

H

OUSING NOW

Prince Edward Island

YOUR LINK TO THE HOUSING MARKET

Canada Mortgage and Housing Corporation

VOLUME 5, EDITION 1
FIRST QUARTER 2002

2002 Starts at a Slower Pace Than 2001

Drop in Starts Due to Weaker Single-Detached Activity

✓ New home construction during the first quarter of 2002 declined to 33 units compared to 45 during the same period last year, a decrease of 26.7 per cent.

✓ Single starts on the Island in the first quarter did not reach the level set in 2001. Urban single starts fell to 20 in the first three months of 2002, compared to 24 units in 2001. Rural single starts fell to 9 when compared to 15 during the same period last year.

✓ Both urban and rural total starts were down in the first quarter of 2002 when compared to the previous year. Rural starts reached 9 units in the first quarter compared to 15 last year, while urban starts fell to 24 units from 30 in 2001.

✓ Multiple starts on the Island also edged lower than 2001, in the first quarter of 2002. Multiple starts reached 4 units in this time frame, compared to 6 during the same period last year.

✓ Charlottetown saw only a slightly lower level of single starts in 2002. Single starts reached 20 units in 2002, compared to 24 units the previous year.

✓ The first quarter of 2002 in Summerside was very similar to the same period last year. Housing activity in the area dropped to four units this year, compared to six in 2001, a decrease of only two units.

✓ Residential construction in PEI is expected to remain strong throughout 2002. One of the main forces driving this will be a sharp rise in multiple unit construction in the Charlottetown area.

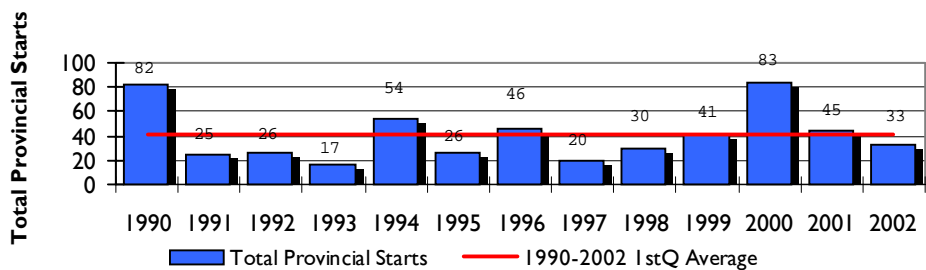
IN THIS ISSUE

- 1 Drop in Starts Due to Weaker Single-Detached Activity
- 1 Total Provincial Starts Fell in the First Quarter, Graph 1
- 2 Increasing Shift to Larger and More Expensive Homes
- 2 Employment Growth Continued in the First Quarter of 2002
- 2 Resale Market Remains Strong
- 3 Activity Summary by Area, Table 1
- 3 MLS® Activity in Urban Centres, Table 2
- 4 Starts by Area, Table 3

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Total Provincial Starts Fell in the First Quarter

1st Quarter Housing Starts 1990 - 2001



Source: CMHC



HOME TO CANADIANS
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CHARLOTTETOWN & SUMMERSIDE

Housing Market Overview

Increasing Shift to Larger and More Expensive Homes

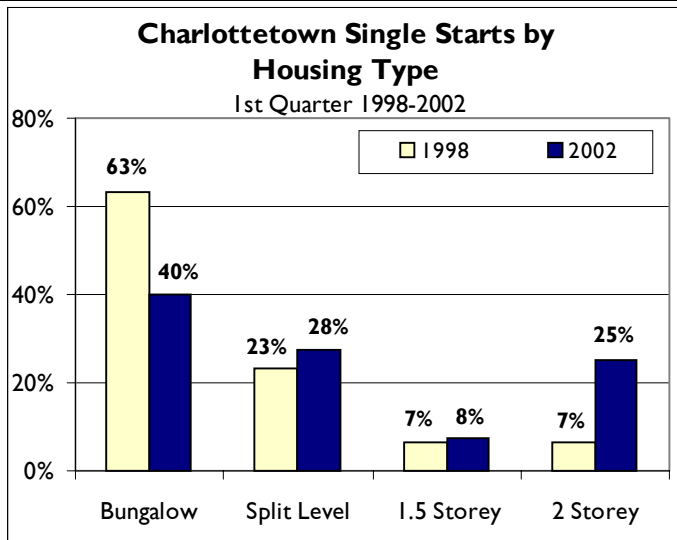
- ✓ Since 1998 there has been an increase in the number of 2-storey homes built in the Charlottetown market. This indicates that people are choosing to build homes of the 2-storey style, even though they tend to be the largest and most expensive of all home styles.
- ✓ With more elaborate homes being built, the average price of a new home has increased substantially over the past few years. Between 1998 and 2001 the average price of a new home in Charlottetown increased by 18.4 per cent.
- ✓ The trend of larger and more expensive homes being built is not unique to Charlottetown or PEI. This is something that is occurring throughout most regions of Canada.

Employment Growth Continued in the First Quarter of 2002

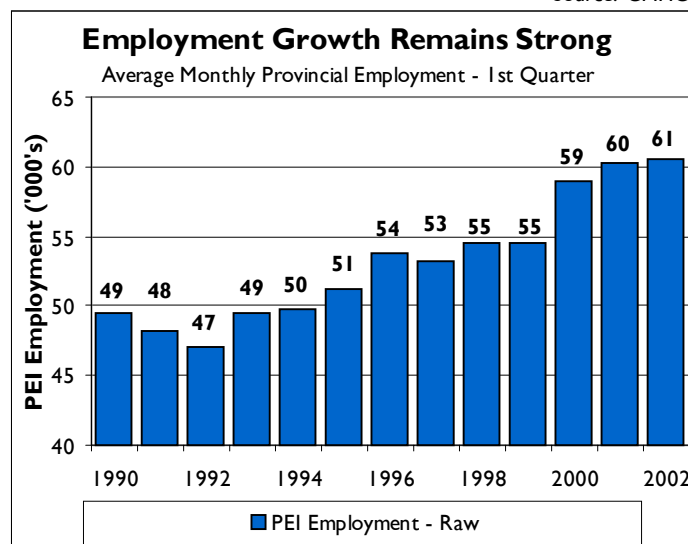
- ✓ On a provincial basis, the first quarter of 2002 saw the number of people employed increase by over 2 per cent. This means that there were about 400 more Islanders working in the first quarter of 2002 than in 2001.
- ✓ In the first three months of 2002, the ratio of full-time to total employment was 80.7 per cent, which is nearly unchanged from the 2001 level.
- ✓ In the Charlottetown area, employment rose by over 5 per cent in the first quarter of 2002, to reach 18,600. This is the strongest first quarter growth on record for Charlottetown.

Resale Market Remains Strong

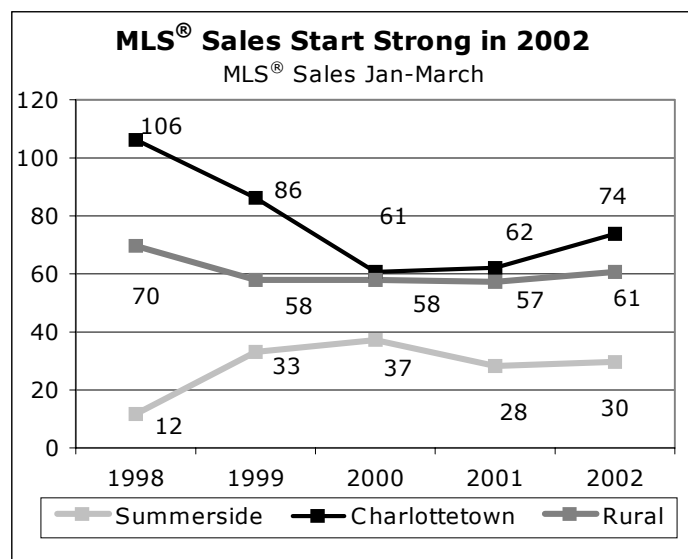
- ✓ Total provincial MLS® sales increased by slightly more than 12 per cent in the first quarter of 2002, to 165 units. While all areas have increased from a year earlier, the strongest gains were in the Charlottetown area. It is important to note that both of the last two years have set records for MLS® sales in PEI.
- ✓ The sales-to-new-listings-ratio in the Charlottetown region increased to 46.5% in the first quarter of 2002, a 5% increase over the same period last year. This key indicator shows that one out of every two houses listed in the first quarter was sold. This ratio has also increased on a provincial level reaching 31.8%, almost a 2% increase from the first quarter of 2001.



Source: CMHC



Source: Statistics Canada



Source: PEI Real Estate Board

**Table I
Activity Summary By Area
Prince Edward Island**

| Area | TOTAL HOUSING STARTS | | | | | | COMPLETIONS | | | | | | UNDER CONSTRUCTION | | |
|--------------------------|----------------------|-----------|-------------|---------------|-----------|-------------|-------------|------------|------------|---------------|------------|------------|----------------------|------------|-------------|
| | 1st Quarter | | | January-March | | | 1st Quarter | | | January-March | | | As at March 31, 2002 | | |
| | 2002 | 2001 | % chg | 2002 | 2001 | % chg | 2002 | 2001 | % chg | 2002 | 2001 | % chg | 2002 | 2001 | % chg |
| Charlottetown CA | 20 | 24 | -17% | 20 | 24 | -17% | 61 | 52 | 17% | 61 | 52 | 17% | 61 | 76 | -20% |
| Summerside CA | 4 | 6 | -33% | 4 | 6 | -33% | 14 | 23 | -39% | 14 | 23 | -39% | 8 | 3 | 167% |
| Total Urban Areas | 24 | 30 | -20% | 24 | 30 | -20% | 75 | 75 | 0% | 75 | 75 | 0% | 69 | 79 | -13% |
| Total Rural Areas | 9 | 15 | -40% | 9 | 15 | -40% | 196 | 118 | 66% | 196 | 118 | 66% | 30 | 32 | -6% |
| Total PEI | 33 | 45 | -27% | 33 | 45 | -27% | 271 | 193 | 40% | 271 | 193 | 40% | 99 | 111 | -11% |

Source: CMHC

Table 2: MLS Activity in Urban Centres*

| | 1st Quarter | | | | | | Year-to-Date | | | | | |
|---------------------------|-------------|-----------|------------|-----------------|------------------|------------|--------------|-----------|------------|-----------------|------------------|------------|
| | Sales | | | Avg Sale Price | | | Sales | | | Avg Sales Price | | |
| | 2002 | 2001 | % Chg | 2002 | 2001 | % Chg | 2002 | 2001 | % Chg | 2002 | 2001 | % Chg |
| Charlottetown CA** | | | | | | | | | | | | |
| District 4 | 18 | 20 | -10% | \$111,895 | \$131,020 | -15% | 18 | 20 | -10% | \$111,894 | \$131,020 | -15% |
| District 5 | 26 | 20 | 30% | \$84,976 | \$103,517 | -18% | 26 | 20 | 30% | \$84,975 | \$103,517 | -18% |
| District 6 | 14 | 12 | 17% | \$108,957 | \$78,025 | 40% | 14 | 12 | 17% | \$108,957 | \$78,025 | 40% |
| District 7 | 16 | 10 | 60% | \$119,725 | \$124,300 | -4% | 16 | 10 | 60% | \$119,725 | \$124,300 | -4% |
| Total, CA | 74 | 62 | 19% | \$103,574 | \$110,807 | -7% | 74 | 62 | 19% | \$103,574 | \$110,807 | -7% |
| Summerside CA | 30 | 28 | 7% | \$76,617 | \$79,178 | -3% | 30 | 28 | 7% | \$76,617 | \$79,178 | -3% |
| TOTAL | 104 | 90 | 16% | \$95,798 | \$100,967 | -5% | 104 | 90 | 16% | \$95,798 | \$100,967 | -5% |

* Source: PEI Real Estate Association

**District 4: Charlottetown City, Spring Park & West Royalty

**District 5: Sherwood, Parkdale, East Royalty & Hillsborough Parks

**District 6: Cornwall, North River & Vinsloe

**District 7: Bunbury, Southport, Crossroads, Keppoch, Kinlock, Tea Hill, Alexandra to Cherry Valley

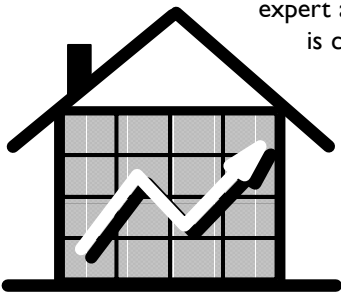
**TABLE 3
STARTS BY AREA
CHARLOTTETOWN CA**

| Area/ Period | Single | Semi | Row | Apartment & Others | Total |
|--|--------|------|-----|-----------------------|-------|
| Charlottetown City: | | | | | |
| First Quarter 2002 | 8 | 2 | 0 | 0 | 10 |
| First Quarter 2001 | 4 | 0 | 0 | 4 | 8 |
| Year-to-Date 2002 | 8 | 2 | 0 | 0 | 10 |
| Year-to-Date 2001 | 4 | 0 | 0 | 4 | 8 |
| Cornwall Town: | | | | | |
| First Quarter 2002 | 2 | 0 | 0 | 0 | 2 |
| First Quarter 2001 | 4 | 2 | 0 | 0 | 6 |
| Year-to-Date 2002 | 2 | 0 | 0 | 0 | 2 |
| Year-to-Date 2001 | 4 | 2 | 0 | 0 | 6 |
| Stratford Town: | | | | | |
| First Quarter 2002 | 1 | 2 | 0 | 0 | 3 |
| First Quarter 2001 | 5 | 2 | 0 | 0 | 7 |
| Year-to-Date 2002 | 1 | 2 | 0 | 0 | 3 |
| Year-to-Date 2001 | 5 | 2 | 0 | 0 | 7 |
| Rem ainder of Charlottetown CA: | | | | | |
| First Quarter 2002 | 5 | 0 | 0 | 0 | 5 |
| First Quarter 2001 | 9 | 0 | 0 | 0 | 9 |
| Year-to-Date 2002 | 5 | 0 | 0 | 0 | 5 |
| Year-to-Date 2001 | 9 | 0 | 0 | 0 | 9 |
| Total - Charlottetown CA: | | | | | |
| First Quarter 2002 | 16 | 4 | 0 | 0 | 20 |
| First Quarter 2001 | 18 | 2 | 0 | 4 | 24 |
| Year-to-Date 2002 | 16 | 4 | 0 | 0 | 20 |
| Year-to-Date 2001 | 18 | 2 | 0 | 4 | 24 |

Source: CMHC

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Housing Now is published 4 times a year for the Prince Edward Island market. **Forecast Summary** is included in the first and third quarter editions. Annual subscriptions to the **Housing Now** for Prince Edward Island are \$55.00 plus applicable taxes. This publication is also available in French. For more information, or to subscribe, contact Johannes O'Callaghan at the Atlantic Business Centre at (902) 426-4708. Order no. 2088

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ORECAST

Charlottetown

SUMMARY

Canada Mortgage and Housing Corporation

VOLUME 5 EDITION 1
FIRST QUARTER 2002

Multiple Starts Expected to Rise in 2002

Employment and Migration Help to Buoy Housing Market

Charlottetown's housing market is expected to do well over the next year as a result of employment growth and positive net-migration.

The number of people employed in the Capital region topped 19,000 for the first time in 2001, and is expected to increase this year and next year also.

Positive net-migration is also contributing to strong demand for housing in the Charlottetown area. Between 1995 and 2000, over 1600 people moved into Queens County, of which over 90 per cent came from within the province. This shows that PEI is no exception to the national trend of urbanization, which is creating strong demand for housing in most Canadian cities.

One factor that may cause some softening of the demand is an increase in interest rates. While open and variable mortgages are a function of the overnight rate set by the Bank of Canada, fixed rate mortgages move in tandem with the bond market. Due to the strengthening economy the overnight rate is expected to increase, and as a result short-term mortgage rates will increase. Long-term rates are also expected to increase as the economy strengthens and the financial markets foresee some monetary tightening. These increases however, are not expected to be large enough to dissuade most buyers, as the rates will remain low in historical terms.

Our current forecast indicates that 230 and 200 new single-family homes will be started in 2002 and 2003 respectively. Our forecast also calls for 120 and 100 multiple units in each of the next two years; bringing total starts to 350 units in 2002 and 300 units in 2003.

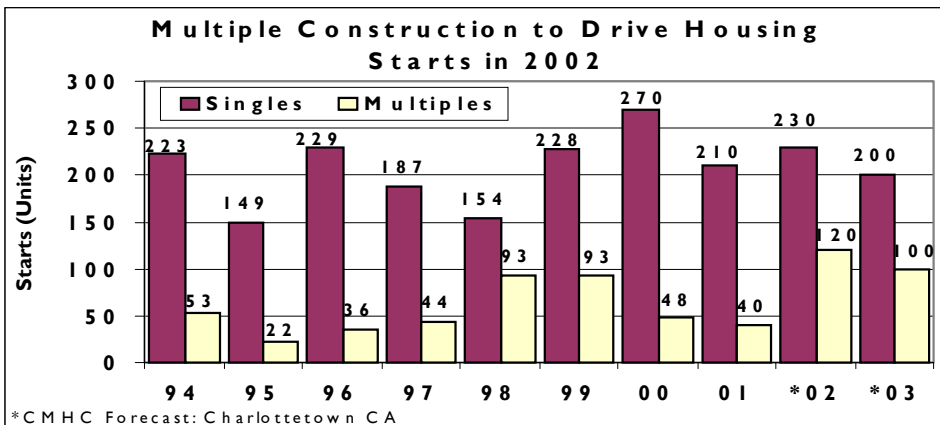
IN THIS ISSUE

- 1 **New Homes Market:** Employment and Migration to Buoy Housing Market
- 2 **Rental Market:** Vacancy Rate to Increase Slightly in 2002 and 2003
- 2 High End Units to Push Up Average Rents
- 3 **Resale Market:** Sales to Remain Strong in the Charlottetown Area
- 4 **Forecast Summary**

Graphics

- 1 Multiple Construction to Drive Housing Starts in 2002
- 2 Vacancy Rate is Expected to Increase Due to Strong Starts of Rental Units
- 2 Average Rents to Increase Over Forecast Period
- 2 Resale Market to Remain Strong Over Forecast Period
- 3 Average MLS® Sales Price Expected to Rise in Both 2002 and 2003

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Rental Market

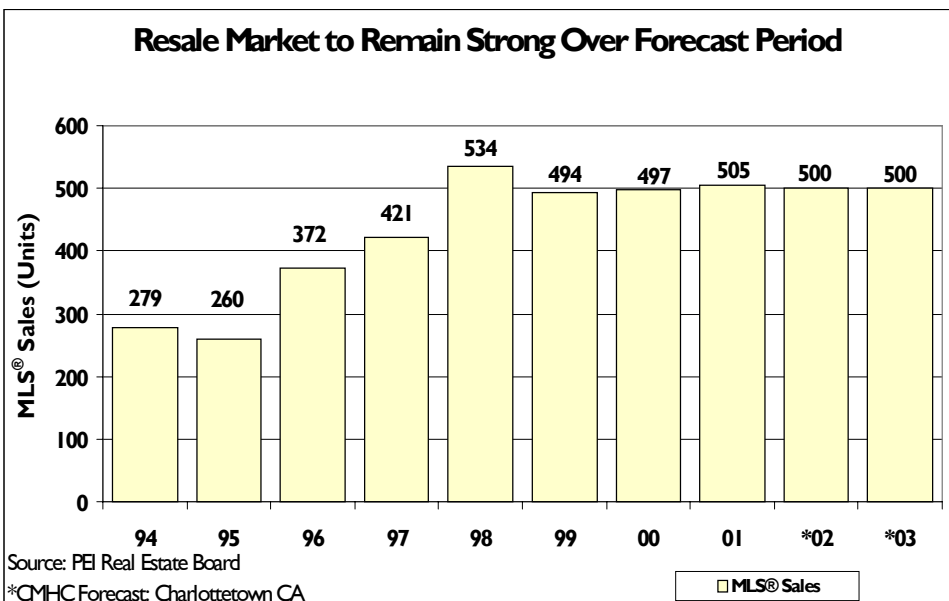
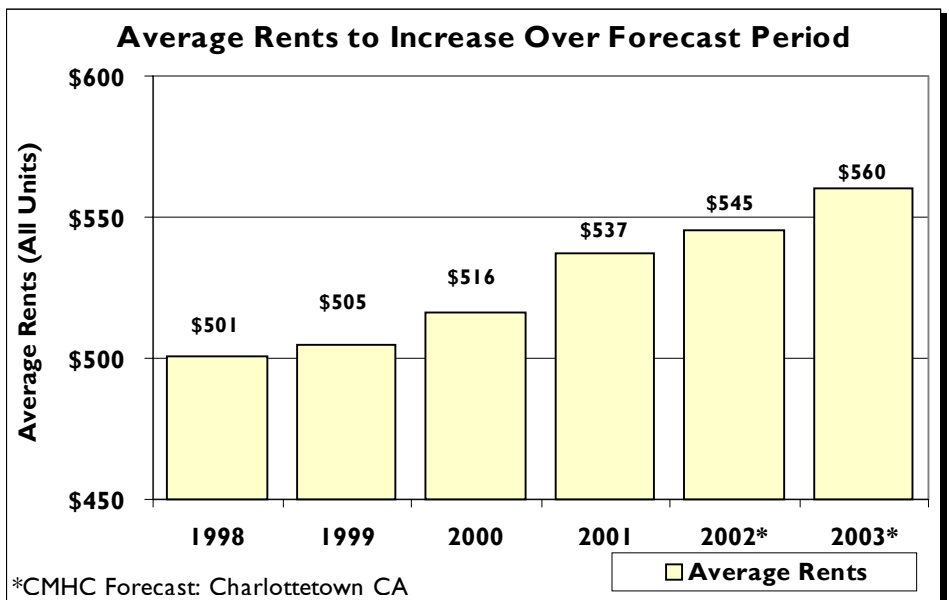
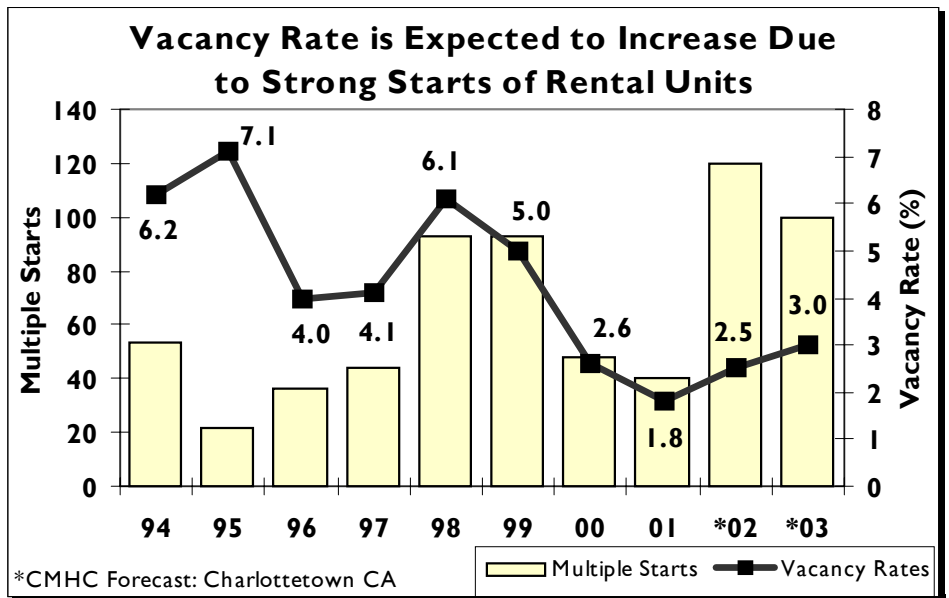
Vacancy Rate to Increase Slightly in 2002 and 2003

Demand for rental units in Charlottetown is expected to remain strong in both 2002 and 2003. Despite strong demand the vacancy rate for the Capital region is expected to inch up to 2.5 per cent in 2002, before rising slightly again in 2003. The reason for the expected rise in the vacancy rate is not a decrease in demand, but rather an increase in the level of rental construction. It is expected that 80 and 70 units will be added to Charlottetown's rental stock in 2002 and 2003 respectively. The majority of these new units will be at the high-end of the market, where the greatest demand exists. These high-end units will be most attractive to older tenants that are seeking an alternative housing option to the single-detached home.

It is important to note that the total effect of these units on the local rental market will not be fully seen until 2004. This is due to the rental market survey's guidelines which state that, structures must be completed and ready for tenants by July 1 of that year.

High-End Units Push Up Average Rents

Average rents for two bedroom apartments in the Charlottetown area rose 4.1 per cent to \$537 in 2001. This upward trend in average rents will continue over the forecast period. The main reason for the price increase is that most of the new units being built are in the upper end of the rental spectrum. These high-end units, which are targeted towards empty-nesters and seniors, have significantly higher rents than the existing units and tend to drive up the average rents for the entire area. Results from CMHC's annual Rental

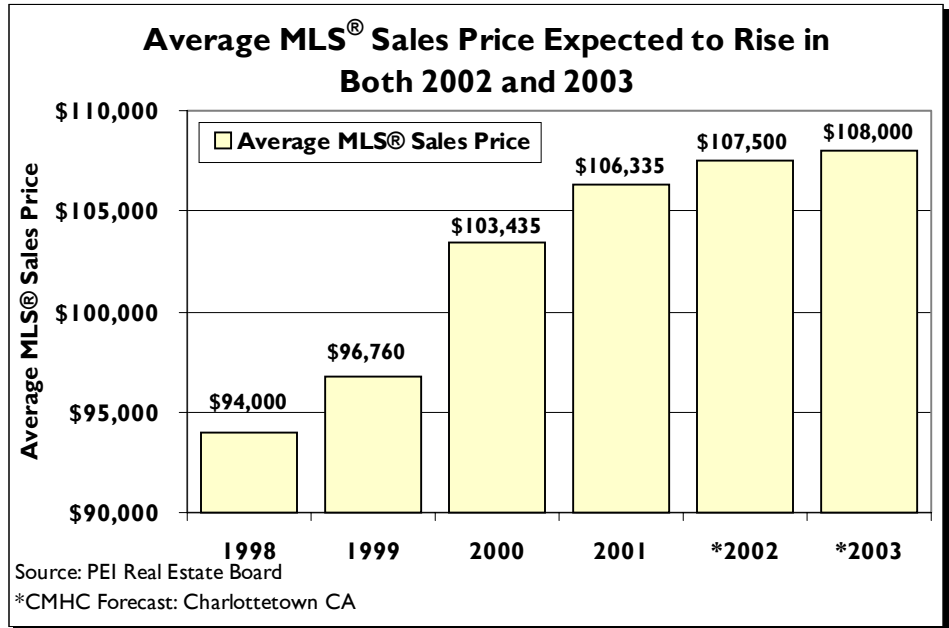


Market Survey conducted in October are expected to show rental rates rising to \$545 this year and further to \$555 in 2003.

Resale Market

Sales to Remain Strong in the Charlottetown Area

MLS® sales are expected to remain flat at 500 houses in both 2002 and 2003, due mainly to a shortage of listings in the under \$120,000 price range. This price range is very significant since it is where most first-time buyers will be looking, and represents the largest portion of the resale market in Charlottetown. Although active listings have rebounded somewhat in the first quarter of 2002, the lack of homes to sell will continue to limit any significant increase in sales.



The average sales price is expected to rise by about 1.0 per cent in both 2002 and 2003. This will occur due to stable demand for existing homes and a growing trend of more expensive sales in the Charlottetown

City and Stratford areas. Since the average sales price is calculated based on sales in the entire area, a larger percentage of homes sold in a more expensive zone will have the tendency to drive up the average sales price for the whole city.

The 45-64 Age Group Dominates Population Growth

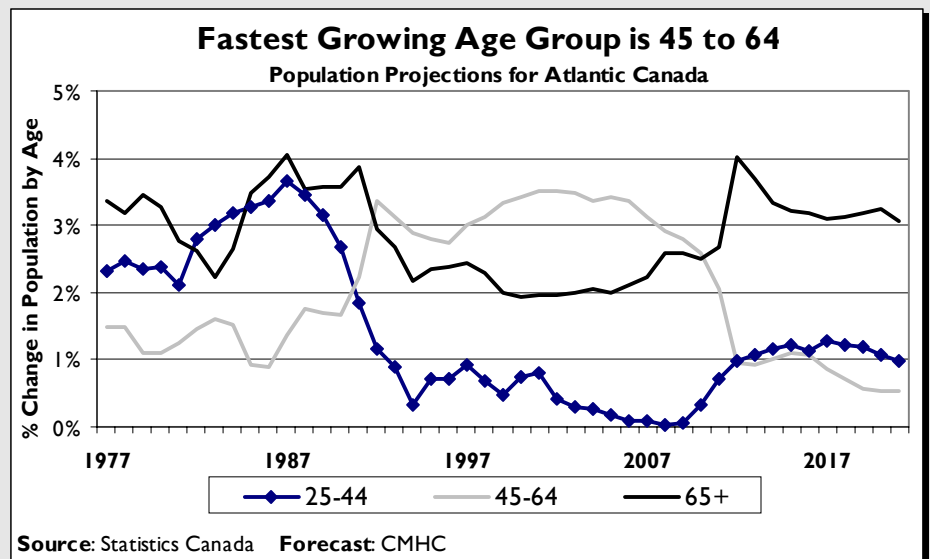
The fastest growing portion of the population between now and 2010 will be the 45 to 64 year olds. The majority of this group will be made up of baby boomers as they enter the pre-retirement stage of their lives. After 2010, this same group will dominate population growth, but they will have moved into the 65 and over category. They will continue to have a significant influence on housing.

This group is not made up of first-time home buyers. They have ownership experience and know what they are looking for in a home. Their preference leans in favour of new construction to fulfill their housing wants and needs. However,

to make such a move, they must rely on a strong resale market to sell their current homes. The past few years have been an ideal time for those in the upper end of this age category to make that step.

Other characteristics of this group include: high household incomes; less likely to have a mortgage; more open

to moving to a different home type (i.e., condominium) or location as they approach retirement. The last point is being confirmed in Atlantic Canadian locations as some cottage communities and small towns are seeing an increase of home building by this age group. Without a doubt, this group presents significant opportunities in coming years.



FORECAST SUMMARY

Greater Charlottetown Area

| | 1998 | 1999 | 2000 | 2001 | 2002* | 2003* | % chg |
|--|-----------|-----------|-----------|-----------|-----------|-----------|--------|
| NEW HOME MARKET | | | | | | | |
| Starts | | | | | | | |
| Total | 247 | 321 | 318 | 300 | 350 | 300 | 16.7% |
| Single-family | 154 | 228 | 270 | 250 | 230 | 200 | -8.0% |
| Multiple/Rental | 93 | 93 | 48 | 50 | 120 | 100 | 140.0% |
| Average New House Price | \$120,850 | \$126,150 | \$131,384 | \$141,904 | \$143,323 | \$145,903 | 1.0% |
| Complete and Unoccupied (Dec) | 10 | 7 | 7 | 8 | 6 | 8 | |
| RESALE MARKET | | | | | | | |
| MLS® Active Listings (June peak) | 336 | 278 | 224 | 240 | 250 | 240 | 4.2% |
| MLS® Sales | 534 | 494 | 497 | 505 | 500 | 500 | -1.0% |
| Average Sales Price | \$94,000 | \$96,760 | \$103,435 | \$106,335 | \$107,500 | \$108,000 | 1.1% |
| RENTAL MARKET | | | | | | | |
| Vacancy Rate (October) | 6.10% | 5.00% | 2.60% | 1.80% | 2.50% | 3.00% | |
| Average Rents (All units) | 501 | 505 | 516 | 537 | 545 | 560 | 1.5% |
| Rental Rate (annual % change) 2-bed. unit | 0.00% | 0.60% | 0.60% | 0.78% | 1.0% | 1.2% | |
| ECONOMIC OVERVIEW | | | | | | | |
| Mortgage Rate (3 yr. term) | 6.80% | 7.40% | 8.17% | 6.88% | 6.47% | 7.52% | |
| Mortgage Rate (5 yr. term) | 6.90% | 7.56% | 8.35% | 7.41% | 7.23% | 8.21% | |
| Employed | 17000 | 17200 | 18600 | 19100 | 19500 | 19800 | 2.1% |

* CMHC Forecast

Source: CMHC, Statistics Canada, PEI Real Estate Association

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