

YOUR LINK TO THE HOUSING MARKET

Canada Mortgage and Housing Corporation

Single Detached Construction Red Hot in Oshawa CMA

THIRD QUARTER 2002

The Oshawa Census Metropolitan Area (CMA) finished the third quarter of 2002 on solid ground, building on an already red hot performance in the first half of the year. On a seasonally adjusted basis, total starts peaked in the first quarter at 1,016 and have dipped to 828 units in 3Q02.

Tight resale markets have been one of the key stimuli to the unrelenting demand for new homes. Expectations of mortgage rate hikes early in 2002, fuelled a flurry of home buying activity. With sales of existing homes outstripping supply, many home buyers turned to the new home

market to satisfy their housing needs.

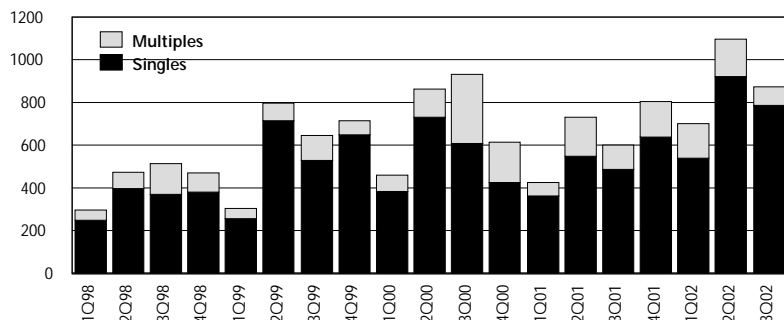
Historically low mortgage rates have also contributed to the boost in demand for single detached product. Third quarter single detached starts are the highest since 1989. At 787 units, singles are 61 per cent higher than in 3Q01. Multiple starts, on the other hand, have declined relative to 3Q01. With low mortgage rates offsetting higher prices, some first time buyers were able to purchase a single-detached unit in favour of a multiple.

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Oshawa CMA Housing Starts



Source: CMHC

CMHC Toronto, Market Analysis
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HOME TO CANADIANS
Canada

Resale Market Cools in Third Quarter

After a remarkable beginning to the year, resale volumes in the Oshawa CMA have returned to a more sustainable level. The threat of rising mortgage rates early in 2002 sent buyers into a frenzy, pushing seasonally adjusted sales to 1504 in 1Q02. In the third quarter, seasonally adjusted sales have dipped to 1169. Some of the buyers who originally intended to purchase later in 2002, jumped into the market early in the year resulting in a softer third quarter resale market.

Despite the third quarter cooling, year-to-date sales volumes remain strong. Local employment growth, historically low mortgage rates, and the continued flow of individuals priced out of the Toronto market continue to bolster demand in the resale market this year. From January to September, sales volumes in the Oshawa CMA have edged upward by 11 per cent to 4,189. With the sales-to-new-listings ratio at 75 per cent, the market remains well in sellers' market range.

Whitby Attracts Toronto Buyers

Whitby is the only local municipality in the Oshawa CMA to experience an increase in sales volumes in both the third quarter and year-to-date. With prices heating up in the Toronto CMA, many buyers are choosing Whitby because of its proximity to the Toronto labour market. Where individuals are restricted further by price, Oshawa City is proving to be a solid second choice. From January to September, sales volumes increased by 21 per cent in Whitby and 10 per cent in Oshawa City. Sales in Clarington have increased by one per cent thus far in 2002, compared to 2001.

Prices Flatten in Third Quarter

With softer third quarter sales, the seasonally adjusted average resale price in the Oshawa CMA has flattened at \$185,138. However, the early year high demand/tight supply scenario pushed average prices upward. As such, year-to-date average prices have climbed by a low of 6 per cent in Whitby to a high of 8.8 per cent in Clarington, relative to the first nine months of last year.

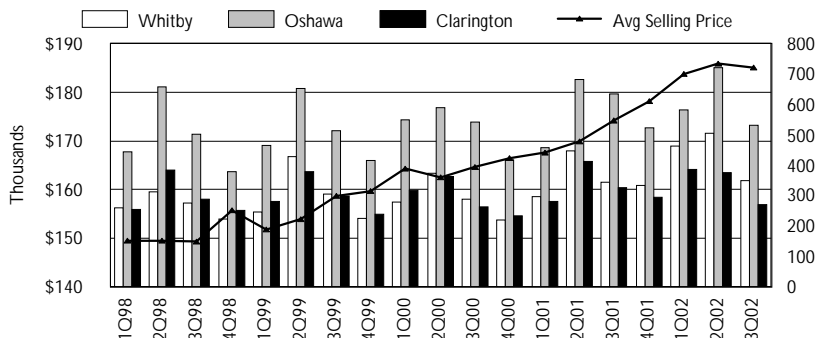
2001 Census Update

Statistics Canada has released data on families and dwelling statistics from the 2001 Census of population. The total number of private dwellings increased by 11 per cent to 104,205 units in the Oshawa CMA between 1996 and 2001. An average of 2,098 dwellings were formed annually between 1996 and 2001.

Of the total private dwellings, 76 per cent were owned with the remaining 24 per cent being rented. This compares to a 71 per cent ownership rate from the 1996 Census. Ownership rates vary between the local municipalities in the Oshawa CMA. In Whitby, 81 per cent of all dwelling units were owned. Oshawa City has the lowest percentage of units owned at 67 per cent, while Clarington's ownership rate is the highest at 88 per cent.

The total number of rented dwellings dropped by 1,395 units between 1996 and 2001, despite a drop in the Oshawa CMA vacancy rate. While the robust local economy has kept demand in traditional rental units strong, a decline in the number of rental dwellings is an indication that more households have been able to move into the ownership market. It also suggests that rental dwellings found in condominium apartments, single family homes, and other low density housing types previously, are now being occupied by owners.

MLS Sales and Average Price



Source: TREB, CMHC

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Year-to-date totals are equally impressive. Total starts in the Oshawa CMA reached 2,675 in the first nine months of the year representing a 52 per cent gain over 2001. Single detached starts represent 84 per cent of total starts so far this year.

Whitby Still the Hot Spot

Whitby remains the hot spot for residential construction, containing 52 per cent of total Oshawa CMA starts. Single detached starts in Whitby jumped by 83 per cent in 3Q02, with total starts up nearly 40 per cent over 3Q01. While Oshawa City and Clarington are home to

only a 25 per cent share of total housing starts respectively, the two municipalities experienced a larger share of growth in the CMA this year. Third quarter total starts in Oshawa City are 51 per cent higher than in 3Q01. Year-to-date starts are up a whopping 86 per cent to 656 units. In Clarington, 3Q02 starts are 53 per cent higher than in 3Q01, while year-to-date totals at 629 are 64 per cent higher than in 2001.

More Move up Activity in 2002

The average price of a single detached home in the Oshawa CMA

increased by 7.4 per cent in 3Q02 to \$235,909. While some of the price increase can be explained by strong demand, it is largely an increase in move up buyer activity that has pushed the average price upward. Table 4 shows how many homes were absorbed within each price range. The data clearly shows that more expensive single detached homes were absorbed in 2002. The absorption of singles priced between \$250,000 and \$350,000 more than doubled in 3Q02, while those priced below \$199,999 dropped by almost 30 per cent. The average price of a new single detached home in the Oshawa CMA was \$235,909 in 3Q02.

**TABLE 1: STARTS ACTIVITIES BY AREA AND INTENDED MARKET
OSHAWA CMA**

| | OWNERSHIP | | | | | RENTAL | | GRAND TOTAL |
|--------------------|-----------|---------|--------|-------------|-----|---------|-----|-------------|
| | FREEHOLD | | | CONDOMINIUM | | PRIVATE | | |
| | SINGLE | SEMI | ROW | ROW | APT | ROW | APT | |
| Oshawa CMA | | | | | | | | |
| Third Quarter 2002 | 787 | 0 | 86 | 0 | 0 | 0 | 0 | 873 |
| Third Quarter 2001 | 488 | 18 | 94 | 0 | 0 | 0 | 0 | 600 |
| % Change | 61.3% | -100.0% | -8.5% | na | na | na | na | 45.5% |
| Year-to-date 2002 | 2250 | 70 | 209 | 40 | 90 | 16 | 0 | 2675 |
| Year-to-date 2001 | 1400 | 64 | 303 | 0 | 0 | 0 | 0 | 1757 |
| % Change | 60.7% | 9.4% | -31.0% | na | na | na | na | 52.2% |
| Clarington | | | | | | | | |
| Third Quarter 2002 | 202 | 0 | 11 | 0 | 0 | 0 | 0 | 213 |
| Third Quarter 2001 | 130 | 0 | 9 | 0 | 0 | 0 | 0 | 139 |
| % Change | 55.4% | na | 22.2% | na | na | na | na | 53.2% |
| Year-to-date 2002 | 509 | 6 | 24 | 0 | 90 | 0 | 0 | 629 |
| Year-to-date 2001 | 367 | 0 | 17 | 0 | 0 | 0 | 0 | 384 |
| % Change | 38.7% | na | 41.2% | na | na | na | na | 63.8% |
| Oshawa City | | | | | | | | |
| Third Quarter 2002 | 191 | 0 | 34 | 0 | 0 | 0 | 0 | 225 |
| Third Quarter 2001 | 143 | 0 | 6 | 0 | 0 | 0 | 0 | 149 |
| % Change | 33.6% | na | 466.7% | na | na | na | na | 51.0% |
| Year-to-date 2002 | 604 | 0 | 52 | 0 | 0 | 0 | 0 | 656 |
| Year-to-date 2001 | 346 | 0 | 6 | 0 | 0 | 0 | 0 | 352 |
| % Change | 74.6% | na | 766.7% | na | na | na | na | 86.4% |
| Whitby | | | | | | | | |
| Third Quarter 2002 | 394 | 0 | 41 | 0 | 0 | 0 | 0 | 435 |
| Third Quarter 2001 | 215 | 18 | 79 | 0 | 0 | 0 | 0 | 312 |
| % Change | 83.3% | -100.0% | -48.1% | na | na | na | na | 39.4% |
| Year-to-date 2002 | 1137 | 64 | 133 | 40 | 0 | 16 | 0 | 1390 |
| Year-to-date 2001 | 687 | 54 | 280 | 0 | 0 | 0 | 0 | 1021 |
| % Change | 65.5% | 18.5% | -52.5% | na | na | na | na | 36.1% |

Source: CMHC

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**TABLE 2: RESIDENTIAL CONSTRUCTION BY INTENDED MARKET
OSHAWA CMA**

| | OWNERSHIP | | | | | RENTAL | | GRAND TOTAL |
|-----------------------------------|-----------|--------|--------|-------------|-----|---------|-----|----------------|
| | FREEHOLD | | | CONDOMINIUM | | PRIVATE | | |
| | SINGLE | SEMI | ROW | ROW | APT | ROW | APT | |
| Starts | | | | | | | | |
| Third Quarter 2002 | 787 | 0 | 86 | 0 | 0 | 0 | 0 | 873 |
| Third Quarter 2001 | 488 | 18 | 94 | 0 | 0 | 0 | 0 | 600 |
| % Change | 61.3% | na | -8.5% | na | na | na | na | 45.5% |
| Year-to-date 2002 | 2250 | 70 | 209 | 40 | 90 | 16 | 0 | 2675 |
| Year-to-date 2001 | 1400 | 54 | 303 | 0 | 0 | 0 | 0 | 1757 |
| % Change | 60.7% | 29.6% | -31.0% | na | na | na | na | 52.2% |
| Under Construction* | | | | | | | | |
| Third Quarter 2002 | 1472 | 6 | 107 | 36 | 90 | 0 | 0 | 1711 |
| Third Quarter 2001 | 934 | 52 | 194 | 0 | 0 | 0 | 128 | 1308 |
| Completions | | | | | | | | |
| Third Quarter 2002 | 847 | 24 | 170 | 4 | 0 | 5 | 126 | 1176 |
| Third Quarter 2001 | 572 | 14 | 171 | 8 | 0 | 0 | 0 | 765 |
| % Change | 48.1% | 71.4% | -0.6% | -50.0% | na | na | na | 53.7% |
| Year-to-date 2002 | 1842 | 110 | 321 | 4 | 0 | 38 | 130 | 2445 |
| Year-to-date 2001 | 1432 | 50 | 362 | 84 | 0 | 0 | 0 | 1928 |
| % Change | 28.6% | 120.0% | -11.3% | -95.2% | na | na | na | 26.8% |
| Complete and Not Absorbed* | | | | | | | | |
| Third Quarter 2002 | 32 | 8 | 23 | 0 | 0 | 0 | 0 | 63 |
| Third Quarter 2001 | 24 | 10 | 16 | 2 | 0 | 0 | 0 | 52 |
| Absorptions | | | | | | | | |
| Third Quarter 2002 | 854 | 29 | 153 | 4 | 0 | 5 | 126 | 1171 |
| Third Quarter 2001 | 567 | 17 | 166 | 19 | 0 | 0 | 0 | 769 |
| % Change | 50.6% | 70.6% | -7.8% | -78.9% | na | na | na | 52.3% |
| Year-to-date 2002 | 1839 | 110 | 315 | 4 | 0 | 38 | 130 | 2436 |
| Year-to-date 2001 | 1447 | 47 | 361 | 85 | 0 | 0 | 0 | 1940 |
| % Change | 27.1% | 134.0% | -12.7% | -95.3% | na | na | na | 25.6% |

Source: CMHC

**TABLE 3: NEW SINGLE DETACHED PRICE BY MUNICIPALITY
OSHAWA CMA**

| | THIRD QUARTER 2002 | THIRD QUARTER 2001 | PER CENT CHANGE | TOTAL 2002 | TOTAL 2001 | PER CENT CHANGE |
|--------------------|-----------------------|-----------------------|--------------------|------------|------------|--------------------|
| Oshawa CMA | \$235,909 | \$219,600 | 7.4% | \$234,326 | \$217,394 | 7.8% |
| Whitby | \$249,419 | \$233,661 | 6.7% | \$247,488 | \$229,157 | 8.0% |
| Oshawa City | \$224,157 | \$203,691 | 10.0% | \$223,986 | \$203,659 | 10.0% |
| Clarington | \$213,185 | \$198,728 | 7.3% | \$214,377 | \$203,762 | 5.2% |

Source: Toronto Real Estate Board, CMHC

TABLE 4: ABSORBED SINGLE DETACHED UNITS BY PRICE RANGE

| | < \$149,999 | \$150,000 - \$199,999 | \$200,000 - \$249,999 | \$250,000 - \$299,999 | \$300,000 - \$349,999 | \$350,000 - \$399,999 | \$400,000+ |
|--------------------|-------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|------------|
| Oshawa CMA | | | | | | | |
| Third Quarter 2002 | 1 | 170 | 435 | 190 | 39 | 9 | 10 |
| Third Quarter 2001 | 4 | 215 | 226 | 95 | 18 | 5 | 4 |
| % Change | -75.0% | -20.9% | 92.5% | 100.0% | 116.7% | 80.0% | 150.0% |
| Year-to-date 2002 | 6 | 419 | 895 | 410 | 75 | 22 | 17 |
| Year-to-date 2001 | 27 | 572 | 563 | 217 | 42 | 17 | 9 |
| % Change | -77.8% | -26.7% | 59.0% | 88.9% | 78.6% | 29.4% | 88.9% |
| Whitby | | | | | | | |
| Third Quarter 2002 | 0 | 48 | 239 | 136 | 34 | 7 | 8 |
| Third Quarter 2001 | 0 | 76 | 149 | 78 | 14 | 3 | 3 |
| % Change | na | -36.8% | 60.4% | 74.4% | 142.9% | 133.3% | 166.7% |
| Year-to-date 2002 | 0 | 125 | 477 | 289 | 56 | 11 | 14 |
| Year-to-date 2001 | 0 | 213 | 358 | 171 | 27 | 5 | 4 |
| % Change | na | -41.3% | 33.2% | 69.0% | 107.4% | 120.0% | 250.0% |
| Oshawa City | | | | | | | |
| Third Quarter 2002 | 0 | 47 | 127 | 33 | 1 | 1 | 1 |
| Third Quarter 2001 | 4 | 50 | 46 | 9 | 1 | 1 | 0 |
| % Change | -100.0% | -6.0% | 176.1% | 266.7% | 0.0% | 0.0% | na |
| Year-to-date 2002 | 3 | 116 | 272 | 76 | 8 | 3 | 1 |
| Year-to-date 2001 | 15 | 156 | 100 | 19 | 6 | 4 | 3 |
| % Change | -80.0% | -25.6% | 172.0% | 300.0% | 33.3% | -25.0% | -66.7% |
| Clarington | | | | | | | |
| Third Quarter 2002 | 1 | 75 | 69 | 21 | 4 | 1 | 1 |
| Third Quarter 2001 | 0 | 89 | 31 | 8 | 3 | 1 | 1 |
| % Change | na | -15.7% | 122.6% | 162.5% | 33.3% | 0.0% | 0.0% |
| Year-to-date 2002 | 3 | 178 | 146 | 45 | 11 | 8 | 2 |
| Year-to-date 2001 | 12 | 203 | 105 | 27 | 9 | 8 | 2 |
| % Change | -75.0% | -12.3% | 39.0% | 66.7% | 22.2% | 0.0% | 0.0% |

Source: CMHC

TABLE 5: MLS* SALES TO NEW LISTING RATIO BY MUNICIPALITY

| | THIRD QUARTER 2002 | THIRD QUARTER 2001 | TOTAL 2002 | TOTAL 2001 |
|---------------|-----------------------|-----------------------|------------|------------|
| Durham Region | 68.2% | 71.8% | 71.2% | 66.2% |
| Oshawa CMA | 73.6% | 73.1% | 74.8% | 67.8% |
| Whitby | 69.4% | 73.3% | 71.6% | 67.6% |
| Oshawa City | 76.7% | 72.5% | 77.3% | 68.9% |
| Clarington | 73.6% | 73.8% | 74.7% | 66.3% |

Source: Toronto Real Estate Board, CMHC

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

TABLE 6: MLS* RESIDENTIAL UNIT SALES BY MUNICIPALITY

| | THIRD QUARTER 2002 | THIRD QUARTER 2001 | PER CENT CHANGE | TOTAL 2002 | TOTAL 2001 | PER CENT CHANGE |
|---------------|--------------------------|--------------------------|--------------------|------------|------------|--------------------|
| Durham Region | 1975 | 2079 | -5.0% | 7168 | 6570 | 9.1% |
| Oshawa CMA | 1151 | 1206 | -4.6% | 4189 | 3787 | 10.6% |
| Whitby | 350 | 344 | 1.7% | 1320 | 1089 | 21.2% |
| Oshawa City | 531 | 535 | -0.7% | 1836 | 1677 | 9.5% |
| Clarington | 270 | 327 | -17.4% | 1033 | 1021 | 1.2% |

Source: Toronto Real Estate Board, CMHC

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

TABLE 7: MLS* AVERAGE PRICE BY MUNICIPALITY

| | THIRD QUARTER 2002 | THIRD QUARTER 2001 | PER CENT CHANGE | TOTAL 2002 | TOTAL 2001 | PER CENT CHANGE |
|---------------|--------------------------|--------------------------|--------------------|------------|------------|--------------------|
| Durham Region | \$202,784 | \$187,527 | 8.1% | \$204,181 | \$187,534 | 8.9% |
| Oshawa CMA | \$184,824 | \$174,014 | 6.2% | \$185,602 | \$171,342 | 8.3% |
| Whitby | \$222,542 | \$219,463 | 1.4% | \$225,638 | \$212,790 | 6.0% |
| Oshawa City | \$158,711 | \$144,656 | 9.7% | \$157,031 | \$145,094 | 8.2% |
| Clarington | \$187,286 | \$174,235 | 7.5% | \$185,224 | \$170,245 | 8.8% |

Source: Toronto Real Estate Board, CMHC

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

TABLE 8: ECONOMIC INDICATORS - OSHAWA CMA

| | BANK RATE | MTG. RATE 3 YR TERM | EXCH. RATE (\$CDN/\$US) | EMPLOYMENT RATIO* (%) | UNEMPLOYMENT RATE* (%) |
|----------------|-------------|------------------------|----------------------------|--------------------------|---------------------------|
| 2000 | | | | | |
| January | 5.00 | 8.15 | 39.73 | 63.8 | 5.2 |
| February | 5.25 | 8.22 | 68.95 | 63.4 | 5.5 |
| March | 5.50 | 8.08 | 68.74 | 63.4 | 5.7 |
| April | 5.50 | 8.07 | 67.61 | 63.5 | 5.5 |
| May | 6.00 | 8.34 | 66.41 | 63.4 | 5.6 |
| June | 6.00 | 8.22 | 67.49 | 63.2 | 5.8 |
| July | 6.00 | 8.06 | 67.99 | 63.1 | 6.1 |
| August | 6.00 | 7.97 | 67.87 | 63.8 | 5.8 |
| September | 6.00 | 7.96 | 66.53 | 64.2 | 5.8 |
| October | 6.00 | 7.97 | 66.30 | 65.3 | 5.5 |
| November | 6.00 | 7.94 | 64.99 | 66.0 | 5.9 |
| December | 6.00 | 7.75 | 66.35 | 66.8 | 5.5 |
| Average | 5.77 | 8.06 | 67.41 | 64.4 | 5.7 |
| 2001 | | | | | |
| January | 5.75 | 7.44 | 66.89 | 66.7 | 5.6 |
| February | 5.75 | 7.37 | 64.58 | 66.5 | 5.2 |
| March | 5.25 | 6.97 | 63.61 | 66.3 | 5.4 |
| April | 5.00 | 6.91 | 64.70 | 65.9 | 5.3 |
| May | 4.75 | 7.01 | 65.27 | 65.7 | 5.3 |
| June | 4.75 | 7.10 | 65.67 | 65.1 | 5.2 |
| July | 4.50 | 7.10 | 65.04 | 65.0 | 5.3 |
| August | 4.25 | 7.04 | 64.67 | 64.5 | 5.6 |
| September | 3.75 | 6.64 | 63.32 | 64.6 | 5.7 |
| October | 3.00 | 6.16 | 63.02 | 64.2 | 6.0 |
| November | 2.50 | 5.64 | 63.19 | 64.4 | 6.0 |
| December | 2.50 | 5.64 | 62.70 | 64.8 | 6.2 |
| Average | 4.31 | 6.75 | 64.39 | 65.2 | 5.6 |
| 2002 | | | | | |
| January | 2.25 | 5.60 | 62.80 | 64.8 | 7.2 |
| February | 2.25 | 5.61 | 62.18 | 64.7 | 7.6 |
| March | 2.25 | 5.97 | 62.75 | 64.1 | 8.3 |
| April | 2.50 | 6.35 | 63.96 | 63.9 | 7.9 |
| May | 2.50 | 6.40 | 65.16 | 64.0 | 7.4 |
| June | 2.75 | 6.40 | 65.76 | 64.2 | 6.5 |
| July | 3.00 | 6.33 | 63.12 | 64.2 | 5.6 |
| August | 3.00 | 6.02 | 64.12 | 64.5 | 5.8 |
| September | 3.00 | 5.92 | 63.41 | 64.7 | 5.9 |
| October | | | | | |
| November | | | | | |
| December | | | | | |
| Average | 2.42 | 6.06 | 63.77 | 64.3 | 6.9 |

Source: Bank of Canada, CMHC, Statistics Canada

* Figures have been seasonally adjusted.

DEFINITIONS

Refer to the following definitions when interpreting the tables in this report.

HOUSING START:

refers to a dwelling unit where construction has advanced to a state where full (100%) footings are in place. In the case of multiple unit structures, this definition of a start applies to the entire structure.

UNDER CONSTRUCTION:

refers to the inventory of units currently being constructed. Under construction figures include current month starts and exclude current month completions.

COMPLETION:

For single-detached and semi-detached dwellings: implies that 90% or more of the structure has been completed. A structure may be considered to be complete and ready for occupancy when only seasonal deficiencies and/or minor infractions to building codes remain.

Row and apartments: implies that 90% or more of the dwelling units within a structure are completed and ready for occupancy.

COMPLETED AND NOT ABSORBED:

refers to newly constructed, completed units which have not been sold or rented.

TOTAL SUPPLY:

refers to the total supply of new units and includes pending starts, units under construction and units that are completed but not absorbed.

ABSORPTIONS:

refer to newly completed units which have been sold or rented. The number of absorptions is obtained from a survey initiated when the structure is completed. Units sold or leased prior to construction are not considered as absorbed until the completion stage.

PENDING START:

refers to a dwelling unit where a building permit and/or National Housing Act (NHA) approval exists but construction has not yet started.

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ORECAST

Oshawa

SUMMARY

Canada Mortgage and Housing Corporation

ISSUE: FALL 2002

Resale Market

Booming resale market will cool in 2003

The outlook for the Oshawa CMA resale market remains favourable. In recent years a combination of historically low mortgage rates, strong employment growth, rising prices in Toronto, and migration have been the main factors driving the Oshawa CMA resale market. These same factors will fuel resale market activity in the last quarter of 2002 and into 2003.

Stock market jitters have continued to lure capital into bond markets increasing spreads between five year bond yields and 5 year mortgage rates. The large financial institutions have responded by maintaining low mortgage rates as opposed to increasing them, which was widely expected in the early part of this year. In 2002, the 5 year rate will average 6.87 per cent and the 3 year rate will average 6.16 per cent. With discounts of up to 100 basis points on longer terms, mortgage rates will continue to be an important stimulus for housing demand. Looking ahead to 2003, mortgage rates increases, particularly in the second half of the year, will cool first time buyer demand.

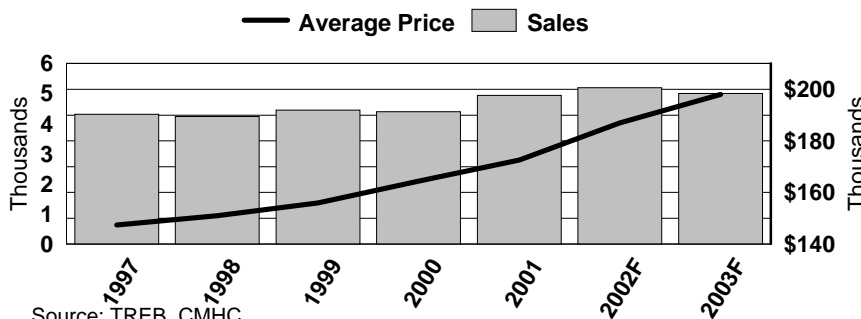
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Employment growth over the last few years is also boosting local demand for existing homes. As individuals secure permanent employment, they find themselves able to form their own household. While some of this demand will be satisfied by the rental market, those individuals who have secured a down payment will move toward home ownership. In 2002, the Oshawa CMA has experienced an upswing in manufacturing employment and in full time employment overall. An increase in full time, higher paying positions bodes well for housing demand into 2003. Strong employment levels will be maintained in 2003.

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**Resale Market Forecast
Oshawa CMA**



Source: TREB, CMHC

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HOME TO CANADIANS
Canada

Tight resale markets in Toronto and subsequent higher prices will continue to boost demand for resale homes in the Oshawa CMA. Resale prices in the Toronto CMA have increased by 20 per cent since 1999, with the average resale price expected to reach \$275,000 by the end of 2002. By comparison, the average price in the Oshawa CMA is forecast to hit \$187,000. With a difference in average price of approximately \$88,000, many first time buyers are simply priced out of the Toronto market and willingly accept longer commute times in favour of owning their own home vs. renting. As Toronto prices continue to trend upward, look for more buyers to migrate to the Oshawa CMA market in search of their dream home.

Migration data from Statistics Canada supports the notion that individuals who move to the Oshawa CMA are in their prime home buying years. From 1997 to 2001, individuals aged 25 to 44 represented 50 per cent of all migrants. The second largest group are children to the age of 17, indicating that individuals are coming in the form of families.

What does this all mean for 2003? The Oshawa CMA resale market will continue to benefit from historically low mortgage rates, employment and income growth, and migration from Toronto residents searching for more affordable ownership options. While mortgage rates are expected to increase in 2003, this will affect first time buyers more so than move up buyers who are less sensitive to rate hikes. In 2002, total resale transactions will reach 5,200. Look for higher mortgage rates to cool sales to a still healthy 5,000 units in 2003. A spike in average resale price early in 2002 will push the overall price for the year to \$187,000. While listings are expected to edge up in 2003, the Oshawa CMA resale market will remain in sellers' market

territory driving prices up 5.9 per cent to \$198,000. Steady increases in household incomes also support higher prices in 2003.

New Home Market

Single Starts Hit Record High

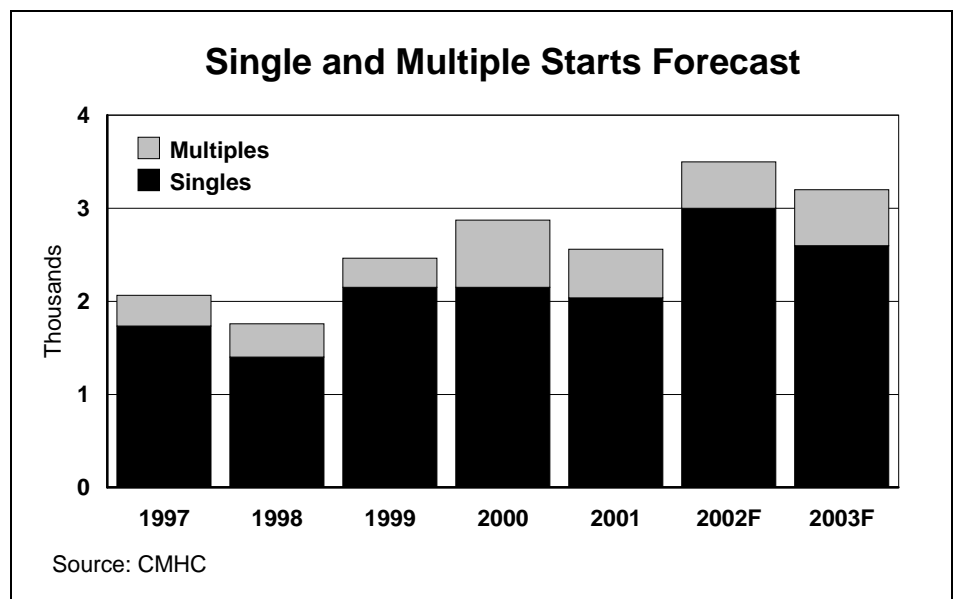
The new home market in the Oshawa CMA benefits from many of the same economic and demographic fundamentals as the resale market. Low mortgage rates, decent job and income growth, and migration are key components driving demand for new homes. In addition, the current state of the resale market also has an impact on new home construction levels. The Oshawa CMA resale market has remained in sellers' market territory for the last few years characterized by strong demand, limited supply, and rising prices. Many existing home owners realizing equity gains are now looking to upgrade their home.

In the current resale market where listings remain limited, some home buyers are turning to the new home market for its abundant supply. Some repeat buyers are choosing to buy new because of the choices available in finishings and upgrades.

For first time buyers, the motivation to buy new can be financially driven. When purchasing a new home, a buyer pays today's price but does not take possession of the new home for 9 to 12 months. This represents a significant amount of time during which additional funds can be accumulated for housing related expenditures. Furthermore, the buyer of a new home is guaranteed the lowest mortgage rate from the time of purchase until closing.

Strong demand from both first time and repeat buyers has driven Oshawa CMA builders into a construction frenzy in 2002. With residential starts continuing a torrid pace into the fourth quarter of 2002, total starts for the year are forecast to hit a high of 3,500 starts. Single detached construction will hit a new record of 3,000 units in 2002 with the remaining 500 units consisting of

continued on page 3



town homes, semis, and some condominium apartments.

Higher mortgage rates in 2003 will impact first time buyer demand with some turning to lower priced multiple type dwellings. As such, multiple starts will increase to 600 units next year. The move up buyer segment of the market will remain strong in 2003 resulting in a single starts total of 2,600 units. While single detached starts will come in lower than the record high this year, 2,600 units is still markedly higher than the average level during the last five years. New demand will continue to be satisfied by new construction as existing inventory of new homes remains very low.

Robust demand for new single detached units is pushing new home prices upward. Price increases in the resale market are also spilling over to the new home market. In 2002, the average price of a new single detached unit will jump by 7.1 per cent to \$235,000. By the end of 2003, strong demand in the move up market will push prices up an additional 4.3 per cent to \$245,000.

Rental Market

Move to Ownership will Increase Vacancy Rate

Demand for rental accommodation in the Oshawa CMA continues to be bolstered by employment gains, particularly for youth. After declining for most of 2001, youth employment has been regaining strength for most of this year. As these individuals aged 15 to 24

secure permanent positions, some will turn to the rental market to form new households. On the other hand, low mortgage rates and a solid job market are also influencing some existing renters to make the move to ownership. In the current environment of rising rents, some individuals currently renting two and three bedroom apartments or town homes have found that the monthly carrying costs of ownership are comparable with monthly rents. As such, it is expected that the vacancy rate in the Oshawa CMA will edge up to 2.0 percent in October 2002.

Despite softer demand, the lack of new rental supply this year will push rental rates upward. By October 2002, the average rent for a two bedroom apartment will rise to an average of \$820 per month representing an increase of 2.6 percent. The Tenant Protection Act Rent Review Guideline is 3.9 per cent for 2002.

Mortgage Rate Outlook

Slower economic growth at home and south of the border will help keep mortgage rates low over the next several months. However, concerns over accelerating pace of economic growth and inflation will lead to a less relaxed monetary policy and will push up bond yields and mortgage rates by the second half of 2003. While open and variable rate mortgages generally track lenders' prime rate, fixed rate mortgages move in tandem with the bond market.

Mortgage rates will continue to remain low by historical standards.

The one-year closed mortgage rate is forecast to be in the 4.50-7.00 per cent range over the next fourteen months. The three-year and five-year term mortgage rates will be in the 5.50-8.00 and 6.50-8.50 per cent ranges, respectively for the rest of this year and next. However, there are risks to the forecasts such as the performance of the U.S. economy and further volatility in capital markets, which could result in mortgage rates falling outside the forecast range.

2002 Rental Market Survey

The results of the 2002 Rental Market Survey will be released on November 26, 2002.

Get a picture of the average rents, vacancy rates, and universe by bedroom type and zone for large urban centres across Ontario and Canada.

To order your copy of the 2002 **Rental Market** **Fastfax** please call:

1-800-493-0059

SUMMARY

OSHAWA CENSUS METROPOLITAN AREA - THIRD QUARTER 2002

| Resale Market | 2000 | 2001 | 2002F | 2003F | % Chg. |
|-------------------------------------|-------------|-------------|--------------|--------------|---------------|
| MLS Sales | 4,401 | 4,937 | 5,200 | 5,000 | -2.0% |
| MLS Average Price | \$164,416 | \$172,603 | \$187,000 | \$198,000 | 5.9% |
| MLS Listings | 6,368 | 6,937 | 7,000 | 7,200 | 2.9% |
| Sales-to-New Listings Ratio | 69.1% | 71.2% | 74.3% | 69.4% | |
| New Home Market | | | | | |
| Housing Starts | | | | | |
| Total | 2,874 | 2,561 | 3,500 | 3,200 | -8.6% |
| Single family | 2,152 | 2,038 | 3,000 | 2,600 | -13.3% |
| Multiples | 594 | 501 | 480 | 550 | 14.6% |
| Rental | 128 | 22 | 20* | 50 | 150.0% |
| Average Single-detached Price | \$214,845 | \$219,363 | \$235,000 | \$245,000 | 4.3% |
| Completed & Unoccupied | | | | | |
| Single (September) | 51 | 51 | 58 | 50 | |
| Multiple (September) | 30 | 36 | 37 | 35 | |
| Rental Market | | | | | |
| Vacancy Rate (October) | 1.7% | 1.3% | 1.8% | | |
| Average Rent (2 bedroom) | \$778 | \$799 | \$820 | | |
| Economic Overview | | | | | |
| Mortgage Rate (3 yr. term) | 8.17% | 6.88% | 6.16% | 5.50 - 8.00% | |
| Mortgage Rate (5 yr. term) | 8.35% | 7.41% | 6.87% | 6.50 - 8.50% | |
| Employment (annual average) | 148,600 | 154,200 | 156,000 | 158,000 | 1.3% |
| Employment growth (# jobs) | 750 | 5,600 | 1,800 | 2,000 | |
| Net migration (census year) | 4,426 | 4,203 | 4,500 | 4,600 | |
| *These units operate as life lease. | | | | | |

Forecast Summary is CMHC's forecast for new home and resale markets. Issues are released in the Spring and Fall of each year. For more information contact Beverly Kueper at (416)218-3406 eMail bkueper@cmhc-schl.gc.ca

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