

HOUSING MARKET OUTLOOK

Oshawa CMA



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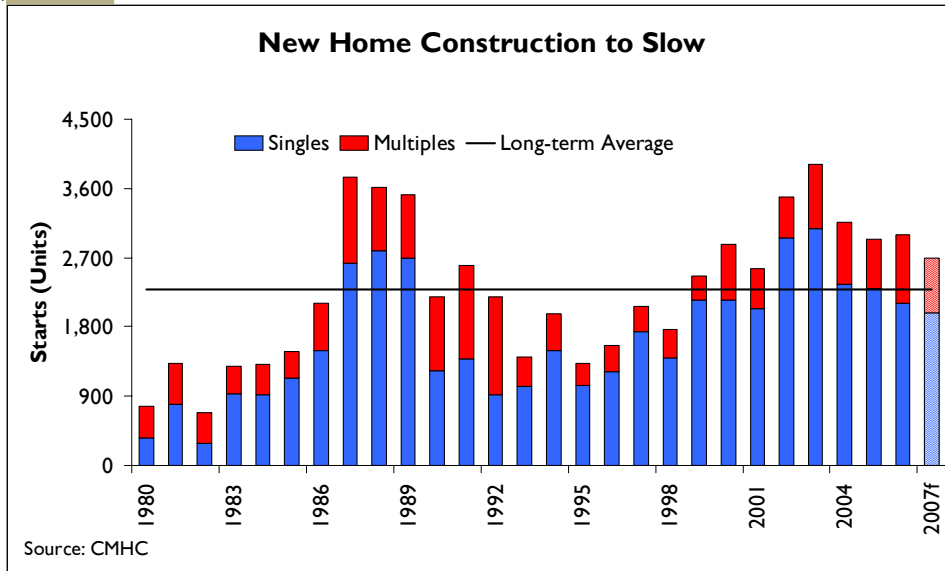
New Home Market A Healthy Year for New Home Construction

For new home construction in the Oshawa Census Metropolitan Area (CMA), 2007 will be a healthy year. Home starts will slow in comparison to 2006. However, the overall numbers will remain above the 25-year average. Construction will decline to about 2,800 units, down six per cent

from the year prior. While multiple-family home starts will be down 12 per cent, the more popular single-detached homes, which account for more than 70 per cent of total starts, will decline by a modest three per cent.

Factors that will support home construction include low mortgage rates, net in-migration and job growth. Mortgage rates will remain low and stable throughout the course of 2007. Strong net in-

Figure 1



In this Issue

- 1 **New Home Market**
A Healthy Year for New Home Construction
- 2 **Resale Market**
Another Strong Year for Home Resales
- 2 **Economic Trends**
Job Creation Moderating
Robust Population Growth
Mortgage Rates Will Remain Low
- 4 **Forecast Summary**

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migration from Toronto and the moderate job growth in the Greater Toronto Area (GTA) will continue to support demand for new single-detached homes.

Factors that will dampen demand for new single-detached homes include higher mortgage carrying costs and a rising supply of resale home listings. In spite of stable mortgage rates, pricier homes will lift mortgage carrying costs. The influx of homes put up for resale will increase home buyer choice in the existing home market and limit the spill-over of demand into the new home market.

The rising price trend for new single-detached houses, in evidence for 10 years, will continue in 2007. Price increases are due both to respectable demand and land constraints. Despite the price trend, Oshawa's new home prices continue to be relatively low compared to Toronto, and this differential will continue to drive demand for single-detached homes in Oshawa. As a result Toronto's commuters will continue to support a high level of single-detached home construction in 2007.

As for the multiple-family home sector, demand will largely come from price-sensitive first-time home buyers, who regard multiple-family home types as an affordable alternative to single-detached homes. Multiple-home starts will remain healthy throughout the course of 2007.

Resale Market

Another Strong Year for Home Resales

Oshawa's resale market will remain active. With 6,000 homes expected to exchange hands in 2007, up 1.6 per cent from 2006. Strong in-migration from Toronto attracted by the lower home prices in Oshawa, lower mortgage carrying costs compared to the new home market and moderate job creation in the Greater Toronto Area will continue to support Oshawa's resale home market.

The supply of newly-listed homes will continue to grow by seven per cent and reach its highest level ever. Encouraged by rising home prices, households will continue to list their home for sale to reap the equity gain, or to move into homes that better suit their needs and tastes.

With the number of new listings on

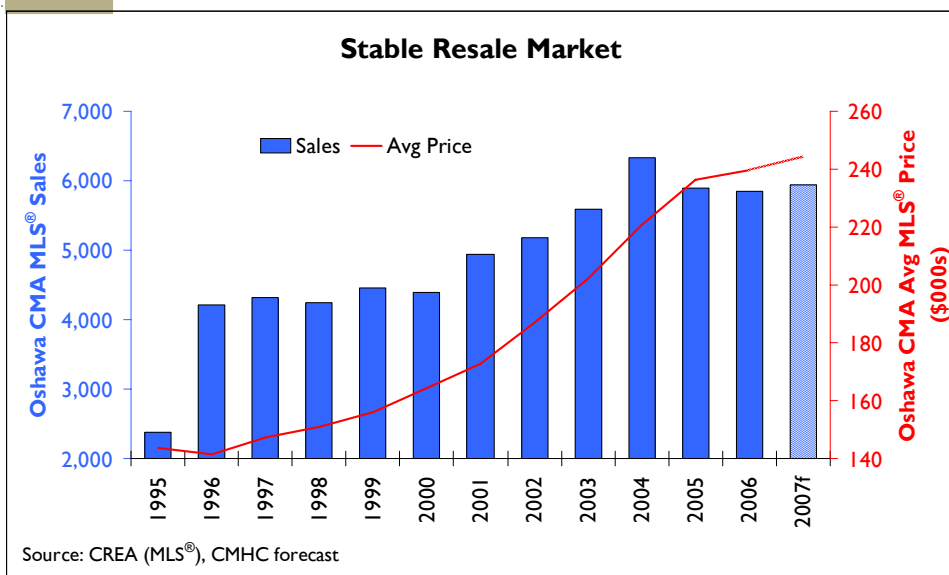
the rise and sales expected to slow, the Sales-to-New Listings Ratio (SNLR), a leading indicator of future price growth and a measure of market conditions, will move below the 55 per cent level¹. The average price of a resale home is forecast to increase by two per cent to \$244,000 in 2007, on the tail of 2.3 per cent growth in 2006.

Economic Trends

Job Creation Moderating

Oshawa's economy gained about 2,200 new jobs, representing modest growth of 1.3 per cent in 2006. Moreover, only about one third of the jobs created were full-time jobs. Stable full time employment benefits home-buying activity the most. In 2007, expect a slight recovery in employment growth to 1.4 per cent. Since many Oshawa residents commute to jobs elsewhere in the GTA, the Oshawa housing market will benefit from the stronger employ-

Figure 2



¹ A sales-to-new-listings ratio between 35 per cent and 55 per cent is associated with balanced market conditions. In a balanced market, prices tend to rise at a rate similar to inflation.

ment growth of 1.7 per cent forecast for the GTA.

Over the past two years, the composition of the Oshawa labour force has changed. A notable increase in employment in the 45-64 age segment occurred at the expense of the 25-44 age group, which has traditionally comprised the largest share of the labour force in Oshawa. The stable prospects for employment for the older cohort, traditionally associated with move-up buying, will support repeat homebuyer demand.

Employment growth in the automotive sector has stalled. A sluggish U.S. economy, the high Canadian dollar, and fierce competition from the Asian manufacturers dampened U.S. demand for Canadian automotive exports, negatively affecting vehicle assemblers and parts suppliers in Oshawa. As a result, many plants went through a cost-cutting reorganization, which involved running at reduced shifts and operating below normal capacity. However, the strong Canadian dollar will allow manufacturers to import machinery and equipment at lower costs, improving efficiency of their productions. General Motors (GM) will invest \$740 million in the Oshawa facility to transform its operation to a flexible manufacturing facility, which will become operational by 2008. In 2007, employment in the automotive sector will continue to be flat as a result of the on-going restructuring and equipment updating.

Service sector hiring has become the key driver behind employment growth in the Oshawa CMA. Em-

ploying three times as many people as the manufacturing sector, the number of jobs in the service sector continues to grow, offsetting manufacturing sector's slow hiring pace. Robust population growth propelled service sector hiring in the Oshawa CMA. Expect continuous strong employment growth in the service sector in 2007.

Robust Population Growth

According to the 2006 census, Oshawa is among the 10 fastest growing CMAs in Canada. Outpacing the national average of 5.4 per cent, population increased by 11 per cent in the Oshawa CMA over the last five years. Migration is key to population growth. The strong migration was motivated by its close proximity to Toronto and relatively affordable home prices, which for the past ten years have been 30 per cent less

expensive than in Toronto. Population will continue to grow by at least two per cent over the course of 2007.

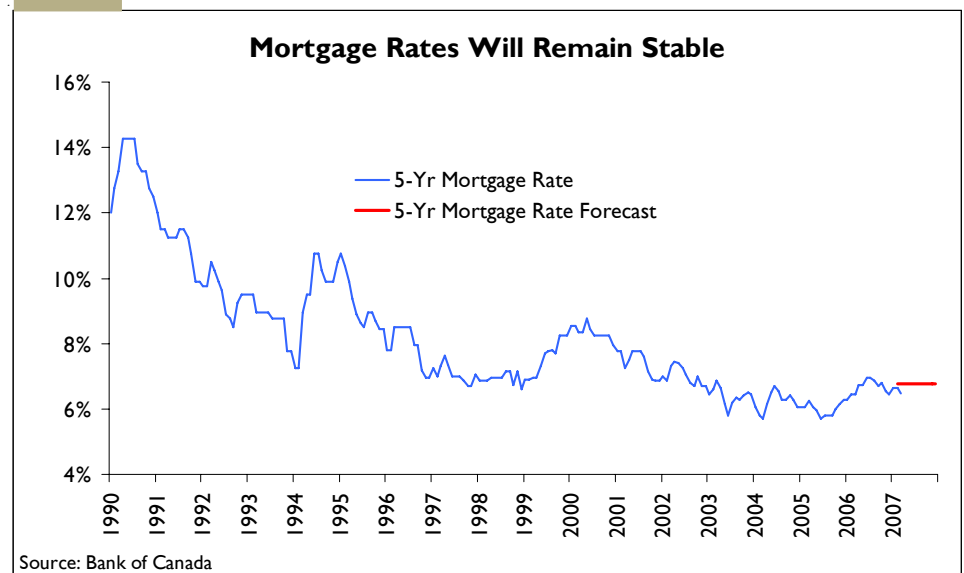
Mortgage Rates Will Remain Low

A combination of a slowing economy, strong Canadian dollar vis-à-vis the U.S. dollar, and moderate inflation will help keep Canadian interest and mortgage rates low over the remainder of this year and in 2008.

Short-term mortgage rates will also ease as the prime rate nudges down over the next twelve months while the long-term mortgage rates will rise slightly in line with bond rates.

One, three and five-year posted mortgage rates are forecast to be in the 5.75-6.75, 6.00-7.00, and 6.25-7.25 per cent ranges respectively over the rest of this year and in 2008.

Figure 3



Forecast SUMMARY							
Oshawa CMA							
Spring 2007							
	2004	2005	2006	2007f	% chg	2008f	% chg
Resale Market							
MLS® Sales	6,328	5,894	5,844	5,950	1.8	6,000	0.8
MLS® New Listings	9,081	10,160	11,330	12,100	6.8	13,000	7.4
MLS® Average Price (\$)	202,272	236,477	239,703	244,500	2.0	248,200	1.5
New Home Market							
Starts:							
Single-Detached	2,356	2,301	2,109	2,040	-3.3	1,980	-2.9
Multiples	797	633	886	780	-12.0	710	-9.0
Starts - Total	3,153	2,934	2,995	2,820	-5.8	2,690	-4.6
Rental Market							
October Vacancy Rate (%)	3.4	3.3	4.1	3.8	-0.3	3.4	-0.4
Two-bedroom Average Rent (October) (\$)	852	855	861	870	1.0	882	1.4
Economic Overview							
Mortgage Rate (1 year) (%)	4.80	5.80	6.30	6.40	0.10	6.29	-0.12
Mortgage Rate (5 year) (%)	6.05	6.30	6.45	6.63	0.18	6.80	0.17
Annual Employment Level	171,900	176,100	177,300	179,840	1	182,530	1
Employment Growth (%)	-0.4	2.4	0.7		0.7		0.0
Unemployment rate (%)	5.4	6.5	6.5	6.6	-	6.6	-

MLS® is a registered trademark of the Canadian Real Estate Association (CREA).

Source: CMHC (Starts and Completions Survey, Market Absorption Survey), adapted from Statistics Canada (CANSIM), Toronto Real Estate Board, Statistics Canada (CANSIM)

NOTE: Rental universe = Privately initiated rental apartment structures of three units and over

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