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Canada Mortgage and Housing Corporation
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New Home Market

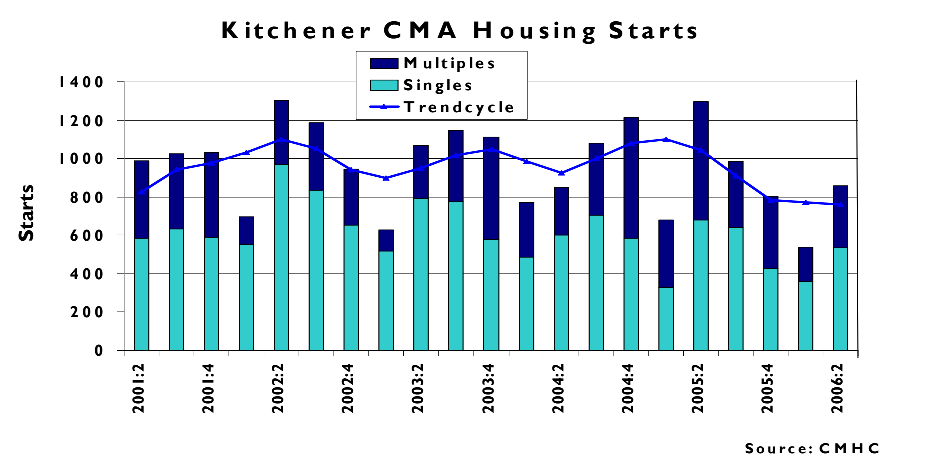
Weaker Home Starts

New home construction in the Kitchener CMA moved lower in the second quarter of 2006. Construction began on 860 homes this quarter, down 34 per cent from the same quarter last year. Home starts this quarter were also lower than the ten-year average for second quarters of 910 units.

Home construction declines came from both the single-detached and the multiple family home segments. Single-detached starts decreased 22 per cent compared to the same quarter in 2005, while multiple family home starts, which include semi-detached, townhouses, and apartments, dropped more than 47 per cent.

Several key factors negatively impacted new home construction: higher mortgage rates, lower employment, and more choice in the resale home market. Mortgage rates, although remaining near historically low levels, have increased by more than 20 per cent in the last year. Home prices have outpaced the general rate of inflation since the mid 1990's. The combination of slightly higher mortgage rates and higher home prices have moved average mortgage carrying costs up noticeably. The robust job growth witnessed in 2005 has paused. In fact, the Kitchener CMA has experienced negative growth this quarter with employment down 5,900 jobs or 2.3 per cent compared to the second quarter last year. New listings of homes on the resale market have been rising since the beginning of the decade offering homebuyers alternatives to new homes.

Construction of single-detached homes in the Kitchener CMA continues to trend lower. Increased mortgage rates and the higher detached home prices have pushed single-detached carrying costs out of the reach of some homebuyers. New single-detached home prices have been driven higher by the increase



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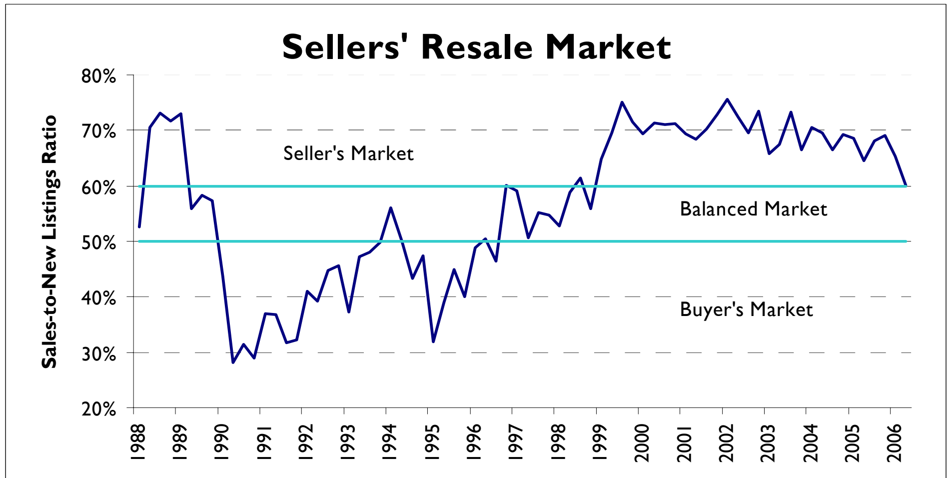
in land costs due to a shortage of lots available for residential construction, as well as higher labour and material costs. The average price of a new single-detached home in the Kitchener CMA has risen by more than 11 per cent this year to $309,682.

Single-detached starts in the City of Cambridge were an exception to this downward trend. With an increased supply of serviced lots available, construction began on 36.5 per cent more single-detached homes here.

Alternatives to the higher priced single-detached homes did not fair any better. While multiple family home types are more affordable, only semi-detached home construction increased this year. An increase in unabsorbed multiple family units, especially freehold townhouses and rental apartments, have kept some builders from bringing more of these products on stream.

Also of note is the increase in conversion activity in the Kitchener CMA, where old manufacturing buildings are being converted to condominiums. Conversion type projects are not included in new home starts numbers, but do add to the stock of available units for sale to homebuyers.



Source: CREA, CMHC Calculation

Resale Market

Strong K-W Sales

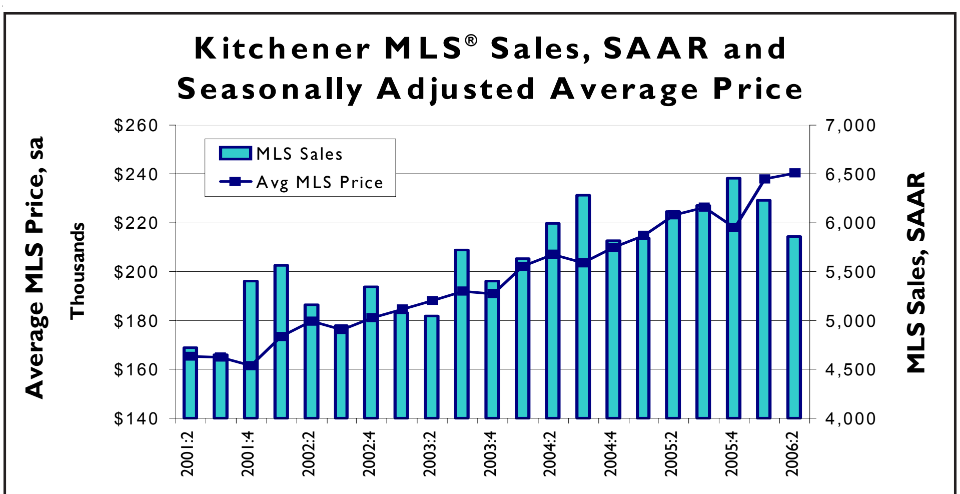
The Kitchener resale home market has been active this quarter. Home sales are strong; inflation adjusted home prices are as high as they have ever been; and leading home price indicators, such as the sales-to-new listings ratio, suggest that above inflation home price growth will continue.

Demand for resale homes remains near historically high levels. After an exceptional first quarter, sales of residential properties registered through the Kitchener-Waterloo Real Estate Board moved slightly lower in the second quarter. A total of 1,832 homes changed hands, down 5.1 per cent from the same quarter in 2005. Although lower, this was the third best second quarter ever. For the first half of 2006, existing home sales are virtually unchanged.

The lower average price of existing homes when compared to new drew many homebuyers to look to the resale market. On the other hand, slightly higher mortgage rates, increased resale home prices and lower employment levels kept existing home sales from reaching record levels in the first half of this year.

The high supply of homes for sale in the existing home market satisfied many homebuyers. Compared to the second quarter of 2005, new listings remained high, rising by 1.9 per cent. The decline in sales out-stripped the increase in new listings. The sales-to-new listings ratio (SLR) remained above the 60 per cent mark. The sales-to-new listings ratio is a measure of the current state of the resale home market and in Kitchener-Waterloo, a SLR above the 60 per cent mark suggests seller's market conditions.

Price growth in a seller's market tends to grow at a rate greater than the rate of inflation. The average price of an existing home in the second quarter was $237,931, an increase of 8.2 per cent over the same quarter last year.



Source: KWREB, CMHC

Table 1: Housing Activity Summary for Kitchener CMA

	OWNERSHIP					RENTAL		
	FREEHOLD			CONDOMINIUM				GRAND
	*SINGLE	*SEMI	ROW	ROW	APT	ROW	APT	**TOTAL
STARTS								
Q2 2006	535	80	132	42	0	0	71	860
Q2 2005	682	26	221	53	119	44	152	1,297
% Change	-21.6	**	-40.3	-20.8	-100.0	-100.0	-53.3	-33.7
Year-to-date 2006	894	114	229	76	0	0	83	1,396
Year-to-date 2005	1,011	36	348	86	119	52	327	1,979
% Change	-11.6	**	-34.2	-11.6	-100.0	-100.0	-74.6	-29.5
UNDER CONSTRUCTION								
June 2006	684	96	316	152	85	0	578	1,911
June 2005	813	62	508	152	119	52	772	2,478
COMPLETIONS								
Q2 2006	434	38	184	11	0	0	12	679
Q2 2005	508	31	65	22	0	12	48	686
% Change	-14.6	22.6	183.1	-50.0	NA	-100.0	-75.0	-1.0
Year-to-date 2006	811	84	292	59	0	0	227	1,473
Year-to-date 2005	909	37	112	49	0	12	274	1,393
% Change	-10.8	127.0	160.7	20.4	NA	-100.0	-17.2	5.7
COMPLETE & NOT ABSORBED								
June 2006	138	15	112	16	0	0	164	445
June 2005	133	14	33	5	0	0	46	231
ABSORPTIONS								
Q2 2006	429	37	142	15	0	4	49	676
Q2 2005	511	30	52	20	0	12	96	721
% Change	-16.0	23.3	173.1	-25.0	NA	-66.7	-49.0	-6.2
Year-to-date 2006	769	78	242	61	0	4	257	1,411
Year-to-date 2005	875	38	101	47	0	12	300	1,373
% Change	-12.1	105.3	139.6	29.8	NA	-66.7	-14.3	2.8

*Includes all market types

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

Source: CMHC

The average single-detached price increased by nine per cent to $269,073 when compared to the first half of 2005. As a result, many homebuyers have turned to less expensive home types. Sales of single-detached homes have declined by more than four per cent this year, while the sale of other single family home types have increased by just under five per cent.

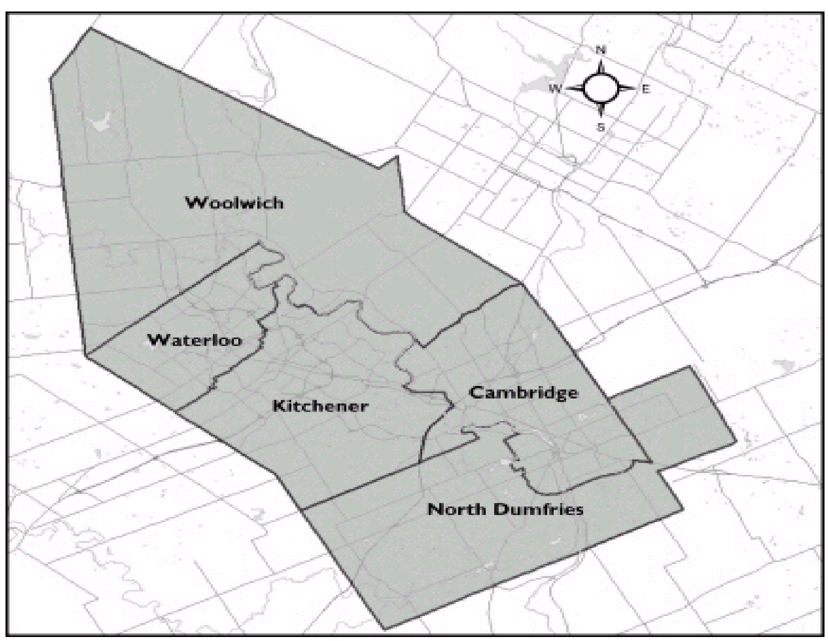


Table 2A: Starts by Area and by Intended Market - Current Quarter

Sub Market Area	SINGLES			MULTIPLES			TOTAL		
	Q2 2005	Q2 2006	% change	Q2 2005	Q2 2006	% change	Q2 2005	Q2 2006	% change
Kitchener CMA	682	535	-21.6	615	325	-47.2	1297	860	-33.7
Cambridge City	118	134	13.6	316	123	-61.1	434	257	-40.8
Kitchener City	342	273	-20.2	203	159	-21.7	545	432	-20.7
North Dumfries Township	7	11	57.1	0	0	NA	7	11	57.1
Waterloo City	149	79	-47.0	80	36	-55.0	229	115	-49.8
Woolwich Township	66	38	-42.4	16	7	-56.3	82	45	-45.1

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

Sub Market Area	SINGLES			MULTIPLES			TOTAL		
	YTD 2005	YTD 2006	% change	YTD 2005	YTD 2006	% change	YTD 2005	YTD 2006	% change
Kitchener CMA	1,011	894	-11.6	968	502	-48.1	1,979	1,396	-29.5
Cambridge City	159	217	36.5	363	154	-57.6	522	371	-28.9
Kitchener City	530	445	-16.0	427	256	-40.0	957	701	-26.8
North Dumfries Township	11	12	9.1	0	0	NA	11	12	9.1
Waterloo City	235	140	-40.4	149	72	-51.7	384	212	-44.8
Woolwich Township	76	80	5.3	29	20	-31.0	105	100	-4.8

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

Sub Market Area	Q2 2005	Q2 2006	% Change	YTD 2005	YTD 2006	% Change
Kitchener CMA	282,478	313,914	11.1	278,790	309,682	11.1
Cambridge City	299,730	297,051	-0.9	295,337	291,125	-1.4
Kitchener City	261,149	298,119	14.2	260,867	298,376	14.4
North Dumfries Township	412,500	525,000	27.3	388,112	567,500	46.2
Waterloo City	284,232	311,729	9.7	280,594	310,602	10.7
Woolwich Township	388,430	405,429	4.4	353,266	364,884	3.3

Source: CMHC

Note: NA may appear where CMHC data suppression rules apply

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

AREA	<$150,000 Units	<$150,000 Share (%)	$150 -$174,999 Units	$150 -$174,999 Share (%)	$175-$249,999 Units	$175-$249,999 Share (%)	$250-$299,999 Units	$250-$299,999 Share (%)	$300,000+ Units	$300,000+ Share (%)	TOTAL
Kitchener CMA											
Q2 2006	0	0.0	0	0.0	131	30.5	116	27.0	182	42.4	429
Q2 2005	1	0.2	6	1.2	246	48.1	99	19.4	159	31.1	511
YTD 2006	1	0.1	1	0.1	239	31.1	228	29.6	300	39.0	769
YTD 2005	1	0.1	11	1.3	411	47.0	187	21.4	265	30.3	875
Cambridge City											
Q2 2006	0	0.0	0	0.0	25	27.2	25	27.2	42	45.7	92
Q2 2005	0	0.0	0	0.0	32	33.3	27	28.1	37	38.5	96
YTD 2006	0	0.0	0	0.0	56	30.1	58	31.2	72	38.7	186
YTD 2005	0	0.0	0	0.0	52	31.1	49	29.3	66	39.5	167
Kitchener City											
Q2 2006	0	0.0	0	0.0	80	37.7	68	32.1	64	30.2	212
Q2 2005	1	0.4	5	1.8	157	56.3	44	15.8	72	25.8	279
YTD 2006	1	0.3	1	0.3	139	39.7	112	32.0	97	27.7	350
YTD 2005	1	0.2	7	1.5	264	56.9	79	17.0	113	24.4	464
North Dumfries Township											
Q2 2006	0	0.0	0	0.0	0	0.0	0	0.0	8	100.0	8
Q2 2005	0	0.0	0	0.0	0	0.0	0	0.0	4	100.0	4
YTD 2006	0	0.0	0	0.0	0	0.0	0	0.0	10	100.0	10
YTD 2005	0	0.0	0	0.0	0	0.0	1	14.3	6	85.7	7
Waterloo City											
Q2 2006	0	0.0	0	0.0	21	26.3	18	22.5	41	51.3	80
Q2 2005	0	0.0	1	1.0	47	48.0	20	20.4	30	30.6	98
YTD 2006	0	0.0	0	0.0	32	23.2	36	26.1	70	50.7	138
YTD 2005	0	0.0	4	2.3	78	44.1	40	22.6	55	31.1	177
Woolwich Township											
Q2 2006	0	0.0	0	0.0	5	13.5	5	13.5	27	73.0	37
Q2 2005	0	0.0	0	0.0	10	29.4	8	23.5	16	47.1	34
YTD 2006	0	0.0	0	0.0	12	14.1	22	25.9	51	60.0	85
YTD 2005	0	0.0	0	0.0	17	28.3	18	30.0	25	41.7	60

Source: CMHC

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

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
2005	January	309	12.4	5,700	682	8,900	63.9	219,545	13.2	209,499
	February	485	12.0	6,000	694	8,600	69.9	207,880	2.8	208,333
	March	573	-14.6	5,800	809	7,700	75.6	216,001	9.5	226,698
	April	623	0.3	6,000	1,033	10,400	57.8	216,128	5.8	219,055
	May	627	5.4	5,900	939	9,100	65.3	222,352	10.5	234,262
	June	680	6.1	6,400	959	9,500	67.5	221,142	4.1	216,432
	July	513	-7.7	5,800	704	8,900	65.1	223,422	10.8	221,427
	August	584	18.2	6,400	793	9,500	67.6	225,814	8.2	237,369
	September	487	-1.6	6,300	789	9,400	67.1	222,726	5.4	219,265
	October	471	18.3	6,500	806	9,900	66.1	230,626	11.8	211,603
	November	481	1.1	6,300	600	9,400	67.1	222,393	3.8	229,194
	December	314	13.8	6,600	319	8,300	78.9	216,739	0.2	213,039
2006	January	394	27.5	6,600	783	9,600	68.3	221,523	0.9	233,285
	February	487	0.4	6,100	681	8,600	70.4	233,015	12.1	239,566
	March	585	2.1	6,000	990	9,700	62.5	237,610	10.0	241,065
	April	554	-11.1	5,900	919	9,700	60.9	236,468	9.4	227,249
	May	676	7.8	6,100	1,091	10,000	61.3	240,371	8.1	253,064
	June	602	-11.5	5,600	977	9,600	57.8	236,539	7.0	240,350
	July									
	August									
	September									
	October									
	November									
	December									
	Q2 2005	1,930	3.9	6,100	2,931	9,700	63.3	219,917	6.7	223,048
	Q2 2006	1,832	-5.1	5,900	2,987	9,800	60.0	237,931	8.2	240,394
	YTD 2005	3,297	1.9		5,116			217,431	7.2	
	YTD 2006	3,298	0.0		5,441			235,188	8.2	

	Annual Sales	Yr/Yr %		Annual New Listings	Yr/Yr %		Annual Average Price ($)	Yr/Yr %	
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	
2004	5,931	11.7		8,601	10.9		205,639	8.9	
2005	6,147	3.6		9,127	6.1		220,511	7.2	

Source: Canadian Real Estate Association

Table 6: Economic Indicators

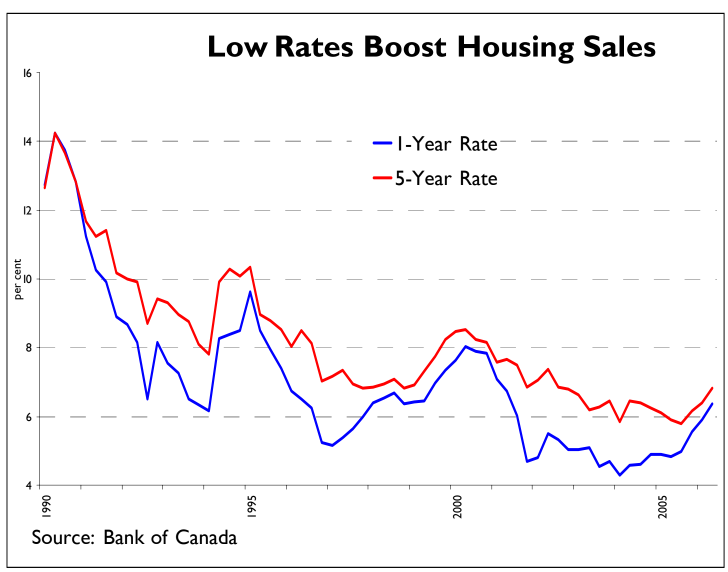
		Interest and Exchange Rates				Inflation Rate (%)	NHPI*** % chg.	KITCHENER CMA Labour Market		
		P & I*	Mortgage Rate (%)		Exch. Rate	Ontario	KITCHENER CMA	Employment	Employment	Unemployment
		Per $100,000	1 Yr. Term	5 Yr. Term	($US/$Cdn)	1996=100	1997=100	SA** (,000)	SA m/m (%)	Rate (%) SA
2005	January	642.78	4.8	6.1	0.806	1.6	5.6	243.6	1.0	4.3
	February	642.78	4.8	6.1	0.811	2.2	5.9	245.8	0.9	4.7
	March	654.74	5.1	6.3	0.827	2.3	6.3	248.3	1.0	5.5
	April	642.78	4.9	6.1	0.795	2.3	4.8	249.9	0.6	5.9
	May	636.84	4.9	6.0	0.797	1.5	5.2	251.7	0.7	6.3
	June	622.08	4.8	5.7	0.816	1.9	5.2	252.5	0.3	6.0
	July	627.97	4.9	5.8	0.817	1.9	5.4	251.1	-0.6	5.9
	August	627.97	5.0	5.8	0.842	2.7	5.8	250.3	-0.3	5.9
	September	627.97	5.0	5.8	0.860	3.3	5.1	249.6	-0.3	5.7
	October	639.81	5.3	6.0	0.847	2.5	4.0	250.1	0.2	5.7
	November	648.75	5.6	6.2	0.857	2.0	3.8	249.1	-0.4	5.7
	December	657.75	5.8	6.3	0.860	2.1	3.4	249.4	0.1	5.7
2006	January	657.75	5.8	6.3	0.878	3.0	4.3	251.0	0.6	5.7
	February	666.80	5.9	6.5	0.880	2.0	4.5	252.4	0.6	5.3
	March	666.80	6.1	6.5	0.856	2.3	5.0	251.8	-0.2	5.2
	April	685.05	6.3	6.8	0.894	2.3	4.6	250.0	-0.7	4.9
	May	685.05	6.3	6.8	0.908	2.8	5.1	248.8	-0.5	5.0
	June	697.33	6.6	7.0	0.896	2.4		247.3	-0.6	4.8
	July									
	August									
	September									
	October									
	November									
	December									

* Principal and Interest Payment assumes a five year mortgage rate and 25 year amortization period

** 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

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