

Dear Clients,

Western Canada will continue to have the most active housing markets in Canada through the balance of the year and into 2015, although some moderation is in store.

Housing market conditions vary substantially across the country, to date in 2014, we have seen a fairly stark contrast between 'hotter' local markets such as Toronto, Calgary and, increasingly, Vancouver, and softer markets such as Ottawa, Montreal and Halifax.

We project home resales to grow vigorously in most Western provinces, where the economy is stronger and population is growing faster, while remaining flat or declining modestly in Central Canada and the Atlantic Provinces.

We project home prices to rise solidly in Alberta and Ontario, where demand-supply conditions are tilted in favour of sellers in key local markets, but more moderately so in other provincial markets where market conditions are balanced.

Interest rates, which don't recognize provincial boundaries, are forecasted to rise.

We believe that the current historically low levels of interest rates in Canada are not sustainable and that longer term rates will begin to rise later this year in anticipation of a return to tightening mode by the Bank of Canada in 2015.

A rise in rates would result in a decline in demand for housing in most of Canada.

The projected rise in interest rates will have a common, pervasive effect across markets in the country, for home resales, we expect all but two regions, Alberta and Atlantic Canada, to experience a decline in 2015.

High-priced British Columbia, mainly Vancouver, and Ontario, mainly Toronto, markets are projected to see bigger drops of 2.3% and 1.3%, respectively, reflecting a more extensive erosion of affordability. We forecast the resale declines in the other provinces to be modest to marginal.

Alberta remains at the top of our rankings for next year thanks to its strong economy and in-migration keeping the demand-supply equation still somewhat tight.