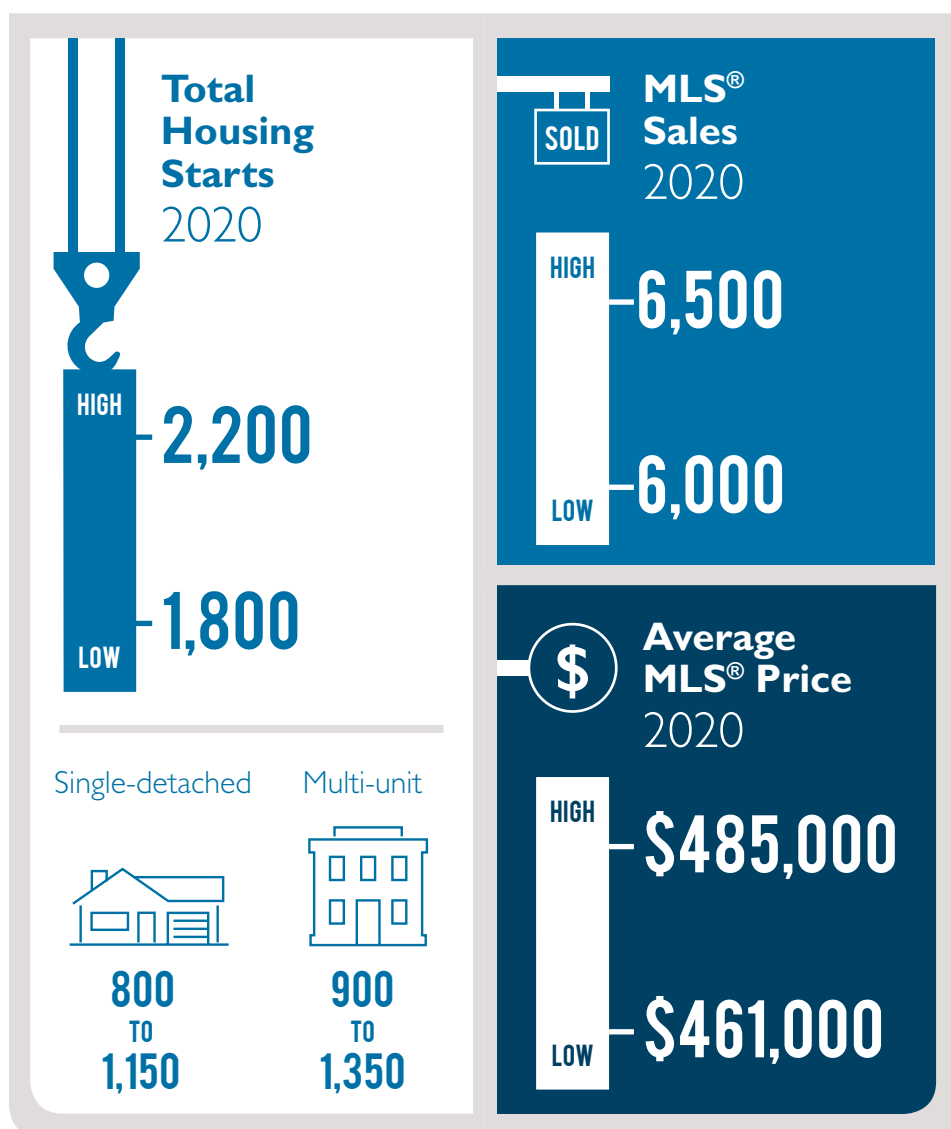


HOUSING MARKET OUTLOOK

St. Catharines-Niagara CMA



CANADA MORTGAGE AND HOUSING CORPORATION

Date Released: Fall 2019¹

**Housing activity
will be better
aligned with
the fundamentals.**

"Over the forecast horizon, housing starts will moderate slightly from the elevated 2019 levels. On the resale market, both sales and prices will reach higher levels."

Inna Breidburg
Senior Analyst, Economics

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

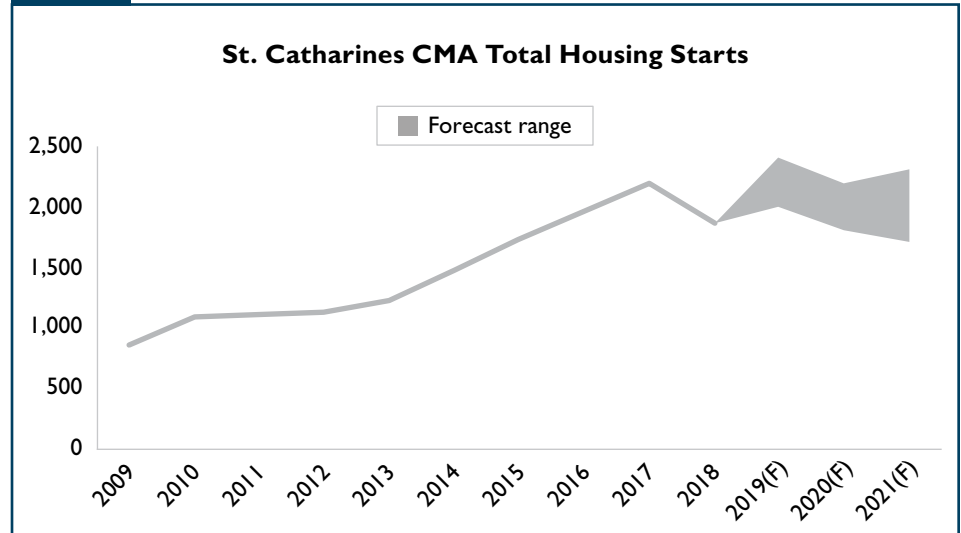
Highlights

- Total housing starts will inch down in 2020 and 2021 but remain well above the 10-year average.
- MLS® sales will continue to strengthen in 2020 before levelling off in 2021.
- MLS® price growth will ease but remain above the projected rate of inflation in 2020 and 2021.
- Rental market conditions will remain tight through to 2021.

New home construction will ease following a strong 2019

Total housing starts in the St. Catharines Census Metropolitan Area (CMA) are projected to finish 2019 at the highest level since 1990. This is primarily due to the strength of row homes, which are expected to set a new record since the early 1970s, when CMHC first began tracking this statistics in the area. While housing starts in 2020 and 2021 will edge down from 2019 levels, they will remain robust—well above the 10-year average. Many factors, which drove construction up in 2019, will remain intact. The modestly priced homes in St. Catharines will continue to attract end-users and investors from the relatively more expensive communities in Central Ontario. Furthermore, new factors stimulating demand will kick in. The daily train service between Niagara Falls and Toronto was added in 2019. Over the next few years, additional transit projects will better connect St. Catharines with Hamilton and Toronto. Homebuyers in St. Catharines are poised to continue to capitalize on these improvements. Employment growth in St. Catharines will be positive but constrained because of cautious business sentiment and lower foreign demand. It will support new home

Figure 1



Source: CMHC
(F) = CMHC Forecast

purchases, but to a lesser degree, pushing housing starts downwards from the elevated 2019 levels. Another factor suggesting that new home construction may ease in 2020 and 2021 is the high number of units under construction, which by the end of 2019 will reach the highest level since 1990. Before the under construction numbers come down, developers may not have enough resources (machinery, skilled labour, materials and funds) to match the 2019 results. Downside and upside risks to the forecast, both of which are related to migration inflows, are quite balanced. The price gap with more expensive markets will continue to shrink throughout the forecast horizon, which may slow an inflow of buyers to St. Catharines and pull starts in 2021 to the lower end of the projected range. Conversely, stronger-than-projected price growth and limited supply of new homes in nearby communities may help starts to finish near the upper bound of the range.

Existing home sales and prices will continue to rise

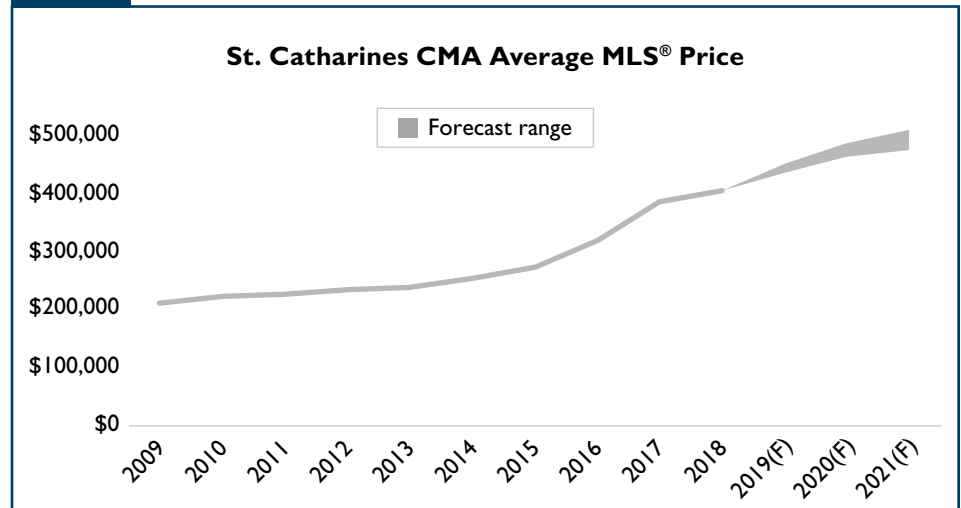
MLS® sales in St. Catharines will edge higher in 2019 and 2020 before levelling off in 2021. The spillover demand from the pricier, nearby centres will help sales increase. The pent-up demand generated in 2018, when some homebuyers delayed their home purchasing decisions owing to changes in mortgage qualification requirements or because they took a wait-and-see approach, will also contribute to sales increases but will likely be fully realized by the end of 2020. The upward trend will start facing resistance in 2021 as affordability erodes. MLS® price growth in St. Catharines will continue to outpace the rate of growth in more expensive Ontario markets. However, after projected price growth ranging from 8% to 12% in 2019, the pace of increase will gradually moderate as market conditions become more balanced and as the composition of sales shifts towards multi-unit homes. Driven by heightened global economic uncertainties, employment declined in both manufacturing and trade in 2019; however, employment in these sectors is projected to

stabilize throughout the outlook horizon. The positive employment growth recorded in 2019 in selected service-producing industries, including finance, insurance and real estate, professional services, public administration, and health, is anticipated to continue through to 2021. However, if these sectors underperform, thus limiting the overall employment growth, MLS® sales may finish close to the lower band of the forecast range.

Rental market demand will remain strong

Rental demand will remain robust through to 2021 thanks to steady population growth. There will be some marginal fluctuations, but overall, the vacancy rate is projected to remain low from a historical perspective. The vacancy rate is anticipated to edge lower in 2019, as some renter households continue to put their home purchasing decisions on hold and remain in their rental accommodations. In the following two years, the vacancy rate will inch up back toward the 2018 level. Renter outflow will slightly pick up, as some first-time homebuyers will be taking possession of the newly completed homes that were purchased beforehand. The increase in rental supply will generate some upward pressure as well. Average rents are anticipated to grow above the rate of inflation between 2019 and 2021.

Figure 2



Source: CREA

(F) = CMHC Forecast

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

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 St. Catharines-Niagara CMA Fall 2019									
	2016	2017	2018	2019(F)		2020(F)		2021(F)	
				(L)	(H)	(L)	(H)	(L)	(H)
New Home Market									
Starts:									
Single-Detached	1,438	1,266	717	900	1,100	800	1,150	750	1,150
Multiples	519	930	1,146	1,000	1,400	900	1,350	900	1,400
Starts - Total	1,957	2,196	1,863	2,000	2,400	1,800	2,200	1,700	2,300
Resale Market									
MLS® Sales	8,055	6,571	5,563	5,800	6,200	6,000	6,500	5,800	6,600
MLS® Average Price(\$)	319,585	385,472	403,423	437,000	451,000	461,000	485,000	475,000	507,000
Economic Overview									
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)
Rental Market						
October Vacancy Rate (%)	2.2	1.5	2.5	2.2	2.3	2.4
Two-bedroom Average Rent (October)(\$)	958	993	1,036	1,078	1,100	1,136
Economic Overview						
Population	416,362	422,378	429,036	435,000	440,500	446,000
Annual Employment Level	203,100	197,600	201,700	198,000	201,500	203,500

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 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. MLS® data includes the St. Catharines - Niagara and Welland boards. CMHC Forecast (2019-2021).

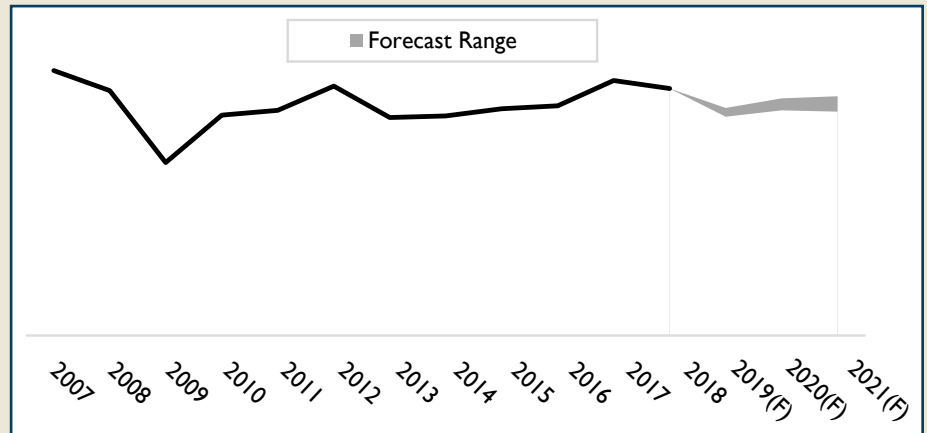
Methodology for forecast ranges

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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- Housing Market Outlook, Highlight Reports – Northern Housing
- Housing Market Outlook, Canada and Major Centres
- Preliminary Housing Starts Data
- Rental Market Reports, Canada and Provincial Highlights
- Rental Market Reports, Major Centres
- Seniors' Housing Reports
- Mortgage and Consumer Credit Trends Report

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- Household Characteristics
- Housing Market Data
- Housing Market Indicators
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