

HOUSING MARKET OUTLOOK

Peterborough CMA



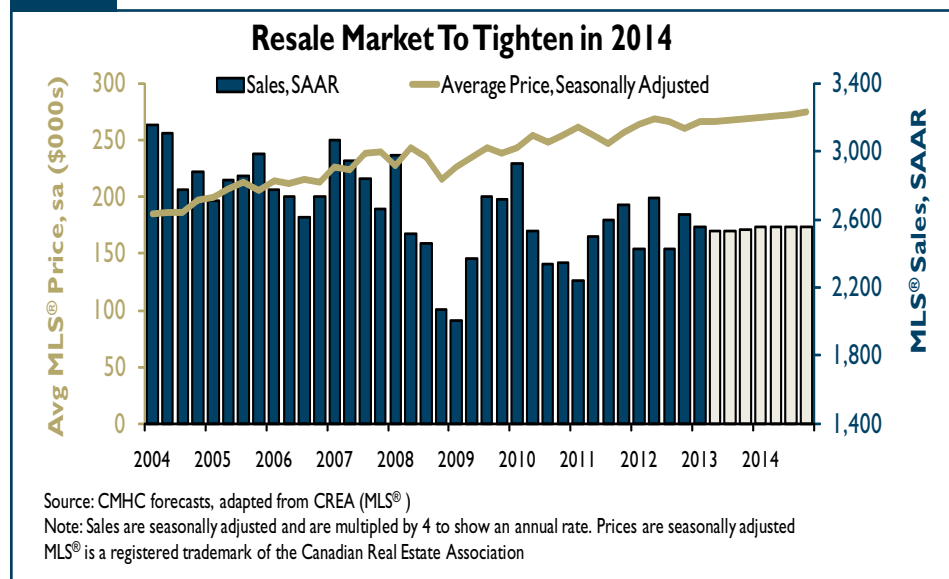
CANADA MORTGAGE AND HOUSING CORPORATION

Date Released: Spring 2013

Market at a Glance

- Existing home sales will be relatively flat throughout 2013 and start to increase in 2014, as economic conditions will generate greater housing demand from first-time buyers.
- Balanced market conditions will lead to modest growth in resale prices through 2014.
- Following a slow year in 2013, housing starts will increase in 2014 but remain low historically.

Figure 1



The forecasts included in this document are based on information available as of April 26, 2013.

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Resale Market

Stable demand from move-up buyers

Over the remainder of 2013 sales will continue at a similar pace to the first quarter. Annual sales will be slightly lower than in 2012. The move-up buyer, typically found in the 45-64 age segment, will sustain the current level of housing demand throughout the year. The latest Census showed that people aged 45-64 have become a larger percentage of the Peterborough population. Full-time employment for this age group has been stable and increased in the previous two quarters. Growth in home equity from price appreciation and historically low mortgage rates continue to provide them with favourable conditions to upgrade to a more expensive property. Employment for the first-time homebuyer segment, typically aged 25-44, will continue to be more volatile and therefore less supportive of housing demand in 2013. Consequently, move up buyers will find it more challenging to sell their existing home in 2013. The average home will sit on the open market for a longer period of time, resulting in no growth in new listings this year. Average MLS® price growth will be greater towards the end of 2013 as the share of higher-end homes sales continues to increase.

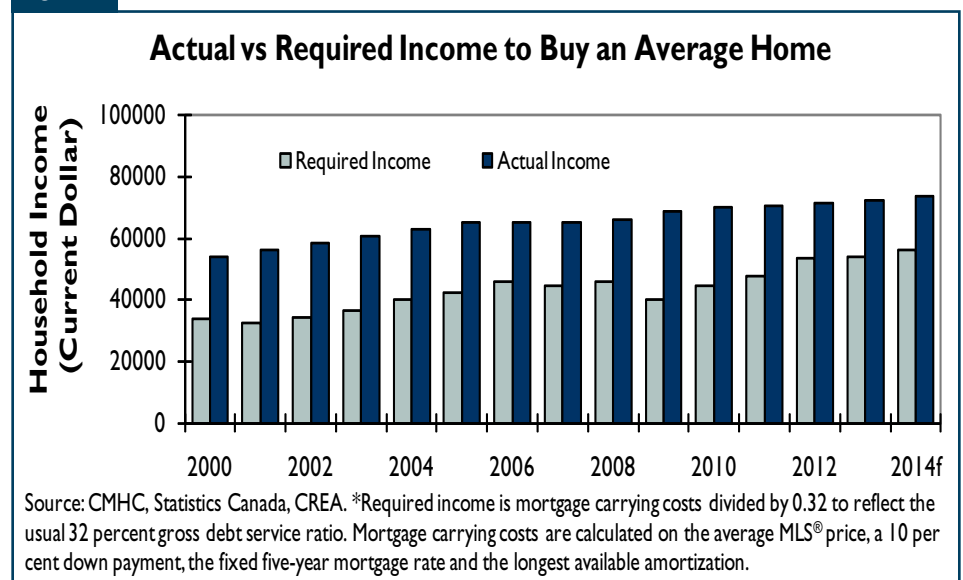
In 2014 repeat buyers will still be encouraged to list their homes for sale and upgrade to a more expensive property. Economic conditions for the 45-64 age group will remain positive as in 2013. They will have

an easier time selling their existing homes next year, as housing demand will start to pick up from the first-time homebuyer segment. Moving into 2014, employment will begin to recover for the 25-44 age group. Typically there is a six month lag between changes in employment and sales activity. New listings will increase slightly in 2014 in reaction to the greater housing demand. Potential first-time buyers will also be motivated to purchase a home in anticipation of a modest increase in mortgage rates during the second half of 2014. First-time buyers tend to be sensitive to even minor changes in mortgage rates. The resale market in the Peterborough CMA will tighten but stay balanced with sales growing slightly more than new listings. Supply and demand forces will place some upward pressure on prices. However, prices will only appreciate moderately as the composition of sales will be more balanced than in 2013.

Housing still within grasp of average income earner in Peterborough CMA

The gap between the average required income to own a home compared the average actual income in Peterborough will not change in 2013. Prices and average weekly earnings will grow at a similar pace, while mortgages rates will remain unchanged from the previous year. Moving into 2014, more potential first-time buyers will be able to consider homeownership, as average weekly earnings will grow slightly more than prices. In the second half of 2014 a moderate increase in mortgage rates will diminish the size of the group that exits the rental market for homeownership. Resale homes in the region will remain relatively affordable compared to the overall province, where a smaller gap exists between actual income and required income. The average household in the Peterborough CMA is comfortably

Figure 2



able to service a mortgage for the average resale home.

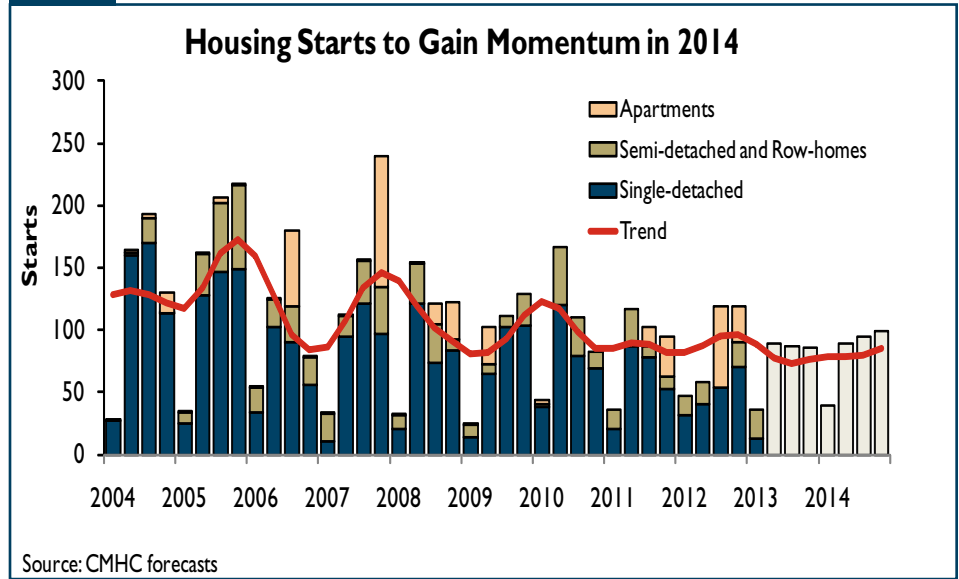
New Home Market

Single-detached starts rebound after slow 2013

This year, housing starts will finish lower than in 2012. Household formation which relies on population growth is a key factor determining the change in housing starts from one year to the next. With only a modest increase in employment expected for this year, population growth and by extension household formation will be slow. Weaker employment conditions for the 25-44 age segment will lead to a net loss of potential first-time buyers to other areas of Ontario and Western Canada. The modest population growth will continue to be generated from migrants aged 45-64, whose employment in the Peterborough CMA will be more stable in comparison. Generally, migration of older households produces weaker population growth than migration of younger households, as the latter are more likely to grow after settling in their new region.

Migrants in the 45-64 age segment tend to purchase a single-detached home when they relocate to Peterborough. A balanced resale market will provide a sufficient number of listings for single-detached homes to satisfy the additional housing demand generated by migration this year. Therefore, single-detached starts will continue to trend down year over year. The average price of a new single-detached home is beyond the reach of most first-time buyers in Peterborough at \$325,000-\$350,000. Multiples starts, which consist of apartment, semi-detached and row homes will also decrease this

Figure 3



year. However, multiple starts will hold up better than single-detached starts as they remain affordable to a wider range of buyers.

In 2014 a tighter resale market will be the catalyst for housing starts to increase. With greater employment and income growth expected next year, housing demand will pick up from the first-time homebuyer segment and remain steady from the repeat buyer. In contrast to 2013, improving economic conditions for potential first-time buyers will cause fewer to leave the region in search of better employment prospects. Migration from the 45-64 age segment will continue at its recent pace. Low mortgage rates and stronger growth in average weekly earnings will give more buyers the ability to purchase a single-detached home. There will be stiffer competition for the single-detached homes listed in the resale market, as they generally are less expensive than new single-detached homes. As a result, a greater number of move-up buyers will turn to the new home market to find a single-detached home. While remaining low historically, single-detached starts are

expected to increase back to the level reached in 2012. Starts for all the other housing types will remain similar to the previous year.

Local Economy

Expansion projects help to increase employment

The unemployment rate will edge slightly lower in 2013, as modest growth in employment will surpass growth in the labour force. The small increase in employment will not encourage many people who gave up searching for work to return to the labour force. Slow population growth will not facilitate much growth in the labour force either. Expansion plans in the utility sector and Fleming College will create jobs in construction, engineering, transportation and the skilled trades. The growing concentration of high tech companies in the Peterborough CMA has also generated greater demand for engineers in general. Skilled trade workers will also benefit from a number of job opportunities available in the heavy-duty machinery

manufacturing sector. The movement of the Seneca College Flight Training School to the Peterborough Airport will create jobs in education. While job growth will occur in parts of both the services-producing and goods-producing sectors, the former will make up a larger share of employment in the Peterborough CMA. As employment growth picks up in 2014, the labour force will also increase at a slighter faster rate than the previous year. However, a wider gap between employment growth and labour force growth will lead to a greater decrease in the unemployment rate in 2014.

Mortgage Rate Outlook

Mortgage rates to see modest and gradual increases, but will remain low

In line with the consensus among private-sector forecasters, increases in the Target Overnight Rate by the Bank of Canada are not anticipated before mid-2014, later than anticipated at

the time of the 2013 First Quarter Housing Market Outlook. This reflects the downward revisions in GDP forecasts since the publication of the First Quarter Housing Market Outlook, particularly the expectations of a slower economy in 2013. The expected delay in interest rate increases will continue to be supportive of housing market activity over the forecast horizon.

According to CMHC's base case scenario for 2013, the one-year mortgage rate is forecast to be within 3.00 per cent to 3.25 per cent with an average of 3.13 per cent, while the five-year posted mortgage rate is anticipated to be within 5.00 per cent to 5.50 per cent with an average of 5.28 per cent. For 2014, the one-year posted mortgage rate is expected to rise and be in the 3.25 per cent to 3.75 per cent range with an average of 3.42, while the five-year posted mortgage rate is forecast to be within 5.25 per cent to 5.75 per cent with an average of 5.53 per cent, consistent with higher economic growth prospects in 2014.

Forecast Summary Peterborough CMA Spring 2013							
	2010	2011	2012	2013f	% chg	2014f	% chg
New Home Market							
Starts:							
Single-Detached	306	239	197	170	-13.7	190	11.8
Multiples	98	112	146	130	-11.0	130	0.0
Semi-Detached	16	6	2	5	150.0	5	0.0
Row/Townhouse	78	58	50	65	30.0	65	0.0
Apartments	4	48	94	60	-36.2	60	0.0
Starts - Total	404	351	343	300	-12.5	320	6.7
Average Price (\$):							
Single-Detached	313,278	330,749	327,943	333,500	1.7	337,500	1.2
Median Price (\$):							
Single-Detached	289,000	289,990	293,990	295,000	0.3	299,000	1.4
New Housing Price Index (% chg. Ontario)	2.4	3.6	4.1	n/a	-	n/a	-
Resale Market							
MLS® Sales	2,537	2,507	2,553	2,545	-0.3	2,560	0.6
MLS® New Listings	5,032	5,043	4,843	4,775	-1.4	4,780	0.1
MLS® Average Price (\$)	249,763	254,604	264,946	267,500	1.0	272,500	1.9
Rental Market							
October Vacancy Rate (%)	4.1	3.5	2.7	3.0	-	3.2	-
Two-bedroom Average Rent (October) (\$)	890	899	904	915	-	930	-
Economic Overview							
Mortgage Rate (1 year) (%)	3.49	3.52	3.17	3.00 - 3.25	-	3.25 - 3.75	-
Mortgage Rate (5 year) (%)	5.61	5.37	5.27	5.00 - 5.50	-	5.25 - 5.75	-
Annual Employment Level	57,200	57,700	59,300	59,700	0.7	60,500	1.3
Employment Growth (%)	-3.4	0.9	2.8	0.7	-	1.3	-
Unemployment rate (%)	9.7	9.4	8.2	8.0	-	7.5	-
Net Migration	972	333	298	285	-4.4	300	5.3

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+

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