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# ORECAST

Hamilton

## SUMMARY

Canada Mortgage and Housing Corporation

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### New Home Market

#### Multiples will boost 2004 starts

Demand for new housing will continue to be bolstered by low interest rates and moderate employment gains throughout 2004. The new home market will also continue to benefit from a listings shortage in the resale market. In 2004, total starts will increase by 4 per cent compared to a decline of -14 per cent in 2003. The increase will be led largely by the multiples sector, while single starts are forecasted to fall slightly. This trend is expected to continue well into 2005.

Rising cost of single detached homes are more likely to impact the first time buyer demand, which largely rests with the 25-44 age group in Hamilton CMA. Costs associated with rising home prices will result in first time buyers bypassing singles in favour of less expensive forms

of dwelling. In conjunction with low mortgage rates forecasted for 2004, demand will increase for other forms of less expensive housing such as row houses, semis and condominium apartments. As such, multiple housing starts will expand by 9.2 per cent to 1,655 units this year. Single starts, conversely, are expected to fall to 1730 units or 0.7 per cent in 2004.

Prices of new homes will continue to rise throughout 2004 and well into 2005. A significant driver of home prices in Hamilton CMA is demand brought on by intra-provincial migration. For example, rising cost of home prices in Toronto are encouraging people to relocate to nearby Hamilton CMA. Furthermore, a listings shortage of resale homes in Hamilton CMA will keep the price of new homes at high levels.

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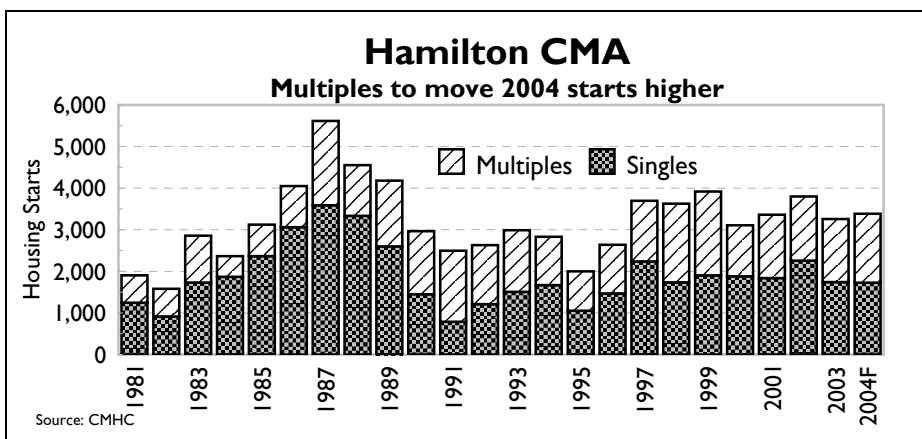
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On the other hand, move up buyers will continue to benefit from rising house prices as they could sell their existing homes at a higher rate and purchase a new home with the equity gains made during the sale. As a result, there will be continued demand for higher end homes in areas such as Burlington and Ancaster, where the average price of a new single detached home has been

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HOME TO CANADIANS  
**Canada**

around \$330,000 in 2003 and is expected to top \$350,000 in 2004. Overall in Hamilton CMA, the average price of a single detached home is expected to reach \$303,760 in 2004, representing an

increase of 6.3 percent from \$285,755 last year. In addition to general demand factors and more expensive homes being sold, land, labour and material costs have continuously been pushing up house

prices throughout last year and will continue to do so in 2004 and 2005. The new house price index (NHPI) was up 6.2 per cent in 2003, and was well above the rate of inflation.

# Resale Market

## Resale home sales to ease in 2004

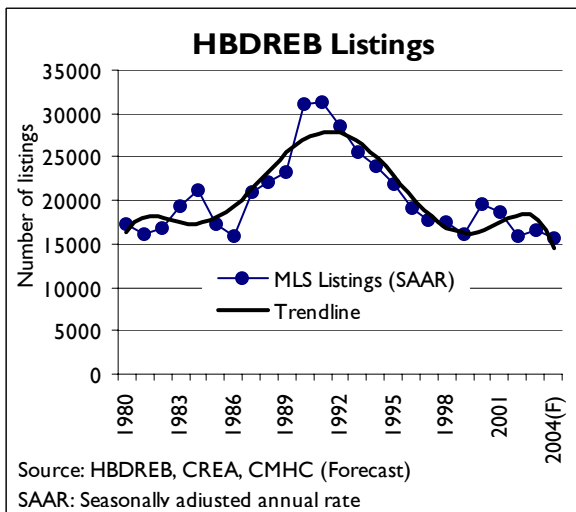
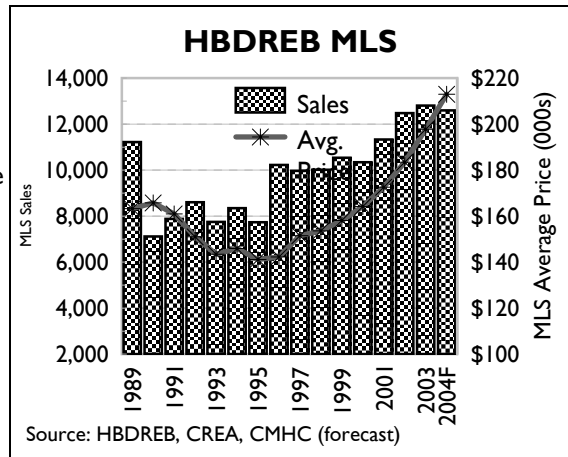
The resale home market in Hamilton has traditionally been one of the tightest in the region, enjoying one of the highest

rise in cost of resale home prices.

Manufacturing sector woes and declines in construction forecasted for this year will make people less likely to adopt a bullish attitude towards resale home buying.

The rising cost of resale home prices are driven by a shortage of listings and a continuous demand for housing resulting from intra provincial migration. Listings are forecasted to drop in 2004 to 15,700 from 16,555 last year. Consequently, the market is expected to tighten further as noted by a sales-to-listings ratio increasing to 80.3 per cent in 2004 from 77.4 per cent last year. Similar to the situation in the new home market, intra-provincial migration has a big impact on resale home prices. Thus, rising intra-migration levels will increase the demand for resales homes and hence its price.

The average price of a resale home last year stood at \$197,744. In 2004, this is



sales to new listings ratios in all of Ontario. In 2004, however, sales of resale homes, although still strong by historical standards, will take a slight dip before rebounding in 2005. Several factors may account for this fall in sales. Firstly, the uncertainty prevailing in the manufacturing sector, and secondly, the

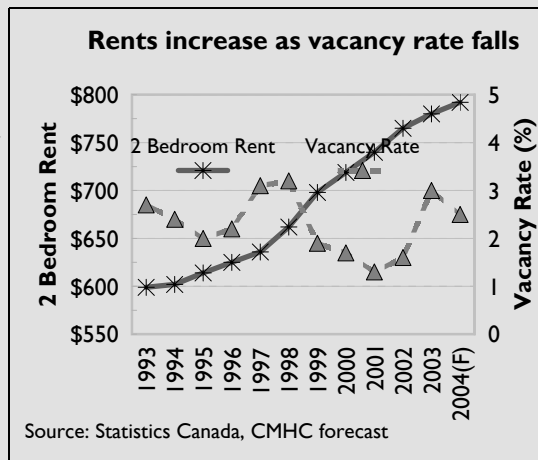
forecasted to increase by 7.7 per cent to reach \$213,000. Resales will pull back marginally by 1.6 per cent to reach 12,600 units this year from 12,809 units last year. Sales are, however, forecasted to increase next year.

Despite the challenges the local economy faces, the resale market this year is best described as a sellers market. The slight fall in sales is unlikely to remove the bargaining power commanded by sellers. On the other hand, comparatively low mortgage rates and moderate gains in employment levels will continue to attract new buyers into the resale market.

# Rental Market

## Vacancy rate to fall slightly

The Hamilton CMA rental market is forecasted to strengthen slightly this year as cautious first time buyers are likely to approach a wait-and-see attitude towards buying a home. The 2004 vacancy rate will decrease as a result of a slight dip in resale sales and rising new home prices. The mixed employment picture coming out of Hamilton CMA, which largely rests on the manufacturing sector, is likely to make buyers less bullish about purchasing a new home and are likely put off buying in the short run. The private apartment vacancy rate is forecast to decrease to 2.5 percent this year. As such, the average rent for a two bedroom unit will edge up by 1.8 per cent to \$792 in 2004.



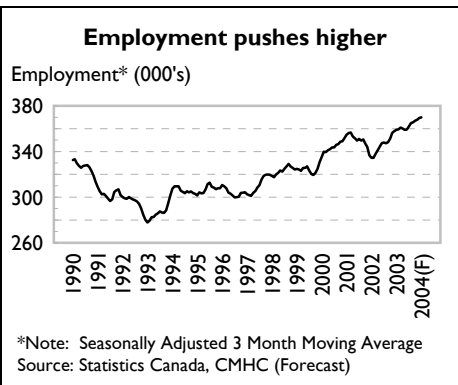
To order the 2003 Hamilton Rental Market FastFax (November 26) or Report (December 29), please call 1-800-493-0059.

# Economic Overview

## Employment edges up slowly

Last year witnessed substantial gains in seasonally adjusted employment levels across Hamilton CMA. Gains were felt across all age groups, with the most notable within the 45-65 age group. Employment grew by a healthy 4.9%. Over 17,100 new jobs were added to the labour force in 2003.

The most significant perhaps was the increase in full time employment. Of the total increase in 2003, over 8000 jobs were full time. In terms of age group, 3200 jobs were within the 45-65 group followed by 1500 jobs in the 25-44 age



category. Interestingly, the second highest full time job gains were made in by the 15-24 age group with over 2900 jobs created in 2003. This increase in youth employment will have a positive impact on the future housing market as

they constitute the future home buying population.

Typically, an increase in employment is followed by an increase in home buying activity 6 to 18 months later. Thus, many of this year's newly employed people will be the home buyers of 2005 and beyond.

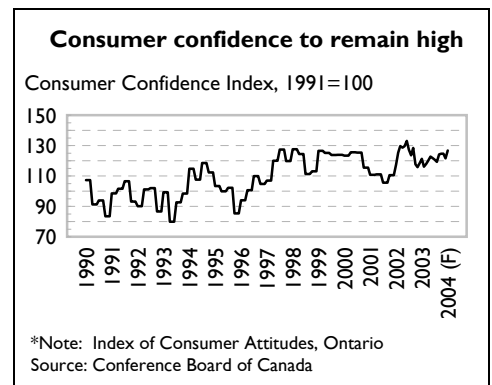
Looking forward to 2004, employment will increase, but at a lower level. Employment is forecasted to grow at 1.7% in 2004. The main reasons are the impact of the recent high Canadian dollar and weaknesses of the US economy, which will inevitably act as drags on Canadian exports and, more specifically, manufacturing exports in Hamilton CMA. These factors will continue to push employment down, especially in the manufacturing sector. Additionally, falling global prices of manufacturing goods will result in less competitiveness of North American goods. Already, some of these effects are being felt in the manufacturing sector in Hamilton CMA with some planned closures of factories later this year. Although the US economy is expected to resume growth during the latter part of 2004, its effect on Hamilton CMA will only likely to be felt next year. Therefore, overall employment in Hamilton CMA will likely grow at a lower rate in 2004 compared to 2003.

Employment demand in the service sector, which accounts for over 1/3 of total employment in Hamilton will continue to make gains in 2004 and into 2005. With new projects scheduled to take off later this year, employment prospects in this sector look even better for 2005.

## Consumer confidence to rise

After a slide in consumer confidence in the early part of 2003, consumer confidence is on the increase for 2004. During the first quarter of 2003, Ontarians witnessed the beginning of the Iraq war and the economic uncertainties brought on with it. Inflation was rising at the home front as well. These developments put a dent on consumer confidence and consequently led to declines. As the year progressed, low mortgage rates and gains in employment led people to be more optimistic about the future. This was evident from the increase in house purchases in 2003.

Looking forward to 2004, increase in purchase of big ticket items in the first quarter of 2004, and further reductions

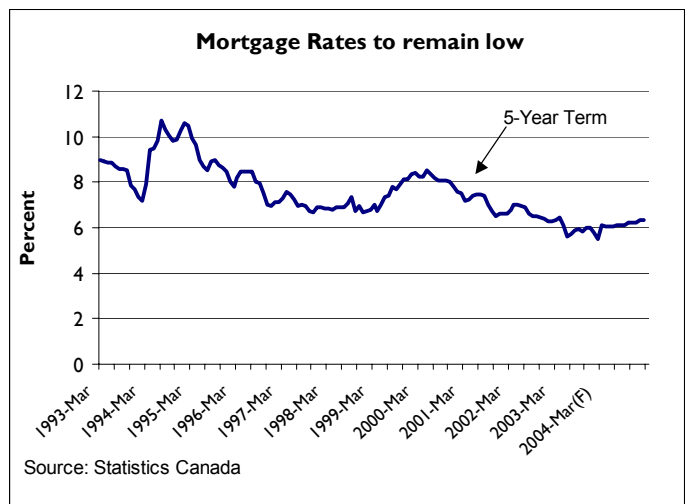


in interest rates expected for the rest of the year, point to increased consumer confidence for 2004. Inflation is also expected to remain under control for the remainder of this year, thus further enhancing consumer confidence.

## Mortgage rates to remain low

Economic uncertainty in both Canada and USA, ongoing crisis in Iraq and its global impact, and the moderate pace of economic growth and inflation of the Canadian economy, will keep interest and mortgage rates low in 2004. One, three and five-year posted closed mortgage rates are expected to remain relatively flat for the remainder of this year, perhaps rising by 25 basis points. For 2004, the rates are forecasted to be in the 4.00-4.50, 5.25-5.75 and 6.00-6.50 per cent range respectively.

Next year, these rates will begin to increase by 50-75 basis points and are expected to be in the 4.25-5.25, 5.75-6.75, and 6.25-7.25 per cent range respectively.



# FORECAST SUMMARY

## HAMILTON CENSUS METROPOLITAN AREA

<b>NEW HOME MARKET</b>	2001	2002	2003	2004F	% Change
<b>Complete and Unoccupied (March)</b>					
Single-detached	137	277	144	124	
Multi-family (semi, row, apt.)	291	381	52	145	
<b>Starts</b>					
Single-detached	1,842	2,259	1,743	1,730	-0.7%
Multi-family	1,523	1,544	1,517	1,656	9.2%
Total	3,365	3,803	3,260	3,386	3.9%
<b>Average New House Price</b>					
Single-detached	\$253,334	\$261,341	\$285,755	\$303,760	6.3%

### RESALE MARKET

<b>Hamilton-Burlington and District REB</b>					
MLS <sup>1</sup> Sales	11,334	12,482	12,809	12,600	-1.6%
MLS New Listings	18,585	15,850	16,555	15,700	-5.2%
Sales-to-Listings Ratio	61.0%	78.8%	77.4%	80.3%	
MLS Average Price	\$172,567	\$183,442	\$197,744	\$213,000	7.7%

### RENTAL MARKET

Apartment Vacancy Rate	1.3%	1.6%	3.0%	2.5%	
Average Rent (2 bedroom)	\$740	\$765	\$778	\$792	1.8%

### ECONOMIC OVERVIEW

Mortgage Rate (1 year term)	6.14	5.17	4.84	4.18	
Mortgage Rate (5 year term)	7.40	7.02	6.39	6.13	
Employed (000's)	348.4	347.9	364.0	370	1.7%
Employment Growth (000's)	3.1	-0.5	16.1	6	
Net Migration (tax filer data)	6,525	6,265(F)	6,500(F)	6700(F)	3.1%

Sources: CREA, Hamilton-Burlington and District Real Estate Board, Statistics Canada, and Conference Board of Canada  
 1 Multiple Listings Service (MLS) is a registered certification mark own by the Canadian Real Estate association (CREA)

**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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