

HOUSING MARKET OUTLOOK

Regina CMA



Canada Mortgage and Housing Corporation

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New Home Market

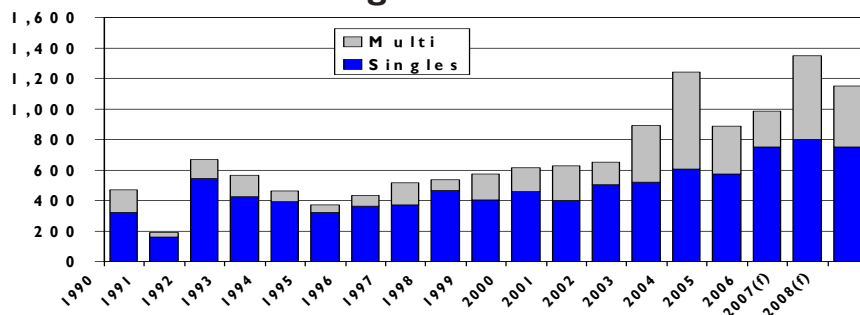
Rising employment and immigration drive single-detached housing starts

CMHC is forecasting another outstanding year for single-detached starts in 2007 of 800 housing units. We are anticipating only a slight decline to 750 units in 2008. This is well over the ten year average for single-detached housing production in the capital. Rising employment and in-migration

will support housing demand in 2007 and on into 2008 (see Figure 1).

Sources within the land development industry have indicated that the market is experiencing land shortages that will persist into 2008. Major land developers are working to correct this situation but the scarcity of land will, inevitably, adversely affect the forecast. We expect some builders to seek land outside the city limits as they have done historically.

Figure 1

Single and Multiple Housing Starts
Regina CMA

Source: Source: CMHC, CMHC Forecast (f)

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Notwithstanding the current shortage of developed land which is ready for sale to builders, single-detached housing construction is proceeding at a furious pace. Currently, there are more than 600 single-detached units under construction, more than 35 per cent higher than one year ago. This is the highest level of construction activity for this housing type since August 1983. Year-to-date absorptions are roughly even with last year.

Though this is a positive sign, the industry is telling us that, although builders have buyers for their units, they are hard-pressed to complete homes for buyer occupancy. This, we are informed, is largely due to the shortage of skilled trade persons necessary to expedite construction. Labour force data supports this information.

At the present absorption trend of approximately 58 houses monthly, supply is sufficient to last 10 months, up two months from the average duration of supply at the end of 2006. Though the rate of absorption is up from the previous year, this has been insufficient to reduce the number of units under construction. The industry has confirmed this by telling us of increasingly lengthy construction periods due to skilled labour shortages. This has made it difficult to replenish the inventory of complete and unabsorbed units, which is currently one of the lowest on record.

Average price of new singles to reach \$284,500 in 2007 and \$320,000 in 2008

Our forecast calls a 15 per cent rise in average price in 2007 followed by a 12.5 per cent increase in 2008. These

increases will bring the average price to \$284,500 in 2007 and \$320,000 in 2008. Regina home buyers will see the impact of rising land and labour costs reflected in the price of a new home. We expect the rate of increase in the average price to moderate in 2008 as home buyers turn to less expensive land outside the city and look to the resale market for less expensive homes, thus softening demand for new housing.

Regina home buyers have shown a willingness to accept higher-priced homes. In 2007, homes in all price ranges in excess of \$250,000 have seen an increase in the number of absorptions while lower price ranges have declined. The same is true of the proportion of total sales occurring in the price ranges over \$250,000.

Multi-family housing starts strong in 2007 and 2008

In 2007, multiple starts will more than double to 550 units but slip back to 400 units in 2008. Although this represents a decline, the 2008 starts forecast will be well above the 10-year average starts figure of approximately 250 starts annually. As the proportion of empty-nesters and seniors in the population grows, demand from this group will encourage new multi-family condominium projects to come on stream. These two demographic groups are the chief source of demand for multiple dwellings focusing on condominium apartments and row housing.

Multiple starts are at their strongest year-to-date pace seen since 1983. More than half the multiple starts have been apartment units but a sizable

proportion of 2007 multiple starts have been row style dwellings appealing to both empty-nesters and first-time home buyers. The lower-priced row units also appeal to small investors who turn them into rental properties.

Multiple units under construction up more than 40 per cent

The surge in multi starts this year has produced a large number of units in supply. Most of these units are in the construction stage. In fact, the total number of units in the construction stage is up more than 40 per cent in excess of the 2006 figure. While apartment and semi-detached dwelling types have seen an increase in the number of units in the construction stage, row dwelling types are down due to swift absorption of these unit types.

Townhouse condominiums are seeing average prices of just over \$150,000 in 2007, up from the average price of approximately \$148,500 seen at the end of 2006. Almost all absorptions are in the \$140,000 to \$160,000 price range. Although apartment condominiums have seen relatively little absorption this year, the average price of these units to date is just over \$170,000. The most active price range for apartment condominiums has been \$160,000 to \$180,000 in 2007.

Resale Market

Record-breaking sales in 2007 and 2008 but listings on the rise

In 2007, existing home sales will surpass the long-standing record of 1986 when 3,192 sales were recorded. CMHC is forecasting a record-breaking year for existing housing sales in the capital with 3,900 sales in 2007 before slipping to 3,700 units in 2008, still the second best year on record.

Higher in-migration and increases in average household income will be positive factors influencing demand. Additionally, rising rents will encourage first-time buyers to consider homeownership as an alternative. Another factor contributing to demand for existing housing will be rapidly escalating prices in the new housing market relative to the resale market.

Some of the negative factors influencing existing housing demand are a scarcity of listings and the rising prices that result from this inventory shortage. The most recent data indicate that active listings are down sharply compared to the same time in 2006. Late in the year, the total inventory of active residential listings stood at approximately 680 units, down from almost 1,000 active listings one year ago.

Notwithstanding active listings are at historic lows, there are signs that the inventory of listings may soon rise. New listings have inched upwards by more than 11 per cent on a month to month basis. Meanwhile, seasonally-adjusted new listings trend is up almost three per cent over the previous month and almost 25 per cent above this month last year. Consequently, the sales-to-listings ratio rise is showing signs of peaking late in the year. This ratio, though still at historically high levels, is down almost five

percentage points on a month to month basis. As more units are ready for occupancy on the new housing side, buyers of new homes will list their existing home, thus providing additional new listings for the resale housing market.

Average price grows 21 per cent in 2007 and 12.5 per cent in 2008

Our forecast calls for the average resale price to gain in excess of 21 per cent in 2007 and a more modest increase of 12.5 per cent in 2008 reaching an average resale price of \$180,000. (see Figure 2)

An important contributor to the upward shift in average price has been an increase in year-to-date sales of property in higher price ranges. Sales in price ranges of \$80,000 to \$160,000 have declined while sales in price ranges above this have increased, in some ranges, by more than 100 per cent. Though rising earnings and low financing costs have supported a dramatic price escalation in the past, our forecast calls for the rise to be more moderate in 2008 as listings

increase and more choice is offered to home buyers. Furthermore, demand from speculators has subsided contributing to the slow down in price gains.

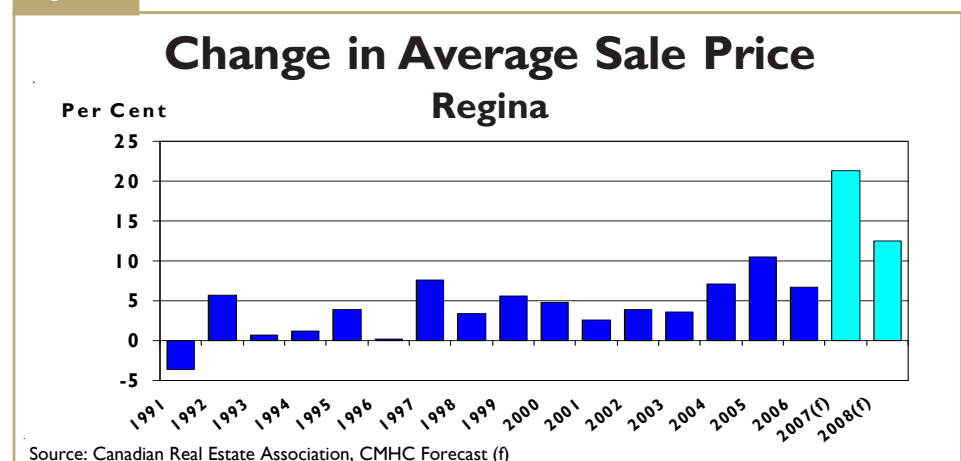
Although Regina has seen a rapid climb in average price in the last year, the capital's average selling price is the lowest reported for any Census Metropolitan Area on the Prairies. This is largely because of the relatively high proportion of sales of older and therefore lower-priced properties. The number of these types of sales has actually increased in 2007. This has been reported in the past and remains a unique characteristic of the Regina market, serving to explain the very low average price compared to other Prairie centres.

Rental Market

Vacancy rates in decline

Regina will see a steady decline in apartment vacancies with a rate of 2.3 per cent in the October 2007 survey and 2.1 per cent in the 2008 survey results. Positive influences on rental demand include escalating prices in the

Figure 2



resale and new housing markets causing some rental households to postpone their decision to move toward homeownership. Employment gains have led to in-migration and growth in the number of renter households, especially those in the lower wage sectors.

There are indications that some of the more affordable row and apartment condominium properties that continue to be built in the capital, have been purchased by small investors, thus adding to the supply of rental housing. More recently, starts in the lower price ranges have slowed, offering prospective first-time buyers less selection at the lower end of the market. This is another factor allowing the average vacancy rate to decline.

Lower average vacancy rates and higher incomes will encourage property owners to increase rents, especially in those areas of the city where demand and income permits. We expect the average rent for two-bedroom suites to increase to \$650 monthly in 2007 and \$675 monthly in 2008.

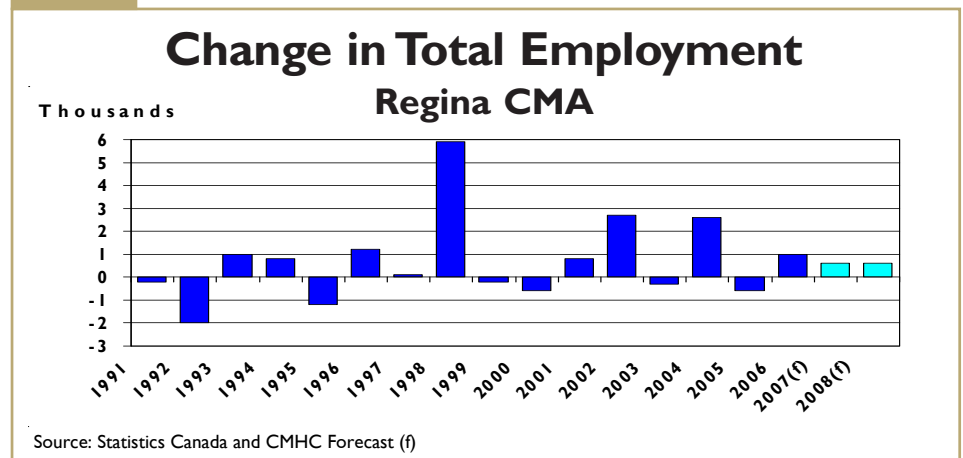
Economic Outlook

Wages and salaries on an upswing while building permits climb

Regina will see modest increases of 0.6 per cent or 700 new jobs in 2007, and a further 0.6 per cent in 2008 lifting total average employment to 111,000 employed (see Figure 3).

To date, most of Regina's employment gains have been in the younger age

Figure 3



groups and among part-time job holders. The greatest proportion of gains thus far has arisen in the service sector with retail trade and education providing the momentum. This would suggest the greatest share of housing demand is in the rental market and first-time buyer markets.

Wage gains, measured in average weekly earnings, tell a slightly different and more positive story. Here, the largest increases have been in the goods sector with the service sector running a close second. Significant employment gains in higher-salary jobs in industries such as mining, oil and gas and professional, scientific and technical services have predominated. This bodes well for the move-up and new ownership housing markets.

At the time of writing this report, fall data indicate the value of city building permits was up almost 47 per cent compared to last year at this time. Major construction permits have been issued for a hotel, alterations to provincial government offices and a number of residential multiple projects.

The unemployment rate will continue its decline throughout the forecast period. The labour force is seeing some growth as young people enter the workforce and net in-migration but this will be insufficient to satisfy employment demands. This will mean that the ranks of the unemployed will be slowly reduced in the forecast period.

Mortgage Rate Outlook

Mortgage rates are expected to remain flat through the end of 2007. While still low by historical norms, mortgage rates are expected to rise gradually by 25-50 basis points in 2008. The one year posted mortgage rate is forecast to be in the 6.50-7.50 per cent range, while three and five year posted mortgage rates are forecast to be in the 6.75-7.75 per cent range in 2008.

Forecast Summary Regina CMA Fall 2007							
	2004	2005	2006	2007f	% chg	2008f	% chg
Resale Market							
MLS® Sales	2,785	2,730	2,953	3,900	32.1	3,700	-5.1
MLS® New Listings	3,898	4,066	4,197	4,400	4.8	4,800	9.1
MLS® Average Price (\$)	111,869	123,600	131,851	160,000	21.3	180,000	12.5
New Home Market							
Starts:							
Single-Detached	605	572	749	800	6.8	750	-6.3
Multiples	637	316	237	550	132.1	400	-27.3
Starts - Total	1,242	888	986	1,350	36.9	1,150	-14.8
Average Price (\$):							
Single-Detached	192,949	218,612	247,392	284,500	15.0	320,000	12.5
New Housing Price Index (% chg.)	7.0	6.4	8.6	15.0	-	12.0	-
Rental Market							
October Vacancy Rate (%)	2.7	3.2	3.3	2.3	-	2.1	-
Two-bedroom Average Rent (October) (\$)	602	607	619	650	5.0	675	3.8
Economic Overview							
Mortgage Rate (1 year) (%)	4.80	5.80	6.30	6.86	-	7.19	-
Mortgage Rate (5 year) (%)	6.05	6.30	6.45	7.02	-	7.41	-
Annual Employment Level	109,200	108,600	109,600	110,300	0.6	111,000	0.6
Employment Growth (%)	2.4	-0.5	0.9	0.6	-	0.6	-
Unemployment rate (%)	5.0	4.8	4.9	4.3	-	4.1	-
Net Migration	95	-490	-456	550	-	550	

MLS® is a registered trademark of the Canadian Real Estate Association (CREA).

Source: CMHC (Starts and Completions Survey, Market Absorption Survey), adapted from Statistics Canada (CANSIM), CREA, Statistics Canada (CANSIM)

NOTE: Rental universe = Privately initiated rental apartment structures of three units and over

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