



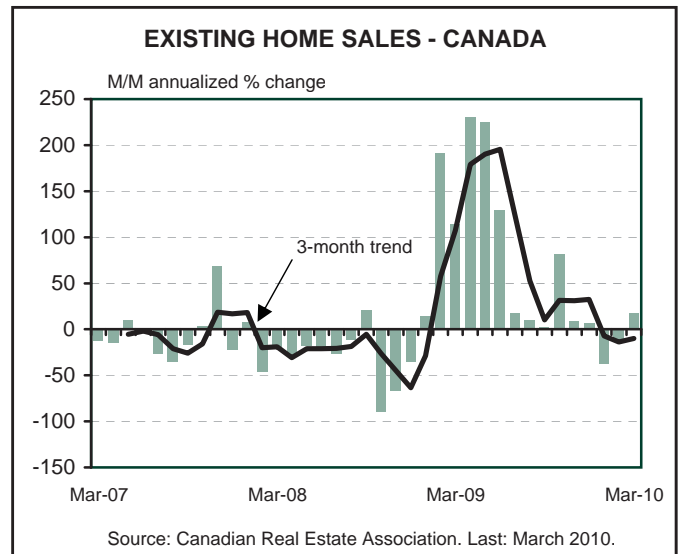
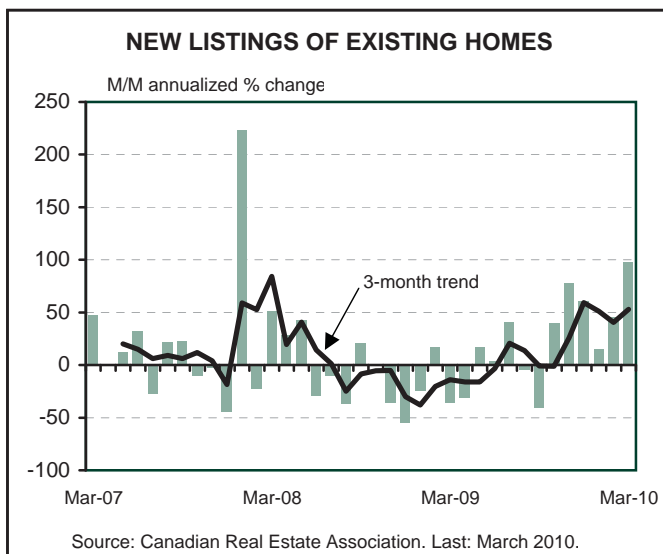
CANADA'S EXISTING HOME MARKET REBALANCING

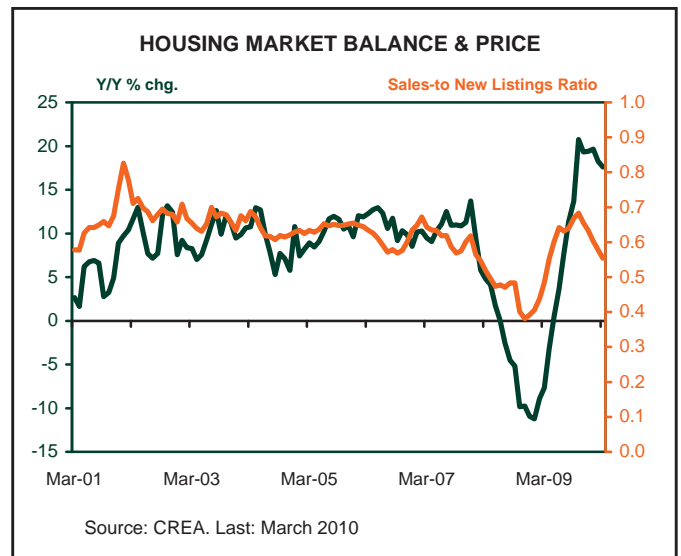
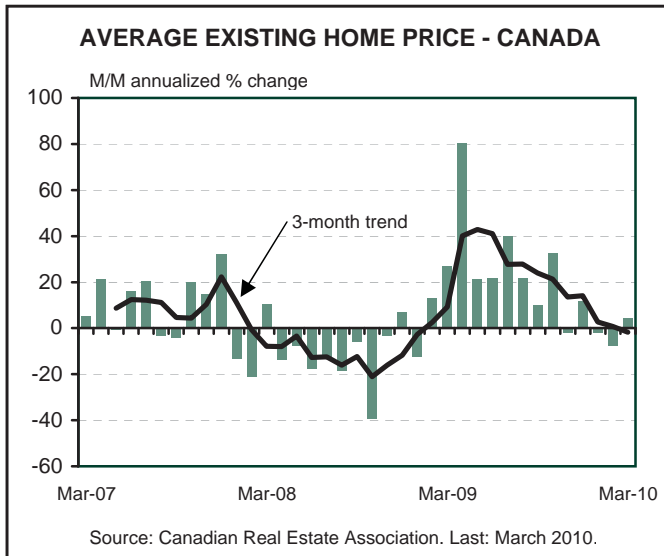
- While existing home sales and prices grew rapidly in 2009, we had been expecting markets to cool gradually heading into 2010, more markedly in the second half. Are there any signs of this in the latest data or are markets still red hot? Price growth should cool if supply (new listings) increases and/or demand (sales) eases.
- Supply: Listings should increase as a result of the solid price gains made recently. With inflation currently quite low, these nominal gains also translate almost entirely into real gains, which is what really drives supply. After declining substantially during the downturn, new listings stabilized by Q3/2009. The last 6 months have seen a very substantial rise in new listings. From a low of 63K (seasonally-adjusted) in September 2009, new listings were at 79K as of March 2010. The increase in new listings in March was super-sized, at almost 6%. Actual new listings came in at 98K, a new record for that month that smashed the previous record (March 2008) by 20%. Supply is therefore not only responding positively, but also in strong fashion, with a 3-month trend increase of 53% (annualized).
- Demand: This side of the market remains strong, but is also showing signs of cooling. Looking at the 3-month M/M annualized trend, which shows a significant easing from the white-hot levels of summer 2009, and a recent dip into negative territory. After dropping by a cumulative 5% over the first two months of this year, sales picked up again (+1.4%) in March. April sales are also expected to be strong. The drop in national

sales in February was overstated by a sharp drop activity in B.C. (-13%) related to the Olympics, but the cooling trend does not appear transient. March sales were expected to pick up as borrowers got ahead of the recent regulatory changes announced by Finance Canada. Similarly, sales up to July could be boosted by fronting the implementation of the HST in Ontario and B.C. We should not misread that temporary uptick for a sustainable trend that will carry through the whole year, as it essentially borrows from future demand. A better reading of the true strength of sales can be made after this policy-induced volatility washes out. Our expectation is that by year-end, sales will be 10-15% lower than in Q1/2010, which have already eased by 3.4% from the record level set in Q4/2009.

- Market balance & price: Market forces seem to be operating as expected. The sales-to-new listings ratio has decreased significantly from 0.68 to 0.55 over the last 4 months. As a result, M/M price growth has also eased, with prices even slipping (-1.7%) on a 3-month trend basis. This has yet to show up in Y/Y figures due to a legacy (base) effect, but will become apparent by May. From the March Y/Y price gains near 18%, we still expect mid-single digit Y/Y price growth by Q3/2010 and only 1-3% by year-end, with a clear downside risk of dipping into negative Y/Y territory if listings continue to climb at their recent pace.

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EXISTING HOME MARKET - CANADA													
	SALES			NEW LISTINGS			SNL RATIO ^A		AVERAGE PRICE				
	Units	% change		Units	% change		level	change	C\$	% change			
		M/M	3m*		M/M	Ann.				M/M	3m*	Y/Y	Y/Y**
Mar-08	39,776	-1.7	-18.9	76,572	3.5	84.3	0.519	-0.03	317,719	0.8	-7.8	6.7	9.4
Apr-08	38,716	-2.7	-30.6	78,198	2.1	19.4	0.495	-0.02	313,899	-1.2	-8.0	3.7	8.0
May-08	38,109	-1.6	-21.2	80,535	3.0	40.7	0.473	-0.02	311,884	-0.6	-3.5	3.1	7.0
Jun-08	37,475	-1.7	-21.1	78,330	-2.7	14.2	0.478	0.01	306,965	-1.6	-12.8	0.2	6.2
Jul-08	36,515	-2.6	-20.8	77,637	-0.9	1.3	0.470	-0.01	303,507	-1.1	-12.5	-2.4	5.2
Aug-08	36,166	-1.0	-18.6	74,790	-3.7	-24.9	0.484	0.01	298,426	-1.7	-16.1	-3.8	4.3
Sep-08	36,757	1.6	-5.4	75,966	1.6	-8.6	0.484	0.00	296,932	-0.5	-12.3	-4.0	3.3
Oct-08	30,490	-17.0	-26.3	75,936	0.0	-5.3	0.402	-0.08	284,879	-4.1	-21.1	-9.3	2.1
Nov-08	27,869	-8.6	-44.6	73,209	-3.6	-5.1	0.381	-0.02	284,114	-0.3	-16.1	-10.5	0.6
Dec-08	26,902	-3.5	-63.3	68,566	-6.3	-30.1	0.392	0.01	285,725	0.6	-11.8	-12.1	-0.6
Jan-09	27,213	1.2	-28.6	67,014	-2.3	-38.0	0.406	0.01	282,667	-1.1	-2.8	-12.0	-2.4
Feb-09	29,753	9.3	57.3	67,912	1.3	-20.4	0.438	0.03	285,517	1.0	2.6	-9.4	-4.1
Mar-09	31,709	6.6	107.1	65,515	-3.5	-13.9	0.484	0.05	291,281	2.0	9.3	-8.3	-5.8
Apr-09	35,034	10.5	179.1	63,547	-3.0	-16.1	0.551	0.07	305,949	5.0	40.1	-2.5	-6.7
May-09	38,654	10.3	190.3	64,394	1.3	-16.2	0.600	0.05	310,888	1.6	42.9	-0.3	-6.9
Jun-09	41,428	7.2	195.3	64,574	0.3	-3.3	0.642	0.04	316,044	1.7	41.1	3.0	-6.2
Jul-09	42,012	1.4	124.5	66,459	2.9	20.6	0.632	-0.01	325,059	2.9	27.7	7.1	-5.1
Aug-09	42,350	0.8	52.7	66,264	-0.3	13.7	0.639	0.01	330,396	1.6	27.8	10.7	-3.4
Sep-09	42,431	0.2	10.2	63,489	-4.2	-0.8	0.668	0.03	333,018	0.8	23.9	12.2	-1.8
Oct-09	44,599	5.1	31.4	65,290	2.8	-1.2	0.683	0.01	340,923	2.4	21.3	19.7	0.6
Nov-09	44,912	0.7	31.0	68,506	4.9	25.9	0.656	-0.03	340,385	-0.2	13.5	19.8	2.6
Dec-09	45,154	0.5	32.4	71,256	4.0	59.4	0.634	-0.02	343,520	0.9	14.1	20.2	5.2
Jan-10	43,429	-3.8	-7.3	72,097	1.2	51.2	0.602	-0.03	343,002	-0.2	2.7	21.3	n/a
Feb-10	43,022	-0.9	-13.8	74,404	3.2	40.5	0.578	-0.02	340,741	-0.7	0.7	19.3	n/a
Mar-10	43,621	1.4	-10.0	78,762	5.9	53.0	0.554	-0.02	341,925	0.3	-1.7	17.4	n/a

Notes: **hotter than month prior**
cooler than month prior

^A SNL: sales-to-new listings; * 3-month average in annualized M/M % change; ** From Teranet-NB home price index.

Source: Canadian Real Estate Association (CREA), Teranet-NB. All CREA data shown is seasonally-adjusted.

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