

## DEFLATING THE HOUSING BUBBLE MYTH



Carl Gomez, Economist  
TD Financial Group  
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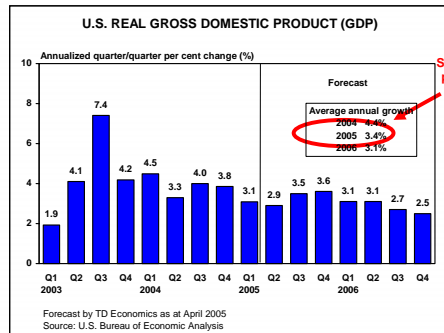
## KEY ISSUES

- Global & US demand decelerating, but still expanding at a healthy pace
- Canadian economy's adjustment to a stronger dollar keeps housing supported....
- ....but growth is leveling off
- No bubble trouble

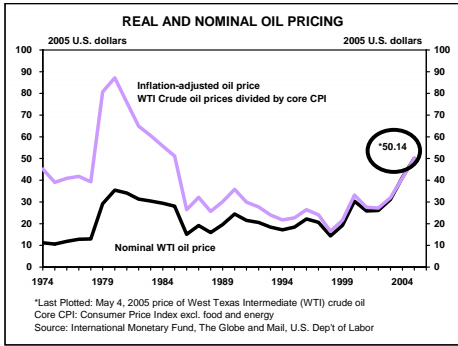
## SYMPTOM OF A HOUSING BUBBLE?



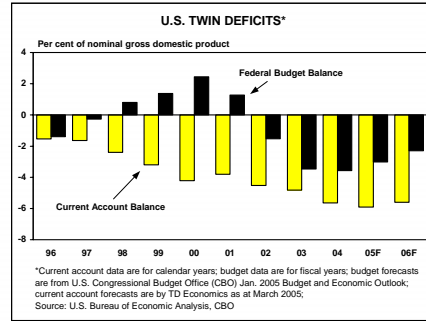
## U.S. ECONOMY GROWING SOLIDLY, BUT WILL SLOW MODESTLY



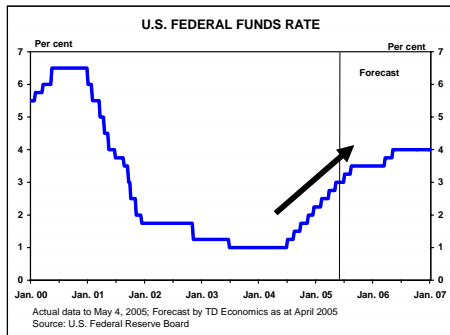
### OIL PRICES REMAIN HIGH..still a risk



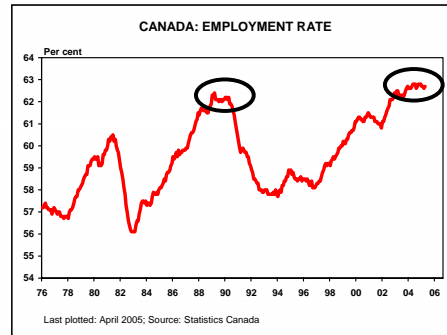
### U.S. STRUCTURAL PROBLEM: TWIN DEFICITS



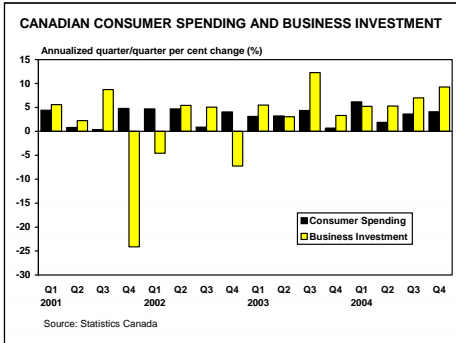
### FED TO STICK WITH MEASURED RATE HIKES IN NEAR TERM



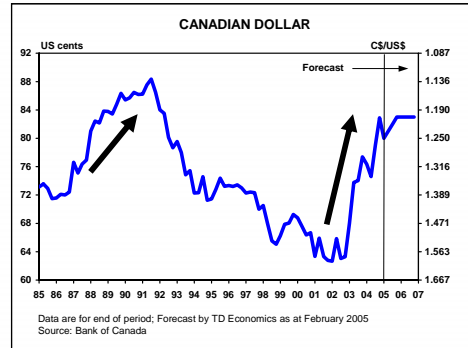
### CANADIAN JOBS ARE PLENTIFUL



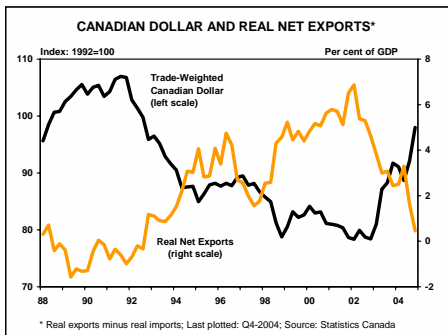
### ECONOMY'S FUNDAMENTALS REMAIN SOUND



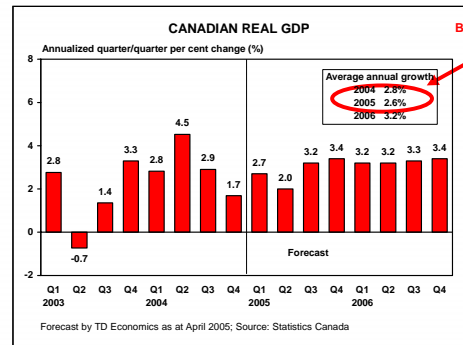
### CANADIAN DOLLAR IS KEY RISK TO OUTLOOK



### EXPORTS STILL STRUGGLING WITH STONGER LOONIE

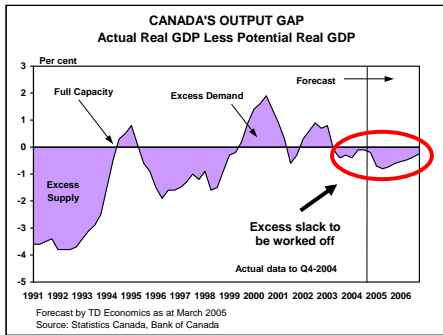


### CANADIAN ECONOMY TO GROW MODESTLY IN NEAR TERM

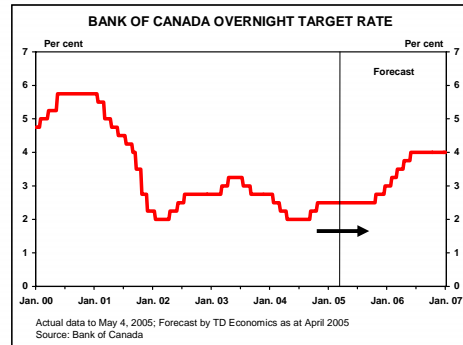


Below potential

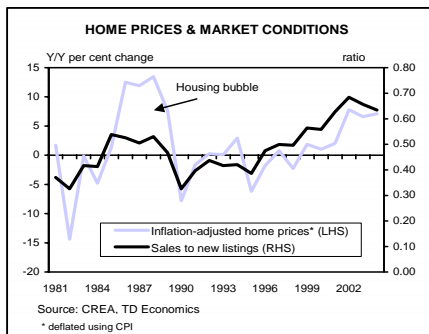
### OUTPUT GAP VIRTUALLY CLOSED, BUT ESTIMATE IS IMPRECISE



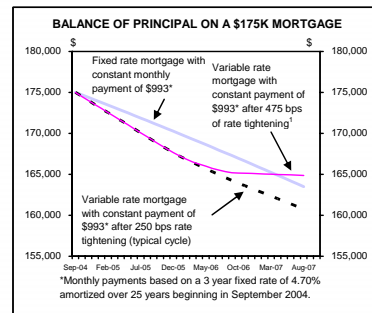
### BANK OF CANADA TO KEEP RATES LOW



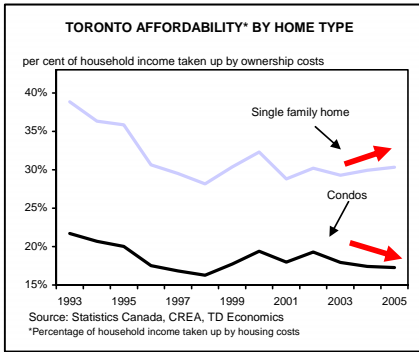
### NO SIGN OF A BUBBLE



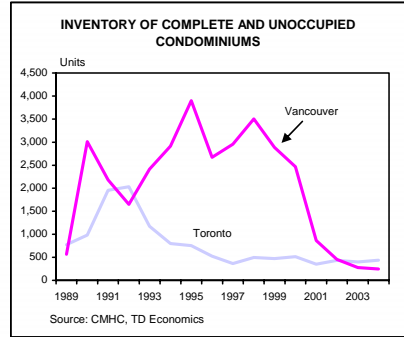
### VARIABLE RATE MORTGAGES NOT AT RISK



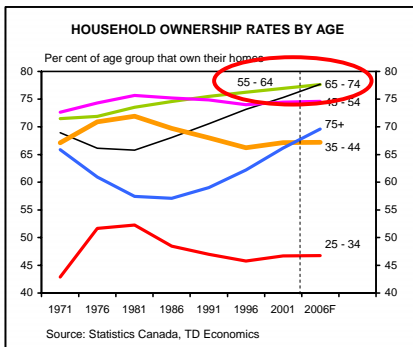
### CONDOS KEEP MARKET AFFORDABLE



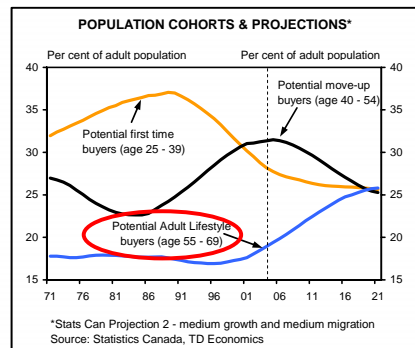
### CONDO INVENTORIES IN CHECK



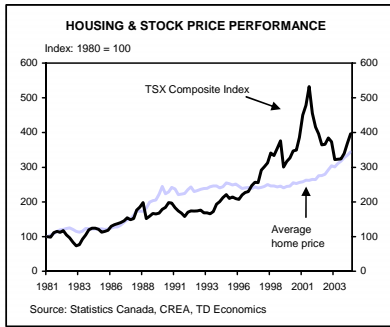
### RETIRING BOOMERS WILL NOT HURT MARKET



### TASTES CHANGE TO REFLECT BOOMERS



**HOUSING A GOOD INVESTMENT.....**



**...SINCE RETURNS ARE MORE STABLE**

HOUSING AND STOCK PERFORMANCE 1980 - 2004	
<b>Average annualized return (reward)</b>	
Housing	5.4%
Stocks	7.6%
<b>Standard deviation (risk)<sup>2</sup></b>	
Housing	7.2%
Stocks	18.6%
<b>Reward to risk ratio</b>	
Housing	0.8
Stocks	0.4

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