



# FORECAST

Windsor

## SUMMARY

Canada Mortgage and Housing Corporation

ISSUE:  
FALL 2004

### New Home Market Housing starts to drop back in 2005

Affordable borrowing costs and immigration have contributed to a robust new housing market which will rival the record set in 1979 for new construction in the Windsor Census Metropolitan Area. (CMA)

Total starts will gain 10 per cent this year and reach 2,470 units by year-end, nine per cent off the 2,714 units built in 1979. In 2005, total starts will decline by slightly more than 300 units for a total of 2,155 starts. The

modest anticipated decline is due to rising prices and mortgage rates, which will reduce the potential pool of buyers. A number of new subdivisions are planned for Amherstburg, LaSalle and Lakeshore.

Prices of new homes have risen steadily due to the fact that purchasers are buying 'more' home because of low interest rates, as opposed to increasing prices of the same home type. The New Housing

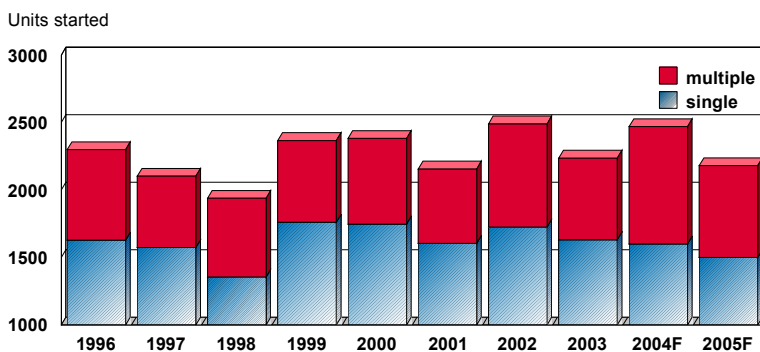
**1 New Housing Market Starts ease back while prices continue to climb**

**2 Resale Housing Market Sales to slow in 2005**

**3 Economic Overview Positive Outlook on Horizon**

**4 Forecast Summary**

### Starts will decline in 2005



Source: CMHC

Price Index, which has remained flat for the first seven months of the year, posted its first gain in over two years in August. The index rose 0.7 per cent as land costs rose. The rate will continue to rise modestly in 2005 as increased development charges initiated this year work through the system. As the average price of single family homes continues to rise, four per cent in both 2004 and 2005, some demand will switch to the multiple market which offers lower priced product.

Margot Stevenson  
CMHC London, Market Analysis  
Direct Line: (519) 873-2407 \* Fax: (519) 438-5266  
mstevens@cmhc-schl.gc.ca \* www.cmhc.ca



HOME TO CANADIANS  
Canada

## Multiple starts

Demand for semi-detached units has fallen modestly in 2004 and will continue to decline in 2005. Reduced demand is linked to the majority of first-time buyers during this building cycle already having entered the market. Apartment ownership starts totalled 176 units in the first three quarters compared to none at the same time last year. This product will continue to be popular in 2005 as empty-nesters look for a more care-free lifestyle option. 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 49 private rental units were under construction as of September 2004.

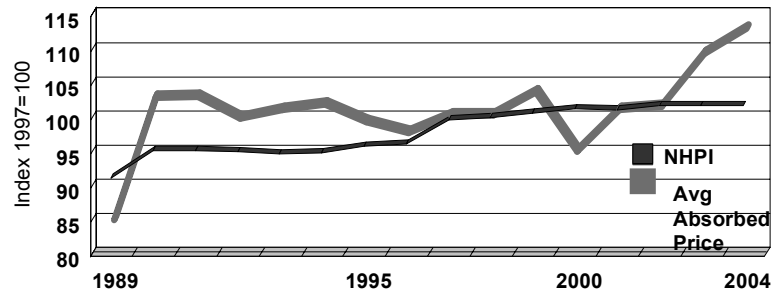
In 2005 housing starts will be negatively impacted by increasing borrowing rates which will be offset by stronger job growth and a pick up in the economy in the second half.

# Resale Market

## Resale market to slow in 2005

The outlook for the Windsor CMA remains positive. Historically low mortgage rates, steady employment, and rising home equity have contributed to the stellar performance in 2004 and will go forward into 2005. These factors will propel MLS sales to a new height of 5,600 units this year. While mortgage rates will move up moderately in 2005 employment is expected to grow in the second half of the year. A slow start to 2005 with softer demand, due to consumer fatigue will result in home sales of 5000 sales.

## People have been buying more house



Source: Statistics Canada, CMHC, Windsor CMA

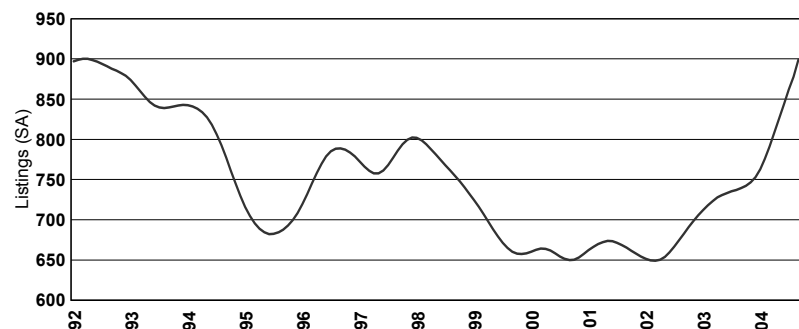
Strong immigration into the Windsor area in 2000 and 2001 has helped spur demand in the resale market. These new residents typically take 3-5 years before entering the homeownership market and as such were active purchasers in 2004. Lower immigration in the past few years will contribute to lower sales activity in 2005.

The healthy market this year has resulted in a steadily rising average house price. By year end the average price will have reached \$162,000 a gain of \$10,000 or 6.6%. This gain has had two impacts. First, to attract people to invest in homeownership. Second, to lure homeowners to list their homes for sale in order to realize their equity gains, which in turn has shot up the supply of new listings on the market.

In September, new listings totalled 1040 homes, 6% above the high in 1992 for that month. As such the sales to new listings ratio which gauges the balance between supply and demand in the resale housing market has dropped to the seasonally adjusted rate of 58% in September. While the market currently remains in the seller's category, it will transform into a balanced position in the new year as sales become sluggish and an increased number of homes are available for sale.

The increase in the number of new listings will offer buyer's more choice and time to make a decision as well as ease some of the upward pressure on prices. The 2005 average MLS price is forecast to increase three per cent to \$167,000.

## A growing supply of new listings will slow the pace of price growth



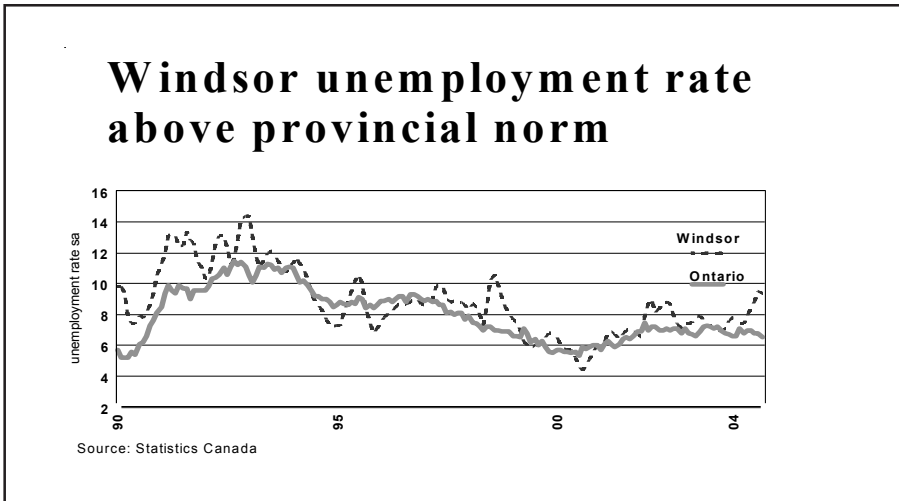
Source: CREA, CMHC

# Economic Overview

## Positive outlook on the horizon

Employment levels in the Windsor CMA remain flat despite growing levels in other metropolitan areas in Southern Ontario. Windsor's manufacturing sector has been hit hard by an elevated Canadian dollar and waning demand for automobiles. While employment levels will be lucky to maintain their current level in 2004, job growth will pick up in the second half of 2005 as the U.S. economy strengthens. Upgrades to the border crossing will have a positive effect on nonresidential construction and tourism.

Increases in the labour force without corresponding employment growth has resulted in the second highest unemployment rate in the country at the end of third quarter. The strike at Casino Windsor and layoffs at the Ford Motor Company have contributed to the slowdown. Residential construction workers will still be busy with new building in 2005 as new areas in the surrounding markets open up housing developments based on



new water and sewage treatment agreements. Workers will also turn towards an increasing renovation market in 2005 to supplement their work. Employment will increase by 4 per cent in 2005.

## Rental Market

### Vacancies to grow

Windsor's apartment rental market continues to soften due to the shift of renters to homeownership based on comparable carrying costs. The vacancy rate will rise to nearly 5 per cent in 2004 and 2005. The lack of significant new rental construction means that once employment begins to expand again the vacancy rate will

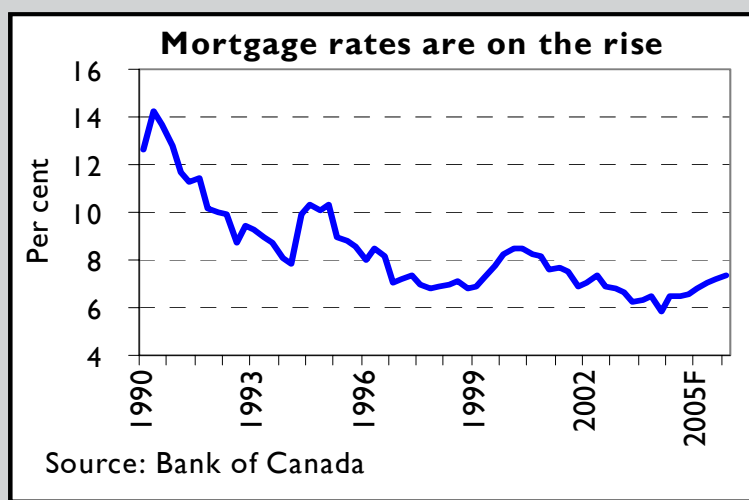
stabilize.

### Consumer Confidence Strong

Provincially, a positive employment picture and favourable interest rates have served to keep consumer confidence, as measured by the Conference Board of Canada's Index of Consumer Attitudes, at high levels relative to those seen in the mid to late 1990s. The Conference Board of Canada has also given the area a very positive forecast for next year. Total net migration to the Windsor CMA is expected to average 3,000 persons in 2005 up from a low of 2,235 in 2002. 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.

## 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.



# FORECAST SUMMARY

## Windsor Census Metropolitan Area

<b>RESALE MARKET</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004(f)</b>	<b>2005(f)</b>	<b>% Change</b>
MLS* Sales	5127	5265	5300	5600	5000	5.7%
MLS Average Price	\$138,485	\$149,206	\$152,000	\$162,000	\$167,000	6.6%
MLS New Listings Sept	653	680	802	1,040	1,050	1.0%
Sales-to-New Listings Ratio	62.8%	61.3%	54.2%	53.8%	52.0%	
<b>NEW HOME MARKET</b>						
Single-detached starts	1604	1726	1632	1600	1500	-6.3%
Semi-detached starts	218	350	213	190	140	-26%
Row/Apt Ownership starts	289	384	331	310	480	55.0%
Apt Rental/Life-lease starts	46	30	61	70	60	-14.0%
<b>Total Starts</b>	<b>2157</b>	<b>2490</b>	<b>2237</b>	<b>2470</b>	<b>2180</b>	<b>-11.7%</b>
Average New Home Price	\$190,600	\$191,437	\$206,000	\$215,000	\$223,000	3.7%
<b>RENTAL MARKET</b>						
Apartment Vacancy Rate	2.9	3.9	4.3	4.8	4.9	
Average 2 Bedroom Rent	\$738	\$765	\$776	\$784	\$792	1.0%
<b>ECONOMIC ASSUMPTIONS</b>						
Mortgage Rate (1-Year Term, %)	6.14	5.17	4.84	4.56	5.48	
Mortgage Rate (5-Year Term, %)	7.4	7.02	6.39	6.28	6.45	
Employment (000's)	154.6	158.8	161	161	165	4.0%
Net Migration	6149	3451	2230	3000	3000	0.0%

\*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.

Margot Stevenson Direct Line: (519) 873-2407  
e-mail: mstevens@chmc-schl.gc.ca

**Forecast Summary** is published by Canada Mortgage and Housing Corporation, and included with subscriptions to **Housing Now**. 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.

Housing Now is published four times yearly for the Windsor Metropolitan market. Forecast Summary Supplement is included with the 1st and 3rd quarter reports. An annual subscription to the Windsor Housing Now is \$55.00. To order, please contact Ontario customer service at 1-800-493-0059.

© 2004 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.

