

HOUSING MARKET OUTLOOK

Trois-Rivières CMA



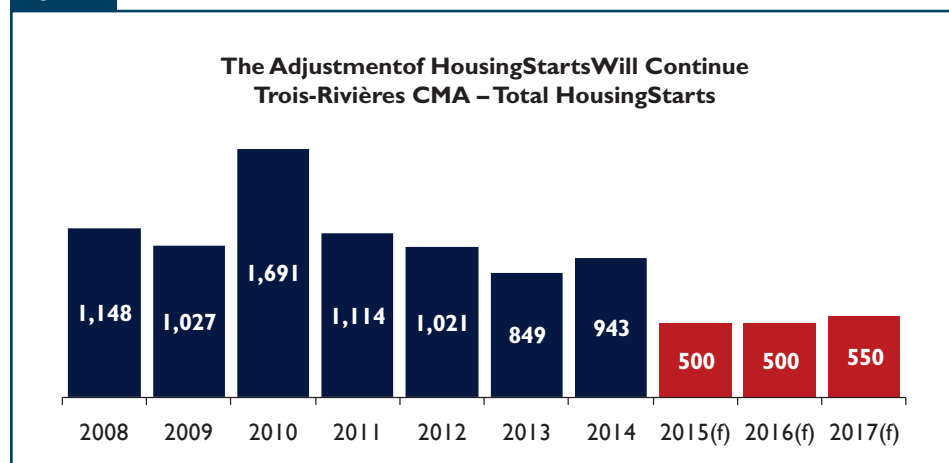
CANADA MORTGAGE AND HOUSING CORPORATION

Date Released: Fall 2015

Highlights

- Housing starts will decrease significantly in 2015 (-47 per cent) and then stabilize in 2016. Activity will pick up slightly in 2017 (+10 per cent).
- Small decreases in Centris® transactions are anticipated in 2016 and 2017.
- The rental market will tighten somewhat over the forecast horizon.
- The economic and demographic environment will support, to some extent, housing demand.

Figure 1



Source: CMHC f: CMHC forecasts

The outlook is subject to uncertainty. Although point forecasts are presented in this publication, CMHC also presents risks where appropriate. The forecasts and historical data included in this document reflect information available as of September 28, 2015.

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New home market: the adjustment will continue

The downward trend in residential construction emerging since the beginning of the year will continue in the Trois-Rivières census metropolitan area (CMA) in 2016 and 2017. The significant supply of existing properties for sale and the relatively high inventory of new units (completed and unsold) will explain in part the decrease in construction activity. Also, the moderation in household growth will weigh down even more heavily on the start of new units. In short, the impact of these factors will not quite be offset by the expected modest growth in employment.

Single-detached Housing

Single-detached housing starts are bound to continue their downward adjustment over the next few years. The wide choice of existing homes for sale and the shrinking pool of potential buyers¹ will particularly explain this drop. Developers will limit the launch of significant residential projects. Starts in the single-detached home segment will adjust throughout the forecast horizon and will reach 175 units in 2015, 150 in 2016 and 125 in 2017.

Multi-unit Housing

In the multi-unit housing segment, housing starts will decline this year (-54 per cent). Then, the demographic environment will shape housing needs² and will allow for a slight progression in activity in 2016 (+8 per cent) and a stronger increase in 2017 (+21 per cent).

In the condominium segment, the high inventory of new unsold units will continue to weigh on the launch of new projects in the short term. Already posting a significant decrease since the beginning of the year (60 per cent), condominium housing starts will continue to adjust until 2016. Nevertheless, the start of large condominium projects toward the end of the forecast horizon will translate into a slightly stronger pace of construction. The context of an aging population will likely shape demand and the housing types to be built; builders are already targeting pre-retirees and retirees. Between 2015 and 2017, starts of semi-detached and row homes will vary moderately (75 units).

On the rental market, the construction of units will also slow down over the next few years given the still relatively soft market conditions. In fact, the significant share of vacant units will continue to limit the need for new rental units on

the market and will put downward pressure on the pace of construction in this segment this year and next. In 2017, some larger projects will be started, which should translate into a slight pickup in activity.

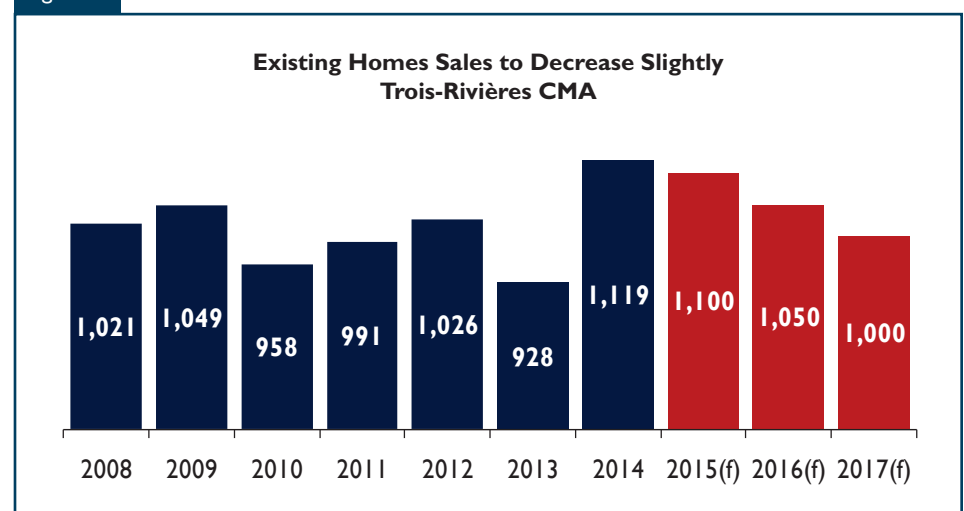
All in all, multi-unit housing starts will reach 325 units this year, 350 units in 2016 and 425 units in 2017.

Overall, the need for new housing, for all segments combined, will continue to be limited, which will result in a slowdown in housing starts. In all, foundations will be laid for 500 units in 2015, with the same scenario to be observed in 2016. In 2017, the pace of construction will pick up somewhat and reach 550 units.

Existing home market: slight decreases to be expected in 2016 and 2017

Last year was characterized by strong resale market activity. After peaking at 1,117 units in

Figure 2



Source: QFREB by Centris® f: CMHC forecasts

¹ See the Text box: Portrait of a changing population

² Ibid.

2014, Centris® transactions will remain at a relatively similar level in 2015 (1,100 units). Strong full-time employment combined with interest rates remaining at a historically low level, will continue to have a positive impact on the existing home market this year.

The context of an aging population³ in the Trois-Rivières CMA will explain in large part the slight slowdown in activity that will be observed on the existing home market in 2016 and 2017. In addition, the expected increase in interest rates at the end of the forecast horizon will limit to a lesser extent the borrowing capacity, particularly among first-time buyers. Nevertheless, a sustained employment level in the CMA will limit the slowdown in activity. Centris® sales will decrease slightly (-4.5 per cent) to 1,050 units in 2016 and (-5 per cent) to 1,000 units in 2017. Despite the contractions that will be recorded, transactions will remain at a level similar to the average of the past 10 years.⁴

At the same time, the supply on the resale market will continue to rise at a steady pace, particularly as a result of the greater number of properties put up for sale by older households. In all likelihood, these households will favour units with smaller surface areas that are better adapted to their specific needs. There will be 1,000 active listings in 2015, 1,050 in 2016 and 1,100 in 2017.

In this context, market conditions will continue to ease somewhat over the forecast horizon. The single-family housing market, which accounts for most of the supply on the existing home market, will become favourable to buyers. The wider choice for buyers will result in longer times to sell and a smaller rise in prices. All things considered, the average Centris® price will reach \$165,000 in 2015 (+0.9 per cent), \$167,000 in 2016 (+1.2 per cent) and \$168,000 (+0.6 per cent) in 2017.

Rental market: conditions are expected to tighten slightly

Conditions on the Trois-Rivières CMA rental market continued to be soft. The vacancy rate remained historically high in

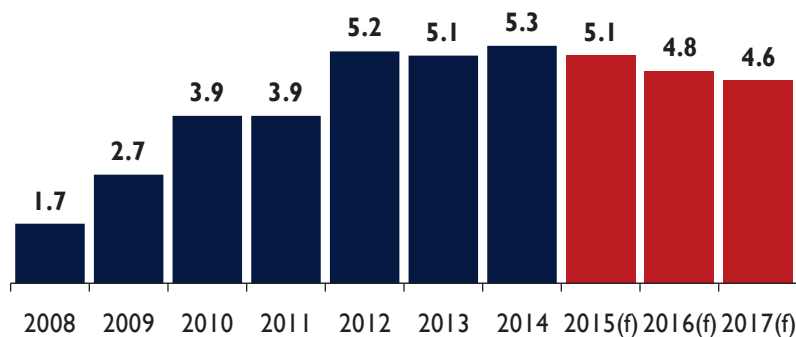
2014 at 5.3 per cent. The market will tighten somewhat however in the next few years.

On the demand side, the area's greater appeal⁵ will limit the departure of young people and will likely attract some more. Young people, who tend to rent before buying a home, will moderately fuel demand on the rental market. Also, the aging of the population will contribute to the growth in renter households and, by the same token, rental demand. In fact, the renter rate tends to rise in older people.⁶ On the supply side, supply will remain at low levels.

The weaker pace of rental apartment construction, combined with a stronger demand, will see market conditions tighten slightly over the forecast horizon. The vacancy rate

Figure 3

The Rental Market Will Tighten Softly Vacancy Rate (%) – Privately Initiated Structures with Three or More Apartments Trois-Rivières CMA



Source and forecasts : CMHC

³ See the Text box: Portrait of a changing population

⁴ Around 1,000 transactions between 2004 and 2014

⁵ As a result of improving employment

⁶ Source: Statistics Canada, 2011 National Household Survey

will fall to 5.1 per cent in 2015, 4.8 per cent in 2016 and 4.6 per cent in 2017. Under these conditions, the average monthly rent for two-bedroom apartments will reach \$575 this year, \$580 in 2016 and \$585 in 2017.

Economic trends: rise in employment

The Trois-Rivières housing market has been evolving in a context of stronger economic growth since the beginning of the year. The greater diversification of the economy, along with a modest recovery of the primary and manufacturing industries, allowed the Trois-Rivières CMA to keep the employment gains (+4 per cent) made in 2014. To date, the job market results for 2015 do show a relative stability. In addition, less shaky employment conditions were observed as a significant decrease in part-time employment was replaced by a more steady progression in full-time employment.

The Canadian dollar, which should remain well below par, should further benefit exporting companies that will invest all the more in human capital.⁷ Fueled by gains in the non-residential construction sector attributable to major infrastructure projects⁸ and to the positive impact of the Mauricie economic diversification fund,⁹

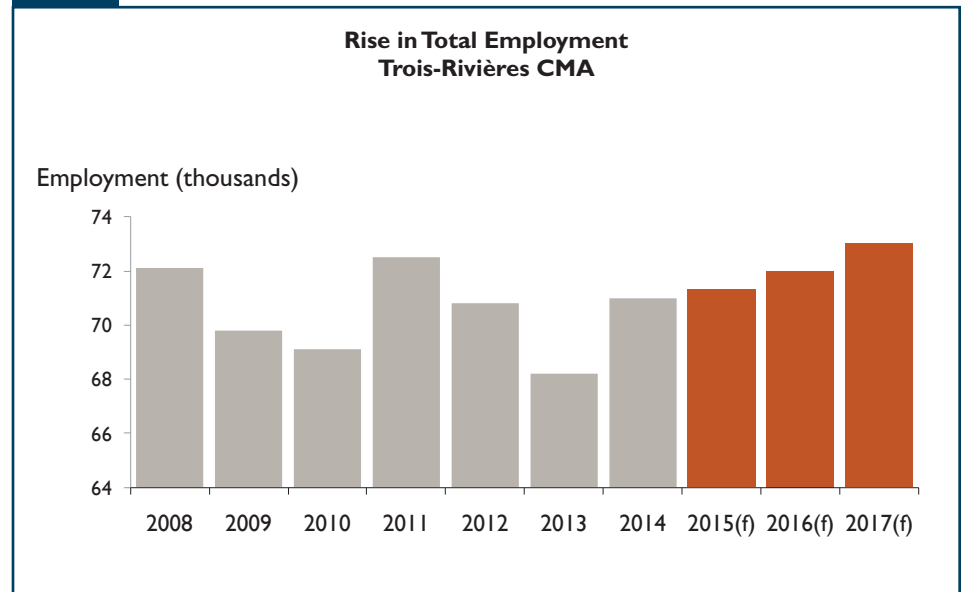
employment will grow slightly in 2015 (+0.5 per cent), in 2016 (+1 per cent) and in 2017 (+1 per cent).

On the demographic front, the Trois-Rivières CMA stands out from the rest of the province because of its older population on average. This can be explained in part by the migration outflows. In fact, year after year, the CMA loses a significant share of young people who move to other cities, elsewhere in the province or in the Western provinces, where job opportunities are more favourable. Fewer young people will leave the Trois-Rivières CMA over the forecast period, however, given the

improving economic environment that will make the area more attractive. As for interregional in-migrants, they represent an increasingly significant share of new retirees who are moving back to their birthplace. This phenomenon will further fuel housing demand from older households. In this context, net migration will reach 700 people in 2015, 750 in 2016 and 800 in 2017.

All in all, the economic environment and the demographic aspect will support, to some extent, housing demand in the greater Trois-Rivières area over the forecast horizon.

Figure 4



Source: Statistic Canada f: CMHC forecasts

⁷ The expected impact of the low Canadian dollar on Quebec exports has yet to materialize.

⁸ Along with commercial space area development projects.

⁹ The *Fonds de diversification économique du Centre-du-Québec et de la Mauricie* is a provincial government program providing financial support for the start and development of new business projects and promoting the emergence of industries in the area, including information and communication technologies, private research, etc.

Mortgage rates are expected to begin to rise moderately from current levels late in 2016

Mortgage rates are expected to continue trending close to current levels, supporting housing demand. However, consistent with the view of Canadian economic forecasters,

CMHC expects interest rates to begin to rise moderately from current levels late in 2016, contributing to a modest slowdown in housing markets.

According to CMHC's base case scenario for 2015, the one-year mortgage rate is expected to be in the 2.60 to 3.30 per cent range, while the five-year rate is forecast to be within the 4.10 to 5.20 per cent

range. For 2016, the one-year mortgage rate is expected to be in the 3.00 to 3.80 per cent range, while the five-year rate is forecast to be within the 4.70 to 6.00 per cent range. For 2017, the one-year mortgage rate is expected to be in the 3.90 to 4.80 per cent range, while the five-year rate is forecast to be within the 5.10 to 6.50 per cent range.



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Trends at a glance

Key Factors and their Effects on Housing Starts	
Mortgage Rates	Mortgage rates will begin to rise gradually late in 2016, contributing to moderation in housing demand.
Employment	Modest job creation on the Trois-Rivières labour market will moderately support housing demand.
Income	The steady increase of average weekly earnings will promote housing demand.
Population	Population growth in the area has now slowed down. A decrease in the population will be especially observed in the first-time and repeat buyers, which will limit housing demand.
Resale Market	Activity on the resale market will remain steady this year and will then slow down somewhat in 2016 and 2017. The increase in supply will continue and will weigh down even more heavily on the start of new units.
Other (economy)	The weak Canadian dollar will benefit exporting primary and manufacturing industries in the greater Trois-Rivières area, which will stimulate employment slightly and then housing demand.

Forecast risks

- A U.S. demand less significant than expected could limit the potential for job creation in the area's exporting companies. Such a situation would have a negative impact on employment and housing demand, especially on the existing home market in the short run.
- Housing starts could be at a higher level than anticipated if, for example, builders decided to start some large residential projects earlier than expected.
- A quicker rise in the supply of existing homes could further ease the market and have a downward impact on prices.
- Stronger net migration than expected will further fuel rental housing demand.

Spotlight on...

Portrait of a changing population

According to the latest projections of the Institut de la statistique du Québec (ISQ) for the Trois-Rivières census metropolitan area (CMA), population growth has slowed down this year¹⁰ and will continue to do so over the next few years. Nevertheless, the anticipated demographic portrait will vary widely depending on the age groups.

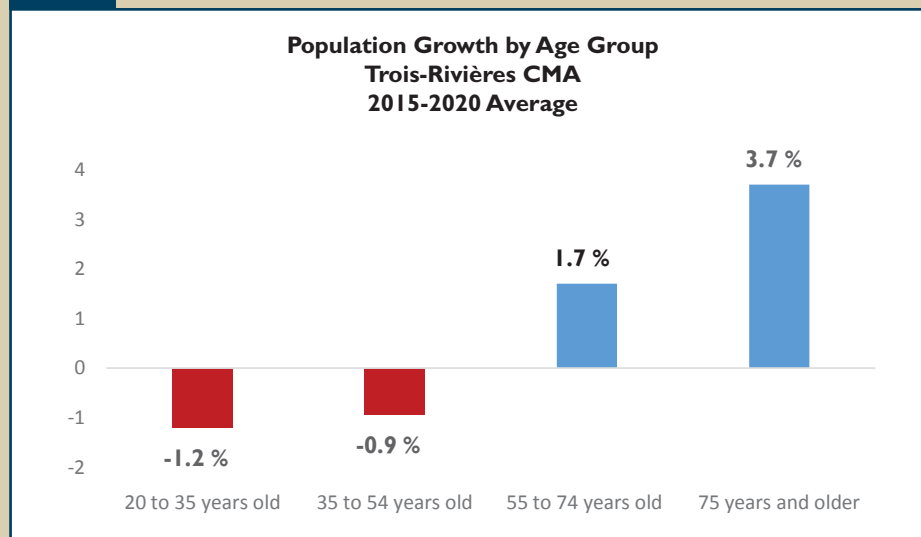
On the one hand, the number of relatively young adults (20 to 34 years old and 35 to 54 years old) will decrease. In fact, the population aged 20 to 34 will go down by 1.2 per cent yearly on average from 2015 to 2020. In the 35 to 54 age group, the drop will be slightly less significant at 0.9 per cent.

The moderation in growth in these age groups will shrink the pool of first-time and repeat buyers on both the new and existing home markets in the Trois-Rivières area. This will contribute to limit the need for new homes, which will in part explain the slowdown in residential construction over the forecast horizon.

On the other hand, the older age groups (55 to 74 years old and 75 years and over) will post steady increases over the period under review. The annual growth will be of 1.7 per cent on average for people aged 55 to 74. The highest increase will be recorded for people aged 75 and over, with an average annual growth rate of almost 4 per cent.

With this significant growth in the older population, demand over the next few years will be shaped by changing housing needs. Also, the new projects (rental and condominium units) that were recently announced are targeted to more mature clients.

Figure 5



Source: CMHC

¹⁰ According to the reference scenario

Forecast Summary Trois-Rivières CMA Fall 2015									
	2012	2013	2014	2015(F)	% chg	2016(F)	% chg	2017(F)	% chg
New Home Market									
Starts:									
Single-Detached	305	243	239	175	-26.8	150	-14.3	125	-16.7
Multiples	716	606	704	325	-53.8	350	7.7	425	21.4
Starts - Total	1,021	849	943	500	-47.0	500	0.0	550	10.0
Average Price (\$):									
Single-Detached	215,261	214,804	249,926	252,000	0.8	253,000	0.4	254,000	0.4
Resale Market¹									
Centris® Sales	1,026	928	1,117	1,100	-1.5	1,050	-4.5	1,000	-4.8
Centris® New Listings	1,816	1,993	2,096	2,000	-4.6	1,950	-2.5	1,900	-2.6
Centris® Active Listings	727	838	914	1,000	9.4	1,050	5.0	1,100	4.8
Centris® Average Price (\$)	154,558	158,582	163,550	165,000	0.9	167,000	1.2	168,000	0.6
Rental Market²									
October Vacancy Rate (%)	5.2	5.1	5.3	5.1	-0.2	4.8	-0.3	4.6	-0.2
Two-bedroom Average Rent (October) (\$)	550	555	568	575	1.2	580	0.9	585	0.9
Economic Overview									
Mortgage Rate (1 year) (%)	3.17	3.08	3.14	2.60 to 3.30	-	3.00 to 3.80	-	3.90 to 4.80	-
Mortgage Rate (5 year) (%)	5.27	5.24	4.88	4.10 to 5.20	-	4.70 to 6.00	-	5.10 to 6.50	-
Annual Employment Level	70,800	68,200	71,000	71,300	0.4	72,000	1.0	73,000	1.4
Employment Growth (%)	-2.3	-3.7	4.1	0.4	-	1.0	-	1.4	-
Unemployment rate (%)	7.8	8.3	7.3	7.3	-	7.4	-	7.4	-
Net Migration	1,113	732	666	700	5.1	750	7.1	800	6.7

¹Source : QFREB by Centris®. The Centris® system contains all the listings of Québec real estate brokers.

²Rental universe = Privately initiated rental apartment structures of three units and over.

Sources: CMHC (Starts and Completions Survey, Market Absorption Survey), adapted from Statistics Canada (CANSIM), Statistics Canada (CANSIM), Centris® Statistics. CMHC Forecast (2015-2017)

DEFINITIONS AND METHODOLOGY

New Home Market

Historical home starts numbers are collected through CMHC's monthly **Starts and Completions Survey**. Building permits are used to determine construction sites and visits confirm construction stages. A **start** is defined as the beginning of construction on a building, usually when the concrete has been poured for the whole of the structure's footing, or an equivalent stage where a basement will not be part of the structure.

Single-Detached Start:

The start of a building containing only one dwelling unit, which is completely separated on all sides from any other dwelling or structure.

Semi-Detached Start:

The start of each of the dwellings in a building containing two dwellings located side-by-side, adjoining no other structure and separated by a common or party wall extending from ground to roof.

Row (or Townhouse) Start:

Refers to the commencement of construction on a dwelling unit in a row of three or more attached dwellings separated by a common or party wall extending from ground to roof.

Apartment and other Starts:

Refers to the commencement of construction on all dwellings other than those described above, including structures commonly known as stacked townhouses, duplexes, triplexes, double duplexes and row duplexes.

Average and Median Single Detached Home Prices:

Are estimated using CMHC's **Market Absorption Survey**, which collects home prices at absorption and measures the rate at which units are sold or rented after they are completed. Dwellings are enumerated each month after a structure is completed until full absorption occurs. The term "**absorbed**" means that a housing unit is no longer on the market as it has been sold or rented.

New Home Price Indexes:

Changes in the New Home Price Indexes are estimated using annual averages of Statistics Canada's monthly values for New Housing Price Indexes (NHPI).

Resale Market

Historical resale market data in the summary tables of the Housing Market Outlook Reports refers to residential transactions through the Multiple Listings Services (MLS®) as reported by The Canadian Real Estate Association (CREA). In Quebec, this data is obtained by the Centris® listing system via the Quebec Federation of Real Estate Boards.

MLS® (Centris® in the province of Quebec) Sales:

Refers to the total number of sales made through the Multiple Listings Services in a particular year.

MLS® (Centris® in the province of Quebec) Average Price:

Refers to the average annual price of residential transactions through the Multiple Listings Services.

Rental Market

Rental Market vacancy rates and two bedroom rents information is from Canada Mortgage and Housing Corporation's (CMHC's) October **Rental Market Survey** (RMS). Conducted on a sample basis in all urban areas with populations of 10,000 and more, the RMS targets privately initiated structures with at least three rental units, which have been on the market for at least three months. The survey obtains information from owners, managers, or building superintendents through a combination of telephone interviews and site visits.

Vacancy Rate:

The vacancy rate refers to the average vacancy rate of all apartment bedroom types. A unit is considered vacant if, at the time of the survey, it is physically unoccupied and available for immediate rental.

Two Bedroom Rent:

The rent refers to the average of the actual amount tenants pay for two bedroom apartment units. No adjustments are made for the inclusion or exclusion of amenities and services such as heat, hydro, parking, and hot water.

Economic Overview

Labour Force variables include the Annual Employment Level, Employment Growth, Unemployment Rate. Source: Statistics Canada's Labour Force Survey.

Net Migration:

Sum of net interprovincial (between provinces), net intra-provincial (within provinces), net international (immigration less emigration), returning Canadians and temporary (non-permanent) residents as provided to the CANSIM database by Statistics Canada's Demography Division. Sources of inter-provincial and intra-provincial migration data include a comparison of addresses from individual income tax returns for two consecutive years from Canada Revenue Agency (CRA) taxation records. The migration estimates are modelled, with the tax file results weighted to represent the whole population.

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