

HOUSING MARKET OUTLOOK

Windsor CMA



CANADA MORTGAGE AND HOUSING CORPORATION

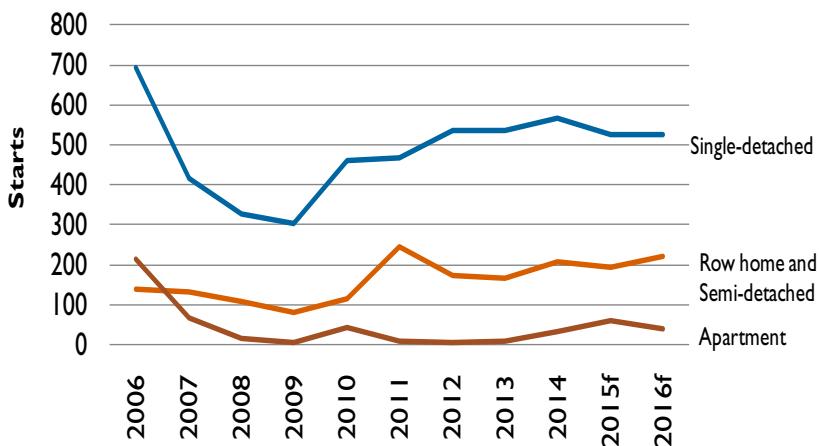
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Highlights

- Housing starts will decrease to 780 units in 2015 and be stable at 785 units in 2016.
- Existing home sales will increase to 5,700 in 2015 and grow to 5,900 in 2016.
- Average vacancy rate will decrease in 2015 and 2016.

Figure 1

Higher Row Home Starts in 2015



Source: CMHC Starts and Completions Survey, CMHC forecast

The forecasts and historical data included in this document reflect information available as of April 20, 2015.

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New Home Market: Total Housing Starts Will Decrease Slightly in 2015

Total housing starts will decrease by approximately three per cent to 780 units in 2015. It will not be weaker housing demand that will lead to fewer starts this year. Homeownership demand in Windsor increased in the first quarter of 2015 and is expected to grow during this year due to job growth, stable mortgage rates and slightly higher net migration. However, similar to what transpired in the first quarter, the increase in demand will mostly come from a greater number of first-time buyers purchasing homes priced under \$200,000. A very small percentage of new homes in Windsor can be purchased for less than \$200,000. Therefore, a lack of new homes in that price range will restrain starts. Greater homeownership demand will lead to higher existing home sales due to more choices under \$200,000 in that market.

The decrease in total housing starts in 2015 will mostly be from fewer single-detached starts. They are expected to decrease from 566 in 2014 to 525 units this year and remain stable in 2016. Demographic demand will constrain single-detached starts in Windsor. Recent population growth in Windsor has occurred in age groups that are generally unable to afford or historically have not purchased new single-detached homes. A small percentage of 25 to 34 year olds can afford the average new single-detached home in Windsor CMA, which is expected to sell for about \$385,000. They are much more likely to be able to afford a resale home, followed by a new row home or new semi-detached home. The vast majority of people 55 years of age and older are not move-up buyers. At

this stage in their life they are unlikely to move to a larger home or a home that causes their monthly housing related payments to increase. Demand for new single-detached homes will continue to be supported by older households migrating from pricier housing markets, such as Toronto, Ottawa and Hamilton. In most cases, these migrant households will have lowered their monthly housing costs by moving to Windsor and purchasing a new single-detached home.

Row home and semi-detached starts will be stable this year and increase in 2016. Many of these homes are designed for the growing population aged 55 years and older. In particular, condominium row homes have been popular among those spending their retirement years in Windsor. Condominium row homes have made up between 50 to 75 per cent of row home starts in recent years. They are also predominately located in areas of Windsor CMA that are appealing to this age group, such as Lasalle, the east

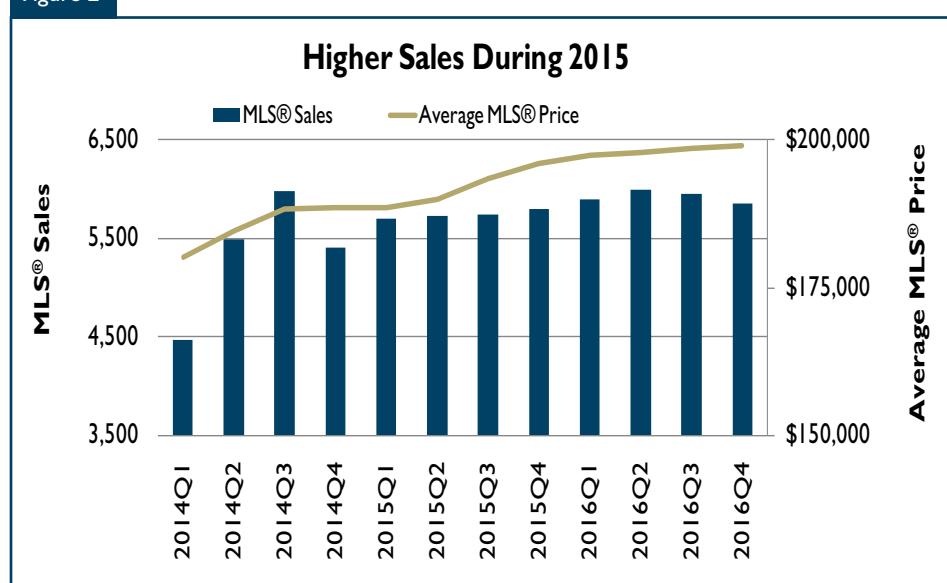
region of the City of Windsor and Tecumseh.

For the first time since 2007, an apartment with over 25 units will start in Windsor this year. The building will be condominium tenure. Similar to the market for new semi-detached and row homes, the apartment will be geared to older households looking to downsize to low maintenance ownership housing. No other major apartment projects are expected to start in 2015 or 2016. The vacancy rate for rental apartments is expected to decrease over the next two years, but will remain high enough to keep rental apartment starts relatively low.

Existing Home Market: Greater Price Growth for Remainder of 2015

Existing home sales will increase approximately seven per cent in 2015 to 5,900 homes sold. Sales will continue to increase gradually

Figure 2



Source: CMHC, adapted from CREA (MLS®)

Note: Sales are seasonally adjusted and are multiplied by 4 to show an annual rate. Prices are seasonally adjusted

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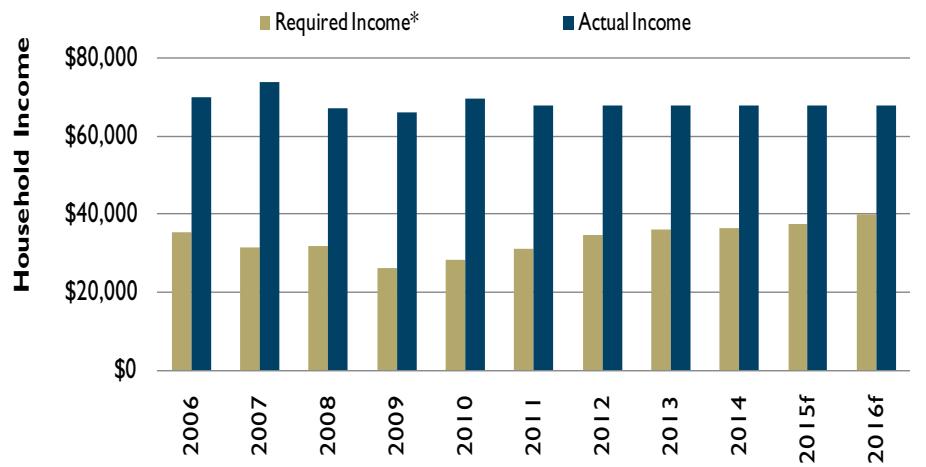
following a strong first quarter of 2015. Mortgage rates will be relatively unchanged and at historical lows throughout 2015. Employment will also be supportive of greater housing demand. Continuing with the trend that started in the second half of 2014, more people from Windsor will have a full-time job. A large percentage of people with a full-time job in Windsor earn wages that meet the income qualification criteria for a mortgage on the average resale home.

The resale market will tighten over the remainder of 2015 and be a seller's market. Sales will increase more than new listings, which will barely edge up this year. New listings were trending down for the past five years in Windsor. The lack of new inventory for sale helped to produce annual price growth of approximately four per cent over that period. In recent months, the number of new listings has begun to stabilize, as more homeowners have recovered value that was lost from decreasing prices from 2007 to 2009. The average price of an existing home will appreciate by about 3% in 2015. Growth in the average price of a resale home will be constrained, due to a greater share of sales being homes purchased for less than \$200,000.

More full time jobs for people aged 25 to 44 in particular, will contribute to an increase in first-time buyers. A large percentage of first-time buyers come from this age group, which has grown due to the echo boomer cohort. Despite the existence of low mortgage rates from 2009 to present, weak employment conditions for this age group for much of that period kept many potential first-time buyers on the sidelines.

Figure 3

Average Windsor Resale Home Will Remain Affordable



Sources: CMHC, Statistics Canada, CREA, f= CMHC Forecast.

*Required income is mortgage carrying costs divided by 0.32 to reflect the usual 32 percent gross debt service ratio.

Mortgage carrying costs are calculated on the average MLS® price, a 10 per cent down payment, the fixed five-year mortgage rate and the longest available amortization

Sales will increase into the first quarter of 2016 due to job growth and a slightly higher number of households added by migration. Improving job prospects in Windsor and a weaker economy in Western Canada will reduce out-migration to other provinces. Some of the additional households choosing to remain in Windsor will purchase a home. Net migration from outside Canada and within Ontario is expected to be stable.

Both short and long term mortgage rates will start to edge up in early 2016. Combined with higher prices this will constrain sales. The average Windsor household will still have more than sufficient income to be able to afford the average resale home in 2016. Therefore, sales are only expected to stabilize during the second half of next year.

Job growth and stable migration will prevent a greater reduction in homeownership demand from occurring. Expect less growth in the price of the average resale home in the second half of 2016, due to stable sales and a greater number of new listings. Annual sales for 2016 will slightly exceed the total this year, primarily due to a strong first half of 2016.

Rental Market: Vacancy Rate to Decrease in 2015

The vacancy rate for purpose-built rental apartments will decrease from 4.3 per cent in 2014 to 3.9 per cent in 2015, marking the seventh consecutive year it will have fallen. The rental housing stock will not increase, and greater rental demand will be generated by job growth, population growth in the 25 to 34 year old age segment, stable immigration and

higher enrolment at Windsor's post-secondary schools.

Greater rental demand will be supported by more full time jobs, particularly for the growing number of people aged 25 to 34 years old. Given average rent is approximately \$660 per month for a one-bedroom apartment, 25 to 34 year olds that are not prepared to purchase a home can still afford to leave the parental home to rent.

Stable immigration will continue to add rental households in Windsor. Statistics Canada's National Household Survey revealed that approximately 70 per cent of immigrant households rented in their first five years living in Windsor.

The University of Windsor will be moving some of their programs to a new Downtown campus. The first of two buildings are expected to be completed for the fall 2015 semester. Student enrolment is anticipated to increase as a result of the extra capacity provided by the new structures. A greater presence of University of Windsor and St. Clair College students in the downtown core will lead to a tighter rental market in that area.

The number of rental households transitioning to homeownership is not expected to increase this year. Growth in the carrying cost of the average resale home will be greater than growth in average two-bedroom rent, which historically has led to fewer first-time buyers from the rental market. The increase in first-time buyers in 2015 will mostly come

from the growing number of young adults that were living in the parental home. Some of them will be able to bypass the rental market and buy a home as they've saved enough to keep up with rising prices.

In 2016, the vacancy rate will continue to decrease to 3.6 per cent. The number of rental households will increase again and the number of rental units will be relatively unchanged. Rental demand next year will continue to be supported by the same factors as in 2015. In addition, rising home prices and slightly higher mortgage rates will cause fewer renters to transition into homeownership next year. A lower vacancy rate will continue to push average two-bedroom rent higher.

Economic Trends: Job Growth in 2015

Housing demand will be supported by 1.7 per cent job growth in Windsor in 2015. The labour market added jobs in the second half of 2014 and will continue to add more jobs this year, primarily due to favourable conditions for the export economy. The Canadian dollar has depreciated against the US dollar at a greater rate in the past six months, due to the drop in oil prices and a strengthening US economy. These fairly recent developments have yet to fully impact the Windsor labour market. As a result, more jobs are expected to be added in industries such as manufacturing, transportation and warehousing, as well as accommodation and food services. The latter industry will also benefit from the large number of

migrant workers brought in to re-tool the Chrysler assembly plant and construct the Herb Gray Parkway. A relatively stable exchange rate will continue to support employment in these industries into 2016.

Construction employment is expected to remain stable in 2015 due to the continuation of non-residential projects, such as the Herb Gray Parkway and the downtown Campus of the University of Windsor. A short lived decrease in construction employment may occur in 2016, due to a gap between the completion of those projects and the start of Detroit River International Crossing.

An aging population and the migration of older households to Windsor will support employment in health care. It is anticipated that the completion of the University of Windsor downtown campus will also lead to job creation at the school.

The jobs added in 2015 are not expected to reduce the unemployment rate. The labour force has been growing at an aggressive rate in Windsor. Improving labour market conditions have caused more people that had exited the labour force to start looking for work again. Stronger growth in the labour force than employment will cause the unemployment rate to increase slightly from 9 to 9.3 per cent. Growth in the labour force is expected to slow in 2016. Job growth will slightly eclipse labour force growth, leading to a lower unemployment rate of 8.9 per cent.

Mortgage Rate Outlook

Mortgage Rates Are Expected to Remain at or Close to Current Levels over the Forecast Horizon

Mortgage rates will continue to be supportive of housing demand. Consistent with the view of Canadian economic forecasters, CMHC expects interest rates to remain at or very close to current levels over the forecast horizon.

According to CMHC's base case scenario for 2015, the one-year mortgage rate is expected to be in the 2.30 to 3.50 per cent range, while the five-year rate is forecast to be within the 4.00 to 5.50 per cent range. For 2016, the one-year mortgage rate is expected to be in the 2.40 to 4.00 per cent range, while the five-year rate is forecast to be within the 4.20 to 6.20 per cent range.

Mortgage rates		
	Q1 2015	2.97
	Change from Q1 2014	-0.17
1 Year	2014	3.14
	2015 (F)	2.30 to 3.50
	2016 (F)	2.40 to 4.00
5 Year	Q1 2015	4.76
	Change from Q1 2014	-0.40
	2014	4.88
	2015 (F)	4.00 to 5.50
	2016 (F)	4.20 to 6.20

Source: Bank of Canada, CMHC Forecast

NOTE: Mortgage rate forecast is based on Q1 2015 data

Trends at a Glance

Key Factors and Their Effects on Housing Starts

Mortgage Rates	Mortgage rates are expected to remain at or close to current levels over the forecast horizon.
Employment	Job growth in 2015 will increase housing demand. Similar job growth in 2016 will keep demand stable when mortgage rates rise slightly.
Net Migration	Positive net migration will continue to stimulate demand for all types of housing, specifically rental accommodation.
Resale Market	Resale markets are expected to favour the seller, with price growth of about three per cent in both years.

Forecast Risks

This outlook is subject to some risks, including:

- While lower oil prices are a net positive globally, global growth in the first quarter has disappointed. There is risk of a period of protracted global economic weakness and slow, possibly negative, price growth.

- Growth in Emerging Market Economies (EMEs) could disappoint. In China, economic growth projections have been revised downwards closer to 7%.
- disorderly unwinding of household sector imbalances, should it materialize, could have sizable negative effects on other parts of the economy and on inflation.
- While a soft landing in the housing market remains the most likely scenario, near record-high house prices and debt levels relative to income leave households vulnerable to adverse shocks. A
- An upside risk to our outlook is a stronger than expected growth in the United States since it would benefit Canadian exporters and likely drive greater-than-expected housing demand.

Forecast Summary Windsor CMA Spring 2015							
	2012	2013	2014	2015(F)	% chg	2016(F)	% chg
New Home Market							
Starts:							
Single-Detached	536	535	566	525	-7.2	525	0.0
Multiples	181	173	240	255	6.3	260	2.0
Semi-Detached	68	44	84	70	-16.7	70	0.0
Row/Townhouse	107	121	123	125	1.6	150	20.0
Apartments	6	8	33	60	81.8	40	-33.3
Starts - Total	717	708	806	780	-3.2	785	0.6
Average Price (\$):							
Single-Detached	330,396	330,960	361,715	385,000	6.4	400,000	3.9
Median Price (\$):							
Single-Detached	289,403	306,084	339,500	355,000	4.6	365,000	2.8
New Housing Price Index (% chg.)	2.0	1.0	1.6	1.0	-	1.2	-
Resale Market							
MLS® Sales	5,082	5,341	5,332	5,700	6.9	5,900	3.5
MLS® New Listings	9,380	9,395	9,079	9,250	1.9	9,400	1.6
MLS® Average Price (\$)	172,047	179,820	187,283	192,500	2.8	197,500	2.6
Rental Market							
October Vacancy Rate (%)	7.3	5.9	4.3	3.9	-0.4	3.6	-0.3
Two-bedroom Average Rent (October) (\$)	778	788	798	815	2.1	830	1.8
Economic Overview							
Mortgage Rate (1 year) (%)	3.17	3.08	3.14	2.30 to 3.50	-	2.40 to 4.00	-
Mortgage Rate (5 year) (%)	5.27	5.24	4.88	4.00 to 5.50	-	4.20 to 6.20	-
Annual Employment Level	153,300	154,800	155,200	157,800	1.7	160,000	1.4
Employment Growth (%)	3.7	1.0	0.3	1.7	-	1.4	-
Unemployment rate (%)	9.7	8.9	9.0	9.3	-	8.9	-
Net Migration	1,788	976	743	900	21.1	1,100	22.2

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** Percent change > 200%

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

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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