CANADA MORTGAGE AND HOUSING CORPORATION

HOUSING MARKET OUTLOOK

St. Catharines-Niagara CMA

Date Released: Spring 2007

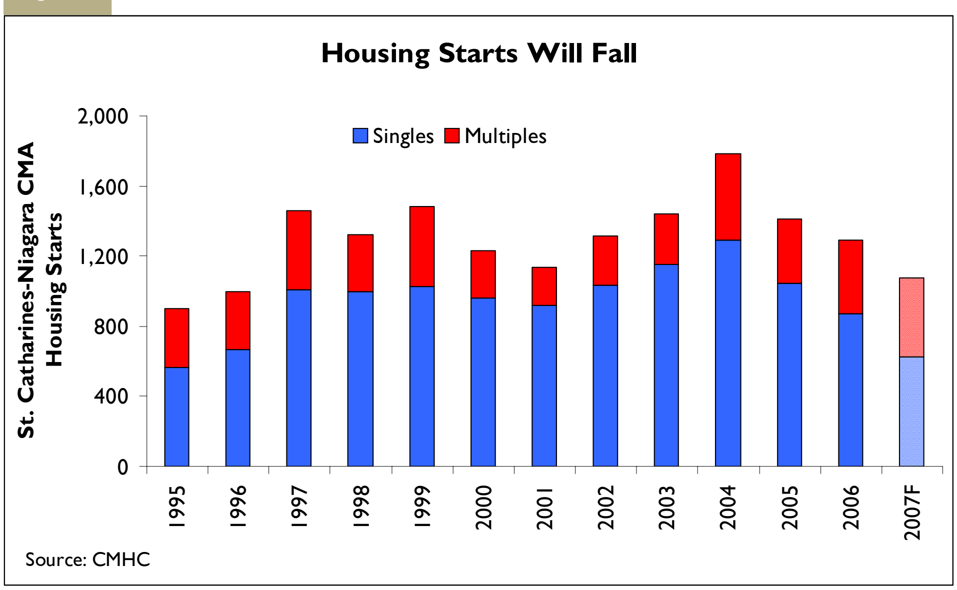
New Home Market

New Home Construction at Maturing Stage of the Cycle

For new home construction in St. Catharines Niagara Census Metropolitan Area, 2007 will be a maturing year. Home starts will slow to around 1,200 units, down seven percent from 2006. Multiple-family home starts will increase at the expense of single-detached home starts, with the former reaching 550 units, up 30 per cent. Single-detached home starts are expected to plunge to 636 units, down 27 per cent from 2006.

Wealthier baby boomers and pre-retirees from the Greater Toronto Area will continue to move to this region and support demand for new single-detached homes. However, new home construction will slow down. Sluggish job growth for members of the 25-44 age cohort will negatively impact their ability to

Figure 1



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become homeowners. In spite of stable mortgage rates, pricier homes will lift mortgage carrying costs. Rising listings will increase home buyer choice in the existing home market and limit demand spilling over into the new home market.

On the supply side, limited land for residential development will hinder new single-detached home construction. Even though single-detached home starts will soften, they will remain the product of choice of homebuyers. More than 60 per cent of the homes built in this region will be single-detached houses.

Land constraints will contribute to higher prices of new single-detached homes. High prices will drive many homebuyers, especially first-time home buyers, to look for more affordable options. As a result townhome construction will boost multiple home starts this year.

Resale Market

Resales Healthy, But Sales Will Slow

St. Catharines-Niagara's resale home market will remain active. About 6,200 units are expected to change hands this year, down about four per cent from 2006. Despite higher home prices and rising mortgage carrying costs causing home sales to slow, sales will remain above the 22-year average.

The supply of newly-listed home will continue to grow and reach a record. New listings are expected to hit the 13,000 level, up 10 per cent from 2006. Equity gains due to rising prices are encouraging some households to list their homes.

With the number of new listings on the rise and sales expected to slow, the Sales-to-New Listings Ratio (SNLR) [1], a leading indicator of future price growth and measure of market conditions, will retreat below the 55 per cent level. In St. Catharines-Niagara CMA, prices are expected to grow at a slower pace. The average price of a resale home is forecast to increase by four per cent to $202,300 in 2007, on the tail of 6.6 per cent growth in 2006.

Economic Trends

Sluggish Job Growth Continues

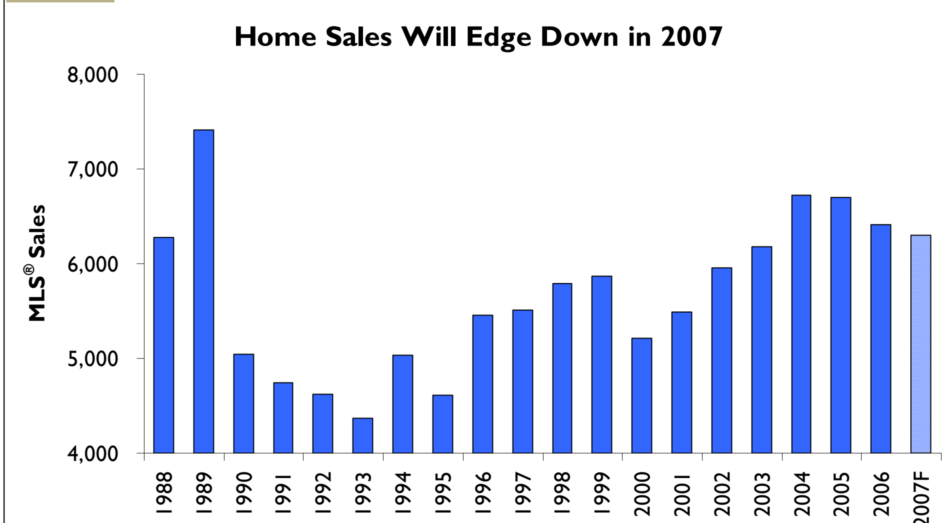
In 2006, employment in the St. Catharines-Niagara CMA declined by 2.1 per cent. Expect a modest rebound of one per cent in 2007.

For the past few years St. Catharines-Niagara experienced changes in its labour force composition. A notable decrease in employment in the 25-44 age segment occurred. The decline in employment in this primarily first-time buyer age segment will moderate housing demand.

However, employment in the 45-65 age group, typically considered wealthier, has increased. These move-up buyers will continue to support repeat buying, based on equity gains from their current home.

The tourism sector, the key source of new employment for the past few years, has reached a peak. Fewer U.S. residents are visiting the region because of the high Canadian dollar, passport requirements for returning to the U.S. and dipping consumer confidence in the U.S. Expect em-

Figure 2



Source: CREA (MLS®), CMHC forecast

[1] A SNLR between 45 per cent and 55 per cent is associated with balanced market conditions. In a balanced market, prices tend to rise at a rate similar to inflation.

ployment in this sector to edge down in 2007.

The goods-producing sector continues to shed jobs. A sluggish U.S. economy and the high Canadian dollar dampened U.S. demand for Canadian exports. A slowdown in automotive sales in the U.S. negatively affected many suppliers of automotive components. As a result, many closed their plants and left the region. However, the strong Canadian dollar will allow remaining manufacturers to import machinery and equipment at lower costs, improving efficiency of their productions. In 2007, employment in the manufacturing sector will begin to recover as a result of more efficient manufacturers gaining more orders

In-migration Remains Positive Despite Slower Growth

Population in the St. Catharines-Niagara CMA increased more slowly than in other areas in Ontario. The 2006 census results indicate that since 2001, population in this region grew by a modest 3.5 per cent, which is far lower than the provincial average of 6.6 per cent. While St. Catharines, the largest city in the region scored a much lower 2.2 per cent growth rate, Fort Erie (7.3 per cent) and West Lincoln (6.3 per cent) were the hottest spots in the St. Catharines-Niagara CMA.

Niagara's west end has become a popular home base for commuters who work in the Greater Toronto Area, while Fort Erie was successful in attracting retirees who liked the lifestyle and lower prices.

As a result of less in-migration, St. Catharines-Niagara's population is expected to grow by 1,200. Net migration will continue to power population growth since natural increase (births less deaths) accounts for a very small portion of overall population growth. Lower prices, particularly for single-detached homes, larger home sizes and a better quality of life will continue to encourage households from the GTA to migrate to this region.

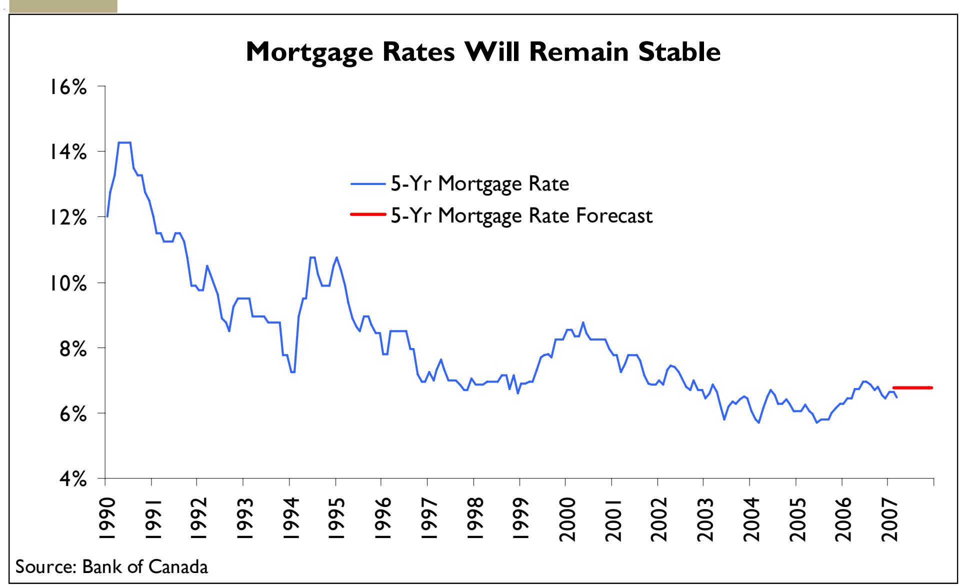
Mortgage Rates Will Remain Low

A combination of a slowing economy, strong Canadian dollar vis-à-vis the U.S. dollar, and moderate inflation will help keep Canadian interest and mortgage rates low over the remainder of this year and in 2008.

Short-term mortgage rates will also ease as the prime rate nudges down over the next twelve months while the long-term mortgage rates will rise slightly in line with bond rates.

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 over the rest of this year and in 2008.

Figure 3



Forecast Summary
St. Catharines-Niagara CMA
Spring 2007

	2004	2005	2006	2007f	% chg	2008f	% chg
Resale Market							
MLS® Sales	6,722	6,698	6,410	6,180	-3.6	6,080	-1.6
MLS® New Listings	10,074	10,874	11,661	12,800	9.8	13,800	7.8
MLS® Average Price ($)	170,452	182,443	194,671	202,300	3.9	208,400	3.0
New Home Market							
Starts:							
Single-Detached	1,292	1,043	873	636	-27.1	525	-17.5
Multiples	489	369	421	550	30.6	600	9.1
Starts - Total	1,781	1,412	1,294	1,186	-8.3	1,125	-5.1
New Housing Price Index (% chg.)	6.9	6.9	4.7	4.6	-	3.5	-
Rental Market							
October Vacancy Rate (%)	2.6	2.7	4.3	4.5	0.2	4.5	0.0
Economic Overview							
Mortgage Rate (1 year) (%)	4.80	5.80	6.30	6.40	0.10	6.29	-0.12
Mortgage Rate (5 year) (%)	6.05	6.30	6.45	6.63	0.18	6.80	0.17
Annual Employment Level	187,400	191,900	190,200	192,000	1	192,000	0
Employment Growth (%)	-2.4	2.4	-0.9		-		-
Unemployment rate (%)	7.4	7.0	6.9	7.3	0.4	7.3	0.0

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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