

HOUSING MARKET OUTLOOK

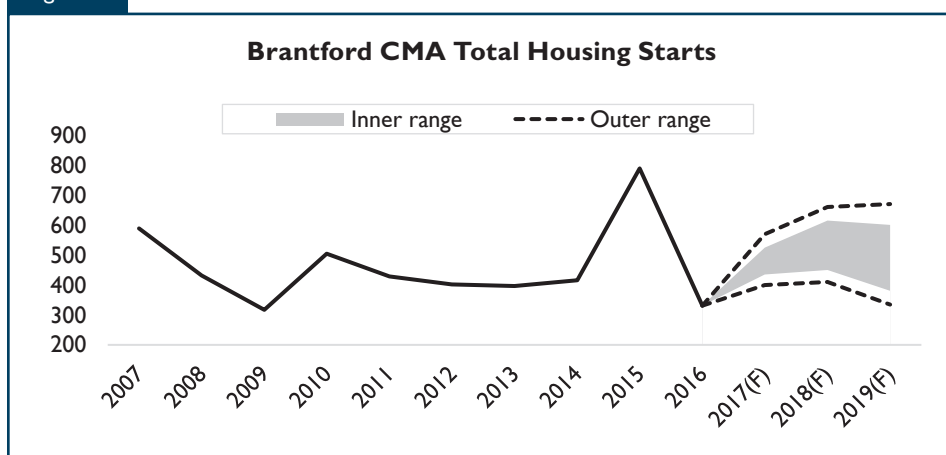
Brantford CMA



CANADA MORTGAGE AND HOUSING CORPORATION

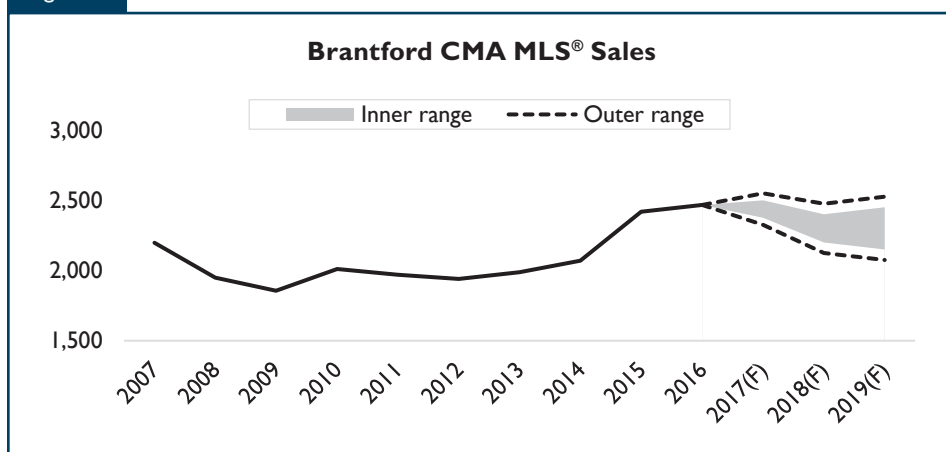
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Figure 1



Source: CMHC (Starts and Completions Survey); (F)= CMHC forecast

Figure 2



Source: CREA; (F) = CMHC forecast

Highlights¹

- Total housing starts will likely exceed 2017 levels next year, and then decrease slightly from 2018 to 2019.
- MLS® sales are unlikely to exceed 2017 levels in either of the next two years.
- Balanced resale market conditions will lead to modest growth in the average MLS® price over the next two years.

New Ownership Market

- A few condominium apartment projects are expected to start in 2018, as they are 100% sold and have promised buyers completion dates ranging from late 2018 to the first half of 2019.
- A relatively low number of projects selling townhomes or single-detached homes will be launched that could lead to starts in 2018 and 2019, as buyers will have an ample number of listings in the resale market to choose from.
- Starts in 2018 and 2019 will be constrained by low employment growth and new homes becoming

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

² MLS® is a registered trademark of the Canadian Real Estate Association (CREA).

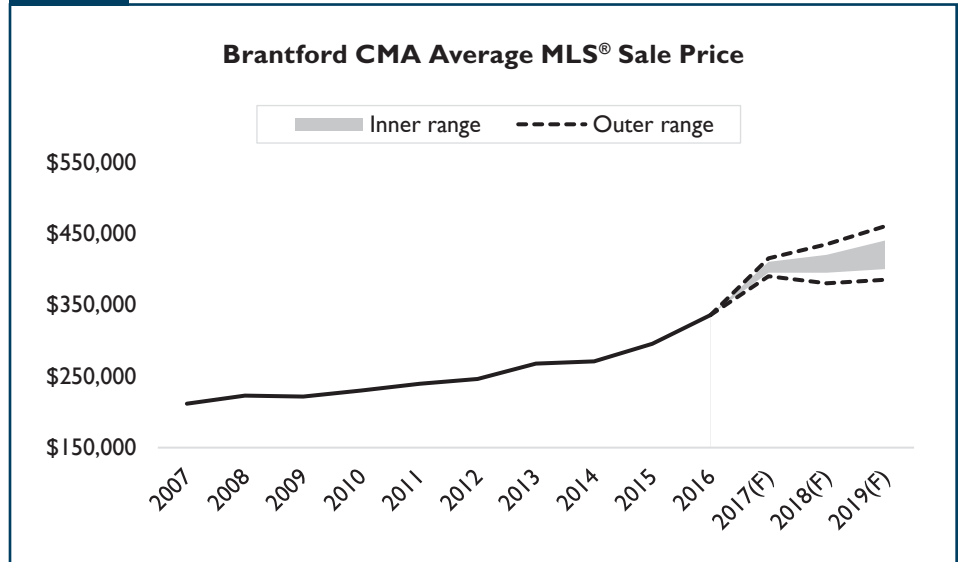
less affordable. In both years, mortgage carrying costs will rise faster than the average household income in Brantford. Multi-unit starts (mainly townhomes and apartments) will hold up better than single-detached starts, as multi-unit homes generally are more affordable.

- Total starts could finish near the upper end of the outer range if resale market conditions favour sellers again, instead of remaining balanced.
- Total starts could be near the lower end of the outer range if some apartment projects are delayed.

Existing Home Market

- MLS® sales are unlikely to increase in 2018 or 2019, as housing affordability will erode and both employment and population growth will be very modest.
- Hamilton and Toronto house prices are forecast to be just slightly above their respective Q4 2017 price levels next year and then grow modestly in 2019. In-migration from either region to Brantford is unlikely to be higher than in 2017, as the gap between prices in Brantford and prices in those two markets will likely narrow.
- MLS® sales could finish near the upper end of the outer range if employment is higher than expected or if mortgage rates do not increase.
- MLS® sales could finish near the lower end of the outer range if in-migration to Brantford is lower than expected due to decreasing house prices in Hamilton and Toronto.
- The average MLS® price will be significantly higher this year, primarily due to prices rising very

Figure 3



Source: CREA; (F) = CMHC forecast

quickly in the first half. 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 Brantford have regressed. There is some evidence that buyer and vendor price expectations moderated leading up to the implementation of this new plan resulting in changing behaviour and a more balanced market after the policy came into effect.

- Balanced market conditions will likely persist next year. The number of new listings will decrease from relatively high levels but remain sufficient for the level of demand expected. As a result, the 2018 average MLS® price will not be much higher than the average price in Q4 2017.
- The resale market will remain balanced in 2019.
- The average MLS® price could finish near the upper end of the outer range if demand is greater than expected, due to higher than expected employment or steady mortgage rates.

- The average MLS® price could finish near the lower end of the outer range if demand is lower than expected, due to lower than expected in-migration to Brantford, due to decreasing house prices in Hamilton and Toronto.

Rental Market

- A large increase in supply will push up the rental apartment vacancy rate in 2017. It will decrease in 2018 and 2019, as the number of occupied rental apartments will increase in both years and the supply of rental apartments will not keep pace. Expect relatively no growth in the rental apartment universe in 2018 and 2019.

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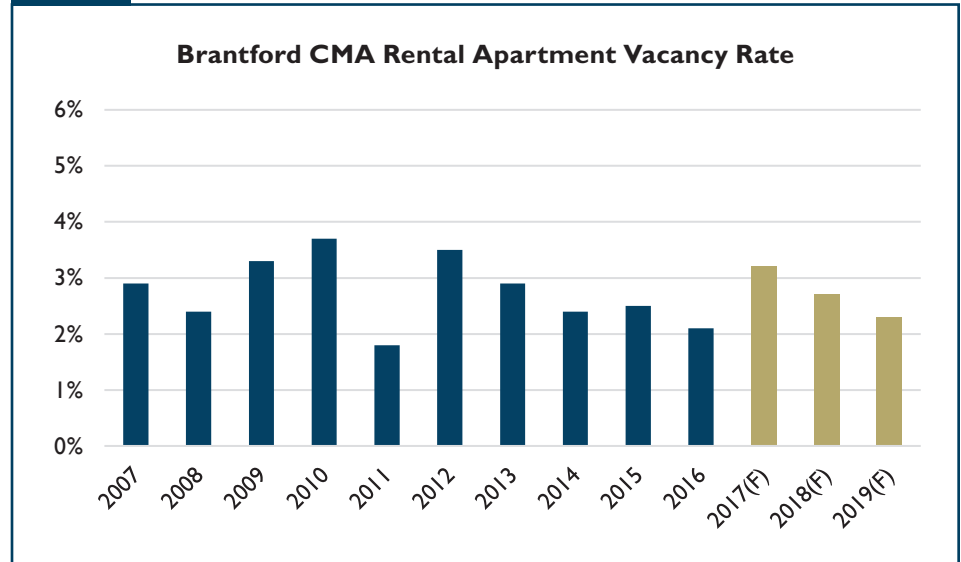
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- The number of occupied rental apartments will grow slightly over the forecast horizon due to relatively high levels of immigration, a growing number of downsizing seniors and fewer renters transitioning into homeownership. Student rental demand is expected to remain relatively steady, due to similar enrolment at the Brantford campus of Laurier University in both years.

Economic Trends

- Strong job growth in 2017 in wholesale and retail trade is unlikely to occur again in the next two years, as growth in retail spending is expected to slow due a highly indebted average household.
- Growth in finance and real estate employment will likely slow in 2018 and 2019, due to lower inflation adjusted spending from MLS® transactions.
- Construction employment will likely remain high, supported by a high level of residential construction activity and relatively steady non-residential activity.
- Employment in manufacturing, Brantford's largest industry, is unlikely to increase over the next two years, due to slower US growth, weaker US vehicle sales and the lagged effects of an appreciating Canadian dollar.

Figure 4



Source: CMHC (Fall Rental Market Survey); (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:

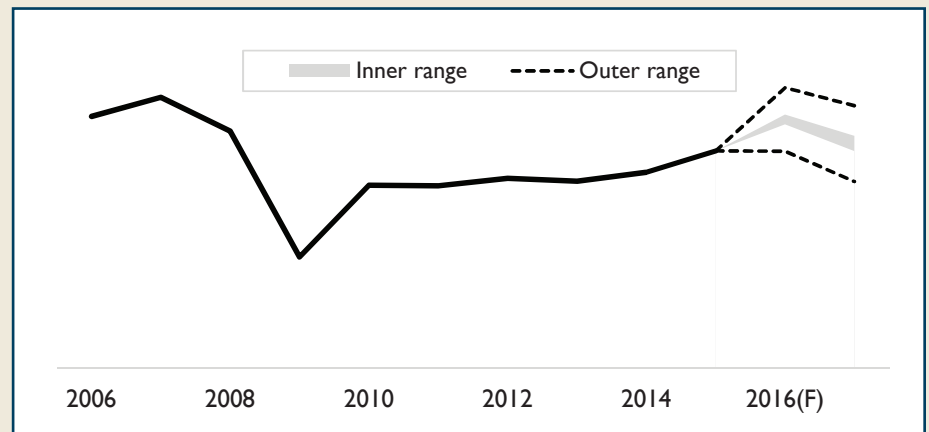
- An inner range, which provides more precise guidance to readers on the outlook while recognizing the small random components of the relationship between the housing market and its drivers. This inner range is based on the coefficient of variation* of historical data and on past forecast accuracy. This 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 Brantford CMA Fall 2017									
	2014	2015	2016	2017(F)		2018(F)		2019(F)	
				(L)	(H)	(L)	(H)	(L)	(H)
New Home Market									
Starts:									
Single-Detached	278	265	210	180	210	160	210	150	210
Multiples	138	524	121	280	320	300	400	240	380
Starts - Total	416	789	331	460	530	460	610	390	590
Resale Market									
MLS® Sales	2,069	2,419	2,467	2,370	2,500	2,200	2,400	2,150	2,450
MLS® Average Price(\$)	271,022	295,240	335,613	395,000	410,000	390,000	425,000	390,000	445,000
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 (%)	2.4	2.5	2.1	3.2	2.7	2.3
Two-bedroom Average Rent (October)(\$)	855	870	908	930	960	1,000
Economic Overview						
Population	142,881	144,011	145,455	146,500	147,400	148,200
Annual Employment Level	68,600	69,300	70,200	71,500	72,200	72,500

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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