

HOUSING MARKET OUTLOOK

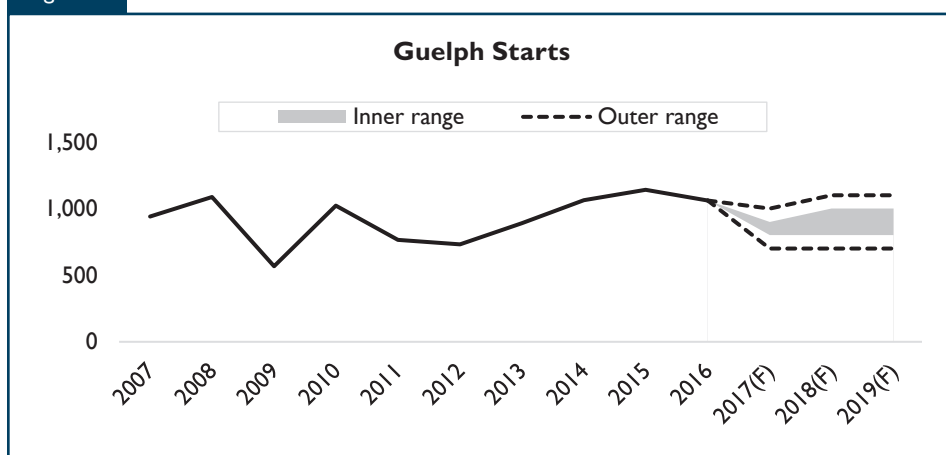
Guelph CMA



CANADA MORTGAGE AND HOUSING CORPORATION

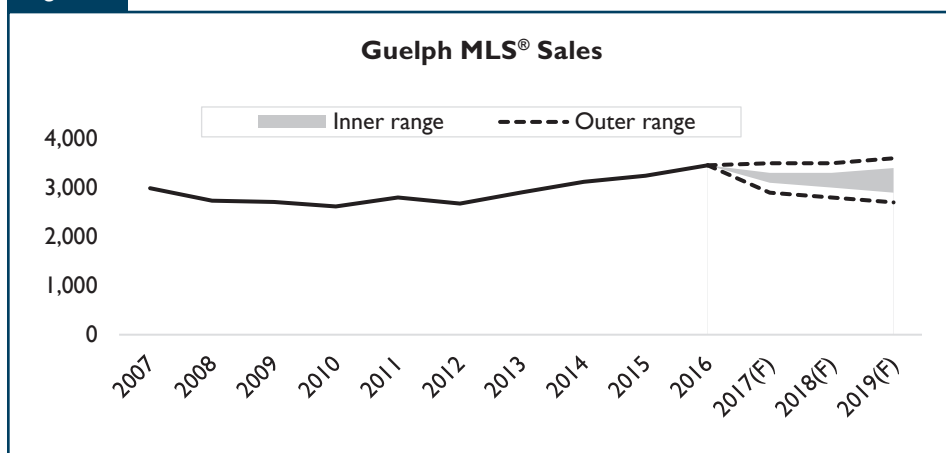
Date Released: Fall 2017

Figure 1



Source: CMHC; (F) = CMHC Forecast

Figure 2



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

Highlights¹

- Housing starts to be lower, ranging between 800 and 1,000 units in 2018 and between 800 and 1,000 in 2019
- Resale demand will remain strong with sales ranging between 3,000 and 3,300 in 2018 and between 2,900 and 3,400 in 2019.
- The resale market will be balanced with prices in the range between \$464,200 and \$511,800 in 2018 and between \$478,600 and \$545,400 in 2019.
- The rental market will remain tight with the average vacancy rate edging slightly higher in 2017 and 2018 before tightening in 2019.

New Ownership Market

Construction of single-detached homes will decline slightly in 2017 and then remain relatively stable through 2018 and 2019. Sales of low-rise homes have been significantly lower this year.² Although demand has remained strong for single-detached homes from GTA households, employment and wage growth this year have not supported local demand for new homes. Supply has been lower as fewer lots have been registered.

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

² Altus Data Solutions

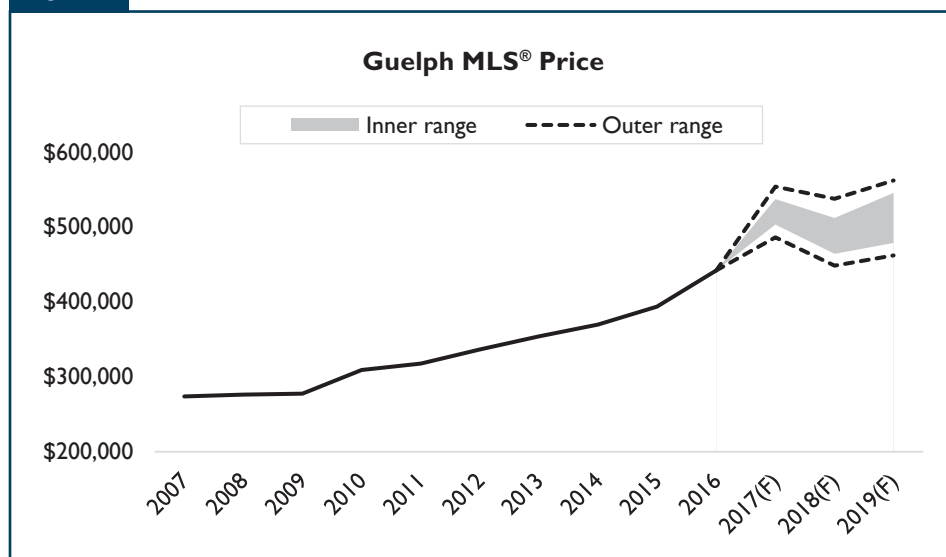
A more balanced resale market in recent months has meant less spillover of demand to the new home market. Rising new home inventories and a cooler resale market would result in single-detached starts trending closer to the bottom end of the range.

Multi-unit starts are expected to decline in 2017, but remain relatively stable in 2018 and 2019. Demand for both townhouses and apartments has declined in 2017. Apartment starts increased in 2016 to the second highest level since the 1970s. Much of the pent-up demand of previous years has been satisfied. However, strong price growth in both the new and resale markets for ground-oriented housing and higher demand for apartments due to an aging population and smaller household size, will support apartment construction. Apartment starts are expected to decline from 2017 levels in both 2018 and 2019, but remain above the ten-year average. Rental apartment starts, although limited in Guelph, may be negatively impacted by the new rent guidelines.

Existing Home Market

Sales of existing homes in Guelph will decline through the forecast period. After record sales in 2016, and sales in the first quarter of 2017 at an annualized rate above 3,700, sales have trended lower in the past few months. Concerns about rapid price appreciation early this year combined with the introduction of the *Fair Housing Plan* by the Provincial Government of Ontario in April 2017, propelled more owners to put their homes on the market to take advantage of the equity gains. In addition, many buyers delayed their home purchases as their expectations of price growth changed as did the urgency to get a

Figure 3



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

deal done. With fewer buyers and more supply, prices have declined as bidding wars and sales above listing price slowed. The flow of GTA households buying in Guelph will slow as the price differential between Toronto and Guelph has declined. Fewer GTA buyers and a faster erosion of affordability due to higher mortgage rates will push sales closer to the lower end of the range.

Although new listings had not kept pace with the growth in sales, this trend reversed in the second quarter. The resale market is more balanced and prices are declining. However, the average price for all of 2017 will be up strongly from 2016. Prices will bottom out late in 2017 and then gradually increase through 2018, but not sufficiently to bring the average for 2018 up to the 2017 average. The slow growth in prices will continue in 2019, bringing the average that year up over 2018, but not yet back to the 2017 average. Prices have increased at a faster pace than incomes. With rising carrying costs, affordability has eroded and buyers may be looking for

more modestly priced homes.

A prolonged balanced market may keep price growth subdued for a longer period of time. On the other hand, an earlier return to sellers' market conditions may result in higher price growth.

Rental Market

The vacancy rate³ will increase slightly to 1.1% in 2017, to 1.3% in 2018 and decline slightly to 1.2% in 2019. Despite the slightly higher vacancy rates, Guelph will continue to have one of the tighter rental markets in Ontario. Although demand will remain strong for rental accommodation, increased supply entering the market over the next two years will push the vacancy rate slightly higher.

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³ In apartment structures with three or more units purpose-built for the rental market

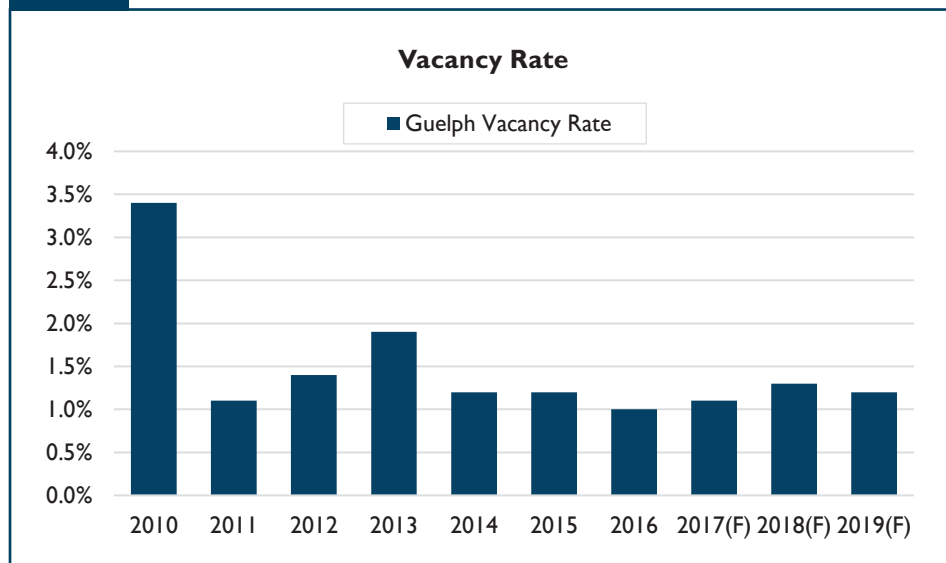
Demand for rental accommodation will be supported by the growth in the population among younger and older households. These households have a higher propensity to rent. Students and immigrants also support rental demand.

Supply is increasing faster than demand. More than 180 rental apartments and 430 condominium apartments were completed between July 2016 and June 2017. Although not included in the rental universe, condominium apartments rented by the owner will draw renters from older rental stock to these new projects. With more than 800 apartments currently under construction, both rental and condominium, apartment completions will add to the supply of rental units next year, raising the vacancy rate. A risk to this forecast is the impact of the Government of Ontario's *Fair Housing Plan* and the possibility of fewer apartment units being completed as rental resulting in downward pressure on the vacancy rate.

Economics and Demographics

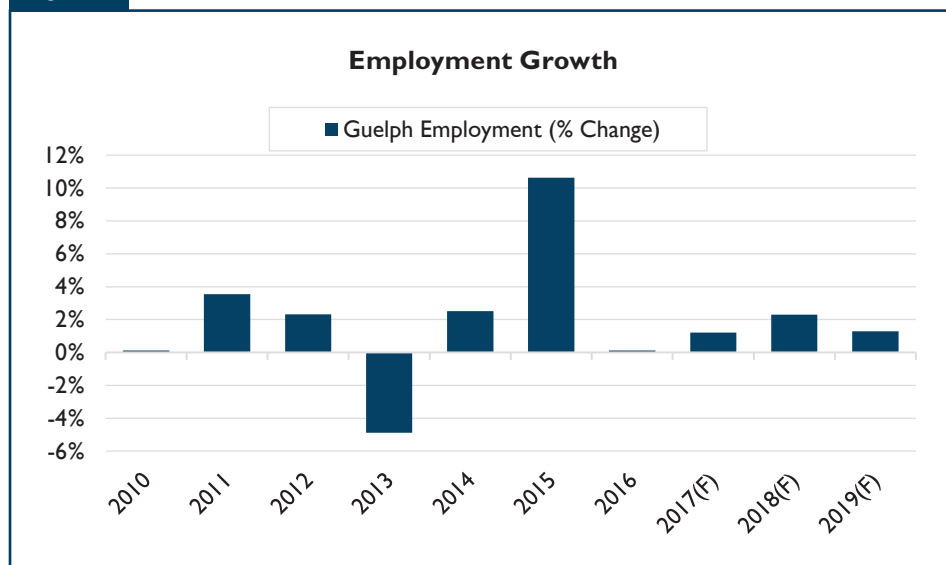
Employment and wage growth have not supported housing demand as much as in the past. Employment grew by less than one per cent in 2016 and continued this slow pace of growth in 2017. Employment will grow at a faster pace in 2018 and 2019. The labour force is expected to grow at a slightly slower pace than employment, resulting in an unemployment rate of 4.8% in 2017, 4.7% in 2018 and 4.6% in 2019. While the number of goods-producing jobs grew this year, services sector jobs have declined. Construction supported goods-producing sector employment growth. Service sector employment has been supported

Figure 4



Source: CMHC; (F) = CMHC Forecast

Figure 5



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

by growth in the education, finance, insurance and real estate and health sectors.

The Guelph population is expected to grow by 1.6% in 2017 and by 1.4% in both 2018 and 2019, due to stronger migration. With higher immigration to Ontario in the last year, more immigrants have settled in Guelph.

In addition, more households have moved to Guelph from the GTA due to the relatively more affordable prices for both new and resale homes. Buyers consider lower house prices a good trade-off for a longer commute. However, flows of GTA households to Guelph are slowing resulting in slower population growth.

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:

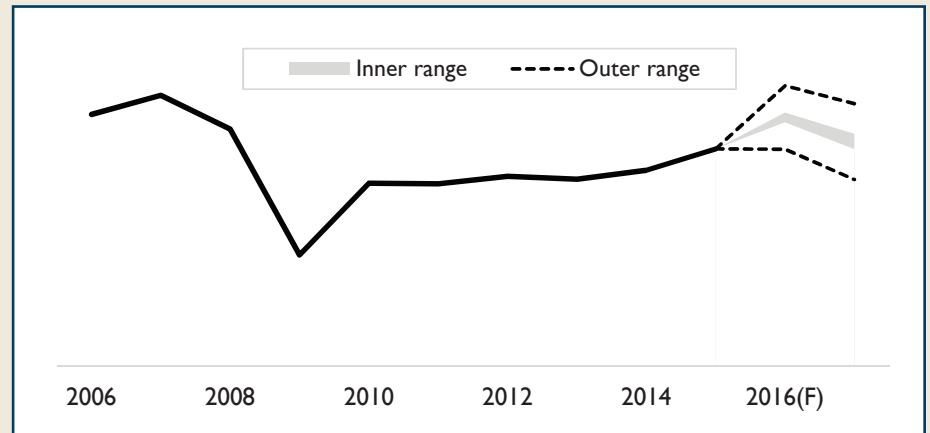
- An inner range, which provides more precise guidance to readers on the outlook while recognizing the small random components of the relationship between the housing market and its drivers. This inner range is based on the coefficient of variation* of historical data and on past forecast accuracy. This 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 Guelph CMA Fall 2017									
	2014	2015	2016	2017(F)		2018(F)		2019(F)	
				(L)	(H)	(L)	(H)	(L)	(H)
New Home Market									
Starts:									
Single-Detached	204	343	249	200	250	200	300	200	300
Multiples	860	798	812	600	650	600	700	600	700
Starts - Total	1,064	1,141	1,061	800	900	800	1,000	800	1,000
Resale Market									
MLS® Sales	3,117	3,244	3,457	3,100	3,300	3,000	3,300	2,900	3,400
MLS® Average Price(\$)	369,546	393,452	441,924	503,100	536,900	464,200	511,800	478,600	545,400
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 (%)	1.2	1.2	1.0	1.1	1.3	1.2
Two-bedroom Average Rent (October)(\$)	988	1,027	1,078	1,110	1,145	1,180
Economic Overview						
Population	151,627	153,531	156,029	158,500	160,700	163,000
Annual Employment Level	81,800	90,500	90,600	91,700	93,800	95,000

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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