FORECAST SUMMARY

St.Catharines-Niagara

Canada Mortgage and Housing Corporation

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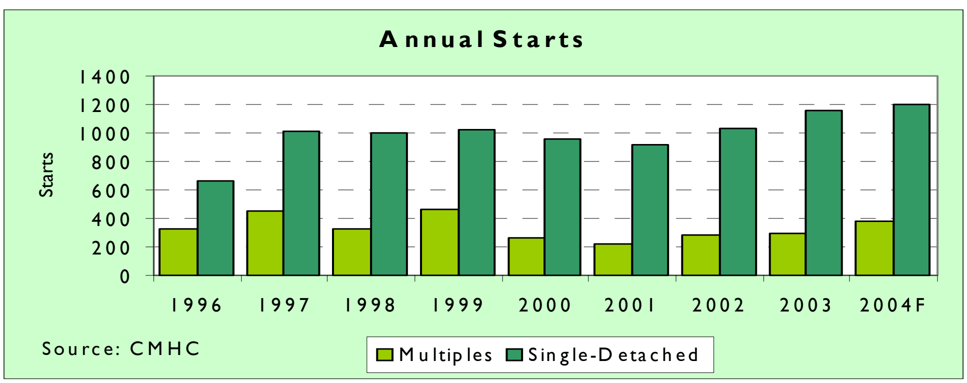
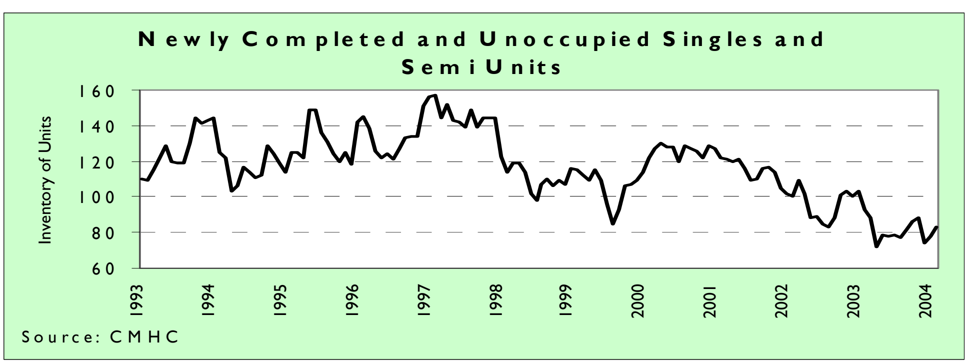
New Home Market

Housing starts to move higher in 2004

The factors that influence the new home market all point to another strong year. The resale market in the region remains extremely tight. With a declining number of new listings, some of this demand will likely spill over into the new home sector. In addition, low mortgage rates, improving labour market conditions and steady net migration will also continue to provide a supportive environment for new home construction. On the supply side, a declining number of newly completed and unoccupied single-detached and semi-detached units will continue to support further housing construction. With this in mind, expect a higher number of housing starts in 2004.

By the end of 2004 total starts will reach 1580 units, up 9.4 percent from last year. Single-detached starts will reach 1200 units, up 4 percent from 2003. The increase in single-detached starts is considerably lower than the 11.8 percent increase experienced in 2003. The reason for this is that although lower mortgage rates increase consumer purchasing power and fuel more construction, higher homes prices generally have the opposite effect. The net result is that although single-detached starts will reach a higher level than last year, the pace of this increase will ease. Prices will also continue to rise but expect a more moderate increase of 4.5 percent compared with the impressive 11.4 percent increase in 2003.





The volatile multiples sector will see starts reaching 380 units by year-end, up from 290 units a year ago. The increase in multiple starts is largely the result of a unique 100-unit project that is scheduled to start later this year.

Looking ahead to 2005, higher interest rates and higher new home prices will increase carrying costs and as a result demand will soften. Expect starts to edge lower in 2005.

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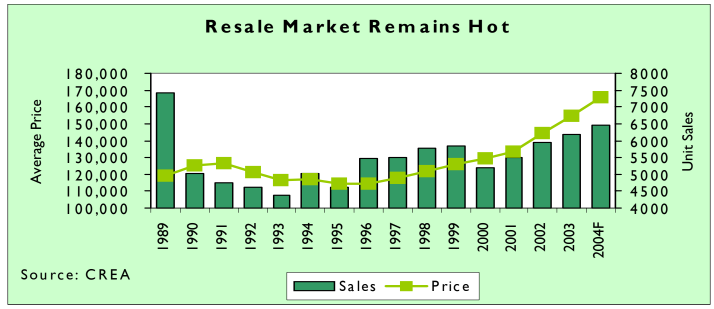
Resale Market Overview

MLS® sales to edge higher in 2004

Historically low borrowing costs continued to fuel the resale market in 2003. Last year, at 6174 units, MLS® sales attained their highest level since 1989. MLS® average resale prices also appreciated, increasing by 6.8 percent in 2003 to reach $154,550 up from $144,720 a year ago.

Solid economic fundamentals suggest that 2004 will be a strong year. With an improved labour market outlook and mortgage rates that are currently lower than last year's levels and expected to remain relatively flat over the remainder of the year, the resale market should remain very active. We expect MLS® sales will increase by 4.5 percent and reach 6450 units in 2004.

At present, the resale market can best be described as a strong sellers market. With a seasonally adjusted sales-to-new-listings ratio just above 70 percent the resale market remains remarkably tight. Industry sources suggest that one of the main reasons behind this tightness has been the reluctance of some potential sellers to list their homes because there appears to be a limited choice of available units on the market. This is clearly evident as the number of new listings has been trending downward for some time. If this trend continues expect the market to get tighter in the near term. As a result of this market tightness, price increases this year will easily outpace the general rate of inflation. On an inflation adjusted basis, we expect that the St. Catharines-Niagara CMA will set a new all time record for MLS® average annual price this year. The MLS® average price of a home in the region will rise by 7.1 percent to reach $165,500 in 2004, eclipsing last year's impressive 6.8 percent increase.



Looking forward into 2005, MLS® sales will begin to inch lower as higher borrowing cost and higher home prices erode homeownership affordability. In addition, MLS® average prices will continue their upward trend but expect more moderate increases.

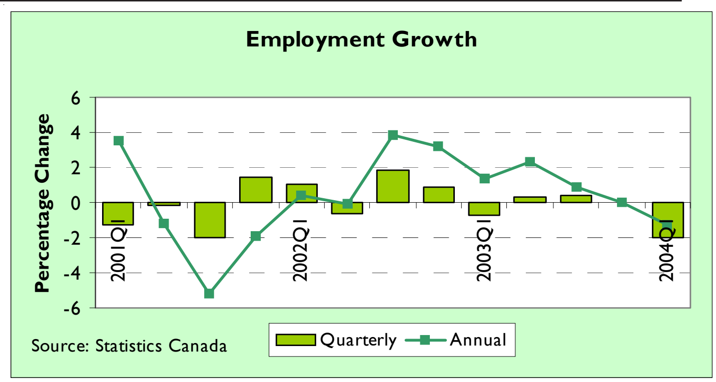
Employment Overview

In 2003, the outbreak of Severe Acute Respiratory Syndrome (SARS), the August blackout, the Gulf war and the rapid appreciation of the Canadian dollar, all impacted employment levels in the region. Declines were most noted in the Retail Trade sector, and the Automobile Manufacturing sub-sector.

Employment in the Retail Trade sector experienced an annual average decline of 19 percent. Increased security measures at border crossings between the Canada and the United States resulted in longer border delays. These delays coupled with the appreciating dollar and the fears of SARS discouraged cross border shopping activity in the region. Competition from new casinos on the US side of Niagara Falls also compounded the effect. All told, the tourism sector took a significant hit in 2003.

The automobile manufacturing sub-sector began the year with an employment level of 13,800 and declined to reach 7,900 in December 2003. Employment in this sector experienced an annual average decline of 11.9 percent. This decline was partly attributable to lower North American demand for automobiles.

Overall, on an annual basis employment in the region still managed to post modest gains slightly above 1 percent. However, late in 2003 employment began a downward trend which has persisted into 2004. On a seasonally adjusted basis employment in the 2004Q1 is down 2 percent from the 2003Q4. With economic growth in the US expected to pick up more speed in 2004 we can expect the employment picture in the region to improve. In general, the increase in US economic activity should translate into greater demand for Canadian products. However, some of this increase will by offset by the depreciating value of the US dollar, which is expected to continue to put downward pressure on Canadian exports.



With the fears of SARS behind us, the Tourism sector should see a definite improvement over last year. The introduction of the Niagara Fallsview Casino scheduled to open in early June is expected to add 2,500 direct jobs to the region and will give the tourism sector a much needed boost.

With stronger demand for automobiles expected south of the border, the manufacturing sector should see a recovery in 2004. Looking forward, this sector should see some expansion as the provincial government has unveilled a $500 million five year fund designed to keep the Ontario automotive industry competitive in light of increased international competition.

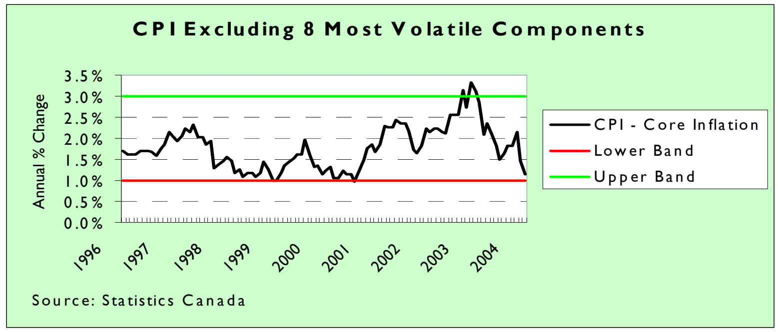
Overall, we can expect to see moderate growth in employment levels in 2004. The region should see employment levels recover from the downward trend that began late last year. On an average annual basis we can expect the employment level to reach 196,900 in 2004 and 200,000 in 2005.

Mortgage Rates Outlook

In February the national all-items CPI stood at 0.7 percent while the Bank of Canada core measure of inflation was 1.1 percent. The core inflation rate is currently well below the 2 percent target rate and has almost breached the floor of the 1-3 percent target range.

Furthermore, in its monetary policy update the Bank of Canada has suggested that with a stronger Canadian dollar, the Canadian economy will be relying less on net exports and more on domestic demand. As a result, expect the Bank to continue to stay in accommodative mode in the near term with rates remaining relatively flat in 2004.

As economic growth strengthens later this year and into 2005, monetary policy will become less accomodative and short-term rates will rise by 50-100 basis points. Long term yields are also forecast to increase by 25 basis points later this year.



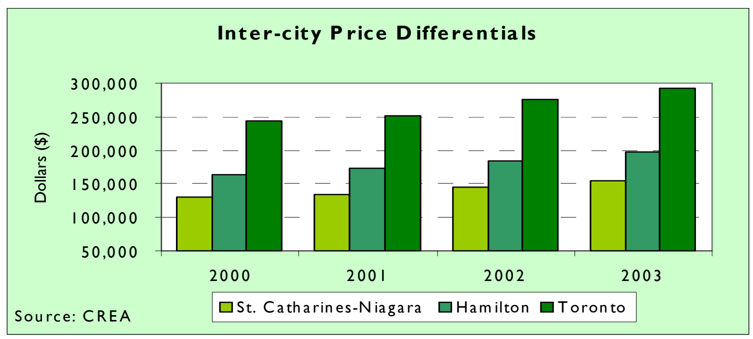
Given that short-term mortgage rates move together with the prime rate and mid and long-term rates vary with the cost of raising funds in the bond markets with the same maturities, CMHC expects that the one, three and five-year posted mortgage rates will likely rise in 2005 and fall in the 4.25-5.25, 5.75-6.75, and 6.25-7.25 percent range respectively.

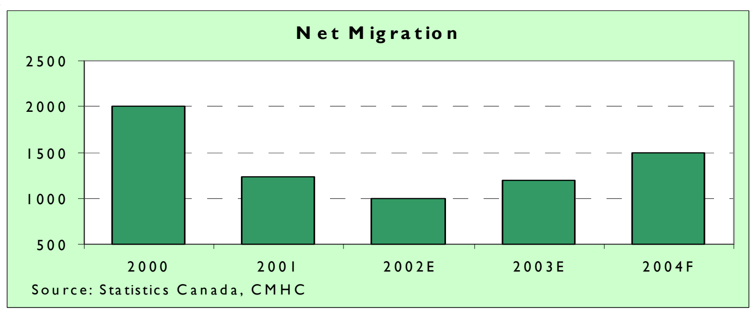
Demographic Outlook

The region continues to attract migrants from larger cities in Ontario like Hamilton and Toronto. The average home price differential provides migrants with an incentive to move to the region. In 2003, the average price of a home in the St. Catharines-Niagara CMA was approximately $45,000 less than the average price in Hamilton and almost $140,000 less than Toronto. These substantial differentials will continue to attract migrants to the region.

General infrastructure improvements will also likely bring more people to the region. Both the provincial and federal governments have committed funding for GO Transit capital improvements to the region. The 10-year capital expansion plan calls for a new bus link to the GO rail network. Other significant initiatives are aimed at reducing border traffic by improving the Queenston-Lewiston Bridge and the Peace Bridge in Fort Erie. In both cases there will be security and technology enhancements that will reduce border delays. Improvements to the Queen Elizabeth Way (QEW) aimed at reducing congestion are also scheduled this year.

On the whole, these infrastructure improvements will not only lead to more tourism and increased economic activity, but also may lead to new migrants to the region.





With a positive employment outlook for the future and the attractive features of the region we can expect continued positive net migration into the area. In 2004, we expect 1500 new migrants to settle in the region.

Rental Market Overview

Overall, we expect vacancy rates to edge up slightly to 2.9 percent in 2004. As a result rent increases will remain moderate, rising 2 percent annually. For more detailed information related to the rental market in the St. Catharines-Niagara CMA please refer to CMHC's Rental Market survey.

Of note, both the Federal and Provincial governments have made a commitment to allocate $4 million to help develop up to 150 units of affordable housing in the Region of Niagara. Construction will likely begin late in 2005.

ST.CATHARINES-NIAGARA CENSUS METROPOLITAN AREA

Forecast as at April 2004

NEW HOME MARKET	2002	2003	2004F	Change%
Starts				
Singles	1032	1154	1200	4.0
Multiples	285	290	380	31.0
Total	1317	1444	1580	9.4
Average Price -New Single				
detached house	$228,244	$254,362	$265,800	4.5
RESALE MARKET				
MLS* Sales	5950	6174	6450	4.5
MLS* Price	$144,720	$154,550	$165,500	7.1
RENTAL MARKET				
Apartment vacancy rate	2.4	2.7	2.9	n/a
Average rent(2 bedroom)	$695	$710	$724	2.0
ECONOMIC OVERVIEW				
Mortgage rate(5 year)	7.02	6.39	6.13	n/a
Employment	193,225	195,875	196,900	0.5
Migration**	1000	1200	1500	25.0

Sources: CREA, Statistics Canada

* Multiple Listing Service is a registered certification mark own by the Canadian Real Estate Association(CREA)

** Migration estimate for 2003 and 2004

Forecast Summary is CMHC's forecast for new home and resale markets. Issues are released in the Spring and Fall of each year.

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