

Ontario Housing Market Update

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What Drives the Housing Market?

- Jobs
- Jobs
- Jobs
- Jobs
- Affordability
- Confidence
- “Investment Motive”

My Agenda

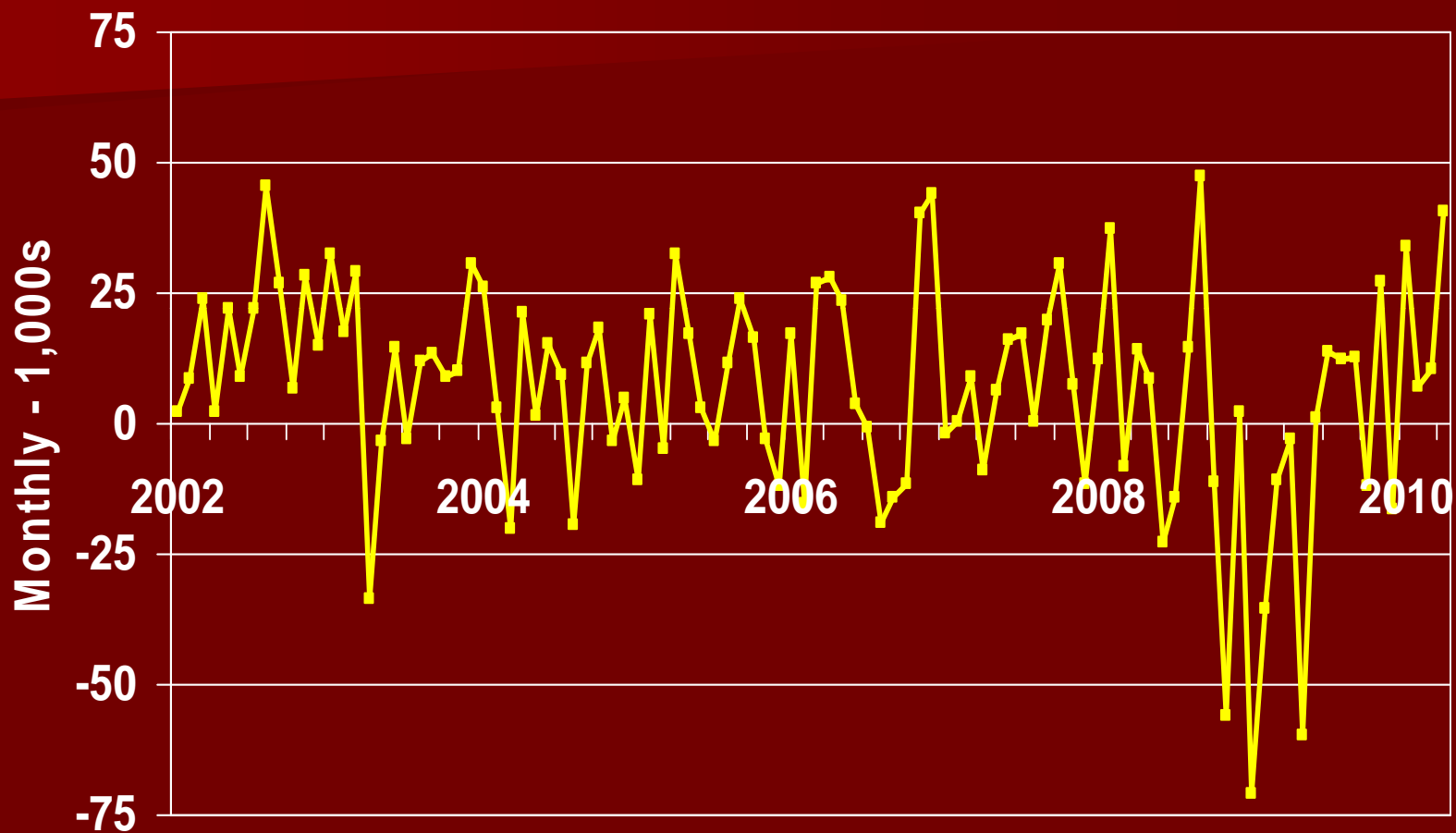
- Employment
 - Trends
 - Drivers
 - Outlook
- Housing market outlook
- Regional variations

Ontario Employment (millions)



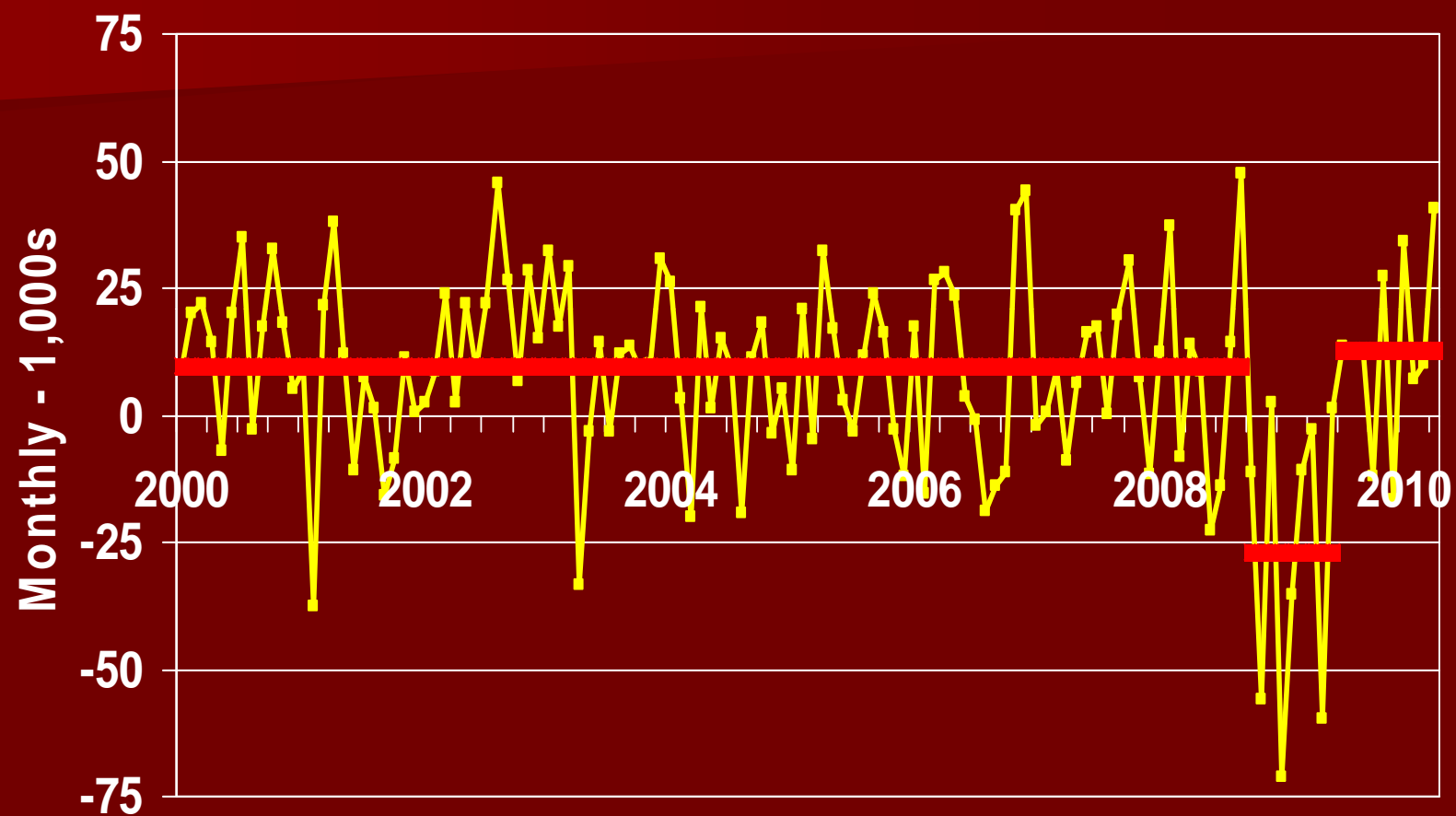
Source: Statistics Canada

Growth of Ontario Employment



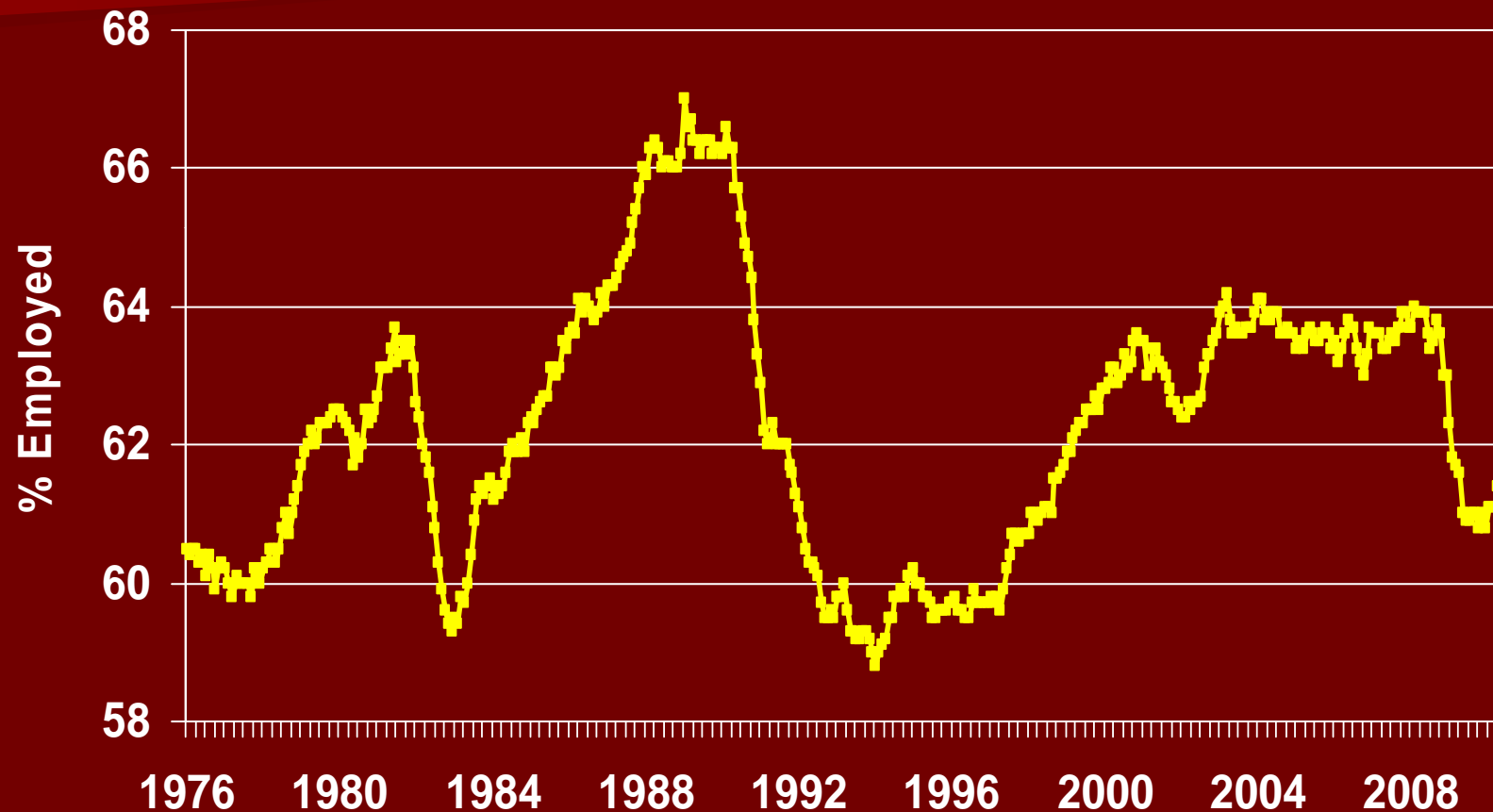
Source: Statistics Canada

Short Recession



Source: Statistics Canada

Ontario "Employment Rate" Illustrates Cycles



Source: Statistics Canada

Factors Driving Employment Growth

Housing Wealth

Returned to Positive

Stock Market Wealth

Substantially
Recovered

Interest Rates

Very Positive

Canadian Dollar

Strongly Negative

Commodity Costs

Negative for
"Consumers"

TSX Index



Source: Statistics Canada/Will Dunning Inc.

Yield on 5-Year Government of Canada Bonds



Source: Bank of Canada/Will Dunning Inc.

\$ Canada A Very Negative Factor



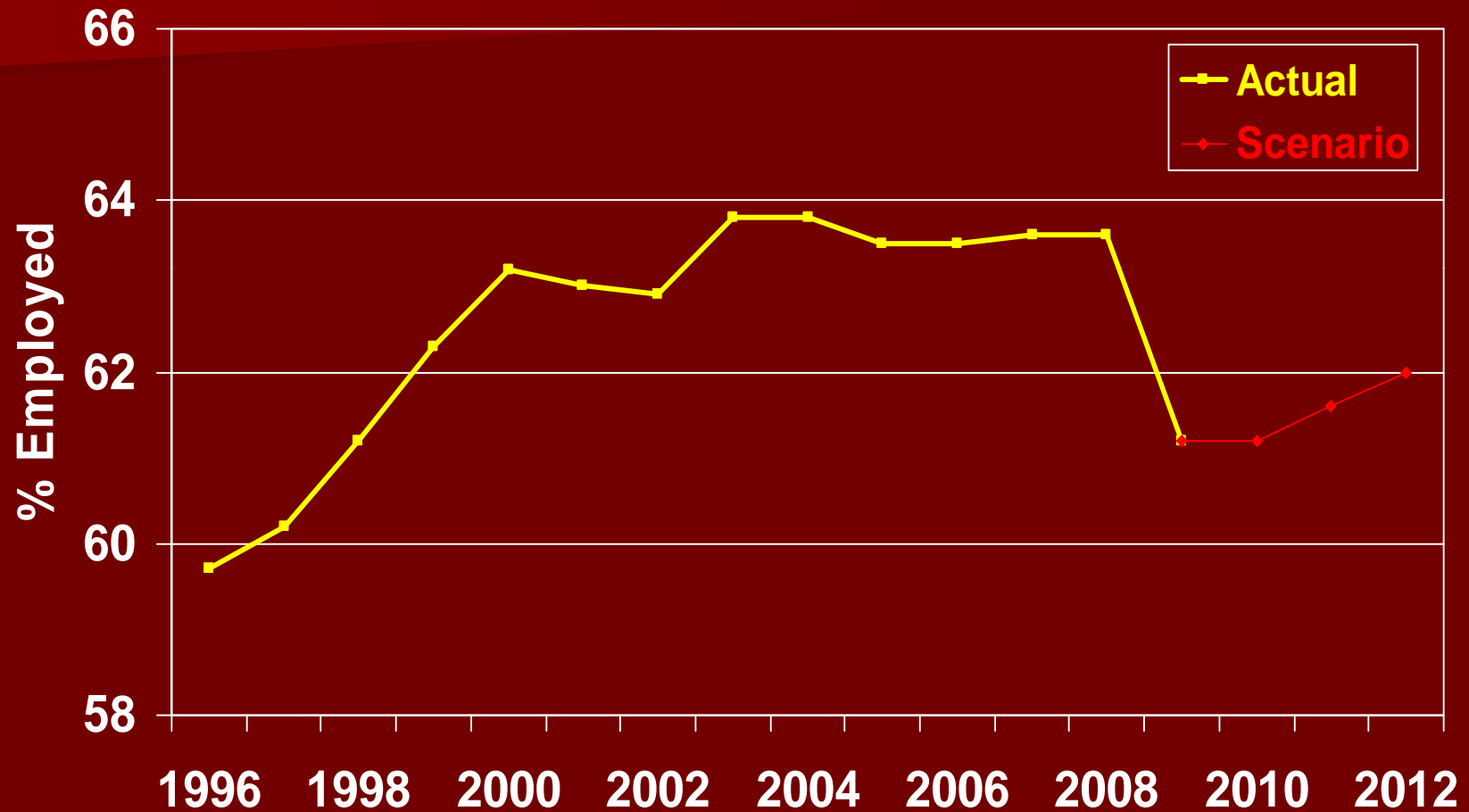
Source: Bank of Canada/Will Dunning Inc.

Commodity Prices Also Negative



Source: Statistics Canada/Will Dunning Inc.

A Scenario for Ontario Employment Rate



Source: Statistics Canada / Will Dunning Inc.

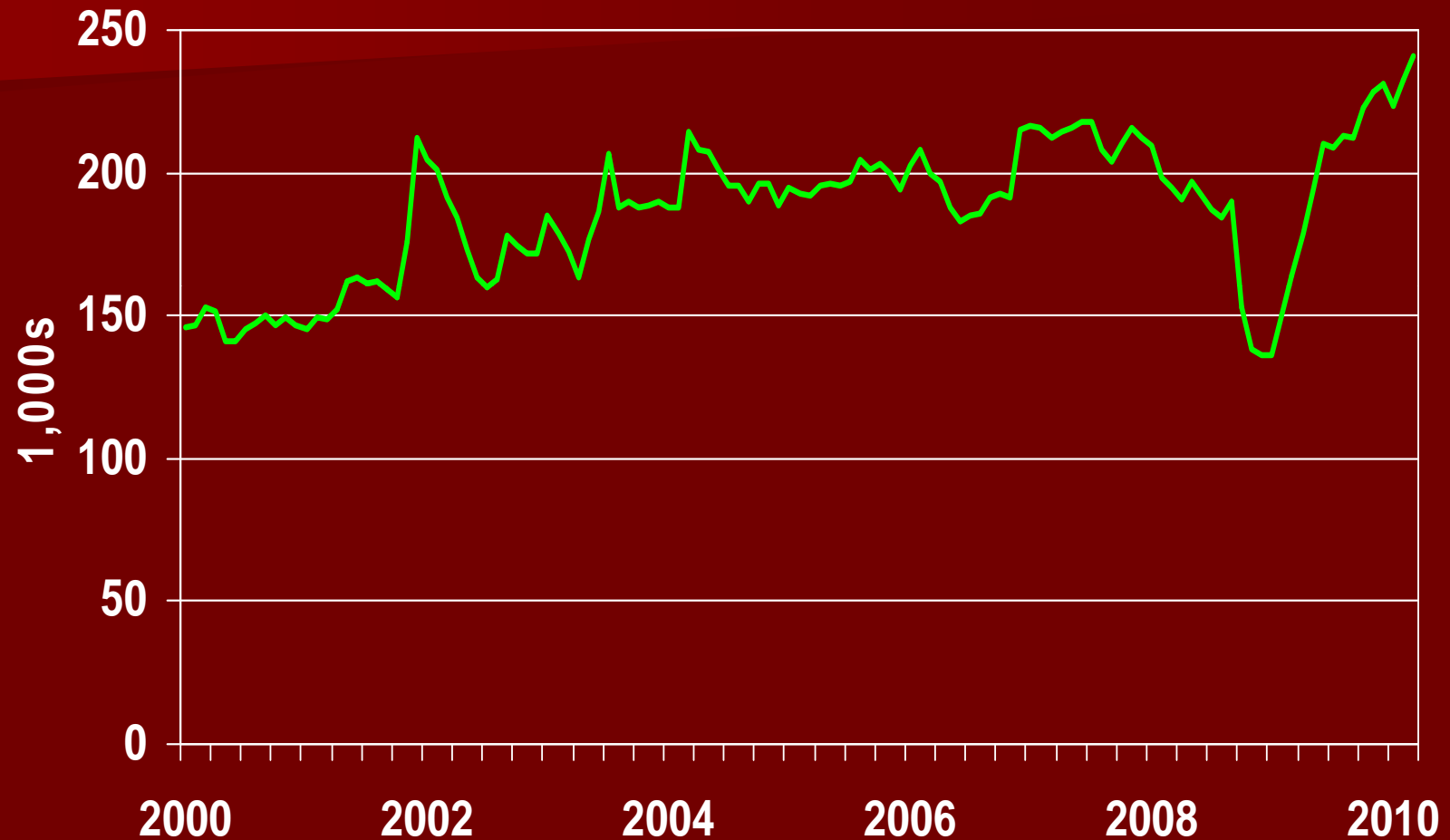
Scenario for Improving Ontario Job Creation



Source: Statistics Canada / Will Dunning Inc.

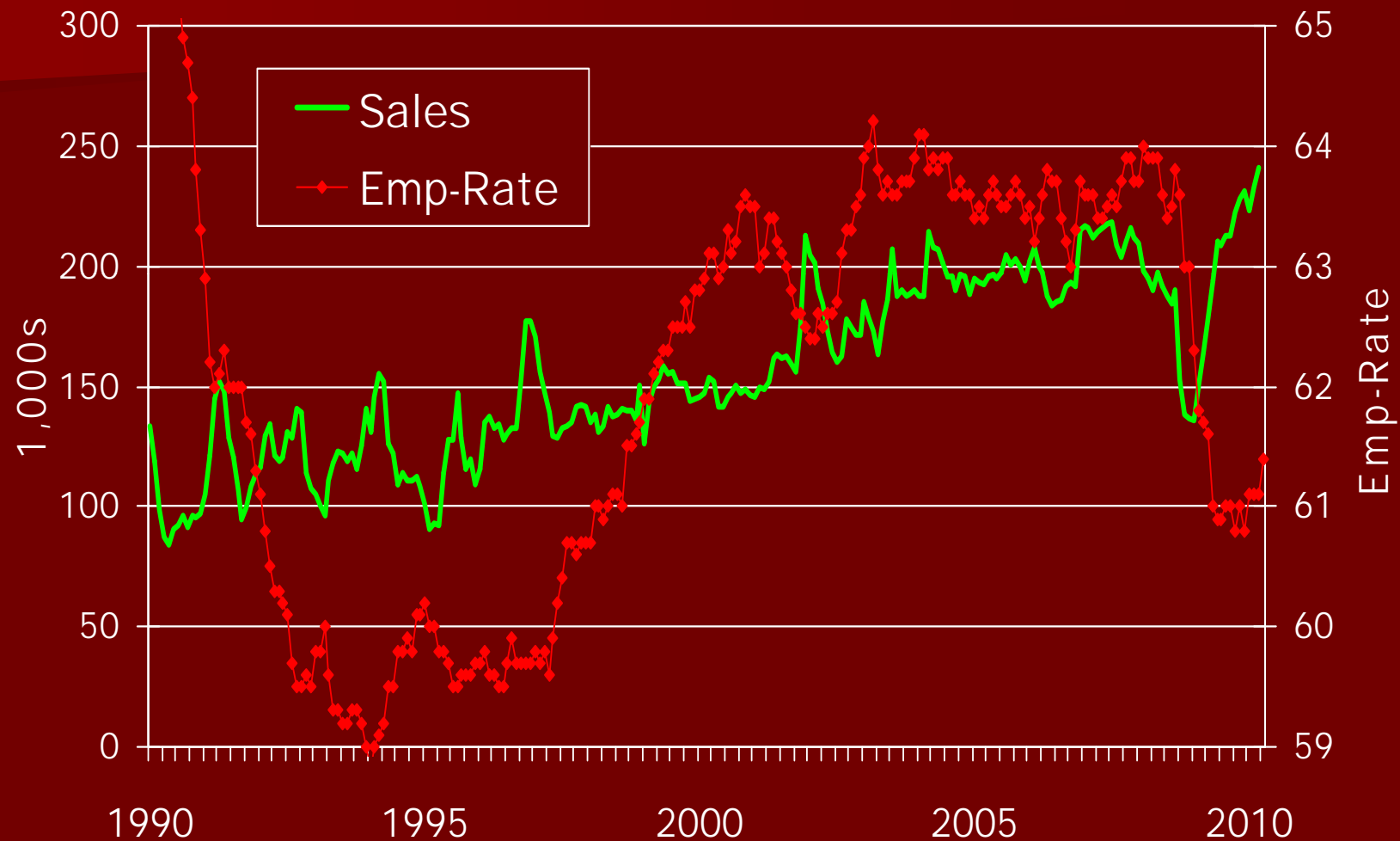
Ontario Resale Market

Ontario Resale Activity



Source: CREA / Will Dunning Inc.

Employment Drives Resale Activity



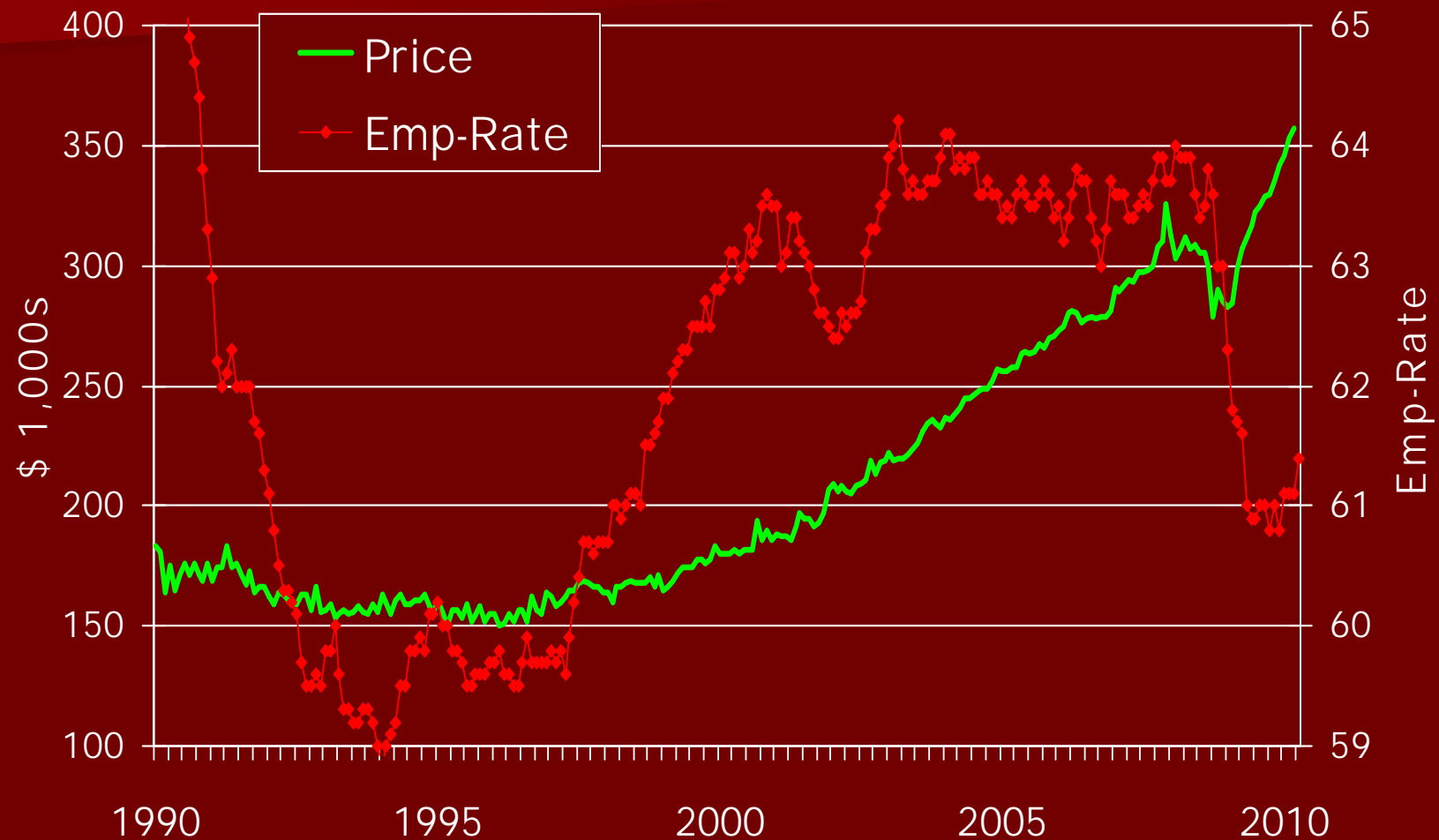
Source: CREA / Statistics Canada / Will Dunning Inc.

Ontario Resale Values



Source: CREA / Will Dunning Inc.

Employment Drives Resale Values (Indirectly)



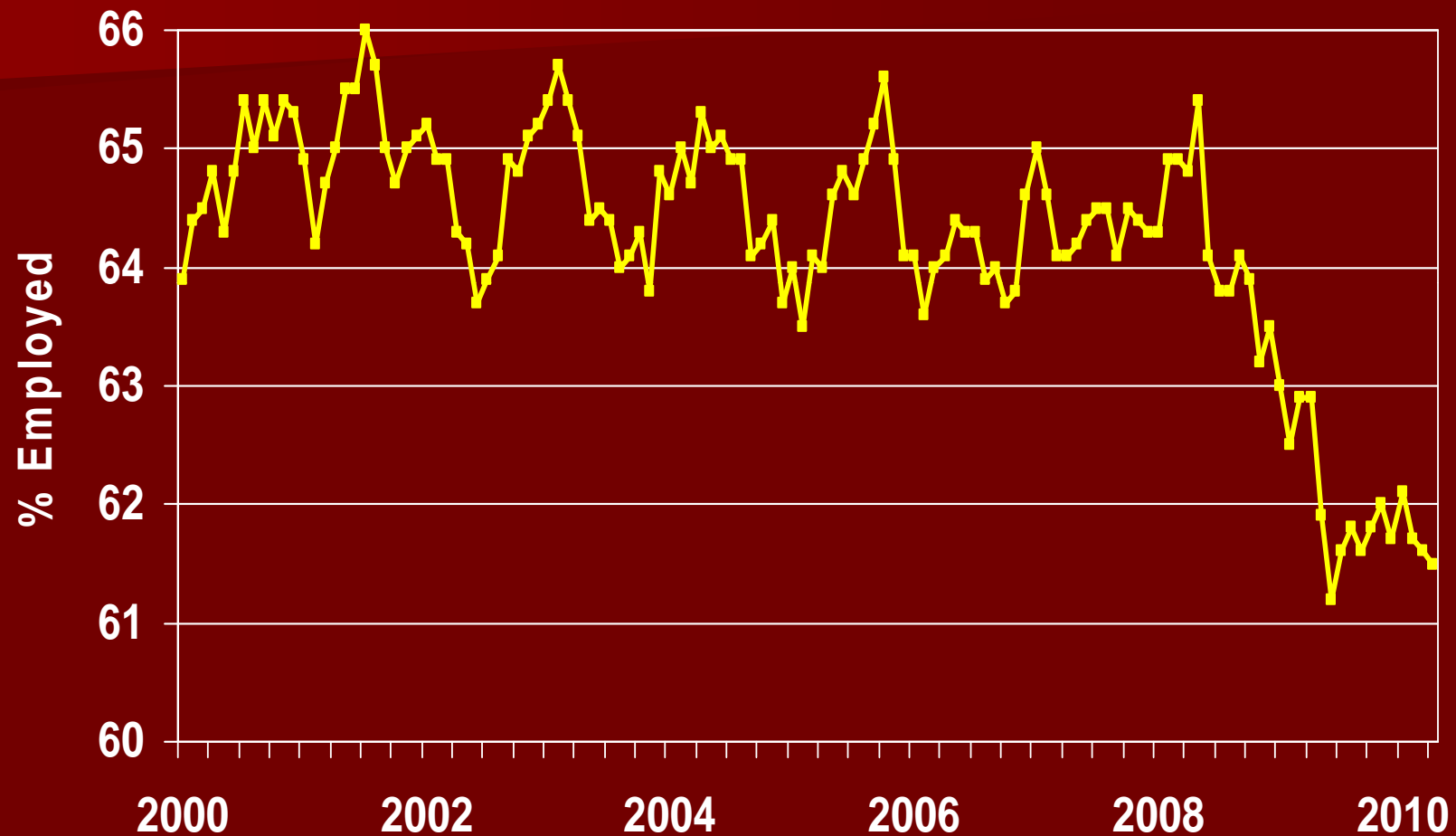
Source: CREA / Statistics Canada / Will Dunning Inc.

Has the Relationship Broken?

- Temporary Factors
 - Catch-up
 - Record low interest rates
 - Fears of increases
 - Changing lending criteria
- A Period of Payback?
- How Strong is the Investment Motive?

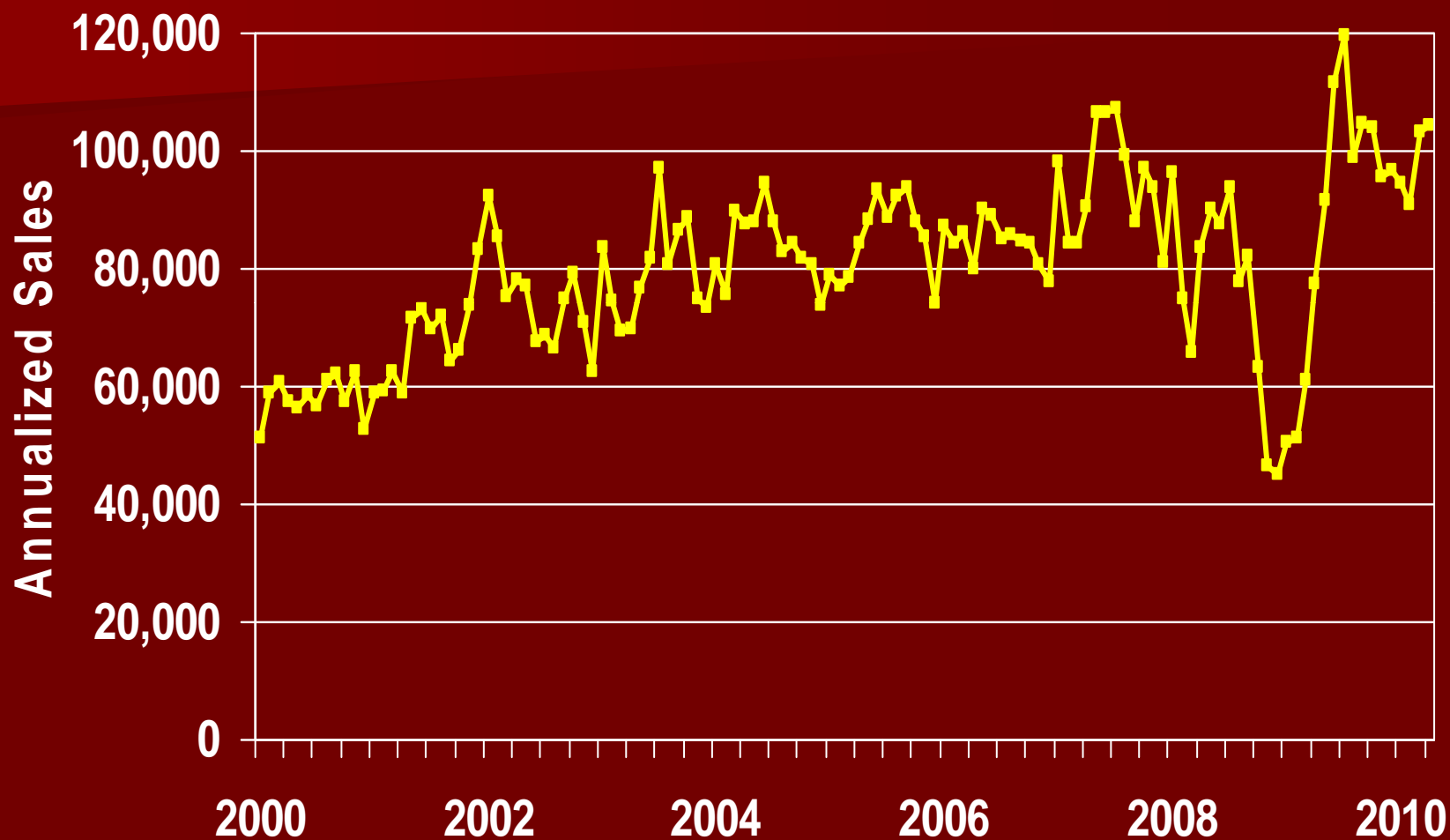
Major Markets in Ontario

Toronto CMA Employment Rate



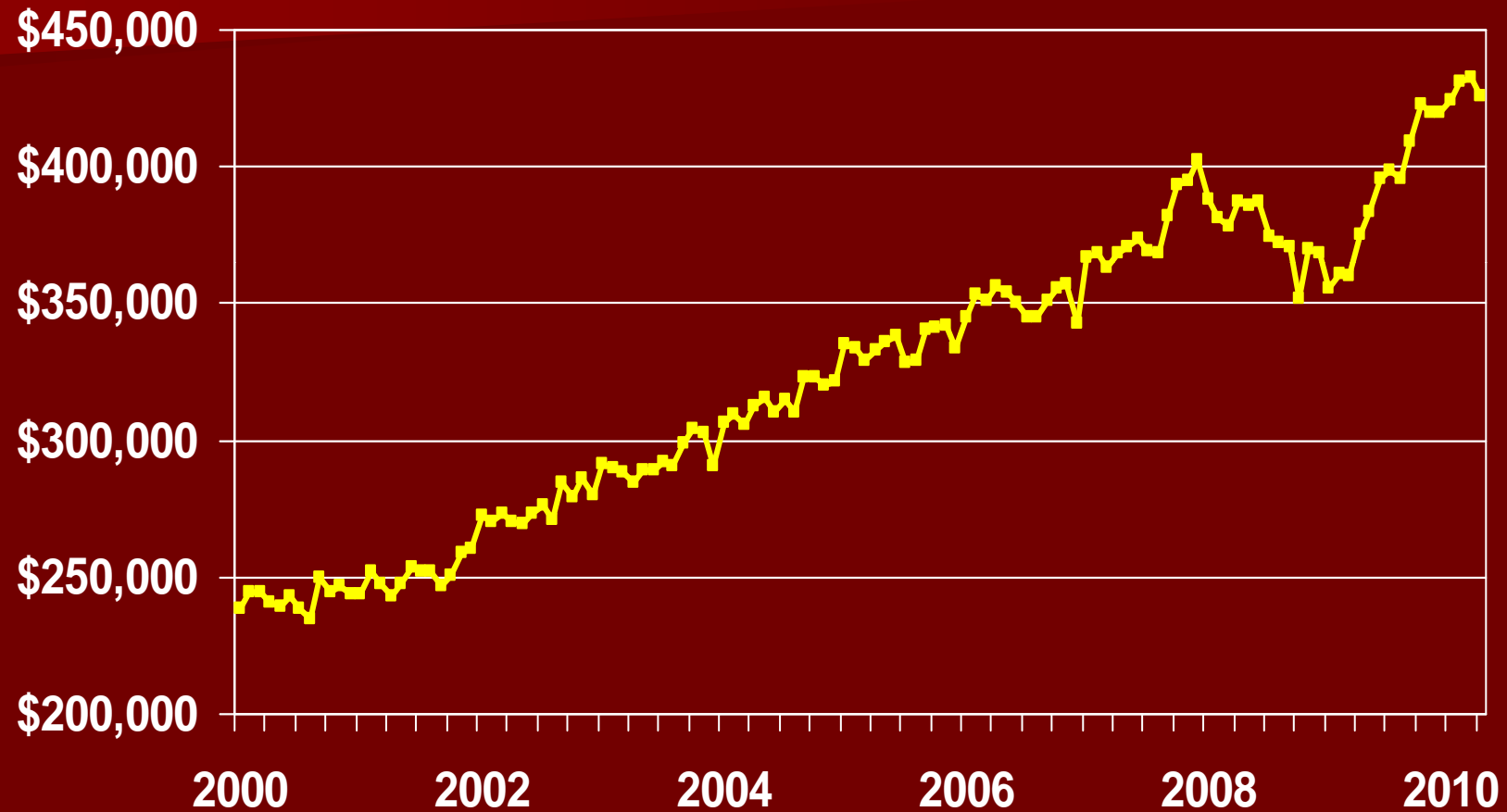
Source: Statistics Canada

Toronto Resale Market Rebounds



Source: TREB / Will Dunning Inc.

Short Recession for GTA Housing Values



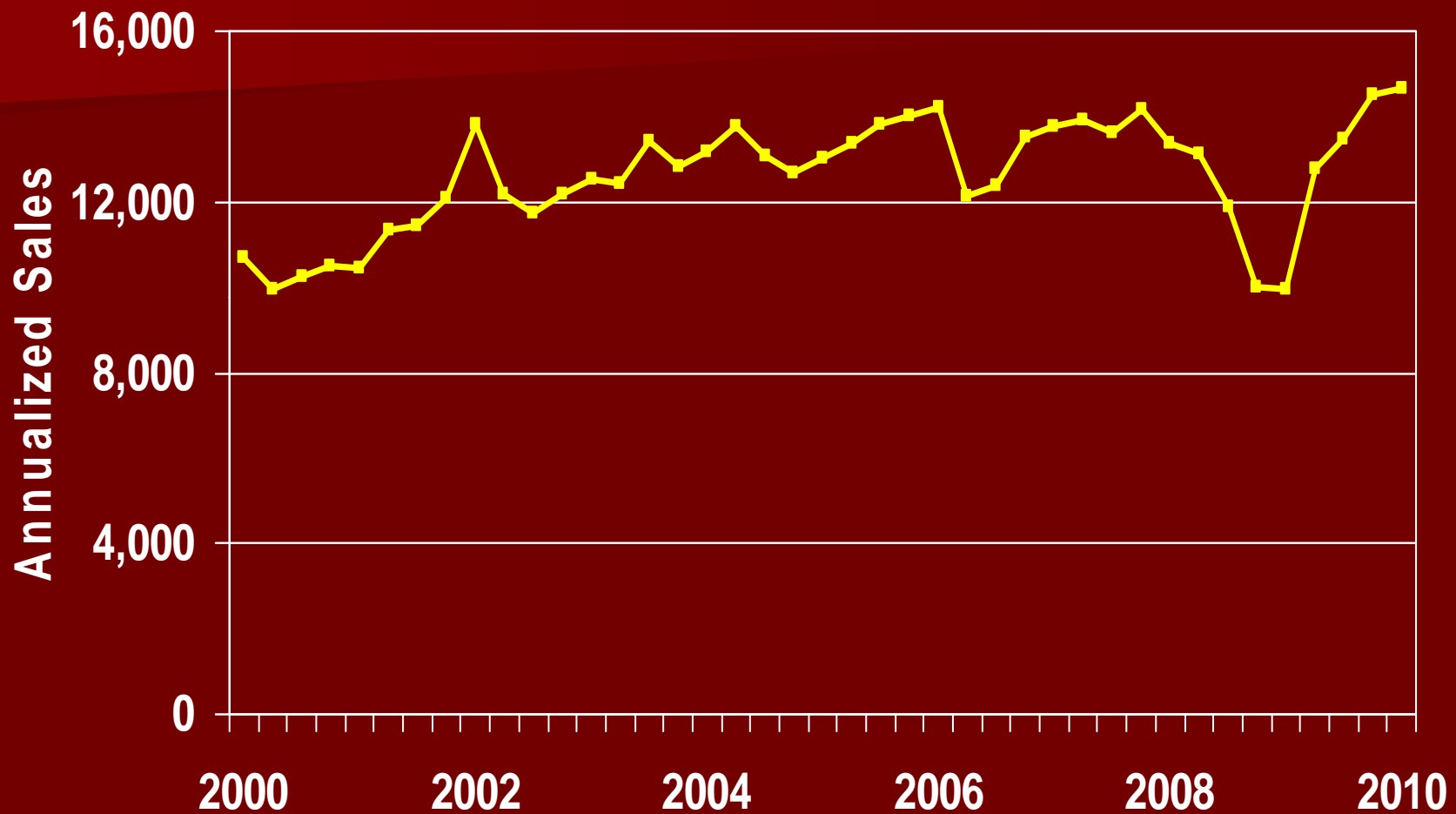
Source: Toronto Real Estate Board / Will Dunning Inc.

Hamilton CMA Employment Rate



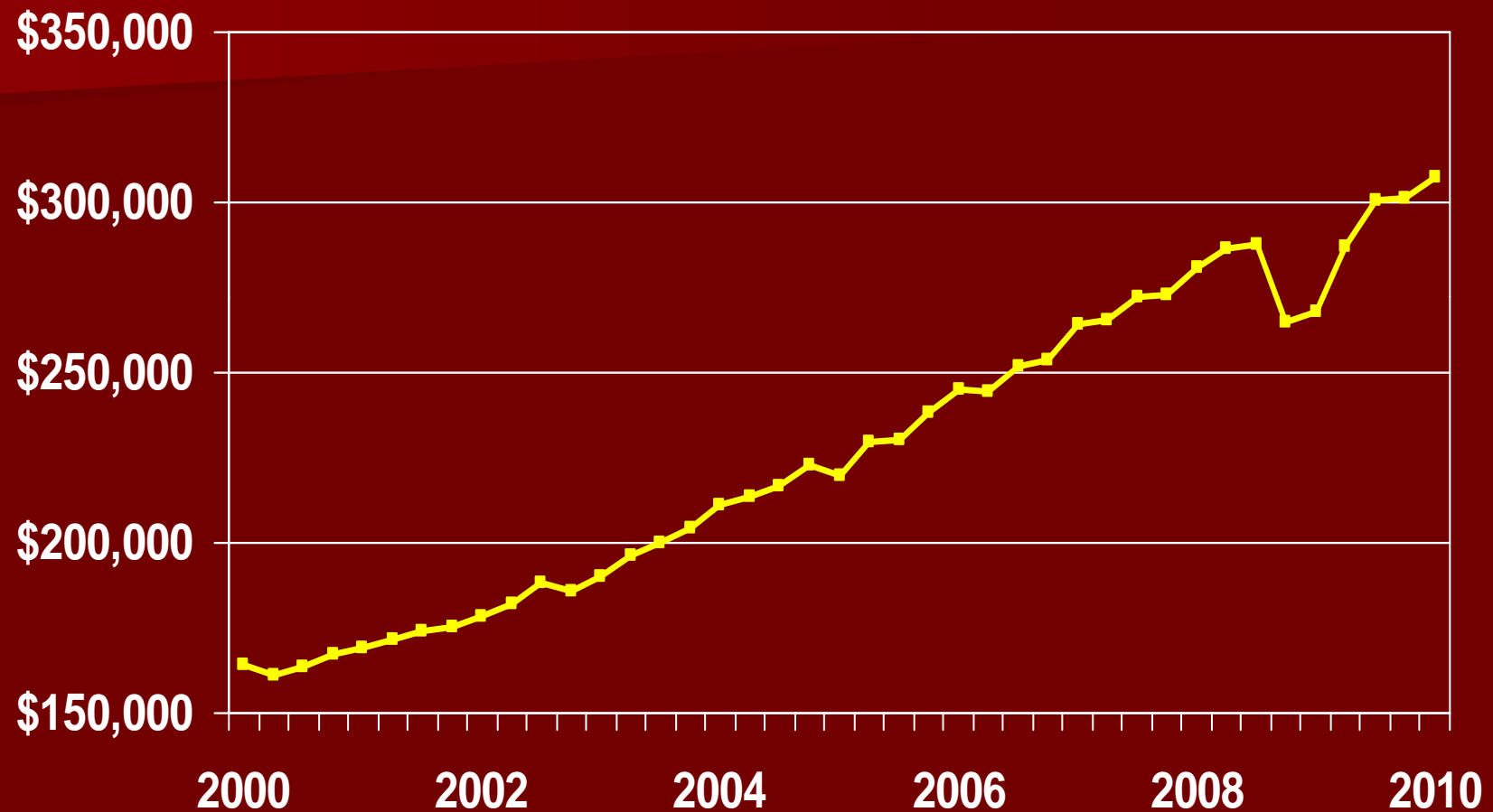
Source: Statistics Canada

Hamilton Resales



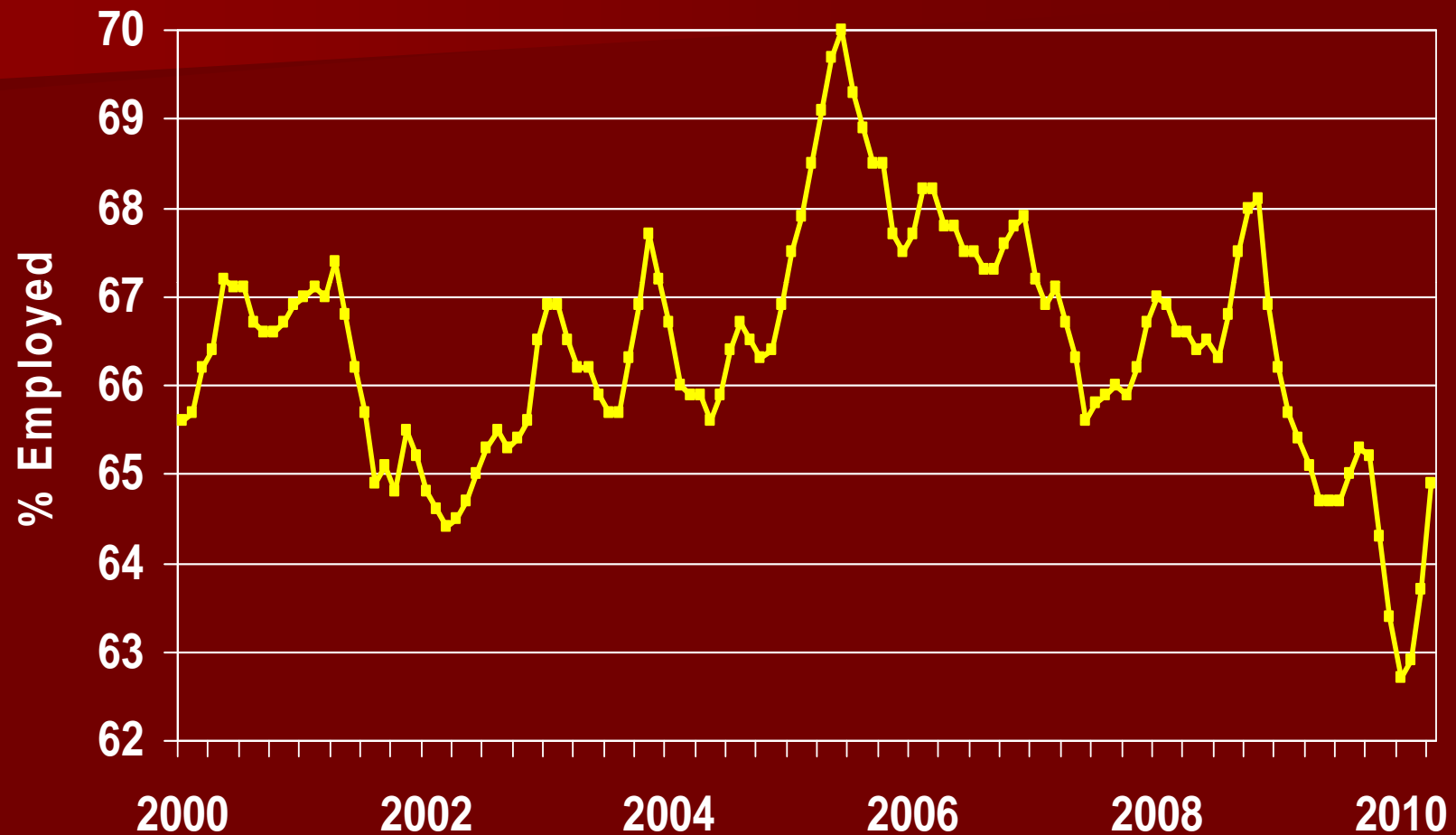
Source: CREA / Will Dunning Inc.

Growth of Values in Hamilton



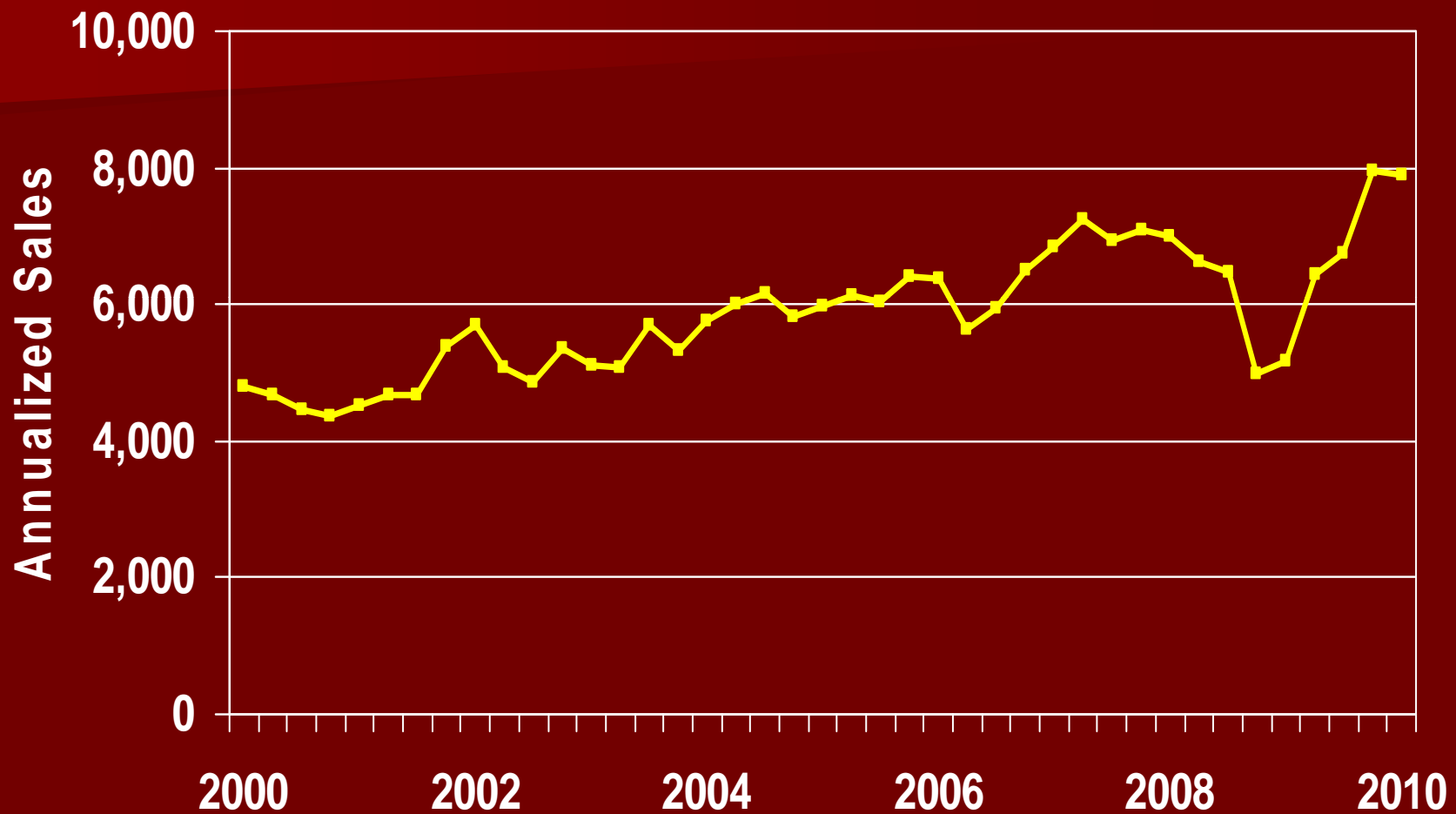
Source: CREA / Will Dunning Inc.

Kitchener CMA Employment Rate



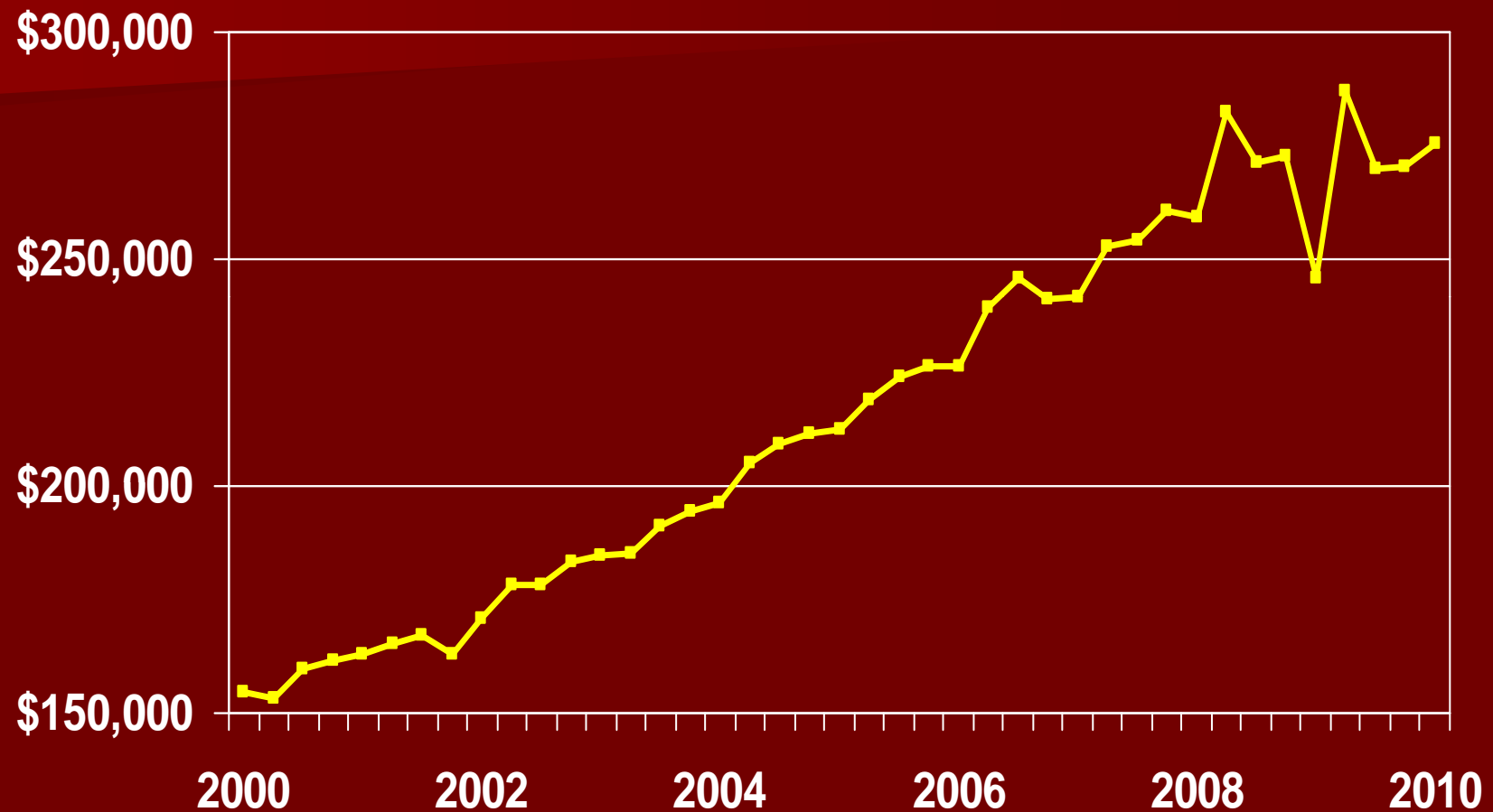
Source: Statistics Canada

Kitchener Resales



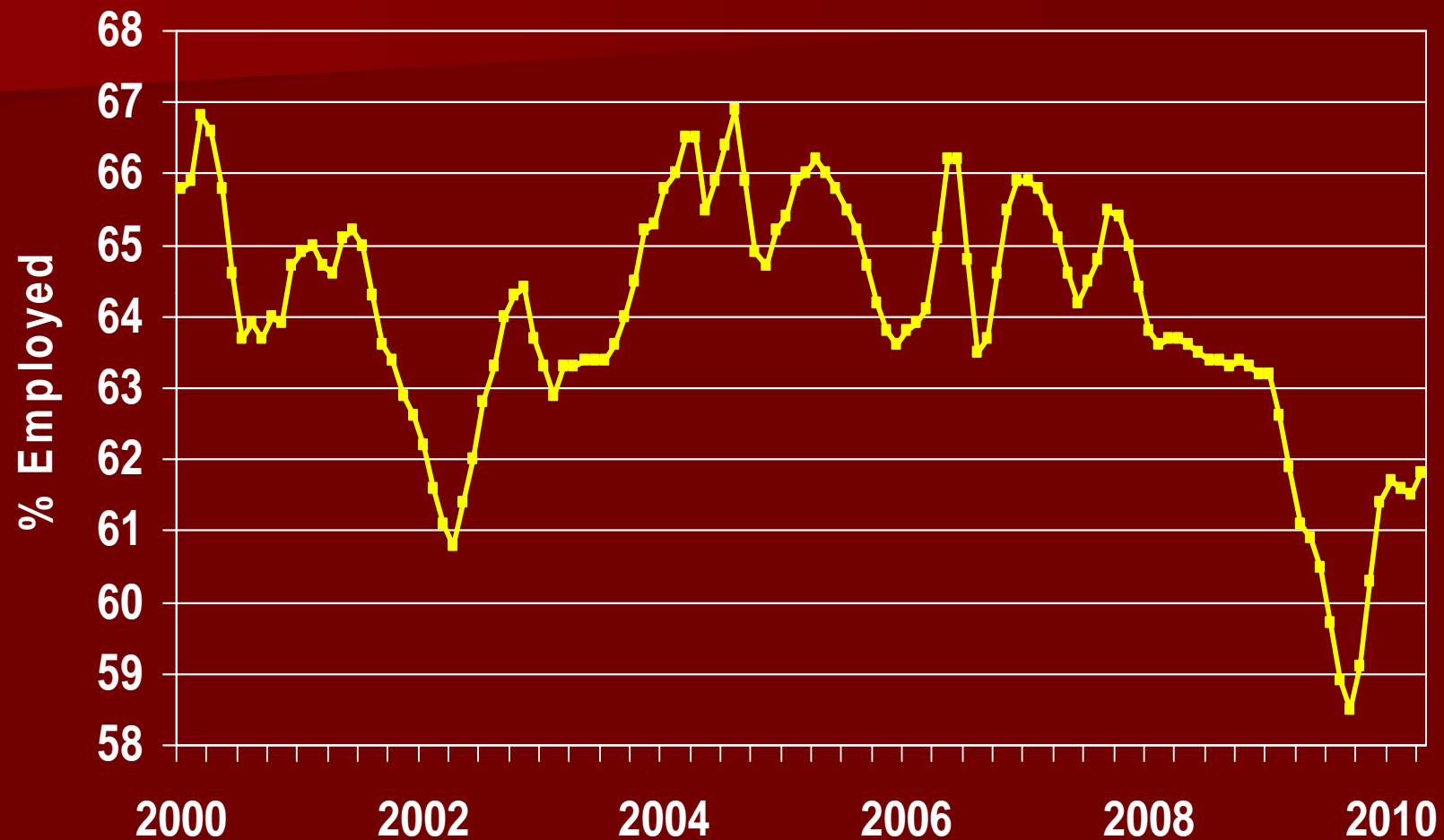
Source: CREA / Will Dunning Inc.

Weaker Growth of Values in Kitchener



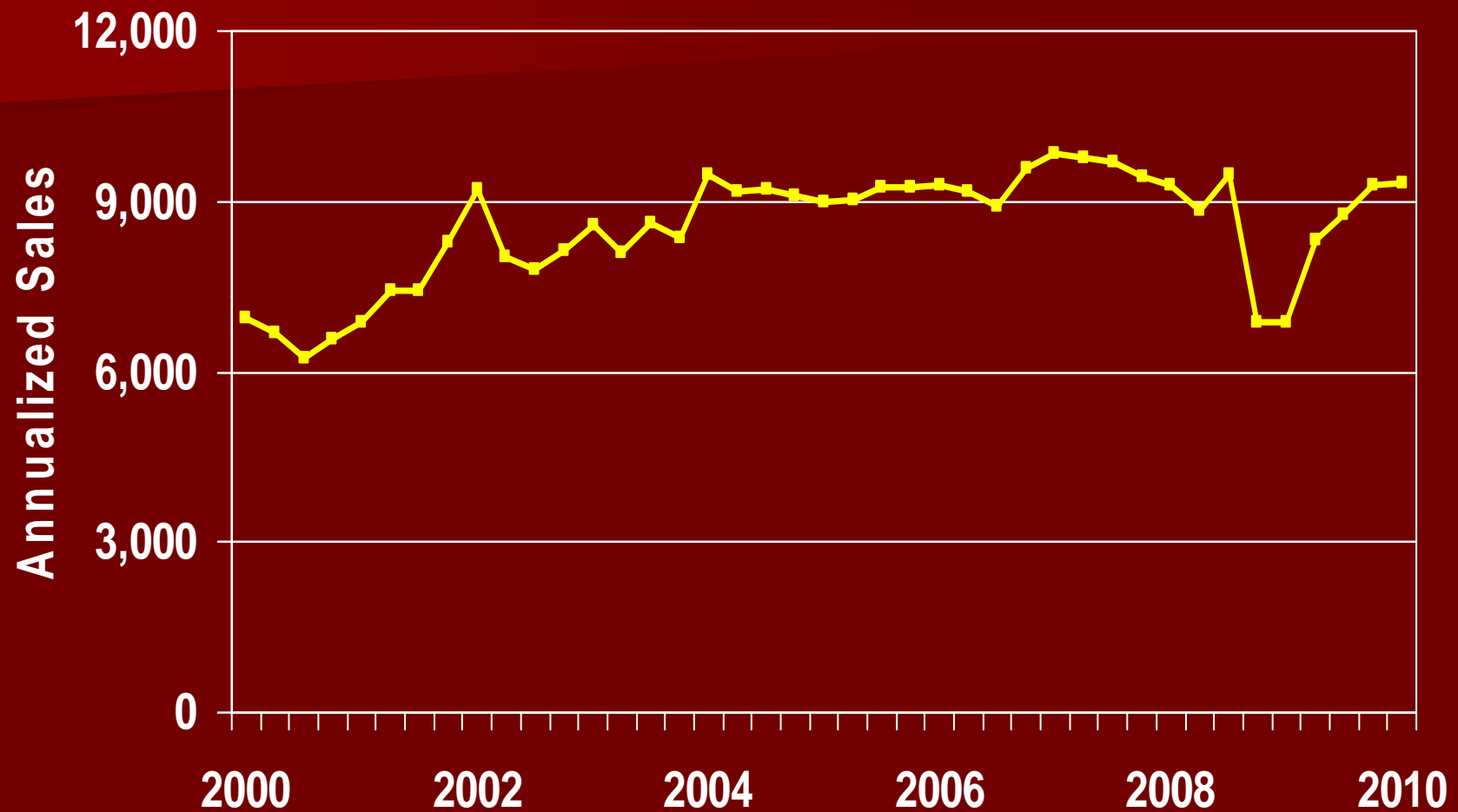
Source: CREA / Will Dunning Inc.

London CMA Employment Rate



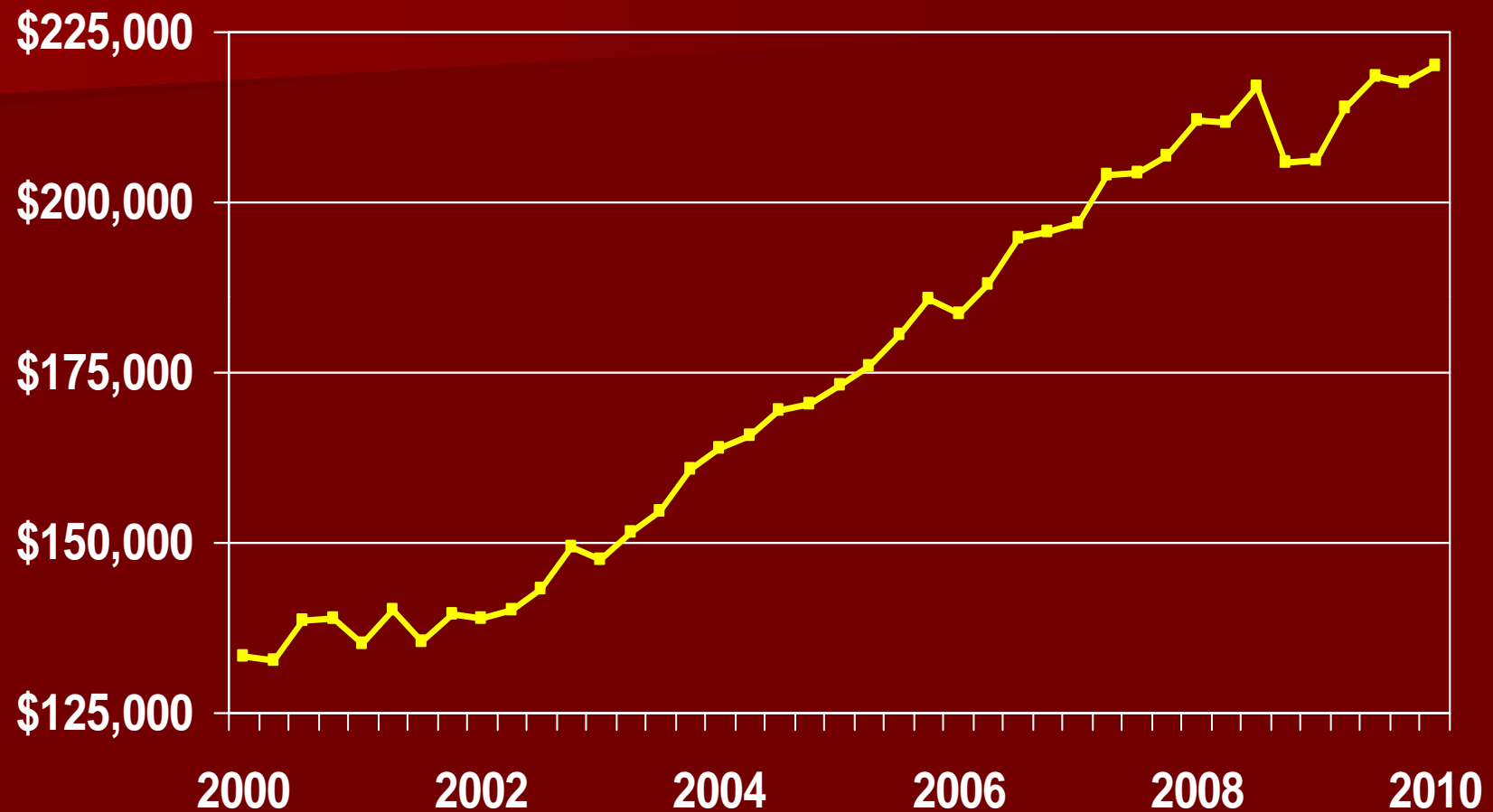
Source: Statistics Canada

London Resales



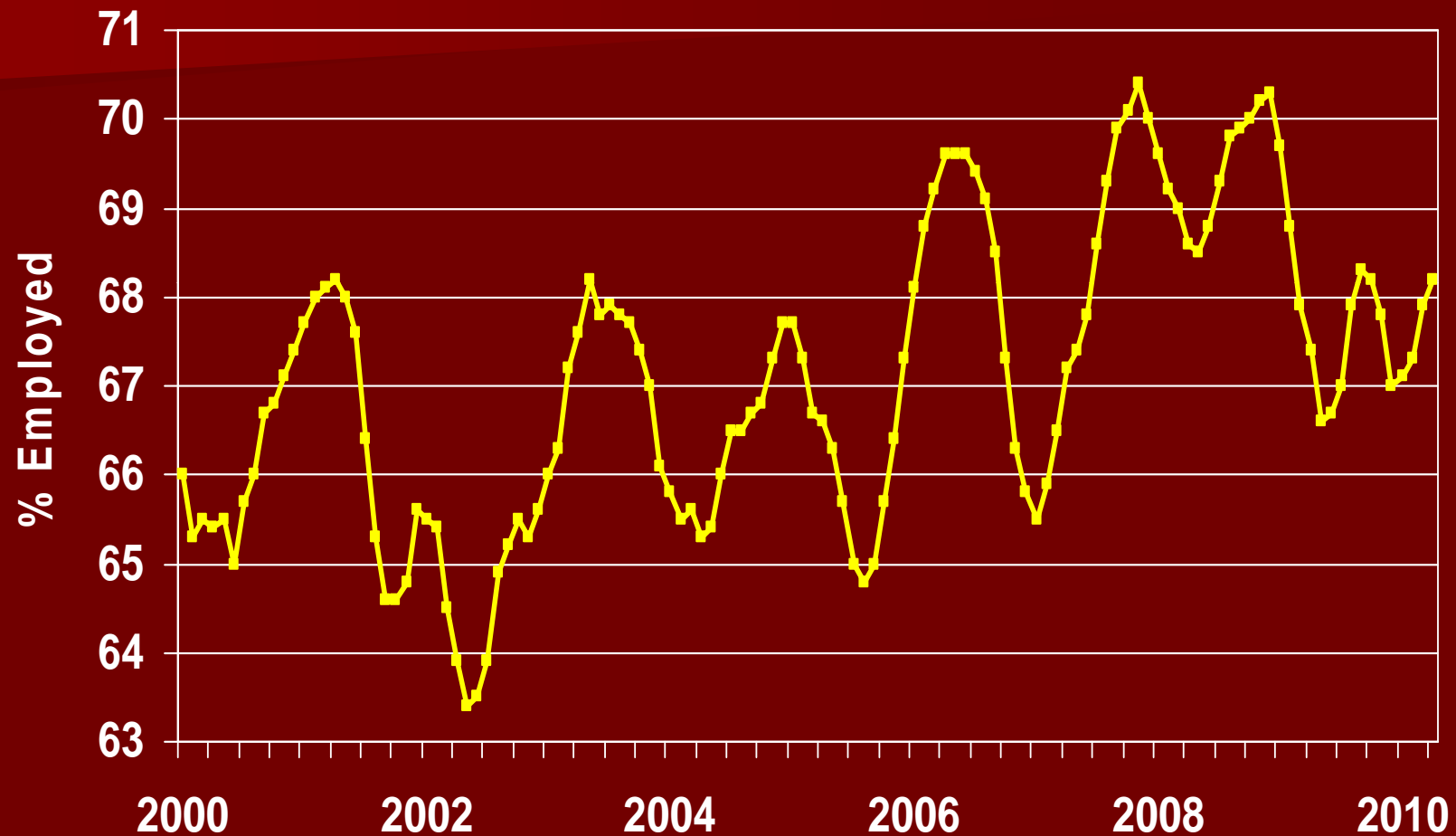
Source: CREA / Will Dunning Inc.

Values Recover in London



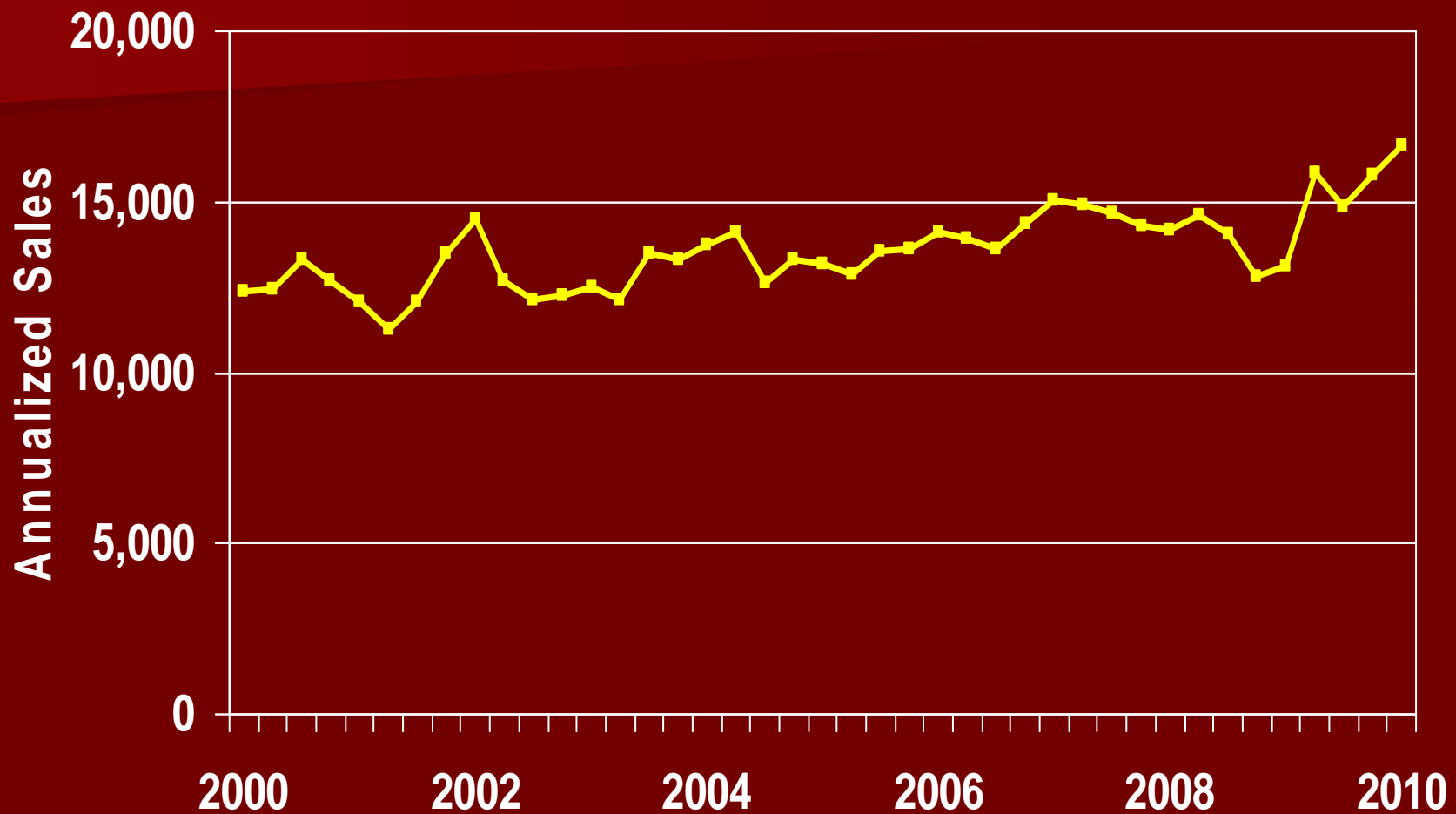
Source: CREA / Will Dunning Inc.

Ottawa CMA Employment Rate



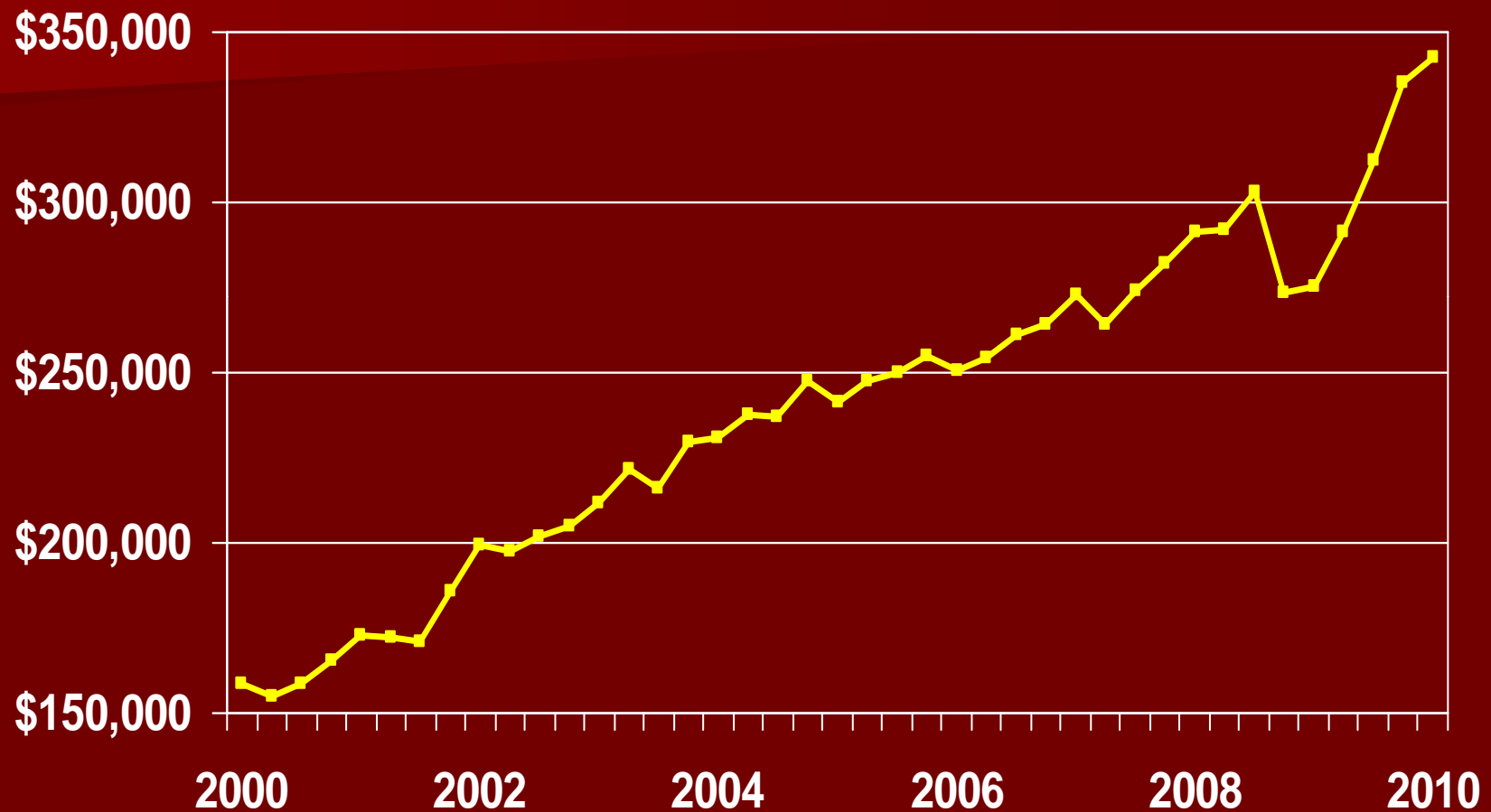
Source: Statistics Canada

Ottawa Resales



Source: CREA / Will Dunning Inc.

Growth of Values in Ottawa



Source: CREA / Will Dunning Inc.

Final Thoughts

- Non-trivial risks in housing markets
- Keep an eye on employment
- Keep an eye on “wealth effects”
- Macro risks versus micro opportunities