

## HOUSING MARKET OUTLOOK

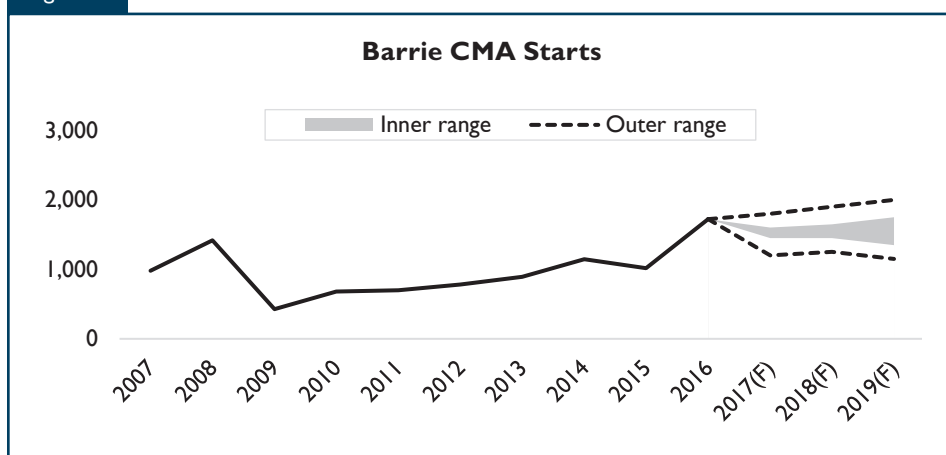
## Barrie CMA



CANADA MORTGAGE AND HOUSING CORPORATION

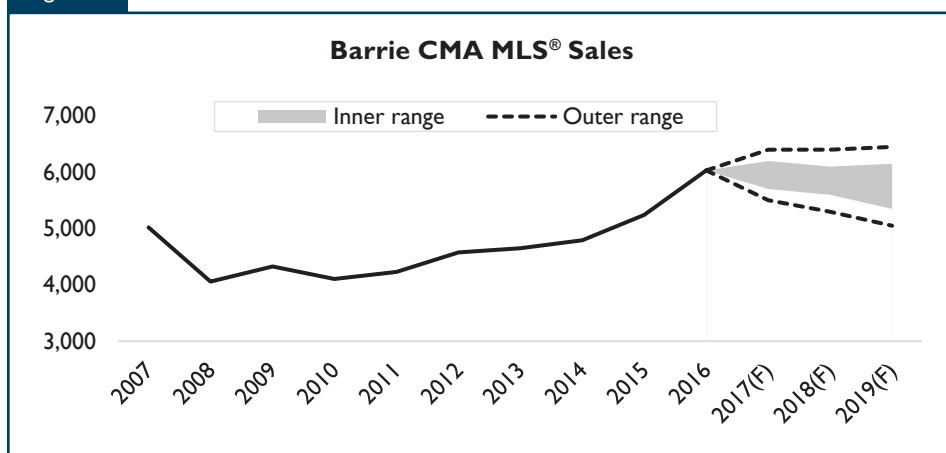
Date Released: Fall 2017

Figure 1



Source: CMHC; (F) = Forecast

Figure 2



Source: CREA; CMHC; (F) = Forecast; ® MLS is a registered trademark of the Canadian Real Estate Association

Highlights<sup>1</sup>

- Housing starts to rebound in 2018 and 2019
- Balanced market conditions to ensue in the resale home market
- Migration and employment growth will support housing demand

New Home Market:  
Housing Starts Growth will Slow

Activity in the new home market in the Barrie Metropolitan Area (CMA) will slow down in 2017 from a record high in 2016, mainly due to a decline in apartment starts. A shortage of land, demographic changes and affordability concerns have encouraged higher density construction, but elevated number of units under construction have delayed new high density projects from breaking ground. However, housing starts are expected to rebound slightly in 2018 and 2019 as a result of population growth and expansion of employment opportunities. The unsold inventory of new single-detached homes is still low over the last three years at a level not seen since the early 2000s.

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

The shortage of land in the City of Barrie that is limiting new single-detached home construction will be gradually alleviated as the annexed land from Innisfil will become available by the end of 2018. But any delays in the opening of the annexed land from Innisfil till after 2019 suggests there is a risk that single detached construction could be at the lower end our forecast range.

Prices of new single-detached homes will continue to grow in 2018, but the opening of Innisfil's annexed land for construction will push builders to compete by offering different sizes of homes at competitive prices in order to attract buyers.

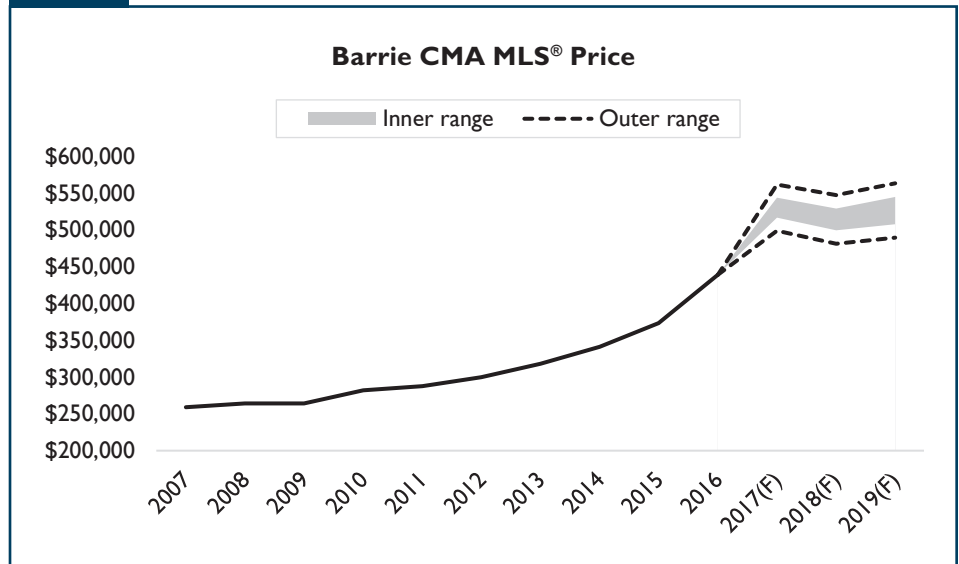
## Existing Home market: Fewer Sales in 2018

The resale market in the Barrie Census Metropolitan Area (CMA) will begin to weaken over the forecast period due to slower job growth, rising interest rates and lower spill-over demand from the Greater Toronto Area (GTA).

However some younger families and retirees from the GTA will continue to be drawn to Barrie because of its proximity to the region and to the cottage area. The planned Barrie rail corridor expansion project over the next ten years, which will allow frequent all-day GO train service between Barrie and Toronto, will encourage buyers to look to the option of moving north and take advantage of the home price differential between the GTA and Barrie.

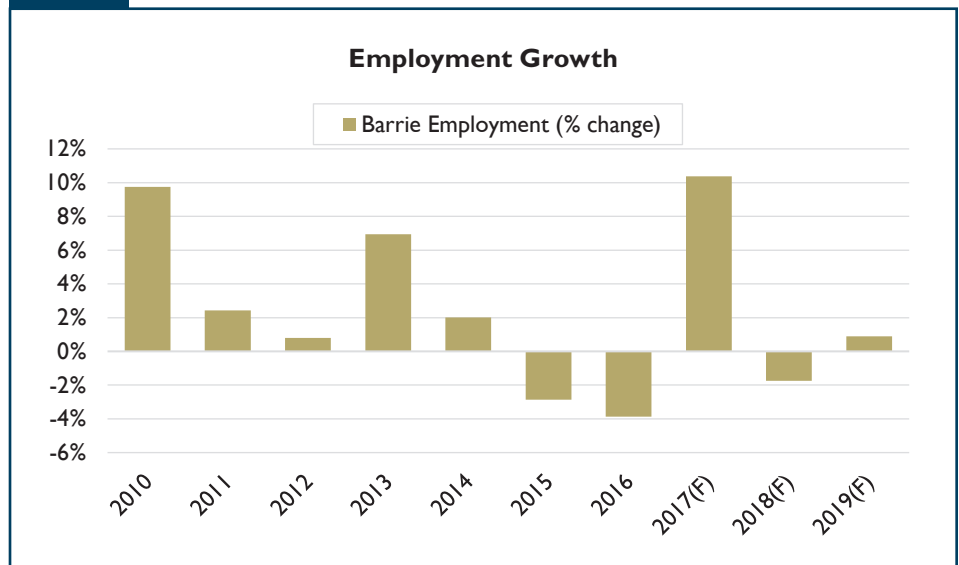
But higher prices and expected rising interest rates will ultimately affect home affordability and push sales to go down. In fact, the required income to buy an average resale home has been growing faster versus actual incomes in recent years. Some homeowners will rush to list their homes to avoid any

Figure 3



Source: CREA; CMHC; (F) = Forecast; ® MLS is a registered trademark of the Canadian Real Estate Association

Figure 4



Source: Statistics Canada, Labour Force Survey; (F) = Forecast

future price declines. Following the announcement of the Fair Housing Plan by the Provincial Government of Ontario in April 2017, existing home sales in the GTA and surrounding markets including Barrie have regressed strongly especially for higher end singles. There is some evidence that buyer and vendor price expectations moderated leading up

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to the implementation of this new plan resulting in changing behaviour and a more balanced market after the policy came into effect.

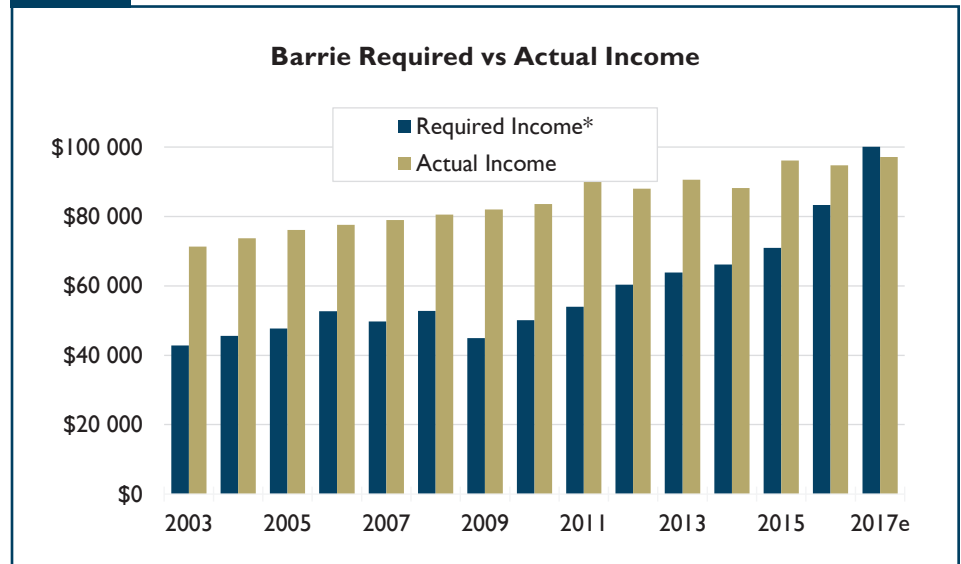
With rising supply and lower demand, the Barrie housing market will be balanced, pushing prices slightly lower in 2018 and slightly above the rate of inflation in 2019. However, stricter housing policy measures could push sales and prices much lower and closer to the lower end of the outer range. But if Toronto prices grow a bit faster and in-migration from the GTA is stronger, Barrie housing demand could be stronger than our baseline forecast.

## Rental Market: Vacancy Rate to Ease

The vacancy rate in the Barrie CMA is expected to decrease over the forecast period due to youth demand and low rental supply, thus resulting in increased pressure on average rents. Higher full-time youth employment will lead to higher rental demand. In addition, eroding homeownership affordability will force more people to delay their home buying decisions and stay longer in their rental units.

The primary rental supply will remain relatively unchanged. According to industry contacts, investors remain sceptical about investing in purposed-built rental properties that require a long term commitment and property management efforts. Increased demand and limited supply will drag down the vacancy rate and will push average rents up. But the new provincial rent control guideline will limit rent growth on all units, including those built after 1991. Even though rents are expected to increase slightly above the rate of inflation throughout the forecast period, the rental market in the Barrie CMA will remain one of the most expensive markets in Canada.

Figure 5



Source: CMHC, Statistics Canada, CREA

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

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

e = estimates

The large secondary market in Barrie will help to absorb some of the spill-over demand from the primary rental market. Tenants who prefer to rent rather than own and those who prefer affordable units such as secondary suites will look to rent in the secondary market.

## Economic and demographics: Employment and In-Migration Will Support Housing Demand

Following a sluggish 2016, the Barrie economy continues to rebound in 2017. The increased economic activity supports consumer confidence and encourages employers to increase their production and hire more workers. Barrie's economy is diversified and employment is notably increasing in services, manufacturing

and trade. More full-time jobs are created for age groups 15 to 24 and 44 to 64.

Slowing but still strong in-migration from the GTA will support population growth. Migrants will continue to be drawn by the attractive quality of life and relatively affordable real estate prices in the region. The accelerated price growth in the GTA in recent years will encourage more baby-boomers to look to Barrie as a place for retirement that isn't far from the GTA. The population in Barrie increased by 5.4 percent between the 2011 and 2016 census period and this trend will continue over the forecast period.

With Increased full-time jobs, especially in the goods-producing industries, the weekly earnings are expected to increase in 2018 and 2019.

## 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:

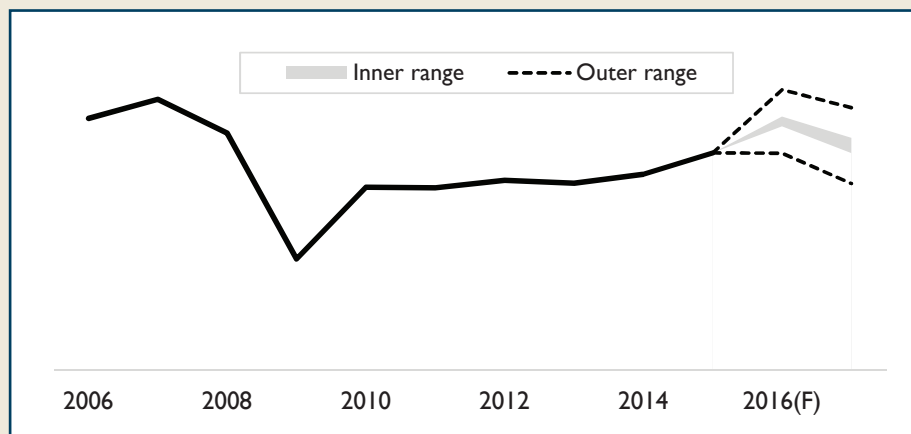
- An inner range, which provides more precise guidance to readers on the outlook while recognizing the small random components of the relationship between the housing market and its drivers. This inner range is based on the coefficient of variation\* of historical data and on past forecast accuracy. 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 Barrie CMA Fall 2017									
	2014	2015	2016	2017(F)		2018(F)		2019(F)	
				(L)	(H)	(L)	(H)	(L)	(H)
<b>New Home Market</b>									
<b>Starts:</b>									
Single-Detached	550	695	686	600	700	650	750	700	800
Multiples	598	321	1,037	850	900	800	900	650	950
Starts - Total	1,148	1,016	1,723	1,450	1,600	1,450	1,650	1,350	1,750
<b>Resale Market</b>									
MLS® Sales	4,795	5,244	6,032	5,700	6,200	5,600	6,100	5,350	6,150
MLS® Average Price(\$)	341,023	373,203	438,828	516,400	543,600	499,200	528,800	507,500	544,500
<b>Economic Overview</b>									
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)
<b>Rental Market</b>						
October Vacancy Rate (%)	1.6	1.3	2.2	1.8	1.6	1.5
Two-bedroom Average Rent (October)(\$)	1,118	1,167	1,150	1,185	1,210	1,230
<b>Economic Overview</b>						
Population	200,488	202,546	205,003	207,500	209,900	212,500
Annual Employment Level	111,600	108,400	104,200	115,000	113,000	114,000

Multiple Listing Service® (MLS®) is a registered trademark of the Canadian Real Estate Association (CREA).

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. CREA(MLS®). 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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