

Housing Market Digest

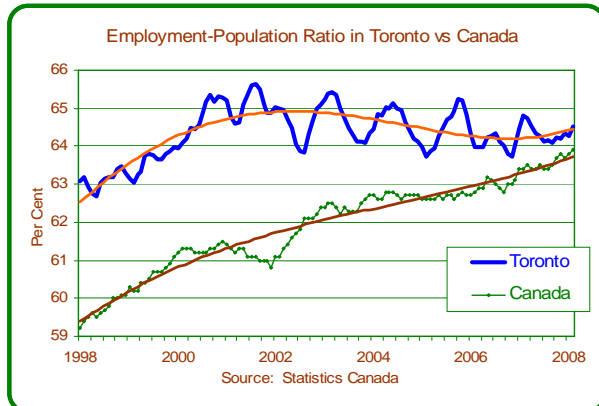
Greater Toronto Area, March 2008

Synopsis: An unusually snowy winter has distorted GTA housing activity - lost ground should be made up during the spring. Low-rise supply and sales are being hurt by slow approvals. Job creation appears to be holding up well, providing encouragement for housing demand in 2008. 2009 is another story. Keep an eye on the financial sector for hints about future directions.

Economic Trends

Statistics Canada reported a surprisingly large increase in employment for February (43,000 for all of Canada). The growth was almost entirely within Ontario, and in particular within the Toronto CMA. This is probably another "data artifact", and as usual we don't know if this is the correction of a prior error or a new error. Either way, we should not get excited about this data.

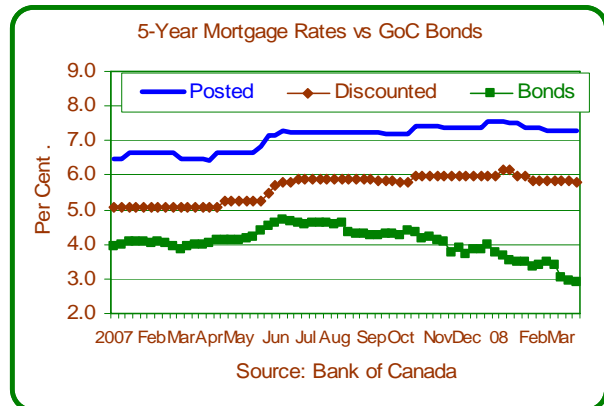
It appears that the employment rate in Toronto has stabilized, and might even be increasing. I've talked about the mix of positive factors (wealth effects from housing and the stock market, plus low interest rates) versus negatives (the dollar and commodity prices). If the Toronto economy really is strengthening, then that indicates that the positive factors are currently dominating. The employment rate for all of Canada has been rising even more rapidly than the Toronto rate, because most other areas of the country are less impacted by the strong dollar, and high commodity prices are positive for the west.



Given events that are spilling out of the financial sector (plus the failure of lower bond yields to pass on to consumer rates) we should expect that the employment rates for Canada and Toronto will soon turn down. But, given the recent great strength of employment in Canada, housing demand should remain strong into the first half of 2009. The Toronto market may turn earlier, especially since the financial sector has been responsible for much of the recent growth.

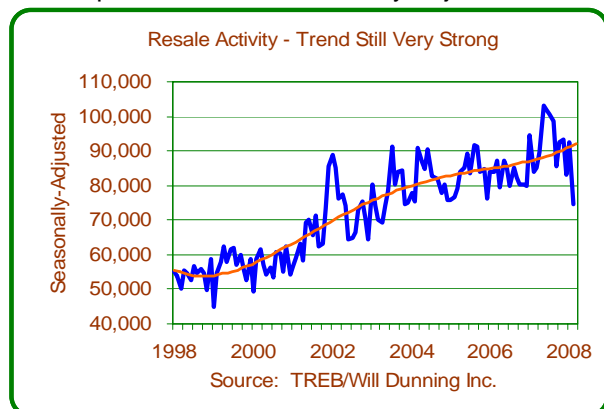
Interest Rates

Bond yields (Government of Canada) have fallen sharply during the past month, but mortgage rates have moved very little. The spread between bond yields and posted mortgage rates (5-year terms) is now 440 basis points, versus a normal spread of 240-250 basis points. For discounted rates the current spread of 290 basis points exceeds a normal amount of 110-120 basis points.



Resale Market

Resale market activity dropped sharply in February, which is not surprising since the weather was the worst in decades: 6,015 actual sales equate to 74,700 seasonally-adjusted.

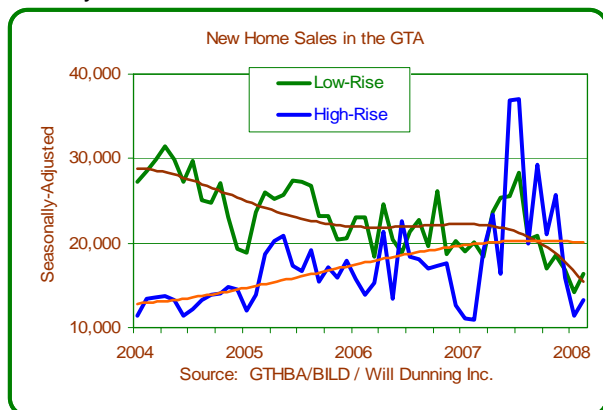


The resale price improved from a slump in January. For February, the average price was \$382,048. My estimate of the price trend is up by a

very strong 9% year-over-year – but, the growth rate is decelerating.

New Homes Market

New home sales were also weak in February - 2,562 actual sales equate to 29,500 after seasonal-adjustment, only slightly better than January's 25,500.



Low-rise sales were 1,495 actual units and 16,300 seasonally adjusted in February, up from a decade-low in January, but still low. Sales were hit by a double whammy of nasty weather and supply constraints, which I hear is resulting from a slowdown in permit approvals.

For high rises, 1,067 actual sales equate to 13,200 seasonally-adjusted.

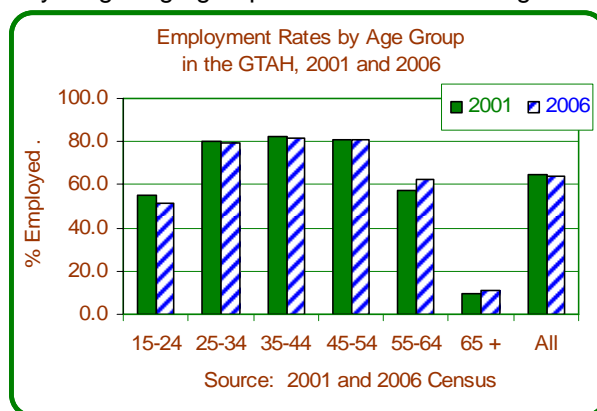
The GTA Outlook

No changes have been made to any of my forecasts in the past month. More details are available in [Toronto Employment and Housing Outlook](#).

Forecast for 2008		
	2007 Actual	2008 Forecast
Employment in 1,000s (Annual Average)	2,865	2,898
Resales	95,223	79,200
Avg Resale Price	\$377,066	\$396,200
New Home Sales		
Low-Rise	21,550	19,700
High-Rise	23,234	15,800
Total	44,784	35,500
Housing Starts – Toronto CMA		
Low-Rise (Ownership)	22,904	20,800
High-Rise + Rental	10,389	22,000
Total	33,293	42,800
Source: Will Dunning Inc.		

Other News

Statistics Canada has released Census data on employment. It shows that in the GTA area (GTA plus Hamilton) the percentage of adults with jobs was 63.6% in 2006, down from 64.4% in 2001. As shown in the chart below, the employment rate fell for younger age groups and rose for older ages.



At the CAAMP website there is a slide set of mine, with audio (no, that's not my voice – it was re-recorded from a transcript of my speech). Registration is required. For CAAMP members, listening to it is worth one AMP CE credit: <http://events.startcast.com/events/launch.asp?EventID=670037CC-5C5C-4A35-A69F-23757DD19374>)

Also, there is a video clip of me on the net (recorded late last year), talking about the housing outlook for Canada. My views haven't changed much since then: <http://www.centremagazine.com/video/dunning.asp>

I'll be speaking at a dinner meeting of the Association of Ontario Land Economists on March 25. For details, see Events at www.aole.org.

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