



TD Economics

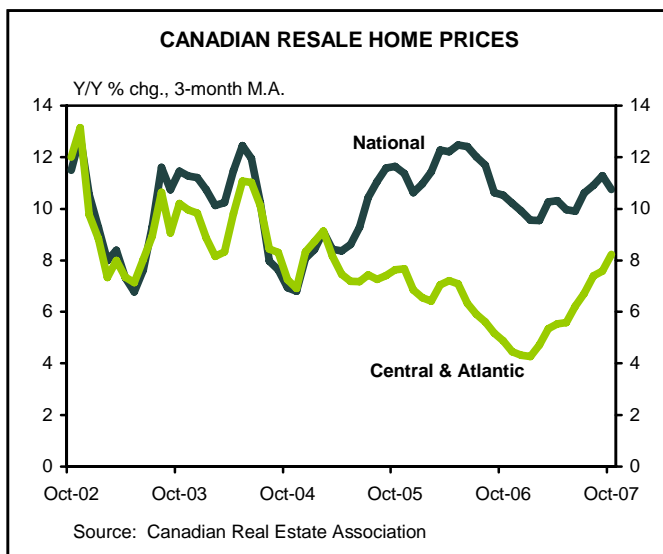
Housing Market Commentary

December 4, 2007

CANADIAN HOME PRICES NO LONGER AN ALBERTA STORY

According to the latest MLS / CREA existing home market data for October, year-to-date national resale home prices are up 10.5%. They will average close to \$305,000 in 2007 compared to around \$275,000 last year. This will mark the third consecutive year of 10% appreciation or more in the average Canadian existing home, a remarkable performance. But much of the price gains in recent years have been driven by markets west of Ontario, most notably in Alberta — where gains were outsized. National housing market statistics had lost much significance over the last three years due a marked divergence in performance between “the West and the rest”. In particular, along with 30%+ sustained price gains over the last two years and because of their significant and growing market size, Calgary and Edmonton were skewing the national figures.

Yet as we crunch the numbers and look forward to 2008-09, we can state with some assurance that this par-



AVERAGE RESALE HOME PRICE					
Thousand \$					
	2005	2006	2007E	2008F	2009F
CANADA	249.2	277.0	306.0	325.3	341.6
ex Alta (E)	251.1	273.0	297.0	315.3	332.7
N. & L.	141.2	139.5	145.0	149.4	157.0
P.E.I.	117.2	125.4	136.0	142.3	147.6
N.S.	159.2	169.2	181.1	194.6	207.8
N.B.	120.6	126.9	138.1	143.4	149.3
Quebec	184.6	194.0	206.7	216.0	225.3
Ontario	263.0	278.5	297.1	311.7	329.1
Manitoba	133.9	150.2	167.7	183.5	193.1
Sask.	122.8	132.1	169.7	217.2	241.8
Alberta	218.3	285.4	360.9	386.5	395.8
B.C.	332.2	391.0	438.1	470.9	496.8

E: Estimate; F: Forecast by TD Economics as at Nov. 2007
Source: Canadian Real Estate Association

AVERAGE RESALE HOME PRICE					
Per cent change					
	2005	2006	2007E	2008F	2009F
CANADA	10.1	11.1	10.5	6.3	5.0
ex Alta (E)	8.7	8.7	8.8	6.2	5.5
N. & L.	7.4	-1.2	3.9	3.0	5.1
P.E.I.	5.8	7.0	8.5	4.6	3.7
N.S.	9.0	6.3	7.0	7.4	6.8
N.B.	6.8	5.2	8.8	3.9	4.1
Quebec	7.9	5.1	6.5	4.5	4.3
Ontario	7.3	5.9	6.7	4.9	5.6
Manitoba	12.3	12.2	11.7	9.4	5.2
Sask.	10.8	7.6	28.5	28.0	11.3
Alberta	12.1	30.8	26.4	7.1	2.4
B.C.	14.9	17.7	12.0	7.5	5.5

E: Estimate; F: Forecast by TD Economics as at Nov. 2007
Source: Canadian Real Estate Association

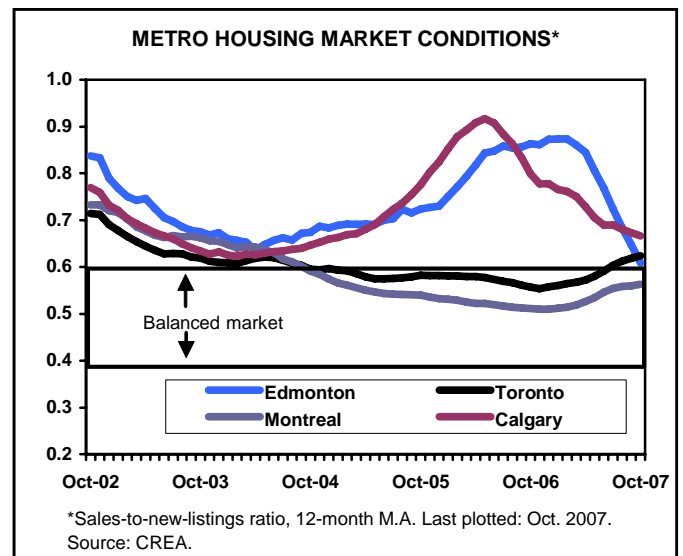
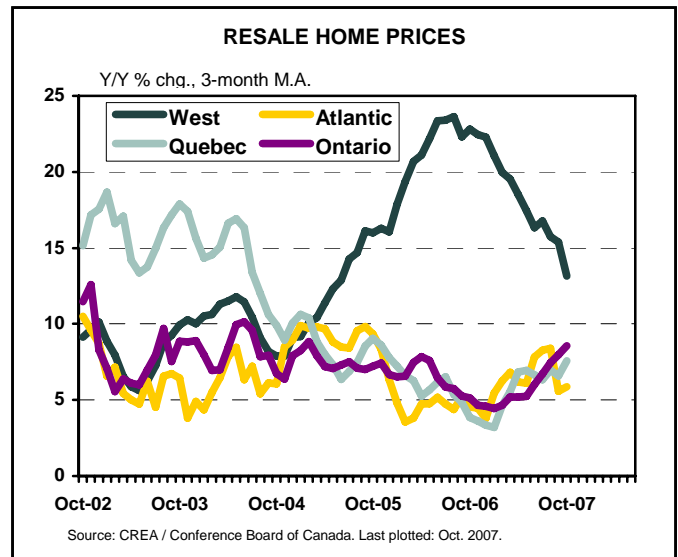
particular chapter in Canadian housing market history is soon coming to an end, if not already behind us. Alberta's home price growth is cooling rapidly. The pickup in national average prices since January is mostly an Eastern markets

story. After bottoming out in terms of home appreciation during the tail-end of 2006, Quebec and Ontario (and the Atlantic region to a lesser extent) continue to pick up enough steam to push up the national trend despite a massive cool down out West. This is particularly notable in Ontario where an uptrend since April has contributed heavily to a bounce-back in overall Canadian prices. We expect Alberta's home prices to grow close to par with the national average in 2008 and to underperform in 2009. And while Saskatchewan is currently on fire, it will likely follow a similar path in about 12 months time. Furthermore, Saskatchewan would not on its own skew the national numbers given its smaller market size.

With much less regional dispersion around the Canadian mean, national numbers start to have meaning again. This is reflective of underlying market (demand/supply) conditions: Calgary and Edmonton have become much more balanced with more listings coming on tap and sales slowing, whereas most large urban markets in Ontario and Quebec have seen the reverse, with their markets tightening.

Under a reasonable scenario of a continued cool down in Alberta (and in British Columbia to a lesser extent) and that Ontario and Quebec hold in around 7-9% or higher for a few months, then resale price growth performances should converge sometime in the second quarter of 2008.

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