

# H

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Kitchener

## YOUR LINK TO THE HOUSING MARKET

Canada Mortgage and Housing Corporation

### New Homes

#### Single Starts set record in 3rd Quarter of 2002

A drop in mortgage carrying costs and increased local consumer confidence due to a rebound in job growth spurred more households to make the decision to purchase a new single home in the third quarter of 2002. In addition, strong first time buying activity in the resale market drove prices higher encouraging greater move-up activity. Third quarter single starts jumped 32% to 834 units compared to 631 units started in the same period last year. The 834 single units started in the third quarter of 2002 set a record for single starts in a third quarter of a year in Kitchener.

Overall, total residential housing starts increased by only 16% to 1,188 units in

the third quarter of 2002. Multi family starts fell 10% to 354 units from the 393 units witnessed in the same period of last year. The decline in multi family starts can be attributed to a 20% drop in rental apartment starts. The decline was centered in the city of Kitchener with a drop in rental apartment starts from 145 units in the third quarter of 2001 to 46 units started this year.

By municipality, Waterloo recorded the highest level of starts with 472 units due to a 45% jump in single starts and a 49% jump in starts of rental apartment units. Kitchener came in second with 396 starts while Cambridge followed with 287 starts up 41% from 203 starts in the third quarter of 2001. The townships of Woolwich and North Dumfries recorded 20 and 13 starts respectively.

ISSUE 16  
THIRD QUARTER 2002

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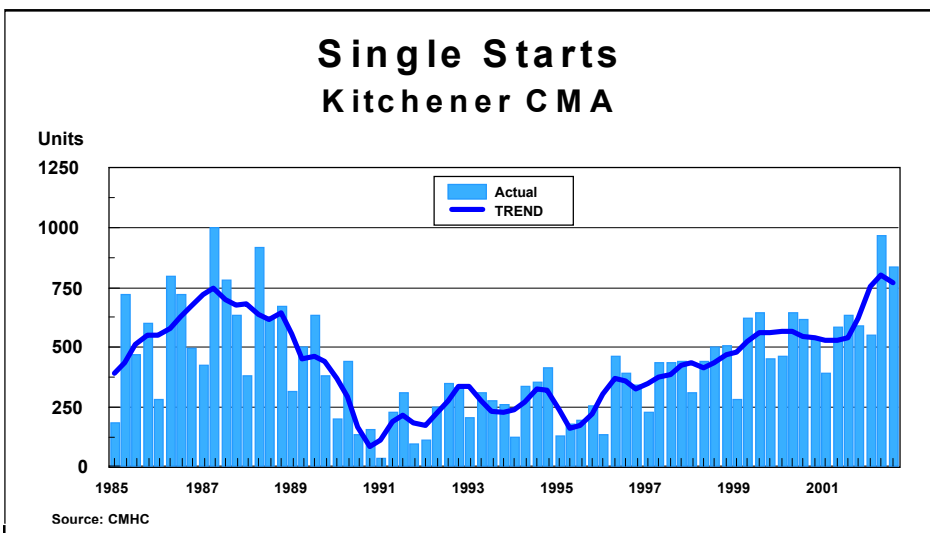
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#### Single Starts Kitchener CMA



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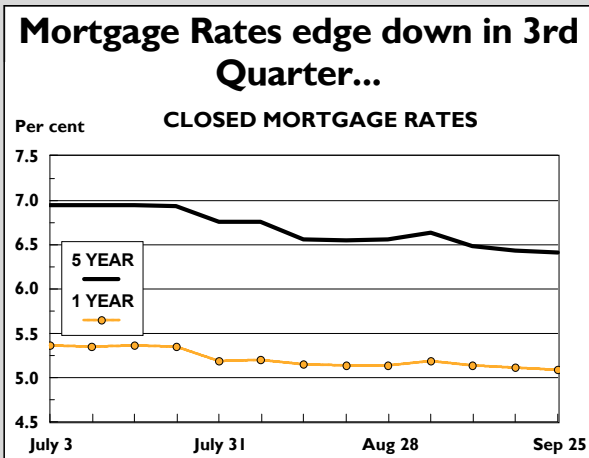
HOME TO CANADIANS

Canada

## MORTGAGE RATES

### Fears of an Economic slowdown pushes rates lower in Third quarter of 2002

Fears of US economic weakness spreading into Canada resulted in the Bank of Canada raising the bank rate only once in the third quarter of 2002. As a result, the market pushed forward expectations of additional Bank of Canada intervention and consequently, mortgage rates edged down between July and September. The five year closed rate fell from 6.94 per cent at the beginning of the July to 6.41 per cent at the end of September. Similarly, the one year closed rate edged down from 5.36 per cent to 5.09 per cent in the same period.



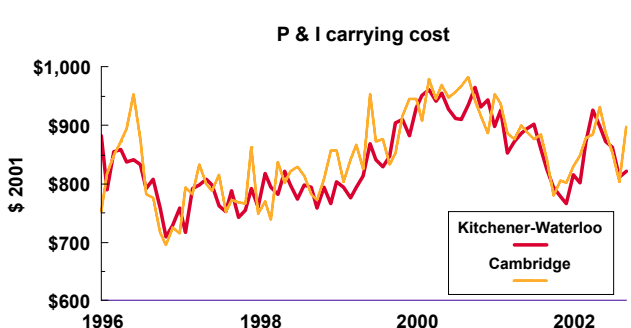
# Resale Market

## Resale Market remains Seller's market in Kitchener-Waterloo in 3rd Quarter

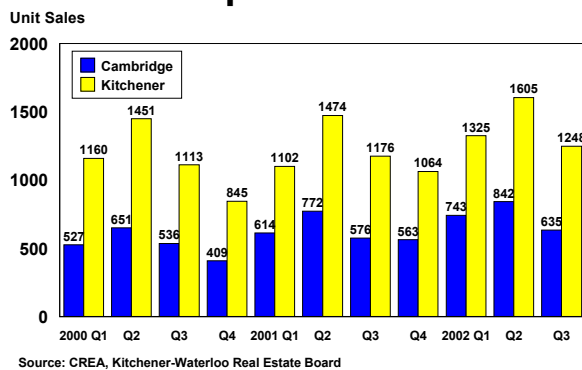
The Kitchener-Waterloo resale market in the 3rd quarter of 2002 continued the strong performance seen in the previous six months with sales at 1,248 units rising 6.1% compared to the same period in 2001. Average price in the third quarter increased 6.5% to \$175,299. Strong price increases attracted more units into the market as new listings increased 8.3% to 1,753 units. Since the growth in listings outpaced the increase in sales, the sales to new listings ratio edged down to 71.2%. The market continues to remain a seller's market placing further pressure on average prices.

The sales trend adjusted for the time of year indicates that jump in demand due to historically low mortgage rates early in 2002 continued to slow over the last three months. On a seasonally adjusted annual rate (SAAR) basis, third quarter sales edged down to 4,985 units (SAAR) from 5,122 units (SAAR) in the second quarter of 2002. However, prior to 2002, SAAR sales reached above the 4,900 unit level only once in the 1990s.

## Carrying costs drop in Third Quarter of 2002



## Sales up in Third quarter compared to 2001



## Cambridge

Sales in the Cambridge Real Estate Board territory rose 10.2% to 635 units compared to the same period in 2001 while average price in the third quarter increased 8.6% to \$179,840. However, the number of new listings increased 9.2% to 913 units. Since new listings increased at a slower pace compared to sales, the sales to new listings ratio increased to 69.6%.

Similar to the Kitchener market, trends in the Cambridge resale market showed that sales had slowed in the third quarter of from the strong showing over the previous six months. On a seasonally adjusted annual rate (SAAR) basis, third quarter sales fell to 2,579 units (SAAR) from 2,777 units (SAAR) in the second quarter of 2002.

(See Table Page 6)

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.		
<b>Kitchener CMA</b>									
Third Quarter 2002	834	28	119	8	0	0	199	1,188	
Third Quarter 2001	631	22	73	50	0	0	248	1,024	
Percent Change	32.2%	27.3%	63.0%	-84.0%	NA	NA	-20%	16.0%	
Jan-Sep 2002	2,355	122	294	22	0	6	386	3,185	
Jan-Sep 2001	1,609	88	240	60	0	4	505	2,506	
Percent Change	46.4%	38.6%	22.5%	-63.3%	NA	50.0%	-24%	27.1%	
<b>Kitchener City</b>									
Third Quarter 2002	260	14	76	0	0	0	46	396	
Third Quarter 2001	218	2	40	46	0	0	145	451	
Percent Change	19.3%	600.0%	90.0%	-100.0%	NA	NA	-68.3%	-12.2%	
Jan-Sep 2002	749	48	203	14	0	0	61	1,075	
Jan-Sep 2001	483	16	105	46	0	0	396	1,046	
Percent Change	55.1%	200.0%	93.3%	-69.6%	NA	NA	-85%	2.8%	
<b>Waterloo City</b>									
Third Quarter 2002	280	6	33	0	0	0	153	472	
Third Quarter 2001	193	14	22	4	0	0	103	336	
Percent Change	45.1%	-57.1%	50.0%	-100.0%	NA	NA	48.5%	40.5%	
Jan-Sep 2002	806	36	71	0	0	6	223	1,142	
Jan-Sep 2001	577	26	67	4	0	4	109	787	
Percent Change	39.7%	38.5%	6.0%	-100.0%	NA	50.0%	105%	45.1%	
<b>Cambridge City</b>									
Third Quarter 2002	263	6	10	8	0	0	0	287	
Third Quarter 2001	186	6	11	0	0	0	0	203	
Percent Change	41.4%	0.0%	-9.1%	NA	NA	NA	NA	41.4%	
Jan-Sep 2002	704	34	20	8	0	0	102	868	
Jan-Sep 2001	454	44	68	10	0	0	0	576	
Percent Change	55.1%	-22.7%	-70.6%	-20.0%	NA	NA	NA	50.7%	
<b>North Dumfries Township</b>									
Third Quarter 2002	13	0	0	0	0	0	0	13	
Third Quarter 2001	19	0	0	0	0	0	0	19	
Percent Change	-31.6%	NA	NA	NA	NA	NA	NA	-31.6%	
Jan-Sep 2002	50	0	0	0	0	0	0	50	
Jan-Sep 2001	42	0	0	0	0	0	0	42	
Percent Change	19.0%	NA	NA	NA	NA	NA	NA	19.0%	
<b>Woolwich Township</b>									
Third Quarter 2002	18	2	0	0	0	0	0	20	
Third Quarter 2001	15	0	0	0	0	0	0	15	
Percent Change	20.0%	NA	NA	NA	NA	NA	NA	33.3%	
Jan-Sep 2002	46	4	0	0	0	0	0	50	
Jan-Sep 2001	53	2	0	0	0	0	0	55	
Percent Change	-13.2%	100.0%	NA	NA	NA	NA	NA	-9.1%	

Source: CMHC

**Table 2: Housing Activity Summary  
Kitchener Census Metropolitan Area (CMA)**

	Ownership					Rental		Total
	Single	Freehold Semi	Row	Condominium Row	Apt.	Row	Apt.	
<b>1. STARTS</b>								
Third Quarter 2002	834	28	119	8	0	0	199	1,188
Third Quarter 2001	631	22	73	50	0	0	248	1,024
Percent Change	32.2%	27.3%	63.0%	-84.0%	NA	NA	-19.8%	16.0%
Jan-Sep 2002	2,355	122	294	22	0	6	386	3,185
Jan-Sep 2001	1,609	88	240	60	0	4	505	2,506
Percent Change	46.4%	38.6%	22.5%	-63.3%	NA	50.0%	-23.6%	27.1%
<b>2. UNDER CONSTRUCTION</b>								
End of Third Quarter 2002	1,020	64	272	74	0	6	1,281	2,717
End of Third Quarter 2001	670	48	205	145	0	0	761	1,829
Percent Change	52.2%	33.3%	32.7%	-49.0%	NA	NA	68.3%	48.6%
<b>3. COMPLETIONS</b>								
Third Quarter 2002	854	42	87	16	0	6	14	1,019
Third Quarter 2001	613	34	90	15	0	4	306	1,062
Percent Change	39.3%	23.5%	-3.3%	6.7%	NA	50.0%	-95.4%	-4.0%
Jan-Sep 2002	1,931	106	239	75	0	12	131	2,494
Jan-Sep 2001	1,556	70	262	54	0	27	458	2,427
Percent Change	24.1%	51.4%	-8.8%	38.9%	NA	-55.6%	-71.4%	2.8%
<b>4. COMPLETED &amp; NOT ABSORBED</b>								
End of Third Quarter 2002	126	10	57	9	4	0	2	208
End of Third Quarter 2001	129	13	43	4	5	1	90	285
Percent Change	-2.3%	-23.1%	32.6%	125.0%	-20.0%	-100.0%	-97.8%	-27.0%
<b>5. TOTAL SUPPLY: 2. + 4.</b>								
September 2002	1,146	74	329	83	4	6	1,283	2,925
September 2001	799	61	248	149	5	1	851	2,114
Percent Change	43.4%	21.3%	32.7%	-44.3%	-20.0%	500.0%	50.8%	38.4%
<b>6. ABSORPTIONS</b>								
Jan-Sep 2002	1,936	107	235	70	1	12	213	2,574
Jan-Sep 2001	1,556	70	267	57	5	27	368	2,350
Percent Change	24.4%	52.9%	-12.0%	22.8%	-80.0%	-55.6%	-42.1%	9.5%
September 2002	254	15	39	6	0	0	14	328
3-Month Average	293	15	31	12	0	2	64	417
12-Month Average	209	11	27	7	0	1	35	290

Source: CMHC

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

	Annual 2001		Jan-Sep. 2002		3rd Quarter 2002	
	Units	Percent	Units	Percent	Units	Percent
<b>Kitchener CMA</b>						
<\$130,000	1	0.0%	1	0.1%	1	0.1%
\$130,000 to \$149,999	37	1.7%	19	1.0%	9	0.9%
\$150,000 to \$174,999	375	17.1%	294	15.1%	108	11.4%
\$175,000 to \$189,999	384	17.5%	368	18.9%	162	17.1%
\$190,000 to \$219,999	481	21.9%	460	23.6%	222	23.4%
\$220,000 to \$249,999	295	13.4%	232	11.9%	128	13.5%
\$250,000+	621	28.3%	574	29.5%	320	33.7%
<b>Total</b>	<b>2,194</b>	<b>100.0%</b>	<b>1,948</b>	<b>100.0%</b>	<b>950</b>	<b>100.0%</b>
Median Price		\$205,023		\$200,000		\$210,000
Average Price		\$228,469		\$227,302		\$236,417
<b>Kitchener City</b>						
<\$130,000	1	0.2%	0	0.0%	0	0.0%
\$130,000 to \$149,999	5	0.8%	1	0.2%	0	0.0%
\$150,000 to \$174,999	70	11.1%	34	5.6%	13	4.6%
\$175,000 to \$189,999	178	28.3%	186	30.6%	77	27.0%
\$190,000 to \$219,999	105	16.7%	91	15.0%	44	15.4%
\$220,000 to \$249,999	50	7.9%	55	9.1%	24	8.4%
\$250,000+	220	35.0%	240	39.5%	127	44.6%
<b>Total</b>	<b>629</b>	<b>100.0%</b>	<b>607</b>	<b>100.0%</b>	<b>285</b>	<b>100.0%</b>
Median Price		\$200,000		\$210,000		\$225,000
Average Price		\$227,021		\$238,384		\$248,016
<b>Cambridge City</b>						
<\$130,000	0	0.0%	0	0.0%	0	0.0%
\$130,000 to \$149,999	8	1.3%	1	0.2%	0	0.0%
\$150,000 to \$174,999	154	25.3%	135	22.4%	34	13.4%
\$175,000 to \$189,999	108	17.7%	110	18.2%	42	16.6%
\$190,000 to \$219,999	156	25.6%	191	31.7%	84	33.2%
\$220,000 to \$249,999	98	16.1%	93	15.4%	47	18.6%
\$250,000+	85	14.0%	73	12.1%	46	18.2%
<b>Total</b>	<b>609</b>	<b>100.0%</b>	<b>603</b>	<b>100.0%</b>	<b>253</b>	<b>100.0%</b>
Median Price		\$195,086		\$198,000		\$205,000
Average Price		\$207,150		\$206,513		\$218,103
<b>Waterloo City</b>						
<\$130,000	0	0.0%	0	0.0%	0	0.0%
\$130,000 to \$149,999	16	2.0%	9	1.4%	4	1.1%
\$150,000 to \$174,999	128	15.9%	109	17.0%	52	14.5%
\$175,000 to \$189,999	91	11.3%	72	11.2%	43	12.0%
\$190,000 to \$219,999	201	24.9%	171	26.6%	90	25.1%
\$220,000 to \$249,999	134	16.6%	76	11.8%	51	14.2%
\$250,000+	237	29.4%	206	32.0%	119	33.1%
<b>Total</b>	<b>807</b>	<b>100.0%</b>	<b>643</b>	<b>100.0%</b>	<b>359</b>	<b>100.0%</b>
Median Price		\$212,505		\$200,000		\$210,000
Average Price		\$234,900		\$227,253		\$230,759

Source: CMHC

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

	Kitchener-Waterloo	Cambridge
Third Quarter 2002	1,248	635
Third Quarter 2001	1,176	576
Percent Change	6.1%	10.2%
Year-To-Date 2002	4,178	2,220
Year-To-Date 2001	3,752	1,962
Percent Change	11.4%	13.1%

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

	Kitchener-Waterloo	Cambridge
Third Quarter 2002	1,753	913
Third Quarter 2001	1,618	836
Percent Change	8.3%	9.2%
Year-To-Date 2002	5,839	3,083
Year-To-Date 2001	5,480	2,841
Percent Change	6.6%	8.5%

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

	Kitchener-Waterloo	Cambridge
Third Quarter 2002	\$175,299	\$179,840
Third Quarter 2001	\$164,627	\$165,625
Percent Change	6.5%	8.6%
Year-To-Date 2002	\$175,786	\$178,768
Year-To-Date 2001	\$164,689	\$167,170
Percent Change	6.7%	6.9%

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

	Kitchener-Waterloo	Cambridge
Third Quarter 2002	71.2%	69.6%
Third Quarter 2001	72.7%	68.9%
Percent Change	-1.5%	0.7%
Year-To-Date 2002	71.6%	72.0%
Year-To-Date 2001	68.5%	69.1%
Percent Change	3.1%	2.9%

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

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# Single-Detached Market

	Bungalow		Split Level		1½ Storey		2 Storey		Other		Unknown		Total	
	Sales	Price	Sales	Price	Sales	Price	Sales	Price	Sales	Price	Sales	Price	Sales	Price
<b>Cambridge</b>	20	\$237,250	12	\$215,406	9	\$279,261	174	\$216,815	38	\$200,292	0	\$0	253	\$218,103
<b>Kitchener</b>	22	\$307,273	11	\$192,273	0	\$0	251	\$245,536	0	\$0	1	\$180,000	285	\$248,016
<b>Waterloo</b>	30	\$246,409	9	\$230,075	2	\$240,049	318	\$229,244	0	\$0	0	\$0	359	\$230,759
<b>Woolwich</b>	15	\$325,820	1	\$261,050	2	\$525,000	8	\$402,488	0	\$0	0	\$0	26	\$362,241
<b>North Dumfries</b>	7	\$289,206	3	\$211,153	3	\$388,000	14	\$189,184	0	\$0	0	\$0	27	\$239,647
<b>Kitchener CMA</b>	94	\$274,564	36	\$212,918	16	\$325,465	765	\$232,841	38	\$200,292	1	\$180,000	950	\$236,417

## Sales shift to High-priced singles in Third Quarter of 2002

Increased average prices and strong sales in the resale market allowed many move-up buyers to afford a higher priced single home in the third quarter of 2002. Sales of new single detached homes shifted to units priced above \$250,000, up from 24% of sales in the second quarter to 34 per cent of sales between July and September in the Kitchener CMA. This impacted the average new single price in all three major municipalities. The average sale price of a new single family home increased from a high of 22% in Cambridge at \$218,103 to a low of 8% in Kitchener and Waterloo with average prices of \$248,016 and \$230,759 respectively. Since it takes approximately 3 to 5 months to build a new single and sales are recorded at completion, this change in sales reflects starts that occurred in the first quarter of 2002 versus those that were started in the last quarter of 2002. In the last quarter of 2001, mortgage rates at 40 year lows lowered carrying costs for many first-time homebuyers and move up buyers with a lower household income allowing them to buy a new single home. Demand for units priced between \$175,000 to

\$219,900 jumped and was reflected in the increased proportion of sales of new singles in this price range in the second quarter of 2002. However, in the third quarter, the increase in the number of units sold priced above \$250,000 indicates that the increase in equity built up in their existing homes due to the increase in prices in the resale market has drawn move-up buyers with higher incomes into the market.

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 94.4% in the third quarter of 2002 compared to 91.6% of singles in Kitchener and 87.6% in Waterloo. The unsold supply of new singles has dropped significantly since June of 2002 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 inventory later this year.

Municipality	Price	% Chg	Under Cnst.	Unsold Supply	Total Supply	Sales	Cmpl.	Sold at Cmpl.	% Sold at Compl	Months of Supply
<b>Kitchener</b>	\$248,016	8.2%	339	49	388	285	262	240	91.6%	4.1
<b>Waterloo</b>	\$230,759	8.3%	316	63	379	379	315	276	87.6%	3.2
<b>Cambridge</b>	\$218,103	21.9%	322	10	332	253	233	220	94.4%	3.9
<b>North Dumfries</b>	\$239,647	38.6%	20	0	20	27	19	19	100.0%	2.2
<b>Woolwich</b>	\$362,241	103.9%	22	2	24	26	22	21	95.5%	2.8
<b>Kitchener CMA</b>	\$236,417	10.7%	1,019	124	1,143	950	851	776	91.2%	3.6

## Table 8: Economic Indicators

	Interest and Exchange Rates			Kitchener CMA		
	Bank Rate	Mtg. Rate 3 Yr. Term	Exch. Rate (\$US/\$CDN)	NHPI (1996=100)	Employment Ratio (%)	Unemployment Rate (%)
<b>2001</b>						
January	5.75	7.44	66.33	107.9	67.5	6.1
February	5.75	7.37	65.04	107.8	67.6	6.0
March	5.25	6.97	63.61	107.9	67.3	5.8
April	5.00	6.91	64.70	108.4	67.5	5.7
May	4.75	7.01	65.27	108.5	66.9	5.6
June	4.75	7.10	65.67	109.4	66.3	5.7
July	4.50	7.10	65.04	109.8	65.6	5.6
August	4.25	7.04	64.67	110.0	64.7	6.1
September	3.75	6.64	63.32	110.3	64.8	6.4
October	3.00	6.16	63.02	110.7	64.8	6.9
November	2.50	5.64	63.19	109.9	65.5	6.6
December	2.50	5.64	62.70	110.3	65.4	6.7
<b>Average</b>	<b>4.31</b>	<b>6.75</b>	<b>64.38</b>	<b>109.24</b>	<b>66.16</b>	<b>6.1</b>
<b>2002</b>						
January	2.25	5.60	62.80	110.8	65.0	6.8
February	2.25	5.61	62.18	110.9	64.7	6.8
March	2.25	5.97	62.75	111.0	64.3	6.5
April	2.50	6.35	63.96	111.2	64.3	5.7
May	2.50	6.40	65.16	113.6	64.5	5.6
June	2.75	6.40	65.76	115.0	65.0	5.3
July	3.00	6.33	63.12	114.9	65.3	5.5
August	3.00	6.02	64.12	115.2	65.5	5.3
September	3.00	5.92	63.41	N/A	65.3	5.8
<b>Average</b>	<b>2.25</b>	<b>5.73</b>	<b>62.58</b>	<b>110.21</b>	<b>64.7</b>	<b>6.7</b>

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.

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# F

# ORECAST

Kitchener

## SUMMARY

Canada Mortgage and Housing Corporation

ISSUE:  
FALL 2002

### New Home Market

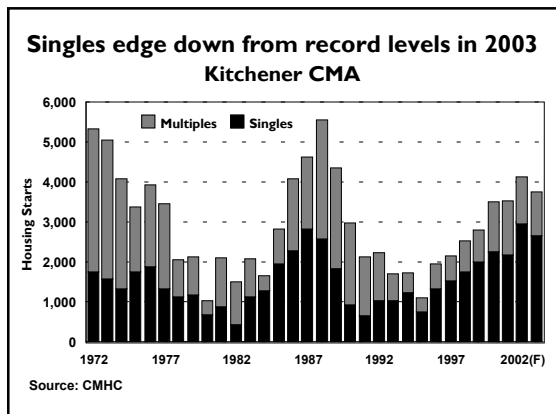
#### 2003 starts drop from 2002 Peak

Coming off the strongest year for residential construction since 1989, housing starts are projected to edge down in the Kitchener CMA in 2003. Stronger economic growth in Canada and the USA will raise the fear of inflation in 2003. The resulting rise in mortgage rates

remains higher than in any year between 1988 and 2001. Semi and row freehold construction will provide a lower priced alternative to new single detached units in 2003. Consequently, multi family construction will drop only 6% to 1,100 units in 2003.

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 94.4% in the third quarter of 2002 compared to 91.6% of singles in Kitchener and 87.6% in Waterloo. The unsold supply of new singles has dropped significantly since June of 2002 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 inventory later this year.

New single prices are forecast to rise less than one per cent in both 2002 and 2003. Sales of affordable 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.



will boost carrying costs and slow demand for new homes. Offsetting the rise in carrying costs, local consumer confidence will continue to improve as job growth accelerates in 2003.

In 2003, total housing starts will reach 3,750 units, down 9% from 2002. Starts of single detached units will fall by 10% to 2,650 units. Although single starts are forecast to drop in 2003, the level

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Singles priced over \$250,000 offer the type of features that move-up buyers with increased equity in 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 the 30% proportion of sales observed in 2001. As a result, new single prices are expected to remain stable.



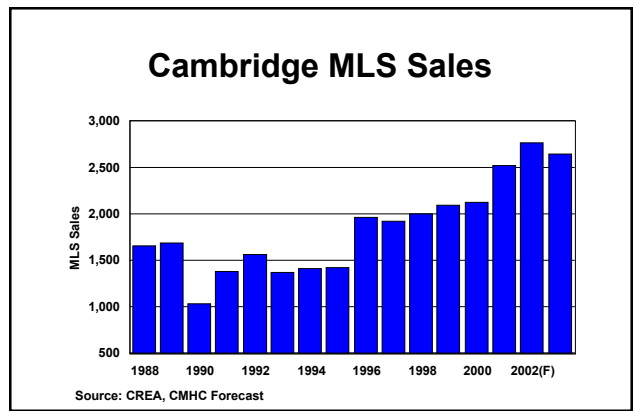
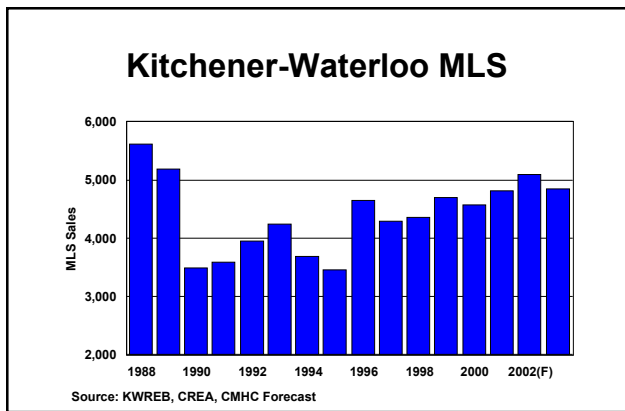
HOME TO CANADIANS  
Canada

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# Resale Market



## Kitchener-Waterloo sales near Record levels

Low mortgage rates and carrying costs, strong consumer confidence and a rebound in local job growth combined to push demand for resale units to near record levels in the Kitchener-Waterloo Real Estate Board in 2002. On a seasonally adjusted annual rate (SAAR), MLS sales activity averaged over 5,000 units for three quarters edging down to the 4,985 level in the third quarter of 2002. However, the last time that SAAR sales reached above the 5,000 level for three consecutive quarters occurred in 1988/1989. In 2003, the increase in carrying costs will be offset by further job growth and stronger local consumer confidence. Sales are forecast to edge down only 5% to 4,850 units.

Although quarterly sales have been at or above the 4,000 SAAR level since 1996, the number of new listings available for

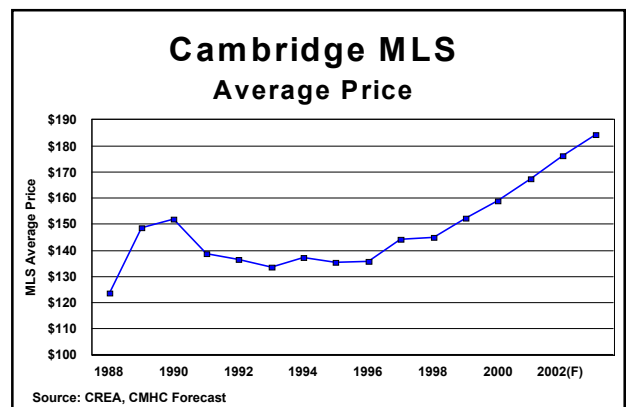
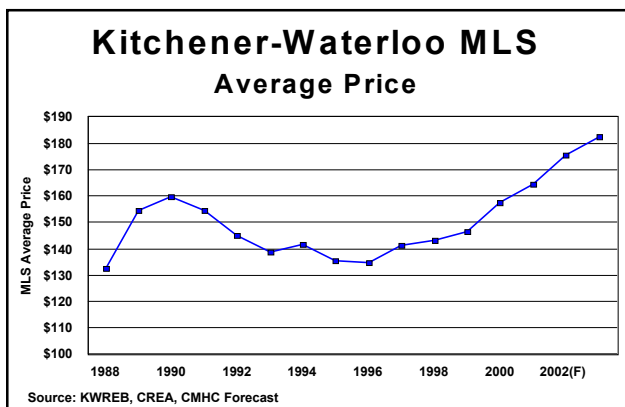
sale had been steadily declining until the first quarter of 2001. In 2002, the rise in average price has encouraged some households to list their existing home on the market and make a move before rates push carrying costs back up. The total number of units listed for sale adjusted for the time of year has increased to the 1,300 unit level in October 2002 from 1,100 units at the beginning of the year. The jump in listings in 2002 offset the increase in sales. For the third quarter of 2002, the seasonally adjusted sales to new listings ratio came in at a respectable 67.5%, down from the robust 77.9% seen in the first quarter of 2002.

With the balance of the market being in favour of the seller, price increases have easily outpaced inflation. The average MLS price jumped 7.1% to \$176,401 in the first ten months of 2002 compared to \$164,643 in 2001. In 2003, the market is expected to ease from the strong seller's market of 2002 as sales edge down and increased prices attract more new listings. For the Kitchener-Waterloo Real Estate Board, average price for 2003

as a whole will rise 4% to \$182,650 from an annual average of \$175,600 in 2002.

## Cambridge sales set record in 2002

The Cambridge resale market is forecast to set record sales in 2002. Seasonally adjusted annual rate (SAAR) sales have edged down to 2,578 sales in the third quarter from 2,956 in the first quarter of this year but remain at an all time high level of activity. Given the current strength of the Cambridge resale market, sales are forecast to come in at a record of 2,775 sales this year. In 2003, increased carrying costs will result in sales edging down to 2,650 units second only to the record levels in 2002. New listings will increase 7% in 2003 coming in at 3,900 new listings. Still, the Cambridge resale market will remain in favour of the seller with the sales to new listings ratio declining marginally to 69.3%. The annual average resale price will rise 4% to a record high of \$184,400 in 2003.



# Rental Market

## Demand for rental units jumps in 2003

In 2002, demand for rental units in the Kitchener CMA rental market is forecast to slow in response to the increased flow of tenants moving into the ownership market and weak employment prospects early in the year that limited new household creation. In 2003, both trends will reverse. Higher carrying costs will result in less movement into ownership while at the same time, job growth will result in more new households looking to the rental market for their first home. To compound the situation in 2003, the expected double cohort of students will place more pressure on demand for rental units. The apartment vacancy rate is forecast to rise to 2.3% in 2002 before dropping sharply to 0.7% in October 2003. To offset the increased demand in the rental market, the supply of rental units will grow due to the large number of new units that have been under construction over the last 12 months entering the market.

The average rent on a 2 bedroom apartment is forecast to rise to \$773 in October 2003, which represents a 3.1% increase over the average 2 bedroom rent of \$750 in the October 2002 survey.

# Economic Overview

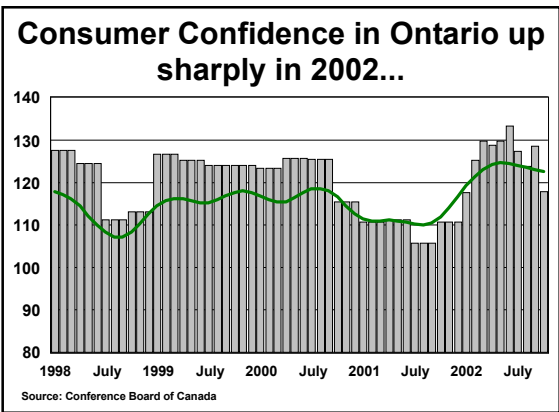
## Job growth to continue in 2003

Employment in the Kitchener area up only 0.9% in 2002 is expected to improve further in 2003. After a very poor performance in the first quarter of 2002, employment in the Kitchener CMA has rebounded sharply in the last six months especially, in the manufacturing sector. Up 8.2% year over year in October of 2002, total employment in the Kitchener Census Metropolitan Area (CMA) is expected to reach an average of 227,800 jobs for 2002 and grow an additional 2.4% to 233,200 employed in 2003.

Although the economic indicators in the USA continue to give mixed signals of a recovery, leading indicators for Canada point to further improvement in 2003 after a strong performance in 2002. The diversified economy in Kitchener benefited from employment growth in 2002. In 2003, manufacturing sectors will continue to benefit as inventories are replenished in the auto sector. In addition, the expansion of the Toyota plant in Cambridge is forecast to lead to 700 more jobs. The service sector will grow as demand for business and financial services increase. 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.

Job creation will encourage people to enter into the labour force in 2003. The participation rate will increase to 69.2% from 68.8% in 2002. The recovery in employment will be offset by growth in the labour force. As a result, the unemployment rate in the Kitchener CMA is forecast to rise to 6.1 per cent in 2003, up from 5.5 per cent in 2002.



## Ontario consumer confidence recovers

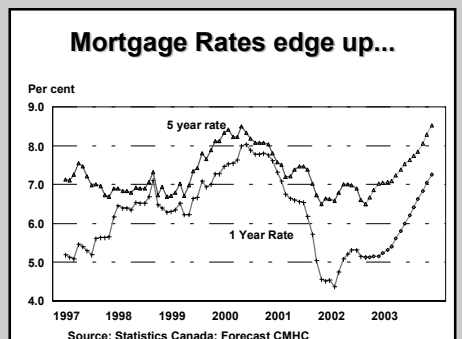
Ontario consumer confidence, as measured by the Conference Board of Canada's Index of Consumer Attitudes, jumped sharply from the low in September of 2001. The consumer confidence index in Ontario peaked at a high of 133.1 in June, up from low of 105.6 seen in the third quarter of 2001. The strong economy in 2003 will strengthen confidence further.

# MORTGAGE RATE OUTLOOK

Slower economic growth at home and south of the border will help keep mortgage rates low over the next several months. However, concerns over accelerating pace of economic growth and inflation will lead to a less relaxed monetary policy and will push up bond yields and mortgage rates by the second half of 2003. While open and variable rate mortgages generally track lenders' prime rate, fixed rate mortgages move in tandem with the bond market.

Mortgage rates will continue to remain low by historical standards. The one-year closed mortgage rate is forecast to be in the 4.50-7.00 per cent range over the next fourteen months. The three-year and five-year term mortgage rates will be in the 5.50-8.00 and 6.50-8.50 per cent ranges, respectively for the rest of this year and next. However, there are risks to the forecasts such as the performance of the U.S. economy and further volatility in capital markets, which could result in mortgage rates falling outside the forecast range.\*

\*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



# FORECAST SUMMARY

## KITCHENER CENSUS METROPOLITAN AREA

Forecast completed October 28, 2002

<b>NEW HOME MARKET</b>	2000	2001	2002	% Change	2003F	% Change
<b>Complete and Unoccupied (September)</b>						
Single-detached	128	129	126	-2.3%	110	-12.7%
Multi-family (semi, row, apt.)	98	156	82	-47.4%	97	18.3%
<b>Starts</b>						
Single-detached	2,261	2,197	2,950	34.3%	2,650	-10.2%
Multi-family	1,248	1,340	1,175	-12.3%	1,100	-6.4%
Total	3,509	3,537	4,125	16.6%	3,750	-9.1%
<b>Average New House Price</b>						
Single-detached	\$208,348	\$228,469	\$229,845	0.6%	\$231,500	0.7%
<b>RESALE MARKET</b>						
<b>Kitchener-Waterloo</b>						
MLS Sales	4,567	4,814	5,100	5.9%	4,850	-4.9%
MLS New Listings	6,495	6,871	7,175	4.4%	7,000	-2.4%
Sales-to-Listings Ratio	70.3%	70.1%	71.1%		69.3%	
MLS Average Price	\$157,386	\$164,548	\$175,600	6.7%	\$182,650	4.0%
<b>Cambridge</b>						
MLS Sales	2,123	2,525	2,775	9.9%	2,650	-4.5%
MLS New Listings	3,279	3,523	3,650	3.6%	3,900	6.8%
Sales-to-Listings Ratio	64.7%	71.7%	76.0%		67.9%	
MLS Average Price	\$159,104	\$167,227	\$176,400	5.5%	\$184,400	4.5%
<b>RENTAL MARKET</b>						
Apartment Vacancy Rate	0.7%	0.9%	2.3%		0.7%	
Average Rent (2 bedroom)	\$697	\$722	\$750	3.9%	\$773	3.1%

### ECONOMIC OVERVIEW

Mortgage Rate (1 year term)	7.85	6.14	5.08		4.50-7.00	
Mortgage Rate (5 year term)	8.35	7.41	6.87		6.50-8.50	
Employed (000's)	223.5	225.7	227.8	0.9%	233.2	2.4%
Employment Growth (000's)	4.7	2.2	2.1		5.4	
Net Migration (Census Year)	5,542	5,254	5,850	11.3%	5,500	-6.0%

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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