TD Bank Financial Group

TD Economics

Housing Monitor

September 21, 2007

REGIONAL DIVIDE NARROWS AS WESTERN MARKETS COME OFF THE BOIL

2007 will mark the fifth consecutive year in which Canada's major housing markets turn in a banner performance, as revealed by broad-based price gains, record or near-record unit sales in every region and continued thriving homebuilding activity. The nationwide average resale price of a home will grow by about 10% this year, continuing an ascent that will push the yearly average resale price of a Canadian home above the $300,000 mark.

As a testament to this strength, existing home sales have defied forecasts by remaining elevated so far this year. However, we caution that changes in affordability filter through to demand with a lag and that home sales are bound to slip down the road. Home prices are expected to continue outpacing household income, but the gap should narrow. Factor in the likelihood of slight increases in mortgage rates, and you get a recipe for still eroding affordability, albeit at a slower pace than in the last two years. From what will surely be a banner year with close to 510,000 existing home sales estimated for 2007, we project that home sales in 2008 will tick back down to still lofty 2005-06 levels of close to 485,000, a drop in the order of 4%. The only market covered here where sales will be practically unchanged next year is Winnipeg at -0.8%.

At the same time, evidence is building that the sizeable divergence in average resale price gains between the white-hot western markets and those of the more balanced eastern markets has begun to narrow. Notably, in Vancouver and Calgary, a substantial erosion in housing affordability over the past few years has started to weigh on demand. This development, combined with a surge in new listings, has started to bring those markets back down to earth.

HIGHLIGHTS

- **Erosion in affordability will bite into demand;**
- **Balanced eastern markets to turn in a healthy performance;**
- **Regional divide in housing market performance to narrow;**
- **U.S.-style housing market correction not in the cards for Canada.**

On the bright side, housing market conditions from coast to coast are likely to remain healthy, especially when compared to those prevailing in the United States. Among the 7 large Canadian urban markets tracked here, look for average resale price gains in 2008 to range from 6% in Toronto and Ottawa to 21% in Edmonton – see tables on last page.

On the new home front, we expect housing starts to ease by roughly 5% this year and next for Canada as a whole. This should not be cause for any alarm given the elevated level of starts which had outpaced household formation trends in the last few years. The number of housing starts is expected to edge down closer to a healthy 200,000 units which is more in line with long-term demand attributable to demographics. For 2008, housing starts in every major metro market all point in the same direction, which is down. The expected decline in starts ranges from 3% to 6%, with Winnipeg and Montréal likely to experience the largest pull backs.

No U.S.-style correction

As we watch the unfolding of a severe housing market correction in the United States, Canadian homeowners and investors might be asking themselves if such a scenario is likely to occur in their own market. The accompanying textbox highlights why and how these two markets differ and why, when all is said and done, Canada's housing market is unlikely to go through anything like a U.S.-style correction.

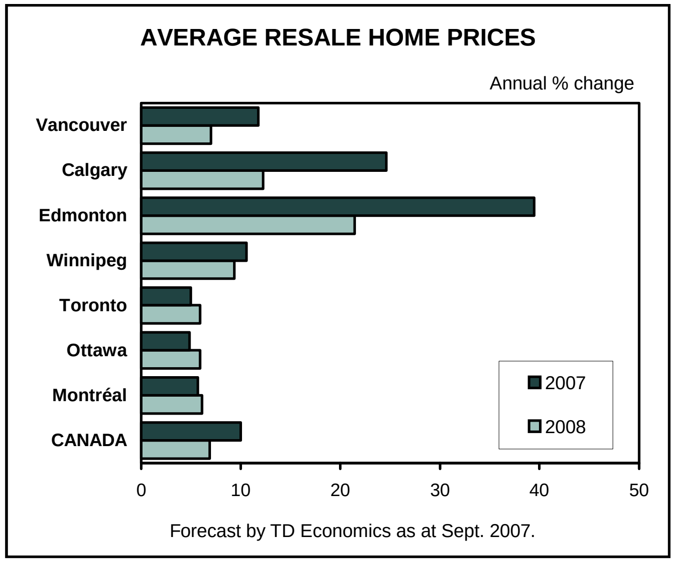
On the flip side, we also believe that the current pace of activity across Canadian markets – and notably out west – is not sustainable and some easing in activity is a good bet. To summarize, we expect that for Canada as a whole in 2008;

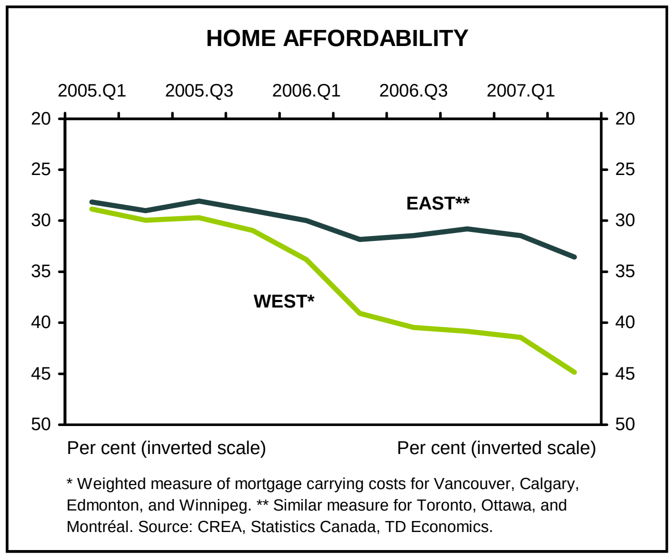
- The pace of resale activity will pare back moderately by 4% from this year's peak;
- Price gains will ease from 10% to 7%;
- Housing starts will continue to edge down, to 204,000 units.

Affordability bites

The main corrective force currently at work in Canada's hottest markets – Vancouver, Calgary, and Edmonton – is affordability. As it erodes in the wake of large home price growth that has significantly outpaced household income growth, it dampens housing demand for new and existing homes. Sales in Vancouver have already dropped significantly from a peak in 2005. Meanwhile, sales in Calgary seem to have peaked this year, and a slowdown in sales is likely not far behind for Edmonton. Declining sales-to-new-listings ratios suggest a turning point for price growth in these markets. Out east, the affordability trend is mostly sideways, and markets are experiencing more balanced conditions.

Recent increases in mortgage rates have also put a dent on affordability, irrespective of market location. While still low on a historical basis, mortgage rates are sitting at their highest level in five years. From February to July, Government of Canada 5-year bond yields, which anchor standard mortgage rates fixed for the same duration, increased by roughly ¾ of a per cent. Our outlook for Government of Canada bond yields is that they will float upwards heading into 2008 to settle around 4.65% by mid-2008. For those with shorter term fixed rates who are looking more at the front-end of the yield curve, we expect the Bank of Canada





to bring its overnight target rate to 4.75% by the end of this year, a 1/4 of a per cent increase from its current level.

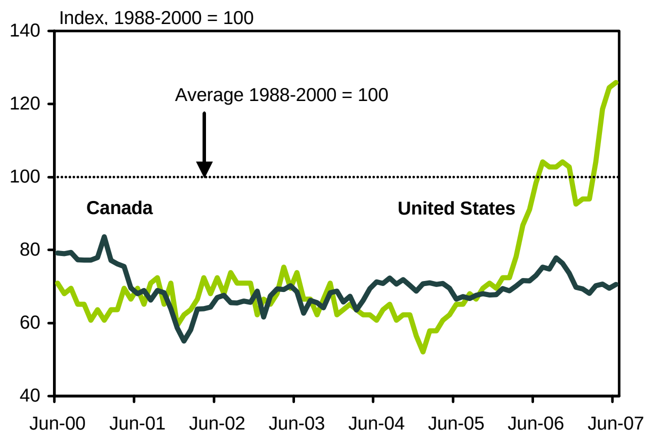
Affordability is declining, but the cooling in housing activity should proceed in an orderly fashion. The fundamentals of the Canadian economy, and the economies of large metro areas, remain good. The pace of job creation in 2006 was surprisingly high and remains solid again this year to date. While net job creation is likely to slow in 2008, employment should keep growing at a decent pace – see table. The challenge for eastern markets is for service industries to keep creating more than enough jobs to compensate for any further potential losses in the manufacturing sector. Out west, the slowdown in job creation is mostly tied to resource sector activity simmering down from the recent boom. Furthermore, more flexible mortage prod-

Say it ain't so – Why Canada's housing market won't come crashing down

A huge inventory of unsold homes in the U.S. reflects a market where supply had overshot demand by a significant margin. One proxy for the existing home supply-demand balance, listings as a ratio of sales, is not only close to 30% above the historical average from 1988-2000, it has also surged to double the relative supply average of 2000-2005. As a consequence, after having peaked in mid-2005, home price appreciation plummeted from 15% into negative territory within a year. Much of the run-up in home prices was also led by lax mortgage financing conditions which do not prevail in Canada. Home prices in the U.S. are unlikely to rebound until this large inventory overhang can be unwound.

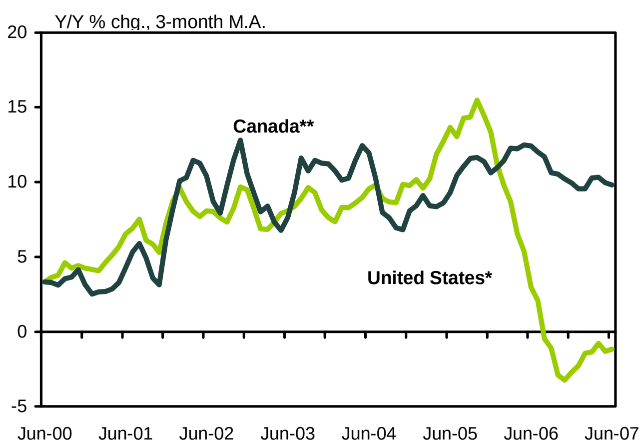
In stark contrast, the Canadian housing market supply-demand balance is well within range of the average since 2000, which is itself 30% lower than the previous decade's average relative supply. In others words, Canada's home price gains are well supported by a high demand relative to supply, which is in turn well supported by strong economic fundamentals. Comparing current conditions to the disconnect that was prevalent at the time of the housing bubble of the late 80s also drives this point home. So while the U.S. housing market isn't likely to recover before the third quarter of 2008, the likelihood of a severe correction in the Canadian housing market as a whole, akin to what the U.S. is currently experiencing, is marginal.

RESALE HOME SUPPLY*



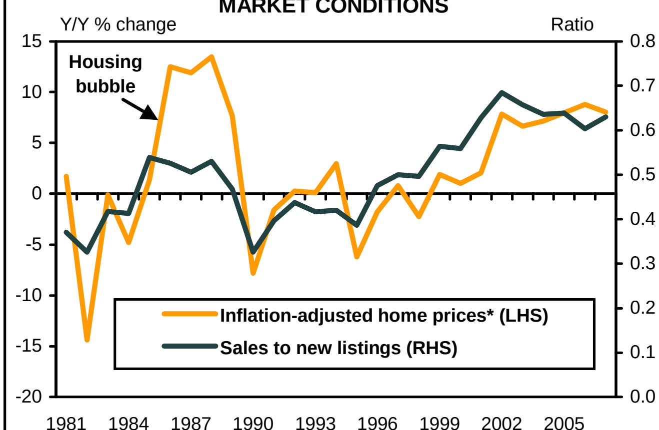
* Listings as a ratio of sales. Source: Bloomberg, CREA.

RESALE HOME PRICES



* Median home price, ** Average home price. Source: NAR, CREA.

CANADIAN HOME PRICES & MARKET CONDITIONS



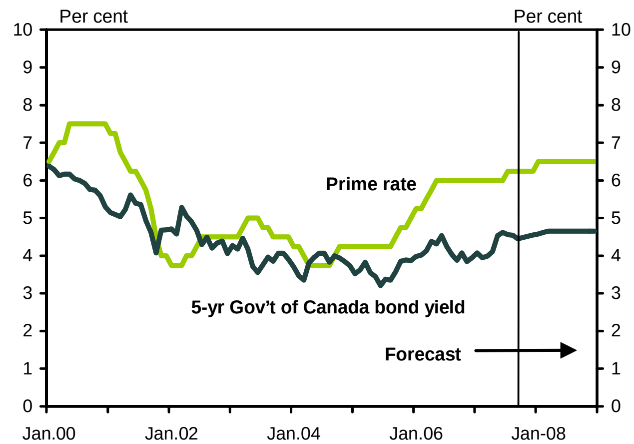
*Deflated using CPI; Source: Canadian Real Estate Association.

ucts with longer amortization periods to 40 years help mitigate the impact on affordability and contribute to an orderly slowdown.

Vancouver – A balanced market within sight

Existing home prices are expected to post a 12% gain from last year. TD Economics forecasts that this softening in price growth will continue into 2008, where the yearly average resale home price gain is expected to come in at 7%.

What lies beneath this outlook? First, a higher number of existing homes listed for sale. This dampens new home demand and helps ease relative demand pressures for ex-



CANADIAN INTEREST RATES

Source: Bank of Canada. Forecast by TD Economics as at Sept. 2007.

EMPLOYMENT
(Thousands)

	2005	2006	2007E	2008F
CANADA	16,168.9	16,484.4	16,814.1	16,982.2
% chg.	*1.4*	*2.0*	*2.0*	*1.0*
Vancouver	1.4	1,185.7	1,220.1	1,250.6
% chg.	*2.4*	*2.9*	*2.9*	*2.5*
Calgary	604.0	650.5	682.3	700.7
% chg.	*0.9*	*7.7*	*4.9*	*2.7*
Edmonton	547.3	558.2	593.9	611.7
% chg.	*-1.0*	*2.0*	*6.4*	*3.0*
Winnipeg	374.9	382.0	389.2	395.0
% chg.	*-0.1*	*1.9*	*1.9*	*1.5*
Toronto	2,756.3	2,797.6	2,862.0	2,904.9
% chg.	*1.9*	*1.5*	*2.3*	*1.5*
Ottawa	464.0	484.2	475.5	483.1
% chg.	*0.8*	*3.5*	*-1.8*	*1.6*
Montréal	1,821.8	1,851.9	1,900.1	1,924.8
% chg.	*0.9*	*1.7*	*2.6*	*1.3*

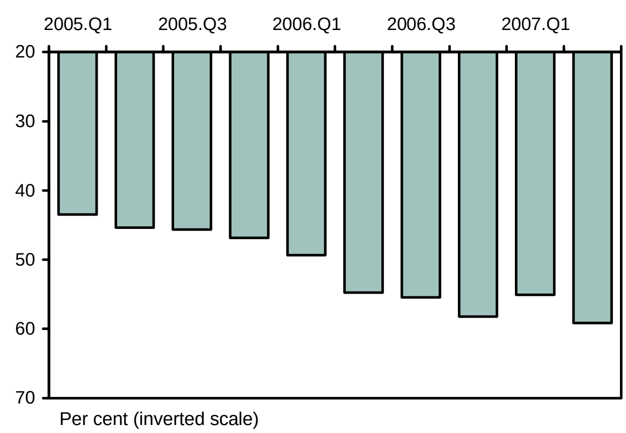
Source: Statistics Canada / Haver Analytics.
E: Estimate. F: Forecast by TD Economics as at Sept. 2007

isting homes. As more homeowners look to lock in price gains from recent years, listings are expected to continue feeding supply more than enough to meet demand.

The second main driver behind our forecast for softer price growth lies on the demand side: affordability. Not only is affordability poor on a level basis, it has been deteriorating significantly in the last couple of years. Typical mortgage carrying costs for a median-priced home in Vancouver required close to 10 percentage points more of the median market household income in 2006 than it did a year earlier. As the lagged effect of this significant deterioration works through the system, it will continue to dampen demand going forward.

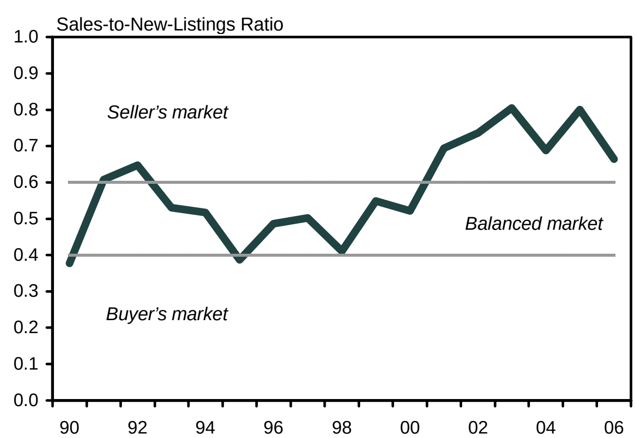
Whereas sales might increase at most 2-3% from last year, new listings are expected to increase by twice as much in per cent terms. After exhibiting the characteristics of a strong seller's market since the turn of the decade, Vancouver's market is heading back towards more balanced conditions (see textbox for discussion of overall market balance measure). Indeed, the demand-supply ratio for Vancouver's housing market is inching towards the balanced market range of 0.4-0.6.

On the new home market front, housing starts continue to downshift after having peaked in 2004. However, the number of starts should remain lofty throughout the forecast horizon. A lean inventory of completed but unabsorbed units, along with high construction costs, have helped continue an upward trend in new home price growth that is six years long and still running.



HOME AFFORDABILITY* - VANCOUVER

* Per cent of median market household income required to service mortgage carrying costs of the median-priced home. Source: CREA, Statistics Canada.



VANCOUVER HOUSING MARKET

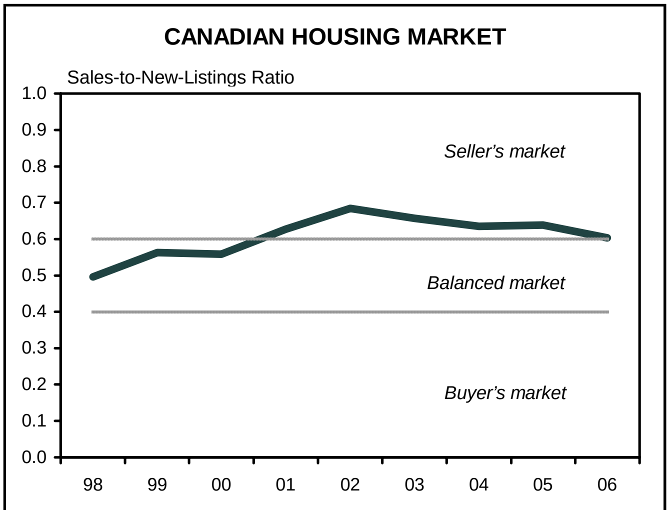
Source: Canadian Real Estate Association.

A useful snapshot of market conditions

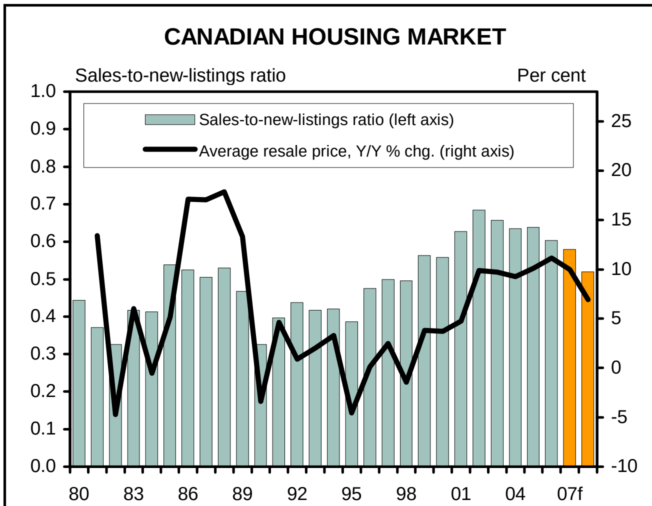
Housing market conditions are well captured by the local demand-supply balance. For the existing home market, the demand-supply balance is usually measured by the sales-to-new-listings ratio.

Here, a "buyer's" market is said to be one where such a ratio is low, typically set at anything below 0.4. Alternatively, a "seller's" market is one where this ratio is higher, with the threshold typically set at 0.6. Anything in between these two thresholds is roughly consistent with 'balanced' market conditions.

Sales-to-new-listings charts are provided for each market covered. The year-over-year percent change in resale home prices is also plotted, and can be seen to typically lag the sales-to-new listings ratio. Alternatively, one thinks of relative demand pressures, as captured by the sales-to-new-listings ratio, as leading price changes.



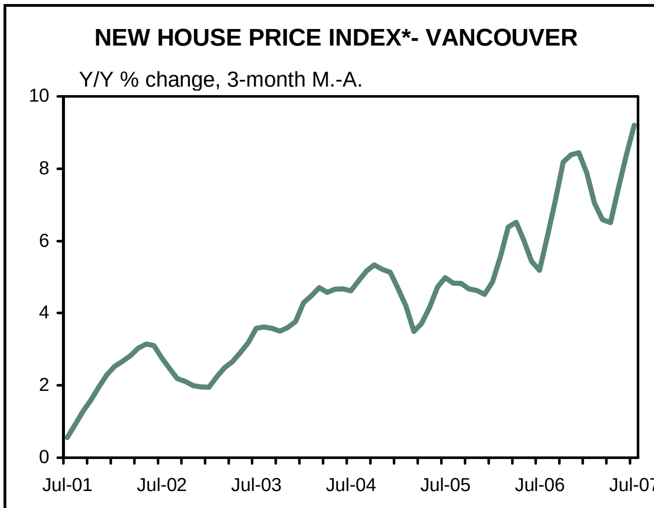
Source: Canadian Real Estate Association.



Source: CREA. f: Forecast by TD Economics as at Sept. 2007

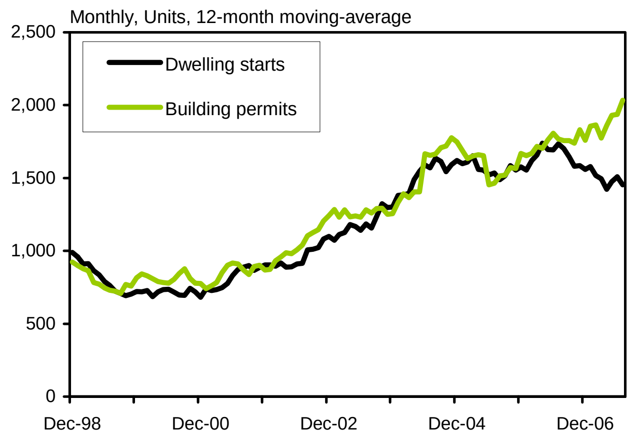
Residential construction continues to face challenges like a shortage of skilled trades, high land prices, and increasing competition for resources from the non-residential sector. This is illustrated by the recent increase in building permits that has not been accompanied by rising starts to match. In other words, builders have purchased permits, but have not broken ground. Unless sufficient resources can be made available to catch up with building intentions, this is likely to put continued upward pressure on new home prices and to further erode an already strained new home affordability.

In terms of resale home price growth, Vancouver was the first western market to cool from its peak of 20%. Thankfully, the easing from such a break-neck pace of growth is proceeding gradually. Demand remains well supported by a pace of job creation that only Alberta has been able to outmatch. But Vancouver's job market is also less vulnerable to downside risks tied to the volatile resources sector, and employment growth is expected to outpace the Canadian average by 2.5 times. Therefore, we are expecting the market to remain relatively tight. But as the supply of homes continues to grow, while demand softens



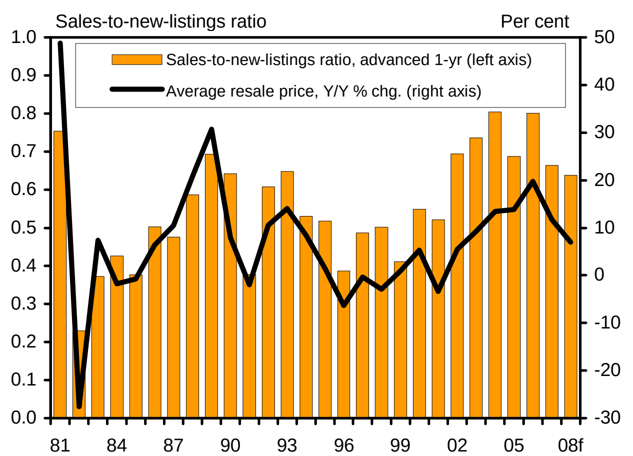
*Including value of the lot. Last plotted: July 2007; Source: Statistics Canada.

RESIDENTIAL CONSTRUCTION - VANCOUVER



Last plotted: July 2007. Source: CMHC / Haver Analytics.

VANCOUVER HOUSING MARKET



Source: CREA. f: Forecast by TD Economics as at Sept. 2007

as a result of eroding affordability, price growth should head back down towards a more sustainable pace.

Still hot, but cooler in Calgary

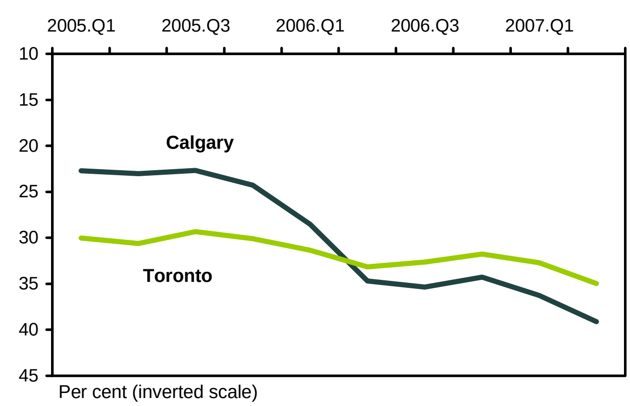
What's happened to the average resale home price in Calgary since 2005 is nothing short of phenomenal. Year-over-year average resale home price growth has averaged 25% since then. In June 2006, Calgary overtook Toronto as Canada's second most expensive major metro market behind Vancouver, and has never looked back since then. The price gap between Calgary and Toronto is expected to come in above $60,000 on average this year. As a consequence, Calgary's home affordability has eroded considerably.

On a level basis, affordability in Calgary remains decent since prices started from a much lower base than say Vancouver or Toronto, while income is also higher. But the price surge has also meant that since the second quarter of last year, Toronto is more affordable, when affordability is measured across all housing unit types.

As for the new home market, year-to-date housing starts are down by more than 20%, which was expected and is welcome given their unsustainably high levels of a year-ago. We still expect starts to remain at a historically high level, of close to 15,000 units per year over the forecast period. Most of the pare-back should be concentrated in single-detached units. The projected decline is positive since it should help to mitigate the risk of a supply glut forming in the coming months.

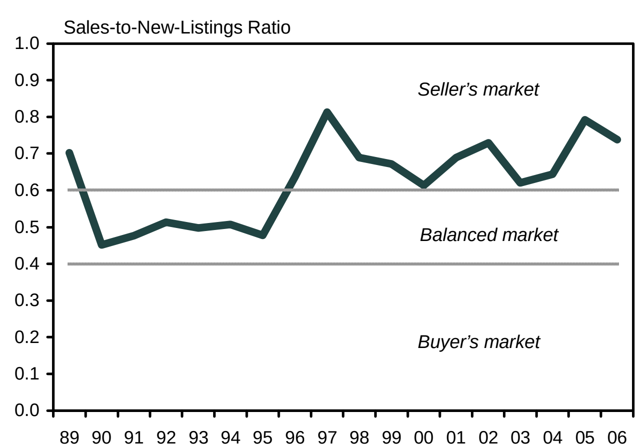
On the demand side, sales are still up year-to-date from

HOME AFFORDABILITY*



* Per cent of median market household income required to service mortgage carrying costs of the median-priced home. Source: CREA, Statistics Canada.

CALGARY HOUSING MARKET



Source: Canadian Real Estate Association.

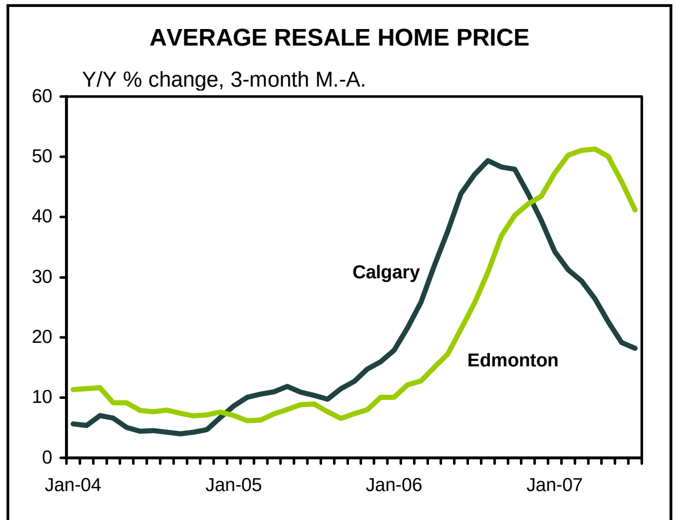
the same period last year, but the modest 3.4% gain actually confirms a cooling off in sales growth. From yearly increases in sales of 19% of 2005 and 5% last year, this year's gain is expected to come in at 2%. We also expect sales to pare back by about 5% next year as poor affordability puts a dent in demand. Even if Calgary's market conditions have been firm seller conditions, the market balance has improved in 2006 and we expect this trend to continue. More listings on tap, along with softer demand, should combine to help Calgary's housing market ease off the pedal gradually rather than slam on the brakes.

In this regard, a solid economic backdrop should help. Calgary's economy is expected to grow at a slower, more sustainable pace through the forecast horizon. Energy prices are likely to stay elevated and no major disruptions in job markets are foreseen. Calgary should continue to attract a significant number of workers, albeit less than in previous years. The metro area has experienced the second largest population growth in the country between the last two censuses of 2001 and 2006, but the net inflow of migrants may have already peaked. Employment prospects have also improved in other provinces. Nonetheless, abundant job opportunities and strong wage growth should continue to support a high demand for housing into next year. If Calgary's housing market can pull off a much sought after soft-landing, which we think it can, this would bode well for Edmonton whose housing market cycle isn't far behind.

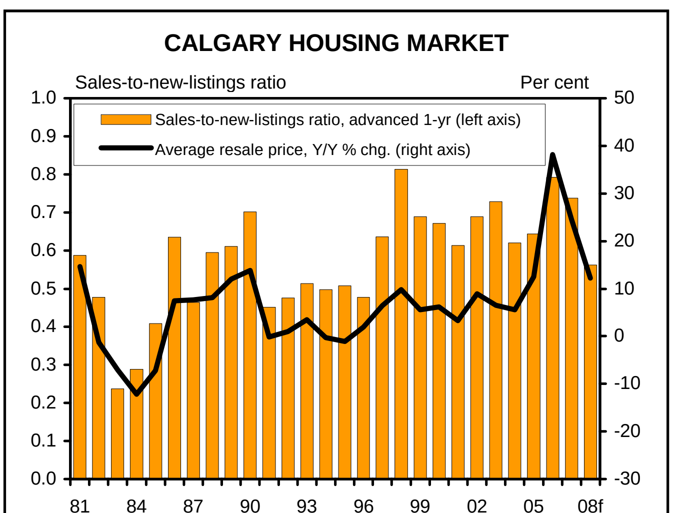
Edmonton – Not far behind

Edmonton's home price appreciation curve is just a half-step behind that of Calgary's. Indeed, whereas price growth for both new and existing homes in Calgary has been cooling since the fall of 2006, the same started to occur in 2007 for Edmonton.

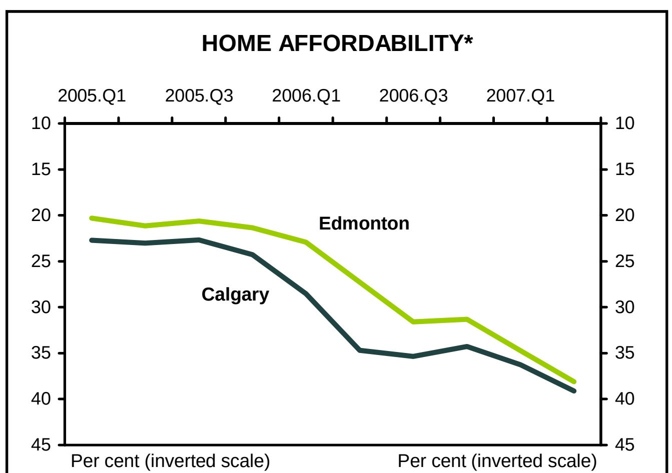
Furthermore, as was the case for Calgary in 2006, single-detached unit starts, completions and absorptions have accelerated in 2007. Meanwhile, the existing home market continues to set new benchmarks for sales and average resale price. Led by the condo market, the year-to-date unit sales gain is close to 15%. Yet, listings have shot up in excess of 60% over the same period last year. The consequent reduction in the sales-to-new-listings ratio should translate into softer price growth in 2008. By then, past and current erosions in affordability should also be making a dent into sales.



Last plotted: July 2007; Source: Canadian Real Estate Association.

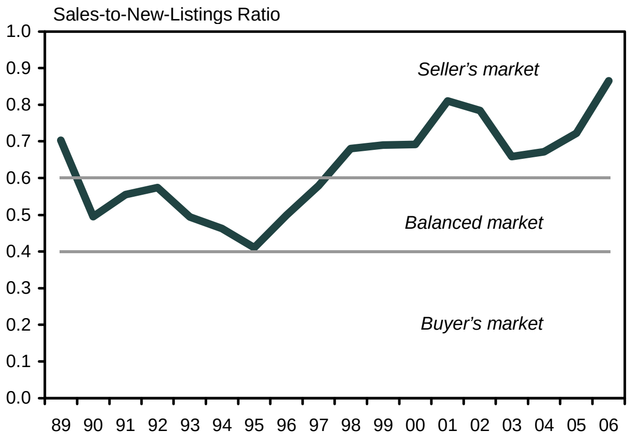


Source: CREA. f: Forecast by TD Economics as at Sept. 2007



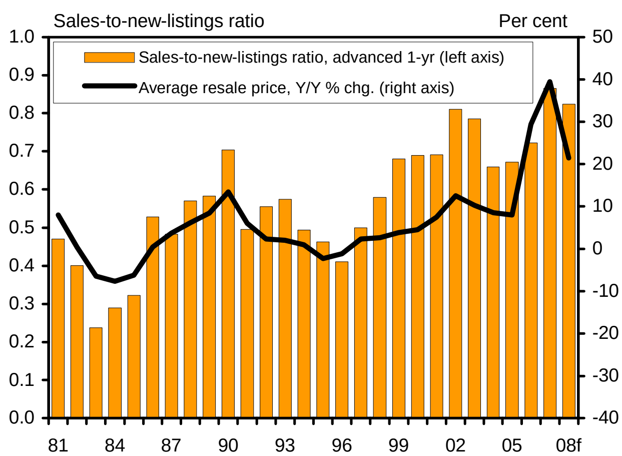
* Per cent of median market household income required to service mortgage carrying costs of the median-priced home. Source: CREA, Statistics Canada.

EDMONTON HOUSING MARKET



Source: Canadian Real Estate Association.

EDMONTON HOUSING MARKET



Source: CREA. f: Forecast by TD Economics as at Sept. 2007.

Looking at the existing home market conditions shows that from 2001 to 2003, the flow of new listings was outstripping that of sales. The situation has since then reversed sharply as the supply of existing homes has been unable to keep up with demand. The latter development has pushed market conditions in Edmonton's housing market squarely into seller territory. As for the new home market, housing starts and completions have been playing catch-up to a surge in demand for new homes. Housing starts are expected to be in an elevated range of 15,000-16,000 units range for the forecast period.

Last year, for the first time in eight years, housing completions in Edmonton had finally managed to more than match sales of new homes. Our measures of market conditions show considerable relative demand pressures, i.e. a strong 'seller' market.

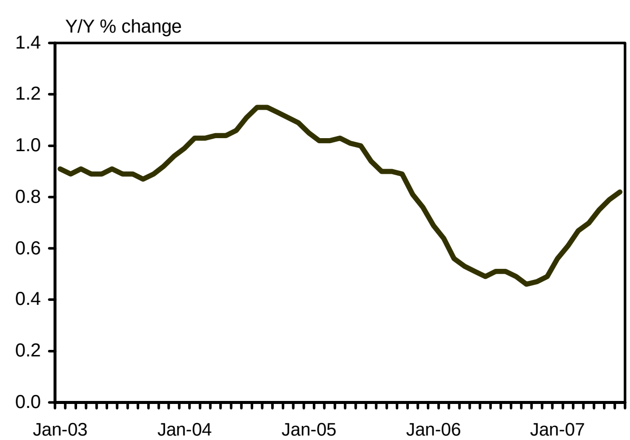
Even less so than in Calgary, therefore, we don't expect Edmonton to return to a balanced market in 2008. While sales are expected to soften on the back of eroding affordability, the outlook for continued robust oil-sands investment and solid job growth of 3% will provide a strong underpinning for housing demand. As such, look for Edmonton to record the fastest gain in prices among the major markets for the second year in a row in 2008.

Winnipeg looks the other way

Among the metro markets covered in this report, Winnipeg stands alone as one where new housing market activity is both high and trending up. Even if more existing home listings have come on tap to help quench demand built up in the last 3 years, a look at the housing market statistics shows that new home sales have not been met by a sufficient number of completions. Winnipeg exhibits, along with Edmonton, the strongest relative demand pressures out of the 7 major metro markets analyzed. Some of the increased demand of late can be traced to a steady pickup in year-over-year population growth. After decelerating since mid-2004, population growth has climbed back to 0.7% annualized year-to-date, towards the 1% average of 2003-05.

Total housing starts have tried to keep up, and should reach a 19-year high level upwards of 3,000 units this year. This will mark a seventh consecutive year where housing starts have increased. Driving the gains are new starts in multi-family units; semi-detached, row, and apartment units.

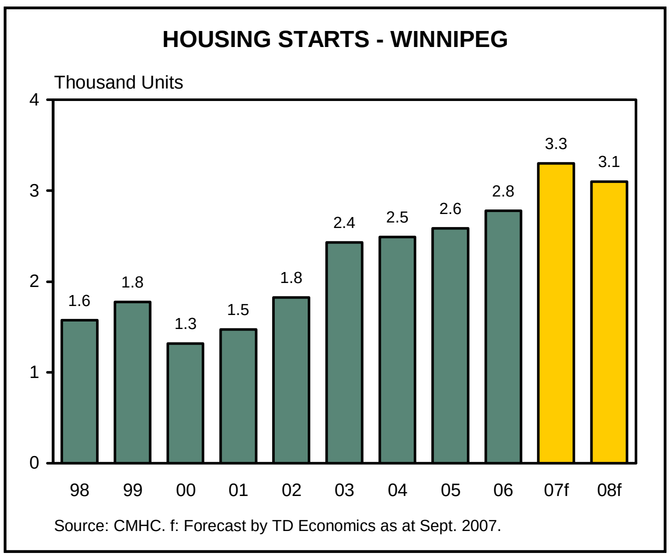
POPULATION - WINNIPEG

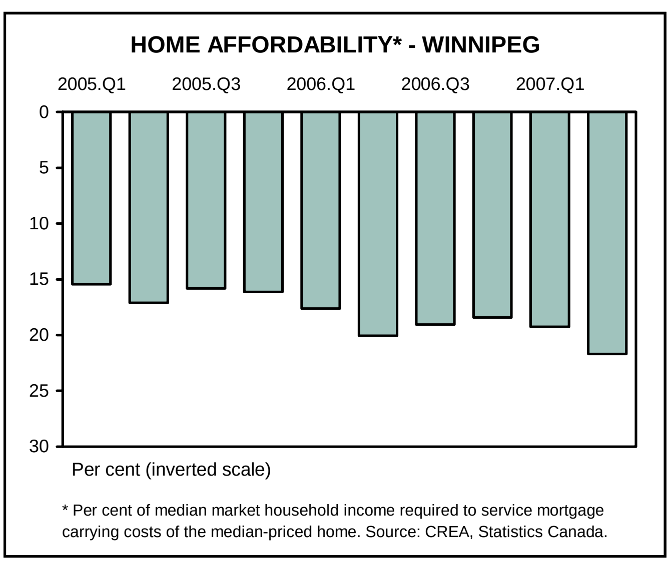


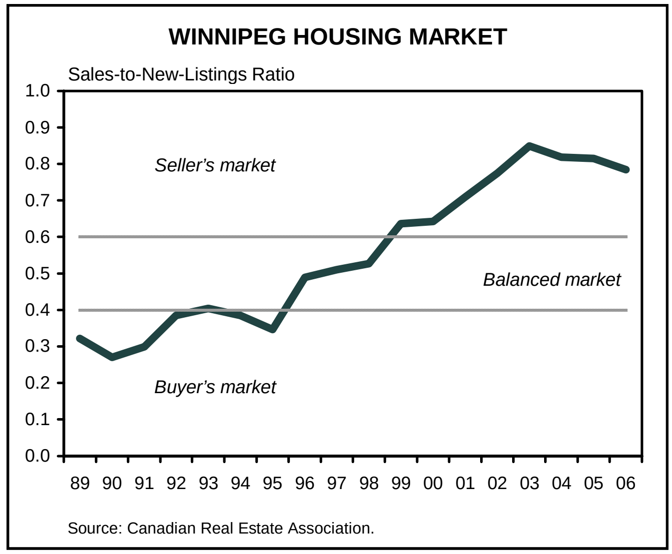
Source: Statistics Canada / Haver Analytics.

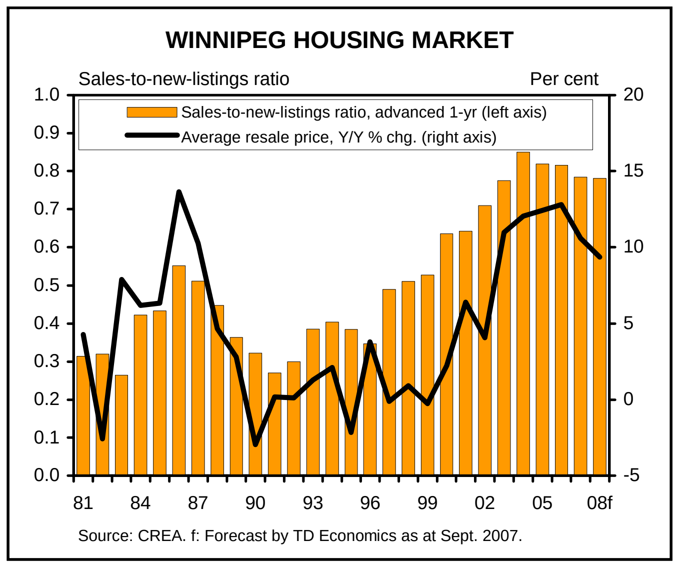
Single-detached units are also being built at an increased pace, leading to a moderate build-up of inventories in recent months. In view of this year's run-up in housing starts and stocks -- together with prospects for a tapering off in demand -- look for homebuilding activity to slow a notch in 2008.

Certainly, the average yearly growth of 7% in the number of listings in 2003-06 has kept resale home price growth in check. Nonetheless, Winnipeg is the only major metro market to record double-digit resale home price growth every single year since 2003. We predict that streak will be broken in 2008. However, Winnipeg will still flirt with 10% price growth, as both the upside and the downside appear limited for this market. Affordability has eroded somewhat but remains quite good, especially in comparison with other markets.









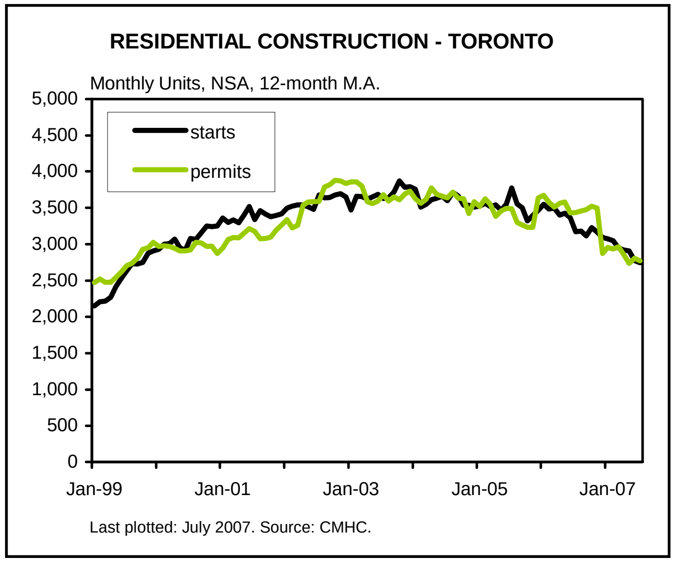
The average resale price of a home in Winnipeg stood at roughly half the Canadian average in 2003. Extrapolating 10% price growth would only have it break the $200,000 mark towards the end of 2009, which would then stand at still 40% less than the expected Canadian average. That gap should narrow however. Overall market conditions clearly highlight the tightness of the market and suggest that the Winnipeg housing market will not reach balanced conditions within the forecast horizon. And for those who are keeping track, this means that Winnipeg's streak of outperforming Canada as a whole in terms of resale home price gains should continue heading into 2009.

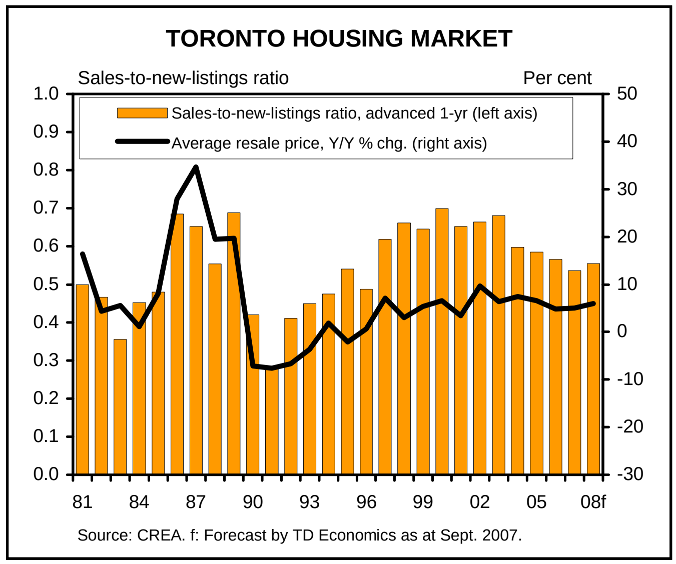
Toronto – In cruise control

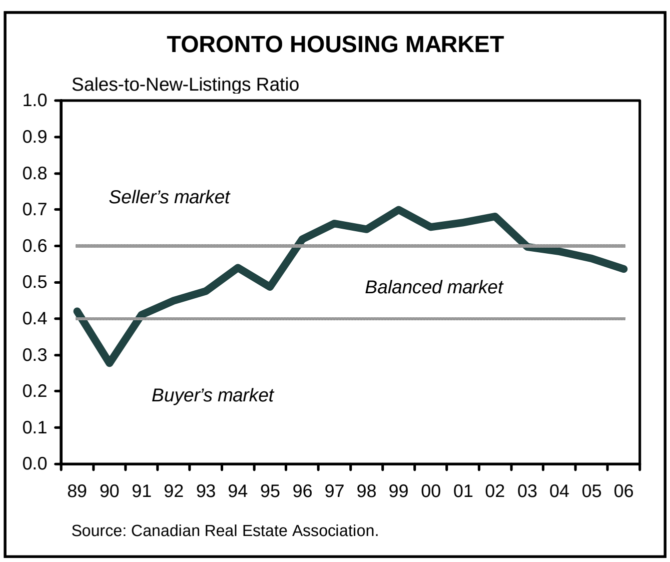
Canada's largest metro housing market is experiencing a well-behaved soft landing. Housing starts and new home sales should continue to edge down gradually, as they have been since 2003. First-time homebuyers increasingly are looking to the more affordable condo segment, and new condo apartment sales for 2007 should near the record-breaking level of the past two years. Furthermore, more existing homes listed for sale has opened up resale market opportunities and meant a diminished need for new single units. Demand for newly-built condos has remained robust in 2007, with the share of multiples accouting for 2 out of 3 starts.

Studying the underlying economic conditions, we note that even if Ontario isn't Canada's job creation engine to the same scale as it once was, Toronto's metro area continues to drive the province forward, usually faring better than the province as a whole. Its labour market is tight, as evidenced by a generational low unemployment rate, especially in service-producing industries. Wage and employment growth will probably continue to perform on par with Canadian averages, and the moderate pace of home price growth will also help contain potential erosions in home affordability. Furthermore, Toronto continues to attract the largest share of international immigrants into Canada, and the outflow of workers to western Canada is expected to ease as western economies come back down to earth.

As a result of solid demand, the existing home market has tightened this year as sales have outpaced listings. Home prices typically adjust to reflect market conditions with a lag, and this suggests an uptick in resale home price growth for 2008, which we expect to be close to 6%. Overall, Toronto's market conditions should continue to be balanced. As a testament to this balance, notice that resale home price growth has held in a reasonable 3-10% band throughout the last decade. Steady as she goes, then, for Canada's largest housing market, which, looking around to other housing markets these days, is a rather enviable prospect.







No slack in Ottawa

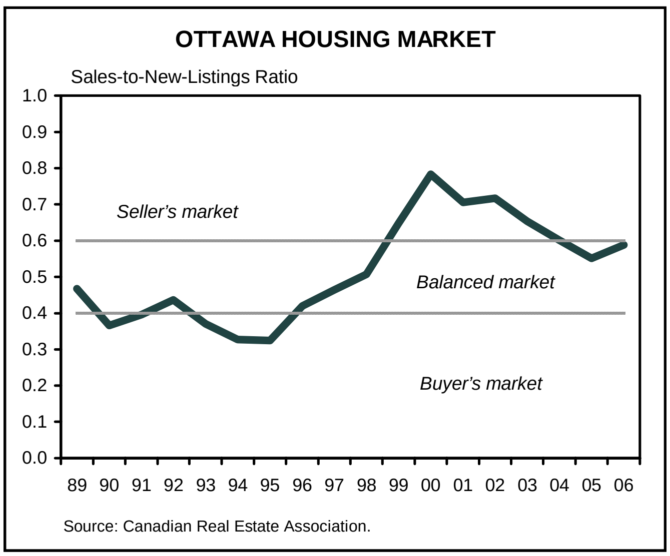
Continuing our trek eastward, we find that the nation's capital housing starts have surprised on the upside. Up by almost 8% year-to-date, they will likely be lower in the second half of this year. As in many other markets, multiple units are largely responsible for the overall increase in starts. Meanwhile, the resale market remains strong, with home affordability still decent but price gains that outpace inflation. Here again, a relatively better affordability for condos has translated into a tighter market and larger price gains for that segment, and vice-versa for single-detached homes.

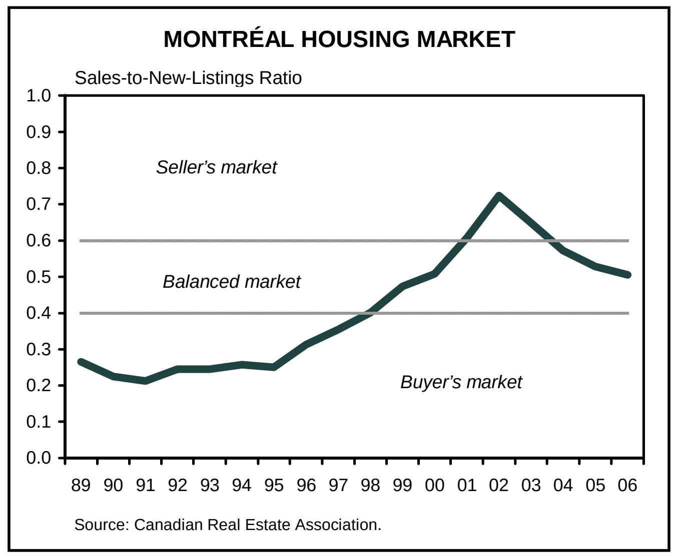
Better affordability across the river in Gatineau continues to result in a number of workers attached to Ottawa choosing to reside in Québec, which dampens Ottawa's local housing demand. As the net difference – prices and taxes considered – between the two markets narrows, this trend is likely to abate but could last a while longer as such adjustments take a fair bit of time.

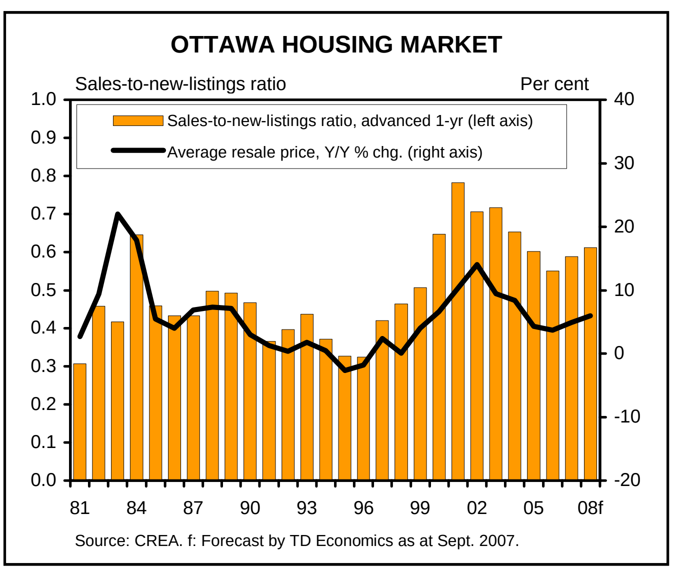
After cooling since 2002, our forecast still suggests a slight pickup in home price appreciation, mostly driven by the recent pace of sales versus that of listings. Following the vigorous job creation year that was 2006, employment is expected to decline by close to 2% this year before picking back up in 2008. Even if public sector employment prospects remain limited, private sector job creation is likely to improve in 2008.

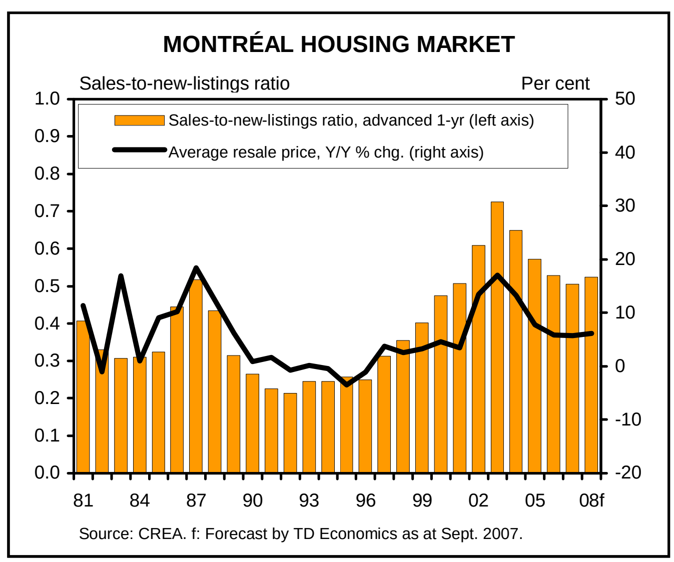
Montréal keeps humming along

Most indicators for the Montréal housing market are pointing up this year. Higher-than-anticipated demand has meant that sales were very strong to start out the year and are showing a double-digit increase over 2006. Even if quality, age, and size of units are at play, a widening price gap between new and existing homes continues to favor demand for the latter, priced 23% lower on average.









More than any other major metro market except Vancouver, the Montréal market will also continue to exhibit the increasing popularity of the condo market. Whereas the single-detached and plex markets lean towards seller market conditions, the condo segment of the market is more balanced. This segment is therefore expected to continue to outperform other segments as far as starts, sales and listings go, but to under-perform in terms of price growth.

The pace of home sales is likely to cool next year, which should help rebalance the market. Under current growth trends in the North and South crown, and given the strength in conversions of older buildings into new condo units on the Island, the underlying supply of new and existing units is keeping pace with modest job and income growth in the region. Relatively good affordability, historically low unemployment rates, and population growth will continue to support a healthy demand. We expect home price appreciation to clock in around 6%, averaging, by a small margin, the strongest performance over 2007-08 amongst major eastern markets.

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HOUSING STARTS												
	Thousand units						Per cent change					
	2003	2004	2005	2006	2007E	2008F	2003	2004	2005	2006	2007E	2008F
CANADA	219.5	232.7	224.0	228.4	218.1	204.4	6.9	6.0	-3.7	2.0	-4.5	-6.3
Vancouver	15.6	19.4	18.9	18.7	18.3	17.5	18.4	24.3	-2.7	-1.1	-2.2	-4.4
Calgary	13.6	14.0	13.7	17.0	14.0	13.5	-4.9	2.7	-2.4	24.7	-17.9	-3.6
Edmonton	12.4	11.5	13.3	15.0	15.8	15.1	-1.6	-7.2	15.7	12.6	5.8	-4.7
Winnipeg	2.4	2.5	2.6	2.8	3.3	3.1	33.4	2.4	3.9	7.4	18.8	-6.1
Toronto	45.5	42.1	41.6	37.1	32.5	31.5	3.8	-7.4	-1.2	-10.9	-12.4	-3.1
Ottawa	6.4	7.2	5.0	5.9	6.1	5.9	-18.2	13.5	-31.2	17.9	3.8	-3.3
Montréal	24.3	28.7	25.3	22.8	23.5	22.2	18.3	17.9	-11.7	-9.9	3.0	-5.5

E: Estimate. F: Forecast by TD Economics as at Sept. 2007. Source: Canada Mortgage and Housing Corporation

EXISTING HOME SALES												
	Thousand units						Per cent change					
	2003	2004	2005	2006	2007E	2008F	2003	2004	2005	2006	2007E	2008F
CANADA	435.1	460.8	483.8	483.8	508.0	486.6	3.8	5.9	5.0	0.0	5.0	-4.2
Vancouver	39.0	38.0	42.2	36.5	37.0	35.5	11.8	-2.7	11.2	-13.6	1.4	-4.1
Calgary	24.4	26.5	31.6	33.0	33.8	32.0	-1.4	8.8	19.1	4.6	2.2	-5.2
Edmonton	16.3	17.7	18.6	22.0	24.7	24.0	2.2	8.4	5.6	18.0	12.4	-2.8
Winnipeg	10.2	10.8	11.4	11.6	12.1	12.0	3.2	5.8	5.7	1.6	4.4	-0.8
Toronto	79.4	84.9	85.7	84.8	91.6	88.0	6.2	6.9	1.0	-1.0	8.0	-3.9
Ottawa	12.9	13.5	13.3	14.0	15.0	14.0	-0.1	4.5	-1.2	5.3	7.1	-6.7
Montréal	47.4	48.6	49.5	50.1	54.0	52.0	-1.0	2.4	1.9	1.2	7.8	-3.7

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

AVERAGE RESALE HOME PRICE												
	Thousand dollars						Per cent change					
	2003	2004	2005	2006	2007E	2008F	2003	2004	2005	2006	2007E	2008F
CANADA	207.1	226.3	249.2	277.0	304.7	325.7	9.7	9.3	10.1	11.1	10.0	6.9
Vancouver	329.4	373.9	425.7	509.9	570.0	610.0	9.3	13.5	13.9	19.8	11.8	7.0
Calgary	211.2	222.9	250.8	346.7	432.0	485.0	6.5	5.5	12.6	38.2	24.6	12.3
Edmonton	165.5	179.6	193.9	250.9	350.0	425.0	10.2	8.5	8.0	29.4	39.5	21.4
Winnipeg	108.8	121.9	137.1	154.6	171.0	187.0	11.0	12.1	12.4	12.8	10.6	9.4
Toronto	293.3	315.3	336.2	352.4	370.0	392.0	6.3	7.5	6.6	4.8	5.0	5.9
Ottawa	219.7	238.2	248.4	257.5	270.0	286.0	9.5	8.4	4.3	3.7	4.9	5.9
Montréal	166.9	189.1	203.7	215.7	228.0	242.0	17.1	13.3	7.8	5.9	5.7	6.1

E: Estmate. F: Forecast by TD Economics as at Sept. 2007. Source: Canadian Real Estate Association

HOME AFFORDABILITY* BY QUARTER										
	2005.Q1	2005.Q2	2005.Q3	2005.Q4	2006.Q1	2006.Q2	2006.Q3	2006.Q4	2007.Q1	2007.Q2
CANADA	31.4	32.2	32.2	34.0	35.6	37.5	38.2	37.9	39.1	40.7
West **	28.9	30.0	29.7	31.0	33.8	39.1	40.5	40.8	41.4	44.9
East ***	28.2	29.0	28.1	29.0	30.0	31.8	31.5	30.8	31.5	33.6
Vancouver	43.5	45.4	45.6	46.9	49.3	54.7	55.4	58.2	55.1	59.1
Calgary	22.7	23.0	22.7	24.3	28.5	34.7	35.3	34.3	36.2	39.1
Edmonton	20.3	21.2	20.6	21.4	22.9	27.3	31.6	31.3	34.7	38.1
Winnipeg	15.4	17.1	15.8	16.2	17.6	20.1	19.1	18.4	19.3	21.7
Toronto	30.0	30.6	29.3	30.1	31.3	33.2	32.6	31.8	32.7	34.9
Ottawa	21.9	22.6	21.9	22.5	23.5	25.0	24.6	24.1	25.2	26.1
Montréal	24.7	25.9	25.6	26.9	27.1	29.0	29.1	28.9	28.8	30.8

* Per cent of median market household income required to service mortgage carrying costs of the median-priced home. Based on 5-yr fixed mortgage rates, 25 percent down payment, 25-yr amortization. ** Weighted measure for Vancouver, Calgary, Edmonton, and Winnipeg.
*** Similar measure for Toronto, Ottawa, and Montréal. Source: Canadian Real Estate Association, Statistics Canada, TD Economics.