

Housing Market Overview

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How Do People Make
Economic Decisions?

Owning vs Renting - Assumptions

Surrey Town Home	
Purchase Price	\$495,000
Rent (Monthly)	\$1,500
Tax Rate	0.326%
Utility Costs (Monthly)	\$350
Condo Fee	\$250

Cost Comparison

Monthly Cost	Renting	Owning
Rent	\$1,500	
Mortgage Payment		\$1,874
Realty tax		\$134
Utility Costs	\$350	\$350
Condo Fee		\$250
Total	\$1,850	\$2,609
Difference		\$759

Cost Comparison with Principal Repayment

Monthly Cost	Renting	Owning
Total Cost	\$1,850	\$2,609
Minus Principal Repayment		-\$890
Net Cost	\$1,850	\$1,718
Difference		\$132
Return on \$99,000 Equity		1.60%

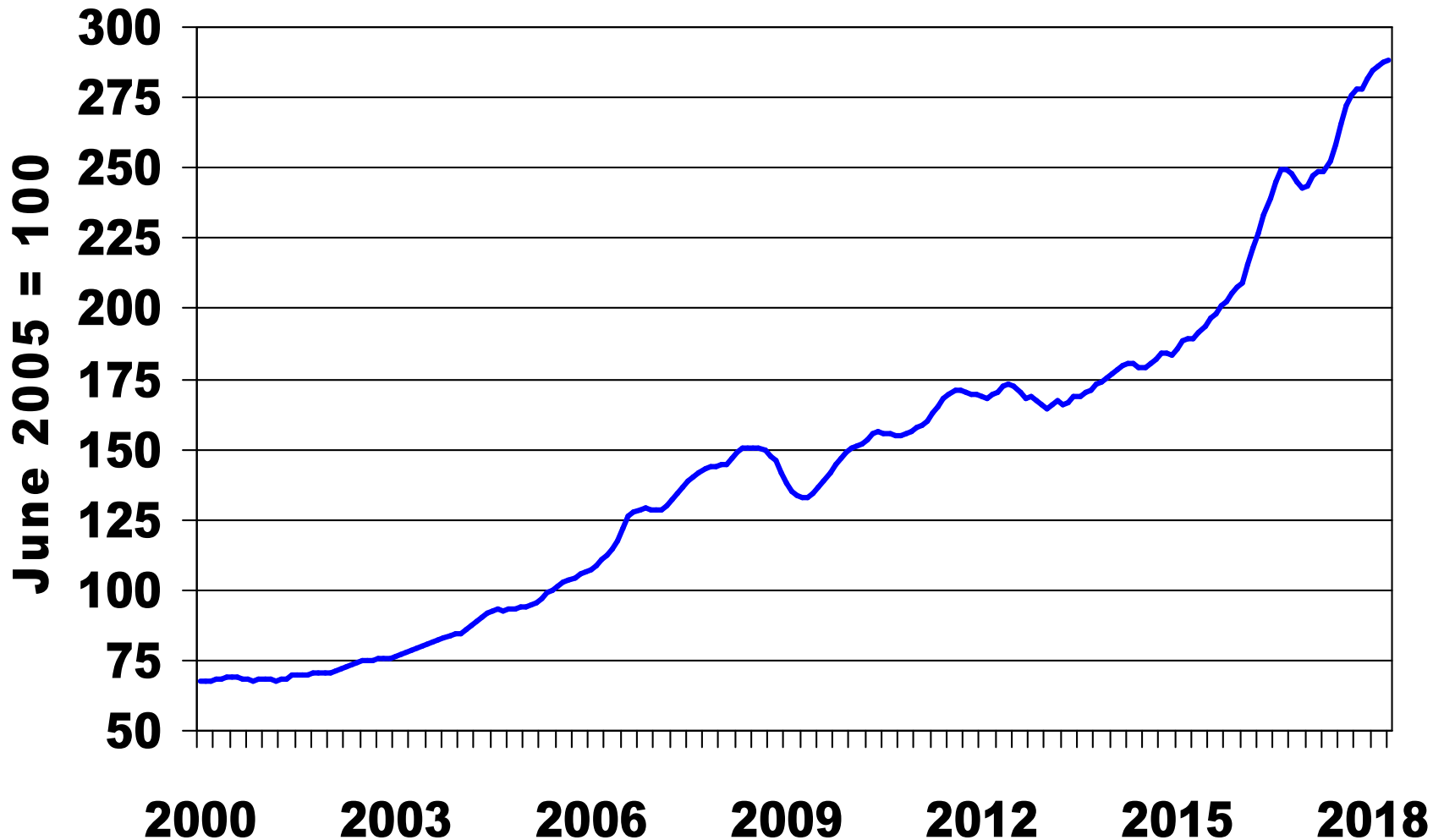
In 5 Years

Monthly Cost	Renting	Owning
Rent	\$1,697	
Mortgage Payment		\$1,874
Realty tax		\$152
Utility Costs	\$396	\$396
Condo Fee		\$283
Total	\$2,093	\$2,705
Minus Principal Repayment		-\$1,033
Net Cost	\$2,093	\$1,672
Difference		-\$421
Return on \$99,000 Equity		5.10%

“Economists Don’t Predict the
Future Because They Know;
They Predict Because They’re
Asked”

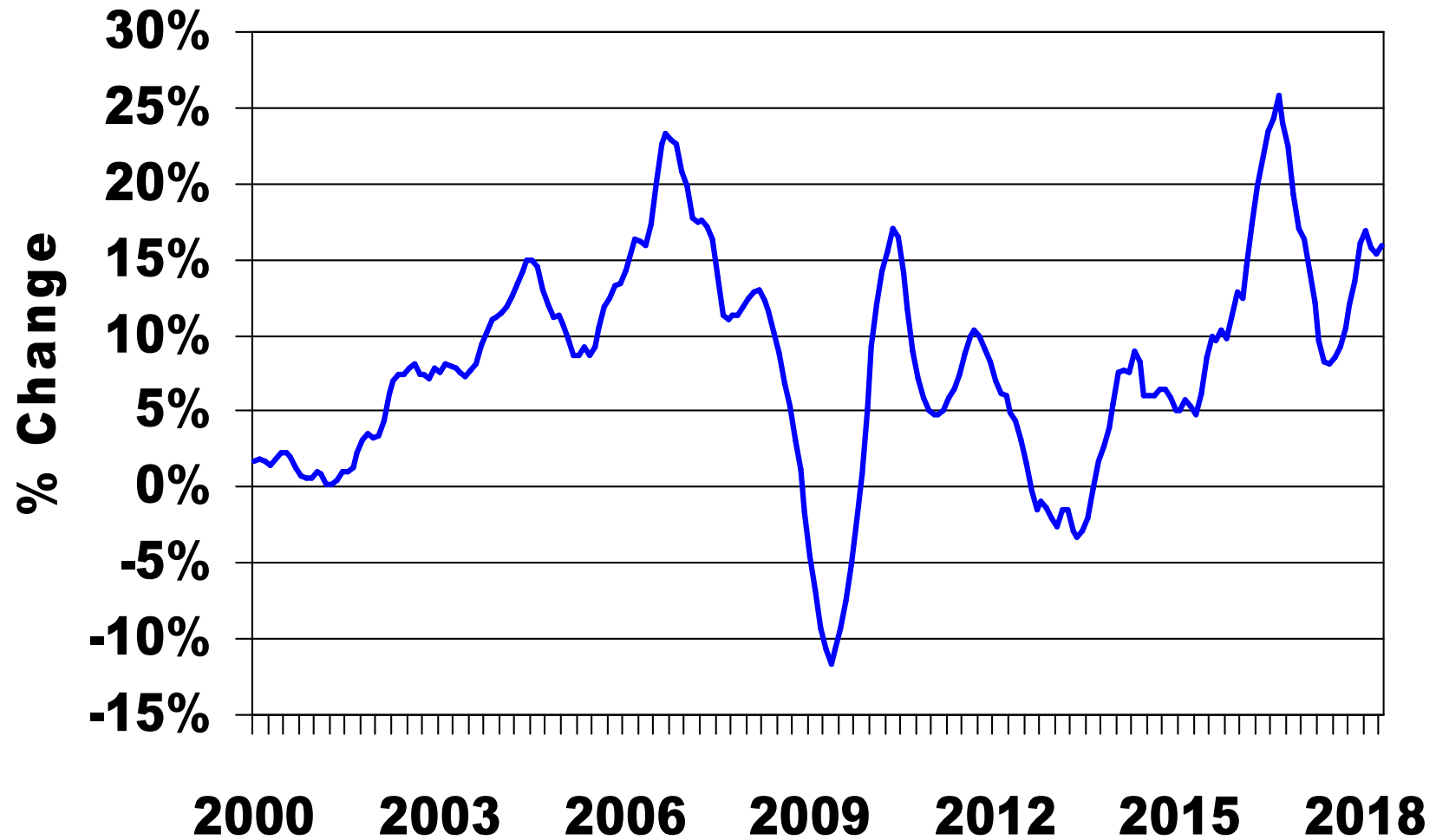
John Kenneth Galbraith

House Price Index for Vancouver



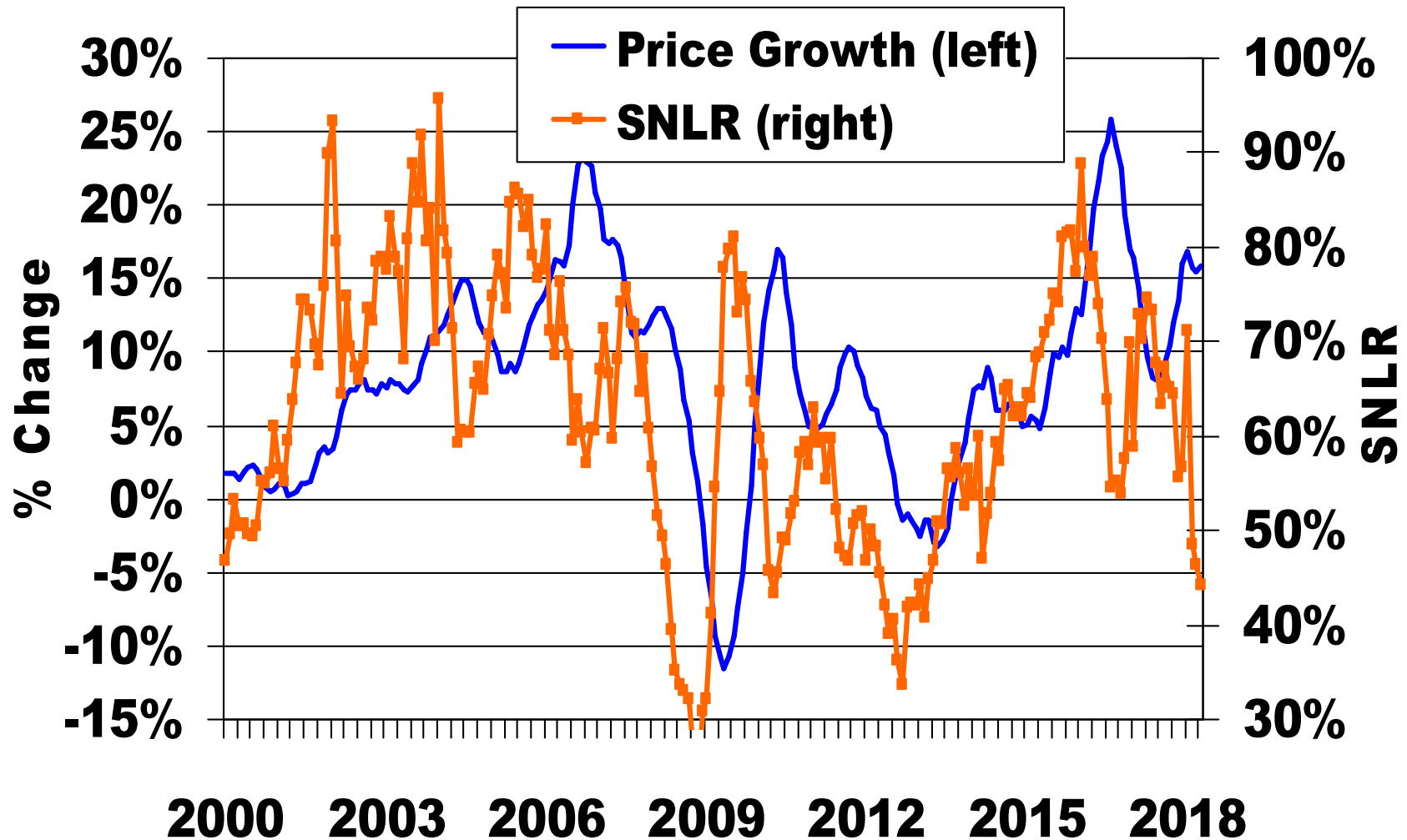
Source: Teranet / National Bank

House Price Growth in Vancouver



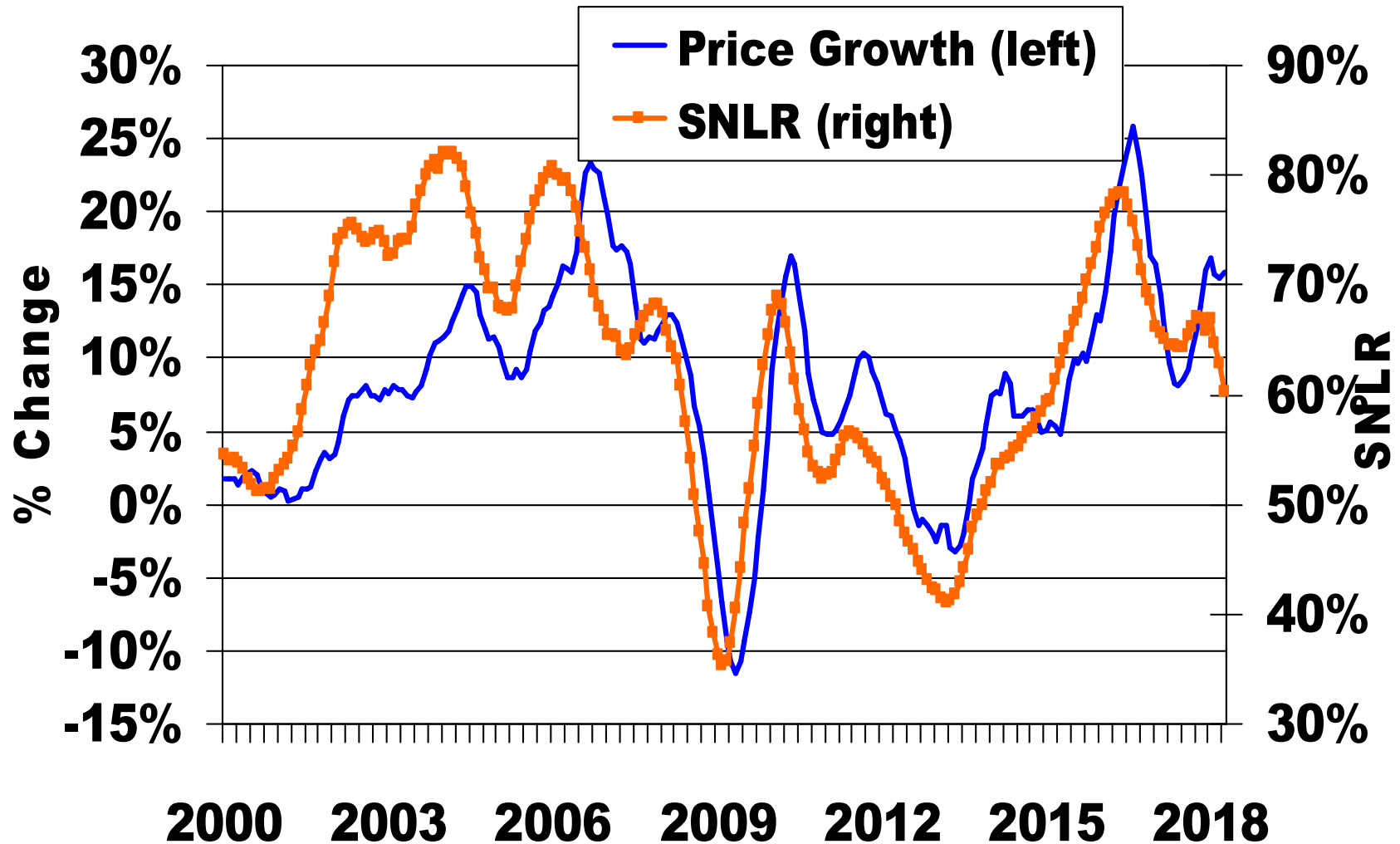
Source: Teranet / National Bank

House Price Growth vs SNLR



Source: Teranet / National Bank / CREA

House Price Growth vs Trend of SNLR



Source: Teranet / National Bank / CREA

Results of Statistical Analysis

SNLR does a good job of “explaining” price growth.

Price growth = 0% when SNLR = 45.5%

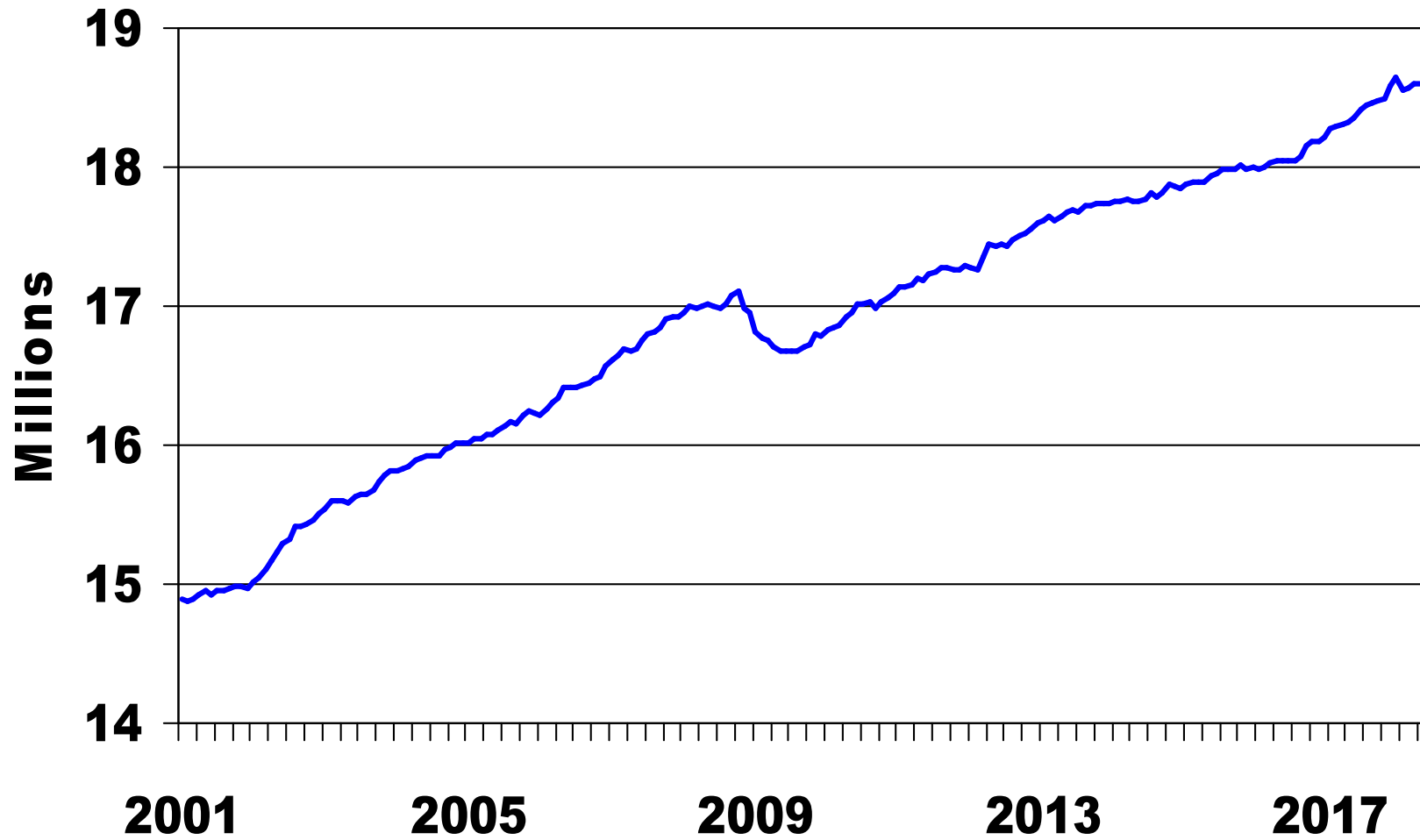
- *At 60% SNLR, should expect 8.9% price growth;*
- *At 40%, expect -3.4%*

But:

- *To use this in forecasting, I need to know what will happen to SNLR.*

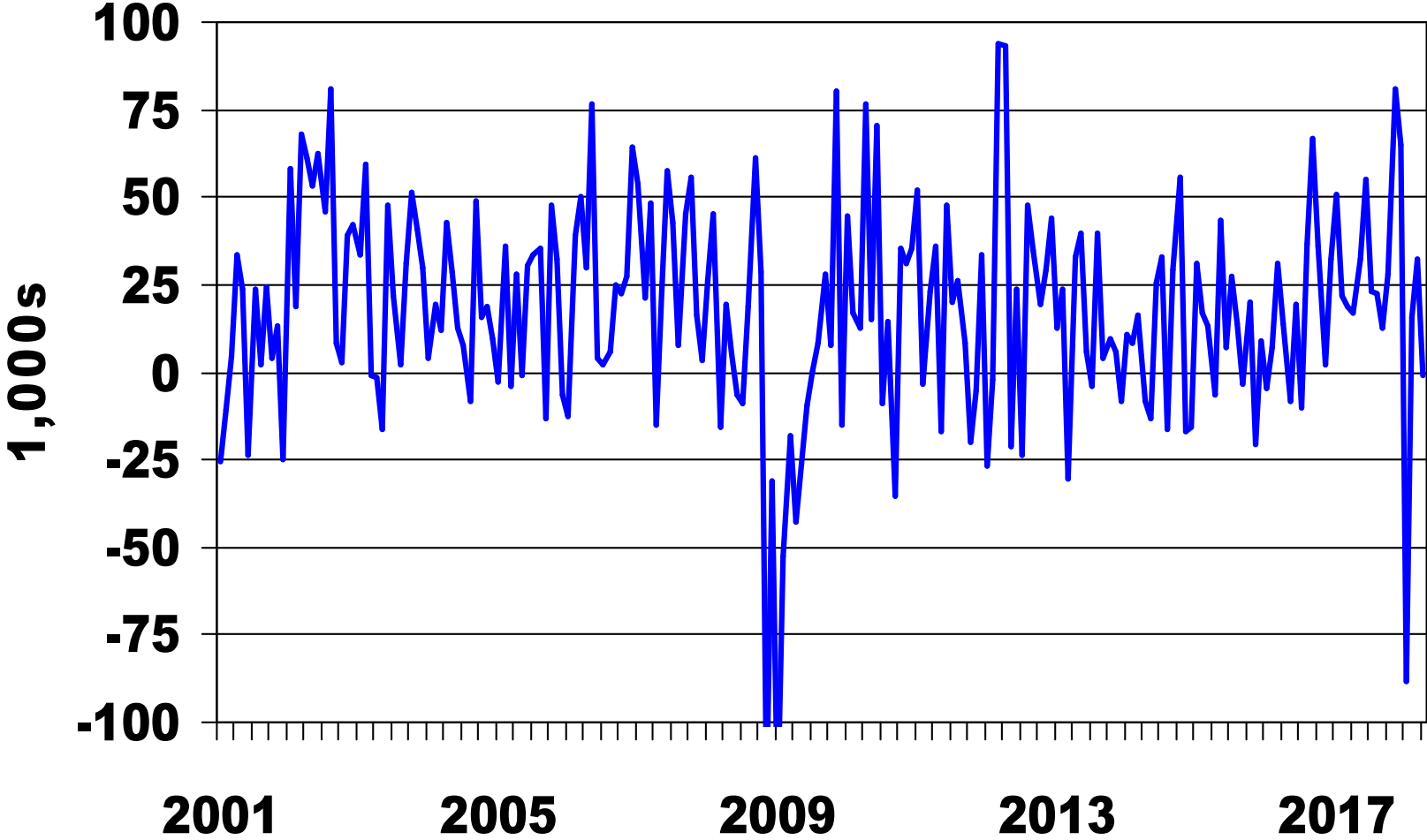
Economic and Market Trends

On-Going Job Creation in Canada



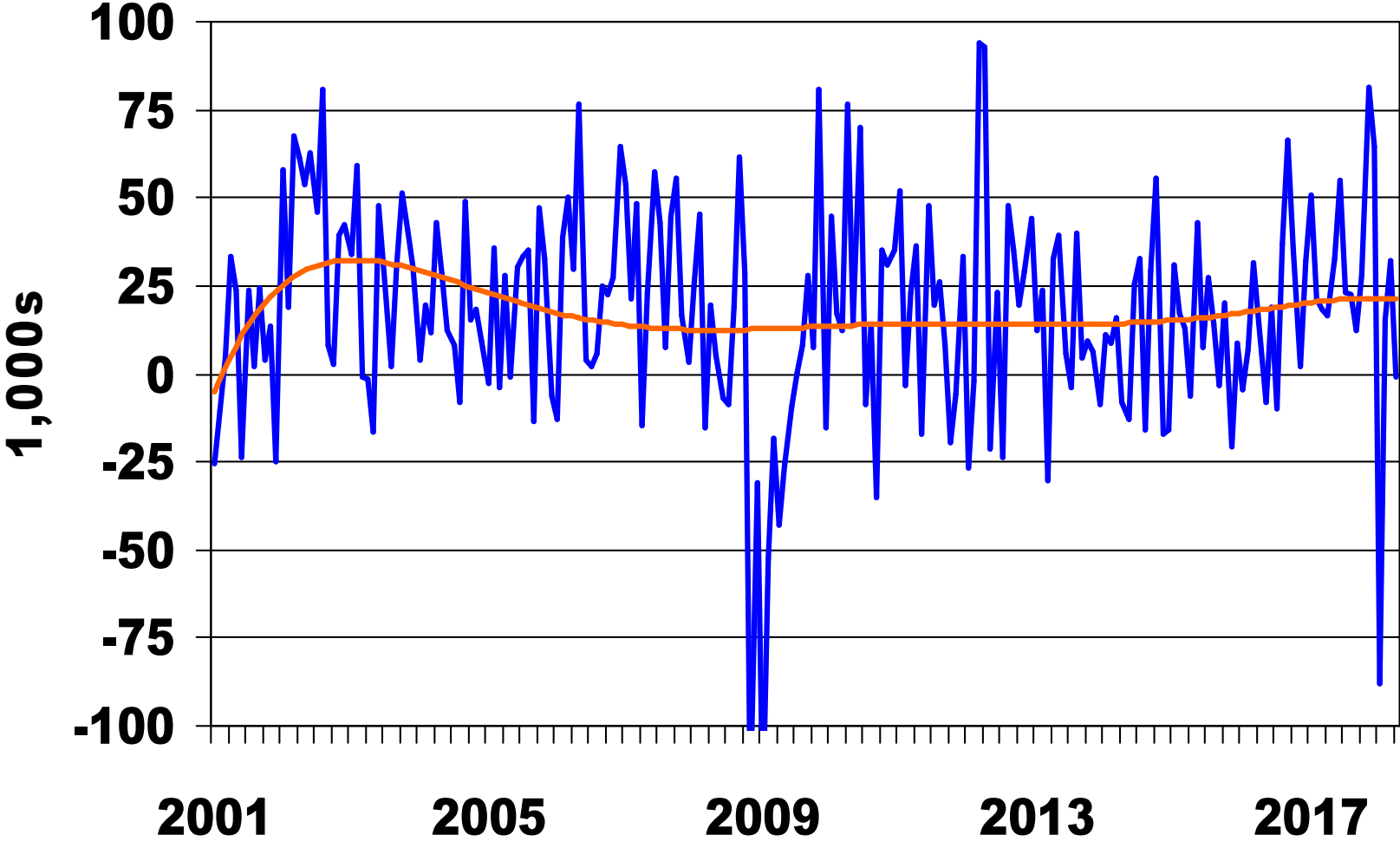
Source: Statistics Canada

Monthly Job Creation in Canada



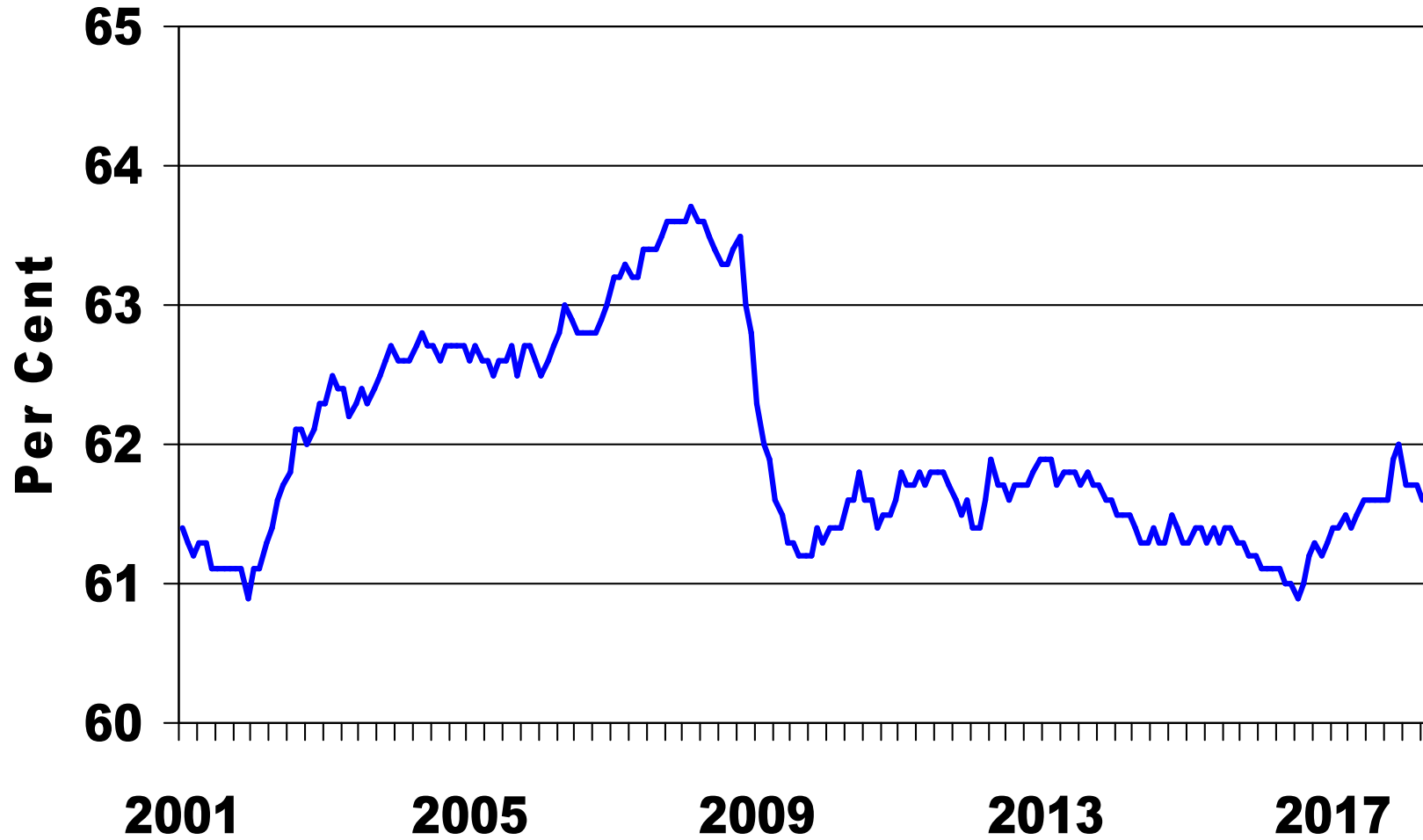
Source: Statistics Canada

Monthly Job Creation in Canada



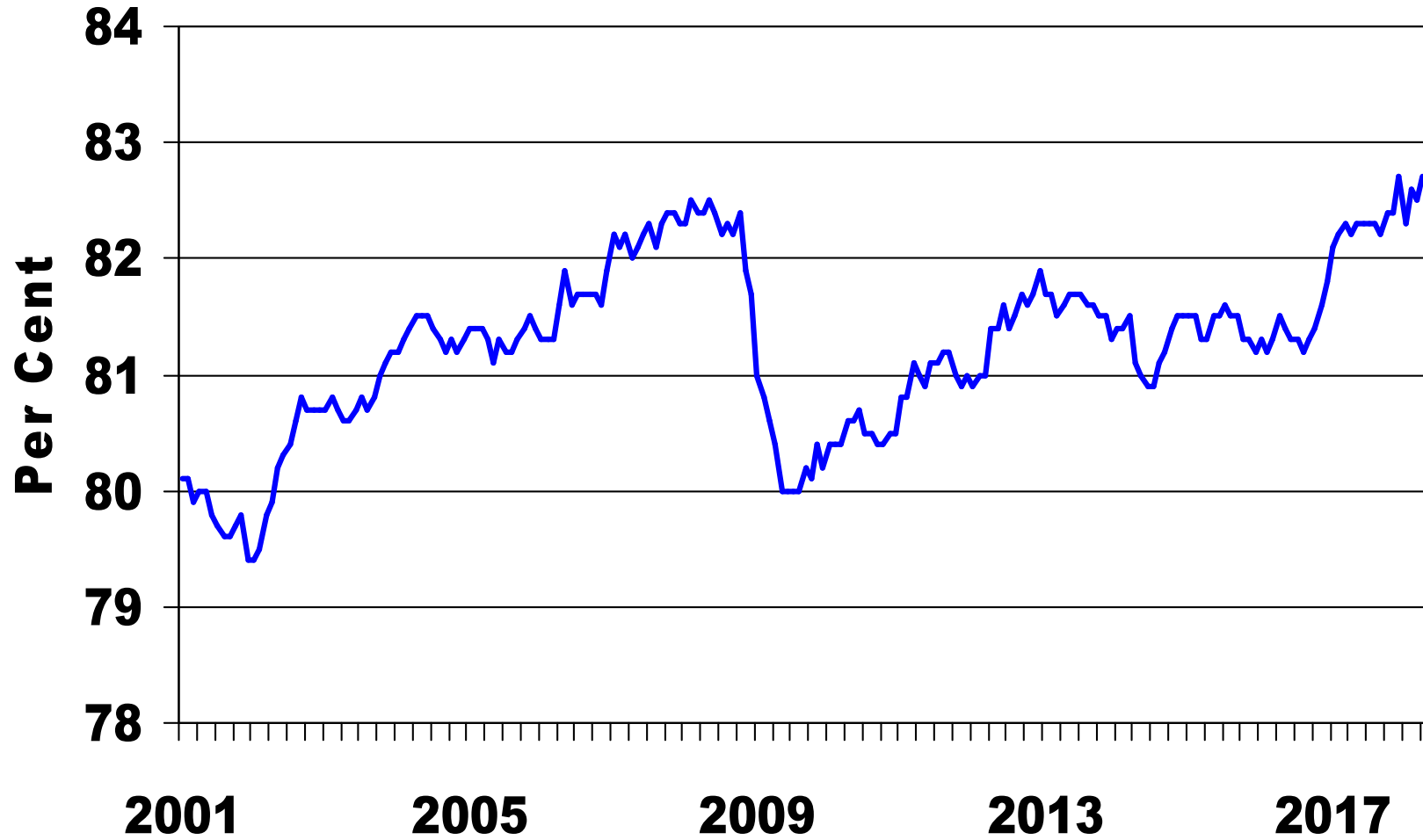
Source: Statistics Canada

“Employment Rate” in Canada



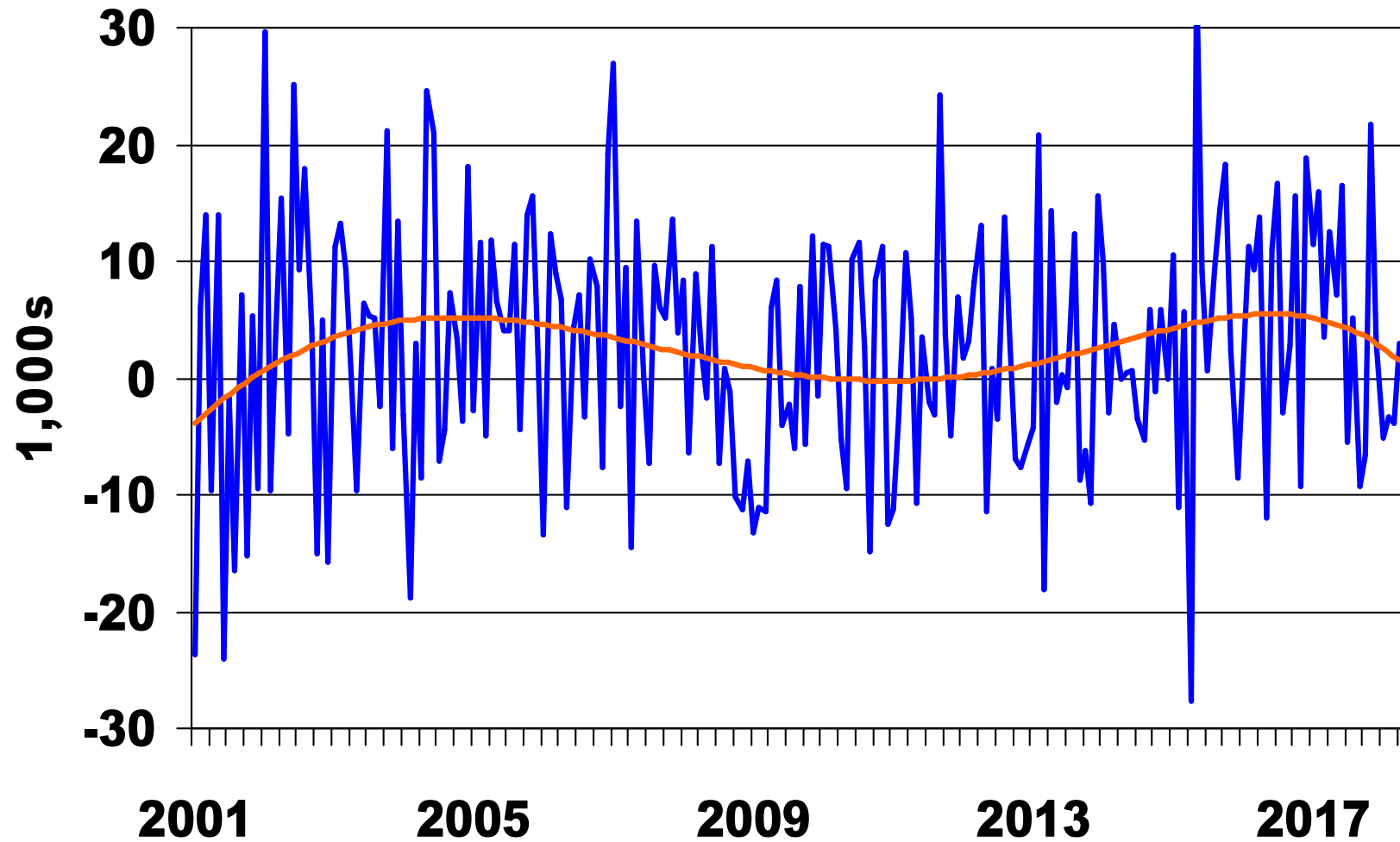
Source: Statistics Canada

“Prime Working Age” Employment Rate



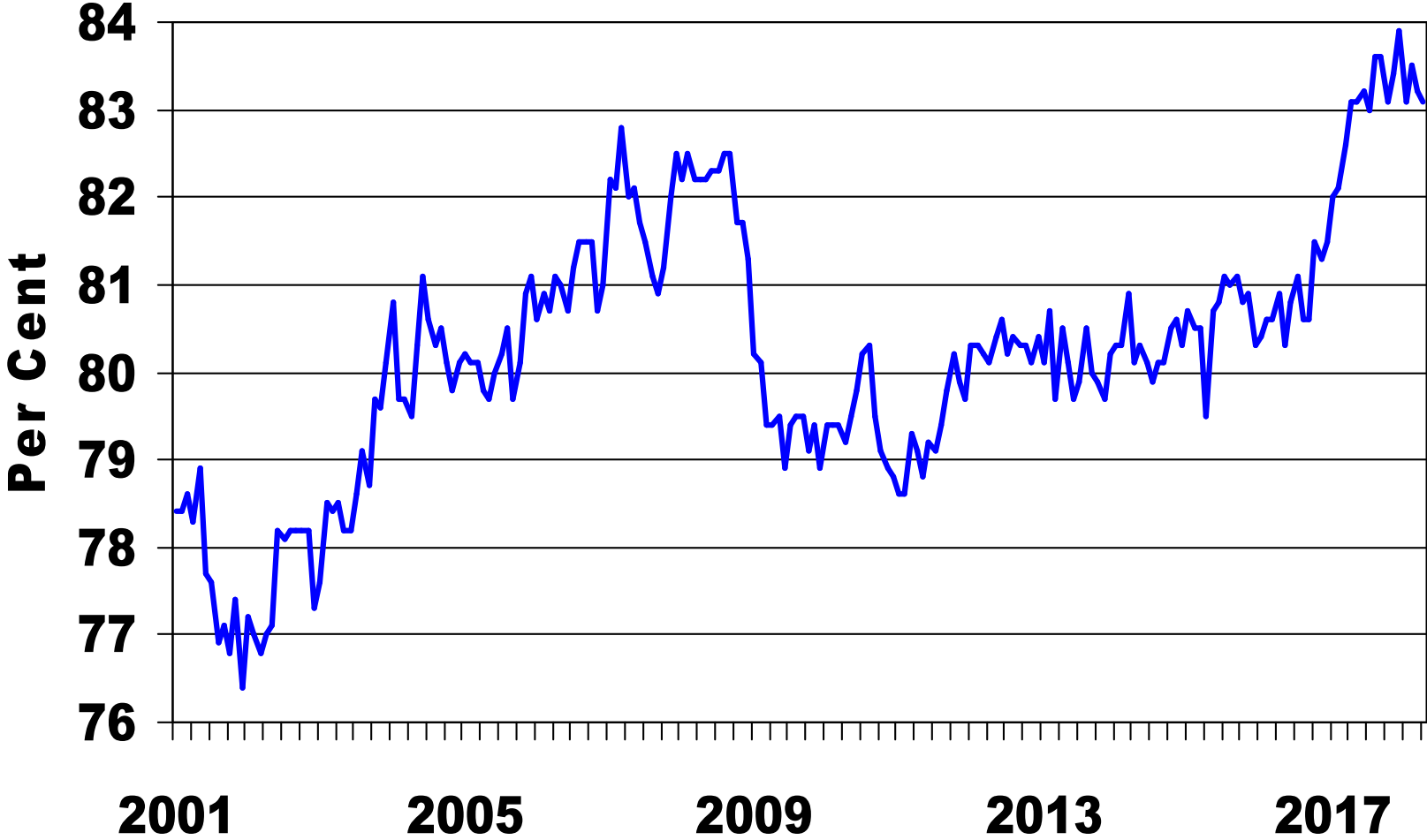
Source: Statistics Canada

Monthly Job Creation in BC



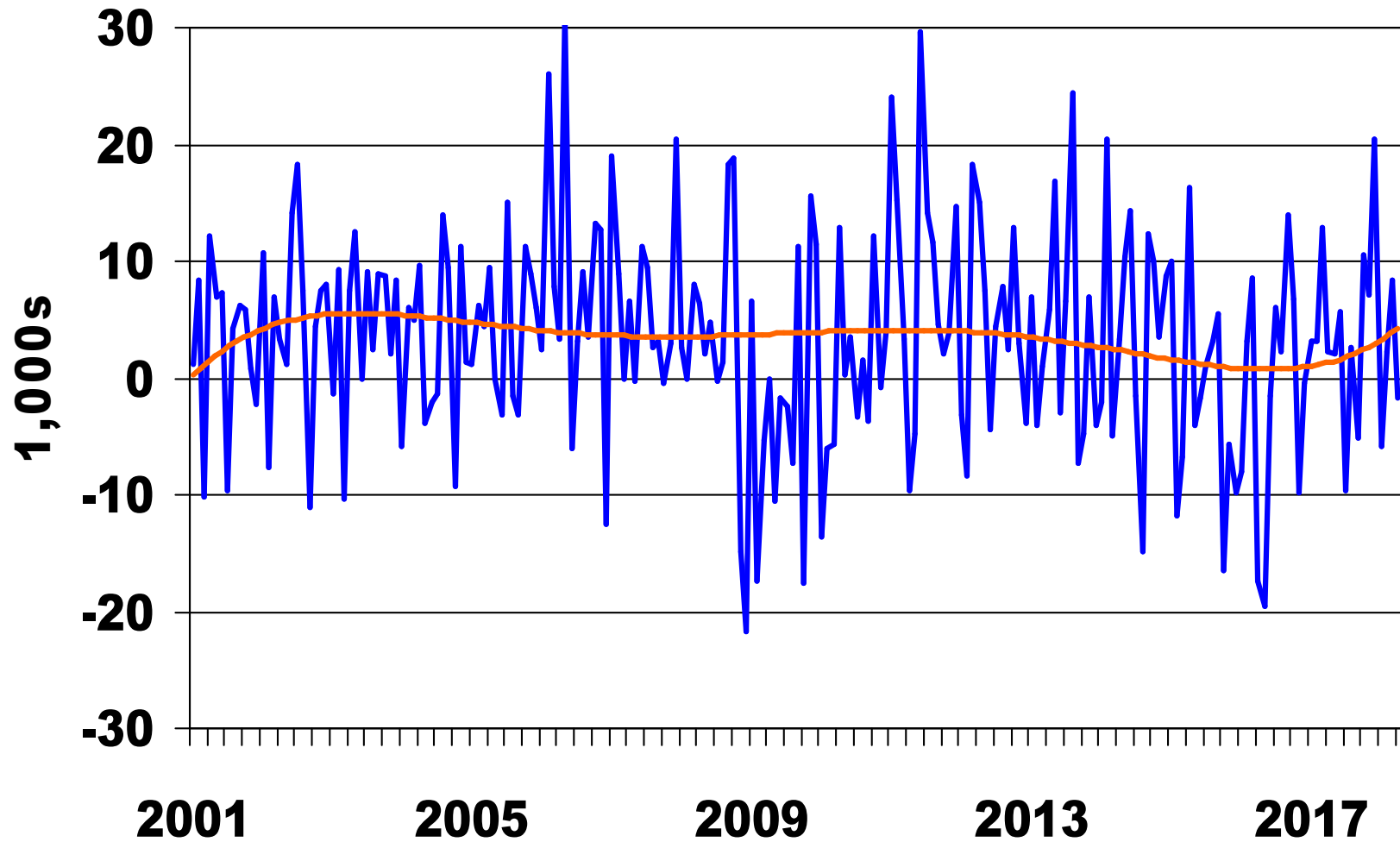
Source: Statistics Canada

BC "Prime Working Age" Emp. Rate



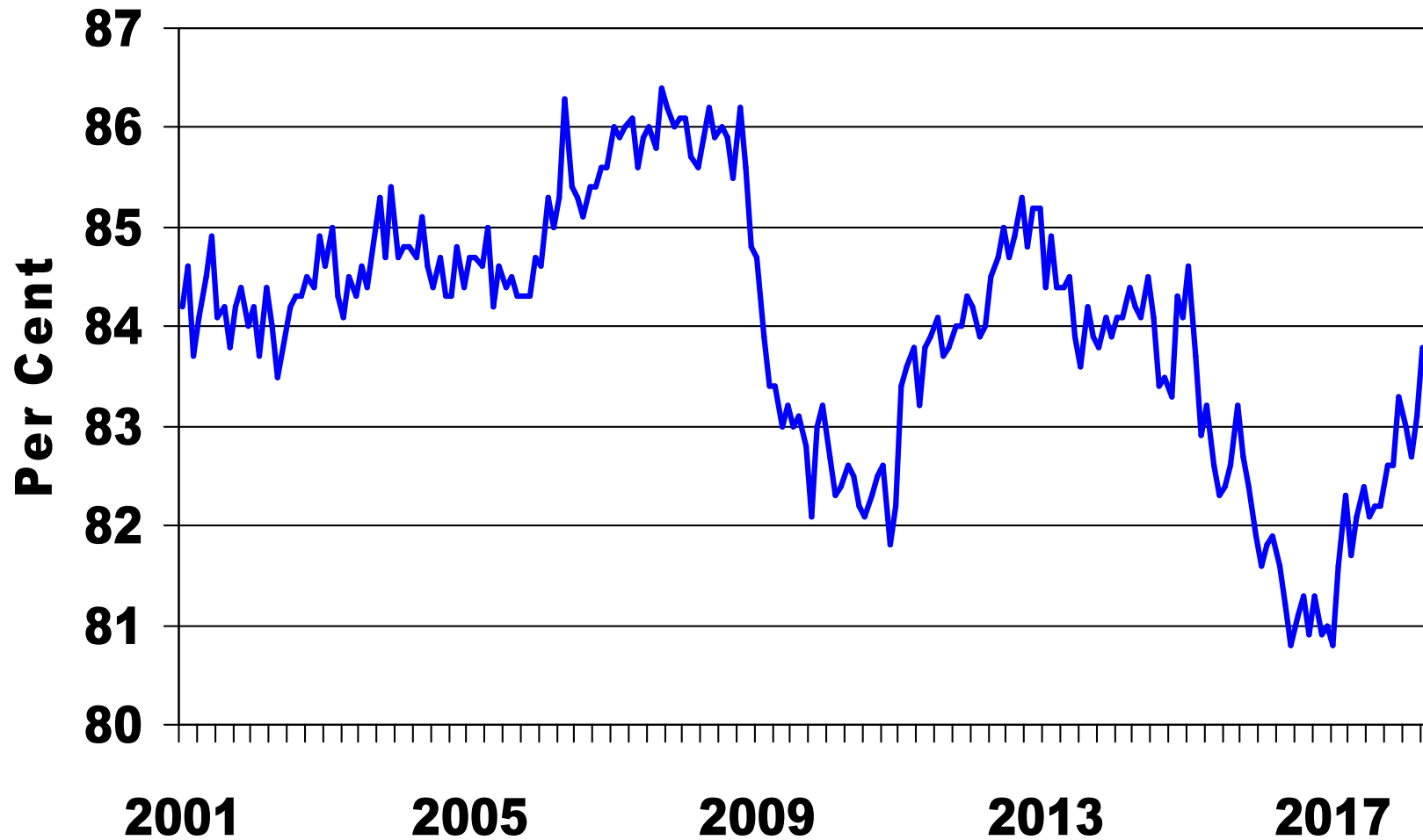
Source: Statistics Canada

Monthly Job Creation in Alberta



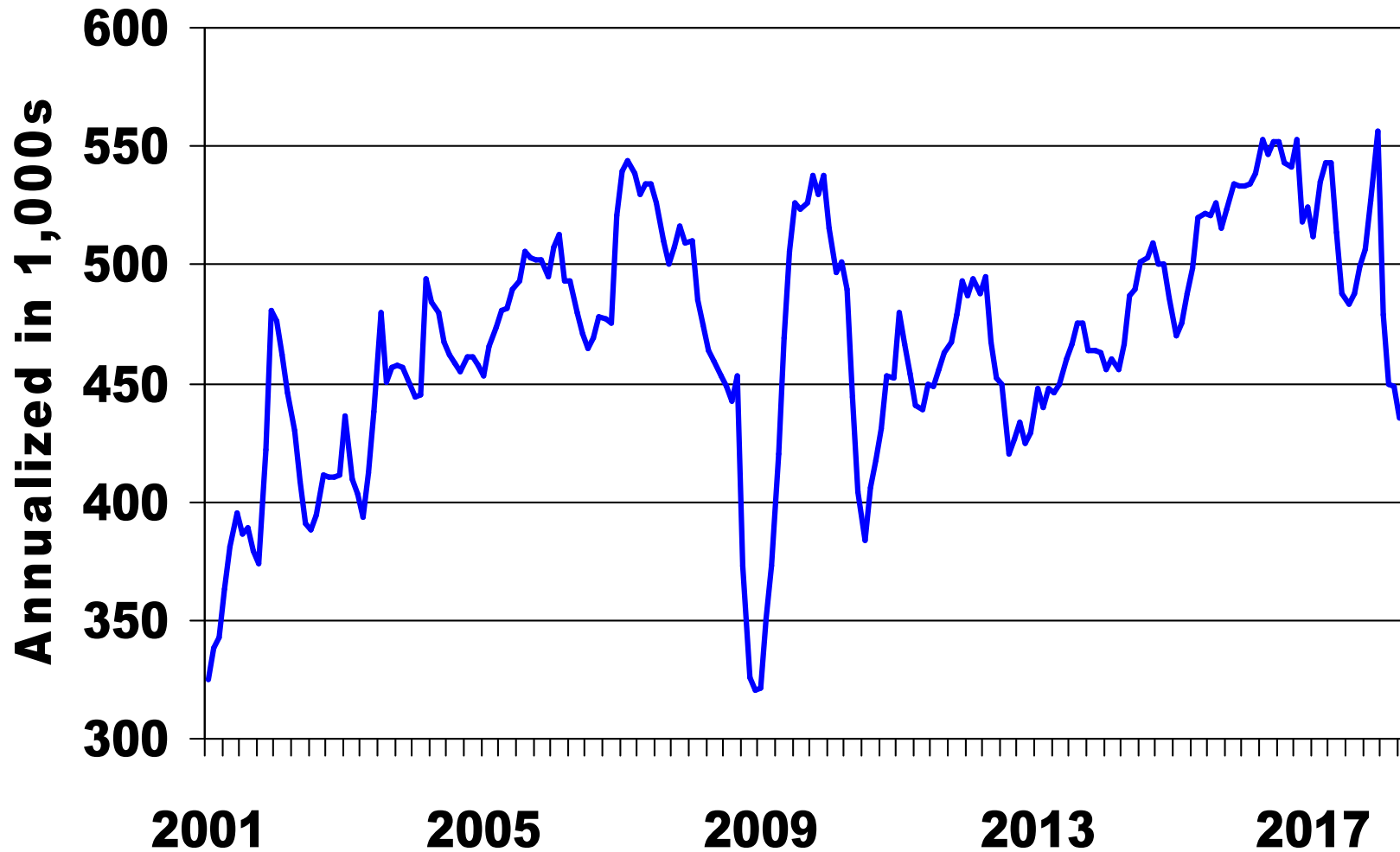
Source: Statistics Canada

Alberta "Prime Working Age" Emp. Rate



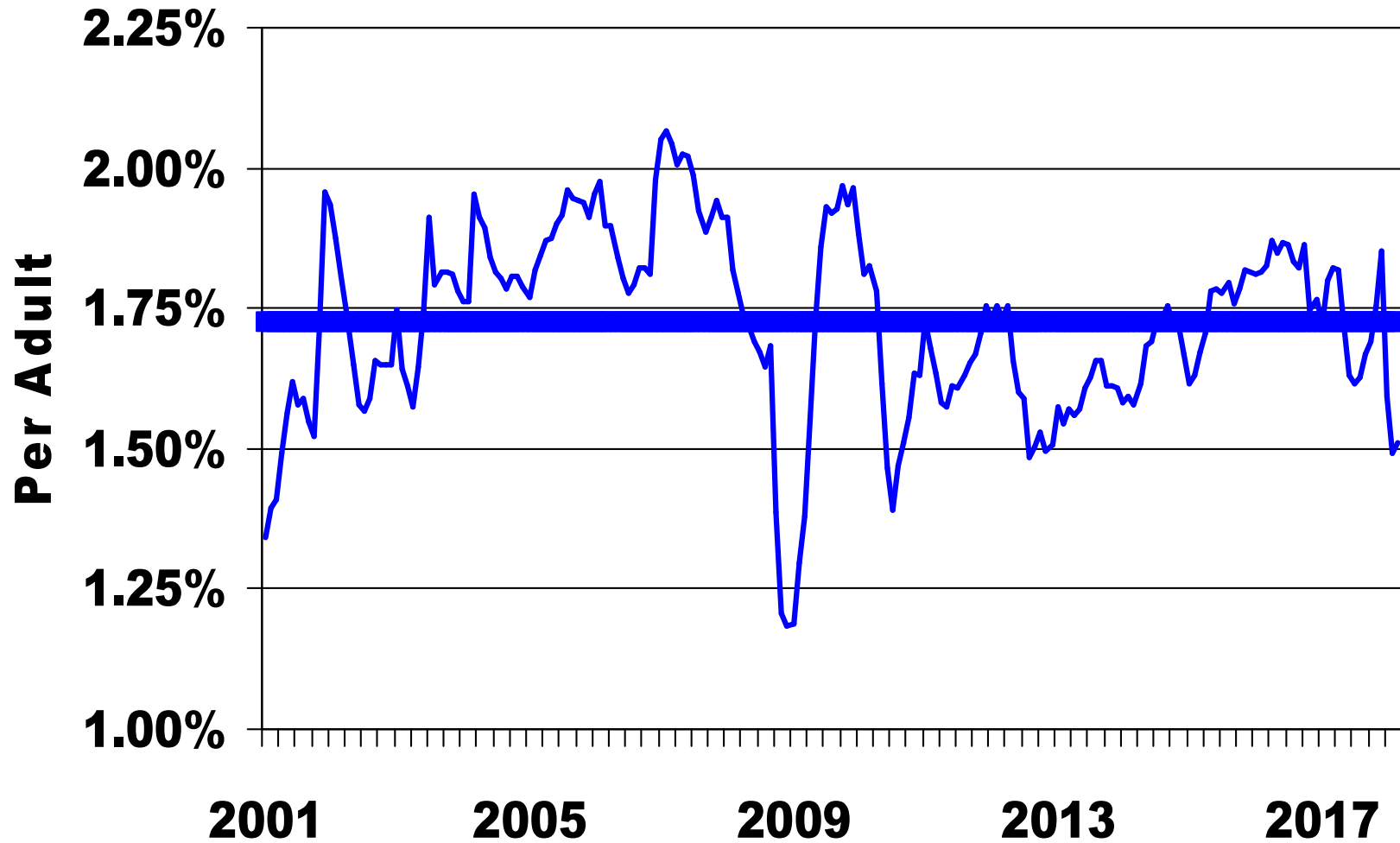
Source: Statistics Canada

Monthly Resale Activity in Canada



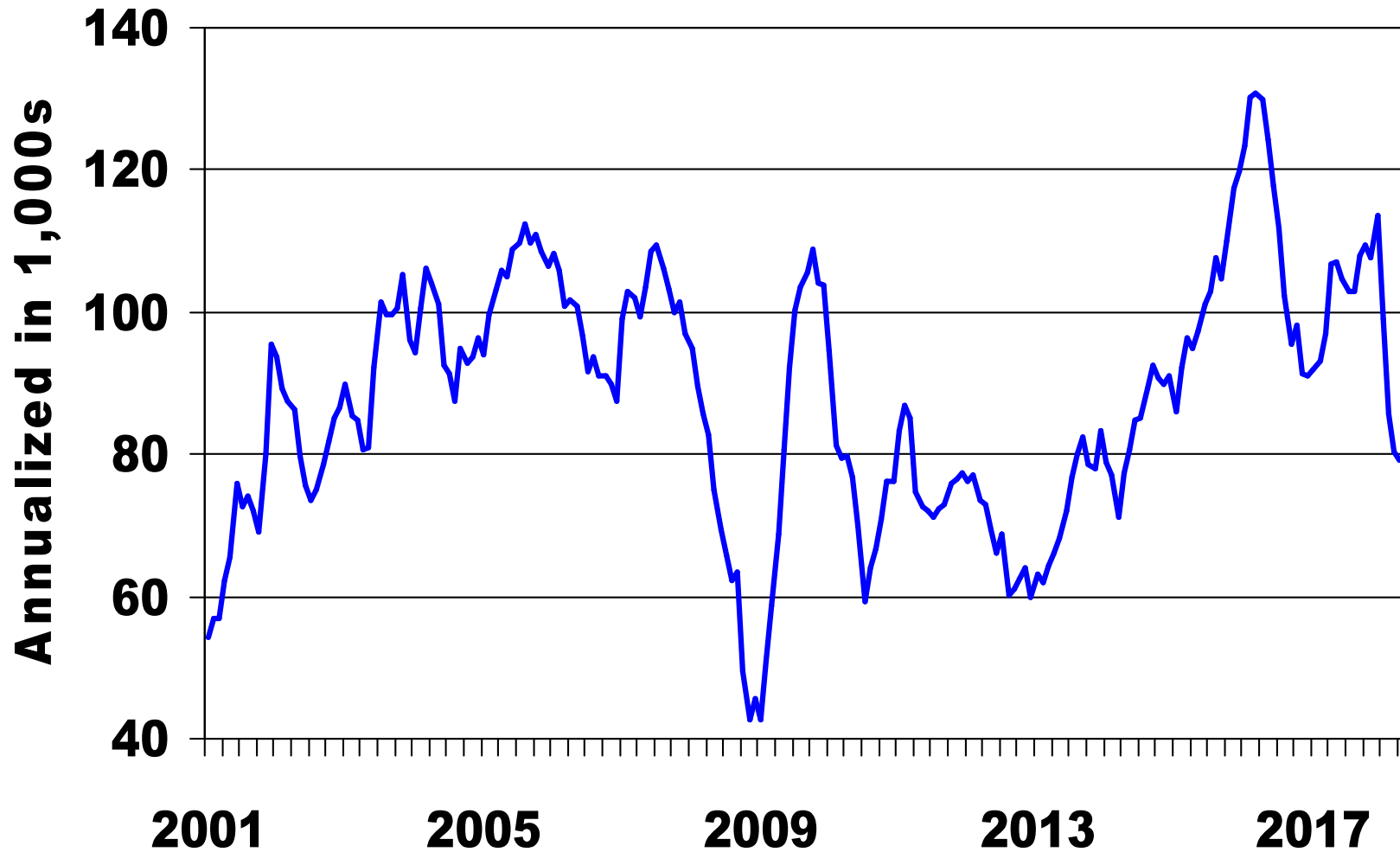
Source: CREA

Resale Rate in Canada



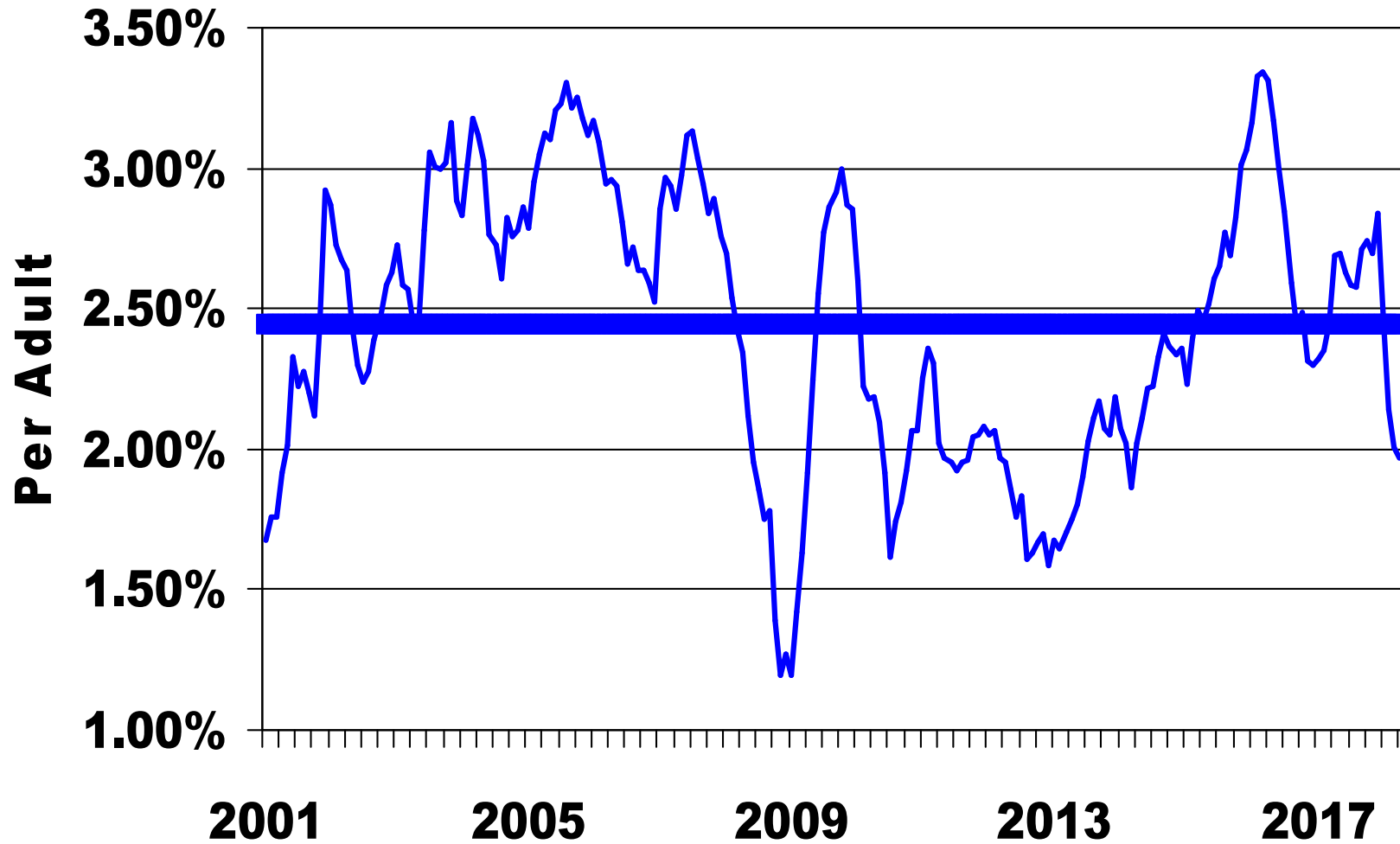
Source: CREA / StatsCan

Monthly Resale Activity in BC



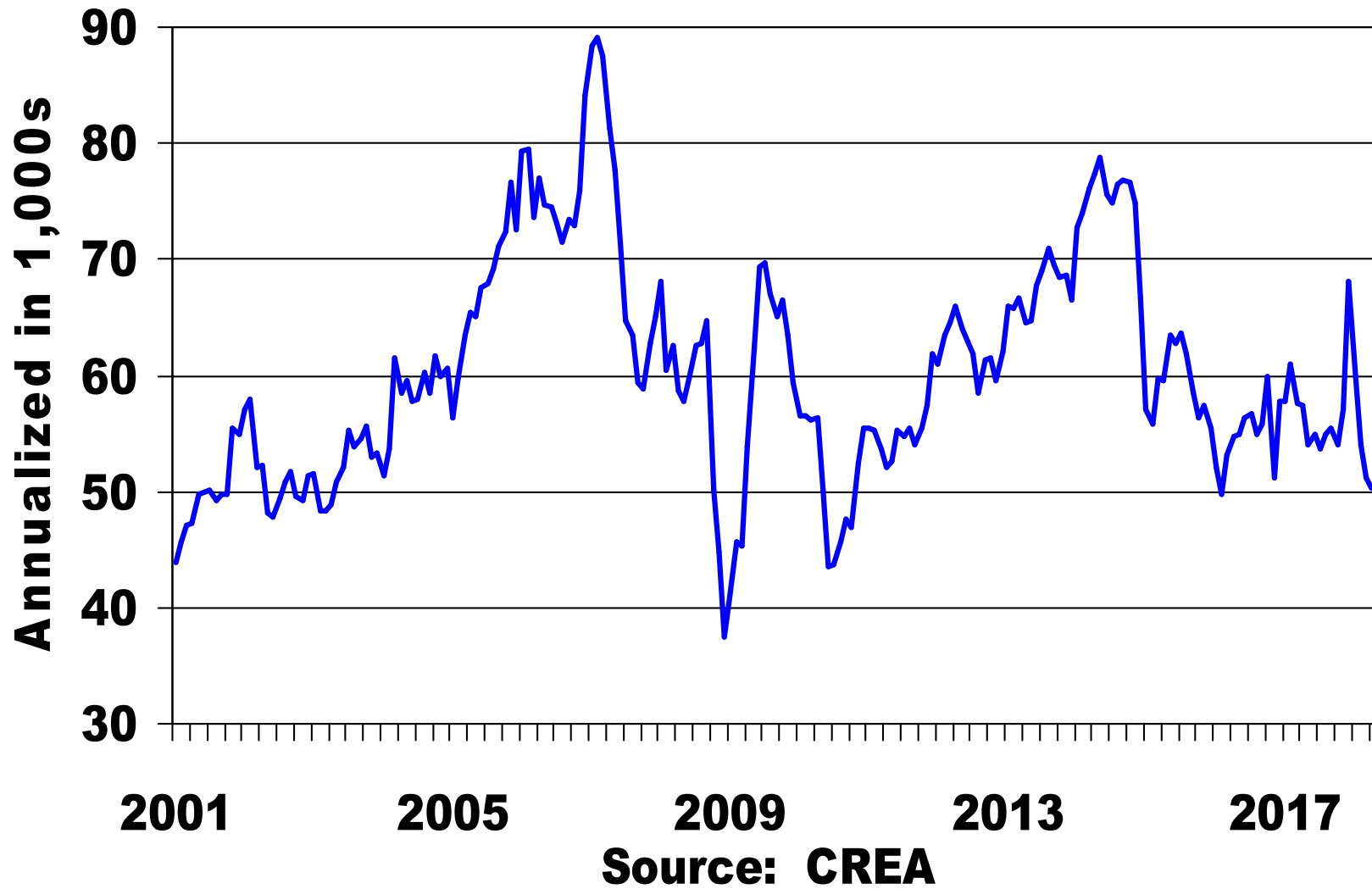
Source: CREA

Resale Rate in BC

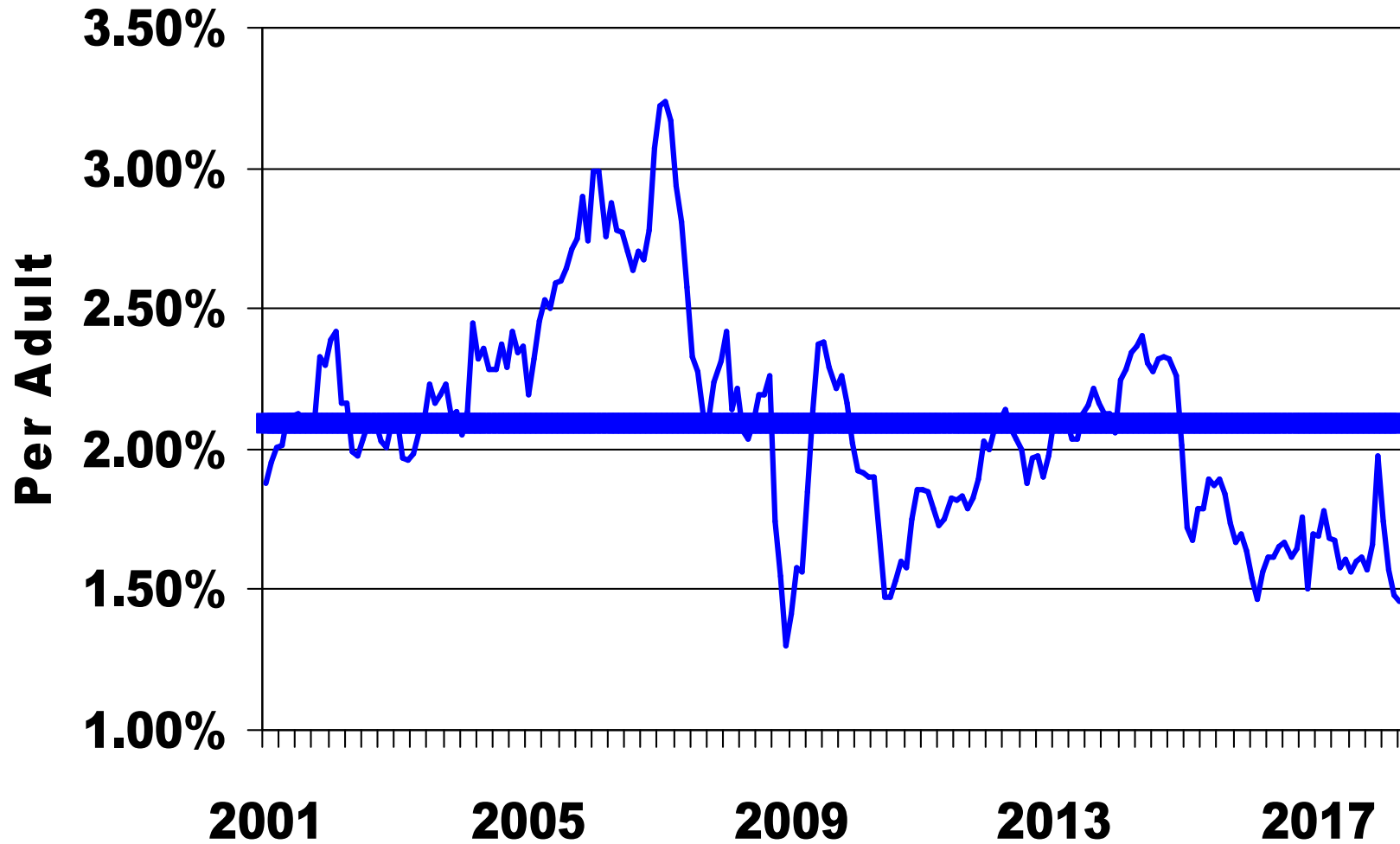


Source: CREA / StatsCan

Monthly Resale Activity in Alberta

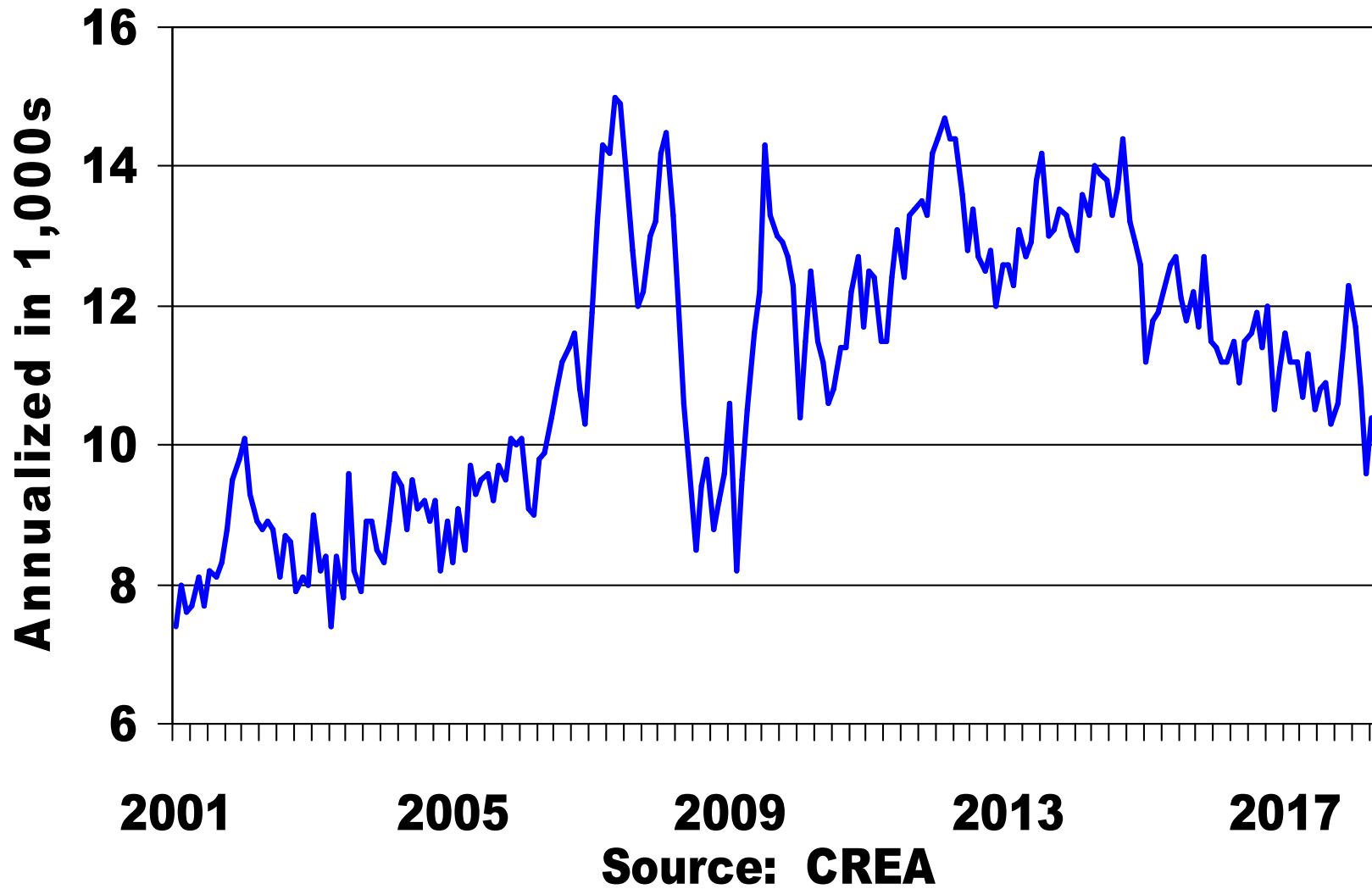


Resale Rate in Alberta

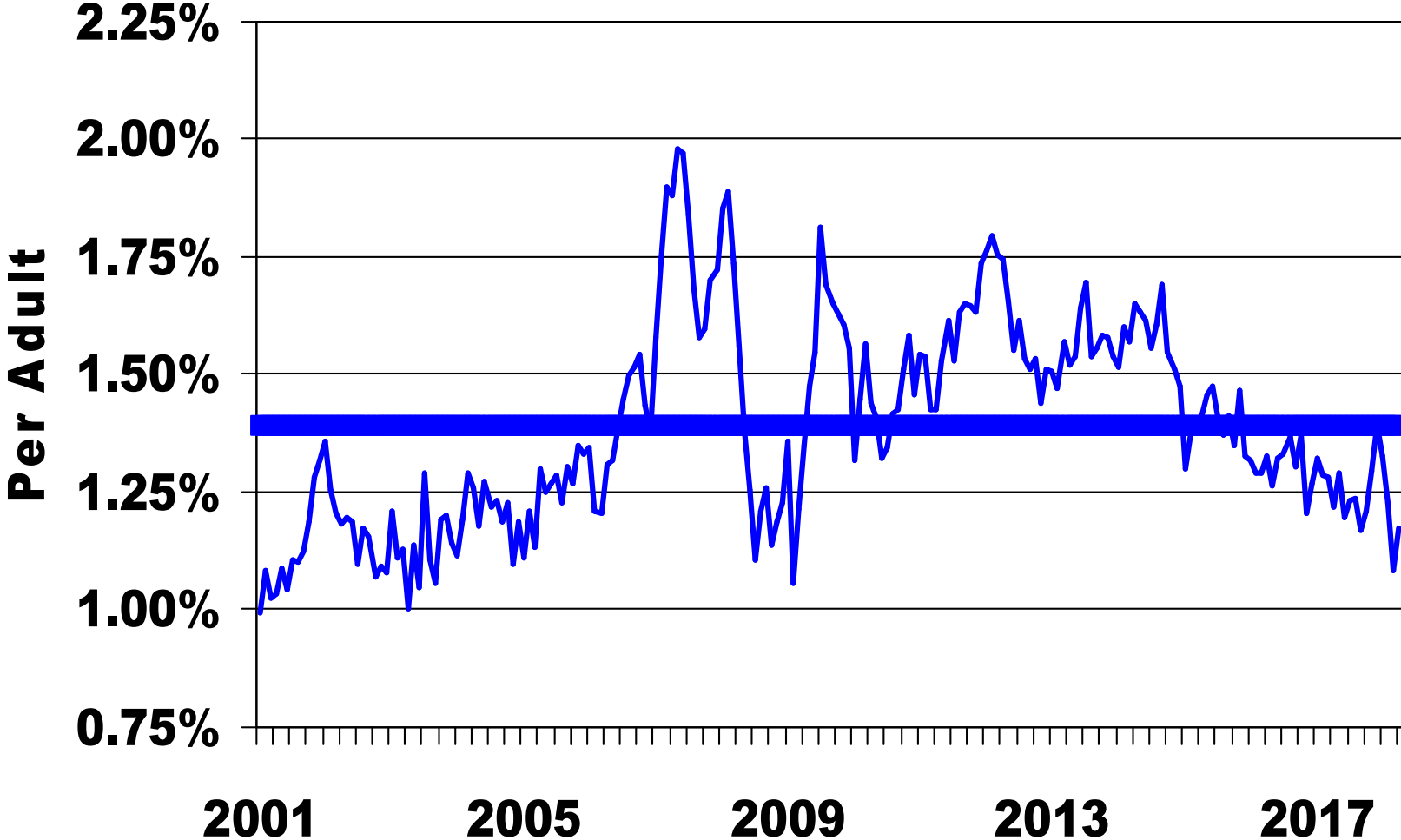


Source: CREA / StatsCan

Monthly Resale Activity in Saskatchewan

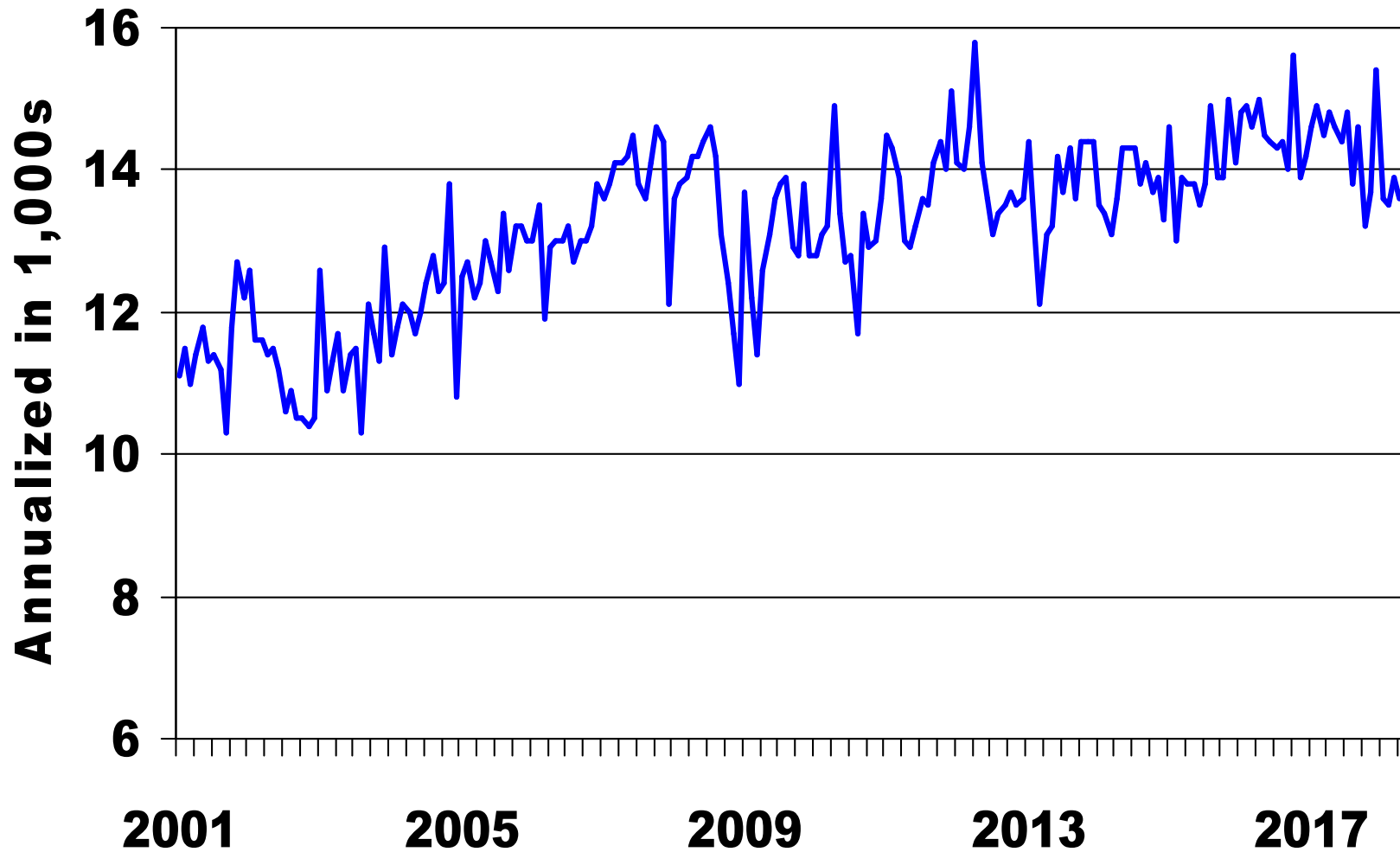


Resale Rate in Saskatchewan



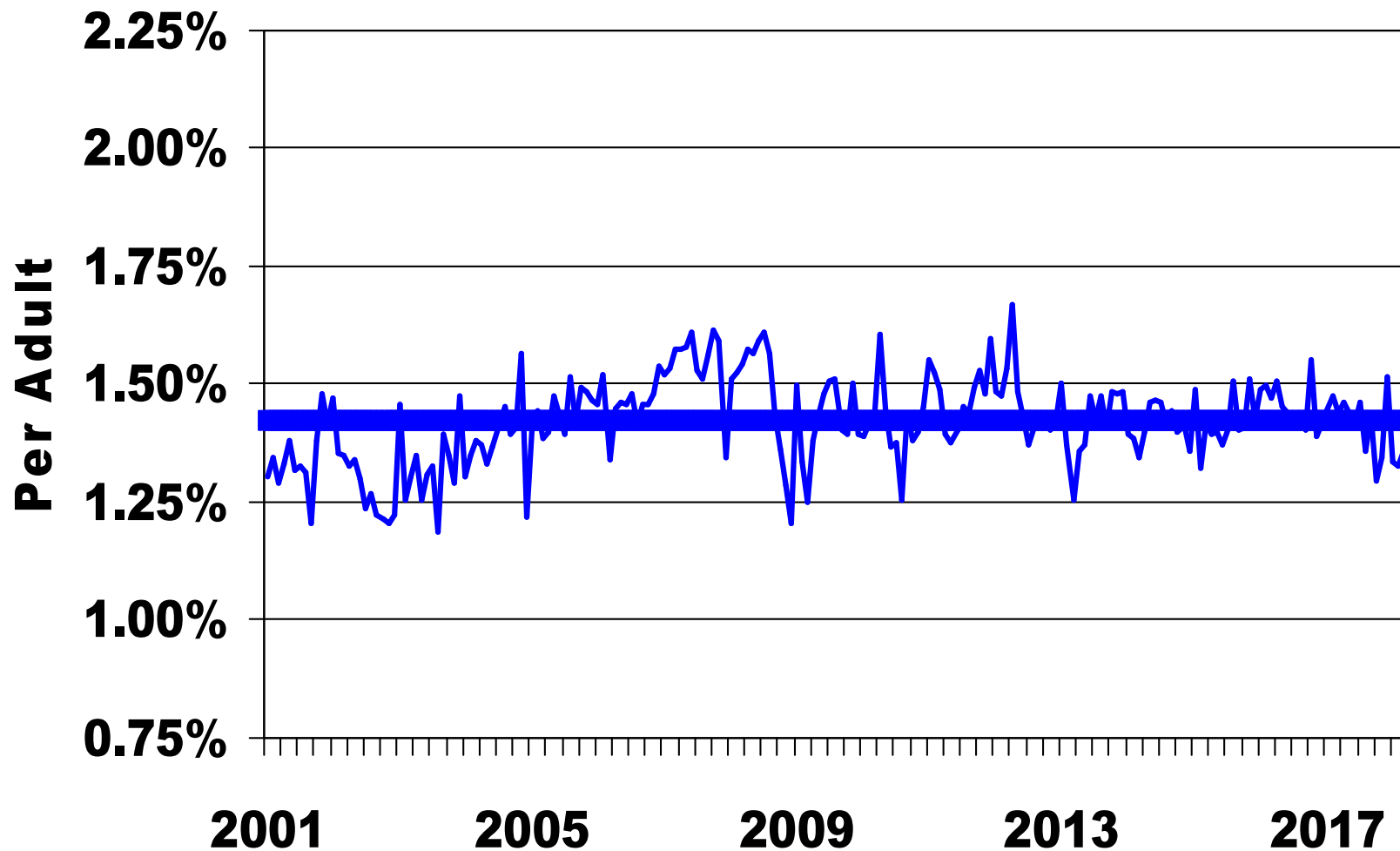
Source: CREA / StatsCan

Monthly Resale Activity in Manitoba



Source: CREA

Resale Rate in Manitoba



Source: CREA / StatsCan

The “Stress Tests”

- Mortgage insurance – 5 year posted
- OSFI proposal – Contract + 2 points
- Which interest rate to use?
 - Testing today for impact in the future.
 - Neglects principal repayment and income growth
 - 2 point rise 5 years in the future can be simulated today with a 0.75 point premium.
- Use of excessive interest rate, on top of higher interest rates could reduce housing activity by 12-15% and cost up to 150,000 jobs.

About Will Dunning

Analysis of housing markets since 1982

Services include:

- Custom research on economics and housing markets.
- Briefings and presentations.

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