

HOUSING MARKET OUTLOOK

Barrie CMA



CANADA MORTGAGE AND HOUSING CORPORATION

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New Homes Market

New Home Construction Not as Robust as Before

New home construction in Barrie will come in at a lower tally than last year. Single-detached homes will continue to make up the majority of a smaller new construction pie. Next year, new construction will increase from this year, as the economy begins

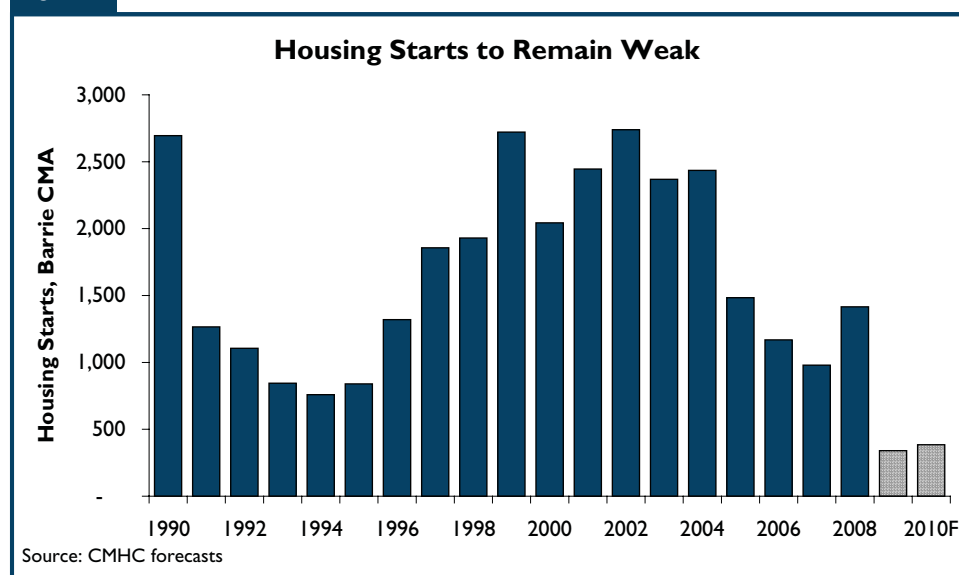
to improve. From 2010 to 2013 new housing construction will grow at a relatively subdued level. With less demand for new housing, the average price of a newly constructed single-detached home will decrease.

The number of new housing starts is expected to come in significantly lower this year than last year's total tally. Total starts in Barrie Census Metropolitan Area (from here on

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Figure 1



¹ The forecasts included in this document are based on information available as of October 1, 2009.

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referred to as CMA) will come in at 340, less than a quarter of the homes built in 2008. Next year total starts will begin to improve and come in at close to 390 units. Currently, the number of homes under construction and inventories of new unsold homes are both declining. Consequently, improving demand next year will translate into starts fairly quickly.

Even though apartments, and to a lesser degree row homes, are expected to be significant components of all new construction in the CMA, single-detached homes will continue to be the most preferred type of housing built in Barrie. Single-detached starts will make up close to 61 per cent of all new construction this year in the CMA while apartments will make up close to 27 per cent and row homes 12 per cent.

Looking forward, the recovery is expected to be slow. With lower new housing demand, as a result of the economic downturn, and the slow recovery, the average price of a new single-detached home is expected to drop from last year and finish this year at \$340,000 a drop of five per cent. In 2010, as recovery strengthens the average price of a new single-detached home will be negative but by a much lesser margin than this year.

Resale Homes Market

Resale Market Relatively Unscathed by Downturn

Both sales and new listings of existing homes will lose some strength from last year. (In comparison to the new homes market though, the existing

homes market will fare better this year.) The SNLR (Sales-to-New-Listings-Ratio) will remain near the upper bound of balanced market territory. The average price of an existing home will grow modestly this year and at the rate of inflation next year. Housing affordability will deteriorate slightly as modest price growth and increasing mortgage rates raise monthly carrying costs. In spite of the slight deterioration in affordability, the Barrie CMA will remain an attractive housing market when compared to other urban centres.

Similar to the new home market, the resale home market will also feel the effects of the economic downturn. This year total existing home sales will end the year close to 3,900, a drop from last year of five per cent. In 2010, existing home sales will decrease slightly once again but by a lesser amount than this year as the market will begin showing signs of recovery and stabilization.

New listings this year will decrease from last year and settle at just under 7,300 new listings. Next year they will begin to increase and reach 7,400 as the economy continues to improve and housing demand increases pushing the average price up. The recent drop in new listings reflects the sharp deceleration in price growth in 2008. New listings reached a record in 2008, so despite the current drop, they remain well above levels set earlier this decade.

The SLNR will remain near the upper echelon of a balanced market this year and next year as both sales and listings will remain at high levels despite coming down relative to 2008. Balanced market conditions will see the average price of a resale home grow very modestly this year and settle at just under \$265,000. Next year prices will begin to grow more significantly and at the rate of inflation.

Figure 2

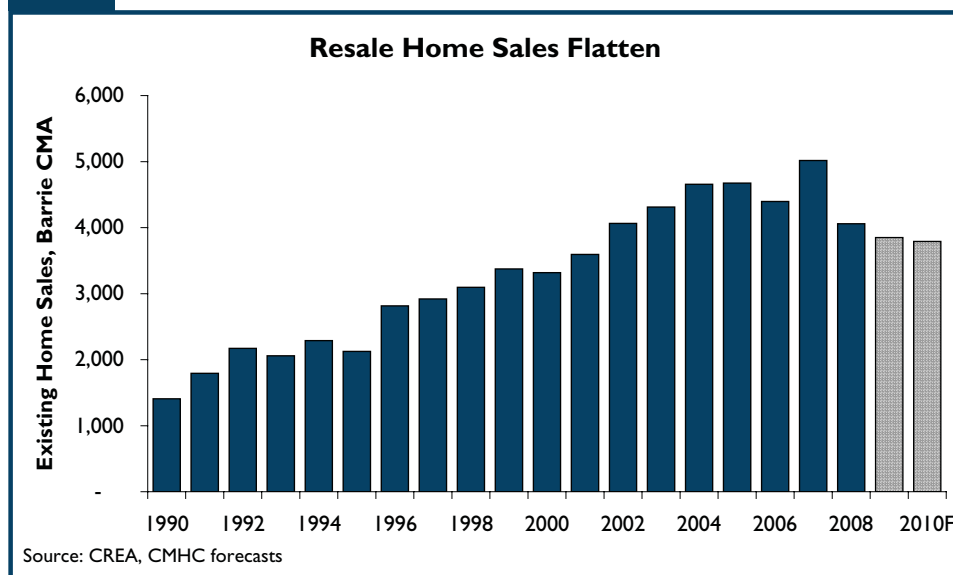
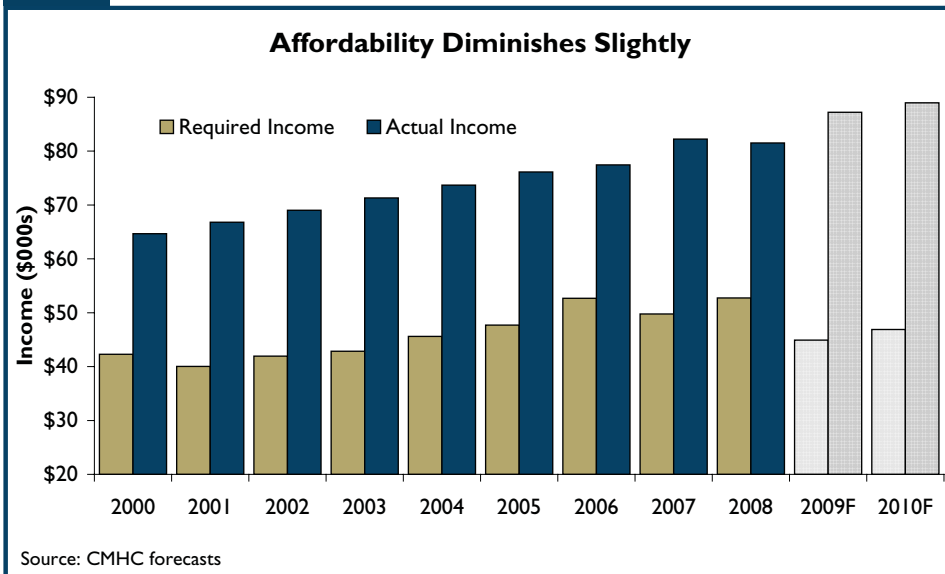


Figure 3



face some difficulties next year as a significant part of employment will be slow to recover. The goods-producing sector still makes up about 25 per cent of total employment in Barrie, compared to only 21 in Ontario.

Because of certain key industries such as manufacturing, trade, health and social assistance continuing to feel the pinch of the current economic adjustment overall weekly earnings will grow but only by the rate of inflation this year with a similar trend next year.

The Economy

Labour Market

Employment will decrease this year by a larger amount than the labour force, therefore the unemployment rate will end the year at one of the highest levels in some time. With the goods-producing sector still hindering a robust economic recovery, migration into the area will weaken further.

This year employment will reach just over 88,000 (a decrease of eight per cent from 2008). However, employment has increased steadily after hitting bottom in April 2009, a trend that will continue in 2010. The labour force will shrink but to a lesser extent than the number of employed individuals. This year the labour force will settle at 98,000 (a decrease of three per cent). Next year will see the labour force begin to expand once again, as the economy continues to improve, but by a larger margin than the increase to employment,

therefore, the unemployment rate will reach ten per cent this year and remain at relatively the same level next year.

The goods-producing sector continues to face challenges but the services sector has shown signs of recovering. The Barrie economy will continue to

With a slow economy, Barrie and the County of Simcoe have lost some of their previous appeal for migrants. This year the number of migrants coming into Simcoe County is expected to drop by close to 34 per cent. In 2010, the number will drop again but only by two per cent

Figure 4

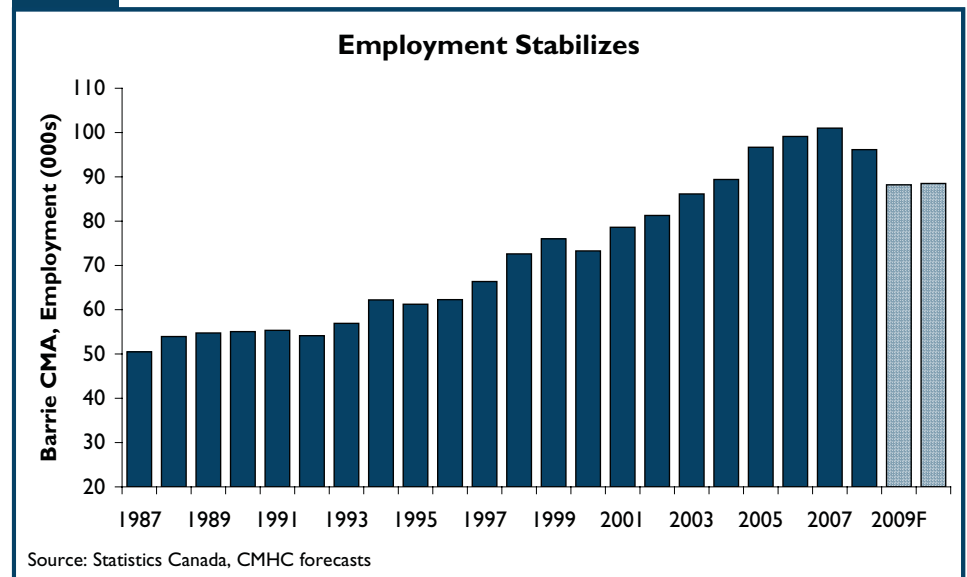
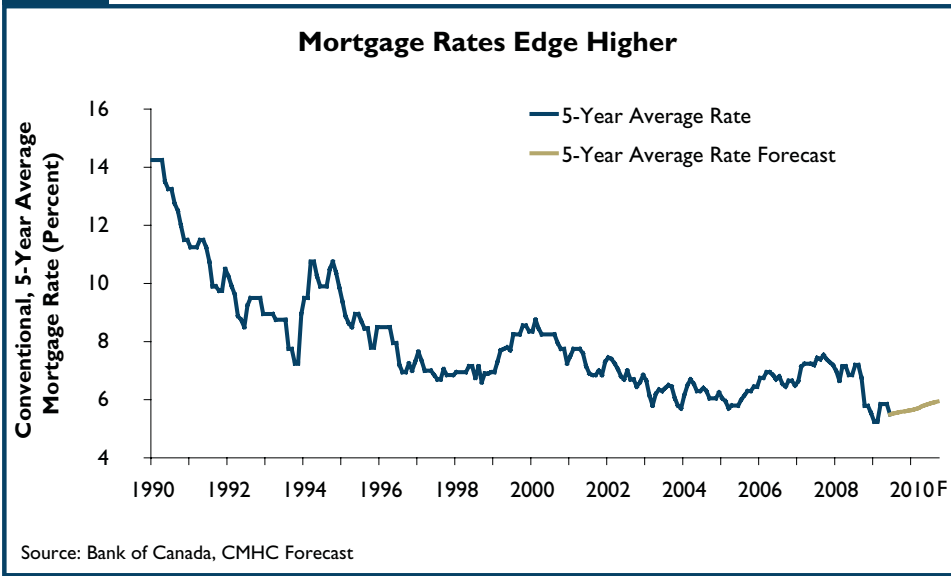


Figure 5



committed to keeping this rate at 0.25 per cent through the middle of 2010 unless inflationary pressures warrant an increase.

Mortgage rates have fallen over the course of 2009, but are now expected to remain relatively stable for the rest of the year. Posted mortgage rates will gradually increase through 2010, but will do so at a slow pace. For 2010, the one-year posted mortgage rate will be in the 3.50-4.25 per cent range, while three and five-year posted mortgage rates are forecast to be in the 4.50-6.00 per cent range.

Mortgage Rate Outlook

The Bank of Canada cut the Target for the Overnight Rate in the early

months of 2009. The rate was 1.50 per cent at the start of 2009 and has since fallen to 0.25 per cent. The Bank has

Forecast Summary Barrie CMA Fall 2009							
	2006	2007	2008	2009f	% chg	2010f	% chg
Resale Market							
MLS® Sales	4,397	5,017	4,058	3,850	-5.1	3,790	-1.6
MLS® New Listings	8,001	7,871	8,212	7,200	-12.3	7,400	2.8
MLS® Average Price (\$)	244,394	258,999	264,034	265,350	0.5	270,200	1.8
New Home Market							
Starts:							
Single-Detached	972	746	858	245	-71.4	260	6.1
Multiples	197	234	558	95	-83.0	124	30.5
Semi-Detached	26	14	12	5	-58.3	5	0.0
Row/Townhouse	109	127	170	20	-88.2	33	65.0
Apartments	62	93	376	70	-81.4	86	22.9
Starts - Total	1,169	980	1,416	340	-76.0	385	13.2
Average Price (\$):							
Single-Detached	307,948	329,505	358,841	340,000	-5.3	330,000	-2.9
New Housing Price Index (% chg. Ontario)	3.7	2.6	3.5	n/a	-	n/a	-
Rental Market							
October Vacancy Rate (%)	2.8	3.2	3.5	3.2	-	3.2	-
Two-bedroom Average Rent (October) (\$)	906	934	954	965	1.2	970	0.5
Economic Overview							
Mortgage Rate (1 year) (%)	6.28	6.90	6.70	4.03	-	3.83	-
Mortgage Rate (5 year) (%)	6.66	7.07	7.06	5.55	-	5.75	-
Annual Employment Level	99,400	100,800	95,700	88,200	-7.8	88,500	0.3
Employment Growth (%)	2.4	1.4	-5.1	-8.0	-	0.3	-
Unemployment rate (%)	6.0	5.0	5.5	10.0	-	10.3	-
Net Migration (Simcoe County) ⁽¹⁾	7,255	6,509	6,500	4,300	-33.8	4,200	-2.3

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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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