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Canada Mortgage and Housing Corporation

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THIRD QUARTER 2002

Multiple Construction powers ahead and bolsters housing starts in third quarter of 2002

Total housing starts in the St.Catharines-Niagara CMA reached 362 units in the third quarter of 2002 – a 9 per cent increase over the 333 units started for the same quarter last year. New single-detached construction climbed 4 per cent to reach 279 units. On a year over year (Y-Y)* comparison this is the fourth consecutive quarterly increase in singles construction. On a quarter over quarter (Q-Q)** comparison singles construction actually fell by 11 per cent. However this deceleration

* Y-Y compares starts in quarters across years.

** Q-Q compares starts this quarter to starts in the previous quarter.

came after a hectic second quarter which was the second highest since 2000Q1.

Multiple-unit construction rose by an excellent 30 per cent to attain 83 units in 2002Q3 from 64 units in 2001Q3. On a yearly comparison this increase breaks a sequence of five quarterly declines since 2001Q1. On a Q-Q comparison this is the third consecutive quarterly rise in multiples construction.

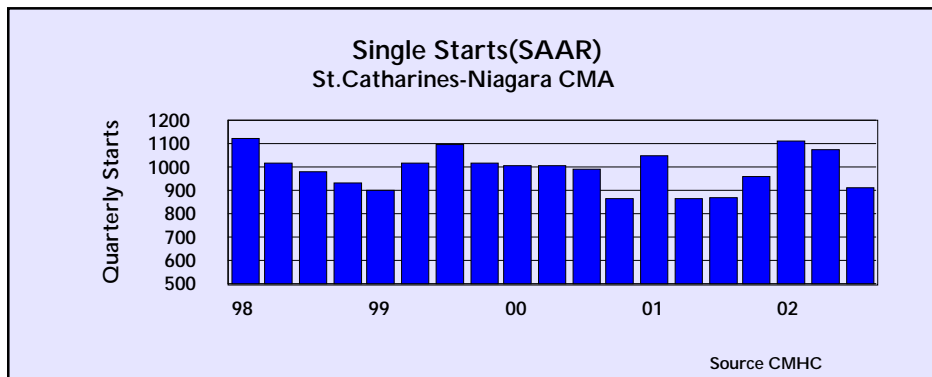
The positive macroeconomic conditions continue to provide a supportive framework for housing activity. Low mortgage rates, a

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strong employment situation and high consumer confidence have all contributed to a sustained demand for singles and multiples. Low monthly mortgage costs continue to encourage first-time and move-up buyers to enter the singles market. However singles have eased off this quarter partly due to high prices of single units which has certainly encouraged some buyers to consider the multiples market.

Welland, Niagara-on-the-Lake and Thorold saw significant increases in multiple construction in 2002Q3



Nash Peerbocus
 CMHC Market Analysis
 Direct Line: (416) 218 3424 * Fax: (416) 218-3314
 npeerboc@cmhc-schl.gc.ca * www.cmhc.ca



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compared to 2001Q3. In Thorold price of singles rose by 11 per cent from 2001Q3 boosting entry into the multiples market. In Welland singles prices fell by 15 per cent and this led to an uptake of both singles and multiples in 2002Q3. Clearly buyers are sensitive to price changes in the Welland market. In NOTL, there was construction of 10 row units in 2002Q3. This is consistent with retired people choosing high-end row units at a more affordable price than single units.

In the single sector, Lincoln, St.Catharines and Welland saw substantial new single construction. St.Catharines recorded an increase of 14 units despite prices climbing by 22 per cent since 2001Q3-once again highlighting the stimulative effect of low mortgage rates. Similarly in Lincoln despite prices rising by 19 per cent since 2001Q3, single construction rose from 13 to 30 units in 2002Q3. In Fort Erie prices appreciated by 25 per cent since 2001Q3 despite an increase in supply by almost 59 per cent from September 2001 to September 2002. In fact, from 2001Q3 to 2002Q3 Fort Erie recorded the largest price increase among the 10 municipalities. Builders will certainly seek to maximize the opportunity present in the region.

The average price of singles rose by 5.6 per cent in the St.Catharines-Niagara region. St.Catharines and Fort Erie saw the largest augmentations while Welland and Wainfleet reported the largest declines. The number of singles absorbed under \$250,000 has hardly changed. In 2001Q3, 212 units were absorbed in the under \$250,000 price range compared to 211 units in 2002Q3 indicating stable demand from these buyers. In 2002Q3 there were 4 rental apartment starts in St.Catharines compared to 22 starts in 2001Q3. Rental construction has been very sporadic in the region.

Economic Indicators			
	Aug 2002	Aug 2001	Change
CPI	121.7	118.3	2.9
NHPI	118.9	109.7	8.4
	Sep 2002	Sep 2001	
Consumer Confidence	128	106	20.8
Employment level	203100	193100	5.2
5 year mortgage rate	6.7	7.15	-6.3

Source: Statistics Canada, CMHC

St.Catharines district drives resale market

Sales in the St.Catharines-Niagara region rose from 1517 units to 1559 units in 2002Q3- 3 per cent increase. This represents the sixth consecutive Y-Y quarterly increase in sales. On a Q-Q basis sales fell by 5 per cent in 2002Q3. The Y-Y rise in sales masks the distribution of sales activity in the region. Yearly comparisons indicate that over the last three quarters sales actually fell in the Welland district. In Niagara Falls-Fort Erie, sales in the last two quarters also fell while sales in the St.Catharines district registered substantial growth.

In effect on a Y-Y basis the average quarterly growth in sales for the

St.Catharines district was 32 per cent over the last three quarters. Assuming annual sales of 2800 units in the St.Catharines district, this indicates that sales so far in 2002 exceeded sales for the same period in 2001 by about 900 units. In Niagara Falls-Fort Erie

district, sales fell by an average of 9 per cent in the last three quarters, which translates into 135 fewer sales in 2002- assuming annual sales of 1500. Welland saw sales decline by 13 per cent reflecting 143 fewer sales in 2002-assuming annual sales of 1100. The increased sales in StCatharines-given the strong economic fundamentals- reflect the availability of more units for sale compared to the other two districts which experienced supply shortages.

Overall sales on a Y-Y basis in the CMA grew on average by 10% in the last 3 quarters of 2002 compared to 2001. Assuming annual sales of 6000 units, this represents 600 more sales so far in 2002. Once again a low mortgage environment combined with strong job creation have been the driving forces in the resale market.

MLS SALES ACTIVITY			
	Sales	Price	SNLR
CMA			
2002Q3	1559	\$144,906	0.67
2001Q3	1517	\$134,056	0.64
%change	2.8	8.1	
St.Catharines			
2002Q3	920	\$154,219	0.74
2001Q3	739	\$139,781	0.63
%change	24.5	10.3	
Niagara-Fort Erie			
2002Q3	463	\$133,296	0.57
2001Q3	368	\$128,185	0.71
%change	-20.5	6	
Welland District			
2002Q3	271	\$129,056	0.61
2001Q3	315	\$129,263	0.58
%change	-14	-0.2	

Source:CREA

For the CMA, the sales to new listings (SNL) ratio stood at 67 per cent in 2002Q3. The St.Catharines district remains the hottest market with the SNL ratio at 74 per cent. The Niagara Falls-Fort Erie district recorded a sharp fall in SNL in 2002Q3. This is due to the fact that sales dropped by a larger percentage than the fall in listings. Nevertheless over the last three quarters of 2002 price growth has been strongest in the Niagara Falls-Fort Erie district with the St.Catharines district in second place.

TABLE 1: STARTS BY ZONE AND BY INTENDED MARKET

	OWNERSHIP FREEHOLD			CONDOMINIUM		RENTAL		TOTAL
	SINGLE	SEMI	ROW	ROW	APT	ROW	APT	
Zone 1								
St. Catharines City								
2002 Q3	56	14	4	0	0	0	4	78
2001 Q3	42	8	0	6	0	0	22	78
Year-to-date 2002	160	26	4	17	0	0	4	211
Year-to-date 2001	120	18	0	10	0	0	22	170
Zone 2								
Niagara Falls								
2002 Q3	62	0	0	0	0	0	0	62
2001 Q3	86	4	4	0	0	0	0	94
Year-to-date 2002	165	0	3	10	0	0	0	178
Year-to-date 2001	166	6	39	11	0	0	0	222
Zone 3								
Welland								
2002 Q3	37	6	20	0	0	0	0	63
2001 Q3	28	4	5	0	0	0	0	37
Year-to-date 2002	99	10	24	0	0	0	0	133
Year-to-date 2001	75	14	5	0	0	0	0	94
Zone 4								
Lincoln								
2002 Q3	30	2	7	0	0	0	0	39
2001 Q3	13	0	3	0	0	0	0	16
Year-to-date 2002	86	16	22	4	0	0	0	128
Year-to-date 2001	43	8	7	0	0	0	0	58
Zone 5								
Fort Erie								
2002 Q3	32	0	0	0	0	0	0	32
2001 Q3	30	0	0	0	0	0	0	30
Year-to-date 2002	86	0	0	0	0	0	0	86
Year-to-date 2001	85	0	0	0	0	0	0	85
Zone 6								
Niagara-on-the-Lake								
2002 Q3	25	0	16	0	0	0	0	41
2001 Q3	25	2	4	0	0	0	0	31
Year-to-date 2002	60	8	16	4	0	0	0	88
Year-to-date 2001	56	2	8	11	0	0	0	77
Zone 7								
Pelham								
2002 Q3	15	0	0	0	0	0	0	15
2001 Q3	23	2	0	0	0	0	0	25
Year-to-date 2002	44	0	0	0	0	0	0	44
Year-to-date 2001	67	4	0	0	0	0	0	71
Zone 8								
Port Colborne								
2002 Q3	7	0	0	0	0	0	0	7
2001 Q3	11	0	0	0	0	0	0	11
Year-to-date 2002	14	0	9	0	0	0	0	23
Year-to-date 2001	20	0	8	0	0	0	0	28

TABLE 1: STARTS BY ZONE AND BY INTENDED MARKET

	OWNERSHIP			RENTAL			TOTAL	
	OWNERSHIP SINGLE	SEMI	ROW	ROW	APT	ROW		APT
Zone 9								
Thorold								
2002 Q3	4	2	8	0	0	0	0	14
2001 Q3	3	0	0	0	0	0	0	3
Year-to-date 2002	18	2	8	0	0	0	0	28
Year-to-date 2001	10	0	6	0	0	0	0	16
Zone 10								
Wainfleet								
2002 Q3	11	0	0	0	0	0	0	11
2001 Q3	8	0	0	0	0	0	0	8
Year-to-date 2002	19	0	0	0	0	0	0	19
Year-to-date 2001	25	0	0	0	0	0	0	25
Total								
St. Catharines-Niagara CMA								
2002 Q3	279	24	55	0	0	0	4	362
2001 Q3	269	20	16	6	0	0	22	333
Year-to-date 2002	751	62	86	35	0	0	4	938
Year-to-date 2001	667	52	73	32	0	0	22	846
Grimsby								
2002 Q3	19	0	0	0	0	0	0	19
2001 Q3	26	0	6	0	0	0	0	32
Year-to-date 2002	47	0	12	5	0	0	0	64
Year-to-date 2001	77	0	26	0	0	0	0	103

TABLE 2: SINGLE-DETACHED ABSORPTION PROFILE AT SEPTEMBER 2002

Municipality	Average Price 2002Q3	Average Price 2001Q3	% chg	Total Supply Sep-02	Total Supply Sep-01	% chg	Absorptions Sep 2002	Completions Sep 2002	% Abs at completions
St. Catharines	\$252,241	\$205,943	22.5	121	87	39.1	17	19	89.5
Niagara Falls	\$212,931	\$211,093	0.9	116	147	-21.1	29	25	116.0
Welland	\$175,027	\$205,531	-14.8	59	55	7.3	9	9	100.0
Lincoln	\$249,945	\$209,420	19.4	97	52	86.5	8	9	88.9
Fort Erie	\$238,260	\$189,945	25.4	73	46	58.7	10	12	83.3
NOTL	\$281,700	\$305,905	-7.9	74	71	4.2	2	3	66.7
Pelham	\$290,376	\$264,700	9.7	35	56	-37.5	6	6	100.0
Port Colborne	\$213,300	\$203,150	5.0	19	19	0.0	1	1	100.0
Thorold	\$218,167	\$196,192	11.2	13	14	-7.1	2	2	100.0
Wainfleet	\$180,667	\$197,750	-8.6	20	20	0.0	3	3	100.0
St. Catharines-Niagara CMA	\$230,448	\$218,179	5.6	627	567	10.6	87	89	97.8
Grimsby	\$249,190	\$238,643	4.4	45	58	-22.4	3	8	37.5

TABLE 3: ACTIVITY SUMMARY BY INTENDED MARKET

	OWNERSHIP			CONDOMINIUM		RENTAL		TOTAL
	FREEHOLD			ROW	APT	ROW	APT	
	SINGLE	SEMI	ROW					
Pending Starts								
Sep 2002	137	4	16	6	0	0	0	163
Sep 2001	106	4	4	0	0	0	0	114
% change	29.2	0.0	300.0					43.0
Starts								
2002Q3	279	24	55	0	0	0	4	362
2001Q3	269	20	16	6	0	0	22	333
% change	3.7	20.0	243.8	-100.0			-81.8	8.7
Year-to-date 2002	751	62	86	35	0	0	4	938
Year-to-date 2001	667	52	73	32	0	0	22	846
% YTD change	12.6	19.2	17.8	9.4	na	na	-81.8	10.9
Under Construction								
2002Q3	417	46	123	45	0	0	0	631
2001Q3	358	32	125	62	30	0	22	629
% change	16.5	43.8	-1.6	-27.4	-100.0	na	-100.0	0.3
Completions								
2002Q3	276	18	42	23	0	0	4	363
2001Q3	273	16	15	34	0	0	0	338
% change	1.1	12.5	180.0	-32.4	na	na	na	7.4
Year-to-date 2002	677	58	84	41	0	0	26	886
Year-to-date 2001	636	62	46	59	0	0	0	803
% YTD change	6.4	-6.5	82.6	-30.5	na	na	na	10.3
Completed and not absorbed								
Sep 2002	73	15	7	12	2	0	3	112
Sep 2001	103	13	1	14	0	0	4	135
% change	-29.1	15.4	600.0	-14.3	na	na	-25.0	-17.0
Total Supply								
Sep 2002	627	65	146	63	2	0	3	906
Sep 2001	567	49	130	76	30	0	26	878
% change	10.6	32.7	12.3	-17.1	-93.3	na	-88.5	3.2
Absorptions								
2002Q3	283	15	35	20	0	0	22	375
2001Q3	268	23	37	21	0	0	0	349
% change	5.6	-34.8	-5.4	-4.8	na	na	na	7.4
Year-to-date 2002	697	59	76	26	0	0	22	880
Year-to-date 2001	647	71	66	46	0	0	0	830
% YTD change	7.7	-16.9	15.2	-43.5	na	na	na	6.0

Pending Start refers to a dwelling unit where a building permit and/or National Housing Act approval exists but construction has not started.

Start refers to a dwelling unit where the construction stage incorporates full footings. In the case of multiple units, the definition applies to the entire structure.

Under Construction refers to the inventory of units currently being constructed. This number includes current month starts but not current month completions.

Definitions

Completion: for single-detached and semi-detached units implies that 90% or more of the structure is complete. A structure may be considered 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 total supply of new units and includes pending starts, units under construction and units 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.

TABLE 4: HOUSING ACTIVITY SUMMARY BY MUNICIPALITIES

		OWNERSHIP				OWNERSHIP			
		FREEHOLD		ROW	CONDO ROW	FREEHOLD		ROW	CONDO ROW
		SINGLE	SEMI			SINGLE	SEMI		
Starts						Completions			
St.Catharines	2002Q3	56	14	4	0	55	2	0	11
	2001Q3	42	8	0	6	47	4	4	7
Niagara Falls	2002Q3	62	0	0	0	82	0	5	0
	2001Q3	86	4	4	0	58	2	4	19
Welland	2002Q3	37	6	20	0	35	2	5	0
	2001Q3	28	4	5	0	40	4	0	0
Lincoln	2002Q3	30	2	7	0	23	6	21	0
	2001Q3	13	0	3	0	23	6	0	0
Fort Erie	2002Q3	32	0	0	0	34	0	0	0
	2001Q3	30	0	0	0	42	0	0	0
NOTL	2002Q3	23	0	0	4	14	6	4	5
	2001Q3	19	0	0	11	21	0	4	8
Pelham	2002Q3	15	0	0	0	19	0	0	7
	2001Q3	23	2	0	0	27	0	0	0
Port Colbourne	2002Q3	7	0	0	0	3	0	4	0
	2001Q3	11	0	0	0	7	0	0	0
Thorold	2002Q3	4	2	8	0	5	2	3	0
	2001Q3	3	0	0	0	4	0	3	0
Wainfleet	2002Q3	11	0	0	0	6	0	0	0
	2001Q3	8	0	0	0	4	0	0	0
Grimsby	2002Q3	19	0	0	0	19	0	0	0
	2001Q3	26	0	6	0	29	0	11	0

		OWNERSHIP				OWNERSHIP			
		FREEHOLD		ROW	CONDO ROW	FREEHOLD		ROW	CONDO ROW
		SINGLE	SEMI			SINGLE	SEMI		
Under Construction						Completed and not absorbed			
St.Catharines	2002Q3	74	22	4	16	18	3	0	1
	2001Q3	50	10	0	24	19	2	0	0
Niagara Falls	2002Q3	65	2	38	10	12	0	2	4
	2001Q3	87	6	44	5	27	0	0	12
Welland	2002Q3	56	8	32	0	5	0	0	0
	2001Q3	38	10	13	0	12	3	0	0
Lincoln	2002Q3	61	10	11	0	8	3	4	0

4 rental apartment starts in St.Catharines in 2002Q3.

4 apartmental rental completions in St.Catharines in 2002Q3.

In 2001Q3 there 22 apartment rental starts in St.Catharines

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TABLE 4: HOUSING ACTIVITY SUMMARY BY MUNICIPALITIES

		OWNERSHIP			CONDO ROW	OWNERSHIP			CONDO ROW	CONDO APT
		FREEHOLD		SEMI		FREEHOLD		SEMI		
		SINGLE	ROW			SINGLE	ROW			
Under Construction		Completed and not absorbed								
Fort Erie	2002Q3	47	0	0	6	11	0	0	0	0
	2001Q3	38	0	0	6	12	0	0	0	0
NOTL	2002Q3	45	2	20	4	20	7	0	6	0
	2001Q3	43	2	27	11	19	3	0	2	0
Pelham	2002Q3	26	0	0	9	3	0	0	1	2
	2001Q3	42	2	0	0	6	0	0	0	0
Port Colbour	2002Q3	13	0	5	0	0	0	1	0	0
	2001Q3	14	0	8	0	2	0	0	0	0
Thorold	2002Q3	12	2	13	0	2	2	0	0	0
	2001Q3	7	0	19	0	2	2	1	0	0
Wainfleet	2002Q3	18	0	0	0	0	0	0	0	0
	2001Q3	16	0	0	0	0	0	0	0	0
Grimsby	2002Q3	25	0	12	12	4	0	3	1	0
	2001Q3	37	0	27	0	7	0	6	2	0

TABLE 4: HOUSING ACTIVITY SUMMARY BY MUNICIPALITIES

		OWNERSHIP			CONDO ROW	OWNERSHIP			CONDO ROW	
		FREEHOLD		SEMI		FREEHOLD		SEMI		
		SINGLE	ROW			SINGLE	ROW			
Absorptions										
St. Catharines	2002Q3	55	4	0	15	NOTL	15	2	4	0
	2001Q3	46	8	8	7		22	1	8	8
Niagara Falls	2002Q3	83	0	5	5	Pelham	21	0	0	0
	2001Q3	57	2	4	6		25	2	0	0
Welland	2002Q3	37	2	5	0	Port Colbour	3	0	4	0
	2001Q3	37	2	6	0		6	0	7	0
Lincoln	2002Q3	22	5	14	0	Thorold	6	2	3	0
	2001Q3	25	7	4	0		5	1	0	0
Fort Erie	2002Q3	35	0	0	0	Wainfleet	6	0	0	0
	2001Q3	41	0	0	0		4	0	0	0
Grimsby	2002Q3	21	0	0	0					
	2001Q3	35	1	10	0					

In the third quarter of 2002 in St. Catharines 22 apartment rental units were absorbed.

TABLE 5: SINGLE ABSORBED UNITS BY PRICE RANGE

	<\$150	\$150-199	\$200-249	\$250-299	\$300-449	\$450+	Total
Zone 1							
St.Catharines City							
2002 Q 3	2	19	12	11	10	1	55
2001 Q 3	7	17	15	4	3	0	46
Year-to-date 2002	6	45	35	28	30	1	145
Year-to-date 2001	10	37	28	16	17	2	110
Zone 2							
Niagara Falls							
2002 Q 3	0	60	12	5	3	3	83
2001 Q 3	1	42	5	0	7	2	57
Year-to-date 2002	1	125	32	6	6	7	177
Year-to-date 2001	3	103	20	7	18	4	155
Zone 3							
Welland							
2002 Q 3	9	17	9	2	0	0	37
2001 Q 3	4	19	11	0	2	1	37
Year-to-date 2002	18	43	19	4	0	0	84
Year-to-date 2001	10	36	18	3	3	1	71
Zone 4							
Lincoln							
2002 Q 3	0	11	3	1	7	0	22
2001 Q 3	0	13	9	2	1	0	25
Year-to-date 2002	0	31	12	5	11	0	59
Year-to-date 2001	0	30	22	6	3	4	65
Zone 5							
Fort Erie							
2002 Q 3	8	15	4	1	4	3	35
2001 Q 3	15	15	3	3	4	1	41
Year-to-date 2002	23	43	8	4	5	3	86
Year-to-date 2001	32	35	4	5	8	2	86
Zone 6							
Niagara-on-the-Lake							
2002 Q 3	0	1	8	3	2	1	15
2001 Q 3	0	1	9	5	6	1	22
Year-to-date 2002	0	4	15	16	14	6	55
Year-to-date 2001	0	4	20	12	16	2	54
Zone 7							
Pelham							
2002 Q 3	0	1	9	2	9	0	21
2001 Q 3	0	6	7	6	6	0	25
Year-to-date 2002	0	4	18	5	18	2	47
Year-to-date 2001	0	14	14	9	16	1	54
Zone 8							
Port Colborne							
2002 Q 3	0	2	0	0	1	0	3
2001 Q 3	1	2	2	0	1	0	6
Year-to-date 2002	1	8	0	1	1	0	11
Year-to-date 2001	2	9	2	1	1	0	15
Thorold							
2002 Q 3	0	2	2	2	0	0	6
2001 Q 3	1	1	2	1	0	0	5
Year-to-date 2002	3	7	5	2	0	0	17
Year-to-date 2001	3	10	7	2	0	0	22
Zone 10							
Wainfleet							
2002 Q 3	1	3	1	1	0	0	6
2001 Q 3	0	2	2	0	0	0	4
Year-to-date 2002	1	12	3	1	0	0	17
Year-to-date 2001	0	9	4	0	2	0	15
Total							
St.Catharines-Niagara CMA							
2002 Q 3	20	131	60	28	36	8	283
2001 Q 3	29	118	65	21	30	5	268
Year-to-date 2002	53	322	147	72	85	19	698
Year-to-date 2001	60	287	139	61	84	16	647
Grimsby							
2002 Q 3	0	8	7	3	5	0	23
2001 Q 3	0	13	7	10	5	0	35
Year-to-date 2002	0	13	18	6	11	2	50
Year-to-date 2001	0	36	25	21	9	0	91

Note: Data for all the tables are from CMHC unless otherwise indicated.

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F

ORECAST

SUMMARY

St.Catharines-Niagara

Canada Mortgage and Housing Corporation

New Home Market

Another good year awaits the St.Catharines-Niagara region. In 2002 sales of single detached homes have been boosted by low mortgage rates. Demand has been strong and accordingly average prices have grown by 5.6 per cent-well above the rate of inflation. The tight resale market in 2002 has led to increasing MLS average prices which in turn have encouraged both move-up and first-time buyers to consider the new home market. Demand for singles will remain strong and by year end starts will reach 1010.

Year 2003 will see sustained increases in single starts. The Bank of Canada will announce its decision on interest rates on December, 3rd, 2002. With a possible rate hike in view, consumers

will likely adapt their purchasing behaviour. In other words they may decide to buy now rather than later. Overall, the impacts of higher rates may not be seen immediately. Both the new home market and the broader economy react with a lag to higher interest rates.

Stable net migration and a strong job outlook will on the other hand sustain demand. Hence prices of singles will continue to rise reaching \$231,000 in 2003 while starts will reach 1050. The Niagara Region housing sites inventory(2001) indicated that there is, on average, about 7 years of supply of approved sites for single detached dwellings across the region. The distribution of available

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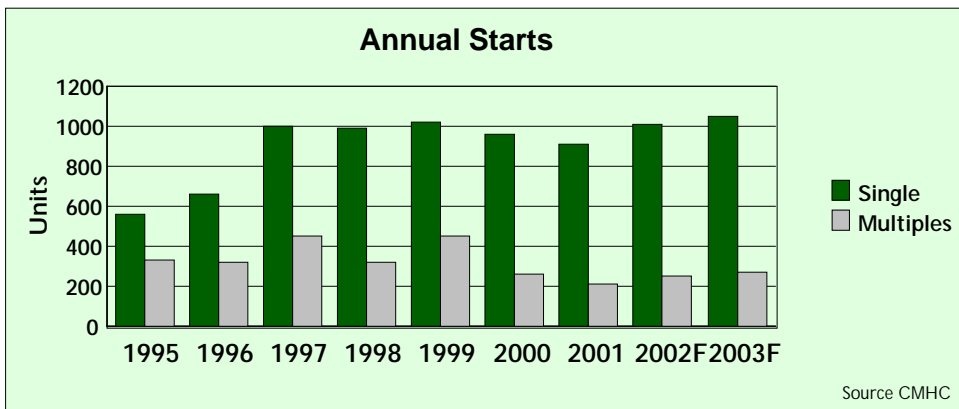
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sites does vary from 18 years in Thorold to 2 years in Pelham. More housing sites will become available in Pelham due to expansions to the urban area boundaries.

The rising price of single will motivate buyers to look into the multiples market. Those buyers who are seeking a lifestyle change as they retire will find the region has a lot to offer. A lot of them will be asking for row units. To some extent the rising resale prices will also encourage buyers to enter the new multiples market. Hence multiple starts will attain 250 units in 2002 and 270 units in 2003.



Nash Peerbocus

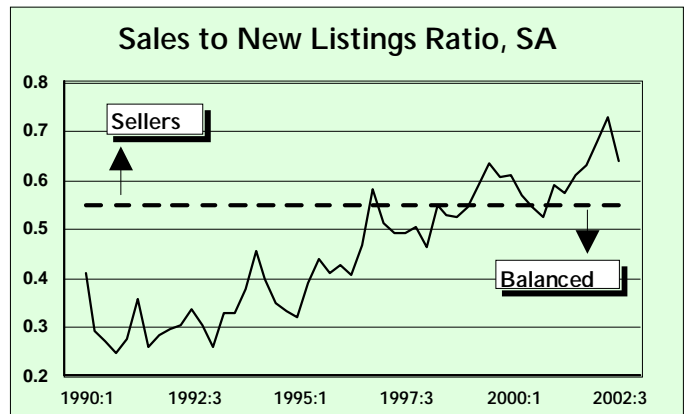
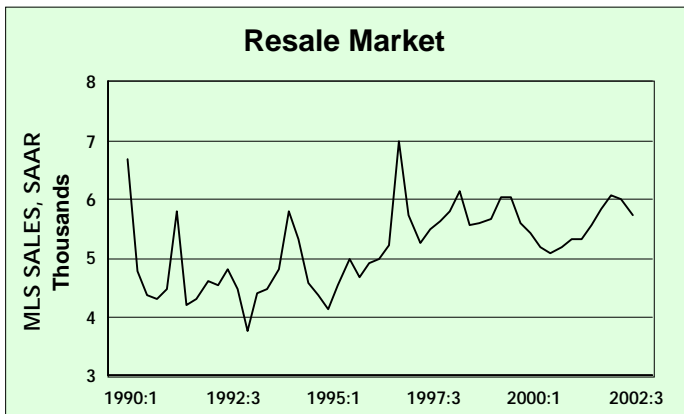
CMHC, Market Analysis

Direct Line: (416) 218-3424 * Fax: (416) 218-3314

npeerboc@cmhc-schl.gc.ca * www.cmhc.ca



HOME TO CANADIANS
Canada



RESALE MARKET

Sales have been on an upward trend over the last seven years. Last year MLS sales reached 5507 units - higher than the average for the last six years.

Sales in 2002 have been driven by low mortgage rates and excellent job growth. Year to date sales have attained 4452. While demand for resale units have been going up, supply of new listings have not kept pace. With excess demand in the market, resale prices have climbed by an average of 8 per cent - well above the rate of inflation. The sales to new listings ratio, an indicator of market tightness, reached a peak of 73 per cent - the highest since 1986. For the rest of the year and for 2003, the market will remain a seller's market.

With the impending rise in mortgage rates, consumers may do two things. First they may decide to rush and buy in order to secure a lower mortgage rate. Second, those who were hesitant about listing their properties may finally decide to do so. The result will be an increase in both listings and sales. Sales will get an additional boost by the excellent employment outlook for the region. Hence sales will reach 5950 by year end. For 2003, the effect of rising rates will be transmitted across the resale markets resulting in a moderation of sales at 5650 units. Average prices will reach \$143,200 by year end. In 2003 prices will grow by 5.6 per cent to reach \$151,200.

RENTAL OVERVIEW

So far in 2002 there has been 4 apartment rental starts in the region. Not so surprising as developers have mainly concentrated on the new home market where demand has been strong. Indeed the strong resale and new home markets have driven housing activity.

For 2002 vacancy rate will edge up to 2.4 per cent. Two reasons can be postulated. First, low mortgage rates have encouraged tenants to move into home ownership. Second, more young adults are choosing to live with their parents.

The proportion of young adults aged 20 to 29 living with their parents in 2001 was 48 per cent compared to 44 per cent in 1996.

In 2003 two factors will exert a downward bias on the vacancy rate. The expected deceleration in the resale market as a result of higher mortgage rates will force some consumers to shift to the rental market in order to meet their housing needs. The overall strong employment outlook for 2003 will favour overall migration but more specifically young people from the surrounding regions may come to St. Catharines-Niagara to look for work. This young group is more likely to rent than to own. Hence on balance vacancy rate will edge down to 2.3 per cent.

ECONOMIC OVERVIEW

Employment

Job growth in Canada has been outstanding. From January to September 2002 almost 427,000 jobs were created. In the St. Catharines-Niagara CMA over the same period, 17,600 full time jobs were generated. In the third quarter alone 11,500 jobs were created. This is the highest quarterly growth in full time employment since 2000Q2.

Given such a remarkable performance of the labour market, it is no surprise that income gains have been very strong. In the first two quarters of 2002 personal disposable income of Canadians shot up by 3.2 per cent (current prices). Subsequently retail purchases as well as major purchases - including cars and houses - have gone up.

Real GDP growth in the St. Catharines-Niagara region is forecasted at 2.9 per cent for 2002 and 4.8 per cent in 2003. The casino project in Niagara Falls is declared as the main engine of growth generating jobs in the construction and its feeder industries.

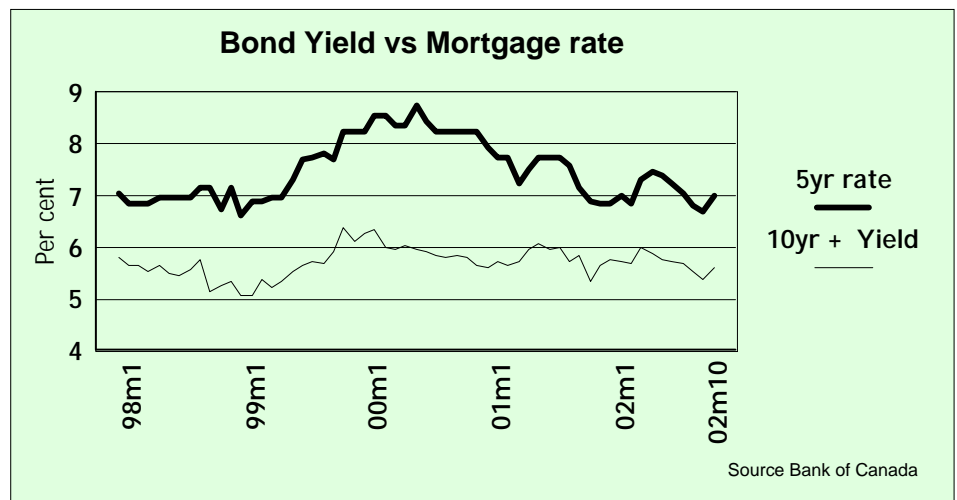
The performance of the US economy will further fuel growth in the region. Real US GDP is projected to grow at 2.3 per cent in 2002 and 3.1 per cent in 2003.

With better economic conditions in the US, fleet purchases of motor vehicles is expected to make a come back, boosting motor vehicle expenditure by rental companies and businesses. Similarly in Canada the return of off-lease vehicles will increase sales of car and light trucks. Improved conditions in the US and a stable exchange rate will also boost Canadian exports. Tourism and travel related services will also benefit as hotels, restaurants and casinos see renewed activity. All this is good news for the automotive and trade and service sectors in St.Catharines-Niagara region.

What does that all imply for the region? Local economic growth combined with moderate acceleration in the US economy will translate into job growth for the region. Total employment in the region will reach 204,000 in 2002. Year 2002 has been a record year for employment growth. Year 2003 will see more moderate job growth of around 2 per cent reaching an annual level of 208, 000.

Mortgage rate

The Canadian economy has been very strong so far. The debate about whether the economy is operating near production capacity and the corresponding ramifications on the output gap has generated a lot of frenzy among economists. Essentially excess demand will prompt the Bank of Canada to increase interest rates in order to dampen inflationary pressures. In September 2002 inflation was 2.3 per cent. The increase in the CPI is attributed mainly to rising electricity prices, cigarette taxes and increased automotive insurance premiums. The Bank forecasts core inflation to be at 3 per cent (total CPI at 3.5 per cent) in the fourth quarter of 2002. One-off factors are mainly responsible for this jump in prices and as long as these jumps do not feed into prices and wages, there is no concern for



continual upward pressure on the CPI. Last October businesses engaged in heavy price discounting and therefore when comparison is made between October 2001 and October 2002, a sharp increase in the CPI is noticeable. This is one of the reasons the Bank forecasted core inflation to reach 3 per cent by the end of the year. In mid 2003 the Bank expects these one off effects to fade and core inflation is forecasted to reach 2 per cent-the Bank's target.

What does that all mean for mortgage rates?

Potential high inflationary expectations will eventually make its way to inflate yields on bond markets. This implies lenders will have to pay higher rates to bondholders. In turn lenders will charge higher interest rates to mortgage borrowers. Consequently medium to long-term financing costs will rise resulting eventually in higher mortgage rates. The Bank aims to curtail inflation-by maintaining a tight grip on monetary policy- in order to stimulate non-inflationary sustainable economic growth. Mortgage rates will continue to remain low by historical standards. The 5-year mortgage rate will be in the range of 6.5 to 8.5 per cent by the end of 2003. The 3 year rate will be between 5.5 and 8.00 while the one year rate will lie between 4.5 and 7.00. These forecasts are subject to deviations from the ranges due to risks associated with volatility in capital markets and the performance of the US economy.

Demographic Outlook

Between 1996 and 2001 the population of the St.Catharines-Niagara CMA grew by 1.2 per cent rising from 372,406 to 377,009 in 2001. Population in the Niagara region-which includes Grimsby and West Lincoln- augmented from 403,504 to 410,574. The population of Niagara Falls and Lincoln increased by the largest numbers at 1898 and 1811 respectively.

Between 1996 and 2001 the number of owned dwellings increased by 8 percent for the CMA. St.Catharines, Niagara Falls and Welland registered the highest numbers. The number of renters dwindled across most municipalities with the largest declines in St.Catharines and Welland. Interestingly the largest increases in home ownership happened in St.Catharines and Welland. As population grows demand for housing has also increased. Furthermore interest rates over the period 1996 to 2001 have been near historical lows. Clearly the shift to home ownership has increased as home affordability surged over that period. Ownership rates increased from 71% in 1996 to 73% in 2001.

A positive employment outlook for the remainder of 2002 and for 2003 combined with strong inter-city price differentials will favour migration into the region. People will be leaving expensive cities like Toronto where house prices keep appreciating and they will be seeking the tranquility of St.Catharines-Niagara with its mild climate and affordable homes. Net migration in the region is expected to hit 2200 this year and 2300 next year.

FORECAST SUMMARY

ST.CATHARINES-NIAGARA CENSUS METROPOLITAN AREA

Forecast as at October 2002

NEW HOME MARKET	2000	2001	2002F	2003F	Change%
Starts					
Singles	962	916	1010	1050	4.0
Multiples	268	218	250	270	8.0
Total	1230	1134	1260	1320	4.8
Average Price -New Single detached house					
	\$219,797	\$220,031	\$227,000	\$231,000	1.8
RESALE MARKET					
MLS* Sales	5214	5488	5950	5650	-5.0
MLS* Price	\$129,650	\$133,666	\$143,200	\$151,200	5.6
RENTAL MARKET					
Apartment vacancy rate	2.6	1.9	2.4	2.3	-4.2
Average rent	\$653	\$680	\$695	\$710	2.2
ECONOMIC OVERVIEW					
Mortgage rate(5 year)	8.35	7.41	6.87	6.5 to 8.5	na
Employment	193,200	190,000	204,000	208,000	2.0
Net migration	1838	2250	2200	2300	4.5

Sources: CREA, Statistics Canada, Conference Board of Canada

* Multiple Listing Service 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.

Nash Peerbocus
Direct Line: (416) 218-3424
e-mail: npeerboc@chmc-schl.gc.ca

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