Regulation 'n' Rates A One-Two Punch... Not A Knock-Down Blow For Canadian Housing Market

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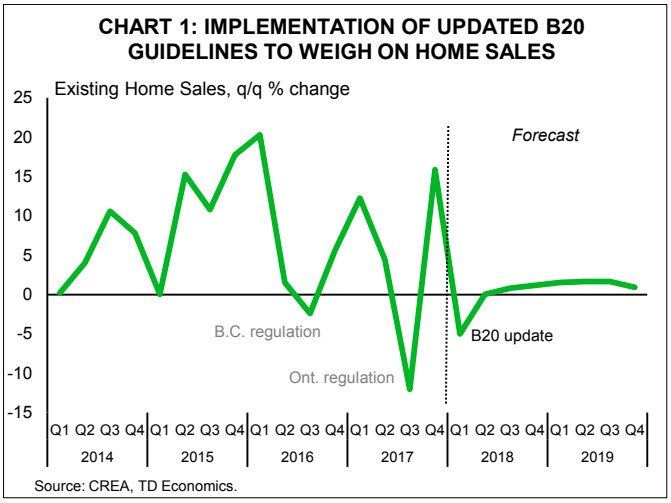
Highlights

- Policymakers have in recent years used a potent mix of federal, provincial and municipal rules in an effort to reign in overheated housing markets and prevent the buildup of household sector vulnerabilities. In each instance, Canadian housing market activity dampened before rebounding, supported by ultra-low interest rates.
- The recently implemented update to the B20 guidelines, represent yet another round of regulatory tightening. This measure, coupled with continued increases in mortgage rates, should dampen homes sales and downwardly pressure prices in the near-term. However, these factors will merely supply body blows to the housing market, and will not knock-down the housing market. Indeed, after some weakness this year and into early-2019, nationwide activity looks to stabilize.
- As it is with housing, location is everything, with the regional story far more nuanced. Looking across regions, the updated B20 guidelines and rising mortgage rates look to weigh considerably on markets in Ontario and B.C., given strained affordability and overweight presence of federally regulated financial institutions (FRFIs). Conversely, good affordability, solid economic conditions, and an underweight FRFI presence should enable solid performance in Quebec, and to lesser extent, Manitoba.
- The outlook is also comparatively favourable for the Maritime Provinces, where good affordability will limit the impact of higher rates and updated B20 regulation as while continued immigration bolsters demand. Meanwhile, the recovery across housing markets dependent on oil production, including Alberta, Saskatchewan, and will be hampered by rising mortgage rates, and be further restrained in Newfoundland & Labrador given its weak economy.

After years of continued attempts to rein in the housing market and engineer a soft landing across Canada's hottest markets, policymakers have broadened their regulatory toolkit from federal macroprudential policies to include provincial and local regulation. This enabled a more targeted approach, which is more efficient given the highly bifurcated nature of the Canadian housing market, and has been effective at cooling prices in intended regions. Sales activity fell 4% last year, nationally, while price growth decelerated to 4% per year from a double-digit gain in the prior year. Looking ahead, downward pressure on housing should remain in place, with another round of regulatory tightening implemented this year while continuing increases in mortgage rates will further highlight affordability issues. These factors will depress sales activity and put downward pressure on prices until supply rebalances. Still, taken together, the tighter regulation and higher rates will act more like body-shots than knock-down punches, with the housing market likely to remain sturdy, supported by robust macroeconomic conditions.

Updated B20 guidelines to weigh on, but not upend, sales activity

The first punch will come from regulators, with the Office of the Superintendent of Financial Institutions (OSFI) on January 1st, 2018 implementing updated mortgage underwriting procedures. Amongst the changes, the revised 'stress test'



rule is the most impactful. The stress test requires that all borrowers are income tested at a rate that is the greater of the five-year benchmark mortgage rate published by the Bank of Canada or the contractual mortgage rate plus 200 basis points. The test, which is intended to ensure that borrowers are able to withstand higher interest rates, was previously required only for insured mortgages and for uninsured mortgages with terms of less than five years.

The impact of the rule changes will not be insignificant. The higher income requirement could reduce the 'perceived' purchasing power of some households by as much as 15%. This will be particularly acute in and around Toronto and Vancouver, where buyers are often stretching their budgets in an attempt to get into or move up in these highest priced markets. Nationally, sales activity may decline as much as 5% as the rule is implemented, pressuring prices down by around 2% on average.

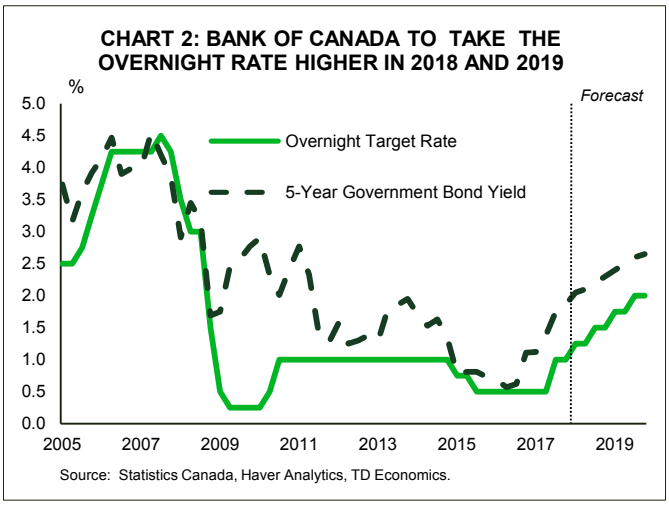
When there is a will, there is a way

However, there are some factors that will mitigate the impact of the new regulation. For one, the rule applies only to federally regulated financial institutions (FRFI). As such, most credit unions and caisses populaires, which tend to be regulated at the provincial level, are exempt. The same holds true for private lenders. As a result, these institutions could see a meaningful uptick in loan origination activity. The relatively high share of credit unions in Quebec, Manitoba, Saskatchewan, and Alberta could lessen the new rule's impact in these markets. While B.C. also has a comparatively large share of credit unions, we still anticipate a fairly significant impact given Vancouver's particularly high-priced market. Since these are typically low-LTV loans, and thereby not subject to CMHC insurance, the impact could also be diminished by the option to lengthen the mortgage amortization period – a method by which borrowers could lower their debt payments, enabling them to qualify for a larger loan. Moreover, there appears to be some flexibility in the application of the guidelines, with borrowers unable to pass the income-test still able to receive the mortgage conditional on the possession of substantial home equity or financial wealth. Lastly, borrowers who are unable to qualify may seek to simply borrow less, opting for a cheaper alternative (like condos). However, many of the purchases by low-ratio borrowers are motivated by the desire to swap their homes for larger and/or better located ones, making this last option unpalatable to many.

Buyers Tapping 'Bank of Mom and Dad'

Buyers unable to qualify may attempt to source additional financing through other means, such as asset sales or reaching out to family. This is an important and arguably overlooked factor that relates to extent that buyers, especially newer ones, have received financial support from relatives. Indeed, first-time homebuyers are tapping the "Bank of Mom and Dad" to a large degree, with survey data indicating that nearly 1 in 5 first-time homebuyers across Canada are receiving support on their down payments from family members.

This share is undoubtedly higher in Toronto and Vancouver, with additional research suggesting that between 50% - 70% of newer buyers in these markets are receiving some kind of familial support while purchasing high-end homes. What's more, there is evidence that over 1/3rd of baby-boomers in Toronto and Vancouver plan to, or already have, given a living inheritance with the explicit goal of helping their relatives buy real estate, representing a massive intergenerational transfer of wealth. These actions have significantly lowered the barrier to entry for newer home buyers in Toronto and Vancouver, enabling buyers to keep gobbling up homes in these markets despite sky-high prices and strained affordability conditions.



Rising rates will also hit the housing market

The second punch will come from central banks and investors by way of higher mortgage rates. After years of flat or declining interest rates, the Bank of Canada is responding to improving economic growth by raising its benchmark overnight lending rate. After a 50 basis point increase last year, and another 25 basis points to open the year, the Bank is unlikely to be done just yet. Another 75 basis points of increases is expected by the end of 2019. Global economies are doing better too, motivating central banks worldwide to take measures to halt or unwind past stimulus. The U.S. Federal Reserve offers the best example, having raised rates already by 125 basis points in two years, while simultaneously beginning the process of reducing the size of its bond holdings. This rising yield tide across global capital markets will impact Canadian yields, the benchmark for mortgage rates. Although sovereign yields will remain well shy of historical 'norms', there's no question that we have officially entered a period of higher borrowing costs, with the impact on household finances likely to be particularly pronounced in highly leveraged regions.

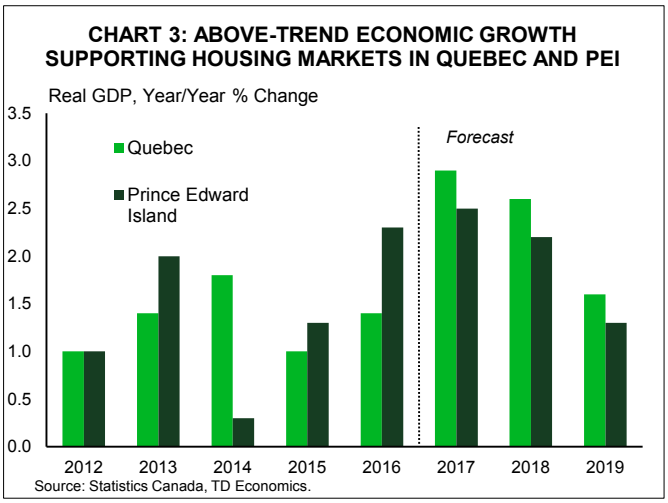
Impact on regional markets will be nuanced

Of course, as is the mantra of real estate, "location is everything." This notion certainly applies as far as the impact of the various elements on the outlook. While some markets may be very sensitive to the B20 rule revision, given a combination of an abundance of uninsured mortgages and stretched household incomes for instance, others may barely feel its impact. The same applies to the impact of rising rates or incoming supply. At the same time, all these trends need to be taken in context with macroeconomic backdrop, outlined in our latest Provincial Economic Forecast, which in most cases will help support these markets. We delve into the nuances in the coming sections, with Tables 1A and 1B (page 8) outlining the various market characteristics.

Strong economy underpins Quebec and PEI

Two of the more pleasant surprises on housing market performance have been Quebec and PEI. In Quebec, healthy labour markets and rising confidence are underpinning solid housing demand, tightening resale markets and pushing home prices higher. Strength has been concentrated in Montreal and above-trend economic growth should continue to drive higher sales. Like the rest of the country, rising mortgage rates will lean against a larger gain, which should give homebuilders cause to take a breather over the next few years but not necessarily reverse course due to increasing immigration. The recent clearing of housing oversupply in Montreal's new home market is another positive, helping to ensure healthy homebuilding.

There have been concerns that speculative foreign funds exiting housing markets in Ontario and B.C would divert to other areas in the country with less restrictive government policies, including Montreal. So far, there is only minor evidence that foreign investors are keying in on



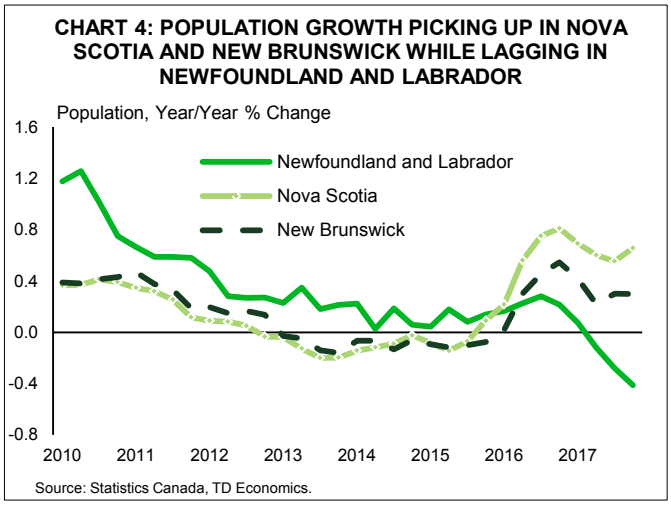
Montreal's market. For example, CMHC data indicates that foreign purchases comprised a mere 1.5% of overall sales in Montreal from January to August 2017.

In Prince Edward Island, surging immigration has played an important role in boosting housing demand, abetted by solid employment growth. Given strong demand, sales were at a record level in 2017. The resale market has tightened significantly and now favours sellers, with average price growth up a frothy 12.4% last year – the second consecutive annual gain. For their part, builders have worked to keep up with elevated demand, boosting housing starts by over 70% last year.

We expect housing sales to remain at a solid level over the next two years despite higher interest rates, as continued immigration, economic growth, and inexpensive housing support demand. On the supply side, some payback in starts is in store for 2018 after last year's eye-popping gain. But, a drum-tight rental market and an aging population offer pillars of support to construction of rental units. In 2019, we look for starts to resume their upward trend on the back of decent price growth and modest but persistent housing demand.

Maritimes getting a boost from immigration

Increased immigration has also helped boost housing activity in other Maritime provinces due to several factors. First, since 2015, the federal government has increased its annual intake of international migrants. Second, there has been expanded use of Provincial Nominee Programs.



Lastly, softer economic conditions and elevated unemployment in Alberta has slowed the rate of western-bound outmigration. The first two factors should continue supporting immigration into the Maritimes, particularly given the federal government's plan to boost immigration targets through 2020. On the other hand, while rebounding labour markets in the Prairies may once again begin to look attractive for workers from the Atlantic Provinces given the pay differential, the trend will be sapped by a combination of only moderate growth across the Prairies and solid job prospects across much of Atlantic Canada – with Newfoundland & Labrador being an exception. Notably, the implementation of the new Atlantic Immigration Pilot has made it easier for companies in the Maritimes to hire international workers, though the program has yet to meaningfully boost immigration.

One aspect that continues to afflict housing demand along the East Coast is relatively older demographics. However, two factors have moved the dial on this front in New Brunswick. First, an aging population is spurring development within the multifamily segment, which is manifesting in a steadily increasing share of new home construction activity over the past decade. This trend is expected to hold true. Second, after a period of stagnation, surging immigration is boosting housing market activity. Indeed, resales posted their best year since before the recession in 2017 on the back of robust gains in Moncton. After years of oversupply, resale markets have finally begun to tighten, sparking a modest acceleration in home prices. Peering ahead to 2018 and 2019, the improved level of sales is likely to be sustained, backed by steady job gains and increased immigration. However, higher mortgage rates will weigh on activity, keeping a lid on growth. With balanced market conditions likely to prevail, prices should continue posting modest gains.

In Nova Scotia, the level of resales was a healthy 10.6k last year. Halifax's market made the market in 2017, with sales advancing at a faster pace than the overall province. Higher sales in Halifax came despite declining employment. This points to demographic factors, which include rising retirees and immigrant population, as the main driver of demand. Positive sales momentum has shifted the market in sellers' favour, which should support comparatively firm price growth going forward.

Sales will remain in good stead in 2018 and 2019, driven by on-going population growth. Moreover, Halifax's economy should continue to be boosted by large-scale shipbuilding, supporting employment and lifting housing demand.

Homebuilding activity has picked up in Nova Scotia, with starts nearly 10% higher in 2017. That said, an elevated level of completed and unabsorbed units in Halifax's market points to some moderation in starts, on balance, over the 2018/2019 period.

While most Maritime provinces have benefitted from population gains, the same cannot be said about their Atlantic region neighbor, Newfoundland and Labrador. In fact, the province's population has been dropping alongside a collapse in investment and declining employment. Little relief is in the cards for 2018 and 2019, with weak economic activity likely to moderate sales activity further. Resale prices declined for the third straight year in 2017, though some positive momentum late in the year sets 2018 up for a small annual gain. However, a low level of sales and prices will be an enduring feature of the market for 2018 and 2019.

Recovery delayed in the Prairies

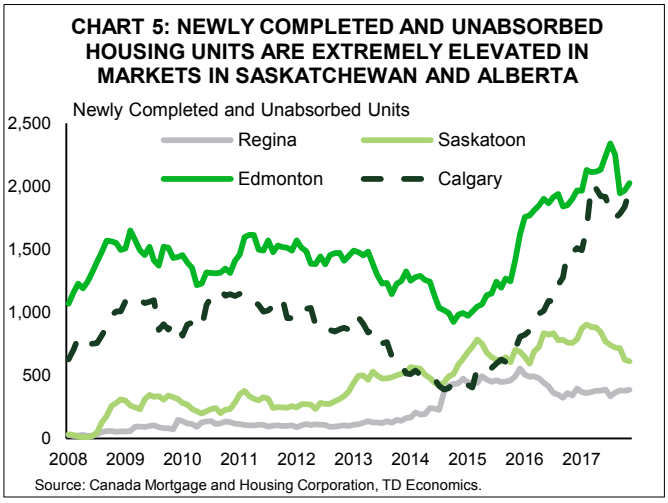
The plunge in oil prices has also wrought havoc on the economies of Alberta and Saskatchewan. The expectation heading into 2017 was that demand would improve as the energy sector stabilized. Unfortunately, sales activity in both provinces continued to disappoint alongside their labor markets.

Sales remained at a low level Calgary last year, weighed on by Bank of Canada rate hikes and negative interprovincial migration. If there is a saving grace, it's that sellers have yet to return in full force thanks to uneven price growth. This leaves Calgary's market balanced despite weak demand. In contrast, Edmonton's market has held up relatively well, with solid sales stoking comparatively stronger price growth last year. During 2018 and 2019 in Alberta, the impact of higher mortgage rates should be mitigated by rising employment and income growth. Additionally, net interprovincial migration will likely turn from negative to positive in 2018 on improving economic conditions, further supporting housing demand. The net effect will likely amount to subdued price growth over the next two years in Alberta.

In response, there won't be a compelling case for a strong pick-up in housing construction over the next two years in Calgary and Edmonton. Oversupply persists in both markets within the rental and new home ownership markets. The provincial statistics, however, will likely be skewed by the effect of on-going rebuilding of the housing stock destroyed in the Fort McMurray wildfires. CMHC notes that about 2,400 homes were lost in the fires, with about 1,200 units left to be rebuilt from 2018 onwards.

Saskatchewan has some of the softest housing conditions in Canada, with extremely weak sales plaguing markets in recent years. 2017 was more of the same, with surprisingly slack labour market conditions and higher mortgage rates weighing on demand. Meanwhile, both rental and ownership markets remain oversupplied, with falling prices the outcome. There is some cause for optimism, however, as sales are likely to increase in 2018, boosted by job gains and population growth. However, prices will likely decline further, constrained by ample supply. This excess supply should be mopped up by 2019 as sales continue to increase, turning price growth positive for the first time in 6 years.

In 2017, housing starts in Saskatchewan were modestly above where they were in 2016, though still well below recent levels. However, we expect this mildly positive momentum to prove fleeting. Inventories of unsold new



homes remain elevated in both Regina and Saskatoon which, when combined with a soggy price environment, will restrain homebuilding activity during 2018 and 2019.

Sales unexpectedly dipped slightly in Manitoba last year, despite above-trend economic growth and steady population gains. The moderation was a second half-of-the-year story, with higher mortgage rates biting into activity.

During the next two years, we expect sales to inch higher, weighed on by rising mortgage rates. This modestly higher level of sales activity during 2018 and 2019 should help promote stable price growth. On the supply side of the spectrum, housing starts surged by nearly 50% in Manitoba in 2017, though this partly reflects the introduction of an impact fee on new construction in Winnipeg, as builders rushed to start projects ahead of its implementation on May 1st. As this represented a pulling forward of activity, we accordingly expect some moderation in starts from their elevated 2017 pace over the 2018/2019 period. Like other markets in the Prairies, the level of newly completed and unabsorbed units is elevated in Winnipeg, which will be another factor weighing on homebuilding.

Rates and B20 to weigh on B.C. and Ontario

The Ontario government's introduction of the Fair Housing Plan in April 2017 precipitated the squeezing out of speculative demand which had previously been driving exorbitant price gains in Toronto and surrounding markets. The plunge of activity and resulting softening of conditions have led to a 11% decline in average home prices, concentrated in the single-family market.

In an earlier report, we opined that this correction was likely to be of the short-and-sharp variety. As expected, following a near halving of activity between March and July, sales have increased for five straight months in Toronto, recovering three-quarters of the loss by year-end. The recovery in activity comes amid a firming labour market, accelerating population growth and a drop in the share of housing transactions undertaken by non-residents. The latter dropped 1.3 percentage points to a mere 1.9% in the Greater Golden Horseshoe Region over the August - November period. These factors suggest that strong underlying fundamentals are driving the resurgence of housing demand. However, some of the recent recovery is also likely due to the pulling forward of sales activity ahead of the implementation of the updated B20 guidelines starting in January 2018. This pulling-forward of sales sets up a period of pay-back in the early 2018 statistics.

The initiation of the updated B20 guidelines and higher mortgage rates guide our expectation that sales will drop meaningfully in Toronto during 2018. Even with the recent cooling in prices, housing affordability remains the worst in nearly 30 years in Toronto. This leaves households highly exposed to higher rates and tighter regulatory conditions. Weaker sales activity should push prices lower in Toronto in 2018, lower prices broadly within Ontario. However, sales and prices should increase in 2019 as the impacts of the B20 measures fade and the market adjusts to a higher interest rate environment. Longer-term structural factors – including constrained low-rise housing supply and increasing municipal development charges – should re-emerge as prominent drivers pressuring prices higher in Toronto.

Far away from Toronto, healthy economic conditions are driving solid housing demand in Ottawa, with sales posting a record year in 2017. Rising employment – backed by increased federal government spending – along with solid population growth, has provided substantial stimulus within the resale market, mirrored by a sharp rise in prices. Going forward, some easing in the pace of sales growth is expected amid cooling economic activity, though activity should remain relatively healthy.

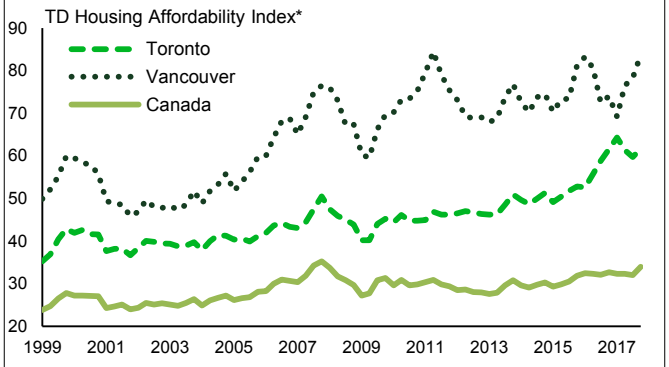
Starts are likely to be lower in Ontario during the 2018/2019 period, weighed by slower activity in Toronto's market. Construction of low-rise units in Toronto should be subdued over the forecast horizon, weighed down by challenges in bringing serviced land to market and elevated resale inventories. As such, condo construction is likely to continue dominating the landscape in Toronto, as recent solid gains in pre-construction sales feed through to starts. We judge that the policy introduced earlier in the year expanding rent control to all private rental units in Ontario will be negative for rental construction in the medium-to-long term, and could encourage the conversion of existing rental stock to purchase-only

(see report). However, the government's pledge to rebate $125 million in development charges over 5 years should mitigate near-term effects. Generally, tight rental markets and rising immigration should reinforce a shift towards private-sector rental relative to purpose-build in order to keep up with demand.

Solid economic conditions and on-going population growth have helped sales recover in Vancouver after a raft of restrictive government policies temporarily weighed on activity. Firming demand amid a tight resale market has driven accelerating price growth. Despite rising prices, foreign buying has yet to meaningfully pick up, with Statistics Canada estimating that non-resident purchases accounted for some 4.8% of all owned properties in the Vancouver CMA in 2017. In comparison, foreign purchases comprised around 10%-15% of transactions in metro Vancouver before the implementation of the foreign buying tax in 2016. In Victoria, strong labour markets, in-migration from seniors, foreign demand displaced from Vancouver and favourable affordability conditions have supported elevated sales.

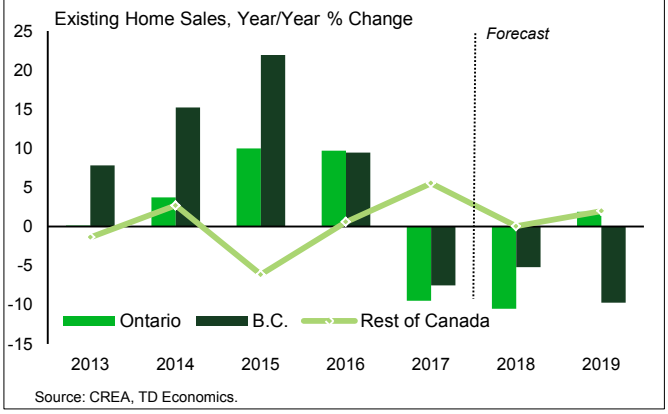
Of all major markets across the country, Vancouver is the most unaffordable and therefore extremely vulnerable to higher mortgage rates. Moreover, most mortgages issued in Vancouver tend to be uninsured, making its market especially susceptible to the upcoming B20 guidelines. While Vancouver is the most extreme case, affordability is strained across the entire province. As such, sales will be challenged in B.C. during 2018/2019 via higher mortgage rates, B20 guidelines and slower

CHART 6: STRAINED AFFORDABILITY CONDITIONS IN TORONTO AND VANCOUVER



Source: Statistics Canada, CREA, TD Economics. * The index is based on average priced home, median household income and conventional mortgage terms.

CHART 7: B20 GUIDELINES AND HIGHER MORTGAGE RATES TO WEIGH ON SALES IN ONTARIO AND B.C. IN 2018 AND 2019



Source: CREA, TD Economics.

employment growth. More modest sales should lead builders to pare back activity, with starts anticipated to drop from their lofty 2017 level this year and next to a pace closer to the underlying rate of household formation. The number of units under construction relative to population growth is in B.C. the highest of any province, pointing to significant supply in the pipeline. A portion of this new supply will come online in a weaker demand environment, limiting price growth over the next two years. However, this influence will be masked within the annual statistic due to a solid hand-off from 2017 that will elevate the annual average for 2018.

Homebuilders shrug aside regulatory hurdles

The pipeline of projects currently under construction is large in several other markets. Across Canada builders broke ground on 220k units in 2017 – a pace modestly above the fundamental demand of a growing population. The brisk pace of homebuilding took place despite numerous regulatory hurdles imposed by governments and higher interest rates. The multi-family sector accounted for about 60%, with demand for these units boosted by immigration, millennials, favourable land-use policies, and a relative affordability advantage. Starts have outpaced the absorption rate – determined largely by the rate of household formation – for several years in some provinces, leading to an outsized pipeline of soon to be available properties. While the trend is not alarming at the national level, the number of units under construction and those that have been completed

but unabsorbed is elevated in several provinces, raising the risk of oversupply. The availability of these new units should pressure prices downward, but the healthy (or at least improving in the case of oil producers) economic environment mitigates the chance of a significant contraction.

Bottom Line

The Canadian housing market has in recent years been underpinned by healthy economic growth and an improving labour market. This support is going to continue over the medium term but the recently implemented changes to mortgage underwriting rules, higher rates, and an elevated supply pipeline will exert some downward pressure on activity and prices. Still, we remain of the view that weakness will manifest as a continuation of the soft landing that has been taking place in Canada's housing market recently. Ultimately, we expect declining sales and flat prices this year before activity improves somewhat in 2019.

Regionally, the picture is comparatively positive for the Atlantic Provinces, with the exception of Newfoundland and Labrador, owing to a continued influx of international migrants. Higher mortgage rates will lengthen the time needed for sales to recover in Alberta while also dampening activity in Manitoba and Saskatchewan. Meanwhile, Quebec's housing market will enjoy a relatively healthy performance over the forecast period, bolstered by above-trend economic growth. The initiation of the B20 guidelines coupled with higher rates will meaningfully weaken housing demand in the high-priced Toronto and Vancouver markets, leading to softer activity in Ontario and B.C during the forecast period.

TABLE 1A: HOUSING MARKET RISK METRICS BY PROVINCE

	Canada	West	Prairies			Central		Maritimes			East
		B.C.	Alta.	Sask.	Man.	Ont.	Qué.	N.B.	N.S.	P.E.I.	N. & L.
Interest Rate Sensitivity[1]	M	H	M	L	M	H	M	M	L	L	L
Affordability Measure[2]	39.1	58.2	24.0	18.8	22.6	42.6	24.2	14.0	19.6	17.2	16.2
FRFI Share[3]	M	M	M	L	L	H	L	L	H	L	H
Housing Market Balance[4]	57.0	66.1	52.5	41.2	57.1	55.6	58.5	56.6	55.1	60.9	36.4
Labour Market Health[5]	-1.7	-3.4	1.7	0.4	-0.2	-1.4	-4.0	-3.1	-1.4	-2.1	-1.4

Notes:
1. Interest Rate Sensitivity: approximated by the historical elasticity of existing home sales to changes in mortgage rates.
2. Affordability Level: measured by the share of median household income spent on mortgage payments for an average priced home with 20% down and 5-year fixed rate.
3. B20 Sensitivity: approximated by the share of mortgage lending serviced by federally regulated financial institutions -- subject to updated regulations given OSFI oversight.
4. Housing Market Balance: measured by the sales to new listings ratio depicts the supply-demand dynamics. A ratio above 60/below 40 is associated with a sellers/buyers market.
5. Labour Market Health: measured by subtracting the current unemployment rate from its long term average. A negative number indicates a healthier than typical labour market.

Source: StatCan, Bank of Canada, CREA, CBA, TD Economics.

TABLE 1B: HOUSING MARKET RISK METRICS BY METRO AREA

	B.C.		Alta.		Sask.		Man.	Ont.			Qué.		N.B.		N.S.
	Victoria	Vancouver	Calgary	Edmonton	Regina	Saskatoon	Winnipeg	Hamilton	Toronto	Ottawa	Montréal	Québec	Saint John	Moncton	Halifax
Interest Rate Sensitivity[1]	H	H	H	M	L	L	M	M	H	H	M	L	M	M	L
Affordability Measure[2]	52.5	92.3	28.3	24.6	21.0	23.1	24.6	42.2	66.7	26.0	34.8	22.1	14.1	14.6	23.9
FRFI Share[3]	M	M	M	M	L	L	L	H	H	H	L	L	L	L	H
Housing Market Balance[4]	69.1	61.1	57.1	53.9	43.9	40.2	58.8	64.2	45.5	67.9	65.1	51.3	49.2	67.2	59.5
Labour Market Health[5]	-1.9	-1.8	2.3	2.3	0.2	2.6	0.0	-1.5	-1.5	-0.4	-2.0	-0.9	-0.9	-1.0	0.7

Notes:
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Source: StatCan, Bank of Canada, CREA, CBA, TD Economics.

TABLE 2: EXISTING HOME SALES											
	Levels (000's)						Year-over-Year %				
	2014	2015	2016	2017	2018F	2019F	2015	2016	2017	2018F	2019F
Canada	476.7	503.6	535.9	514.4	481.8	477.5	5.6	6.4	-4.0	-6.4	-0.9
BC	84.1	102.5	112.2	103.8	103.1	96.9	22.0	9.4	-7.5	-0.6	-6.1
Vancouver	33.7	43.1	40.9	36.6	36.5	37.1	28.1	-5.3	-10.5	-0.2	1.7
Victoria	6.4	7.9	10.0	8.5	8.3	8.1	23.5	27.4	-15.6	-2.4	-2.2
Alberta	71.8	56.5	52.2	57.2	57.2	58.3	-21.3	-7.6	9.6	0.1	1.8
Calgary	33.6	24.0	22.5	23.9	23.3	24.6	-28.6	-6.1	6.0	-2.4	5.7
Edmonton	19.9	18.2	17.0	19.5	19.9	20.7	-8.2	-6.8	15.0	2.1	3.6
Saskatchewan	13.7	12.3	11.3	11.1	11.4	12.1	-10.4	-7.6	-2.4	2.7	6.1
Regina	3.6	3.3	3.4	3.3	3.4	3.6	-6.7	2.3	-3.9	4.6	5.6
Saskatoon	6.0	5.2	4.7	4.5	4.8	5.2	-13.1	-10.0	-4.5	6.3	9.8
Manitoba	13.8	14.0	14.6	14.4	14.5	14.6	1.7	3.8	-0.9	0.5	1.0
Winnipeg	12.1	12.3	12.9	12.8	12.8	12.9	1.0	4.9	-0.9	0.5	0.9
Ontario	201.5	221.7	243.2	220.1	203.8	205.8	10.0	9.7	-9.5	-7.4	1.0
Toronto	93.3	101.8	113.7	93.2	90.7	91.7	9.2	11.7	-18.1	-2.7	1.1
Hamilton/Burlington	13.9	15.6	14.8	13.7	13.1	12.4	12.0	-5.1	-7.3	-4.4	-5.7
Ottawa	14.1	14.8	15.6	17.3	17.2	17.9	5.4	5.2	10.8	-0.4	3.8
Québec	70.6	74.1	78.1	82.6	84.3	86.2	5.0	5.4	5.8	2.0	2.3
Montréal	47.6	52.3	55.1	59.3	60.2	61.1	9.8	5.3	7.6	1.5	1.5
Québec	8.6	8.8	9.0	9.2	9.0	9.2	2.5	1.6	2.2	-2.1	2.0
New Brunswick	6.3	6.7	7.4	7.9	8.0	8.0	6.5	11.2	6.8	1.0	0.1
Moncton	2.3	2.4	2.7	2.9	3.0	3.1	5.6	11.3	9.2	3.4	2.8
Saint John	1.6	1.7	1.9	2.1	2.1	2.0	5.5	14.0	7.9	0.2	-2.5
Nova Scotia	8.9	9.4	10.1	10.6	10.7	11.0	5.1	7.7	4.5	1.4	3.0
Halifax-Dartmouth	4.7	4.9	5.3	5.6	5.6	5.7	3.9	6.5	6.4	-0.1	1.7
Prince Edward Island	1.4	1.7	2.1	2.1	2.1	2.1	19.2	22.2	3.8	-0.2	0.7
Newfoundland and Labrador	4.2	4.2	4.1	3.9	3.8	3.6	2.4	-4.0	-4.7	-3.1	-4.0

Source: CREA, FCIQ, TD Economics. Forecast by TD Economics as of January 2018.

TABLE 3: AVERAGE EXISTING HOME PRICE											
	Levels (000's)						Year-over-Year %				
	2014	2015	2016	2017	2018F	2019F	2015	2016	2017	2018F	2019F
Canada	406.7	440.3	487.1	506.3	507.9	514.3	8.3	10.6	3.9	0.3	1.3
BC	570.4	637.2	681.3	704.6	755.4	779.8	11.7	6.9	3.4	7.2	3.2
Vancouver	813.5	901.2	993.4	1,022.2	1,082.1	1,107.3	10.8	10.2	2.9	5.9	2.3
Victoria	495.4	519.4	584.8	651.4	704.8	753.7	4.9	12.6	11.4	8.2	6.9
Alberta	399.9	391.4	393.1	395.9	402.5	417.6	-2.1	0.4	0.7	1.7	3.7
Calgary	459.6	451.8	462.0	463.4	475.3	493.6	-1.7	2.3	0.3	2.6	3.8
Edmonton	361.7	368.3	366.4	377.5	381.7	398.3	1.8	-0.5	3.0	1.1	4.4
Saskatchewan	298.0	297.5	299.1	292.6	289.0	297.7	-0.2	0.5	-2.2	-1.2	3.0
Regina	315.9	313.5	315.0	313.9	305.8	313.9	-0.7	0.5	-0.3	-2.6	2.6
Saskatoon	340.7	343.0	343.0	335.8	324.1	326.4	0.7	0.0	-2.1	-3.5	0.7
Manitoba	264.7	268.2	276.3	285.7	295.2	307.2	1.3	3.0	3.4	3.3	4.1
Winnipeg	271.9	275.9	283.1	293.8	305.0	316.8	1.5	2.6	3.8	3.8	3.9
Ontario	428.3	459.8	531.1	579.4	562.1	574.4	7.4	15.5	9.1	-3.0	2.2
Toronto	563.5	616.7	724.1	807.9	770.1	787.0	9.4	17.4	11.6	-4.7	2.2
Hamilton/Burlington	401.2	435.5	485.6	559.7	571.1	604.2	8.5	11.5	15.3	2.0	5.8
Ottawa	360.2	365.2	373.9	391.5	407.0	436.2	1.4	2.4	4.7	4.0	7.2
Québec	271.4	275.3	283.9	296.5	313.3	326.2	1.5	3.1	4.4	5.7	4.1
Montréal	331.7	332.8	345.9	365.1	389.4	409.0	0.3	3.9	5.6	6.6	5.0
Québec	265.1	265.7	265.2	266.6	275.5	283.5	0.2	-0.2	0.6	3.3	2.9
New Brunswick	161.0	159.3	161.0	165.7	170.8	177.1	-1.1	1.1	2.9	3.1	3.7
Moncton	271.9	275.9	283.1	293.8	305.0	316.8	1.5	2.6	3.8	3.8	3.9
Saint John	162.1	162.7	163.6	168.5	175.2	183.8	0.4	0.6	3.0	3.9	4.9
Nova Scotia	213.2	218.7	221.7	229.0	238.6	248.8	2.6	1.3	3.3	4.2	4.3
Halifax-Dartmouth	169.5	162.5	166.7	172.5	173.1	174.0	-4.1	2.6	3.5	0.3	0.5
Prince Edward Island	163.6	164.0	179.0	203.4	205.3	206.8	0.2	9.1	13.6	0.9	0.7
Newfoundland and Labrador	285.2	277.1	257.7	251.5	257.3	263.0	-2.8	-7.0	-2.4	2.3	2.2

Source: CREA, FCIQ, TD Economics. Forecast by TD Economics as of January 2018.

TABLE 4: HOUSING STARTS											
	Levels (000's)						Year-over-Year %				
	2014	2015	2016	2017	2018F	2019F	2015	2016	2017	2018F	2019F
Canada	188.9	195.1	198.5	220.6	200.7	190.2	3.2	1.8	11.1	-9.0	-5.3
BC	28.3	31.5	42.1	43.6	37.6	32.1	11.1	33.8	3.6	-13.9	-14.7
Vancouver	19.2	20.9	27.9	26.2	22.4	18.8	8.6	33.8	-6.2	-14.5	-16.2
Victoria	1.3	2.0	2.9	3.9	3.3	2.9	53.3	46.2	31.8	-16.0	-11.5
Alberta	40.6	38.1	24.5	29.4	32.0	33.4	-6.0	-35.7	19.9	8.7	4.5
Calgary	17.1	13.1	9.2	11.5	11.6	11.7	-23.5	-29.6	24.8	1.0	0.7
Edmonton	13.9	17.1	10.0	11.4	11.2	11.4	23.2	-41.3	13.5	-1.4	1.6
Saskatchewan	8.3	5.3	4.8	4.9	4.1	4.2	-35.6	-10.4	3.5	-16.9	1.4
Regina	2.2	1.6	1.6	1.9	1.5	1.5	-28.5	-2.4	23.7	-24.8	1.7
Saskatoon	3.5	2.3	1.9	1.9	1.7	1.8	-33.9	-16.3	0.3	-10.4	2.3
Manitoba	6.0	5.5	5.3	7.8	6.0	5.7	-7.8	-3.0	47.2	-22.9	-6.3
Winnipeg	4.2	4.4	4.1	5.6	4.2	4.0	4.3	-8.1	39.2	-25.7	-4.0
Ontario	59.1	69.5	75.3	80.0	72.7	68.6	17.6	8.5	6.2	-9.1	-5.7
Toronto	28.8	42.0	39.0	39.2	33.6	31.9	45.7	-7.2	0.6	-14.4	-4.8
Hamilton/Burlington	2.8	2.0	3.3	3.0	2.6	2.3	-28.9	62.3	-9.8	-11.1	-11.3
Ottawa	5.8	4.9	5.2	7.5	6.8	6.4	-14.9	7.0	43.0	-9.9	-5.2
Québec	39.1	36.9	38.8	46.6	39.4	38.2	-5.7	5.2	20.2	-15.4	-3.1
Montréal	18.7	18.7	17.8	24.7	23.3	22.8	0.4	-5.2	39.0	-5.9	-2.2
Québec	4.4	5.4	4.8	6.6	5.6	5.1	23.2	-12.5	39.2	-15.6	-8.8
New Brunswick	2.3	1.9	1.7	2.4	2.0	2.1	-15.8	-9.5	35.0	-13.8	4.0
Moncton	0.9	0.6	0.6	0.9	0.8	0.8	-26.2	0.2	39.8	-13.7	5.8
Saint John	0.2	0.2	0.2	0.3	0.2	0.2	-10.3	-23.6	64.2	-27.2	3.4
Nova Scotia	2.9	3.6	3.8	4.1	3.8	3.9	22.9	6.6	7.0	-6.6	2.7
Halifax-Dartmouth	1.8	2.6	2.3	2.7	2.5	2.6	46.6	-11.5	19.3	-7.3	0.9
Prince Edward Island	0.5	0.6	0.5	0.9	0.8	0.9	13.4	-5.0	71.0	-9.4	4.6
Newfoundland and Labrador	2.1	1.8	1.5	1.3	1.3	1.3	-14.6	-19.7	-7.6	-5.9	1.9

Source: CMHC, CREA, TD Economics. Forecast by TD Economics as of January 2018.

TABLE 5: SALES-TO-NEW-LISTINGS RATIO											
	Levels (000's)						Year-over-Year %				
	2014	2015	2016	2017	2018F	2019F	2015	2016	2017	2018F	2019F
Canada	53.9	56.3	62.4	58.8	53.6	53.8	4.5	10.9	-5.8	-8.7	0.3
BC	55.7	67.5	71.5	69.6	64.2	61.8	21.0	6.0	-2.7	-7.8	-3.7
Vancouver	58	73	69	66	61	64	25.6	-6.3	-4.4	-6.4	4.5
Victoria	55	67	84	75	67	67	21.2	25.0	-9.9	-10.6	0.1
Alberta	64.9	51.8	48.9	49.6	51.5	52.5	-20.1	-5.5	1.4	3.8	1.9
Calgary	70	57	55	55	56	60	-18.9	-3.9	-0.4	2.7	6.3
Edmonton	64	51	48	49	53	55	-20.5	-4.2	2.3	6.6	4.7
Saskatchewan	46.4	40.4	40.8	39.3	43.4	48.1	-12.9	1.1	-3.8	10.4	11.0
Regina	46	46	49	44	47	52	-1.3	7.5	-10.2	6.6	10.0
Saskatoon	47	38	38	37	43	49	-19.2	0.9	-2.8	15.8	15.5
Manitoba	58.0	54.5	58.9	59.3	58.8	62.9	-6.0	8.1	0.6	-0.8	7.0
Winnipeg	59	55	60	61	61	65	-6.3	9.1	1.3	-0.6	7.5
Ontario	56.5	60.8	71.3	60.9	54.4	55.9	7.6	17.3	-14.6	-10.6	2.7
Toronto	59	63	74	54	46	47	6.2	16.4	-26.9	-14.0	2.2
Hamilton/Burlington	75	78	84	68	71	70	4.3	7.2	-19.0	4.9	-1.1
Ottawa	45	46	53	64	66	69	2.4	14.1	21.5	2.7	4.8
Québec	44.0	46.3	51.6	56.5	59.2	61.1	5.2	11.4	9.5	4.9	3.1
Montréal	46	49	56	62	66	68	6.6	13.5	12.3	5.4	2.9
Québec	49	48	49	52	53	57	-1.1	2.8	5.2	1.0	8.4
New Brunswick	38.4	41.8	49.3	55.0	54.4	54.3	8.7	18.2	11.4	-1.0	-0.2
Moncton	42	45	53	61	62	63	7.0	16.5	15.3	2.0	2.2
Saint John	36	39	45	50	48	46	9.4	14.6	11.0	-4.6	-2.3
Nova Scotia	43.2	44.6	50.2	54.5	56.2	57.7	3.2	12.5	8.7	3.1	2.6
Halifax-Dartmouth	46	46	52	58	59	60	-0.3	12.5	11.9	1.4	1.6
Prince Edward Island	37.0	44.7	58.5	70.1	62.2	60.1	20.7	31.0	19.9	-11.3	-3.4
Newfoundland and Labrador	38.6	41.0	38.2	36.0	35.0	33.0	6.2	-6.8	-5.9	-2.7	-5.9

Source: CREA, FCIQ, TD Economics. Forecast by TD Economics as of January 2018.