HOUSING MARKET OUTLOOK

Canada Mortgage and Housing Corporation

EDMONTON
SPRING 2004

New Home Market

Supply Outpacing Demand, Pointing Towards a Decline in 2004

While Edmonton's home building industry appears poised for another great year in 2004, year-over-year gains appear unlikely. In 2003, total housing starts in the Edmonton Census Metropolitan Area (CMA) slowed by nearly two per cent from the previous year, but still recorded the second best performance since 1978. Total housing starts reached 12,380 units in 2003, fuelled by 6,391 starts in the single-family market and the best year for multi-family construction since 1982. Higher inventories in both the new and resale single-family markets have prompted builders to reduce single-family production levels. Meanwhile, rising new and resale home prices have bolstered multi-unit activity, as builders have moved to competitively priced units appealing to the first-time and lifestyle buyers.

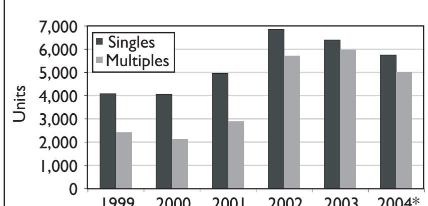
While several factors contributed to robust housing market conditions last year, the dominant factor was historically low mortgage rates. In 2003, the one-year mortgage rate averaged 4.8 per cent, 37 basis points lower than 2002. Others factors contributing to healthy housing demand across the region included the lagged impact of strong full-time job gains in 2002 and surging in-migration during the same year.

While migration levels are expected to moderate from the robust numbers reported in 2002, the number of newcomers to the region will remain at historically high levels, keeping housing demand strong in 2004. However, several factors point to more temperate demand in 2004. As noted, migration levels should moderate as employment and economic conditions improve in other locales. In addition, of the total 14,625 jobs created in 2003, only 8,700 were full-time positions, representing a 60 per cent year-over-year decline. As full-time job creation is a prerequisite for housing demand, the larger proportion of part-time jobs last year will have a moderating impact on home sales in 2004.

One factor that will continue to underpin demand in 2004 is low mortgage rates. In 2003, low mortgage rates provided welcomed relief for new homebuyers who continued to face price increases due to cost pressures for materials, land and labour. With mortgage rates expected to decline further this year and price increases forecast to moderate as well, additional consumers will seize this opportunity to enter the market. However, the mortgage rate declines will be insufficient to counter the moderating impact of slowing in-migration and employment growth on demand.

Higher supply levels in the rental, new, and resale housing this year will outpace the demand for new housing. In fact, active listings in Edmonton's resale market during March were 42 per cent higher than the corresponding period in 2003, offering prospective buyers more alternatives. Similarly, rental units are currently much easier to find, with many offering incentives. Moreover, as of March new home inventories (both single and multi) were nearly 48 per cent higher than levels recorded in the third month of 2003. With

Chart 1
Housing Starts To Decline In 2004



Source/*Forecast: CMHC

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Expect robust conditions to persist, but activity will throttle-back as the year progresses. Higher supply and moderating demand will contribute to declines in both the single-family and multi-unit markets.

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After posting record levels in 2003, sales will slip this year as weaker employment growth and lower migration lessen demand. Additional listings will provide buyers with more selection, tempering overall price increases this year.

6 **Rental Market**
Vacancies head higher due to increased supply and the exodus of tenants to home ownership. Rents are expected to rise at a faster pace as new product demanding a premium enters the market and property owners of existing units try to recover higher operating expenses.

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Strong investment continues to fuel the Edmonton economy. However, a weaker pace of job creation will catch up to housing markets in 2004. Net migration will remain positive, but will moderate from the peak levels recorded in 2002.

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heightened supply levels in the market, expect builders to scale-back 2004 new construction to 10,750 units, a 13 per cent decline from the previous year. Nonetheless, starts will remain buoyant by historical standards.

Following 6,319 units in 2003, Edmonton's single-family homebuilders will reduce new construction to 5,750 new homes this year. While this represents a 10 per cent decline from 2003, it will represent the third best total on record. Meanwhile, multiple-unit construction, including semi-detached, row, and apartment units, is expected to total 5,000 units this year, down 16.5 per cent from the 21-year high of 5,989 units in 2003. Despite the decline, this year's multi-family construction will surpass the previous 10-year average by over 2,400 units.

Single-Family Starts Trending Downward

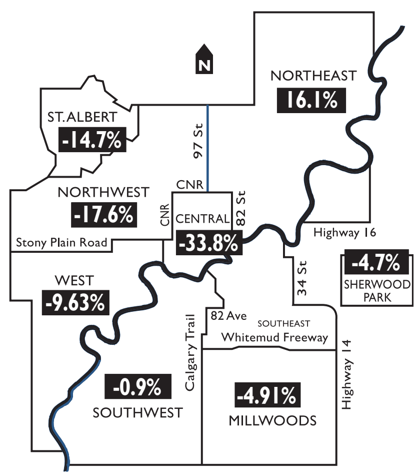
To the end of March, Edmonton builders started 1,278 single-family homes, over 10 per cent below the corresponding period in 2003. Despite strong demand, the supply of single-family homes outpaced demand last year, resulting in an inventory build-up. Higher inventories in both the new and resale single-family markets have prompted builders to reduce production levels since the summer. In 2004, activity will be characterized by a return to sustainable activity in the market.

Robust Absorptions Will Help Reduce Inventories

The strength of single-family starts in 2002 led to a spike in the number of units under construction in 2003. The construction spike resulted in an inventory build-up, despite strong demand. In fact, 2003 absorptions of new single-detached homes rose by 20 per cent for a total of 6,481 units. Meanwhile, in 2003, completions surged to the highest annual total on record at 6,899 units. This resulted in single-family inventory ending the year at 736 units, a 131 per cent increase over December of 2002. Moreover, inventory increased throughout 2003, only turning the corner in January 2004 as slower starts beginning in the summer of 2003 started to impact completions in the first quarter of 2004.

At 1,506 units, first quarter single-family absorptions decreased by nearly two per cent year-over-year. Moreover, completions in the first quarter of 2004 edged above absorptions causing the number of complete and unoccupied single-family homes to increase to 715 units in March. Of these, 294 were show homes - 35 per cent higher than the previous year. Meanwhile, at 421 units, spec or non-showhome units in inventory were significantly higher than March 2003's total by over 150 per cent. While single-family inventories remain considerably higher than levels recorded a year ago, builders have responded by slowing production to allow them to be absorbed.

SINGLE STARTS
Fewer Starts in Most Locations
January - December (% chg 2002/2003)



Source: CMHC

At the end of March 2004, single-family homes under construction reached 2,591 units, 17 per cent lower than the levels reported at the end of March 2003. Total single-family supply, which consists of units complete and unoccupied and units under construction, sat at 3,306 units this March. While supply levels have waned in past year, total supply remains high by historic standards. As 2004 progresses, expect new single-detached construction to decline from 2003 as builders attempt to reduce their unsold inventories.

New House Prices to Rise at a Slower Pace

Following nearly a nine per cent gain in 2002, average new house prices maintained this pace in 2003 increasing to $223,507. In the face of rising costs for land, labour and materials, builders pushed up prices. As seen in the existing market, the upward movement in average price has expressed itself via changes in the sales distribution. Despite house size remaining fairly constant, on average across Metro, new single-family units priced under $175,000 saw their market share decline from 36 per cent in 2002 to only 22 per cent in 2003. Meanwhile, units priced over $200,000 captured 56 per cent of new home sales last year, up from 42 per cent in 2002.

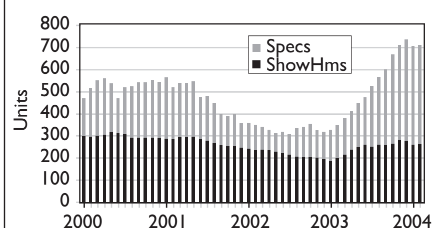
The average price of a typical new home is expected to increase by nearly seven per cent in 2004 to $238,000, representing a more moderate increase compared to the previous two years. To some extent, the moderated pace of price growth will represent a shift in the market toward more affordable units. Continued declines in mortgage rates will allow more entry-level buyers to enter the market. As a result, single-family builders will add product that caters to the entry-level demand. This said, semi-detached units and other higher-density housing forms that can better economize on the high price of land are targeting a growing proportion of this affordable new home market segment.

Multiple-Family Market to Slow in the Second Half of 2004

During 2003, multiple starts increased by five per cent over the previous year to 5,989 units, representing the best performance in 21 years. The boost in multi-family construction came from an upsurge in new apartment and row activity. By tenure, condominiums accounted for 60 per cent of the total multiple units constructed in 2003. Strong demand for moderately priced units combined with persistently low mortgage rates continue to feed builder optimism. As a result, builders have been producing greater numbers of semi-detached and multi-unit condominiums to tap into the growing first-time buyer market.

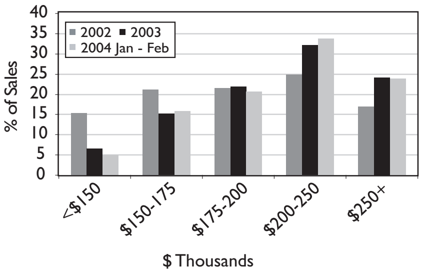
A total of 921 multiple units were started in the first quarter of 2004, an increase of 31 per cent over the first three months of 2003. Year-to-date activity was led by 649 apartment starts, a jump of 85 per cent over the first three months of 2003. Moreover, condominium starts continued at a robust pace accounting for 82 per cent of the new apartments constructed in the first quarter. Given the strong

Chart 2
Single Family Inventories



Source: CMHC, February 2004

Chart 3
New Single-Family Homes
Few Selling For <$175,000



Source: CMHC

activity following the first three months of 2004, it would appear that the multiple-family market is not retreating. However, considering that supply levels (inventories plus units under-construction) in March were up by 23 per cent from last year, we expect a pullback as the year unfolds.

After a 21-year high in 2003, multiple-family construction is expected to fall 16.5 per cent this year to 5,000 units. This decline is attributed to moderating demand, a build-up of inventories and a high level of units under construction this spring. While indicators point to healthy demand, particularly for condominiums, as the units in progress are completed this summer it is expected that demand will not keep pace with supply.

Though moderating as we move forward, a culmination of factors will continue to fuel multi-family demand. Mortgage rates will remain historically low, resulting in healthy demand for entry- to mid-priced condominiums. While affordability constraints (associated with higher prices) and rising competition in the resale and rental markets will cut into new ownership demand, lifestyle and location factors will help to pick-up some of the slack. However, one factor favouring the market last year will begin to weaken. Throughout 2003, volatile equity markets encouraged condominium investments as an alternative avenue for personal capital. This year, recovering stock markets will reduce the pool of investors purchasing a condo to rent. Additionally, the investment market is beginning to face heightened competition via existing rental vacancies. With homeownership costs favourable for higher-income renters, many have vacated their units adding choice for condo investors looking to rent their units. If investors do not secure required rents, expect to see their units hitting the resale market, providing even more competition for multi-family builders.

Supply-Side Constraints in 2004

In 2003, 4,421 multiple units were absorbed in the Edmonton CMA, a 34 per cent increase over the previous year. Nonetheless, absorptions could not keep pace with completions during the second half of the year. As a result, inventories at year-end amounted to 696 units, a 46 per cent increase over the previous year.

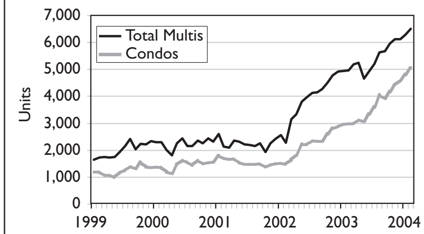
Further drops in mortgage rates this winter have bolstered sales, resulting in a modest decline in inventories. However, February inventories remained 53 per cent higher than levels recorded in February 2003, for a total of 651 units. As of February 2004, apartment inventories were at 512 units, 175 more than inventory on hand one year earlier. However, at 57 per cent, rental units accounted for the majority of units in inventory, of which about half were located in the north central area of Downtown Edmonton. Moreover, rental inventories have increased by 32 per cent from February of last year and, with 1,140 units under construction, rental vacancies can be expected to edge up in 2004. Increases in rental apartment vacancies have come from substantial construction of new rental properties, renters opting to buy homes and investors purchasing individual condominium units for rental purposes. This will continue to put the brakes on new apartment activity as the year progresses.

As the 6,514 multi-units under construction in February reach completion in the months ahead, expect the unoccupied inventory across the region to trend upward. However, the three-month average number of multiples absorbed at completion is 74 per cent, representing an improvement over absorption rates recorded in the last ten months. If absorptions continue to improve relative to completions, expect only moderate inventory accumulation throughout 2004. Nonetheless, with the large number of units on the go and rising inventories, we can expect to see multiple-unit starts follow a similar trend as the single-family market and decline in 2004.

New Condo Market Very Active

In 2003, condominium starts increased by 30 per cent, amounting to just over 4,000 units. Builders responded to strong demand and rapidly escalating prices for existing units by focusing their attention on affordable condominium units. While new units priced between $140,000-$160,000

Chart 4
Multi-Units Under Construction



Source: CMHC

recorded the highest level of absorptions so far this year, units price between $80,000-$100,000 recorded a surprising increase in market share. In recent years, the proportion of new condos priced under $100,000 has been falling due to the rising costs of multi-family development. However, developers are building more lower-priced condos in an attempt to attract renters into ownership and to remain competitive with condominiums in the resale market.

Turning to inventories, levels were lowest this February for units priced below $120,000, while units priced in the $120,000-$140,000 range recorded the greatest increase in inventory levels. Condominium inventories have risen, but they still remain lower than the levels recorded from 1999 to 2002. Overall, 87 per cent of condominiums are absorbed at completion, indicating that demand remains strong despite high levels of construction. Condominiums offer a choice for people looking to enter homeownership who want either a low maintenance lifestyle or are looking for a more affordable means of entering ownership. However, as of February there were 5,055 condominiums under construction, the highest level recorded in over six years. CMHC's housing surveys do not currently measure multi-unit pre-sales so we cannot estimate the proportion of units under construction that are spec built. However, we anticipate that absorptions will not keep pace with completions in the months ahead, leading to higher inventories this summer.

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Resale Market

Improved Market Balance in 2003

Declining mortgage rates, a growing economy, and improved active listings boosted Edmonton's resale market last year to it best performance in history. Double-digit price increases did not deter prospective buyers as total residential sales in the Edmonton CMA reached 16,277 units in 2003, 4.2 per cent higher than the previous year. The market moved into the balanced terrain in the summer months as supply levels improved relative to demand.

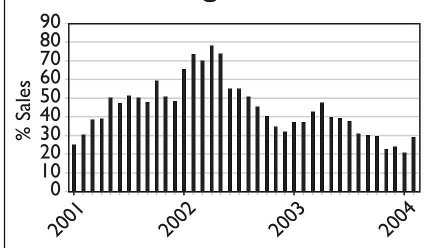
After the first two months of 2004, total sales were two per cent weaker than the corresponding period one year ago. Moderating employment growth, rising prices, and increased competition from the new home market are expected to add downward pressure to the resale market throughout 2004. However, by year-end the decline in sales will be moderate as counteracting forces such as declining mortgage rates, above average migration, and persistently low unemployment rates will sustain demand for housing. CMHC expects that by year-end 2004, sales will record 16,000 transactions, nearly a two per cent decline year-over-year.

As seen in 2003, a healthy supply of listings will help support brisk home sales in 2004. After reaching a record low of 1,609 units in January 2002, active listings have been slowly recovering. On average, active listings in 2003 were 64 per higher then 2002 levels, returning to levels more consistent with the long-term average. Strong demand in 2003 coincided with rising listings, resulting in moderating price growth. So far this year, active listings have continued to trend upwards. At the end of February, there were 4,117 resale homes listed through the Edmonton Real Estate Board, 41 per cent more than the corresponding period one year earlier. Higher inventories in the new home market, combined with improved listings in the resale market, will maintain the healthy selection of homes throughout the year. Demand for housing is expected to maintain its robust pace and consumers are likely to take advantage of the improved selection in both the new home and resale market. However, declining mortgage rates and improved financing options will cause some consumers to purchase a new spec home, siphoning-off demand for older existing homes sold on the MLS®.

The sales-to-active listings ratio provides a good indication of the balance within the resale market. In 2002 Edmonton's resale market was classified as a strong seller's market, as the sales-to active-listings ratio peaked at 70 per cent. However, throughout 2003, the trend was on the decline moving to balanced conditions by the third quarter. In 2003, the sales-to-active listings ratio averaged 35 per cent. Notwithstanding other factors, this indicated balanced market conditions in Edmonton. The sale-to-active listings ratio was 29 per cent in February 2003, still considerably lower than levels recorded at the same time last year.

Chart 5

Sales-To-Active Listings Ratio



Source: EREB, February 2004

Table 1

MLS® SALES - SINGLE-DETACHED UNITS

January - December (% chg 2002/2003)

	Sales			Average Price ($)		
	2002	2003	%chg	2002	2003	%chg
Northwest	413	393	-4.84	143,970	156,229	8.51
North Central	1,258	1,567	24.56	165,887	180,062	8.54
Northeast	586	589	0.51	139,590	153,905	10.26
Central	616	534	-13.31	105,542	120,402	14.08
West	1,063	1,045	-1.69	203,634	212,471	4.34
Southwest	1,119	1,235	10.37	237,583	252,282	6.19
Southeast	1,506	1,593	5.78	163,200	177,888	9.00
St. Albert	764	893	16.88	209,959	217,049	3.38
Sherwood Park	777	891	14.67	203,365	214,616	5.53
Leduc	247	245	-0.81	163,455	170,201	4.13
Spruce Grove	271	303	11.81	161,121	171,416	6.39
Stony Plain	134	142	5.97	170,169	179,560	5.52
Morinville	103	109	5.83	137,771	147,253	6.88
Ft. Saskatchewan	165	184	11.52	152,779	163,096	6.75
All EREB areas	10,411	11,097	6.59	171,599	185,569	8.14

Source: EREB

Price Growth to Moderate in 2004

In 2003, average prices for existing homes increased considerably due to a combination of strong demand and a shortage of lower-priced listings. Following gains of 7.4 and 12.6 per cent in 2001 and 2002, respectively, average resale prices on the MLS® increased by 10 per cent in 2003, reaching an average of $165,432. The 10 per cent gain in year-over-year price represents the third highest price growth on record. Improved listings in 2003 provided consumers with more choice, resulting in record condominium sales and the second best year on record for single-family sales. Year-over-year average price gains of 8.1 and 13.6 per cent, respectively, were reported last year for single-family and condominium units.

In 2004, all indicators support weaker price growth. In particular, increased supply in the resale and new home market will provide consumers with ample choice, boosting the competitiveness in the housing market. Moreover, realizing the number of units under $150,000 are scarce, builders are looking to produce more products in that price range; albeit a growing segment will be semi-detached rather than single-detached units at that price point. Increased competitiveness will result in weaker resale price growth in 2004. The higher listings and weaker sales are expected to cause the price growth to moderate to the six-to-seven per cent range, reaching an average total MLS® price of $176,000.

Condominium Market Remains Strong

In 2003, condominiums priced under $100,000 were the most popular capturing 30 per cent of condominium sales. However, this price segment has been rapidly shrinking in recent years due to the steady price increases for both existing and new condos in Edmonton. Condos typically provide an affordable housing option for many first-time buyers. With last year's surge in both new and resale single-family house prices, the appeal of moderately priced condominiums has grown. In fact, by the end of 2003, average condo prices on the MLS® increased by 13.6 per cent to $124,671.

Demand for resale condominiums reached record levels in 2003, with sales of 4,268 units. This year the supply of listings in the condominium market will again be enhanced by an influx of new listings. New condominium listings entering the market were up by 30 per cent in 2003. To the end of February, new condo listings were 23 per cent higher than witnessed in the first two months of 2003. The higher supply levels in both the resale and new condo markets suggest that prices should not increase at the double-digit rate recorded in the past few years. Despite this, the affordability impacts of rising prices combined with increased competition from recently completed new units will undermine sales of existing (resale) condos in 2004.

Spotlight on Affordability

Home ownership costs will head upward this year in the face of higher house prices, but will be tempered by low mortgage rates. In 2003, declining mortgage rates helped offset higher average house prices in both the new and existing home markets. This year, persistently low mortgage rates will continue to benefit those seeking homeownership.

Thanks to declining mortgage rates in 2003, the average income required to purchase a single family resale home increased by three per cent, nearly five percentage points lower than the eight per cent hike in average resale prices. At $1,348 per month, the average monthly carrying costs (principal, interest, taxes) in 2003 increased by three per cent; also lower than the gain in average prices. In 2004, comparatively weaker price growth and lower mortgage rates indicate that a typical household will need to earn five per cent more income to afford an average single-family resale home. Such requirements will still push some buyers out of the market, but for people who do not see an end to price increases, declining mortgage rates may provide them further incentive to enter the market.

Table 2
Rising Ownership Costs Tempered by Low Mortgage Rates

Year	Ave. sing-det resale price	Yr/Yr % change	5-yr. closed mortgage rate	Monthly PITH	Required gross yearly income	Yr/Yr % change
1996	$118,204		7.93	$967.53	$36,282.49	
1997	$123,412	4.41%	7.07	$946.83	$35,506.23	-2.14%
1998	$128,290	3.95%	6.93	$972.40	$36,464.99	2.70%
1999	$133,442	4.02%	7.56	$1,058.02	$39,675.85	8.81%
2000	$139,943	4.87%	8.35	$1,180.86	$44,282.29	11.61%
2001	$150,875	7.81%	7.40	$1,179.99	$44,249.80	-0.07%
2002	$171,599	13.74%	7.02	$1,303.71	$48,889.28	10.48%
2003	$185,568	8.14%	6.39	$1,348.26	$50,559.63	3.42%
2004*	$197,000	6.16%	6.13	$1,415.98	$53,099.37	5.02%

Source: EREB

Rental Market

Vacancies To Rise In 2004

Following a 3.4 per cent vacancy rate in October 2003, CMHC expects apartment vacancies will climb to 4.0 per cent in 2004 due to added new supply and continued losses to home ownership. In 2003, rising vacancies occurred largely in response to increased rental supply and renters turning to home ownership following two years of strong rent increases.

Among factors pointing to higher vacancies, low mortgage rates stand out as the most influential. Mortgage rates are at historical lows and are expected to record further declines in 2004. Low mortgage rates have continued to deliver a stream of first-time buying activity. The impact of the exodus of renters to ownership was first felt in 2002. However, it is expected that this trend is not complete, as many renters heading for homeownership are awaiting the completion of their newly constructed units. With record levels of multiple-family units under construction, especially condominiums, expect to see renters vacating their units once many reach completion. Another factor pointing toward higher vacancies include the increase in the number of newly completed rental units currently unoccupied. As of February 2004, rental inventories were at 371 units, a 35 per cent increase over the second month of the previous year. Moreover, at 57 per cent, rental units account for the majority of multiple units in inventory in the Edmonton CMA.

Higher inventories combined with another 1,075 rental units under construction in February indicate that rental vacancies will increase across the region this year. Other factors pointing toward higher vacancies include weaker net migration and indirect additions to the rental stock via condominium investments targeted at the rental market. These impacts will be comparatively minor since newcomers to Edmonton will still add to rental demand, just at a lesser rate as in-migration throttles-back.

Rent Increases Expected To Remain Modest

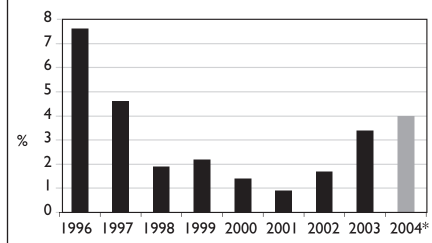
Despite higher vacancies, the pace of rental rate increases is expected to rise, although the rate of increases will remain modest compared with those witnessed in 2001-2002. Following a 1.8 per cent increase in 2003 to $722 per month, tenants will see average two-bedroom rents rise by 2.5 per cent during the 12-month period ending October 2004. The new product entering the rental market tends to be priced at the upper end. This will be one factor leading to increases in average rental rates, as these new units are typically priced well above the overall average. However, for the vastly larger amount of older existing rental product, landlords will be increasingly reluctant to boost rents to hedge the risk of higher vacancies. In fact, some owners may elect to cut rents or provide other incentives to attract and retain tenants. However, higher gas prices, insurance rates, labour costs, and taxes will undoubtedly add to operating expenses and property owners will attempt to recover such increases via rental rate hikes.

Condominiums Provide Rental Competition

With weakness in the stock market over the last few years, many investors have been turning to condominium purchases as an alternative investment channel. Moreover, several renters looking to enter ownership are choosing condominiums. Total new apartment condominium construction remains stronger than ever, recording record levels in 2003 of 4,181 units. As the 5,055 units under construction in February are completed in the coming months, we can expect a boost in rental vacancies this fall. However, given escalating vacancy rates, many such condominium investors may not be able to secure required rents to cover the monthly mortgage payments. For this reason, many may decide to sell their units to primary owners, and re-inject their capital into traditional investment sources. While this trend will help to mitigate the rising vacancies in 2004, it is likely to be outweighed by the number of people looking to enter home ownership.

Chart 6

Higher Apartment Vacancies



Source*Forecast: CMHC

Mortgage Rate Outlook

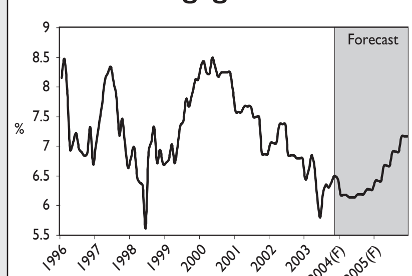
A combination of a slowing Canadian economy, an improving Canadian dollar, and low inflation will lead the central bank to hold the interest rates in the months ahead. As a result, mortgage rates are forecast to remain relatively flat throughout the year, yet remain low by historical standards.

Short-term mortgage rates move in tandem with the prime rate while mid- and long-term mortgage rates vary in response to the cost of raising funds in the bond markets with the same maturities. Therefore, low interest rates in those markets call for posted mortgage rates to stay low over the next few quarters. Spreads between mortgage rates and comparable bond yields have remained at 150-250 bps in the last few years, providing lenders with some room to allow for discounts from the posted rates. These spreads and discounts are likely to persist in the near term. One, three and five-year posted closed mortgage rates are expected to remain relatively flat for the remainder of 2004, perhaps rising by 25 basis points.

In 2004, the one-year mortgage rate will average near 4.18 per cent compared to 4.84 per cent in the previous year. Five-year mortgage rates have started the year near 6.12 per cent, but will rise in the second half of 2004 reaching 6.21 per cent by the fourth quarter. Despite the increase in the second half of 2004, expect the five-year mortgage rate to average 6.13 per cent for the year, slightly lower then the 6.39 recorded in 2003.

Chart 7

Canada - Five Year Mortgage Rate



Source: Bank of Canada, CMHC Forecast

Economic Overview

Strong Investment Spending

Strong energy prices and a strengthening North American economy have fuelled increased investment activity in Northern Alberta and the Edmonton region. The region's economy continues to benefit from economic spin-offs from investment in Northern Alberta, which will sustain employment growth, net in-migration and keep consumer spending strong.

Multi-year investments related to the oil, gas, and oilsands industry include $600 million for Alberta Heartland Bitumen Upgrader project, $220 million for Strathcona refinery upgrades by Imperial Oil, $1.2 billion for conversion to upgrade bitumen by Petro-Canada Oil, and $600 million for Genesee Power Plant Phase II by EPCOR Utilities Inc. These investments will ensure that Edmonton continues to develop as the manufacturing hub of the oil and gas sector. Reliance on the energy sector benefits many goods-producing industries, most notably in the manufacturing sector. The Athabasca Oil sands bitumen upgrader is one of the country's largest refineries, and is located within the city's borders.

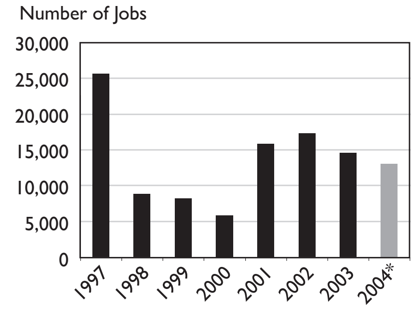
Other multi-year projects that will have a significant impact on the Edmonton economy include $920 million spent on commercial, retail and residential developments, $480 million on infrastructure development, $738 million on LRT expansion, $239 million will be spent by Capital Health for institutional expansions and developments, $165 million for a health innovation research centre, $395 million on tourism and recreational facilities, and the $24 million expansion of the Shaw Conference Centre. Any slowdown in housing market construction will be offset by the large amount of non-residential construction expected to take place in 2004. Overall, strong investments typically result in job and income growth. This, combined with low interest rates, will ensure consumer and business confidence remains strong in Edmonton.

In 2003, overall job creation in the Edmonton CMA recorded impressive gains. At 14,625 new positions, employment growth was 2.8 per cent higher than 2002. However, of the total jobs created, only 8,700 were full-time positions while 5,950 of them were part time positions. With fewer full-time jobs created last year, there are implications for housing demand this year as full-time job creation is an important factor influencing home purchases in the following months.

High energy prices and strong investment in projects in northern Alberta and the Edmonton region will keep employment growth reasonably strong in 2004 and help maintain the low unemployment rate. However, strong job growth over the past few years elevated the number of job seekers in the labour market, increasing the participation rate. Without a drop in the participation rate, labour force growth will outpace employment growth in 2004, causing the unemployment rate to rise to 5.3 per cent in 2004.

Despite poor full-time employment growth in 2003, positive fundamentals exist that should contribute to employment growth of 13,000 jobs in 2004, representing an increase of 2.4 per cent. Oil prices climbed steadily throughout most of 2002 and 2003, averaging over $30 U.S. per barrel in 2003. As a result, higher revenues encouraged energy companies to proceed with several projects, indicating that they will also engage in new hiring throughout 2004. Another positive result from the rise in oil and natural gas prices is the windfall of energy royalties to the provincial government. The latest provincial budget will boost infrastructure spending which should continue to fuel the demand for construction labour and bolster consumer and business across the Capital region.

Chart 8
Annual Total Employment Growth



Source: Statistics Canada, CMHC Forecast

Net Migration to Slow Following Huge Surge

After three consecutive years of stable migration, the Edmonton CMA experienced a spike in net migration in 2002 totalling 12,485 people. Migration levels are expected to retreat from this level to 9,500 and 9,000 migrants, respectively, in 2003 and 2004. Since Edmonton is currently recording virtually full employment, the lack of migrants will hamper some of the employment growth as it will be a challenge for businesses to find quality applicants while trying to keep the labour costs to a minimum. Weakening job prospects is one factor that will contribute to the migration declines. Another factor that will influence migration levels is the prospects in other centres. Attracting migrants to Edmonton will become more difficult as other provinces, such as British Columbia, record economic growth.

FORECAST SUMMARY

EDMONTON HOUSING MARKET OUTLOOK

MARCH 2004

	2001	2002	% Chg	2003	% Chg	2004*	% Chg
RESALE MARKET							
MLS® Sales							
Single-family	11,278	10,411	-7.7	11,097	6.6	10,900	-1.8
Condominium	3,792	4,194	10.6	4,268	1.8	4,200	-1.6
Total	16,079	15,619	-2.9	16,277	4.2	16,000	-1.7
MLS® Price							
Single-family	150,875	171,599	13.7	185,568	8.1	197,000	6.2
Condominium	92,592	109,726	18.5	124,671	13.6	133,000	6.7
Average	133,442	150,258	12.6	165,432	10.1	176,000	6.4
NEW HOME MARKET							
Complete and unoccupied (Dec)							
Single-family	370	318	-14.1	736	131.4		
Multiple-family(semi,row,apt)	507	453	-10.7	729	60.9		
Start							
Single-family	4,959	6,860	38.3	6,391	-6.8	5,750	-10.0
Multiple-family	2,896	5,721	97.5	5,989	4.7	5,000	-16.5
Total	7,855	12,581	60.2	12,380	-1.6	10,750	-13.2
Average New House Price							
Single-family	188,630	204,922	8.6	223,507	9.1	238,000	6.5
RENTAL MARKET							
Vacancy rate (Oct)	0.9	1.7		3.4		4.0	
Rental rate, 2 bdrm (yr/yr % chg)	8.8	8.4		1.8		2.5	
FORECAST ASSUMPTIONS							
Mortgage rate (3 yr term)	6.88	6.28		5.79		5.51	
Mortgage rate (5 yr term)	7.4	7.02		6.37		6.2	
Employed	504,825	522,050	3.4	536,675	2.8	549,675	2.4
Employment growth (# jobs)	15,925	17,225		14,625		13,000	
Unemployment rate	4.9	5.1		5.1		5.3	
Net-migration (May 1-April 30)	7,158	12,485		9,500		9,000	

** CMHC Forecast*

Source: CMHC, Statistics Canada, Edmonton Real Estate Board

1 Multiple Listing Service (MLS®) is a registered certification mark owned by the Canadian Real Estate Association.