HOUSING NOW Kitchener

YOUR LINK TO THE HOUSING MARKET

Canada Mortgage and Housing Corporation

ISSUE 20
THIRD QUARTER 2003

New Homes

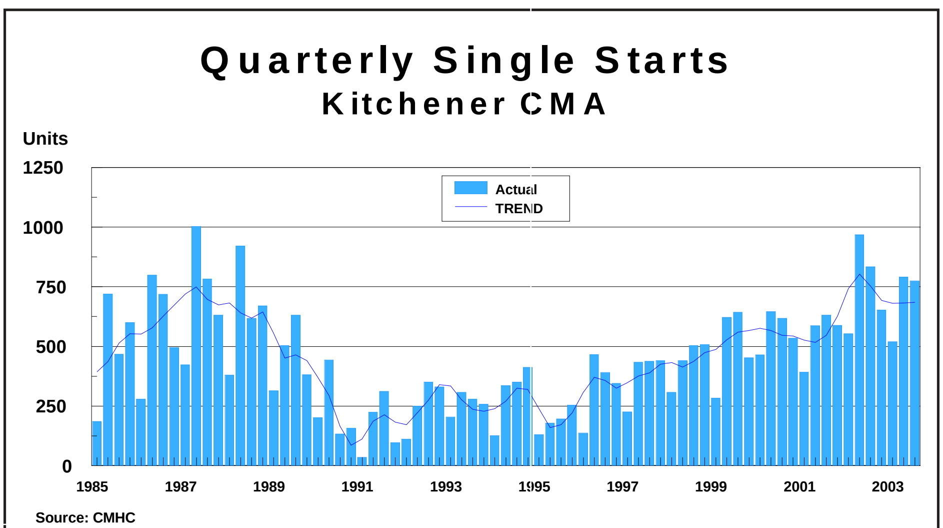
Housing Starts down from 2002 record levels

Total housing starts in the third quarter of 2003 at 1,146 units were down 3.5% from the same period in 2002. Similarly, third quarter single starts dropped 7.1% to 775 units compared to the same period last year. However, this comparison overstates the degree of the slowdown in new construction since the third quarter of 2002 set the all-time record for single starts in a third quarter. the trend over the past few quarters has revealed that single housing construction has maintained a steady pace at historically high levels.

By municipality, the level of construction activity differs markedly. Kitchener recorded the highest level of starts however, levels jumped 24% from last year. Cambridge came in second as total starts rose 19%. The townships of Woolwich and North Dumfries recorded 31 and 7 starts respectively.

The decline in quarterly housing starts remained centred in Waterloo. Total starts fell 42% due to a significant drop in single starts to 205 units. The decline continues to be attributed to the unavailability of land for smaller builders. Despite this drop in residential construction, housing starts in Waterloo remain above levels seen prior to 2001.

In contrast to the single detached market, multi family starts rose 5% compared to the same period in 2002. The rise in multi family starts can be attributed to a sharp increase in both semi-detached and row freehold starts. Rental apartment starts fell 35% to 130 units in the third quarter of 2003. Semi-detached and row freehold units continue to provide a less expensive alternative to the single detached home and therefore, remain attractive to first and second-time home buyers with no or less equity in existing accommodation.



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Canada

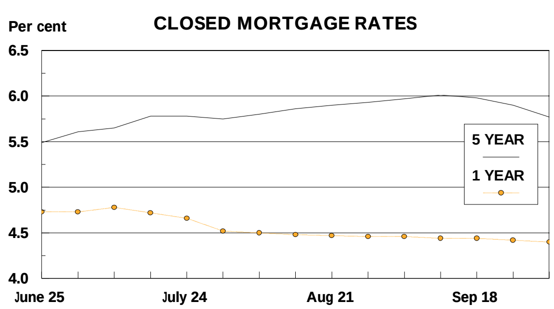
Resale Market

MORTGAGE RATES

Expectations of Economic Growth results in higher long term rates in Third quarter of 2003

A sharp drop in the rate of inflation and the rise in the Canadian dollar played a part in lowering short term mortgage rates in the third quater of 2003. However, expectations of an improvement in economic growth in 2003 and 2004 pushed longer term rates up in the same period. The five year closed rate rose from 5.61 per cent at the beginning of July to 5.77 per cent at the start of October. Similarly, the one year closed rate fell from 4.73 per cent to 4.40 per cent in the same period. The point spread between short and long term rates began to edge down at the end of September as uncertainty of the impact of the sharp jump in the Canadian dollar on the export sector lowered estimates of the degree of economic growth over the next twelve months. Despite the increase in the five year closed rate, rates remained well below levels seen in 2002.

Mortgage Rates edge down at end of 3rd Quarter...

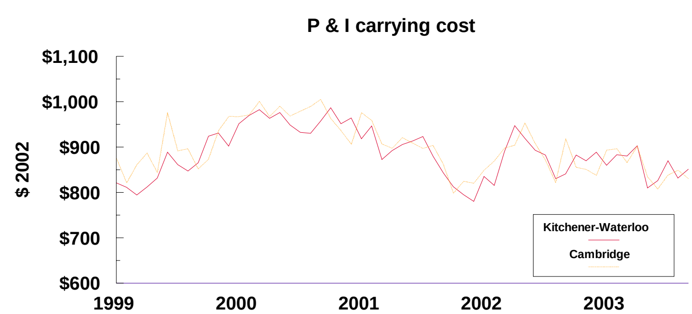


Resale Activity in Kitchener-Waterloo rises to above 2002 levels in 3rd Quarter

Low mortgage rates offset the sharp rise in average prices boosting demand for existing housing in the 3rd quarter of 2003. Sales in the Kitchener-Waterloo resale market were up 18 percent compared to the same period in 2002. Average price at $189,380 in the 3rd quarter rose 8% compared to last year. The strong price increase attracted more units into the market in 2003 as new listings continued to grow. However, the sales to new listings ratio jumped to 74.5% in the third quarter of 2003 as sales rose faster than new listings. With the strong sales and a sales-to-new listings ratio above 60%, the market remained in a sellers position in the third quarter. As a result, price increases are expected to continue in the remainder of 2003.

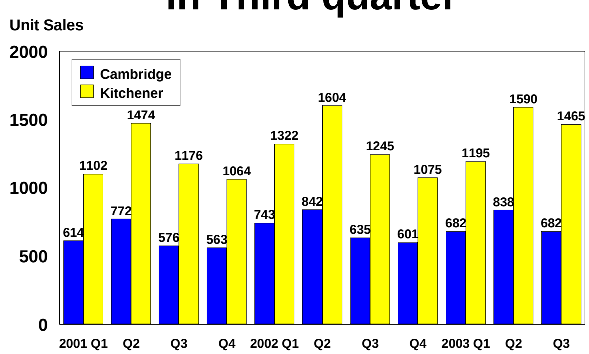
The sales trend adjusted for the time of year indicates that demand in the 3rd quarter of 2003 improved over the previous three months due to low carrying costs. On a seasonally adjusted annual rate (SAAR) basis, 3rd quarter sales jumped 9% to 5,764 units (SAAR) from the 2nd quarter of 2003. Prior to the 3rd quarter, SAAR sales reached above the 5,764 unit level only during the peak market in 1988.

Carrying costs edge up in Kitchener-Waterloo and in Cambridge in 3rd Quarter



Source: Average CREA MLS price, 25 % d. p., 3 yr.. mtg. rate

Sales rebound above 2002 levels in Third quarter



Source: CREA, Kitchener-Waterloo Real Estate Board

Cambridge

Similar to the trend in Kitchener-Waterloo, activity in the resale market in Cambridge Real Estate Board territory improved in the third quarter of 2003. However, sales jumped only 7 per cent to 682 units while average price at $187,437 increased 5.3% compared to last year. New listings edged up less than one per cent to 921 units. Due to the increase in sales, the sales to new listings ratio jumped to 74.0% in the third quarter of 2003 compared to 69.6% in the third quarter of 2002.

On a seasonally adjusted annual rate (SAAR) basis, 3rd quarter sales jumped to 2,948 units (SAAR) up 7% from the 2nd quarter of 2003.

Table 1: Starts by Area and by Intended Market - 2003/02
Kitchener Census Metropolitan Area (CMA)

	Ownership							
	Freehold			Condominium		Rental		Total
	Single	Semi	Row	Row	Apt.	Row	Apt.	
Kitchener CMA								
Third Quarter 2003	775	50	172	3	0	16	130	1,146
Third Quarter 2002	834	28	119	8	0	0	199	1,188
Percent Change	-7.1%	78.6%	44.5%	-62.5%	NA	NA	-35%	-3.5%
Jan-Sep 2003	2,085	114	416	9	0	16	202	2,842
Jan-Sep 2002	2,355	122	294	22	0	6	386	3,185
Percent Change	-11.5%	-6.6%	41.5%	-59.1%	NA	166.7%	-48%	-10.8%
Kitchener City								
Third Quarter 2003	258	20	70	3	0	16	126	493
Third Quarter 2002	260	14	76	0	0	0	46	396
Percent Change	-0.8%	42.9%	-7.9%	NA	NA	NA	173.9%	24.5%
Jan-Sep 2003	724	60	210	9	0	16	144	1,163
Jan-Sep 2002	749	48	203	14	0	0	61	1,075
Percent Change	-3.3%	25.0%	3.4%	-35.7%	NA	NA	136%	8.2%
Waterloo City								
Third Quarter 2003	205	24	40	0	0	0	4	273
Third Quarter 2002	280	6	33	0	0	0	153	472
Percent Change	-26.8%	300.0%	21.2%	NA	NA	NA	-97.4%	-42.2%
Jan-Sep 2003	514	40	86	0	0	0	51	691
Jan-Sep 2002	806	36	71	0	0	6	223	1,142
Percent Change	-36.2%	11.1%	21.1%	NA	NA	-100.0%	-77%	-39.5%
Cambridge City								
Third Quarter 2003	274	6	62	0	0	0	0	342
Third Quarter 2002	263	6	10	8	0	0	0	287
Percent Change	4.2%	0.0%	520.0%	-100.0%	NA	NA	NA	19.2%
Jan-Sep 2003	757	14	120	0	0	0	7	898
Jan-Sep 2002	704	34	20	8	0	0	102	868
Percent Change	7.5%	-58.8%	500.0%	-100.0%	NA	NA	-93%	3.5%
North Dumfries Township								
Third Quarter 2003	7	0	0	0	0	0	0	7
Third Quarter 2002	13	0	0	0	0	0	0	13
Percent Change	-46.2%	NA	NA	NA	NA	NA	NA	-46.2%
Jan-Sep 2003	16	0	0	0	0	0	0	16
Jan-Sep 2002	50	0	0	0	0	0	0	50
Percent Change	-68.0%	NA	NA	NA	NA	NA	NA	-68.0%
Woolwich Township								
Third Quarter 2003	31	0	0	0	0	0	0	31
Third Quarter 2002	18	2	0	0	0	0	0	20
Percent Change	72.2%	-100.0%	NA	NA	NA	NA	NA	55.0%
Jan-Sep 2003	74	0	0	0	0	0	0	74
Jan-Sep 2002	46	4	0	0	0	0	0	50
Percent Change	60.9%	-100.0%	NA	NA	NA	NA	NA	48.0%

Source: CMHC

Table 2: Housing Activity Summary - 2003/02
Kitchener Census Metropolitan Area (CMA)

	Ownership							
	Freehold			Condominium		Rental		Total
	Single	Semi	Row	Row	Apt.	Row	Apt.	
1. STARTS								
Third Quarter 2003	775	50	172	3	0	16	130	1,146
Third Quarter 2002	834	28	119	8	0	0	199	1,188
Percent Change	-7.1%	78.6%	44.5%	-62.5%	NA	NA	-34.7%	-3.5%
Jan-Sep 2003	2,085	114	416	9	0	16	202	2,842
Jan-Sep 2002	2,355	122	294	22	0	6	386	3,185
Percent Change	-11.5%	-6.6%	41.5%	-59.1%	NA	166.7%	-47.7%	-10.8%
2. UNDER CONSTRUCTION								
End of Third Quarter 2003	862	62	425	13	0	16	1,182	2,560
End of Third Quarter 2002	1,020	64	272	74	0	6	1,281	2,717
Percent Change	-15.5%	-3.1%	56.3%	-82.4%	NA	166.7%	-7.7%	-5.8%
3. COMPLETIONS								
Third Quarter 2003	852	50	140	4	0	0	318	1364
Third Quarter 2002	854	42	87	16	0	6	14	1019
Percent Change	-0.2%	19.0%	60.9%	-75.0%	NA	-100.0%	2171.4%	33.9%
Jan-Sep 2003	2,090	90	334	31	0	6	399	2,950
Jan-Sep 2002	1,931	106	239	75	0	12	131	2,494
Percent Change	8.2%	-15.1%	39.7%	-58.7%	NA	-50.0%	204.6%	18.3%
4. COMPLETED & NOT ABSORBED								
End of Third Quarter 2003	109	4	37	6	4	0	73	233
End of Third Quarter 2002	126	10	57	9	4	0	2	208
Percent Change	-13.5%	-60.0%	-35.1%	-33.3%	0.0%	NA	3550.0%	12.0%
5. TOTAL SUPPLY: 2. + 4.								
September 2003	971	66	462	19	4	16	1255	2,793
September 2002	1146	74	329	83	4	6	1283	2,925
Percent Change	-15.3%	-10.8%	40.4%	-77.1%	0.0%	166.7%	-2.2%	-4.5%
6. ABSORPTIONS								
Jan-Sep 2003	2,059	99	342	42	0	6	327	2,875
Jan-Sep 2002	1,948	109	235	70	1	12	213	2,588
Percent Change	5.7%	-9.2%	45.5%	-40.0%	-100.0%	-50.0%	53.5%	11.1%
September 2003	277	21	38	3	0	0	155	494
3-Month Average	282	12	50	7	0	0	40	391
12-Month Average	238	11	37	7	0	1	16	310

Source: CMHC

Table 3: Absorption of Single-detached units by Price Range
Kitchener Census Metropolitan Area (CMA)

	Annual 2002		Jan-Sep. 2003		3rd Quarter 2003		3rd Quarter 2002	
	Units	Percent	Units	Percent	Units	Percent	Units	Percent
Kitchener CMA								
<$130,000	1	0.0%	0	0.0%	0	0.0%	1	0.1%
$130,000 to $149,999	25	0.9%	8	0.4%	3	0.3%	9	0.9%
$150,000 to $174,999	400	14.5%	217	10.5%	58	6.7%	108	11.4%
$175,000 to $189,999	504	18.2%	465	22.6%	211	24.2%	162	17.1%
$190,000 to $219,999	674	24.4%	493	23.9%	213	24.4%	222	23.4%
$220,000 to $249,999	322	11.6%	267	13.0%	132	15.1%	128	13.5%
$250,000+	841	30.4%	609	29.6%	255	29.2%	320	33.7%
Total	**2,767**	**100.0%**	**2059**	**100.0%**	**872**	**100.0%**	**950**	**100.0%**
Median Price		$200,000		$200,000		$206,000		$210,000
Average Price		$229,102		$231,488		$234,394		$236,417
Kitchener City								
<$130,000	0	0.0%	0	0.0%	0	0.0%	0	0.0%
$130,000 to $149,999	1	0.1%	0	0.0%	0	0.0%	0	0.0%
$150,000 to $174,999	45	5.1%	55	8.5%	21	7.5%	13	4.6%
$175,000 to $189,999	254	28.5%	216	33.2%	104	37.3%	77	27.0%
$190,000 to $219,999	145	16.3%	78	12.0%	39	14.0%	44	15.4%
$220,000 to $249,999	87	9.8%	59	9.1%	24	8.6%	24	8.4%
$250,000+	359	40.3%	242	37.2%	91	32.6%	127	44.6%
Total	**891**	**100.0%**	**650**	**100.0%**	**279**	**100.0%**	**285**	**100.0%**
Median Price		$220,000		$197,500		$190,000		$225,000
Average Price		$239,285		$239,200		$240,411		$248,016
Cambridge City								
<$130,000	0	0.0%	0	0.0%	0	0.0%	0	0.0%
$130,000 to $149,999	3	0.4%	3	0.4%	2	0.6%	0	0.0%
$150,000 to $174,999	184	21.6%	88	11.3%	31	9.0%	34	13.4%
$175,000 to $189,999	149	17.5%	178	22.9%	74	21.5%	42	16.6%
$190,000 to $219,999	268	31.5%	205	26.4%	86	25.0%	84	33.2%
$220,000 to $249,999	124	14.6%	164	21.1%	81	23.5%	47	18.6%
$250,000+	123	14.5%	139	17.9%	70	20.3%	46	18.2%
Total	**851**	**100.0%**	**777**	**100.0%**	**344**	**100.0%**	**253**	**100.0%**
Median Price		$199,999		$206,000		$209,633		$205,000
Average Price		$208,645		$216,857		$220,154		$218,103
Waterloo City								
<$130,000	0	0.0%	0	0.0%	0	0.0%	0	0.0%
$130,000 to $149,999	11	1.2%	4	0.7%	0	0.0%	4	1.1%
$150,000 to $174,999	154	17.0%	72	13.0%	5	2.4%	52	14.5%
$175,000 to $189,999	100	11.1%	63	11.4%	28	13.5%	43	12.0%
$190,000 to $219,999	252	27.9%	201	36.2%	82	39.4%	90	25.1%
$220,000 to $249,999	101	11.2%	41	7.4%	25	12.0%	51	14.2%
$250,000+	286	31.6%	174	31.4%	68	32.7%	119	33.1%
Total	**904**	**100.0%**	**555**	**100.0%**	**208**	**100.0%**	**359**	**100.0%**
Median Price		$200,000		$200,000		$200,000		$210,000
Average Price		$226,556		$232,920		$237,447		$230,759
North Dumfries Township								
<$130,000	0	**0.0%**	0	0.0%	0	0.0%	0	**0.0%**
$130,000 to $149,999	4	**6.9%**	1	0.1%	1	0.3%	1	**3.7%**
$150,000 to $174,999	14	**24.1%**	0	0.0%	0	0.0%	9	**33.3%**
$175,000 to $189,999	0	**0.0%**	0	0.0%	0	0.0%	0	**0.0%**
$190,000 to $219,999	5	**8.6%**	3	0.4%	1	0.3%	3	**11.1%**
$220,000 to $249,999	10	**17.2%**	2	0.3%	1	0.3%	6	**22.2%**
$250,000+	25	43.1%	16	2.1%	3	0.9%	8	**29.6%**
Total	**58**	**100.0%**	**22**	**100.0%**	**6**	**100.0%**	**27**	**100.0%**
Median Price		$236,500		$280,000		$277,050		$225,880
Average Price		$258,983		$287,278		$274,850		$239,648
Woolwich Township								
<$130,000	1	1.6%	0	0.0%	0	0.0%	1	3.8%
$130,000 to $149,999	6	9.5%	0	0.0%	0	0.0%	4	15.4%
$150,000 to $174,999	3	4.8%	2	3.6%	1	2.9%	0	0.0%
$175,000 to $189,999	1	1.6%	8	14.5%	5	14.3%	0	0.0%
$190,000 to $219,999	4	6.3%	6	10.9%	5	14.3%	1	3.8%
$220,000 to $249,999	0	0.0%	1	1.8%	1	2.9%	0	0.0%
$250,000+	48	76.2%	38	69.1%	23	65.7%	20	76.9%
Total	**63**	**100.0%**	**55**	**100.0%**	**35**	**100.0%**	**26**	**100.0%**
Median Price		$335,000		$275,000		$270,000		$372,500
Average Price		$370,416		$310,286		$301,313		$362,240

Source: CMHC

Table 4: MLS* Sales by Real Estate Board
Kitchener Census Metropolitan Area (CMA)

	Kitchener-Waterloo	Cambridge
Third Quarter 2003	1,465	682
Third Quarter 2002	1,245	635
Percent Change	17.7%	7.4%
Year-To-Date 2003	4,247	2,197
Year-To-Date 2002	4,171	2,216
Percent Change	1.8%	-0.9%

Table 5: MLS* New Listings by Real Estate Board
Kitchener Census Metropolitan Area (CMA)

	Kitchener-Waterloo	Cambridge
Third Quarter 2003	1,967	921
Third Quarter 2002	1,753	913
Percent Change	12.2%	0.9%
Year-To-Date 2003	6,264	3,029
Year-To-Date 2002	5,839	3,075
Percent Change	7.3%	-1.5%

Table 6: MLS* Average Price by Real Estate Board
Kitchener Census Metropolitan Area (CMA)

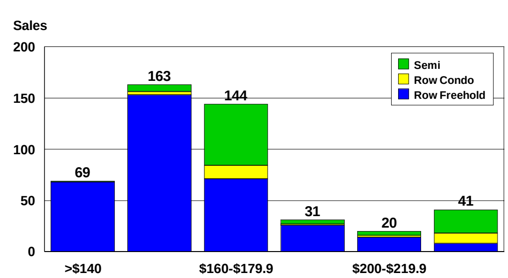
	Kitchener-Waterloo	Cambridge
Third Quarter 2003	$189,380	189,437
Third Quarter 2002	$175,396	179,840
Percent Change	8.0%	5.3%
Year-To-Date 2003	$187,189	$187,729
Year-To-Date 2002	$175,764	$178,914
Percent Change	6.5%	4.9%

Table 7: MLS* Sales to New Listing Ratio by Real Estate Board
Kitchener Census Metropolitan Area (CMA)

	Kitchener-Waterloo	Cambridge
Third Quarter 2003	74.5%	74.0%
Third Quarter 2002	71.0%	69.6%
Percent Change	3.5%	4.5%
Year-To-Date 2003	67.8%	72.5%
Year-To-Date 2002	71.4%	72.1%
Percent Change	-3.6%	0.5%

Source: CREA, Kitchener-Waterloo Real Estate Board, Cambridge Real Estate Board, CMHC

Semis &Townhouses meet affordable new home demand



Source: CMHC; YTD September 2003

Multi Family Ownership units fill need for New Homes Priced below $175,000

With less than 11 per cent of new singles priced below $175,000 in 2003, new semi-detached, row freehold and row condo units fill the need for affordable new homes in the Kitchener CMA. In the first nine months of 2003, 80 per cent of new semi and row ownership units sales fell below $180,000. With the increase in the price of land and the cost of construction, multi family units provide a means to keep the cost of new ownership within the reach of many first-time home buyers.

Single-Detached Market

Single Sales By Type and Municipality
2003 Quarter 3

	Bungalow		Split Level		1½ Storey		2 Storey		Other		Unknown		Total	
	Sales	Price	Sales	Price	Sales	Price	Sales	Price	Sales	Price	Sales	Price	Sales	Price
Cambridge	36	$223,854	18	$225,243	5	$248,679	238	$218,014	47	$223,171	0	$0	344	$220,154
Kitchener	26	$286,154	3	$225,000	2	$487,500	242	$231,321	0	$0	6	$334,167	279	$240,411
Waterloo	14	$230,181	5	$185,000	0	$0	176	$236,037	0	$0	13	$284,523	208	$237,447
Woolwich	9	$360,000	2	$475,000	2	$339,322	22	$258,060	0	$0	0	$0	35	$301,313
North Dumfries	5	$283,000	0	$0	0	$0	1	$234,100	0	$0	0	$0	6	$274,850
Kitchener CMA	90	$259,736	28	$235,870	9	$321,893	679	$228,750	47	$223,171	19	$300,200	872	$234,394

Sales of singles priced below $175,000 down sharply in Third Quarter of 2003

Sales of new single detached homes priced less than $175,000 fell from 12% of sales in the third quarter of 2002 to 7% of sales between July and September 2003 in the Kitchener CMA. This shift in sales was centered in the cities of Waterloo and Kitchener with only 26 units sold in this price range compared to 65 units sold in the same quarter last year. However, the shift in sales to units priced $175,000 and above was not consistent across the two municipalities. The increase in units priced between $175,000 and $189,999 was centered in Kitchener while the increase in units priced $190,000 to $219,999 was centered in Waterloo. In Kitchener, sales of singles priced $250,000 or more dropped sharply in the third quarter compared to last year. As a result, average price fell 3 per cent to $240,411 while the median* price fell from $225,000 to $190,000. In Waterloo, the shift in sales to a higher priced single pushed the average price up 2.9% to $237,447 compared to last year.

In addition, the average price was affected by a shift in sales away from Waterloo to Cambridge. Sales in Cambridge grew to 39% of all sales in the third quarter while due to the sharp decline in single starts in 2003, sales in Waterloo fell to 24% of total sales from 38% of total sales in the Kitchener CMA in the third quarter of 2002. Since the average price of a new single in Cambridge is lower than in Waterloo, average price edged down only one per cent compared to the third quarter of 2003 despite the shift in sales to higher priced units.

CMHC's Starts & Completions Survey records the sale of a single at completion. As a result, the percentage of units sold at completion is a good indicator of the strength of the new single market. In Cambridge, the percentage of single homes sold at completion reached 93% in the third quarter of 2003 compared to 87% of singles in Kitchener and 82% in Waterloo. The unsold supply of new singles remains low across all three major municipalities. The high number of units sold at completion suggests that the impact of the large number of singles already under construction in 2003 on single starts will be limited.

*The median price indicates the mid-point of new home prices; one-half of all new home prices are above and one-half of all new home prices are below the median price. The median price differs in definition from the mean new home price, which is the average of all new home prices.

Single Detached by Municipality 2003 Qrt 3

Municipality	Price	% Chg	Under Cnst.	Unsold Supply	Total Supply	Sales	Cmpl.	Sold at Cmpl.	% Sold at Compl
Kitchener	$240,411	-3.1%	333	37	370	279	263	229	87.1%
Waterloo	$237,447	2.9%	210	53	263	208	213	175	82.2%
Cambridge	$220,154	0.9%	276	17	293	344	335	311	92.8%
North Dumfries	$274,850	14.7%	10	1	11	6	7	6	85.7%
Woolwich	$301,313	-16.8%	33	1	34	35	34	31	91.2%
Kitchener CMA	$234,394	-0.9%	862	109	971	872	852	752	88.3%

Source: CMHC

Table 8: Economic Indicators

	Interest and Exchange Rates			Kitchener CMA		
	Bank Rate	Mtg. Rate 3 Yr. Term	Exch. Rate ($US/$CDN)	NHPI (1997=100)	Employment Ratio (%)	Unemployment Rate (%)
2002						
January	2.25	5.60	62.80	113	65.0	6.5
February	2.25	5.61	62.18	113.1	64.7	6.7
March	2.25	5.97	62.75	113.2	64.3	6.8
April	2.50	6.35	63.96	113.4	64.3	6.0
May	2.50	6.40	65.16	115.8	64.5	5.5
June	2.75	6.40	65.76	117.3	65.0	5.0
July	3.00	6.33	63.12	117.2	65.3	5.4
August	3.00	6.02	64.12	117.5	65.5	5.5
September	3.00	5.92	63.41	117.1	65.3	6.0
October	3.00	5.90	64.20	117.5	65.6	5.4
November	3.00	5.83	63.54	118.1	65.6	5.2
December	3.00	5.81	64.60	118.2	66.4	4.9
Average	**2.71**	**6.01**	**63.80**	**115.7**	**65.4**	**5.7**
2003						
January	3.00	5.79	65.32	118.1	66.5	5.3
February	3.00	5.81	66.88	119.1	66.1	6.3
March	3.25	5.84	67.98	119.2	65.5	6.5
April	3.50	5.97	68.59	119.1	65.5	6.4
May	3.50	5.71	72.12	119.1	66.2	6.1
June	3.50	5.20	74.48	119.1	66.4	6.1
July	3.25	5.29	71.44	119.9	66.3	6.5
August	3.25	5.31	71.58	120.3	66.2	6.5
September	3.00	5.97	74.23	n/a	66.1	6.6
Average	**3.29**	**5.72**	**69.23**	**118.9**	**66.0**	**6.1**

Source: Bank of Canada, CMHC, Statistics Canada, NHPI=New Housing Price Index

Note: Employment figures are seasonally adjusted 3 month moving average data.

Definitions

Pending Start: refers to dwelling units where a building permit has been issued, but construction has not started.

Start: generally refers to the stage of construction when the footing has been installed. For multiple dwelling developments, (e.g. row housing) the definition of a start applies to the individual structure or block of units rather than to the project as a whole.

Under Construction: those units which have been started but which are not complete.

Completion: for single-detached and 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.

Completed and not absorbed: all completed units of new construction which have never been occupied, sold or leased.

Absorption: the sale or lease of completed units.

Duration of Supply: the number of months required to absorb the number of singles currently under construction or completed and not absorbed.

Housing Now is published four times a year. An annual subscription to the Kitchener Housing Now is $55 plus GST. The subscription also includes a 4-page Forecast Summary report as a supplement with the 1st and 3rd quarter Housing Now reports. For more information and to order; please call Ontario Market Analysis customer service at 1-800-493-0059.

FORECAST SUMMARY

Kitchener

Canada Mortgage and Housing Corporation

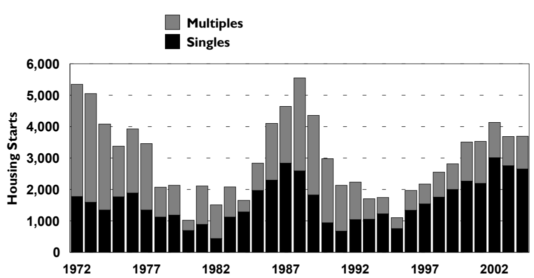
ISSUE:
FALL 2003

New Home Market

Multiples Boost 2004 Starts

Coming off the strongest year for residential construction since 1989, housing starts fell sharply in the Kitchener CMA in 2003. A jump in mortgage rates early in 2003, due to high inflation levels, pushed carrying costs up in the second quarter. In addition, the lack of land available for development limited new construction in the city of Waterloo throughout 2003.

Singles edge down for second straight year in 2004
Kitchener CMA



Source: CMHC

Stronger economic growth in Canada and the USA in 2004 will raise the fear of inflation. The resulting rise in mortgage rates will boost carrying costs and slow demand for new homes. Offsetting the rise in carrying costs, local consumer confidence will continue to improve as job growth accelerates.

In 2004, total housing starts will reach 3,700 units, up less than one per cent from 2003. Starts of single detached units will fall by 4% to 2,650 units. Although single starts are forecast to drop in 2004, the level remains higher than in any year between 1988 and 2001. Semi and row freehold construction will provide a lower priced alternative to new single detached units in 2004. Consequently, multi family construction will jump 13% to 1,050 units in 2004.

CMHC's Starts & Completions Survey records the sale of a single at completion. As a result, the percentage of units sold at completion is a good indicator of the strength of the new single market. In the Kitchener CMA, the percentage of single homes sold at completion reached 88.3% in the third quarter of 2003 compared to 87.1% in 2002. The unsold supply of new singles has dropped significantly since early 2003. As a result, starts will not be impacted by changes in inventory later this year.

New single prices are forecast to rise less than one per cent in both 2003 and 2004. Sales of affordable singles priced between $175,000 to $199,999 formed 30% of singles sold in 2003, up from 27% of sales in 2002. This market will continue to remain in demand in 2004 as an alternative to the average resale unit. Singles priced over $200,000 offer the type of features that move-up buyers with increased equity in their existing home are looking for. However, as the resale market slows due to the rise in carrying costs, this market is expected to fall back to the 30% proportion of sales observed in 2001. As a result, new single prices are expected to remain stable.

IN THIS ISSUE

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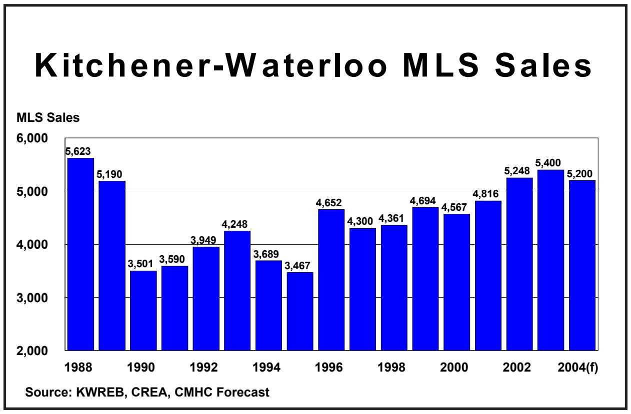
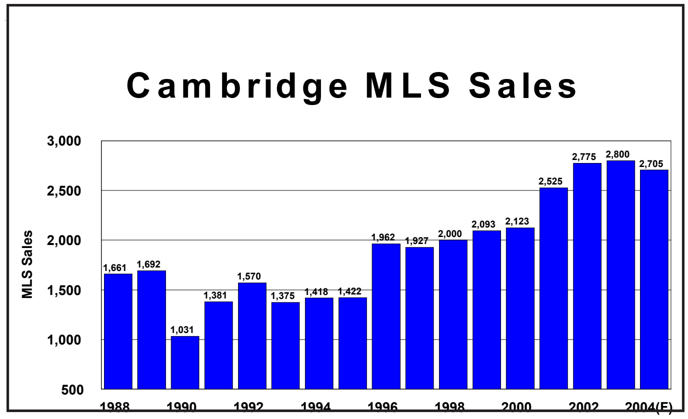
Resale Market





Source: CREA, CMHC Forecast

Kitchener-Waterloo sales near record levels for Second Straight Year

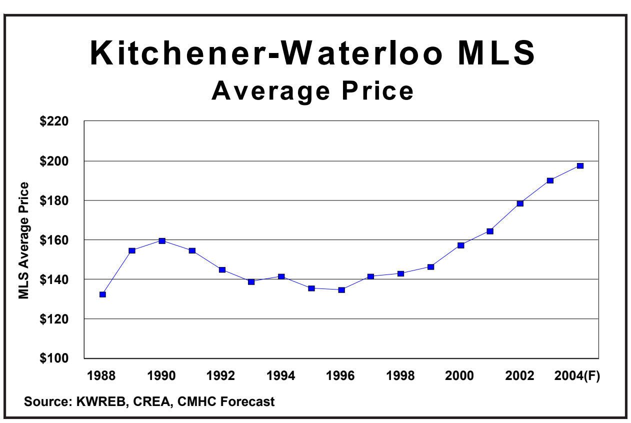
Low mortgage rates and carrying costs, strong consumer confidence and a rebound in local job growth combined to push demand for resale units to near record levels in the Kitchener-Waterloo Real Estate Board in 2003 surpassing 2002 levels. On a seasonally adjusted annual rate (SAAR), MLS sales activity peaked at almost 6,000 units in the third quarter of 2003 up from the 4,857 level in the first quarter of 2003. The last time that SAAR sales reached the 6,000 level occurred in 1988. In 2004, the increase in carrying costs as mortgage rates edge up, will be offset by further job growth and stronger local consumer confidence. Sales are forecast to edge down only 4% to 5,200 units.

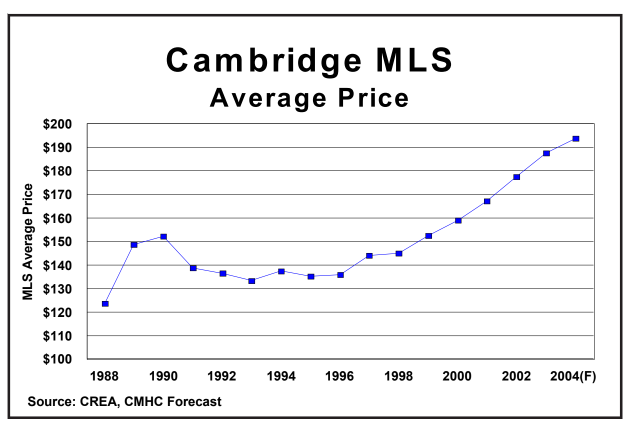
The number of new listings available for sale has been increasing since average price reached above the previous high the second quarter of 2001. In 2003, the rise in average price has encouraged more households to list their existing home on the market and make a move before rates push carrying costs back up. The total number of units listed for sale adjusted for the time of year increased to the 1,400 unit level in October 2003 up from 1,300 units a year ago. The jump in listings in 2003 offset the increase in sales. For the third quarter of 2003, the sales to new listings ratio came in at 74.5%, up from the 71.0% seen in the third quarter of 2002.

With the balance of the market being in favour of the seller, price increases have easily outpaced inflation. The average MLS price jumped 6.7% to $188,273 in the first ten months of 2003 compared to $176,401 in 2002. In 2004, the market is expected to ease from the strong seller's market of 2003 as sales edge down and increased prices attract more new listings. For the Kitchener-Waterloo Real Estate Board, average price for 2004 as a whole will rise 4% to $197,600 from an annual average of $190,000 in 2003.

Cambridge sales down from 2002 Record

The Cambridge resale market is forecast to edge down from the record sales level in 2002. Seasonally adjusted annual rate (SAAR) sales have jumped to 2,948 sales in the third quarter from 2,670 in the first quarter of this year but remain at an all time high level of activity. Given the current strength of the Cambridge resale market, sales are forecast to come in at 2,800 sales this year second only to the record levels in 2002. In 2004, increased carrying costs will result in sales edging down to 2,705 units. New listings will increase 3% in 2004 coming in at 3,875 new listings. Still, the Cambridge resale market will remain in favour of the seller with the sales to new listings ratio declining marginally to 69.8%. The annual average resale price will rise 4% to a record high of $194,000 in 2004.





Rental Market

Demand for rental units down in 2004

In 2003, demand for rental units in the Kitchener CMA rental market is forecast to slow in response to the increased flow of tenants moving into the ownership market and a smaller double cohort effect at local post secondary institutions. In 2004, slightly higher carrying costs will result in less movement into ownership while at the same time, a large number of second year students will moving away from campus living into the private rental market. In addition, job growth will result in more new households looking to the rental market for their first home. The apartment vacancy rate is forecast to rise to 2.7% in 2003 before dropping to 2.5% in October 2004. The supply of rental units will grow in 2004 due to the large number of new units that have been under construction over the last 12 months entering the market.

The average rent on a 2 bedroom apartment is forecast to rise to $796 in October 2004, which represents a 3.0% increase over the average 2 bedroom rent of $773 in the October 2003 survey.

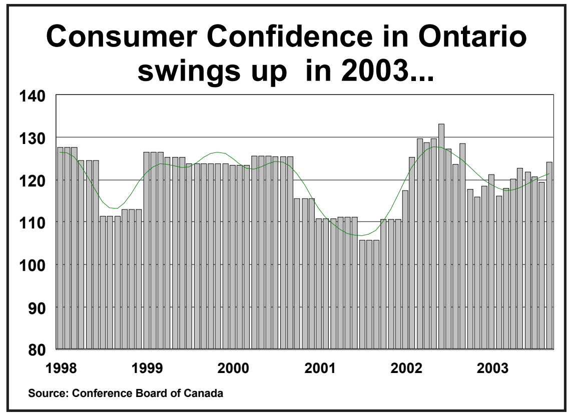
Economic Overview

Job growth to continue in 2004

Employment in the Kitchener area up 2.4% in 2003 is expected to improve further in 2004. In 2003, employment in the Kitchener CMA has shown steady improvement over 2002 levels. However, a sharp jump in construction employment has been offset by a drop in employment in the food and accommodation sector due to the negative impact of SARS on tourism. Up 1.8% year over year in September of 2003, total employment in the Kitchener Census Metropolitan Area (CMA) is expected to reach an average of 234,200 jobs for 2003 and grow an additional 2.0% to 238,900 employed in 2004.

Leading economic indicators in the USA and Canada continue to point to stronger growth in 2004 after an improved performance in late 2003. The diversified economy in Kitchener will benefit from the stronger economy domestically and in the rest of North America. Manufacturing sectors are expected to rebound from a stagnant 2003 as inventories are replenished in the auto sector. The service sector will grow as demand for business and financial services increase. Retail sales are expected to turn around as increased confidence in an economic recovery raises consumer's expectations. However, the trade sector will continue to face restructuring in 2004, limiting job growth.

Job creation will encourage people to enter into the labour force in 2004. The participation rate will increase to 70.9% from 70.6% in 2003. The recovery in employment will be offset by growth in the labour force. As a result, the unemployment rate in the Kitchener CMA is forecast to rise to 7.2 per cent in 2004, up from 6.9 per cent in 2003.



Ontario consumer confidence recovers

Ontario consumer confidence, as measured by the Conference Board of Canada's Index of Consumer Attitudes, improved throughout 2003 from a low in February and March. The consumer confidence index in Ontario peaked at a high of 124.2 in September, up from low of 116.1 seen in February 2003. The strong economy in 2004 will strengthen confidence further.

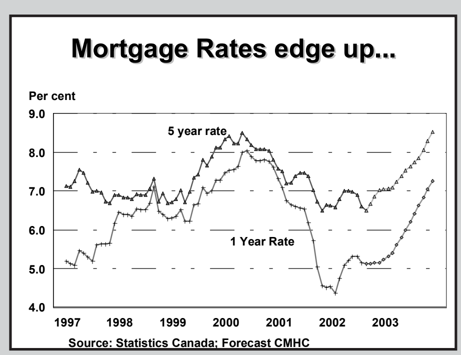
MORTGAGE RATE OUTLOOK

A rapidly decelerating inflation rate and lingering trade, health, and geopolitical risks will keep Canadian interest and mortgage rates low in the near future. Short-term Canadian interest rates are forecast to remain low over the next few months prior to rising 25-75 basis points in 2004. Long-term yields are forecast to continue their upward trend later this year and rise by 25-50 basis points both this year and in 2004.

One, three and five-year posted closed 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. The mortgage rates are forecast to rise by 0.50-0.75 per cent next year. Discounts from posted rates will be in the 0.5-1.5 per cent range.

However, emerging or heightened trade, health, geopolitical risks, sluggish business investment and slower global economic growth would have adverse effects on the Canadian and U.S. economies and could mean further easing in 2003 or postponement of expected interest rate increases in 2004.*

*These data represents the lowest quarter during the year of which 25 basis points are subtracted and the highest quarter to which 25 basis points are added



FORECAST SUMMARY
KITCHENER CENSUS METROPOLITAN AREA
Forecast completed November 3, 2003

NEW HOME MARKET	2001	2002	2003	% Change	2004F	% Change
Complete and Unoccupied (September)						
Single-detached	129	126	109	-13.5%	110	0.9%
Multi-family (semi, row, apt.)	156	82	124	51.2%	110	-11.3%
Starts						
Single-detached	2,197	3,007	2,760	-8.2%	2,650	-4.0%
Multi-family	1,340	1,123	925	-17.6%	1,050	13.5%
Total	3,537	4,130	3,685	-10.8%	3,700	0.4%
Average New House Price						
Single-detached	$228,469	$229,102	$232,124	1.3%	$234,500	1.0%
RESALE MARKET						
Kitchener-Waterloo						
MLS1 Sales	4,805	5,245	5,400	3.0%	5,200	-3.7%
MLS New Listings	6,874	7,224	7,400	2.4%	7,500	1.4%
Sales-to-Listings Ratio	70.1%	70.1%	71.1%		69.3%	
MLS Average Price	$164,544	$177,551	$187,500	5.6%	$194,000	3.5%
Cambridge						
MLS Sales	2,525	2,821	2,800	-0.7%	2,705	-3.4%
MLS New Listings	3,514	3,763	3,850	2.3%	3,900	1.3%
Sales-to-Listings Ratio	71.7%	71.7%	72.7%		69.4%	
MLS Average Price	$167,227	$178,598	$190,000	6.4%	$197,600	4.0%
RENTAL MARKET						
Apartment Vacancy Rate	0.9%	2.3%	2.7%		2.5%	
Average Rent (2 bedroom)	$722	$750	$779	3.9%	$803	3.1%
ECONOMIC OVERVIEW						
Mortgage Rate (1 year term)	6.14	5.17	4.85		4.89	
Mortgage Rate (5 year term)	7.4	7.02	6.36		6.7	
Employed (000's)	225.7	228.7	234.2	2.4%	238.9	2.0%
Employment Growth (000's)	2	3	5.5		4.7	
Net Migration (Census Year)	5,254	4,850	4,950	2.1%	5,100	3.0%

Sources: CREA, Kitchener-Waterloo Real Estate Board, Real Estate Board of Cambridge, Statistics Canada, and Conference Board of Canada

1 Multiple Listings Service (MLS) is a registered certification mark own by the Canadian Real Estate association (CREA)

Forecast Summary is CMHC's forecast for new home and resale markets. Issues are released in the Spring and Fall of each year.

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