HOUSING MARKET OUTLOOK

Halifax

Canada Mortgage and Housing Corporation

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SPRING 2004

Residential construction to descend from cyclical peak

2004 and 2005 will be challenging
With the resale market easing into balanced market conditions in 2004, much of the impetus for the recent surge in residential construction is now fading. As a result, a significant and widespread decline in the Metro Halifax new home market is forecast for 2004 with only a slight decline in 2005. Supply issues in several sectors will also contribute to the drop in housing starts as a sparse choice of building lots, continuing tight construction trades labour conditions, volatility in demand for wood products and the substantial amount of apartment construction over the past four years influence the residential construction market in a myriad of ways. Consequently, the next two years will be a period of adjustment for the new home sector of the Metro Halifax housing market as the development and market environments evolve rapidly.

2003 was an excellent year
Total housing starts in Metro fell seven per cent last year but remained above the 3,000 mark; still a high level of residential construction by historical standards. This decline can be attributed solely to a 20 per cent drop in single-detached starts as multiple unit starts actually increased 10 per cent.
In fact, there were more multiple unit starts last year than single-detached starts- something that hasn't happened in Metro since 1991. This signals the possibility of a fundamental shift in the market in terms of the new housing form and density of development we can expect in the years to come.

Although single starts dropped 20 per cent from the very high level posted in 2002, output still matched the average level of construction over the past decade with 1,483 units started last year. While a 20 per cent decline is certainly quite steep, it is essential to put this decline in perspective by reiterating the 44 per cent increase in single starts that occurred in 2002.

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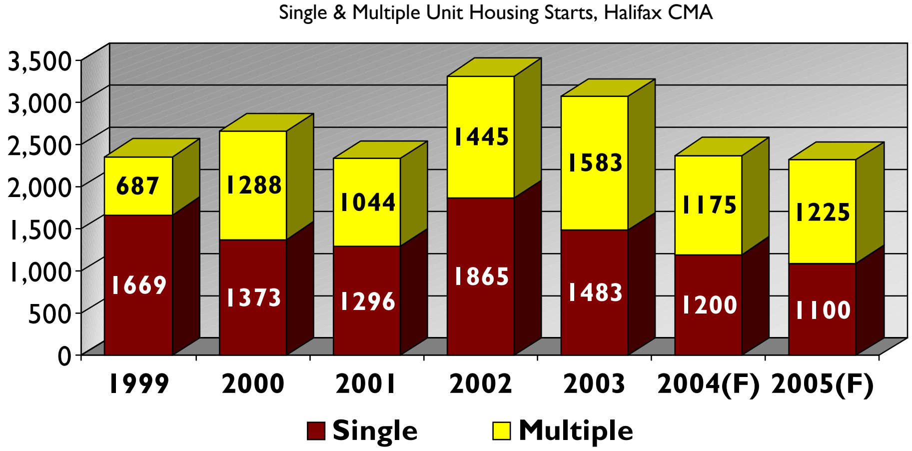


Source and Forecast: CMHC

HOME TO CANADIANS
Canada

Two storey homes continued to comprise over half of single-detached housing starts last year, reflecting the fact that the new home construction market was predominantly a move-up market characterized by the construction of large homes with high quality features and finishes. This preponderance of executive home building and the very strong renovation market were the instrumental factors that maintained significant pressure on the construction trades labour market last year, despite the fact that total housing starts activity declined 10 per cent.

In sharp contrast with the single-detached segment, semi-detached and row housing starts posted impressive numbers last year with 23 per cent and 46 per cent increases respectively. The high levels of construction of these types of dwellings over the past two years reflects a market response on the part of buyers. These buyers were determined to live in a particular neighborhood close to the urban core, but were either unable to find an existing home in that neighborhood that met their needs or they wanted to enjoy the advantages offered by a new home, but simply could not afford a single detached home in these areas. Land and structure-related costs are making it increasingly difficult for builders and developers to produce small, reasonably-priced single-detached homes close to the urban core. Therefore, semi and row units are becoming more popular because they offer a relatively affordable urban living option with an attachment to the ground- which has historically been an important element in how Haligonians think of a home.

Apartment unit construction posted equally impressive results once again last year with over 1,100 starts. This marked the third year in the last four in which apartment starts in Metro exceeded 1,100 units. Of those 1,172 apartment starts last year, 55 per cent were rental tenure and 45 per cent were condominium. This balanced composition of apartment starts is more reflective of an exceptionally high level of condo starts than weakness in rental starts as the latter actually posted a typical year by recent historical standards.

More moderate decline in singles
Recent surveys of potential homebuyers indicate that over 80% of those who intend to buy a home want a single-detached home so even though single starts are accounting for a shrinking share of total housing starts, they clearly remain a very important part of the market. As the pace of existing home sales continues to slow, MLS® listings rise and the resale market turns to balanced condition, the demand for new single-detached homes is also expected to fall.

Accordingly, after falling 20 per cent last year, single-detached housing starts are forecast to decline another 19 per cent this year and 8 per cent more in 2005 with only 1,100 foundations expected to be poured next year. A sparse supply of building lots- particularly in serviced areas in 2004 and unserviced areas in 2005- will also cap market potential for single starts over the forecast period. Furthermore, rising construction costs and corresponding house price increases will also play a role in the decline as the shift away from single starts toward semi-detached and row units is expected to continue unabated.

Land and structure-related costs are making it increasingly difficult for builders and developers to produce small, reasonably-priced single-detached homes close to the urban core.

Strong price growth to continue
The outlook for new house prices is for another year of strong growth. Prices have been rising at a fast pace due to increasing land and construction labour costs, as well as volatility in some building material prices such as wood products. Rising energy costs and a firming demand for housing south of the border will likely result in higher production and transportation costs for building materials in 2004 and 2005. A thin inventory of serviced building lots will also stimulate upward momentum in new house prices this year and will be joined by a diminishing supply of unserviced building lots in 2005 which will contribute to new house price growth next year as well. Average new house price will reach $245,000 this year and $253,000 next year.

Row starts will be a bright spot
The shift toward lower cost dwelling types such as semi-detached and row housing is expected to continue in 2004-2005. Although lower levels of aggregate home ownership demand will precipitate lower levels of activity in this middle density segment as well, the overall level of semi and row construction will remain relatively high by recent historical standards. Expect to see approximately 375 combined semi-detached and row starts this year and 350 next year. While semi-detached starts will decline over the forecast period, row starts are forecast to increase this year and to hold steady at 200 units in 2005.

Apartment starts to retreat
After four years of averaging over 1,100 apartment starts in Metro, the pace of apartment construction is forecast to dip significantly this year and remain below 900 units in 2005. The main reason for this decline is that many of the over 2,200 rental apartments and condos that have been started over the past two years will steadily reach completion over the next 12 to 15 months. Developers will be observing closely the absorption trends and patterns of these structures to determine the preferred composition and tenure of future projects. However, the medium and long term outlook for apartment construction remains quite positive as demographic forces and shifts in the market will create a friendly environment for apartment construction in Metro.

Sharp drop in total starts in 2004
In summary, total housing starts are poised for a fairly sharp decline of 23 per cent this year and a much smaller decline of only two per cent in 2005. A combination of softening resale market conditions and a substantial addition of new apartment units to the market over the past two years will limit residential construction activity among most dwelling types and across most areas of Metro.

Rental Market Outlook

Balanced market to prevail
Rental market conditions are expected to soften this year due to a substantial increase in new rental supply that more than offsets an increase in rental demand. In 2005, demand will marginally exceed new supply, causing the market to tighten slightly once again. Average rent growth this year will be fairly weak, but will accelerate next year as the vacancy rate declines once again. Nevertheless, the overall Metro rental market is expected to remain balanced over the forecast period.

2003 saw considerable tightening
The Metro rental market continued to tighten last year, with the rental vacancy rate falling to 2.3% in October 2003 from 2.7% in the previous year. The vacancy rate has been trending down over the past six years from a cyclical high of 8.7 per cent in 1996. Interestingly, Metro bucked the national trend last year as 20 of the 28 largest cities in Canada actually experienced an increase in vacancy rate.

The most influential factor contributing to the falling vacancy rate in Metro Halifax was a sharp drop in the number of new rental apartments introduced to the market. After averaging over 600 rental completions per year between 1999 and 2002, only 222 new rental apartments hit the market between July 1st 2002 and June 30th 2003 (to allow a reasonable absorption period, new rental units must be completed before July 1st to be included in the annual CMHC Rental Market Survey that is conducted in the first two weeks of October). Demand certainly remained quite resilient in the face of exceptionally stimulative home ownership conditions.

Improving job opportunities for young people have been particularly instrumental in buoying rental demand in Metro with over 2,000 jobs created for those between the ages of 15 and 24 over the past two years.

Despite the almost half a percentage point drop in the vacancy rate in the previous year, average rent in Metro Halifax only increased about three per cent to $675 per month. This is considerably lower than the almost five per cent increase in average rent last year. However, inflation was much lower last year than it was in 2002, so even though average rent growth decelerated last year, it still exceeded the rate of inflation.

Demand forecast to strengthen
Improving job prospects for youth and related growth in net migration will be instrumental factors in the forecast for a continued rebound in rental demand this year. Employment conditions for young people are currently improving in Metro while labour market conditions in most other areas of the province as well as Newfoundland are declining. As a result, expect to see more young people coming to Halifax from Newfoundland and other parts of Nova Scotia than was the case in 2001 and 2002.

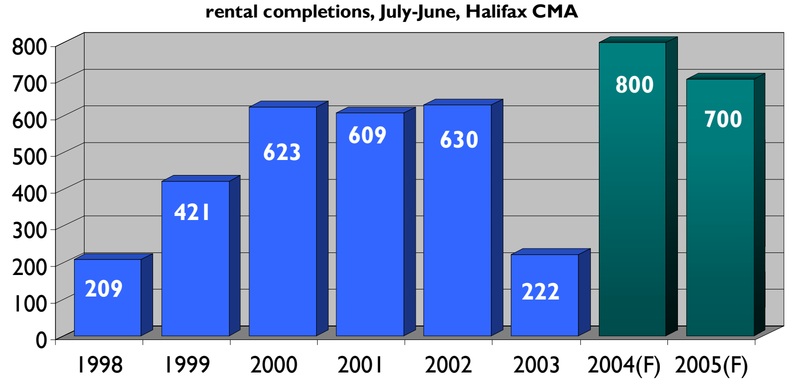
An improving net migration scenario will certainly stimulate rental demand, but diminishing home ownership affordability conditions will also play an important role in this regard, particularly in 2005 when mortgage rates begin their inevitable upward march and the nine per cent increase in MLS® average sale price is factored into residential property tax assessments for Metro homeowners.

New supply to rebound sharply
Although rental demand is expected to rebound over the next two years, new rental supply is forecast to recover even more sharply. In the second half of 2003 there were 503 rental units completed, with another 286 in the first quarter of 2004 so even if there are no additional projects completed over the next three months (which is possible), there will be almost 800 new rental units added to the Metro Halifax rental universe for the 2004 survey year. An additional 700 new units are expected to be introduced to the Metro rental market between July 1st 2004 and June 30th 2005.

Vacancy rate will rise, but so will average rent
With new supply exceeding effective demand by an estimated 290 units this year, the vacancy rate is expected to rise to 3.0 per cent. This will mark the first increase in vacancy rate since 1996. However, the market will remain in a balanced condition. In addition, although the market will soften somewhat, the significant addition of relatively high priced new rental stock will be sufficient to generate a two per cent increase in average monthly rent this year, raising it to $690 per month.

Looking ahead to 2005, growth in demand is forecast to very slightly outpace supply growth resulting in a slight decline in vacancy rate to 2.7 per cent. Tightening market conditions and another year of substantial addition of new rental stock will propel the average monthly rent almost four per cent to $715.

Rental Supply to Rebound Sharply
rental completions, July-June, Halifax CMA



Source: CMHC
Forecast: CMHC

Economic Outlook

Only modest growth expected
As the Metro economy changes gears over the next two years, only modest growth is forecast to occur. Those industry sectors that have been foundations of local economic strength recently (e.g. retail sales and residential construction) are expected to weaken while those that have experienced difficulties over the past two years (e.g. tourism and non-residential construction) are expected to show appreciable improvement. The net result will be continued modest overall local economic growth, but also further uneven growth among industry sectors.

Consumers take a breather
Confident consumers have been the driving force in the local economy over the past three years, stimulated by a low cost borrowing environment and a record high level of employment that have supported strong growth in retail sales and residential construction. However, interest rates have probably reached their low point in this cycle and both the Federal Reserve and the Bank of Canada have recently signaled their intentions to steadily unwind the monetary stimulus of low rates over the forecast horizon. Consequently, households are expected to face a combination of rising debt servicing costs and less enticing borrowing conditions. In addition, the sheer magnitude of spending on consumer durables over the past two or three years suggests a strong likelihood of some spending fatigue over the next two years as the voracious appetites of Metro consumers have now largely been whetted. With only tepid employment growth expected over the next eighteen to 24 months, the capacity for continued strong growth in consumer spending is further reduced. After three years of doing the heavy lifting in the local economy, a well-deserved rest for the weary consumer seems imminent.

Public sector facing challenges
Public sector and quasi-public sector investment and employment remain critical to the Metro Halifax economy. The outlook for public sector investment is mixed, with tight fiscal situations limiting the capacity of the federal, provincial and municipal governments to provide substantial stimulus to the local economy. Recent increases in provincial user fees, a rescinding of the recent provincial tax cut and challenges associated with equalization remain key issues affecting provincial government spending over the forecast horizon. A municipal election this fall and a high likelihood of a federal election this year as well add further uncertainty to the public sector outlook.

After three years of doing the heavy lifting in the local economy, a well-deserved rest for the weary consumer seems imminent.

Non-residential construction continues to strengthen
Despite a contraction in offshore energy exploration and development, the outlook for non-residential construction in Metro is for a rebound from a weak year in 2003. The Halifax Harbour Clean-Up project and associated infrastructure capacity work will begin in earnest this year and will be complemented by public school, college and university facility renovation and construction activity, as well as facility construction at CFB Halifax and the twinning of Highway 103. This will offset the anticipated slowdown in residential construction and help maintain stability on the investment side of the economy over the next few years.

External environment improving
Tourism is also expected to bounce back from a lackluster year last year as visits were dampened by SARS, BSE, an appreciating Canadian dollar and a sluggish U.S. economy. As these concerns continue to evaporate, the Metro Halifax tourism sector is forecast to resume growth again this year and next, aided by the Tall Ships Festival, the World Acadian Congress and an increase in cruise ship calls to the Port of Halifax. The port is also expected to experience further increases in cargo volume as growth in both the U.S. and Canadian economy accelerates. As Nova Scotia exporters adjust to a higher Canadian dollar, the trade sector overall is also expected to stabilize after a turbulent year last year.

Only tepid job growth expected
A cautiously optimistic outlook for the local economy over the next two years sets the stage for an equally guarded employment outlook. The annual rate of job creation in 2004 and 2005 is forecast to remain in the one and a half to two per cent range with a net total increase of just under 7,000 jobs through the end of next year. This growth will draw more people to Metro (particularly youth), especially with labour market conditions weakening in many other areas of Nova Scotia as well as in Newfoundland. Nevertheless, out-migration to labour markets in Ontario, Alberta and a resurgent British Columbia will hold labour force growth rates below employment growth rates keeping the unemployment rate below the 7 per cent mark in 2004 and 2005.

Mortgage rates to rise
The Bank of Canada reduced the prime rate by 25 basis points in early April but in so doing, it clearly signalled that the probability of additional monetary stimulus was increasingly unlikely. With the risks to the national economic outlook now considered balanced, little change in mortgage rates is expected through the end of this year with the possibility of a 25 basis points increase later in the year. Next year rates are expected to increase by 50-75 basis points with the one-year posted rate in the 4.25-5.25 per cent range, the three-year posted rate in the 5.75-6.75 per cent range and the five-year posted rate in the 5.75-6.75 and 6.25-7.25 per cent range. Spreads between mortgage rates and comparable bond yields have allowed lenders some room for discounts in recent years with these conditions likely to persist in the near term.

Resale Market Outlook

Market conditions continue to ease
Resale market conditions are expected to gradually relax over the next two years as home ownership demand continues to weaken and the supply of homes for sale inches upward. The stall in employment growth in Metro that occurred in 2001 and 2002, rising mortgage rates and a restricted choice of listings available to potential first time homebuyers will be the main factors contributing to declining sales. With demand weakening and supply increasing (albeit only modestly) price growth is expected to decelerate as the market drifts back to balanced conditions by the second half of 2004.

Balanced conditions approaching
Seller's market conditions have prevailed in the Metro resale market since mid-2001, but MLS® data over the past six months suggest that the market is quickly reverting to balanced condition. In fact, the sales-to-active listing ratio indicator suggests that the market reached a balanced condition in October 2003 where it remains through the first quarter of 2004. However, we believe that the impact of Hurricane Juan (which occurred in the traditional shoulder season of home buying) simply brought about the inevitable seasonal slowdown more quickly and abruptly than would otherwise have occurred. Severe winter weather early this year further suppressed market activity as both buyers and sellers hibernated in anticipation of spring. For this reason, we expect a flurry of housing market activity in the second quarter of 2004 to sustain seller's market conditions before the Metro resale market begins to settle into genuine balanced market conditions in the second half of the year.

Impact of low rates diminishing
Of course with mortgage rates remaining at very low levels and employment growth in 2003 accelerating from a near zero rate of growth in 2001 and 2002, some question why the resale market is forecast to decline over the next two years. Clearly there is a correlation between the level and trend in mortgage rates and the level and trend in home sales. When mortgage rates dropped in the fall of 2001, MLS® sales increased accordingly. When mortgage rates increased in the spring of 2002, sales fell in lockstep. Throughout that period when rates were very low, sales remained at a relatively high level. Curiously, when mortgage rates declined through the summer and fall of 2002 and then again quite sharply last spring, there was no corresponding increase in sales. In fact, sales actually declined quite significantly during this time. There are two underlying reasons for this.

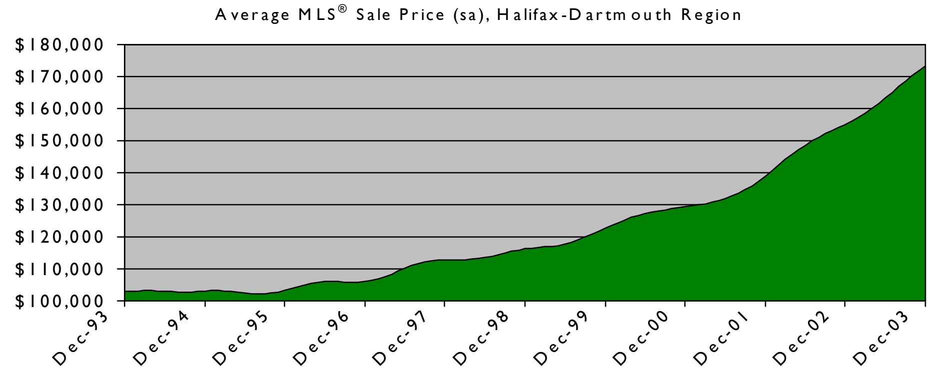
Absence of employment growth
First, low or even declining mortgage rates alone are insufficient to sustain growth in home ownership demand. Employment growth is also an essential prerequisite for growth in housing demand and there was virtually no growth in employment in Metro Halifax in 2001 and 2002. While the employment growth rate accelerated to just under two per cent last year, our research shows a lag of about 12 to 15 months between an increase in employment and an increase in MLS® sales. That period of stalled job growth we endured in 2001 and 2002 has contributed to the decline in MLS® sales in 2003 and will continue to limit growth potential into the first half of next year. Of particular importance to housing demand is the full-time employment situation. In 2002 and 2003, the Metro Halifax labour market shed 1,500 full-time jobs, which curtails the potential for continued growth in housing demand over the forecast horizon.

Demand has been brought forward
Second, it is becoming increasingly clear that a considerable amount of housing demand that would otherwise be present in the market now was brought forward into 2002 as potential home buyers accelerated their purchase plans on the speculation of rising mortgage rates and house prices. As a result, in the absence of any appreciable employment growth in Metro in recent years and with many buyers having already acted, there is a bit of a void in home ownership demand in the market now. This is expected to continue to dampen demand over the forecast horizon, despite the fact that mortgage rates remain very low and the labour market is showing improvement.

Sales declines and prices will both decelerate
The aforementioned rationale sets the context for the forecast decline in MLS® sales of five per cent this year and another two per cent in 2005. With declining sales and an expected modest increase in active listings, the annual rate of price growth is expected to decelerate this year and again in 2005 as the market reaches balanced conditions. Expect seven per cent growth in average MLS® sale price this year as relatively expensive new homes comprise an increasing share of MLS® sales propelling price growth in the market overall to $173,000. Next year, price growth is expected to moderate further, posting only a two per cent increase as it reaches $176,500- a sharp contrast with the ten per cent average annual price growth in 2002 and 2003.

Price Growth Has Accelerated Since 1999

Average MLS® Sale Price (sa), Halifax-Dartmouth Region



Restricting Unserviced Residential Development:

How will HRM's interim growth controls affect the local market?

How the policy and issue unfolded
On January 22nd 2004, Halifax Regional Municipality (HRM) Council requested and received a Ministerial Order from the Government of Nova Scotia to place a moratorium on new subdivision applications in unserviced areas of HRM for a 90 day period. The intent of this action was to provide sufficient time for HRM to amend existing planning strategies and by-laws to introduce interim growth management policies and regulations until such time as the HRM Regional Plan was adopted. In effect, this policy froze new development plan approvals in areas requiring on site well and septic systems for three months.

On April 13th, HRM Council implemented significant interim growth controls on residential development in unserviced areas (with the exception of the Eastern Shore). In recent years, approximately 50 per cent of single-detached home construction- and by extension, approximately 25 to 30 per cent of total housing starts- in Metro Halifax have occurred in unserviced areas, so the impacts of interim growth controls on the local housing market require a thorough analysis. Given the variety of ways in which this policy could potentially impact different sectors and aspects of the local housing market, quantifying the impacts is exceedingly difficult.

Much of the public and industry debate about this policy that has occurred over the past three months has been very broad in scope, focusing on general concerns about 'urban sprawl' and related issues. A variety of interests, lobbies and concerned individuals have raised manifold issues including sustainable development, environmental protection, transportation, lifestyle preference, water quality and health and safety, economic development, employment, household/business finances, and municipal infrastructure cost projections and budget implications. These issues have been central to the spirited debate about 'the moratorium'. For the purposes of this forecast, our analysis is concerned exclusively with the potential impacts of these interim growth controls on the market over the next two years. Accordingly, our analysis begins with an assessment of the inventory and supply of building lots in the affected areas, a forecast for the building lot market condition over the forecast horizon and the anticipated related impacts of the building lot market conditions on other aspects and sectors of the housing market.

In recent years, approximately 50 per cent of single-detached home construction- and by extension, approximately 25 to 30 per cent of total housing starts- in Metro Halifax have occurred in unserviced areas...

Building lot supply is the key
Based on our analysis, we conclude that there will be a sufficient supply of unserviced building lots available in the market to meet the anticipated nominal demand for single-detached housing starts (1,150 units) in unserviced areas through the end of next year. However, it is not clear that the supply of building lots over this period will be sufficient to provide adequate choice to potential buyers/builders such that market pressure-related price increases can be avoided. While there may be a sufficient number of properties eligible for building permits in this area, actual market supply of building lots will be dependent on a variety of factors including the property owners' intentions for disposal of the property (if any), the capacity of the development industry to bring eligible properties to market, as well as speculative actions on the part of both potential buyers and sellers.

For example, many properties identified as eligible for building permits or subdivision may not actually reach the market if the intentions or capacity of the owner dictate otherwise. Developers have indicated that it can take up to three years from concept stage to market availability for an unserviced subdivision project. As a result, the supply of unserviced lots reaching the market over the next two years will be dependent in part upon industry capacity to undertake the necessary work to bring new developments to the marketplace. Finally, it is fully expected that there will be some speculative decision-making in the market over the next two years based on the *perceived* effects of the interim growth control measures. These may include an increase in demand for unserviced building lots due to buyers' speculation that interim growth controls will continue for an extended period of time after the Regional Plan is implemented, or that prices will rise significantly in the future if new supply of lots is restricted by related development controls. Conversely, developers or sellers may also speculate that supply may be significantly restricted in the future and may opt to raise their lot prices or delay introducing their properties until a future time when they believe the market may be significantly in favour of the seller, thereby offering them the potential for higher profits. It is difficult to determine what specific speculative activities will occur however, what is certain is that interim growth controls have resulted in uncertainty in the industry and in the market and this uncertainty will lead to volatility in the market. How this volatility manifests itself in particular trends and conditions remains to be seen.

Lot prices expected to rise
It is the opinion of CMHC Market Analysis Centre that unserviced building lot prices will rise approximately 5 per cent this year and another 7 per cent in 2005 as a direct result of the market impact of interim growth controls.

continued on p.7

Restricting Unserviced Residential Development:

How will HRM's interim growth controls affect the local market? *...continued*

This will be in addition to a three per cent increase this year and a two per cent increase next year in unserviced building lot prices that are forecast to occur, regardless of interim growth controls. So the pace of price growth in building lots over the next two years is expected to be comparable to recent annual trends.

Interim growth control measures are expected to add approximately $2,700 to the average price of a building lot in unserviced areas of Metro this year and an additional $4,100 next year as average annual unserviced building lot sale price rises from roughly $54,000 in 2003 to $63,500 in 2005.

So what impact will this have on the new homes market in Metro? The average sale price for newly built single-detached houses in Metro last year was $211,739 and is forecast to rise to $245,000 this year and $253,000 in 2005 due to factors such as expected volatility in building materials prices and stubbornly high trades labour costs. Our research indicates that average single-detached house prices in the unserviced areas of Metro are approximately 5 per cent below average price for Metro overall, therefore, interim growth control measures are expected to lead to only a one per cent increase in the cost of a new single-family home this year and less than two per cent in 2005. In the context of overall average new single-detached house price increases of 16 per cent this year and three per cent next year, land price increases attributable to interim growth control measures cannot be considered to be significant in the total average new house price.

However, that does not mean that individual buyers will not feel the impact of higher prices. Notwithstanding, there are several factors that will likely mitigate the impact of rising building lot prices on new homebuyers. With mortgage rates remaining low through the remainder of this year, and rising but remaining quite low by historical standards next year, many households taking out a mortgage for their new home purchase in an unserviced area may opt to increase their principal to account for this increase. Furthermore, since most newly built single-detached homebuyers are move-up buyers, many will also draw the benefit of the equity they have gained from their previous home (which has grown considerably for many over the past four years). Finally, there will also be a proportion of buyers who will be either unwilling or unable financially to avail themselves of the aforementioned financial options and will choose to marginally reduce either the size of the home they build or the quality of finishes to meet their established budget.

Little impact on other sectors

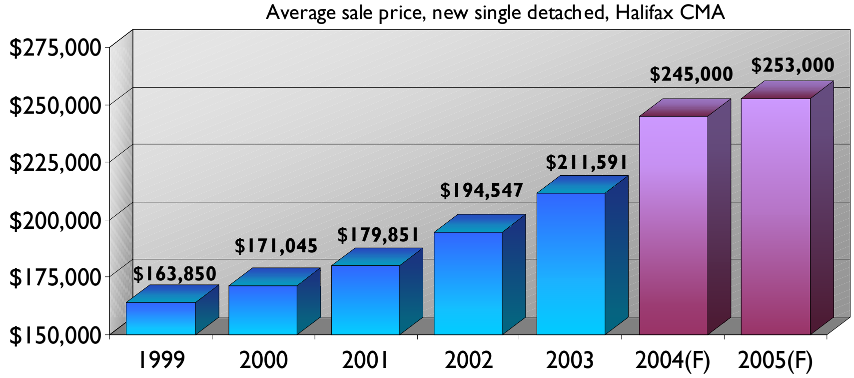
Given the incremental increase in overall new house price that will be caused by interim growth control measures, the impacts on other segments of the Metro Halifax housing market are expected to be quite small and concentrated mainly in the existing home market in unserviced areas and the renovation sector. Quantifying these impacts is extraordinarily difficult given the nebulous world of buyer behaviour in housing markets that includes a nexus of factors that influence the purchase decision including price, neighborhood amenities, home features and other influences. Recent research on consumer intentions to buy a home reveal that most of those unserviced area would likely be the preference for a larger property in a more rural environment and related lifestyle considerations. So it is unlikely that very many of those who intend to buy a new home in an unserviced area would opt for a new home on a much smaller lot in a serviced area. As a result, the new homes market and resale market in the serviced areas of Metro are not expected to experience any appreciable indirect impact from interim growth controls. Therefore, most of those whose first choice in a home is a new single-detached home in an unserviced area but are either unable or unwilling to realize that option can be expected to look for an existing home in unserviced areas as a second choice. Based on these considerations any indirect impact of interim growth controls on the home purchases in Metro is expected to be concentrated in the resale market in various unserviced areas of Metro.

Finally, considering the thin inventory of existing homes for sale in the Metro resale market (a condition that is forecast to improve over the next 18 months, but not significantly) there is a strong likelihood that a large share of the indirect impact of interim growth controls on the housing market will be experienced in the renovation sector. However, the magnitude of this impact on the renovation market in Metro overall will not be significant.

In sum, interim growth controls will pose a challenge to the industry and market participants over the next 18 months, but not an insurmountable one.

Strong new house price growth to continue in 2004

Average sale price, new single detached, Halifax CMA



Source & Forecast: CMHC

FORECAST SUMMARY

Metro Halifax- April 2004

	2002	2003	2004 F	% change	2005 F
RESALE MARKET					
MLS® Active Listings (June peak)	2274	2460	2350	-4.5%	2550
Residential MLS® Sales	6687	5813	5500	-5.4%	5400
Residential MLS® Average Price	$ 148,737	$ 162,486	$ 173,000	6.5%	$ 176,500
NEW HOME MARKET					
Total Starts	3310	3066	2375	-22.5%	2325
Single-detached	1865	1483	1200	-19.1%	1100
Multiple Unit	1445	1583	1175	-25.8%	1225
Semi-detached	184	227	175	-22.9%	150
Row	126	184	200	8.7%	200
Apartment	1135	1172	800	-31.7%	875
Average New House Price (Single-detached)	$ 194,547	$ 211,739	$ 245,000	15.7%	$ 253,000
RENTAL MARKET					
Vacancy Rate	2.7%	2.3%	3.0%		2.7%
Average Rent-	$658	$675	$690	2.2%	$715
Rental Housing Starts	785	713	440	-38.3%	500
ECONOMIC OVERVIEW					
Mortgage Rate- 3 year term	6.28%	5.82%	5.46%		6.04%
Mortgage Rate- 5 year term	7.02%	6.39%	6.13%		6.73%
Employed	183,983	187,242	190,240		194,000
Employment growth	0.1%	1.8%	1.6%		2.0%
Unemployment rate	7.6%	6.8%	6.6%		6.2%

MLS® is a registered trademark of the Canadian Real Estate Association
Source: CMHC
Statistics Canada: Labour Force Survey

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