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Canada Mortgage and Housing Corporation

New Homes

Single Starts maintain strong pace into 2003

Low mortgage rates and a strong resale market at the end of 2002 spurred more households to make the decision to purchase a new single home in the first quarter of 2003. In addition, strong activity in the resale market drove prices higher encouraging greater move-up activity. First quarter single starts dropped 6% to 519 units compared to the same period last year. However, the number of single units started in the first quarter of 2003 is the second highest single starts in a first quarter of a year in Kitchener. On a seasonally adjusted annual rate (SAAR) basis, single detached starts activity improved to 2,755 SAAR level in the 1st quarter up from 2,726 SAAR in the 4th quarter but down from a

peak of 3,330 SAAR in the 2nd quarter of 2002.

By municipality, Kitchener recorded the highest level of starts in 2003 due to a 12% jump in single starts. Cambridge came in second. The townships of Woolwich and North Dumfries recorded 11 and 4 starts respectively.

The decline in quarterly housing starts was centered in Waterloo. Total starts fell 46% due to a significant drop in single starts to 127 units. The decline has been attributed to the unavailability of land for smaller builders.

Overall, total residential housing starts fell by 10% in the first quarter of 2003. Multi family starts fell 23% compared to the same period in 2002. The decline in multi family starts can be attributed to a 70% drop in rental apartment starts.

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Single Detached Market

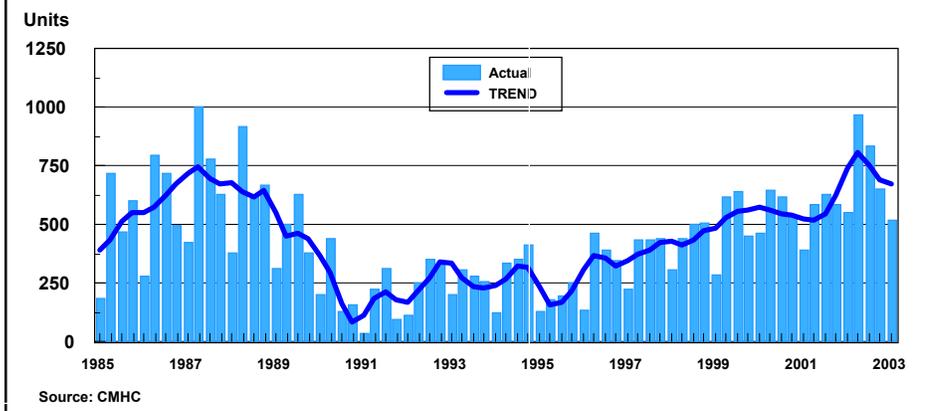
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Similar to the trend in single starts, the decline in multi family construction was centered in the city of Waterloo.

Quarterly Single Starts Kitchener CMA



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Resale Market

Resale Market edges towards a balanced market in Kitchener-Waterloo in 1st Quarter

The Kitchener-Waterloo resale market in the 1st quarter of 2003 slowed from the strong performance seen in 2002 with sales at 1,195 units down 9.6% compared to the same period in 2002. Average price at \$185,866 in the 1st quarter increased 8.4% compared to last year. The strong price increase attracted more units into the market in 2003 as new listings edged up. The slowdown in sales in combination with the increase in new listings pushed the sales to new listings ratio down to 59.6% in the first quarter of 2003. The market has edged into a balanced position for the first time since 1999. However, price increases continue to be expected as the market remains close to a seller's market.

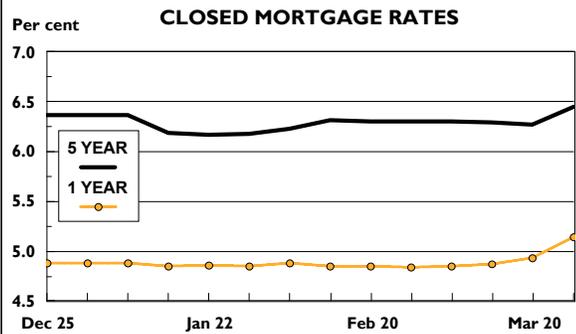
The sales trend adjusted for the time of year indicates that demand in the 1st quarter of 2003 dropped sharply over the previous three months due to higher carrying costs. On a seasonally adjusted annual rate (SAAR) basis, 1st quarter sales fell 10% to 4,893 units (SAAR) from the 4th quarter of 2002. However, prior to 2002, SAAR sales reached above the 4,890 unit level only once in the 1990s.

MORTGAGE RATES

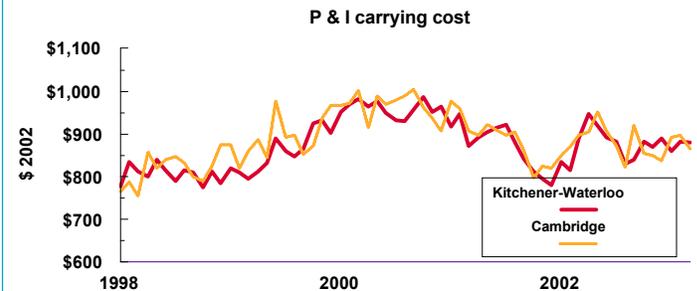
Inflation fears result in higher rates in First quarter of 2003

Strong job growth in Canada and inflation above the 4 per cent level resulted in the Bank of Canada increasing the bank rate in the first quarter of 2003. As a result, the market raised expectations of additional Bank of Canada intervention and consequently, mortgage rates followed the bank rate up in March. The five year closed rate rose from 6.37 per cent at the beginning of January to 6.45 per cent at the end of March. Similarly, the one year closed rate rose from 4.88 per cent to 5.14 per cent in the same period. The point spread between short and long term rates edged down at the end of March as intervention by the Bank of Canada in 2003 was factored into the market and long term rates increased at a slower pace.

Mortgage Rates jump in March...

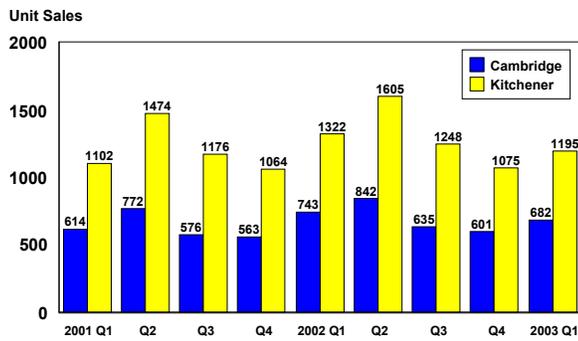


Carrying costs edge up in Kitchener-Waterloo and in Cambridge



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

Sales down in First quarter from Peak in 2002



Source: CREA, Kitchener-Waterloo Real Estate Board

Cambridge

Sales in the Cambridge Real Estate Board territory in the first quarter fell 8.2% to 682 units while average price at \$187,354 increased 5.8% compared to last year. Strong sales and increased prices did not draw more new listings into the market. New listings fell 7.5% to 989 units. However, since new listings fell at a slower pace compared to sales, the sales to new listings ratio dropped to 73.5% in the first three months of 2003.

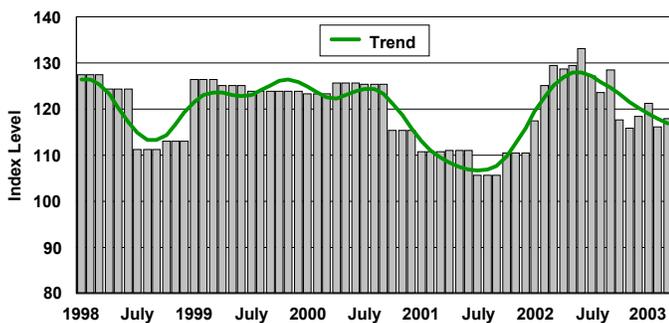
Similar to the Kitchener market, trends in the Cambridge resale market showed that sales fell in the 1st quarter of 2003 from the strong showing in the previous quarter. On a seasonally adjusted annual rate (SAAR) basis, 1st quarter sales fell to 2,672 units (SAAR) down 11% from the 4th quarter of 2002.

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

	Ownership						Rental		Total
	Single	Freehold Semi	Row	Condominium Row	Apt.	Row	Apt.		
Kitchener CMA									
First Quarter 2003	519	28	61	0	0	0	20	628	
First Quarter 2002	553	24	43	8	0	0	67	695	
Percent Change	-6.1%	16.7%	41.9%	-100.0%	NA	NA	-70%	-9.6%	
Kitchener City									
First Quarter 2003	200	16	27	0	0	0	4	247	
First Quarter 2002	178	4	29	8	0	0	4	223	
Percent Change	12.4%	300.0%	-6.9%	-100.0%	NA	NA	0.0%	10.8%	
Waterloo City									
First Quarter 2003	127	8	10	0	0	0	12	157	
First Quarter 2002	208	12	10	0	0	0	63	293	
Percent Change	-38.9%	-33.3%	0.0%	NA	NA	NA	-81.0%	-46.4%	
Cambridge City									
First Quarter 2003	177	4	24	0	0	0	4	209	
First Quarter 2002	148	6	4	0	0	0	0	158	
Percent Change	19.6%	-33.3%	500.0%	NA	NA	NA	NA	32.3%	
North Dumfries Township									
First Quarter 2003	4	0	0	0	0	0	0	4	
First Quarter 2002	12	0	0	0	0	0	0	12	
Percent Change	-66.7%	NA	NA	NA	NA	NA	NA	-66.7%	
Woolwich Township									
First Quarter 2003	11	0	0	0	0	0	0	11	
First Quarter 2002	7	2	0	0	0	0	0	9	
Percent Change	57.1%	-100.0%	NA	NA	NA	NA	NA	22.2%	

Source: CMHC

International Events and Uncertainty lowers Consumer confidence in 2003....



Inflation up sharply in Qrt 1 2003

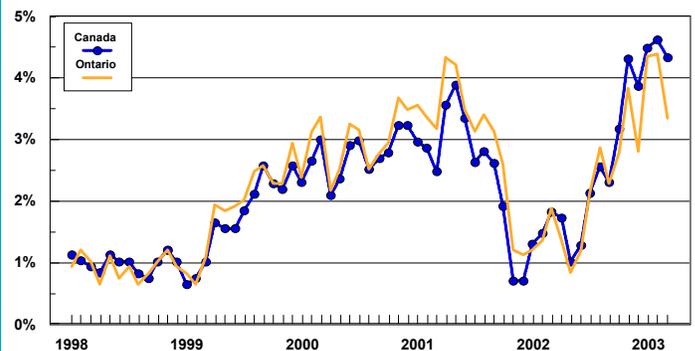


Table 2: Housing Activity Summary - 2002/01
Kitchener Census Metropolitan Area (CMA)

	Ownership					Rental		Total
	Single	Freehold Semi	Row	Condominium Row	Apt.	Row	Apt.	
1. STARTS								
First Quarter 2003	519	28	61	0	0	0	20	628
First Quarter 2002	553	24	43	8	0	0	67	695
Percent Change	-6.1%	16.7%	41.9%	-100.0%	NA	NA	-70.1%	-9.6%
2. UNDER CONSTRUCTION								
End of First Quarter 2003	849	40	286	31	0	6	1391	2,603
End of First Quarter 2002	719	50	224	120	0	12	1091	2,216
Percent Change	18.1%	-20.0%	27.7%	-74.2%	NA	-50.0%	27.5%	17.5%
3. COMPLETIONS								
First Quarter 2003	536	26	126	4	0	0	8	700
First Quarter 2002	429	22	30	15	0	0	2	498
Percent Change	24.9%	18.2%	320.0%	-73.3%	NA	NA	300.0%	40.6%
4. COMPLETED & NOT ABSORBED								
End of First Quarter 2003	114	9	49	14	4	0	1	191
End of First Quarter 2002	141	17	55	4	4	0	84	305
Percent Change	-19.1%	-47.1%	-10.9%	250.0%	0.0%	NA	-98.8%	-37.4%
5. TOTAL SUPPLY: 2. + 4.								
March 2003	963	49	335	45	4	6	1392	2,794
March 2002	860	67	279	124	4	12	1175	2,521
Percent Change	12.0%	-26.9%	20.1%	-63.7%	0.0%	-50.0%	18.5%	10.8%
6. ABSORPTIONS								
First Quarter 2003	532	30	122	7	0	0	8	699
First Quarter 2002	419	18	25	15	1	0	2	480
Percent Change	27.0%	66.7%	388.0%	-53.3%	-100.0%	NA	300.0%	45.6%
March 2003	208	10	36	0	0	0	6	260
3-Month Average	198	12	35	5	0	0	1	251
12-Month Average	234	13	34	9	0	1	18	309

Source: CMHC

MARK YOUR CALENDAR

Tuesday morning, October 21, 2003

Waterloo Inn and Conference Centre

CMHC's 6th annual Kitchener Housing Outlook Conference.

For further information about the Kitchener 2003 Housing Outlook Conference or to discuss Sponsorship Opportunities, call **Jim Koppang at 1-519-873-2429**

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

	Annual 2002		4th Quarter 2002		1st Quarter 2003		1st Quarter 2002	
	Units	Percent	Units	Percent	Units	Percent	Units	Percent
Kitchener CMA								
< \$130,000	1	0.0%	0	0.0%	0	0.0%	0	0.0%
\$130,000 to \$149,999	25	0.9%	6	0.7%	5	0.9%	1	0.2%
\$150,000 to \$174,999	400	14.5%	106	12.9%	71	13.3%	93	22.2%
\$175,000 to \$189,999	504	18.2%	136	16.6%	122	22.9%	92	22.0%
\$190,000 to \$219,999	674	24.4%	214	26.1%	134	25.2%	76	18.1%
\$220,000 to \$249,999	322	11.6%	90	11.0%	59	11.1%	44	10.5%
\$250,000+	841	30.4%	267	32.6%	141	26.5%	113	27.0%
Total	2,767	100.0%	819	100.0%	532	100.0%	419	100.0%
Median Price		\$200,000		\$205,000		\$200,000		\$196,071
Average Price		\$229,102		\$233,382		\$227,926		\$219,799
Kitchener City								
< \$130,000	0	0.0%	0	0.0%	0	0.0%	0	0.0%
\$130,000 to \$149,999	1	0.1%	0	0.0%	0	0.0%	0	0.0%
\$150,000 to \$174,999	45	5.1%	11	3.9%	2	1.4%	9	8.2%
\$175,000 to \$189,999	254	28.5%	68	23.9%	52	35.9%	42	38.2%
\$190,000 to \$219,999	145	16.3%	54	19.0%	20	13.8%	13	11.8%
\$220,000 to \$249,999	87	9.8%	32	11.3%	15	10.3%	4	3.6%
\$250,000+	359	40.3%	119	41.9%	56	38.6%	42	38.2%
Total	891	100.0%	284	100.0%	145	100.0%	110	100.0%
Median Price		\$220,000		\$222,500		\$200,000		\$192,790
Average Price		\$239,285		\$241,211		\$240,861		\$232,211
Cambridge City								
< \$130,000	0	0.0%	0	0.0%	0	0.0%	0	0.0%
\$130,000 to \$149,999	3	0.4%	2	0.8%	1	0.5%	0	0.0%
\$150,000 to \$174,999	184	21.6%	49	19.8%	32	16.4%	58	32.4%
\$175,000 to \$189,999	149	17.5%	39	15.7%	52	26.7%	37	20.7%
\$190,000 to \$219,999	268	31.5%	77	31.0%	46	23.6%	44	24.6%
\$220,000 to \$249,999	124	14.6%	31	12.5%	37	19.0%	24	13.4%
\$250,000+	123	14.5%	50	20.2%	27	13.8%	16	8.9%
Total	851	100.0%	248	100.0%	195	100.0%	179	100.0%
Median Price		\$199,999		\$204,379		\$199,358		\$187,000
Average Price		\$208,645		\$213,829		\$208,509		\$197,529
Waterloo City								
< \$130,000	0	0.0%	0	0.0%	0	0.0%	0	0.0%
\$130,000 to \$149,999	11	1.2%	2	0.8%	4	2.3%	0	0.0%
\$150,000 to \$174,999	154	17.0%	45	17.2%	37	20.9%	23	20.7%
\$175,000 to \$189,999	100	11.1%	28	10.7%	17	9.6%	13	11.7%
\$190,000 to \$219,999	252	27.9%	81	31.0%	67	37.9%	18	16.2%
\$220,000 to \$249,999	101	11.2%	25	9.6%	7	4.0%	15	13.5%
\$250,000+	286	31.6%	80	30.7%	45	25.4%	42	37.8%
Total	904	100.0%	261	100.0%	177	100.0%	111	100.0%
Median Price		\$200,000		\$200,000		\$200,000		\$220,000
Average Price		\$226,556		\$224,839		\$228,218		\$233,222
North Dumfries Township								
< \$130,000	0	0.0%	0	0.0%	0	0.0%	0	0.0%
\$130,000 to \$149,999	4	6.9%	0	0.0%	0	0.0%	1	14.3%
\$150,000 to \$174,999	14	24.1%	0	0.0%	0	0.0%	2	28.6%
\$175,000 to \$189,999	0	0.0%	0	0.0%	0	0.0%	0	0.0%
\$190,000 to \$219,999	5	8.6%	1	7.7%	1	0.5%	1	14.3%
\$220,000 to \$249,999	10	17.2%	2	15.4%	0	0.0%	1	14.3%
\$250,000+	25	43.1%	10	76.9%	4	2.1%	2	28.6%
Total	58	100.0%	13	100.0%	5	100.0%	7	100.0%
Median Price		\$236,500		\$300,000		\$300,000		\$215,000
Average Price		\$258,983		\$352,308		\$317,000		\$216,000
Woolwich Township								
< \$130,000	1	1.6%	0	0.0%	0	0.0%	0	0.0%
\$130,000 to \$149,999	6	9.5%	2	15.4%	0	0.0%	0	0.0%
\$150,000 to \$174,999	3	4.8%	1	7.7%	0	0.0%	1	8.3%
\$175,000 to \$189,999	1	1.6%	1	7.7%	1	10.0%	0	0.0%
\$190,000 to \$219,999	4	6.3%	1	7.7%	0	0.0%	0	0.0%
\$220,000 to \$249,999	0	0.0%	0	0.0%	0	0.0%	0	0.0%
\$250,000+	48	76.2%	8	61.5%	9	90.0%	11	91.7%
Total	63	100.0%	13	100.0%	10	100.0%	12	100.0%
Median Price		\$335,000		\$365,000		\$425,000		\$326,250
Average Price		\$370,416		\$487,962		\$369,290		\$316,252

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

	Kitchener-Waterloo	Cambridge
First Quarter 2003	1,195	682
First Quarter 2002	1,322	743
Percent Change	-9.6%	-8.2%

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

	Kitchener-Waterloo	Cambridge
First Quarter 2003	2,004	989
First Quarter 2002	1,949	1,069
Percent Change	2.8%	-7.5%

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

	Kitchener-Waterloo	Cambridge
First Quarter 2003	\$185,866	187,354
First Quarter 2002	\$171,406	\$177,004
Percent Change	8.4%	5.8%

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

	Kitchener-Waterloo	Cambridge
First Quarter 2003	59.6%	73.5%
First Quarter 2002	67.8%	78.3%
Percent Change	-8.2%	-4.8%

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

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For more information, or to order by phone, call 1-800-668-2642.

Single-Detached Market

Single Sales By Type and Municipality 2003 Quarter I

	Bungalow		Split Level		1½ Storey		2 Storey		Other		Unknown		Total	
	Sales	Price	Sales	Price	Sales	Price	Sales	Price	Sales	Price	Sales	Price	Sales	Price
Cambridge	23	\$207,232	7	\$214,443	5	\$206,223	137	\$208,764	23	\$206,957	0	\$0	195	\$208,509
Kitchener	12	\$330,000	1	\$180,000	2	\$180,000	129	\$230,619	0	\$0	1	\$675,000	145	\$240,861
Waterloo	13	\$265,659	2	\$197,500	0	\$0	149	\$227,081	0	\$0	13	\$208,528	177	\$228,218
Woolwich	7	\$354,714	1	\$259,900	0	\$0	2	\$475,000	0	\$0	0	\$0	10	\$369,290
North Dumfries	4	\$293,750	0	\$0	1	\$410,000	0	\$0	0	\$0	0	\$0	5	\$317,000
Kitchener CMA	59	\$268,439	11	\$212,364	8	\$225,139	417	\$223,347	23	\$206,957	14	\$241,848	532	\$227,926

Sales of mid-priced singles continue to gain in popularity in First Quarter of 2003

The lack of supply of units in the resale market boosted sales of mid priced new single homes in the first quarter of 2003. Sales of new single detached homes priced between \$175,000 to \$189,999 jumped from 17% of sales in the fourth quarter of 2002 to 23 per cent of sales between January and March 2003 in the Kitchener CMA. This shift in sales impacted the average new single price in two of the three major municipalities. The average sale price of a new single family home in Cambridge at \$208,509 fell 2% compared to the fourth quarter of 2002. In Kitchener, average price edged down 0.1% in the same period to \$240,861 but the median* price dropped sharply from \$222,500 to \$200,000. In Waterloo, a jump in sales priced below \$175,000 was offset by an increase of sales priced between \$190,00 to \$219,900. As a result, average price in Waterloo increased 1.5% to \$228,218 compared to the last quarter of 2002.

In addition, the average price was affected by a shift in sales away from Kitchener to Cambridge and Waterloo. Sales in

Kitchener fell to 30% of sales in the first quarter as total sales jumped 34% compared to the previous quarter but in Waterloo sales doubled in the first quarter and formed 38% of total sales in the Kitchener CMA. Cambridge, an area that has a large proportion of building activity in the lower price range jumped 48% to 27% of all sales in the first quarter. Since the average price of a new single in Waterloo and Cambridge is lower than in Kitchener, average price dropped compared to the last quarter of 2002.

CMHC's Starts & Completions Survey records the sale of a single at completion. As a result, the percentage of units sold at completion is a good indicator of the strength of the new single market. In Cambridge, the percentage of single homes sold at completion reached 93% in the first quarter of 2003 compared to 82% of singles in Kitchener and 80% in Waterloo. The unsold supply of new singles remains across all three major municipalities. As a result, the high number of units sold at completion suggests that the starts will not be impacted by changes in demand in 2003.

*The median price indicates the mid-point of new home prices; one-half of all new home prices are above and one-half of all new home prices are below the median price. The median price differs in definition from the mean new home price, which is the average of all new home prices.

Single Detached by Municipality 2003 Qrt I

Municipality	Price	% Chg	Under Cnst.	Unsold Supply	Total Supply	Sales	Cmpl.	Sold at Cmpl.	% Sold at Compl	Months of Supply
Kitchener	\$240,861	3.7%	319	57	376	145	154	126	81.8%	7.8
Waterloo	\$228,218	-2.1%	209	42	251	177	166	133	80.1%	4.3
Cambridge	\$208,509	5.6%	287	14	301	195	202	187	92.6%	4.6
North Dumfries	\$317,000	38.0%	16	0	16	5	5	5	100.0%	9.6
Woolwich	\$369,290	16.8%	18	1	19	10	9	7	77.8%	5.7
Kitchener CMA	\$227,926	3.7%	849	114	963	532	536	458	85.4%	5.4

Table 8: Economic Indicators

	Interest and Exchange Rates			NHPI (1996=100)	Kitchener CMA	
	Bank Rate	Mtg. Rate 3 Yr. Term	Exch. Rate (\$US/\$CDN)		Employment Ratio (%)	Unemployment Rate (%)
2002						
January	2.25	5.60	62.80	110.8	65.0	6.5
February	2.25	5.61	62.18	110.9	64.7	6.7
March	2.25	5.97	62.75	111.0	64.3	6.8
April	2.50	6.35	63.96	111.2	64.3	6.0
May	2.50	6.40	65.16	113.6	64.5	5.5
June	2.75	6.40	65.76	115.0	65.0	5.0
July	3.00	6.33	63.12	114.9	65.3	5.4
August	3.00	6.02	64.12	115.2	65.5	5.5
September	3.00	5.92	63.41	114.8	65.3	6.0
October	3.00	5.90	64.20	115.2	65.6	5.4
November	3.00	5.83	63.54	115.8	65.6	5.2
December	3.00	5.81	64.60	115.9	66.4	4.9
Average	2.71	6.01	63.80	113.5	65.4	5.7
2003						
January	3.00	5.79	62.80	115.8	66.5	5.3
February	3.00	5.81	62.18	116.8	66.1	6.3
March	3.25	5.84	62.75	n/a	65.5	6.5
Average	3.08	5.81	62.58	116.3	66.0	6.0

Source: Bank of Canada, CMHC, Statistics Canada, NHPI=New Housing Price Index

Note: Employment figures are seasonally adjusted 3 month moving average data.

Definitions

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

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

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

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

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

Absorption: the sale or lease of completed units.

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

Housing Now is published four times a year. An annual subscription to the Kitchener Housing Now is \$55 plus GST. The subscription also includes a 4-page Forecast Summary report as a supplement with the 1st and 3rd quarter Housing Now reports. For more information and to order; please call Ontario Market Analysis customer service at 1-800-493-0059.

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ORECAST

Kitchener

SUMMARY

Canada Mortgage and Housing Corporation

ISSUE:
SPRING 2003

New Home Market

2003 starts slow from 2002 peak

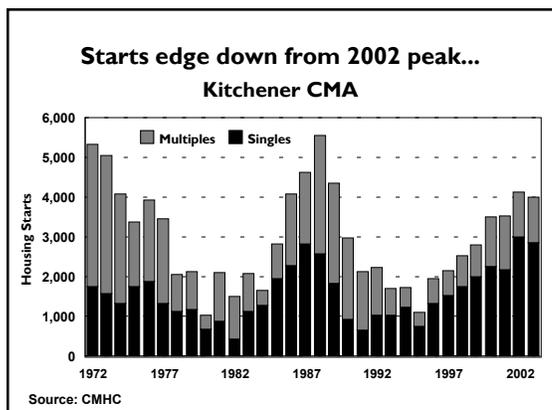
Coming off the strongest year for residential construction since 1989, housing starts are projected to edge down in the Kitchener CMA in 2003. With 3,007 single housing starts, the Kitchener CMA new home market set an all-time record for growth in 2002. As of March 2002, single detached starts fell 6% compared

Thus, total housing starts are forecast to fall 3% to 4,000 units compared to last year.

Decline in Multiple Activity limited to Rental Starts

As of March 2003, there were 1,391 rental apartments under construction representing a 27% increase in construction activity compared to March 2002. Although the rental market is forecast to tighten in 2003, the number of units coming on the market by the end of 2003 is expected to limit new rental starts to 425 units in 2003, down 13% from 2002. Rising carrying costs will increase demand for lower priced new semi and row freeholds units. Construction of semi-detached, row freehold and condo units will edge up to 725 starts in 2003 compared to last year.

New single prices are forecast to edge down by less than one per cent in 2003 to \$227,500. The



to the same period last year. However, the decline was centred in the city of Waterloo while single activity in the rest of the Kitchener area jumped 14%. The major factors driving the new home market this year include tight resale markets, higher mortgage rates, and a rebound in the local economy. For 2003 as a whole, single detached starts are forecast to decline 5% to 2,850 units, while multiples are expected to edge up 2% to 1,150 starts.

decline is due to a shift in the type of single sold and is not a decline in the price of new homes. Sales of singles priced between \$175,000 to \$219,999 formed over 40% of singles sold in 2002, up marginally from sales in 2001. This market will continue to remain in demand in 2003 as an alternative to the average resale unit. Singles priced over \$250,000 offer the type of features that move-up buyers with increased equity in

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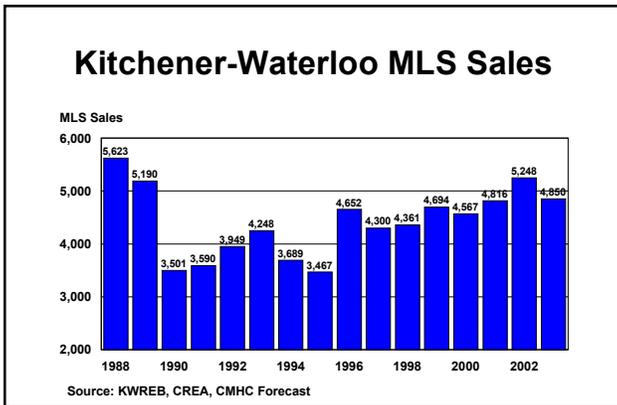
their existing home are looking for. However, as the resale market slows due to the rise in carrying costs, this market is expected to fall back to below 30% proportion of sales observed in 2001. As a result, new single prices are expected to remain stable.

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HOME TO CANADIANS
Canada

Resale Market: Sales down in 2003 but only in comparison to 2002 record levels



Kitchener-Waterloo sales still strong

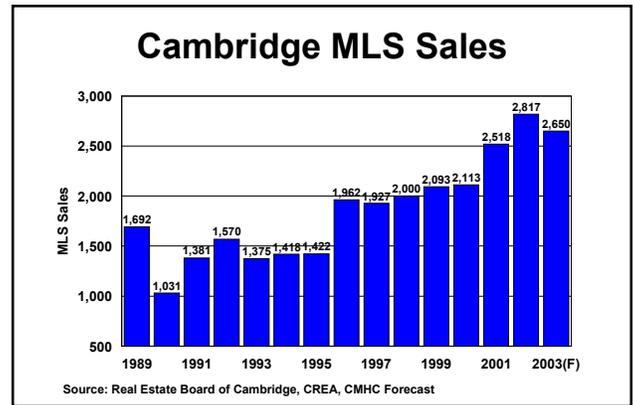
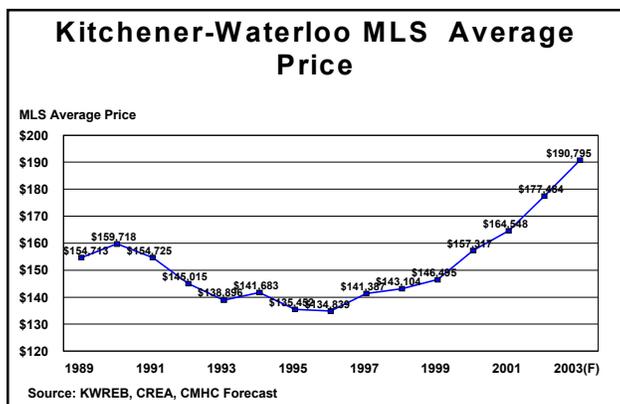
Rising mortgage rates, a decline in consumer confidence and international political uncertainty had little impact in the resale market in the first quarter of 2003. Expectation of further rate increases later this year and rising prices continued to draw households into the market seeking to make a move before carrying costs rise. MLS sales on a seasonally adjusted annual rate (SAAR) fell below the 5,000 unit level in the first quarter of 2003 for the first time since 2001. However, prior to 2002, the last time that SAAR sales reached above this level in a first quarter occurred in 1989.

Sales activity is expected to slowly edge down through the last three quarters of 2003 as rising mortgage rates and prices push carrying costs up. However, rate increases will be partially offset by a stronger local job growth and the higher home equity as average resale prices increase. In addition, discounting

continues to offset the rise in posted rates. For 2003, sales in the Kitchener-Waterloo resale market will edge down 5% to 4,850 units.

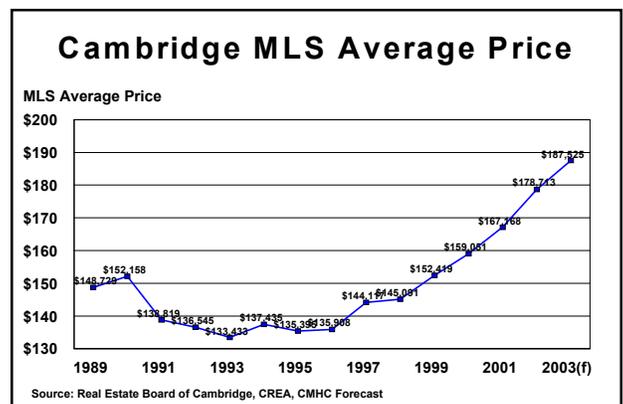
Since the beginning of 2001, the number of new listings has been steadily increasing as households take advantage of higher prices. In 2003, the supply of new listings will reach 7,250 units. In the first quarter, the seasonally adjusted sales to new listings ratio came in at 67.9%, down from 77.5% in the first quarter of 2002.

Although the balance of the market remains in favour of the seller, the decline in the sales to new listings ratio points to less pressure to raise prices in 2003. Average MLS price in 2002 jumped 7.9% over the previous year. So far in 2003, the average price has increased to \$185,866. For the Kitchener-Waterloo Real Estate Board, average price for 2003 as a whole will rise 8% to \$190,795.



Cambridge Average Price hits an all time high

The Cambridge resale market continues to thrive with seasonally adjusted annual rate (SAAR) sales reaching to 2,672 sales in the first quarter of this year, down from the peak of 2,927 in 2002 but higher than any other year prior to 2002. Given the current strength of the Cambridge resale market, sales are forecast to come in at 2,650 sales this year. Up 7% in 2002, new listings will edge down to 3,650 units this year as the market slows. The Cambridge resale market will remain in favour of the seller with the sales to new listings ratio coming in at 73% in 2003. The jump in average price due to an increase in new homes listed on the MLS system slowed over the last two quarters. As a result, the annual average resale price will rise 5% to a record high of \$187,525 in 2003.



Rental Market

Rental Market tightens in 2003

In 2003, an improving economy; job growth and positive net migration will boost household formation. In addition, the bulk of the double cohort of post-secondary students will be arriving by September. Mortgage rate increases and further growth in average resale prices will boost the average cost of ownership by approximately \$107 in 2003 to \$961. Consequently, fewer tenant households will make the move into ownership and therefore, with the expected increase in post secondary students, demand for rental accommodation is expected to jump dramatically in 2003.

With 1,281 new rental units currently under construction in the Kitchener CMA, at least 800 units are expected to be added to the supply by October 2003. However, many of these units are aimed at the high end market. The increase in the supply of rental accommodation will not fill the expected jump in demand for units. The vacancy rate will edge down from its present level to 2.0% in October 2003 with the average two bedroom rent rising another 3.0% to \$773.

Economic Overview

Economy builds on strong 2002

Employment in the Kitchener area in 2003 is expected to build on the strong job performance in 2002. Up 5.5% year over year in the first quarter of 2003, total employment in the Kitchener Census Metropolitan Area (CMA) is expected to reach an average of 236,500 jobs for 2003, up 3.4 per cent from 2002.

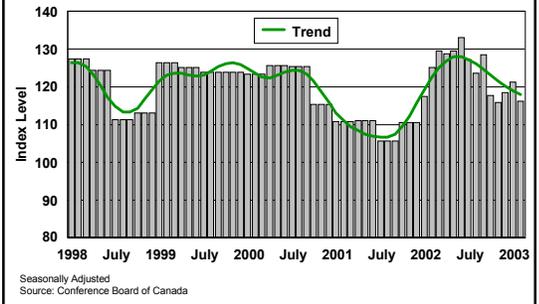
Although economic indicators in the USA since the beginning of 2003 continue to give mixed signals of a recovery, leading indicators for Canada point to a moderate improvement over the next six months. The diversified economy in Kitchener is expected to benefit from employment growth for the next three quarters of 2003.

Despite weak demand for exports, manufacturing sectors will benefit from a strong recovery in consumer demand in the USA in the second half of 2003 while the service sector will continue to grow due to increased demand for business and financial services. Retail sales are expected to turn around as increased confidence in an economic recovery raises consumers' expectations. However, the trade sector will continue to face restructuring in 2003, limiting job growth.

Strong job creation encouraged people to enter the labour force in the first quarter

of 2003 raising the participation rate to 70.0%. With employment expected to improve in 2003, participation will edge up further. Growth in the labour force will offset the increase in employment. As a result, the unemployment rate in the Kitchener CMA is forecast to rise to 6.0 per cent in 2003, up from 5.7 per cent in 2002.

International Events and Uncertainty lowers Consumer confidence in 2003....



Consumer confidence weakens in 2003

Ontario consumer confidence, as measured by the Conference Board of Canada's Index of Consumer Attitudes, fell from the high reached in June of 2002. The consumer confidence index in Ontario dropped to a low of 116.1 in February, down from 133.1 in June 2002. Political uncertainty on the international scene and forecasts of slow economic growth continue to dampen consumer confidence in early 2003.

MORTGAGE RATE OUTLOOK

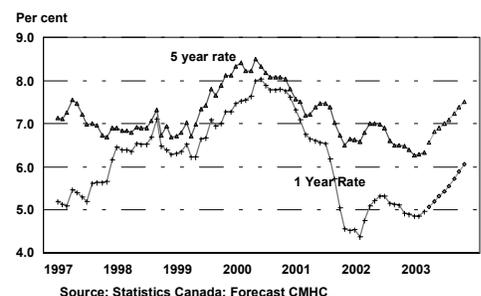
Mortgage rates on the rise in 2003 but still low by historical standards

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. Mortgage rates are forecast to rise as interest rates head up this year and next.

Spreads between mortgage rates and comparable bond yields have remained at 200-250 bps in the last couple of years, providing lenders with some room to negotiate discounts ranging 50-150 bps from the posted rates. These spreads are likely to persist in the near term. The one, three and five-year closed mortgage rates are expected to be in the 5.00-6.25, 6.00-7.25, and 6.50-7.75 per cent range respectively this year.*

*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

Mortgage Rates on the rise in 2003



FORECAST SUMMARY

KITCHENER CENSUS METROPOLITAN AREA

Forecast completed April 25, 2003

NEW HOME MARKET	2000	2001	2002	% Change	2003F	% Change
Complete and Unoccupied (March)						
Single-detached	105	143	141	-1.4%	114	-19.1%
Multi-family (semi, row, apt.)	136	97	164	69.1%	77	-53.0%
Starts						
Single-detached	2,261	2,197	3,007	36.9%	2,850	-5.2%
Multi-family	1,248	1,340	1,123	-16.2%	1,150	2.4%
Total	3,509	3,537	4,130	16.8%	4,000	-3.1%
Average New House Price						
Single-detached	\$208,348	\$228,469	\$229,102	0.3%	\$227,500	-0.7%
RESALE MARKET						
Kitchener-Waterloo						
MLS Sales	4,567	4,805	5,245	9.2%	4,850	-7.5%
MLS New Listings	6,495	6,874	7,224	5.1%	7,250	0.4%
Sales-to-Listings Ratio	70.3%	69.9%	72.6%		66.9%	
MLS Average Price	\$157,386	\$164,517	\$177,551	7.9%	\$190,795	7.5%
Cambridge						
MLS Sales	2,113	2,518	2,817	11.9%	2,650	-5.9%
MLS New Listings	3,261	3,514	3,763	7.1%	3,650	-3.0%
Sales-to-Listings Ratio	64.8%	71.7%	74.9%		72.6%	
MLS Average Price	\$159,051	\$167,168	\$178,713	6.9%	\$187,525	4.9%
RENTAL MARKET						
Apartment Vacancy Rate	0.7%	0.9%	2.3%		2.0%	
Average Rent (2 bedroom)	\$697	\$722	\$750	3.9%	\$773	3.1%
ECONOMIC OVERVIEW						
Mortgage Rate (1 year term)	7.85	6.14	5.17		5.45	
Mortgage Rate (5 year term)	8.35	7.4	7.02		7.01	
Employed (000's)	223.5	225.7	228.7	1.3%	236.5	3.4%
Employment Growth (000's)	4.7	2.2	3.0		7.8	
Net Migration (Census Year)	5,327	4,591	4,201	-8.5%	4,350	3.5%

Sources: CREA, Kitchener-Waterloo Real Estate Board, Cambridge Real Estate Board, 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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