St. Catharines/Niagara

HOUSING NOW

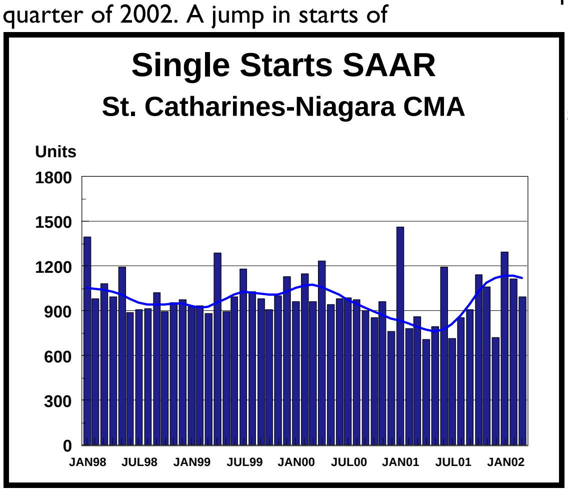
YOUR LINK TO THE HOUSING MARKET

Canada Mortgage and Housing Corporation

VOLUME 5, NUMBER 1
FIRST QUARTER 2002

New Single Construction up in the 1st Quarter of 2002

New single family construction in the St. Catharines-Niagara CMA (Census Metropolitan Area) improved in the first quarter of 2002. At 158 units, single housing starts were up 7 per cent from levels in the same period in 2001. Similarly, total housing starts at 199 units, also increased compared to the same period in 2001. The increase can be largely attributed to strong move-up activity and a lack of supply of housing in the resale market. Relative to last year, construction of multi units in Niagara fell by 16 per cent to 41 units in the first quarter of 2002. A jump in starts of semi-detached units was offset by substantial decline in row freehold construction. Four rental apartment units started construction in the first quarter of 2002 compared to no rental construction in 2001.



The supply of new single family homes edged up in the first quarter of 2002 compared to last year. At the end of March, there were 521 units at the permit stage, under construction or completed and unoccupied compared to 482 units in March 2001. At 301 units, single units under-construction accounted for 58 per cent of this supply. The unsold inventory of 99 units accounted for 19 per cent of the supply, down from 24 per cent in 2001. The current supply represents approximately 8 months of inventory based on average sales in the first quarter Since it typically takes 3 to 5 months to build a single family home, this level of inventory indicates that the market in March 2002 should be considered oversupplied. However, The increase in supply in March was due more to a sharp jump in permits than actual construction levels. As a result, there should be no concern over the growth in supply.

Although the number of completions improved by 10 per cent to 206 units between January and March, sales of single-detached units edged up only 3 per cent compared to the first quarter of 2001. However, the number of units sold at completion at 75 per cent of all completions in the first quarter of 2002 changed very little compared to 76 per cent in the same period last year. As a result, the unsold supply edged up only 9 units from December 2001.

IN THIS ISSUE

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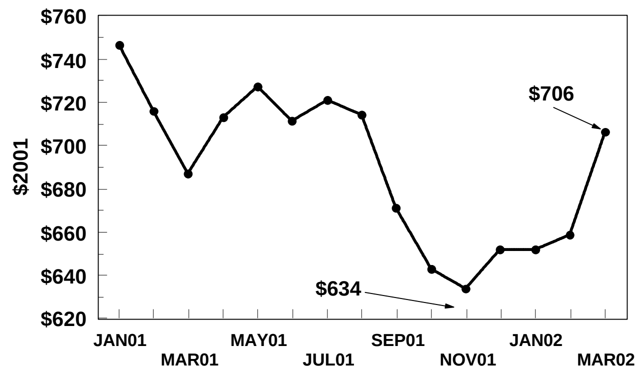
Average sale price of a new single increased 0.5 per cent to $229,198 compared to the first quarter of 2001. A decline in sales in Niagara-on-the-Lake (NOTL) and the town of Lincoln was offset by increased sales in the city of St. Catharines and Fort Erie. However, the decline in sales in NOTL and Lincoln were limited to the less expensive single. As a result, average new single price in Lincoln and NOTL jumped to $241,511 and $409,592 respectively. Average new single prices fell in all other municipalities in Niagara.

Strong Resale Market in 1st Quarter of 2001

Average Resale Carrying Cost in Niagara jumps sharply in March



Source: Average CREA MLS price, 25 % d. p., 3 yr.. mtg. rate

Expectations of Higher Mortgage Rates later in 2002 spur Buyers to enter market

At 1,357 units, sales in the three real estate board territories in Niagara in the first quarter of 2002 jumped 15 per cent compared to the same period in 2001. Carrying costs at levels last seen in 1995 spurred sales for the first two months of 2002. However, a jump in mortgage rates in March combined with higher average prices to push the average carrying cost up to $706. Despite this jump in costs, sales continued to soar, rising 11 per cent above March 2001 levels.

The strength of the resale in March can be attributed to a stronger economy than was predicted at the end of 2001. Local consumer confidence did not drop enough to slow demand for housing. However, a confident consumer explains only part of the improvement. The jump in rates in March acted as a signal of bigger rate increases later in 2002. In addition, based on expectations of an increase, many households made good use of pre-approved mortgages in the first two months of 2002 . As a result, the decision to buy was shifted to March in order to avoid higher carrying costs.

As sales increased, the number of units entering the market dropped by one per cent bumping the sales to new listings ratio up to 58 per cent from 50 per cent last year. More competition for homes pushed the average price in Niagara to $139,317, up 7 per cent compared to $130,624 in the first quarter of 2001.

MLS Sales
St. Catharines-Niagara CMA
January to March 2002

	Unit Sales	% chg*	Average Price	% chg*	New Listings	Sales to New Listings Ratio
Niagara Falls - Fort Erie	321	+3.9%	$127,882	+4.3%	649	49.5%
St. Catharines & District	800	+32.9%	$148,418	+7.2%	1,255	63.7%
Welland & District	236	-12.3%	$124,019	+1.4%	449	52.6%
Niagara (Combined)	1,357	+15.0%	$139,317	+6.7%	2,353	57.7%

Source: Canadian Real Estate Association
MLS Multiple Listings Service (MLS) is a registered certification mark owned by the Canadian Real Estate Association (CREA)
* change from 2001

MORTGAGE RATES

Economic turnaround ushers in higher rates in First quarter of 2002

Expectations of an economic turnaround pushed mortgage rates up in early March. In March, the five year closed rate increased from 6.56 per cent at the beginning of the month to 6.97 per cent at the end. Similarly, the one year closed rate edged up from 4.37 per cent to 5.04 per cent in the same period.

However, lenders faced with a very competitive mortgage market continued to offer cash backs and discounting decreasing the impact of rate changes on both new and existing housing markets in the first quarter of 2002.

Mortgage Rates edge up in March...

CLOSED MORTGAGE RATES

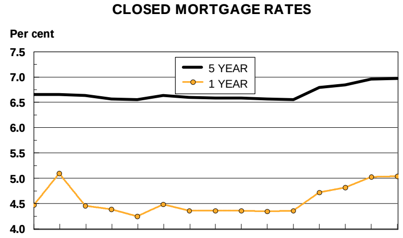


Table 1
Starts by Zone and by Intended Market
St. Catharines/Niagara Metropolitan Area

Zone	OWNERSHIP					RENTAL		TOTAL
				Condominium				
	Single	Semi	Row	Apartment	Row	Apartment	Row	
Zone 1: St. Catharines								
First Quarter 2002	48	6	0	0	9	4	0	67
First Quarter 2001	35	4	0	0	4	0	0	43
Zone 2: Niagara Falls								
First Quarter 2002	26	0	0	0	0	0	0	26
First Quarter 2001	28	2	16	0	5	0	0	51
Zone 3: Welland								
First Quarter 2002	20	2	4	0	0	0	0	26
First Quarter 2001	17	0	0	0	0	0	0	17
Zone 4: Lincoln								
First Quarter 2002	18	0	4	0	0	0	0	22
First Quarter 2001	11	0	4	0	0	0	0	15
Zone 5: Fort Erie								
First Quarter 2002	18	0	0	0	0	0	0	18
First Quarter 2001	19	0	0	0	0	0	0	19
Zone 6: Niagara on the Lake								
First Quarter 2002	12	8	0	0	0	0	0	20
First Quarter 2001	12	0	4	0	0	0	0	16
Zone 7: Pelham								
First Quarter 2002	10	0	0	0	0	0	0	10
First Quarter 2001	9	2	0	0	0	0	0	11
Zone 8: Port Colborne								
First Quarter 2002	1	0	4	0	0	0	0	5
First Quarter 2001	2	0	8	0	0	0	0	10
Zone 9: Thorold								
First Quarter 2002	5	0	0	0	0	0	0	5
First Quarter 2001	4	0	0	0	0	0	0	4
Zone 10: Wainfleet								
First Quarter 2002	0	0	0	0	0	0	0	0
First Quarter 2001	10	0	0	0	0	0	0	10
TOTAL ST.CATHARINES-NIAGARA								
First Quarter 2002	158	16	12	0	9	4	0	199
First Quarter 2001	147	8	32	0	9	0	0	196
Grimsby								
First Quarter 2002	7	0	0	0	0	0	0	7
First Quarter 2001	19	0	6	0	0	0	0	25

Source: CMHC

Single Detached Construction
St. Catharines-Niagara CMA by Area
January to March 2002

Municipality	Average Price	% chg*	Unsold Supply	Total Supply	Sales	Completions	% Sold at Completion	Months of Supply
St. Catharines	$254,218	-2.7%	20	95	41	43	76.7%	7.0
Niagara Falls	$204,836	-4.4%	21	106	47	42	73.8%	6.8
Welland	$180,511	-10.6%	6	60	19	20	85.0%	9.5
Lincoln	$241,511	2.3%	8	69	18	15	73.3%	11.5
Fort Erie	$169,607	-7.9%	11	45	30	35	74.3%	4.5
NOTL	$409,592	69.9%	22	69	13	19	52.6%	15.9
Pelham	$317,054	-4.3%	8	37	13	16	81.3%	8.5
Port Colborne	$164,967	-7.8%	0	7	3	2	100.0%	7.0
Thorold	$171,075	-8.4%	3	22	4	6	50.0%	16.5
Wainfleet	$172,738	-22.0%	0	11	8	8	100.0%	4.1
St. Catharines-Niagara CMA	$229,198	0.5%	99	521	196	206	75.2%	8.0
Grimsby	$358,746	62.0%	11	30	13	16	92.3%	6.9

* change from 2001

DEFINITIONS

Refer to the following definitions when interpreting the tables in this report.

HOUSING START refers to a dwelling unit where construction has advanced to a state where full (100%) footings are in place. In the case of multiple unit structures, this definition of a start applies to the entire structure.

UNDER CONSTRUCTION refers to the inventory of units currently being constructed. Under construction figures include current month starts and exclude current month completions.

COMPLETION
For single-detached and semi-detached dwellings: implies that 90% or more of the structure has been completed. A structure may be considered to be complete and ready for occupancy when only seasonal deficiencies and/or minor infractions to building codes remain.
Row and apartments: implies that 90% or more of the dwelling units within a structure are completed and ready for occupancy.

COMPLETED AND NOT ABSORBED refers to newly constructed, completed units which have not been sold or rented.

TOTAL SUPPLY refers to the total supply of new units and includes pending starts, units under construction and units that are completed but not absorbed.

ABSORPTIONS refer 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 sold or leased prior to construction are not considered as absorbed until the completion stage.

PENDING START refers to a dwelling unit where a building permit and/or National Housing Act (NHA) approval exists but construction has not started.

Table 2
Activity Summary by Intended Market
St. Catharines/Niagara Metropolitan Area

Zone	OWNERSHIP					Rental		TOTAL
	Single	Semi	Row Freehold	Condominium Apartment	Condominium Row	Apartment	Row	
Starts								
First Quarter 2002	158	16	12	0	9	4	0	199
First Quarter 2001	147	8	32	0	9	0	0	196
Under Construction								
First Quarter 2002	301	40	116	0	56	4	0	517
First Quarter 2001	287	28	103	30	94	0	0	542
Completions								
First Quarter 2002	206	16	7	0	8	22	0	259
First Quarter 2001	187	22	24	0	4	0	0	237
Approved & Not Started								
First Quarter 2002	121	4	7	0	0	0	0	132
First Quarter 2001	93	8	12	0	0	0	0	113
Unoccupied								
First Quarter 2002	99	10	3	3	13	6	0	134
First Quarter 2001	102	19	15	0	10	0	0	146
Supply (Approved & Not Started, Under Construction, Unoccupied)								
First Quarter 2002	521	54	126	3	69	10	0	783
First Quarter 2001	482	55	130	30	104	0	0	801
Absorptions								
First Quarter 2002	196	22	8	1	8	20	0	255
First Quarter 2001	191	24	18	0	4	0	0	237
Duration of Inventory (in months)								
First Quarter 2002	8.0	7.4	47.3	9.0	25.9	0.0	0.0	9.2
First Quarter 2001	7.6	6.9	21.7	0.0	78.0	0.0	0.0	10.1

Source: CMHC

Table 3
Activity Summary Ownership Market by Zone
St. Catharines/Niagara Metropolitan Area

Zone	Freehold						Condominium			
	Single		Semi		Row		Apartment		Row	
	Qrt.1 2002	Qrt.1 2001	Qrt.1 2002	Qrt.1 2001	Qrt.1 2002	Qrt.1 2001	Qrt.1 2002	Qrt.1 2001	Qrt.1 2002	Qrt.1 2001
Starts										
Zone 1: St. Catharines	48	35	6	4	0	0	0	0	9	4
Zone 2: Niagara Falls	26	28	0	2	0	16	0	0	0	5
Zone 3: Welland	20	17	2	0	4	0	0	0	0	0
Zone 4: Lincoln	18	11	0	0	4	4	0	0	0	0
Zone 5: Fort Erie	18	19	0	0	0	0	0	0	0	0
Under Construction										
Zone 1: St. Catharines	64	45	8	8	0	4	0	0	23	28
Zone 2: Niagara Falls	47	56	2	4	44	25	0	0	0	29
Zone 3: Welland	38	40	10	6	17	8	0	0	0	0
Zone 4: Lincoln	38	28	2	0	7	12	0	0	0	0
Zone 5: Fort Erie	31	32	0	0	0	0	0	0	6	6
Completions										
Zone 1: St. Catharines	43	27	4	4	0	4	0	0	3	4
Zone 2: Niagara Falls	42	50	0	0	0	0	0	0	5	0
Zone 3: Welland	20	12	6	8	0	6	0	0	0	0
Zone 4: Lincoln	15	26	6	6	3	0	0	0	0	0
Zone 5: Fort Erie	35	23	0	0	0	0	0	0	0	0
Unoccupied										
Zone 1: St. Catharines	20	18	1	3	0	1	0	0	4	1
Zone 2: Niagara Falls	21	31	2	0	0	3	0	0	7	9
Zone 3: Welland	6	3	2	1	0	5	0	0	0	0
Zone 4: Lincoln	8	16	1	7	1	0	0	0	0	0
Zone 5: Fort Erie	11	7	0	0	0	0	0	0	0	0
Absorptions										
Zone 1: St. Catharines	41	31	5	7	0	3	0	0	3	4
Zone 2: Niagara Falls	47	44	1	0	0	2	0	0	5	0
Zone 3: Welland	19	16	7	9	0	1	0	0	0	0
Zone 4: Lincoln	18	25	8	5	4	2	0	0	0	0
Zone 5: Fort Erie	30	23	0	0	0	0	0	0	0	0

Source: CMHC

Table 3
Activity Summary Ownership Market by Zone
St. Catharines/Niagara Metropolitan Area

Zone	Freehold						Condominium			
	Single		Semi		Row		Apartment		Row	
	Qrt.1 2002	Qrt.1 2001	Qrt.1 2002	Qrt.1 2001	Qrt.1 2002	Qrt.1 2001	Qrt.1 2002	Qrt.1 2001	Qrt.1 2002	Qrt.1 2001
Starts										
Zone 6: NOTL	12	12	8	0	0	4	0	0	0	0
Zone 7: Pelham	10	9	0	2	0	0	0	0	0	0
Zone 8: Port Colborne	1	2	0	0	4	8	0	0	0	0
Zone 9: Thorold	5	4	0	0	0	0	0	0	0	0
Zone 10: Wainfleet	0	10	0	0	0	0	0	0	0	0
Grimsby	7	19	0	0	0	6	0	0	0	0
Under Construction										
Zone 6: NOTL	37	34	14	2	23	30	0	0	11	15
Zone 7: Pelham	21	26	0	4	0	0	0	30	16	16
Zone 8: Port Colborne	7	5	0	0	12	8	0	0	0	0
Zone 9: Thorold	10	11	4	4	13	16	0	0	0	0
Zone 10: Wainfleet	8	10	0	0	0	0	0	0	0	0
Grimsby	13	33	0	0	15	34	0	0	7	30
Completions										
Zone 6: NOTL	19	16	0	0	4	7	0	0	0	0
Zone 7: Pelham	16	11	0	2	0	0	0	0	0	0
Zone 8: Port Colborne	2	7	0	0	0	7	0	0	0	0
Zone 9: Thorold	6	9	0	2	0	0	0	0	0	0
Zone 10: Wainfleet	8	6	0	0	0	0	0	0	0	0
Grimsby	16	30	0	6	6	32	0	0	0	15
Unoccupied										
Zone 6: NOTL	22	19	2	5	1	2	0	0	2	0
Zone 7: Pelham	8	5	0	1	0	0	3	0	0	0
Zone 8: Port Colborne	0	1	0	0	0	4	0	0	0	0
Zone 9: Thorold	3	2	2	2	1	0	0	0	0	0
Zone 10: Wainfleet	0	0	0	0	0	0	0	0	0	0
Grimsby	11	20	0	1	5	8	0	0	1	3
Absorptions										
Zone 6: NOTL	13	17	1	0	4	7	0	0	0	0
Zone 7: Pelham	13	13	0	2	0	0	1	0	0	0
Zone 8: Port Colborne	3	7	0	0	0	3	0	0	0	0
Zone 9: Thorold	4	9	0	1	0	0	0	0	0	0
Zone 10: Wainfleet	8	6	0	0	0	0	0	0	0	0
Grimsby	13	23	0	6	6	29	0	0	0	13

Table 4
Single-Detached Absorption Activity by Zone and Price Range

Zone	Total	Price Range: Less than $120	$120 to $150	$150 to $200	$200 to $250	$250 to $350	More than $350
Zone 1: St. Catharines							
Year-to-Date 2002	41	0	1	13	7	14	6
Year-to-Date 2001	31	0	1	13	4	9	4
Zone 2: Niagara Falls							
Year-to-Date 2002	47	0	0	29	16	1	1
Year-to-Date 2001	44	0	1	28	6	5	4
Zone 3: Welland							
Year-to-Date 2002	19	0	3	12	3	1	0
Year-to-Date 2001	16	0	1	10	4	1	0
Zone 4: Lincoln							
Year-to-Date 2002	18	0	0	6	6	6	0
Year-to-Date 2001	25	0	0	11	9	3	2
Zone 5: Fort Erie							
Year-to-Date 2002	30	1	11	14	2	2	0
Year-to-Date 2001	23	0	12	7	0	3	1
Zone 6: Niagara on the Lake							
Year-to-Date 2002	13	0	0	0	2	3	8
Year-to-Date 2001	17	0	0	2	9	6	0
Zone 7: Pelham							
Year-to-Date 2002	13	0	0	1	4	4	4
Year-to-Date 2001	13	0	0	3	3	2	5
Zone 8: Port Colborne							
Year-to-Date 2002	3	0	1	2	0	0	0
Year-to-Date 2001	7	0	1	5	1	0	0
Zone 9: Thorold							
Year-to-Date 2002	4	0	1	3	0	0	0
Year-to-Date 2001	9	0	1	6	2	0	0
Zone 10: Wainfleet							
Year-to-Date 2002	8	0	0	8	0	0	0
Year-to-Date 2001	6	0	0	3	1	2	0
TOTAL ST.CATHARINES-NIAGARA							
Year-to-date 2002	196	1	17	88	40	31	19
Year-to-Date 2001	191	0	17	88	39	31	16
Grimsby							
Year-to-Date 2002	13	0	0	0	4	6	3
Year-to-Date 2001	23	0	0	9	8	6	0

Source: CMHC

FORECAST SUMMARY

St. Catharines-Niagara

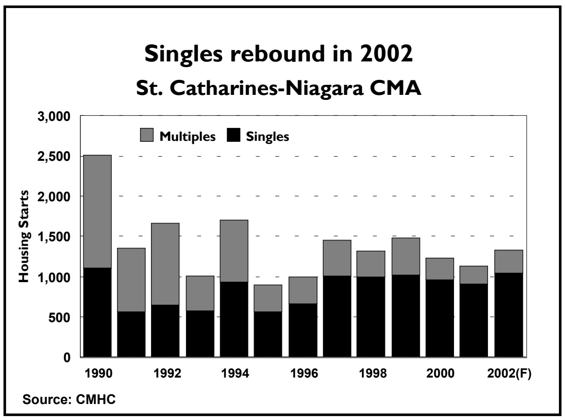
Canada Mortgage and Housing Corporation

ISSUE:
SPRING 2002

New Home Market

Total Housing Starts recover from a poor 2001

Coming off the slowest year for residential construction since 1996, housing starts are projected to rise in the St. Catharines-Niagara CMA in 2002. A strong resale market, rising average prices and fewer homes listed for sale will provide more move-up buyers looking to the new single detached market. In addition, demand for row and apartment



condominiums should improve as empty-nester households sell existing accommodation quicker and realize a greater return as average prices rise. By the end of 2002, total housing starts will reach 1,330 units, up 17 per cent from last year. Starts of single detached units will rise 5 per cent to 1,050 units while multiple units are expected to reach 280 units this year, up 28 per cent from the 218 units started in 2001.

Is supply of singles outgrowing demand?

The supply of singles at the permit stage, under construction or completed and unoccupied at 536 units in April was up 9.6% compared to April 2001. This supply represented 7.9 months of sales. Since it typically takes 3 to 5 months to build a single detached unit, the market for new single homes at the end of April was oversupplied in Niagara as a whole. However, since 76 per cent of single-detached units were sold at completion in 2002, a large proportion of the supply may already be pre-sold. As a result, sales levels are expected to rise as units are completed and therefore, there is no major problem in excess supply.

High-end demand boost sales of singles priced over $350,000

Strong high-end demand boosted sales of new singles priced above $350,000 in Niagara on the Lake (NOTL) and St. Catharines in the first four months of 2002. At the same time, sales of new homes priced between $175,000 and $200,000 increased in Fort Erie, Welland and Niagara Falls. The two shifts offset each other. As a result, the average price of a new single home in the St. Catharines-Niagara CMA is expected to grow by only 2.4 per cent compared to 2001 to $232,250.

In 2002, average new single price ranged from a high of $399,194 in NOTL to a low of $163,883 in Thorold. Average sale price in the city of St. Catharines increased one per cent to $255,383 while in Niagara Falls, average price rose 1.7 per cent to $219,294.

IN THIS ISSUE

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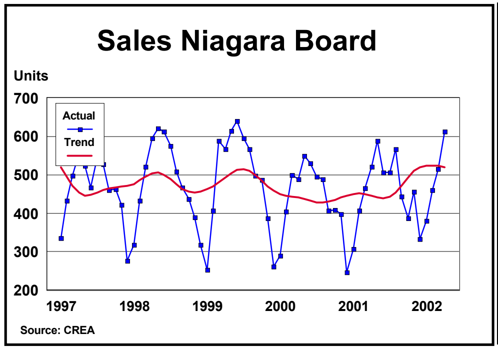
Resale Market

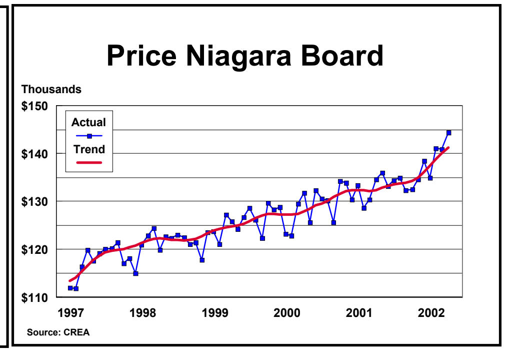
Multiple Construction more attractive to Empty-Nesters and First-time Homebuyers in 2002

Semi-detached and row freehold construction is expected to continue to benefit from the rise in average price in the resale market in 2001. Semi-detached and row units provide a lower priced alternative to owning a new single home for both first-time homebuyers and second-time buyers looking to move to a better location. In 2002, row freehold and new semi-detached starts will jump 20 per cent to 200 units.

The condominium market will not only benefit from the improved ability to sell an existing home but also from the expected improved economic performance and higher interest rates. Condo buyers tend to be upper-income, empty-nester households dependant on a return on their investment for income. Improved sales in the existing market will allow them to sell their present home and move into a row or apartment condo requiring less personal effort to maintain. New condominium starts are expected to reach 60 units started in 2002, up from 30 units started in 2001.

Despite a vacancy rate between 2 and 3 per cent, private rental construction will remain limited. The high demand for other types of construction will continue to draw attention away from the rental market.





Expectations of Higher Rates draw Buyers into market in 2002

The uncertainty created by the September 2001 attacks, an economic slowdown in Ontario and falling consumer confidence had slowed the resale market in Niagara in October before rate cuts spurred sales levels up for the rest of 2001. Sales activity continued to strengthen in the first four months of 2002 as expectations of rate increases later this year and low carrying costs encouraged buyers to enter the market .

Sales activity is expected to slow by the Fall of 2002 as rising mortgage rates push carrying costs up. However, the negative impact of rate increases on demand will not entirely offset the robust resale market of the first half of 2002. A stronger local economy will maintain consumer confidence encouraging households to take full advantage of recent equity gains and enter the market. As a result, MLS sales in the St. Catharines-Niagara CMA are expected to hit 5,550 units in 2002, up one per cent from 2001.

Table 1: MLS Sales by Area
St. Catharines-Niagara CMA
2001

	Unit Sales	% chg*	Average Price	% chg*	New Listings	Sales/New Listings Ratio
Lincoln	242	-8.0%	$159,754	4.9%	438	55.3%
St. Catharines	1,857	4.0%	$126,256	1.0%	2,789	66.6%
NOTL	213	40.1%	$271,961	7.3%	554	38.4%
Niagara Falls	1030	8.5%	$128,113	5.3%	1,538	67.0%
Fort Erie	476	-4.0%	$114,672	0.0%	837	56.9%
Thorold	237	19.7%	$127,783	6.4%	365	64.9%
Pelham	214	-9.7%	$196,788	4.5%	358	59.8%
Welland	676	11.9%	$111,717	-0.6%	1186	57.0%
Pt. Colborne	206	3.0%	$107,406	2.7%	371	55.5%
Wainfleet	73	28.1%	$129,766	6.4%	120	60.8%

Source: Local Real Estate Boards

Seller's Market conditions continue

The resale market will continue to remain in favour of the seller throughout 2002. New listings year to date in April have fallen 5% to 3,199 units and continue to trend down except in the St. Catharines area. With fewer units entering the market and strong demand for all types of housing, conditions in the resale market remain tight. In the first four months of 2002, the sales to new listings ratio reached 61.6%, up from 50.3%. in the same period in 2001.

The strong market and rise in average prices are expected to result in an increase in listings later in the year. However, the number of units entering the market will come in at 8,985 units for 2002 in total, down 1.9% from 2001. As a result, despite the slowdown expected in sales by September, the market will remain tight. The sales to new listings ratio will reach 61.8% in 2002, up from 60.0% in 2001.

Price Increase accelerates in sellers' market

With the balance of the market being in favour of the seller, price increases have easily outpaced inflation. The average MLS price jumped 3.4% to $134,070 in 2001 compared to $129,650 in 2000. So far in 2002, the average price at $140,923 has increased 6.9% compared to the same period in 2001. For the Niagara Association of Realtors, average price for 2002 as a whole will rise 5.8% to $141,847.

RENTAL MARKET UPDATE

The same trends that influenced the Niagara rental market in 2001 will continue to impact vacancy in 2002. First-time home buying will remain slow due to a lack of lower priced units available for sale and increases in average resale price. Mortgage carrying costs will jump due to a rise in mortgage rates. At the same time, a weak job market will result in fewer people setting up their own households. The net impact of these factors will be to increase the vacancy rate to 2.3% by October 2002 from 1.9% in October 2001.

Little new rental construction is expected in 2002 despite a vacancy rate close to 2.0% for most areas of Niagara. The strong resale market will encourage some owners to convert smaller rental projects back into private homes. Many landlords will continue to place pressure on some municipalities to allow rental projects to convert into condos. As a result, the rental universe is expected to shrink further in 2002.

Although demand for rental units in the St. Catharines-Niagara CMA is expected to edge down in 2002, vacancy rates will remain below 3%. This along with virtually nonexistent new rental construction will keep the rental market balanced. Average rents are expected to increase by 2.5% in 2002 still well below the allowed increase of 3.9%.

Economic Overview

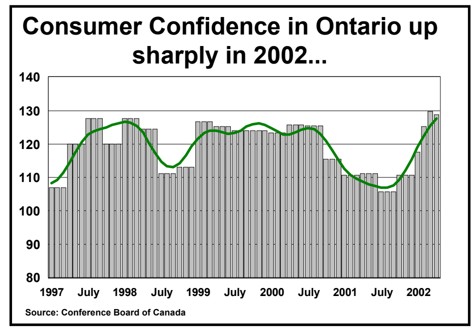
Local economy waits for recovery in US in 2002

Due to its structure, the Niagara economy is strongly affected by changes in the US economy. A large component of the manufacturing sector is targeted to production of export goods for the US while the food and accommodation and retail trade sectors depend on the flow of tourists from the US. The poor economic performance in the USA in 2001 and the impact of the September events on cross border movement negatively impacted employment in both sectors in 2001.

Signs of economic recovery strengthened in Ontario and Canada as a whole in the first four months of 2002. However, the recovery in the US has been less definite and indicators still point in different directions. Based on the slower rebound in the US economy, total employment in the St. Catharines-Niagara Census Metropolitan Area (CMA) is expected to reach an annual high of 189,500 jobs for 2002, down 0.3 per cent from the 190,000 employed in 2001.

Restructuring due to the slowdown in 2001 will continue to be concentrated in the automotive and high tech sectors. In the Niagara area, this slowdown has had a negative impact on General Motors in St. Catharines and in other parts plants that provide input to assembly plants in the US. Lack of employment growth in the manufacturing sector in 2002 will be offset by increased demand for business and financial services. In addition, retail sales bounced back quickly from September 2001 and job growth in this sector has been strong in 2002.

The drop in overall job levels will be limited to part-time employment. Full-time employment will edge up by 900 jobs in 2002 to 151,000 jobs. However, weak job creation will discourage some people from entering into the labour force lowering the participation rate. As a result, the unemployment rate in the St. Catharines-Niagara CMA is forecast to rise to 6.9% in 2002, up from 6.3 per cent in 2001.



Ontario consumer confidence recovers

Ontario consumer confidence, as measured by the Conference Board of Canada's Index of Consumer Attitudes, jumped sharply from the low seen in September of 2001. The consumer confidence index in Ontario jumped to a high of 128.7 in April, up from low of 105.6 seen in the third quarter of 2001.

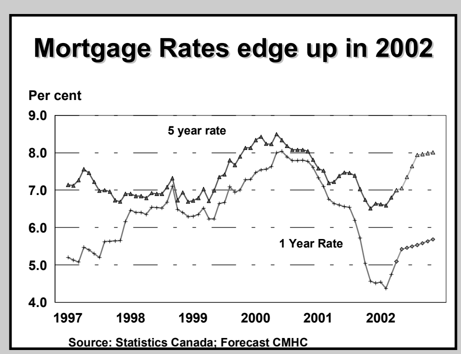
MORTGAGE RATE OUTLOOK

Economic rebound points to higher rates by end of 2002

A sharp rebound in consumer confidence in the first four months of 2002 and signs of strengthing in the job market across Canada point to higher interest rates later this year. While open and variable rate mortgages generally track lenders' prime rate, fixed rate mortgages move in tandem with bond yields. As the prime rate, money market, and short-term bond yields are expected to increase in 2002, so will short-term mortgage rates. In addition, as the economy strengthens and financial markets foresee some monetary tightening, long term interest and mortgage rates increase.

The outlook for short term mortgage rates in 2002 remains favourable with the one-year mortgage rate in the 4.6-5.9 per cent range respectively. The three- and five-year term mortgage rates will remain in the 5.9-7.6 and 6.8-8.3 per cent ranges, respectively.*

*These data represents the lowest quarter during the year of which 25 basis points are subtracted and the highest quarter to which 25 basis points are added



FORECAST SUMMARY

ST. CATHARINES-NIAGARA CENSUS METROPOLITAN AREA

Forecast completed May 30, 2002

NEW HOME MARKET	1999	2000	2001	% Change	2002F	% Change
Starts						
Single-detached	1,026	962	916	-4.8%	1,050	14.6%
Multi-family	448	268	218	-18.7%	280	28.4%
Total	1,474	1,230	1,134	-7.8%	1,330	17.3%
Complete and Unoccupied (March)						
Single-detached	89	110	102	-7.3%	99	-2.9%
Multi-family (semi, row, apt.)	40	74	34	-54.1%	35	2.9%
Average New House Price						
Single-detached	$190,376	$219,797	$226,779	3.2%	$232,250	2.4%

RESALE MARKET						
Niagara Association of Realtors						
MLS* Sales	5,525	5,214	5,499	5.5%	5,550	0.9%
MLS New Listings	9,834	9,175	9,158	-0.2%	8,985	-1.9%
Sales-to-Listings Ratio	56.2%	56.8%	60.0%		61.8%	
MLS Average Price	$125,084	$129,650	$134,070	3.4%	$141,847	5.8%

Due to amalgamation of the Welland & District, Niagara Falls-Fort Erie and St. Catharines & District Real Estate Boards, annual statistics prior to 2002 have been added together

RENTAL MARKET						
Apartment Vacancy Rate	3.2%	2.6%	1.9%		2.3%	
Average Rent (2 bedroom)	$660	$653	$680	4.1%	$697	2.5%

ECONOMIC OVERVIEW						
Mortgage Rate (1 year term)	6.8	7.85	6.14		5.36	
Mortgage Rate (5 year term)	7.56	8.35	7.41		7.62	
Employed (000's)	178.5	193.2	190	-1.7%	189.5	-0.3%
Employment Growth (000's)	-0.9	14.7	-3.2		-0.5	
Net Migration (Census Year)	797	1,838	2,250	22.4%	1,900	-15.6%

Sources: CREA, Local Real Estate Boards, Statistics Canada, and Conference Board of Canada

** Multiple Listings Service (MLS) is a registered certification mark own by the Canadian Real Estate association (CREA)*

Forecast Summary is CMHC's forecast for new home and resale markets. Issues are released in the Spring and Fall of each year.

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