

## HOUSING MARKET OUTLOOK

## Peterborough CMA



Canada Mortgage and Housing Corporation

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## New Home Market

## Slowdown of New Housing Market

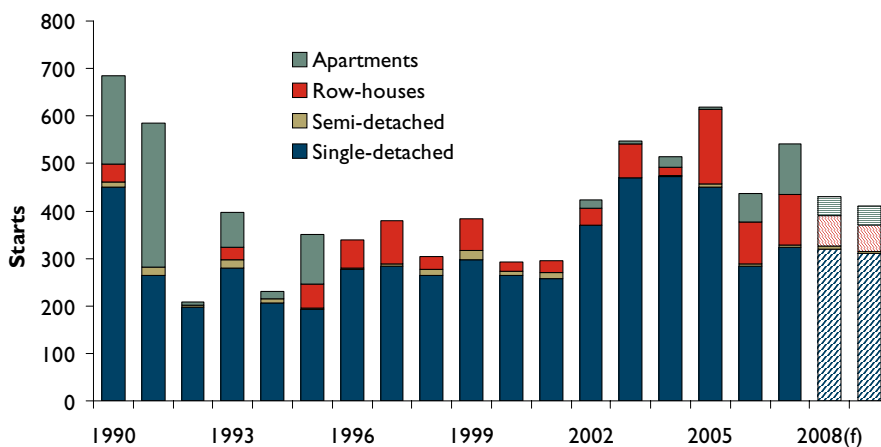
Activity in the new housing market in Peterborough will moderate over the remainder of 2008 and in 2009. This pullback will be due to past price gains, an abundant selection of homes for sale in the resale market, and to some extent the economic slowdown. Though Peterborough's

economy is not as export-dependent as other regions, it will be somewhat affected by the strong Canadian dollar and trends in the U.S. economy.

Starts will total 430 units by the end of 2008 and 410 units in 2009. Single-detached homes will continue being the pillar of home construction, with dominant shares of 74 per

Figure 1

## Detached Homes Keep a Dominant Share



Source: CHMC forecasts

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cent and 76 per cent over 2008 and 2009 respectively. Meanwhile, rowhouses will account for 14 per cent of total starts and will register total of 65 units and 56 units in 2008 and 2009 respectively. Apartment construction will remain stable at 40 units for both 2008 and 2009.

While the Peterborough Metropolitan Area (CMA) covers the regions of Peterborough City, Otonabee-South Monaghan Township, Cavan-Millbrook-North Monaghan Township, Douro-Dummer Township and Smith-Ennismore-Lakefield Township, Peterborough City accounts more than two thirds of new construction in the area.

The average price of single-detached homes increased rapidly in the past several years, pulled up by the construction of more high value homes. In 2009, the average price of a newly absorbed single-detached home is expected to rise to \$362,000, 2 per cent up from an estimated \$355,000 in 2008.

## Resale Market

### Resale Market Cooling Off

Sales of existing housing are expected to moderate by 5 per cent in 2008, to 2,750 units and by another 7 per cent in 2009. Demand will soften as employment growth slows.

Sales will decrease because fewer renters will make the move to ownership. The average price has increased quite strongly over the last few years. At the same time, part-time employment has increased faster than full-time job creation.

This has made the decision to rent more attractive than home ownership for some households. With fewer renters becoming owners, the vacancy rate will decrease and rental costs will inch higher over the next two years.

The strong increase in prices has drawn more sellers to the market. As a result, new listings will reach 5,300 units in 2008 from 5,085 in 2007, before declining to 5,200 units in 2009. The decrease in sales of existing homes and the increase in the listings will push the sales to new listings ratio downward, indicating balance between demand and supply in this market.

Overall, despite the slowdown in activity, the housing market in this region is still healthy, in part, because housing prices in Peterborough continue to be much lower than in surrounding markets. The price differential continues to attract people to the region.

## Economic Trends

### Healthy Local Economic Conditions

The majority of the population growth in Peterborough is occurring in two age groups: 20-24 and 45-64. In years to come growth in these significant age cohorts will continue to bolster housing demand as these two groups are associated with first-time or repeat home buying.

The Peterborough region is expected to benefit from several projects financed by the public and private sectors. The projects will have a positive impact on job growth, especially in the construction and service sectors. As the biggest employer in the region with more than 2000 employees, the health centre, which moved to a new facility in June 2008, is expected to increase its number of workers over the next two years. Furthermore, Peterborough will benefit from the financial contribution from three

Figure 2

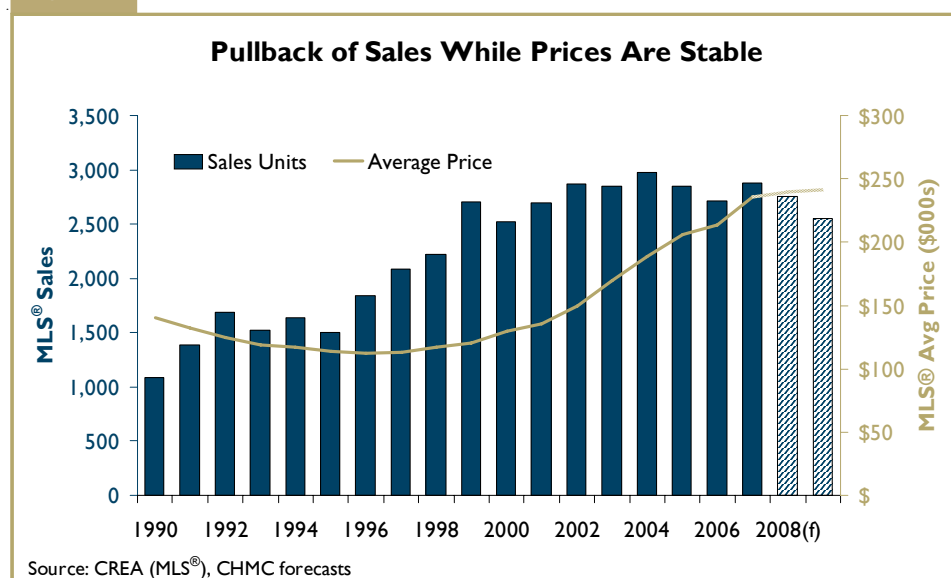
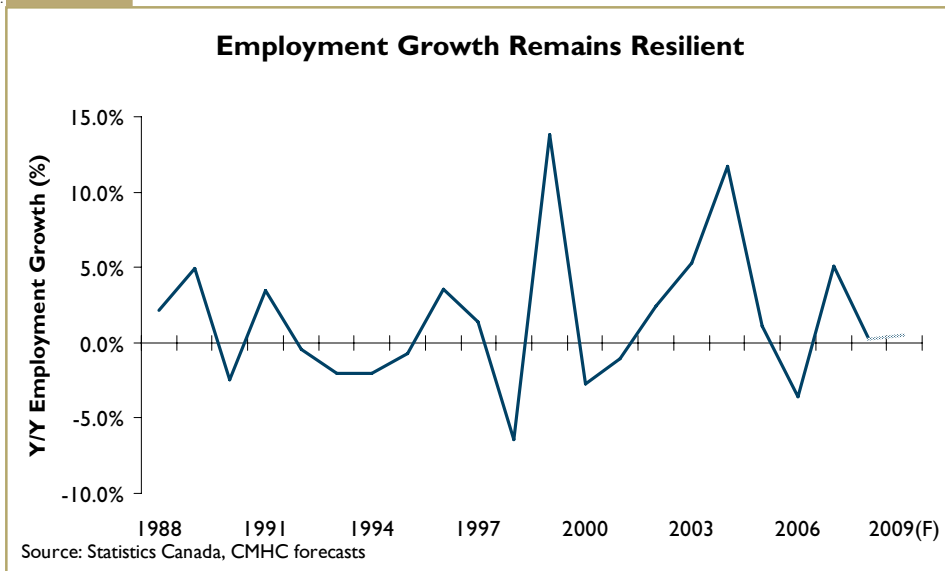


Figure 3

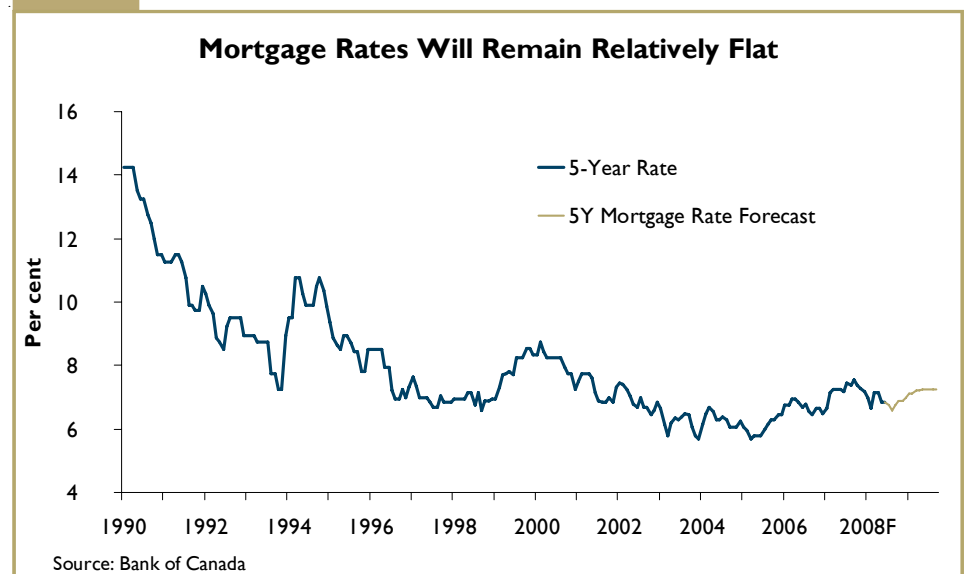


levels of the government to help with different projects for infrastructure needs and businesses growth, including projects such as the proposed rail transportation link from Peterborough to Toronto.

Nearly 80 per cent of employment in Peterborough is in the services sector. The services sector will continue to expand, taking advantage of the high investment in support of the aging population and the increased hiring of mature part-time employees. Yet, this strength in the services industry will not completely offset changes in full-time employment in the goods-producing sectors. Therefore, employment is expected to grow modestly by 0.3 per cent to 56,800 and by 0.5 per

cent to 57,100 in 2008 and 2009 respectively.

Figure 4



## Mortgage Rates

Mortgage rates are expected to be relatively stable throughout the last quarter of this year, remaining within 25-50 basis points of their current levels. Posted mortgage rates will decrease slightly in the first half of 2009 as the cost of credit to financial institutions eases. Rising bond yields, however, will nudge mortgage rates marginally higher in the latter half 2009. For the last quarter of 2008 and in 2009, the one year posted mortgage rate will be in the 6.00-6.75 per cent range, while three and five year posted mortgage rates are forecast to be in the 6.50-7.25 per cent range.

Forecast Summary Peterborough CMA Fall 2008							
	2005	2006	2007	2008f	% chg	2009f	% chg
<b>Resale Market</b>							
MLS® Sales	2,847	2,714	2,880	2,750	-4.5	2,550	-7.3
MLS® New Listings	4,751	4,960	5,085	5,300	4.2	5,200	-1.9
MLS® Average Price (\$)	206,270	213,469	231,596	240,000	3.6	242,000	0.8
<b>New Home Market</b>							
<b>Starts:</b>							
Single-Detached	449	283	324	320	-1.2	310	-3.1
Multiples	170	154	216	110	-49.1	100	-9.1
Semi-Detached	8	4	4	5	25.0	4	-20.0
Row/Townhouse	157	89	107	65	-39.3	56	-13.8
Apartments	5	61	105	40	-61.9	40	n/a
Starts - Total	619	437	540	430	-20.4	410	-4.7
<b>Average Price (\$):</b>							
Single-Detached	246,892	298,272	342,152	355,000	3.8	362,000	2.0
New Housing Price Index (% chg. Ontario)	4.6	3.7	2.6	n/a	-	n/a	-
<b>Rental Market</b>							
October Vacancy Rate (%)	2.8	2.8	2.8	2.6	-	2.5	-
Two-bedroom Average Rent (October) (\$)	797	818	822	830	-	840	-
<b>Economic Overview</b>							
Mortgage Rate (1 year) (%)	5.06	6.28	6.90	6.75	-	6.31	-
Mortgage Rate (5 year) (%)	5.99	6.66	7.07	7.05	-	6.92	-
Annual Employment Level	55,900	53,900	56,700	56,800	0.2	57,100	0.5
Employment Growth (%)	1.1	-3.6	5.2	0.3	-	0.5	-
Unemployment rate (%)	7.1	6.1	5.7	6.3	-	6.5	-
Net Migration (Peterborough County) <sup>(1)</sup>	860	982	800	600	-25.0	600	0.0

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+

(1) 2007 migration data is forecasted

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