

HOUSING MARKET OUTLOOK

Barrie CMA



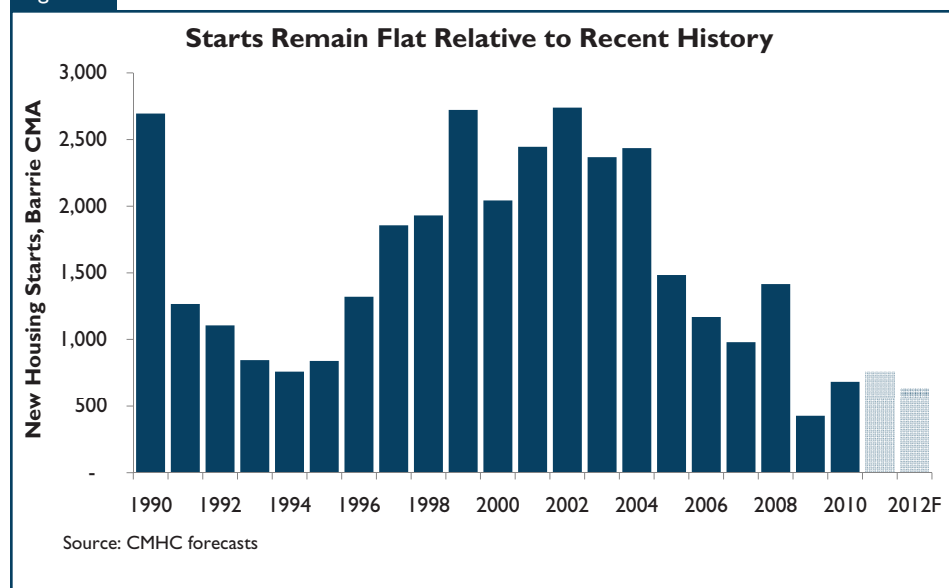
CANADA MORTGAGE AND HOUSING CORPORATION

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Market at a Glance

- Existing homes market to remain balanced.
- Mix of new housing starts will shift towards more rows and apartments. Buyers are not looking to overextend themselves.
- The average price growth for a new single-detached home to remain flat. Buyers looking towards other housing types.

Figure 1



*The forecasts included in this document are based on information available as of October 5, 2011.

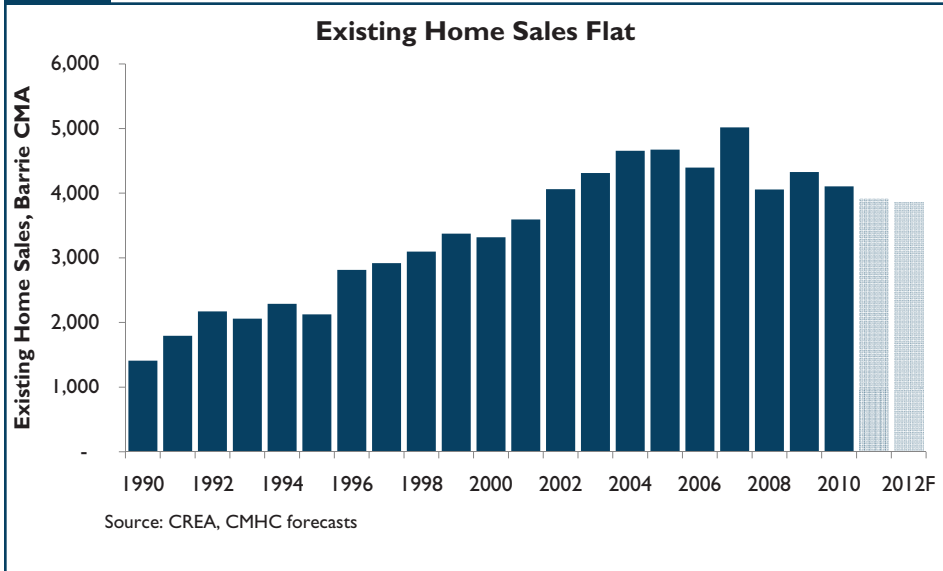
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Figure 2



prices and sales activity when making their decision to list, and in 2011 new listings have declined despite some increase in price last year. An increase in new listings is expected in the fourth quarter of 2011, but annual new listings will still be down from 2010 levels. In 2012, listings will react positively to the stronger sales and price activity in the first half of 2012 and will finish the year slightly higher than in 2011.

With less demand for existing homes and relatively robust supply, the market will continue to be balanced in 2011 and 2012. The abundance of supply and fewer sales will dampen the pace of price growth. Furthermore, with some buyers moving up and others downsizing, the proportion of sales in the higher and lower price ranges will remain largely unchanged and the average price in 2011 will come in just slightly higher than 2010. Some move uppers will

Resale Homes Market

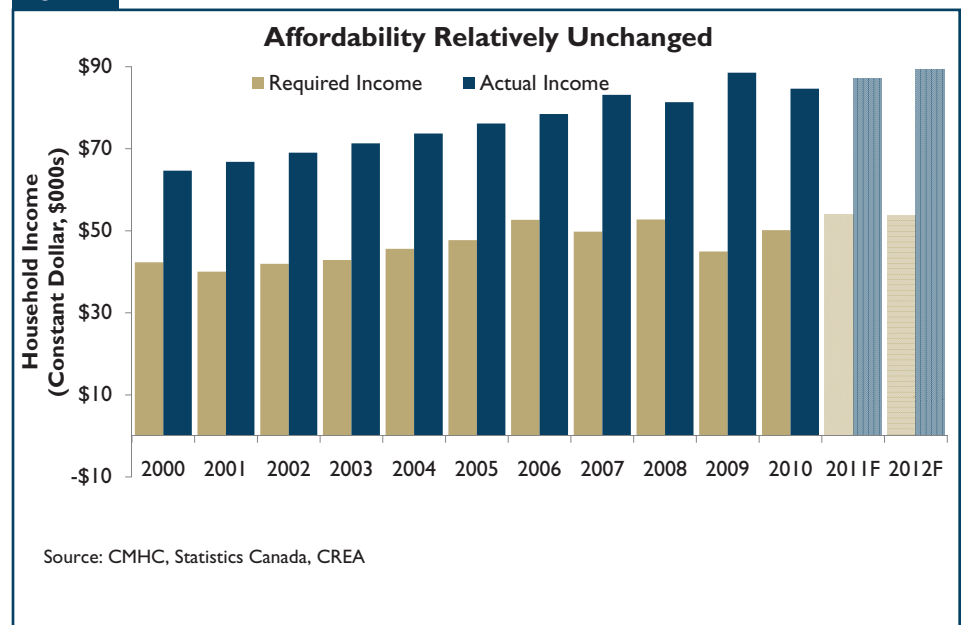
The Barrie resale market will moderate in 2011 and 2012. The robust activity reported in 2010 and to some extent in the first half of 2011 was largely driven by factors such as the expanding economy, flat mortgage rates, and first-time buyers entering in large numbers. By the end of 2011 and in 2012, sales will plateau as consumers exercise more caution given slower job growth and uncertainty in the global economy.

With many first-time buyers completing their purchases in the past year, the pool of potential first-time buyers is smaller. The Barrie market will settle as second and third time buyers dominate housing market activity beyond the first half of 2011 and into 2012. On a quarterly trend basis, existing home sales will be flat in the rest of 2011 and annual sales will come in just under five percent from 2010 levels. Next year the market will see some moderate growth heading into the spring and summer months as some first time buyers are enticed by low mortgage rates, more choice and modest price gains. In 2012, existing

home sales will stay fairly close to the level reached in 2011.

On the supply-side, the number of listings will decline in 2011 but recover some lost ground in 2012. Sellers over the past few years have been responding to both changes in

Figure 3



Required income is mortgage carrying costs divided by 0.32 to reflect the usual 32 per cent gross debt service ratio. Mortgage carrying costs are calculated based on 10 per cent down payment, the fixed five-year mortgage rate and the longest available amortization for a mortgage loan.

take advantage of the more pricey homes but the down sizers will look to more affordable housing such as rows or apartments. In 2012, the sales activity in the first part of the year will add to price growth but a more subdued second-half will mean overall price growth will average in the one to two per cent range.

New Homes Market

In 2011, new home demand in Barrie has shifted more towards higher-density construction, that is, more rows and more apartments. The total number of starts will be higher than in 2010 and the distribution of new construction will also be different.

Since 2006, close to three-quarters of all new construction in Barrie CMA have been single-detached homes. The growing economy and ample land kept the housing market affordable, allowing many people to purchase a single-detached home. Since then, not only land availability has become an issue, but economic factors have played a role. With uncertainty still a factor, homebuyers are playing it cautious and not overextending themselves with the purchase of expensive housing.

Now homebuyers are looking for new housing other than the typical single-detached home. As of August 2011, the percentage of new construction that is singles has decreased to just under half. This trend will continue until the end of this year as rows and apartment projects get under way. Increased construction of higher-density housing will help elevate the total tally relative to 2010 by 11 per cent.

In 2012, the shift in mix of new housing type will remain. Higher density construction will carve out a significant portion of the overall total. The final tally in 2012 will be lower than in

2011 because of less construction of singles than average and decreased apartment starts from the number seen in 2011. On a quarterly path, total new construction will grow from the end of 2011 until the first half of 2012 then gradually taper off.

New single-detached price growth will slow in 2011 from 2010. The demand for affordable housing draws people to the existing homes market, particularly, housing types other than single-detached homes. Since the recession in 2008 and 2009, the difference in price for an average existing home and a new single has been decreasing and now will remain flat in 2011 and 2012. In 2012, the average price of a new single-detached home will recover very slightly as demand will still be focused on other housing options.

Local Economy

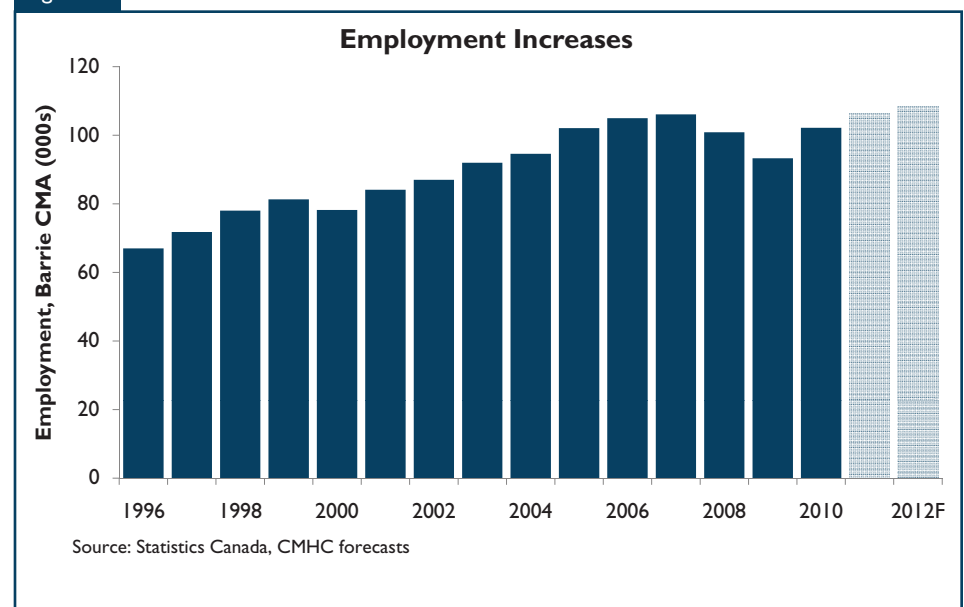
The economic recovery in Barrie since the recession has been quite noteworthy. That full-time employment has grown quicker than overall employment since

the downturn is encouraging for the housing market. More people looking for work are finding work and continuing to find full-time work. In 2011, employment growth will come in at four percent. In 2012, employers will exercise more caution when hiring and employment will grow at a more subdued rate than in 2011

Employment growth was strong in the early part of the year, but as the year progressed and more economic uncertainty came to the forefront, employment growth slowed as employers waited before taking on more employees. Some of this uncertainty will continue into 2012, keeping employment growth slower than in 2011.

Employment, especially full-time employment, has grown faster than the labour force. The prospects of finding work, especially full-time work, were good in 2011 following the recession. As a result, more people are encouraged to join the workforce and look for work. The labour force will grow by just under four per cent

Figure 4



in 2011 and close to two per cent in 2012.

The majority of people that have been outside the labour force have entered once again in 2011. Hence, labour force growth will slow in 2012. With employment growth outpacing the labour force growth in 2011 and also in 2012 the unemployment rate will continue to trend down. With the economy returning to full-force this has fuelled the housing market activity seen throughout 2011 and to a lesser degree will continue into 2012.

After strong growth early in the year, average weekly earnings began to decline. They will, however, still be up by three percent in 2011 from 2010. In 2012, some of the uncertainty from 2011 will persist into 2012 and affect employers' decisions. At least until the mid-part of 2012, average weekly earnings will come in at positive growth but a much more subdued level.

Migration will come in lower than it was in 2010 over the next two years. The western provinces will continue their growth and draw more people there. The Greater Toronto Area (GTA) economy will continue to grow, after the recession, and keep people there. The migration that does come will be a bit older as more mature households decide to resettle in the Barrie CMA and downsize.

Mortgage Rate Outlook

Recent announcements by the Bank of Canada have indicated that the Bank will be leaving the target overnight interest rate unchanged at 1.0 per cent for some time to come. The Bank has been noting that in light of slowing global economic momentum and heightened financial uncertainty, the need to withdraw monetary

policy stimulus has diminished. The last increase in the overnight interest rate occurred on September 8, 2010 when the Bank of Canada raised it by 25 basis points. Mortgage rates, particularly short term mortgage rates and variable mortgage rates, are expected to remain at historically low levels.

According to CMHC's base case scenario, posted mortgage rates will remain relatively flat until late 2012. For 2012, the one-year posted mortgage rate is expected to be in the 3.4 to 3.8 per cent range, while the five-year posted mortgage rate is forecast to be within 5.2 to 5.7 per cent.

Forecast Summary Barrie CMA Fall 2011							
	2008	2009	2010	2011f	% chg	2012f	% chg
Resale Market							
MLS® Sales	4,058	4,326	4,105	3,920	-4.5	3,860	-1.5
MLS® New Listings	8,212	7,502	8,008	7,800	-2.6	7,900	1.3
MLS® Average Price (\$)	264,034	263,959	281,966	287,200	1.9	292,100	1.7
New Home Market							
Starts:							
Single-Detached	858	292	442	300	-32.1	280	-6.7
Multiples	558	135	240	460	91.7	350	-23.9
Semi-Detached	12	0	4	3	-25.0	4	33.3
Row/Townhouse	170	0	133	100	-24.8	100	0.0
Apartments	376	135	103	357 **		246	-31.1
Starts - Total	1,416	427	682	760	11.4	630	-17.1
Average Price (\$):							
Single-Detached	358,841	431,237	407,200	405,000	-0.5	407,000	0.5
New Housing Price Index (% chg.) (Ontario)	3.5	0.1	2.4	n/a	-	n/a	-
Rental Market							
October Vacancy Rate (%)	3.5	3.8	3.4	2.9	-	2.8	-
Two-bedroom Average Rent (October) (\$)	954	961	968	975	0.7	990	1.5
Economic Overview							
Mortgage Rate (1 year) (%)	6.70	4.02	3.49	3.60	-	3.56	-
Mortgage Rate (5 year) (%)	7.06	5.63	5.61	5.42	-	5.43	-
Annual Employment Level	100,900	93,300	102,200	106,300	4.0	108,400	2.0
Employment Growth (%)	-4.9	-7.5	9.5	4.0	-	2.0	-
Unemployment rate (%)	5.6	9.4	9.5	8.9	-	8.5	-
Net Migration	1,118	998	1,111	930	-16.3	800	-14.0

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), CREA, Statistics Canada (CANSIM)

NOTE: Rental universe = apartments 3+

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