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Canada Mortgage and Housing Corporation

New Homes

Another strong year for Kitchener CMA new home construction

Kitchener Census Metropolitan Area (CMA) total housing starts in the fourth quarter of 2003 were up 18 per cent to 1,113 units from the same period in 2002. Single detached construction declined by 11 per cent to 578 units. After reaching a record level in the second quarter of 2002, single detached construction has been trending lower over the past few quarters, but remains near historically high levels. In contrast, multiple construction jumped 83 per cent to 535 units from the fourth quarter of 2002, due to the increase in rental row construction.

Of note, by municipality, in the fourth quarter of 2003, Waterloo starts more than doubled to 444 units from the fourth quarter of 2002, due to the start of 163

rental row units and 63 rental apartment units. Woolwich also saw an increase in starts to 85 units. Cambridge and Kitchener starts declined by 20 per cent and 18 per cent respectively to 208 units and 369 units.

Kitchener CMA recorded a total of 3,955 housing starts in 2003 down 4 per cent from 2002 levels. Although lower than 2002, this was the second best year for housing starts since 1989. Single detached construction dropped by 11 per cent to 2,663 units, while the more volatile multiple segment rose 15 per cent to 1,292 units, led by freehold and rental row construction. By municipality, only Kitchener and Woolwich recorded year-over-year gains in new home construction. With the historically low mortgage rates continuing, and the employment picture remaining strong, 2004 will be another strong year for new home construction in the Kitchener CMA.

Issue 21
Fourth Quarter 2003

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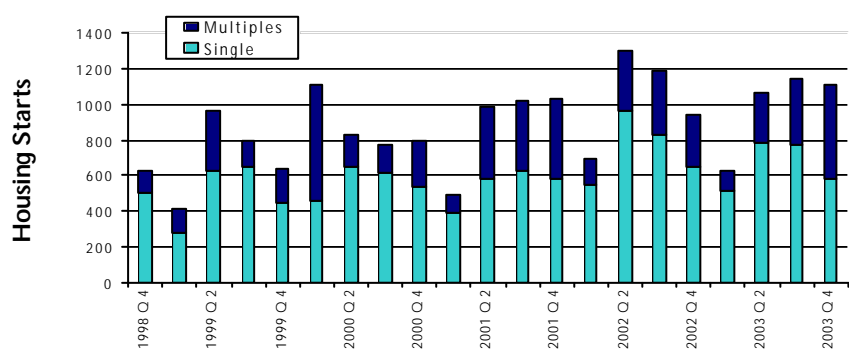
Resale Market

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Kitchener CMA Housing Starts



Source: CMHC

The average price of a single detached home in the Kitchener CMA rose by 1.2 per cent in 2003 to reach \$231,919. The absorbed price of singles rose approximately four per cent in both Cambridge and Waterloo to \$217,866 and \$234,631 respectively, but fell just over one per cent in Kitchener to \$236,186.

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HOME TO CANADIANS
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Mortgage Rates

The Bank of Canada lowered its target for the overnight lending rate by 25 basis points on January 20th to 2.5 per cent. Previously the Bank had held rates steady at the December 2nd, 2003 announcement date after two consecutive decreases of 25 basis points in September and July 2003. There is a chance that the Bank of Canada will cut overnight rates again at the next meeting on March 2nd. However, as the Canadian economy rebounds and the output gap (the difference between the actual and the potential GDP) shrinks, interest rates will begin to rise late in 2004 in an effort to keep inflation within the target bands.

One, three and five-year posted closed mortgage rates are expected to be in the 4.25-5.00, 5.25-6.00, and 5.75-6.75 per cent range respectively this year. The mortgage rates are forecast to rise by 0.25-0.75 percentage points next year. Recent developments seem to suggest that the increase in mortgage rates in 2004 will be at the low end of our expectations, keeping rates low by historical standards. Higher interest rates, which will increase the carrying cost of a mortgage, will contribute slightly to the decline in the demand for home ownership this year and have a slightly larger impact in 2005.

Fourth Quarter Sales off slightly from 2002 levels in both Kitchener-Waterloo & Cambridge

Despite a slight dip in fourth quarter sales in Kitchener-Waterloo, sales for the year ended up 1.1 per cent on the year in 2003. It marked the second consecutive year that sales topped the 5,000 mark. The last time this occurred was in 1988 and 1989. The 1,055 sales recorded in the fourth quarter brought the annual total up

to 5,306 sales. Average price topped \$200,000 in December, a first for Kitchener-Waterloo capping off a strong fourth quarter where average price reached \$195,479, 6.0 up from the same quarter last year. Listings have been steadily rising since mid-year and the fourth quarter was no exception as strong demand and good price appreciation brings more listings on the market. The large 7.7 per cent jump in 2003:Q4 new listing was not matched by a growth in sales, hence the sales to new listings ratio fell to 70.7% in the fourth quarter. These indicators clearly point to a market still in a sellers position.

The seasonally adjusted sales trend indicates that demand in the 4th quarter of 2003 fell from the previous three months due to a jittery economy. But, fourth quarter sales of 5,300 units (SAAR), were equal with the 4th quarter of 2002.

Cambridge

Fourth quarter sales in Cambridge were off from the same quarter one year ago but still, at 570 sales, represented the second strongest fourth quarter since at least 1990. The weaker fourth quarter left sales off 1.7 per cent on the year but still at a level that leaves Cambridge classified as a seller's market. Sales reached 2,773, hardly a paltry sum, given the fact that sales averaged 1,600 through the nineties. Average prices finished the year up a healthy 5.8 per cent at \$189,008 compared to last year. Like Kitchener-Waterloo, new listings surged in the fourth quarter, up just over nine per cent to 758 units. Again, this increase in supply was not met by a similar increase in sales as sales fell 5.2 per cent. This disconnect between sales and listings let the sales to new listings fall to 75.2 per cent for the quarter, the weakest level since 2000:Q4. Despite the slight softening in the market, seller's market conditions should persist into 2004.

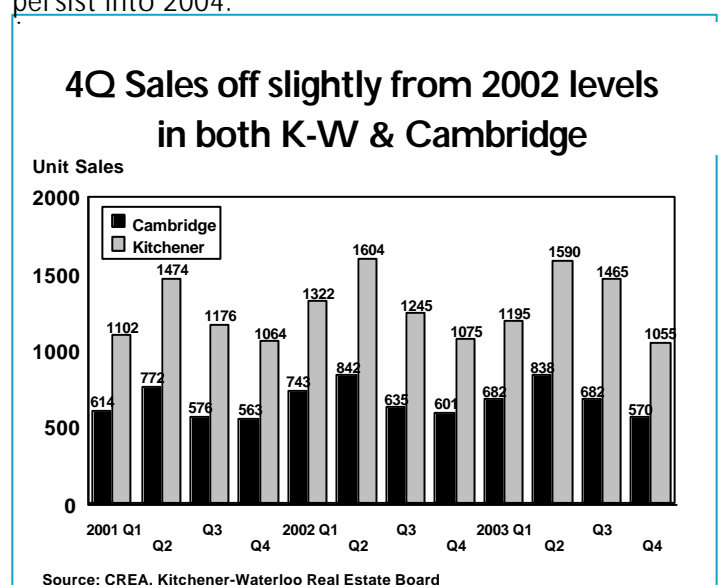
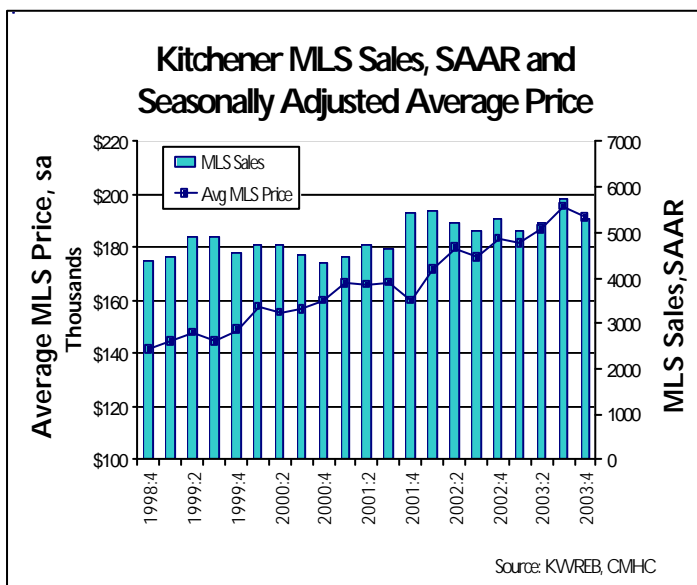


Table 1: Housing Activity Summary for Kitchener CMA

	OWNERSHIP					RENTAL		GRAND **TOTAL
	*SINGLE	*SEMI	ROW	CONDOMINIUM ROW	APT	ROW	APT	
STARTS								
Q4 2003	578	28	100	0	0	199	208	1,113
Q4 2002	652	22	172	0	0	0	99	945
% Change	-11.3%	27.3%	-41.9%	NA	NA	NA	110.1%	17.8%
Year-to-date 2003	2,663	142	516	9	0	215	410	3,955
Year-to-date 2002	3,007	144	466	22	0	6	485	4,130
% Change	-11.4%	-1.4%	10.7%	-59.1%	NA	**	-15.5%	-4.2%
UNDER CONSTRUCTION								
December 2003	739	44	358	20	0	203	1,047	2,411
December 2002	866	38	353	33	0	6	1,375	2,671
COMPLETIONS								
Q4 2003	705	46	156	7	0	12	254	1,180
Q4 2002	807	48	87	45	0	0	5	992
% Change	-12.6%	-4.2%	79.3%	-84.4%	NA	NA	**	19.0%
Year-to-date 2003	2,795	136	490	38	0	18	653	4,130
Year-to-date 2002	2,738	154	326	120	0	12	136	3,486
% Change	2.1%	-11.7%	50.3%	-68.3%	NA	50.0%	**	18.5%
COMPLETE & NOT ABSORBED								
December 2003	84	7	38	6	4	12	165	316
December 2002	112	13	45	17	4	0	1	192
ABSORPTIONS								
Q4 2003	735	43	155	7	0	0	162	1,102
Q4 2002	819	45	99	37	0	0	6	1,006
% Change	-10.3%	-4.4%	56.6%	-81.1%	NA	NA	**	9.5%
Year-to-date 2003	2,794	142	497	49	0	6	489	3,977
Year-to-date 2002	2,767	154	334	107	1	12	219	3,594
% Change	1.0%	-7.8%	48.8%	-54.2%	-100.0%	-50.0%	123.3%	10.7%

*Includes all market types

**Year-over-year change greater than 200 per cent

Note: NA may appear where CMHC data suppression rules apply

Source: CMHC

Table 2A: Starts by Area and by Intended Market - Current Quarter

Sub Market Area	SINGLES			MULTIPLES			TOTAL		
	Q4 2002	Q4 2003	% change	Q4 2002	Q4 2003	% change	Q4 2002	Q4 2003	% change
Kitchener CMA	652	578	-11.3%	293	535	82.6%	945	1,113	17.8%
Cambridge City	235	179	-23.8%	25	29	16.0%	260	208	-20.0%
Kitchener City	217	177	-18.4%	231	192	-16.9%	448	369	-17.6%
North Dumfries Township	10	7	-30.0%	0	0	NA	10	7	-30.0%
Waterloo City	184	192	4.3%	37	252	**	221	444	100.9%
Woolwich Township	6	23	**	0	62	NA	6	85	**

Table 2B: Starts by Area and by Intended Market - Year-to-Date

Sub Market Area	SINGLES			MULTIPLES			TOTAL		
	YTD 2002	YTD 2003	% change	YTD 2002	YTD 2003	% change	YTD 2002	YTD 2003	% change
Kitchener CMA	3,007	2,663	-11.4%	1,123	1,292	15.0%	4,130	3,955	-4.2%
Cambridge City	939	936	-0.3%	189	170	-10.1%	1,128	1,106	-2.0%
Kitchener City	966	901	-6.7%	557	631	13.3%	1,523	1,532	0.6%
North Dumfries Township	60	23	-61.7%	0	0	NA	60	23	-61.7%
Waterloo City	990	706	-28.7%	373	429	15.0%	1,363	1,135	-16.7%
Woolwich Township	52	97	86.5%	4	62	**	56	159	183.9%

Table 3: Average Price of Completed and Absorbed Single-Detached Dwellings

Sub Market Area	Q4 2002	Q4 2003	% Change	YTD 2002	YTD 2003	% Change
Kitchener CMA	\$233,382	\$233,125	-0.1%	\$229,102	\$231,919	1.2%
Cambridge City	\$213,829	\$221,078	3.4%	\$208,645	\$217,866	4.4%
Kitchener City	\$241,211	\$228,535	-5.3%	\$239,285	\$236,186	-1.3%
North Dumfries Township	\$352,308	\$401,429	13.9%	\$258,983	\$314,831	21.6%
Waterloo City	\$224,839	\$239,377	6.5%	\$226,556	\$234,631	3.6%
Woolwich Township	\$487,962	\$293,331	-39.9%	\$370,416	\$304,566	-17.8%

Source: CMHC

Note: NA may appear where CMHC data suppression rules apply

Table 4: Completed and Absorbed Single-Detached Units by Price Range

AREA	PRICE RANGES										TOTAL
	<\$150,000		\$150-\$174,999		\$175-\$249,999		\$250-\$299,999		\$300,000+		
	Units	Share (%)	Units	Share (%)	Units	Share (%)	Units	Share (%)	Units	Share (%)	
Kitchener CMA											
Q4 2003	1	0.1%	52	7.1%	450	61.2%	130	17.7%	102	13.9%	735
Q4 2002	6	0.7%	106	12.9%	440	53.7%	160	19.5%	107	13.1%	819
YTD 2003	9	0.3%	269	9.6%	1,675	59.9%	462	16.5%	379	13.6%	2,794
YTD 2002	26	0.9%	400	14.5%	1,500	54.2%	481	17.4%	360	13.0%	2,767
Cambridge City											
Q4 2003	1	0.4%	19	7.8%	175	71.7%	34	13.9%	15	6.1%	244
Q4 2002	2	0.8%	49	19.8%	147	59.3%	39	15.7%	11	4.4%	248
YTD 2003	4	0.4%	107	10.5%	722	70.7%	139	13.6%	49	4.8%	1,021
YTD 2002	3	0.4%	184	21.6%	541	63.6%	93	10.9%	30	3.5%	851
Kitchener City											
Q4 2003	0	0.0%	11	4.3%	152	59.4%	63	24.6%	30	11.7%	256
Q4 2002	0	0.0%	11	3.9%	154	54.2%	79	27.8%	40	14.1%	284
YTD 2003	0	0.0%	66	7.3%	505	55.7%	200	22.1%	135	14.9%	906
YTD 2002	1	0.1%	45	5.1%	486	54.5%	228	25.6%	131	14.7%	891
North Dumfries Township											
Q4 2003	0	0.0%	0	0.0%	2	28.6%	0	0.0%	5	71.4%	7
Q4 2002	0	0.0%	0	0.0%	3	23.1%	2	15.4%	8	61.5%	13
YTD 2003	1	3.4%	0	0.0%	7	24.1%	8	27.6%	13	44.8%	29
YTD 2002	4	6.9%	14	24.1%	15	25.9%	7	12.1%	18	31.0%	58
Waterloo City											
Q4 2003	0	0.0%	18	9.0%	113	56.5%	26	13.0%	43	21.5%	200
Q4 2002	2	0.8%	45	17.2%	134	51.3%	40	15.3%	40	15.3%	261
YTD 2003	4	0.5%	90	11.9%	418	55.4%	94	12.5%	149	19.7%	755
YTD 2002	11	1.2%	154	17.0%	453	50.1%	147	16.3%	139	15.4%	904
Woolwich Township											
Q4 2003	0	0.0%	4	14.3%	8	28.6%	7	25.0%	9	32.1%	28
Q4 2002	2	15.4%	1	7.7%	2	15.4%	0	0.0%	8	61.5%	13
YTD 2003	0	0.0%	6	7.2%	23	27.7%	21	25.3%	33	39.8%	83
YTD 2002	7	11.1%	3	4.8%	5	7.9%	6	9.5%	42	66.7%	63

Source: CMHC

Note: N/A may appear where CMHC data suppression rules apply

CMHC's Housing Awards Program

The CMHC Housing Awards Program, offered every two years, recognizes individuals and organizations that have implemented best practices that have improved housing in Canada. The purpose of the 2004 Housing Awards under the theme, **Best Practices in Affordable Housing**, is to recognize individuals and organizations for their outstanding accomplishments in furthering affordable housing and to assist them in transferring the knowledge about these best practices across the country.

Apply today at <http://www.cmhc-schl.gc.ca/en/prfias/gr/hap/index.cfm> for CMHC's Housing Awards Program.

Table 5: Resale Housing Activity for Kitchener Real Estate Board

		Number of Sales	Yr/Yr %	Sales SAAR	Number of New Listings	New Listings SAAR	Sales-to-New Listings SA	Average Price (\$)	Yr/Yr %	Average Price (\$) SA
2002	January	379	34.4%	5,900	649	7,200	82.4	\$168,969	5.2%	\$171,576
	February	445	19.0%	5,400	585	6,700	80.5	\$171,595	3.2%	\$166,455
	March	501	12.3%	5,200	715	7,300	71.0	\$173,602	7.1%	\$176,902
	April	622	40.7%	5,900	813	7,600	77.9	\$183,380	11.4%	\$194,301
	May	523	-1.5%	5,000	718	7,000	71.4	\$178,148	7.5%	\$177,026
	June	460	-8.2%	4,700	606	7,000	67.3	\$176,180	5.3%	\$163,760
	July	439	1.4%	4,800	649	7,600	63.1	\$177,989	5.8%	\$182,857
	August	416	-2.8%	5,000	535	7,000	70.8	\$172,128	5.9%	\$174,043
	September	393	24.8%	5,300	569	7,400	72.0	\$175,649	8.0%	\$172,349
	October	415	6.1%	5,300	642	7,500	70.7	\$182,802	11.5%	\$182,068
	November	402	5.8%	5,500	436	7,200	77.3	\$183,934	11.5%	\$181,896
	December	258	-11.9%	5,100	307	7,300	69.1	\$187,937	15.3%	\$185,404
2003	January	313	-17.4%	5,000	584	6,800	73.4	\$182,685	8.1%	\$178,766
	February	433	-2.7%	5,200	663	7,600	68.7	\$189,176	10.2%	\$185,155
	March	450	-10.2%	4,900	757	7,600	64.3	\$184,797	6.4%	\$180,515
	April	494	-20.6%	4,700	747	7,000	67.1	\$188,517	2.8%	\$199,797
	May	522	-0.2%	5,100	751	7,400	69.3	\$179,630	0.8%	\$175,705
	June	576	25.2%	5,700	796	8,800	65.2	\$190,602	8.2%	\$185,371
	July	600	36.7%	6,600	713	8,000	81.8	\$196,120	10.2%	\$199,145
	August	458	10.1%	5,500	570	7,800	70.1	\$183,524	6.6%	\$187,478
	September	409	4.1%	5,100	684	8,100	63.1	\$186,291	6.1%	\$199,401
	October	427	2.9%	5,500	681	8,100	67.7	\$199,132	8.9%	\$195,662
	November	347	-13.7%	5,000	473	8,000	63.1	\$186,761	1.5%	\$175,351
	December	281	8.9%	5,300	338	7,800	68.7	\$200,694	6.8%	\$201,207
Q4 2002	1,075	1.0%	5,300	1,385	7,300	72.3	\$184,457	12.4%	\$183,068	
Q4 2003	1,055	-1.9%	5,300	1,492	7,900	66.5	\$195,479	6.0%	\$191,088	
YTD 2002	5,253	9.1%		7,224			\$177,558	7.9%		
YTD 2003	5,310	1.1%		7,757			\$188,904	6.4%		

	Annual Sales	Yr/Yr %		Annual New Listings	Yr/Yr %		Annual Average Price	Yr/Yr %	
1994	3,689	3.0%		7,451	-5.5%		\$141,683	2.0%	
1995	3,467	-6.0%		8,816	18.3%		\$135,452	-4.4%	
1996	4,666	34.6%		9,168	4.0%		\$134,839	-0.5%	
1997	4,307	-7.7%		7,885	-14.0%		\$141,387	4.9%	
1998	4,365	1.3%		7,629	-3.2%		\$143,104	1.2%	
1999	4,695	7.6%		6,730	-11.8%		\$146,495	2.4%	
2000	4,569	-2.7%		6,495	-3.5%		\$157,317	7.4%	
2001	4,816	5.4%		6,874	5.8%		\$164,548	4.6%	
2002	5,253	9.1%		7,224	5.1%		\$177,559	7.9%	
2003	5,310	1.1%		7,757	7.4%		\$188,905	6.4%	

Source: Canadian Real Estate Association

Table 6: Economic Indicators

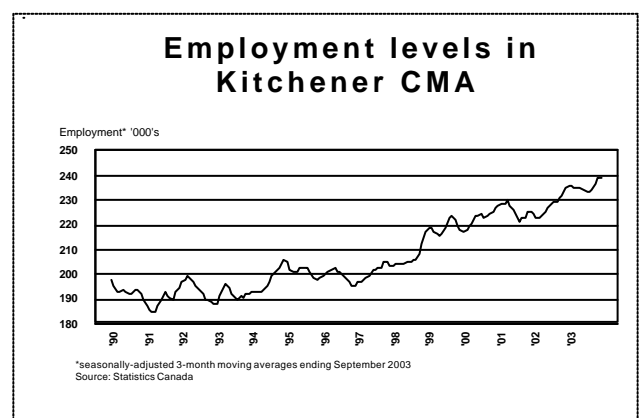
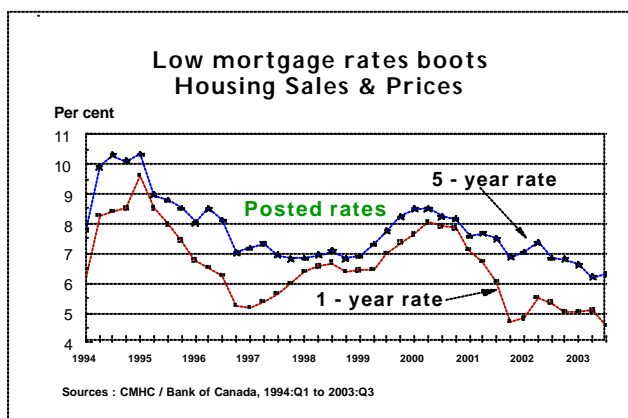
		Interest and Exchange Rates			Inflation Rate	NHPI*** % chg	KITCHENER CMA Labour Market			
		P & I*	Mortgage Rate		Ontario	KITCHENER CMA	Employment	Employment	Unemployment	
		Per \$100,000	1 Yr. Term	5 Yr. Term	(\$US/\$Cdn)	1996=100	1997=100	SA** (000)	SA m/m (%)	Rate (%) SA
2002	January	\$700.42	4.6%	7.0%	0.630	1.2%	2.7%	223.8	-0.4%	6.8%
	February	\$691.18	4.6%	6.9%	0.624	1.4%	2.9%	223.5	-0.1%	6.6%
	March	\$719.04	5.3%	7.3%	0.627	1.9%	2.9%	222.9	-0.3%	6.4%
	April	\$728.42	5.4%	7.5%	0.638	1.4%	2.6%	223.8	0.4%	5.8%
	May	\$725.28	5.6%	7.4%	0.654	0.8%	4.7%	225.1	0.6%	5.5%
	June	\$715.92	5.6%	7.3%	0.660	1.2%	5.2%	227.6	1.1%	5.2%
	July	\$703.51	5.4%	7.1%	0.632	2.1%	4.6%	229.3	0.7%	5.4%
	August	\$688.11	5.4%	6.8%	0.642	2.9%	4.7%	230.6	0.6%	5.3%
	September	\$681.99	5.3%	6.7%	0.630	2.3%	4.1%	230.2	-0.2%	5.7%
	October	\$700.42	5.3%	7.0%	0.642	2.8%	4.1%	230.7	0.2%	5.3%
	November	\$681.99	4.9%	6.7%	0.639	3.8%	5.4%	230.8	0.0%	5.4%
	December	\$681.99	4.9%	6.7%	0.634	2.8%	5.1%	234.0	1.4%	5.2%
2003	January	\$666.80	4.9%	6.5%	0.657	4.3%	4.5%	235.7	0.7%	5.6%
	February	\$675.90	4.9%	6.6%	0.674	4.4%	5.3%	235.9	0.1%	6.2%
	March	\$691.18	5.4%	6.9%	0.681	3.3%	5.3%	234.9	-0.4%	6.2%
	April	\$678.94	5.4%	6.7%	0.698	2.3%	5.0%	234.5	-0.2%	6.3%
	May	\$648.75	5.1%	6.2%	0.731	2.7%	2.8%	235.2	0.3%	6.2%
	June	\$627.97	4.9%	5.8%	0.742	2.5%	1.5%	234.5	-0.3%	6.4%
	July	\$651.74	4.6%	6.2%	0.712	1.9%	2.3%	233.8	-0.3%	6.6%
	August	\$660.76	4.6%	6.4%	0.722	1.7%	2.4%	233.5	-0.1%	6.3%
	September	\$657.75	4.6%	6.3%	0.741	2.2%	2.8%	234.7	0.5%	6.3%
	October	\$663.77	4.6%	6.4%	0.758	1.7%	2.5%	236.6	0.8%	6.3%
	November	\$669.82	4.8%	6.5%	0.770	1.7%	2.2%	239.5	1.2%	5.4%
	December	\$666.80	4.8%	6.5%	0.771	3.0%		239.2	-0.1%	5.0%

* Payment and Interest, 5yr mortgage rate, 25yr amortization

** Seasonally Adjusted

*** New Housing Price Index

Source: CMHC, Statistics Canada Labour Force Survey



Definitions

- 1. Starts:** refers to units where construction has advanced to a stage where full (100%) footings are in place. For multiple dwellings (semi-detached, row housing and apartments) the definition of a start applies to the structure or block of row units rather than to the project as a whole.
- 2. Under Construction:** those units which have been started but which are not complete.
- 3. Completions - Single-detached/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. **Row housing/ Apartment:** completions means that 90% or more of the dwelling units within a block of row units or an apartment structure are completed and ready for occupancy
- 4. Completed and Not Absorbed:** all completed units of new construction (excluding model homes not available for sale) which have never been sold or leased.
- 5. Absorptions:** the number of completed units (excluding model homes) that have been sold or leased.
- 6. Seasonally Adjusted (SA):** Actual monthly (or quarterly) figures adjusted to remove normal seasonal variation.
- 7. Seasonally Adjust Annual Rates (SAAR):** Seasonally adjusted monthly figures multiplied by 12 (or quarterly figures multiplied by 4) to reflect annualized levels of activity.
- 8. Definitions for CMA, NHPI, CPI, and Inflation Rate** can be found in the Statistics Canada website - <http://www.statcan.ca>

Your Guide to Renting a Home – CMHC's new, online guide for tenants, landlords, and property managers

CMHC is breaking new ground with the introduction of "Your Guide to Renting a Home". A comprehensive rental guide, developed by the Research and Information Transfer team, this free, online tool launched this spring. It will help the estimated four million Canadian households in rental accommodation, as well as landlords and property managers, to find plain language information on tenant and landlord rights and rental practices across the country.

"Your Guide to Renting a Home" is located on the CMHC Web site at www.cmhc.ca. From the left-hand menu, you can select "Buying or Renting a Home" and click on "Renting a Home".

Are you looking to pass on valuable information to your clients that will assist them in operating and maintain their homes? If yes, consider using Canada Mortgage and Housing Corporation's free **About Your House** series as a resource. Easy to read and understand, **About Your House** fact sheets provide homeowners with information on common housing questions, issues and problems. To download the series or order them on-line click on www.cmhc.ca.

For more information, or to order by phone, call 1-800-668-2642.

Housing Now is published four times a year. An annual subscription to the Kitchener Housing Now is \$55 plus GST. For more information and to order; please call Ontario Market Analysis customer service at 1-800-493-0059.

