

H

HOUSING NOW

Kitchener

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Canada Mortgage and Housing Corporation

New Homes

Strength of Resale Market spreads to New Home Market

Expectations of further mortgage rate increases later in 2002 spurred many households to make the decision to move to a new home in the first quarter of 2002. In addition, strong resale activity and a lack of units available for sale since October 2001 resulted in a sharp increase in the number of move-up buyers. First quarter starts jumped 41% to 691 units compared to 491 units started in the same period last year.

Single detached starts were responsible for much of the improvement, jumping 40% to 549 units over the 391 units recorded in the same period last year.

However, multi family starts also increased 42% to 142 units from the 100 units witnessed in the same period of last year. On a seasonally adjusted annual rate (SAAR) basis, this year's first quarter single detached starts increased 27.6% to 3,005 (SAAR) compared to the revised 2,355 (SAAR) recorded in the fourth quarter of last year and represents the highest level reached since the first quarter of 1987.

By municipality, Waterloo recorded the highest level of starts with 291 units due to a 46% jump in single starts and the addition of 63 rental apartment units started in January. Kitchener came in second with 221 starts while Cambridge followed with 158 starts. The townships of Woolwich and North Dumfries recorded 12 and 9 starts respectively.

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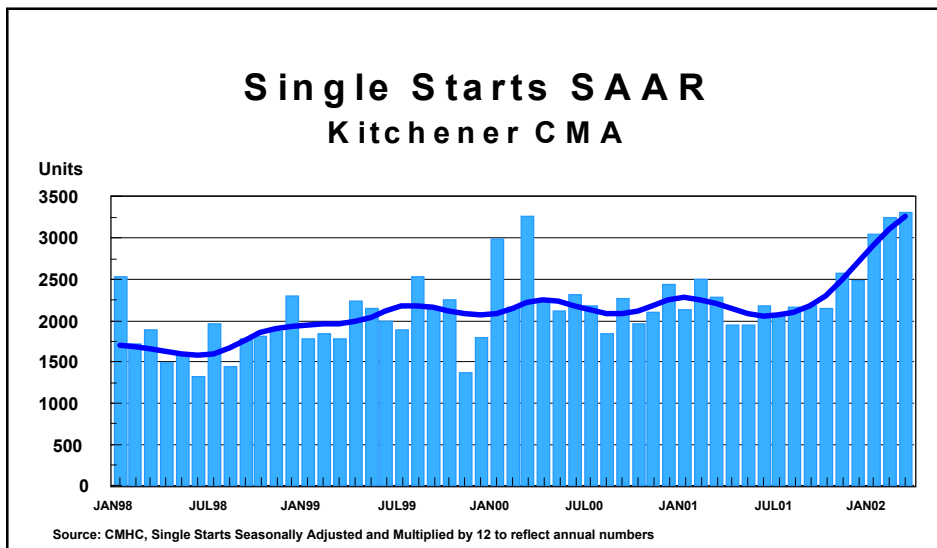
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HOME TO CANADIANS
Canada

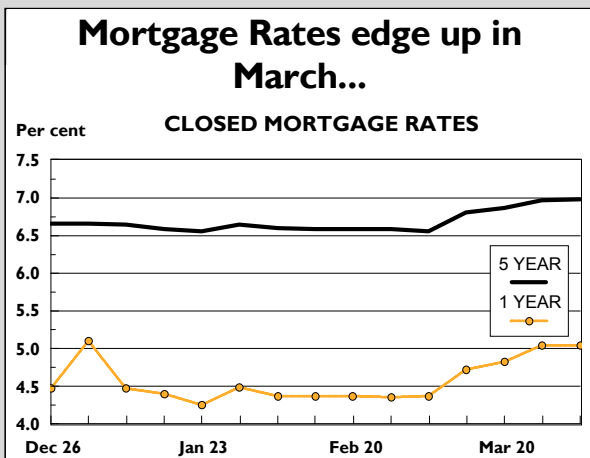
The supply of new single detached homes jumped 20% in the first quarter of 2002 compared to last year. At the end of March, there were 856 units under construction or completed and unoccupied compared to 716 units in March 2001. However, the increase in supply can be attributed to the jump in single units under construction due to the higher number of starts in 2002. The unsold inventory of 141 units accounted for 16 per cent of the supply, down from 20 per cent in 2001. The current supply represents approximately 6 months of inventory based on average sales in the first quarter. Since it typically takes 3 to 5 months to build a single family home, this level of inventory indicates that the market in March 2002 should be considered oversupplied. However, a sale is not recorded until the unit is completed and we expect that a large portion of the single units under construction have already been sold.

MORTGAGE RATES

Economic turnaround ushers in higher rates in First quarter of 2002

Expectations of an economic turnaround pushed mortgage rates up in early March. In March, the five year closed rate increased from 6.56 per cent at the beginning of the month to 6.97 per cent at the end. Similarly, the one year closed rate edged up from 4.37 per cent to 5.04 per cent in the same period.

However, lenders faced with a very competitive mortgage market continued to offer cash backs and discounting, decreasing the impact of rate changes on both new and existing housing markets in the first quarter of 2002.

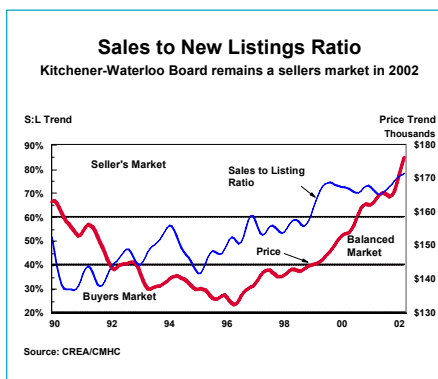


Feature Article

How does this Resale Market compare to 1990?

With seasonally adjusted resale activity reaching levels not seen since the late 1980's, markets remaining seller's markets for many months and average prices increasing steadily from month to month, the comparison with the boom market of 1989 and the first quarter of 1990 understandably has been made. So, are we about to experience the meltdown in the resale market that occurred through late 1990 and 1991? Are home values about to plummet resulting in defaults and severe financial loss? In short, the answer is **NO!**

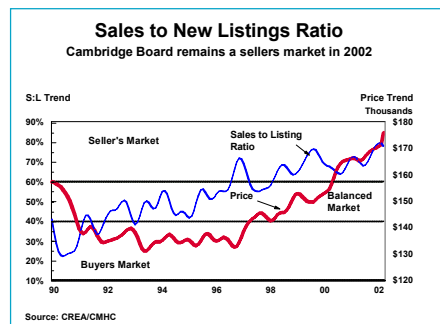
Conditions in the resale market in 2002 bear no real similarities to the overheated market observed 12 years ago. (See page 3) First, from a financial point of view, 5 year mortgage rates at



7.3% in March 2002 are almost half of the level of 13.25% in March 1990. Inflation at 1.82% in March 2002 is under control compared to 5.25% in the same period in 1990. How does this impact demand for housing? Actual carrying costs in

March 2002 at \$888 are over \$400 below the cost of the average home in the Cambridge Board territory in March 1990. The comparison is even greater in the Kitchener-Waterloo Board territory with the average carrying cost of \$880 almost \$500 below March 1990 levels.

In 1989, average resale prices jumped 17% in Kitchener-Waterloo and 20% in Cambridge. Anecdotal evidence reports that deals would be signed sight unseen and on car hoods. Very little



caution was exhibited by buyers. The market today is strong but realtors report that the consumer is much more cautious and has to be sold on a property before signing the offer.

In conclusion, prices are not inflated in the resale market. Carrying costs are still historically low and with the competitive mortgage markets in 2002, the impact of any increase in rates can be reduced. Demand is expected to slow by the end of 2002 but there will still be many households looking to move into ownership in the near future.

Table I: Starts by Area and by Intended Market - 2002/01
Kitchener Census Metropolitan Area (CMA)

	Ownership					Rental		Total
	Single	Freehold Semi	Row	Condominium Row	Apt.	Row	Apt.	
Kitchener CMA								
First Quarter 2002	549	24	43	8	0	0	67	691
First Quarter 2001	391	16	76	0	0	4	4	491
Percent Change	40.4%	50.0%	-43.4%	NA	NA	-100.0%	1575%	40.7%
Kitchener City								
First Quarter 2002	176	4	29	8	0	0	4	221
First Quarter 2001	124	6	30	0	0	0	4	164
Percent Change	41.9%	-33.3%	-3.3%	NA	NA	NA	0.0%	34.8%
Waterloo City								
First Quarter 2002	206	12	10	0	0	0	63	291
First Quarter 2001	141	4	19	0	0	4	0	168
Percent Change	46.1%	200.0%	-47.4%	NA	NA	-100.0%	NA	73.2%
Cambridge City								
First Quarter 2002	148	6	4	0	0	0	0	158
First Quarter 2001	109	6	27	0	0	0	0	142
Percent Change	35.8%	0.0%	-85.2%	NA	NA	NA	NA	11.3%
North Dumfries Township								
First Quarter 2002	12	0	0	0	0	0	0	12
First Quarter 2001	6	0	0	0	0	0	0	6
Percent Change	100.0%	NA	NA	NA	NA	NA	NA	100.0%
Woolwich Township								
First Quarter 2002	7	2	0	0	0	0	0	9
First Quarter 2001	11	0	0	0	0	0	0	11
Percent Change	-36.4%	NA	NA	NA	NA	NA	NA	-18.2%

Source: CMHC

March 1990 vs March 2002

	1990	2002		1990	2002
Mortgage Rates			Carrying Costs		
			<i>(Average CREA MLS price, 25% d.p., 3 yr mtg. rate)</i>		
1 Year	13.01%	4.74%	Kitchener -Waterloo Real Estate Board		
3 Year	12.93%	5.97%	Actual	\$1,379	\$880
5 Year	12.92%	6.80%	Adjusted for inflation \$2001	\$1,741	\$870
			Cambridge Real Estate Board		
			Actual	\$1,299	\$888
			Adjusted for inflation \$2001	\$1,640	\$878
			Average Price		
				1990	2002
			Kitchener -Waterloo Real Estate Board	\$164,132	\$173,602
			% Change Previous Year	16.7%	4.6%
			Cambridge Real Estate Board	\$154,613	\$175,165
			% Change Previous Year	20.2%	5.1%
Inflation	5.25%	1.82%			

Table 2: Housing Activity Summary - 2002/01
Kitchener Census Metropolitan Area (CMA)

	Ownership					Rental		Total
	Single	Freehold Semi	Row	Condominium Row	Apt.	Row	Apt.	
1. STARTS								
First Quarter 2002	549	24	43	8	0	0	67	691
First Quarter 2001	391	16	76	0	0	4	4	491
Percent Change	40.4%	50.0%	-43.4%	NA	NA	-100.0%	1575.0%	40.7%
2. UNDER CONSTRUCTION								
End of First Quarter 2002	715	50	224	120	0	12	1091	2,212
End of First Quarter 2001	573	34	198	132	0	4	710	1,651
Percent Change	24.8%	47.1%	13.1%	-9.1%	NA	200.0%	53.7%	34.0%
3. COMPLETIONS								
First Quarter 2002	429	22	30	15	0	0	2	498
First Quarter 2001	436	12	111	8	0	23	8	598
Percent Change	-1.6%	83.3%	-73.0%	87.5%	NA	-100.0%	-75.0%	-16.7%
4. COMPLETED & NOT ABSORBED								
End of First Quarter 2002	141	17	55	4	4	0	84	305
End of First Quarter 2001	143	11	66	7	10	3	0	240
Percent Change	-1.4%	54.5%	-16.7%	-42.9%	-60.0%	-100.0%	NA	27.1%
5. TOTAL SUPPLY: 2. + 4.								
March 2002	856	67	279	124	4	12	1175	2,517
March 2001	716	45	264	139	10	7	710	1,891
Percent Change	19.6%	48.9%	5.7%	-10.8%	-60.0%	71.4%	65.5%	33.1%
6. ABSORPTIONS								
First Quarter 2002	419	18	25	15	1	0	2	480
First Quarter 2001	415	14	93	8	0	21	8	559
Percent Change	1.0%	28.6%	-73.1%	87.5%	NA	-100.0%	-75.0%	-14.1%
March 2002	155	4	13	11	0	0	0	183
3-Month Average	88	5	4	1	0	0	1	99
12-Month Average	182	10	26	6	1	2	32	259

Source: CMHC

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To help them prepare themselves for this important decision process, give them a copy of *Bringing Homeownership within Reach*.

You can order copies of this valuable tool by calling 1-800-668-2642. Order number is NHA 2478.

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

	Annual 2001		4th Quarter 2001		1st Quarter 2002		1st Quarter 2001	
	Units	Percent	Units	Percent	Units	Percent	Units	Percent
Kitchener CMA								
<\$130,000	1	0.0%	1	0.2%	0	0.0%	0	0.0%
\$130,000 to \$149,999	37	1.7%	13	2.0%	1	0.2%	7	1.7%
\$150,000 to \$174,999	375	17.1%	94	14.7%	93	22.2%	96	23.1%
\$175,000 to \$189,999	384	17.5%	110	17.2%	92	22.0%	69	16.6%
\$190,000 to \$219,999	481	21.9%	132	20.7%	76	18.1%	92	22.2%
\$220,000 to \$249,999	295	13.4%	86	13.5%	44	10.5%	59	14.2%
\$250,000+	621	28.3%	202	31.7%	113	27.0%	92	22.2%
Total	2,194	100.0%	638	100.0%	419	100.0%	415	100.0%
Median Price		\$205,023		\$210,000		\$196,071		\$200,000
Average Price		\$228,469		\$234,815		\$219,799		\$217,903
Kitchener City								
<\$130,000	1	0.2%	1	0.5%	0	0.0%	0	0.0%
\$130,000 to \$149,999	5	0.8%	0	0.0%	0	0.0%	2	1.8%
\$150,000 to \$174,999	70	11.1%	12	6.2%	9	8.2%	27	24.5%
\$175,000 to \$189,999	178	28.3%	51	26.2%	42	38.2%	28	25.5%
\$190,000 to \$219,999	105	16.7%	24	12.3%	13	11.8%	18	16.4%
\$220,000 to \$249,999	50	7.9%	15	7.7%	4	3.6%	5	4.5%
\$250,000+	220	35.0%	92	47.2%	42	38.2%	30	27.3%
Total	629	100.0%	195	100.0%	110	100.0%	110	100.0%
Median Price		\$200,000		\$240,000		\$192,790		\$185,000
Average Price		\$227,021		\$245,491		\$232,211		\$211,548
Cambridge City								
<\$130,000	0	0.0%	0	0.0%	0	0.0%	0	0.0%
\$130,000 to \$149,999	8	1.3%	2	1.1%	0	0.0%	3	2.5%
\$150,000 to \$174,999	154	25.3%	42	23.2%	58	32.4%	36	30.3%
\$175,000 to \$189,999	108	17.7%	33	18.2%	37	20.7%	26	21.8%
\$190,000 to \$219,999	156	25.6%	50	27.6%	44	24.6%	30	25.2%
\$220,000 to \$249,999	98	16.1%	31	17.1%	24	13.4%	19	16.0%
\$250,000+	85	14.0%	23	12.7%	16	8.9%	5	4.2%
Total	609	100.0%	181	100.0%	179	100.0%	119	100.0%
Median Price		\$195,086		\$198,000		\$187,000		\$185,000
Average Price		\$207,150		\$208,484		\$197,529		\$192,962
Waterloo City								
<\$130,000	0	0.0%	0	0.0%	0	0.0%	0	0.0%
\$130,000 to \$149,999	16	2.0%	10	4.4%	0	0.0%	2	1.3%
\$150,000 to \$174,999	128	15.9%	36	15.8%	23	20.7%	25	16.7%
\$175,000 to \$189,999	91	11.3%	25	11.0%	13	11.7%	12	8.0%
\$190,000 to \$219,999	201	24.9%	52	22.8%	18	16.2%	40	26.7%
\$220,000 to \$249,999	134	16.6%	37	16.2%	15	13.5%	32	21.3%
\$250,000+	237	29.4%	68	29.8%	42	37.8%	39	26.0%
Total	807	100.0%	228	100.0%	111	100.0%	150	100.0%
Median Price		\$212,505		\$213,915		\$220,000		\$216,399
Average Price		\$234,900		\$241,092		\$233,222		\$223,730

Source: CMHC

Resale Market

Resale Market remains a sellers' market

Kitchener-Waterloo

The Kitchener-Waterloo resale market continued the strong performance seen at the end of 2001 throughout the first quarter of 2002 with sales rising 20.2% to 1,325 units. Average price in the first quarter increased 5.2% to \$171,603. Strong price increases attracted more units into the market. New listings increased 9.0% to 1,949 units, while the sales to new listings ratio rose to 68.0%. On a seasonally adjusted annual rate (SAAR) basis, first quarter sales edged down to 5,003 units (SAAR) from 5,588 units (SAAR) in the fourth quarter of 2001. However, the last time that SAAR sales reached above 5,000 units for two consecutive quarters occurred in 1989.

Cambridge

Similar to the Kitchener market, the Cambridge resale market continued to show that the strength gained in the last quarter of 2001, was sustained into the first quarter of 2002. Sales rose 21.0% to 743 units while average price in the first quarter average price increased 4.7% to \$177,005. However, more units

were attracted into the market than in Kitchener. New listings increased 15.1% to 1,069 units. The greater number of new listings compared to sales pushed the sales to new listings ratio down to 73.5%. On a seasonally adjusted annual rate (SAAR) basis, first quarter sales jumped to 752 units (SAAR) from 704 units (SAAR) in the fourth quarter of 2001. The 752 units (SAAR) is the highest level on SAAR sales ever recorded. This level can be attributed to the large number of homes added to the housing stock over the last ten years in Cambridge.

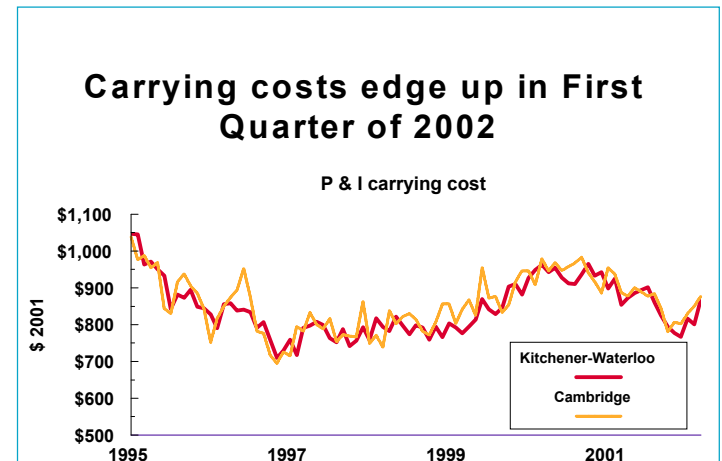


Table 4: MLS* Sales by Real Estate Board
Kitchener Census Metropolitan Area (CMA)

	Kitchener-Waterloo	Cambridge
First Quarter 2002	1,325	743
First Quarter 2001	1,102	614
Percent Change	20.2%	21.0%

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

	Kitchener-Waterloo	Cambridge
First Quarter 2002	1,949	1,069
First Quarter 2001	1,788	929
Percent Change	9.0%	15.1%

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

	Kitchener-Waterloo	Cambridge
First Quarter 2002	\$171,603	177,005
First Quarter 2001	\$163,101	\$168,985
Percent Change	5.2%	4.7%

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

	Kitchener-Waterloo	Cambridge
First Quarter 2002	68.0%	73.5%
First Quarter 2001	61.6%	78.3%
Percent Point Change	6.4%	-4.8%

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

Single Market very different in Cambridge

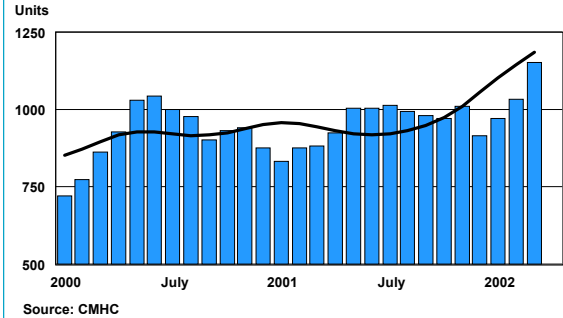
There are significant differences in the Cambridge new single detached market compared to the same market in Kitchener and Waterloo. The most obvious difference is the average sale price of a new single family home at \$197,529 in the first quarter of 2002 compared to \$232,211 in Kitchener and \$233,222 in Waterloo. In Cambridge 32% of single sales were priced between \$150,000 and \$174,999. Only 8.9% of single sales were priced at \$250,000 or more. In Kitchener, singles priced between \$175,000 to \$189,999 and priced at \$250,000 or more accounted for 38.2% each of all sales. In Waterloo, the proportion of single sales at \$250,000 or greater jumped to 37.8% while the next biggest market at 20.7% fell in the price range between \$150,000 and \$174,999. The difference in average price can be attributed to builders aiming at different market segments. However, the differences between the three cities are much deeper than just market price.

At 3.4 months, the supply of new single units in Cambridge is less than half of the supply of Kitchener and Waterloo at 8 months or 8.5 months respectively. The inventory of unsold units account for 6.3% of the supply of single units in Cambridge. In Kitchener and Waterloo, this inventory rises to 20.1% of the supply of single units.

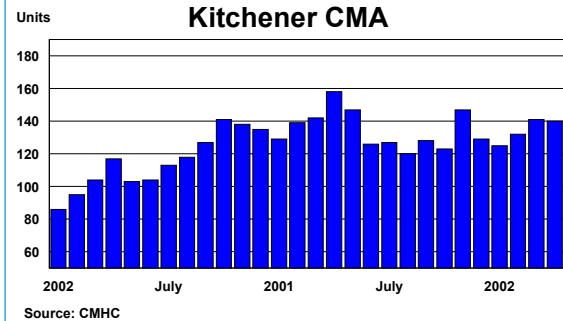
CMHC's Starts & Completions Survey records the sale of a single at completion. As a result, the percentage of units sold at completion is a good indicator of the sales activity during construction. In Cambridge, the percentage of single homes sold at completion reached 94.4% in the first quarter of 2002

compared to 75% of singles in Kitchener and 64.7% in Waterloo. There appears to be very little construction on speculation in the city of Cambridge. In combination with the low number of unsold units, there is very little exposure if unexpectedly, the single market turns around.

Units Under Construction push up Supply in Kitchener CMA



Unsold Single Inventory edges up in 2002 Kitchener CMA



Single Detached by Municipality 2002 Qrt I

Municipality	Price	% Chg	Under Cnst.	Unsold Supply	Total Supply	Sales	Cmpl.	Sold at Cmpl.	% Sold at Compl	Months of Supply
Kitchener	\$232,211	9.8%	250	62	312	110	108	81	75.0%	8.5
Waterloo	\$233,222	4.2%	235	60	295	111	119	77	64.7%	8.0
Cambridge	\$197,529	2.4%	192	13	205	179	179	169	94.4%	3.4
North Dumfries	\$229,668	-17.2%	19	1	20	7	7	6	100.0%	8.6
Woolwich	\$316,251	0.8%	17	5	22	12	16	12	65.0%	5.5
Kitchener CMA	\$219,799	0.9%	713	141	854	419	429	346	80.7%	6.1

Table 8: Economic Indicators

	Interest and Exchange Rates			NHPI (1996=100)	Kitchener CMA	
	Bank Rate	Mtg. Rate 3 Yr. Term	Exch. Rate (\$US/\$CDN)		Employment Ratio (%)	Unemployment Rate (%)
2001						
January	5.75	7.44	66.33	107.9	67.5	6.2
February	5.75	7.37	65.04	107.8	67.6	6.1
March	5.25	6.97	63.61	107.9	67.4	5.8
April	5.00	6.91	64.70	108.4	67.7	5.7
May	4.75	7.01	65.27	108.5	67.1	5.6
June	4.75	7.10	65.67	109.4	66.4	5.7
July	4.50	7.10	65.04	109.8	65.7	5.5
August	4.25	7.04	64.67	110.0	64.9	6.1
September	3.75	6.64	63.32	110.3	64.9	6.3
October	3.00	6.16	63.02	110.7	64.8	6.9
November	2.50	5.64	63.19	109.9	65.4	6.6
December	2.50	5.64	62.70	110.3	65.4	6.7
Average	4.31	6.75	64.38	109.2	66.2	6.1
2002						
January	2.25	5.60	62.80	110.8	65.0	6.8
February	2.25	5.61	62.18	110.9	64.7	6.8
March	2.25	5.97	62.75	110.0	64.3	6.5
Average	2.25	5.73	62.58	110.1	64.7	6.7

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.

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FORECAST

Kitchener

SUMMARY

Canada Mortgage and Housing Corporation

ISSUE:
SPRING 2002

New Home Market

2002 starts with record growth

With 3,537 housing starts, the Kitchener CMA new home market witnessed its sixth consecutive year of growth in 2001, and 2002 is shaping up to be even better. As of March 2002, single detached starts of 549 units jumped 40% compared to the same period last year. This is the

housing starts are forecast to rise 2.9% to 3,640 units compared to the 3,537 units recorded last year.

Decline in Multiple Activity limited to Rental Starts

As of March 2002, there were 1,091 rental apartments under construction representing a 54% increase in construction activity compared to March 2001 when there were 710 rental apartments under construction. Although the rental market is forecast to remain tight in 2002, the number of units coming on the market by the end of 2002 is expected to limit new rental starts to 390 units in 2002, down 51% from the 794 rental apartments started in 2001. Construction of semi-detached, row freehold and condo units will edge up to 550 starts in 2002 compared to 546 units started last year.

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Rental Market

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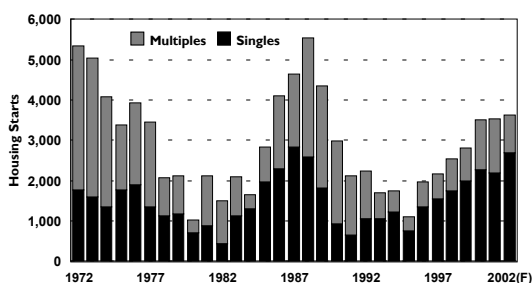
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- 4 **Forecast Summary**

exceptional level of activity in the resale market in 2002. Although discounting and pre-approval of mortgages should lessen a sudden negative impact of any increase in rates, it is expected that there will be a slowdown in market activity once rates jump higher.



HOME TO CANADIANS
Canada

Singles move higher for 7th consecutive year
Kitchener CMA



Source: CMHC

highest number of single detached starts recorded in the first quarter of a year going back to 1971. The major factors driving the new home market this year include very tight rental and resale markets, expectations of higher mortgage rates, and a rebound in the local economy. For 2002 as a whole, single detached starts are forecast to increase 23% to 2,700 units, while multiples are expected to decline 30% to 940 starts. Thus, total

One risk to the starts forecast depends on the size and timing of mortgage rate increases in the remainder of 2002. With housing starts activity following movement in the resale market, the exceptionally tight resale market bodes well for an active new home market as potential buyers search for their dream home. However, the prospect of higher carrying costs later this year has been one of the driving forces behind the

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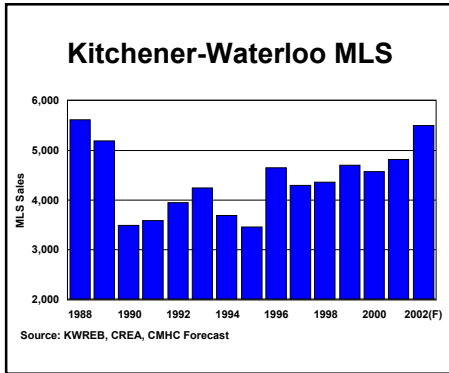
Are Builders prepared for a slowdown?

At 141 units, the number of single detached units completed and unsold edged down from 143 units last March. Single detached units under construction jumped 24.8% to 715 units in the first

quarter of 2002, but 80.7% of single detached units completed in the first quarter of 2002 were sold at completion. As a result, it is estimated that there could be 272 units of the supply of single detached units currently unsold. Based on absorption of 419 single detached units in the first quarter of 2002, the

number of unsold singles currently under construction or completed represents less than two months of sales. As a result, any downturn later this year would not force builders to carry a large inventory of single detached units for more than one quarter.

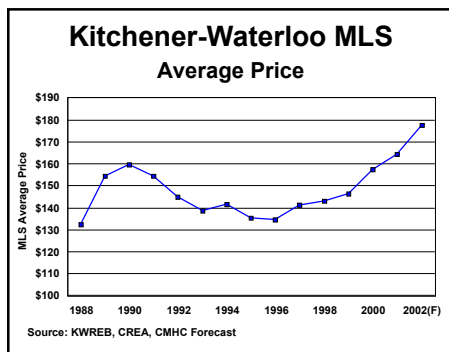
Resale Market



Kitchener-Waterloo sales still strong

The uncertainty of the September 2001 attacks, an economic slowdown in Ontario and falling consumer confidence went completely unnoticed in the resale market in the last quarter of 2001. Expectations of rate increases later this year and low carrying costs continued to draw households into the market in the first quarter of 2002. On a seasonally adjusted annual rate (SAAR), MLS sales activity edged down to the 5,003 level for the first quarter of 2002 from 5,588 units (SAAR) in the fourth quarter of 2001. However, the last time that SAAR sales reached above the 5,000 level for two consecutive quarters occurred in 1989.

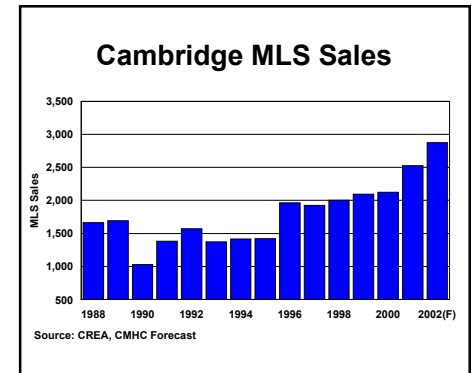
Sales activity is not expected to slow until



the last third of 2002 as rising mortgage rates push carrying costs up. However, rate increases will be offset by a stronger local economy and the higher value of existing accommodation as average resale prices increase. For 2002, the Kitchener-Waterloo resale market will break the 5,000 sales mark for the first time since 1989 coming in at 5,500 sales, while the supply of new listings will edge higher and come in at 7,000. The resale market will continue to remain in favour of the seller throughout 2002.

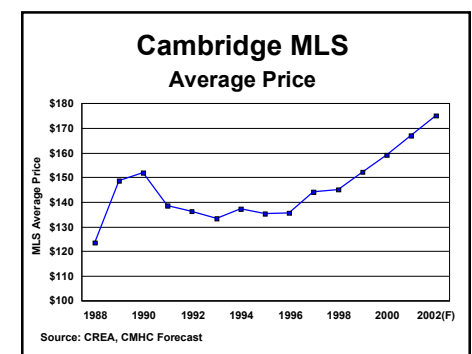
Quarterly sales have been at or above the 4,000 SAAR level since 1996, but until the second half of 2001 the number of new listings has been steadily declining. The rise in average price has encouraged some households to list their existing home on the market and make a move before rates push carrying costs back up. The jump in listings in the first quarter of 2002 offset the increase in sales. For the first quarter of 2002, the seasonally adjusted sales to new listings ratio came in at 73.7%, down from 78.3% in the first quarter of 2001.

Another indicator that the market favours the seller is the time a new residential listing spent on the market. This indicator declined to 43 days in 2001 compared to 45 days in 2000. For the first four months of 2002, the list to sale time fell to 38 days. With the balance of the market being in favour of the seller, price increases have easily outpaced inflation. The average MLS price jumped 4.6% to \$164,568 in 2001 compared to \$157,266 in 2000. So far in 2001, the average price has increased to \$175,211. For the Kitchener-Waterloo Real Estate Board, average price for 2002 as a whole will rise 8% to \$177,750.



Cambridge sales to hit an all time high

The Cambridge resale market continues to thrive with seasonally adjusted annual rate (SAAR) sales jumping to 3,048 sales in the first quarter of this year, an all time high level of activity. Given the current strength of the Cambridge resale market, sales are forecast to come in at an all time high of 2,875 sales this year, while listings increased 11% from last year coming in at 3,900 new listings. Thus, the Cambridge resale market will remain in favour of the seller with the sales to new listings ratio coming in at 73.7% in 2002. Listing of new homes on the MLS system has not only increased the supply of homes available for sale in Cambridge, but it has also pushed the average price up sharply in 2002. The annual average resale price will rise 4.8% to a record high of \$175,250 in 2002.



Rental Market

Demand for rental units ease further in 2002

In 2001, demand for rental units in the Kitchener CMA rental market eased for the first time since 1997, pushing the apartment vacancy rate to 0.9%, up from the previous year's 0.7%. By October 2002, demand is expected to moderate further. Historically low mortgage rates at the end of 2001 and into the first half of 2002 are expected to boost the number of tenants moving into homeownership. In addition, increased new rental apartment construction over the last two years will boost the supply of rental units.

Given these supply and demand factors, look for the rental apartment market to ease marginally in 2002 to a vacancy rate of 1.2%. This 1.2% will still represent a tight rental market, thus the average rent increase is expected to outpace inflation. The average rent on a 2 bedroom apartment is forecast to rise to \$750 in October 2002, which represents a 3.9% increase over the average 2 bedroom rent of \$722 in the October 2001 survey.

Economic Overview

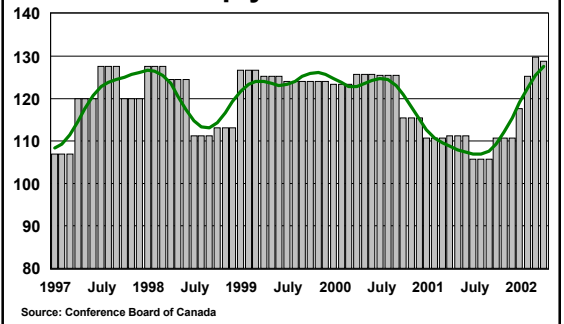
Economic Rebound expected for remainder of 2002

Employment in the Kitchener area in 2002 is expected to rebound from a lacklustre start to 2002. Down 2.6% year over year in the first quarter of 2002, total employment in the Kitchener Census Metropolitan Area (CMA) is expected to reach an average of 224,100 jobs for 2002, down 0.8 per cent from the 225,700 employed in 2001.

Although the economic indicators in the USA since the beginning of 2002 continue to give mixed signals of a recovery, leading indicators for Canada point to the start of a moderate improvement. The diversified economy in Kitchener is expected to benefit from employment growth for the next three quarters of 2002. Manufacturing sectors will benefit with the buildup of inventories in the auto sector while the service sector will grow due to increased demand for business and financial services. Retail sales are expected to turn around as increased confidence in an economic recovery raises consumers' expectations. However, the trade sector will continue to face restructuring in 2002, limiting job growth.

Slow job creation discouraged people from entering into the labour force in the first quarter of 2002 lowering the participation rate to 67.9%. Although employment is expected to improve by the end of 2002, participation will rebound only to 68.3%. 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 6.3 per cent in

Consumer Confidence in Ontario up sharply in 2002...



2002, up from 6.1 per cent in 2001.

Ontario consumer confidence recovers

Ontario consumer confidence, as measured by the Conference Board of Canada's Index of Consumer Attitudes, jumped sharply from the low seen in September of 2001. The consumer confidence index in Ontario jumped to a high of 128.7 in April, up from low of 105.6 seen in the third quarter of 2001.

MORTGAGE RATE OUTLOOK

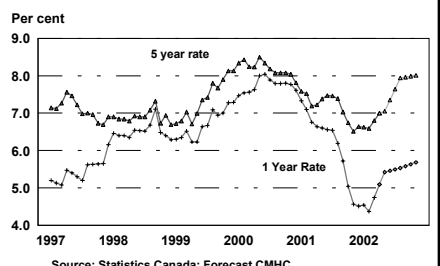
Economic rebound points to higher rates by end of 2002

A sharp rebound in consumer confidence in the first four months of 2002 and signs of strengthening in the job market across Canada point to higher interest rates later this year. While open and variable rate mortgages generally track lenders' prime rate, fixed rate mortgages move in tandem with bond yields. As the prime rate, money market, and short-term bond yields are expected to increase in 2002, so will short-term mortgage rates. In addition, as the economy strengthens and financial markets foresee some monetary tightening, long term interest and mortgage rates increase.

The outlook for short term mortgage rates in 2002 remains favourable with the one-year mortgage rate in the 4.6-5.9 per cent range respectively. The three- and five-year term mortgage rates will remain in the 5.9-7.6 and 6.8-8.3 per cent ranges, respectively.*

*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

Mortgage Rates edge up in 2002



FORECAST SUMMARY

KITCHENER CENSUS METROPOLITAN AREA

Forecast completed May 27, 2002

NEW HOME MARKET	1999	2000	2001	% Change	2002F	% Change
Complete and Unoccupied (March)						
Single-detached	141	105	143	36.2%	141	-1.4%
Multi-family (semi, row, apt.)	114	136	97	-28.7%	164	69.1%
Starts						
Single-detached	2,002	2,261	2,197	-2.8%	2,700	22.9%
Multi-family	819	1,248	1,340	7.4%	940	-29.9%
Total	2,821	3,509	3,537	0.8%	3,640	2.9%
Average New House Price						
Single-detached	\$191,894	\$208,348	\$228,469	9.7%	\$232,250	1.7%
RESALE MARKET						
Kitchener-Waterloo						
MLS Sales	4,694	4,567	4,816	5.5%	5,500	14.2%
MLS New Listings	6,717	6,495	6,874	5.8%	7,000	1.8%
Sales-to-Listings Ratio	69.9%	70.3%	70.1%		69.3%	
MLS Average Price	\$146,514	\$157,386	\$164,548	4.6%	\$177,750	8.0%
Cambridge						
MLS Sales	2,093	2,123	2,525	18.9%	2,875	13.9%
MLS New Listings	3,012	3,279	3,523	7.4%	3,900	10.7%
Sales-to-Listings Ratio	69.5%	64.7%	71.7%		73.7%	
MLS Average Price	\$152,213	\$159,104	\$167,227	5.1%	\$175,250	4.8%
RENTAL MARKET						
Apartment Vacancy Rate	1.0%	0.7%	0.9%		1.2%	
Average Rent (2 bedroom)	\$660	\$697	\$722	3.6%	\$750	3.9%
ECONOMIC OVERVIEW						
Mortgage Rate (1 year term)	6.8	7.85	6.14		5.6	
Mortgage Rate (5 year term)	7.56	8.35	7.41		7.62	
Employed (000's)	218.8	223.5	225.7	1.0%	224	-0.8%
Employment Growth (000's)	10.7	4.7	2.2		-1.7	
Net Migration (Census Year)	4,329	5,328	5,550	4.2%	5,750	3.6%

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

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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