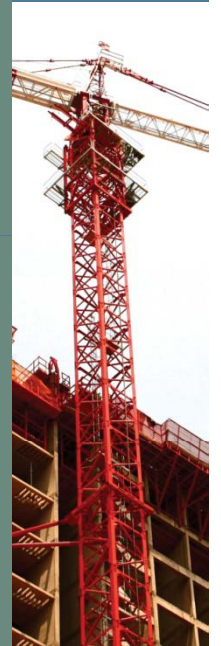


Economic & Real Estate Outlook

IMBA CONFERENCE –April 2011

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Regional Economist – CMHC
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Housing market intelligence you can count on



AGENDA

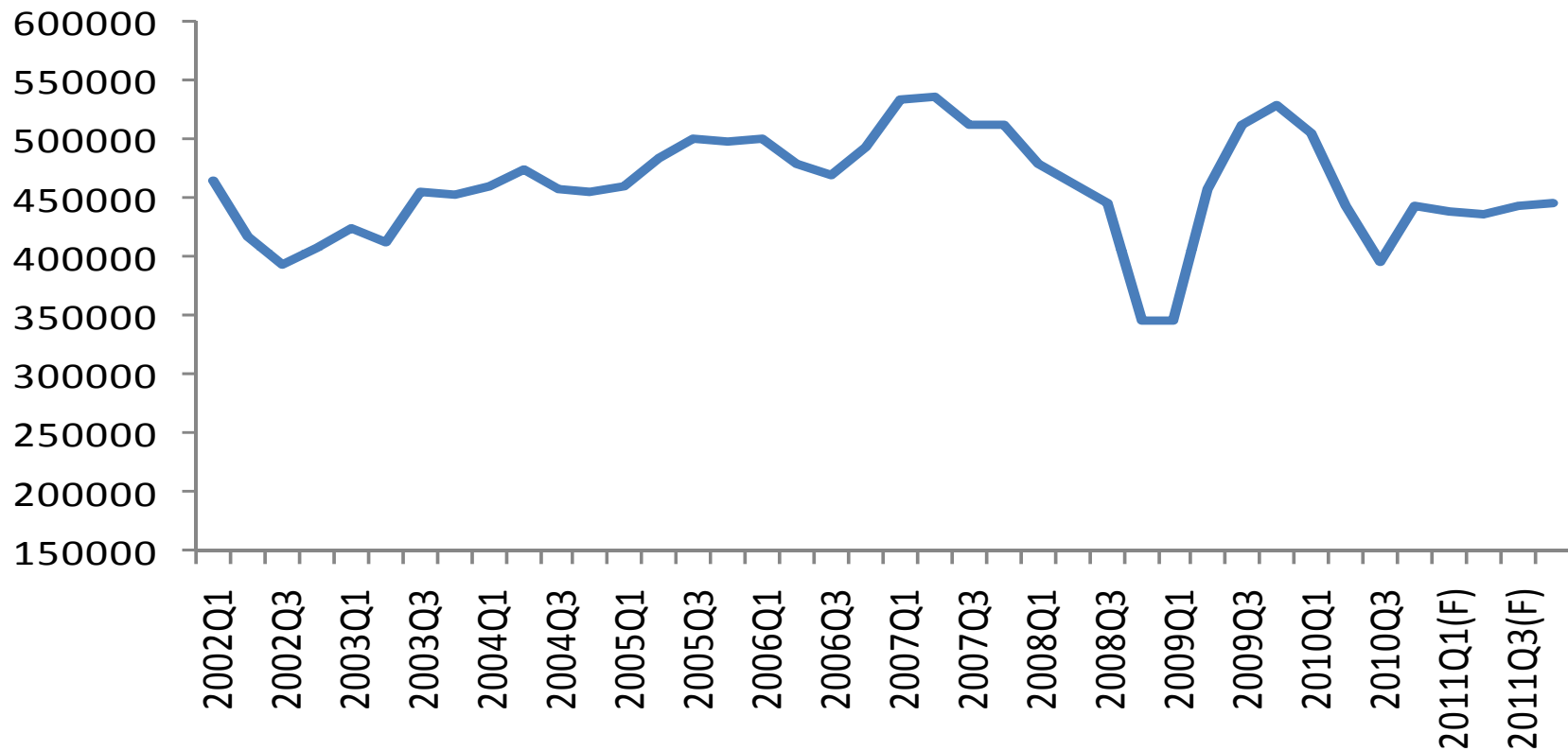
- **Key Insights for 2011/12**
- **Housing Outlook: Sales & Prices**
- **Factors Shaping Housing Outlook**
- **Risks to the Outlook**
- **Summary**
- **Q & As**

Key Insights for 2011/12

- **Canadian/Ontario housing market stabilizing**
- **Southern Ontario to lag activity in Northern Ontario & Western Canadian markets**
- **Prices to grow below long term rate of growth**
- **No evidence of housing price bubble**
- **Inflation and interest rates will rise**
- **First time buyers sensitive to interest rates, demographics**
- **Outlook still subject to uncertainty/risk**

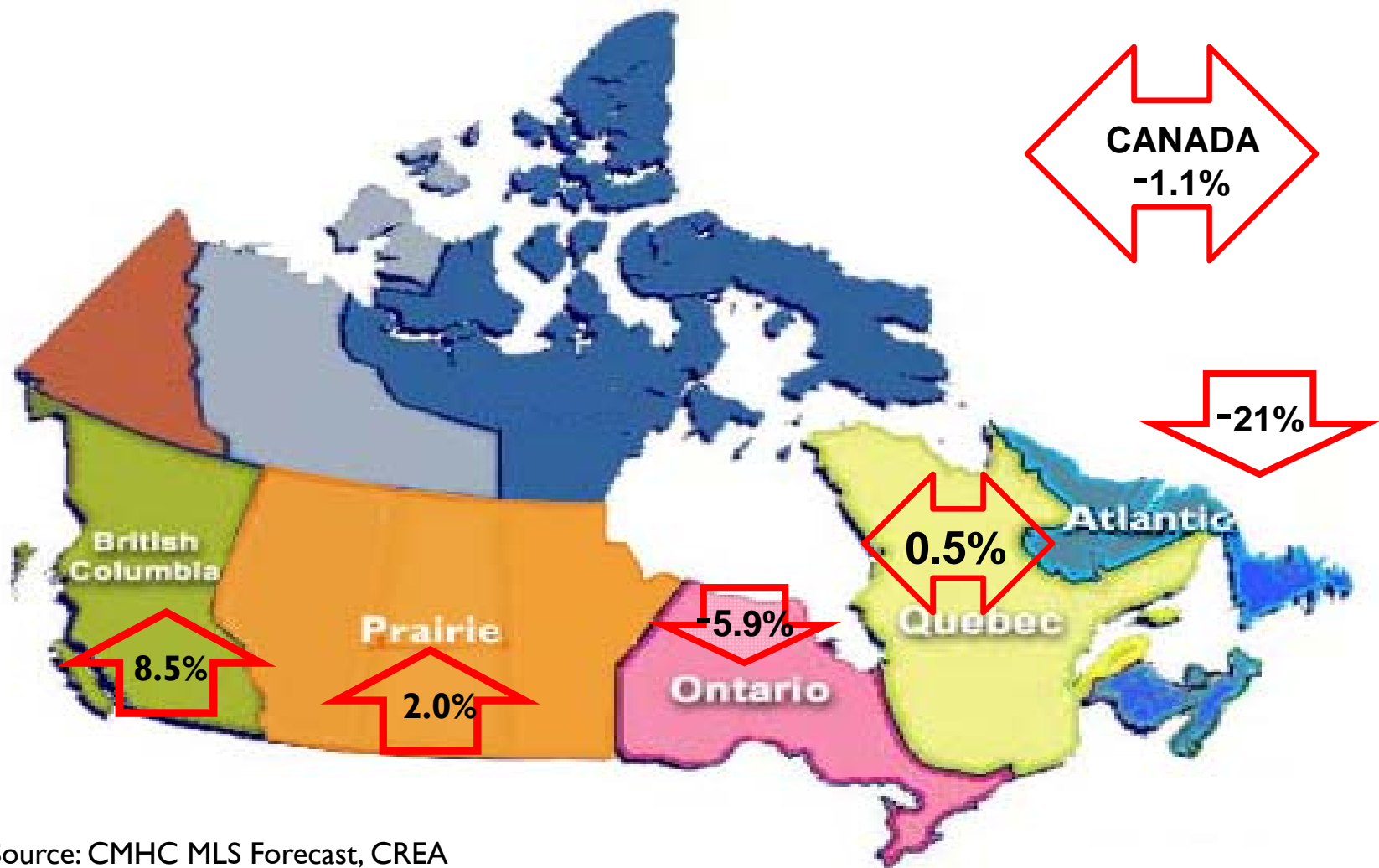
Canadian Sales Stabilize But Less Impetus For Growth in 2011

Existing home sales. saar - CANADA



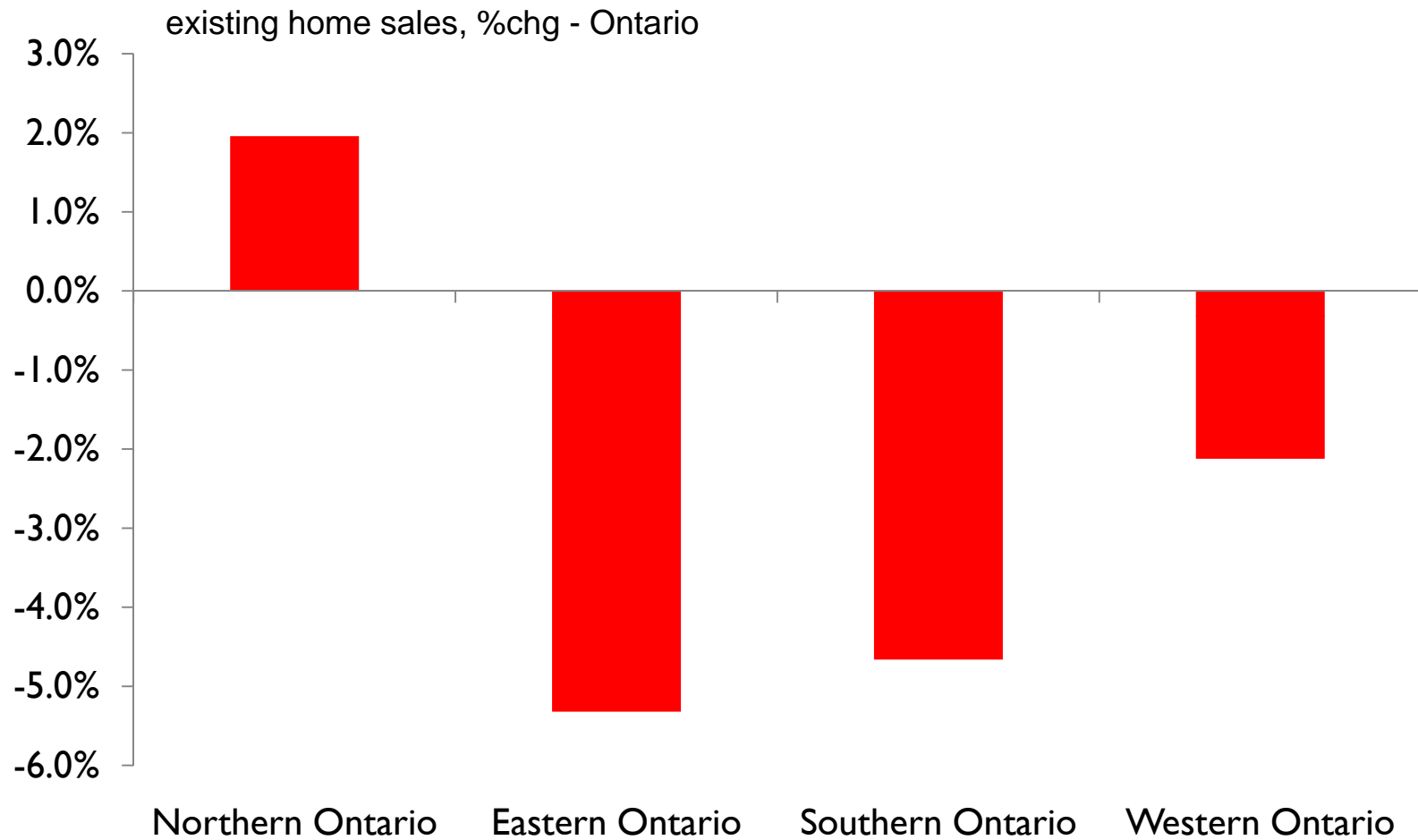
Source: CREA, CMHC forecast

But Sales Grow Faster in the West in 2011



Source: CMHC MLS Forecast, CREA

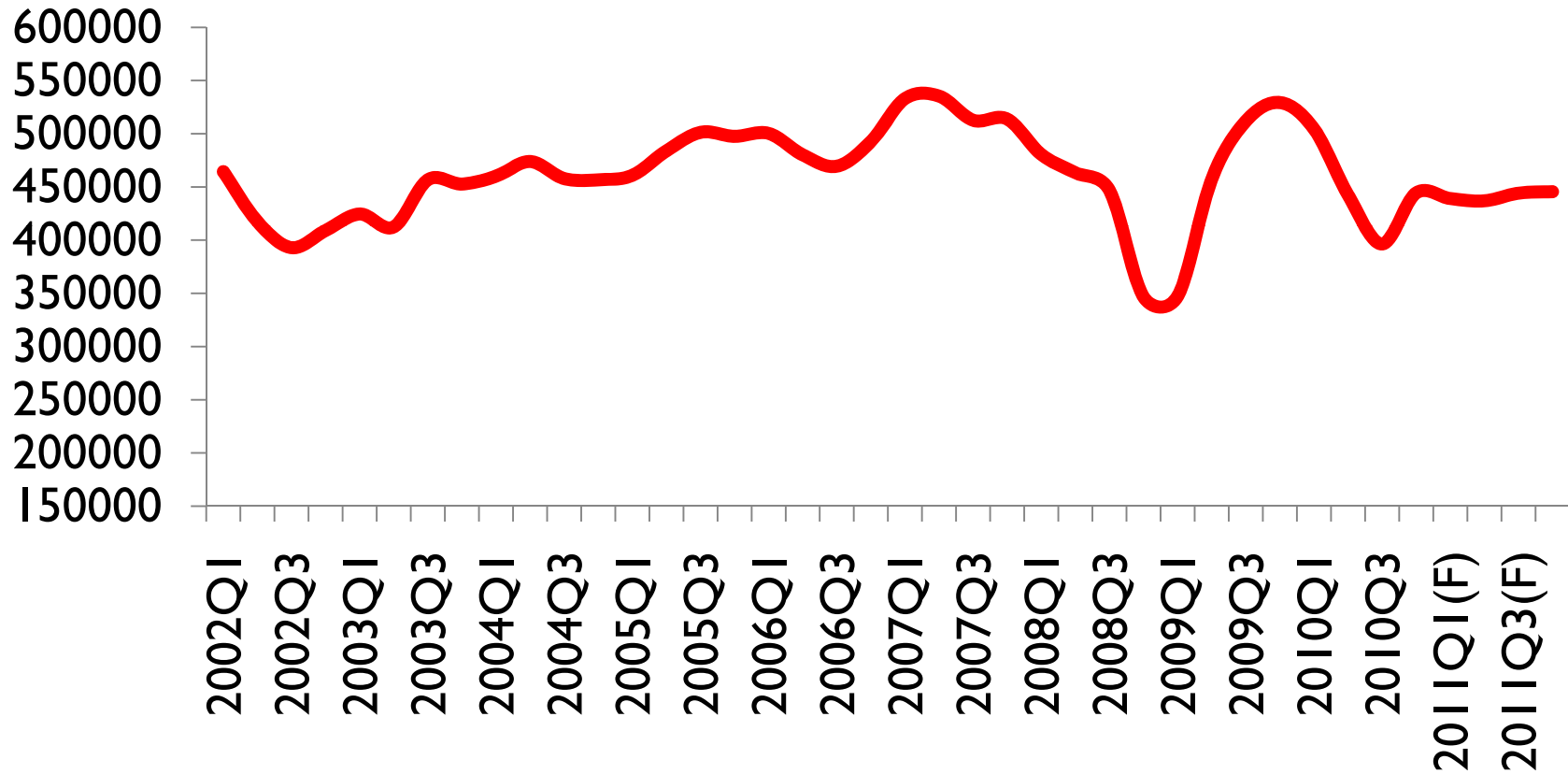
Northern Ontario Leads Housing Market Activity in 2011



Source: CMHC MLS Forecast, CREA

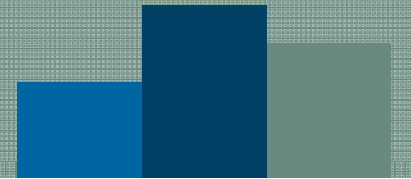
Canadian Housing Prices Stabilize

Existing home price, s.a - Canada



Source: CREA, CMHC forecast

Are Real Estate Markets Defying Logic?



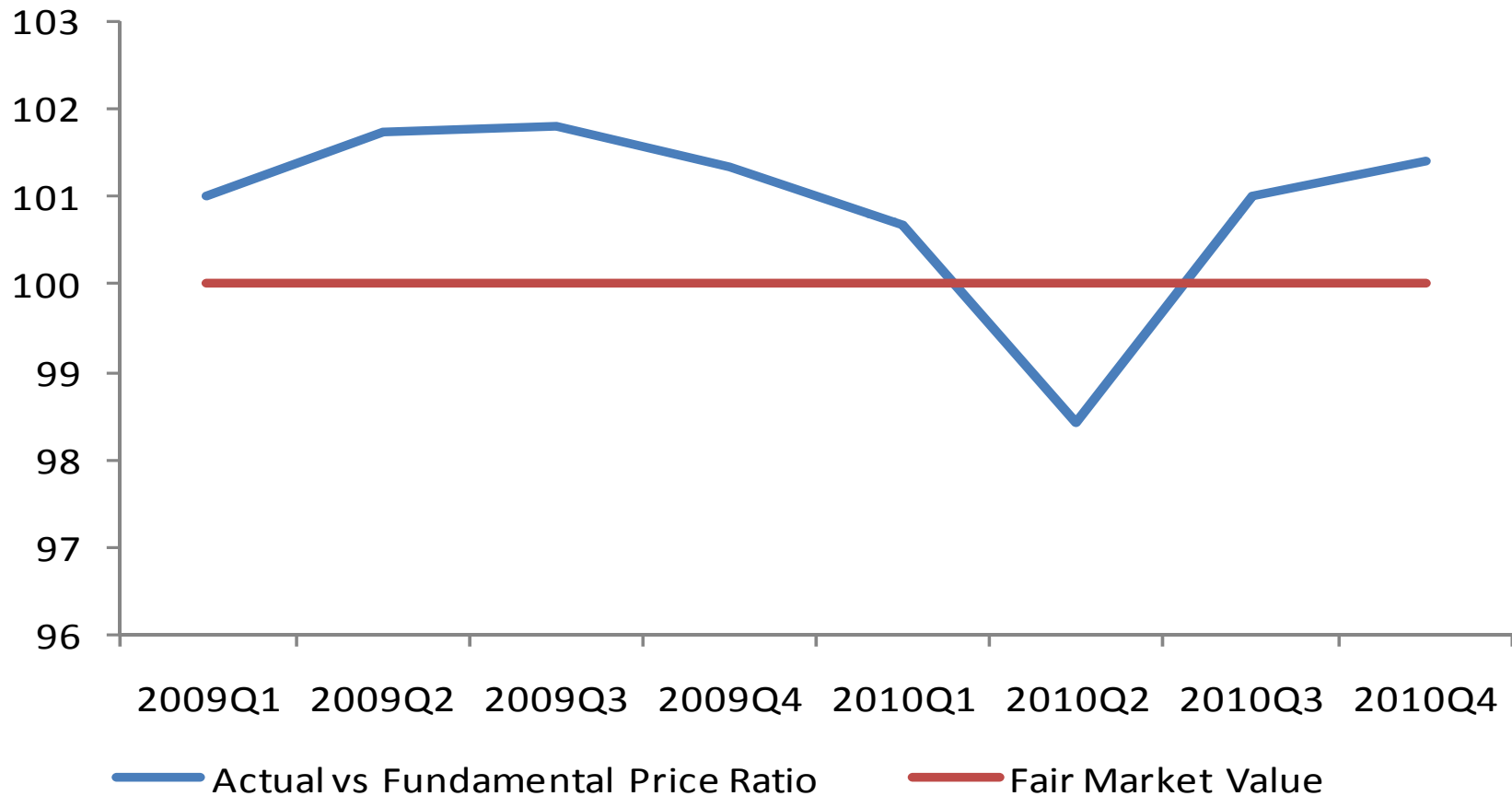
Maybe

- House Price to Income Ratios Are High
- Household Debt to Income Ratios Are High

Source: Statistics Canada, Bank of Canada, CMHC

Deeper Analysis Suggests No Housing Bubble Exists

Actual Resale Price vs Fundamental Price Ratio - ONTARIO



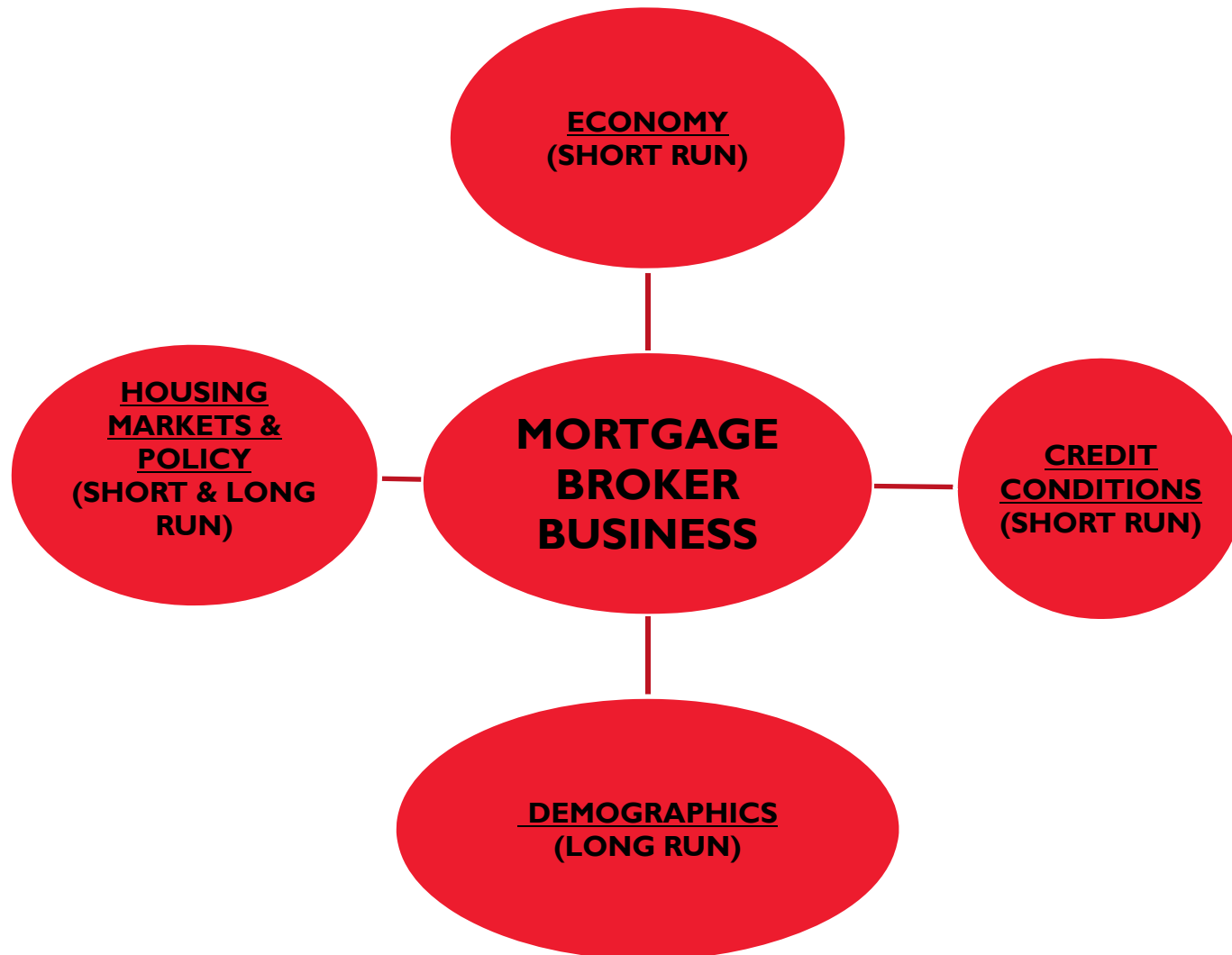
Source: CREA, CMHC model estimates



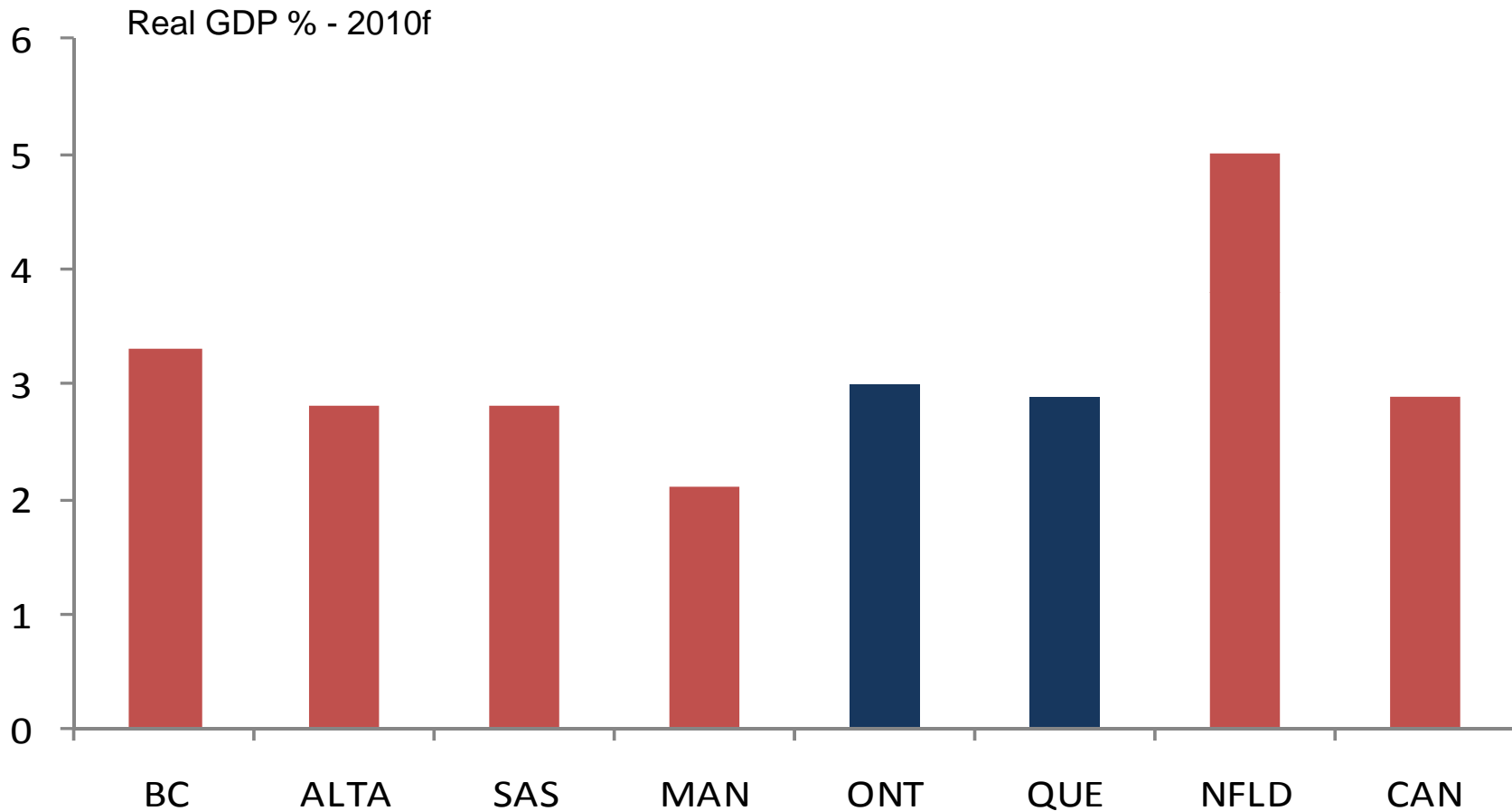
The Big Picture & Why it Matters

Why is housing momentum set to slow?

DRIVERS OF MORTGAGE BROKER BUSINESS

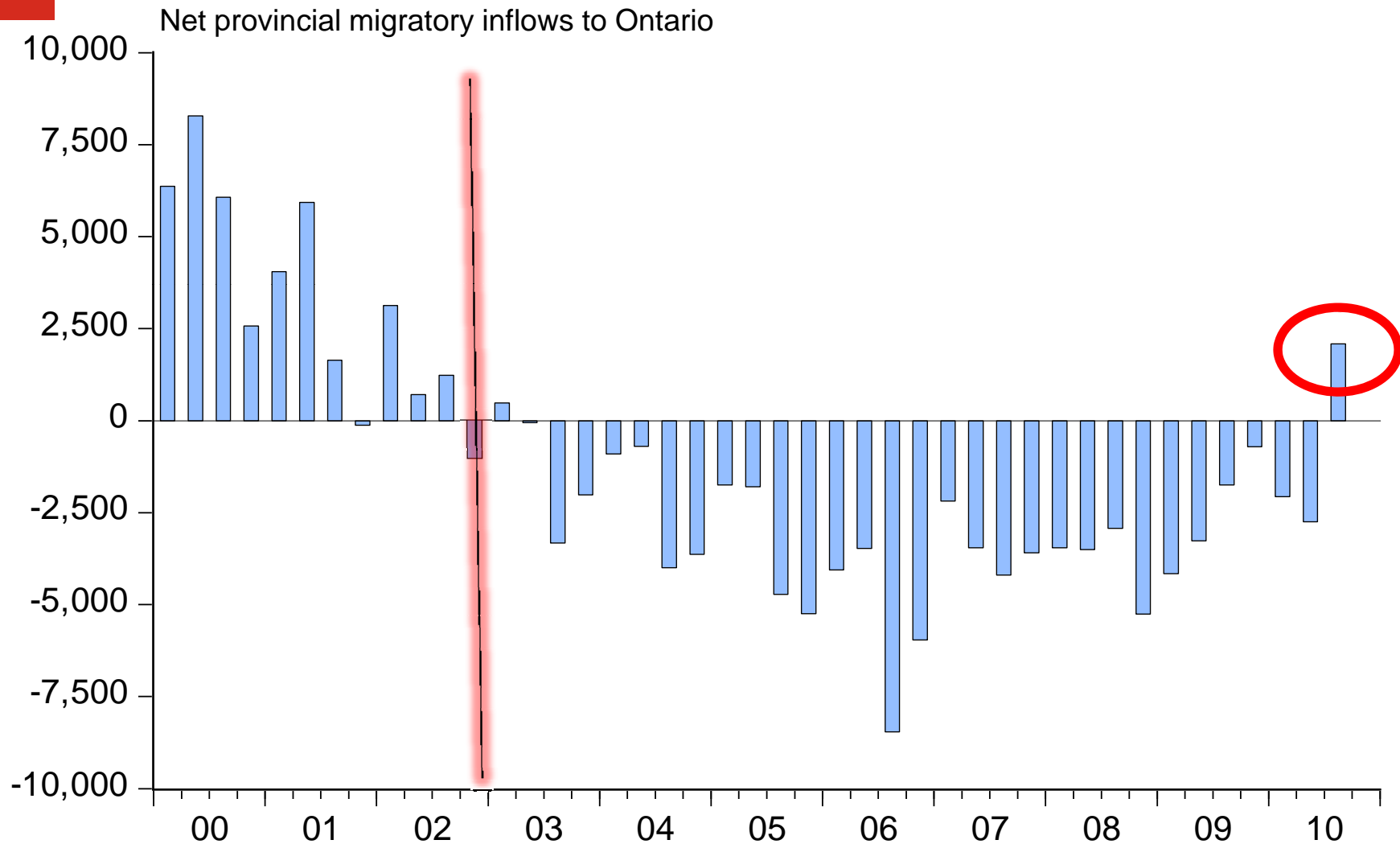


2010 GDP Growth – Ontario Among Leaders



Source: Statistics Canada, CMHC forecast (f)

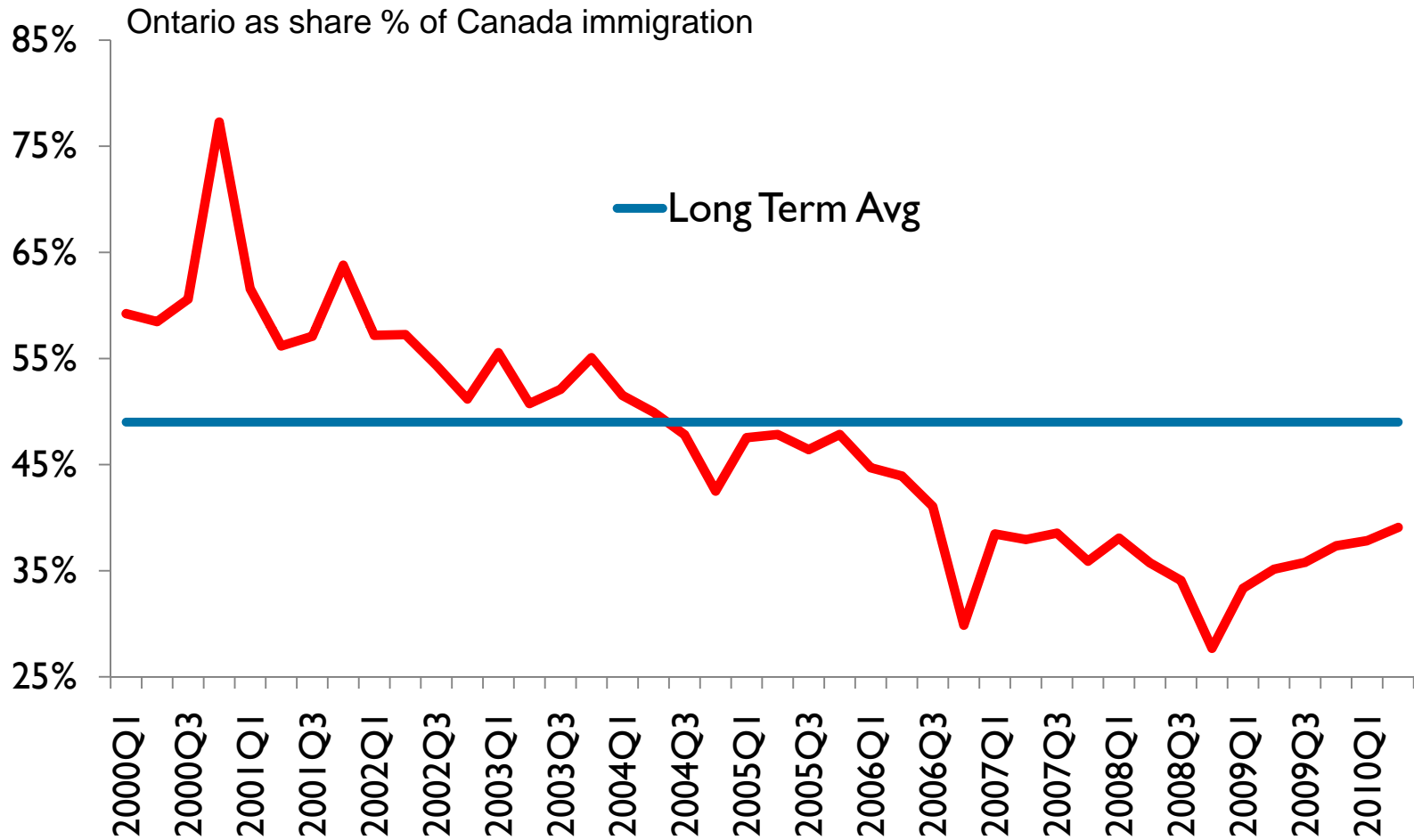
Migratory Inflows from Rest of Canada Improve in 2010



Source: Statistics Canada

CANADA MORTGAGE AND HOUSING CORPORATION

...As Does Ontario's Share of International Migration



Source: Statistics Canada

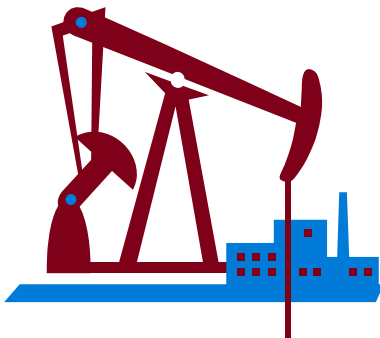
But Canada's Economic Story Changing

MANUFACTURING INVESTMENTS



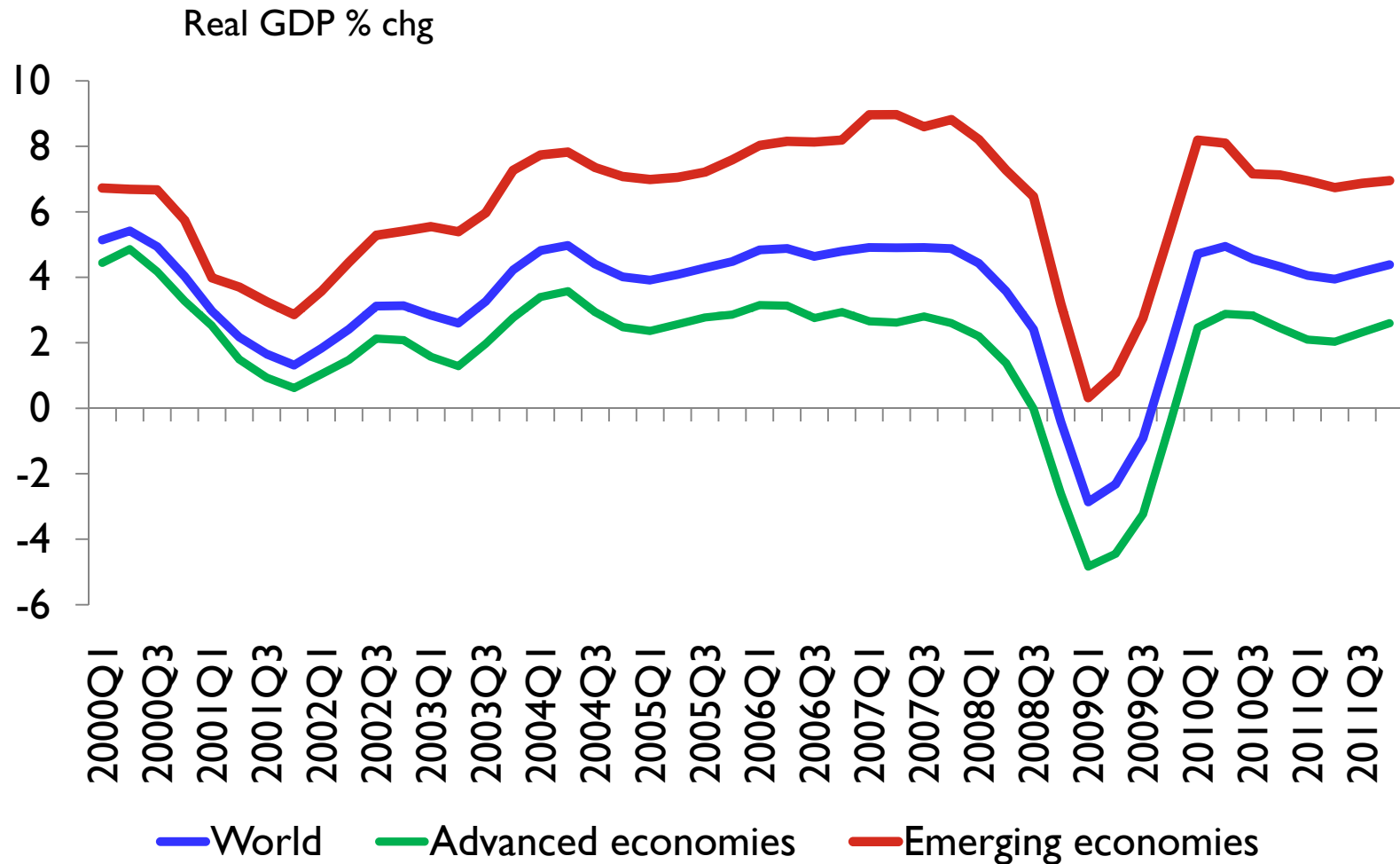
2009/10 story

ENERGY/NON ENERGY INVESTMENTS



2011/12 story

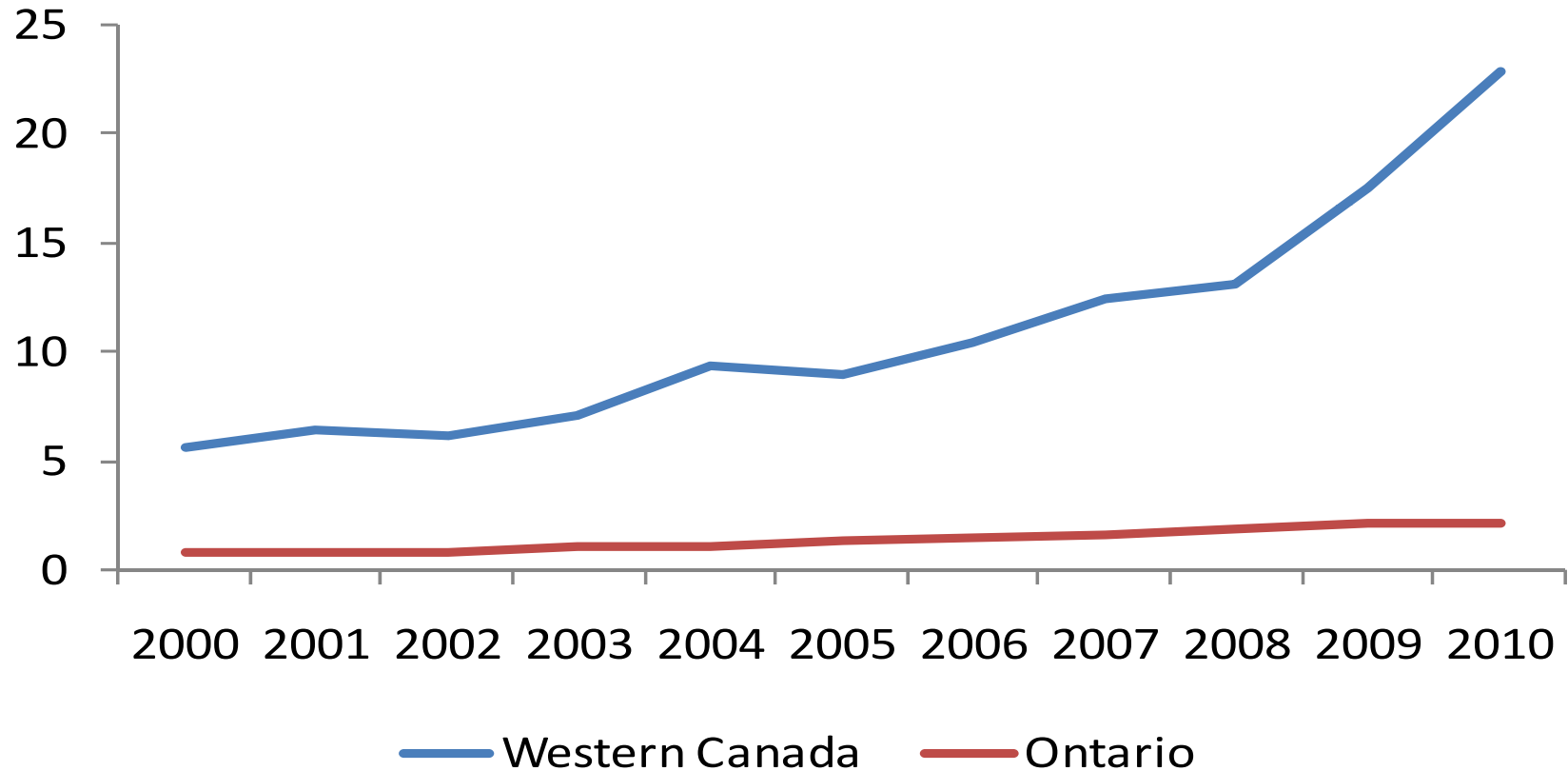
Resource Poor Emerging Economies Growing



Source: IMF

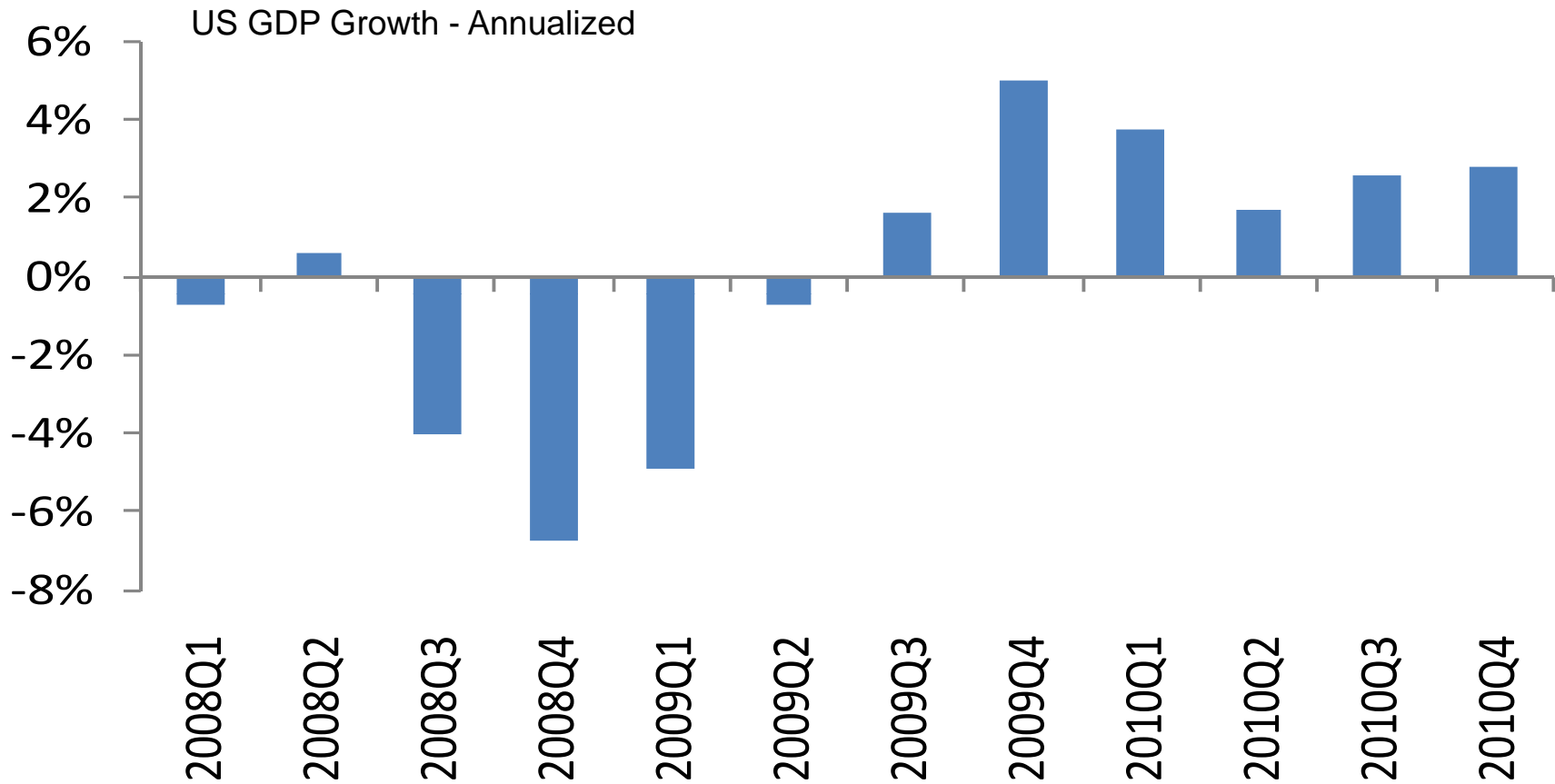
Western Canada Tapping Into Emerging Markets

% share of exports to emerging markets



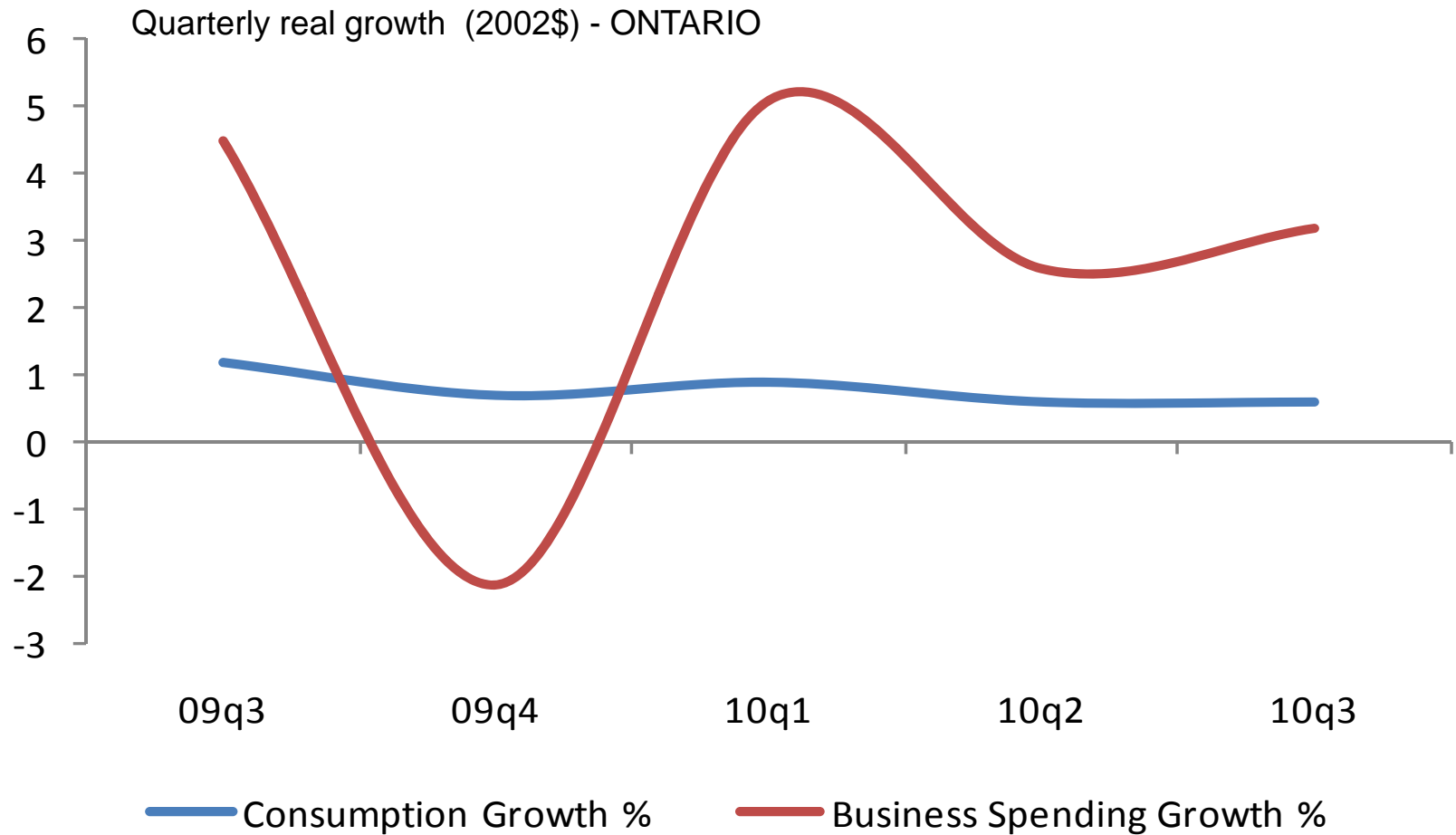
Source: Industry Canada

But US Economy Improving



Source: US Bureau of Economic Accounts

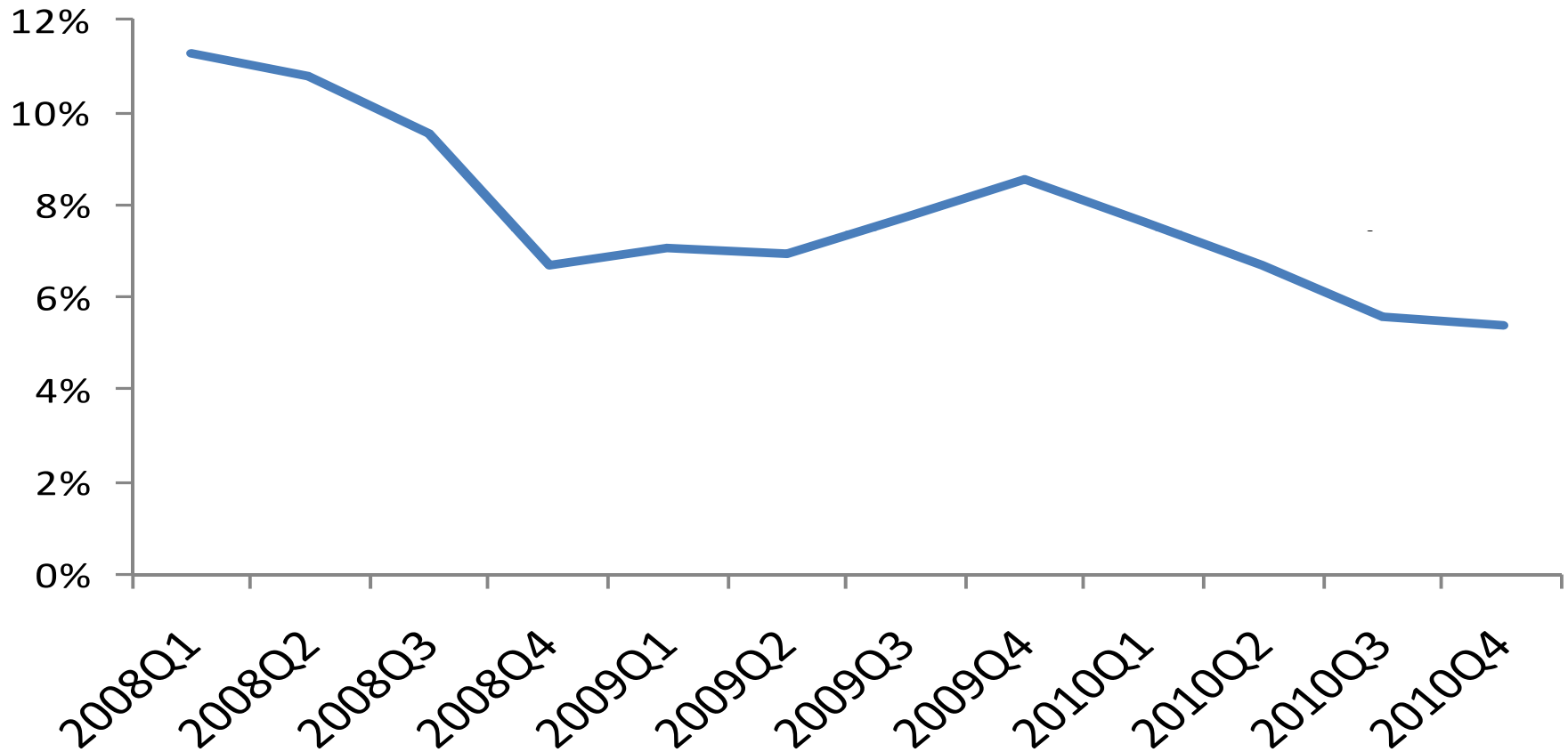
Business Spending Will Lead During Expansion Phase



Source: Provincial Economic Accounts

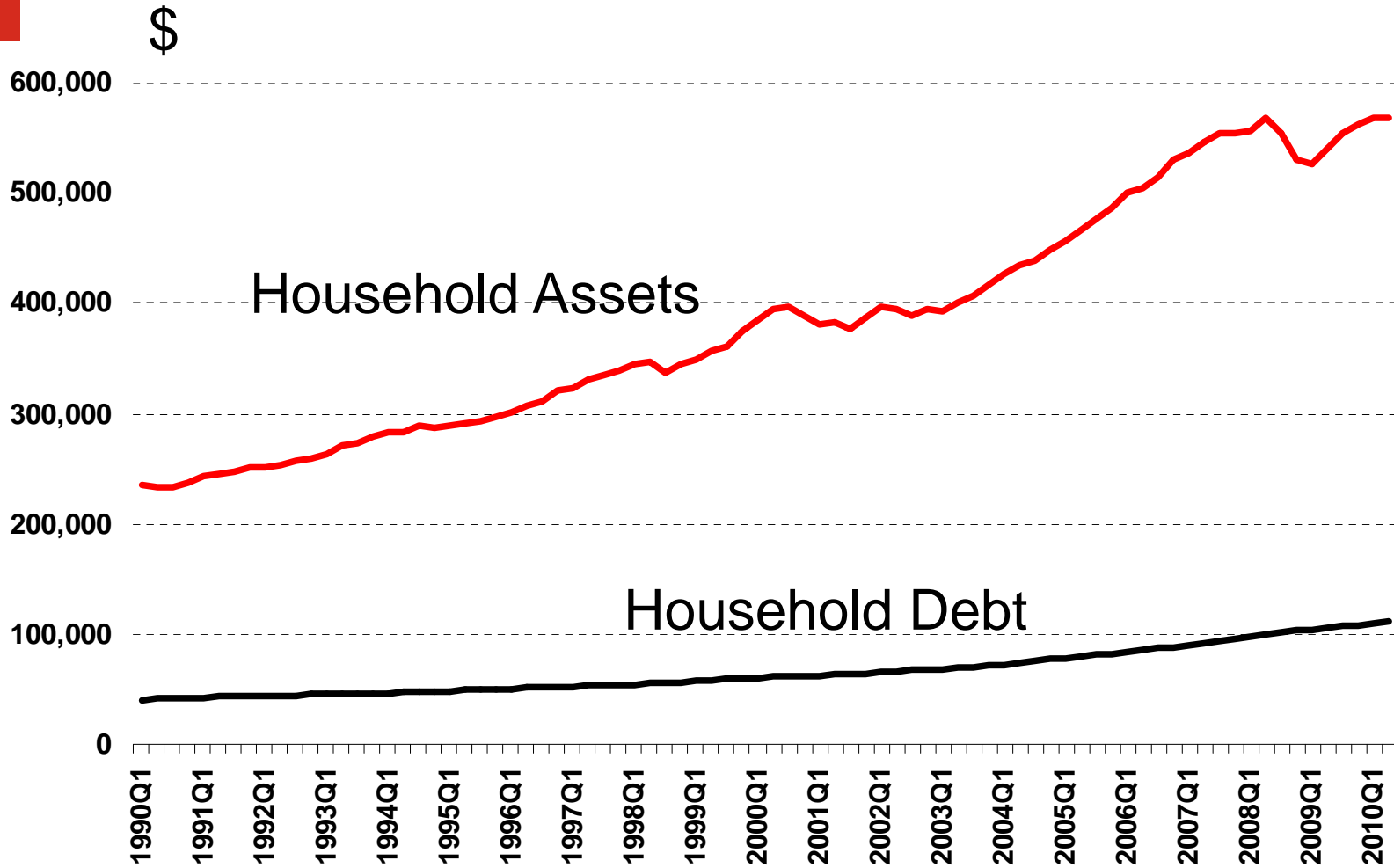
Credit Growth is Slowing in Canada

Credit Growth, annualized - Canada



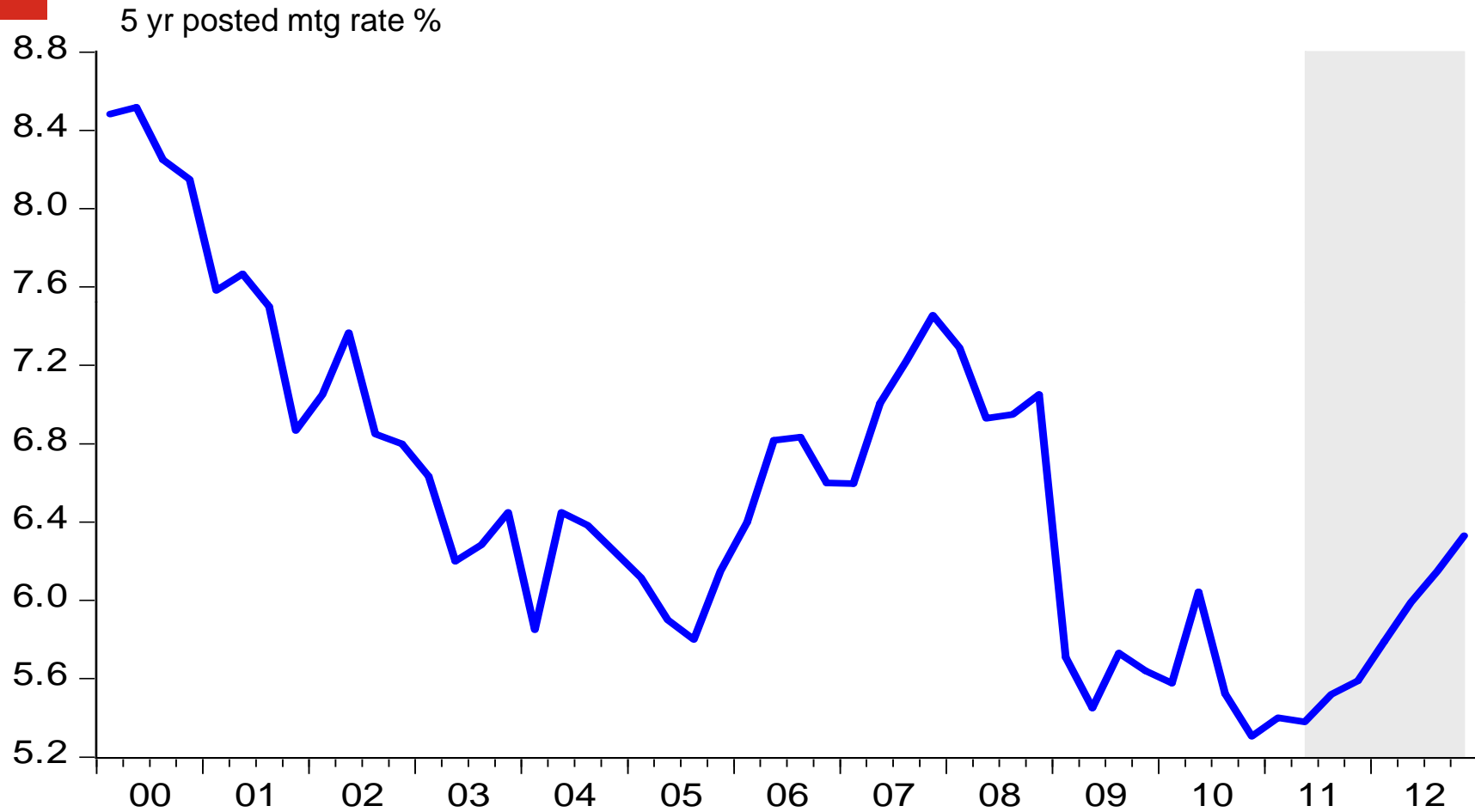
Source: Statistics Canada

Canadian Households Will Pay Down Some Debt



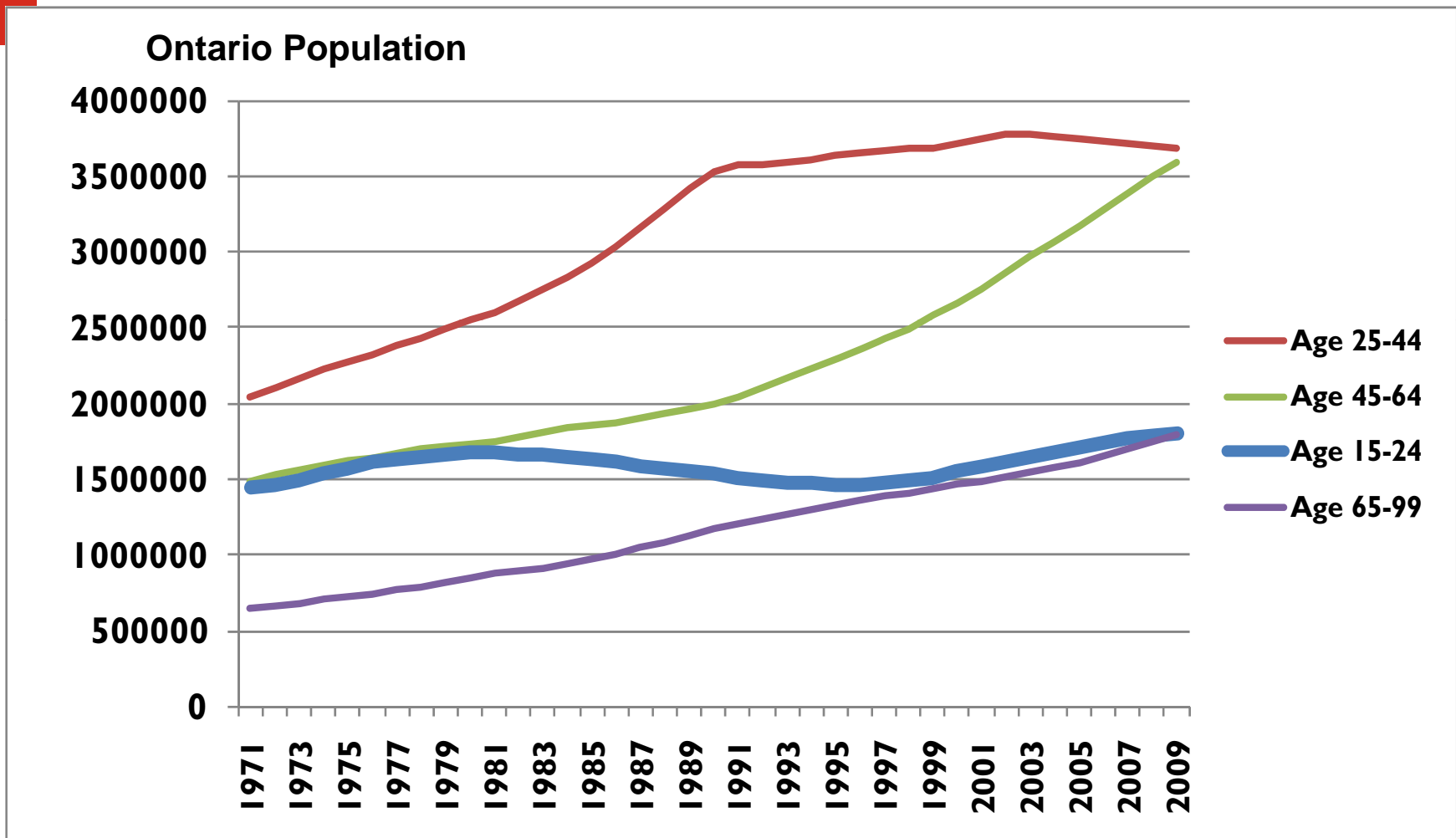
Sources: Statistics Canada, National Income and Expenditure Accounts, National Balance Sheet Accounts.

First Time Buyers Sensitive to the Interest Rate Story



Source: CMHC Forecast, Bank of Canada, Statistics Canada

First Time Buyers Sensitive to the Demographic Story



Source: Statistics Canada, CMHC

FORECAST

Ontario Region Economic Outlook*

Preliminary Estimates, First Quarter - 2011

ECONOMY	2010e	2011f	% chg	2012f	% chg
GDP	3.0	2.2		2.8	
Employment % chg.	1.8	1.3		1.5	
Labour Force % chg.	1.5	0.8		1.3	
Unemployment Rate	8.7	8.2		8.0	
Average Weekly Earnings %chg	1.8	2.0		2.5	
MIGRATION					
Net Migration	102973	114100	10.8%	121200	6.2%
<i>Net International</i>	111688	120000	7.4%	127500	6.3%
<i>Net Interprovincial</i>	-3200	-5900	84.4%	-6300	6.8%

Source: Statistics Canada, CMHC Forecast *The outlook is subject to a heightened degree of uncertainty. Although point forecasts are presented in this publication, CMHC also presents forecast ranges and risks where appropriate. The forecasts included in this document are based on information available as of January 17, 2011.



Economic & Housing Summary

- Ontario Housing Momentum Slows Through 2011
- Growth in Housing Resumes in 2012 : Economy & Migration Offset Rate Hikes
- Emerging Economies Leading Global Growth
- Energy & Industrial Goods Sector Leads
- Western Canada & Northern Ontario Will Outperform
- Signs US Economic Recovery Sustainable
- Inflation Expectations and Interest Rates on the Rise