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# HOUSING NOW

Kitchener

YOUR LINK TO THE HOUSING MARKET

Canada Mortgage and Housing Corporation

## New Homes

### Strong third quarter

Kitchener CMA third quarter starts jumped 32.8% to 1,024 units compared with the 771 starts seen in the third quarter of last year. Single detached housing starts rose 2.3% to 631 units, while multiples rose 155% to 393 units. The start of a 145 unit apartment building in Waterloo and a 103 unit apartment building in Kitchener boosted multiple housing starts this quarter.

On a seasonally adjusted annual rate (SAAR) basis, third quarter single detached starts came in at 2,190 SAAR units representing the seventh consecutive quarter above the 2,000 SAAR level. The seasonally adjusted line graph below shows that single detached construction activity has been very consistent for quite some time. The

2,190 SAAR singles recorded in the third quarter of this year represents the fifth consecutive quarter in which activity has been hovering around the 2,150 SAAR level (plus or minus 100).

By municipality, the city of Kitchener recorded the most activity in September with 451 starts, followed by Waterloo with 336 starts and Cambridge with 203 starts. The townships of North Dumfries and Woolwich recorded 19 and 15 starts respectively.

Year to date starts are down 7.6% to 2,505 units from the 2,712 starts recorded in the first three quarters of last year. Single detached starts fell 6.9% to 1,608 units compared with 1,727 units while multiple starts fell 8.9% to 897 units compared with 985 units in the same period last year.

ISSUE 12  
THIRD QUARTER 2001

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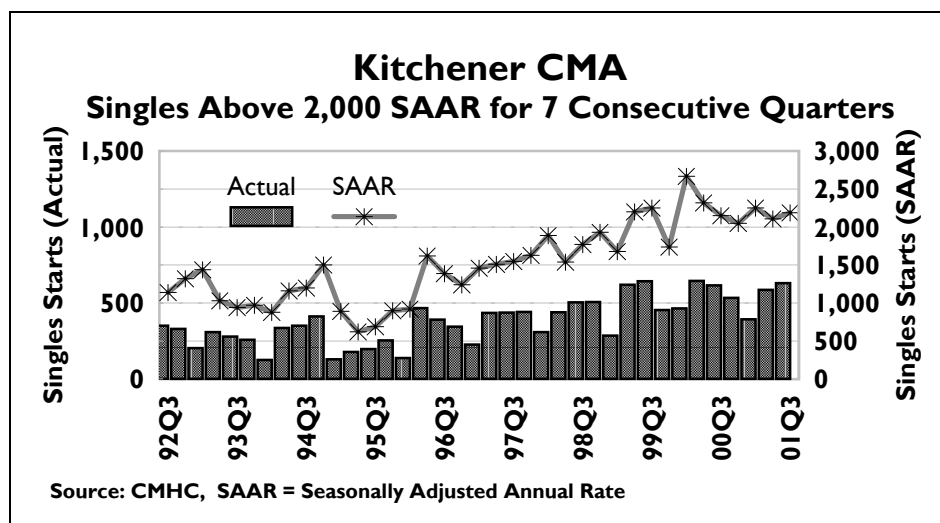
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CMHC Kitchener, Market Analysis

Brent Weimer

Tel: (519) 743-0020 Fax: (519) 579-2544

bweimer@cmhc-schl.gc.ca



HOME TO CANADIANS

Canada

# Ontario

## Overview

### Twelve year housing starts record

Home starts will put in their best performance in twelve years. Low mortgage rates and sky-high immigration levels will boost home starts from 71,521 in 2000 to 74,800 this year — the highest level since 1989. Starts will edge lower to 71,500 in 2002 as the impact of slower economic growth sets in.

The economy, one of the key housing demand ingredients, has lost steam. Job creation has been at a standstill since January. Auto-sector and recent border crossing woes will combine with airline and hospitality sector problems to result in low to negative job growth into the beginning of next year. Economic indicators lost ground even before the World Trade Centre event, though most were at reasonable levels. For example, consumer confidence edged lower. Business bankruptcies were edging up. The Help Wanted index inched down.

## In Detail

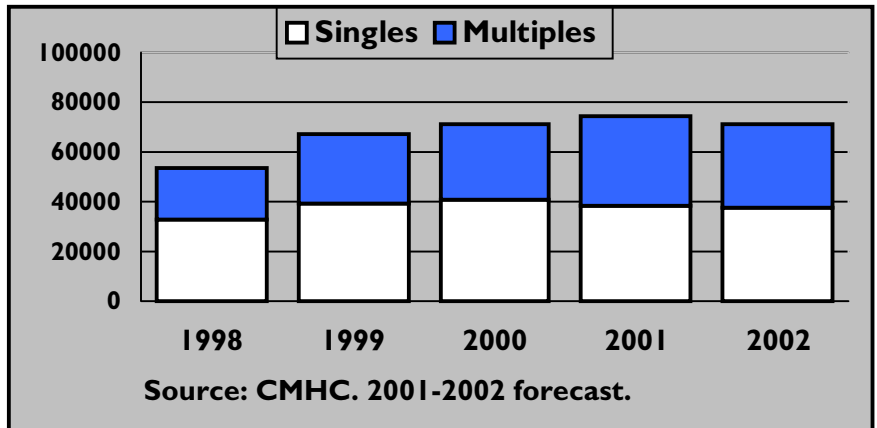
**Single Starts:** Single detached home starts will edge lower both this year and next. Single-detached homes are the most expensive home type. Rising home prices in Ontario's larger centres have made multiple family homes an affordable substitute.

**Multiple Starts:** Condominium and ownership row home construction has been running well above last year's. Multiple starts will jump by just under a fifth this year and will retreat slightly when interest rates edge up in 2002. Low vacancy rates and a growing renter aged population will boost rental apartment construction. Rental starts, however, will remain low by historical standards.

**Resales:** Home sales through the Multiple Listing Services have shrugged off the bad economic news. Affordable mortgage rates, the influx of new arrivals and tight rental markets will raise home sales to record heights this year. A more cautious consumer

## Ontario Starts

Contact: Alex Medow (416) 218-3344



Another key housing demand ingredient is people. Here we had a good news story, in-migration skyrocketed. August year-to-date immigration to Canada has been running at levels consistent with a fifth above the 225,000 upper target limit. The majority of arrivals chose Ontario for its established ethnic and social networks. High in-migration should trail off throughout next year as a result of increased security and a decline in appetite for travel in the aftermath of the World Trade Centre disaster.

Ultimately, the health of existing home markets set the stage for new construction. Low mortgage rates, which have kept home-ownership accessible, have led to record existing home sales and rising resale home prices. The province's tightest resale markets are in Central and Southeastern Ontario: **Toronto, Ottawa and Kitchener-Waterloo.**

will move home sales lower next year.

**Prices:** Leading home price indicators, such as the sales-to-new listings ratios, imply that most of the province's resale markets are balanced to tight. Home price increases will slow from double the general rate of inflation this year to the general rate of inflation next year as the economy cools.

## Spotlight on the RENTAL MARKET

**Vacancy rates are low in all major Ontario centres with the exception of the North. High in-migration to the province and a shift in age demographics to moderately stronger growth in the younger age population has boosted demand for rental. Migrants and younger aged households tend to rent until they become established.**

**The Ontario Ministry of Municipal Affairs and Housing announced that the allowable occupied unit rent increase will go up from 2.9 per cent in 2001 to 3.9 per cent in 2002. This rent increase guideline is designed to reflect changes in building operating costs. Higher home heating costs are a major reason for the 2002 increase.**

Table I: Starts by Area and by Intended Market - 2001/00  
Kitchener Census Metropolitan Area (CMA)

	Ownership					Rental		Total
	Single	Freehold Semi	Row	Condominium Row	Apt.	Row	Apt.	
<b>Kitchener CMA</b>								
Third Quarter 2001	631	22	73	50	0	0	248	1,024
Third Quarter 2000	617	26	91	35	0	0	2	771
Percent Change	2.3%	-15.4%	-19.8%	42.9%	NA	NA	12300%	32.8%
Jan. - Sep. 2001	1,608	88	240	60	0	4	505	2,505
Jan. - Sep. 2000	1,727	88	296	119	0	24	458	2,712
Percent Change	-6.9%	0.0%	-18.9%	-49.6%	NA	-83.3%	10.3%	-7.6%
<b>Kitchener City</b>								
Third Quarter 2001	218	2	40	46	0	0	145	451
Third Quarter 2000	169	8	38	7	0	0	0	222
Percent Change	29.0%	-75.0%	5.3%	557.1%	NA	NA	NA	103.2%
Jan. - Sep. 2001	482	16	105	46	0	0	396	1,045
Jan. - Sep. 2000	492	22	150	7	0	10	449	1,130
Percent Change	-2.0%	-27.3%	-30.0%	557.1%	NA	-100.0%	-11.8%	-7.5%
<b>Waterloo City</b>								
Third Quarter 2001	193	14	22	4	0	0	103	336
Third Quarter 2000	205	10	40	0	0	0	0	255
Percent Change	-5.9%	40.0%	-45.0%	NA	NA	NA	NA	31.8%
Jan. - Sep. 2001	577	26	67	4	0	4	109	787
Jan. - Sep. 2000	563	26	76	56	0	14	7	742
Percent Change	2.5%	0.0%	-11.8%	-92.9%	NA	-71.4%	1457.1%	6.1%
<b>Cambridge City</b>								
Third Quarter 2001	186	6	11	0	0	0	0	203
Third Quarter 2000	201	4	13	28	0	0	0	246
Percent Change	-7.5%	50.0%	-15.4%	-100.0%	NA	NA	NA	-17.5%
Jan. - Sep. 2001	454	44	68	10	0	0	0	576
Jan. - Sep. 2000	559	34	70	56	0	0	0	719
Percent Change	-18.8%	29.4%	-2.9%	-82.1%	NA	NA	NA	-19.9%
<b>North Dumfries Township</b>								
Third Quarter 2001	19	0	0	0	0	0	0	19
Third Quarter 2000	22	0	0	0	0	0	0	22
Percent Change	-13.6%	NA	NA	NA	NA	NA	NA	-13.6%
Jan. - Sep. 2001	42	0	0	0	0	0	0	42
Jan. - Sep. 2000	54	0	0	0	0	0	0	54
Percent Change	-22.2%	NA	NA	NA	NA	NA	NA	-22.2%
<b>Woolwich Township</b>								
Third Quarter 2001	15	0	0	0	0	0	0	15
Third Quarter 2000	20	4	0	0	0	0	2	26
Percent Change	-25.0%	-100.0%	NA	NA	NA	NA	-100.0%	-42.3%
Jan. - Sep. 2001	53	2	0	0	0	0	0	55
Jan. - Sep. 2000	59	6	0	0	0	0	2	67
Percent Change	-10.2%	-66.7%	NA	NA	NA	NA	-100.0%	-17.9%

Source: CMHC

Table 2: Housing Activity Summary - 2001/00  
Kitchener Census Metropolitan Area (CMA)

	Ownership					Rental		Total
	Single	Freehold Semi	Row	Condominium Row	Apt.	Row	Apt.	
<b>I. STARTS</b>								
Third Quarter 2001	631	22	73	50	0	0	248	1,024
Third Quarter 2000	617	26	91	35	0	0	2	771
Percent Change	2.3%	-15.4%	-19.8%	42.9%	NA	NA	12300.0%	32.8%
Jan. - Sep. 2001	1608	88	240	60	0	4	505	2505
Jan. - Sep. 2000	1727	88	296	119	0	24	458	2712
Percent Change	-6.9%	0.0%	-18.9%	-49.6%	NA	-83.3%	10.3%	-7.6%
<b>2. UNDER CONSTRUCTION</b>								
End of Third Quarter 2001	670	48	205	145	0	0	761	1,829
End of Third Quarter 2000	624	36	226	139	0	22	591	1,638
Percent Change	7.4%	33.3%	-9.3%	4.3%	NA	NA	28.8%	11.7%
<b>3. COMPLETIONS</b>								
Third Quarter 2001	613	34	90	15	0	4	306	1062
Third Quarter 2000	730	36	98	9	0	5	7	885
Percent Change	-16.0%	-5.6%	-8.2%	66.7%	NA	-20.0%	4271.4%	20.0%
Jan. - Sep. 2001	1556	70	262	54	0	27	458	2427
Jan. - Sep. 2000	1589	106	270	33	0	25	9	2032
Percent Change	-2.1%	-34.0%	-3.0%	63.6%	NA	8.0%	4988.9%	19.4%
<b>4. COMPLETED &amp; NOT ABSORBED</b>								
End of Third Quarter 2001	129	13	43	4	5	1	90	285
End of Third Quarter 2000	128	16	54	7	13	2	6	226
Percent Change	0.8%	-18.8%	-20.4%	-42.9%	-61.5%	-50.0%	1400.0%	26.1%
<b>5. TOTAL SUPPLY: 2. + 4.</b>								
September 2001	799	61	248	149	5	1	851	2,114
September 2000	752	52	280	146	13	24	597	1,864
Percent Change	6.3%	17.3%	-11.4%	2.1%	-61.5%	-95.8%	42.5%	13.4%
<b>6. ABSORPTIONS</b>								
Jan. - Sep. 2001	1556	70	267	57	5	27	368	2350
Jan. - Sep. 2000	1540	105	265	45	13	26	220	2214
Percent Change	1.0%	-33.3%	0.8%	26.7%	-61.5%	3.8%	67.3%	6.1%
September 2001	191	3	25	0	0	0	204	423
3-Month Average	212	12	31	8	2	1	5	271
12-Month Average	177	9	30	8	1	3	15	243

Source: CMHC

## WELCOME HOME

For most people, the hardest thing about buying a home, especially a first home, is saving the necessary down payment. As you know, with CMHC's Mortgage Loan Insurance, your clients can purchase a home with as little as 5% down. Welcome Home is a brochure that presents guidelines for making the right decisions.

Help your clients in answering the following questions ... . What is the maximum price they can afford, what will their monthly payments be and are there other options available to them?

To help them prepare themselves for this important decision process, give them a copy of *Welcome Home*.

If you need to obtain additional information on our products, services and research call **1-800-668-2642** or visit our Web site at **www.cmhc-schl.gc.ca**

**Table 3: Absorption of Single-detached units by Price Range  
Kitchener Census Metropolitan Area (CMA)**

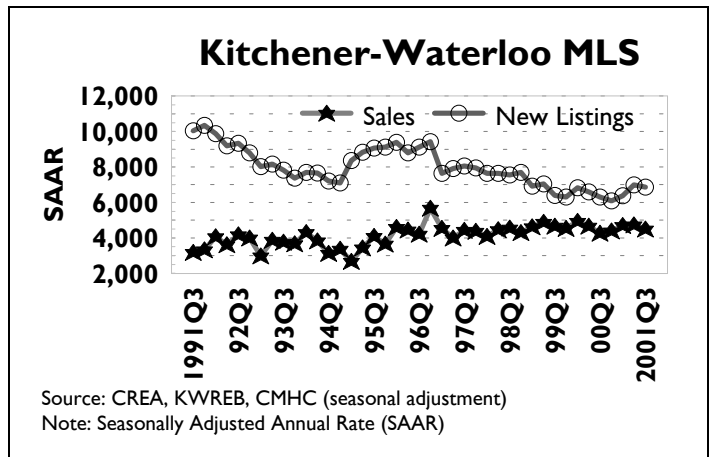
	Annual 2000		Jan.-Sep. 2001		3rd Quarter 2001	
	Units	Percent	Units	Percent	Units	Percent
<b>Kitchener CMA</b>						
<\$130,000	2	0.1%	0	0.0%	0	0.0%
\$130,000 to \$149,999	87	4.2%	24	1.5%	6	1.0%
\$150,000 to \$174,999	491	23.7%	281	18.1%	93	15.0%
\$175,000 to \$189,999	459	22.2%	274	17.6%	117	18.8%
\$190,000 to \$219,999	417	20.1%	349	22.4%	147	23.6%
\$220,000 to \$249,999	241	11.6%	209	13.4%	81	13.0%
\$250,000+	374	18.1%	419	26.9%	178	28.6%
<b>Total</b>	<b>2,071</b>	<b>100.0%</b>	<b>1,556</b>	<b>100.0%</b>	<b>622</b>	<b>100.0%</b>
Median Price		\$189,500		\$201,956		\$201,803
Average Price		\$208,348		\$225,866		\$227,480
<b>Kitchener City</b>						
<\$130,000	0	0.0%	0	0.0%	0	0.0%
\$130,000 to \$149,999	22	3.6%	5	1.2%	2	1.2%
\$150,000 to \$174,999	143	23.7%	58	13.4%	8	4.8%
\$175,000 to \$189,999	204	33.8%	127	29.3%	58	34.7%
\$190,000 to \$219,999	77	12.8%	81	18.7%	27	16.2%
\$220,000 to \$249,999	47	7.8%	35	8.1%	16	9.6%
\$250,000+	110	18.2%	128	29.5%	56	33.5%
<b>Total</b>	<b>603</b>	<b>100.0%</b>	<b>434</b>	<b>100.0%</b>	<b>167</b>	<b>100.0%</b>
Median Price		\$180,000		\$190,000		\$195,580
Average Price		\$203,247		\$218,722		\$227,180
<b>Cambridge City</b>						
<\$130,000	2	0.3%	0	0.0%	0	0.0%
\$130,000 to \$149,999	42	6.0%	6	1.4%	1	0.6%
\$150,000 to \$174,999	237	34.1%	112	26.2%	41	24.7%
\$175,000 to \$189,999	127	18.3%	75	17.5%	22	13.3%
\$190,000 to \$219,999	151	21.7%	106	24.8%	45	27.1%
\$220,000 to \$249,999	83	11.9%	67	15.7%	29	17.5%
\$250,000+	53	7.6%	62	14.5%	28	16.9%
<b>Total</b>	<b>695</b>	<b>100.0%</b>	<b>428</b>	<b>100.0%</b>	<b>166</b>	<b>100.0%</b>
Median Price		\$180,000		\$194,649		\$200,035
Average Price		\$191,792		\$206,586		\$209,175
<b>Waterloo City</b>						
<\$130,000	0	0.0%	0	0.0%	0	0.0%
\$130,000 to \$149,999	8	1.3%	6	1.0%	0	0.0%
\$150,000 to \$174,999	89	14.0%	92	15.9%	39	15.7%
\$175,000 to \$189,999	118	18.6%	66	11.4%	36	14.5%
\$190,000 to \$219,999	167	26.3%	149	25.7%	70	28.2%
\$220,000 to \$249,999	99	15.6%	97	16.8%	30	12.1%
\$250,000+	154	24.3%	169	29.2%	73	29.4%
<b>Total</b>	<b>635</b>	<b>100.0%</b>	<b>579</b>	<b>100.0%</b>	<b>248</b>	<b>100.0%</b>
Median Price		\$205,000		\$212,000		\$200,000
Average Price		\$223,066		\$232,462		\$234,046

Source: CMHC

# Resale Market

## Kitchener-Waterloo

With mortgage rates on the decline, resale activity is on the rise. In the third quarter of this year, the Kitchener-Waterloo real estate board recorded 1,176 sales, an increase of 5.7% over the same period last year. MLS new listings rose 8.7% to 1,618 units in the third quarter while the average price climbed 5.5% to \$164,627 compared with \$156,028 seen in the same period last year. On a seasonally adjusted annual rate (SAAR) basis, third quarter sales edged lower to 4,500 (SAAR) units while new listings remained strong at 6,870 (SAAR) units.



**Table 4: MLS\* Sales by Real Estate Board  
Kitchener Census Metropolitan Area (CMA)**

	Kitchener-Waterloo	Cambridge
Third Quarter 2001	1,176	576
Third Quarter 2000	1,113	535
Percent Change	5.7%	7.7%
Jan. - Sep. 2001	3,752	1,962
Jan. - Sep. 2000	3,722	1,714
Percent Change	0.8%	14.5%

**Table 5: MLS\* New Listings by Real Estate Board  
Kitchener Census Metropolitan Area (CMA)**

	Kitchener-Waterloo	Cambridge
Third Quarter 2001	1,618	836
Third Quarter 2000	1,488	818
Percent Change	8.7%	2.2%
Jan. - Sep. 2001	5,480	2,841
Jan. - Sep. 2000	5,358	2,632
Percent Change	2.3%	7.9%

**Table 6: MLS\* Average Price by Real Estate Board  
Kitchener Census Metropolitan Area (CMA)**

	Kitchener-Waterloo	Cambridge
Third Quarter 2001	\$164,627	\$165,625
Third Quarter 2000	\$156,028	\$164,566
Percent Change	5.5%	0.6%
Jan. - Sep. 2001	\$164,689	\$167,170
Jan. - Sep. 2000	\$156,117	\$159,341
Percent Change	5.5%	4.9%

**Table 7: MLS\* Sales to New Listing Ratio by Real Estate Board  
Kitchener Census Metropolitan Area (CMA)**

	Kitchener-Waterloo	Cambridge
Third Quarter 2001	72.7%	68.9%
Third Quarter 2000	74.8%	65.4%
Change	-2.1%	3.5%
Jan. - Sep. 2001	68.5%	69.1%
Jan. - Sep. 2000	69.5%	65.1%
Percent Change	-1.0%	3.9%

## Cambridge

The Cambridge resale market moderated somewhat in the third quarter (on a seasonally adjusted basis), but sales activity is still ahead of last year's pace. Third quarter sales rose 7.7% to 576 sales compared to 535 sales in the same period last year. The third quarter average price, however, only managed to climb 0.6% to \$165,625 compared to \$164,566 recorded in the third quarter of last year.

For the first nine months of the year, sales were up 14.5% to 1,962 units versus the 1,714 units sold in the first three quarters of last year. During this same time period, the average price rose 4.9% to \$167,170 compared with the \$159,341 recorded in the first three quarters of 2000.

# Economic Indicators

## Unemployment moves higher

The Kitchener CMA seasonally adjusted unemployment rate ended the third quarter at 6.3%, up from 5.7% at the end of the second quarter of this year. Year-over-year job growth slipped into negative territory as the local economy shed 900 net jobs in September 2001 compared to the same month in 2000. Losses occurred in both the full time and part time job market. Negative job growth combined with the growing population resulting in the seasonally adjusted employment ratio falling to a 3 year low of 64.9%.

## Mortgage rates to remain favourable

While open and variable rate mortgages closely track lenders prime rate, fixed rate mortgages move in tandem with the money and the bond markets. As the prime rate, money market and bond yields, for almost all maturities, will in all probability continue to fall, given the weaker economy, mortgage rates will also decline.

The outlook for mortgage rates is favourable with the one, three and five-year mortgage rates in the 4.50-5.50, 5.50-6.50, and 6.50-7.50 percent ranges respectively for the next twelve months. We maintain the assumption that mortgage rate discounts, ranging from 0.25 to 1.5 percentage point, will remain and continue to be an important competitive instrument over the forecast horizon.

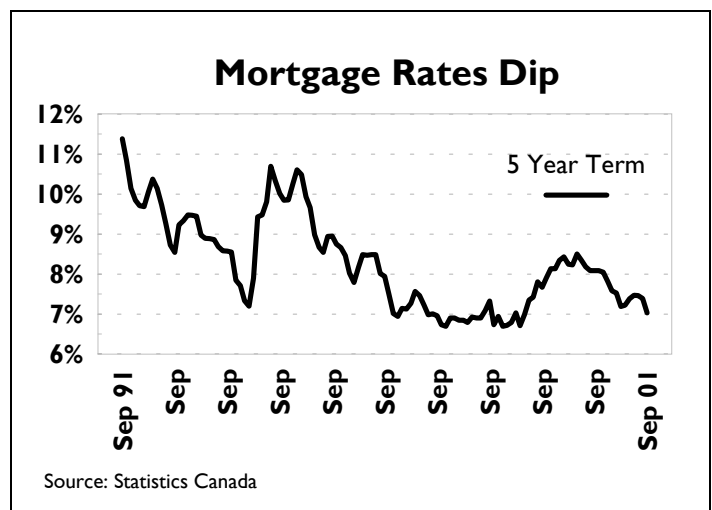
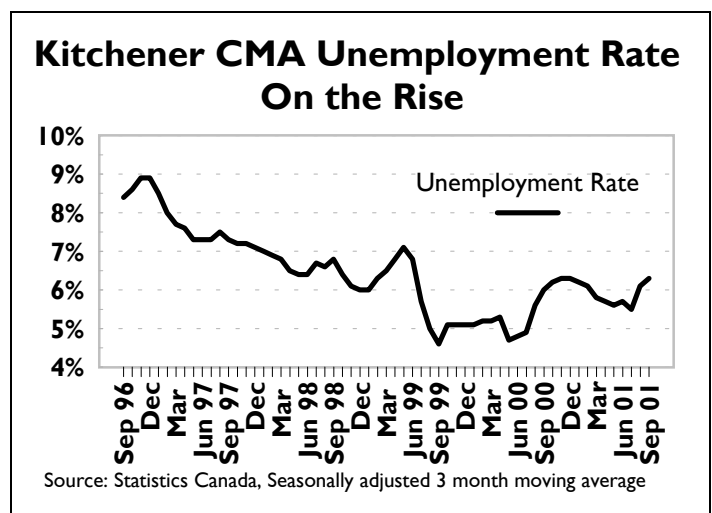
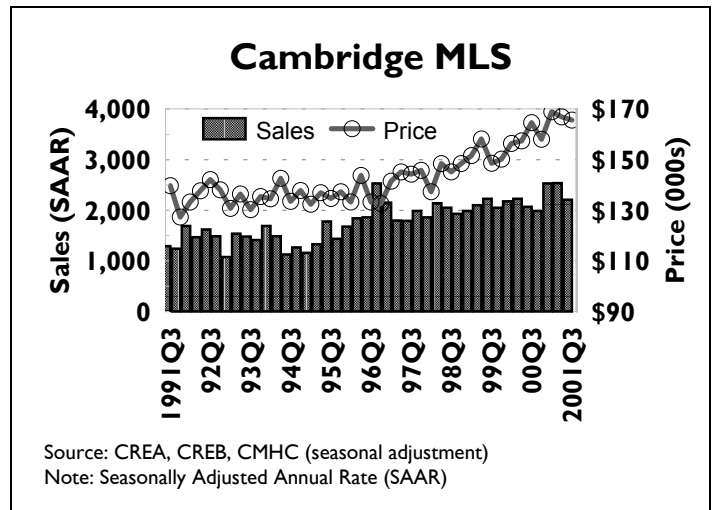
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We open doors for export business by bringing down trade barriers, supporting the industry by gathering market intelligence and encouraging more firms to export.

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## Table 8: Economic Indicators

	Interest and Exchange Rates			Kitchener CMA		
	Bank Rate	Mtg. Rate 3 Yr. Term	Exch. Rate (\$US/\$CDN)	NHPI (1996=100)	Employment Ratio (%)	Unemployment Rate (%)
<b>2000</b>						
January	5.00	8.15	69.73	103.2	65.8	5.1
February	5.25	8.22	68.95	104.7	65.9	5.2
March	5.50	8.08	68.74	105.0	66.4	5.2
April	5.50	8.07	67.61	105.3	66.6	5.3
May	6.00	8.34	66.41	105.9	67.3	4.7
June	6.00	8.22	67.49	105.9	67.1	4.7
July	6.00	8.06	67.99	106.4	67.2	4.8
August	6.00	7.97	67.87	106.9	66.7	5.5
September	6.00	7.96	66.53	107.3	66.7	5.9
October	6.00	7.97	65.85	107.2	66.7	6.2
November	6.00	7.94	64.99	107.4	67.0	6.3
December	6.00	7.75	66.35	107.7	67.3	6.3
<b>Average</b>	<b>5.77</b>	<b>8.06</b>	<b>67.38</b>	<b>106.1</b>	<b>66.9</b>	<b>5.6</b>
<b>2001</b>						
January	5.75	7.44	66.33	107.9	67.5	6.2
February	5.75	7.37	65.04	107.8	67.6	6.1
March	5.25	6.97	63.61	107.9	67.4	5.8
April	5.00	6.91	64.70	108.4	67.7	5.7
May	4.75	7.01	65.27	108.5	67.1	5.6
June	4.75	7.10	65.67	109.4	66.4	5.7
July	4.50	7.10	65.04	109.8	65.7	5.5
August	4.25	7.04	64.67	110.0	64.9	6.1
September	3.75	6.64	63.32	NA	64.9	6.3
<b>Average</b>	<b>4.86</b>	<b>7.06</b>	<b>64.85</b>	<b>108.7</b>	<b>66.6</b>	<b>5.9</b>

Source: Bank of Canada, CMHC, Statistics Canada, NHPI=New Housing Price Index

Note: Employment figures are seasonally adjusted 3 month moving average data.

## Definitions

**PENDING STARTS** refer to dwelling units where a building permit and/or National Housing Act (NHA) approval exists, but construction has not started.

**STARTS** refer to units where construction has advanced to a stage where full (100%) footings are in place. In the case of multiple unit structures, this definition of a start applies to the entire structure.

**UNDER CONSTRUCTION** refers to the inventory of units currently being constructed. Under construction figures

include current month starts and exclude current month completions.

### COMPLETIONS

For Single detached and Semis: Completion implies that 90% or more of the structure has been completed. A structure may be considered to be complete and ready for occupancy when only seasonal deficiencies and/or minor infractions to building codes remain.

Row and Apartments: Completion 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 the total supply of units under construction and units that are 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.

Housing Now is published four times yearly for the Kitchener Metropolitan market. Forecast Summary Supplement is included with the 1st and 3rd quarter reports. An annual subscription to the Kitchener Housing Now is \$55.00 plus GST. To order, please contact Ontario customer service at 1-800-493-0059.

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# ORECAST

Kitchener

## SUMMARY

Canada Mortgage and Housing Corporation

ISSUE:  
FALL 2001

### New Home Market

#### Starts to remain above 3,000

The Kitchener CMA witnessed steady growth in new home construction throughout the latter half of the 1990s, thereby setting the stage for a strong start to the 21st century. The 3,509 housing starts recorded in 2000 breached the 3,000 starts level for the first time since 1989, and both 2001 and 2002 are poised to push well beyond the 3,000 starts level yet again. Analysis of potential housing demand suggests that the current decade should witness new home construction activity well above the average 2,142 starts per year seen in the 1990s. In order to translate strong potential demand into actual demand, short term economic conditions will have to remain favourable. Currently, mortgage rates are making ownership affordable for many households with

homes now carrying for substantially less than they did a year ago. Offsetting these very attractive mortgage rates is a shaken consumer confidence, and an employment picture that is no longer as rosy as it was last year (see Economic Indicators on page 3).

Given the opposing economic factors, the housing market is not currently showing any signs of weakness. A very tight rental and resale market, combined with a strong new home market indicate that 2002 will be another good year for housing starts. For 2002, single detached starts are forecast to increase 3.4% to 2,250 units, while multiples are expected to slip 14.9% to 1,000 starts. Thus, total housing starts are forecast to fall 3.0% to 3,250 units in 2002 from a forecasted 3,350 starts in 2001.

An important factor boosting residential construction statistics has been a resurgence in the number of rental apartment starts over the past two years. In 2000, there were 583 rental apartment units started, and an additional 566 units are forecast to start this year. The Kitchener CMA rental market is currently very tight, and new rental construction is expected to ease this situation somewhat. However, with large

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##### Economic Indicators

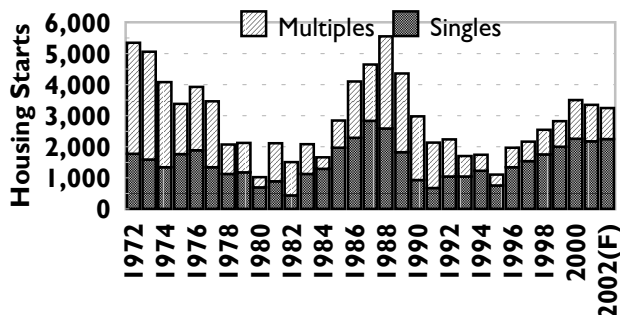
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rental buildings taking a year or so to complete, the impact of these new buildings will only be felt in the future.

**Kitchener CMA Starts To Remain Steady**



Source: CMHC

**CMHC Kitchener, Market Analysis**  
Brent Weimer

Tel: (519) 743-0020 Fax: (519) 579-2544  
bweimer@cmhc-schl.gc.ca



HOME TO CANADIANS  
Canada

# Resale Market

## Low mortgage rates translate into excellent affordability

The Kitchener CMA resale markets are expected to post a strong showing in 2001, and a record number of sales are forecast for Cambridge. Both the Kitchener-Waterloo and Cambridge resale markets have benefited from a very strong first half, with activity moderating slightly in the third quarter of this year. The current low mortgage rate environment is expected to boost affordability thereby offsetting the slowing local economy and weakened consumer confidence (see Economic Outlook on page 3).

The number of new listings relative to sales activity is used to evaluate the relationship between supply and demand in the resale market. A sales to new listings ratio above 60% typically indicates a seller's market in the Kitchener CMA. While the resale market will be strong next year, the sales to new listings ratio is expected to moderate in 2002. Thus the resale markets will remain classified as a seller's market next year, but price increases will be closer to 3% in 2002 compared to the 5% forecast for this year.

## Kitchener-Waterloo sales still strong, and prices are steady

October data from the Kitchener-Waterloo Real Estate Board indicates that price increases in the local resale market are starting to moderate, even though sales are currently strong. Although the year to date data indicates that the average price is up 5.1%, the October 2001 average price was nearly unchanged from that of October 2000. New listings continue to disappear quickly as the average number of days a listing spent on the market (Jan.-Oct. 2001) fell to 43 days from 46 days recorded in the first ten months of last year. Although the resale market is firmly planted in seller's territory, the number of new listings processed is increasing at a faster rate than the

increase in the number of sales. Hence, potential buyers have slightly more choice than in 2000. This trend is expected to continue into 2002, with listings increasing, and sales remaining at their current high levels.

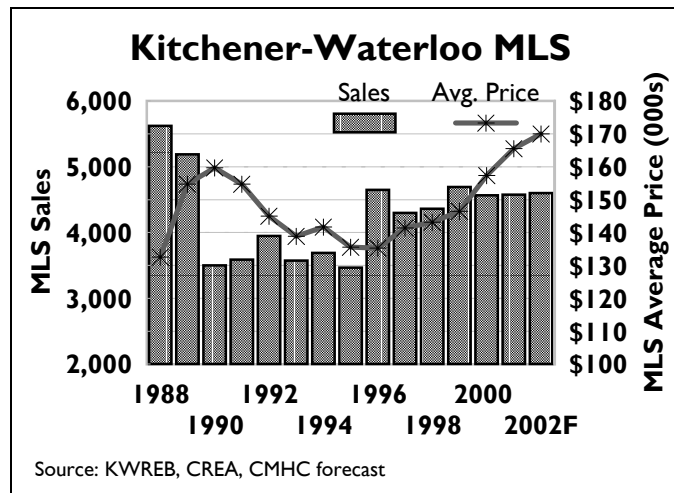
For 2001, sales are forecast to increase marginally to 4,600 homes, and remain

pace. While resale activity has moderated somewhat during the third quarter, sales are forecast to reach an all time high of 2,450 homes this year. The supply of new listings has not kept pace with the record setting sales activity, but is ahead of last year's rate. New listings have remained fairly steady all year and a total of 3,450 new listing are forecast for

2001. With sales activity rising faster than the supply of new listings, the sales to new listings ratio is forecast to hit 71%, firmly placing the 2001 market in favour of the seller. Thus, the average price is forecast to increase 5.3% to \$167,500 this year.

With activity expected to moderate slightly from this year's heated levels, the outlook for 2002 remains positive.

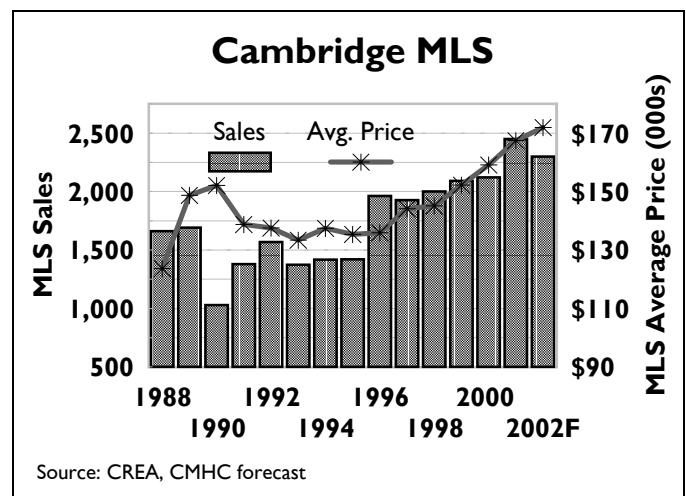
The supply of new listings is expected to edge up from this year coming in at 3,500 new listings in 2002 while resales will decrease 6.1% to 2,300 sales. Thus, the 2002 Cambridge resale market will remain in favour of the seller with the sales to new listings ratio coming in at 65.7% in 2002, and the annual average resale price will rise 2.7% to a record high of \$172,000.



unchanged for 2002 as current economic conditions will offset their effects. New listings this year will increase to 6,750 units, and increase an additional 2.2% in 2002 to 6,900 units. While the resale market will continue to be in seller's territory, the sales to new listings ratio will decline to 66.7% next year. The average price will follow the sales to new listings trend, increasing 3.0% in 2002 (\$170,000) compared to 2001's increase of 4.8% (\$165,000).

## Cambridge sales to hit record high in 2001

A frenzy of resale activity during the first half of this year placed the Cambridge resale market on a record setting pace for a second consecutive year. For the first six months of 2001, resale activity was 18% ahead of the previous year's



# Economic Overview

## Employment drops off

While the annual average employment level for 2001 is expected to be 0.7 percent above the previous year's level, there has been a significant drop off in the number of employed persons over the past few months. As of September 2001, employment has declined by 900 net jobs versus September last year. Both full and part time employment were lower this September, and a significant decline in manufacturing was partly offset by an increase in trade. While September year-over-year employment growth was negative, the decline was solely in the 15 to 24 age group which saw employment shrink by 4,900 jobs. The employment decline in the prime renter age group will slow the increasing demand for rental accommodation. The

important home buying segment, aged 25 to 44, actually increased by 3,800 jobs over this same time period. Thus, the recent net decline in employment is not expected to stall the hot housing market.

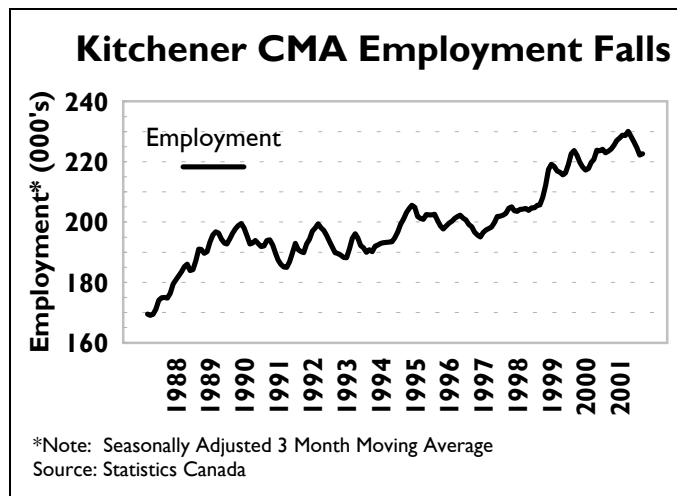
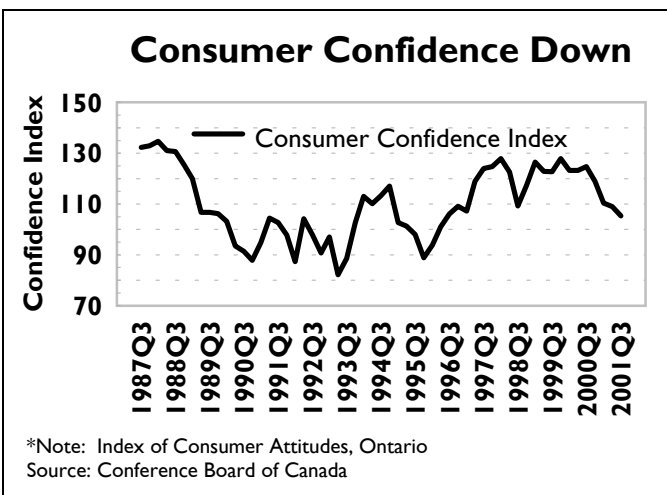
## Mortgage rates to remain low

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 will continue to fall in the immediate future in line with the weakening economy, so will short-term mortgage rates.

housing affordability is expected to remain excellent, thereby boosting housing demand.

## Consumer confidence weakens at five year low

Ontario consumer confidence, as measured by the Conference Board of

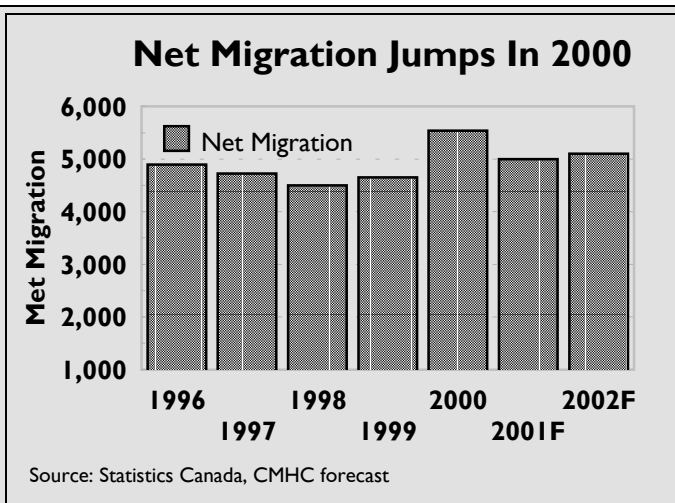


The outlook for mortgage rates is favourable with the one, three and five year mortgage rates in the 4.00-5.00, 5.00-6.00, and 6.00-7.00 per cent ranges, respectively. Mortgage rate discounts will remain an important competitive instrument over the forecast horizon. With mortgage rates floating around historic lows,

Canada's Index of Consumer Attitudes, fell for a seventh consecutive quarter as the index came in at 105.3 in the third quarter of 2001. Consumer confidence in Ontario currently is at a five year low which does not bode well for the economy. Many potential buyers could think twice before making a large financial commitment. However, many experts are predicting that the current negative outlook of consumers will be short lived and that the sentiment will pick up next year.

# Migration

Every year, approximately 20,000 people make the Kitchener CMA their new home while nearly 15,000 people move out of the CMA. A strong local economy has been attracting 4500+ net migrants to the area since the 1996. The most recent tax filer data shows that net migration into the Kitchener CMA increased 19.2% to 5,542 people in 2000 from 4,651 net migrants in 1999. Strong levels of migration translates into increased housing demand. Of the 5,542 net migrants in the year 2000, 44.5% were in the primary home buying ages of 25 to 44, while 25.9% were in the primary renting ages of 18 to 24 age group. With employment slowing somewhat in 2001, net migration levels are expect to retreat marginally in 2001.



# FORECAST SUMMARY

## KITCHENER CENSUS METROPOLITAN AREA

Forecast completed November 9, 2001

<b>NEW HOME MARKET</b>	1999	2000	2001F	% Change	2002F	% Change
<b>Complete and Unoccupied (Sept)</b>						
Single-detached	104	128	140	9.4%	150	7.1%
Multi-family (semi, row, apt.)	111	98	100	2.0%	105	5.0%
<b>Starts</b>						
Single-detached	2,002	2,261	2,175	-3.8%	2,250	3.4%
Multi-family	819	1,248	1,175	-5.8%	1,000	-14.9%
Total	2,821	3,509	3,350	-4.5%	3,250	-3.0%
<b>Average New House Price</b>						
Single-detached	\$191,894	\$208,348	\$226,000	8.5%	\$233,000	3.1%
<b>RESALE MARKET</b>						
<b>Kitchener-Waterloo</b>						
MLS <sup>1</sup> Sales	4,694	4,567	4,600	0.7%	4,600	0.0%
MLS New Listings	6,717	6,495	6,750	3.9%	6,900	2.2%
Sales-to-Listings Ratio	69.9%	70.3%	68.1%		66.7%	
MLS Average Price	\$146,514	\$157,386	\$165,000	4.8%	\$170,000	3.0%
<b>Cambridge</b>						
MLS Sales	2,093	2,123	2,450	15.4%	2,300	-6.1%
MLS New Listings	3,012	3,279	3,450	5.2%	3,500	1.4%
Sales-to-Listings Ratio	69.5%	64.7%	71.0%		65.7%	
MLS Average Price	\$152,213	\$159,104	\$167,500	5.3%	\$172,000	2.7%
<b>RENTAL MARKET</b>						
Apartment Vacancy Rate	1.0%	0.7%	0.9%			
Average Rent (2 bedroom)	\$660	\$697	\$725	4.0%		
<b>ECONOMIC OVERVIEW</b>						
Mortgage Rate (1 year term)	6.80	7.85	6.12		5.39	
Mortgage Rate (5 year term)	7.56	8.35	7.32		6.15	
Employed (000's)	218.8	223.5	225.0	0.7%	229.0	1.8%
Employment Growth (000's)	10.7	4.7	1.5		4.0	
Net Migration (tax filer data)	4,651	5,542	5,000	-9.8%	5,100	2.0%

Sources: CREA, Kitchener-Waterloo Real Estate Board, Cambridge Real Estate Board, Statistics Canada, and Conference Board of Canada  
<sup>1</sup> Multiple Listings Service (MLS) 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.

For more information contact  
 Brent Weimer at (519) 743-0020  
 eMail [bweimer@cmhc-schl.gc.ca](mailto:bweimer@cmhc-schl.gc.ca)

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