

H

OUSING MARKET

OUTLOOK

Oshawa

Canada Mortgage and Housing Corporation
www.cmhc.ca

New Home Market

The Oshawa Census Metropolitan Area's (CMA) new home construction market is poised for another healthy year. Strong migration and low mortgage rates will keep demand for homeownership housing robust in the Oshawa CMA.

At the same time, more choice in the resale market will weigh on new home construction. As a result new home starts will slow down slightly. In 2006, housing starts will edge down by 7.3 per cent and will reach 2,720 units, of which 2,050 will be single-detached homes.

Strong housing demand will support further home price increases in the single-detached home sector in 2006. Land constraints and growing construction costs will contribute to higher prices as well. The average price of new single-detached homes in the Oshawa CMA will jump by 11.5 per cent this year, to reach \$328,500. Fewer households will be able to purchase a single-detached home in 2006. Price-sensitive first-time buyers will be affected the

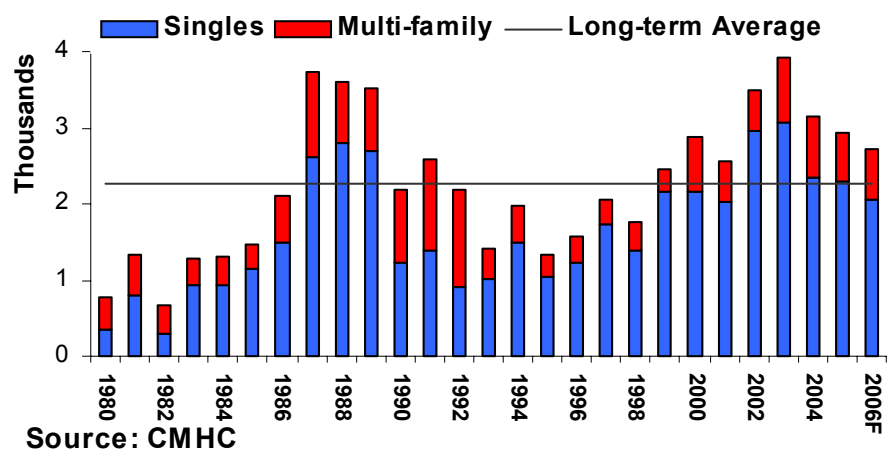
most. A growing gap between the relative cost of homeownership and renting will encourage first-time buyers to consider their home-buying decision more thoroughly. Elevated new home prices will cause to an 11 per cent decline in single-detached starts in 2006. However, Oshawa's single-detached construction sector will remain robust from a historical perspective. The healthy economy in Toronto continues to stimulate demand for ownership homes. Oshawa home prices are relatively low compared to Toronto and this price differential

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Above Average Home Starts



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is driving housing demand in Oshawa. Toronto's commuters will continue to support a healthy level of single-detached home construction in 2006.

The Multiple-family home construction sector in Oshawa will continue to offer affordable housing solutions and will remain strong in 2006.

Resale Market

Oshawa's resale market remains upbeat. However, high home prices and rising mortgage rates will raise mortgage carrying costs and cause home sales to plateau. Existing home sales are expected to edge down to 5,760 units in 2006 but will still remain near historical highs.

High home prices will encourage households to list their homes for sale and move into ones that better suit their needs and tastes. The supply of newly listed homes on the market will continue to grow and offer consumers more choice.

The Sales-to-New Listings ratio (SNLR) measures the balance between demand and supply. A market with a SNLR above 55 per cent is typically classified as a sellers' market and characterized by demand outpacing supply. Price increases are above the general rate of inflation. A SNL ratio between 35 and 55 per cent suggests a balanced market.

Oshawa's new listings are growing. With lower sales forecast, Oshawa's resale market is heading into balanced market territory. With the

SNLR hovering around 52 per cent, the resale market will experience moderate price increases of 3.4 per cent and reach \$244,500 in 2006.

Home prices are not uniform across the Oshawa CMA. Lower-priced submarkets such as Oshawa City and Clarington will provide price-cautious homebuyers with an adequate selection of affordable homes.

Nominal housing prices are high and have already exceeded their late 80s' peak level. However, low interest rates have partly mitigated the effect of increases in home prices on mortgage carrying costs. Inflation adjusted monthly mortgage payments associated with homeownership remain low and well below the late 80s' and early 90's levels.

Economic Trends

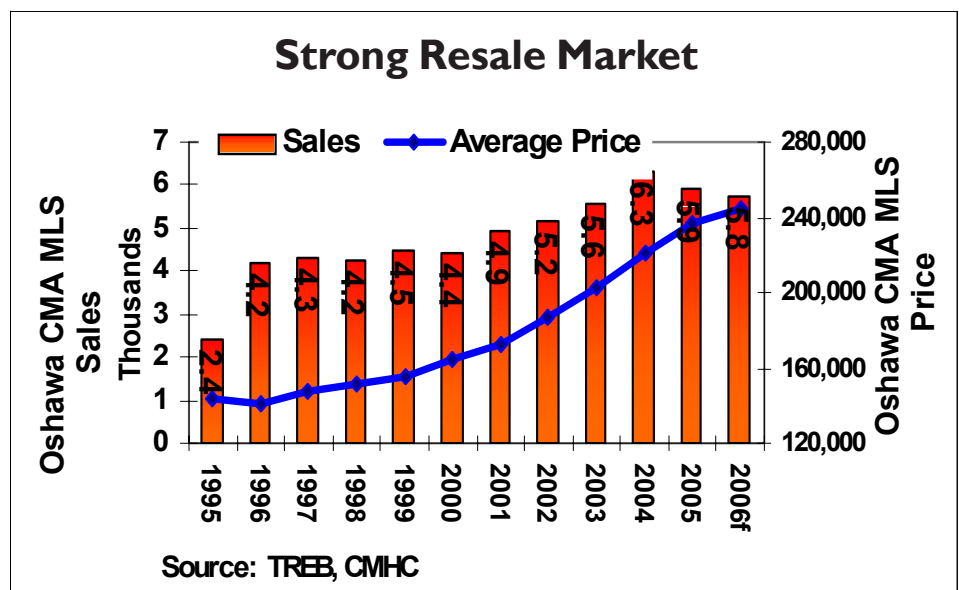
Oshawa's economy gained 4,150 new jobs, a growth rate of 2.4 per cent in 2005. New jobs added to a market allow more households to purchase

homes. However, only about one third of the created jobs were full-time jobs. Stable full-time employment benefits home-buying activity the most. In 2006 expect more modest employment growth of 0.8 per cent.

For the past two years Oshawa has registered changes in its labour force composition. A notable increase in employment in the 45-64 year age segment occurred at the expense of 25-44 group, which has traditionally comprised the largest share of the labour force in Oshawa. The increase in employment in this primarily move-up buyer age segment will support second-round homebuyer demand.

Newly employed persons do not necessarily jump into homeownership. The newly employed require time to save for a downpayment and establish a work history in order to qualify for mortgage financing.

In spite of an expected slow-down in employment growth and anticipated



¹ The average monthly mortgage is calculated using average MLS price, posted three-year fixed mortgage rate, with a 25 per cent down payment and a 25-year amortization period.

lay-offs in auto-sector, migration to Oshawa continues to be strong. Arrivals are motivated by the relatively affordable home prices and close proximity to Toronto.

Ontario's Index of Consumers Attitudes shows slightly fewer individuals who believe that now is a good time to buy. However, this index remains relatively high by historical norms, and significantly above its low levels recorded in the early 90s.

Mortgage Rate Outlook

Moderate inflation and a strong Canadian dollar vis-à-vis the U.S. dollar will help restrain the size and speed of Canadian interest and mortgage rate increases in 2006.

While still low by historical norms, mortgage rates are expected to rise gradually by 50-75 basis points in 2006. One, three and five-year

mortgage posted rates are forecast to be in the 5.75-6.75, 6.00-6.75, and 6.25-7.25 per cent ranges respectively in 2006.

Auto News

General Motors (GM) is the largest employer in Oshawa, the source of thousands of jobs and a contributor to the area's prosperity. To minimize the company's heavy financial losses, GM plans on closing a shift at its Number 1 assembly plant in 2006, the plant which builds the Chevrolet Monte Carlo and Impala models. Furthermore GM announced its plan to close the Number 2 assembly plant in Oshawa by 2008. This plant currently builds the Pontiac Grand Prix and the Buick LaCrosse/Allure models. These shutdowns will cost Oshawa 3,600 direct jobs. It is hoped that early retirement packages and attritions would absorb the most of the job cuts.

In March 2006, Canadian Auto Workers signed an agreement with General Motors Corporation allowing substantial workplace changes to cut costs and to make the Oshawa facility more competitive. Changes will be in effect only if GM confirms its intention to invest in the Oshawa flexible manufacturing facility, which would allow the plant to build a wide variety of models. It is expected that building new car models would save thousands of jobs in Oshawa. The Ontario and federal governments have contributed \$435 million in aid for GM projects in Canada, including money for the transformation of the Number 1 car plant into a flexible manufacturing plant.

Sluggish business conditions faced by the major local employer will have an adverse effect on Oshawa's economy. Nevertheless, it's still early to talk about the final outcome. An ongoing negotiation process between GM and the union, new government support programs for the auto-industry and improvement in market conditions may soften the anticipated layoffs.

SUMMARY
OSHAWA CENSUS METROPOLITAN AREA - SPRING 2006

NEW HOME MARKET	2003	2004	2005	2006F	%Change
Housing Starts					
Single-detached	3,074	2,356	2,301	2,050	-10.9%
Multi-Family (Semi, Row, Apt.)	833	797	633	670	5.8%
Total	3,907	3,153	2,934	2,720	-7.3%

Average New House Price					
Single-detached	\$240,098	\$264,979	\$294,535	\$328,500	11.5%

RESALE MARKET

Toronto Real Estate Board					
MLS* Sales	5,586	6,328	5,894	5,760	-2.3%
MLS* New Listings	7,772	9,081	10,160	11,200	10.2%
Sales-to-Listings Ratio	71.9%	69.7%	58.0%	51.4%	-
MLS* Average Price	\$202,272	\$220,873	\$236,477	\$244,500	3.4%

RENTAL MARKET

Apartment Vacancy Rate	2.9%	3.4%	3.3%	3.0%	-
Average Rent (2 bedroom)	\$845	\$852	\$855	\$865	1.2%

ECONOMIC OVERVIEW

Mortgage Rate (1 year term)	4.84%	4.59%	5.06%	6.27%	-
Mortgage Rate (5 year term)	6.39%	6.23%	5.99%	6.78%	-
Employed (000's)	172,625	171,925	176,075	177,500	0.8%
Net Migration (tax filer data)	6,717	6,616	6,517	6,600	1.3%

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

*Multiple Listings Service (MLS) is a registered certification mark owned by the Canadian Real Estate Association (CREA)

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