

HOUSING MARKET OUTLOOK

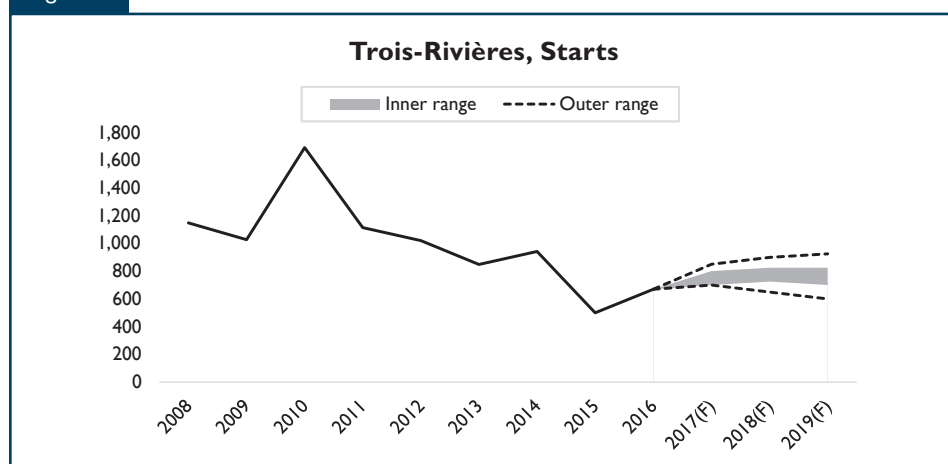
Trois-Rivières CMA



CANADA MORTGAGE AND HOUSING CORPORATION

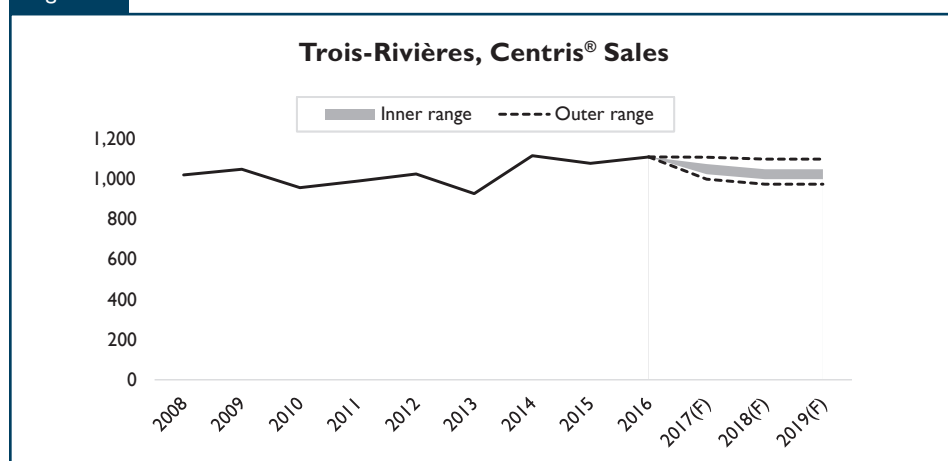
Date Released: Fall 2017

Figure 1



Source: CMHC; (F): CMHC Forecast

Figure 2



Source: QFREB; (F): CMHC Forecast

Highlights¹

- Starts will continue to post gains, especially in the multi-unit housing segment.
- Activity on the resale market will slow down slightly before stabilizing next year at levels that will still be above the historical average.
- On the rental market, the anticipated rise in demand will be offset by the increase in supply, which will keep conditions soft in 2017. It is in 2018 that the vacancy rate will start decreasing.
- The repercussions of the aging population in Trois-Rivières will continue to affect demand in all housing markets.

New home market shows renewed growth

After five straight decreases, residential construction in the Trois-Rivières census metropolitan area (CMA) showed renewed growth in 2016. This recovery was attributable the new rise in demand that helped absorb part of the stock of new and existing homes on the market. Housing starts will continue post gains, which will range between

¹ The forecasts and historical data included in this document reflect information available as of October 2, 2017.

700 and 800 units in 2017 and between 725 and 800 units in 2018. This growth will be due mainly to increased demand from older households. In 2019, the pace of construction will stabilize at a level slightly below the average of the last 10 years.

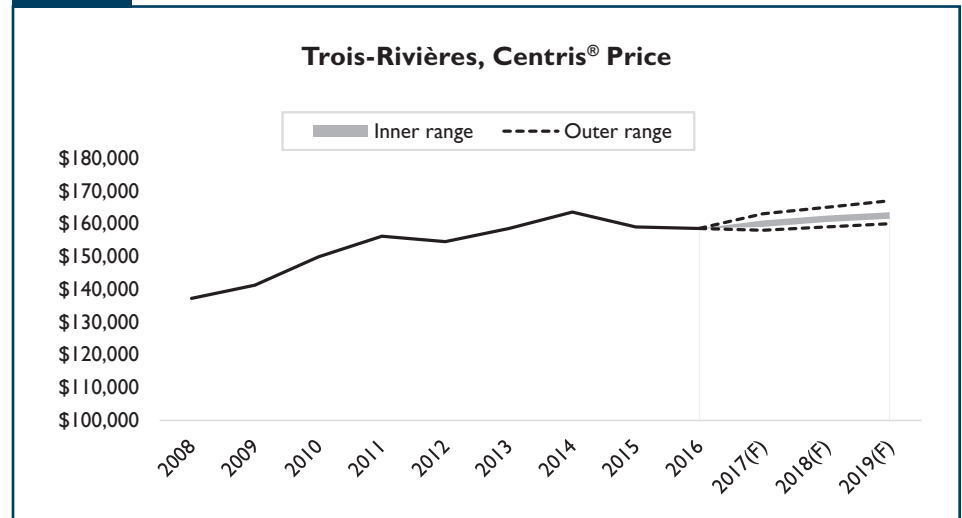
Multi-unit housing largely accounted for the increase in residential construction and will remain the most active segment over the forecast horizon. Indeed, the types of homes built recently reflect the changing housing needs of the population, a quarter of which is now made up of people aged 65 or older. The repercussions of the aging population will result in a greater demand for housing types such as smaller homes as well as dwellings located close to services, or even including services. In the single-detached home segment, the pace of construction will be similar to the level of recent years. While these homes remain the preferred housing type in Trois-Rivières, current demographic conditions will limit the rise in demand for such houses.

Existing home market losing momentum

Between 2014 and 2016, the Trois-Rivières resale market benefited from favourable economic conditions and a latent demand from young families. This year, a small decrease in transactions is expected on account of the slowdown in job creation in the area and the anticipated increase in mortgage interest rates. In 2018 and 2019, Centris® sales will stabilize, ranging between 1,025 and 1,075 transactions—levels still above the average of the last 20 years.

Overall market conditions will also stabilize, although there will continue to be marked differences among the housing types. In the single-family home segment, market conditions will remain balanced while, in the

Figure 3



Source: QFREB; (F): CMHC Forecast

condominium segment, they will stay favourable to buyers, given that demand for these dwellings will rise at the same pace as listings. In the end, the overall average price will keep rising slowly, at a rate of about 1% to 2% per year.

Rental market conditions remain soft

The overall vacancy rate on the Trois-Rivières rental market remained at a historically high level in 2016 (6.3% in October 2016). That being said, a review of the results by rent range and year of construction revealed that the proportion of vacant units in newly built structures was low. Once again this year, the rental performance of recently constructed units will encourage builders to start new rental projects in the area. The anticipated rise in demand will be offset by this increase in supply on the market, which will keep conditions soft in 2017. It is next year that the vacancy rate will start decreasing slightly, moving closer to 5%, as a result of a strong rental housing demand arising mainly from the changing housing needs of an aging population.

Economic and demographic fundamentals

For the past three years, the Trois-Rivières economy has contributed to the new rise in demand on the residential real estate market, with the creation of more than 5,600 jobs (93% of them full-time). The new jobs were created mainly in the goods-producing sector, which benefited from a weak Canadian dollar and various public investment projects. Over the forecast horizon, job creation will be relatively slower in the area (0.5% per year). However, while employment will continue to support demand on the housing market to some extent, other factors will

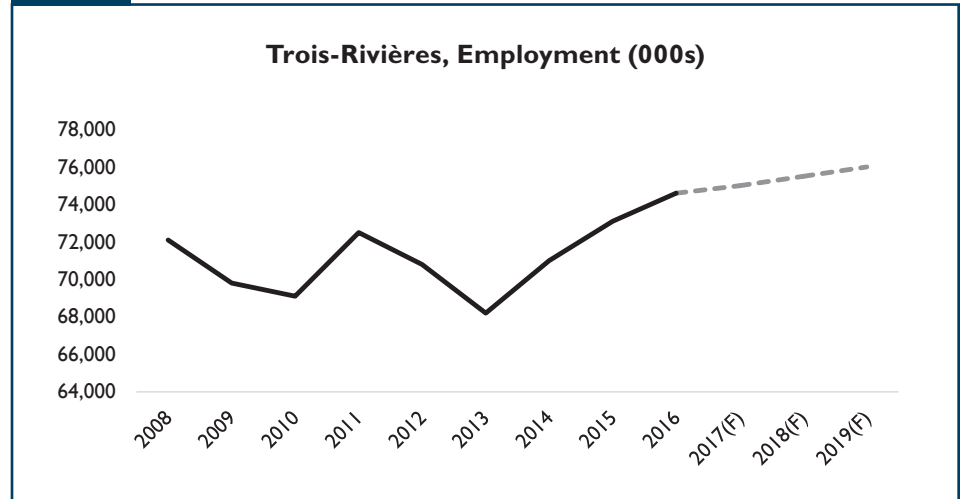
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contribute to curbing this growth, such as the anticipated increase in mortgage interest rates.

On the demographic front, it should be noted that the small increase in the Trois-Rivières population was attributable only to the growth in the population aged 65 or older, in turn fuelled by the arrival of baby boomer households. As a result, the rise in the housing demand will come mainly from this segment of the population and will affect all housing markets in Trois-Rivières: the new home market, the existing home market and the rental housing market. (To find out more about the impact of the aging population on housing in Trois-Rivières, see the publication entitled Housing Market Insight—Trois-Rivières CMA, “The Trois-Rivières Housing Market of Tomorrow: A Question of Age,” at https://www.cmhc-schl.gc.ca/odpub/esub/68728/68728_2016_M07.pdf?fr=1507657800702.)

Figure 4



Source: Statistics Canada; (F): CMHC Forecast

Methodology for forecast ranges

The present edition of *Housing Market Outlook* incorporates forecast ranges for housing variables. Despite this change, all analyses and forecasts of market conditions continue to be conducted using the full range of quantitative and qualitative tools currently available. Two sets of ranges are presented in the publication:

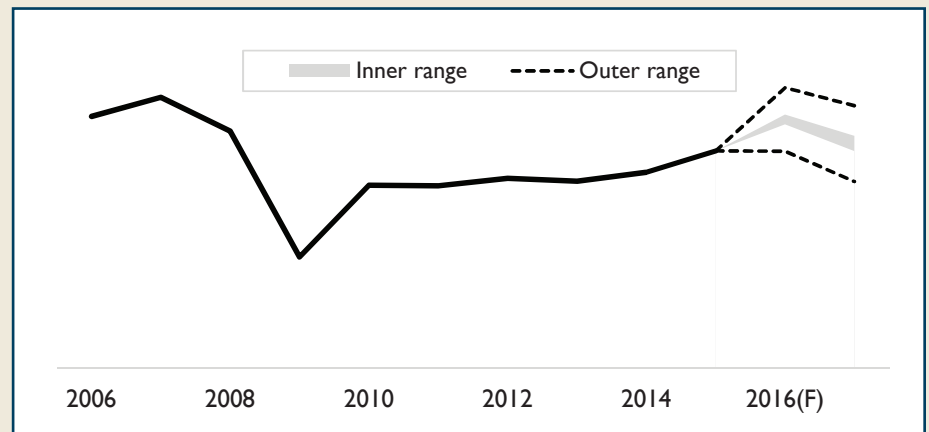
- An inner range, which provides more precise guidance to readers on the outlook while recognizing the small random components of the relationship between the housing market and its drivers. This inner range is based on the coefficient of variation* of historical data and on past forecast accuracy. This range provides precision and direction for forecasts of housing variables,

given a specific set of assumptions for the market conditions and underlying economic fundamentals.

- An outer range, which reflects potential risks to the forecast due to, for example, the impact of economic shocks. The outer range is based on a broader coefficient of variation of

historical data and on past forecast accuracy. This range includes some low-probability events that could have a significant impact on the forecast.

Downward (or upward) adjustments to the ranges may be applied based on local market intelligence if there are more sources of risks (upside or downside) for that specific market.



* The coefficient of variation in this case is the standard deviation divided by the mean of that series. A higher coefficient of variation would produce wider ranges due to the higher volatility of the data, while a lower coefficient of variation would produce tighter ranges.

Forecast Summary Trois-Rivières CMA Fall 2017									
	2014	2015	2016	2017(F)		2018(F)		2019(F)	
				(L)	(H)	(L)	(H)	(L)	(H)
New Home Market									
Starts:									
Single-Detached	239	180	201	200	220	210	235	210	235
Multiples	704	320	469	325	365	515	565	490	590
Starts - Total	943	500	670	700	800	725	825	700	825
Resale Market									
Centris® Sales	1,117	1,079	1,111	1,050	1,100	1,025	1,075	1,025	1,075
Centris® Average Price(\$)	163,550	158,994	158,571	159,000	161,000	160,500	162,500	161,500	163,500
Economic Overview									
Mortgage Rate(5 year)(%)	4.88	4.67	4.66	4.60	5.00	4.90	5.70	5.20	6.20

	2014	2015	2016	2017(F)	2018(F)	2019(F)
Rental Market						
October Vacancy Rate (%)	5.3	6.0	6.2	6.0	5.5	5.0
Two-bedroom Average Rent (October)(\$)	568	581	587	595	610	620
Economic Overview						
Population	156,247	156,812	157,764	158,250	159,000	159,750
Annual Employment Level	71,000	73,100	74,600	75,000	75,500	76,000

QFREB by Centris®. The Centris® system contains all the listings of Québec real estate board.

Rental Market: Privately initiated rental apartment structures of three units and over.

The forecasts (F) included in this document are based on information available as of 2nd October 2017. (L)=Low end of range. (H)=High end of range.

It is possible that the low end (L) and the high end (H) of forecast ranges for residential housing starts for singles and multiples jointly may not add up to the total. This is caused by rounding as well as the volatility of the data.

Source: CMHC (Starts and Completions Survey and Market Absorption Survey). Statistics Canada. Centris®. CMHC Forecast (2017-2019).

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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