

# Toronto Housing Market Outlook

November 2007

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# PRESENTATION OUTLINE

## 1. Housing Market Drivers



- Labour Market
- Migration
- Mortgage Rates

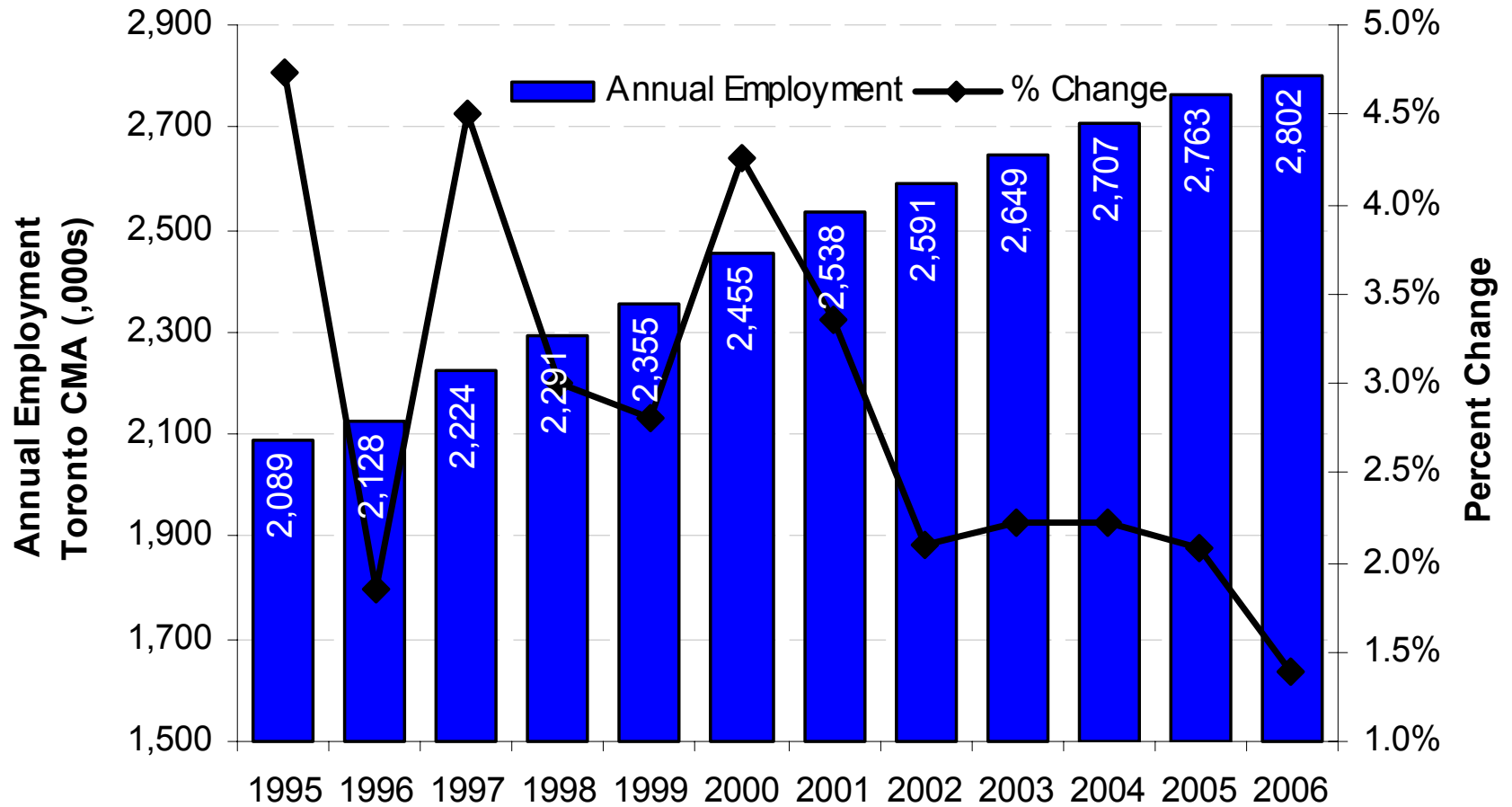
## 2. Home Ownership Market

- Existing Home Market
- New Home Market

## 3. Rental Market

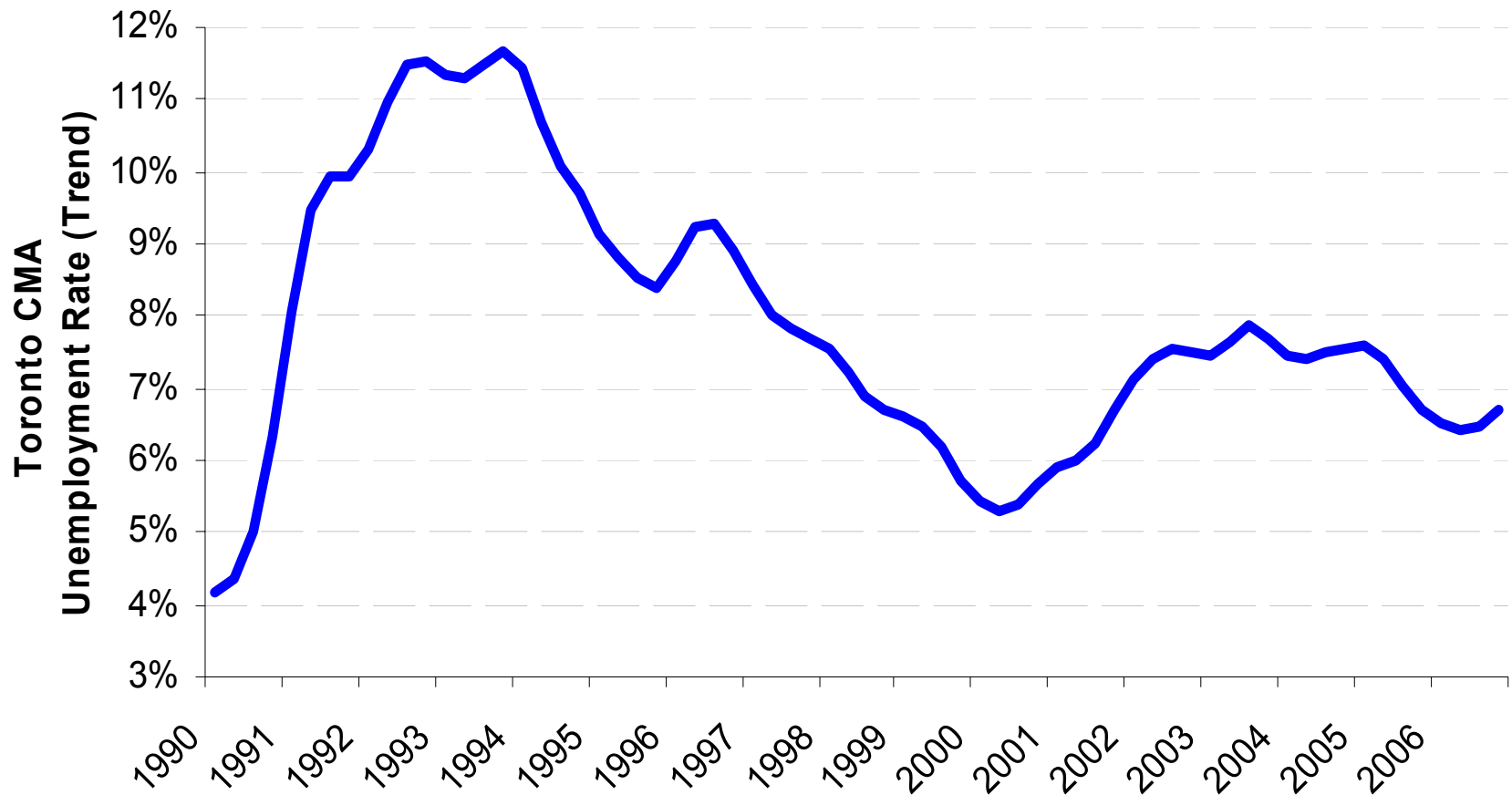
## 4. Forecast Summary

# Steady Job Growth



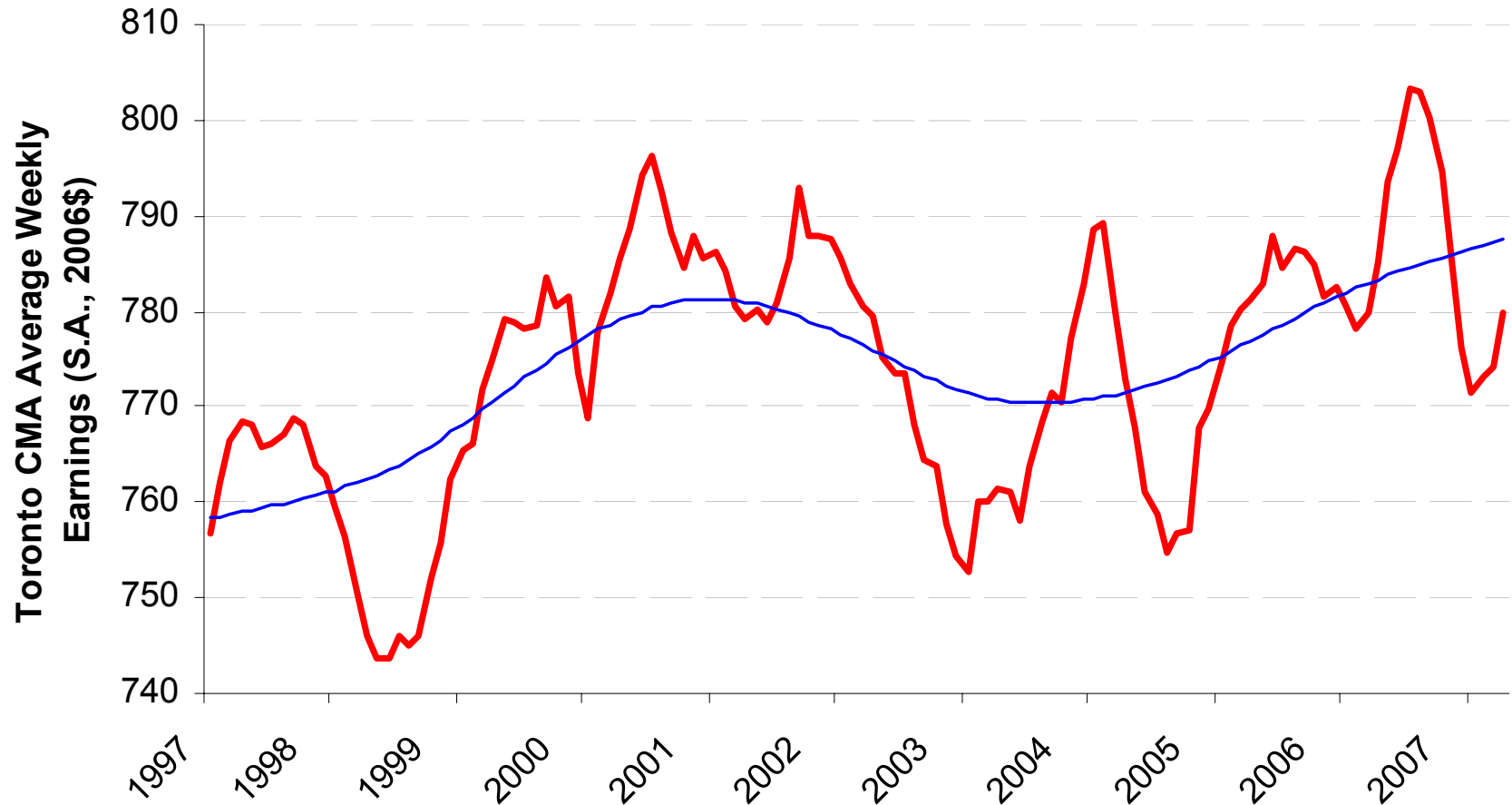
Source: Statistics Canada; CMHC Forecast

# Labour Market Remains Very Tight



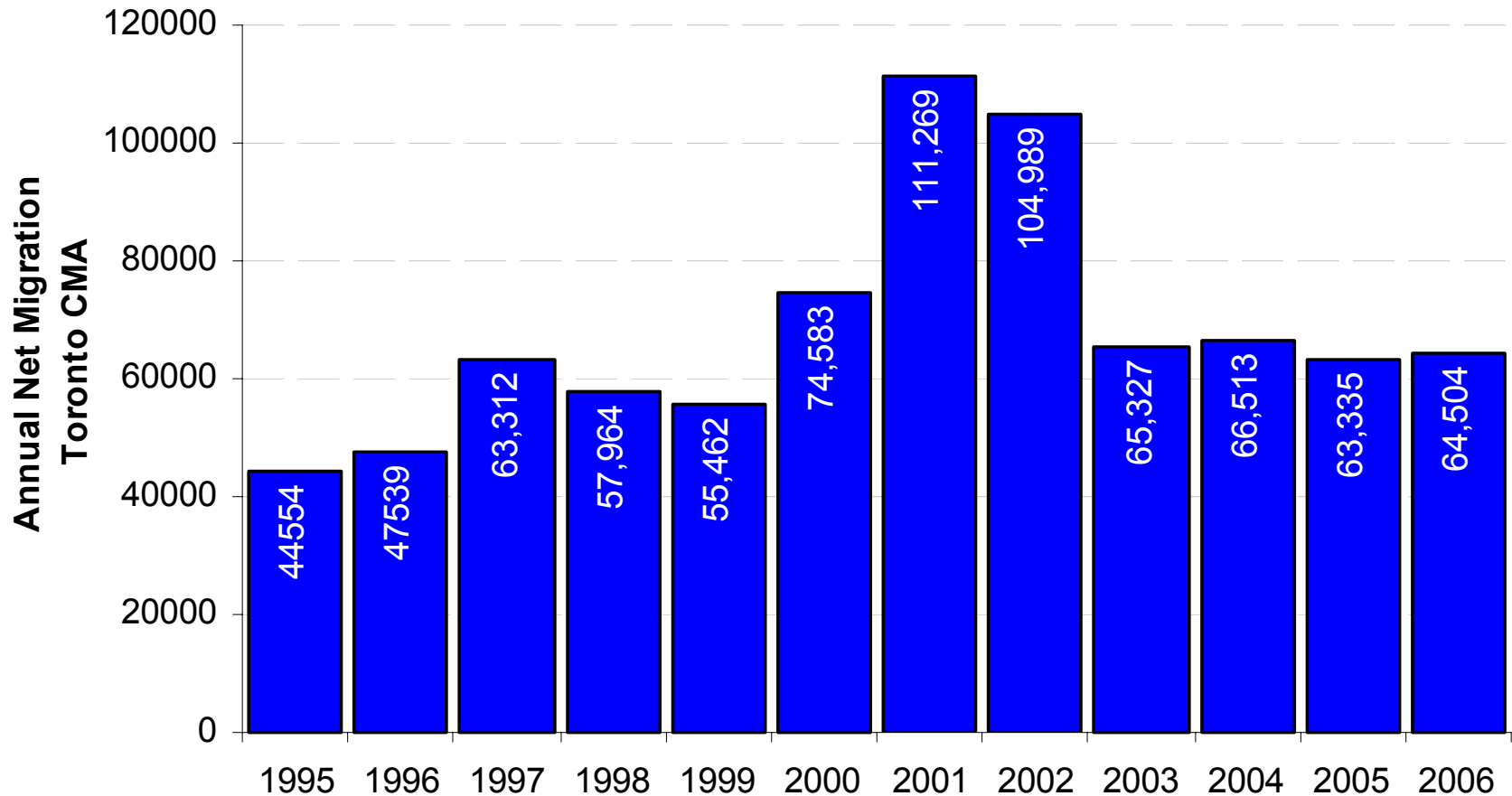
Source: Statistics Canada, Labour Force Survey

# Labour Income Growing Above Inflation



Source: Statistics Canada; CMHC Seasonal and Inflation Adjustment

# In-Migration Will Continue – Immigration is Key



Source: Statistics Canada, CMHC Forecast

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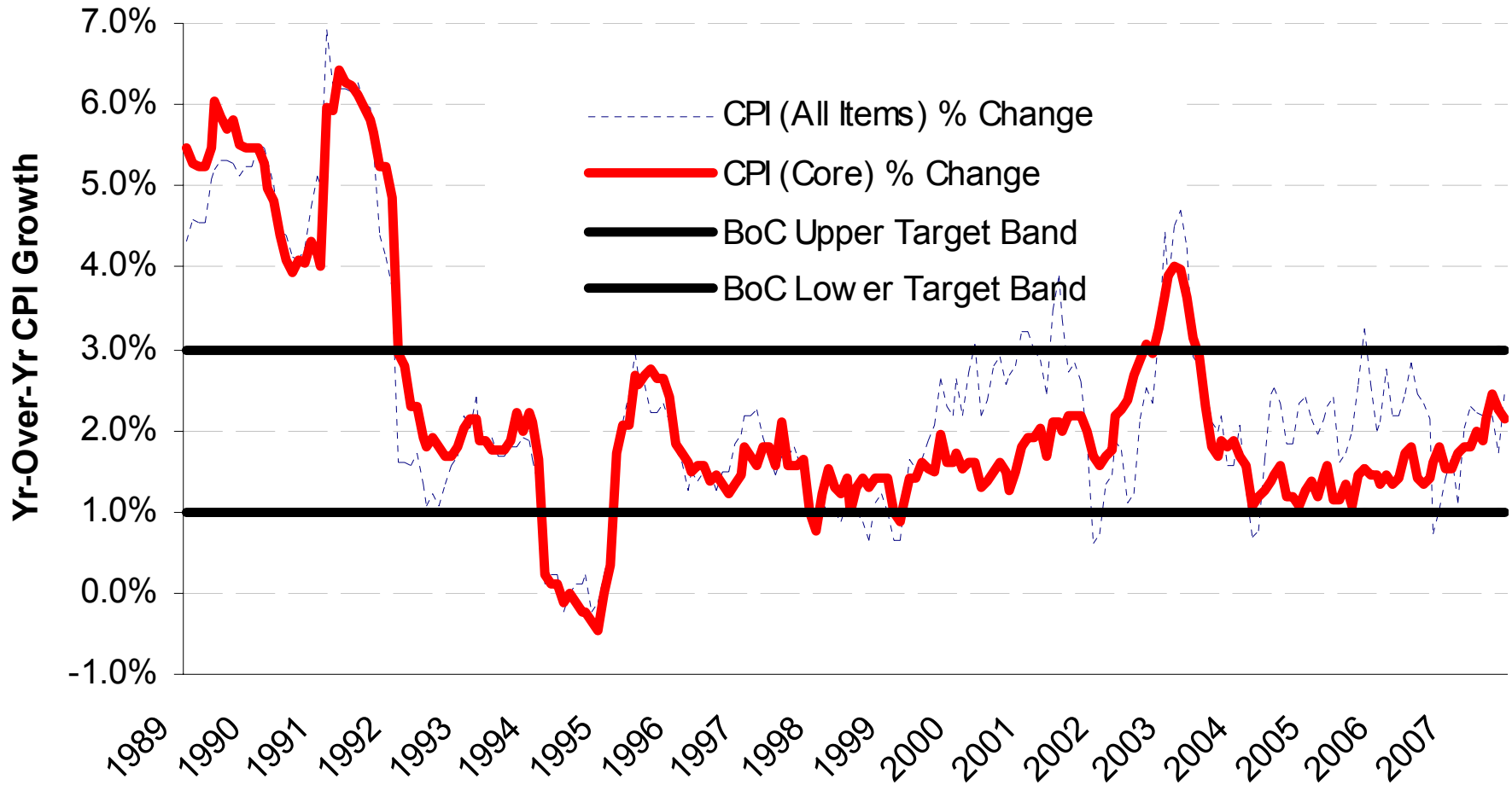
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# Mortgage Rates Remain Very Low



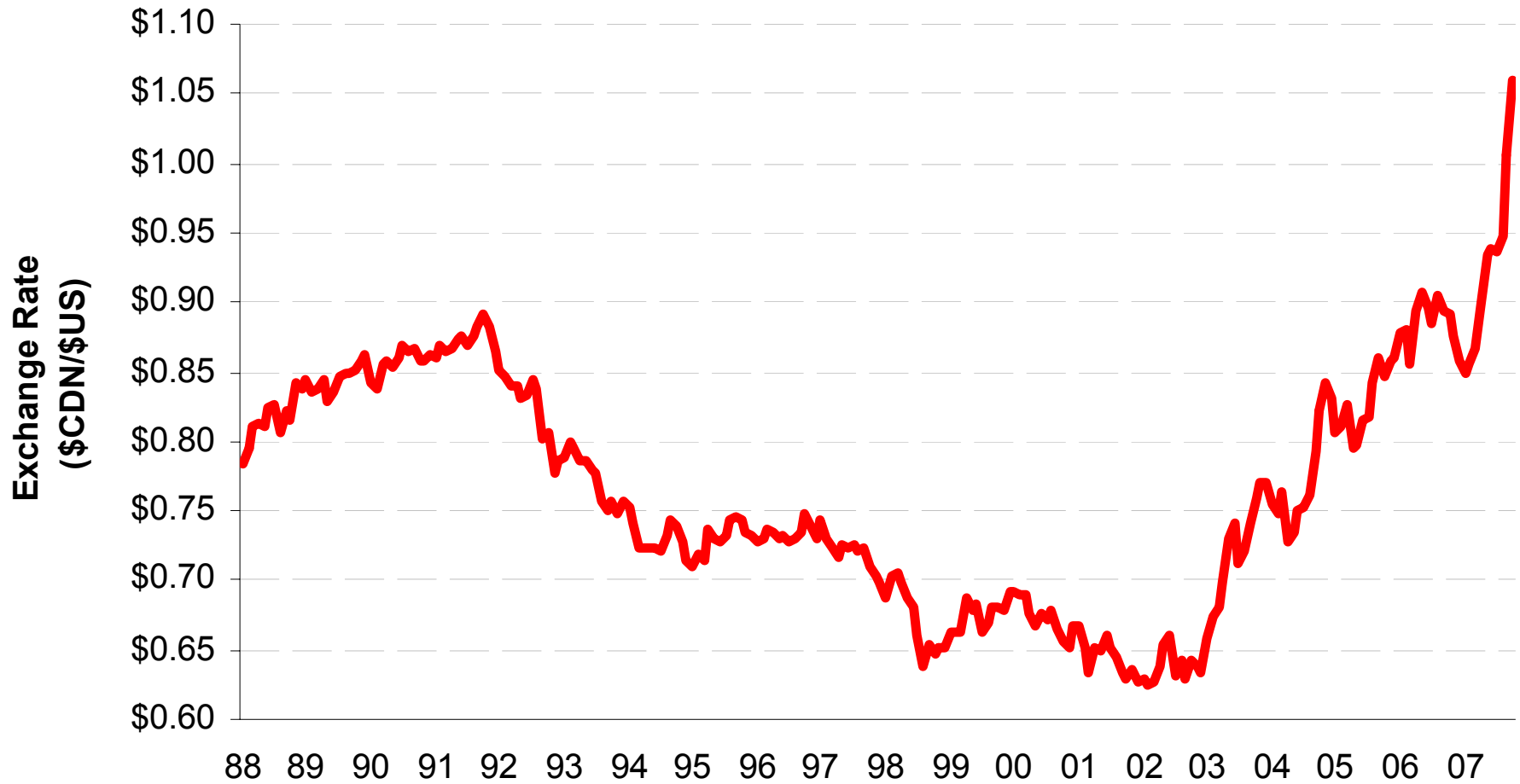
Source: Bank of Canada

# BoC Interest Rate Decisions Based on Inflation



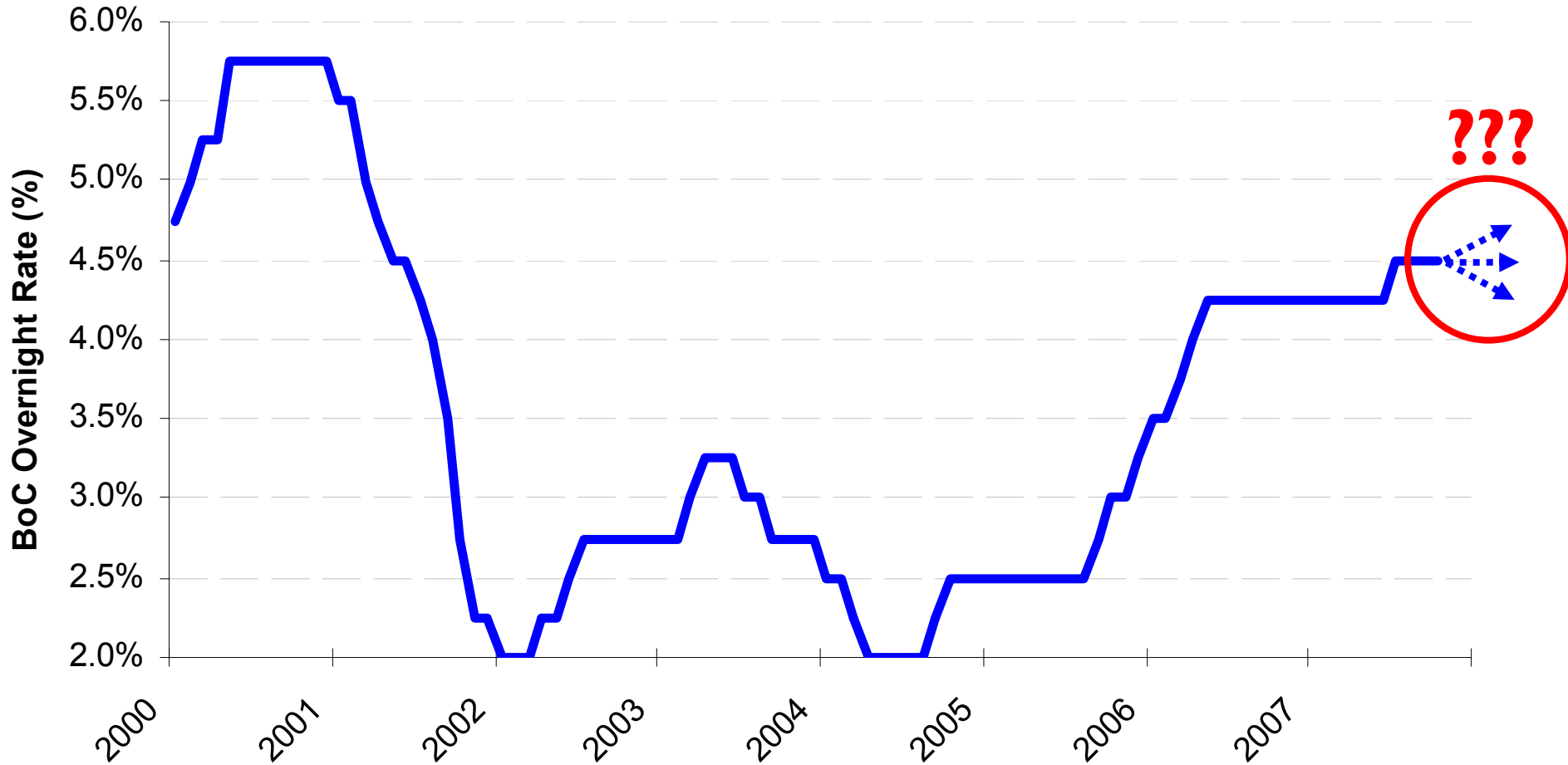
Source: Statistics Canada

# High Canadian Dollar a Problem for Exports



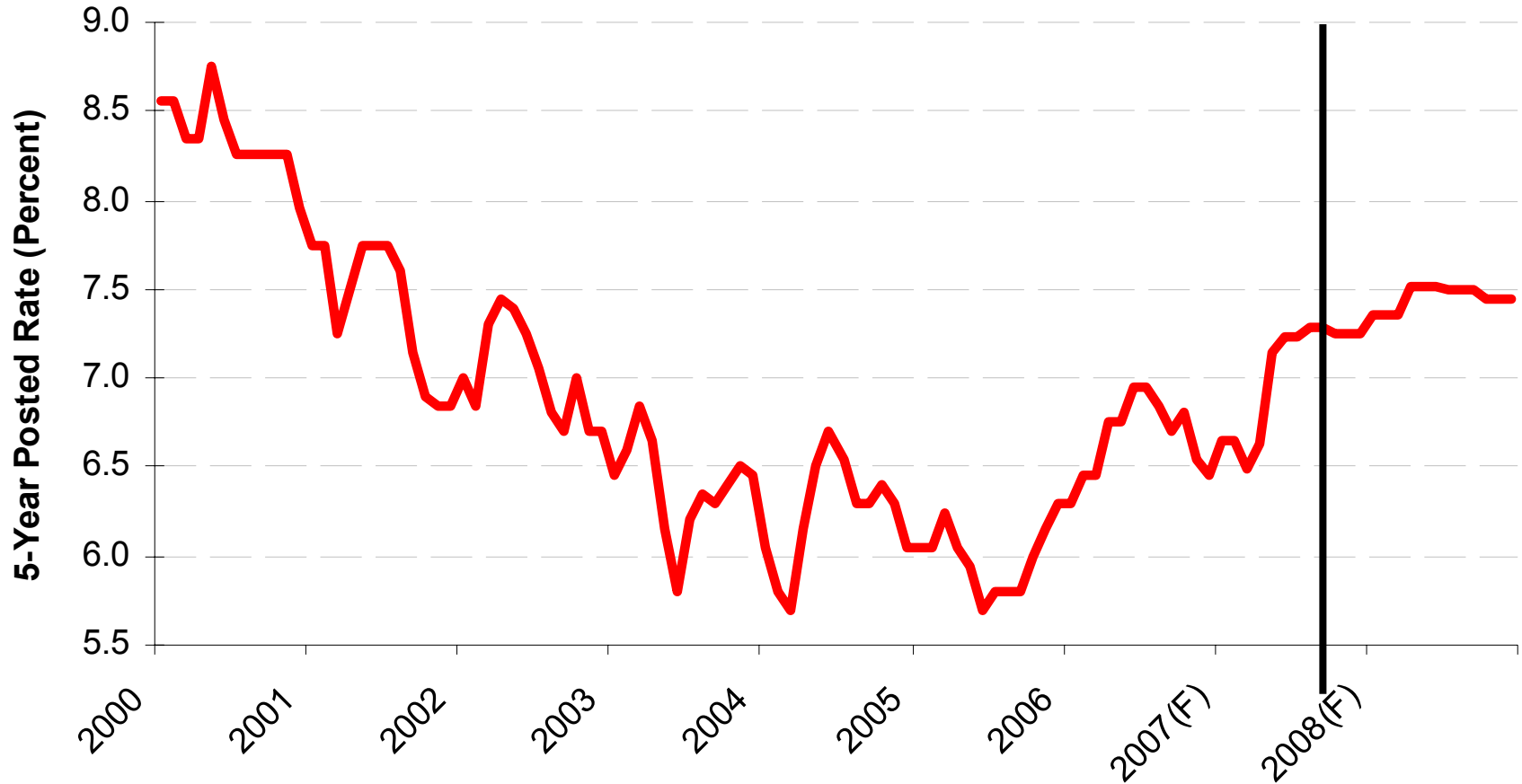
Source: Bank of Canada

# Where Will Interest Rates Go?



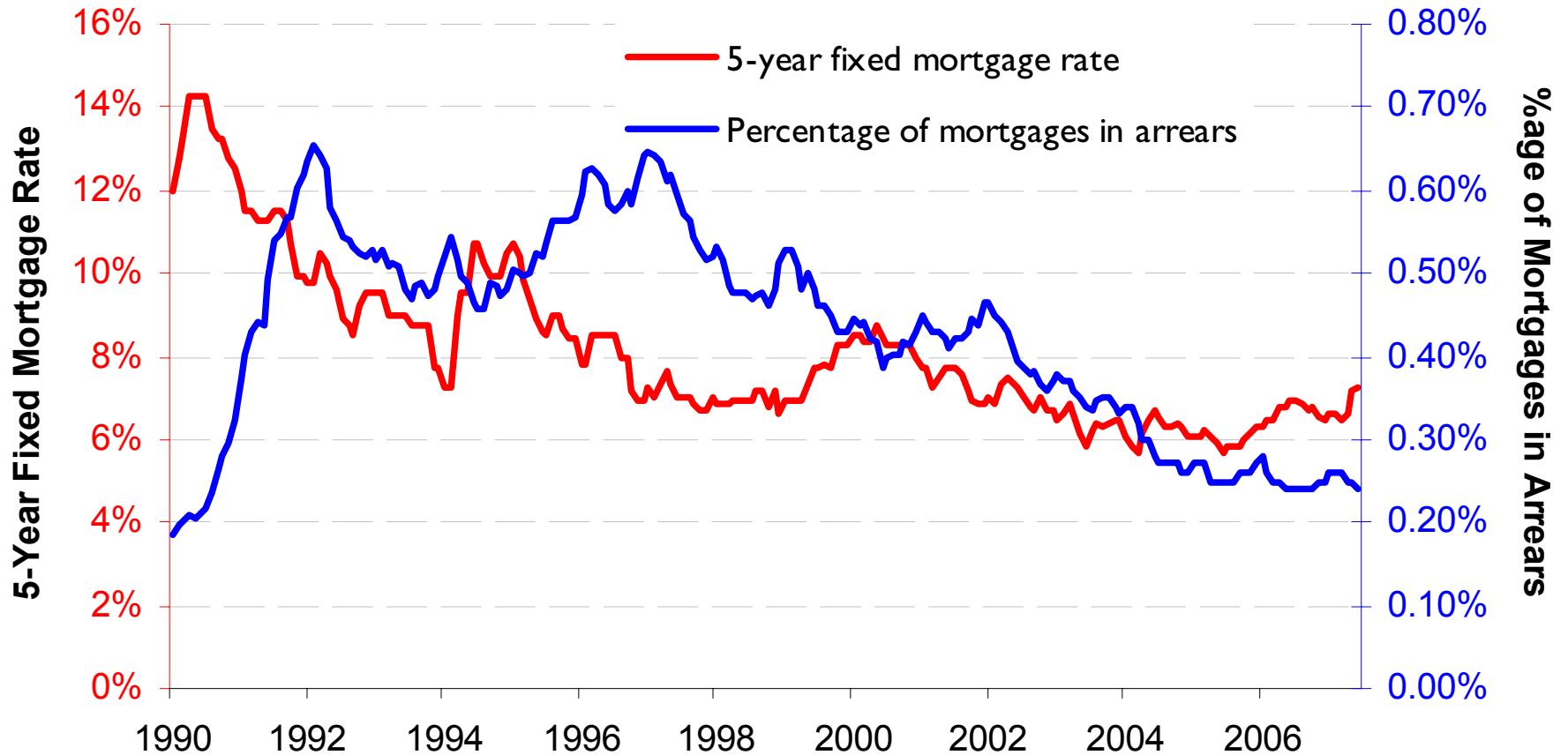
Source: Bank of Canada

# Where Will Interest Rates Go?



Source: Bank of Canada, CMHC Forecast

# Low default rate in Canada



Source: Canadian Bankers Association, Statistics Canada

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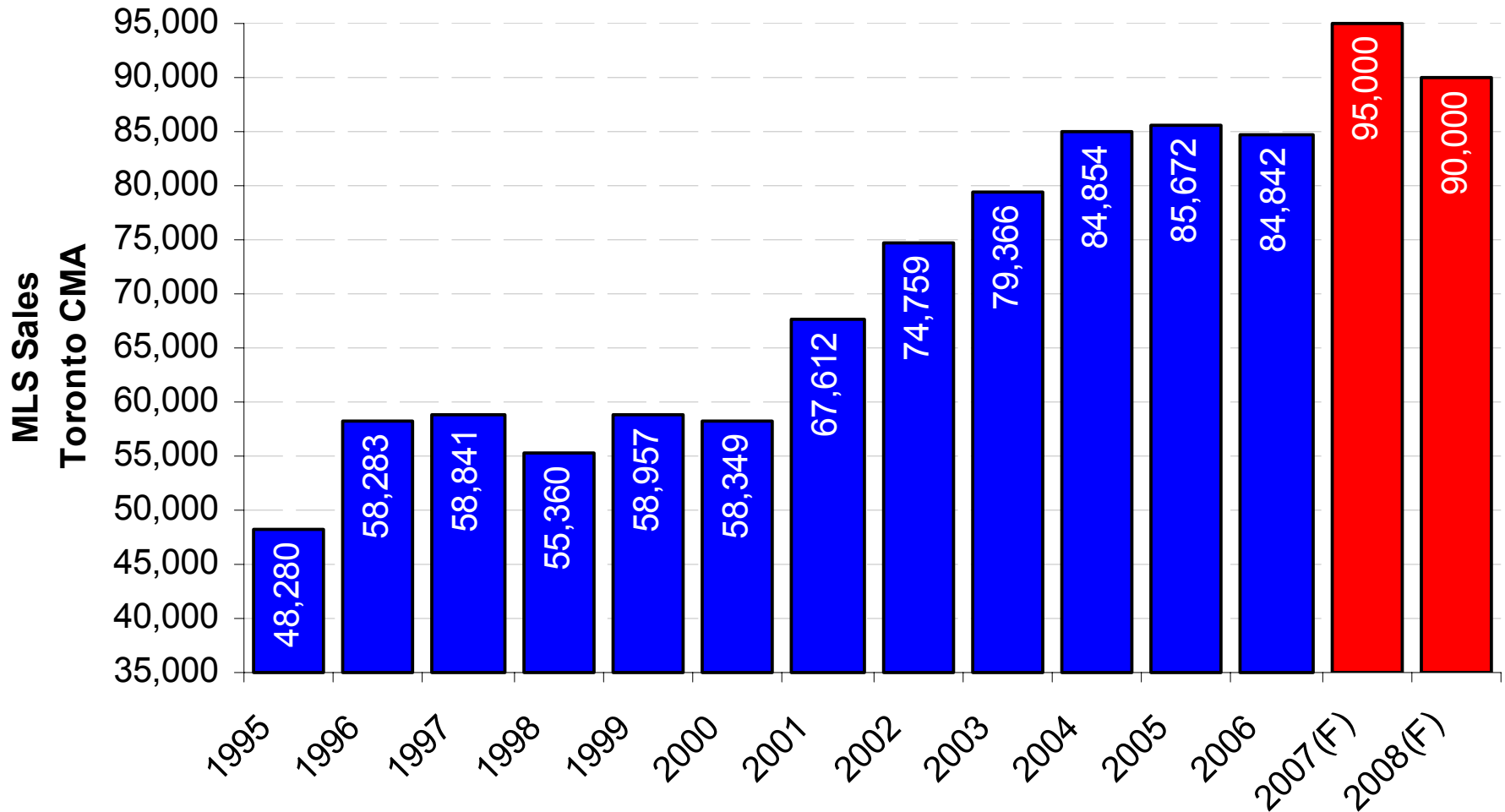


- Existing Home Market
- New Home Market

## 3. Rental Market

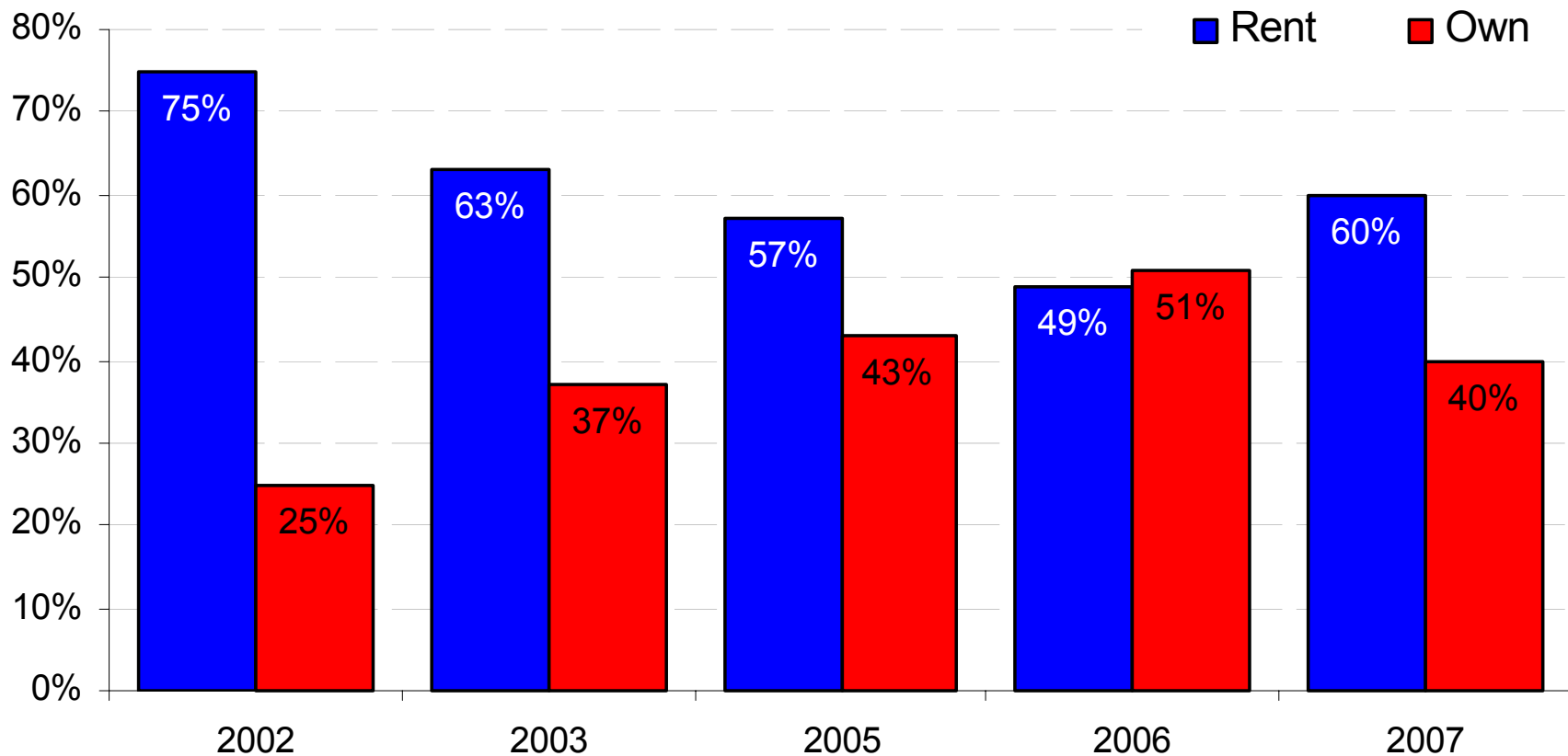
## 4. Forecast Summary

# MLS Sales At Record Levels



Source: CREA; CMHC Forecast

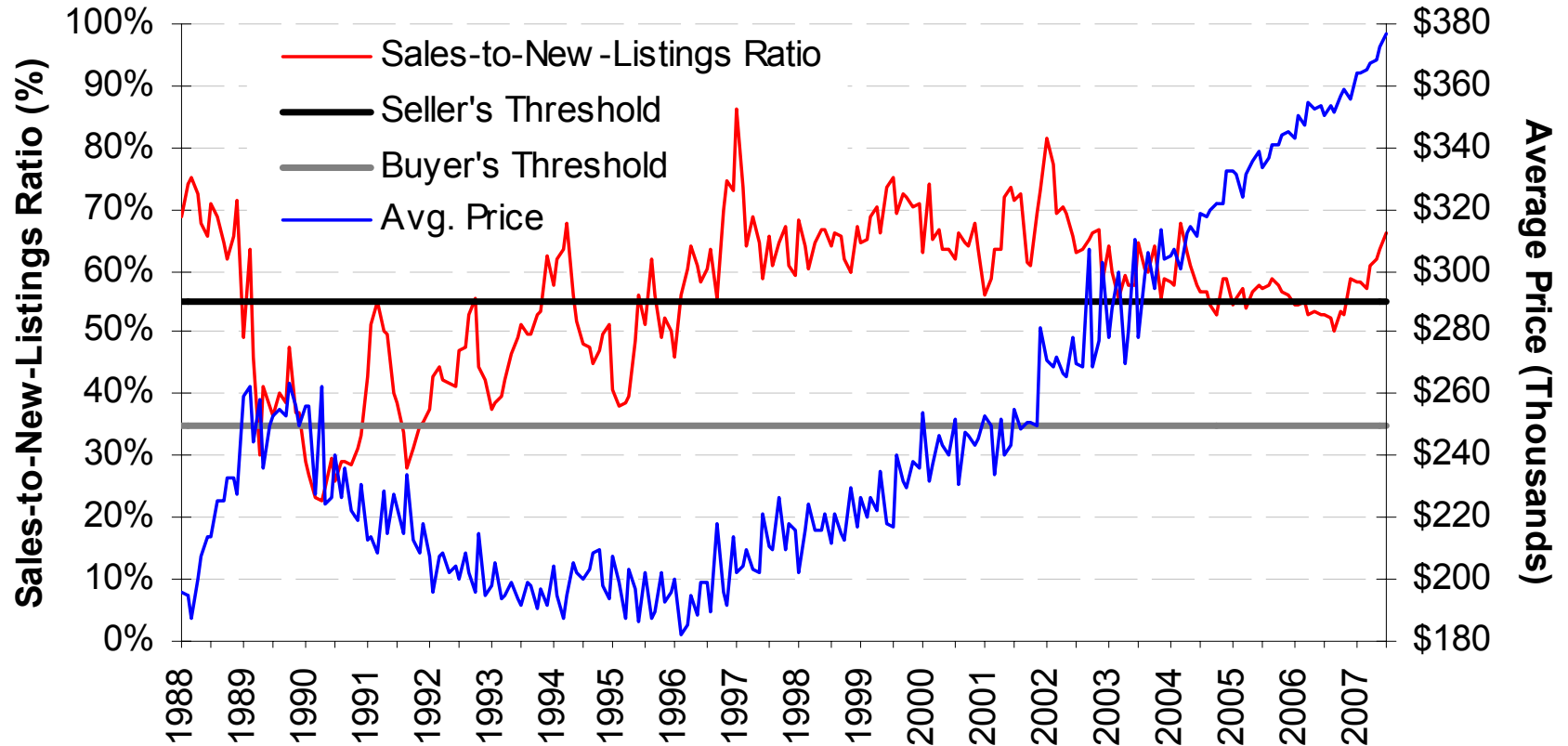
# Fewer First-Time Buyers Intending to Buy



**Source: CMHC Consumer Intentions to Buy and Renovate Survey (2002-2006) and 2007 Renovation and Home Purchase Survey**

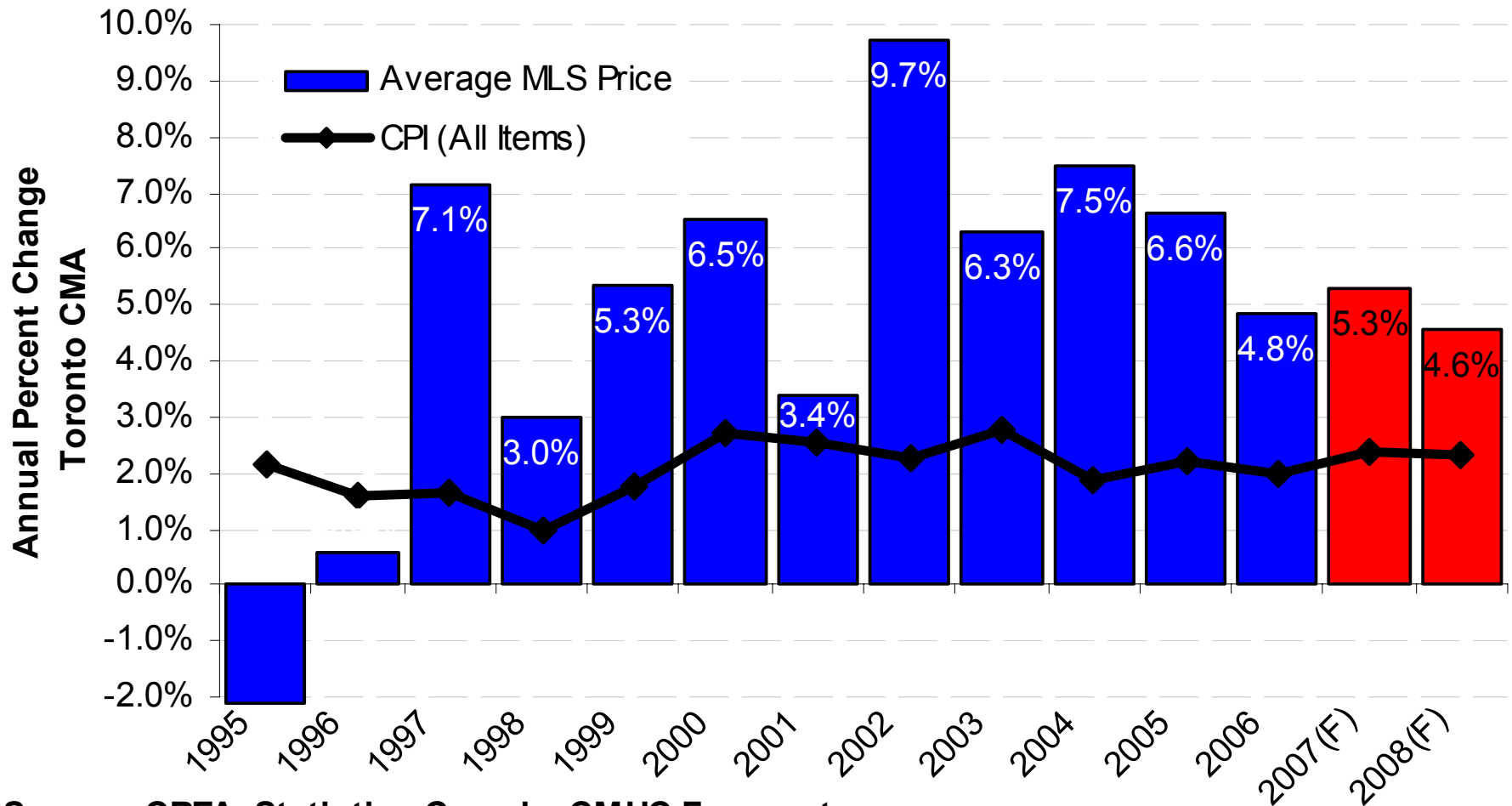
# Resale Market Has Tightened

## Toronto CMA



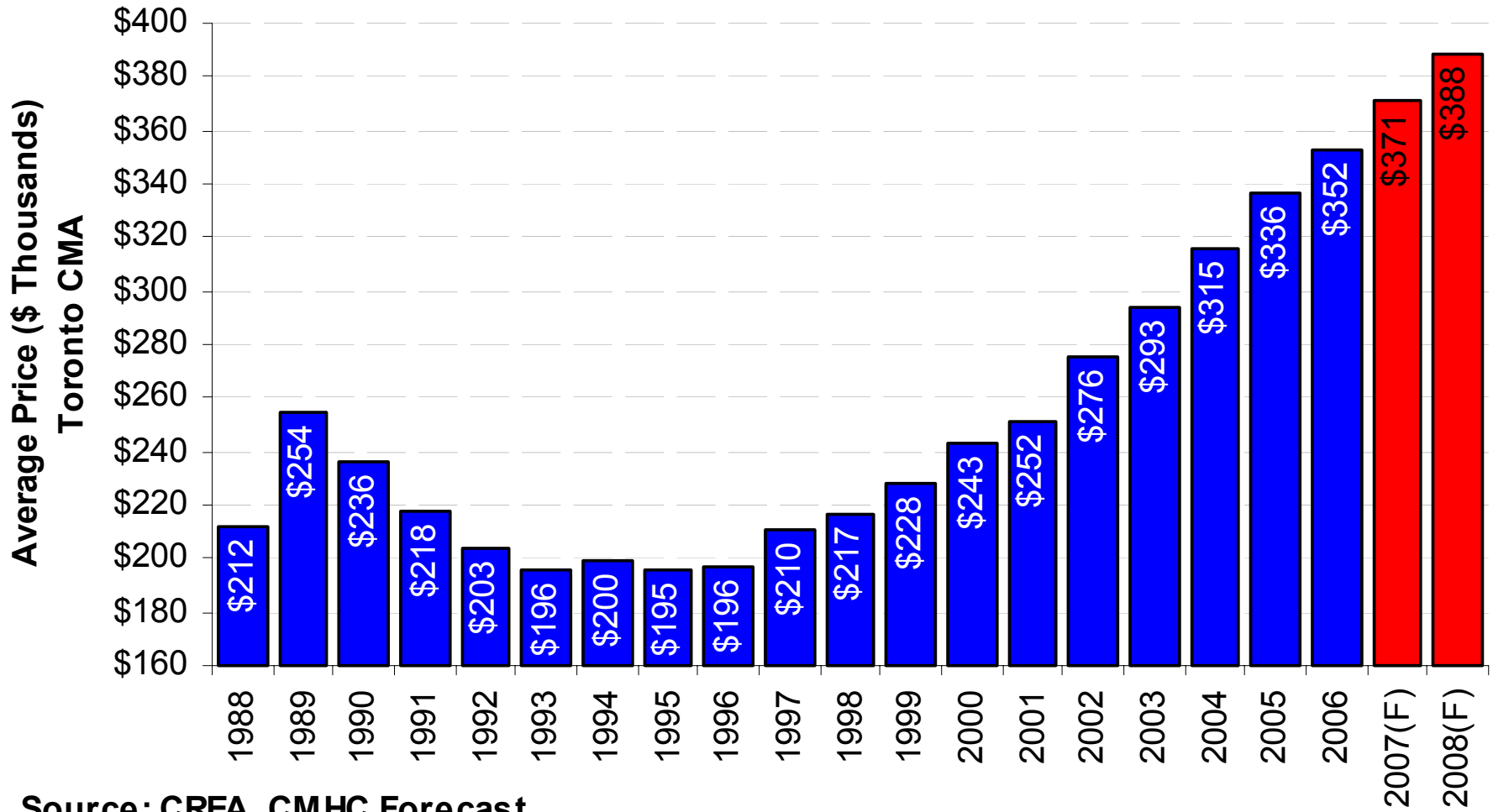
Source: CMHC, CREA

# MLS Price Will Grow Above Inflation



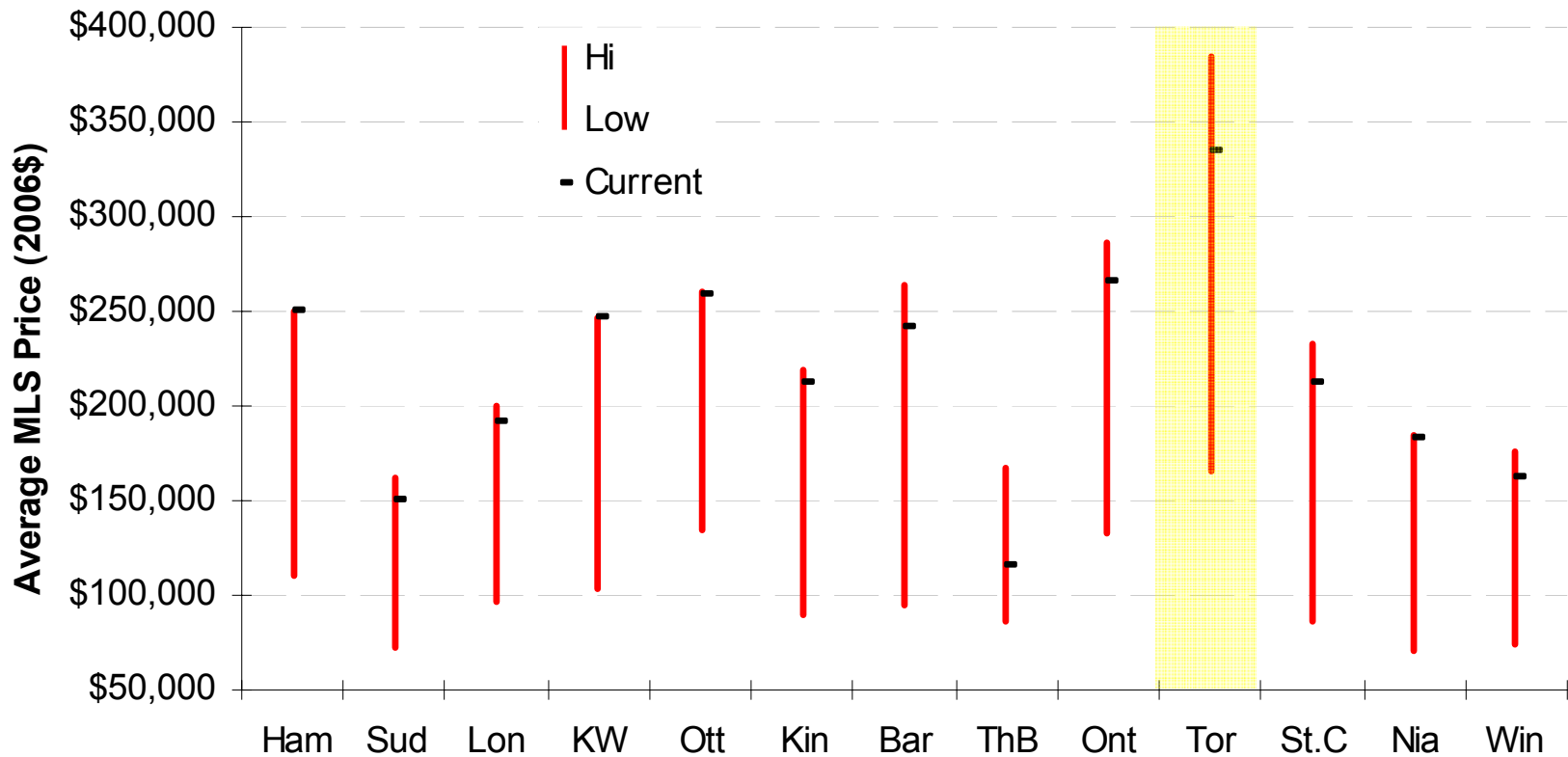
Source: CREA, Statistics Canada, CMHC Forecast

# MLS Price



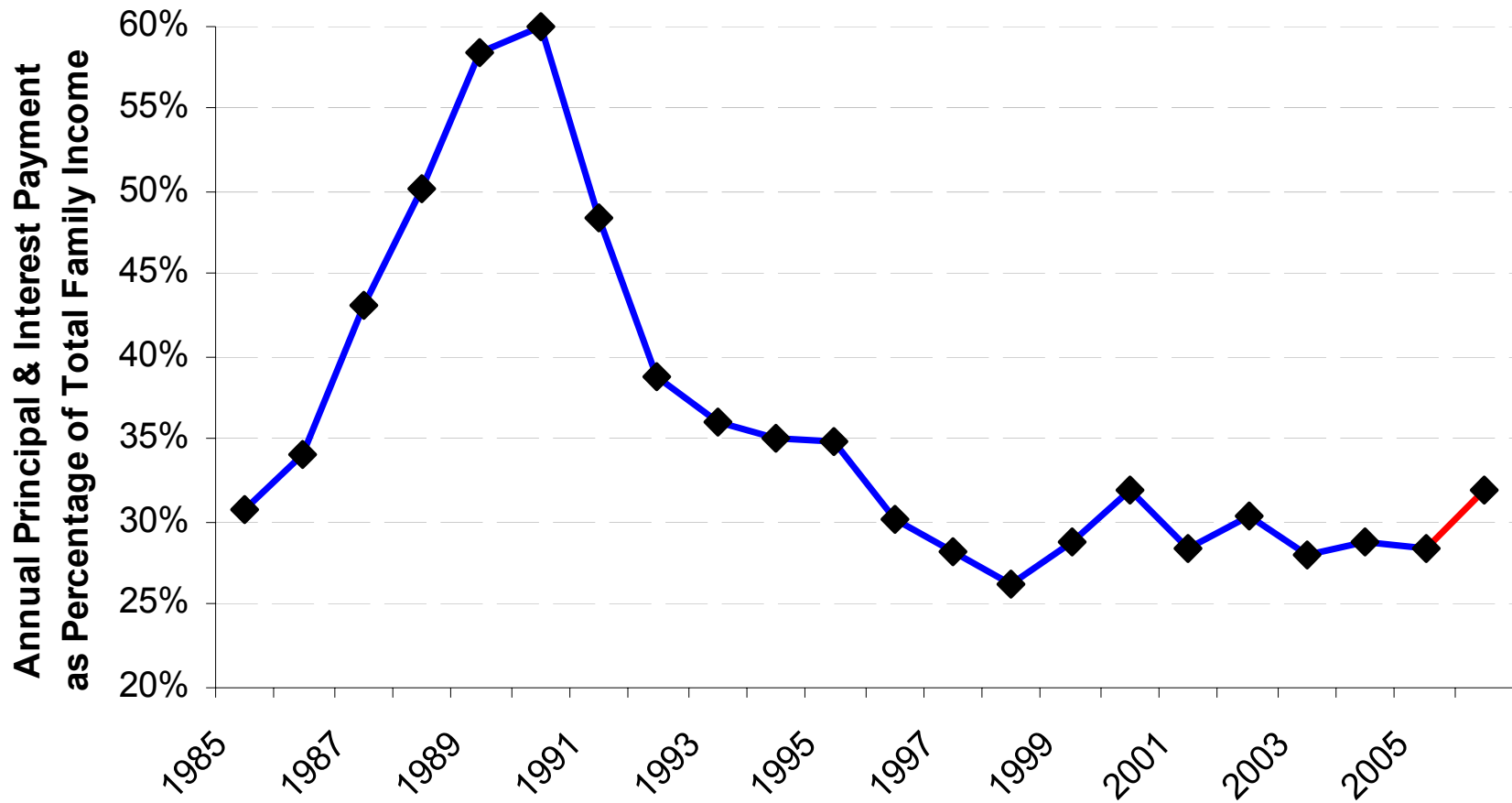
Source: CREA, CMHC Forecast

# Average MLS Price Has Not Reached 1989 Peak



Source: Canadian Real Estate Association, CMHC Adjustment

# Mortgage Carrying Costs Remain Low



Source: Bank of Canada; CREA; Statistics Canada; CMHC Forecast

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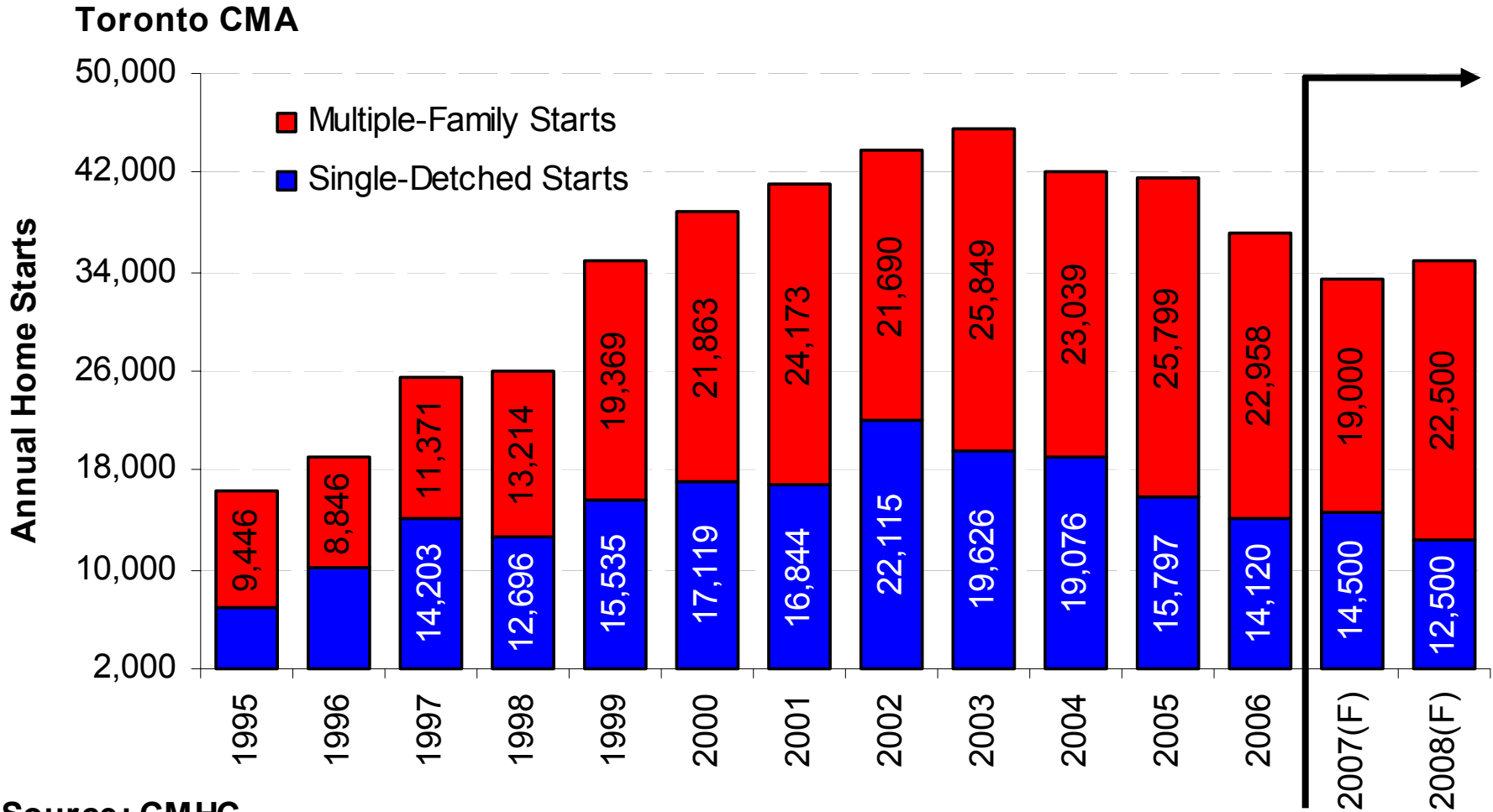


- Existing Home Market
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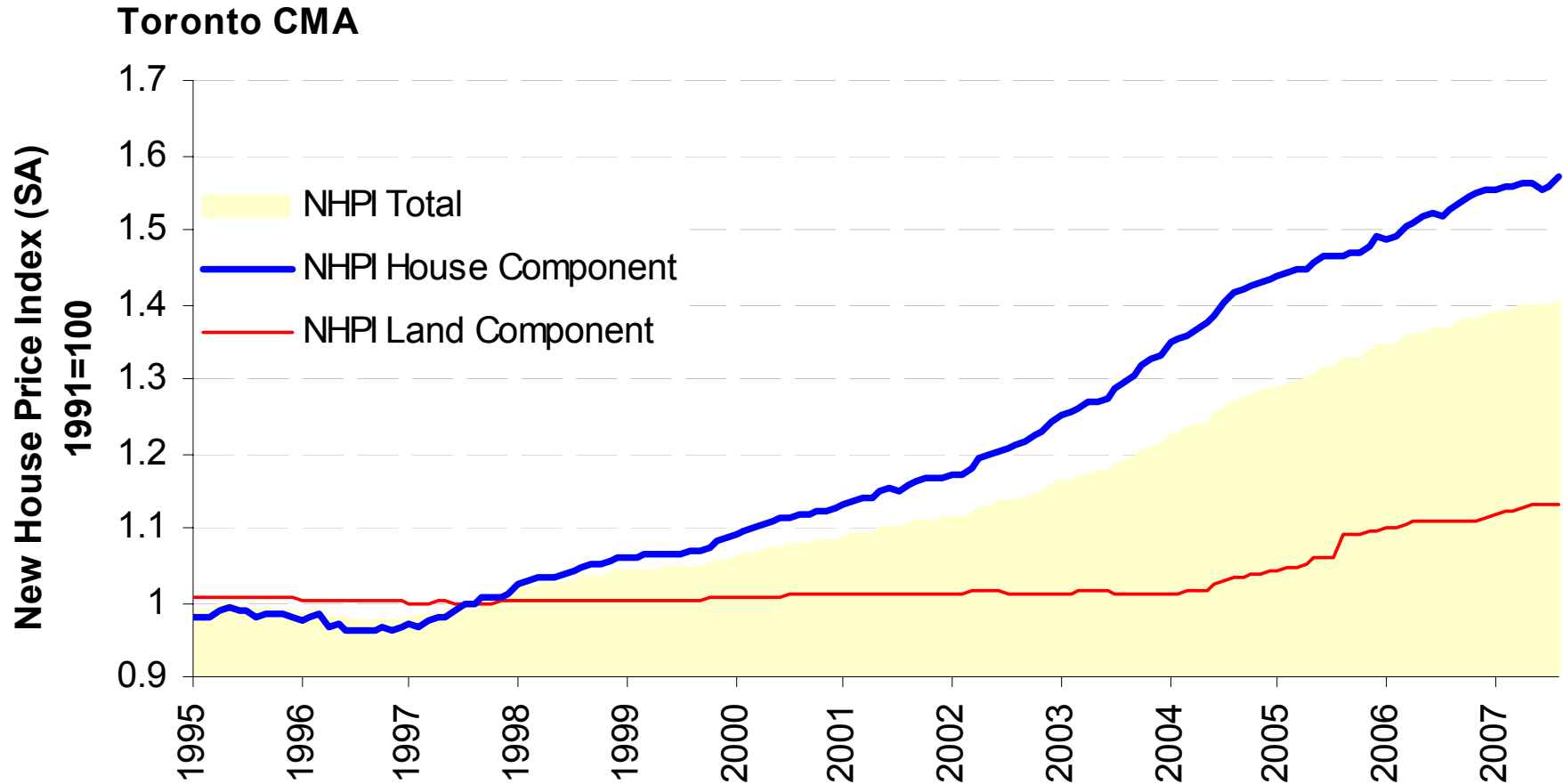
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# Multiple-Family Starts Accounting For Greater Share



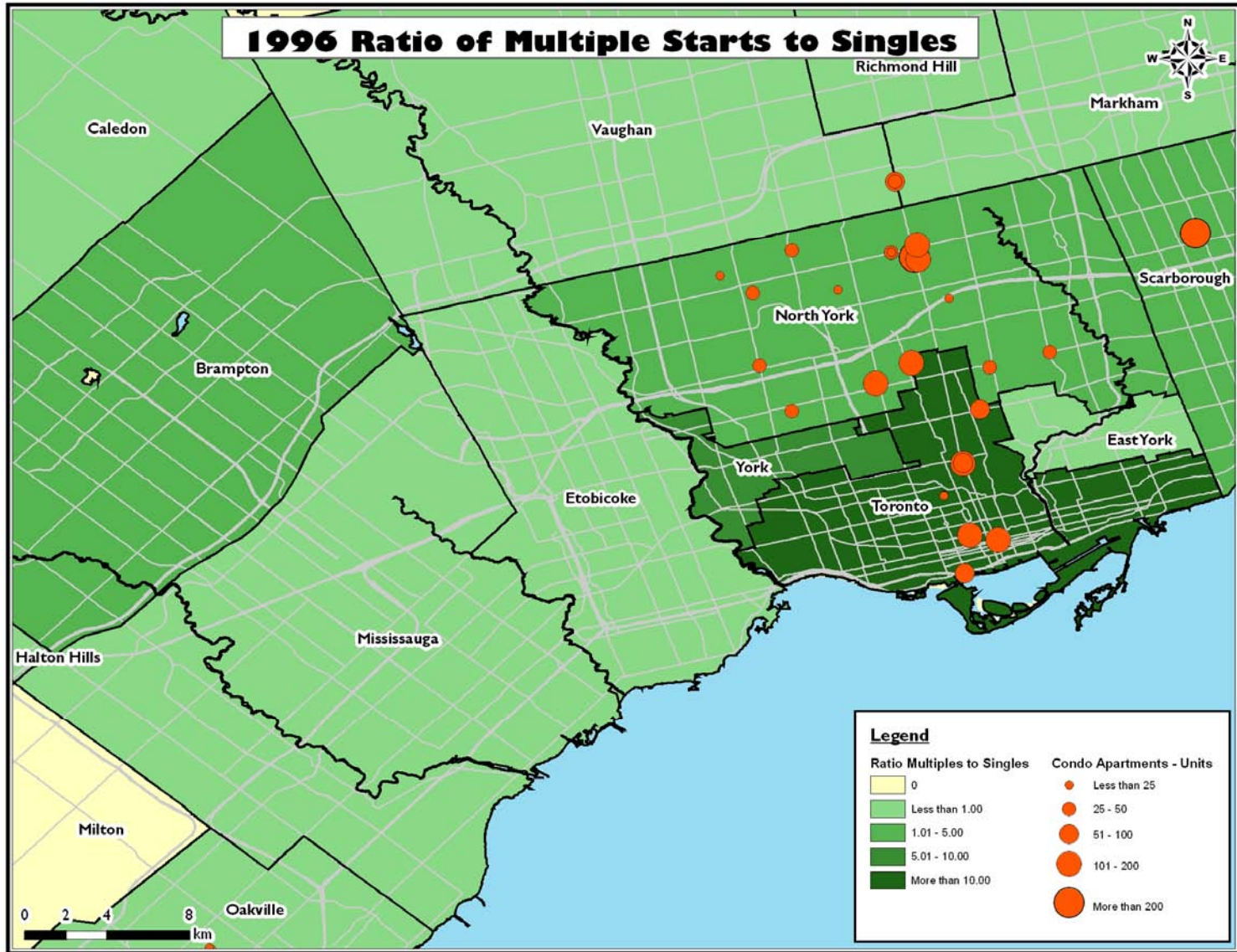
Source: CMHC

# High New Home Prices

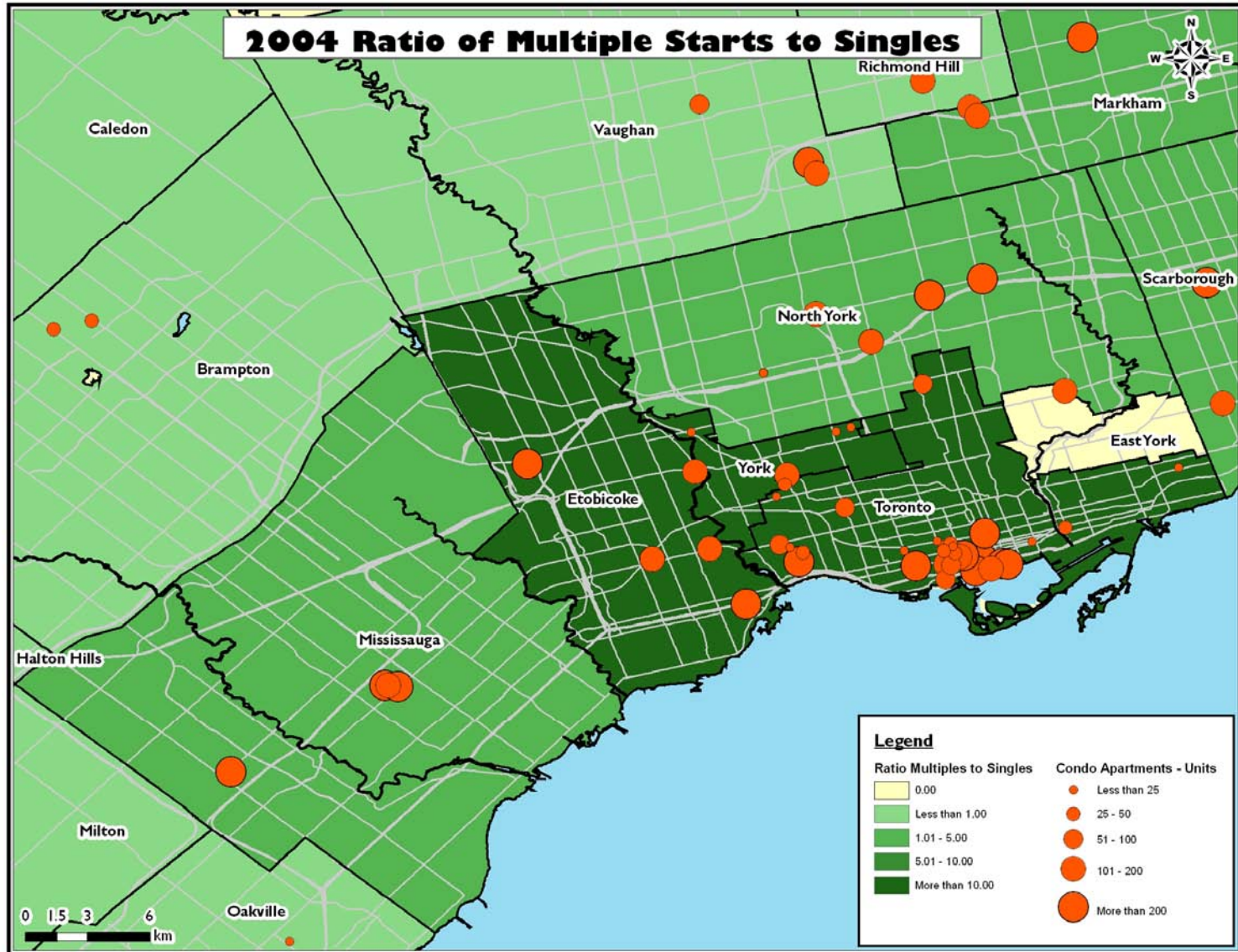


Source: Statistics Canada

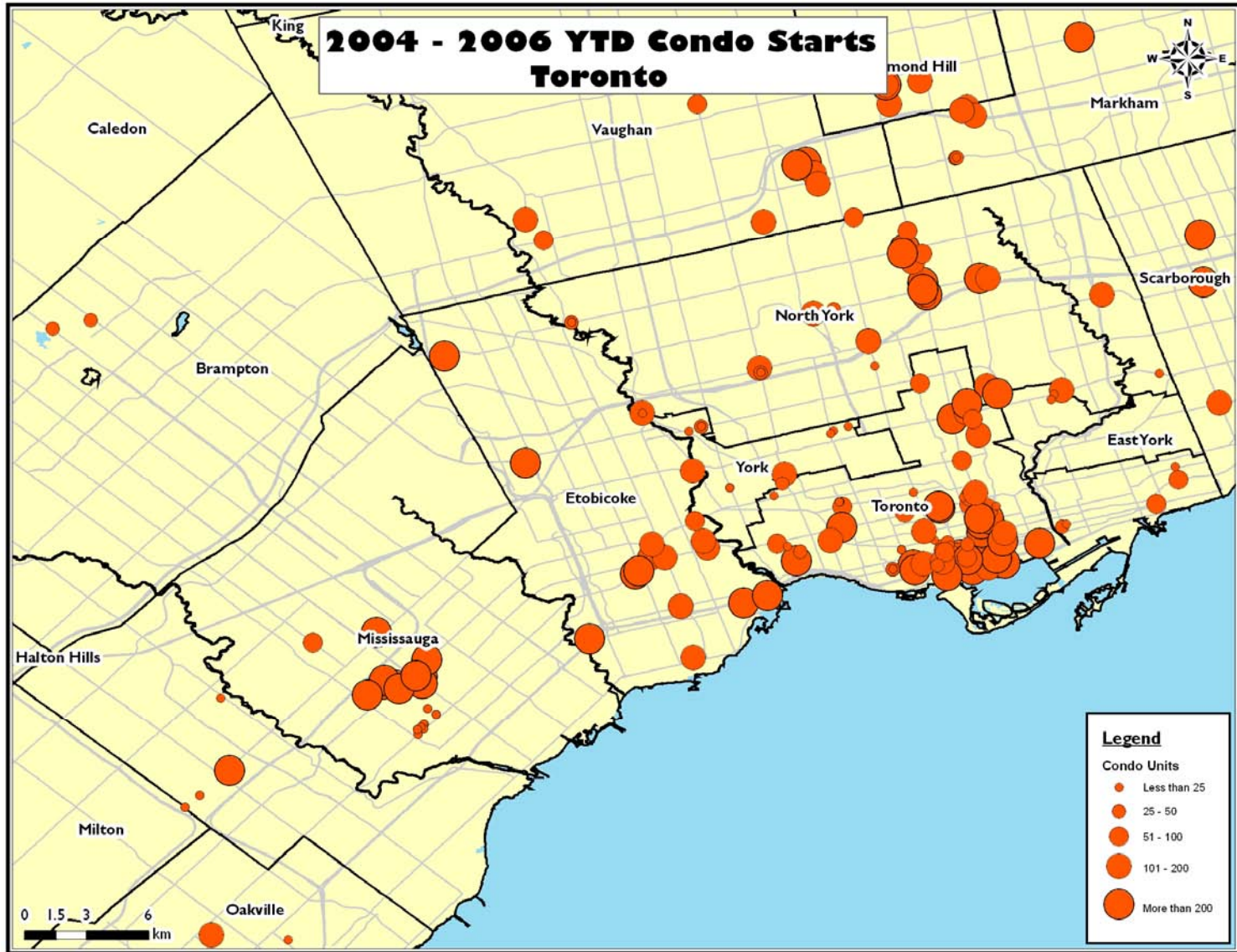
# Multiple-Family Share of Housing Starts Rising



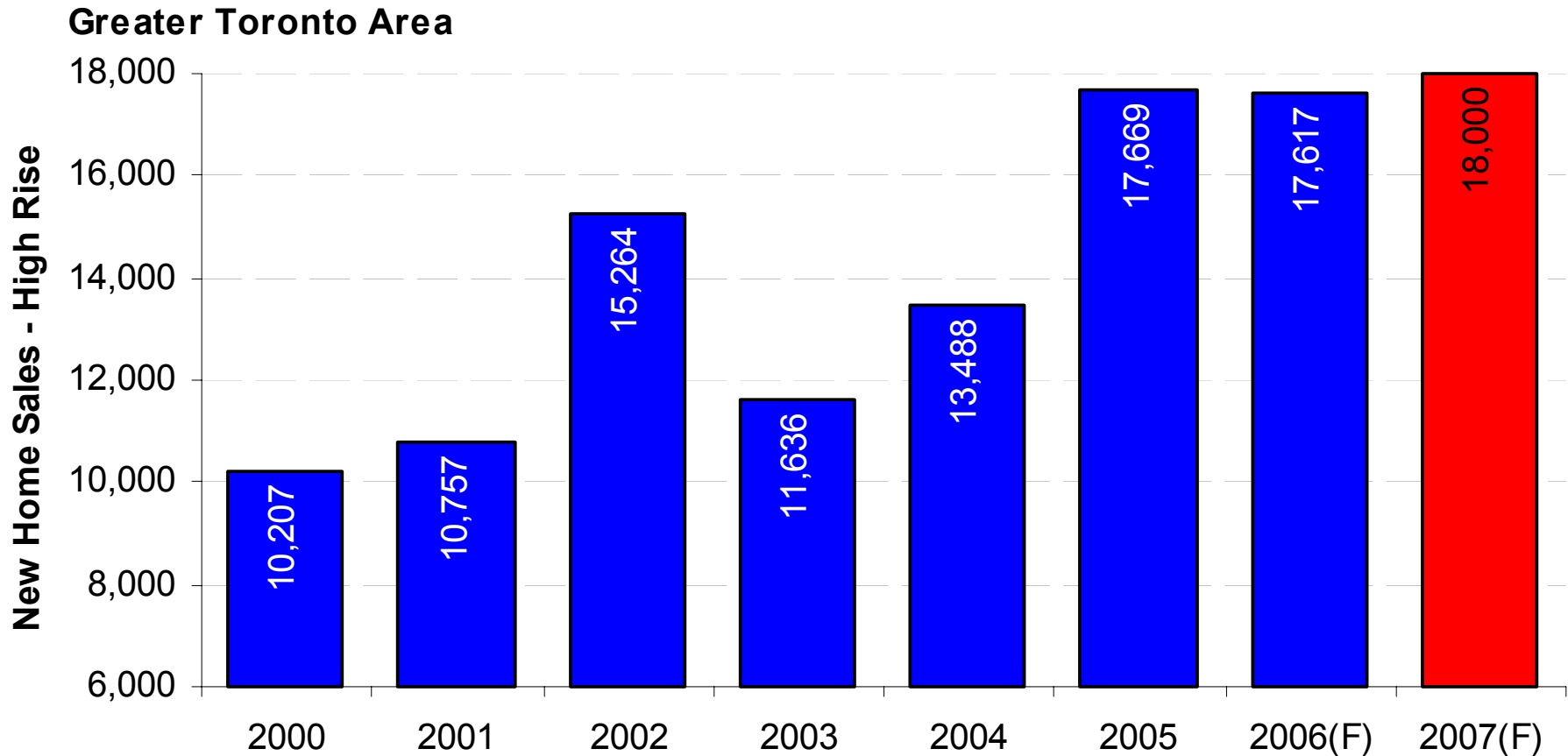
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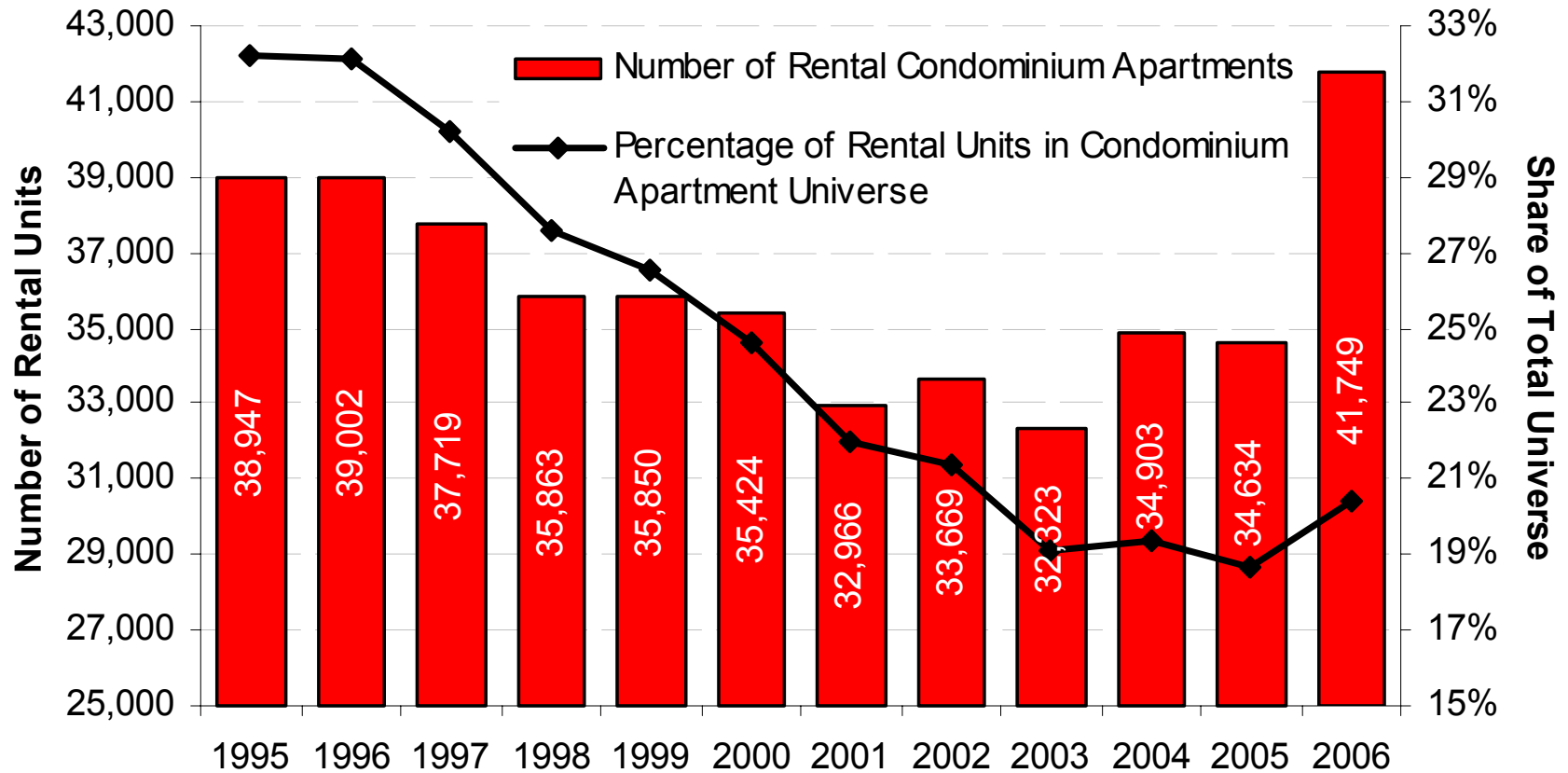


# High Rise Sales Will Set New Record



Source: RealNetCanada Inc. ([www.realnet.ca](http://www.realnet.ca)), CMHC Forecast

# Who's Buying Condominium Apartments?



Source: CMHC, 1995-2005 Condominium Surveys,  
2006 Rental Market Survey

## Two Types of Condominium Apartment Investing

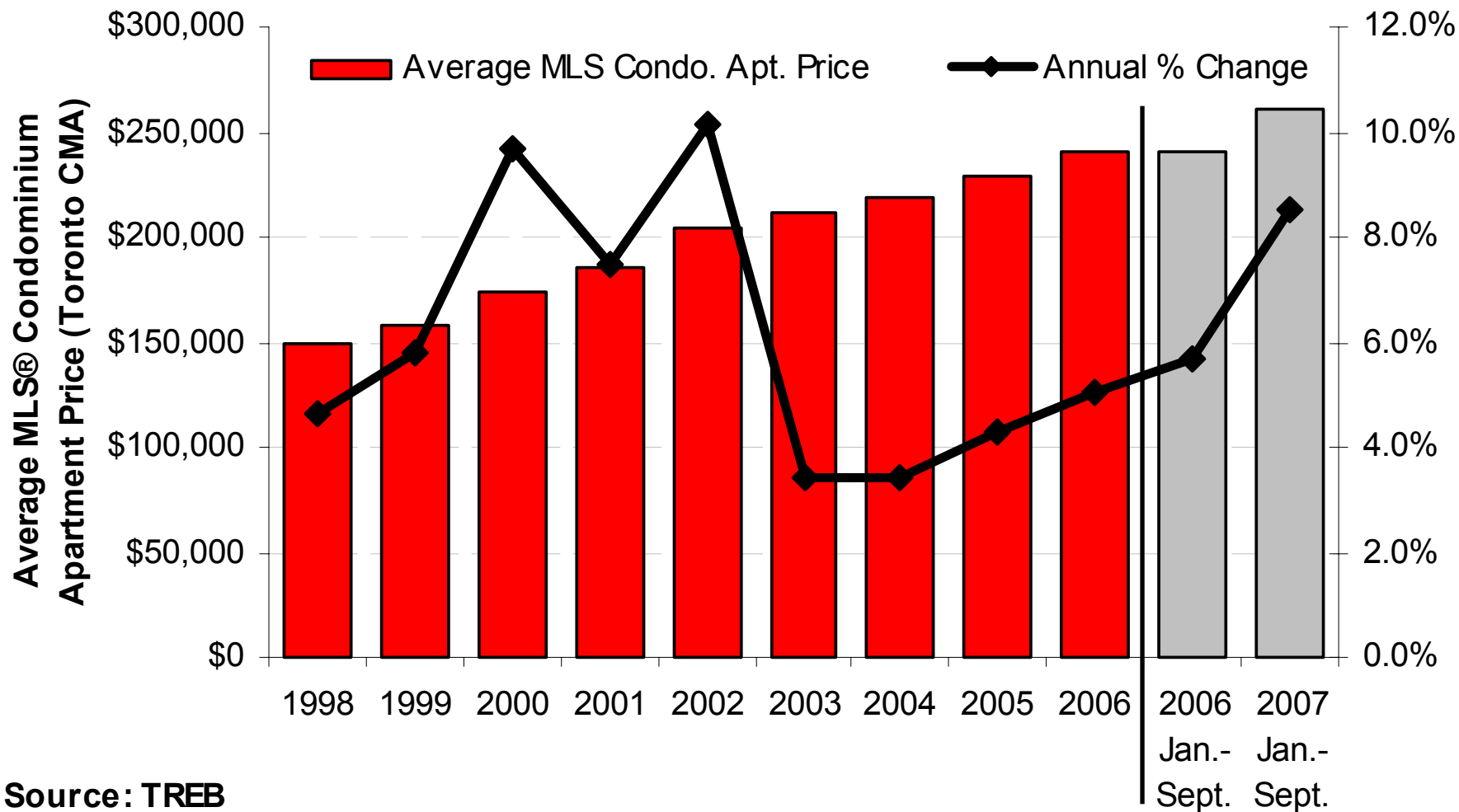
### 1. Buy and Hold

- Want to make a positive return with rental income, after covering monthly expenses (i.e. mortgage payment, taxes and maintenance).
- Want to take advantage of long-term capital appreciation.

### 2. Speculation

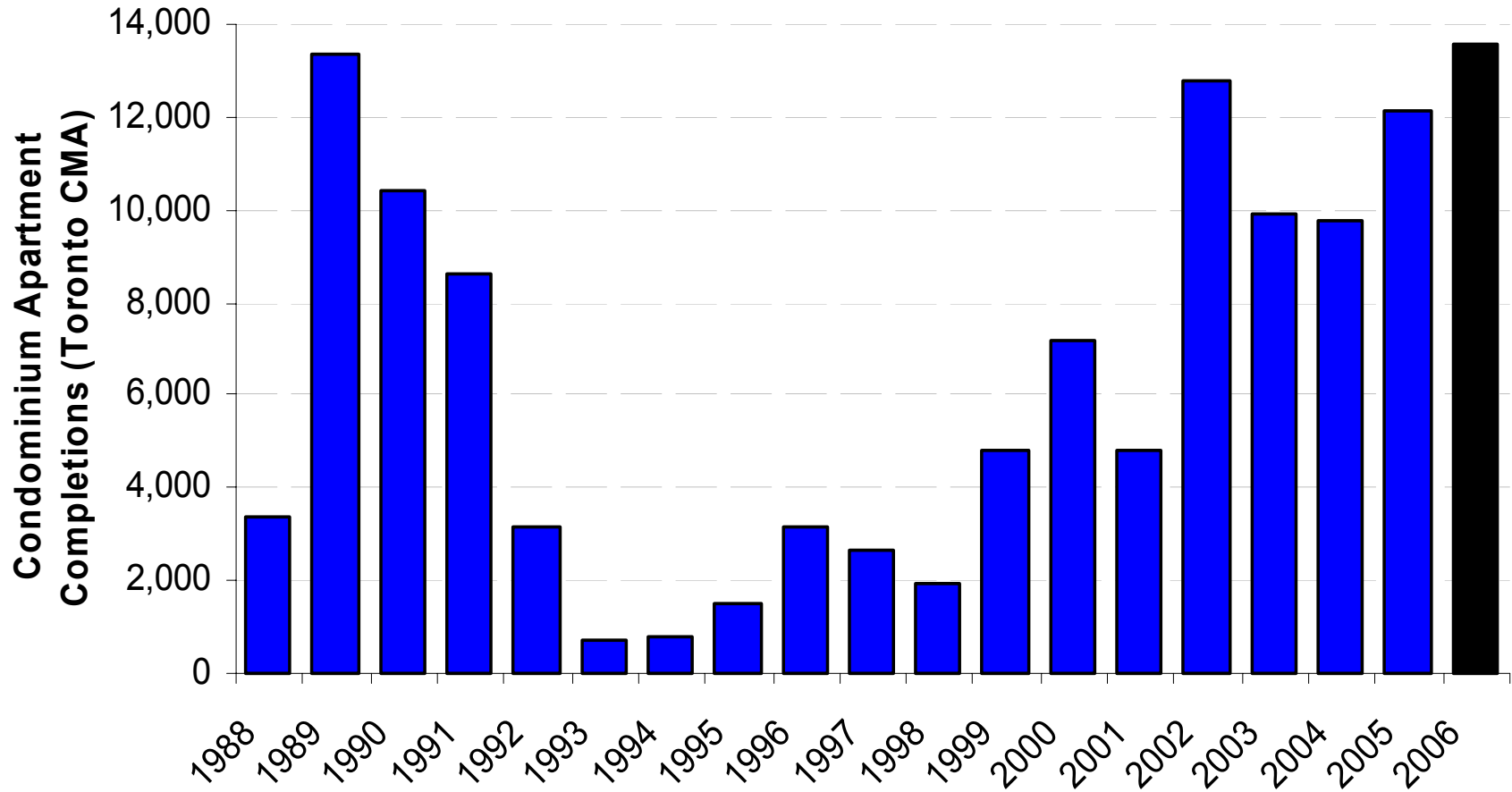
- Purchase a condominium apartment at pre-construction prices, betting prices will increase.
- The speculator aims to sell for a profit upon completion and registration of development.

# Condo Price Growth Has Been Robust



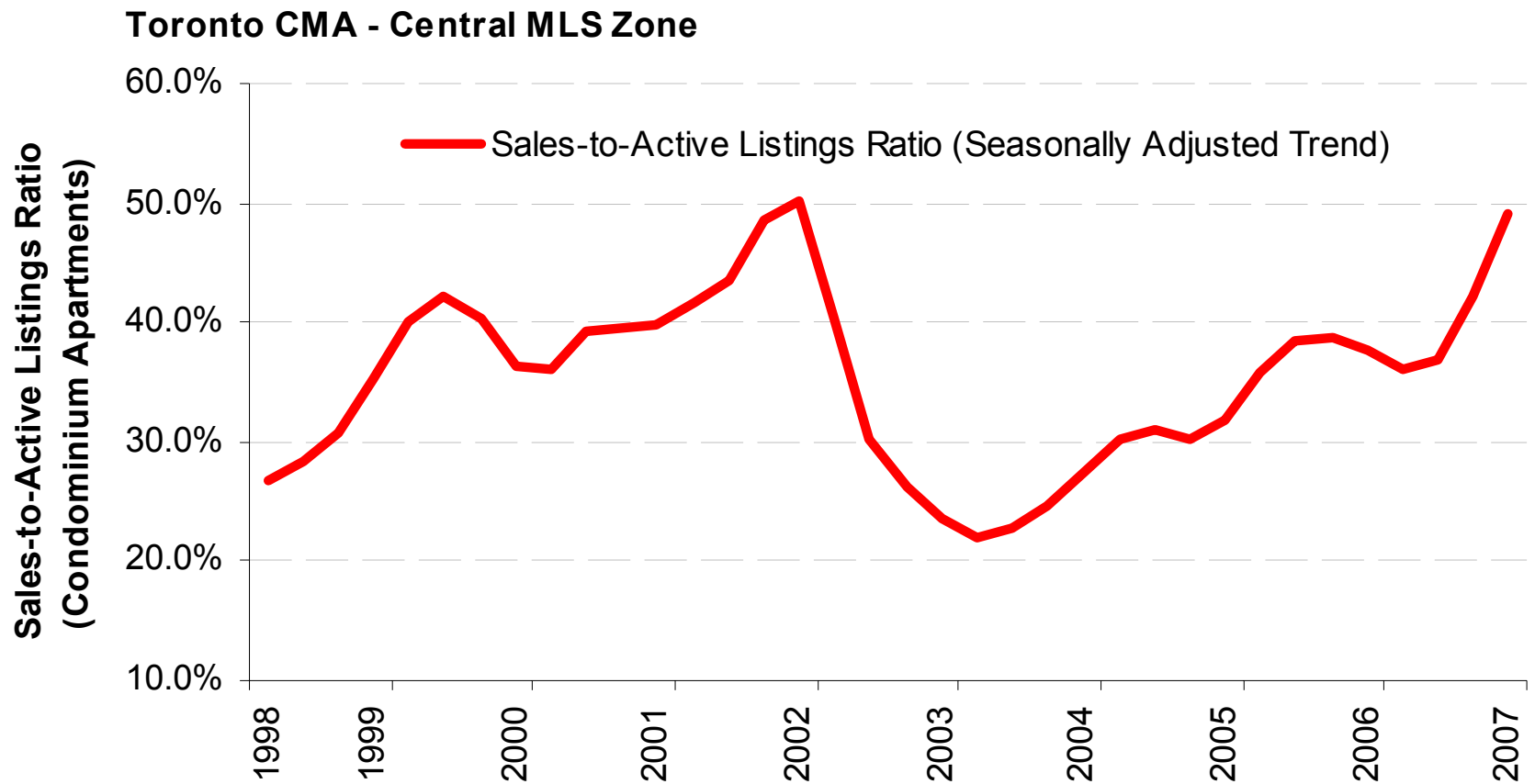
Source: TREB

# What Happens if Investors Sell?



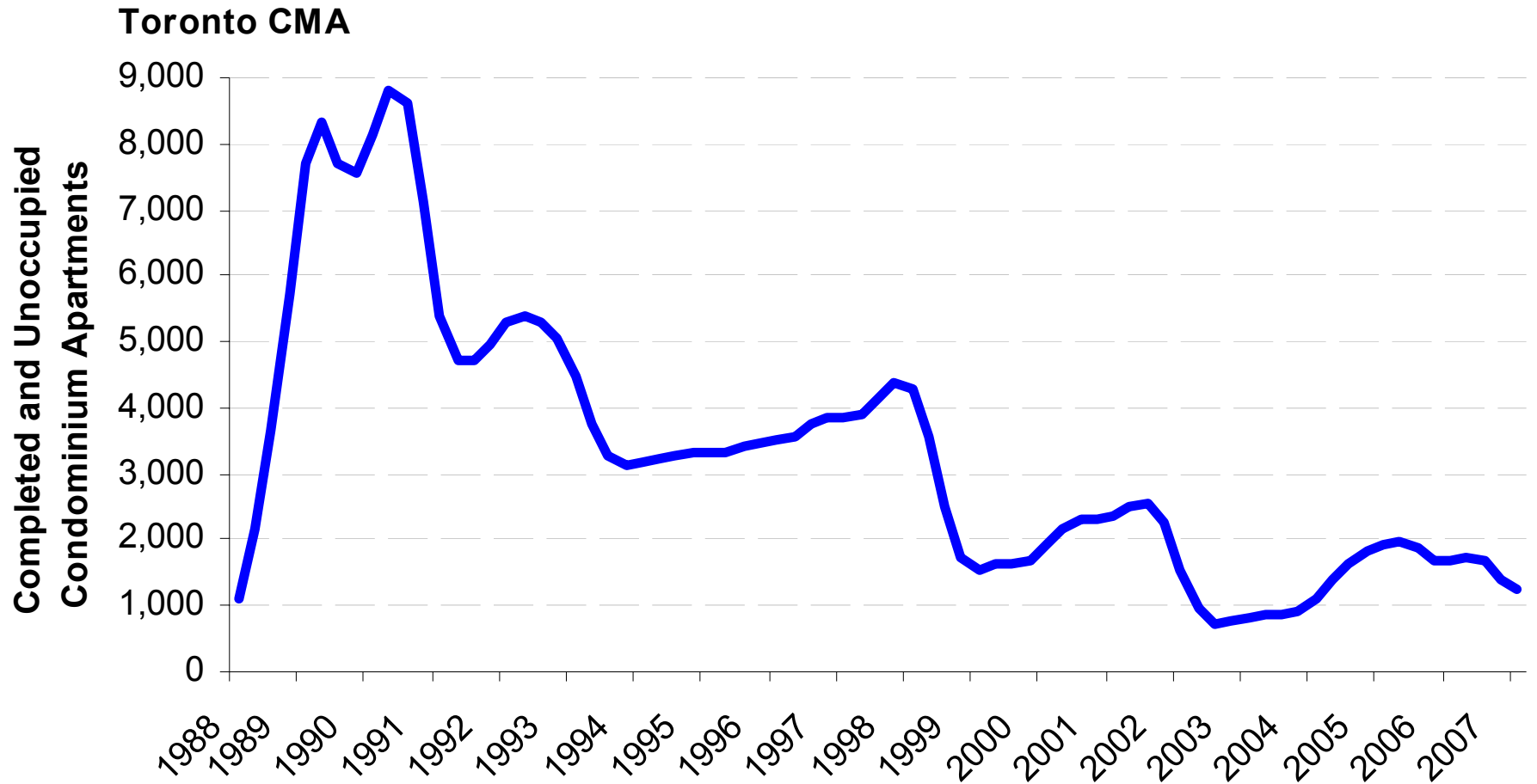
Source: CMHC

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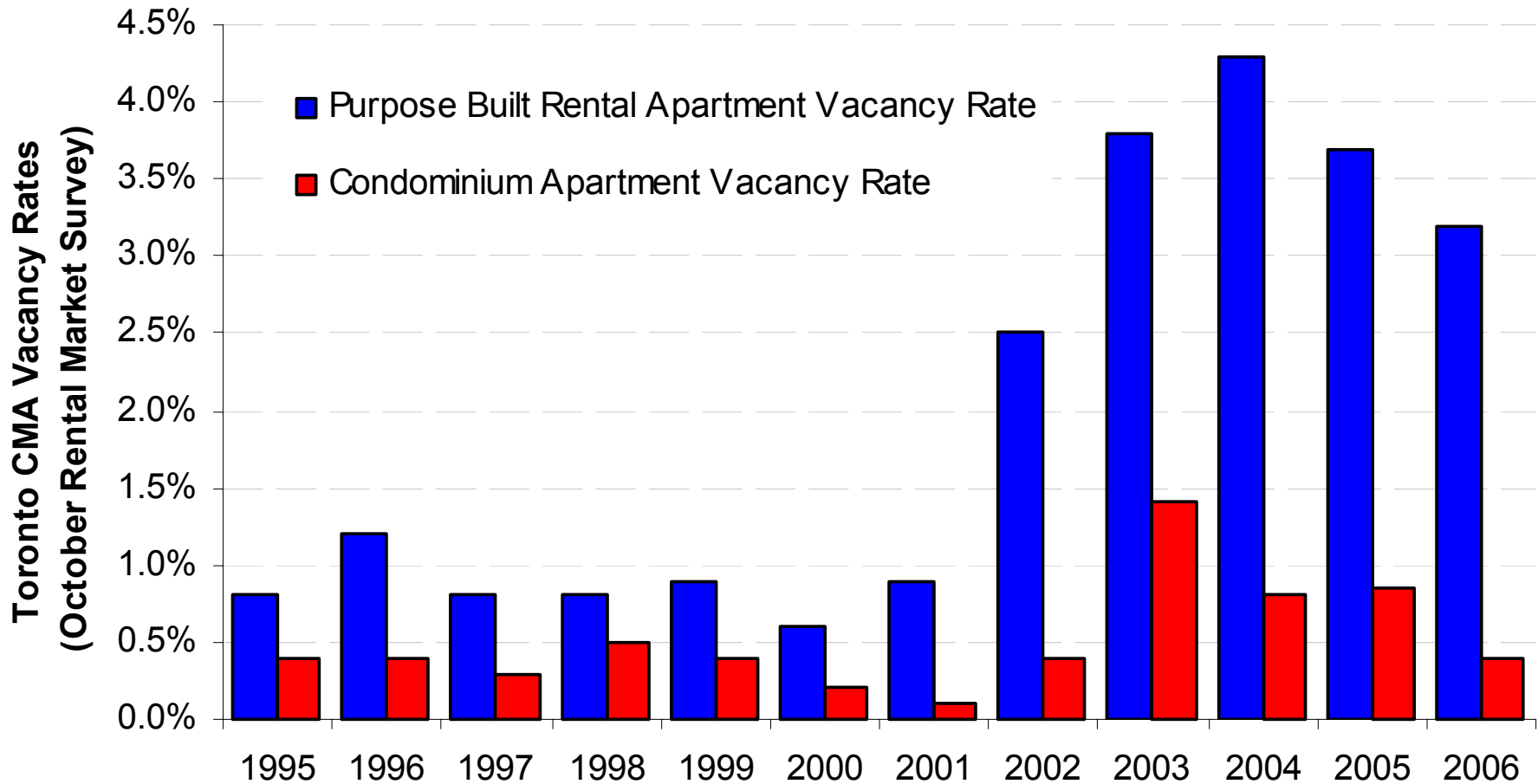
Source: CREA

# Developer-Held Inventory Remains Low



Source: CMHC

# Condo Vacancies Lower Than Purpose-Built



Source: CMHC

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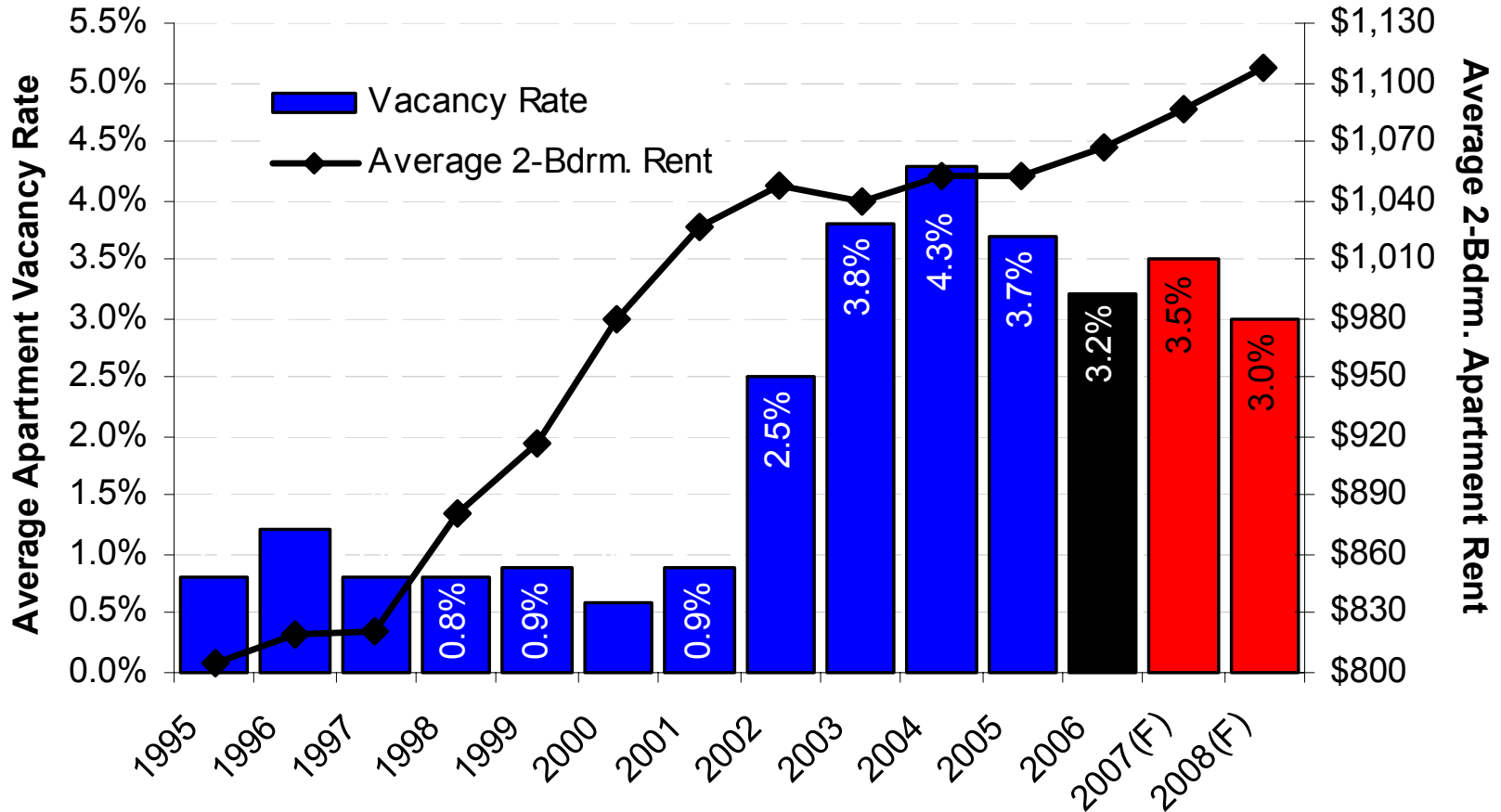
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# Vacancy Rate Remains Elevated



Source: CMHC Rental Market Survey, 1988-2005; CMHC Forecast

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