HOUSING NOW Kitchener

YOUR LINK TO THE HOUSING MARKET

Canada Mortgage and Housing Corporation

New Homes

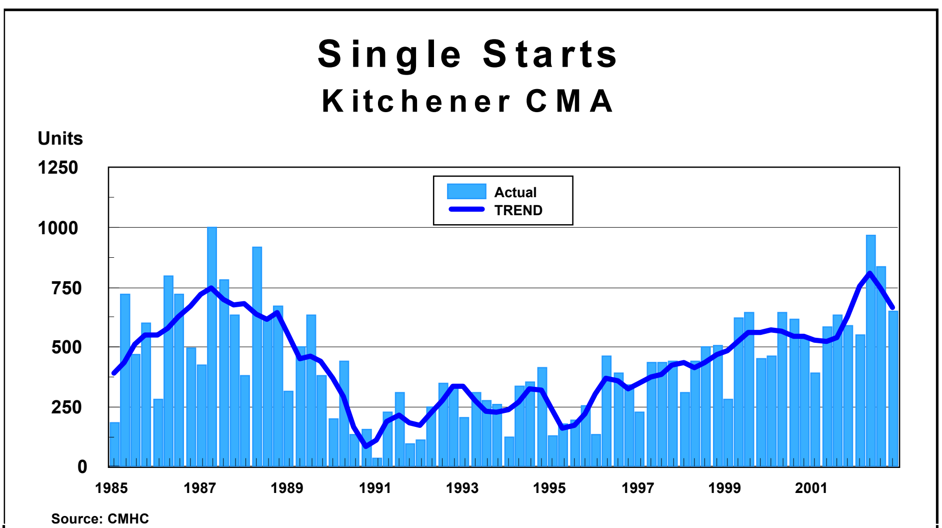
ISSUE 17
FOURTH QUARTER 2002

Single Starts maintain strong pace to end of year

A drop in mortgage carrying costs and increased local consumer confidence due to a rebound in job growth spurred more households to make the decision to purchase a new single home in the fourth quarter of 2002. In addition, strong first time buying activity in the resale market drove prices higher encouraging greater move-up activity. Fourth quarter single starts jumped 11% to 652 units compared to 588 units started in the same period last year. The 588 single units started in the fourth quarter of 2002 is the highest number for single starts in a fourth quarter of a year in Kitchener since 1988. On a seasonally adjusted annual rate (SAAR) basis, single detached starts activity dropped to 2,540 SAAR level in the 4th quarter down from 2,940 SAAR in the 3rd quarter and from a peak of 3,316 SAAR in the 2nd quarter of 2002.

Overall, total residential housing starts fell by 8% to 945 units in the fourth quarter of 2002. Multi family starts fell 34% to 293 units from the 443 units witnessed in the same period of last year. The decline in multi family starts can be attributed to a 64% drop in rental apartment starts. The decline was centered in the city of Kitchener as rental apartment starts fell from 273 units in the fourth quarter of 2001 to 99 units started this year.

With 4,130 starts in 2002, the Kitchener CMA recorded its best year since 1989 edging out the previous year's 3,537 starts by 17%. Single detached starts at 3,007 units set the record of 2,838 singles started in 1987. Multiples fell 16% to 1,123 units from 1,340 units. However, the drop in the 2002 new home market came from a decline in rental apartments starts falling 38% to 485 units.



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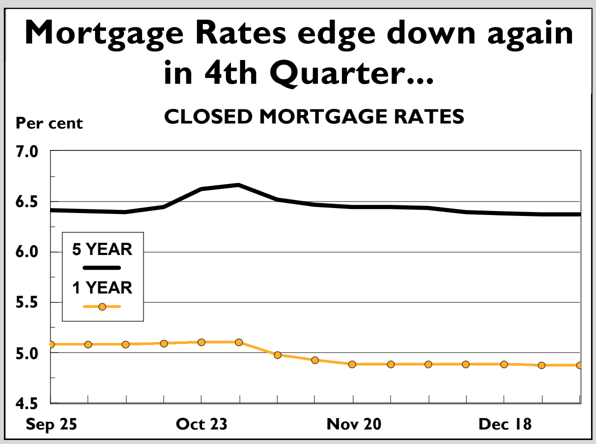
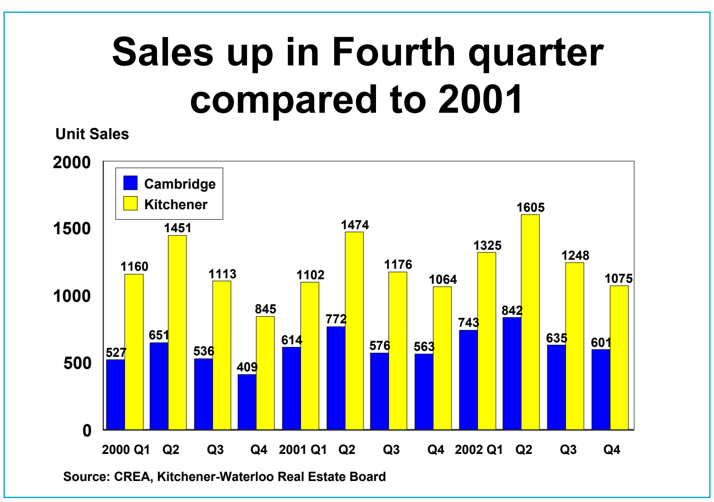
By municipality, Kitchener recorded the highest level of starts in 2002 with 1,523 units due to a 52% jump in single start. Waterloo came in second with 1,363 starts while Cambridge followed with 1,128 starts up 33% from 847 starts in 2001. The townships of Woolwich and North Dumfries recorded 56 and 60 starts respectively.

MORTGAGE RATES

Slower Economic growth results in lower rates in Fourth quarter of 2002

Slower economic growth in Canada and in the USA resulted in the Bank of Canada leaving the bank rate unchanged in the fourth quarter of 2002. As a result, the market pushed forward expectations of additional Bank of Canada intervention and consequently, mortgage rates edged down between October and December. The five year closed rate fell from 6.39 per cent at the beginning of the October to 6.37 per cent at the end of December. Similarly, the one year closed rate fell from 5.09 per cent to 4.88 per cent in the same period. A jump in inflation in November and in December above the target range set by the Bank of Canada raised the risk of intervention by the Bank early in 2003 and increased the point spread between short and long term rates.



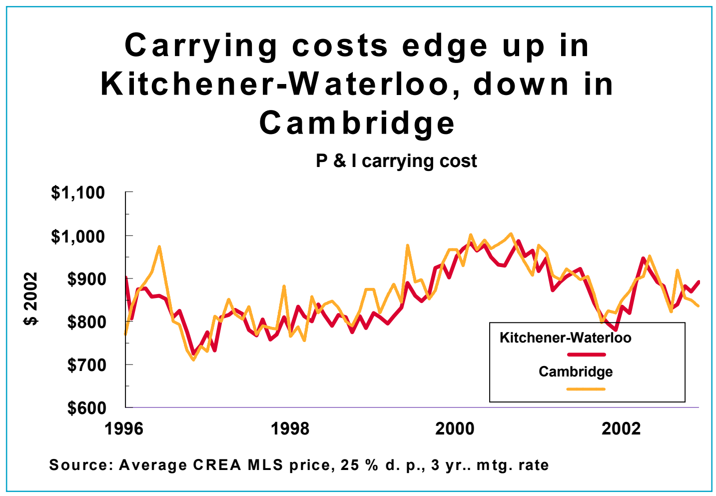


Resale Market

Resale Market remains Seller's market in Kitchener-Waterloo in 4th Quarter

The Kitchener-Waterloo resale market in the 4th quarter of 2002 continued the strong performance seen in the previous three quarters with sales at 1,075 units rising 1.3% compared to the same period in 2001. Average price at $184,457 in the 4th quarter increased 12.5% compared to last year and 5.2% over the average price in the 3rd quarter of 2002. However, strong price increases did not attract more units into the market as new listings edged down 0.6% to 1,385 units. Since the growth in sales outpaced the increase in new listings, the sales to new listings ratio rosee to 77.6%. The market continues to remain a seller's market placing further pressure on average prices.

The sales trend adjusted for the time of year indicates that demand in the 4th quarter of 2002 increased over the previous three months due to lower mortgage rates. On a seasonally adjusted annual rate (SAAR) basis, 4th quarter sales edged up to 5,504 units (SAAR) from 5,044 units (SAAR) in the 3rd quarter of 2002. However, prior to 2002, SAAR sales reached above the 5,500 unit level only once in the 1990s.



Cambridge

Sales in the Cambridge Real Estate Board territory in the fourth quarter rose 7.3% to 601 units compared to the same period in 2001. Average price at $177,817 in the 4th quarter increased 6.5% compared to last year but fell one per cent compared to the average price of $179,840 in the 3rd quarter of 2002. Strong sales and increased prices drew more new listings into the market in the 4th quarter. New listings increased 1.2% to 688 units. Since new listings increased at a slower pace compared to sales, the sales to new listings ratio increased to 87.4%.

Similar to the Kitchener market, trends in the Cambridge resale market showed that sales jumped in the 4th quarter of 2002 from the strong showing over the previous quarter. On a seasonally adjusted annual rate (SAAR) basis, 4th quarter sales increased to 2,995 units (SAAR) from 2,644 units (SAAR) in the 3rd quarter of 2002. (See Table Page 6)

Table 1: Starts by Area and by Intended Market
Kitchener Census Metropolitan Area (CMA)

	Ownership					Rental		Total
	Freehold			Condominium				
	Single	Semi	Row	Row	Apt.	Row	Apt.	
Kitchener CMA								
Fourth Quarter 2002	652	22	172	0	0	0	99	945
Fourth Quarter 2001	588	32	123	3	0	12	273	1,031
Percent Change	10.9%	-31.3%	39.8%	-100.0%	NA	-100.0%	-64%	-8.3%
Year-To-Date 2002	3,007	144	466	22	0	6	485	4,130
Year-To-Date 2001	2197	120	363	63	0	16	778	3,537
Percent Change	36.9%	20.0%	28.4%	-65.1%	NA	-62.5%	-38%	16.8%
Kitchener City								
Fourth Quarter 2002	217	8	124	0	0	0	99	448
Fourth Quarter 2001	152	6	73	3	0	0	273	507
Percent Change	42.8%	33.3%	69.9%	-100.0%	NA	NA	-63.7%	-11.6%
Year-To-Date 2002	966	56	327	14	0	0	160	1,523
Year-To-Date 2001	635	22	178	49	0	0	669	1,553
Percent Change	52.1%	154.5%	83.7%	-71.4%	NA	NA	-76%	-1.9%
Waterloo City								
Fourth Quarter 2002	184	14	23	0	0	0	0	221
Fourth Quarter 2001	169	6	31	0	0	12	0	218
Percent Change	8.9%	133.3%	-25.8%	NA	NA	-100.0%	NA	1.4%
Year-To-Date 2002	990	50	94	0	0	6	223	1,363
Year-To-Date 2001	746	32	98	4	0	16	109	1,005
Percent Change	32.7%	56.3%	-4.1%	-100.0%	NA	-62.5%	105%	35.6%
Cambridge City								
Fourth Quarter 2002	235	0	25	0	0	0	0	260
Fourth Quarter 2001	234	18	19	0	0	0	0	271
Percent Change	0.4%	-100.0%	31.6%	NA	NA	NA	NA	-4.1%
Year-To-Date 2002	939	34	45	8	0	0	102	1,128
Year-To-Date 2001	688	62	87	10	0	0	0	847
Percent Change	36.5%	-45.2%	-48.3%	-20.0%	NA	NA	NA	33.2%
North Dumfries Township								
Fourth Quarter 2002	10	0	0	0	0	0	0	10
Fourth Quarter 2001	13	0	0	0	0	0	0	13
Percent Change	-23.1%	NA	NA	NA	NA	NA	NA	-23.1%
Year-To-Date 2002	60	0	0	0	0	0	0	60
Year-To-Date 2001	55	0	0	0	0	0	0	55
Percent Change	9.1%	NA	NA	NA	NA	NA	NA	9.1%
Woolwich Township								
Fourth Quarter 2002	6	0	0	0	0	0	0	6
Fourth Quarter 2001	20	2	0	0	0	0	0	22
Percent Change	-70.0%	-100.0%	NA	NA	NA	NA	NA	-72.7%
Year-To-Date 2002	52	4	0	0	0	0	0	56
Year-To-Date 2001	73	4	0	0	0	0	0	77
Percent Change	-28.8%	0.0%	NA	NA	NA	NA	NA	-27.3%

Source: CMHC

Table 2: Housing Activity Summary
Kitchener Census Metropolitan Area (CMA)

	Ownership					Rental		Total
	Freehold			Condominium				
	Single	Semi	Row	Row	Apt.	Row	Apt.	
1. STARTS								
Fourth Quarter 2002	652	22	172	0	0	0	99	945
Fourth Quarter 2001	588	32	123	3	0	12	273	1,031
Percent Change	10.9%	-31.3%	39.8%	-100.0%	NA	-100.0%	-63.7%	-8.3%
Year-To-Date 2002	3,007	144	466	22	0	6	485	4,130
Year-To-Date 2001	2197	120	363	63	0	16	778	3,537
Percent Change	36.9%	20.0%	28.4%	-65.1%	NA	-62.5%	-37.7%	16.8%
2. UNDER CONSTRUCTION								
End of Fourth Quarter 2002	866	38	353	33	0	6	1,375	2,671
End of Fourth Quarter 2001	600	48	211	124	0	12	1,026	2,021
Percent Change	44.3%	-20.8%	67.3%	-73.4%	NA	-50.0%	34.0%	32.2%
3. COMPLETIONS								
Fourth Quarter 2002	807	48	87	45	0	0	5	992
Fourth Quarter 2001	653	36	117	24	0	0	6	836
Percent Change	23.6%	33.3%	-25.6%	87.5%	NA	NA	-16.7%	18.7%
Year-To-Date 2002	2,738	154	326	120	0	12	136	3,486
Year-To-Date 2001	2,209	106	379	78	0	27	464	3,263
Percent Change	23.9%	45.3%	-14.0%	53.8%	NA	-55.6%	-70.7%	6.8%
4. COMPLETED & NOT ABSORBED								
End of Fourth Quarter 2002	112	13	45	17	4	0	1	192
End of Fourth Quarter 2001	129	13	50	4	5	0	84	285
Percent Change	-13.2%	0.0%	-10.0%	325.0%	-20.0%	NA	-98.8%	-32.6%
5. TOTAL SUPPLY: 2. + 4.								
December 2002	978	51	398	50	4	6	1376	2,863
December 2001	729	61	261	128	5	12	1110	2,306
Percent Change	34.2%	-16.4%	52.5%	-60.9%	-20.0%	-50.0%	24.0%	24.2%
6. ABSORPTIONS								
Year-To-Date 2002	2,755	152	334	107	1	12	219	3,580
Year-To-Date 2001	2,196	106	374	81	5	28	380	3,170
Percent Change	25.5%	43.4%	-10.7%	32.1%	-80.0%	-57.1%	-42.4%	12.9%
December 2002	271	16	18	9	0	0	0	314
3-Month Average	267	15	40	11	0	0	7	340
12-Month Average	229	12	28	9	0	1	18	297

Source: CMHC

Table 3: Absorption of Single-detached units by Price Range
Kitchener Census Metropolitan Area (CMA)

	Annual 2001		Annual 2002		3rd Quarter 2002		4th Quarter 2002	
	Units	Percent	Units	Percent	Units	Percent	Units	Percent
Kitchener CMA								
<$130,000	1	0.0%	1	0.0%	1	0.1%	0	0.0%
$130,000 to $149,999	37	1.7%	25	0.9%	9	0.9%	6	0.7%
$150,000 to $174,999	375	17.1%	400	14.5%	108	11.4%	106	12.9%
$175,000 to $189,999	384	17.5%	504	18.2%	162	17.1%	136	16.6%
$190,000 to $219,999	481	21.9%	674	24.4%	222	23.4%	214	26.1%
$220,000 to $249,999	295	13.4%	322	11.6%	128	13.5%	90	11.0%
$250,000+	621	28.3%	841	30.4%	320	33.7%	267	32.6%
Total	**2,194**	**100.0%**	**2,767**	**100.0%**	**950**	**100.0%**	**819**	**100.0%**
Median Price		$205,023		$200,000		$210,000		$205,000
Average Price		$228,469		$229,102		$236,417		$233,382
Kitchener City								
<$130,000	1	0.2%	0	0.0%	0	0.0%	0	0.0%
$130,000 to $149,999	5	0.8%	1	0.1%	0	0.0%	0	0.0%
$150,000 to $174,999	70	11.1%	45	5.1%	13	4.6%	11	3.9%
$175,000 to $189,999	178	28.3%	254	28.5%	77	27.0%	68	23.9%
$190,000 to $219,999	105	16.7%	145	16.3%	44	15.4%	54	19.0%
$220,000 to $249,999	50	7.9%	87	9.8%	24	8.4%	32	11.3%
$250,000+	220	35.0%	359	40.3%	127	44.6%	119	41.9%
Total	**629**	**100.0%**	**891**	**100.0%**	**285**	**100.0%**	**284**	**100.0%**
Median Price		$200,000		$220,000		$225,000		$222,500
Average Price		$227,021		$239,285		$248,016		$241,211
Cambridge City								
<$130,000	0	0.0%	0	0.0%	0	0.0%	0	0.0%
$130,000 to $149,999	8	1.3%	3	0.4%	0	0.0%	2	0.8%
$150,000 to $174,999	154	25.3%	184	21.6%	34	13.4%	49	19.8%
$175,000 to $189,999	108	17.7%	149	17.5%	42	16.6%	39	15.7%
$190,000 to $219,999	156	25.6%	268	31.5%	84	33.2%	77	31.0%
$220,000 to $249,999	98	16.1%	124	14.6%	47	18.6%	31	12.5%
$250,000+	85	14.0%	123	14.5%	46	18.2%	50	20.2%
Total	**609**	**100.0%**	**851**	**100.0%**	**253**	**100.0%**	**248**	**100.0%**
Median Price		$195,086		$199,999		$205,000		$204,379
Average Price		$207,150		$208,645		$218,103		$213,829
Waterloo City								
<$130,000	0	0.0%	0	0.0%	0	0.0%	0	0.0%
$130,000 to $149,999	16	2.0%	11	1.2%	4	1.1%	2	0.8%
$150,000 to $174,999	128	15.9%	154	17.0%	52	14.5%	45	17.2%
$175,000 to $189,999	91	11.3%	100	11.1%	43	12.0%	28	10.7%
$190,000 to $219,999	201	24.9%	252	27.9%	90	25.1%	81	31.0%
$220,000 to $249,999	134	16.6%	101	11.2%	51	14.2%	25	9.6%
$250,000+	237	29.4%	286	31.6%	119	33.1%	80	30.7%
Total	**807**	**100.0%**	**904**	**100.0%**	**359**	**100.0%**	**261**	**100.0%**
Median Price		$212,505		$200,000		$210,000		$200,000
Average Price		$234,900		$226,556		$230,759		$224,839
North Dumfries Township								
<$130,000	0	0.0%	0	0.0%	0	0.0%	0	0.0%
$130,000 to $149,999	6	0.7%	4	0.4%	1	0.3%	0	0.0%
$150,000 to $174,999	8	1.0%	14	1.5%	9	2.5%	0	0.0%
$175,000 to $189,999	6	0.7%	0	0.0%	0	0.0%	0	0.0%
$190,000 to $219,999	14	1.7%	5	0.6%	3	0.8%	1	0.4%
$220,000 to $249,999	7	0.9%	10	1.1%	6	1.7%	2	0.8%
$250,000+	35	4.3%	25	2.8%	8	2.2%	10	3.8%
Total	**76**	**9.4%**	**58**	**6.4%**	**27**	**7.5%**	**13**	**5.0%**
Median Price		$237,450		$236,500		$225,880		$300,000
Average Price		$269,640		$258,983		$239,648		$352,308
Woolwich Township								
<$130,000	0	0.0%	1	0.1%	1	0.3%	0	0.0%
$130,000 to $149,999	2	0.2%	6	0.7%	4	1.1%	2	0.8%
$150,000 to $174,999	15	1.9%	3	0.3%	0	0.0%	1	0.4%
$175,000 to $189,999	1	0.1%	1	0.1%	0	0.0%	1	0.4%
$190,000 to $219,999	5	0.6%	4	0.4%	1	0.3%	1	0.4%
$220,000 to $249,999	6	0.7%	0	0.0%	0	0.0%	0	0.0%
$250,000+	44	5.5%	48	5.3%	20	5.6%	8	3.1%
Total	**73**	**9.0%**	**63**	**7.0%**	**26**	**7.2%**	**13**	**5.0%**
Median Price		$270,000		$335,000		$372,500		$365,000
Average Price		$304,831		$370,416		$362,240		$487,962

Source: CMHC

Table 4: MLS* Sales by Real Estate Board
Kitchener Census Metropolitan Area (CMA)

	Kitchener-Waterloo	Cambridge
Fourth Quarter 2002	1,075	601
Fourth Quarter 2001	1,064	560
Percent Change	1.0%	7.3%
Year-To-Date 2002	5,253	2,817
Year-To-Date 2001	4,816	2,518
Percent Change	9.1%	11.9%

Table 5: MLS* New Listings by Real Estate Board
Kitchener Census Metropolitan Area (CMA)

	Kitchener-Waterloo	Cambridge
Fourth Quarter 2002	1,385	688
Fourth Quarter 2001	1,394	680
Percent Change	-0.6%	1.2%
Year-To-Date 2002	7,224	3,763
Year-To-Date 2001	6,874	3,514
Percent Change	5.1%	7.1%

Table 6: MLS* Average Price by Real Estate Board
Kitchener Census Metropolitan Area (CMA)

	Kitchener-Waterloo	Cambridge
Fourth Quarter 2002	$184,439	177,917
Fourth Quarter 2001	$164,050	$167,062
Percent Change	12.4%	6.5%
Year-To-Date 2002	$177,557	178,714
Year-To-Date 2001	$164,548	$167,168
Percent Change	7.9%	6.9%

Table 7: MLS* Sales to New Listing Ratio by Real Estate Board
Kitchener Census Metropolitan Area (CMA)

	Kitchener-Waterloo	Cambridge
Fourth Quarter 2002	77.6%	87.4%
Fourth Quarter 2001	76.3%	82.4%
Percent Change	1.3%	5.0%
Year-To-Date 2002	72.7%	74.9%
Year-To-Date 2001	70.1%	71.7%
Percent Change	2.7%	3.2%

Source: CREA, Kitchener-Waterloo Real Estate Board, Cambridge Real Estate Board, CMHC

Single-Detached Market

Single Sales By Type and Municipality
2002 Quarter 4

	Bungalow		Split Level		1½ Storey		2 Storey		Other		Unknown		Total	
	Sales	Price	Sales	Price	Sales	Price	Sales	Price	Sales	Price	Sales	Price	Sales	Price
Cambridge	26	$206,837	18	$207,522	9	$249,633	160	$214,444	35	$210,248	0	$0	248	$213,829
Kitchener	17	$258,529	7	$188,571	1	$675,000	256	$239,039	0	$0	3	$306,667	284	$241,211
Waterloo	26	$228,336	5	$232,000	4	$281,250	226	$223,280	0	$0	0	$0	261	$224,839
Woolwich	4	$212,750	0	$0	0	$0	8	$436,563	**	**	0	$0	13	$487,962
North Dumfries	9	$349,444	0	$0	**	**	3	$345,000	0	$0	0	$0	13	$352,307
Kitchener CMA	82	$240,311	30	$207,180	15	$296,446	653	$230,465	36	$259,963	3	$306,667	819	$233,382

Sales of mid-priced singles gain in popularity in Fourth Quarter of 2002

The lack of supply of units in the resale market boosted sales of mid priced new single homes in the fourth quarter of 2002. Sales of new single detached homes priced between $190,000 to $219,999 jumped from 23% of sales in the third quarter to 26 per cent of sales between October and December in the Kitchener CMA. This shift in sales impacted the average new single price in all three major municipalities. The average sale price of a new single family home in Cambridge at $218,103 fell 2% compared to the third quarter of 2002. In Kitchener and Waterloo average price fell approximately 2.6% in the same period to $241,211 and $224,839 respectively.

In addition, sales shifted away from the Waterloo market to Cambridge and Kitchener. Sales in Waterloo fell to 32% of sales in the fourth quarter compared to 38% between July and September. In contrast, in Cambridge, an area that has a large proportion of building activity in the lower price range jumped to 30% of all sales in the fourth quarter from 27% of sales in the previous quarter. The proximity to the 401 corridor and severe traffic problems at the Highway 8 and 7 junction appear to have lowered sales across all price ranges in Waterloo and maintained sales in Cambridge and Kitchener.

CMHC's Starts & Completions Survey records the sale of a single at completion. As a result, the percentage of units sold at completion is a good indicator of the strength of the new single market. In Cambridge, the percentage of single homes sold at completion reached 95.5% in the fourth quarter of 2002 compared to 84.5% of singles in Kitchener and 87.4% in Waterloo. The unsold supply of new singles has dropped significantly since June of 2002 across all three major municipalities. As a result, the high number of units sold at completion suggests that the starts will not be impacted by changes in inventory in 2003.

Single Detached by Municipality 2002 Qrt 4

Municipality	Price	% Chg	Under Cnst.	Unsold Supply	Total Supply	Sales	Cmpl.	Sold at Cmpl.	% Sold at Compl	Months of Supply
Kitchener	$241,211	-8.4%	273	48	321	284	283	239	84.5%	3.4
Waterloo	$224,839	9.3%	248	53	301	260	253	221	87.4%	3.5
Cambridge	$213,829	16.4%	312	7	319	248	245	234	95.5%	3.9
North Dumfries	$352,307	59.5%	17	0	17	13	13	13	100.0%	3.9
Woolwich	$487,962	124.5%	16	2	18	13	12	10	83.3%	4.2
Kitchener CMA	$233,382	0.8%	866	110	976	818	806	717	89.0%	3.6

Table 8: Economic Indicators

	Interest and Exchange Rates			Kitchener CMA		
	Bank Rate	Mtg. Rate 3 Yr. Term	Exch. Rate ($US/$CDN)	NHPI (1996=100)	Employment Ratio (%)	Unemployment Rate (%)
2001						
January	5.75	7.44	66.33	107.9	67.5	6.1
February	5.75	7.37	65.04	107.8	67.6	6.0
March	5.25	6.97	63.61	107.9	67.3	5.8
April	5.00	6.91	64.70	108.4	67.5	5.7
May	4.75	7.01	65.27	108.5	66.9	5.6
June	4.75	7.10	65.67	109.4	66.3	5.7
July	4.50	7.10	65.04	109.8	65.6	5.6
August	4.25	7.04	64.67	110.0	64.7	6.1
September	3.75	6.64	63.32	110.3	64.8	6.4
October	3.00	6.16	63.02	110.7	64.8	6.9
November	2.50	5.64	63.19	109.9	65.5	6.6
December	2.50	5.64	62.70	110.3	65.4	6.7
Average	**4.31**	**6.75**	**64.38**	**109.24**	**66.0**	**6.2**
2002						
January	2.25	5.60	62.80	110.8	65.0	6.8
February	2.25	5.61	62.18	110.9	64.7	6.8
March	2.25	5.97	62.75	111.0	64.3	6.5
April	2.50	6.35	63.96	111.2	64.3	5.7
May	2.50	6.40	65.16	113.6	64.5	5.6
June	2.75	6.40	65.76	115.0	65.0	5.3
July	3.00	6.33	63.12	114.9	65.3	5.5
August	3.00	6.02	64.12	115.2	65.5	5.3
September	3.00	5.92	63.41	114.8	65.3	5.8
October	3.00	5.90	64.20	115.2	65.6	5.4
November	3.00	5.83	63.54	115.8	65.6	5.4
December	3.00	5.81	64.60	n/a	66.4	5.1
Average	**3.30**	**6.30**	**63.61**	**110.21**	**65.4**	**5.7**

Source: Bank of Canada, CMHC, Statistics Canada, NHPI=New Housing Price Index
Note: Employment figures are seasonally adjusted 3 month moving average data.

Definitions

Pending Start: refers to dwelling units where a building permit has been issued, but construction has not started.

Start: generally refers to the stage of construction when the footing has been installed. For multiple dwelling developments, (e.g. row housing) the definition of a start applies to the individual structure or block of units rather than to the project as a whole.

Under Construction: those units which have been started but which are not complete.

Completion: for single-detached and Semi-detached units, this generally is the stage at which all proposed construction work is complete. A unit may be completed at the 90% stage where the remaining work is largely cosmetic.

Completed and not absorbed: all completed units of new construction which have never been occupied, sold or leased.

Absorption: the sale or lease of completed units.

Duration of Supply: the number of months required to absorb the number of singles currently under construction or completed and not absorbed.

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