

HOUSING MARKET OUTLOOK

Oshawa



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New Home Market

High Levels of New Home Construction

New home construction in the Oshawa Census Metropolitan Area (CMA) will remain above historical averages, but will ease in the next few years. Demand for new homes will be supported by solid economic and demographic fundamentals such as low mortgage rates, positive job creation, rising wages and respectable migration. However, rising carrying costs and more balanced resale market conditions will temper new

home demand in 2007. A total of 2,710 new foundations will be poured next year, down by 10 per cent. Residential construction will cool from a high level of activity in 2006, which saw 3,005 home starts, thanks in large part to strength in multi family home activity.

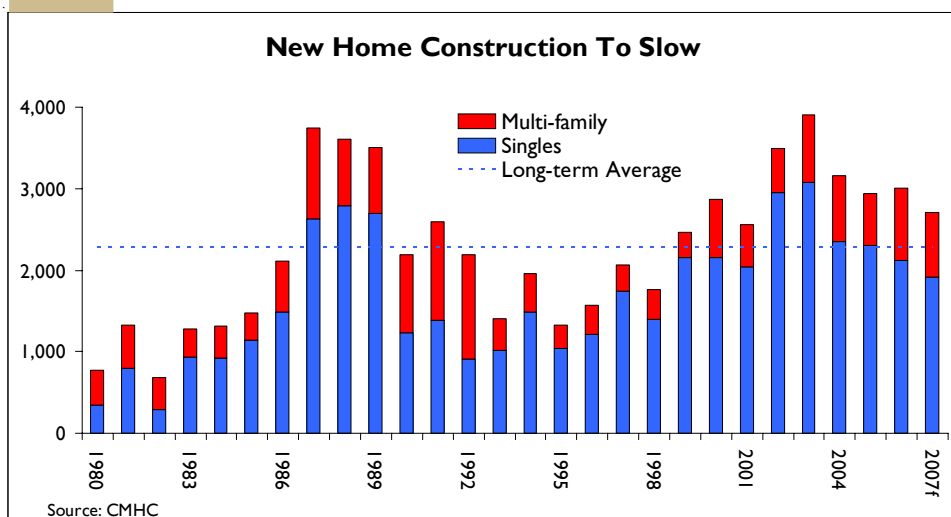
Single-detached housing starts will move lower in the next few years as housing demand slows. Despite low borrowing rates, a household's ability to purchase a home will be weakened by persistently rising housing prices. In 2006 alone, the more popular single-detached homes will reach their highest average price

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Figure 1



Housing Market Outlook - Oshawa

level in history, rising by 11 per cent to \$328,000. Increased construction costs and a shrinking supply of lots available for residential construction will continue to put pressure on new home prices.

The cost differential between new and resale homes has increased in Oshawa. A plentiful choice of less expensive resale homes will discourage more of the potential buyers from buying new homes. Spill-over demand from the resale market will moderate in the upcoming years and will result in a slower new home construction pace.

Oshawa continues to be an attractive destination for Torontonians, who often times relocate here for affordable homes. However, a booming condominium market in Toronto offers a wide range of products across diverse price ranges. There are condominium apartments in downtown Toronto which are priced comparably to the ground-oriented homes in Oshawa. The advantage of a central Toronto location will deter some of the potential homebuyers from relocating east.

To cope with the weaker demand and to fulfil homebuyers' needs for affordable housing, Oshawa homebuilders will be constructing more of the less expensive multiple-family home types. In 2006, there will be close to a 40 per cent jump in multiple-family housing starts compared to the previous year. Moreover, more compact single-detached homes will be offered to consumers. The location of development will also change to meet a new market reality. For example, new construction will shift away from Whitby, where the land

supply is more limited, into the areas such as Oshawa City where more inexpensive land is available. All these changes will translate into slower new home price growth in the future. In 2007, prices for single-detached homes will rise by seven per cent.

Resale Market

Balanced Resale Market Conditions

Despite a cooling off of sales in the existing home market, only a modest pull-back is expected in 2007. Look for home sales to dip by 3.7 per cent to reach 5,600 units next year, down from 5,815 units in 2006. Despite low mortgage rates, rising home prices will cause home ownership costs to edge higher, causing the demand for housing to moderate.

The supply of resale homes, as measured by new listings, will continue to increase. In 2006, a total of 11,320 units will be offered for sale on the resale market. This will be an all-time record and the number is expected to rise even further in 2007, as homeowners list their homes for sale to take advantage of

rising house prices. More supply will translate into more choice and will assist homebuyers in meeting their housing needs.

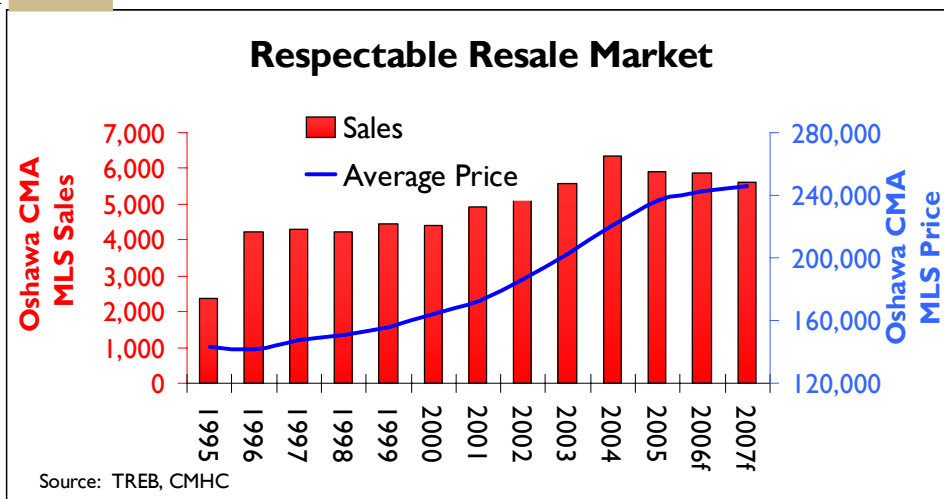
Upward trending listings point to a more balanced market ahead. The Sales-to-New Listings Ratio (SNLR), which measures the balance between demand and supply, is a good indicator of future price growth. This indicator will continue to trend lower with the influx of new listings. A more balanced resale market will result in a slower pace of price growth ahead. In 2007, Oshawa's resale market will experience a modest price increase of 1.6 per cent. The more expensive markets such as Whitby and Clarington will experience more moderate price increases.

Economic Trends

Slower Job Creation

Slower job creation this year in Oshawa will be translated into a slightly higher unemployment rate of 6.6 per cent. Although Oshawa's job growth of 1.3 per cent this year will be below the historical and provincial averages, the local

Figure 2



employment market remains healthy. Job creation is expected to improve in 2007.

As in most Ontario cities, local manufacturers are challenged by a high Canadian dollar and high commodity prices. Lower manufacturing shipments across the province suggest continued job shedding in the goods producing industry. Look for the service-producing sector to deliver the bulk of job gains.

Employment growth will be driven by more full-time jobs. Secure and stable jobs will boost households' confidence and ability to purchase homes. A notable increase in employment levels, in the primarily move-up buyer age segment of 45-64, will support second-round homebuyer demand.

Job growth will be supported by rising population. According to Statistics Canada, population increases in Oshawa have been among the highest of Ontario CMAs. The Ontario Ministry of Finance's long term demographic projection for the area indicates a stronger than average growth rate relative to the rest of Ontario.

Mortgage Rate Outlook

Mortgage Rates Have Peaked

A combination of a slowing economy, strong Canadian dollar vis-à-vis the US dollar, and moderate inflation will help keep Canadian interest and

mortgage rates low over the remainder of this year and in 2007.

Mortgage rates rose by 1.0-1.5 percentage point between September 2005 and September 2006. Mortgage rates are expected to remain low, easing by 25-75 basis points over the next two-three quarters before starting to climb higher. One, three and five-year posted mortgage rates are forecast to be in the 5.50-6.50, 5.75-6.75, and 6.00-7.00 per cent ranges respectively over the rest of this year and in 2007.

Local News

Oshawa's economy has been traditionally depended on the auto-sector. In August 2006, General Motors (GM), the largest local employer, revealed its plans to build a new model of Chevrolet Camaro at its Oshawa assembly plant. Production is scheduled for late 2008 and the first Camaros might be found in dealerships in the first quarter of 2009. GM is also intending to invest \$740 millions into a new flexible production line at the same Oshawa plant. A long-term investment in a flexible operation will allow the manufacturer to produce numerous models and to be better prepared for any change in demand.

Last year, the federal government in conjunction with Ontario agreed to contribute \$435 million to the GM's auto flexible manufacturing. This investment also has supported auto industry research, education and new jobs creation. Furthermore, this year Canadian Auto Workers union agreed for 2,500 early retirement packages. This step has reduced operating costs in the Oshawa facility and made it more advantageous over other production points.

New production, scheduled for 2008, came in very timely. The same year GM had planed on closing the same Oshawa car factory. A new initiative is expected to save thousands of jobs in Ontario.

Pival International, a Montreal-based company, will be building new facilities in Oshawa, which will offer logistics support to GM's flexible manufacturing facility, when it opens in 2008. The parts suppliers will ship their product to the Pival's facilities, which will interim manage the delivery to GM.

Pival is also planning to build a cross-dock rail facility, the first one on the east part of Toronto. The cross-dock will create a way of transporting goods in and around the GTA without using trucks. Because transportation has becoming more costly due to the higher traffic and congestion, this step should attract more manufacturing business into the area. Pival's initiatives are expected to create a number of new jobs.

SUMMARY						
Oshawa Census Metropolitan Area - Fall 2006						
NEW HOME MARKET	2004	2005	2006F	%Change	2007F	%Change
Housing Starts						
Single-detached	2,356	2,301	2,125	-7.6%	1,910	-10.1%
Multi-Family (Semi, Row, Apt.)	797	633	880	39.0%	800	-9.1%
Total	3,153	2,934	3,005	2.4%	2,710	-9.8%
Average New House Price						
Single-detached	\$264,979	\$294,535	\$328,000	11.4%	\$351,000	7.0%
RESALE MARKET						
Toronto Real Estate Board						
MLS* Sales	6,328	5,894	5,815	-1.3%	5,600	-3.7%
MLS* New Listings	9,081	10,160	11,320	11.4%	11,700	3.4%
Sales-to-Listings Ratio	69.7%	58.0%	51.4%	-	47.9%	-
MLS* Average Price	\$220,873	\$236,477	\$241,400	2.1%	\$245,300	1.6%
RENTAL MARKET						
Apartment Vacancy Rate	3.4%	3.3%	3.2%	-	3.0%	-
Average Rent (2 bedroom)	\$852	\$855	\$865	1.2%	\$882	2.0%
ECONOMIC OVERVIEW						
Employed (000's)	171,925	176,075	178,300	1.3%	181,000	1.5%
Net Migration (tax filer data)	6,616	5,300	5,700	7.5%	6,000	5.3%

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

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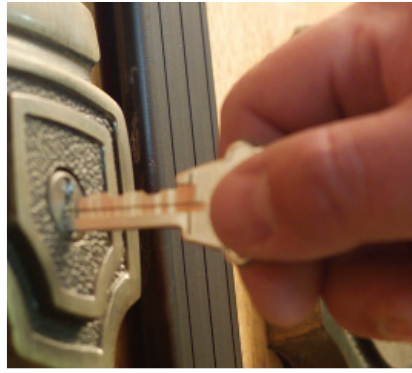
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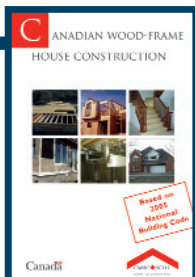
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