REGIONAL HOUSING REPORT

TD Economics

August 30, 2016

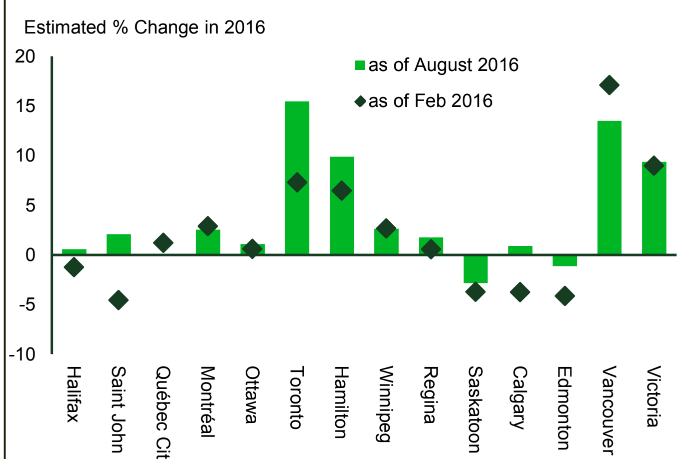
ALL EYES ON TORONTO AND VANCOUVER

Highlights

- Calls for a soft landing in the Canadian housing market have been disappointed yet again this year, with mortgage rates plunging to new lows. This unanticipated strength nationally has been primarily been a story of run-away price growth in Vancouver and Toronto -- two markets that will remain under the microscope in the months ahead.
- In the near term, look for Toronto and Vancouver to move along somewhat different paths. Vancouver has embarked on what is expected to be a modest correction, of which will be reinforced by the recent implementation of the land transfer tax on non-residents. Home prices are projected to decline by about 10% in the region by mid-2017, before stabilizing later in the year. This setback would still leave average prices well above their levels of 1-2 years ago.
- In contrast, Toronto has more room to accelerate over the near term. Barring the levying of a similar tax, foreign investors could switch focus to the more affordable Toronto market.
- We continue to bet on a sustained soft landing in both markets – and in Canada by extension – over the next 2-3 years. This outcome is predicated on bond yields rising gradually over time. To the extent that yields remain stable, or even decline, from current levels, policymakers would be pressured to undertake additional action to cool the housing market and mitigate the risk of a hard landing. In light of this year's continued build up in froth, the risks of a severe and painful correction have significantly increased.

Despite an otherwise challenging year for the overall economy, 2016 has marked another chapter in Canada's prolonged housing boom. Defying our expectations for a soft landing this year, estimates for unit resales and home price growth have been steadily upgraded, and now stand at a robust +6% and +10.5%, respectively. All but four of Canada's major regional housing markets are poised to record at least modest growth in home prices this year.

CHART 1: TD ECONOMICS' PROJECTION FOR AVERAGE EXISTING HOME PRICES



Source: Canadian Real Estate Association. Forecast by TD Economics as of August 2016.

There are three main factors behind this year's unanticipated strength. First, our earlier view hinged on higher government bond yields. But, this never panned out. Bond yields have in-stead moved to new cyclical lows, thereby pressuring mortgage rates lower.

Another factor that has boosted the national housing metrics above our expectations has been the relative resilience in regions dependent on oil and other commodities, including Calgary, Edmonton, Saskatoon and Regina.

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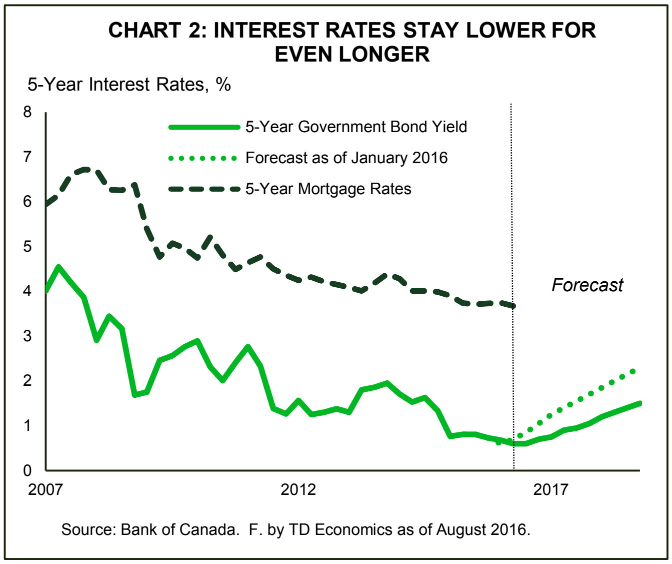


While these economies were hard hit by the commodity price downturn, home price declines have thus far been much shallower than feared, supported in part by still fairly healthy population growth. Still, an imminent rebound in prices is yet to be seen across these markets with softness likely to extend over the next several quarters.

But, the major culprit for the Canadian market's over-heated state remains the runaway price growth in Vancouver and Toronto's white-hot markets. In this edition of the Regional Housing Outlook, we shine the spotlight on these two similar yet distinct housing markets. In the coming months, these regions are likely to move along somewhat different paths, as Toronto continues to forge ahead, while the recent foreign buyer's tax and past erosion in affordability set the stage for a pull-back in Vancouver housing activity.

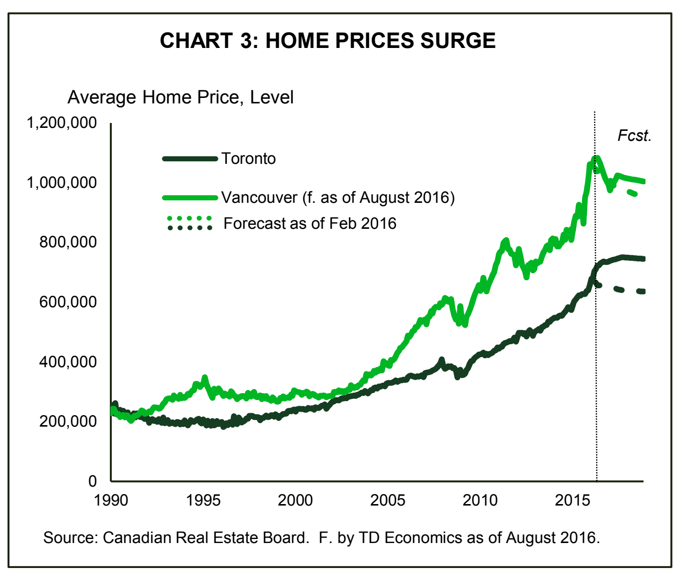
Looking out to 2017-18, however, the outlook becomes murkier. Although there is a real risk that housing activity in Vancouver will rebound strongly next year as the impact of the tax fades, we continue to bet that the start of multi-year, gradual normalization in bond yields will help to keep activity in check. The modest upward pressure on mortgage rates, combined with the dampening effect on sales and prices from this year's erosion in affordability should lead to a moderate cooling in Toronto's market over the medium term.

Excesses in housing can either be addressed through a quick and painful correction or a less severe, but more drawn out period of sub-par activity – a so-called "soft landing". Our baseline projections for Toronto and Vancouver, and by extension Canada, continue to be built on the latter narrative. At the start of the year, we had believed that Toronto and Vancouver would experience a 3-4 year period of more subdued housing market conditions, but in light of the subsequent run-up in prices, that longer-term adjustment phase is now likely to be even longer. Moreover, the risk of a much more severe outcome than in our base case has increased significantly over the past year.

Some air starting to come out of the Vancouver market

In recent months, average home prices in Vancouver have risen by an alarming 30% above their previous year's levels. As such, it was likely only a matter of time before ultra-stretched housing affordability would trigger an adjustment in housing demand, and consequently prices. Wild swings in prices and activity are well documented in the history of the Vancouver housing market, which tends to be significantly more volatile than most other Canadian housing markets.

Indeed, statistics on market performance in the months ahead of the implementation of the foreign buyers on August 2nd, revealed a market that was already beginning to cool. In July, Vancouver home sales were 20% lower than a year earlier. Meanwhile, new and resale supply – which had remained stubbornly low earlier in the year – showed clear signs of responding to price strength. New homes under construction surged in early-2016 to a record level. And while resale listings have not responded to the same extent, they too have started to inch up. Home prices are still growing at a hot pace, with the average resale price up a still-hot 17% y/y in July, and a measure of prices that adjusts for compositional shifts in sales holding firm at 33% y/y. However, prices tend to lag activity, with turning points in demand-supply conditions manifesting in prices a month or two later.



By virtually all accounts, the Vancouver region's market remains drum-tight. The ratio of sales to listings continues to favour sellers, and the level of new home inventories has stayed historically depressed. However, there is little doubt that market momentum has been on the wane – a trend that will only be reinforced in the near term by the foreigner-buyer tax.

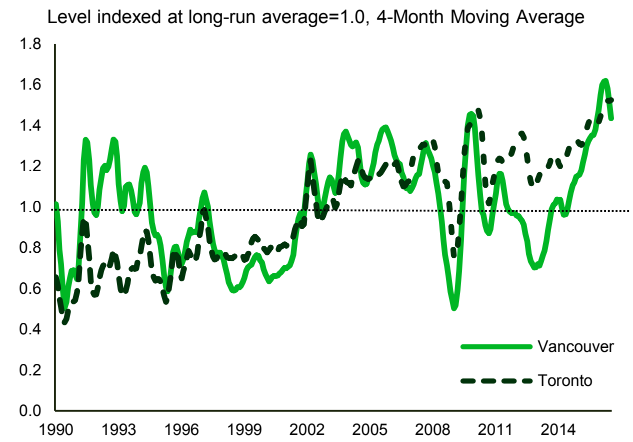
In addition to its timing, the scope of the new land transfer tax on non-residents in Vancouver (along with a proposed tax measure targeting empty housing) will likely increase its impact. The tax is relatively high as compared to similar measures undertaken in some jurisdictions such as Australia, while recent data collected by the B.C. government confirmed that foreign buyers have been a key source of demand in the Vancouver region. Between June 10th and July 14th, non-residents accounted for a significant one in every seven transactions.

Our modelling suggests that the tax measures could reduce sales activity by 10-15% in the Vancouver region over the next six months. Such an outcome assumes a substantial direct impact on foreign purchases as well as an indirect pull-back in buying by residents – speculators included – who may prefer to sit on the sidelines given the heightened market uncertainty. The resulting demand adjustment, combined with the continued supply pipeline, should help rebalance the Vancouver housing market in the coming months, and push prices somewhat lower.

Little slackening seen in Toronto

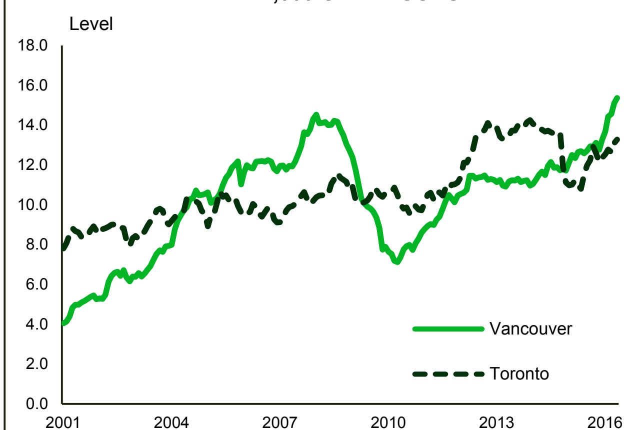
The other side of the coin is Toronto, where housing activity looks set to sustain its recent momentum, or perhaps ramp up further in the coming months. Three factors set apart the near-term outlook for Toronto from that of Vancouver. First, despite the price gains, Toronto's market has displayed a more muted supply response than Vancouver. The supply of resale listings has remained stuck at close to seven year lows in recent months. This lack of response has fueled further talk of what TD Economics coined as "buyer's gridlock", whereby rising premium of prices on upper-end homes has limited the options available to move up buyers and reduced churn in the marketplace. This dynamic, also evident in Vancouver, is discussed in more detail in a recent TD Economics' article. As far as new supply goes, the Toronto market continues to register an elevated number of units under construction, but lengthy permitting processes and infrastructure deficiencies are commonly cited as key factors that have dramatically slowed the rate at which starts

CHART 4: EXISTING HOME SALES



Source: Canaadian Real Estate Association, TD Economics.

CHART 5: NEW HOMES UNDER CONSTRUCTION PER 1,000 OF PERSONS



Source: Canadian Housing and Mortgage Corporation, TD Economics.

CHART 6: EXISTING SALES-TO-LISTINGS RATIO

Source: Canaadian Real Estate Association. F. by TD Economics as of August 2016.

are translated into new completions. As such, the market is expected to witness a supply response over time, it just may be more staggered than in the Vancouver market.

Second, in light of the new tax measures in Vancouver, the Toronto housing market may look increasingly appealing to foreign buyers who are less particular on where in Canada they park their money. While substitutability of Toronto and Vancouver is hard to estimate, we suspect that foreign flows were already beginning to gravitate to Toronto even prior to the tax measure announcement, given the marked slowdown in Vancouver's high-end market and concurrent pickup in Toronto earlier this year.

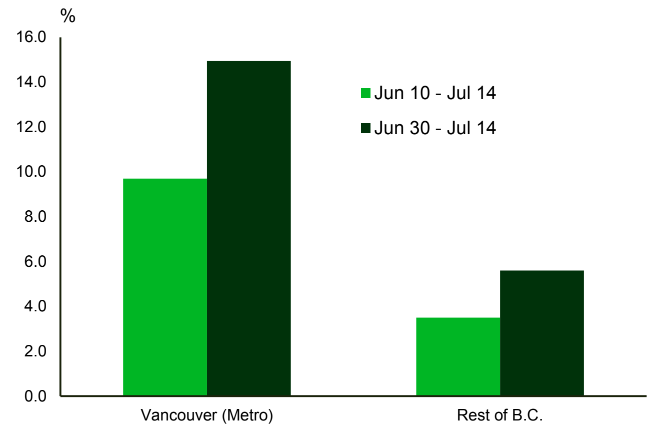
Third, the Toronto market has exhibited significantly less price appreciation on a quality-adjusted basis over the last three years, suggesting less room for a near-term correction. Having said that, price gains in these cities over a longer (i.e., 5 year) horizon have run more or less in line with each other.

2017 outlook much murkier

As such, Toronto and Vancouver's housing markets are likely to head into 2017 on different trajectories. As supply-demand conditions continue to slacken in the months ahead, Vancouver average home prices could see an outright decline by as much as 10% from their recent peak in April 2016. This would mark a similar price adjustment to that recorded in the region in 2010-12. The timing and targeted nature of the new tax on foreign buyers and the frothier market conditions currently could result in a quicker price hit this time around. In contrast, for Toronto, we would not be surprised to see annual price growth sustained at their double-digit pace over the remainder of this year.

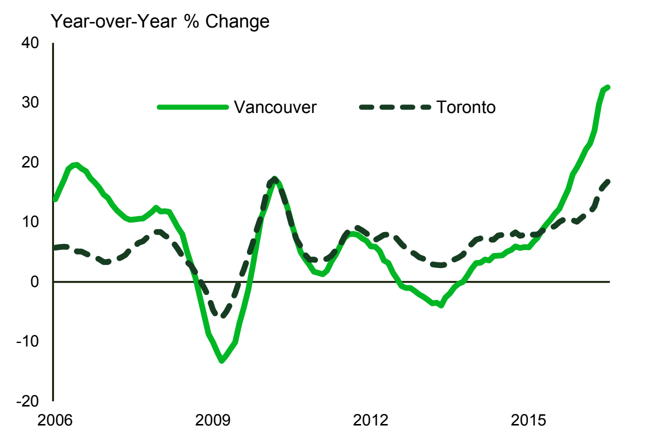
The bigger questions surround the outlook for these markets beyond the near term. Can Toronto maintain its current heady pace of momentum into 2018? An even more challenging forecast to pin down is that of Vancouver. For one, international experience suggests that similar policy moves have generally only manifested in a transitory market cooldown of only one to two quarters.Furthermore, while expected near-term slowdown in housing could clip the wings of job growth in Vancouver, economic and demographic fundamentals in the region are likely to remain generally supportive to home buying. There likely continues to be a large pool of pent-up demand in Vancouver, buyers who have been priced out of the market, but are ready to jump in once prices fall. This highlights the potential for Vancouver's market to resume its ascent once the impact of the tax fades.

CHART 7: FOREIGN BUYING IN B.C. AS A SHARE OF TOTAL TRANSACTIONS



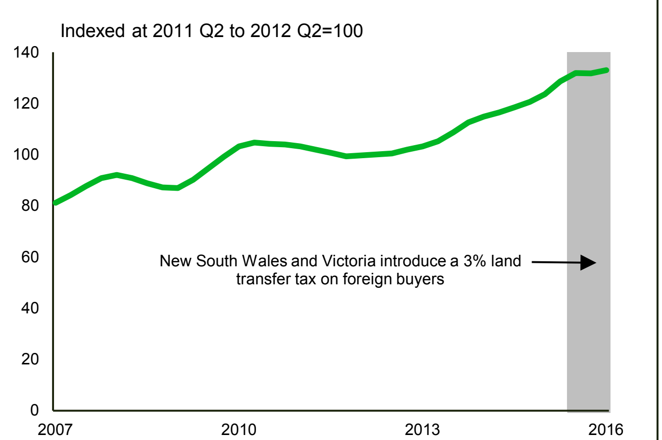
Source: B.C. Government Statistics

CHART 8: MLS HOME PRICE INDEX



Source: Canaadian Real Estate Association, TD Economics.

CHART 9: AUSTRALIA HOME PRICE INDEX



Source: Australian Bureau of Statistics, TD Economics.

Higher rates to keep markets in check in 2017-18

Still, our baseline forecast predicts neither a continued acceleration in Toronto housing market activity nor a sharp revival in Vancouver's market next year. Instead, we expect Toronto's hot market to cool steadily as affordability continues to erode and impact demand. For Vancouver we still forecast price growth to resume, but only at a modest pace given affordability is unlikely to be restored even following a 10% contraction in prices.

Such an outcome is conditional on the view that Canadian bond yields will in fact edge up in the coming quarters. The risk in the near term is that yields push lower, dragged down by global weakness. However, with the Federal Reserve likely to remove accommodation next year, in the form of two 25 basis point hikes next year, Canadian yields should ultimately follow U.S. yields gradually higher. We expect the longer-run yields to increase by 40 basis points by next year and 90 basis points by the end of 2018.

Alongside this gradual uptick in bond yields, a planned move by the bank regulator (OSFI) to raise capital requirements on chartered banks next year is poised to further tighten mortgage borrowing conditions. Combined, these actions are expected to keep a lid on housing demand.

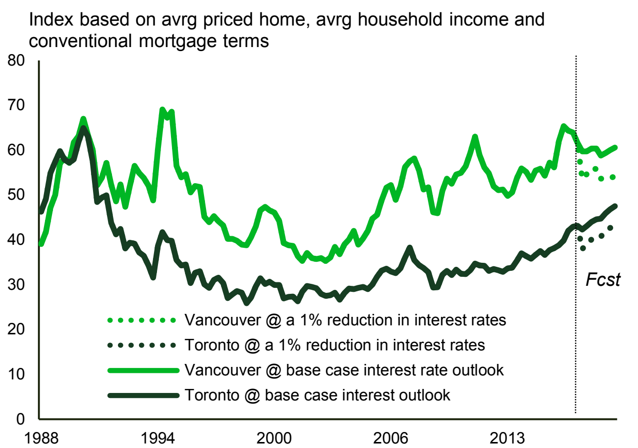
We suspect that any talk of higher interest rates may be met with a groan from readers – an understandable reaction given the poor record by economists in anticipating rate increases that never came. To assuage the skeptics, we provide a scenario for price growth in both markets in the event that yields fall in the near term and hold at those levels through 2017 and into 2018 (Chart 12). Under such a scenario, Vancouver prices would record a more notable rebound, while unsustainable home price appreciation in the double-digit range would likely continue in Toronto.

Other regions in Canada would also draw support from the lower rates and outperform relative to our base case forecast. This would have mixed implications for a number of markets. For those which have embarked on multi-year soft landings and/or where prices appear appropriately valued – including a number of markets east of Toronto – stronger demand would help to mop up any supply glut that persists and provide some stimulus to growth conditions. In a number of other markets where signs of over-valuation remain – including Calgary, Saskatoon, Regina and Edmonton – needed adjustments would be delayed beyond 2017-18.

CHART 10: LOW RATES DRIVE SALES UP

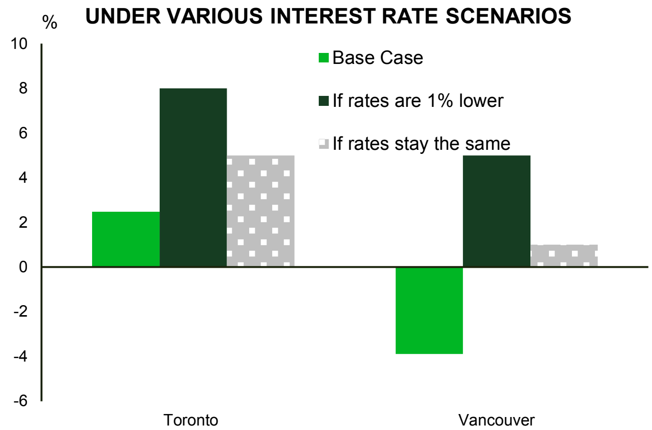
Source: Bank of Canada. F. by TD Economics as of August 2016.

CHART 11: TD ECONOMICS HOUSING AFFORDABILITY INDEX

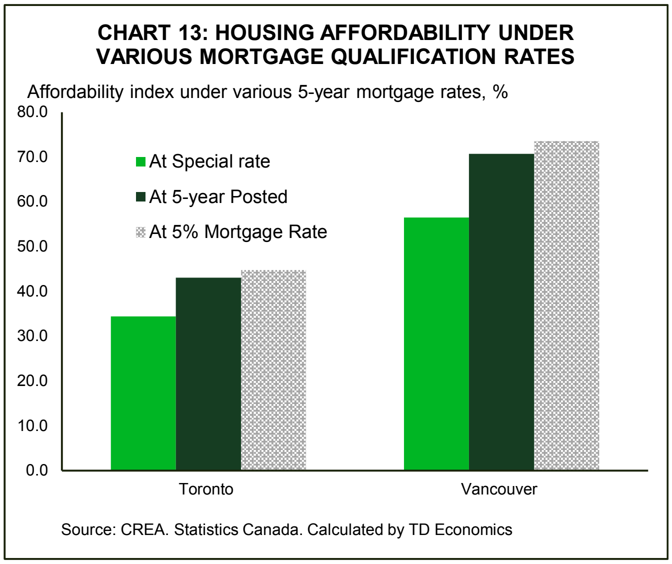


Source: Statistics Canada, CREA. Forecast by TD Economics as at August 2016.

CHART 12: EXPECTED FORECAST FOR AVERAGE HOME PRICE GROWTH OVER 2017-16 UNDER VARIOUS INTEREST RATE SCENARIOS



Source: CREA. F. by TD Economics as of August 2016



Pressure could increase on governments and regulators to take further action

If left unchecked, housing booms of this degree can continue on for years. The U.S. bubble lasted more than five years. The longer they go on for, the harder the landing is likley to be. As such, to the extent that interest rates continue to surprise on the downside and/or markets fail to cool in the coming quarters, pressure on policy makers to implement further actions would intensify. These would be carried out under the banner of addressing the affordability crisis and protecting the financial system against growing risks to stability. There would be heightened calls for additional real estate taxes targeted at foreigners or speculators, particularly in Toronto. Additional changes to the mortgage regulatory environment (also known as macroprudential rule changes) would also likely be on the table.

Staff at the Bank of Canada recently analyzed the effectiveness of various policy tools in targeting excessive home price and debt growth, while taking into account their costs on economic growth. The researchers considered macro-prudential regulations, interest rate hikes, and real estate taxes, and concluded macro-prudential rules are the most efficient in addressing housing excesses in a low-growth environment. Adjusting the allowable loan-to-value ratio would have a bigger impact on reducing home price growth, with the lowest cost to economic output among all three options.

Yet if one boils it down to macro-prudential policies there is no precise playbook and impacts are not only uncertain but vary widely across choices. For example, there has been discussion of making mortgage income testing more stringent through either a higher qualifying interest rate (of say 5% in some countries) or standardizing the qualifying amortization to 25 years on non-insured mortgages (currently, 30 years is often applied). The former action is likely to have a much more dampening impact than the latter.

Other considerations arise. Much of the recent focus has been on increasing regulations on Canadian banks in light of the regulatory framework and the argument that these institutions are systematically important. However, any such regulations are necessarily going to shift activity to the unregulated sector with potentially unintended consequences for the housing market and the economy.

Ultimately, the federal government will likely tread carefully. Any additional actions undertaken would need to be supported by the data and consider both the potential unintended consequences as well as impacts from other planned measures – notably, OSFI's efforts to increase bank capital rules on mortgage lending.

A word on the fixing the supply side

A number of recent commentaries have cast focus on impediments to supply as the main driver of the recent housing affordability crisis in Vancouver and Toronto. While we view the recent froth as a fairly complex interplay between supply and demand dynamics, we have also pounded the drum on the supply issue in a GTA-focused report in January 2015. In that report, we stressed the need for governments to address a number of barriers that have raised development costs and reduced the sensitivity of supply to prices which ultimately signal market demand. These include lengthy permitting processes, inefficient property tax and development charge systems as well as land policies. Inadequate infrastructure has also been a culprit driving up the cost on housing. While Vancouver faces some of its own unique challenges, both Toronto and Vancouver share many commonalities as two rapidly-growing urban regions. Unfortunately, in the 18 month period since that report, little has changed from an active policy standpoint and the supply pipeline has grossly under paced the demand side of the equation.

In this regard, we view the federal-provincial-municipal working group established by Minister Morneau to study solutions to the housing crisis in Toronto and Vancouver as a significant opportunity. The broad mandate of the working committee – which plans to look at housing as a system rather than looking exclusively at home ownership or affordable rental and consider policies across all levels of government – fits with the holistic approach that we championed in our 2015 report. However, by the time policies are studied, decided and implemented, it will be ineffective in alleviating supply constraints in the near term. Cyclical dynamics will continue to rule the day.

The bottom line

Canada's two hottest housing markets increasingly appear to be moving in separate directions. The new tax program in Vancouver will put further downward pressure on an already cooling housing market, while boosting transactions in the still red-hot Toronto market. We still expect a sustained, rate-induced soft landing as the most likely outcome in these two markets in 2017-18 timeframe. Still, without a catalyst – which could take the form of a gradual increase in interest rates – there is a strong likelihood that Vancouver's market could reheat while Toronto's remains on an unsustainable track over the medium term. To the extent that bond yields fail to track higher, policymakers may need to consider other alternatives to rein in the Canadian housing market.

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SUMMARY TABLES

TABLE 1: EXISTING HOME SALES	000's of units					Annual per cent change			
	2015	2016F	2017F	2018F		2015	2016F	2017F	2018F
CANADA	506.4	537.2	522.2	518.5	**CANADA**	5.4	6.1	-2.8	-0.7
N. & L.	4.3	4.2	4.2	4.3	**N. & L.**	3.7	-0.3	-0.3	2.4
St. John's*	--	--	--	--	St. John's*	--	--	--	--
P.E.I.	1.7	2.0	2.0	2.1	**P.E.I.**	20.8	18.5	1.7	2.4
N.S.	9.2	9.5	9.4	9.5	**N.S.**	2.8	3.8	-0.9	0.5
Halifax	4.8	4.9	4.7	4.7	Halifax	1.7	2.3	-4.8	-0.2
N.B.	6.7	6.8	6.9	6.9	**N.B.**	6.5	2.4	0.9	0.3
Saint John	1.7	1.9	1.9	1.9	Saint John	5.5	10.5	1.5	1.2
Québec	**74.2**	78.9	81.2	82.0	**Québec**	5.0	6.4	2.9	1.1
Québec City	6.6	6.9	7.1	7.1	Québec City	2.4	4.4	2.7	0.0
Montréal	37.9	40.5	42.1	42.6	Montréal	6.1	6.7	4.0	1.2
Ontario	224.6	242.3	244.8	244.4	**Ontario**	9.5	7.9	1.0	-0.2
Ottawa	14.8	15.8	16.5	16.8	Ottawa	5.3	6.1	5.0	1.5
Toronto	101.8	113.0	115.2	112.5	Toronto	9.2	10.9	2.0	-2.4
Hamilton	15.9	16.1	17.5	17.9	Hamilton	11.1	1.4	8.6	1.9
Manitoba	14.0	14.8	14.9	15.2	**Manitoba**	1.7	5.7	0.5	1.9
Winnipeg	12.3	13.0	13.1	13.4	Winnipeg	1.0	6.3	0.8	1.9
Sask.	12.4	11.5	11.5	11.7	**Sask.**	-10.8	-7.1	-0.3	2.0
Regina	3.4	3.3	3.3	3.4	Regina	-8.1	-3.3	-0.8	2.3
Saskatoon	5.2	4.8	4.8	5.0	Saskatoon	-13.0	-8.2	1.1	3.1
Alberta	56.5	52.1	53.4	54.0	**Alberta**	-21.3	-7.7	2.5	1.2
Calgary	24.0	22.5	23.3	23.9	Calgary	-28.6	-6.3	3.4	2.7
Edmonton	18.7	17.5	18.3	18.8	Edmonton	-9.1	-6.0	4.1	3.0
B.C.	102.5	114.6	93.9	88.4	**B.C.**	22.0	11.8	-18.0	-5.9
Vancouver	43.1	41.8	32.4	33.0	Vancouver	28.1	-3.2	-22.5	1.8
Victoria	7.9	10.1	8.6	8.3	Victoria	23.5	27.9	-14.4	-3.8

F. by TD Economics as of August 2016

*Insufficient Data

Source: Canadian Real Estate Association

TABLE 2: AVERAGE EXISTING HOME PRICE									
	Canadian $, 000's					Annual per cent change			
	2015	2016F	2017F	2018F		2015	2016F	2017F	2018F
CANADA	440.0	486.7	482.2	484.2	**CANADA**	8.1	10.6	-0.9	0.4
N. & L.	276.3	254.8	250.5	250.5	**N. & L.**	-2.8	-7.8	-1.7	0.0
St. John's*	--	--	--	--	St. John's*	--	--	--	--
P.E.I.	164.1	178.6	182.5	184.7	**P.E.I.**	-0.6	8.8	2.2	1.2
N.S.	217.8	213.6	212.5	213.7	**N.S.**	2.1	-1.9	-0.5	0.6
Halifax	281.3	282.9	291.7	295.2	Halifax	3.4	0.6	3.1	1.2
N.B.	159.5	163.0	170.3	172.4	**N.B.**	-0.9	2.2	4.5	1.2
Saint John	162.9	166.3	170.2	172.3	Saint John	-4.1	2.1	2.4	1.2
Québec	275.4	281.2	284.9	289.0	**Québec**	1.5	2.1	1.3	1.4
Québec City	265.7	266.0	273.6	276.9	Québec City	0.2	0.1	2.9	1.2
Montréal	337.9	346.6	352.7	360.1	Montréal	1.9	2.6	1.8	2.1
Ontario	461.5	523.7	548.6	550.4	**Ontario**	7.5	13.5	4.8	0.3
Ottawa	366.4	370.4	377.1	378.2	Ottawa	1.6	1.1	1.8	0.3
Toronto	616.6	711.9	744.7	747.4	Toronto	9.4	15.5	4.6	0.4
Hamilton	440.4	483.8	497.0	507.6	Hamilton	8.9	9.9	2.7	2.1
Manitoba	268.1	275.6	279.5	282.5	**Manitoba**	1.3	2.8	1.4	1.1
Winnipeg	275.9	283.2	287.5	290.9	Winnipeg	1.4	2.6	1.5	1.2
Sask.	296.1	292.5	291.9	294.8	**Sask.**	-0.6	-1.2	-0.2	1.0
Regina	308.3	313.7	312.6	314.3	Regina	-2.1	1.8	-0.4	0.6
Saskatoon	343.1	333.4	327.8	332.2	Saskatoon	0.7	-2.8	-1.7	1.3
Alberta	391.4	388.2	383.0	385.8	**Alberta**	-2.1	-0.8	-1.3	0.7
Calgary	451.7	455.8	447.3	448.0	Calgary	-1.7	0.9	-1.9	0.2
Edmonton	368.2	364.1	359.7	362.6	Edmonton	1.9	-1.1	-1.2	0.8
B.C.	637.0	703.7	670.0	686.4	**B.C.**	11.7	10.5	-4.8	2.4
Vancouver	900.7	1,046.9	990.0	966.8	Vancouver	10.8	16.2	-5.4	-2.3
Victoria	519.0	567.7	559.0	565.0	Victoria	4.8	9.4	-1.5	1.1

F. by TD Economics as of August 2016

*Insufficient Data

Source: Canadian Real Estate Association

TABLE 3: HOUSING STARTS									
	Thousands of Units				Per cent change				
	2015	2016F	2017F	2018F		2015	2016F	2017F	2018F
CANADA	193.6	196.8	179.6	173.9	**CANADA**	2.3	1.6	-8.8	-3.1
N. & L.	1.8	1.6	1.4	1.8	**N. & L.**	-19.0	-9.7	-12.5	28.6
St. John's*	1.0	0.7	0.5	0.9	St. John's*	-20.1	-26.9	-28.6	80.0
P.E.I.	0.54	0.58	0.60	0.60	**P.E.I.**	5.1	7.4	3.4	0.0
N.S.	3.9	3.3	3.4	3.5	**N.S.**	27.2	-14.9	3.0	2.9
Halifax	2.6	2.0	2.1	2.2	Halifax	46.2	-22.4	5.0	4.8
N.B.	1.9	1.8	2.3	2.2	**N.B.**	-15.2	-9.9	29.7	-1.8
Saint John	0.2	0.3	0.4	0.3	Saint John	-10.1	18.9	48.0	-13.5
Québec	36.8	37.0	40.5	43.2	**Québec**	-6.3	0.4	9.5	6.7
Québec City	5.5	4.5	5.5	6.2	Québec City	23.1	-17.5	22.2	12.7
Montréal	18.8	15.5	18.0	20.0	Montréal	0.5	-17.4	16.1	11.1
Ontario	68.8	74.6	62.0	55.5	**Ontario**	17.5	8.4	-16.9	-10.5
Ottawa	4.9	4.3	4.0	3.9	Ottawa	-15.4	-11.7	-7.0	-2.5
Toronto	42.0	43.0	37.0	30.0	Toronto	45.8	2.4	-14.0	-18.9
Hamilton	2.0	3.3	3.0	2.6	Hamilton	-28.9	64.1	-9.1	-13.3
Manitoba	5.6	5.5	5.8	6.0	**Manitoba**	-9.3	-1.9	5.5	3.4
Winnipeg	4.4	4.2	4.5	4.4	Winnipeg	4.8	-5.3	7.1	-2.2
Sask.	5.2	4.5	4.4	4.6	**Sask.**	-37.2	-13.4	-2.2	4.5
Regina	1.6	1.0	1.1	1.2	Regina	-28.4	-37.4	10.0	9.1
Saskatoon	2.3	2.0	1.8	1.9	Saskatoon	-33.2	-14.2	-10.0	5.6
Alberta	37.5	23.0	22.3	23.5	**Alberta**	-7.4	-38.7	-3.0	5.4
Calgary	13.1	8.0	7.5	8.5	Calgary	-23.6	-38.8	-6.3	13.3
Edmonton	17.1	9.2	8.8	9.0	Edmonton	23.5	-46.3	-4.3	2.3
B.C.	31.5	45.0	36.9	33.0	**B.C.**	11.4	42.8	-18.0	-10.6
Vancouver	20.9	30.0	26.0	23.0	Vancouver	8.7	43.7	-13.3	-11.5
Victoria	2.0	3.0	2.9	2.0	Victoria	54.0	48.7	-3.3	-31.0

F. by TD Economics as of August 2016

Source: Canadian Mortgage and Housing Corporation, Statistics Canada

TABLE 4: SALES-TO-NEW LISTINGS RATIO									
	Per cent					Per cent change			
	2015	2016F	2017F	2018F		2015	2016F	2017F	2018F
CANADA	56.2	61.1	56.8	55.2	**CANADA**	2.6	4.9	-4.3	-1.6
N. & L.	39.1	37.7	37.5	37.9	**N. & L.**	1.8	-1.4	-0.2	0.5
St. John's*	--	--	--	--	St. John's*	--	--	--	--
P.E.I.	45.2	57.5	61.5	62.2	**P.E.I.**	9.1	12.3	4.0	0.7
N.S.	44.3	53.4	58.0	58.6	**N.S.**	1.2	9.1	4.6	0.7
Halifax	46.4	56.1	58.2	57.4	Halifax	0.2	9.8	2.1	-0.8
N.B.	41.6	44.3	44.7	45.1	**N.B.**	3.3	2.7	0.4	0.4
Saint John	39.0	43.1	45.1	45.1	Saint John	3.3	4.1	1.9	0.0
Québec	46.3	51.4	51.8	51.7	**Québec**	2.3	5.1	0.4	-0.2
Québec City	48.1	50.7	52.1	52.3	Québec City	-0.4	2.6	1.4	0.1
Montréal	48.9	55.3	55.4	55.0	Montréal	3.0	6.4	0.1	-0.4
Ontario	60.4	68.8	64.6	62.8	**Ontario**	4.2	8.4	-4.2	-1.8
Ottawa	46.3	52.8	57.0	57.9	Ottawa	1.0	6.5	4.2	0.9
Toronto	63.1	71.1	62.9	59.4	Toronto	3.7	8.0	-8.2	-3.5
Hamilton	77.0	86.5	89.4	87.9	Hamilton	3.3	9.5	2.9	-1.5
Manitoba	54.4	58.4	57.6	55.4	**Manitoba**	-3.3	4.0	-0.8	-2.2
Winnipeg	55.3	59.4	59.0	57.3	Winnipeg	-3.6	4.1	-0.4	-1.7
Sask.	40.1	40.3	41.8	42.1	**Sask.**	-6.0	0.2	1.5	0.3
Regina	43.9	47.4	48.8	49.3	Regina	-1.1	3.5	1.4	0.5
Saskatoon	37.7	37.6	39.0	39.8	Saskatoon	-8.8	-0.1	1.4	0.7
Alberta	51.5	48.5	48.8	48.3	**Alberta**	-13.1	-3.0	0.2	-0.5
Calgary	56.2	53.9	55.0	55.1	Calgary	-13.7	-2.2	1.0	0.1
Edmonton	49.9	48.0	48.6	48.9	Edmonton	-12.8	-1.9	0.7	0.3
B.C.	67.4	69.5	53.7	49.7	**B.C.**	11.6	2.1	-15.8	-4.0
Vancouver	73.3	64.8	45.3	45.0	Vancouver	14.9	-8.5	-19.5	-0.3
Victoria	66.6	83.3	69.7	66.3	Victoria	11.5	16.7	-13.6	-3.5

F. by TD Economics as of August 2016

*Insufficient Data

Source: Canadian Real Estate Association

TABLE 5: HOME AFFORDABILITY*	Per cent					Per cent change			
	2015	2016F	2017F	2018F		2015	2016F	2017F	2018F
CANADA	26.3	30.4	31.5	32.3	**CANADA**	0.0	4.1	1.1	0.8
N. & L.	19.0	18.3	18.9	19.2	**N. & L.**	-2.1	-0.7	0.5	0.4
St. John's**					St. John's**	--	--	--	--
P.E.I.	12.7	14.4	15.4	15.9	**P.E.I.**	-1.1	1.7	1.0	0.5
N.S.	16.3	16.7	17.4	17.8	**N.S.**	-1.0	0.4	0.7	0.4
Halifax	17.3	18.2	19.7	20.3	Halifax	-1.0	0.9	1.5	0.6
N.B.	12.5	13.3	14.6	15.0	**N.B.**	-1.1	0.8	1.3	0.5
Saint John	12.7	13.6	14.5	15.0	Saint John	-1.6	0.8	1.0	0.5
Québec	19.9	21.3	22.6	23.3	**Québec**	-1.3	1.3	1.3	0.8
Québec City	15.4	16.1	17.3	17.9	Québec City	-1.2	0.7	1.2	0.6
Montréal	23.0	24.6	26.2	27.3	Montréal	-1.4	1.6	1.6	1.1
Ontario	26.5	31.4	34.5	35.3	**Ontario**	-0.1	4.9	3.1	0.8
Ottawa	17.8	18.8	20.0	20.5	Ottawa	-1.1	1.0	1.2	0.5
Toronto	31.9	38.5	42.2	43.1	Toronto	0.4	6.6	3.7	1.0
Hamilton	22.8	26.2	28.2	29.3	Hamilton	0.2	3.4	2.0	1.2
Manitoba	17.3	18.6	19.8	20.4	**Manitoba**	-1.1	1.3	1.2	0.6
Winnipeg	15.9	17.1	18.1	18.7	Winnipeg	-1.0	1.1	1.1	0.6
Sask.	17.8	18.4	19.2	19.8	**Sask.**	-1.5	0.6	0.8	0.6
Regina	18.6	19.7	20.6	21.1	Regina	-1.9	1.2	0.9	0.5
Saskatoon	20.7	21.0	21.6	22.3	Saskatoon	-1.5	0.3	0.6	0.7
Alberta	18.2	18.9	19.5	20.0	**Alberta**	-1.9	0.7	0.6	0.5
Calgary	17.7	18.6	19.1	19.5	Calgary	-1.7	1.0	0.5	0.4
Edmonton	19.8	20.4	21.1	21.7	Edmonton	-1.2	0.7	0.7	0.6
B.C.	40.8	47.1	46.9	49.0	**B.C.**	1.4	6.3	-0.1	2.1
Vancouver	53.8	66.0	66.0	66.3	Vancouver	1.9	12.2	0.0	0.4
Victoria	36.1	41.2	42.5	43.8	Victoria	-1.1	5.1	1.3	1.3

* Mortgage payment as % of average household income, average home price, 25% downpayment, 25-year amortization and 5-year fixed posted rate. **Insufficient Data

F. by TD Economics as of August 2016

*Insufficient Data

Source: Canadian Real Estate Association, Statistics Canada

TABLE 6: PRICE-TO-INCOME RATIO	Level				Per cent change				
	2015	2016F	2017F	2018F		2015	2016F	2017F	2018F
CANADA	5.7	6.2	5.9	5.8	**CANADA**	0.3	0.4	-0.2	-0.1
N. & L.	4.2	3.7	3.6	3.5	**N. & L.**	-0.2	-0.4	-0.2	-0.1
St. John's*	--	--	--	--	St. John's*	--	--	--	--
P.E.I.	2.8	2.9	2.9	2.9	**P.E.I.**	-0.1	0.2	0.0	-0.1
N.S.	3.6	3.4	3.3	3.2	**N.S.**	0.0	-0.2	-0.1	-0.1
Halifax	3.8	3.7	3.7	3.6	Halifax	0.0	-0.1	0.0	-0.1
N.B.	2.7	2.7	2.7	2.7	**N.B.**	-0.1	0.0	0.0	0.0
Saint John	2.8	2.8	2.7	2.7	Saint John	-0.2	0.0	0.0	0.0
Québec	4.4	4.3	4.2	4.2	**Québec**	-0.1	0.0	-0.1	-0.1
Québec City	3.4	3.3	3.3	3.2	Québec City	-0.1	-0.1	0.0	-0.1
Montréal	5.0	5.0	4.9	4.9	Montréal	-0.1	0.0	-0.1	0.0
Ontario	5.8	6.4	6.5	6.3	**Ontario**	0.3	0.6	0.1	-0.2
Ottawa	3.9	3.8	3.8	3.7	Ottawa	-0.1	-0.1	0.0	-0.1
Toronto	7.0	7.8	7.9	7.7	Toronto	0.4	0.8	0.1	-0.2
Hamilton	5.0	5.3	5.3	5.3	Hamilton	0.3	0.3	0.0	0.0
Manitoba	3.8	3.8	3.7	3.7	**Manitoba**	-0.1	0.0	-0.1	-0.1
Winnipeg	3.5	3.5	3.4	3.4	Winnipeg	-0.1	0.0	0.0	-0.1
Sask.	3.9	3.7	3.6	3.6	**Sask.**	-0.1	-0.2	-0.1	-0.1
Regina	4.1	4.0	3.9	3.8	Regina	-0.2	0.0	-0.1	-0.1
Saskatoon	4.5	4.3	4.1	4.0	Saskatoon	-0.1	-0.3	-0.2	-0.1
Alberta	4.0	3.8	3.7	3.6	**Alberta**	-0.2	-0.1	-0.2	-0.1
Calgary	3.9	3.8	3.6	3.5	Calgary	-0.2	-0.1	-0.2	-0.1
Edmonton	4.3	4.2	4.0	3.9	Edmonton	-0.1	-0.2	-0.2	-0.1
B.C.	8.9	9.6	8.8	8.8	**B.C.**	0.7	0.6	-0.7	0.0
Vancouver	11.8	13.4	12.4	11.9	Vancouver	0.9	1.6	-1.0	-0.5
Victoria	7.9	8.4	8.0	7.9	Victoria	0.1	0.5	-0.4	-0.1

F. by TD Economics as of August 2016

*Insufficient Data

Source: Canadian Real Estate Association, Statistics Canada