

# GTA Housing Market Outlook

Will Dunning  
October 29, 2015

# What Causes Housing Starts?

- A need to expand the housing inventory
- And, the resale market doesn't provide enough supply

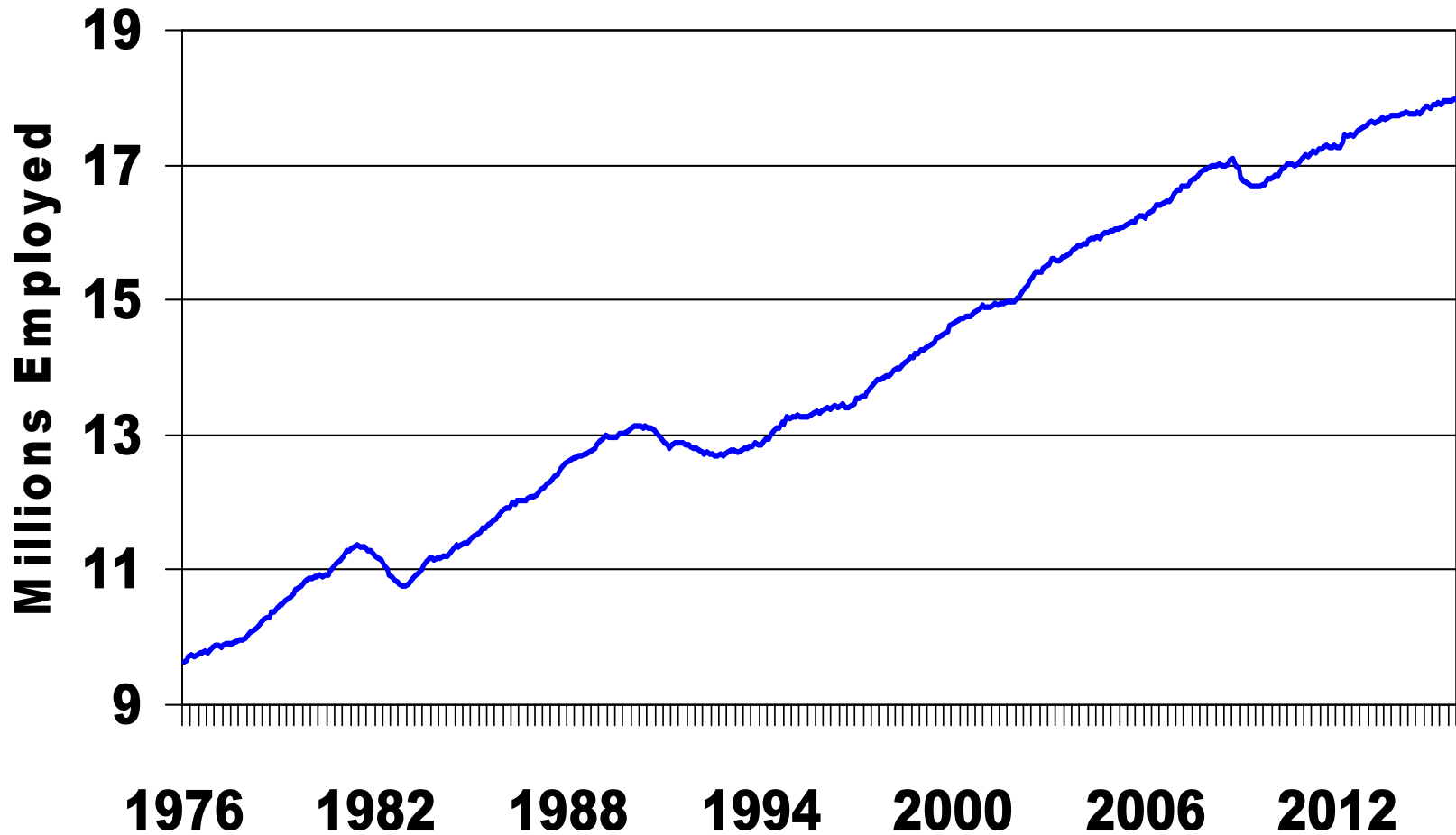
Need for new construction is shown by

- Sales-to-listings ratio
- Price growth

# What Drives Resale Activity?

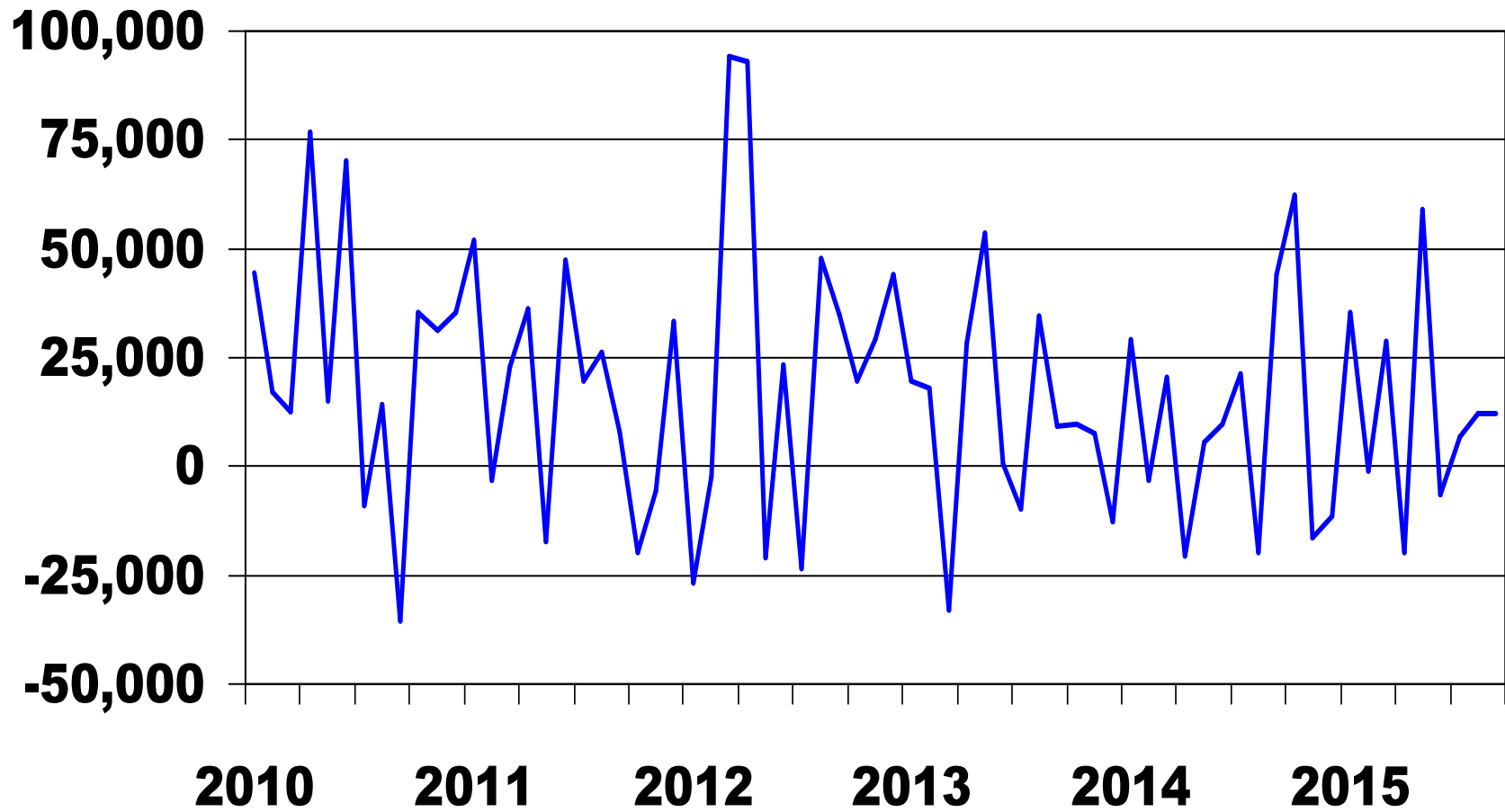
- Job creation
- Job creation
- Job creation
- Interest rates and affordability
- Other stuff

# Employment in Canada



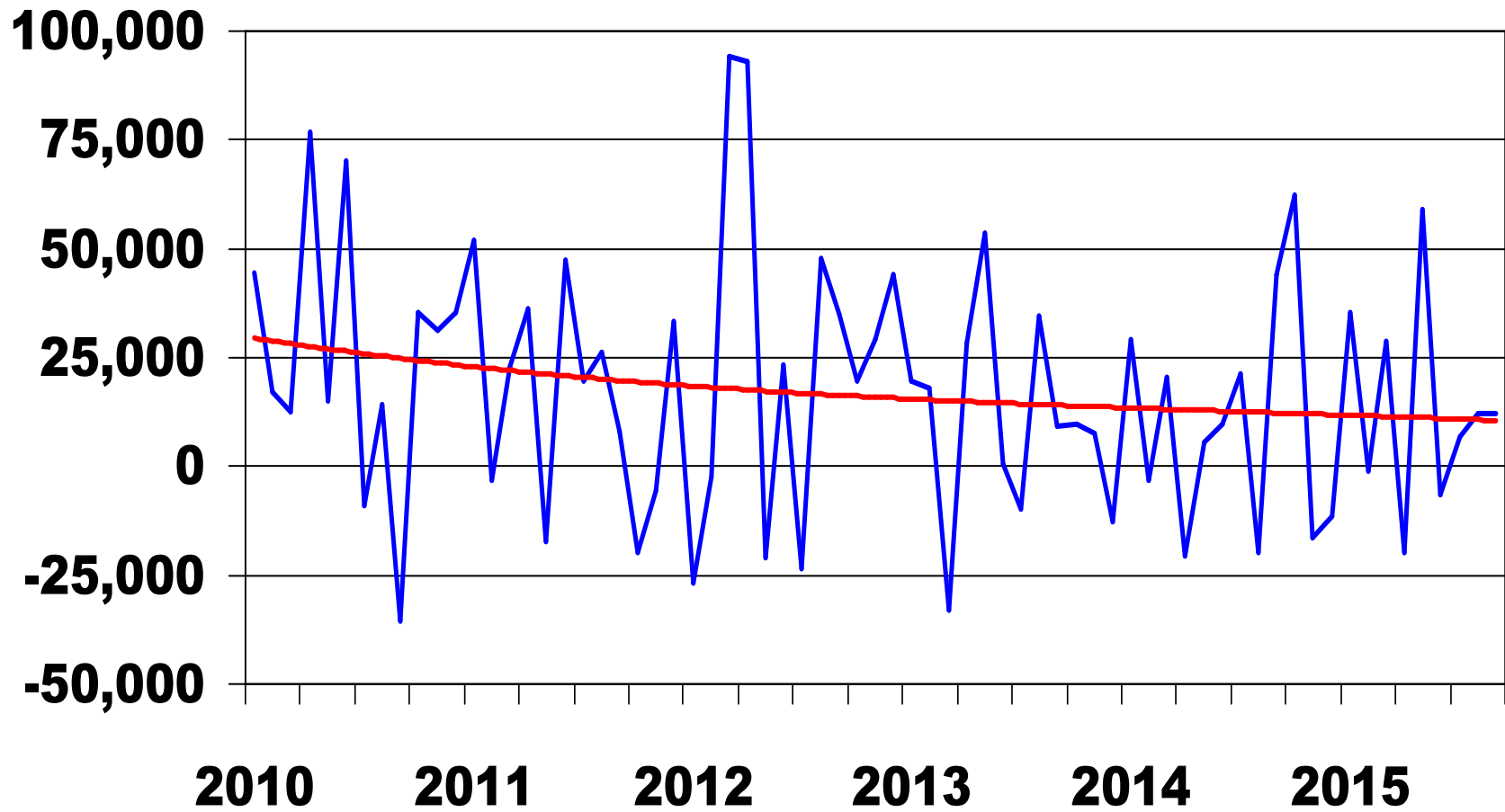
**Source: Statistics Canada**

# Employment Growth (Monthly)



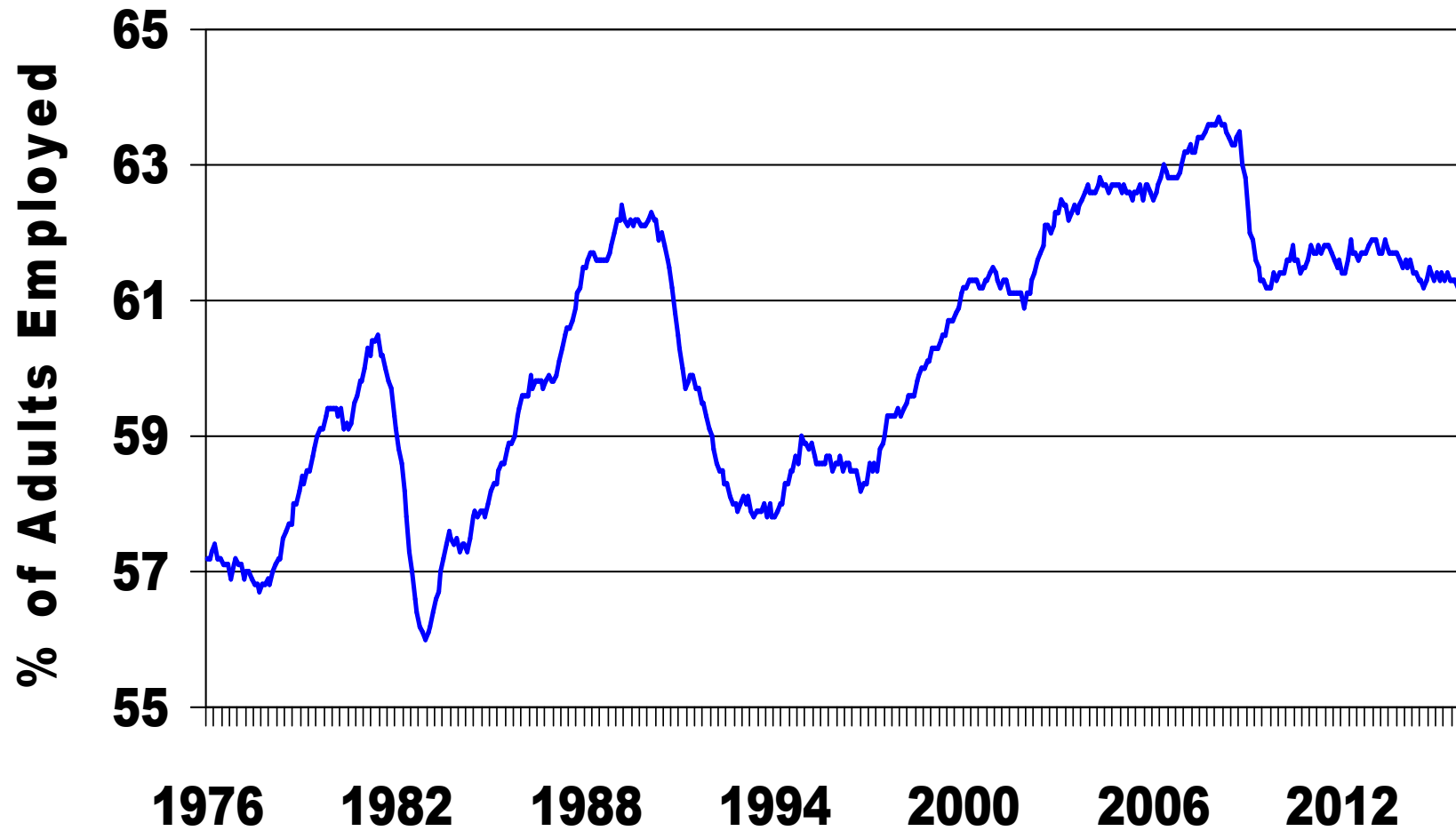
**Source: Statistics Canada**

# Job Creation Trend Has Slowed



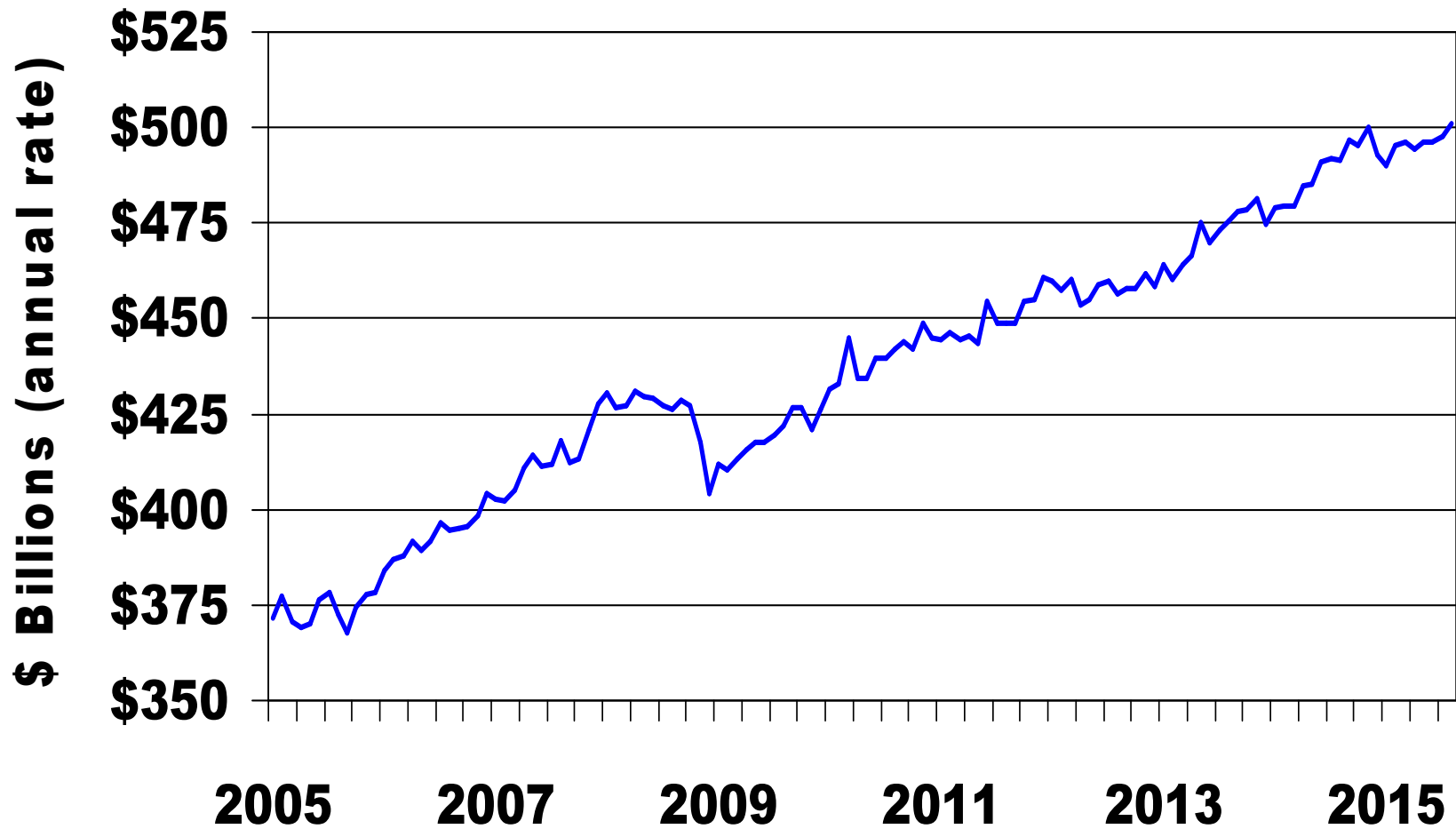
**Source: Statistics Canada**

# “Employment Rate” for Canada



**Source: Statistics Canada**

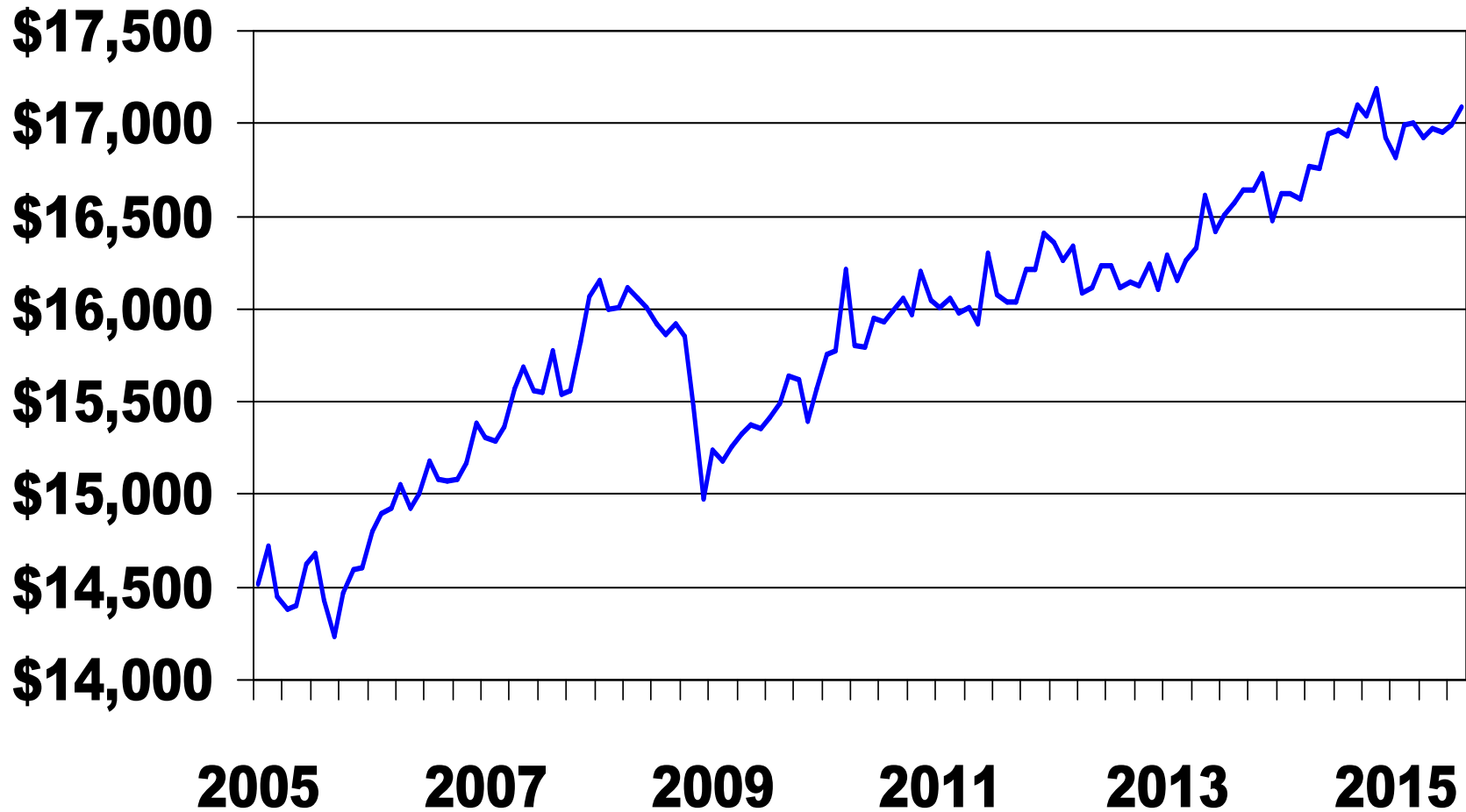
# “Real” Retail Spending in Canada



**Source: Statistics Canada**



# “Real” Spending Per Adult

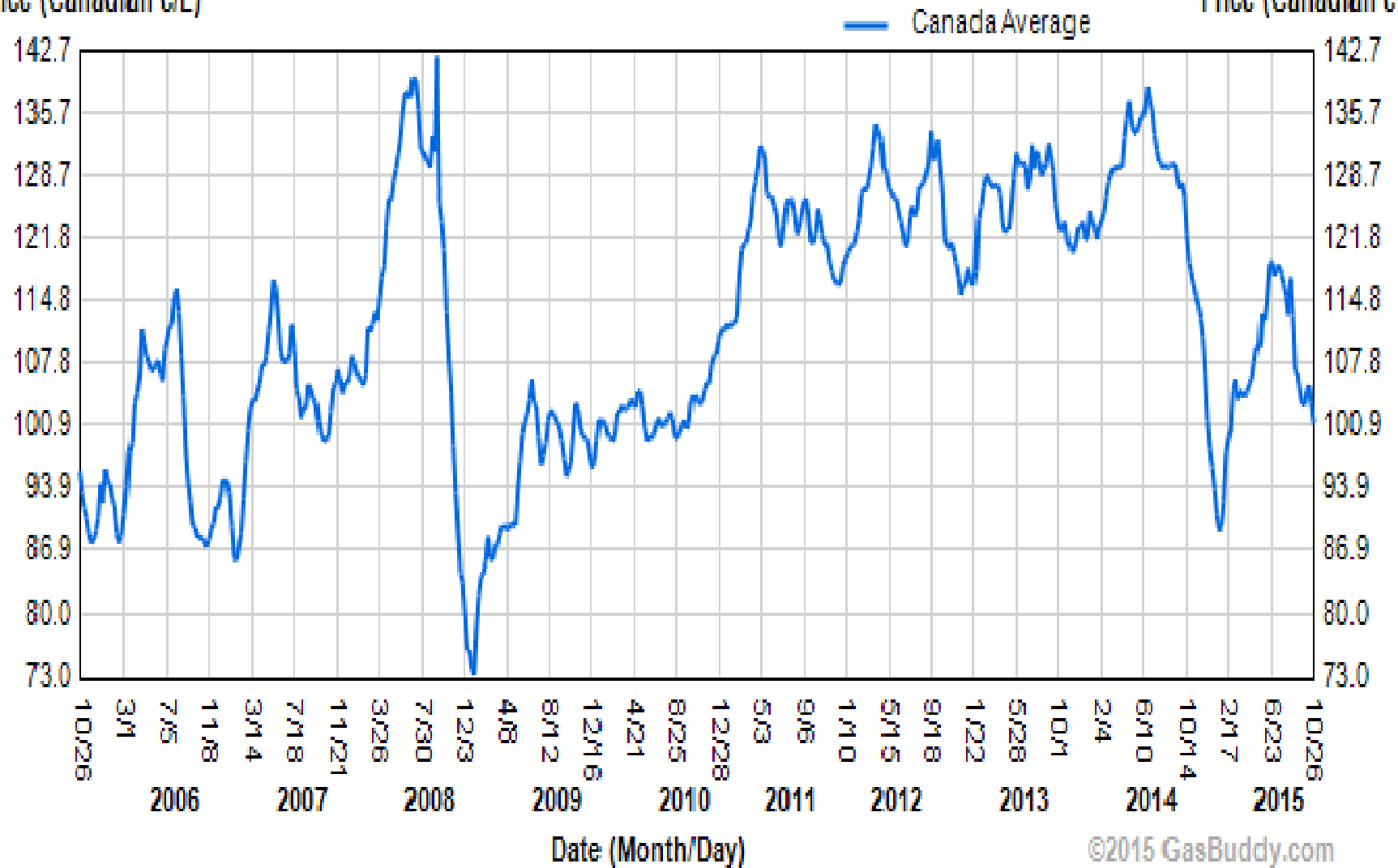


**Source: Statistics Canada**

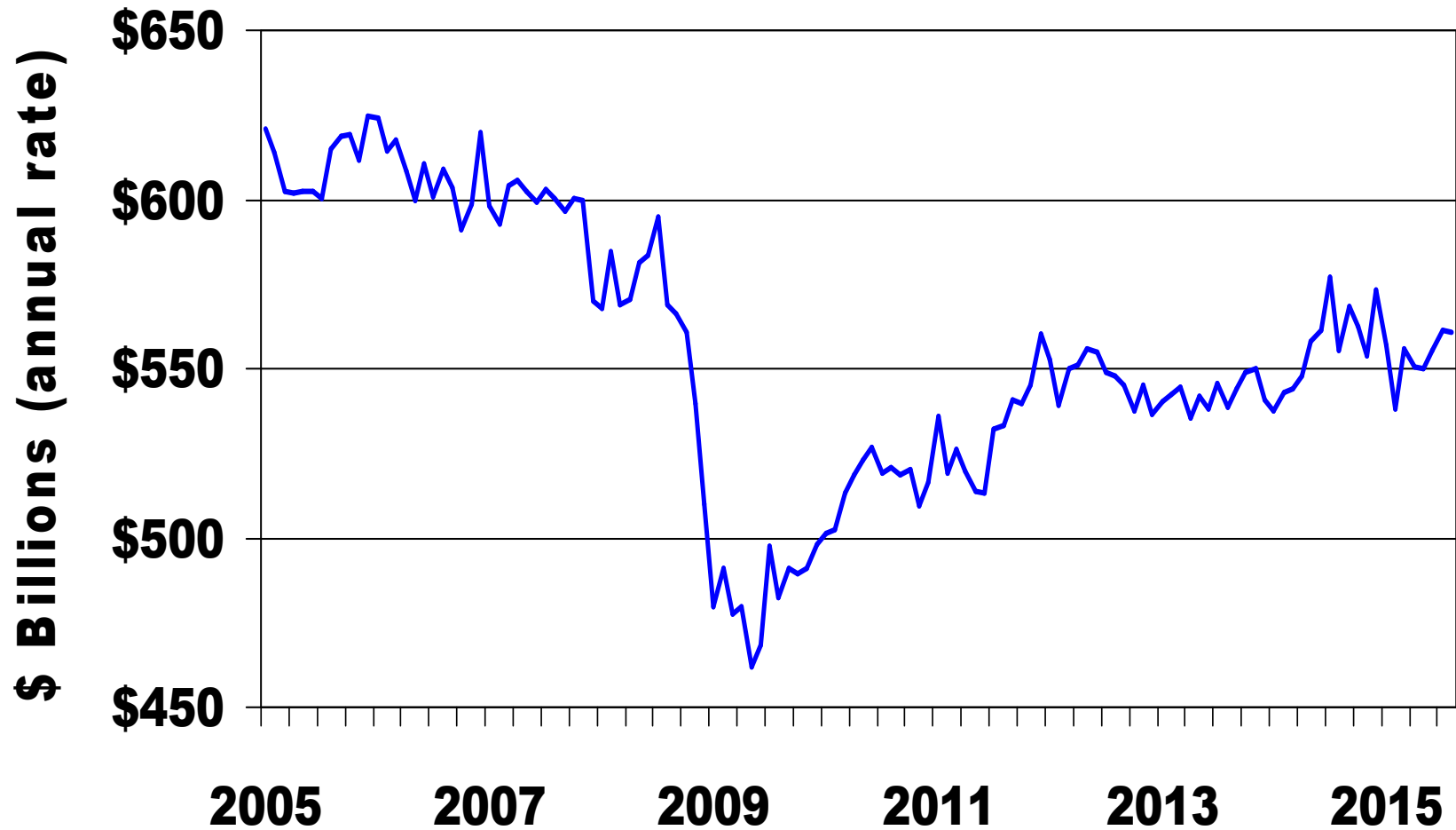
# 120 Month Average Retail Price Chart

Regular Gas Price (Canadian c/L)

Regular Gas Price (Canadian c)

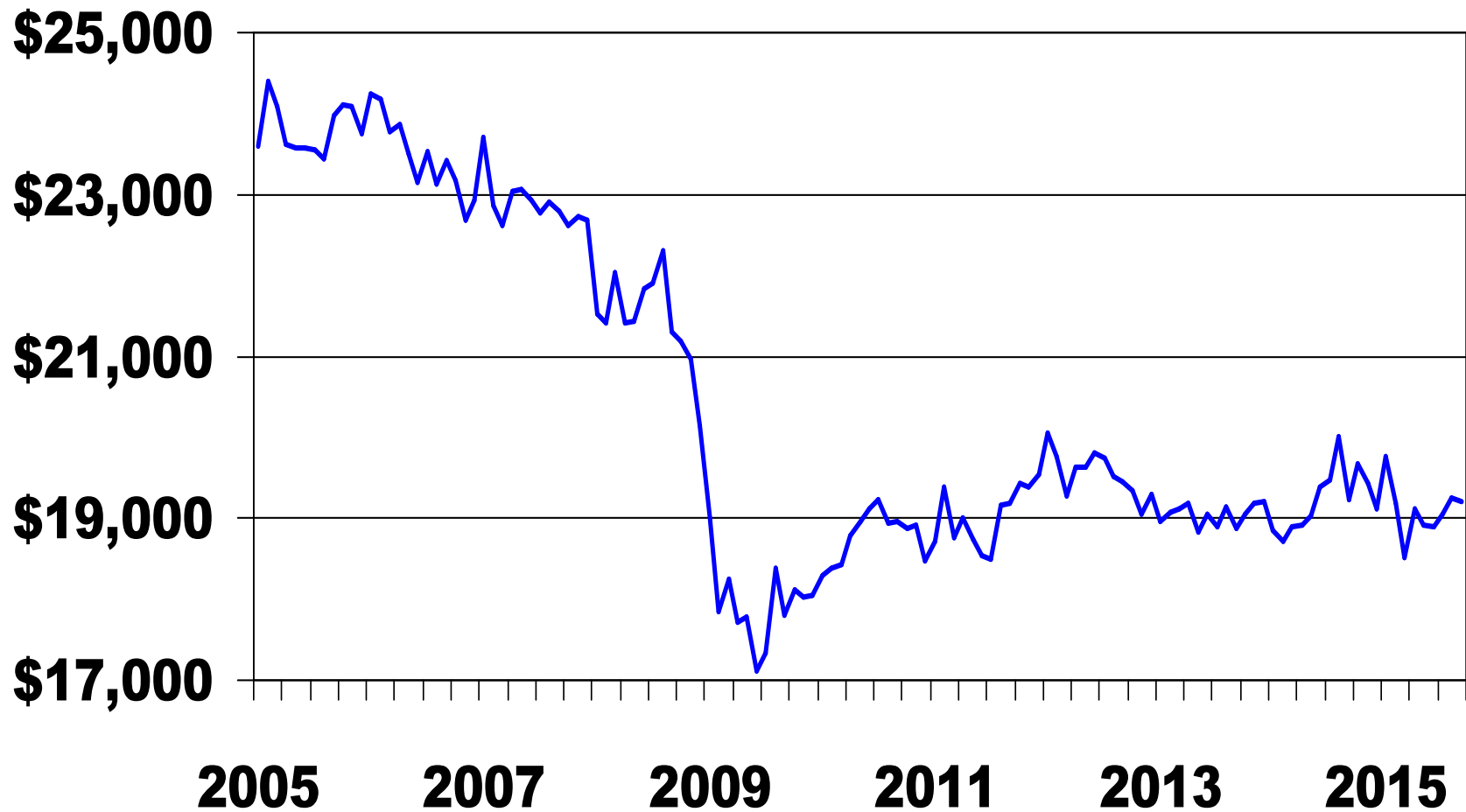


# “Real” Manufacturing Shipments in Canada



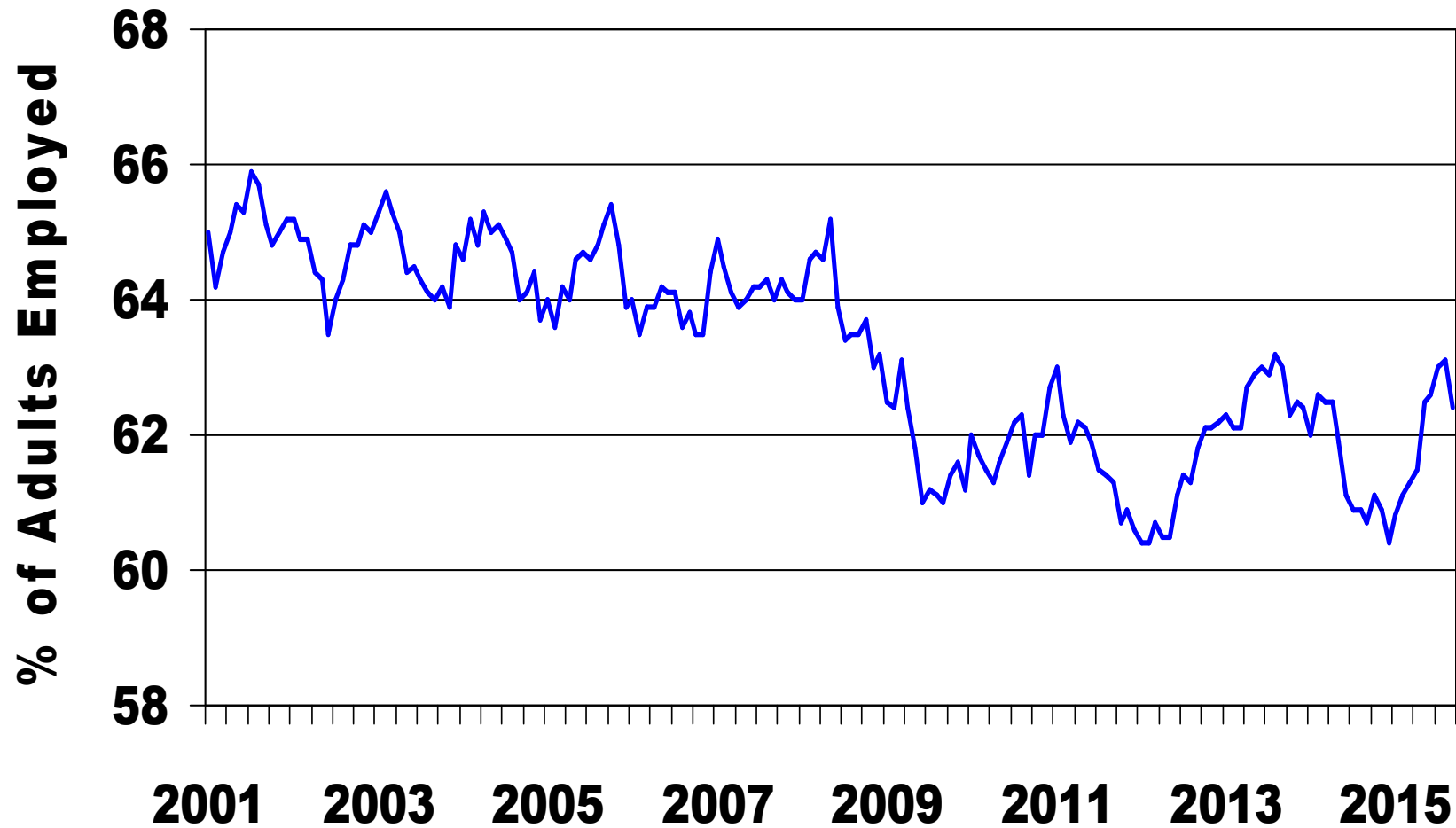
**Source: Statistics Canada**

# “Real” Manufacturing Per Adult



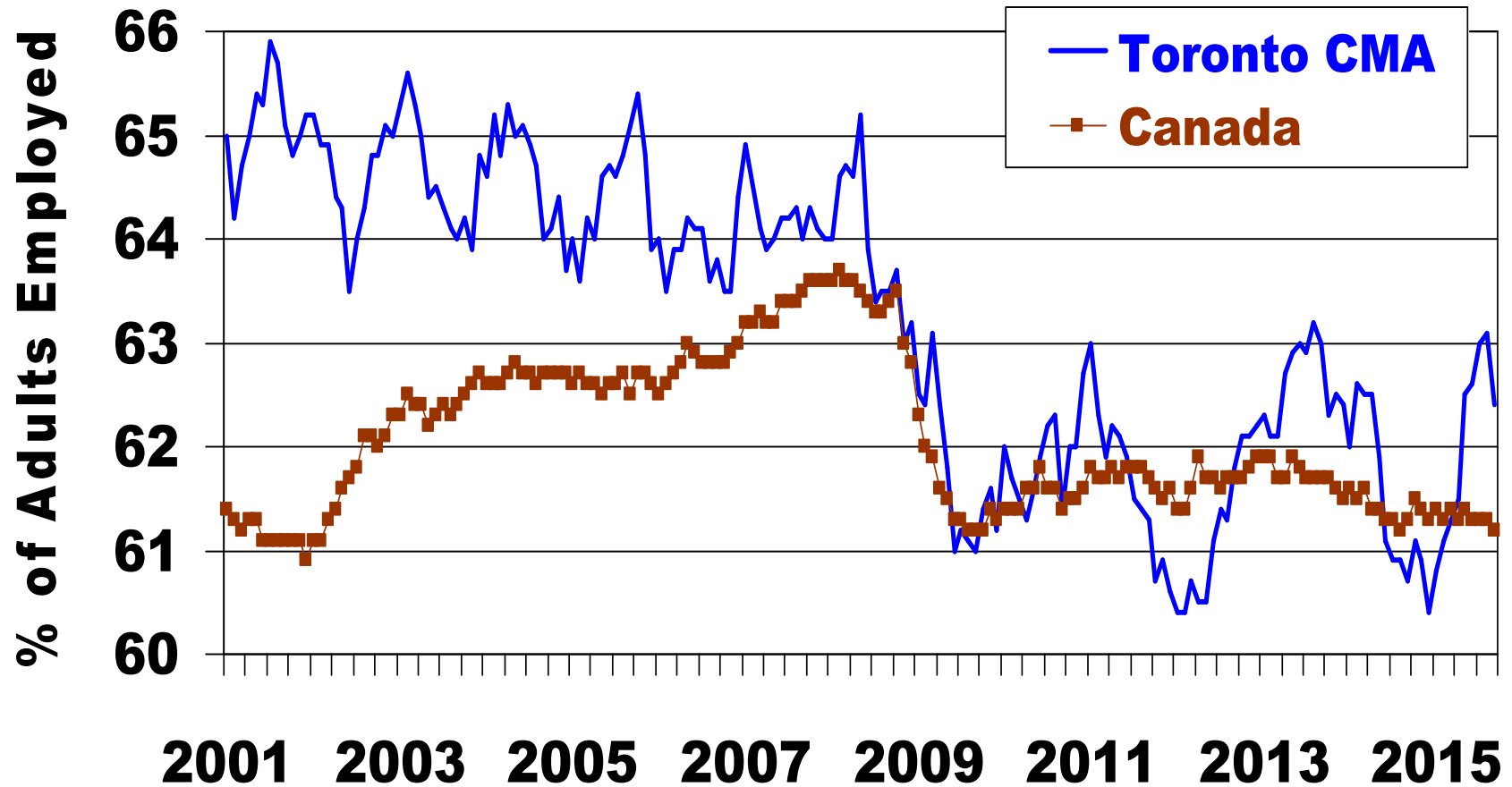
Source: Statistics Canada

# “Employment Rate” for Toronto CMA



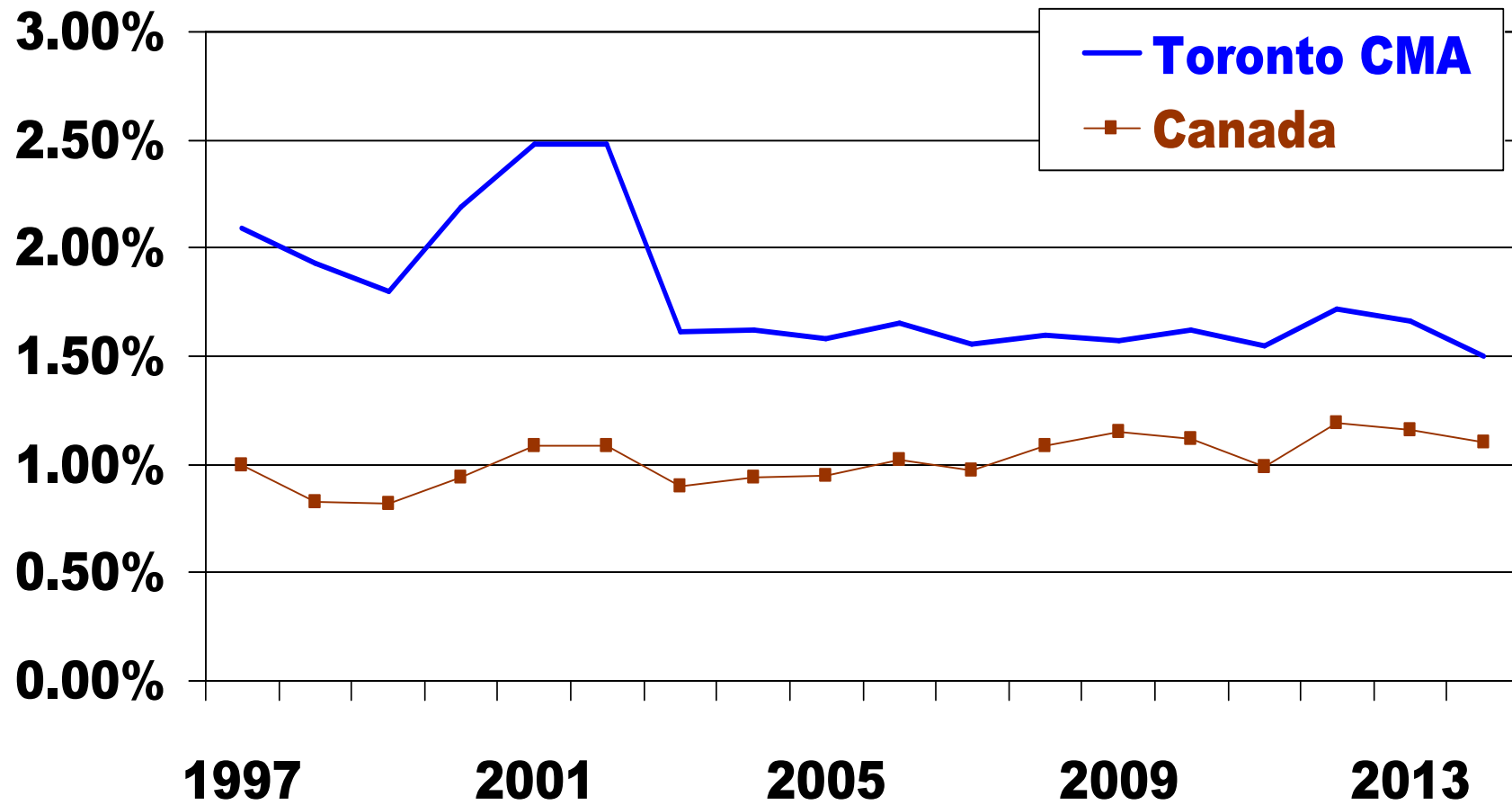
**Source: Statistics Canada**

# “Employment Rates” for Canada and Toronto CMA



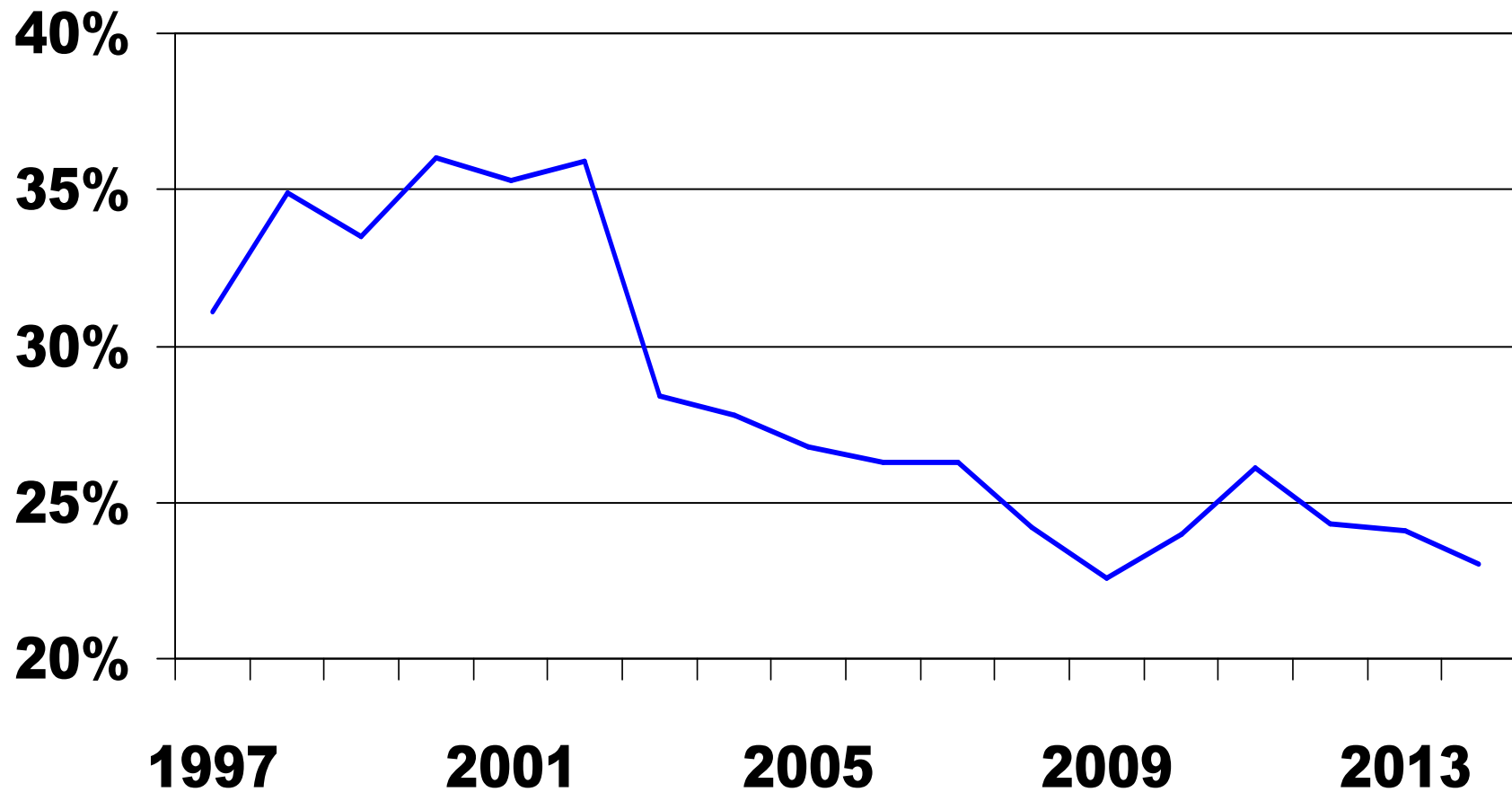
Source: Statistics Canada

# Population Growth Rates for Canada and Toronto CMA



Source: Statistics Canada

# Population Growth Toronto CMA as % of Canada

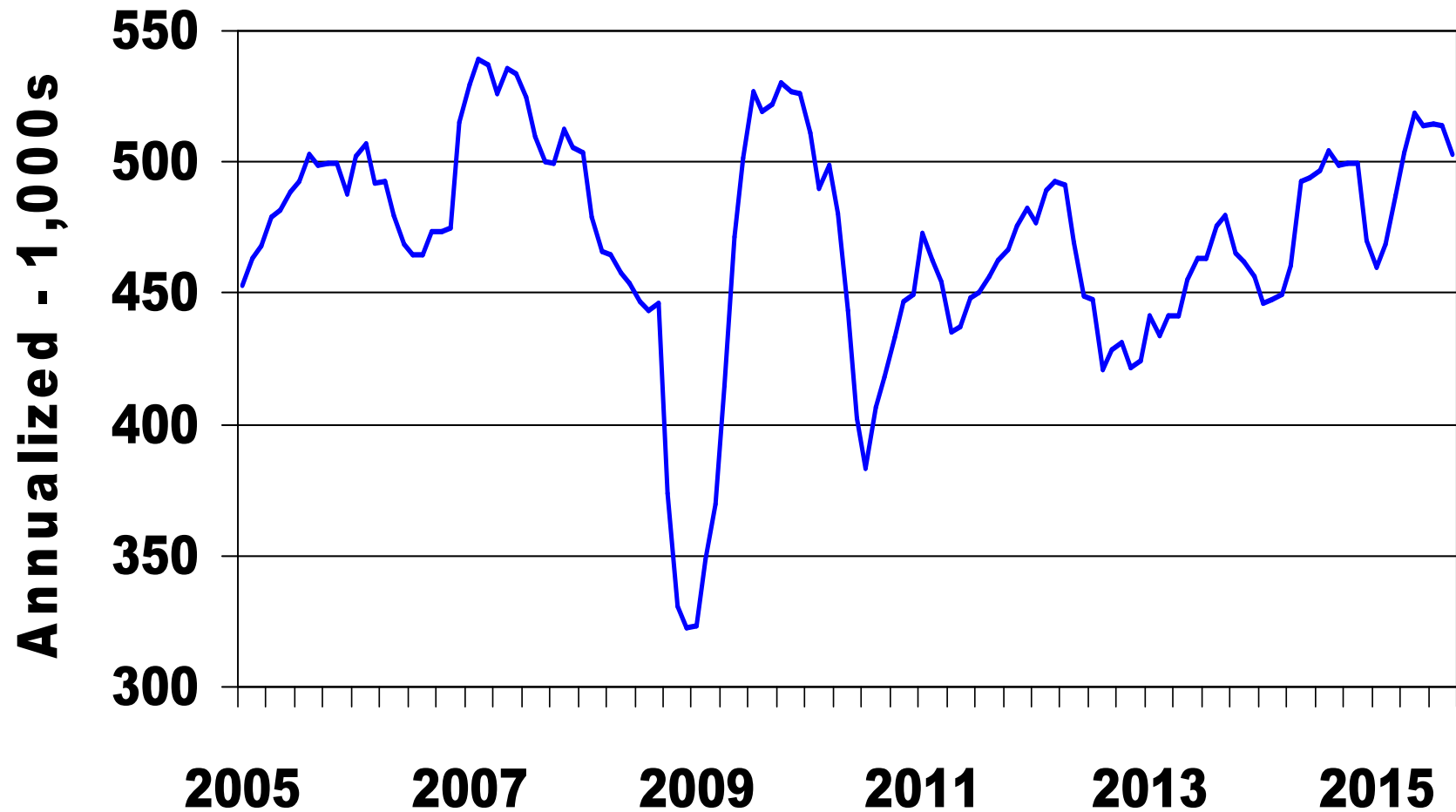


**Source: Statistics Canada**



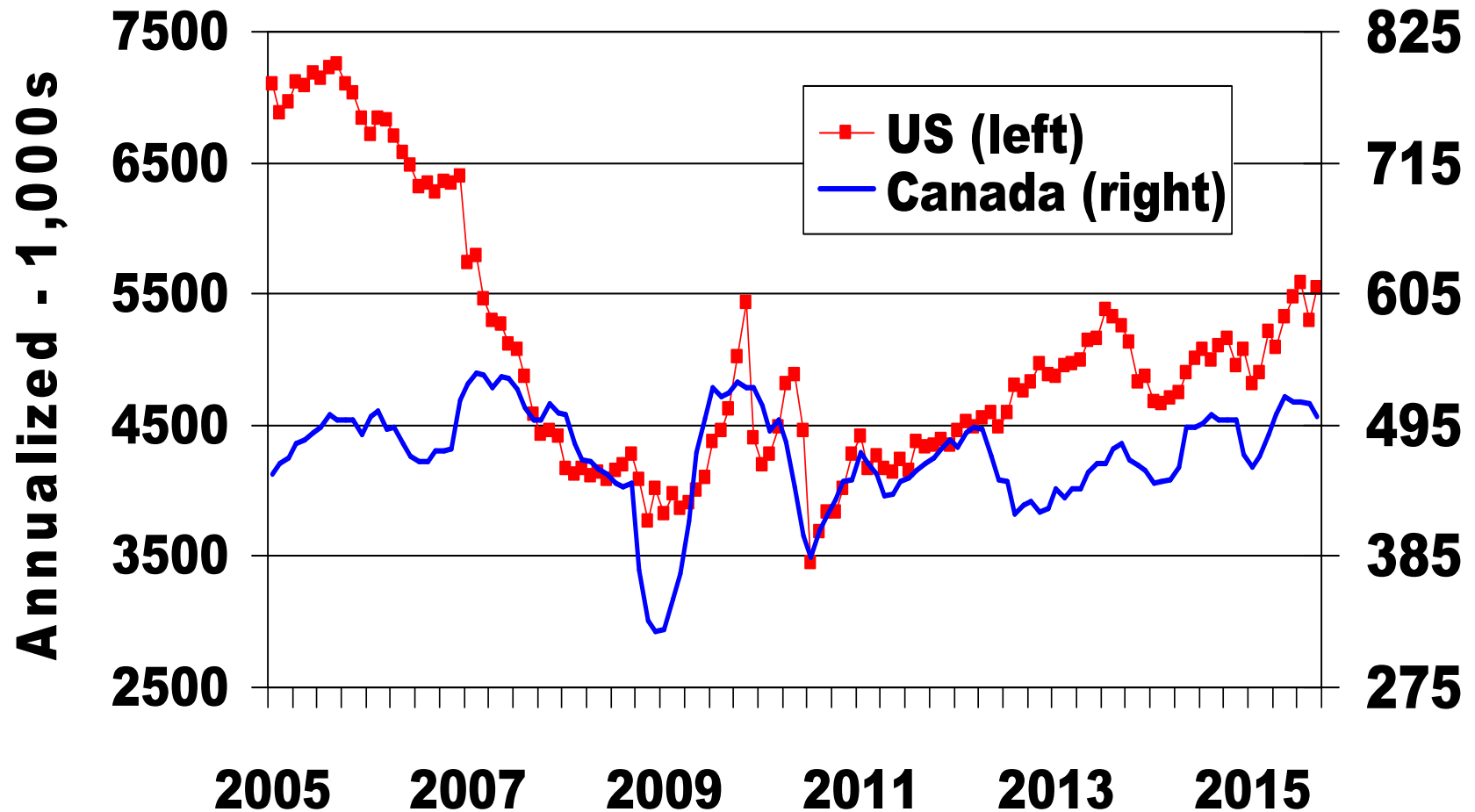
# Resale Market Indicators

# Resale Activity in Canada



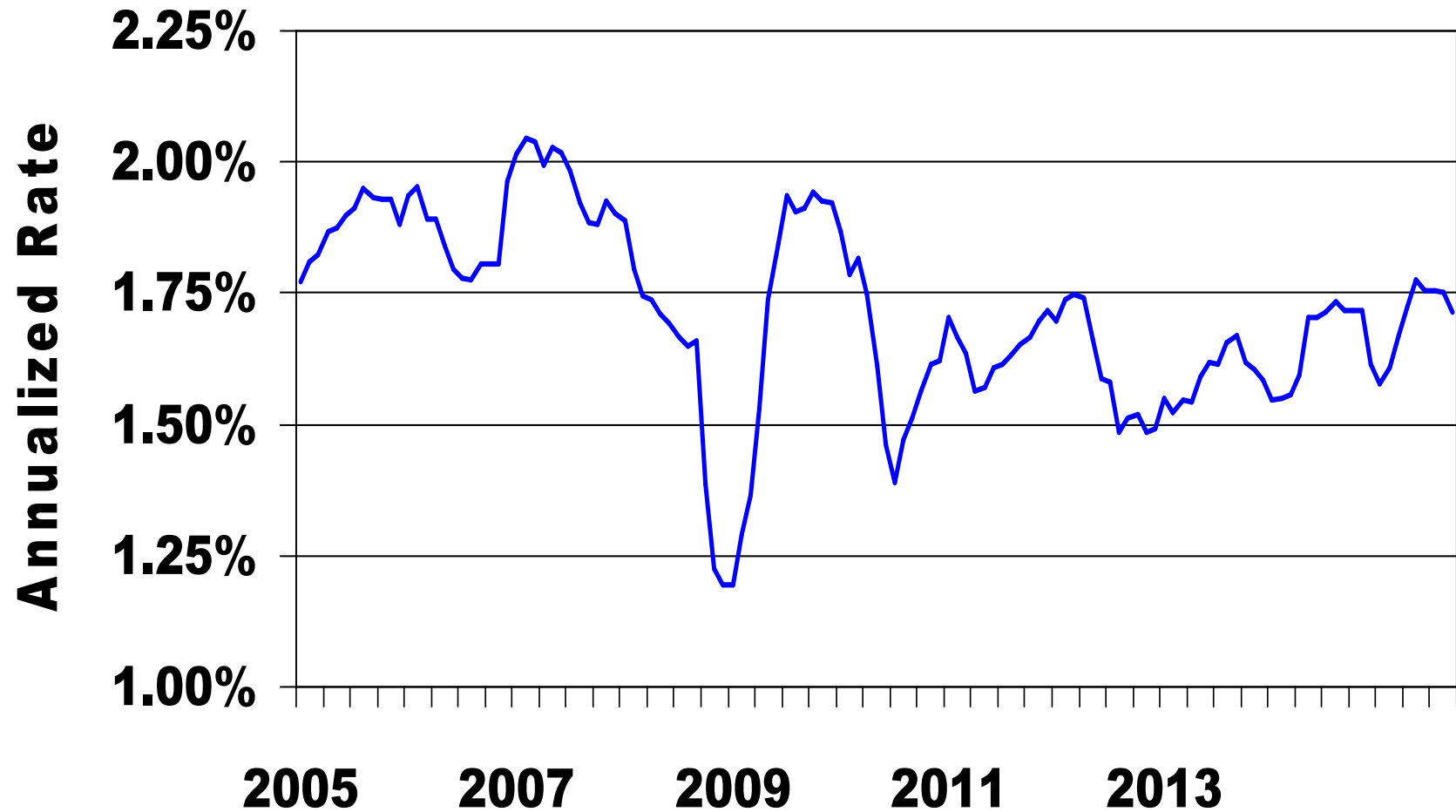
Source: CREA

# Resale Activity in Canada vs USA



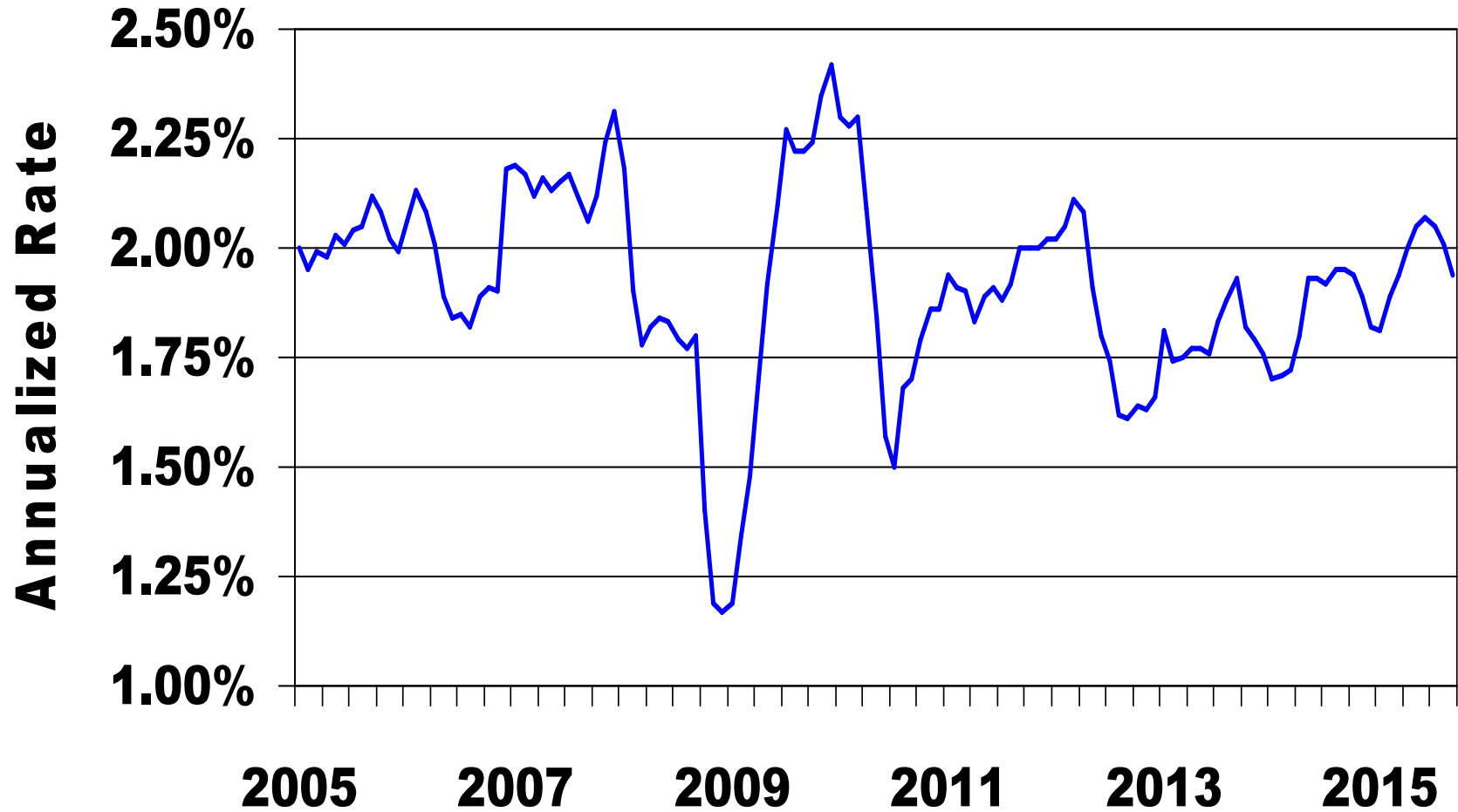
Source: NAR / CREA

# Per Adult Resale Activity in Canada



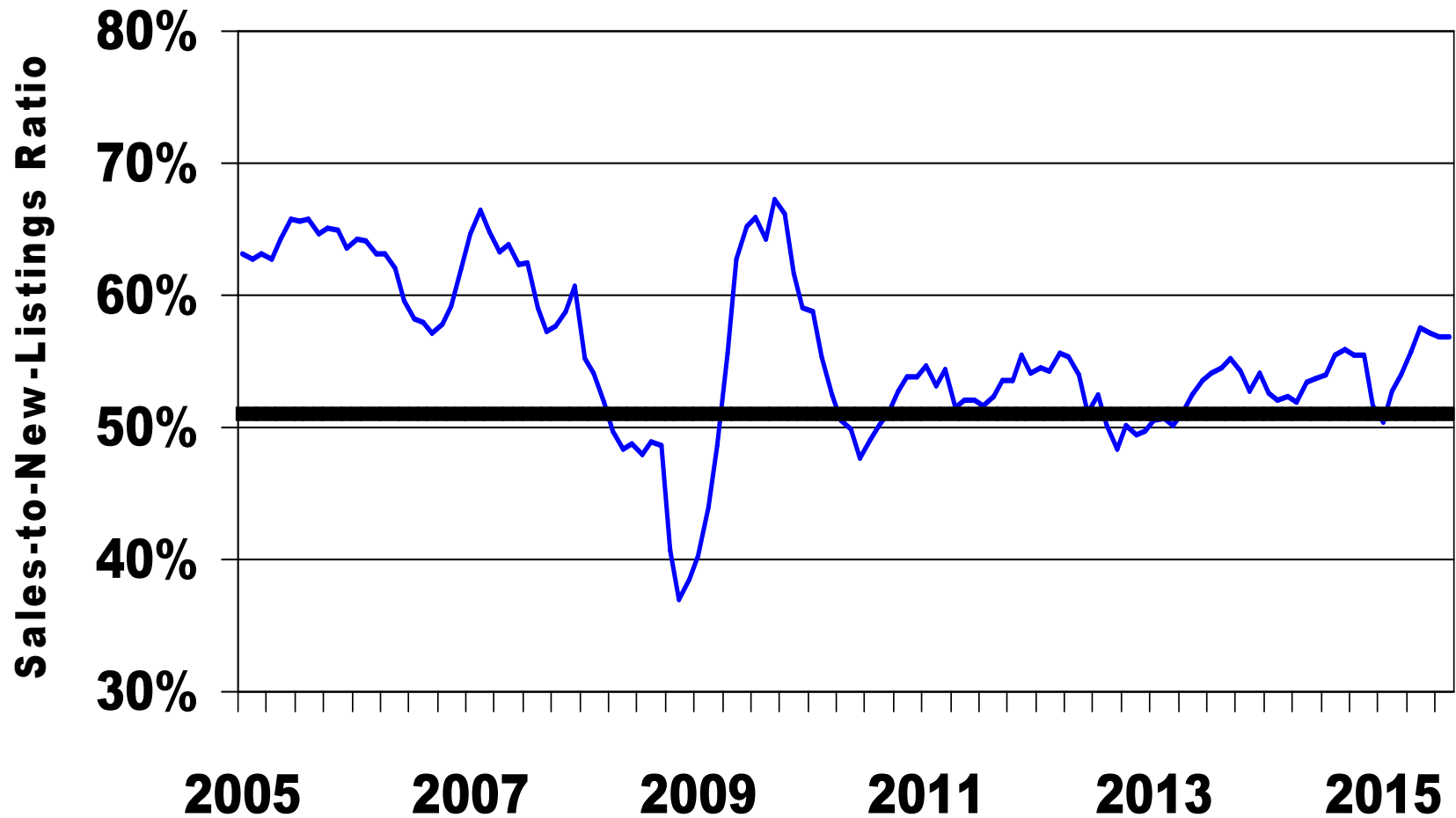
**Source: CREA / StatsCan / Will Dunning**

# Per Adult Resale Activity in the GTA



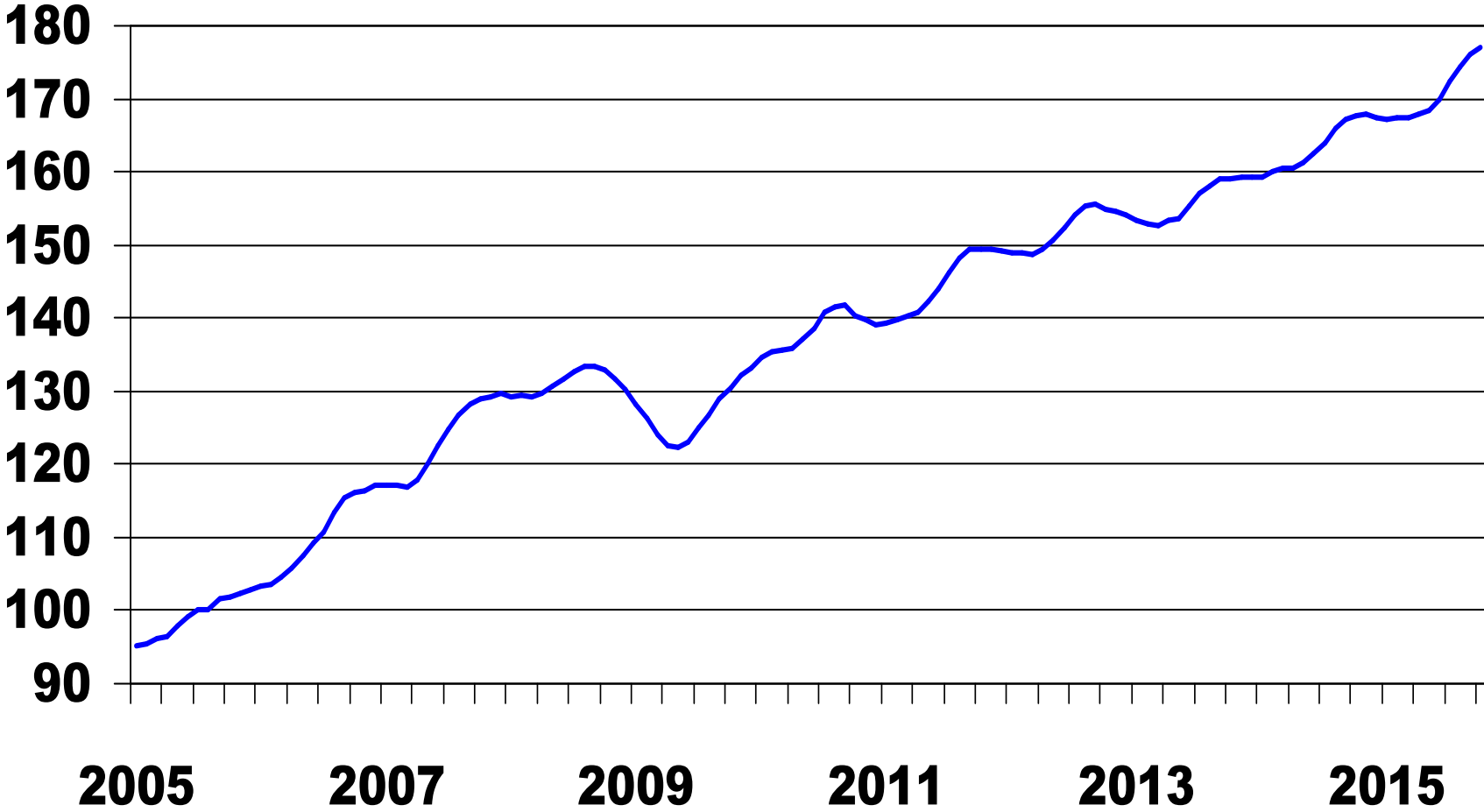
**Source: CREA / StatsCan / Will Dunning**

# Shifting State of Balance in Canada



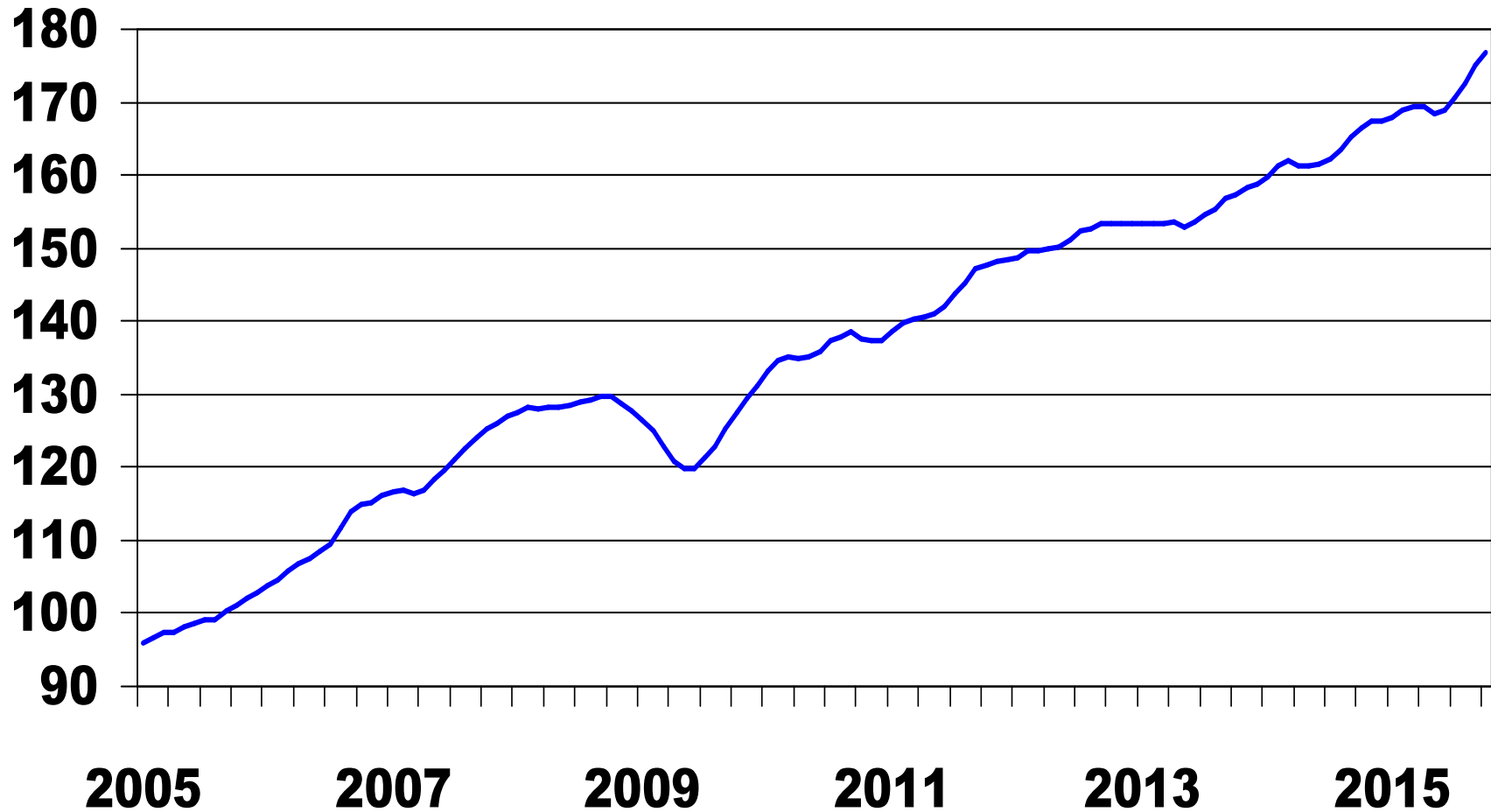
Source: CREA / Will Dunning

# Teranet House Price Index – As Published



**Source: Teranet / National Bank**

# Teranet Index – Seasonally-Adjusted by WD

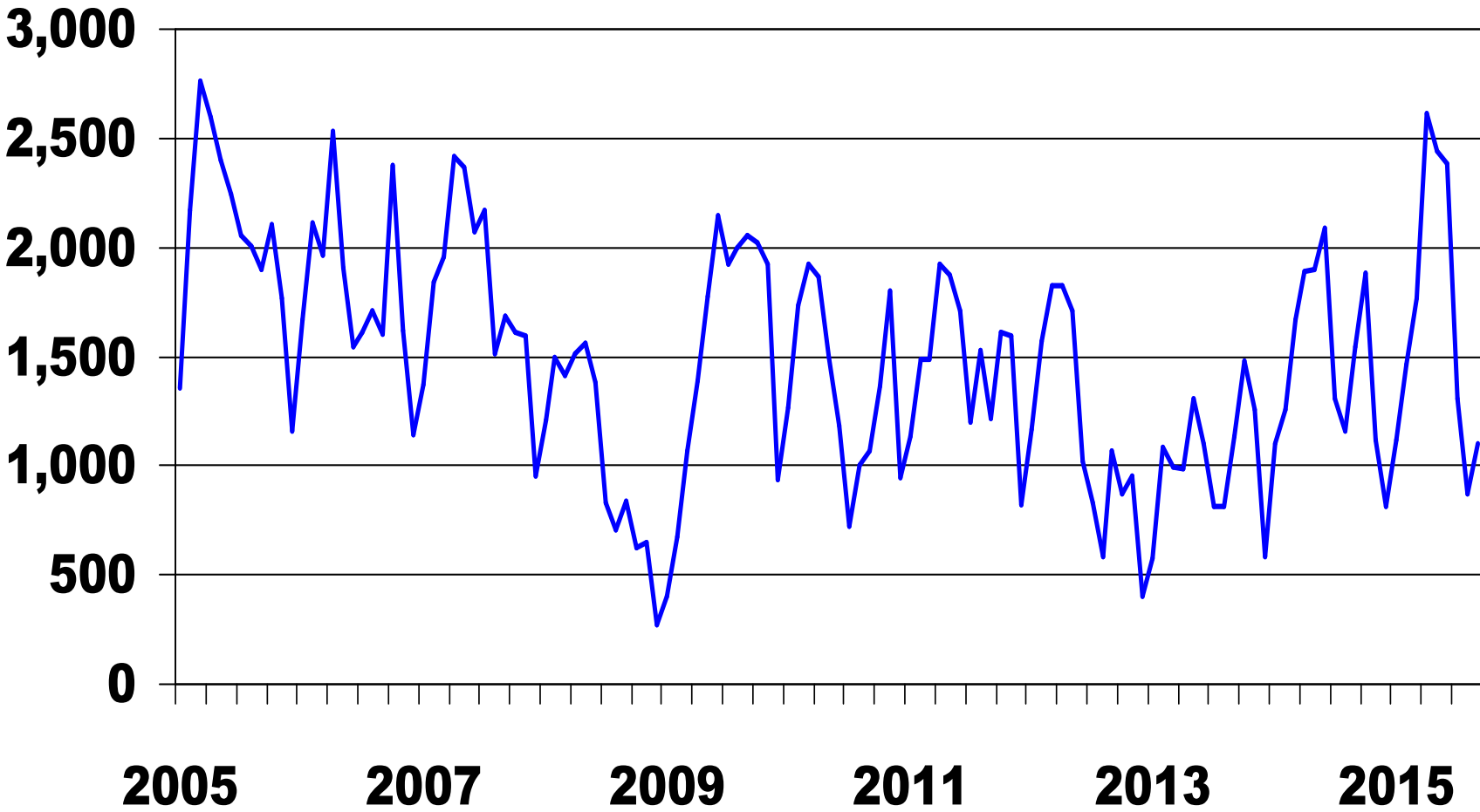


**Source: Teranet / National Bank / Will Dunning**



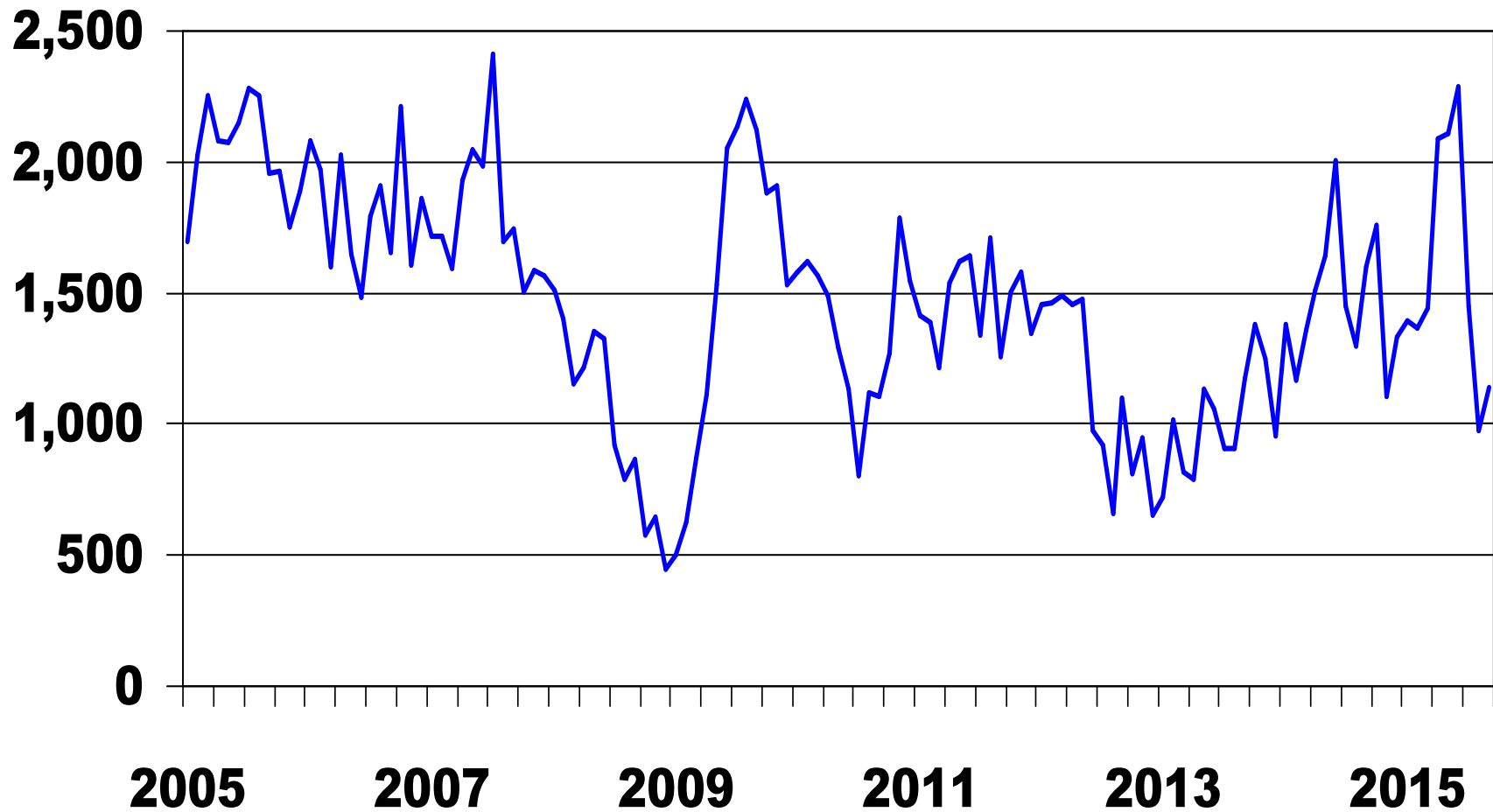
# GTA New Homes Market

# New Low-Rise Sales – as Reported



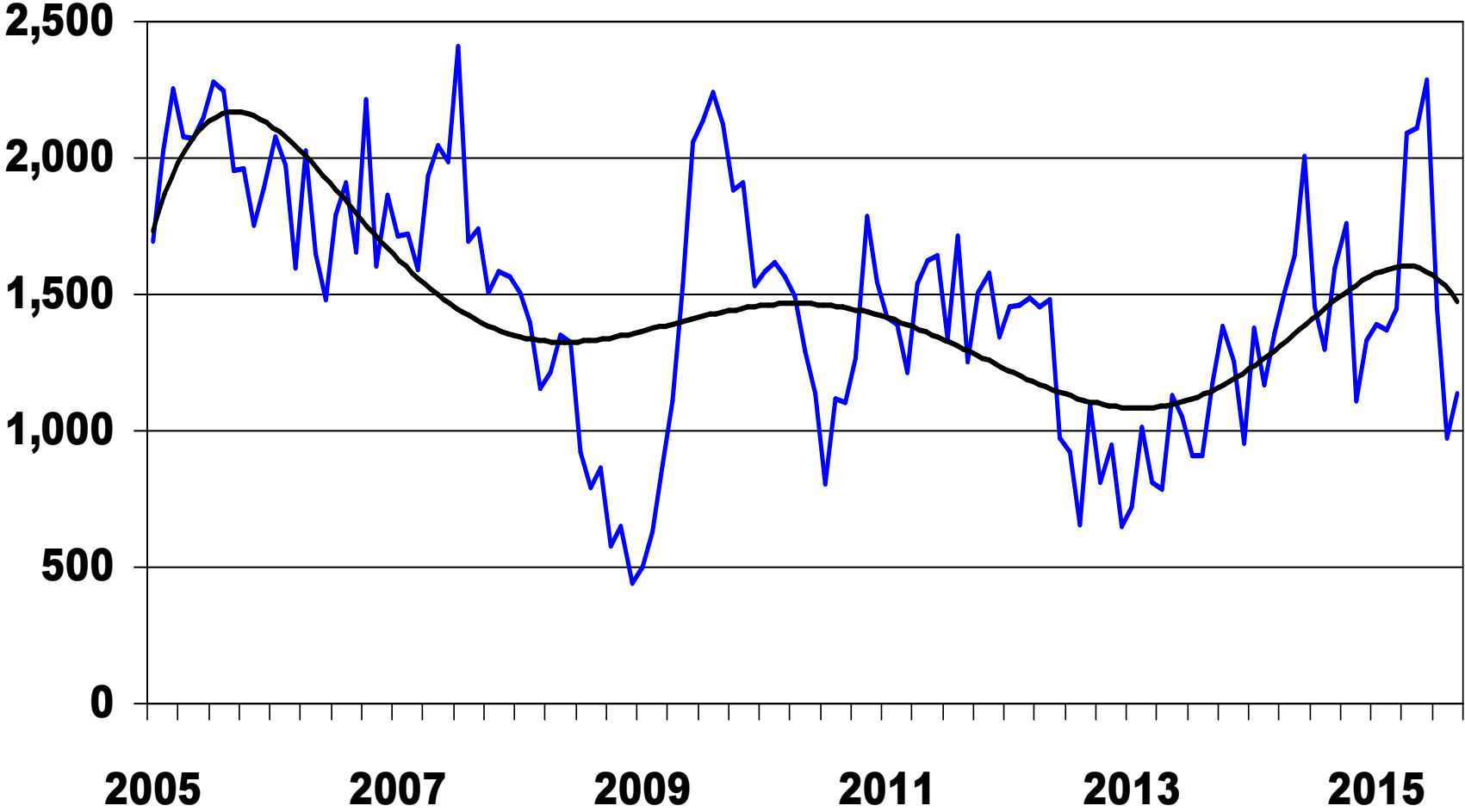
**Source: RealNet-BILD / Will Dunning**

# New Low-Rise Sales – Seasonally-Adjusted



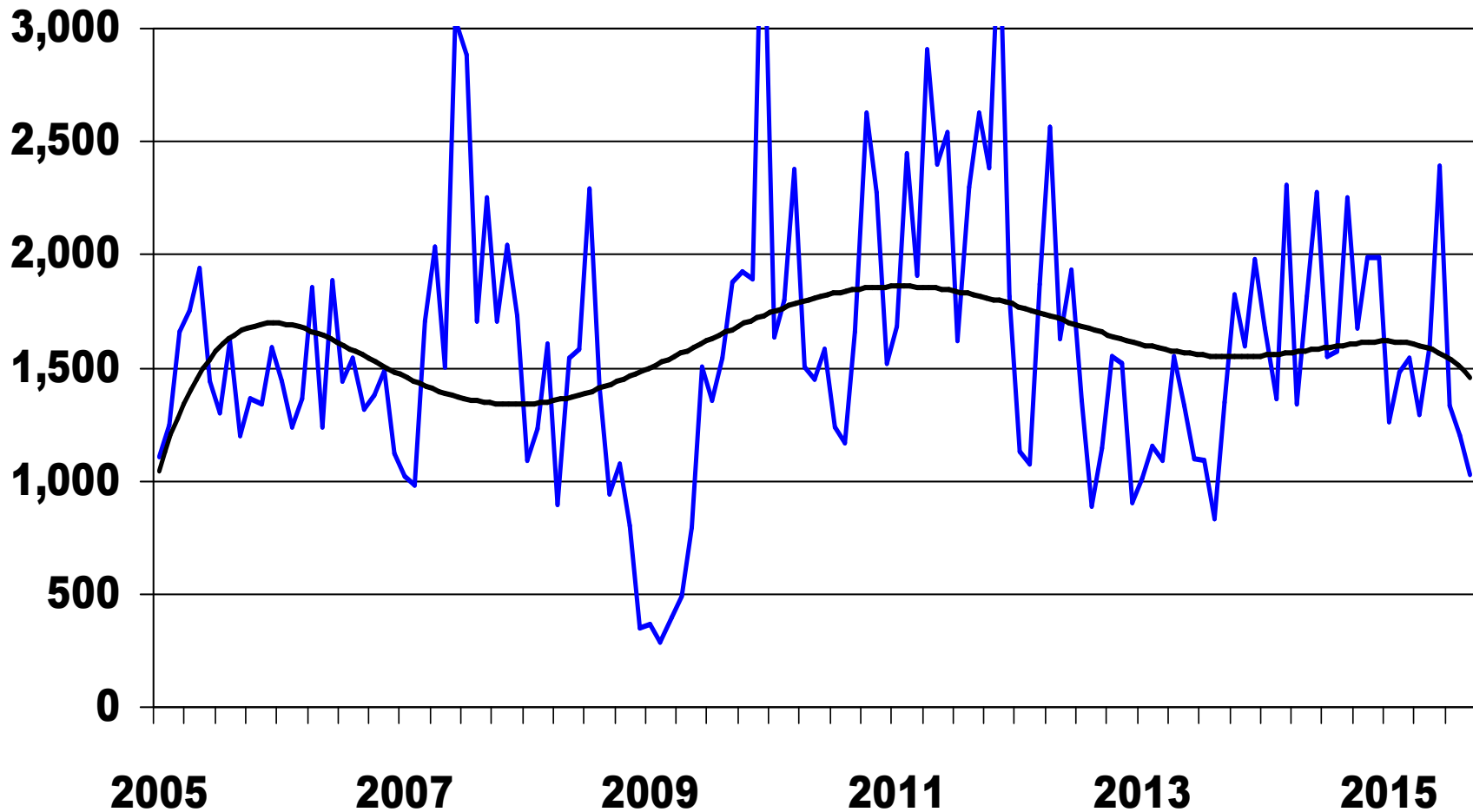
**Source: RealNet-BILD / Will Dunning**

# Low-Rise Trend – Recent Recovery



Source: RealNet-BILD / Will Dunning

# High-Rise Trend – A Strong Market



Source: RealNet-BILD / Will Dunning

# Differing Expectations

## Toronto CMA Housing Starts

	CMHC	WD
2013	33,547	
2014	28,929	
2015	37,750	41,000
2016	35,950	38,500

# “When Interest Rates Inevitably Rise”

- A 7-year discussion
- CAAMP research has repeatedly concluded that prudence has prevailed.
- House prices are NOT overvalued in Canada
- Substantial room to tolerate higher rates
- Rate rise in summer of 2013 didn't last
- When will that “inevitable” (large) rise happen?
- What matters is job creation, and more recently, credit availability...
- ... Government policy is a risk factor

# Final Thoughts

- Housing continues to play a leading role in the economy.
  - Each housing start generates about 1.75 jobs.
  - Government policy has artificially dampened housing activity.
  - No need for further constraints.
  - Based on current interest rates, new home sale could be much stronger than they are – costing jobs.
  - Supply constraint has been an issue for the GTA low-rise market.



# About Will Dunning

Consulting services by Will Dunning include:

- Custom research on economics and housing markets.
- Briefings and presentations.
- Expert witness testimony.

Contact Will Dunning:

- Email: [wdunning@sympatico.ca](mailto:wdunning@sympatico.ca)
- Website: [www.wdunning.com](http://www.wdunning.com)
- See “Housing Market Digest”