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# ORECAST

Oshawa

# SUMMARY

Canada Mortgage and Housing Corporation

ISSUE: FALL 2004

## Resale Market

### Resales to dip in 2005 after recordbreaking 2004

The resale market showed resilience despite colder than normal weather in the first quarter and heavy summer rains which plagued new home construction. Third quarter sales of existing homes were lower than last year. However, strong sales in the first half of this year will propel sales to record levels by the end of 2004. This performance is fuelled by low mortgage rates, strong employment, and rising home prices in Toronto which add pressure to

the already high levels of net migration to the Oshawa CMA. A fear of rising mortgage rates, and the associated increased carrying costs pushed many potential buyers into making their home purchases earlier rather than later. Existing home sales will peak this year at a record level of 6,000 units, up 7.4 per cent from 2003. In 2005, resales are forecast to edge down 6.7 per cent to 5,600 units as mortgage rates edge higher, and demand by first-time buyers wanes.

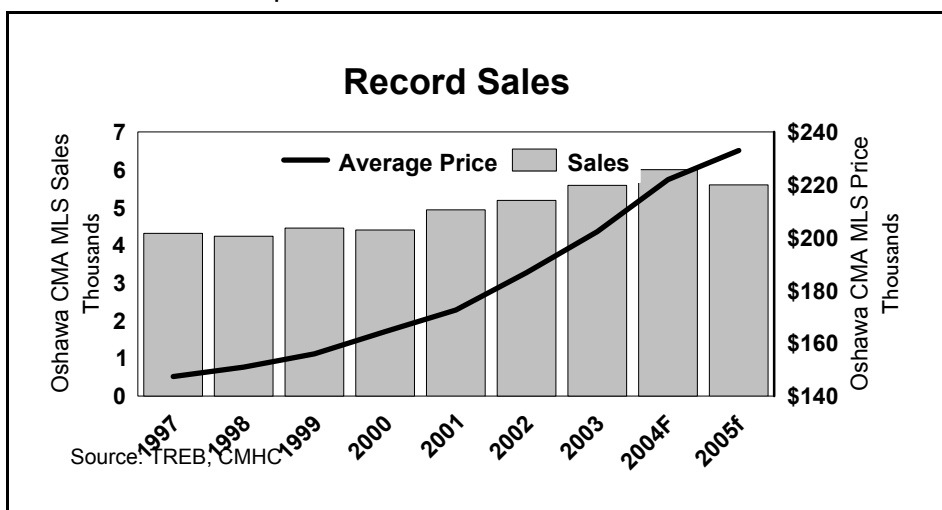
High home sales can be attributed to growing supply of new listings. Rising average resale prices, and thus the

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equity inherent in a home, are encouraging many households to list their homes for sale. New listings will increase by 10.7 per cent to 8,600 in 2004. This jump in new listings will offset the increase in sales. The sales-to-new listings ratio, a leading indicator of home prices, will come down to a still very high 69.8 per cent. A sales-to-listings ratio above 55 per cent is an indicator of a sellers' market. The resale market will remain in sellers' territory throughout 2005 although both sales and new listings will decline next year.

With the resale market in favour of the seller, price increases continue to easily outpace inflation. The average resale price will rise 9.8 per cent to \$222,000 in 2004 compared to



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\$202,272 in 2003. In 2005, with the resale market still firmly into sellers' market territory, the average resale price will be pushed higher again, rising by 5.0 per cent to \$233,000.

# New Home Market

## Multiples gain popularity

Coming off a record year for single-detached construction in 2003, starts of single-detached homes in the Oshawa CMA will slip back to a more sustainable number in 2004. Weather has played a significant role in the decrease in starts in 2004. Colder than normal temperatures in the first quarter, and a rainy summer has delayed servicing of subdivisions. A short strike of workers servicing subdivisions also slowed infrastructure completion. Without the infrastructure in place, permits could not be issued, and construction started. The decline in land zoned for low-rise residential development will pull back new construction in Whitby in 2004.

Strong resale activity bodes well for housing starts in the next few months as existing homes sales are a leading indicator of home starts and they are high. New home sales, an even better indicator, continue above the pace set in 2003. Weather related delays outweighed these positive factors. Total starts for 2004 are forecast to reach 3,522 units, down 9.9 per cent from 2003. Single-detached construction will be affected most by the weather and will decrease 12.2 per cent to 2,700 units. Although single-detached construction is forecast to drop, the level remains above the ten-year average of 1,900 starts and will be the fourth best year ever. Multiple starts will come in at a higher 822

units on the strength of condominium apartment construction this year.

In 2005, slightly higher mortgage rates and higher house prices will push mortgage carrying costs up. First-time buyers will be most affected by the increased ownership costs. The shortage of land zoned for residential development in Whitby will continue to weigh on housing starts. The sellers' resale market is forecast to remain throughout next year. With a positive economic outlook, 2005 housing starts will dip to 3,480 units, down 1.2 per cent from 2004. Single-detached starts are forecast to slip 3.7 per cent to 2,600 units, almost double the average number of singles started in any year during the 1990's. Multiple construction will increase 7.1 per cent to 880 units, as two condominium projects are expected to boost multiple starts.

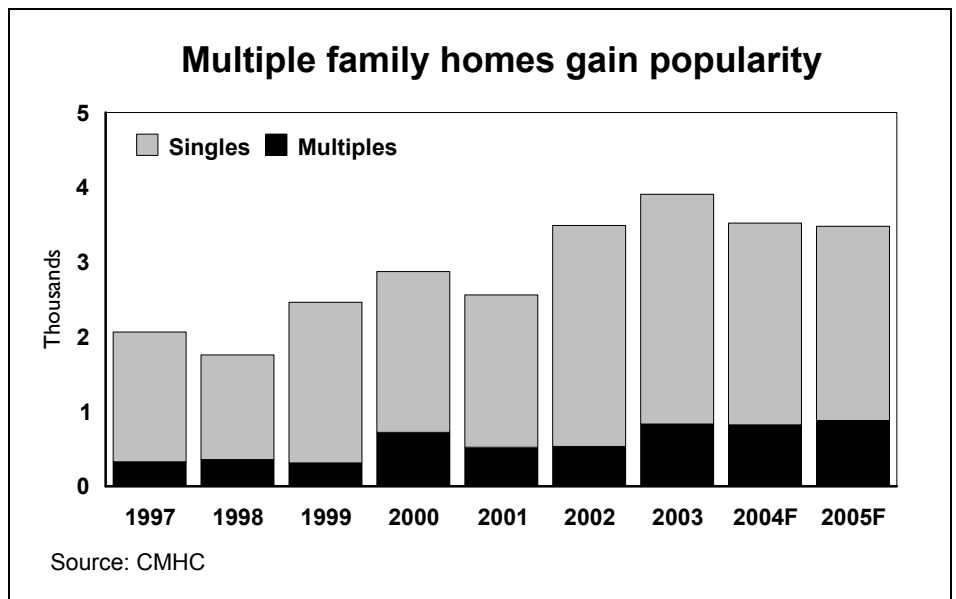
Builders have been targeting the move-up buyer, and buyers able to buy more home due to the low financing charges. Sales of single-detached homes priced above \$250,000 will represent just under 53 per cent of singles sold in 2004, up from 33 per cent in 2003. Thus in 2004, the average price of a new single-detached home will rise 9.5

per cent to \$263,000, The move-up buyer market will remain strong in 2005, but as demand slows, the average price of a resale single-detached home will rise by a smaller 5.3 percent to \$277,000.

# Rental Market

## Vacancy rate to rise in 2004

Demand for rental accommodation will continue to soften throughout 2004 and into 2005. Solid employment figures, continued low mortgage rates, and good consumer confidence are enabling existing renters to make the move to homeownership. This will be partially offset by students attending the Ontario Institute of Technology and Durham College, as well as from new households looking to the rental market for their first home. No new conventional rental supply will be added to the stock of rental units in 2004.



### 2004 Rental Market Survey

The results of the 2004 Rental Market Survey will be released on December 21, 2004.

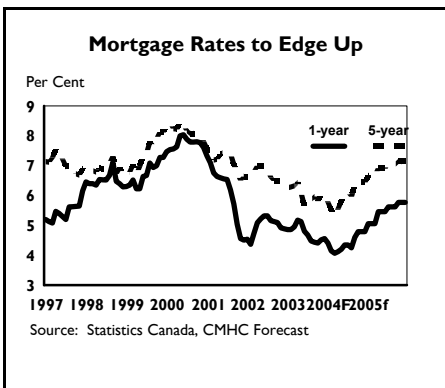
Get a picture of the average rents, vacancy rates, and universe by bedroom type and zone, as well as availability data, for large urban centres across Ontario and Canada.

To order your copy of the 2004 Rental Market Survey please call:  
**1-800-493-0059**

## Economic Overview

### Mortgage Rate Outlook

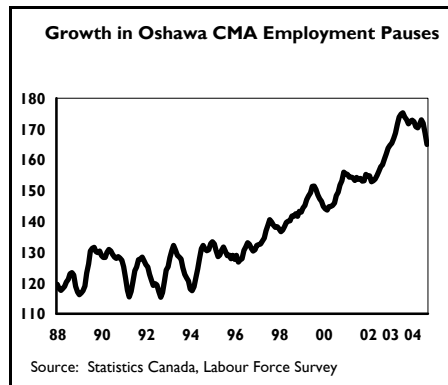
Mortgage rates will remain low by historical standards. One, three and five-year posted closed mortgage rates are expected to remain relatively flat to slightly higher for the remainder of this year, having already followed the move up in bond yields this spring. Next year these rates will begin to increase by 50-100 basis points and are expected to be in the 4.75-6.00, 5.75-6.75, and 6.25-7.50 per cent range, respectively.



## Employment

In 2003, Oshawa was Canada's leading CMA in economic growth. After 11 consecutive years of employment gains, running up an astounding total of 51,200 jobs, the Oshawa CMA will lose 1,400 of them in 2004. Important to housing demand, full-time employment will increase this year, but a larger decline in part-time jobs will pull total employment lower. In the short term, the stronger than expected Canadian dollar has eroded the competitiveness of Oshawa's export-oriented industries.

Employment in both trade and manufacturing has declined. On a more positive note, due to the strength of the new home market, as well as several industrial projects, construction employment has jumped by over 30 per cent this year. Demand for homes in the Oshawa



CMA is driven by migration from Toronto. So, it is important to note that employment in the Toronto CMA grew by over 90,000 jobs in the past year.

Leading economic indicators in both Canada and the US continue to point to strong growth into 2005. In 2005, the economy in the Oshawa CMA is expected to bounce back with positive job creation, after the pause in 2004. Employment is forecast to rise to 171,300, an increase of 900 jobs.

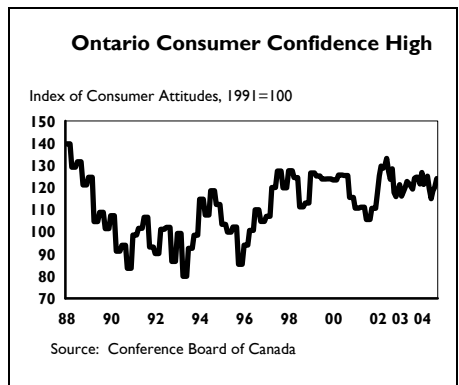
## Migration

Current tax filer data (2002/2003) revealed that net migration into the Oshawa CMA in 2003 jumped to 6,680. There were approximately 18,705 newcomers into the Oshawa CMA and roughly 12,025 people who moved away during the period between July 1, 2002 and June 30, 2003. In this period, Oshawa CMA had the highest per capita gain among CMAs in Canada, with an increase of 21 migrants per 1,000 people. With about 2.6 people per household, this translates into approximately 2,570 new households.

With a strong Toronto economy and the rising price of housing in the Toronto CMA, net migration levels to the Oshawa are expected to remain high. Total net migration to the Oshawa CMA is expected to reach 5,500 in 2004 and 5,000 in 2005.

## Consumer Confidence

Ontario consumer confidence, as measured by the Conference Board of Canada's Index of Consumer Attitudes has essentially remained high since 1997. Consumer confidence is a key indicator in people's willingness to follow through with a purchase. Although consumer confidence is high, Ontario auto sales, another indicator of consumer attitudes, has been trending downward the last couple of years.



# SUMMARY

## OSHAWA CENSUS METROPOLITAN AREA - THIRD QUARTER 2004

<b>Resale Market</b>	<b>2002</b>	<b>2003</b>	<b>2004F</b>	<b>2005F</b>	<b>% Chg.</b>
MLS Sales	5,186	5,586	6,000	5,600	-6.7%
MLS Average Price	\$186,785	\$202,272	\$222,000	\$233,000	5.0%
MLS Listings	6,859	7,772	8,600	8,100	-5.8%
Sales-to-New Listings Ratio	75.6%	71.9%	69.8%	69.1%	
<b>New Home Market</b>					
<b>Housing Starts</b>					
Total	3,490	3,907	3,522	3,480	-1.2%
Ownership: Single Detached	2,955	3,074	2,700	2,600	-3.7%
Semi, Row, Apartment	519	793	822	840	2.2%
Rental	16	40	0	40	na
Average Single-detached Price	\$235,809	\$240,098	\$263,000	\$277,000	5.3%
<b>Completed &amp; Unoccupied</b>					
Single (September)	32	19	6		
Multiple (September)	31	8	9		
<b>Rental Market</b>					
Vacancy Rate (October)	2.3%	2.9%	3.2%	3.3%	
Average Rent ( 2 bedroom)	\$819	\$845	\$862	\$879	
<b>Economic Overview</b>					
Mortgage Rate (3 yr. term)	6.28%	5.82%	5.69%	6.45%	
Mortgage Rate (5 yr. term)	7.02%	6.39%	6.28%	6.95%	
Employment (annual average)	157,500	171,800	170,400	171,300	0.5%
Employment growth (# jobs)	3,200	14,300	(1,400)	900	
Net migration (census year)	5,448	6,680	5,500	5,000	

**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 Erica McLerie at (416)218-3318 eMail emclerie@cmhc-schl.gc.ca

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