

# HOUSING MARKET OUTLOOK

## Kingston CMA



CANADA MORTGAGE AND HOUSING CORPORATION

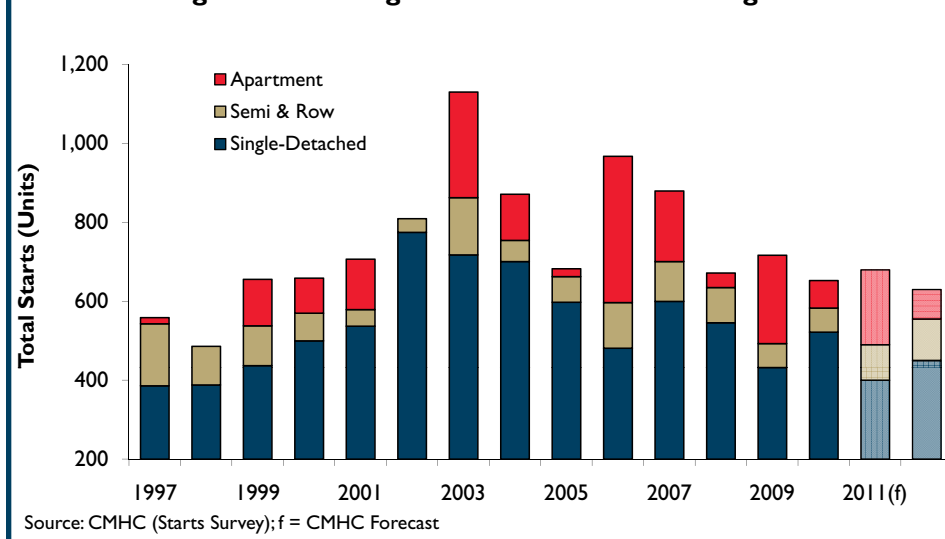
Date Released: Spring 2011

### Market at a Glance

- Sales of existing homes have moderated from levels seen in the first half of 2010 and will decline 3.4 per cent by year end, as pent-up demand has been mostly satisfied. In 2012, however, sales are forecast to increase as strong job gains offset the impact of potentially higher interest rates.
- Expect modest existing home average price growth in 2011, as the number of new-listings outpaces the number of sales. In 2012, the resale home average price in Kingston is projected to increase by 2.0 per cent as the market stabilizes.
- The Kingston Census Metropolitan Area (CMA) total housing starts in 2011 will edge higher, as strong rental demand prompts developers to increase the level of apartment construction which in turn boosts total housing starts. In 2012, starts will inch down and move to a level that is in line with demographic requirements.

Figure 1

#### Kingston's Housing Starts Will Remain Strong in 2011



### Table of Contents

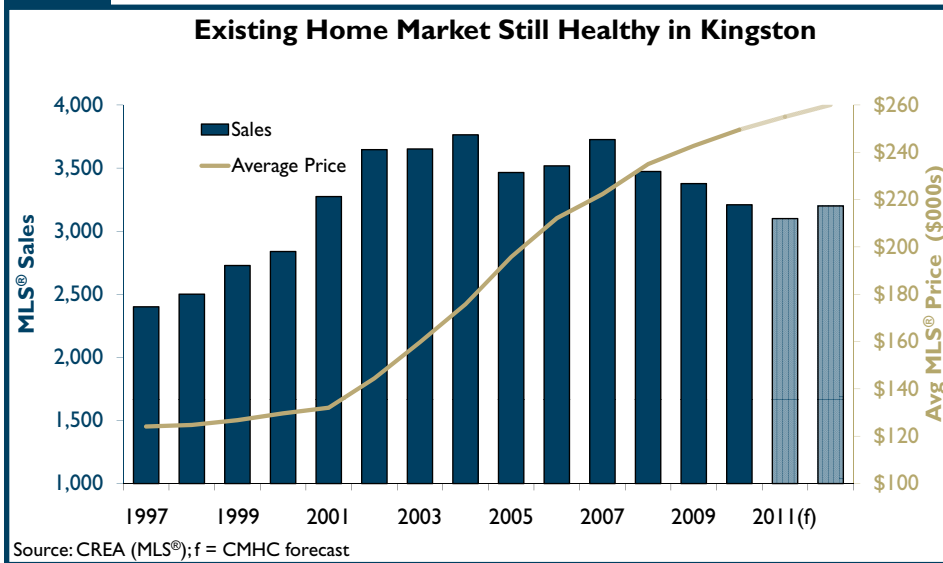
1	<b>Market at a Glance</b>
2	<b>Resale Market</b>
2	<b>New Home Market</b>
3	<b>Economic Overview</b>
4	<b>Mortgage Rate Outlook</b>
5	<b>Forecast Summary</b>

### SUBSCRIBE NOW!

Access CMHC's Market Analysis Centre publications quickly and conveniently on the Order Desk at [www.cmhc.ca/housingmarketinformation](http://www.cmhc.ca/housingmarketinformation). View, print, download or subscribe to get market information e-mailed to you on the day it is released. CMHC's electronic suite of national standardized products is available for free.

<sup>1</sup> The forecasts included in this document are based on information available as of April 28, 2011.

Figure 2



leading indicator of future price growth and a measure of demand and supply, post a level close to 50 per cent in the first quarter of 2011 – consistent with balanced market conditions. Consequently, the pace of housing price growth is expected to cool off to an annual growth rate of 2.2 per cent in 2011. During 2012 price growth will slow further – matching the national rate of inflation.

The anticipated rise in mortgage carrying costs will moderate homeownership affordability and sales in 2011 – particularly among first-time buyers. According to the latest CMHC calculation, required income to buy a home in Kingston is projected to slightly increase relative to the actual income for the average household. However, in 2012, this effect will be less pronounced partly due to high expected income growth as the local

## Resale Market

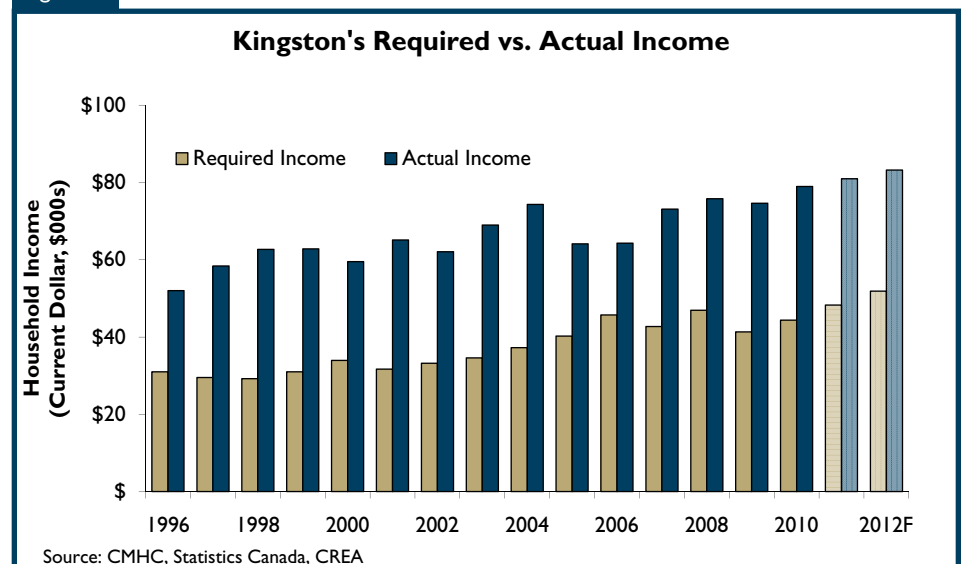
### Resale Transactions Will Moderate in 2011

While poor weather conditions likely played a part in keeping potential buyers on the sidelines this January and February, consumer demand is expected to improve along with full-time employment gains heading into the spring buying season. However, an expected rise in mortgage rates by the second half of this year will likely lead to an increase in home ownership carrying costs, thereby putting downward pressure on the overall sales volume in 2011. Looking forward, it is more likely that mortgage rates will rise mostly because of strong economic growth. As a result, the subsequent job gains should more than offset the higher rates and then boost home sales in 2012.

### House Prices to Mirror Inflation

With new listings rising faster than sales, conditions in the resale market are expected to remain balanced in the next two years. The seasonally adjusted sales-to-new-listings ratio (SLNR), a

Figure 3



<sup>1</sup> The Required Income is carrying costs on average-priced MLS® home divided by 32 per cent. Actual Income is average household income – 2005, 2006 to 2009 estimated using actual and forecast changes in average weekly earnings. Carrying costs based on 25 year amortization, 10 per cent down-payment, average posted fixed 5-yr. mortgage rates.

labour market recovery strengthens.

## New Home Market

### Total Housing Starts Will Increase in 2011, Supported by Apartment Segment

Total housing starts in the Kingston CMA will increase in 2011, as the apartment's segment boosts total residential construction activity this year. The low level of apartment completions in the second half of 2010 has limited the availability of rental accommodation in the Kingston CMA. In fact, there has been no apartment completion since October 2010 and the level of apartments under construction stands at the low level compared to the average for the last three years. Consequently, this will influence some developers to increase the level of apartment construction through year end.

On the demand side, a strong rebound in youth employment will encourage more young adults to form a separate household which in turn puts downward pressure on the average rental vacancy rate, thereby increasing construction activity. Another factor supporting rental demand is Kingston's immigration trend. International migration to Kingston increased by about ten per cent in 2010. A higher inflow of migrants increases the number of people requiring housing accommodations. Generally, immigrants tend to lack the credit history and savings to jump into the ownership market and consequently move into rental accommodation upon arriving in Canada.

As a forward looking indicator, the level of building permits for ownership

dwellings is down, suggesting a contraction in non-apartment (particularly single-detached) construction activity in the near term. Declining construction intention is a product of a more balanced resale market. The increase in new listings in the resale market provides more choice for homebuyers and this in turn reduces the spill-over demand into the new home market. Therefore, housing starts for single-detached units are projected to fall gradually to a level consistent with changes in household formation. In 2012, although rental construction will abate, ownership housing will rebound slightly thanks to an improved economy.

## Economic Overview

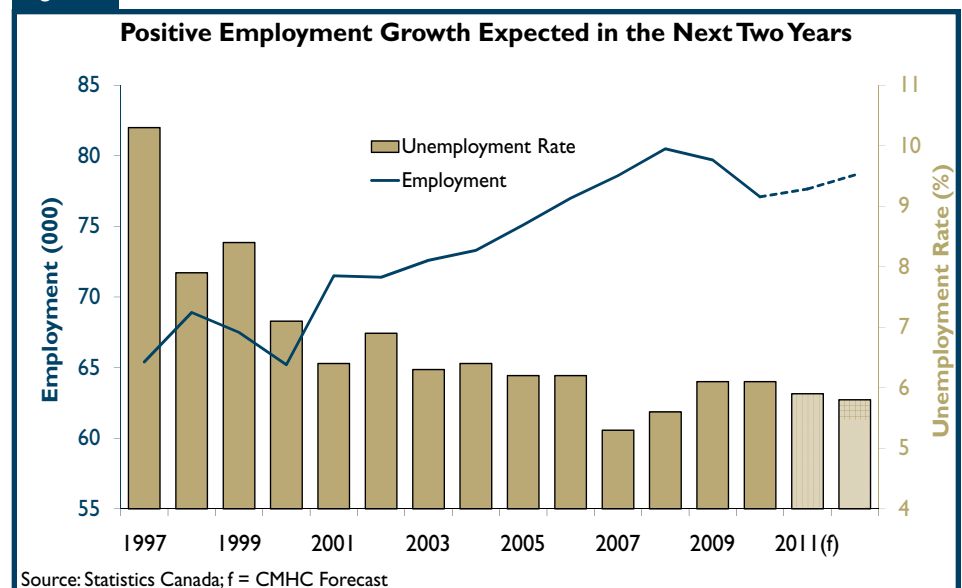
### Expect Kingston's Labour Market to Rebound in 2011

The Kingston CMA posted negative annual employment growth in 2009 and 2010, for the first time since 2002. The recent declines were

mostly induced by the severe global economic downturn that began in late 2008; nevertheless, the labour market in Kingston is poised for a rebound in 2011 through next year. As an indication of such improvement, the employment-to-population ratio improved in March 2011 when compared to the same period last year. It must be noted that the employment-to-population ratio is a better measure of the job market because, unlike the unemployment rate, is not affected by changes in the size of the labour force.

Meanwhile, the pace of growth for both the labour force and employment are expected to adjust in the same direction due to low participation rate and to a lesser extent the aging demographic effect. Consequently, the unemployment rate will remain slightly below six per cent in the next two years. This low level of unemployment rate in Kingston will continue to attract additional residents into the area – keeping demand for housing relatively healthy.

Figure 4



## **Rebound in Services Sector Activity Expected**

At the height of the recession, the services sector was forced to scale back activity as consumer demand declined. With the local economic recovery gaining traction, activity in the services sector is anticipated to improve in the next two years. This strength is expected to offset the weaknesses in the manufacturing and construction sectors. Following a healthy rebound in manufacturing activity in recent months, the strong Canadian dollar will undoubtedly serve as a drag on exports – particularly at a time when the strength in the United States' (Canada's largest trading partner) economic recovery remains modest.

## **Population Growth Will Continue to Support Housing Demand**

Overall, the population of the Kingston CMA will continue to grow, supported by positive inter-provincial and intra-provincial migration. The number of individuals moving into

Kingston from outside of Ontario doubled in 2010, while the growth rate of those coming from other parts of the province remained unchanged from the 2009 level. Given the recent upward trend in Kingston's migration activity, net migration is projected to add about 1,200 new residents in 2011 and 2012.

Meanwhile, at the provincial level, net migration is expected to rise this year and next as the global economic recovery remains on track – reducing uncertainty and subsequently reviving appetite for international travel to Ontario. Over the forecast period, Ontario will, on average, lose fewer migrants to the west relative to previous years.

## **Mortgage Rate Outlook**

On April 12th, the Bank of Canada announced that it was leaving the Target for the Overnight Rate unchanged at 1.0 per cent. The last increase in the overnight rate occurred on September 8, 2010 when the Bank of Canada raised it by 25 basis points. The Bank of Canada

is expected to resume raising the overnight rate in the fourth quarter of 2011. Mortgage rates, particularly short term mortgage rates and variable mortgage rates, are expected to remain at historically low levels.

According to CMHC's base case scenario, posted mortgage rates will remain relatively flat in 2011 before increasing moderately in 2012. For 2011, the one-year posted mortgage rate is assumed to be in the 3.1 to 3.5 per cent range, while three and five-year posted mortgage rates are forecast to be in the 4.1 to 5.6 per cent range. For 2012, the one-year posted mortgage rate is assumed to be in the 3.4 to 4.3 per cent range, while three and five-year posted mortgage rates are forecast to be in the 4.2 to 6.3 per cent range.

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

Forecast Summary Kingston CMA Spring 2011							
	2008	2009	2010	2011f	% chg	2012f	% chg
<b>Resale Market</b>							
MLS® Sales	3,473	3,377	3,209	3,100	-3.4	3,200	3.2
MLS® New Listings	7,281	6,259	6,286	6,350	1.0	6,240	-1.7
MLS® Average Price (\$)	235,047	242,729	249,509	255,000	2.2	260,000	2.0
<b>New Home Market</b>							
<b>Starts:</b>							
Single-Detached	546	432	522	420	-19.5	450	7.1
Multiples	126	285	131	280	113.7	180	-35.7
Semi-Detached	48	20	24	30	25.0	35	16.7
Row/Townhouse	41	41	37	60	62.2	70	16.7
Apartments	37	224	70	190	171.4	75	-60.5
Starts - Total	672	717	653	700	7.2	630	-10.0
<b>Average Price (\$):</b>							
Single-Detached	258,693	269,153	277,517	283,000	2.0	288,000	1.8
Semi-Detached	209,888	204,892	194,525	200,000	2.8	205,000	2.5
<b>Median Price (\$):</b>							
Single-Detached	254,900	269,300	267,400	275,000	2.8	281,500	2.4
Semi-Detached	199,900	189,900	193,550	198,000	2.3	202,000	2.0
New Housing Price Index (% chg) (Ont.)	3.5	0.1	2.4	n.a.	-	n.a.	-
<b>Rental Market</b>							
October Vacancy Rate (%)	1.3	1.3	1.0	1.2	0.2	1.6	0.4
Two-bedroom Average Rent (October) (\$)	880	909	935	960	2.7	980	2.1
<b>Economic Overview</b>							
Mortgage Rate (1 year) (%)	6.70	4.02	3.49	3.23	-	3.76	-
Mortgage Rate (5 year) (%)	7.06	5.63	5.61	5.45	-	5.94	-
Annual Employment Level	80,500	79,700	77,100	77,650	0.7	78,650	1.3
Employment Growth (%)	2.4	-1.0	-3.3	0.7	-	1.3	-
Unemployment rate (%)	5.6	6.1	6.1	5.9	-	5.8	-
Net Migration	1,002	1,189	1,520	1,200	-	1,300	-

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

## CMHC—HOME TO CANADIANS

Canada Mortgage and Housing Corporation (CMHC) has been Canada's national housing agency for more than 65 years.

Together with other housing stakeholders, we help ensure that the Canadian housing system remains one of the best in the world. We are committed to helping Canadians access a wide choice of quality, environmentally sustainable and affordable housing solutions that will continue to create vibrant and healthy communities and cities across the country.

For more information, visit our website at [www.cmhc.ca](http://www.cmhc.ca)

You can also reach us by phone at 1-800-668-2642 or by fax at 1-800-245-9274.  
Outside Canada call 613-748-2003 or fax to 613-748-2016.

Canada Mortgage and Housing Corporation supports the Government of Canada policy on access to information for people with disabilities. If you wish to obtain this publication in alternative formats, call 1-800-668-2642.

The Market Analysis Centre's (MAC) electronic suite of national standardized products is available for free on CMHC's website. You can view, print, download or subscribe to future editions and get market information e-mailed automatically to you the same day it is released. It's quick and convenient! Go to [www.cmhc.ca/housingmarketinformation](http://www.cmhc.ca/housingmarketinformation)

For more information on MAC and the wealth of housing market information available to you, visit us today at [www.cmhc.ca/housingmarketinformation](http://www.cmhc.ca/housingmarketinformation)

To subscribe to priced, printed editions of MAC publications, call 1-800-668-2642.

©2011 Canada Mortgage and Housing Corporation. All rights reserved. CMHC grants reasonable rights of use of this publication's content solely for personal, corporate or public policy research, and educational purposes. This permission consists of the right to use the content for general reference purposes in written analyses and in the reporting of results, conclusions, and forecasts including the citation of limited amounts of supporting data extracted from this publication. Reasonable and limited rights of use are also permitted in commercial publications subject to the above criteria, and CMHC's right to request that such use be discontinued for any reason.

Any use of the publication's content must include the source of the information, including statistical data, acknowledged as follows:

Source: CMHC (or "Adapted from CMHC," if appropriate), name of product, year and date of publication issue.

Other than as outlined above, the content of the publication cannot be reproduced or transmitted to any person or, if acquired by an organization, to users outside the organization. Placing the publication, in whole or part, on a website accessible to the public or on any website accessible to persons not directly employed by the organization is not permitted. To use the content of any CMHC Market Analysis publication for any purpose other than the general reference purposes set out above or to request permission to reproduce large portions of, or entire CMHC Market Analysis publications, please contact: the Canadian Housing Information Centre (CHIC) at <mailto:chic@cmhc.gc.ca>; 613-748-2367 or 1-800-668-2642.

For permission, please provide CHIC with the following information:  
Publication's name, year and date of issue.

Without limiting the generality of the foregoing, no portion of the content may be translated from English or French into any other language without the prior written permission of Canada Mortgage and Housing Corporation.

The information, analyses and opinions contained in this publication are based on various sources believed to be reliable, but their accuracy cannot be guaranteed. The information, analyses and opinions shall not be taken as representations for which Canada Mortgage and Housing Corporation or any of its employees shall incur responsibility.



# Housing market intelligence you can count on

## FREE REPORTS AVAILABLE ON-LINE

- Canadian Housing Statistics
- Housing Information Monthly
- Housing Market Outlook, Canada
- Housing Market Outlook, Highlight Reports – Canada and Regional
- Housing Market Outlook, Major Centres
- Housing Market Tables: Selected South Central Ontario Centres
- Housing Now, Canada
- Housing Now, Major Centres
- Housing Now, Regional
- Monthly Housing Statistics
- Northern Housing Outlook Report
- Preliminary Housing Start Data
- Renovation and Home Purchase Report
- Rental Market Provincial Highlight Reports *Now semi-annual!*
- Rental Market Reports, Major Centres
- Rental Market Statistics *Now semi-annual!*
- Residential Construction Digest, Prairie Centres
- Seniors' Housing Reports
- Seniors' Housing Reports - Supplementary Tables, Regional

**Get the market intelligence you need today!**

**Click [www.cmhc.ca/housingmarketinformation](http://www.cmhc.ca/housingmarketinformation) to view, download or subscribe.**

CMHC's Market Analysis Centre e-reports provide a wealth of detailed local, provincial, regional and national market information.

- **Forecasts and Analysis –**  
Future-oriented information about local, regional and national housing trends.
- **Statistics and Data –**  
Information on current housing market activities — starts, rents, vacancy rates and much more.



## CMHC Client e-Update Newsletter

Get the latest market in-sight, housing research and news on CMHC mortgage loan insurance to grow your business and enhance your client relationships.

Everything you need to open new doors.