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Canada Mortgage and Housing Corporation

New Home Market

Starts making impressive gains

Manitoba housing starts in the third quarter of 2004 continue to gain on last year's numbers. There were 1,618 starts recorded between July and September of this year, representing a gain of 28 per cent over the third quarter of last year and making it the best third quarter since 1988. Starts were up to a greater degree in rural areas, registering a 34 per cent gain during the third quarter in a year-over-year comparison. This has allowed rural starts to recover from a slow second quarter, bringing their year-to-date total to 1,127 units, eight per cent ahead of this time last year. Urban starts continue to outperform the results of last year registering a gain of 26 per cent in the third quarter 2004 compared to the third quarter 2003 and bringing their year-to-date total to 2,299, 25 per cent higher than that seen at this time last year.

Multiple-family starts surge in third quarter

A number of Winnipeg projects broke ground in the third quarter of 2004 , driving multiple-family starts to register an increase of almost 45 per cent compared to the same quarter of 2003. As a result, year-to-date multi starts in Manitoba are now 32 per cent ahead of where they were over the same period last year at this time. Going into the final quarter of the year, multi-family starts are expected to slow in Winnipeg, as most of the projects slated for construction this year are now underway.

Of the province's smaller urban centres, Brandon is the only one to record any multi-family starts. Thanks to a strong economy and in-migration, as well as the support of the tri-partite Affordable Housing Initiative, Brandon has seen an impressive year for multi-family activity with gains recorded again this quarter. As a result, year-to-date, Brandon has recorded six times more multiple-family starts than for the same period last year.

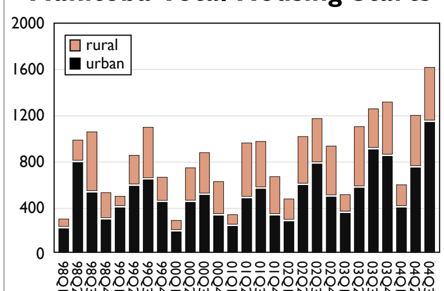
After a slow start to the year, multi-family starts in rural parts of the province swelled, recording 78 per cent more starts between July and September 2004 than within the same period last year. This is still not enough to compensate for a lacklustre first half of 2004, as the year-to-date total for rural multiple-family starts continues to lag behind where we were at this time last year by 17 per cent.

Single-family starts continue to climb

Single-family starts continue to post gains on last year's numbers with 21 per cent more homes started this last quarter than during the third quarter of 2003. After three quarters of activity, Manitoba single-family starts in 2004 are 15 per cent ahead of where they were for the same period in 2003, and on pace to post their best year since 1987. After a sluggish second quarter, rural starts have picked up substantially, registering a third quarter gain of 30 per cent over the third quarter of last year, bringing the year-to-date total for rural areas to 1,003, 12 per cent more than seen at this time in 2003.

Urban centres across the province are recording gains in single-family starts. The Thompson market has re-awakened, registering 4 starts so far this year compared to none at this point last year. Portage la Prairie has also

Manitoba Total Housing Starts



Source: CMHC

MANITOBA

THIRD QUARTER 2004

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registered some impressive gains with 30 single-family starts after three quarters of activity compared to 19 over the same period of 2003. In all, urban single-family starts in the province are 17 per cent greater than they were at this time last year.

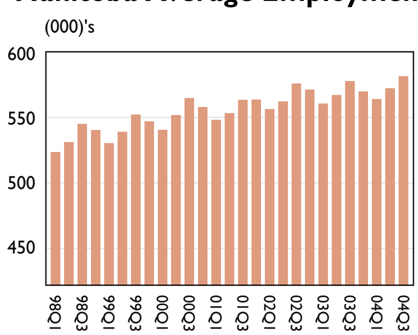
Completed units absorbed quickly

The total supply of housing units, including those under construction as well as those complete and not occupied, was up 33 per cent compared to this time in 2003. Apartment projects under construction in Winnipeg and Brandon are the main contributors to this increase, as the total supply of multiple-family units at the end of September was 41 per cent greater than at the end of September last year.

Over supply does not appear to be an issue, however, as overall absorptions are up 63 per cent, fuelled by strong demand for all types of housing. From July to September 2004, multiple-family absorptions were almost four times greater than they were during the same period of 2003. With a vacancy rate of less than two per cent in Winnipeg, new rental units are being absorbed very quickly leaving only eight of these units complete and unoccupied at the end of September. Absorption of condominium units was up 10 fold during the last quarter almost on par with the number of completions. This is mainly due to the fact that most condominium units are pre-sold prior to beginning construction.

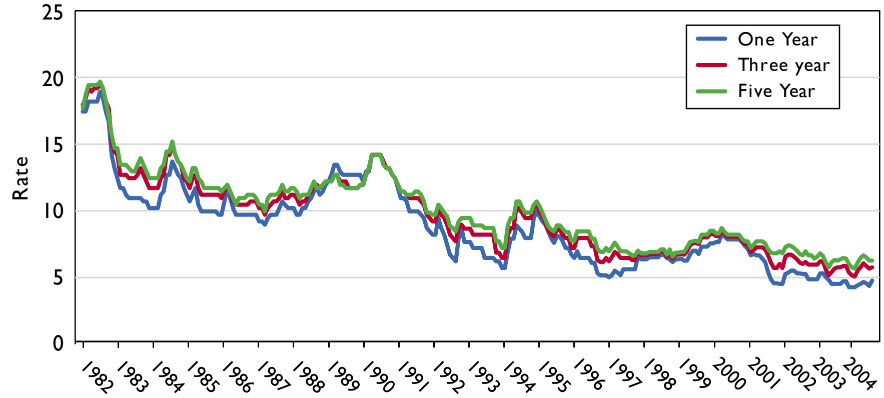
On the single-family side, total supply is up 27 per cent, mainly due to the number of units under construction, which are up 36 per cent while units complete and unoccupied are down 11 per cent. Single-family absorptions were up 13 per cent during the last quarter in comparison to the third quarter of 2003. With the high number of units currently under construction, and at the current absorption rate, there is enough supply to meet market demands for almost 8 months, however builders indicate that there are very few single-family homes under construction right now that are not already spoken for.

Manitoba Average Employment



Source: Statistics Canada - Raw Employment

Typical Mortgage Rates
Chartered Banks



Source: Statistics Canada

Provincial net-migration turning the corner

The number of people employed in the province grew during the first three quarters of 2004 with a year-to-date average increase of four per cent. Gains came primarily in the Goods producing sector with Manufacturing and Mining employment leading the way. Modest gains were also recorded in the Service sector where the greatest increases in employment coming from Health Care and Public Administration. The greatest losses year-to-date were in the Accommodation and Food Services sector. Job gains in the higher-paying Goods sector also meant gains in earnings, as year-to-date average weekly earnings are now almost six per cent greater than for the same period last year.

The low unemployment rate and rising wages have also encouraged immigrants to choose Manitoba as their place of destination upon entering Canada. Thanks to increased levels of immigration, it appears that overall net migration in Manitoba has turned the corner. In 2003, a gain of 5,357 persons from international migration more than offset a loss of 2,253 people through inter-provincial migration. The housing market in Winnipeg, in particular, benefits from rising levels of immigration as the majority of the new arrivals settle in that centre.

Higher mortgage rates expected

We expect the Bank of Canada to raise interest rates further, with increases totaling 50-75 basis points for the year. In 2005, the improving economic environment will mean that the Bank will need to move the overnight rate to even higher levels, increasing it by another 100 basis points or more.

The one, three, and five-year posted closed mortgage rates are expected to remain relatively flat to slightly higher for the remainder of 2004, having already followed the rise in bond yields earlier in the year. Next year, these rates will begin to increase by 50-100 basis points and are expected to be in the 4.75-6.00, 6.00-7.00, and 6.75-7.75 per cent range, respectively.

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Table 1 **STARTS ACTIVITY BY AREA** PROVINCE OF MANITOBA - 3RD QUARTER 2004								
	Single		**Multiple**			**Total**		**% chg**
Area	2004	2003	Semi	Row	Apt	2004	2003	2004/ 2003
Winnipeg CMA	**576**	**504**	**18**	**6**	**432**	**1032**	**837**	**23.30**
Winnipeg City	427	371	18	6	432	883	704	25.43
Brandon CA	41	31	0	7	20	68	39	74.36
Portage La Prairie CA	16	9	0	0	0	16	9	77.78
St. Andrews	26	22	0	0	0	26	22	18.18
Thompson CA	2	0	0	0	0	2	0	**
Manitoba (Urban)	**661**	**566**	**18**	**13**	**452**	**1144**	**907**	**26.13**
Manitoba (Rural)	**417**	**322**	**17**	**13**	**27**	**474**	**354**	**33.90**
Manitoba (Total)	**1078**	**888**	**35**	**26**	**479**	**1618**	**1261**	**28.31**

Table 1b **STARTS ACTIVITY BY AREA** PROVINCE OF MANITOBA - JANUARY TO SEPTEMBER 2004								
	Single		**Multiple**			**Total**		**% chg**
Area	2004	2003	Semi	Row	Apt	2004	2003	2004/ 2003
Winnipeg CMA	**1431**	**1230**	**44**	**15**	**488**	**1978**	**1678**	**17.88**
Winnipeg City	1100	945	42	15	456	1613	1393	15.79
Brandon CA	89	80	0	11	137	237	104	**
Portage La Prairie CA	30	19	0	0	0	30	19	57.89
St. Andrews	50	40	0	0	0	50	40	25.00
Thompson CA	4	0	0	0	0	4	0	**
Manitoba (Urban)	**1604**	**1369**	**44**	**26**	**625**	**2299**	**1841**	**24.88**
Manitoba (Rural)	**1003**	**897**	**49**	**13**	**62**	**1127**	**1047**	**7.64**
Manitoba (Total)	**2607**	**2266**	**93**	**39**	**687**	**3426**	**2888**	**18.63**

** indicates a greater than 100 per cent change

Table 2
HOUSING COMPLETIONS
PROVINCE OF MANITOBA - 3RD QUARTER 2004

	Single		Multiple			Total		% chg
Area	2004	2003	Semi	Row	Apt	2004	2003	2004/ 2003
Winnipeg CMA	**564**	**540**	**30**	**4**	**302**	**900**	**646**	**39.32**
Winnipeg City	439	426	30	4	302	775	532	45.68
Brandon CA	30	30	2	0	32	64	77	-16.88
Portage La Prairie CA	12	6	0	0	0	12	6	**
St. Andrews	16	18	0	0	0	16	18	-11.11
Thompson CA	0	10	0	0	0	0	10	**
Manitoba (Urban)	**624**	**594**	**32**	**4**	**334**	**994**	**747**	**33.07**
Manitoba (Rural)	**398**	**360**	**20**	**0**	**7**	**425**	**379**	**12.14**
Manitoba (Total)	**1022**	**954**	**52**	**4**	**341**	**1419**	**1126**	**26.02**

Table 2b
HOUSING COMPLETIONS
PROVINCE OF MANITOBA - JANUARY TO SEPTEMBER 2004

	Single		Multiple			Total		% chg
Area	2004	2003	Semi	Row	Apt	2004	2003	2004/ 2003
Winnipeg CMA	**1213**	**1222**	**36**	**21**	**596**	**1866**	**1423**	**31.13**
Winnipeg City	967	960	36	17	596	1616	1161	39.19
Brandon CA	60	76	2	0	66	128	139	-7.91
Portage La Prairie CA	23	17	0	0	0	23	68	-66.18
St. Andrews	41	55	0	0	0	41	55	-25.45
Thompson CA	4	1	0	0	0	4	1	**
Manitoba (Urban)	**1341**	**1371**	**38**	**21**	**662**	**2062**	**1686**	**22.30**
Manitoba (Rural)	**1145**	**891**	**36**	**0**	**107**	**1288**	**1042**	**23.61**
Manitoba (Total)	**2486**	**2262**	**74**	**21**	**769**	**3350**	**2728**	**22.80**

** indicates a greater than 100 per cent change

Table 3
SINGLE FAMILY HOMES - ABSORBED BY PRICE RANGE
PROVINCE OF MANITOBA - CENTRES OF 50,000 POPULATION AND OVER - 3RD QUARTER 2004

Area	< $100,000	$100,000-119,999	$120,000-149,999	$150,000-199,999	$200,000-249,999	$250,000 +	Total
Winnipeg CMA	**2**	**2**	**21**	**191**	**154**	**174**	**544**
Winnipeg City	2	1	17	146	137	125	428
Rural Municipalities	0	1	4	45	17	49	116

Table 3b
SINGLE FAMILY HOMES - ABSORBED BY PRICE RANGE
PROVINCE OF MANITOBA - CENTRES OF 50,000 POPULATION AND OVER - 3RD QUARTER 2003

Area	< $100,000	$100,000-119,999	$120,000-149,999	$150,000-199,999	$200,000-249,999	$250,000 +	Total
Winnipeg CMA	**9**	**5**	**28**	**235**	**120**	**108**	**505**
Winnipeg City	6	1	21	194	105	72	399
Rural Municipalities	3	4	7	41	15	36	106

Table 4
UNDER CONSTRUCTION
PROVINCE OF MANITOBA - 3RD QUARTER 2004

	Single		Multiple			Total		% chg
Area	2004	2003	Semi	Row	Apt	2004	2003	2004/ 2003
Winnipeg CMA	**879**	**663**	**26**	**12**	**550**	**1467**	**1129**	**29.94**
Winnipeg City	604	445	24	12	518	1158	911	27.11
Brandon CA	42	20	0	11	71	124	32	**
Portage La Prairie CA	15	10	0	0	0	15	10	50.00
St. Andrews	28	16	0	0	0	28	16	75.00
Thompson CA	2	0	0	0	0	2	0	**
Manitoba (Urban)	**966**	**709**	**26**	**23**	**621**	**1636**	**1187**	**37.83**
Manitoba (Rural)	**428**	**404**	**21**	**13**	**55**	**517**	**513**	**0.78**
Manitoba (Total)	**1394**	**1113**	**47**	**36**	**676**	**2153**	**1700**	**26.65**

Table 4b
COMPLETE NOT OCCUPIED
PROVINCE OF MANITOBA - YEAR TO DATE 2004

	Single		Multiple			Total		% chg
Area	2004	2003	Semi	Row	Apt	2004	2003	2004/ 2003
Winnipeg CMA	**149**	**167**	**17**	**5**	**40**	**211**	**203**	**3.94**
Winnipeg City	121	142	17	1	40	179	178	0.56
Rural Municipalities	28	25	0	4	0	32	25	28.00

** indicates a greater than 100 per cent change

Table 5
HOUSING ACTIVITY SUMMARY
PROVINCE OF MANITOBA - CENTRES OF 10,000 POPULATION AND OVER

	Ownership					Rental				
Activity	**Freehold**			**Condominium**		**Private**		**Assisted**		**Grand**
	Single [1]	Semi [1]	Row	Row	Apt	Row	Apt	Row	Apt	Total
Starts										
Current Quarter	661	18	0	13	48	0	404	0	0	1144
Previous Year	566	22	0	13	81	6	219	0	0	907
Year-to-Date 2004	1604	44	0	22	104	4	444	0	77	2299
Year-to-Date 2003	1369	34	0	28	121	6	283	0	0	1841
Under Construction										
2004	966	26	0	19	166	4	408	0	47	1636
2003	709	18	0	13	170	6	271	0	0	1187
Completions										
Current Quarter	624	32	0	4	115	0	219	0	0	994
Previous Year	594	8	0	14	0	0	131	0	0	747
Year-to-Date 2004	1341	38	0	17	245	4	387	0	30	2062
Year-to-Date 2003	1371	22	0	27	0	0	266	0	0	1686
Completed & Not Absorbed										
2004	149	17	0	1	36	4	4	0	0	211
2003	167	6	0	9	0	0	21	0	0	203
Total Supply [3]										
2004	1115	43	0	20	202	8	412	0	47	1847
2003	876	24	0	22	170	6	292	0	0	1390
Absorptions [2]										
Current Quarter	575	17	0	11	111	0	319	0	0	1033
Previous Year	505	12	0	12	0	0	104	0	1	634
12-month Average	143	3	0	2	21	1	41	0	3	214

1 May include units intended for condominium.
2 Centres of 50,000 population and over.
3 Sum of units under construction, complete and unoccupied

Starts and Completions Survey

The purpose of this survey is to measure new residential construction activity. The common unit of measurement is the "dwelling unit" (as opposed to value).

The Starts and Completion Survey enumerates dwelling units in new structures only; such units being designed for non-transient and year-round occupancy. Thus, excluded from the survey are conversions, vacation homes, cottages and collective type dwellings.

Starts - refer to units where construction has advanced to the footing or foundation stage and in the case of multiples, a start applies to the individual unit.

Under Construction - refers to units that have started but are not complete (i.e. units under construction from the previous month plus starts for the current month minus completions during the current month plus/minus any adjustments to units under construction which may include cancellations of projects, re-initiations of projects and/or changes in tenure status).

Completions - refer to units where all proposed construction work has been performed or in some cases where ninety percent of all construction work is completed and the structure is fit for occupancy.

Completed and Unoccupied - refers to completed units of new construction which have never been occupied or sold (i.e. completed and unoccupied units from the previous month plus completions during the current month minus absorptions for the current month).

Total Supply - refers to the total supply of new units and includes, units under construction and units that are completed but not occupied (i.e. under construction plus completed and unoccupied for the current month).

Absorptions - refers to newly completed units which have been sold or rented. The number of absorptions is obtained from a survey initiated when the structure is completed. Units pre-sold or pre-leased are not included until the completion stage (i.e. completed and unoccupied units from the previous month plus completions for the current month minus completed and unoccupied units for the current month).

Dwelling units have been divided into four categories:

The definition of types of dwellings used are in accordance with those used in the Census.

Single-Detached - This type is commonly called a "single-house". It comprises only one-dwelling unit which is completely separate on all sides from any other dwelling or structure including linked homes which are attached below ground.

Semi-Detached - In this category each one of two dwellings are located side-by-side in a building and are separated by a common wall extending from ground to roof or by a garage.

Row - This category comprises a one-family dwelling unit in a row of three or more dwellings separated by common or party walls extending from ground to roof.

Apartment and Other - This category includes all dwelling units other than those described above. It includes structures such as: duplexes, double-duplexes, triplexes, row-duplexes, apartments proper and dwellings over or behind a store or other nonresidential structure. In accordance with the definition, single-detached units with legal secondary suites are included in this category.

Geographical coverage of the survey includes all metropolitan areas, census agglomerations and urban centres of 10,000 population and over, as defined by the Census. These areas are enumerated completely each month. The remainder of the branch territory is covered on a sample basis four times a year in March, June, September and December.

Market Absorption Survey

The purpose of this survey is to provide an indication of the short-term demand for home ownership and rental dwellings. The survey is designed to measure the rate at which units are sold or rented after they are completed.

The geographical coverage of the Market Absorption Survey is all metropolitan areas and all urban centres of 50,000 population and over.

In the Market Absorption Survey, certain dwellings are excluded for various reasons. These are: dwellings financed by CMHC or NHA Section 6, Non-profit Public and Private initiated housing, which are not subject to normal market criteria and dwellings constructed for model purposes.

Absorption in this report is defined as take up monitored at completions plus those from inventory. For the short term, absorptions are a function of actual completions and inventory levels.

2001 Census Definitions

A **Census Metropolitan** Area refers to the main labour market area of an urbanized core having 100,000 or more population.

A **Census Agglomeration** refers to the region labour market area of an urbanized core housing between 10,000 and 99,999 population. CMA's and CA's are created by Statistics Canada and are usually known by the name of the urban area forming their urbanized core. They contain whole municipalities (or census subdivisions) and are comprised of:

1. Municipalities if (a) at least 40% of the employed labour force living in the municipalities work in the urbanized core or (b) at 25% of the employed labour force working in the municipality live in the urbanized core.
2. Other municipalities if (a) at least 40% of the employed labour force living in the municipality work in the urbanized core or (b) at 25% of the employed labour force working in the municipality live in the urbanized core.

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