

# The Market According to Mercer

Presented By: Jason Mercer, TREB Senior Manager of Market Analysis

October 2011



1. Where We Are At

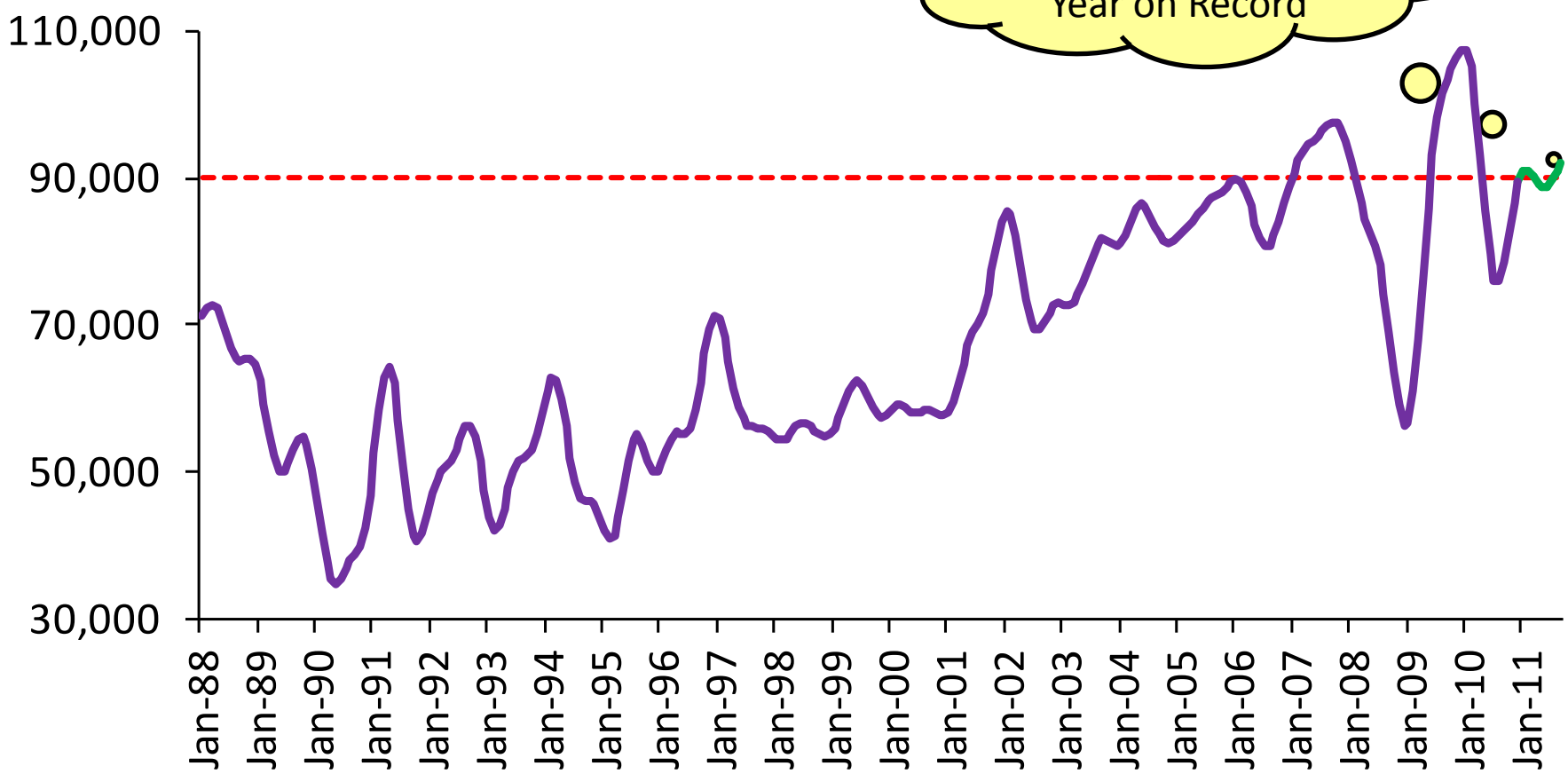
2. Interest Rates

3. Jobs and Income Growth

4. Resale Market Outlook

# TorontoMLS® Sales Have Been Steady Throughout 2011

## TorontoMLS® Sales (Annualized Trend)

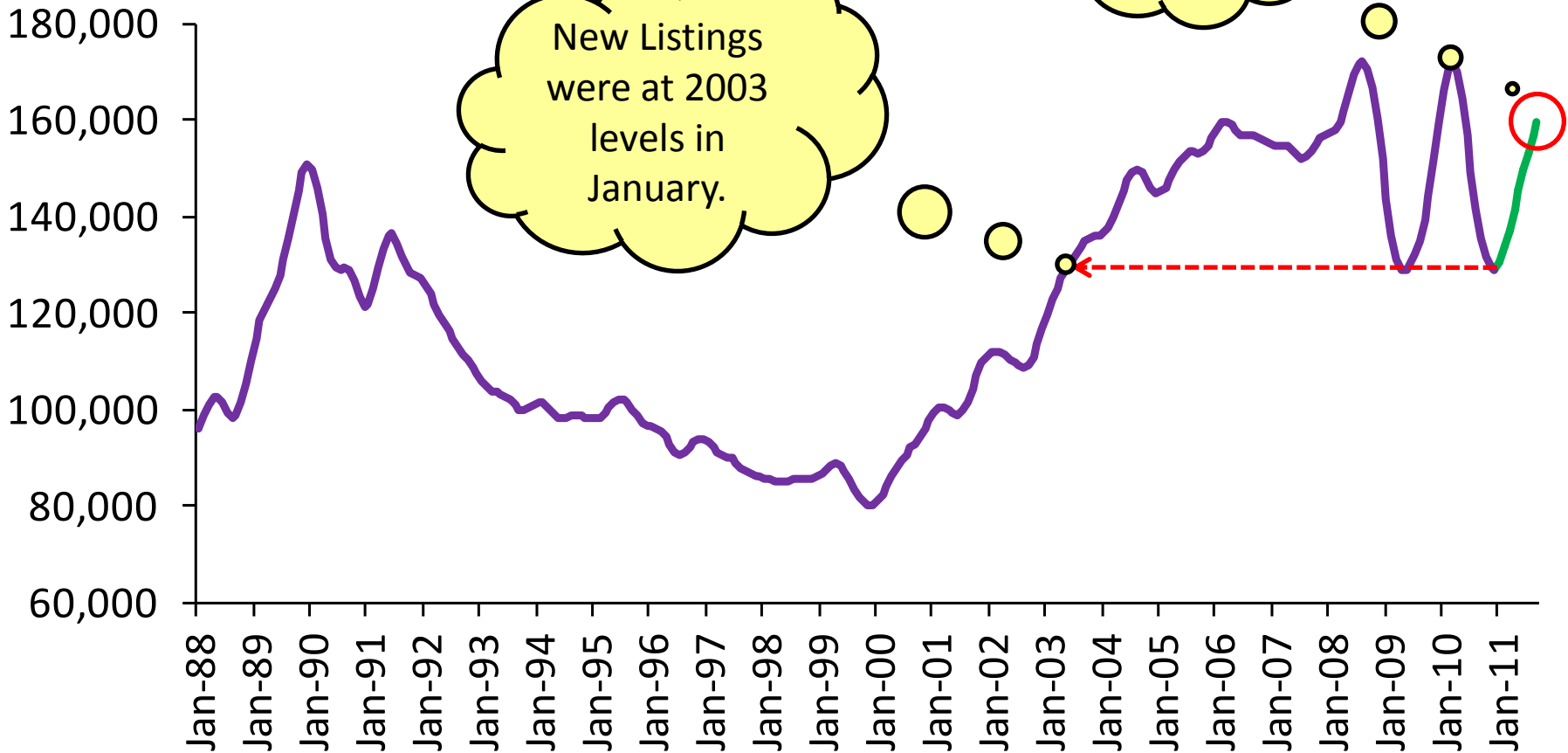


Source: Toronto Real Estate Board



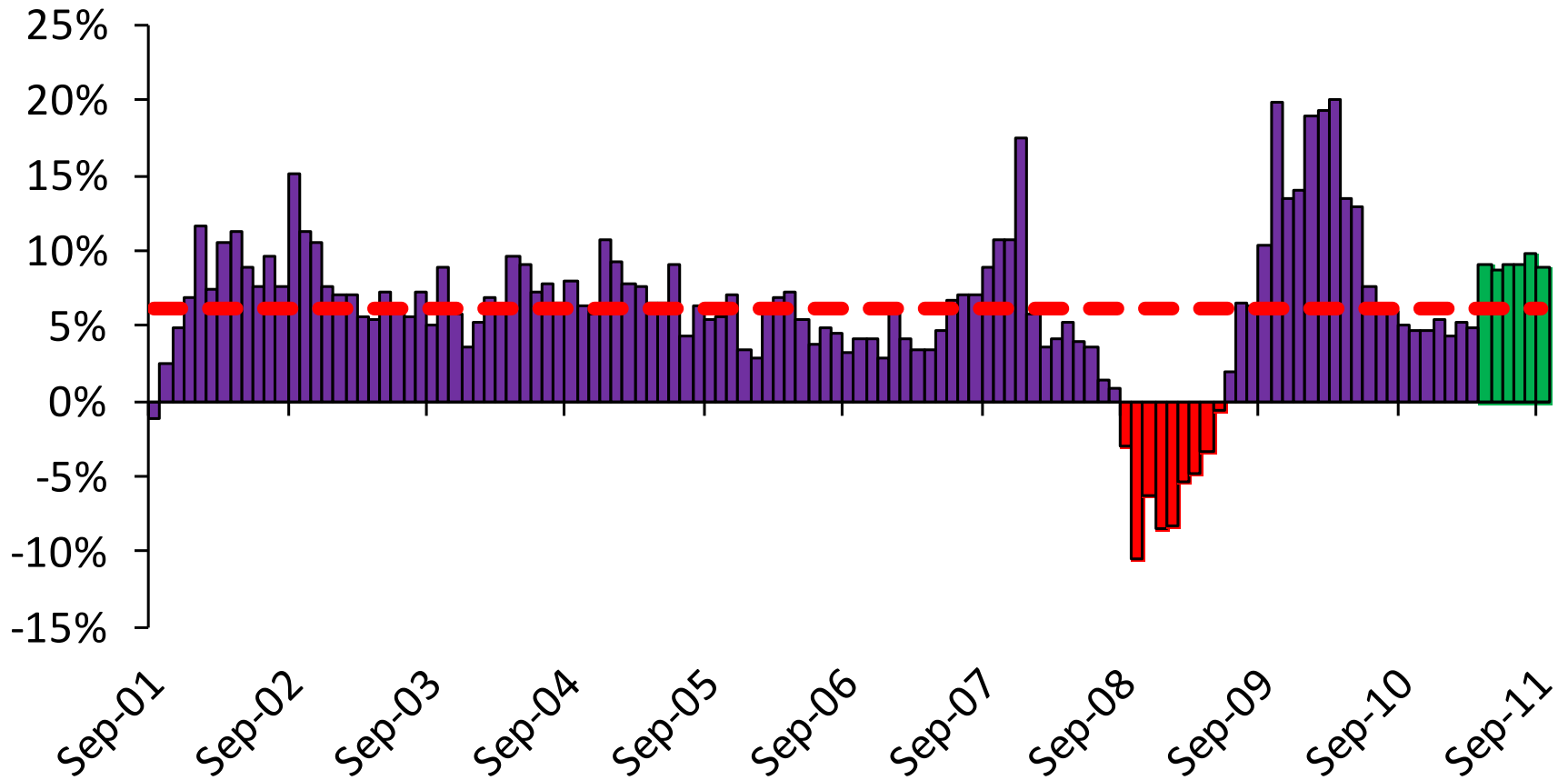
# The Supply of New Listings on TorontoMLS® has Improved

## TorontoMLS® New Listings (Annualized Trend)



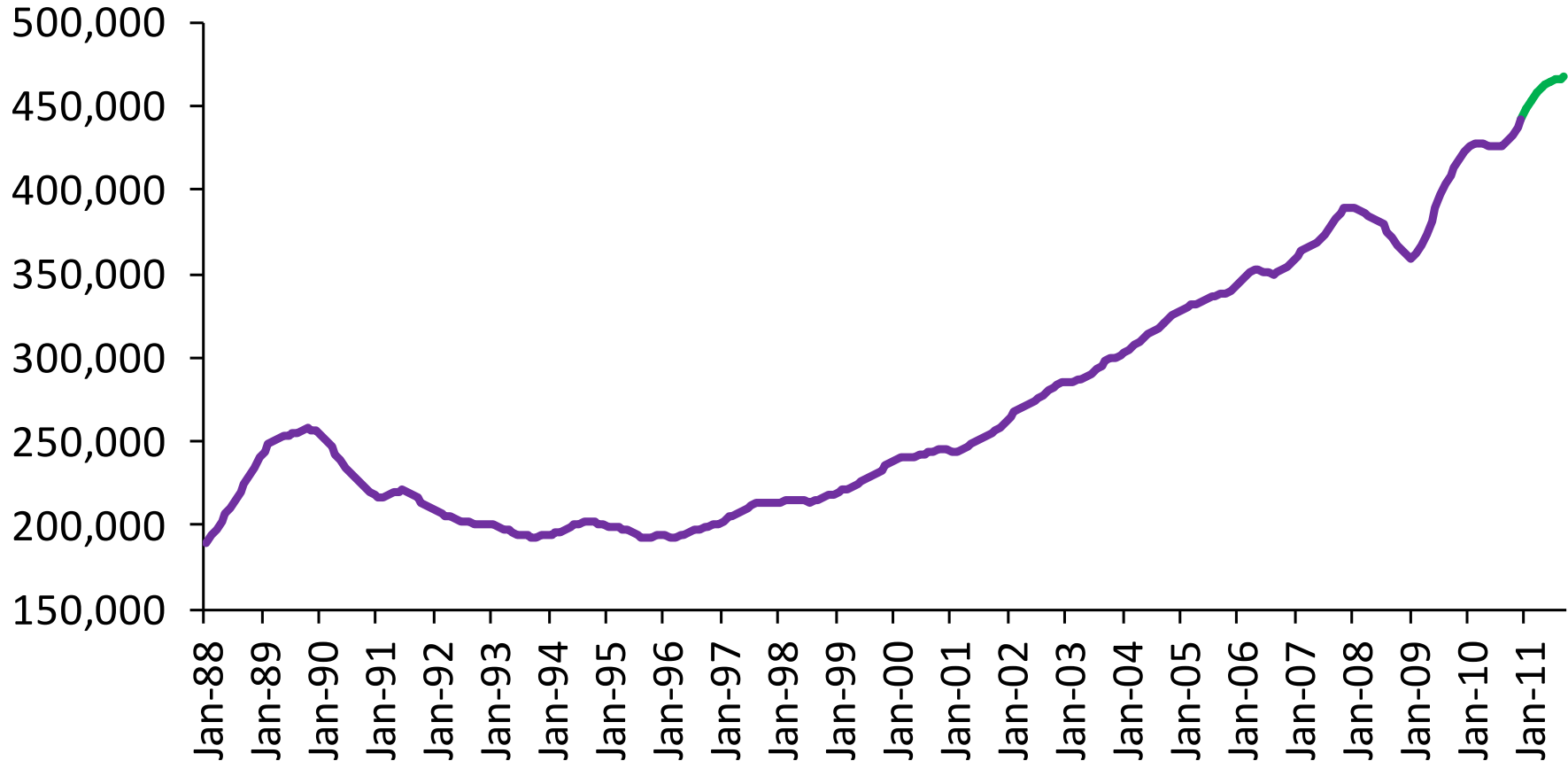
Source: Toronto Real Estate Board

## TorontoMLS® Average Annual Price Growth



Source: Toronto Real Estate Board

## TorontoMLS® Average Selling Price (Trend)

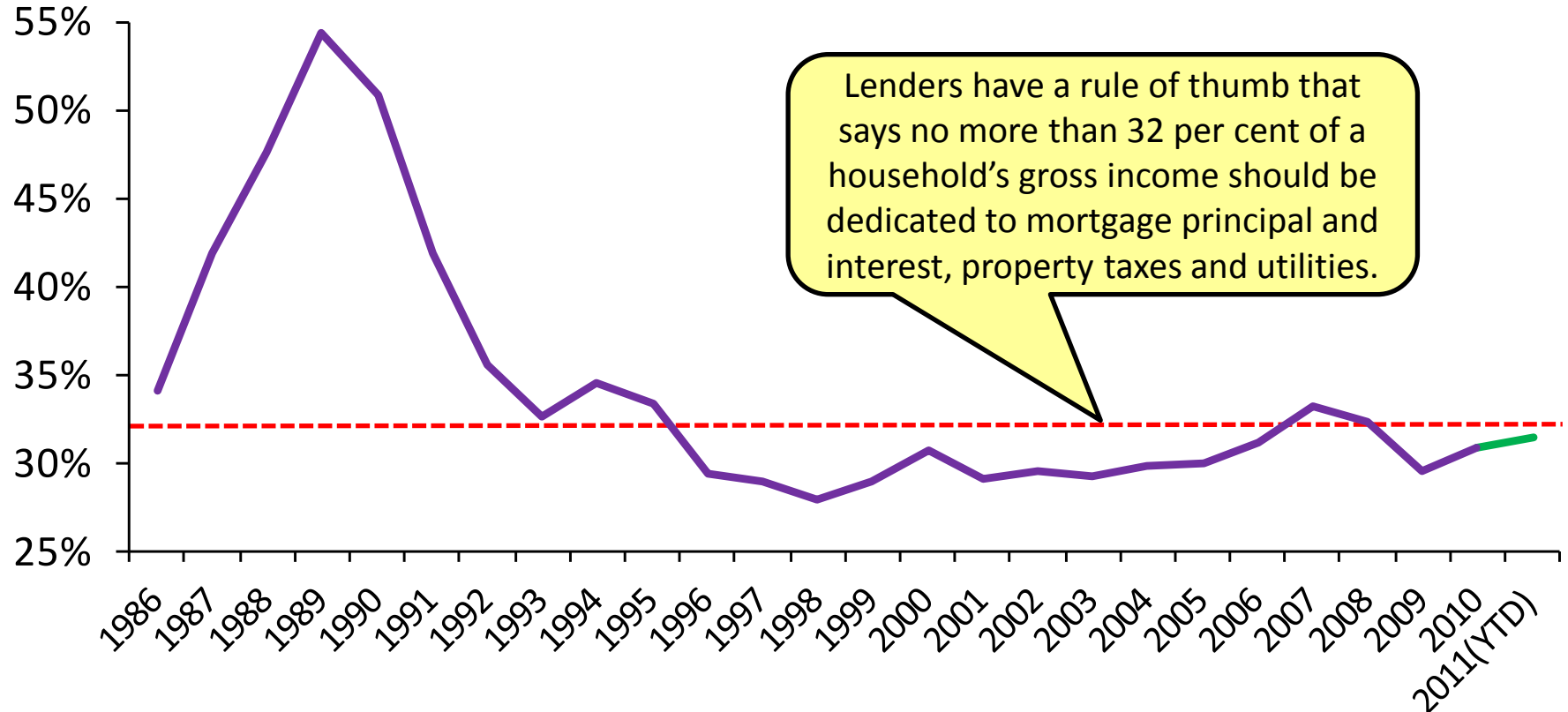


Source: Toronto Real Estate Board

# Even with Strong Price Growth, Affordability Remains in Check

## TREB Affordability Indicator

Share of Average Household Income Used for Mortgage Principal and Interest, Property Taxes and Utilities on the Averaged Priced GTA Resale Home

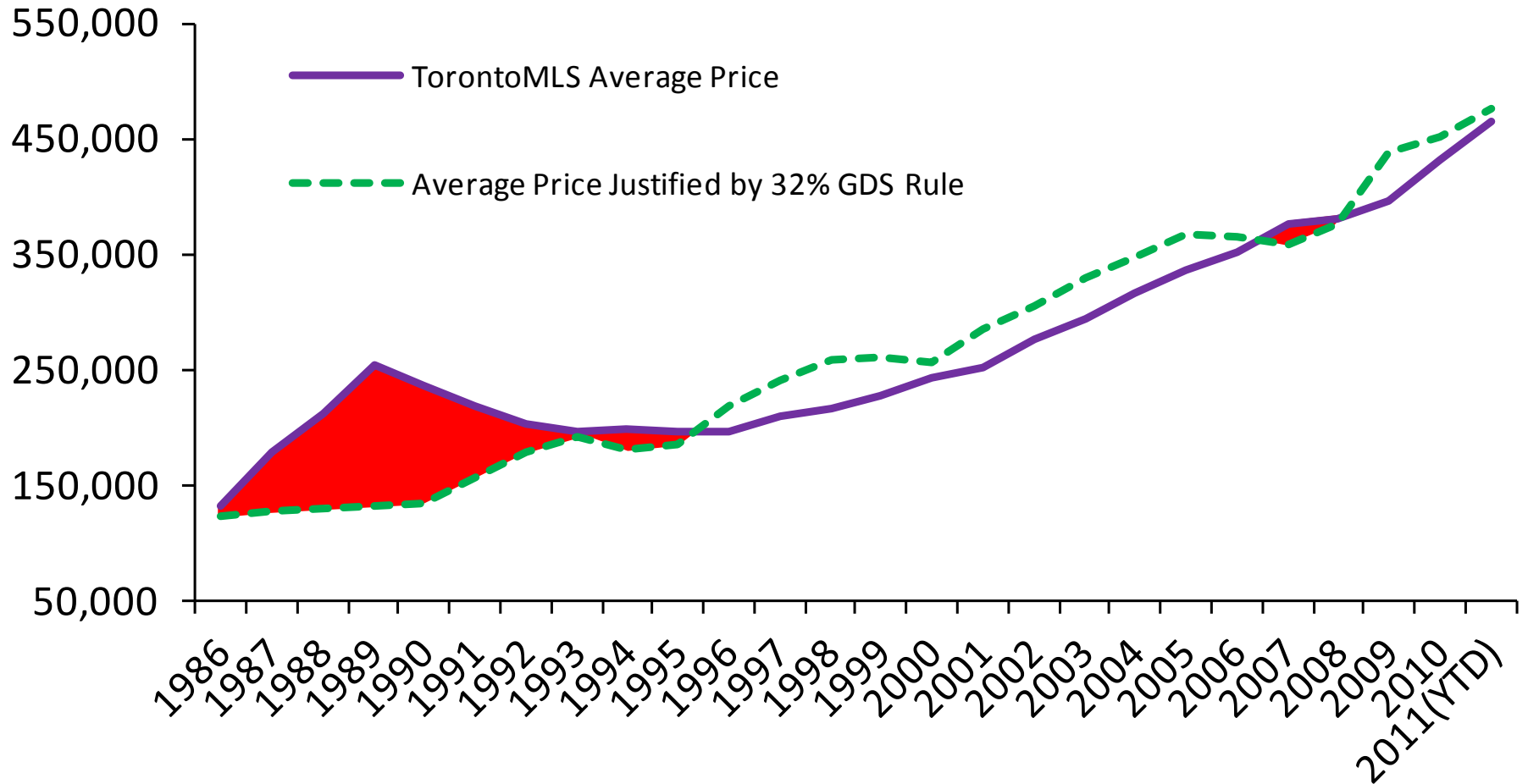


Source: Toronto Real Estate Board Data and Calculation; Statistics Canada

Assumptions: 20 per cent down payment on the average priced home, average five-year fixed mortgage rate, 25 year amortization period and the average household income in the GTA



## Average vs. Justified Selling Price in GTA



Source: Toronto Real Estate Board

Assumptions: 20 per cent down payment on the average priced home, average five-year fixed mortgage rate, 25 year amortization period and the average household income in the GTA



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## Affordability is a function of:

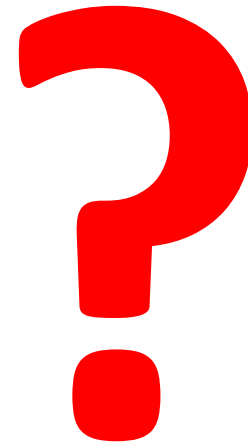
**Home Prices**



**Interest Rates**

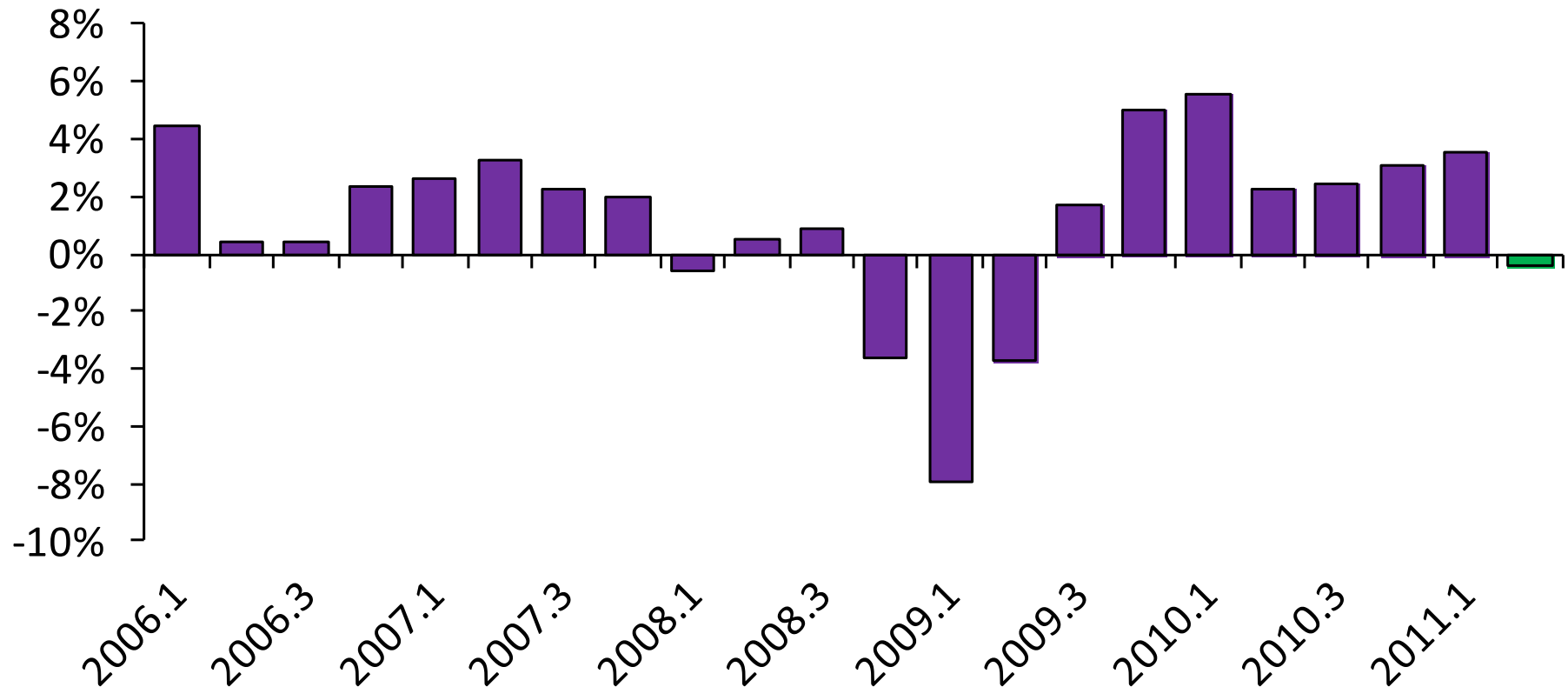


**Income**



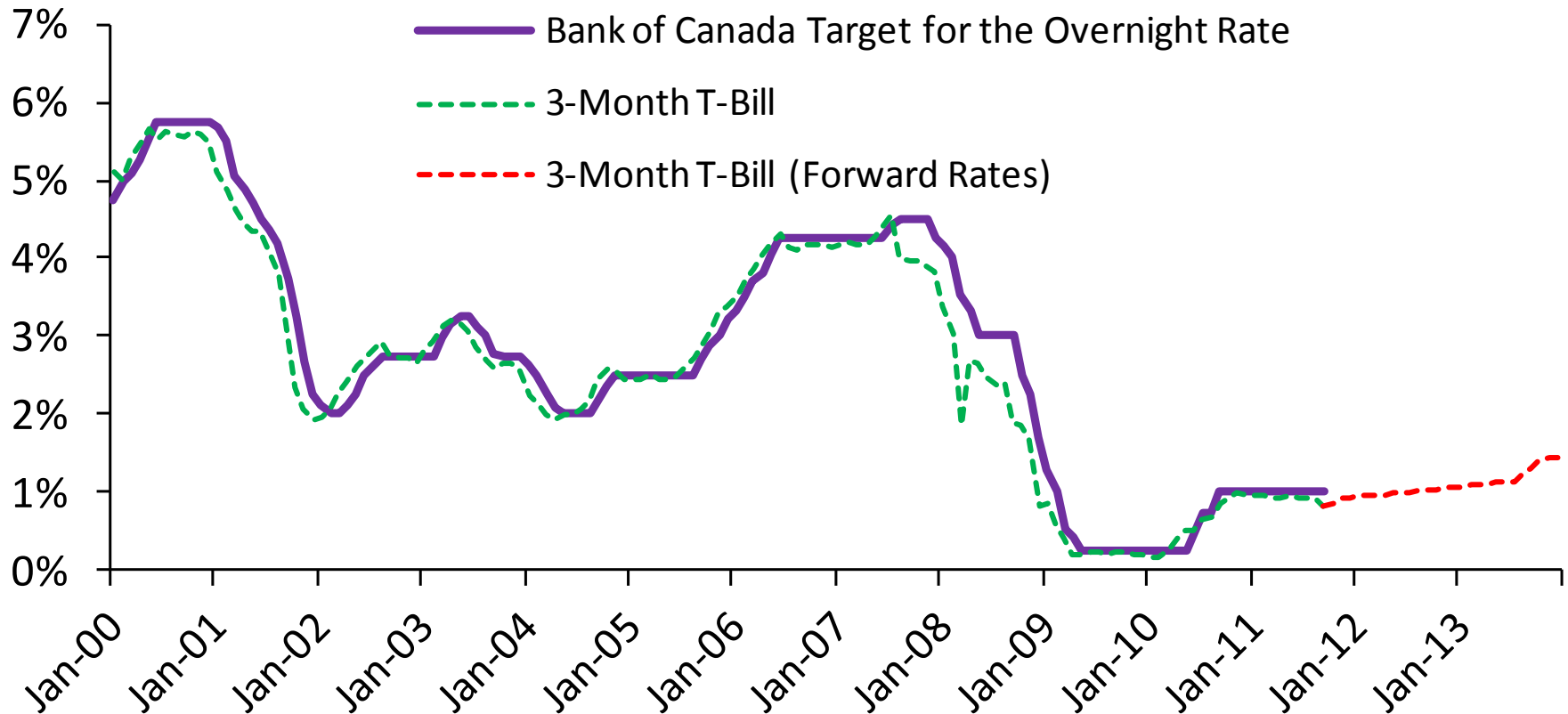
# The Canadian Economy Contracted Slightly in the Second Quarter

## Canadian Real GDP, Quarterly Annualized Quarter-Over-Quarter Per Cent Change



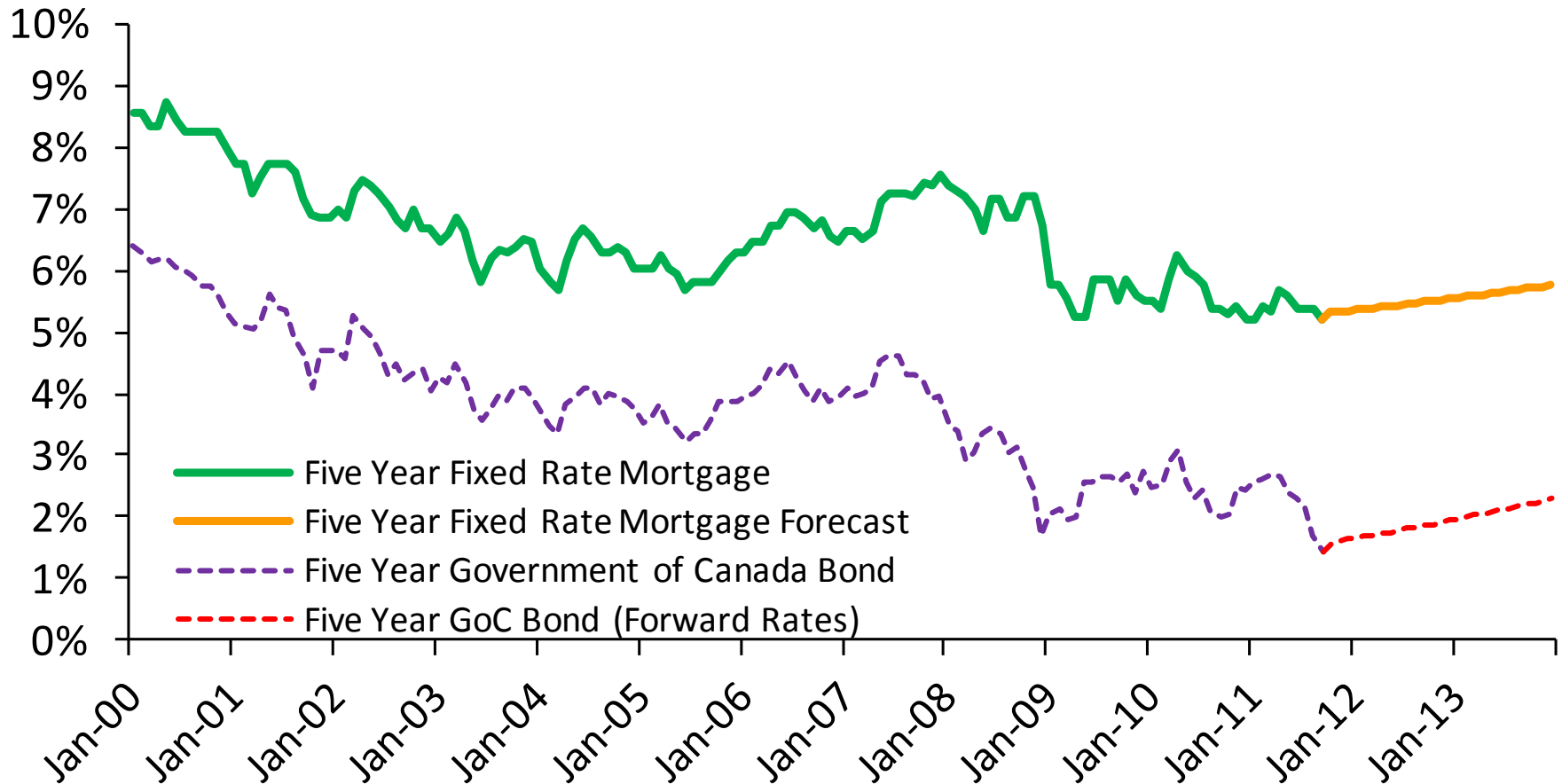
Source: Statistics Canada

## Outlook for the Bank of Canada's Target for the Overnight Lending Rate



Source: Bank of Canada, Toronto Real Estate Board

## Outlook for the Average Five-Year Fixed Mortgage Rate



Source: Bank of Canada, Toronto Real Estate Board

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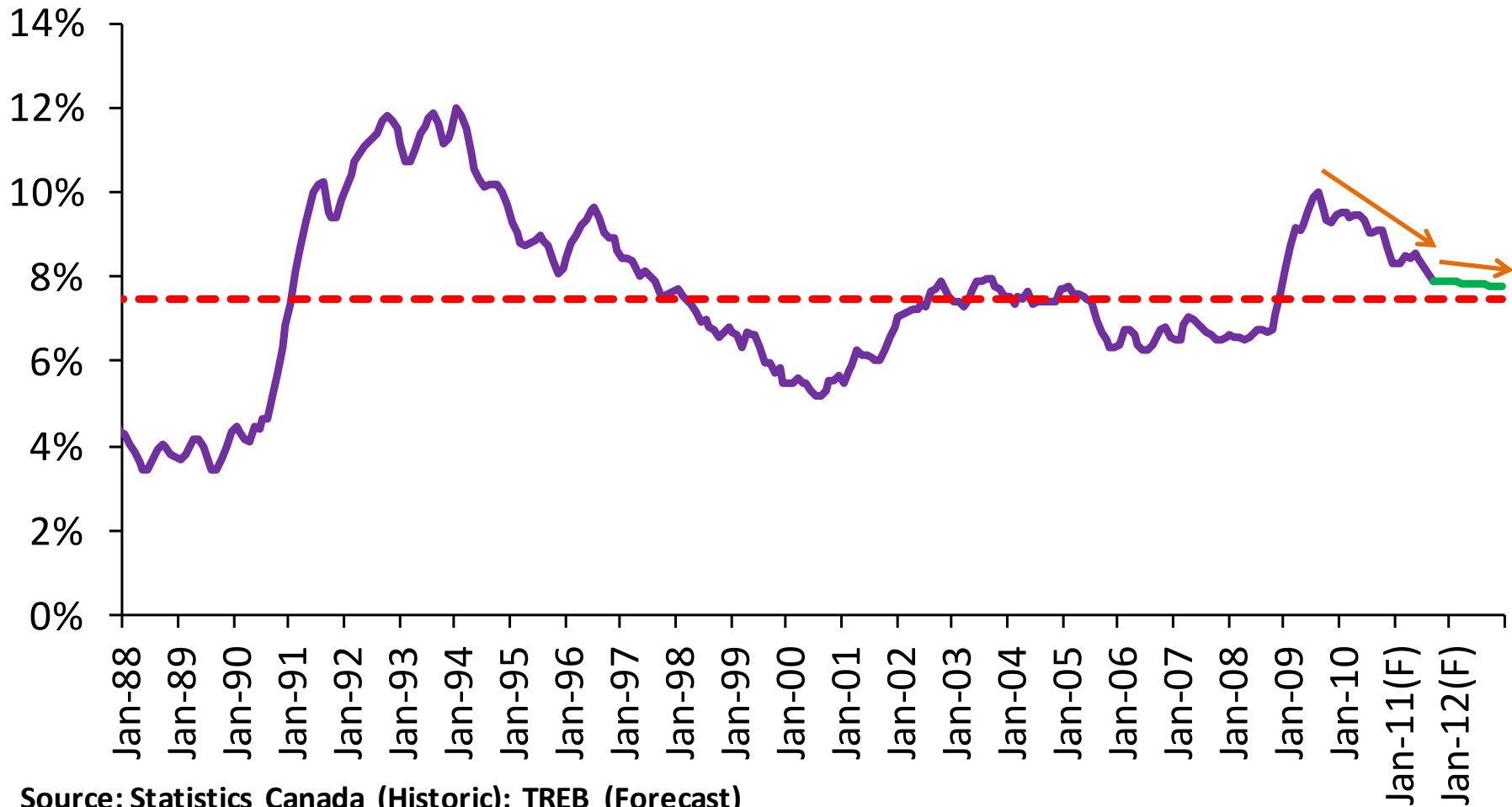
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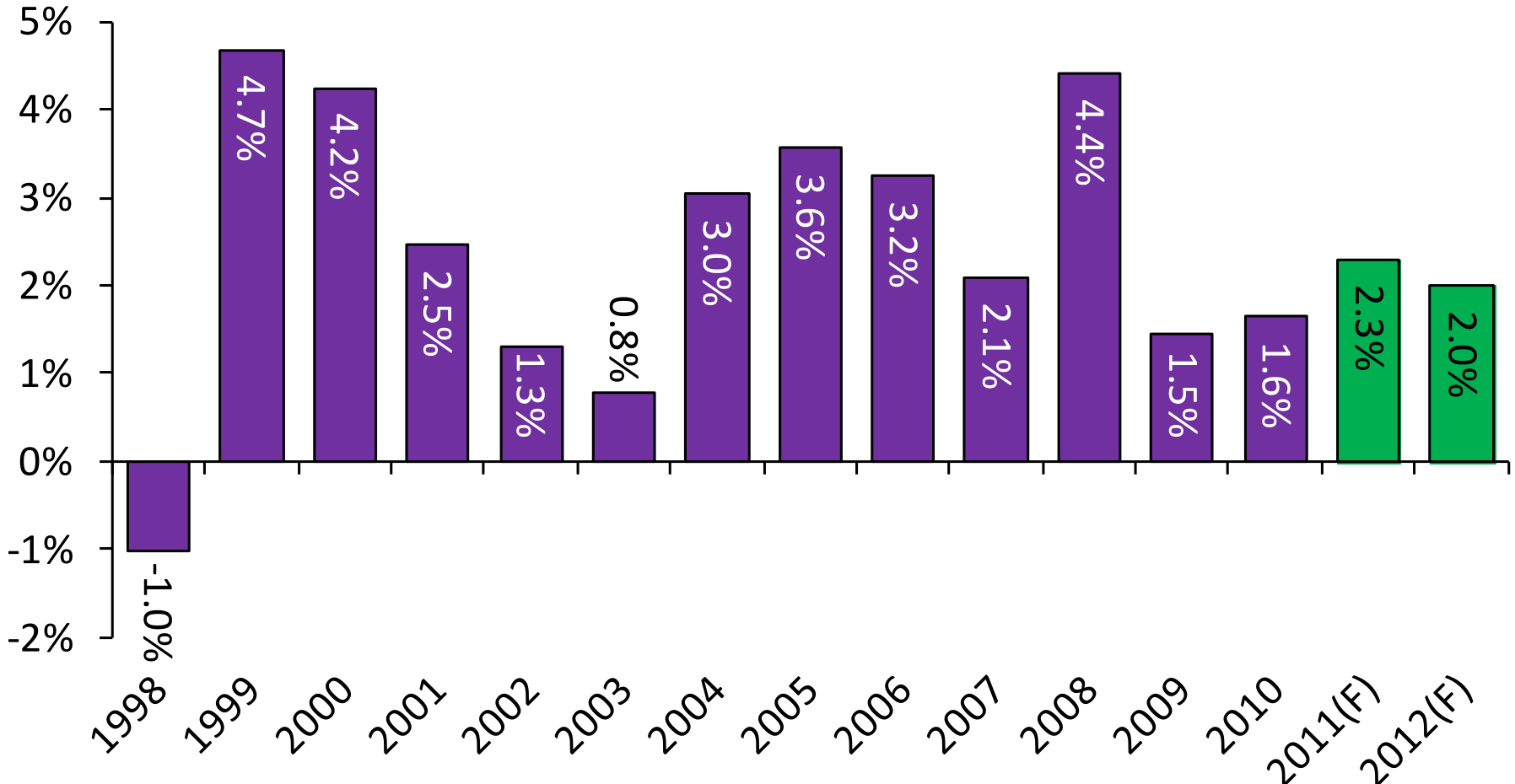
# The Unemployment Rate is Moving Lower, but Trend is Flattening

## GTA Unemployment Rate



Source: Statistics Canada (Historic); TREB (Forecast)

## Annual Growth Rate for Average Weekly Earnings

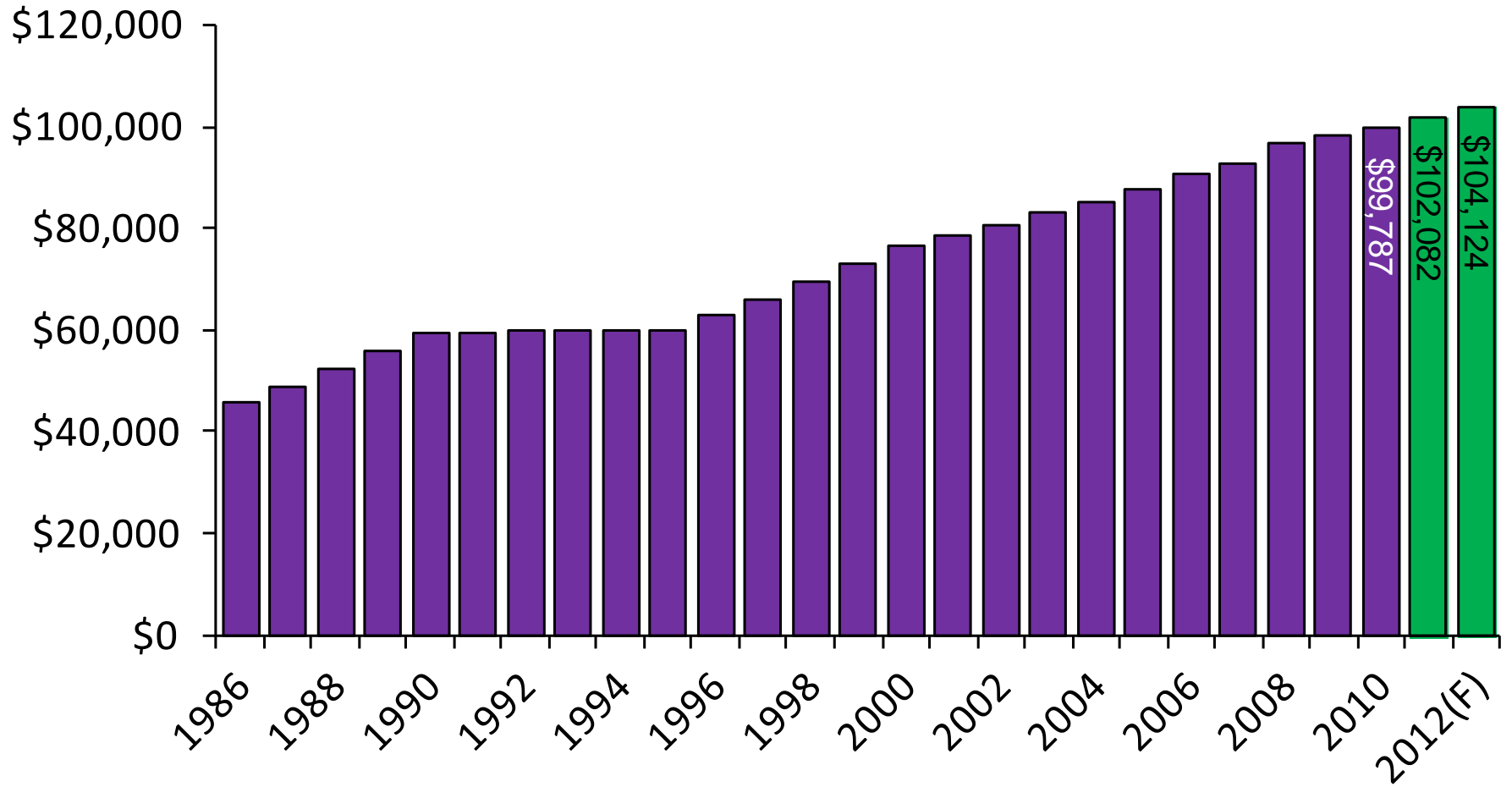


Source: Statistics Canada (Historic); TREB (Forecast)





## GTA Household Income



Source: Statistics Canada; TREB Forecast



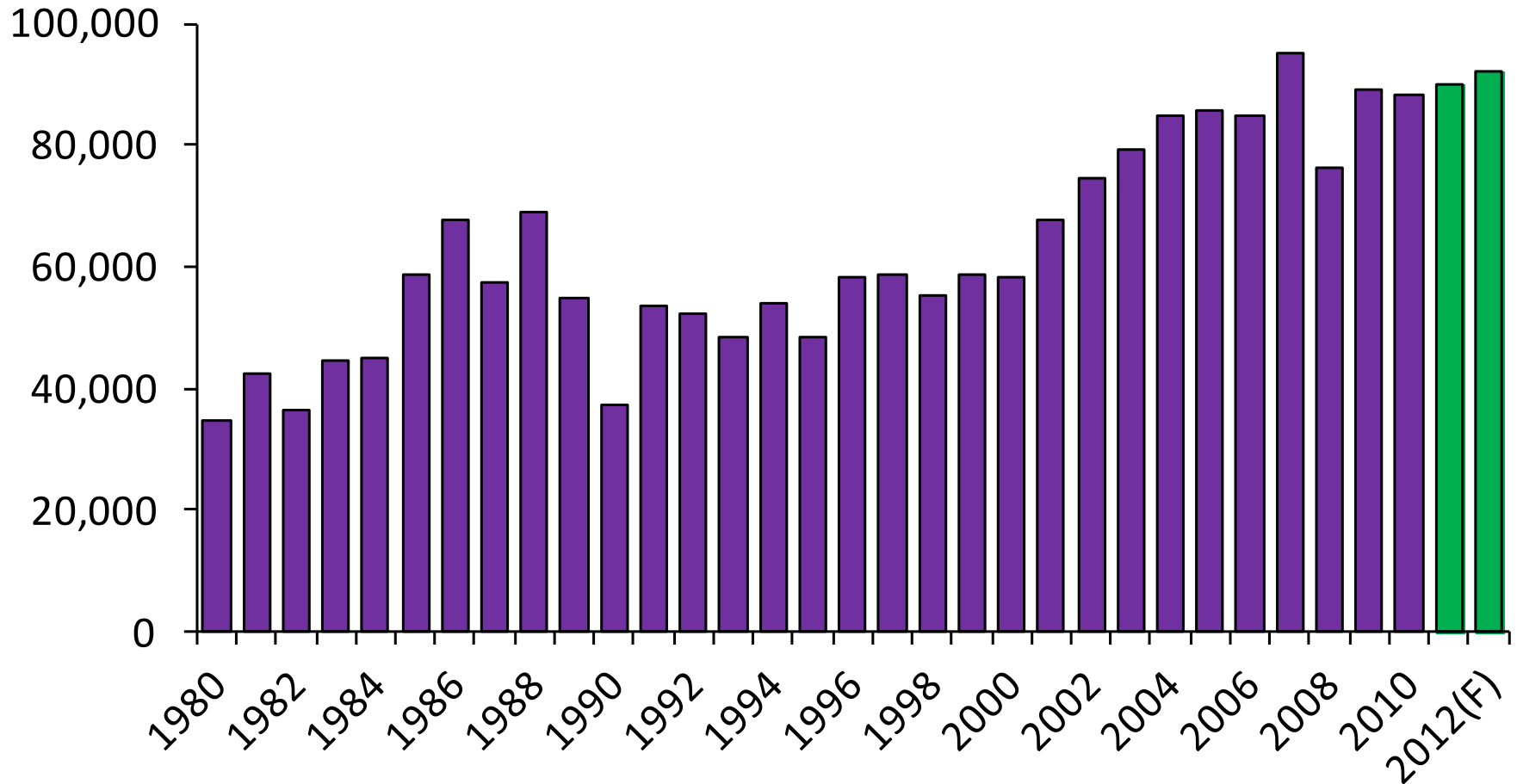
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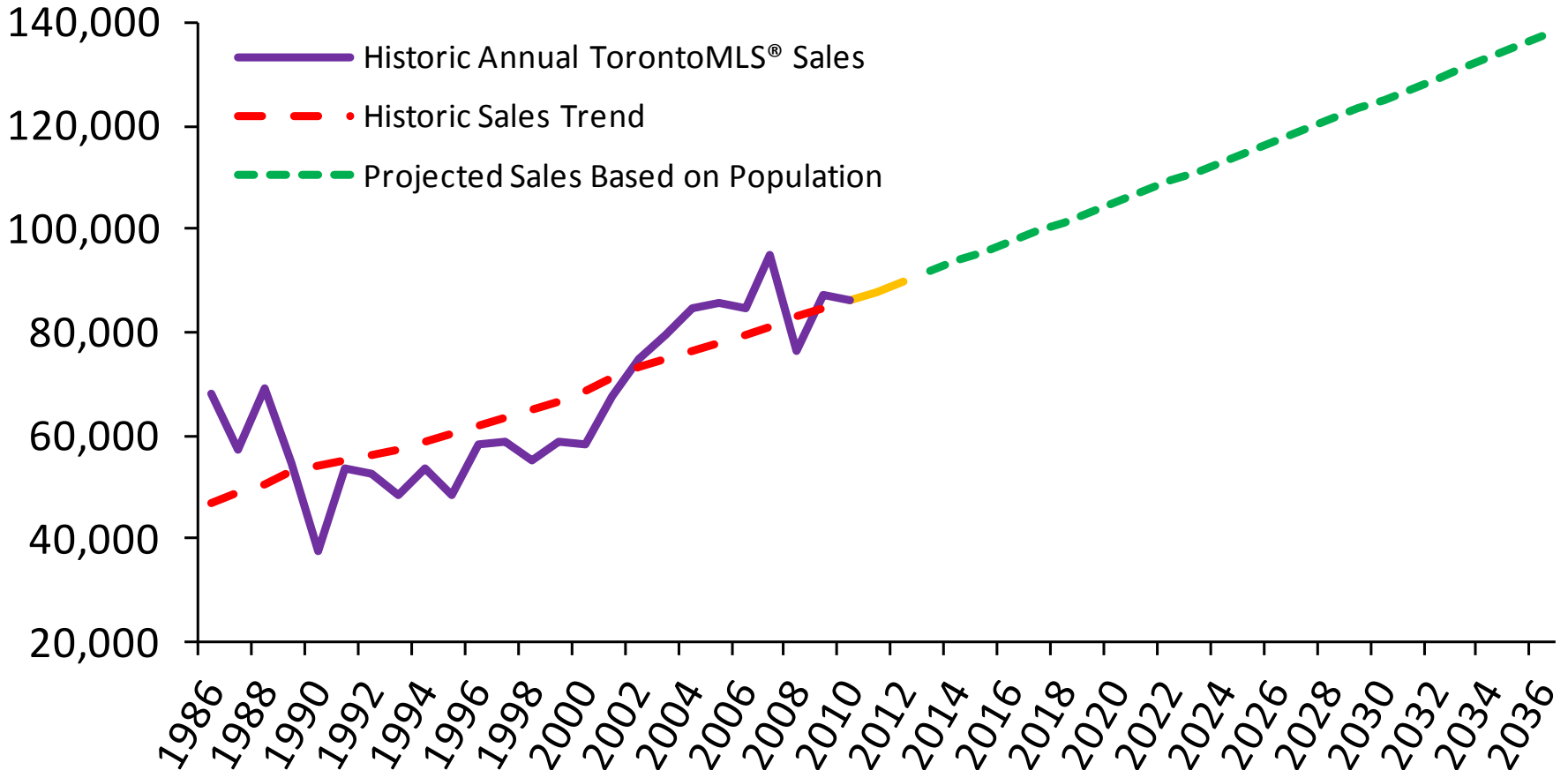
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## TorontoMLS® Sales (Annual)



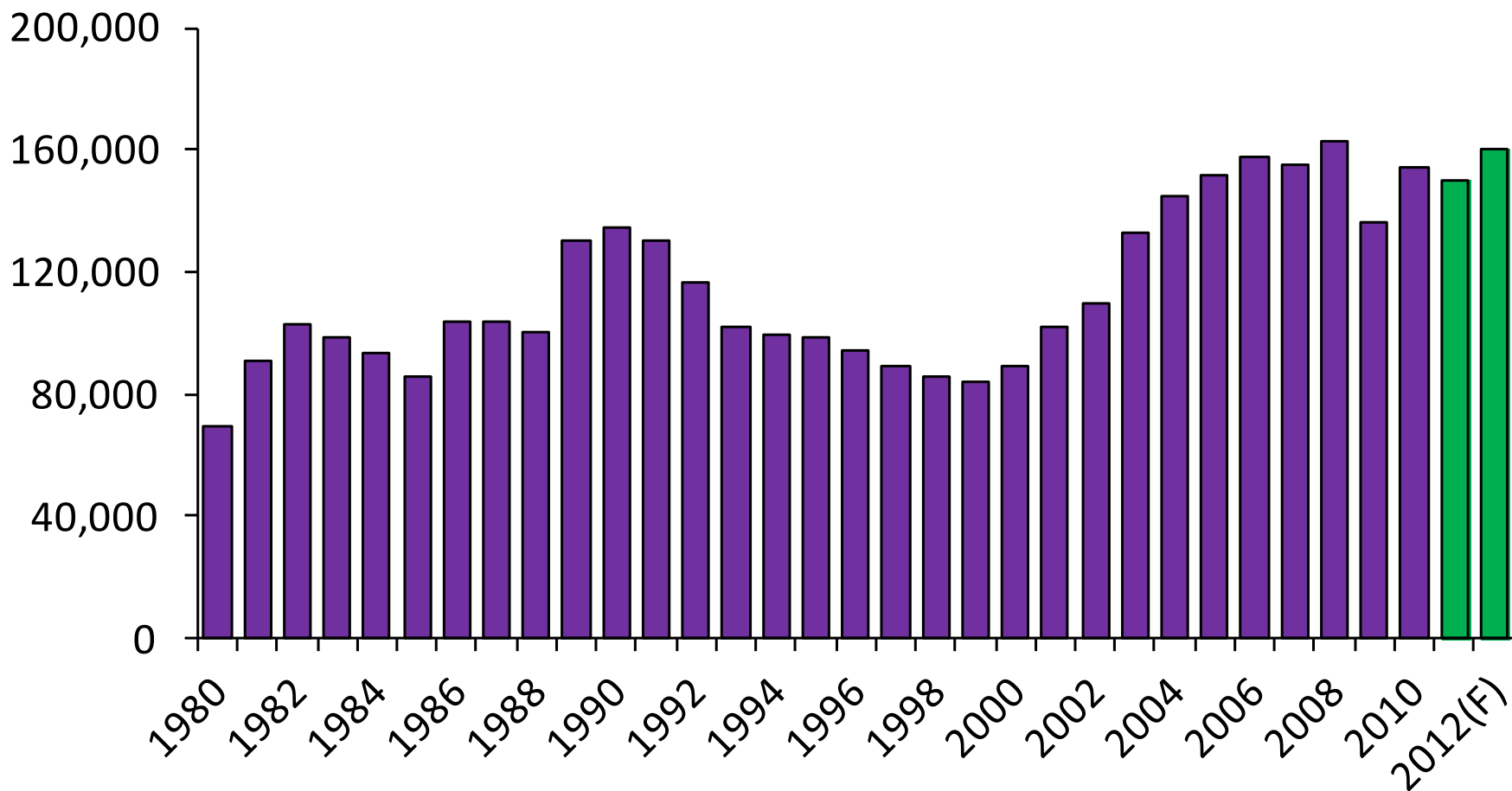
Source: Toronto Real Estate Board

## TorontoMLS® Sales & Long-Term Trend/Projection



Source: Toronto Real Estate Board; Ont. Ministry of Finance (Population Projections)

## TREB New Listings (Annual)

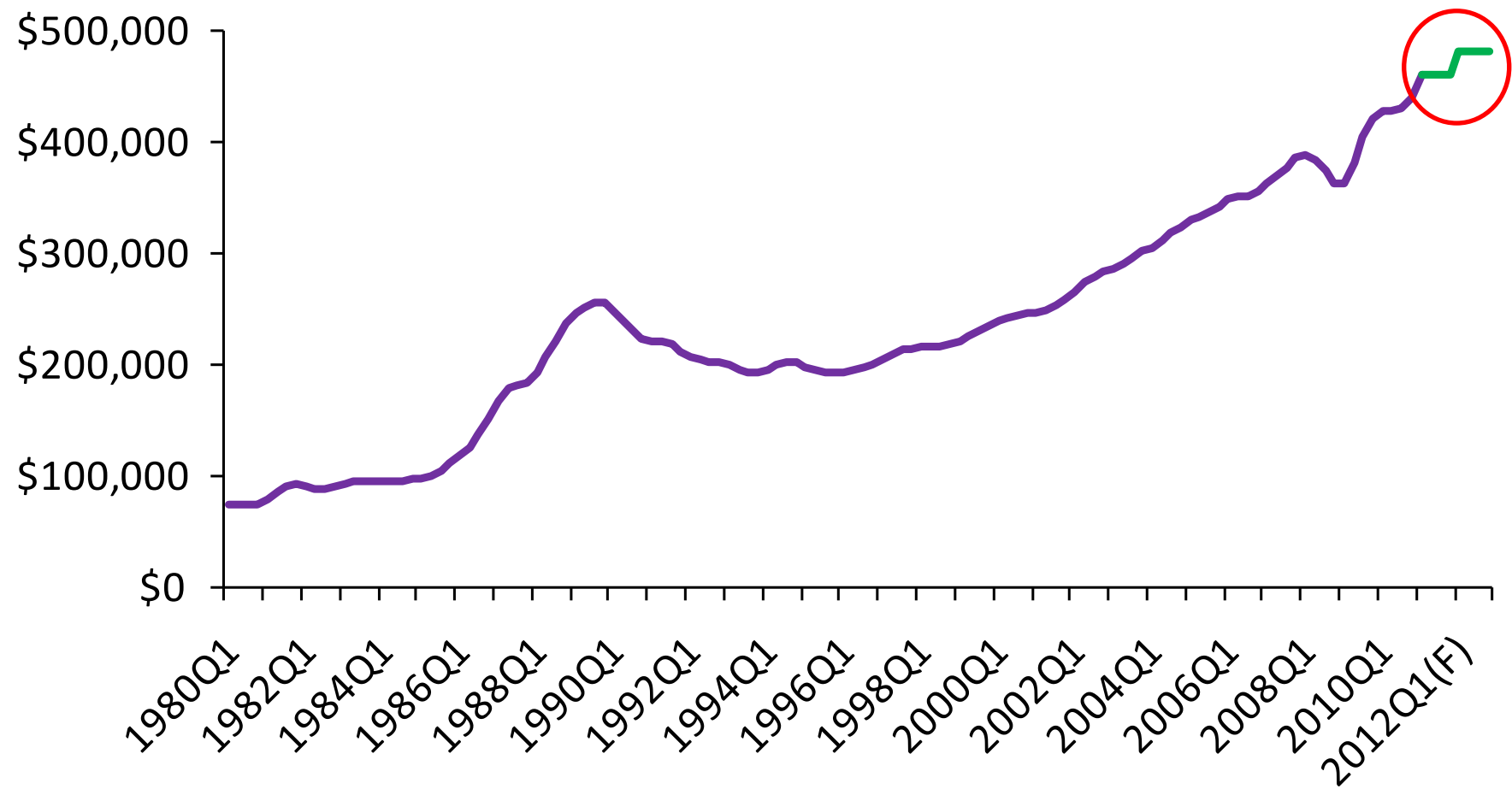


Source: TREB



# The Average Selling Price Will Grow through 2012

## Average TorontoMLS® Selling Price



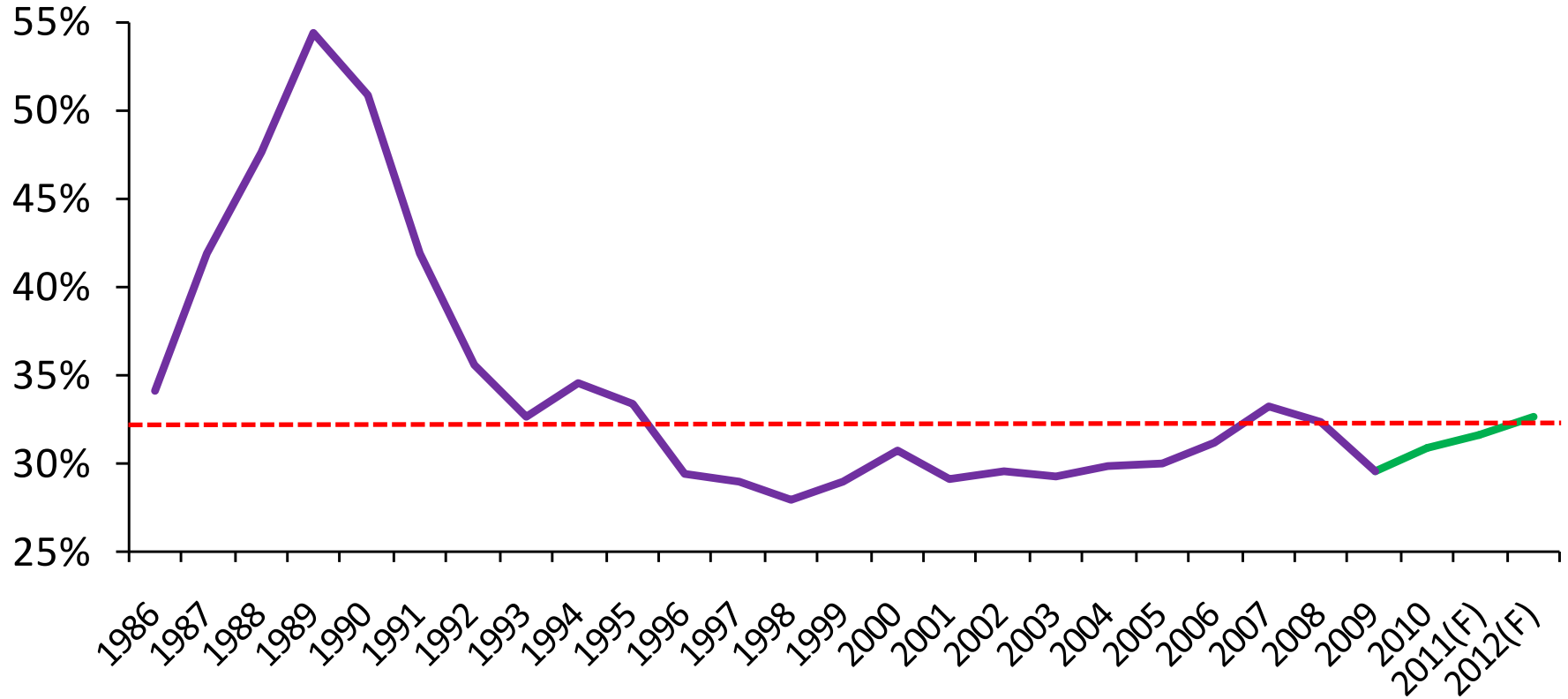
Source: Toronto Real Estate Board



# Moderate Price Growth Will Keep Affordability in Check

## TREB Affordability Indicator

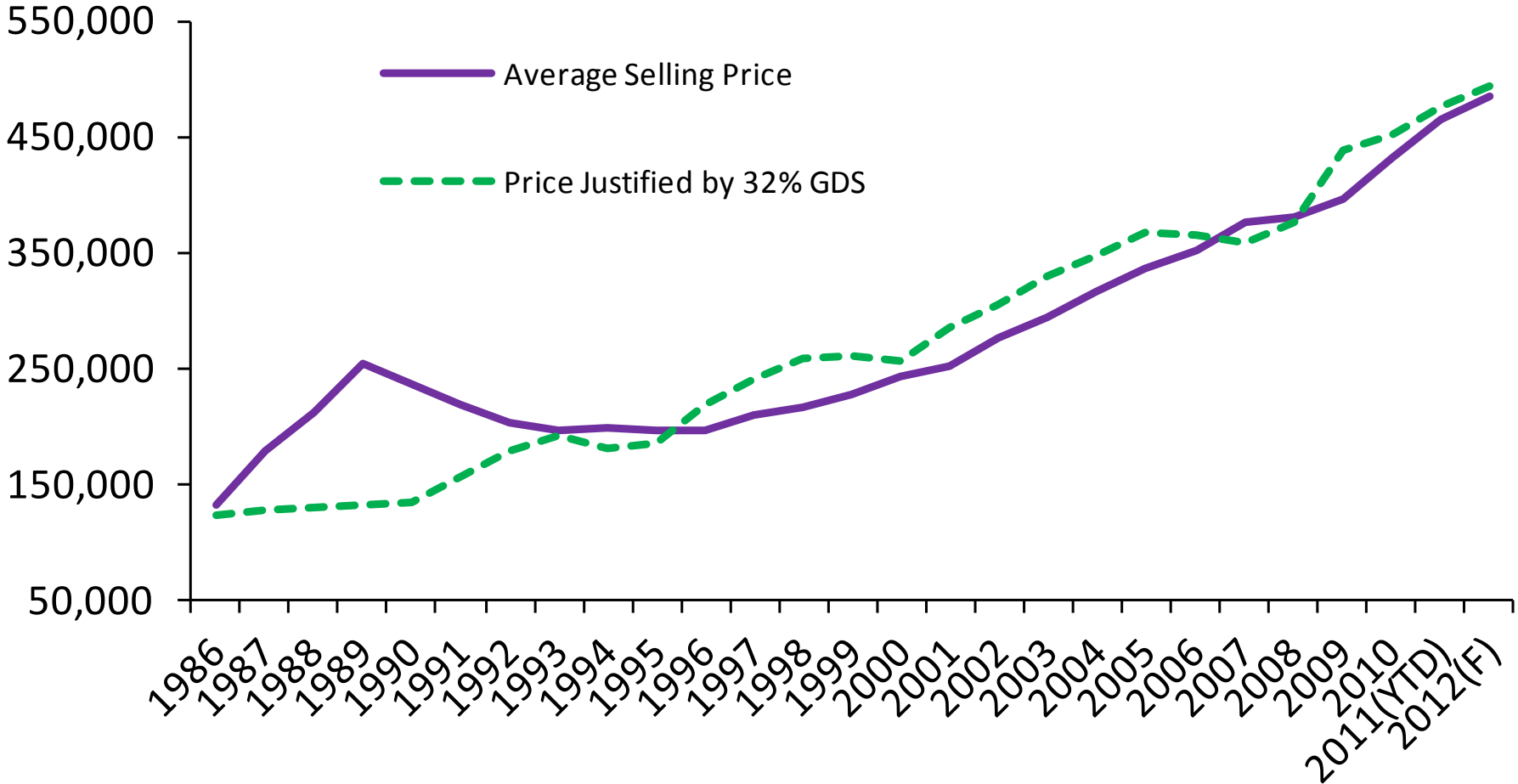
Share of Average Household Income Used for Mortgage Principal and Interest, Property Taxes and Utilities on the Averaged Priced GTA Resale Home



Source: Toronto Real Estate Board Data and Calculation; Statistics Canada



## Average vs. Justified Selling Price in GTA



Source: Toronto Real Estate Board





# Summary Points

- The pace of economic growth has slowed with a more pessimistic outlook for the global economy. For Canada, the greatest impact has been felt in the export sector.
- With inflation less of a concern compared to the spring, the Bank of Canada has moved away from rate hikes. The forward rate curve suggests rate hikes will not resume until 2013.
- We are pace for the second best year on record, with a forecast of 90,000 sales in 2011. The baseline forecast is for a slight increase in sales in 2012. This forecast assumes the current consensus view that economic growth will continue in Canada.
- The average home price in 2011 will come in at 465,000. With more supply in the market in 2012, the pace of price growth will moderate, with the average price rising by 4.5% to \$485,000.