HOUSING NOW Kitchener

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Canada Mortgage and Housing Corporation

ISSUE 15
SECOND QUARTER 2002

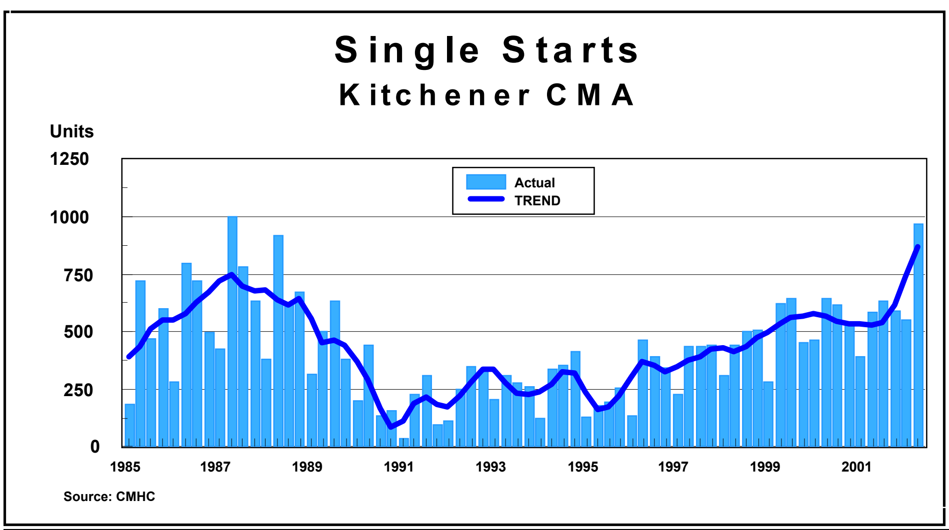
New Homes

Single Starts in 2nd Quarter of 2002 at Highest Level since 1987

Low carrying costs, increased consumer confidence and expectations of more mortgage rate increases later in 2002 spurred more households to make the decision to move to a new single home in the second quarter of 2002. In addition, strong resale activity and increasing prices encouraged additional move-up buying activity. Second quarter single starts jumped 65% to 965 units compared to 586 units started in the same period last year. The 965 single units started in the second quarter of 2002 is the highest number of single starts since the second quarter of 1987.

Overall, total residential housing starts increased by only 35% to 1,302 units in the second quarter of 2002. Multi family starts fell 17% to 334 units from the 404 units witnessed in the same period of last year. The decline in multi family starts can be directly attributed to a drop in rental apartment starts in the city of Kitchener from 247 units in the second quarter of 2001 to 11 units started this year.

By municipality, Kitchener recorded the highest level of starts with 456 units due to a 122% jump in single starts and even larger increases in starts of semi-detached and row freehold units. Cambridge came in second with 423 starts while Waterloo followed with 377 starts. The townships of Woolwich and North Dumfries recorded 21 and 25 starts respectively.



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CMHC SCHL

HOME TO CANADIANS

Canada

The supply of new single detached homes jumped 61% in the second quarter of 2002 compared to last year. However, the increase in supply can to attributed to the jump in single units under construction due to the higher number of starts in 2002. The unsold inventory of 214 units edged up to 17 per cent of the supply from 16 per cent in 2001. The current supply represents approximately 6 months of inventory based on average sales in the first quarter. Since it typically takes 3 to 5 months to build a single family home, this level of inventory indicates that the market in June 2002 should be considered oversupplied. However, a sale is not recorded until the unit is completed and we expect that a large portion of the single units under construction have already been sold.

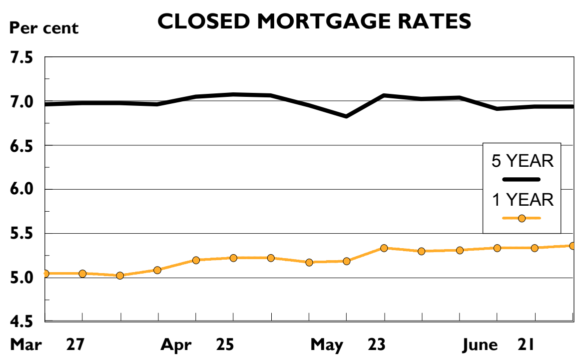
MORTGAGE RATES

Economic turnaround ushers in higher rates in Second quarter of 2002

Signs of a strengthening economy resulted in the Bank of Canada raising the bank rate twice in the second quarter of 2002 on inflation fears. As a result, mortgage rates edged up through April and May before easing back down in June. In June, the five year closed rate fell from 7.03 per cent at the beginning of the month to 6.94 per cent at the end. In contrast, the one year closed rate edged up from 5.30 per cent to 5.34 per cent in the same period.

Lenders still face a very competitive mortgage market. As a result, they continued to offer cash backs and discounting, decreasing the impact of rate changes on both new and existing housing markets in the second quarter of 2002.

Short Term Mortgage Rates edge up in 2nd Quarter...



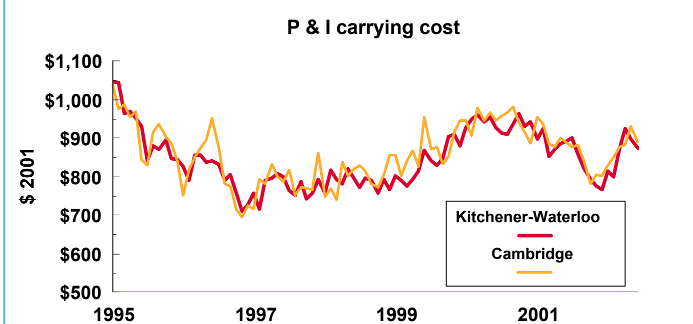
Resale Market

Resale Market slows in Kitchener-Waterloo in 2nd Quarter

The Kitchener-Waterloo resale market in the 2nd quarter of 2002 continued the strong performance seen in the previous six months with sales rising 8.9% to 1,605 units compared to the same period in 2001. Average price in the second quarter increased 8.3% to $179,618. Strong price increases attracted more units into the market as new listings increased 3.0% to 2,137 units. However, since the growth in listings was outpaced by increased sales, the sales to new listings ratio rose to 75.1%. The tight market conditions placed further pressure on average prices.

The sales trend adjusted for the time of year indicates that rising carrying costs had a negative impact on sales over the last three months. On a seasonally adjusted annual rate (SAAR) basis, second quarter sales edged down to 5,143 units (SAAR) from 5,456 units (SAAR) in the first quarter of 2002. However, the last time that SAAR sales reached above 5,000 units for three consecutive quarters occurred in 1988.

Carrying costs edge higher in Second Quarter of 2002



Source: Average CREA MLS price, 25 % d. p., 3 yr.. mtg. rate

Cambridge

Sales in the Cambridge Real Estate Board territory rose 9.1% to 842 units compared to the same period in 2001 while average price in the second quarter increased 7.6% to $179,516. However, fewer units were attracted into the market than in Kitchener. New listings increased 2.3% to 1,101 units. Slower growth in new listings compared to sales pushed the sales to new listings ratio up to 76.5%.

Similar to the Kitchener market, trends in the Cambridge resale market showed that sales had slowed in the second quarter of from the strong showing over the previous six months. On a seasonally adjusted annual rate (SAAR) basis, second quarter sales fell to 2,791 units (SAAR) from 2,974 units (SAAR) in the first quarter of 2002.

(See Table Page 6)

Table 1: Starts by Area and by Intended Market - 2001/00
Kitchener Census Metropolitan Area (CMA)

	Ownership							Total
	Freehold			Condominium		Rental		
	Single	Semi	Row	Row	Apt.	Row	Apt.	
Kitchener CMA								
Second Quarter 2002	968	70	132	6	0	6	120	1,302
Second Quarter 2001	586	50	91	10	0	0	253	990
Percent Change	65.2%	40.0%	45.1%	-40.0%	NA	NA	-53%	31.5%
Jan-June 2002	1,521	94	175	14	0	6	187	1,997
Jan-June 2001	978	66	167	10	0	4	257	1,482
Percent Change	55.5%	42.4%	4.8%	40.0%	NA	50.0%	-27%	34.8%
Kitchener City								
Second Quarter 2002	311	30	98	6	0	0	11	456
Second Quarter 2001	140	8	35	0	0	0	247	430
Percent Change	122.1%	275.0%	180.0%	NA	NA	NA	-95.5%	6.0%
Jan-June 2002	489	34	127	14	0	0	15	679
Jan-June 2001	265	14	65	0	0	0	251	595
Percent Change	84.5%	142.9%	95.4%	NA	NA	NA	-94%	14.1%
Waterloo City								
Second Quarter 2002	318	18	28	0	0	6	7	377
Second Quarter 2001	243	8	26	0	0	0	6	283
Percent Change	30.9%	125.0%	7.7%	NA	NA	NA	16.7%	33.2%
Jan-June 2002	526	30	38	0	0	6	70	670
Jan-June 2001	384	12	45	0	0	4	6	451
Percent Change	37.0%	150.0%	-15.6%	NA	NA	50.0%	1067%	48.6%
Cambridge City								
Second Quarter 2002	293	22	6	0	0	0	102	423
Second Quarter 2001	159	32	30	10	0	0	0	231
Percent Change	84.3%	-31.3%	-80.0%	-100.0%	NA	NA	NA	83.1%
Jan-June 2002	441	28	10	0	0	0	102	581
Jan-June 2001	268	38	57	10	0	0	0	373
Percent Change	64.6%	-26.3%	-82.5%	-100.0%	NA	NA	NA	55.8%
North Dumfries Township								
Second Quarter 2002	25	0	0	0	0	0	0	25
Second Quarter 2001	17	0	0	0	0	0	0	17
Percent Change	47.1%	NA	NA	NA	NA	NA	NA	47.1%
Jan-June 2002	37	0	0	0	0	0	0	37
Jan-June 2001	23	0	0	0	0	0	0	23
Percent Change	60.9%	NA	NA	NA	NA	NA	NA	60.9%
Woolwich Township								
Second Quarter 2002	21	0	0	0	0	0	0	21
Second Quarter 2001	27	2	0	0	0	0	0	29
Percent Change	-22.2%	-100.0%	NA	NA	NA	NA	NA	-27.6%
Jan-June 2002	28	2	0	0	0	0	0	30
Jan-June 2001	38	2	0	0	0	0	0	40
Percent Change	-26.3%	0.0%	NA	NA	NA	NA	NA	-25.0%

Source: CMHC

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

	Ownership					Rental		Total
	Freehold			Condominium				
	Single	Semi	Row	Row	Apt.	Row	Apt.	
1. STARTS								
Second Quarter 2002	968	70	132	6	0	6	120	1,302
Second Quarter 2001	586	50	91	10	0	0	253	990
Percent Change	65.2%	40.0%	45.1%	-40.0%	NA	NA	-52.6%	31.5%
Jan-June 2002	1,521	94	175	14	0	6	187	1,997
Jan-June 2001	978	66	167	10	0	4	257	1,482
Percent Change	55.5%	42.4%	4.8%	40.0%	NA	50.0%	-27.2%	34.8%
2. UNDER CONSTRUCTION								
End of Second Quarter 2002	1,039	78	234	82	0	12	1,096	2,541
End of Second Quarter 2001	652	60	222	111	0	4	819	1,868
Percent Change	59.4%	30.0%	5.4%	-26.1%	NA	200.0%	33.8%	36.0%
3. COMPLETIONS								
Second Quarter 2002	648	42	122	44	0	6	115	977
Second Quarter 2001	507	24	61	31	0	0	144	767
Percent Change	27.8%	75.0%	100.0%	41.9%	NA	NA	-20.1%	27.4%
Jan-June 2002	1,077	64	152	59	0	6	117	1,475
Jan-June 2001	943	36	172	39	0	23	152	1,365
Percent Change	14.2%	77.8%	-11.6%	51.3%	NA	-73.9%	-23.0%	8.1%
4. COMPLETED & NOT ABSORBED								
End of Second Quarter 2002	214	20	57	15	4	0	193	503
End of Second Quarter 2001	127	4	54	4	7	1	3	200
Percent Change	68.5%	400.0%	5.6%	275.0%	-42.9%	-100.0%	6333.3%	151.5%
5. TOTAL SUPPLY: 2. + 4.								
June 2002	1253	98	291	97	4	12	1289	3,044
June 2001	779	64	276	115	7	5	822	2,068
Percent Change	60.8%	53.1%	5.4%	-15.7%	-42.9%	140.0%	56.8%	47.2%
6. ABSORPTIONS								
Jan-June 2002	986	55	148	48	1	6	8	1,252
Jan-June 2001	934	45	166	42	3	23	149	1,362
Percent Change	5.6%	22.2%	-10.8%	14.3%	-66.7%	-73.9%	-94.6%	-8.1%
June 2002	76	2	41	8	0	0	2	129
3-Month Average	55	1	21	0	0	0	1	78
12-Month Average	55	1	13	1	0	0	18	88

Source: CMHC

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Tuesday morning, October 15, 2002

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

	Annual 2001		1st Quarter 2002		2nd Quarter 2002	
	Units	Percent	Units	Percent	Units	Percent
Kitchener CMA						
<$130,000	1	0.0%	0	0.0%	0	0.0%
$130,000 to $149,999	37	1.7%	1	0.2%	9	1.6%
$150,000 to $174,999	375	17.1%	93	22.2%	93	16.1%
$175,000 to $189,999	384	17.5%	92	22.0%	114	19.7%
$190,000 to $219,999	481	21.9%	76	18.1%	162	28.0%
$220,000 to $249,999	295	13.4%	44	10.5%	60	10.4%
$250,000+	621	28.3%	113	27.0%	141	24.4%
Total	**2,194**	**100.0%**	**419**	**100.0%**	**579**	**100.0%**
Median Price		$205,023		$196,071		$200,000
Average Price		$228,469		$219,799		$217,776
Kitchener City						
<$130,000	1	0.2%	0	0.0%	0	0.0%
$130,000 to $149,999	5	0.8%	0	0.0%	1	0.5%
$150,000 to $174,999	70	11.1%	9	8.2%	12	5.7%
$175,000 to $189,999	178	28.3%	42	38.2%	67	31.6%
$190,000 to $219,999	105	16.7%	13	11.8%	34	16.0%
$220,000 to $249,999	50	7.9%	4	3.6%	27	12.7%
$250,000+	220	35.0%	42	38.2%	71	33.5%
Total	**629**	**100.0%**	**110**	**100.0%**	**212**	**100.0%**
Median Price		$200,000		$192,790		$197,575
Average Price		$227,021		$232,211		$228,640
Cambridge City						
<$130,000	0	0.0%	0	0.0%	0	0.0%
$130,000 to $149,999	8	1.3%	0	0.0%	1	0.6%
$150,000 to $174,999	154	25.3%	58	32.4%	43	25.1%
$175,000 to $189,999	108	17.7%	37	20.7%	31	18.1%
$190,000 to $219,999	156	25.6%	44	24.6%	63	36.8%
$220,000 to $249,999	98	16.1%	24	13.4%	22	12.9%
$250,000+	85	14.0%	16	8.9%	11	6.4%
Total	**609**	**100.0%**	**179**	**100.0%**	**171**	**100.0%**
Median Price		$195,086		$187,000		$195,000
Average Price		$207,150		$197,529		$198,770
Waterloo City						
<$130,000	0	0.0%	0	0.0%	0	0.0%
$130,000 to $149,999	16	2.0%	0	0.0%	5	2.9%
$150,000 to $174,999	128	15.9%	23	20.7%	34	19.7%
$175,000 to $189,999	91	11.3%	13	11.7%	16	9.2%
$190,000 to $219,999	201	24.9%	18	16.2%	63	36.4%
$220,000 to $249,999	134	16.6%	15	13.5%	10	5.8%
$250,000+	237	29.4%	42	37.8%	45	26.0%
Total	**807**	**100.0%**	**111**	**100.0%**	**173**	**100.0%**
Median Price		$212,505		$220,000		$200,000
Average Price		$234,900		$233,222		$216,145

Source: CMHC

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

	Kitchener-Waterloo	Cambridge
Second Quarter 2002	1,605	842
Second Quarter 2001	1,474	772
Percent Change	8.9%	9.1%
Year-To-Date 2002	2,930	1,585
Year-To-Date 2001	2,576	1,386
Percent Change	13.7%	14.4%

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

	Kitchener-Waterloo	Cambridge
Second Quarter 2002	2,137	1,101
Second Quarter 2001	2,074	1,076
Percent Change	3.0%	2.3%
Year-To-Date 2002	4,086	2,170
Year-To-Date 2001	3,862	2,005
Percent Change	5.8%	8.2%

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

	Kitchener-Waterloo	Cambridge
Second Quarter 2002	$179,618	$179,516
Second Quarter 2001	$165,926	$166,878
Percent Change	8.3%	7.6%
Year-To-Date 2002	$175,933	$178,345
Year-To-Date 2001	$164,717	$167,812
Percent Change	6.8%	6.3%

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

	Kitchener-Waterloo	Cambridge
Second Quarter 2002	75.1%	76.5%
Second Quarter 2001	71.1%	71.7%
Percent Change	4.0%	4.7%
Year-To-Date 2002	71.7%	73.0%
Year-To-Date 2001	66.7%	69.1%
Percent Change	5.0%	3.9%

Source: CREA, Kitchener-Waterloo Real Estate Board, Cambridge Real Estate Board, CMHC

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Single-Detached Market

Single Sales By Type and Municipality
2002 Quarter 2

	Bungalow		Split Level		1½ Storey		2 Storey		Other		Unknown		Total	
	Sales	Price	Sales	Price	Sales	Price	Sales	Price	Sales	Price	Sales	Price	Sales	Price
Cambridge	17	$199,124	10	$200,285	2	$191,000	122	$198,170	20	$202,148	0	$0	171	$198,770
Kitchener	18	$273,722	5	$182,935	1	$190,000	186	$225,726	1	$275,000	1	$180,000	212	$228,640
Waterloo	15	$239,993	4	$187,173	2	$191,608	151	$214,645	0	$0	1	$250,000	173	$216,146
Woolwich	4	$350,711	0	$0	1	$410,000	7	$280,939	0	$0	0	$0	12	$314,951
North Dumfries	4	$267,500	0	$0	1	$320,000	6	$178,085	0	$0	0	$0	11	$223,501
Kitchener CMA	58	$248,015	19	$192,959	7	$240,745	472	$215,272	21	$205,617	2	$215,000	579	$217,776

Sales shift to mid-priced two storey singles in Second Quarter of 2002

A shift in sales of new single detached homes to units priced between $190,000 and $249,999 from sales of singles priced $250,000 or more in the Kitchener CMA impacted the new single price in the three major municipalities in the second quarter of 2002. The average sale price of a new single family home ranged from $198,770 in Cambridge in the second quarter of 2002 to $228,640 in Kitchener and $216,145 in Waterloo. In Cambridge, 50% of single sales were priced between $190,000 and $249,999. In addition, only 6% of single sales were priced at $250,000 or more down from 9% in the first quarter of 2002. In Kitchener, singles priced between $190,000 to $249,999 increased to 29% of all sales up 15% in the first three months of 2002. In Waterloo, the shift to the mid-priced product was more pronounced. The proportion of single sales at $250,000 or greater fell to 26.0% in the second quarter from 38% in the first three months of 2002. At the same time, sales in the price range between $190,000 and $249,999 jumped from 30% in the first quarter this year to 42%. Increased demand for sales priced between $190,000 to $249,999 benefited the Kitchener city and explains the increase in average new single price in that area while in contrast, price dropped in Waterloo and Cambridge.

Sales by style indicates that the two storey single detached unit remains the dwelling of choice for new home buyers in the Kitchener CMA. In the second quarter of 2002, 82% of singles sold were two storey units with an average price of $215,272. Only the city of Cambridge with two storey sales forming 71% of sales down from 75% in the first quarter bucked the trend. Both Kitchener and Waterloo at 88% continue to see increased demand for two storey units.

CMHC's Starts & Completions Survey records the sale of a single at completion. As a result, the percentage of units sold at completion is a good indicator of the strength of the new single market. In Cambridge, the percentage of single homes sold at completion reached 85.7% in the second quarter of 2002 compared to 74.3% of singles in Kitchener and 67% in Waterloo. There appears to be very little increase in the unsold supply of new singles in the city of Cambridge. However, the low number of units sold at completion in Waterloo, suggests that the increase in the inventory may impact starts later this year.

Single Detached by Municipality 2002 Qrt 2

Municipality	Price	% Chg	Under Cnst.	Unsold Supply	Total Supply	Sales	Cmpl.	Sold at Cmpl.	% Sold at Compl	Months of Supply
Kitchener	$228,640	6.5%	341	72	413	212	222	165	74.3%	5.8
Waterloo	$216,145	-9.0%	355	96	451	173	203	136	67.0%	7.8
Cambridge	$198,770	-7.5%	291	32	323	171	193	162	85.7%	5.7
North Dumfries	$223,501	-17.2%	26	8	34	11	18	10	55.6%	9.3
Woolwich	$314,952	-13.6%	26	6	32	12	12	11	91.7%	8.0
Kitchener CMA	$217,776	-5.4%	1,039	214	1,253	579	644	484	75.2%	6.5

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 (%)
2001						
January	5.75	7.44	66.33	107.9	67.5	6.1
February	5.75	7.37	65.04	107.8	67.6	6.0
March	5.25	6.97	63.61	107.9	67.3	5.8
April	5.00	6.91	64.70	108.4	67.5	5.7
May	4.75	7.01	65.27	108.5	66.9	5.6
June	4.75	7.10	65.67	109.4	66.3	5.7
July	4.50	7.10	65.04	109.8	65.6	5.6
August	4.25	7.04	64.67	110.0	64.7	6.1
September	3.75	6.64	63.32	110.3	64.8	6.4
October	3.00	6.16	63.02	110.7	64.8	6.9
November	2.50	5.64	63.19	109.9	65.5	6.6
December	2.50	5.64	62.70	110.3	65.4	6.7
Average	**4.31**	**6.75**	**64.38**	**109.24**	**66.16**	**6.1**
2002						
January	2.25	5.60	62.80	110.8	65.0	6.8
February	2.25	5.61	62.18	110.9	64.7	6.8
March	2.25	5.97	62.75	111.0	64.3	6.5
April	2.50	6.35	63.96	111.2	64.3	5.7
May	2.50	6.40	65.16	113.6	64.5	5.6
June	2.75	6.40	65.76	NA	65.0	5.3
Average	**2.25**	**5.73**	**62.58**	**110.21**	**64.7**	**6.7**

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

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

Pending Start: refers to dwelling units where a building permit has been issued, but construction has not started.

Start: generally refers to the stage of construction when the footing has been installed. For multiple dwelling developments, (e.g. row housing) the definition of a start applies to the individual structure or block of units rather than to the project as a whole.

Under Construction: those units which have been started but which are not complete.

Completion: for single-detached and Semi-detached units, this generally is the stage at which all proposed construction work is complete. A unit may be completed at the 90% stage where the remaining work is largely cosmetic.

Completed and not absorbed: all completed units of new construction which have never been occupied, sold or leased.

Absorption: the sale or lease of completed units.

Duration of Supply: the number of months required to absorb the number of singles currently under construction or completed and not absorbed.

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