



Corporate Report

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(Housing Matters)

DATE: May 6, 2008

TO: Chair and Members of Planning and Development Committee
Meeting Date: May 26, 2008

FROM: Edward R. Sajecki
Commissioner of Planning and Building

SUBJECT: **2008 Housing Matters**

RECOMMENDATION: That the report titled *2008 Housing Matters*, dated May 6, 2008 from the Commissioner of Planning and Building, be received for information.

BACKGROUND: Attached, under separate cover, is the *2008 Housing Matters* newsletter. It reports on housing starts, house prices, resale activity, rental vacancy rates and rents in Mississauga from January to December 2007.

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 website.

COMMENTS: Highlights from the newsletter are as follows:

The Housing Market

- The data in this report and the *2008 Housing Matters* newsletter extracts information from Canada Mortgage and Housing market analyses relevant to the GTA and Mississauga.
- Consumer interest in the housing market remained high in 2007 due to job and income growth, low mortgage rates, and a diversity of mortgage products.
- Demand is expected to focus on multiple-unit housing (apartments and townhouses) because of growth in the service sector, which generally have lower incomes than the goods producing sector, and the higher pricing of detached units.

New Home Market

- Housing starts declined by 11% across the Greater Toronto Area (GTA) in 2007 largely due to declines in multiple-unit housing.
- Total apartment starts were down by nearly one-third in 2007, but this decline should not be construed as a softening of market conditions for apartments but rather a result of the record level of units under construction, which lead to challenges for builders shifting resources to new projects.
- In 2008, total starts are predicted to edge higher or remain at current levels. Starts of multiple-unit housing are expected to account for three-quarters of total starts and condominium apartments are expected to rebound over the next couple of years.
- Given the fact that Mississauga is nearing the end of its greenfield development, the performance of the housing market in the City will increasingly be linked with the performance of the multiple-unit segments of the housing market.

- In Mississauga, starts declined by 40% in 2007, similar to trends across the GTA. This decline is attributable to fewer apartment starts as builders were likely affected by the industry-wide challenges to complete projects as resources were dedicated to buildings under construction. Skilled labour shortages continue to challenge the construction industry.
- The average price of a new single detached unit in Mississauga increased by 14% in 2007. This surpassed the 8.9% GTA average price increase for new single detached housing, and reflects the attractiveness and limited availability of new single detached housing in the City.

The Resale Market

- Resales set a new record and exceeded 93,000 sales in 2007 in the Toronto Market. First-time buyers lead the jump in sales. Condominium apartments accounted for a growing proportion of sales. On average these units represent the lowest price point in the resale market, making them a popular choice for households entering into home ownership.
- In Mississauga, sales of resale homes reached a peak of over 12,000, a year-over-year increase of 11% and a reflection of the growing stock of resale units in the City. The average resale price for all housing types was up 6% in 2007.

The Rental Market

- The demand for rental accommodation remained stable in 2007 with a vacancy of 3.2% as an average for all unit types across the GTA.
- Increased home ownership demands, especially from the first-time buyer market, made units available to other rental households. Also, more young people are staying at home for longer periods, by-passing rental accommodation and moving right into home-ownership.

- The condominium apartment market in the GTA remains an important component of the secondary rental market. In 2007, the number of registered condominium units designated as rental declined. The vacancy rate for these investor-held units almost doubled in 2007, although at 0.7%, remains much lower than the vacancy rate for purpose-built rental apartments.
- There was variation in rental market conditions in different sub-markets in the GTA. In Mississauga, the average unit vacancy declined for the third consecutive year in 2007 to 2.7% from 2.8% in 2006 and 4.6% in 2005, indicating higher demand for rental accommodation in the City.
- Average rents of all unit types in Mississauga remained stable. The greatest year-over-year change was in bachelor units, which increased by 2.6%.
- Canada Mortgage and Housing Corporation forecasts expect demand for rental housing to remain at current levels in 2008. Three factors that will continue to maintain current demand are: growth in youth employment as a result of tight labour market conditions; increasing immigration; and, increased rental affordability as the growth in earnings outpaced average rent increases.

FINANCIAL IMPACT: Not applicable

CONCLUSION: In 2007, consumers remained confident in their ability to purchase and pay for a home and, therefore, housing demand remained strong. Current growth patterns in the service sector and the characteristic lower incomes in this sector combined with the increasing costs of detached units, are expected to sustain demand for multiple-unit housing.

Many of the housing market conditions are tied to the fact that the City is nearing the end of its greenfield development. Starts of single detached units will be limited and increasingly, housing starts will be tied to starts of multi-unit housing. Pricing is also anticipated to

increase because of the desirability of many of the City's established residential communities and the limited availability of new single detached housing.

Demand for rental accommodation across the Toronto area is expected to remain at current levels. Given distinct sub-market conditions and the factors influencing rental demand including immigration, demand in Mississauga may also continue to be greater than across the Toronto area.

The *2008 Housing Matters* is a newsletter that reports on housing starts, house prices, resale activity, rental vacancy rates and rents in 2007. Copies of the newsletter are available from the Planning and Building Department and will be posted on the City's website.

ATTACHMENTS:

Under Separate Cover - *2008 Housing Matters Newsletter*

Original Signed By:

Edward R. Sajecki
Commissioner of Planning and Building

Prepared By: Emily Irvine, Policy Planner

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The Resale Market

Resale sales set a new record and exceeded 93,000 sales in the Toronto Market.⁸ First-time buyers lead the jump in sales. Similar to new sales, condominium apartments accounted for a growing proportion of resales. On average, condominium apartments represent the lowest price point in the resale market, making them a popular choice for households entering into home ownership. Total resales are expected to edge slightly lower in 2008.

Although sales peaked, listings remained flat. This limited supply fuelled sellers market conditions and resulted in price increases. The average resale price of all housing types in 2007 was up 7%.

In Mississauga, sales of resale homes reached a peak of 12,000, an increase of 11% in 2007 and a reflection of the growing stock of resale units in the City. The average resale price was \$344,000, up 6% from 2006 to 2007. Resale prices of detached units showed the most gains, rising 7%. Resale prices of semi-detached, townhouse units and condominium apartment units also increased.⁹



Resale townhouse from the City's growing stock of resale units.

THE RENTAL MARKET

The demand for rental accommodation remained stable in 2007 with an average apartment vacancy of 3.2% in the GTA. Increased home ownership, especially from the first-time buyer market, made units available to other rental households. Also, more and more young people are staying home for longer periods, by-passing rental accommodation, and moving right into home ownership.¹⁰ Investor-held condominiums remain an important component of the secondary rental market, although in 2007 registered designated rental units declined and the vacancy rate of these units increased.

Rental units in the Toronto CMA's rental market became more affordable in 2007. The cost of renting a median priced two-bedroom unit increased by less than half a percent, while the median income of renter households increased by 3.7%. Rental market conditions vary by sub-markets across the GTA.

In Mississauga, the average unit vacancy declined for the third consecutive year in 2007 to 2.7%, indicating higher demand for rental accommodation in the City. This demand may be the result of the fact that Mississauga acts as a destination of choice for many immigrant households, which are the principal source of demand for rental units.

Average rents remained stable in Mississauga. The average rent for all types of units was \$979 in 2007. The greatest year-over-year change was in bachelor units, which increased by 2.6%.¹¹

The Rental Market Forecast

Demand for rental housing is expected to remain at current levels in 2008. Marginal increases are anticipated for vacancy rates and rent levels. The move toward home ownership, especially among first time home buyers, will increase availability of rental units. As well, the completions of investor-held condominiums in the secondary rental market will attract some renter households out of the primary rental market.

Three factors that will continue to maintain current demand in the rental market are: growth in youth employment as a result of tight labour market conditions; increasing immigration; and, increased rental affordability with growth in earnings relative to average rent increases.¹²

Endnotes

1. CMHC. "Housing Market Outlook," Fall 2007 and "Housing Now Toronto," January 2008.
2. Starts are units under construction where full footings are in place. For multiple unit developments, this applies to the entire building. Due to the lag between building permit issuance and start of construction, construction starts data is not comparable to building permit data.
3. The Greater Toronto Area includes the Regional Municipalities of Durham, Halton, Peel, York and the City of Toronto.
4. Row housing and apartment completions occur when 90% or more of the dwellings are completed and ready for occupancy.
5. CMHC. "Housing Now Toronto," January 2008 and Trimart Research Corporation "2008 Forecast".
6. CMHC. "Housing Market Outlook," Fall 2007 and "Housing Now Toronto," January 2008.
7. CMHC. "Housing Now Toronto," January 2008.
8. The Toronto Market extends from Burlington in the west, Newcastle in the west, Toronto in the south and Innisfil in the north.
9. Toronto Real Estate Board. "Market Watch," January to December 2007.
10. CMHC. "Rental Market Report. Toronto CMA," 2007.
11. CMHC. "Rental Market Report. Toronto CMA," 2007.
12. CMHC. "Rental Market Report. Toronto CMA," 2007.



City of Mississauga, Planning and Building Department

HOUSING MATTERS

2008

THE HOUSING MARKET

Consumer interest in the housing market remained high in 2007 due to job and income growth, low mortgage rates, and a diversity of mortgage products. Consumers are confident in their ability to purchase and pay for a home.

Local demand and growth in the service sector are expected to sustain economic growth, despite the strong dollar and the challenges in the manufacturing sector. However, because incomes in the service sector are generally lower and grow at a slower pace than those in the goods producing sectors, demand is expected to focus on multiple-unit housing.¹

The New Home Market

Housing starts² declined by 11% in the Greater Toronto Area³ (GTA) in 2007, largely due to declines in multiple-unit housing (apartments and townhouses). Total apartment starts were down by nearly one-third, but this decline should not be construed as a softening of market conditions for apartments but rather a result of challenges with completions.⁴ In 2007, with the number of units under construction at record levels, builders found it difficult to shift resources to new projects.

Starts of single detached homes rose slightly and constituted the largest part of starts in York, Halton, Durham and Peel regions. Competition from the resale market, rising prices and the intensification policies in the Province's "Places to Grow Act," which promotes the trend toward multiple-unit housing, are expected to draw consumers away from new single detached units.⁵

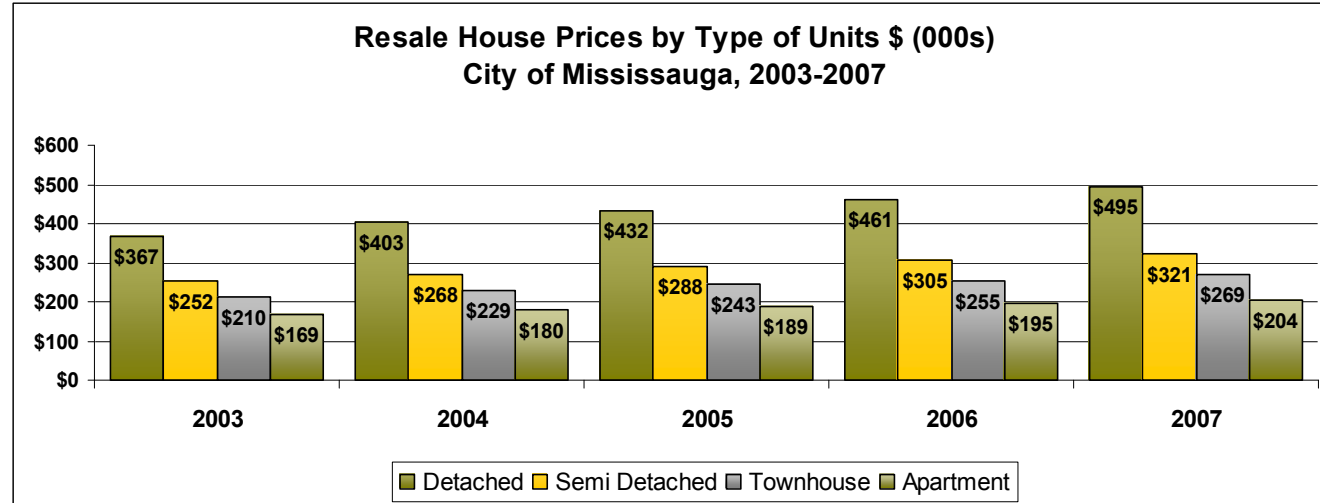
In 2008, total starts are predicted to edge higher or remain at current levels. Starts of multiple-unit housing are expected to account for three-quarters of total starts and condominium apartments are expected to rebound over the next couple of years.⁶

Given the fact that Mississauga is approaching the end of its greenfield development, the performance of the housing market in the City will increasingly be linked with the performance of the multiple-unit segments of the housing market, as has been the case over the last couple of years. In Mississauga, starts declined by 40% in 2007. Similar to trends across the GTA, this decline is attributable to fewer apartment starts as builders in the City were likely affected by the industry-wide challenges to complete projects as resources were dedicated to buildings under construction. Skilled labour shortages continue to challenge the construction industry.

Pricing conditions are not uniform across the GTA and selected communities experience above-average price growth, which reflects the desirability of the neighbourhoods in these municipalities. In Mississauga, the average price of a new single detached unit increased by 14% in 2007. This surpassed the 8.9% GTA average price increase for new single detached housing,⁷ and reflects the attractiveness and limited availability of single detached new housing in the City.



Development under construction at Eglinton Avenue and Mavis Road. Apartments such as these represent the source of much of the City's future housing starts with the end of greenfield development.



Resale Sales \$(000s) and Average Resale Price by Unit Type and Sub-Area* 2003-2007

	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)
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
2007										
South	1,039	\$669	207	\$313	378	\$299	316	\$215	1,940	\$477
Central	851	\$458	414	\$323	809	\$250	1,887	\$203	3,961	\$280
North	2,479	\$441	1,365	\$321	1,611	\$272	692	\$201	6,147	\$343
Total/Average	4,345	\$498	1,986	\$321	2,798	\$269	2,895	\$204	12,048	\$344

Source: Toronto Real Estate Board, Market Watch 2003-2007.

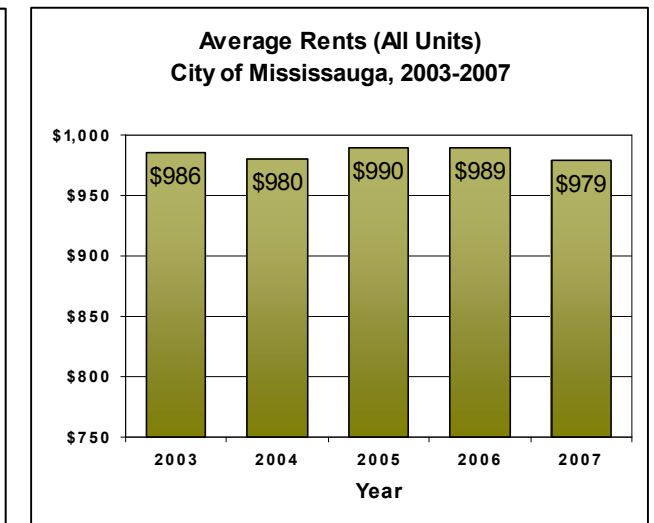
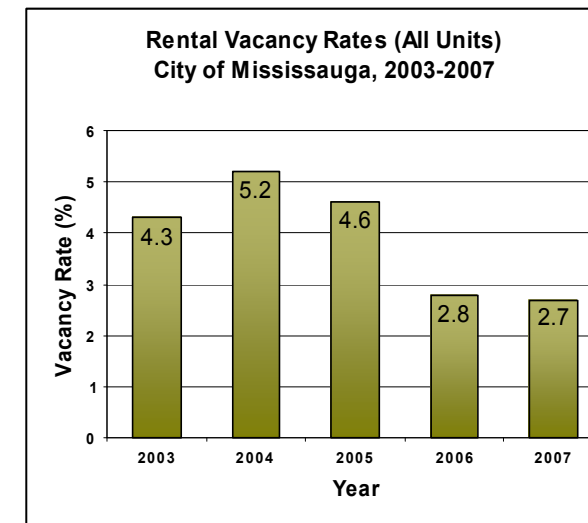
*Sub-Areas: South is south of Dundas Street. Centre is between Dundas Street and Highway 403. North is north of Highway 403.

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, 2003-2007

Year	All Units %	Bachelor %	1 Bedroom %	2 Bedroom %	3 Bedroom %
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
2007	2.7*	2.6	2.7	2.7	2.6

*For every 1000 privately initiated apartment units, there were 27 units which remained vacant.



Average Rents City of Mississauga, 2003-2007

Unit Type	Year/\$				
	2003	2004	2005	2006	2007
Bachelor	\$685	\$694	\$702	\$696	\$716
1 Bedroom	\$897	\$890	\$903	\$898	\$890
2 Bedroom	\$1,037	\$1,027	\$1,035	\$1,033	\$1,020
3 Bedroom	\$1,140	\$1,147	\$1,157	\$1,168	\$1,162
All Units	\$986	\$980	\$990	\$989	\$979

Source: Canada Mortgage and Housing Corporation (CMHC) "Rental Market Report Toronto GTA", 2007.

Note: Data refers to private apartments in buildings with three or more units and to October of each year.