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New Home Market

Starts Weaker in Third Quarter

Housing starts in the Kitchener Census Metropolitan Area (CMA) hit a soft patch in the third quarter. A total of 983 foundations were poured, down almost nine per cent from the same quarter last year. Weakness in new home construction came equally from the single-detached and multiple family home sectors - both registered nine per cent declines on a year-over-year basis this quarter.

Even with the small drop in third quarter home starts, the home starts numbers for the year remain very

impressive. Year-to-date total housing starts are up almost 10 per cent. Low mortgage rates, exceptional local job growth and strong in-migration have helped keep housing demand very high. The new home market is also benefiting from a very tight resale home market, which is creating strong spill over demand.

Despite the positive economic and demographic factors influencing Kitchener's housing market, detached home starts are trending lower. The drop off in construction of single-detached homes has largely

THIRD QUARTER 2005

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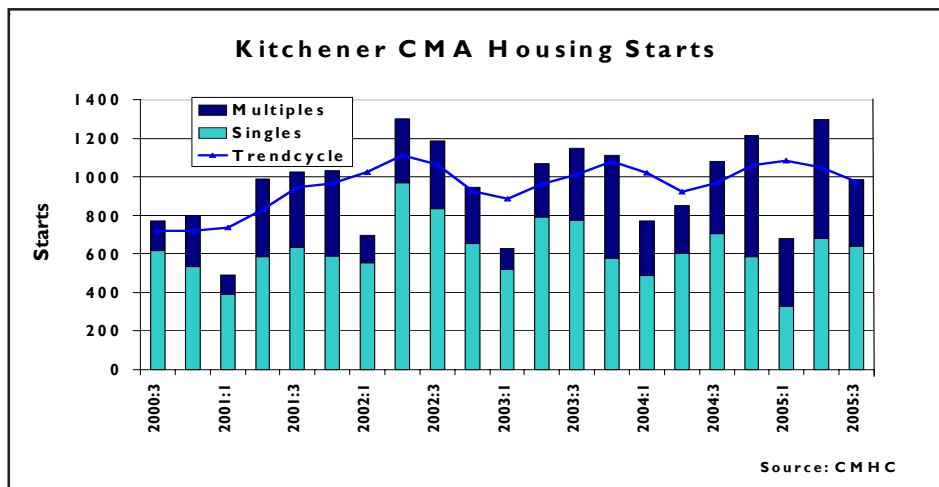
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been a function of growing home prices. Over the last five years the average price of a new detached home in the Kitchener CMA has soared more than 45 per cent. Many new homebuyers are searching for more affordable ownership alternatives to single-detached homes. Consequently, a shift towards less expensive townhouses and apartments is taking place.

The construction of multiple family homes, which includes semi-de-

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tached, townhouses and apartments, has been trending higher. Year-to-date multiple family home starts are up 44 per cent reflecting strong demand for these home types.

Compared to the other CMA's in Ontario, Kitchener boasts a very young population, which suggests that there are plenty of price and interest rate sensitive first time buyers in the market. As a result, the shift towards more affordable home types will persist into next year.

Demographic Trends

Migration fuelling housing demand

Migration forms an important component of housing demand. Figures released by Statistics Canada show that the number of migrants into the Kitchener CMA jumped more than 50 per cent last year. Strong local job creation was one of the reasons behind the jump in migrants.

The second reason for the jump relates to the strong home price differential between the Toronto and Kitchener CMA. Rising home prices in Toronto have many buyers searching for more affordable markets. Consequently, potential buyers have expanded their search to include other parts of the Golden Horseshoe, including the Kitchener

area. Over the last five years close to 80 per cent of intra-provincial migrants into the Kitchener CMA have come from Toronto.

Economic Trends

Job growth stimulates housing market

Strong employment growth is having a positive impact on the housing market. Employed individuals are more likely to make the jump into homeownership. The Kitchener-Waterloo economy is generating jobs. Between September 2004 and September 2005, employment in the Kitchener area grew by a remarkable 4.5 per cent - more than double the average rate of job creation in the Kitchener area over the last 10 years.

Mortgage rates are low

Low borrowing costs are helping fuel strong homes sales and high levels of new home construction. Mortgage rates are very low and have remained essentially unchanged this quarter declining by only 10 basis points since the second quarter of 2005.

Resale Home Market

Hot Resale Home Market

The Kitchener/Waterloo (KW) resale home market remains hot. Home sales through the KW real estate board are trending higher. With a

seasonally adjusted annual rate (SAAR) of 6,272 sales in the third quarter, MLS® sales are on track to surpass last years all-time record of 5,931 sales.

Unadjusted MLS® sales in the third quarter were up 2.5 per cent. A total of 1,584 homes sold this quarter - the best third quarter performance on record.

The number of newly listed homes on the market is a conventional indicator of supply. New listings under the KW real estate board have also been trending higher this year. In fact year-to-date new listings are up almost five per cent compared to the same time last year. Strong equity gains over the last few years have convinced many people to put their homes up for sale and move into homes better suited to their current needs and tastes.

With supply moving more or less in step with demand, the resale home market has remained very tight this quarter. The sales-to-new listings ratio, an indicator of market conditions, remained above the 60 per cent mark suggesting that conditions in the resale home market continue to favour sellers.

Sellers' market conditions are putting upward pressure on house prices. The average price of a home in KW has reached approximately \$224,000 this quarter. This represents an annual year-over-year increase of 8.3 per cent - more than three times the general rate of inflation.

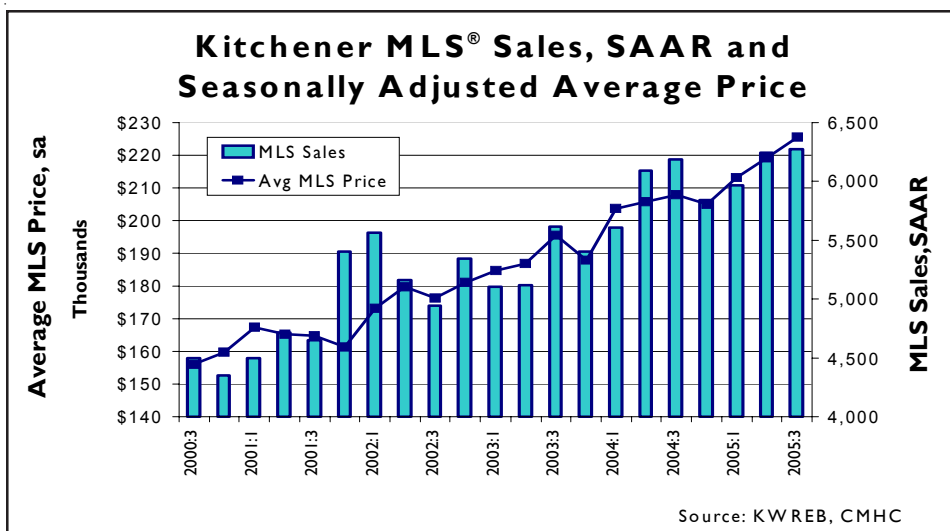


Table 1: Housing Activity Summary for Kitchener CMA

	OWNERSHIP					RENTAL		GRAND **TOTAL
	FREEHOLD			CONDOMINIUM		ROW	APT	
	*SINGLE	*SEMI	ROW	ROW	APT			
STARTS								
Q3 2005	642	40	248	49	0	4	0	983
Q3 2004	704	48	99	31	0	15	182	1,079
% Change	-8.8	-16.7	150.5	58.1	NA	-73.3	-100.0	-8.9
Year-to-date 2005	1,653	76	596	135	119	56	327	2,962
Year-to-date 2004	1,789	160	243	53	16	112	325	2,698
% Change	-7.6	-52.5	145.3	154.7	**	-50.0	0.6	9.8
UNDER CONSTRUCTION								
September 2005	833	74	579	157	119	32	490	2,284
September 2004	758	68	173	37	0	25	548	1,609
COMPLETIONS								
Q3 2005	621	30	177	44	0	24	283	1,179
Q3 2004	668	74	119	18	16	112	74	1,081
% Change	-7.0	-59.5	48.7	144.4	-100.0	-78.6	**	9.1
Year-to-date 2005	1,530	67	289	93	0	36	557	2,572
Year-to-date 2004	1,771	136	413	41	16	289	824	3,490
% Change	-13.6	-50.7	-30.0	126.8	-100.0	-87.5	-32.4	-26.3
COMPLETE & NOT ABSORBED								
September 2005	125	14	43	14	0	17	228	441
September 2004	84	26	24	7	0	0	131	272
ABSORPTIONS								
Q3 2005	641	30	167	35	0	7	101	981
Q3 2004	708	69	132	19	16	129	65	1,138
% Change	-9.5	-56.5	26.5	84.2	-100.0	-94.6	55.4	-13.8
Year-to-date 2005	1,516	68	268	82	0	19	401	2,354
Year-to-date 2004	1,785	117	427	40	20	301	858	3,548
% Change	-15.1	-41.9	-37.2	105.0	-100.0	-93.7	-53.3	-33.7

*Includes all market types

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

Source: CMHC

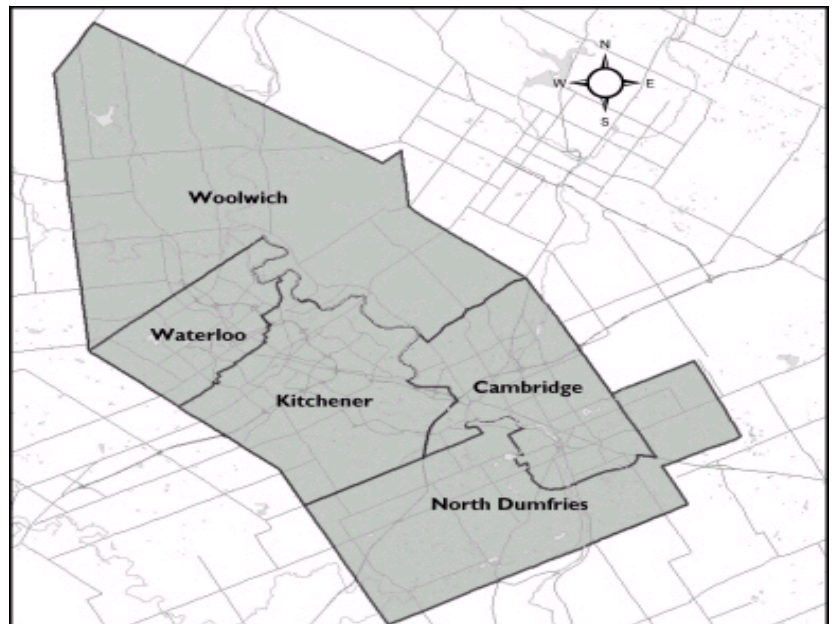


Table 2A: Starts by Area and by Intended Market - Current Quarter

Sub Market Area	SINGLES			MULTIPLES			TOTAL		
	Q3 2004	Q3 2005	% change	Q3 2004	Q3 2005	% change	Q3 2004	Q3 2005	% change
Kitchener CMA	704	642	-8.8	375	341	-9.1	1079	983	-8.9
Cambridge City	124	174	40.3	103	105	1.9	227	279	22.9
Kitchener City	342	274	-19.9	123	177	43.9	465	451	-3.0
North Dumfries Township	6	7	16.7	0	0	NA	6	7	16.7
Waterloo City	178	121	-32.0	122	45	-63.1	300	166	-44.7
Woolwich Township	54	66	22.2	27	14	-48.1	81	80	-1.2

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

Sub Market Area	SINGLES			MULTIPLES			TOTAL		
	YTD 2004	YTD 2005	% change	YTD 2004	YTD 2005	% change	YTD 2004	YTD 2005	% change
Kitchener CMA	1,789	1,653	-7.6	909	1,309	44.0	2,698	2,962	9.8
Cambridge City	317	333	5.0	130	468	260.0	447	801	79.2
Kitchener City	835	804	-3.7	422	604	43.1	1,257	1,408	12.0
North Dumfries Township	19	18	-5.3	0	0	NA	19	18	-5.3
Waterloo City	480	356	-25.8	321	194	-39.6	801	550	-31.3
Woolwich Township	138	142	2.9	36	43	19.4	174	185	6.3

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

Sub Market Area	Q3 2004	Q3 2005	% Change	YTD 2004	YTD 2005	% Change
Kitchener CMA	261,385	296,551	13.5	251,704	286,300	13.7
Cambridge City	256,461	293,513	14.4	240,154	294,641	22.7
Kitchener City	246,320	276,252	12.2	245,329	266,896	8.8
North Dumfries Township	482,475	544,271	12.8	442,300	466,192	5.4
Waterloo City	267,629	282,719	5.6	257,323	281,616	9.4
Woolwich Township	302,260	398,264	31.8	286,149	377,171	31.8

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											
Q3 2005	0	0.0	8	1.2	249	38.8	198	30.9	186	29.0	641
Q3 2004	2	0.3	5	0.7	385	54.4	145	20.5	171	24.2	708
YTD 2005	1	0.1	19	1.3	660	43.5	385	25.4	451	29.7	1,516
YTD 2004	3	0.2	29	1.6	1,056	59.2	331	18.5	366	20.5	1,785
Cambridge City											
Q3 2005	0	0.0	0	0.0	23	22.3	51	49.5	29	28.2	103
Q3 2004	1	0.9	0	0.0	65	59.6	27	24.8	16	14.7	109
YTD 2005	0	0.0	0	0.0	75	27.8	100	37.0	95	35.2	270
YTD 2004	1	0.2	16	3.8	263	62.2	101	23.9	42	9.9	423
Kitchener City											
Q3 2005	0	0.0	0	0.0	143	47.8	82	27.4	74	24.7	299
Q3 2004	1	0.3	1	0.3	202	62.7	61	18.9	57	17.7	322
YTD 2005	1	0.1	7	0.9	407	53.3	161	21.1	187	24.5	763
YTD 2004	1	0.1	3	0.4	459	64.2	126	17.6	126	17.6	715
North Dumfries Township											
Q3 2005	0	0.0	0	0.0	0	0.0	1	14.3	6	85.7	7
Q3 2004	0	0.0	0	0.0	0	0.0	1	12.5	7	87.5	8
YTD 2005	0	0.0	0	0.0	0	0.0	2	14.3	12	85.7	14
YTD 2004	0	0.0	0	0.0	0	0.0	2	12.5	14	87.5	16
Waterloo City											
Q3 2005	0	0.0	8	4.9	62	37.8	43	26.2	51	31.1	164
Q3 2004	0	0.0	2	0.9	103	48.4	40	18.8	68	31.9	213
YTD 2005	0	0.0	12	3.5	140	41.1	83	24.3	106	31.1	341
YTD 2004	1	0.2	5	0.9	297	55.8	79	14.8	150	28.2	532
Woolwich Township											
Q3 2005	0	0.0	0	0.0	21	30.9	21	30.9	26	38.2	68
Q3 2004	0	0.0	2	3.6	15	26.8	16	28.6	23	41.1	56
YTD 2005	0	0.0	0	0.0	38	29.7	39	30.5	51	39.8	128
YTD 2004	0	0.0	5	5.1	37	37.4	23	23.2	34	34.3	99

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
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
2005	January	309	12.4	5,800	682	9,000	64.9	219,545	13.2	208,671
	February	485	12.0	6,100	694	8,400	72.6	207,880	2.8	207,739
	March	573	-14.6	6,000	809	7,700	77.1	216,001	9.5	223,102
	April	623	0.3	6,100	1,033	10,300	59.2	216,128	5.8	218,594
	May	627	5.4	6,000	939	9,100	66.4	222,352	10.5	231,147
	June	680	6.1	6,600	959	9,500	69.4	221,142	4.1	208,740
	July	513	-7.7	6,000	704	8,900	67.3	223,422	10.8	217,488
	August	584	18.2	6,600	793	9,500	68.8	225,814	8.2	237,472
	September	487	-1.6	6,300	789	9,400	66.7	222,726	5.4	220,876
	October									
	November									
	December									
Q3 2004	1,545	5.3	6,200	2,287	9,200	66.9	207,001	9.3	207,803	
Q3 2005	1,584	2.5	6,300	2,286	9,300	67.6	224,090	8.3	225,574	
YTD 2004	4,781	12.4		7,041			204,116	9.0		
YTD 2005	4,881	2.1		7,402			219,592	7.6		

	Annual Sales	Yr/Yr %		Annual New Listings	Yr/Yr %		Annual Average Price (\$)	Yr/Yr %	
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	
2004	5,931	11.7		8,601	10.9		205,639	8.9	

Source: Canadian Real Estate Association

Table 6: Economic Indicators

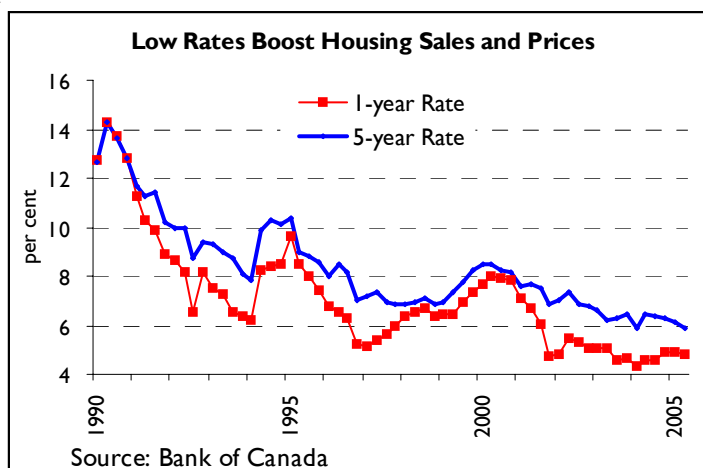
		Interest and Exchange Rates				Inflation Rate (%)	NHPI*** % chg.	KITCHENER CMA Labour Market		
		P & I* Per \$100,000	Mortgage Rate (%)		Exch. Rate (\$US/\$Cdn)			Ontario 1996=100	KITCHENER CMA 1997=100	Employment SAi** (,000)
			1 Yr. Term	5 Yr. Term						
2004	January	642.78	4.3	6.1	0.755	1.5	3.6	235.6	-0.5	4.9
	February	627.97	4.3	5.8	0.749	0.8	2.8	234.3	-0.6	5.5
	March	622.08	4.3	5.7	0.763	1.1	2.5	235.1	0.3	5.7
	April	648.75	4.5	6.2	0.729	2.3	4.1	235.4	0.1	5.7
	May	669.82	4.6	6.5	0.733	2.8	4.2	234.7	-0.3	5.6
	June	681.99	4.7	6.7	0.750	2.4	5.0	236.3	0.7	5.5
	July	672.86	4.6	6.6	0.752	2.4	4.1	237.9	0.7	5.4
	August	657.75	4.4	6.3	0.762	1.5	4.1	239.0	0.5	5.6
	September	657.75	4.8	6.3	0.793	1.5	4.5	238.4	-0.3	5.3
	October	663.77	4.9	6.4	0.821	2.1	5.8	238.0	-0.2	5.0
	November	657.75	5.0	6.3	0.843	2.2	7.0	238.7	0.3	4.4
	December	642.78	4.8	6.1	0.832	1.9	5.9	240.4	0.7	4.0
2005	January	642.78	4.8	6.1	0.806	1.6	5.6	242.9	1.0	4.0
	February	642.78	4.8	6.1	0.811	2.2	5.9	245.4	1.0	4.3
	March	654.74	5.1	6.3	0.827	2.3	6.3	248.4	1.2	5.3
	April	642.78	4.9	6.1	0.795	2.3	4.8	250.2	0.7	5.9
	May	636.84	4.9	6.0	0.797	1.5	5.2	252.6	1.0	6.4
	June	622.08	4.8	5.7	0.816	1.9	5.2	253.8	0.5	6.2
	July	627.97	4.9	5.8	0.817	1.9	5.4	252.2	-0.6	6.0
	August	627.97	5.0	5.8	0.842	2.7	5.8	251.2	-0.4	5.9
	September	627.97	5.0	5.8	0.860			250.2	-0.4	5.7
	October									
	November									
	December									

* 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 2005 Retirement Homes Report

Do you want to learn more about the dynamic private retirement home market in Ontario? The 2005 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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