



FORECAST

Northern Ontario

SUMMARY

Canada Mortgage and Housing Corporation

New Home Market

Singles Starts Approaching mid-90's Levels in Sudbury and Thunder Bay

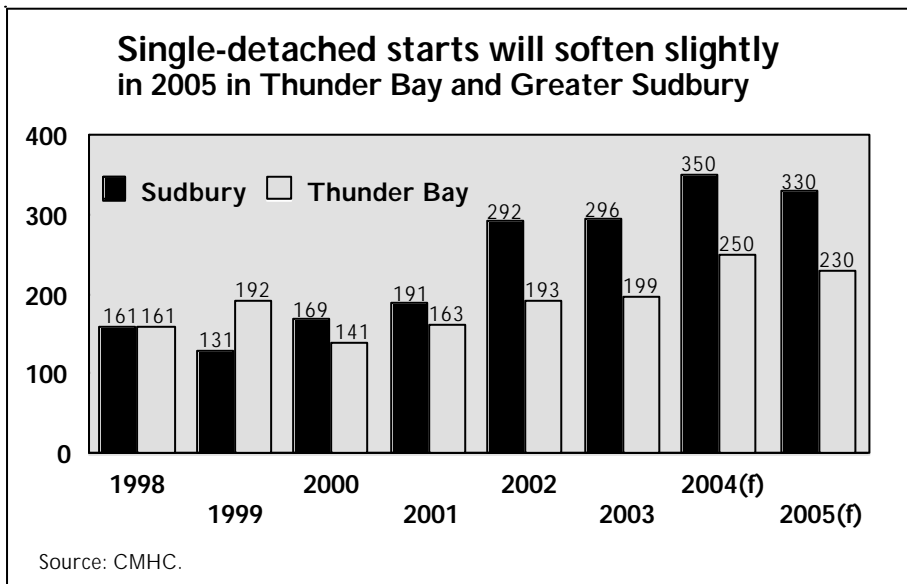
After three quarters of activity, 2004 single-detached starts in both Thunder Bay CMA and Greater Sudbury CMA stand to rival numbers seen last in the mid-1990's, with a slight easing next year. An attractive financing environment, even with a forecast increase in mortgage rates, has created and will continue to create good new home homebuying conditions in Northern Ontario's two largest markets. (see Chart below)

For the Greater Sudbury CMA, resale market conditions tend to provide clues as to what may happen in new residential construction sector. Tightening resale markets in 2004, especially in move-up price ranges, have provided ideal conditions for demand to be satisfied by new housing. The 350 starts expected for Sudbury would be the strongest total since 1994. In 2005, although a new downtown multi-family project remains in the works in Sudbury, growing resale listings in Sudbury will result in a slight decrease in starts. Expect total starts to stay strong but dip to 330 in 2005.

AUTUMN 2004

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In Thunder Bay, building permit approvals in September indicate that the building season will push through the fall construction season. Thunder Bay has experienced steady increases in starts since the 2000 low of 141 single-detached starts. The current forecast of 250 singles for 2004 would make the year the strongest since 1994. Although one condominium will start this fall in Thunder Bay, with another forecast in 2005, a weakening economy will cause housing starts to soften in 2005. Thunder Bay starts will retreat to the 230 mark in 2005.

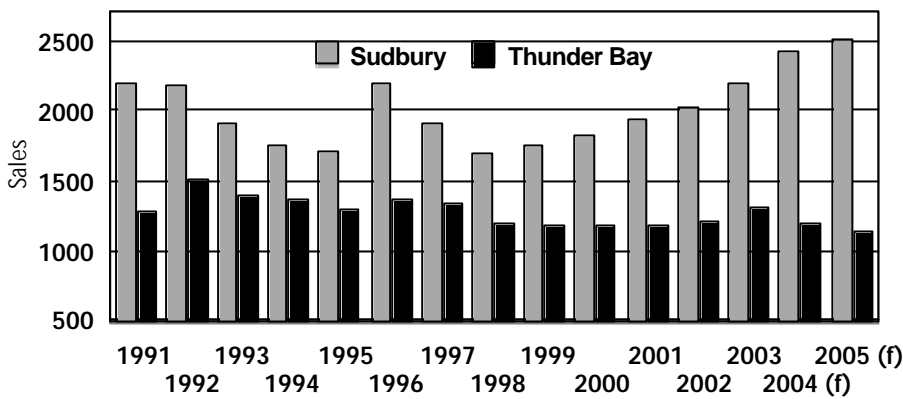


Warren Philp
 Northern Ontario Market Analyst
 Direct Line: (807) 343-2016 * Toll-Free: (877) 349-3688
 wphilp@cmhc.ca * www.cmhc.ca



HOME TO CANADIANS
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Resales will continue rising in Sudbury while weakening in Thunder Bay in 2005



(f) CMHC Forecast.
Source: Sudbury REB, Thunder Bay REB.

Greater Sudbury Resale Market Setting Records, Thunder Bay Cooling Off

Greater Sudbury Forecast

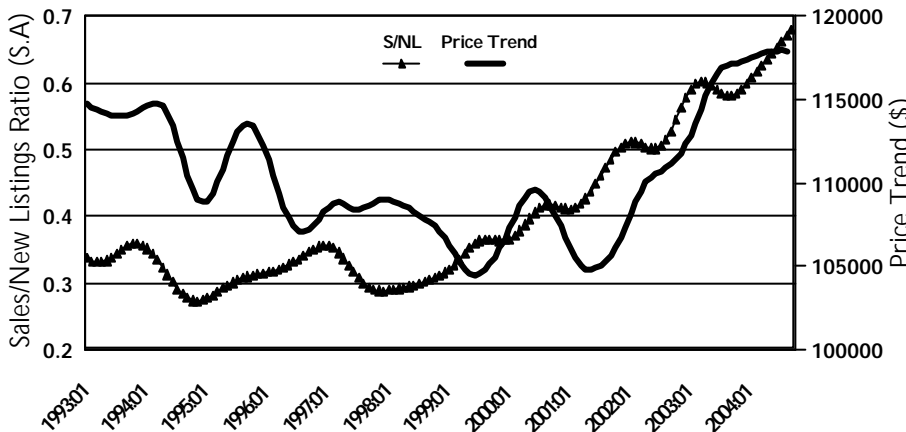
Low mortgage rates, improving employment and reduced out-migration are primary reasons for the relative strength in the Greater Sudbury market. The third quarter continue to demonstrate this strength. The 720 sales recorded in 2004:Q3, was the highest figure ever for any third quarter. For 2004, resales will increase by an impressive 10% and reach 2,410, approaching the 1989 peak. In 2005, resales will increase by a smaller 4% and reach just over 2,500 sales as higher mortgage financing costs cool off the market especially for first-time homebuyers.

Sales are up in all price ranges in the market but are especially hot in the middle and upper end of the market. Sales for those units priced \$120-\$250,000 are up 22 per cent year over year while those priced over \$250,000 are up nearly 41 per cent.

Beginning last December, listings began to rise year over year after a number of years of declines. New listings have outstripped the previous year's new listings for nine out of the last ten months and are currently forecast to increase by seven per cent in 2004. Sudbury homeowners are beginning to act on news of the improving market and are listing their homes. Listings are up across all price ranges highlighted by 20 to 50 per cent increases in the two highest price ranges in the market. Expect a further increase of five per cent in 2005.

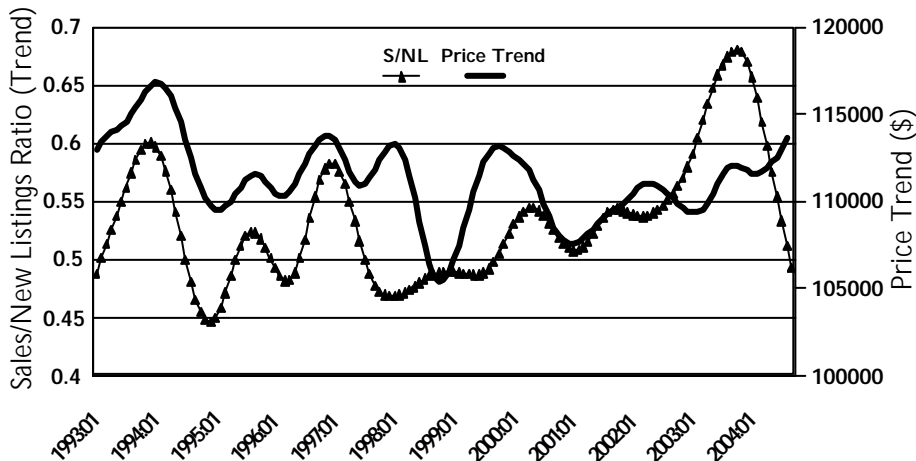
The sales to new listings ratio, a measure of how tight the resale market is, averaged nearly 60 per cent in 2003 compared to 52 per cent in 2002. Given the strength of the market, the sales-to-new-listings ratio will continue to eclipse the

Prices Should Continue to Rise in Sudbury



Last data point is September 2004. Seasonal Adjustment by CMHC.
Source: Sudbury Real Estate Board

Prices Will Plateau As Sales to New Listings Ratio Falls in TBay



Last data point is September 2004
Source: Thunder Bay Real Estate Board

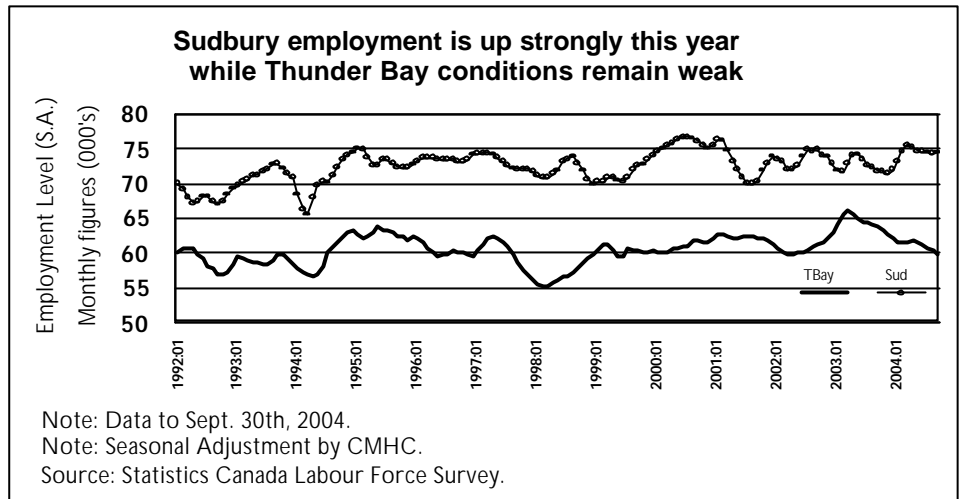
60% level indicating a sellers' market, but only in select areas and price ranges. CMHC's boundary between a seller's and balanced market is a sales to new listings ratio of 55% while the boundary separating a balanced market and buyer's market is 44 per cent. Despite the high sales to new listings ratio, only geographic pockets of the Sudbury market are classified as being in a seller's market. The market is still considered balanced when the market is considered as a whole. As more listings in 2005 satisfy more buyer demand, pressure will come off the market especially in move-up price ranges.

Sudbury resale prices have moved up steadily throughout the year despite listings gains. Demand continues to outstrip supply especially in the low end of the market where new listings are off, while sales are outpacing last year in the under \$60,000, \$60-90,000 and \$90-120,000 price ranges. Prices are forecast to rise 3.8 per cent in 2004 and 2.5 per cent next year.

Thunder Bay Forecast

Contrasting the strong performance in Sudbury over the last six months, Thunder Bay's market has cooled with year-over-year sales in the second and third quarter falling. After rising nine per cent in 2003, sales will fall ten per cent in 2004 and another five per cent in 2005. Weak employment growth and an uptick in mortgage rates are the chief culprits here. Although a recently released figure showed net in-migration, out-migration continues to be a problem especially of people typically considered first time homebuyers.

New listings have fallen continually in Thunder Bay since 1996. The flat listings situation has kept the market reasonably tight despite the



softening demand. Sales are forecast to fall at a greater pace than the drop in listings in 2004 and in 2005. Consequently, the sales-to-new-listing ratio shown in the chart on the previous page is moving down suggesting prices will soften.

Despite the falling sales to new listings ratio, average prices have been quite resilient, up 1.8 per cent in the year to date. However the distribution of sales is the chief explanation here. Analysis of sales under \$90,000 shows that sales have dropped sharply to 37.6 per cent of total sales compared to 42 per cent for all 2002. Meanwhile, sales over \$250,000 have maintained their share at 2.5 per cent of the market and sales \$200-\$250,000 are up 27 per cent year-over-year. Despite the softening conditions, Thunder Bay's market should remain balanced at least for next year. Prices are forecast to rise 1.0 in 2005, below the rate of inflation.

Economic Overview

Sudbury's Inco and Falconbridge mines put labour unrest behind them this year and rode the wave of increasing world demand for nickel, especially from Asia. Sudbury employment is ahead 2.6 to September 30th, forecast to finish the year 2.8 per cent ahead compared to 2003. The strength this year in Sudbury's labour market more than makes up for the 1,000 jobs lost in 2003 due to the Inco

strike and related job spin-offs in the economy. Sudbury has several projects in the works that should lead to medium term job expansion. In the short term, employment will grow only marginally in 2005. Sudbury's 2003 is Thunder Bay's 2004 with employment off 5.8 per cent thus far in 2004. Employment will finish the year down 4.4 per cent and will recover only slightly in 2005. Uncertainty in forest products is one particular area of concern in the Northwest. The rising Canadian dollar and uncertain U.S. demand are creating problems for manufactured exports although rebuilding from the hurricane damaged Southeast should bring some improvement in the year ahead. Softness at Bombardier in 2004, a key Thunder Bay employer, has been another unsettling event locally as has the recent closure of RMH Call Centre, a major outbound call centre. Construction in the city has been on par with 2004 buoyed by a strong year in the institutional sector. Ongoing construction related to the Northern Ontario Medical School, opening in the fall 2005 with campuses in both Thunder Bay and Greater Sudbury continues to benefit both major Northern Ontario markets.

Given historical migration analysis, both Sudbury and Thunder Bay are to experience out-migration next year in the magnitude of 500 and 200 persons respectively.

FORECAST SUMMARY
Northern Ontario

RESALE MARKET	2003	%chg	2004	%chg	2005(f)	%chg
Sudbury MLS sales*	2,191	7.9	2,410	10.0	2,507	4.0
Sudbury MLS average price	\$117,441	2.8	\$121,904	3.8	\$124,954	2.5
Sudbury New Listings (Total)	3,662	-6.4	3,918	7.0	4,114	5.0
Thunder Bay MLS sales*	1,324	9.1	1,192	-10.0	1,132	-5.0
Thunder Bay MLS average price	\$113,190	-1.0	\$117,492	3.8	\$118,667	1.0
Thunder Bay New Listings (Total)	1,980	-4.9	1,900	-4.0	1,862	-2.0
NEW HOME MARKET	2003	%chg	2004	%chg	2005(f)	%chg
Sudbury Starts						
Total	306	2.7	360	17.6	380	5.6
Single family	296	1.4	350	18.2	330	-5.7
Multiple (semi, row, apt)	10	66.7	10	0.0	50	400.0
Thunder Bay Starts						
Total	211	7.1	300	42.2	280	-6.7
Single family	199	3.1	250	25.6	230	-8.0
Multiple (semi, row, apt)	12	200.0	50	316.7	50	0.0
RENTAL MARKETS	2003	%chg	2004	%chg	2005(f)	%chg
Sudbury Vacancy rate (Oct. '02)	3.6%	n/a	3.9%	n/a	4.2%	n/a
Average rent, two-bed. apt.	\$651	4.4	\$651	0.0	\$653	0.3
Thunder Bay Vacancy rate (Oct. '02)	3.3%	n/a	4.0%	n/a	4.5%	n/a
Average rent, two-bed. apt.	\$672	0.0	\$672	0.0	\$675	0.4
ECONOMIC OVERVIEW	2003	%chg	2004	%chg	2005(f)	%chg
Mortgage rate, 5 year	6.39	n/a	6.28	n/a	6.95	n/a
Sudbury Net Migration**	-500	n/a	-500	n/a	-500	n/a
Thunder Bay Net Migration **	-200	n/a	-200	n/a	-200	n/a
Sudbury Employed (Annual avg.)	72,500	-1.4	74,500	2.8	75,200	0.9
ER 590 *** Employed	254,200	1.9	254,000	-0.1	n/a	n/a
Thunder Bay Employed (Annual avg.)	64,300	5.7	60,900	-5.3	61,500	1.0
ER 595 **** Employed	118,100	4.8	112,000	-5.2	n/a	n/a

* Based on SREB/TBREB (Sudbury/Thunder Bay Real Estate Board) territories.

** Source of Migration data is Statistics Canada Small Area Data Division

*** Economic Region 590 includes the Northeastern Ontario Districts excluding Sudbury CMA.

**** Economic Region 595 includes the Northwestern Ontario Districts excluding Thunder Bay CMA.

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Warren Philp, Northern Ontario Market Analyst
Direct Line: (807) 343-2016,
Toll-Free- (877) 349-3688.
e-mail: wphilp@cmhc.ca

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