

Residential Construction Forecast

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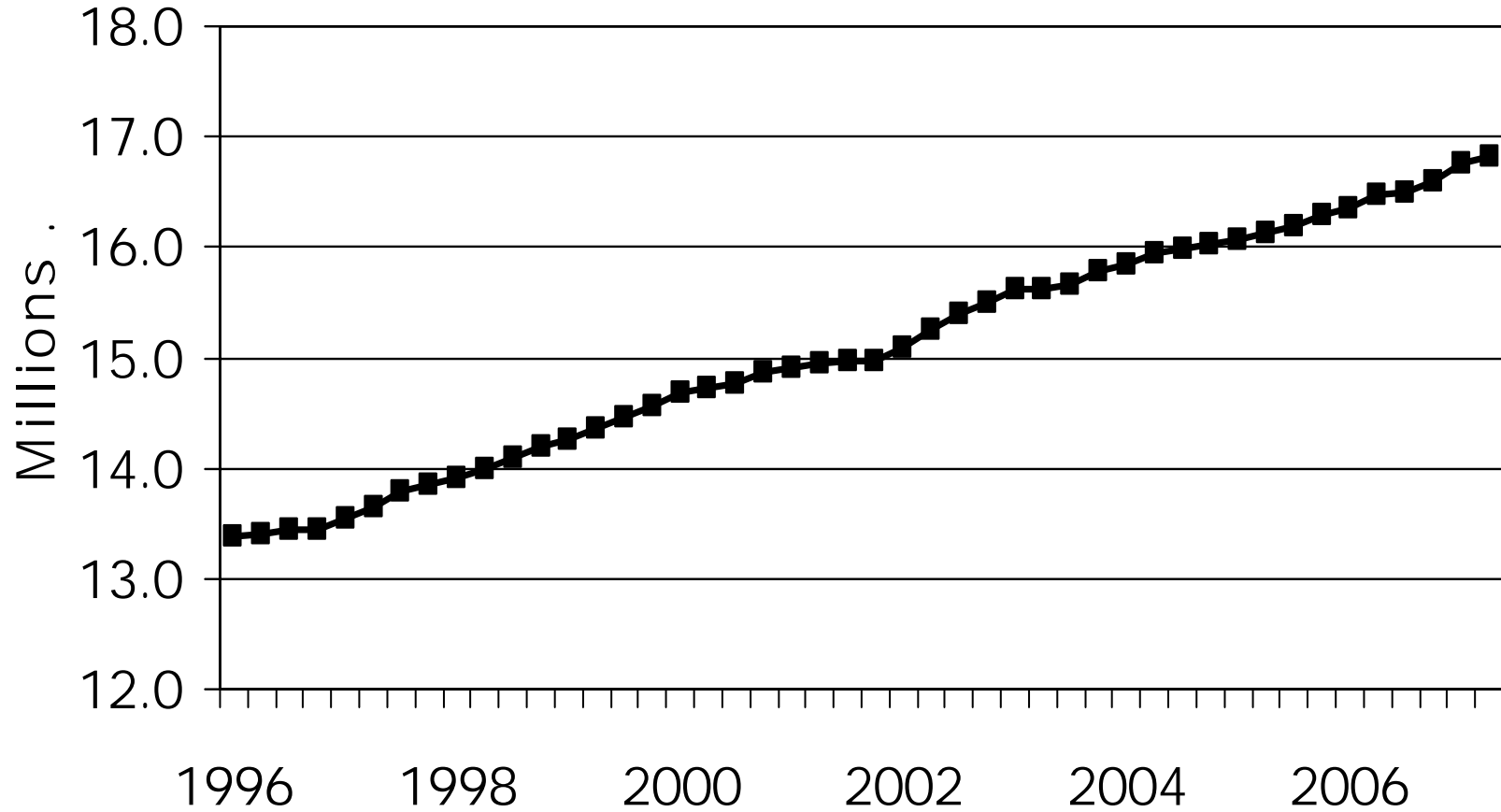
My Agenda

- Current trends and assumptions
 - Economics
 - Housing Market
- Residential forecasts
- Regional shifts
- Final thoughts

Housing Demand is Driven by...

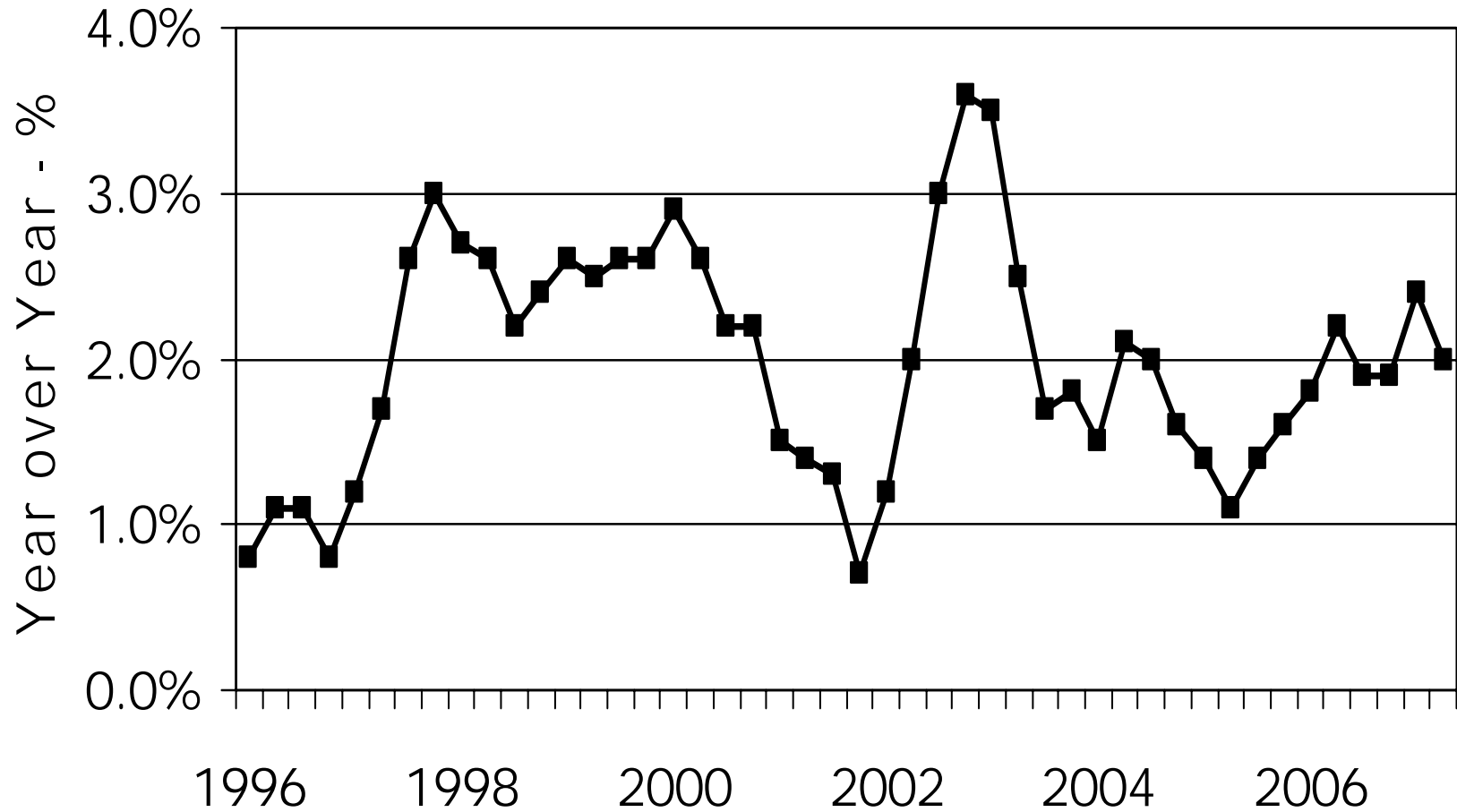
- Jobs
- Jobs
- Jobs
- Affordability
- Attitudes, expectations, and confidence

Rising Employment in Canada



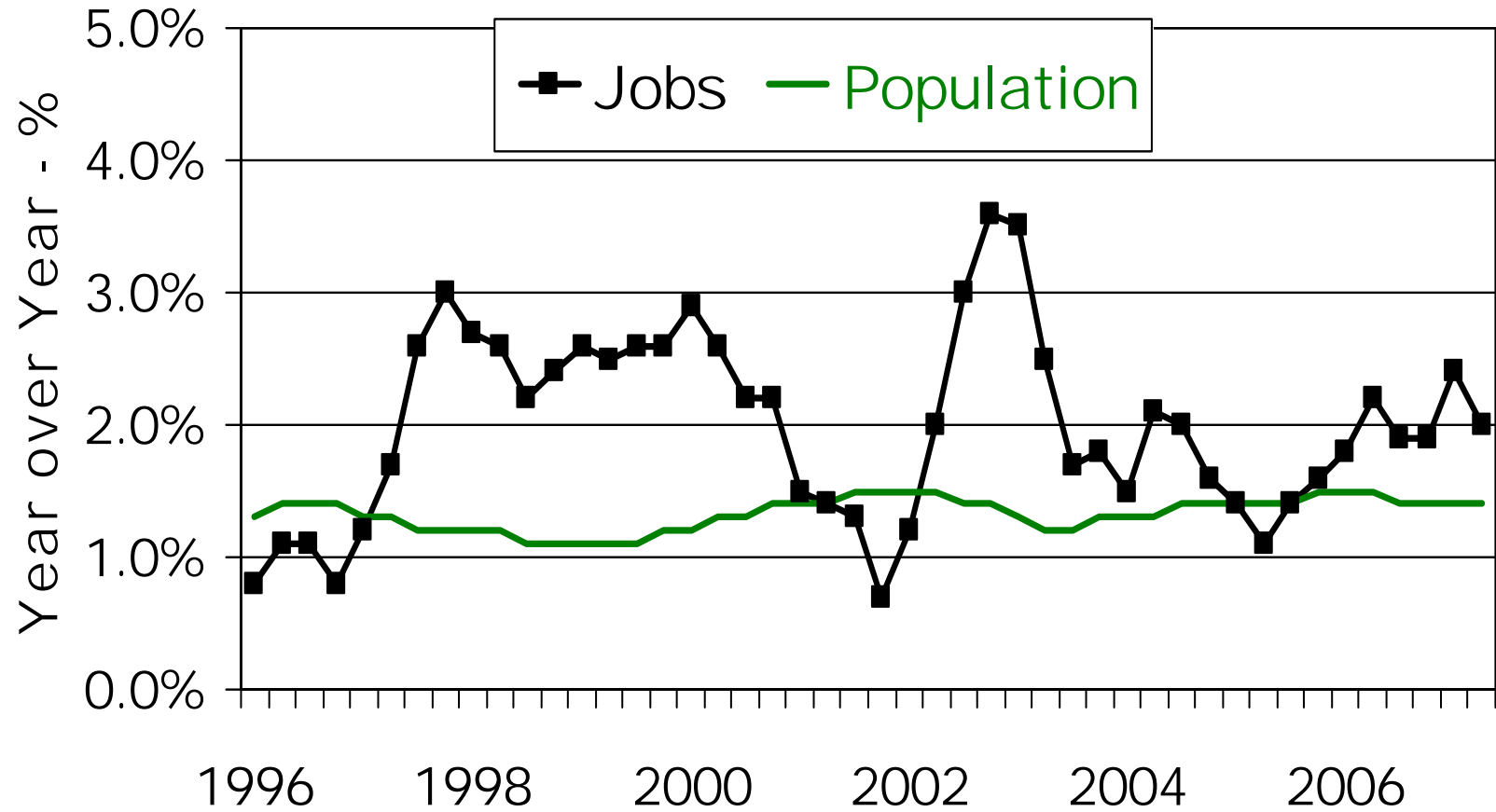
Source: Statistics Canada

Job Growth in Canada



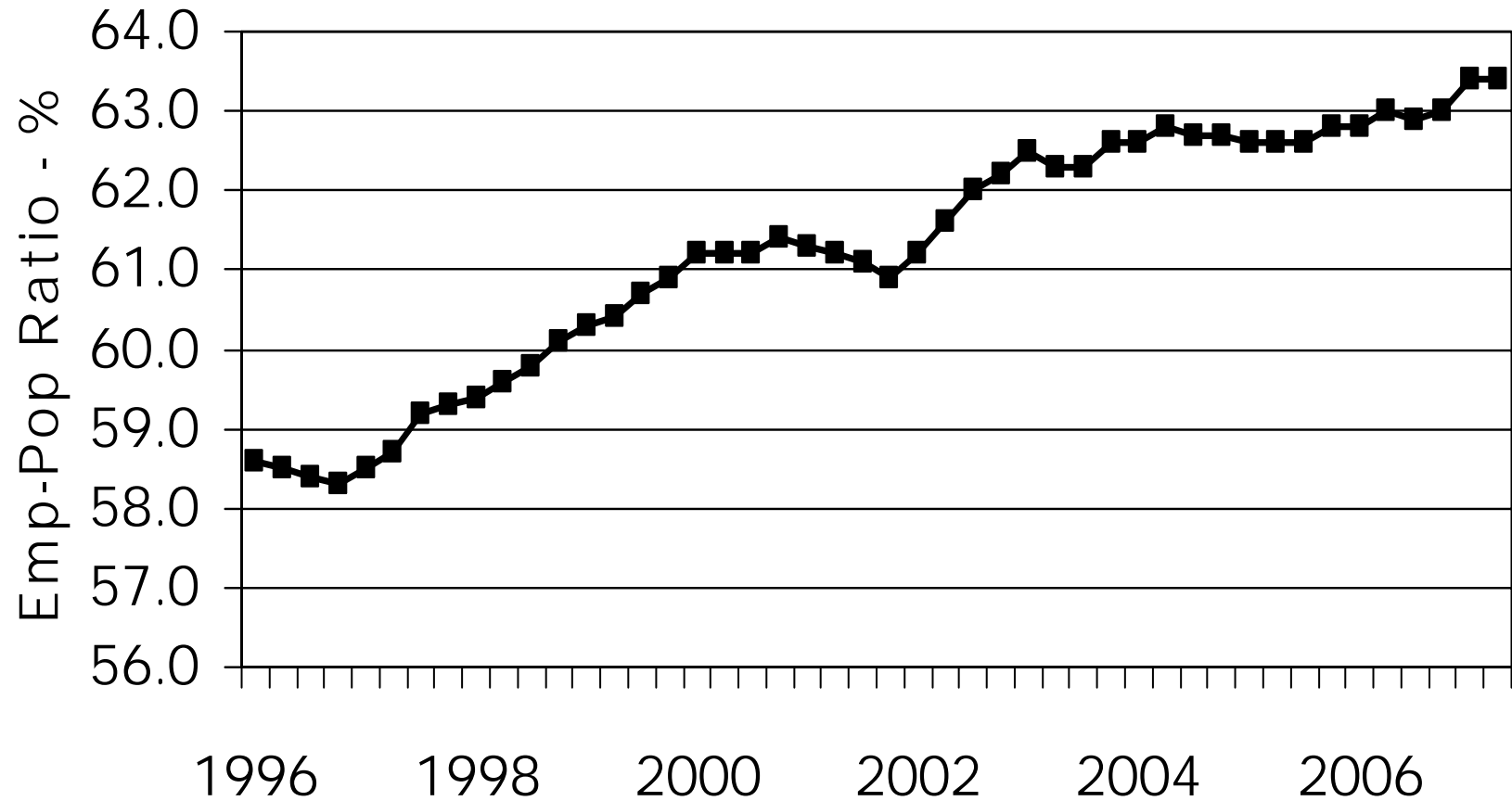
Source: Statistics Canada

Job Growth Exceeds Population Growth



Source: Statistics Canada

Employment Rate in Canada

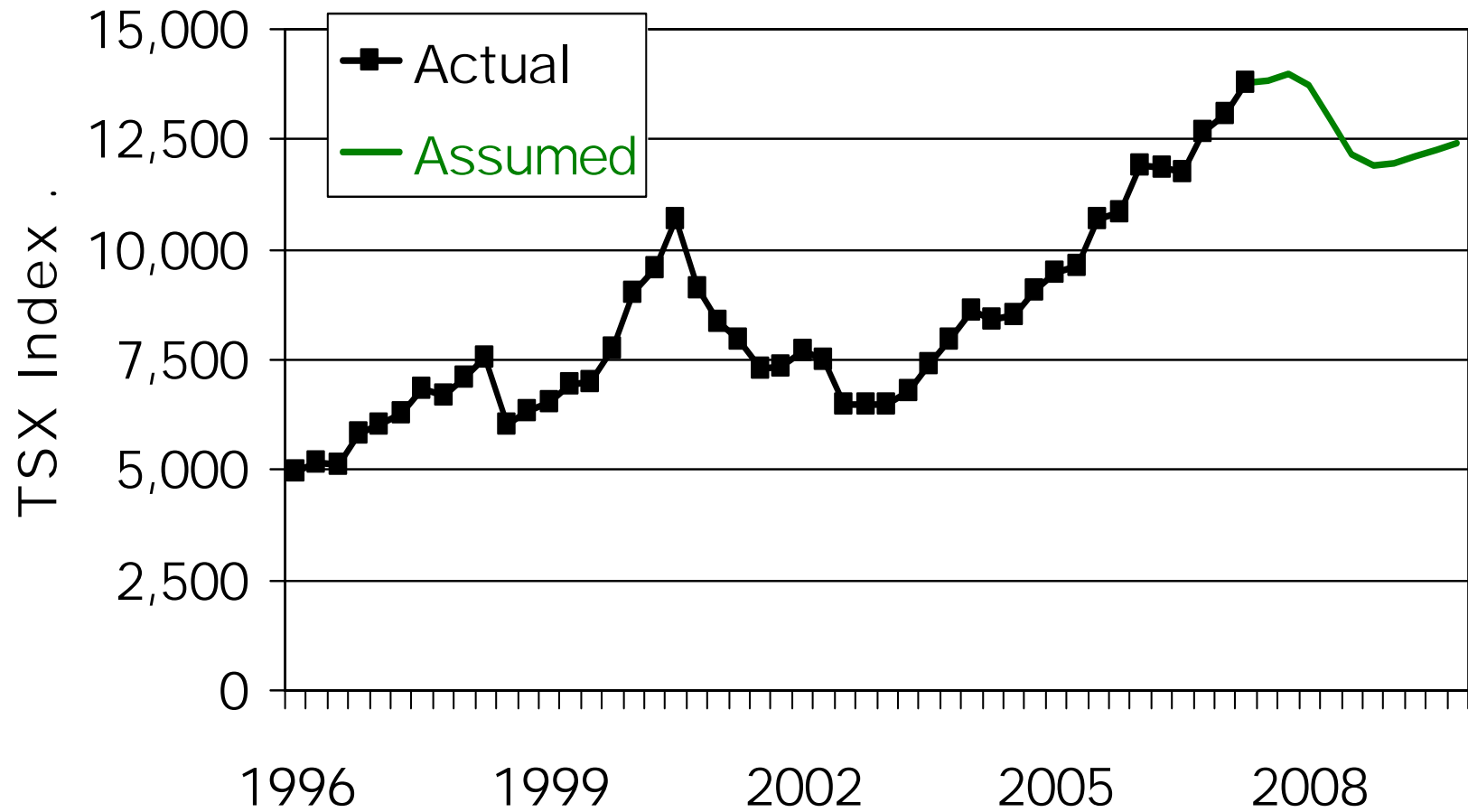


Source: Statistics Canada

Employment Drivers

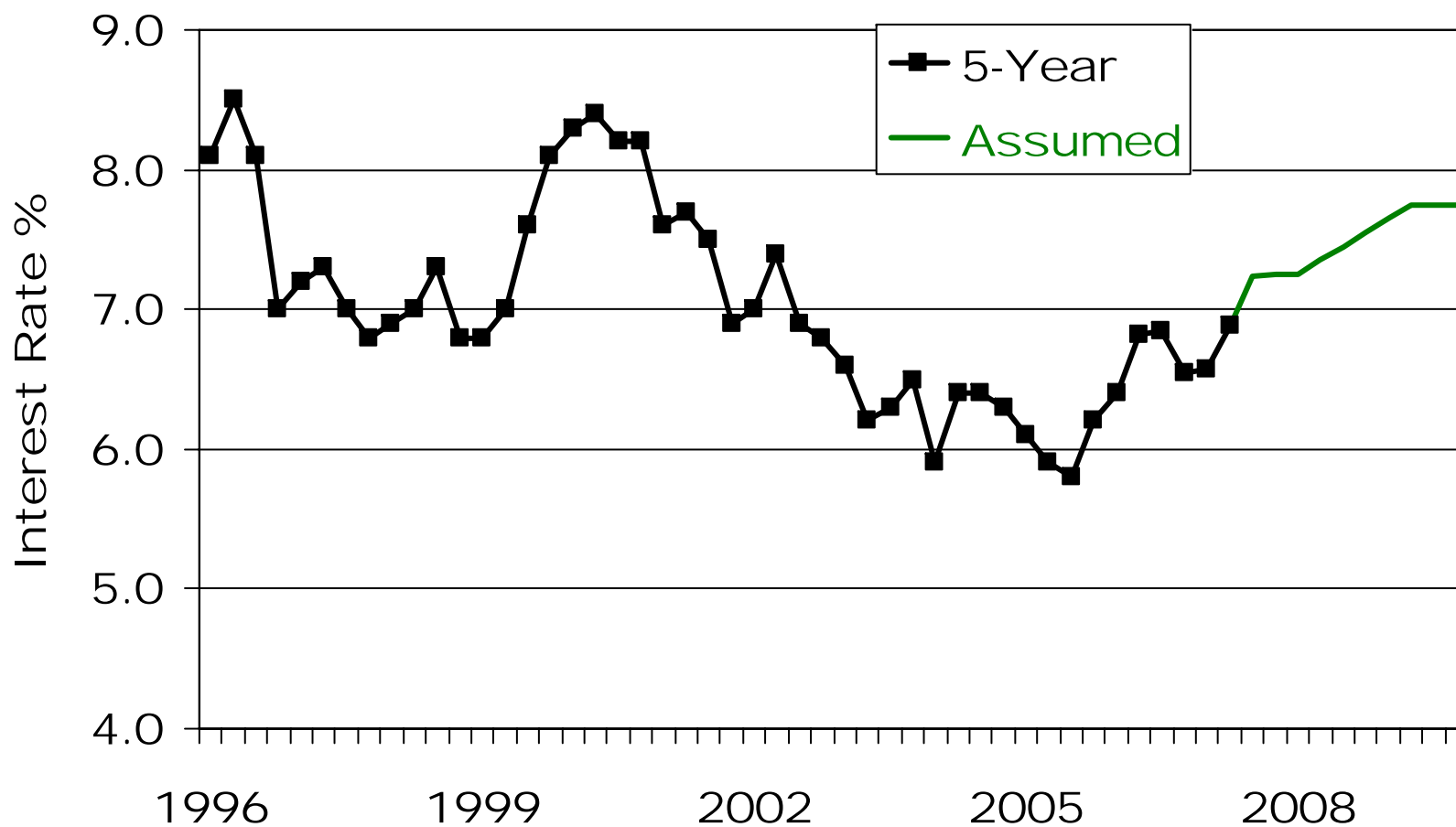
<u>Variable</u>	<u>Status</u>
Wealth – Stocks	Very Positive
Interest Rates	Positive
Canadian Dollar	Very Negative
Commodities	West - Positive East - Negative
Wealth – Housing	Very Positive

Powerful Wealth Effect from Stocks



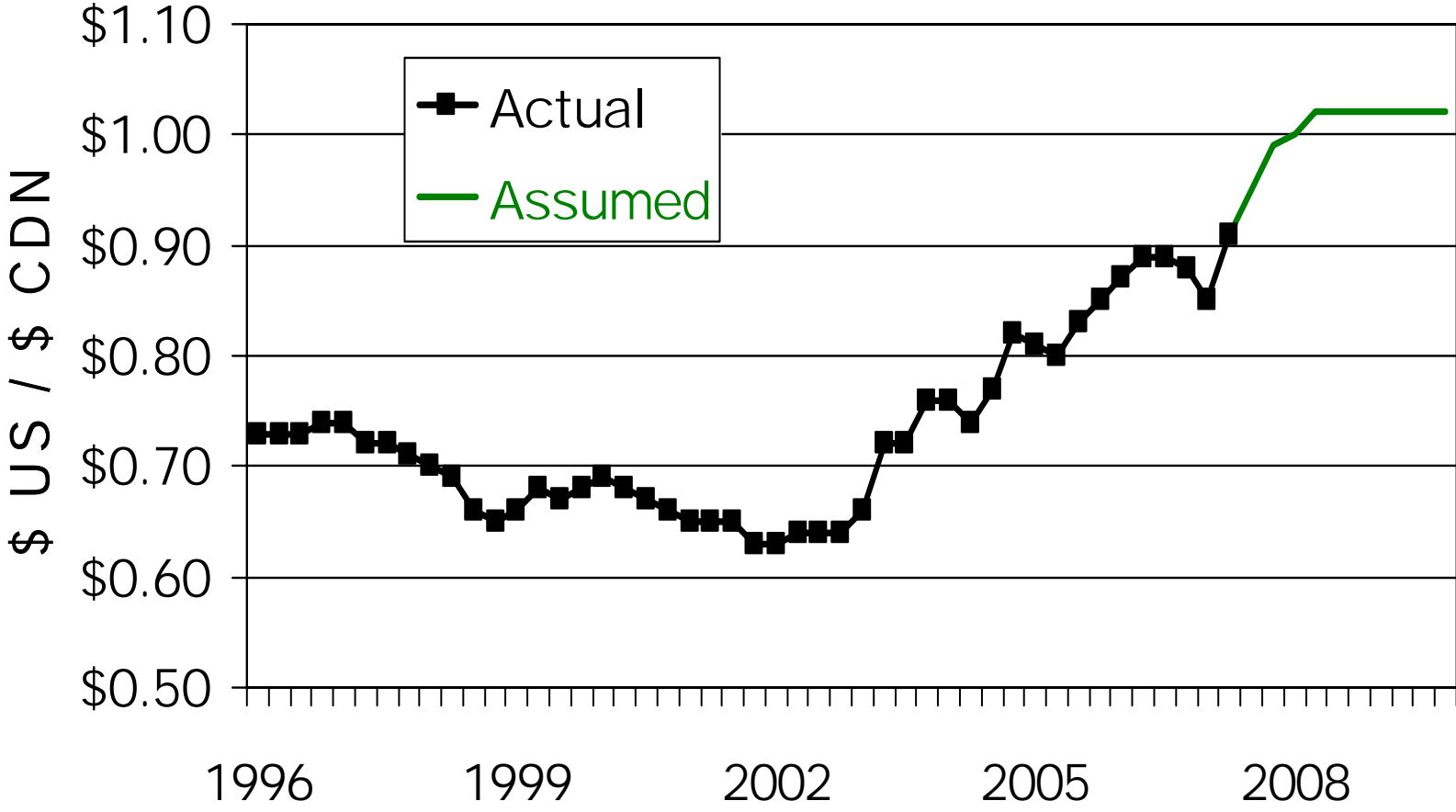
Source: Statistics Canada / Will Dunning Inc.

Assumption for Mortgage Rates



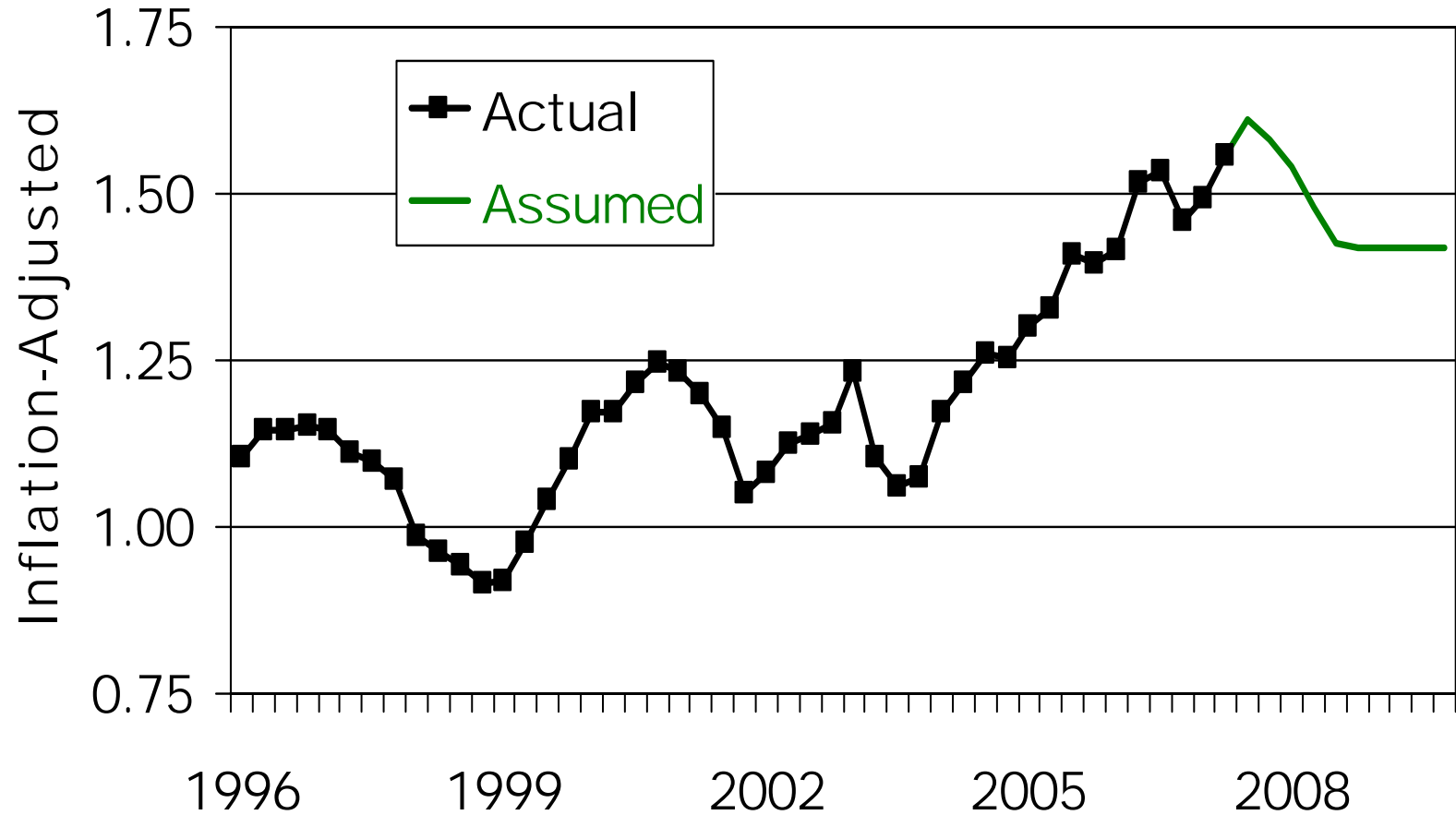
Source: Bank of Canada / Will Dunning Inc.

Canadian Dollar is Strong



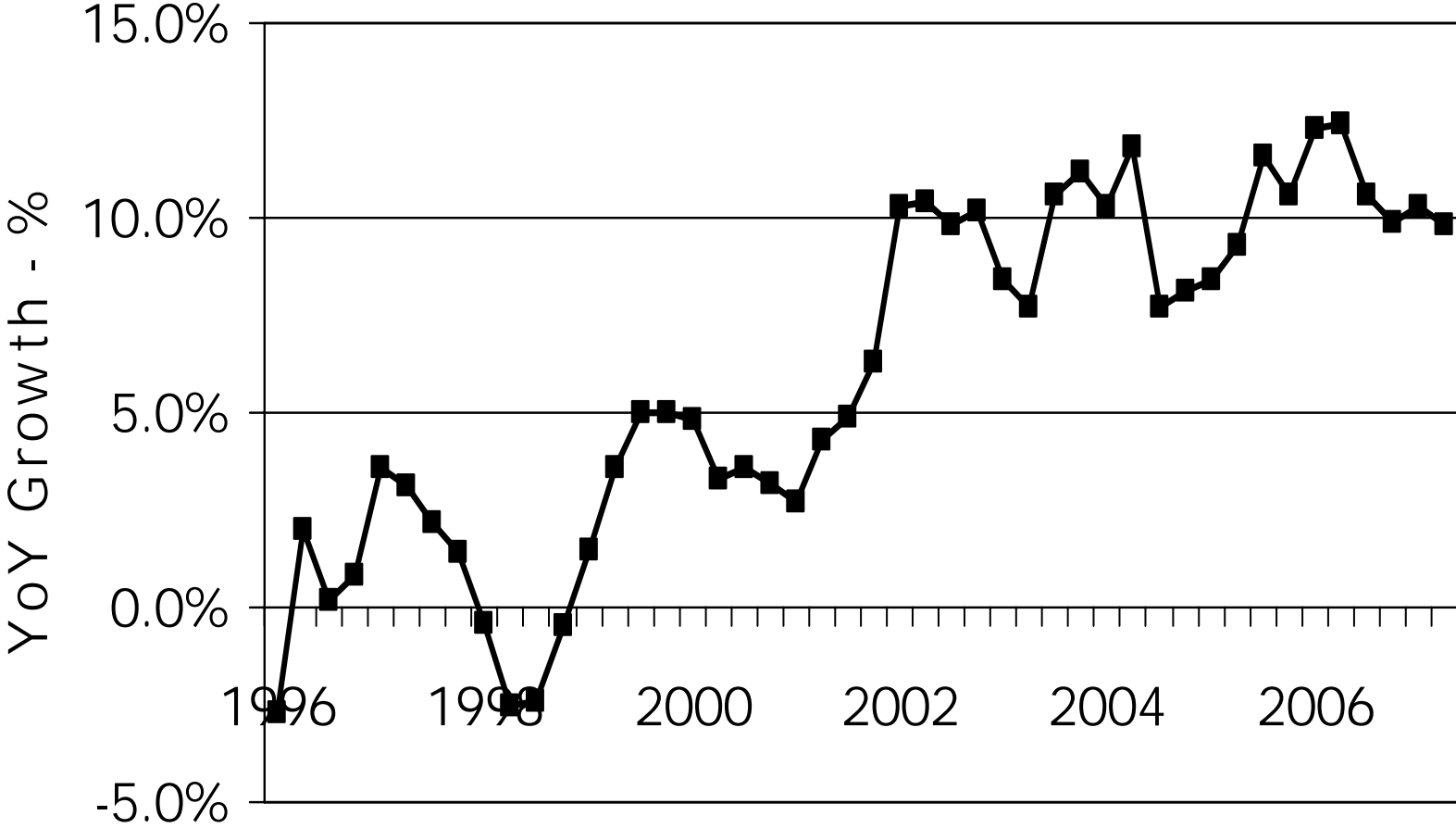
Source: Bank of Canada / Will Dunning Inc.

Raw Materials Prices



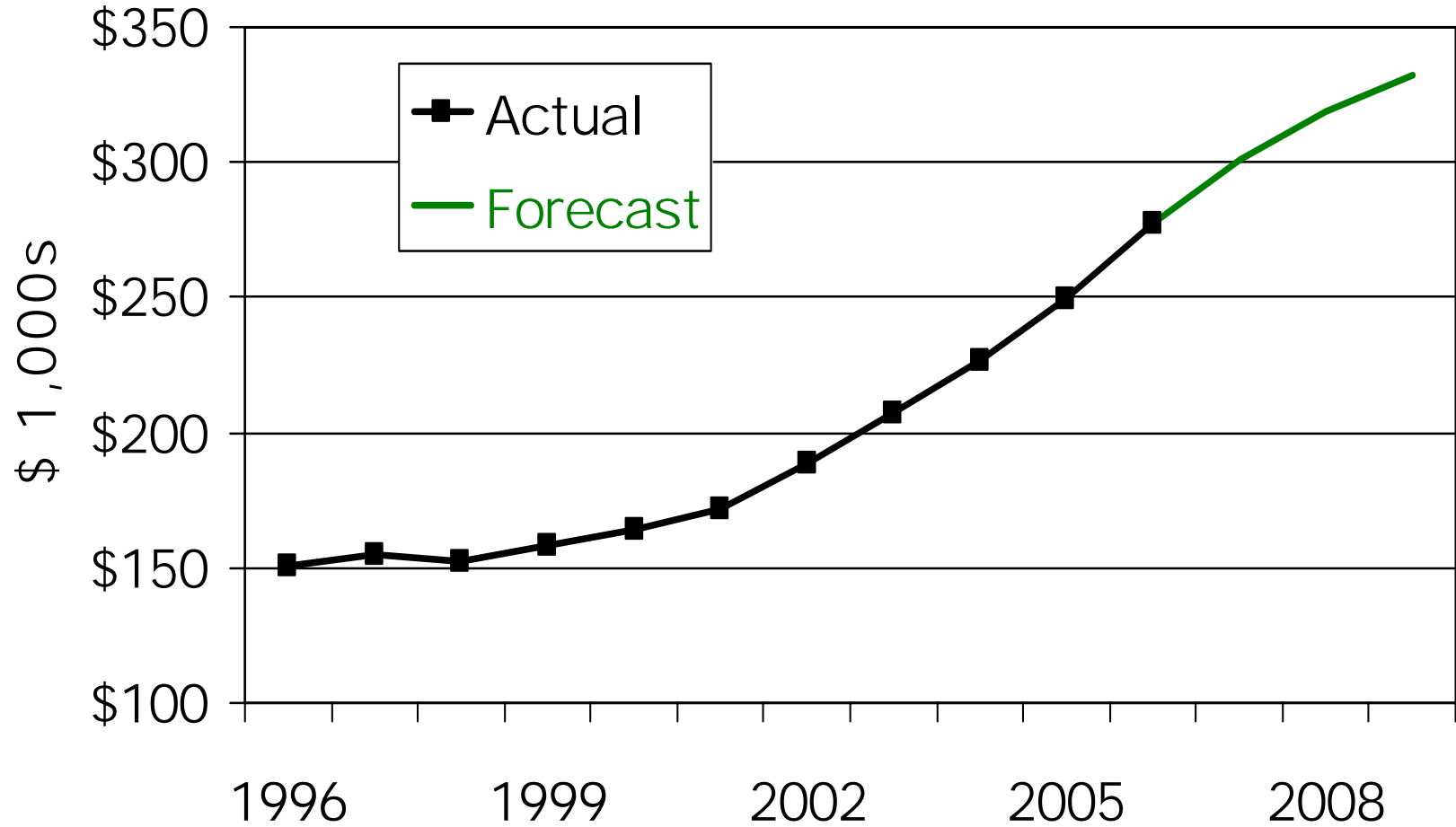
Source: Statistics Canada / Will Dunning Inc.

House Prices - Double-Digit Growth for 6 Years



Source: Canadian Real Estate Association

Rising House Prices



Source: CREA / Will Dunning Inc.

Labour Market Growth During Past 3 Years

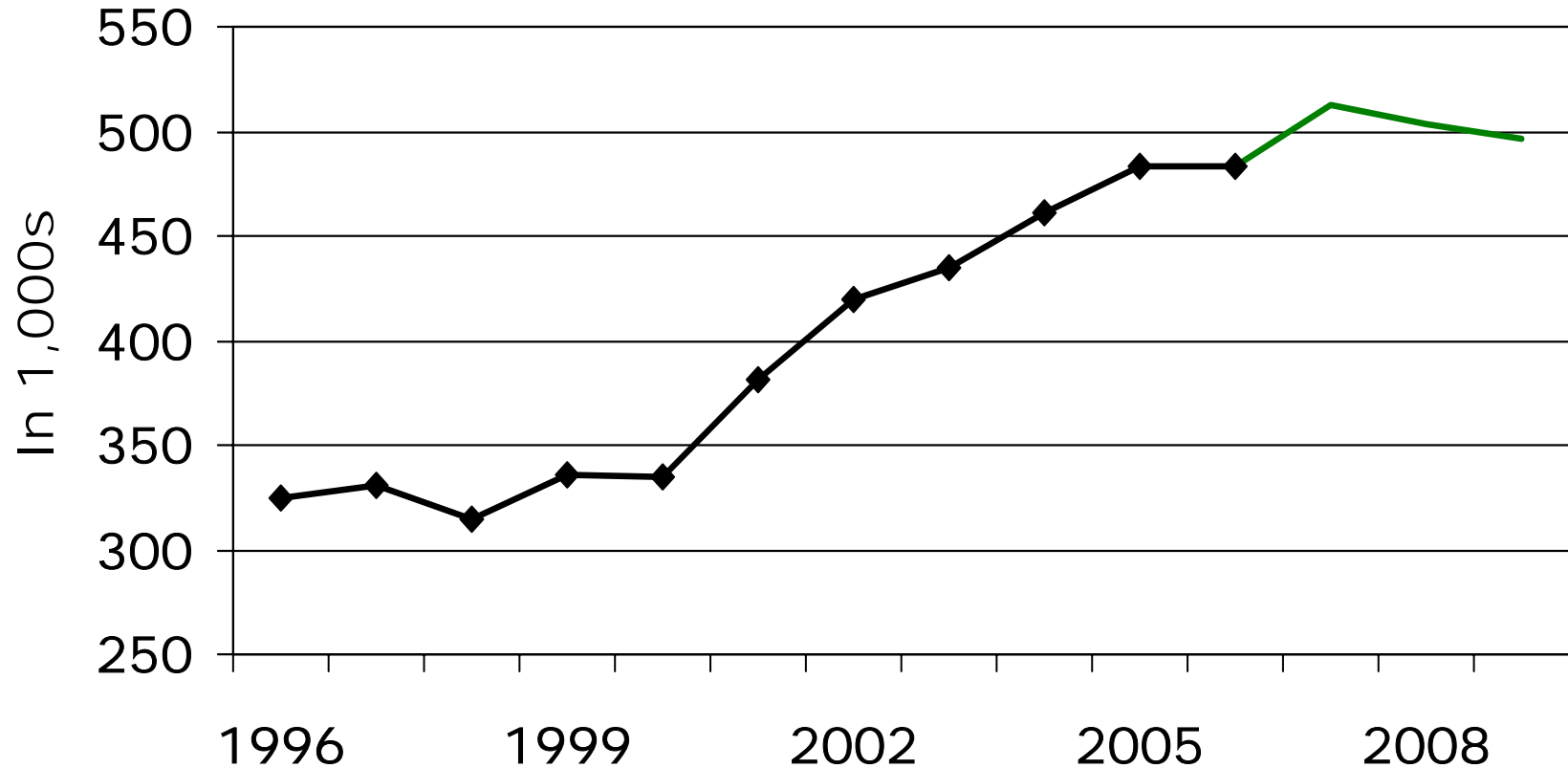
	Adult Pop'n	Jobs
Canada	1.4 %	1.7 %
Atlantic	0.3 %	0.9 %
Quebec	1.1 %	1.2 %
Ontario	1.6 %	1.5 %
Manitoba	0.7 %	1.0 %
Saskatchewan	0.1 %	1.1 %
Alberta	2.4 %	2.9 %
BC	1.7 %	2.9 %

Job Growth 2006-2009

	Past 3 Years	Next 3 Years
Canada	1.7 %	1.6 %
Atlantic	0.9 %	1.2 %
Quebec	1.2 %	1.4 %
Ontario	1.5 %	0.8 %
Manitoba	1.0 %	1.1 %
Saskatchewan	1.1 %	1.6 %
Alberta	2.9 %	3.8 %
BC	2.9 %	2.9 %

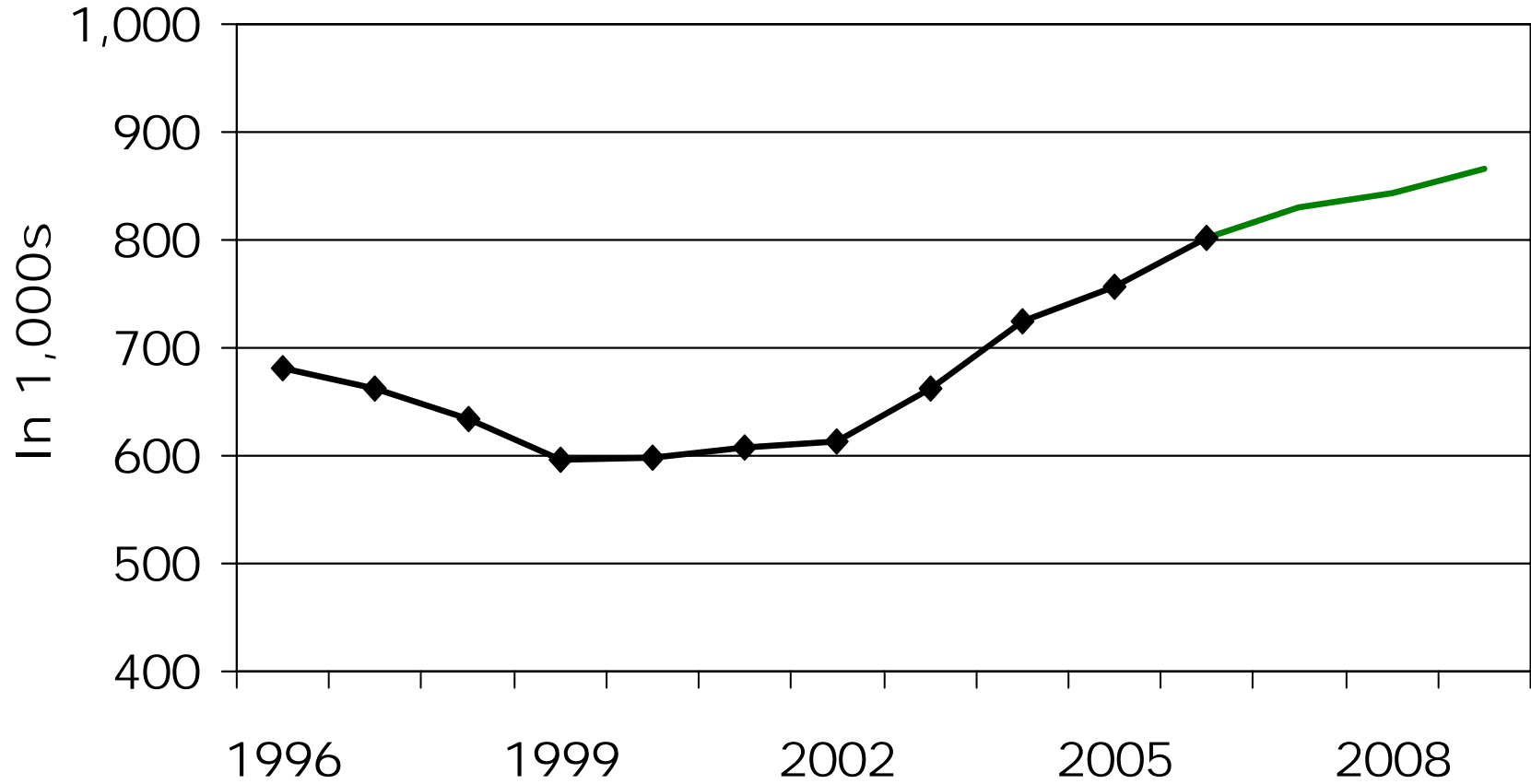
Housing Markets

Resale Forecast (Unit Sales)



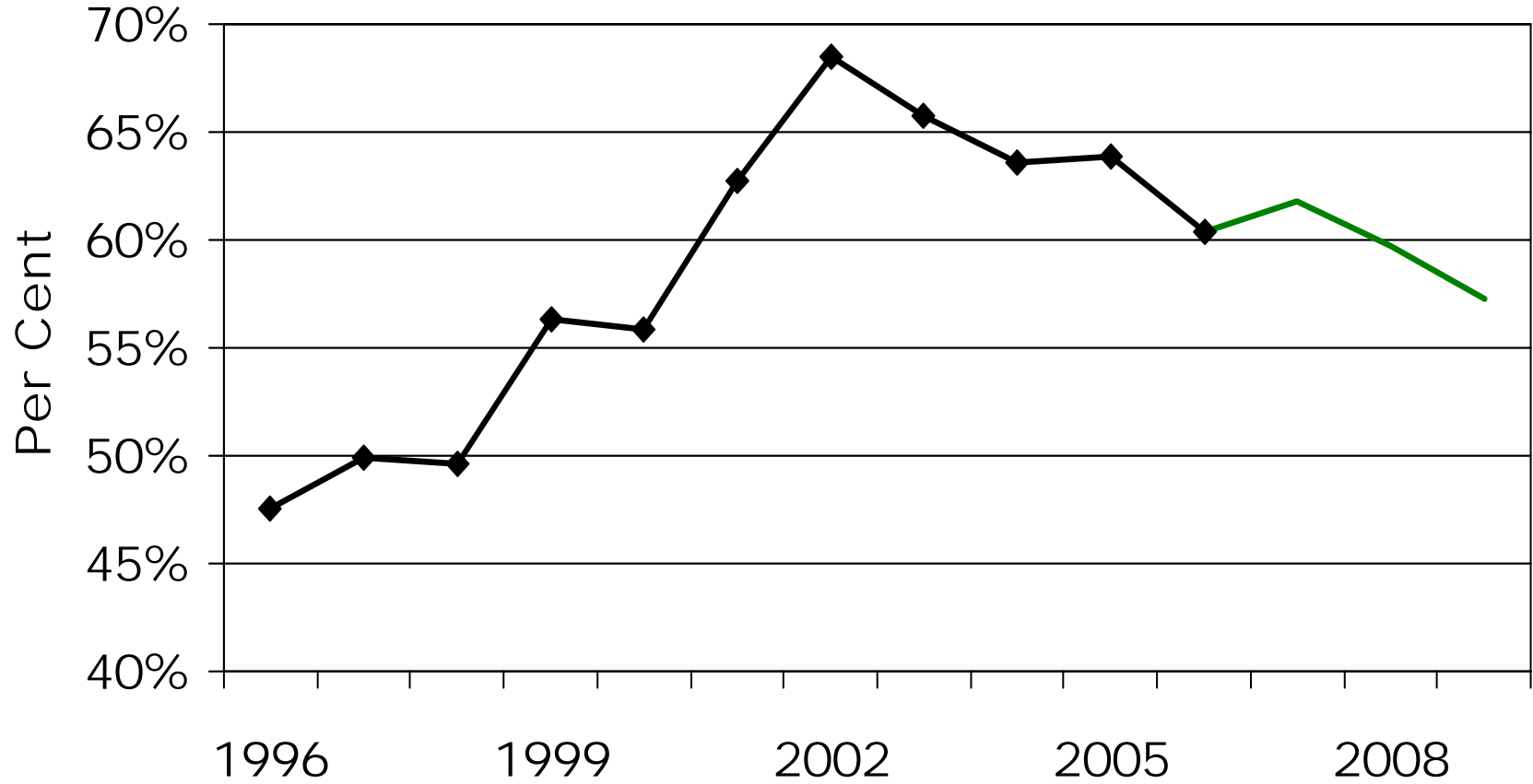
Source: CREA / Will Dunning Inc.

Resale Forecast (Listings)



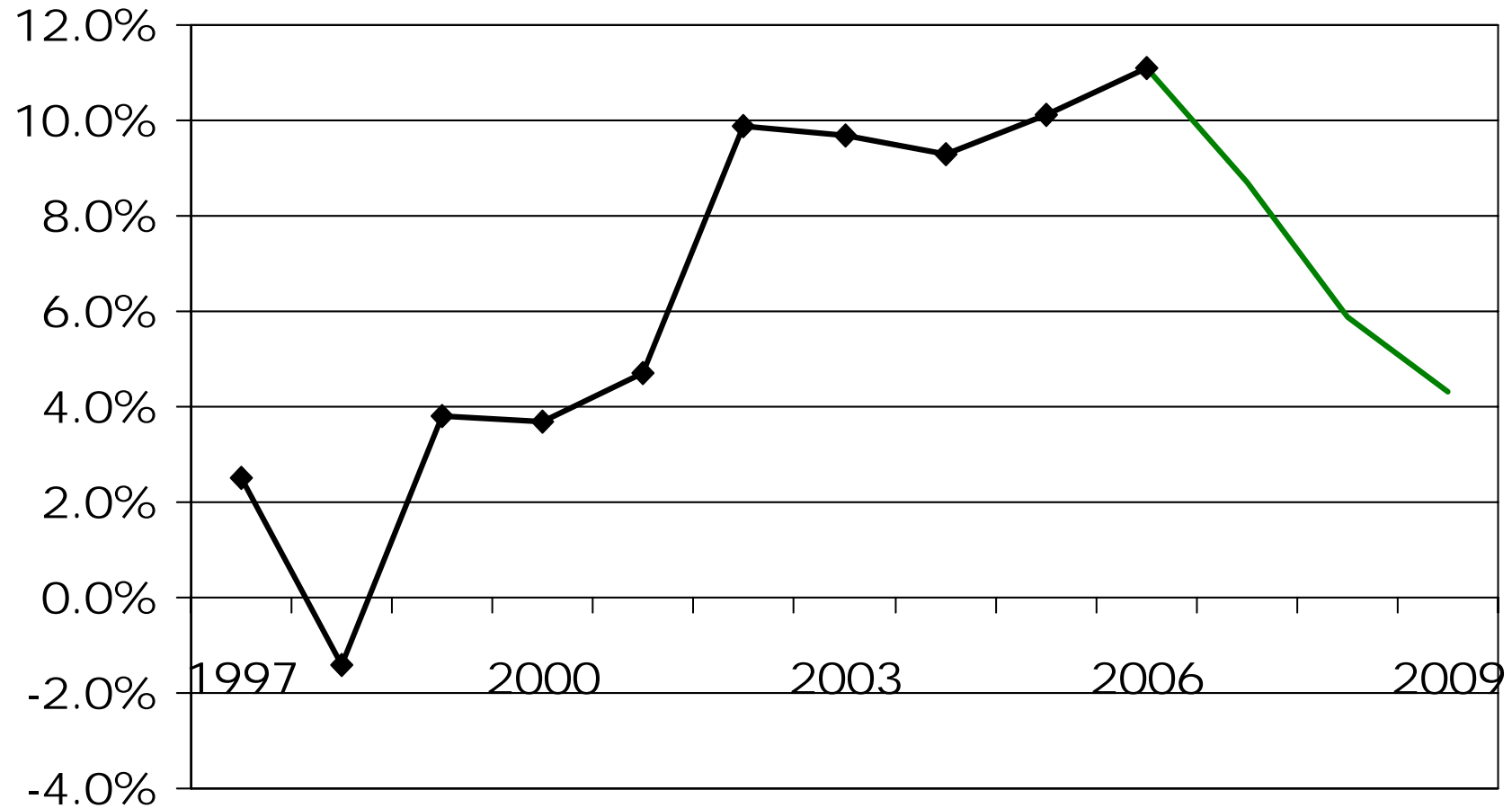
Source: CREA / Will Dunning Inc.

Forecast Sales-to-Listings Ratio



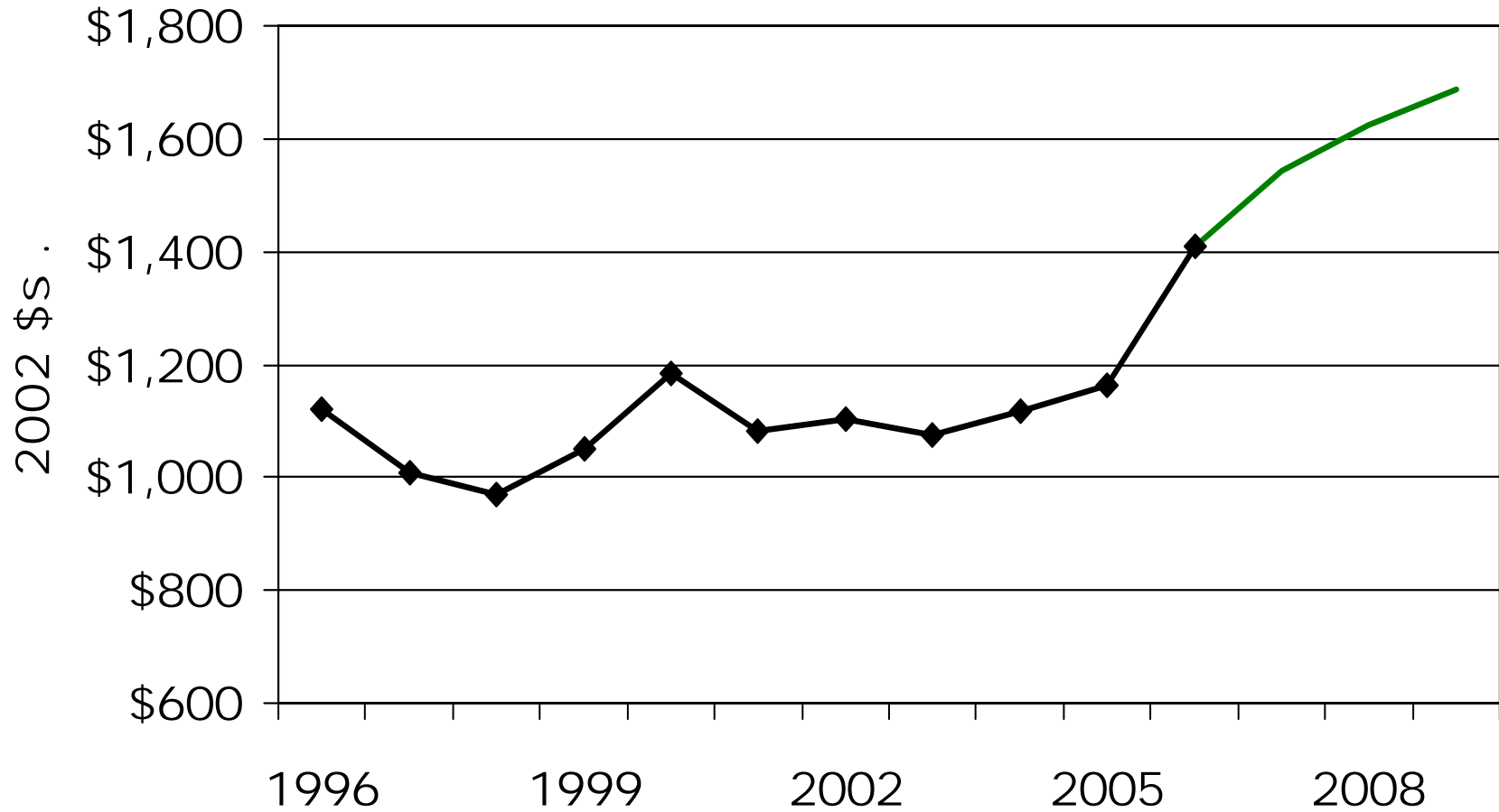
Source: CREA / Will Dunning Inc.

Resale Forecast (Price Growth)



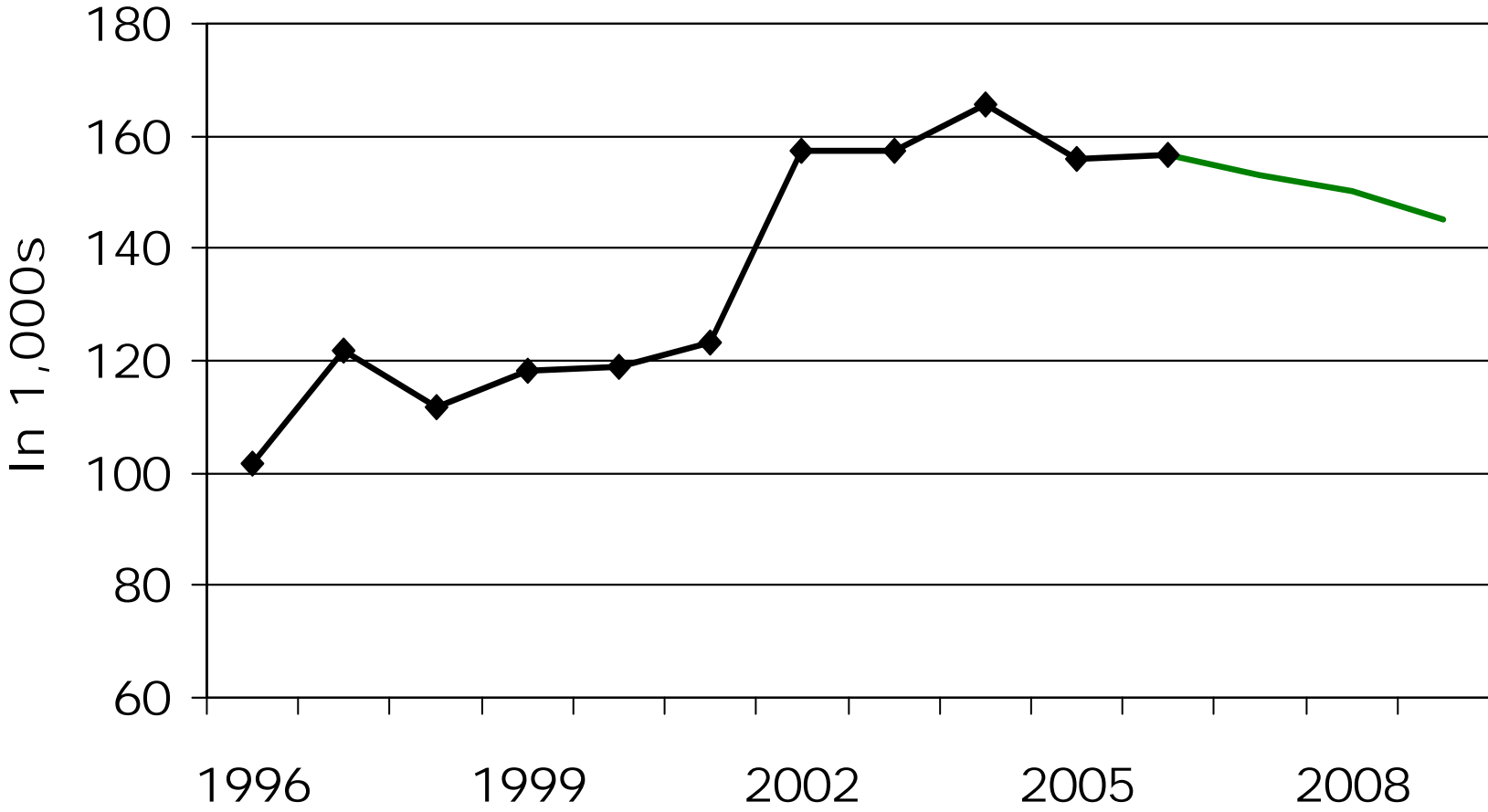
Source: CREA / Will Dunning Inc.

Interest Cost (Inflation-Adjusted)



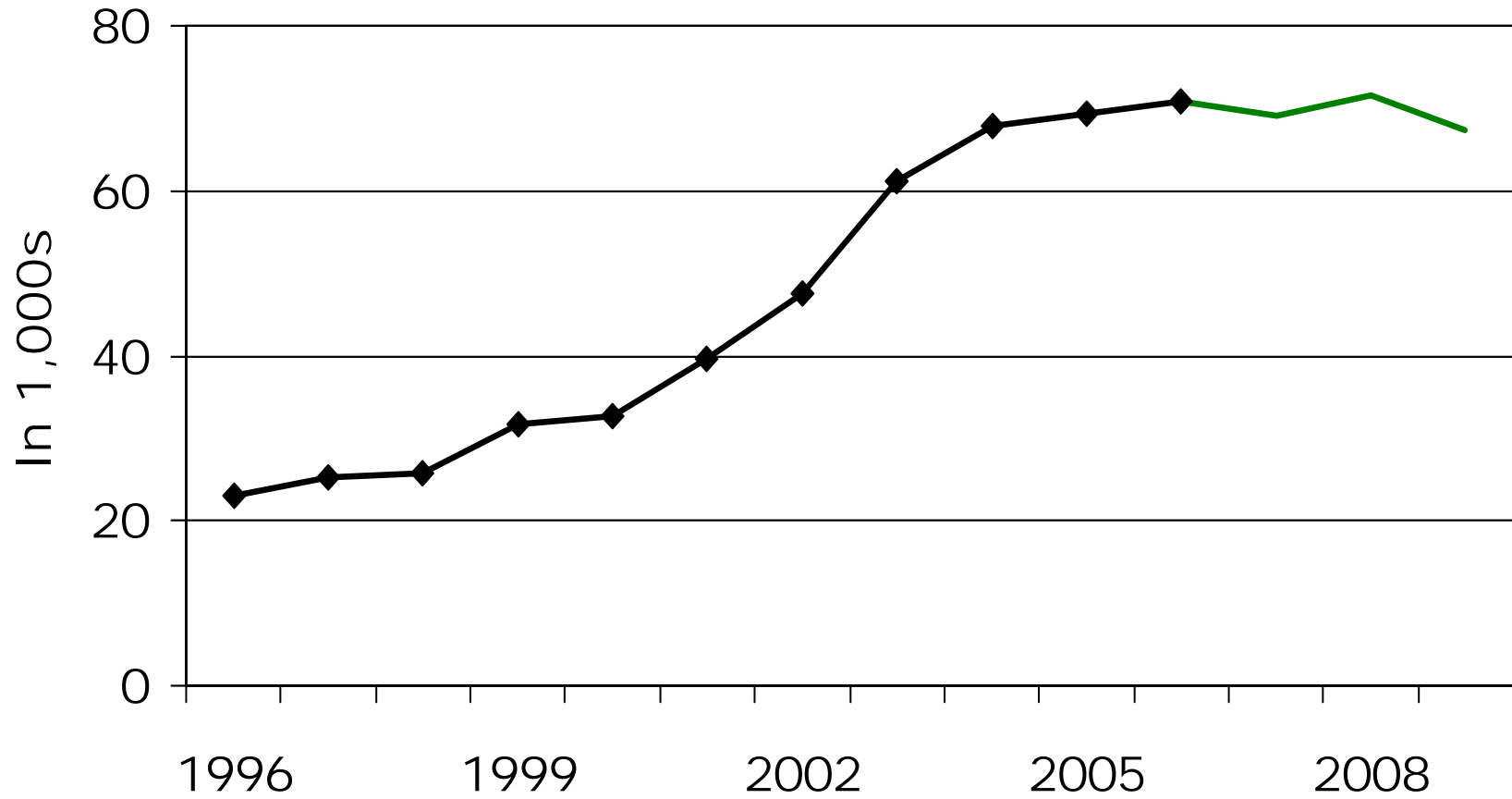
Source: CREA / Will Dunning Inc.

Low-Rise Housing Starts



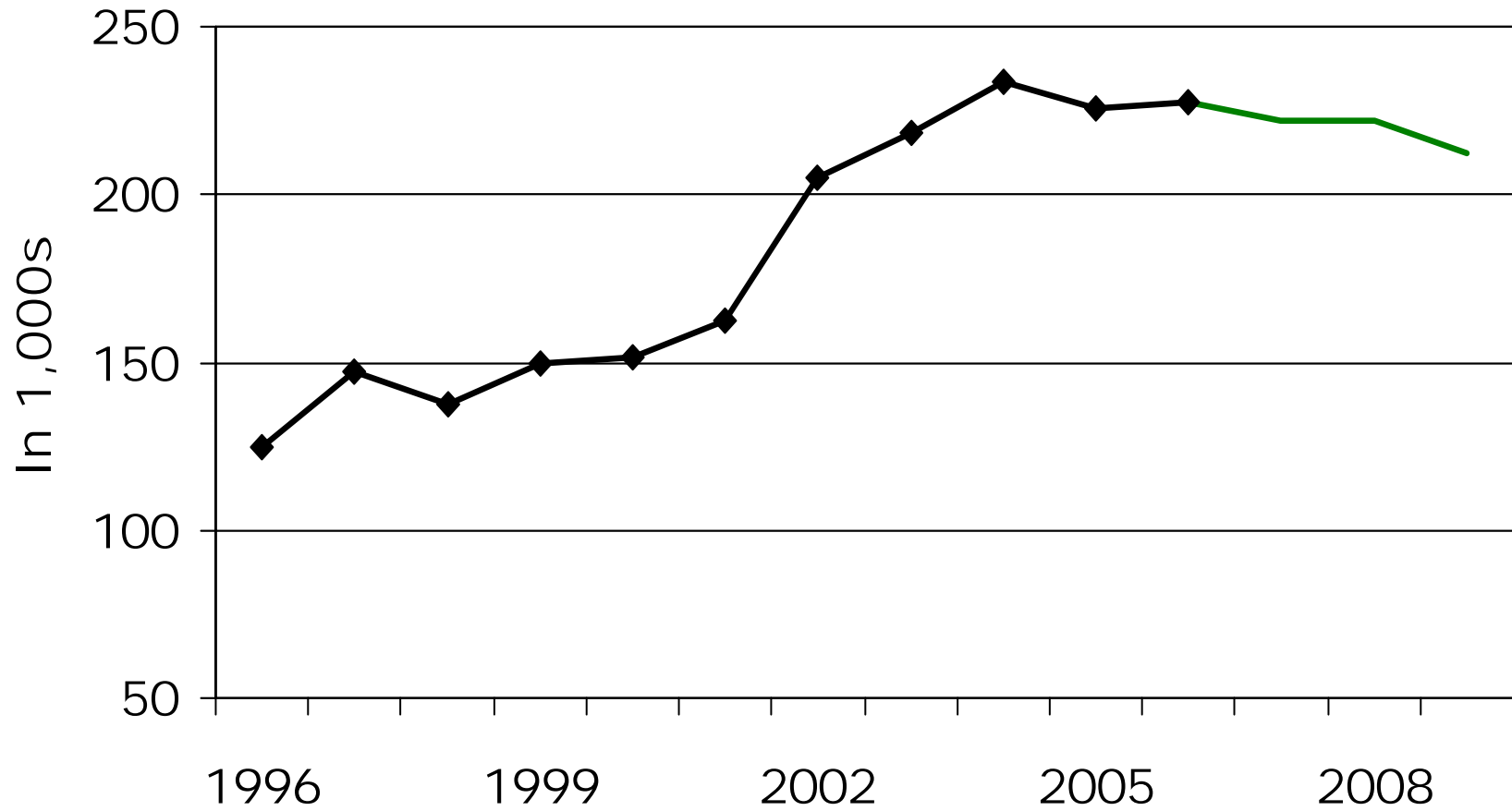
Source: Statistics Canada / Will Dunning Inc.

Apartment Starts



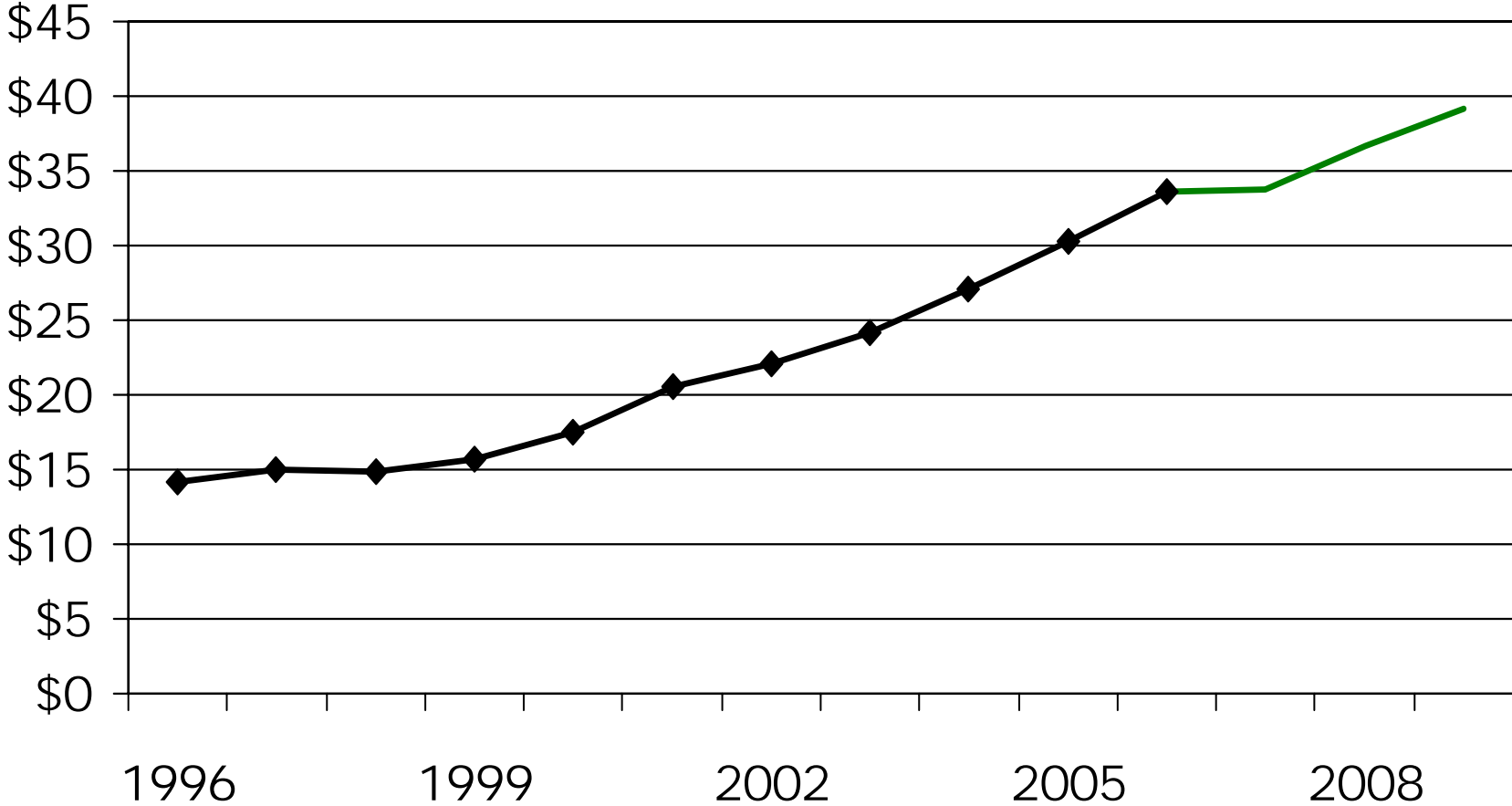
Source: Statistics Canada / Will Dunning Inc.

Total Starts



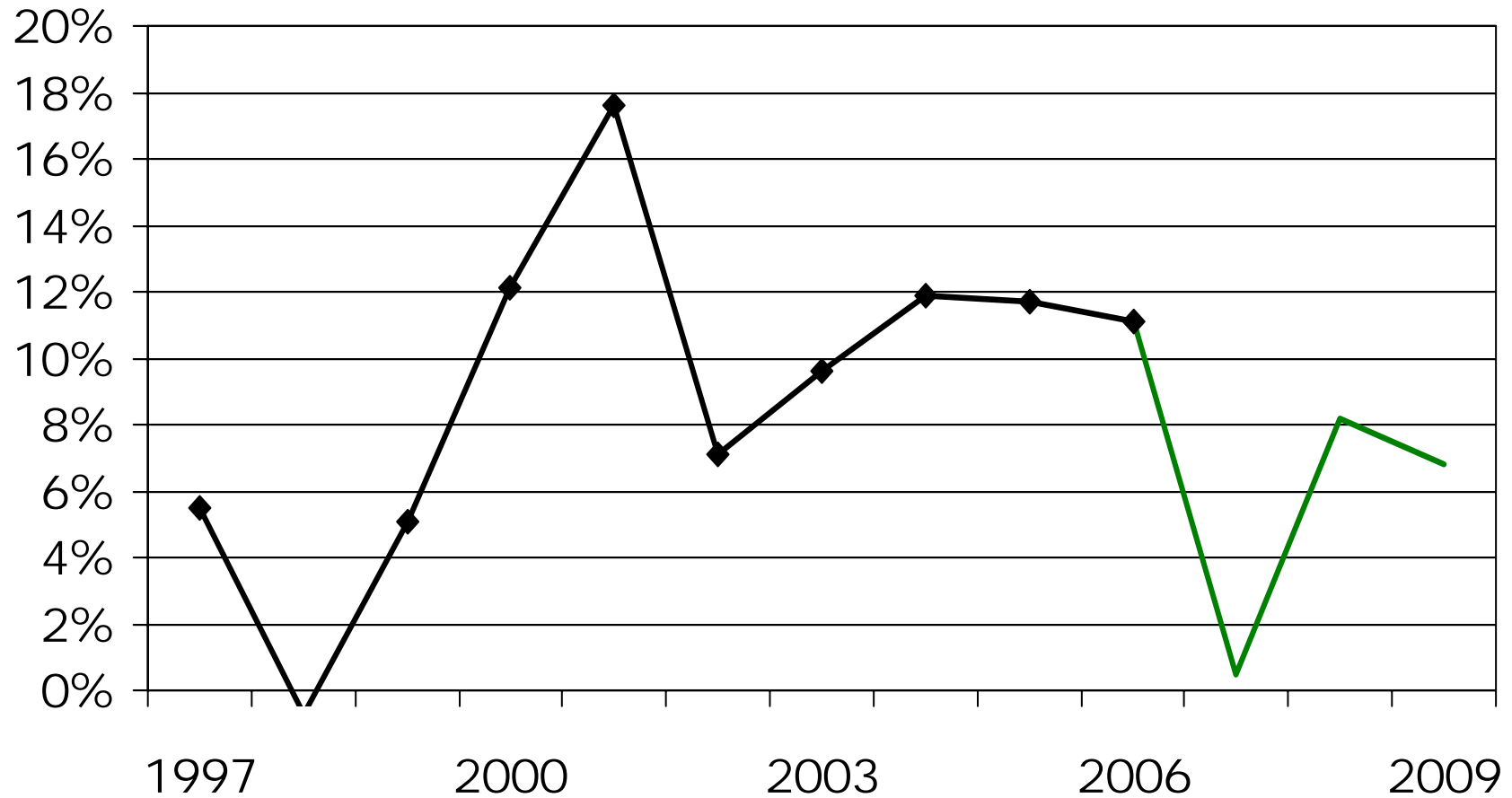
Source: Statistics Canada / Will Dunning Inc.

Renovation Spending (\$ Billions)



Source: Statistics Canada / Will Dunning Inc.

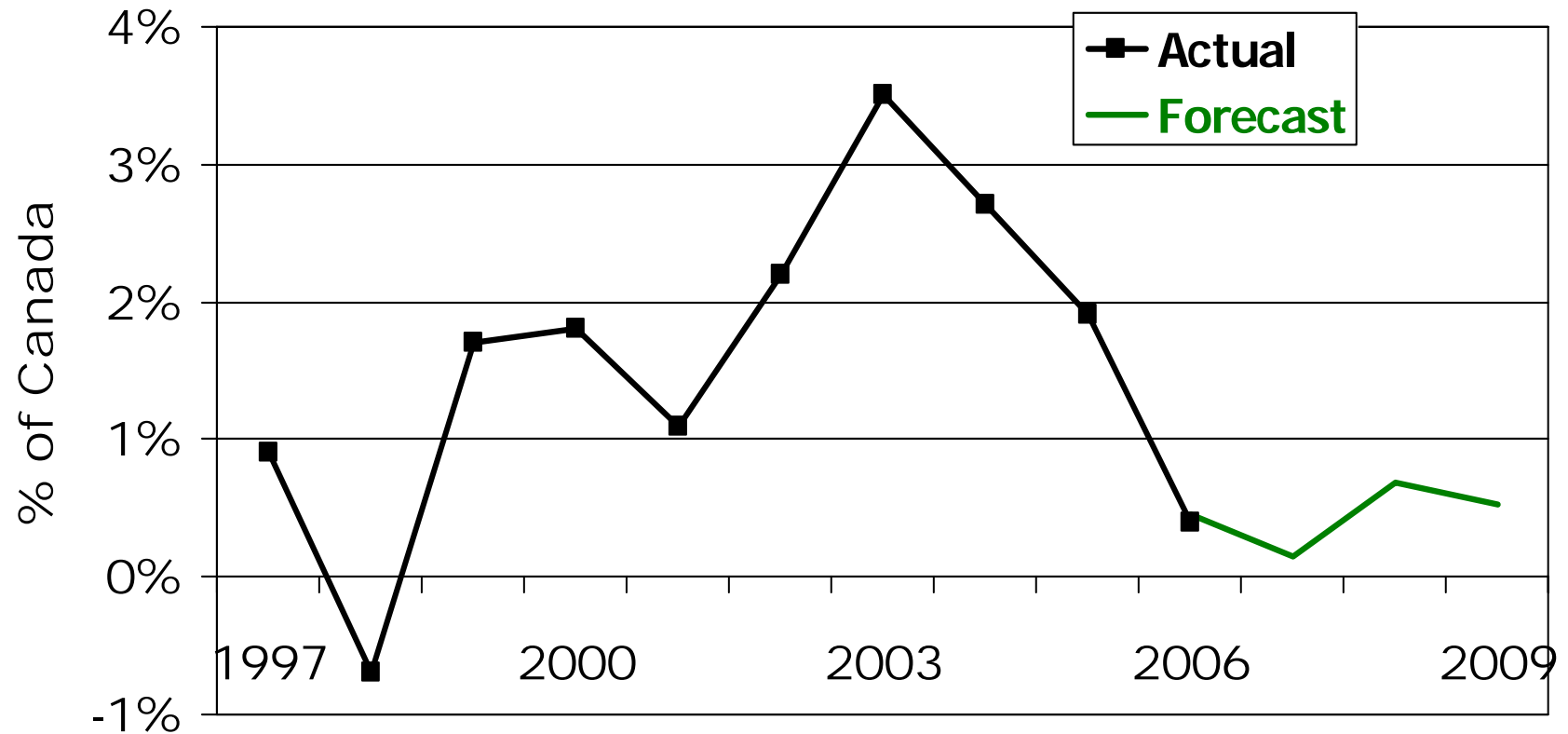
Renovation Spending (% Change)



Source: Statistics Canada / Will Dunning Inc.

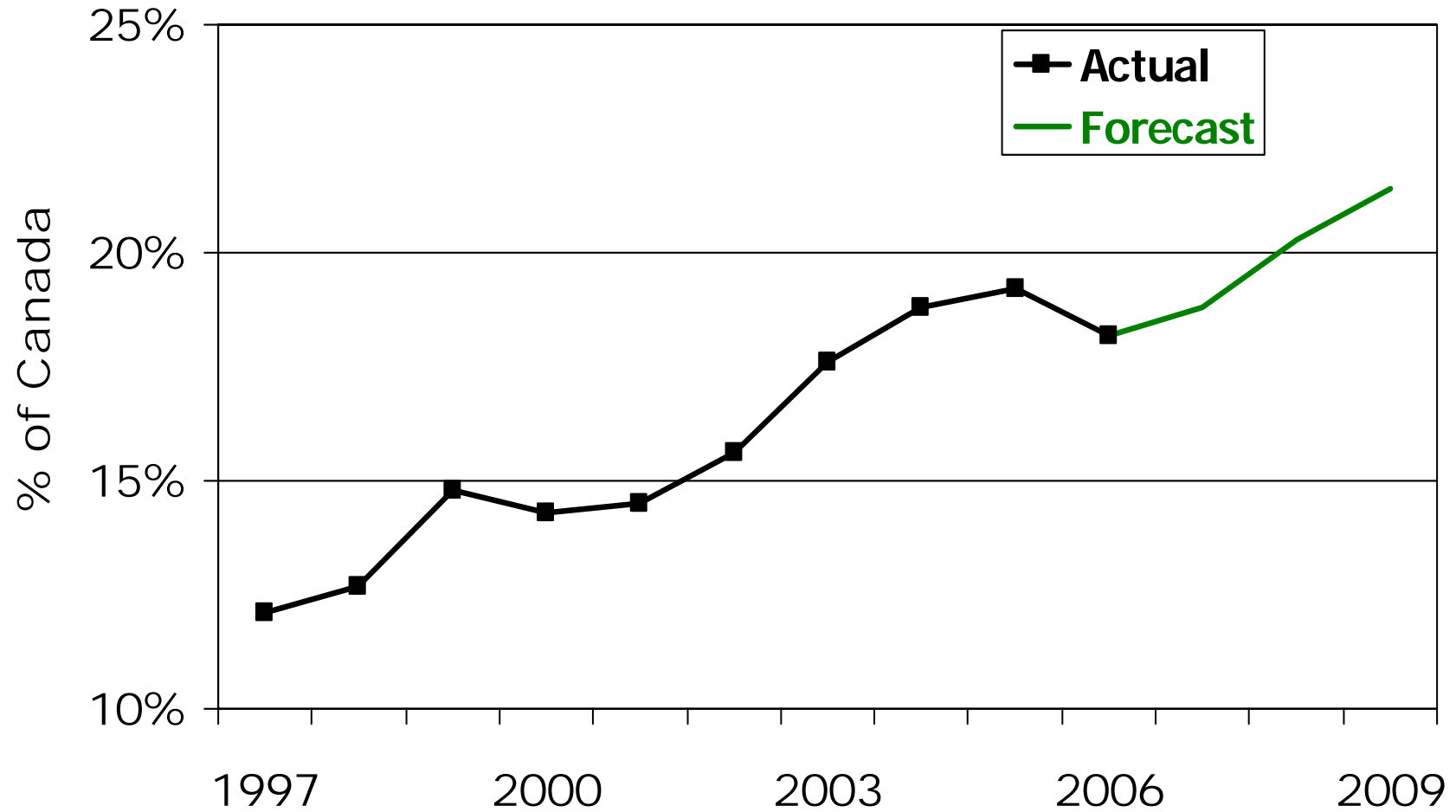
Regional Variations

Atlantic Region Share of Canada's Population Growth (Adults)



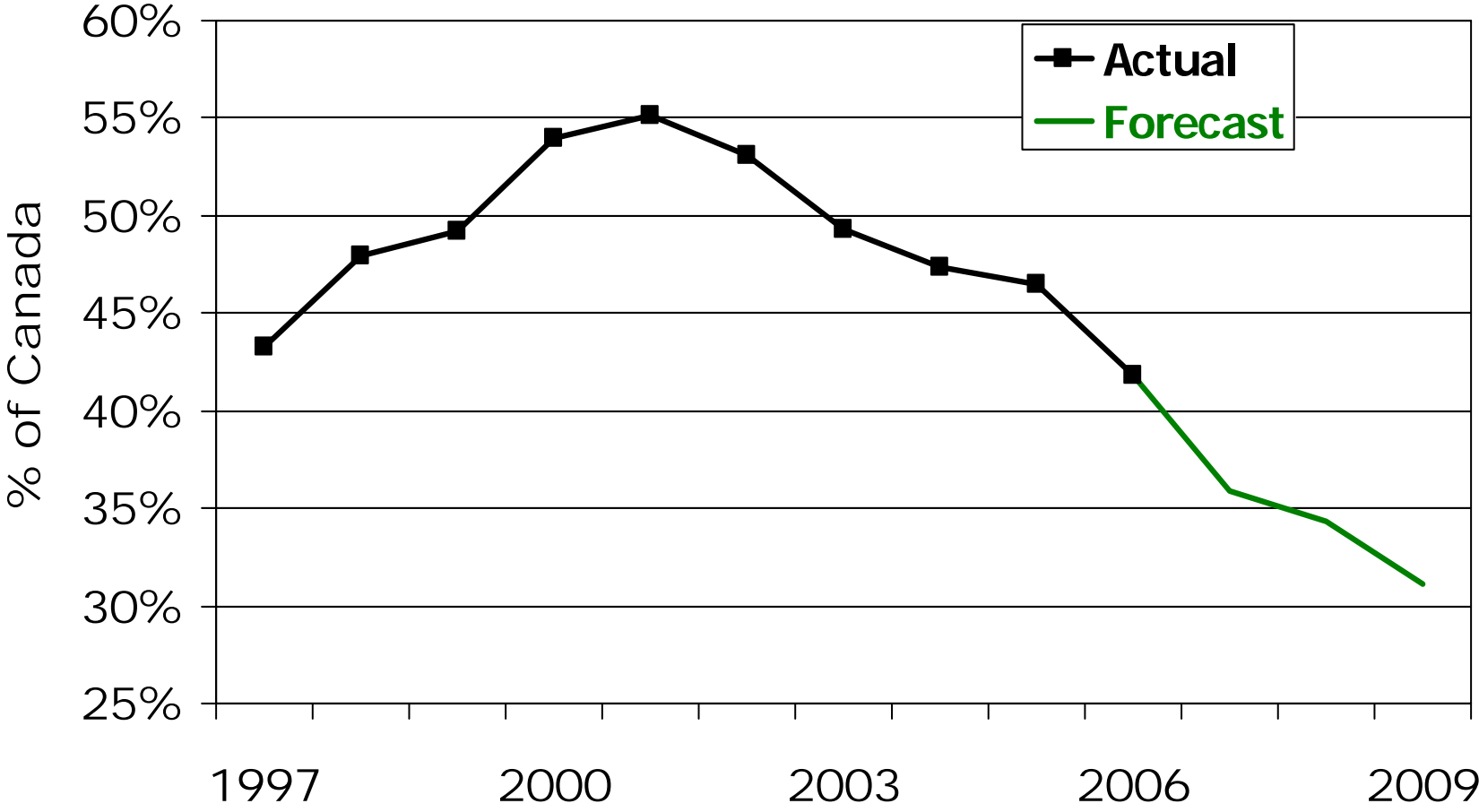
Source: Statistics Canada / Will Dunning Inc.

Quebec Share of Pop'n Growth



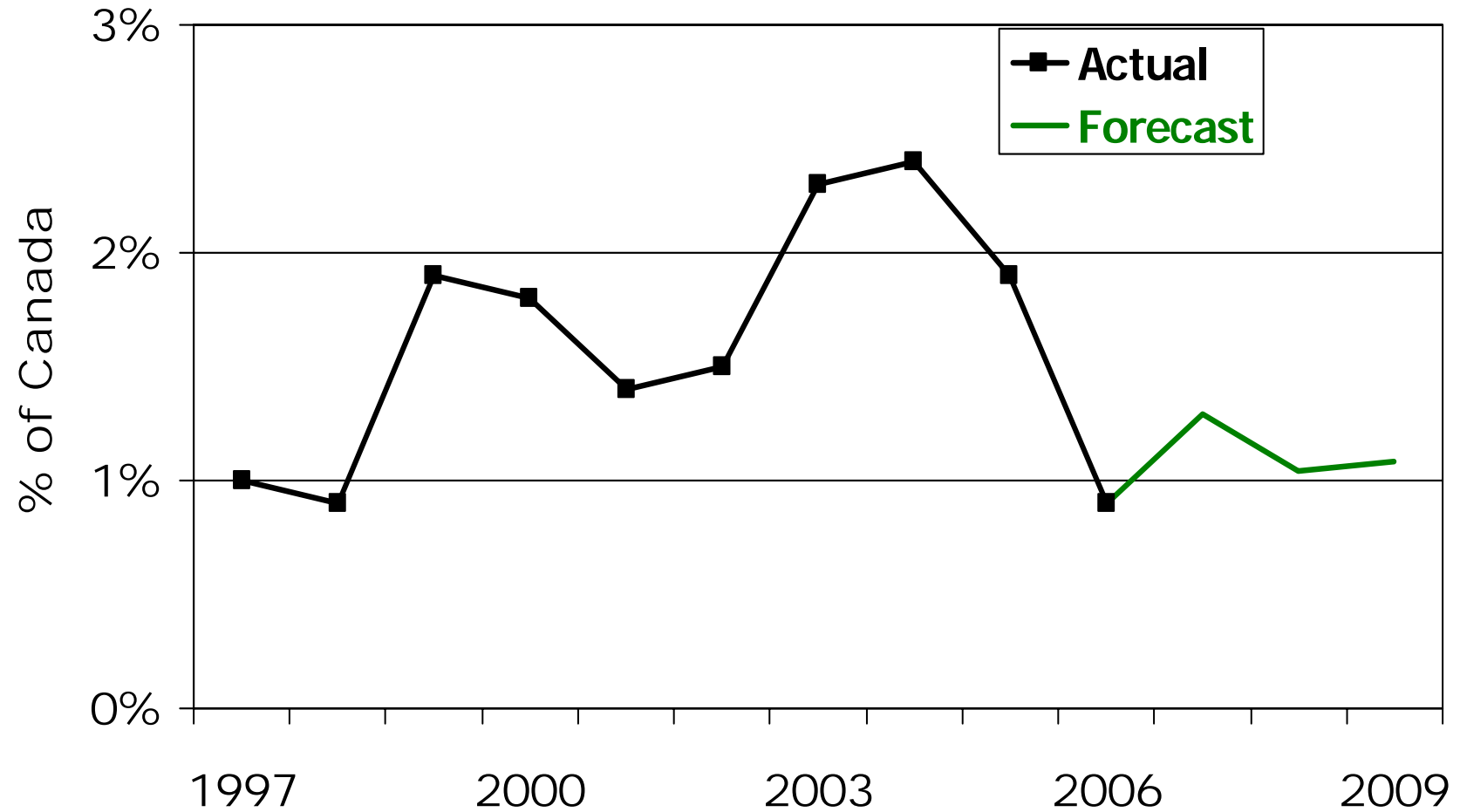
Source: Statistics Canada / Will Dunning Inc.

Ontario Share of Pop'n Growth



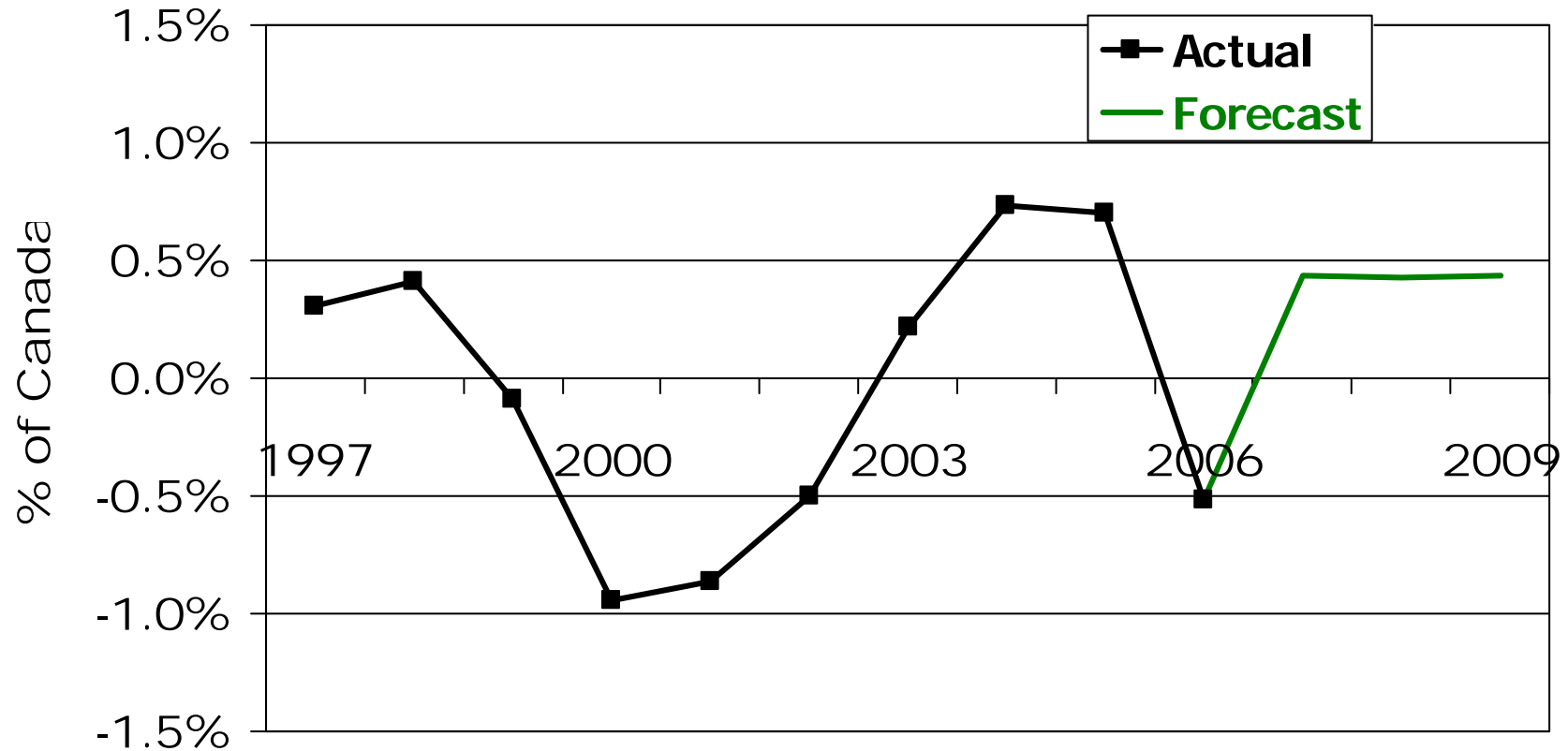
Source: Statistics Canada / Will Dunning Inc.

Manitoba Share of Pop'n Growth



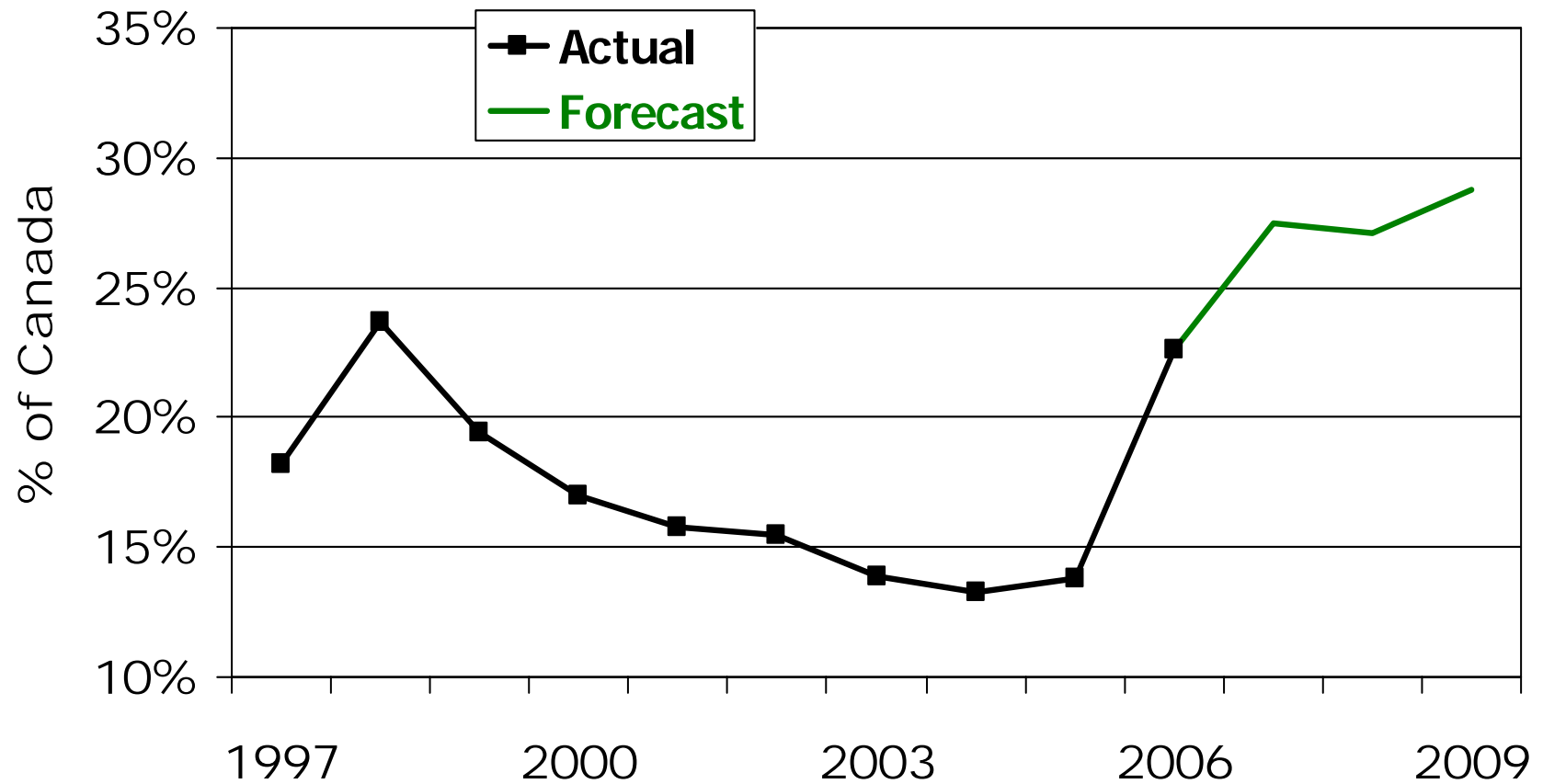
Source: Statistics Canada / Will Dunning Inc.

Saskatchewan Share of Population Growth



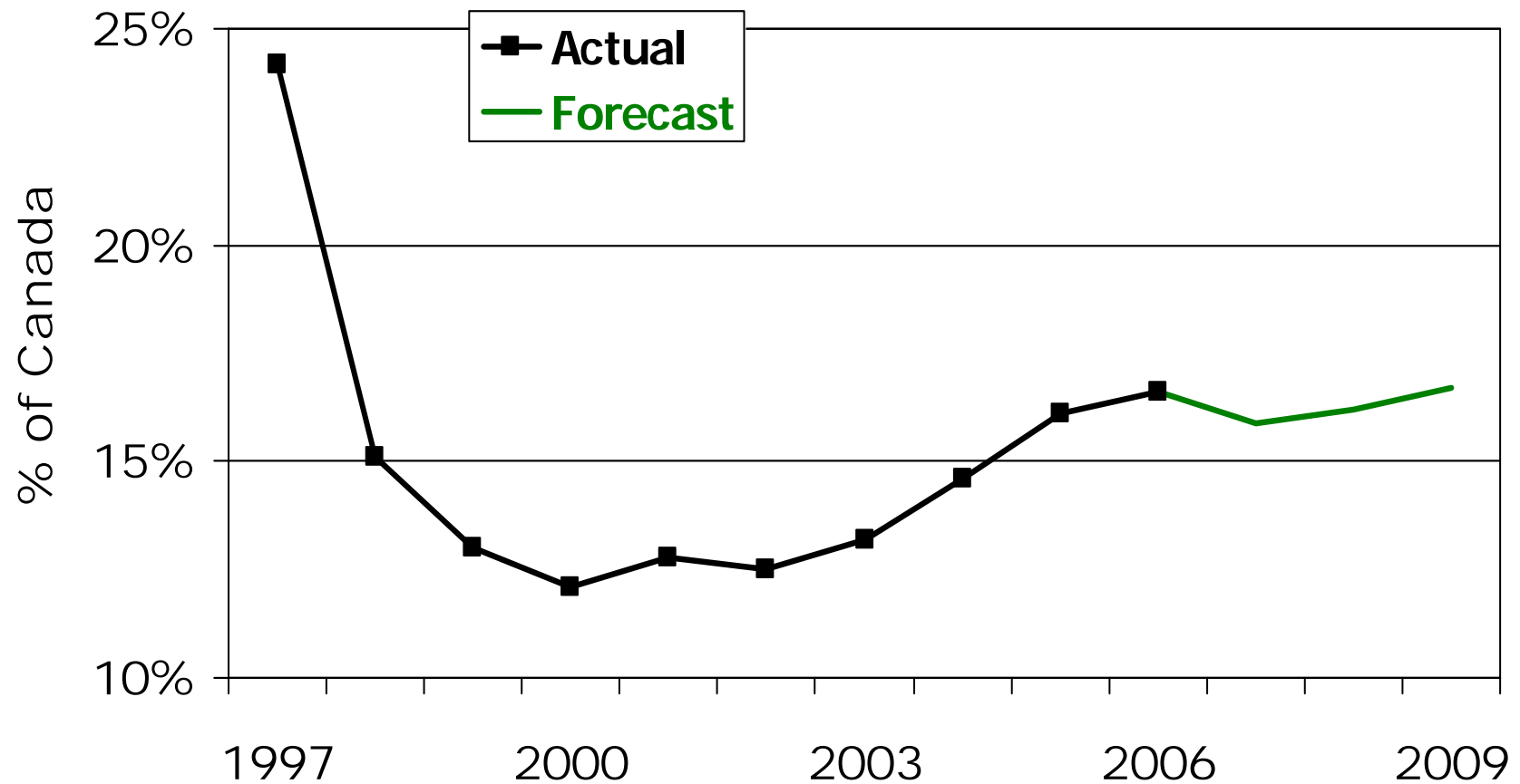
Source: Statistics Canada / Will Dunning Inc.

Alberta Share of Pop'n Growth



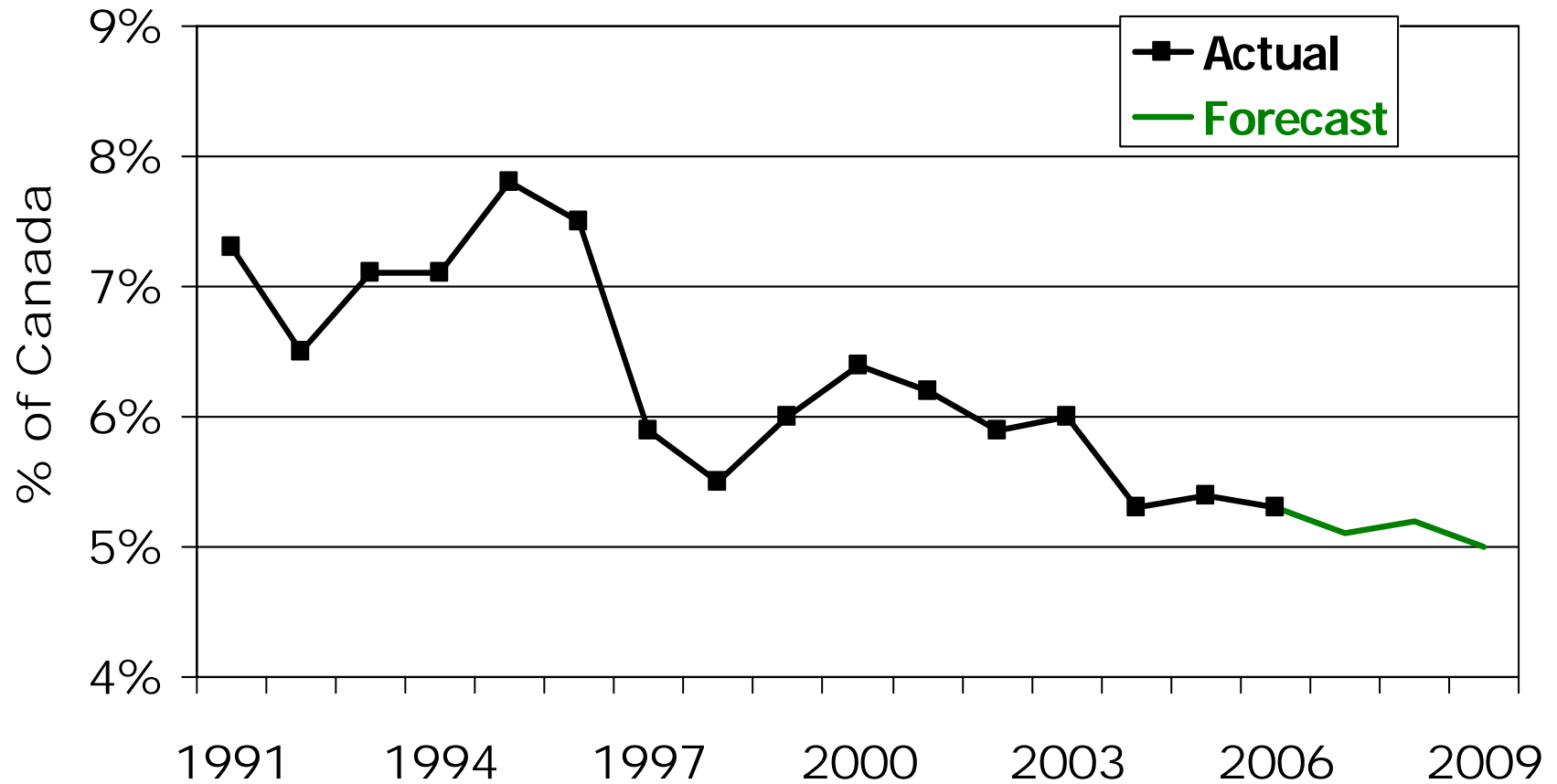
Source: Statistics Canada / Will Dunning Inc.

B.C. Share of Pop'n Growth



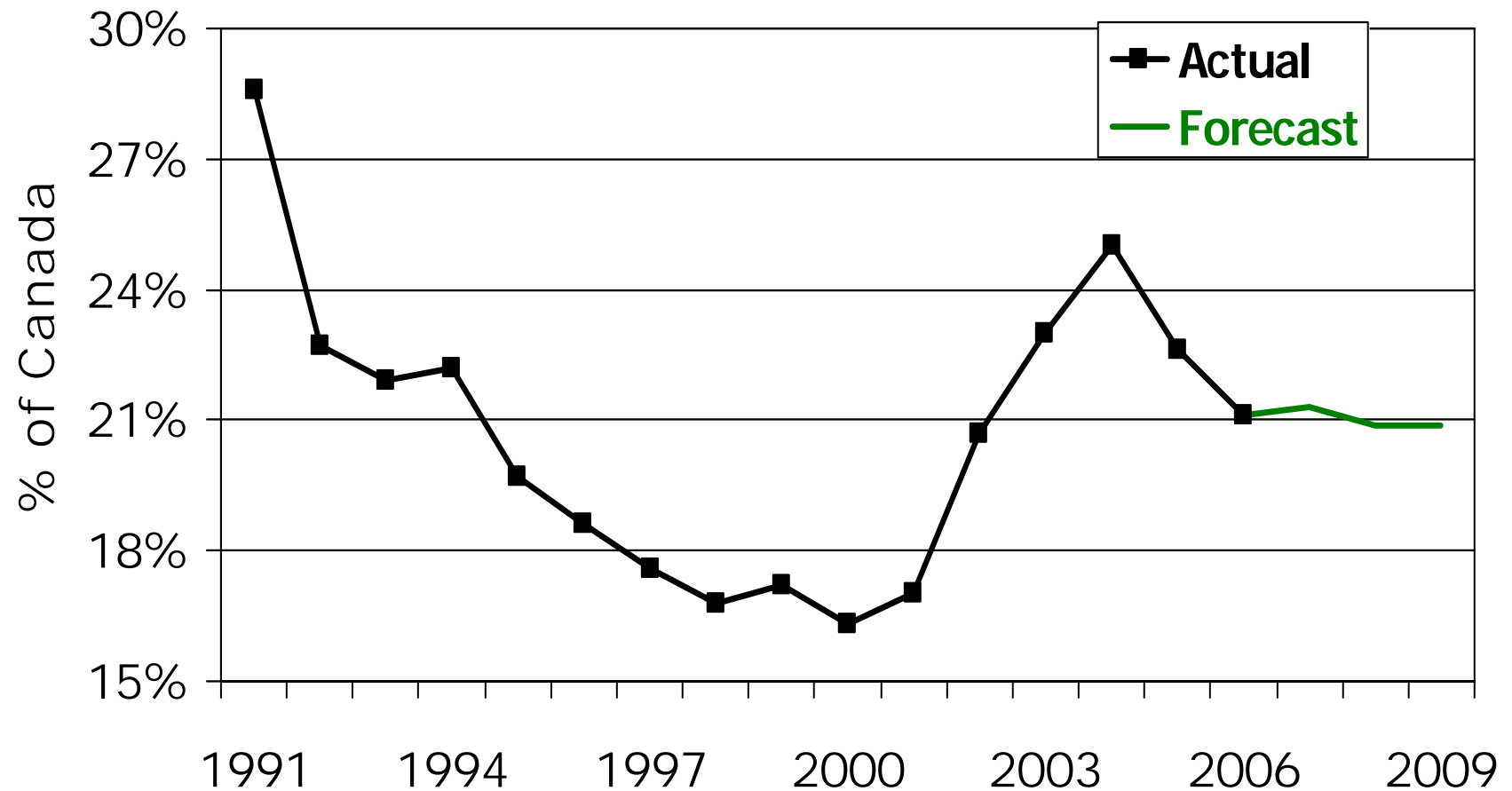
Source: Statistics Canada / Will Dunning Inc.

Atlantic Region Share of Canada's Housing Starts



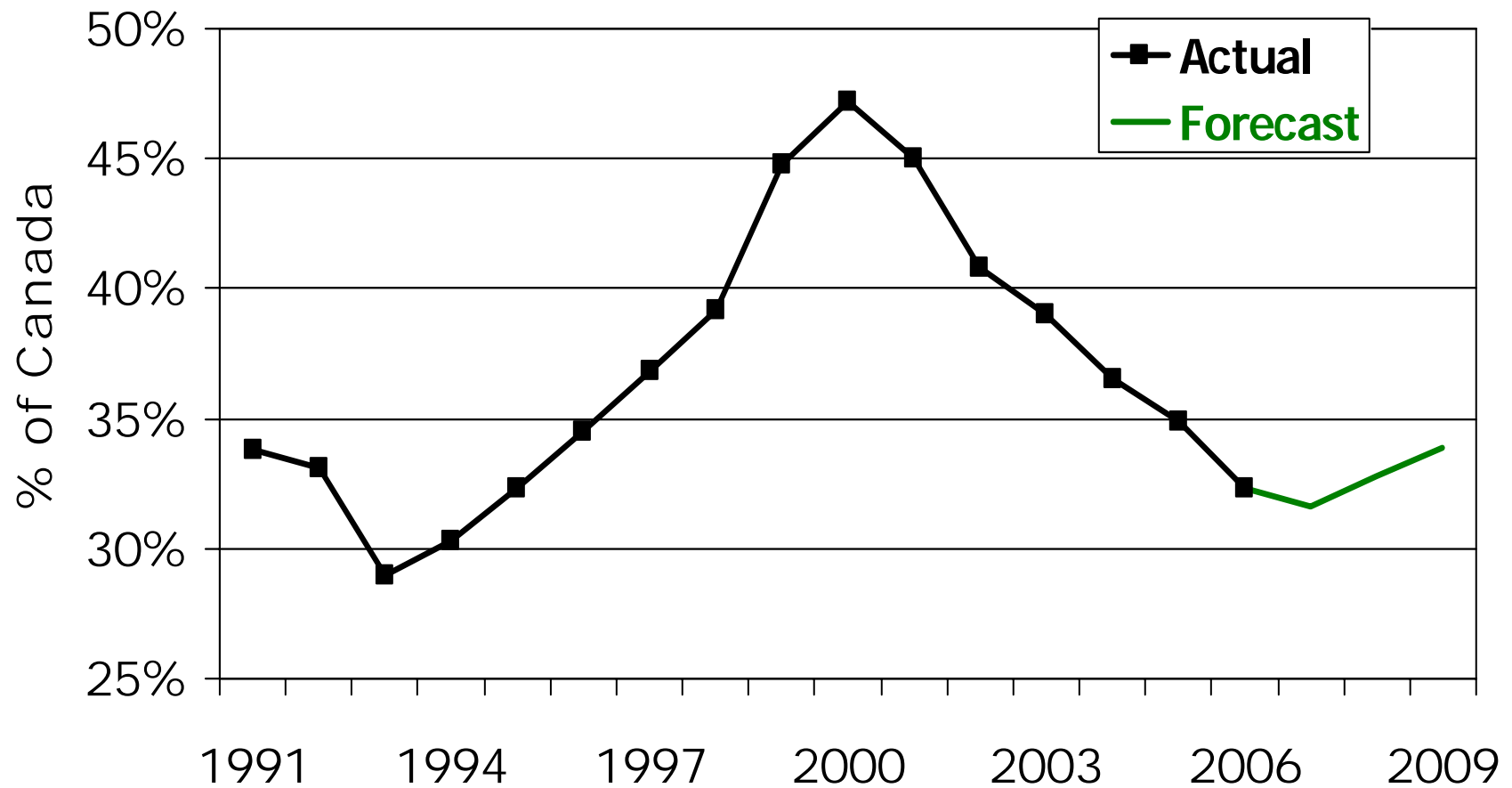
Source: Statistics Canada / Will Dunning Inc.

Quebec Share of Housing Starts



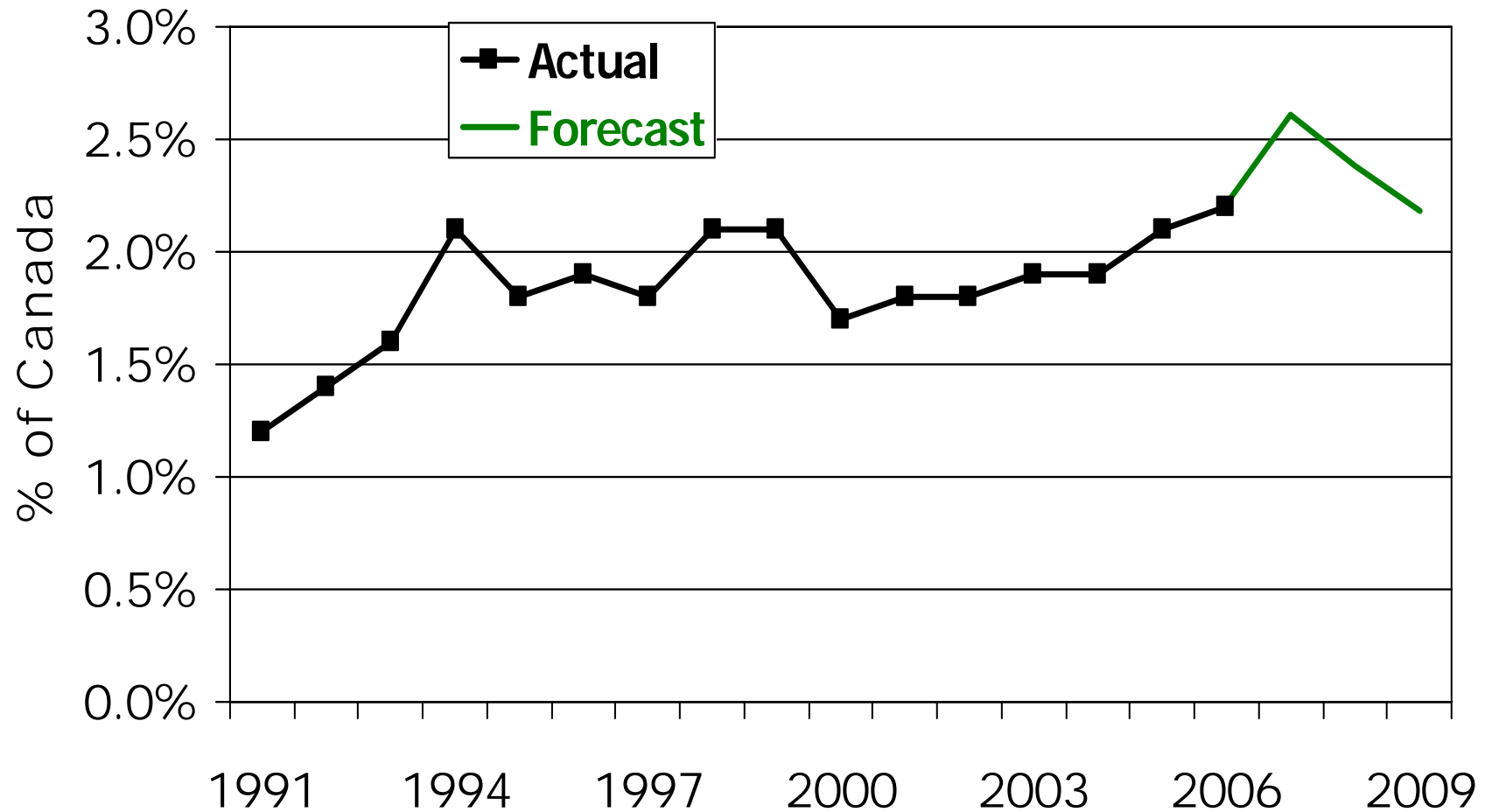
Source: Statistics Canada / Will Dunning Inc.

Ontario Share of Housing Starts



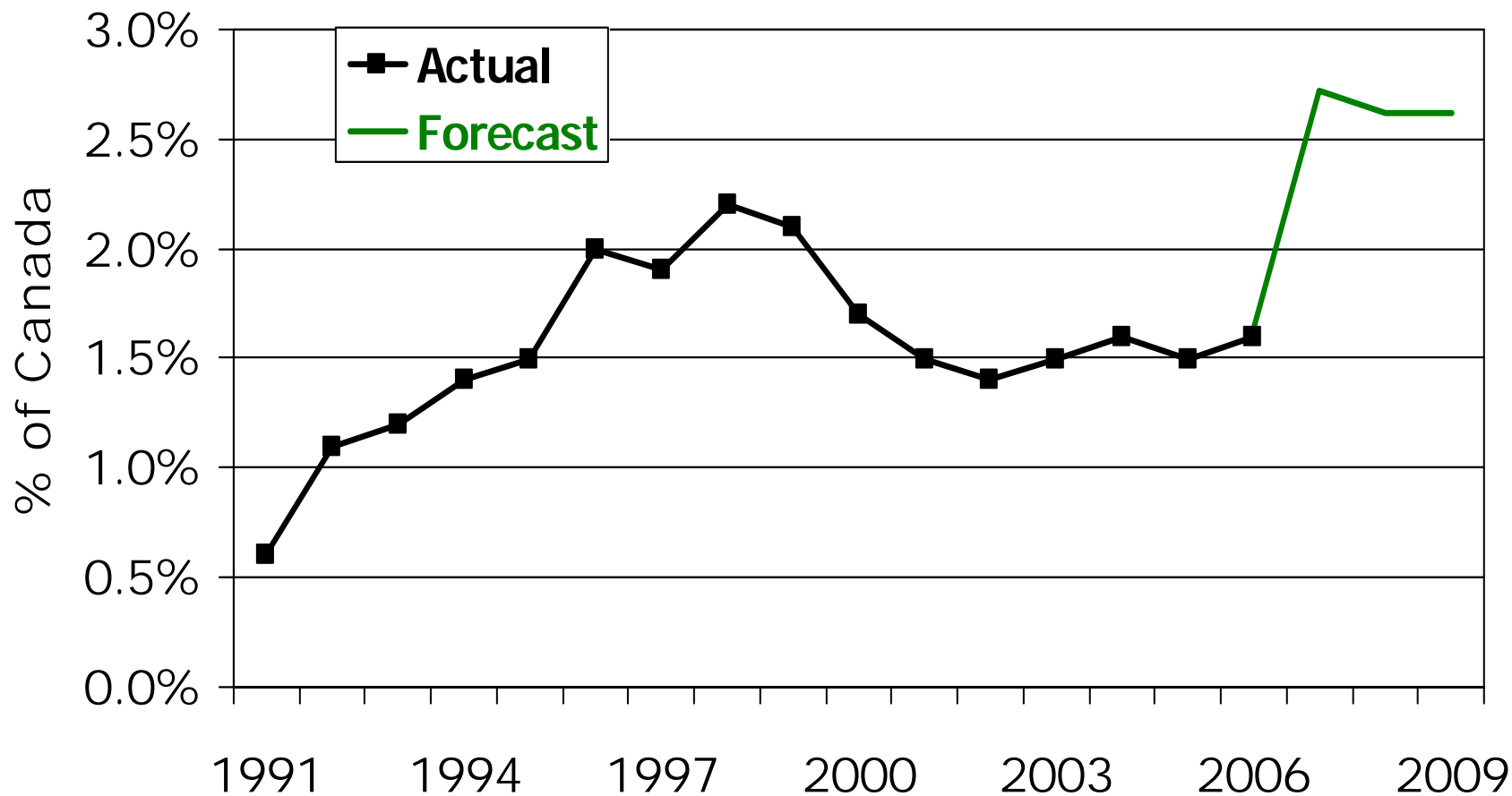
Source: Statistics Canada / Will Dunning Inc.

Manitoba Share of Housing Starts



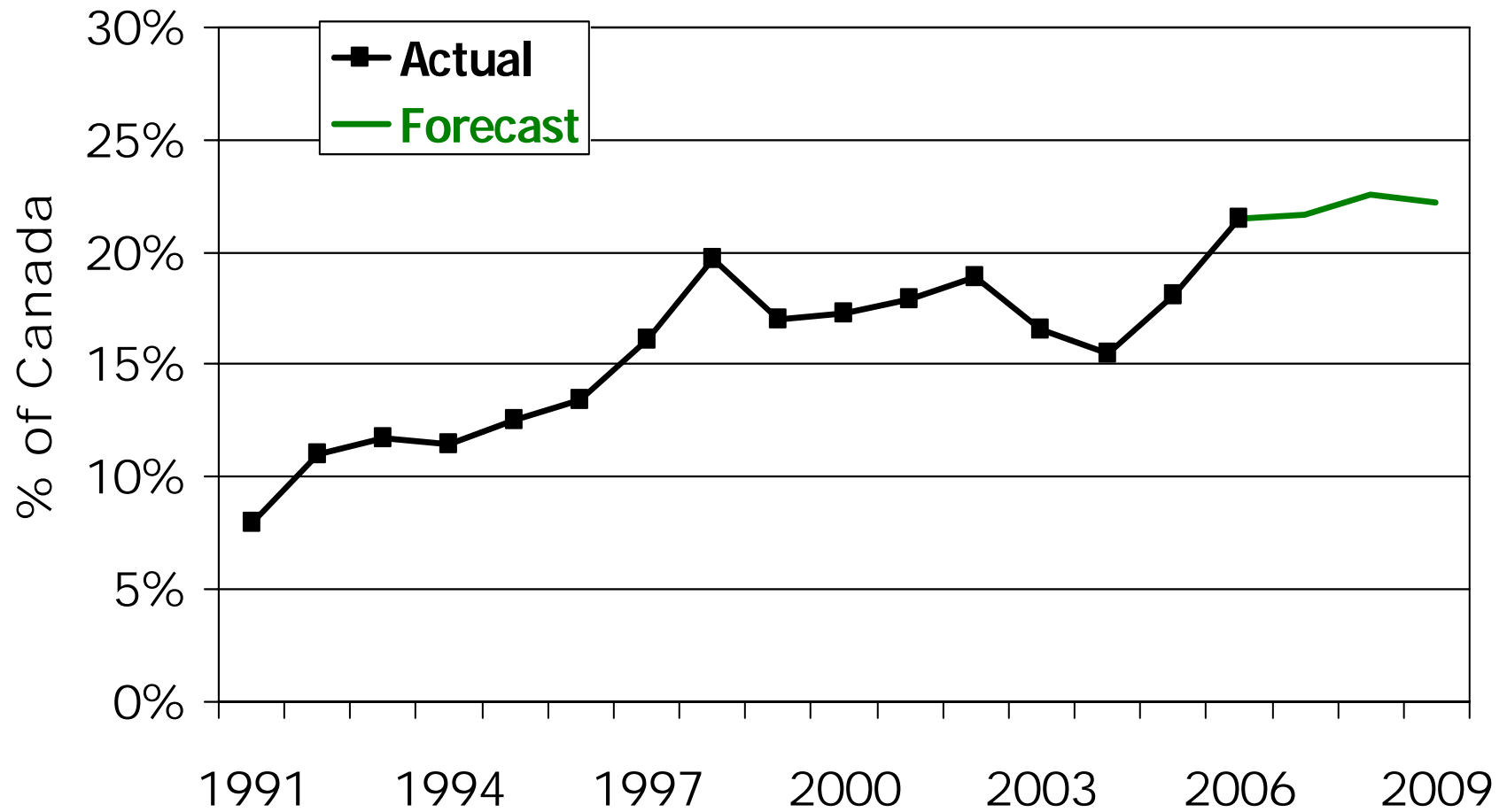
Source: Statistics Canada / Will Dunning Inc.

Saskatchewan Share of Housing Starts



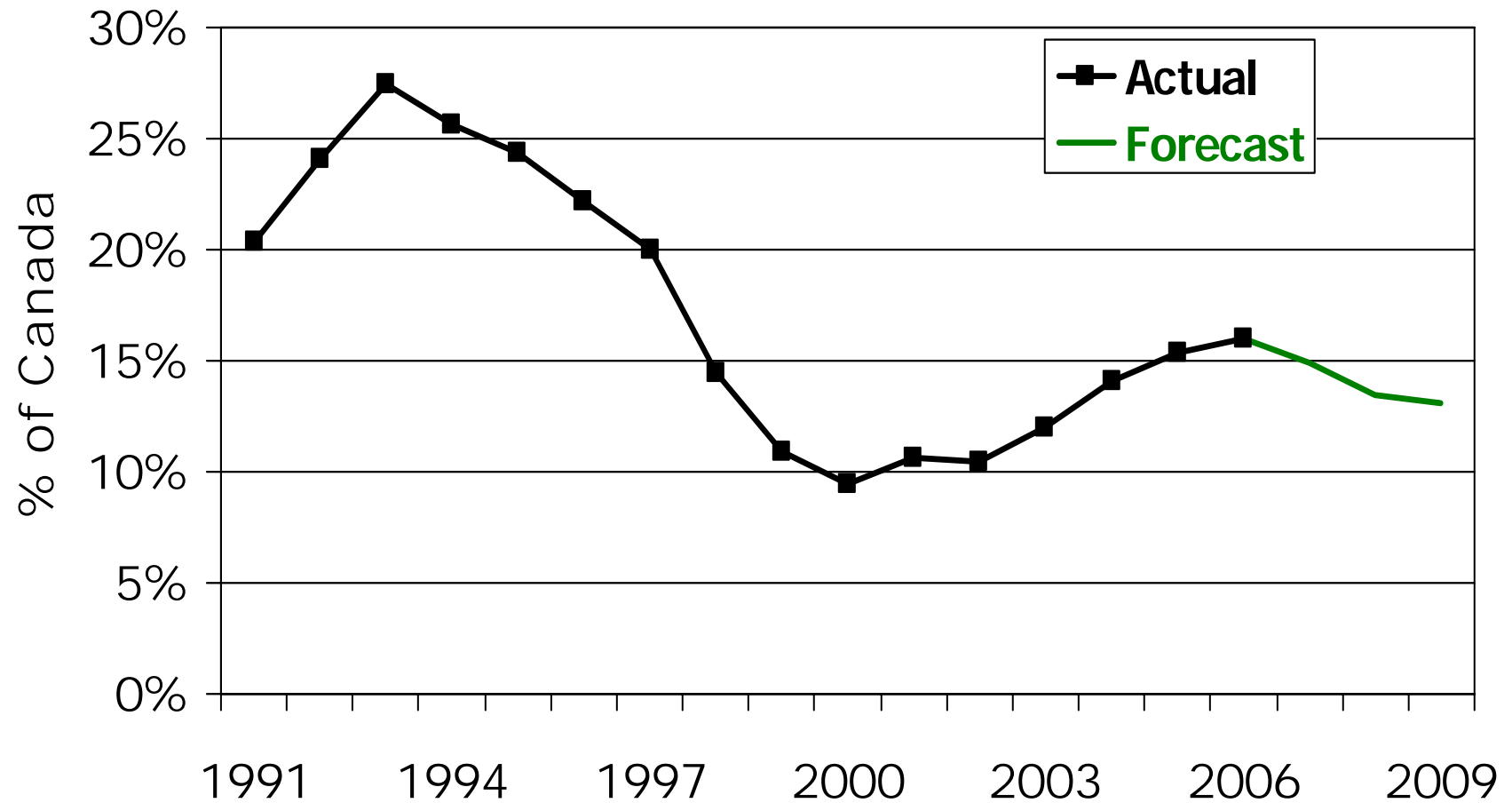
Source: Statistics Canada / Will Dunning Inc.

Alberta Share of Housing Starts



Source: CMHC / Will Dunning Inc.

B.C. Share of Housing Starts



Source: Statistics Canada / Will Dunning Inc.

Resales (Units)

	2006	2007	2008	2009
Canada	483,609	512,800	503,800	496,600
NFLD	3,537	3,700	3,325	3,200
PEI	1,492	1,725	1,650	1,700
NS	10,577	11,300	11,000	12,000
NB	7,125	8,000	7,475	7,500
QUE	72,520	80,100	78,900	81,300

Continued... Resales (Units)

	2006	2007	2008	2009
Canada	483,609	512,800	503,800	496,600
ONT	194,793	205,500	212,900	213,700
MAN	13,018	13,700	13,700	13,200
SASK	9,140	12,100	11,600	11,100
ALTA	74,189	81,300	77,400	73,800
BC	96,671	94,900	85,100	78,500

Resale Prices (% Change)

	2006	2007	2008	2009
Canada	11.1%	8.7%	5.9%	4.3%
NFLD	-1.2%	4.0%	5.6%	4.8%
PEI	7.0%	6.1%	4.4%	4.0%
NS	6.3%	8.1%	8.3%	8.5%
NB	5.2%	8.4%	7.0%	6.4%
QUE	5.1%	7.2%	8.5%	7.3%

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

	2006	2007	2008	2009
Canada	11.1%	8.7%	5.9%	4.3%
ONT	5.9%	5.7%	5.6%	5.7%
MAN	12.2%	9.0%	6.4%	5.0%
SASK	7.6%	18.0%	13.7%	10.8%
ALTA	30.8%	20.8%	8.0%	4.4%
BC	17.7%	10.8%	6.4%	3.0%

Low-Rise Starts (Units)

	2006	2007	2008	2009
Canada	156,634	153,200	150,300	145,200
NFLD	2,025	2,075	2,075	2,025
PEI	587	825	725	750
NS	3,365	2,825	2,650	2,525
NB	3,202	2,925	3,300	2,700
QUE	25,859	26,000	25,200	24,500

Cont'd ... Low-Rise Starts (Units)

	2006	2007	2008	2009
Canada	156,634	153,200	150,300	145,200
ONT	53,748	54,000	52,300	52,500
MAN	3,888	4,200	4,000	3,400
SASK	3,235	5,275	5,100	4,900
ALTA	38,577	37,600	38,900	36,300
BC	22,148	17,500	15,900	15,600

Apartment Starts (Units)

	2006	2007	2008	2009
Canada	70,761	69,100	71,600	67,300
NFLD	209	325	350	325
PEI	151	50	105	50
NS	1,531	1,650	1,600	1,550
NB	883	750	750	700
QUE	22,018	21,400	21,300	20,000

Cont'd ... Apartment Starts (Units)

	2006	2007	2008	2009
Canada	70,761	69,100	71,600	67,300
ONT	19,669	16,200	20,400	19,600
MAN	1,140	1,550	1,300	1,225
SASK	480	750	700	675
ALTA	10,385	10,700	11,100	10,900
BC	14,295	15,700	14,000	12,300

Total Starts (Units)

	2006	2007	2008	2009
Canada	227,395	222,300	221,900	212,600
NFLD	2,234	2,400	2,425	2,350
PEI	738	850	825	825
NS	4,896	4,475	4,250	4,050
NB	4,085	3,700	4,100	3,425
QUE	47,877	47,400	46,500	44,500

Cont'd... Total Starts (Units)

	2006	2007	2008	2009
Canada	227,395	222,300	221,900	212,600
ONT	73,417	70,200	72,700	72,100
MAN	5,028	5,800	5,275	4,600
SASK	3,715	6,050	5,825	5,575
ALTA	48,962	48,300	50,000	47,200
BC	36,443	33,200	29,900	27,900

Renovation (\$ millions)

	2006	2007	2008	2009
Canada	\$33,600	\$33,800	\$36,600	\$39,100
NFLD	\$575	\$585	\$600	\$590
PEI	\$118	\$121	\$142	\$142
NS	\$945	\$990	\$1,080	\$1,200
NB	\$757	\$720	\$770	\$820
QUE	\$8,357	\$7,900	\$8,400	\$8,900

Cont'd... Renovation (\$ millions)

	2006	2007	2008	2009
Canada	\$33,600	\$33,800	\$36,600	\$39,100
ONT	\$13,140	\$13,400	\$14,700	\$15,700
MAN	\$985	\$1,050	\$1,115	\$1,120
SASK	\$874	\$830	\$885	\$940
ALTA	\$3,266	\$3,650	\$4,100	\$4,600
BC	\$4,490	\$4,350	\$4,650	\$4,950

Concluding Observations

- Strong labour markets point to continued high housing demand
- Affordability in uncharted territory
- Risks are not just on the downside
- BC provides the most difficult call
- More risk for apartments than for low-rise
- Westward shifting