HOUSING MARKET OUTLOOK

St. Catharines-Niagara CMA

Canada Mortgage and Housing Corporation

www.cmhc.ca

Issue: Fall 2005

In this Issue

NEW HOME MARKET

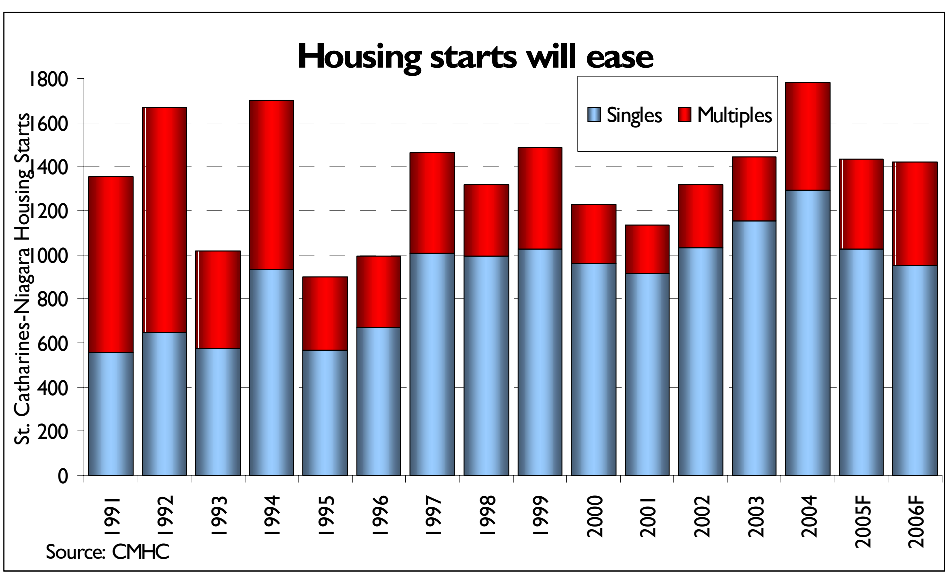
Starts will be lower in 2006

2005 will be a relatively good year for the new home construction industry with starts remaining well above their historical average. Total starts are on course to reach 1,435 units by the end of 2005, down 19 per cent from last year's very strong 10-year high performance. Both single-detached and multiple family home starts will decline in 2005.

Most of the economic and demographic factors that impact demand for homes will remain strong into 2006. Mortgage rates will remain near historical lows, rising marginally in 2006. Positive net employment gains, especially in the prime move-up buyer age group, will support demand for new homes. Consumer confidence, a key indicator in people's willingness to follow through with a purchase, will remain strong.

Several other factors are putting a damper on the demand for new homes. Higher mortgage carrying costs associated with the higher cost of new homes will put pressure on affordability especially for first-time buyers. Rising listings in the Niagara Region resale home markets will limit spill-over demand to the new home market. The population in the Niagara Region is aging and with lower net migration to the area, housing demand will be negatively affected.

On the supply side, the rising number of newly completed and unsold homes, lower price increases, and land constraints due to the Greenbelt legislation are slowing the start of new homes. As a result, single-detached starts will edge lower, totalling 950 units in 2006. Although lower, single-detached

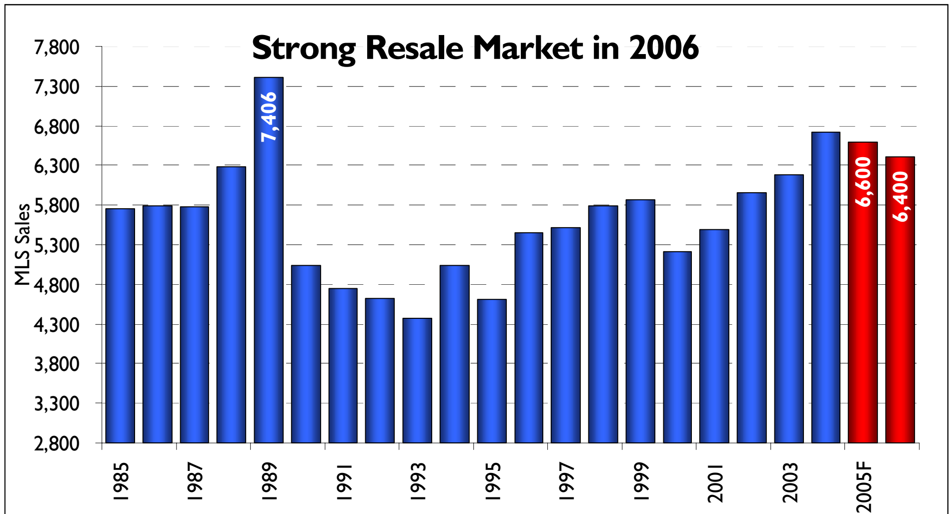


Source: CMHC

Erica McLerie - Market Analyst - CMHC
Tel: (416) 218-3318 Fax: (416) 218-3314
emclerie@cmhc.ca

homes will continue to remain the product of choice in the Niagara Region.

Multiple family home starts, which include semi-detached, townhouse and apartments, will benefit from the slightly higher price of single-detached homes as buyers will look for affordable types of housing. Boosting multiple starts in 2006 is an increase in rental construction. Multiple family home starts will reach 470 units in 2006.



Source: CREA, CMHC Forecast

RESALE HOME MARKET

Resales to remain strong in 2006

2005 will be another very strong year for the resale home market. Resales are expected to reach 6,600 sales, down just 1.8 per cent from last year's second highest level on record.

Good employment growth, low mortgage rates and strong consumer confidence have all contributed to the high number of resales. Increased new listings have provided for more choice to potential buyers and have fuelled sales in the resale market.

The average price of a resale home continued its upward trend and is expected to reach $184,000 by the end of 2005, an increase of eight percent from last year.

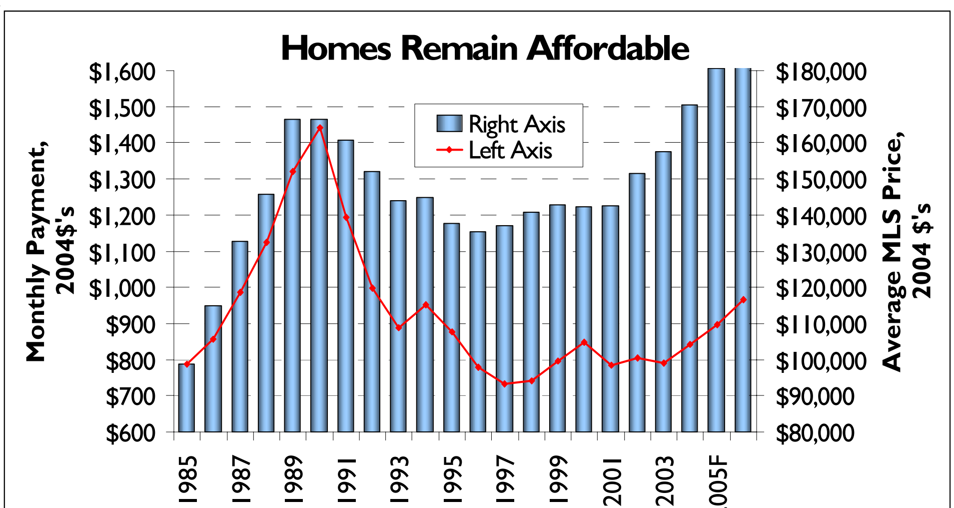
Positive housing market conditions into 2006 suggest that the resale home market will remain strong. The supply of new listings has been very low over the past few years, but has begun to trend upward. This trend will continue as rising home prices and significant equity gains encourage many homeowners to list their homes for sale and move-up. The increase in new listings will give potential buyers more choice and will fuel sales. Low mortgage rates and strong consumer confidence will also support reslaes in 2006.

On the other hand, rising resale home prices will have a dampening effect on resales, especially for first-time buyers. As well, slower job growth for the 25-44 age group will negatively impact resales.

Home resales will edge lower to 6,400 in 2006. Although lower than 2004 and 2005, sales will remain strong by historical standards.

The resale home markets in the Niagara Region have been tight over the last few years, but will loosen up a bit in 2006. With the number of new listings on the rise and sales expected to move lower, the sales-to-new listings ratio, an indicator of market state, will move lower. Even then, the sales-to-new listings ratio will remain in sellers' market territory.

Future price growth will ease. Prices are still expected to grow at more than double the rate of inflation in 2006. The average price of a resale home is forecast to increase by 5.4 per cent to $194,000 in 2006.



Assumptions: 25% d.p, 5 yr rate, Avg MLS® Price, 25 yr amortization
Source: CREA, Bank of Canada, CMHC Calculation

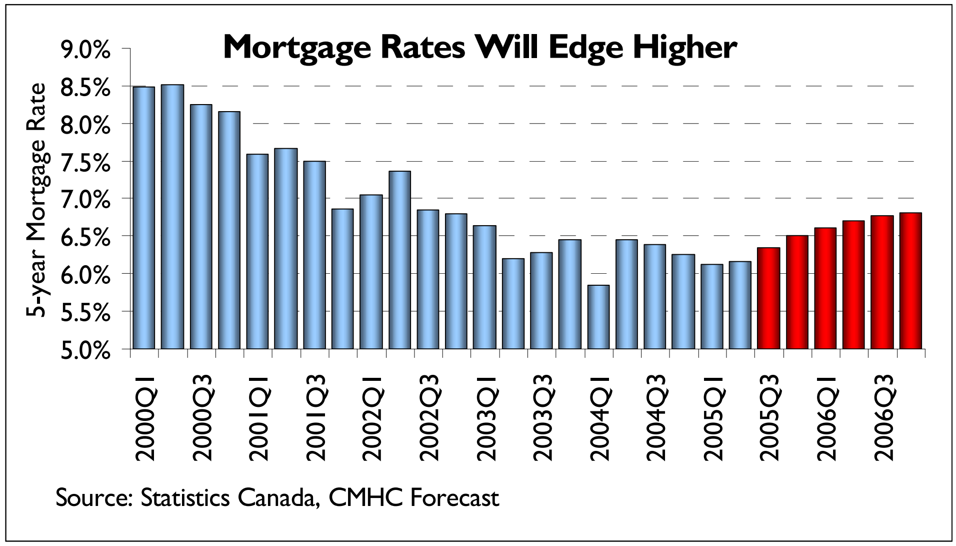
ECONOMIC TRENDS

Mortgage rates will remain low

Mortgage rates will remain low in 2005 and rise moderately in 2006. Tame inflation, and a strong Canadian dollar vis-à-vis the U.S. dollar will restrain the size and speed of

Canadian interest and mortgage rate increases in 2005 and 2006.

Short-term mortgage rates are expected to be 25-35 basis points higher in 2005 than in 2004 while longer-term rates will be lower by a similar amount in 2005 compared to the previous year. While still low by historical norms, mortgage rates are expected to rise gradually by 25- 50 basis points in 2006. One, three and five-year mortgage rates are forecast to be in the 4.50-5.75, 5.25-6.25, and 5.50-6.50 per cent ranges respectively in 2005-06.



Job Market Improves

Jobs are a key component of housing demand. Employment growth has been positive since the second quarter of 2004.

The tourism sector was responsible for much of this gain as the new Fallsview Casino opened in 2004, but some of these Casino jobs have already been shed. The higher Canadian dollar and higher gas prices has negatively affected this sector in recent months.

The manufacturing sector has begun to adjust to the higher Canadian dollar, but, may be affected either positively or negatively by recent auto sector news. On the positive side, as part of the Beacon project, GM will upgrade the St. Catharines operations. On the negative side, GM in the US has plans to eliminate jobs in North America, as well as a possible plant closure negotiated in the most recent contract.

Annual average employment is forecast to reach 193,000 (+3.0%) in 2005 and 195,000 (+1.0%) in 2006.

RENTAL MARKET

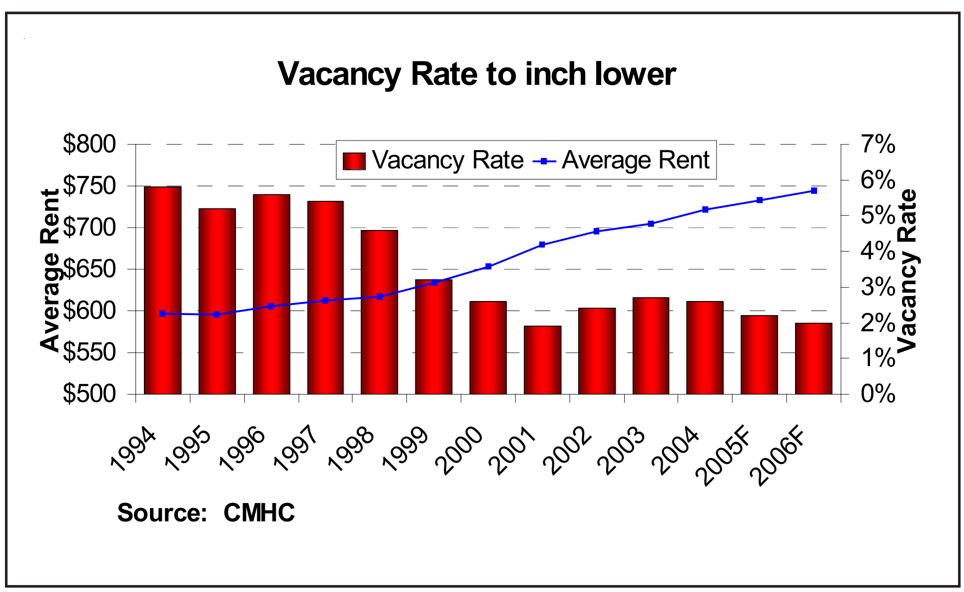
Vacancy rate to edge lower

The vacancy rate in the Niagara Region is expected to slip to 2.2 per cent in 2005 from 2.6 per cent in 2004. Rent increases will be in-line with allowable rent increase guidelines released by the Ministry of Municipal Affairs and Housing, which for 2005 are 1.5 per cent.

Rental demand will be bolstered by improving youth employment and strong international migration to the Region. Migrants from outside Canada tend to rent for the first five years of residence in Canada. Very little new rental supply is expected this year.

The push towards home ownership will be less of a factor as higher monthly mortgage carrying costs, due to higher house prices and slightly higher mortgage rates, will dampen first-time buyer demand.

In 2006, a new supply of rental homes will come from several affordable rental housing projects to be developped in the Niagara Region. Despite the additional supply, as the move to home ownership slows, expect the vacancy rate to edge lower again and rent increases to remain within Provincial allowable rent increase guidelines.



ST. CATHARINES-NIAGARA CENSUS METROPOLITAN AREA
Forecast as of October 2005

	2001	2002	2003	2004	2005F	2006F	% Change
NEW HOME MARKET							
Housing Starts							
Single-Detached	916	1,032	1,154	1,292	1,025	950	-7.3%
Multiples	218	285	290	489	410	470	14.6%
Total Housing Starts	**1,134**	**1,317**	**1,444**	**1,781**	**1,435**	**1,420**	**-1.0%**
NHPI Annual % Change	2.3%	1.9%	4.9%	6.9%	7.5%	4.5%	
RESALE MARKET							
MLS® Sales	5,488	5,951	6,174	6,723	6,600	6,400	-3.0%
MLS® New Listings	9,221	8,828	9,270	10,000	10,500	11,000	4.8%
Sales-to-New Listings Ratio	59.5%	67.4%	66.6%	67.2%	62.9%	58.2%	
MLS® Average Price	$ 133,715	$ 144,720	$154,550	$170,425	$184,000	$194,000	5.4%
RENTAL MARKET							
Apartment Vacancy Rate	1.9%	2.4%	2.7%	2.6%	2.2%	2.0%	
Average Rent (2 bedroom)	$680	$695	$704	$722	$733	$744	1.5%
ECONOMIC INDICATORS							
Mortgage rate (1 year)	6.14%	5.17%	4.84%	4.59%	5.01%	5.56%	
Mortgage rate (3 year)	6.88%	6.28%	5.82%	5.65%	5.81%	6.28%	
Mortgage rate (5 year)	7.40%	7.02%	6.45%	6.23%	6.28%	6.72%	
Job Growth	-2.1%	1.0%	1.9%	-2.3%	3.0%	1.0%	
Unemployment Rate	6.3%	7.4%	6.8%	7.4%	6.7%	6.6%	
Net Migration	1,515	1,422	1,228	2,556	1,500	1,500	0.0%

Sources: Canadian Real Estate Association, Statistics Canada, Bank of Canada, CMHC Forecast

Housing Market Outlook is CMHC's forecast for new home and resale markets. Issues are released in the Spring and Fall of each year. For more information contact Erica McLerie at (416) 218-3318 or emclerie@cmhc-schl.gc.ca

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