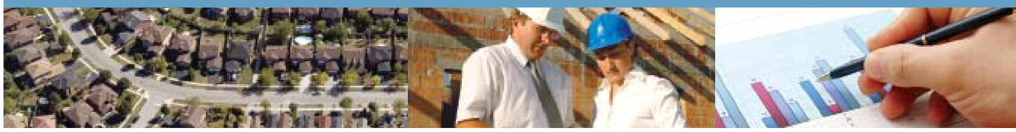
HOUSING MARKET INFORMATION

HOUSING MARKET OUTLOOK
Ottawa[1]



CANADA MORTGAGE AND HOUSING CORPORATION

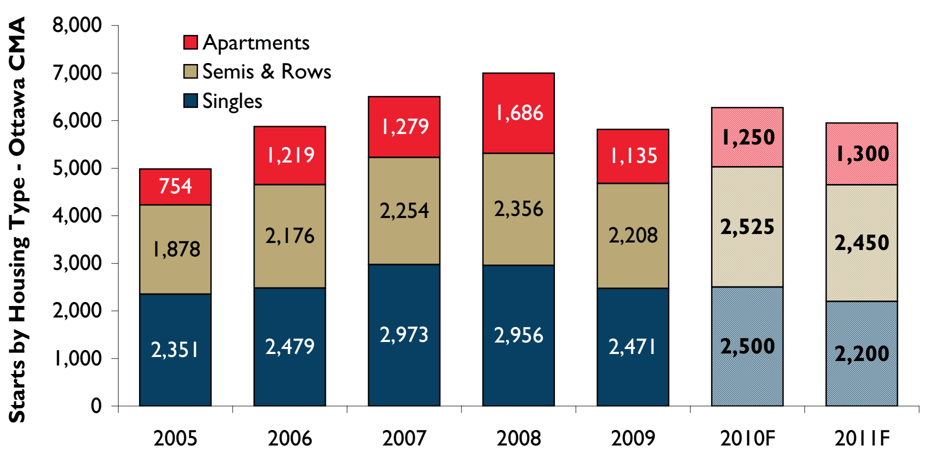
Date Released: Spring 2010

Market at a Glance

- MLS® sales will grow reaching 15,850 transactions while average prices will increase by over seven per cent by the end of 2010.
- Growth in sales will be largely driven by early 2010 activity as home sales cool later this year and into 2011 due to rising mortgage carrying costs.
- After a slower level of construction activity in 2009, it is expected that housing starts will increase by eight per cent this year before moderating into 2011.
- Average weekly earnings will close this year four per cent higher than in 2009. This high level will support the Capital City's housing market.

Figure 1

Increasing Activity in the New Home Construction Market



Source: CMHC

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

[1] Ontario part of Ottawa-Gatineau CMA

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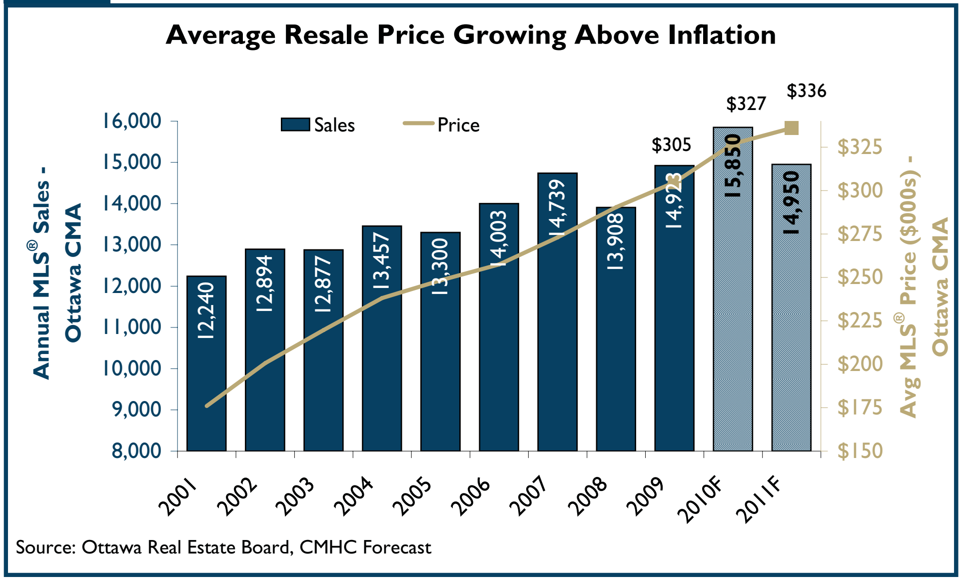


Resale Market

MLS®[1] Transactions Will Reach an All-Time Record in 2010

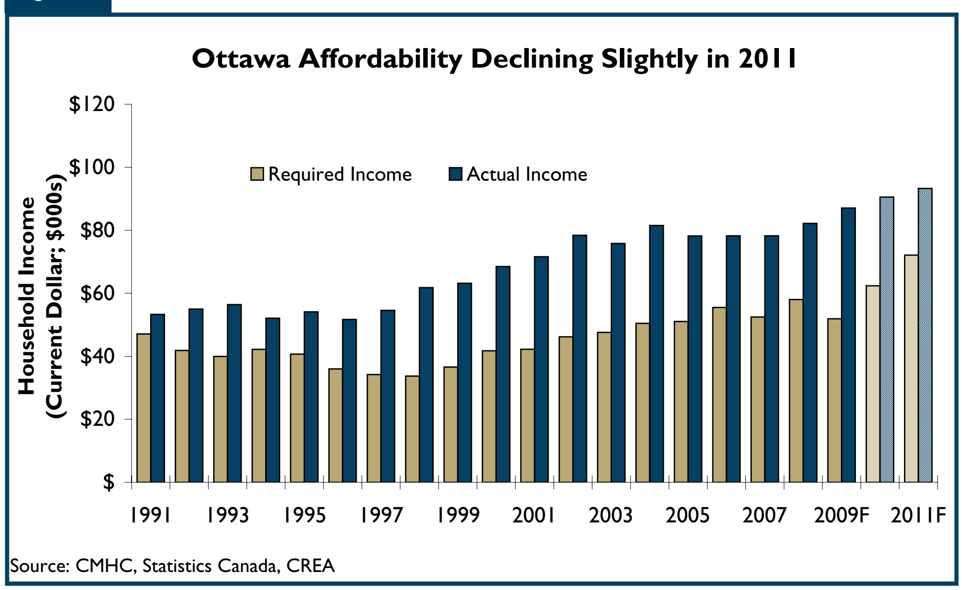
Existing home sales will post an all-time record this year before beginning a relatively modest decline later this year and into 2011. Residential home sales will reach its highest point this year with an increase of six per cent. Prospects of rising mortgage carrying costs coupled with recovering employment conditions in the Ottawa CMA will continue prompting many households into homeownership, particularly during the first part of this year.

This strong demand during the first months of 2010 will not be sustained. Several factors caused these decisions including the likelihood of increasing mortgage carrying costs and the introduction of the HST in July of this year. As a result, the increased activity in the first two quarters will be followed by a slight moderation in the second half of the year.

Although employment will continue its recovery path in 2011, higher home prices coupled with a slight increase in interest rates will push mortgage carrying costs higher resulting in a net negative impact on the resale market. As a result, expect a slight decline in Multiple Listing Service (MLS)® transactions next year. Homes in Ottawa have experienced strong price growth in the last year, thus causing gradual erosion of affordability.

However, average weekly earnings will continue supporting the housing market and will compensate to some extent for the increase in mortgage carrying costs. Nevertheless, the slight narrowing of the gap between required[2] and actual income to buy a home will moderate housing demand next year. Yet, it is important to note that homes in the Capital City remain affordable when compared with other major centers in Canada. The almost

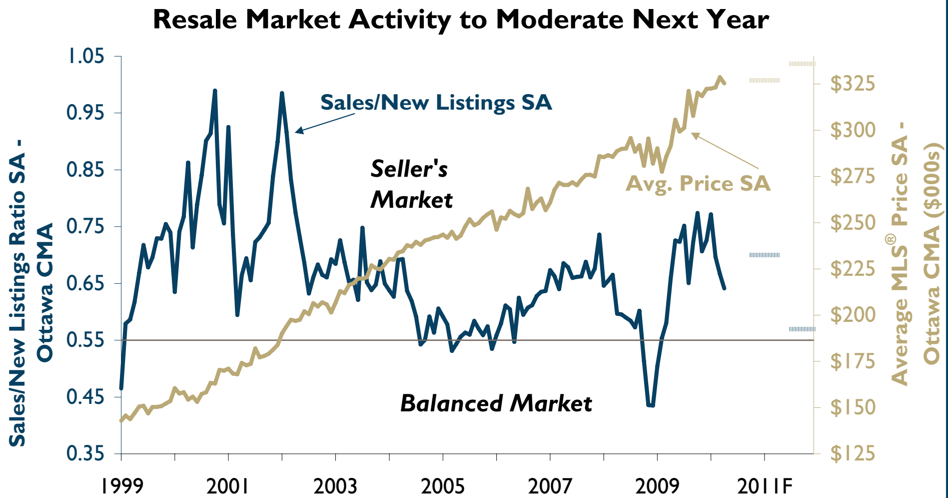
Figure 3



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

[2] The Required Income is carrying costs on average-priced MLS home divided by 32 per cent. Actual Income is average household income – 2008 to 2011 estimated using actual and forecast changes in average weekly earnings. Carrying costs based on 25 year amortization, 10 per cent down payment and average posted fixed 5-yr. mortgage rates.

Figure 4



Source: Ottawa Real Estate Board
Seasonal adjustment and forecast ranges calculated by CMHC

15,000 existing home sales expected in 2011 will be the highest number of transactions seen in the Ottawa CMA prior to 2010.

More Balanced Markets in Ottawa by 2011

The accelerating growth in demand for homes in the first half of 2010 in the Ottawa CMA will not be matched by supply in the region. Residential property new listings have increased by 10 per cent in the first four months of this year versus a growth of 28 per cent in existing home sales. Consequently, homeowners in the Capital City have witnessed bidding wars and transactions closing frequently above their asking price. However, this behaviour will not be sustained.

As new listings continue to outpace sales activity and interest rates begin slightly increasing, the third and fourth quarter will reflect more balance in the resale market. By the end of the year the market in the Capital City will provide buyers with more variety of homes to choose from.

Consequently, price appreciation in 2011 will grow at a slower rate than in 2010.

Ottawa's Core Will Post the Healthiest Recovery

The Downtown core will have the highest recovery this year, with sales posting an above-average increase. Although prices for this region are 15 per cent above the urban total for Ottawa CMA, the highest growth in sales will be registered here versus other areas in the region. Urban professionals and retirees will boost homeownership in areas closer to the core.

The resale market will remain strong in all regions of Ottawa. Areas outside the greenbelt will post a healthy recovery, particularly in Kanata where last year saw a significant slowdown. Employment instability in the High Technology sector might have caused last year's decline, but diversification to other employment sectors, such as Public Administration, will continue boosting recovery in the area.

New Home Market

New Residential Construction to Continue Its Upward Trend

After a relatively slow year, Ottawa's new home market will grow by 8 per cent in 2010. Lower density dwellings will lead recovery, particularly townhomes, which will increase by 15 per cent. Improving employment conditions and spill-over demand from the resale market will enhance residential construction this year. As well, declining inventories of new homes from last year's levels will give developers additional incentives to increase new production.

Expect starts for the third and fourth quarter of 2010 to show some restraint. The "pull-forward" impact of higher interest rates along with the introduction of the Harmonized Sales Tax will moderate housing demand in the second half of the year.

New home construction will begin to slow down and continue this trend into 2011, closing the year just below the 10 year average for the region. Although employment recovery will carry on well into the next years, higher mortgage carrying costs together with increasing supply coming from the existing home market will temper construction slightly.

Single Family Home Construction Will Weaken

Single family home construction was very dynamic in the first four months of this year, with an increase of 44 per cent. This trend will continue until mid year as buyers and builders alike attempt to beat the tax. Going forward and into 2011, the pace of growth of new single-detached homes will moderate. Next year, this type of dwelling will post a more pronounced decline to 2,200 housing starts. This downward movement will continue in the upcoming years and consequently market share for singles will decrease to less than 40 per cent.

Single family home starts will decline particularly in regions closer to the downtown core, where prices have surpassed the $400,000 mark. Nevertheless, the more affordable prices available in the suburban regions of Ottawa will keep these types of housing's median price below the aforementioned mark.

Higher Density Homes Increasing in Popularity

Increasing prices for single-detached homes will give townhomes and semi-detached dwellings a competitive advantage. Demand for more spacious homes keeps gaining momentum as they offer more space than apartments but are significantly more affordable than single family houses. Expect semi-detached homes and townhomes to post an 8 and 15 per cent growth this year. Over the next few years CMHC anticipates that these types of homes will become increasingly popular as Ottawa CMA will see increasing levels of international migration. Immigrant families, in general, demand bigger, more spacious homes.

Unban Intensification Will Promote Growth of Apartments

Urban intensification, observed in recent years, will continue to be encouraged. As prices of single-detached homes keep rising and serviced land becomes scarce in certain areas of the Ottawa CMA, high density dwellings will increase. Expect apartments to grow by over 10 per cent this year and continue this upward trend moving into the next few years. As the Canadian population continues to age, this type of housing will increase in popularity. Apartments are an affordable alternative attractive to empty-nesters and first time homebuyers as they provide easy access to services and urban amenities.

Economic Overview

Well Supported Recovery in the Capital of Canada

Although the global economic slowdown had a less strong impact on Ottawa CMA than it did in other regions in Ontario, it caused employment to decline by 1.7 per cent in 2009. Since then, the job market has recovered significantly, and will close the year with job growth of 1.1 per cent. As well, sectorial diversification in the National Capital region will continue to demonstrate its strong resilience.

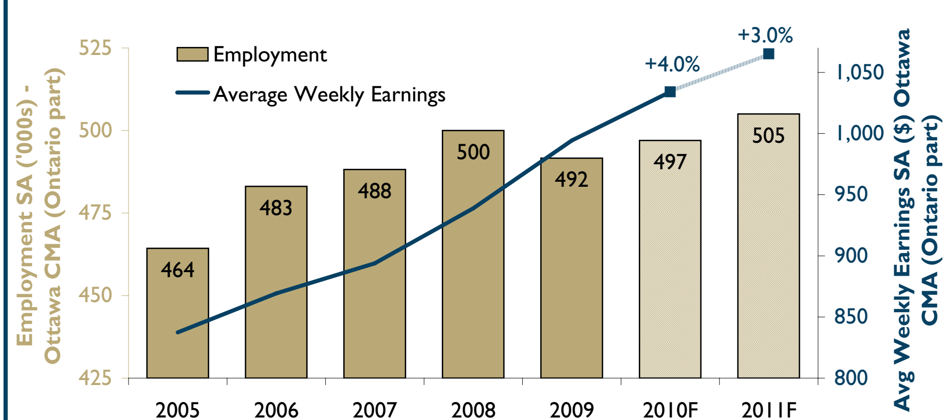
Several sectors in Ottawa have been performing well. The Public Administration sector has increased by almost four per cent in the first four months of 2010, when compared to the same period last year. It is also worth noting that the Trade and FIRE (Finance, Insurance and Real Estate) sectors posted a year-to-date growth of 10 and 28 per cent respectively.

It is expected that most sectors in the CMA will continue recording positive growth for the rest of the year and into next year. Federal Government stimulus spending will continue to support Ottawa's economy and will trigger hiring in the region, particularly for all of this year and parts of 2011. As well, increasing construction will continue to add to existing employment levels.

Although next year's Ontario's 2.2 per cent rate of recovery in 2011 will be higher than that for Ottawa, it is important to note that the provincial economic slowdown was deeper than that of the Canadian Capital. Ottawa's

Figure 5

Employment Will Remain on a Healthy Recovery Path



Source: Statistics Canada, CMHC Forecast

1.6 per cent increase in employment next year will mean that 505,000 people will be enjoying stable market conditions in the area.

Most of Ottawa last year's employment losses were in the part-time employment sector. These losses were the result of businesses reducing their part time employment positions as precaution against what seemed to be a harsh global deterioration. Consequently, business bankruptcies were kept at a lower level. As the economy starts to recover, part time employment will continue to regain its previous levels. Since these types of jobs generally earn lower salaries, expect average weekly earnings' growth to increase at a slower rate than last year and close 2010 with four per cent growth.

Migration

Global economic uncertainty tempered net migration into the Ottawa CMA in 2009. As the economic recovery gains momentum, the pace of growth of international migration will increase. As well, intra-provincial migration will recover as the National Capital region increasingly becomes more attractive versus other regions in Ontario. Having one of the lowest unemployment levels and one of the highest average salaries among bigger CMAs in Canada will position Ottawa as one of the best places to live.

Nevertheless, inter-provincial migration will temper net migration in the Capital region. Although Ontario offers higher income tax advantages when compared with Quebec, the gap in home prices between the region of Gatineau and Ottawa will induce some households to move to the other side of the river. On average, home prices in the region of Gatineau are one third more affordable than in Ottawa.

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.

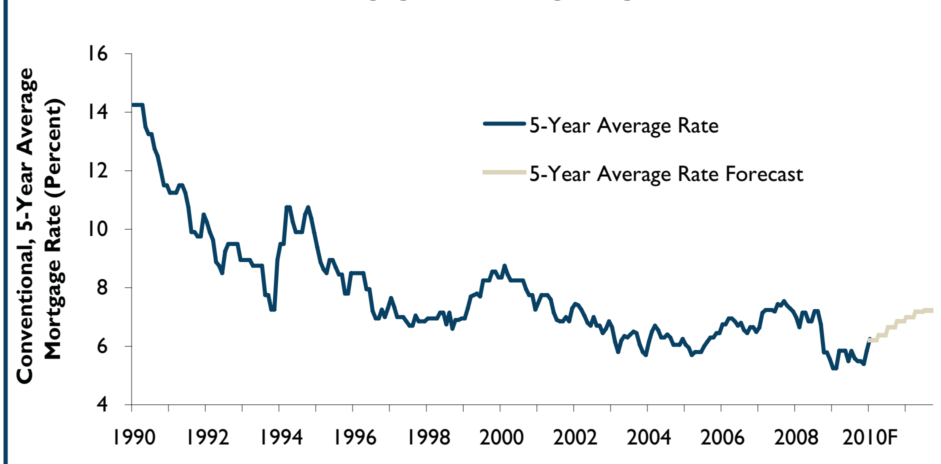
With the overnight rate expected to increase in the coming months, mortgage rates have begun to rise.

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 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 6

Mortgage Rates Edge Higher



Source: Bank of Canada, CMHC Forecast

Forecast Summary
Ottawa CMA
Spring 2010

	2007	2008	2009	2010f	% chg	2011f	% chg
Resale Market							
MLS® Sales	14,739	13,908	14,923	15,850	6.2	14,950	-5.7
MLS® New Listings	22,477	24,196	22,290	22,500	0.9	26,250	16.7
MLS® Average Price ($)	273,058	290,483	304,801	327,000	7.3	336,000	2.8
New Home Market							
Starts:							
Single-Detached	2,973	2,956	2,471	2,500	1.2	2,200	-12.0
Multiples	3,533	4,042	3,343	3,775	12.9	3,750	-0.7
Semi-Detached	300	213	299	325	8.7	300	-7.7
Row/Townhouse	1,954	2,153	1,909	2,200	15.2	2,150	-2.3
Apartments	1,279	1,676	1,135	1,250	10.1	1,300	4.0
Starts - Total	6,506	6,998	5,814	6,275	7.9	5,950	-5.2
Average Price ($):							
Single-Detached	396,762	408,991	406,647	419,000	3.0	431,500	3.0
Semi-Detached	311,287	322,870	382,294	380,000	-0.6	390,000	2.6
Median Price ($):							
Single-Detached	364,900	369,900	382,900	394,500	3.0	406,000	2.9
Semi-Detached	265,700	292,720	333,028	350,000	5.1	365,000	4.3
New Housing Price Index (% chg) (Ottawa-Gatineau)	1.8	3.8	1.8	3.0	-	3.0	-
Rental Market							
October Vacancy Rate (%)	2.3	1.4	1.5	1.7	0.2	1.2	-0.5
Two-bedroom Average Rent (October) ($)	961	995	1,028	1,065	3.6	1,105	3.8
Economic Overview							
Mortgage Rate (1 year) (%)	6.90	6.70	4.02	4.23	0.20	5.56	1.34
Mortgage Rate (5 year) (%)	7.07	7.06	5.63	6.20	0.57	7.06	0.86
Annual Employment Level	488,200	500,000	491,600	497,000	1.1	505,000	1.6
Employment Growth (%)	1.1	2.4	-1.7	-1.0	-	1.0	-
Unemployment rate (%)	5.1	4.9	5.6	5.7	-	5.5	-
Net Migration (1)	9,209	9,533	7,500	9,000	-	9,500	-

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) 2007 and 2008 migration numbers are estimates. 2009 migration numbers are forecasts

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