Altus Group

quarterly FORECAST ISSUE

HOUSING REPORT

Vol. XXIX No. 11 May 2020

COVID-19 Pandemic Disrupting Housing Starts, Uncertainy Looms

Recent Activity

- In the 1st quarter of 2020, total Canada-wide housing starts came in at 209,000 units seasonally adjusted at annual rate (SAAR) according to CMHC (Chart 1), up 3.3% from the previous quarter. Higher starts in Ontario, Quebec, New Brunswick and Nova Scotia more than offset losses elsewhere.
- The number of existing home sales decreased by 3% in the 1st quarter of 2020 and home prices increased by 3%, sustaining a price recovery (Chart 2).

Forecast Summary

- The global pandemic has indisputably been a major disruptive factor in all facets of life. Changed behavior and government-imposed containment measures have led to major changes in spending patterns of Canadians with millions of job losses, and has plunged the economy into a sudden and deep recession.
- There are immediate factors stopping or slowing new construction projects including government-imposed bans on construction in some regions of the country, disruptions in municipal planning approvals and impacts on supply chains.
- There are economic factors too. With the loss of over 3 million jobs in Canada between Feb and April and lost hours of work among millions more, the Canadian economy is contracting at an unprecedented rate. Current nowcasts for Q2 GDP growth range from -30% to -50% (q/q annualized % change). The effect of this recession will be felt in the housing market and affect housing starts in the medium to longer term, but the question is to what extent?
- The answer to that question lies in two contrasting factors affecting conditions later this year and into 2021. On the positive side, the massive government income relief programs will mitigate some of the financial impacts of the recession on households. The recession is expected to be short lived - estimates have the pace of job growth recovering strongly over the second half of the year and through 2021 as social distancing measures are relaxed and more workplaces open. But the negative impacts will certainly linger, including reduced household incomes, drawn down household savings, insolvencies, tighter credit conditions and mortgage rules all affecting potential home buyers' ability to save, borrow and purchase a home.

Continued on Page 3

Total Starts, Canada

2019	208,685
2020f	171,600
2021f	201,600

Starts Trends by Type

	2020	2021
Total	▼	▲
Single-family	▼	▲
Apartment	▼	▲

Starts Trends by Region

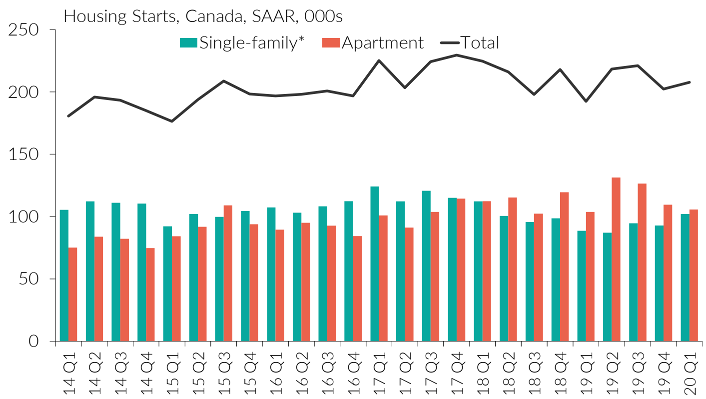
	2020	2021
B.C.	▼	▲
Alberta	▼	▲
Sask.	▲	▲
Manitoba	▼	▲
Ontario	▼	▲
Quebec	▼	▲
Atlantic	▼	▲

Altus Group

33 Yonge St., Suite 500
Toronto, ON M5G 1G4
(416) 596-7676
datasolutionsinfo@altusgroup.com
altusgroup.com

Chart 1

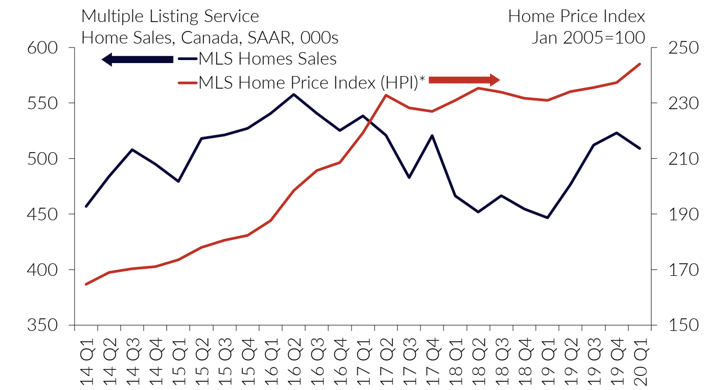
Single Family Starts Higher, Apartment Starts Lower in Q1 2020



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

Chart 2

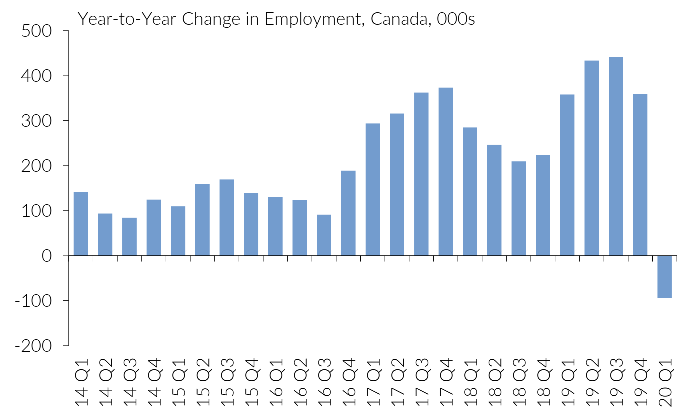
Existing Home Sales Down and Prices Up in Q1 2020



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

Chart 3

Remarkable Job Growth in 2019 Comes to a Halt in Q1 2020 Amid Pandemic



Source: Altus Group based on Statistics Canada data

Chart 4

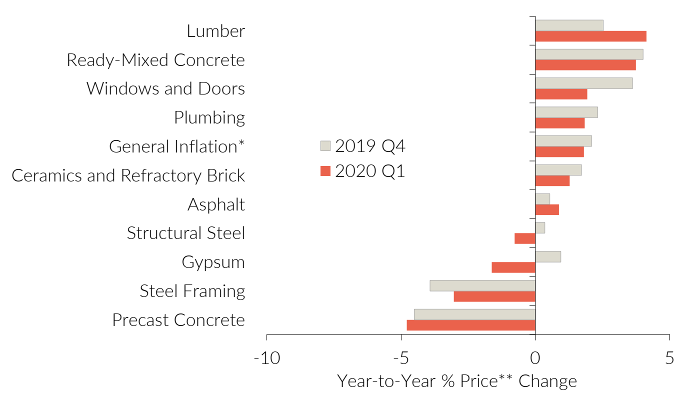
Economic Comeback to be Sharp but Insufficient to Fully Reverse Losses from COVID Period by End of 2021

	Average 2009-18*	2019	2020f	2021f
	Year-to-Year Change			
Real GDP (%)	1.7	1.6	(7.1)	5.0
Employment Growth (000s)	165	398	(1,305)	1,157
CPI (%)	1.6	1.9	0.7	1.6
Real PDI** per Capita (%)	1.2	(0.0)	(1.7)	2.9
	End of year			
1 Year Mortgage Rate (%)***	3.3	3.6	2.6	2.7
5 Year Mortgage Rate (%)***	5.1	5.2	4.4	4.6

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

Chart 5

Structural Steel Prices Decline for the First Time in Years



* 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 first quarter of 2020, year-over-year price growth advanced for 6 out of 10 of Canada's building products segments (Chart 5).
- Precast concrete prices decreased in Q1, the fourth consecutive quarterly decrease.
- Year-over-year, lumber and asphalt prices increased more notably in Q1 2020 than in Q4 2019.

Chart 6

Net Migration Remained Strong in 2019

	Average 2007-2016	2017	2018	2019
	Total Net Migration (Persons, 000s)			
British Columbia	45.4	66.2	67.0	74.0
Alberta	48.1	23.0	37.4	50.6
Saskatchewan	10.0	7.9	6.6	5.9
Manitoba	10.4	14.4	11.0	9.4
Ontario	94.5	179.5	216.2	233.0
Quebec	38.5	68.3	71.8	91.4
Atlantic Canada	5.5	16.7	19.1	24.1
Canada*	252.4	376.7	429.1	488.0

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

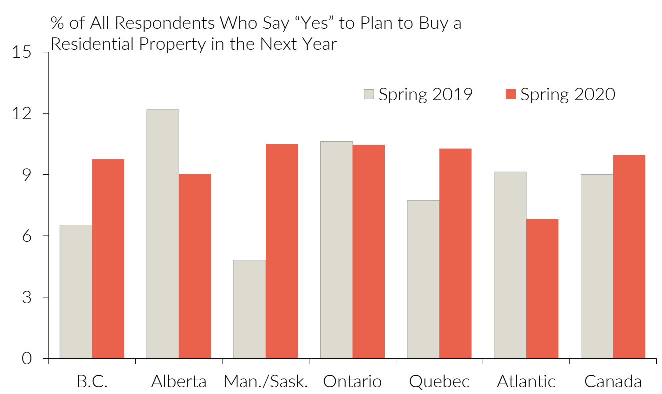
Chart 7

New Home Prices Softened in Western Provinces but Advanced in Central and Atlantic Canada

Source: Altus Group based on Statistics Canada data

Chart 8

Canada-wide Homebuying Intentions Up from Last Year



Source: Altus Group

Outlook by Region

Net migration to Canada surged to a new record in 2019 (Chart 6) but more recently has been directly impacted by COVID related travel restrictions.

British Columbia

- A weak Q1 for starts going into the crisis puts starts negative for 2020; low COVID rate means recovery in 2021.

Alberta

- Energy sector woes will continue to negatively affect Alberta housing demand even as COVID wears off.

Saskatchewan

- Minor COVID effects on this economy are positive, and housing continues to recover from lows in 2019.

Manitoba

- Relatively minor falls in GDP and jobs a positive, but weaker migration a factor for housing starts recovery.

Ontario

- Significant planning approval delays due to COVID in Toronto will be disruptive to starts for a while, but should recover given demand

Quebec

- Brief full construction shutdown disrupted starts compounding issue of slowing sales in Montreal.

Atlantic Canada

- Energy sector woes are a factor especially for NFLD, and Atlantic Canada's recent reliance on migration, which will now be weaker, are both negative factors for housing starts.

Continued from Page 1

- An additional negative risk for the medium term is the impact of reduced international in-migration, a segment that has been a very important driver of housing demand in the past few years.
- On net, expect starts to fall some 18% this year, reaching about 171,600 units – an 11-year low. Recovery in 2021 will bring starts back to just over 200,000 units.

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. 2010-19		*33,850*	*30,747*	*6,032*	*6,554*	*69,717*	*44,188*	*2,739*	*4,153*	*840*	*2,250*	*201,070*
2019		44,932	27,325	2,427	6,946	68,985	47,967	2,935	4,719	1,504	945	208,685
2020 f		34,768	19,125	2,902	5,932	62,794	38,321	2,581	3,661	854	660	171,598
2021 f		41,500	22,325	4,275	6,175	75,225	44,150	2,625	3,575	625	1,150	201,625
Single Family Starts (includes single-detached, semi-detached and row units)												
Avg. 2010-19		*15,242*	*22,136*	*4,174*	*4,301*	*39,494*	*17,609*	*1,845*	*2,336*	*554*	*1,866*	*109,556*
2019		14,418	16,967	1,706	3,835	34,687	13,742	1,600	2,483	768	828	91,034
2020 f		13,368	13,275	1,952	3,482	29,869	10,321	1,756	2,436	629	560	77,648
2021 f		15,125	16,250	3,050	4,050	34,975	13,525	1,600	2,475	450	1,000	92,500
Apartment Starts												
Avg. 2010-19		*18,608*	*8,612*	*1,858*	*2,254*	*30,223*	*26,580*	*894*	*1,817*	*286*	*384*	*91,515*
2019		30,514	10,358	721	3,111	34,298	34,225	1,335	2,236	736	117	117,651
2020 f		21,400	5,850	950	2,450	32,925	28,000	825	1,225	225	100	93,950
2021 f		26,375	6,075	1,225	2,125	40,250	30,625	1,025	1,100	175	150	109,125
Total Starts, Quarterly, Seasonally Adjusted at Annual Rates												
2019	1	42,319	21,758	2,044	6,386	62,608	49,859	2,111	4,093	618	588	192,384
	2	49,827	25,942	2,319	8,670	68,238	51,954	4,004	5,118	1,428	872	218,372
	3	44,193	30,816	2,778	6,278	78,691	47,283	3,377	4,612	2,106	929	221,063
	4	41,561	30,577	2,633	6,582	65,851	44,003	2,462	4,778	1,631	1,213	201,291
2020	1	37,951	24,658	2,580	6,115	70,309	55,609	5,346	4,885	878	686	209,017
	2 f	35,000	20,000	2,500	5,000	67,000	35,000	3,000	3,400	950	400	172,238
	3 f	33,000	15,500	3,000	5,000	52,000	34,750	2,250	3,400	725	600	150,210
	4 f	33,500	18,000	3,500	7,800	65,000	35,000	2,950	3,400	900	1,000	171,040
2021	1 f	37,000	19,500	4,900	6,700	75,000	40,000	2,800	3,600	650	1,000	191,150
	2 f	40,000	20,000	4,300	6,300	77,000	45,000	2,800	3,600	650	1,200	200,850
	3 f	44,000	25,000	4,300	6,000	75,000	45,000	2,800	3,500	650	1,200	207,450
	4 f	44,000	25,000	4,200	6,000	75,000	45,000	2,800	3,500	650	1,200	207,350
Total Starts, Quarterly, Actual												
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	10,446	7,612	671	1,647	17,221	12,803	774	1,245	457	355	53,231
2020	1	7,918	5,200	502	1,307	14,594	8,971	256	961	154	60	39,923
	2 f	10,200	5,325	650	1,300	17,150	9,775	625	850	250	100	46,250
	3 f	8,225	4,125	850	1,375	14,050	9,400	775	975	200	200	40,200
	4 f	8,425	4,475	900	1,950	17,000	10,175	925	875	250	300	45,275
2021	1 f	7,825	4,125	825	1,400	15,625	6,300	175	775	100	100	37,250
	2 f	11,650	5,325	1,150	1,625	19,700	12,575	600	900	175	300	54,000
	3 f	10,975	6,650	1,225	1,650	20,275	12,175	975	1,000	175	400	55,500
	4 f	11,050	6,225	1,075	1,500	19,625	13,100	875	900	175	350	54,875

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

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:

- **For 2020, total starts are expected to come in lower than last year in all of the markets examined.** All markets are being affected by the COVID crisis, although regional variations exist due to differing intensity of containment measures and economic factors. Most markets will then see recovery starting in late 2020 and higher starts in 2021.
- **Expect weaker or stable apartment activity in all major markets in 2020 before most rebounding in 2021.**

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

	2020	2021
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. 2010-2019	*21,655*	*11,997*	*11,780*	*4,402*	*37,114*	*6,364*	*21,106*	*2,596*
2019	28,141	10,720	11,909	4,965	30,462	7,782	25,112	3,143
2020f	20,900	8,375	7,850	4,250	29,625	7,450	19,675	2,000
2021f	26,150	9,550	9,375	4,525	38,900	9,250	22,000	2,200
Single Family Starts (includes single-detached, semi-detached and row units)								
Avg. 2010-2019	*7,469*	*8,531*	*7,719*	*2,509*	*15,437*	*4,231*	*5,232*	*995*
2019	6,820	6,838	6,526	2,286	8,619	5,454	4,473	1,085
2020f	6,275	6,125	5,050	2,100	7,950	5,300	2,975	875
2021f	7,975	7,150	6,575	2,675	11,175	6,425	4,175	1,100
Apartment Starts								
Avg. 2010-2019	*14,185*	*3,466*	*4,062*	*1,893*	*21,677*	*2,133*	*15,874*	*1,602*
2019	21,321	3,882	5,383	2,679	21,843	2,328	20,639	2,058
2020f	14,625	2,250	2,800	2,150	21,675	2,150	16,700	1,125
2021f	18,175	2,400	2,800	1,850	27,725	2,825	17,825	1,100

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

Vancouver

- Weaker sales of new condominum apartment units in 2019 and early 2020 is dampening the pace of new housing starts for 2020, even aside from interuptions from COVID-19. On a positive note, Vanoucver was hit by COVID relatively lightly compared to other major cities, and has been opening up more quickly. Despite that, employment will still decline for the year as a whole but will see rapid recovery next year.
- Vancouver emerged from a long period of negative house price adjustment last fall and prices were firming up through to the beginning of the crisis. Lower inventories going into the crisis also suggests relatively strong housing performance coming out of the crisis. Increases in rental apartment construction will offset some of the declines in condominium activity.

Edmonton

- The Edmonton economy is especially suspectable to negative economic shocks from energy sector slowdowns and the current oil price shock is no exception. Sales of new condominium apartments remain exceptionally weak and many projects have shifted away from ownership to rental.
- Although disruptions due to COVID containment measures have been relatively minor in Edmonton, continued fallout from generally weak economic conditions will mean a slower recovery in housing starts on the other side of the crisis.

Calgary

- Reduced migration, lower new home sales going into the pandemic, and still weak home prices will continue to keep new construction starts off of the boil. Expect both 2020 and 2021 to turn in a lackluster performance.

Winnipeg

- Housing starts weakened in 2019 and then further in the first quarter of 2020. Pandemic effects are expected to be mild and resales are picking up despite low inventories, boding well for a modest recovery for starts into 2021.

Chart 11

Job Growth to Plummet in 2020 after a Record Setting Year

CMA	Ann. Avg. 2010-2019	2019	2020f	2021f
	Change in Employment (000s)			
Vancouver	28.8	48.3	-76.7	174.8
Edmonton	14.8	8.5	-112.1	36.1
Calgary	16.2	33.8	-100.9	32.9
Winnipeg	5.0	6.6	-12.5	12.7
Toronto/Oshawa	71.8	136.5	-140.5	253.1
Ottawa/Gatineau	10.4	33.4	-56.2	49.4
Montreal	31.2	17.9	-260.5	120.7
Halifax	2.6	6.5	-12.7	10.4

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

Chart 12

Inventories Down in Most Markets as Resales Increase

CMA	Number of Homes Sold Through MLS January - March 2019	2020	% Change	Months of Resale Inventory March 2019	2020
	Units (000)				
Vancouver*	7.0	9.6	37	6.3	3.6
Edmonton	3.0	3.0	2	6.9	6.2
Calgary	4.1	4.2	5	5.6	5.5
Winnipeg	2.2	2.5	11	3.3	3.3
Toronto	16.1	19.8	23	2.2	1.3
Ottawa	3.4	3.5	3	n.a.	n.a.
Montreal	12.9	14.7	13	3.9	2.4
Halifax	1.2	1.4	19	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, Edmonton and Calgary

CMA	New House Prices 2018	2019	2020**	Resale House Prices 2018	2019	2020**
	Year-Over-Year % Change					
Vancouver*	3.6	-1.4	-1.8	2.9	-4.9	8.3
Edmonton	-0.4	-1.3	-1.5	-1.4	-2.7	-0.4
Calgary	-0.4	-1.7	-2.1	-1.2	-3.8	-1.8
Winnipeg	1.9	0.8	0.8	1.9	0.5	0.6
Toronto	-0.2	-0.9	-0.5	-4.4	4.0	14.8
Ottawa	5.1	5.4	9.5	3.7	8.4	19.3
Montreal	2.6	3.9	7.5	3.8	4.5	11.1
Halifax	1.0	0.7	1.4	1.8	6.9	6.6

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

Toronto

- Stronger condominium apartment sales in 2019 after a lacklustre 2018 followed by record sales in Q1 this year should bode well. However, Toronto's economy and construction sector have been hit hard by the COVID shutdowns including significant delays in the planning process for new multi-family projects.
- Toronto's growth in recent years has also been highly fuelled by migration and this strength may become a risk factor as the timing for recovery in migration post-pandemic remains an uncertainty.

Ottawa

- Very strong new home sales in 2019 – especially amongst the townhouse segment – is suggestive that starts in 2020 may surpass the 17-year high achieved last year. While starts are slowing during the pandemic period, shutdown conditions have been relatively mild on the construction sector in Ottawa and we expect a strong rebound in the second half of the year and into 2021.
- Housing prices have been accelerating in Ottawa lately, reaching gains of over 15% year-over-year in May, indicating the continued strong demand in this market.

Montreal

- Montreal was severely affected by the COVID related shutdowns, and therefore housing starts in Montreal will certainly come in well below the recent highs of the past two year.
- But the deceleration goes beyond the pandemic. New condominium apartment sales are down 18% in 2019 and another 7% year-over-year in Q1 of 2020 after peaking in 2018
- Despite the slower demand for new housing, resale conditions are steady with low inventories of condominium apartments listed for sale on the MLS and modestly rising prices.

Halifax

- A very weak first quarter for housing starts in Halifax, down 21% year-over-year led by a sharp decline in purpose-built rental units, suggests a weak year this year even without factoring in the pandemic.
- Employment growth turned negative in September of 2019 and almost 6,000 jobs were lost even before the onset of the pandemic.

Chart 14

New Condominium Apartment Sales Down from Last Year Except in Toronto

	Vancouver		Edmonton		Calgary		Toronto		Montreal	
	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020
New Condominium Apartments (Units)										
Starts*	3,570	1,862	341	614	491	487	4,994	3,581	1,396	1,313
Under Construction**	25,475	27,512	2,661	4,206	4,397	4,375	53,869	55,276	10,711	11,054
Completed But Unabsorbed**	733	869	849	726	685	1,023	222	209	1,324	1,137
Sales*	1,616	1,579	59	22	244	236	2,875	6,727	1,413	1,310
MLS Condominium Apartments* **										
Number of Units Sold*	2,191	3,054	776	1,246	463	573	4,739	5,255	4,699	5,321
Average Price ($000s)*	672	680	217	215	285	258	558	654	302	334
Inventory (Months)	5.8	3.5	n.a.	n.a.	7.9	6.6	1.6	1.1	5.3	2.7

* January to March
**End of March

*** 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 Regional 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.

April Starts Slide

Canada-wide housing starts for the month of April were 166,500 units seasonally adjusted at annual rate (SAAR), down from the revised number for March, according to CMHC estimates. The decrease was due entirely to lower single-family starts as the apartment sector rose.

Regional highlights for January include:

- Atlantic Canada starts rose in Nova Scotia and P.E.I., dipped in New Brunswick and were unchanged in Newfoundland;
- In Quebec, the COVID-19 related construction shutdown wiped out all starts in the province;
- Ontario starts surged due to higher activity in the Toronto CMA despite shutdowns due to COVID-19;
- Starts surged in both Manitoba and Saskatchewan;
- Alberta starts shrank; and
- British Columbia starts slipped due to a falloff in starts in the Vancouver CMA.

Housing Starts by Type and Area

	April 2019	March 2020	April 2020
	Total Starts (000s), SAAR		
Canada, Total	231.5	195.2	166.5
By Type of Unit			
Single-family	90.9	106.6	66.4
Apartment	140.6	88.6	100.1
By Area			
British Columbia	52.9	34.4	29.6
Vancouver CMA	*34.2*	*21.2*	*15.1*
Other Areas	*18.7*	*13.2*	*14.4*
Alberta	25.8	32.9	24.8
Saskatchewan	1.5	1.9	2.8
Manitoba	6.7	5.6	7.3
Ontario	85.0	67.4	94.8
Toronto CMA	*38.1*	*25.0*	*60.9*
Other Areas	*46.9*	*42.4*	*33.9*
Quebec	52.4	45.7	-
Montreal CMA	*29.4*	*18.1*	-
Other Areas	*23.1*	*27.6*	-
New Brunswick	1.9	3.3	2.7
Nova Scotia	4.0	2.9	3.2
Prince Edward Island	0.8	0.5	0.9
Newfoundland	0.6	0.6	0.6

Source: CMHC and estimates by Altus Group

Peter Norman, Matthew Boukall, Carlos Forte, Edward Jegg, Trevor Noskiewicz
The **Altus Group Housing Report** is a publication of Altus Analytics, Data Solutions in conjunction with Altus Group Economic Consulting

DATA SOLUTIONS
ISSN 1183-8434