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## 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.<sup>1</sup>

### The New Home Market

Housing starts<sup>2</sup> declined by 11% in the Greater Toronto Area<sup>3</sup> (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.<sup>4</sup> 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.<sup>5</sup>

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.<sup>6</sup>

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.

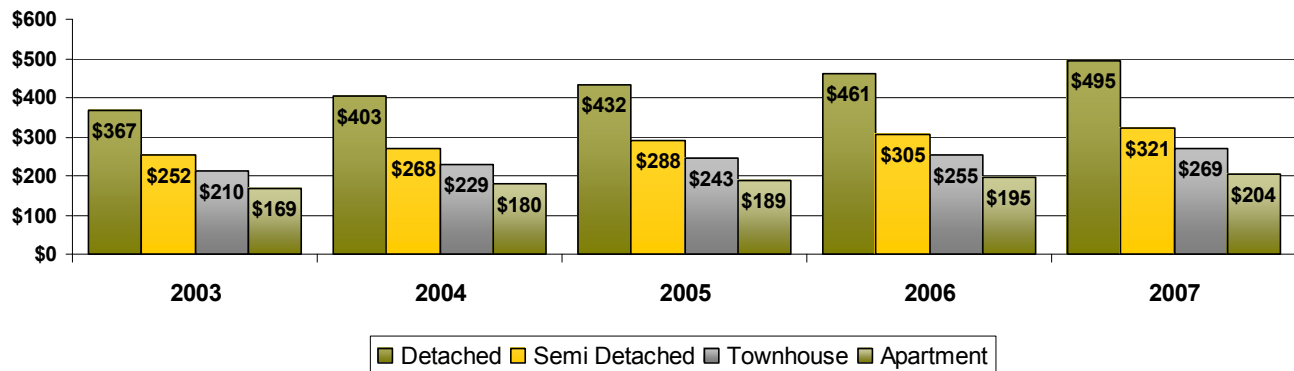
Pricing conditions are not uniform across the GTA and selected communities experience above-average price growth, which reflects the desirability of the neighbourhoods in these municipalities. In Mississauga, the average price of a new single detached unit increased by 14% in 2007. This surpassed the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

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**Resale House Prices by Type of Units \$ (000s)  
City of Mississauga, 2003-2007**



**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) |
| <b>2003</b>   |            |               |               |               |            |               |            |               |                   |               |
| 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         |
| <b>2004</b>   |            |               |               |               |            |               |            |               |                   |               |
| 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         |
| <b>2005</b>   |            |               |               |               |            |               |            |               |                   |               |
| 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         |
| <b>2006</b>   |            |               |               |               |            |               |            |               |                   |               |
| 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         |
| <b>2007</b>   |            |               |               |               |            |               |            |               |                   |               |
| 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         |

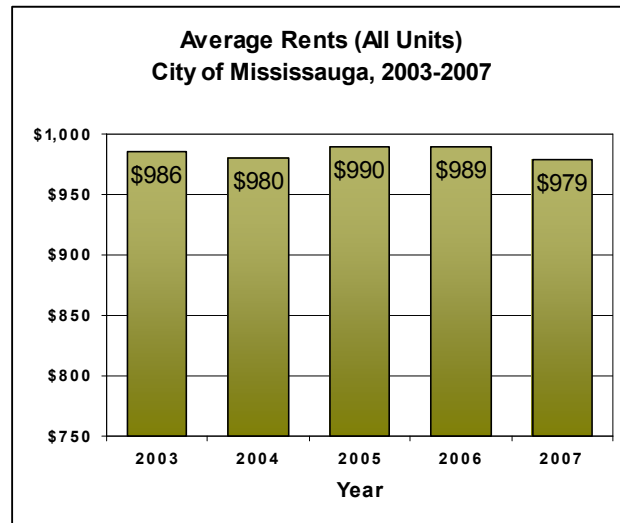
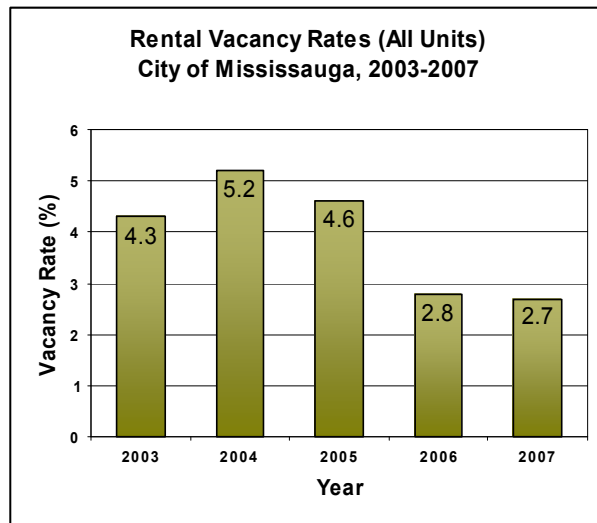
Source: Toronto Real Estate Board. Market Watch 2003-2007.

\*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.

| <b>Rental Vacancy Rates<br/>City of Mississauga, 2003-2007</b> |             |            |             |             |             |
|--|-------------|------------|-------------|-------------|-------------|
| 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.



| <b>Average Rents<br/>City of Mississauga, 2003-2007</b> |         |         |         |         |         |
|---|---------|---------|---------|---------|---------|
| 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.

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### The Resale Market

Resale sales set a new record and exceeded 93,000 sales in the Toronto Market.<sup>8</sup> 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.<sup>9</sup>



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.<sup>10</sup> 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%.<sup>11</sup>

### 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.<sup>12</sup>

#### 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.