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HOUSING MARKET

OUTLOOK

Northern Ontario

NEW HOME MARKET

Canada Mortgage and Housing Corporation

www.cmhc.ca

Sudbury Starts Rising

Issue: Spring 2005

Greater Sudbury and Thunder Bay housing starts were up in the first quarter compared to one year ago. Sudbury's count of seven units was two-fifths higher than in 2004, while Thunder Bay's total of 15 units was 36.4 per cent higher than last year. Sudbury is looking forward to another good year for homebuilders. Four hundred forty starts are expected in Sudbury in 2005 of which 390 will be single-detached starts. After counting 287 starts in 2004 in Thunder Bay, only 285 will start in 2005 with twenty fewer single-detached starts.

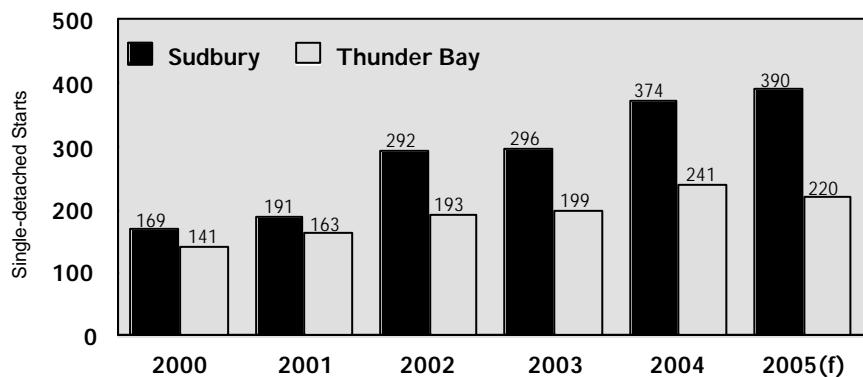
Economic performance in Sudbury has been superior compared to Thunder Bay's over the past twelve to eighteen months which explains the differing forecasts. Employment growth as measured by the Statistics Canada Labour Force has been positive in Sudbury and negative in Thunder Bay. Demand for nickel globally has been strong which bodes well for the "Nickel City". Inco and Falconbridge both reported strong earnings growth in the first quarter of 2005 after a very strong year in 2004. Meanwhile, Thunder Bay

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averaged 61,000 employed in 2004 down 5.2 per cent from 2003. Some down-time in the lumber sector, softness at Bombardier, the RMH call centre closure all contributed to the weakness in employment. The backdrop of a rising Canadian dollar through 2004 and early in 2005 is hampering Thunder Bay's economy as a result of its continued reliance on the export-oriented forest products industry. The impact of weak employment on housing could have been a lot worse. Low mortgage rates have been the key to three respectable years of housing activity.

**Sudbury starts rising
Thunder Bay edging lower**



Source: CMHC.

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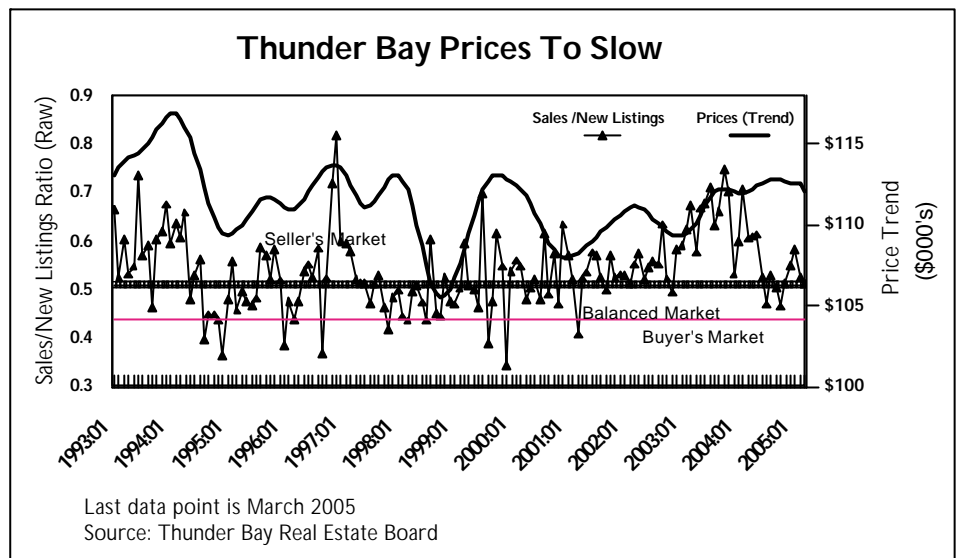


RESALE MARKET Mixed Results

Strengthening employment, improving incomes and a stabilizing population are key factors contributing to Sudbury's relative market strength. First quarter sales in the resale market were off 4.1 per cent from last year but the second highest in the last 13 years in Sudbury. 494 resales were counted in the quarter, with 2,600 forecast for the year.

New listings have fallen continually in Sudbury since 1996 leading to a tightening in the resale market but finally in 2004 we observed an increase of 6.6 per cent. Thus far, listings are off 9.8 per cent for the first three months of the year. It is expected more listings will arise as Sudbury homeowners are seeing opportunities to capitalize on the market strength, especially for move-up homes that presently exists. (see Chart below)

Sales by price range indicate strong interest in the higher price ranges of the market over \$120,000. For example, to March 31st, sales of homes priced over \$250,000 are up 63.2 per cent from one year ago.



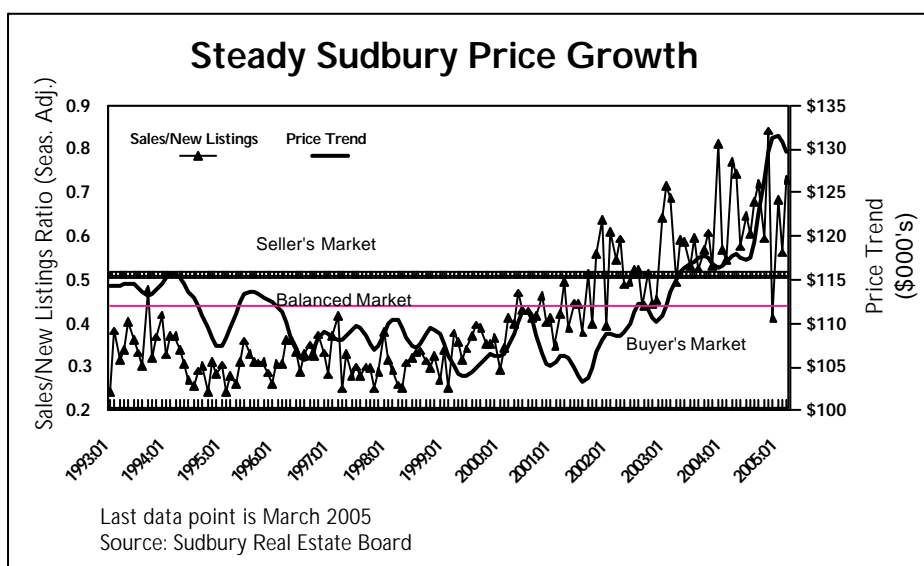
All indications point to another good year for sales in 2005 but not quite as strong as 2004. Expect low interest rates and limited supply in the higher priced move-up buying ranges. Average prices should rise three per cent in 2005. Average resale prices are up 8.6 per cent to the end of the first quarter in Greater Sudbury.

As for Thunder Bay, sales are off 16 per cent while prices are up 6.1 per cent as tracked by the Thunder Bay Real Estate Board. In 2004, sales were off about 10 per cent from 2003. Average prices were flat but within move-up price

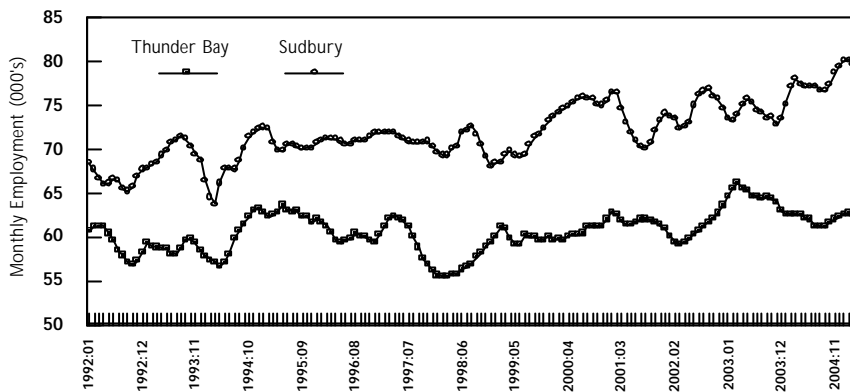
ranges, there was some noticeable price increases. Conversely, at the low end, there were some price declines. Fourth quarter new listings were up in 2004 while active listings remained very low. New listings edged downward in the first quarter of this year. (see Chart above and at right)

MIGRATION Situation Improves

Net migration figures released by Statistics Canada in September 2004 show an improvement in Greater Sudbury which signifies new potential rental demand. Out-migration, which was highly negative with 2900 leaving in 1998-99, has improved resulting in 326 in-migrants between 2002-2003. Migration was also positive in Thunder Bay with 576 in-migrants. Preliminary analysis indicates the two Northern Ontario CMA's attracted people from small towns and rural areas in relative close proximity.



More Jobs



Note: Data to Mar. 31st, 2005.
 Note: Seasonally Adjusted 15+ employment.
 Source: Statistics Canada Labour Force Survey.

RENTAL MARKET Thunder Bay & Sudbury Vary

Greater Sudbury's vacancy rate for rental structures with at least three units dipped to 2.6 per cent in October 2004, down from 3.6 per cent last October according to CMHC Rental Market Survey (RMS) data. The new rate is the lowest since 1992. Average two bedroom rents moved up and are now pegged at \$655, up from \$651 in 2003. The vacancy rate is forecast to fall further in Greater Sudbury to 2.5 per cent in 2005.

The vacancy rate among apartments with at least three units (3+) in the Thunder Bay Census Metropolitan Area (CMA) rose to 5.0 per cent in October 2004 from 3.3 per cent in October 2003. Persistent low mortgage interest rates have maintained strong ownership demand and continue to prompt some renters to become homeowners. Two bedroom rents increased one per cent to \$679 per month while one bedroom rents fell 0.4 per cent to \$550.

The vacancy rate is forecast to rise in Thunder Bay to 5.5 per cent in 2005.

ECONOMY Study in Contrast

Employment levels finished the year 3.6 per cent ahead of last year in Greater Sudbury. Employment in younger age groups has been improving, full-time job growth is solid and Sudbury's service

centre role continues to take hold. Employment levels are forecast to rise again in 2005 but at a slower pace. The positive outlook for nickel and gold prices bode well for the mining sector in Northeastern Ontario. Continued diversification efforts are generating opportunities worth watching, although significant dividends may not come immediately.

The good year in terms of employment growth in Thunder Bay as measured by the Statistics Canada Labour Force Survey was 2003. In 2004, all jobs gained in the previous year were lost. Thunder Bay averaged 61,000 employed in 2004 down 5.2 per cent from 2003. Thus far in 2005 there has

Mortgage Rate Outlook

Mortgage rates will remain low for the rest of 2005 and rise moderately in 2006

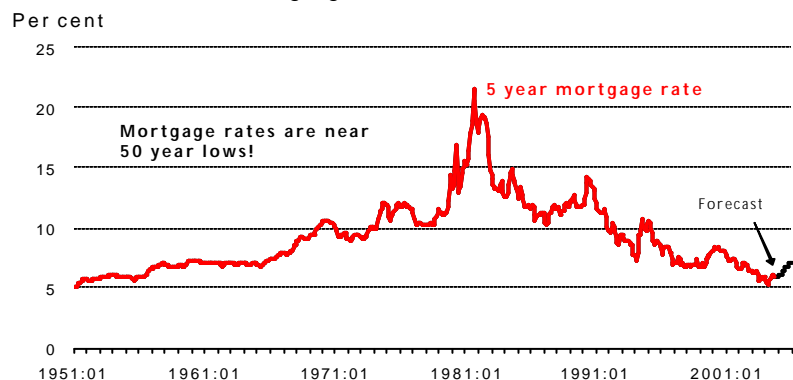
Short-term mortgage rates move in tandem with the prime rate while mid- and long-term mortgage rates vary in response to the cost of raising funds in the bond markets.

Posted mortgage rates are forecast to rise moderately as interest rates head up in 2005-06. However, tame inflation, a strong Canadian dollar vis-à-vis the U.S. dollar, and slower economic growth in Canada will restrain the size and speed of Canadian interest and mortgage rates increases in 2005-06.

Mortgage rates are expected to remain low, rising by less than 50 basis points annually this year and next. One, three and five-year mortgage rates are forecast to be in the 4.50-5.50, 5.50-6.50, and 5.75-6.75 per cent range respectively in 2005.

been little change. Employment growth in 2005 is forecast to be very low as many challenges still exist especially in the forest products sector.

Mortgage Rates are Low



Source: CMHC Forecast, Bank of Canada, Statistics Canada

OUTLOOK SUMMARY

Northern Ontario

RESALE MARKET	2003	%chg	2004	%chg	2005(f)	%chg
Sudbury MLS sales*	2,191	7.9	2,500	14.1	2,600	4.0
Sudbury MLS average price	\$117,441	2.8	\$122,866	4.6	\$126,500	3.0
Sudbury New Listings (Total)	3,664	-6.4	3,906	6.6	4,101	5.0
Thunder Bay MLS sales*	1,662	3.9	1,453	-12.6	1,380	-5.0
Thunder Bay MLS average price	\$111,928	1.8	\$112,500	0.5	\$113,625	1.0
Thunder Bay New Listings (Total)	2,573	-12.0	2,616	1.7	2,564	-2.0
NEW HOME MARKET	2003	%chg	2004	%chg	2005(f)	%chg
Sudbury Starts						
Total	306	2.7	388	26.8	440	13.4
Single family	296	1.4	374	26.4	390	4.3
Multiple (semi, row, apt)	10	0.0	14	40.0	50	257.1
Thunder Bay Starts						
Total	211	7.1	287	36.0	285	-0.7
Single family	199	3.1	241	21.1	220	-8.7
Multiple (semi, row, apt)	12	200.0	46	283.3	65	41.3
RENTAL MARKETS	2003	%chg	2004	%chg	2005(f)	%chg
Sudbury Vacancy rate (Oct. '04)	3.6%	n/a	2.6%	n/a	2.5%	n/a
Average rent, two-bed. apt.	\$651	4.4	\$655	0.6	\$665	1.5
Thunder Bay Vacancy rate (Oct. '04)	3.3%	n/a	5.0%	n/a	5.5%	n/a
Average rent, two-bed. apt.	\$672	0.0	\$679	1.0	\$679	0.0
ECONOMIC OVERVIEW	2003	%chg	2004	%chg	2005(f)	%chg
Mortgage rate, 5 year	6.39	n/a	6.23	n/a	6.28	n/a
Sudbury Net Migration**	326	n/a	n/a	n/a	n/a	n/a
Thunder Bay Net Migration **	576	n/a	n/a	n/a	n/a	n/a
Sudbury Employed (Annual avg.)	74,000	-0.8	77,100	4.2	78,000	1.2
ER 590 *** Employed	252,700	0.8	254,000	0.5	n/a	n/a
Thunder Bay Employed (Annual avg.)	64,600	5.7	61,800	-4.3	62,500	1.1
ER 595 **** Employed	116,500	3.1	110,900	-4.8	n/a	n/a

* Based on SREB/TBREB (Sudbury/Thunder Bay Real Estate Board) territories.

** Source of Migration data is Statistics Canada Small Area Data Division

*** Economic Region 590 includes the Northeastern Ontario Districts excluding Sudbury CMA.

**** Economic Region 595 includes the Northwestern Ontario Districts excluding Thunder Bay CMA.