HOUSING MARKET OUTLOOK

Canada Mortgage and Housing Corporation

CALGARY
SPRING 2002

New Home Market

Starts To Reach 11,500 Units in 2002

New home construction in the Calgary Census Metropolitan Area (CMA) totalled 11,349 units last year. After a slow start in the first four months of the year, housing construction in 2001 finished 2.3 per cent ahead of 2000's performance. While multi-family units recorded a decline, overall starts were buoyed by a vibrant single-family market. Impressive activity in the latter months of the year pushed single-family starts to 7,559 units in 2001, an increase of 12 per cent over 2000 and the third best year on record.

Multi-family construction, which includes semi-detached, row and apartment units, totalled 3,790 dwellings. While this represents a decrease of 13 per cent from 2000, the correction was an appropriate response from builders who pulled-back construction due to rising apartment inventories. With inventories returning to more manageable levels, market participants can look forward to a healthy 2002.

In 2002, total starts will exceed 2001's activity by a modest one per cent with 11,500 homes projected to begin construction. The single-family market can expect to see 7,800 homes start in 2002, an increase of three per cent from 2001. Meanwhile, multi-family activity is expected to return to sustainable levels, falling two per cent short of 2001's performance with 3,700 units for the year.

Mortgage Rates Key to Housing Market's Solid Performance

Historically low mortgage rates combined with a tight resale market have sustained the housing market momentum experienced through late 2001 into 2002. In the first two months of this year, single-family starts exceeded the same period in 2001 by 27 per cent. Increases in activity were spread across all sectors of the city and municipalities in the CMA with the exception of the MD of Rockyview, where single-family starts were nine per cent behind the pace of 2001. While the 27 per cent jump to-date is impressive, the extent of the increase is not expected to prevail by year-end. The latter half of the year is expected to lag 2001 as recent job losses and mortgage rate increases begin to temper demand as the year progresses. By year-end, the increase in single-family starts will moderate to three per cent, while achieving the third highest annual total on record.

Despite slower economic growth nation-wide, housing markets have thus far been insulated from the downturn. Favourable mortgage rates and strong income gains have made home ownership more affordable than previous years, despite further price increases. Meanwhile, new home construction continues to ride the wave of last year's solid employment gains. Low mortgage rates and a strong energy sector will keep demand buoyant in 2002, but slower job creation, higher prices and a lack of excess capacity in the construction industry will prevent Calgary's home builders from surpassing CMHC's forecast of 7,800 single-family units this year.

Single-family construction rose in seven of the nine city zones comparing 2001 to 2000. The East and South sectors recorded declines in starts of 56 and 13 per cent, respectively, though these two sectors account for a relatively small portion of total city starts. The Northwest continues to lead the city in terms of actual starts of single-family homes with 1,770 beginning construction in 2001. Meanwhile, the West sector recorded the largest increase in activity in 2001 relative to 2000 at 31 per cent.

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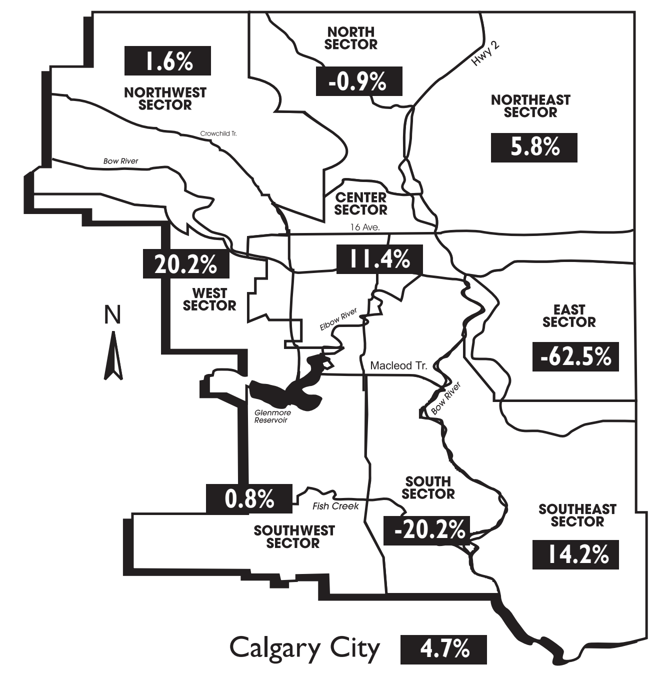
Single Detached Starts Annual % Change 2001/2000



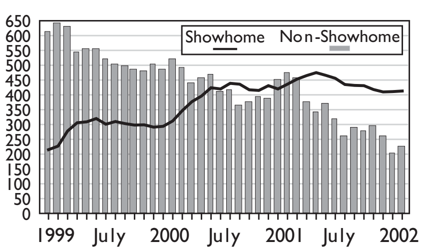
Source:CMHC

'Spec' Inventories Hit Four-Year Low

Following an 18-year high of 915 units in March 2001, the number of complete and unabsorbed single-family homes (inventory) in the Calgary CMA has taken an abrupt downturn. Inventory, consisting of showhomes and non-showhomes (or 'spec' homes), sat at 641 units in February 2002, 30 per cent fewer than February 2001.

Through the first half of 2001, the Calgary CMA recorded a steady rise in the number of showhomes. By May, the quantity of showhomes reached a peak of 475 units, the highest level since CMHC began recording them in 1994. Since then, the overall showhome count has declined to 413 units, just 23 fewer than in February of 2001. With the number of showhomes relatively stable, the decline in complete and unoccupied units can be attributed to a drop in 'spec' inventory. At the end of February 2002, 'spec' units equalled 228 homes, representing a significant departure from the 478 units reported one year earlier. With the exception of January 2002, this is the lowest 'spec' inventory has been in four years. In the face of strong demand, this drop is unwelcome to builders as many are having difficulties sustaining units for immediate occupancy. With a lack of active listings in Calgary's resale market, builders could stand to benefit from additional 'spec' inventories. Prospective resale buyers who seek an early occupancy are turning their attention to new product, only to find the selection available for early possession is even more limited.

Single-Family Inventories Falling



Source: CMHC

Average Price Continues Upward Trend

The average price of a single-family home reached $239,437 in 2001, an increase of six per cent over 2000. Sales of higher priced homes continue to pull the average price upward, as low mortgage rates are enabling buyers to upgrade to a more expensive residence. Homes priced above $250,000 have gained considerable market share in recent years, rising from under 20 per cent in 1999 to almost 30 per cent of the market in 2001. Early indications point to a continuation of this trend, as strong sales in the upper price ranges are gaining further momentum.

Increasing construction costs are also inflating average prices in the Calgary CMA. In 2002 look for another average price increase of six per cent to $253,800. In addition to the factors mentioned above, the average price will be magnified by tight market conditions and limited capacity. Record sales of existing homes have reduced the selection of quality listings in the resale market and forced some buyers to turn to the new home market to satisfy their housing needs. This additional demand has placed extra pressure on material manufacturers, developers, and trades. Shortages of trades and serviced lots rank among the top concerns for builders, as the unavoidable cost increases fall on the backs of price-sensitive consumers. With single-family starts pushing construction capacity to its limit, many builders are facing shortages of skilled trades people such as cribbers and framers. While this tends to bid up wages, the shortage of trades is also forcing builders to postpone possession dates, resulting in frustrated consumers and heightened carrying costs. Postponing possession dates has become common practice for some builders, while others are reluctant to give a possession date at all.

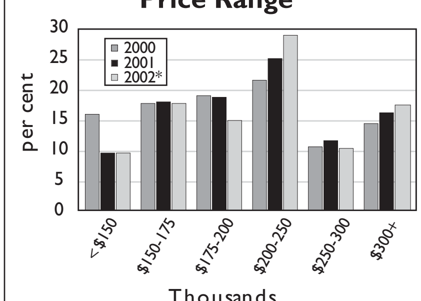
In addition to labour, building materials and land are also adding to the cost of new construction. Following an eight per cent jump to $60,304 in 2001, average lot prices are expected to climb further this year as development costs escalate thanks to strong demand. With relatively few lots available, fierce competition among builders and buyers is placing upward pressure on prices. Additional pressure is added due to winter weather conditions delaying the preparation of much needed new lots.

With average prices climbing to $253,800 this year, potential homebuyers will begin to face affordability constraints. Unlike the previous few years when declining mortgage rates buffered the impact of rising prices, the rise in both rates and prices will adversely impact affordability, a factor which up to now has been key to the housing sector's remarkable performance.

Multi-Family Inventory Falling From Record High

Following an 18-year high of 4,344 starts in 2000, multi-family construction in the Calgary CMA will return to sustainable levels of activity over the forecast period. Multi-family construction, including semi-detached,

Single-Family Absorptions by Price Range



Source: CMHC *YTD February

row, and apartment units, is expected to total 3,700 dwellings in 2002, down marginally from the 3,790 units constructed in 2001 and 15 per cent lower than 2000. By all accounts, 2001 can be characterized as a transition year for Calgary's multi-family construction industry. As a result of heightened inventories through 2000 and the first quarter of last year, builders pulled back on the number of new projects started in 2001, especially in the apartment segment of the market.

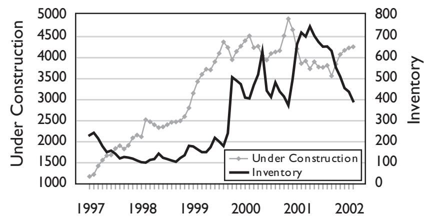
Of the 3,790 multi-family starts in 2001, 463 were for rental tenure, while condominium starts equalled 3,001. The decline in condominium activity represents an appropriate response from builders in a situation of rising inventory which peaked in April 2001 at 748 units. Multi-family inventories have fallen steadily ever since, and at 393 units in February 2002, are the lowest since November 2000. Total multi-family units under construction, which have been in the range of 3,800 units throughout 2001, were bumped up in the last quarter of 2001 as a surge in rental starts boosted units under construction to nearly 4,200. Excluding rentals, multi-family units under construction are at their lowest point since the first quarter of 1999.

With inventories returning to a more comfortable level, multi-family starts in 2002 will be maintained at a sustainable 3,700 units. While this represents the second consecutive yearly decline, it will exceed the previous ten-year average by a healthy 50 per cent. To the end of February 2002, 814 multi-family units began construction, up a staggering 92 per cent from the previous year. This should be interpreted with caution, however, as the extent of the increase will be impossible to maintain by year-end. The current year-over-year increase results from a combination of solid activity in the first few months of this year compared to a weak start in 2001. As the year progresses, multi-family builders will be competing with comparatively stronger numbers. By the end of 2002, the year-over-year change will be two per cent short of 2001, with multi-family construction reaching 3,700 units.

Multi-Family Absorptions Healthy

The proportion of units absorbed at completion, which is a proxy for how many units were sold prior to or during construction, reached a lofty 81 per cent by the end of 2001, a figure which has been maintained in the first two months

Multi-Family Market
Under Construction Rising, Inventories Falling



Source: CMHC

of 2002. After bottoming out at 67 per cent in December 2000, this indicator has been climbing steadily reflecting the growing strength of the multi-family market.

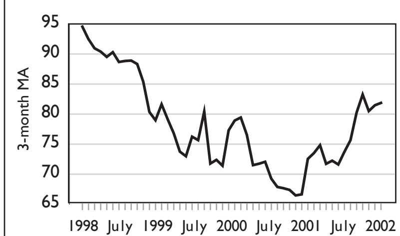
For prospective homeowners, a limited supply of lower-priced single-family dwellings in both the resale and new market is having favourable implications for some segments of the condominium market. Condominiums between $100,000 and $120,000 accounted for the largest share of activity in the market last year at 22 per cent. In the first two months of 2002, the trend has shifted with condominiums over $225,000 accounting for 23 per cent of the market and the $100,000 to $120,000 range comprising only five per cent. Rather than a swing in consumer preferences, this shift is merely a function of what projects get absorbed in a given time period.

As is the case with their relative affordability, location continues to be a feature crucial to the success of multi-family development. The Central sector claimed the largest share of the market in 2001, at 28 per cent. In the first two months of 2002, Centre absorptions are up to 50 per cent of the market, while sales in West and Southwest Calgary lost ground. With the recent increase in sales among the higher price ranges, it is not surprising that the Central sector is the most active as it contains the city's more expensive units.

With changing demographics leaning toward baby-boomers and empty nesters wanting to relocate to the inner city, the prospects of a healthy urban condominium market remain positive. The same condos can also satisfy the demands of younger households who prefer to live close to the urban core, where the price of a single-family unit is often prohibitively high. In 2002, the development of the East Village, further activity in Erlton, Victoria Park, and Lincoln Park, will provide excellent locations to entice a variety of buyers. Construction on the former site of the General Hospital is also expected to begin this year, where an assortment of housing types including affordable housing is being proposed.

Factors external to Calgary's real estate market are resulting in a relatively new source of condominium demand. With continued appreciation in real estate prices, capital is moving away from the volatile stock markets toward real estate. With vacancies in the rental market below two per cent, investors are increasingly purchasing condominium units to rent out, partly explaining higher absorptions in the condo market. In fact, anecdotal evidence suggests that upwards of 30 per cent of all condominiums are purchased by investors as revenue property. With continued uncertainty in the stock market, the multi-family sector will continue to attract those seeking a secure investment.

Multi-Family Market
Per Cent of Units Absorbed at Completion



Source: CMHC

Mortgage Rate Outlook

While open and variable rate mortgages generally track lenders' prime rate, fixed rate mortgages move in tandem with the bond market. As the prime rate, money market, and short-term bond yields are expected to remain stable in 2002, so will short-term mortgage rates. However, as the economy strengthens and financial markets foresee some monetary tightening, long-term interest and mortgage rates will increase. In March, the Bank of Canada kept interest rates steady for the first time in over a year, putting an end to rate cuts which began 14 months earlier.

Expect rates to begin rising through the second half of the year. That said, the outlook for short-term mortgage rates in 2002 remains favourable with the one-year mortgage rate averaging in the 4.00-5.00 per cent range. The three- and five-year mortgage rates will remain in the 6.00-7.00 and 7.00-8.00 per cent ranges, respectively, on average.

Resale Market

2002 Sales Down Marginally from Previous Year's Record

MLS® PRICE GROWTH BY SECTOR

Highest Selling Neighbourhoods 2001

		AVERAGE PRICE		SALES	
Sector	*Neighbourhood*	*2001*	*% chg '01/'00*	*2001*	*% chg '01/'00*
Northwest	Arbour Lake	$216,111	2.6	260	21.5
	Citadel	$199,683	3.7	251	17.8
North	Hidden Valley	$185,699	2.9	361	34.2
	Coventry Hills	$168,248	3.2	278	17.8
Northeast	Martindale	$142,803	3.0	374	31.2
	Whitehorn	$147,962	5.6	221	4.2
West	Strathcona Park	$249,280	1.0	138	58.6
	Richmond Hill	$246,753	0.4	102	-2.9
Centre	West Hillhurst	$274,174	16.0	113	0.0
	Killarney	$194,637	0.3	109	2.8
East	Erin Woods	$138,455	2.8	151	-15.2
	Applewood	$165,908	6.4	130	23.8
South	Sundance	$230,694	6.0	194	17.6
	Chapparal	$215,410	1.8	141	31.8
Southeast	McKenzie Lake	$234,958	-1.6	401	4.2
	Riverbend	$182,886	0.8	246	11.3
Southwest	Somerset	$181,760	-0.1	210	-9.5
	Shawnessy	$171,142	2.9	201	27.3

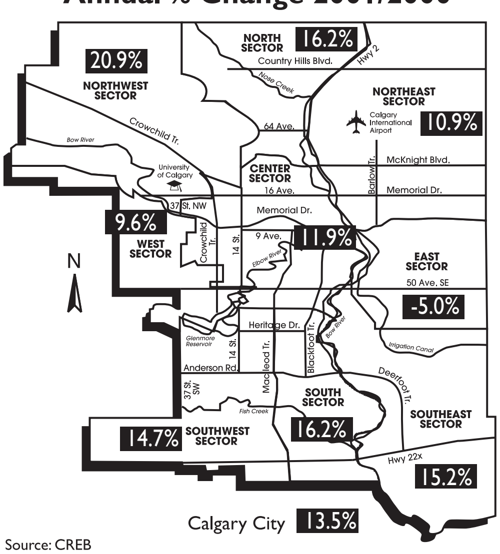
Source: Calgary Real Estate Board

Favourable mortgage rates and 2001's strong job creation has provided a tremendous boost to Calgary's resale market. Low mortgage rates and solid full-time employment gains have encouraged many of Calgary's renter households to become owners. Meanwhile, the low borrowing costs have created a sense of urgency among those seeking to upgrade, by encouraging them to buy before rates and prices rise further. The impact of low mortgage rates and healthy employment gains began in the second half of 2001 and pushed last year's total sales to a new record of 22,512 transactions. Sales of both single-family homes and condominiums set new heights in 2001.

The strong pace of sales has continued in 2002, setting a record for the first two months of the year. At 4,130 units, sales to the end of February are 39 per cent higher than the corresponding period one year ago. By the end of 2002, however, sales are expected to reach 22,000 units, 2.3 per cent behind the record number of transactions recorded last year. Factors inhibiting sales through the balance of the year include rising mortgage rates, weak employment gains, and a severe lack of selection. By all accounts, late 2001 and early 2002 will likely be remembered for prematurely exhausting some of the demand that would have prevailed later this year.

After reaching a high of 5,900 units in the summer of 2000, active listings continue to fall. There were 3,472 active listings at the end of February, 35 per cent less than February 2001 and the lowest February total since 1998. The situation in the single-family market paints a bleaker picture, as the 2,520 active listings are almost 40 per cent fewer than the previous year. February represents the ninth consecutive month of year-over-year declines in active listings, indicating the cycle of upgrade buying is losing strength. With current owners content with their purchases and others spooked by the recent job losses, the pool of buyers will increasingly be restricted to new migrants, formation of new households, and first-time buyers.

MLS® Sales by Sector
Annual % Change 2001/2000



Source: CREB

Sellers' Market Conditions Prevail

As a gauge of resale activity, the sales-to-active listings ratio provides an indication of the strength of the market. A ratio in the range of 30 per cent is considered balanced where the market does not favour buyers or sellers. Picking up toward the end of 2001, this indicator averaged 38 per cent last year, six percentage points higher than in 2000. The sales-to-active listings ratio in February 2002 jumped up to 66 per cent, more than double February 2001 and the highest it has been since early 1998. A sales-to-active listings ratio in this range points to an imbalance between supply and demand which favours sellers. With listings currently so low, pre-approvals are mandatory, as buyers must be prepared to act quickly to present an offer. Sellers, meanwhile, have the upper hand and often have the liberty of asking inflated prices.

Strong demand combined with declining supply and zealous sellers will continue to put upward pressure on average resale prices in 2002. It is currently common for a seller to entertain multiple offers, often selling in excess of list price. It was estimated in February that multiple offers were being received on 11 per cent of transactions. Listings are so limited that when a quality one comes up, buyers are competing with each other thus bidding up prices. As a result, price appreciation has been strong in the first two months of 2002, rising 6.7 per cent from February 2001 to reach an average of $188,768 at the end of February 2002.

By year's end, the overall average price is expected to increase five per cent to $191,200 with the average price of a single-family home rising to $204,000 and condominiums to $145,300.

Active listings of single-family homes dropped throughout 2001, but appear to be rebounding from a December low. At the end of February, active listings were down to 2,520, 38 per cent lower than February 2001. The lack of active listings will hold back sales as buyers are faced with a limited selection of quality listings, making it difficult for them to find a home suitable to their tastes. Record sales and minimal active listings have driven the sales-to-active listings ratio for single-family homes to 70 per cent, the highest it has been since October 1997.

Inverting the sales-to-active listings ratio yields a 'months of supply' measure, which can be produced for various price ranges. Typically, a three-month duration of supply is considered balanced - more tends to favour buyers and less favours sellers. In price ranges below $250,000 there is less than one month of supply, restricting selection for buyers seeking a more affordable unit. Homes priced below $250,000 are quickly absorbed by the market, as sellers enjoy short listing periods. In fact, the average days to sell a single-family home has fallen to 50 days in February, down from 70 one year earlier. Among the upper price ranges, there is an adequate selection for prospective buyers, hence a more balanced market emerges as prices rise.

Single-Family Sales on Fire

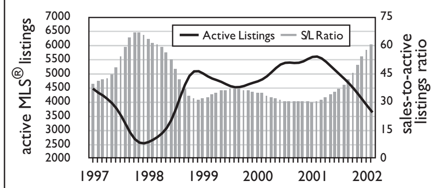
With rising incomes and falling mortgage rates, the resulting gain in affordability has encouraged more buyers into the single-family market than in the past few years and they are entering the market in higher price ranges. In addition, the recent equity gains - thanks to a 30 per cent rise in average prices since 1997 - are allowing current owners to upgrade their homes. In the last five years the share of the market below $175,000 fell from 74 per cent in 1997 to 44 per cent in 2001. In the first two months of 2002, the share of single-family sales below $175,000 has fallen to 37 per cent. Historically low mortgage rates mean buyers have been able to qualify for mortgages on higher priced homes and are choosing to buy homes with more frills than what they would have been able to in the past.

These favourable conditions helped propel single-family sales to a record 17,616 in 2001, a few hundred units more than the previous record set in 1997. In 2002 sales of single-family homes are expected to reach 17,200, a decline of two per cent from 2001 and the second strongest year on record. Meanwhile, following a four per cent gain to $194,116 in 2002, expect the average price for a single-family resale home to jump another five per cent this year. Robust demand will combine with a lack of supply to push average prices up to $204,000 for a single-family home this year.

Condo Market Performing Well

Calgary's condo market is also experiencing increasing sales, falling active listings and a rising average price. Sales hit a record high in 2001, reaching 4,896 units, 14 per cent higher than the previous year. For many renter households accustomed to multi-family living, the combined impact of rent increases and low mortgage rates is resulting in many electing to get into home ownership. As renter households traditionally have lower down payments and no equity, a condominium is often a viable alternative to a more expensive single-family unit. While condominium projects also continue to cater to the aging population seeking a maintenance-free lifestyle, an increasing portion of condo sales are a result of investors purchasing units to rent out. Given the level of uncertainly in other investment portfolios, investors are increasingly turning their attention to housing markets.

Active Listings Drop, Sales-to-Active Listings Ratio Jumps
Condo and Single-Family



Source: Calgary Real Estate Board, Seasonally Adjusted Data

Condominium sales have increased in all price ranges. The average sale price of an existing condo in 2001 rose two per cent from the previous year to $138,818. Among price ranges, condos selling between $120,000 and $140,000 make up the largest share of the market, near 20 per cent. The average price of a condo in Calgary was $144,056 in February 2002, up seven per cent from February 2001.

To the end of February, the sales-to-active listings ratio for condominium units hovered near 56 per cent. Moderating new condominium construction in 2001 has provided additional momentum to existing condominium sales. Sales of condos in 2002 are projected to reach 4,800, down two per cent from 2001's record-setting number, and ten per cent above the previous five-year average. Strength in the resale market in the first half of the year will push average condo prices up 4.5 per cent from 2001 to $145,300 in 2002.

For more information, contact:

Richard Corriveau
Senior Market Analyst

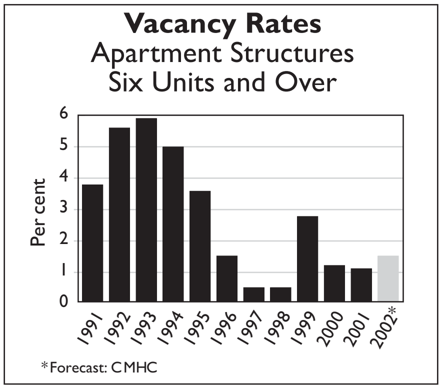
Telephone : (403) 515-3005
Fax: (403) 515-3036
E-mail: rcorrive@cmhc-schl.gc.ca

Rental Market

Moderate Rise in Vacancies in 2002

The demand for rental accommodation in the Calgary CMA is expected to remain firm over the forecast period. Following a 1.2 per cent vacancy rate in October 2001, CMHC expects apartment vacancies will ease slightly to 1.5 per cent in 2002. The dominant forces come from an indirect increase in rental supply through investors buying condominiums and renting them out. In addition, a jump in rents coupled with 40-year low borrowing costs will provide an impetus for some renters to purchase a home.

While the above factors may point to higher vacancies in 2002, there are two balancing factors which will maintain the low vacancy rate. Despite the recent boom of multi-family construction, starts for rental tenure targeting the mainstream rental market have been limited. With 463 rental starts in 2001, rental construction exceeded the previous 10-year average by 65 per cent. Hence, it would appear that the situation for renters would be improved upon completion of the new units. However, more than half of these rental units are for senior's residences. Meanwhile, the remaining rental starts will not be completed prior to 2003. Once



they do reach completion, they will certainly command higher than average rents and provide no relief for renters seeking an inexpensive unit.

The number of new units will be insufficient to counter losses to the rental stock through condo conversions. From 1996 to 2001, the number of conversions from rental to condominium has averaged approximately 900 units per year, strongly outnumbering additions to the rental stock through new construction. Since 1994, Calgary has lost almost 10 per cent, or 5,382 row and apartment units, of its rental universe, the majority a result of conversions. Though Calgary can expect to see 400 new rental units begin construction in 2002, they will be insufficient to compensate for losses to the rental universe through condominium conversions.

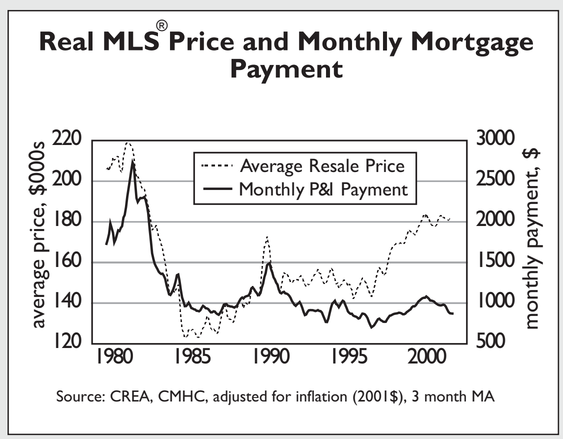
Further Rent Increases Expected

The persistently tight rental market conditions through 2002 will continue to favour landlords, placing upward pressure on rents. Following a 5.8 per cent increase in 2001, CMHC is forecasting rents to increase by a comparatively modest four per cent this year. While 2001's tighter vacancies will cue property owners to raise rents in 2002, the damaging impacts of energy costs on rents that were experienced in 2001 will not be as severe. Meanwhile, landlords are becoming increasingly reluctant to raise rents to minimize the loss of tenants to home ownership. The majority of rent increases will be captured among structures with recent renovations and repairs, a common instrument used to retain existing tenants and attract new ones.

Spotlight on Affordability

Affordability gains can be achieved by taking a shorter-term mortgage which offers lower rates. However, most first-time buyers will choose longer terms to gain comfort in knowing their monthly payment, especially since many of them will purchase with minimal down payment. That said, Calgary homebuyers will remain the most leveraged in the province. For all insured mortgages taken in a given month, the average gross-debt-service ratio in Calgary remains higher than any other city in Alberta.

After adjusting for inflation, the chart below plots average resale price and monthly mortgage payments in real dollars. While the real average price has been on an upward trend since 1985, monthly mortgage payments have remained stable. Despite rising house prices, the affordability of home ownership has been relatively unchanged the last 17 years, with the exception of 1990. In real terms, the average price of an existing home in Calgary increased 45 per cent between 1985 and 2001. Over the same period the average monthly payment, including principal and interest has risen only two per cent.



Economic Overview

Job Creation Will Ease but Remain Positive in 2002

Last year's economic slowdown in the U.S. and Canada gradually gnawed away at employment figures across the country. Calgary's labour market has not been completely insulated from the effects of the downturn, though strong gains during the summer months of 2001 more than compensated for the losses which followed. Thanks to a vibrant oil and gas sector, overall employment in the Calgary CMA increased by 23,800 jobs in 2001, representing an increase of 4.4 per cent over 2000. The majority of the jobs created in 2001 were full-time, which have a greater impact on housing markets than part-time positions.

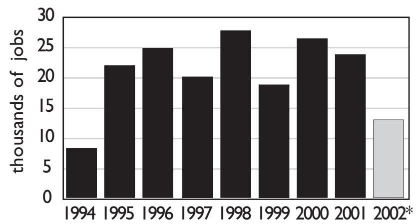
Oil and gas continues to be the pillar of strength in Calgary's job market. During the six-month period ending February 2002, the oil and gas sector led nearly all industries in job creation by posting 7,000 new positions, according to Statistics Canada. On the strength of consumer spending, growth was also experienced in the retail trade sector where employment rose by 7,200 jobs.

Other sectors however, have not been as fortunate. With the completion of some major commercial developments, many heavy construction workers have moved to other projects outside of Calgary. This, in part, has contributed to a loss of 2,100 construction jobs in the six-month period ending February 2002. The slowdown in demand south of the border has resulted in additional losses, as the manufacturing sector shed 4,600 positions during the same period. Professional, scientific and technical services also lost 3,200 jobs since September 2001, pushing the total number of job losses in the Calgary economy to 3,700 since September 2001.

The recent job losses beg the question, why are Calgary's housing markets currently so active? The answer is two-fold. First and foremost, there is a lagged effect of job creation on housing markets. In essence, Calgary's housing market is still benefiting from 2001's employment growth. Moreover, it must be remembered that the majority of 2001's job gains were full-time positions with high rates of pay, providing a further boost to housing markets down the road.

Unfortunately, the recent job losses point to comparative weakness in housing markets in the second half of the year. In the latter half of 2001 and the first two months of 2002, a larger proportion of job losses have been full-time. Thankfully, average earnings have continued their upward trend despite the recent job losses. With further gains in the oil and gas sector, overall wages in Calgary have increased 7.7 per cent year-over-year, helping maintain consumer confidence. Income gains combined with low interest rates have supported consumer spending on interest-sensitive items such as cars and housing. Moving forward, the job gains in high paying sectors will help buffer the negative impacts of weaker job creation on housing markets.

Job Creation Eases in 2002



Net Annual Employment Growth

Source: Statistics Canada
*Forecast: CMHC

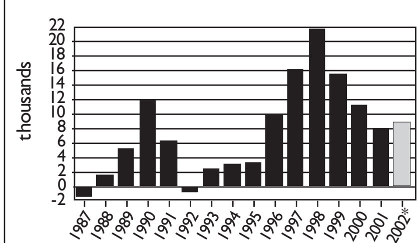
In 2002, employment growth in the Calgary CMA will ease to 2.3 per cent, or 13,000 new positions. Despite the slowdown, Calgary's labour market performance will be among the strongest in the country. With the current shortage of labour, as indicated by low unemployment and record high participation rates, labour markets will remain tight over the forecast period. While this will also inhibit job growth in 2002, there are more concerning factors at play. With rising costs in the oil patch and uncertainty surrounding crude oil and natural gas prices, the market is anticipating lower profits through 2002. As a result, a modest slowdown in the pace of oil and gas related employment growth will occur. In addition, a lack of major commercial construction combined with weaker infrastructure spending will limit additions to payrolls in the construction sector. Weaker fiscal expenditures will also limit employment gains in the information, culture, and recreation sector. Thankfully, with the U.S. economy rebounding earlier than originally anticipated, demand for manufactured exports should pick up limiting the losses of manufacturing jobs, while providing a boost to transportation and warehouse related employment.

Net Migration to Rise in 2002

The pace of net migration into Calgary continued on a downward trend in 2001. According to city census figures, Calgary recorded 7,991 new residents via net migration during the 12-month period ending April 30, 2001. This represents the smallest gain since 1995, and only about one-third of the record 21,735 migrants arriving in 1998. Though Calgary's tight labour market continues to be a strong magnet for people seeking employment opportunities, our magnetic power has diminished in recent years. Labour markets in Northern Alberta, namely in Edmonton and Fort McMurray, are performing strongly, thus drawing inter- and intra-provincial migrants away from Calgary.

Over the forecast period, Alberta's labour market will continue to perform better than the national average and remain the destination of choice for inter-provincial migrants. While Calgary will continue to compete with Edmonton and Fort McMurray, Calgary's strong economy will draw 9,000 migrants for the 12-month period ending April 30, 2002. This will represent the first time in four years that net migration will record an increase.

Net Migration - City of Calgary



Source: City of Calgary (May 1 to April 30)
*Forecast: CMHC

FORECAST SUMMARY

CALGARY HOUSING MARKET OUTLOOK

APRIL 2002

	1999	2000	% Chg	2001	% Chg	2002*	% Chg
RESALE MARKET							
MLS® SALES							
Total	20,197	19,828	-1.8%	22,512	13.5%	**22,000**	**-2.3%**
Single-family	16,072	15,541	-3.3%	17,616	13.4%	**17,200**	**-2.4%**
Condominium	4,125	4,287	3.9%	4,896	14.2%	**4,800**	**-2.0%**
MLS® PRICE ($)							
Total	166,110	176,305	6.1%	182,090	3.3%	**191,200**	**5.0%**
Single-family	175,512	187,463	6.8%	194,116	3.5%	**204,000**	**5.1%**
Condominium	129,477	135,860	4.9%	138,818	2.2%	**145,300**	**4.7%**
NEW HOME MARKET							
STARTS							
Total	10,600	11,093	4.7%	11,349	2.3%	**11,500**	**1.3%**
Single-family	6,613	6,749	2.1%	7,559	12.0%	**7,800**	**3.2%**
Multiple-family	3,987	4,344	9.0%	3,790	-12.8%	**3,700**	**-2.4%**
AVERAGE NEW HOUSE PRICE							
Single-family	211,230	225,996	7.0%	239,437	5.9%	**253,800**	**6.0%**
RENTAL MARKET							
Vacancy rate (Oct)	2.8	1.3		1.2		**1.5**	
Rental rate (Annual % Change)	4.5	0.1		5.8		**4.0**	
ECONOMIC OVERVIEW							
Mortgage rate (3 yr term)	7.37	8.17	0.8	6.88	-1.3	**6.47**	**-0.4**
Mortgage rate (5 yr term)	7.56	8.35	0.8	7.41	-0.9	**7.23**	**-0.2**
Employed	517,100	543,400	5.1%	567,200	4.4%	**580,200**	**2.3%**
Employment growth (# jobs)	18,800	26,400		23,800		**13,000**	
Net-migration (Census Year [2])	15,629	11,317		7,991		**9,000**	

** CMHC Forecast*

Source: CMHC, Calgary Real Estate Board, Statistics Canada, City of Calgary

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

2 May 1 to April 31 period