

# OUSING NOW

Kitchener

## YOUR LINK TO THE HOUSING MARKET

Canada Mortgage and Housing Corporation

# **New Homes**

### YTD Housing Starts Remain Strong

Year-to-date (YTD) starts - down only 4.5 percent in comparison to 2003 - continue to point toward another strong year in the Kitchener new home market. However, it is important to note that Q2 starts, at 849, were off by almost 21 percent relative to the same period last year.

The greatest contribution to the year-over-year decline in starts has occurred in the City of Cambridge (-72.6% in Q2; -60.4% YTD). Consultation with the City has revealed that some of these declines will be reversed, as there are a substantial number of building permits issued that have not yet converted into starts. Many of these are expected to register as starts later this year.

However, the decline in Cambridge starts

1400

1200

1000

800

will likely continue, at least in the near term, given that the number of units in registered and draft-approved plans declined by over 20 percent between 2002 and 2003. Based on Cambridge's current *Annual Staging of Development Report*, this trend is likely to continue beyond 2004.

Augmenting declining starts in the Kitchener CMA have been changes in preferred dwelling types. The rising cost of new home ownership has resulted in decreased demand for more expensive single-detached units, in favour of cheaper multiple units, (predominantly semi-detached and row units). In Q2, multiple starts amounted to 29 percent of the total, as compared to 26 percent in Q2 2003. Year-to-date, multiples have represented 33 percent of total starts versus 23 percent for the same period last year.

The cost of new home ownership is a function of new home price and the cost of borrowing. Since reaching historic

Kitchener CMA Housing Starts

Direct Line: (416) 218-3410 \* Fax: (416) 218-3314

jmercer@cmhc-schl.gc.ca \* www.cmhc.ca

Multiples

Singles

Trendcycle

ISSUE 23 SECOND QUARTER 2004

# IN THIS

#### **New Homes**

1 YTD Housing Starts Remain Strong

#### **Economic Outlook**

2 Economic Outlook

#### Resale Market

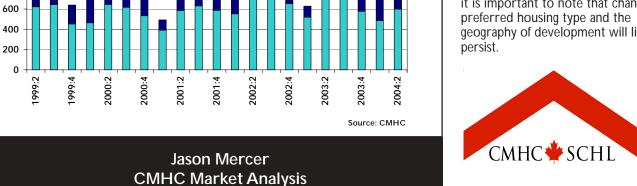
- 2 KW Resale Market Remains Tight, but Easing
- 2 Cambridge Resale Market Follows Similar Path

#### Statistical Tables

- 3-5 New Home Market
- 6 Resale Market
- 7 Economic Snapshot

lows at the end of Q1, posted mortgage rates have been climbing upwards, as lending institutions anticipate inevitable rate hikes by the Bank of Canada. At the same time, the price of new homes has been increasing steadily, with a year-over-year change of almost 8 percent.

Based on YTD starts, we can expect another strong year in 2004. However, it is important to note that changes in preferred housing type and the geography of development will likely persist.



HOME TO CANADIANS

Canada

#### **Economic Outlook**

Employment growth in Kitchener continued in the second quarter. On a year-over-year basis, Q2 employment is up by approximately 1 percent. These annual gains have largely been driven by increased employment in services, trade and manufacturing.

Change in consumer confidence did not follow employment growth last quarter. According to the Conference Board of Canada, consumer confidence in Ontario fell by 7.3 percentage points in Q2. The primary reason for this decline were the seemingly immanent Bank of Canada interest rate hikes. Many households felt that rate hikes could upset their financial situations, due to increasing debt load. As a result, a growing percentage stated that they would be avoiding "big ticket" purchases in the near future, including those on housing.

Lenders began increasing mortgage rates in the second quarter, in anticipation of rate hikes later this year. Rates for 1, 3 and 5-year mortgages rose by 40, 100 and 100 basis points respectively to 4.7, 6.1 and 6.7 percent, on average.

Decreasing consumer confidence and the rising cost of money could prompt some households to think twice about entering or moving up in the housing market.

# KW Resale Market Remains Tight, but Easing

Second quarter MLS sales in Kitchener-Waterloo (KW) reached near historic levels, at 6,012 SAAR - only slightly below the 1988 SAAR record of 6,256. This represents increases of 10 percent and 13 percent respectively over last quarter and last year's final sales count. Rising sales were likely the result of a growing number of households entering the market after securing mortgages at historically low rates at the end of Q1.

In response to rising prices, new listings increased to 8,684 SAAR, or by 13 percent over Q1 and 12 percent over 2003 as whole. The average resale price equalled \$205,198 (SA) in Q2 - a 1.6 percent increase over Q1 and 8.6 percent increase over the

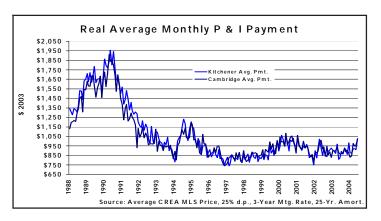
2003 average. As price has risen, more and more households have listed their homes in order to take advantage of these gains.

Rapid price escalations have taken place due to the continuation of sellers' market conditions, as indicated by the Q2 salesto-new-listings ratio (SNLR). The average Q2 SNLR equalled 69.2 percent - down less than 2 percentage points over Q1, thus pointing strongly toward a lack of supply relative to demand. However, from a historic high of almost 83 percent in March 2003, the KW SNLR dropped on a month-over-month basis to approximately 65% in June. If the KW resale market continues to move toward a balanced state, average price increases will start to flatten out.

Rising prices and mortgage rates saw the average owner's monthly payment climb to \$951 in Q2 - an approximate increase of 7 percent over both last quarter and 2003 as a whole. This trend will continue, as increases in average price and mortgage rates are sustained going forward.

# Cambridge Resale Market Follows Similar Path

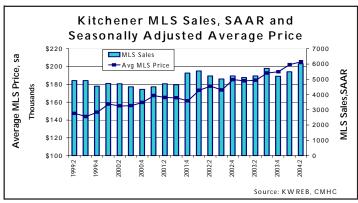
The trends emerging in the Cambridge resale market are very similar to those observed in KW.



Q2 sales amounted to 2,740 SAAR in Cambridge - up 5 percent over Q1 and down 1 percent over final sales for last year. Similar to KW, this sustained high level of sales was likely the result of households entering the resale market after securing favourable mortgage rates in the previous quarter.

As price continued to rise from \$200,796 (SA) in Q1 to \$210,112 (SA) in Q2, SAAR listings increased to 4,012. This represents an increase of 24 percent over Q1 and a 5 percent increase over last year's total. Similar to KW, however, the number of new listings increased at a greater rate than sales. The result was a steadily declining SNLR, from almost 88 percent in February to approximately 64 percent in June. If the Cambridge resale market continues to edge toward a balanced state, average price increases will lessen.

The effect of rising prices and mortgage rates also began to be felt in Q2, from an affordability perspective in the Cambridge market. The average owner's monthly payment rose to \$972, or 10 percent over the Q1 average payment of \$883 and 9 percent over the 2003 average of \$891. As the average monthly payment approaches levels not experienced since 2000/2001, many households may either change their housing preferences (i.e. from single detached to semi-detached or townhome units) or delay their home buying decision.



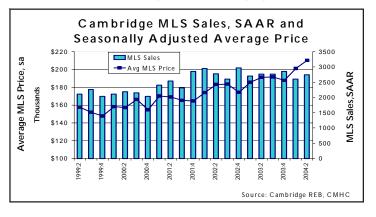
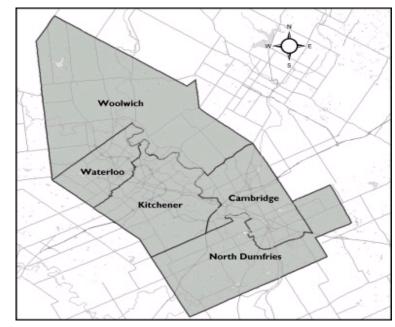


Table 1: Housing Activity Summary for Kitchener CMA

	111100		WNERSHIF	o .	,	RENT	AL	
	F	REEHOLD			CONDO	MUINIUM		GRAND
	*SINGLE	*SEMI	ROW	ROW	APT	ROW	APT	**TOTAL
STARTS								
Q2 2004	600	78	80	6	0	8	77	849
Q2 2003	791	36	183	6	0	0	52	1,068
% Change	-24.1%	116.7%	-56.3%	0.0%	NA	NA	48.1%	-20.5%
Year-to-date 2004	1,085	112	144	22	16	97	143	1,619
Year-to-date 2003	1,310	64	244	6	0	0	72	1,696
% Change	-17.2%	75.0%	-41.0%	**	NA	NA	98.6%	-4.5%
UNDER CONSTRU	CTION							
June 2004	722	94	197	19	16	123	440	1,611
June 2003	940	62	393	14	0	0	1,370	2,779
COMPLETIONS								
Q2 2004	660	44	145	19	0	177	269	1,314
Q2 2003	702	14	68	23	0	6	73	886
% Change	-6.0%	**	113.2%	-17.4%	NA	**	**	48.3%
Year-to-date 2004	1,103	62	294	23	0	177	750	2,409
Year-to-date 2003	1,238	40	194	27	0	6	81	1,586
% Change	-10.9%	55.0%	51.5%	-14.8%	NA	**	**	51.9%
<b>COMPLETE &amp; NOT</b>	ABSORBED	)						
June 2004	115	21	37	8	0	17	122	320
June 2003	126	4	40	11	4	0	1	186
ABSORPTIONS								
Q2 2004	631	29	167	16	0	172	264	1,279
Q2 2003	655	19	77	26	0	6	73	856
% Change	-3.7%	52.6%	116.9%	-38.5%	NA	**	**	49.4%
Year-to-date 2004	1,077	48	295	21	4	172	793	2,410
Year-to-date 2003	1,187	49	199	33	0	6	81	1,555
% Change	-9.3%	-2.0%	48.2%	-36.4%	NA	**	**	55.0%

<sup>\*</sup>Includes all market types

Source: CMHC



<sup>\*\*</sup>Year-over-year change greater than 200 per cent

Table 2A: Starts by Area and by Intended Market - Current Quarter

Sub Market		SINGLES			MULTIPLES		TOTAL		
Area	O2 2003	O2 2004	% change	Q2 2003	O2 2004	% change	Q2 2003	Q2 2004	% change
Kitchener CMA	791	600	-24.1%	277	249	-10.1%	1068	849	-20.5%
Cambridge City	306	82	-73.2%	41	13	-68.3%	347	95	-72.6%
Kitchener City	266	272	2.3%	157	171	8.9%	423	443	4.7%
North Dumfries Township	5	11	120.0%	0	0	NA	5	11	120.0%
Waterloo City	182	180	-1.1%	79	65	-17.7%	261	245	-6.1%
Woolwich Township	32	55	71.9%	0	0	NA	32	55	71.9%

Table 2B: Starts by Area and by Intended Market - Year-to-Date

		J		,						
Sub Market		SINGLES			MULTIPLES		TOTAL			
Area	YTD 2003	YTD 2004	% change	YTD 2003	YTD 2004	% change	YTD 2003	YTD 2004	% change	
Kitchener CMA	1,310	1,085	-17.2%	386	534	38.3%	1,696	1,619	-4.5%	
Cambridge City	483	193	-60.0%	73	27	-63.0%	556	220	-60.4%	
Kitchener City	466	493	5.8%	204	299	46.6%	670	792	18.2%	
North Dumfries Township	9	13	44.4%	0	0	NA	9	13	44.4%	
Waterloo City	309	302	-2.3%	109	199	82.6%	418	501	19.9%	
Woolwich Township	43	84	95.3%	0	9	NA	43	93	116.3%	

Table 3: Average Price of Completed and Absorbed Single-Detached Dwellings

	<u> </u>					
Sub Market Area	O2 2003	O2 2004	% Change	YTD 2003	YTD 2004	% Change
Kitchener CIVIA	\$230,513	\$248,498	7.8%	\$229,353	\$245,333	7.0%
Cambridge City	\$218,931	\$243,024	11.0%	\$214,238	\$234,493	9.5%
Kitchener City	\$236,637	\$241,169	1.9%	\$238,288	\$244,517	2.6%
North Dumfries Township	\$280,546	\$413,857	47.5%	\$291,938	\$402,125	37.7%
Waterloo City	\$232,278	\$255,584	10.0%	\$230,207	\$250,419	8.8%
Woolwich Township	\$282,690	\$258,448	-8.6%	\$325,990	\$265,167	-18.7%

Source: CMHC

Note: NA may appear where CMHC data suppression rules apply

Table 4: Completed and Absorbed Single-Detached Units by Price Range

					PRIC	E RANGES		<u> </u>			
	<\$	149,999	\$150 -	\$174,999	\$175-\$	249,999	\$250-\$	299,999	\$	300,000+	
AREA	Units	Share (%)	Units	Share (%)	Units	Share (%)	Units	Share (%)	Units	Share (%)	TOTAL
Kitchener CMA											
O2 2004	1	0.2%	13	2.1%	368	58.3%	136	21.6%	113	17.9%	631
O2 2003	0	0.0%	88	13.4%	354	54.0%	127	19.4%	86	13.1%	655
YTD 2004	1	0.1%	24	2.2%	671	62.3%	186	17.3%	195	18.1%	1,077
YTD 2003	5	0.4%	159	13.4%	669	56.4%	205	17.3%	149	12.6%	1,187
Cambridge City											
O2 2004	0	0.0%	9	5.8%	81	51.9%	50	32.1%	16	10.3%	156
C2 2003	0	0.0%	25	10.5%	171	71.8%	34	14.3%	8	3.4%	238
YTD 2004	0	0.0%	16	5.1%	198	63.1%	74	23.6%	26	8.3%	314
YTD 2003	1	0.2%	57	13.2%	306	70.7%	53	12.2%	16	3.7%	433
Kitchener City											
O2 2004	0	0.0%	1	0.4%	170	66.1%	52	20.2%	34	13.2%	257
C2 2003	0	0.0%	32	14.2%	99	43.8%	60	26.5%	35	15.5%	226
YTD 2004	0	0.0%	2	0.5%	257	65.4%	65	16.5%	69	17.6%	393
YTD 2003	0	0.0%	34	9.2%	186	50.1%	94	25.3%	57	15.4%	371
North Dumfries Township											
O2 2004	0	0.0%	0	0.0%	0	0.0%	1	14.3%	6	85.7%	7
C2 2003	0	0.0%	0	0.0%	2	18.2%	7	63.6%	2	18.2%	11
YTD 2004	0	0.0%	0	0.0%	0	0.0%	1	12.5%	7	87.5%	8
YTD 2003	0	0.0%	0	0.0%	3	18.8%	8	50.0%	5	31.3%	16
Waterloo City											
C2 2004	1	0.6%	1	0.6%	102	57.0%	26	14.5%	49	27.4%	179
O2 2003	0	0.0%	30	17.6%	79	46.5%	23	13.5%	38	22.4%	170
YTD 2004	1	0.3%	3	0.9%	194	60.8%	39	12.2%	82	25.7%	319
YTD 2003	4	1.2%	67	19.3%	170	49.0%	44	12.7%	62	17.9%	347
Woolwich Township											
O2 2004	0	0.0%	2	6.3%	15	46.9%	7	21.9%	8	25.0%	32
O2 2003	0	0.0%	1	10.0%	3	30.0%	3	30.0%	3	30.0%	10
YTD 2004	0	0.0%	3	7.0%	22	51.2%	7	16.3%	11	25.6%	43
YTD 2003	0	0.0%	1	5.0%	4	20.0%	6	30.0%	9	45.0%	20

Source: CMHC

Note: N/A may appear where CMHC data suppression rules apply

### CMHC's Housing Awards Program

The CMHC Housing Awards Program, offered every two years, recognizes individuals and organizations that have implemented best practices that have improved housing in Canada. The purpose of the 2004 Housing Awards under the theme, Best Practices in Affordable Housing, is to recognize individuals and organizations for their outstanding accomplishments in furthering affordable housing and to assist them in transferring the knowledge about these best practices across the country.

Apply today at http://www.cmhc-schl.gc.ca/en/prfias/gr/hap/index.cfm for CMHC's Housing Awards Program.

Table 5: Resale Housing Activity for Kitchener Real Estate Board

	i dioi	0 01 1100			ouvity 10	1 4101101	ioi i todi	Lotato Boo		
		Number of		Sales	Number of	New Listings	Sales-to-New	Average		Average
		Sales	Yr/Yr %	SAAR	New Listings	SAAR	Listings SA	Price (\$)	Yr/Yr %	Price (\$) SA
2003	January	313	-17.4%	5,100	584	7,000	72.9	\$182,685	8.1%	\$186,859
	February	433	-2.7%	5,300	663	7,600	69.8	\$189,176	10.2%	\$186,716
	March	450	-10.2%	5,000	757	7,600	64.8	\$184,797	6.4%	\$177,776
	April	494	-20.6%	4,800	747	7,000	67.7	\$188,517	2.8%	\$196,627
	May	522	-0.2%	5,200	751	7,400	69.5	\$179,630	0.8%	\$174,411
	June	576	25.2%	5,700	796	8,800	65.6	\$190,602	8.2%	\$183,973
	July	600	36.7%	6,600	713	8,000	81.7	\$196,120	10.2%	\$195,715
	August	458	10.1%	5,500	570	7,800	69.9	\$183,524	6.6%	\$185,131
	September	409	4.1%	5,100	684	8,100	63.0	\$186,291	6.1%	\$196,755
	October	427	2.9%	5,400	681	8,100	67.4	\$199,132	8.9%	\$192,957
	November	347	-13.7%	4,900	473	7,900	62.3	\$186,761	1.5%	\$181,254
	December	281	8.9%	5,200	338	7,700	67.5	\$200,694	6.8%	\$207,149
2004	January	275	-12.1%	4,500	618	7,500	60.3	\$193,870	6.1%	\$194,225
	February	433	0.0%	5,300	657	7,600	70.0	\$202,277	6.9%	\$197,551
	March	671	49.1%	6,600	874	8,000	82.7	\$197,325	6.8%	\$210,793
	April	621	25.7%	6,100	822	8,100	75.6	\$204,293	8.4%	\$202,298
	May	595	14.0%	6,100	894	9,000	67.3	\$201,264	12.0%	\$196,943
	June	641	11.3%	5,900	889	9,000	65.4	\$212,383	11.4%	\$216,773
	July									
	August									
	September									
	October									
	November									
	December									
	O2 2003	1,592	-0.8%	5,220	2,294	7,700	67.5	\$186,358	3.8%	\$184,662
	O2 2004	1,857	16.6%	6,000	2,605	8,700	69.2	\$206,115	10.6%	\$205,198
	YTD 2003	2,788	-4.8%		4,298			\$186,131	5.8%	
	YTD 2004	3,236	16.1%		4,754			\$202,738	8.9%	

	Annual		Annual		Annual		
	Sales	Yr/Yr %	New Listings	Yr/Yr %	Average Price	Yr/Yr %	
1994	3,689	3.0%	7,451	-5.5%	\$141,683	2.0%	
1995	3,467	-6.0%	8,816	18.3%	\$135,452	-4.4%	
1996	4,666	34.6%	9,168	4.0%	\$134,839	-0.5%	
1997	4,307	-7.7%	7,885	-14.0%	\$141,387	4.9%	
1998	4,365	1.3%	7,629	-3.2%	\$143,104	1.2%	
1999	4,695	7.6%	6,730	-11.8%	\$146,495	2.4%	
2000	4,569	-2.7%	6,495	-3.5%	\$157,317	7.4%	
2001	4,816	5.4%	6,874	5.8%	\$164,548	4.6%	
2002	5,253	9.1%	7,224	5.1%	\$177,559	7.9%	
2003	5,310	1.1%	7,757	7.4%	\$188,905	6.4%	

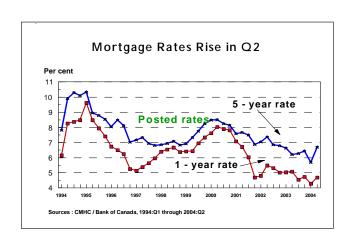
Source: Canadian Real Estate Association

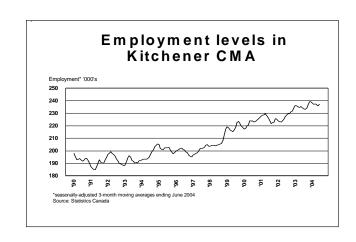
Table 6: Economic Indicators

		Tuble of Leef for the frid outer 5										
		Int	erest and Ex	change Rate	es .	Inflation Rate	NHPI*** % chg.	KITCHE	NER CMA La	oour Market		
		P & I*	Mortgag	e Rate	Exch. Rate	Ontario	KITCHENER CMA	Employment	Employment	Unemployment		
		Per \$100,000	1 Yr. Term	5 Yr. Term	(\$US/\$Cdn)	1996=100	1997=100	SA** (,000)	SA m/m (%)	Rate (%) SA		
2003	January	\$666.80	4.9%	6.5%	0.657	4.3%	4.5%	235.7	0.7%	5.6%		
	February	\$675.90	4.9%	6.6%	0.674	4.4%	5.3%	235.9	0.1%	6.2%		
	March	\$691.18	5.4%	6.9%	0.681	3.3%	5.3%	234.9	-0.4%	6.2%		
	April	\$678.94	5.4%	6.7%	0.698	2.3%	5.0%	234.5	-0.2%	6.3%		
	May	\$648.75	5.1%	6.2%	0.731	2.7%	2.8%	235.2	0.3%	6.2%		
	June	\$627.97	4.9%	5.8%	0.742	2.5%	1.5%	234.5	-0.3%	6.4%		
	July	\$651.74	4.6%	6.2%	0.712	1.9%	2.3%	233.8	-0.3%	6.6%		
	August	\$660.76	4.6%	6.4%	0.722	1.7%	2.4%	233.5	-0.1%	6.3%		
	September	\$657.75	4.6%	6.3%	0.741	2.2%	2.8%	234.7	0.5%	6.3%		
	October	\$663.77	4.6%	6.4%	0.758	1.7%	2.5%	236.6	0.8%	6.3%		
	November	\$669.82	4.8%	6.5%	0.770	1.7%	2.2%	239.5	1.2%	5.4%		
	December	\$666.80	4.8%	6.5%	0.771	3.0%	3.3%	239.2	-0.1%	5.0%		
2004	January	\$642.78	4.3%	6.1%	0.755	1.5%	3.6%	238.3	-0.4%	4.8%		
	February	\$627.97	4.3%	5.8%	0.749	0.8%	2.8%	237.3	-0.4%	5.3%		
	March	\$622.08	4.3%	5.7%	0.763	1.1%	2.5%	237.4	0.0%	5.5%		
	April	\$648.75	4.5%	6.2%	0.729	2.3%	4.1%	237.3	0.0%	5.6%		
	May	\$669.82	4.6%	6.5%	0.733	2.8%	4.2%	235.8	-0.6%	5.7%		
	June	\$681.99	4.7%	6.7%	0.750	2.4%		237.3	0.6%	5.8%		
	July											
	August											
	September											
	October											
	November											
	December											

<sup>\*</sup> Principal and Interest Payment assumes a five year mortgage rate and 25 year amortization period

Source: CMHC, Statistics Canada Labour Force Survey





<sup>\*\*</sup> Seasonally Adjusted

<sup>\*\*\*</sup> New Housing Price Index

#### **Definitions**

- 1. Starts: refers to units where construction has advanced to a stage where full (100%) footings are in place. For multiple dwellings (semi-detached, row housing and apartments) the definition of a start applies to the structure or block of row units rather than to the project as a whole.
- 2. Under Construction: those units which have been started but which are not complete.
- 3. Completions Single-detached/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. Row housing/ Apartment: completions means that 90% or more of the dwelling units within a block of row units or an apartment structure are completed and ready for occupancy
- 4. Completed and Not Absorbed: all completed units of new construction (excluding model homes not available for sale) which have never been sold or leased.
- 5. Absorptions: the number of completed units (excluding model homes) that have been sold or leased.
- 6. Seasonally Adjusted (SA): Actual monthly (or quarterly) figures adjusted to remove normal seasonal variation.
- 7. Seasonally Adjust Annual Rates (SAAR): Seasonally adjusted monthly figures multiplied by 12 (or quarterly figures multiplied by 4) to reflect annualized levels of activity.
- 8. Definitions for CMA, NHPI, CPI, and Inflation Rate can be found in the Statistics Canada website http://www.statcan.ca

### CMHC Your Link to Housing Market Trends!

Don't miss Canada Mortgage and Housing Corporation's (CMHC) annual Housing Outlook Conferences. Our conferences provide leading edge expertise on local housing market trends. CMHC's market analysts and economists offer timely and reliable forecasts so you can make better informed decisions.

To register, please call 1-800-668-2642 or register on our website www.cmhc.ca.

All conferences are eligible for education and professional development credits from the Real Estate Council of Ontario, the Real Estate Institute of Canada, and the Appraisal Institute of Canada.

#### Conference dates:

Tuesday, October 5, 2004 - Kitchener Thursday, October 7, 2004 - Sudbury Tuesday, October 19, 2004 - St. Catharines Thursday, October 21, 2004 - Windsor Tuesday, October 26, 2004 - Thunder Bay Thursday, October 28, 2004 - Ottawa Tuesday, November 2, 2004 - Hamilton Tuesday, November 9, 2004 - London

### Ontario's 2004 Retirement Homes Report

Do you want to learn more about the dynamic private retirement home market in Ontario? The 2004 Retirement Homes Report has detailed Ontario-wide survey findings by market area covering vacancy rates and per diems by bed type, capture rates, new supply and vacancy rates by rent range for private beds as well as rent distributions. Order your copy today by calling 1-800-493-0059.

Housing Now is published four times a year. An annual subscription to the Kitchener Housing Now is \$55 plus GST. For more information and to order; please call Ontario Market Analysis customer service at 1-800-493-0059.

© 2004 Canada Mortgage and Housing Corporation. All rights reserved. No portion of this publication may be reproduced, stored in a retrieval system or transmitted in any form or by any means, mechanical, electronic, photocopying, recording or otherwise without the prior written permission of Canada

Mortgage and Housing Corporation. Without limiting the generality of the foregoing, no portion of this publication may be translated from English into any other language without the prior written permission of Canada Mortgage and Housing Corporation. The information, analyses and opinions contained in this publication are based on various sources believed reliable, but their accuracy cannot be guaranteed. The information, analyses and opinions shall not be taken as representations for which