

YOUR LINK TO THE HOUSING MARKET

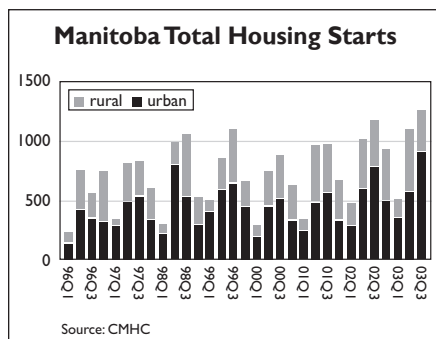
Canada Mortgage and Housing Corporation

New Home Market

Urban starts lead the way

After the first three quarters of 2003 Manitoba housing starts continue to stay ahead of last year's totals. With 2,888 housing starts across the province in the first nine months of the year, total starts are now almost eight per cent higher than for the same period of 2002. Most of the construction activity in this most recent quarter can be attributed to the province's urban areas, where starts were up almost 16 per cent over last year's third quarter results. As a result, the province's urban areas are 10 per cent ahead of where they were after three quarters last year. Of the five urban centres with population over 10,000, Winnipeg has seen the most growth. Thanks to strong multiple-family construction in the third quarter, starts are up 18 per cent in the first three quarters of this year compared to the same period last year. Only Brandon has matched last year's performance, while Portage la Prairie, and St. Andrews have seen double digit declines in total starts of 76 per cent and 38 per cent respectively compared to the same three quarters of last year.

Rural starts, meanwhile, have lagged this past quarter registering a decline of 10 per cent when compared to the third quarter of 2002. Thanks to a strong second quarter however, year-to-date rural starts are still four per cent ahead of last year at this time.



Surge in multiple-family construction

Multiple-family starts in Manitoba are now up almost 40 per cent over the first three quarters of this year compared to last year. Most of these gains were recorded in Winnipeg where several large projects started in this past quarter have helped to boost the totals. In fact, multiple-family starts in the Winnipeg CMA for the first nine months of the year are 76 per cent higher than during the same period last year. This can be attributed to a large number of projects aimed at the seniors' market as well as a major rental apartment project started in this past quarter. This upswing in activity appears to be limited to Winnipeg however, as multiple-family starts are down in Brandon and Portage la Prairie. Multiple-family starts in Brandon are down 20 per cent compared to the first three quarters of 2002, while Portage la Prairie has yet to register a multiple start this year. After a flurry of multi-family activity in the second quarter of this year, rural multi starts declined by 38 per cent in the third quarter compared to the same quarter of last year. Year-to-date, rural multiple-family starts remain 55 per cent greater than they were at this time last year.

Single-family starts leveling off

Single-family housing starts in the province are on pace to match last year's impressive totals. There were 2,266 single-family starts recorded in the first nine months of this year, almost identical to the 2,233 recorded during the same period last year. The number of urban single starts leveled off during the third quarter, showing gains of only one per cent over the same quarter of last year. Rural single-family starts have started to lag, registering a drop of almost six per cent this past quarter in a year-over-year comparison.

THIRD QUARTER 2003

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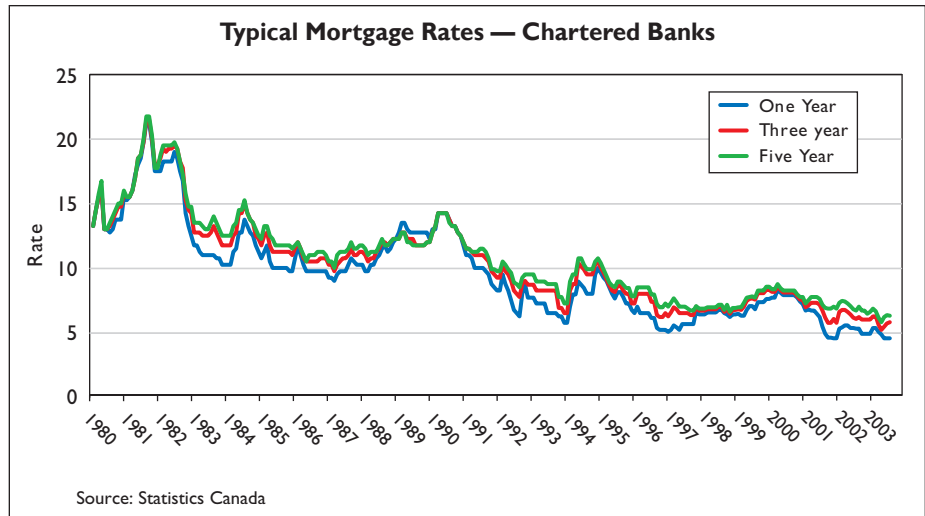


Supply, multi-family absorptions up.

The total supply of housing units in urban centres, including homes under construction as well as those completed and unoccupied, has climbed 19 per cent at the end of this last quarter compared to the same time last year. Contributing to this increase in supply is an 11 per cent decline in total absorptions this past quarter compared to the third quarter of 2002. Much of the increase in overall supply can be attributed to the multiple-family side of the market where supply is up 44 per cent compared to the same time last year. Demand in this sector remains strong as absorptions of private multiple-family housing are up 73 per cent over the third quarter of the previous year.

Average price will continue to rise as market favours higher priced homes

The most popular price range for new single-family housing in this third quarter continues to be in the \$150,000 to \$199,999 price range capturing 47 per cent of market share. Homes above \$200,000 now take 45 per cent of the market compared to only 34 per cent one year ago. The market share of the highest priced homes, those over \$250,000, increased by 36 per cent going from 16 per cent of the market in the third quarter of 2002 to 21 per cent in the third quarter of 2003. This leaves very little market share for products priced under \$150,000 where only 8 per cent of the market remains. Increasing costs of construction including labour, materials and land, are eroding market share in these lower categories as it becomes increasingly difficult for builders to offer homes priced less than \$150,000.



Economic growth constrained by lack of skilled workers

Economic growth in Manitoba has been below the national average since 1998. This trend is forecast to continue with growth of 1.5 per cent this year and 2.5 per cent next year. One reason cited for the sluggish performance this year is the negative impact of a higher Canadian dollar and a weak U.S. economy on exports.

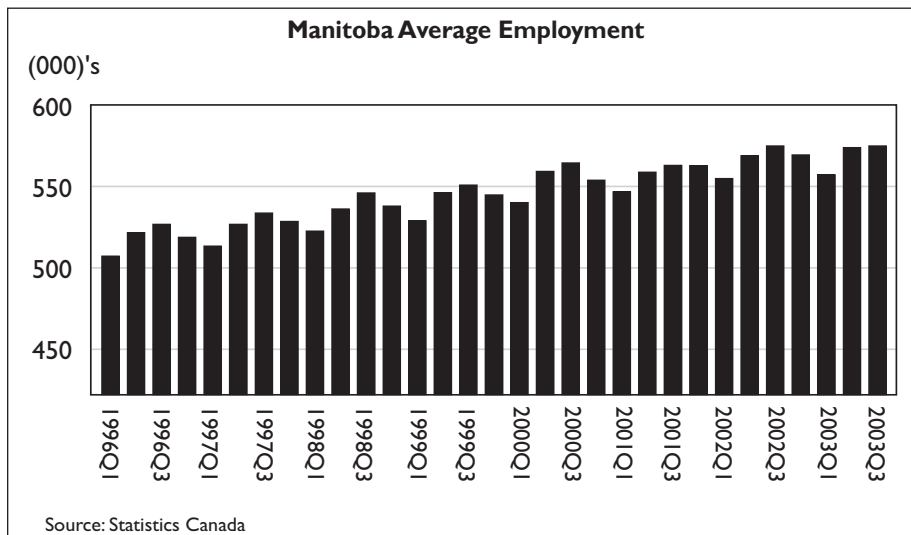
Economic growth is also being compromised by a shortage of skilled labour. The shortage is illustrated by two common indicators, employment growth and the unemployment rate. Year-to-date average employment has grown less than one percent compared to the end of the third quarter last year. The unemployment rate has increased only slightly from 5.1 per cent in September of 2002 to 5.3 per cent in September of 2003, but remains well below the national average. Firms across several industrial sectors are reporting an inability to

fill vacant positions. The shortfall in workers is being amplified by the loss of individuals to other provinces. The lack of skilled labour is imposing pressure on businesses to enhance the productivity of the existing pool of employees.

Mortgage rate rising but historically low

Rapidly decelerating inflation and lingering health, trade, and geopolitical risks will keep Canadian interest and mortgage rates low in the near future. Short-term mortgage rates move in tandem with the prime rate while mid- and long-term mortgage rates vary in response to the cost of raising funds in the bond market. Therefore, low rates in those markets call for posted mortgage rates to remain low over the duration of the year. As the U.S. economy improves and interest rates south of the border begin to climb in 2004, Canadian interest rates will also rise in an effort to keep inflation stable and preserve the value of the Canadian currency.

The one-, three-, and five-year posted mortgage rates are expected to be in the 4.25-5.25, 5.25-6.25, and 6.00-6.75 per cent range, respectively, this year. Mortgage rates are forecast to rise by 0.50-0.75 percentage points in 2004. Spreads between mortgage rates and comparable bond yields have recently remained at 150-250 basis points, providing lenders with some room to negotiate discounts ranging from 50-150 basis points from the posted rates. These spreads and discounts are likely to persist over the forecast period.



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Table I
PROVINCE OF MANITOBA
STARTS ACTIVITY BY AREA - 3RD QUARTER 2003

AREA	Single		Multiple			Total		Chg
	2003	2002	SEMI	ROW	APT	2003	2002	2003/2002
WINNIPEG CMA	504	486	20	13	300	837	689	21.48
WINNIPEG CITY	371	344	20	13	300	704	547	28.70
BRANDON CA	31	33	2	6	0	39	45	-13.33
PORTAGE LA PRAIRIE CA	9	9	0	0	0	9	17	-47.06
ST.ANDREWS CA	22	32	0	0	0	22	32	-31.25
THOMPSON CA	0	0	0	0	0	0	0	**
MANITOBA (URBAN)	566	560	22	19	300	907	783	15.84
MANITOBA (RURAL)	322	341	23	0	9	354	393	-9.92
MANITOBA (TOTAL)	888	901	45	19	309	1261	1176	7.23

Table Ib
PROVINCE OF MANITOBA
STARTS ACTIVITY BY AREA - JANUARY TO SEPTEMBER 2003

AREA	Single		Multiple			Total		Chg
	2003	2002	SEMI	ROW	APT	2003	2002	2003/2002
WINNIPEG CMA	1230	1167	32	28	388	1678	1422	18.00
WINNIPEG CITY	945	851	32	28	388	1393	1106	25.95
BRANDON CA	80	73	2	6	16	104	103	0.97
PORTAGE LA PRAIRIE CA	19	16	0	0	0	19	80	-76.25
ST.ANDREWS CA	40	64	0	0	0	40	64	-37.50
THOMPSON CA	0	0	0	0	0	0	0	**
MANITOBA (URBAN)	1369	1320	34	34	404	1841	1669	10.31
MANITOBA (RURAL)	897	913	36	20	94	1047	1010	3.66
MANITOBA (TOTAL)	2266	2233	70	54	498	2888	2679	7.80

** indicates a greater than 100 per cent change

Table 2
MANITOBA HOUSING COMPLETIONS BY AREA
3RD QUARTER 2003

AREA	Single		Multiple			Total		Chg 2003/2002
	2003	2002	SEMI	ROW	APT	2003	2002	
WINNIPEG CMA	540	489	8	14	84	646	630	2.54
WINNIPEG CITY	426	359	8	14	84	532	500	6.40
BRANDON CA	30	31	0	0	47	77	45	71.11
PORTAGE LA PRAIRIE CA	6	8	0	0	0	6	11	-45.45
ST.ANDREWS CA	18	26	0	0	0	18	26	-30.77
THOMPSON CA	0	10	0	0	0	0	10	**
MANITOBA (URBAN)	594	554	8	14	131	747	712	4.92
MANITOBA (RURAL)	360	379	9	0	10	379	390	-2.82
MANITOBA (TOTAL)	954	933	17	14	141	1126	1102	2.18

Table 2b
MANITOBA HOUSING COMPLETIONS BY AREA
JANUARY TO SEPTEMBER 2003

AREA	Single		Multiple			Total		Chg 2003/2002
	2003	2002	SEMI	ROW	APT	2003	2002	
WINNIPEG CMA	1222	965	22	23	156	1423	1211	17.51
WINNIPEG CITY	960	719	22	23	156	1161	965	20.31
BRANDON CA	76	61	0	0	63	139	81	71.60
PORTAGE LA PRAIRIE CA	17	19	0	4	47	68	28	**
ST.ANDREWS CA	55	47	0	0	0	55	47	17.02
THOMPSON CA	1	1	0	0	0	1	1	0.00
MANITOBA (URBAN)	1371	1093	22	27	266	1686	1368	23.25
MANITOBA (RURAL)	891	951	37	37	77	1042	995	4.72
MANITOBA (TOTAL)	2262	2044	59	64	343	2728	2363	15.45

** indicates a greater than 100 per cent change

Table 3

PROVINCE OF MANITOBA - CENTRES OF 50,000 POPULATION AND OVER
SINGLE FAMILY HOMES - ABSORBED BY PRICE RANGE - 3RD QUARTER 2003

	< \$100,000	\$100,000 -119,999	\$120,000 -149,999	\$150,000 -199,999	\$200,000 -249,999	\$250,000 +	Total
WINNIPEG CMA	9	5	28	235	120	108	505
WINNIPEG CITY	6	1	21	194	105	72	399
RURAL MUNICIPALITIES	3	4	7	41	15	36	106

Table 3b

PROVINCE OF MANITOBA - CENTRES OF 50,000 POPULATION AND OVER
SINGLE FAMILY HOMES - ABSORBED BY PRICE RANGE - 3RD QUARTER 2002

	< \$100,000	\$100,000 -119,999	\$120,000 -149,999	\$150,000 -199,999	\$200,000 -249,999	\$250,000 +	Total
WINNIPEG CMA	10	14	87	265	106	90	572
WINNIPEG CITY	4	6	61	215	87	47	420
RURAL MUNICIPALITIES	6	8	26	50	19	43	152

HOUSING OUTLOOK CONFERENCE TURNING THE CORNER

Success doesn't come from working harder – it comes from working smarter ...

To get an objective and reliable forecast of the housing market, including emerging trends attend CMHC's Alberta Housing Outlook Conference.

This full day conference features CMHC experts presenting details on the Alberta, Calgary, Edmonton and Regional economic and housing market trends. Guest speakers include Robert Spector, Chief Economist and Head of Canadian Economics for Merrill Lynch Canada, discussing the North American and Canadian economic outlook and Joanne Thomas-Yaccato, marketing expert and author of *The 80% Minority: Reaching the Real World of Women Consumers*.

Join us as we celebrate our Tenth Anniversary in Edmonton at the Shaw Conference Centre
on November 13, 2003.

Register today by visiting our website at www.cmhc.ca

Table 4
PROVINCE OF MANITOBA
UNDER CONSTRUCTION - AS OF END SEPTEMBER 2003

AREA	Single		Multiple			Total		Chg 2003/2002
	2003	2002	SEMI	ROW	APT	2003	2002	
WINNIPEG CMA	663	622	16	13	437	1129	873	29.32
WINNIPEG CITY	445	405	16	13	437	911	656	38.87
BRANDON	20	19	2	6	4	32	29	10.34
PORTAGE LA PRAIRIE CA	10	10	0	0	0	10	71	-85.92
ST.ANDREWS CA	16	29	0	0	0	16	29	-44.83
THOMPSON	0	0	0	0	0	0	0	**
MANITOBA (URBAN)	709	680	18	19	441	1187	1002	18.46
MANITOBA (RURAL)	404	468	25	0	84	513	554	-7.40
MANITOBA (TOTAL)	1113	1148	43	19	525	1700	1596	6.52

Table 4b
PROVINCE OF MANITOBA
COMPLETE NOT OCCUPIED - AS OF END SEPTEMBER 2003

AREA	Single		Multiple			Total		Chg 2003/2002
	2003	2002	SEMI	ROW	APT	2003	2002	
WINNIPEG CMA	167	130	6	9	21	203	166	22.29
CITY ONLY	142	109	6	9	21	178	143	24.48
RURAL MUNICIPALITIES	25	21	0	0	0	25	23	8.70

BUILDING OPPORTUNITIES

CMHC's 2003 Housing Observer provides a comprehensive overview of Canadian housing conditions and trends and the key factors behind them.

The Observer gives a portrait of Canada's housing stock, how Canada's changing demographics and socio-economic factors influence our housing, and discusses the key trends in housing finance and the factors impacting the affordability of housing in Canada.

CMHC is continuously working to encourage a viable and dynamic housing sector. Flagship publications like the 2003 Housing Observer enables the industry to capitalize on business opportunities.

**For your FREE copy of the 2003 Housing Observer visit us on our website (www.cmhc.ca) or call
1(800) 668-2642 today!**

**Table 5
MANITOBA
HOUSING ACTIVITY SUMMARY**

Activity	Ownership					Rental				Total
	Freehold			Condominium		Private		Assisted		
	Single ¹	Semi ¹	Row	Row	Apt	Row	Apt	Row	Apt	
STARTS										
3rd Quarter 2003	566	22	0	13	81	6	219	0	0	907
3rd Quarter 2002	560	4	0	3	49	20	147	0	0	783
Year-To-Date 2003	1369	34	0	28	121	6	283	0	0	1841
Year-To-Date 2001	1320	22	7	9	81	24	206	0	0	1669
UNDER CONSTRUCTION										
2003	709	18	0	13	170	6	271	0	0	1187
2002	680	16	0	12	105	12	177	0	0	1002
COMPLETIONS										
3rd Quarter 2003	594	8	0	14	0	0	131	0	0	747
3rd Quarter 2002	554	12	3	24	0	12	23	0	84	712
Year-To-Date 2002	1371	22	0	27	0	0	266	0	0	1686
Year-To-Date. 2001	1093	34	3	34	15	12	93	0	84	1368
COMPLETED & NOT ABSORBED²										
2003	167	6	0	9	0	0	21	0	0	203
2002	130	5	0	15	0	0	0	0	16	166
TOTAL SUPPLY³										
2003	876	24	0	22	170	6	292	0	0	1390
2002	810	21	0	27	105	12	177	0	16	1168
ABSORPTIONS²										
3rd Quarter 2003	505	12	0	12	0	0	104	0	1	634
3rd Quarter 2002	572	23	0	16	0	12	23	0	68	714
12-month Average	129	3	0	2	4	1	12	0	1	152

¹ May include units intended for condominium.

² Centres of 50,000 population and over.

³ Sum of units under construction, complete and unoccupied

DEFINITIONS AND BACKGROUND NOTES



Starts and Completions Survey

The purpose of this survey is to measure new residential construction activity. The common unit of measurement is the “dwelling unit” (as opposed to value).

The Starts and Completion Survey enumerates dwelling units in new structures only; such units being designed for non-transient and year-round occupancy. Thus, excluded from the survey are conversions, vacation homes, cottages and collective type dwellings.

Starts - refer to units where construction has advanced to the footing or foundation stage and in the case of multiples, a start applies to the individual unit.

Under Construction - refers to units that have started but are not complete (i.e. units under construction from the previous month plus starts for the current month minus completions during the current month plus/minus any adjustments to units under construction which may include cancellations of projects, re-initiations of projects and/or changes in tenure status).

Completions - refer to units where all proposed construction work has been performed or in some cases where ninety percent of all construction work is completed and the structure is fit for occupancy.

Completed and Unoccupied - refers to completed units of new construction which have never been occupied or sold (i.e. completed and unoccupied units from the previous month plus completions during the current month minus absorptions for the current month).

Total Supply - refers to the total supply of new units and includes, units under construction and units that are completed but not occupied (i.e. under construction plus completed and unoccupied for the current month).

Absorptions - refers to newly completed units which have been sold or rented. The number of absorptions is obtained from a survey initiated when the structure is completed. Units pre-sold or pre-leased are not included until the completion stage (i.e. completed and unoccupied units from the previous month plus completions for the current month minus completed and unoccupied units for the current month).

Dwelling units have been divided into four categories:

The definition of types of dwellings used are in accordance with those used in the Census.

Single-Detached - This type is commonly called a “single-house”. It comprises only one-dwelling unit which is completely separate on all sides from any other dwelling or structure including linked homes which are attached below ground.

Semi-Detached - In this category each one of two dwellings are located side-by-side in a building and are separated by a common wall extending from ground to roof or by a garage.

Row - This category comprises a one-family dwelling unit in a row of three or more dwellings separated by common or party walls extending from ground to roof.

Apartment and Other - This category includes all dwelling units other than those described above. It includes structures such as: duplexes, double-duplexes, triplexes, row-duplexes, apartments proper and dwellings over or behind a store or other nonresidential structure. In accordance with the definition, single-detached units with legal secondary suites are included in this category.

Geographical coverage of the survey includes all metropolitan areas, census agglomerations and urban centres of 10,000 population and over, as defined by the Census. These areas are enumerated completely each month. The remainder of the branch territory is covered on a sample basis four times a year in March, June, September and December.

Market Absorption Survey

The purpose of this survey is to provide an indication of the short-term demand for home ownership and rental dwellings. The survey is designed to measure the rate at which units are sold or rented after they are completed.

The geographical coverage of the Market Absorption Survey is all metropolitan areas and all urban centres of 50,000 population and over. In the Market Absorption Survey, certain dwellings are excluded for various reasons. These are: dwellings financed by CMHC or NHA Section 6, Non-profit Public and Private initiated housing, which are not subject to normal market criteria and dwellings constructed for model purposes.

Absorption in this report is defined as take up monitored at completions plus those from inventory. For the short term, absorptions are a function of actual completions and inventory levels.

1996 Census Definitions

A **Census Metropolitan Area** refers to the main labour market area of an urbanized core having 100,000 or more population.

A **Census Agglomeration** refers to the region labour market area of an urbanized core housing between 10,000 and 99,999 population. CMA's and CA's are created by Statistics Canada and are usually known by the name of the urban area forming their urbanized core. They contain whole municipalities (or census subdivisions) and are comprised of:

1. Municipalities if (a) at least 40% of the employed labour force living in the municipalities work in the urbanized core or (b) at 25% of the employed labour force working in the municipality live in the urbanized core.
2. Other municipalities if (a) at least 40% of the employed labour force living in the municipality work in the urbanized core or (b) at 25% of the employed labour force working in the municipality live in the urbanized core.

F

ORECAST

SUMMARY

Canada Mortgage and Housing Corporation

Economic Overview

Manitoba economy to show modest growth in 2004. A weak U.S. economy and a higher Canadian dollar will dampen export growth over the forecast period. As a result the Manitoba economy will lag behind the performance expected for the Canadian economy as a whole. The economic growth forecast for Manitoba has been lowered from about three per cent in 2003 and 2004 to 1.5 per cent in 2003 and 2.6 per cent in 2004. Higher levels of government capital spending will underpin this modest economic expansion.

Weaker provincial economic growth will translate into lower job growth for Winnipeg in 2003 and 2004 with 3,200 and 4,000 new jobs added in each of these years respectively. This is down 32 per cent from job gains posted in 2002. There will be job gains in the service sector however, these will be offset by losses in the manufacturing and mining sectors. Despite more modest job gains, Winnipeg's unemployment rate will drop to under five per cent in 2003 and 2004. This is due to very little growth in the labour force over this year and next. In 2004, a lack of skilled workers will hamper job creation. While Winnipeg continues to attract more workers internationally and intraprovincially, these gains are more than offset by losses to other provinces,

notably Alberta and Ontario where average weekly earnings are about 20 per cent higher. As a result the city will continue to post a net migration loss of about 500 persons in both 2003 and 2004.

A softening economy, sluggish job growth and continued migration losses will mean that household growth will not be a major contributor to housing demand over the forecast period. Household growth is expected to increase only at an average annual rate of about 0.5 per cent to one per cent over the next two years.

Mortgage rates on the rise as national economy heats up

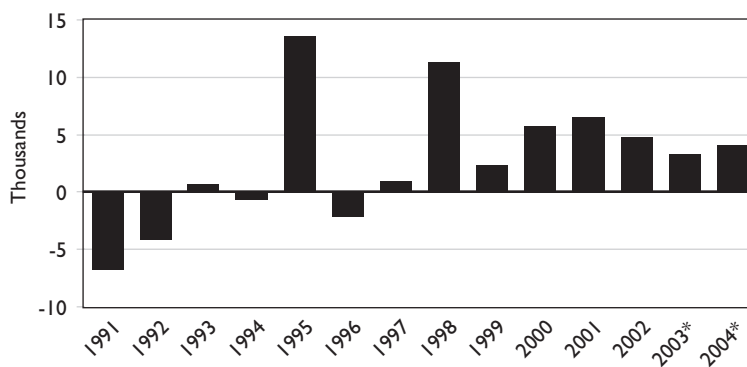
Rapidly decelerating inflation and lingering health, trade, and geopolitical risks will keep Canadian interest and mortgage rates low in the near future. As the U.S. economy improves and interest rates south of the border begin to climb in 2004, Canadian interest rates will also rise in an effort to keep inflation stable and preserve the value of the Canadian currency. The one-, three-, and five-year posted mortgage rates are expected to be in the 4.25-5.25, 5.25-6.25, and 6.00-6.75 per cent range, respectively, this year. Mortgage rates are forecast to rise by 0.50-0.75 percentage points in 2004.

WINNIPEG FALL 2003

IN THIS ISSUE :

- 1 Economic Overview**
Modest job growth and continued out-migration will restrict household growth over the forecast period. Forecast interest rate increases will also dampen housing markets.
- 1 Resale Market**
Lack of supply to continue in 2004, hampering sales and leading to price increases above the rate of inflation.
- 3 New Home Market**
Rising interest rates and modest household growth will soften demand for new homes. Multiple-family construction will benefit from a strong seniors market.
- 3 Rental Market**
Additions to the rental market through new construction and affordable housing initiatives will help ease vacancy rates in the coming year.
- 4 Summary Table**

Change in Total Employment — Winnipeg CMA



Source: Statistics Canada and CMHC



HOME TO CANADIANS
Canada

Resale Market

Lack of supply continues to hamper sales

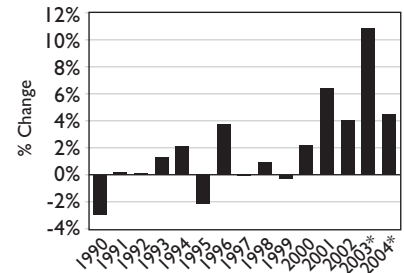
Residential MLS sales are expected to remain flat over the forecast period. Winnipeg is experiencing extreme sellers' market conditions and sales are currently restricted by a lack of supply. The number of active listings has continued to drop, and at mid-year was 18 per cent less than at mid-year 2002. Demand for resale homes remains strong as homes are selling at a faster pace, with desirable listings selling at or above list price. Due to the lack of listings however, the number of sales in 2003 is lagging behind results for 2002 and should finish the year

at around 8,700, representing a two per cent decrease. Active listings may begin to rebound in 2004 as more multiple family construction will entice seniors to put their homes on the market. Sluggish employment and household growth will also soften housing demand and Winnipeg may see a return to balanced market conditions before the end of the forecast period.

Average resale price to continue to rise

The extreme sellers' market conditions continue to place upward pressure on resale house prices. The number of active listings is so limited that at mid-year, there was less than two months of supply. This lack of supply is most evident in the mid-range of the market where the supply of homes between \$70,000 and \$180,000 is less than one month. It is not uncommon for potential buyers to make offers above list price when they find a desirable property in order to outbid others. As a result, at mid-year average price for a single-family home in Winnipeg was over \$110,000 representing an eight per cent increase over the previous year. Until the market returns to balanced conditions, prices are expected to continue to rise above the rate of inflation for 2004 to reach \$115,000.

Annual % Change in Average MLS® Sale Price Winnipeg CMA



Source: CREA and CMHC

Rising prices affecting home ownership costs

Rising prices and interest rates over the forecast period will increase the cost of owning a home. It is estimated, that over the forecast period, the income required to service the debt, property taxes and heating costs of owning a home will increase by over 13 per cent. Since average weekly earnings are currently only increasing at a rate of two per cent per annum, households may face greater difficulty generating the down payment necessary to purchase a home.



MLS® Resale Market Information RESIDENTIAL DETACHED HOMES

CMHC's Survey Zones:	Sales			Average Days on Market		Average Price		
	2003	2002	% change	2003	2002	2003	2002	% change
Zone 1: Fort Rouge	273	263	3.8%	102,088	92,439	10.4%	32	29
Zone 2: Centennial	129	104	24.0%	47,911	41,014	16.8%	203	66
Zone 3: Midland	312	331	-5.7%	64,029	56,322	13.7%	74	63
Zone 4: Lord Selkirk	429	425	0.9%	56,200	54,777	2.6%	78	67
Inner-city Area	1143	1123	1.8%	68,361	62,778	8.9%	89	60
Zone 5: St. James-Assiniboia	465	490	-5.1%	101,155	94,263	7.3%	22	21
Zone 6: West Kildonan	316	360	-12.2%	101,447	95,624	6.1%	44	50
Zone 7: East Kildonan	554	545	1.7%	91,894	87,420	5.1%	42	42
Zone 8: Transcona	212	270	-21.5%	91,035	83,938	8.5%	33	24
Zone 9: St. Boniface	410	365	12.3%	135,307	120,328	12.4%	38	35
Zone 10: St. Vital	455	450	1.1%	120,713	106,039	13.8%	57	38
Zone 11: Fort Garry	416	437	-4.8%	143,460	126,739	13.2%	33	26
Zone 12: Assiniboine Park	580	662	-12.4%	155,823	143,974	8.2%	47	68
Suburban Area	3408	3579	-4.8%	120,235	109,878	9.4%	40	41
Surrounding Rural Municipalities	244	273	-10.6%	141,669	126,655	11.9%	88	95
Winnipeg CMA	4795	4975	-3.6%	108,960	100,167	8.8%	55	51

Source: WREB, CMHC

New Home Market

New home construction will end year on a high note

Housing starts were strong coming out of the gate at the beginning of the year, with first quarter results outpacing the previous year's by 30 per cent. Since then, starts have levelled off to last year's levels and we expect to finish the year ahead of last year's 12 year high by posting close to 2,400 total housing starts. We expect the market to begin to subside in 2004 with a forecast of 2,000 total housing starts.

Single-family starts levelling off

While results for 2003 will end up matching last year's total almost house for house in single-family starts, demand for new homes will begin to moderate over the forecast period due to higher cost of home ownership and more modest employment gains. It is expected that single-family starts will slow by 12.5 % in the coming year, returning to near the five year average at 1,400 units, but still remaining well above the 10 year average of 1,200 units. Moreover, the recent high number of starts has been spurred by low mortgage rates, and a lack of supply of resale homes. The impact of these factors should begin to soften once pent up demand has been satisfied by recent building activity and mortgage rates begin to rise. A softening of overall demand for housing should also help to ease the supply shortage in the resale market offering alternatives to new construction for those in the move-up

market. Housing starts will also be limited by a lack of supply of building lots in the South-West quadrant of the city where demand is strong. While local land developers are addressing this situation, approvals and services are not expected to be in place until the latter part of the forecast period.

The number of homes under construction in the Winnipeg CMA hit a 12 year high in April of this year and at the mid-year mark, total supply of homes under construction and complete and unoccupied was over 800 units. At the current rate of absorption of 125 units per month there is currently a 7 month supply of homes at various stages of construction. Builders however are currently responding as quickly as possible to pre-sold orders and are indicating there is very little supply that is not already spoken for.

Average price of new single-family housing on the rise

Increasing labour and building material costs will mean that average price for a new home will increase reaching \$215,000 by the end of 2003, an eight per cent increase over 2002. The shortage of available serviced lots is also driving up the price of new home as land prices in Winnipeg have been rising. Expect average new house prices to continue to increase steadily in 2004 pushing the average

BUILDING OPPORTUNITIES

CMHC's 2003 Housing Observer provides a comprehensive overview of Canadian housing conditions and trends and the key factors behind them.

The Observer gives a portrait of Canada's housing stock, how Canada's changing demographics and socio-economic factors influence our housing, and discusses the key trends in housing finance and the factors impacting the affordability of housing in Canada.

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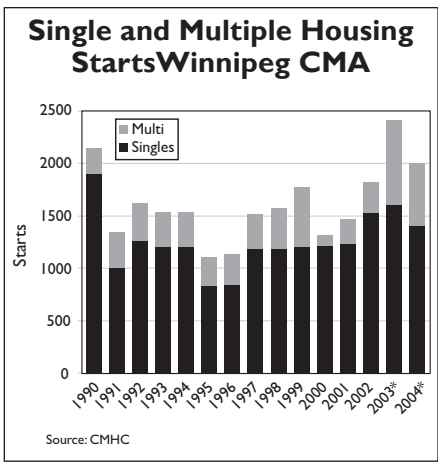
New Home Market Information HOUSING STARTS

CMHC's Survey Zones	Single-family			Multiple-family			Total starts		
	2003	2002	% change	2003	2002	% change	2003	2002	% change
Zone 1: Fort Rouge	6	0	***	0	0	***	6	0	***
Zone 2: Centennial	2	1	100.0%	0	0	***	2	1	100.0%
Zone 3: Midland	2	0	***	0	0	***	2	0	***
Zone 4: Lord Selkirk	0	1	-100.0%	0	0	***	0	1	-100.0%
Zone 5: St. James-Assiniboia	1	0	***	0	0	***	1	0	***
Zone 6: West Kildonan	0	5	-100.0%	0	0	***	0	5	-100.0%
Zone 7: East Kildonan	72	55	30.9%	0	0	***	72	55	30.9%
Zone 8: Transcona	24	33	-27.3%	0	0	***	24	33	-27.3%
Zone 9: St. Boniface	9	20	-55.0%	0	0	***	9	20	-55.0%
Zone 10: St. Vital	153	115	33.0%	2	10	-80.0%	155	125	24.0%
Zone 11: Fort Garry	102	72	41.7%	48	32	50.0%	150	104	44.2%
Zone 12: Assiniboine Park	121	130	-6.9%	57	10	470.0%	178	140	27.1%
Winnipeg City	82	75	9.3%	8	0	***	90	75	20.0%
Surrounding Rural Municipalities	574	507	13.2%	115	52	121.2%	689	559	23.3%
Winnipeg CMA	152	174	-12.6%	0	0	***	152	174	-12.6%
Source: CMHC	726	681	6.6%	115	52	121.2%	841	733	14.7%

price of a new home close to \$230,000. Part of the increase in average price is also being driven by consumer demand for larger homes with more expensive features, which has been partly fuelled by lower mortgage rates.

Multiple-family construction on the rise

Multiple-family construction rebounded in 2003, pushed in large part by a major rental apartment project which will have started a more than 360 units this year in a total of seven buildings. This represents the largest market rental construction project in over ten years. Combined with continued strong activity in the senior's market, 2003 will finish the year at about 800 multiple-family starts. This pace should continue into the next year when the second phase of the aforementioned rental project begins construction. Several projects aimed at the 55 plus market and targeted towards life-lease and condominium tenure are currently in the marketing stages and are expected to reach their pre-sold objectives in the coming year and also begin construction. In addition the Province has already received several proposals under an Expression of Interest targeted at new rental supply under the Federal/Provincial Affordable Housing Agreement, while many of these are projected to be conversions, this should still translate into the construction of new rental units over the forecast period. As a result, another 600 multiple-family starts are expected for 2004.



While proposed rental rates are not known at this time for the large rental project, the units should be rapidly absorbed given Winnipeg's extremely low vacancy rate of 0.5 per cent in the suburban areas. Over-supply is also not a concern for the large number of seniors' projects currently under or awaiting construction as most developers wait for a large share of units to be sold before breaking ground.

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Rental Market

Vacancy rate to ease as construction increases

Winnipeg saw construction start on its first major market rental project in over a decade. With 350 suites proposed in seven buildings, this project will have an impact on vacancy rates over the forecast period. Rental projects spurred by the Federal/Provincial Affordable Housing Agreement will also create new units in the next few years both through new construction and through rehabilitation and conversions. These additions to the rental stock will begin to take effect in the latter part of the forecast period when the vacancy rate is expected to rise to 1.2 per cent in October, 2004.

The University of Manitoba has added housing for over 300 students on campus this year. This should help ease conditions in the tightest market in the city (Fort Garry), where the vacancy rate was 0.1 per cent in 2002. This will not be enough, however, to offset an increasing renter population and deletions from the rental universe over the course of this year. The vacancy rate is expected to bottom out at 1.0 per cent during this year's rental market survey.

Given that the vacancy rate is to remain low, landlords will likely increase rents to the full extent of the rent control guideline which is set at 1.5 per cent for 2004. In addition, the new units being added to the inventory will likely be in the upper end of the spectrum which will have the effect of pushing up overall average rents. Therefore, overall, rents are expected to increase by slightly more than the 1.5 per cent guideline.

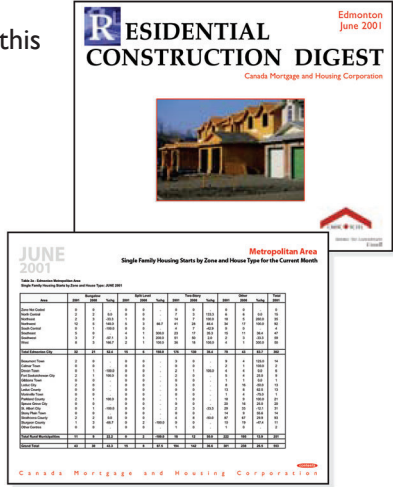
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FORECAST SUMMARY

Winnipeg Census Metropolitan Area

	2000	2001	2002	2003*	2004*	Change
RESALE MARKET**						
MLS® New Listings ¹	989	1,012	928	870	900	3.4%
Residential MLS® Sales (Total)	8,684	9,315	8,873	8,700	8,700	0.0%
Residential MLS® Sales Price (Average)	89,073	94,736	99,164	110,000	115,000	4.5%
NEW HOME MARKET						
Total Housing Starts	1,317	1,473	1,821	2,400	2,000	-16.7%
Single-family	1,210	1,238	1,528	1,600	1,400	-12.5%
Multiple-family	107	235	293	800	600	-25.0%
Average New House Price	\$175,492	\$183,517	\$198,382	\$215,000	\$227,000	5.6%
Single-family All Types	4.6%	8.1%	8.4%	5.6%		
RENTAL MARKET						
Vacancy rate (Oct)						
Rental Rate: (annual % chg) 2bdr.	2.0%	1.4%	1.2%	1.0%	1.2%	
Rental Housing Starts	1.2%	2.9%	2.6%	1.2%	2.0%	
ECONOMIC OVERVIEW						
Mortgage rate: 1 yr term	7.9%	6.1%	5.2%	4.9%	4.9%	
3 yr term	8.2%	6.9%	6.3%	5.8%	6.0%	
5 yr term	8.4%	7.4%	7.0%	6.4%	6.7%	
Employed (000's)	351	358	362	366	370	1.1%
Employment growth (new jobs)	6	7	5	3	4	N/A
Net-migration	383	-77	-491	-500	-500	N/A

Legend: * CMHC Forecast

¹ Annual average based on monthly listings

² Includes Residential Detached, Condominium, Single-attached, Duplex, Mobile Home, and Town House

³ Interprovincial migration + International immigration + Intraprovincial migration

Source: CMHC, Statistics Canada, Winnipeg Real Estate Board, Canadian Real Estate Association

** Resale data has been taken from the Sold and Expired Book produced by the WREB



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