

The Canadian Housing Market in a time of Global Uncertainty

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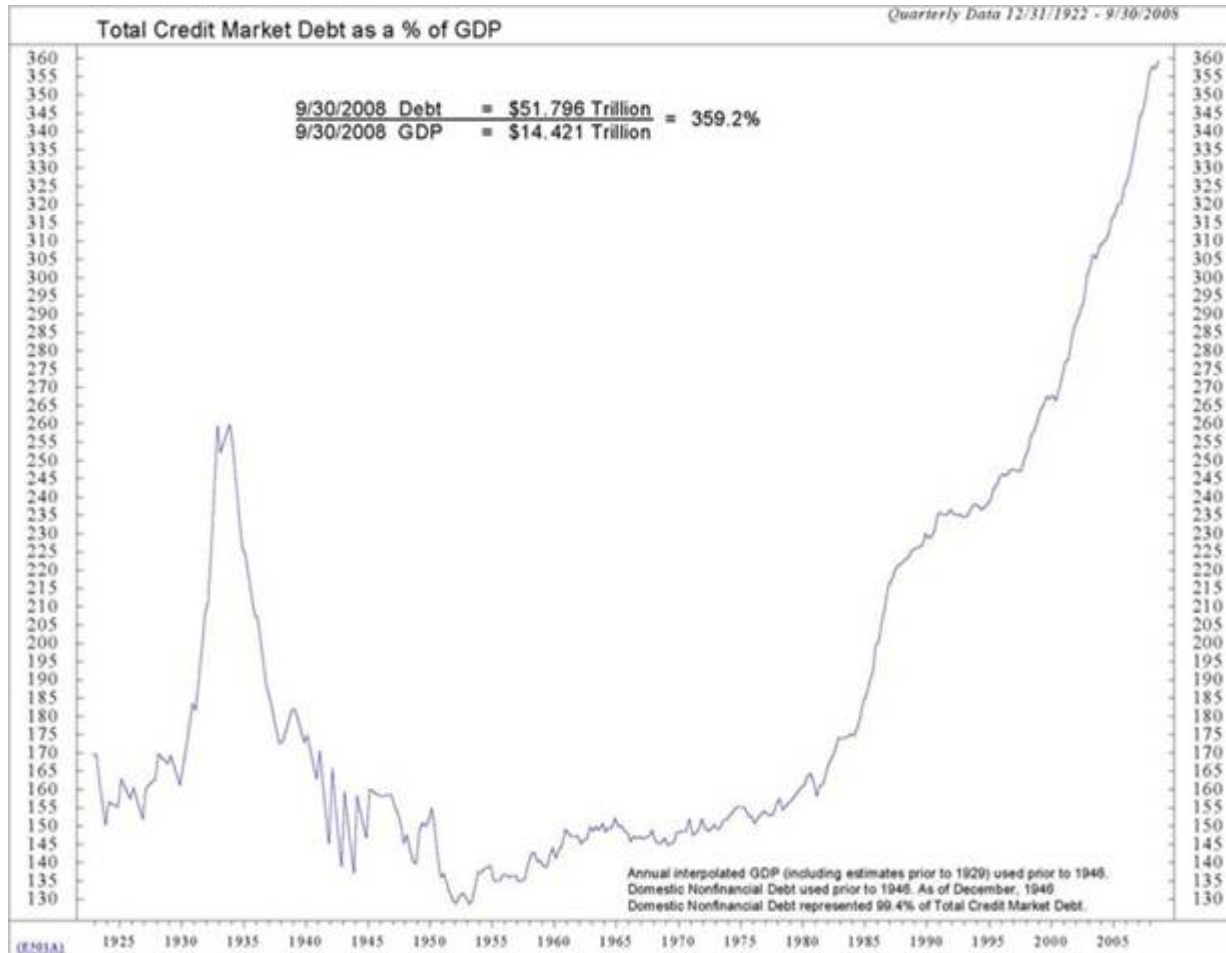
US Private and Public Debt as a Percent of GDP: 1926-2007

In 2009, it reached 375% of GDP. The debt bubble is the highest in history



US Total Credit Market Debt as % of GDP

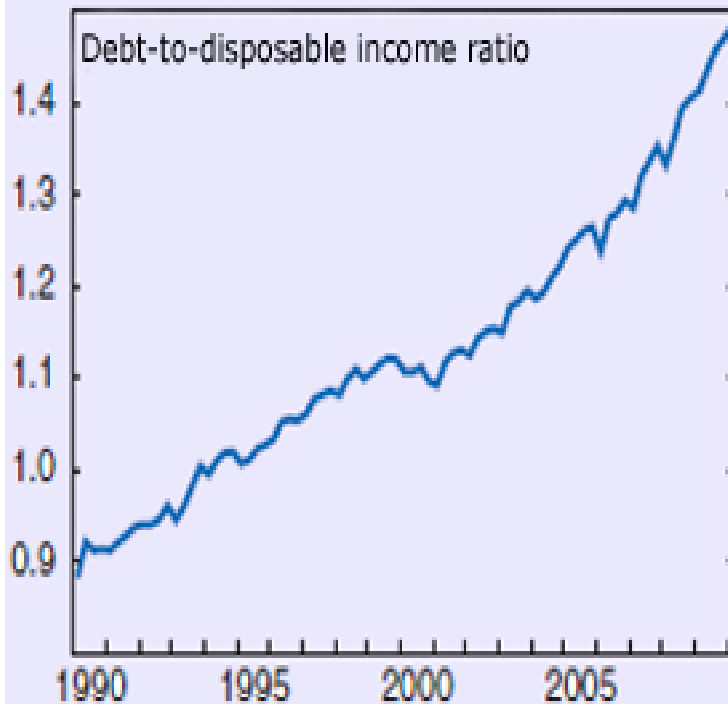
A tsunami of debt that can lead to the mother of all depressions



Canadian Household Debt

Household debt is now \$1.6 trillion, 150% of household disposable income and 100% of GDP

Canadian household debt

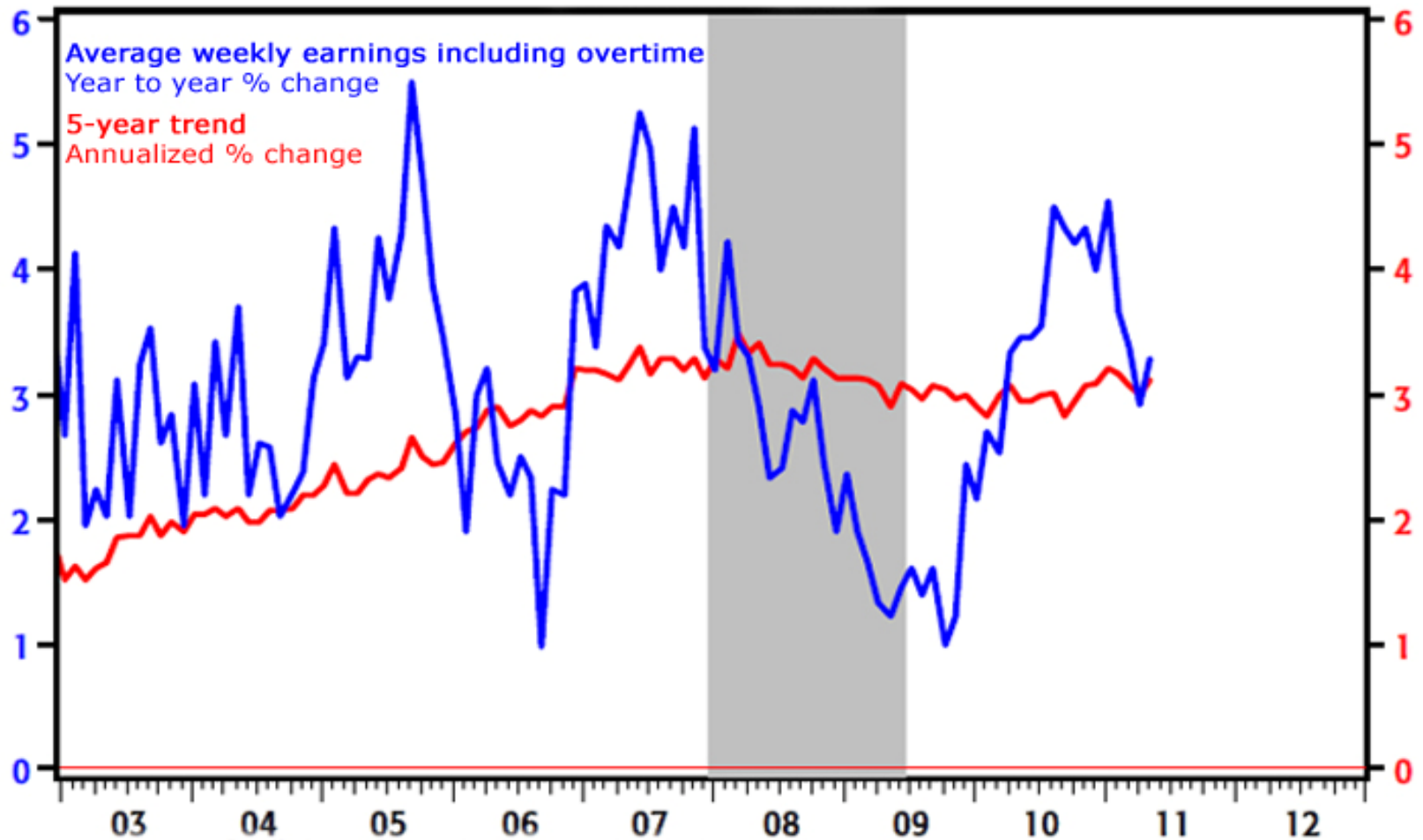


Source: OECD

Weekly Earnings of Canadians

Average annual growth in wages is only 3% and that is before inflation

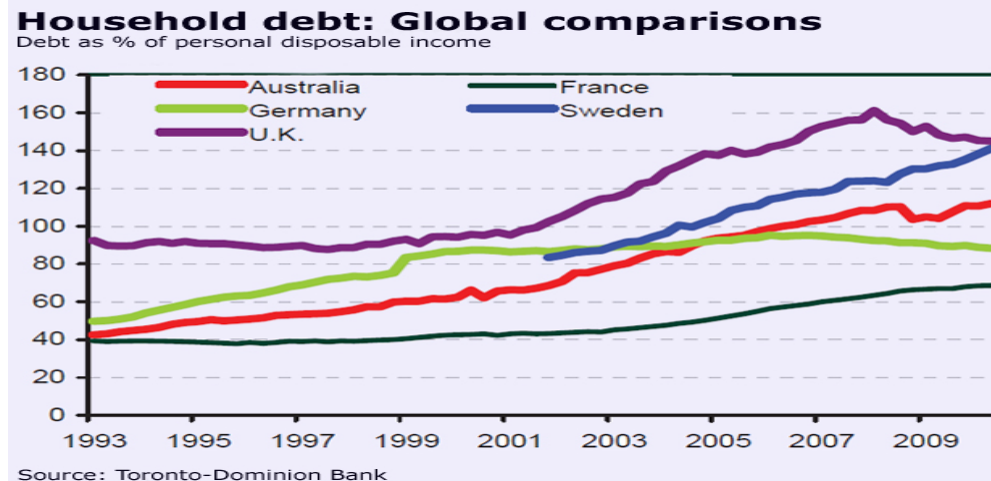
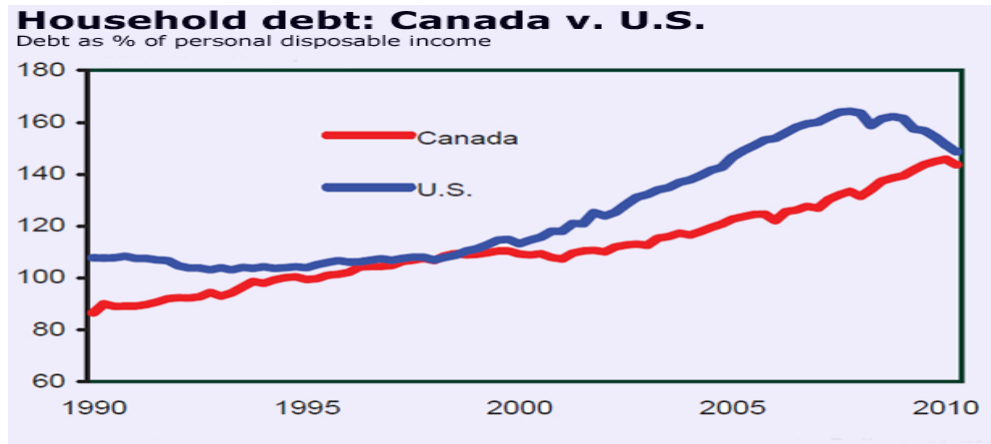
Weekly earnings



Source: BMO Nesbitt Burns

Canadian Household Debt Keeps Rising

It is now one the highest in the world along with USA and UK

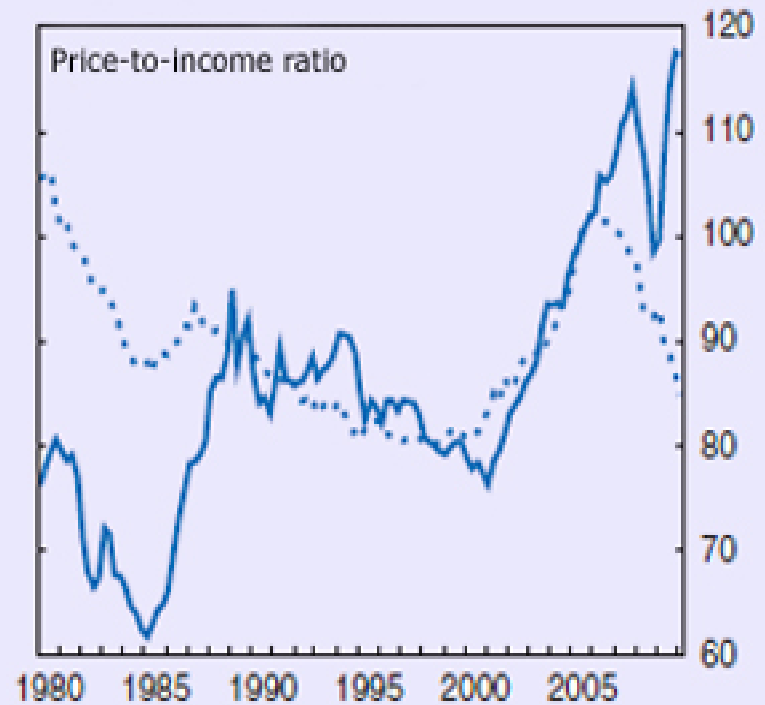
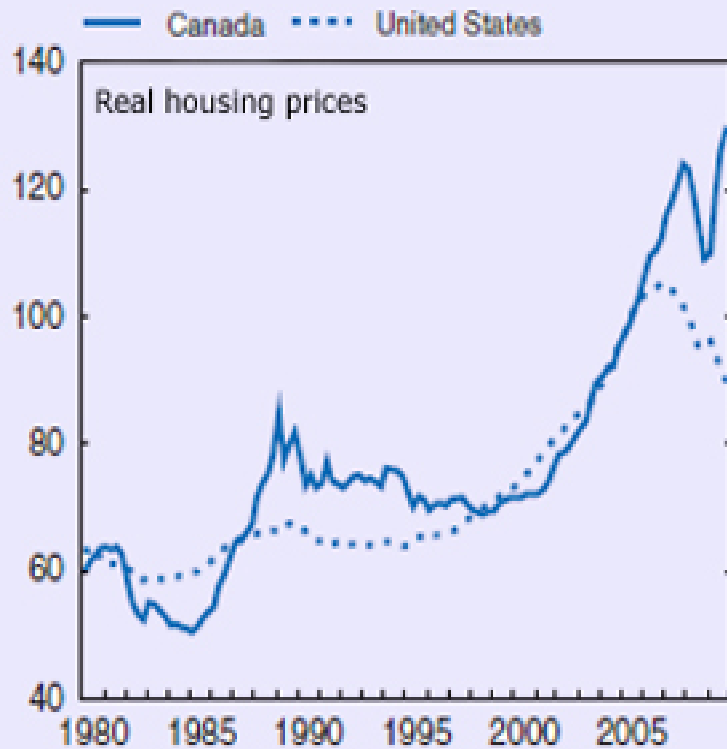


Source: Toronto-Dominion Bank

Canadian House Prices Compared to the USA

Canadian, U.S. house prices

2005 = 100

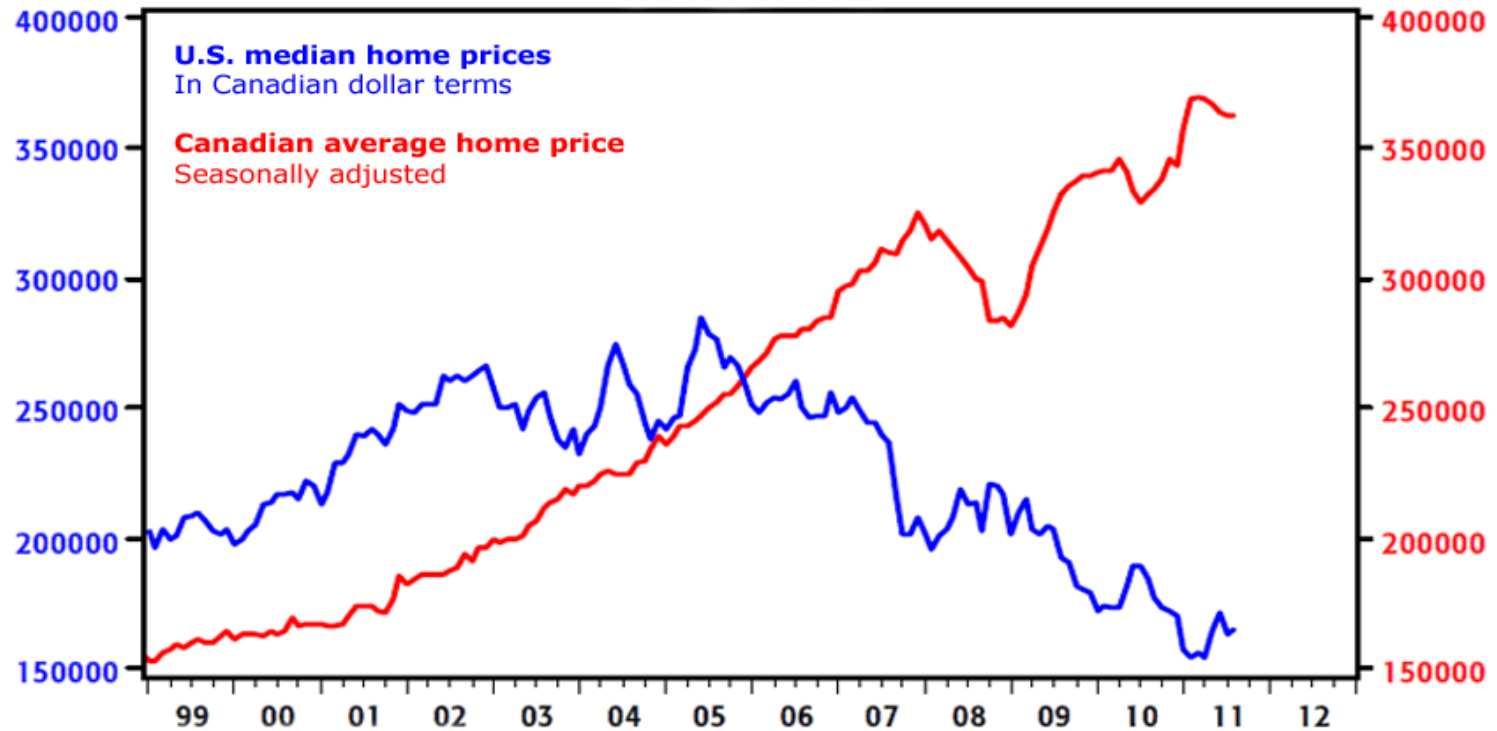


Source: OECD

The Gap is Widening When we Adjust for Currency Exchange

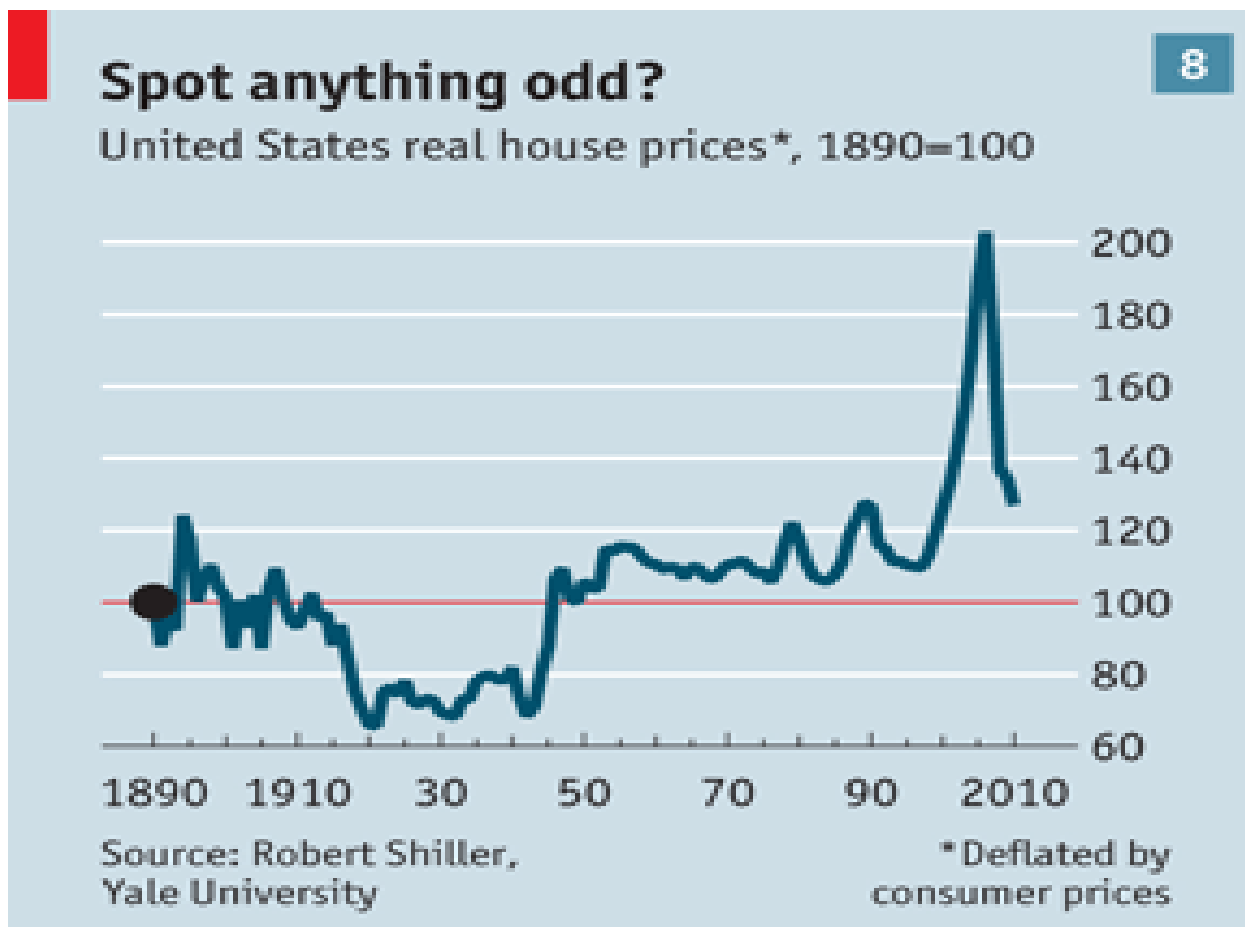
Widening Canada-U.S. house price gap

Existing homes

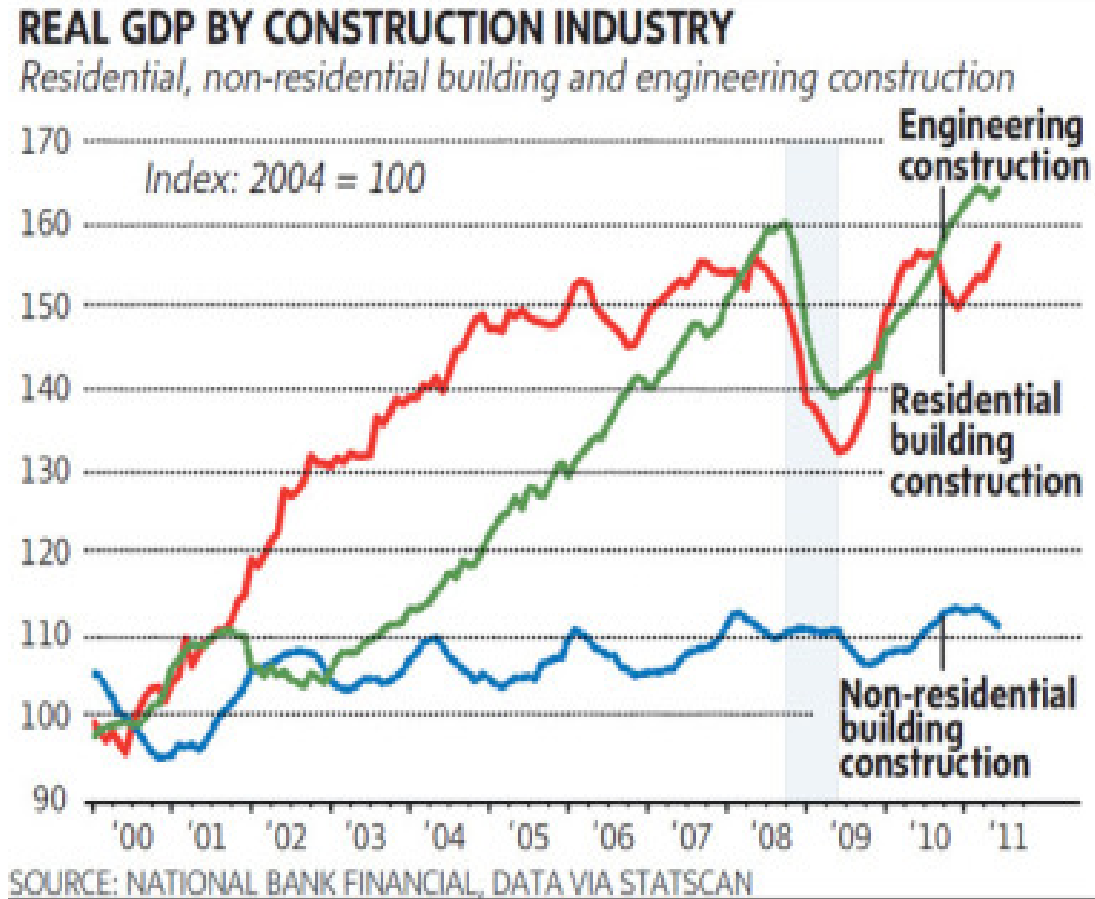


Source: BMO Nesbitt Burns

Average Housing Prices when Adjusted for Inflation do not Rise in the Long-Run



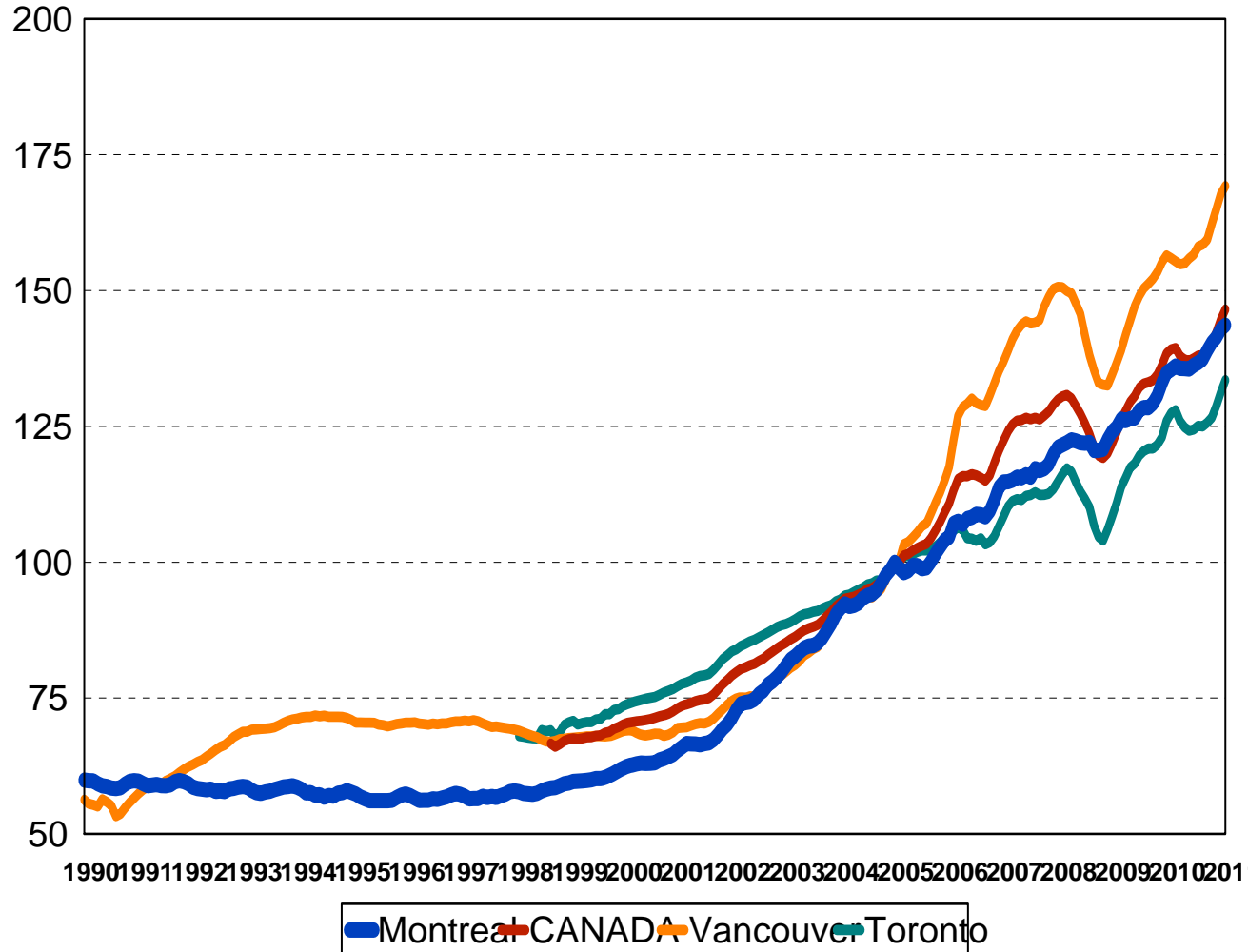
Housing Construction Remains Strong



Teranet - National Bank House Price Index TM

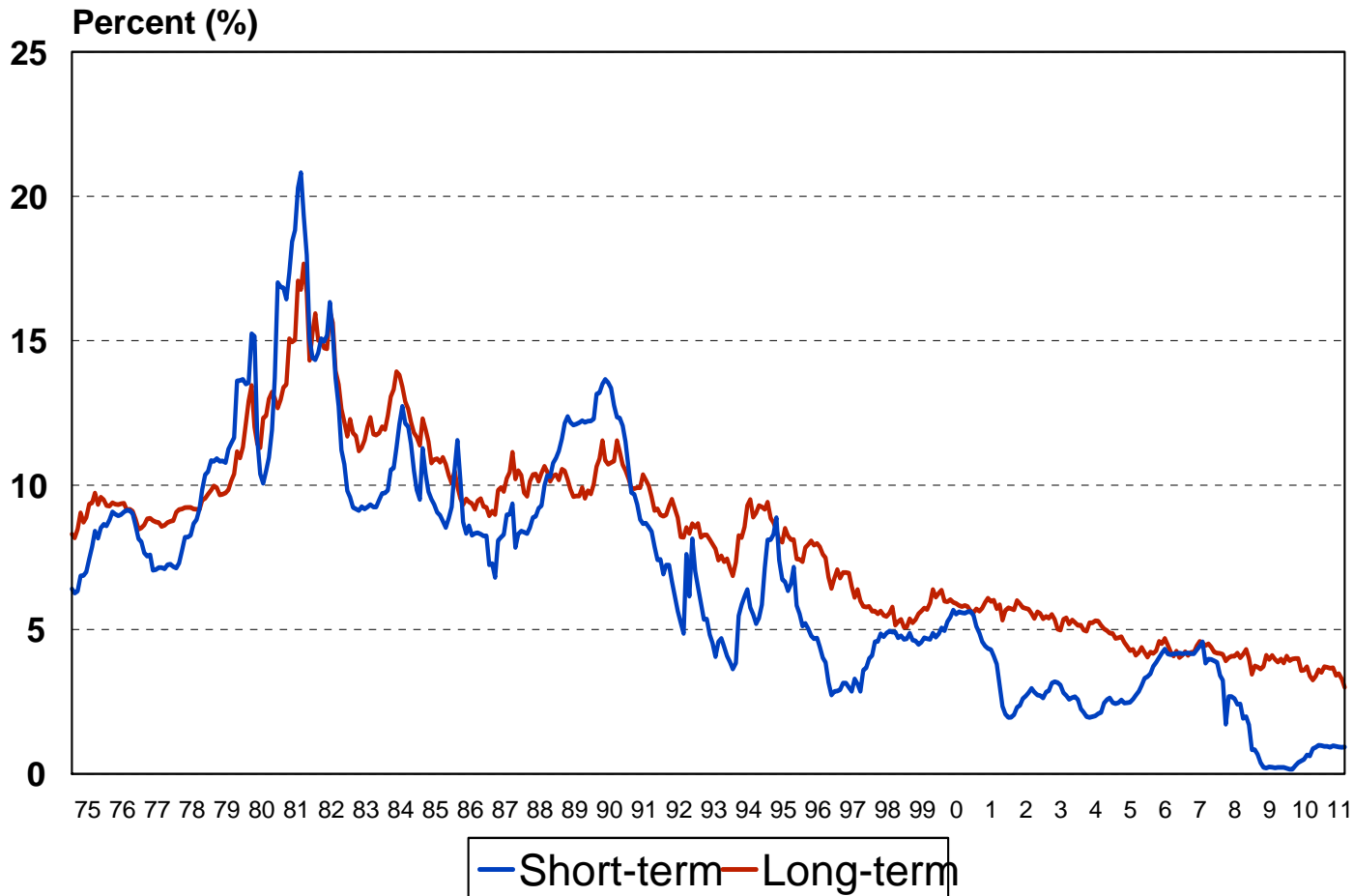
July 1990 - July 2011

2005 = 100.0



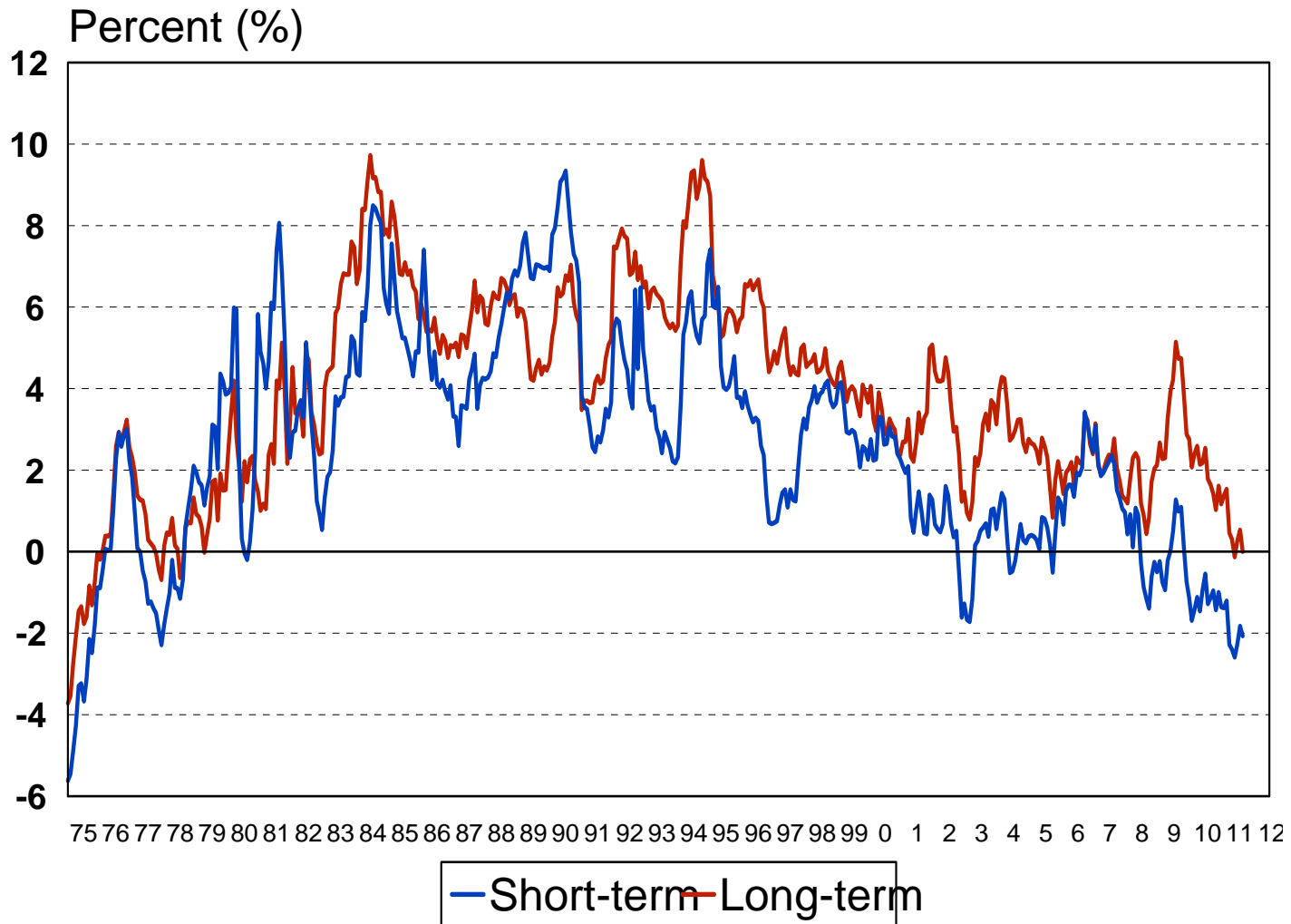
Short-term and Long-term Interest Rates in Canada: 1975-2011

Low interest rates do help the housing market, high interest rates don't



Real Short-term and Long-term Interest Rates in Canada: 1975-2011

When inflation is subtracted, the real cost of borrowing has fallen to zero and below. It means that money has lost its value.



Excessive Built-up of Household Debt

- Average household debt in: \$100,879
- Average household mortgage debt: \$63,000
- 55% of Canadian households with mortgages, average debt is: \$171,500
- Household debt-income ratio is: 150%
- Household saving rate is down to 4.2%
- When housing expenditures are included, it has been negative since 2001 (-4.0% of personal disposable income), a historical low

Housing Valuations are Very High

- Price to income ratios indicate that housing became expensive since 2003 – Bank of Canada says that house prices are 4.5 x *average* household income
- Performance Urban Planning, a private consultancy says that house prices are Seriously – Severely unaffordable, based on *median* prices and *median* incomes, based on Q3 2010 data.
- Vancouver: 9.5 x income
- **Montreal: 5.2 x income**
- Toronto: 5.1 x income
- Calgary: 4.0 x income
- Ottawa-Gatineau: 3.6 x income
- <3.0% = Affordable; >5.0% = Severely Unaffordable