide financial markets
- An evolving story
- Investor confidence
- Transparency
- Lack of Oversight



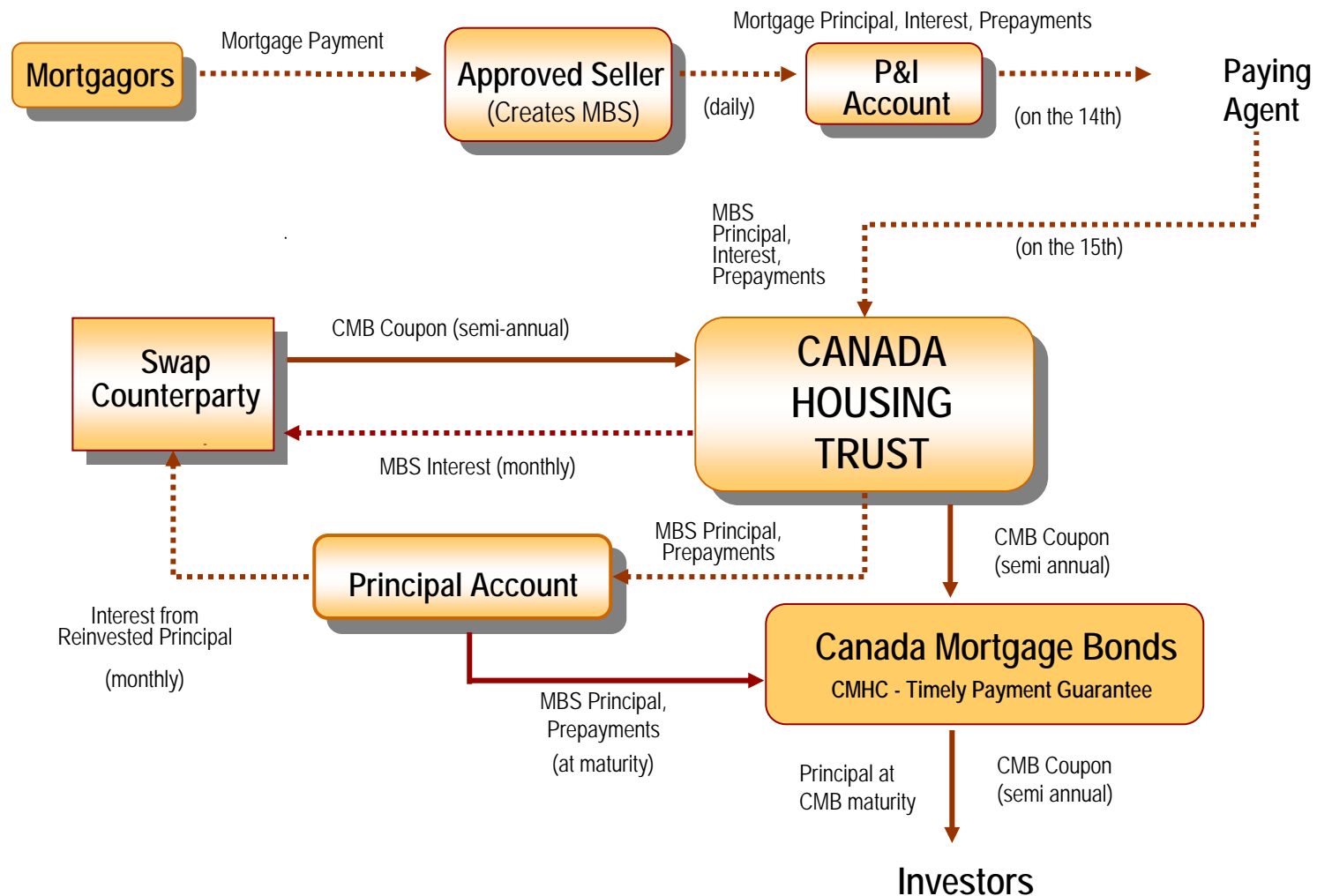
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NHA MBS Program Structure



Canada Mortgage Bonds (CMB) Structure





Overview

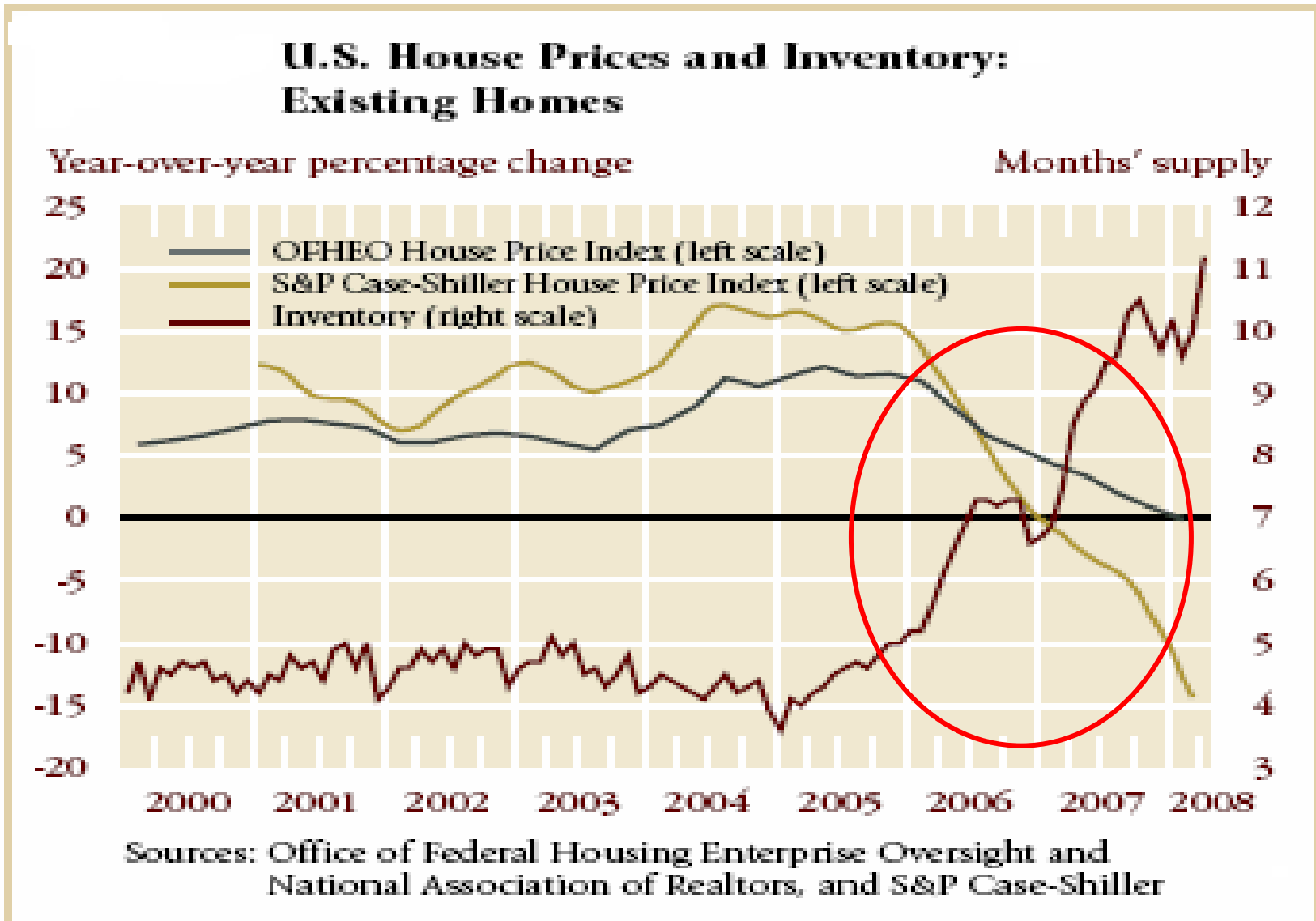
- Define the problem
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Some Key Economic and HF Metrics

Countries	Country Population (million)	Mortgage Market Size (Total mortgages o/s, \$CA bn)	Mortgage Debt to GDP (2006)	RMBS Issuance		House Price Increase (1997-2008)	Homeownership Rate
				Public (2006)	Private (2006)		
Japan	127.3	1,800 (2007)	36.5%	\$ 24.5bn	\$ 29.3bn	-32%	61% (2003)
Canada	31.6	818 (2007)	45.3%	\$ 58.4bn	\$ 4.9bn	70%	67% (2008)
US	303.8	11,828 (2007)	76.3%	\$ 953.1bn	\$ 1,214.2 bn	86%	68% (2008)
Netherlands	16.6	785 (2006)	98.4%	NA	\$ 39.5bn	105%	54% (2005)
Australia	21.0	766 (2007)	81.4%	NA	\$ 52.5bn	173%	70% (2006)
UK	60.9	2,363 (2006)	83.1%	NA	\$ 207.1bn	179%	69% (2005)

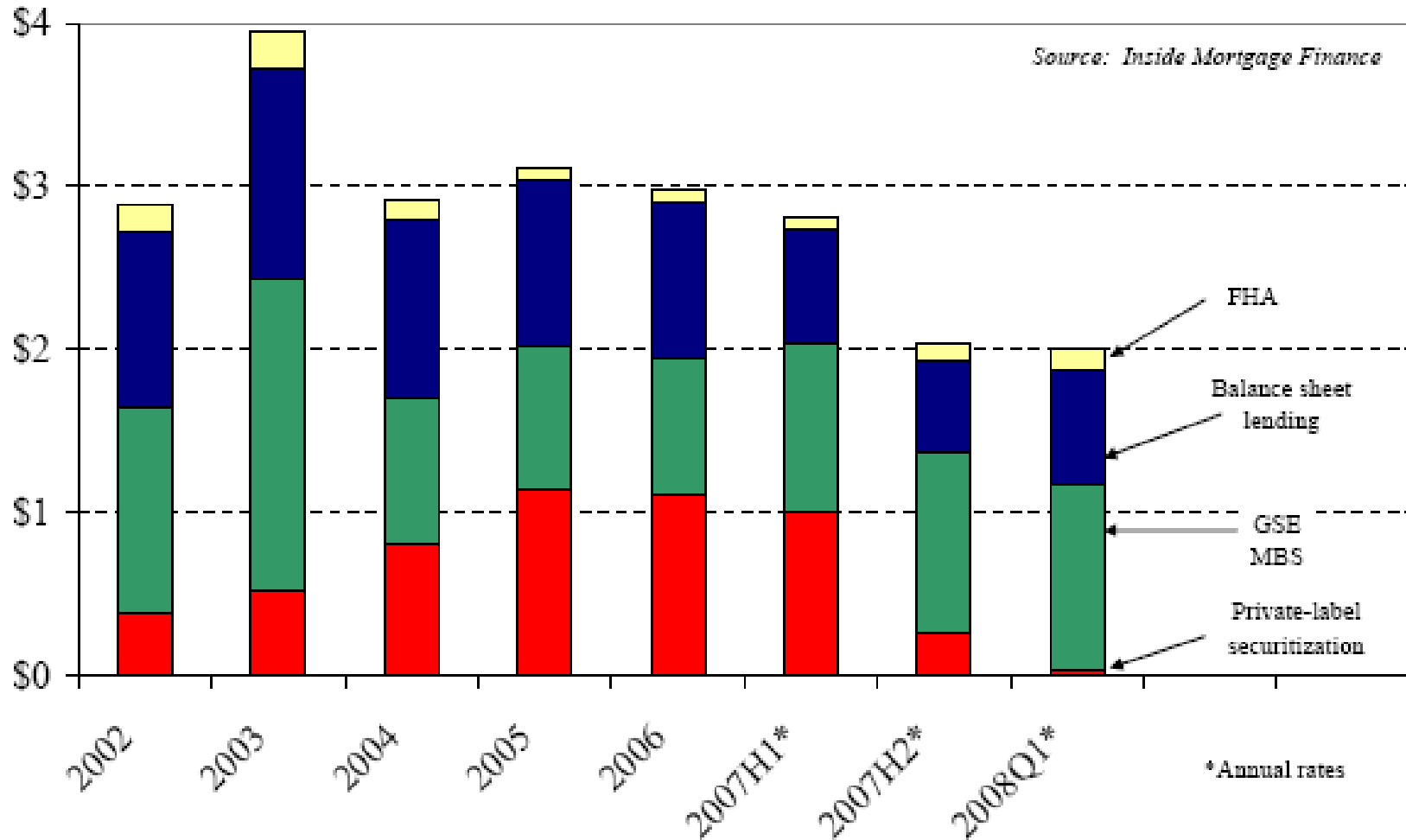
Source: Various

US House Prices and Inventory



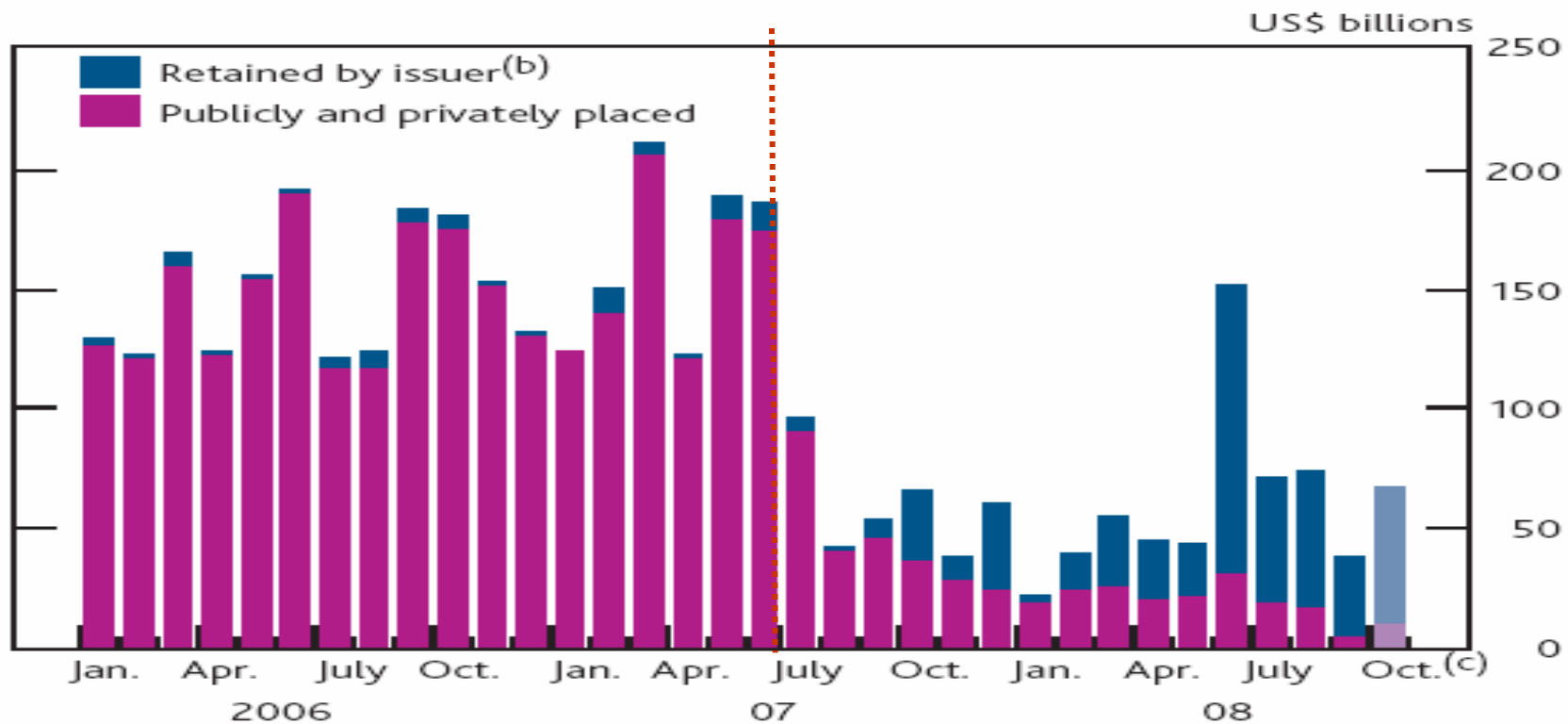
US - Increasing Government, Decreasing Private

Mortgage Originations by Source of Funding (trillions of dollars)



Impact on Global Mortgage Funding

Global residential mortgage-backed securities issuance^(a)



Sources: Dealogic and Bank calculations.

Note: Bank refers to Bank of England

The Extent of Mark-to-Market Losses

Mark-to-market losses on selected financial assets^{(a)(b)}

	Outstanding amounts	Losses: Apr. 2008 Report	Losses: Oct. 2008 Report
United Kingdom (£ billions)			
Prime residential mortgage-backed securities	193	8.2	17.4
Non-conforming residential mortgage-backed securities	39	2.2	7.7
Commercial mortgage-backed securities	33	3.1	4.4
Investment-grade corporate bonds	450	46.2	86.5
High-yield corporate bonds	15	3.0	6.6
Total		62.7	122.6
United States (US\$ billions)			
Home equity loan asset-backed securities (ABS) ^(c)	757	255.0	309.9
Home equity loan ABS collateralised debt obligations (CDOs) ^{(c)(d)}	421	236.0	277.0
Commercial mortgage-backed securities	700	79.8	97.2
Collateralised loan obligations	340	12.2	46.2
Investment-grade corporate bonds	3,308	79.7	600.1
High-yield corporate bonds	692	76.0	246.8
Total		738.8	1,577.3
Euro area (€ billions)			
Residential mortgage-backed securities ^(e)	387	21.5	38.9
Commercial mortgage-backed securities ^(e)	34	2.8	4.1
Collateralised loan obligations	103	6.8	22.8
Investment-grade corporate bonds	5,324	283.8	642.9
High-yield corporate bonds	175	29.1	75.9
Total		344.1	784.6

Source: Bank calculations.

(a) Estimated loss of market value since January 2007, except for US collateralised loan obligations which are losses since May 2007.

(b) Data to close of business on 20 October 2008.

(c) 2005 H1 to 2007 H2 vintages. The home equity loan asset class is comprised mainly of US sub-prime mortgages, but it also includes, for example, other mortgages with high loan to value ratios. Home equity loans are of lower credit quality than US Alt-A and prime residential mortgages.

(d) High-grade and mezzanine ABS CDOs, excluding CDO-squareds.

(e) Germany, Ireland, Italy, Netherlands, Portugal and Spain.

- Declines in asset values have resulted in significant mark to market (MTM) losses of not only RMBS but also other asset types including CMBS, CDO, corporate bonds, as shown according to the Bank of England

From Jan 2007 to Oct 2008, MTM losses were:

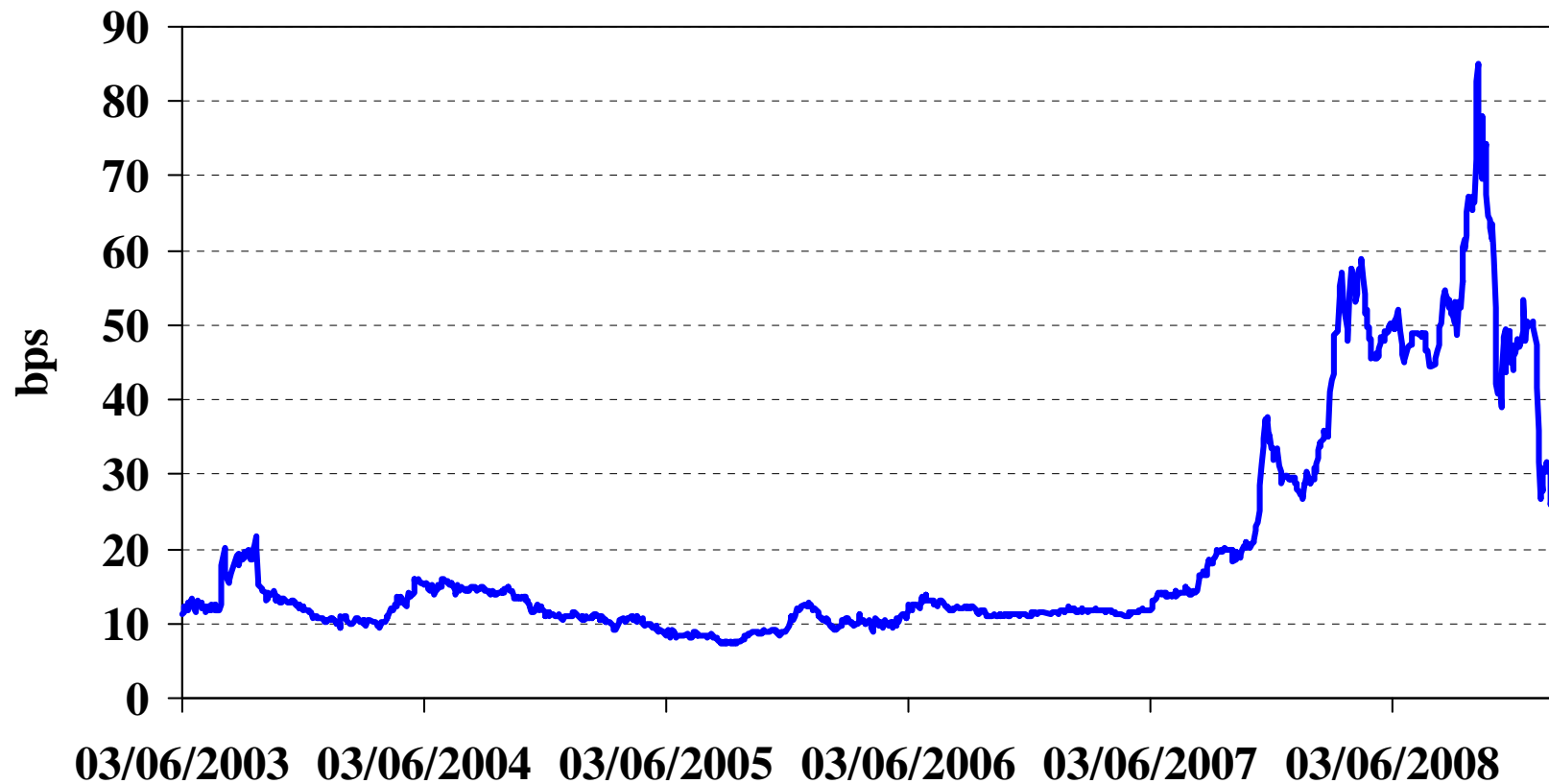
- US: US\$587 B** for US subprime RMBS assets (home equity ABS), and **US\$1.6 T** in total for all key financial assets
- UK: £17.4 B** for UK prime RMBS assets, **£7.7 B** for non-conforming RMBS, and **£122.6 B** in total for all key financial assets
- Other EU: €785 B** for all key financial assets including RMBS
- The MTM losses, totalling **US\$2.8 T**, has created significant pressures on bank capital at a time when raising capital faces unusual difficulties
- These MTM losses reflected reduced liquidity, investor uncertainty, and higher credit risk, and may change as market prices improve
- They do not include actual losses already incurred due to defaults, which is believed to be less, e.g. bank-write downs and credit losses totalled **US\$918 B** by Oct 2008

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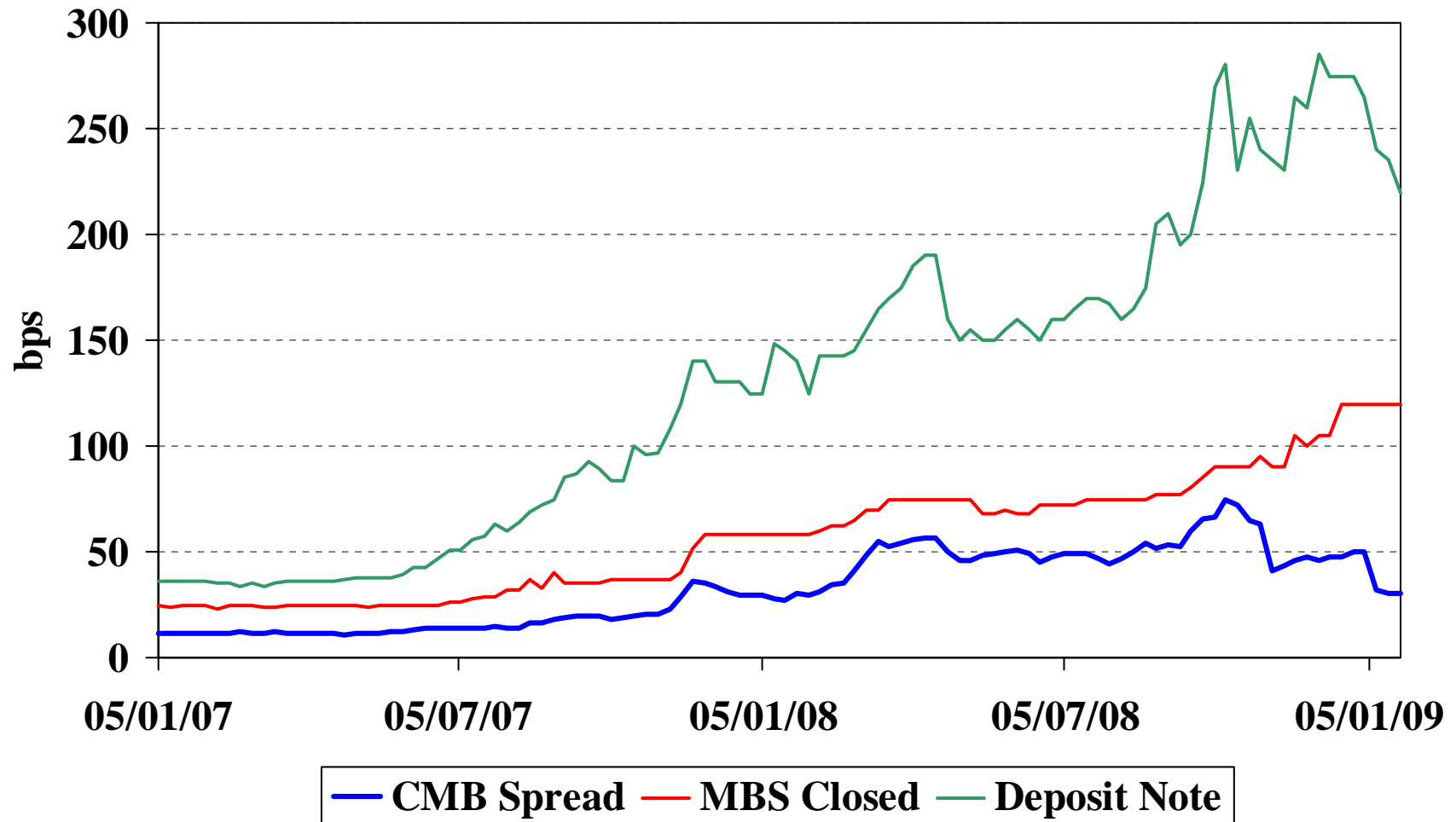
Relative Lower Cost of Funds

CMB Constant Maturity Spreads 5 year Over Gov't of Canada



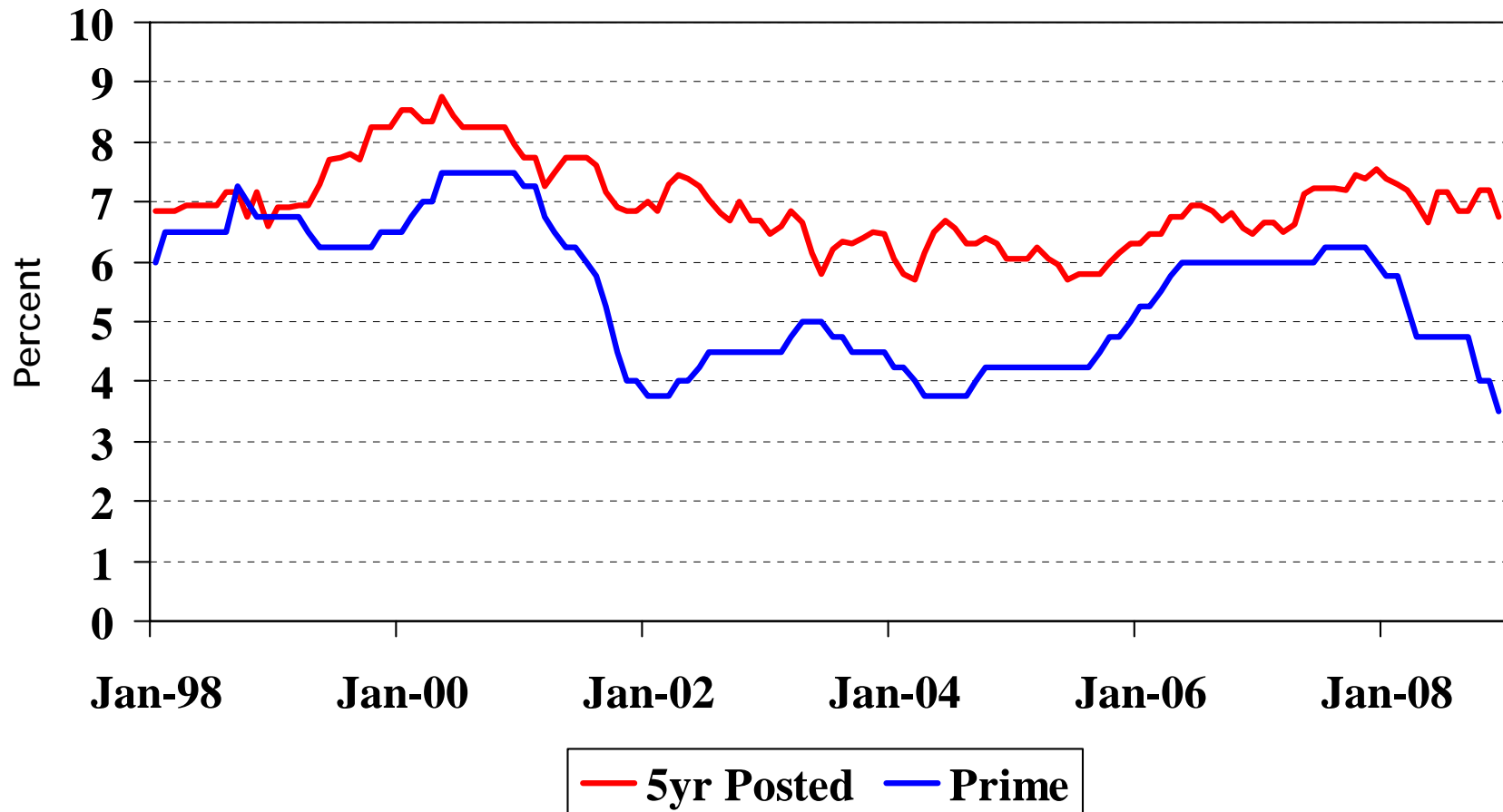
Source: CMHC

Relative Lower Cost of Funds



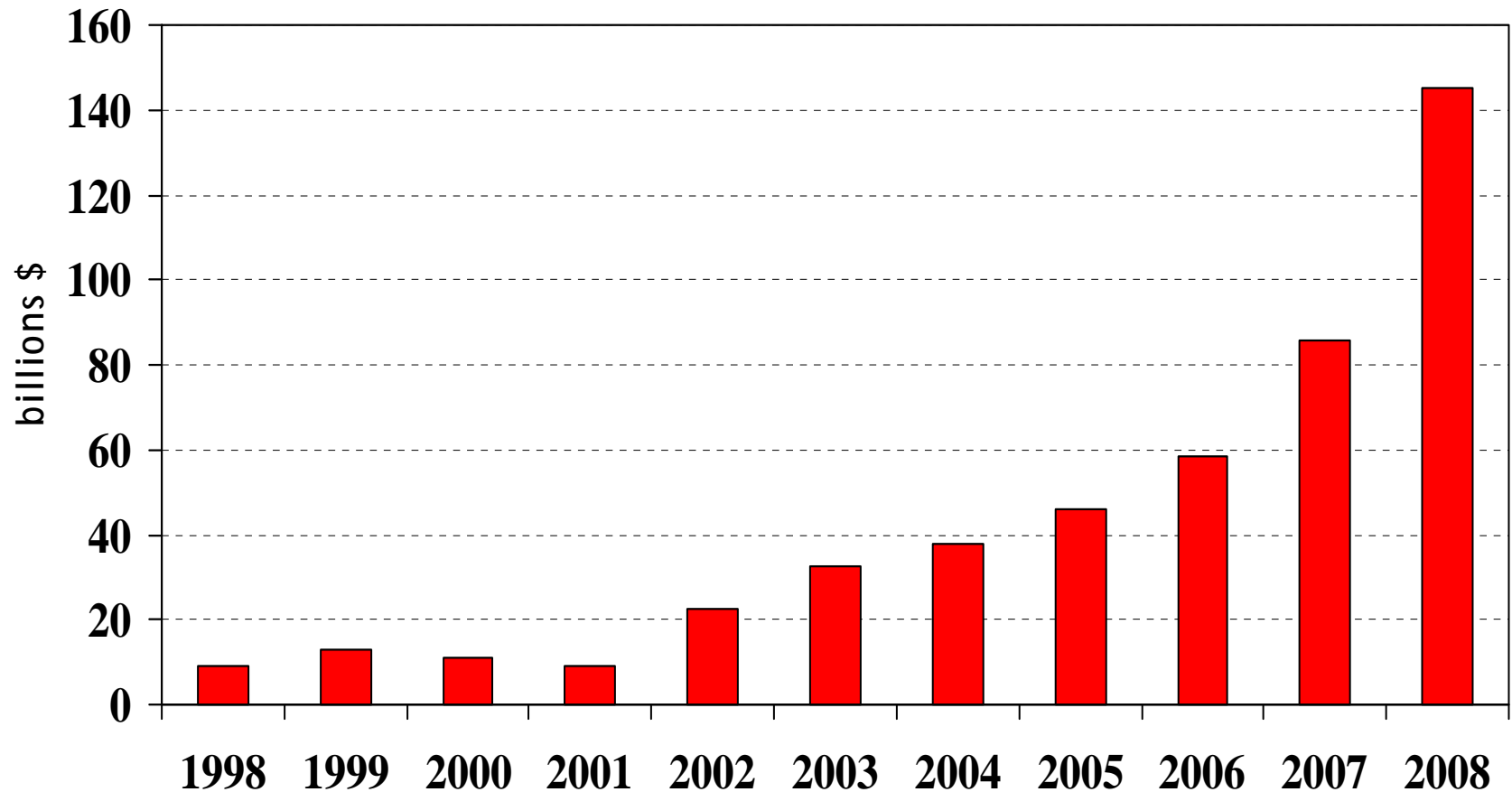
Relative Lower Mortgage Rates

Mortgage Rates



CMHC Securitization a Responsive Safe Haven

Annual NHA MBS Volumes



Source: CMHC

The Insured Mortgage Purchase Program (IMPP)

- Under the IMPP, CMHC purchases NHA MBS from approved issuers through an auction process and finances the purchases through loans from the Government of Canada

- To date, 7 MBS auctions have been held for a total of \$49 billion:
 - October 16, 2008: \$5 billion
 - October 23, 2008: \$7 billion
 - November 12, 2008: \$7 billion
 - November 21, 2008: \$6 billion
 - January 14, 2009: \$8 billion
 - January 23, 2009: \$8 billion
 - February 9, 2009 \$8 billion

- Another 3 MBS auctions have been scheduled between February and March 2009, potentially for an additional \$26 billion

- As announced in the federal budget tabled on January 27, 2009, an additional \$50 billion could be purchased through the IMPP in 2009

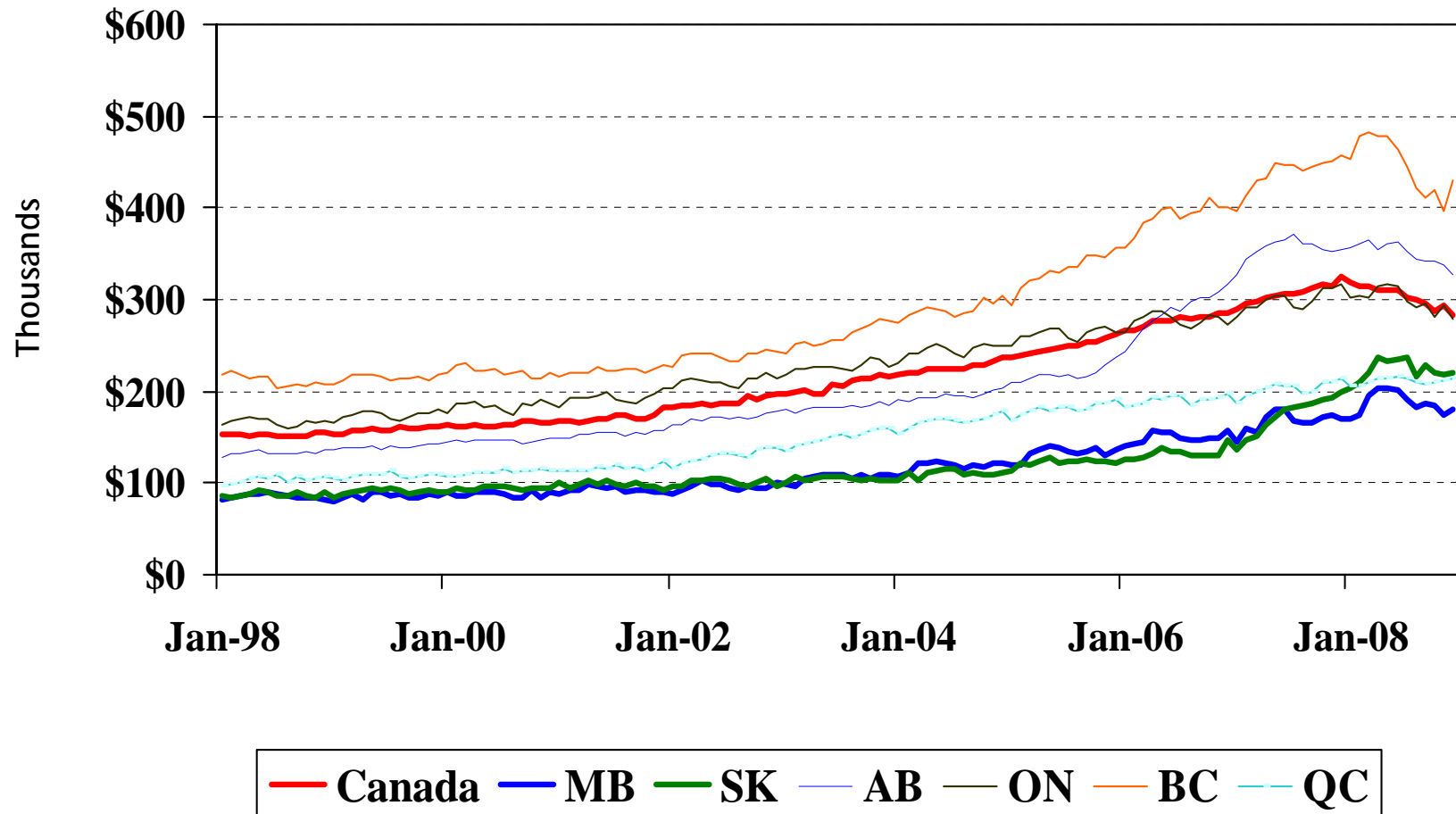


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Balanced House Price Appreciation

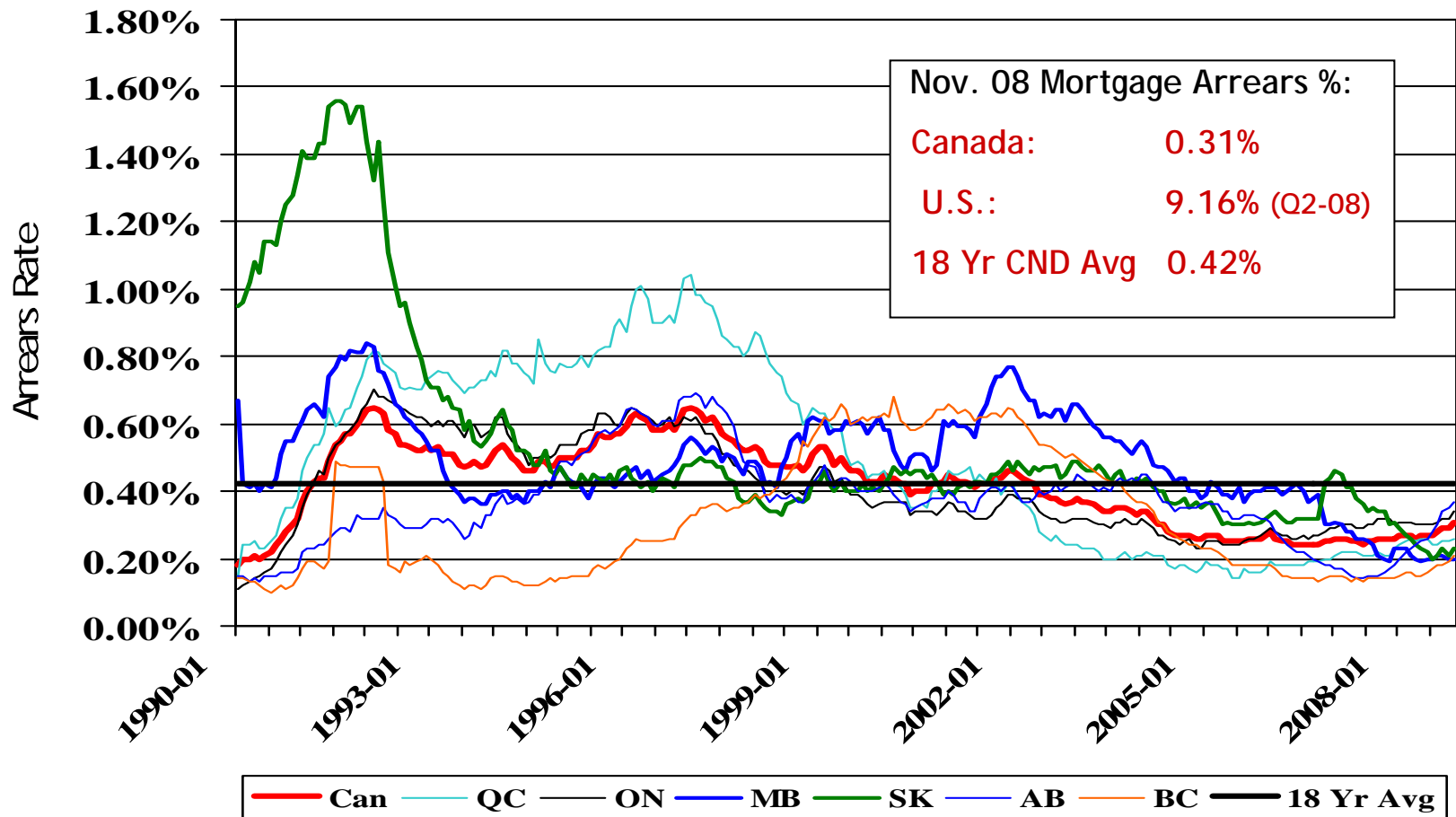
MLS Prices



Source: CREA

Canadian Mortgage Arrears Remain Low

Canadian Mortgage Arrears Rates January 1990 to September 2008



Source: Canadian Bankers Association.



Overview

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Was Canada Lucky or Prudent

- There is international interest in how Canada is weathering the storm. Commentators have pointed to a number of factors. Key among them are:
 - Sound Regulations
 - Prudent lenders
 - Sound institutions
 - Very limited subprime



What Lies Ahead?

WINNIPEG ECONOMIC AND HOUSING MARKET OUTLOOK

JEFF POWELL

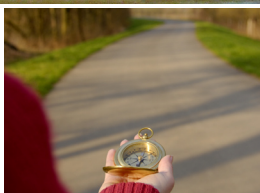
Senior Market Analyst
CMHC Prairie and Territories Region

Jeff Powell is CMHC's Senior Market Analyst based in Winnipeg. Jeff's responsibilities include providing the analysis for many of CMHC's Manitoba publications. He also regularly responds to specific inquiries from a variety of parties interested in aspects of the housing market across Manitoba. Jeff completed his undergraduate work at the University of Manitoba and obtained his Master of Arts in Economics at the University of Western Ontario.



GAINING PERSPECTIVE: THE LOOK AHEAD

2009 CMHC Housing Outlook Conference - Winnipeg



2009 CMHC HOUSING OUTLOOK CONFERENCE



MANITOBA HOUSING MARKET OUTLOOK



JEFF POWELL
SENIOR MARKET ANALYST
PRAIRIE AND TERRITORIES





Agenda...

✓ Regional Overview

- Provincial Highlights
- Manitoba's Most Active Centres
 - Brandon
 - Steinbach
- Other areas

✓ Winnipeg CMA Housing Market Outlook

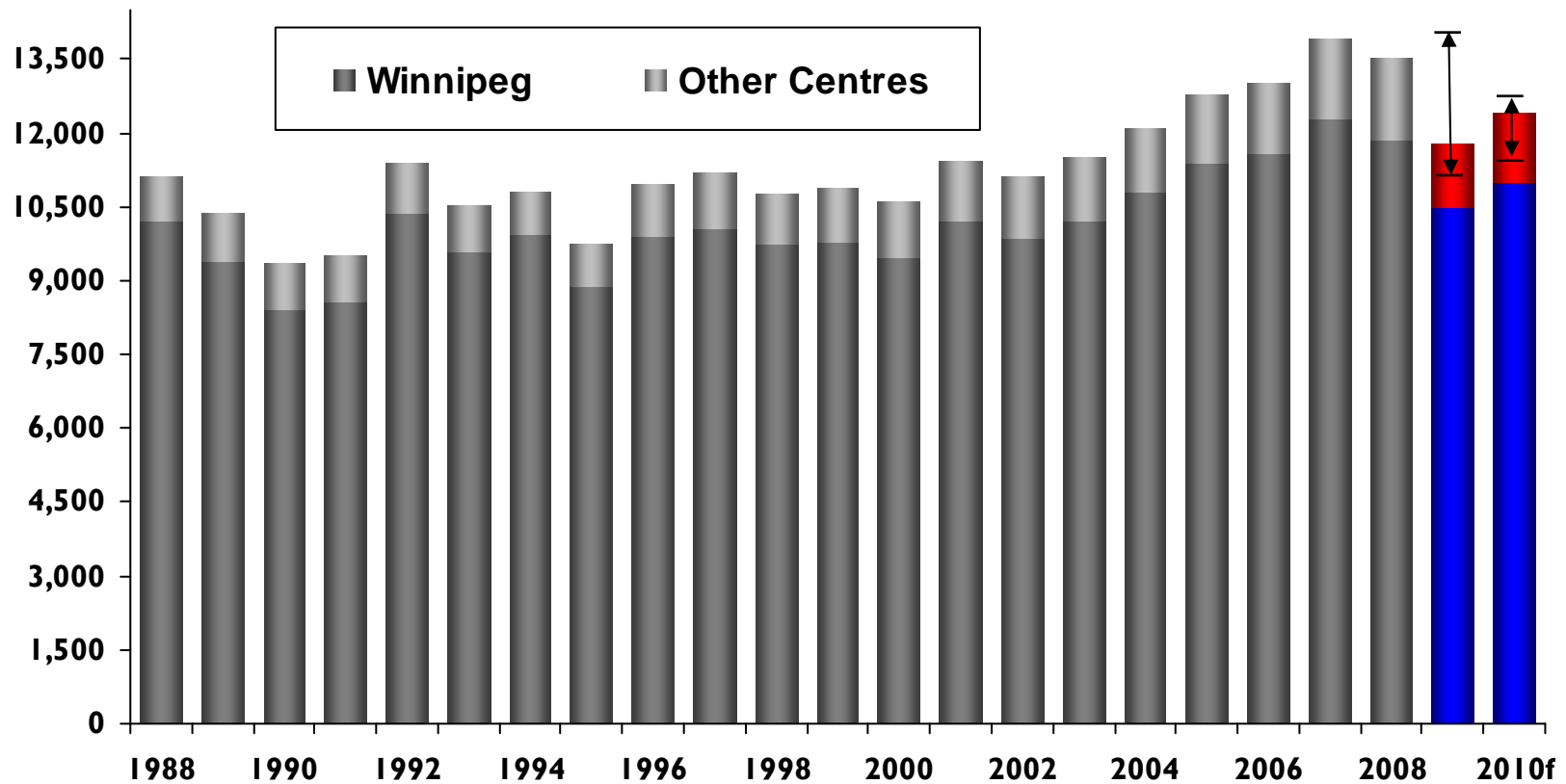
- Economic and demographic overview
- New home starts and prices
- Existing home sales and prices
- Renovation Market



Manitoba MLS[®] – Total Sales

Upward trend broken, but below 12,000 for only one year

units

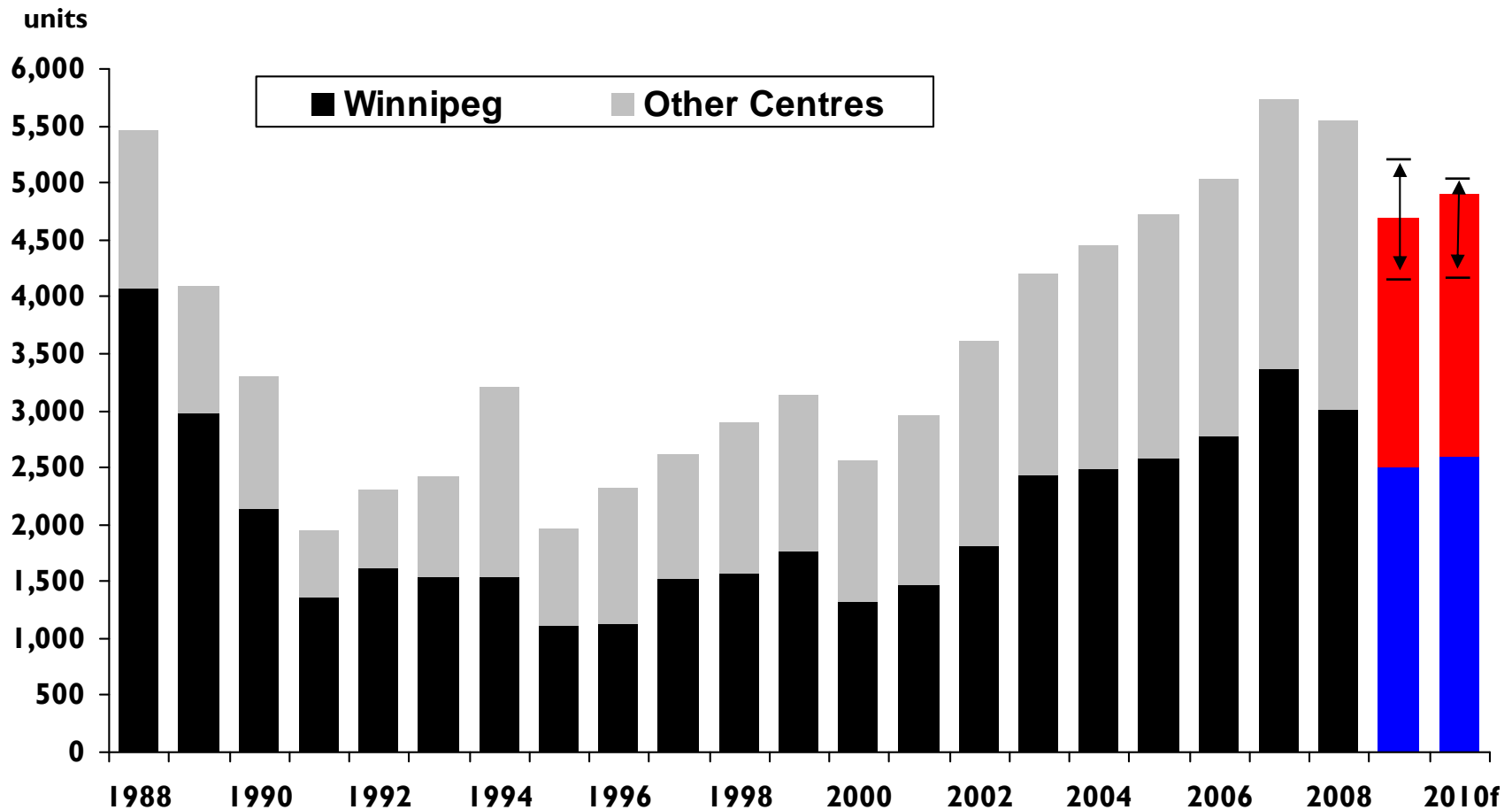


Source: CREA, CMHC Forecast (f)



Manitoba – Total Housing Starts

Starts in excess of 4,500 units for 5th and 6th consecutive years

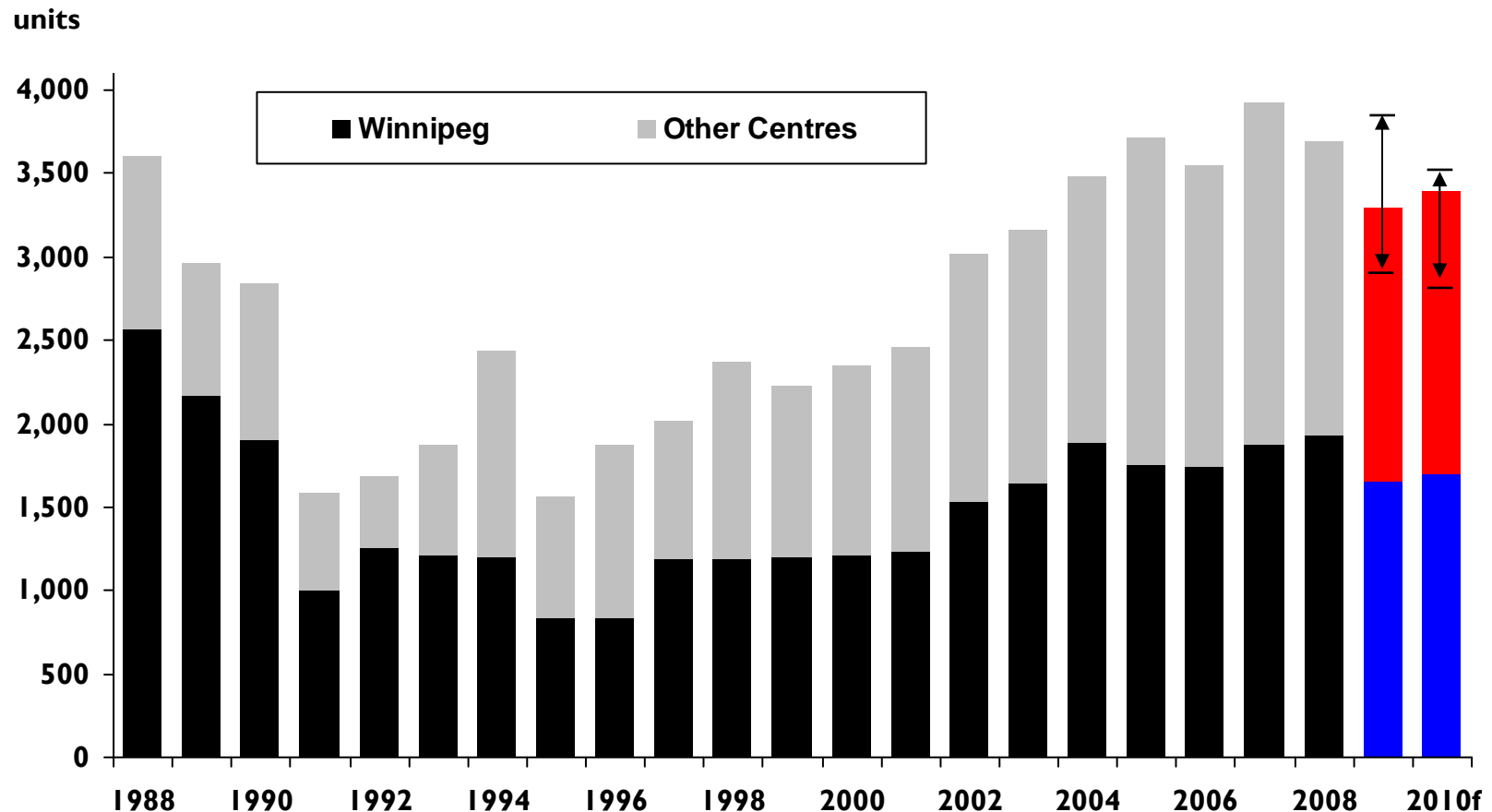


Source: CMHC, CMHC Forecast (f)



Manitoba – Single Detached Housing Starts

In line with post 2002 levels of construction

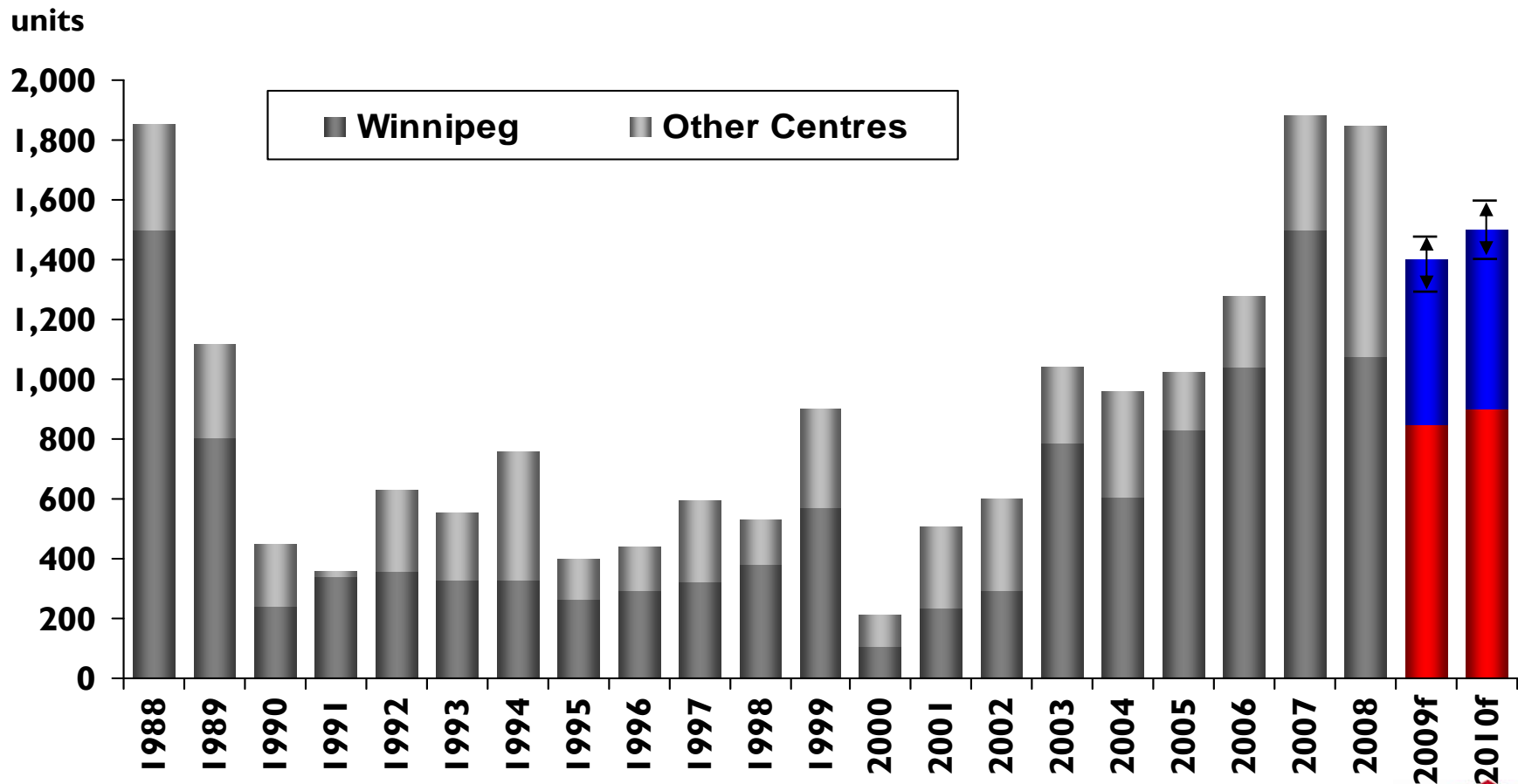


Source: CMHC, CMHC Forecast (f)



Manitoba – Multi-Family Housing Starts

Ex-Winnipeg starts have gained prominence



Source: CMHC, CMHC Forecast (f)



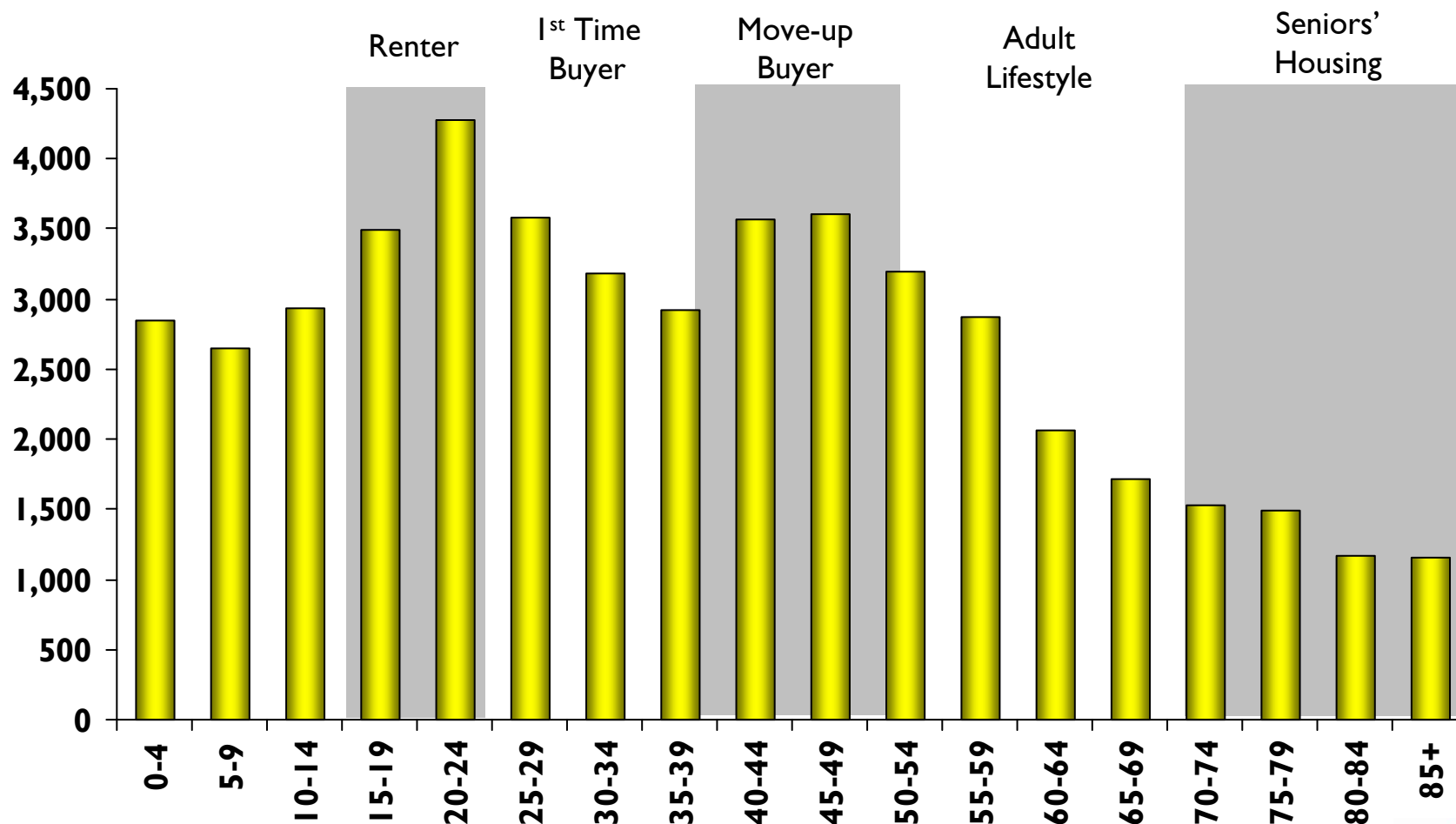
BRANDON

- Exceptionally tight rental market
- Strong demand for housing of all types



Brandon Age Profile – 2006

Younger than Winnipeg, where will they go?

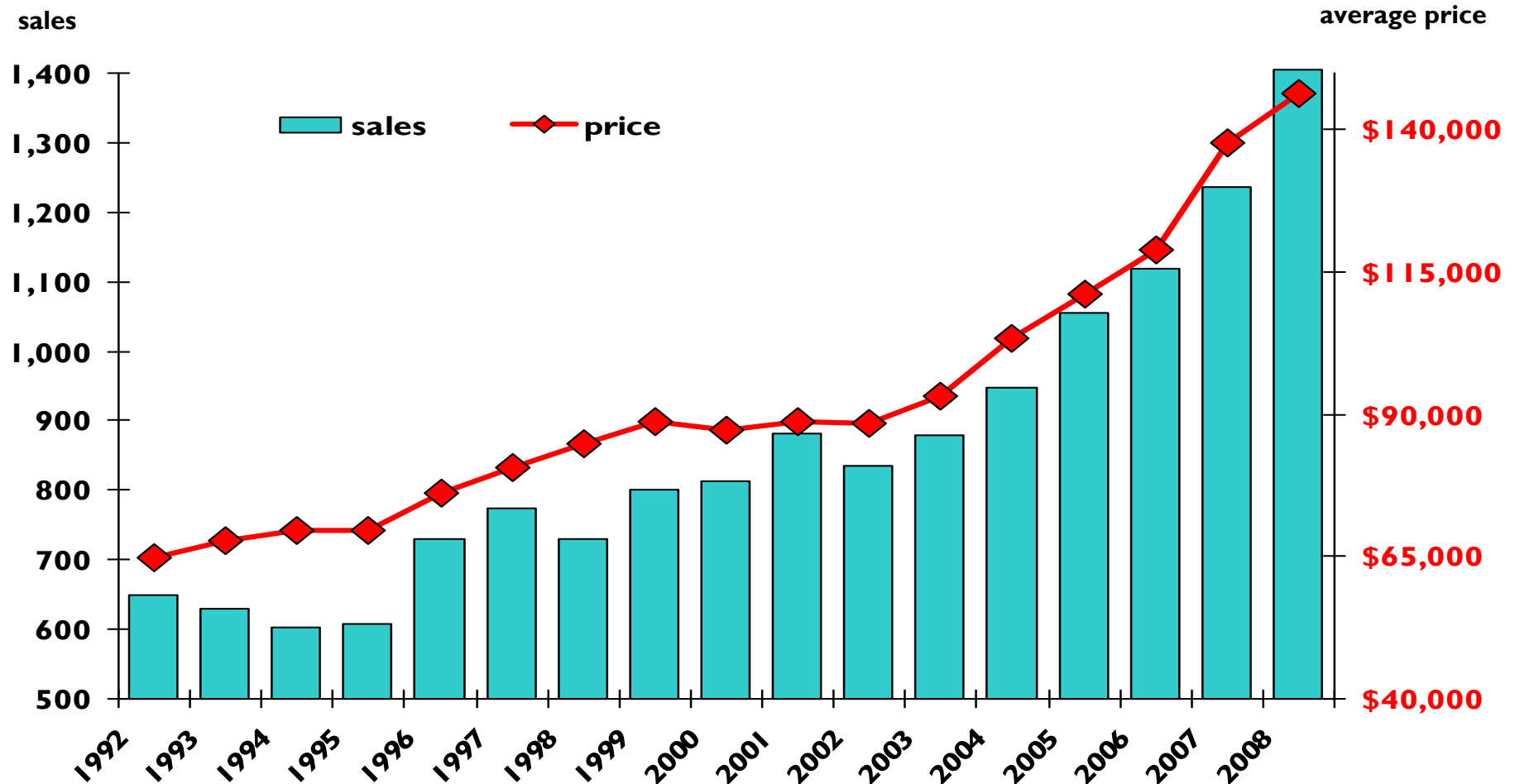


Source: Statistics Canada, CMHC Research



Brandon MLS®

Total sale and average price have been rising since 2002



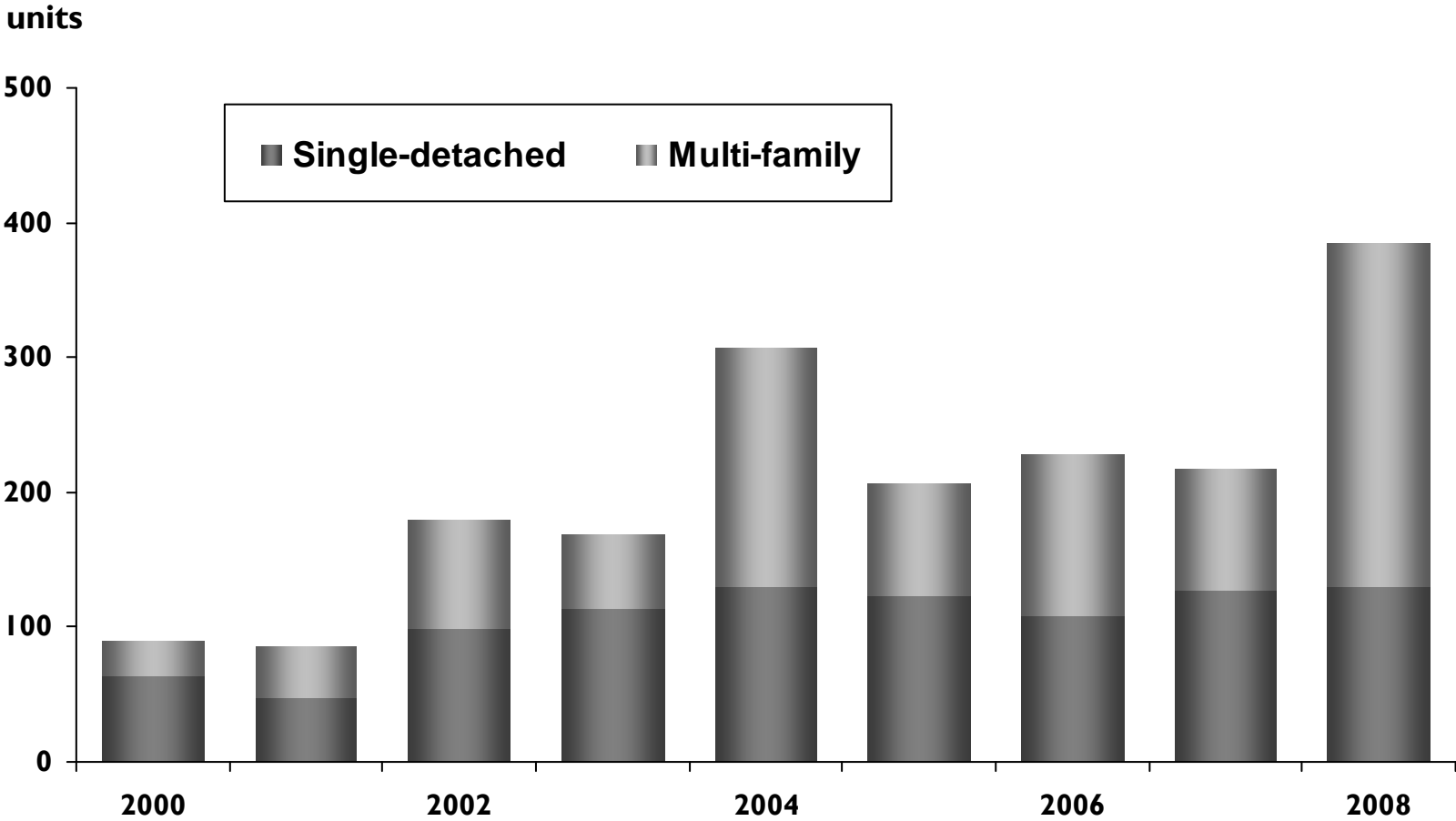
Source: CREA





Brandon – Total Housing Starts

Multi-family responds to heightened demand



Source: CMHC





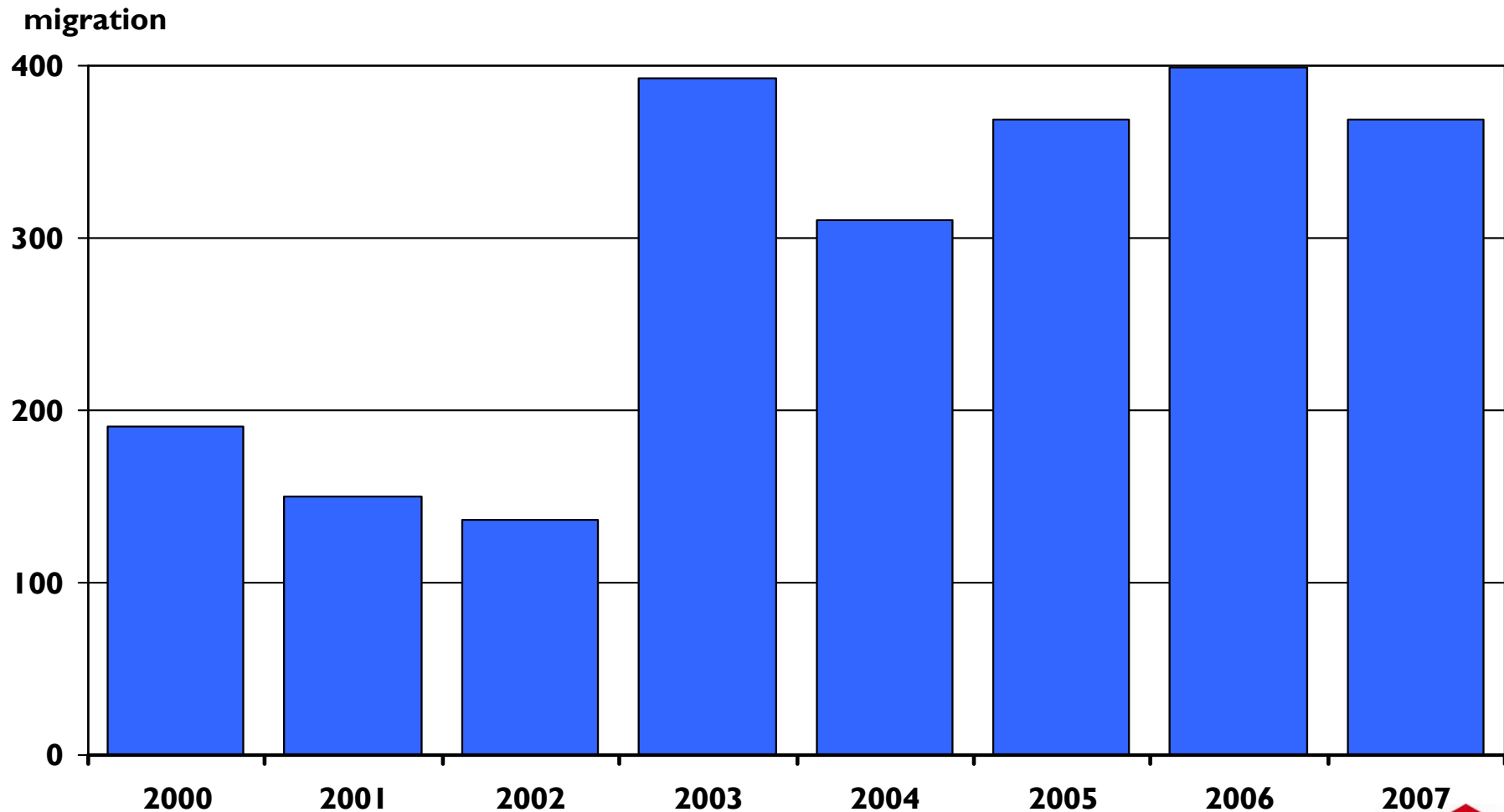
STEINBACH

- Steinbach reported as urban centre for the first time
- Rapid population growth placing demands on each strata of the housing market
- Significant housing market activity as a result of economic expansion



Steinbach – International Immigration

Immigrants settling in large numbers

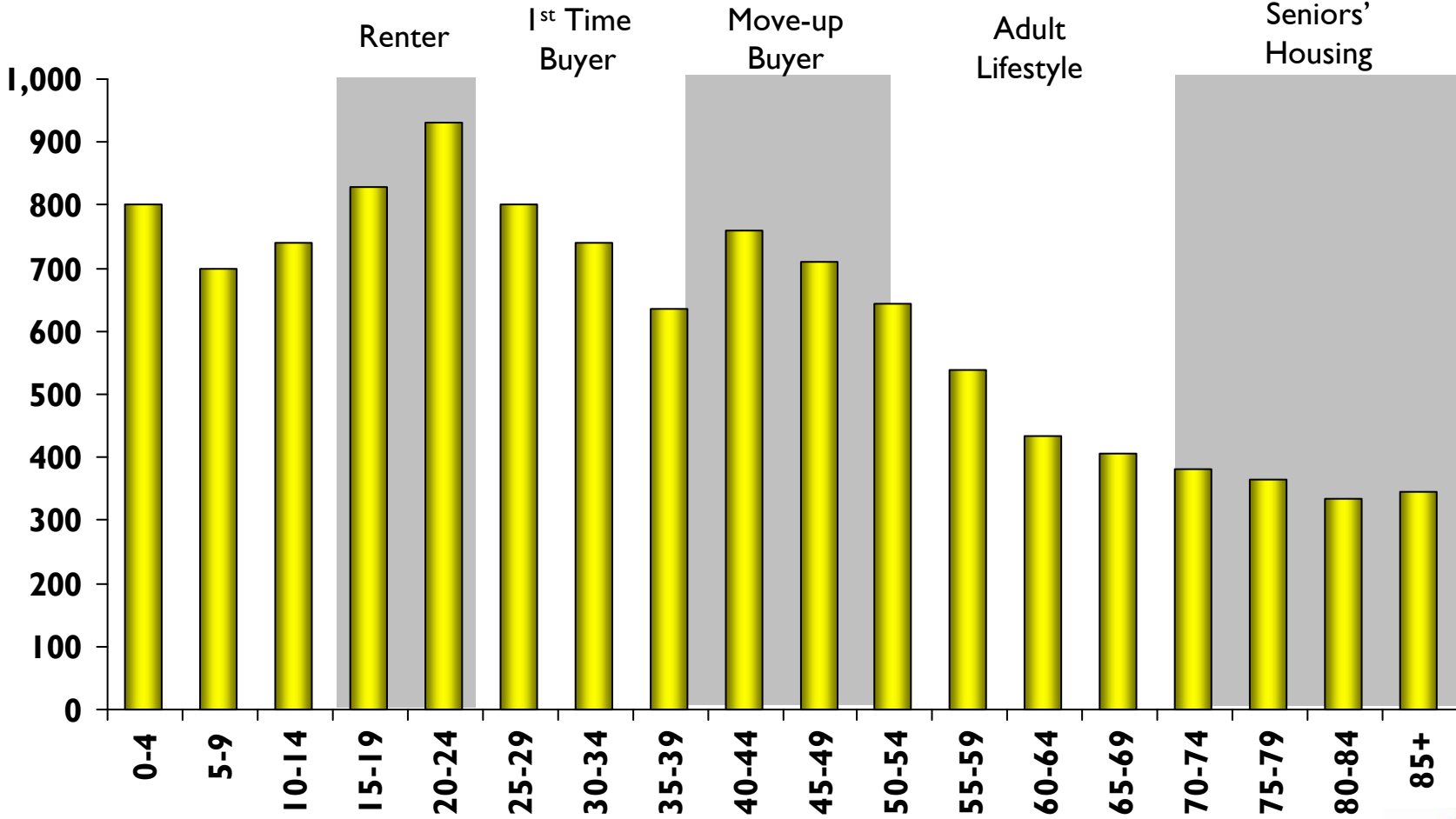


Source: Province of Manitoba



Steinbach Age Profile – 2006

Younger cohorts dominate



Source: Statistics Canada, CMHC Research



OTHER CENTRES

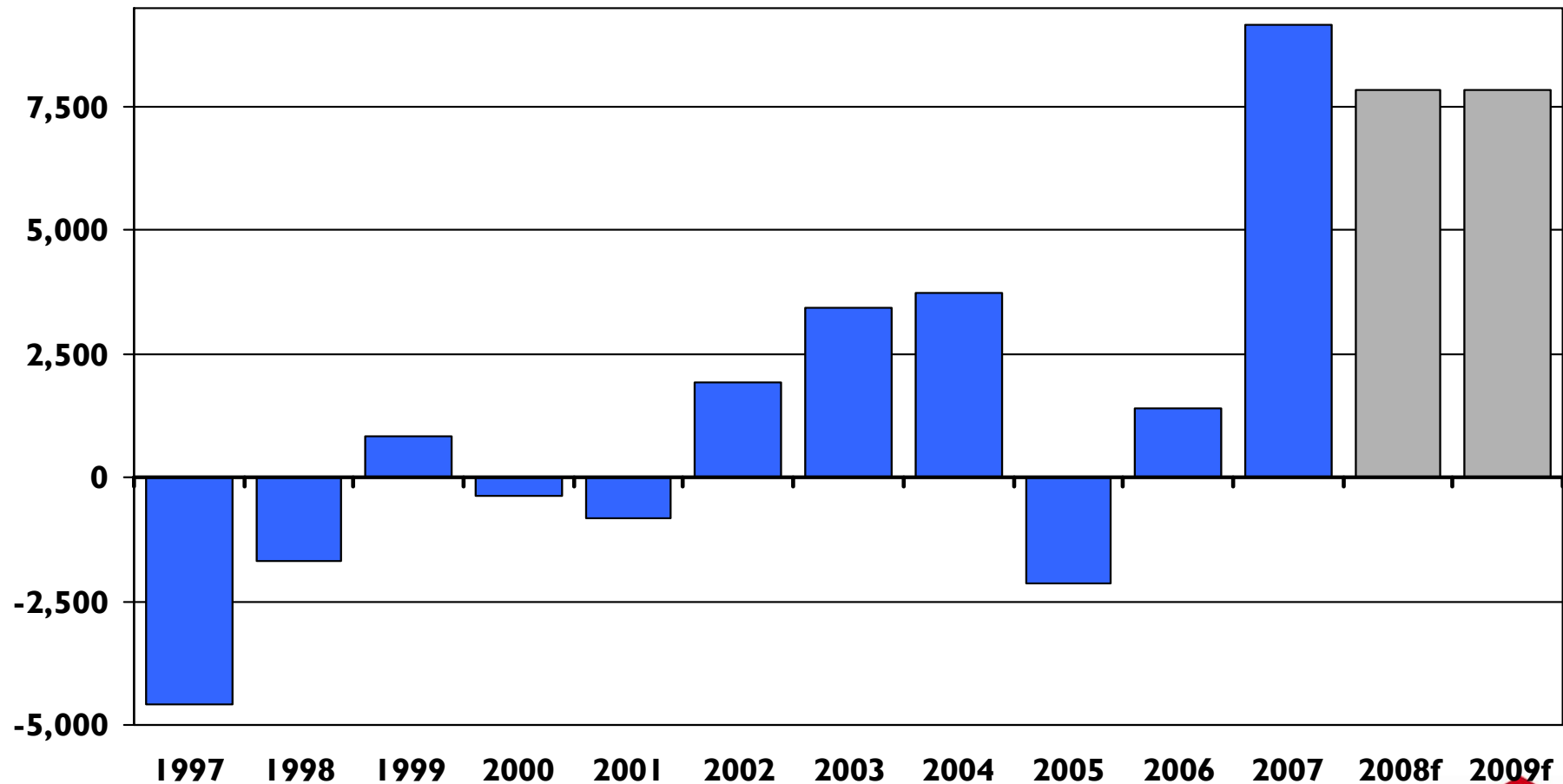
- Migration not confined to major centres
- Significant housing market activity across much of the province



Manitoba Total Net Migration

Expect the strongest two-year performance on record

net migration

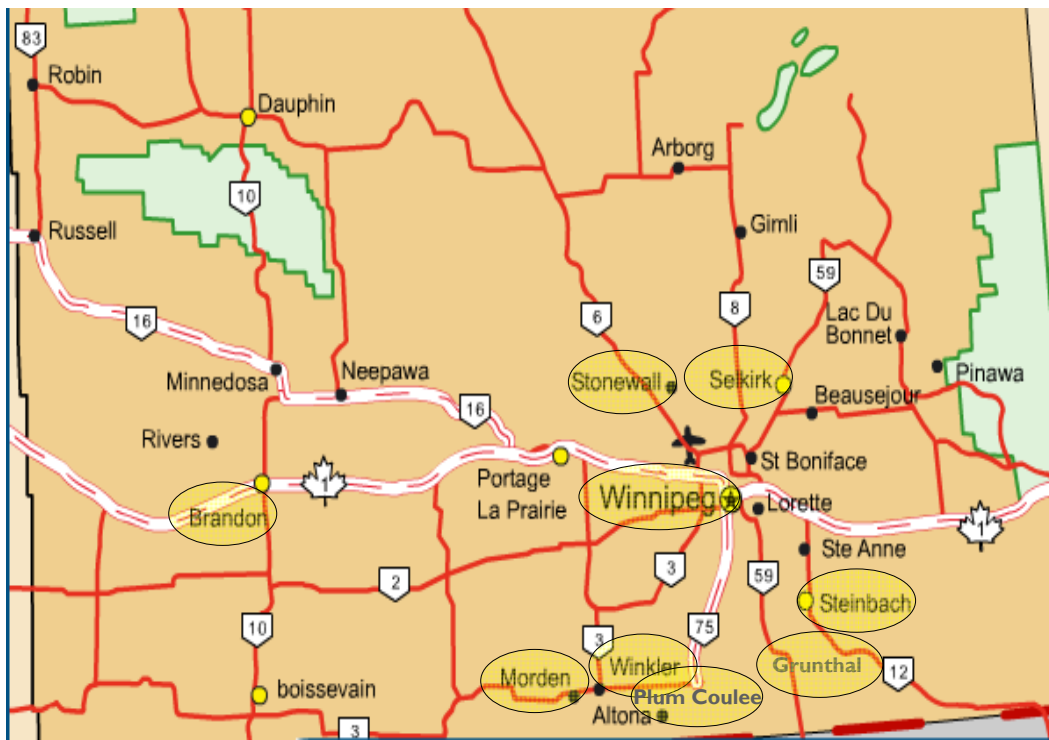
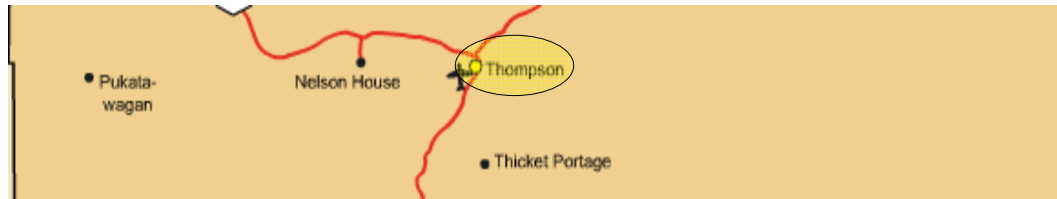


Source: Statistics Canada, CMHC Forecast (f)



Manitoba – Top Ten Destinations for Immigrants

In 2007, 92% of immigrants went to four centres



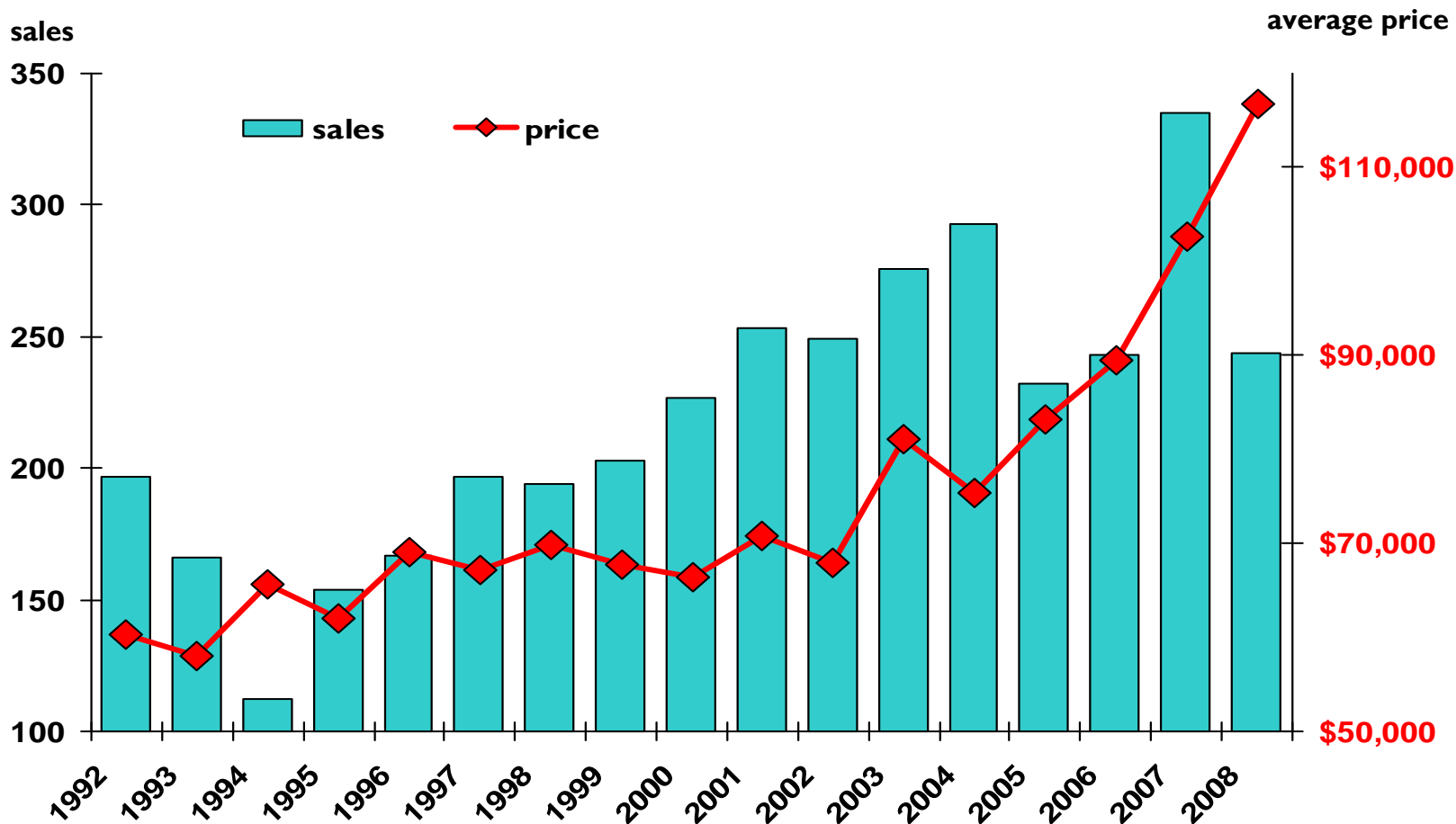
- **Winnipeg** **76.0%**
- **Winkler** **6.5%**
- **Brandon** **5.9%**
- **Steinbach** **3.4%**
- **Morden** **1.1%**
- **Thompson** **0.4%**
- **Virden** **0.4%**
- **Portage** **0.3%**
- **Ste Anne** **0.2%**
- **Altona** **0.2%**

Source: Manitoba Labour and Immigration, 2007 Data



Portage La Prairie MLS[®]

Average price is up, data is more volatile than Brandon



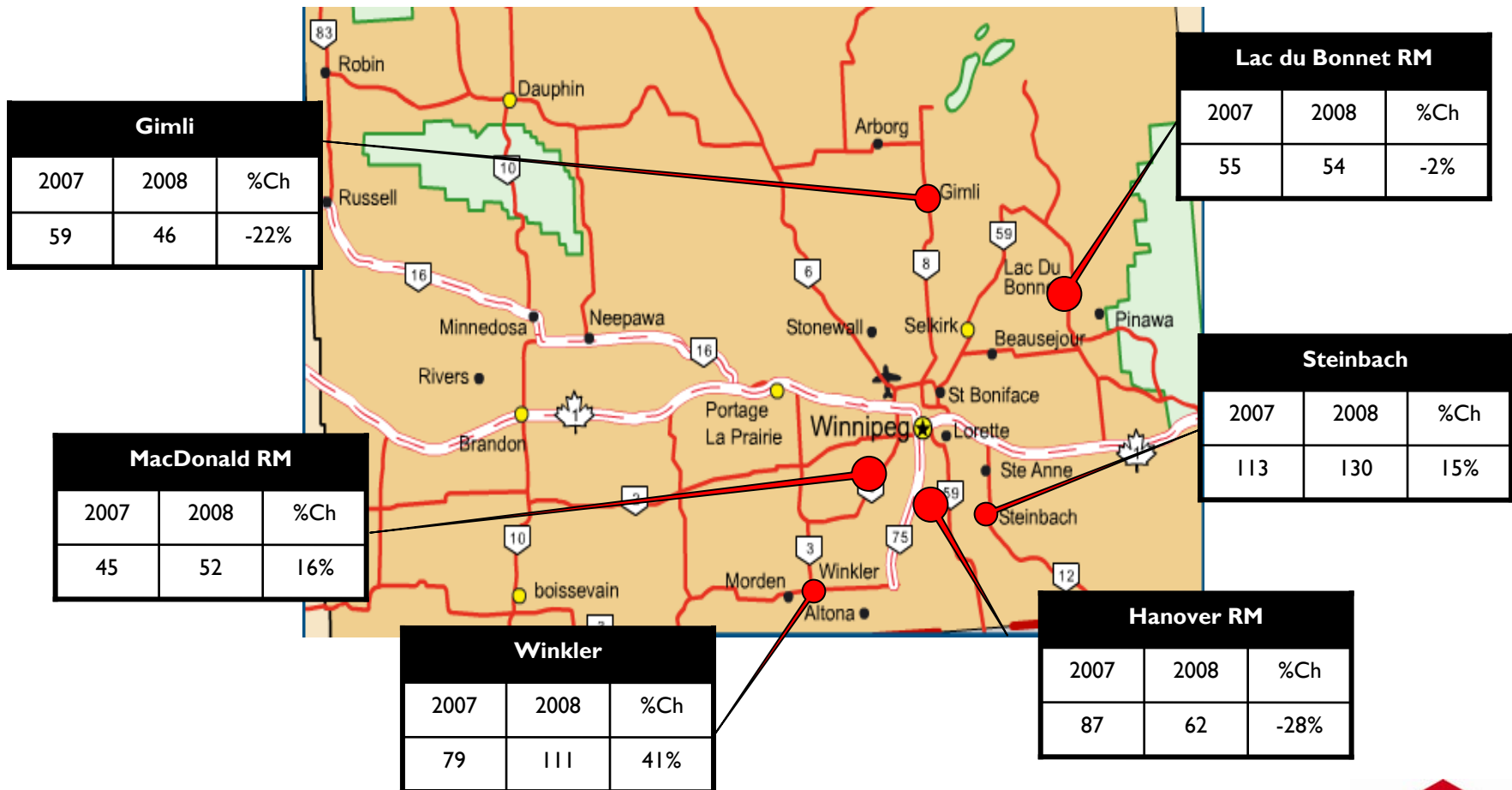
Source: CREA





Manitoba – Single Detached Housing Starts

Steinbach and Winkler shine in 2008



Source: CMHC



Manitoba – Single Detached Housing Starts

Activity across the province in 2008 behind 2007

	2007	2008	% Change
Winnipeg	1,870	1,930	3%
Brandon	128	130	0 %
Portage la Prairie	26	34	31 %
Thompson	24	43	80%
Steinbach	113	130	15%
St. Andrews R.M.	63	53	-16%
All Urban Centres	2,224	2,394	7.6%
Rural Areas	1,633	1,296	-20.6%
Total Manitoba	3,857	3,690	-4.3%

Source: CMHC



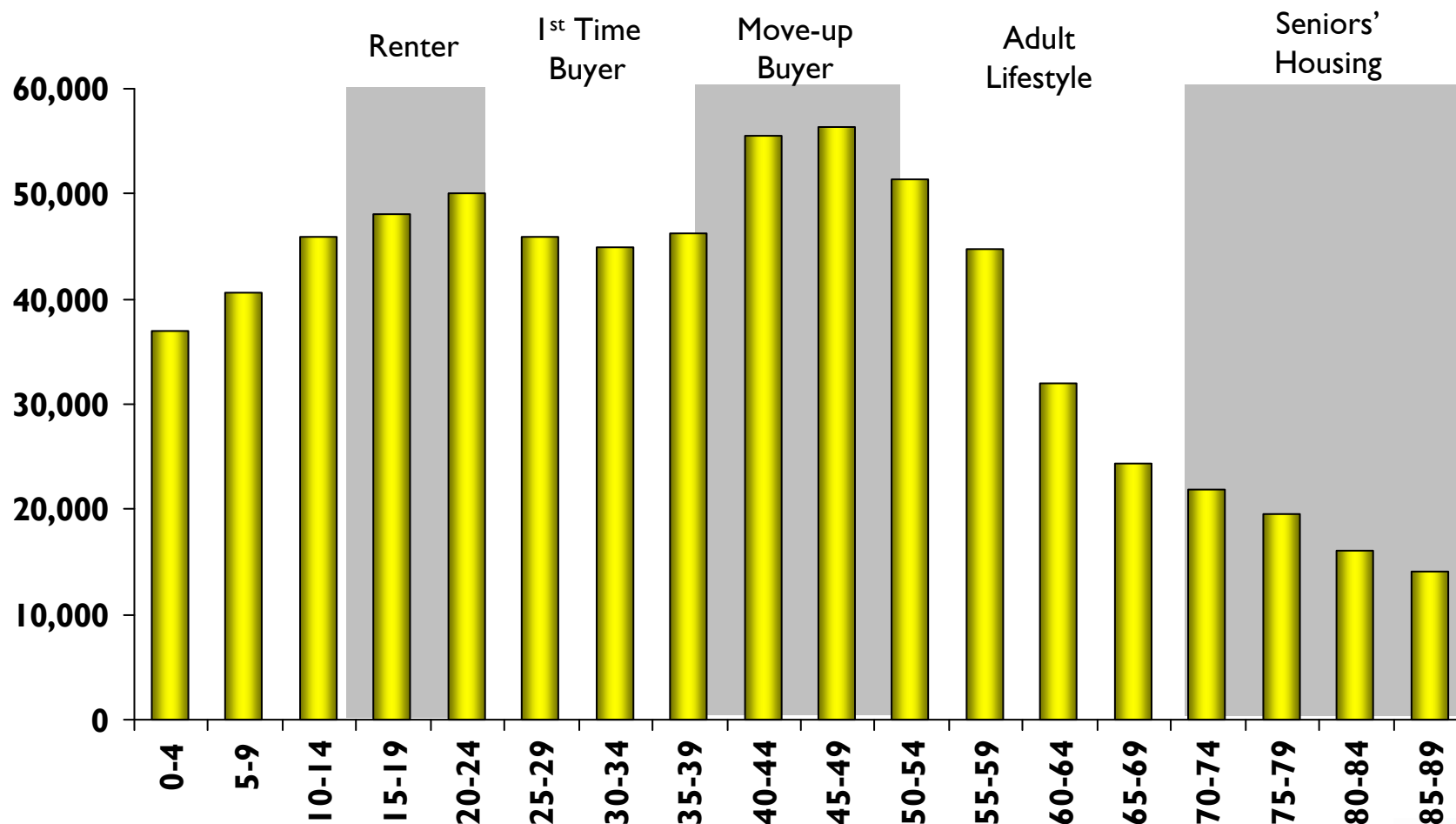
WINNIPEG - OVERVIEW

- Demographics continue to bode well for homeownership demand
- Job market remains strong



Winnipeg Age Profile – 2006

Baby-boom bulge in move-up market

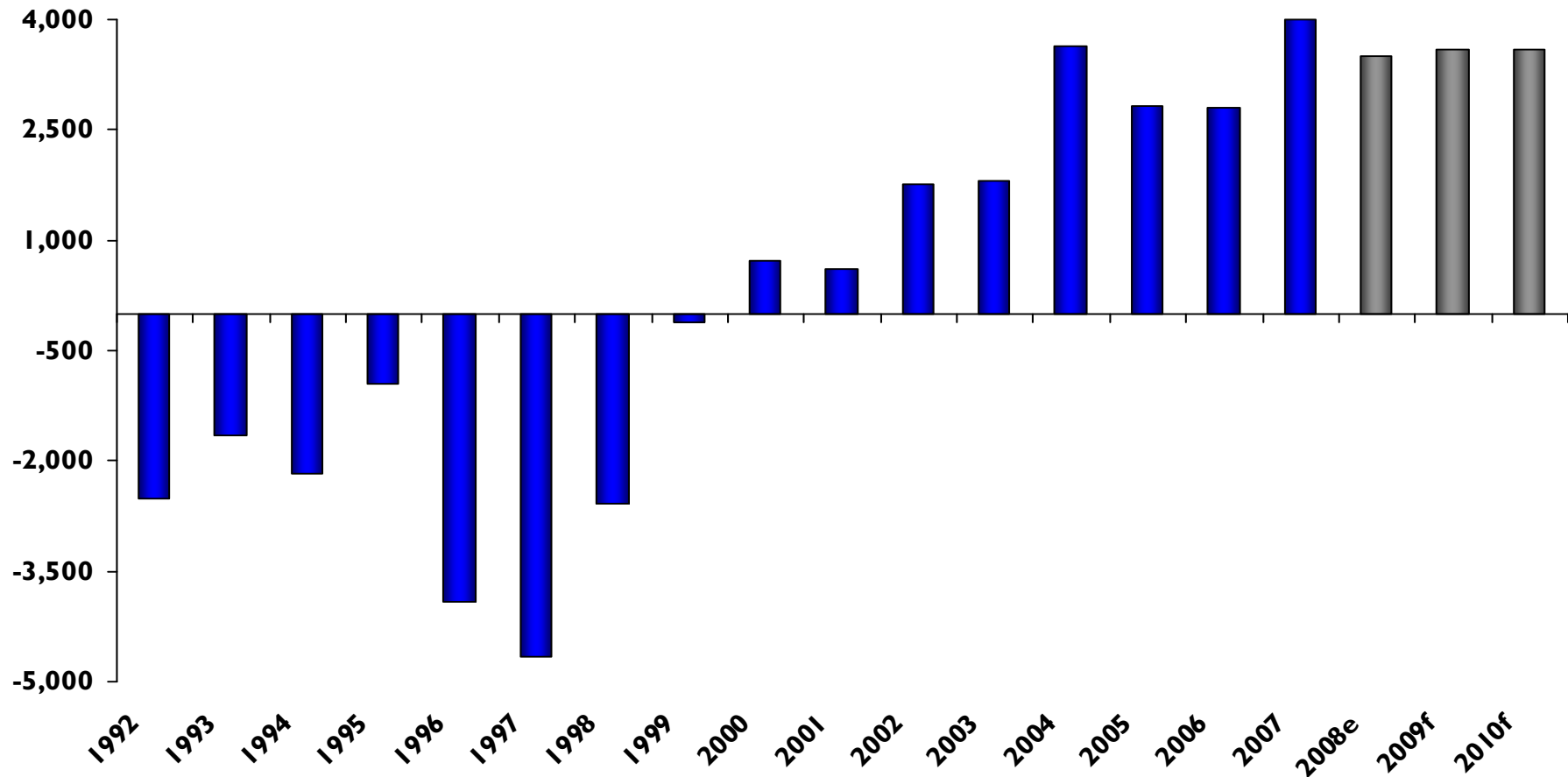


Source: Statistics Canada, CMHC Research



Winnipeg CMA – Net Migration

International migration has helped to turn the situation around

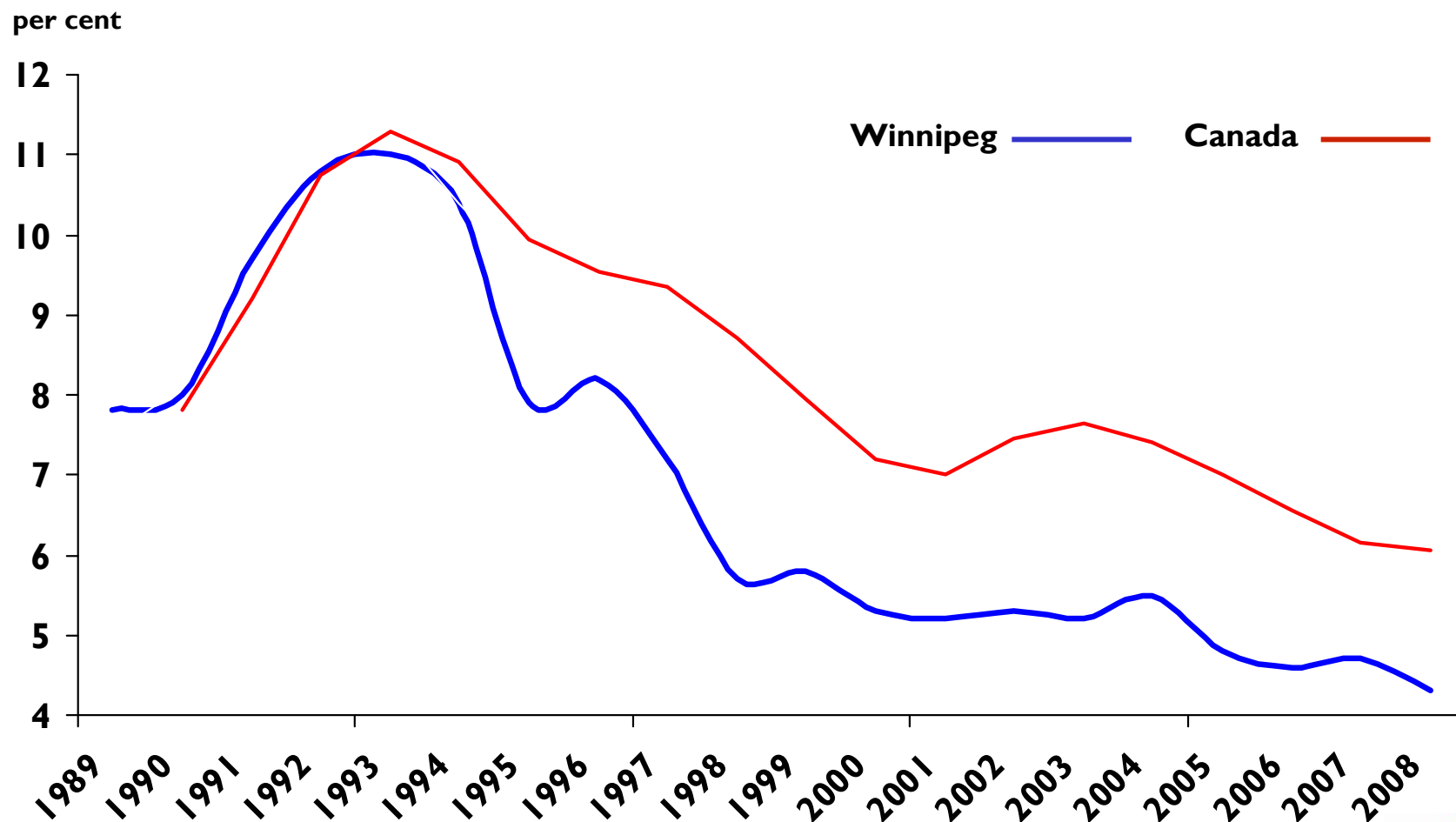


Source: Statistics Canada, CMHC Forecast (f)



Winnipeg CMA – Unemployment Rate

The CMA's job market is at nearly full employment



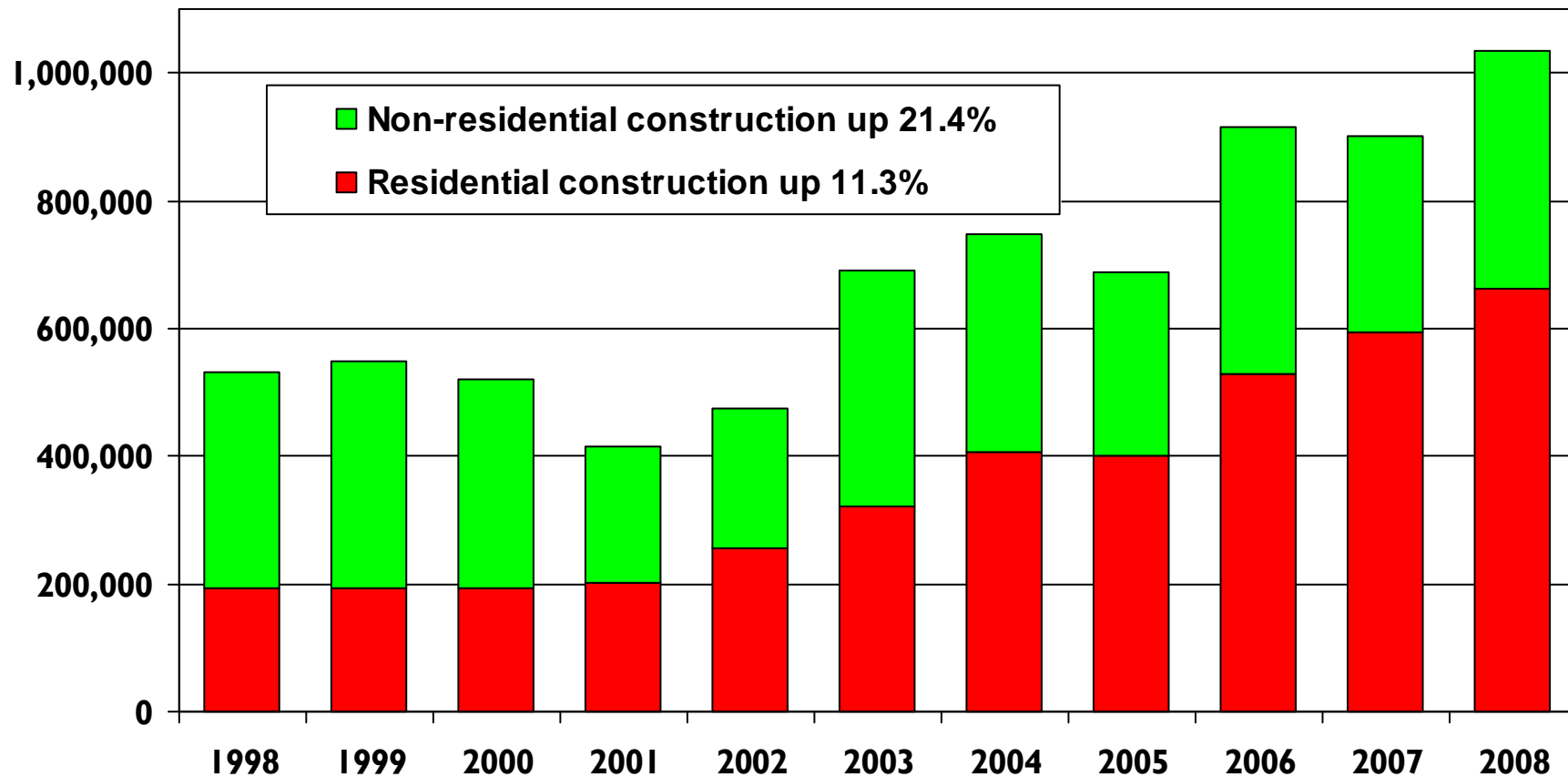
Source: Statistics Canada



Winnipeg CMA – Building Permits

Value of total building permits exceeded \$1 billion in 2008

\$,000s



Source: Statistics Canada



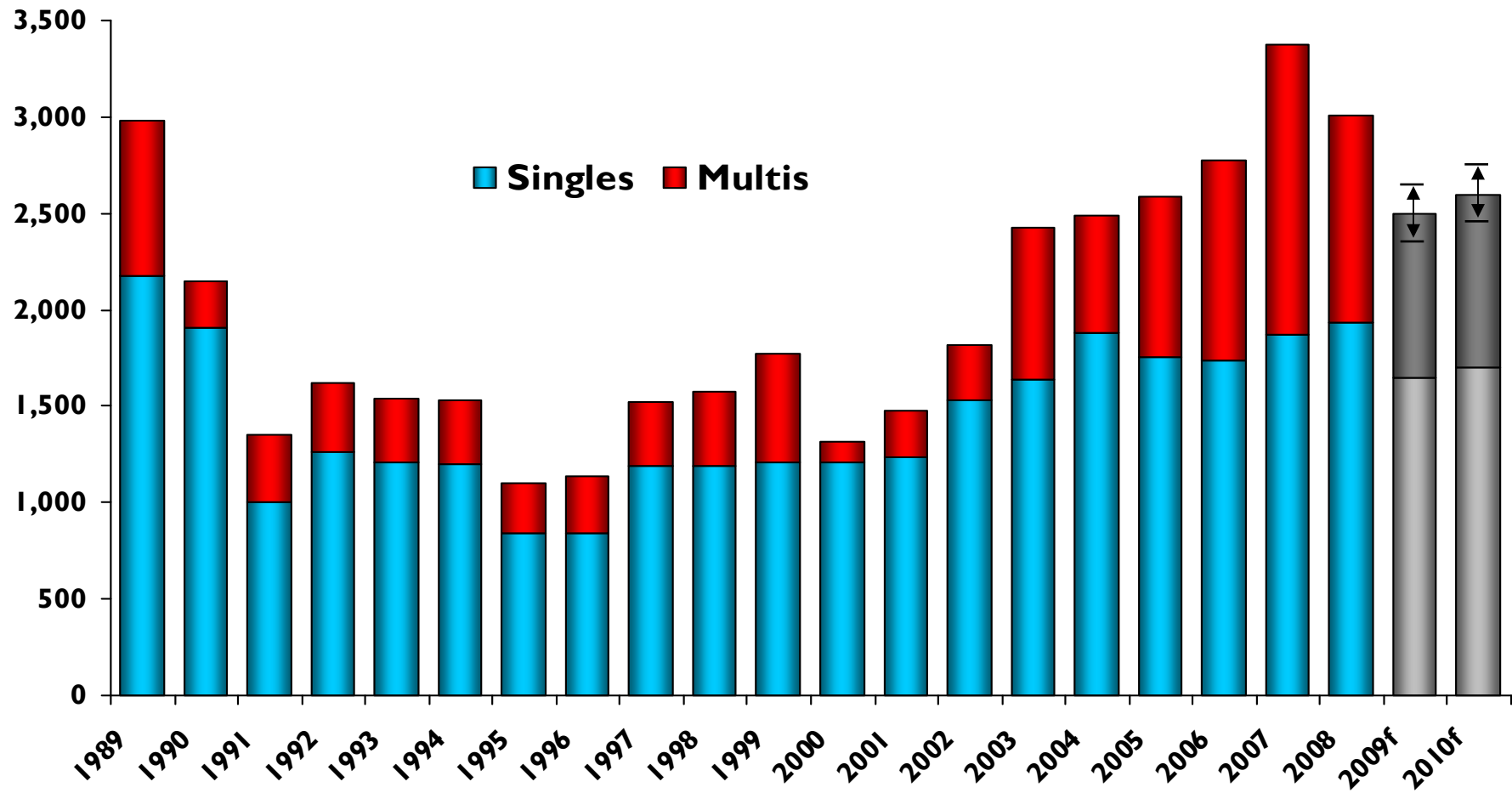
NEW HOME CONSTRUCTION

- Construction will moderate for both single and multi-family dwellings
- Single detached construction will be buoyed by a backlog of orders in the first half of the year



Winnipeg CMA – Total Housing Starts

Will slip in 2009 but remain above 2,500 units

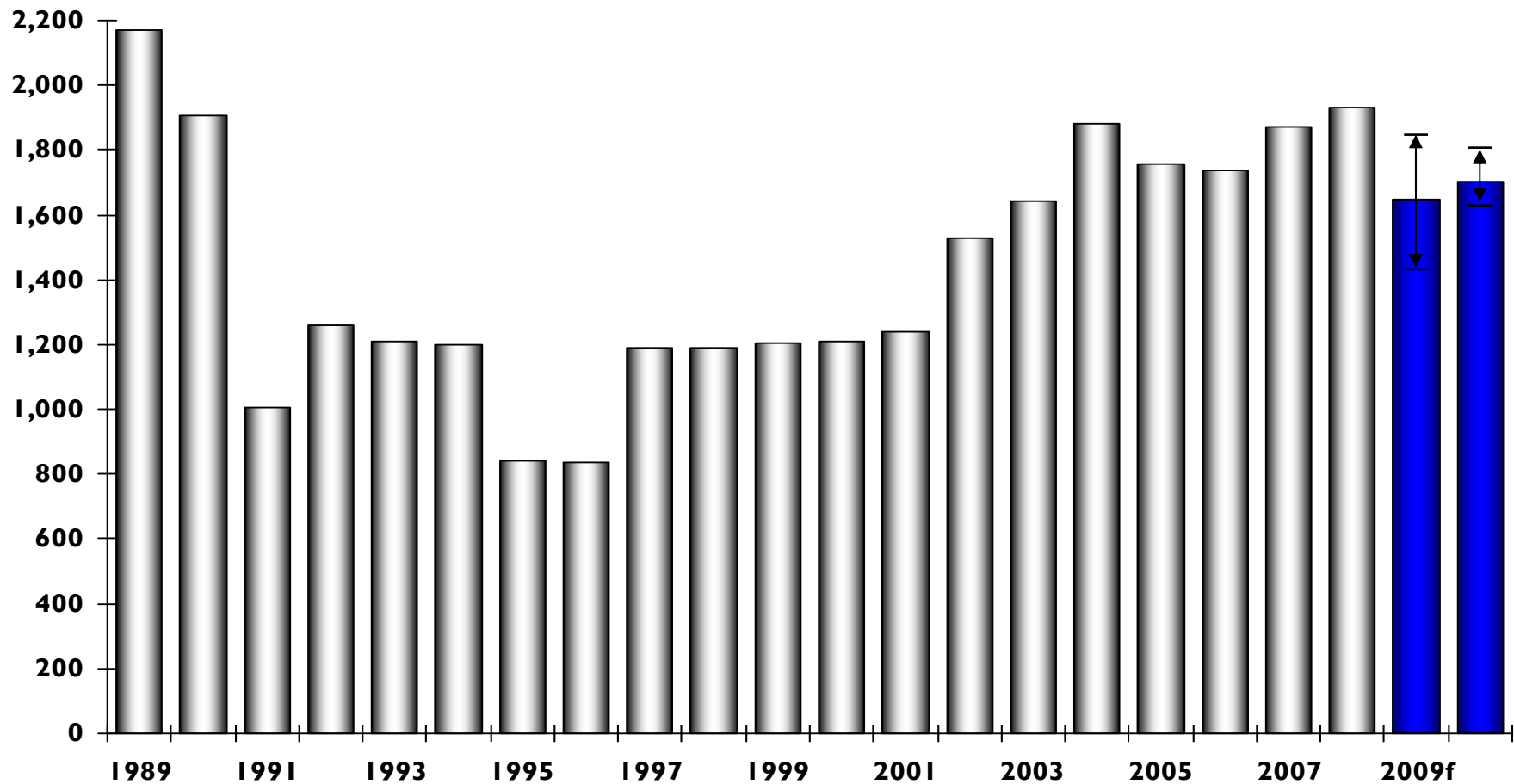


Source: CMHC, CMHC Forecast (f)

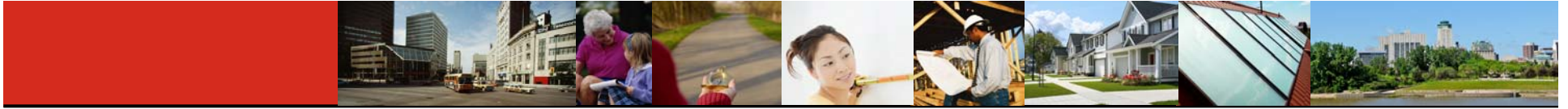


Winnipeg CMA – Single-Detached Starts

Activity forecast to decline in 2009



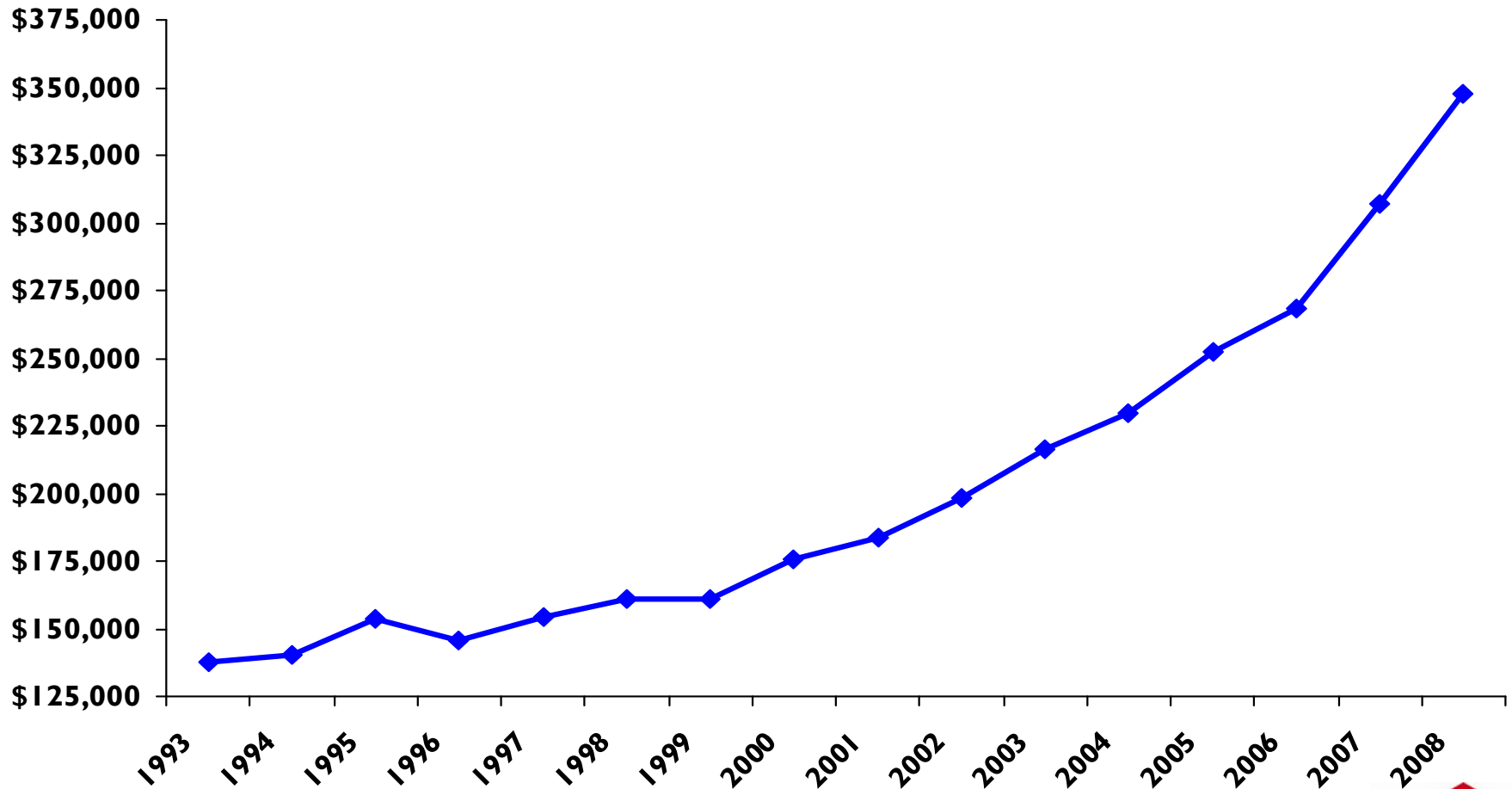
Source: CMHC, CMHC Forecast (f)



Winnipeg CMA – Single-Detached Average Absorbed Price

Growth will moderate following significant increases

Absorbed price

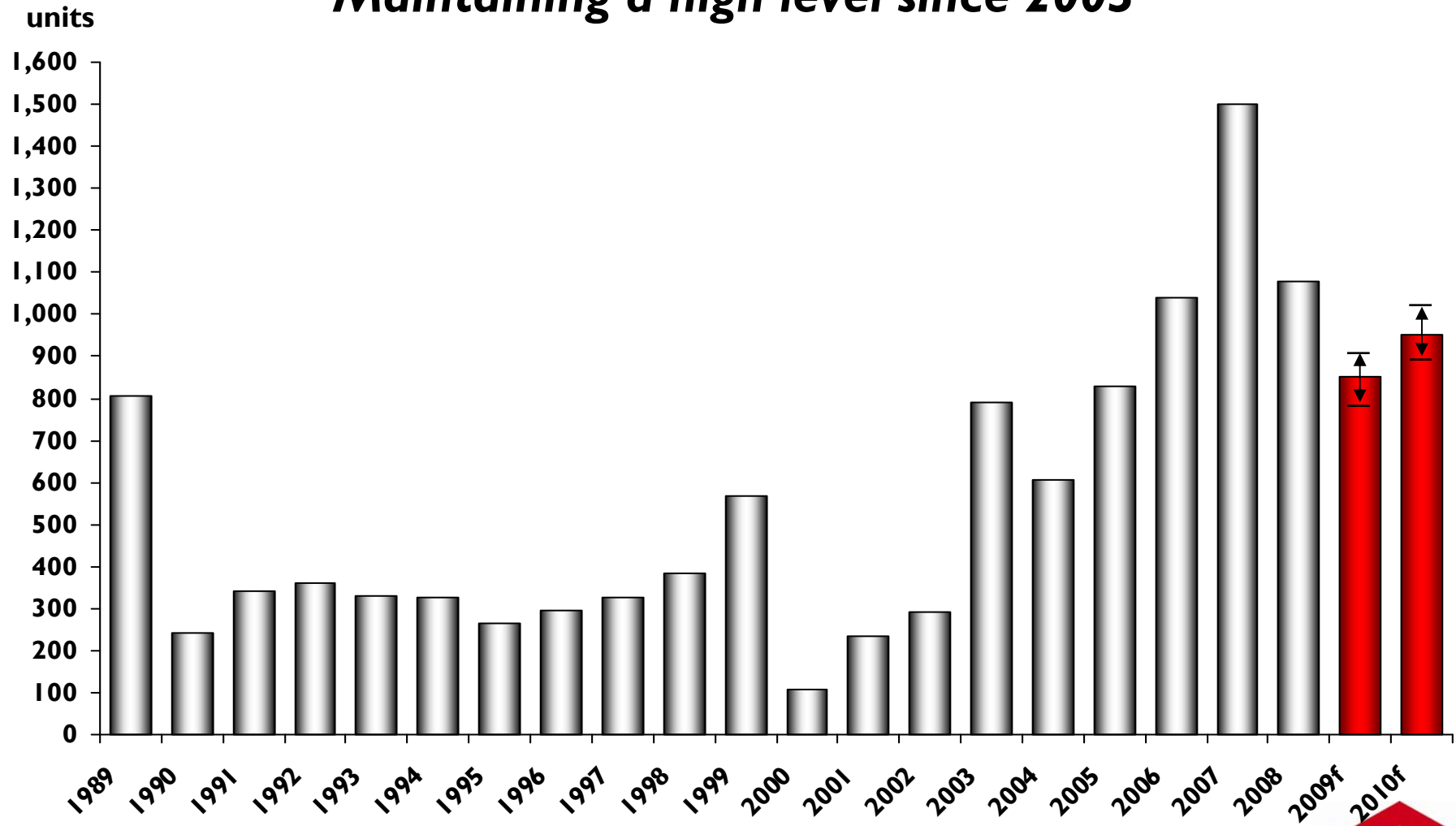


Source: CMHC



Winnipeg CMA – Multi-Family Starts

Maintaining a high level since 2003

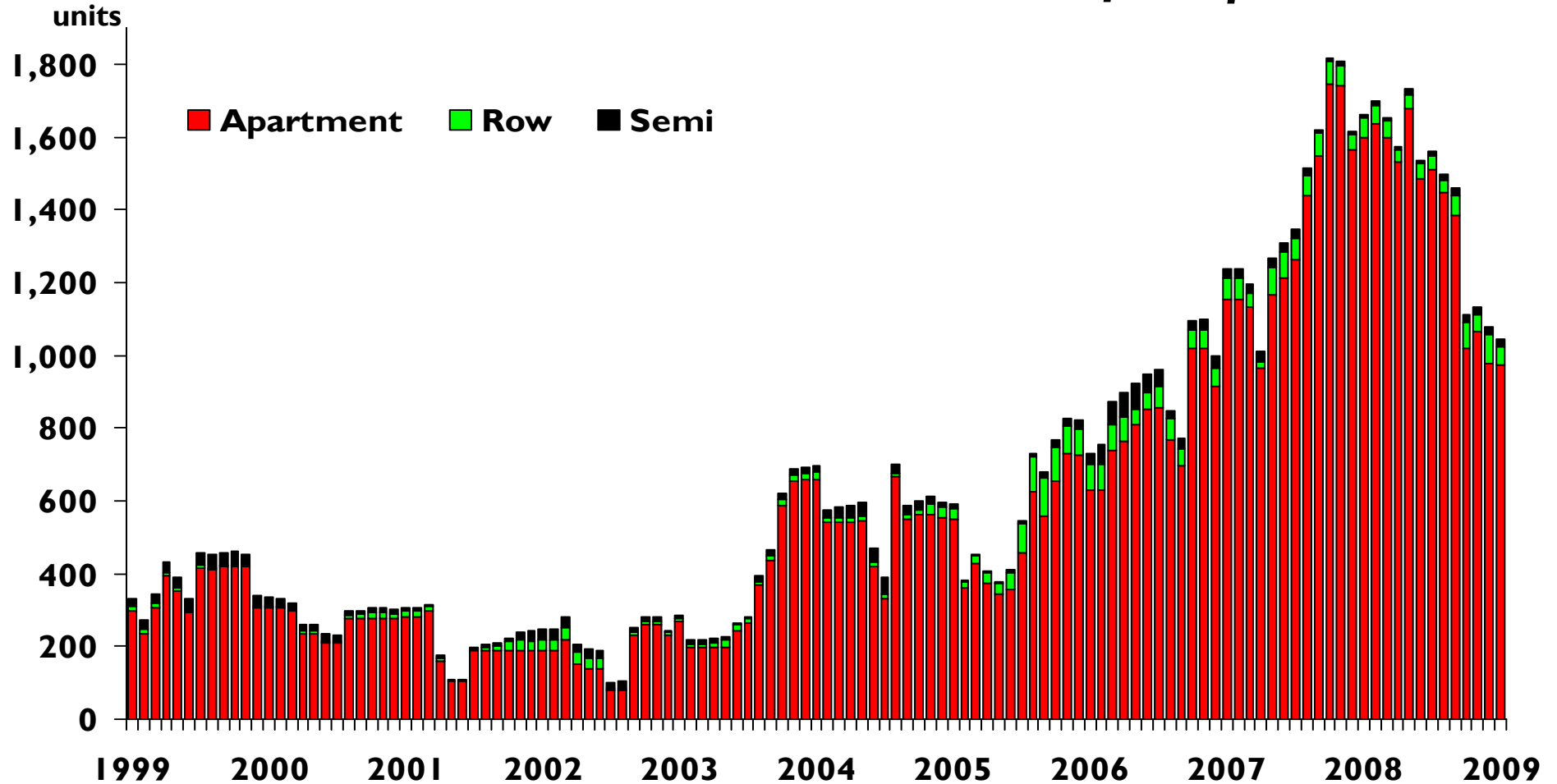


Source: CMHC, CMHC Forecast (f)



Winnipeg CMA – Multis Under Construction

Under construction 15 months removed from peak

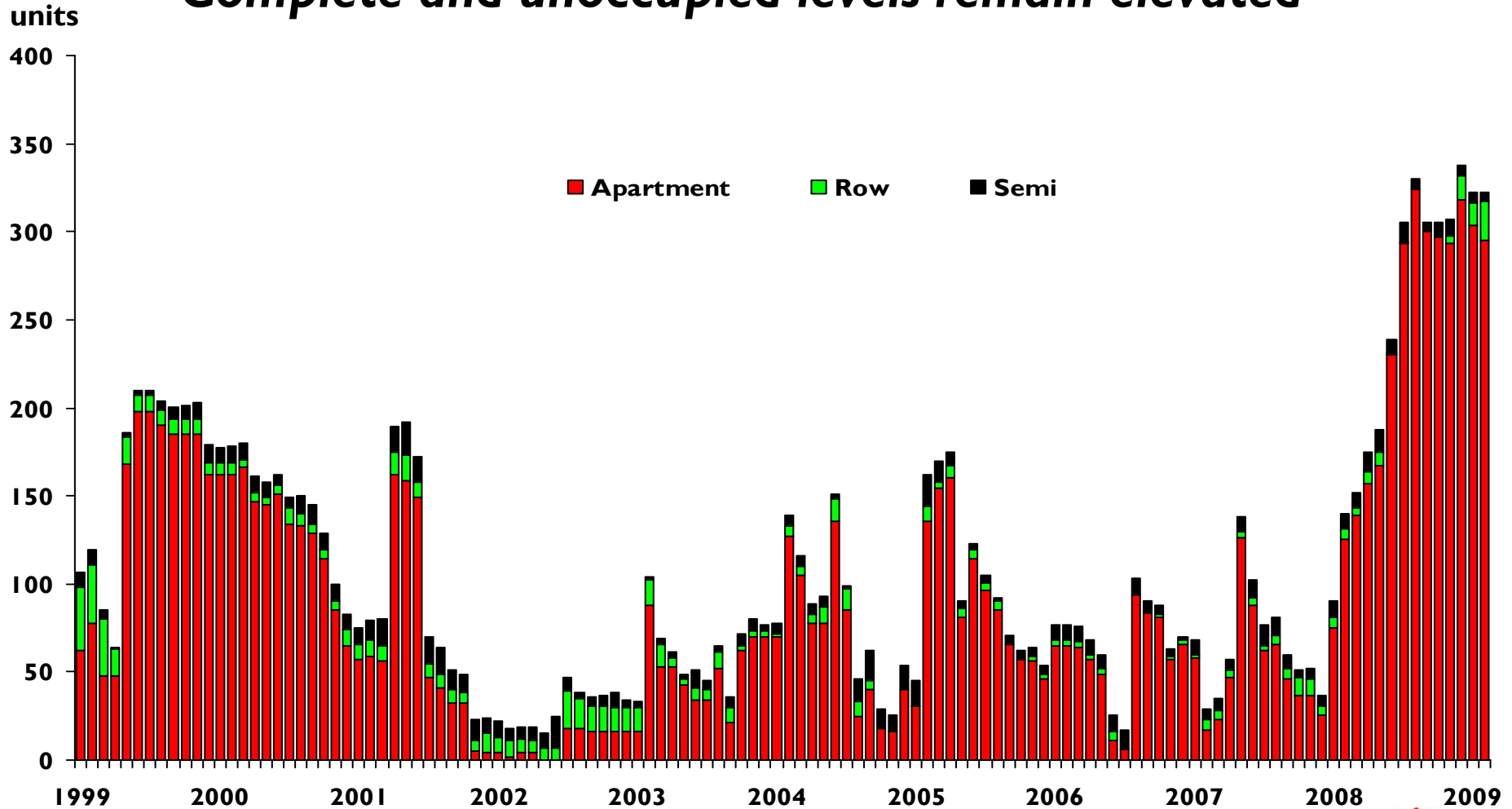


Source: CMHC



Winnipeg CMA – Multi-Family Inventory

Complete and unoccupied levels remain elevated



Source: CMHC



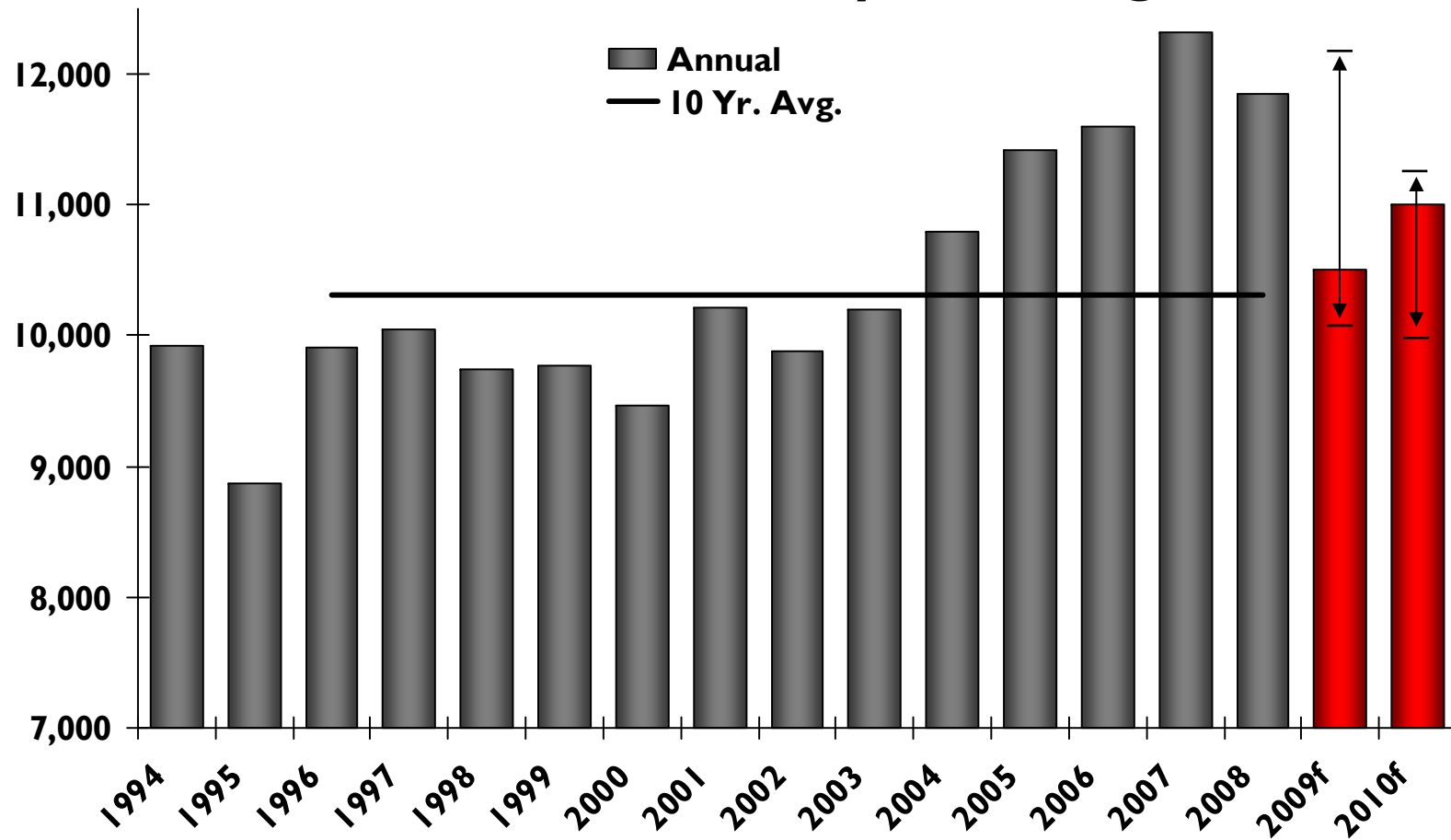
RESALE MARKET

- Modest drop in sales, particularly at higher price points
- Move to balanced market conditions



Winnipeg MLS® – Total Sales

A return to the ten year average

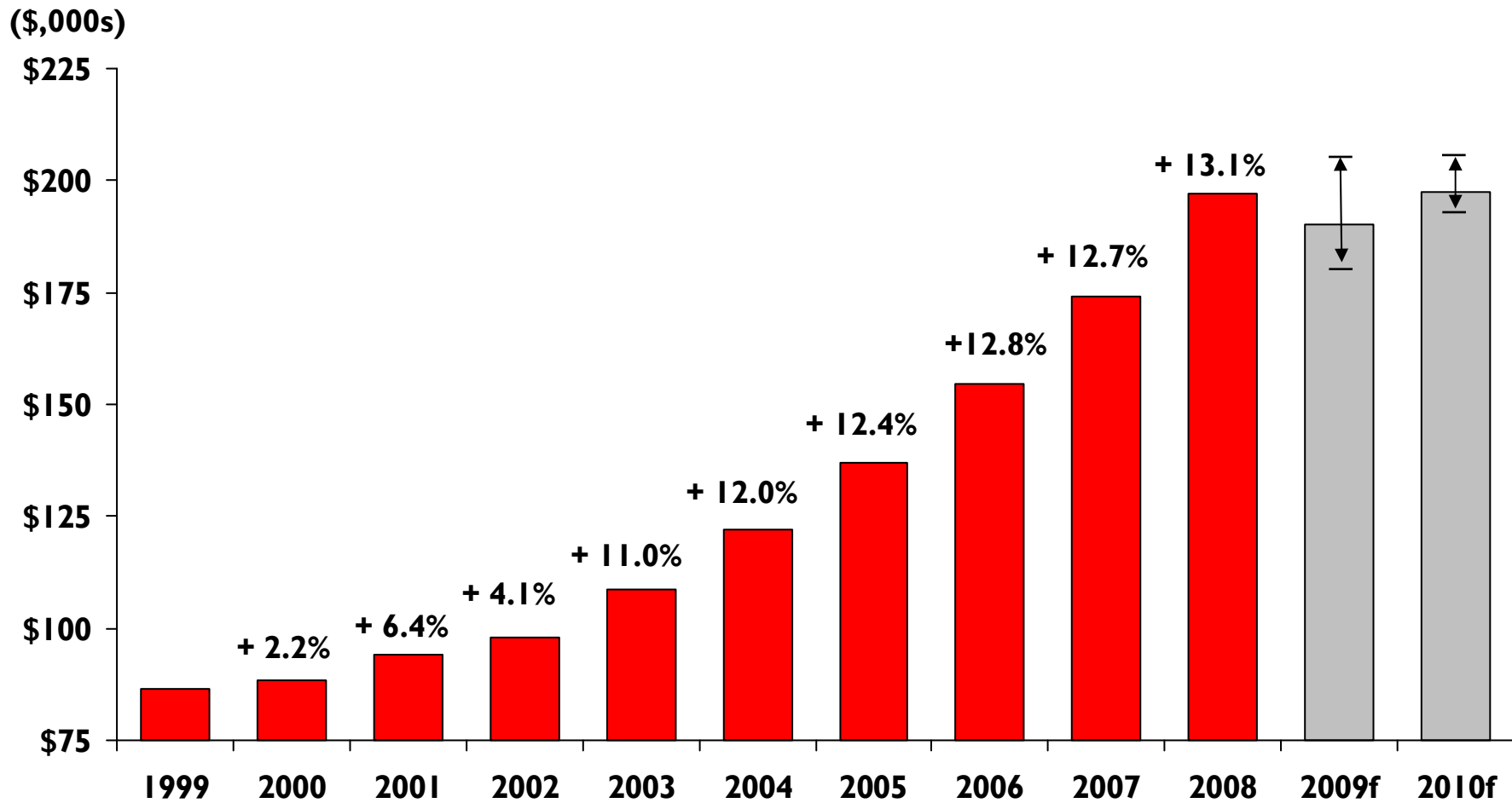


Source: CREA, CMHC Forecast (f)



Winnipeg MLS[®] – Average Price

Prices to slip slightly after six years of double digit increases



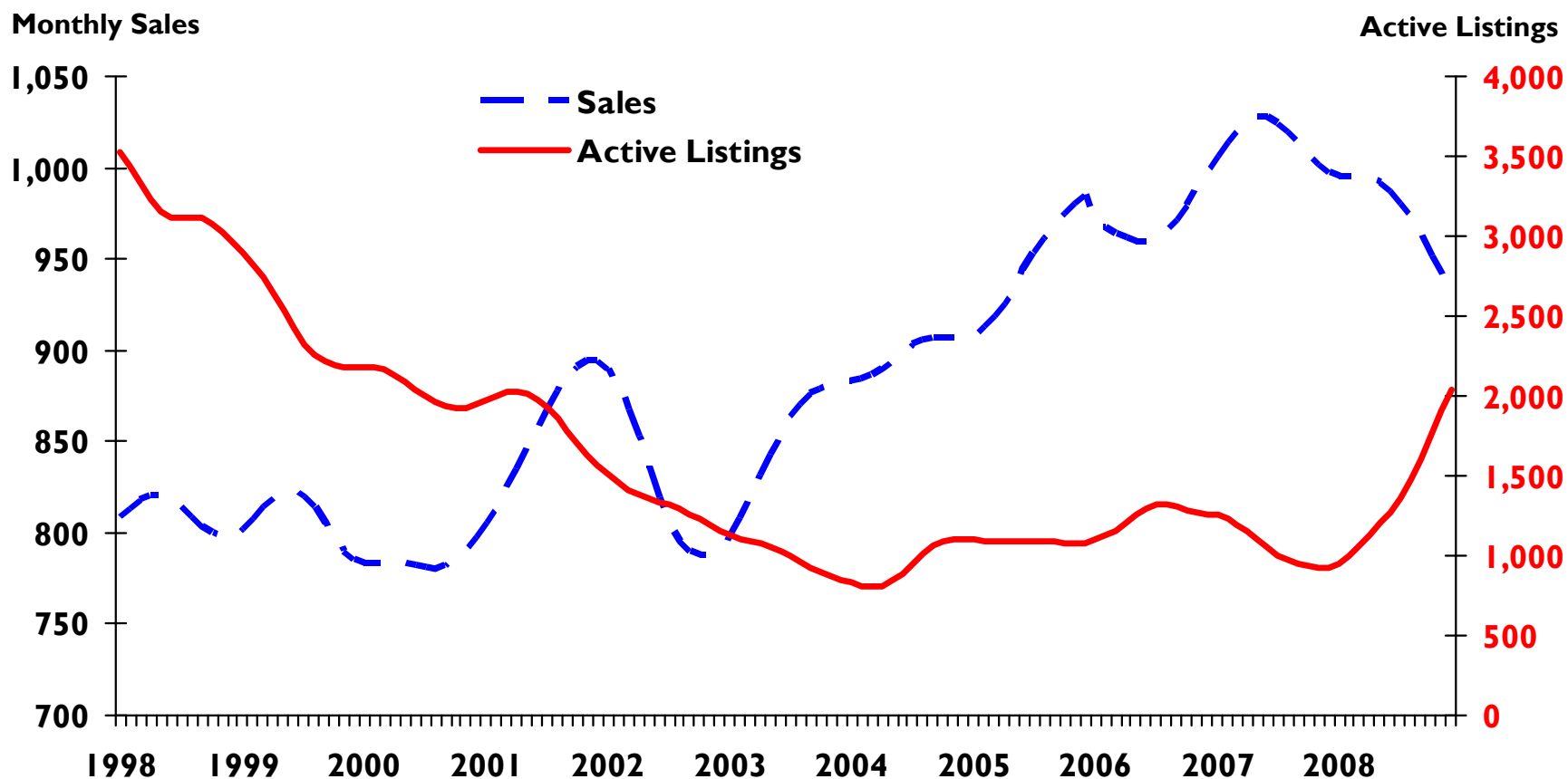
Source: CREA, CMHC Forecast (f)





Winnipeg – MLS[®] Sales & Active Listings

Demand has outpaced supply since 2001

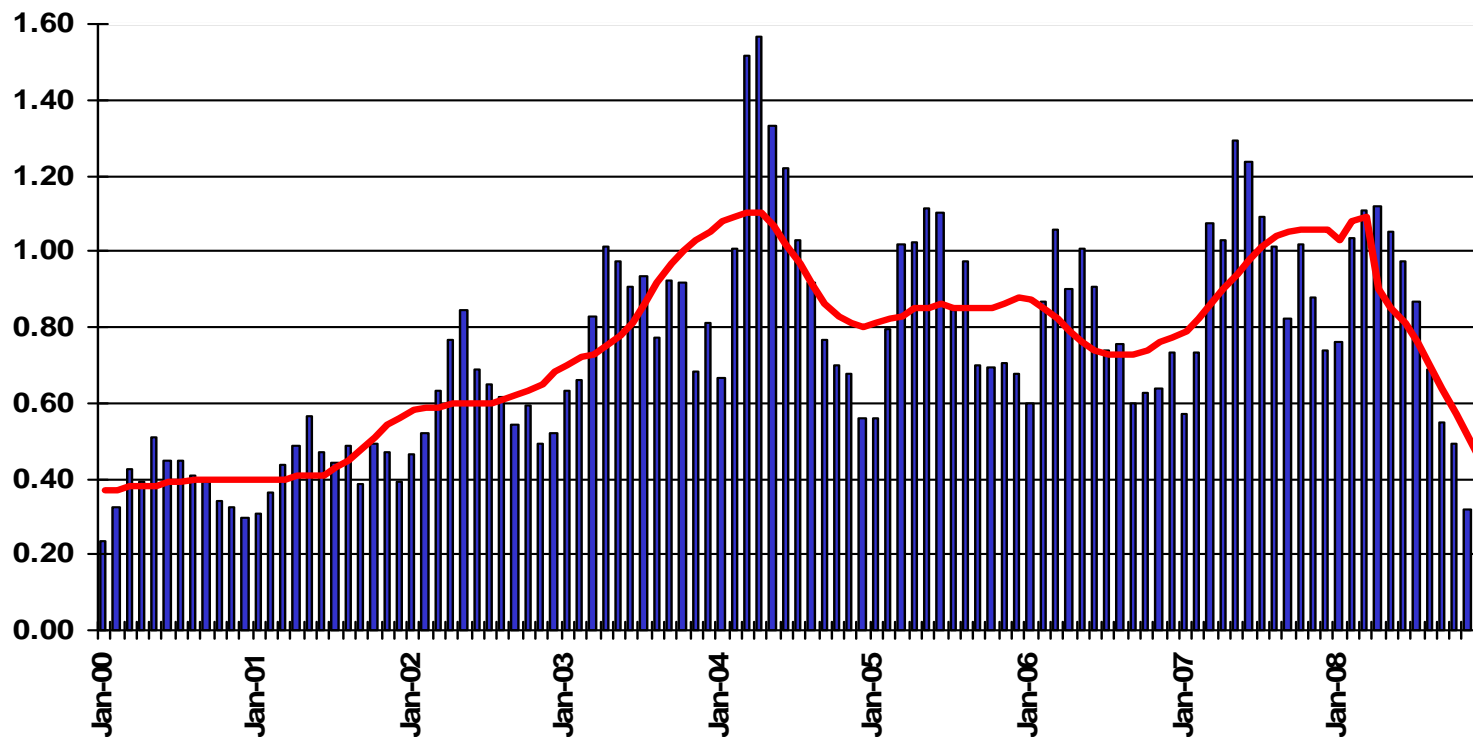


Source: CREA, Seasonal adjustment by CMHC





Winnipeg – MLS[®] Sales to Active Listings Ratio



Source: CREA, Seasonal adjustment by CMHC



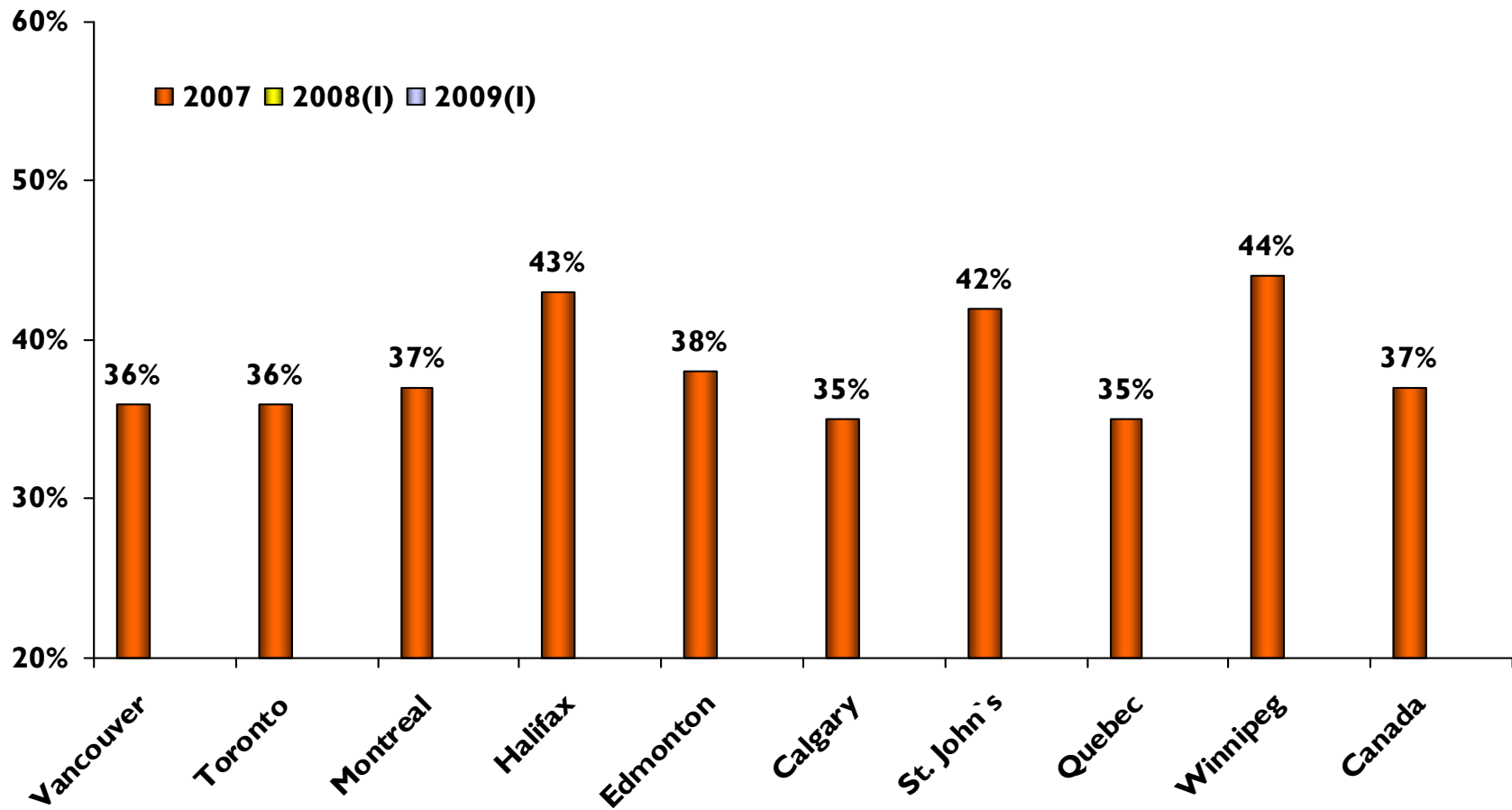


RENOVATION MARKET

- Winnipeggers have the highest propensity to renovate of any city in Canada
- The average renovation is about \$8,000



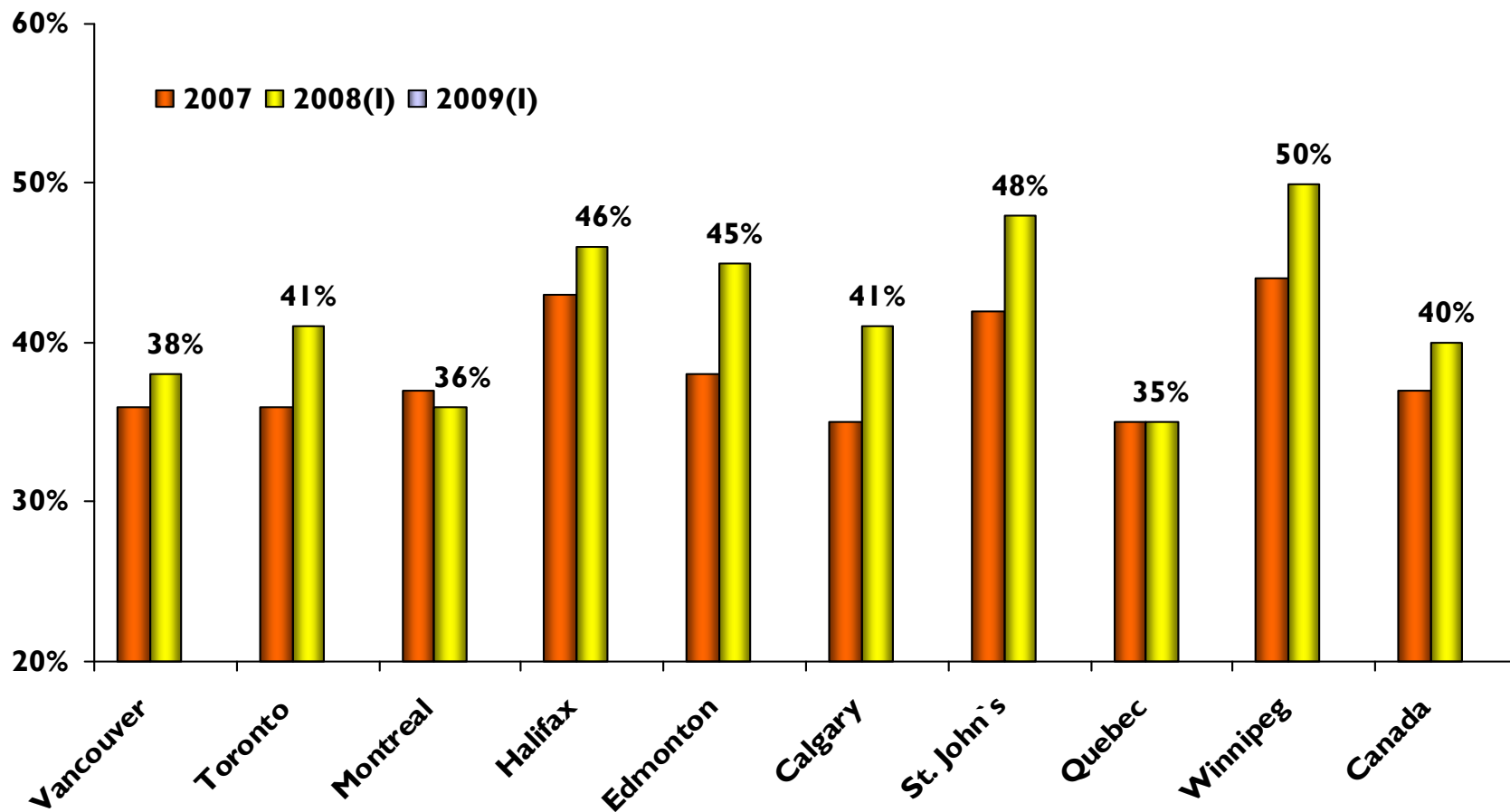
Renovations



Source: CMHC Renovation and Home Purchase survey



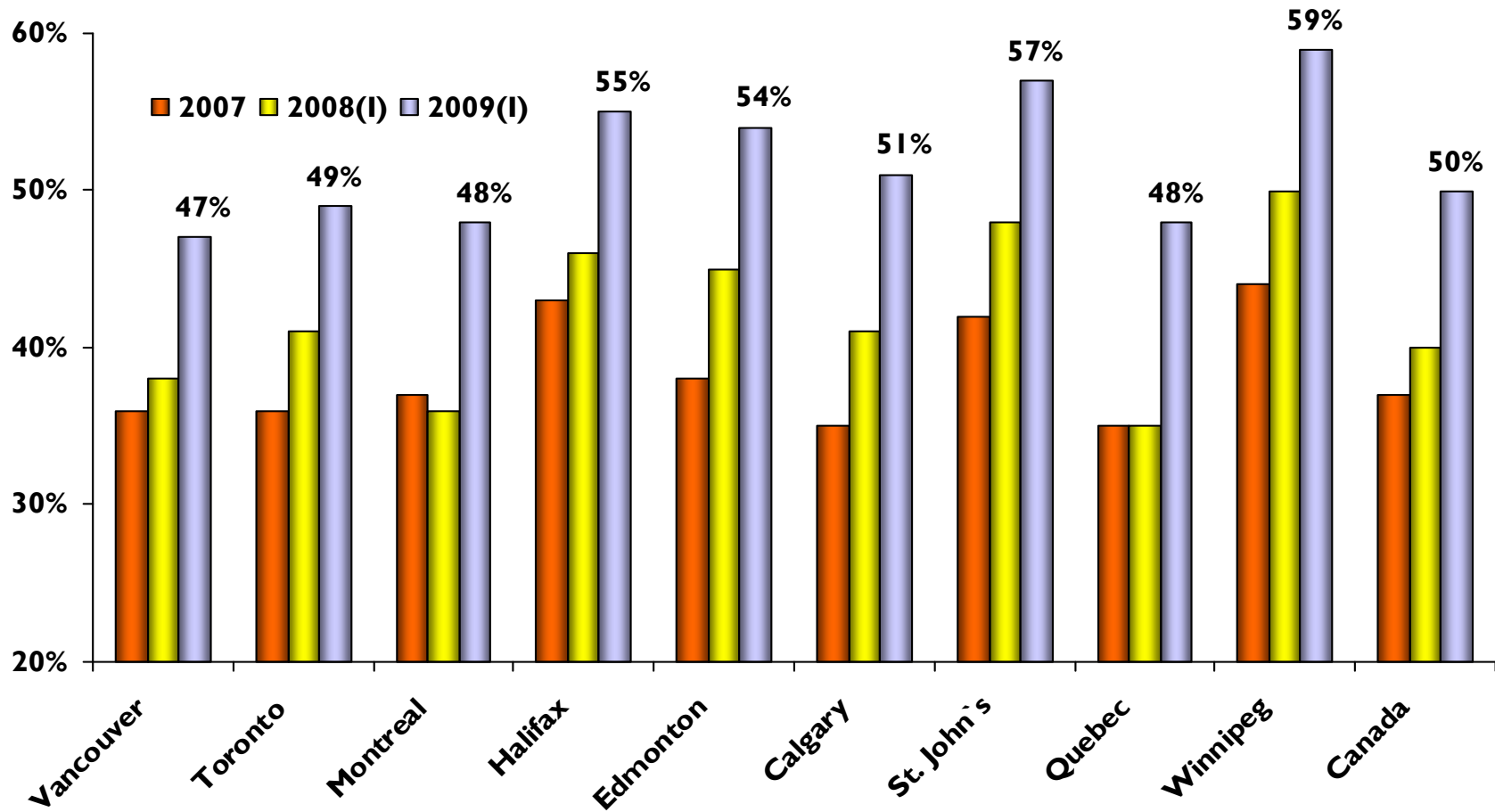
Intention to Renovate



Source: CMHC Renovation and Home Purchase survey



Intention to Renovate



Source: CMHC Renovation and Home Purchase survey



Renovation

Winnipeg's winning ways

- Winnipeg has the oldest housing stock in Western Canada (3rd oldest in the country)
- Incentives from Manitoba Hydro (and now the federal budget)
- Limited resale listings encouraged renovation spending
- Cost and length of construction increases force homeowners to consider renovation as alternative
- Renovation spending in Manitoba exceeds expenditure on New Home construction

2009 CMHC HOUSING OUTLOOK CONFERENCE



THANK YOU!

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