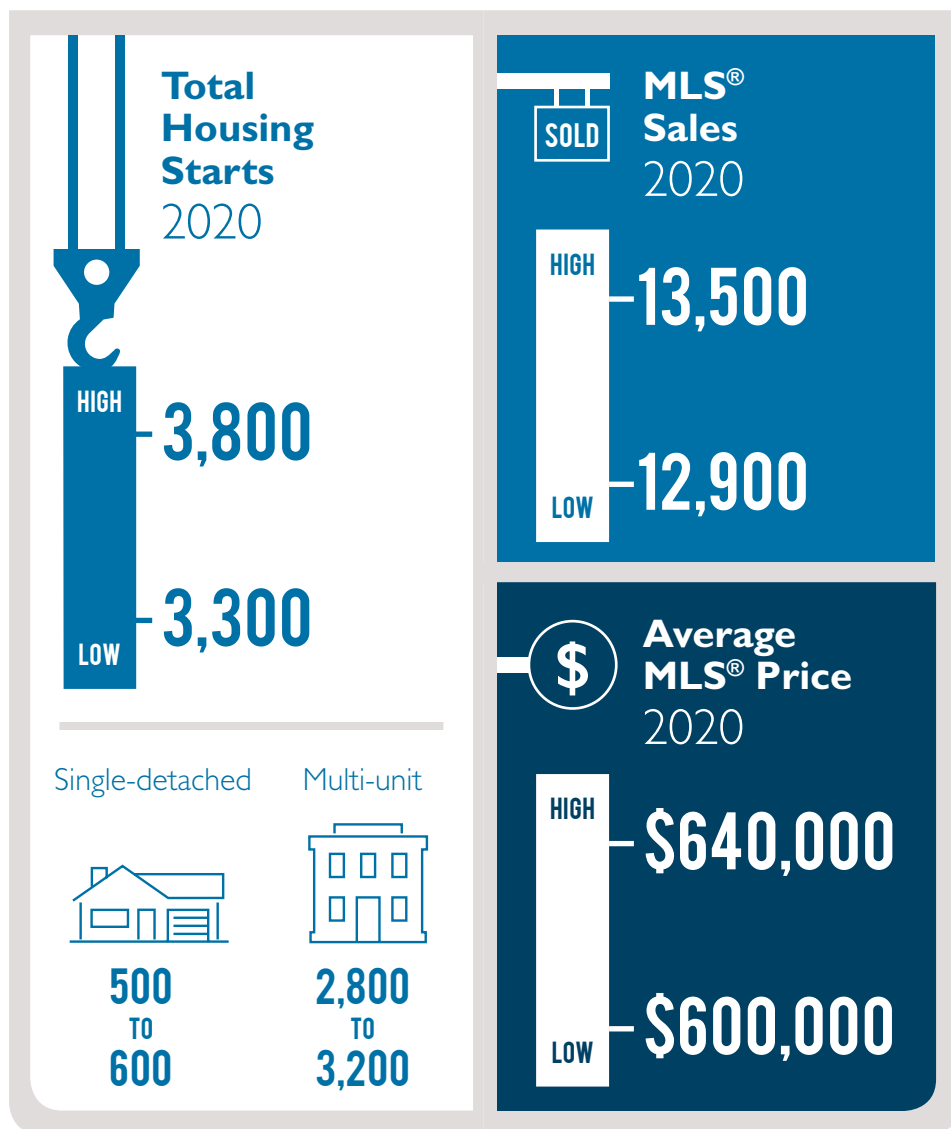


## HOUSING MARKET OUTLOOK

Hamilton CMA



CANADA MORTGAGE AND HOUSING CORPORATION

Date Released: Fall 2019<sup>1</sup>

**Greater housing activity is expected in 2020.**

"In 2020, the number of housing starts will rebound and MLS® sales will increase due to greater housing demand."

**Anthony Passarelli**  
Senior Analyst

<sup>1</sup> The forecasts and historical data included in this document reflect information available as of September 12, 2019.

## Highlights

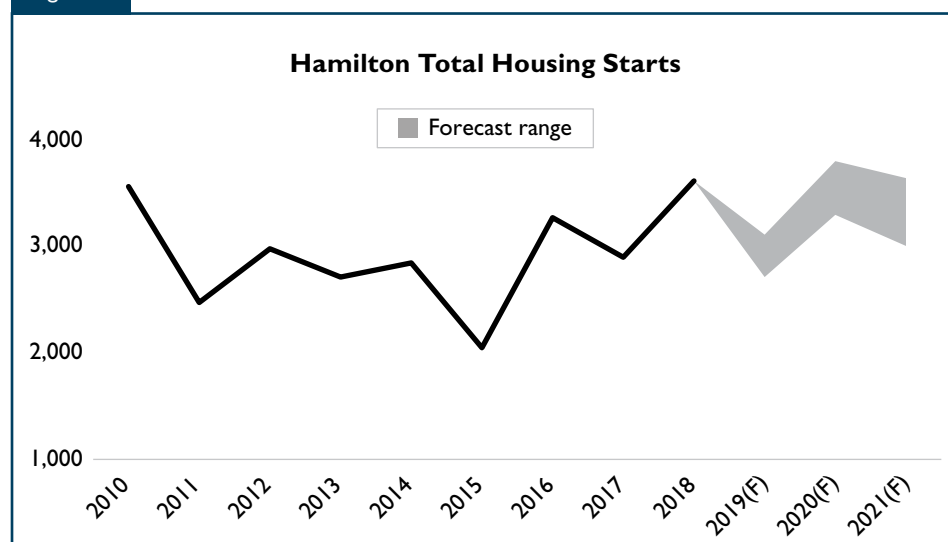
- Expect the number of housing starts to rebound next year, driven by the apartment segment.
- A strong local economy and stable mortgage rates will cause MLS® sales will increase in 2020.
- Expect higher price growth next year, as the resale market will likely favour sellers.
- Strong rent growth will continue as the overall vacancy rate will only increase slightly.

## Housing Starts Bounce Back in 2020

This year's number of housing starts will be surpassed in both 2020 and 2021. Starts of multi-unit homes, particularly condominium apartments, will continue to dominate starts activity in Hamilton Census Metropolitan Area (CMA). A number of condominium apartment projects will benefit from greater housing demand over the remainder of 2019 and into 2020, supported by strong local economic conditions and the recent decrease in mortgage rates. Greater traffic at condominium sales offices will cause the sales-to-inventory ratio at many projects to cross the 70-80% threshold, which typically leads to the start of construction. Townhomes are the other type of multi-unit home typically built in Hamilton CMA, and demand for them will remain steady. Altus Group reports that most pre-construction townhomes in Hamilton are currently priced between \$500,000 to \$600,000, which will continue to make them popular among buyers seeking less expensive ground-oriented homes.

Single-detached starts are unlikely to surpass their 2019 total in the next two years. They are currently priced

Figure 1



Source: CMHC

(F): Forecast

at \$750,000 to \$950,000, which limits the demand for these homes to mostly move-up buyers. Stronger price growth in the resale market will allow more existing homeowners to sell and upgrade to a more expensive property. However, move-up buyers will also have plenty of options in the resale market at a similar price point as a new single-detached home, limiting traffic at new home sales offices.

Upside and downside risks to our housing starts forecast are balanced. Fewer than expected homes listed on the resale market, or lower than expected interest rates could push starts above predicted levels. An earlier than expected economic slowdown or weaker than expected population growth could pull starts below predicted levels.

## MLS® Sales Increase in 2020

MLS® sales are expected to increase and approach their ten-year average by 2020. Sales will be supported by improving local economic conditions, including higher employment and

strong wage growth. Combined with stable low mortgage rates, this will lessen the impact of higher prices and lead to just a minor reduction in purchasing power. Population growth is also forecast to be above average in Hamilton, due to high immigration and strong in-flows from the Greater Toronto Area (GTA). House price appreciation in the GTA will continue to encourage a significant number of its residents to move to Hamilton.

The number of resale market transactions will likely remain relatively steady from 2020 to 2021. An uptick in mortgage rates is expected to counteract the additional demand that would have been generated by slightly higher employment and rising wages.

## Seller's Market Conditions in 2020

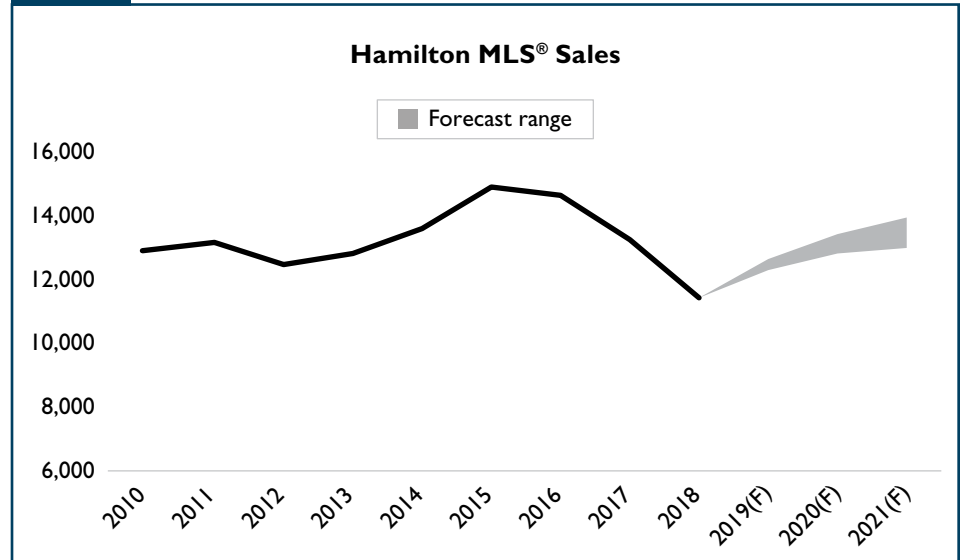
The resale market in Hamilton was balanced during most of the first half of 2019, but has tilted in favour of sellers in recent months. Seller's market conditions are expected to persist throughout 2020, resulting in higher price growth next year.

Strengthening sales activity combined with a steady number of new listings will put greater upward pressure on prices. However, annual price growth figures are not expected to reach double-digit territory, as they did in 2016 and 2017. Next year, a larger share of the sales activity will likely be in the lower price ranges due to a greater number of first-time buyers. More people in the millennial generation will be in their early 30's, the age group that historically produces the largest number of first-time buyers, according to CMHC data. Demand will also shift to less expensive homes because buyers will have slightly less purchasing power.

The resale market will likely move back towards a balanced state in 2021, resulting in lower price growth. Greater market balance will be achieved by an increase in new listings, as more homeowners are expected to react to the equity they had gained from faster rising prices.

Upside and downside risks to our resale market forecast are balanced. Lower than expected interest rates could push sales and prices to higher than expected levels. An earlier than expected economic slowdown or weaker than expected population growth could push sales and prices to lower than predicted levels.

Figure 2



Source: CREA

(F): Forecast

## Vacancy Rate Still Supports Strong Rent Growth

The overall vacancy rate in the primary rental market<sup>2</sup> will increase slightly in 2020 and 2021. However, it will remain at a level that produces rent growth that exceeds inflation. The vacancy rate will edge up as the primary rental apartment stock is expected to increase more than demand. Some renter households will switch over to the secondary

rental market,<sup>3</sup> since a high number of condominium rental apartments will be completed over the next two years. Additionally, more renters will vacate their units to become homeowners than in recent years. This will be supported by favourable local economic conditions and a larger number of millennial generation renters being in their early 30's. High levels of immigration and a steady number of student renters attending McMaster University and Mohawk College will continue to support rental demand in Hamilton.

<sup>2</sup> The primary rental market only includes privately initiated apartment structures with at least three rental units that were originally purpose-built for the rental market.

<sup>3</sup> The secondary rental market covers rental dwellings that were not originally purpose-built for the rental market, including condominium apartments.

To access regional and CMA housing market outlook reports, click on the following link: <https://www.cmhc-schl.gc.ca/en/data-and-research/publications-and-reports/housing-market-outlook-highlights>

Forecast Summary Hamilton CMA Fall 2019									
	2016	2017	2018	2019(F)		2020(F)		2021(F)	
				(L)	(H)	(L)	(H)	(L)	(H)
<b>New Home Market</b>									
<b>Starts:</b>									
Single-Detached	827	704	661	575	625	500	600	450	600
Multiples	2,442	2,189	2,955	2,125	2,475	2,800	3,200	2,550	3,050
Starts - Total	3,269	2,893	3,616	2,700	3,100	3,300	3,800	3,000	3,650
<b>Resale Market</b>									
MLS® Sales	15,030	13,582	11,676	12,300	12,700	12,900	13,500	13,000	14,000
MLS® Average Price(\$)	496,876	560,114	558,932	576,000	590,000	600,000	640,000	615,000	665,000
<b>Economic Overview</b>									
Mortgage Rate(5 year)(%)	4.66	4.78	5.27	5.00	5.60	5.40	6.20	5.50	6.50

	2016	2017	2018	2019(F)	2020(F)	2021(F)
<b>Rental Market</b>						
October Vacancy Rate (%)	3.8	2.4	3.1	3.1	3.2	3.3
Two-bedroom Average Rent (October)(\$)	1,037	1,103	1,158	1,215	1,260	1,300
<b>Economic Overview</b>						
Population	768,951	777,821	786,641	795,500	804,000	811,500
Annual Employment Level	385,800	417,900	413,800	414,000	416,000	418,000

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 12th September 2019. (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 - Market Absorption Survey - Rental Market Survey). Statistics Canada. CREA(MLS®). CMHC Forecast (2019-2021).

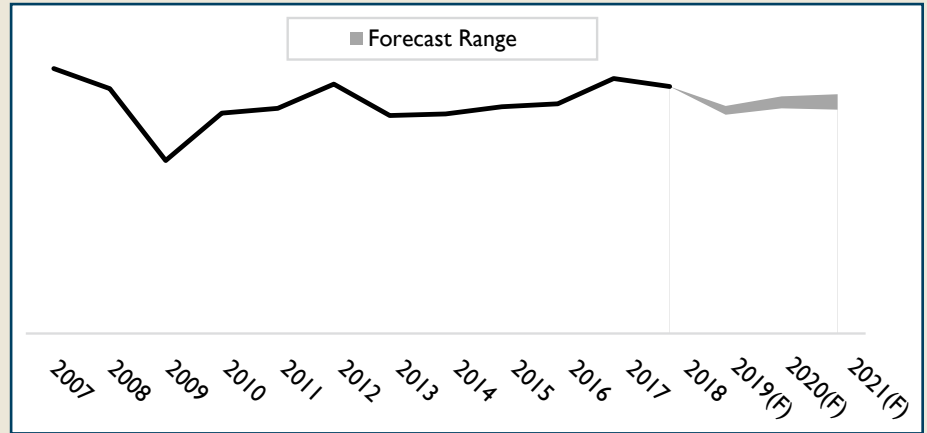
## Methodology for forecast ranges

This edition of *Housing Market Outlook* incorporates forecast ranges for housing variables. However, all analyses and forecasts of market conditions continue to be conducted using the full range of quantitative and qualitative tools currently available.

The range provides a relatively precise guidance to readers on the outlook while recognizing the small random components of the relationship between the housing market and its drivers. The range is based on the coefficient of variation\* of historical data and on past

forecast accuracy. It provides precision and direction for forecasts of housing variables,

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



\* 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.

## 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.

### Dwelling Types

#### 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.

### Intended Market

#### Freehold Start:

Refers to the commencement of construction of a residence where the owner owns the dwelling and lot outright.

#### Condominium (including Strata-Titled) Start:

Refers to the commencement of construction of an individual dwelling which is privately owned, but where the building and/or the land are collectively owned by all dwelling unit owners. A condominium is a form of ownership rather than a type of house.

#### Rental Start:

Refers to the commencement of construction of a dwelling constructed for rental purposes regardless of who finances the structure.

#### 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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- Rental Market Reports, Canada and Provincial Highlights
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