



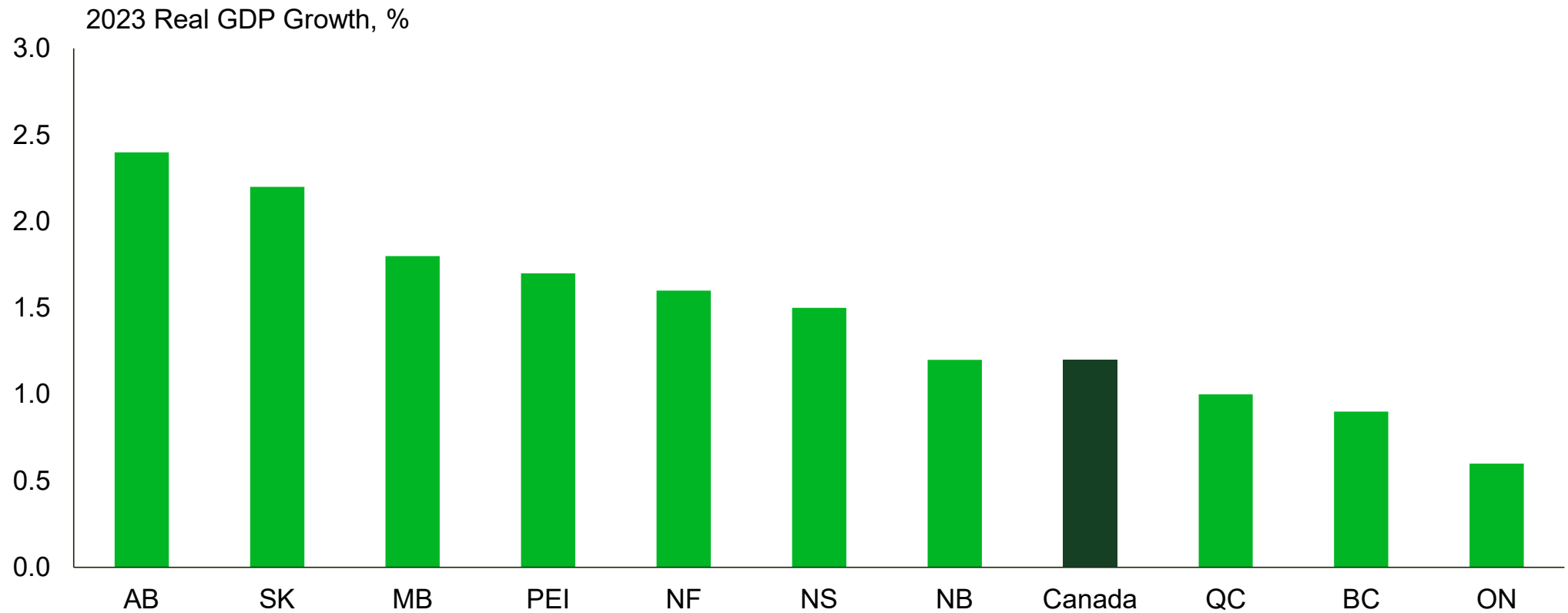
Economic and Housing Outlook

Rishi Sondhi, Economist

February 2023



Ontario to Lag, Growth to Slow in Most of the Atlantic

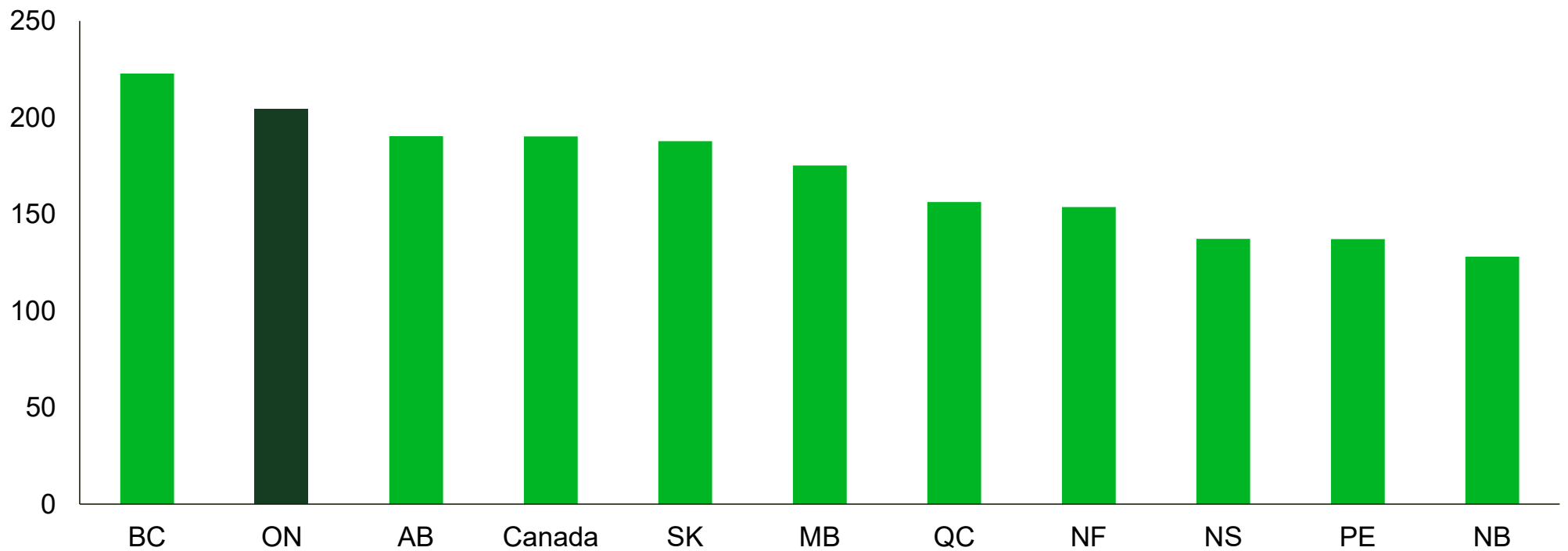


Source: Statistics Canada, Provincial Governments, TD Economics.

Ontario's Households Particularly Exposed to Higher Rates

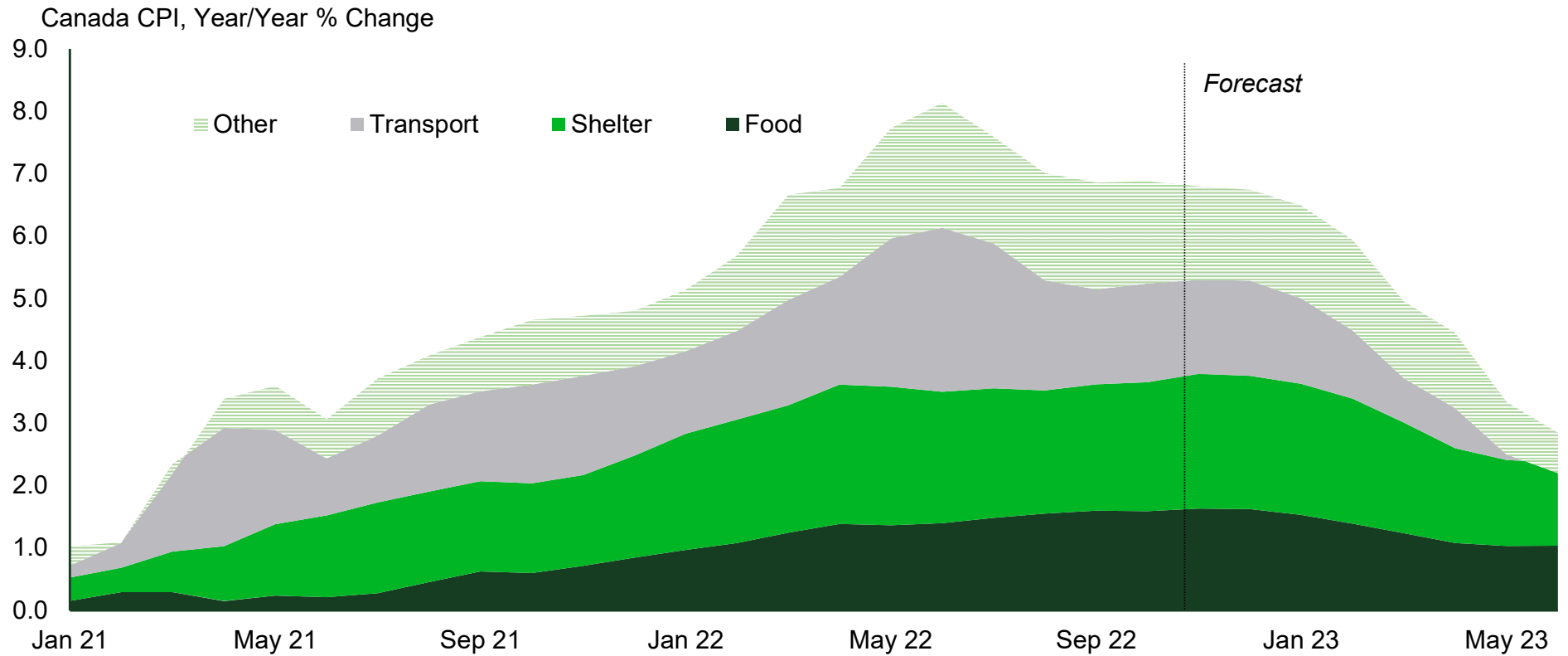


Household Debt to Disposable Income Ratio, %, 2022Q3



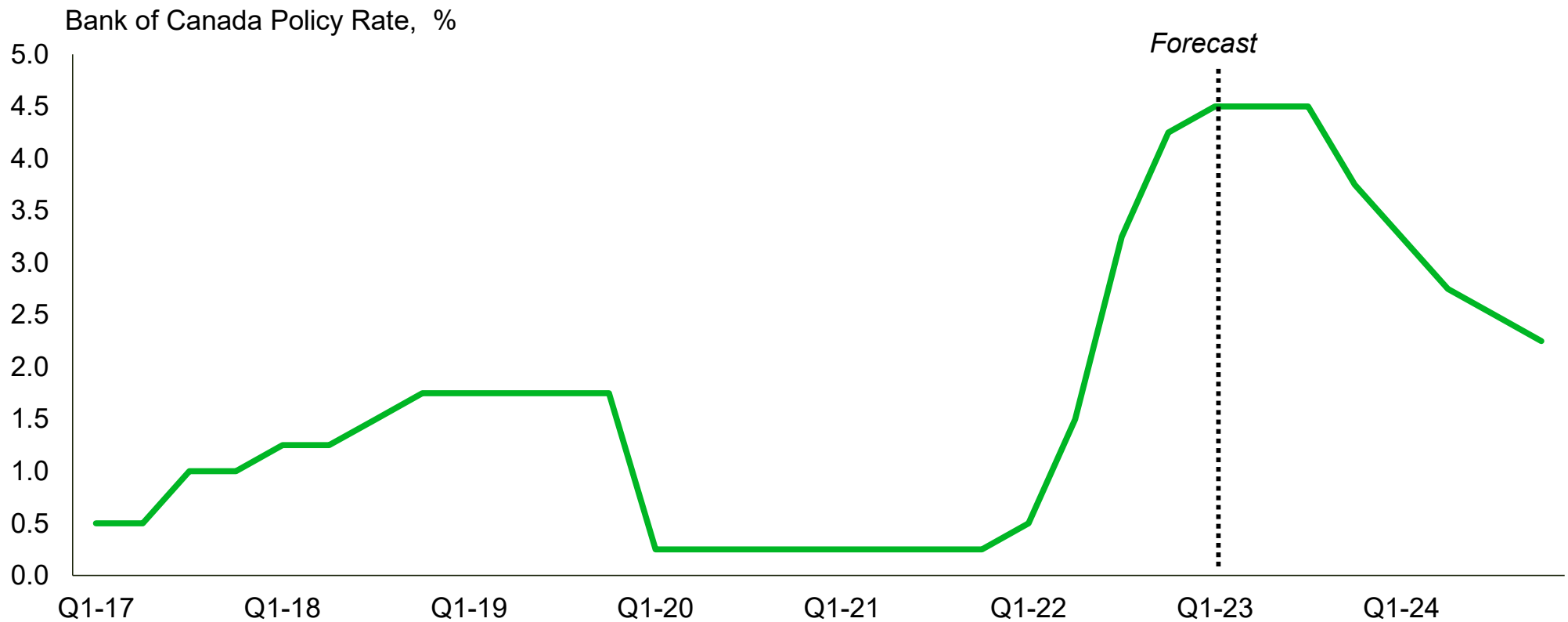
Source: Statistics Canada, TD Economics.

Inflation Set to Cool



Source: Statistics Canada, TD Economics.

BoC Likely Done Their Aggressive Hiking Cycle



Source: Bank of Canada, TD Economics.



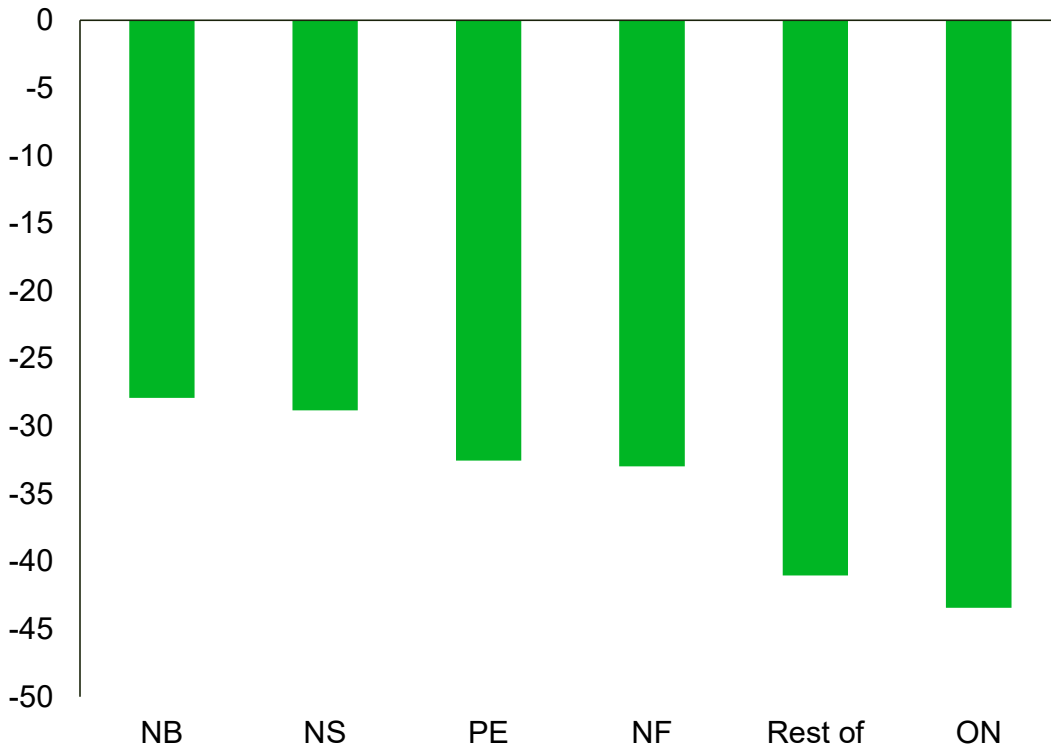
Housing Market – Current Trends



Atlantic Holding Up Much Better than Rest of Canada, Ontario Lags

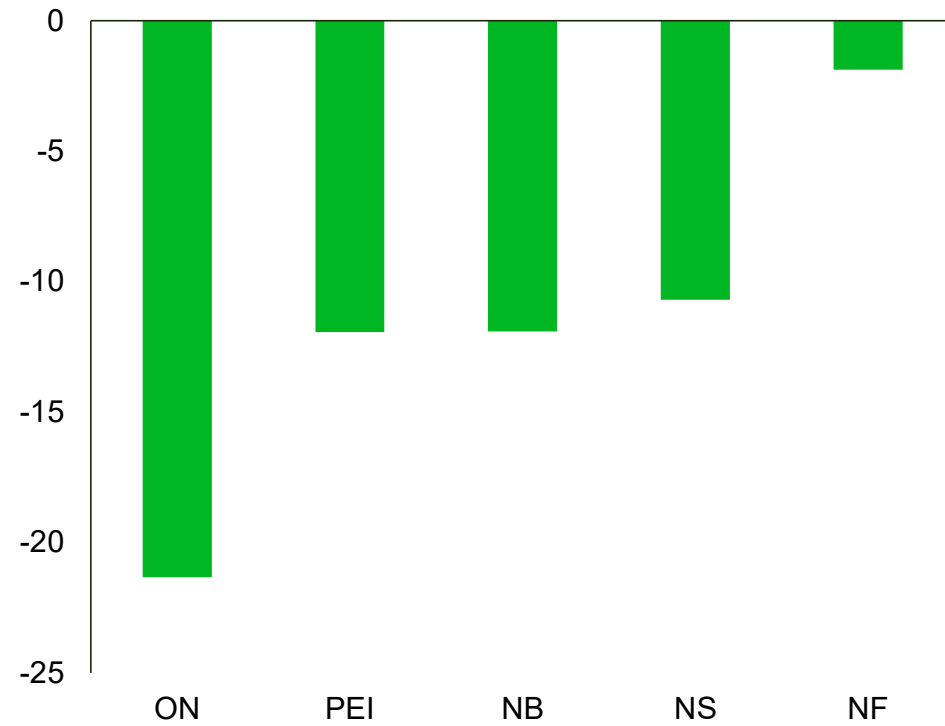


Home Sales, % Change from 2022 Peak



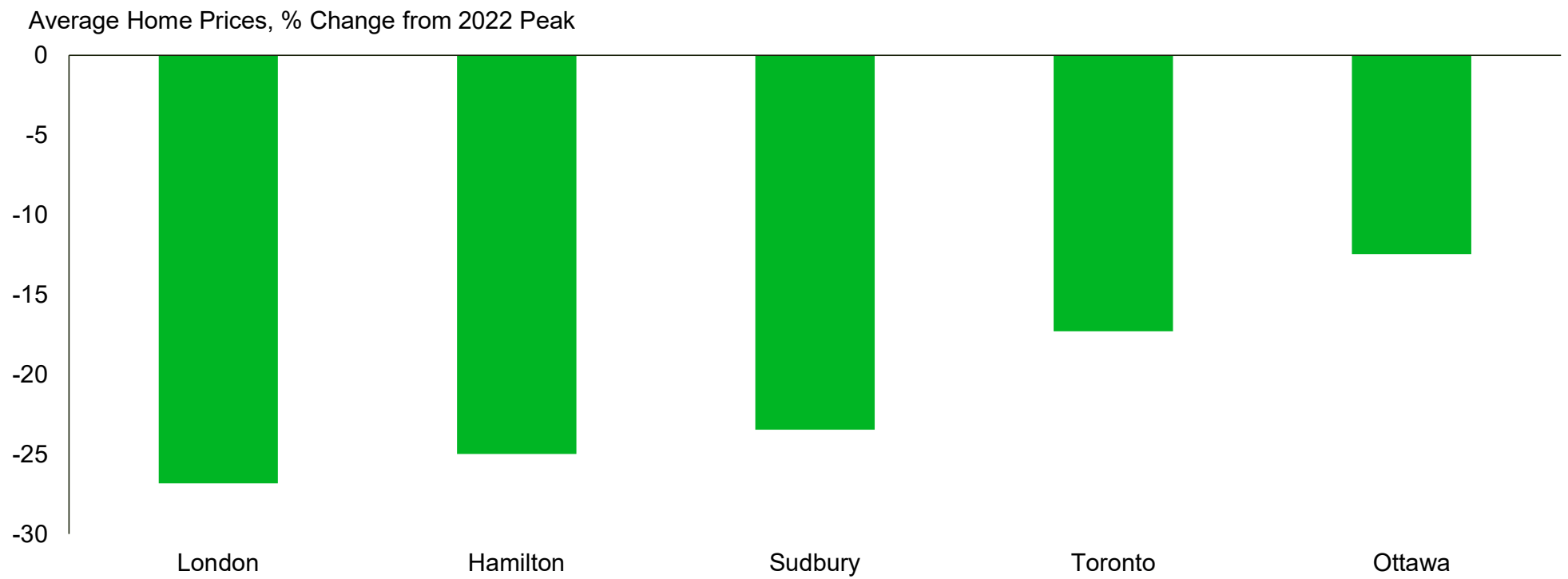
Source: CREA, TD Economics

Average Home Prices, % Change from 2022



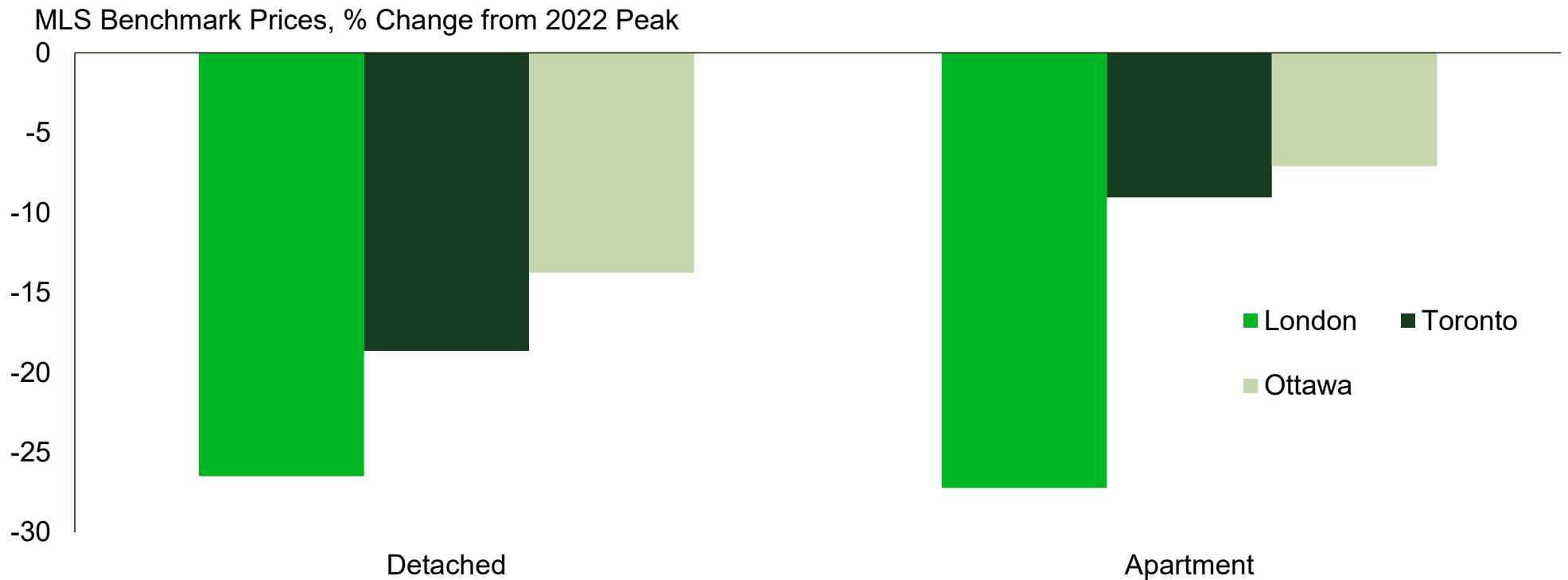
Source: CREA, TD Economics

Steeper Price Drop in Markets Outside of Toronto, Ottawa



Source: TD Economics

Condos Cushioning Toronto, Ottawa Markets



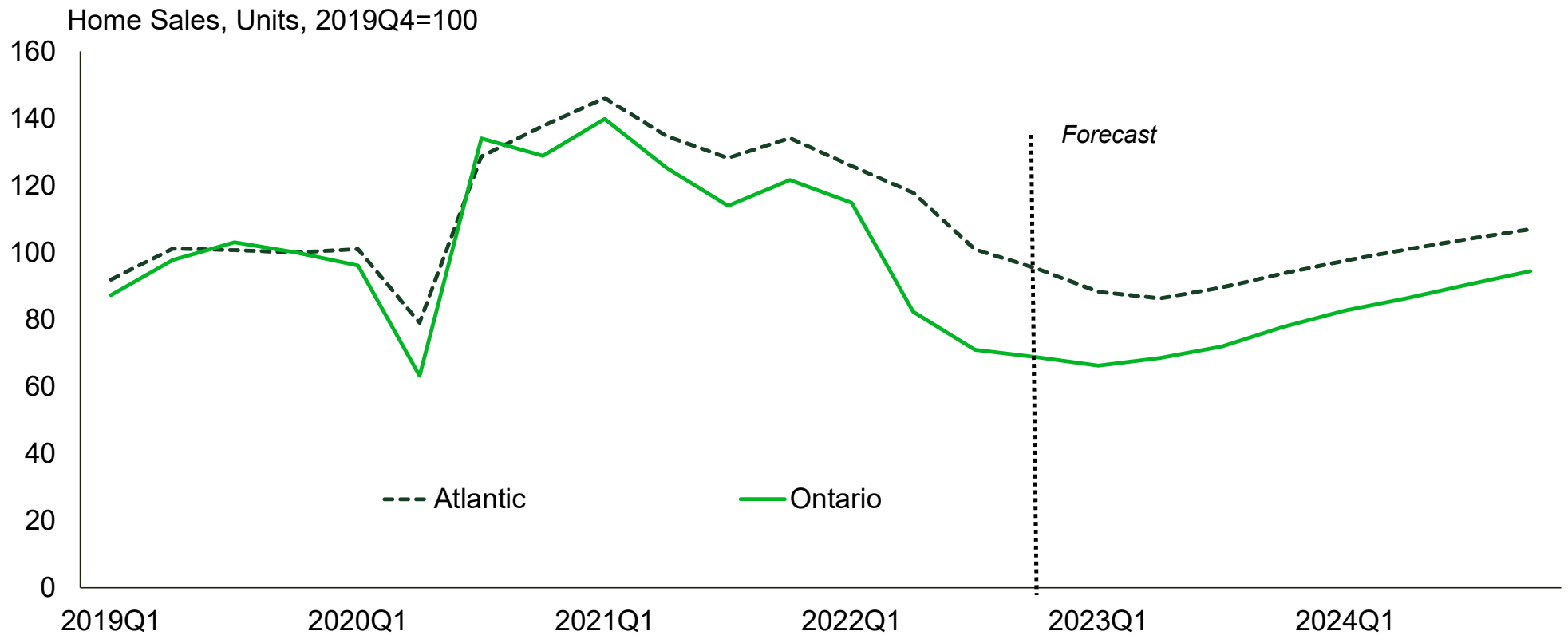
Source: CREA, TD Economics



Housing Market Outlook

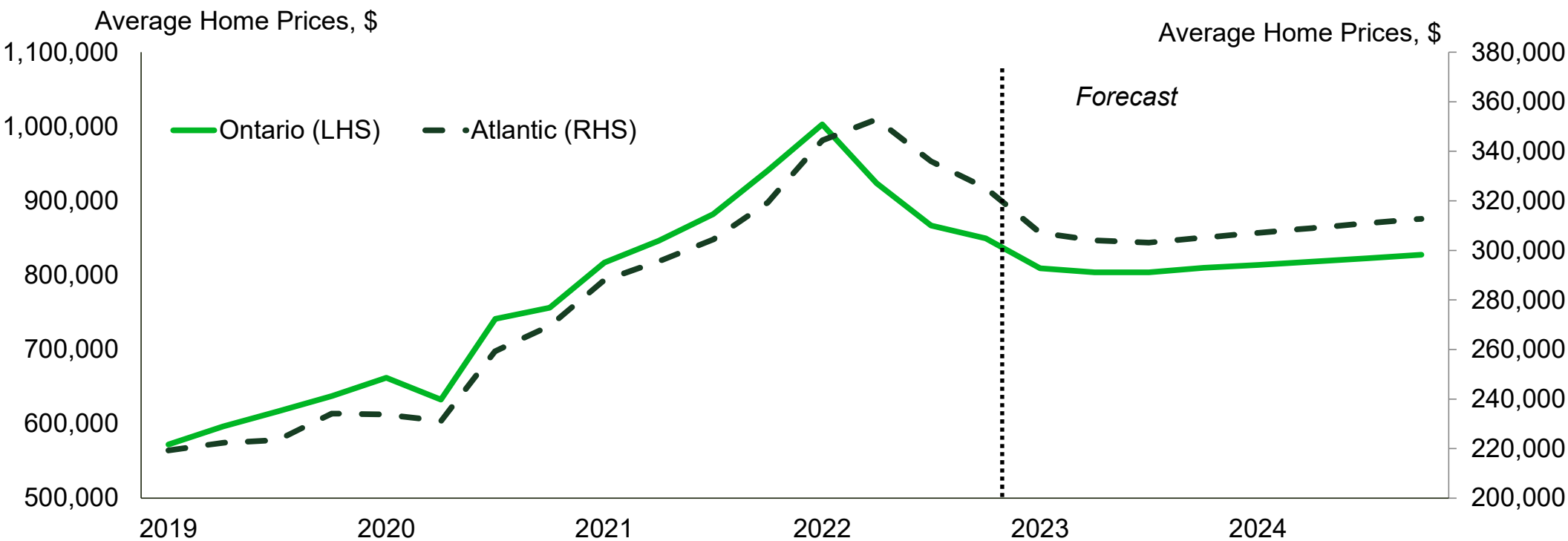


Demand in Ontario Likely to Bottom Before the Atlantic



Source: CREA, TD Economics

Prices to Fall Around 20% Peak to Trough in Ontario, Lesser Drop in the Atlantic



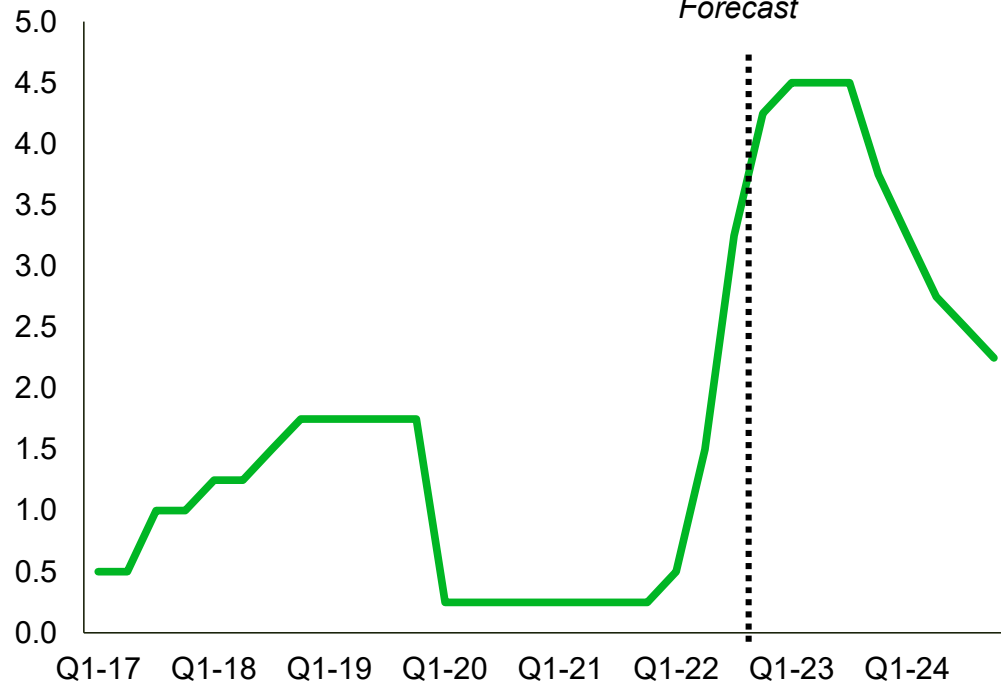
Source: CREA, TD Economics

Higher Rates a Near-term Negative for Housing



Bank of Canada Policy Rate, %

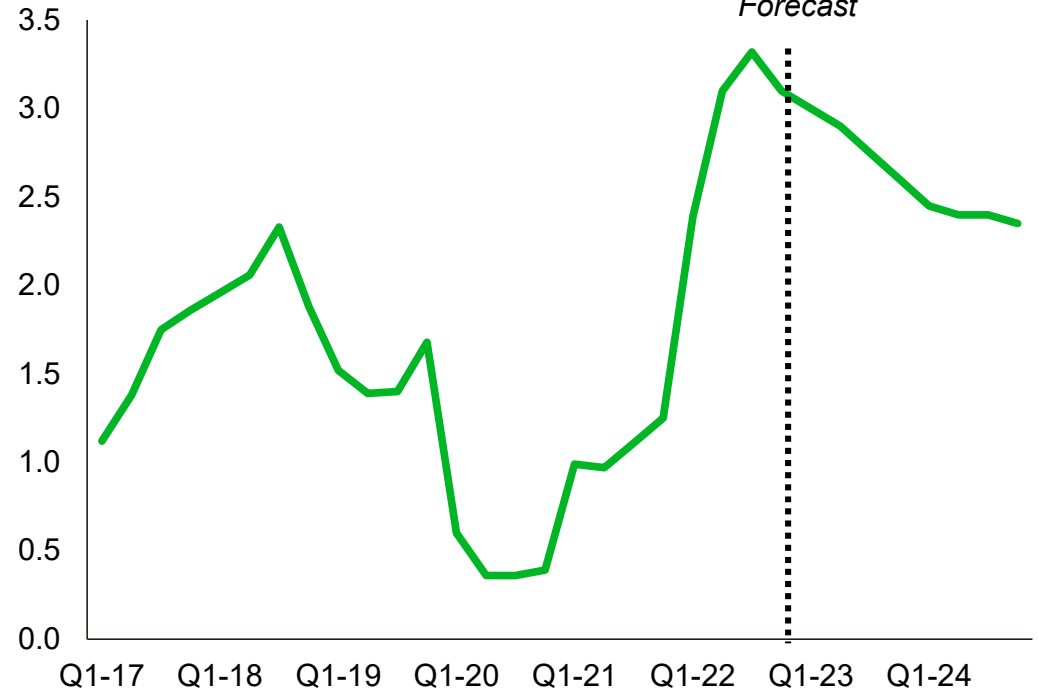
Forecast



Source: Bank of Canada, TD Economics.

Canadian 5-year Bond Yield, %

Forecast

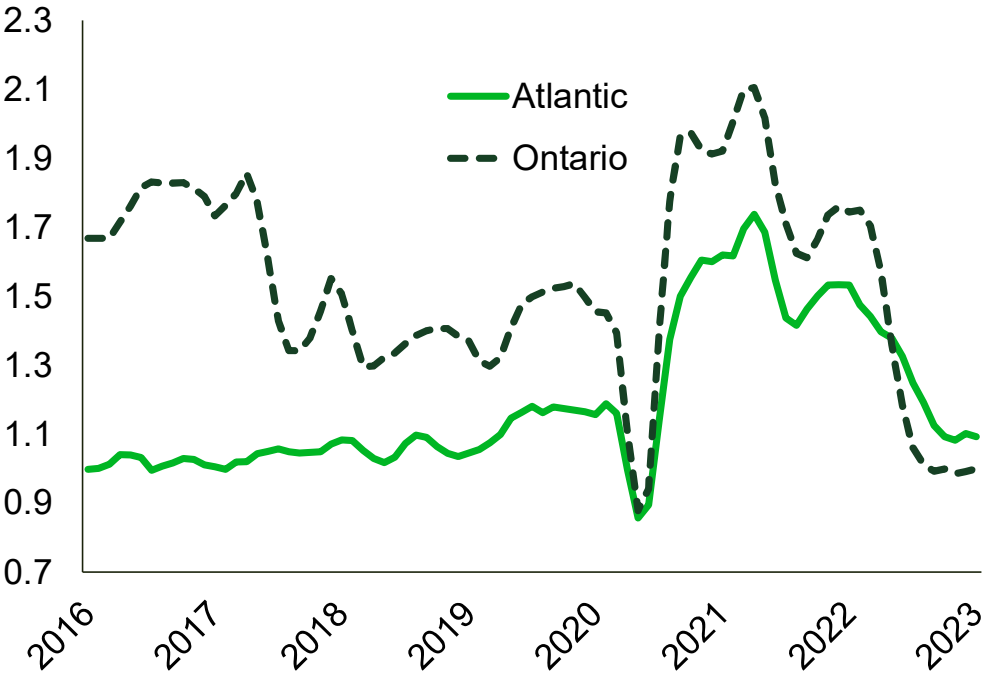


Source: Bank of Canada, TD Economics.

How Low Can You Go?

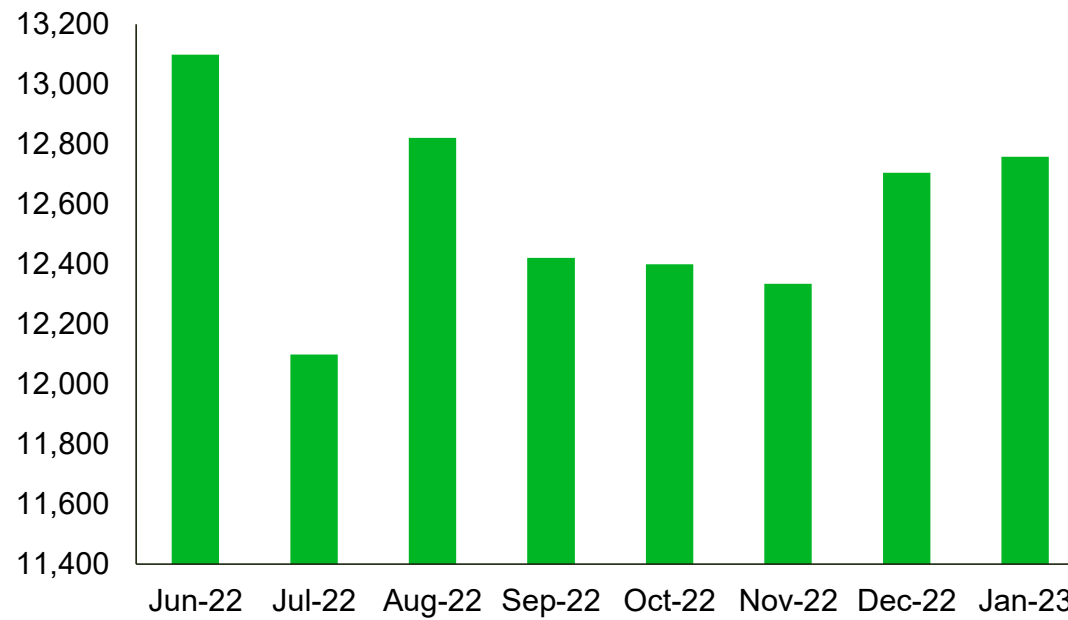


Sales per 1000 People



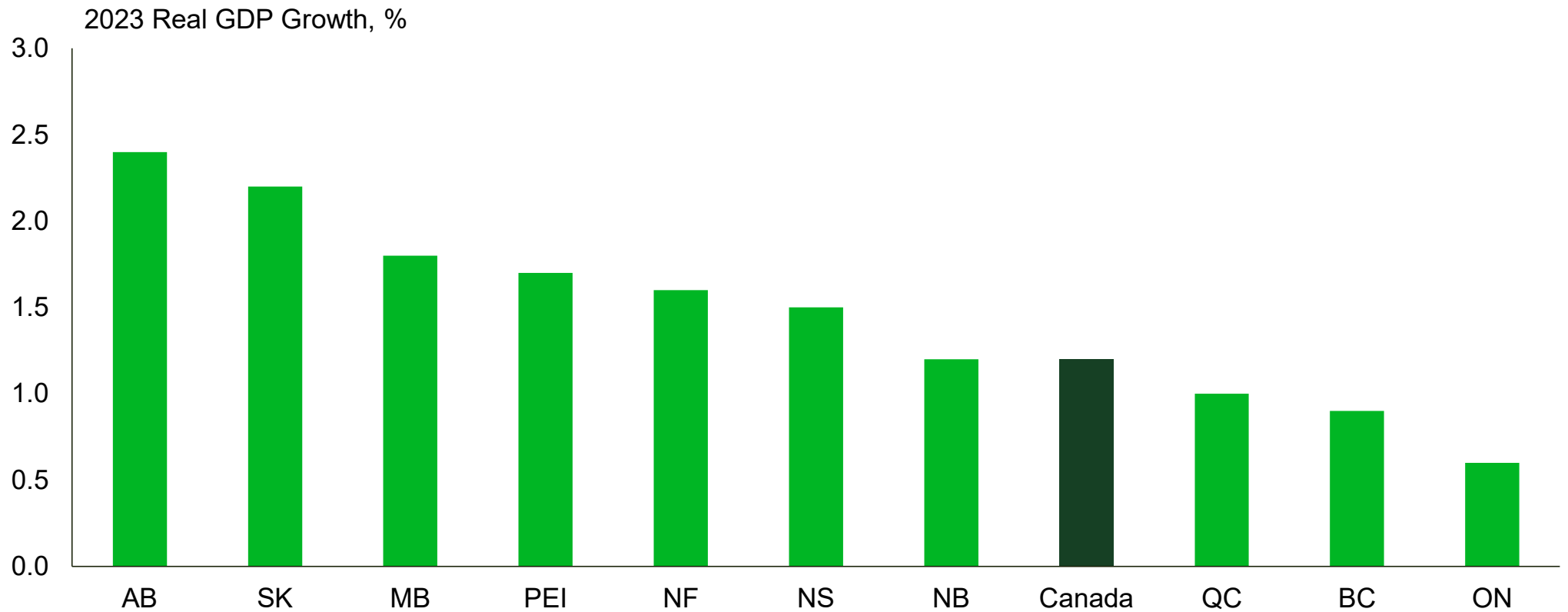
Source: CREA, TD Economics

Home Sales, Ontario, Units



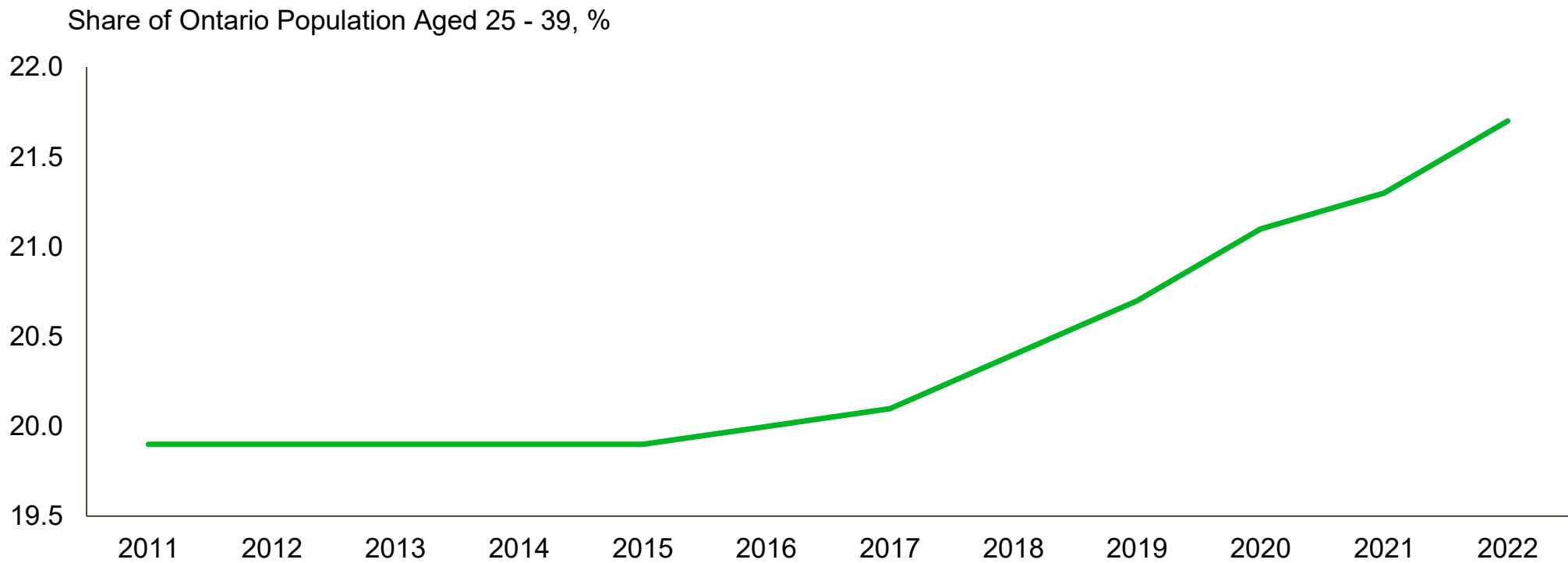
Source: CREA, TD Economics

Economies to Avoid a Severe Downturn



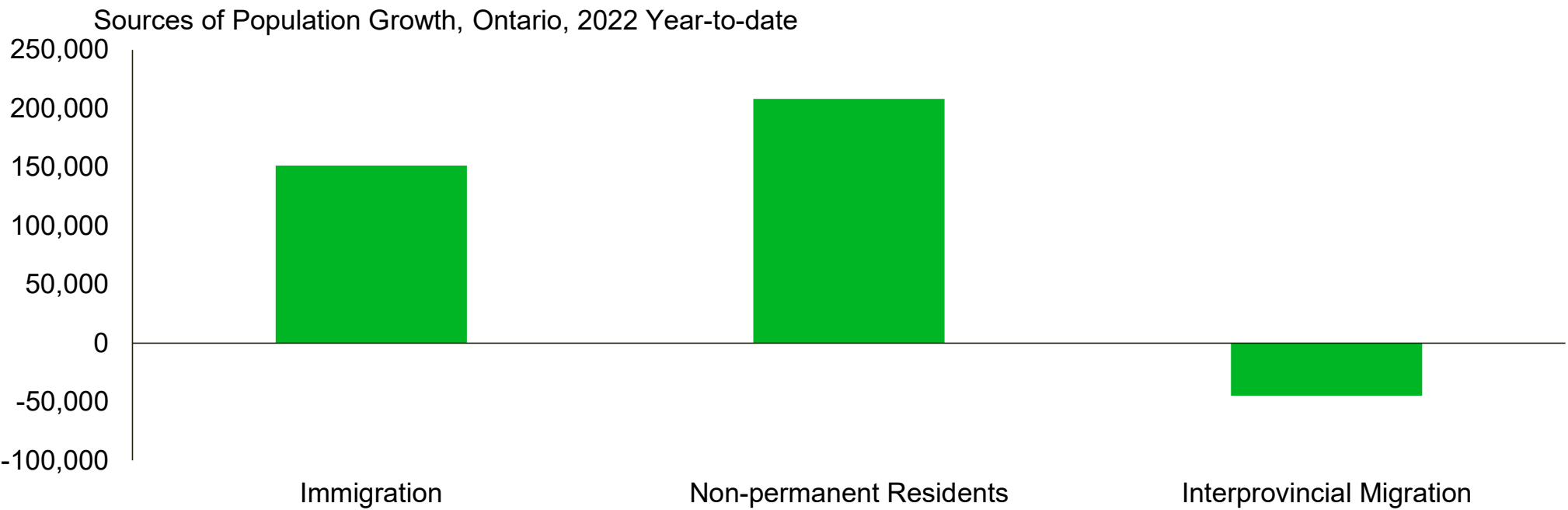
Source: Statistics Canada, Provincial Governments, TD Economics.

Demographics Supportive for Housing Demand



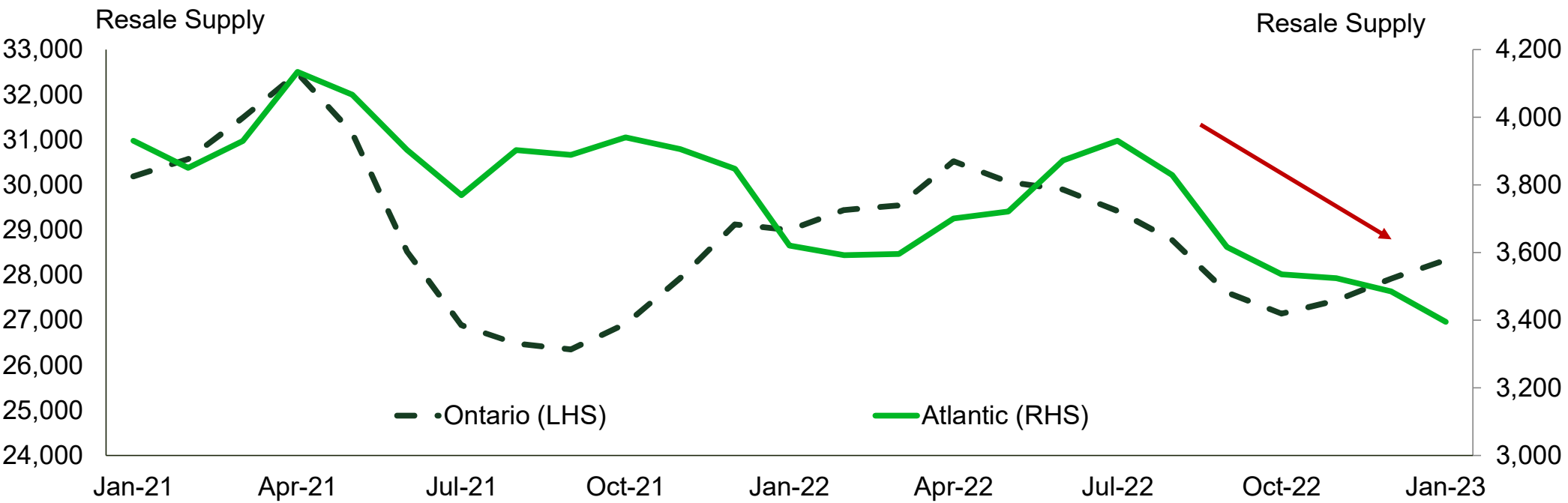
Source: Statistics Canada, TD Economics.

Rollicking Population Growth, But Story is Nuanced



Source: Statistics Canada, TD Economics

We Need to Talk About Supply



Source: CREA, TD Economics

Government Policies a Factor



Foreign Buying Ban:

- Unlikely to negatively impact resale demand too much
- Negatively impacting land transactions

Anti-flipping tax:

- Could have an impact on demand, but data gaps prevent proper analysis.

OSFI rule changes:

- Likely to weigh on demand