THE CANADIAN REAL ESTATE ASSOCIATION
200 Catherine St. 6th Floor Ottawa, ON K2P 2K9

REALTOR®

L'ASSOCIATION CANADIENNE DE L'IMMEUBLE
200, rue Catherine, 6e étage Ottawa, (Ont.) K2P 2K9

Tel: 613-237-7111 Fax: 613-234-2567 1-800-842-CREA Tél : 613-237-7111 Téléc : 613-234-2567

www.crea.ca www.mls.ca www.sia.ca www.icx.ca

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Attn: Boards and Associations

The Canadian Real Estate Association today issued the attached news release to provide a dose of "economic reality" about the housing market in Canada. Events of the past week, including use of the R word in the United States and record swings on the stock markets, have again generated media speculation about our housing market. Analysts continue to try and suggest the Canadian market will follow the U.S., and that raises concerns among members and clients.

The statistics say the contrary is true. The problem is that the analysts view may become self-fulfilling; the greater the predictions of doom, the greater the potential hit to consumer confidence, and the greater the impact on the Canadian housing market.

I would encourage you to get this message to brokers, and we suggest they offer it to clients as well as a way of keeping the facts on the table. Please feel free to also post the news release on any web site or member resource facility.

Ann Bosley

Ann Bosley
2007 President
The Canadian Real Estate Association

News Release / Communiqué

The Canadian Real Estate Association
L'Association canadienne de l'immeuble

Canadian residential real estate future is solid

OTTAWA – January 23, 2008 – The Canadian housing market in 2007 set a number of MLS® sales records, and the re-sale housing market is expected to remain at near record sales levels in 2008, according to The Canadian Real Estate Association.

Annual residential MLS® sales activity totaled 520,747 units in 2007, up 7.6 per cent from 2006 levels. This was the largest annual sales growth since 2002, and the first time transactions via the MLS® systems of real estate boards in Canada have surpassed 500,000 units sold in one year.

“The results in 2007 show the strength and the affordability of the Canadian residential market,” says CREA President Ann Bosley. “The statistics again show just how different the housing markets are in Canada and the United States. Canadian REALTORS® know that Canadian mortgage lenders correctly see that home prices will continue rising. We know there is still strong competition for mortgage business in Canada.”

Three key economic ingredients will keep Canada’s housing market on a different track from the United States. One is consumer confidence, the second is employment, and third is affordable interest rates. The Bank of Canada cut interest rates on January 22nd because of weaker prospects for Canadian economic growth in 2008. “Those lower interest rates will also help temper the erosion in housing affordability due to additional home price increases,” Bosley added. The Bank of Canada is expected to cut its trend-setting rate again in March.

CREA’s Chief Economist Gregory Klump says that the Canadian housing market in 2008 will pull back from the breakneck pace set in 2007, but this is still forecast to be the second-busiest year on record in almost all provinces, with residential unit sales reaching an estimated 512,705 units.

Average prices for MLS® home sales are expected to keep setting records in 2008, although prices will increase more slowly as the market becomes more balanced. In most provinces, the market will nevertheless remain historically tight – with the tightest markets being in Saskatchewan and Manitoba. Nationwide, the average residential price is forecast to increase 5.5 per cent to about $322,700.

According to CREA’s Chief Economist, a larger supply of listings will be one of the balancing influences in 2008. New listings are forecast to rise in all provinces except Alberta, where they’re expected to retreat after spiking in late 2007.

“The challenge for the Canadian housing market will be the extent to which employment and consumer confidence may be affected by a slowdown in the U.S. economy,” Ann Bosley adds.

“Slower job growth, not massive layoffs, are forecast for Canada in 2008,” CREA’s Chief Economist Gregory Klump adds. “Consumer confidence may be sideswiped by stock market volatility, and reports that chances of a U.S. economic recession will put the brakes on the Canadian economy. With slower job growth, a low unemployment rate and the absence of widespread layoffs, consumer confidence will bounce back. The domestic economy and the housing market will weather the sub-prime fallout with the help of lower interest rates”.

- 30 -

For more information please contact:
Bob Linney, CREA Communications Director, at 613-301-2219 or rlinney@crea.ca

or

Gregory Klump, CREA Chief Economist, at 613-237-7111 or gklump@crea.ca