

HOUSING MARKET OUTLOOK

Windsor CMA



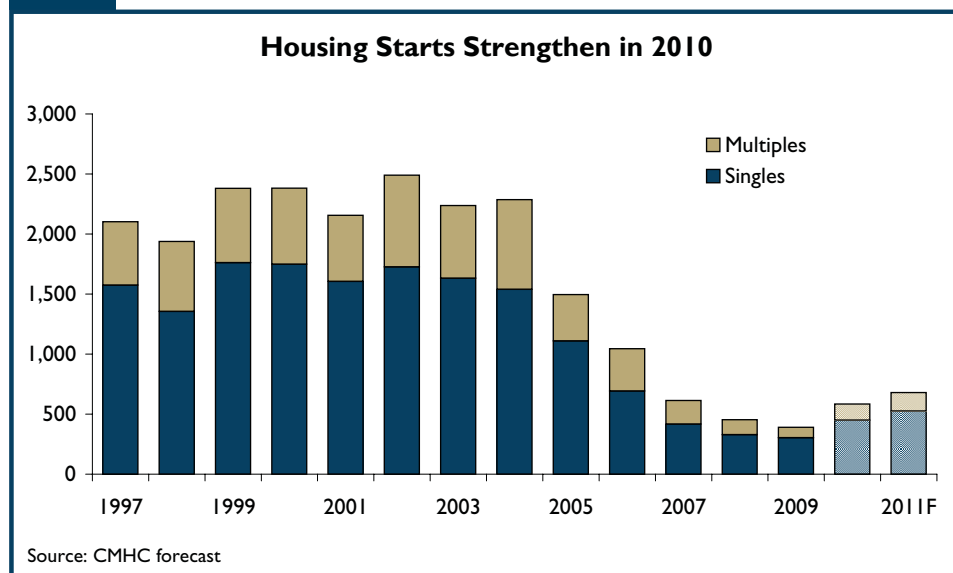
CANADA MORTGAGE AND HOUSING CORPORATION

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Market at a Glance

- Existing home market will remain balanced with prices rising moderately to \$157,500 and sales of 4,800.
- New home construction will increase significantly to 584 units in 2010, but will remain below the long-term trend.
- Major investments in the Windsor area will contribute to an economic turnaround. Employment growth of 2.3 per cent begins.

Figure 1



¹ The forecasts included in this document are based on information available as of April 23, 2010.

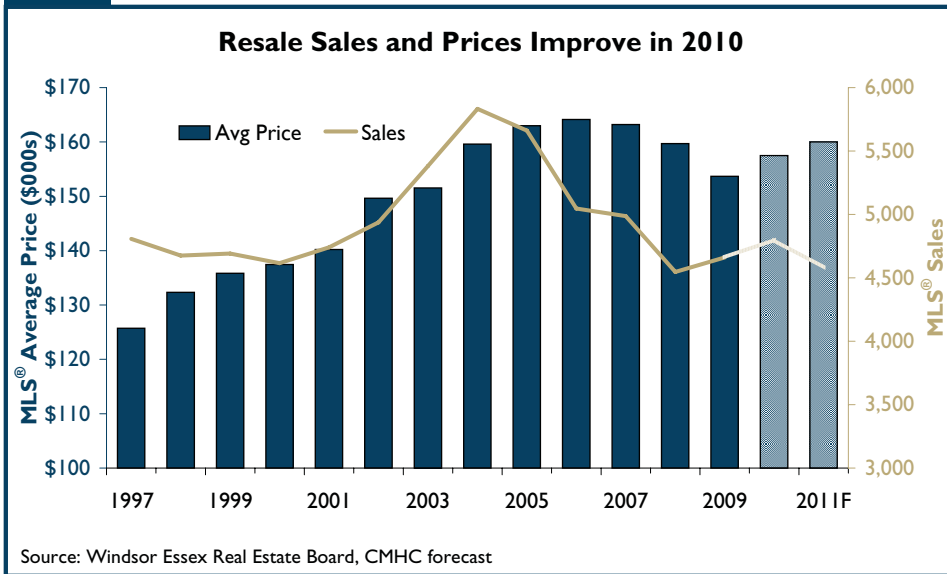
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Figure 2



owners, helped by equity gains due to rising prices, sold their current homes to purchase something more suited to their needs. The economic downturn made it hard to obtain offers to purchase and even harder to sell, discouraging sellers and contributing to a shrinking supply of listings. By mid-2009, rising prices were leading to an increase in new listings.

An improving economy and lower mortgage rates has helped widen the gap between sales and new listings. This spring the Windsor Essex resale market returned to a balanced position where it will stay throughout 2010. A surplus of listings last year gave buyers the upper hand and contributed to the second year of decline in the average price for the area. In 2010 average prices have turned upward for the first time since the fourth quarter of 2007. Price increases will be most noticeable during the first two quarters of the year. Once sales start to cool off, price increases will begin to slow. However,

Resale Home Market

Market Returns to Balanced Position

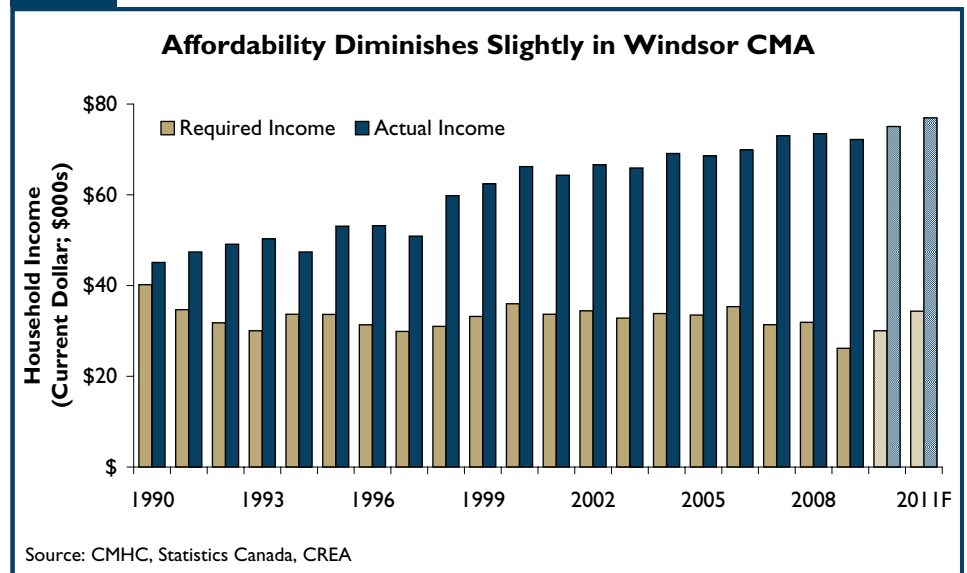
MLS® sales will grow in 2010. They will move up as a result of buyers acting sooner rather than later due to the expectation of further mortgage rate increases. This process means sales will slow in 2011. However, improving job prospects will support housing demand in both 2010 and 2011. Employment for the prime homebuying 25-44 year age group bottomed out in Windsor in the first quarter of 2009. As job growth improves for this group, so too will demand in the resale market.

The Windsor CMA continues to be the most affordable homeownership market of any major metropolitan market in Ontario. The income required¹ to carry the mortgage on an average priced home bottomed out in 2009 when prices troughed. In 2010 affordability will still be a significant factor in the Windsor market as the

gap between the income required and actual income will remain substantial.

The number of homes listed for sale on the market will hold steady in 2010. Rising prices may draw out more listings, but with the job market stabilizing, there are fewer people leaving the area to look for work elsewhere. This will limit the supply of existing homes coming to market. New listings peaked in 2006 as

Figure 3



¹ Required income is mortgage carrying costs divided by 0.32 to reflect the usual 32 per cent gross debt service ratio.

the existing home market will remain balanced with, on average, prices rising in line with inflation this year and next.

New Home Market

New Home Construction Improving

Demand for new homes in the Windsor Census Metropolitan Area (CMA) will reach a three-year high in 2010 and will be one of a few Ontario centres which posts growth in 2011. The most significant segment of the market is single-detached housing which represents three quarters of construction in 2010 and will increase nearly 50 per cent from last year. Historically low inventories, buoyant resale markets, improving job prospects, less migratory outflows and Windsor boasting the most inexpensive market across Ontario are all factors contributing to higher starts over the next two years. The increase in construction will still be below long-term trend as both consumers and homebuilders recover from the economic downturn.

Construction of semi-detached homes will continue to be minimal due to the very small market for this style. Apartment construction will be largely driven by government supported developments, as the private market is aware of the ongoing high rental vacancy rate. Ownership townhouse construction will expand in 2010 and 2011 as this product is popular with the growing empty-nester and retiree population. Condominium apartment construction will be on hold due to the adequate supply available on the resale market.

The average price of a newly completed single-detached home in the Windsor CMA will increase seven per cent in 2010 and rise moderately in 2011. Contributing to the rising price is the increasing presence of more move-up buyers evidenced by the growing market share of homes priced above \$350,000. Also with rising resale prices and higher construction costs, builders will be motivated to raise prices. The New Home Price Index (NHPI), which measures the change in the price on constant quality homes is expected to increase by less than two per cent this year and next after remaining stable.

Economic Trends

Positive Outlook on the Horizon

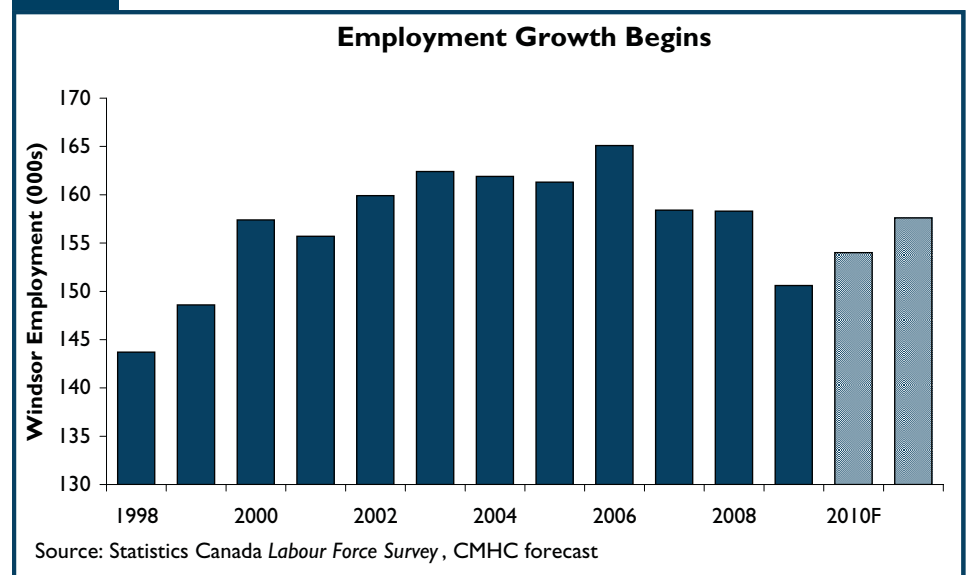
Windsor's relatively higher share of manufacturing related employment contributed to the Windsor area being the first major centre in Ontario to show signs of the recession. The rise in the Canadian dollar had a

detrimental affect on both exports and tourism impacting business at Windsor's Caesar's Casino and employment in the service sector.

In 2010 the job market in the Windsor-Essex area will recover a portion of the jobs lost over the last economic downturn and continue to strengthen in 2011 due to several factors. The construction sector will grow as major projects supported by federal and provincial infrastructure stimulus funding programs get underway. These will contribute to overall employment growth of more than two per cent which will bring the unemployment rate down to just over 12 per cent for 2010.

Windsor-Essex is also emerging as a centre for solar and wind power generation. The Windsor-Essex region has the most solar days and wind making it an excellent location for developing green technology and manufacturing the associated equipment to supply this developing sector. The Ontario Power Authority has approved contracts for \$600

Figure 4



million of wind turbine projects in Essex County with over another \$400 million awaiting approvals.

Strength in the North American automotive sector is vital to Windsor's economic health. Production is forecast to rebound in both 2010 and 2011. Increasing demand has boosted sales and helped draw down inventories. This has resulted in increasing production plans among the Big 3 in North America. Sales are forecast to grow by five per cent in 2010. The third shift at the Chrysler Assembly Plant is guaranteed until 2014 giving security to over 5,000 workers. Ford has announced it will create over 700 jobs by investing in its engine plant due to the success of the Mustang model. This will help offset the 500 jobs that are still left at the GM Trim plant slated to close this summer. Looking ahead to 2011 the sustainability of the auto sector will largely depend on improving productivity and investment in machinery and equipment.

Consumer bankruptcies in the Windsor CMA have been trending down since peaking in April 2009. Wage growth is expected to increase by one per cent in 2010. In general the Windsor economy has turned the corner and is showing promise which will translate into positive demand for the local housing market this year and next.

Migration

Out migration from the Windsor CMA has peaked. Fewer people will

be moving away in search of work in 2010. Inter-provincial migration which has been the biggest draw on the local population will lessen in 2010. The relative appeal of Windsor's housing affordability will help reduce the net loss to 2,000 people this year and even fewer in 2011.

Mortgage Rate Outlook

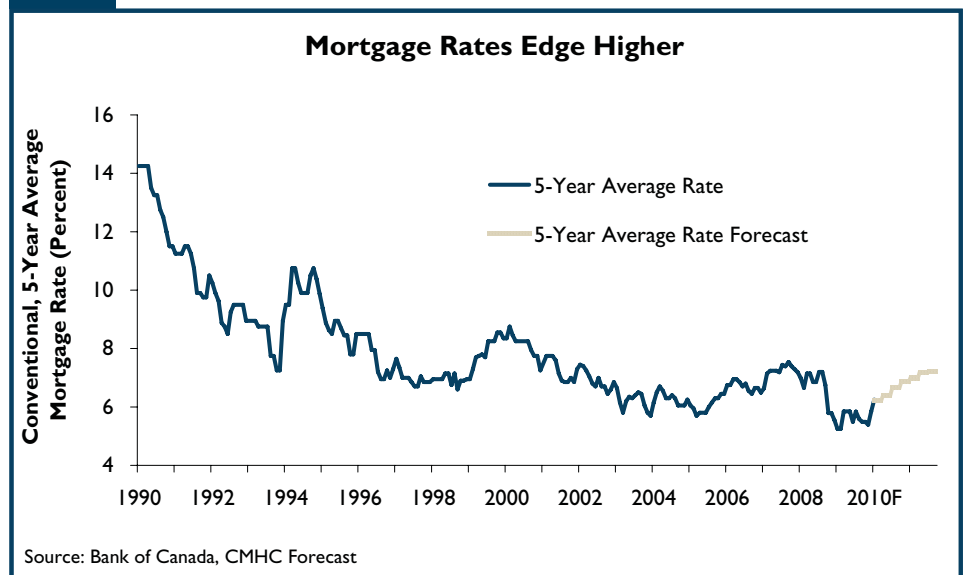
The Bank of Canada cut the Target for the Overnight Rate in the early months of 2009. The rate was 1.50 per cent at the start of 2009 and has since fallen to 0.25 per cent. Looking ahead, we expect that short-term interest rates will begin to rise in the second half of 2010.

With the overnight rate expected to increase in the coming months, mortgage rates have begun to rise. According to CMHC's base case

scenario, posted mortgage rates will gradually increase throughout the course of 2010, but will do so at a slow pace. For 2010, the one-year posted mortgage rate is assumed to be in the 3.6-4.8 per cent range, while three and five-year posted mortgage rates are forecast to be in the 4.2-6.7 per cent range. For 2011, the one-year posted mortgage rate is assumed to be in the 5.0-6.0 per cent range, while three and five-year posted mortgage rates are forecast to be in the 5.6-7.2 per cent range.

Rates could, however, increase at a faster pace if the economy recovers more quickly than presently anticipated. Conversely, rate increases could be more muted if the economic recovery is more modest in nature.

Figure 5



Forecast Summary Windsor CMA Spring 2010							
	2007	2008	2009	2010f	% chg	2011f	% chg
Resale Market							
MLS® Sales	4,987	4,546	4,661	4,800	3.0	4,580	-4.6
MLS® New Listings	11,718	11,197	10,133	10,200	0.7	9,800	-3.9
MLS® Average Price (\$)	163,215	159,709	153,691	157,500	2.5	160,000	1.6
New Home Market							
Starts:							
Single-Detached	417	328	303	450	48.5	525	16.7
Multiples	197	125	88	135	53.4	155	14.8
Semi-Detached	48	22	14	14	0.0	18	28.6
Row/Townhouse	83	87	68	86	26.5	100	16.3
Apartments	66	16	6	36**		36	0.0
Starts - Total	614	453	391	585	49.6	680	16.2
Average Price (\$):							
Single-Detached	285,819	311,852	309,030	330,000	6.8	340,000	3.0
Median Price (\$):							
Single-Detached	259,000	289,000	280,000	300,000	7.1	315,000	5.0
New Housing Price Index (% chg.)	-2.1	0.4	0.1	1.0	-	1.5	-
Rental Market							
October Vacancy Rate (%)	12.8	14.6	13.0	11.8	-1.2	10.5	-1.3
Two-bedroom Average Rent (October) (\$)	773	772	747	750	-	760	-
Economic Overview							
Mortgage Rate (1 year) (%)	6.90	6.70	4.02	4.23	0.2	5.56	1.3
Mortgage Rate (5 year) (%)	7.07	7.06	5.63	6.20	0.6	7.06	0.9
Annual Employment Level	158,400	158,300	150,600	154,000	2.3	157,600	2.3
Employment Growth (%)	-4.1	-0.1	-4.9	2.3	-	2.3	-
Unemployment rate (%)	9.3	9.0	13.8	12.2	-	10.9	-
Net Migration ⁽¹⁾	-2,485	-2,571	-3,004	-2,000		-900	

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 = Privately initiated rental apartment structures of three units and over

(1) 2009 migration data is forecasted

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