



# Corporate Report

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(Housing Matters)

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**DATE:** June 6, 2006

**TO:** Chair and Members of Planning and Development Committee  
Meeting Date: June 26, 2006

**FROM:** Edward R. Sajecki  
Commissioner of Planning and Building

**SUBJECT:** **2006 Housing Matters**

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**RECOMMENDATION:** That the report titled *2006 Housing Matters*, dated June 6, 2006 from the Commissioner of Planning and Building, be received for information.

**BACKGROUND:** Attached, under separate cover, is the *2006 Housing Matters* newsletter. It reports on housing starts, house prices, resale activity, rental vacancy rates and rents in Mississauga from January to December 2005.

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*

- Overall, starts across the Toronto Census Metropolitan Area (CMA) were down 1%, the result of a decline in new construction of single detached and semi detached housing. Rising home prices and interest rates have lead to affordability issues resulting in the increased appeal of townhouse and apartment units;
- Mississauga had a 17.6% drop in housing starts as compared with 2004. Starts for single-detached units were the principal cause down 41.7%. Multiple units had a decline of 8.0%;
- Development in Mississauga has been subject to the same pricing and interest rate conditions as those across the CMA. New home construction in Mississauga is facing the further challenge of limited land supply as the last of its greenfields are developed.

*Resale Market*

- The demand for resale units reached a plateau in 2005 with an annual growth rate of 1% in the CMA, substantially lower than the 11% average increase between 2000 and 2004;
- Two factors contributed to the stabilization of demand for resale units. Pent up demand from the recession years of the 1990s has largely been satisfied. In addition, the upward movement of housing prices is beginning to discourage buying;
- The total number of resales in Mississauga declined 2.3% to 11,576 in 2005, from 11,849 in 2004;
- The average resale home value in Mississauga increased 6.7% in 2005, compared with an increase of 8.0% in 2004.

*The Rental Market*

- Vacancy rates dropped from 5.2% in 2004, to 4.6% in 2005. They had been rising since 2000;
- New immigrant households, sustained economic performance, affordability issues in the home-ownership market, owners capitalizing on resale market conditions and landlord incentives all combined to stimulate demand for rental accommodation;
- Rental market conditions are anticipated to remain stable in 2006. Vacancy rates are expected to move lower and rents are not forecast to exceed the inflation rate.

**FINANCIAL IMPACT:** Not applicable

**CONCLUSION:** The *2006 Housing Matters* is a newsletter that reports on housing starts, house prices, resale activity, rental vacancy rates and rents in 2005. 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 - *2006 Housing Matters Newsletter*

*Original Signed By:*

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Edward R. Sajecki  
Commissioner of Planning and Building

*Prepared By: Emily Irvine, Policy Planner*

## THE OWNERSHIP MARKET

### New Home Market

Overall, starts across the Toronto Census Metropolitan Area (CMA) were down 1%, the result of a decline in new construction of single detached and semi detached housing. Rising home prices and interest rates have lead to affordability issues resulting in the increased appeal of townhouse and apartment units.<sup>1</sup>

Housing starts continued to slow in Mississauga. From January to December 2005, Mississauga had a 17.6% drop in housing starts as compared with 2004.<sup>2</sup> Starts for single-detached units were the principal cause down 41.7%. Multiple units had a decline of 8.0%.

Development in Mississauga has been subject to the same pricing and interest rate conditions as those across the CMA. This is evident in the decline in singles starts. New home construction in Mississauga is facing the further challenge of limited land supply as the last of its greenfields are developed.

Current starts and construction activity are part of a longer term trend towards multiples in the new home market. The average price of completed and absorbed new single detached dwellings increased 8.5% in Mississauga to \$457,767 in 2005 from \$421,731 in 2004.<sup>3</sup>

### Resale Market

The demand for resale units reached a plateau in 2005. Although total resales in the CMA set a new record, the annual growth rate of 1%, was substantially lower than the 11% average increase between 2000 and 2004. Two factors contributed to this. Pent up demand from the recession years of the 1990s has largely been satisfied. In addition, the upward movement of housing prices is beginning to discourage buying.

Mississauga resales reflect these trends. The total number of resales in Mississauga declined 2.3% to 11,576 in 2005, from 11,849 in 2004. The average resale home value in Mississauga increased 6.7% in 2005, compared with an increase of 8% in 2004. Average yearly resale prices have been over 6% for detached, semi-detached and townhouse units over the last five years. Price increases for apartments are below this with an average increase of over 4% during this timeframe.<sup>4</sup>

In the CMA as well as in Mississauga, price growth slowed in 2005, although prices were still greater than inflation rates. Mortgage rates, which remain near 50-year lows, counter the effect of rising prices. New listings, a measure of supply and consumer confidence, boosted by growth in full-time employment contributed to sustaining the market.<sup>5</sup>

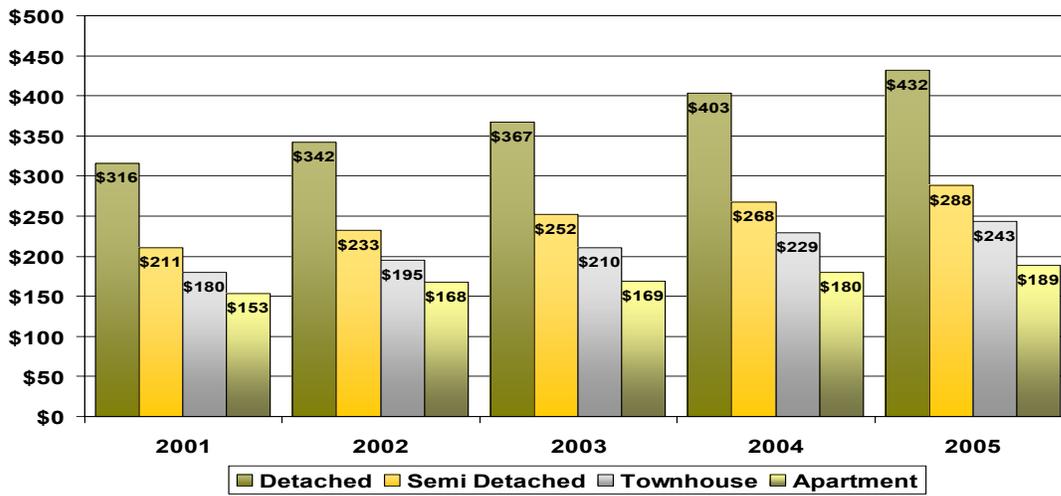


*New townhouses in Churchill Meadows*

A review of average resale prices by area indicates price

*Continued on page 4*

**Resale House Prices by Type of Unit \$ (000s)  
City of Mississauga, 2001-2005**



**Resale Sales \$(000s) and Average Resale Price  
by Type of Unit and Sub-Area\*  
2001-2005**

	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>2001</b>										
South	868	\$378	175	\$203	372	\$177	270	\$147	1,685	\$279
Central	775	\$298	335	\$221	693	\$172	1,239	\$148	3,042	\$200
North	2,192	\$297	909	\$209	1,361	\$185	519	\$167	4,981	\$237
Total/Average	3,835	\$316	1,419	\$211	2,426	\$180	2,028	\$153	9,708	\$233
<b>2002</b>										
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
<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

Source: Toronto Real Estate Board. Market Watch 2001-2005.

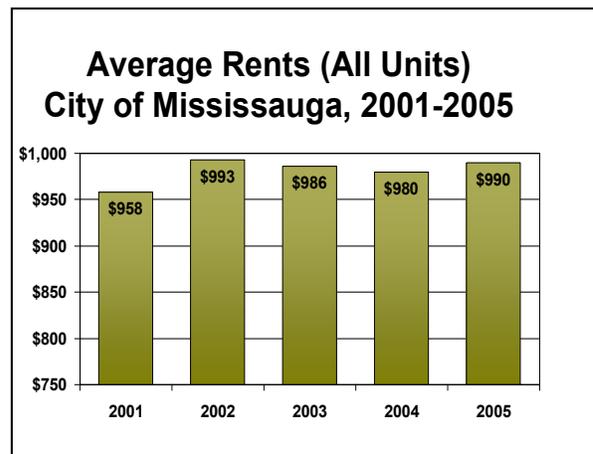
\*Sub-Areas: South is south of Dundas Street. Centre is between Dundas Street and Highway 403. North is north of Highway 403.

Note: Resale date 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, 2001-2005**

Year	All Units %	Bachelor %	1 Bedroom %	2 Bedroom %	3 Bedroom %
2001	1.1	0.3	1.2	1.0	1.6
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

\*For every 1000 privately initiated apartment units, there were 46 units which remained vacant.



**Average Rents  
City of Mississauga, 2001-2005**

Unit Type	Year/\$				
	2001	2002	2003	2004	2005
Bachelor	\$668	\$690	\$685	\$694	\$702
1 Bedroom	\$868	\$903	\$897	\$890	\$903
2 Bedroom	\$1,004	\$1,045	\$1,037	\$1,027	\$1,035
3 Bedroom	\$1,136	\$1,153	\$1,140	\$1,147	\$1,157
All Units	\$958	\$993	\$986	\$980	\$990

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

### Resale Market (continued)

differentials for detached units across the City. Average resale prices are considerably higher for detached homes in the south sub-area\*. This has been an increasing trend over the past five years. This differential does not apply to other housing types and are likely the result of the limited supply, the type of detached stock available (larger homes), as well as market demand for homes in these communities.

Resale activity varies across the City. For all four housing types, resale volumes are lower in the south than in the central or the north sub-areas. Resales of detached units have been flat over the last five years. Semi-detached resales had been on an upward trend in the north since 2001, although they have flattened from 2004. Townhouse resales have also been significantly higher in the north. Apartment resales are on a strong upward trend in the central area. This reflects the existing housing stock and new units in this area.

### THE RENTAL MARKET

Vacancy rates for rental units in Mississauga, which have been rising since 2000, declined in 2005. Vacancy rates dropped from 5.2% in 2004, to 4.6% by year-end 2005. Variations in vacancies by type of unit persist. One and 2-bedroom units saw a decrease in rates, while vacancy rates for bachelor and 3-bedroom units increased.

Average rents for all units have increased. The average rent for all unit types was \$990 in 2005. Average rents had been declining marginally from 2002. Increases in average rents occurred in each type of unit from bachelor to 3-bedroom. The tightening of the rental market over the last year is the result of an ongoing tug-of-war between the ownership and rental housing options, as conditions in one market meet with a response in the other.

New immigrant households for whom rental accommodation is a typical choice; sustained economic performance that has attracted new

households; affordability issues in the home-ownership market; current owners capitalizing on peak resale market conditions and landlord incentives all combined to stimulate demand for rental accommodation. On the supply side of the equation, lower completions of rental units means less stock available to meet demand.

### Rental Market Forecast

Rental market conditions are anticipated to remain stable in 2006. Previous forecasts had vacancy rates rising in 2005 due to new home completions. What has transpired is a tightening of vacancy rates in 2005 from the peak of 2004. Vacancy rates are now expected to move lower in 2006. Rents are not forecast to exceed the inflation rate.

Vacancy rates will continue to be influenced by immigration and easing of the demand for ownership housing. Immigration continues to be sustained by economic opportunities. The demand for ownership housing is anticipated to be affected by rising house prices and mortgage rates.

As the population continues to grow, the share of households opting for rental housing is likely to increase. Condominium completions<sup>6</sup> will continue to compete with the rental market. However, the movement of households to ownership housing is not expected to dampen demand in the rental market.<sup>7</sup>

#### Endnotes

<sup>1</sup> CMHC. "Housing Now-Toronto" Fourth Quarter 2005.

<sup>2</sup> 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.

<sup>3</sup> CMHC. "Housing Now-Toronto" Fourth Quarter 2005.

<sup>4</sup> Toronto Real Estate Board. "Market Watch". 2001-2005.

<sup>5</sup> CMHC. "Housing Now-Toronto" Fourth Quarter 2005.

<sup>6</sup> Row housing and apartment completions occur when 90% or more of the dwellings are completed and ready for occupancy.

<sup>7</sup> CMHC. "Rental Market Report-Toronto CMA" October 2005 and Canadian Apartment Magazine "Rental Market Outlook" Vol 2, No.6, January 2006.

\*See Page 2 for sub-area boundaries.