

HOUSING MARKET OUTLOOK

Barrie CMA



CANADA MORTGAGE AND HOUSING CORPORATION

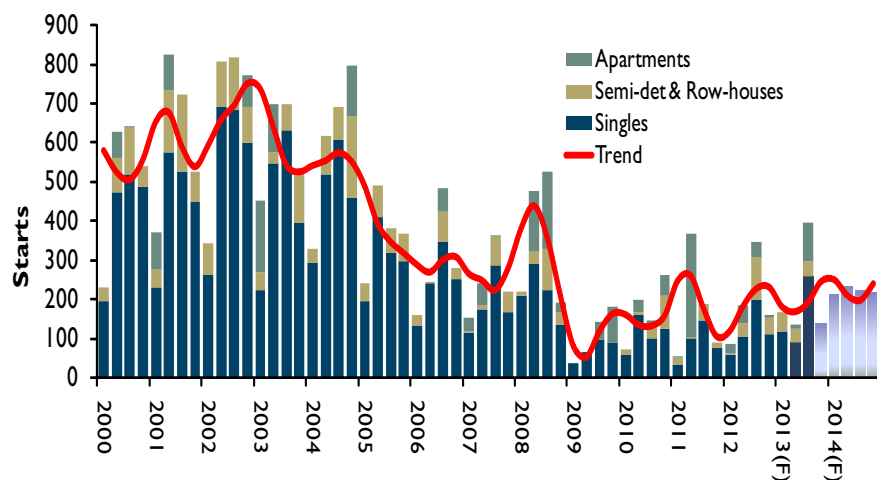
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Highlights

- Housing starts will increase.
- Existing home price to increase above inflation.
- Employed newcomers support housing market.

Figure 1

Total starts set to increase



Source: CHMC forecasts

The forecasts included in this document are based on information available as of October 16, 2013.

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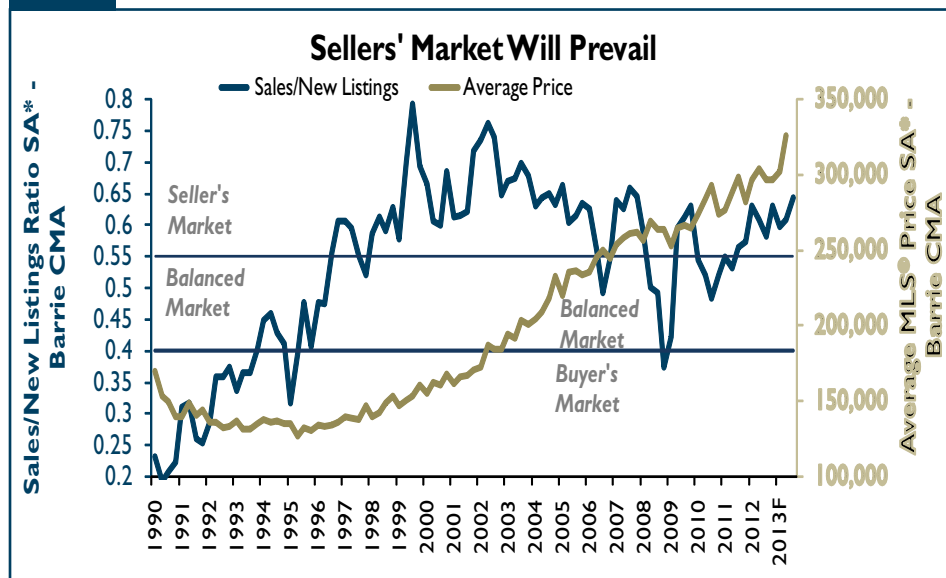
New Ownership Market: Home Construction Will Edge Up

Home starts will be running at less than a third of their 2002 peak levels, but they will be moving up this year and next. With prices near all time highs and the tight resale market, homebuilders will find it attractive to construct new homes. The sales-to-new-listings ratio shows that around two thirds of all properties listed every month get taken up, providing incentive for builders to put up new units on the Barrie city market.

The popularity of luxury homes will pull back next year. This is the message that the relationship between mean (average) and median prices is telling us. Periods with atypically high priced sales are characterized by average prices that are higher than the median. In this fashion, the past few years have shown a gap between the trend of median home price and average home price. This gap was proving particularly wide at the start of 2013, with a difference of around \$100,000 for the average price home compared to the lower median. The gap has receded and will continue in this manner, suggesting less demand for luxury homes.

New home starts tend to lag existing home sales. The upward sales trend we have seen supports a higher starts forecast. Total starts will reach 860 units in 2013 and approximately 880 units in 2014, displaying a pace of growth of 10% and 2% respectively. A tight resale market kept starts on an upward trend since their 25 year low in 2009. Growth in employment and sustained net migration are primary factors providing continued support for new home construction in 2014.

Figure 2



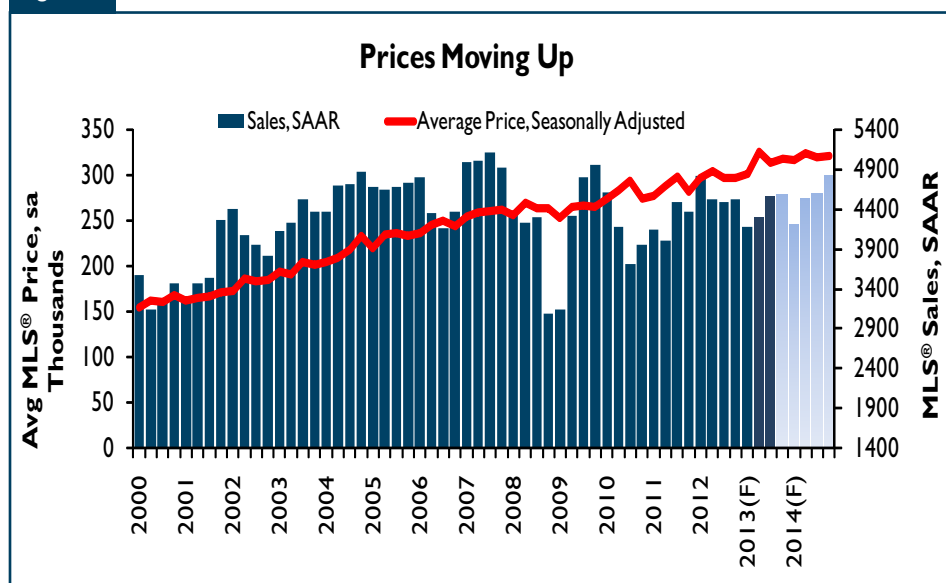
Source: CREA and CMHC Forecasts * Seasonally adjusted.
MLS® is a registered trademark of the Canadian Real Estate Association (CREA)

Newcomers will continue to be drawn by the attractive quality of life and the affordable real estate prices in the region. These advantages hold equally true for baby boomers looking to retire to a quieter place not far

from the Toronto city while allowing retirees to put money aside when moving to a lower priced home in the Barrie region.

Singles will remain popular in the region and so will row houses that

Figure 3



Source: CMHC forecasts and CREA.
Quarterly sales data are seasonally adjusted and multiplied by 4 to show an annual rate. Price data are adjusted for seasonal factors. MLS® is a registered trademark of the Canadian Real Estate Association (CREA).

prove increasingly attractive for first home buyers, especially in the \$240,000 to \$250,000 range. The majority of single builds have gone up in the Innisfil township while Barrie city still retains the most multiples properties being completed. Singles should show a slight increase in the number of units being built for 2013 at around 520 and 525 for 2014.

Existing Home Market: Sellers' Market Will Prevail

While the resale numbers on the home market have dipped over the past quarter, sales have generally been gaining ground since the crisis of 2008-2009 and are forecast to increase by 1.6 per cent in 2014. The average home price in the region has grown steadily for the last decade and a half, with no end in sight. The sales-to-new-listings ratio, which is a leading indicator for prices, will continue to grow especially for the Barrie City, which is particularly tight. The advantage is to sellers in the market, which is not surprising given employment in the region should end the year with a jump of about 7.5 per cent for the year, fuelling demand for existing homes. Realtors in the area report multiple offers and bidding wars due to low inventory.

Despite the high home prices, first-time homebuyers will maintain their presence in the market, enticed by the fact that mortgage carrying costs are still relatively affordable from a historical perspective. The accommodative economic stance by the Bank of Canada will keep mortgage rates near historical lows, and continue to help homebuyers access the market.

With the opening of the Barrie South GO Train station in 2007 and

the Allendale station in 2012, the proximity to the Toronto job market makes Barrie increasingly attractive for homebuyers. Buyers who can't afford living in Toronto will find that a Toronto income combined with the Barrie home price makes commuting worth the trip. The average resale home price differential between the two markets will persist, having been at historical highs in the past few quarters with the average house in Toronto priced around \$530,000 compared to \$320,000 in Barrie. In 2013, prices are expected to end the year with a 5.4 per cent increase, well above inflation, but should ease in 2014 with an increase of 1.9 per cent.

Rental Market: Vacancy Rate to Ease in 2014

In 2013, the rental apartment vacancy rate is anticipated to stand at around 2.3 per cent, slightly lower than the five year average of 2.9 per cent. Continued in-migration to the region will increase demand for rentals as a portion of migrants tend to lease until they become more established and

familiar with the communities.

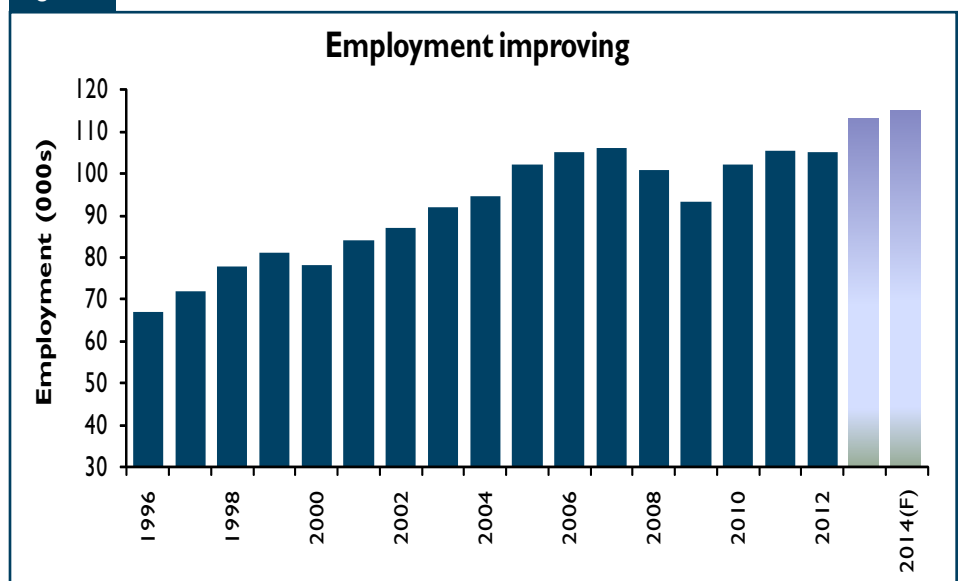
Local authorities point out that some consumers have difficulties finding suitable accommodations at an affordable rent. Secondary suites are not legal throughout the Barrie region and this is taking away some potential supply of rental opportunities.

Given the constraints on the market, landlords have leverage to raise rents and it is expected that increases above the rate of inflation will carry on as was the case in the last year. As a positive for renters, an elevated number of apartment projects is on the way for completion in 2014, helping to abate the pressure on the rental market. The vacancy rate is expected to move slightly upwards to 2.5 per cent.

Economic Trends: Jobs and Growing in-Migration Will Support Home Buying

Migration will be adding to housing demand. Following progressively smaller net inflows for about a

Figure 4



Source: Statistics Canada, CMHC forecasts

decade, from a peak around year 2000 to a low in 2010, net migration has turned the corner and is now trending upwards again. Intra-provincial migration will be the largest contributor of new residents, with residents moving back to the region from other parts of Ontario.

Picking up from a low in the middle of 2009, a positive employment trend is contributing to housing demand. Employment is predicted to wrap up 2013 with a jump of 7.5 per cent, but is expected to grow around 1.8 per cent in 2014, closer to the rate of increase in the labour force. Adding to housing demand, a steady rise in full-time employment has outweighed losses of part-time jobs, helped in part by migration of Toronto employed residents to the region. Services excluding trade, health and transportation, is the sector contributing the most to this trend. Barrie has recently attracted international firms in the fields of robotics, engineering and mining as well as data warehouses and with the availability of energy power and industrial land will continue to incite companies to move to the area. It is in the age group of 25 to 44 years old that employment has made most gains, fuelling demand for both first home buyers and second home buyers. This category is the prime age group for home buying.

With the labour force on a steady path of increase, the unemployment rate has moved sideways in the past few years and should end the year around 8.1 per cent. Local businesses,

however report that they were unable to fill some positions due to a mismatch of skills in the area.

Mortgage Rate Outlook

- Mortgage rates to see modest and gradual increases late in the forecast horizon but will remain low by historical standards.
- Following the June meeting of the Federal Open Market Committee (FOMC) of the U.S. Federal Reserve Board, interest rates rose modestly and then remained steady in both the U.S. and Canada. According to the Federal Reserve Bank of New York, this reflected a change in the risk assessment of investors and not a change in the expected future path of interest rates¹.
- CMHC's interest rate forecast mirrors this view. Hence, mortgage rates have been slightly revised up in the third quarter of 2013 but, thereafter, follow the same interest rate path as before. Nevertheless, this interest rate outlook will continue to be supportive of housing market activity over the forecast horizon, as mortgage rates will remain low by historical standards.
- Mortgage rates are expected to increase gradually and steadily over the forecast horizon. By the end of 2014, mortgage rates are forecast to be somewhat higher than in the third quarter of 2013. According to CMHC's base case scenario for

2013, the average for the one-year posted mortgage rate is forecast to be within 3.00 per cent to 3.50 per cent, while the average for the five-year posted mortgage rate is anticipated to be within 5.00 per cent to 5.50 per cent. For 2014, the average for the one-year posted mortgage rate is expected to rise and be in the 3.25 per cent to 3.75 per cent range, while the average for the five-year posted mortgage rate is forecast to be within 5.25 per cent to 6.00 per cent.

Mortgage rates		
1 Year	Q3 2013	3.14
	Change from Q3 2012	0.04
	2013 (F)	3.00 - 3.50
	2014 (F)	3.25 - 3.75
5 Year	Q3 2013	5.27
	Change from Q3 2012	0.03
	2013 (F)	5.00 - 5.50
	2014 (F)	5.25 - 6.00

Source: Bank of Canada, CMHC Forecast

NOTE: Mortgage rate forecast is based on Q3 2013 data

¹ "Preparing for Takeoff? Professional Forecasters and the June 2013 FOMC Meeting," Federal Reserve Bank of New York (2013). Richard Crump, Stefano Eusepi, and Emanuel Moench (<http://libertystreeteconomics.newyorkfed.org/2013/09/preparing-for-takeoff-professional-forecasters-and-the-june-2013-fomc-meeting.html>)

Trends at a Glance

Key Factors and their Effects on Housing Starts	
Mortgage Rates	Mortgage rates are expected to remain near historic lows which will continue to support housing demand.
Employment	Gains in full time jobs and increase in the labour force will continue to support housing demand
Income	Average weekly earnings set to increase at a faster rate than inflation for 2013 resulting in real wage growth, sustaining demand.
Net Migration	Net migration will add to housing demand as more people move to the region, both for ownership homes and rentals.
Resale Market	Current state will persist, Barrie city will be in a sellers' market while peripheral Innisfil and Springwater will be more balanced
Vacancy	Rental market will ease in 2014
Other	Price differential with the GTA will continue to attract newcomers.

Forecasts Risks

- Incomes may pick-up more than forecast, inciting households to move up the property ladder and ultimately sustaining higher house prices.

- Increased migration could push vacancy rates lower.
- With household debt levels close to all time highs, a large increase in interest rates could impair the ability of some debtors to meet their obligations on the

medium term. As a result, some households might be pushed to put their homes on the market thereby increasing the supply and consequently put downward pressure on home prices.

Forecast Summary Barrie CMA Fall 2013							
	2010	2011	2012	2013f	% chg	2014f	% chg
New Home Market							
Starts:							
Single-Detached	442	354	474	520	9.7	525	1.0
Multiples	240	346	308	340	10.4	355	4.4
Semi-Detached	4	1	6	10	66.7	10	0.0
Row/Townhouse	133	78	179	200	11.7	230	15.0
Apartments	103	267	123	130	5.7	115	-11.5
Starts - Total	682	700	782	860	10.0	880	2.3
Average Price (\$):							
Single-Detached	407,200	416,757	425,776	449,000	5.5	457,000	1.8
Median Price (\$):							
Single-Detached	363,333	363,333	369,990	390,000	5.4	397,000	1.8
New Housing Price Index (% chg.) (Ontario)	2.4	3.6	4.1	n/a	-	n/a	-
Resale Market							
MLS® Sales	4,105	4,228	4,576	4,500	-1.7	4,570	1.6
MLS® New Listings	8,008	7,676	7,506	7,650	1.9	7,600	-0.7
MLS® Average Price (\$)	281,965	287,588	299,685	314,000	4.8	320,000	1.9
Rental Market							
October Vacancy Rate (%)	3.4	1.7	2.0	2.3	-	2.5	-
Two-bedroom Average Rent (October) (\$)	968	1,001	1,037	1,060	2.2	1,070	0.9
Economic Overview							
Mortgage Rate (1 year) (%)	3.49	3.52	3.17	3.00 - 3.50	-	3.25 - 3.75	-
Mortgage Rate (5 year) (%)	5.61	5.37	5.27	5.00 - 5.50	-	5.25 - 6.00	-
Annual Employment Level	102,200	105,500	105,100	113,000	7.5	115,000	1.8
Employment Growth (%)	9.5	3.2	-0.4	7.5	-	1.8	-
Unemployment rate (%)	9.5	9.7	8.3	8.1	-	8.0	-
Net Migration	857	1,308	1,220	1,240	1.6	1,260	1.6

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), CREA, Statistics Canada (CANSIM)

NOTE: Rental universe = apartments 3+

DEFINITIONS AND METHODOLOGY

New Home Market

Historical home starts numbers are collected through CMHC's monthly **Starts and Completions Survey**. Building permits are used to determine construction sites and visits confirm construction stages. A **start** is defined as the beginning of construction on a building, usually when the concrete has been poured for the whole of the structure's footing, or an equivalent stage where a basement will not be part of the structure.

Single-Detached Start:

The start of a building containing only one dwelling unit, which is completely separated on all sides from any other dwelling or structure.

Semi-Detached Start:

The start of each of the dwellings in a building containing two dwellings located side-by-side, adjoining no other structure and separated by a common or party wall extending from ground to roof.

Row (or Townhouse) Start:

Refers to the commencement of construction on a dwelling unit in a row of three or more attached dwellings separated by a common or party wall extending from ground to roof.

Apartment and other Starts:

Refers to the commencement of construction on all dwellings other than those described above, including structures commonly known as stacked townhouses, duplexes, triplexes, double duplexes and row duplexes.

Average and Median Single Detached Home Prices:

Are estimated using CMHC's **Market Absorption Survey**, which collects home prices at absorption and measures the rate at which units are sold or rented after they are completed. Dwellings are enumerated each month after a structure is completed until full absorption occurs. The term "**absorbed**" means that a housing unit is no longer on the market as it has been sold or rented.

New Home Price Indexes:

Changes in the New Home Price Indexes are estimated using annual averages of Statistics Canada's monthly values for New Housing Price Indexes (NHPI).

Resale Market

Historical resale market data in the summary tables of the Housing Market Outlook Reports refers to residential transactions through the Multiple Listings Services (MLS®) as reported by The Canadian Real Estate Association (CREA). In Quebec, this data is obtained by the Centris® listing system via the Quebec Federation of Real Estate Boards.

MLS® (Centris® in the province of Quebec) Sales:

Refers to the total number of sales made through the Multiple Listings Services in a particular year.

MLS® (Centris® in the province of Quebec) Average Price:

Refers to the average annual price of residential transactions through the Multiple Listings Services.

Rental Market

Rental Market vacancy rates and two bedroom rents information is from Canada Mortgage and Housing Corporation's (CMHC's) October **Rental Market Survey** (RMS). Conducted on a sample basis in all urban areas with populations of 10,000 and more, the RMS targets privately initiated structures with at least three rental units, which have been on the market for at least three months. The survey obtains information from owners, managers, or building superintendents through a combination of telephone interviews and site visits.

Vacancy Rate:

The vacancy rate refers to the average vacancy rate of all apartment bedroom types. A unit is considered vacant if, at the time of the survey, it is physically unoccupied and available for immediate rental.

Two Bedroom Rent:

The rent refers to the average of the actual amount tenants pay for two bedroom apartment units. No adjustments are made for the inclusion or exclusion of amenities and services such as heat, hydro, parking, and hot water.

Economic Overview

Labour Force variables include the Annual Employment Level, Employment Growth, Unemployment Rate. Source: Statistics Canada's Labour Force Survey.

Net Migration:

Sum of net interprovincial (between provinces), net intra-provincial (within provinces), net international (immigration less emigration), returning Canadians and temporary (non-permanent) residents as provided to the CANSIM database by Statistics Canada's Demography Division. Sources of inter-provincial and intra-provincial migration data include a comparison of addresses from individual income tax returns for two consecutive years from Canada Revenue Agency (CRA) taxation records. The migration estimates are modelled, with the tax file results weighted to represent the whole population.

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