

Resale Market Forecast

Will Dunning
CAAMP Chief Economist

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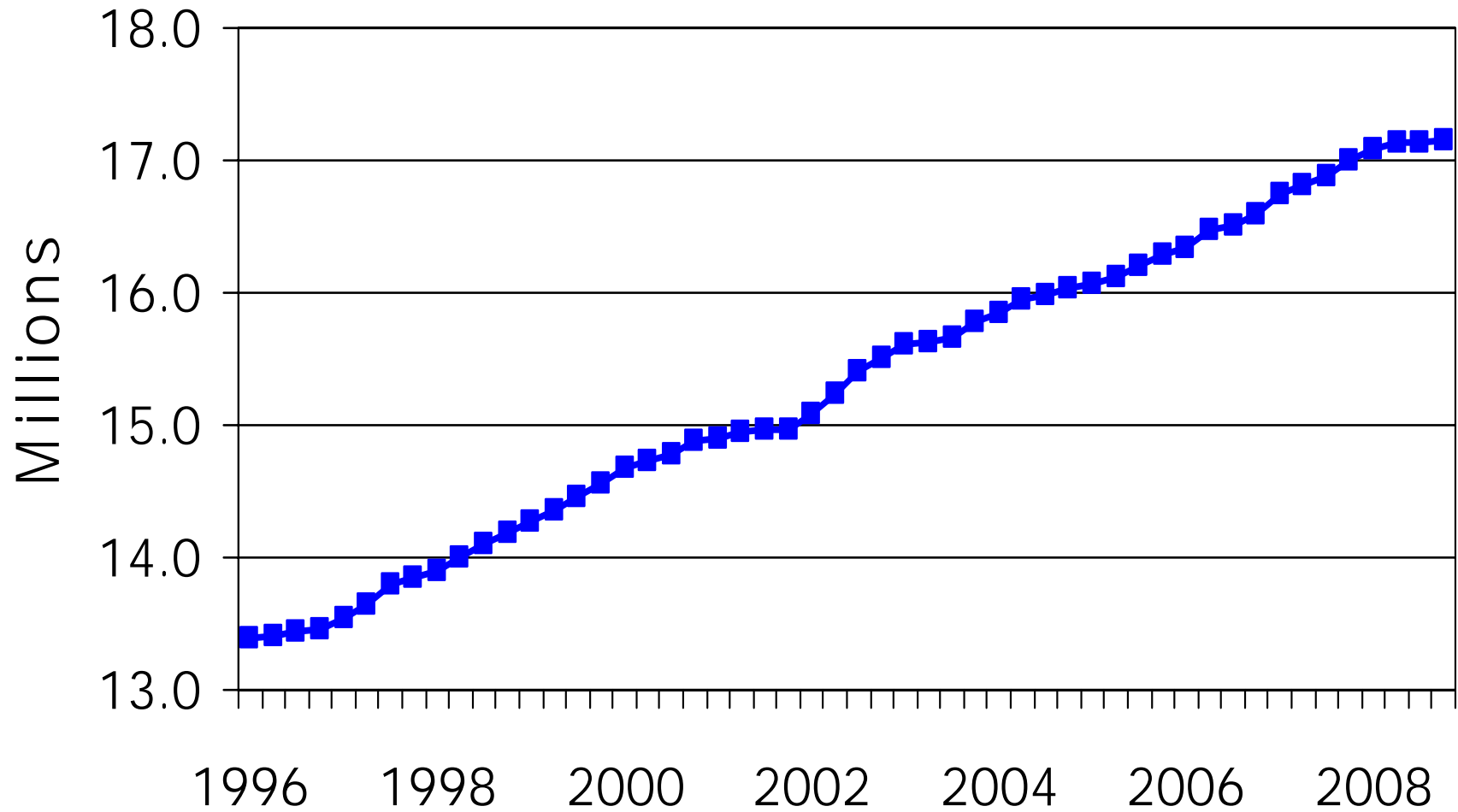
“Economists Don’t Predict the
Future Because They Know;
They Predict Because They’re
Asked”

John Kenneth Galbraith

Housing Demand is Driven by...

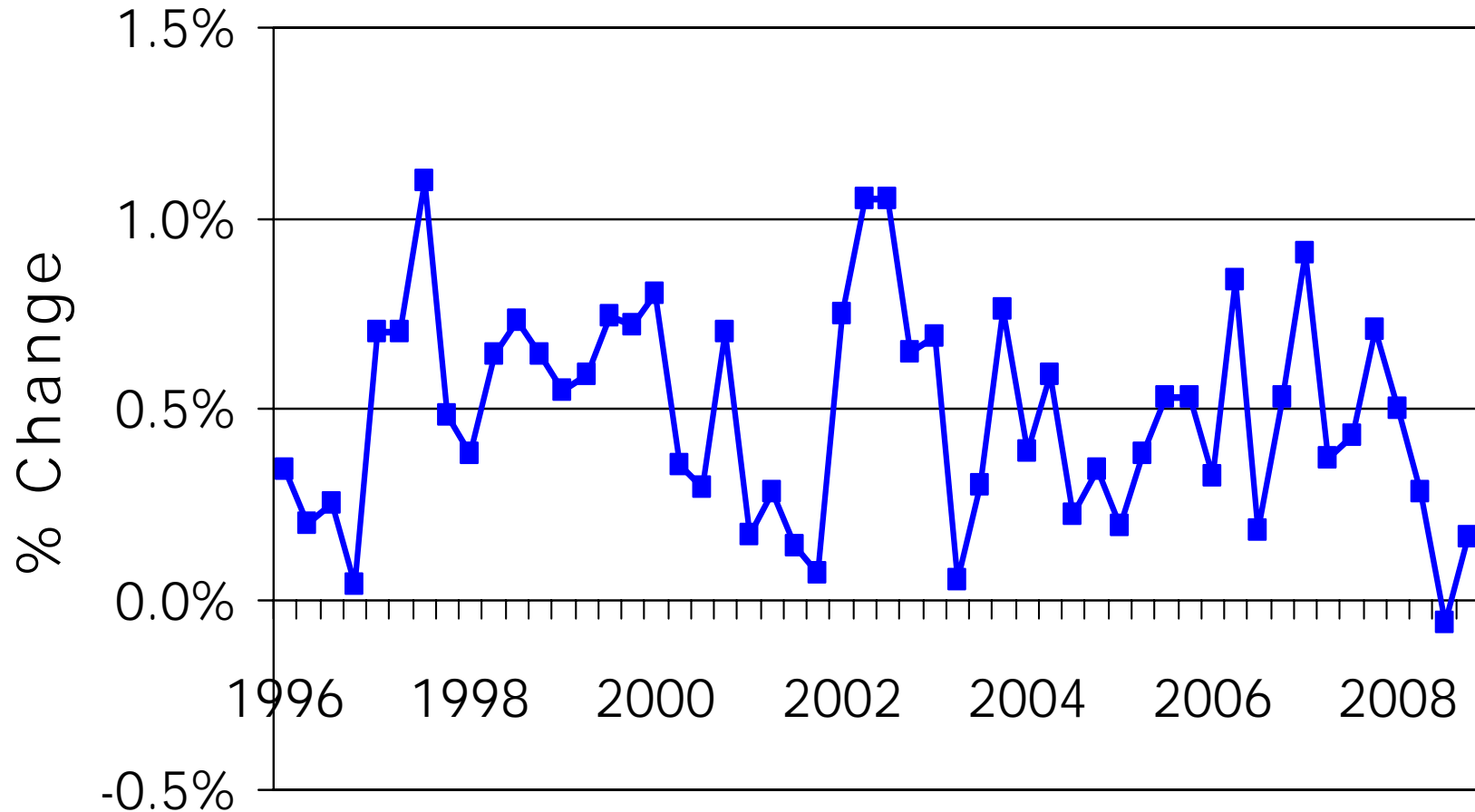
- Job creation
- Affordability
- Investment motive / panic
- Prolonged lags between economic changes and housing market

Canadian Employment



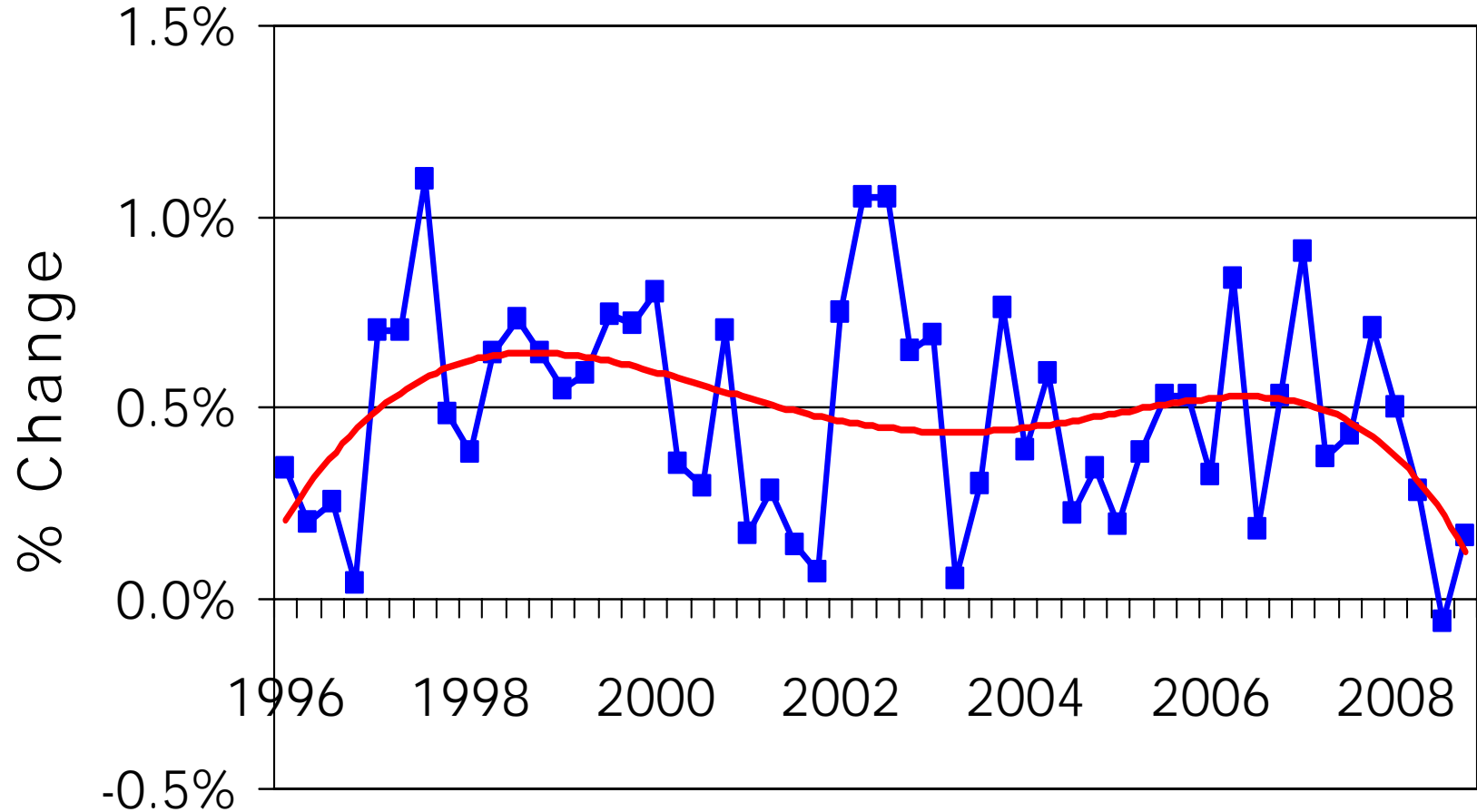
Source: Statistics Canada

Canadian Job Growth (Quarter Over Quarter)



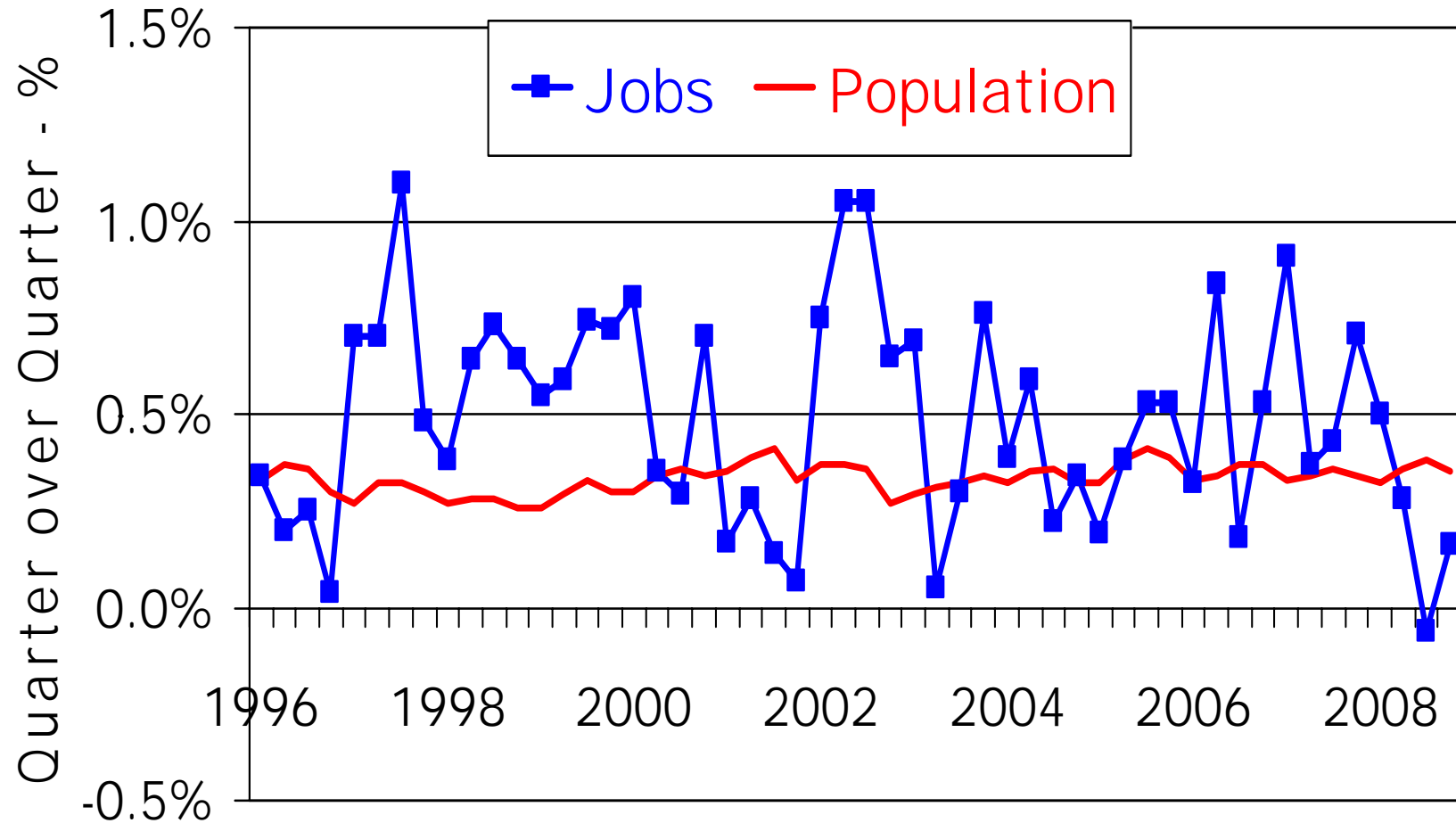
Source: Statistics Canada

Canadian Job Growth Trend Has Turned Down



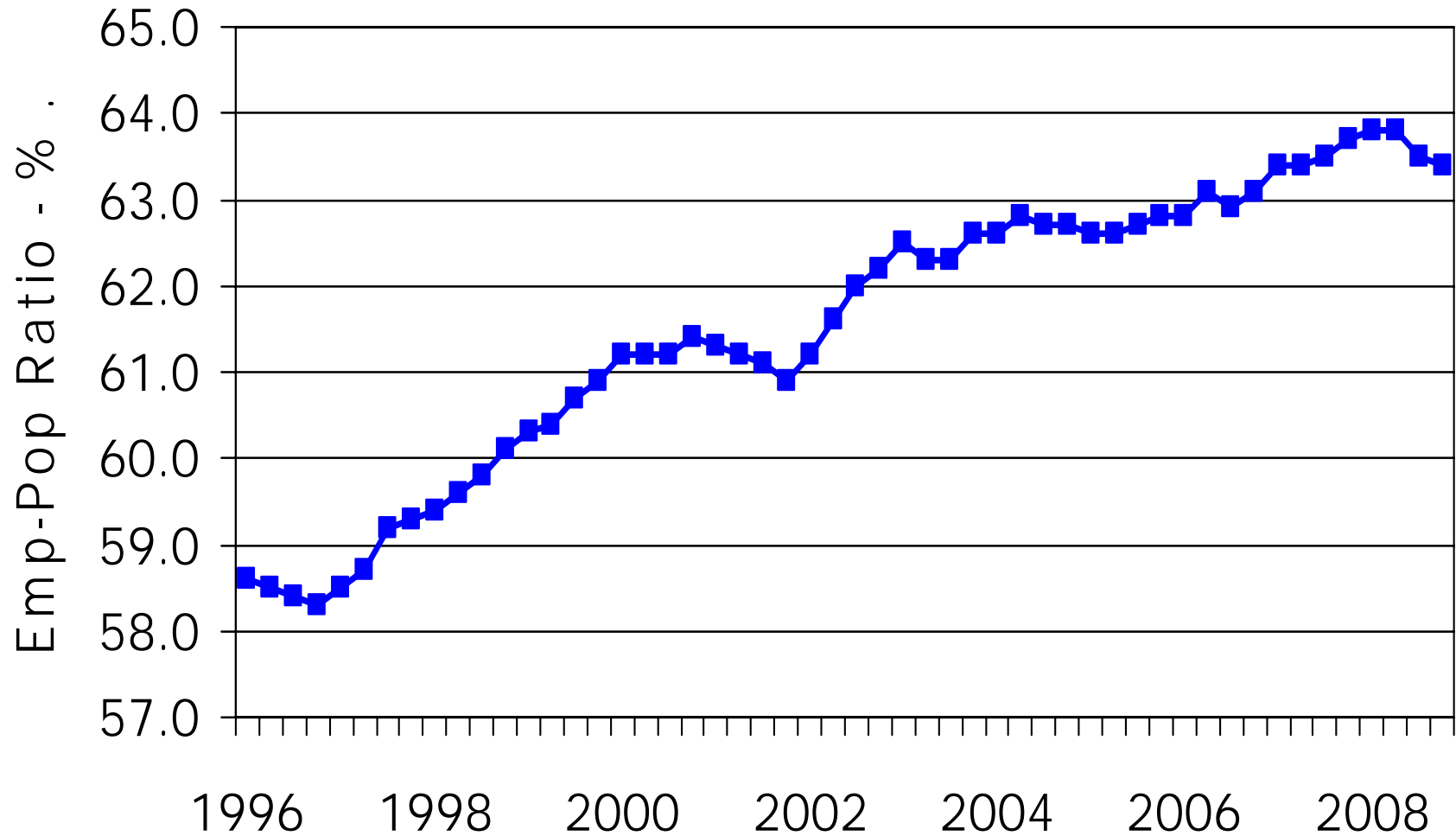
Source: Statistics Canada

Canadian Job Growth Versus Population Growth



Source: Statistics Canada

Employment Rate in Canada

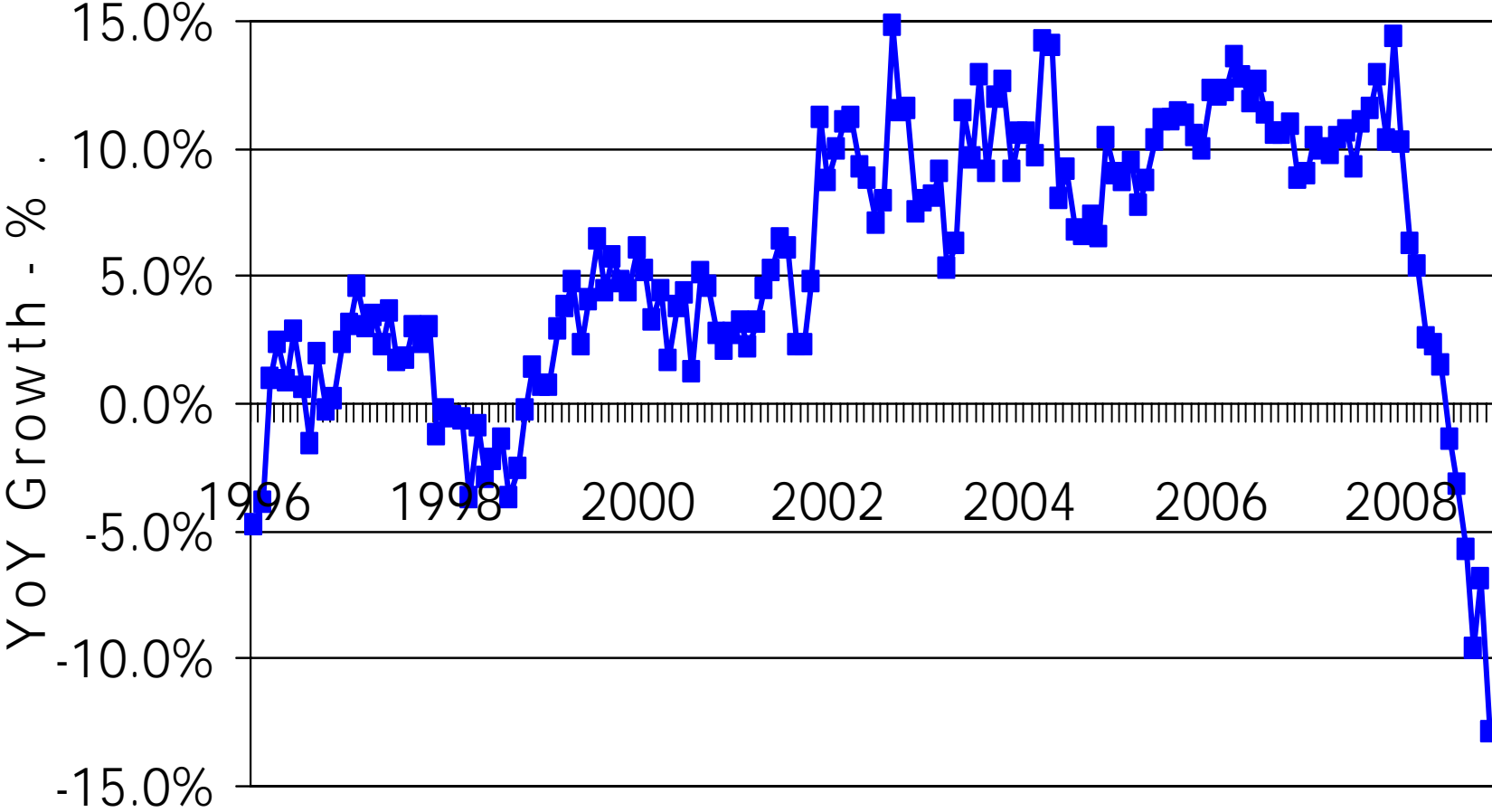


Source: Statistics Canada

Economic Drivers

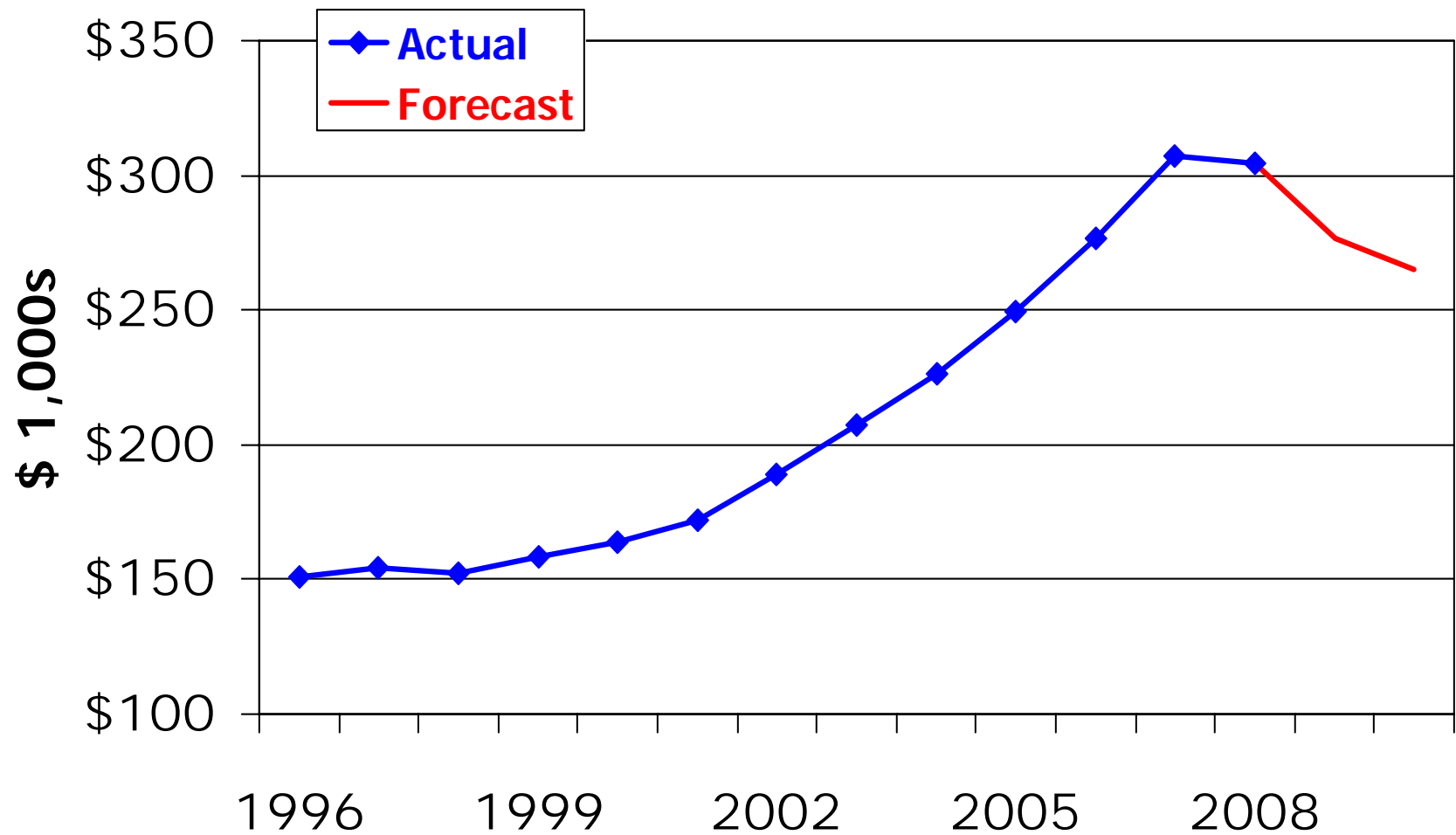
- Housing Wealth
- Stock Market Wealth
- Exchange Rates
- Commodity Prices
- Interest Rates

House Prices – Cycle Has Reversed



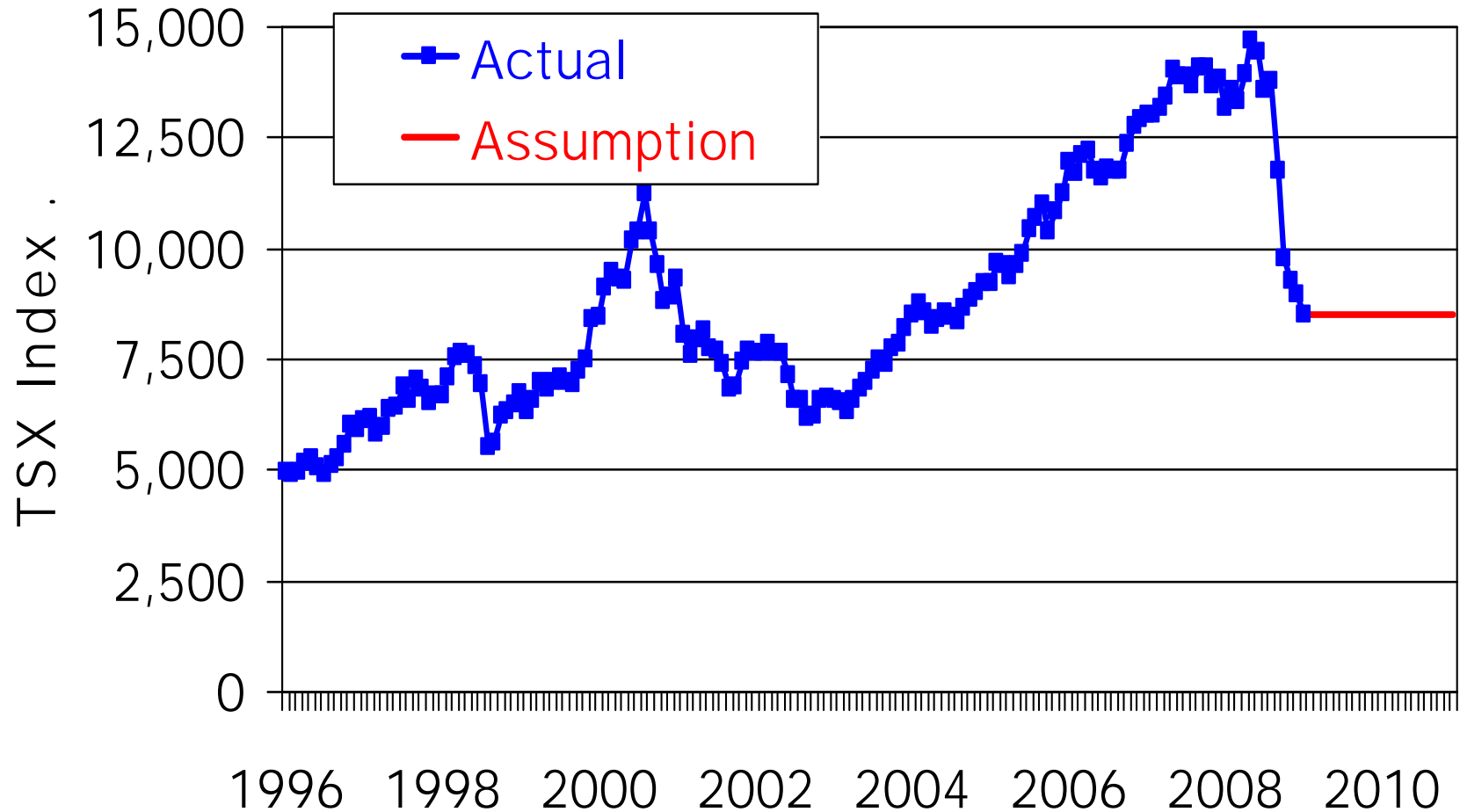
Source: Canadian Real Estate Association

Forecast Average Resale Price



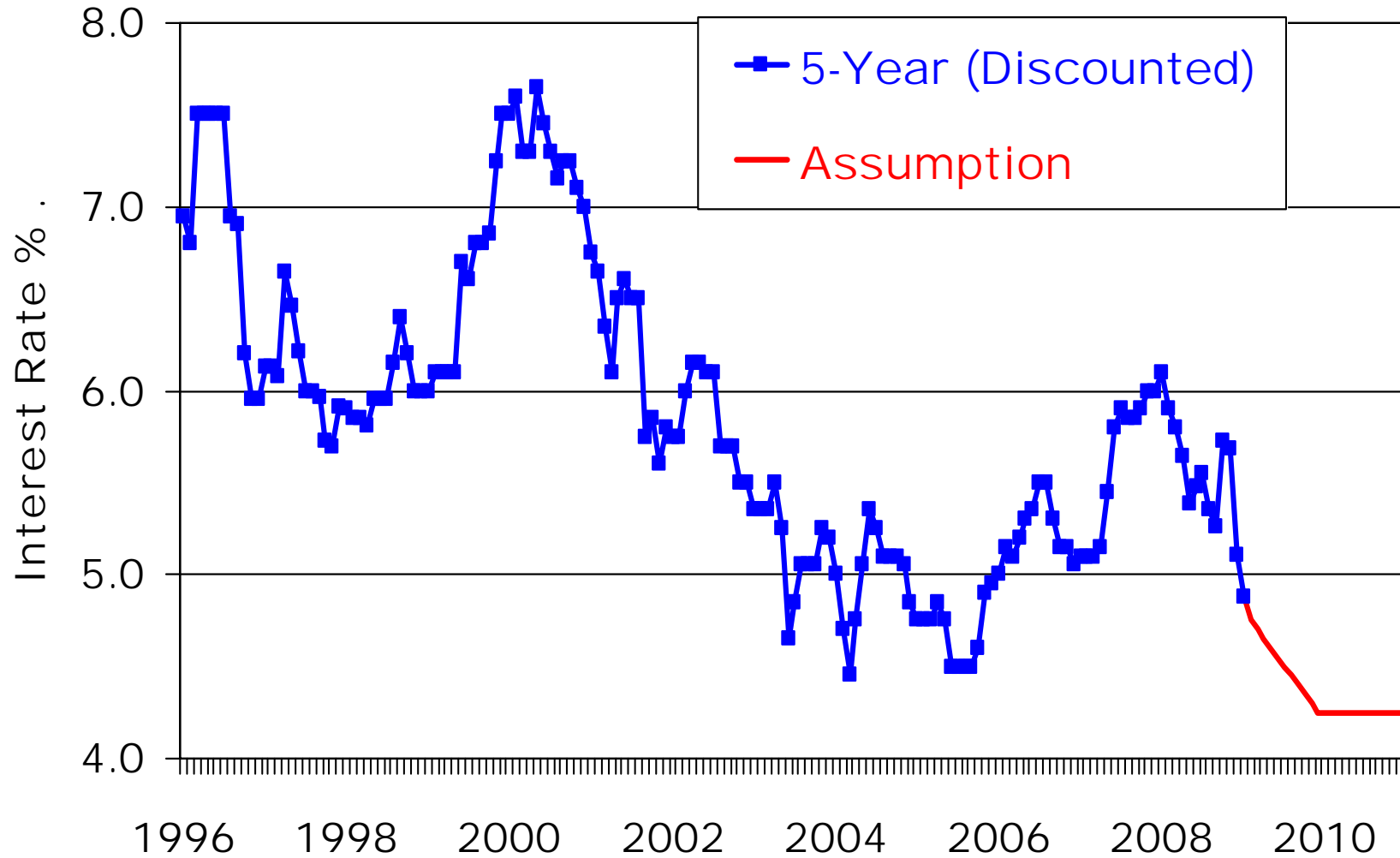
Source: CREA / Will Dunning Inc.

Powerful Wealth Effect from Stocks



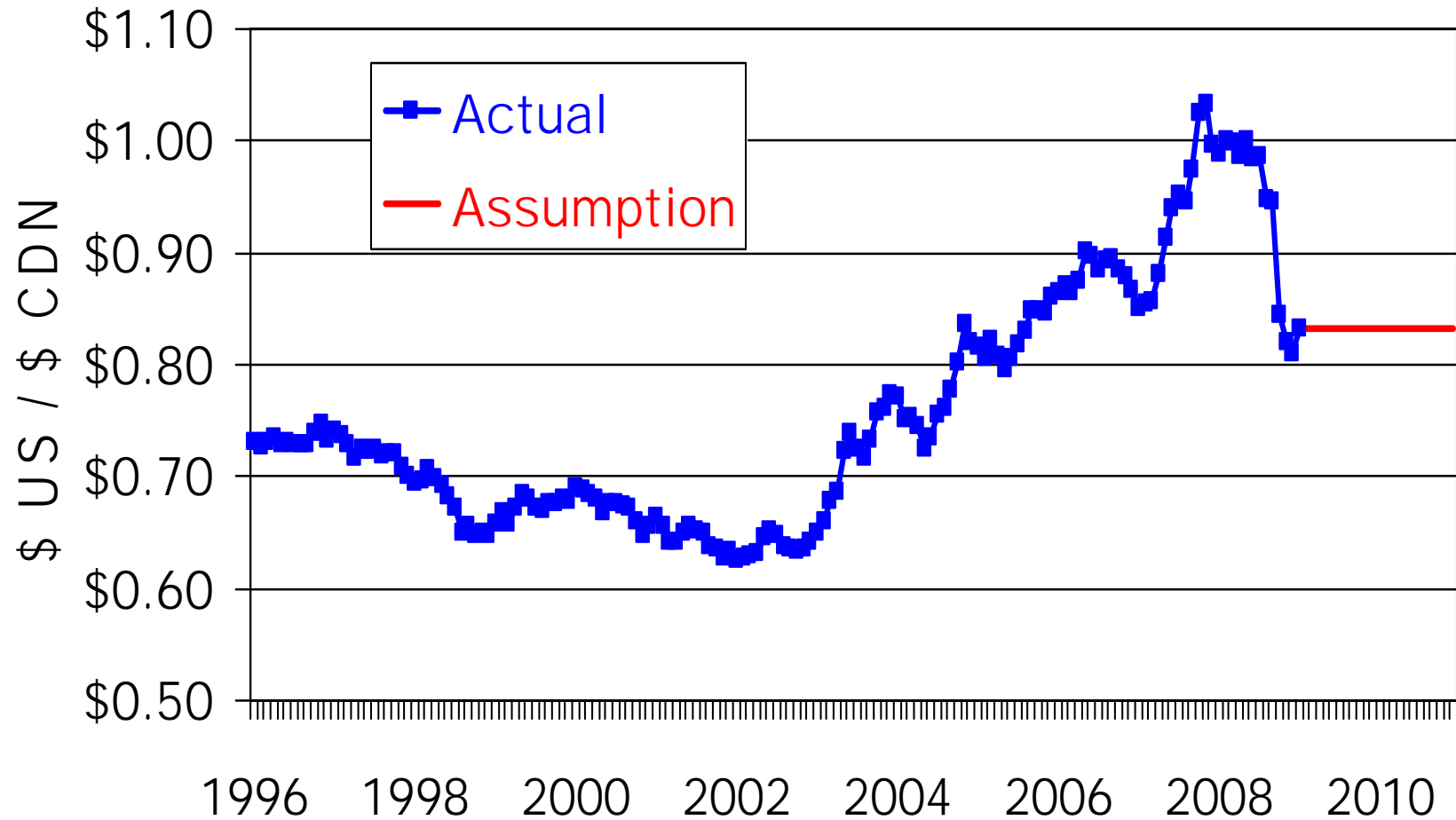
Source: Statistics Canada / Will Dunning Inc.

Assumption for Mortgage Rates



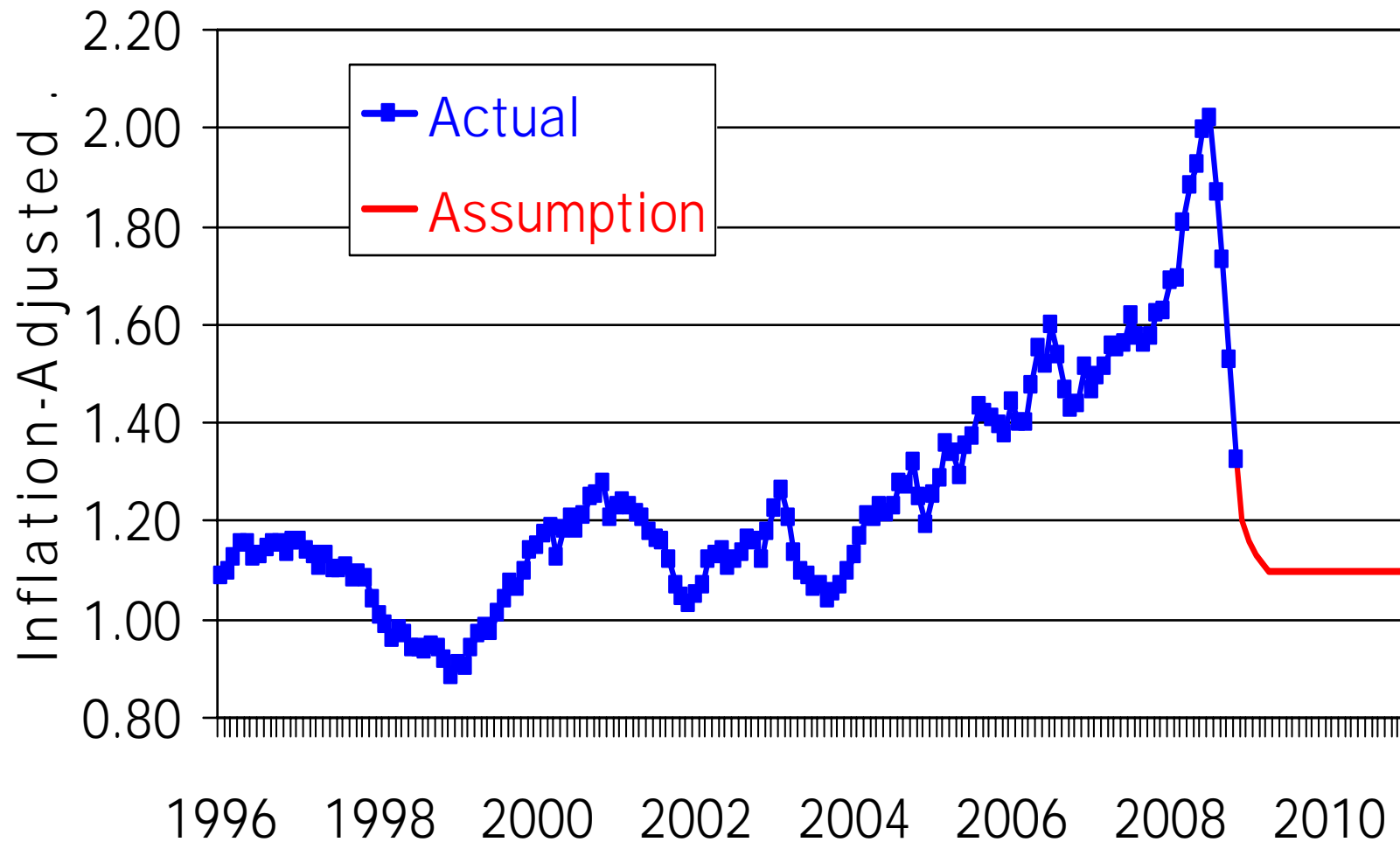
Source: Will Dunning Inc.

Weaker Canadian Dollar is Helpful



Source: Bank of Canada / Will Dunning Inc.

Raw Materials Prices



Source: Statistics Canada / Will Dunning Inc.

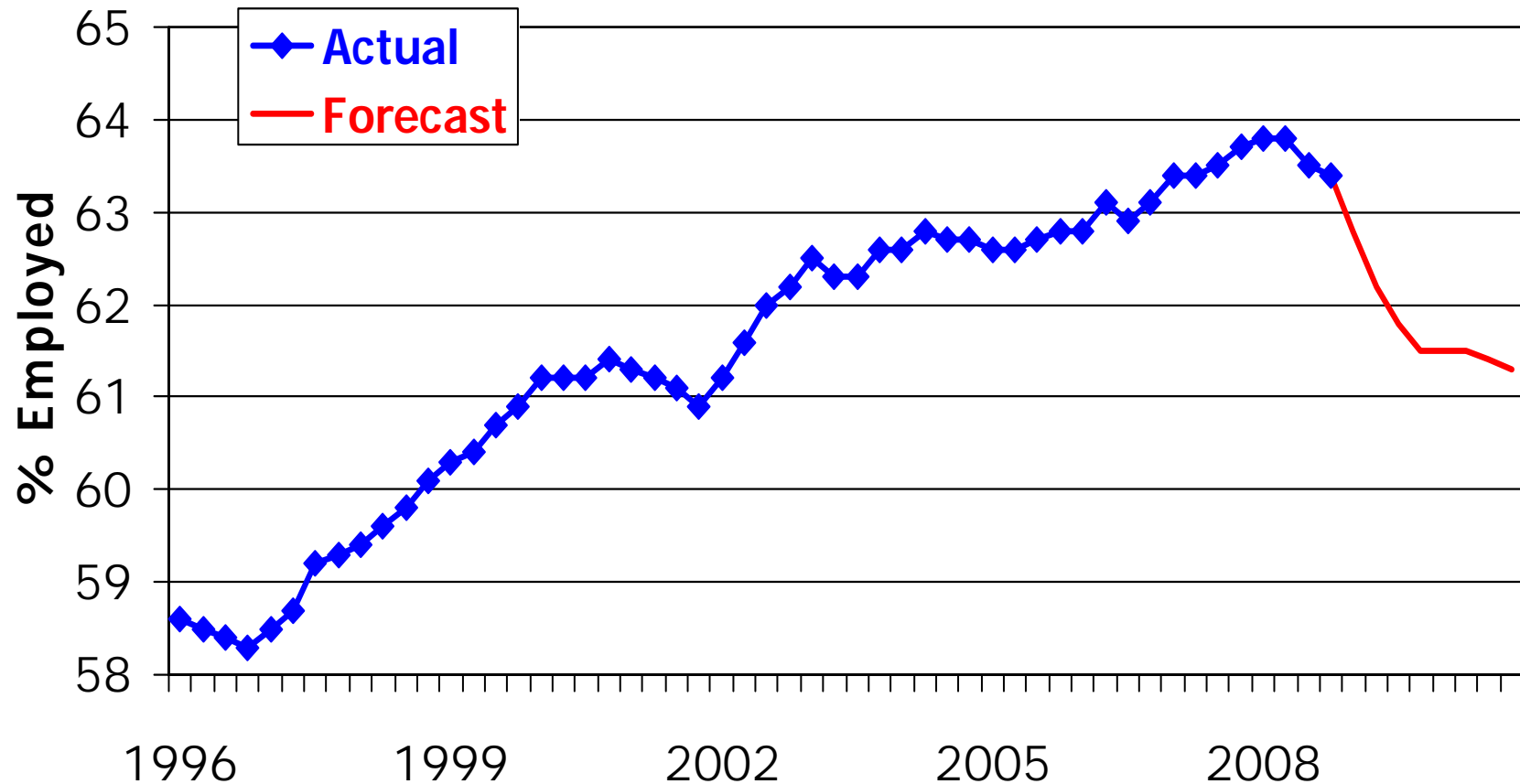
Labour Market Growth During 2005-08

	Adult Pop'n	Jobs
Canada	1.4 %	1.9 %
Atlantic	0.3 %	1.0 %
Quebec	1.1 %	1.5 %
Ontario	1.4 %	1.5 %
Manitoba	0.8 %	1.5 %
Saskatchewan	0.8 %	1.9 %
Alberta	3.1 %	4.1 %
BC	1.8 %	2.8 %

Job Growth 2008-2010

	Past 3 Years	Next 2 Years
Canada	1.9 %	- 0.4 %
Atlantic	1.0 %	- 0.3 %
Quebec	1.5 %	- 0.4 %
Ontario	1.5 %	- 1.4 %
Manitoba	1.5 %	- 0.2 %
Saskatchewan	1.9 %	1.2 %
Alberta	4.1 %	1.0 %
BC	2.8 %	0.7 %

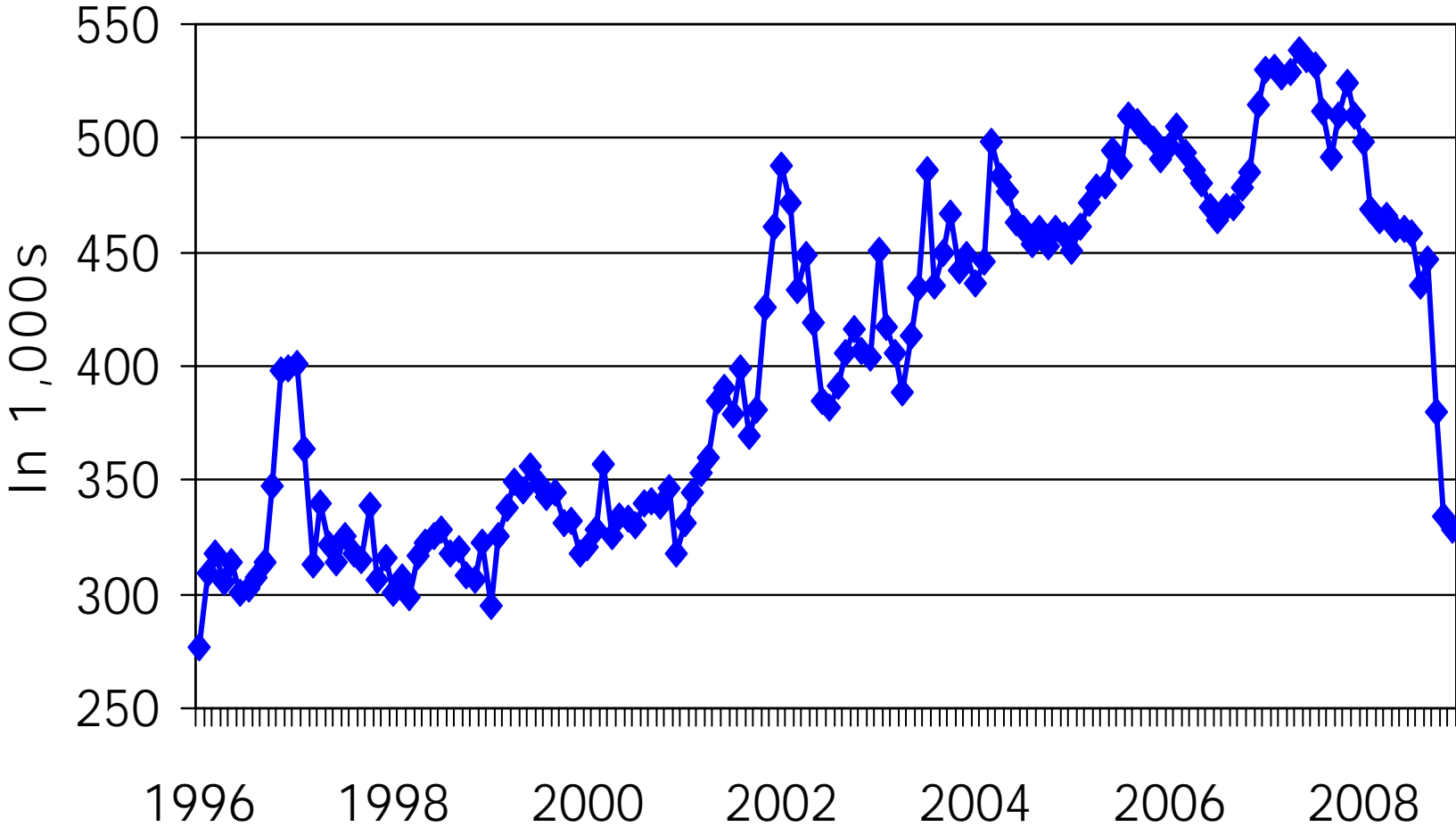
Employment-to-Population Ratio May Soon Fall Sharply



Source: Statistics Canada / Will Dunning Inc.

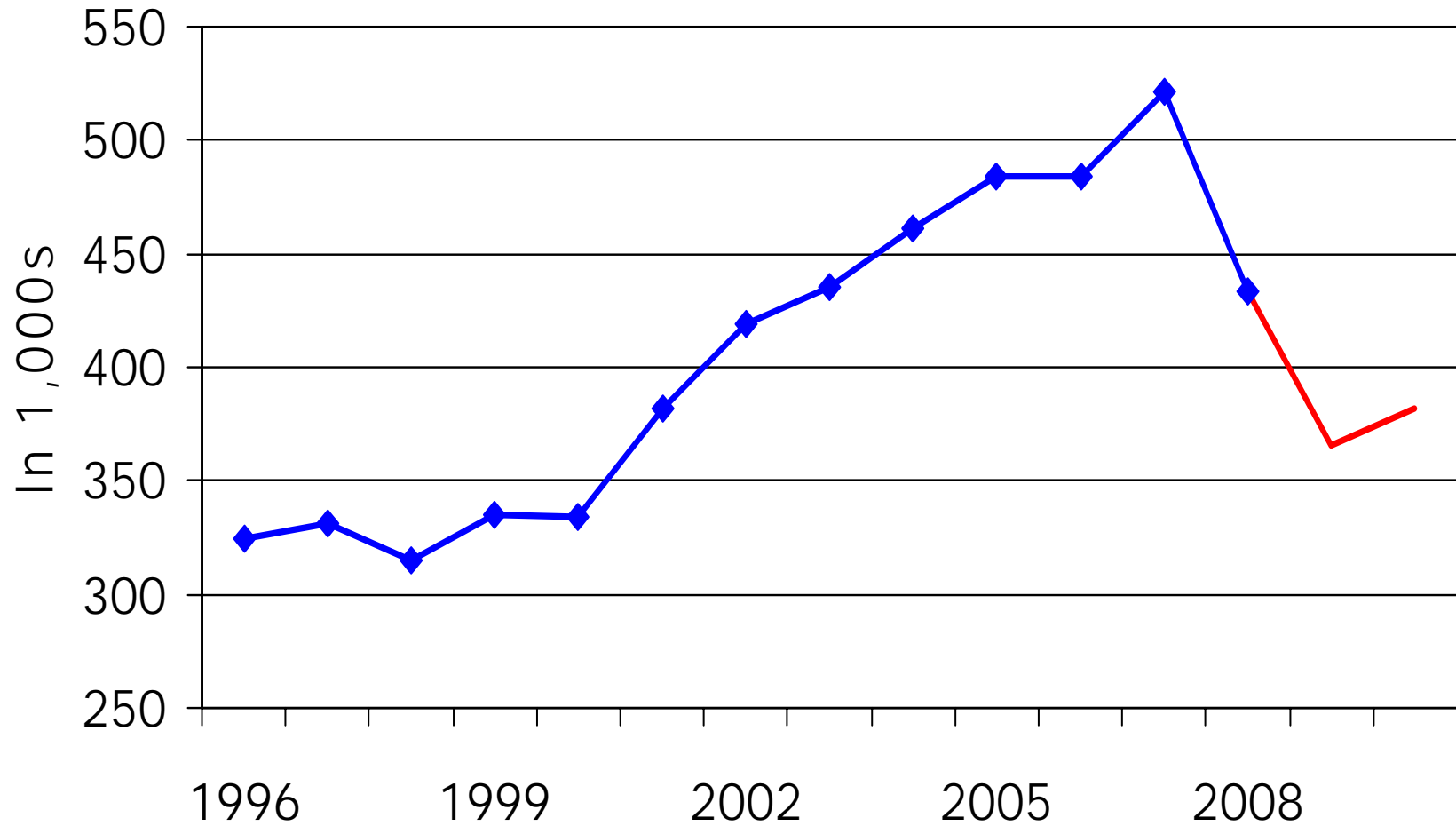
Housing Markets

Resale Activity (Unit Sales)



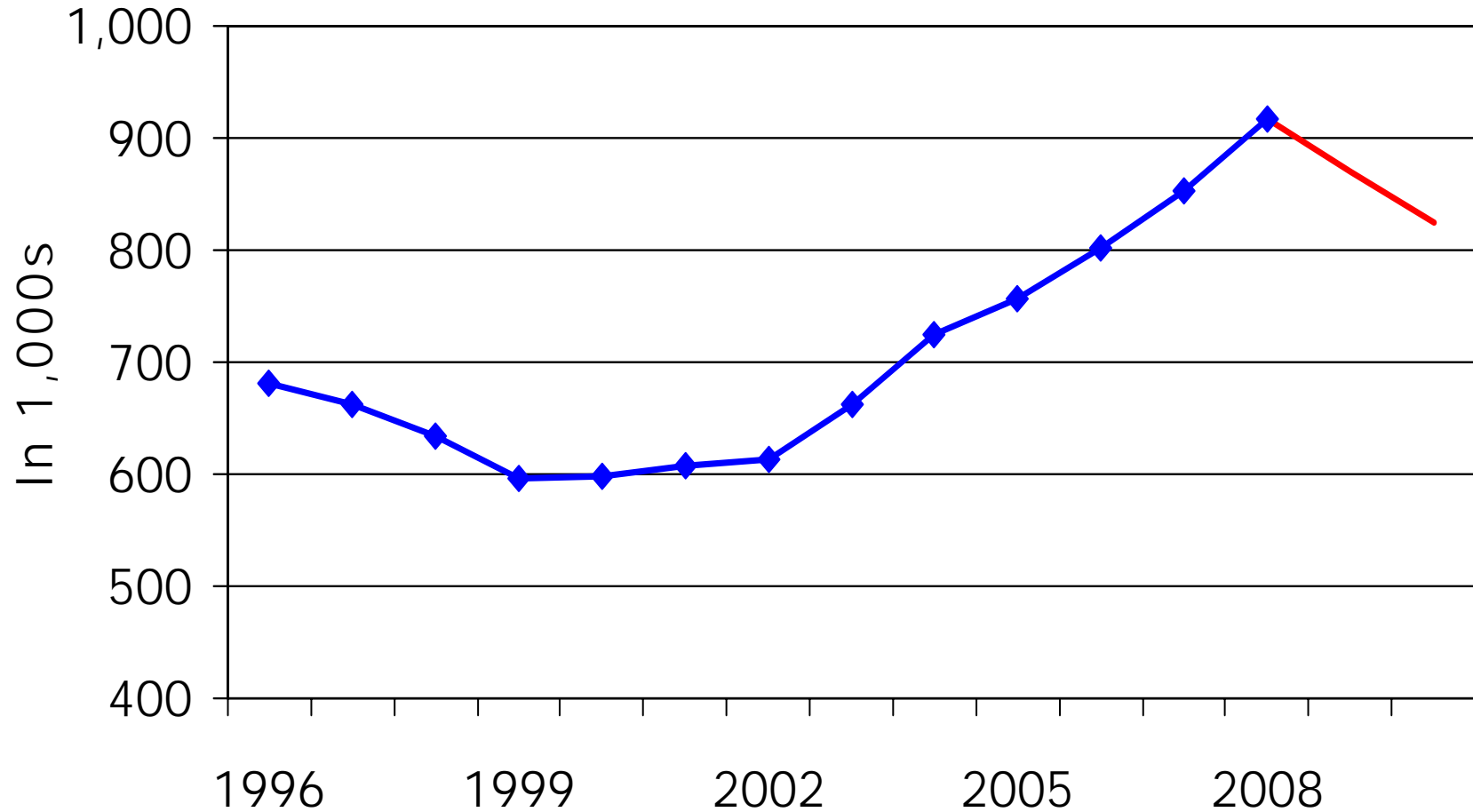
Source: CREA / Will Dunning Inc.

Resale Forecast



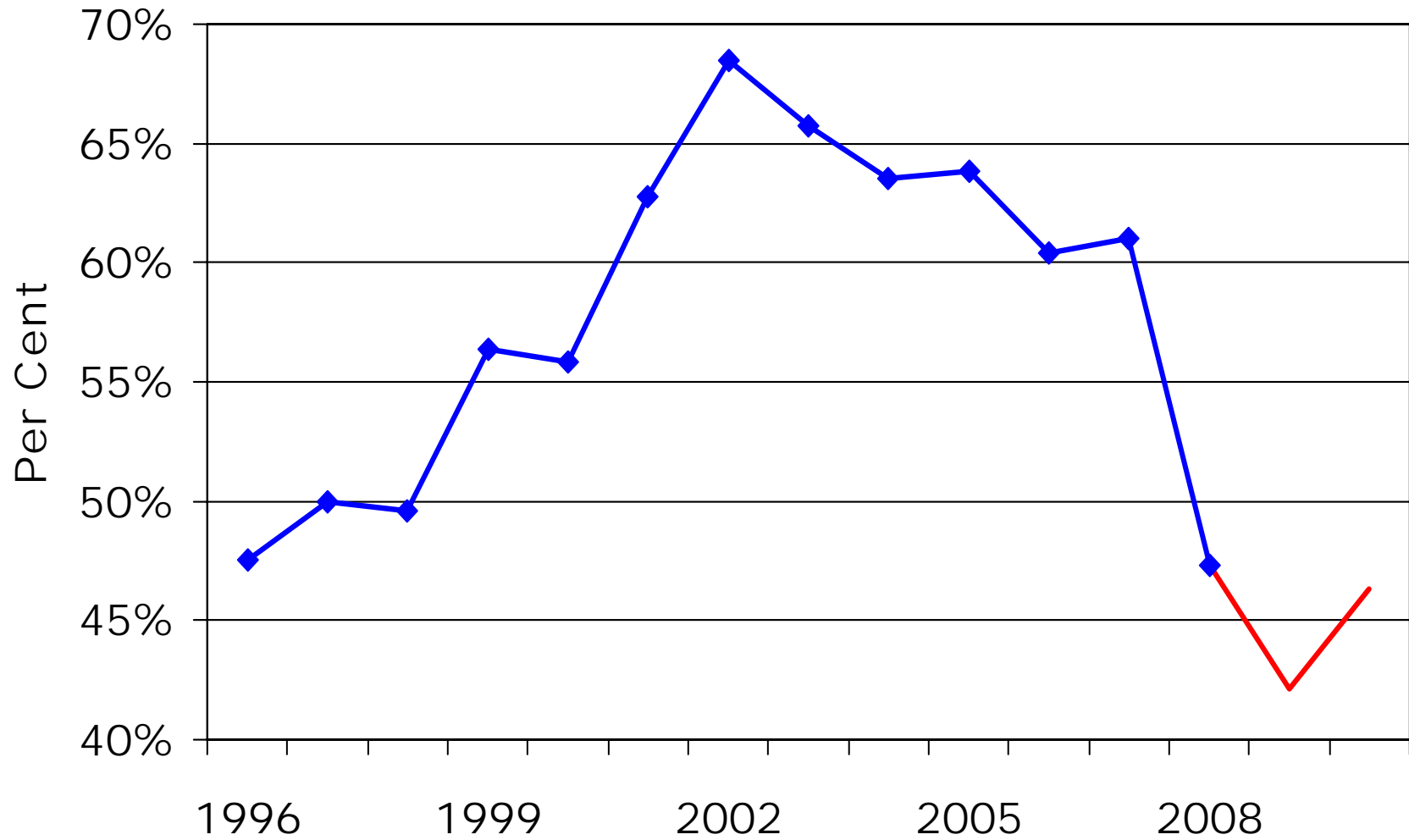
Source: CREA / Will Dunning Inc.

Resale Forecast (Listings)



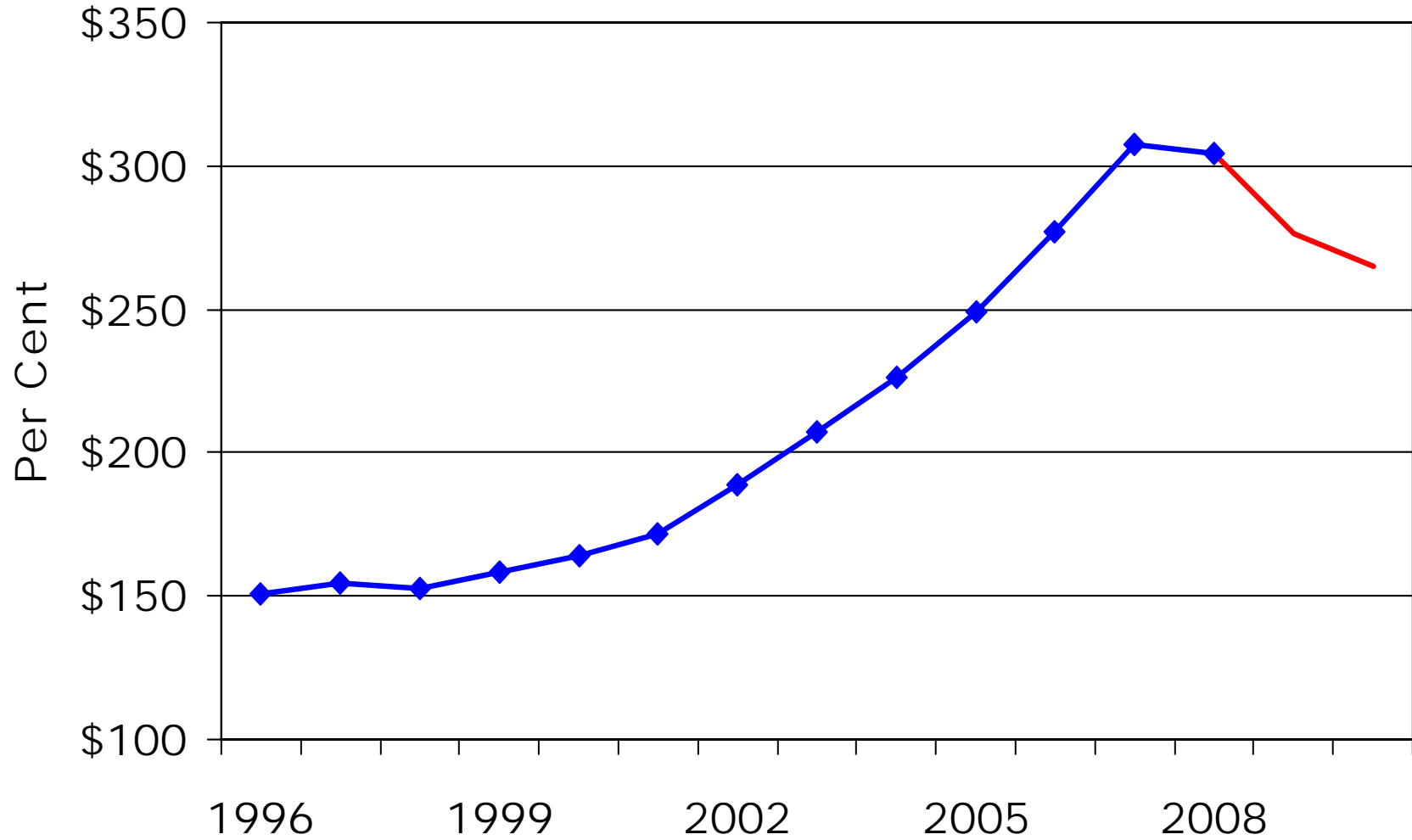
Source: CREA / Will Dunning Inc.

Forecast Sales-to-Listings Ratio



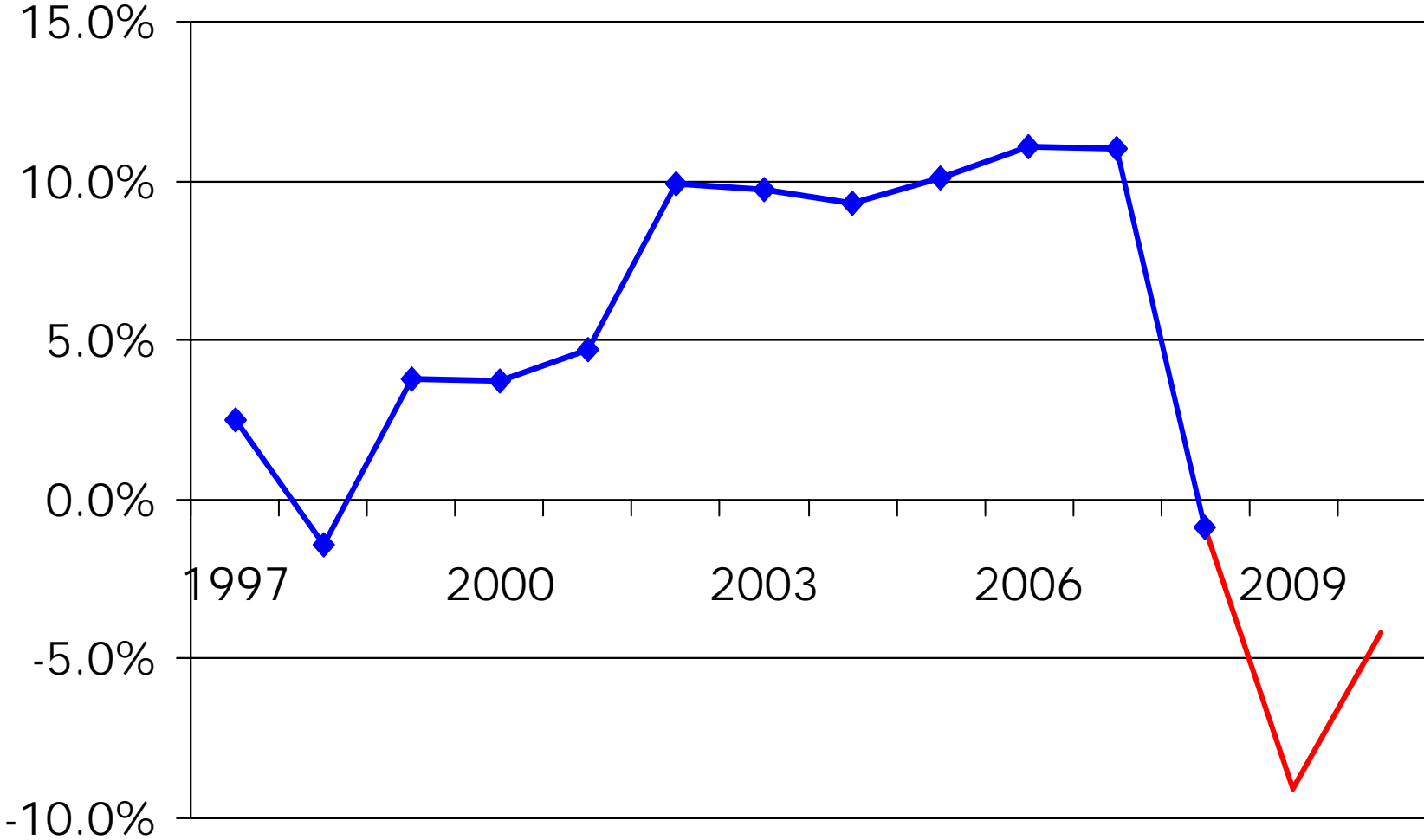
Source: CREA / Will Dunning Inc.

Forecast Average Resale Price



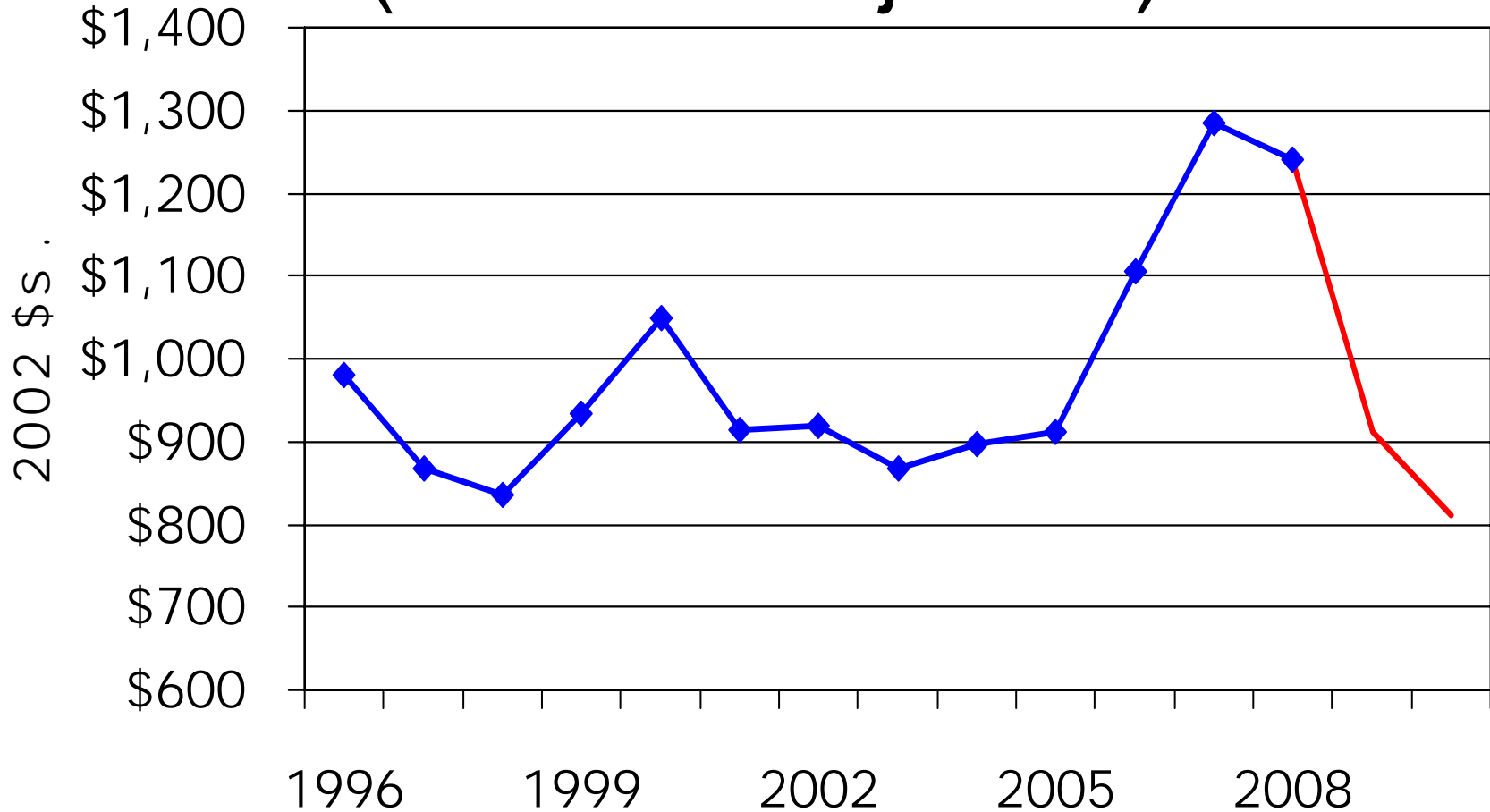
Source: CREA / Will Dunning Inc.

Resale Forecast (Price Growth)



Source: CREA / Will Dunning Inc.

Mortgage Interest Cost (Inflation-Adjusted)



Source: CREA / Will Dunning Inc.

Resales (Units)

	2007	2008	2009	2010
Canada	523,855	434,477	380,000	394,800
NFLD	4,471	4,695	3,800	4,600
PEI	1,769	1,413	1,300	1,400
NS	11,857	10,874	10,200	10,700
NB	8,161	7,555	7,000	7,600
QUE	83,453	79,402	75,000	77,000

Continued... Resales (Units)

	2007	2008	2009	2010
Canada	523,855	434,477	380,000	394,800
ONT	213,379	181,001	158,300	163,500
MAN	13,928	13,525	12,000	12,000
SASK	12,054	10,203	8,500	9,900
ALTA	71,430	56,399	49,400	51,600
BC	102,805	68,923	54,500	57,100

Resale Prices (% Change)

	2007	2008	2009	2010
Canada	11.0 %	- 1.2 %	- 9.6 %	- 3.8 %
NFLD	7.0 %	19.6 %	3.6 %	7.1 %
PEI	6.4 %	4.9 %	- 1.0 %	0.6 %
NS	7.3 %	4.9 %	3.0 %	3.5 %
NB	7.7 %	6.7 %	1.9 %	2.6 %
QUE	6.6 %	3.9 %	- 0.8 %	0.1 %

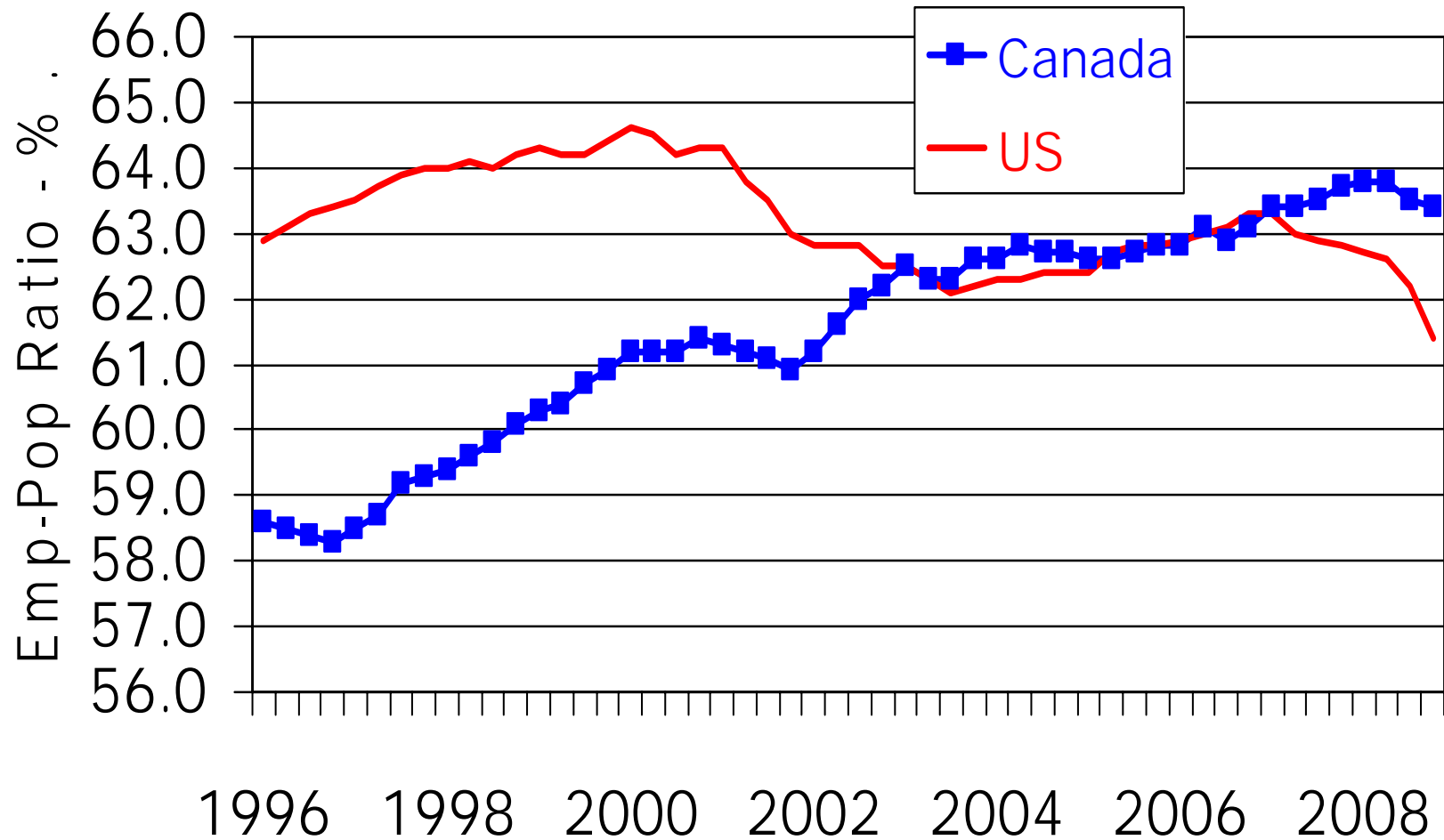
Cont'd... Resale Prices (% Change)

	2007	2008	2009	2010
Canada	11.0 %	- 1.2 %	- 9.6 %	- 3.8 %
ONT	7.6 %	0.9 %	- 10.3 %	- 2.6 %
MAN	12.6 %	12.5 %	5.2 %	5.7 %
SASK	32.0%	28.8 %	9.5 %	5.9 %
ALTA	24.8 %	- 0.9 %	- 9.8 %	- 9.9 %
BC	12.3 %	3.5 %	- 12.8 %	- 8.1 %

Canadian Housing Outlook Differs from US

- Canadian economy much stronger
- Lack of housing bubble
- Mortgage lending has been much more prudent
- Canadian home owners have much more equity

Employment Rate in Canada Versus the US



Source: Statistics Canada

Different Housing Market and Mortgage Lending Environments

- Much less “investment motive” in Canada
- Teaser mortgage rates and resets not an issue in Canada
- Minimal amount of sub-prime lending in Canada - caution by lenders and borrowers
- Canadian mortgage debt just 28% of housing value (> 50% in US)
- Canadian mortgage arrears just 0.29% (slightly above 0.24% low in 2006)

Concluding Observations

- Canadian economic downturn is just getting started
- Depth and duration may be like early 1990s
- Variations across Canada
- Economic recovery will take some time to transmit into housing market
- Canadian recession less severe than US