



LAURENTIAN BANK SECURITIES ECONOMIC RESEARCH PRESENTS ITS PROVINCIAL ECONOMIC OUTLOOK

Montreal, July 25, 2012 – Laurentian Bank Securities (LBS) Economic Research has released today the new edition of the *Provincial Monitor*, which highlights some of the key factors that will influence the Canadian provinces' economic performance. More specifically, it sketches a map for the understanding of specific housing market dynamics within each large city, as well as presents conclusions and forecasts which were based on a multitude of economic indicators relevant to the real estate market.

In light of recent economic data showing signs of a weaker economic outlook for Canada, LBS Economic Research has also reduced its provincial forecasts, limiting growth to 2% in 2012 and 2013. An interest rate hike by the Bank of Canada is still in the cards but global economic conditions would have to improve considerably for this to happen by mid-2013, at the earliest. Furthermore, a tightening in mortgage rules was recently implemented by the federal government and this time this set of measures is expected to cool down the housing market by restraining demand. In addition, these new mortgage restrictions should prevent a further deterioration in indebtedness so that, by the time the interest rate increase does occur, households should be in a better position to face it.

Moreover, in a few large metropolitan areas, the housing market is showing signs of overvaluation. There is much controversy over how overvalued the Canadian housing market might be. This is a question, however, that depends mainly on the specific market, since each metropolitan area has its own characteristics and is not necessarily at the same stage in the real estate cycle.

The report takes an in-depth look at five major metropolitan markets -- Montreal, Toronto, Calgary, Edmonton and Vancouver – and presents conclusions for each of them. As to price direction, we expect **Calgary** and **Edmonton** to continue growing chiefly owing to favorable economic conditions and increased demand, mainly a reflection of a rapidly growing labor force. As for **Toronto**, its strong historical population growth has fuelled a number of new projects, namely on the condominium market. As a result, the city now has to deal with the issue of a large supply of dwellings coming on to the market. Prices on the resale market are nevertheless expected to continue growing in 2012, and slow down in 2013 without entering negative territory. Concerning **Vancouver**, it should see a slow decline in prices, as the market has already started correcting itself. Sustained demographic growth, however, should prevent any serious drop in prices. Finally, **Montreal** should experience a decline in prices. While a greater share of immigrants is now settling in the Montreal area, overall demographic growth is much weaker than in all the other large metropolitan areas. Furthermore, the greater immigration volume is mostly fuelling the apartment rental market, rather than absorbing the heavy supply of condos that are about to hit the market within the next two years.

Finally, while any real estate story is related to a variety of external and internal factors, the most important ones remain: incomes, employment, interest rates, demographic trends and geographic location. As a result, and since none of these variables are expected to undergo any dramatic shocks in the short to medium term, there is no reason why housing prices should freefall and the country return to recession because of a real estate crash.

The full report is available on Laurentian Bank Securities Economic Research web site: <http://www.lb-securities.ca/EconomicResearch>. For any question, contact Marie-Claude Guillotte, Economist at 514 350-2925.



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About Laurentian Bank Securities

Laurentian Bank Securities (LBS), is an integrated full-service investment dealer, focusing on five lines of business. The well respected Institutional Fixed Income division has a strong presence in Government and Corporate underwritings, as well as in secondary markets. In addition, the Institutional Equity division is solidly established across the country and focuses on serving clients through research, trading and investment banking in the small capitalization sector. The fast-growing Retail division and Discount Brokerage division currently serve clients through 15 offices in Quebec and Ontario. Furthermore, LBS' corresponding business provides complete back office support to a wide range of customers.

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