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ORECAST

SUMMARY

St. Catharines-Niagara

Canada Mortgage and Housing Corporation

New Home Market

Starts will remain strong in 2005

2004 is shaping up to be an impressive year. Total starts are on track to reach 1770 units in 2004 up over 20 per cent from last year. Single-detached starts will total 1,300 starts. Multiple family home starts will increase by more than 50 per cent and reach 470 starts.

Looking ahead to 2005, strong housing market fundamentals listed below suggest that home starts will remain strong.

Resale markets will remain tight in 2005 but a little less so than 2004. Spill over demand from a tight resale market will generate demand for new homes. Mortgage rates will rise in

2005, but they will remain low by historical standards and will generate demand for new homes. Strong consumer confidence will provide a solid foundation for housing demand.

Move-up buyers will support demand for new homes. The majority of baby boomers are in their prime move-up home buying years. We can expect demand for new single-detached homes to remain strong next year.

Single detached starts will total 1245 units next year. Higher mortgage carrying costs associated with rising prices and rates will put some pressure on affordability. As a result,

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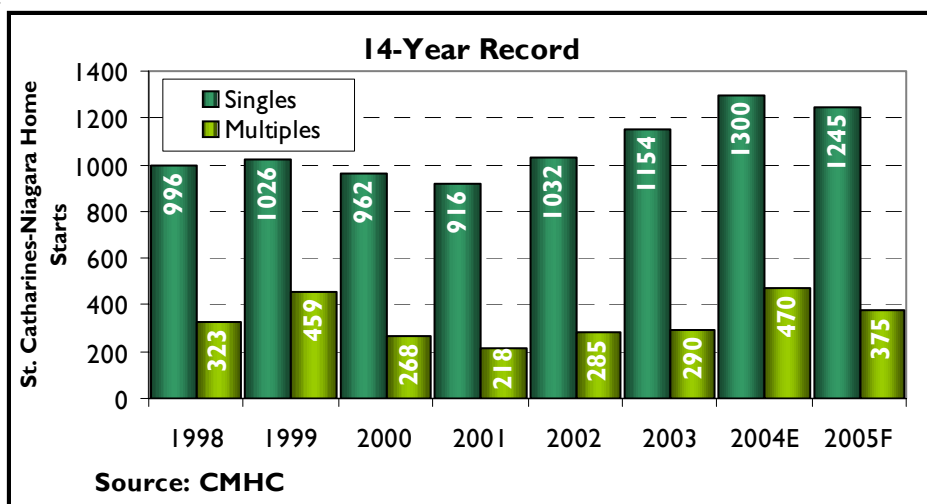
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single starts will edge lower from the peak reached in 2004 but will remain at historically high levels.

Multiple family home starts will reach 375 homes in 2005. Although this is down 20 per cent from 2004 it still represents a healthy level of construction. A unique 100-unit project bumped up the 2004 result.

Overall, expect 2005 to be another strong year in new home construction with starts totalling 1620 in 2005.



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HOME TO CANADIANS
Canada

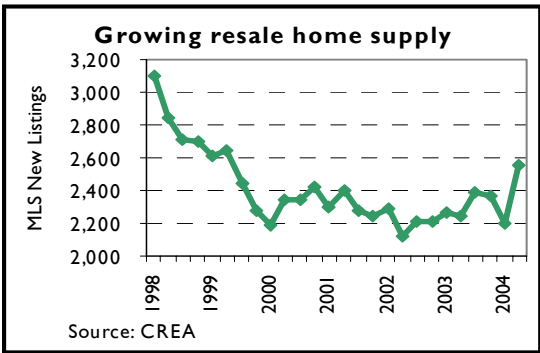
Resale Market

MLS® sales will stay at high levels in 2005

The resale market has been very strong this year. MLS® sales are currently on track to reach 6,700 unit sales, up 8.5 per cent from last year. This would represent the highest level of sales since 1989.

Low mortgage rates and strong consumer confidence have contributed to the exceptional growth in home sales. A jump in new listings has also provided more choice to potential buyers and has pushed MLS® sales higher.

Average prices in the region have continued their impressive upward trend and are expected to reach \$171,000, up over 10 per cent from last year.



Looking ahead to 2005, strong housing market fundamentals suggests that the resale market will remain very active.

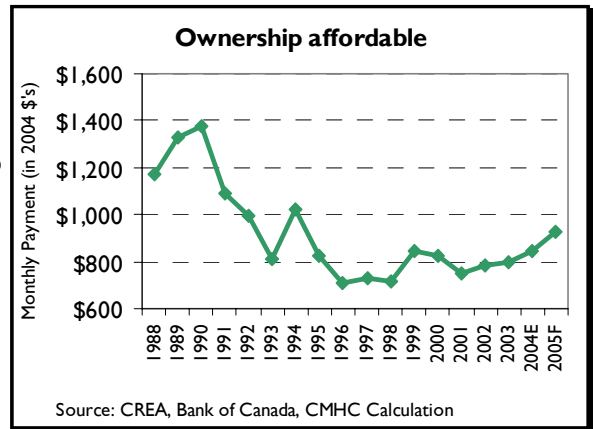
Solid price growth over the last few years will act as an incentive to list homes. New MLS® listings are expected to continue their recent upward trend. The increase in new MLS® listings coupled with strong consumer confidence and historically low mortgage should help keep sales near historical highs.

Rising resale home prices and mortgage rates will lead to higher mortgage carrying costs which will have a dampening effect. Interest rate sensitive first time home buyers will be affected. Sales will come below the peaks reached in 2004.

Recent job losses will also dampen any increase in sales activity in the region.

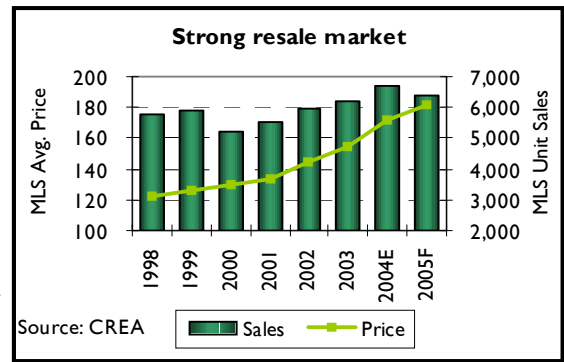
Expect MLS® sales to edge lower to 6,400 home sales in 2005. Although a bit lower than in 2004, this sales number is strong by historical standards. Aside from this year, 6,400 home sales would represent the highest level of sales activity since 1989.

A sales-to new listings ratio is a leading indicator of future prices. With the number of new listings on the rise and sales expected to inch lower, the



sale-to-new listings ratio will decline slightly next year but will remain in sellers' market territory.

A better balance between buyer and sellers in the resale market will reduce upward pressure on prices. We will not see the double-digit price gains that we experienced in the first half of 2004. Prices are still expected to increase above the general rate of inflation. The average MLS® price of a resale home is expected to increase by 6.4 per cent and reach \$182,000 in 2005.



Demographic Trends

There are two interesting demographic trends emerging in the St. Catharines-Niagara CMA.

The first trend involves the increase in the number of one-person households. Aging has led to this increase through the death of spouses and the departure from home of children. Since the CMA is one of the oldest in terms of age in the country this trend

will likely persist and will have important implications in the design of new homes in the region.

The second trend involves the make-up of migrants in the region. Between 1995 and 2000, the number of net migrants aged 18 to 24 has declined. In fact over the last few years the region has been a net-loser of individuals within this age group.

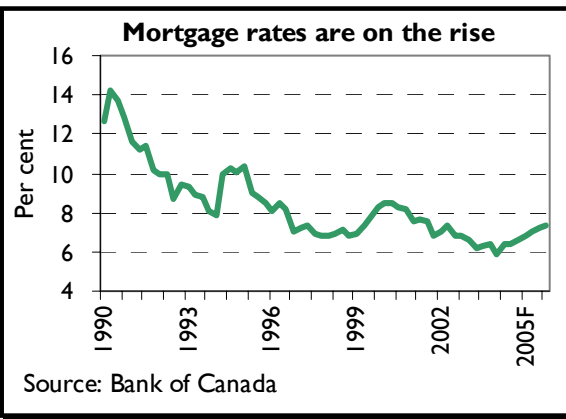
On the other hand, over the same period we have seen an increase in the number of young families moving into the region. Price differential between neighbouring centers continues to draw young families to the region. More and more families look for affordable housing in light of recent price growth in neighbouring markets such as Toronto and Hamilton.

Economic Trends

Mortgage rates on the rise

Expect Canada's economic growth to improve throughout the rest of the year. The improving economic environment suggests that the Bank of Canada will need to move the overnight rate higher which will put upward pressure on mortgage rates.

The one, three and five year posted closed mortgage rates will remain relatively flat for the remainder of this year, having already followed the move up in bond yields this spring. Next year these rates will begin to increase by 50-100 basis points and are expected to be in the 4.75-6.00,



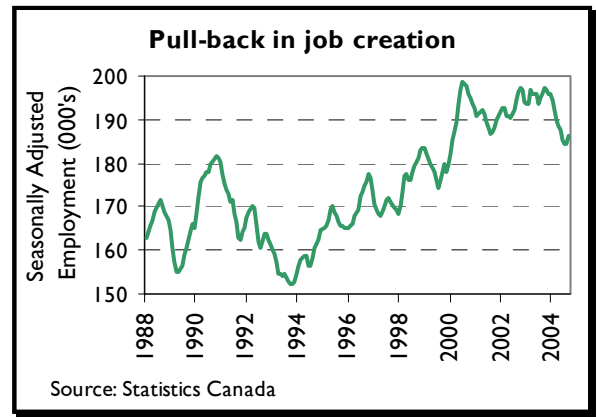
5.75-6.75 and 6.25-7.50 per cent range respectively.

Employment declines

Employment has been on a downward trend since the fourth quarter of 2003. The bulk of the job losses have come from the manufacturing sector. Manufacturing jobs were hard hit in the last year and a half as a result of major closures and layoffs at key plants in the region.

However, recent data suggests that the drop in manufacturing employment will bottom out this year. In fact, with a GM announcement of a \$116 million investment at the St. Catharines engine plant, this sector is beginning to show some signs of life.

A pick up in US economic activity will translate into greater demand for Canadian goods. Some of this increase will be offset by the appreci-



ating value of the Canadian dollar, which will put downward pressure on Canadian exports in 2005.

The tourism sector received a big boost this year with the opening of the new Fallsview Casino. The new casino has added over 2000 jobs to region. Over the next few years the new casino should stimulate further job growth in this sector as more tourist driven businesses open.

We expect average annual employment to reach 187,000 (-4.5%) in 2004 and 189,500 (1.3%) in 2005.

Rental Market

Vacancy rate will edge higher

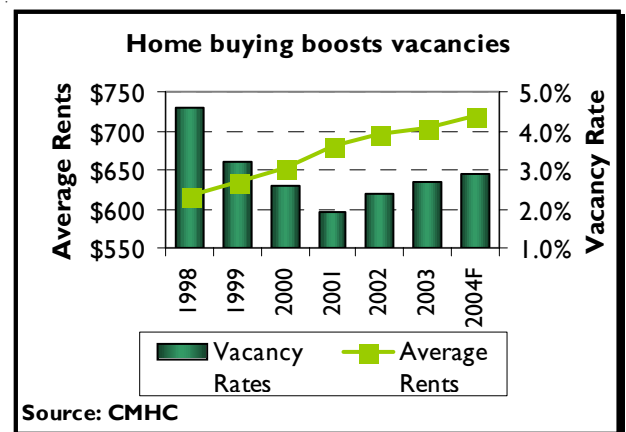
The vacancy rate in the Niagara region is expected to rise from 2.7 per cent in 2003 to 2.9 per cent in 2004.

The rental market will continue to lose renters to home ownership as a result of the low carrying costs, which are comparable to rents. The push towards home ownership will nudge the vacancy rate higher in 2004. No significant rental supply is expected this year. Rent increases will remain moderate at 2 per cent in 2004.

In 2005, continued strength in the home ownership market will continue to put downward pressure on rental demand. Rent increases in 2005 will be in-line with the guidelines released by the Ministry of Municipal Affairs and Housing which for 2005 are a moderate 1.5 per cent.

140 units of affordable housing will be developed in the Niagara region. Development of most units is slated to begin next year. The city of St. Catharines will receive 89 new units

and the city of Welland will receive 51 units. Most of these new units will be conversions of existing buildings.



ST. CATHARINES-NIAGARA CENSUS METROPOLITAN AREA

Forecast as at October 2004

NEW HOME MARKET	2003	2004E	2005F	Change%
Starts				
Singles	1154	1300	1245	-4.2
Multiples	290	470	375	-20.2
Total	1444	1770	1620	-8.5
New Home Price Index				
Annual percent Change	4.9%	6.7%	6.0%	n/a
RESALE MARKET				
MLS* Sales	6174	6700	6400	-4.5
MLS* New Listings	9270	10000	10300	3.0
Sales-to-New Listings Ratio	67%	67%	62%	
MLS* Price	\$154,550	\$171,000	\$182,000	6.4
RENTAL MARKET				
Apartment vacancy rate	2.7	2.9	3	n/a
Average rent(2 bedroom)	\$710	\$724	\$735	1.5
ECONOMIC OVERVIEW				
Mortgage rate (1 year)	4.84	4.56	5.48	n/a
Mortgage rate (3 year)	5.82	5.69	6.45	n/a
Mortgage rate (5 year)	6.39	6.28	6.95	n/a
Employment	195,875	187,000	189,500	1.3
Migration	1663	1500	1650	10.0

Sources: CREA, Statistics Canada

* Multiple Listing Service 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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