



# FORECAST

Windsor

## SUMMARY

Canada Mortgage and Housing Corporation

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### Resale Home Market Strong first quarter pace will contribute to sales record

The spring resale housing market in Windsor-Essex has taken off in 2004, supported by rock bottom mortgage rates and strong consumer confidence. March recorded 624 sales, the most ever! Sales for March, seasonally adjusted at an annual rate, point to a year with sales in excess of 7,000 homes! While this pace cannot continue, it none the less has homeowners out there eager to list their homes and move-up while the market is hot.

Spring is traditionally the busiest time for resale buying and selling and this year is no exception. Following the brisk spring market, the pace of sales will moderate slightly and finish the year at the 5,500 sales mark, a new record and an increase of 3.8 per cent from 2003 figures. The pick up in sales since 2001 has tightened the market as noted by an increasing sales to new listings ratio. A brief increase in listings in the spring of last year relieved the pressure somewhat yet

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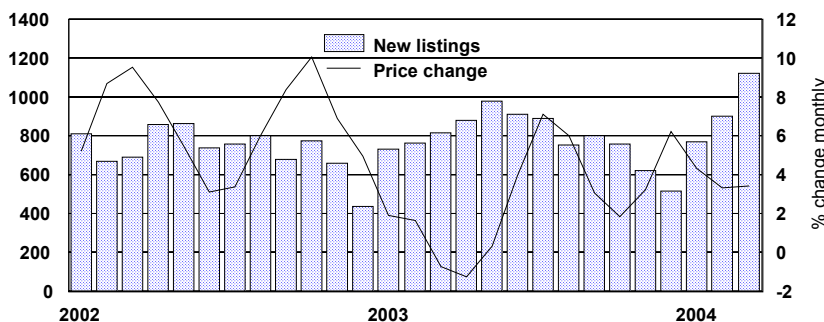
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the average price was driven up a further three per cent.

These equity gains have drawn homeowners to list. At the end of March, new listings hit 1,125 homes, an all time high. New listings will increase by 2.5 per cent to 9,700 in 2004 following an 8 per cent increase in 2003. As sales will also increase the sales to new listings ratio will average 57 per cent maintaining the market just into seller's territory.

The bouyant level of demand has resulted in further upward pressure on prices. The average sale price for 2004 will increase by 2.6% to \$156,000. Sales will peak in 2004 and decline modestly in 2005 due to higher mortgage rates.

### Price growth draws new listings



Source: Windsor Essex REB

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# New Housing Market

## Single starts edge down in 2004

Modest employment growth and low borrowing rates will support demand for 1,550 new single-detached homes in the Windsor CMA in 2004. A 5 per cent decline in 2003 will be followed by a further 5 per cent drop in 2004, but brings single-detached starts right on the 10 year annual average.

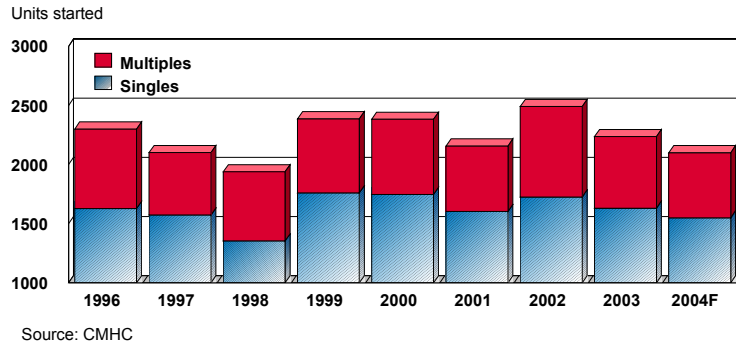
Single family construction fared poorly during the start of 2004. Part of the decline is due to record starts levels in 2003 Q1, however the trend to a more moderate pace of building is evident. The surge during the past 3 years from a combination of first times buyers taking advantage of low rates and move-up buyers making use of equity gains has flowed through the system. While a slowdown in the cyclical nature of home construction is inevitable, the pull back is well in hand and will not result in major construction layoffs or price declines. There is little inventory of new homes with only 9 completed and available for sale in March.

## Multiple starts

Demand for semi-detached units has fallen off. From a peak of 350 units in 2002 to only 160 units forecast to start in 2004. Reduced demand is linked to the majority of first-time buyers during this building cycle already having entered the market.

Empty-nesters looking for a more carefree lifestyle continue to turn to freehold townhouse developments and condominium apartments. Townhouse and apartment ownership starts will total 310 units in 2004, down marginally from the 331 units started in 2003. The majority of

## Single and Multiple Starts Forecast



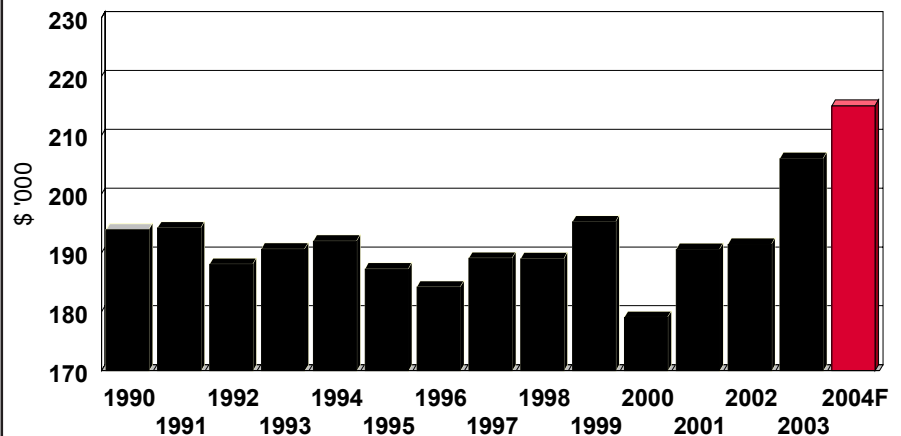
townhouse units will be located outside the City. Rental starts will be limited to less than 100 units, which will include the first social housing project in several years, due to the elevated vacancy rate. Only 14 private rental units were under construction as of March 2003.

Steady employment growth in the Windsor CMA and low borrowing rates allowed consumers of new homes the latitude to purchase 'more' home and include upgrades, resulting in a jump of 8 per cent in the average house price in 2003. Gains were strongest in Lakeshore and Windsor City. An 83 per cent jump in the proportion of homes sold in the \$175,000-249,999 price range indicates that move-up buyers have been driving

the new construction market in Windsor. The number of homes under the \$175,000 level has dropped dramatically. In one year the share fell from 62 per cent of the market to 40 per cent in the first quarter of 2004. Upward pressure on prices will be maintained in 2004 due to a shortage of serviced lots, increasing development charges and buyers demands for upgrades.

In 2005 housing starts will be negatively impacted by increasing borrowing rates which will be offset by stronger job growth and a pick up in the economy. As a result no significant downturn is anticipated.

## New home prices recovering



# Economic Overview

## Positive outlook on the horizon

Economic growth in the Windsor area suffered in 2003 as employment and output fell short in several sectors. A higher Canadian dollar negatively affected both manufacturing and the tourism-services sector. Both areas are expected to rebound in 2004 as the U.S. economy strengthens. Upgrades to the border crossing will have a positive effect on commercial construction and tourism. Current black spots on the local economy include the strike at Casino Windsor, the potential lock-out of Windsor-Essex Elementary School teachers and the closure of the Ford engine plant this summer.

Although motor vehicle sales will not grow at the same pace as the previous period, the government's recent announcement of \$500 million to strengthen the auto sector poise Windsor to take advantage of any new investments and maintain current jobs. The area will leverage this investment to become the intellectual capital for the automotive industry and will build on the already

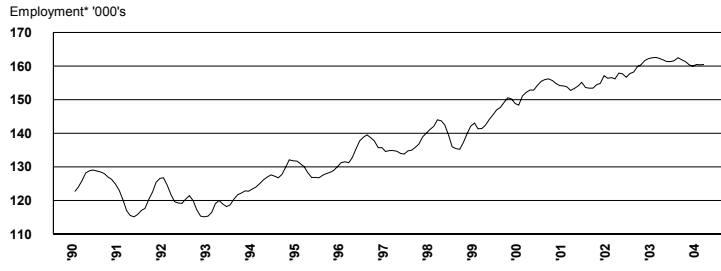
established centre for manufacturing excellence at St. Clair College and research centres at the University of Windsor.

Carrying costs for the average MLS priced home in Windsor were down in March 2004 to \$660 month from \$717 a month one year earlier despite a 5 per cent increase in the average price. Personal income per capita in Windsor continues to be above the Canadian and Ontario average at \$33,000 and both the Business Development Bank of Canada and the Conference Board have sighted Windsor for healthy growth in 2005. This in turn will contribute to positive consumer confidence in the local area.

## Consumer Confidence Steady

Ontario consumer confidence, as measured by the Conference Board of Canada's Index of Consumer Attitudes, improved throughout 2003. It peaked at 126.8 in January 2004 for Ontario. This level is expected to be sustained throughout 2004 as economic conditions continue to improve. Total net migration to the Windsor CMA is expected to increase to 5,000 in 2004. The majority of these will be in the 25-44 year age group, prime home buying years, which will support the Windsor housing industry over the next two years.

## Employment levels in Windsor CMA flatten out



\*seasonally-adjusted 3-month moving averages ending March 2004  
Source: Statistics Canada

## Mortgage Rate Outlook

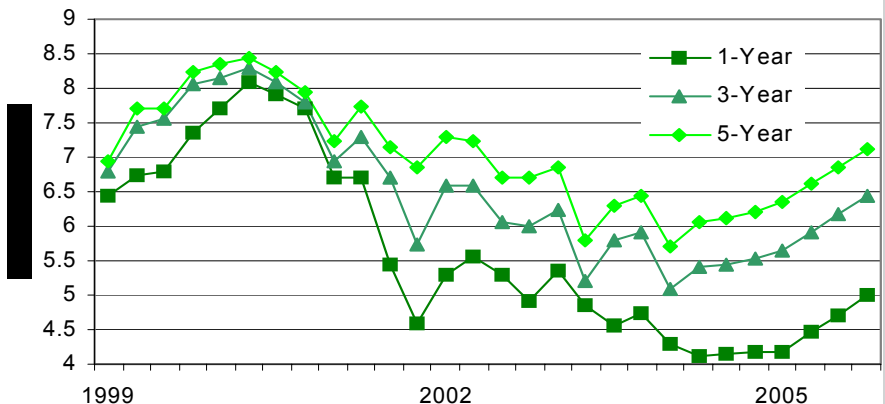
Declining inflation concerns, accommodative monetary policy and tentative economic growth will keep Canadian interest and mortgage rates low in the next two or three quarters. As economic growth strengthens into 2005, monetary policy will become less accommodative and short-term Canadian interest rates will rise 50-100 basis points late in 2004. Long-term yields are also forecast to increase 25-50 basis points in the second half of 2004 after inflation bottoms out early this year and economic growth gains momentum.

Average interest rates for 1, 3 and 5-year mortgages are forecast to be lower in 2004 relative to 2003. Next year these rates will increase and are expected to be in the 4.25-5.25, 5.75-6.75, and 6.25-7.25

percent range respectively. Spreads between mortgage rates and comparable bond yields have remained at

150-250 basis points, providing lenders with some room for discounting.

## MORTGAGE RATES FORECAST TO REMAIN LOW



Source: Statistics Canada, CMHC

# FORECAST SUMMARY

## Windsor Census Metropolitan Area

<b>RESALE MARKET</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004(f)</b>	<b>% Change</b>
MLS* Sales	5127	5265	5300	5500	3.8%
MLS Average Price	\$138,485	\$149,206	\$152,000	\$156,000	2.6%
MLS New Listings	8,737	8,757	9,456	9,700	2.6%
Sales-to-New Listings Ratio	58.7%	60.1%	57.9%	56.7%	

### **NEW HOME MARKET**

Single-detached starts	1604	1726	1632	1550	-5.0%
Semi-detached starts	218	350	213	160	-25%
Row/Apt Ownership starts	289	384	331	310	-6.3%
Apt Rental/Life-lease starts	46	30	61	80	31.0%
<b>Total Starts</b>	<b>2157</b>	<b>2490</b>	<b>2237</b>	<b>2100</b>	<b>-6.1%</b>
Average New Home Price	\$190,600	\$191,437	\$206,000	\$215,000	4.4%

### **RENTAL MARKET**

Apartment Vacancy Rate	2.9	3.9	4.3	4.5	
Average 2 Bedroom Rent	\$738	\$765	\$776	\$784	1.0%

### **ECONOMIC ASSUMPTIONS**

Mortgage Rate (1-Year Term, %)	6.14	5.17	4.84	4.18	
Mortgage Rate (5-Year Term, %)	7.4	7.02	6.39	6.13	
Employment (000's)	154.6	158.8	161	164	1.8%
Net Migration	5940	5000	4800	5000	4.2%

\*Multiple Listing Service, (MLS) is a registered certification mark owned by the Canadian Real Estate Association.  
Source: Windsor-Essex County Real Estate Board, HRDC, Bank of Canada, CMHC

**Forecast Summary** is CMHC's forecast for new home and resale markets. Issues are released in the Spring and Fall of each year.

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