

# H

# HOUSING NOW

London

## YOUR LINK TO THE HOUSING MARKET

Canada Mortgage and Housing Corporation

ISSUE 16  
THIRD QUARTER 2002

### New Homes

#### Hammers resonate on high note in the third quarter of 2002

Single-detached housing starts in the London CMA (census metropolitan area) tallied 553 units in the third quarter of 2002. This is up an impressive 38 per cent over the same period last year. Single starts have been running at a seasonally-adjusted annual rate (SAAR) of about 2,000 units since the beginning of the year, a level not seen since the housing boom of the late 1980's.

Important factors affecting housing demand remained generally positive in the third quarter. Mortgage rates edged lower in the 3rd quarter, boosting housing affordability. The turnaround in local employment

which began in the 2nd quarter has continued. Confidence among Ontario's consumers is still at a good level but showed signs of slipping, especially in September. This is likely a reflection of uncertain economic conditions in the U.S. and events in the Middle East.

Northeast London continues as the most active area for single starts with 237 units underway, closely followed by West London (222), South London (194), St. Thomas (187) and North London (184). Serviced areas in the annexed areas and new phases in existing subdivisions have given consumers greater choice.

Starts on row home ownership units were very strong in the third quarter

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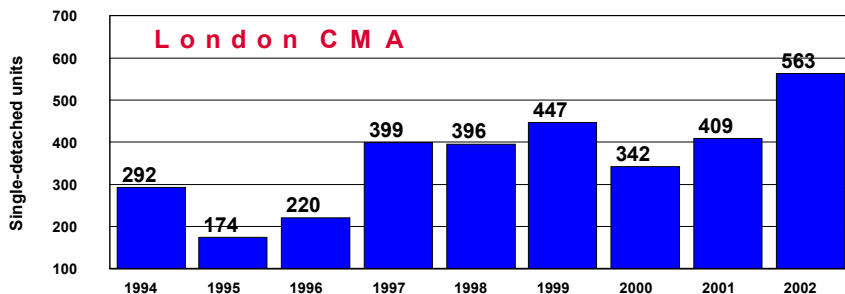
##### Resale Market

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- Mortgage rates decline slightly. Consumer confidence slips.

Starts on singles outpace previous 3rd Quarter levels of activity



Source: CMHC, 3rd quarter single starts 1994-2002

with footings poured for 97 units up from 53 units in 2001:Q3. These units are targeted to professionals and empty nesters. Prices for these row units generally start at \$160,000 with cluster single condos pricing beginning at \$200,000.

The resale housing market continued at its torrid 2002 record pace in the third quarter with sales near the 8,000 unit SAAR level.

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HOME TO CANADIANS  
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# Retirement Homes Report

## Ontario

Canada Mortgage and Housing Corporation

2002 ANNUAL SURVEY

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### Ontario 2002 Retirement Homes Report

Do you want to learn more about the dynamic retirement home market in Ontario? If that's the case, one of the tools that you will need in order to succeed is CMHC's annual **Retirement Homes Report**. This Market Analysis product from CMHC will give you a comprehensive look at this specialized market.

The **Retirement Homes Report** is a detailed Ontario wide report with survey findings by market area covering vacancy rates and per diems by bed type, capture rates and new supply. Rent distributions and cross tabs are new features that enhance this excellent tool.

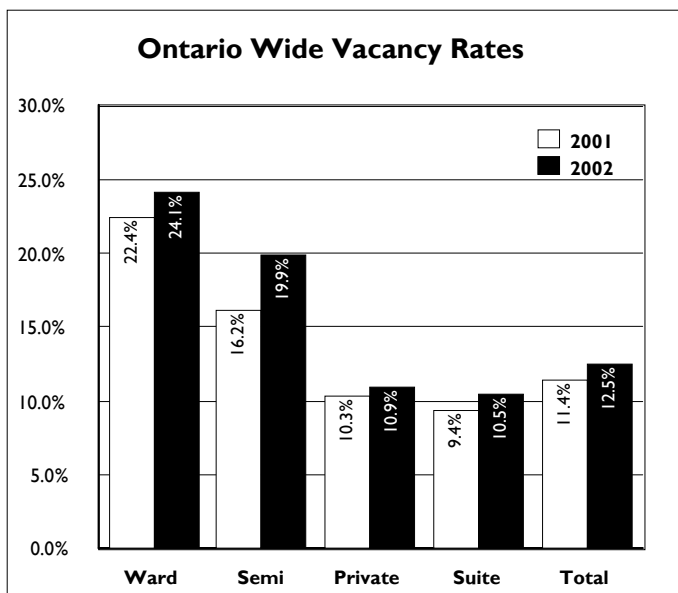
Get the information you need to keep pace with the market. Order your copy now by calling **1-800-493-0059**.



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## Vacancy Rate in Ontario Increases to 12.5%

- Canada Mortgage and Housing Corporation's (CMHC) 2002 Retirement Homes Survey captured a total of 35,922 privately initiated beds in Ontario with 4,415 beds reported as being vacant and available for rent. The 12.5 per cent vacancy rate was up from 11.4 per cent in 2001.
- Vacancy rates were higher for all room types. The highest rate was for ward accommodation with 24.1% of ward beds vacant. The popular private bed, accounting for just over 70 per cent of the total supply of retirement home beds recorded a vacancy rate of 10.9%. The average per diem for a private bed in Ontario was \$69.
- In the London-Middlesex County market, 19 retirement homes accounting for a supply of 1,085 beds recorded a vacancy rate of 7.8 per cent in 2002. The average per diem rate for a private bed was \$72.



**Table I: Starts by Area and by Intended Market  
London Census Metropolitan Area (CMA)**

	Single-detached units			Ownership		Condominium		Rental		Total
	Freehold	Condo	All	Freehold Semi	Row	Semi	Row	Private Row	Apt.	
<b>LONDON CMA</b>										
Third Quarter 2002	553	13	566	10	14	2	83	0	4	679
Third Quarter 2001	385	24	409	8	6	2	47	20	8	500
Jan-Sep. 2002	1,502	51	1,553	16	33	4	181	9	240	2,036
Jan-Sep. 2001	918	76	994	12	12	4	139	20	8	1,189
<b>London City</b>										
Third Quarter 2002	393	11	404	8	14	2	65	0	4	497
Third Quarter 2001	265	24	289	4	6	2	39	20	8	368
Jan-Sep. 2002	1,038	43	1,081	14	33	4	155	9	240	1,536
Jan-Sep. 2001	642	76	718	8	12	4	131	20	8	901
<b>St. Thomas City</b>										
Third Quarter 2002	78	2	80	0	0	0	0	0	0	80
Third Quarter 2001	57	0	57	0	0	0	4	0	0	61
Jan-Sep. 2002	179	8	187	0	0	0	5	0	0	192
Jan-Sep. 2001	122	0	122	0	0	0	4	0	0	126
<b>Central Elgin</b>										
Third Quarter 2002	6	0	6	0	0	0	5	0	0	11
Third Quarter 2001	17	0	17	0	0	0	4	0	0	21
Jan-Sep. 2002	42	0	42	0	0	0	5	0	0	47
Jan-Sep. 2001	47	0	47	0	0	0	4	0	0	51
<b>Middlesex Centre</b>										
Third Quarter 2002	22	0	22	0	0	0	13	0	0	35
Third Quarter 2001	23	0	23	4	0	0	0	0	0	27
Jan-Sep. 2002	78	0	78	0	0	0	16	0	0	94
Jan-Sep. 2001	52	0	52	4	0	0	0	0	0	56
<b>Southwold Township</b>										
Third Quarter 2002	8	0	8	0	0	0	0	0	0	8
Third Quarter 2001	9	0	9	0	0	0	0	0	0	9
Jan-Sep. 2002	17	0	17	0	0	0	0	0	0	17
Jan-Sep. 2001	22	0	22	0	0	0	0	0	0	22
<b>Strathroy-Caradoc Township</b>										
Third Quarter 2002	26	0	26	2	0	0	0	0	0	28
Third Quarter 2001	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.
Jan-Sep. 2002	85	0	85	2	0	0	0	0	0	87
Jan-Sep. 2001	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.
<b>Thames Centre</b>										
Third Quarter 2002	20	0	20	0	0	0	0	0	0	20
Third Quarter 2001	14	0	14	0	0	0	0	0	0	14
Jan-Sep. 2002	63	0	63	0	0	0	0	0	0	63
Jan-Sep. 2001	33	0	33	0	0	0	0	0	0	33

Source: CMHC

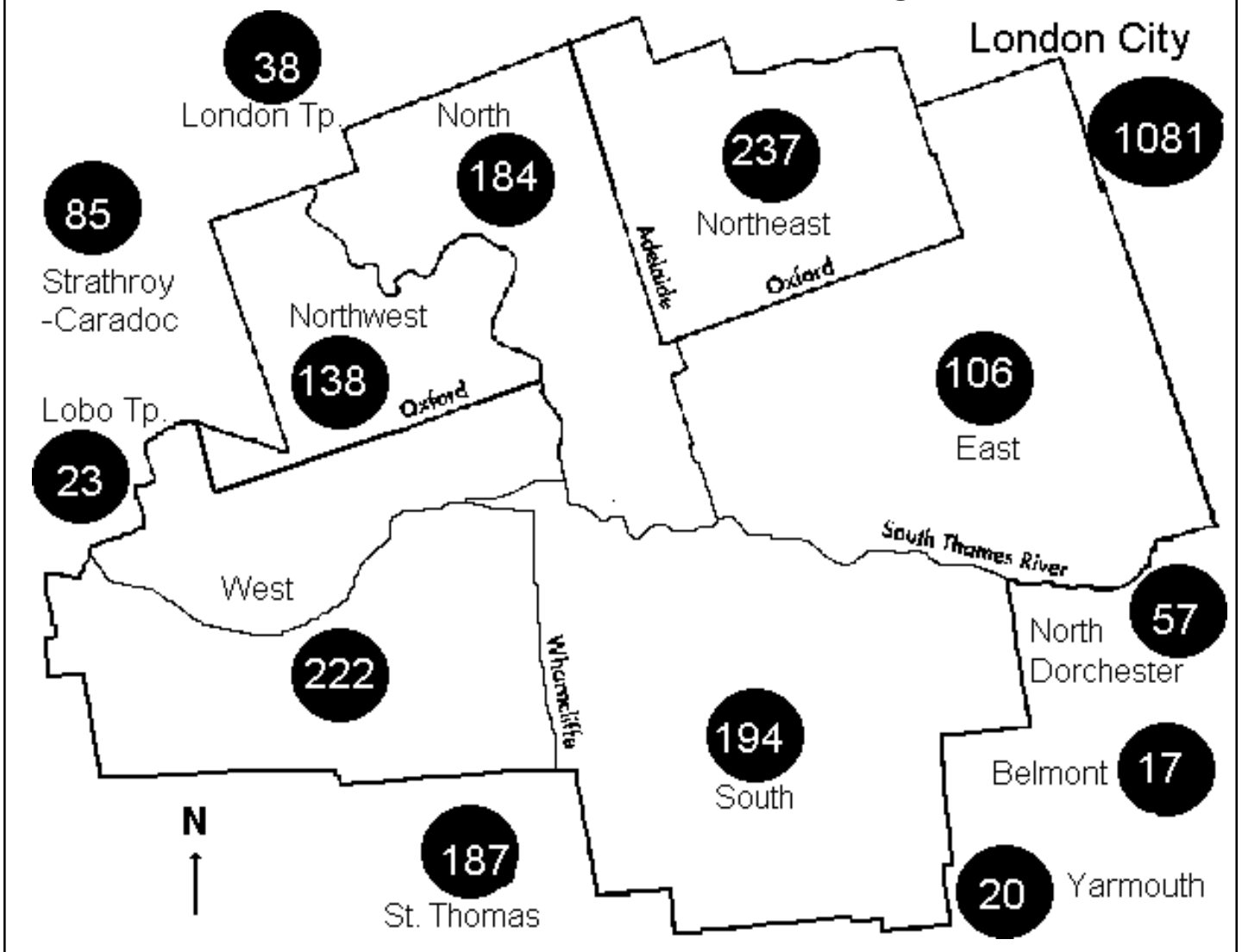
Note: Municipal amalgamations have resulted in the creation of the Municipality of Central Elgin which includes Belmont, Port Stanley and Yarmouth Township; the Municipality of Thames Centre which includes the Townships of North Dorchester and West Nissouri; and, the Township of Middlesex Centre which includes the Townships of Delaware, Lobo, and London.

The amalgamated Strathroy-Caradoc Township was first included as a component of the London Census Metropolitan Area, starting in January 2002. The boundary change was made based on the results of the 2001 Census of Canada. As such, 2002 new housing figures are not directly comparable with 2001 figures.

n.s. = no survey results.

# WHERE'S THE HAMMERING BY SUB-MARKET

Single-detached starts in the London CMA were up 56% at the end of September 2002 reaching 1,553 units



Sub-markets not shown on the map accounted for 45 of the 1,553 single-detached units that were started in the London CMA (census metropolitan area) during the first 9 months of 2002. The 45 singles included 17 houses in Delaware Tp., 17 units in Southwold Tp., 5 units in Port Stanley, and 6 units in West Nissouri Tp.



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Table 2: Housing Activity Summary  
London Census Metropolitan Area (CMA)

	Single-detached units			Ownership			Condominium			Private Rental		Total
	Freehold	Condo	All	Semi	Row	Semi	Row	Apt.	Row	Apt.		
<b>1. STARTS</b>												
Third Quarter 2002	553	13	566	10	14	2	83	0	0	4	679	
Third Quarter 2001	385	24	409	8	6	2	47	0	20	8	500	
% Change	44%	-46%	38%	25%	133%	0%	77%	NA	-100%	-50%	36%	
Jan-Sep. 2002	1,502	51	1,553	16	33	4	181	0	9	240	2,036	
Jan-Sep. 2001	918	76	994	12	12	4	139	0	20	8	1,189	
% Change	64%	-33%	56%	33%	175%	0%	30%	NA	-55%	2900%	71%	
<b>2. UNDER CONSTRUCTION</b>												
September 2002	640	33	673	10	14	6	175	0	0	224	1,102	
September 2001	381	40	421	8	13	2	145	0	20	4	613	
<b>3. COMPLETIONS</b>												
Third Quarter 2002	570	20	590	4	16	2	56	0	9	16	693	
Third Quarter 2001	406	25	431	12	6	2	81	0	0	8	540	
% Change	40%	-20%	37%	-67%	167%	0%	-31%	NA	NA	100%	28%	
Jan-Sep. 2002	1,253	50	1,303	12	22	2	112	0	23	66	1,540	
Jan-Sep. 2001	824	49	873	14	12	2	188	0	0	172	1,261	
% Change	52%	2%	49%	-14%	83%	0%	-40%	NA	NA	-62%	22%	
<b>4. COMPLETED &amp; NOT ABSORBED</b>												
September 2002	73	10	83	0	4	1	48	0	0	6	142	
September 2001	79	13	92	0	5	3	80	0	0	64	244	
<b>5. TOTAL SUPPLY: 2. + 4.</b>												
September 2002	713	43	756	10	18	7	223	0	0	230	1,244	
September 2001	460	53	513	8	18	5	225	0	20	68	857	
<b>6. ABSORPTIONS</b>												
Jan-Sep. 2002	1,269	49	1,318	12	23	4	155	0	28	124	1,664	
Jan-Sep. 2001	875	45	920	16	11	3	212	0	0	199	1,361	
September 2002	195	6	201	0	6	0	18	0	10	16	251	
Previous 3-month Average	174	6	180	3	3	1	16	0	3	20	226	
Previous 12-month Average	132	7	139	2	3	0	21	0	2	11	178	

Source: CMHC

## Definitions

**1. Starts:** refers to units where construction has advanced to a stage where full (100%) footings are in place. For multiple dwellings (semi-detached, row housing and apartments) the definition of a start applies to the structure or block of row units rather than to the project as a whole.

**2. Under Construction:** those units which have been started but which are not complete.

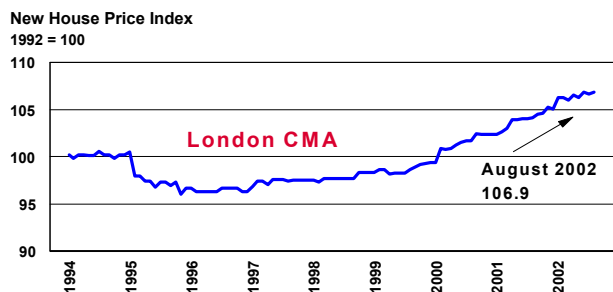
**3. Completions - Single-detached/semi-detached units:** this generally is the stage at which all proposed construction work is complete. A unit may be completed at the 90% stage where the remaining work is largely cosmetic. **Row housing/ Apartment:** completions means that 90% or more of the dwelling units within a block of row units or an apartment structure are completed and ready for occupancy

**4. Completed and Not Absorbed:** all completed units of new construction (excluding model homes not available for sale) which have never been sold or leased.

**5. Total Supply:** refers to the number of units under construction at month end plus the number of units completed in the current month or previous months that have not been leased or sold (excludes model homes not available for sale).

**6. Absorptions:** the number of completed units (excluding model homes) that have been sold or leased.

## New home prices up 2.6%



Source: Statistics Canada, Jan. 1994 - August 2002

## House prices on the rise

Following years of stagnant or declining new home prices in the London CMA, the New Home Price Index in August 2002 showed prices up 2.6 per cent.

An increasing share (almost 55% YTD) of the single-detached new home market in the London CMA is accounted for by homes priced above \$190,000 (see graph p. 8). The median sale price hit \$200,000 in the 3rd quarter and the average price was \$214,085. The median price was \$210,000 (avg. \$226,362) in London and \$158,500 (avg. \$169,719) in St. Thomas during the 3rd quarter.

Table 3: Absorbed (Completed and Sold) Single-detached units by Price Range  
London Census Metropolitan Area (CMA)

	Annual 2001		Jan-Sep. 2002		3rd Quarter 2002	
	Units	Percent	Units	Percent	Units	Percent
<b>London CMA</b>						
<\$130,000	58	4.4%	41	3.1%	22	3.6%
\$130 to \$149,999	160	12.1%	158	12.0%	67	11.0%
\$150 to \$174,999	251	19.0%	258	19.5%	102	16.8%
\$175 to \$189,999	156	11.8%	146	11.1%	60	9.9%
\$190 to \$219,999	257	19.4%	268	20.3%	128	21.1%
\$220 to \$249,999	178	13.4%	175	13.2%	84	13.8%
\$250 to \$299,999	157	11.9%	166	12.6%	91	15.0%
\$300,000+	107	8.1%	109	8.3%	54	8.9%
<b>Total</b>	<b>1,324</b>	<b>100.0%</b>	<b>1,321</b>	<b>100.0%</b>	<b>608</b>	<b>100.0%</b>
Median Price		\$193,000		\$195,000		\$200,000
Average Price		\$213,315		\$208,731		\$214,085
<b>London City</b>						
<\$130,000	39	4.3%	15	1.7%	6	1.4%
\$130 to \$149,999	101	11.1%	95	10.9%	43	10.3%
\$150 to \$174,999	167	18.3%	153	17.5%	61	14.7%
\$175 to \$189,999	104	11.4%	100	11.4%	44	10.6%
\$190 to \$219,999	171	18.8%	172	19.7%	77	18.5%
\$220 to \$249,999	130	14.3%	120	13.7%	59	14.2%
\$250 to \$299,999	114	12.5%	131	15.0%	75	18.0%
\$300,000+	86	9.4%	89	10.2%	51	12.3%
<b>Total</b>	<b>912</b>	<b>100.0%</b>	<b>875</b>	<b>100.0%</b>	<b>416</b>	<b>100.0%</b>
Median Price		\$196,950		\$200,000		\$210,000
Average Price		\$214,492		\$216,649		\$226,362
<b>St. Thomas</b>						
<\$130,000	13	7.5%	18	11.4%	10	15.6%
\$130 to \$149,999	35	20.1%	31	19.6%	11	17.2%
\$150 to \$169,999	53	30.5%	42	26.6%	20	31.3%
\$170 to \$189,999	24	13.8%	17	10.8%	4	6.3%
\$190 to \$219,999	24	13.8%	26	16.5%	12	18.8%
\$220 to \$249,999	13	7.5%	12	7.6%	3	4.7%
\$250 to \$299,999	9	5.2%	8	5.1%	3	4.7%
\$300,000+	3	1.7%	4	2.5%	1	1.6%
<b>Total</b>	<b>174</b>	<b>100.0%</b>	<b>158</b>	<b>100.0%</b>	<b>64</b>	<b>100.0%</b>
Median Price		\$168,705		\$164,000		\$158,500
Average Price		\$175,622		\$174,939		\$169,719

Source: CMHC

## MLS\* Resale Activity - Actual and Seasonally Adjusted (SA)

Month	2001								
	Number of Sales	% Change	Sales SA	New Listings	SA New Listings	SA Sales/SA New Listings	Active Listings	SA Active Listings	Average Price
January	341	16.4%	530	1,172	1,100	48.2%	3,040	3,500	\$131,109
February	532	-4.3%	550	1,146	1,080	51.2%	3,362	3,490	\$137,134
March	668	-11.6%	580	1,275	1,100	53.0%	3,572	3,480	\$134,748
April	722	10.4%	590	1,279	1,040	56.3%	3,805	3,400	\$138,211
May	820	8.9%	620	1,327	1,070	57.6%	3,774	3,370	\$143,044
June	776	16.9%	630	1,204	1,090	57.4%	3,788	3,330	\$145,599
July	677	21.3%	600	1,180	1,100	54.6%	3,532	3,320	\$136,586
August	673	18.1%	640	988	1,040	61.8%	3,333	3,270	\$130,597
September	558	19.7%	610	945	1,030	59.4%	3,263	3,210	\$131,659
October	576	12.7%	640	903	1,020	62.9%	2,956	3,200	\$136,253
November	537	24.0%	660	856	1,090	60.3%	2,913	3,130	\$130,588
December	427	46.7%	680	506	980	69.7%	2,442	3,020	\$136,343
1st Quarter	1,541	-4.0%							\$134,766
2nd Quarter	2,318	11.9%							\$142,394
3rd Quarter	1,908	19.7%							\$133,033
4th Quarter	1,540	24.7%							\$134,302
<b>Total 2001</b>	<b>7,307</b>	<b>12.3%</b>							<b>\$136,636</b>

Month	2002								
	Number of Sales	% Change	Sales SA	New Listings	SA New Listings	SA Sales/SA New Listings	Active Listings	SA Active Listings	Average Price
January	501	46.9%	770	1,120	1,050	73.9%	2,578	2,970	\$131,581
February	703	32.1%	730	1,079	1,020	71.3%	2,742	2,840	\$141,275
March	763	14.2%	660	1,128	970	68.5%	2,762	2,690	\$136,800
April	931	28.9%	750	1,376	1,120	67.1%	2,969	2,660	\$141,743
May	852	3.9%	640	1,246	1,000	63.8%	2,959	2,640	\$147,046
June	779	0.4%	630	1,062	960	65.2%	2,775	2,440	\$141,981
July	746	10.2%	670	1,125	1,050	63.8%	2,700	2,530	\$142,701
August	695	3.3%	660	981	1,030	64.1%	2,533	2,490	\$141,702
September	591	5.9%	660	935	1,030	63.8%	2,356	2,320	\$144,654
1st Quarter	1,967	27.6%							\$137,070
2nd Quarter	2,562	10.5%							\$143,579
3rd Quarter	2,032	6.5%							\$142,927
Jan-Sep. 2002	6,561	13.8%							\$141,426

\*Multiple Listing Service (MLS) is a registered certification mark owned by The Canadian Real Estate Association.

Notes: Active listings are as at month end.

Individual unit sales of condominium apartments and row houses are included in the residential sales figures shown above.

Residential Other e.g., sales of apartment buildings or townhouse projects are excluded.

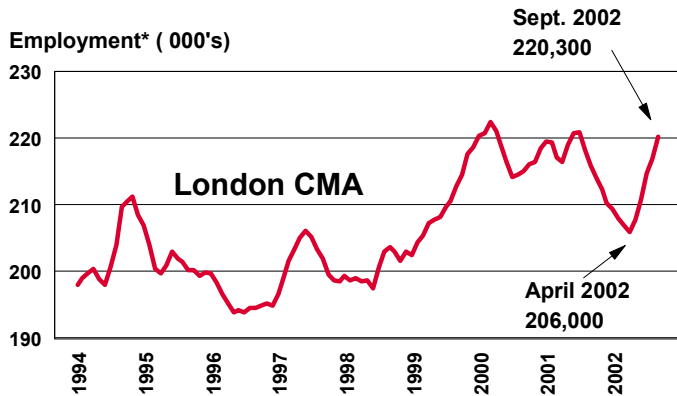
Source: LSTREB/ CMHC

### 2002 Rental Market Survey Results

CMHC conducts its annual October survey of vacancies and rents in markets across Canada with a population of at least 10,000 persons. First results are released on November 26th. Call **1-800-493-0059** to place your order for the London-St. Thomas & Strathroy Rental Market Survey FastFax report (available by fax or electronic pdf file). Request an order form for other Ontario markets and place an order for the comprehensive 12-page London CMA Rental Market Report which will be available prior to year end. Check out our national web site **www.cmhc.ca** for news releases and a wide array of housing-related information.

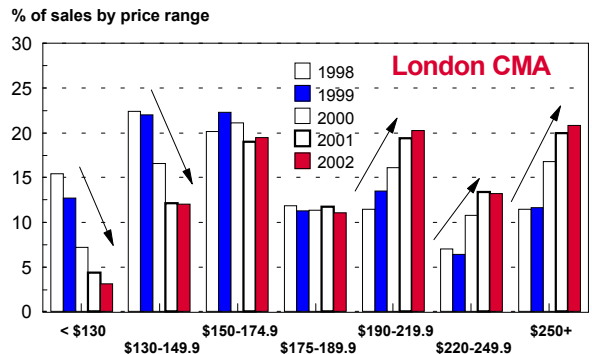
# Economic and Price Indicators

## The Upside on employment



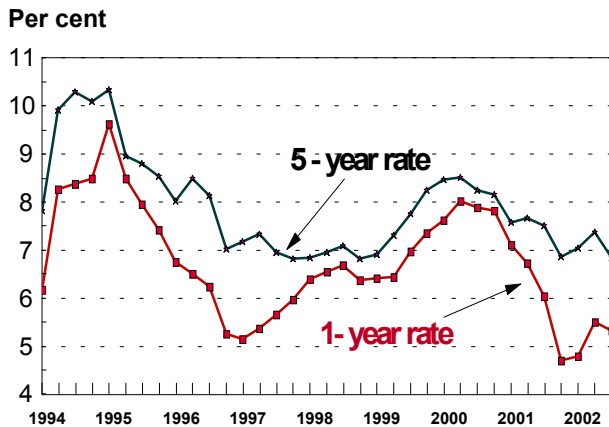
\* seasonally-adjusted 3-month moving avg. ending September, 2002  
Source: Statistics Canada

## Demand for Higher-priced new homes



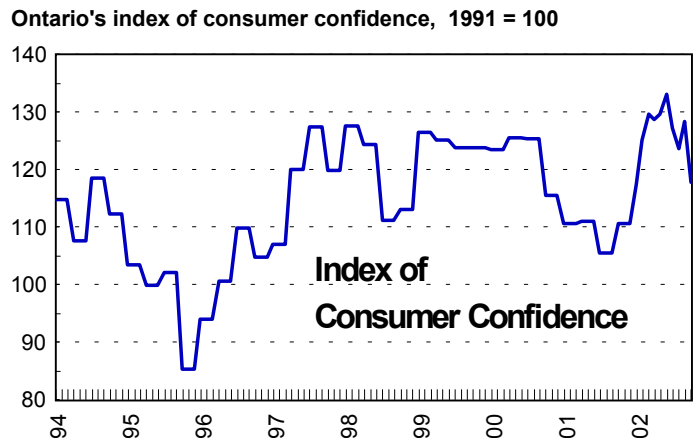
Source: CMHC Market Analysis, 1998-2001, Jan.-Sep. 2002

## Mortgage rates edge lower in the 3rd quarter



Source: CMHC/ Bank of Canada, 1994:Q1 to 2002:Q3

## Consumers less confident in the 3rd Quarter



Source: The Conference Board of Canada, Jan. 1994 - Sep. 2002

Housing Now is published four times a year. An annual subscription to the London Housing Now is \$55+ GST. The subscription also includes a 4-page Forecast Summary report as a supplement with the 1st and 3rd quarter Housing Now reports. For more information and to order, please call Ontario Market Analysis at 1 800 493-0059.

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# FORECAST

London

## SUMMARY

Canada Mortgage and Housing Corporation

ISSUE:  
FALL 2002

### Resale Market

#### Record sales and prices

Low mortgage rates have enhanced affordability in an environment of rising prices. The strong upturn in employment levels since May when combined with the relative attractiveness of residential real estate compared to the faltering equity market, motivated buyers to enter the housing market in record numbers. Sales of existing homes will top 8,000 units in 2002, smashing the record set just last year when 7,307 units were sold through MLS\* in the London & St. Thomas Real Estate Board territory.

And for an encore, the market is expected to turn in another 7,000+ unit sales performance in 2003. This time

activity will be spurred in the first half by continuing low mortgage rates but then the market will feel with a lag the effects of rising rates on affordability, the reduced supply of listings and satisfaction of pent up demand.

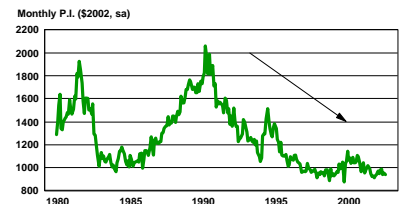
Condo sales at record 19.4% share up from 14.7% in '98

Back-to-back years of record sales has resulted in a dramatic cutback in inventory (2,189 homes available in Nov. '02 compared to 4,126 in Nov. '97); higher prices (Res excl. condo up 4.7% and up 11.2% since '98); and, a sales to new listings ratio breaching the 60% sellers' market ratio. Price increases will be more muted in 2003.

#### IN THIS ISSUE

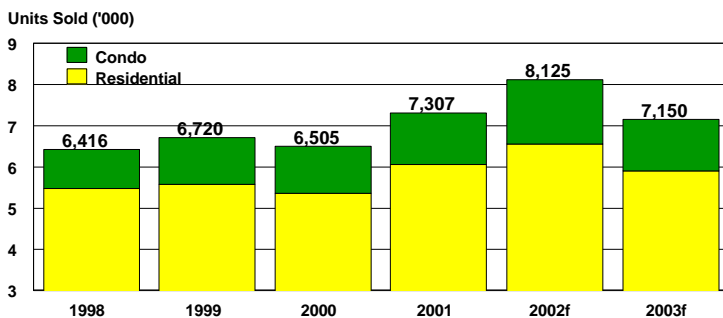
- 1 Existing housing sales
- 2 New home construction
- 3 Rental vacancy rate
- 3 Economic outlook
- 4 Housing Outlook 2003

#### Housing Affordability Opens up the market to renters

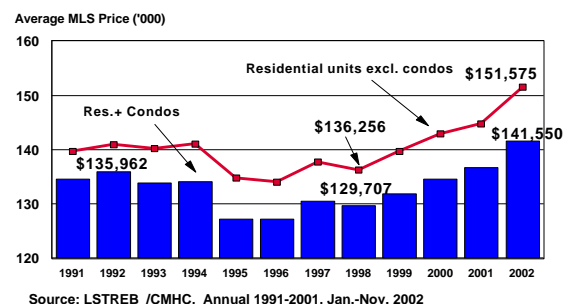


Source: CREA avg. MLS price, 5% dp, 5 yr rate, 25 yr am / CMHC

#### 2002 Sales smash record set in 2001



#### MLS residential average sales price up \$15,000 since 1998 to \$151,575



\*Multiple Listing Service(MLS) is a registered certification mark owned by The Canadian Real Estate Association.

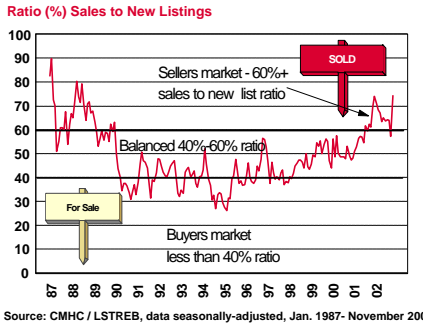
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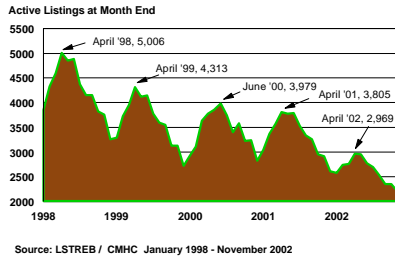


HOME TO CANADIANS  
Canada

## Sellers' market continues



## Strong sales slash Inventory

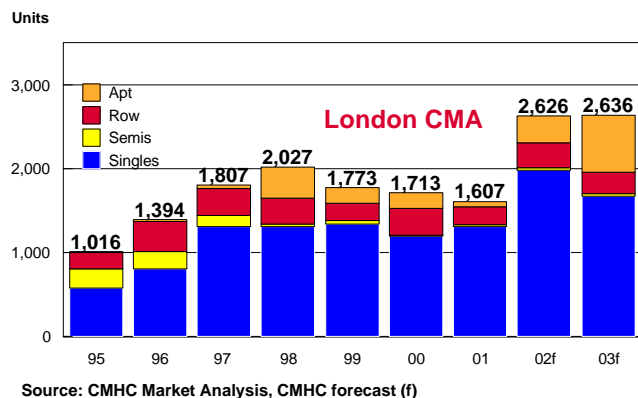


# New Home Market

## Single starts closing in on 2,000-unit mark in 2002

Single-detached new home starts averaged almost 1,300 units per year during the 5-year period 1997-2001 and we expect around 2,000 singles to start before the end of the current year. Even after we adjust the 2002 starts totals by about 115 units to recognize the inclusion of Strathroy-Caradoc Township as a component of the 2001 Census defined London metropolitan area, single starts in the London CMA will still be up an

## Single starts lead way in 2002 2003 receives boost from rental starts



impressive 40+ per cent.

The City of London has been the location for almost 70% of the single starts in the CMA. Although all six sub-markets in the City recording higher starts in 2002, above average increases were in the North end (Northwest, Northeast and North London) reflecting the impact of development in the annexed areas. St. Thomas, with a 12-13% share of the CMA market will see singles reach the 250 unit mark, up 44%.

Low mortgage rates and outflow of funds from the equity market in the shadow of September 11th provided stimulus to the housing sector (new homes, resale and the renovation market) even as employment levels were flat or declining during the latter part of 2001 into early 2002. The upturn in local employment levels that got under way in May with the help of low mortgage rates into the first part of 2003 will sustain new home demand at a healthy level with 1,675 single starts.

Statistics Canada's New Housing Price Index will increase an average of 3.0% in the London CMA this year following a 2.5% increase in 2001. In October the Index was 3.8% above the same month last year. Another 2.5% rise is expected in 2003. The increases are related to higher building costs as the land component of the index has remained unchanged for many years.

There has been a considerable shift in demand. In 1998, 38% of single-detached homes completed and sold were priced under \$150,000. This segment of the market has shrunk to just 15% in 2002.

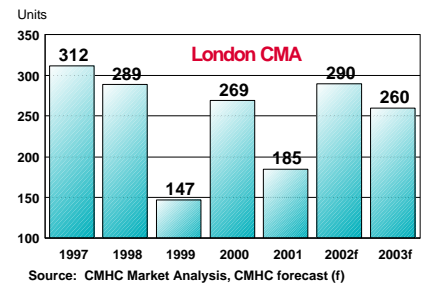
Mid-priced homes in the \$150-\$190,000 have remained steady with a 31-32% market share. It is the higher priced home (\$190+) where demand has blossomed from 30% of sales in '98 to 55% in 2002. This reflects the increased presence of move-up and move down buyers in the market and the

ability of first-time purchasers to buy 'more house' because of low mortgage rates.

## Row home ownership

Starts rebounded on row housing in 2002 with 290 units expected, up from 185 units in 2001. More than 85% of the activity took place in London with the balance of units found in Middlesex Centre (Arva), Port Stanley, St. Thomas and Strathroy. In addition to the predominate bungalow row condo developments we also have freehold and leasehold projects in London City. Not included in the above row home

## Row home ownership starts (Condo + Freehold + Leasehold)

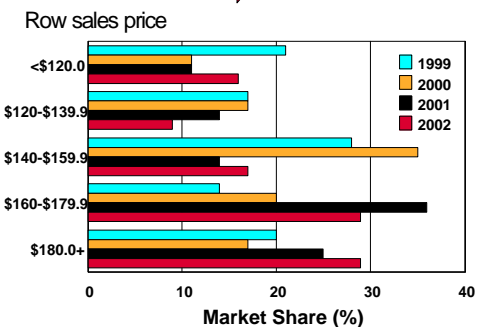


owner starts are the 80+ 'cluster' single condo units expected to start in 2002 as well as a small number of semi-detached condo and land lease units.

The record sales performance in the existing housing market has facilitated the move of the key empty nester 55-64 age group into bungalow-style or cluster single accommodation, as well as professional couples /small families. This market segment will have another good year in 2003 with 260 row unit starts.

Row condo and land lease sales are shifting their focus to the \$170,000+ price category with cluster singles

## CONDO Focus → \$170,000+ market



## CMHC's Ontario Retirement Homes Report

During April/May we conducted a survey of almost 36,000 retirement home beds. The Ontario-wide vacancy rate for all bed types was 12.5% up from 11.4% in 2001. The average per diem rate for a private bed was \$69.

Did you know that the vacancy rate in London-Middlesex was just 7.8% in 2002 and that the average private room rate was \$72? There also is a new 143-bed retirement residence and 160-bed long-term care facility coming on-stream in southwest London.

To order the 2002 comprehensive Ontario Retirement Homes Report call 1-800-493-0059.

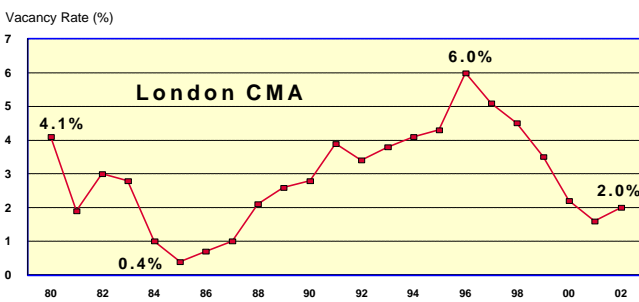
tapping the \$200,000-\$300,000 market. The row sales graph only includes condominium developments.

## Apartment Review

Despite the strong pull exerted by low mortgage rates that encouraged the switch from renting to home ownership in the London metropolitan market, the vacancy rate only increased slightly from 1.6 per cent in October 2001 to 2.0 per cent in 2002.

Meanwhile on the supply side just 66 new rental apartment units are expected to be on-stream in 2002. Most of these private units were built to meet demand from University students and will not be added to CMHC's rental survey universe. In 2003, rental apartment completions are forecast to increase to about 350 units and rental apartment starts will more than double the 318 units started in 2002. Excluded from the totals are student residences

## Apartment vacancies increase



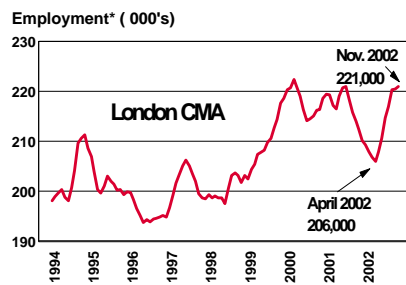
1980-86: 6+ unit apts surveyed. 1987-2002: 3+ unit apts surveyed.  
Source: CMHC Market Analysis LONDON, Annual October Rental Market Survey

to open at Fanshawe College (400 beds) and U.W.O. (445 beds) in the Fall of 2003. The two largest private projects to be completed in 2003 is the first phase (220 units) of a luxury downtown development and a 56-unit apartment targeted at University students.

## Employment and Migration

Following strong employment gains in 1999-2000, employment growth stalled in 2001 and did not resume month over same month growth until September 2002. Employment was up more than 9,000 persons in November or a 4.4% increase over November 2001. Gains were concentrated in full-time jobs and the 45+ age group. During the 3-year period 1999-2001 net migration to the London CMA was positive, led by persons 18-24, a prime renter age group.

## The Upside on employment



\* seasonally-adjusted 3-month moving avg. ending Nov. 2002  
Source: Statistics Canada

## Apartment Outlook

In light of a good year expected for both the economy and home buying in 2003; the double cohort; and, new supply of rental units (private + student residences), the vacancy rate should move slightly above current levels with the average two bedroom rent rising 2.4-2.8%.

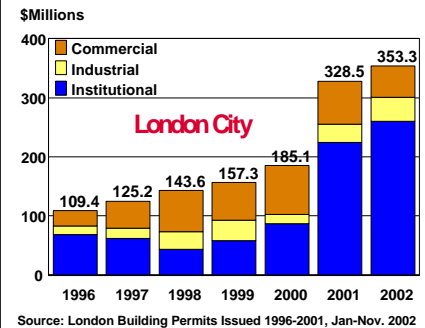
## Non-residential Investment

Keiper Canada, Magee Reiter and Starlim Sterner, auto parts suppliers will start production in London in 2003 further boosting employment in the manufacturing sector.

Layoff notices to 800+ employees at GM Diesel will take effect in March 2003 if a locomotive order is not secured. Work continues on the \$6-billion defense contract with the U.S. Army for light-armoured vehicles.

Since April 2001, more than \$170-million in building permits have been issued to London Health Science Centre, including almost \$70-million in November for the North Tower at its Commissioners Road site. This significant level of institutional investment spending is augmented by investments in research and classroom facilities at the University of Western Ontario, Fanshawe College and by St. Joseph's Health Care Centre, providing an ongoing boost to construction employment during 2003-2004.

## Private and Public Investment boost employment



Source: London Building Permits Issued 1996-2001, Jan-Nov. 2002

## Mortgage rates favourable into the spring market

Posted rates for closed mortgages during the second week of December were 4.9% for a 1-year term, 6.0% for 3-year and 6.7% for 5-year money. The mortgage market remains very competitive with lenders offering attractive cash back and rate discounts. Slower economic growth at home and south of the border will help keep mortgage rates low over the next several months, welcome news for the important spring housing market. However, concerns over an accelerating pace of economic growth and inflation will lead to a less relaxed monetary policy. This will mean higher bond yields and fixed rate mortgage rates which move in tandem with the bond market by the second half of 2003. Mortgage rates in 2003:Q4 are expected to be about 125-175 basis points higher than current levels.

# FORECAST SUMMARY

London and area forecast completed December 12, 2002

RESALE MARKET	2000	2001	2002(e)	2003(f)	Percentage change (%)	
					2002	2003
<b>London &amp; St. Thomas Real Estate Board</b>						
MLS <sup>1</sup> Sales	6,505	7,307	8,125	7,150	11.2%	-12.0%
MLS Average Price	\$134,594	\$136,636	\$141,500	\$143,000	3.6%	1.1%
MLS New Listings	12,929	12,781	12,350	12,500	-3.4%	1.2%
Sales-to-Listings Ratio	50.3%	57.1%	65.8%	57.2%		
<b>NEW HOME MARKET</b>						
<b>London census metropolitan area (CMA)</b>						
<b>Starts</b>						
1. Single-detached	1,198	1,317	1,985	1,675	51%	-16%
2. Multi-family	515	290	641	961	121%	50%
3. Total Starts [1+2]	1,713	1,607	2,626	2,636	63%	0%
<b>Multi-family by Type</b>						
Semi-detached	10	18	24	24	33%	0%
Row housing - Owner/Rental	269/54	185/31	290/ 9	260/ 0	38%	-10%
Apartment - Rental	182	56	318	677	468%	113%
<b>Average Single-detached Price (Jan.-Oct. 2002)</b>						
Bungalow/Ranch	\$190,761	\$204,555	\$197,120			
Two-storey	\$215,882	\$218,614	\$220,820			
All single-detached units	\$202,054	\$213,315	\$209,037			
New House Price Index	101.5	104.0	107.1	109.8	3.0%	2.5%

## RENTAL MARKET

Apartment Vacancy Rate	2.2%	1.6%	2.0%	2.3%		
Average Rent (2 bedroom)	\$657	\$683	\$705	\$725	3.2%	2.8%

## ECONOMIC OVERVIEW

Mortgage Rate (1 year term)	7.85	6.14	5.13	5.93		
Mortgage Rate (5 year term)	8.35	7.41	7.01	7.51		
Employed (000's)	218.1	216.0	214.8	218.5	-0.6%	1.7%
Employment Growth (000's)	6.8	-2.1	-1.2	3.7		
Unemployment Rate (%) London /ONT.	6.0 /5.7	6.4 /6.3	7.3 /7.1	6.8 /7.0		

f = CMHC forecast. Consensus mortgage rate forecast November 20, 2002.

Sources: Statistics Canada, London & St. Thomas Real Estate Board, CMHC

1. Multiple Listings Service (MLS) is a registered certification mark own by the Canadian Real Estate Association (CREA)

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