Altus Group

quarterly FORECAST ISSUE

HOUSING REPORT

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Economic Uncertainty Pushing Starts Lower

Recent Activity

- In the 3rd quarter of 2019, total Canada-wide housing starts came in at 222,100 units seasonally adjusted at annual rate (SAAR) according to CMHC (Chart 1), up 1% from the previous quarter. Increases were registered in half of the 10 provinces but were most pronounced in Ontario and Alberta.
- The number of existing home sales increased in the 3rd quarter of 2019 as the benchmark home price increased 1% to levels last seen in Q2 2018 (Chart 2).

Forecast Summary

- The housing starts forecast for 2020 is a confluence of two parallel forces. A relatively weak economy with risks and uncertainties eroding consumer confidence, alongside still-strained affordability, is intensifying headwinds. At the same time lower effective interest rates and strong population and job growth in some markets are boosting housing need and demand.
- On net, the result is that Canada-wide housing starts, after being down in 2019, are forecast to push lower again in 2020. Lower starts in 2020 in Quebec, B.C., New Brunswick and P.E.I. will only be partly offset by gains elsewhere.

Analysis

- Canada's economy has seen an uneven year in 2019. The first quarter saw virtually no-growth. Although the second quarter jumped ahead at some 3.7% annualized, it was mostly due to special factors, and this brief resilience has weakened, as global pressures, continued weakness in housing and lingering troubles in the oil patch are expected to continue to weigh on real GDP growth into 2020.
- Continued investment in purpose-built rental housing has been supporting recent starts activity. Moreover, elevated international migration and lower mortgage rates are also proving a boost to housing demand. Many resale markets are showing signs of improvement. The new federal First-Time Home Buyer Incentive will also likely provide some additional, albeit modest, support to sales.
- However, on balance, continued affordability issues (despite some mortgage rate and stress testing relief, as discussed in our September report), weaker homebuyer intentions and economic vulnerabilities will dampen starts again in 2020.

Total Starts, Canada

2018	212,843
2019f	209,400
2020f	206,900

Starts Trends by Type

	2019	2020
Total	▼	▼
Single-family	▼	▲
Apartment	▲	▼

Starts Trends by Region

	2019	2020
B.C.	▲	▼
Alberta	●	▲
Sask.	▼	▲
Manitoba	▼	▲
Ontario	▼	▲
Quebec	▲	▼
Atlantic	▲	▼

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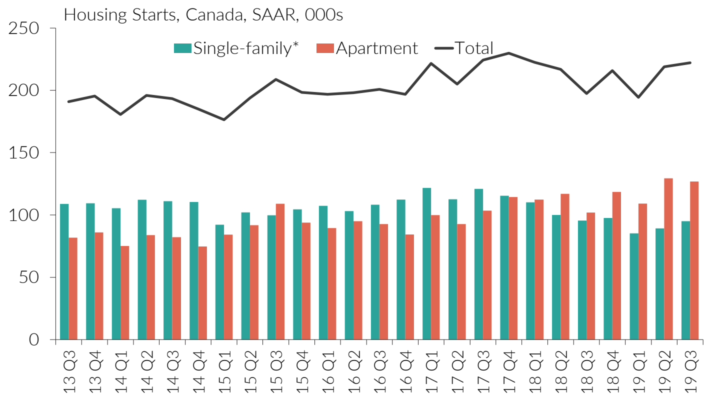
Chart 1

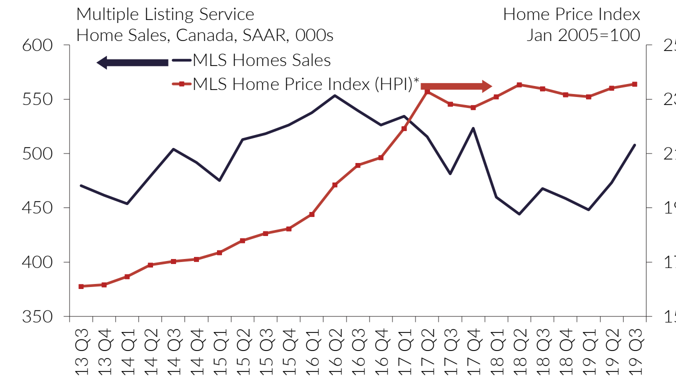
Single Family Starts Drive Modest Q3 Gain



* Includes single-detached, semi-detached and row units
Source: Altus Group based on Canada Mortgage and Housing Corporation data

Chart 2

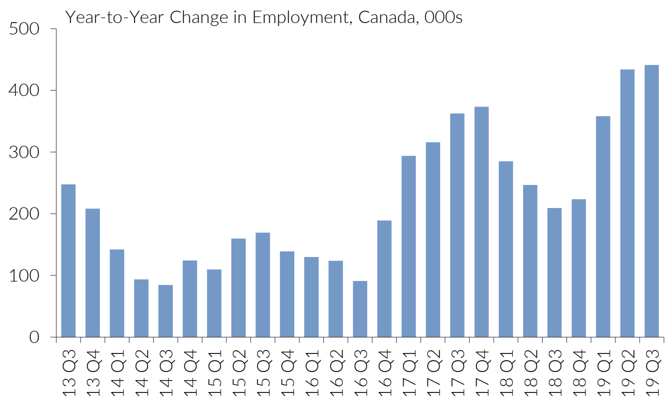
Existing Home Sales Continue to Move Up



* Composite for 18 boards
Source: Altus Group based on The Canadian Real Estate Association data

Chart 3

Strong Job Growth in 2019



Source: Altus Group based on Statistics Canada data

Chart 4

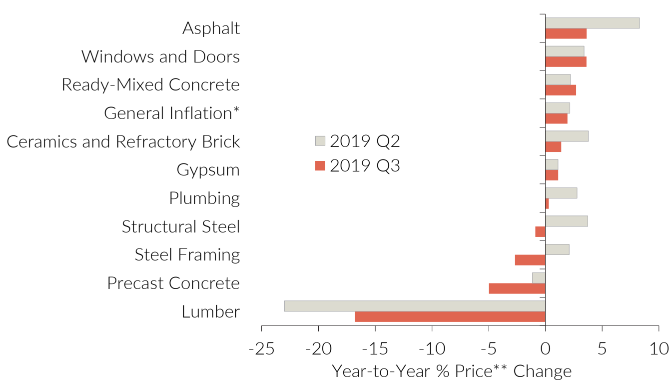
So-So Economic Growth to Continue

	Average 2009-18*	2018	2019f	2020f
	Year-to-Year Change			
Real GDP (%)	1.7	1.9	1.6	1.8
Employment Growth (000s)	165	241	373	219
CPI (%)	1.6	2.3	2.0	1.9
Real PDI** per Capita (%)	1.2	0.7	0.8	0.9
	End of year			
1 Year Mortgage Rate (%)***	3.3	3.6	3.6	3.3
5 Year Mortgage Rate (%)***	5.1	5.3	5.2	5.0

* Annual average
** Personal disposable income *** Published rates
Source: Historical - Statistics Canada and Bank of Canada
Forecasts - Altus Group

Chart 5

Sharp Declines in Lumber Prices Persist



* Consumer Price Index (CPI) ** All prices are freight-on-board (FOB) basis
Source: Altus Group based on Statistics Canada data

Altus Group Building Products Price Monitor

- In the third quarter, year-over-year price growth decelerated, compared to the second quarter, for 4 out of 10 of Canada's building products (Chart 5).
- Year-over-year, structural steel and steel framing prices decreased in Q3, following five consecutive quarterly increases for both products.
- Lumber prices decreased significantly year-over-year in Q3, the fourth consecutive quarterly decrease, while price declines accelerated for precast concrete.

Chart 6

Net Migration on Track to at Least Match 2018 Levels

	Average 2007-2016	2017	2018	Jan-Jun 2018	Jan-Jun 2019
	Total Net Migration (Persons, 000s)				
British Columbia	45.4	66.2	67.0	39.4	37.5
Alberta	48.1	23.0	39.1	16.0	22.1
Saskatchewan	10.0	7.9	6.6	2.6	1.7
Manitoba	10.4	14.4	11.0	5.8	4.7
Ontario	94.5	179.5	216.2	113.3	108.5
Quebec	38.5	68.3	71.8	40.8	49.4
Atlantic Canada	5.5	16.7	19.1	10.0	12.2
Canada*	252.4	376.7	429.1	228.2	235.8

* Includes Northwest Territories, Nunavut and Yukon
Source: Altus Group based on Statistics Canada data

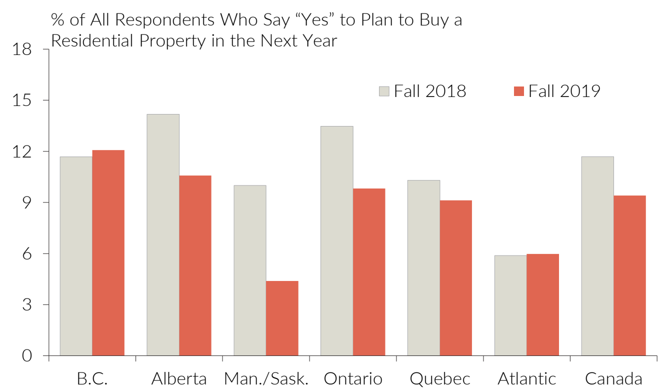
Chart 7

Soft New Home Prices Across the Country with the Exception of Quebec

Source: Altus Group based on Statistics Canada data

Chart 8

Canada-wide Homebuying Intentions Down from Last Year



Source: Altus Group

Outlook by Region

Net migration to Canada soared in 2018 to a new record (Chart 6) and continued strong in the 1st half of 2019.

British Columbia

- A housing market improvement is starting to take shape in response to lower house prices and mortgage rates. While declining resale inventories are positive for new home sales, starts are expected to moderate somewhat in 2020, given inherent lags.

Alberta

- Despite lingering pipeline woes and a weak economy, rising in-migration and stronger than expected job growth suggest some improvement in starts in 2020.

Saskatchewan

- Housing starts could hit an 18-year low in 2019, as weak net in-migration, tepid consumer spending and elevated housing inventories take their toll. Starts should move up in 2020 as the economy improves.

Manitoba

- Economic uncertainty and slower growth dampened the housing market in 2019. Lower interest rates are expected to have some stimulating effect leading to modestly higher starts in 2020.

Ontario

- 2019 saw rising resale and new home sales as some pentup demand was released on the back of lower house prices, lower effective mortgage rates and strong in-migration. Expect a modest boost to starts in 2020.

Quebec

- Starts in 2020 are expected to fall back from a buoyant 2019, due to eroding affordability from higher house prices, limits on immigration and slower economic growth.

Atlantic Canada

- Housing starts rallied somewhat in 2019 but are expected to moderate in 2020 as migration and job growth wane.

Chart 9

Altus Group Housing Starts Forecast by Province

		British Columbia	Alberta	Saskatch-ewan	Mani-toba	Ontario	Quebec	New Bruns-wick	Nova Scotia	Prince Edward Island	New-found-land	Canada
							Dwelling Units					
Total Starts												
Avg. 2009-18		*30,964*	*30,044*	*6,176*	*6,277*	*67,856*	*43,732*	*2,798*	*4,025*	*778*	*2,461*	*195,110*
2018		40,857	26,085	3,610	7,376	78,742	46,874	2,328	4,786	1,089	1,096	212,843
2019 f		45,286	26,238	2,456	6,799	70,439	48,264	3,161	4,374	1,547	815	209,379
2020 f		43,575	27,625	3,350	7,275	72,025	43,975	2,525	4,600	850	1,150	206,925
Single Family Starts (includes single-detached, semi-detached and row units)												
Avg. 2009-18		*14,940*	*22,265*	*4,335*	*4,271*	*39,302*	*18,495*	*1,967*	*2,353*	*533*	*2,058*	*110,520*
2018		16,569	18,468	2,319	4,195	38,089	14,968	1,530	2,624	748	932	100,442
2019 f		14,861	16,263	1,681	3,649	33,989	13,564	1,786	2,149	697	715	89,354
2020 f		16,025	18,475	2,375	4,225	36,850	14,600	1,725	2,850	625	825	98,575
Apartment Starts												
Avg. 2009-18		*16,024*	*7,779*	*1,840*	*2,006*	*28,554*	*25,237*	*830*	*1,672*	*245*	*403*	*84,590*
2018		24,288	7,617	1,291	3,181	40,653	31,906	798	2,162	341	164	112,401
2019 f		30,425	9,975	775	3,150	36,450	34,700	1,375	2,225	850	100	120,025
2020 f		27,550	9,150	975	3,050	35,175	29,375	800	1,750	225	325	108,375
Total Starts, Quarterly, Seasonally Adjusted at Annual Rates												
2018	1	42,721	25,505	3,740	5,931	87,330	48,095	2,111	4,304	823	1,927	222,487
	2	39,269	29,827	3,180	6,417	76,301	52,913	2,220	4,689	1,177	944	216,937
	3	40,231	28,357	3,583	9,550	69,831	35,242	2,265	6,318	800	1,217	197,394
	4	39,309	21,115	3,838	7,560	82,368	52,783	2,443	4,086	1,553	868	215,923
2019	1	44,897	21,811	2,042	6,358	61,919	49,778	2,272	4,115	603	588	194,383
	2	49,800	26,004	2,333	8,669	68,172	52,115	4,334	5,142	1,411	868	218,850
	3	44,392	30,720	2,757	6,239	79,255	47,657	3,338	4,675	2,113	923	222,089
	4 f	43,600	26,000	2,800	6,000	70,000	46,000	3,300	3,500	2,000	800	204,000
2020	1 f	42,000	27,000	2,800	6,500	72,500	45,000	2,750	4,600	900	900	204,950
	2 f	45,000	27,500	2,900	7,500	73,000	45,000	2,750	4,800	900	900	210,250
	3 f	45,000	28,500	3,900	7,500	72,250	44,000	2,800	4,500	900	1,350	210,700
	4 f	44,000	28,000	3,900	7,500	70,000	44,000	2,800	4,500	900	1,350	206,950
Total Starts, Quarterly, Actual												
2018	1	9,754	5,476	761	1,228	18,143	7,463	189	840	121	199	44,174
	2	10,454	7,693	840	1,698	20,052	14,673	586	1,173	320	237	57,726
	3	10,240	7,644	1,045	2,567	18,822	9,758	767	1,684	257	399	53,183
	4	10,409	5,272	964	1,883	21,725	14,980	786	1,089	391	261	57,760
2019	1	8,943	4,593	345	1,336	13,044	7,841	140	878	105	58	37,283
	2	14,522	6,908	614	2,247	17,455	14,519	847	1,289	371	217	58,989
	3	11,021	8,212	797	1,716	21,265	12,804	1,174	1,307	571	315	59,182
	4 f	10,800	6,525	700	1,500	18,675	13,100	1,000	900	500	225	53,900
2020	1 f	8,375	5,675	475	1,375	15,275	7,100	175	975	150	100	39,650
	2 f	13,125	7,300	775	1,950	18,700	12,525	525	1,200	225	225	56,575
	3 f	11,175	7,625	1,125	2,075	19,375	11,825	975	1,250	250	450	56,125
	4 f	10,900	7,025	975	1,875	18,675	12,525	850	1,175	225	375	54,575

Outlook for Selected Major Markets

This section presents Altus Group's latest outlook for housing starts for eight major markets. Highlights of the forecast include:

- **Total starts in 2020 are forecast to come in higher than in 2019 in only three of the markets examined here**, and these are the ones that did not share in the upturn in 2019: **Calgary, Winnipeg and Toronto.** Other markets are expected to record stable (Edmonton) or lower starts.
- By dwelling type, **expect some decline in apartment starts in 2020** (excluding Toronto) **and stronger single-family starts** (except for Ottawa and Montreal).

The detailed starts forecasts are shown below (Chart 10).

Key factors underlying the outlook for each market are discussed on the next 2 pages. For context on the commentary for each market, refer to the accompanying charts on trends in employment (Chart 11), existing home sales and months of inventory (Chart 12), house prices (Chart 13) and condominium apartment key metrics (Chart 14).

Total Starts Trends

	2019	2020
Vancouver	▲	▼
Edmonton	▲	●
Calgary	▼	▲
Winnipeg	▼	▲
Toronto	▼	▲
Ottawa	▲	▼
Montreal	▲	▼
Halifax	▲	▼

Chart 10

Altus Group Housing Starts Forecast, Selected Major Markets

	Vancouver	Edmonton	Calgary	Winnipeg	Toronto	Ottawa	Montreal	Halifax
				Dwelling Units (000s)				
Total Starts								
Avg. 2009-2018	*19,674*	*11,557*	*11,221*	*4,109*	*36,663*	*6,167*	*20,520*	*2,455*
2018	23,404	10,038	10,971	5,384	41,107	7,539	25,000	2,871
2019f	27,225	10,575	10,275	5,200	31,300	8,075	25,825	3,000
2020f	25,475	10,525	11,300	5,575	37,300	7,700	23,500	2,700
Single Family Starts (includes single-detached, semi-detached and row units)								
Avg. 2009-2018	*7,279*	*8,404*	*7,659*	*2,443*	*15,883*	*4,154*	*5,530*	*1,000*
2018	7,516	7,948	6,568	2,628	11,468	5,076	4,731	949
2019f	6,725	6,800	6,275	2,400	8,800	5,350	4,425	1,075
2020f	6,875	7,300	7,700	2,925	12,850	5,100	4,250	1,100
Apartment Starts								
Avg. 2009-2018	*12,396*	*3,152*	*3,562*	*1,665*	*20,780*	*2,013*	*14,990*	*1,456*
2018	15,888	2,090	4,403	2,756	29,639	2,463	20,269	1,922
2019f	20,500	3,775	4,000	2,800	22,500	2,725	21,400	1,925
2020f	18,600	3,225	3,600	2,650	24,450	2,600	19,250	1,600

Source: Canada Mortgage and Housing Corporation (historical) and Altus Group (forecasts)

Vancouver

- With resale house prices not falling as quickly as they had been and sales picking up in the third quarter, the housing market appears to be starting to turn a corner.
- Starts in 2019 were buoyed by earlier new condominium sales activity and purpose-built rental investment. While new home sales were down significantly in 2019, there is still a backlog of projects yet to be started that will buoy starts somewhat in 2020, although they will be lower than in 2019.

Edmonton

- Despite flat home resales and very weak new condominium apartment sales, housing starts in 2019 are expected to slightly exceed 2018's tally.
- Lower interest rates, declining house prices, strong in-migration, a modest pickup in employment, alongside declining resale inventories are expected to have some positive impact on new home sales in 2020. However, the impact on starts will not be felt until later in the year, suggesting relatively flat starts in 2020 compared to 2019.

Calgary

- Starts have been trending lower and are expected to close out 2019 below 2018. Although condominium apartment resales are slightly higher year-to-date, new condominium apartment sales are down significantly. Starts will shift modestly into the single-family sector in 2020 as demand shifts back somewhat to the single-family side. New townhouse sales in 2019 have pointed to some improvement in this segment.
- Overall, in-migration, lower mortgage rates and better economic conditions bode well for somewhat higher new home sales and housing starts in 2020.

Winnipeg

- Led by both purpose-built rental and condominium apartment starts, total housing starts slowed sharply in the third quarter of 2019 as Winnipeg's economic sails lost some wind.
- Looking ahead to 2020, starts are expected to improve slightly from 2019 and remain above the 10 year average.

Chart 11

Slower, but Still Robust, Job Growth Next Year in Toronto

CMA	**Ann. Avg. 2009-2018**	**2018**	**2019f**	**2020f**
	Change in Employment (000s)			
Vancouver	23.2	24.8	55.4	22.6
Edmonton	13.9	19.2	9.8	12.9
Calgary	12.2	7.8	32.1	12.0
Winnipeg	4.2	5.9	7.8	5.3
Toronto/Oshawa	52.6	73.6	121.7	87.1
Ottawa/Gatineau	6.1	14.0	20.3	13.4
Montreal	28.0	41.3	15.3	21.7
Halifax	2.4	9.6	7.3	1.6

f = forecast

f = forecast
Source: Altus Group based on Statistics Canada data

Chart 12

Excess Resale Inventories Being Worked Down

CMA	**Number of Homes Sold Through MLS** January - Sept 2018	2019	% Change	**Months of Resale Inventory** Sept 2018	2019
	Units (000)				
Vancouver*	31.8	28.7	-10	7.6	5.5
Edmonton	13.5	13.3	-2	7.2	6.4
Calgary	16.8	16.9	1	6.9	5.6
Winnipeg	9.6	10.3	7	4.9	4.1
Toronto	60.6	67.9	12	3.1	2.2
Ottawa	14.5	15.2	5	n.a.	n.a.
Montreal	36.6	39.6	8	6.6	4.6
Halifax	4.8	5.3	11	n.a.	n.a.

* Greater Vancouver and Fraser Valley Real Estate Boards
Source: Altus Group based on The Canadian Real Estate Board and local real estate boards

Chart 13

House Prices Continue to Adjust Down in Vancouver, Calgary and Edmonton

CMA	**New House Prices** 2017	2018	2019**	**Resale House Prices** 2017	2018	2019**
	Year-Over-Year % Change					
Vancouver*	6.2	3.6	-1.0	1.7	2.9	-6.6
Edmonton	-0.3	-0.4	-1.0	0.4	-1.4	-3.5
Calgary	0.0	-0.4	-1.6	0.7	-1.2	-4.5
Winnipeg	3.1	1.9	0.9	4.0	1.9	1.0
Toronto	7.2	-0.2	-0.9	12.9	-4.4	2.4
Ottawa	3.2	5.1	4.9	5.6	3.7	7.1
Montreal	1.2	2.6	3.1	5.3	3.8	3.7
Halifax	1.3	1.0	0.7	2.0	1.7	4.6

* Greater Vancouver and Fraser Valley Real Estate Boards for resale
** January to September
Source: Altus Group based on Statistics Canada, The Canadian Real Estate Board and local real estate boards

Toronto

- Lower single-family and condominium apartment starts more than offset higher purpose-built rental starts in 2019, pushing the expectation for 2019 total starts to its lowest level since 2014.
- Lower prices, mortgage rates, and purchase incentives have provided some reprieve to homebuyers. Elevated in-migration and remarkably strong job growth are also supportive of housing demand.
- With stronger new home sales in 2019, both single-family and condominium apartment starts are expected to show some recovery in 2020.

Ottawa

- Demand appears to be holding up and builders are responding to the ebb and flow of the market.
- Housing starts in 2019 are expected to finish the year above 2018, thanks to increases for both single-family and condominium apartment starts alongside still strong purpose-built rental starts.
- Looking ahead to 2020, housing starts are expected to be down somewhat from 2019's lofty performance but remain above the 10 year average.

Montreal

- Continued strong in-migration has been sustaining consumer confidence and housing market activity, but a slowdown in job growth in 2019 may portend weaker housing demand in 2020.
- Resales are up in 2019, and excess inventories are being whittled down, with correspondingly higher prices. A surge in purpose-built rental apartments is pushing 2019 starts to a likely increase over 2018.
- Somewhat lower starts are expected in 2020. A 19% decrease in new condominium apartment sales during the first nine months of this year points to softer condominium starts in 2020, while single-family starts are expected to dip as well.

Halifax

- Strong job growth, in-migration and affordability buoyed Halifax's housing market in 2019. Starts are up over 2018, boosted by purpose- built rental projects, and single-family starts.
- Expect a return to a more normal pace in rental starts in 2020. Combined with just slightly higher single-family starts, total starts are expected to drop below 2019.

Chart 14

New Condominium Apartment Sales Down from Last Year Except in Toronto

	Vancouver		Edmonton		Calgary		Toronto		Montreal	
	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019
New Condominium Apartments (Units)										
Starts*	8,217	12,407	1,089	2,042	2,999	2,797	18,864	13,766	5,401	5,351
Under Construction**	25,817	28,043	3,069	3,771	5,122	4,564	50,473	55,472	9,950	10,409
Completed But Unabsorbed**	577	837	576	905	1,038	738	67	250	1,575	1,388
Sales*	8,497	4,360	500	301	1,522	887	14,140	17,867	5,882	4,736
MLS Condominium Apartments* **										
Number of Units Sold*	10,441	8,788	3,408	3,313	2,104	2,111	17,727	18,202	12,857	14,520
Average Price ($000s)*	708	662	243	227	295	274	550	580	302	314
Inventory (Months)**	5.7	4.6	n.a.	n.a.	7.7	6.4	2.1	1.6	7.0	4.3

* Jan-Sept **End of Sept *** Resale data for Calgary, Edmonton and Montreal includes townhouses; Vancouver price is MLS® benchmark apartment price for Vancouver

Source: Altus Group, Canada Mortgage and Housing Corporation and local real estate boards

Technical Notes

Sources:

All forecasts by Altus Group. Historical data provided by Altus Group, CMHC, Statistics Canada, The Bank of Canada, The Canadian Real Estate Association, The Real Estate Board of Greater Vancouver, The Fraser Valley Real Estate Board, The Edmonton Real Estate Board, The Calgary Real Estate Board Co-operative Limited, The Winnipeg Real Estate Board, The Toronto Real Estate Board, The Real Estate Board of Ottawa-Carleton and The Greater Montreal Real Estate Board.

Definitions:

Ownership starts:	Includes single-detached, semi-detached and freehold and condominium row and apartment units.
MLS:	Multiple Listing Service. MLS is a registered certification mark of The Canadian Real Estate Association.
Months of MLS inventory:	Number of active listings at month end divided by number of sales during the month.
House prices:	Resale - average price of a home sold through MLS; New - price of a constant quality new home.

September Starts Slip Slightly

Canada-wide housing starts for the month of September were 221,200 units seasonally adjusted at annual rate (SAAR), down from the revised number for August, according to CMHC estimates. The dip was due entirely to lower single-family starts offsetting a slight increase in apartment starts.

Regional highlights for September include:

- Atlantic Canada starts rose in all provinces except Nova Scotia;
- Starts in Quebec fell due to reduced activity in the Montreal CMA as well as other areas of the province;
- Ontario starts held firm as a dip in the Toronto CMA was countered by higher starts in the remainder of the province;
- Starts in Manitoba retreated while Saskatchewan starts pushed higher;
- Alberta starts improved; and
- British Columbia starts rose due to increased levels in the Vancouver CMA.

Housing Starts by Type and Area

	September 2018	August 2019	September 2019
		Total Starts (000s), SAAR	
Canada, Total	191.1	225.3	221.2
By Type of Unit			
Single-family	99.5	101.4	94.8
Apartment	91.6	123.9	126.5
By Area			
British Columbia	27.7	36.7	41.2
Vancouver CMA	*14.4*	*19.8*	*25.0*
Other Areas	*13.4*	*16.8*	*16.2*
Alberta	22.2	30.2	32.9
Saskatchewan	3.6	3.1	3.8
Manitoba	9.7	6.8	4.9
Ontario	78.0	84.1	85.0
Toronto CMA	*42.3*	*36.6*	*32.8*
Other Areas	*35.7*	*47.5*	*52.2*
Quebec	37.9	52.6	41.5
Montreal CMA	*27.1*	*25.3*	*18.8*
Other Areas	*10.8*	*27.3*	*22.7*
New Brunswick	2.7	4.2	4.5
Nova Scotia	7.1	5.7	4.5
Prince Edward Island	1.0	0.9	1.9
Newfoundland	1.2	1.0	1.1

Source: CMHC and estimates by Altus Group

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AltusAnalytics
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