

HOUSING MARKET OUTLOOK

Greater Sudbury CMA



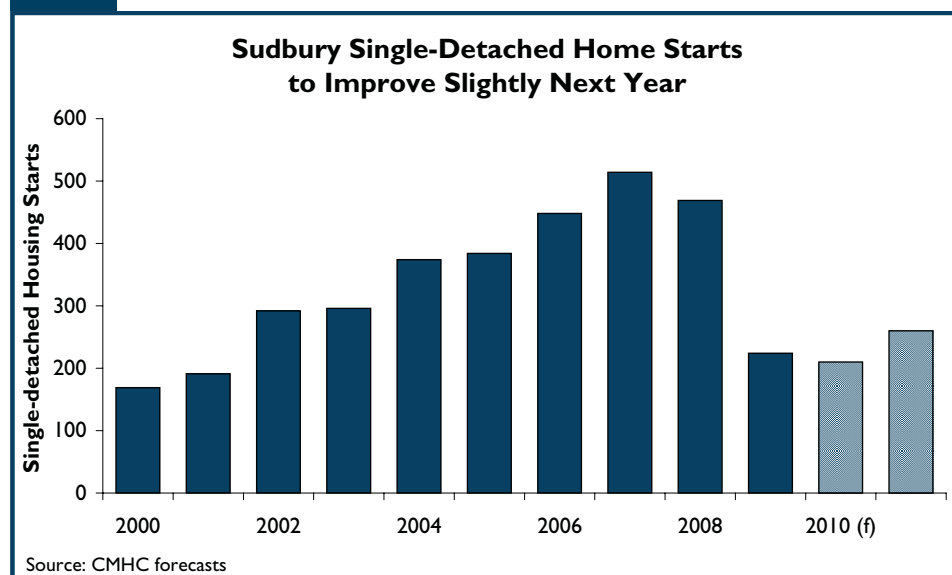
CANADA MORTGAGE AND HOUSING CORPORATION

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Market at a Glance

- Existing home sales will grow and reach 1,990 and 2,100 units this year and next year respectively as prospects for strong labour market recovery offset the slight decline in homeownership affordability.
- Expect average MLS® price growth of 5.5 per cent this year. In 2011, the rate of change in prices will slow as new listings outpace sales.
- Housing starts will decline 18 per cent in 2010 before increasing next year as the local economic recovery gains traction.
- Sudbury's total employment will increase by 1.3 per cent in 2011, as gains in service-sector employment are expected to offset weaknesses in the goods-producing sector.

Figure 1



¹ The forecasts included in this document are based on information available as of April 23, 2010.

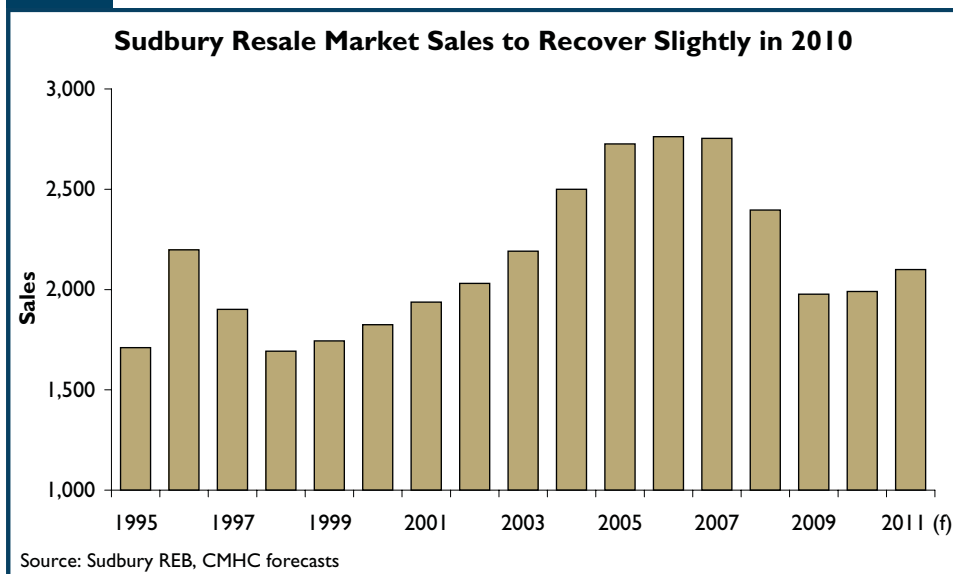
Table of Contents

- 1 **Market at a Glance**
- 2 **Resale Market**
- 3 **New Home Market**
- 3 **Economy**
- 5 **Forecast Summary**

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Figure 2



Resale Market

Expect MLS® Sales to Cool Off in the Second Half of This Year

Sudbury existing home sales will move higher this year on the strength of early 2010 demand. Existing home sales in Sudbury have regained some lost ground as the prospect of higher mortgage carrying costs has accelerated the home purchase decision. With the Bank of Canada poised to raise its key interest rate in the second quarter, mortgage carrying costs for a typical home in Sudbury will start to drift higher creating more difficulty for potential homebuyers to qualify and this will dampen sales in the second half of the year. The pending harmonized sales tax (HST) also appears to be motivating some buyers and sellers to close deals before it takes effect on July 1.

By 2011, however, MLS® sales are expected to move higher amid stronger labour market recovery. The timing of the economic recovery will be different for Sudbury compared

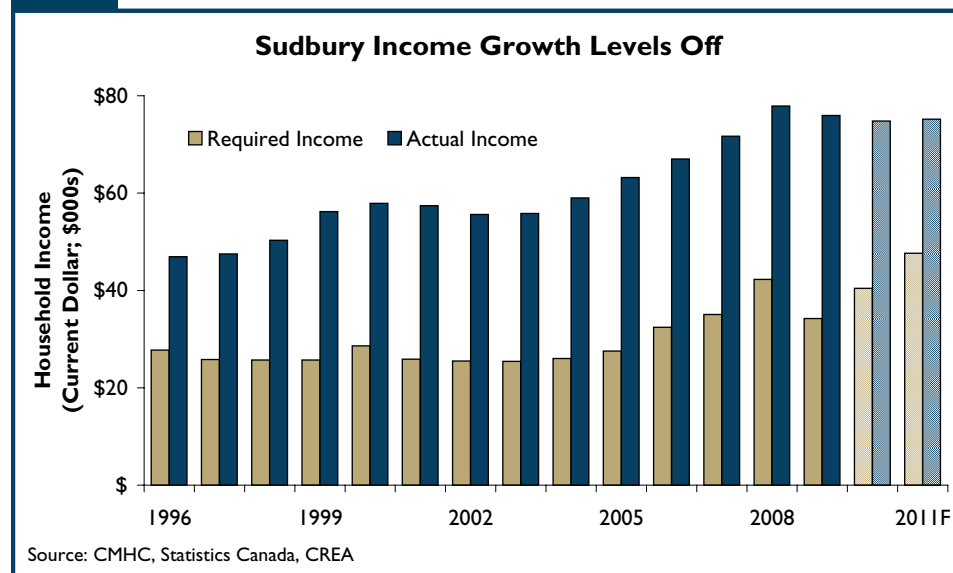
with other major centres across Ontario. While most centres in the province will see strong recovery this year, Sudbury's recovery is expected to materialize next year because it's been lagging behind the rest of Ontario. This will counter the decline in affordability as measured by actual income versus required income for Sudbury in 2011.

Balanced Market Condition Will Prevail in the Next Two Years

New listings of existing homes will reach a record high in the coming months. Rising home prices will encourage more homeowners to put their homes for sale amid still strong demand. With new listings rising faster than sales, conditions in the resale market are expected to move toward balanced territory in late 2010 and into 2011.

As the gap between sales and new listings narrows, the rate of change in average MLS® price will slow by year-end. In 2011, price growth is projected to moderate even further as listings continue to outpace sales. As a result, prospective buyers will enjoy more choice in the marketplace and will not be under as much pressure to act versus the heated market experience during the latter part of the past decade.

Figure 3



¹ MLS® is a registered trademark of the Canadian Real Estate Association.

New Home Market

Housing Starts Will Return to Long Term Demographic Level

The high level of construction activity witnessed in Sudbury to date is not likely to be sustained as mortgage rates are expected to rise and choice in the resale market improves. Therefore, expect housing starts to decline this year before edging higher next year as the new home market returns to its long-term demographic level on the strength of an improving economy.

Housing starts in Sudbury have been resilient in the face of an uncertain economic environment induced by the global economic downturn and the continued strike at Vale Inco. Construction has maintained a strong pace so far this year, with housing starts remaining well above long-term average. This recent strength in housing starts reflects a revamping of inventories to meet growing demand after a period when residential construction was at a mere standstill due to the economic downturn in late 2008 and early 2009.

Single-Detached Starts to Moderate in 2010

Activity in the pricier single detached sector is expected to ease in late 2010 as prospective buyers react to rising mortgage rates and strong competition from the existing homes market. In essence, the recent increase in new listings provides more choice in the market place and as a result this will lure many first-time homebuyers away from the new homes market.

On the rental front, new apartment starts are expected to increase this

year as rising mortgage carrying costs will slow the movement of renter households into the homeownership market. In 2011 however, apartment starts will decrease as a strong rebound in economic activity partially offsets the slight decline in affordability. On the supply side, the large number of rental units completed in 2009 and 2010 will work to put upward pressure on the vacancy rates and thus supporting low apartment starts in 2011. On balance, increased demand for rental will offset added supply driving vacancy rates back down.

Economy

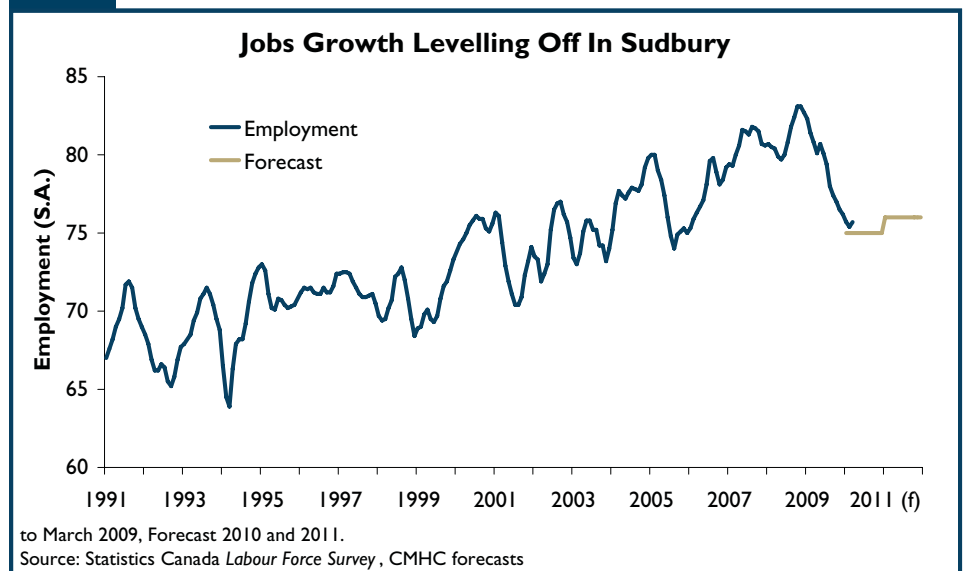
Employment to Edge Higher in 2011

The Greater Sudbury Area economy will continue to experience a slowdown in job creation this year due to weakness in the goods-producing sector. Total employment will decline this year but is expected to edge higher in 2011 as the global economic recovery strengthens, which bodes well for commodities such as nickel

– Sudbury's major export product. In fact, the latest commodity market data shows that nickel traded at about \$12 US per pound – a price that is three times higher than its two-year low. The rise in commodity prices and potential increases in business investment will partially offset expected job losses in the mining sector. The nine-month strike of the major employer in the mining industry in the Greater Sudbury Area may delay the local economic recovery as the effects spread across other related industries. The strike has affected production, tempering confidence in the Sudbury economy – and according to the Sudbury Area Mining Supply and Service Association's (SAMSSA) estimate, approximately 4,000 jobs in the industry have been lost due to the strike.

However, there is good news on the service sector front. Consumer spending on big ticket items has showed signs of recovery and consumer bankruptcies appear to have peaked. Signs of a recovery in consumer spending is witnessed with

Figure 4



the planned opening of Lowe's and a second Wal-Mart store in the next two years will help mitigate job losses in the region.

Weak Full-Time Employment Remains a Drag on Housing Market Activity

Generally, there is a lagged effect of employment on housing markets which partially explains why Sudbury's housing market is still recovering from last year's unfavourable employment picture and continues to lag the activity in the rest of the province. Sudbury's labour market has not been insulated from the effects of the recent global economic downturn, with employment gains during the first half of 2009 not been enough to offset the huge losses seen in the latter half of the year. As a result, overall employment in the area was down in 2009. The majority of the jobs lost in 2009 were full-time positions, which have a greater impact on the housing market than part-time positions.

Migration into Sudbury Will Slow, but to Remain Positive

Although at a slower pace relative to other major centers in Ontario, the population of the Greater Sudbury Area will continue to grow supported by less migratory outflows to the rest of Canada and intra-provincial migration of seniors into the region. According to Statistics Canada's latest demographic profile report, the Greater Sudbury Area is considered one of the most attractive destinations for retirement living – keeping the demand for condominiums and bungalows healthy. While the youth population is anticipated to decline as the high unemployment rates

prompt them to leave the region, the population of seniors in Sudbury is projected to more than double in the next two decades.

On balance, net migration into Greater Sudbury will add about 250 people each year over the forecast period. However, this expected rate of change in Sudbury's migration level is well below the long-term average. Meanwhile, at the provincial level, net migration is expected to rise this year and next as global economic growth reduces uncertainty and encourages more international traveling. Over the forecast period, Ontario will lose fewer migrants to the west as the provincial economic outlook becomes more favourable.

Mortgage Rate Outlook

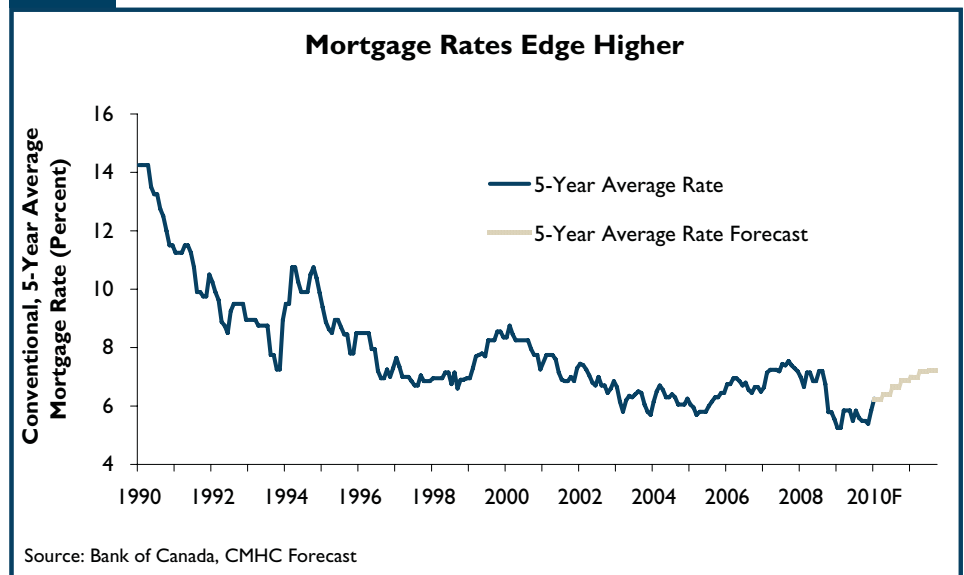
The Bank of Canada cut the Target for the Overnight Rate in the early months of 2009. The rate was 1.50 per cent at the start of 2009 and has since fallen to 0.25 per cent. Looking ahead, we expect that short-term interest

rates will begin to rise in the second half of 2010.

With the overnight rate expected to increase in the coming months, mortgage rates have begun to rise. According to CMHC's base case scenario, posted mortgage rates will gradually increase throughout the course of 2010, but will do so at a slow pace. For 2010, the one-year posted mortgage rate is assumed to be in the 3.6-4.8 per cent range, while three and five-year posted mortgage rates are forecast to be in the 4.2-6.7 per cent range. For 2011, the one-year posted mortgage rate is assumed to be in the 5.0-6.0 per cent range, while three and five-year posted mortgage rates are forecast to be in the 5.6-7.2 per cent range.

Rates could, however, increase at a faster pace if the economy recovers more quickly than presently anticipated. Conversely, rate increases could be more muted if the economic recovery is more modest in nature.

Figure 5



Forecast Summary Greater Sudbury CMA Spring 2010							
	2007	2008	2009	2010f	% chg	2011f	% chg
Resale Market							
MLS® Sales	2,762	2,754	1,977	1,990	0.7	2,100	5.5
MLS® New Listings	3,989	3,834	4,307	4,700	9.1	4,800	2.1
MLS® Average Price (\$)	150,434	182,536	200,947	212,000	5.5	222,000	4.7
New Home Market							
Starts:							
Single-Detached	514	469	224	210	-6.3	260	23.8
Multiples	73	74	226	160	-29.2	150	-6.3
Semi-Detached	28	32	8	10	25.0	10	0.0
Row/Townhouse	37	19	74	0	n/a	0	n/a
Apartments	8	23	144	150	n/a	140	250.0
Starts - Total	587	543	450	370	-17.8	410	10.8
Average Price (\$):							
Single-Detached	307,314	336,847	370,755	360,426	-2.8	367,634	2.0
Median Price (\$):							
Single-Detached	289,000	322,450	339,900	341,797	0.6	345,215	1.0
New Housing Price Index (% chg) (Thunder Bay-Sudbury)							
	4.3	5.5	0.7	2.5	-	3.0	-
Rental Market							
October Vacancy Rate (%)	0.6	0.7	2.9	3.6	0.7	3.3	-0.3
Two-bedroom Average Rent (October) (\$)	749	800	830	850	-	870	-
Economic Overview							
Mortgage Rate (1 year) (%)	6.30	6.90	4.02	4.23	0.20	5.56	1.34
Mortgage Rate (5 year) (%)	6.70	7.10	5.63	6.20	0.57	7.06	0.86
Annual Employment Level	80,800	81,300	79,100	75,000	-5.2	76,000	1.3
Employment Growth (%)	3.9	0.5	-2.6		-5.2		1.3
Unemployment rate (%)	7.3	5.8	9.0	10.2	-	9.5	-
Net Migration ⁽¹⁾	836	412	450	250	-44.4	150	**

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

(1) 2009 migration numbers are forecasts

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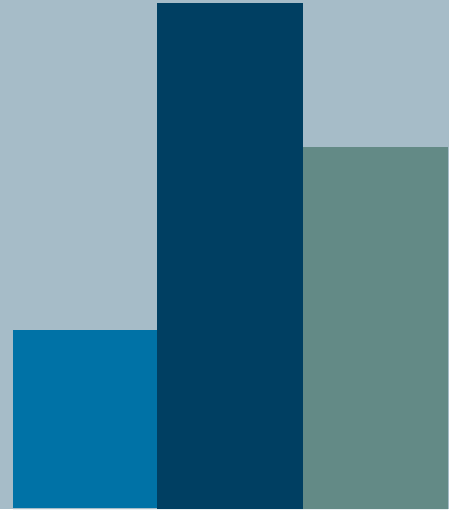
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