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ORECAST

Hamilton

SUMMARY

Canada Mortgage and Housing Corporation

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New Home Market

Booming home construction

Employment gains, rising income levels and increasing popularity of Hamilton CMA as a residential locality, will continue to bolster housing demand in 2005. Total housing starts are on course to reach 3,950 units by end of 2004, representing an increase of 21 per cent from 2003.

This positive momentum is unlikely to recede and the outlook for the new home market is bright for 2005. Despite forecast interest rate hikes next year, total housing starts are expected to remain buoyant and increase by five per cent to 4,150 units in 2005. Employment gains,

migration and rising incomes are factors that will have a positive impact on housing demand in 2005. The new home market will benefit from a shortage of listings in the resale market, which has been a characteristic feature of the Hamilton CMA housing market.

Next year, increasing carrying costs brought on by rising interest rates will see the less-expensive multi-dwelling category gaining popularity among new home buyers, and especially first-time buyers. The rapid growth in construction of row houses and condominium apartments witnessed so far this year indicates a shift in demand for this type of dwelling. As a result, multiple starts will increase by seven per cent to

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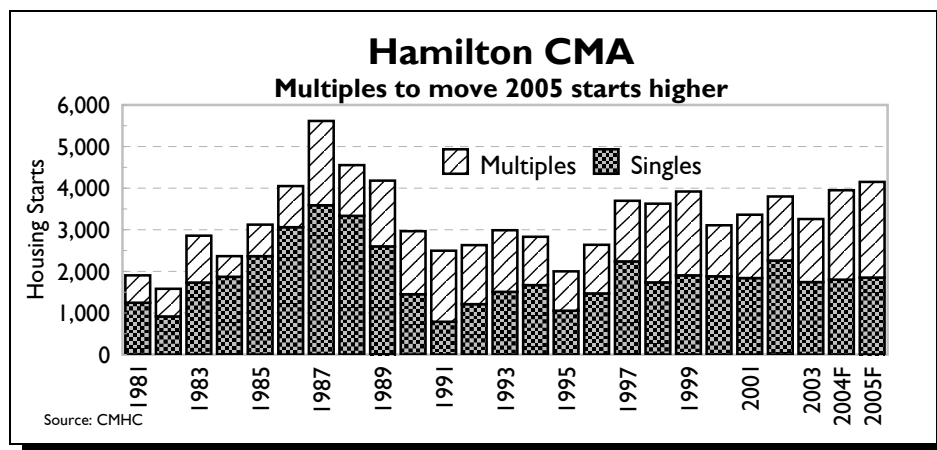
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2,300 units in 2005. Single-detached starts, though not expected to increase as much, will edge up by three per cent in 2005, and represent 45 per cent of Hamilton CMA's total housing starts. Move-up buyer demand will continue to be the main driver of housing demand in this category.

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Growth in housing construction will spread across all sub-markets in the Hamilton CMA. So far this year, almost 50 per cent of total housing construction took place within Hamilton City compared to 46 per cent in 2003. Burlington City accounted for 43 per cent. Employment expansion in Hamilton City coupled with the comparatively low prices of houses in Toronto, will continue to fuel new home construction within its boundaries.

Rising demand for new homes, along with the rising costs of land, labour and material, have kept new home prices at record levels in 2004.

The average absorbed price of a new single-detached home will rise by 10 per cent to reach \$314,000 in 2004. Prices are expected to climb further in 2005 with the average price of an absorbed new single-detached home rising by eight per cent to \$340,000

By sub-market, Burlington City will top Hamilton CMA in average house prices. Continuous flow of in-migrants, especially from the GTA, is driving housing demand there and thus pushing its average home prices upwards. In September 2004, the year-to-date average absorbed price of a new single detached home was \$352,037 and represented a gain of 6 per cent from last year's average price.

Even more noteworthy is the climb in average new home prices in Hamilton City, which was \$266,000 in 2003. Currently, the year-to-date average price of an absorbed new single-detached home is almost \$300,000, representing a gain of over 12 per cent. Townships of Ancaster and Dundas will top house prices within Hamilton City, and will be largely responsible for driving the average price upwards within Hamilton City next year.

Resale Market

Existing home sales to break record in 2005

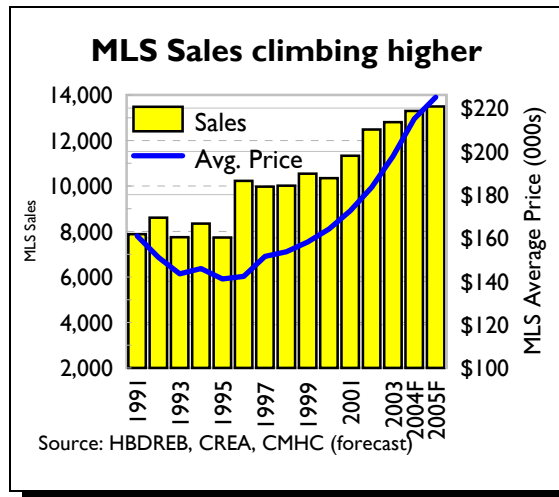
The resale market in Hamilton CMA has enjoyed a solid year of growth in 2004. Sales are expected to rise by 3.8 per cent in 2004. Rising employment levels, especially in the service sector, rising incomes and economic growth will increase demand for resale homes in 2004. The increasing cost of buying new

to that of 2004, with new listings forecast to increase marginally by one per cent to reach 17,000 units.

Sales are forecast to increase by a greater margin than new listings and will inevitably push the sales-to new listings ratio higher. The tightness of the resale market is denoted by a sales-to-new listings ratio. Typically, a market with a sales-to-new listings ratio above 55 per cent denotes a sellers' market, while a ratio below 35 per cent, a buyers'. A market with a ratio in-between is considered to be balanced. In a seller's market,

prices tend to increase above the rate of inflation. In Hamilton CMA this ratio is expected to reach a whopping 79 per cent in 2005. A tight resale market will put upward pressure on prices.

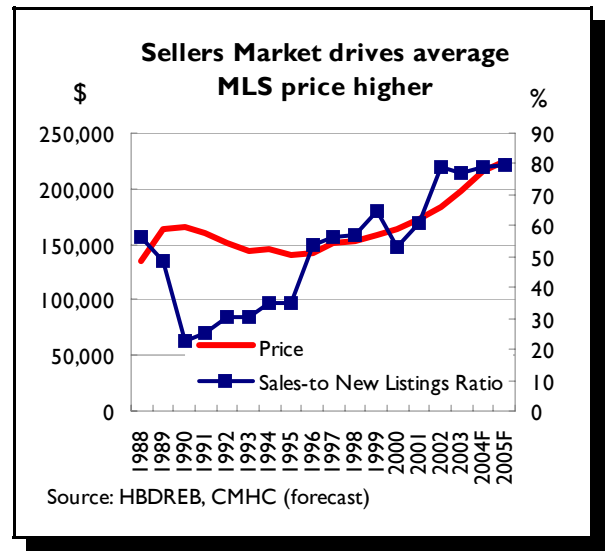
Strong housing demand has driven resale home prices to rise at a rapid pace this year. The average Multiple Listing Service (MLS) price is expected to jump by nine per cent in 2004 to \$215,000.



homes will cause more people to consider resale homes.

A more modest increase in sales by 1.5 per cent to 13,500 units is forecast for 2005 owing to likely interest rate hikes, which will dampen home buyer demand next year. Projected employment gains, especially in the service sector, and rising price of new homes will continue to attract home buyers into the resale market.

New listings have traditionally been in short supply in the Hamilton CMA resale market. A modest increase in new listings by two per cent is expected in 2004. Rising price of resale homes have encouraged more and more people to list their homes for sale. The outlook for 2005 will be similar

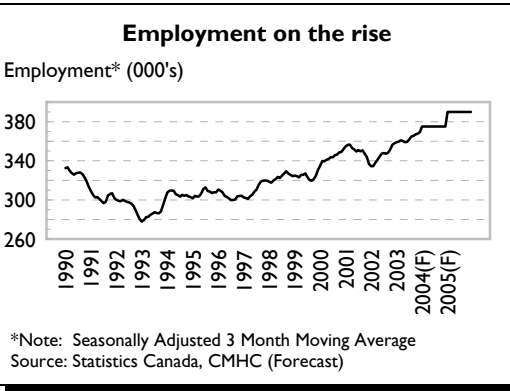


Next year, the average MLS price will increase by five per cent to \$225,000.

Economic Overview

Employment to rise

Hamilton CMA enjoyed a solid year of economic growth in 2003 with a real GDP growth rate of 3.4 per cent. Despite problems faced in the manufacturing sector during the early part of 2004, economic growth is expected to continue this year and 2005.



On the employment front, Hamilton CMA is set to experience another good year in 2004, with a total of 11,000 new jobs to be added to the economy. Total employment is expected to grow by three per cent in 2004.

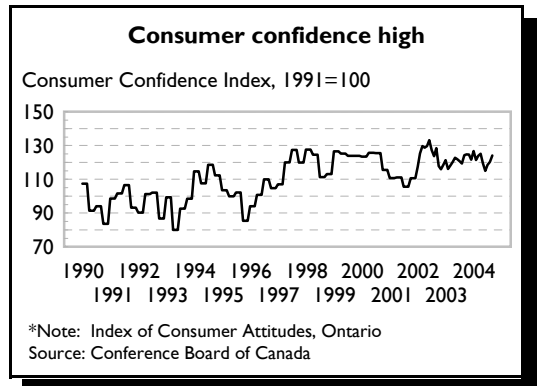
The services sector will dominate job creation. Since the late 1980s, the manufacturing sector job creation has fallen behind that of the services. This trend is likely to continue. For example, the share of total employment in services was 72 per cent during the third quarter of 2004, compared to 68 per cent during same time period last year. Conversely, the manufacturing sector share of total employment fell to 20 per cent during third quarter of 2004 compared to 23 per cent during the same time last year.

year.

Looking forward to 2005, total employment is expected to grow faster by four per cent. Job growth in the service sector, especially in transportation, communications and health, are expected to buoy employment creation in Hamilton CMA.

Migration has long been a key driver of housing demand. Net migration to Hamilton CMA reached 6,491 in 2003, setting a record as the second highest number of migrants entering Hamilton CMA since 1997. Migrants are a major contributor to the increase in home resales. Net migration will increase to 7,200 in

2004 and then by 11 per cent to 8,000 in 2005. The relative low cost of living in Hamilton CMA, especially with regard to house prices in the GTA, lends itself as an ideal place of residence. In fact, the majority of migrants entering Hamilton CMA comprise intra-provincial migrants from the GTA. According to the latest data available, nearly 70 per cent of net migrants entering



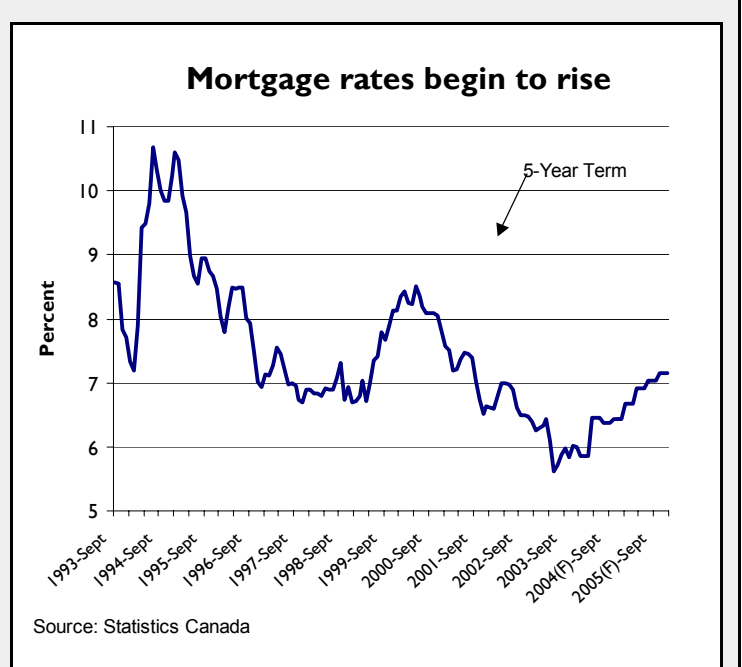
Hamilton CMA in 2003 were intra-provincial migrants and this trend is unlikely to change.

Consumer confidence too is on the mend following a slide during the second quarter of this year. The resilience of Canadian exports, despite a rising dollar, and economic growth point to a positive outlook for the Hamilton CMA economy in 2005.

Mortgage rates to climb

The Canadian economy is operating near its full production capacity and continues to adjust well to global economic developments such as the recent oil price hikes and appreciation of the Canadian dollar. The Bank of Canada has begun tightening monetary conditions with two interest rate hikes during September and October of 2004. CMHC projects economic growth to be three per cent in 2004 and climb to 3.4 per cent in 2005.

Mortgage rates will remain low by historical standards. One, three and five-year posted closed mortgage rates are expected to remain relatively flat to slightly higher for the remainder of this year, having already followed the move up in bond yields this spring. Next year, these rates will begin to increase by 50-100 basis points and are expected to be in the 4.75-6.00, 5.75-6.75, and 6.25-7.50 per cent range, respectively.



FORECAST SUMMARY

HAMILTON CENSUS METROPOLITAN AREA

NEW HOME MARKET	2002	2003	2004F	2005F	% Change
Complete and Unoccupied (September)					
Single-detached	277	144			
Multi-family (semi, row, apt.)	381	52			
Starts					
Single-detached	2,259	1,743	1,800	1,850	2.8%
Multi-family	1,544	1,517	2,150	2,300	7.1%
Total	3,803	3,260	3,950	4,150	5.1%
Average New House Price					
Single-detached	\$261,341	\$285,755	\$314,000	\$340,000	8.3%

RESALE MARKET

Hamilton-Burlington and District

REB					
MLS ¹ Sales	12,482	12,809	13,300	13,500	1.5%
MLS New Listings	15,850	16,555	16,900	17,000	0.6%
Sales-to-Listings Ratio	78.8%	77.4%	78.7%	79.4%	
MLS Average Price	\$183,442	\$197,744	\$215,000	\$225,000	4.6%

ECONOMIC OVERVIEW

Mortgage Rate (1 year term)	5.17	4.84	4.55	5.65	
Mortgage Rate (5 year term)	7.02	6.39	6.33	7.12	
Employed (000's)	347.9	364.0	375.0	390	4.0%
Employment Growth (000's)	-0.5	16.1	11.0	15	
Net Migration (tax filer data)	5,781	6,491	7,200	8000	11.0%

Sources: CREA, Hamilton-Burlington and District Real Estate Board, Statistics Canada, and Conference Board of Canada
¹ 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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