

NORTHERN HOUSING REPORT



Canada Mortgage and Housing Corporation

Date Released: 2007

Whitehorse

Economy and Demographics

Economic and demographic factors have been positive contributors to housing demand in the Yukon over the past few years. From 2001 to 2006 total economic output of the

territory increased at an average annual rate of 2.4 per cent. Economic growth translated into job creation and rising incomes. Total employment increased at an annual rate of 2.2 per cent from 2001 to 2006, causing the unemployment rate to decline from 11.6 per cent in 2001 to 4.7 per cent in 2006. Meanwhile, personal disposable income per capita increased at an annual rate of 4.7 per

PREMIER EDITION

CMHC is pleased to present the premier edition of the Northern Housing Report. This annual publication produced by CMHC's Prairie and Territories Region Market Analysis Centre looks at various segments of the local housing markets for the three territorial capital cities:

1. **Whitehorse, Yukon**
2. **Yellowknife, North West Territories (NWT)**
3. **Iqaluit, Nunavut**

In the Whitehorse and Yellowknife sections of the report, CMHC provides both a review of the previous year and an outlook for the current year. Our analyses look at the territorial and local economies, the local existing and new homeowner markets and the residential rental market. For Iqaluit, the publication provides a review of rental housing.

Acknowledgments

The Northern Housing report could not be produced without the cooperation of departments and agencies within each community. These would include the respective territorial housing corporations and statistics bureaus as well as city planning and economic development departments. Assistance from local Realtors, housing managers, property owners and building superintendents is also greatly appreciated.

In this Issue

1 Whitehorse

Total housing starts will decline to 125 units in 2007.

Real Estate transactions will pull back this year.

Rising demand and a stable stock will push the apartment vacancy rate down to 1.4 per cent by December 2007.

2 Yellowknife

Existing home sales will pull back this year while resale price growth will come close to 2006 levels.

New home construction will improve in 2007.

Rental apartment vacancies will decline in 2007.

3 Iqaluit

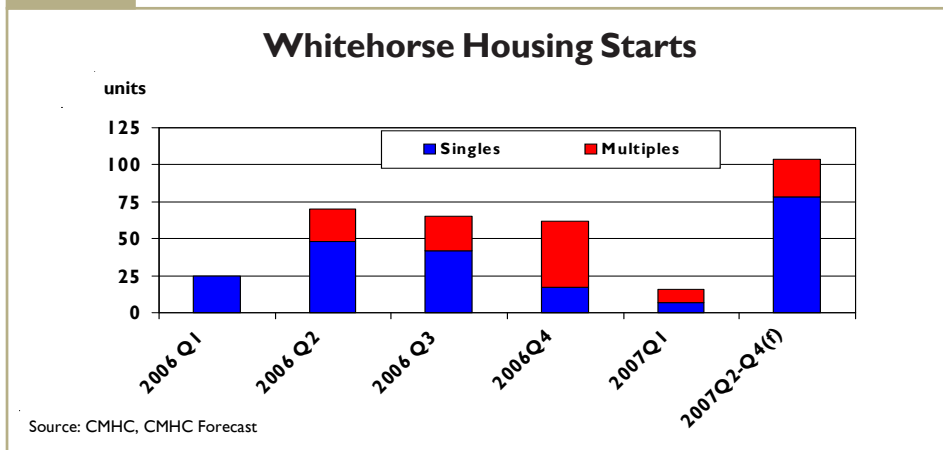
Housing officials report that, in general, the demand for rental accommodation continues to exceed supply.

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Figure 1



cent, outpacing the annual inflation rate of 1.6 per cent over this period.

The strong labour market has continued into 2007. The seasonally adjusted unemployment rate in the territory during March of this year stood at 3.2 per cent, well below the Canadian average of 6.1 per cent.

Most of the economic output in the territory is generated through personal and government expenditures on goods and services. The bulk of economic and employment benefits in the territory accrue to Whitehorse since it is the largest centre in the territory and the seat of the territorial government. Along with the favourable economic climate, demand for rental and homeownership housing in Whitehorse benefits from the age structure of the population. An examination of the statistics from the Yukon Bureau of Statistics December 2006 Population Report reveals that about 15 per cent of the centre's population is aged between 15 to 24 years. The households headed by someone within this age group generally tend to favour rental tenure. Another 30 per cent of the population is distributed within the 25

to 44 age category. The majority of first time and move-up buying tends to occur within this age group. A further 30 per cent of the population is aged between 45 to 64 years, the age when households tend to make the move towards condominium or adult types of housing which involve less care and maintenance on the part of the owner.

New Home Market

CMHC's starts and completions survey tallied 222 housing starts across the Whitehorse Census Agglomeration (CA) in 2006. Of these starts, 132 were single-detached units, 26 were semi-detached, 12 were row

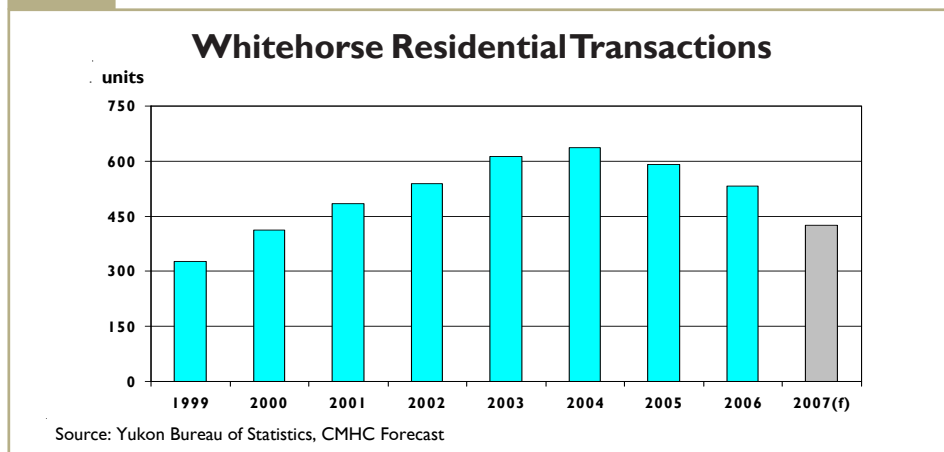
and 52 were apartment units. During the first quarter of 2007, 16 housing starts have been recorded in the Whitehorse CA, down from 25 units that were recorded during the first quarter of 2006. With 45 residential lots sold by the territorial government through April and a lottery for additional lots scheduled between July and September, the potential exists for an increase in residential construction activity over the remainder of the year. At this time, CMHC is forecasting total housing starts to reach 120 units by the end of 2007.

Real Estate Transactions

After peaking at 636 units in 2004, real estate transactions have been on a downward trajectory. The Yukon Bureau of Statistics reported a decline in the number of real estate transactions from 590 units in 2005 to 531 units in 2006. The reduction in transactions occurred on the non-MLS® side since MLS® sales increased from 242 units to 284 units over the same period. The average price for all transactions increased nearly 16 per cent in 2006 to \$216,413.

Through the first three months of 2007, the number of real estate

Figure 2



transactions reached 74 units, down slightly from the 76 transactions over the same period a year earlier. While the total number of transactions was virtually unchanged, about 78 per cent of this activity occurred on the MLS® compared to 61 per cent a year earlier. The average price of all house types during the first quarter of 2007 was \$219,703, representing an increase of 11.7 per cent from the same period a year earlier.

Due to rising prices in the existing home market and lower housing starts, total real estate transactions are projected to decline from 531 units in 2006 to 425 units in 2007. The average price is forecast to reach \$250,000, representing an annual gain of nearly 16 per cent.

Rental Market

The Yukon Rent Survey administered by the Bureau of Statistics showed that out of a total stock of 888 apartment units, only 21 were vacant in March 2007. This was a slight increase from 19 of 888 units which were reported as being vacant in December 2006. Based on the 21 vacant units in March 2007, this represents an overall vacancy rate of 2.4 per cent.

The total stock of bachelor and 3+ bedroom units remained stable at 134 and 62 units, respectively, over this period. However, there was an increase of six units in the one-bedroom stock from 274 units to 280 units and decline of six units in the

two-bedroom units from 418 units to 412 units. With the rental stock expected to remain stable over the remainder of the year and the rising cost of home ownership, the number of vacant units will decline over the next few months and the overall vacancy rate will decline to 1.4 per cent by December 2007. The median rent for two-bedroom apartment units is forecast to rise from \$700 in December 2006 to \$730 in December 2007.

Whitehorse Forecast Summary May 2007

	2004	2005	2006	% % Chg	2007(F)	% % Chg
New Home Market						
Total Starts (units)	---	---	222	---	120	-45.9%
Single-Detached Starts	---	---	132	---	85	-35.6%
Multi-Family Starts	---	---	90	---	35	-61.1%
Real Estate Transactions*						
Residential Transactions	636	590	531	-10.0%	425	-20.0%
Residential Price	\$165,345	\$187,298	\$216,143	15.4%	\$250,000	15.7%
Rental Market (December)**						
Apartment Vacancy Rate (%)	6.1%	3.8%	2.1%		1.4%	
Median Two-Bedroom Apartment Rent (\$)	660	695	700		730	

Yukon Bureau of Statistics Yukon Bureau of Statistics, Rental Market Survey, Q4 Data, CMHC Forecast

Yellowknife

Economy

The economy of the NWT continues to benefit from strong global prices in the resource sector. The Northwest Territories' economy advanced two per cent in 2006, an improvement over 2005's real GDP which increased only marginally (0.1%). Diamond mining fell slightly in 2006 but mineral and oil exploration flourished, particularly along the Mackenzie Valley corridor. Construction investment also advanced at the Snap Lake diamond mine. However, job creation cooled across the Territory in 2006. Following a four-year high 4.7 per cent gain in 2005, employment growth in 2006 slowed to less than one per cent or fewer than 200 jobs. Slower construction activity accounted for much of the reduction. The total value of both residential and non-residential permits fell by 45 per cent to \$37.7 million.

Continued albeit slower economic growth is anticipated throughout the NWT this year, with energy and mineral exploration leading the way. Capital investment will be another main driver but rising construction costs will be a constraining factor. Government spending on infrastructure is forecast to remain near 2006 levels. Meanwhile, the \$900 million Snap Lake diamond mine will finish construction and move to production phase this fall.

Population growth has cooled in Yellowknife since 2004 and demand for new housing has throttled back accordingly. The local economy should experience moderate but steady

growth this year and in 2008. The business environment will continue to benefit from diamond and possibly gold mine development. Both residential and non-residential construction will improve moderately but remain well below the previous highs reported in 2003.

Resale Home Market

Despite fewer listings in the first half of the year, existing home sales in 2006 exceeded all of 2005 in Yellowknife by just over four per cent to 437 units. So far this year, sales were largely unchanged from 91 units reported in the first quarter of 2006. New listings improved substantially year-over-year in the first quarter of 2007 but from very low levels in the first three months of 2006. With few new units under construction, further large improvements in supply are not anticipated in the months ahead. Slower employment growth in 2006 will inhibit demand this year despite stable mortgage rates. Last year's numbers were bolstered by a large condo conversion which added to the supply of apartments for sale. This year's total residential sales will throttle

back to around 400 units, representing a drop of 8.5 per cent over 2006. Resale home prices moderated in 2006 due to an upturn in condo apartment sales and a rise in the proportion of single-detached homes that were modular versus stick-built units – of which the latter tend to be higher priced. A typical residence in Yellowknife sold for \$272,300 in 2006, up 6.8 per cent from the 2005 annual average. Modular home sales, which accounted for 46 per cent of all sales in 2006, saw double-digit year-over-year price increases to almost \$259,000.

Despite slower sales this year, inventories will remain largely balanced but with fewer condos in the mix. The average home will sell for close to \$292,000 in 2007, representing an increase of just over seven per cent.

New Home Market

Following back-to-back double-digit (per cent) declines in 2004 and 2005, total housing starts in Yellowknife rose by 8.5 per cent last year to 64 units. In 2007, demand for new housing is not expected to change much from the previous year and the overall

Figure 1

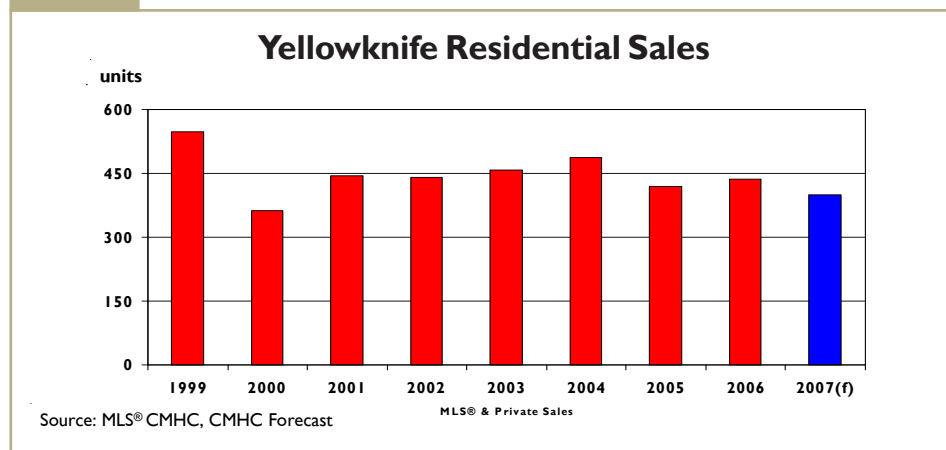
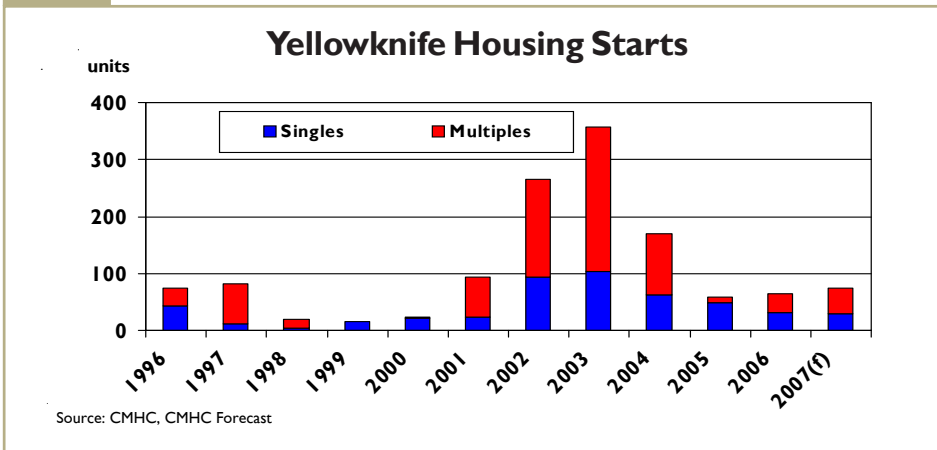


Figure 2



volume of new construction will come close to total starts reported in 2005.

On the heels of a 22 per cent drop in 2005, single-detached starts, both stick-built and modular units, fell by another 37 per cent last year to only 31 units. Activity in the first quarter was very modest and, with an adequate supply of existing homes, we do not anticipate much improvement in 2007. While a limited selection of resale units in some price points will support demand for some new single-detached homes, higher costs for land, labour and many building products will bolster

prices and limit growth in construction activity.

In 2004 and 2005, multiple unit starts experienced hefty year-over-year declines from the peak year of activity in 2003. Last year, this trend reversed with an improvement in multiple dwelling starts. Total activity reached 33 units, of which eight were semi-detached, 16 were row units and nine were apartments. Rental units accounted for only eight of last year's multiple starts. Multiple starts this year are expected to improve to around 45 units. Most of this year's activity will

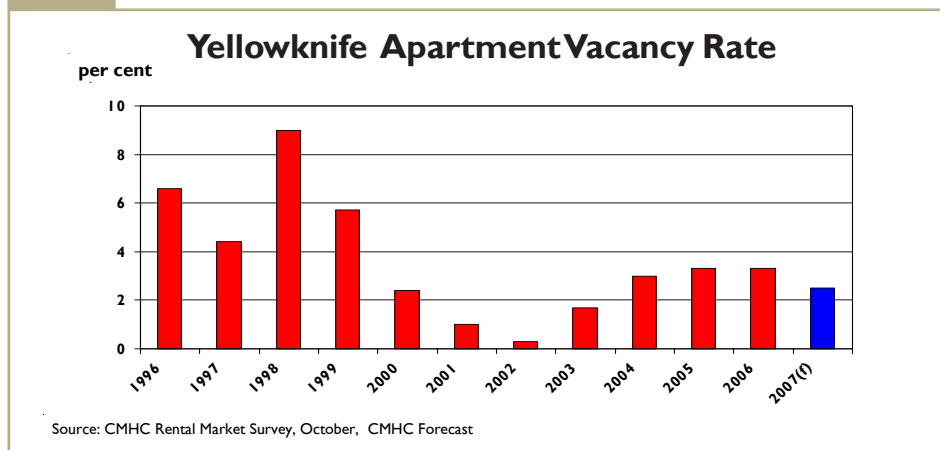
be condo townhouse units with the balance coming from part of a new transitional housing project. Rising rents and tighter vacancies should encourage more market rental construction in 2008.

Rental Market

Increased apartment construction in Yellowknife in 2005 did not provide any upward shift in vacancy rates last year. The apartment vacancy rate in Yellowknife stood at 3.3 per cent last October, unchanged from the levels reported in October 2005. With few apartments under construction this spring, expect further tightening in the months ahead.

Following a modest increase in 2005, the rent for a typical two-bedroom apartment increased on average by \$63 per month in CMHC's 2006 survey to \$1,365. Tighter market conditions this year will result in a \$70 per month hike for a two-bedroom apartment in Yellowknife to an average of \$1,435.

Figure 3



Yellowknife Forecast Summary May 2007

	2004	2005	2006	% % Chg	2007(F)	% % Chg
New Home Market						
Total Starts (units)	169	59	64	8.5%	75	17.2%
Single-Detached Starts	63	49	31	-36.7%	30	-3.2%
Multi-Family Starts	106	10	33	230.0%	45	36.4%
Resale Market*						
Residential sales	487	419	437	4.3%	400	-8.5%
Res. resale price (\$)	\$234,850	\$254,850	\$272,300	6.8%	\$292,000	7.2%
Rental Market (October Survey)						
Apartment Vacancy Rate (%)	3.0%	3.3%	3.3%		2.5%	
Average Two-Bedroom Apartment Rent (\$)	1,282	1,302	1,365		1,435	
*MLS®+Private						

Iqaluit

In 2006, the local economy in Iqaluit continued to expand, with the major employer, the Government of Nunavut filling previously vacant, and in some cases “never-filled” positions. As such, demand remains very strong for staff housing. Housing officials report that, in general, the demand for rental accommodation continues to exceed supply. In 2005, the city developed and opened for construction, a new subdivision called “Plateau Subdivision”. The initial

offering by way of ballot draw in this 52 lot subdivision was for disposal of 44 residential sites - 34 low-density; nine medium-density and one “cluster residential”. All of the lots have since been selected, and construction started on most. At the time of our survey, Phase II of this subdivision had been surveyed, but none of the 48 lots had been offered or put to ballot. This delay likely resulted in more pressure on the single-detached market and caused some prospective buyers to

put off abandoning rental accommodation for private ownership. Although our survey identified 20 vacant units, eight of these were new units that had not been on the market for at least three months and the remaining 12 were being remodelled between occupancies. As such, none of these units met CMHC’s definition of a vacancy and the overall vacancy rate remained virtually zero.

Summary of Results

Our survey had a universe of 1,636 units. Of these, 417 were social housing (public), which although identified were not included in any “average rent” calculations.

Rental Universe (units)

Bachelors	61
One Bedroom	336
Two Bedroom	430
Three Bedroom	367
Four Bedroom	2
Four Bedroom +	23
No BR Identified (Social)	<u>417</u>
Total	1,636

Average Monthly Rent - by bedroom type (excluding social housing)

	<u>2006</u>	<u>2005</u>	<u>% Change</u>
Bachelors	\$1,188	\$1,115	6.5%
One-bedroom	\$1,635	\$1,590	2.7%
Two-bedroom	\$2,094	\$2,100	-0.3%
Three-bedroom	\$2,668	\$2,648	0.8%
Four-bedroom+	\$3,248	\$3,158	2.8%

With the exception of bachelor units, the table above suggests a moderate rental increase for most unit types of less than three per cent from 2005 levels. This would largely indicate rental rate stability, relative to the substantial increases observed in the years shortly after the creation of Nunavut, and the establishment of Iqaluit as the Capital City.

Methodology

The purpose of this report is to identify residential accommodation in Iqaluit, Nunavut available for long term rental and identify as well, the current market rent on those units. This survey was conducted over the six week period from mid November to late December 2006. Our survey depends on developers, building owners, the two senior levels of government (Territorial and Federal) and their respective housing officials. CMHC acknowledges their hard work and assistance in providing timely and accurate information.

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