

GTA Housing Market Outlook

Will Dunning

February 16, 2011

Phone: 416-236-5115

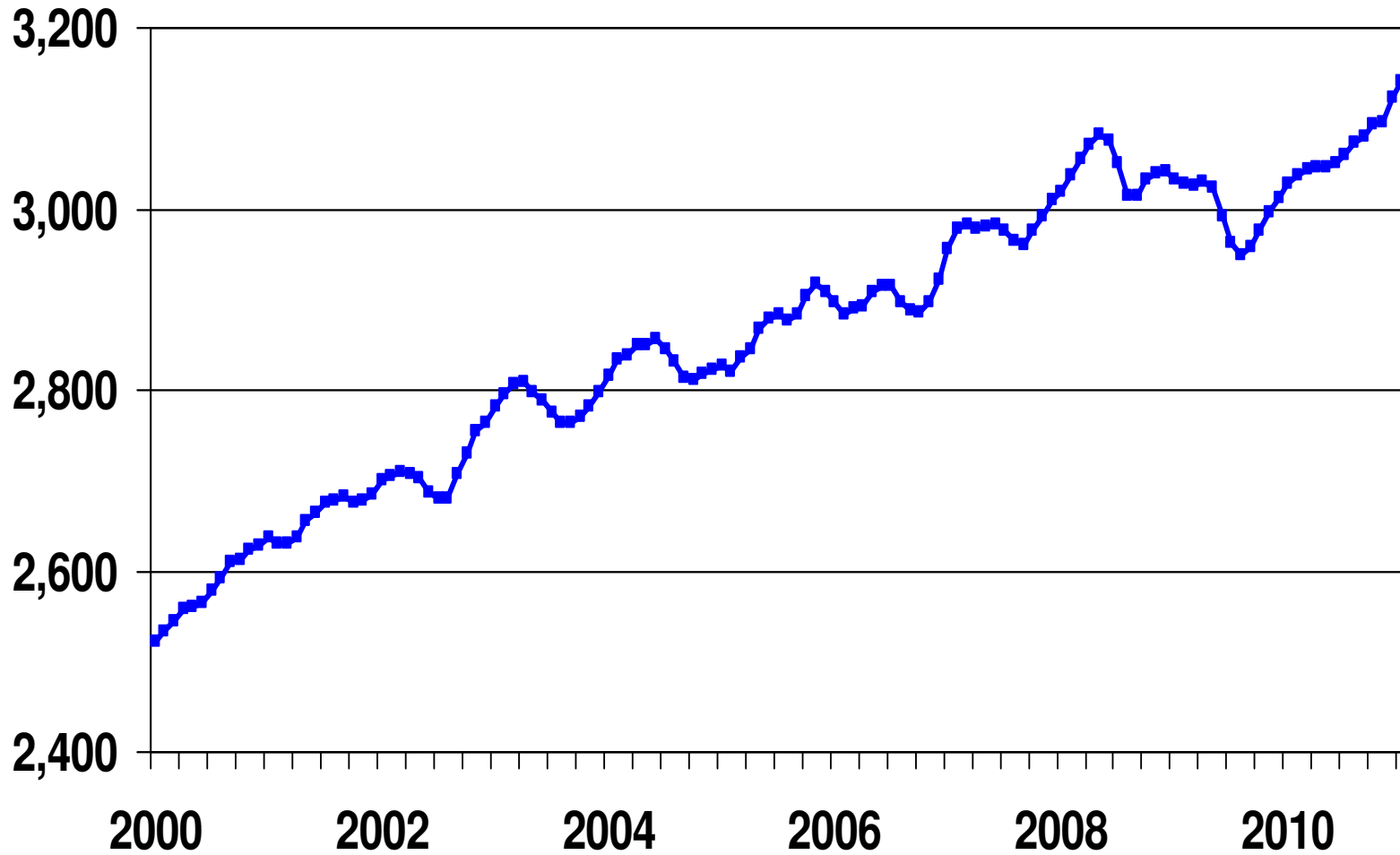
Email: wdunning@sympatico.ca

Web-site: www.wdunning.com

My Agenda

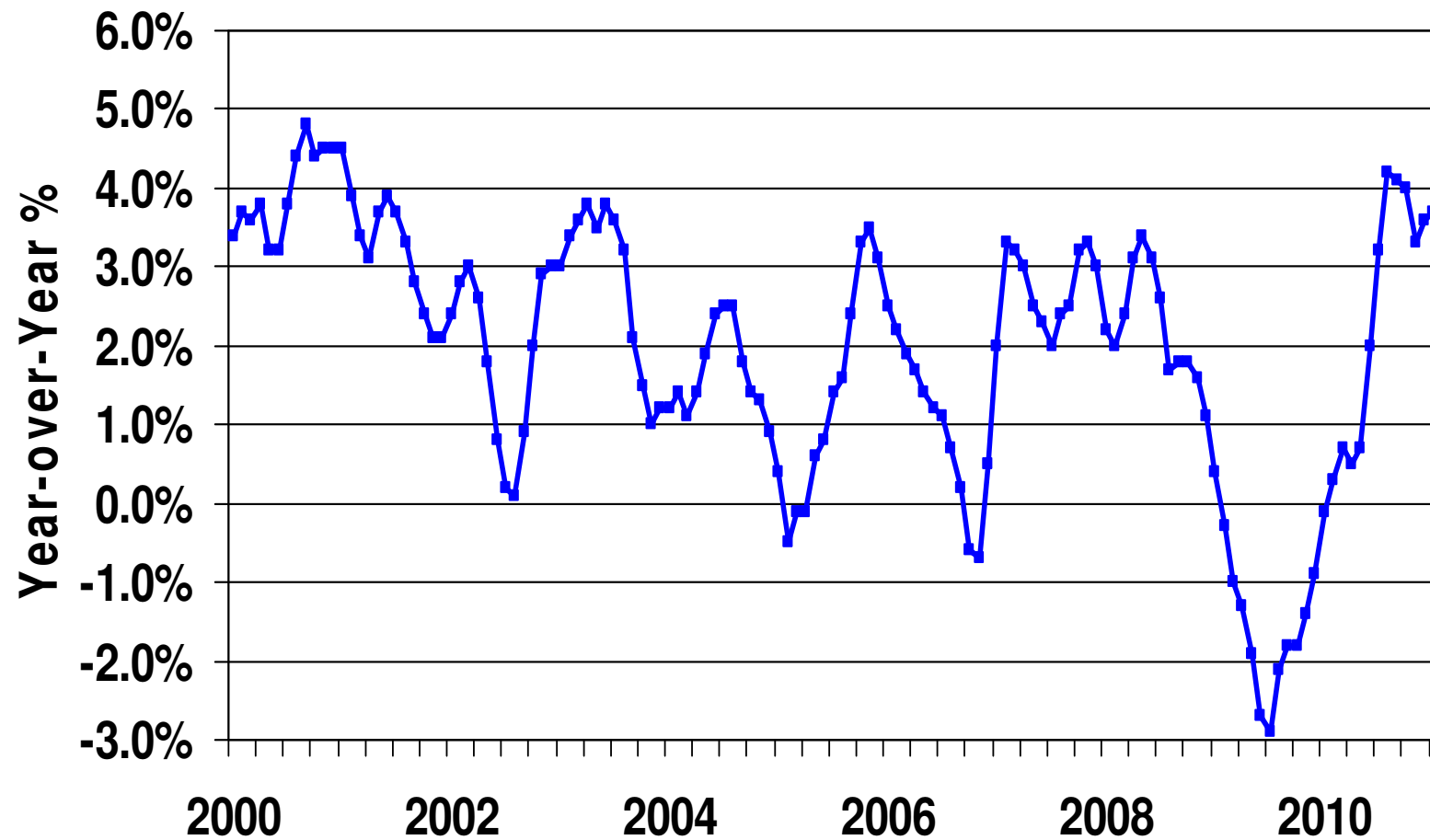
- Employment
 - Trends
 - Drivers and assumptions
 - Outlook
- Housing market outlook
 - Resales
 - New low-rise
 - New high-rise

GTA Employment (In 1,000s)



Source: Statistics Canada

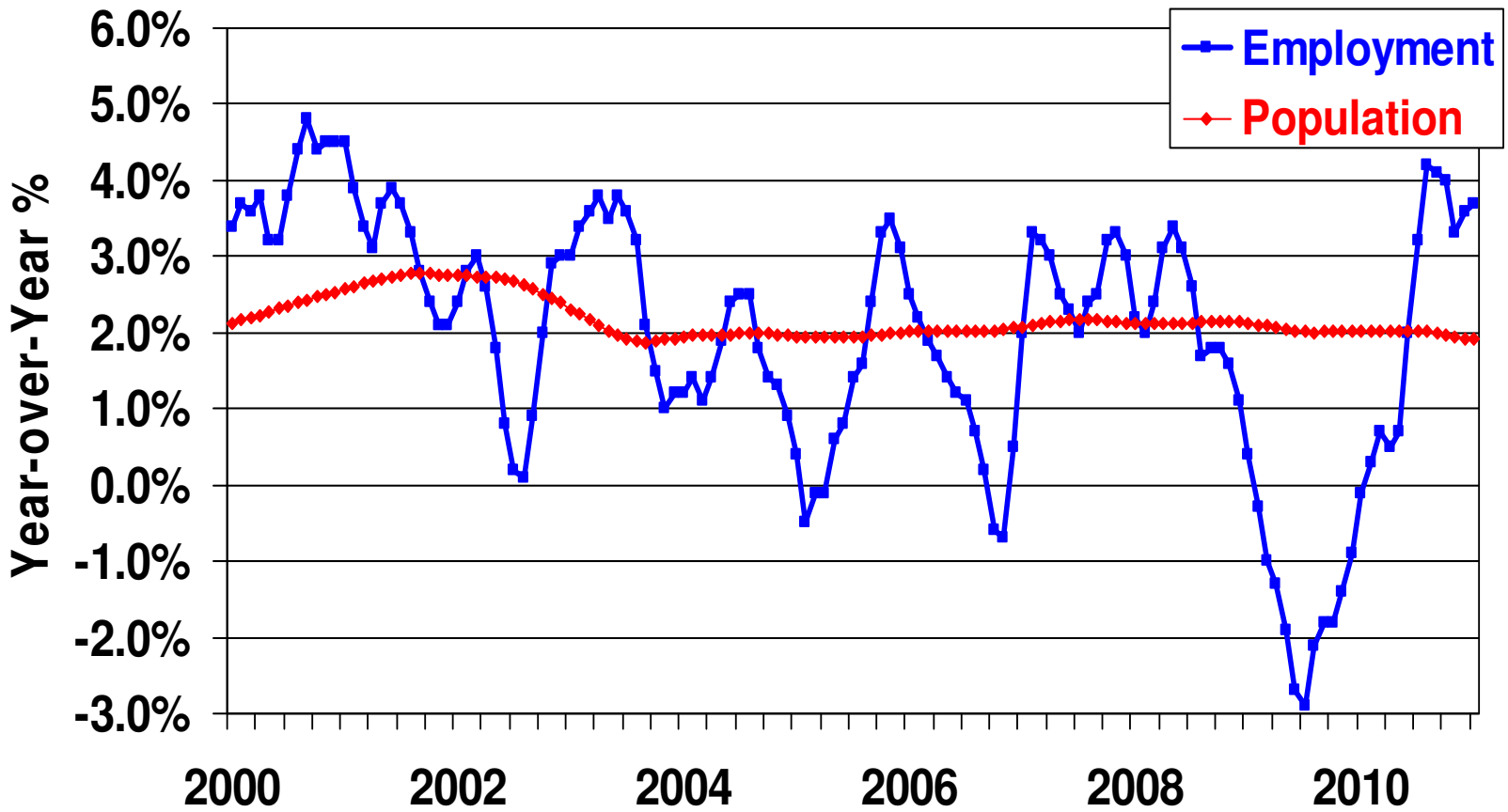
Growth Rate for GTA Employment



Source: Statistics Canada

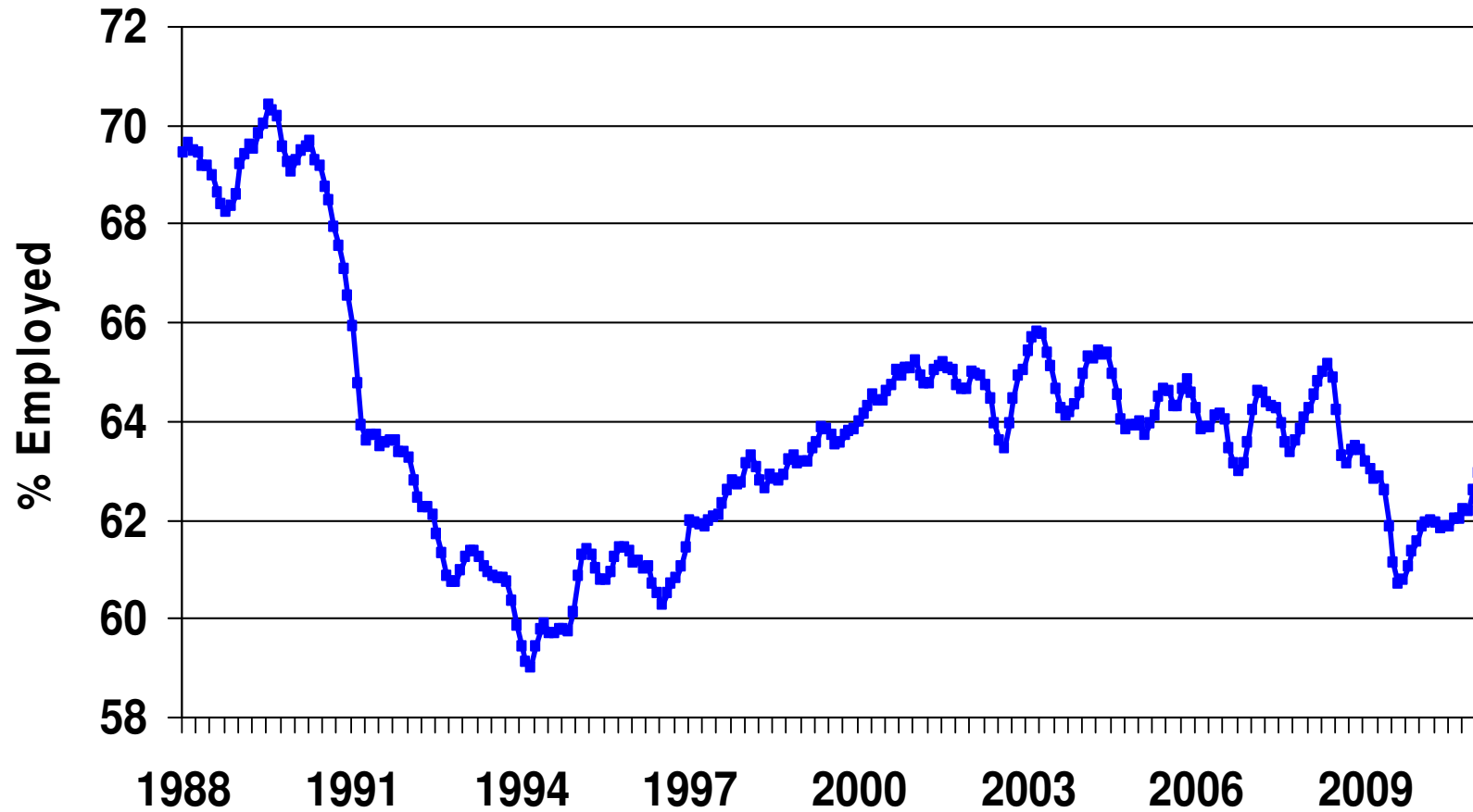
Growth Rates for GTA

Employment versus Population



Source: Statistics Canada

Volatile Data for GTA “Employment Rate”

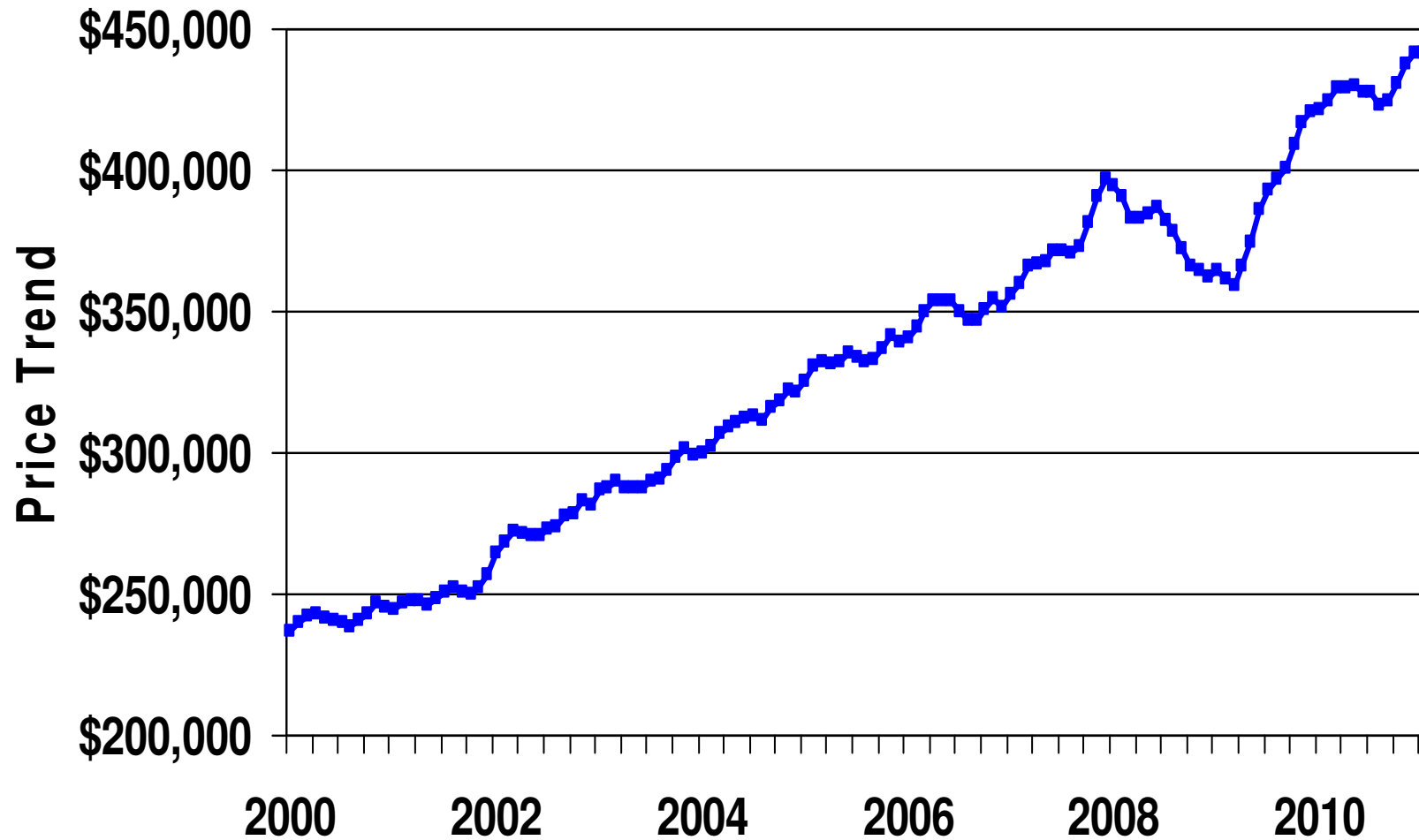


Source: Statistics Canada

Factors Driving Employment Growth in the GTA

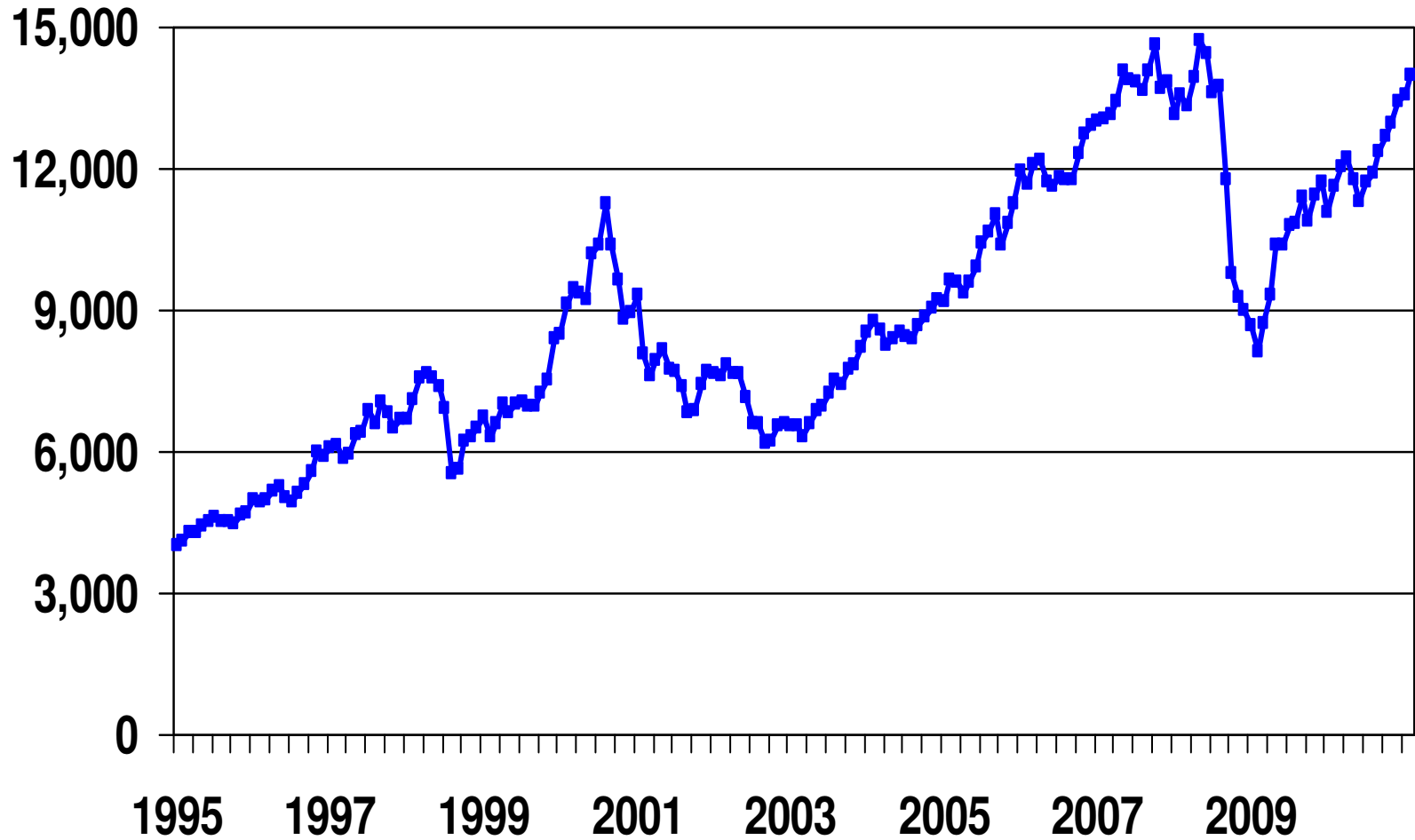
Housing Wealth	Very Positive (But May Wane)
TSX Index	Substantial Recovery (But a Source of Risk)
Interest Rates	Very Positive
Canadian Dollar	Strongly Negative
Commodity Costs	Negative for Consumers, Positive for Producers

Record for GTA House Values



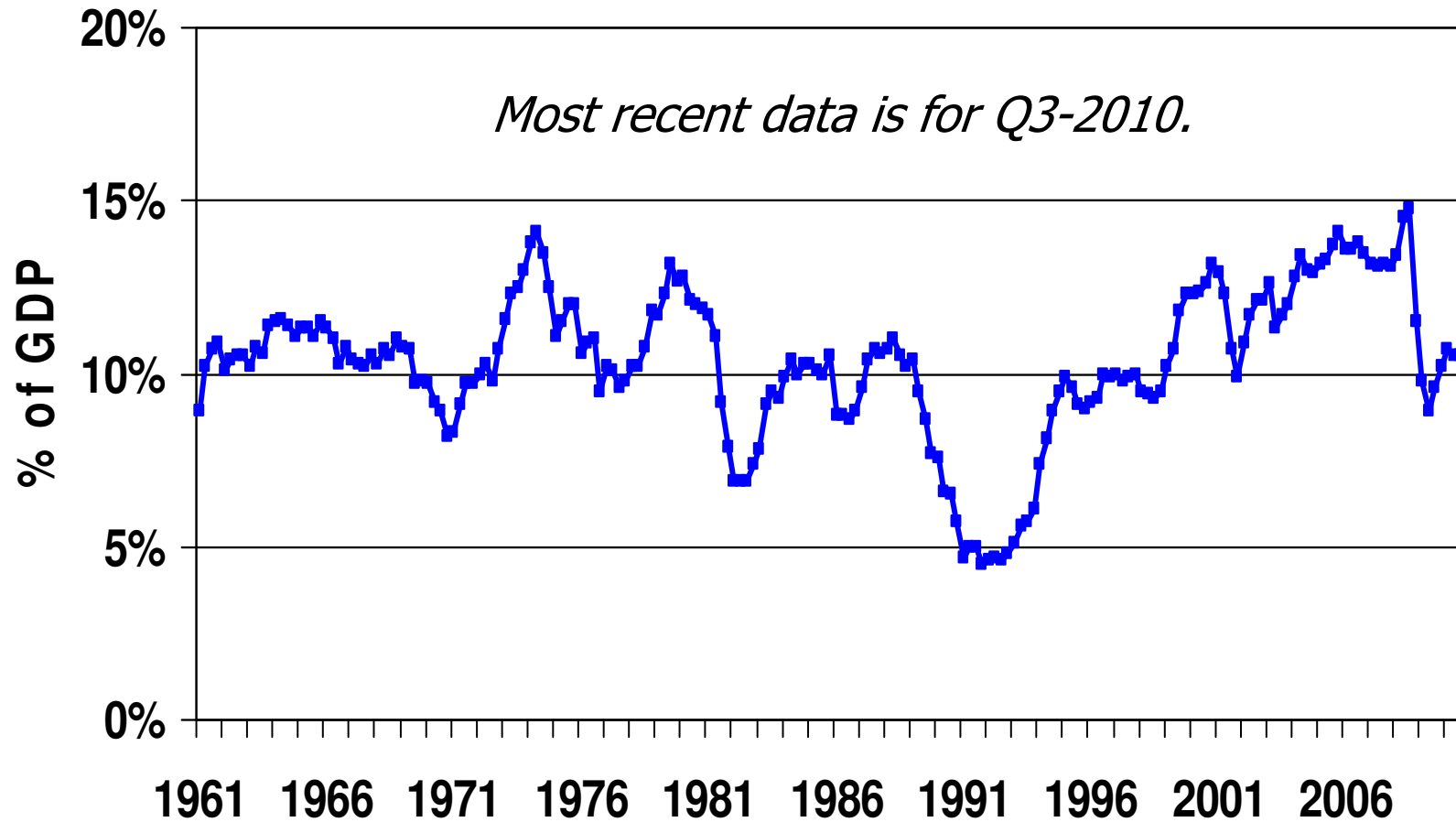
Source: Toronto Real Estate Board / Will Dunning Inc.

TSX Index



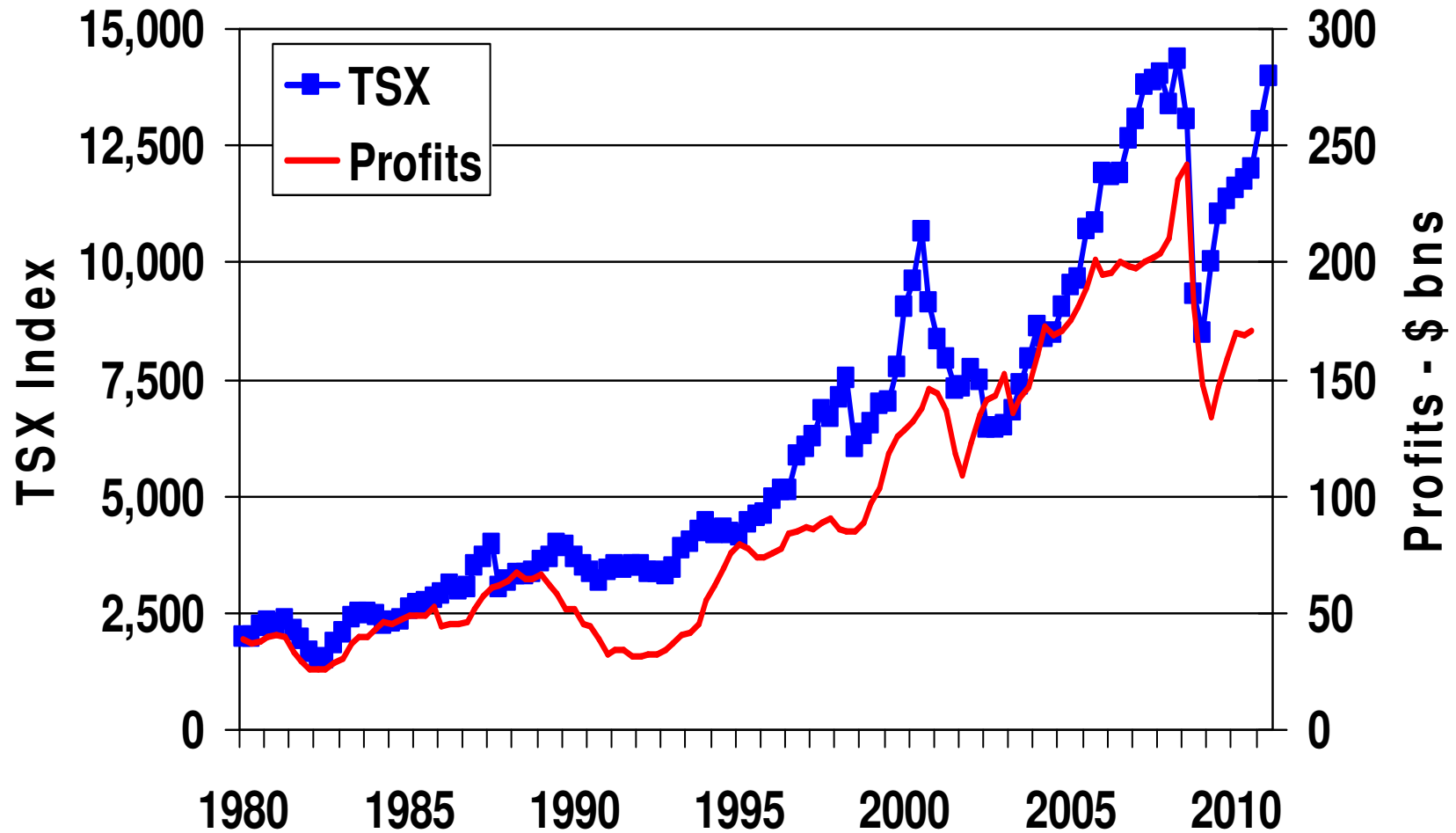
Source: Statistics Canada/Will Dunning Inc.

Corporate Profits as % of Canada's GDP



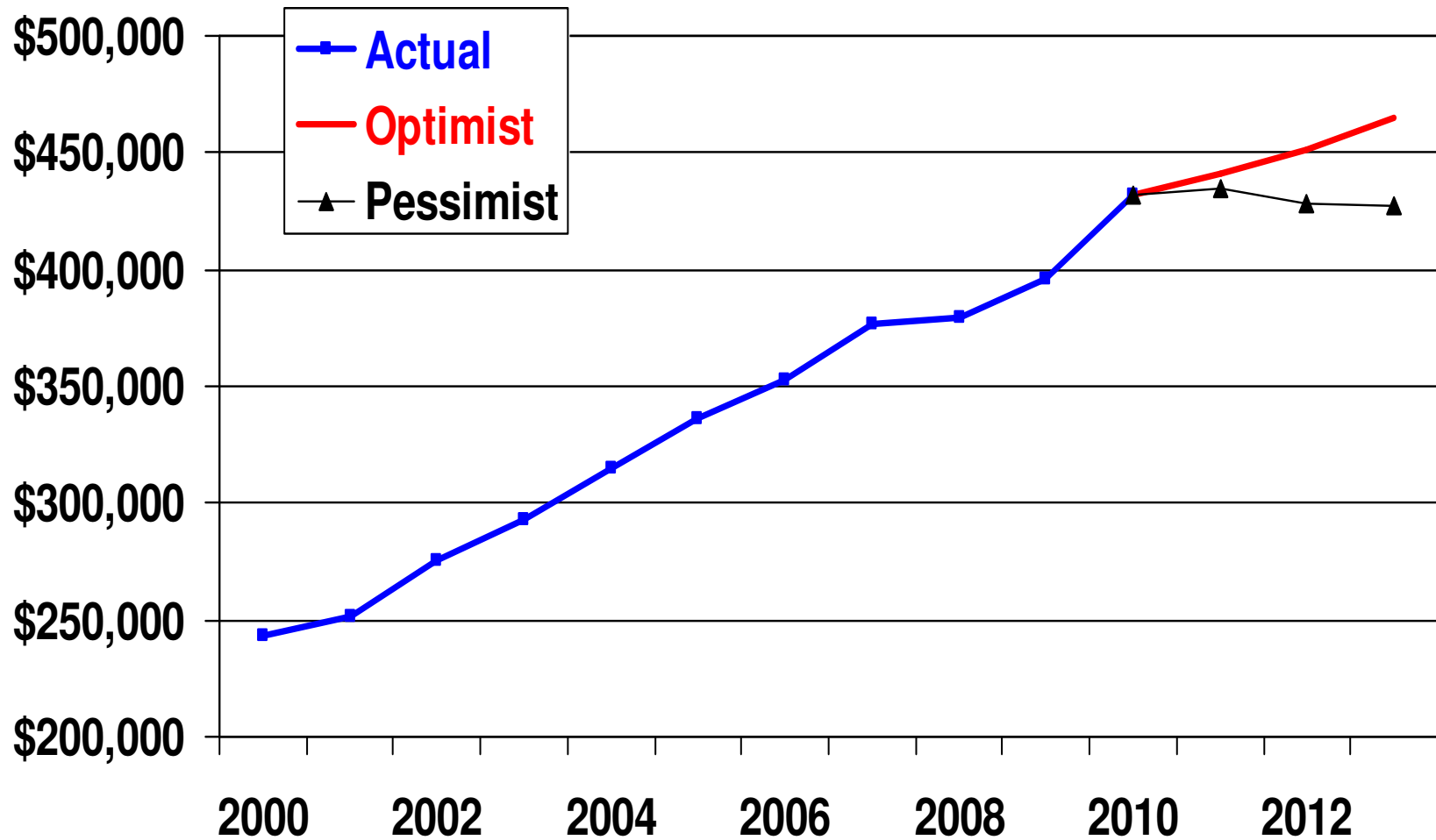
Source: Statistics Canada/Will Dunning Inc.

TSX Index vs Profits



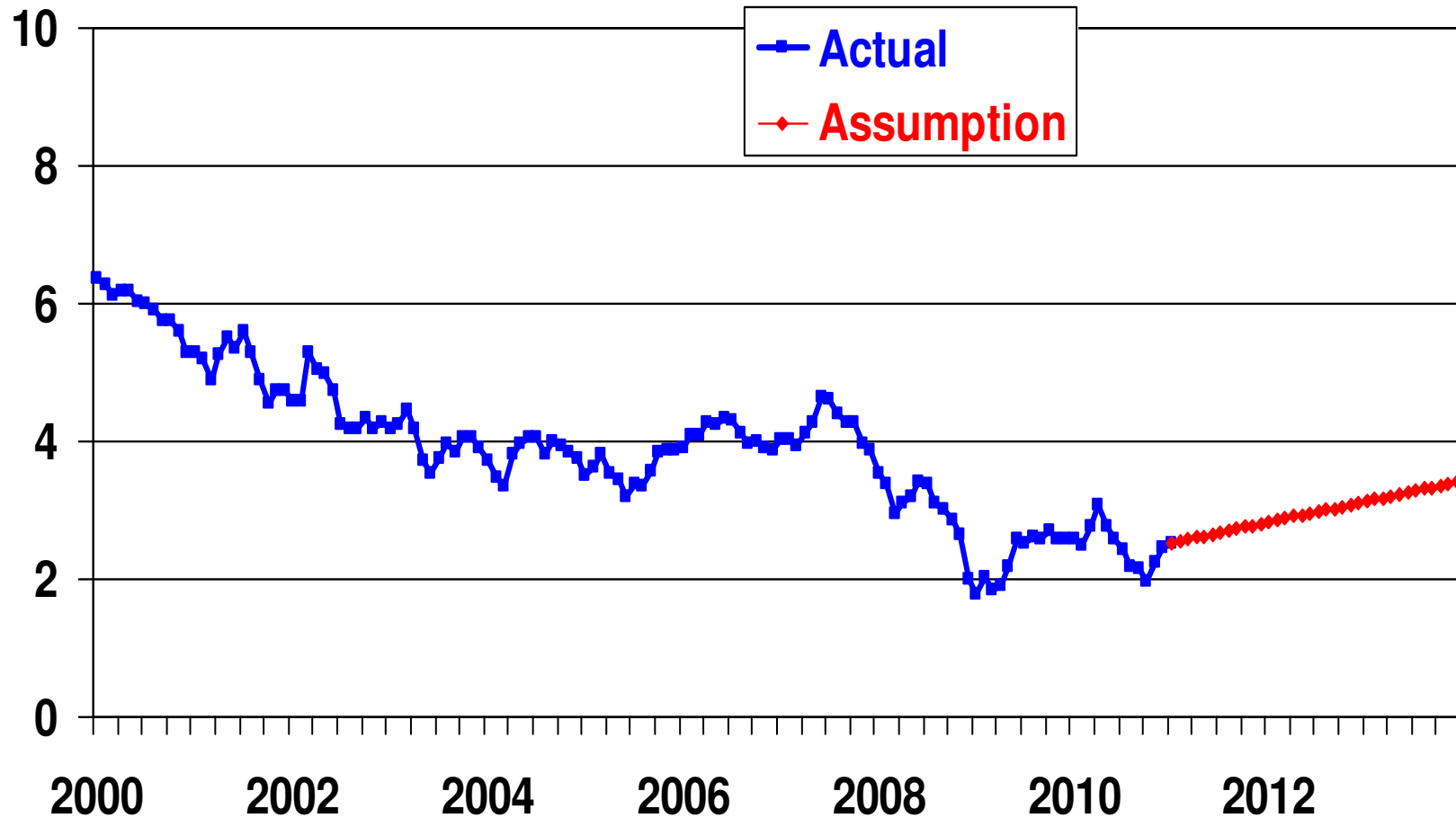
Source: Statistics Canada/Will Dunning Inc.

2 Scenarios for House Prices



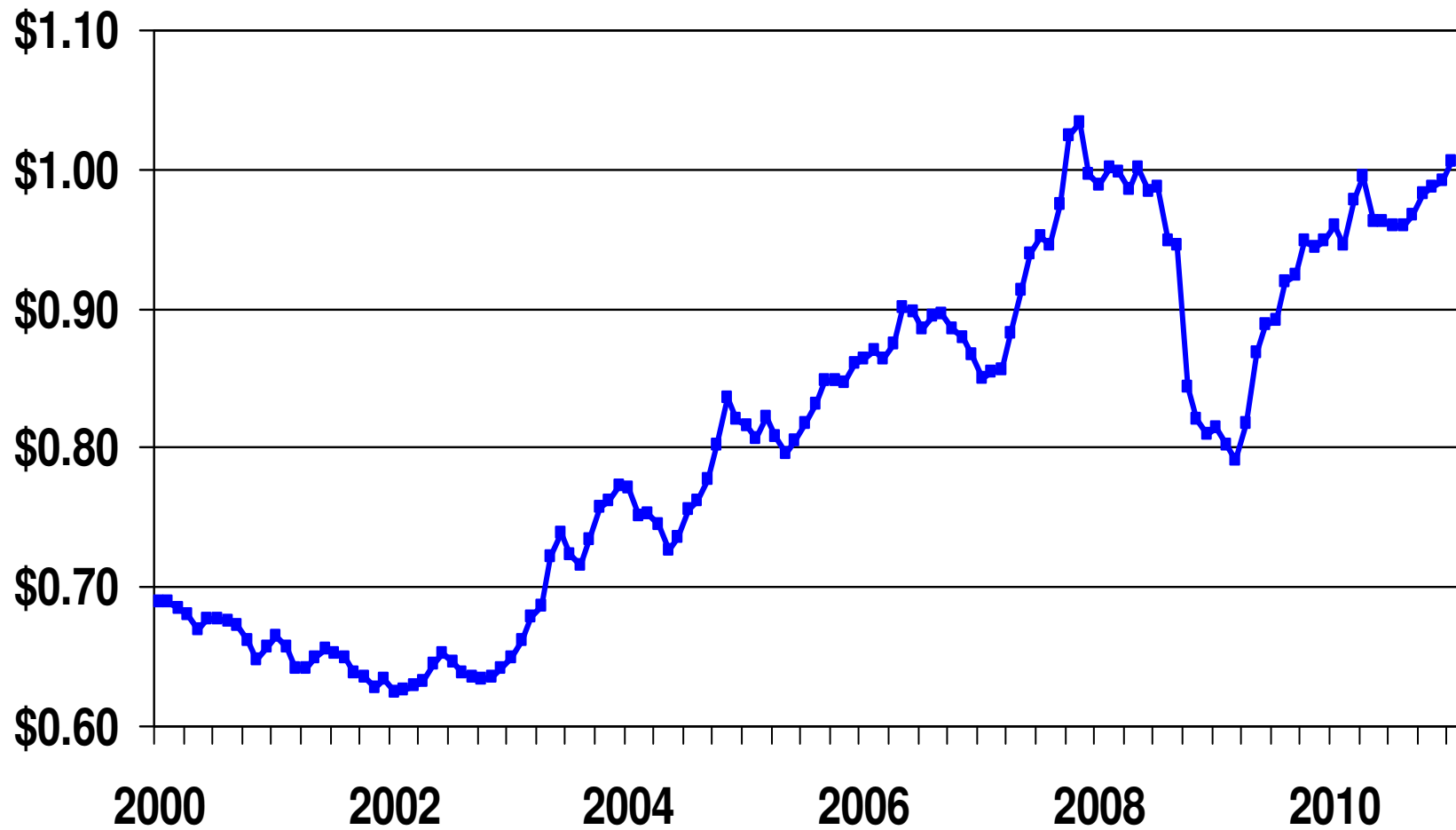
Source: Statistics Canada/Will Dunning Inc.

Yield on 5-Year Government of Canada Bonds



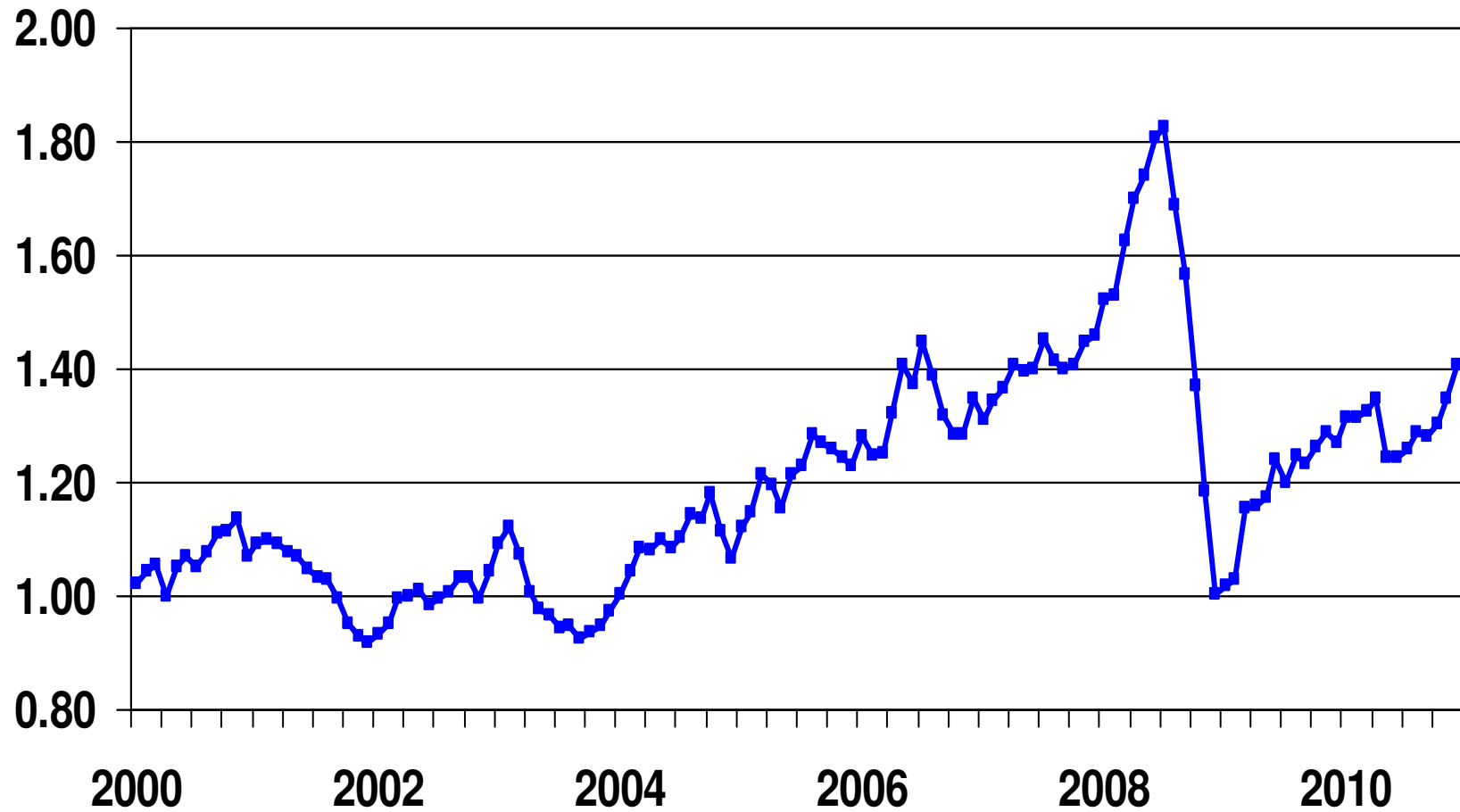
Source: Bank of Canada/Will Dunning Inc.

\$ Canada Very Negative for GTA



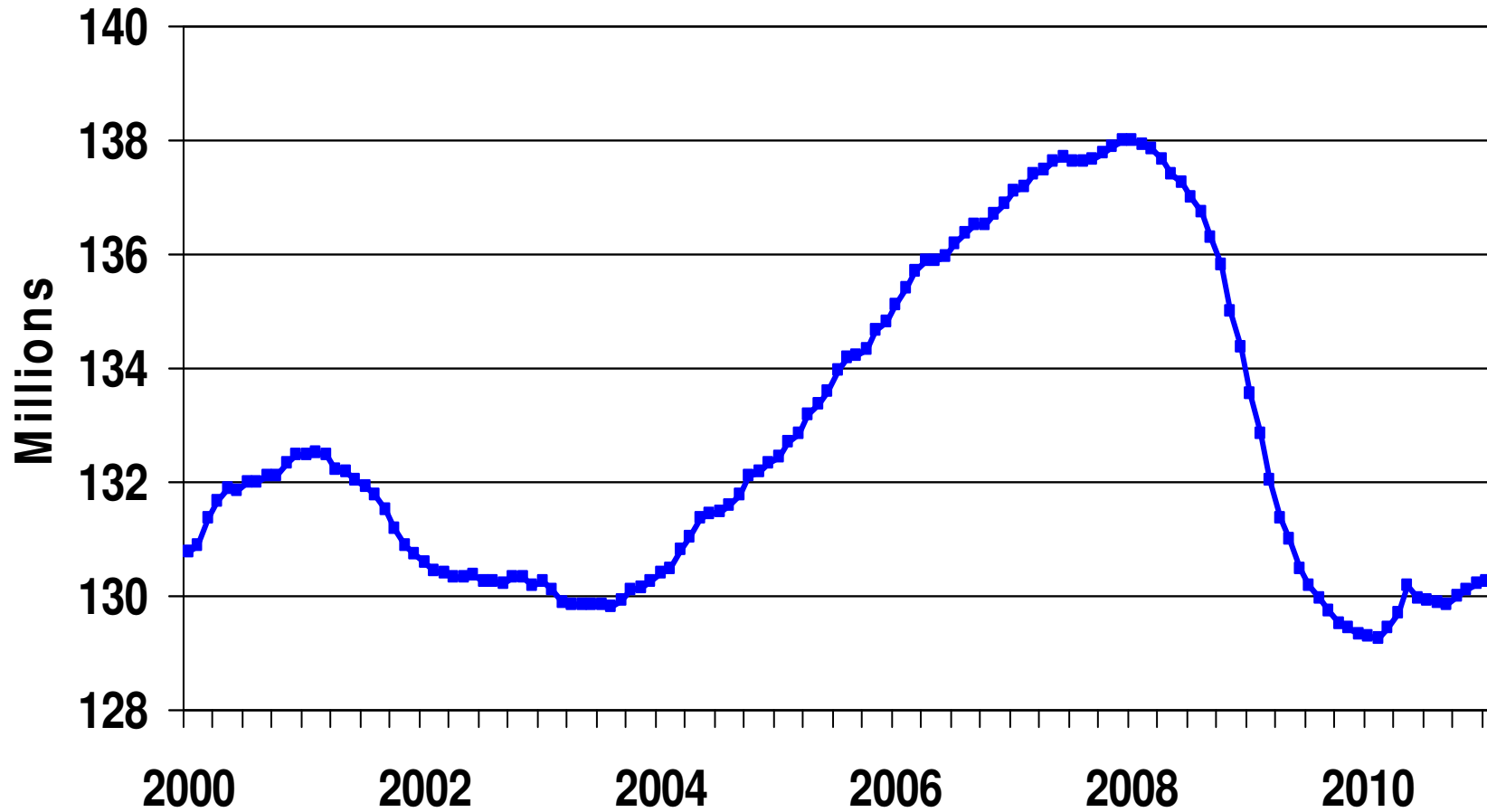
Source: Bank of Canada/Will Dunning Inc.

Commodity Prices Also Negative for GTA



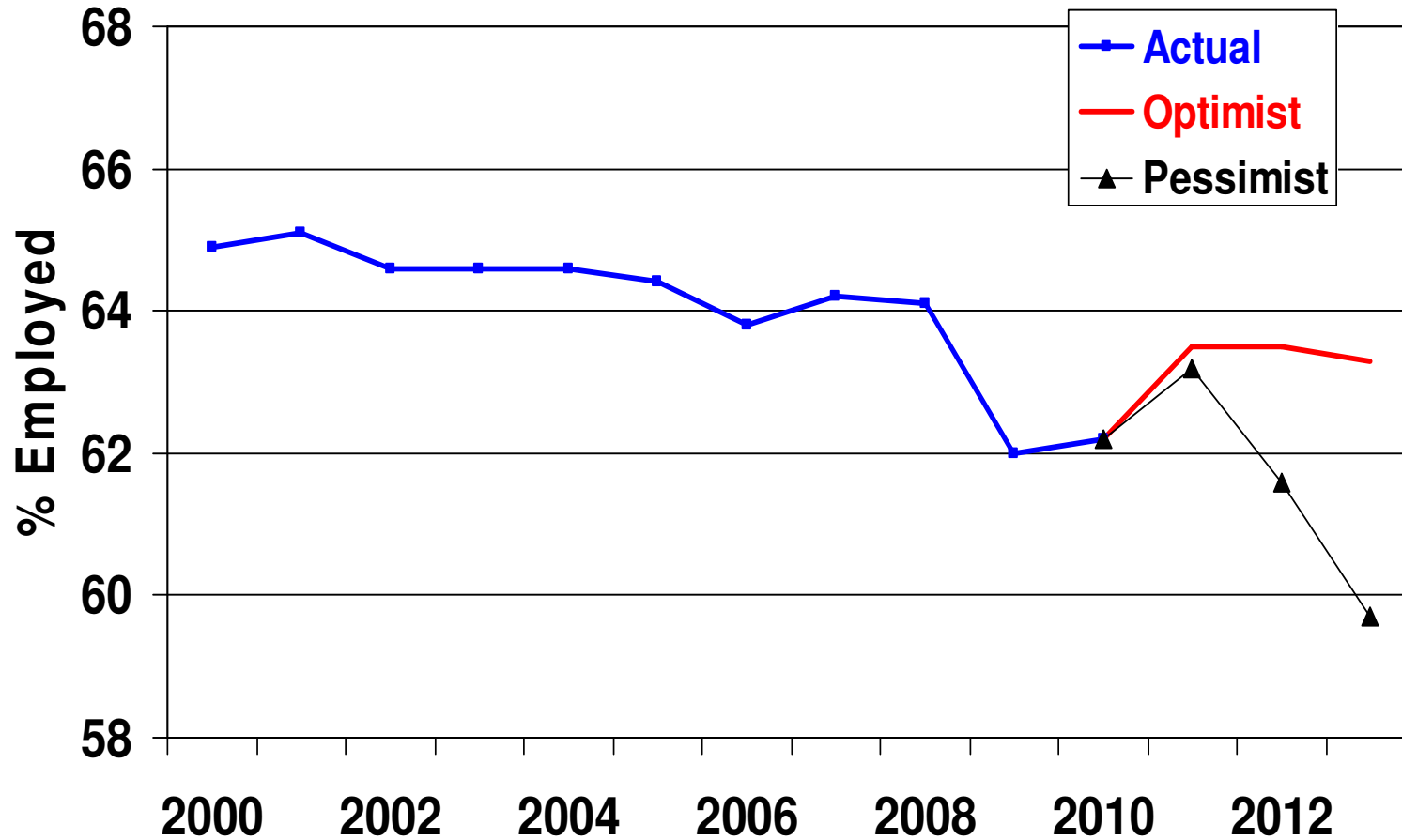
Source: Statistics Canada/Will Dunning Inc.

US is Still in Deep Trouble (Employment in Millions)



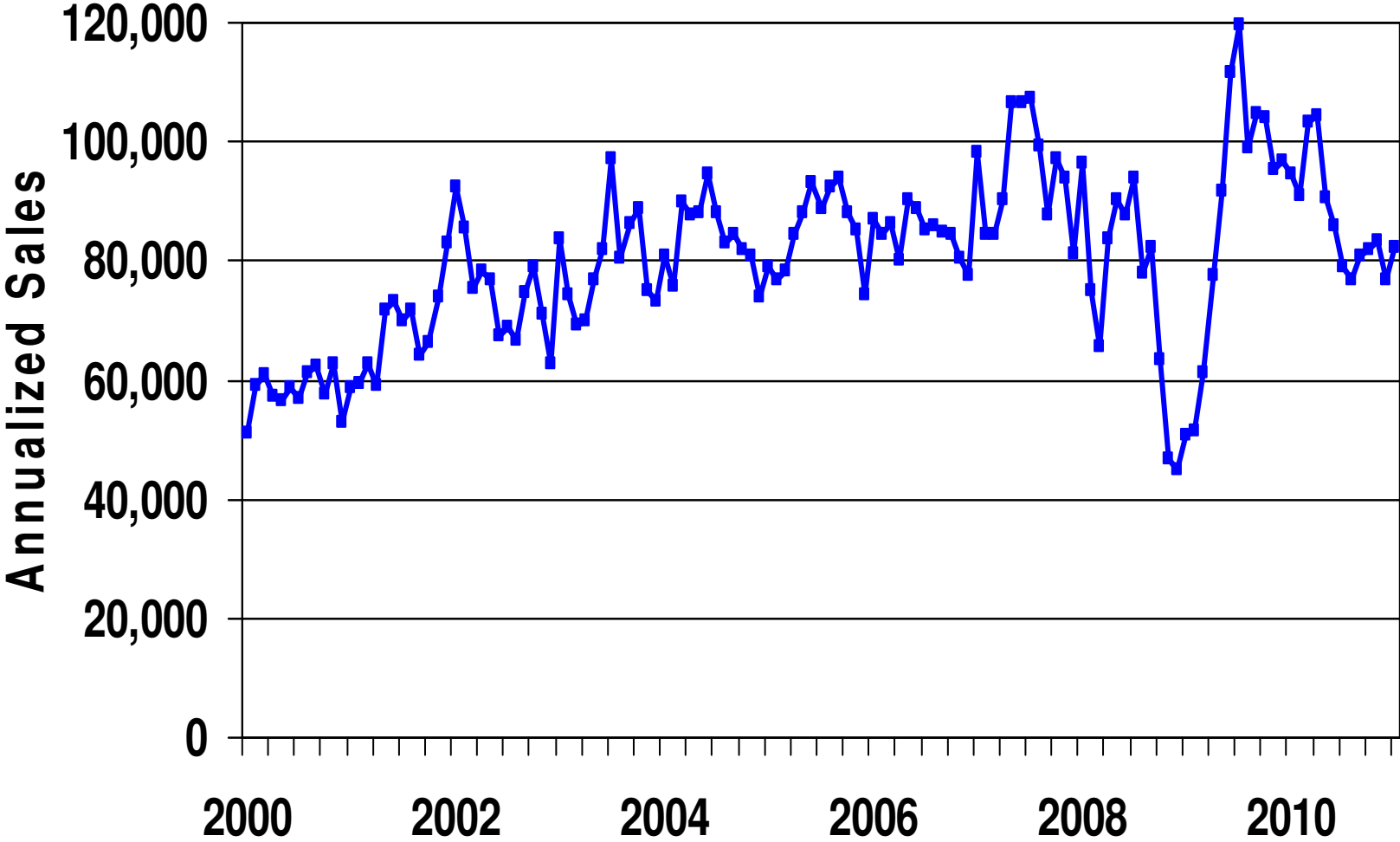
Source: US BLS

2 Scenarios for Toronto CMA Employment Rate



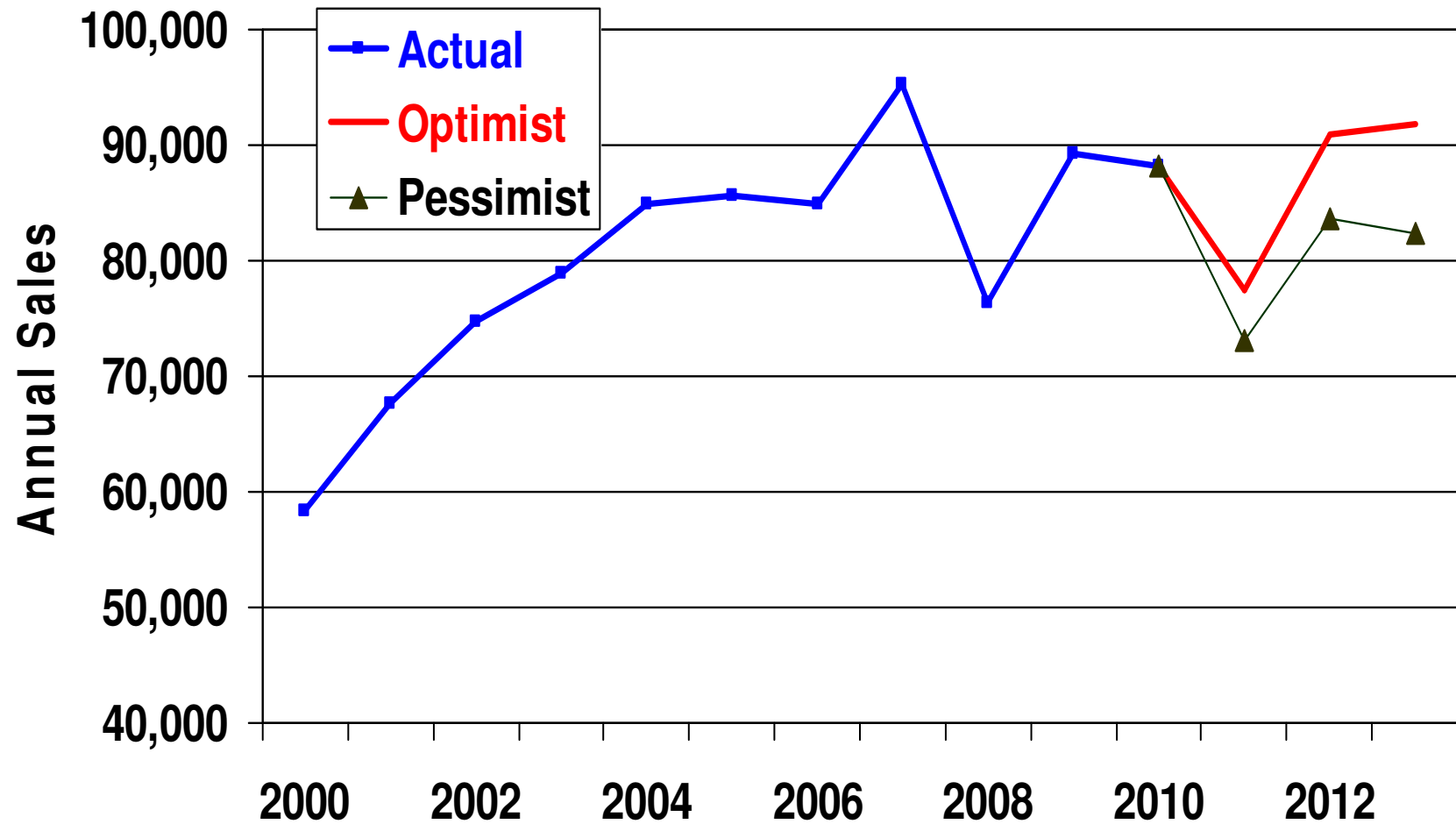
Source: Statistics Canada / Will Dunning Inc.

Resale Market Was Volatile



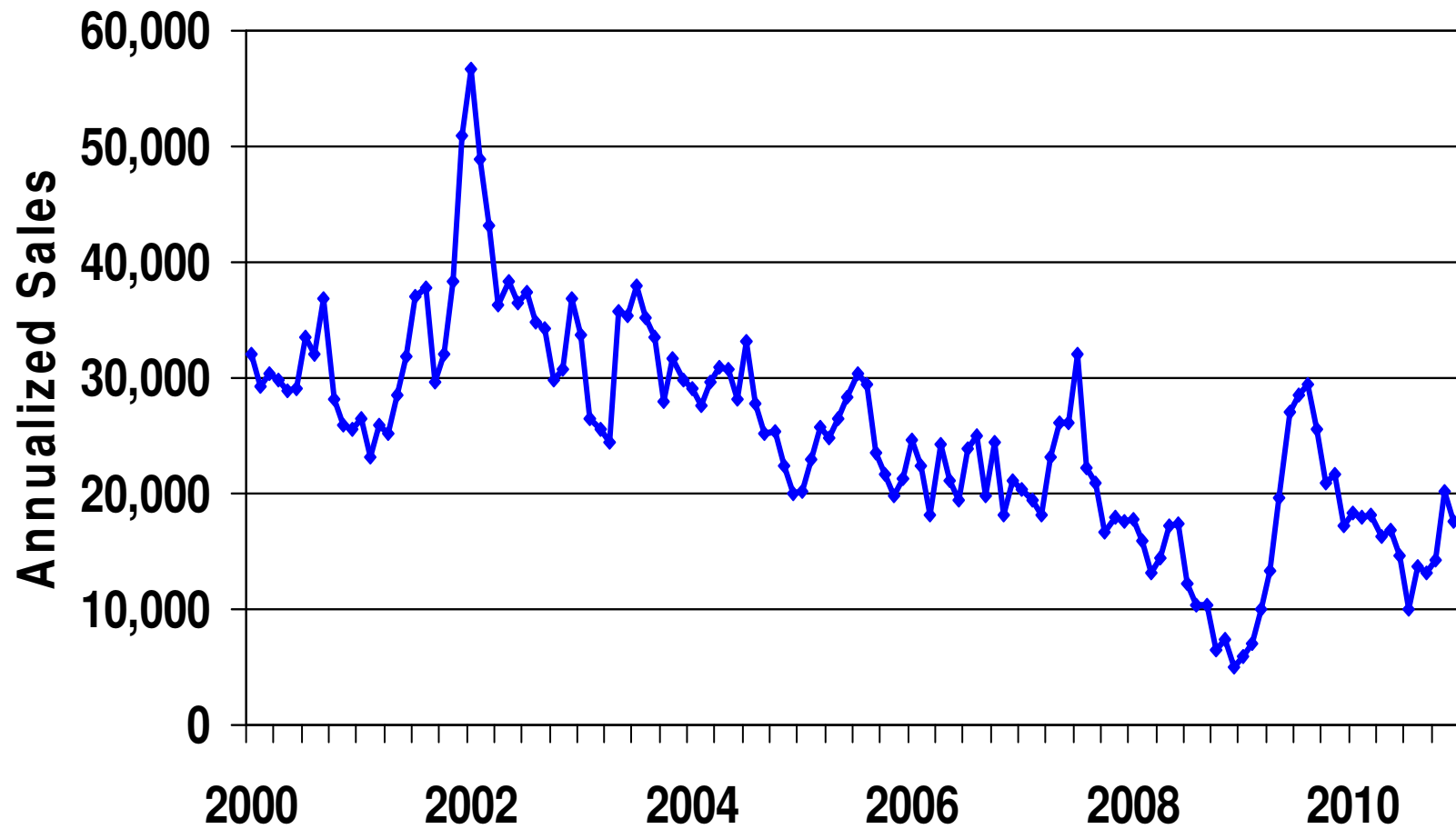
Source: TREB / Will Dunning Inc.

Resale Market Scenarios



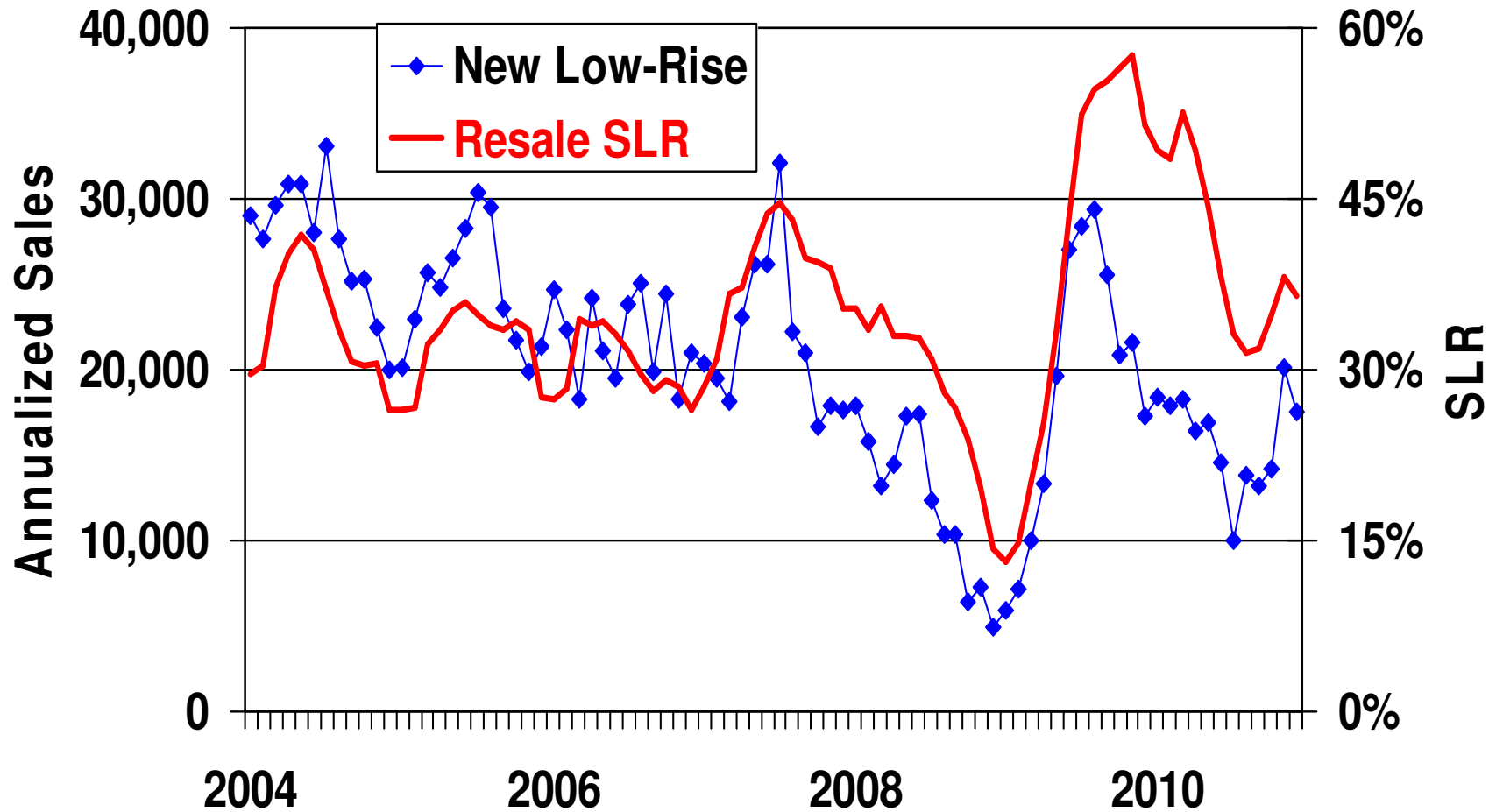
Source: TREB / Will Dunning Inc.

New Low-Rise Sales Even More Volatile



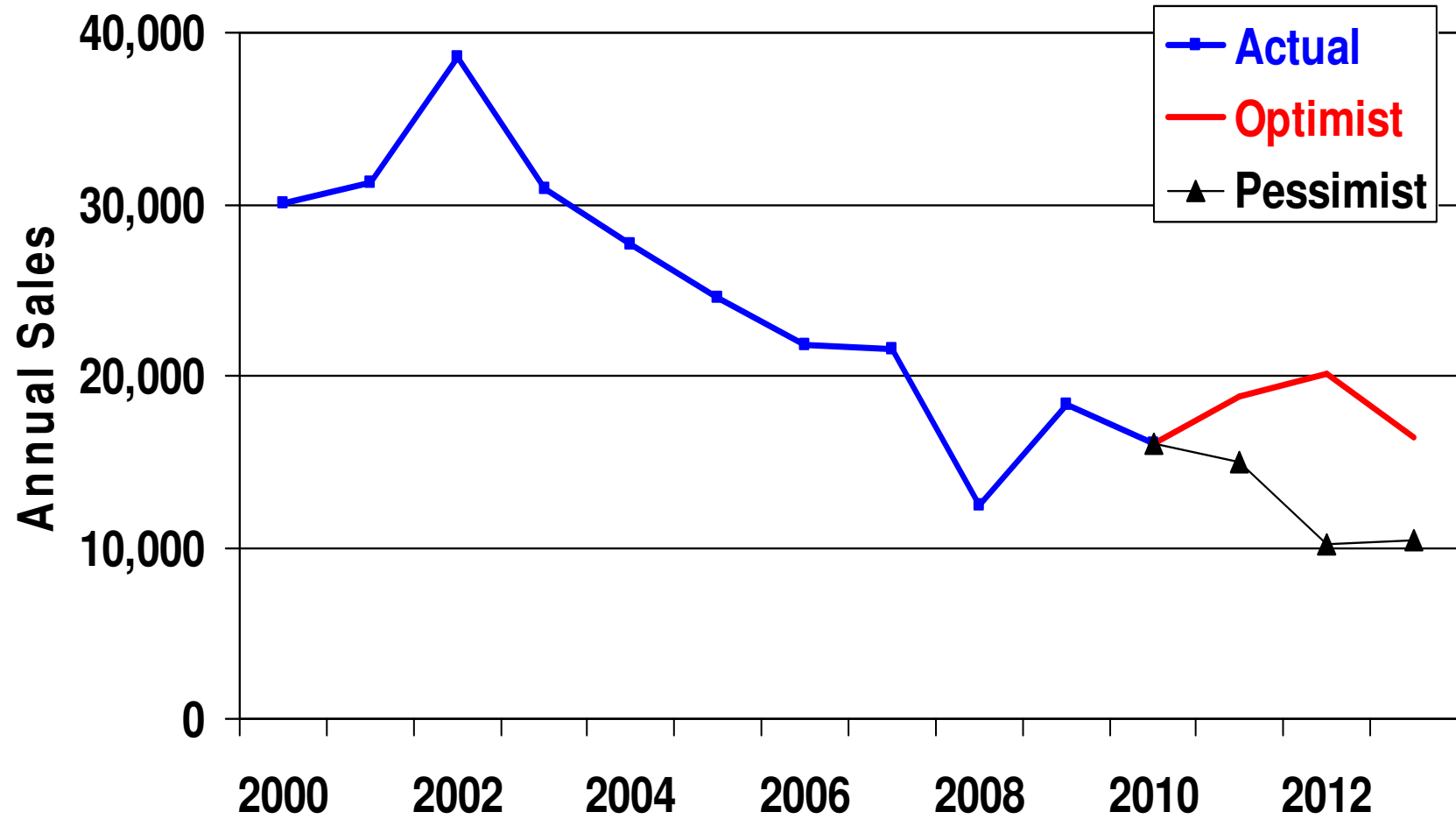
Source: BILD / Will Dunning Inc.

New Low-Rise Sales Are Below Potential



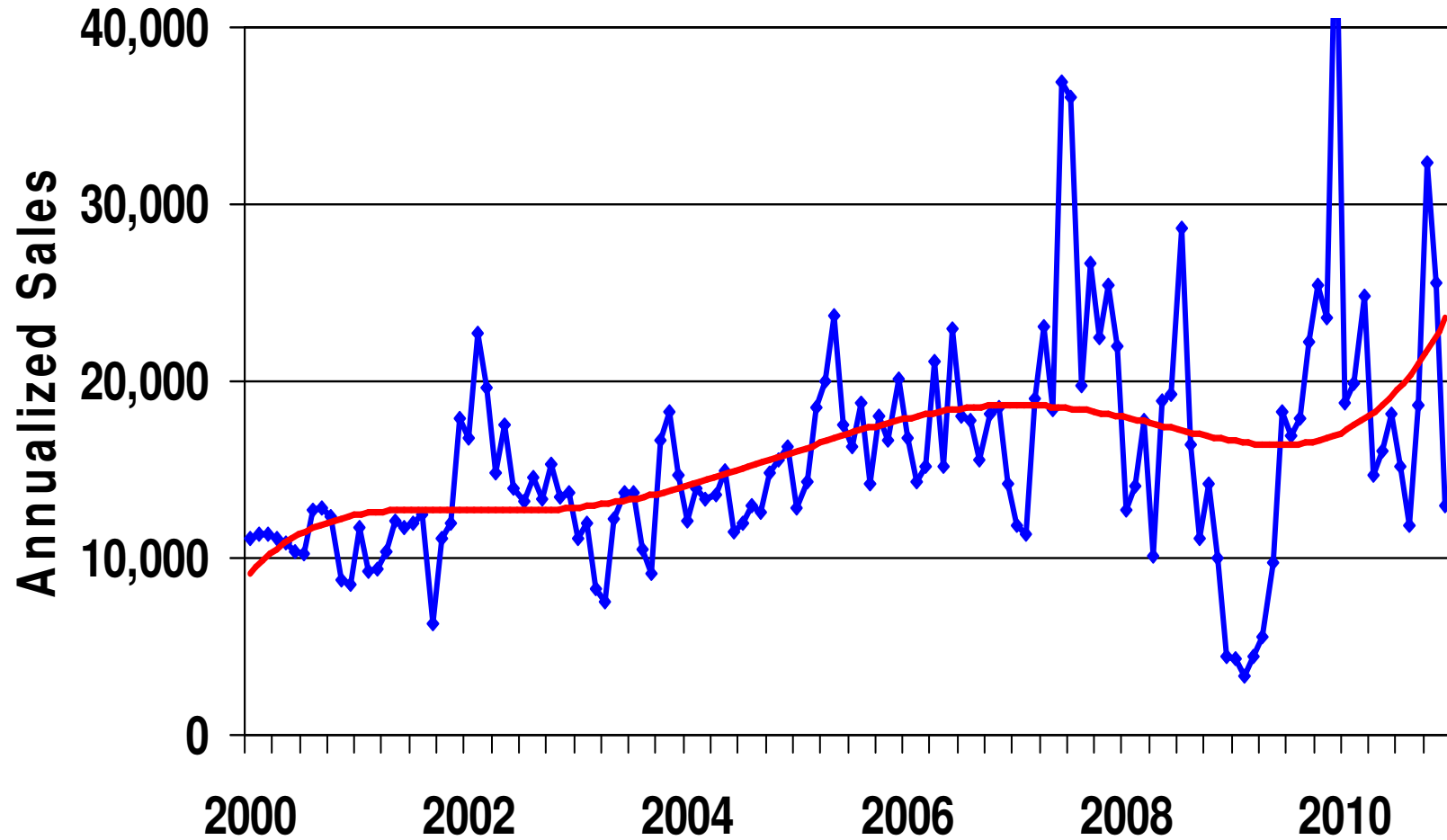
Source: BILD / TREB / Will Dunning Inc.

New Low-Rise Sales Scenarios



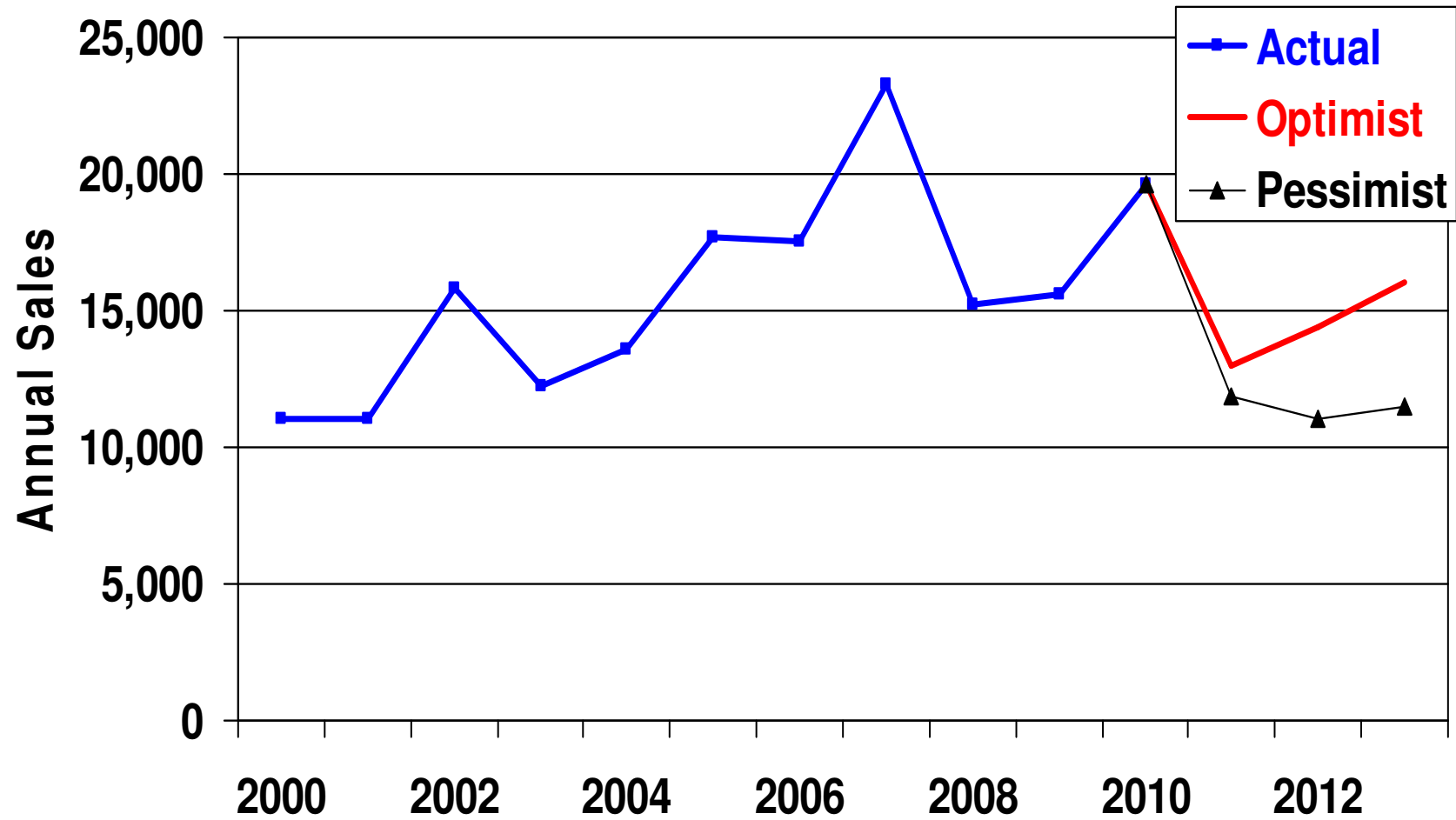
Source: BILD / Will Dunning Inc.

New High-Rise Sales



Source: BILD / Will Dunning Inc.

New High-Rise Sales Scenarios



Source: BILD / Will Dunning Inc.

Final Thoughts

- Forecasting is a humbling activity
- But the process yields messages:
 - Employment is the key factor for housing demand
 - Affordability is less important
 - “Investment motive” not very important at present – there is no bubble in the GTA
 - Wealth effects are very important for the economy – and highly uncertain
 - Recession likely to have lingering consequences