



HOUSING NOW

St. Catharines/Niagara

YOUR LINK TO THE HOUSING MARKET

Canada Mortgage and Housing Corporation

VOLUME 6, NUMBER 1

FIRST QUARTER 2003

Single Construction bolsters housing starts in first quarter of 2003

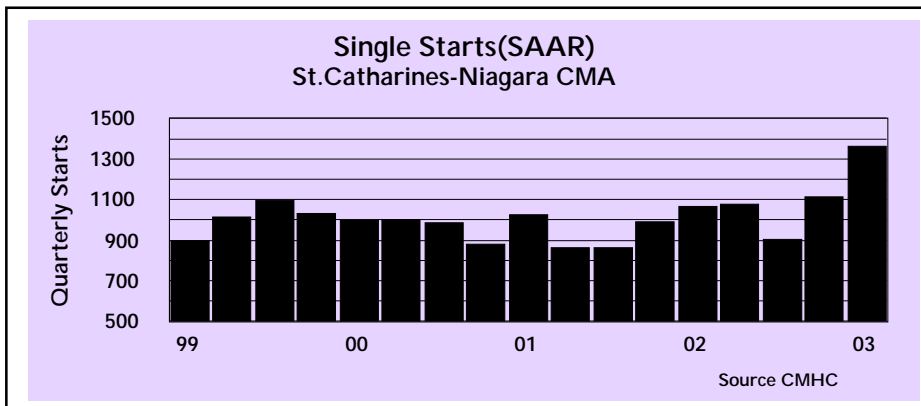
Total housing starts in the St.Catharines-Niagara CMA rose 23 per cent from the first quarter of 2002 to reach 245 units in 2003Q1. New single-detached construction was the main driver behind the numbers. Low interest rates, a hot resale market and positive income growth continue to stimulate the singles' market. On a seasonally adjusted basis, single starts this quarter increased 22 per cent from 2002Q4. In actual units single starts in 2003Q1 rose by 30 per cent. After adjusting for seasonal variations construction this quarter is the second best quarterly starts since 1990Q1.

Meanwhile multiple construction declined by 57 per cent this quarter. This deceleration came on the back of a relatively high level of multiple construction in the fourth quarter of 2002. Hence the drastic slowdown warrants some cautionary interpretation. Compared to the first quarter last year multiple construction was virtually unchanged. Indeed multiple starts stood at 41 units in 2002Q1 as opposed to 40 units in 2003Q1. The distribution of starts was nonetheless very different. In 2002Q1 multiple construction was partitioned among semi-detached

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units(16), row freehold(12) and row condominiums(9). Contrastingly in 2003Q1 multiple construction was heavily concentrated in row freehold units(36). In fact this is the highest number of row freehold construction for a single month since March 1990. The demographic differential in the region certainly supports this trend as more semi-retired and retired individuals turn to the lifestyle and choices offered by row houses. Their decisions are supported by the strong resale market and the solid price growth endogenized in the new home market.



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HOME TO CANADIANS
Canada

The broader economic scene also bodes well for the housing market. Borrowing costs are still low. Recent pick up in employment especially in the manufacturing, construction and transportation sectors can help bolster income growth. Despite the recent dip in consumer confidence, retail trade remains at high levels.

The average price of a new single detached home in the St. Catharines-Niagara CMA rose 6.5 per cent from last year-well above the rate of inflation. In Welland the average price in 2002Q1 was largely influenced by the sale of a single home over \$250K. If that sale is excluded the average price of a new single home in Welland would have actually increased by approximately 0.3 per cent in 2003Q1- as opposed to a price decline. Likewise the apparently large price increases in Thorold and Lincoln merit cautionary interpretations in view of the absorptions of a number of units priced over \$250K which have skewed the average prices. What about Niagara-on-the-Lake? Once again the numbers mask the true distribution of prices. In 2002Q1 there were six sales over 450K in NOTL. In 2003Q1 there

Resale Market still strong

From a first quarter perspective the resale market in 2003 has not been this hot since the first quarter of 1987. Indeed the unadjusted sales to new listings ratio-an indicator of market activity- stood at 58 per cent. A market above 55 per cent is referred to as a seller's market. Total sales were virtually unchanged while average prices climbed almost 7 per cent from last year. Excluding seasonal variations sales fell marginally while prices rose by 0.4 per cent in 2003Q1. Low interest rates combined with solid income growth and stimulatory move-up buying in the new home market continue to fuel resale activities.

The St.Catharines district led the pack capturing over half the total sales. Price growth remains strong in the face of solid demand and steadily declining new listings. This is the sixth consecutive quarterly price increases in the St.Catharines market. From 2001Q4 to 2003Q1 resale home prices in the area grew at an average annualized growth rate of 9.4 per cent. Nevertheless the price growth from 2001Q4 to 2002Q4 occurred at a declining rate. Resale home prices-adjusted for inflation- in St.Catharines are still below the peaks of the late 1980s and early 1990s. St.Catharines remains the driving force behind the solid performance of the resale market.

In Niagara Falls-Fort Erie sales fell compared to last year but prices grew by 8 per cent. The sales to new listings ratio dipped to 48 per cent from last year mainly as a

Economic Indicators			
	Feb 2003	Feb 2002	%Change
NHPI	1.14	1.10	3.3
	March 2003	March 2002	%Change
Consumer Price index	1.235	1.195	3.1
Employment level	188800	183100	3.1
Unemployment rate	7.7	7.9	n/a
5 year mortgage rate	6.9	7.3	-6.2

Source: Statistics Canada, CMHC

were none in that price range. Subsequently the average price was biased downward in 2003Q1. This simple analysis indicate the volatility of price movements in these small markets. The share of absorptions above \$250K increased to 34 per cent up from 26 per cent in 2002Q1. The equity gains associated with house price appreciation is one of the many incentives that will continue to encourage the shift into home ownership.

MLS® SALES ACTIVITY			
	Sales	Price	SNLR
CMA			
2003Q1	1353	\$148,700	0.58
2002Q1	1357	\$139,304	0.57
%change	-0.3	6.7	
St.Catharines			
2003Q1	695	\$159,749	0.64
2002Q1	682	\$149,376	0.63
%change	1.9	6.9	
Niagara-Fort Erie			
2003Q1	360	\$139,572	0.48
2002Q1	397	\$129,324	0.57
%change	-9.3	7.9	
Welland District			
2003Q1	298	\$133,957	0.58
2002Q1	278	\$128,846	0.48
%change	7.2	4.0	

Source:CREA

result of slower sales and increased listings. Prices fell this quarter following three consecutive quarters of growth. Meanwhile sales have declined at an increasing rate in the last three quarters- albeit from relatively high levels.

In the Welland district both sales and prices rose significantly from a year ago. However on a quarterly basis prices fell in 2003Q1 after registering a solid performance in the fourth quarter of 2002. The sales to new listings ratio rose from last year due to low availability of resale units on the market. In general the first quarter of 2003 saw a pullback in sales and prices, which after all is not too unexpected given the recent high levels of activity.

TABLE 1 : STARTS BY ZONE AND BY INTENDED MARKET

	OWNERSHIP FREEHOLD			CONDOMINIUM		PRIVATE RENTAL		ASSISTED RENTAL		TOTAL
	SINGLE	SEMI	ROW	ROW	APT	ROW	APT	ROW	APT	
Zone 1										
St. Catharines City										
2003 Q1	60	0	12	4	0	0	0	0	0	76
2002 Q1	48	6	0	9	0	0	4	0	0	67
Zone 2										
Niagara Falls										
2003 Q1	45	0	0	0	0	0	0	0	0	45
2002 Q1	26	0	0	0	0	0	0	0	0	26
Zone 3										
Welland										
2003 Q1	19	0	12	0	0	0	0	0	0	31
2002 Q1	20	2	4	0	0	0	0	0	0	26
Zone 4										
Lincoln										
2003 Q1	15	0	0	0	0	0	0	0	0	15
2002 Q1	18	0	4	0	0	0	0	0	0	22
Zone 5										
Fort Erie										
2003 Q1	21	0	0	0	0	0	0	0	0	21
2002 Q1	18	0	0	0	0	0	0	0	0	18
Zone 6										
Niagara-on-the-Lake										
2003 Q1	14	0	4	0	0	0	0	0	0	18
2002 Q1	12	8	0	0	0	0	0	0	0	20
Zone 7										
Pelham										
2003 Q1	15	0	0	0	0	0	0	0	0	15
2002 Q1	10	0	0	0	0	0	0	0	0	10
Zone 8										
Port Colborne										
2003 Q1	5	0	4	0	0	0	0	0	0	9
2002 Q1	1	0	4	0	0	0	0	0	0	5
Zone 9										
Thorold										
2003 Q1	10	0	4	0	0	0	0	0	0	14
2002 Q1	5	0	0	0	0	0	0	0	0	5
Zone 10										
Wainfleet										
2003 Q1	1	0	0	0	0	0	0	0	0	1
2002 Q1	0	0	0	0	0	0	0	0	0	0
Total										
St. Catharines-Niagara CMA										
2003 Q1	205	0	36	4	0	0	0	0	0	245
2002 Q1	158	16	12	9	0	0	4	0	0	199

TABLE 2 : SINGLE DETACHED ABSORPTION PROFILE AT MARCH 2003

Municipality	Average Price	Average Price	% chg	Supply*	Supply*	% chg	Absorptions	Completions	% Abs at
	2003Q1	2002Q1		MARCH 2003	MARCH 2002		2003Q1	2003Q1	completions
St. Catharines	\$266,882	\$254,218	5.0	23	20	13.0	42	45	93.3
Niagara Falls	\$229,656	\$204,836	12.1	10	21	-110.0	45	46	97.8
Welland	\$177,135	\$180,511	-1.9	8	6	25.0	20	22	90.9
Lincoln	\$290,900	\$241,511	20.5	7	8	-14.3	26	26	100.0
Fort Erie	\$172,975	\$169,607	2.0	3	11	-266.7	28	27	n/a
NOTL	\$316,511	\$409,592	-22.7	18	22	-22.2	24	20	n/a
Pelham	\$292,386	\$317,054	-7.8	3	8	-166.7	14	12	n/a
Port Colborne	\$170,000	\$164,967	3.1	0	0	n/a	2	2	100.0
Thorold	\$207,541	\$171,075	21.3	1	3	-200.0	8	7	n/a
Wainfleet	\$184,750	\$172,738	7.0	0	0	n/a	6	6	100.0
St. Catharines-Niagara CMA	\$244,029	\$229,198	6.5	73	99	-35.6	215	213	n/a

* Supply consists of units completed and unabsorbed units at the end of March.

** Not available

CHART 1: PRICE CHANGES FOR SINGLE HOMES FROM 2002Q1 TO 2003Q1

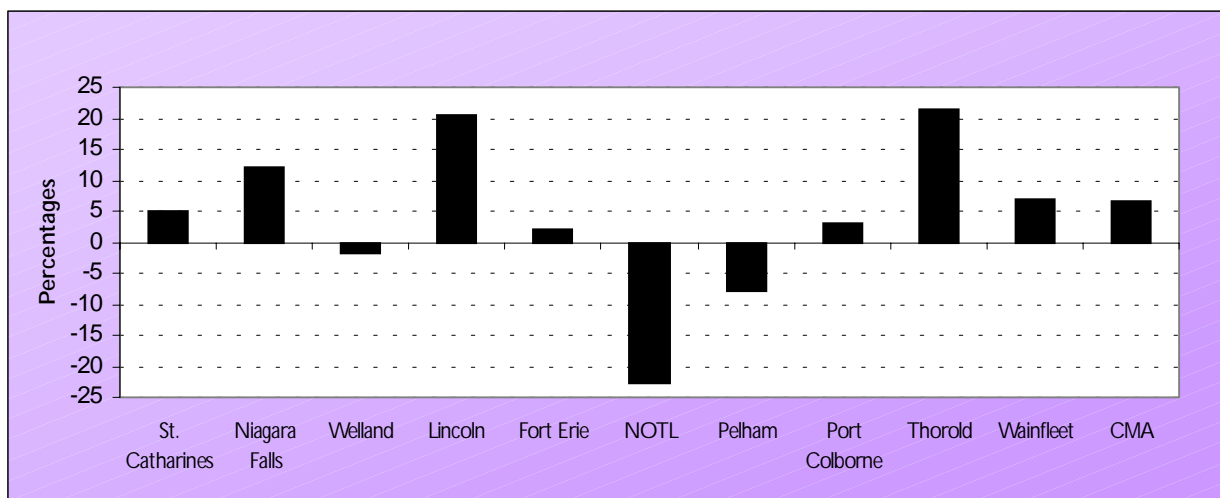


TABLE 3:ACTIVITY SUMMARY BY INTENDED MARKET

	OWNERSHIP FREEHOLD			CONDOMINIUM		PRIVATE RENTAL		ASSISTED RENTAL		TOTAL
	SINGLE	SEMI	ROW	ROW	APT	ROW	APT	ROW	APT	
Pending Starts										
March 2003	156	4	12	10	0	0	0	0	0	182
March 2002	121	4	7	0	0	0	0	0	0	132
% change	29	0	71	n/a	n/a	n/a	n/a	n/a	n/a	38
Starts										
2003Q1	205	0	36	4	0	0	0	0	0	245
2002Q1	158	16	12	9	0	0	4	0	0	199
% change	30	-100	200	n/a	n/a	n/a	n/a	n/a	n/a	23
Under Construction										
March 2003	406	38	151	51	0	0	0	0	0	646
March 2002	301	40	116	56	0	0	4	0	0	517
% change	35	-5	30	n/a	n/a	n/a	n/a	n/a	n/a	25
Completions										
March 2003	55	0	0	0	0	0	0	0	0	55
March 2002	61	8	0	3	0	0	0	0	0	72
% change	-10	-100	n/a	-100	n/a	n/a	n/a	n/a	n/a	-24
Year-to-date 2003	213	6	3	12	0	0	0	0	0	234
Year-to-date 2002	206	16	7	8	0	0	22	0	0	259
% YTD change	3	-63	-57	50	n/a	n/a	n/a	n/a	n/a	-10
Completed and not absorbed										
March 2003	73	15	9	12	0	0	0	0	0	109
March 2002	99	10	3	13	3	0	6	0	0	134
% change	-26.3	50.0	200.0	-7.7	n/a	n/a	-100.0	n/a	n/a	-18.7
Total Supply										
March 2003	635	57	172	73	0	0	0	0	0	937
March 2002	521	54	126	69	3	0	10	0	0	783
% change	22	6	37	6	-100	n/a	-100	n/a	n/a	20
Absorptions										
March 2003	57	3	0	0	0	0	0	0	0	60
March 2002	48	14	1	3	1	0	0	0	0	67
% change	19	-79	-100	-100	n/a	n/a	n/a	n/a	n/a	-10

Pending Start refers to a dwelling unit where a building permit and/or National Housing Act approval exists but construction has not started.

Start refers to a dwelling unit where the construction stage incorporates full footings. In the case of multiple units, the definition applies to the entire structure.

Under Construction refers to the inventory of units currently being constructed. This number includes current month starts but not current month completions.

Definitions

Completion: for single-detached and semi-detached units implies that 90% or more of the structure is complete. A structure may be considered complete and ready for occupancy when only seasonal deficiencies and/or minor infractions to building codes remain. Row and apartments implies that 90% or more of the dwelling units within a structure are completed and ready for occupancy.

Completed and not absorbed refers to newly constructed, completed units which have not been sold or rented.

Total supply refers to total supply of new units and includes pending starts, units under construction and units completed but not absorbed.

Absorptions refer to newly completed units which have been sold or rented. The number of absorptions is obtained from a survey initiated when the structure is completed. Units sold or leased prior to construction are not considered as absorbed until the completion stage.

**TABLE 4A
HOUSING ACTIVITY BY MUNICIPALITIES: UNDER CONSTRUCTION**

	FREE-HOLD						CONDO				PRIVATE RENTAL				ASSISTED RENTAL				GRAND	
	SINGLE		SEM		ROW		ROW		APT		ROW		APT		ROW		APT		TOTAL	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
UNDER CONSTRUCTION																				
Fort Erie Town	42	31	0	0	0	0	6	0	0	0	0	0	0	0	0	0	0	0	48	37
Lincoln Town	42	38	2	2	4	7	0	0	0	0	0	0	0	0	0	0	0	0	48	47
Niagara Falls City	79	47	6	2	46	44	15	0	0	0	0	0	0	0	0	0	0	0	146	93
Niagara-on-the-Lake Town	43	37	0	14	25	23	6	11	0	0	0	0	0	0	0	0	0	0	74	85
Pelham Town	28	21	0	0	0	0	9	16	0	0	0	0	0	0	0	0	0	0	37	37
Port Colborne City	12	7	0	0	9	12	0	0	0	0	0	0	0	0	0	0	0	0	21	19
St. Catharines City	85	64	10	8	12	0	15	23	0	0	0	0	0	4	0	0	0	0	122	99
Thorold City	19	10	8	4	15	13	0	0	0	0	0	0	0	0	0	0	0	0	42	27
Wainfleet Twp.	11	8	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	11	8
Welland City	45	38	12	10	40	17	0	0	0	0	0	0	0	0	0	0	0	0	97	65
Total CMA	406	301	38	40	151	116	51	50	0	0	0	0	0	4	0	0	0	0	646	517

**TABLE 4B
HOUSING ACTIVITY BY MUNICIPALITIES: COMPLETIONS**

	FREE-HOLD						CONDO				PRIVATE RENTAL				ASSISTED RENTAL				GRAND	
	SINGLE		SEM		ROW		ROW		APT		ROW		APT		ROW		APT		TOTAL	
	03Q1	02Q1	03Q1	02Q1	03Q1	02Q1	03Q1	02Q1	03Q1	02Q1	03Q1	02Q1	03Q1	02Q1	03Q1	02Q1	03Q1	02Q1	03Q1	02Q1
COMPLETIONS																				
Fort Erie Town	27	35	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	27	35
Lincoln Town	26	15	2	6	3	3	0	0	0	0	0	0	0	0	0	0	0	0	31	24
Niagara Falls City	46	42	0	0	0	0	0	5	0	0	0	0	0	0	0	0	0	0	46	47
Niagara-on-the-Lake Town	20	19	0	0	0	4	0	0	0	0	0	0	0	0	0	0	0	0	20	23
Pelham Town	12	16	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	12	16
Port Colborne City	2	2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	2	2
St. Catharines City	45	43	2	4	0	0	12	3	0	0	0	0	22	0	0	0	0	0	59	72
Thorold City	7	6	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	7	6
Wainfleet Twp.	6	8	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	6	8
Welland City	22	20	2	6	0	0	0	0	0	0	0	0	0	0	0	0	0	0	24	26
Total CMA	213	206	6	16	3	7	12	8	0	0	0	0	22	0	0	0	0	0	234	259

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**TABLE 4C
HOUSING ACTIVITY BY MUNICIPALITIES: ABSORPTIONS**

	FREEHOLD						CONDO				PRIVATE RENTAL				ASSISTED RENTAL				GRAND	
	SINGLE		SEMI		ROW		ROW		APT		ROW		APT		ROW		APT		TOTAL	
	03Q1	02Q1	03Q1	02Q1	03Q1	02Q1	03Q1	02Q1	03Q1	02Q1	03Q1	02Q1	03Q1	02Q1	03Q1	02Q1	03Q1	02Q1	03Q1	02Q1
ABSORPTIONS																				
Fort Erie Town	28	30	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	28	30
Lincoln Town	26	18	7	8	2	4	0	0	0	0	0	0	0	0	0	0	0	0	35	30
Niagara Falls City	45	47	0	1	1	0	1	5	0	0	0	0	0	0	0	0	0	0	47	53
Niagara-on-the-Lake Town	24	13	1	1	0	4	0	0	0	0	0	0	0	0	0	0	0	0	25	18
Pelham Town	14	13	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	14	14
Port Colborne City	2	3	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	2	3
St. Catharines City	42	41	1	5	0	0	10	3	0	0	0	0	0	20	0	0	0	0	53	69
Thorold City	8	4	2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	10	4
Wainfleet Twp.	6	8	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	6	8
Welland City	20	19	2	7	0	0	0	0	0	0	0	0	0	0	0	0	0	0	22	26
Total CMA	215	196	13	22	3	8	11	8	0	1	0	0	0	20	0	0	0	0	242	255

**TABLE 4D
HOUSING ACTIVITY BY MUNICIPALITIES: COMPLETED AND NOT ABSORBED**

	FREEHOLD						CONDO				PRIVATE RENTAL				ASSISTED RENTAL				GRAND	
	SINGLE		SEMI		ROW		ROW		APT		ROW		APT		ROW		APT		TOTAL	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
COMPLETED AND NOT ABSORBED																				
Fort Erie Town	3	11	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	3	11
Lincoln Town	7	8	1	1	4	1	0	0	0	0	0	0	0	0	0	0	0	0	12	10
Niagara Falls City	10	21	0	2	2	0	2	7	0	0	0	0	0	0	0	0	0	0	14	30
Niagara-on-the-Lake Town	18	22	8	2	1	1	6	2	0	0	0	0	0	0	0	0	0	0	33	27
Pelham Town	3	8	0	0	0	0	1	0	0	3	0	0	0	0	0	0	0	0	4	11
Port Colborne City	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0
St. Catharines City	23	20	5	1	1	0	3	4	0	0	0	0	0	6	0	0	0	0	32	31
Thorold City	1	3	0	2	0	1	0	0	0	0	0	0	0	0	0	0	0	0	1	6
Wainfleet Twp.	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Welland City	8	6	1	2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	9	8
Total CMA	73	99	15	10	9	3	12	13	0	3	0	0	0	6	0	0	0	0	109	134

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Don't miss CMHC's annual Housing Outlook Conference at the White Oaks Conference centre on October, 9th 2003. The conference provide leading edge expertise on the St. Catharines-Niagara housing market. CMHC's market analysts and economists offer timely and reliable forecasts and analysis, so you can make better informed decisions. All conferences are eligible for education and professional development credits. Mark the date on your calendar. Registration details will be available in September.

TABLE 5: ABSORPTION OF SINGLE DETACHED UNITS BY PRICE RANGE

	<\$100		100-149		150-199		200-249		250-299		300-349		350-399		400-449		450+		TOTAL	
	03Q1	02Q1	03Q1	02Q1	03Q1	02Q1	03Q1	02Q1	03Q1	02Q1	03Q1	02Q1	03Q1	02Q1	03Q1	02Q1	03Q1	02Q1	03Q1	02Q1
	Fort Erie Town	0	0	5	11	16	15	3	1	1	2	3	1	0	0	0	0	0	0	28
Port Colborne	0	0	0	1	2	2	0	0	0	0	0	0	0	0	0	0	0	0	2	3
Wainfleet Twp.	0	0	0	0	5	8	0	0	1	0	0	0	0	0	0	0	0	0	6	8
Pelham Town	0	0	0	0	1	1	3	4	3	0	5	4	1	1	1	2	0	1	14	13
Welland City	1	0	0	3	10	10	9	5	0	1	0	0	0	0	0	0	0	0	20	19
Thorold City	0	0	2	1	2	3	0	0	3	0	1	0	0	0	0	0	0	0	8	4
Niagara Falls City	0	0	1	0	24	29	12	16	3	0	2	1	0	0	1	0	2	1	45	47
NOTL	0	0	0	0	1	0	7	2	4	0	5	3	3	3	2	3	2	2	24	13
St. Catharines	0	0	0	1	10	13	12	7	9	9	7	5	3	5	1	1	0	0	42	41
Lincoln Town	0	0	0	0	5	6	10	6	5	3	1	3	1	0	1	0	3	0	26	18
St. Catharines CMA	1	0	8	17	76	87	56	41	29	15	24	17	8	9	6	6	7	4	215	196

CHART 2: DISTRIBUTION OF SINGLE DETACHED UNITS BY PRICE RANGE

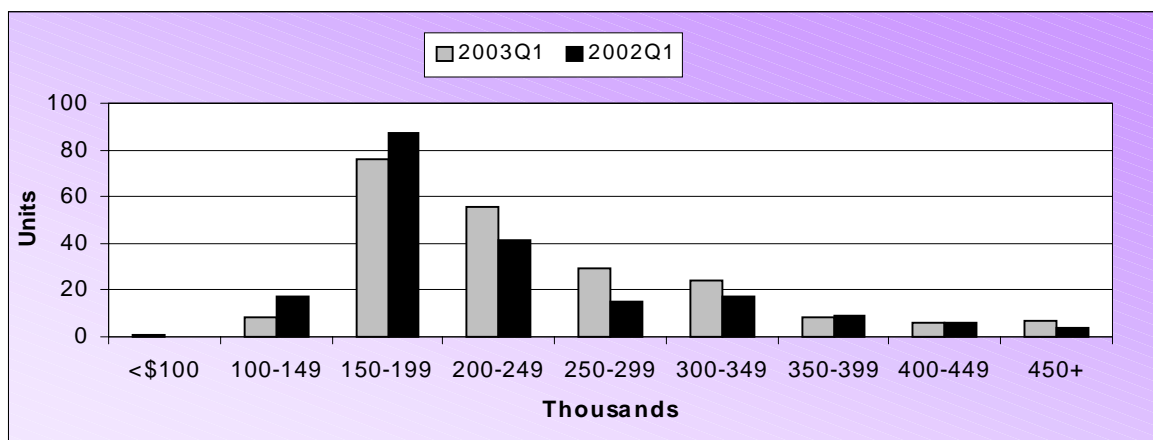
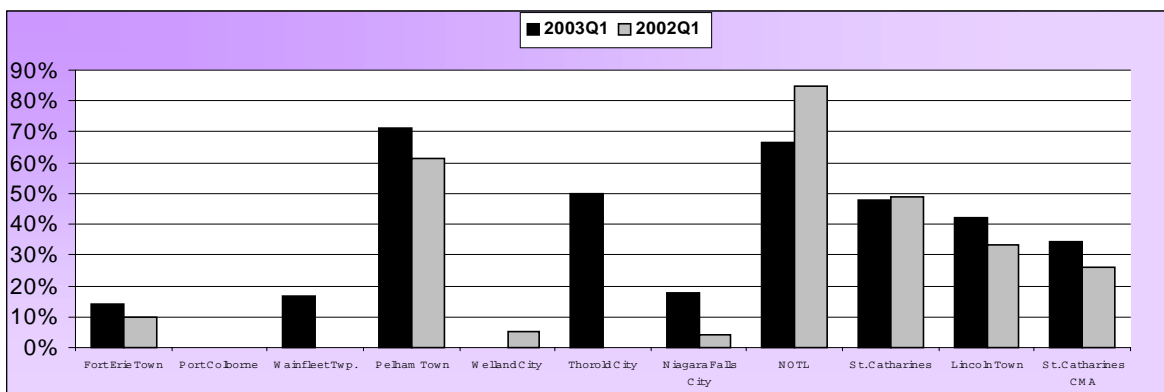


CHART 3: PROPORTION OF SINGLES AT OR ABOVE \$250,000



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ORECAST

SUMMARY

St.Catharines-Niagara

Canada Mortgage and Housing Corporation

ISSUE:
FIRST QUARTER 2003

New Home Market

The strong performance of the housing market in the first quarter of 2003 points to another strong year for housing in the St.Catharines-Niagara region. Single detached construction was supported by solid economic fundamentals including rising income and low mortgage rates. The hot resale market in combination with good employment prospects continue to ignite construction activity in the new home market. Furthermore the market will also benefit from low inventories of single, row and semi-detached homes. Demand for singles will stay strong and by year end single starts will rise by 11 per cent to reach 1150. In 2004

both the new and resale market will soften as a result of high-likelihood increases in mortgage rates. On the other hand strong intercity price differentials will continue to sustain migration in the region. Young and middle aged families with children will add strength to the demand for new single homes. The dynamic interaction between the dampening effects of rising rates and the positive benefits of migration and job growth will ultimately determine the future path of prices. We expect new home prices to appreciate by a modest 1.8 per cent in 2003. On the multiple side, there has been a significant increase in the construction

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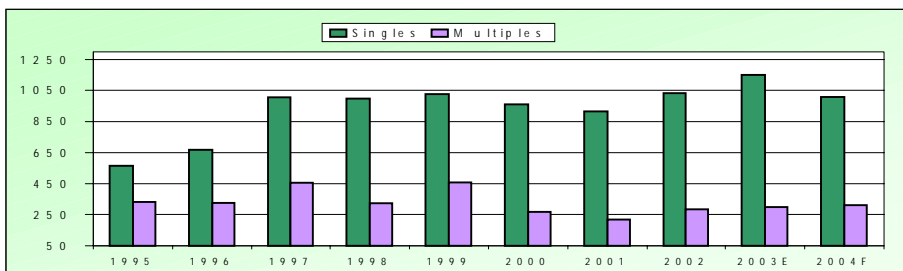
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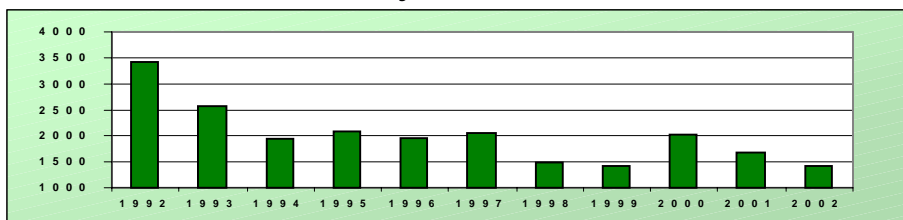
of row freehold units in 2003Q1 compared to the same period last year. Most of these row units were constructed in St.Catharines and Welland. The strong price growth in the single detached market certainly had an impact on the decisions of some buyers to move into the row market.

The demographic differential is also driving the demand for these row units. Retired and semi-retired people find that these units are more suited to their lifestyle. Given the age structure of the population we expect demand for multiples to rise in 2003. On balance total starts will reach 1460 in 2003.

Annual Starts



Inventory of units



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HOME TO CANADIANS
Canada

Employment-Year 2002 Review

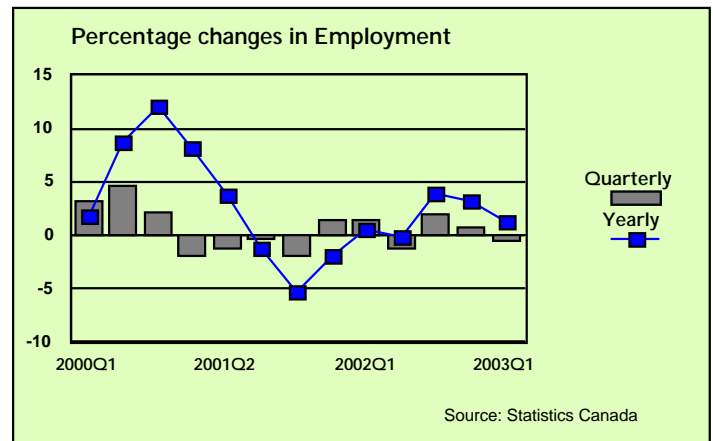
Year 2002 has seen record employment levels. Over half a million job was created in Canada. Ontario gained 196,000 jobs. The St.Catharines-Niagara CMA started the year with employment level at 187,900. In December 2002 employment reached 193,200 passing through a peak of 203,100 in September 2002. On an annual average basis total employment grew by 1.7 per cent, below the provincial average of 3.3 per cent.

Most sectors of the local economy gained jobs in 2002. Noticeable gains were recorded in Trade (17.5%), Educational services (9.7%), Public Administration (8.7%), and Agriculture (3%). The opening of several stores in addition to the relatively low Canadian dollar at the beginning of the year (63 US cents) accounted for the jump in Trade. The majority of Ontario farms and greenhouses are located in Niagara. Estate wineries have tripled from 1996 to 2001. Horticulture and wine production boosted employment in the sector. Despite a labour dispute early in the year, employment rose in the public sector mainly as a result of government funding of numerous projects in Niagara plus initiatives by the Human Resource Centre of Canada for students. Various training initiatives at Niagara College coupled with grants and capital funding have boosted employment in the educational sector.

Construction and Transportation registered gains of 0.8 and 3.8 per cent respectively. Strong increases in construction in the second quarter were offset by losses in the first and third quarters. Gains in transportation in the third and fourth quarter outweighed losses in the first two quarters generated partly by the strike of the Canadian Marine Officers Union in early 2002.

In St.Catharines-Niagara manufacturing employment fell by 7.8 per cent in sharp contrast to the 5.6 per cent gain registered nationally in 2002. Manufacturing actually picked up in the last two quarters of 2002 but the sector was plagued by a series of closures and layoffs in the early part of the year namely closures of Domtar Inc in St.Catharines and General Drop Forge in Welland and layoffs at Fleet Industries in Fort Erie. Employment in the Accommodation and Food services sector fell by 9.5 per cent reflecting a national decline in both domestic tourism demand (-0.4%) and tourism demand by non-residents (-2.6%). Global economic slowdown and the uncertain climate post September 11th still linger on tourism expenditure.

On the whole the services sector grew at a faster rate than the goods-producing sector (3.9% versus 1.7%). The labour force grew at 2.7 % while the employment growth rate was 1.7 per cent. Subsequently the unemployment rate shot up to 7.2 (from 6.3%) per cent in 2002.



Current Outlook

Total employment in 2003Q1 fell relatively to 2002Q4 but compared to a year ago, employment rose 1.4 per cent. Excluding seasonal variations full time employment increased 2.3 per cent while part time employment fell 5.5 per cent - both relative to 2002Q4. Major advancers this quarter were construction(26%), manufacturing(5.2%) and transportation(7.6%) - mainly attributable to the robust housing market and the rebound in motor vehicles and parts in January and February. The big decliners included agriculture (-15%), trade (-16%) and finance (-11%). All in all, decliners beat advancers and total employment fell *but it dropped from the second highest employment level since 1987Q1*. So what lies ahead?

The Canadian economic engine continue to churn out jobs. In the coming quarters more moderate job creation is expected. In the region the robust housing sector will continue to provide construction and related jobs including transportation, finance and real estate. Significant government expenditure on health and education will increase employment in the healthcare, social assistance and related areas. The appreciation of the dollar will likely have some negative impact on exports with the resulting decline in merchandise trade across the border. Any delays in the shipments of time-sensitive production goods will further depress trade and manufacturing activities. Demand for Canadian motor vehicle parts will be heavily dependent on the signals down south which are in turn influenced by what is happening in the Middle East. Furthermore in the near to medium term the outbreak of SARS will be an additional drag on the tourism sector. All told weakness in the US economy will dampen job growth in Canada in 2003-at least until late 2003.

Nonetheless in 2004 manufacturing will benefit from the opening of the Mexican auto parts market which will allow Canadian suppliers to export more parts to Mexico. This is likely to increase production levels at the GM parts plant in St.Catharines. The completion of the Casino project in 2004 is expected to generate 5,000 jobs. Such job gains will definitely increase job growth in the region. To sum up, expect slow job growth in early 2003 with accelerative potential in late 2003, and 2004.

Mortgage Rates Outlook

In March the national all-items CPI inflation stood at 4.3 per cent while core inflation receded to 2.9 per cent. The Canadian economy grew 0.6 per cent in January 2003 in stark contrast to the US economy which have been showing signs of weakness. With the resolution of the conflict in Iraq, there is room to believe that the US economy will pick up-aided no doubt by a substantial fiscal package and US interest rates which are unlikely to rise in the near term. The Canadian economy and the export sector in particular will certainly benefit from such a recovery resulting in substantial

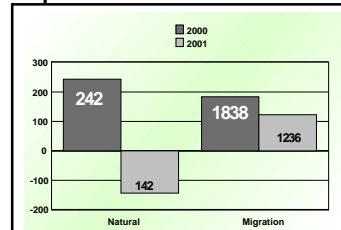
economic growth in the late 2003 and 2004. Improved export demand in combination with stimulatory fiscal spending and the incipient US recovery will in all likelihood place additional price pressures in the Canadian economy. Consequently the clear and present potential for rising inflation is a concern. All told the Bank of Canada will likely stay in tightening mode. We expect the one, three and five-year mortgage rates to be in the 5.00-6.25, 6.00-7.25, and 6.50-7.75 per cent ranges in 2003.

Demographic Outlook

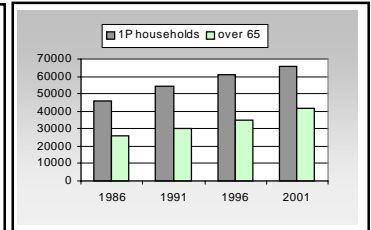
Recent data released by Statistics Canada which were based on 1996 Census counts adjusted for net undercoverage (number of persons not enumerated) indicated that the St. Catharines-Niagara population rose from 390,818 in 2000 to 391,912 in 2001. Over that period net natural increase in the population stood at 120. Growth came mainly from net migration which was 1094. There is nothing surprising about this trend. What is new is the fact that the growth in net migration did not originate from intraprovincial movements but rather from international migration. Indeed net intraprovincial migration shrunk from 794 in 2000 to 270 in 2001. Meanwhile net international migration jumped from 558 to 902 in 2001.

Another interesting trend is the burgeoning of one-person households. From 1986 to 2001 this sector grew by 58 per cent. Corresponding to that increase is the 43 per cent rise in the number of people aged 65 and above. This is another trend that is likely to continue with the

Population Growth



One-Person Households

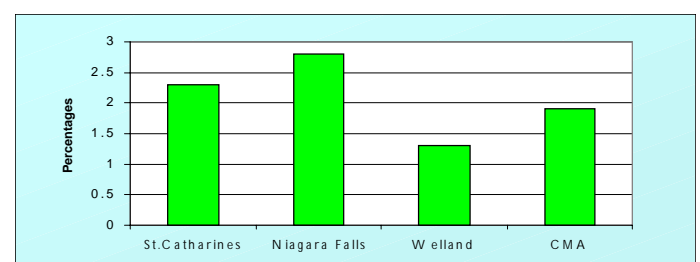


aging population. Indeed this has important implications for marketability and design of new homes for this segment of the market. The region continues to attract migrants from big cities like Hamilton and Toronto. The intercity home price differential combined with the attractiveness of the region are the key drivers of migration in the region. The most prominent migrant group is the young to middle age family with children. Net migration remains an important determinant of housing demand. Various projects in the pipelines will positively influence migration levels in the region-notably the Mid-Peninsula Highway Corridor and the possibility of a GO-Transit in Niagara.

Resale Market Overview

Sales in 2002 attained 5950- the highest level since 1989- supported by a strong economic environment. Raw average prices grew by 8.2 per cent. The level of sales in 2003 and 2004 will be more modest primarily in view of potentially rising interest rates. Prices will nevertheless continue its upward trend but they will do so at a slower rate of growth than what we have seen in last few years. Resale prices adjusted for inflation are on average eleven per cent below their maxima achieved in the late 1980s. The rate of price growth on an average annual basis over the last 4 years has been most pronounced in Niagara Falls and St. Catharines. The path of future prices will ultimately be determined by a

Real Price Growth 1999-2002



Source CREA, Calculations CMHC

multitude of factors. These include the rate of price growth and the supply and demand conditions, which will be characterised by the overall economic environment.

Rental Market Overview

The vacancy rate in October 2002 was 2.4 per cent. In 2003 rental demand will be influenced by a number of factors. On the upside increased enrolments at colleges and universities will push up demand for rental units. On the downside low mortgage rates and rising income growth will sustain the rise in home ownership. The fact that more young adults are choosing to stay at homes

with their parents will also contribute to low rental demand. In 2004 however job growth for the young adult age group will get a substantial boost from the opening of the Niagara Casino. Furthermore higher interest rates in 2004 will soften the resale and new home market. Consequently vacancy rate will edge down in 2003 and 2004.

ST.CATHARINES-NIAGARA CENSUS METROPOLITAN AREA

Forecast as at April 2003

NEW HOME MARKET	2001	2002	2003F	Change%
Starts				
Singles	916	1032	1150	11.4
Multiples	218	285	310	8.8
Total	1134	1317	1460	10.9
Average Price -New Single detached house				
	\$220,031	\$227,000	\$231,000	1.8
RESALE MARKET				
MLS* Sales	5488	5950	5500	-7.6
MLS* Price	\$133,715	\$144,719	\$151,200	4.5
RENTAL MARKET				
Apartment vacancy rate	1.9	2.4	2.1	-12.5
Average rent(2 bedroom)	\$680	\$695	\$710	2.2
ECONOMIC OVERVIEW				
Mortgage rate(5 year)	7.41	6.87	6.5 to 7.75	na
Employment	190,000	193,750	199,570	3.0
Net migration	2250	1000	1500	50.0

Sources: CREA, Statistics Canada, Conference Board of 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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