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FORECAST

SUMMARY

Canada Mortgage and Housing Corporation

Stable single-family starts but slower multi-family activity expected

Single starts plateau at 500 units in 2004 and 2005

Modest employment gains, slowing out-migration, increasing immigration and a lack of listings in the resale market will be some of the factors playing a role in the steady demand for new single-family dwellings in 2004 and 2005. Limited land supply relative to demand and a continued shortage of skilled trades people will restrict new housing starts to some extent. Furthermore, rent gains have been modest, causing some potential first-time buyers to postpone their decision to buy.

Balanced market for new singles to persist through 2004

Regina homebuilders have dramatically increased the number of units under construction from an average of 185 units in 2000 to the current level of 250 units. Despite this shift in the pace of production, absorption has also increased from 35 units per month to more than 42 units per month since 2001. As the number of homes that are completed and unoccupied remains unchanged, the total supply of homes is sufficient to last six to eight months. This balanced state is expected to last throughout 2004. However, if the current pace of housing production is maintained as is forecast, shortages may ensue and the state of the market may change.

New single-family housing prices rise in 2004 and 2005

Rising land development and building material costs combined with the increasing cost of labour will push the average selling prices of new single-family homes to \$193,000 in 2004 and to more than \$200,000 in 2005. Consumer demand for more expensive features and amenities will also contribute to increases in the average price.

At year-end 2003, more than 56 per cent of Regina single-family absorptions were priced in excess of \$170,000. Homes in the \$170,000 to \$189,999 price range have seen an increase in market share from 16 per cent in 2002 to 28 per cent by the end of 2003. Homes with prices in excess of \$190,000 have seen an increase from 21 per cent of the market to 28.5 per cent in the same time period.

Multiple building to slow after banner year

At year-end, the capital was seeing the highest number of multiple units under construction since 1988-89. Most of these units were apartment-style dwellings but row housing is also enjoying a surge in construction activity. As many of these units will be moving into the marketing stage in 2004, we forecast a significant drop in

REGINA
SPRING 2004

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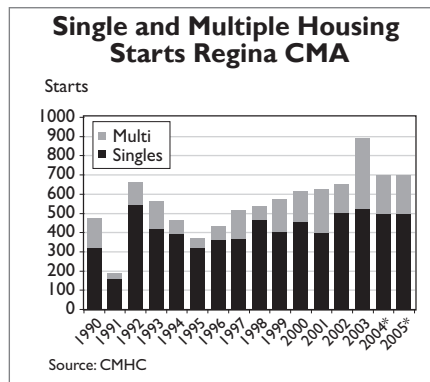


HOME TO CANADIANS
Canada

multiple housing starts until developers are comfortable with the supply.

Absorptions are at a sufficient rate to yield a 16-month supply. As the bulk of the supply consists of apartment units, we expect absorption to take place rapidly upon completion, as it is common for developers to have a large share of units sold before construction begins. Our experience with these projects is that absorption will then slow abruptly producing lengthy marketing periods for the remainder of the units.

As the population has aged, there may be a larger number of households in a position to consider this lifestyle change, leading to increased demand for this product. Furthermore, the Regina resale market has seen significant price increases for good quality existing homes which may encourage more empty-nesters and seniors to sell their



homes and purchase condominium property. These two factors would tend to make absorption periods shorter than in the past.

Multiple housing market segments emerging

Regina will see three distinct multiple products offered in 2004 and 2005. One of these markets is the traditional row and walk-up condominium apartment priced in the \$80,000 to

\$120,000 range. Regina developers have found firm demand from empty-nester couples and singles looking for affordable homeownership as an alternative to renting.

Another condominium variation is the semi-luxury apartment with elevator and underground parking offered at prices in excess of \$120,000. Empty-nesters and seniors looking for more amenities favour these units, but who do not require any aspects of assisted living.

A third evolving market is the assisted-living apartment-style property offered under either condominium or life-lease tenure. During 2004, life-lease units will dominate this market. These apartment units are favoured by seniors looking for a community environment with assisted-living features such as meal services, housekeeping and recreation as well as access to private transportation.

Resale Market

Resale market “Balanced” in 2004 and 2005

Employment losses, low inventories of good quality listings, competition from new housing and limited rent increases are some of the factors that led to restricted resale sales volumes in 2003. Improved employment conditions, increased listings, higher prices for new housing and higher rents will bring about increased existing housing sales in 2004 and 2005.

Of all the factors influencing the number of existing housing sales, the pace of new listings has been the most significant. In 2003, the average number of residential new listings generated declined by 14 per cent to 290 listings per month compared to 339 per month in 2002. The fact that new listings were commonly generated at a rate in excess of 500 listings per month in the period of 1980 to

1989 demonstrates the marked change that has occurred in the Regina resale market since that time.

Our forecast calls for increased listings in 2004 and 2005 as some empty-nesters and seniors dispose of their existing homes and acquire a new condominium or life-lease unit, or move up to a new single-family dwelling.

Average resale price to rise faster than inflation

The average price of Regina existing housing sales will increase from three to four per cent in 2004 and 2005. Average price is increasing due to both a higher proportion of more expensive homes being sold and the bidding up in price of scarce, good quality resale listings.

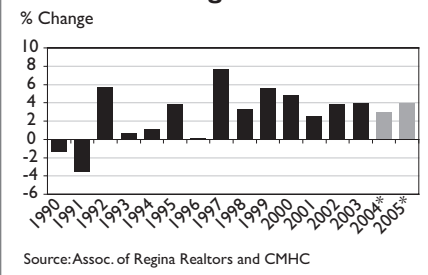
At year-end 2003, in excess of 50 per cent of sales recorded by the

Association of Regina Realtors were less than \$100,000 in price. Notwithstanding a small number of these units were vacant lots or recreational property, this statistic demonstrates the affordability of the Regina market. As well, it provides a hint of the size of the market for older, single-family units purchased by investors for rental purposes.

The trend line of the average number of days required to sell an existing home in Regina is in decline and now stands at 33 days, the lowest point on record. Statistics from the Association of Regina Realtors indicate the average number of days on the market is as low as 24 days for resale property priced in the \$120,000 to \$139,999 price range.

Considering modest economic growth, steady demand, a scarcity of

Annual % Change in Average Sale Price Regina CMA



good quality listings and modest real increases in price, CMHC is forecasting balanced markets to prevail in 2004 and 2005. Employment growth, renters turning to homeownership and in-migration will help sustain demand for existing housing.

Homeownership affordable in Regina

Homeownership will remain attractive to first-time buyers as increases in prices and mortgage rates will be modest. CMHC estimates that the income required to service the debt on an existing home purchased at the 2005 average selling price will increase seven per cent compared to current estimated ownership costs. The monthly principal and interest payment on the popular NHA 95 per cent mortgage will increase from \$679 to \$750. Despite the rising costs of buying and owning a home, Regina will remain one of the most affordable cities in Western Canada in which to own a home.

Economic Outlook

Employment growth expected in 2004 and 2005

After a poor showing in 2003 with losses of 1,400 employed, Regina's economy will bounce back in 2004 with gains of 2,400 and a more modest 1,000 additional employed people in 2005. Look for manufacturing to make a moderate comeback in the goods sector while the service sector should record increases in health and education. Downsizing is a risk as investment intentions are projecting a slide in 2004.

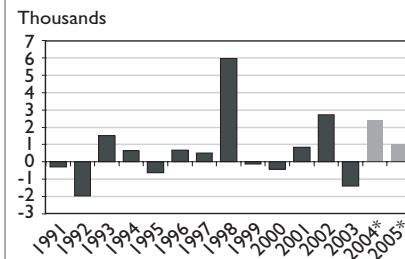
Construction held its own in 2003 with a base of just over 6,000 employed. This level of employment should remain stable in 2004 and 2005.

Mortgage rates to remain low by historical standards

Short-term mortgage rates move in tandem with the prime-lending rate, while mid- and long-term mortgage rates vary in response to the cost of raising funds in the bond market. Low interest rates in these markets will keep posted mortgage rates low over the next few quarters.

Spreads between mortgage rates and comparable bond yields have remained at 150-250 basis points in the last few years, providing lenders with some room for discounts from the posted rates. These spreads and discounts are likely to persist in the near term.

Change in Total Employment Regina CMA



The one, three and five-year posted closed mortgage rates are expected to remain relatively flat for the remainder of this year, perhaps rising by 25 basis points.

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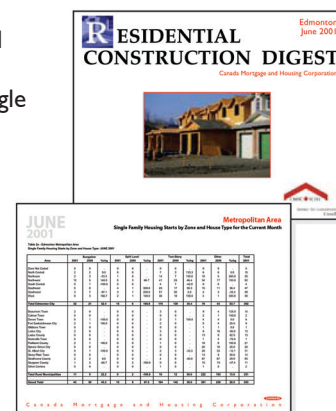
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Rental Market

Average vacancy rate to rise but rent increases will persist

The average apartment vacancy rate will rise to three per cent in 2004, then decline to two per cent in 2005. Regina has not seen any significant new rental housing starts designed for the open market for a decade. The construction of a large number of new student housing units on campus will affect rental projects in the University of Regina area. Increased demand flowing from employment

growth in 2004 and 2005 will more than compensate for the increased supply in 2004, pushing average vacancy back to the two per cent level in 2005.

Notwithstanding the anticipated rise in average vacancy rates, there will be increases in average rents as landlords attempt to compensate for operating and maintenance cost increases.

FORECAST SUMMARY

Regina Metropolitan Area

	2000	2001	2002	2003	2004*	2005*	Chg.
RESALE MARKET							
MLS® New listings (Monthly Average)	324	342	339	300	350	375	7%
Residential MLS® Sales (Total)	2,612	2,792	2,817	2,632	2,800	2,900	4%
Residential MLS® Price (Average)	\$94,191	\$96,658	\$100,396	\$104,354	\$108,000	\$112,000	4%
NEW HOME MARKET							
Complete and unoccupied (Dec)	128	100	91	69	90	120	33%
Single-family	78	45	27	24	30	45	50%
Multiple-family (semi, row, apt)	50	55	64	45	60	75	25%
Total Housing Starts	615	626	651	889	700	700	0%
Single-family	459	401	504	521	500	500	0%
Multiple-family	156	225	147	368	200	200	0%
Average New House Price							
Single-family All Types	\$156,962	\$162,295	\$169,863	\$184,099	\$193,000	\$203,000	5%
RENTAL MARKET							
Vacancy rate (Oct)	1.4%	2.1%	1.9%	2.1%	3.0%	2.0%	N/A
Rental rate (annual % chg.) 2 bdr.	0.4%	3.5%	2.2%	1.5%	3.0%	2.5%	N/A
Rental Housing Starts	2	4	3	4	20	10	
ECONOMIC OVERVIEW							
Mortgage rate (1 yr. term)	7.9%	6.1%	5.2%	4.8%	4.2%	4.6%	--
Mortgage rate (3 yr. term)	8.2%	6.9%	6.3%	5.8%	5.5%	6.0%	--
Mortgage rate (5 yr. term)	8.4%	7.4%	7.0%	6.4%	6.1%	6.7%	--
Employed	104,400	105,200	108,000	106,600	109,000	110,000	1%
Employment growth (# jobs)		800	2,800	-1,400	2,400	1,000	N/A
Net-migration (census year)	-550	-500	-500	0	0	0	N/A
In-migration	7,817	8,000	8,000	8,250	8,500	8,500	

* CMHC Forecast

Source: CMHC, Statistics Canada, Association of Regina Realtors and the New Home Warranty of Saskatchewan Multiple Listing Service (MLS® is a registered certification mark owned by the Canadian Real Estate Association)

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