

RE/MAX 2003 HOUSING MARKET OUTLOOK

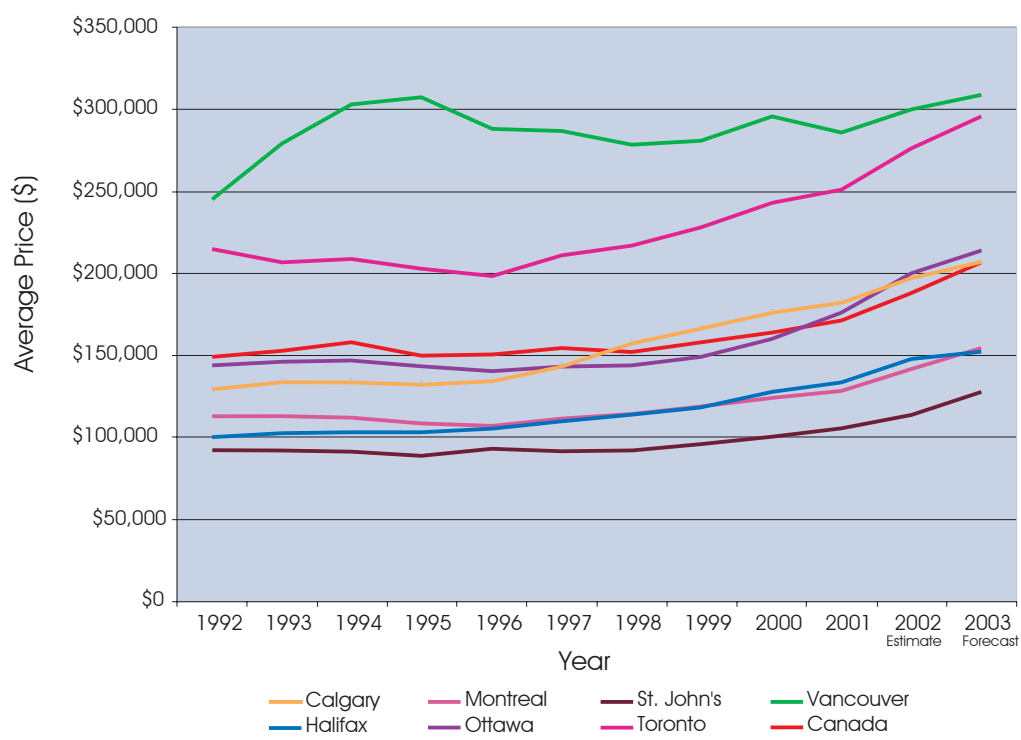
CANADIAN OVERVIEW

Fuelled by strong employment growth, solid consumer confidence, and low mortgage rates, home sales across Canada are once again set to break record levels. Affordability has played a major role in healthy housing activity, contributing to an upswing in housing sales in both 2001 and 2002. The number of homes sold is expected to climb close to 12 per cent by year-end 2002, rising to 425,489 units, making 2002 the strongest year on record for

residential housing sales. Average price, responding to increased demand in many major centers and a limited supply of homes listed for sale, is expected to appreciate close to 10 per cent to \$188,300.

Employment growth has been nothing short of remarkable in 2002. The expansion is expected to continue for at least the next 12 months, serving to further bolster housing activity in 2003. Other factors that are expected to

ANNUAL RESIDENTIAL AVERAGE PRICE (ACTUAL)



Source: Canadian Real Estate Association, RE/MAX

influence housing market conditions in 2003 include:

- ▶ Low borrowing costs for businesses and consumers.
- ▶ A falling Canadian dollar, which has made Canadian goods and services very competitive in the US market.
- ▶ Low prices for raw materials, which have boosted manufacturing industries.
- ▶ A strong housing market, which has aided the economy in two ways. Construction employment has expanded. More importantly, rising housing values have created a powerful "wealth effect" for homeowners.

In addition to the positive effects of job growth on the housing market, mortgage carrying costs will remain very affordable through 2003. These positive factors will result in continued strength of resale housing markets in 2003 and beyond, with high levels of sales and rising prices.

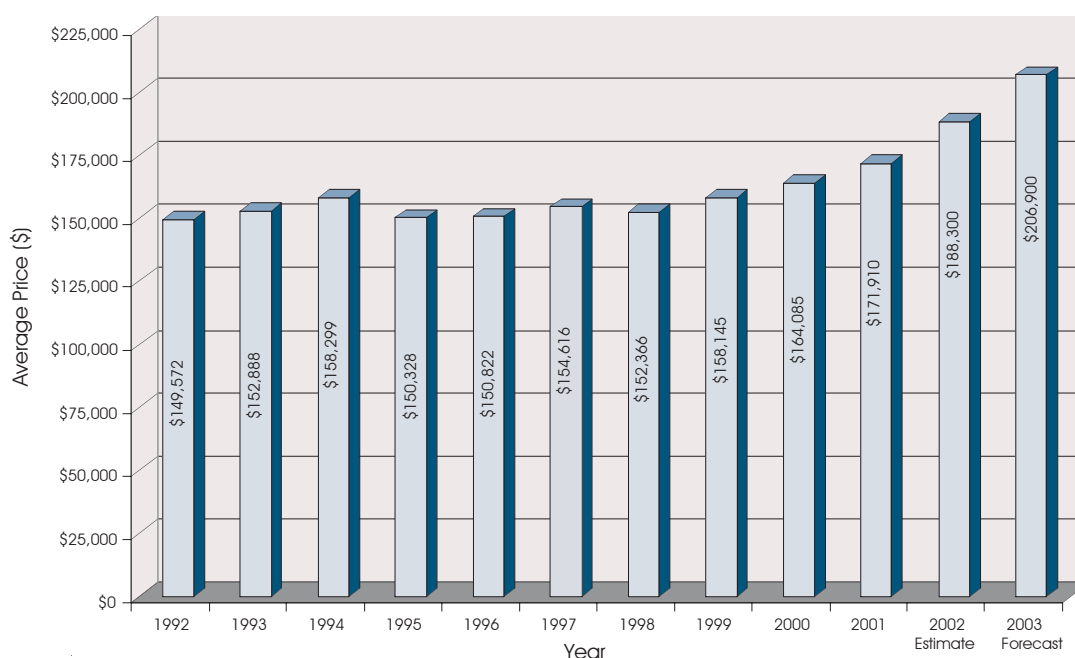
Homeownership continues to prove itself as an investment. Rising house values are encouraging more Canadians to include home ownership in their lifetime financial plans.

In 2003, home sales are expected to settle in at 384,400 units, the second highest volume year on record. The average price is forecast to climb close to 10 per cent to \$207,000 by year-end 2003.

VANCOUVER

The value placed on homeownership continues to grow in the Greater Vancouver Area. After four years of soft housing activity, the residential market has taken flight. Home sales are forecast to rise 19 per cent to over 34,000 by year-end 2002. Average price is expected to appreciate as well, rising five per cent to just over \$300,000. A severe lack of inventory continues to hamper sales activity with active listings down to 14,257, nine per cent lower than 2001 levels. Almost 100,000 jobs were created in Vancouver since 1999, giving confidence to a large pool of potential buyers. Today's housing values and low mortgage rates have created one of the most affordable housing markets in recent memory. Investment in multi-unit residential real estate is also on the upswing, as investors seek income-

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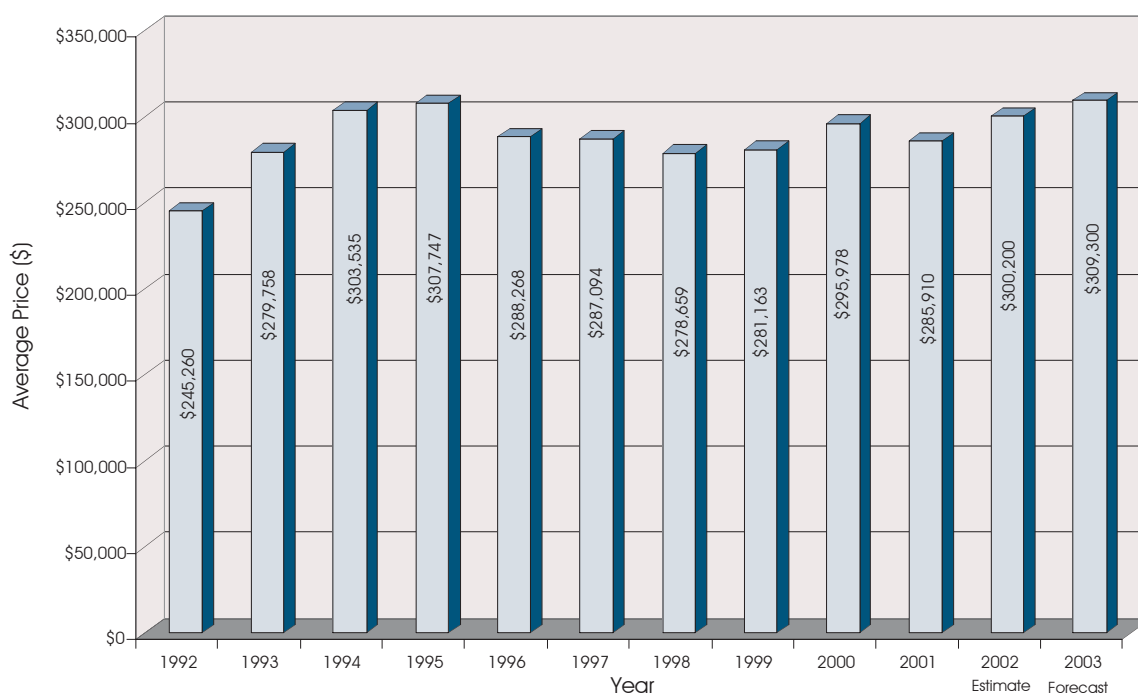
producing properties in the Greater Vancouver Area. With solid economic fundamentals in place, Vancouver should experience further employment growth with another 30,000 to 40,000 jobs created in 2003. Limited availability is expected to have an impact on the market in 2003, with fewer sales and higher prices forecast. Unit sales are expected to decline approximately 11 per cent to 30,400 units while average price is forecast to rise three per cent to \$309,300, making the Greater Vancouver Area the most expensive housing market in Canada yet again.

CALGARY

Economic factors fueling Calgary's heated real estate market are expected to continue well into 2003. Robust growth, relatively low interest rates, increased income levels, and a shortage of both new and resale homes listed for sale are the major factors stimulating activity in the Calgary area. Active listings have dropped approximately

12 per cent to 4,189, down significantly from 2001 and 2000 levels. The strongest demand exists for homes priced between \$200,000 and \$265,000 in popular areas close to the central core. Supply, however, is limited and properties that are listed for sale tend to move very quickly in multiple offer situations. In spite of the shortage, home sales in the area are expected to climb 12 per cent this year, rising to just over 25,000 units, the highest on record for the Calgary Real Estate Board. Average prices are also increasing at a rapid pace, with 2002 chalking up an eight per cent increase to close to \$197,000. Calgary is the most rapidly growing major center in Canada. In the eight years ending September 2002, 185,000 jobs were created in the Calgary CMA. This equates to a phenomenal average growth rate of 4.9 per cent per year. Calgary's housing market has responded to the stimuli, consistently performing well since the mid-1990s. Average price has increased 49 per cent in Calgary, or 5.9 per cent annually since 1995. Measured on the basis of the number

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Source: Canadian Real Estate Association, RE/MAX

of sales per capita in 2001, Calgary's resale market is 80 per cent stronger than the rest of Canada. The 2002 record performance should be matched or exceeded in 2003, with prices forecast to rise five per cent to \$206,750 and sales expected to experience modest appreciation of just over one per cent to 25,650.

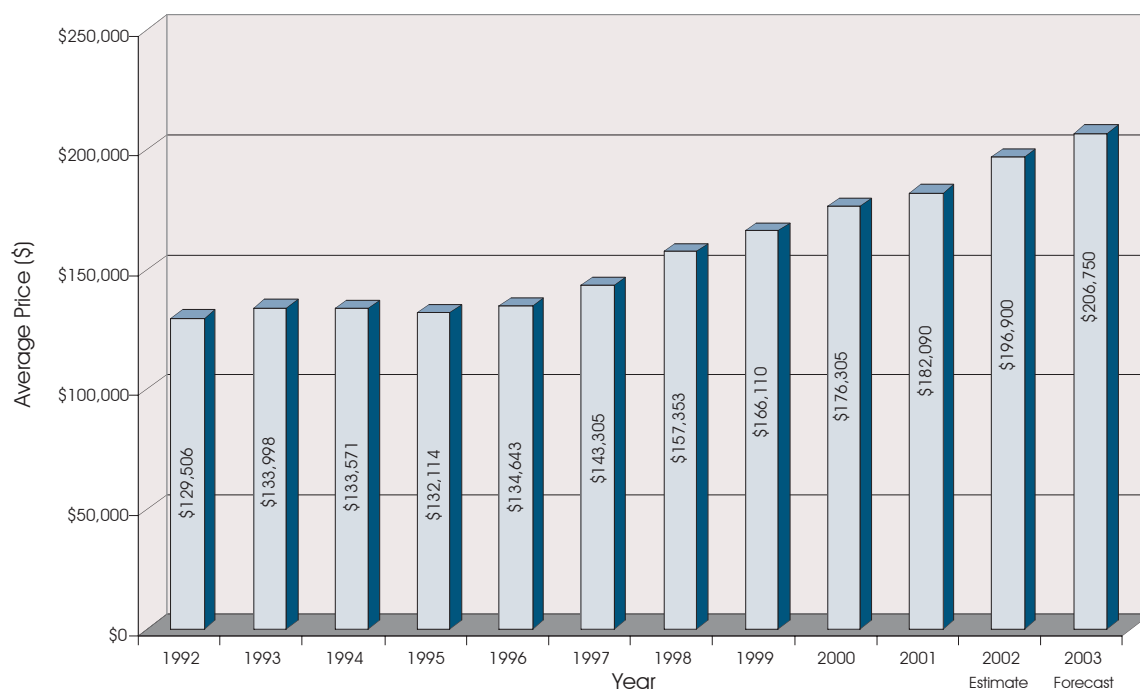
CALGARY COMPARED TO CANADA RESALE HOMES SOLD IN 2001			
	Sales	Population	Sales Per 100 Occupants
CALGARY	22,512	951,395	2.37
VANCOUVER	28,732	1,986,965	1.45
TORONTO	67,612	4,682,897	1.44
OTTAWA	12,240	806,096	1.52
MONTREAL	39,678	3,426,350	1.16
HALIFAX	6,212	359,183	1.73
St. JOHN'S	2,675	172,918	1.55
CANADA	380,456	30,007,097	1.27

Source: CREA, Statistics Canada

TORONTO

Residential real estate in the Greater Toronto Area continues to spiral upward, driven primarily by a severe shortage of homes listed for sale. In 2002, unit sales and average price activity surpassed all previous records, with sales climbing eight per cent to 73,300 units while average price rose close to 10 per cent to \$276,500. Toronto saw rapid growth during the second half of the 1990s. Employment grew at an average rate of 3.8 per cent per year from the end of 1994 to the end of 2000. Total employment in the Toronto economy has slowed somewhat due to softening in the financial services sector. However, manufacturing and construction have served to offset the impact. Affordability continues to be a major factor driving housing activity in the Toronto area. The reclamation of Toronto is well-underway, as home purchasers look outside of traditional residential areas for properties

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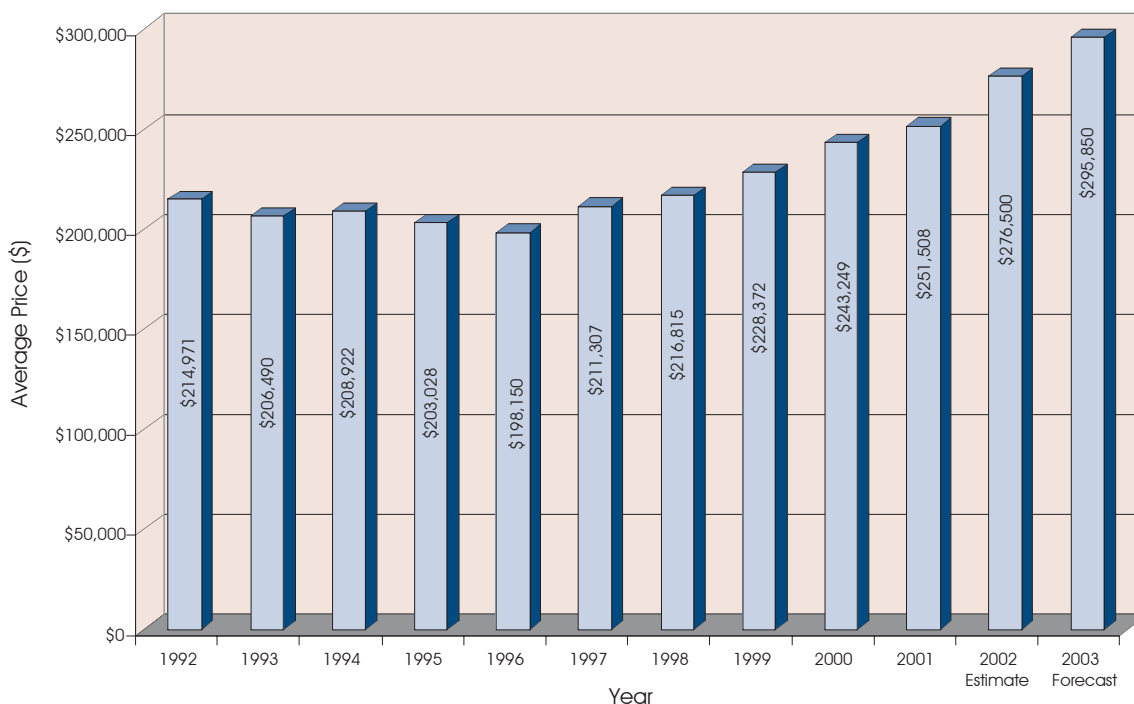
listed for sale. New hot pockets are emerging across the board — from east to west — as buyers vie for housing stock in the Toronto area. Communities that are enjoying renewed activity include South Parkdale, Roncesvalles, and East York. Like Bloor West Village a decade ago, all are experiencing a surge in popularity as their proximity to the downtown core and affordable housing values serve to attract first-time buyers. Pent-up demand is building with more experienced purchasers, particularly close to the central core. Active listings have dropped to 15,910 units, a decline of close to 20 per cent from one year ago. Very little product is available in the Toronto Real Estate Board's central district — where 65 per cent of all homes currently listed for sale are condominium apartments and townhomes. Some first-time buyers, unable to find properties in the Toronto area, are stimulating new home construction in peripheral communities such as Brampton and Mississauga to the west, Ajax and Pickering to the east, and Vaughan and

Richmond Hill to the north. In spite of the shortage, the number of homes sold next year is expected to match or slightly exceed 2002 record levels, rising to approximately 74,750 while average price is forecast to rise seven per cent to \$295,850 in 2003.

OTTAWA

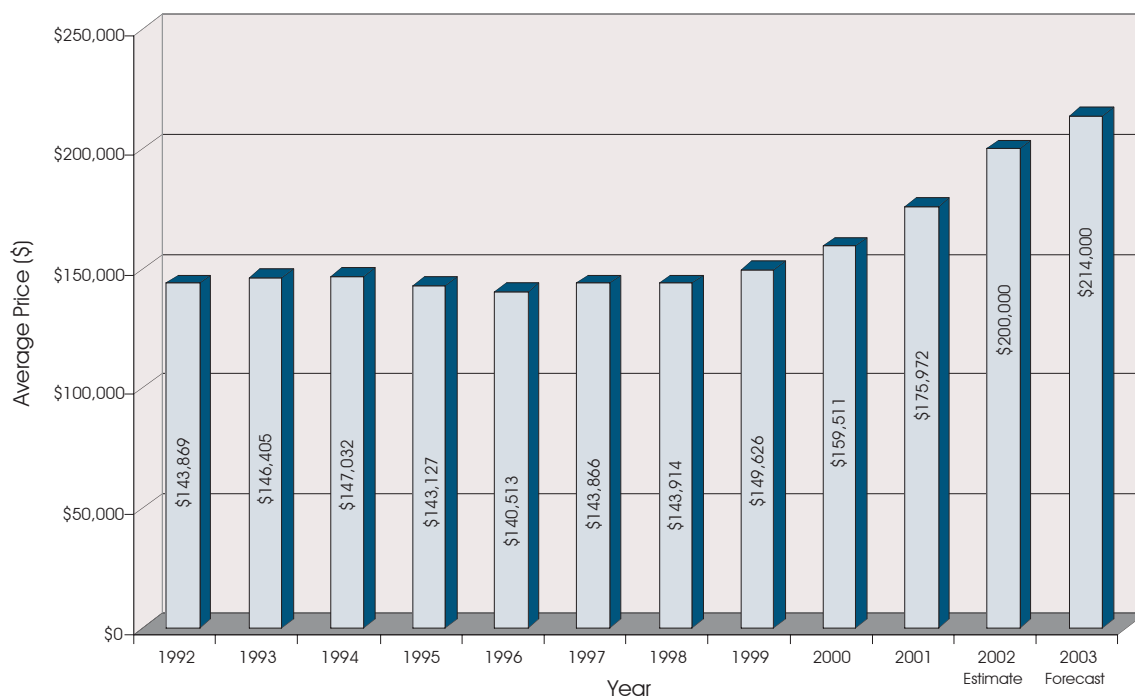
In spite of uncertainty in the tech sector, residential housing activity in Ottawa continues unabated. Supercharged during the "tech bubble", Ottawa's economy saw employment growth average 3.6 per cent per year from the end of 1996 to the end of 2000. During the same period, the housing market saw steady growth in sales and prices. The downturn in high tech industries, which began in 2001, resulted in some slowing of Ottawa's economy. However, strength in other sectors has offset the impact and resulted in positive growth overall. The real estate market, in particular, has led the charge. Since the Spring of 2001, activity has gained tremendous

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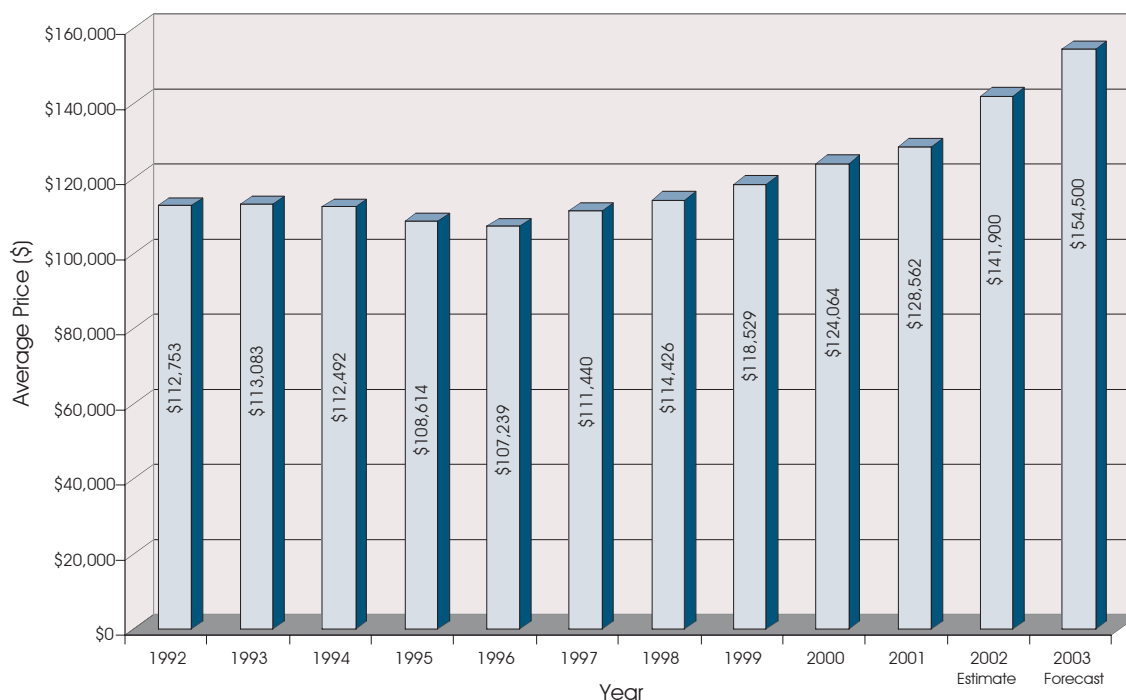
Source: Canadian Real Estate Association, RE/MAX

momentum, with average price experiencing double-digit appreciation due to the emergence of a seller's market. Active listings are down 10 per cent from 2001 levels, falling from 3,104 to 2,794 units in 2002. The limited supply of properties listed for sale has placed serious upward pressure on housing prices. By year-end 2002, average price is expected to climb 10 per cent to top \$200,000. Homes sales are forecast to rise seven per cent to 13,100 units by year-end. In 2003, growth will continue outside of the tech sector, leading to total employment growth in the two to three per cent range. Low interest rates will support strong sales next year, especially since rising rents are encouraging tenants to shift to homeownership. Overall unit sales are expected to rise two per cent to 13,350 units in 2003. The rate of price growth may ease next year, but with the average price expected to increase by seven per cent to \$214,000, Ottawa's homeowners will continue to realize significant gains from their housing investments.

MONTREAL

Montreal is experiencing an economic renaissance, characterized by a large shift out of tenancy and into home ownership. In the past, home buying in Montreal was low compared to other major cities – just 1.16 resales per 100 occupants in 2001. The national average was 1.27 per hundred and Montreal placed well below the levels seen in other major Canadian centres. However, home buying in Montreal has increased every year since 1995, and that trend is expected to continue in 2002 and 2003. Strong growth in employment has supported the move toward home ownership. In six years from September 1996 to September 2002, 245,000 jobs have been created in Montreal. Employment has increased 2.5 per cent per year on average. A steady stream of increasingly confident home buyers has been released into the Montreal housing market. Housing values have grown steadily from 1996 to 2001, at an average rate of 3.5 per cent. In 2002, there has been

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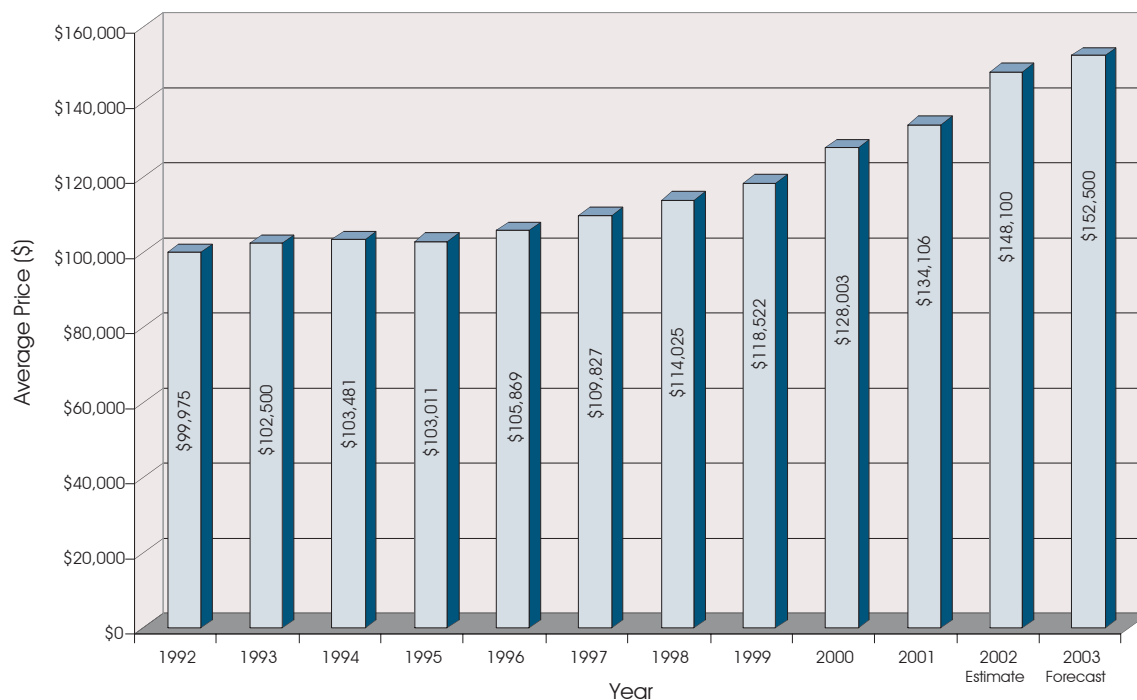
a substantial surge in home buying, and price gains have accelerated. Active listings have experienced a significant decline, falling 26 per cent to 20,963 in 2002. The number of sales will reach a new record in 2002, with about 45,000 homes sold. The average price will increase by 10 per cent or more, rising to close to \$142,000. The very high 2002 level of sales should be sustained or exceeded slightly in 2003, if adequate product is available, with the number of homes changing hands up marginally to 45,100. Price growth is forecast to be substantial at close to nine per cent, bringing the average price to \$154,500 next year.

HALIFAX

The economy and housing market of Halifax have performed well in recent years. About 24,000 jobs were created in the seven years from September 1995 to September 2002, which equates to an average growth rate of two per cent per year. However, Statistics

Canada data suggests that Halifax's employment growth has been soft in 2001 and 2002. Employment growth should resume during 2003 due primarily to low interest rates. The resale housing market has responded to job creation, with steady sales and price growth. With a surge of sales during 2001, prices began to increase rapidly in late 2001 and into 2002. The number of homes sold will increase between eight and nine per cent in 2002, hovering at 6,750 units by year end. Average price is forecast to climb ten per cent to \$148,100, up from \$134,106 one year earlier. Lack of inventory throughout 2002, down approximately 11.5 per cent from 2001 levels, caused prices to escalate at a rapid pace. Given the underlying conditions of a strong economy and low interest rates, sales will remain robust in 2003, at or close to the 2002 record. Price growth is expected to be more moderate in 2003, rising three per cent to \$152,500.

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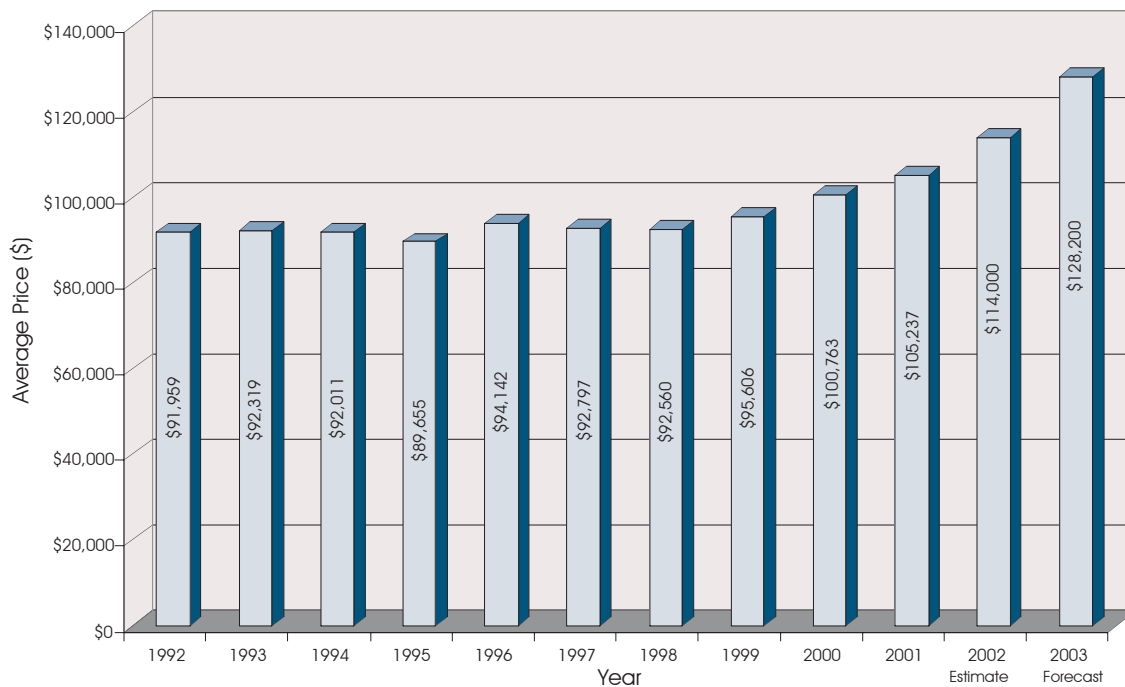
Source: Canadian Real Estate Association, RE/MAX

ST. JOHN'S

Residential home sales in St. John's have trended upward every year since 1995. The local housing market should continue to prosper, driven by a strong local economy and low mortgage rates that have benefited the entire country. Increases in personal income in Newfoundland and Labrador, up about four per cent annually since 1998, have also served to bolster activity. The number of homes sold in St. John's is forecast to rise 13.1 per cent in 2002, rising to 3,025 units. Average price is expected to climb 8.3 per cent to \$114,000 by year-end, in response to a serious shortage of homes listed for sale in St. John's. Active listings are down 29 per cent from one year ago, falling from 1,348 to 948 units. From an economic standpoint, St. John's is well-positioned for the future. Employment in St. John's increased by two per cent in 2001, and that performance is expected to be matched in 2002 and 2003. A stronger

housing market is also placing upward pressure on St. John's affordable housing values. The average price, forecast to reach \$128,000 in 2003, will be 39 per cent higher than the 1998 average. The average rate of increase will have been 6.7 per cent per year over the five-year period. Homeowners in St. John's are joining other Canadians in realizing investment gains on their homes.

ST. JOHN'S - ANNUAL RESIDENTIAL AVERAGE PRICE (ACTUAL)



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