

H

OUSING NOW

Prince Edward Island

YOUR LINK TO THE HOUSING MARKET

Canada Mortgage and Housing Corporation

VOLUME 5, EDITION 3
THIRD QUARTER 2002

Province Has Best Third Quarter Since 1975

Increased Multiple Activity in the Charlottetown Area

✓ Housing activity on Prince Edward Island reached the highest level in over 25 years during the third quarter of 2002. Total starts reached 351 units, a 27 per cent increase when compared to the 2001 level.

✓ Total single starts in the third quarter reached 265 units, a significant increase when compared to the 236 units started during the same period last year. Total multiple starts also increased during this period, reaching 84 units compared to 40 in 2001.

✓ The increase in housing starts came from both the urban and rural markets. Total urban starts in the third quarter jumped to 201 units from 149 in 2001. Rural starts

increased to 150 units from 127 during the same time last year.

✓ Total housing starts in Charlottetown increased sharply in the third quarter to 186 units when compared to 115 during the same period last year. This increase came from higher levels of activity in both singles and multiple construction. While single starts increased by only a modest nine homes to reach 108 units, multiple starts increased sharply from 16 units in 2001, to 78 units in 2002.

✓ Single starts in Summerside in the third quarter fell slightly from last year's level. Single starts in the area dropped to 32 units, from 35 during the same period last year.

✓ The increased housing activity on PEI in the third quarter, came mainly from higher levels of multiple construction in the Charlottetown area. Housing construction in the region is expected to remain strong for the remainder of 2002.

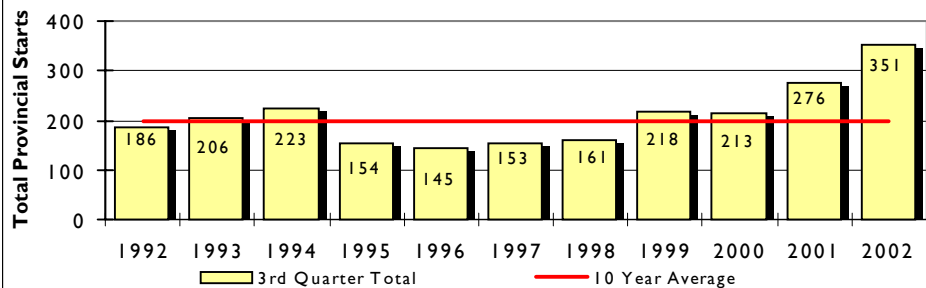
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Total Provincial Starts Rise in the Third Quarter

3rd Quarter Housing Starts 1992 - 2002



Source: CMHC



HOME TO CANADIANS
Canada

CHARLOTTETOWN & SUMMERSIDE

Housing Market Overview

Resale Market Sets New Records in the First Three Quarters

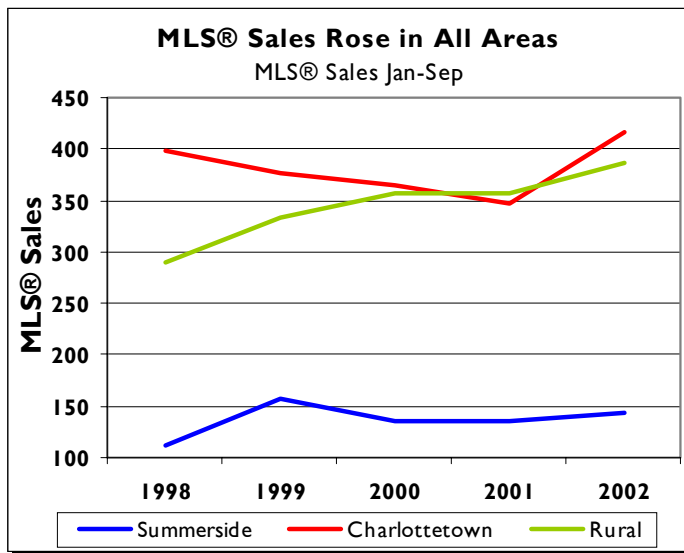
- ✓ Total provincial MLS® sales increased by 19.9 per cent in the third quarter of 2002, to 439 units. While, on a year-to-date basis sales have increased from 840 during the first nine months of 2001, to 945 in 2002. This level of activity sets a new record for the first three quarters on PEI.
- ✓ In the province's urban areas the level of sales is up in every district. The largest increases have been in Charlottetown City and the Sherwood-Parkdale area where year-to-date sales have jumped almost 24 per cent when compared to last.
- ✓ Every urban district in the province experienced an increase in the average sales price in the first nine months of 2002. This increase is due mainly to the strong demand for existing houses, in conjunction with a diminished number of homes available for sale.

MLS® Dollar Volume Sets a New Record in the Third Quarter

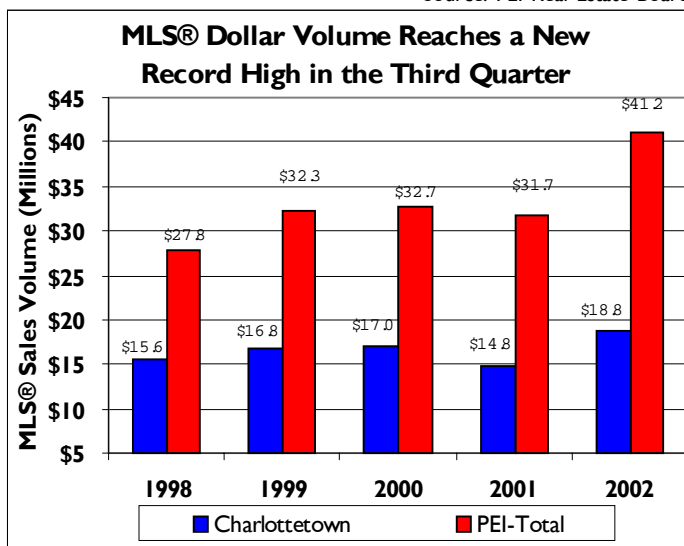
- ✓ The provincial MLS® dollar volume climbed in the third quarter of 2002 to \$41.2 million, an increase of 29.7 per cent when compared to the 2001 level. When looking at the first the quarters of 2002 the increase in dollar volume is equally as impressive, climbing 23.4 per cent to \$90.1 million.
- ✓ In the Charlottetown region the dollar volume reached \$18.8 million in the third quarter, up 27.2 per cent from the same period last year. The reason for the increased dollar volume is a combination of increased homes and a higher average price than previous years.

Employment Growth Continued in the First Nine Months of 2002

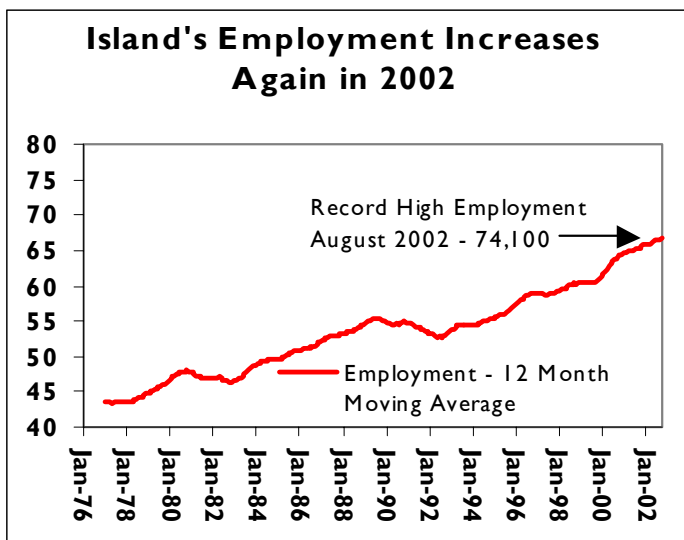
- ✓ On a provincial basis, the third quarter of 2002 saw the number of people employed increase by 2.25 per cent, when compared to the same period last year. This means that there were about 1,600 more Islander's working in the third quarter of 2002 than in 2001.
- ✓ In the third quarter, PEI experienced an increase in the unemployment rate when compared to the same period last year. This is a result of the labour force growth outpacing the increases in employment. The reason for increased labour force is that the positive employment conditions have stimulated more people to begin looking for work, thereby entering the Island's labour market.



Source: PEI Real Estate Board



Source: PEI Real Estate Board



Source: Statistics Canada

Table I
Activity Summary By Area
Prince Edward Island

Area	TOTAL HOUSING STARTS						COMPLETIONS						UNDER CONSTRUCTION		
	3rd Quarter			January-September			3rd Quarter			January-September			As at September 30, 2002		
	2002	2001	% chg	2002	2001	% chg	2002	2001	% chg	2002	2001	% chg	2002	2001	% chg
Charlottetown CA	186	115	62%	381	207	84%	106	87	22%	208	183	14%	275	125	120%
Summerside CA	15	34	-56%	38	53	-28%	21	15	40%	45	45	0%	9	28	-68%
Total Urban Areas	201	149	35%	419	260	61%	127	102	25%	253	228	11%	286	153	87%
Total Rural Areas	150	127	18%	200	198	1%	75	26	188%	274	171	60%	142	163	-13%
Total PEI	351	276	27%	619	458	35%	202	128	58%	527	399	32%	428	316	35%

Source: CMHC

Table 2: MLS Activity in Urban Centres*

	3rd Quarter						Year-to-Date					
	Sales			Avg Sale Price			Sales			Avg Sales Price		
	2002	2001	% Chg	2002	2001	% Chg	2002	2001	% Chg	2002	2001	% Chg
Charlottetown CA**												
District 4	62	46	35%	\$116,170	\$119,083	-2%	151	122	24%	\$124,140	\$122,624	1%
District 5	41	36	14%	\$101,612	\$89,499	14%	103	84	23%	\$98,832	\$94,507	5%
District 6	34	39	-13%	\$98,225	\$84,131	17%	86	80	8%	\$96,374	\$80,680	19%
District 7	29	23	26%	\$142,495	\$122,835	16%	75	61	23%	\$132,360	\$117,472	13%
Total, CA	166	144	15%	\$113,498	\$102,820	10%	415	347	20%	\$113,590	\$105,242	8%
Summerside CA	66	52	27%	\$91,426	\$92,024	-1%	143	135	6%	\$90,435	\$80,731	12%
TOTAL	232	196	18%	\$107,219	\$100,752	6%	558	482	16%	\$107,656	\$98,119	9.7%

* Source: PEI Real Estate Association

**District 4: Charlottetown City, Spring Park & West Royalty

**District 5: Sherwood, Parkdale, East Royalty & Hillsborough Parks

**District 6: Cornwall, North River & Winsloe

**District 7: Bunbury, Southport, Crossroads, Keppoch, Kinlock, Tea Hill, Alexandra to Cherry Valley

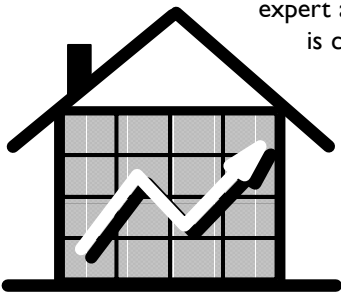
**TABLE 3
STARTS BY AREA
CHARLOTTETOWN CA**

Area/ Period	Single	Semi	Row	Apartment & Others	Total
Charlottetown City:					
Third Quarter 2002	27	8	0	46	81
Third Quarter 2001	30	2	0	0	32
Year-to-Date 2002	69	14	0	105	188
Year-to-Date 2001	48	3	0	6	57
Cornwall Town:					
Third Quarter 2002	7	0	0	4	11
Third Quarter 2001	6	0	0	4	10
Year-to-Date 2002	18	0	0	7	25
Year-to-Date 2001	24	0	0	6	30
Stratford Town:					
Third Quarter 2002	14	0	0	20	34
Third Quarter 2001	13	8	0	2	23
Year-to-Date 2002	34	2	0	30	66
Year-to-Date 2001	38	8	0	6	52
Remainder of Charlottetown CA:					
Third Quarter 2002	52	0	0	8	60
Third Quarter 2001	50	0	0	0	50
Year-to-Date 2002	92	0	0	10	102
Year-to-Date 2001	68	0	0	0	68
Total - Charlottetown CA:					
Third Quarter 2002	100	8	0	78	186
Third Quarter 2001	99	10	0	6	115
Year-to-Date 2002	116	20	3	56	381
Year-to-Date 2001	178	11	0	18	207

Source: CMHC

NEED MORE DETAILED INFORMATION?

Market Analysis Products and Services are designed to suit your needs. CMHC is the source for expert analysis and comprehensive data on housing. If you are in the housing industry, it is critical that you understand the trends and factors behind Prince Edward Island's housing markets. There is no substitute for the thorough, concise analysis of housing market developments that you get with CMHC's market data and analysis. Contact CMHC's Market Analyst for Prince Edward Island:



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FORECAST

Charlottetown

SUMMARY

Canada Mortgage and Housing Corporation

VOLUME 5 EDITION 2
THIRD QUARTER 2002

Multiple Starts Increase Sharply in 2002

Employment and Migration Buoy the Housing Market

A combination of low interest rates, strong employment, and positive migration are expected to bolster the Charlottetown housing market in the coming year.

Interest rates have remained low over the past few years and are not expected to increase significantly over the forecast period. Although a slight increase is expected, as the capital markets begin to rebound in 2003, it will not be enough to dissuade most homebuyers.

Employment in the capital region is poised to set an all time record in 2002, with an average of 19,500 people employed in the first three quarters, an increase of 640 jobs from 2001. Overall, there was a slight net loss of part-time jobs during this period, while full-time employment increased by over 650 new positions. The employment

growth over the previous two years has come mainly from increases in the construction, service, and other primary sectors. These factors are a sign of the area's diversifying economy and will help to bolster the housing market in the coming years.

Positive net-migration is also contributing to strong demand for housing in the capital region. Between 1996 and 2001, the Charlottetown CA's population increased by 1134. The majority of the people moving into the region have simply moved to the area from more rural parts of the Island. This shows that PEI is no exception to the national trend of urbanization, which is helping to create strong demand for housing in most Canadian cities.

Our current forecast indicates that 285 and 250 new single-family homes will be started in 2002 and 2003 respectively. Our forecast also calls for 175 and 150 multiple units over the same period; bringing total starts to 460 units in 2002 and 400 units in 2003.

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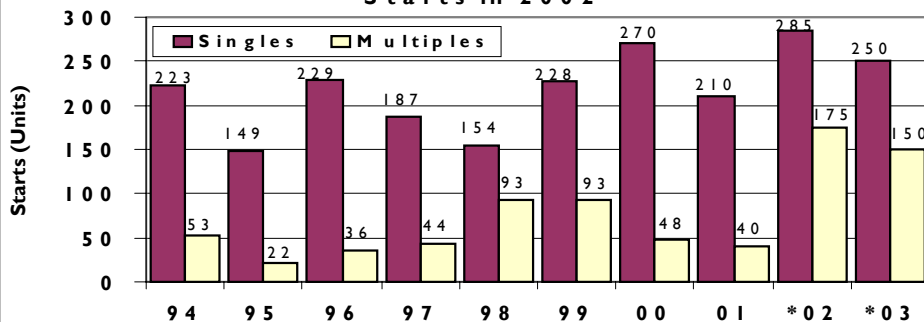
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- 2 High End Units to Push Up Average Rents
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- 3 Resale Market to Remain Strong Over Forecast Period

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Multiple Construction to Drive Housing Starts in 2002



*CMHC Forecast: Charlottetown CA



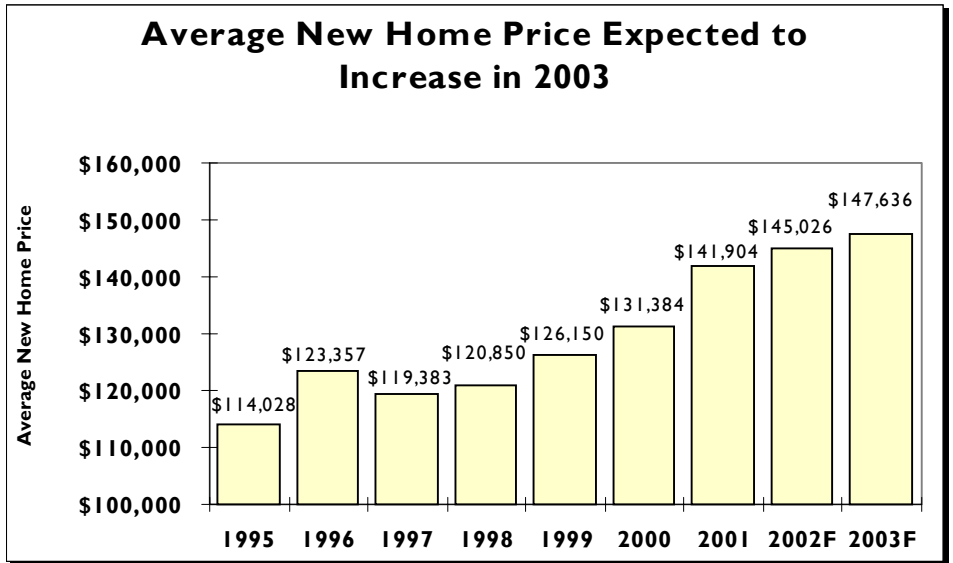
HOME TO CANADIANS
Canada

New Home Prices

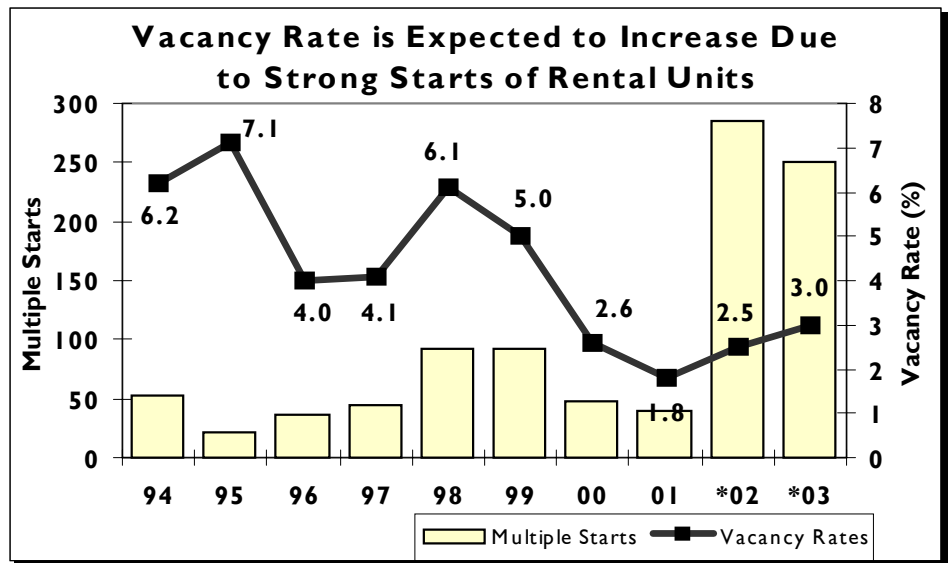
Over the last eight years, the price of building a new home including the purchase of a lot as measured by the New Housing Price Index (NHPI) has been outpaced by the Consumer Price Index (CPI) in Charlottetown. The NHPI measures changes over time in the contractors' selling prices of new residential houses and provides results individually for the structure (house), land, and a combined total cost.

Overall, when compared to the costs of other goods and services, the cost of a new home in Charlottetown is relatively less expensive today than eight years ago.

Although the average new home price has decreased in relative terms over the past few years, it has been increasing steadily in actual dollars. Over the past five years the average price has increased from \$120,000 in 1998, to \$145,000 (Jan-Sept) in 2002. This represents an increase of 20.8 per cent. This trend is expected to continue with the average price climbing to over \$147,000 in 2003.



Source: CMHC



Source: CMHC

Rental Market

Vacancy Rate to Increase Slightly in 2002 and 2003

Demand for rental units in Charlottetown is expected to remain strong in both 2002 and 2003. Despite strong demand, the vacancy rate for the Capital region is expected to inch up to 2.5 per cent in 2002, before rising slightly again in 2003. The reason for the expected rise in the vacancy rate is not a decrease in demand, but rather an increase in the level of rental construction. It is expected that 175 and 150 units will be added to Charlottetown's rental stock in 2002 and 2003 respectively.

Forecast Summary, Third Quarter 2002

The majority of these new units will be at the high-end of the market, where the greatest demand exists. These high-end units will be most attractive to older tenants that are seeking an alternative housing option to the single-detached home.

It is important to note that the total effect of these units on the local rental market will not be fully seen until 2004. This is due to the rental market survey's guidelines which state that, structures must be completed and ready for tenants by July 1 of that year.

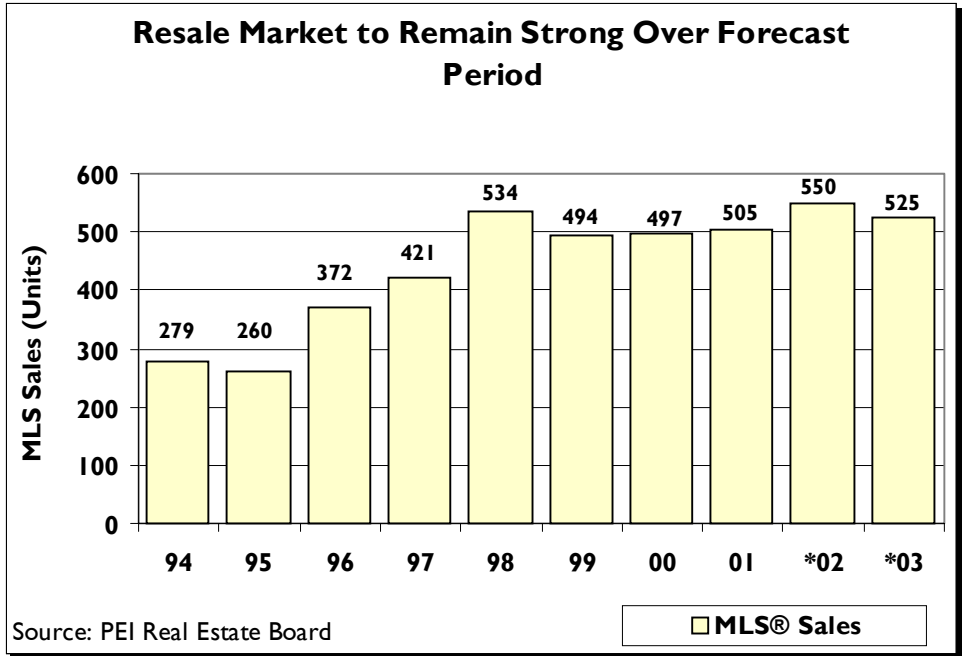
High-End Units Push Up Average Rents

Average rents for two bedroom apartments in the Charlottetown area rose 4.1 per cent to \$537 in 2001. This upward trend in average rents will continue over the forecast period. The main reason for the price increase is that most of the new units being built are in the upper end of the rental spectrum. These high-end units, which are targeted towards empty-nesters and seniors, have significantly higher rents than the existing units and tend to drive up the average rents for the entire area.

Results from CMHC's annual Rental Market Survey conducted in October are expected to show rental rates rising to \$545 this year and further to \$555 in 2003.

Resale Market Sales to Remain Strong in the Charlottetown Area

MLS® sales are expected to increase to 550 homes in 2002, before falling off slightly in 2003, due mainly to a shortage of listings in the under \$120,000 price range. This price range is very significant since it is where most first-time buyers will be looking, and represents the largest portion of the resale market in Charlottetown. Active listings have continued to diminish during 2002, and the lack of homes available for sale will limit any significant increase in sales.



The average sales price is expected to rise by about 6.0 per cent in 2002, before slowing to a more moderate rate in 2003. This will occur due to stable demand for existing homes and a growing trend of more expensive sales in the Charlottetown City and

Stratford areas. Since the average sales price is calculated based on sales in the entire area, a larger percentage of homes sold in a more expensive zone will have the tendency to drive up the average sales price for the whole city.

Auto and Home Sales Driving Economic Growth in 2002

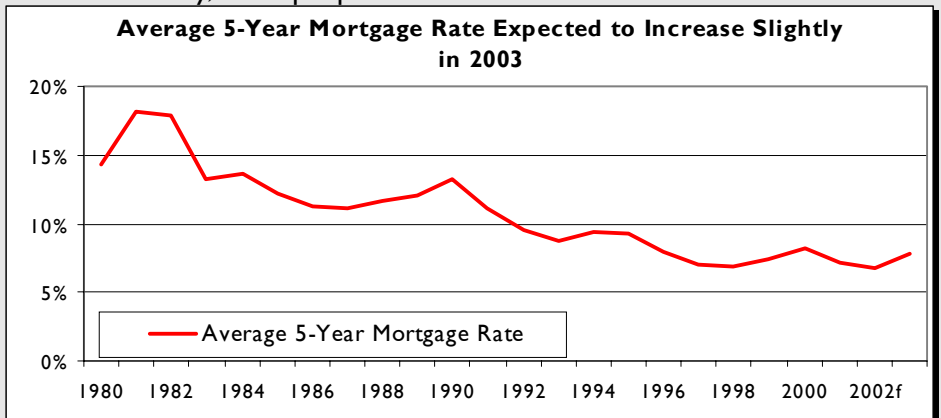
The recent flood of positive economic news coming out of Canada has been encouraging, but there may be a looming question mark associated with it. Similar news out of the United States has been more on the negative side of the fence. For example, their leading economic indicator (providing a 3 to 6 month outlook on direction) has declined for four months in a row. In fact, five of the ten categories were down. Like Canada, housing and auto sales are generating most of the growth. Both of these have been on record pace for a long time. The difficult question at this time is, when they cool off, what is left to drive growth? Housing construction has already started to soften in the US.

US consumers have been using recent tax cuts and refinanced mortgages for spending, however, the spending spree may be coming to an

end. For the fourth straight month, consumer confidence declined. Spending expectations are dropping too, and with two-thirds of the economy being driven by consumer spending, this would be a problem for recovery.

On the positive side, rates will likely be kept low well into 2003. Although Canada will likely move rates up in the near term, it is difficult to say if we can keep going in that direction with the situation in the US being so unsettled. Lately, a few people in

Canada have been quoted as saying that our economy is now independent of the US and we can chart our own course. This all sounds good, but history has shown us that we generally have a delayed reaction to what is happening there, but eventually we will be affected. The housing market has plenty of momentum going in to 2003, but there is a potential dark cloud on the horizon which could be eliminated if other sectors of the economy get rolling in the meantime.



FORECAST SUMMARY

Greater Charlottetown Area

	1998	1999	2000	2001	2002*	2003*	% chg
NEWHOME MARKET							
Starts							
Total	247	321	318	300	460	400	53.3%
Single-family	154	228	270	250	285	250	14.0%
Multiple/Rental	93	93	48	50	175	150	250.0%
Average New House Price	\$120,850	\$126,150	\$131,384	\$141,904	\$145,026	\$147,636	2.2%
Complete and Unoccupied (Dec)	10	7	7	8	6	8	
RESALE MARKET							
MLS [®] Active Listings (June peak)	336	278	224	240	196	240	-18.3%
MLS [®] Sales	534	494	497	505	550	500	8.9%
Average Sales Price	\$94,000	\$96,760	\$103,435	\$106,335	\$113,000	\$114,500	6.3%
RENTAL MARKET							
Vacancy Rate (October)	6.10%	5.00%	2.60%	1.80%	2.25%	3.00%	
Average Rents (All units)	501	505	516	537	545	560	1.5%
Rental Rate (annual % change) 2-bed. unit	0.00%	0.60%	0.60%	0.78%	1.0%	1.2%	
ECONOMIC OVERVIEW							
Mortgage Rate (3 yr. term)	6.80%	7.40%	8.17%	6.88%	6.47%	7.52%	
Mortgage Rate (5 yr. term)	6.90%	7.56%	8.35%	7.41%	7.23%	8.21%	
Employed	17000	17200	18600	19100	19500	19800	2.1%

* CMHC Forecast

Source: CMHC, Statistics Canada, PEI Real Estate Association

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