

ONTARIO ECONOMIC & HOUSING OUTLOOK

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Housing market intelligence you can count on



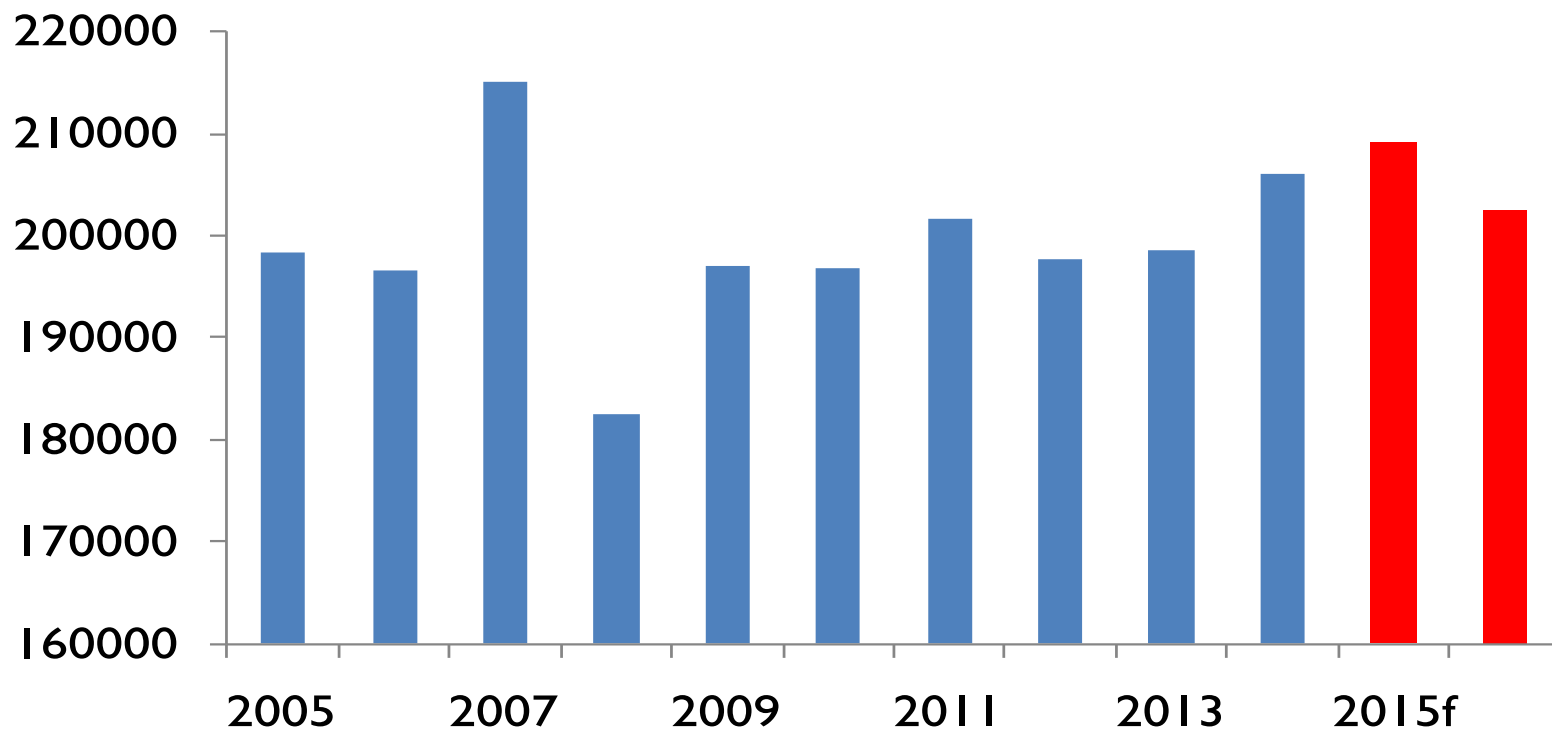
What to Expect Ahead



- Rebalancing of Growth Underway
- Demand Shifts to More Affordable Housing
- Price Growth Will Slow But Correction Not Likely
- Higher Price Risk in Toronto, Less So Elsewhere
- Higher Price Risk for Singles vs Condos

Demand for Resale Housing Remains Strong

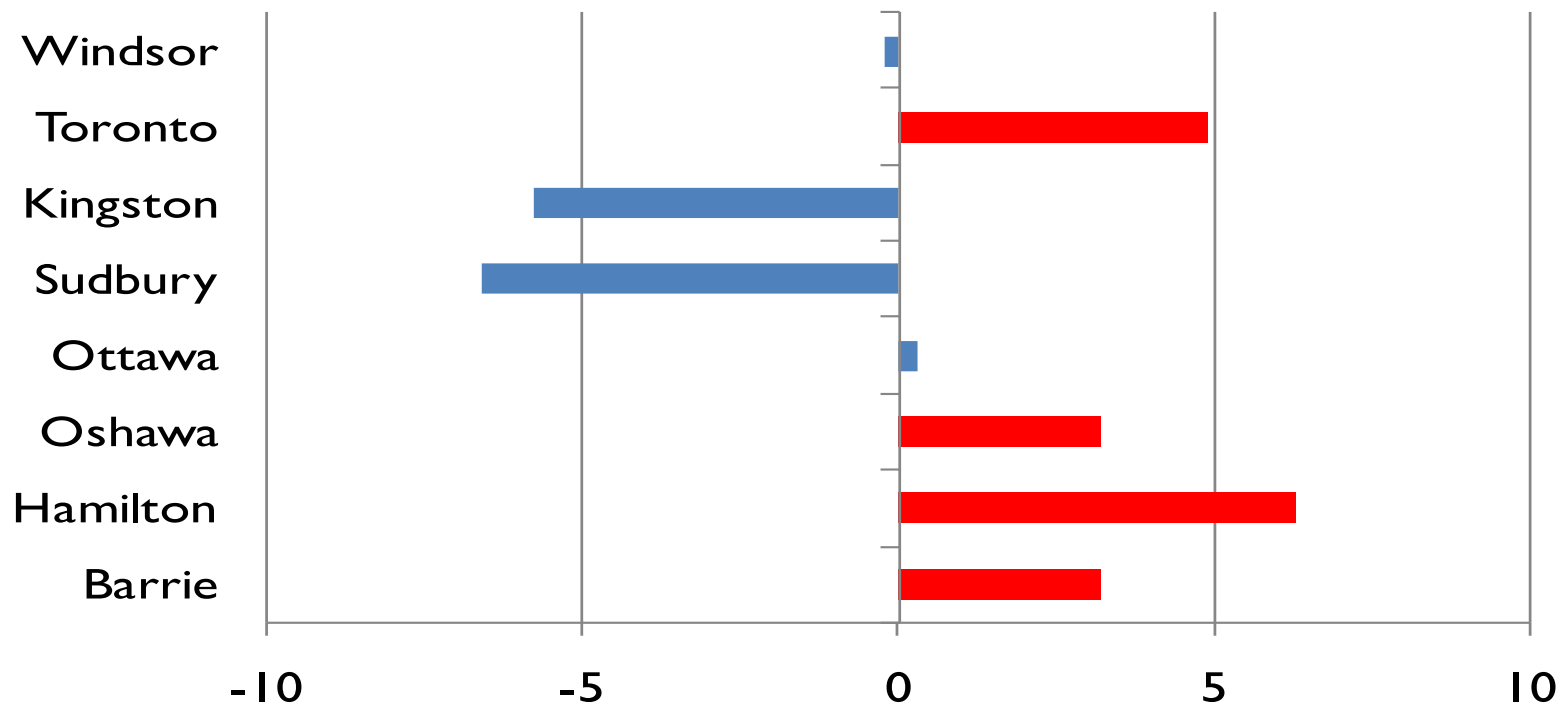
MLS® Sales - ONTARIO



Source: CREA, CMHC Forecast(f)

North & East Not As Strong as Southern Ontario Markets

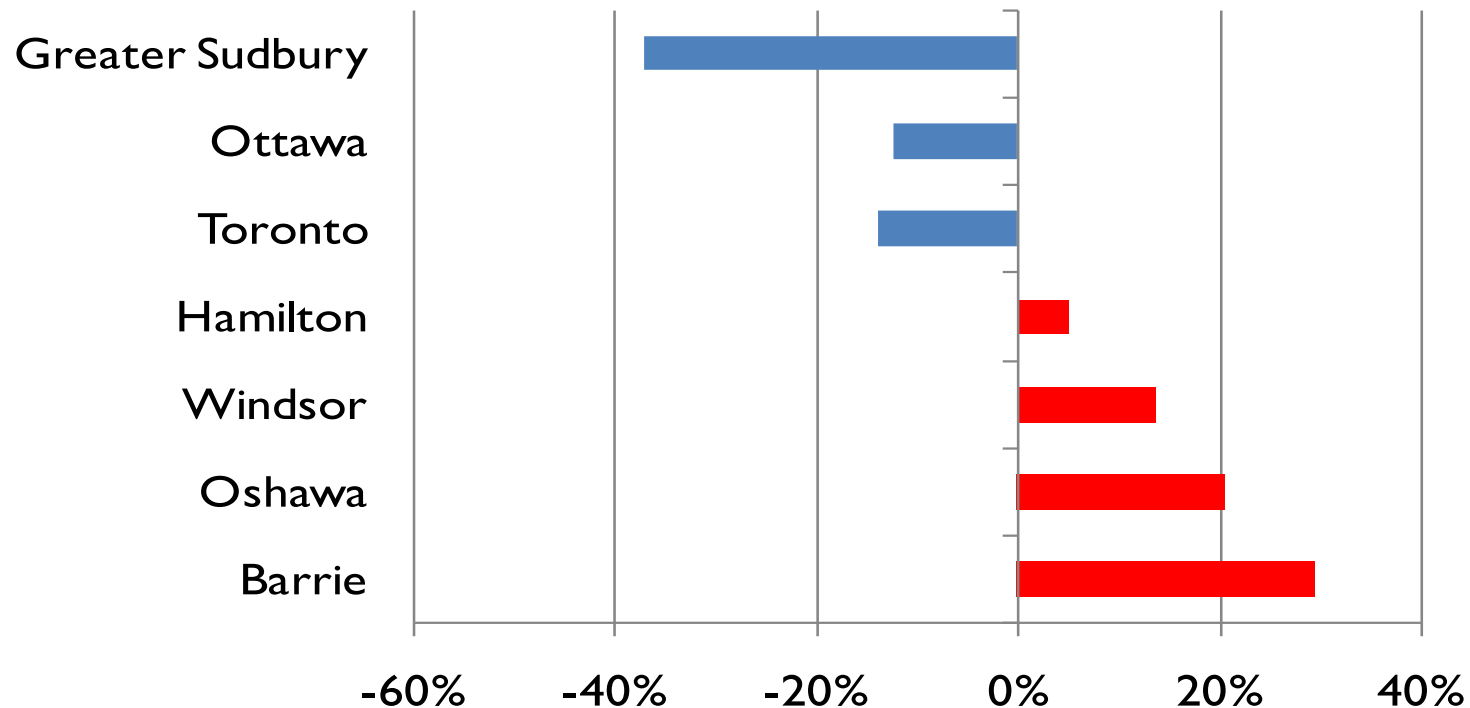
Existing Home Sales % chg By Selected CMA - 2014



Source: CREA

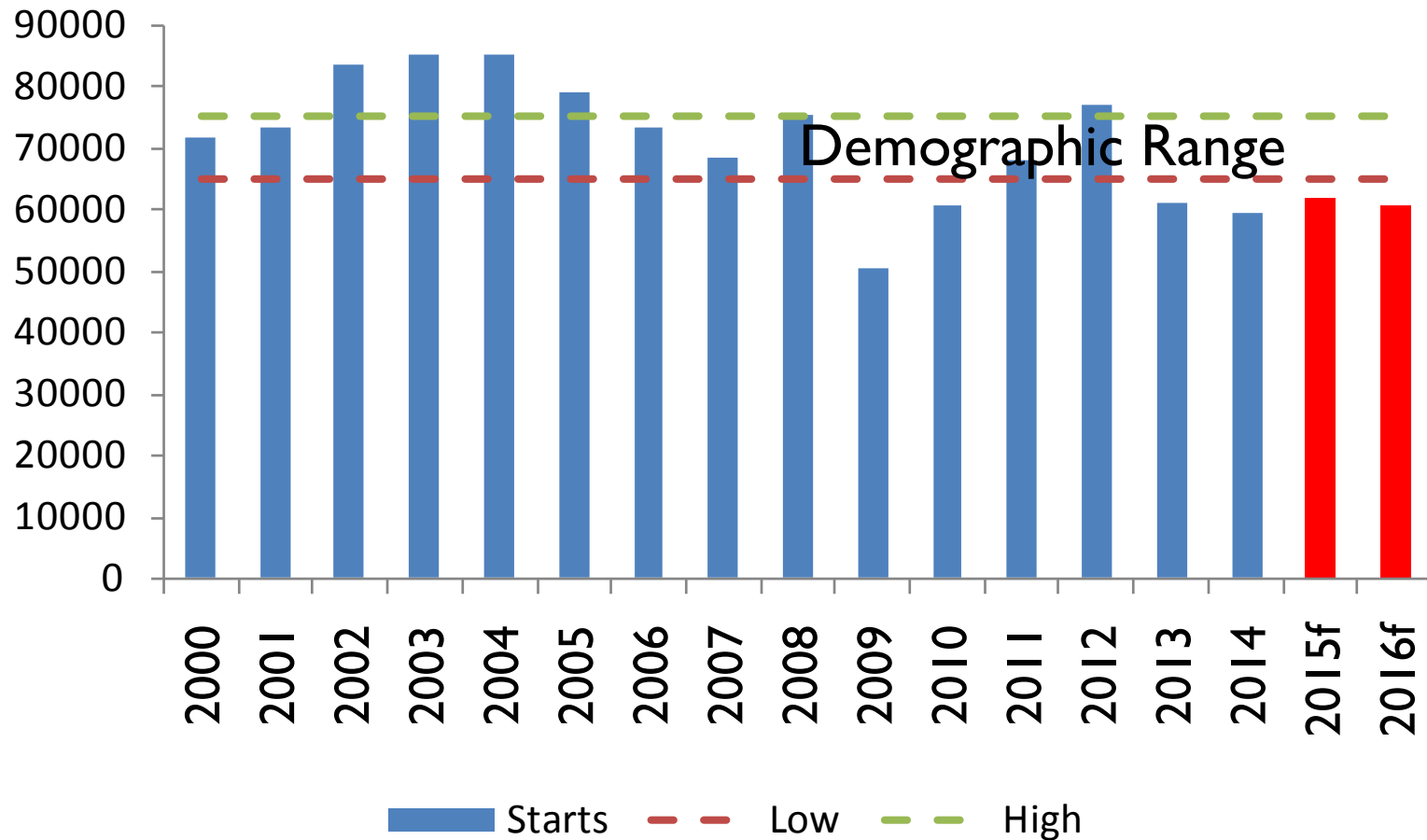
Residential Starts Mirror Similar Picture in 2014

Housing Starts % chg By Selected CMA - 2014



Source: CMHC

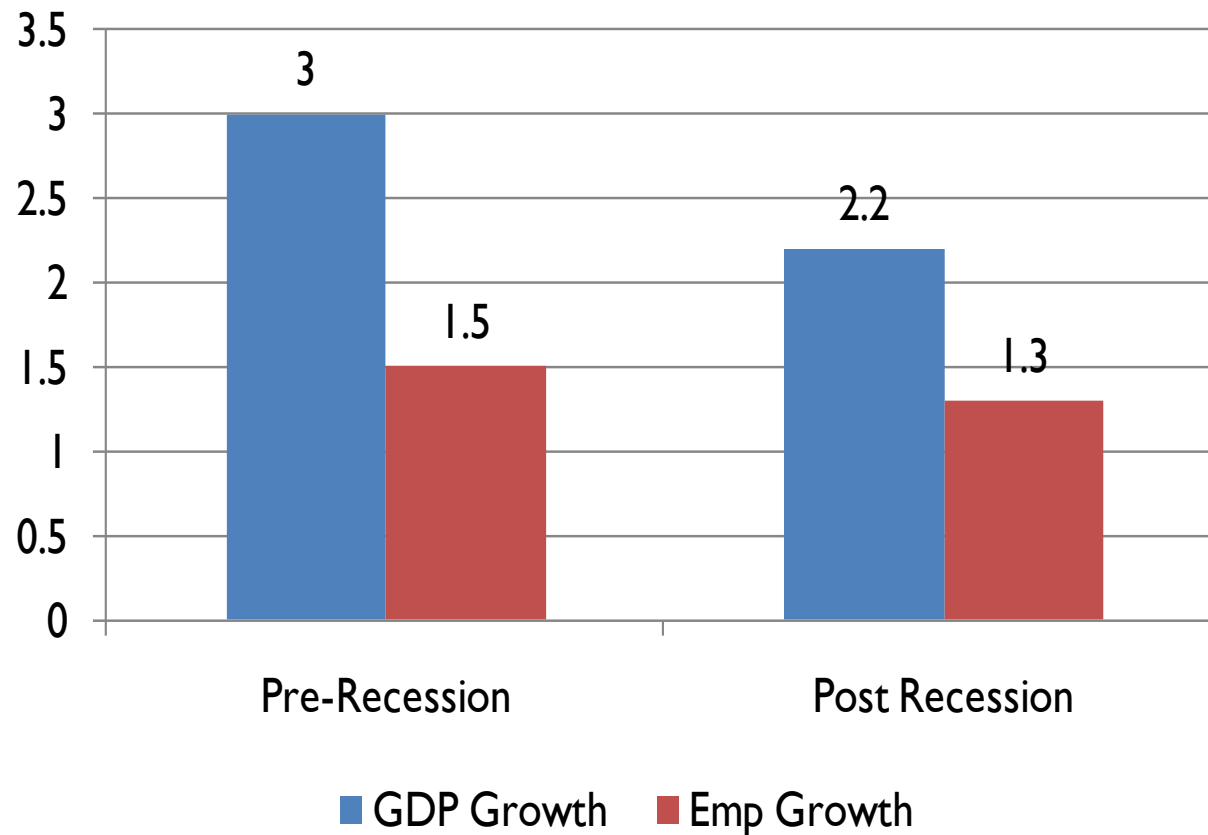
Ontario Housing Starts Running Below Long Run Potential



Source: CMHC

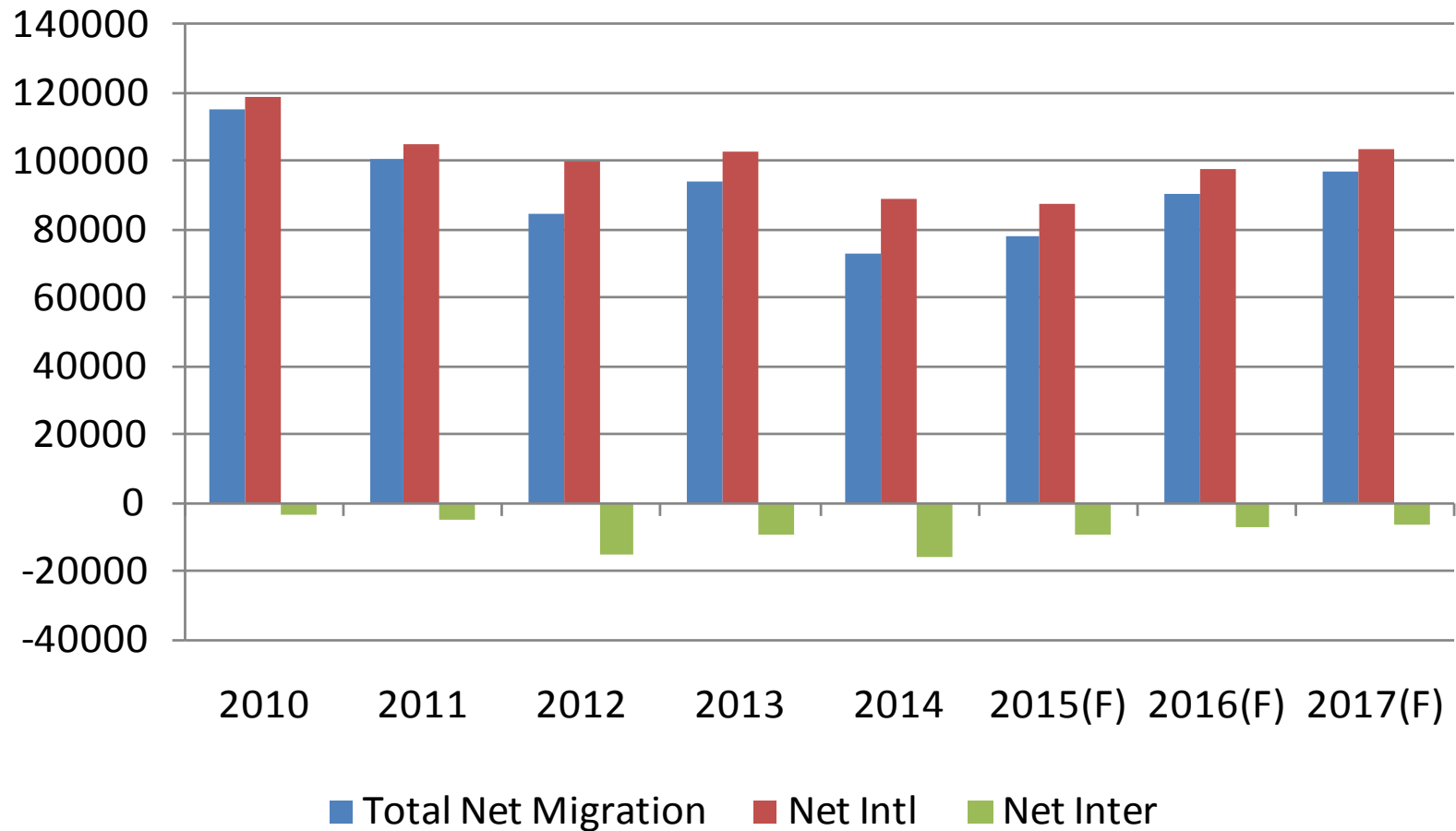
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Economy & Labour Market Growing Below Historic Norms



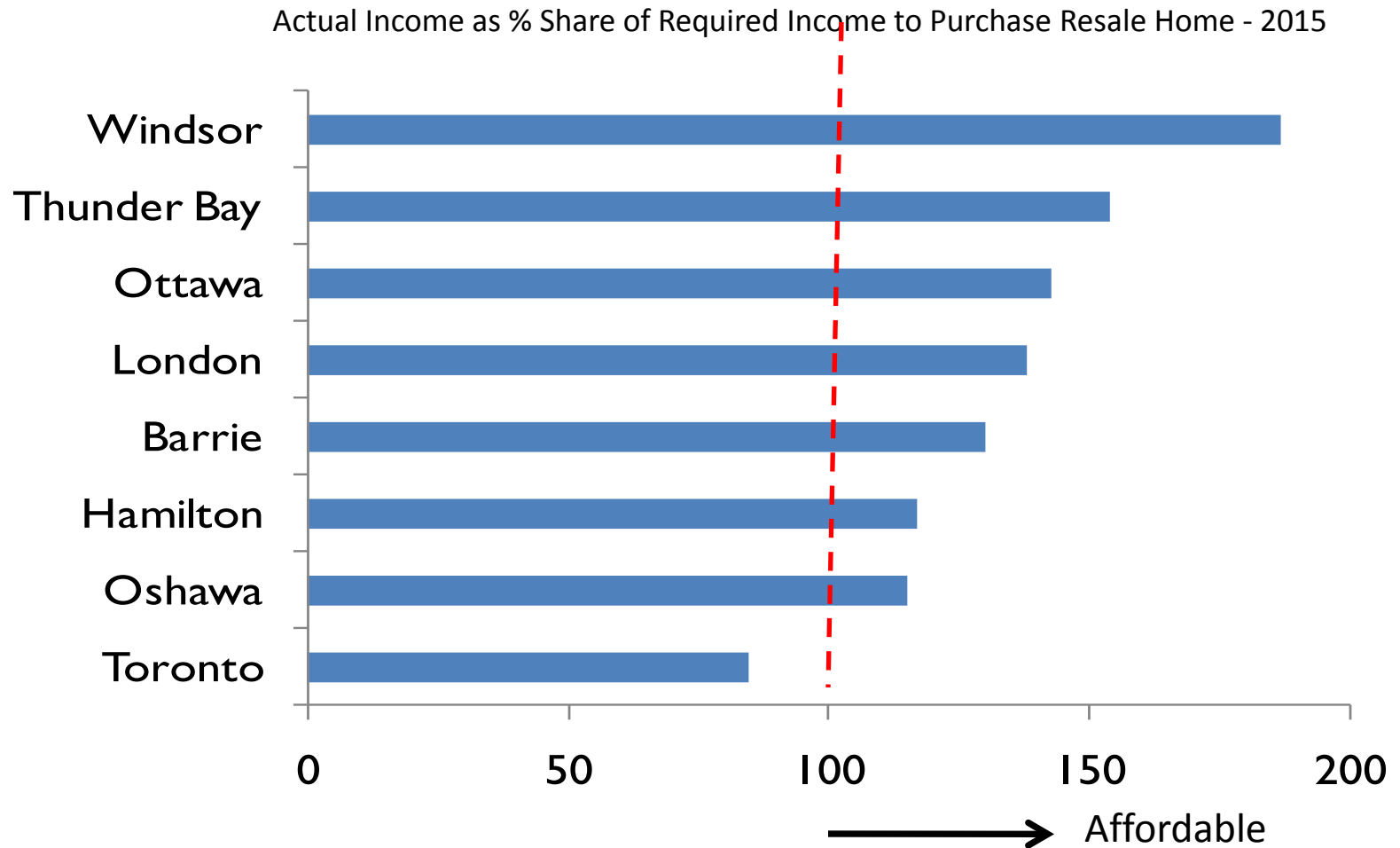
Source: CMHC , Statistics Canada

Population Growth Slowing As Migration Below Historic Norms



Source: CMH , Statistics Canada

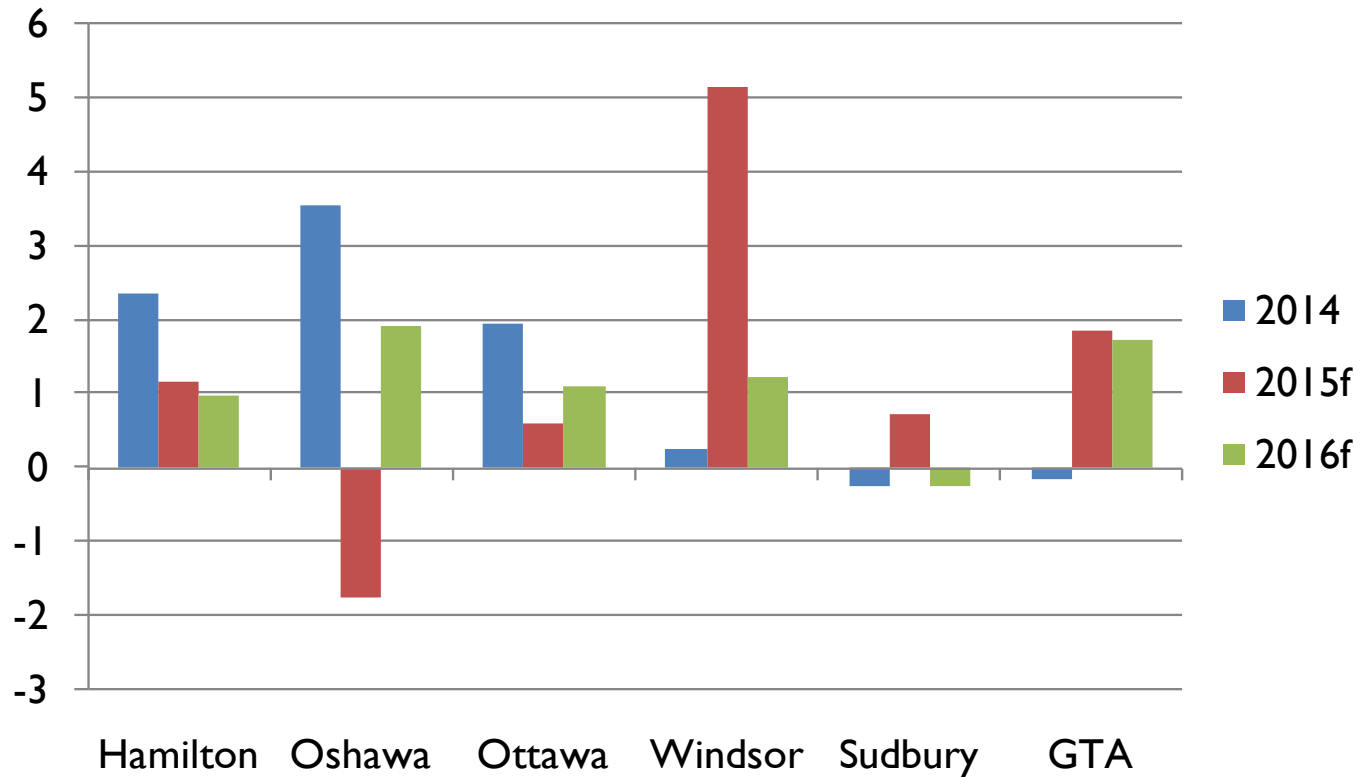
Affordability Favours Some Markets Over Others



Source: CREA, Statistics Canada, CMHC calculations

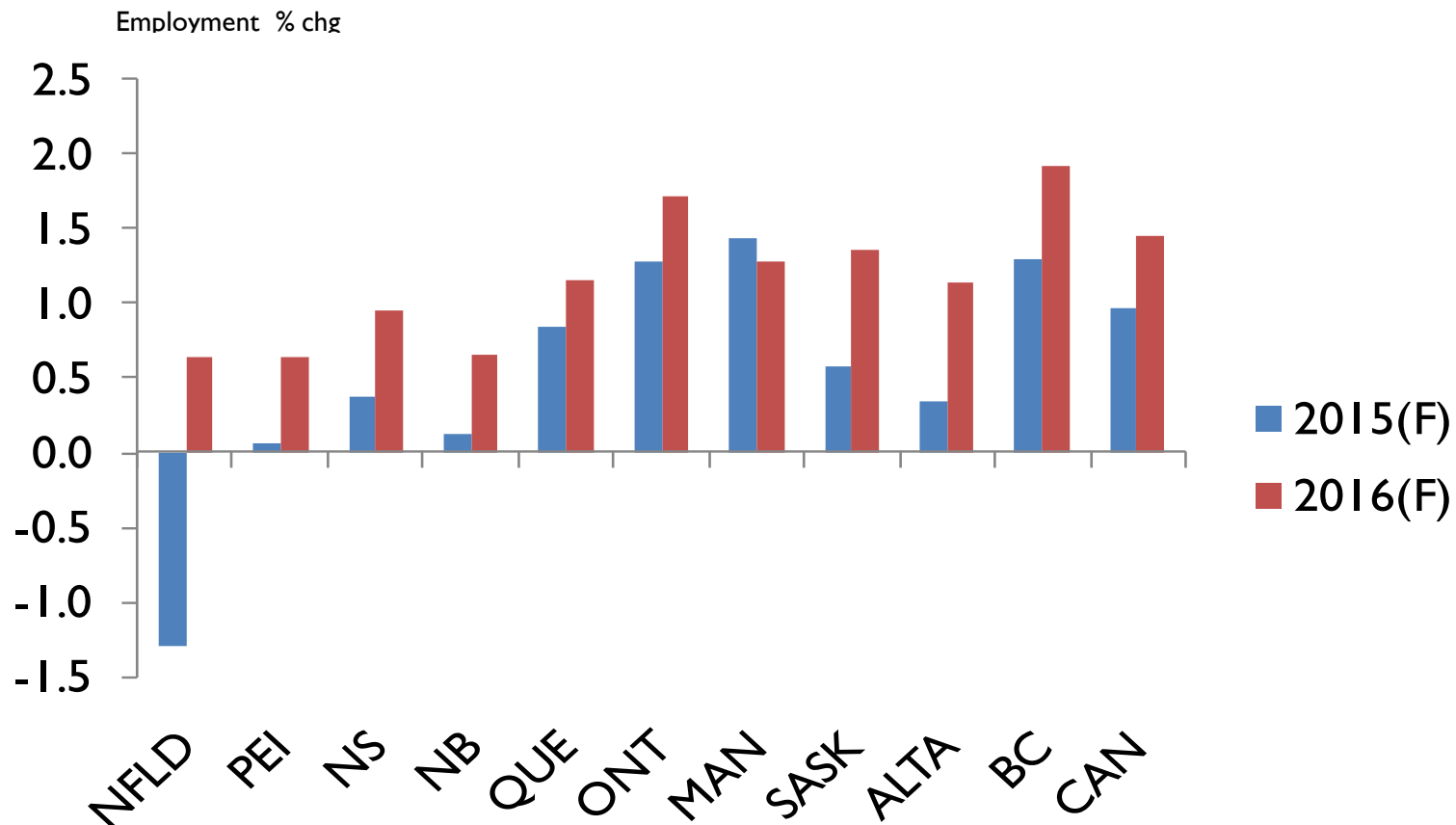
GTA & Surrounding Labour Markets Stable, SW Strong, North and East Weaker

Job Growth %—



Source: Statistics Canada, CMHC Forecast(f)

A Rebalancing of Growth* in Canada

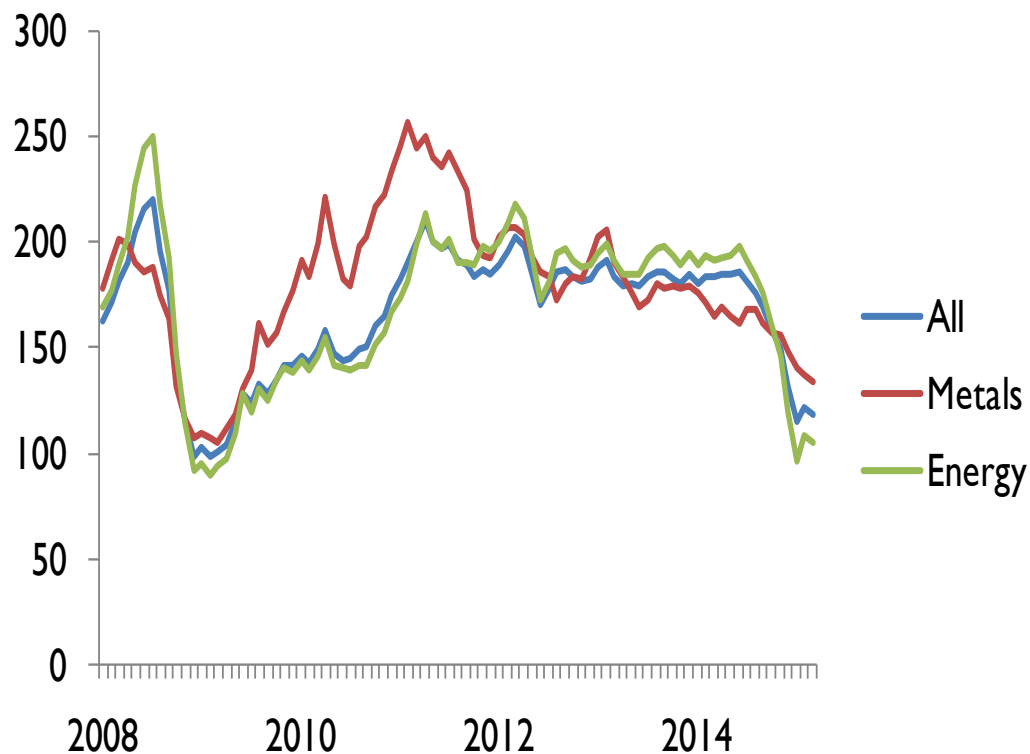


Source: Statistics Canada, CMHC Forecast(f)

*Forecast as of May 2015 (Q2)

Lower Commodity Prices A Drag on Growth in Prairies & Atlantic

Commodity Price Index - US\$ (2005=100)



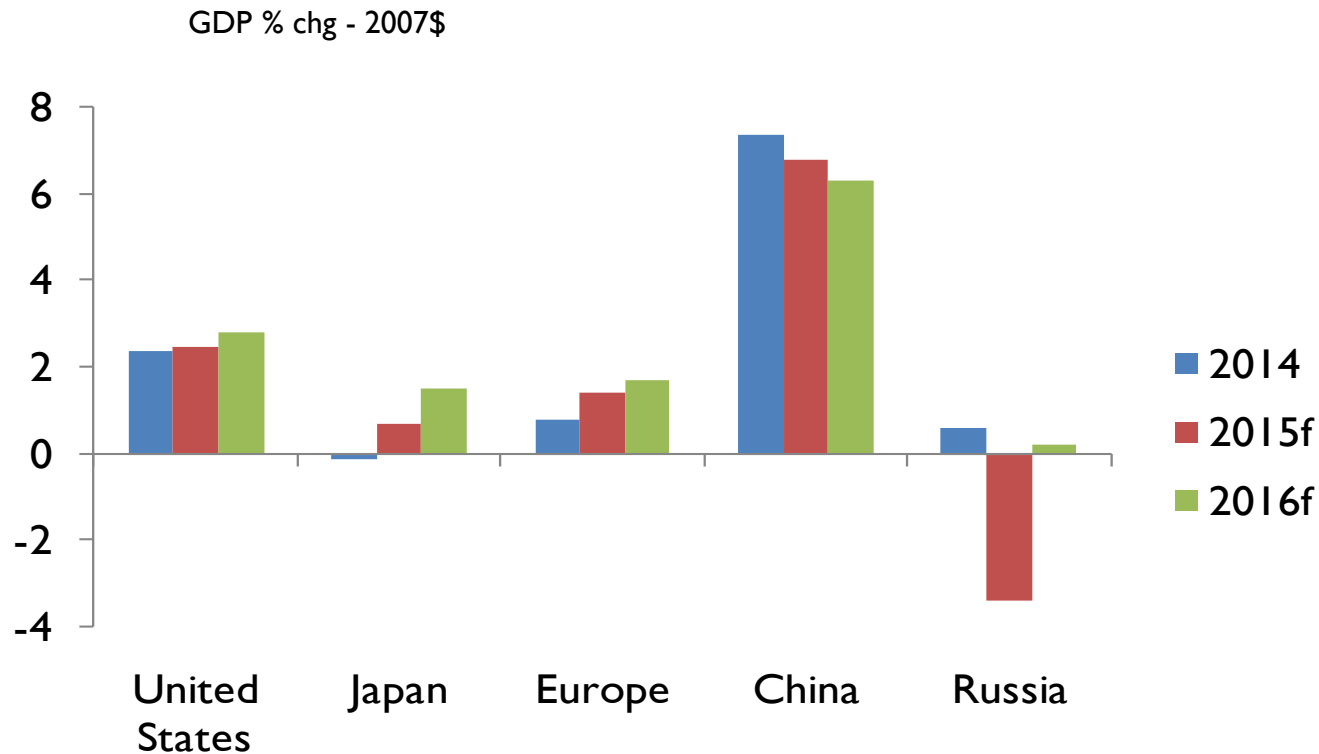
Source: IMF Commodity Price Database

Ontario Manufacturing Sales Fast Approaching 2004 Highs



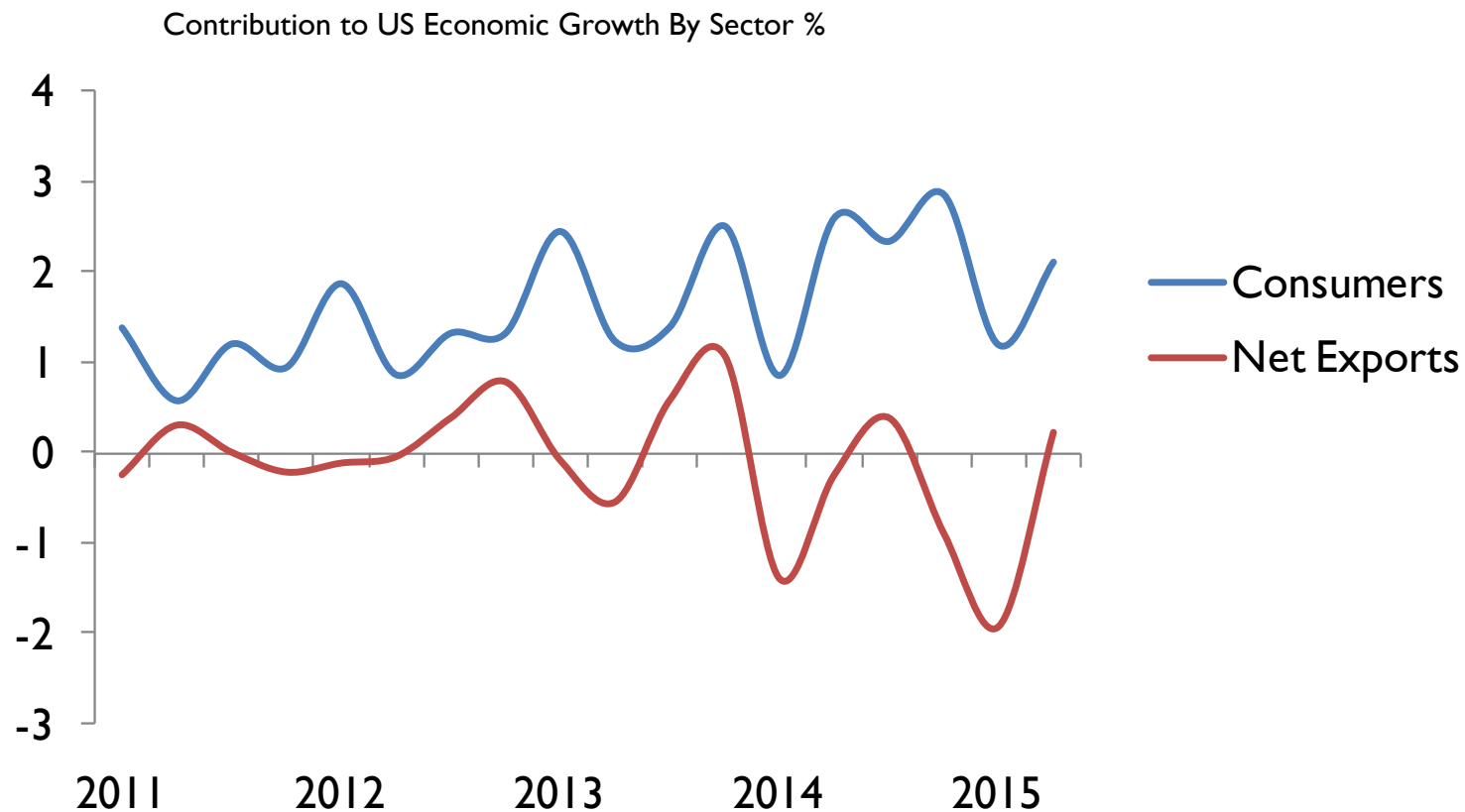
Source: Statistics Canada

Rebalancing of Global Growth Favours Advanced Economies



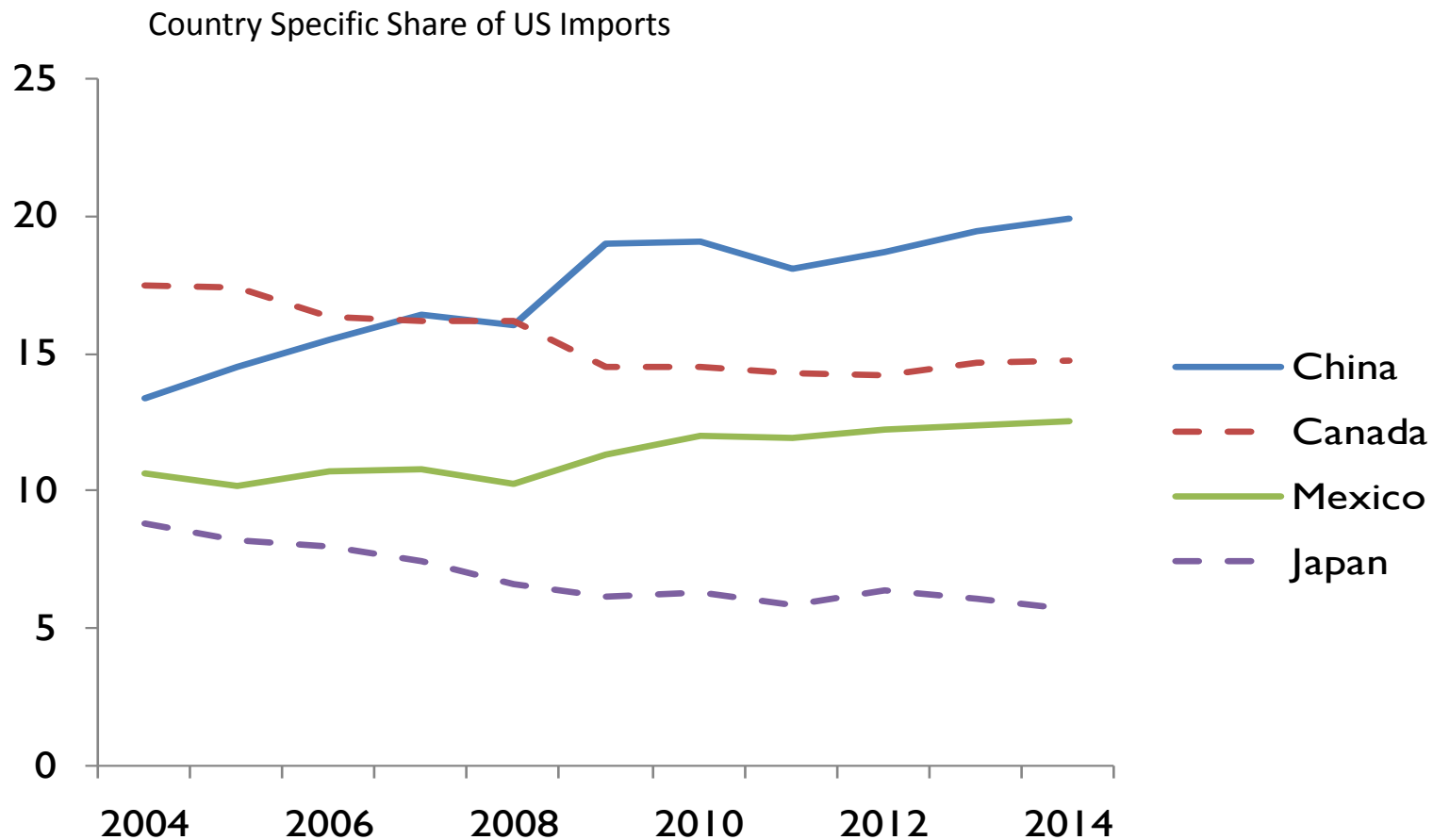
Source: Consensus Forecasts, IMF

Can US Decouple From Rest of World? Consumers Say Yes!



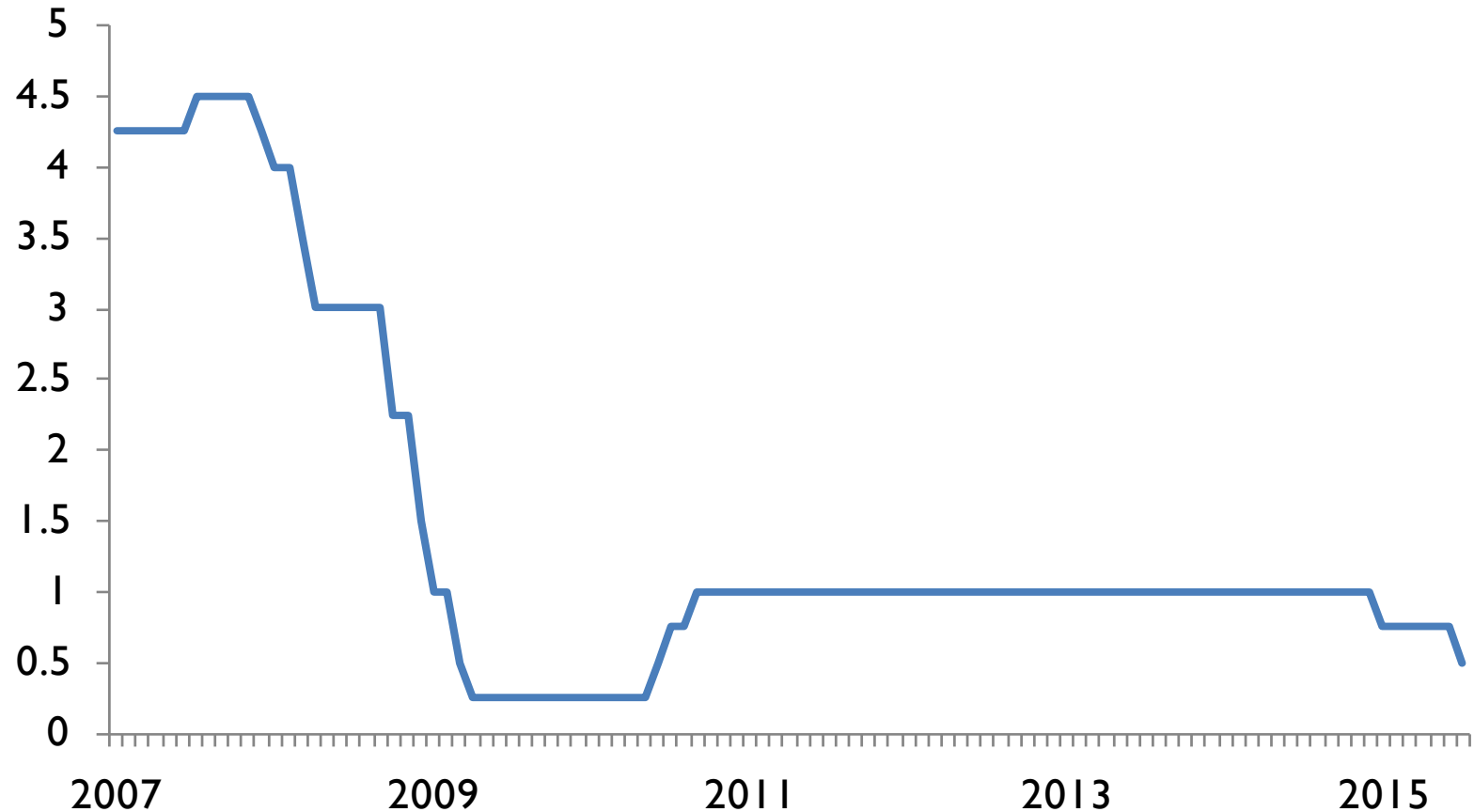
Source: US BEA

Lift from US Economy Depends on Competitiveness



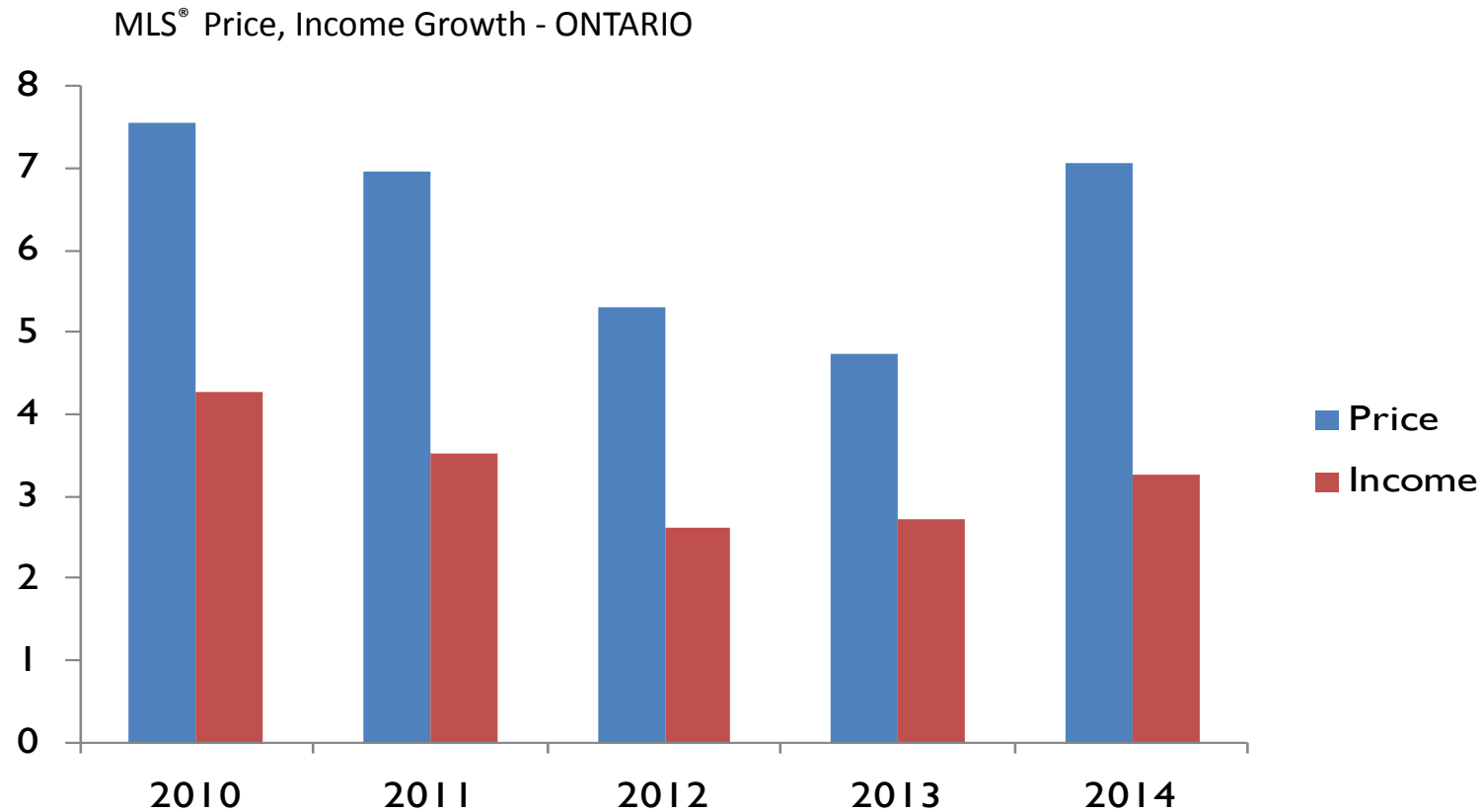
Source: Industry Canada Trade Database

Bank of Canada More Accommodative vs Fed



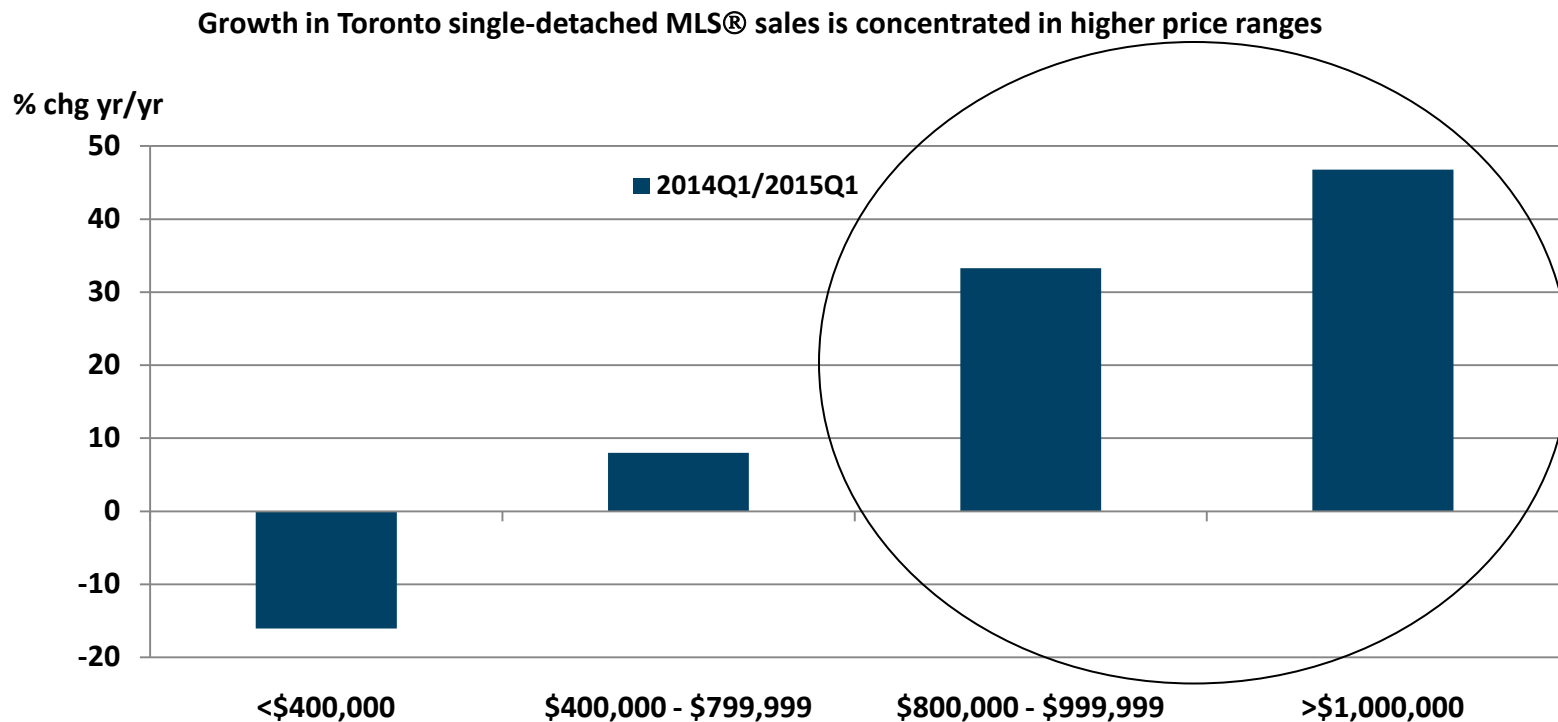
Source: Bank of Canada

Home Prices Growing Faster Versus Incomes



Source: CREA, Statistics Canada, CMHC

Higher End Home Sales Skewing Prices Higher



Source: CREA II, Toronto Real Estate Board, CMHC Calculations

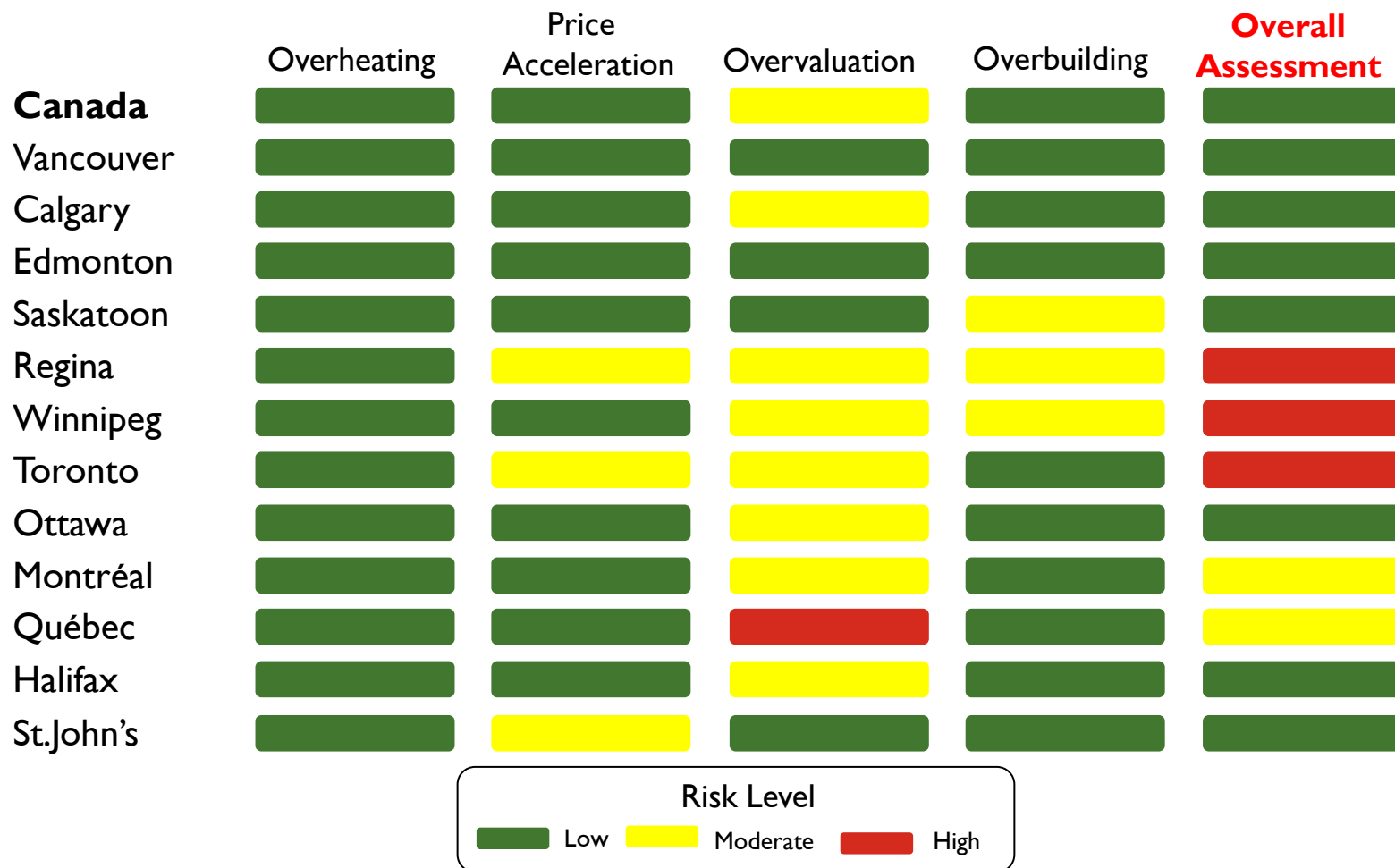
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Other Explanations?

- Lower interest rates
- Land supply
- Wealth increasing for households aged 55+

Toronto Risk Rating Turns Higher: Regina & Winnipeg Also High



Source: CMHC, House Price Analysis and Assessment Framework – 2015q1

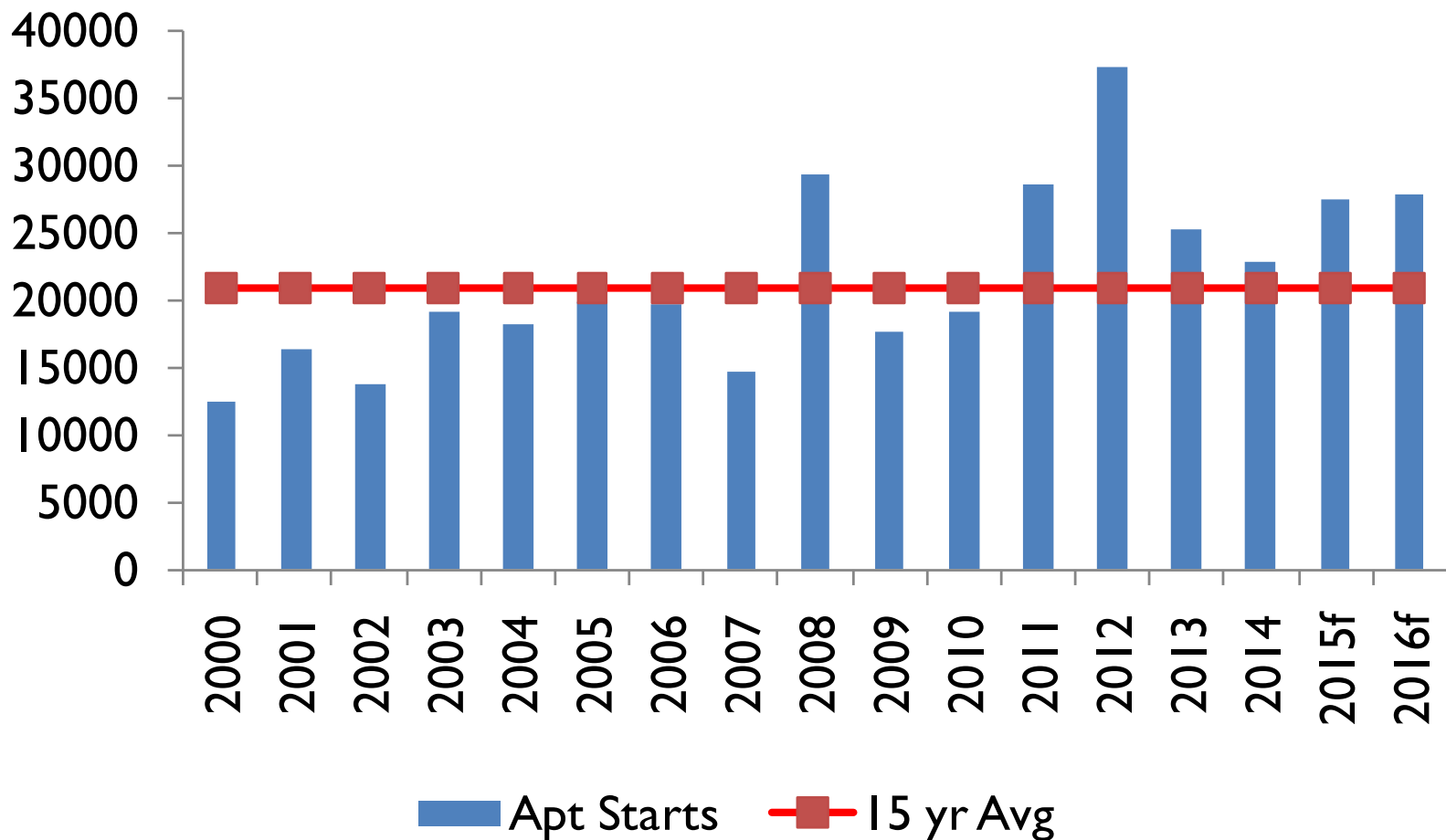
Market Not Overheating: North & East Cooler Markets

Share of New Listings Sold By Quarter By CMA – 2015q2



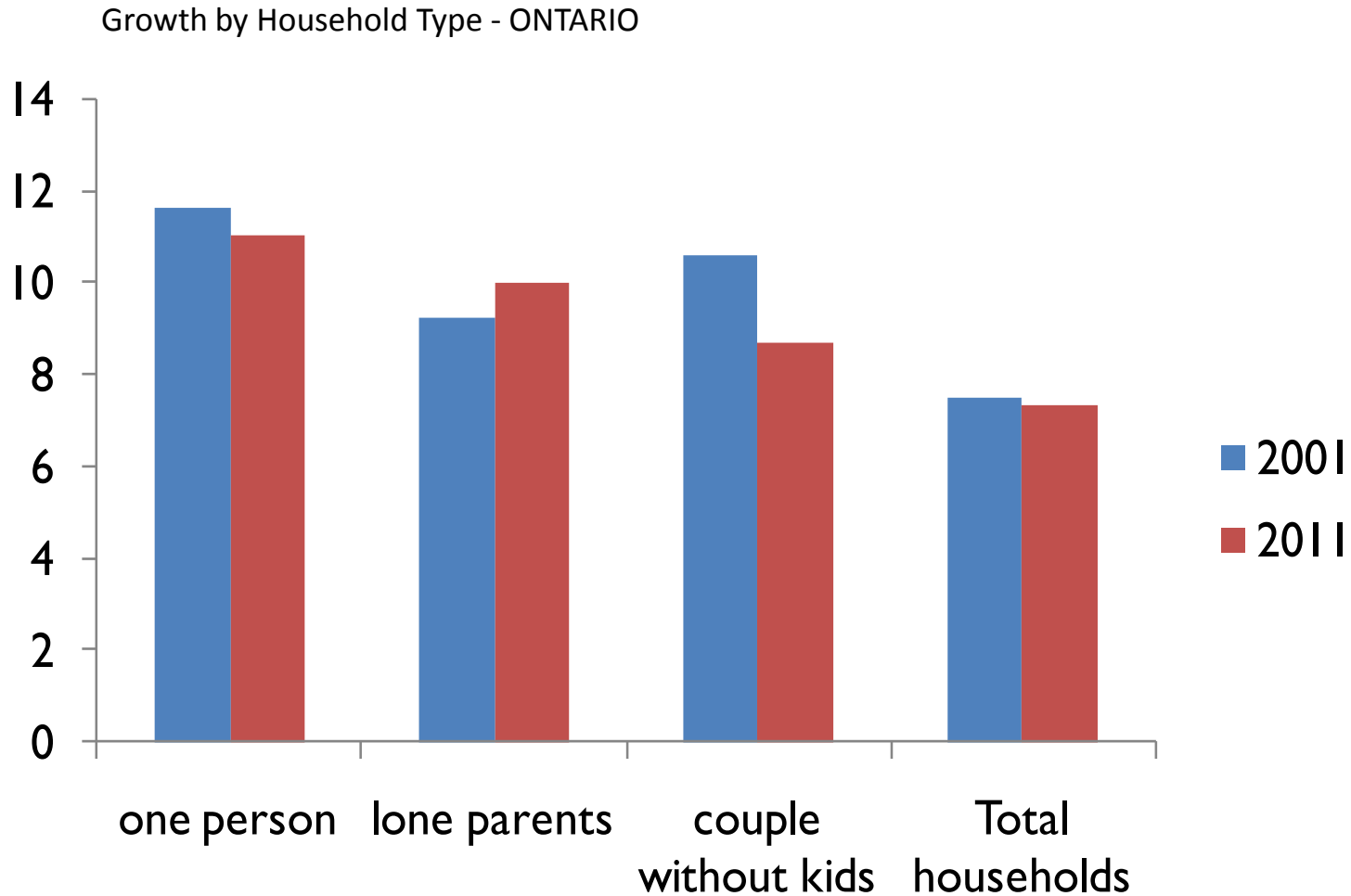
Source: CREA, CMHC

Ontario Apartment Construction Strengthening



Source: CMHC Forecast(f)

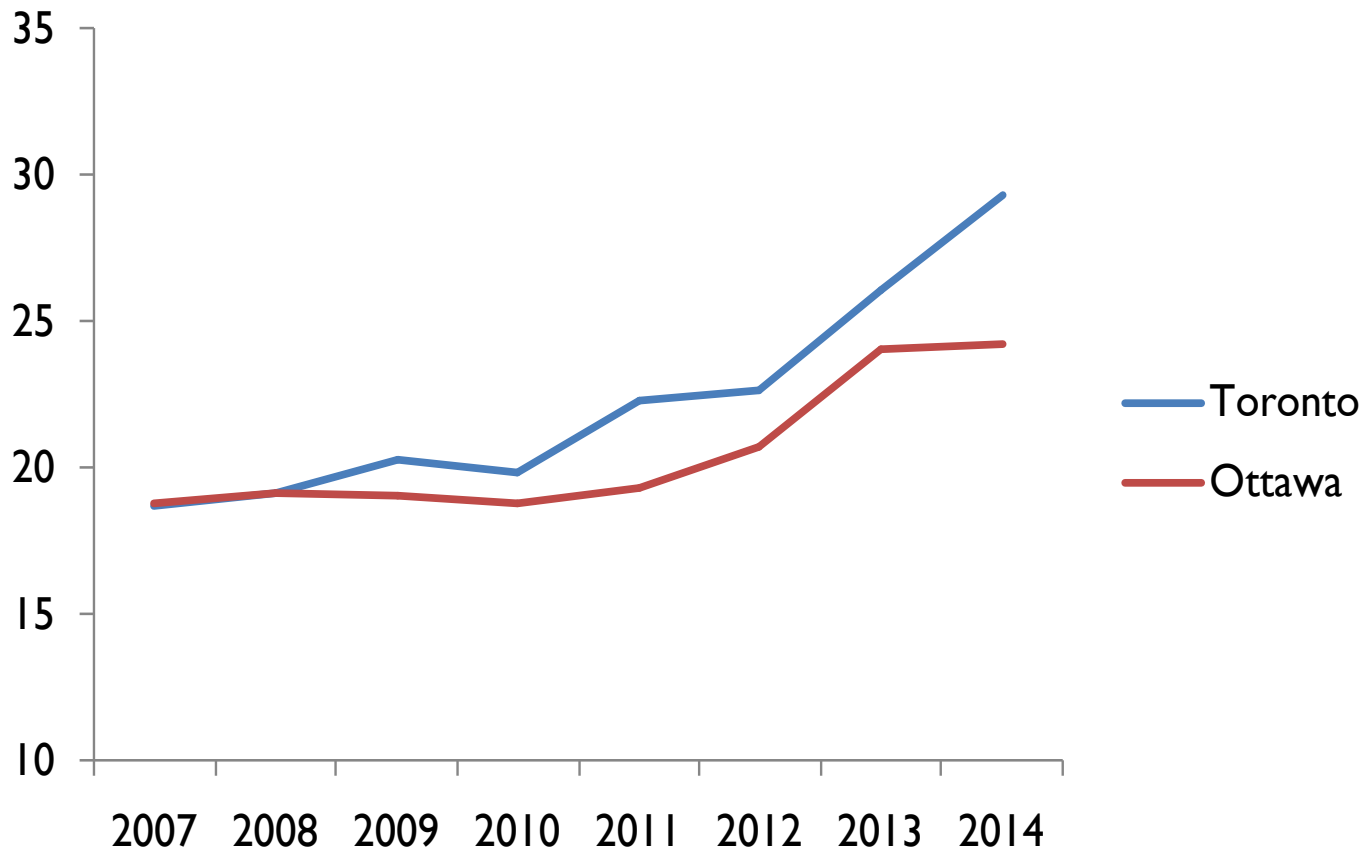
Demographics Support High Density Demand



Source: Statistics Canada Census

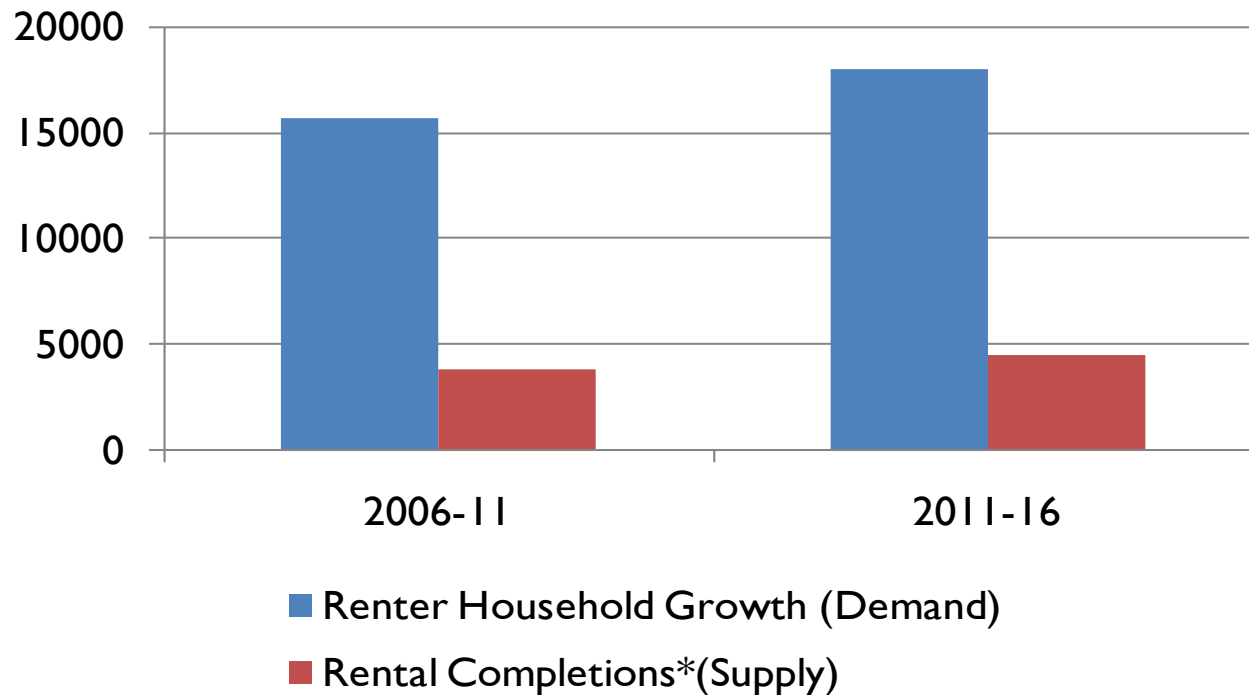
Demand Not Just From End Users – Investors More Active

Estimated Share % of Existing Condominium Universe Rented Out



Source: CMHC Fall RMS Survey

Rental Demand Outstripping Supply in Ontario

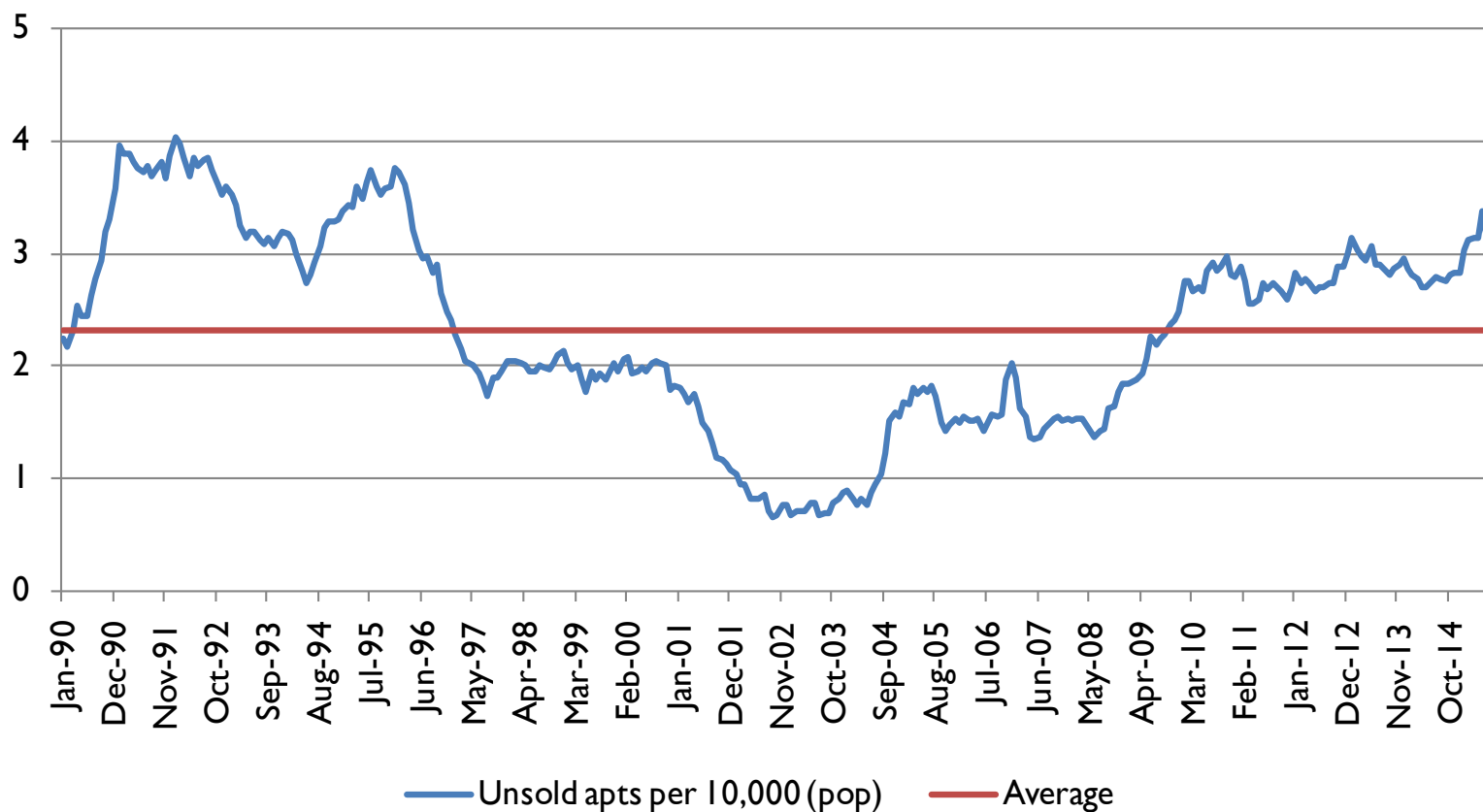


Source: CMHC Forecast 2011-16, Statistics Canada

*Does not include condominiums completed and available for rent

New Unsold Apartment Units Rising

Apartment unsold units as % of population per 10,000 - ONTARIO

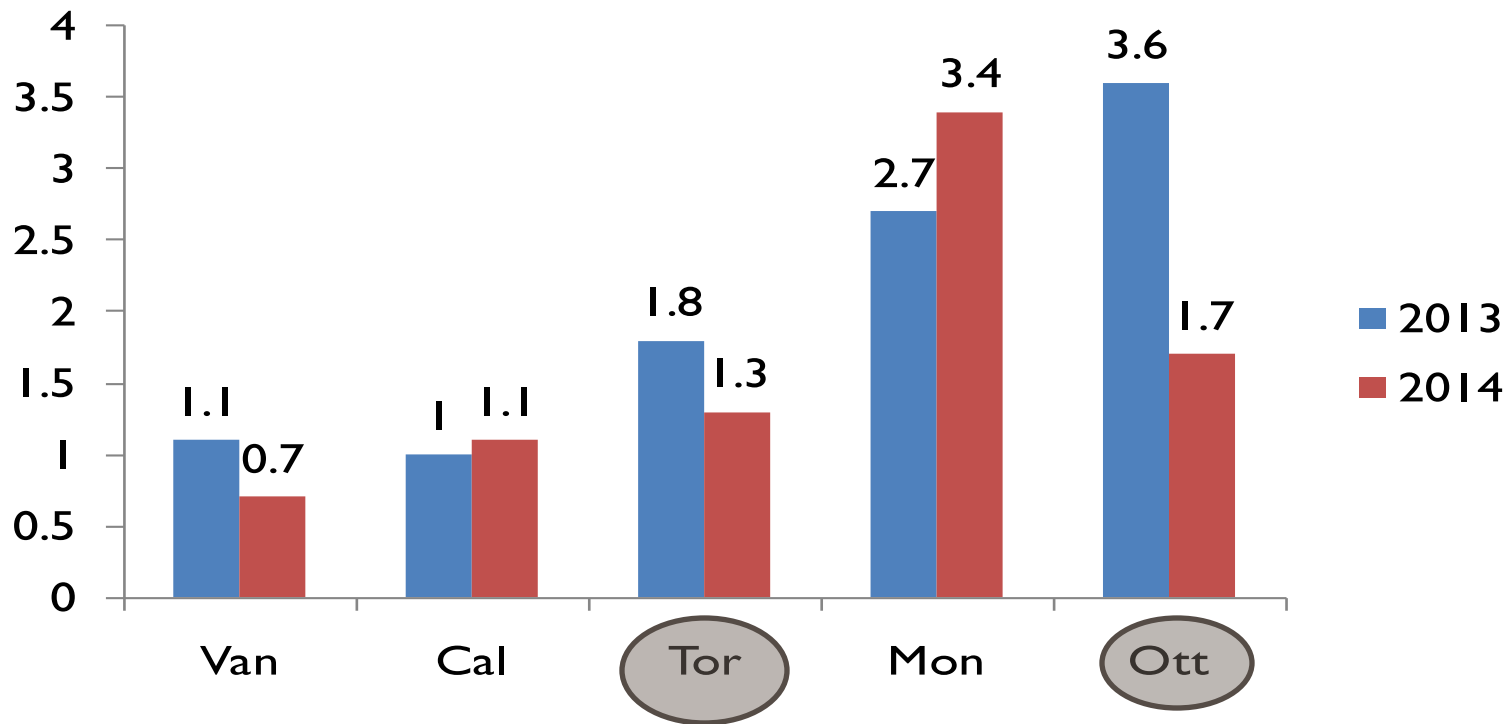


Source: CMHC

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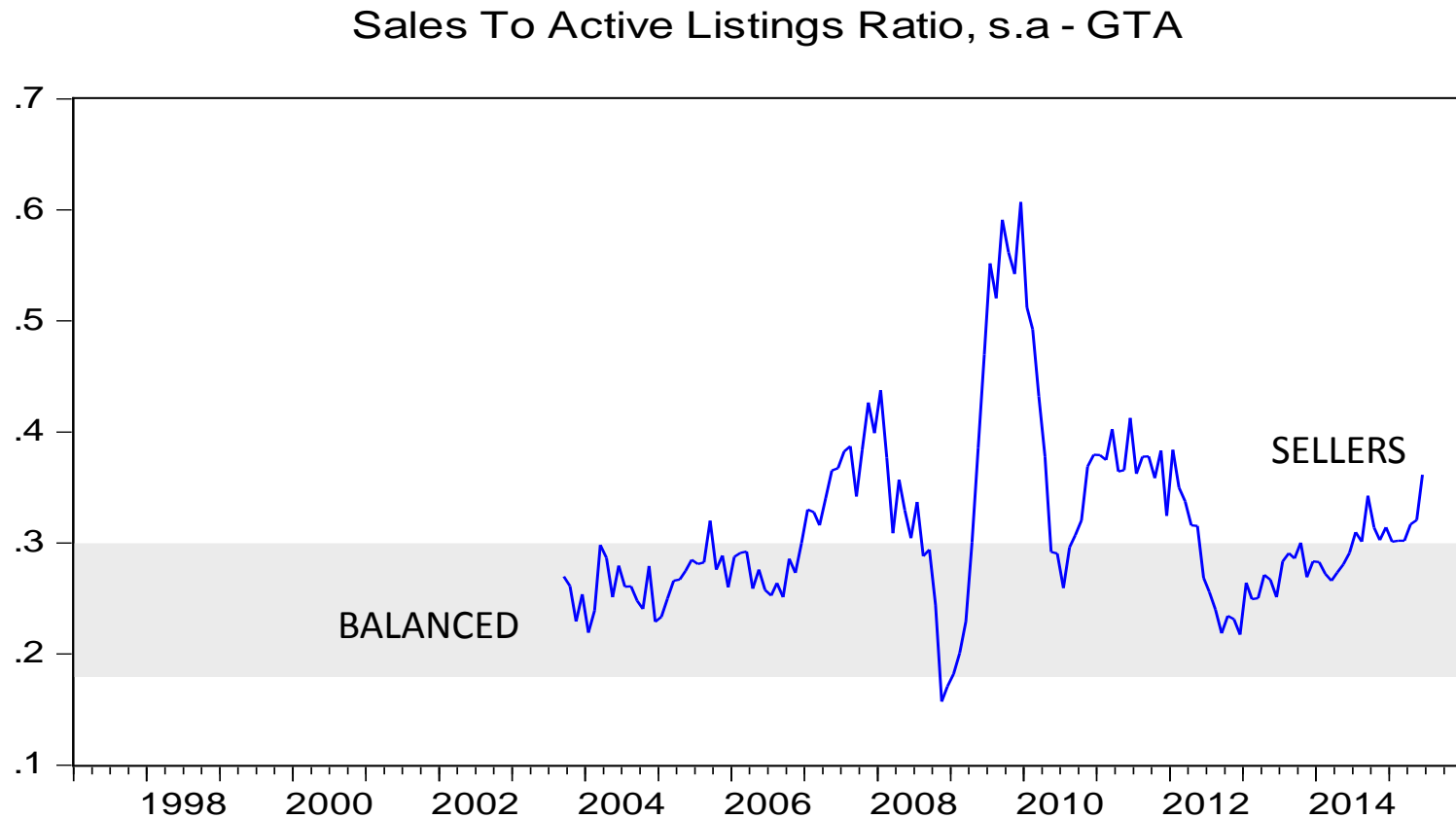
Condo Vacancy Rates May Edge Higher But Condo Rental Market Tight

Condominium Apartment Vacancy Rates by CMA – 2013 vs 2014



Source: CMHC

Condo Resale Market Tight Enough To Absorb Unsold Units



Source: CREA, CMHC calculation

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Ontario Housing Outlook - RISKS



DOWNSIDE RISKS

- Confidence shaken by continued Asian & European growth concerns
- Lift from US economy tempered by global competition
- Rising Inventories remain unabsorbed and dampen price gains
- Slowing GTA prices spill into neighbouring communities
- Rising share of wealth held in real estate & prone to shocks

UPSIDE RISKS

- US economic growth accelerates above forecast
- Sluggish growth in global economy, lower C\$ supports capital inflows

 Thank You

Questions?

