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ORECAST

SUMMARY

Canada Mortgage and Housing Corporation

New Housing Market Outlook

Single-family starts stable in 2004 and 2005

Modest employment growth leading to increased income and in-migration will support new household creation in 2004 and 2005 and lead to single family housing starts of 700 units per year. Narrow choice in the resale market and availability of mortgage financing at historically low rates will encourage many potential homebuyers to consider a new home. Limited land supply relative to demand and some restriction in the availability of skilled trades are, to some extent, restricting both single-family and multi-family housing production.

The absorption trend (a figure that approximates actual sales of single units) is running at 58 units monthly, the highest level of absorptions seen since mid-2000. This brisk pace of absorptions and slower starts activity in the final months of 2003 have reduced total supply (including units under construction and units completed and unoccupied) to a level sufficient to last less than six months.

The average price of bungalows absorbed in 2003 was close to \$180,000. Large, two storey, split-level homes had an average price approaching \$220,000 and small split-level homes saw an average price of about \$167,000.

Saskatoon land developers have succeeded in exhausting the inventory of serviced land for each of 2002 and 2003. Newly serviced lots are now being brought to market but increasing land development and materials costs will contribute to new house price increases in 2004 and 2005. Further contributing to these increases will be demand from homebuyers for more amenities and higher quality building components.

Multiple housing starts to slow after hectic 2002 and 2003

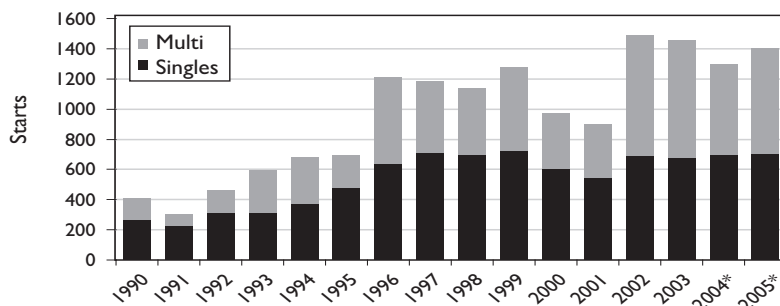
Multiple starts will moderate to 600 units in 2004, but increase to 700 starts in 2005. We expect there will be no rental projects of significant size started

SASKATOON SPRING 2004

IN THIS ISSUE :

- 1 **New Housing Market Outlook.**
Narrow choice in the resale market and availability of mortgage financing at historically low rates will encourage many potential homebuyers to consider a new home.
- 2 **Resale Market Outlook**
Movement of empty-nesters and seniors from their existing homes to new multiple developments should loosen the supply of good quality listings in 2004 and 2005.
- 3 **Economic Outlook**
Employment growth of 2,000 jobs is expected in 2004 while mortgage rates will remain low.
- 4 **Rental Market Outlook**
New household growth will more than compensate for a loss of tenants to out-migration and first-time home purchases but will be insufficient to counter the introduction of new units.
- 4 **Forecast Summary**

Single and Multiple Housing Starts Saskatoon CMA



Source: CMHC



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in 2004 and 2005. Another factor leading to lower multiple production is our expectation that row-housing prices will be increasing from their current affordable levels.

Saskatoon enjoyed privately initiated, rental housing starts of more than 300 units in 2002 and 2003. This contributed to an unexpectedly high level of multiple starts in these two years. As roughly half of these rental housing units have yet to be absorbed, we do not anticipate a reoccurrence of

this volume of new rental housing starts leaving condominium development to dominate multiple housing starts in 2004 and 2005.

The condominium absorption trend approached 60 units per month at the end of 2003. This is the highest rate of absorption on record. About 75 per cent of these absorptions (45 units per month) have stemmed from condominium row housing, which has proven to be the most popular condominium housing form for the last three years.

Over 75 per cent of the row housing absorptions occurred in the \$80,000 to \$99,999 range in 2003. These very affordable prices make it easy to understand the popularity of these units with first-time homebuyers and investors. As the inventory of these units is nearly depleted, developers will be building new row housing on land that has been only recently developed. Prices will inevitably increase due to cost increases for land and other components.

Resale Market Outlook

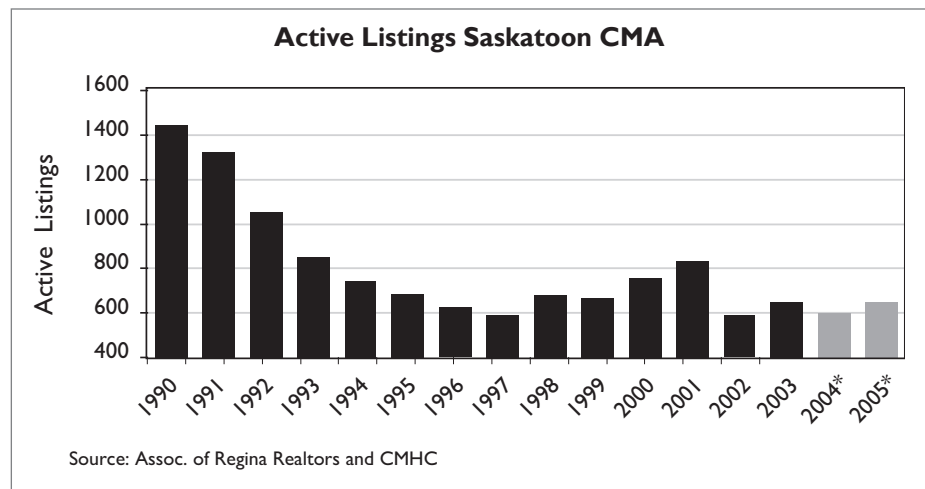
Listings activity remains in the doldrums

Sales volumes continue to be restricted by a scarcity of affordable listings compared to the listings volumes seen in the early 1990's. The Saskatoon resale market currently generates 380 new listings monthly compared to 450 to 525 new listings monthly seen in 1991 to 1992.

Movement of empty-nesters and seniors from their existing homes to new multiple developments should loosen the supply of good quality listings in 2004 and 2005, allowing modest expansion of sales. First-time homebuyers and in-migration of primarily rural Saskatchewan households will be the dominant factors behind steady resale demand.

The sales-to-active listings ratio trend has settled at a brisk pace of four out of every ten active listings sold monthly. The highest trend achieved was in early 1997 when half of active listings were sold monthly.

Notwithstanding the shortage of listings compared to five to ten years ago, the market is operating at optimum. Average listing periods before sale are within the range of 30 to 40 days. Considering modest economic growth, steady demand, scarcity of good quality



listings and real increases in price, CMHC is forecasting balanced markets to prevail in 2004 and 2005.

Sales of higher-priced homes pushes average price up

At year-end, the most active price range was \$100,000 to \$149,999 capturing more than 40 per cent of existing housing sales. There is a growing proportion of sales in the \$150,000 to \$199,999 range. This development is evidence of demand from move-up buyers taking advantage of the availability of financing at historically low mortgage rates. We expect this demand segment to grow in 2004 and 2005 resulting in further upward pressure on average price.

Homeownership affordable in Saskatoon

Homeownership will remain attractive to first-time buyers as increases in prices and mortgage rates will be modest. CMHC estimates that the income required to service the debt on an existing home purchased at the 2005 average selling price will increase almost 10 per cent compared to current estimated ownership costs. The monthly principal and interest payment on the popular NHA 95 per cent mortgage will increase from \$811 to \$923. Despite the rising costs of buying and owning a home, Saskatoon will remain one of the most affordable cities in Western Canada in which to own a home.

Economic Outlook

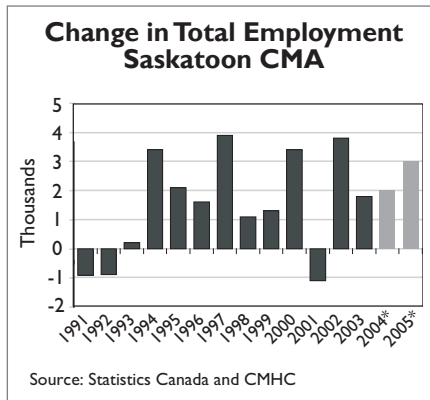
Employment growth of 2,000 new jobs expected in 2004

Saskatoon will enjoy average annual employment growth of 2,000 new jobs in 2004, increasing to average growth of 3,000 newly employed in 2005. This year, the lion's share of employment gains has occurred in service sector industries such as education, accommodation and food services and health care. We expect a shift to goods sector industries such as construction and manufacturing in 2004 and 2005.

Average weekly earnings in the construction sector rose precipitously in 2002 but declined in 2003. The announcement of another major construction project at the University of Saskatchewan and steady residential activity suggests these trends will be reversed in 2004 and 2005.

Mortgage rates to remain low by historical standards

Short-term mortgage rates move in tandem with the prime-lending rate, while mid- and long-term mortgage rates vary in response to the cost of raising funds in the bond market. Low



interest rates in these markets will keep posted mortgage rates low over the next few quarters.

Spreads between mortgage rates and comparable bond yields have remained at 150-250 basis points in the last few years, providing lenders with some room for discounts from the posted rates. These spreads and discounts are likely to persist in the near term.

The one, three and five-year posted closed mortgage rates are expected to remain relatively flat for the remainder of this year, perhaps rising by 25 basis points.

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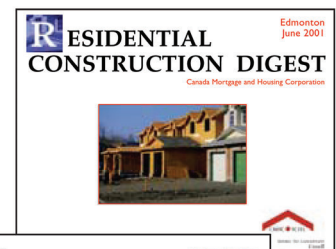
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Zone	Single Detached	Single Attached	Multi-Family	Total
Central	120	80	50	250
North	150	100	60	310
South	100	70	40	210
West	130	90	50	270
East	110	80	40	230
Other	50	30	20	100
Total	560	370	210	1140

Rental Market Outlook

Average vacancy rate to remain high in 2004 and fall in 2005

CMHC forecasts the average vacancy rate for the city of Saskatoon to remain at the current relatively high levels in 2004 but fall back to normal levels of 3.0 per cent in 2005. New household growth will more than compensate for a loss of tenants to out-migration and first-time home purchases. However, these positive demand factors will be insufficient to counter the introduction of a major rental

project in the Lakeview zone.

Notwithstanding the surplus of suites, strong demand for rental housing should support an average rent increase in the three per cent range in 2004. The ability to obtain rent increases and the level of rent increases will depend on the household income in the area of the city where the project is located.

FORECAST SUMMARY

Saskatoon Metropolitan Area

	2000	2001	2002	2003	2004*	2005*	Chg.
RESALE MARKET							
MLS® New listings (Monthly Average)	764	782	628	650	600	650	8%
Residential MLS® Sales (Total)	2,758	2,987	2,941	2,849	3,000	3,200	7%
Residential MLS® Price (Average)	\$112,567	\$116,472	\$118,999	\$125,191	\$132,000	\$138,000	5%
NEW HOME MARKET							
Complete and unoccupied (Dec)	177	157	67	219	190	210	
Single-family	61	47	22	27	50	50	0%
Multiple-family (semi, row, apt)	116	110	45	192	140	160	14%
Total Housing Starts	968	900	1,489	1,455	1,300	1,400	8%
Single-family	602	542	691	676	700	700	0%
Multiple-family	366	358	798	779	600	700	17%
Average New House Price							
Single-family All Types	\$160,586	\$168,854	\$175,660	\$181,611	\$194,000	\$202,000	4%
RENTAL MARKET							
Vacancy rate (Oct)	1.7%	2.9%	3.7%	4.5%	4.0%	3.0%	
Rental rate (annual % chg.) 2 bdr.	1.9%	3.1%	1.6%	1.7%	2.0%	3.0%	N/A
Rental Housing Starts	24	34	150	151	0	25	N/A
ECONOMIC OVERVIEW							
Mortgage rate (1 yr. term)	7.9%	6.1%	5.2%	4.8%	4.2%	4.6%	--
Mortgage rate (3 yr. term)	8.2%	6.9%	6.3%	5.8%	5.5%	6.0%	--
Mortgage rate (5 yr. term)	8.4%	7.4%	7.0%	6.4%	6.1%	6.7%	--
Employed	116,700	115,600	119,400	121,200	123,200	126,200	2%
Employment growth (# jobs)	3,400	-1,100	3,800	1,800	2,000	3,000	N/A
Net-migration (census year)	-900	0	0	0	0	0	N/A
In-migration	10,631	11,000 est.	11,000 est.	11,000	11,000	11,000	

* CMHC Forecast

Source: CMHC, Statistics Canada, Saskatoon Real Estate Board and the New Home Warranty of Saskatchewan Multiple Listing Service (MLS® is a registered certification mark owned by the Canadian Real Estate Association)

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