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ORECAST

London

SUMMARY

Canada Mortgage and Housing Corporation

Resale Market

Sales and prices still on the rise through 2004

For an unprecedented fourth consecutive year, MLS* sales and prices of existing homes in the London and St. Thomas Real Board (LSTREB) territory will set new highs in 2004. Sales are expected to edge one per cent higher in 2004 to 8,200 units up from an average of 8,100 units in 2002-03 and the 7,307 homes that changed hands in 2001, the beginning of the current record-breaking sales spree. Low interest rates and new financing options, rising employment and net population inflows when combined with a solid employment outlook, creates positive consumer sentiment to purchase big ticket items.

On the price front, the average MLS price

moved up 7.4 per cent in 2003 or almost \$10,500 to \$152,586 and is expected to increase about 7 per cent in 2004. Record sales and declining inventories of homes for sale has resulted in the sales to new listings ratio increasing from 35.7% (Buyers' market) in 1995 to 66.7% (Sellers' market) in 2003.

Sales off the chart in March 2004

The first two months of 2004 produced a sales level of just under 8,000 at a seasonally-adjusted annualized rate (SAAR), in line with expectations. March sales of 1,030 units results were simply off the scale - highest any month on record and a staggering nearly 11,000 SAAR. While this pace is not sustainable, it has and will bring forth more new listings in 2004. Increased supply and a move to higher interest rates

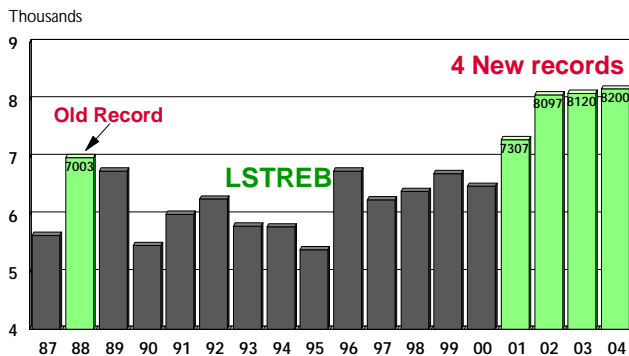
later this year and into 2005 will moderate the rate of price growth and cap any concerns re: the emergence of a price bubble. During the period 1986-89 year-over-year price increases were 10%-25% compared to less than 10% in the past two years. Sales will throttle back from record levels in 2005 but still be more in keeping with the post 2000 level of activity.

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Existing MLS home sales on 4 year record spree..

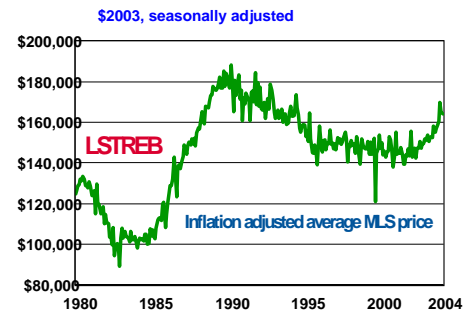


Source: LSTREB, CMHC

*Multiple Listing Service(MLS) is a registered certification mark owned by The Canadian Real Estate Association.

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Price Bubble ??



Source: CREA average MLS price - LSTREB/ CMHC, Mar. 2004

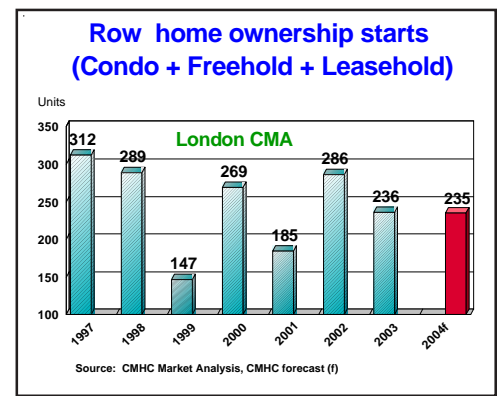
Condominium sales of apartment and row housing units have flourished, increasing 73% or almost 700 units from 946 units in 1998 to 1,634 units in 2003. In comparison, non-condo sales increased 18%. This reflects the impact of more empty nesters; more first-time buyers opting into ownership as the monthly ownership cost/rental cost ratio



HOME TO CANADIANS
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drops; and, the growing supply of bungalow-style row units and cluster singles (300-350 new units per year). The average condo selling price has moved up \$20,000 since 1998 to \$111,485 and solid price gains are expected in 2004. Row-oriented housing remains the choice for 2 of every 3 sales. This is not expected to change much in the short-term as local developers focus on the building of luxury rental apartments rather than condominiums. However, London's first ownership condo in more than 15 years is now under construction (80 units) with prices starting at \$245,000.

north of Huron) has been the most active with most homes in the mid-price range \$160-\$220,000. North and West London followed catering more to the \$250,000+ price point. In addition to London's first condo apartment development in 15 years there will be at least three high rise luxury rental apartment developments underway in 2004 as well as an affordable rental apartment development.



to \$231,237. Repeat buyers will continue to drive new home sales in 2004, facilitated by rising equity from the quick sale of their existing home and low financing costs to leverage a more expensive purchase.

New Home Market

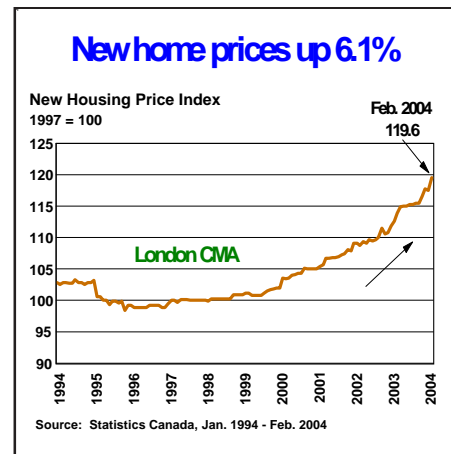
High level of starts in 2003 set the bar for 2004

Housing starts in the London metro region topped 3,000 units in 2003, the highest total since 1989. The two main factors behind last year's performance, strong demand for single-detached new homes and an upturn in apartment construction will repeat in 2004 and both ease in 2005. The building blocks are in place for single starts to reach 1,900 units: rising incomes and employment; low financing costs; an active resale market with higher prices (more equity); and, more new subdivisions to choose from than last year.

The quickened pace of development in London's annexed areas resulted in a 70% share of the CMA's single-detached starts in 2003 and prospects for a greater share in 2004. St. Thomas is the second largest market in the metro region with a 12% share. For the second consecutive year single starts in London's Northeast (east of Adelaide,

Higher priced new homes

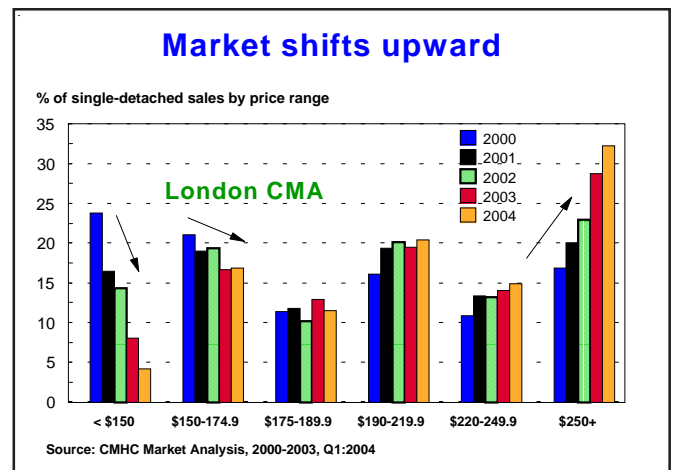
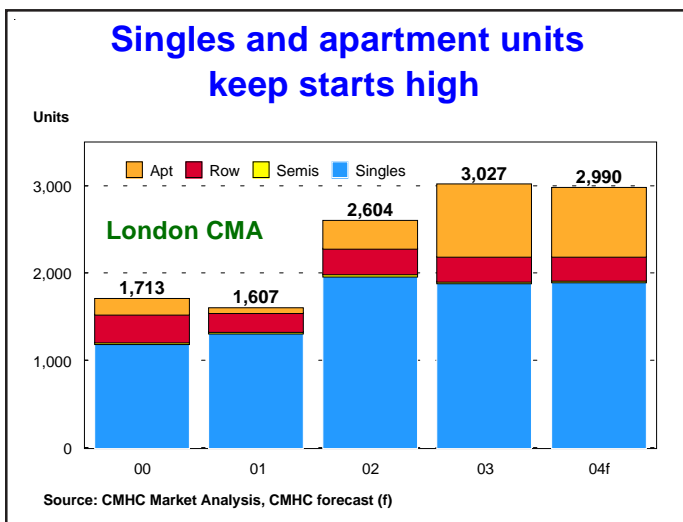
New home prices as measured by Statistics Canada's New Housing Price Index increased 4.7% in 2003 and are forecast to rise more than 5% in 2004 as builders are able to pass through cost increases and land values move up. Homes completed and sold above



\$250,000 almost doubled their market share from 16.8% in 2000 to 28.8% in 2003 and 32.2% in the first quarter of 2004. Sales above \$350,000 grew from 3.6% in 2000 to 8.8% in 2003 and almost hit 10% in Q1:2004. At the lower end of the new home market, singles priced under \$150,000 dropped sharply from almost 25% market share to less than 5%. Price increases and a shift to larger homes pulled the average home price up 8.6%

Empty Nesters

Developers will increasingly turn their attention to meeting the housing needs of households in the 55-64 and 65-74 year age groups. Between 2001 and 2011 the number of households in the 55-64 age group will increase on average by more than 1,000 each year and while the growth in households aged 65-74 does not start to show significant increases until mid-decade the existing pool can be tapped through the development of various lifestyle retirement housing options including luxury rental units. And these households to a greater extent have the income to make choices. That is why we have seen about 250 row home ownership starts, predominately bungalow-style, on average over the past 5 years. In 2003, almost 80% of the condo sales were above \$180,000. Cluster single condos and land lease unit sales have chipped in another 100 units per year. This segment is expected to increase to 125-150 units per year in 2004-05.



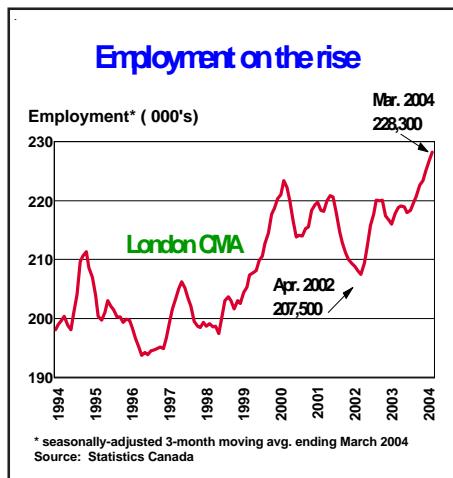
Economic growth for London region

Residential and non-residential capital investment intentions hit a record level in London in 2002 and 2003 was almost as strong. The upturn in institutional investment began with projects in London's core (John Labatt Centre, Via rail station, Central Library). In the last two years the focus has been large-scale projects by London Health Sciences Centre (\$150+ million); University of Western Ontario/Fanshawe College; and, a newly expanded London International Airport.

Auto sector robust in region

Automotive and truck parts and assembly plants are a key source of employment and income to the London metro region. Employment at Cami Automotive in Ingersoll has received a boost of about 175 jobs since the decision to build the Chevrolet Equinox sport utility. In recent years eight auto parts plants have chosen London to invest, some of which will not be on stream until 2005. These ventures are expected to create more than 1,200 jobs. London, St. Thomas and region are in an excellent position to benefit from the Ontario government's plan to provide \$500-million to attract automotive sector investments. In St. Thomas, Sterling Truck is hiring about 400 workers for a third shift to respond to growing orders for heavy-duty and medium weight trucks.

Employment on the rise for 13 months

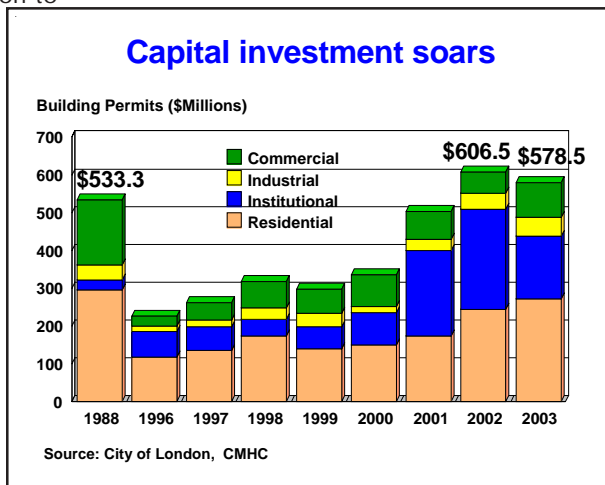


Strong investment spending stimulates both construction employment during the building phase as well as positive multiplier impacts on employment in the services sector. 2003 marked a year of big box retail investment focussed in Northwest London.

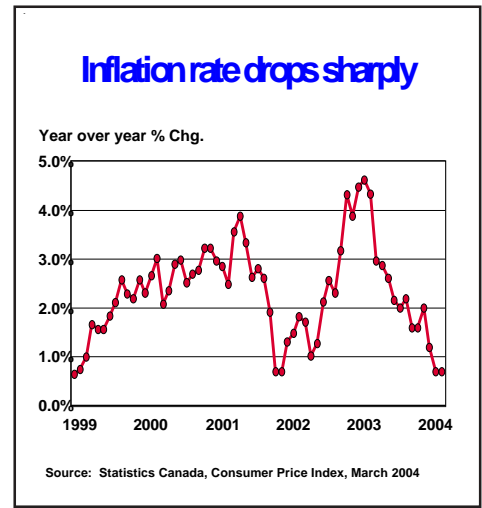
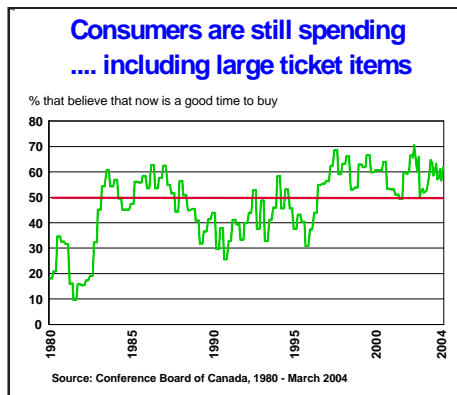
High Investment + Rising Employment
= Consumer Confidence

Employment in the London CMA has been on a steady rise for more than a year, surpassing the previous employment peak reached in March 2000. Average employment levels were up 5,500 in 2003 and are forecast to rise another 4,500 in 2004.

The favourable employment picture means higher incomes and a boost to local consumer confidence. It has also resulted in a significant net inflow of people into the London CMA.



A strong local economy combined with low financing costs have contributed to record sales of existing homes; a robust renovation market; and, a strong upturn in residential new home and apartment rental construction activity in the London metro region.



Five-year mortgage rates at 50 year lows

Posted 5-year mortgage rates in the first quarter of 2004 were at levels recorded more than 50 years ago in 1952 and briefly revisited in mid-2003. However, when you factor in discounts of 125 basis points, 5-year money was available in the first week of April under 4.5 per cent. And of course, an even lower rate could be obtained for shorter term and prime rate driven financing.

Low inflation and accommodative monetary policy will keep Canadian interest rates and mortgage rates low over the next few quarters. As economic growth strengthens later this year and into 2005, monetary policy will become less accommodative and short-term interest rates will rise 50-100 basis points. On balance mortgage rates, discounts and financing options remain very positive factors facilitating demand for housing in 2004-05.

FORECAST SUMMARY

London and area forecast completed April 20, 2004

RESALE MARKET	2001	2002	2003	2004(f)	Percentage change (%)	
					2003	2004
London & St.Thomas Real Estate Board						
MLS ¹ Sales	7,307	8,097	8,120	8,200	0.3%	1.0%
MLS Average Price	\$136,636	\$142,106	\$152,586	\$163,500	7.4%	7.1%
MLS New Listings	12,781	12,283	12,181	12,900	-0.8%	5.9%
Sales-to-Listings Ratio	57%	66%	67%	64%		
NEW HOME MARKET						
London CMA (census metropolitan area)						
Starts						
1. Single-detached	1,317	1,969	1,893	1,900	-4%	0%
2. Multi-family	290	635	1,134	1,090	79%	-4%
3. Total Starts [1+2]	1,607	2,604	3,027	2,990	16%	0%
Multi-family by Type						
Semi-detached	18	22	22	20	0%	-9%
Row housing - Rental/Owner	31/185	9/286	39/236	42/235	-7%	1%
Apartment - Rental/Owner	56/0	318/0	837/0	713/80	163%	-5%
Average Price (Single-detached homes)						
Bungalow/Ranch	\$204,555	\$198,643	\$213,526		7.5%	
Two-storey	\$218,614	\$225,887	\$241,709		7.0%	
All single-detached units	\$213,315	\$212,835	\$231,237		8.6%	
New Housing Price Index(1997=100)	106.8	109.8	115.0	121.0	4.7%	5.2%

RENTAL MARKET

Apartment Vacancy Rate	1.6%	2.0%	2.1%	2.9%		
Average Rent (2 bedroom)	\$683	\$705	\$736	\$760	4.4%	3.3%

ECONOMIC OVERVIEW

Mortgage Rate (1 year term)	6.14	5.17	4.84	4.18		
Mortgage Rate (5 year term)	7.40	7.02	6.39	6.13		
Employed (000's)	216.0	214.5	220.0	224.5	2.6%	2.0%
Employment Growth (000's)	-2.1	-1.5	5.5	4.5		
Unemployment Rate (%) London /ONT.	6.4 /6.3	7.0 /7.1	7.0 /7.0	6.8 /6.8		

f = CMHC forecast. Consensus mortgage rate forecast January 31, 2004.

Sources: Statistics Canada, London & St.Thomas Real Estate Board, CMHC

1. Multiple Listings Service (MLS) is a registered certification mark own by the Canadian Real Estate Association (CREA)

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