

Windsor Housing Industry Roundtable

May 15, 2014 Meeting Notes



CMHC MARKET ANALYSIS

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Dear Participant:

Thank you for attending our CMHC – Windsor Housing Industry Roundtable session at the Holiday Inn on May 15th, 2014.

In addition to the networking opportunity, we hope that the two short CMHC presentations provided you with beneficial perspective and insight into the short-term housing market outlook for Windsor and Ontario. Below you will find the minutes of this year's roundtable discussion. As promised, the summary notes are not ascribed to a particular individual.

If you are not already aware of all programs and services CMHC provides, please visit our website (www.cmhc.ca) for housing market intelligence you can count on. CMHC has industry experts across Canada that analyze individual local housing markets. Successful annual conferences, seminars, and roundtable events help strengthen CMHC's ability to develop and maintain vital housing programs and services for all Canadians.

Thank you again for attending this year's CMHC – Windsor Housing Industry Roundtable session.

We look forward to having you join the 2015 discussion.

Sincerely,

Erica McLerie
Senior Market Analyst
Canada Mortgage and Housing Corporation (CMHC)

WINDSOR INDUSTRY ROUNDTABLE MEETING NOTES

SUMMARY

- Manufacturing, ICT, construction and agri-business are growing industries. Construction has been a sector leading job creation due to the many infrastructure projects.
- Twenty-seven per cent of Windsor's population is foreign born. Immigrants move to Windsor due to affordable housing prices, the diverse culture and weather.
- Repeat buyers are supporting the resale market. However, supply is a challenge.
- Many people living elsewhere are retiring to Windsor-Essex due to its affordability and are supporting the local economy and resale market.
- Higher end homes and custom built homes are selling well. Purchasers cannot find them in the resale market.
- Windsor is a business friendly community, but needs to redefine its' image.
- More than 2,700 households are on the waiting list for affordable homes. Windsor is bridging the gap with rent supplement programs.
- There is strong demand for student housing.

ECONOMY and MIGRATION

Economy

From the point of view of housing demand, any job in Windsor is a good job as Windsor's housing market is so affordable. Total employment has been trending up for a couple of years and is still below peak levels recorded before the 2007-2008 downturn. Windsor's total GDP is expected to remain below the previous highs until 2018, implying modest economic growth in the next four years. The Windsor economy would benefit from more diversification. In the last five years there has been a wider range of employers coming to Windsor. Manufacturing, ICT (information and creative technology), construction and agri-business are growing industries. The challenge is to supply trained people for jobs in these growing sectors. Manufacturing is still growing jobs. There are more opportunities in the automotive sector. For the first time in ten years, there is business investment in the tool & die sector.

Construction has been a sector leading job creation due to the many infrastructure projects such as the Herb Gray Parkway. The Herb Gray Parkway has connected neighbourhoods and created more open spaces and walking trails. It will change the image of Windsor. Huron Church Road will be redefined to be used by local traffic, increasing the local retail environment. Many of the jobs created in the construction of the Herb Gray Parkway, however, have been filled by outside workers, not residents of the Windsor CMA. The Herb Gray Parkway construction is a temporary project and may not create long-term jobs.

Keeping young people in Windsor is a challenge. As an example, engineering graduates from the University of Windsor leave the area as there are no jobs for them. Some graduates work in Detroit, but many move farther away. Thousands of Windsor residents cross the Windsor-Detroit border each day to work in Michigan. Many of these people are healthcare workers.

Migration

There is a large immigrant population in Windsor. Twenty-seven per cent of Windsor's population is foreign born. Immigrants move to Windsor due to affordable housing prices, the diverse culture and weather. Windsor is the sixth most multicultural area in Canada. Many immigrants move to Windsor to be close to relatives in Michigan and other U.S. cities.

Immigrants tend to be highly educated, but need accreditation to work in the higher paying jobs in Ontario. They find it hard to find a job. The roadblocks to hiring newcomers are a priority to address. High demand jobs require skills from both Canadians and newcomers. Funds need to be provided for upgrading skills. Some face language challenges. Many of the immigrants are professionals, i.e. doctors and teachers, however, there is also a need for skilled labour with hands on experience. Many immigrants need financial and employment assistance support from programs such as Ontario Works for a longer period of time, but when they get off these programs, they tend to stay off as they have good jobs.

In 2015 the immigration system is changing. The federal government is working toward more employer involvement in the immigration process. Immigrant admission to Canada will become more job focused. Employee skills will be matched with employer needs.

Lenders have programs to support immigrant homebuying. However, some immigrants are buying homes with the financial help of their ethnic communities.

RESALE and LENDING

Resale Market

Most of the households buying homes in Windsor-Essex are from the area. Employment has been a key factor affecting housing demand. However, current demand is supported by the low interest rates, which have encouraged first-time buyers and refinance activity.

Private sales are not recorded through MLS®. It is estimated that between five and six per cent of total sales are not recorded through MLS®.

Sales declines are slowing. There were fewer sales and listings in the first quarter due in part to employment scares over the Heinz plant closing, uncertainty around the future of the Chrysler plant, and a possible strike at the Windsor Casino. Most of these concerns are now alleviated.

Repeat buyers are supporting the market. These buyers are moving up to a larger home or buying down to a smaller home, but not necessarily a less expensive home. Currently, supply is a challenge. Due to the shortage of supply, there are a lot of multiple offers. It is hard to find the exact home that a household wants. The inventory of homes is the lowest in ten years and pushing prices higher. Resale home prices averaged close to \$190,000 in April. Prices may remain around this level for the rest of the year. As equity increases some households will list their home for sale

Many Windsor households cannot sell their home to move elsewhere as the prices in Windsor are the lowest in Ontario. Some have 100% financing and credit card debt in a stagnated economy. There are more retiree households with debt. Some older households are not maintaining their home. Many are refinancing, but can only refinance up to 80% of the home's value. Many have resorted to credit cards to survive.

The number of homes under power of sale is down. West end and downtown Windsor areas have seen little price movement in the last ten years, while south Windsor, Riverside and Tecumseh have seen price growth of between 10 and 20 per cent. Homeowners in the west end and downtown cannot move because they have no equity in their homes.

Although, enforcement of property bylaws was lower in 2013 than in previous years, complaints have increased regarding people not maintaining their homes. Repairs are needed but households cannot afford to maintain their homes. Downtown areas 1,2 and 3 have the least expensive homes in Windsor and prices are dropping. Homeowners have no equity and the homes need repair. We don't want a situation like downtown Detroit. Windsor has demolished 43 homes in the past two years to avoid this blight.

Retirees

Many people living elsewhere are retiring to Windsor-Essex due to its affordability and are supporting the local economy and resale market. Windsor-Essex is attracting boomers and that is a positive trend. Why retire in Muskoka when real estate in Windsor-Essex is so affordable. The 100-mile Peninsula program, offering one hundred miles of waterfront and walking trails is very attractive. More than a thousand retiree households have bought real estate worth millions. However, increased funding and an on-line presence would be helpful in attracting more retirees.

There may be a gap between retirees' needs, health care, and available amenities. Boomers want homes with no stairs or smaller homes (THs). However, a majority of homes in Windsor are raised ranch homes which have stairs and thus are a mismatch between supply and demand.

Investors

Windsor is a business friendly community, but needs to redefine its' image. Both people and companies have a preconceived idea of Windsor that is normally wrong. The whole Windsor experience should be promoted with all its' attractions. Successful, walkable cities, such as Portland, Oregon, must be studied for best practices so that Windsor can be developed as a walkable city. Homes in Windsor should have a walk score on Realtor.ca

Investors are buying rental properties, especially 4-12 plexes and they are paying their way. These investors would not be able to buy similar properties in other Ontario markets. As the economy stabilized, more investments activity has occurred. However, not a lot of investment is expected. The lower vacancy rate helped to attract investors.

With new mortgage rules, there are fewer mom and pop investment properties. Some households want to change their principal residence to a rental property and then buy a new principal residence at 5% down to get around CMHC not insuring a second home.

There will be resurgence in condominium building moving forward as the housing market stabilizes, but currently, there is not a lot of condominium development and investor interest. A condominium apartment building is planned for the east side of the city.

NEW HOME MARKET

Higher end homes and custom built homes are selling well. Purchasers cannot find them in the resale market. The higher end homes are being built in Lakeshore. Sales of semi-detached homes in Riverside have been brisk in the past few weeks. Retirees and young couples are attracted to these. Sales are also increasing in LaSalle, in a development next to the golf course. In Kingsville row houses are selling well. Two new developments are under way at the high end, \$250,000 plus, geared to retirees – one floor homes.

There is some pent-up demand, but will developers be ready. No rental apartments are planned and only one condominium apartment in east Riverside. For the first time in more than eight years, there is a proposed condo in the City of Windsor. It is expected that more waterfront condos will built in the next few years. There are a lot of custom-built homes being constructed. More first-time and immigrant buyers are buying new. Financing is occurring for the high end properties priced \$400,000-\$700,000.

New accessibility rules are coming by 2025. These changes will affect how homes are built. Homes will be more accessible, however, the cost of these changes will increase the price of a new home. A bathroom on the main floor and wider door entries are just two of the changes that will be included.

There have been many approved plans of subdivision, but not much has happened with these plans. Some have already lapsed. In many cases, infrastructure is already in place. More recently, there has been a pickup in the registration of these plans. Two of the applications for plans of subdivision are near the new detention centre where no infrastructure is in place yet.

There is concern about the risk in building new projects due to the job situation. Employment drives demand. There was a drop in residential permits after 2006. However, 2013 saw an increase in permits back to the 2006 level.

Renovation permits to renovate or upgrade homes have increased, i.e. additions, interior work. However, industrial, commercial and institutional permits are lagging.

RENTAL MARKET and AFFORDABLE HOUSING and STUDENT HOUSING

Rental Market

More households are moving from rental to ownership than from ownership to rental. There is no acceptance of secondary suites in Windsor yet. Although secondary suites are mandated by Ontario, no secondary suites are allowed in the City of Windsor.

Some companies are buying housing to temporarily house professionals and construction workers who are moving here temporarily to work on the Herb Gray Parkway. Possibly more than a thousand homes have been purchased in the west side and rented on a long-term basis. Many other workers stay in hotels or rent accommodation. What will happen to these houses when the Parkway is complete and the workers leave Windsor? Hopefully, the new bridge will be built and many of the same workers stay in Windsor to work on it. But, there will be an impact when those rental properties are vacated or the homes sold.

Affordable Housing

The City of Windsor has a ten-year housing plan. The City of Windsor has 8,500 affordable units, but most of this stock is more than 50 years old. There needs to be a regeneration/revitalization of this stock.

More than 2,700 households are on the waiting list for affordable homes. There needs to be access to housing for those who need it. More than 100 people a month with some sort of mental illness are without housing.

Windsor is bridging this gap with rent supplements. Rent supplements are used in Windsor as the vacancy rate is high and no new affordable housing is being built. The rent supplement

program is a complete success. This program creates a stock for low income families. There is a waiting list of landlords who want to participate in the program. Successful landlords such as Boardwalk and Timbercreek participate in the rent supplement program.

The Ontario Renovates is a program offering funding for home repairs and accessibility modifications to low and modest income households. It is accessible to retirees. \$1.2 million has been available in the last three years to upgrade homes so that retirees can stay in their homes longer. Demand for the program is levelling off. It was oversubscribed. A down payment assistance program for up to 10% of the purchase price is also available. Realtors don't know about some of these programs.

Student Housing

There is stronger demand for student housing. While there is a lot of student housing, some of the units are illegal. This is a concern for health and safety reasons and for the safety of the students. Only first year students live in residences on campus. After the first year, students live wherever the rent is cheapest. It is a real struggle and the students keep making decisions to live in undesirable conditions. Recently there was a conversion of a hotel to student housing adding to the stock of student housing.

Some faculties of the University of Windsor are moving downtown. Buildings are being renovated for university use. However, universities are not building as many residences.

There is limited private investment in student housing currently. However, if the University could identify lands on which to build a high-rise student apartment, an investor could be found. Some builders/investors have approached the city re building student apartments. In the longer term, the question is: who is going to build student housing, the university or the market?