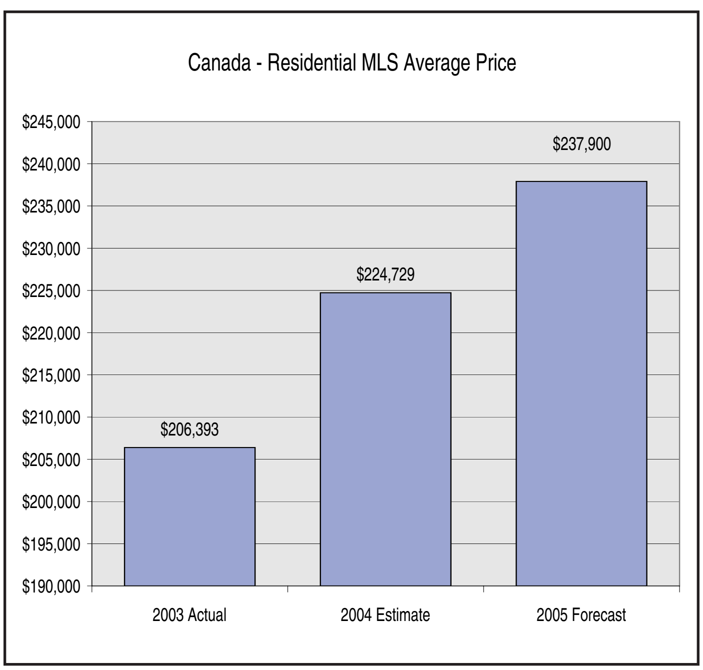
Housing Market Outlook 2005

CANADIAN OVERVIEW

Most Canadian provinces recovered well from the challenges that presented themselves in 2003, and as such, provincial economies continued to show positive growth in 2004. Record-high oil prices propelled Alberta back to the top of the growth ratings. Buoyed by an upswing in the manufacturing sector, Quebec and Ontario's real GDPs climbed back to more respectable levels, near three per cent. The booming housing market in Canada and the United States increased demand for lumber products, boosting the outlook for British Columbia, along with a rebound in the tourism sector. Nova Scotia and New Brunswick continue to benefit from strong consumer spending and robust construction activity, while Manitoba received a boost from solid manufacturing, construction and utility sectors. Slower, yet healthy growth was recorded in Saskatchewan at three per cent.

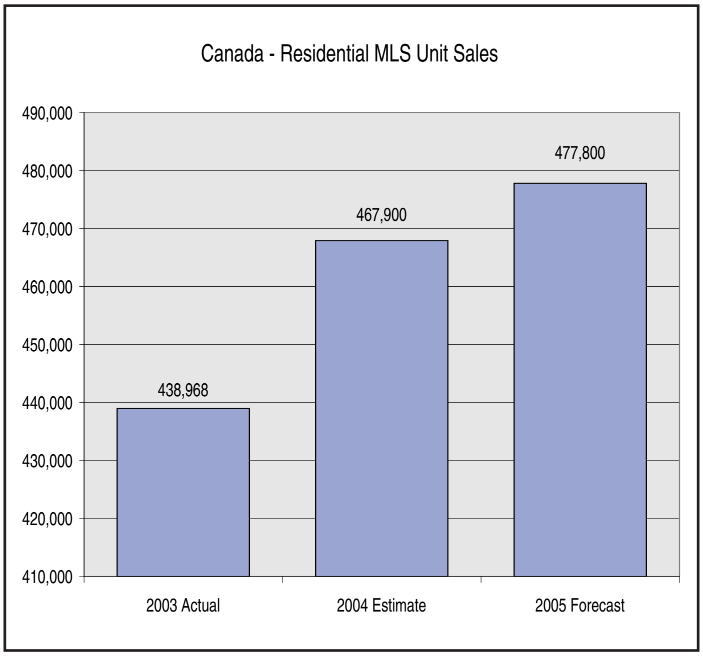


Given strong provincial and local economies in the vast majority of the country, Canada's housing market continued to fire on all cylinders in 2004, as historically low interest rates and high consumer confidence drove demand. Once again, the performance of the country's real estate market continued to defy the traditional cycle, outperforming expectations and breaking records for unit sales and average price throughout many major centers. The momentum will continue through year-end, when Canada is expected to post a 6.5 per cent gain in annual unit sales, reaching 467,900 units. Housing values are forecast to rise a significant nine per cent, bringing the average price of a Canadian home to $224,700.

Based on the analysis of 18 major urban centres, unit sales in 16 of the 18 markets (89 per cent) were expected to be on par or experience an increase in 2004. Sixty per cent of the markets surveyed were set to see a seven per cent increase or more in sales activity by the end of this year. Average prices are on track to post more substantial gains, also rising above seven per cent in all but three of the markets examined. The greatest appreciation will take place in British Columbia, where tight market conditions persist across the board. Kelowna is expected to lead the pack with an 18 per cent rise in average price, followed by Vancouver (14 per cent) and Victoria (13 per cent). Other markets set to see strong price growth include Montreal (12.5 per cent), Kitchener-Waterloo (12 per cent), and Quebec City (10 per cent).

With Canada's real GDP growth expected to rise further in 2005, the fundamentals will remain in place to support continued sales growth in the majority of markets surveyed and upward price appreciation in all markets. Rising interest rates are not expected to have any considerable impact in 2005. Conversely, it should provide an impetus for many entering the market.

Overall, Canadians can expect 2005 to closely reflect market conditions recorded in 2004. A projected rise of two per cent will bring national unit sales to 477,800 by year end 2005, while average price moves forward an additional six per cent to reach $237,900.



NEWFOUNDLAND

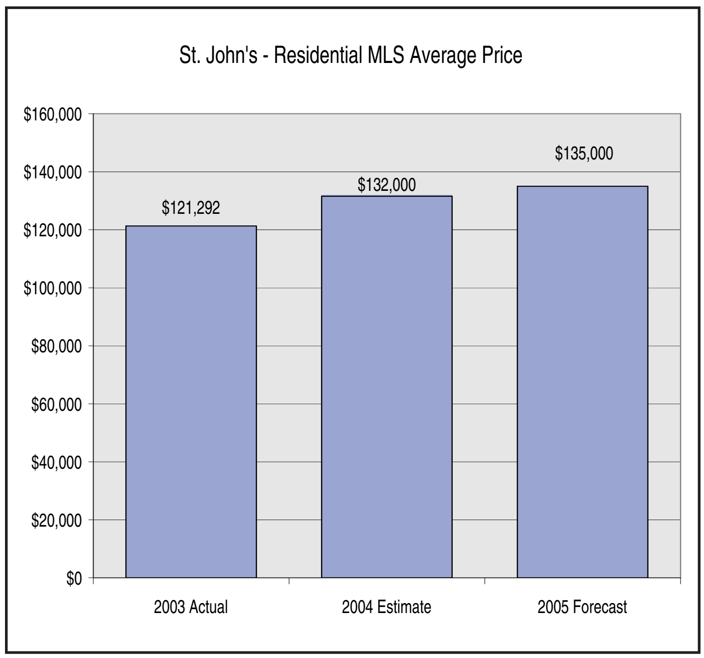
St. John's

St. John's real estate market is expected to remain healthy in 2005, buoyed by an expanding tourism and business services sector, which are both expected to experience positive employment and revenue gains. Another bright spot on the economic horizon is the White Rose Oil Project that is now gearing up for production. The move should contribute to the strong demand forecast for the first half of the year, as White Rose employees and their families, who are new to the area, enter the housing market.

A seller's market should persist through the first half of 2005, but as inventory levels continue to increase, the market will mark a return to more balanced conditions during the second half of the year. This will translate into better selection for purchasers and allow them more time to make their moves. Conversely, vendors will have to alter their thinking, as the market will not absorb over-priced listings. Days on market are also expected to increase.

The return to a more balanced market is expected to coincide with a slight slowdown in the overall local economy, as public sector layoffs—stemming from a shift toward fiscal restraint at the provincial government level—curbs economic growth. Yet despite this, purchasers are expected to remain active, with first time buyers continuing to lead the charge. St. John's remains among the country's most affordable housing markets, with quality starter homes priced from $130,000. In fact, the upward shift in interest rates will serve to edge some purchasers into the market in 2005, particularly those who have been sitting on the fence. Still quite low from a historical perspective despite recent increases, interest rates will continue to make homeownership an affordable and attractive option for the residents of St. John's.

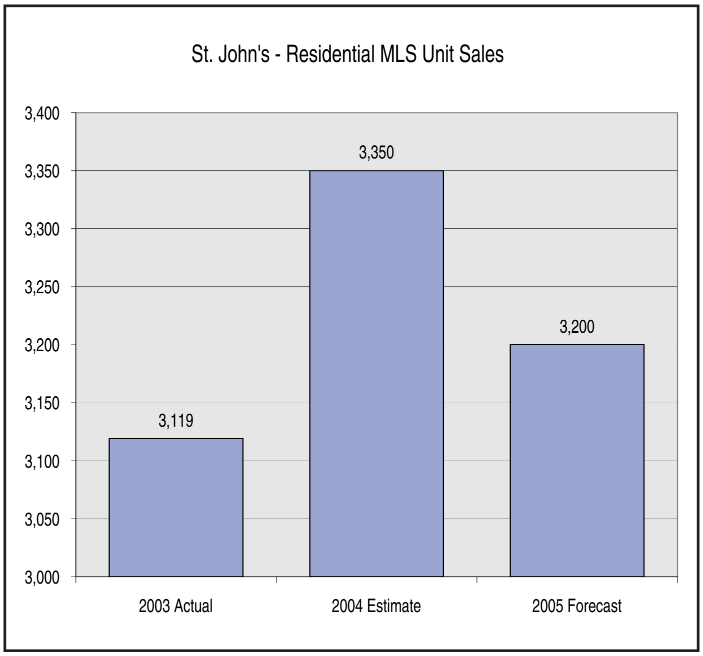
The condominium market, which has been a growing factor in St. John's in recent years, is also expected to remain quite vibrant in 2005. Single professionals and empty nesters will once again be the driving force in this segment of the market, which is forecast to experience appreciation in 2005 that is in line with overall average price gains for St. John's and area. Unit sales should also maintain positive momentum, given that many of the projects that came on stream in 2004 were absorbed at a steady pace.



By year-end 2004, St. John's is expected to mark a record year in residential unit sales, posting a seven per cent increase to 3,350 units. While a slight decrease is expected in 2005 (falling by 150 units), the market will remain strong. Price appreciation is expected to continue it's upward momentum, rising nine per cent by year-end to

$132,000. Further, yet more moderate gains are expected in 2005 in the neighbourhood of two per cent. This will bring St. John's average price to $135,000, once again setting a new benchmark.

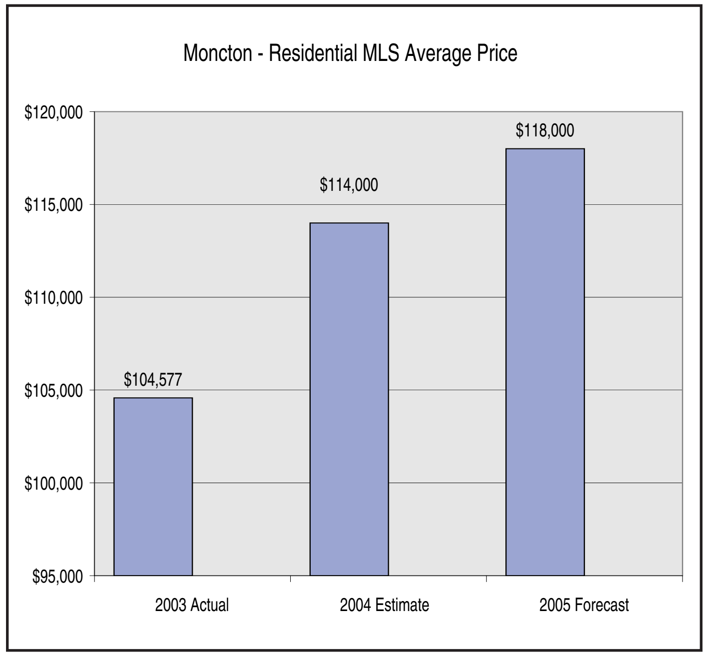
Homes experiencing the greatest demand and that may see greater than average appreciation in 2005 are those priced in the $150,000 to $200,000 range, located in more established neighbourhoods such as Churchill Park. Quality product of this type has been quite limited and is expected to remain so despite rising inventory levels throughout next year. The same holds true for choice renovated properties in the older part of the city's downtown core. Although persistent tight conditions and rising prices exist in St. John's, multiple offers are expected to be a rare phenomenon.



NEW BRUNSWICK

Moncton

Strong economic fundamentals led to another banner year for Moncton's real estate market in 2004. With one of the lowest unemployment rates in the province, an expanding manufacturing sector, and a local call centre industry that is unparalleled in Canada, consumer confidence soared and demand for housing reached a record pace. The strong activity is expected to continue throughout November and December. By year-end 2004, Moncton is forecast to set new benchmarks in both annual unit sales and average price. Home sales should surge 10 per cent above 2003 levels, reaching 2,050 units. Meanwhile, average price is expected to end the year at $114,000, doubling 2003 price appreciation, with a nine per cent gain.



The outlook for 2005 is also very positive. Job creation in the city gained momentum last year, as development took place on several major projects including a new $1.8 million, 30,000-sq. ft, multi-tenant commercial building at the Champlain Business Campus, and a 50,000-sq. ft. building at Emerson Business and Technology Park. Further job growth is expected in 2005 with the recent announcement of a proposed multi-million dollar airport hanger for Transport Canada and the RCMP. Also propping up the solid economic outlook is a booming retail sector, which should be further strengthened by the recent amendment allowing Sunday shopping in the area.

With the highest levels of in-migration in eastern Canada, combined with the relative low cost of living and excellent affordability, demand for housing in Moncton is expected to continue its upward momentum, pushing annual sales and average price to higher levels in 2005. Rising inventory should help relieve any additional pressure placed on the market, as more balanced conditions prevail throughout next year. Purchasers can expect a good selection of product across the board.

Rising interest rates are expected to have a positive effect on the market in the short term—an impetus for many buyers who would rather make their moves in 2005 than adjust their expectations down the road. However, it is estimated that the market could absorb additional hikes in the neighbourhood of two full percentage points before it places a significant damper on demand.

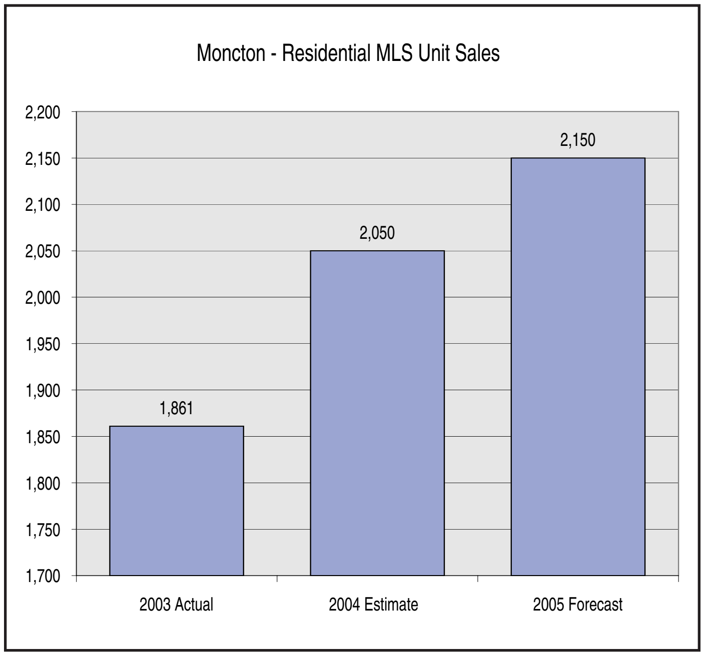
First-time buyers are expected to be a driving force once again in Moncton in 2005, as job growth has allowed many families to earn a second income, boosting confidence and ultimately, the demand for entry-level housing. Sales of entry-level and first-time move-up product, priced from $110,000 to $149,000, accounted for 20 per cent of Moncton's real estate market in 2004. The increased demand from younger buyers will be a welcome development for the move-up segment, who will have a solid pool of purchasers. This will ultimately contribute to a further rise in unit sales in 2005, increasing nearly five per cent from the previous year to 2,150 units. Strong demand will keep prices edging upward, yet at a more moderate pace. Average price is forecast to reach $118,000, a 3.5 per cent gain.

Despite rising inventory levels, average days on market have held steady throughout the second half of 2004—at approximately 60 days. This is expected to continue into 2005. As such, purchasers should not take too much time in making decisions, as quality product will continue to move at a steady pace. Multiple offers, however, have become a rarity in the marketplace. Given that factor and increased selection, it will become necessary for vendors to price their homes realistically to avoid stagnation.

The younger demographic is fuelling demand for homes in the Trinity Drive area in the north end of the city, where a great deal of new retail and residential development is taking place. This is expected to be an up and coming neighbourhood in 2005, along with the Dieppe area, in terms of percentage of unit sales. Many of these entry-level and first-time move-up purchasers are willing to sacrifice overall living space for newer product. This has already begun to impact the sales of older homes, which are spending longer periods on the market.

The condominium market is expected to maintain the pace observed in 2004. A small segment of the market, condominiums are slowly gaining acceptance as an affordable and desirable housing alternative. Projects, however, are still taking long periods to sell out, and as such, condominium apartments will experience appreciation in 2005 near two to three per cent—slightly lower than that forecast for the overall market .

Baby boomers and those from outside the province who hail from major centres with a higher standard of living will continue to drive the upper-end of the real estate market. Overall, sales of luxury homes should be on par with 2004 levels, and as such, prices will continue to rise.



NOVA SCOTIA

Halifax-Dartmouth

After several record years of unprecedented activity, the residential housing market in Halifax-Dartmouth is expected to return to more normal levels. Unit sales are forecast to fall just short of last year's 5,813 units, while average price is set to appreciate nine per cent to $177,300, an increase of close to $15,000 over the 2003 figure.

Overall economic performance in Halifax-Dartmouth improved in 2004. Housing starts in urban areas had jumped 37 per cent compared to one year earlier. Non-residential construction also experienced increased momentum, with much of the gains posted in institutional and industrial building.

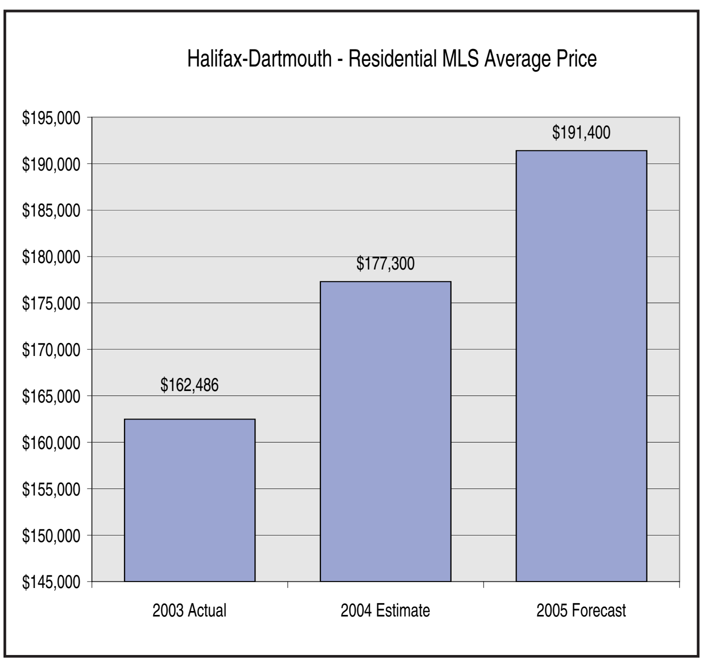
Limited inventory levels served to bolster housing values throughout the year. Low carrying costs prompted purchasers to take advantage of equity gains by upgrading to larger, more expensive homes or more prestigious areas. This phenomenon, evident throughout 2002, 2003, and much of 2004, is expected to slow in 2005.

Although listings are expected to climb in coming months, quantities are still off 2000 and 2001 levels. It's anticipated that an increasing amount of low-to-mid priced inventory will come on-stream early next year. In Halifax Proper, where one in every four sales occur, the bulk of new listings will be priced between $175,000 and $200,000. In Dartmouth, Sackville, and Bedford, the lion's share of new listing inventory will range from $125,000 to $175,000.

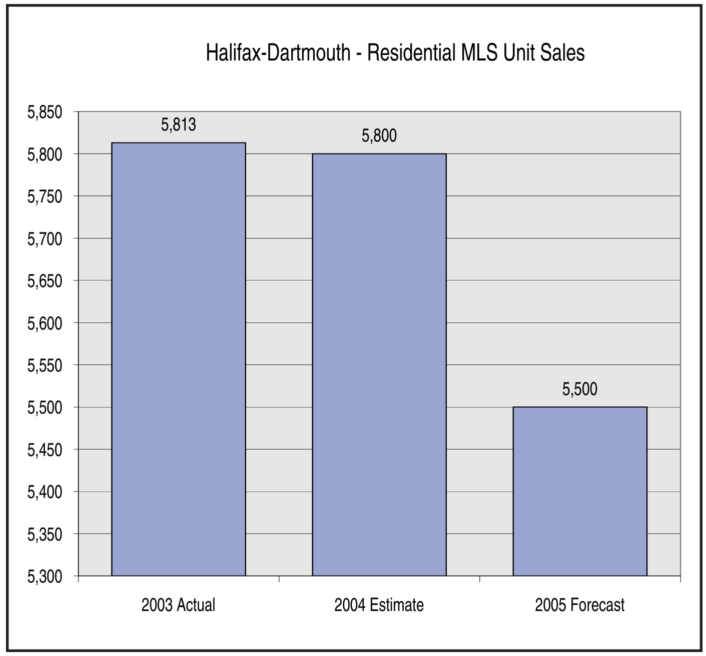
With further economic strengthening expected in 2005, real estate is expected to bode well. Nova Scotia is one of few provinces in the country that is predicted to have a budget surplus in 2005. Employment, manufacturing shipments, and value of building permits have shown solid gains over the past year. Retail sales have accelerated. Clean-up of the Halifax Harbour and Sydney Tar Ponds are well-underway. Tier II of the Sable Offshore Energy Project will also boost natural gas production and a number of mega projects planned for the province, including Deep Panauk, are expected to bolster economic growth in 2005.

The market has considerable momentum heading into the new year. Although the threat of higher interest rates may impact affordability to some extent, many first-time buyers are committed to homeownership. Taking advantage of government incentive programs like zero-down, the majority of first-time buyers will simply lower their expectations and move forward. In fact, a recent survey of renters indicated 14 per cent intend to move in 2005, up from five per cent in 2004. With relatively low vacancy levels placing upward pressure on rental rates, many first-time buyers find it more economical to purchase a home.

Condominiums are expected to enjoy increased popularity as the trend toward lower-to-mid priced units gain momentum, particularly in the Dartmouth area. In the past, demand for condominium apartments has been strong, especially in the higher-end of the market. Plans for an increasing number of multi-unit residential developments are on the board as local government looks for ways to slow growth in peripheral areas and keep new infrastructure costs in check.



Even though the Halifax-Dartmouth housing market is forecast to experience steady activity in 2005, a five per cent decline in unit sales by year-end is projected. Average price, however, is forecast to continue to climb, rising eight per cent to $191,400, an increase of approximately $14,000 over 2004 levels.



QUEBEC

Quebec City

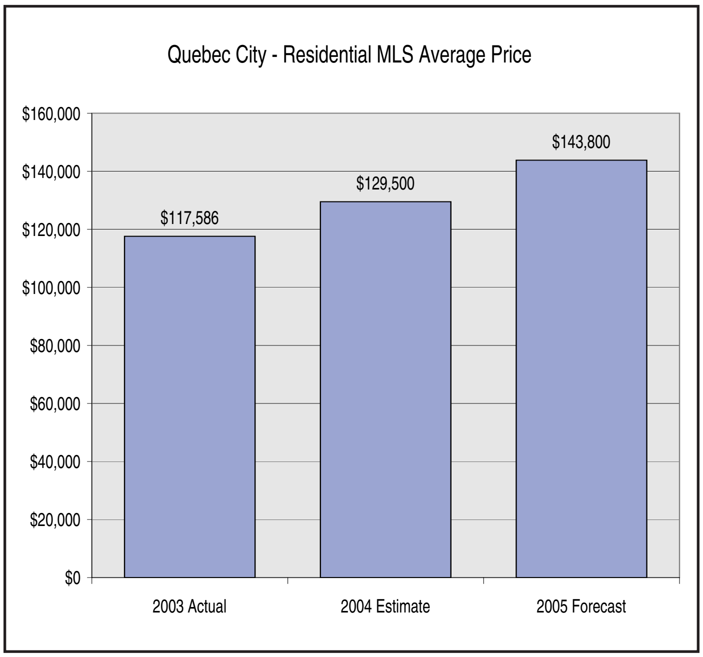
Robust economic performance has fuelled solid demand for residential real estate in Quebec City in 2004. The number of homes sold by year-end is expected to increase three per cent as a result, rising to just over 8,200 units compared to 2003, while average price is forecast to climb 10 per cent to $129,500.

The housing market continues to showcase its strength, buoyed by improved GDP growth in the region and healthy job creation programs. The stability of the provincial government and the civil service, coupled with solid performance in the insurance and financial sectors, have also served to bolster the economy. Investment in bio-technology is expected to further propel growth in the science and research sector. Tourism is on the upswing once again as Americans and Europeans renew their acquaintance with Quebec City.

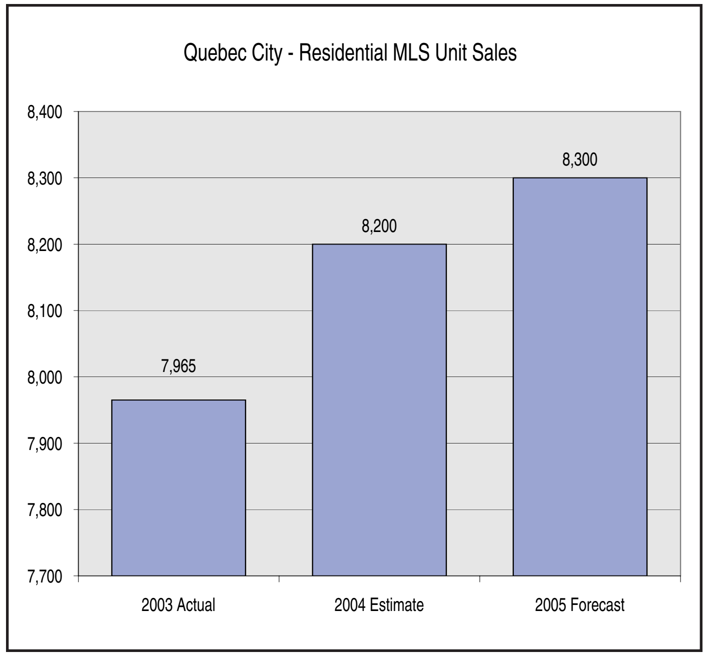
First-time buyers were a key factor in Quebec City's residential housing market in 2004. Many took advantage of government incentive programs to invest in their future. Move-up buyers were also active this year, as more and more baby boomers upgraded to larger residences – many deciding the difference of a few hundred dollars on a monthly mortgage payment was well worth the investment.

Condominium apartments, particularly in the upper-end of the market, saw healthy demand throughout the year. A number of new condominium developments are expected to come on-stream in Quebec City in the months ahead. The influx of new listings may have some impact on the market in terms of sales activity next year.

An overall increase in inventory levels would help ease some of the upward pressure on housing values in Quebec City in 2005. With more choice available, more families will be able to find properties that meet their requirements – something of an anomaly in recent years. Despite median household incomes that lag behind the provincial and Canadian averages, the desire to achieve homeownership is strong in Quebec City.



The upward momentum experienced in 2004 is forecast to continue into 2005 in Quebec City, with home sales climbing to more than 8,300 units, up one per cent from last year's levels. Average price is forecast to experience its fourth year of double-digit growth, appreciating 11 per cent to $143,800 by year-end 2005.

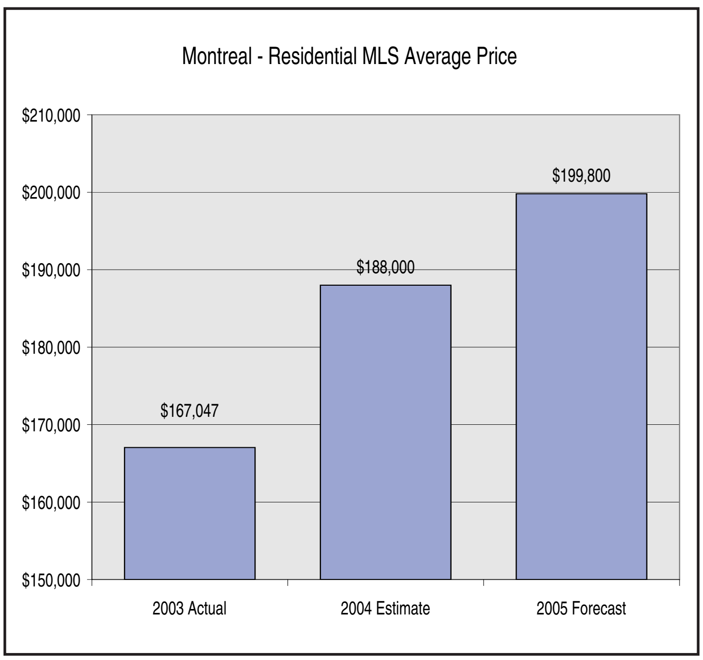


Montreal

The strong belief in homeownership continued to be evident in Montreal in 2004. Demand remained solid, despite a less than stellar economic performance for the province. Purchasers continued to be active across all price ranges, and sales gained further momentum over 2003 levels as inventory posted gradual improvements. Consumer spending and confidence is upbeat, and the positive performance of the real estate market should be maintained into the last two months of the year. By year-end 2004, sales should reach 48,500 units, a 1.5 per cent increase over 2003. Average price will record double-digit price gains for the third consecutive year, up 12.5 per cent to $188,000.

Purchasers can breathe a little easier in 2005, as indications are that the market will ease up slightly, bringing price appreciation back in check, with only single digit gains forecast for next year. Inventory levels have started to edge up in recent months—although still unable to keep pace with demand—and that has given way to greater selection. The trend is expected to continue into 2005, but a competitive market environment will remain. Another strong indication that the record price gains will not be sustained is the building resistance to pricing in the city. The time when tight conditions and a sense of urgency fuelled emotions and purchasing decisions is past. Cooler heads are prevailing. While a clear seller's market will continue—and quality homes will fetch close to list price—buyers, not vendors, are now setting the boundaries of what the market will bear. They are also taking more time in the process, viewing more listings before making a final decision. Multiple offers have become much less prevalent in recent months.

Economic performance is expeced to improve in Quebec in 2005. The province has already experienced employment growth in the service industry, and more jobs may come on stream as Quebec's exports and manufacturing sectors make a marked recovery in 2005. Both residential and non-residential construction are forecast to remain strong, with several new hydro-electric projects planned for next year. The first $1 billion installment of the $5 billion tax cut is also slated to factor into the market in 2005, a move that should increase consumer and business spending, bolstering the retail sector. Overall, growth in the provincial economy is expected to rise from 2.7 per cent in 2004 to a projected 3.5 per cent in 2005. Montreal's local economic outlook is even brighter.

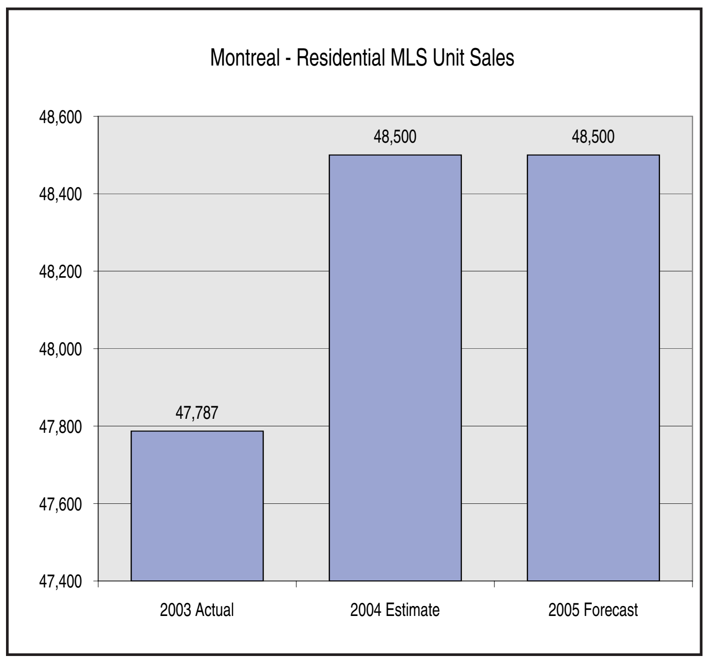


Migration into the city continues to be strong, as Montreal welcomes approximately 100,000 new residents per year. New household formation is relatively brisk, and has been enhanced by the mindset among the city's younger population who have demonstrated a significant shift towards homeownership from renting in recent years—especially given the record low interest rates. That is expected to continue. Ownership rates now hover at 50 per cent, but are forecast to improve gradually.

First-time purchasers will continue to drive the market forward in Montreal in 2005, further motivated by the talk of rising interest rates. However, inventory will remain tight for entry-level product including condominiums and detached homes. In stark contrast to Canada's other major centres, such as Toronto and Vancouver, Montreal has seen a limited amount of condominium construction, as development has been curbed by a shortage of available land in the central core. In the short term, this will be good news for condominium owners as values continue to rise.

On the heels of a record year, the upper-end of the market will likely see some softening in 2005. More moderate price gains should impact the luxury homes market to a greater extent than any other segment, particularly given the upswing in inventory levels.

Overall, Montreal homeowners can expect gains of just over six per cent in 2005, bringing the average price to $199,800. Sales will remain on par with 2004 at 48,500 units. Days on market are also expected to increase in 2005. In recent months, the figure has held steady at 40 days.

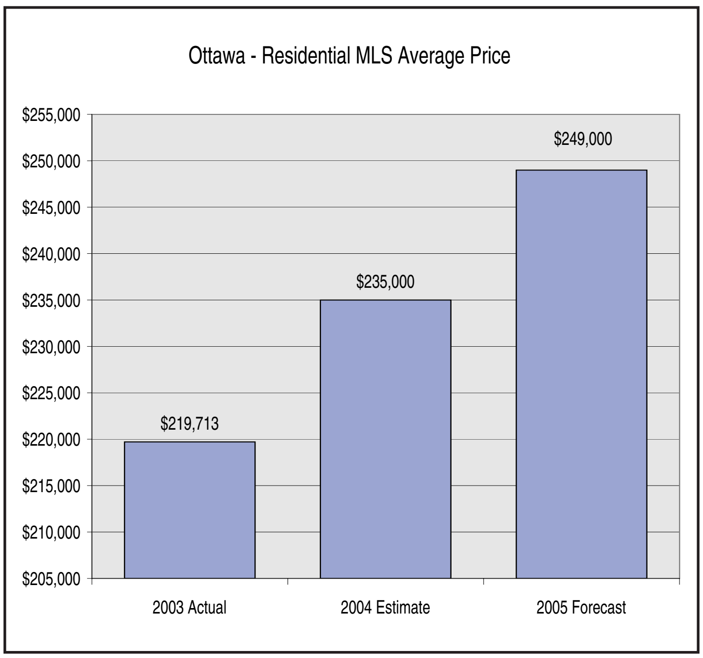


ONTARIO

OTTAWA

Population growth and a vibrant local economy, characterized by strong employment, migration and income levels, bolstered housing activity in Ottawa throughout much of 2004. By year-end, the number of home sales in the city are projected to rise to 13,000 units, up a modest one per cent over one year earlier. Average price continues to spiral upward, appreciating seven per cent to $235,000 by year-end, an increase of more than $15,000 over 2003 levels.

Ottawa's population topped one million in 2001 and has grown at a rate of 1.3 per cent annually. The sheer magnitude of the annual population growth is significant enough to impact the demand and supply of housing in the city. In fact, Ottawa has experienced a shortage of all housing types in recent years from affordable rental housing to ownership housing.



Throughout 2004, first-time buyers were extremely active in the market. Many came from rental units, encouraged by lower interest rates and rising prices. A new breed of first-time buyers emerged in Ottawa this year. Young professionals working in the high-tech, public administration, and diplomatic sectors – typically less traditional than the average Ottawa resident – sparked demand for condominium apartments downtown. The recent success of several upmarket apartment and loft-style condominium projects in the Parliament and Byward Market areas of downtown Ottawa suggests the condominium apartment market in the city is evolving.

Inventory levels, which had been tight during the early part of the year, shifted toward more normal quantities. By October, listings had crested over 20,000. Although the selection of homes vastly improved, particularly in suburban areas, several hot pockets continued to experience heated demand. In fact, older, established neighbourhoods, such as Glebe and Sandy Hill, reported a shortage of available listings and more than their share of multiple offers. As prices rose in these upscale communities, buyers expanded their search to neighbouring Westborough and Hintonburg where prices were more affordable for similar, architecturally-unique product.

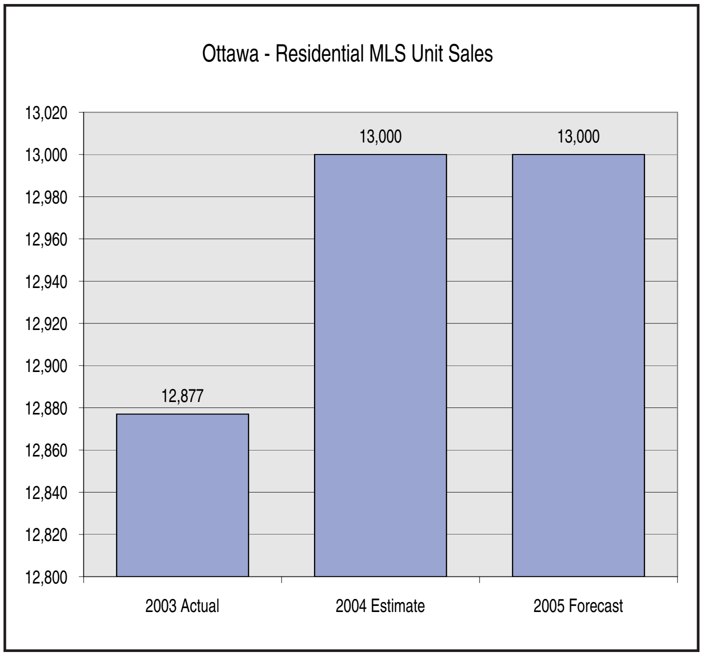
With solid fundamentals in place, the residential real estate market is expected to experience healthy, but more moderate, growth in 2005. Unit sales activity is forecast to remain on par with 2004 levels while a price increase of six per cent will bring the year-end 2005 average to $249,000.

Given Ottawa's higher than average annual household income and stable employment base, the majority of consumers in the city are easily able to afford low-density living. As such, an anticipated one or two per cent increase in mortgage rates will have little impact on the market next year.

First-time buyers between 25 to 35 years of age will continue to fuel market activity, albeit at a slower pace. Some purchasers, concerned about rising interest rates, may jump into the market early in the new year. As more listings come on-stream, equity gains will slow to more modest levels. However, if listings do not keep pace with demand, the market may be in for another year of double-digit price increases.

Condominiums are expected to remain a force in the real estate market in 2005, representing approximately 20 per cent of all residential sales. Higher-end, luxury condominiums, priced in excess of $450,000, will be especially popular with baby boomers and empty nesters. At least five or six luxury condominium projects are slated for completion in 2005 and beyond.

The upper-end of the market may see some softening as a result of increased supply next year. This segment of the market was particularly strong during 2004, with sales of homes priced over $500,000 up approximately 50 per cent over the previous year.



TORONTO

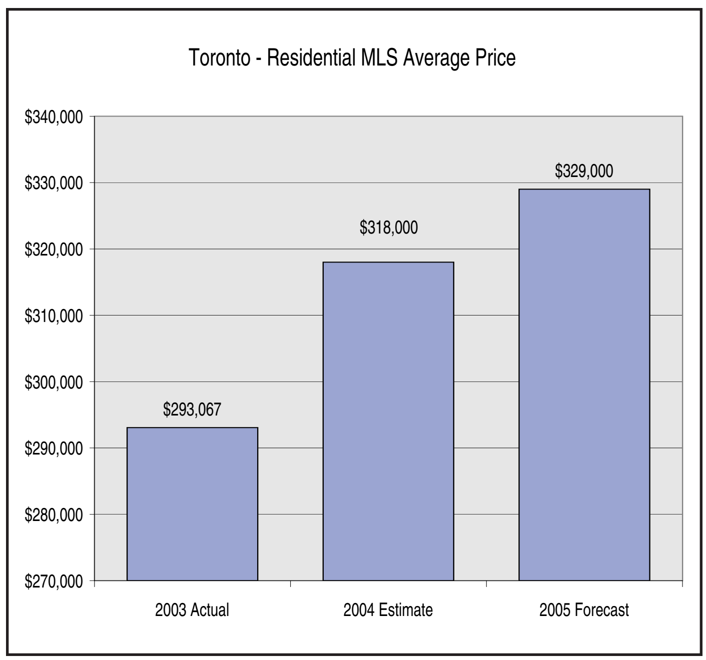
An economic comeback helped fuel record demand for residential real estate in the Greater Toronto Area in 2004. Forecast to surpass all prior expectations as a result, home sales are likely to climb a substantial nine per cent to 85,700 by year-end. It's anticipated that average price will top last year's figure by just under $25,000, bringing the overall value of homes in the GTA to $318,000—8.5 per cent higher than the $293,067 reported at year-end 2003.

The strong economy translated into an increased number of jobs, growing consumer confidence, and a serious influx of buyers into the marketplace. Dominating market activity in 2004 were first-time buyers who entered the market en masse, driven by low interest rates and government incentive programs. Many renters opted for homeownership, taking advantage of cheap money and attractive prices in the central core of the city. Condominium apartment and townhouse sales rose to new levels, representing approximately 30 per cent of total residential sales activity in 2004. Despite concerns of softening, condominium values held their own throughout much of the year, with price increases in the three per cent range compared to 2003.

Move-up buyers also played an integral role in the overall health of the market as equity gains provided new financial options for existing homeowners. Sales between $250,000 and $400,000 represented the lion's share of activity in the GTA at approximately 40 per cent. Luxury home sales over $1 million saw continued growth with sales up 37 per cent over one year earlier. Baby boomers lead the charge for upper-end listings, combining substantial equity gains with historically low interest rates to trade-up to more upscale homes or prestigious neighbourhoods.

Although a notable increase in listings was reported in the latter half of 2004, several districts in the Metropolitan Toronto Area were able to command top dollar throughout much of the year. The Beach, Riverdale, Lytton Park, Allenby, Rosedale, Summerhill, Lawrence Park, Leaside, Swansea, Roncesvales, High Park south of Bloor, South Parkdale, Bloor West Village, Old Mill, Baby Point, the Queensway, and Humber Bay all reported a sales to listing price ratio of 100 per cent or more.

2005 is expected to be another solid year of real estate activity, underpinned by strong market fundamentals. Toronto has the third most diverse economy in North America and is committed to creating a broad market for sectors such as Information and Communication Technologies (ICT), Financial Services, Medical and Related Sciences and the Film Industry. New non-residential construction is expected to bode well in 2005 as well, with the proposed $150 million expansion of the Royal Ontario Museum, a $150 million investment in the Four Season Centre for the Performing Arts, and a $195 million expansion to the Art Gallery of Ontario.



A significant 21,800 new condominium units are expected to enter the marketplace in 2005 as projects sold in 2002's record-breaking year are completed. Many of these condominium units were purchased by investors hoping to cash in on higher rental rates. However, with vacancy rates now up from under two per cent to over four per cent, finding an apartment in Toronto is no longer a serious challenge. In fact, for the first time in 25 years, building owners are working to fill their buildings through incentives such as rent reduction and renovation.

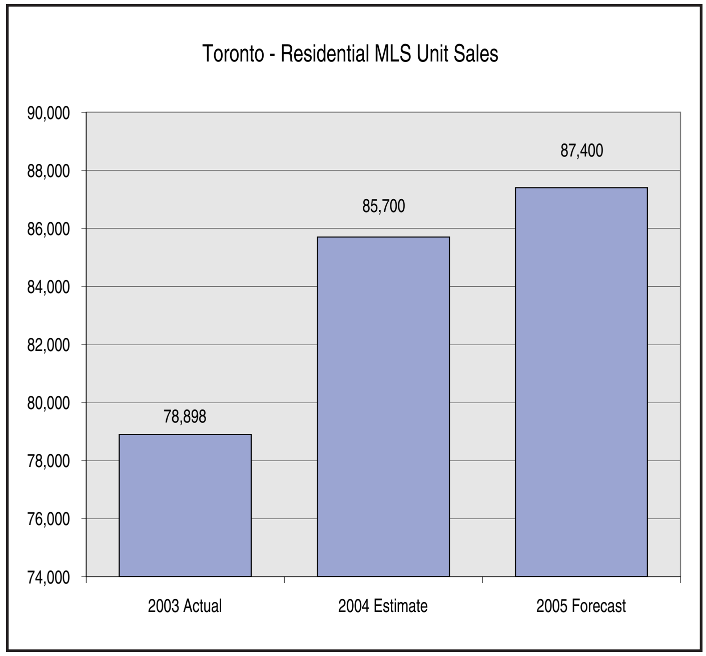
Given the large amount of new units completed in 2005, even if a small percentage of these properties were listed for sale, there could be an impact on supply, and as a result, downward pressure on overall condominium resale prices. The increase, however, is expected to be somewhat offset by a growing number of university-educated professionals between the ages of 25 and 34 who are finding their way back into the city.

The projected increase in the prime-lending rate to as much as five per cent over the next 12 months could swing both ways. The hike may serve to deter some first-time buyers but it could equally encourage some of the fence sitters to enter the housing market.

For move-up buyers, especially those who had mortgages of 12 per cent or more in the 80s, investing in real estate at five per cent still makes ample sense. Many of the buyers within this group developed a substantial pool of equity from home purchases in the late 80s and early 90s. Now in their 40s, many with small children, these buyers are leveraging gains into luxury homes in communities such as the Beach, Forest Hill, Lorne Park and Unionville. In addition, some of these 40-something buyers are receiving inheritances from asset rich parents, further fuelling the demand for quality, executive housing. With the first of the baby boomers entering their late 50s, this trend is expected to continue for some time to come.

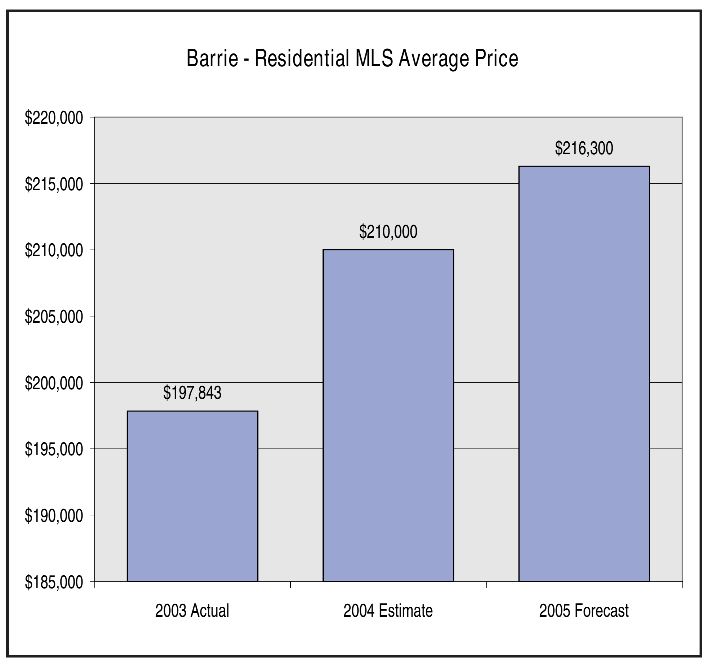
With listings forecast to edge higher, housing market activity should return to more normal levels. The economic fundamentals are in place for continued health in the Toronto housing market. Job creation, immigration, the Canadian dollar and interest rates, the principle economic bellwethers of housing economists, all look favourable heading into 2005. Some analysts are predicting Toronto will be the fastest growing urban area in Canada for the next four years.

As a result, unit sales in the Greater Toronto Area are forecast to climb two per cent, rising to 87,400 units over 2004 levels by year-end 2005. Average price projections are more moderate, with average price rising 3.5 per cent to just over $329,000 next year.



Barrie

Industrial development and urban planning projects have strengthened the economic outlook for the city of Barrie, which should bode well for the real estate market in 2005. Upcoming projects such as a cancer care centre and GO train extension, linking Barrie to the Greater Toronto Area, should also contribute to increased demand as a growing pool of purchasers enter the area.



As the second fastest growing city in Canada, Barrie has seen a significant upswing in unit sales and average prices, bolstered by a steadily growing economy and annual population growth of 6.9 per cent. The momentum of price appreciation is expected to continue through year-end. Barrie is expected to wrap up the year with an average price increase of six per cent to $210,000.

The rise in population has impacted the availability of building lots, which has increased both demand and price of new homes. As a result, purchasers have adjusted their expectations, choosing resale homes that offer more value. As inventory levels for new homes continue to tighten, a record 4,700 sales of resale homes are projected for 2004, up nine per cent over the previous year.

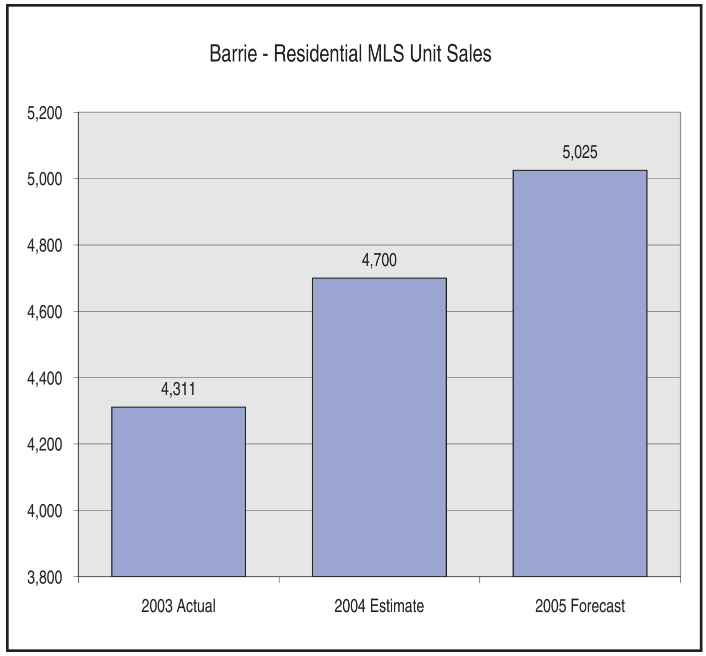
Young families relocating from the GTA and retirees will fuel the housing market in 2005. Motivated by healthy economic conditions, young families are choosing to upgrade to detached homes close to parks and schools that can be found as low as $180,000.

Retirees, attracted by close proximity to many amenities and walking trails, are expected to set their sights on condominium apartments in downtown Barrie in 2005. While condos represent just over seven per cent of the market, they are in growing demand. In particular, luxury units, selling at an average price of $350,000 to $400,000, are especially appealing to young professionals. It's anticipated that investors will cash in on solid equity gains realized in recent years. Condo prices are forecast to remain stable and may escalate if demand continues to outpace supply.

Empty nesters will also play an active role in the Barrie housing market next year. Much like retirees, empty nesters prefer single-level living spaces, yet their desire to still own a piece of land has them driving demand for bungalows. As long as bungalows are competitively priced, they will sell quickly in 2005.

The move-up trend is expected to slow in 2005. Rising prices sparked a one-to-two-year turnover rate as homeowners moved to profit from equity gains in recent years. Rising renovation costs may lead to a two-to-three-year turnover for move-up buyers in 2005.

The impact of newcomers from the GTA and the fundamentals of the Barrie economy should remain strong in 2005. Gradually increasing interest rates will have little impact on the housing market. Unit sales will continue the upward pace, with an increase of seven per cent over 2004 to 5,025 units, and average price will close out 2005 with a three per cent increase to $216,300.

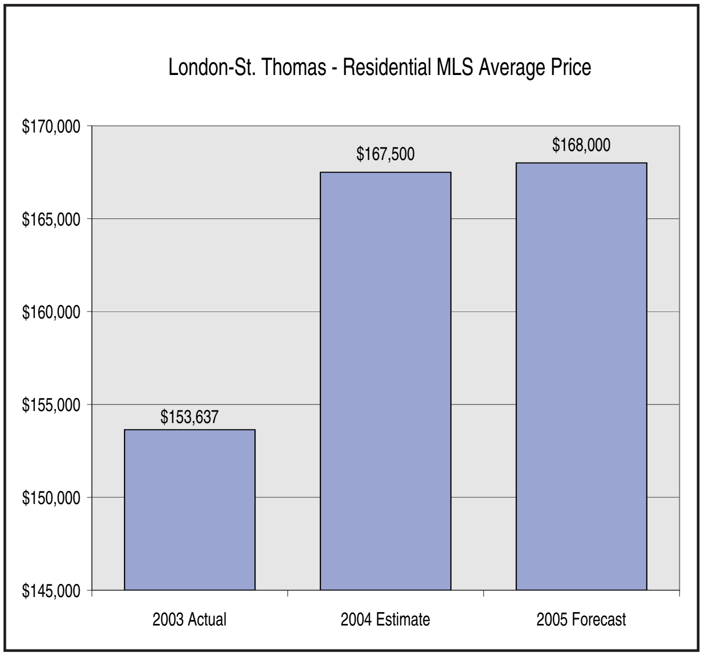


London-St. Thomas

Job growth and rising income levels have been the engine fuelling the residential housing market in London for the past few years, with 2004 being no exception. The city is heading towards another solid year of real estate activity, with unit sales expected to reach 9,400 units in 2004, up close to 12 per cent over 2003 levels. Overall average price is forecast to rise nine per cent to $167,500.

Job creation in the trade, transportation, construction and education sectors lured new residents to the city, resulting in increased consumer confidence and spending throughout the year. The manufacturing industry in particular is thriving, largely due to major investments such as the new contract for General Dynamics and the retooling of the Camis Automotive plant in nearby Ingersol for the Equinox production line. The automotive sector also stands to benefit from significant government investment in the near future – the federal government recently announced $1 billion in funding over five years for Canada's manufacturing sector, with $500 million slated for the automotive industry. The provincial government also has $500 million earmarked for this sector.

London's housing market experienced a surge of activity as new residents capitalized on affordable prices and historically low interest rates in 2004. The booming construction industry continues to be a bright spot on the economic horizon. Recent activity has included expansions at the University of Western Ontario, Fanshaw College and the London Health Science Centre. There are more new projects lined up for 2005 as well—including big box centre development, a 300,000 sq. ft. centre on the former Wally World site, a 300,000 sq. ft.-plus centre at Highbury Avenue and Commissioners Road. The Memorial Cup, Canada's National Junior Hockey Championship—expected to produce a $10 million spin off—should also be a boon to the economy.



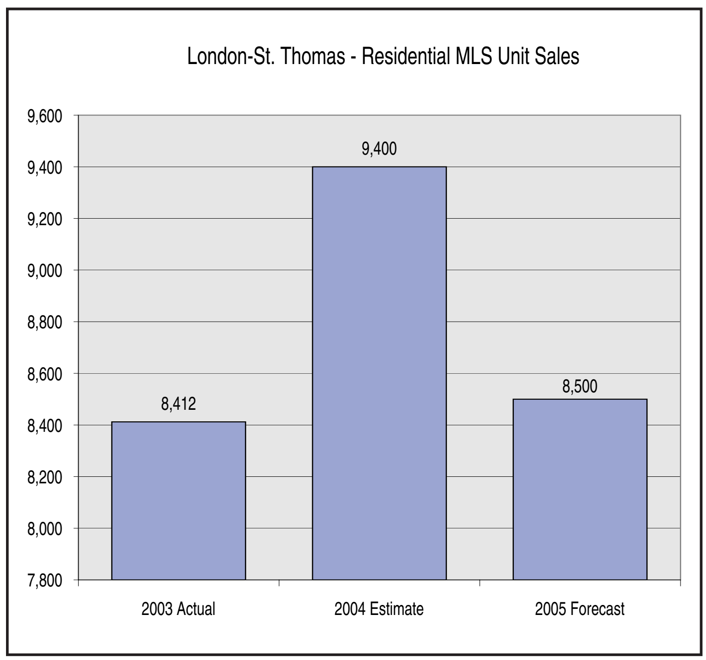
Residential construction is expected to proceed at a strong pace. Inventory levels are forecast to increase as new product comes on stream, offering purchasers diverse housing choices across all price ranges. Existing homeowners will be a key factor in the availability of new product, as they continue to trade in their homes for new residences. This pool of potential purchasers, along with newcomers to the London area, should be the main segment driving demand.

Although healthy conditions are expected, the brisk activity of 2004 is forecast to ease in 2005, as much of the pent-up demand – a factor driving the market in recent years – has been satisfied.

Purchasers can expect to see small increases in condo prices in 2005 due to rising construction costs. The condominium market—now representing nearly 20 per cent of all residential sales—has been buoyed in recent years by empty nesters and retirees moving locally, as well as from other areas, to London. These purchasers have been snapping up one-level condominiums. These units offer purchasers a garage and small lawn or garden area, along with the much sought-after maintenance-free lifestyle. In 2005, condo sales are expected to remain at approximately 18 – 20 per cent of residential sales.

The upper-end of the market is forecast to be strong in 2005, but will not experience the price gains of the overall market. Supply is expected to improve, as London's recent annexation of land has resulted in more lots to build luxury homes. Approximately 120 luxury home sales, priced in excess of $500,000, are expected to be recorded in the city of London by year-end, a significant 74 per cent increase over the previous year. Baby-boomers will continue to drive the upper-end market, yet they will have more choice throughout all neighbourhoods in the year ahead. A number of new luxury apartments and upscale condominiums in downtown London are expected to come on stream in 2005, catering to the boomer segment as well as seniors.

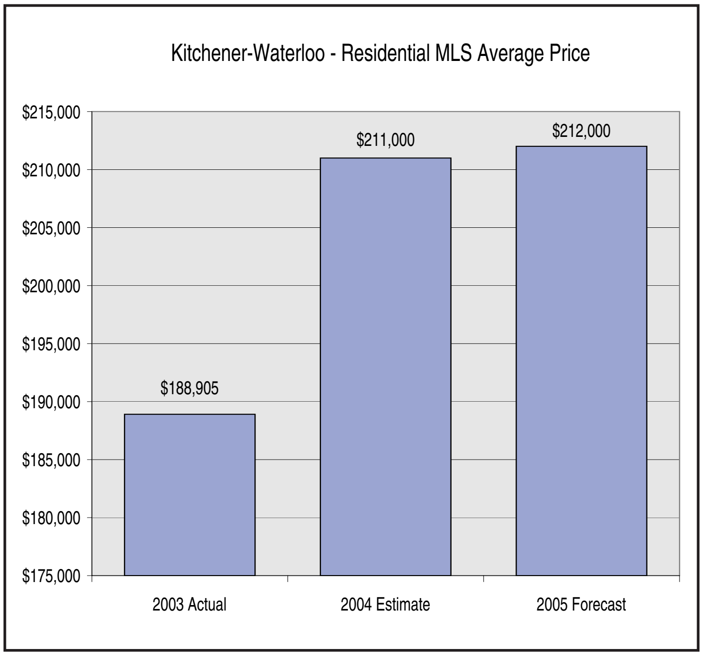
A healthy, more balanced market is expected to emerge in 2005. Although activity is expected to drop nearly 10 per cent from 2004 levels, London is expected to round out the year with a solid 8,500 unit sales—on par with the city's performance in 2003, the second-best year on record. Overall average price is expected to remain virtually unchanged at $168,000.



KITCHENER-WATERLOO

The combination of a strong local economy, proximity to the Greater Toronto Area, and low interest rates fuelled unprecedented demand for residential housing in the Kitchener-Waterloo Area throughout much of 2004.

By year end, unit sales are expected to top 6,000 units, an increase of 13 per cent over 2003 levels, while average price is forecast to post a gain close to 12 per cent, rising to $211,000 by year-end.



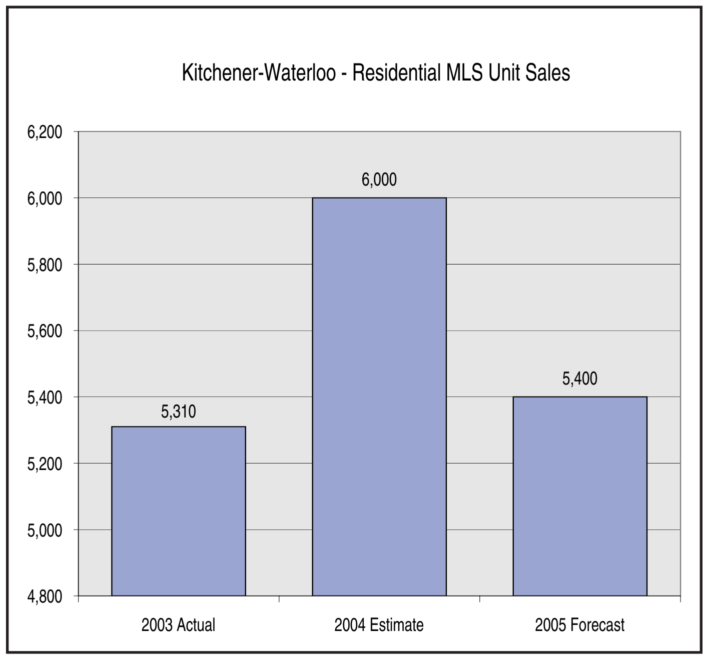
Kitchener-Waterloo's market fired on all cylinders as both first-time buyers and move-up purchasers vied for their piece of the housing pie in 2004. A shortage in the number of homes listed for sale early in the year led to an abundance of multiple offer scenarios.

All segments of the market were experiencing strong activity, including the upper-end priced at $500,000 and over. Escalating land costs pushed the average price of a home in Kitchener-Waterloo over the $200,000 mark. Inventory levels were on the rise at the end of 2004 though, creating balanced market conditions more characteristic of 2000 and 2001.

Demand is expected to remain constant in 2005, albeit less frenetic than 2004. Some softening is anticipated as more homes are listed for sale. Vendors can expect their homes to take longer to sell, with average time on market rising from 47 days in 2004 to 55 days in 2005.

The region continues to be characterized by its economic strengths in education (University of Waterloo, Wilfred Laurier University and Conestoga College), insurance, food processing, technology, and the automotive sector. Kitchener-Waterloo has become a key player in Canada's auto industry, with major employers in the region including Budd Automotive, Toyota, A.G. Simpson, Lear Corporation, Fasco, Ventra, Bauer Industries and Oxford Automotive. An estimated one out of eight jobs in the region is auto-related.

As such, the anticipated increase in interest rates, along with a rise in the Canadian dollar, will have an impact on the Kitchener-Waterloo housing market. First, the rising Canadian dollar could take some of the steam out of the automotive sector. The rise in rates will also affect demand, to a limited degree, but only in the first two quarters of the new year. The creation of 200 new jobs at Research in Motion may serve to offset some of the negative impact. But as the market adjusts to these forces, sales are expected to drop to 5,400 units, with the average price of a home increasing by under one per cent to $212,000.



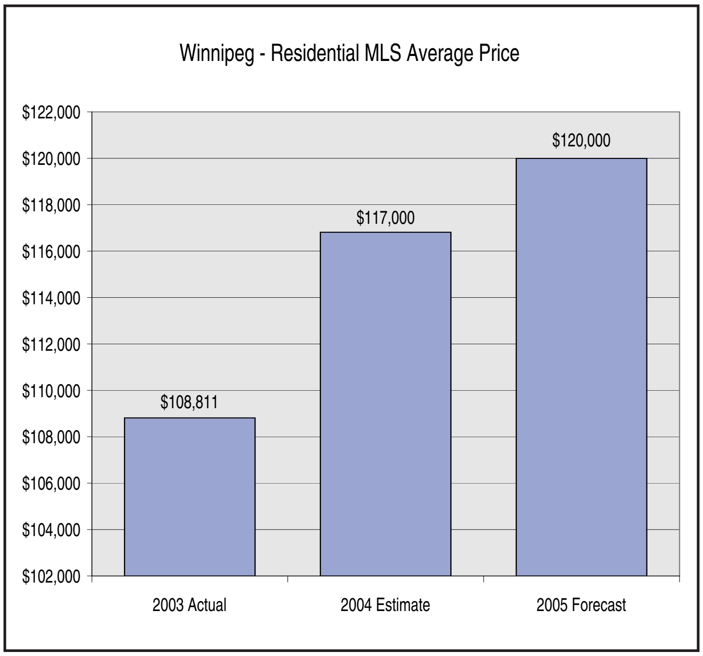
MANITOBA

WINNIPEG

Winnipeg's real estate market continued to show strength in 2004, as the city's economy began to pick up steam. Recent strong performance on the U.S. economic front has resulted in a solid uptick in manufacturing activity for Winnipeg and much of Manitoba during the first half of 2004. Non-residential construction has grown substantially, bolstered by the construction of a new $135 million hockey arena and entertainment centre in the city's downtown, several new office buildings, a new library (the city's largest), and the redevelopment of Winnipeg's Health Sciences Centre.

Given the positive growth, consumer confidence levels remained high throughout the year, and the real estate market benefited, as a growing number of residents chose to place their money and their faith in housing. As such, Winnipeg is poised to set a new record for all-time annual unit sales, reaching 11,000 units by year-end 2004, up nearly eight per cent over the previous year. Average price will surpass the $110,000 threshold for the first time ever, leaping to $117,000—an increase of 7.5 per cent over 2003.

According to the Conference Board of Canada, Winnipeg's economy is forecast to grow by 3.5 per cent in 2004, with a further 2.2 per cent growth in local employment—a boon to a city that already boasts one of the lowest unemployment rates in the country. These positive conditions have contributed to steady net migration into the area, propelling Winnipeg's population to over 700,000 residents for the first time in its history.



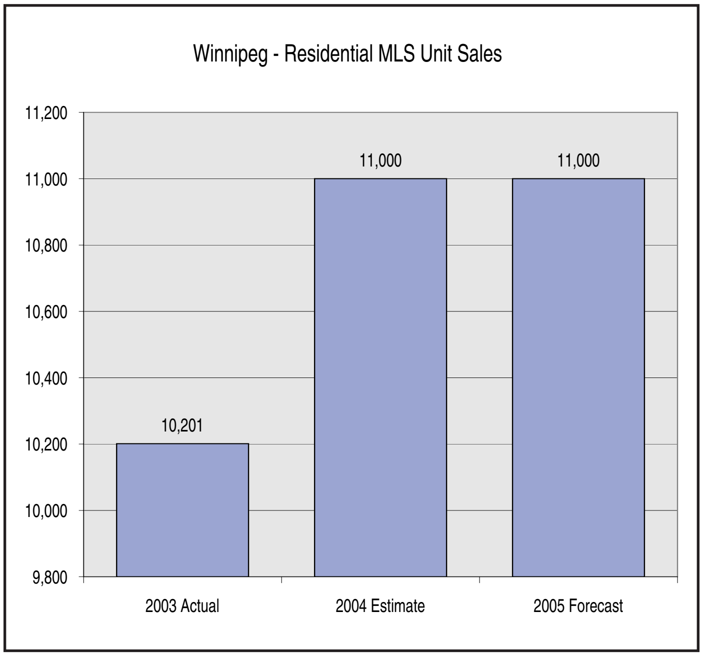
These factors propping up the demand for housing are expected to remain in play in 2005, reinforced by interest rates, which will remain relatively low. Rising inventory levels will ease some of the pressure on the market, but supply will continue to outpace demand—at least throughout the first half of 2005. The latter half of the year should see a slow, but gradual shift to more balanced market conditions. First-time and move-up buyers will continue to be the driving force behind Winnipeg's thriving real estate market, particularly given the city's current rental shortage which continues to make ownership an attractive, sensible option. As such, demand will continue to be strongest for quality, entry-level and move-up product priced in the $90,000 to $160,000 range.

Despite the competitive climate, vendors will begin to take notice of changing conditions in 2005. Very few will be successful in testing what the market will bear. Rather, those who price their homes at fair value will realize the most favourable results. Overpriced listings will stagnate much like they did in 2004. Multiple offers will still be a factor in the marketplace, occurring only on choice properties, but will not be as common as in previous years.

An upswing in condominium activity has been evident across the city—with recent projects completed, planned or underway throughout the downtown and the suburbs alike, fuelled in large part by the affordability factor and the shortage of quality entry-level product. Condominium sales now account for approximately 15 per cent of all sales in the city, up from approximately 10 per cent just a few short years ago. Investors are active in the market, yet the vast majority of purchasers continue to be end-users. In fact, there has been a notable increase in single-family homes being purchased as long-term investments in Winnipeg, with the owners renovating and renting to pay down the mortgage. A shortage of prime development land exists in the city, and as such, the planning office has also cast a more careful eye in terms of approvals. These are taking longer, as city officials decide which developments are most worthy and in line with the overall growth plan. In the short term, this could put pressure on condo prices, which are expected to see modest gains in 2005.

The upper end of the real estate market is expected to remain stable in 2005, as the boomers continue to make their moves. New construction in this segment of the market has pushed prices steadily upward in recent years, and next year should be no exception. Despite the rise, homeowners should come out smiling, as Winnipeg's blue chip communities such as River Heights, South St. Vital, Lindenwoods, Linden Ridge and White Ridge, for example, are once again forecast to experience the strongest appreciation in 2005.

While the downtown core of the city is slated for further revitalization initiatives in the years ahead, for now, there seems to be a greater shift toward suburban living. The reasons include affordability (at the lowest end of the spectrum, first-time purchasers can still buy homes priced under $50,000), selection, and the commute—only a 25-minute drive to downtown at most. Overall, 2005 should be characterized by improving conditions and more moderate price gains. Unit sales are expected to remain on par with 2004 levels, at 11,000 units. Meanwhile, purchasers will get a break, as prices nudge up just over $120,000 for the first time, a modest three per cent gain.



SASKATCHEWAN

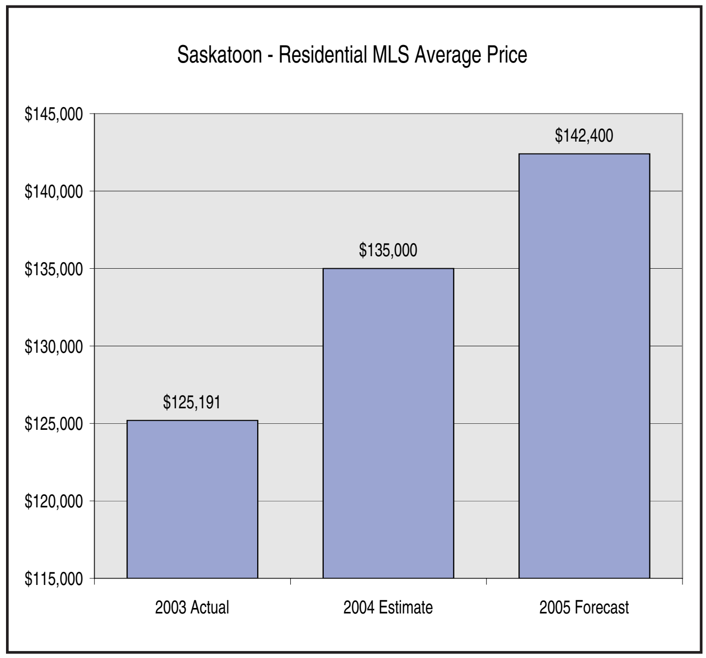
Saskatoon

Buoyed by solid economic performance, demand for residential real estate in Saskatoon has continued unabated in 2004. By year-end, the number of homes sold in Saskatoon is expected to climb to 3,050 units, an increase of seven per cent over 2003. A projected increase of close to eight per cent will bring average price up to $135,000 by year-end 2004.

Saskatoon enjoys one of the most diverse economies in the country, backed by a vibrant mix of industries including advanced technology, mining, health science, and manufacturing. The official opening of the new world class $175 million synchrotron facility at the University of Saskatchewan will propel the growth of Saskatoon's science and research sector even further, as it continues to attract a highly skilled workforce to the region and other related spin-off industries. Given the province's poor agricultural output in recent years, this year's bountiful crop was also welcome news for the industry.

With all sectors operating at optimum speed, Saskatoon is ideally positioned for another year of healthy housing activity. Throughout most of 2004, demand outpaced supply of homes listed for sale, creating multiple offer situations in many older, established neighbourhoods. An influx of listings late in the year is expected to continue in 2005, easing some of the upward pressure on pricing in the Saskatoon market.

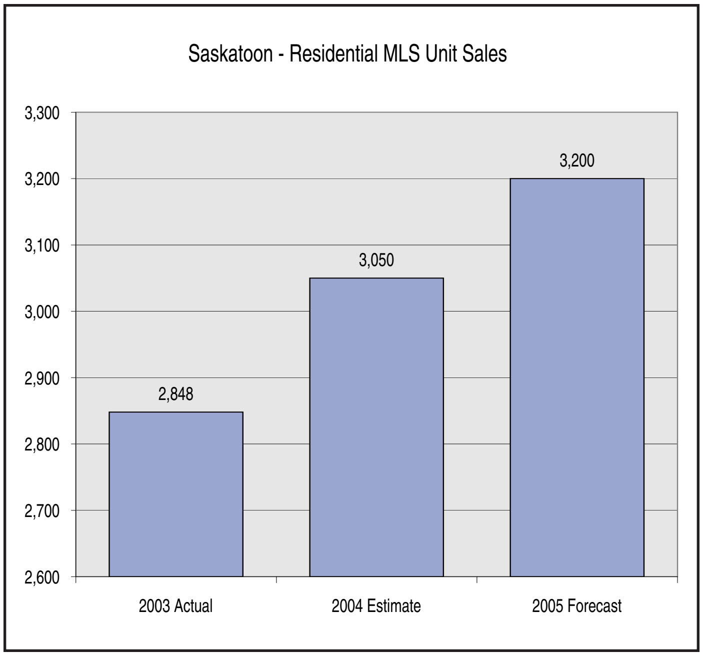
While more product coming on-stream will provide purchasers in Saskatoon with greater choice, hot pocket areas will continue to exist. Neighbourhoods like University and Newtana will command premium prices, especially for affordably-priced properties between $100,000 and $125,000.



While housing values in Saskatoon continue to be amongst the most affordable in the country, first-time buyers are taking full advantage. Demand is strongest for single-detached resale properties, approximately 1,000 sq. ft. in size, priced under $120,000. Move-up buyers who have realized equity gains in recent years are also on the move, trading-up to larger, more expensive homes.

New home construction is forecast to attract its share of purchasers as well – including younger baby boomers and professionals. Developments like Willowgrove, boasting 300 homes, have generated an abundance of interest. An increasing number of subdivisions are catering to the upper-end of the market, priced over $250,000.

Based on Saskatoon's strong economic outlook, unit sales are forecast to rise five per cent to 3,200 units by year-end 2005. Average price is expected to continue its upward assent in Saskatoon, rising 5.5 per cent to $142,400, approximately $7,400 ahead of 2004 levels.



Regina

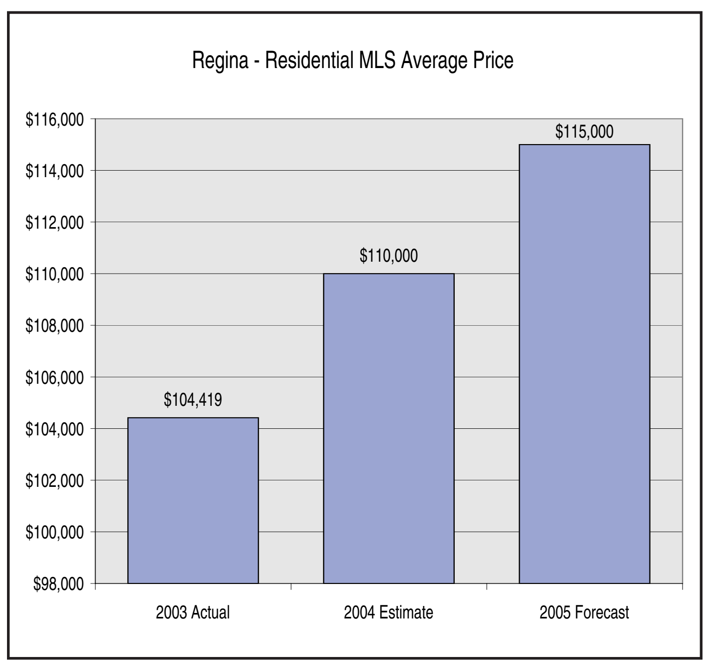
Renewed strength in Regina's economy in 2004 led to job growth, driving up consumer confidence, along with the demand for housing in the city. In fact, according to the Conference Board of Canada, Regina's real GDP growth is expected to be the second highest in the country, reaching 4.6 per cent in 2004. Many sectors have leapt forward, with increased performance in transportation, communication, wholesale and retail trade. The agricultural sector also rebounded well after two years of poor production. These positive fundamentals have contributed to solid real estate activity in 2004. By year-end, the city is poised to see near-record growth in unit sales and set a new benchmark in average price. Regina is set to register 2,800 home sales through MLS—a six per cent increase over 2003. Average price should reach $110,000—a healthy five per cent gain.

A number of significant non-residential investments will continue to help invigorate the local economy in 2005, including a $100 million infusion into the University of Regina campus and close to $15 million in Regina's Exhibition grounds. Already boasting one of the lowest unemployment rates in the country, Regina should see another 2,700 jobs created next year.

Homebuyers are once again expected to enter the market en masse in 2005, further motivated by talk of rising interest rates. Yet, despite record demand, market conditions will differ considerably from the frenzied pace of a few short years ago. The most significant factor will be climbing inventory levels, which, at this rate, should result in the return to a balanced market in 2005—though still slightly favouring the seller. An adequate supply of product is expected across the board, with the exception of two-storey homes located in established neighbourhoods and priced from $185,000 to $225,000. Demand remains strongest for this type of product. While vendors can expect days on market to inch up, homes that are priced realistically will continue to move.

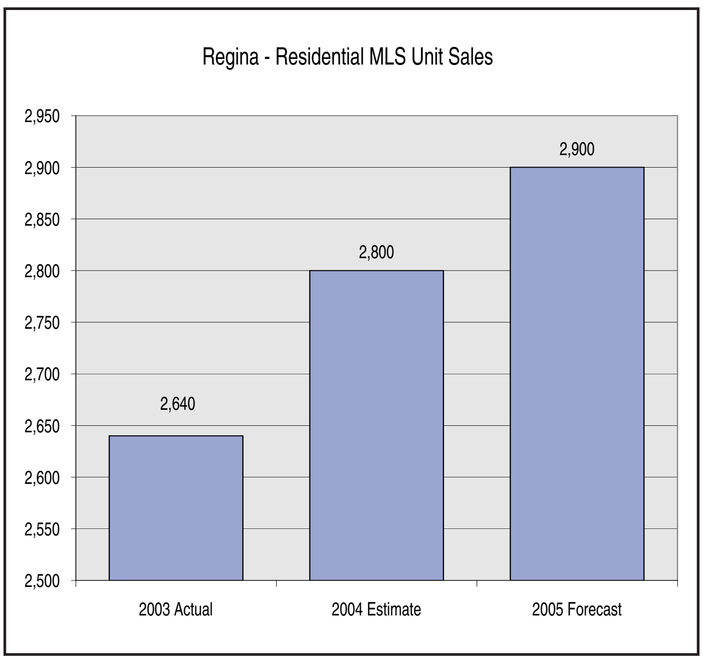
Multiple offers will still be quite rare in Regina. However, entry-level product priced from $100,000 to $125,000 is most likely to experience bidding wars, as young purchasers are always eager to invest a little sweat equity for a good deal. Yet, even in this category, few homes will sell for over list price. While inventory levels continue to rise, the need to act quickly will not diminish altogether, as days on market presently averages approximately 23 days.

The condominium market, which has been relatively strong in recent years, is forecast to slow in 2005—particularly in the entry-level segment, where demand, in large part, has been satisfied. As a result, prices for the smaller units may not appreciate as strongly as the rest of the condo market, which, on the whole, should continue to experience price appreciation in the neighbourhood of one or two per cent in 2005.



Another stellar year is expected for the luxury home market in Regina in 2005. This, following on the heels of what is certain to be a record year in the upper-end in 2004, with sales of homes priced in excess of $250,000 more than 40 per cent ahead of the previous year. The baby boomer segment and purchasers from outside of the province are expected to drive demand once again. Sales are forecast to remain on par, as prices continue to rise in tandem with the overall market.

Growth in the housing sector in 2005 is expected to be more moderate than in 2004. Annual unit sales are projected to reach the near-record pace set in 1997, with 2,900 homes expected to change hands. Average price will climb 4.5 per cent, reaching $115,000 for the first time ever. Regina's real estate market could exceed expectations in 2005, if favourable weather gives way to healthy crops and the strength of the oil and gas sector continues to benefit Saskatchewan.



ALBERTA

Edmonton

The resurgence of the oil and gas sector has buoyed residential housing in Edmonton this year, driving up unit sales and average price across the board. Combined with a strong provincial and local economy and low interest rates, unit sales are expected to reach 18,500 units in 2004, up close to 14 per cent over 2003 levels. Average price is forecast to climb approximately eight per cent, rising to $179,000.

Housing in Edmonton continues to be among the most affordable in the country. The city's average price is $40,000 to $50,000 less than its neighbours to the south (Calgary) and north (Ft. McMurray). Given attractive housing values, job opportunities, and a thriving metropolitan area, Edmonton has seen tremendous growth in 2004. Even with the threat of mortgage rate hikes, the market is forecast to improve yet again in 2005.

Both the local and provincial economies will continue to grow, and in the process, Edmonton will lead the nation in job creation. Both employment and wage gains for existing residents, as well as migrant and immigrants, will help to fuel future consumer spending and the demand for housing.

Inventory levels have seen vast improvement over 2001, with the number of listings growing on an annual basis. Now at approximately 5,000, the market is considered balanced - a win/win situation for both buyers and sellers. Although there continue to be those homeowners who test the market with overpriced listings, these homes tend to stagnate now, unlike market conditions in 2001 and 2002 when they were quickly snapped up in multiple offer scenarios.

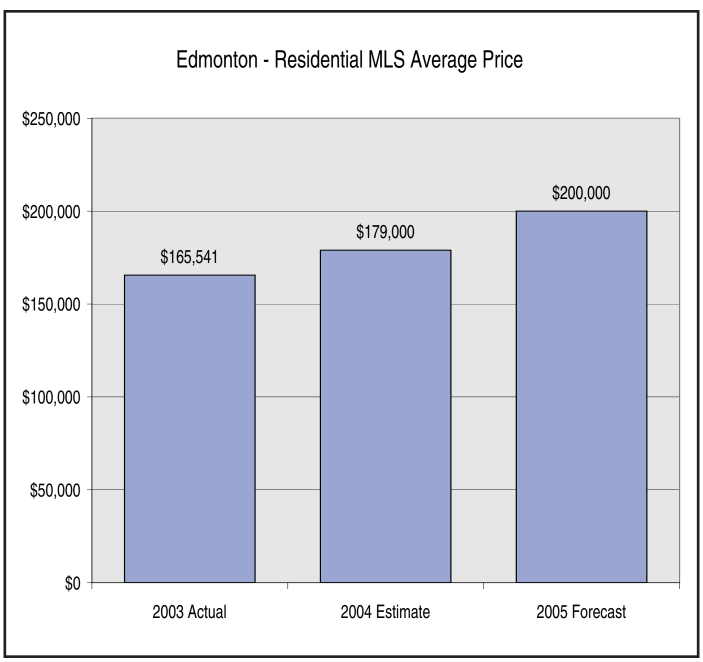
First-time buyers will continue to be the engine driving housing activity. Encouraged by low interest rates and government incentive programs, first-time buyers can easily afford to buy a home in Edmonton, with the average price for a condominium hovering at $140,000 and a single-family dwelling typically priced at just over $200,000.

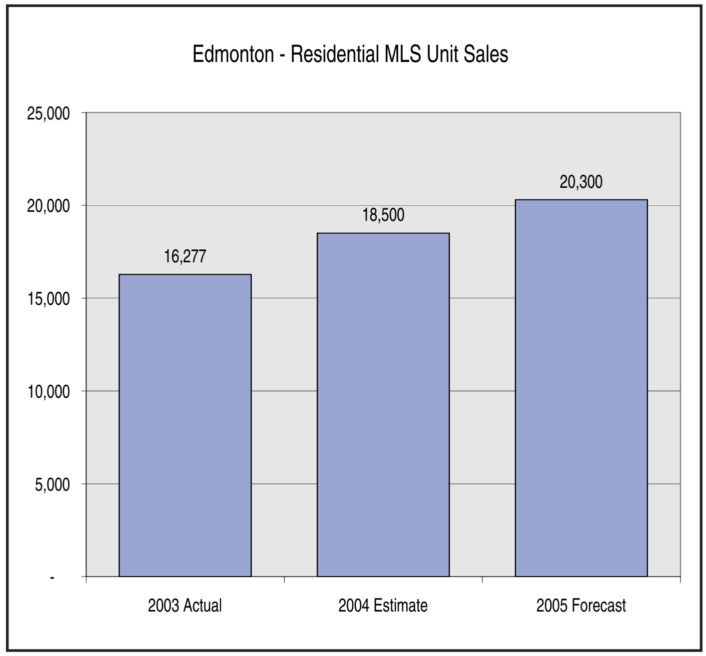
Move-up buyers are expected to play an even more significant role in 2005 as they cash in on equity gains and trade-up to larger and often more expensive housing. The upper-end of the market is forecast to be strong, not unlike 2004 when sales of homes priced over $500,000 climbed an estimated 60 per cent over the previous year. Baby boomers should continue to influence the upward momentum in the upper-end of the market. More upscale condominium projects such as the Abbey Lane One River Park development, which was sold out prior to completion, are anticipated as builders and developers target the aging baby boomer segment.

Condominiums will continue to represent a significant portion of total residential sales in 2005. In 2004, they comprised approximately 25 per cent of the market. At least one in every four sales in 2005 will involve a condominium. First-time buyers and empty nesters are attracted to the lifestyle and location, especially those that are located in West Edmonton. A growing number of units are purchased as a long-term investment by parents of students attending the University of Alberta. Instead of renting, parents are buying the condominium units outright and, for many, the move proves cheaper than renting.

By year-end, residential units sales in Edmonton are expected to climb to record levels, surpassing the 2004 estimate of 18,500 units by 1,800. The 10-12 per cent increase will be the second consecutive year of double-digit growth in unit sales activity.

Healthy price appreciation is also expected in Edmonton for 2005, especially if the supply of new housing is reduced. The actual increase will be predicated on whether vendors decide to increase or decrease the number of listings, and therefore tip the balance in favour of buyers versus sellers. By the end of 2005, the average price of a home in Edmonton should be close to $195,000, and depending on the other variables noted above, Edmonton homeowners could see the average price of a home break the $200,000 mark for the first time.





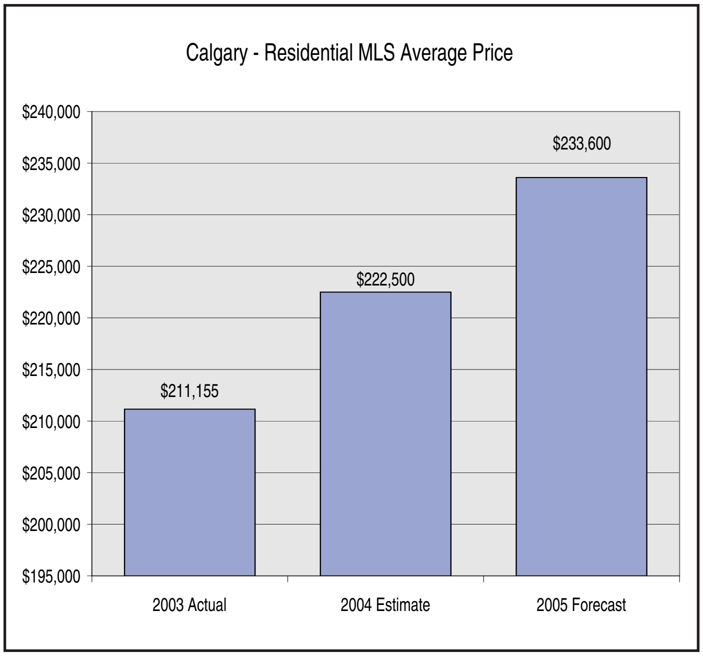
Calgary

Calgary's housing market has been propped up by one of the strongest local economies in the country, which over the last 10 years has recorded an average growth rate of 4.1 per cent. A strong job market and low unemployment continues to attract job seekers from outside the region, leading to solid population growth and a rising demand for resale product. Given the solid foundation, Calgary is on track to see sales reach 26,400 units, an eight per cent increase over 2003. Housing values will see healthy appreciation at five per cent, bringing average price to $222,500.

The Conference Board of Canada reports that Calgary's real GDP growth is projected to reach 4.6 per cent in 2004. Investment in the energy sector, strong in-migration and brisk non-residential construction are fuelling economic activity. The positive news is expected to continue into 2005, further increasing the trend toward homeownership. Between 2001 and 2003, the vacancy rate in Calgary climbed from 1.1 per cent to 4.4 per cent, as renters entered the market en masse. Newcomers to the city also created further pressure on the market.

Inventory levels are adequate at present, but a shortage does exist in the central core of the city. Builders have been making the most of the lots that can be had, especially given the shortage of R2 lots. Many are tearing down the existing home on these lots and constructing two large, but narrow, houses in its place. Supply has already experienced some improvement in recent months, and that is expected to continue into 2005. However, a shortage will continue in the inner city.

The condo market has been going strong in the city for several years now. The highest sale involving an apartment condominium took place in 2004, with the sale price

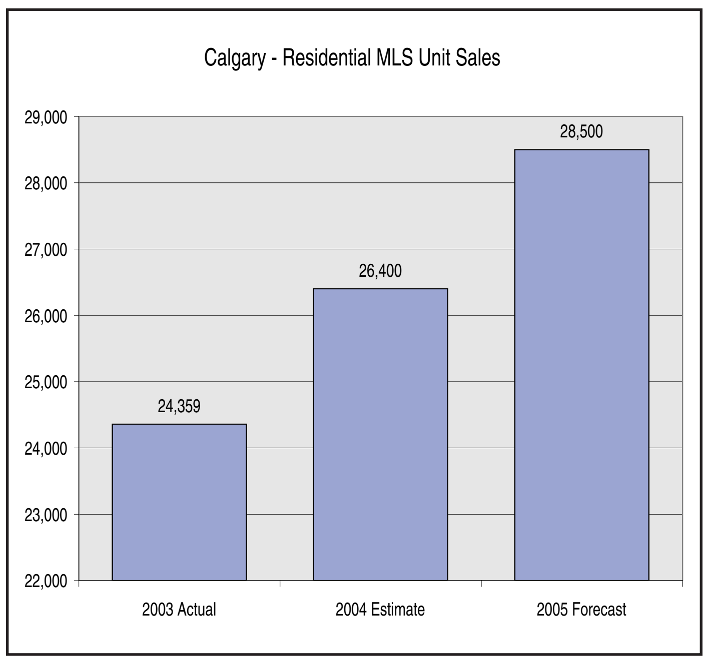


reaching an unprecedented $1 million. Market share rose to 25.6 per cent, up from 24.2 in 2003. However, speculation is that new construction has created an oversupply in the market and that a correction is imminent. Yet, as prices and interest rates rise in tandem, and as more young people enter the housing market, there will continue to be healthy, on-going demand for condominiums in the city.

Rather than discourage purchasers, interest rates will in fact be the impetus driving many buyers into the market in 2005. Consumer confidence and job security levels remains high, and as such, many realtors predict mortgage rates would have to hit eight per cent before there is any significant impact on demand. In fact, Calgary—the unofficial head office capital of Canada—is expected to see several new companies join the fold in 2005. One very prominent move is the relocation of Esso headquarters to the city from Toronto. This type of activity is forecast to have a positive impact on the move-up market, particularly in the $300,000 to $400,000 price range, as employees and executives get settled.

Demand continues to be strongest for entry-level product priced in the $200,000 to $250,000 range. In the suburbs, that will typically buy a two-storey home with a garage and a fair-sized lot. With the price of building materials increasing, a shortage of skilled tradespeople and a projected slowdown in new housing starts in Calgary in 2005, further pressure may be exerted on the resale market, negating some of the benefits brought about by rising inventory levels. Baby boomers are driving demand for single-level living, particularly bungalows. A significant number continue to move on up, and this has sparked a record year in 2004 for Calgary's upper-end. No softening is expected in 2005, as prices and sales continue to rise.

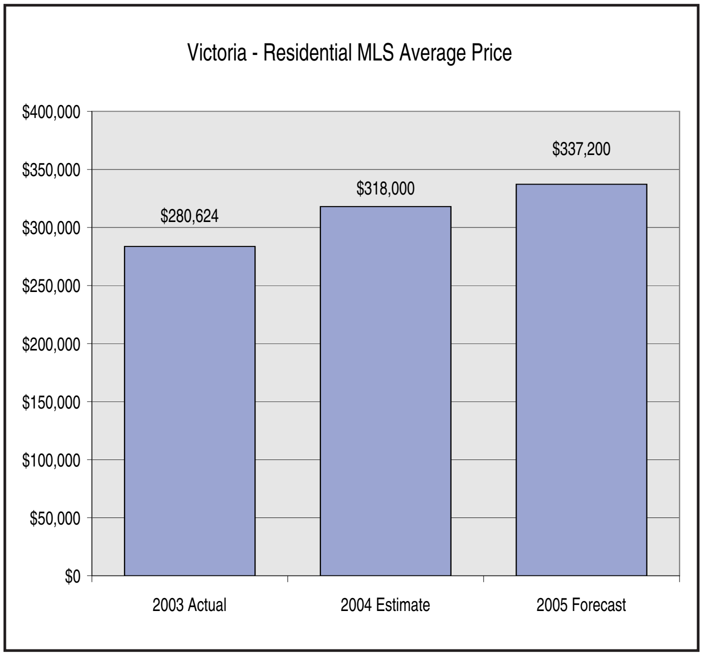
The effects of BSE, while still a factor, are more evident in the rural residential market. The impact on Calgary proper at present is nominal. Purchasers can expect the same market conditions that were prevalent throughout 2004 to continue into 2005. Product will continue to move quickly, as prices are expected to see a further five per cent increase to $233,600. Unit sales are forecast to gain solid momentum, rising eight per cent for the second consecutive year to reach 28,500 units.



BRITISH COLUMBIA

Victoria

After several consecutive years of frantic activity, the resale housing market in Victoria appears to be returning to more sustainable levels. The increase in the number of homes listed for sale has helped ease some of the upward pressure on pricing and given potential purchasers greater choice. As a result, the number of homes sold in Victoria is expected to decline marginally to 7,300 units by year-end while average price is forecast to appreciate by more than 13 per cent over 2003 levels to $318,000, topping the $300,000 threshold for the first time in history



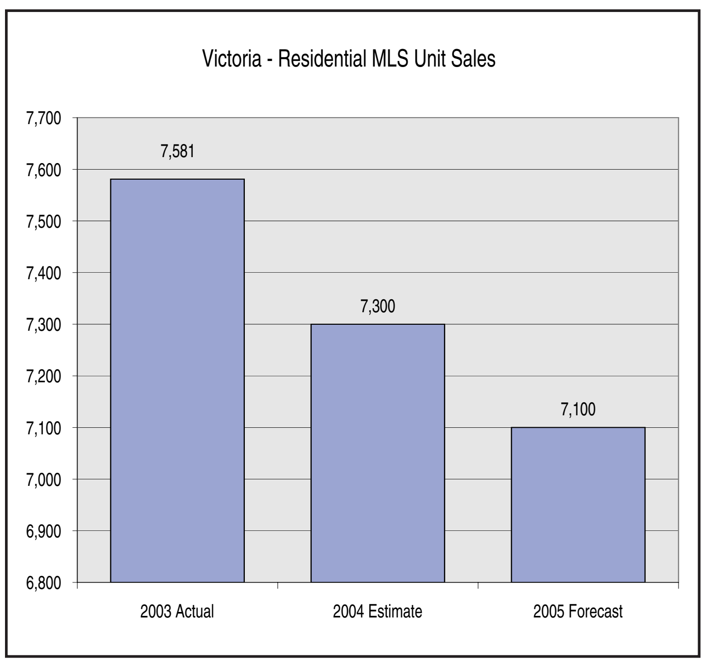
Although the availability of affordable product continues to be a problem in Victoria, buyers are beginning to look at alternative forms of housing. Sales of condominium apartments have soared as a result, with new condominium developments moving fast and furious. Investment is also a key factor in this market, with local purchasers vying with out-of town/province/country buyers for available product.

Fortunately, a number of condominium projects are on the drawing board for 2005 and beyond. The market is tight at present but expected to soften as more product comes on stream. Pent-up demand -- which had been growing while builders and residents sorted out the leaky condo issue – is reaching a saturation point.

Approximately 65 per cent of all residential sales in Victoria involved single-detached housing in 2004. Entry-level product – considered a 1,500 to 1,600 sq. ft. home in a good location or a small lot in a newer subdivision – is now priced over $380,000 on average. New home construction prices are climbing as land value rises and building costs appreciate. Some subdivisions have seen house prices jump close to 50 per cent in less than two years.

Baby boomers are once again expected to lead the charge, fuelling demand for everything from condominiums to waterfront properties. The upper-end of the market stands to gain the most from the trend, with sales of properties priced in excess of $700,000 doubling in 2004 compared to 2003.

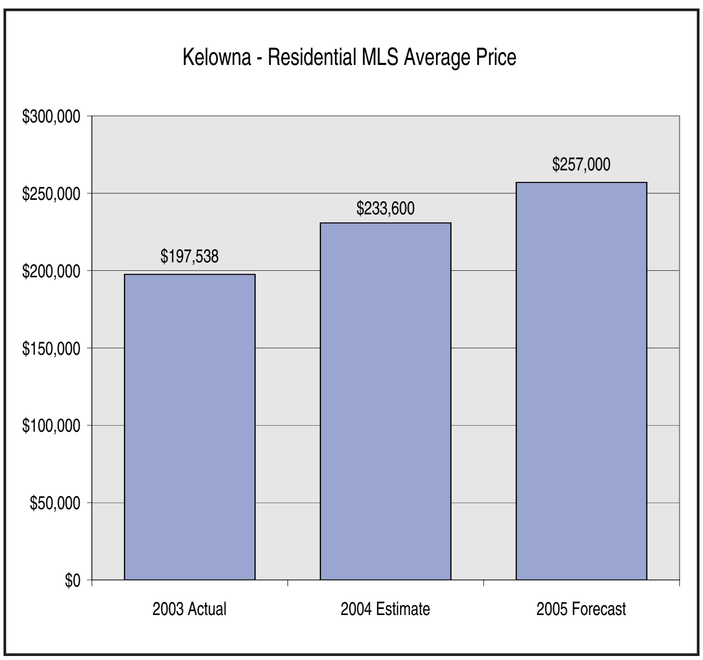
Looking forward to 2005, buyer demand is expected to wane somewhat, and as a result, unit sales are expected to slightly diminish. Affordability is of great concern, especially when coupled with upward price momentum and anticipated increases in mortgage rates. The one-two combination is expected to take at least some of the steam out of home sales. The outcome of the provincial election in 2005 is also predicted to have an impact on the housing market. As such, the number of homes sold is forecast to continue its downward trend with a three per cent reduction, finishing the year at 7,100 units. Like many markets across the country, however, the average price of a home in Victoria will edge upward but at a much slower pace. By year-end 2005, average price is projected to rise to $337,200, an increase of six per cent over 2004.



Kelowna

A shortage of inventory and favourable interest rates continued to be the main factors behind Kelowna's heated real estate market in 2004. Pent-up demand kept sales activity at a steady pace through much of the year, as any quality product that came on stream was quickly snapped up by eager purchasers. Strong price gains have already been recorded, and average price should reach $233,600 by year-end, an unprecedented increase of 18 per cent. Unit sales have been brisk and are on track to finish the year at 7,500—seven per cent higher than the previous year and a new record for the city.

Conditions in 2005 should improve from the tight market currently in place, as listing activity has already begun to rise. This should give buyers a chance to catch their breath, as the sales to listing ratio—hovering between 90 and 95 per cent for much of 2004—begins to ease. Solid in-migration will prop up the demand for housing in the year ahead, as the lifestyle that the Valley offers will continue to be an attractive factor to many. An increasing number of American and international purchasers will also be active in Kelowna's market in 2005, as the area represents outstanding value for most foreign buyers.



The economic picture looks bright for 2005, as the city has experienced positive employment growth which has improved the financial capacity of many families, by adding a second income. For example, a large call centre has recently announced plans to move to Kelowna, bringing with it approximately 1,000 jobs by next year. Consumer confidence has risen with the employment numbers, and the optimism that a resolution is in sight for the softwood lumber industry. Many suspect that the upcoming provincial election will lead to another win for the Liberals which should further contribute to economic growth and stability.

First-time buyers continue to be active in 2005, but the driving force behind the continued momentum will be the move-up buyers and baby boomers who are investing in housing like never before. A number of developments have come on stream catering to this segment. In fact, 14 new high-end condo and resort developments are underway or proposed for the city. Presales have been going very well, with 50 to 60 per cent of all units sold within the first 90 days. A phenomenal finding by the CMHC indicates that multi-family starts will exceed single family starts for the first in Kelowna's history. Condominiums in general have seen price increases in the area of 10 to 20 per cent in 2004 depending on location. Strong demand exists for this type of product, which has seen a 25 per cent increase in sales in the past year. Price appreciation is expected to moderate in 2005, closer to 10 per cent.

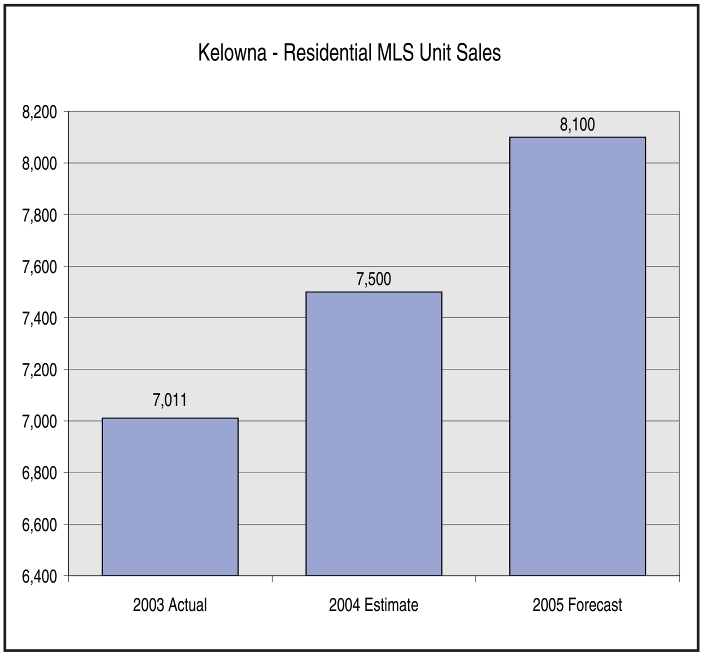
Local, second-home purchasers have been having a greater impact on the market. Many are purchasing on the ski hill, with apartment condos priced from $100,000 to $110,000 greatest in demand. Many are willing to spend up to $275,000 which will buy a furnished, two-bedroom condominium, with approximately 1,200 sq. ft. of living space.

The upper-end of the market has begun to experience some price resistence, and as such gains in this segment are also expected to moderate next year, though sales are expected to remain on par. Upper-end purchasers will continue to be active in neighbourhoods such as Upper Mission, Mission Hills and the new subdivision of Wildon.

Demand remains strongest for single-family homes priced in the $210,000 to $275,000 range and for condos and towns priced from $200,000 to $225,000. This type of product is expected to remain in very short supply in 2005, and as such, vendors should continue to realize top dollar if their homes are priced competitively. Multiple offer, however, will become a rare phenomenon.

A shortage of skilled tradespeople is expected to continue to put upward pressure on pricing for new construction, and as a result, resale product may experience a rise in demand. Gradually rising inventory levels are not expected to ease all of the pent-up demand in 2005, and therefore tight market conditions, while somewhat improved, will continue to persist. Recently, average days on market has dropped from 57 to 52.

Overall in 2005, sales should experience a further eight per cent gain to 8,100 units—a first for the city, while average price rises a further 10 per cent to break the $250,000 price mark at $257,000.

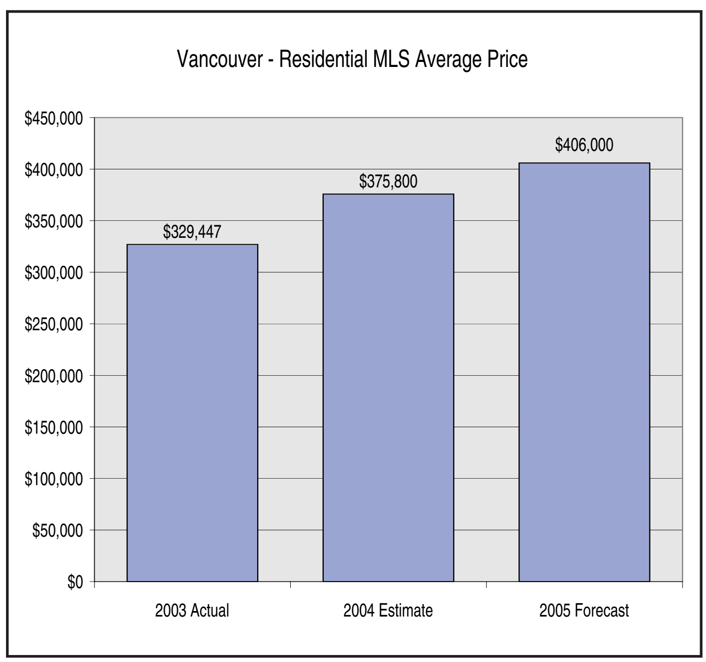


VANCOUVER

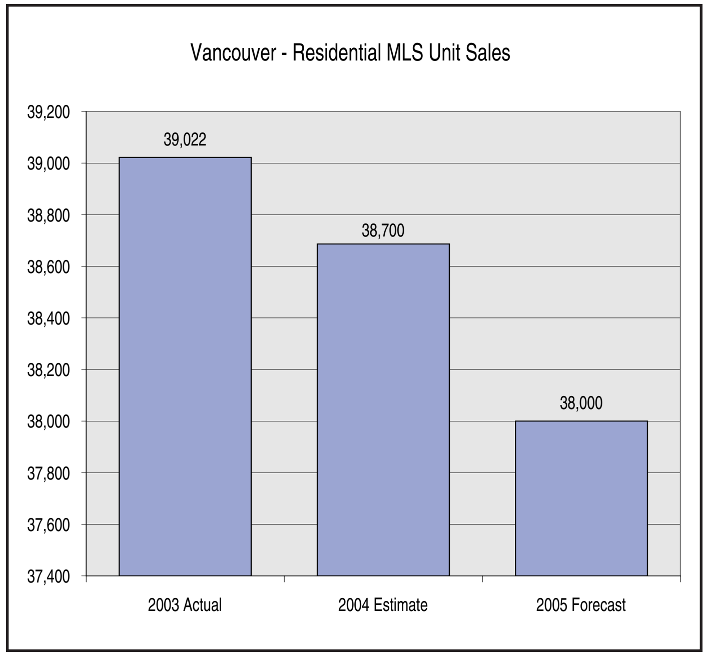
The Vancouver real estate market has thus far recorded a stellar year in 2004, keeping pace with the record year experienced in 2003. Buyers continued to enter the housing market en masse, spurred on by high consumer confidence and continued low interest rates. Further contributing to the strong demand was a solid provincial and local economy, high net migration, the rebound of the tourism sector and positive employment growth. Pent-up demand and limited inventory levels have also fuelled the momentum, which has the city poised to set a new benchmark once again. Vancouver will retain its title as Canada's most expensive market in 2004, with average price expected to near $376,000 by year-end—a remarkable 14 per cent increase, the largest annual price gain in over a decade. Unit sales will end the year virtually on par with 2003 levels, reaching 38,700—a slight decrease of one per cent.

Purchasers awaiting a slowdown in 2005 should rethink their strategy, as the fundamentals are in place for Vancouver's real estate market to maintain its current pace. Low inventory levels across all price ranges have many purchasers still waiting in the wings for the right product to come on-stream. There continues to be a sense of urgency in the marketplace, but conditions have slowed from the torrid pace set earlier this year. A solid employment outlook is the impetus behind many purchasing decisions. Interest rates also continue be a significant factor, as they remain historically low. The volume of first-time purchasers may drop off slightly in 2005, as prices edge up further, following the large gain experienced in 2004. Despite this, current indicators suggest that the vast majority of young people who are serious about homeownership will continue to find ways into the market, be it through the RRSP Homebuyers Program, five per cent down incentives or parental loans.

The affordability factor may cause some to adjust their expectations in 2005. The condominium market has been a significant beneficiary as a result. Where once it was considered an alternative housing option (versus detached homes), it has now become a widely accepted form of housing—a choice of lifestyle—and many are making the move to this type of living. Condominiums now account for approximately one in every four sales in the city or 25 per cent. The condo market in the downtown core, however, has become over-saturated in the past couple of years as vacancy rates edge up. A growing number of investors are selling out before completion to cash in on price gains. Outside of the core, supply continues to keep pace with demand.



The shortage of entry-level, detached homes, priced from $350,000 to $750,000 will continue be a challenge for those in the first-time and first-time move-up segment. As such, move-up buyers and the baby boomers should be the main force driving the market in 2005. Also contributing to the ongoing solid demand will be migrants to the area from other parts of the province and country. International purchasers, many from the U.S., are also a growing force in the Vancouver marketplace. This segment has helped to prop up sales in the upper-end of the market, as even prime listings such as waterfront properties continue to seem like bargains when compared to the price of U.S. real estate.



Multiple offers will continue to be commonplace in 2005, though they have already become less prevalent than earlier this year. In particular, the blue chip communities of Vancouver Westside and West Vancouver have seen the highest percentage of asking price in 2004, and that is expected to be the case next year as well. The same factors and conditions in place in 2004 will continue to impact the market in 2005. Purchasers can expect a very competitive market. Meanwhile, vendors will have to be in tune with conditions more than ever, as fewer buyers seem willing to pay more than fair value. Overpriced listings will stagnate in 2005.

Inventory levels are expected to slowly rebound in 2005, but a strong seller's market will continue to prevail, buoyed by further employment growth brought about by building activity taking place in preparation for the 2010 Olympic games. Double-digit price gains are not expected, but instead appreciation should round out 2005 near eight per cent, pushing average price near $406,000—the first time in Vancouver's history it is forecast to break the $400,000 threshold. Unit sales are expected to maintain the momentum, finishing out 2005 at 38,000—a two per cent decrease from 2004 and virtually on par with 2003 levels.

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* Source for all charts: CREA, TREB, RE/MAX & N. BARRY LYON CONSULTANTS LTD.