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HOUSING MARKET

OUTLOOK

Oshawa

Canada Mortgage and Housing Corporation

www.cmhc.ca

Spring 2005

RESALE MARKET

Resales will remain strong

Housing demand will remain strong in the Oshawa CMA resale market this year. However, 2005 home sales through the Multiple Listings Service (MLS) will drop below last year's record.

The positive factors which have been driving demand for existing homes in the past three years will remain in place throughout 2005. Low mortgage rates, solid employment growth, strong consumer confidence and high levels of net migration to the Oshawa CMA will fuel demand for existing homes. The very low mortgage rates will keep carrying costs

below levels seen in the late 1980's and early 1990's.

Despite a plateau in employment growth in the last couple of years, Oshawa experienced nine years of strong job growth between 1994 and mid 2003. Along with rising disposable income and the low mortgage rates, the high job levels will be an important factor supporting respectable resale numbers.

Net migration to the Oshawa CMA will be driven by Torontonians looking to this area for more affordable homes, especially in the single-detached sub-market.

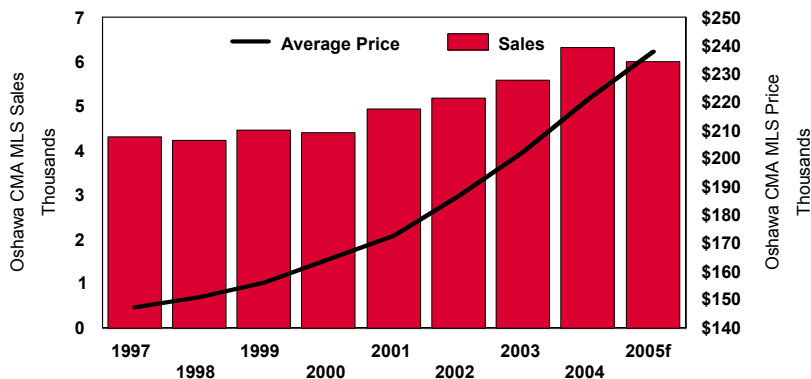
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The Index of Consumer Attitudes, as measured by the Conference Board of Canada, shows that consumer confidence is high in Ontario and so is households' willingness to purchase large ticket items, such as homes.

Several factors will have moderating effects on home resale numbers. Existing home prices will continue to rise. With the added pressure of mortgage rates moving higher, some first-time buyers will postpone their decision to buy. Pent-up demand from both first-time buyers and move-up buyers is waning. Employment growth was weak in 2004. Resales are forecast to fall by 5.2 per cent to a still very strong 6,000 units.

Strong sales to continue



Source: TREB, CMHC

Erica McLerie - Market Analyst, CMHC
Tel: (416) 218-3318 Fax: (416) 218-3314
emclerie@cmhc.ca

Canada



The strong number of resales can in part be attributed to the increase in new listings. The rising prices of resale homes, and thus the equity inherent in them, has encouraged more people to list their homes for sale. New listings will increase by 7.9 per cent to 9,800 units in 2005.

The sales-to-new listings ratio reflects the state of the resale market. With sales forecast to decrease, and new listings to increase, the sales-to-new listings ratio will dip toward a lower value more indicative of a balanced resale market state. A sales-to-new listings ratio above 55 per cent denotes a sellers' market, while a ratio between 35 per cent and 55 per cent denotes a balanced market.

The sales-to-new listings ratio is also a good indicator of future price growth. The ensuing more balanced resale market will reduce upward pressure on the average price of a resale home in 2005. The average price of a resale home is expected to increase by 7.8 per cent to reach \$238,000 in 2005, an increase well above the general rate of inflation.

NEW HOME MARKET

Housing starts to weaken

New home starts in the Oshawa CMA slipped back to a more sustainable number in 2004, after a record 2003. Starts have been trending lower since mid 2003. In 2005, total housing starts will continue this downward trend.

Several factors will keep demand for new homes high: low mortgage rates, strong consumer confidence, and the relatively affordable prices of new homes in Oshawa. New site openings in Oshawa are drawing large crowds. Move-up buyers will support demand for new homes.

Toronto residents have been adding to the demand for new homes in Oshawa. However, two factors are slowing this migration. Firstly, rising gasoline prices and the increasingly congested roads has made the long commute less attractive for those who work in Toronto. Secondly, the rising price of new homes is causing more and more households to consider alternatives to the single-detached type. For example, a condominium in Toronto has become an attractive and more affordable home option.

Several factors suggest that new home starts will be lower this year. New home sales are a leading indicator of home starts and in the Durham Region sales have been moving down on a year-over-year basis for the last five months. The state of the resale market is a leading indicator of sales and the ensuing more balanced resale market will not generate as much spillover demand for new homes as in previous years. Fewer new home sites, especially in Whitby, have opened due to the declining supply of residential lots available for development.

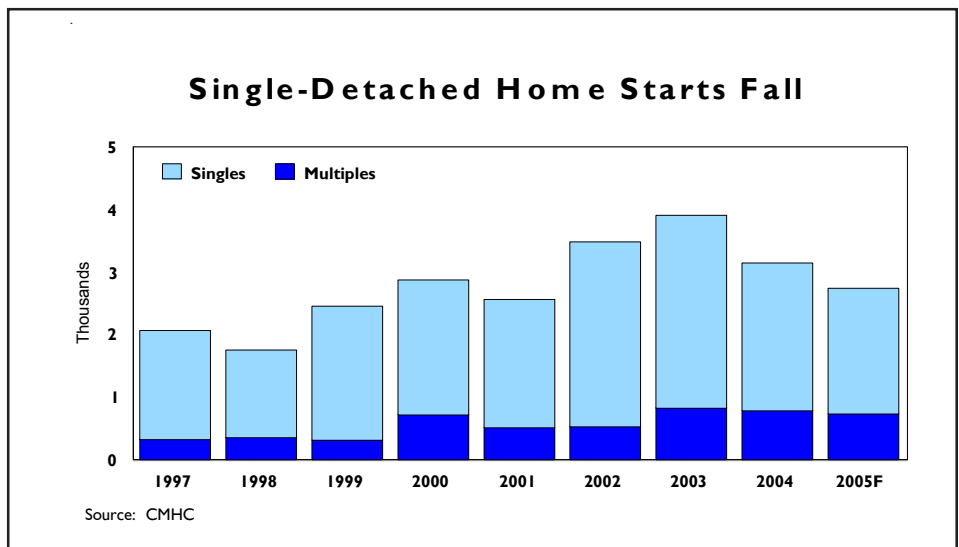
Although lower, starts in 2005 will be well above the average seen in the last 15 years. Total housing starts will fall by 13.1 per cent to 2,740 units in 2005.

Single-detached starts will be affected the most by the higher costs of home ownership and the decline in available residential lots. A total of 2,000 single-detached homes are forecast to start, down 15.1 per cent from 2004 levels.

Several townhouse projects will keep the decline of multiple starts in single digits this year. Multiple family home starts will reach 740 units in 2005, down 7.2 per cent from last year.

Land, labour, and material costs, as reflected in the New House Price Index, continues to rise. The Oshawa NHPI was up 4.9 per cent in February on a year-over-year basis.

Builders have been targetting the move-up buyers, who typically demand more upgrades and expensive finishings. These demands have pushed the average price of single-detached homes higher. In the first quarter of 2005, 27 per cent of the single-detached homes absorbed were above \$300,000. With the supply of lots available for single-detached new homes to be limited in the future, and demand still strong for detached homes, prices will continue to rise well above the general rate of inflation. In 2005, the average price of a new single-de-



tached home will rise 10.2 per cent to \$292,000.

RENTAL MARKET

Slightly higher demand in 2005

The demand for rental accommodation is expected to improve marginally in 2005. Growing employment will nudge household formation up. Growing homeownership carrying costs will encourage more households to stay in rental. The vacancy rate will slip to 3.2 per cent in October 2005, from 3.4 per cent in 2004. Lingering effects of higher vacancy rates will keep rent increases to a minimum. Average two bedroom rents will rise 1.5 per cent to \$865.

Detailed information on the Oshawa CMA rental market is available in the **2004 Oshawa CMA Rental Market Report**.

ECONOMIC OVERVIEW

MORTGAGE RATE OUTLOOK

Short-term mortgage rates move in tandem with the prime rate while mid- and long-term mortgage rates vary in response to the cost of raising funds in the bond markets.

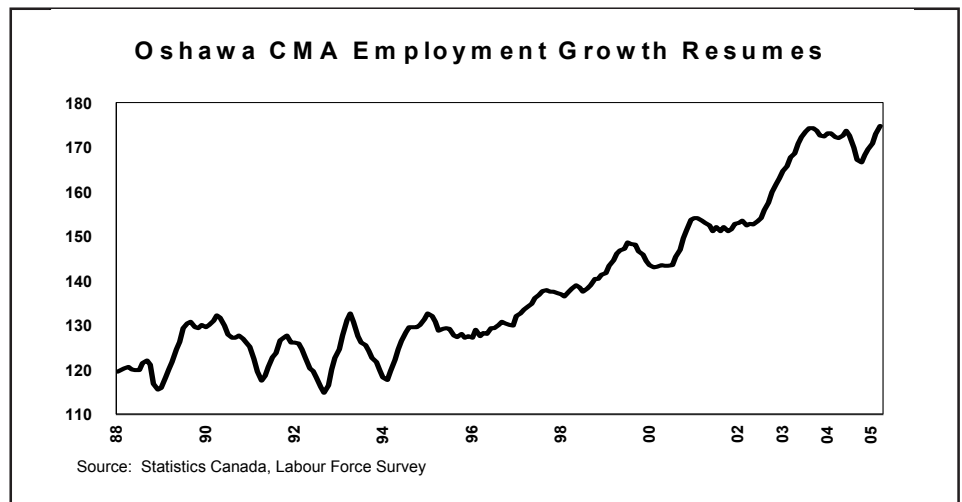
Posted mortgage rates are forecast to rise moderately as interest rates head up in 2005-06. However, tame inflation, a strong Canadian dollar vis-a-vis the U.S. dollar, and slower economic growth in Canada will

restrain the size and speed of Canadian interest and mortgage rate increases in 2005-06.

Mortgage rates are expected to remain low, rising by less than 50 basis points annually this year and next. One, three and five-year mortgage rates are forecast to be in the 4.50-5.50, 5.50-6.50, and 5.75-6.75 per cent range respectively in 2005.

While employment growth paused in the last 18 months, there is over 40 per cent more people working today than a decade ago. The unemployment rate rose to 5.4 per cent in 2004. Full-time jobs, which are important to housing demand, increased in 2004.

After bottoming out in October 2004, seasonally adjusted figures for both employment and the labour force have been moving higher. The

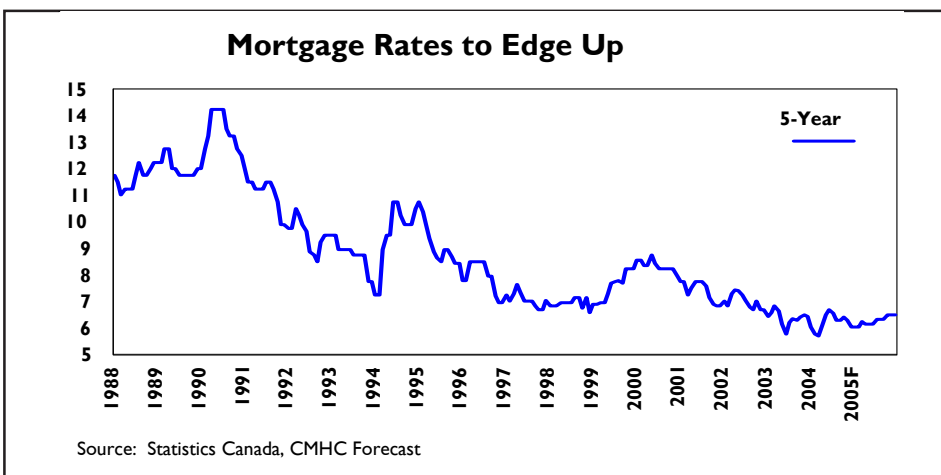


EMPLOYMENT

With the economy near full employment, future job growth will be driven by population growth. Leading Canadian economic indicators point to strong growth in 2005. The Oshawa economy is expected to bounce back with positive job creation in 2005. The annual average employment is forecast to expand by 1.9 per cent to 174,000 in 2005.

Oshawa CMA labour force is increasing at a faster rate than employment, pushing the March unemployment rate up to 7.7 per cent, the highest level since mid 2002.

The appreciation of the Canadian dollar put downward pressure on exports. Employment in both manufacturing and trade declined in 2004. As a result of high inventory levels due to weaker sales and competition from foreign car manufactures, 3,000 Oshawa GM workers were placed on layoff for one week in early 2005. Despite these short-term layoffs, recent news from GM indicates there will be high levels of investment in its three Oshawa assembly plants securing existing employment and potentially creating more jobs.



SUMMARY

OSHAWA CENSUS METROPOLITAN AREA - FIRST QUARTER 2005

NEW HOME MARKET	2002	2003	2004	%Change	2005F	%Change
Housing Starts						
Single-detached	2,955	3,074	2,356	-23.4%	2,000	-15.1%
Multi-Family (Semi, Row, Apt.)	535	833	797	-4.3%	740	-7.2%
Total	3,490	3,907	3,153	-19.3%	2,740	-13.1%
Average New House Price						
Single-detached	\$235,809	\$240,098	\$264,979	10.4%	\$292,000	10.2%
Complete and Unabsorbed (March)						
Single-detached	40	19	18	-5.3%	28	55.6%
Multi-Family	17	17	20	17.6%	13	-35.0%
RESALE MARKET						
Toronto Real Estate Board						
MLS ¹ Sales	5,186	5,586	6,328	13.3%	6,000	-5.2%
MLS ¹ New Listings	6,859	7,772	9,081	16.8%	9,800	7.9%
Sales-to-Listings Ratio	75.6%	71.9%	69.7%		61.2%	
MLS ¹ Average Price	\$186,785	\$202,272	\$220,873	9.2%	\$238,000	7.8%
RENTAL MARKET						
Apartment Vacancy Rate	2.3%	2.9%	3.4%		3.2%	
Average Rent (2 bedroom)	\$819	\$845	\$852	0.8%	\$865	1.5%
ECONOMIC OVERVIEW						
Mortgage Rate (1 year term)	5.17%	4.84%	4.59%		5.01%	
Mortgage Rate (5 year term)	7.02%	6.39%	6.23%		6.28%	
Employed (000's)	157,000	171,800	170,700	-0.6%	174,000	1.9%
Employment Growth (000's)	3,200	14,800	-1,100		3,300	
Net Migration (tax filer data)	5,625	6,623	6,418	-3.1%	5,500	-14.3%

Sources: Toronto Real Estate Board, Statistics Canada, Conference Board of Canada, CMHC

¹ Multiple Listings Service (MLS) is a registered certification mark owned by the jCanadian Real Estate Association (CREA)

Housing Market Outlook 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 Erica McLerie at (416) 218-3318 or emclerie@cmhc-schl.gc.ca

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