*Saskatchewan*

# HOUSING NOW

YOUR LINK TO THE HOUSING MARKET

Canada Mortgage and Housing Corporation

THIRD QUARTER 2003

## Starts slow in the third quarter

Saskatchewan third quarter total housing starts fell behind third quarter 2002 results by 2.3 per cent. Single-family starts in both urban and rural areas were up two per cent while multiples starts slipped from 356 units in the third quarter 2002 to 320 units in the same quarter of 2003 for a ten per cent decline.

The cities of Estevan, Moose Jaw, Battlefords, and Swift Current surpassed the number of starts recorded in the third quarter of 2002. Lloydminster (Saskatchewan side), and Yorkton fell behind the starts activity seen in 2002. Year-to-date housing starts are ahead of 2002 in all the province's smaller cities except Lloydminster, and Yorkton.

### Rural starts see strong third quarter

Urban areas captured more than 75 per cent of the housing starts in the most recent quarter. Rural starts increased by 34 per cent compared to the third quarter 2002. It was the strongest third quarter for rural starts since 1999. Twelve units of multiple housing were started in the third quarter in communities of less than 10,000 in population.

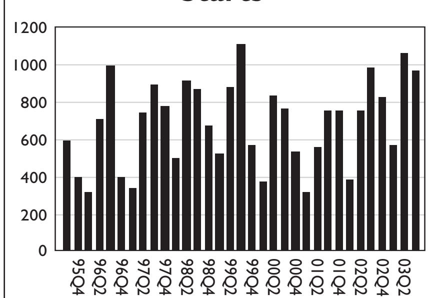
Regina exceeded 2002-third quarter housing production while Saskatoon slowed by almost 18 per cent. Single-family housing starts fell back in both centres. Multi-family housing starts were ahead of the third quarter 2002 in Regina but lagged in Saskatoon. Year-to-date multiple construction has pushed both Regina and Saskatoon total housing starts over that seen last year at this time.

### Inventory of units under construction up in Saskatchewan

At the end of September, the total number of units under construction was up 39 per cent in urban Saskatchewan and more than 30 per cent in rural areas. Single units under construction are down slightly in urban areas but up by 93 units in rural Saskatchewan. Almost 1,000 units or 60 per cent are either row, semi-detached or apartment condominium or rental units.

In September, Saskatoon had 1019 units at various stages of construction. This represents more than 60 per cent of the units under construction in all urban areas in the province. Almost 68 per cent, were row, apartment and semi-detached housing units.

**Saskatchewan Total Housing Starts**




Source: CMHC

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CMHC SCHL

HOME TO CANADIANS

Canada

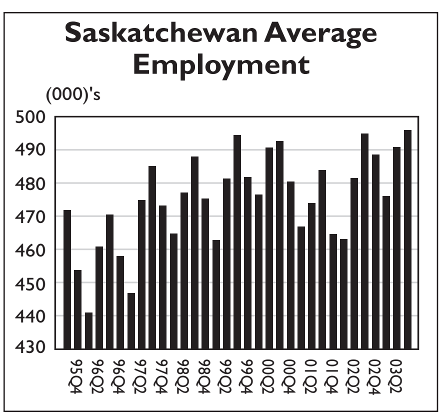
Construction was underway on 487 units in Regina, representing a 43 per cent increase over the number of units under construction in September 2002. Close to 50 per cent of these units were row, apartment and semi-detached housing units.

## Row housing absorptions almost double while apartment absorptions fall back

The total number of units completed and unoccupied has increased by 14.5 per cent to 221 units compared to last year at this time. Of these units, more than 100 are row or apartment condominiums. The number of units completed and unoccupied has declined in Regina while Saskatoon has seen an increase of 40 per cent. In Saskatoon, the number of both single and multiple units sitting empty has increased compared to September 2002.

Builders in Regina and Saskatoon report absorptions of all types of housing units increased 22.5 per cent compared to the same quarter in 2002. Single-family absorptions increased slightly to 396 units compared to 316 in the third quarter of 2002. Compared to that seen in the third quarter of 2002, Regina saw a 58 per cent increase in the number of single-family absorptions while there was little change in Saskatoon.

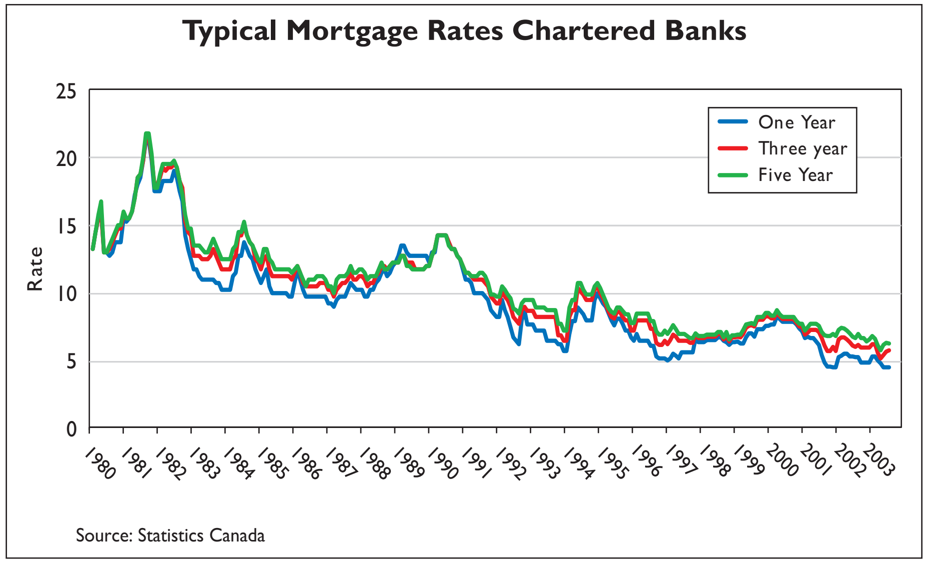
In Regina, the number of absorptions in the $150,000 to $169,999 price range increased from 24 to 40 units while the number of units absorbed in the $170,000 to $189,999 increased from 18 units last year to 50 units in 2003. In Saskatoon, although there was very little year over year change in total absorption, there was an increase in absorptions in the $130,000 to $149,999 , $170,000 to $189,999 and $190,000 plus price ranges countered by significant declines in units absorbed in the $150,000 to $169,999 range.




## Provincial employment gains modest

Total employment has seen a weak performance in 2003. At the end of the third quarter, total employment has grown by only 1.6 per cent. In the goods sector, only forestry, mining and oil and gas have seen increases in average employment. In the service sector, education, accommodation and food and health have seen increases, helping to compensate for the slow goods sector.

Provincial construction employment has been declining throughout 2003 and now has fallen 3.3 per cent. Construction employment in Regina is up by an average of 8.7 per cent but down in Saskatoon by more than 11 per cent.




## Mortgage rates on the rise as national economy heats up

Rapidly decelerating inflation and lingering health, trade, and geopolitical risks will keep Canadian interest and mortgage rates low in the near future. 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 market. Therefore, low rates in those markets call for posted mortgage rates to remain low over the duration of the year. As the U.S. economy improves and interest rates south of the border begin to climb in 2004, Canadian interest rates will also rise in an effort to keep inflation stable and preserve the value of the Canadian currency.

The one-, three-, and five-year posted mortgage rates are expected to be in the 4.66-5.05, 5.68-6.08, and 6.5-6.63 per cent range, respectively, this year. Mortgage rates are forecast to rise by 0.02-0.41 percentage points in 2004. Spreads between mortgage rates and comparable bond yields have recently remained at 150-250 basis points, providing lenders with some room to negotiate discounts ranging from 50-150 basis points from the posted rates. These spreads and discounts are likely to persist over the forecast period.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| Table 1<br>PROVINCE OF SASKATCHEWAN<br>STARTS ACTIVITY BY AREA - 3RD QUARTER 2003 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **Single** | | **Multiple** | | | **Total** | | **Chg** |
| AREA | 2003 Q3 | 2002 Q3 | Semi | Row | Apt | 2003 Q3 | 2002 Q3 | 2003/2002 |
| **REGINA CMA** | **148** | **160** | **8** | **48** | **0** | **204** | **191** | **6.8** |
| REGINA CITY | 118 | 129 | 8 | 48 | 0 | 174 | 160 | 8.8 |
| | | | | | | | | |
| **SASKATOON CMA** | **197** | **221** | **16** | **50** | **180** | **443** | **537** | **-17.5** |
| SASKATOON CITY | 145 | 170 | 12 | 42 | 180 | 379 | 476 | -20.4 |
| | | | | | | | | |
| ESTEVAN CA | 8 | 5 | 0 | 0 | 0 | 8 | 5 | 60.0 |
| LLOYDMINSTER CA (SK) | 3 | 13 | 0 | 0 | 0 | 3 | 13 | -76.9 |
| MOOSE JAW CA | 22 | 7 | 0 | 0 | 0 | 22 | 7 | *** |
| BATTLEFORDS CA | 5 | 1 | 0 | 0 | 0 | 5 | 1 | *** |
| PRINCE ALBERT CA | 25 | 30 | 0 | 0 | 0 | 25 | 37 | -32.4 |
| SWIFT CURRENT CA | 4 | 5 | 6 | 0 | 0 | 10 | 5 | *** |
| YORKTON CA | 7 | 13 | 0 | 0 | 0 | 7 | 15 | -53.3 |
| **TOTAL URBAN** | **419** | **455** | **30** | **98** | **180** | **727** | **811** | **-10.4** |
| **TOTAL RURAL** | **227** | **178** | **5** | **7** | **0** | **239** | **178** | **34.3** |

| Table 1b<br>PROVINCE OF SASKATCHEWAN<br>STARTS ACTIVITY BY AREA - YEAR TO DATE 2003 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **Single** | | **Multiple** | | | **Total** | | **Chg** |
| AREA | 2003 Q3 | 2002 Q3 | Semi | Row | Apt | 2003 Q3 | 2002 Q3 | 2003/2002 |
| **REGINA CMA** | **368** | **385** | **10** | **110** | **147** | **635** | **479** | **32.6** |
| REGINA CITY | 298 | 309 | 10 | 110 | 147 | 565 | 403 | 40.2 |
| | | | | | | | | |
| **SASKATOON CMA** | **519** | **551** | **36** | **354** | **310** | **1219** | **1076** | **13.3** |
| SASKATOON CITY | 377 | 426 | 32 | 331 | 310 | 1050 | 920 | 14.1 |
| | | | | | | | | |
| ESTEVAN CA | 12 | 8 | 0 | 4 | 0 | 16 | 8 | *** |
| LLOYDMINSTER CA (SK) | 9 | 24 | 0 | 0 | 0 | 9 | 24 | -62.5 |
| MOOSE JAW CA | 36 | 17 | 0 | 0 | 0 | 36 | 17 | *** |
| BATTLEFORDS CA | 9 | 6 | 0 | 0 | 0 | 9 | 6 | 50.0 |
| PRINCE ALBERT CA | 73 | 57 | 0 | 0 | 0 | 73 | 67 | 9.0 |
| SWIFT CURRENT CA | 15 | 10 | 8 | 0 | 22 | 45 | 10 | *** |
| YORKTON CA | 17 | 28 | 0 | 0 | 0 | 17 | 34 | -50.0 |
| **TOTAL URBAN** | **1058** | **1086** | **54** | **468** | **479** | **2059** | **1721** | **19.6** |
| **TOTAL RURAL** | **534** | **400** | **7** | **7** | **0** | **548** | **413** | **32.7** |

| Table 2<br>SASKATCHEWAN HOUSING COMPLETIONS BY AREA<br>3RD QUARTER 2003 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Single | | Multiple | | | Total | | Chg |
| AREA | 2003 | 2002 | Semi | Row | Apt | 2003 | 2002 | 2003/2002 |
| **REGINA CMA** | **172** | **108** | **2** | **55** | **16** | **245** | **194** | **26.3** |
| REGINA CITY | 140 | 93 | 2 | 55 | 16 | 213 | 179 | 19.0 |
| | | | | | | | | |
| **SASKATOON CMA** | **217** | **191** | **24** | **134** | **0** | **375** | **367** | **2.2** |
| SASKATOON CITY | 143 | 140 | 20 | 125 | 0 | 288 | 307 | -6.2 |
| | | | | | | | | |
| ESTEVAN CA | 2 | 3 | 0 | 0 | 0 | 2 | 3 | -33.3 |
| LLOYDMINSTER CA (SK) | 4 | 8 | 0 | 0 | 0 | 4 | 8 | -50.0 |
| MOOSE JAW CA | 14 | 7 | 0 | 0 | 0 | 14 | 7 | *** |
| BATTLEFORDS CA | 5 | 4 | 0 | 0 | 0 | 5 | 4 | 25.0 |
| PRINCE ALBERT CA | 32 | 25 | 0 | 0 | 0 | 32 | 28 | 14.3 |
| SWIFT CURRENT CA | 9 | 5 | 2 | 0 | 0 | 11 | 7 | 57.1 |
| YORKTON CA | 6 | 17 | 0 | 0 | 0 | 6 | 21 | -71.4 |
| **TOTAL URBAN** | **461** | **368** | **28** | **189** | **16** | **694** | **639** | **8.6** |
| **TOTAL RURAL** | **163** | **162** | **2** | **0** | **0** | **165** | **165** | **0.0** |

| Table 2b<br>SASKATCHEWAN HOUSING COMPLETIONS BY AREA<br>YEAR TO DATE 2003 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Single | | Multiple | | | Total | | Chg |
| AREA | 2003 | 2002 | Semi | Row | Apt | 2003 | 2002 | 2003/2002 |
| **REGINA CMA** | **376** | **274** | **6** | **73** | **82** | **537** | **469** | **14.5** |
| REGINA CITY | 287 | 225 | 6 | 73 | 82 | 448 | 420 | 6.7 |
| | | | | | | | | |
| **SASKATOON CMA** | **502** | **396** | **60** | **331** | **196** | **1089** | **751** | **45.0** |
| SASKATOON CITY | 380 | 296 | 50 | 303 | 196 | 929 | 642 | 44.7 |
| | | | | | | | | |
| ESTEVAN CA | 5 | 7 | 0 | 0 | 0 | 5 | 7 | -28.6 |
| LLOYDMINSTER CA (SK) | 18 | 16 | 0 | 0 | 0 | 18 | 16 | 12.5 |
| MOOSE JAW CA | 30 | 15 | 0 | 0 | 0 | 30 | 15 | *** |
| BATTLEFORDS CA | 8 | 10 | 0 | 0 | 0 | 8 | 10 | -20.0 |
| PRINCE ALBERT CA | 73 | 48 | 0 | 0 | 0 | 73 | 58 | 25.9 |
| SWIFT CURRENT CA | 14 | 10 | 4 | 0 | 0 | 18 | 14 | 28.6 |
| YORKTON CA | 20 | 29 | 6 | 0 | 0 | 26 | 88 | -70.5 |
| **TOTAL URBAN** | **1046** | **805** | **76** | **404** | **278** | **1804** | **1428** | **26.3** |
| **TOTAL RURAL** | **399** | **424** | **2** | **26** | **11** | **438** | **433** | **1.2** |

Table 3
## PROVINCE OF SASKATCHEWAN
## SINGLE DETACHED ABSORPTIONS BY PRICE

| | < $90,000 | $90,000 -109,999 | $110,000 -129,999 | $130,000 -149,999 | $150,000 -169,999 | $170,000 -189,999 | $190,000 + | Total |
|---|---|---|---|---|---|---|---|---|
| 3rd QUARTER 2003 | | | | | | | | |
| **REGINA CMA** | **0** | **1** | **10** | **29** | **40** | **50** | **52** | **182** |
| REGINA CITY | 0 | 0 | 7 | 25 | 32 | 43 | 43 | 150 |
| **SASKATOON CMA** | **1** | **4** | **13** | **46** | **40** | **29** | **81** | **214** |
| SASKATOON CITY | 0 | 0 | 4 | 27 | 34 | 24 | 64 | 153 |
| **TOTAL** | **1** | **5** | **23** | **75** | **80** | **79** | **133** | **396** |
| | | | | | | | | |
| PREVIOUS YEAR | | | | | | | | |
| **REGINA CMA** | **0** | **5** | **20** | **26** | **24** | **18** | **22** | **115** |
| REGINA CITY | 0 | 4 | 20 | 23 | 21 | 16 | 16 | 100 |
| **SASKATOON CMA** | **1** | **6** | **19** | **31** | **59** | **20** | **65** | **201** |
| SASKATOON CITY | 0 | 1 | 4 | 19 | 56 | 17 | 51 | 148 |
| **TOTAL** | **1** | **11** | **39** | **57** | **83** | **38** | **87** | **316** |

Table 3b
## PROVINCE OF SASKATCHEWAN
### AVERAGE SINGLE DETACHED PRICE BY QUARTER - 2003 (DOLLARS)

| AREA | Q1 | Q2 | Q3 | Q4 | Annual Average |
|---|---|---|---|---|---|
| **REGINA CMA** | **182,163** | **179,591** | **183,422** | **0** | **182,163** |
| REGINA CITY | 183,202 | 176,027 | 182,774 | 0 | 183,202 |
| **SASKATOON CMA** | **181,611** | **171,943** | **185,267** | **0** | **181,611** |
| SASKATOON CITY | 180,440 | 176,551 | 191,795 | 0 | 180,440 |

| Table 4<br>PROVINCE OF SASKATCHEWAN<br>UNDER CONSTRUCTION - SEPTEMBER 2003 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Single | | Multiple | | | Total | | Chg |
| AREA | 2003 | 2002 | Semi | Row | Apt | 2003 | 2002 | 2003/2002 |
| **REGINA CMA** | **244** | **247** | **8** | **63** | **172** | **487** | **341** | **42.8** |
| REGINA CITY | 165 | 152 | 8 | 63 | 172 | 408 | 246 | 65.9 |
| | | | | | | | | |
| **SASKATOON CMA** | **330** | **335** | **30** | **233** | **426** | **1019** | **729** | **39.8** |
| SASKATOON CITY | 250 | 266 | 30 | 213 | 426 | 919 | 631 | 45.6 |
| | | | | | | | | |
| ESTEVAN CA | 8 | 4 | 4 | 0 | 0 | 12 | 4 | *** |
| LLOYDMINSTER CA (SK) | 3 | 13 | 0 | 0 | 0 | 3 | 13 | -76.9 |
| MOOSE JAW CA | 16 | 8 | 0 | 0 | 0 | 16 | 8 | *** |
| BATTLEFORDS CA | 3 | 2 | 0 | 0 | 0 | 3 | 2 | 50.0 |
| PRINCE ALBERT CA | 26 | 30 | 0 | 4 | 0 | 30 | 40 | -25.0 |
| SWIFT CURRENT CA | 3 | 4 | 4 | 0 | 22 | 29 | 4 | *** |
| YORKTON CA | 8 | 15 | 0 | 0 | 0 | 8 | 19 | -57.9 |
| **TOTAL URBAN** | **641** | **658** | **46** | **300** | **620** | **1607** | **1160** | **38.5** |
| **TOTAL RURAL** | **397** | **304** | **5** | **7** | **0** | **409** | **314** | **30.3** |

| Table 4b<br>PROVINCE OF SASKATCHEWAN<br>COMPLETE NOT OCCUPIED - SEPTEMBER 2003 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Single | | Multiple | | | Total | | Chg |
| AREA | 2003 | 2002 | Semi | Row | Apt | 2003 | 2002 | 2003/2002 |
| **Regina** | **22** | **23** | **0** | **7** | **52** | **81** | **93** | **-12.9** |
| City Only | 22 | 23 | 0 | 7 | 46 | 75 | 93 | -19.4 |
| | | | | | | | | |
| **Saskatoon** | **35** | **30** | **7** | **24** | **74** | **140** | **100** | **40.0** |
| City Only | 21 | 29 | 5 | 19 | 74 | 119 | 99 | 20.2 |
| | | | | | | | | |
| **TOTAL CMA'S** | **57** | **53** | **7** | **31** | **126** | **221** | **193** | **14.5** |

Table 5
## SASKATCHEWAN HOUSING ACTIVITY SUMMARY

| Activity | Ownership | | | | | Rental | | | | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| | Freehold | | | Condominium | | Private | | Assisted | | |
| | Single[1] | Semi[1] | Row | Row | Apt | Row | Apt | Row | Apt | |
| **STARTS** | | | | | | | | | | |
| Current Quarter | 419 | 30 | 0 | 98 | 180 | 0 | 0 | 0 | 0 | 727 |
| Previous Year | 455 | 46 | 4 | 144 | 162 | 0 | 0 | 0 | 0 | 811 |
| Year-To-Date 2003 | 1058 | 54 | 0 | 459 | 349 | 9 | 130 | 0 | 0 | 2059 |
| Year-To-Date 2002 | 1086 | 92 | 4 | 310 | 226 | 3 | 0 | 0 | 0 | 1721 |
| **UNDER CONSTRUCTION** | | | | | | | | | | |
| 2003 | 641 | 46 | 0 | 291 | 490 | 9 | 130 | 0 | 0 | 1607 |
| 2002 | 658 | 62 | 4 | 210 | 222 | 3 | 1 | 0 | 0 | 1160 |
| **COMPLETIONS** | | | | | | | | | | |
| Current Quarter | 461 | 28 | 0 | 189 | 16 | 0 | 0 | 0 | 0 | 694 |
| Previous Year | 368 | 32 | 0 | 94 | 141 | 4 | 0 | 0 | 0 | 639 |
| Year-To-Date 2003 | 1046 | 76 | 4 | 396 | 152 | 4 | 126 | 0 | 0 | 1804 |
| Year-To-Date 2002 | 805 | 64 | 0 | 210 | 345 | 4 | 0 | 0 | 0 | 1428 |
| **COMPLETED & NOT ABSORBED**[2] | | | | | | | | | | |
| 2003 | 57 | 7 | 0 | 31 | 74 | 0 | 52 | 0 | 0 | 221 |
| 2002 | 53 | 8 | 0 | 9 | 123 | 0 | 0 | 0 | 0 | 193 |
| **TOTAL SUPPLY**[3] | | | | | | | | | | |
| 2003 | 698 | 53 | 0 | 322 | 564 | 9 | 182 | 0 | 0 | 1828 |
| 2002 | 711 | 70 | 4 | 219 | 345 | 3 | 1 | 0 | 0 | 1353 |
| **ABSORPTIONS** | | | | | | | | | | |
| Current Quarter | 396 | 26 | 0 | 180 | 32 | 0 | 53 | 0 | 0 | 687 |
| Previous Year | 316 | 31 | 0 | 94 | 113 | 4 | 3 | 0 | 0 | 561 |
| 12-month Average | 96 | 8 | 0 | 38 | 17 | 1 | 6 | 0 | 0 | 166 |

[1] May include units intended for condominium.
[2] Centres of 50,000 population and over.
[3] Sum of units under construction, complete and unoccupied

# DEFINITIONS AND BACKGROUND NOTES

## Starts and Completions Survey

The purpose of this survey is to measure new residential construction activity. The common unit of measurement is the "dwelling unit" (as opposed to value).

The Starts and Completion Survey enumerates dwelling units in new structures only; such units being designed for non-transient and year-round occupancy. Thus, excluded from the survey are conversions, vacation homes, cottages and collective type dwellings.

**Starts** - refer to units where construction has advanced to the footing or foundation stage and in the case of multiples, a start applies to the individual unit.

**Under Construction** - refers to units that have started but are not complete (i.e. units under construction from the previous month plus starts for the current month minus completions during the current month plus/minus any adjustments to units under construction which may include cancellations of projects, re-initiations of projects and/or changes in tenure status).

**Completions** - refer to units where all proposed construction work has been performed or in some cases where ninety percent of all construction work is completed and the structure is fit for occupancy.

**Completed and Unoccupied** - refers to completed units of new construction which have never been occupied or sold (i.e. completed and unoccupied units from the previous month plus completions during the current month minus absorptions for the current month).

**Total Supply** - refers to the total supply of new units and includes, units under construction and units that are completed but not occupied (i.e. under construction plus completed and unoccupied for the current month).

**Absorptions** - refers to newly completed units which have been sold or rented. The number of absorptions is obtained from a survey initiated when the structure is completed. Units pre-sold or pre-leased are not included until the completion stage (i.e. completed and unoccupied units from the previous month plus completions for the current month minus completed and unoccupied units for the current month).

Dwelling units have been divided into four categories:

The definition of types of dwellings used are in accordance with those used in the Census.

**Single-Detached** - This type is commonly called a "single-house". It comprises only one-dwelling unit which is completely separate on all sides from any other dwelling or structure including linked homes which are attached below ground.

**Semi-Detached** - In this category each one of two dwellings are located side-by-side in a building and are separated by a common wall extending from ground to roof or by a garage.

**Row** - This category comprises a one-family dwelling unit in a row of three or more dwellings separated by common or party walls extending from ground to roof.

**Apartment and Other** - This category includes all dwelling units other than those described above. It includes structures such as: duplexes, double-duplexes, triplexes, row-duplexes, apartments proper and dwellings over or behind a store or other nonresidential structure. In accordance with the definition, single-detached units with legal secondary suites are included in this category.

Geographical coverage of the survey includes all metropolitan areas, census agglomerations and urban centres of 10,000 population and over, as defined by the Census. These areas are enumerated completely each month. The remainder of the province is covered on a sample basis four times a year in March, June, September and December.

## Market Absorption Survey

The purpose of this survey is to provide an indication of the short-term demand for home ownership and rental dwellings. The survey is designed to measure the rate at which units are sold or rented after they are completed.

The geographical coverage of the Market Absorption Survey is all metropolitan areas and all urban centres of 50,000 population and over.

In the Market Absorption Survey, certain dwellings are excluded for various reasons. These are: dwellings financed by CMHC or NHA Section 6, Non-profit Public and Private initiated housing, which are not subject to normal market criteria and dwellings constructed for model purposes.

Absorption in this report is defined as take up monitored at completions plus those from inventory. For the short term, absorptions are a function of actual completions and inventory levels.

## 1996 Census Definitions

A **Census Metropolitan Area** refers to the main labour market area of an urbanized core having 100,000 or more population. The Regina CMA consists of 16 towns, villages and rural municipalities. The Saskatoon CMA consists of 23 towns, villages, rural municipalities and 1 Indian Reserve.

A Census Agglomeration refers to the region labour market area of an urbanized core housing between 10,000 and 99,999 population. CMA's and CA's are created by Statistics Canada and are usually known by the name of the urban area forming their urbanized core. They contain whole municipalities (or census subdivisions) and are comprised of:

1. Municipalities if (a) at least 40% of the employed labour force living in the municipalities work in the urbanized core or (b) at 25% of the employed labour force working in the municipality live in the urbanized core.

2. Other municipalities if (a) at least 40% of the employed labour force living in the municipality work in the urbanized core or (b) at 25% of the employed labour force working in the municipality live in the urbanized core.

# FORECAST SUMMARY

Canada Mortgage and Housing Corporation

# Housing starts to maintain brisk tempo in 2004

### Single starts buoyed by modest employment growth

Moderate employment gains throughout 2004 will support single-family housing starts of 500 units. A scarcity of resale homes in moderate price ranges and renters turning to homeownership will also contribute to demand for new housing construction. Limited land supply relative to demand and a continued shortage of skilled trades people will restrict new housing starts to some extent.

### New single-family market classified as Balanced

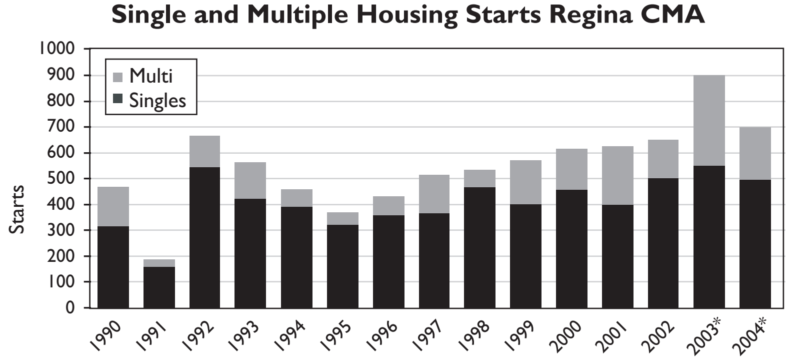
A flurry of single-family starts has taken place since mid-2002, bringing the number of homes under construction to the historically high level of 260 units. The absorption trend has been stabilized at 35 to 38 units per month resulting in a seven to eight month supply of single-family homes at various stages of construction. The supply has become stable at this level and homebuilders have advised that many of these units are presold or are display homes; therefore we classify the market as "Balanced".

### Average price of new single-family housing on the rise

Average price will increase steadily in 2004, pushing the average price of a new home to $182,500 in the final year of the forecast. Developers and builders are able to secure higher prices from consumers faced with a limited supply of suitable resale housing. Nevertheless, house price increases are not out-of-line considering rising land development and building material costs. Furthermore, a portion of the increase in average price is due to consumer demand for more expensive features and amenities.

More than 50 per cent of single-family absorptions have had sale prices in excess of $170,000 based on the 199 single absorptions recorded at mid-year. Moreover, the proportion of

**Single and Multiple Housing Starts Regina CMA**




Source: CMHC

## REGINA
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Canada

single-family absorptions priced between $170,000 and $189,999 has increased from 16 per cent during 2002, to 26 per cent by the end of June 2003.

### Supply of multi-family units peaks

Our forecast calls for a reduction in multi-family building in 2004 compared to the robust pace seen in 2003. A large senior citizen apartment project of 123 units helped push multiple building in excess of the expected level for 2003. As a result, the number of multiple units under construction is at the highest point seen in more than 5 years.

Absorptions are running at a sufficient pace to yield a 24-month supply. As the bulk of the supply consists of apartment units, we expect these will be absorbed rapidly upon completion, as it is common for developers to have a large share of units sold before construction begins.

Apartments have been the most popular form of multiple building in Regina. Average price, based on 69 absorptions to mid-year, is $146,500 although the bulk of absorptions have been sold for less than $100,000.

We expect row housing will dominate the market in 2004 as two major developers have acquired land for the purposes of building modestly priced row housing to be started in 2003 and 2004.

# Resale market to remain Balanced

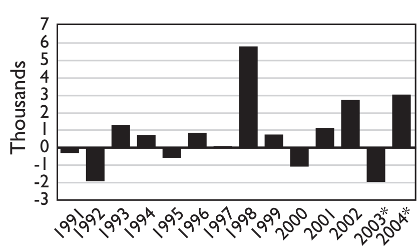
### Sales bounce back in 2004

Weak employment growth, low inventories of resale homes and competition from new housing construction have combined to restrict resale volumes in 2003. Sales will respond to better economic conditions and bounce back to 2,800 annually in 2004.

At mid-year 2003, the inventory of residential listings available on the Regina multiple listing service was 17 per cent lower compared to this time in 2002. The current trend of new listings is running at 325 listings per month, only slightly lower than the average monthly pace of 330 new listings seen last year. We expect new listings to be generated at a rate of 325 to 330 per month in the forecast period.

Considering modest economic growth, steady demand, a scarcity of good quality listings and real increases in price, CMHC is forecasting balanced markets to prevail in 2004. Notwithstanding weak employment growth, renters turning to homeownership and in-migration will help sustain demand for existing housing.

**Annual % Change in Average Sale Price Regina CMA**




Source: Statistics Canada and CMHC

### Average resale price to rise faster than inflation

The average price of Regina existing housing sales will increase by 3.7 per cent in 2004. Average price is increasing due to both a higher proportion of more expensive homes being sold and the bidding up in price of scarce, good quality resale listings.

At mid-year in excess of 50 per cent of sales recorded by the Association of Regina Realtors was less than $100,000 in price. Notwithstanding a small number of these units were vacant lots or recreational property, this statistic demonstrates the affordability of the Regina market. As well it provides a hint of the size of the market for older, single-family units purchased by investors for rental purposes.

The trend line of the average number of days required to sell an existing home in Regina is in decline and now stands at 39 days. Statistics from the Association of Regina Realtors indicate the average number of days on the market is as low as 27 days for resale property priced in the $120,000 to $139,999 price range.

Affordability hit by rising prices

Rising prices will have a negative impact on affordability. CMHC estimates that the income required to service the debt on an existing home purchased at the 2004 average selling price will increase almost six per cent compared to current estimated ownership costs. The monthly principal and interest payment on an NHA 90 per cent mortgage will increase from $649 to $686. Despite the rising costs of buying and owning a home, Regina will remain one of the most affordable cities in Western Canada in which to own a home.

# Economic Overview:

## Employment holds steady in 2003 but modest gains expected in 2004

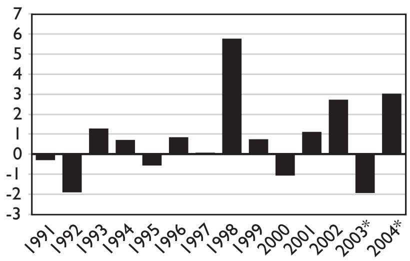
Regina employment growth will pause in 2003. In 2004 employment gains will return with 3,000 jobs added. Most of the employment growth will shift to the service sector in 2004 especially in trade, health care and education. Construction and manufacturing will continue to provide growth in the goods sector.

Construction has held firm in 2003 with just over 6,000 jobs. The unemployment rate in this sector has slipped to 3.1 per cent from a peak of more than 15 per cent in February.

Employment growth will encourage the formation of new households due to increased income and in-migration. Although estimated net migration will be zero in 2003, we forecast in-migration will increase to 8,250 persons in 2003 and 8,500 persons in 2004.

New households created will seek rental or homeownership depending on their income and lifestyle needs. Our research indicates Regina grows at a rate of 600 to 800 households annually.

**Change in Total Employment Regina CMA**




Source: Statistics Canada and CMHC

### Mortgage rates on the rise as national economy heats up

Rapidly decelerating inflation and lingering health, trade, and geopolitical risks will keep Canadian interest and mortgage rates low in the near future. 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 market. Therefore, low rates in those markets call for posted mortgage rates to remain low over the duration of the year. As the U.S. economy improves and interest rates south of the border begin to climb in 2004, Canadian interest rates will also rise in an effort to keep inflation stable and preserve the value of the Canadian currency.

The one-, three-, and five-year posted mortgage rates are expected to be in the 4.66-5.05, 5.68-6.08, and 6.5-6.63 per cent range, respectively, this year. Mortgage rates are forecast to rise by 0.02-0.41 percentage points in 2004. Spreads between mortgage rates and comparable bond yields have recently remained at 150-250 basis points, providing lenders with some room to negotiate discounts ranging from 50-150 basis points from the posted rates. These spreads and discounts are likely to persist over the forecast period.

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# Rental Market

## Average vacancy rate for rental properties stays low fuelling rental increases

New households derived from employment and income gains will help maintain demand for rental apartments, keeping average vacancy rates for apartments at the two percent level.

Some new rental stock will be added in 2003 and 2004. This development will probably be associated with the Federal-Provincial Centenary housing program although new private sector rental housing may also play a role, as there has been new rental development in other major Saskatchewan centres.

Steady rental demand will give rental property owners the opportunity to increase rents in line with inflation in 2003 and 2004. Our forecast calls for increases in average rent of two per cent in 2003 and four per cent in 2004.

# FORECAST SUMMARY

### Regina Metropolitan Area

| | 2000 | 2001 | 2002 | 2003* | 2004* | Chg. |
|---|---|---|---|---|---|---|
| **RESALE MARKET** | | | | | | |
| MLS® New listings (Monthly Average) | 324 | 342 | 339 | 300 | 300 | 0% |
| Residential MLS® Sales (Total) | 2,612 | 2,792 | 2,817 | 2,650 | 2,800 | 6% |
| Residential MLS® Price (Average) | $94,191 | $96,658 | $100,396 | $104,000 | $108,000 | 4% |
| **NEW HOME MARKET** | | | | | | |
| Complete and unoccupied (Dec) | | | | | | |
| Single-family | 78 | 45 | 27 | 60 | 50 | -17% |
| Multiple-family (semi, row, apt) | 50 | 55 | 64 | 50 | 50 | 0% |
| Total Housing Starts | 615 | 626 | 651 | 900 | 700 | -22% |
| Single-family | 459 | 401 | 504 | 550 | 500 | -9% |
| Multiple-family | 156 | 225 | 147 | 350 | 200 | -43% |
| Average New House Price | | | | | | |
| Single-family All Types | $156,962 | $162,295 | $169,863 | $175,600 | $182,500 | 4% |
| **RENTAL MARKET** | | | | | | |
| Vacancy rate (Oct) | 1.4% | 2.1% | 1.9% | 1.9% | 3.0% | |
| Rental rate (annual % chg.) 2 bdr. | 0.4% | 3.5% | 2.2% | 2.0% | 3.0% | |
| Rental Housing Starts | 2 | 4 | 3 | 4 | 50 | |
| **ECONOMIC OVERVIEW** | | | | | | |
| Mortgage rate (1 yr. term) | 7.9% | 6.1% | 5.2% | 4.9% | 4.9% | |
| Mortgage rate (3 yr. term) | 8.2% | 6.9% | 6.3% | 5.8% | 6.0% | |
| Mortgage rate (5 yr. term) | 8.4% | 7.4% | 7.0% | 6.4% | 6.8% | |
| Employed | 104,100 | 105,200 | 107,900 | 106,000 | 109,000 | 3% |
| Employment growth (# jobs) | | 1,100 | 2,700 | -1,900 | 3,000 | |
| Net-migration (census year) | -550 | -500 | -500 | 0 | 0 | |
| In-migration | 7,817 | 8,000 | 8,000 | 8,250 | 8,500 | |

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

# FORECAST SUMMARY

Canada Mortgage and Housing Corporation

SASKATOON
FALL 2003

# New housing market

## Single-family construction fueled by modest employment gains and in-migration

Single-family housing starts will hold steady at 700 units annually in 2003 and 2004. Low mortgage interest rates and competition amongst lenders are providing an abundant supply of capital for home purchase. Modest but steady employment growth and rising rents are encouraging in-migration and demand from renters for homeownership. The limited supply of existing housing is motivating some homebuyers to consider building a new home rather than acquiring an existing property. Limited land supply relative to demand and some restriction in the availability of skilled trades are, to some extent, restricting housing production.

The absorption trend (a figure that approximates actual sales of single units) is running at 56 units monthly. This is the highest level of absorption seen in three years. The brisk pace of sales activity has reduced the inventory of completed and unoccupied homes to the lowest level recorded at midyear. More than 350 single-family homes are under construction as builders rush to fill contracts and provide show homes.

At mid-year, the inventory of completed homes and those under construction is sufficient to last six months. These conditions are considered to be indicative of a balanced market.

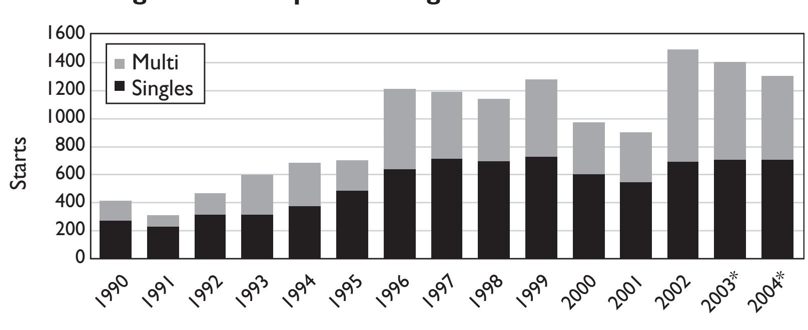
Increasing land development and materials costs will lead to increases of four per cent in 2003. Contributing to these increases will be demand from homebuyers for more amenities and higher quality building components.

## Multiple housing starts match single-family pace

Multiple starts will reach 700 units in 2003 and maintain that vigorous pace in 2004 . Condominium and life-lease development will dominate the multiple housing market in 2004 .

The overall condominium absorption trend was running in excess of 45 units per month in 2003. This pace will hold steady in 2004 . This is the highest rate

**Single and Multiple Housing Starts Saskatoon CMA**




Source: CMHC

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HOME TO CANADIANS
Canada

of absorption on record. The supply of condominium units under construction and those completed and not absorbed is in excess of 500 units. Given the current rate of absorption, supply is sufficient to last just over 11 months, a balanced market state.

After capturing 30 per cent of the housing starts in 2002, there has been no apartment condominium housing built in 2003. Row condominium housing now dominates the market with 295 of the total 298 condominium starts at mid-year 2003. Given the rapid absorption trend of 30 units monthly, we expect row housing starts to be maintained at current levels in 2004 . The only limiting factor to this rate of development may be the supply of land compatible with this design.

Seventy per cent of the row housing absorptions occur in the $80,000 to $99,999 range. Most of these absorptions (70 per cent) are three bedroom units or two bedrooms with a den. At $100,210 the average price of row housing condominium absorptions is considerable lower than the average price of apartment style absorptions at $113,626.

# Resale Market

## Sales volumes restricted by a scarcity of listings

Resale activity will be steady at close to 3,000 sales annually in 2003. First-time homebuyers and in-migration of households from rural Saskatchewan will be the primary factors encouraging resale demand. Sales volumes continue to be restricted by a scarcity of affordable listings compared to the volumes seen in the early 1990's.

The Saskatoon resale market generates 350 new listings monthly. This is the lowest listing trend on record. Some relief may occur in 2004 as Saskatoon empty nesters and seniors move from their existing homes into new condominiums.

The sales-to-active listings ratio trend has settled at a brisk pace of 36 per cent of 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.

### Average price escalates

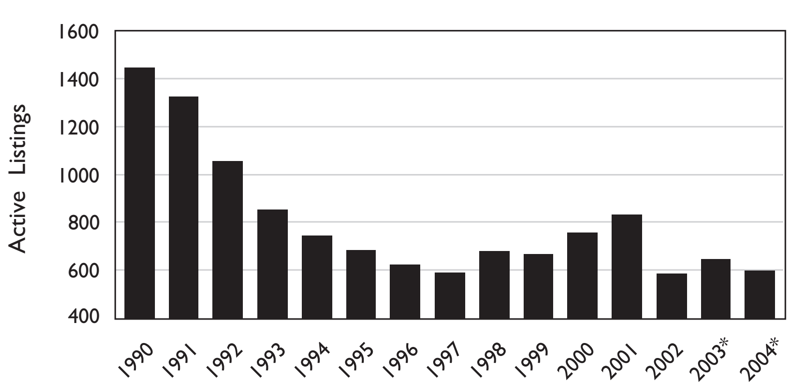
Steady demand and limited supply will result in increases in average price in excess of inflation. A portion of the increase in average price will stem from the shift in sales to higher priced homes as the supply of less expensive units dwindles.

At mid-year, the most active price range was $100,000 to $124,999 however; there is a growing proportion of sales in the $150,000 to $174,999 range. This will drive average price even higher in 2004.

### Affordable homes to be found in Saskatoon

The monthly principal and interest payment and taxes on the NHA 90 percent mortgage necessary to purchase an existing home at the average forecast sale price will increase from $768 in 2002 to almost $840 in 2004. The income required to qualify for such a mortgage would increase nine per cent from approximately $28,800 in 2002 to $31,000 in 2004. Despite the rising costs of buying and owning a home, Saskatoon will remain one of the more affordable cities in Western Canada.

**Active Listings Saskatoon CMA**




Source: Assoc. of Regina Realtors and CMHC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# Economic Overview:

## Employment growth of 4,000 new jobs expected in 2003

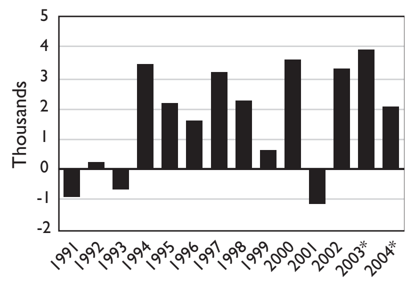
Saskatoon will enjoy employment growth of 4,000 new jobs in 2003, tapering off to a little more than 2,000 newly employed in 2004. This year, the lion's share of employment gains has occurred in service sector industries such as education, accommodation and food services and health care. We expect a shift to goods sector industries such as construction and manufacturing in 2004.

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.

### Mortgage rates on the rise as national economy heats up

Rapidly decelerating inflation and lingering health, trade, and geopolitical risks will keep Canadian interest and mortgage rates low in the near future. 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 market. Therefore, low rates in those markets call for posted mortgage rates to remain low over the duration of the year. As the U.S. economy improves and interest rates south of the border begin to climb in 2004, Canadian interest rates will also rise in an effort to keep inflation stable and preserve the value of the Canadian currency.

**Change in Total Employment Saskatoon CMA**




Source: Statistics Canada and CMHC

The one-, three-, and five-year posted mortgage rates are expected to be in the 4.66-5.05, 5.68-6.08, and 6.5-6.63 per cent range, respectively, this year. Mortgage rates are forecast to rise by 0.02-0.41 percentage points in 2004. Spreads between mortgage rates and comparable bond yields have recently remained at 150-250 basis points, providing lenders with some room to negotiate discounts ranging from 50-150 basis points from the posted rates. These spreads and discounts are likely to persist over the forecast period.

# Rental Market

**Low average vacancy rate to persist in 2004**

The market is now absorbing new rental housing stock started in 2002 and 2003. Rents to be charged are similar to the required monthly mortgage payments for purchase of an existing home at the average resale price.

Although employment and income gains will help maintain demand for rental apartments, we expect the additional new stock will cause the apartment average vacancy rate to increase slightly to three per cent.

Operating and maintenance cost increases will lead to increases of two or three per cent in 2004.

# FORECAST SUMMARY

**Saskatoon Metropolitan Area**

| | 2000 | 2001 | 2002 | 2003* | 2004* | Chg. |
|---|---|---|---|---|---|---|
| **RESALE MARKET** | | | | | | |
| MLS® New listings (Monthly Average) | 764 | 782 | 628 | 650 | 600 | -8% |
| Residential MLS® Sales (Total) | 2,758 | 2,987 | 2,941 | 2,900 | 3,000 | 3% |
| Residential MLS® Price (Average) | $112,248 | $116,023 | $118,608 | $124,000 | $132,000 | 6% |
| **NEW HOME MARKET** | | | | | | |
| Complete and unoccupied (Dec) | 177 | 157 | 67 | 151 | 190 | |
| Single-family | 58 | 31 | 14 | 31 | 50 | 61% |
| Multiple-family (semi, row, apt) | 119 | 126 | 53 | 120 | 140 | 17% |
| Total Housing Starts | 968 | 900 | 1489 | 1400 | 1300 | -7% |
| Single-family | 602 | 542 | 691 | 700 | 700 | 0% |
| Multiple-family | 366 | 358 | 798 | 700 | 600 | -14% |
| Average New House Price | | | | | | |
| Single-family All Types | $160,603 | $168,892 | $176,443 | $186,000 | $194,000 | -21% |
| **RENTAL MARKET** | | | | | | |
| Vacancy rate (Oct) | 1.7% | 2.9% | 3.7% | 3.0% | 3.0% | |
| Rental rate (annual % chg.) 2 bdr. | 1.9% | 3.1% | 1.6% | 3.0% | 2.0% | |
| Rental Housing Starts | 24 | 34 | 150 | 150 | 100 | |
| **ECONOMIC OVERVIEW** | | | | | | |
| Mortgage rate (1 yr. term) | 7.9% | 6.1% | 5.2% | 4.9% | 4.9% | |
| Mortgage rate (3 yr. term) | 8.2% | 6.9% | 6.3% | 5.8% | 6.0% | |
| Mortgage rate (5 yr. term) | 8.4% | 7.4% | 7.0% | 6.4% | 6.8% | |
| Employed | 116,700 | 115,500 | 118,900 | 122,900 | 125,000 | 2% |
| Employment growth (# jobs) | | -1,200 | 3,400 | 4,000 | 2,100 | |
| Net-migration (census year) | -900 | 0 | 0 | 0 | 0 | |
| In-migration | 10,631 | 11000 est. | 11000 est. | 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)