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# ORECAST

Oshawa

## SUMMARY

Canada Mortgage and Housing Corporation

ISSUE: SPRING 2004

### Resale Market

#### Resale market to remain strong in 2004

After a record breaking year for resales in the Oshawa CMA in 2003, look for another record in 2004. The factors which have been driving the resale market in the past two years will remain in place throughout 2004. Although resale prices continue to rise, the historically low mortgage rates will keep carrying costs well below levels seen in the early 1990's. Employment in the Oshawa CMA is expected to increase again this year, continuing a 12-year expansion phase. The tight resale market in many Toronto neighbourhoods, and the subsequent rise in prices, will continue to push homebuyers to look farther afield for a more affordable home. Strong

consumer confidence is a key indicator in people's willingness to buy big ticket items, such as a new home. Net migration to the Oshawa CMA will remain above 5,000 in 2004, with the largest group in their prime homebuying years. All of these factors will continue to fuel demand in the Oshawa CMA resale market throughout 2004 and into 2005.

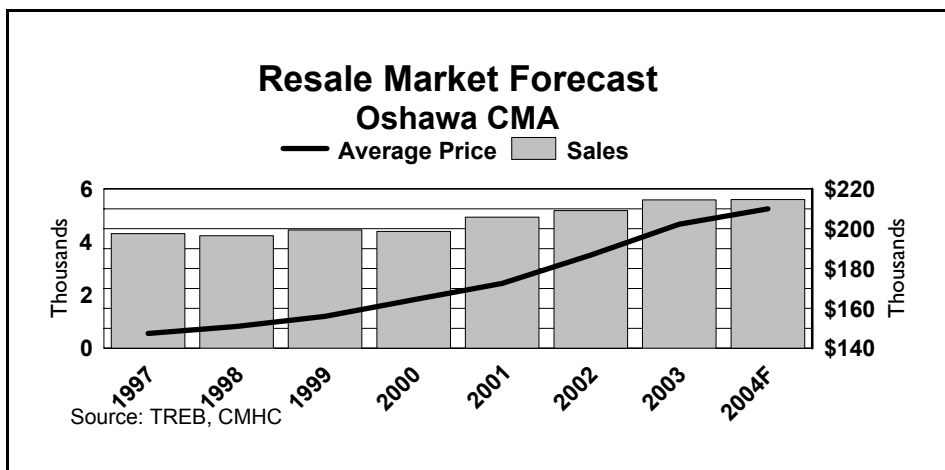
Following a record number of resales in 2003, the resale market continued to reach record levels in the first quarter of 2004, as mortgage rates fell to their lowest level in over thirty years. With all the factors pointing to another strong year for the resale market, 2004 resales will rise marginally, reaching a record 5,600, virtually unchanged from the 5,586

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units sold in 2003, and well above the 5,186 units sold in 2002. Both first time and repeat buyers will continue to benefit from the low mortgage rates, and new financing options available.

All municipalities in the Oshawa CMA have benefitted from the strong resale market, with 2003 increases in sales ranging from 6.2 per cent to 10.2 per cent. In 2004, all sub-markets will again benefit from the strength in the resale market. In 2003, resales of single detached, semi-detached and freehold row units have easily outpaced 2002 levels, with increases in single detached units ranging between 7.7 per cent and 10.4 per cent. Single detached homes are the product of choice.



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Although resales have reached record levels, new listings continue to keep pace. As the price of existing homes increases, repeat buyers who have benefitted from equity gains, continue to put their homes up for sale, but in diminishing numbers as the pool of move-up buyers shrinks. After increasing by 13.3 per cent in 2003, new listings will increase by a more moderate 1.6 per cent to 7,900 in 2004. While both sales and new listings are expected to rise, the resale market will remain well into sellers' market territory with a sales to new listings ratio of 70.9 per cent, down from 71.9 per cent in 2003. With sellers in the drivers seat, price increases will easily outpace inflation. The average resale price was up 8.3 per cent to \$202,272 in 2003 and is forecast to increase by another 5.8 per cent to \$214,000 in 2004.

# New Home Market

## Starts to slow from record high in 2003

The Oshawa CMA new home market recorded the highest number of starts ever in 2003. The new home market is driven by many of the same factors which influence the resale market, including historically low mortgage rates, employment growth, a strong local economy, and migration to the Oshawa CMA. Strong employment gains in 2003 will drive demand for new homes in 2004. Those newly employed will increase the ranks of potential new home buyers. As well, higher prices in both the new home and resale Toronto markets, continue to push homebuyers to the Oshawa CMA. In addition, as existing inventories of new homes remain very low, demand must be met by increased construction activity. The state of

the resale market also has an impact on new home construction levels.

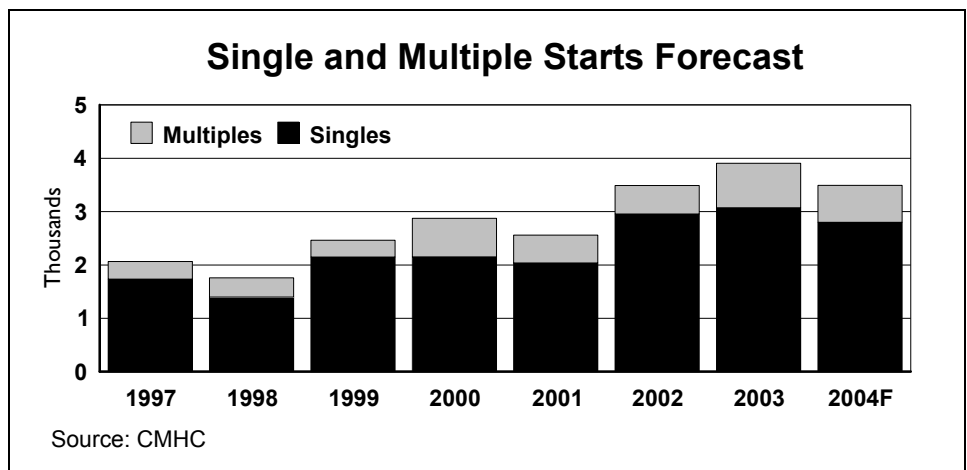
The new home market will continue to benefit from a tight resale market, characterized by strong demand, a shortage of new listings, and rising prices. New home sales typically follow activity in the resale market. With limited choice in the resale market, many potential homebuyers have turned to the new home market for its wide selection of product. As well, many move up buyers, who have realized equity gains, look to the new home market to upgrade.

Strong demand from both first time and repeat buyers, and from homebuyers in both Toronto and Oshawa, continues to drive new home construction in the Oshawa CMA. Due to a colder than normal first three months of 2004, first quarter total housing starts are down 26 per cent from the same period of 2003. With a backlog of permits awaiting construction, and strong new home sales, total starts for the year are forecast to reach 3,500, down 10.4 per cent from a record level in 2003, but on par with 2002 levels.

Single detached construction will slow this year. As carrying costs increase due to rising prices, first time buyer demand will be impacted, slowing their ability to buy more expensive single detached homes.

Two other factors will also influence the forecast. Several new home sites have opened in Ajax, drawing many potential homebuyers from Toronto due to its closer proximity. Also, fewer new home sites in Whitby are opening due to the fact that single detached lots in approved development plans are diminishing. Although move up buyer demand will remain strong in 2004, single detached construction will slow to 2,800 in 2004, down 8.9 per cent from 2003 levels. With pent-up first time buyer demand falling, and Ajax development growing for semis and row units, multiple starts are expected to fall by 16.0 per cent to 700. Multiple starts this year will be buoyed by the start of two condominium apartment buildings in Clarington. New home construction will be remain strong in 2005, but will slowly fall as mortgage rates inch higher.

As a higher proportion of new home sales shift to Oshawa City and Clarington, and the demand for new homes slows, the price increase for single detached homes will moderate. On the other hand, land, labour, and material costs, as reflected in the new house price index, up 5.4 per cent in February on a year-over-year basis, continue to push the price of new homes higher. Thus in 2004, the average price of a new single detached home will rise by 2.0 per cent to \$245,000.



# Rental Market

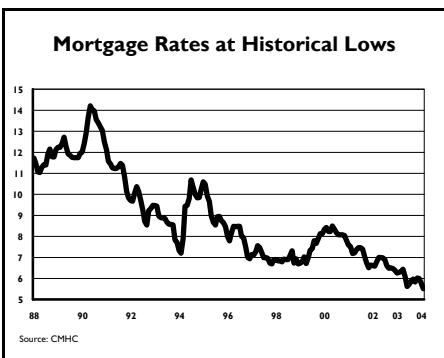
## Vacancy rate to rise as move to homeownership continues

Demand for rental accommodation in the Oshawa CMA continues to weaken. The trend toward ownership will continue through 2004. The factors influencing the rental market are discussed in detail in the **2003 Oshawa CMA Rental Market Report**. The Oshawa CMA vacancy rate is expected to rise marginally to 3.2 per cent in 2004. By October 2004, the average rent for a two bedroom apartment will increase by 2.0 per cent to \$862.

# Economic Overview

## Mortgage Rate Outlook

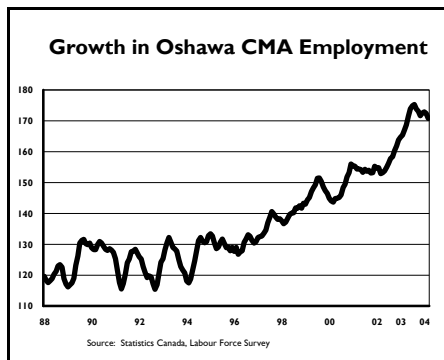
Low inflation, and accommodative monetary policy will keep Canadian interest and mortgage rates low over the next few quarters. As economic growth strengthens this year and into 2005, monetary policy will become less accommodative and short-term Canadian interest rates will rise 50-100 basis points next year. Short term rates will fall early this year, and begin an upward trend later in the year, remaining flat to modestly higher in 2004. Long-term yields are forecast to increase about 25 basis points later this year after inflation bottoms out and economic growth gains momentum.



One, three and five-year posted closed mortgage rates are expected to remain relatively flat, perhaps rising by 25 basis points. Next year these rates will increase further and are expected to be in the 4.25-5.25, 5.75-6.75, and 6.25-7.25 per cent range respectively.

## Employment

Oshawa CMA employment growth continued for the 12th consecutive year with a gain of 14,300 jobs in 2003. The Oshawa CMA experienced gains in both full time and part time employment. Over three-quarters of the 2003 job growth was classified as full time. All age groups have benefitted from this job growth, especially workers aged 25-44 who have added 7,800 jobs to their ranks. Full time job growth, and jobs for individuals in their prime homebuying years bodes well for the future of the Oshawa housing market.

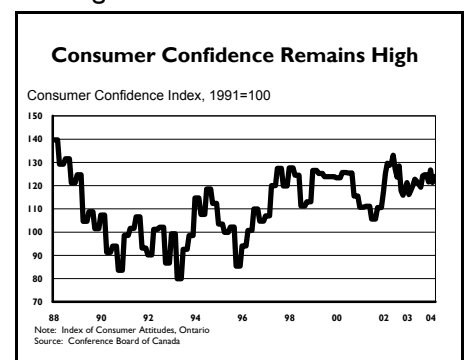


By industry, strong gains were experienced in the Services, Finance, Trade, and Transportation sectors. The manufacturing sector has been on a roller coaster ride since reaching a ten year low in March 2002. The higher Canadian dollar has acted as a drag on exports and negatively impacted the Oshawa CMA's large manufacturing sector, but, with the American economy set to take off, demand for Canadian goods will increase. Although, first quarter employment is up by only 2.3 per cent year over year, for 2004, the Oshawa CMA annual average employment is forecast to expand by 4.4 per cent to

179,300. As employment rises, more individuals will be able to secure a down payment, and move toward homeownership. As the Canadian economy continues to recover, strong employment levels in the Oshawa CMA are expected to continue through 2005.

## Consumer Confidence

After soaring to a 14 year high in the summer of 2002, consumer confidence in Ontario took a hit from geopolitical and health concerns. Since then, confidence has trended upward. While jobs give people the means to buy and low mortgage rates keep home ownership affordable, consumer confidence is a key indicator in peoples willingness to follow through with a purchase. Consumer confidence is expected to remain high in the near future, thereby continuing to support the strong housing market.



## Migration

Net migration to Ontario is expected to rise to above 100,000 in 2004 and 2005. A majority of these migrants will settle in the Toronto CMA, increasing demand for housing. Most of the migrants to the Oshawa CMA are from the Toronto CMA. Total net migration to the Oshawa CMA in 2003 was expected to reach 5,075, and rise to 5,500 in 2004. The majority of individuals who move to the Oshawa CMA are between the ages of 25 and 44. These individuals are in their prime home buying years.

# SUMMARY

## OSHAWA CENSUS METROPOLITAN AREA - FIRST QUARTER 2004

<b>Resale Market</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004F</b>	<b>% Chg.</b>
MLS Sales	4,937	5,186	5,586	5,600	0.3%
MLS Average Price	\$172,603	\$186,785	\$202,272	\$214,000	5.8%
MLS Listings	6,937	6,859	7,772	7,900	1.6%
Sales-to-New Listings Ratio	71.2%	75.6%	71.9%	70.9%	
<b>New Home Market</b>					
<b>Housing Starts</b>					
Total	2,561	3,490	3,907	3,500	-10.4%
Ownership: Single Detached	2,038	2,955	3,074	2,800	-8.9%
Semi, Row, Apartment	501	519	793	690	-13.0%
Rental	22	16	40	10	-75.0%
Average Single-detached Price	\$219,363	\$235,809	\$240,098	\$245,000	2.0%
<b>Completed &amp; Unoccupied</b>					
Single (March)	36	40	19	18	
Multiple (March)	24	17	17	20	
<b>Rental Market</b>					
Vacancy Rate (October)	1.3%	2.3%	2.9%	3.2%	
Average Rent ( 2 bedroom)	\$799	\$819	\$845	\$862	
<b>Economic Overview</b>					
Mortgage Rate (3 yr. term)	6.88%	6.28%	5.82%	5.46%	
Mortgage Rate (5 yr. term)	7.40%	7.02%	6.39%	6.13%	
Employment (annual average)	154,300	157,500	171,800	179,300	4.4%
Employment growth (# jobs)	5,700	3,200	14,300	7,500	
Net migration (census year)	4,203	5,448	5,075	5,500	

**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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