



HOUSING NOW

Prince Edward Island

YOUR LINK TO THE HOUSING MARKET

Canada Mortgage and Housing Corporation

VOLUME 1, EDITION 5,
FIRST QUARTER 2003

2003 Starts at a Faster Pace Than 2002

Increased Level of Multiple Activity Bouys Housing Starts

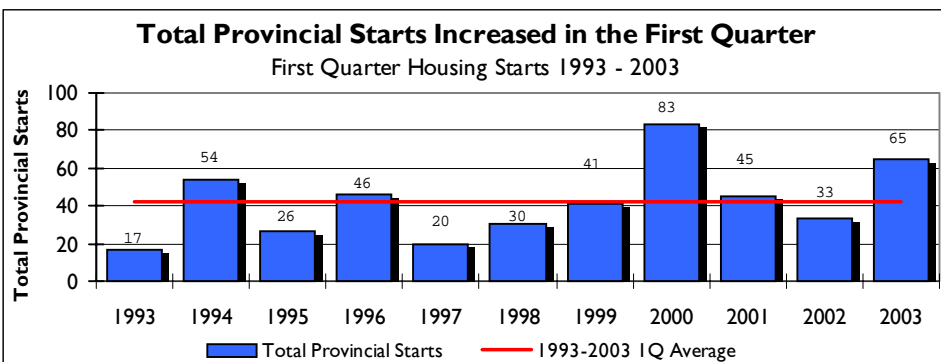
- ✓ New home construction during the first quarter of 2003 increased to 65 units compared to 33 during the same period last year, an increase of 96.9 per cent.
- ✓ The increase in housing starts, in the first quarter, was due to a higher level of both urban and rural starts, when compared to the previous year. Rural starts reached 26 units in the first quarter compared to 9 last year, while urban starts rose to 39 units from 24 in 2002.
- ✓ Single starts on the Island reached 42 units in the first quarter, an increase of 13 units from 2002. Urban single starts rose to 26 units in the first three months of 2003, compared to 20 units in 2002. Rural single starts increased to 16 units from 9, when compared to the same period last year.

- ✓ Multiple starts on the Island also edged higher than 2002, in the first quarter of 2003. Multiple starts reached 23 units in this time frame, compared to 4 during the same period last year.
- ✓ Charlottetown saw a slightly higher level of single starts in 2003. Single starts reached 18 units in 2003, compared to 16 units the previous year.
- ✓ The first quarter of 2003 in Summerside was very similar to the same period last year. Housing activity in the area increased to 8 units this year, compared to four in 2002.
- ✓ Residential construction in PEI is expected to remain strong throughout 2003. One of the main forces driving this will be another strong year for multiple unit construction in the Charlottetown area.

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Source: CMHC



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CHARLOTTETOWN & SUMMERSIDE

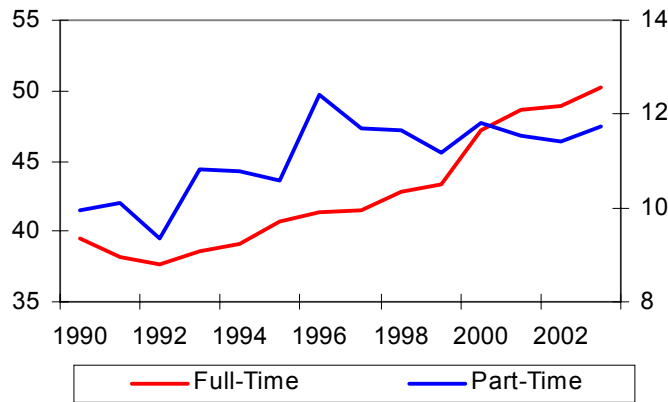
Housing Market Overview

Employment Growth Continued in the First Quarter of 2003

- ✓ On a provincial basis the first quarter of 2003 saw the number of people employed increase by 2.8 per cent. This means that there were about 1 600 more Islander's working in the first quarter of 2003 than in 2002.
- ✓ In the first three months of 2003, the ratio of full-time to total employment was 81.0 per cent, a slight increase from the 2002 level.
- ✓ In the Charlottetown area employment remained almost unchanged from the first quarter of 2002, falling only 0.2 per cent to reach 18,800. This is the second strongest first quarter on record for Charlottetown.

Full-Time Employment Continues to Increase

(Provincial Employment - First Quarter (Thousands))



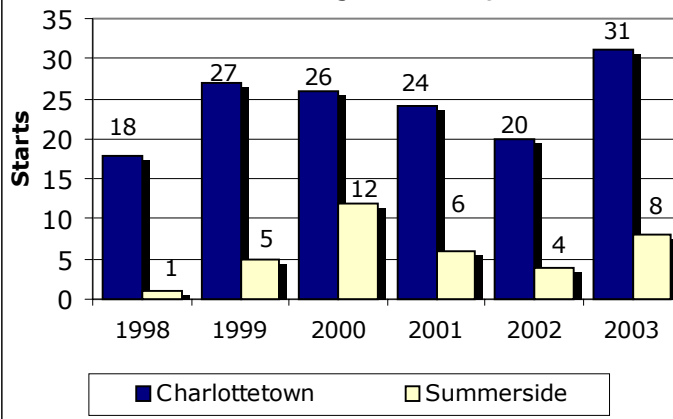
Source: Statistics Canada

Demand for New Homes Continues to Remain Strong

- ✓ Strong consumer confidence combined with attractive labour market conditions, and low interest rates continued to stimulate the demand for new single-family homes in both of the provinces urban centres.
- ✓ In the Charlottetown area, the increase in residential activity was due mainly to a strong demand for new rental units in the Town of Stratford. Multiple starts in Stratford rose to 11 units in the first quarter of 2003, from 2 during the same period last year.

Urban Starts Were Strong in the First Quarter of 2003

Total Urban Housing Starts 1st Quarter



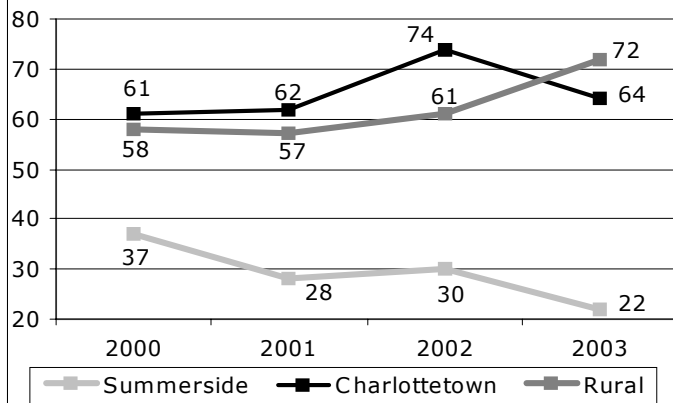
Source: CMHC

Rural Sales Set a New Record in the First Quarter of 2003

- ✓ Total provincial MLS[®] sales decreased by 4.2 per cent in the first quarter of 2003, to 158 units. While both of the province's urban areas recorded a decrease in the first quarter, rural sales increased by 11 units to set a new record for this period. Sales in Charlottetown decreased by a modest 10 units to 64 sales, while sales in Summerside decreased by 8 units to 22. It is important to note that both of the last two years have set records for MLS[®] sales in PEI.
- ✓ The sales-to-new-listings-ratio in the Charlottetown region, decreased to 31.7%, in the first quarter of 2003, a 10.7% decrease from the same period last year. The decrease in this ratio was caused by an increase in listings, and a decrease in sales.

MLS[®] Sales Did Not Reach the 2002 Levels

MLS[®] Sales Jan-March



Source: PEI Real Estate Board

Table I
Activity Summary By Area
Prince Edward Island

Area	TOTAL HOUSING STARTS						COMPLETIONS						UNDER CONSTRUCTION		
	1st Quarter			January-March			1st Quarter			January-March			As at March 31		
	2003	2002	% chg	2003	2002	% chg	2003	2002	% chg	2003	2002	% chg	2003	2002	% chg
Charlottetown CA	31	20	55%	31	20	55%	52	61	-15%	52	61	-15%	127	61	108%
Summerside CA	8	4	100%	8	4	100%	17	14	21%	17	14	21%	6	8	-25%
Total Urban Areas	39	24	63%	39	24	63%	69	75	-8%	69	75	-8%	133	69	93%
Total Rural Areas	26	9	189%	26	9	189%	115	196	-41%	115	196	-41%	72	30	140%
Total PEI	65	33	97%	65	33	97%	184	271	-32%	184	271	-32%	205	99	107%

Source: CMHC

Table 2: MLS Activity in Urban Centres*

	1st Quarter						Year-to-Date					
	Sales			Avg Sale Price			Sales			Avg Sales Price		
	2003	2002	% Chg	2003	2002	% Chg	2003	2002	% Chg	2003	2002	% Chg
Charlottetown CA**												
District 4	27	18	50%	\$120,690	\$111,895	8%	27	18	50%	\$120,690	\$111,894	8%
District 5	14	26	-46%	\$117,429	\$84,976	38%	14	26	-46%	\$117,429	\$84,975	38%
District 6	13	14	-7%	\$87,638	\$108,957	-20%	13	14	-7%	\$87,638	\$108,957	-20%
District 7	10	16	-38%	\$151,990	\$119,725	27%	10	16	-38%	\$151,990	\$119,725	27%
Total, CA	64	74	-14%	\$118,154	\$103,574	14%	64	74	-14%	\$118,154	\$103,574	14%
Summerside CA	22	30	-27%	\$94,841	\$76,617	24%	22	30	-27%	\$94,841	\$76,617	24%
TOTAL	86	104	-17%	\$112,190	\$95,798	17%	86	104	-17%	\$112,190	\$95,798	17%

* Source: PEI Real Estate Association

**District 4: Charlottetown City, Spring Park & West Royalty

**District 5: Sherwood, Parkdale, East Royalty & Hillsborough Parks

**District 6: Cornwall, North River & Wmsloe

**District 7: Bunbury, Southport, Crossroads, Keppoch, Kinlock, Tea Hill, Alexandra to Cherry Valley

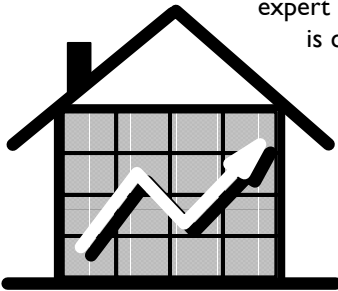
**TABLE 3
STARTS BY AREA
CHARLOTTETOWN CA**

Area/ Period	Single	Semi	Row	Apartment & Others	Total
Charlottetown City:					
First Quarter 2003	10	2	0	0	12
First Quarter 2002	8	2	0	0	10
Year-to-Date 2003	10	2	0	0	12
Year-to-Date 2002	8	2	0	0	10
Cornwall Town:					
First Quarter 2003	3	0	0	0	3
First Quarter 2002	2	0	0	0	2
Year-to-Date 2003	3	0	0	0	3
Year-to-Date 2002	2	0	0	0	2
Stratford Town:					
First Quarter 2003	1	0	0	11	12
First Quarter 2002	1	2	0	0	3
Year-to-Date 2003	1	0	0	11	12
Year-to-Date 2002	1	2	0	0	3
Remainder of Charlottetown CA:					
First Quarter 2003	4	0	0	0	4
First Quarter 2002	16	4	0	0	20
Year-to-Date 2003	4	0	0	0	4
Year-to-Date 2002	16	4	0	0	20
Total - Charlottetown CA:					
First Quarter 2003	18	2	0	11	31
First Quarter 2002	16	4	0	0	20
Year-to-Date 2003	18	2	0	11	31
Year-to-Date 2002	16	4	0	0	20

Source: CMHC

NEED MORE DETAILED INFORMATION?

Market Analysis Products and Services are designed to suit your needs. CMHC is the source for expert analysis and comprehensive data on housing. If you are in the housing industry, it is critical that you understand the trends and factors behind Prince Edward Island's housing markets. There is no substitute for the thorough, concise analysis of housing market developments that you get with CMHC's market data and analysis. Contact CMHC's Market Analyst for Prince Edward Island:



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Housing Now is published 4 times a year for the Prince Edward Island market. **Forecast Summary** is included in the first and third quarter editions. Annual subscriptions to the **Housing Now** for Prince Edward Island are \$55.00 plus applicable taxes. This publication is also available in French. For more information, or to subscribe, contact Johannes O'Callaghan at the Atlantic Business Centre at (902) 426-4708. *Order no. 2088*

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FORECAST

Charlottetown

SUMMARY

Canada Mortgage and Housing Corporation

VOLUME 5 EDITION 1
FIRST QUARTER 2003

Multiple Starts Expected to Rise in 2003

Employment and Migration Help to Buoy Housing Market

Charlottetown's housing market is expected to do well over the next two years as a result of both economic and employment growth.

The number of people employed in the Capital region reached 19,450 on an annualized basis in 2002, and is expected to increase slightly in both of the next two years.

Preliminary numbers for 2002 indicate that the province's GDP grew by an impressive 5.6 per cent, the largest annual gain since 1995. Agricultural production was the largest contributor to the growth with an increase of 20.8% from 2001 levels. Potato farmers enjoyed better conditions after several problem years with drought, crop disease and US trade barriers. Exports of potatoes jumped and agricultural

inventories were built up. Production in the food manufacturing industry increased 7.3% in 2002, increasing for the seventh consecutive year. Economic growth is expected to continue over the forecast period, however, at a slower pace than in 2002.

Positive net-migration is also contributing to the strong demand for housing in the Charlottetown area. Between 1996 and 2001, approximately 1,600 people moved into Queens County, of which almost 60 per cent came from within the province. This shows that PEI is no exception to the national trend of urbanization, which is creating a strong demand for housing in most Canadian cities.

Our current forecast indicates that 275 and 250 new single-family homes will be started in 2003 and 2004 respectively. Our forecast also calls for 200 and 125 multiple units in each of the next two years, bringing total starts to 475 units in 2003 and 375 units in 2004.

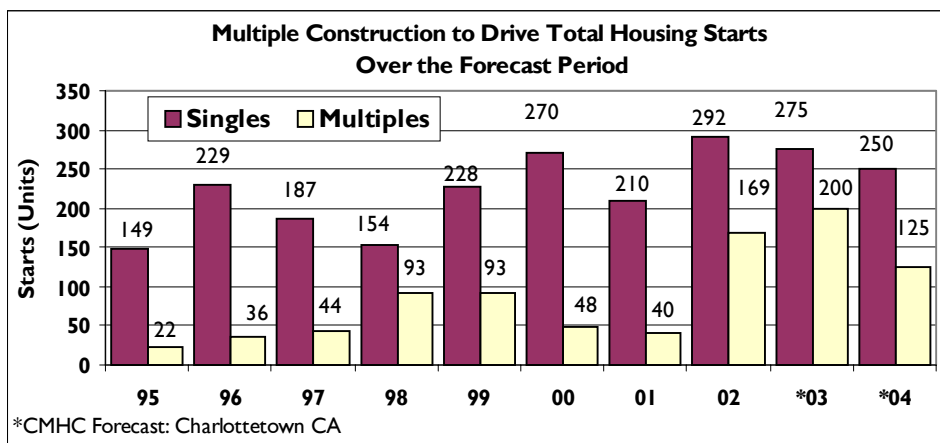
IN THIS ISSUE

- 1 **New Homes Market:** Employment and Migration to Buoy Housing Market
- 2 **Rental Market:** Vacancy Rate to Increase Slightly in 2003
- 2 High End Units Push Up Average Rents
- 3 **Resale Market:** Sales to Remain Strong in the Charlottetown Area
- 3 Average Sales Price to Edge Higher in 2003
- 4 **Forecast Summary**

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- 2 Vacancy Rate is Expected to Increase Due to Strong Starts of Rental Units
- 2 Average Rents to Increase Over Forecast Period
- 2 Resale Market to Remain Strong Over Forecast Period
- 3 Average MLS® Sales Price Expected to Rise in Both 2003 and 2004

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Rental Market

Vacancy Rate to Increase Slightly in 2003

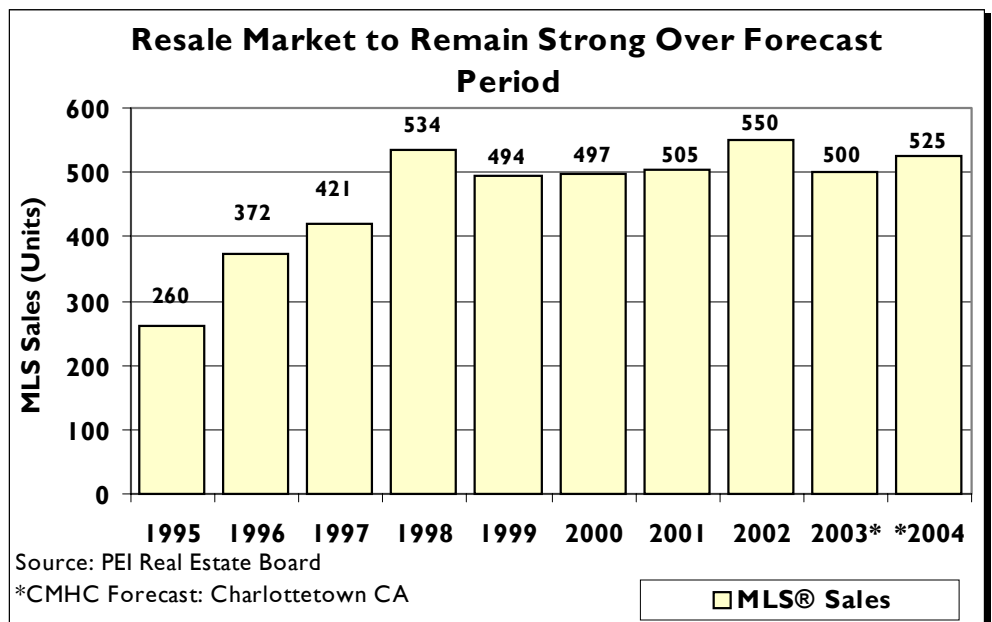
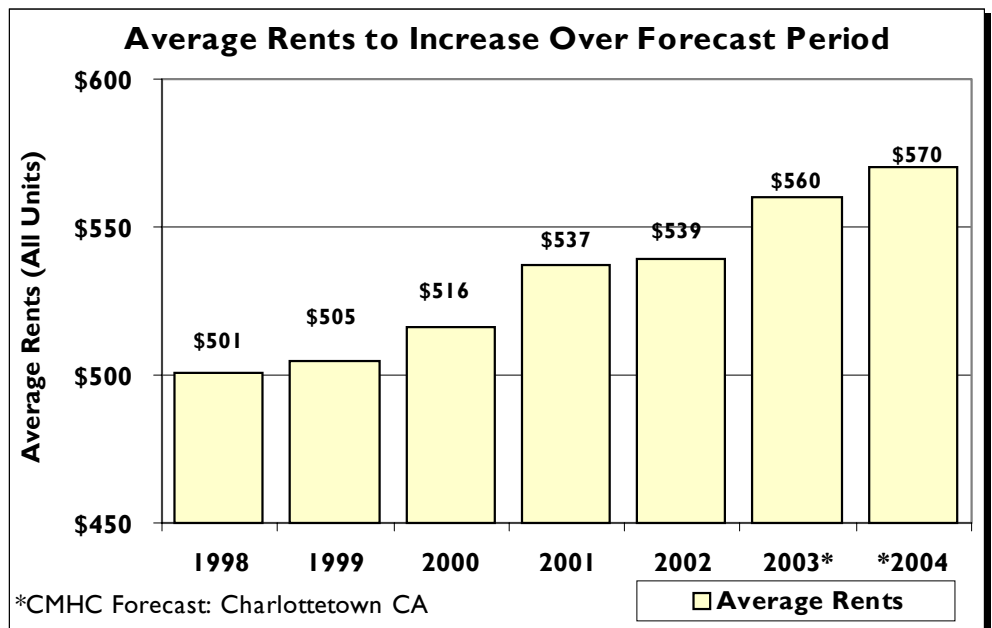
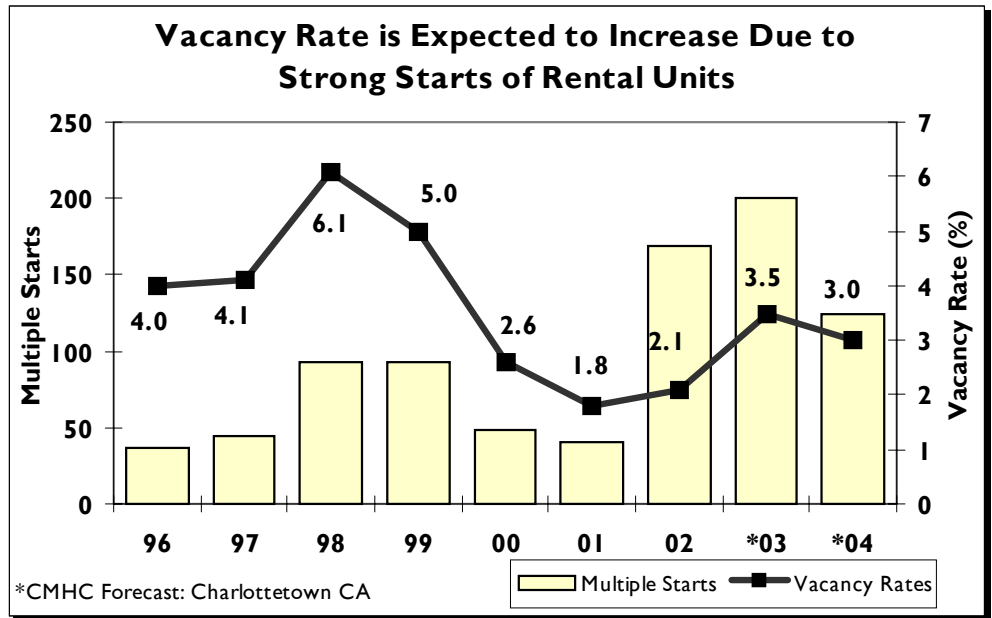
Despite the strong demand for rental units in the Charlottetown area, the vacancy rate is expected to inch up to 3.5 per cent in 2003, before falling slightly in 2004. A large number of new rental units, will cause the increase in the vacancy rate. With so many units coming onto the market, there will be a delay before all of the new units can be fully absorbed. The vast majority of these new units will be located in Charlottetown City or in the Town of Stratford. It is expected that 200 and 125 units will be added to Charlottetown's rental stock in 2003 and 2004 respectively.

The majority of these new units will be at the high-end of the market, where the greatest demand exists. Some of the extra amenities these new buildings will include are underground parking, in-floor radiant heating and ceramic flooring. These high-end units will be most attractive to older tenants that are seeking an alternative housing option to the single-detached home.

High-End Units Push Up Average Rents

Average rents for two bedroom apartments in the Charlottetown area in 2002, increased by only 0.4 per cent to \$539. Expect average rents to increase more substantially over the forecast period, as numerous new high-end units are added to the local rental market.

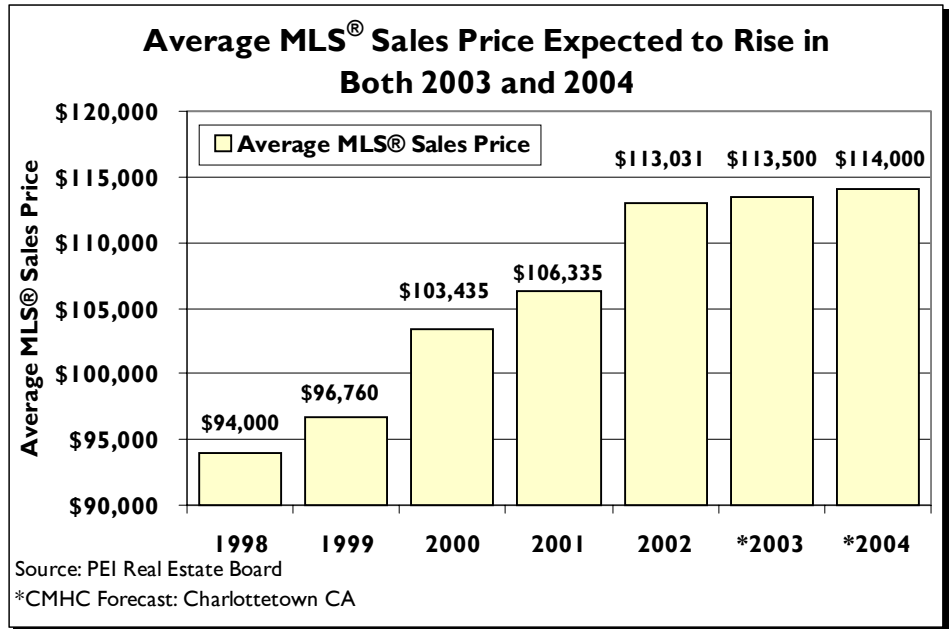
Results from CMHC's annual Rental Market Survey conducted in October are expected to show rental rates rising to \$560 this year and further to \$570 in 2004.



Resale Market

Sales to Remain Strong in the Charlottetown Area

Sustained employment, income growth and strong consumer confidence will continue to drive MLS® sales. However, the rising cost of home ownership, due partially to increasing interest rates, will moderate overall demand. When combined with a thin supply of quality listings, expect resale activity to tone down from last year's record high. The thin supply of listings is especially acute when one looks at the under \$120,000 price range. This price range is very significant since it is where most first-time buyers will be looking, and represents the largest portion of the resale market in Charlottetown. Nevertheless with an expected 500 units to be sold through the MLS® system in 2003, this will still represent the third best performance on record.



Average Sales Price to Edge Higher in 2003

The average sales price is expected to rise by about 1.0 per cent in 2003, before slowing to 0.5 per cent in 2004. The price growth will continue to occur due to stable demand for existing homes and a growing trend

of more expensive sales in both the Charlottetown City and Stratford areas. Since the average sales price is calculated based on sales of the entire area, a larger percentage of homes sold in a more expensive area will have the tendency to drive up the average sales price for the whole city.

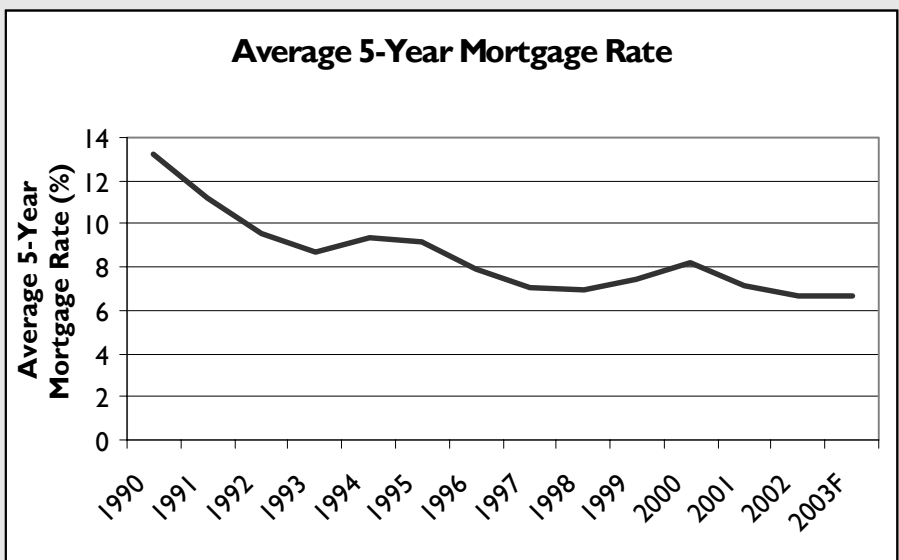
Mortgage Rates on the Rise but Still Low by Historical Standards

Short-term mortgage rates move in tandem with the prime rate while mid- and long-term mortgage rates vary in response to the cost of raising funds in the bond markets. Mortgage rates are forecast to rise as interest rates head up this year and next.

Spreads between mortgage rates and comparable bond yields have remained at 200-250 bps in the last couple of years, providing

lenders with some room to negotiate discounts ranging 50-150 bps from the posted rates. These spreads are likely to persist in the near term.

The one, three and five-year closed mortgage rates are expected to be in the 5.00-6.25, 6.00-7.25, and 6.50-7.75 per cent range respectively this year.



Source: Statistics Canada & CMHC

FORECAST SUMMARY

Greater Charlottetown Area

	1999	2000	2001	2002	2003*	2004*	% chg
NEW HOME MARKET							
Starts							
Total	321	318	300	461	475	375	3.0%
Single-family	228	270	250	292	275	250	-5.8%
Multiple/Rental	93	48	50	169	200	125	18.3%
Average New House Price	\$126,150	\$131,384	\$141,904	\$143,323	\$160,060	\$162,000	11.7%
Complete and Unoccupied (Dec)	7	7	8	3	5	8	
RESALE MARKET							
MLS [®] Active Listings (June peak)	278	224	240	196	210	230	7.1%
MLS [®] Sales	494	497	505	550	500	525	-9.1%
Average Sales Price	\$96,760	\$103,435	\$106,335	\$113,031	\$113,500	\$114,000	0.4%
RENTAL MARKET							
Vacancy Rate (October)	5.00%	2.60%	1.80%	2.10%	3.00%	3.00%	
Average Rents (All units)	505	516	537	539	550	555	2.1%
Rental Rate (annual % change) 2-bed. unit	0.60%	0.60%	0.78%	0.37%	2.1%	1.0%	
ECONOMIC OVERVIEW							
Mortgage Rate (3 yr. term)	7.40%	8.17%	6.88%	6.28%	6.43%	7.64%	
Mortgage Rate (5 yr. term)	7.56%	8.35%	7.41%	7.02%	7.01%	8.18%	
Employed	17200	18600	19100	19450	19600	19700	0.8%

* CMHC Forecast

Source: CMHC, Statistics Canada, PEI Real Estate Association

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