HOUSING MARKET OUTLOOK

St. Catharines-Niagara CMA

Canada Mortgage and Housing Corporation
www.cmhc.ca

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New Home Market

Starts will be flat in 2006

New home construction in the St. Catharines-Niagara Census Metropolitan Area (CMA) will remain flat in 2006. Home starts will reach 1,420 units this year, virtually unchanged from the level recorded in 2005. Single-detached home starts, which have been on an upward trend for the last decade and a half, are now edging lower. Multiple family home starts will move higher in 2006.

Economic and demographic factors that impact housing demand are mixed. On the positive side, mortgage rates will remain low albeit rise gradually in 2006. Consumer confidence, a measure of consumer sentiment regarding expenditures, will remain above average in 2006. Migration, which is the driver of population growth in the Niagara Region, will continue to support housing demand. On the negative side, although employment remains at a high level, new job growth is absent. Full-time employment has been declining for the last several months, impacting some households' homebuying decisions.

Despite record single-detached home prices in the area, low mortgage rates have kept home ownership affordable. However, demand for single-detached homes will be dampened going forward as carrying costs move higher due to increased home prices and higher mortgage rates. Single-detached home prices will continue to rise as the cost of land, labour and materials, as captured by the New Home Price Index, are expected to increased by 4.5 per cent this year. Also, land constraints, especially in the City of St. Catharines, will limit ground-oriented new home construction.

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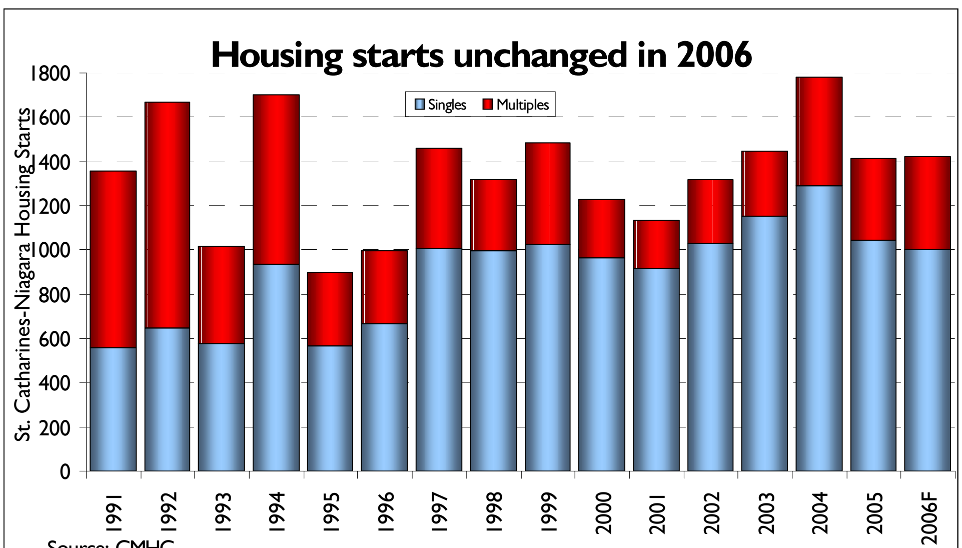

Erica McLerie - Market Analyst - CMHC
Tel: (416) 218-3318 Fax: (416) 218-3314
emclerie@cmhc.ca

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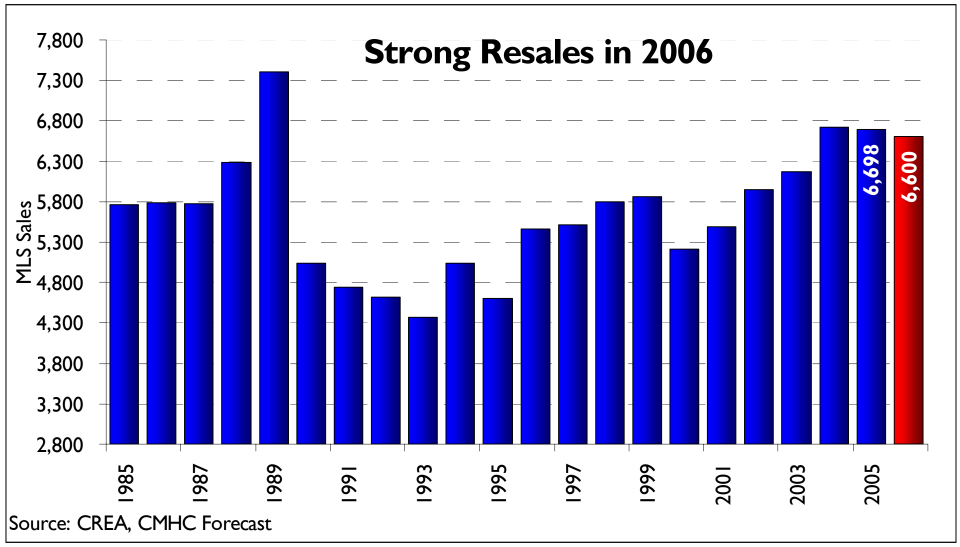


Single-detached starts will total 1,000 this year, down four per cent from the 2005 level. Despite this decline, the volume of total home starts continues to be dominated by single-detached home construction.

Multiple family home starts will reach 420 units in 2006, up 14 per cent from last year. Rental construction will boost multiple family home starts. Meanwhile, starts of the more affordable semi-detached, townhouse and apartment multiple family homes will edge up from low levels at the expense of single-detached homes.

Resale Home Market

Moving to balanced

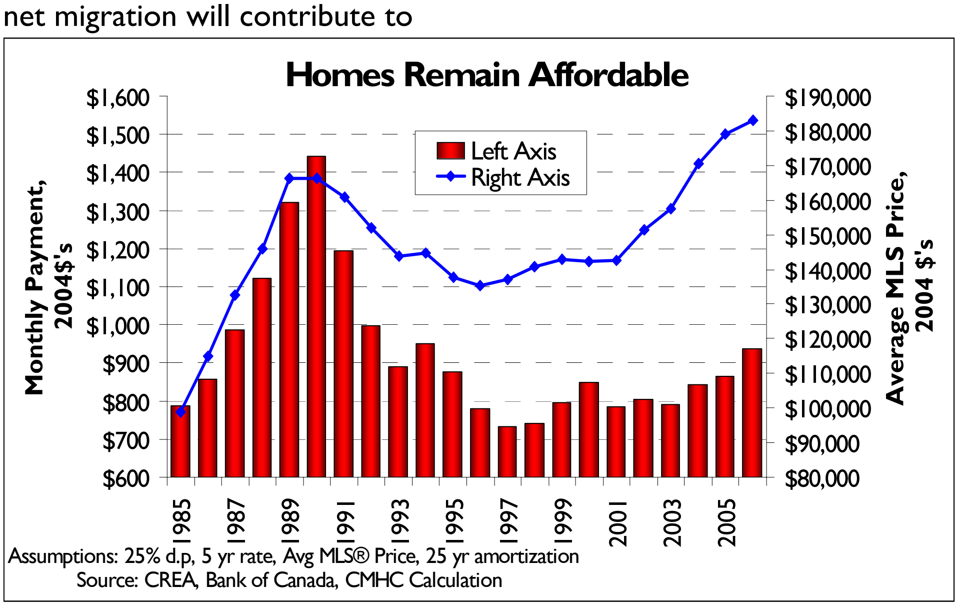
Existing home sales will remain strong in 2006. Resales are expected to reach 6,600 sales, down just 1.5 per cent from last year's third highest level on record and well above the historical average.

Housing market conditions suggest demand for resale homes will not cool this year. Stable employment levels, low mortgage rates, strong consumer confidence and positive net migration will contribute to the strength in the resale market. More choice in the resale market due to the higher level of new listings will help many potential homebuyers meet their housing needs.

The Niagara Region resale market had been characterized by a low level of new listings since 2000. Strong price growth and low interest rates in the past few years have boosted homeowner equity, encouraging some households to list their homes for sale. As a result, new listings have been edging higher since 2004. New listings are expected to continue their upward trend this year, but will remain well below the record levels recorded in the early 1990's.

With slightly weaker sales and a higher number of new listings, the Niagara resale home market will be more balanced this year. A measure of market hotness is the sales-to-new listings ratio (SNLR). A market with a SNLR above 55 per cent is considered a sellers' market, while a ratio between 35 and 55 per cent is indicative of a balanced market. The Niagara Region resale markets have been in sellers' market territory for the last five years. Expect the resale home market to move toward a more balanced state with the SNLR nearing 55 per cent.

The SNLR is also a good indicator of price pressure. Price growth above the rate of inflation is one of the characteristics of a sellers' market. This has been very evident in the strong price appreciation witnessed over the past four years. A more balanced market suggests price growth will moderate, but still will grow above the general rate of inflation. The average price of a resale home is forecast to increase by four per cent to $190,000 in 2006. Despite higher resale prices and mortgage rates, the carrying costs of existing homes will remain well below levels seen in the late 1980's and early 1990's.



Economic Trends

Mortgage rates will rise in 2006

Moderate inflation and a strong Canadian dollar vis-à-vis the U.S. dollar will help restrain the size and speed of Canadian interest and mortgage rate increases in 2006.

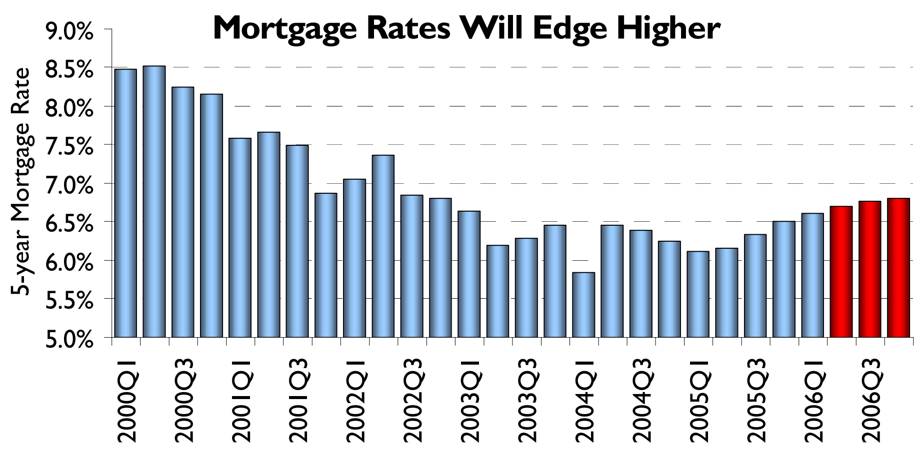
While still low by historical norms, mortgage rates are expected to rise gradually by 50-75 basis points in 2006. One, three and five-year posted mortgage rates are forecast to be in the 5.75-6.75, 6.00-7.00, and 6.25-7.25 per cent ranges respectively in 2006.

Job Growth Stalls

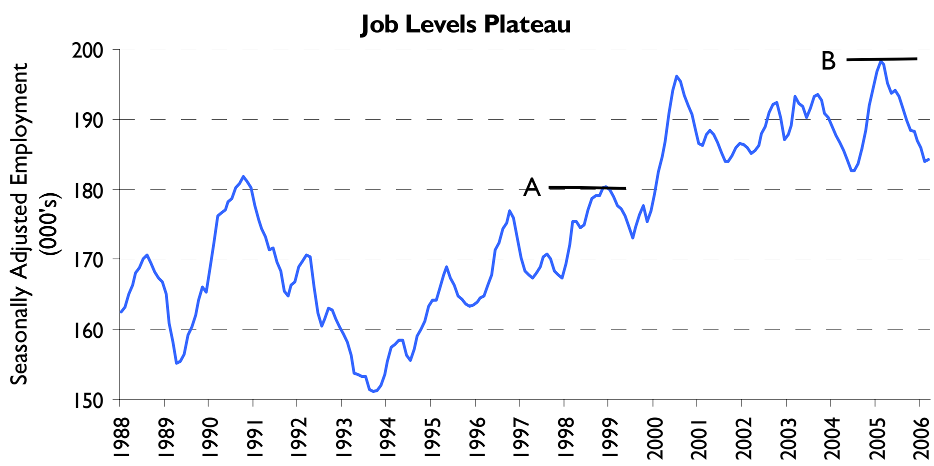
Job growth is a key housing demand factor. Employment has been on a high plateau for much of this decade, but several factors will put a damper on employment growth in 2006. The strong Canadian dollar against the U.S. dollar and other currencies, as well as high oil prices will combine to push employment lower, impacting the manufacturing, trade and tourism sectors.

The strong Canadian dollar and high oil prices have impacted the already weak manufacturing sector in the Niagara Region. Since 2000, the manufacturing sector has lost over 20 per cent of its workforce. More recently, the manufacturing sector has lost 3,100 jobs since March 2005. GM's continuing financial struggle and restructuring will have a lingering affect on the shrinking automotive sector in the Niagara Region. The St. Catharines powertrain parts plant is scheduled to close in 2008.

Tourism is now the number one employment sector in the Niagara Region, followed by trade.



Source: Statistics Canada, CMHC Forecast



Source: Statistics Canada, Labour Force Survey

Employment in the tourism sector has grown by more than 50 per cent in the last ten years. Recently, the tourism and trade sectors have also been negatively impacted by the double whammy of the high Canadian dollar and high gasoline prices. Prospects of new security measures to be introduced at border crossings between Canada and the U.S. are adding pressure on the tourism sector.

Employment is forecast to edge back to 188,000 (-2.1%) in 2006. Although job growth has not been stellar over the last several years (B in chart), employment has risen by eight per cent since 1999 (A in chart) and is high. This employment level will help support housing demand.

Migration key to population growth

With an ageing population in the Niagara Region, the natural increase in population is negligble. Growth in the population can only come through migration into the region. Migration is key to future population growth and housing demand.

Migration into the area is driven by both intra-provincial and international migration. Net migration into the CMA has been flat over the last five years, averaging around 1,500 per year. In 2006, expect this trend to continue.

ST. CATHARINES-NIAGARA CENSUS METROPOLITAN AREA Forecast as of April 2006							
	2001	**2002**	**2003**	**2004**	**2005**	**2006F**	**% Change**
NEW HOME MARKET							
Housing Starts							
Single-Detached	916	1,032	1,154	1,292	1,043	1,000	-4.1%
Multiples	218	285	290	489	369	420	13.8%
Total Housing Starts	**1,134**	**1,317**	**1,444**	**1,781**	**1,412**	**1,420**	**0.6%**
NHPI Annual % Change	2.3%	1.9%	4.9%	6.9%	7.0%	4.5%	
RESALE MARKET							
MLS® Sales	5,488	5,951	6,174	6,722	6,698	6,600	-1.5%
MLS® New Listings	9,221	8,828	9,270	10,051	10,583	11,800	11.5%
Sales-to-New Listings Ratio	59.5%	67.4%	66.6%	66.9%	63.3%	55.9%	
MLS® Average Price	$ 133,715	$ 144,720	$154,550	$170,452	$182,443	$190,000	4.1%
RENTAL MARKET							
Apartment Vacancy Rate	1.9%	2.4%	2.7%	2.6%	2.7%	2.4%	
Average Rent (2 bedroom)	$ 680	$ 695	$704	$722	$736	$752	2.2%
ECONOMIC INDICATORS							
Mortgage rate (1 year)	6.14%	5.17%	4.84%	4.59%	5.06%	6.27%	
Mortgage rate (3 year)	6.88%	6.28%	5.82%	5.65%	5.59%	6.43%	
Mortgage rate (5 year)	7.40%	7.02%	6.39%	6.23%	5.99%	6.78%	
Job Growth	-2.1%	1.0%	1.9%	-2.3%	2.7%	-2.1%	
Unemployment Rate	6.3%	7.4%	6.8%	7.4%	7.2%	7.4%	
Net Migration	1,515	1,422	1,461	1,590	1,500	1,500	0.0%

Sources: Canadian Real Estate Association, Statistics Canada, Bank of Canada, CMHC Forecast

CMHC – HOME TO CANADIANS

Canada Mortgage and Housing Corporation (CMHC) has been Canada's national housing agency for over 60 years.

Together with other housing stakeholders, we help ensure that Canada maintains one of the best housing systems in the world. We are committed to helping Canadians access a wide choice of quality, affordable homes, while making vibrant, healthy communities and cities a reality across the country.

For more information, visit our website at www.cmhc.ca

You can also reach us by phone at 1 800 668-2642 or by fax at 1 800 245-9274.

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