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**Moderation Expected in Housing Market,
Says Bank of Canada Governor Mark Carney**

VANCOUVER, British Columbia – An unusually rapid recovery in the Canadian housing market played an important role in ensuring that the recession in Canada, while sharp, was also short, Bank of Canada Governor Mark Carney said today in Vancouver. The quick rebound in housing following the recent crisis was largely in response to emergency monetary policy and, as a result, household spending was able to contribute to, rather than restrain, the recovery.

Nationally, house prices have risen almost a third from their trough in early 2009, and now stand 13 per cent above the peak reached just prior to the global financial crisis. The Governor said that "residential investment is now at levels that have previously proved to be peaks in Canada and, on a relative basis, in the United States."

The Bank of Canada anticipates moderation in the housing market, as many of the supportive demand forces are now increasingly played out. "For example, while measures of housing affordability remain favourable, this is largely because interest rates are unusually low," the Governor said. "Rates will not remain at their current levels forever."

Moderation in the residential real estate market is also expected as part of a broader rebalancing of demand in Canada. As the economic expansion progresses, overall economic growth is expected to rely relatively less on household expenditures (including housing investment) and government spending, and more on business investment and net exports.

Governor Carney noted that the possibility of greater momentum in household borrowing and spending in Canada represents an upside risk to inflation.

"With monetary policy continuing to be set to achieve the inflation target, our institutions should not be lulled into a false sense of security by current low rates," the Governor concluded. "Similarly, households will need to be prudent in their borrowing, recognising that over the life of a mortgage, interest rates will often be much higher."