



Corporate Report

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PR.06.HOU
(Housing Matters)

DATE: June 5, 2007

TO: Chair and Members of Planning and Development Committee
Meeting Date: June 25, 2007

FROM: Edward R. Sajecki
Commissioner of Planning and Building

SUBJECT: **2007 Housing Matters**

RECOMMENDATION: That the report titled *2007 Housing Matters*, dated June 5, 2007 from the Commissioner of Planning and Building, be received for information.

BACKGROUND: Attached, under separate cover, is the *2007 Housing Matters* newsletter. It reports on housing starts, house prices, resale activity, rental vacancy rates and rents in Mississauga from January to December 2006.

The information is presented in newsletter format to facilitate the dissemination of the data. The newsletter is available from the Planning and Building Department and will be posted on the City's Web site.

COMMENTS: Highlights from the newsletter are as follows:

New Home Market

- Housing starts¹ declined by 11% across the Toronto Census Metropolitan Area (CMA) in 2006, a continuation of the downward trend that began after 2003. This trend is anticipated to continue through 2007.
- Despite the downward trend in the CMA, Mississauga's total housing starts rebounded in 2006 with a 15.6% increase. In 2005, starts in the City had dropped 17.6% since 2004. Starts for apartment units are the primary reason for the increase in 2006, rising over two and a half times from 2005 to 2006.
- Housing starts in the more expensive ground-oriented singles and semis has eased. These types of units are anticipated to continue to be the drivers of downward activity in housing starts.
- In contrast, starts in condominium units have reached the second highest level on record in the CMA. This is forecast to continue over the next two years as many households look for less-expensive housing types.

Resale Market

- Demand for resale homes remained at a three-year high in the Toronto CMA with over 83,000 sales in 2006. Despite these sales levels, the growth stage of the resale cycle is expected to have reached a plateau.

¹ Starts are units under construction where full footings are in place. For multiple unit structures, this applies to the entire structure. Due to the lag between building permit issuance and start of construction, construction starts data is not comparable to building permit data.

- The resale home cycle seems to be ahead of the curve in Mississauga. In 2006, sales of existing homes reached 10,900, a decline of 6.2% from 11,600 sales in 2005. Sales of resale homes in Mississauga peaked in 2003, as compared with 2004 in the CMA.
- Two principal factors behind the marginal decline in the resale home market are higher home prices, increasing ownership costs and pent-up demand from the early to mid-90s that has been satisfied.
- The average resale home value in Mississauga increased 4.4% to \$325,000 in 2006. This is inline with resale pricing increases across the Toronto Real Estate Board service area which increased 4.8% in 2006.

The Rental Market

- In 2006, rental and vacancy rates in the CMA dropped to 3.2%, from 3.7% in 2005. They had peaked at 4.3% in 2004.
- Mississauga's rental market mirrored the rental market performance in the CMA. In 2006 the average vacancy rate for all unit types in Mississauga declined for the second consecutive year from the peak of 5.2% in 2004 to 2.8% in 2006.
- According to CMHC, a greater number of new households are choosing rental accommodation over ownership due to the widening gap between the costs of ownership and average rents. Rental is also a strong preference for the youth market. As well, immigrant households, which are the main drivers of population growth, are tightening rental market conditions.
- The rental market is expected to tighten in 2007 due in part to lack of new supply in purpose built rental. Vacancy rates are expected to continue to decline and rents are expected to increase.

FINANCIAL IMPACT: Not applicable

CONCLUSION: The *2007 Housing Matters* is a newsletter that reports on housing starts, house prices, resale activity, rental vacancy rates and rents in 2006. Copies of the newsletter are available from the Planning and Building Department and will be posted on the City's website.

ATTACHMENTS: APPENDIX 1: Under Separate Cover - *2007 Housing Matters Newsletter*

Original Signed By:

Edward R. Sajecki
Commissioner of Planning and Building

Prepared By: Emily Irvine, Policy Planner

THE OWNERSHIP MARKET

New Home Market

Housing starts¹ declined by 11% across the Toronto Census Metropolitan Area (CMA) in 2006, a continuation of the downward trend that began after 2003. This trend is anticipated to continue through 2007.

Starts in some segments of the new home market have eased, particularly in relation to more expensive ground-oriented singles and semis. These are anticipated to continue to be the drivers of downward activity in housing starts. Prices of these types of units have been increasing since the late 90s. In contrast, starts in condominium units have reached the second highest level on record in the CMA. This is forecast to continue over the next two years as many households look for less-expensive housing types.²

Despite the downward trend in the CMA, Mississauga's total housing starts rebounded in 2006 with a 15.6% increase. In 2005, starts in the City had dropped 17.6% from the previous year. Starts for apartment units are the primary reason for the increase in 2006, rising over two and a half times from 2005 to 2006. Detached units were the only other housing type with an increase in starts. Starts for semi detached and townhouse units declined.

Average price increases of new single detached units in Mississauga were in line with average prices across the CMA. In 2006, the average price of completed and absorbed new single detached dwellings in Mississauga increased 11.3%, to \$510,000 from \$458,000 in 2005. The Toronto CMA also experienced the same average price increase of 11.3% reaching \$466,000 in 2006 from \$419,000 in 2005.³

Resale Market

Demand for resale homes remained at a three-year high in the Toronto CMA with over 83,000 sales in 2006. This represents a marginal 1% difference from the 2005 peak of 84,000 sales of existing homes. Despite these sales levels, the growth stage of the resale cycle is expected to have reached a plateau.⁴

The resale home cycle seems to be ahead of the curve in Mississauga. In 2006, sales of existing homes reached 10,900, a decline of 6.2% from 11,600 sales in 2005. Sales of resale homes in Mississauga peaked in 2003, as compared with 2004 in the CMA.⁵

Over the last few years higher home prices and rising interest rates have widened the gap between ownership and rental accommodation. This has cooled demand from the first-time buyer market. In addition, pent up demand from the early to mid-90s has been satisfied. The combination of factors has resulted in a levelling off of home sales.⁶

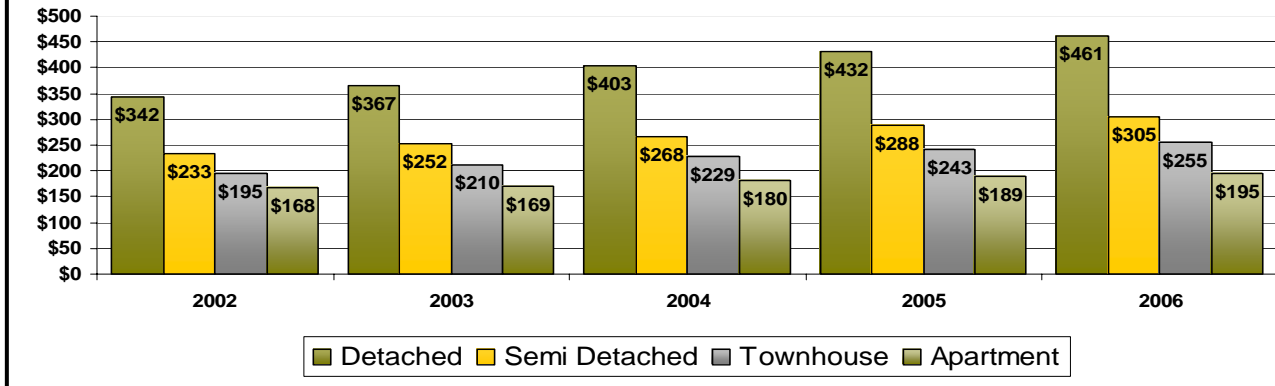


Grand Ovation is one of the new Condominium apartments in City Centre

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2007

**Resale House Prices by Type of Units \$ (000s)
City of Mississauga, 2002-2006**



**Resale Sales \$(000s) and Average Resale Price
by Unit Type and Sub-Area*
2002-2006**

	Detached		Semi-Detached		Townhouse		Apartment		Total (All Types)	
	# of Sales	Avg \$ (000s)	# of Sales	Avg \$ (000s)	# of Sales	Avg \$ (000s)	# of Sales	Avg \$ (000s)	# of Sales	Avg \$ (000s)
2002										
South	977	\$412	187	\$223	402	\$200	335	\$162	1,901	\$304
Central	838	\$327	411	\$239	839	\$183	1,185	\$162	3,273	\$220
North	2,460	\$319	1,099	\$233	1,494	\$199	613	\$181	5,666	\$256
Total/Average	4,275	\$342	1,697	\$233	2,735	\$195	2,133	\$168	10,840	\$254
2003										
South	993	\$450	213	\$237	395	\$221	293	\$174	1,894	\$336
Central	821	\$351	408	\$255	741	\$194	1,294	\$159	3,264	\$227
North	2,572	\$339	1,232	\$253	1,609	\$215	607	\$189	6,020	\$273
Total/Average	4,386	\$367	1,853	\$252	2,745	\$210	2,194	\$169	11,178	\$270
2004										
South	1,078	\$497	213	\$263	382	\$246	376	\$183	2,049	\$368
Central	868	\$377	429	\$273	790	\$212	1,382	\$175	3,469	\$246
North	2,559	\$372	1,492	\$267	1,629	\$233	651	\$189	6,331	\$293
Total/Average	4,505	\$403	2,134	\$268	2,801	\$229	2,409	\$180	11,849	\$292
2005										
South	1,038	\$561	188	\$279	359	\$266	292	\$196	1,877	\$420
Central	799	\$402	375	\$293	708	\$222	1,520	\$186	3,402	\$256
North	2,597	\$390	1,463	\$288	1,558	\$247	679	\$193	6,297	\$310
Total/Average	4,434	\$432	2,026	\$288	2,625	\$243	2,491	\$189	11,576	\$312
2006										
South	1,009	\$587	190	\$292	342	\$274	305	\$200	1,846	\$434
Central	722	\$426	390	\$309	669	\$235	1,543	\$193	3,324	\$266
North	2,260	\$417	1,232	\$305	1,571	\$259	630	\$197	5,693	\$325
Total/Average	3,991	\$461	1,812	\$305	2,582	\$255	2,478	\$195	10,863	\$325

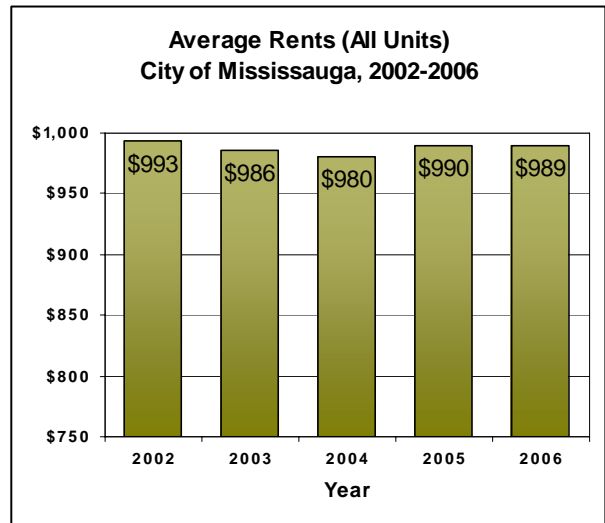
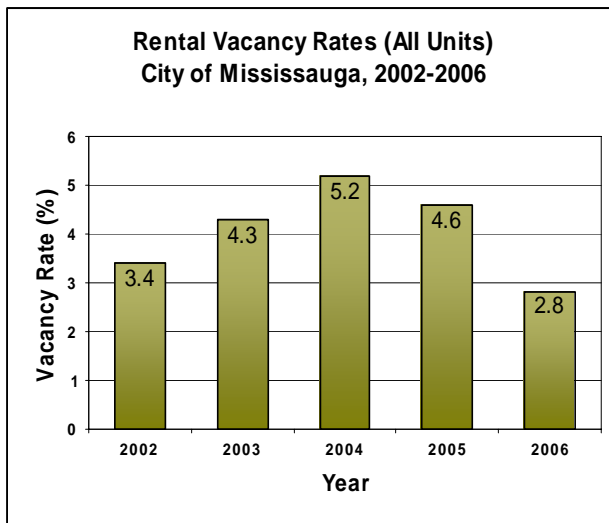
Source: Toronto Real Estate Board. Market Watch 2002-2006.

*Sub-Areas: South is south of Dundas Street. Centre is between Dundas Street and Highway 403. North is north of Highway 403.

Note: Resale data in this table are not directly comparable to resale information in past newsletters due to different source, calculation methods, and area boundaries.

Rental Vacancy Rates City of Mississauga, 2002-2006					
Year	All Units %	Bachelor %	1 Bedroom %	2 Bedroom %	3 Bedroom %
2002	3.4	3.5	3.7	3.3	3.0
2003	4.3	3.1	4.4	4.4	4.0
2004	5.2	3.4	5.0	5.6	4.5
2005	4.6	4.0	4.5	4.4	5.8
2006	2.8*	2.7	3.3	2.6	1.6

*For every 1000 privately initiated apartment units, there were 28 units which remained vacant.



Average Rents City of Mississauga, 2002-2006					
Unit Type	Year/\$				
	2002	2003	2004	2005	2006
Bachelor	\$690	\$685	\$694	\$702	\$696
1 Bedroom	\$903	\$897	\$890	\$903	\$898
2 Bedroom	\$1,045	\$1,037	\$1,027	\$1,035	\$1,033
3 Bedroom	\$1,153	\$1,140	\$1,147	\$1,157	\$1,168
All Units	\$993	\$986	\$980	\$990	\$989

Source: Canada Mortgage and Housing Corporation (CMHC) "Rental Market Report Toronto CMA", 2006.
Note: Data refers to private apartments in buildings with three or more units and to October of each year.

Resale Market (continued)

The growth in home prices has slowed, the average resale home value in Mississauga increased 4.4% in 2006. This reflects pricing levels across the Toronto Real Estate Board service area⁷ which increased by 4.8% in 2006. These price changes are equated with greater supply from increased listings and more choice for buyers.⁸

Resale home prices have climbed for the past five years, in every housing type and all sub-areas.* Differentials remain across the City with the average resale detached unit prices highest in the south sub-area. While prices have risen for all housing types, the number of resale unit sales have generally gone down for each unit type, with some exceptions.

THE RENTAL MARKET

In 2006 demand for rental accommodation strengthened in the CMA. This is illustrated by vacancy rates which declined to 3.2% in 2006, from 3.7% in 2005. They had peaked at 4.3% in 2004. This trend is related to the trends in the ownership market which have reached a plateau.⁹

Mississauga's rental market mirrored the rental market in the CMA. Vacancy rates in Mississauga peaked at 5.2% in 2004. In 2006 the average vacancy rate for all unit types in Mississauga declined for the second consecutive year to 2.8%.

A greater number of new households are choosing rental accommodation over ownership due to the widening gap between the costs of ownership and average rents. This is combined with a tight labour market and historically low unemployment which leads the youth market to establish independent households. The majority of youth are choosing rental accommodation. As well, immigrant households, which are the main drivers of population growth, are tightening rental market conditions.

Despite the decline in vacancy rates, average rents for all unit types remained stable in 2006 and have been stable for the past five years. The greatest differential in rents over the past five years has

been in three-bedroom units which increased to \$1,168 in 2006 from a low of \$1,140 in 2003. Year-over-year average rent increase of three bedroom units was 1%, below the rate of inflation.

Rental Market Forecast

The rental market is expected to tighten in 2007. Vacancy rates are expected to continue to decline, although moderately, as new condominiums reach completion stage. Condominium completions¹⁰ contribute to the rental market by freeing up rental accommodation as renter households take possession of their new units and investor held condominiums compete with the purpose-built rental units, adding to the rental stock.

Demand for rental accommodation will continue as the population continues to grow through net immigration and youth establish their own households. The gap between average rents and average mortgage carrying costs is expected to increase, thus fuelling demand for rental units. With increasing demand and fewer vacant units, rents are expected to increase.¹¹

Endnotes

¹ Starts are units under construction where full footings are in place. For multiple unit structures, this applies to the entire structure. Due to the lag between building permit issuance and start of construction, construction starts data is not comparable to building permit data.

² CMHC. "Housing Market Outlook". Fall 2006 and "Housing Now Toronto." January 2007.

³ CMHC. "Housing Now Toronto". January 2007.

⁴ CMHC. "Housing Now Toronto". January 2007.

⁵ Toronto Real Estate Board. "Market Watch". Jan to Dec 2006

⁶ CMHC. "Housing Now Toronto". January 2007.

⁷ The Toronto Real Estate Board service area extends from Burlington to Newcastle and Toronto to Innisfil.

⁸ Toronto Real Estate Board. "Market Watch". Jan to Dec 2006

⁹ CMHC. "Rental Market Report. Toronto CMA" 2006.

¹⁰ Row housing and apartment completions occur when 90% or more of the dwellings are completed and ready for occupancy.

¹¹ CMHC. "Rental Market Report. Toronto CMA" 2006.

*See Page 2 for sub-area boundaries.