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FORECAST

SUMMARY

Canada Mortgage and Housing Corporation

Positive outlook for new housing market

Single-family starts maintain vigorous pace

A burst of single starts in the summer has led to the highest number of homes under construction on record. The total supply (including units under construction and units completed and unoccupied) is now at a level sufficient to last about seven months, a balanced market state. A balanced market is subject to neither over nor under-supply. Buyers can expect to move in to their completed unit in a reasonable time period and builders can maintain an inventory of homes with steady turnover.

Moving forward, there is a concern that some restriction in the availability of skilled trades may hinder the ability of builders to maintain production levels. While noting this concern, CMHC is forecasting that at 700 units, single-family starts in 2005 will match 2004's performance.

A return to employment growth and rising average hourly earnings will encourage new housing demand. New subdivisions offering land in a wide range of prices will also entice buyers to the new home market. Notwithstanding these upbeat factors, higher prices, rising mortgage rates and increased listing volumes on the resale side may prompt an increasing portion of first time and move-up buyers to consider the less expensive (and more traditional) alternative of existing housing.

The combination of these positive and negative forces will produce a balanced single-family market with absorptions of about 60 units monthly, the highest level of absorptions seen since mid-2000.

Average price of new housing units escalates

Through the first eight months of 2004, total absorptions of new single-family homes stood at 422 units, marginally higher

than the 418 units absorbed over the same period in 2003. While the overall level of absorptions is virtually unchanged, there has been a change in the price mix. The market share of homes priced above \$200,000 has increased from 28 per cent to 32 per cent. As a result, the average and median price of a new single-family home have jumped 6.1 and 7.9 per cent, respectively. These price gains will be maintained during the last four months of 2004. The average price of a new single-family home will increase six per cent compared to that seen in 2003, reaching nearly \$196,000.

Price gains will continue in 2005. Increasing land development costs, fees, taxes and materials costs will be the major contributor to a higher average price. In addition, purchasers of higher-end units will fuel price hikes in their section of the market by continuing to demand more features and higher-quality building components. However, from 2004 to 2005, the average price of a new home will rise at a more modest pace of 4.2 per cent to \$204,000 as higher carrying costs re-shift a portion of the demand towards homes priced below \$200,000.

Apartment and row condominiums dominate multi-family housing

Multi-family housing starts will put in a solid performance of 700 units in 2004 although slightly lower than that seen in 2002 and 2003. As expected, there was no significant rental housing construction in 2004. Rental production in 2002 and 2003 contributed much to multi-starts in those years and their absence in 2004 contributed to lower starts numbers.

SASKATOON

FALL 2004

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A return to employment growth and continued increase in earnings will encourage new housing demand next year. New subdivisions offering land in a wide range of prices will also entice buyers to the new home market.

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Movement of empty-nesters and seniors from their existing homes to new multiple developments has loosened the supply of good quality existing homes, allowing modest expansion of sales.

3 Economic Outlook

Saskatoon will enjoy average annual employment growth. These income gains bode well for household formation and housing demand.

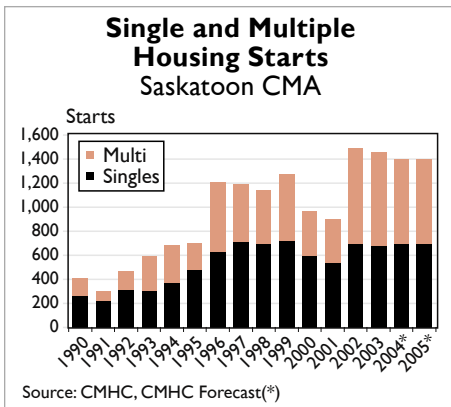
3 Rental Market Outlook

The average vacancy rate in Saskatoon apartments will fall slightly by October 2004. There is increasing evidence that new, modestly priced row units have been purchased by small investors and rented to students and young couples.

4 Forecast Summary



HOME TO CANADIANS
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Meanwhile, the decline in the overall condominium absorption trend from 60 units per month in early 2004 to the current trend of 50 units per month should not be taken as an indication of weakness in the market. The reason for the slower absorption is due to the larger proportion of apartment condominium starts versus row. Apartment

housing is absorbed less quickly than row units. As apartments have formed a larger part of starts in 2004, this has lowered the overall absorption rate.

Multiple starts are expected to remain in the 700 unit range in 2005 with apartment and row condominium construction expected to account for the majority of the activity. Starts will be generated through demand for modestly priced rows from first-time home buyers and continued demand for upscale apartment condominiums from seniors and empty-nesters. An examination of employment data reveals that workers between the ages of 45 to 64 now account for 40 per cent of full-time jobs compared to 28 per cent in 1996. As the ageing process moves forward, an increasing number of these workers will seek to trade their existing homes for a unit that demands less care and permits them to pursue leisure activities.

Condo prices define two distinct markets

The average price of row condominiums so far in 2004 is close to \$117,000 while apartment style units have an average price of \$165,000. Row housing priced at less than \$120,000 has proven to be popular with first-time homebuyers and investors. Empty-nesters and seniors have eagerly purchased luxury apartments priced above the \$120,000 mark.

In 2005, we expect row housing starts to moderate as inventory builds and investors see higher vacancy rates in these units. Although row housing will continue to be a popular with first-time home buyers, we expect some moderation as these buyers return to the resale market. Demand from empty-nesters and seniors for luxury apartment condominiums will persist, supported by population aging.

Resale Market Outlook

New listings allow sales to expand

New listings have bounced back in 2004. Year-to-date in July, new listings were averaging a brisk 420 listings monthly, six per cent ahead of the listings rate seen in July of 2003. As expected, movement of empty-nesters and seniors from their existing homes to new multiple developments has loosened the supply of good quality existing homes, allowing modest expansion of sales.

The market is operating so as to favour neither buyers nor sellers. Average listing periods before sale are within a 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 2005.

First-time homebuyers and in-migration of, primarily, rural Saskatchewan households, will be the dominant factors behind steady resale demand yielding annual total resales of 3,000 in 2004, rising to 3,200 in 2005. Strong listing activity will act to replenish the listings supply and provide consumers with more choice than they have found in past years.

Steady growth in average resale price

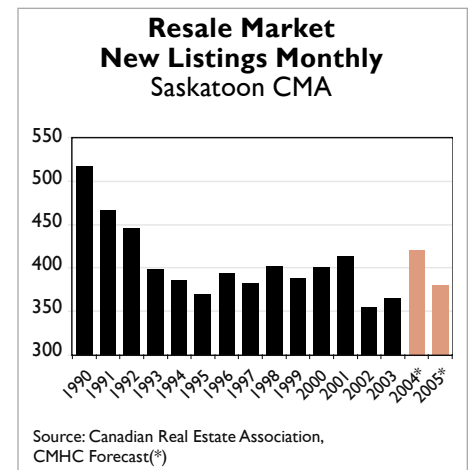
Our forecast calls for average price growth of six per cent in 2004, moderating to five per cent in 2005. The price range of \$120,000

to \$139,999 has been very active, capturing more than 17 per cent of the resale activity to date. Average listing period for property selling in this range has been only 25 days, less than the overall average listing period for residential listings of 36 days. As more seniors move from their older existing homes into the many new condominium and assisted living units now on the market, we expect there will be shift in sales to older, lower-priced property causing some restraint in average price gains.

Cost of homeownership rising but still lower than other cities Home ownership costs will head upward in 2005 in the face of rising mortgage rates and higher house prices. Over the last six years, low mortgage rates have helped offset rising prices in both the new and existing home markets. In 2005, however, mortgage rates will post their highest gain since 1999. Combined with further average price increases for new and existing homes, some buyers may be priced out of the market, in turn tempering ownership demand.

CMHC estimates that the income required to service the debt on an existing home purchased at the 2005 average selling price will increase almost 12 per cent compared to current estimated debt servicing costs. The monthly principal and interest payment on

the popular NHA 95 per cent mortgage will increase from \$852 to \$956. Despite the rising costs of buying and owning a home, overall carrying costs in Saskatoon will remain one of the lowest among cities in Western Canada.



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Economic Outlook

Employment growth of 2,000 jobs expected in 2005

In 2004, a slump in the Service sector will leave overall employment virtually unchanged from 2003. On a positive note, various industries within the Goods sector have almost totally compensated for losses in the Service sector. The Manufacturing sector has seen an increment of more than 1,000 employed through the first eight months of 2004. Agriculture, Mining, Oil and Gas extraction and Utilities sectors have also posted gains in employment.

The Construction sector also appears to be on a firmer footing. After peaking at 18.3 per cent in March, the unemployment rate in this sector has been trending down and stood at 4.7 per cent in August. While the decline is welcomed, this sector has the potential to make a greater contribution to the local economy. With year-to-date employment at about 6,000 workers, total Construction employment still has not gone back to the 2002 average of 7,390 jobs.

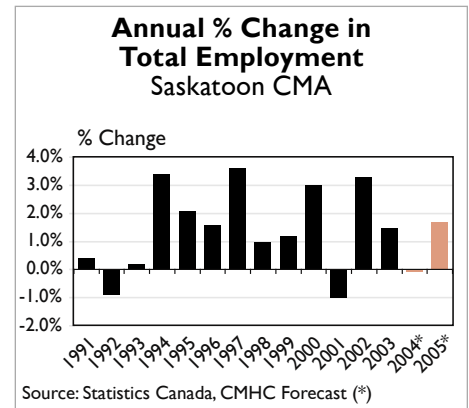
The addition of jobs in the Goods sector has also benefited income gains as jobs in this sector tend to pay higher wages than the overall Service sector. The combination of more jobs in the Goods sector and the higher paying Service sector of Professional, Scientific and Technical Services and Education has caused average

weekly earnings to jump from an eight month average of \$581 in 2003 to \$612 in 2004. This represents a gain of 5.4 per cent, well ahead of the overall inflation rate of 1.7 per cent. These income gains bode well for future household formation and housing demand.

Total employment will rise by 2,000 jobs in 2005. Income gains of 2004 will translate into greater consumer spending next year and aid employment in the retail trade sector. The outlook for employment in the Mining, Oil and Natural Gas sectors is optimistic due to improved world markets for uranium and potash and rising oil and natural gas prices. Manufacturing exports will also benefit from continued growth of the world economy.

Mortgage rates on the rise

Interest rates in both Canada and the United States have begun to increase in the summer of 2004. Further hikes are anticipated in the months ahead. In Canada, the increasing pace of inflation and continued strong economic growth prompted the Bank of Canada to push rates upward in early September. The Bank has expressed concern about an economy that is close to capacity and has seen the need to reduce monetary stimulus to avoid a build up of inflationary pressures. In the United



States, the long-awaited tightening cycle began in June. With the economy gaining momentum in September, the expectation remains that the U.S. Federal Reserve Board will tighten monetary policy at a measured pace going forward into 2005.

One, three, and five-year posted closed mortgage rates in Canada are expected to remain relatively flat to slightly higher for the remainder of this year, having already followed the move up in bond yields this spring.

Next year, rates will increase by a further 50-100 basis points to 4.75-6.00, 6.00-7.00 and 6.75-7.75 per cent range respectively.

Rental Market Outlook

Average vacancy rate slips to four per cent in 2004 - three per cent in 2005

The absorption of new rental units on the east side of the city will cause the average vacancy rate for apartments to decline from 4.5 per cent in October 2003 to four per cent in October 2004. In-migration and rising interest rates and prices will cause average vacancy to decline to three per cent in 2005.

Two factors will prevent average vacancy from finding the one per cent level seen in 1999 when Saskatoon CMA had the lowest vacancy rate among CMAs in Canada. Firstly, southeast Saskatoon has a large number of projects suffering from a cycle of high vacancy and low rents. Historically, this zone has endured the highest vacancy rate in the city. Secondly, new and modestly priced row

units are being purchased by small investors and rented to students and young couples. This has resulted in an increased supply of more desirable ground-oriented rental units, thereby reducing the demand for traditional walk-up apartments.

The competitive nature of the rental market produced by a plentiful supply of rental property and the availability of relatively inexpensive resale housing will restrain potential rent gains in 2004 and 2005. Operating and maintenance costs are increasing for all types of rental housing but the ability to obtain rent increases and the level of rent increases will depend on the household income in the area of the city where the project is located.

ADDRESSING THE FUTURE

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CMHC FORECAST SUMMARY

Saskatoon Metropolitan Area

October 2004

	2002	2003	%Chg	2004*	%Chg	2005*	%Chg
Resale Market							
MLS® ⁽¹⁾ new listings (monthly average)	355	365	2.8%	420	15.1%	380	-9.5%
Total MLS® Sales	2,941	2,848	-3.2%	3,000	5.3%	3,200	6.7%
Average MLS® Price	\$118,608	\$124,621	5.1%	\$132,000	5.9%	\$138,000	4.5%
New Home Market							
Starts							
Total	1,489	1,455	-2.3%	1,400	-3.8%	1,400	0.0%
Single-family	691	676	-2.2%	700	3.6%	700	0.0%
Multiple-family	798	779	-2.4%	700	-10.1%	700	0.0%
Average New House Price							
Single-family	\$176,409	\$184,610	4.6%	\$196,000	6.2%	\$204,000	4.1%
Rental Market							
Vacancy rate (October Percent)	3.7	4.5		4.0		3.0	
2-bedroom Rent (yr/yr % chg)	1.6	1.7		2.0		3.0	
Economic Overview							
Mortgage rate (3 year term)	6.28	5.79		5.67		6.53	
Mortgage rate (5 year term)	7.02	6.39		6.33		7.12	
Employed	119,400	121,200	1.5%	121,000	-0.2%	123,000	1.7%
Employment growth (# jobs)	3,800	1,800		-200		2,000	
Net-migration (Census Year ⁽²⁾)	-90	913		1,000		1,500	

* CMHC Forecast

Source: CMHC, Statistics Canada, Canadian Real Estate Association and the New Home Warranty of Saskatchewan

1 Multiple Listing Service (MLS®) is a registered certification mark owned by the Canadian Real Estate Association.

RESIDENTIAL CONSTRUCTION DIGEST

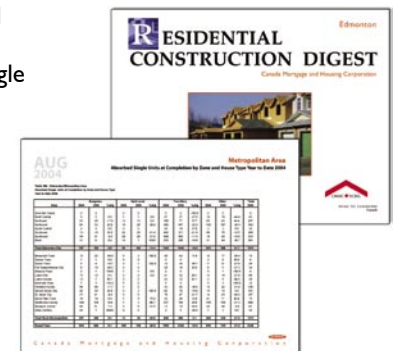
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