Altus Group

HOUSING REPORT

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COVID-19 Housing Sector Tidbits: The Sequel

Since we produced our "COVID-19 Housing Tidbits" report last month, Altus Group has generated more data that is helpful in analyzing how the COVID-19 pandemic is impacting housing markets.

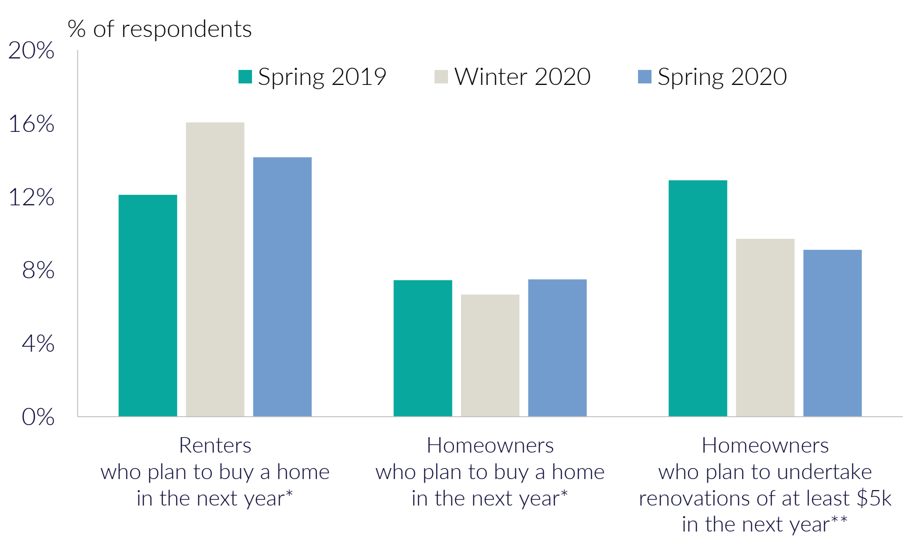
Canadians Still Want to Buy Homes

Altus Group has been tracking homebuying and renovation intentions on a quarterly basis for over 25 years in our FIRM Survey. Our latest survey was in field in early April, when Canadians were starting to adapt to emergency orders and work-at-home arrangements. At the Canada-wide level, renovation intentions had been on a downward trend even before COVID-19 hit (Chart 1) and slipped further in the Spring results. But homebuying intentions at the national level looked pretty good. While first-time buying intentions were down from the Winter survey, they are still ahead of a year ago. And repeat homebuying intentions didn't fall and are similar to a year ago.

Although the relatively favourable robust homebuying intentions for the next 12 months do not necessarily mean that buyers are ready to get out there in the short-term (see next item), they are encouraging for pent-up demand to be released when recovery from the pandemic starts to take hold.

Chart 1

Homebuying intentions holding up fairly well – at least Canada-wide



Source: Altus Group, The FIRM Survey Database

Highlights

- Homebuying intentions encouraging for release of pent-up demand post pandemic
- Short-term new home sales taking a hit in Southern Ontario
- Is COVID-19 pushing new home buyers to look beyond the GTA?
- New apartment development applications down in the City of Vancouver, even pre-COVID-19
- Sales of rental apartment buildings generally down in March
- COVID-19 related risks – but also opportunities – seen for rental investment

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COVID-19 Threw Cold Water on New Home Sales in Southern Ontario in April

Both builders and potential buyers in the area of Southern Ontario known as the Greater Golden Horseshoe (the Greater Toronto Area plus surrounding regional municipalities) stepped back in April from the heated activity of the first quarter. With the advent of the COVID-19 pandemic, most planned new project launches were put on hold, sales programs for existing projects moved to virtual or by-appointment-only models, and short-term homebuying plans were disrupted by employment uncertainty, as well as the challenges of stay-at-home routines.

As a result, there were less than 800 total new home sales in the GTA in April (Chart 2), down 80% from a year earlier, and the lowest April since Altus Group started tracking the market in 2000 (with record April lows for both single-family and condominium apartment units). The pattern was broadly similar for the combined areas of the GGH outside the GTA, with a crashing end coming in April to the stronger year-over-year performance in the first quarter, as total new sales dropped 78% from last April.

Some market observers are speculating that the COVID-19 pandemic could push residents of the GTA out to less densely population areas. There was already a trend in recent years in the GTA losing share of total GGH new home sales to the other areas of the GGH (Chart 3). The March and April sales did not show any acceleration in that trend, but we will be tracking this closely in the months to come.

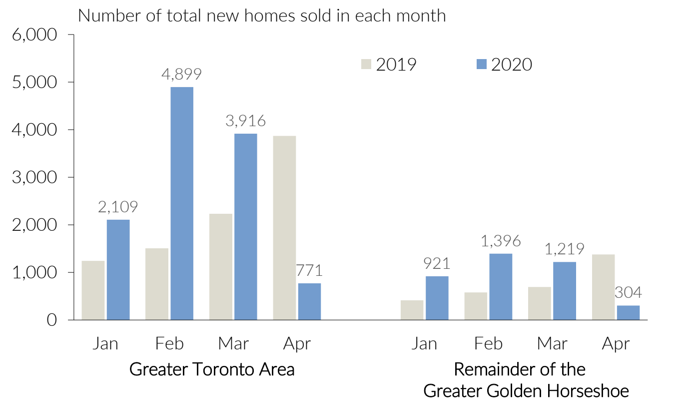
New Apartment Development Applications Down in Vancouver – Before COVID-19

Altus Group tracks new development applications in several Canadian municipalities including the City of Vancouver. The number of proposed new apartments units – both condominium and purpose-built – were down in March, April and May from their year earlier levels (Chart 4). But it would be hard to attribute this to concerns related to COVID-19 given applications were also down in January and February, and that new applications can be choppy in nature on a month-to-month basis.

Purpose-built rental applications held up better than condominium applications. Oversupply in the new condo market is likely a factor here, even without concerns related to the impact of COVID-19 on the market.

Chart 2

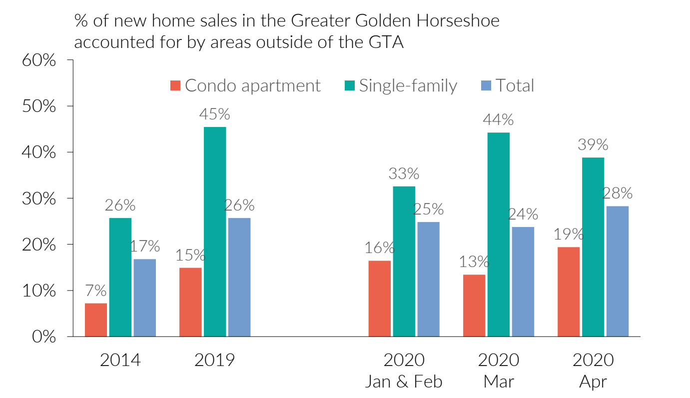
New home sales plunge in April in the GTA and surrounding areas



Source: Altus Group, New Homes Database

Chart 3

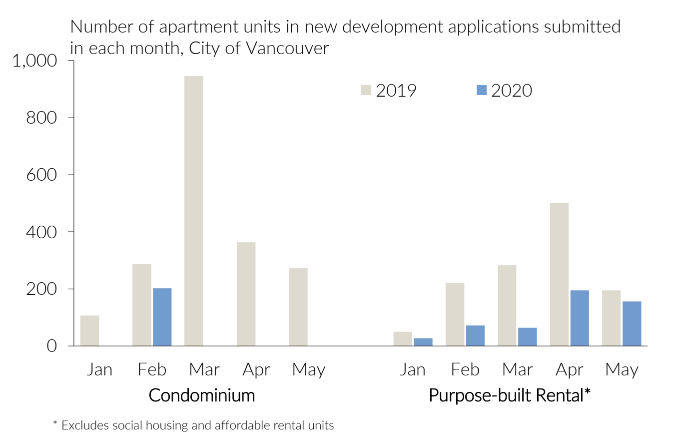
No strong evidence as yet that COVID-19 is pushing more buyers towards new homes outside the GTA



Source: Altus Group, New Homes Database

Chart 4

Vancouver new development applications for apartment units down– but not all COVID-19 related



* Excludes social housing and affordable rental units

Source: Altus Group, Development Applications Database

Sales of Rental Apartment Buildings Slump in March

Altus Groups tracks purpose-built rental apartment transactions in Canada's largest markets. Sales in March – which would partially feel the impacts of COVID-19 - were down from February by almost half on a combined basis for the tracked markets, although Calgary and Ottawa did not contribute to the decline (Chart 5).

For the four areas that April data is now available for, combined sales "rebounded" in April. However, that was largely due to one sizeable $300.2 million transaction, consisting of 3 properties in Hamilton, Cambridge and Kitchener for a total 750 units, although sales were also up in April in the GTA.

COVID-19 Related Risks - But Also Opportunities- Seen for Rental Investment

To help our clients during these uncertain times, Altus Group has initiated our new Key Assumptions Survey, which provides opinions and perspectives on the short and longer-term impact of COVID-19 on the office, retail, industrial and multi-family rental investment markets. This article focuses on just 2 questions, the full survey has additional results.

The top risks seen for rental market fundamentals are impacts to consumer demand brought about by job losses and hits to income (Chart 6). Noticeably absent is the potential impact of lower immigration, a factor we would caution rental investors should be taking into consideration.

COVID-19 has caused many larger rental investors (more than 1 in 3) to delay or postpone buying decisions that had already been made, and many others are reviewing their investment strategies (Chart 7).

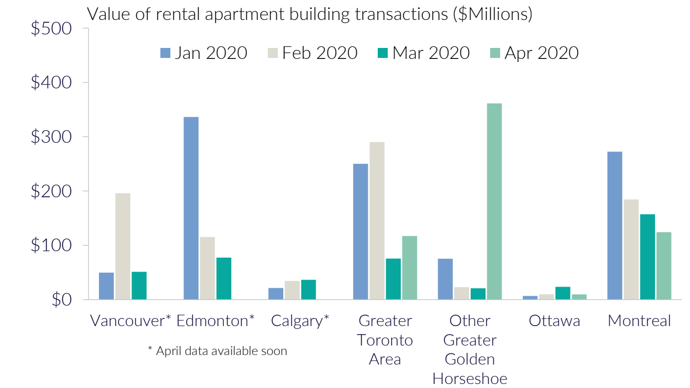
But for some investors, it is more of a "never let a good recession go to waste", with about 1 in 3 feeling that it is a good time for opportunistic buying.

Through the Key Assumptions Survey, Altus Group will be tracking how these, and other, investor attitudes and assumptions may change over the course of the COVID-19 timeframe. We look forward to the May survey results, which will be available in mid-June.

For information on any of the Altus Group data referenced in this report, please contact datasolutionsinfo@altusgroup.com

Chart 5

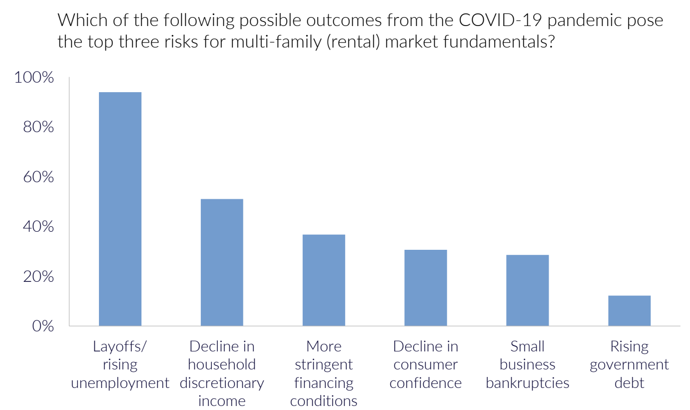
Apartment building sales generally slowed in March



Source: Altus Group, Commercial Transactions Database

Chart 6

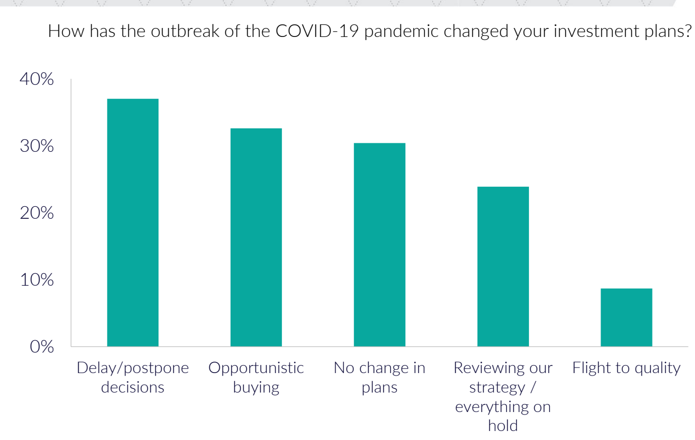
Labour market disruption and hits to household income top risks cited for rental investment



Source: Altus Group, Key Assumptions Survey, April 2020

Chart 7

1 in 3 rental investors see buying opportunities



Source: Altus Group, Key Assumptions Survey, April 2020

March Starts Continue Slide

Canada-wide housing starts for the month of March were 195,200 units seasonally adjusted at annual rate (SAAR), down for the 2nd month in a row. The decline was due entirely to lower apartment starts as the single-family sector rose slightly.

Regional highlights for March include:

- Atlantic Canada starts were lower across the region except for New Brunswick;
- Starts slipped in Quebec due to declines in both the Montreal CMA as well as other areas of the province;
- Ontario starts eased across the Toronto CMA and the remainder of the province;
- Starts nudged higher in Manitoba and dipped in Saskatchewan;
- Alberta starts surged; and
- B.C. starts slumped due to lower starts outside the Vancouver CMA.

Housing Starts by Type and Area

	March 2019	February 2020	March 2020
	Total Starts (000s), SAAR		
Canada, Total	192.8	210.6	195.2
By Type of Unit			
Single-family	83.3	104.3	106.9
Apartment	109.5	106.3	88.2
By Area			
British Columbia	35.5	42.3	34.0
Vancouver CMA	*21.0*	*20.5*	*21.2*
Other Areas	*14.5*	*21.7*	*12.8*
Alberta	20.0	20.0	32.5
Saskatchewan	1.9	2.2	1.9
Manitoba	5.8	5.4	5.7
Ontario	61.7	77.9	68.0
Toronto CMA	*32.2*	*31.2*	*25.1*
Other Areas	*29.5*	*46.7*	*42.9*
Quebec	60.7	49.8	45.6
Montreal CMA	*31.4*	*19.6*	*18.2*
Other Areas	*29.3*	*30.2*	*27.4*
New Brunswick	1.2	1.8	3.3
Nova Scotia	5.0	8.5	2.9
Prince Edward Island	0.2	1.7	0.6
Newfoundland	0.6	0.9	0.6

Source: CMHC and estimates by Altus Group

Labour Force Indicators

	Employment Growth		Unemployment Rate	
	Jan-Mar 19- Jan-Mar 20-	Mar 19- Mar 20	Mar 2019	Mar 2020
	000s		*%*	
St. John's	-1	-3	7.7	8.3
Halifax	2	1	4.9	6.8
Quebec	-19	-32	3.5	5.5
Montreal	9	-15	5.7	6.4
Ottawa	31	13	4.9	4.9
Toronto/ Oshawa	115	50	6.5	6.1
Kitchener- Waterloo	9	7	4.8	6.0
London	12	13	4.9	5.8
Winnipeg	6	5	5.3	5.5
Regina	-5	-6	4.7	7.2
Saskatoon	4	3	6.1	7.1
Calgary	-4	-23	7.5	8.6
Edmonton	-15	-28	7.1	7.9
Vancouver	-9	-40	4.8	5.3
Victoria	9	7	3.0	4.6

Based on seasonally adjusted 3 month averages
Source: Altus Group based on Statistics Canada data

Resale Housing Market Indicators

	MLS Sales*			Months of Inventory**	
	Mar 2019	Mar 2020	% Change	Mar 2019	Mar 2020
	Units				
St. John's	278	214	-23	n.a.	n.a.
Halifax	503	570	13	n.a.	n.a.
Quebec	879	1,139	30	9.2	6.1
Montreal	5,660	5,907	4	3.9	2.4
Ottawa	1,529	1,532	0	n.a.	n.a.
Toronto/ Oshawa	7,132	8,012	12	2.2	1.3
Kitchener- Waterloo	511	577	13	1.6	0.9
London	810	866	7	1.8	1.8
Winnipeg	948	1,029	9	3.3	3.3
Regina	210	214	2	7.7	8.2
Saskatoon	352	380	8	n.a.	n.a.
Calgary	1,742	1,552	-11	5.6	5.5
Edmonton	1,197	1,166	-3	6.9	6.2
Vancouver	1,727	2,524	46	7.4	3.8
Victoria	600	570	-5	3.1	3.0

* Multiple Listing Service (MLS) is a registered certification mark owned by The Canadian Real Estate Association
** Active listings at month end divided by sales during the month. A 5 months inventory of resale product is considered to be a "normal" market.
Source: Altus Group based on data from The Canadian Real Estate Association and local real estate boards

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