

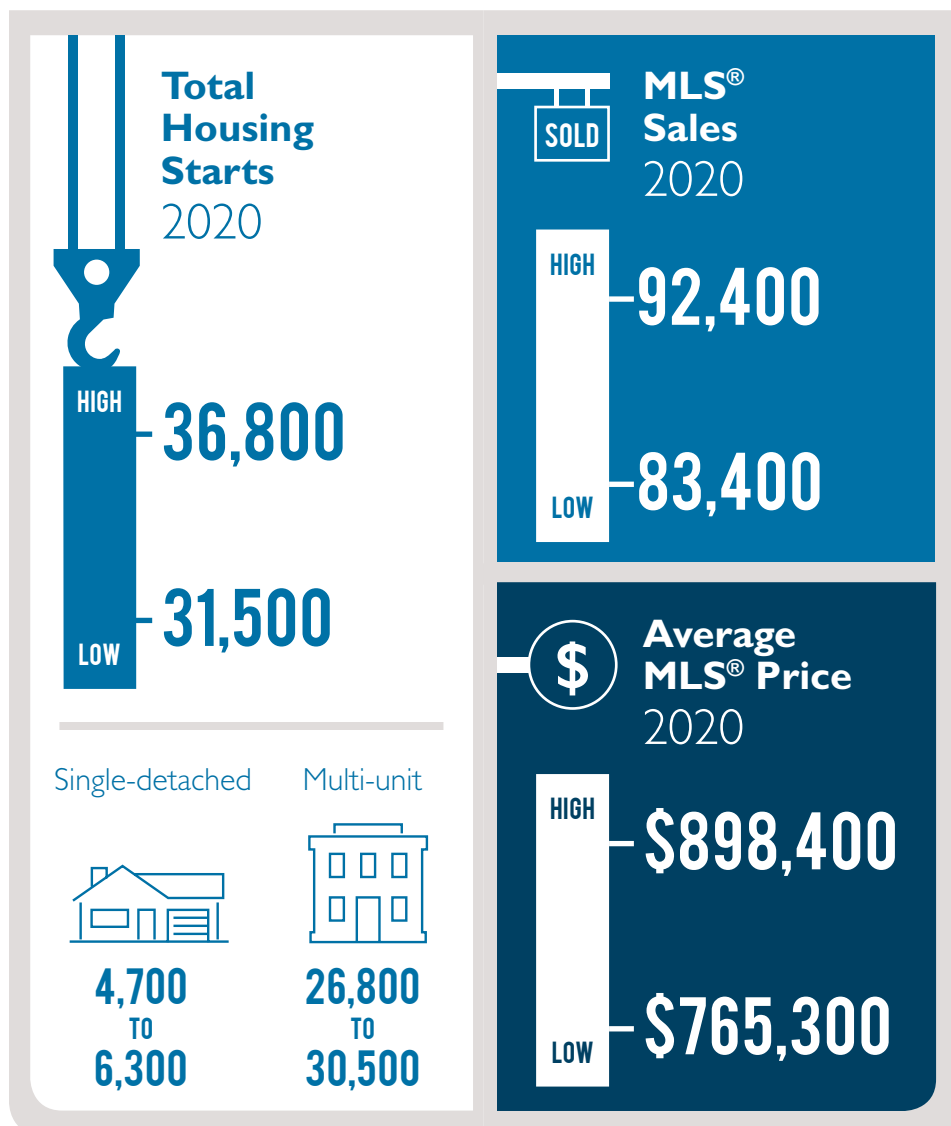
HOUSING MARKET OUTLOOK

Greater Toronto Area



CANADA MORTGAGE AND HOUSING CORPORATION

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Housing activity to rebound from 2019 to 2021.

"Housing market activity will rebound over the outlook period as economic and demographic fundamentals lend strong support for housing demand."

Dana Senagama
Principal Market Analyst

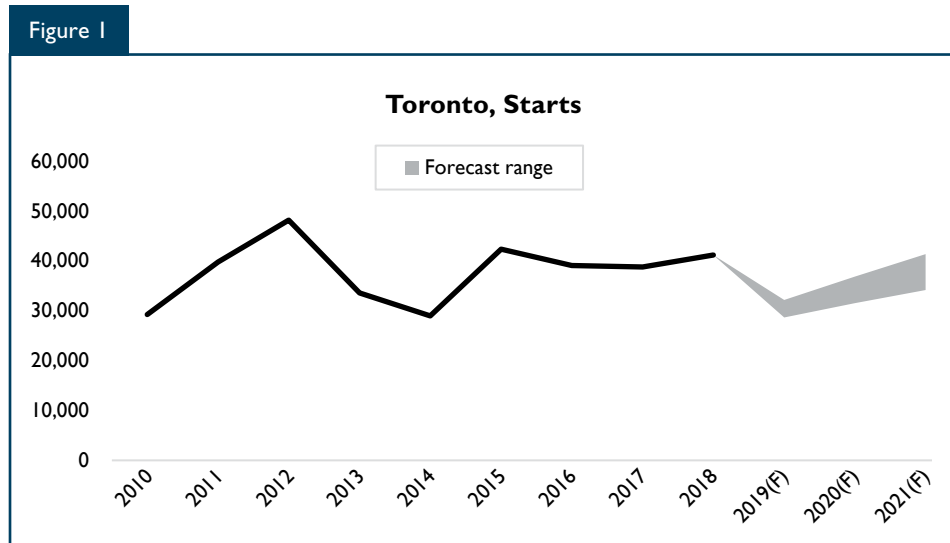
¹ The forecasts and historical data included in this document reflect information available as of September 12, 2019.

Highlights

- Construction activity to rebound in 2020 and 2021 with condominium apartments leading the way.
- Strong economic and demographic fundamentals will support housing demand and therefore higher home sales.
- House prices will grow as supply constraints continue to pressure the housing market.
- Gradually increasing rental supply will help to ease the average vacancy rate.

Starts to gradually increase

Total new home starts in the Greater Toronto Area (GTA) will trend lower in 2019 before rebounding in 2020 and 2021. Pre-construction sales of single-detached homes have trended significantly lower throughout 2018 and these units will translate into even fewer starts in 2019 thereby dragging down overall housing starts activity. However, continued growth in employment (particularly in service industries) and average weekly earnings (despite Oshawa set to lose manufacturing jobs by end of 2019) point to rebounding demand for ground-oriented homes in 2020 and 2021. Conversely, over 70,500 pre-construction units of condominium apartment units sold within the past 2.5 years. Typically, projects take about 24 months after opening to begin construction (as it takes that amount of time to achieve a sales target of at least 80 per cent). The majority of these units will begin to break ground over the next two to three years. Additionally, the pace of condominium apartment completions should increase over the next 18 months or so (total



Source: CMHC; (F): Forecast

completions were unusually low at just over 26,000 units between 2018 and 2019²) thereby clearing up some of the backlog of units under construction and make way for new units to begin production. Logistical and capital constraints in terms of labour and machinery will free up for use in new projects. Consequently, total starts activity, primarily led by high-rise construction, will increase from next year onwards. Expect to see heightened construction activity continue in 416 areas, where there is a higher concentration of high-rise projects. Given that fewer single-detached starts are expected over the forecast horizon, suburban 905 areas, which are popular neighbourhoods for low-rise subdivisions, will see less construction activity over the next two years.

Lengthy delays associated with getting low-rise projects off the ground (particularly in the 905 areas where servicing delays are more evident); there is a greater downside risk to ground-oriented housing starts in the forecast horizon. Higher price points associated with ground-oriented such as single-detached homes and townhouses coupled with their limited

inventory will force buyers to look towards more affordable condominium apartments. Therefore, greater condominium apartment sales may occur in the future. These units will begin construction towards the end of the forecast period and provide an upside risk to the current forecast. Other upside risks to the housing starts forecast include stronger than expected job growth, lower than anticipated increases in interest rates and more serviced land becoming available.

Home sales will rebound

Sales of existing homes will continue to rise over the forecast horizon following their recovery in 2019. Strong migration into the GTA coupled with a robust labour market, and lower than anticipated interest rates will result in significant growth in homebuyer demand and exert pressure on new listings. Significant price gaps that exist between pre-construction and existing homes will ensue greater demand for the latter. As a result, GTA home prices will likely see growth in both 2020 and 2021. Despite anticipated price growth,

² At the time of writing this report, data is available until August 2019.

a continued shift in the composition of sales towards relatively affordable higher density homes will mean a lower average price range. The condominium market, which is currently in sellers' market territory, will likely experience above average price growth. As a result, areas where these units are common (the City of Toronto and the downtown cores of certain 905 areas) are likely to experience stronger average price growth. Conversely, suburban areas of the

GTA, where low-rise homes are more predominant (York, Durham, and Peel), are likely to experience relatively lower average price growth.

A key upside risk to the forecast is stronger than expected growth in the economies of key global trading partners, which would boost demand for Canadian exports and improve manufacturing employment in the GTA. Increased demand for Canadian talent, particularly in information

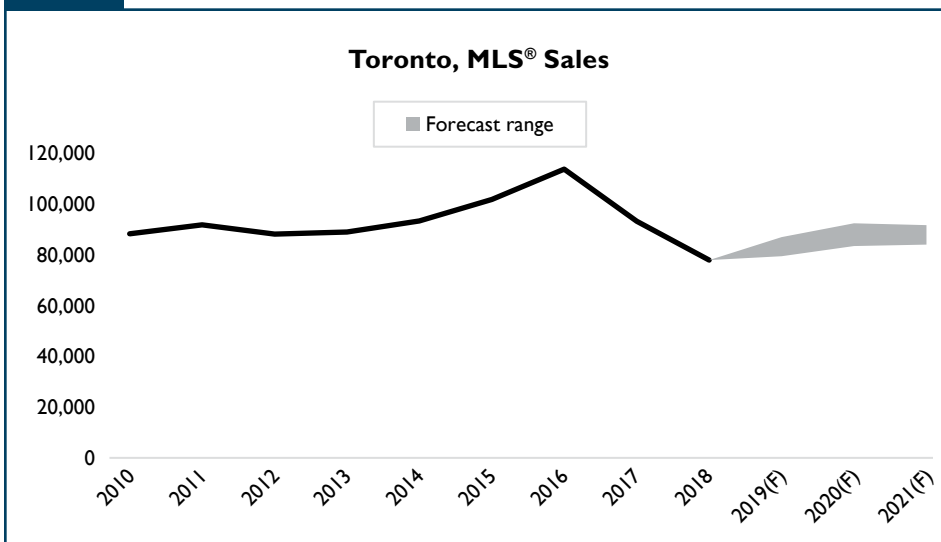
technology, will further boost high paying and full-time job creation. Additionally, lower than anticipated interest rate growth, which has already been the case as of late, can pose an upside risk and push resale home sales and prices towards their upper forecast bounds throughout the horizon. The implementation of any protectionist trade policies with key global trading partners pose a significant downside risk. Perceived short-term economic uncertainty, which could dampen business confidence, investment, and employment levels and drive resale prices and sales towards their lower forecast bound, also poses a downside risk.

Vacancy rate to stay low

Demand for rental accommodation in the Toronto CMA will remain strong over the outlook period. Anticipated increases in the millennial and senior populations alongside support from strong immigration inflows will ensure that the average vacancy rate remain tight and below 1.5% over the forecast horizon. Over the next few years however, private rental apartment supply will grow at their fastest pace since the early 90s as strong demand will encourage more developers to supply the market will more rental units. In 2018 and 2019³, total rental completions surpassed 3,000 units respectively. The last time rental completions rose above the 3,000 mark was back in 1994. This anticipated increase in supply will help slightly ease the vacancy rate over the forecast period and help slow the growth in the average 2-bedroom rent.

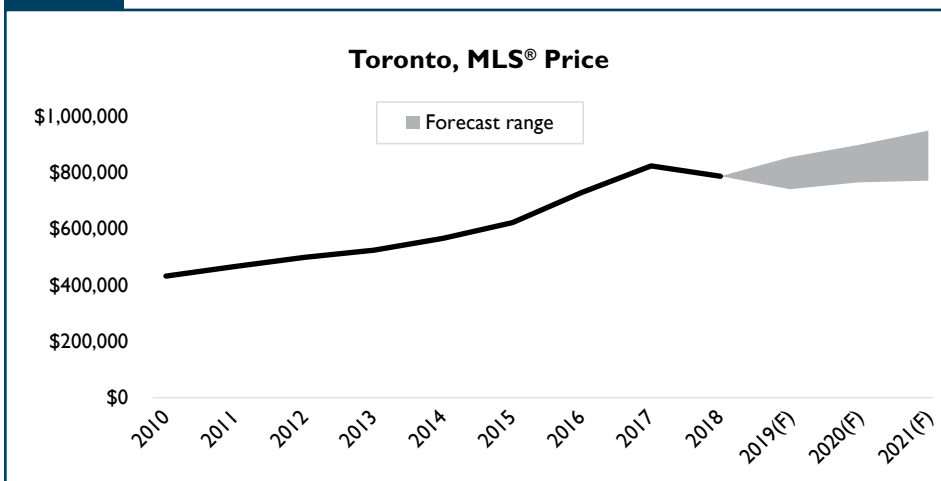
To access regional and CMA housing market outlook reports, click on the following link: <https://www.cmhc-schl.gc.ca/en/data-and-research/publications-and-reports/housing-market-outlook-highlights>

Figure 2



Source: CREA
(F): CMHC Forecast

Figure 3



Source: CREA
(F): CMHC Forecast

³ At the time of writing this report, data is available until August 2019.

Forecast Summary									
Toronto CMA									
Fall 2019									
	2016	2017	2018	2019(F)		2020(F)		2021(F)	
				(L)	(H)	(L)	(H)	(L)	(H)
New Home Market									
Starts:									
Single-Detached	11,884	10,172	6,405	3,600	4,400	4,700	6,300	5,800	7,800
Multiples	27,143	28,566	34,702	25,000	27,700	26,800	30,500	28,300	33,500
Starts - Total	39,027	38,738	41,107	28,600	32,100	31,500	36,800	34,100	41,300
Resale Market									
MLS® Sales	113,725	93,158	78,477	79,400	86,985	83,400	92,400	84,000	91,700
MLS® Average Price(\$)	729,591	823,874	787,420	740,600	854,600	765,300	898,400	771,000	949,400
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 (%)	1.3	1.0	1.1	1.2	1.2	1.3
Two-bedroom Average Rent (October)(\$)	1,327	1,404	1,467	1,540	1,610	1,690
Economic Overview						
Population	6,125,113	6,216,637	6,341,935	6,657,830	6,796,665	6,920,295
Annual Employment Level	3,215,000	3,289,600	3,353,000	3,428,000	3,520,000	3,605,000

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).

Forecast Summary									
Oshawa CMA									
Fall 2019									
	2016	2017	2018	2019(F)		2020(F)		2021(F)	
				(L)	(H)	(L)	(H)	(L)	(H)
New Home Market									
Starts:									
Single-Detached	945	1,208	1,308	730	950	700	1,000	840	1,100
Multiples	1,546	1,627	1,224	720	850	900	1,100	860	1,000
Starts - Total	2,491	2,835	2,532	1,450	1,800	1,600	2,100	1,700	2,100
Resale Market									
MLS® Sales	12,096	10,744	8,630	9,000	9,800	9,100	10,000	9,000	9,900
MLS® Average Price(\$)	528,475	624,225	591,214	554,000	640,000	570,000	670,000	570,000	700,000
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 (%)	1.7	2.2	2.7	2.7	2.7	2.8
Two-bedroom Average Rent (October)(\$)	1,109	1,179	1,246	1,320	1,390	1,420
Economic Overview						
Population	391,886	398,488	405,631	418,000	425,000	433,000
Annual Employment Level	214,000	210,400	220,600	223,500	227,000	231,000

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Rental Market: Privately initiated rental apartment structures of three units and over.

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Source: CMHC (Starts and Completions Survey - Market Absorption Survey - Rental Market Survey). Statistics Canada. Oshawa MLS® data are taken from Durham Region. CMHC Forecast (2019-2021).

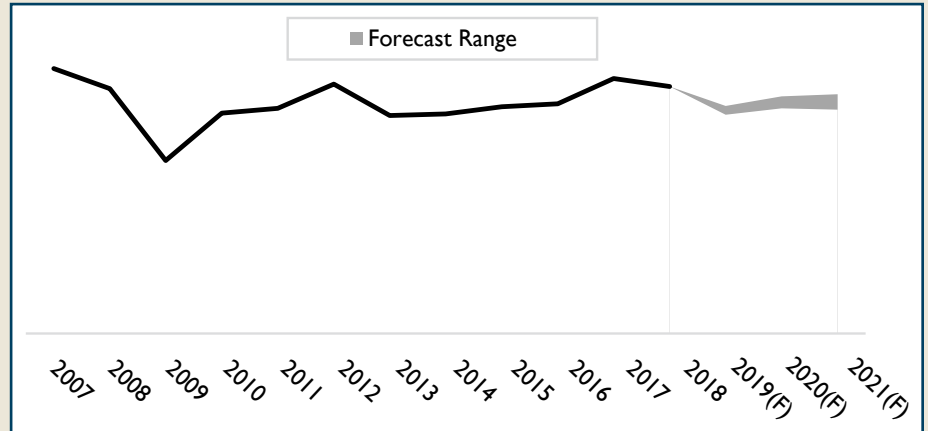
Methodology for forecast ranges

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

DATA TABLES AVAILABLE ONLINE

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