

# H

# OUSING MARKET

## OUTLOOK

## Oshawa

Canada Mortgage and Housing Corporation

www.cmhc.ca

Fall 2005

### RESALE MARKET

#### *Resales have passed their peak*

High employment levels, strong migration flows from other parts of Ontario and very low borrowing costs will keep housing demand strong.

Home sales in the Oshawa Census Metropolitan Area (CMA) will register another solid year and will total at 5,870. While 7.2 per cent below last year's all-time high, 2005 will be the second best sales year on record. Although 2006 sales are moving lower to 5,750, they will remain well above their historical average.

Being a more moderately priced home market than Toronto, Oshawa is especially in favour with

Torontonians searching for affordable communities to buy into. The opportunity to own a home at a relatively affordable price point and yet stay part of diverse Toronto job market continues to attract migrants to the area. Oshawa's net migration numbers per capita are among the highest in Canada.

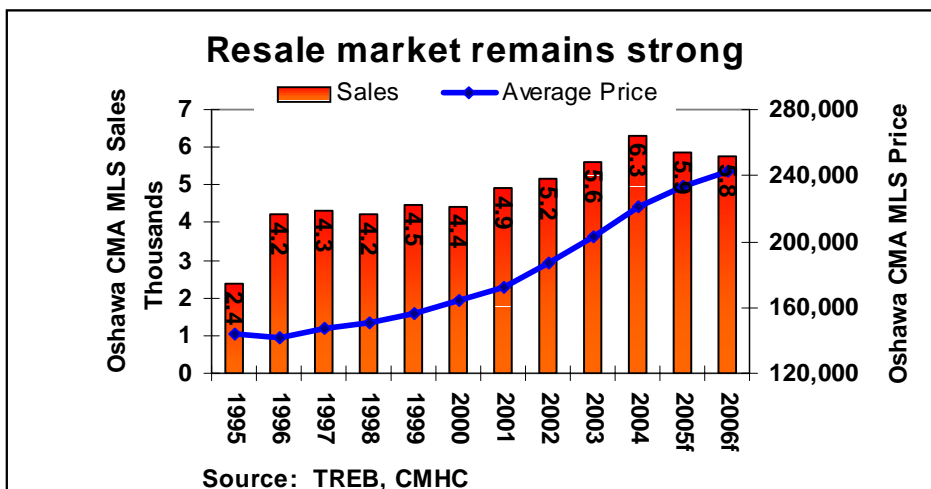
The Oshawa resale home market is tight and is shifting to a more balanced state. The sales-to-new listing ratio (SNL) is a good indicator of current conditions in the resale home market. When Oshawa homebuyers absorb more than 55 per cent of the newly listed homes on the market, sellers' market conditions usually prevail and are accompanied by price increases above the general rate of inflation.

### IN THIS ISSUE

- 1 Resale Market
- 2 New Home Market
- 3 Mortgage Rate Outlook
- 3 Employment
- 3 Rental Market

A balanced market is defined by a 35 to 55 per cent sales-to-new listings ratio. In this type of market, prices of homes usually rise in line with the general rate of inflation. Oshawa's SNL ratio has been fluctuating around the 60 per cent mark.

With Oshawa's resale home market in favour of sellers' for almost a decade, there will be upward pressure on home prices. Prices are expected to increase by 6.2 per cent in 2005 to reach \$234,500. Strong appreciation of home prices will encourage more people to list their homes for sale. More choice for buyers will relieve some of the upward pressure on home prices next year. The average price of a home will continue to rise, albeit at a slightly slower rate,



to reach \$242,000.

While home prices have risen dramatically since the mid 1990's, mortgage-carrying costs remain relatively affordable. Although higher, in inflation-adjusted terms, average monthly mortgage payments are significantly below the levels seen in the late 1980's and early 1990's. Nevertheless, the pressure of rising home costs, will moderate housing demand for more expensive homes over time.

## NEW HOME MARKET

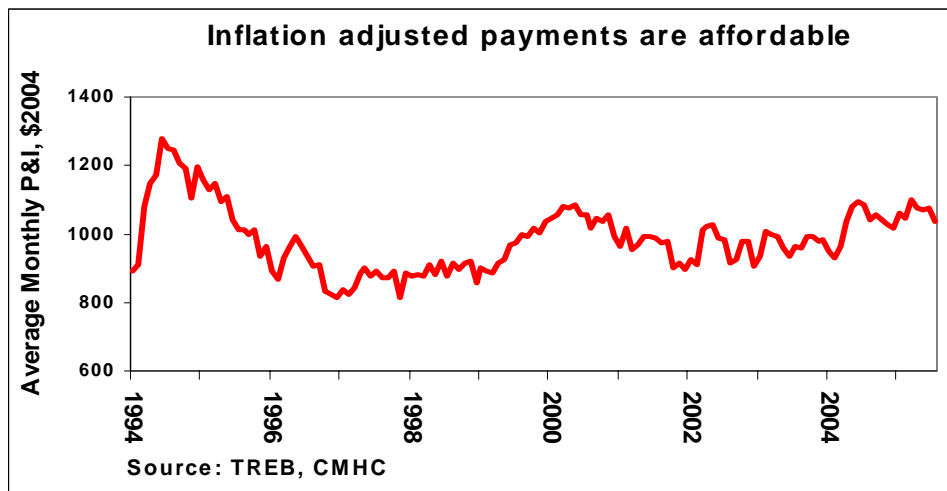
### Construction to slow down

A softer resale home market will translate into less spillover demand for new homes. As the supply of new listings grows, buyers will take advantage of the increased existing home choice. The improved ability to find an "ideal" home from the existing pool will nudge home starts lower.

Weaker sales of new single detached dwellings registered in 2005 suggest an approaching slow down in new home construction next year.

Housing starts are edging lower from their peak in 2003. The total number of new home footings laid will reach 2,634 units in 2005, down 16.5 per cent from last year's level. In 2006 total home starts are expected dip by additional 9.6 per cent, to 2,380 units. Although lower, new home construction in Oshawa is still above the long term historical average. Low borrowing rates will ensure demand for housing will stay at respectable levels.

Single-family home construction has always dominated Oshawa,



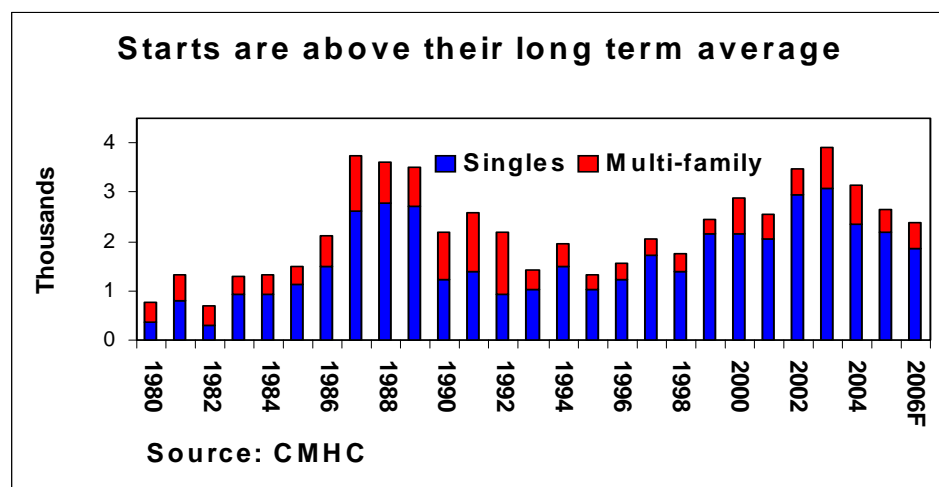
and is especially popular among move-up buyers. Oshawa buyers are typically able to afford larger and more upgraded homes than in adjacent centers such as Toronto.

Even though homes in Oshawa are becoming more expensive, they are still more moderately priced relative to Toronto area homes. This home value advantage explains the large flows of intra-provincial migrants that are driving local housing demand. In the first eight months of 2005, 66 per cent of new single-detached dwellings were sold for less than \$300,000, with an average price of \$289,108, compared to \$422,185 recorded in Toronto.

However, there is a new trend evolving. The strong price appreciation of single detached properties in Oshawa has made more households consider buying multiple-family properties in Toronto. Popular condominium apartments in Central Toronto, which offer a location advantage and comparable price tags, were booming in 2005.

The cost of land, labour and materials, reflected in Oshawa's New Home Price Index (NHPI), continues to rise and push the average new home prices higher.

With solid demand expected to continue, the average price for single-



<sup>1</sup> The average monthly mortgage is calculated using average MLS price, posted three-year fixed mortgage rate, with a 25 per cent down payment and a 25-year amortization period.

detached dwellings will reach \$292,000 in 2005. Taking into consideration the shortage of lots available for construction, home price increases next year will outpace the general rate of inflation.

## ECONOMIC OVERVIEW

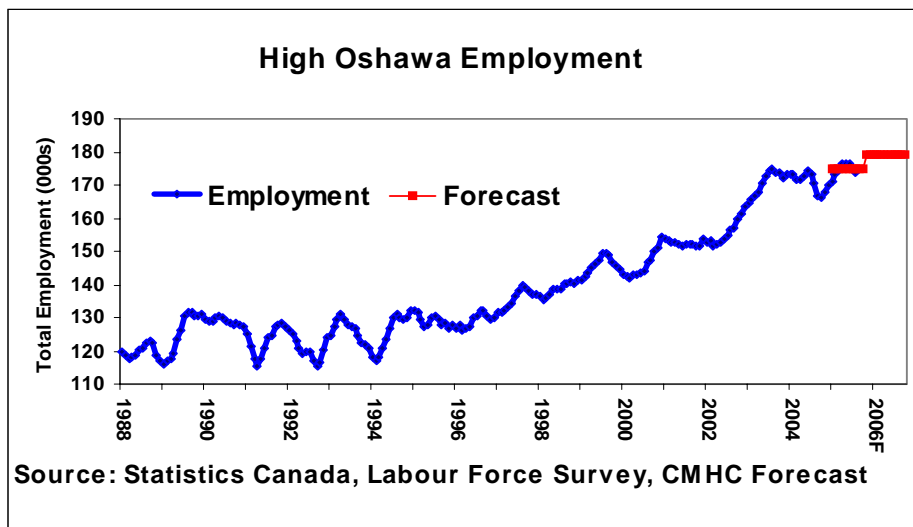
### MORTGAGE RATE OUTLOOK

Mortgage rates will remain low in 2005 and rise moderately in 2006. Tame inflation, and a strong Canadian dollar vis-à-vis the U.S. dollar will restrain the size and speed of Canadian interest and mortgage rate increases in 2005 and 2006.

Short-term mortgage rates are expected to be 25-35 basis points higher in 2005 than in 2004, while longer-term rates will be lower by a similar amount in 2005 compared to the previous year. While still low by historical norms, mortgage rates are expected to rise gradually by 25-50 basis points in 2006. One, three and five-year mortgage rates are forecast to be in the 4.50-5.75, 5.25-6.25, and 5.50-6.50 per cent ranges respectively in 2005-06.

### EMPLOYMENT

A healthy labour market forms an essential component of housing demand. Secure jobs provide homebuyers with financial ability to purchase and maintain homes. Despite the lack of job growth over the last two years, solid increase occurred between 1994 and mid 2003. This has brought local employment to respectable levels. Oshawa's employment will expand by 2.3 per cent in 2005 to reach 174,700. However, despite an already high participation rate, Oshawa Labour Force will expand even faster and push the 2005 unemployment



rate to a higher 6.6 per cent.

The majority of jobs generated this year were full-time, which are the type that is the most secure and beneficial to homeownership. Moreover, this year's increase of jobs in the 45-64 year age segment was in line with an appreciable flow of move up buyers to the region. Move up buyers will support demand for expensive single-detached homes.

A high Canadian dollar has put pressure on exporters, and moved Manufacturing and Trade related employment sectors off their respective 2003 peaks. Job losses in these sectors were offset by increases in services-producing sectors such as Transportation and Warehousing, Public Administration, and Accommodations and Food Services.

The automotive industry is a high profile employer in the Oshawa area. Despite a drop in automobile sales, high inventory levels and temporary auto sector layoffs throughout the year, General Motors announced its' intentions to invest \$750 million in the Oshawa and St. Catharines

operations to upgrade assembly operations and establish new auto research and training initiatives. It was expected that the new investment will be a boost to the Durham Region workforce and will secure existing jobs for GM employees and supplier plants. At the same time, in September 2005, General Motors signed a three-year term agreement with Canadian Auto Workers (CAW). As part of this deal, to help GM cope with declining market share in the North America, it was agreed that between 250 and 300 jobs will be eliminated each year at three GM facilities in Ontario. The net impact of those conflicting announcements on Oshawa employment isn't clear yet.

### RENTAL MARKET

Rising home prices and mortgage rates will make home ownership slightly more expensive and cause more households to postpone their home-buying decision. This slowdown in the movement to ownership will cause vacancy rates to inch lower to 3.2 per cent this year. However, still high vacancies will limit the magnitude of rent increases. Rent increases in 2005 will be below the general rate of inflation.

## SUMMARY

### OSHAWA CENSUS METROPOLITAN AREA - FALL 2005

<b>NEW HOME MARKET</b>	2002	2003	2004	2005F	%Change	2006F	%Change
<b>Housing Starts</b>							
Single-detached	2,955	3,074	2,356	2,180	-7.5%	1,850	-15.1%
Multi-Family (Semi, Row, Apt.)	535	833	797	454	-43.0%	530	16.7%
Total	3,490	3,907	3,153	2,634	-16.5%	2,380	-9.6%

#### **Average New House Price**

Single-detached	\$235,809	\$240,098	\$264,979	\$292,000	10.2%	\$315,000	7.9%
-----------------	-----------	-----------	-----------	-----------	-------	-----------	------

#### **RESALE MARKET**

Toronto Real Estate Board

MLS* Sales	5,186	5,586	6,328	5,870	-7.2%	5,750	-2.0%
MLS* New Listings	6,859	7,772	9,081	10,000	10.1%	9,900	-1.0%
Sales-to-Listings Ratio	75.6%	71.9%	69.7%	58.7%	-	58.1%	-
MLS* Average Price	\$186,785	\$202,272	\$220,873	\$234,500	6.2%	\$242,000	3.2%

#### **RENTAL MARKET**

Apartment Vacancy Rate	2.3%	2.9%	3.4%	3.2%	-	3.0%	-
Average Rent (2 bedroom)	\$819	\$845	\$852	\$865	1.5%	\$885	2.3%

#### **ECONOMIC OVERVIEW**

Mortgage Rate (1 year term)	5.17%	4.84%	4.59%	4.94%	-	5.52%	-
Mortgage Rate (5 year term)	7.02%	6.39%	6.23%	5.95%	-	6.27%	-
Employed (000's)	157,000	171,800	170,700	174,700	2.3%	179,000	2.5%
Employment Growth (000's)	3,200	14,800	-1,100	4,000	-	4,300	-
Net Migration (tax filer data)	5,625	6,623	6,952	6,350	-8.7%	5,900	-7.1%

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

\*Multiple Listings Service (MLS) is a registered certification mark owned by the Canadian 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 Inna Breidburg at (416) 218-3425 or [ibreidbu@cmhc-schl.gc.ca](mailto:ibreidbu@cmhc-schl.gc.ca)

**Housing Market Outlook** is published by Canada Mortgage and Housing Corporation. All rights reserved. to become a subscriber or for more information about CMHC's wide range of housing related publications, please call 1-800-493-0059.

© 2005 Canada Mortgage and Housing Corporation. All rights reserved. No portion of this publication may be reproduced, stored in a retrieval system or transmitted in any form or by any means, mechanical, electronic, photocopying, recording or otherwise without the prior written permission of Canada Mortgage and Housing

Corporation. Without limiting the generality of the foregoing, no portion of this publication may be translated from English into any other language without the prior written permission of Canada Mortgage and Housing Corporation. The information, analyses and opinions contained in this publication are

based on various sources believed reliable, but their accuracy cannot be guaranteed. The information, analyses and opinions shall not be taken as representations for which Canada Mortgage and Housing Corporation or any of its employees shall incur responsibilities.