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Canada Mortgage and Housing Corporation

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New Homes

New home construction virtually unchanged in '04

The Kitchener CMA experienced another banner year in new home construction in 2004. With the addition of 1,214 new footings in the fourth quarter, total starts for the year amounted to 3,912 - down only 1.1 per cent in comparison to a strong 2003.

All of the fundamentals required for high demand in the new home market remained firmly in place last year. Favourable interest rates and strong job and population growth have led to the continuation of a tight resale market. Home buyers looking for more choice have turned to the new home market to satisfy

their housing preferences.

Because demand for new homes remained at high levels, it is not surprising that average price continued to increase at a healthy rate - over ten per cent to \$256,115. This price growth has brought about a marked shift in buyer preference toward affordable home types, including townhomes and semi-detached houses (classified as multiple units). Multiple starts increased by over 20 per cent year-over-year in 2004 versus a 14 per cent decline in single detached units.

Whereas new home construction has remained at virtually the same high level over the past two years, the geography of these home starts

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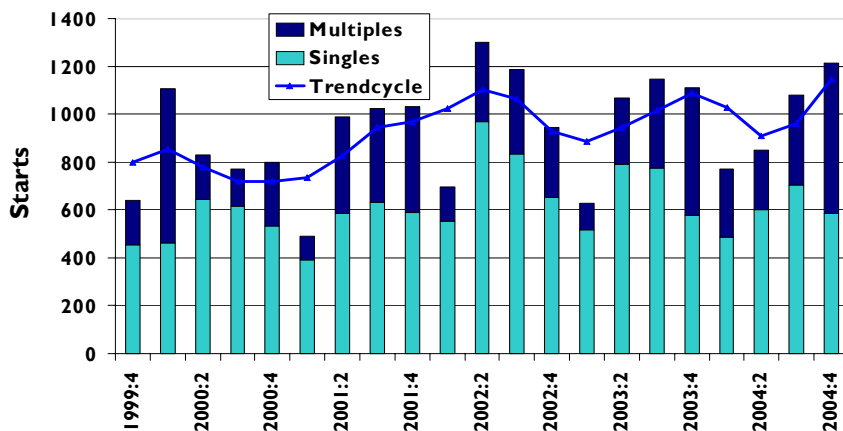
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Kitchener CMA Housing Starts



Source: CMHC

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has changed substantially. In 2004, starts in Cambridge City accounted for 17 per cent of the CMA total - down from 28 per cent the previous year. Taking up the majority of this decline was Kitchener City, with its share growing from 39 to 46 per cent.

The primary reason for the construction decline in Cambridge is a temporary shortage of serviced lots. Staging of development reports produced by the City suggest that the supply of buildable lots will increase, as proposed plans of subdivision currently at different stages of the planning process are registered over the short to medium term.

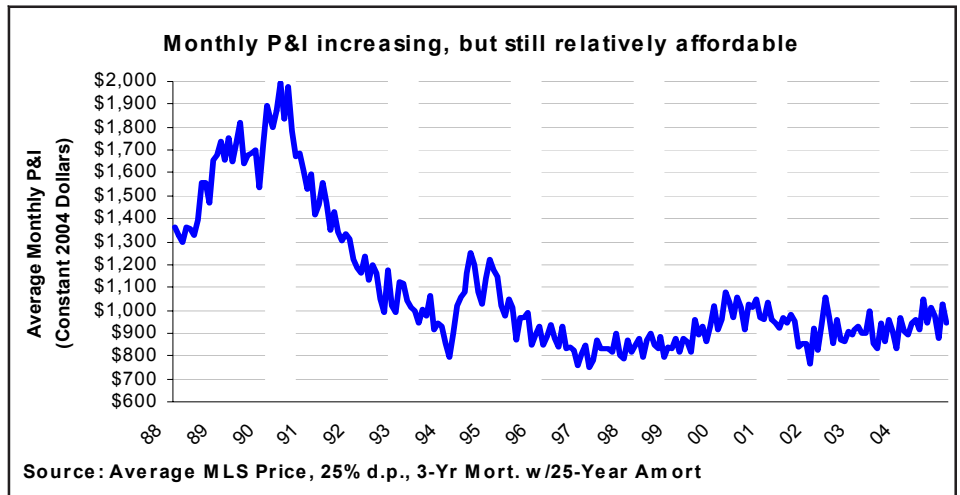
Demand Factors

The rate of employment growth dictates the overall level of demand for housing in a given market. Regions with strong job growth experience steady net in-migration of population. These new in-migrants require some form of housing.

The Kitchener CMA experienced strong job growth over the past 5 years. Between 1999 and 2004, employment grew, on average, by 1.9 per cent annually. This positive growth trend resulted in total employment averaging 240,000 last year.

Strong job growth in the CMA has translated into steady population growth, with a 1.7 per cent average annual increase realized since 1999. Over this period, population has grown from 414,000 to 450,000.

The cost of borrowing money - interest and by extension mortgage rates - has been a major driver of demand for ownership housing. Mortgage rates in 2004 reached historic lows. This prompted an increasing number of first-time buyers and renter households to enter the ownership market. Record resales, near-record housing starts and an increasing average vacancy rate all provide strong evidence of this trend.



Resale Market

Record Sales in K-W

Strong demand in the ownership market resulted in an all-time record number of resales last year. With the addition of 1,150 sales in the fourth quarter, total sales under the Kitchener-Waterloo Real Estate Board increased to 5,931 in 2004.

The record sales pace in 2004 kept seller's market conditions firmly in place. Sales of existing homes in the K-W area increased at a greater rate than supply. This served to push the average sales-to-new-listings ratio up one percentage point, from 68 per cent in 2003 to 69 per cent in 2004.

Increased demand relative to supply indicates that the level of choice in the market place declined over the past year. The result has been

increased competition for available homes, which has led to substantial increases in average price. The average selling price increased by nine per cent, from \$188,904 in 2003 to \$205,639 in 2004. Assuming a 25 per cent down payment and an average three-year fixed mortgage rate amortized over 25 years, the average monthly principal and interest payment equaled \$953. In real terms (constant 2004 dollars), this represented a five per cent increase over 2003.

Oftentimes, rising prices and associated monthly payments raise concerns about the affordability of ownership for first-time buyers. However, if the real monthly P&I payment (constant 2004 dollars) is compared between 1988 and 2004, it is clear that the resale market is still very affordable historically. In fact, last year's average monthly payment is only 53 per cent of that experienced in 1990 during the peak of the previous housing cycle.

It is also important to note that there exists a substantial number of homes offered at prices below the average. The average price for a non-detached (e.g. a semi-detached or townhouse unit) was \$149,000 last year. The average monthly P&I payment for these units equaled \$693 dollars. Thus, home ownership is arguably still a realistic option for many first-time buyers.

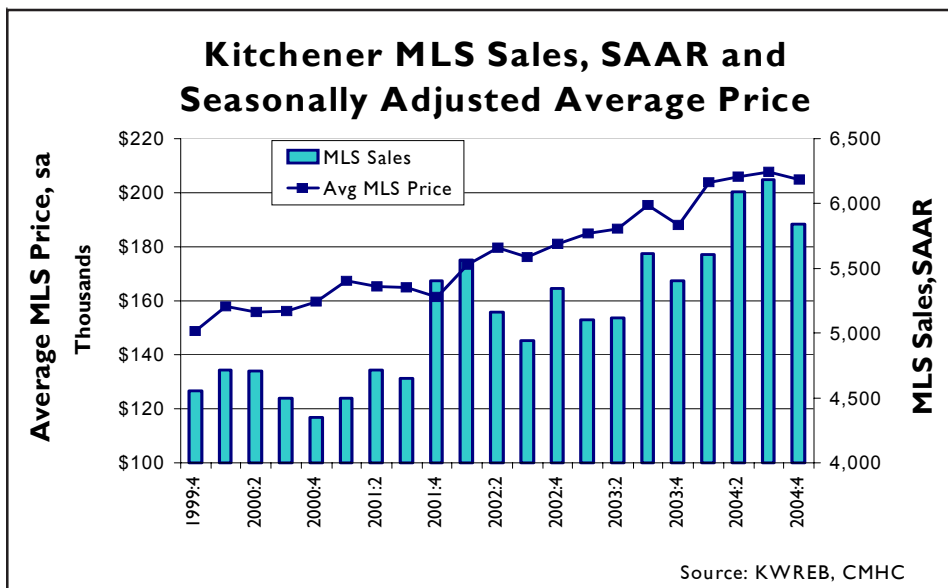


Table 1: Housing Activity Summary for Kitchener CMA

	OWNERSHIP					RENTAL		GRAND **TOTAL
	FREEHOLD			CONDOMINIUM		ROW	APT	
	*SINGLE	*SEMI	ROW	ROW	APT			
STARTS								
Q4 2004	585	34	157	104	0	0	334	1,214
Q4 2003	578	28	100	0	0	199	208	1,113
% Change	1.2	21.4	57.0	NA	NA	-100.0	60.6	9.1
Year-to-date 2004	2,374	194	400	157	16	112	659	3,912
Year-to-date 2003	2,663	142	516	9	0	215	410	3,955
% Change	-10.9	36.6	-22.5	**	NA	-47.9	60.7	-1.1
UNDER CONSTRUCTION								
December 2004	711	66	267	122	0	12	711	1,889
December 2003	739	44	358	20	0	203	1,047	2,411
COMPLETIONS								
Q4 2004	632	36	62	19	0	13	171	933
Q4 2003	705	46	156	7	0	12	254	1,180
% Change	-10.4	-21.7	-60.3	171.4	NA	8.3	-32.7	-20.9
Year-to-date 2004	2,403	172	475	60	16	302	995	4,423
Year-to-date 2003	2,795	136	490	38	0	18	653	4,130
% Change	-14.0	26.5	-3.1	57.9	NA	**	52.4	7.1
COMPLETE & NOT ABSORBED								
December 2004	91	17	22	3	0	0	77	210
December 2003	84	7	38	6	4	12	165	316
ABSORPTIONS								
Q4 2004	628	45	64	23	0	13	225	998
Q4 2003	735	43	155	7	0	0	162	1,102
% Change	-14.6	4.7	-58.7	**	NA	NA	38.9	-9.4
Year-to-date 2004	2,413	162	491	63	20	314	1,083	4,546
Year-to-date 2003	2,794	142	497	49	0	6	489	3,977
% Change	-13.6	14.1	-1.2	28.6	NA	**	121.5	14.3

*Includes all market types

**Year-over-year change greater than 200 per cent

Source: CMHC

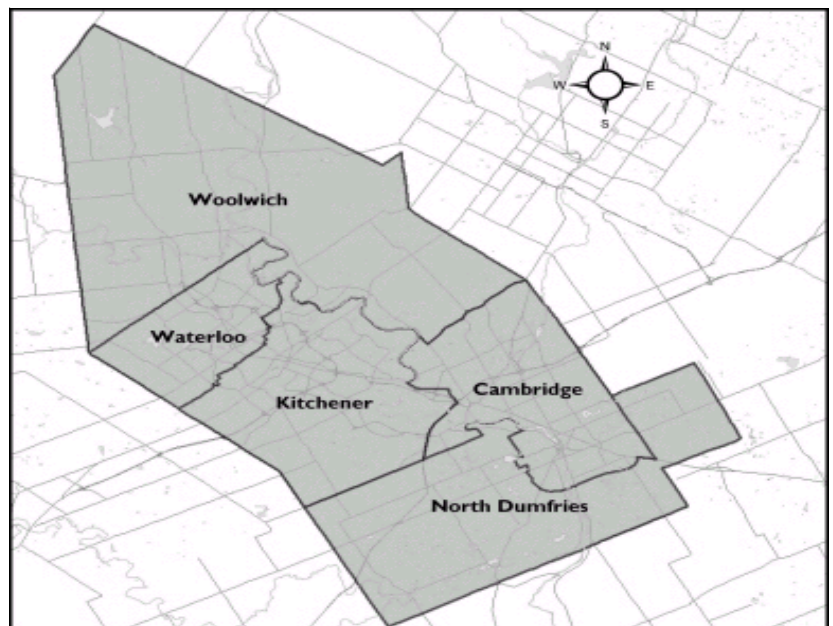


Table 2A: Starts by Area and by Intended Market - Current Quarter

Sub Market Area	SINGLES			MULTIPLES			TOTAL		
	Q4 2003	Q4 2004	% change	Q4 2003	Q4 2004	% change	Q4 2003	Q4 2004	% change
Kitchener CMA	578	585	1.2%	535	629	17.6%	1113	1,214	9.1%
Cambridge City	179	154	-14.0%	29	76	162.1%	208	230	10.6%
Kitchener City	177	280	58.2%	192	252	31.3%	369	532	44.2%
North Dumfries Township	7	2	-71.4%	0	0	NA	7	2	-71.4%
Waterloo City	192	100	-47.9%	252	293	16.3%	444	393	-11.5%
Woolwich Township	23	49	113.0%	62	8	-87.1%	85	57	-32.9%

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

Sub Market Area	SINGLES			MULTIPLES			TOTAL		
	YTD 2003	YTD 2004	% change	YTD 2003	YTD 2004	% change	YTD 2003	YTD 2004	% change
Kitchener CMA	2,663	2,374	-10.9%	1,292	1,538	19.0%	3,955	3,912	-1.1%
Cambridge City	936	471	-49.7%	170	206	21.2%	1,106	677	-38.8%
Kitchener City	901	1,115	23.8%	631	674	6.8%	1,532	1,789	16.8%
North Dumfries Township	23	21	-8.7%	0	0	NA	23	21	-8.7%
Waterloo City	706	580	-17.8%	429	614	43.1%	1,135	1,194	5.2%
Woolwich Township	97	187	92.8%	62	44	-29.0%	159	231	45.3%

Table 3: Average Price of Completed and Absorbed Single-Detached Dwellings (\$)

Sub Market Area	Q4 2003	Q4 2004	% Change	YTD 2003	YTD 2004	% Change
Kitchener CMA	233,125	268,648	15.2	231,919	256,115	10.4
Cambridge City	221,078	268,977	21.7	217,866	246,145	13.0
Kitchener City	228,535	244,348	6.9	236,186	245,041	3.7
North Dumfries Township	401,429	432,222	7.7	314,831	438,672	39.3
Waterloo City	239,377	278,189	16.2	234,631	262,246	11.8
Woolwich Township	293,331	356,816	21.6	304,566	308,898	1.4

Source: CMHC

Note: NA may appear where CMHC data suppression rules apply

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

AREA	PRICE RANGES										TOTAL
	<\$150,000		\$150-\$174,999		\$175-\$249,999		\$250-\$299,999		\$300,000+		
	Units	Share (%)	Units	Share (%)	Units	Share (%)	Units	Share (%)	Units	Share (%)	
Kitchener CMA											
Q4 2004	0	0.0	9	1.4	314	50.0	151	24.0	154	24.5	628
Q4 2003	1	0.1	52	7.1	450	61.2	130	17.7	102	13.9	735
YTD 2004	3	0.1	38	1.6	1,370	56.8	482	20.0	520	21.5	2,413
YTD 2003	9	0.3	269	9.6	1,675	59.9	462	16.5	379	13.6	2,794
Cambridge City											
Q4 2004	0	0.0	0	0.0	51	45.9	43	38.7	17	15.3	111
Q4 2003	1	0.4	19	7.8	175	71.7	34	13.9	15	6.1	244
YTD 2004	1	0.2	16	3.0	314	58.8	144	27.0	59	11.0	534
YTD 2003	4	0.4	107	10.5	722	70.7	139	13.6	49	4.8	1,021
Kitchener City											
Q4 2004	0	0.0	6	2.0	183	61.6	54	18.2	54	18.2	297
Q4 2003	0	0.0	11	4.3	152	59.4	63	24.6	30	11.7	256
YTD 2004	1	0.1	9	0.9	642	63.4	180	17.8	180	17.8	1,012
YTD 2003	0	0.0	66	7.3	505	55.7	200	22.1	135	14.9	906
North Dumfries Township											
Q4 2004	0	0.0	0	0.0	0	0.0	3	33.3	6	66.7	9
Q4 2003	0	0.0	0	0.0	2	28.6	0	0.0	5	71.4	7
YTD 2004	0	0.0	0	0.0	0	0.0	5	20.0	20	80.0	25
YTD 2003	1	3.4	0	0.0	7	24.1	8	27.6	13	44.8	29
Waterloo City											
Q4 2004	0	0.0	3	1.8	69	42.1	39	23.8	53	32.3	164
Q4 2003	0	0.0	18	9.0	113	56.5	26	13.0	43	21.5	200
YTD 2004	1	0.1	8	1.1	366	52.6	118	17.0	203	29.2	696
YTD 2003	4	0.5	90	11.9	418	55.4	94	12.5	149	19.7	755
Woolwich Township											
Q4 2004	0	0.0	0	0.0	11	23.4	12	25.5	24	51.1	47
Q4 2003	0	0.0	4	14.3	8	28.6	7	25.0	9	32.1	28
YTD 2004	0	0.0	5	3.4	48	32.9	35	24.0	58	39.7	146
YTD 2003	0	0.0	6	7.2	23	27.7	21	25.3	33	39.8	83

Source: CMHC

Note: NA 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

		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	72.8	182,685	8.1	189,090
	February	433	-2.7	5,400	663	7,900	67.8	189,176	10.2	184,339
	March	450	-10.2	4,800	757	7,600	63.5	184,797	6.4	180,987
	April	494	-20.6	4,600	747	7,200	64.0	188,517	2.8	198,579
	May	522	-0.2	5,100	751	7,300	69.6	179,630	0.8	180,461
	June	576	25.2	5,700	796	8,600	66.4	190,602	8.2	182,789
	July	600	36.7	6,400	713	8,000	80.1	196,120	10.2	203,259
	August	458	10.1	5,600	570	7,600	73.3	183,524	6.6	181,296
	September	409	4.1	4,900	684	8,000	61.2	186,291	6.1	201,345
	October	427	2.9	5,700	681	8,200	69.2	199,132	8.9	189,685
	November	347	-13.7	5,000	473	7,900	63.6	186,761	1.5	171,763
	December	281	8.9	5,500	338	7,800	70.3	200,694	6.8	200,988
2004	January	275	-12.1	4,700	618	7,700	61.0	193,870	6.1	197,445
	February	433	0.0	5,400	657	7,900	69.1	202,277	6.9	198,114
	March	671	49.1	6,700	874	8,200	81.4	197,325	6.8	212,822
	April	621	25.7	6,100	822	8,200	74.2	204,293	8.4	206,680
	May	595	14.0	6,200	894	9,100	68.4	201,264	12.0	194,146
	June	641	11.3	6,000	889	9,100	65.8	212,383	11.4	217,277
	July	556	-7.3	6,200	733	8,700	72.0	201,634	2.8	198,540
	August	494	7.9	5,800	730	9,200	63.3	208,724	13.7	217,326
	September	495	21.0	6,500	824	9,900	65.8	211,308	13.4	208,185
	October	398	-6.8	5,600	654	8,500	66.0	206,250	3.6	186,626
	November	476	37.2	6,200	578	8,800	69.9	214,239	14.7	220,365
	December	276	-1.8	5,700	328	8,000	72.0	216,323	7.8	206,098
Q4 2003		1,055	-1.9	5,400	1,492	8,000	67.7	195,479	6.0	187,974
Q4 2004		1,150	9.0	5,800	1,560	8,400	69.2	211,974	8.4	204,902
YTD 2003		5,310	1.1		7,757			188,904	6.4	
YTD 2004		5,931	11.7		8,601			205,639	8.9	

	Annual Sales	Yr/Yr %		Annual New Listings	Yr/Yr %		Annual 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

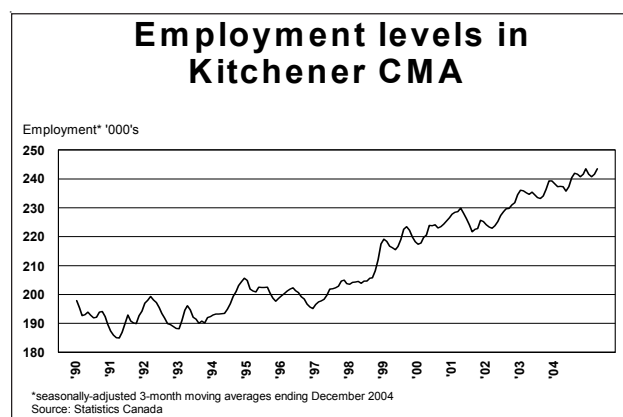
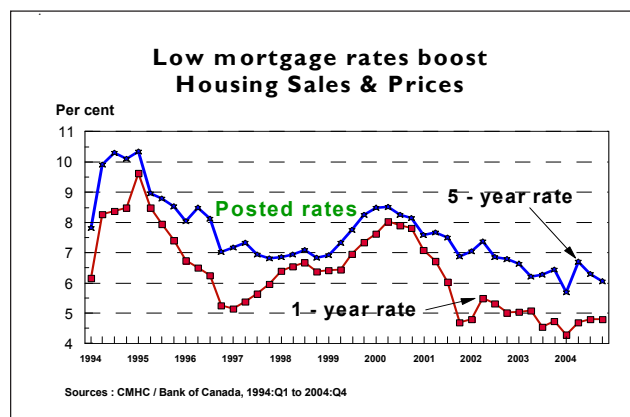
		Interest and Exchange Rates				Inflation Rate (%)	NHPI*** % chg.	KITCHENER CMA Labour Market		
		P & I* Per \$100,000	Mortgage Rate (%)		Exch. Rate (\$US/\$Cdn)			Ontario 1996=100	KITCHENER CMA 1997=100	Employment SA** (,000)
			1 Yr. Term	5 Yr. Term						
2003	January	666.80	4.9	6.5	0.657	4.3	4.5	235.7	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	5.0	237.3	0.6	5.8
	July	672.86	4.6	6.6	0.752	2.4	4.1	240.4	1.3	5.7
	August	657.75	4.4	6.3	0.762	1.5	4.1	242.0	0.7	5.7
	September	657.75	4.8	6.3	0.793	1.5	4.5	241.6	-0.2	5.4
	October	663.77	4.9	6.4	0.821	2.1	5.8	240.7	-0.4	5.2
	November	657.75	5.0	6.3	0.843	2.2	7.0	241.6	0.4	4.7
	December	642.78	4.8	6.1	0.832	1.9		243.5	0.8	4.4

* Principal and Interest Payment assumes a five year mortgage rate and 25 year amortization period

** Seasonally Adjusted

*** New Housing Price Index

Source: CMHC, Statistics Canada Labour Force Survey



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>

Your Guide to Renting a Home – CMHC’s new, online guide for tenants, landlords, and property managers

CMHC is breaking new ground with the introduction of “Your Guide to Renting a Home”. A comprehensive rental guide, developed by the Research and Information Transfer team, this free, online tool launched this spring. It will help the estimated four million Canadian households in rental accommodation, as well as landlords and property managers, to find plain language information on tenant and landlord rights and rental practices across the country.

“Your Guide to Renting a Home” is located on the CMHC Web site at www.cmhc.ca. From the left-hand menu, you can select “Buying or Renting a Home” and click on “Renting a Home”.

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**.

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