

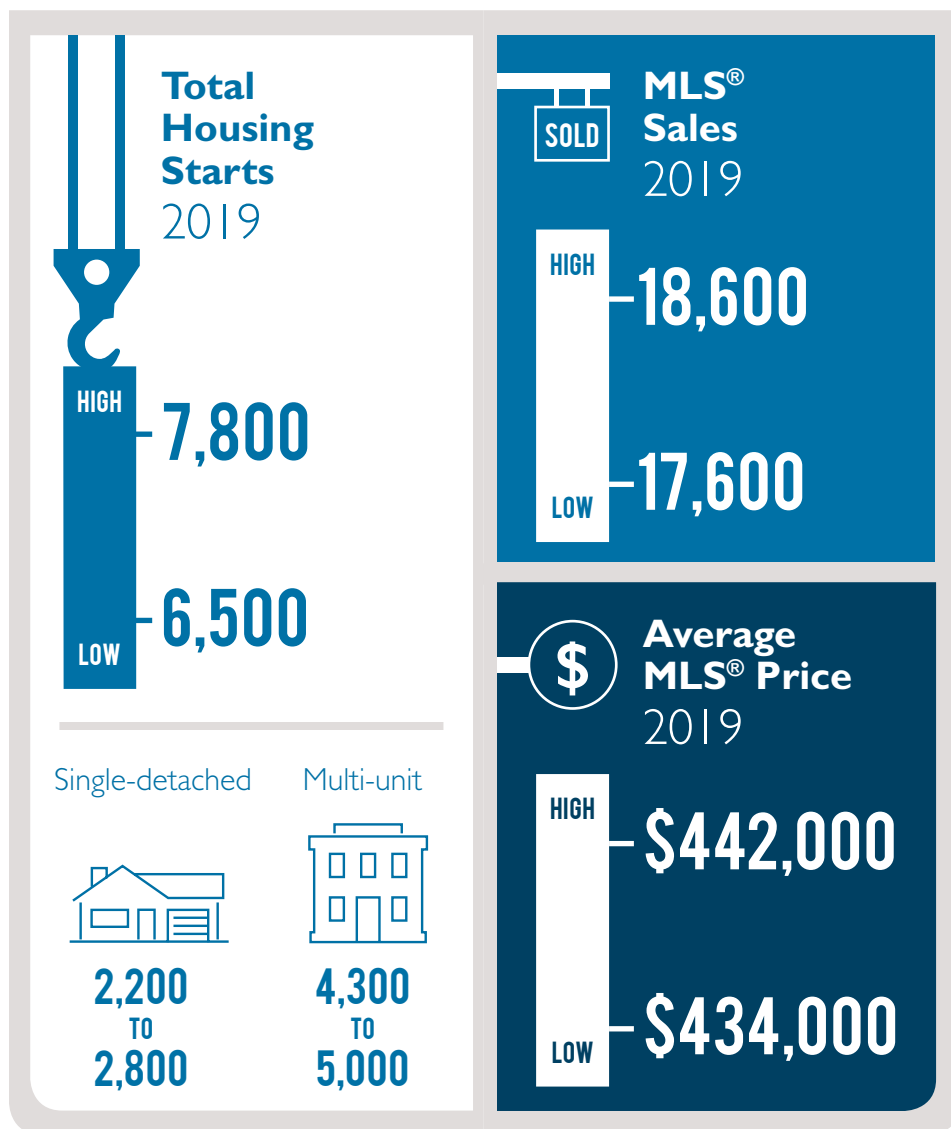
HOUSING MARKET OUTLOOK

Ottawa¹



CANADA MORTGAGE AND HOUSING CORPORATION

Date Released: Fall 2019²



Housing activity to remain robust over the 2019-2021 period.

“Ottawa’s housing market activity will continue to be supported by solid economic conditions.”

Anne-Marie Shaker
Senior Analyst

¹ Ontario part of Ottawa-Gatineau CMA.

² The forecasts and historical data included in this document reflect information available as of September 12, 2019.

Highlights

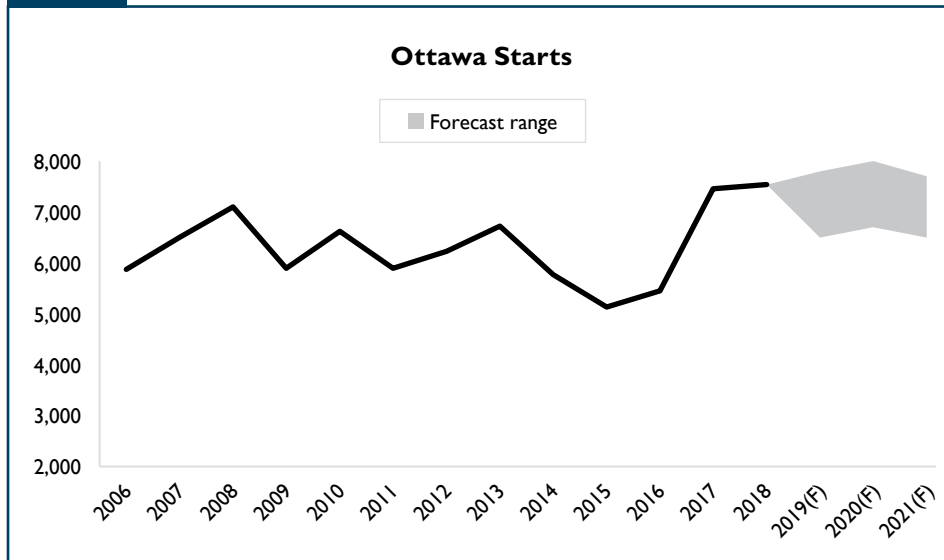
- Steady demand should continue to bolster starts activity in 2020.
- MLS® sales will continue to strengthen in 2020 boosted by solid economic activity.
- The rental market vacancy rate³ will remain near historical lows through to 2021.

New Home Starts to Grow over the Forecast

Housing starts are slated to grow over the 2019-2021 forecast period at a modest pace. There is a notable downside risk to the starts forecast caused by a potential drag on growth for multiple-unit starts. A historically high number of rental apartments under construction to be completed by the end of 2021 could reduce the need for further starts and thus bring numbers to the lower end of the forecast range. In addition, rising single-detached home prices could also reduce affordability enough to dampen the pace of starts. However, rising condominium apartment starts fueled by tight supply on the resale market should balance out some of those risks.

Year-to-date to August, single-detached home starts and rental apartment starts are down 10.7%, and 50.2% respectively, while condominium apartment and row home starts posted growth. Buyers searching for more affordable options on the new home market should continue to support demand for both condominium apartments and row homes over the forecast horizon. In the first half of 2019, 85.2% of new multiple units⁴

Figure 1



Source: CMHC
(F): CMHC Forecast

were absorbed below \$450k, while 80.7% of new single-detached homes were absorbed above that price, highlighting the relative affordability of new multiple-unit homes.

Resale Market Activity to Remain Robust

The expectation is for existing home sales and the average price to continue to grow over the 2019-2021 period. Strong growth particularly in full-time employment has boosted homeownership demand. A rebound in 2019 in public administration jobs, and steady growth for jobs in services remain the driving forces behind economic growth in the city. Significant public administration employment and a substantial IT sector that both provide higher average incomes give Ottawa key support for home purchases.

On average, the resale market offers buyers less expensive options than the new home market keeping its appeal to many. So far, in 2019 condominium apartments saw the strongest growth in sales and prices, as some buyers look for more affordable options amid higher single-detached home prices. Tight resale market conditions with steadily rising demand and lower inventory levels leading to a stronger price growth than expected is a key risk to the forecast that could pressure home sales to the lower range of the forecast.

Rental market to remain tight on strong demand

Steady population growth and robust employment conditions will continue to support the rental market. Demand in Ottawa's rental market is also continuously buoyed by the steady

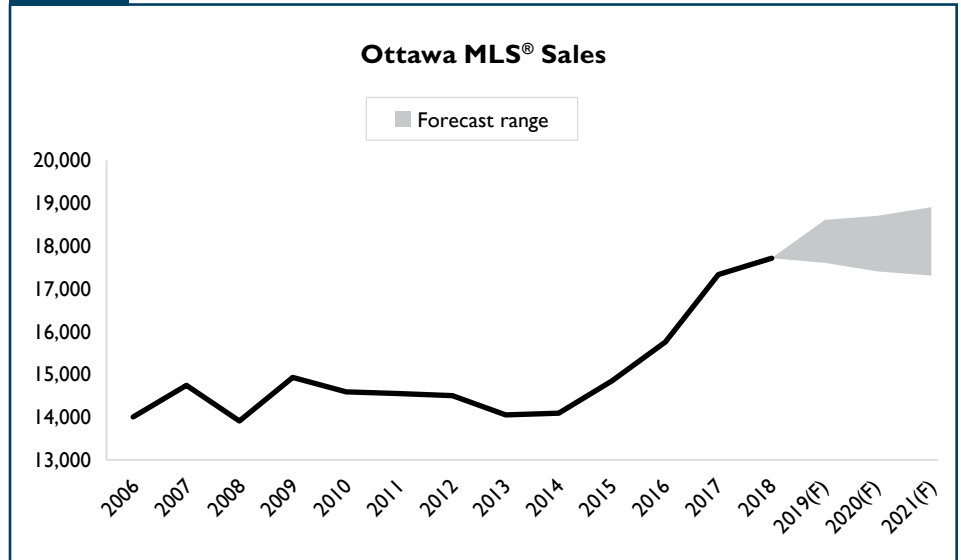
³ In apartment structures with three or more units purpose-built for the rental market.

⁴ Multiple units include, semi-detached, row homes and condominium apartments.

flow of newcomers through intra- and inter-provincial, as well as international migration, and both domestic and international students. An ageing population is also supporting demand for higher-priced newer units with some seniors looking to live closer to amenities. Demand for rental accommodations in the last two years has kept pace with rising supply keeping the vacancy rate low. Strong full-time employment growth for the 15-24 age group has supported this group's demand for rentals, and some first-time-buyer households delaying homeownership is also boosting their rental demand. Average rents will trend higher amid steady demand and tight supply in 2019, but growth should ease slightly over the following two years.

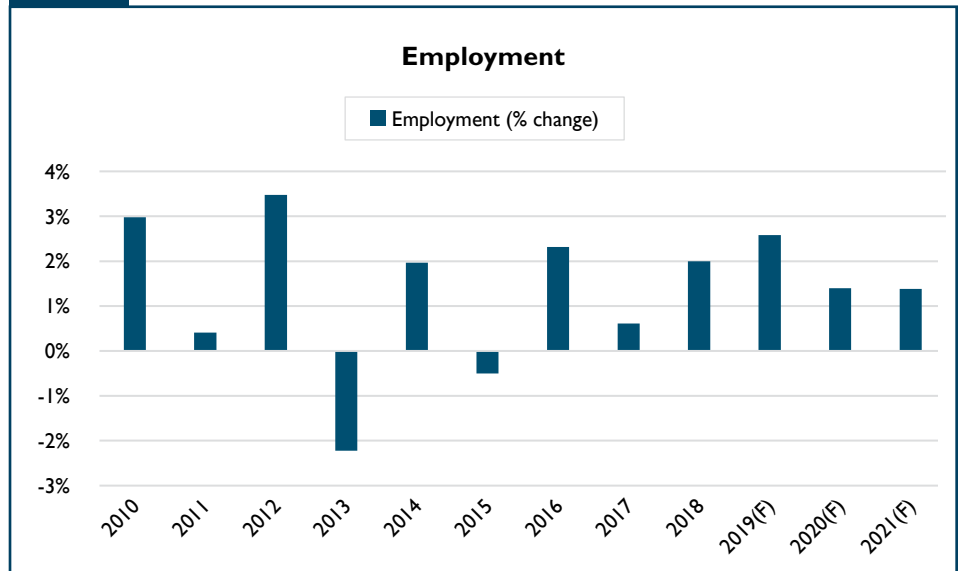
The vacancy rate is expected to trend lower to 1.5% in 2019, and move higher in 2020 and 2021 to 1.7% and 1.9% respectively, as more supply comes on the market. A slower absorption of newly completed units over the next two years amid rising average rents could mean higher vacancies over the 2020-2021 period.

Figure 2



Source: CREA
(F): CMHC Forecast

Figure 3



Source: CMHC, adapted from Statistics Canada, Labour Force Survey
(F): CMHC Forecast

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 Ottawa CMA Fall 2019									
	2016	2017	2018	2019(F)		2020(F)		2021(F)	
				(L)	(H)	(L)	(H)	(L)	(H)
New Home Market									
Starts:									
Single-Detached	1,990	2,283	2,718	2,200	2,800	2,300	2,900	2,200	2,800
Multiples	3,308	5,174	4,821	4,300	5,000	4,400	5,100	4,300	4,900
Starts - Total	5,298	7,457	7,539	6,500	7,800	6,700	8,000	6,500	7,700
Resale Market									
MLS® Sales	15,756	17,327	17,708	17,600	18,600	17,400	18,700	17,300	18,900
MLS® Average Price(\$)	373,604	394,464	408,925	434,000	442,000	450,000	460,000	465,000	480,000
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 (%)	3.0	1.7	1.6	1.5	1.7	1.9
Two-bedroom Average Rent (October)(\$)	1,201	1,232	1,301	1,370	1,430	1,490
Economic Overview						
Population	1,023,782	1,047,974	1,074,542	1,090,000	1,111,000	1,132,000
Annual Employment Level	543,400	546,700	557,600	572,000	580,000	588,000

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).

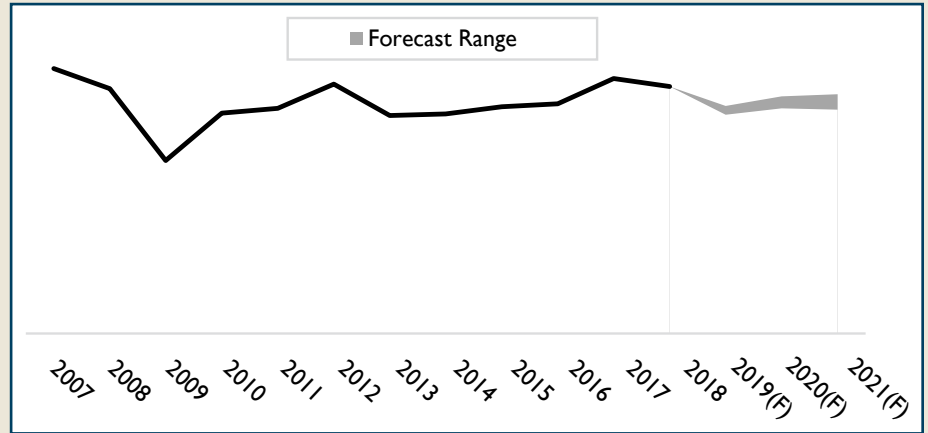
Methodology for forecast ranges

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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- Housing Market Insight
- Housing Now Tables
- Housing Market Outlook, Canada
- 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

DATA TABLES AVAILABLE ONLINE

- Funding and Securitization Data
- Household Characteristics
- Housing Market Data
- Housing Market Indicators
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