

# HOUSING MARKET OUTLOOK

## Peterborough CMA



CANADA MORTGAGE AND HOUSING CORPORATION

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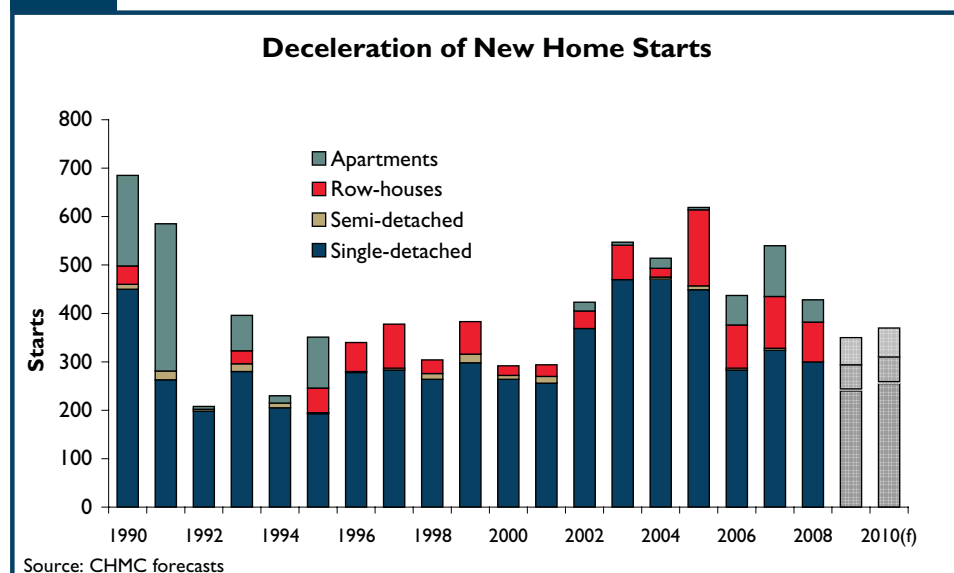
### New Home Market

#### New Construction Activity Expected to Slow

In 2009, new home starts will reach 350 new homes from 428 starts recorded in 2008, contracting by 18 per cent. Single-detached starts are forecast to decline by 20 per cent, while row homes and apartments will decrease by 14 per

cent. The downward momentum in the economy has lessened new construction demand. Also, slower population growth and less spill-over demand from the resale market have contributed to the slow down in demand for new homes. However in 2010, this trend will change due to the gradually improving provincial economy and declining new home inventories. The number of starts will

Figure 1



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

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increase by six per cent to 370 units. Demand for affordable housing is increasing. A number of social housing projects are planned or underway to accommodate the increased demand for this type of housing.

The new home price will average 343,000 in 2009 and 355,000 in 2010. New single-detached prices will decrease by 0.6 per cent in 2009 as the prices adjust to slower demand, consumer cautiousness and less construction of high-value homes. As the economy recovers in 2010, new home prices will increase by 3.5 per cent.

In the longer term, new home construction is expected to increase. Migration will be a dominant element in increasing demand for new homes. With land constraints raising prices in other areas and improved transportation and infrastructure projects making Peterborough more accessible to Toronto, it's expected to see more in-migration to Peterborough. Aging baby boomers will increase their movement to Peterborough, seeing it as an attractive place for retirement. Furthermore, improved economic conditions and job prospects in the region in the next several years will reduce out-migration.

As home prices and mortgage carrying costs rise, the demand for the more expensive homes will be tempered. More interest will be seen for higher-density forms of housing in coming years. Even though demand for single-detached homes will slow, this type of housing will remain the product of choice for homebuyers. Single-detached homes demand in Peterborough is supported by

mature migrants mainly coming from Toronto, availability of land and the price differential comparing to other centres in Ontario.

## Resale Market

### A Balanced Market Ahead

Demand for resale homes is expected to moderate by four per cent in 2009 to 2400 from 2506 recorded in 2008. In 2010, we will see the same trend. Sales will register 2300 sold homes, a decrease of four per cent from 2009. Low carrying costs, a relatively low unemployment rate and affordable prices will help to limit the decline in demand in 2009. Some purchases, initially planned for 2010, will take place in 2009 as people buy before anticipated mortgage rate increases raising sales in 2009 and lowering them in 2010.

In 2009, sellers have been hesitating about entering the housing market. As a result, new listings will decrease by

13 per cent in 2009. Moreover, the fall of new listings will outpace the decline of sales. In 2010, more new listings will flow into the market as sellers respond to rising prices.

The combination of declining new listings and improving sales by mid-2009 meant that the sales-to-new-listings ratio, a barometer of future housing price growth and a measure of market conditions, moved up. Peterborough's resale housing market has been balanced through much of 2009, but moved into sellers' territory during some months. In 2010, the market is expected to be in balance for most of the year. A balanced market is characterized by price growth around the rate of inflation. Peterborough prices will increase by about four per cent in 2010, faster than in 2009. Resale prices are expected to increase by 1.7 per cent this year to \$234,500 from \$230,656 registered last year.

Figure 2

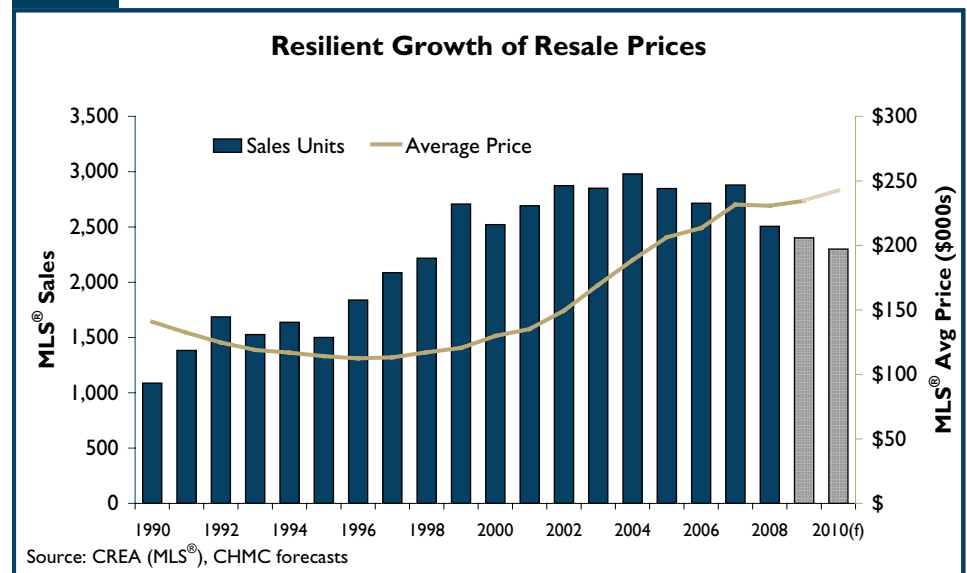
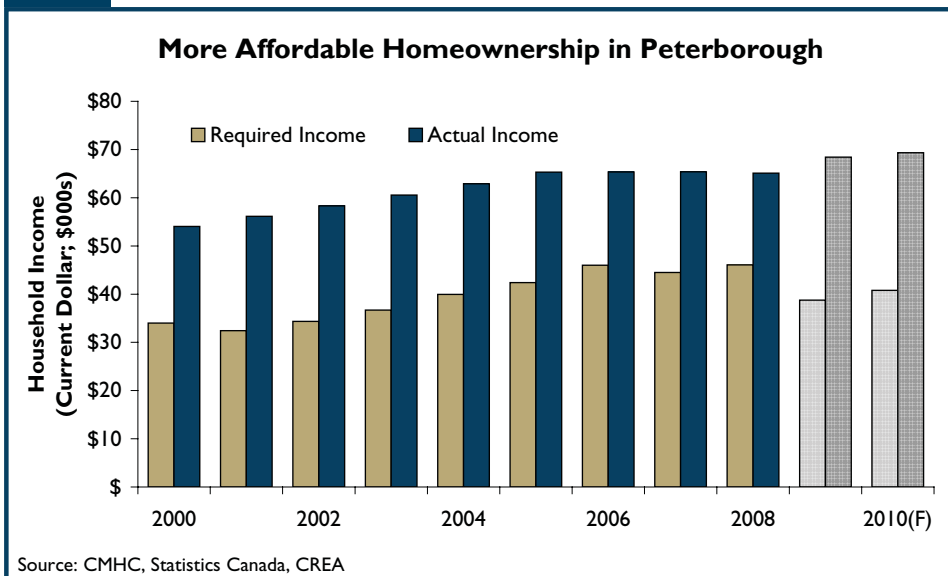


Figure 3



## Local Economy

### Investment Projects

Several projects have started in Peterborough and surroundings and these investments will have a positive impact on the economic growth of Peterborough.

### Job Growth

Employment will drop by four per cent in 2009 and recover in 2010 by 0.7 per cent. However, the labour force is decreasing because many people are withdrawing from the workforce, mainly for retirement. The labour force will drop to 58,500 in 2009 from 60,400 in 2008 before moving back up to 58,800 in 2010. Consequently, the unemployment rate will remain well below the provincial average. It's expected to register 6.8 per cent in this year before decreasing to 6.6 in 2010.

Although some companies are moving away or shutting down their operations, others are recalling laid-off workers and adding overtime shifts.

## Migration

Total net migration will increase to 410 in 2009 and decrease slightly to 400 in 2010 when the economy will start to return to potential level. Higher unemployment in western Canada means the number of people from the Peterborough region who will be moving there won't be growing as much as in the past. The expansion of the Peterborough Regional Health Centre has attracted more skilled workers to the area during 2009 including nurses and doctors. In the years beyond 2010, net intra-provincial migration will increase driven by the movement of retired baby boomers to Peterborough, attracted by affordable home prices. Strong migration inflows will support demand for home ownership in the years ahead.

Figure 4

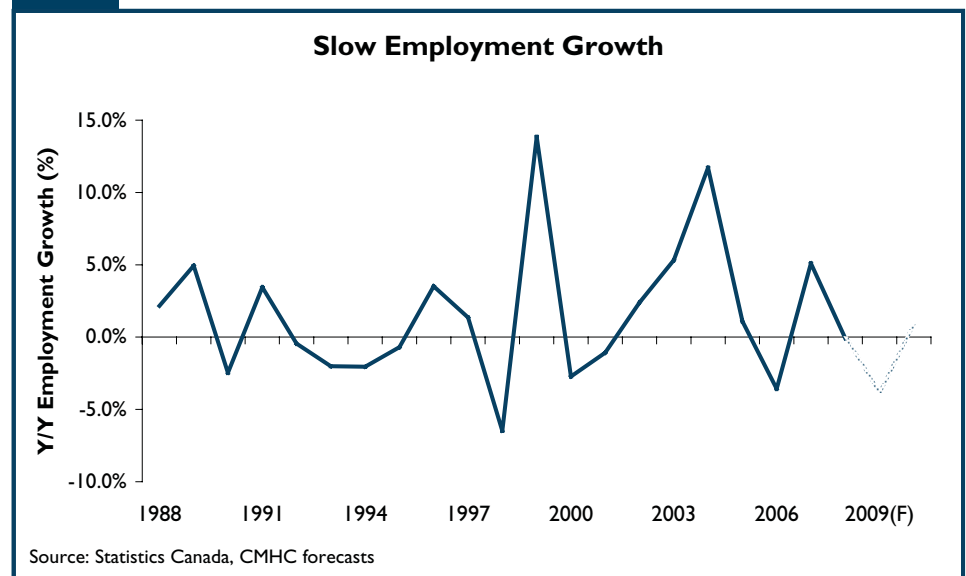
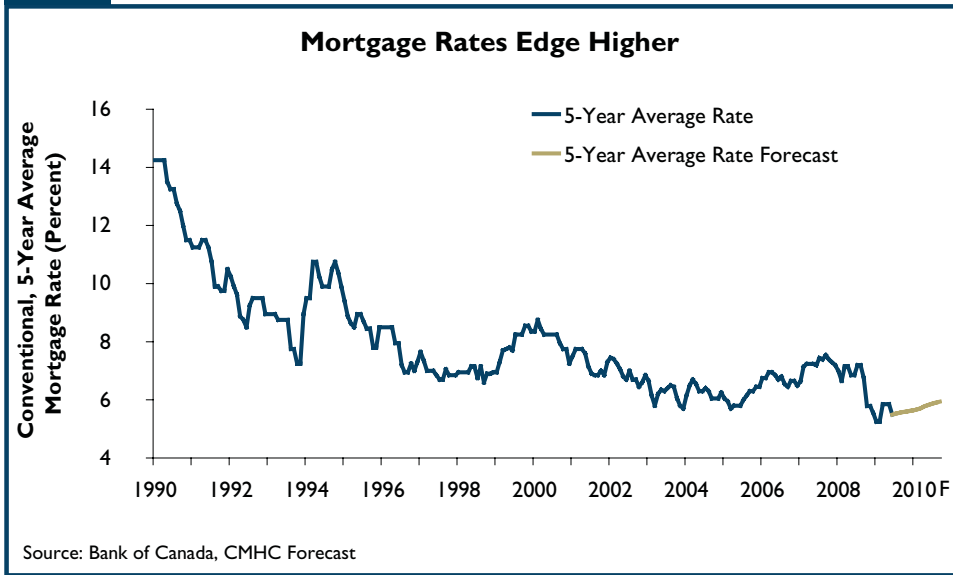


Figure 5



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 Peterborough CMA Fall 2009							
	2006	2007	2008	2009f	% chg	2010f	% chg
<b>Resale Market</b>							
MLS® Sales	2,714	2,880	2,506	2,400	-4.2	2,300	-4.2
MLS® New Listings	4,960	5,085	5,264	4,560	-13.4	4,800	5.3
MLS® Average Price (\$)	213,469	231,596	230,656	234,500	1.7	243,000	3.6
<b>New Home Market</b>							
<b>Starts:</b>							
Single-Detached	283	324	300	240	-20.0	255	6.3
Multiples	154	216	128	110	-14.1	115	4.5
Semi-Detached	4	4	0	4	-	4	0.0
Row/Townhouse	89	107	82	50	-39.0	51	2.0
Apartments	61	105	46	56	21.7	60	7.1
Starts - Total	437	540	428	350	-18.2	370	5.7
<b>Average Price (\$):</b>							
Single-Detached	298,272	342,152	345,328	343,000	-0.7	355,000	3.5
New Housing Price Index (% chg. Ontario)	3.7	2.6	3.5	n/a	-	n/a	-
<b>Rental Market</b>							
October Vacancy Rate (%)	2.8	2.8	2.4	2.2	-	2.0	-
Two-bedroom Average Rent (October) (\$)	818	822	850	870	-	890	-
<b>Economic Overview</b>							
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	53,900	56,700	56,600	54,500	-3.7	54,900	0.7
Employment Growth (%)	-3.6	5.2	-0.2	-	-	-	-
Unemployment rate (%)	6.1	5.7	6.3	6.8	-	6.6	-
Net Migration (Peterborough County) <sup>(1)</sup>	260	324	336	410	22.0	400	-2.4

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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