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Please contact **datasolutionsinfo@altusgroup.com** with any questions.

NATIONAL
State of the Market
2020

PART 1

RESIDENTIAL DEVELOPMENT

Keeping perspective in a pandemic

Altus Group

AGENDA

1. 2020 market trends
2. COVID-19 market impact across Canada
3. What’s in store for the rest of 2020 and 2021?
4. Wrap-up / Q&A

Altus Group

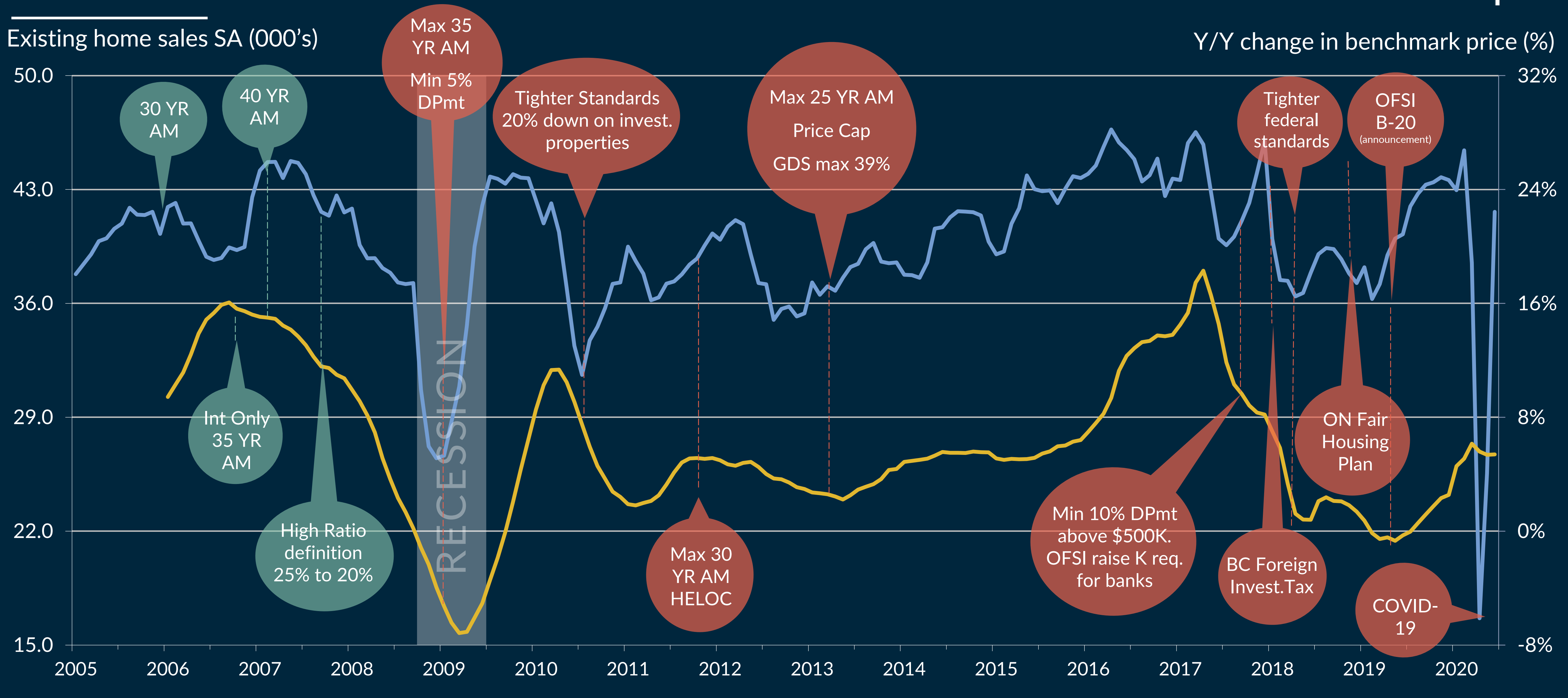
Matthew Boukall

Vice President, Product Management
Data Solution, Altus Group

2020 MARKET TRENDS

At a glance

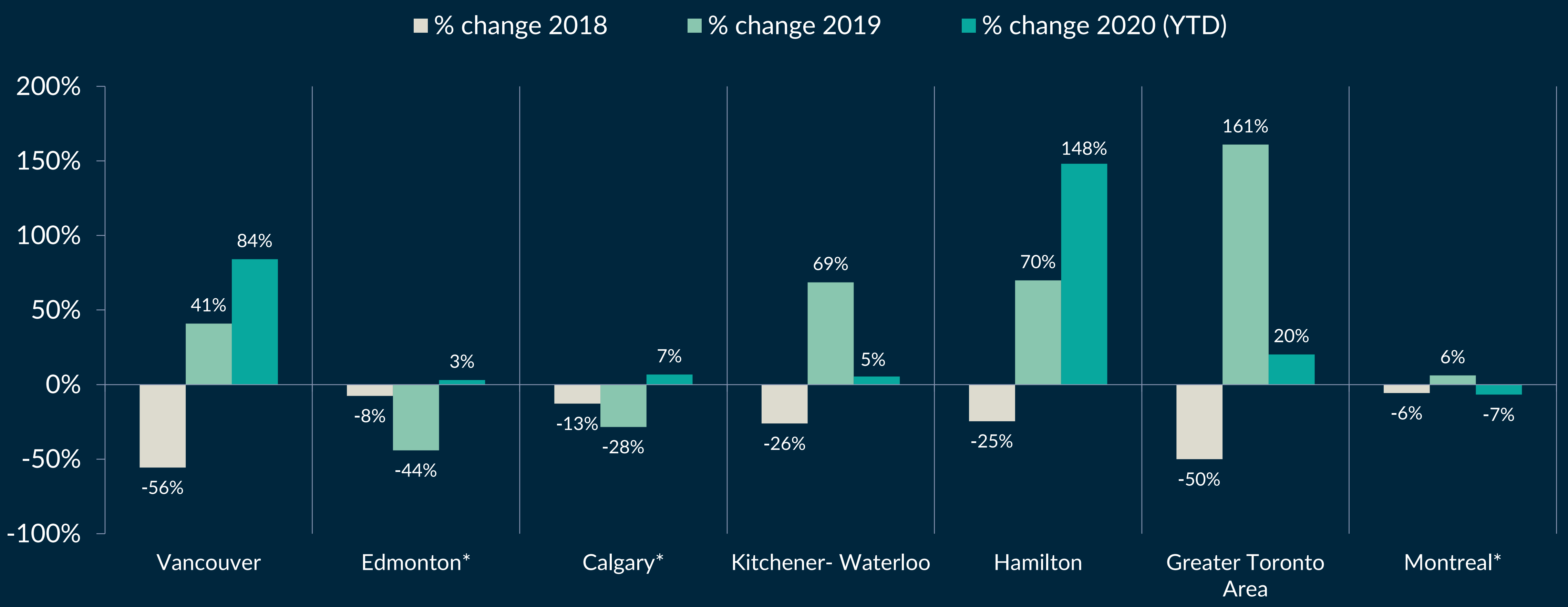
Housing Policy and Housing Market Performance



CREA HPI® 11-market aggregate composite index
Source: Altus Group, Economic Consulting and data from The Canadian Real Estate Association

Single-family housing demand is resilient in 2020

New single-detached & semi-detached home sales



Source: Altus Group and CMHC

* Approximated by housing starts

Affordability and supply keep townhouse demand strong

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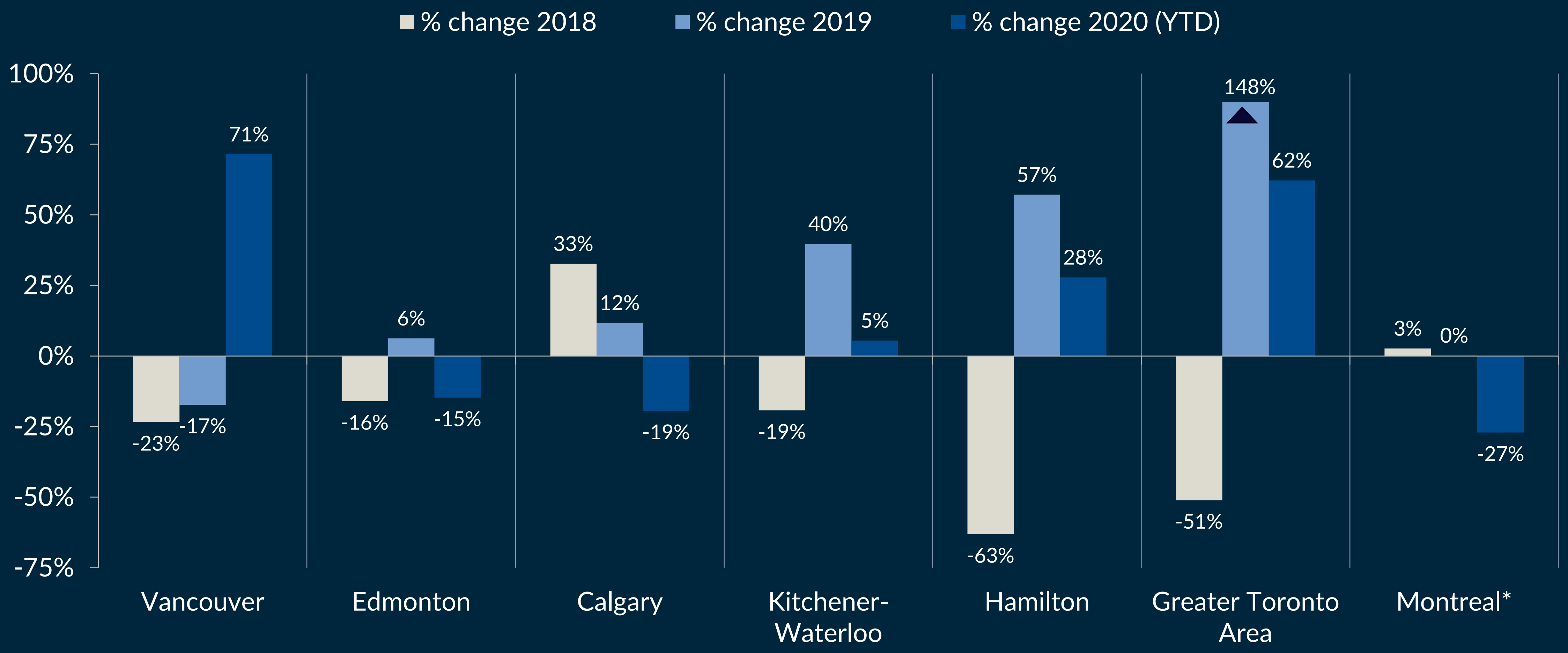
New townhouse sales

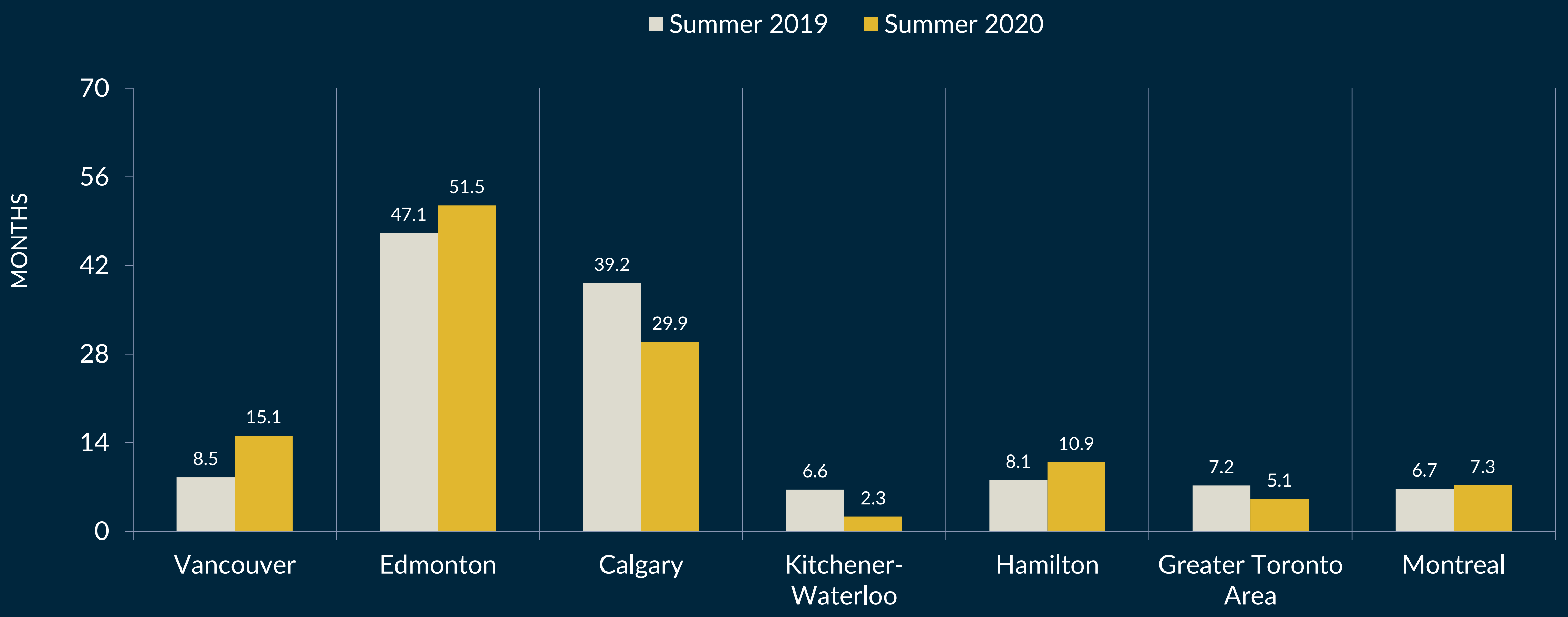


Source: Altus Group and CMHC

* Approximated by housing starts

Low inventory levels continue in Eastern Canada, while slower sales have allowed supply to increase out West

Month of available new inventory*

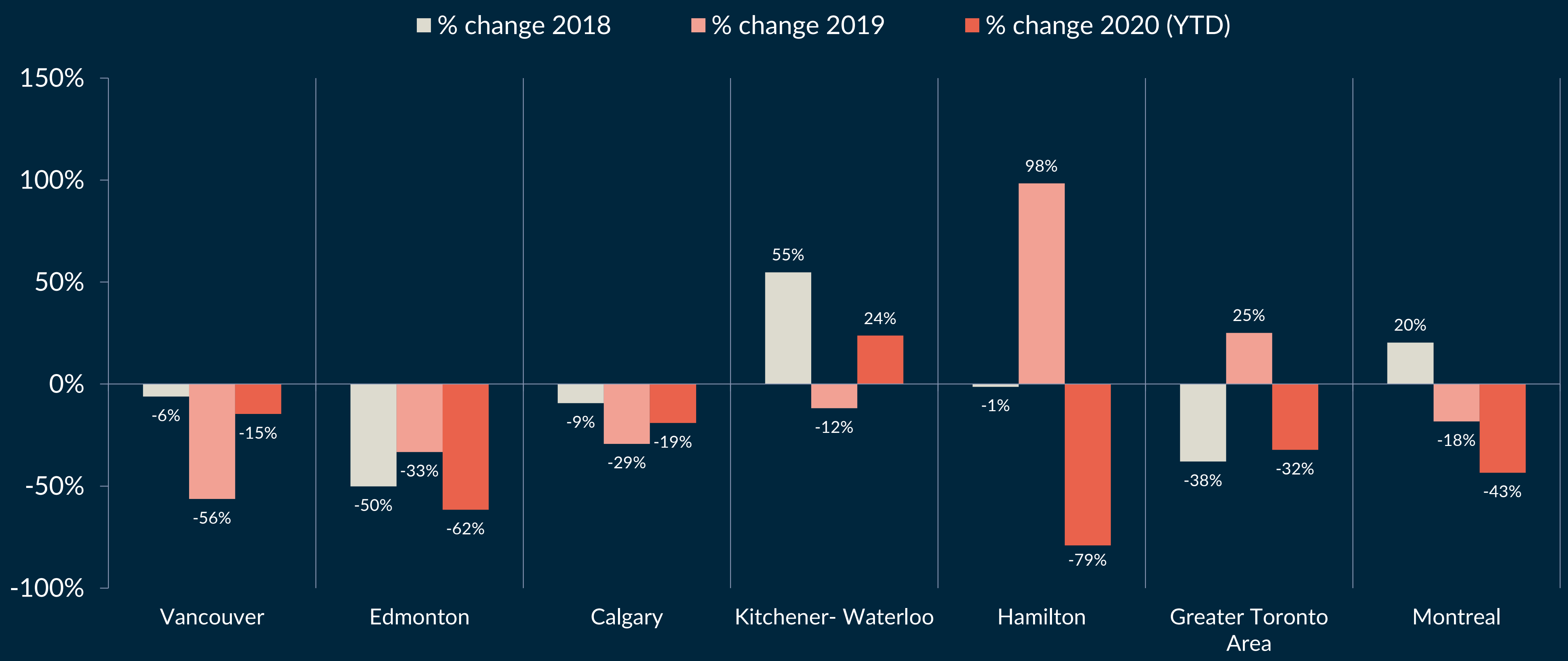


* At average monthly pace of sales in the previous 12 months

Source: Altus Group

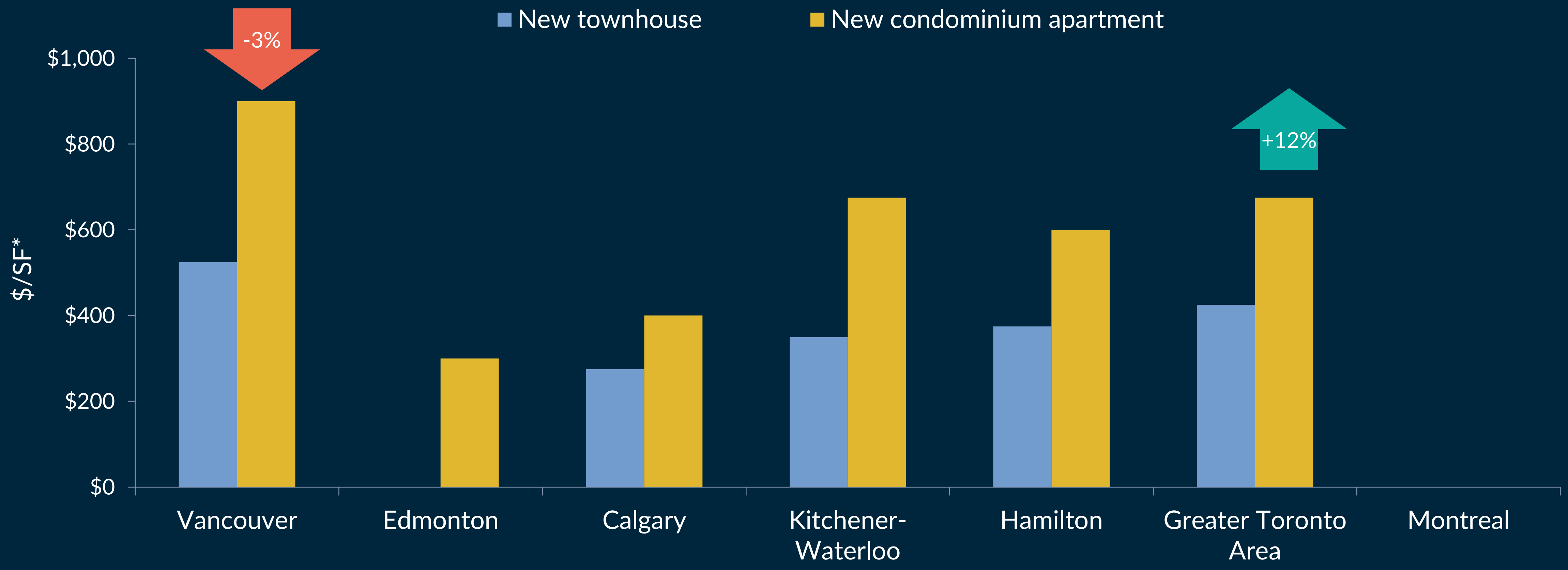
Condominium apartment demand declines out West, while supply constraints impact GTA

New condominium apartment sales



Source: Altus Group

Average condo prices in Vancouver and GTA converging

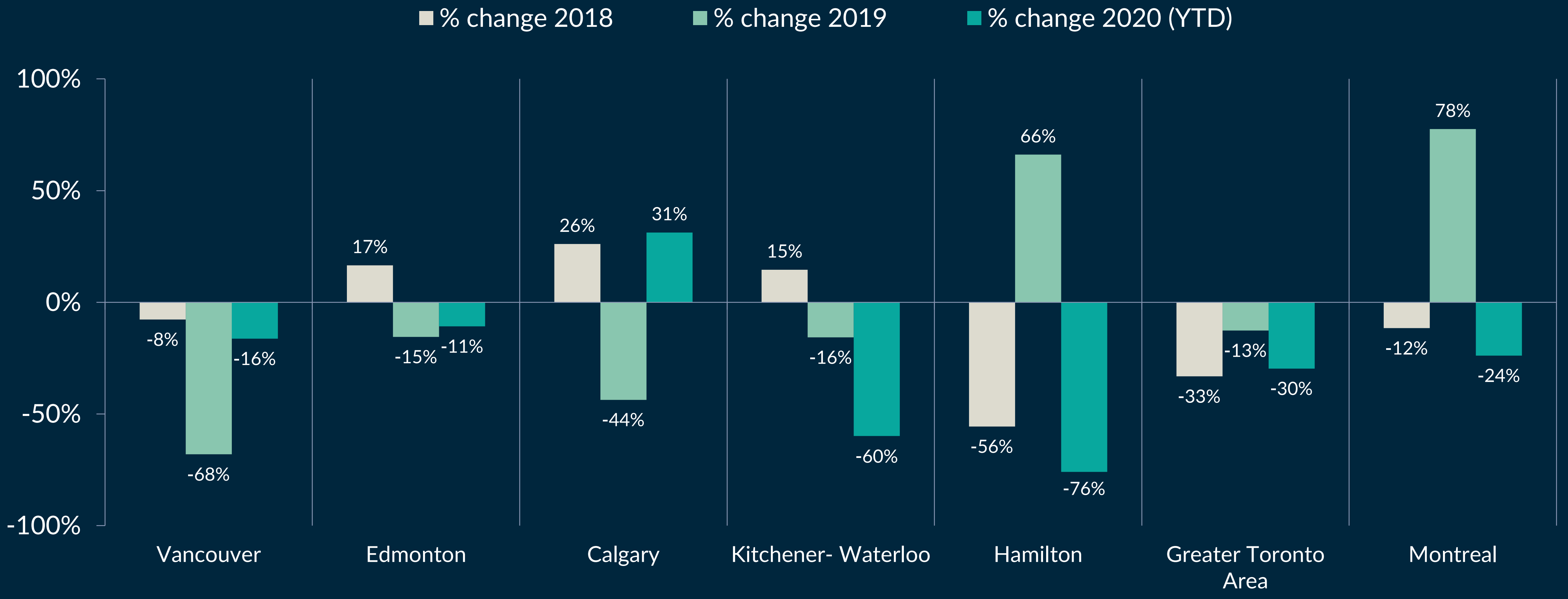


Source: Altus Group

* Projects opened in 2020 year-to-date; values are rounded

Land sales volumes down across the country

Residential land sales ($ volume)

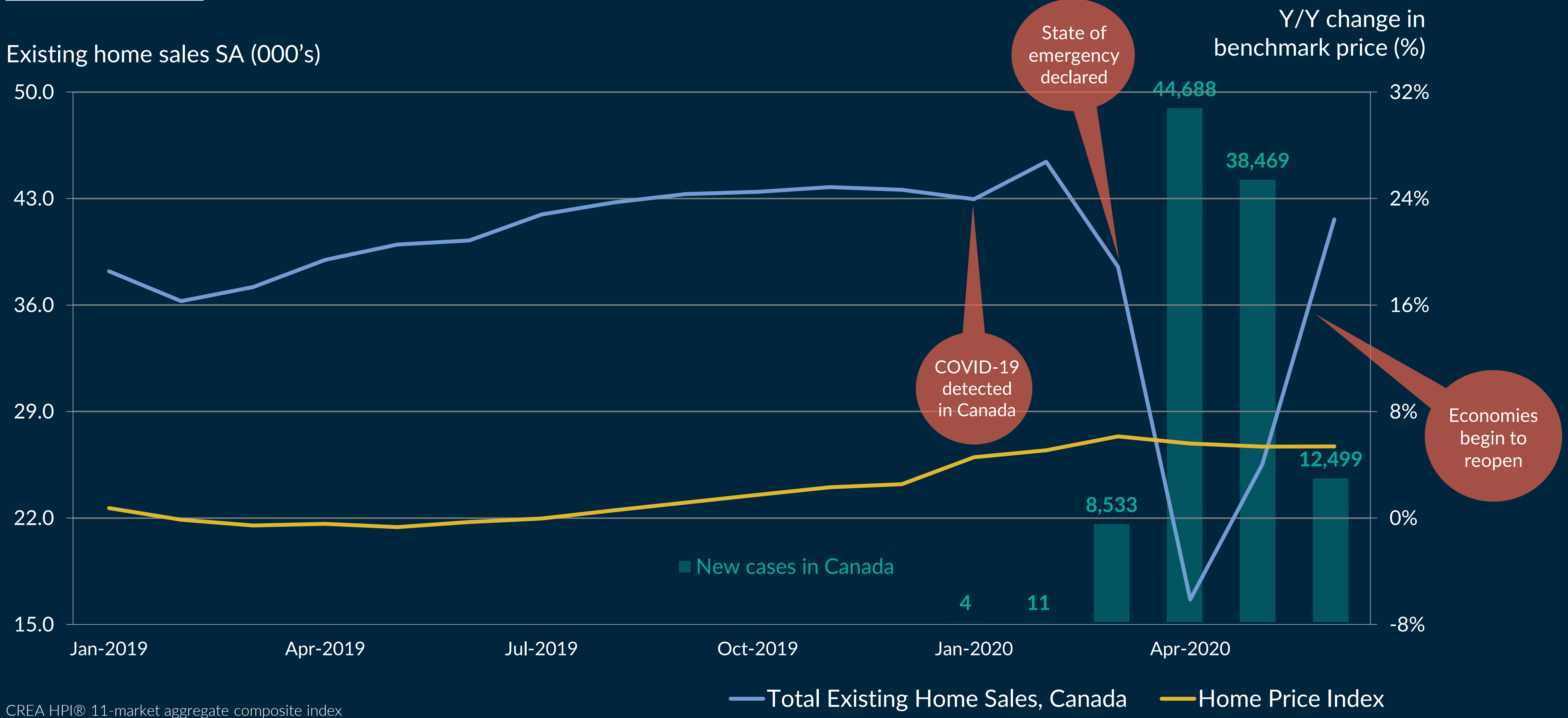


Source: Altus Group

MARKET REACTION TO COVID-19

Lessons learned

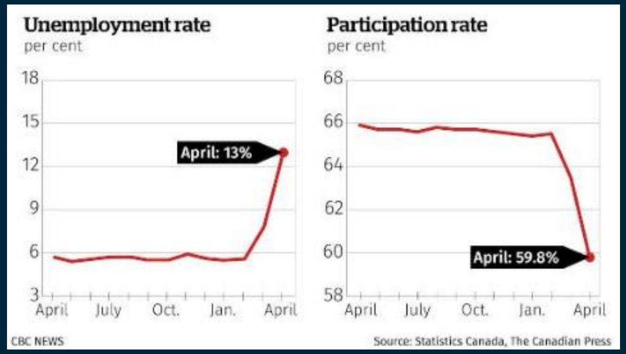
Housing policy and housing market performance



CREA HPI® 11-market aggregate composite index
Source: Altus Group, Economic Consulting and data from The Canadian Real Estate Association

Residential markets during a pandemic

Sales centres closed

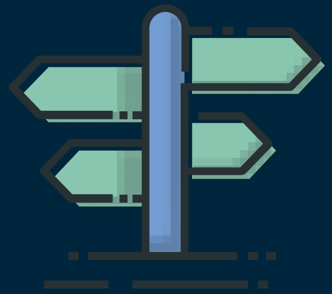


COVID-19 unemployment

Mortgage approval challenges

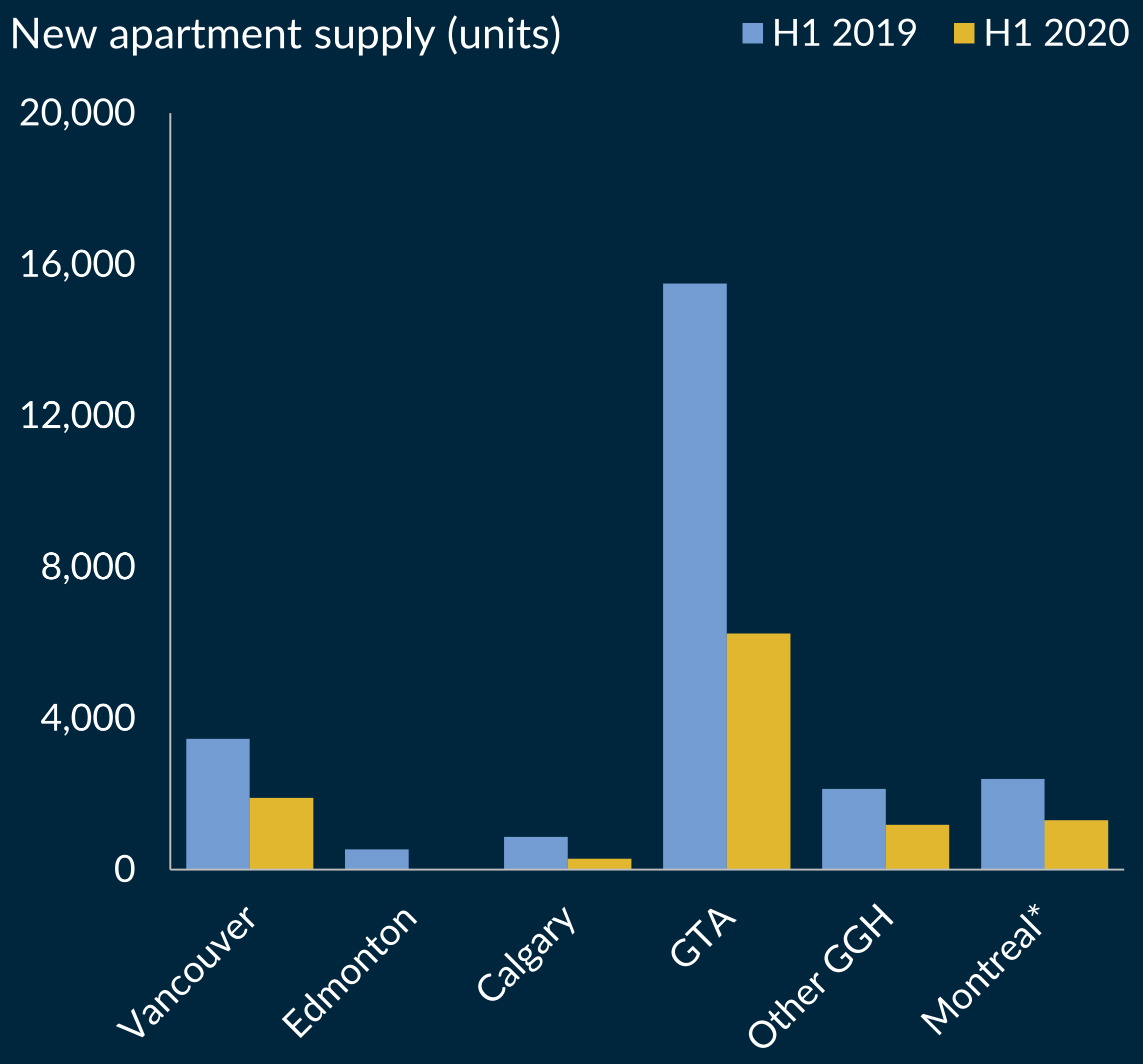
Fewer new project openings

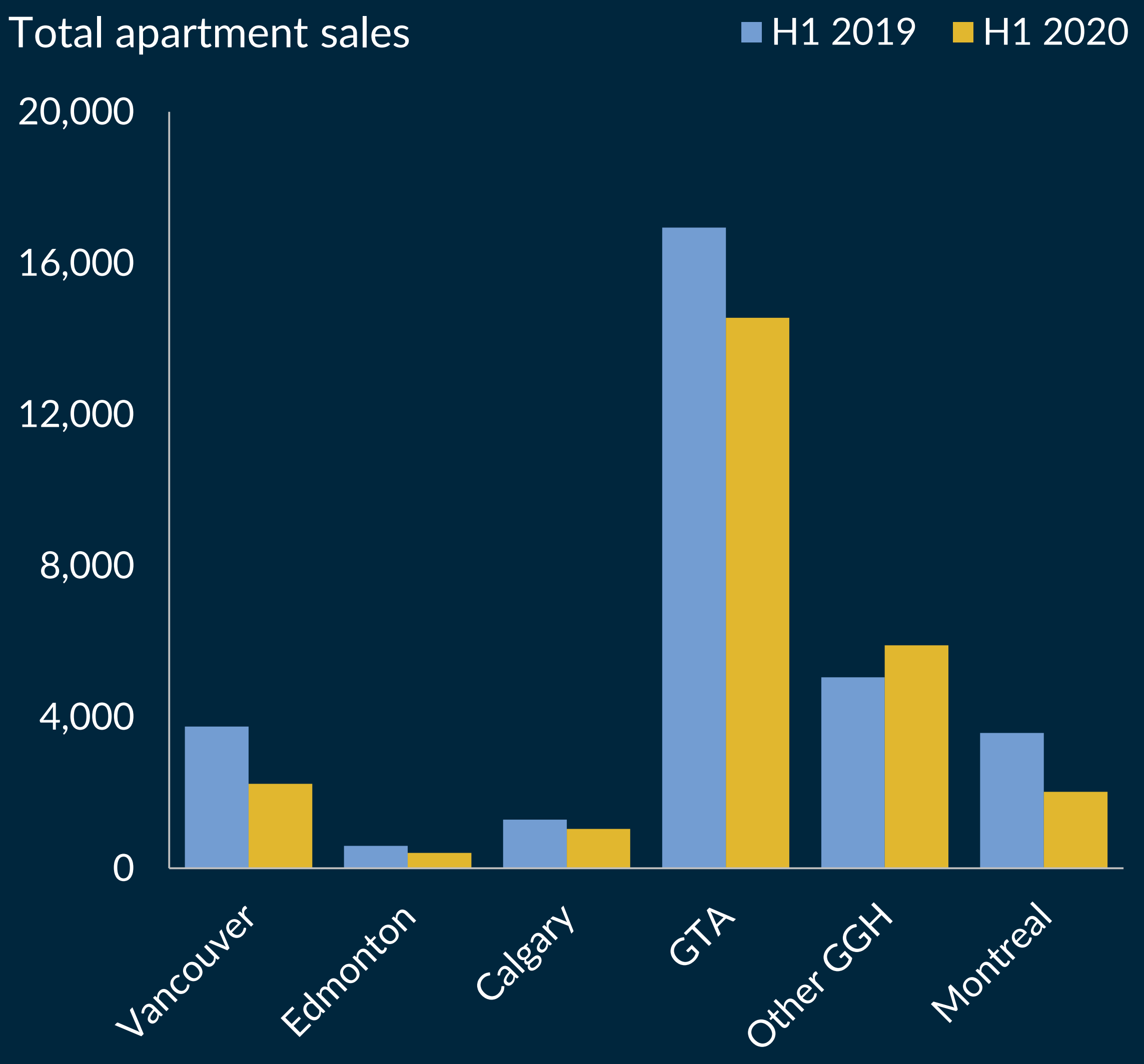
Consumers obeying 'stay-at-home'



General Uncertainty

Supply has been more impacted than sales YTD

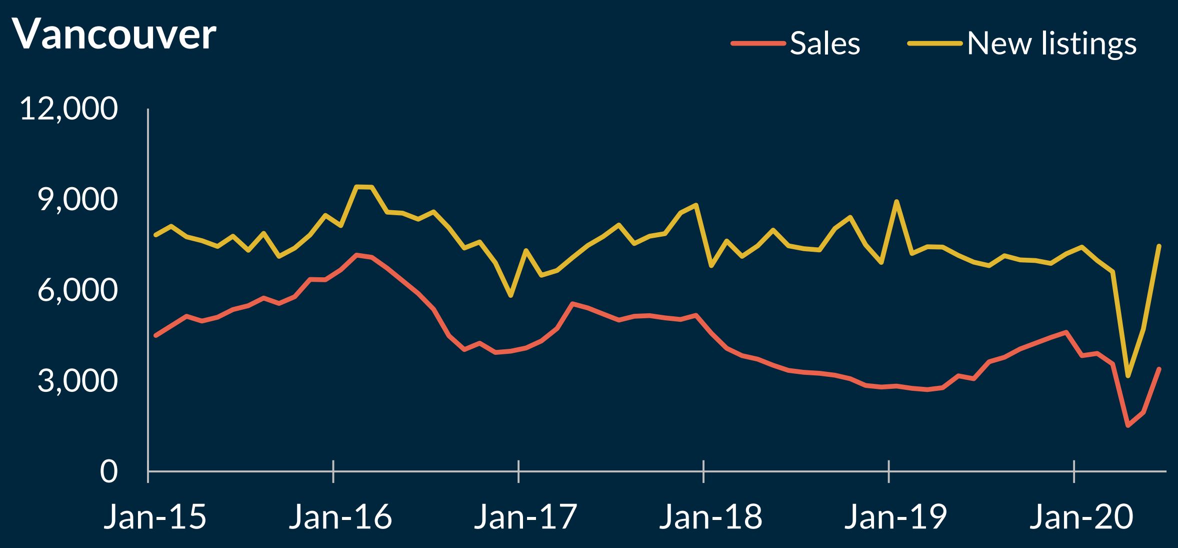


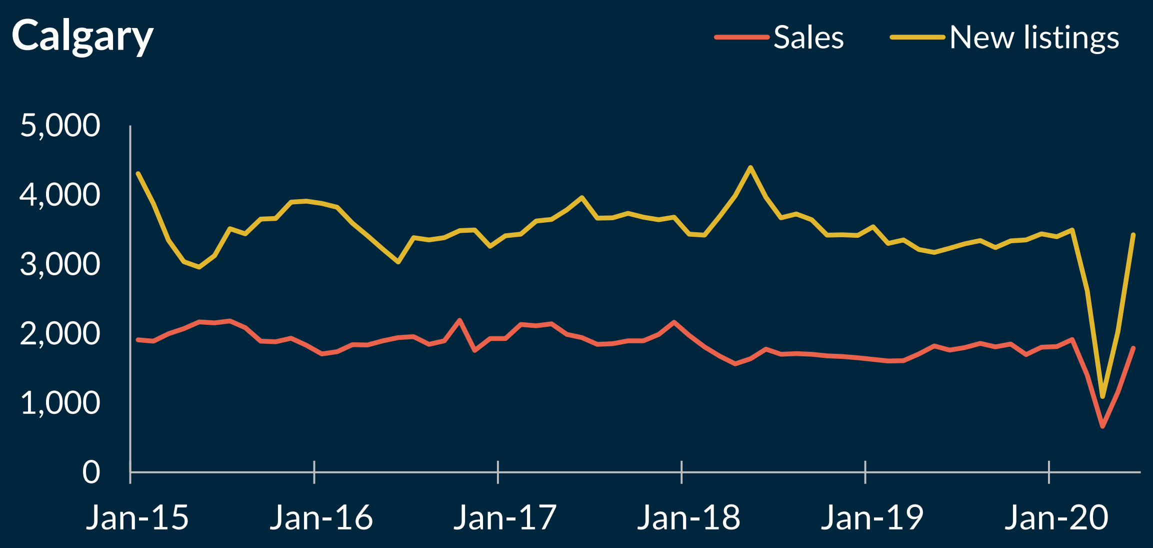


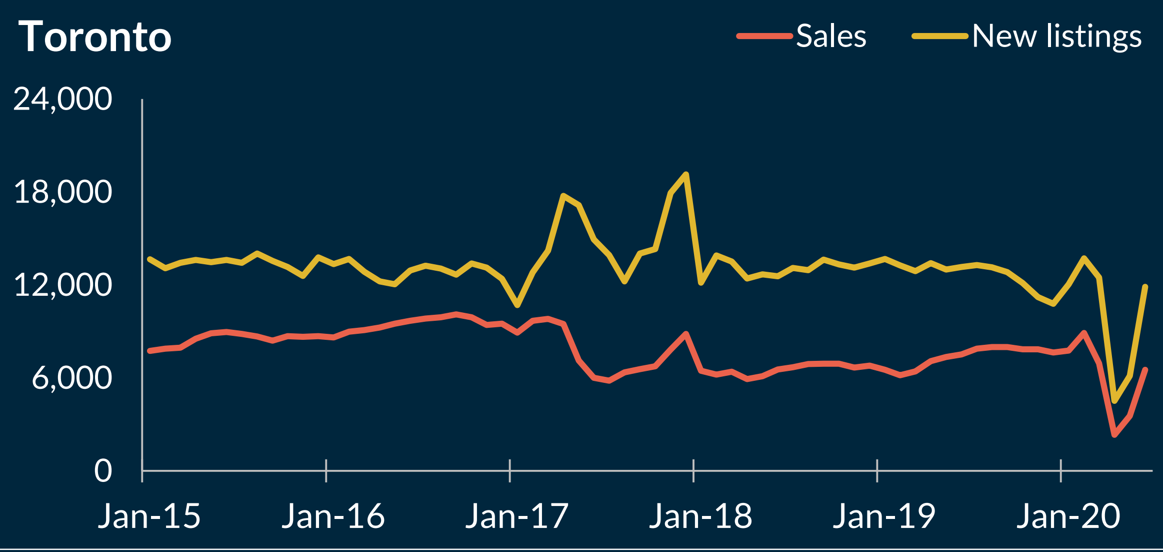
Source: Altus Group

* Montreal data reflects pre-sales inventory

But recovery is afoot in the resale market







Data are seasonally adjusted
Source: Altus Group based on data from The Canadian Real Estate Association

Market snapshots: Vancouver

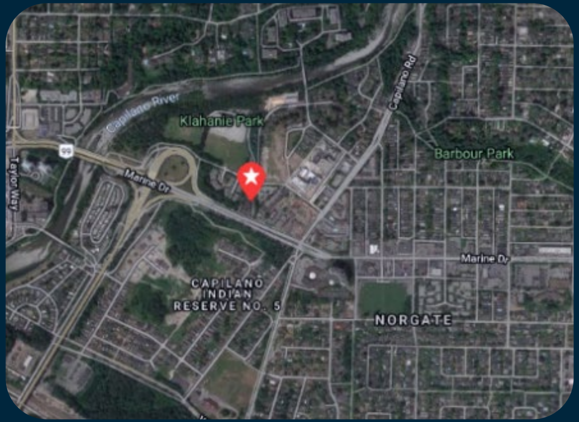
Market challenges

- The Vancouver market was still feeling the impact of the government policies before COVID-19
- Foreign investment activity has been lower
- Land sales volumes were sharply lower in 2019, with prices declining
- Prices have been trending lower, but remain challenging for many consumers
- Long approval timelines and development charges make it challenging to bring new projects to market

Market opportunities

- Market had strong Q1, leading into COVID, with sales up YoY
- COVID-19 restrictions were less severe than in other parts of Canada
- Improving affordability and new supply should bring buyers back to market
- Sales launches which did occur during the pandemic shutdown saw reasonably strong demand
- Incentives have been successful in attracting consumers and improving sales at active projects

Project launches: Vancouver



Sentinel
North Shore, BC

High rise apartment

Launched in May, 60% sold in two months through virtual and private appointments

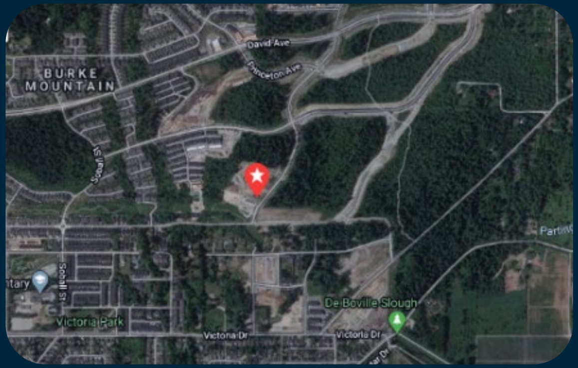
Approx. $1300 / sq. ft.

Forester
Coquitlam, BC

200+ unit townhouse

Opened up first phase in June with quick sales

Starting in the $800's



Market snapshots: Edmonton

Market challenges

- Edmonton has suffered from weak demand for multi-family ownership for past two years
- Prices have declined as far as they can go, with more supply shifting into rental
- No new inventory has been brought to market as projects struggle with unsold inventory – presales are particularly challenging
- Growth in the supply of purpose-built rental is satisfying demand and keeping buyers out of the ownership market

Market opportunities

- Housing prices are very affordable
- Resale market activity has been recovering and has been comparably stronger, indicating some level of market demand
- Investments in public infrastructure is improving the viability of the downtown region
- Demand for family-friendly housing options, such as townhouses, has been strong

Market snapshots: Calgary

Market challenges

- Pandemic challenges and energy sector challenges impacting housing demand, particularly in the downtown
- Larger supply of new homes in the suburbs is creating more competition, price pressure, and slower site activity
- Increasing supply of new purpose-built rental product may be dissuading investor activity
- Higher non-COVID-19 related unemployment will slow recovery and impact future demand

Market opportunities

- Townhouse demand has been robust in new greenfield communities
- Downsizer and empty-nester demand remains strong; recovery in the resale market could boost market in the fall
- Sales activity was less impacted by COVID-19 with some sales centres remaining open
- Infrastructure spending could increase in the near term, while stability in energy prices could lead to re-hiring

Market snapshots: Greater Toronto Area

Market challenges

- High development charges, long approval cycles, and construction challenges making it harder developers to bring project to market
- Lower inventories and project launch delays caused by COVID-19 impacting market activity
- Rising house prices, particularly in apartment condominium product, is making some regions unaffordable for consumers
- Post-COVID-19 uncertainty delaying project launches - and consumers' purchase decisions

Market opportunities

- Historically low resale inventories pushing buyers into new home market, particularly Downtown
- Despite new supply, rental market remains very tight with continued upward pressure on rental rates
- Job growth, particularly in the tech sector, will continue to push housing demand
- GTA economic prospects remains positive, despite the pandemic

Project launches: Greater Toronto Area & Greater Golden Horseshoe

Yonge and Go
Barrie, ON

Townhouse development

Launched in June using "drive-through" opening

Priced in the $500's – sold 2/3 at opening

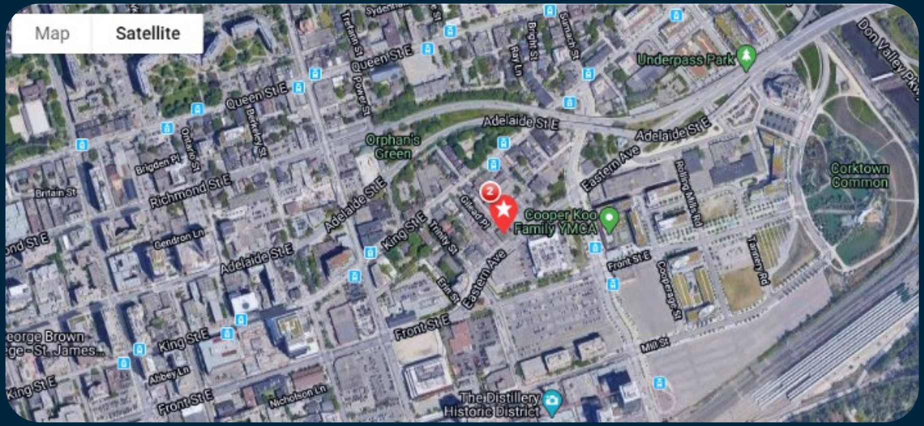
28 Eastern
Toronto, ON

12-storey apartment

Launched in July using a "drive-in" VIP event

~$1050 / sq. ft.

Strong demand anticipated



Market snapshots: GGH (Kitchener-Waterloo/Hamilton)

Market challenges

- Transit infrastructure is still lagging demand which creates longer, less convenient commutes
- Office demand and job growth remains focused in downtown Toronto which has meant long commutes
- There is less focused demand compared to the GTA and projects generally face slower sales pace and less pent up demand at launch
- Resale prices remain comparably affordable and better supplied than in the GTA

Market opportunities

- Available land for family-friendly townhouse and single-family housing is in greater supply, and more affordable, than in the GTA
- Flexible work environments, particularly post-COVID-19, could significantly shift the nature of housing demand throughout the GGH
- Continued growth of the tech sector expected to fuel housing demand in key markets
- Rising house prices in the GTA will continue to push consumers to the GGH for those seeking improved affordability

Market snapshots: Montreal

Market challenges

- The market has slowed from the frenzied pace seen two years ago, but remains robust
- Construction delays resulting from COVID restrictions will impact deliveries of new homes
- Elevated construction activity, particularly in rental, will deliver significantly higher numbers of units in 2021+
- Pending policies targeting housing affordability (20/20/20) and potential foreign buyer tax could impact the 2021 market

Market opportunities

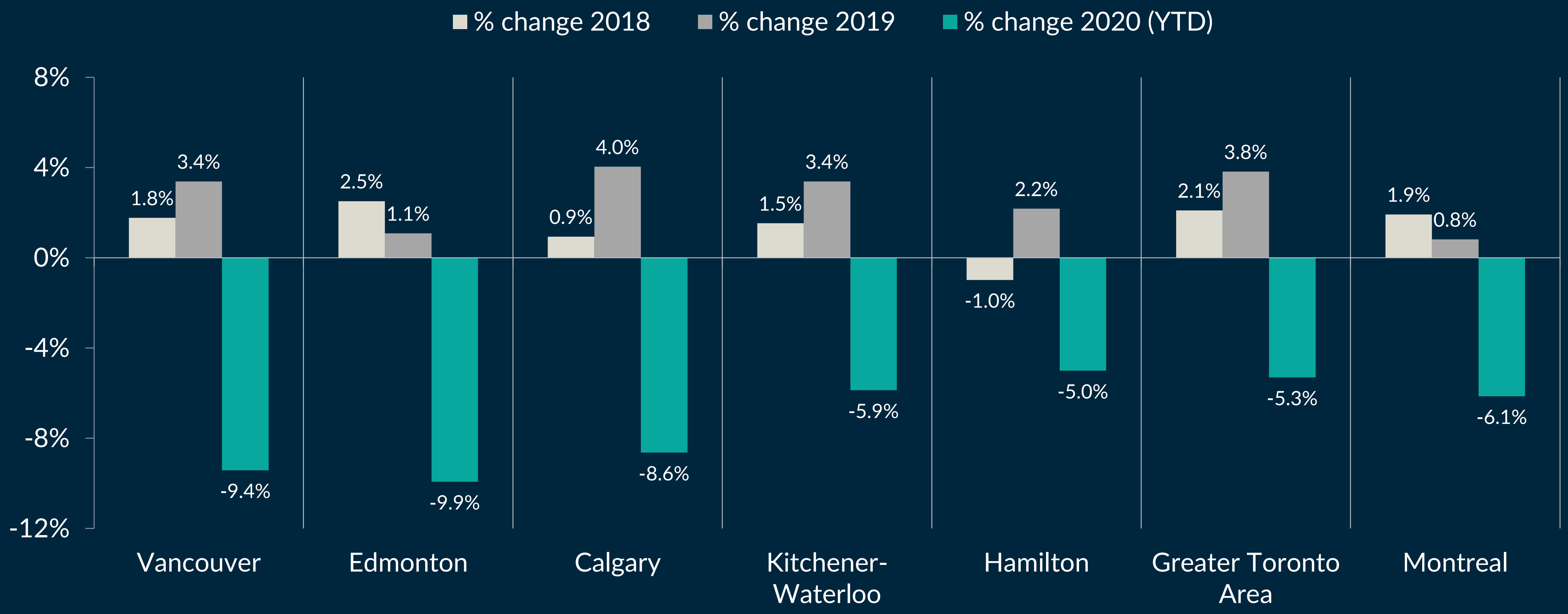
- The Montreal economy continues to lead the nation in growth, and while slowing, will remain robust in 2020
- Real estate prices remain much more affordable than the other major markets in Canada
- Resale inventories remain very tight – with strong sales post-reopening declining inventories further – which could push more consumers to new housing
- Empty nester and downsizer market should remain robust and be less impacted by the pandemic in short term

OVERVIEW OF KEY FACTORS SHAPING THE OUTLOOK

What's in store for 2021?

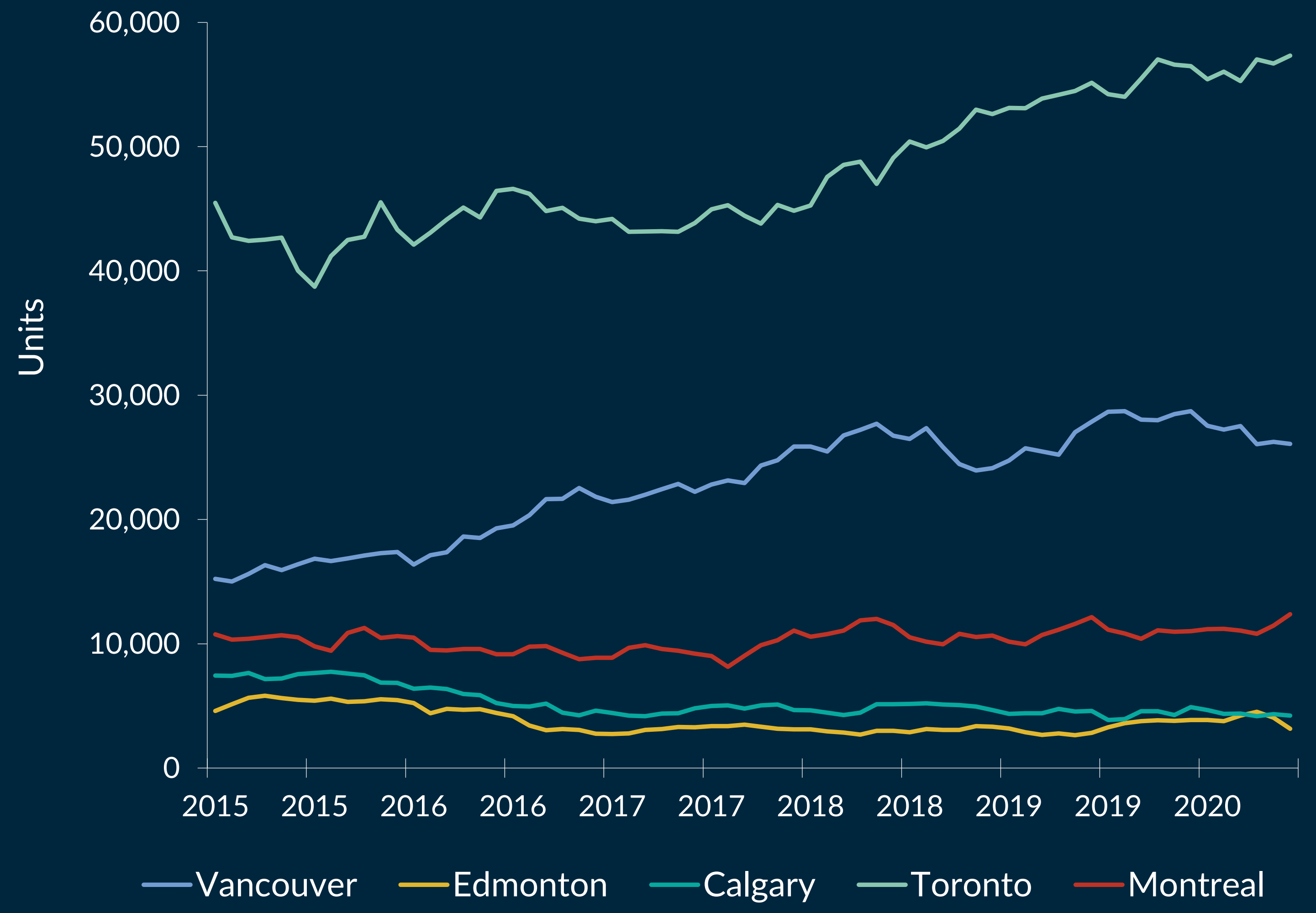
COVID-19 resulted in a significant rise in unemployment

Total employment



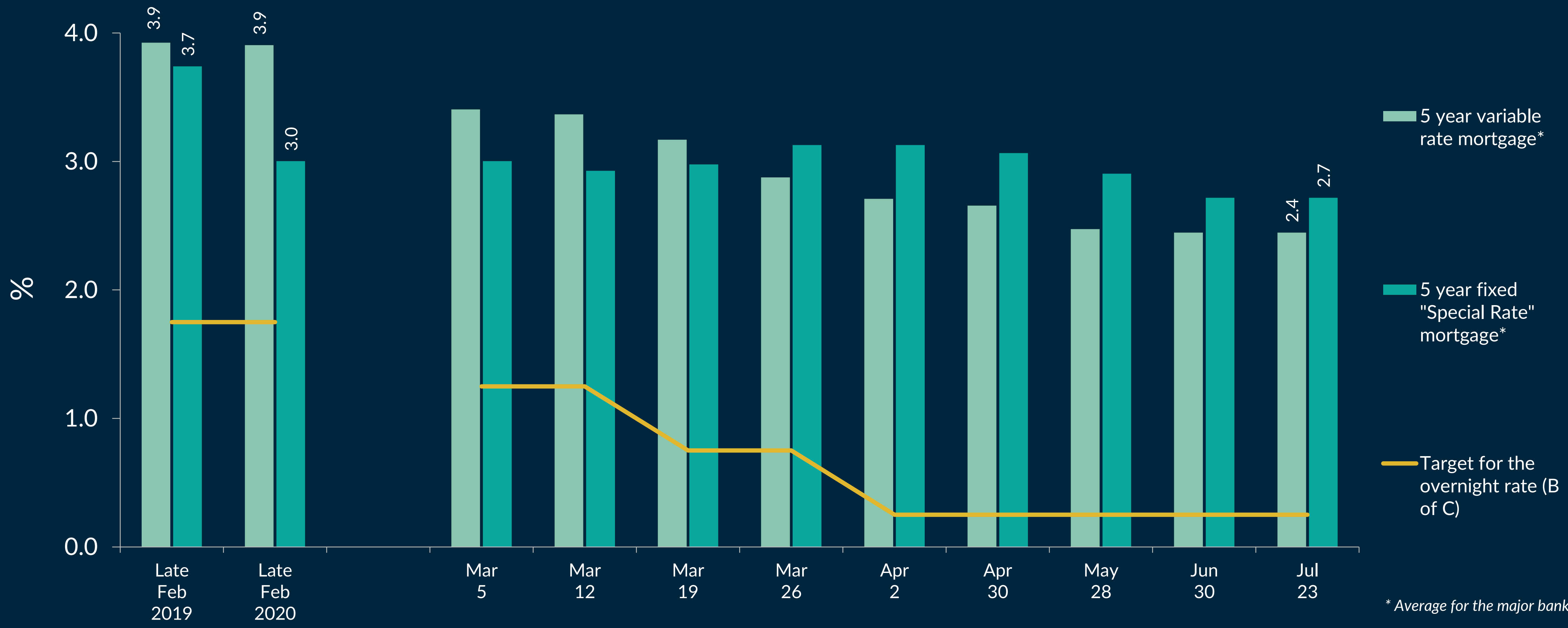
Source: Altus Group based on StatCan data

Under-construction has been increasing in the GTA; nationally seeing a shift to rental



Source: CMHC

Mortgage rates have declined, but approvals are not always certain…



** Average for the major banks*

Source: Altus Group based on data from StatCan, Bank of Canada and major bank web sites

Good news - people DO still want to buy homes!

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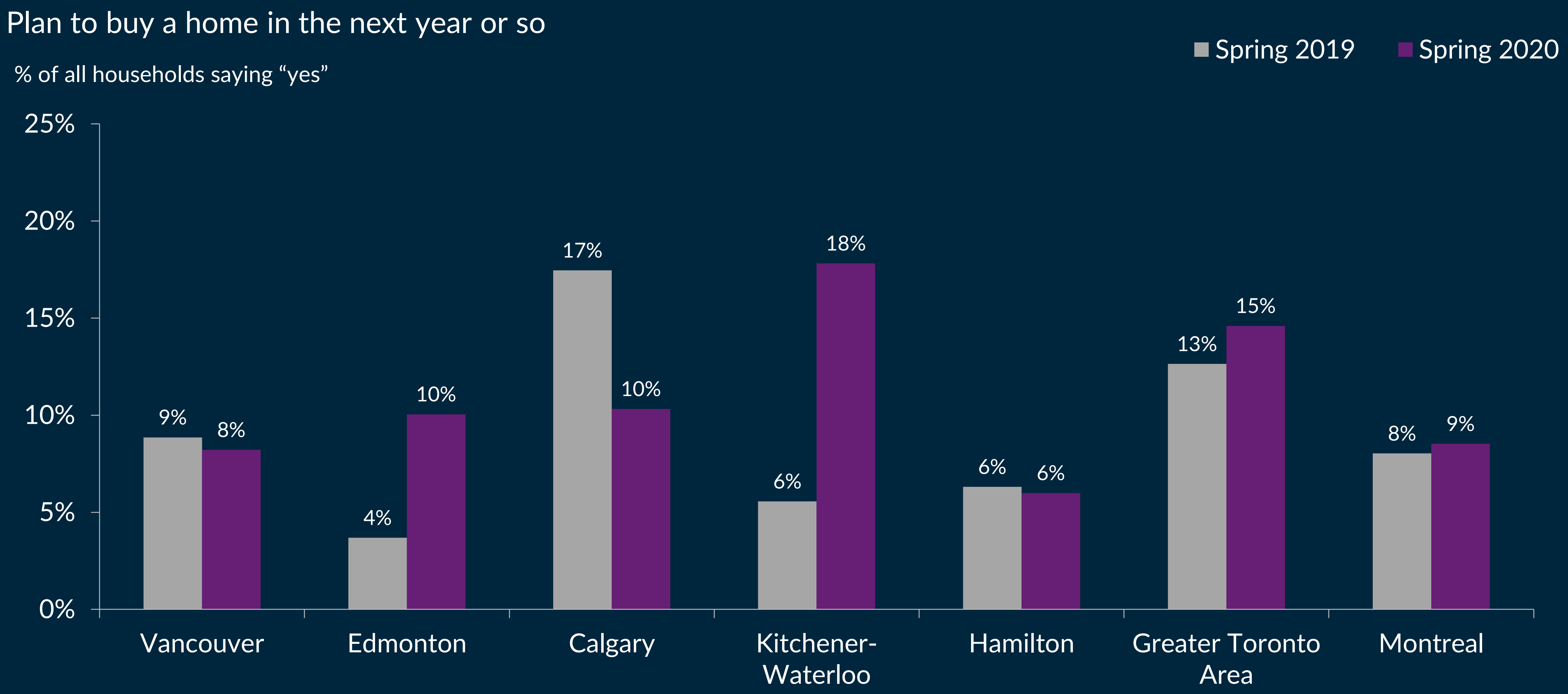
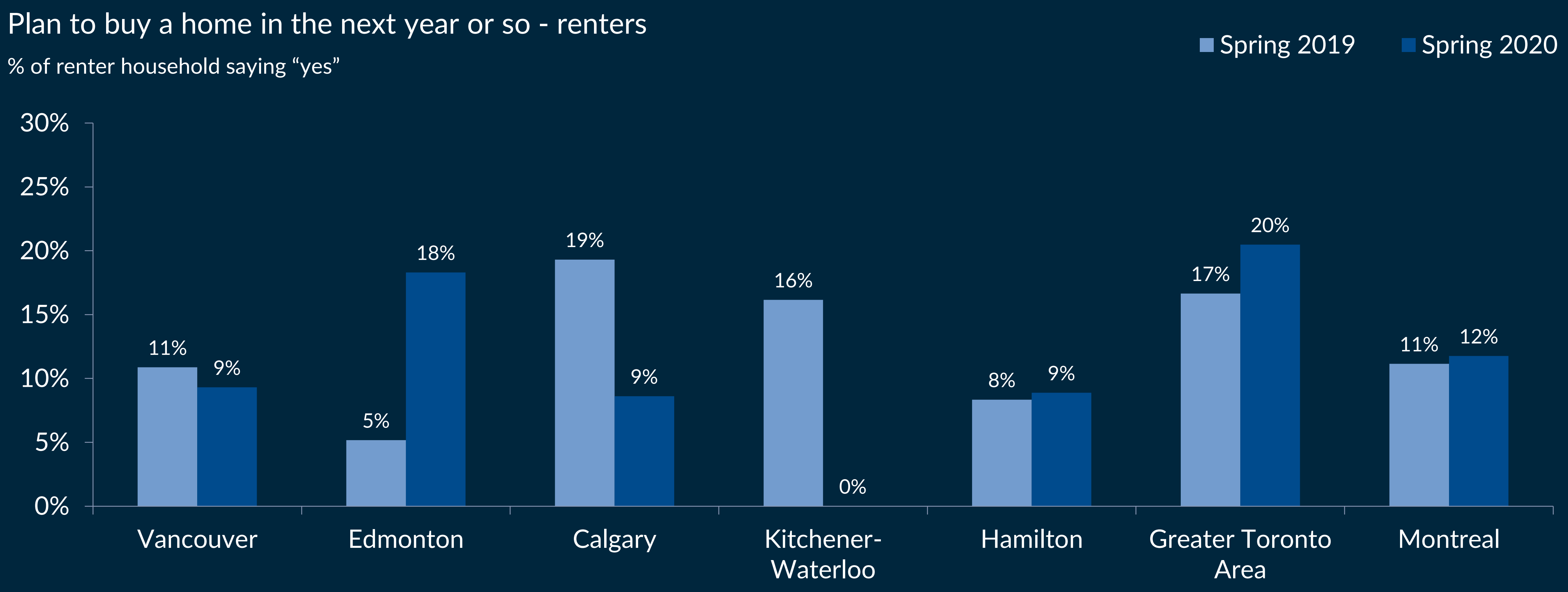


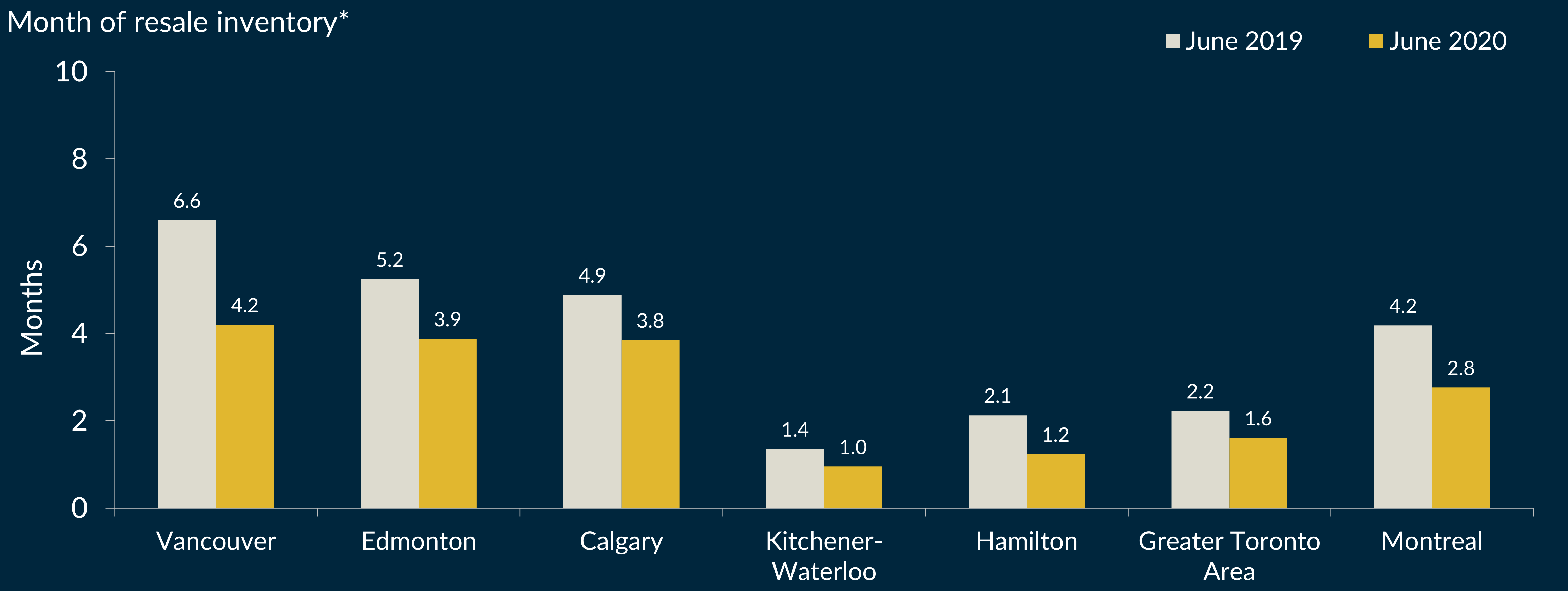
Source: Altus Group, The FIRM Survey

First-time buyers want back into the game



Source: Altus Group, The FIRM Survey

Resale supply declining across the country – indicating a need for more housing?

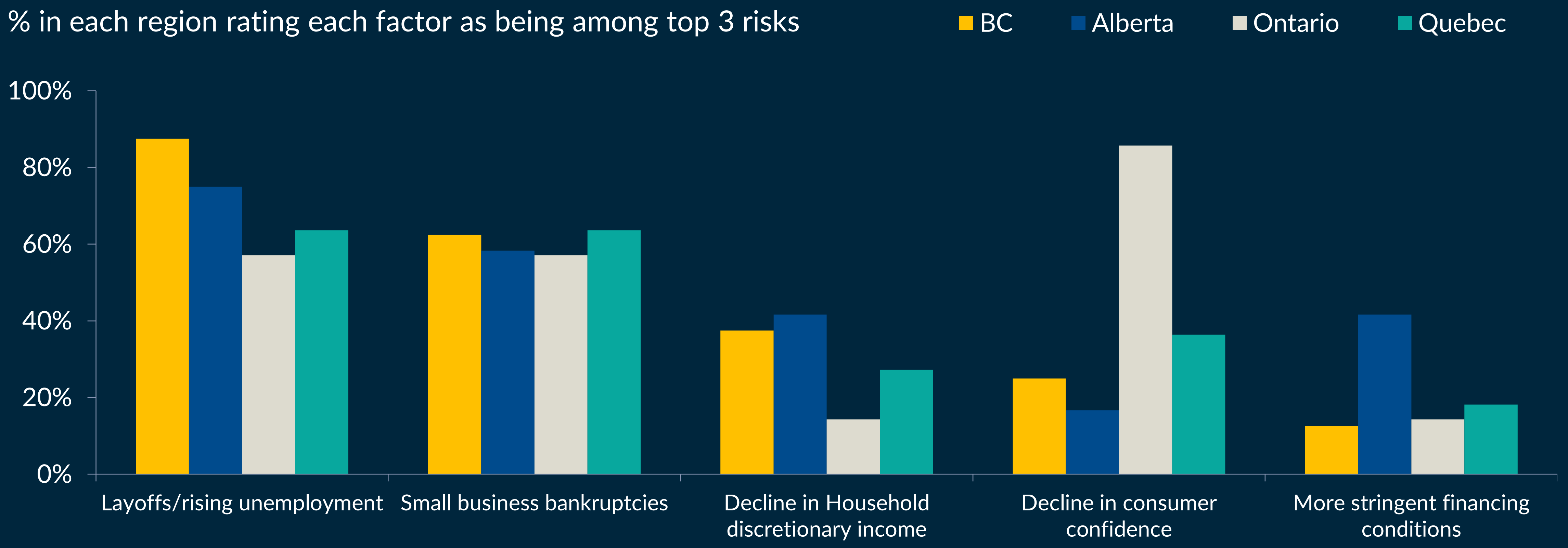


Source: Altus Group based on data from The Real Estate Board of Greater Vancouver, The Fraser Valley Real Estate Board, The Realtors Association of Edmonton, The Calgary Real Estate Board, The Kitchener-Waterloo Association of Realtors, the Realtors Association of Hamilton-Burlington, The Toronto Real Estate Board and The Greater Montreal Real Estate Board

* At average monthly pace of sales in the previous 12 months

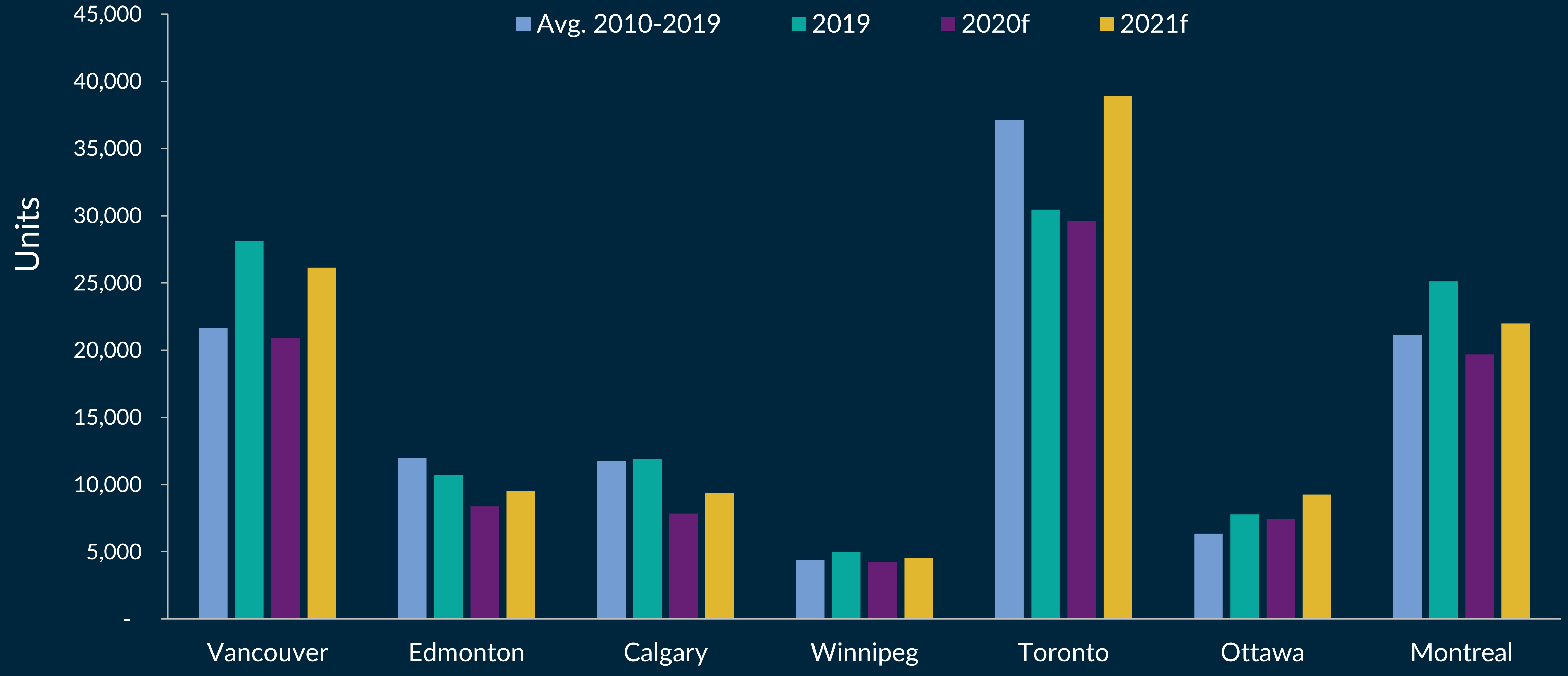
Canadian rental investors facing challenges

Which of the following possible outcomes for the pandemic pose the top 3 risks for commercial real estate market fundamentals?



Source: Altus Group, Key Assumptions Survey, June 2020

Housing starts are expected to be impacted in 2020, but rebound in 2021



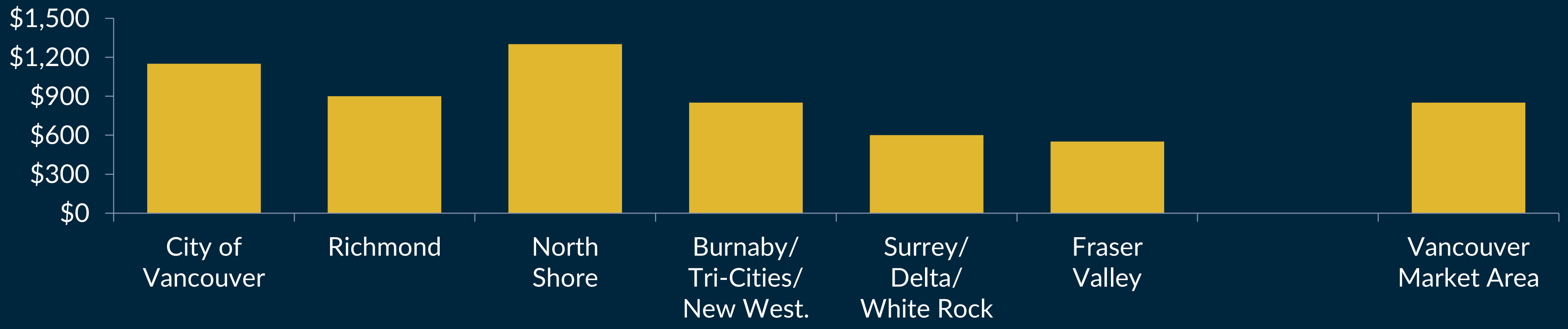
Source: CMHC (Historical) and Altus Group (Forecasts)

A FEW MARKET-SPECIFIC FACTORS

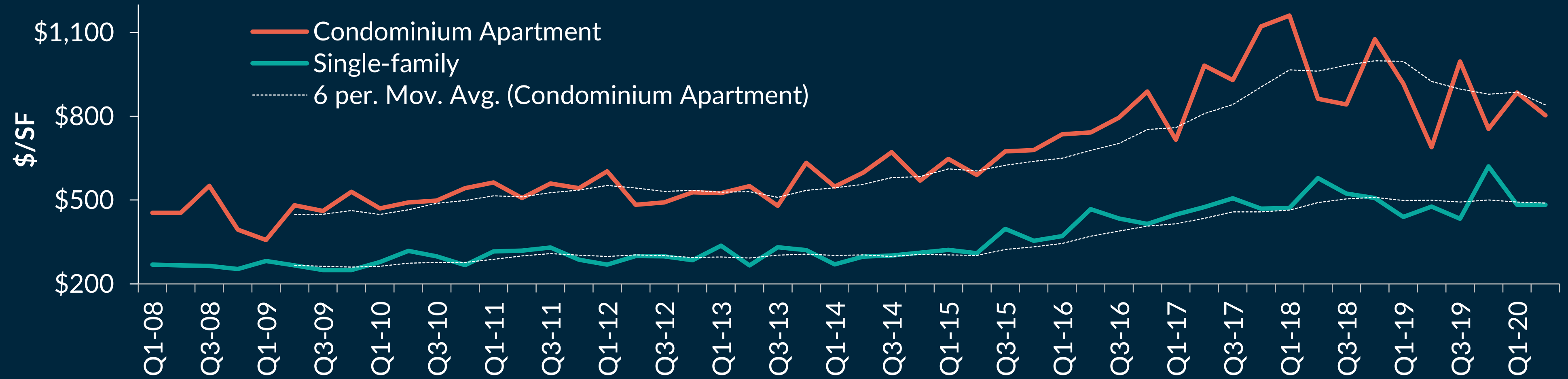
What's in store for 2021?

Vancouver: affordability being helped by shifts in project launches away from higher-priced sub-areas

$/SF condominium apartment projects launched in 2020



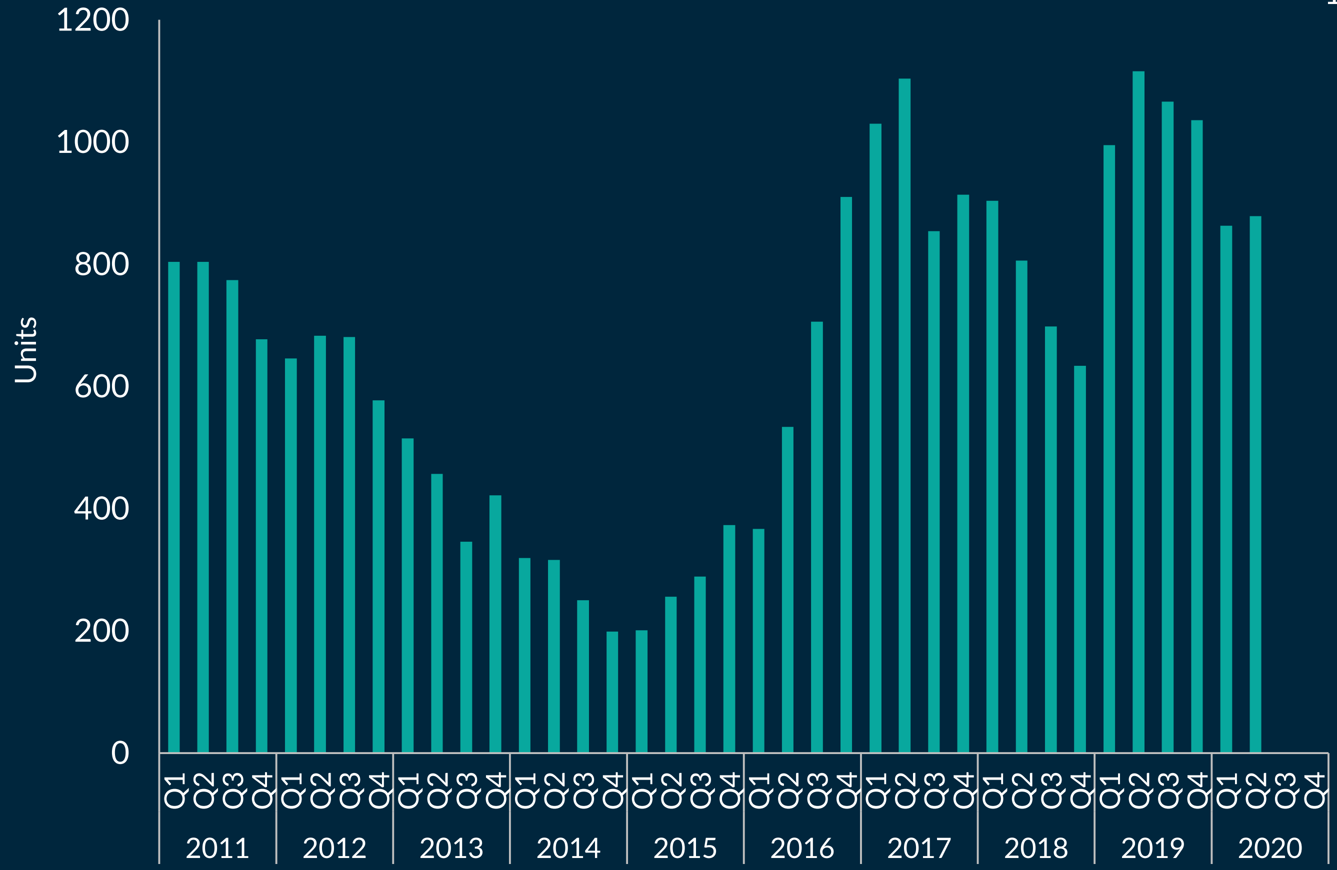
Vancouver new home blended prices*



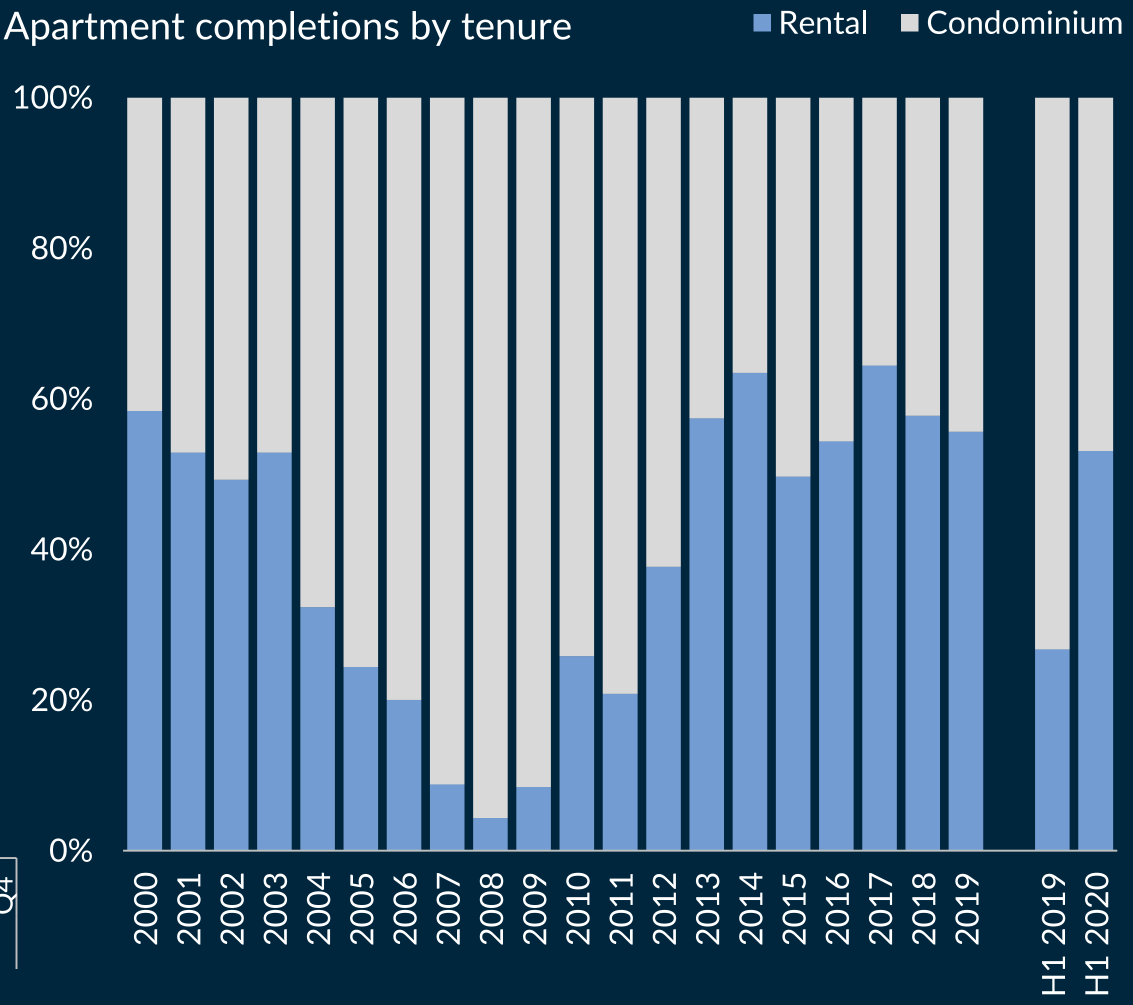
Source: Altus Group, Vancouver Condominium Apartment Monitor

Edmonton: Shifts to rental construction, but how much is too much?

Edmonton new condo apartment & townhouse inventory (completed & unsold units)



Apartment completions by tenure



Source: Altus Group, Edmonton New Multi-Family Market Monitor

Calgary: will office vacancy signal decreasing demand downtown?

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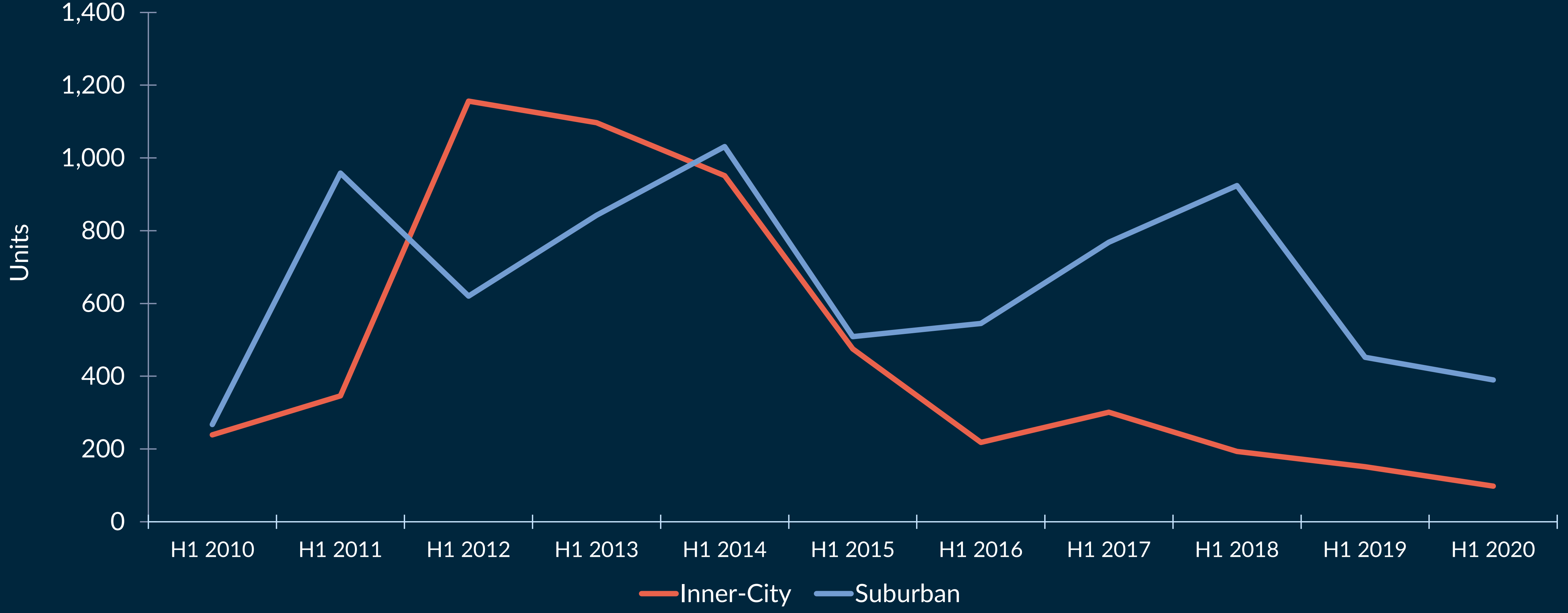
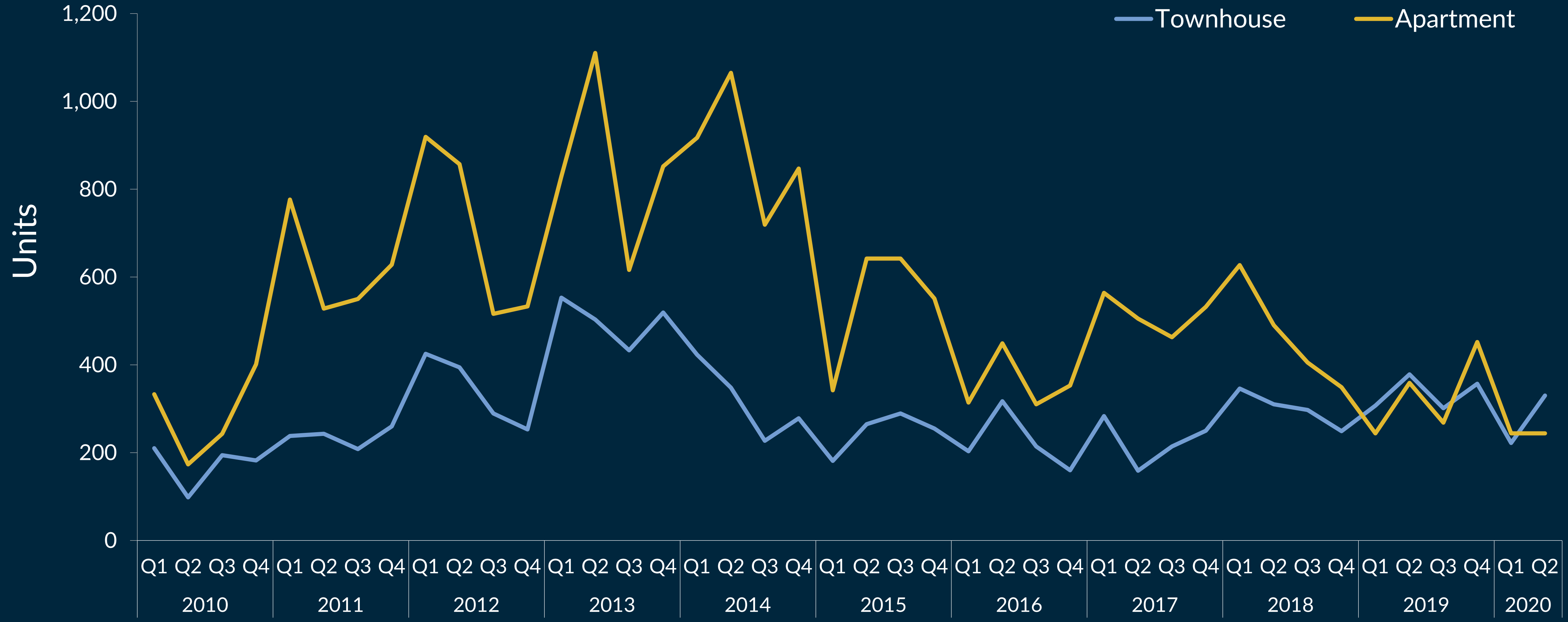
Calgary new condo apartment sales by sector



Source: Altus Group, Calgary New Multi-Family Market Monitor

Calgary townhouse sales outperform apartments

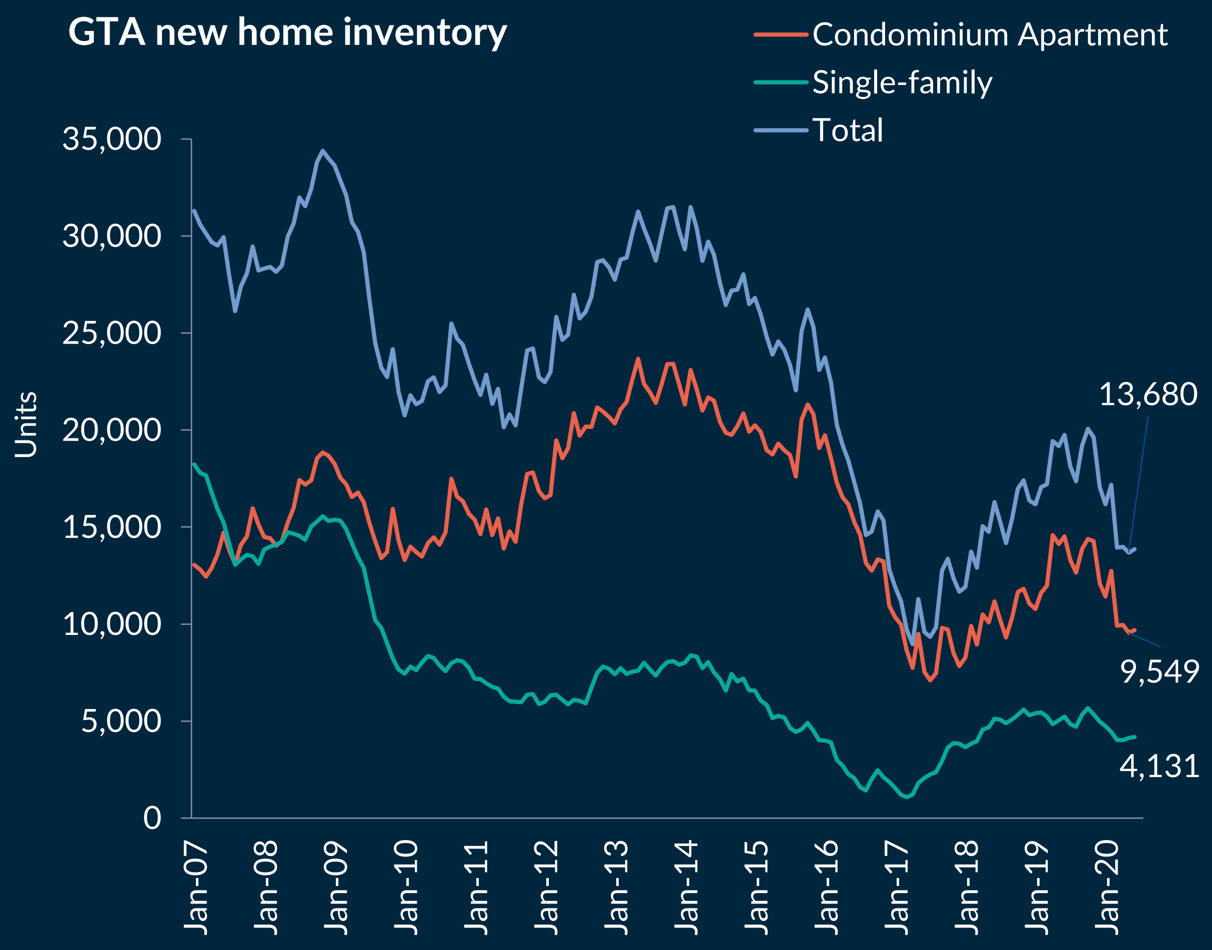
Calgary multi-family sales by built form

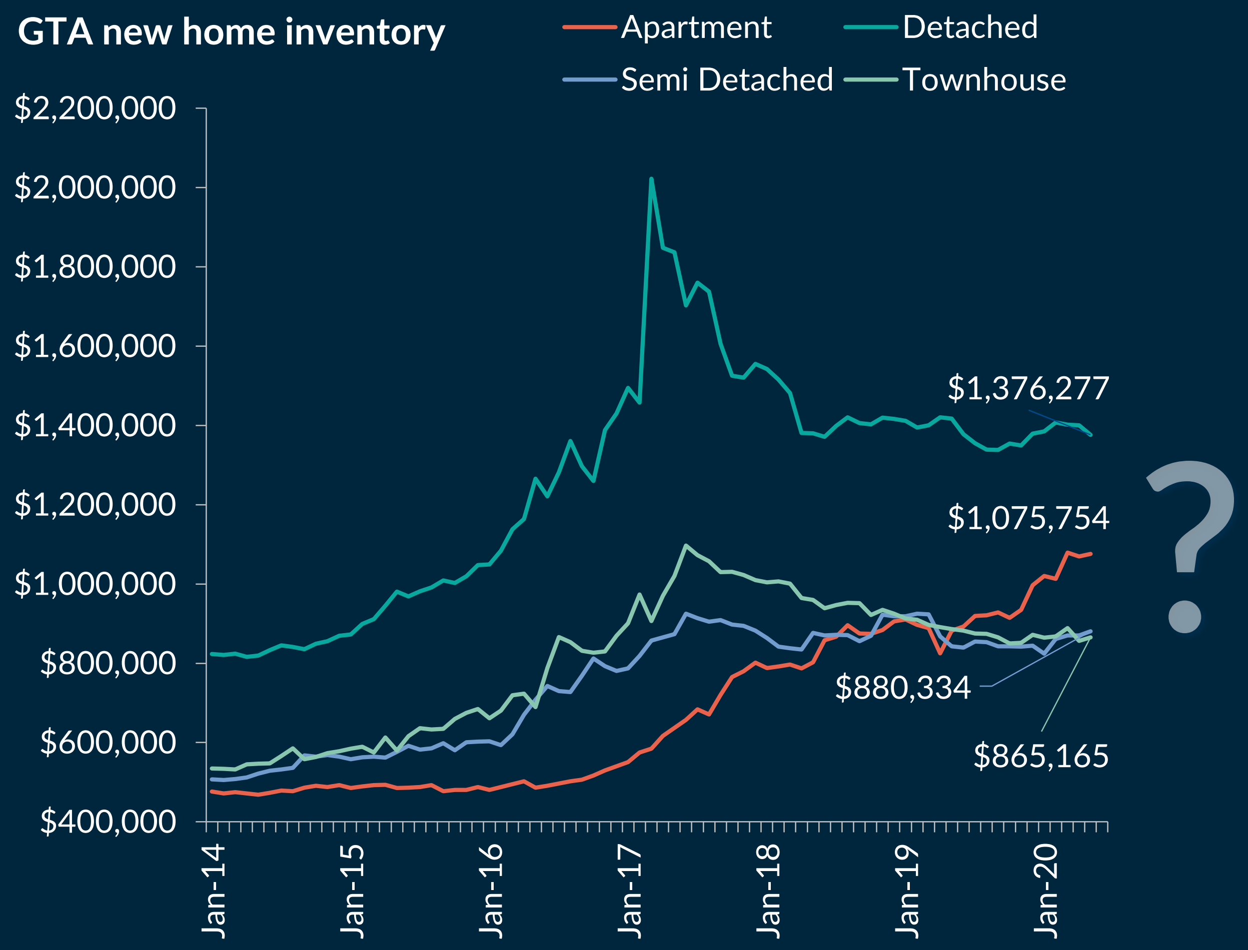


Source: Altus Group

GTA: Inventory declines put pressure on apartment pricing

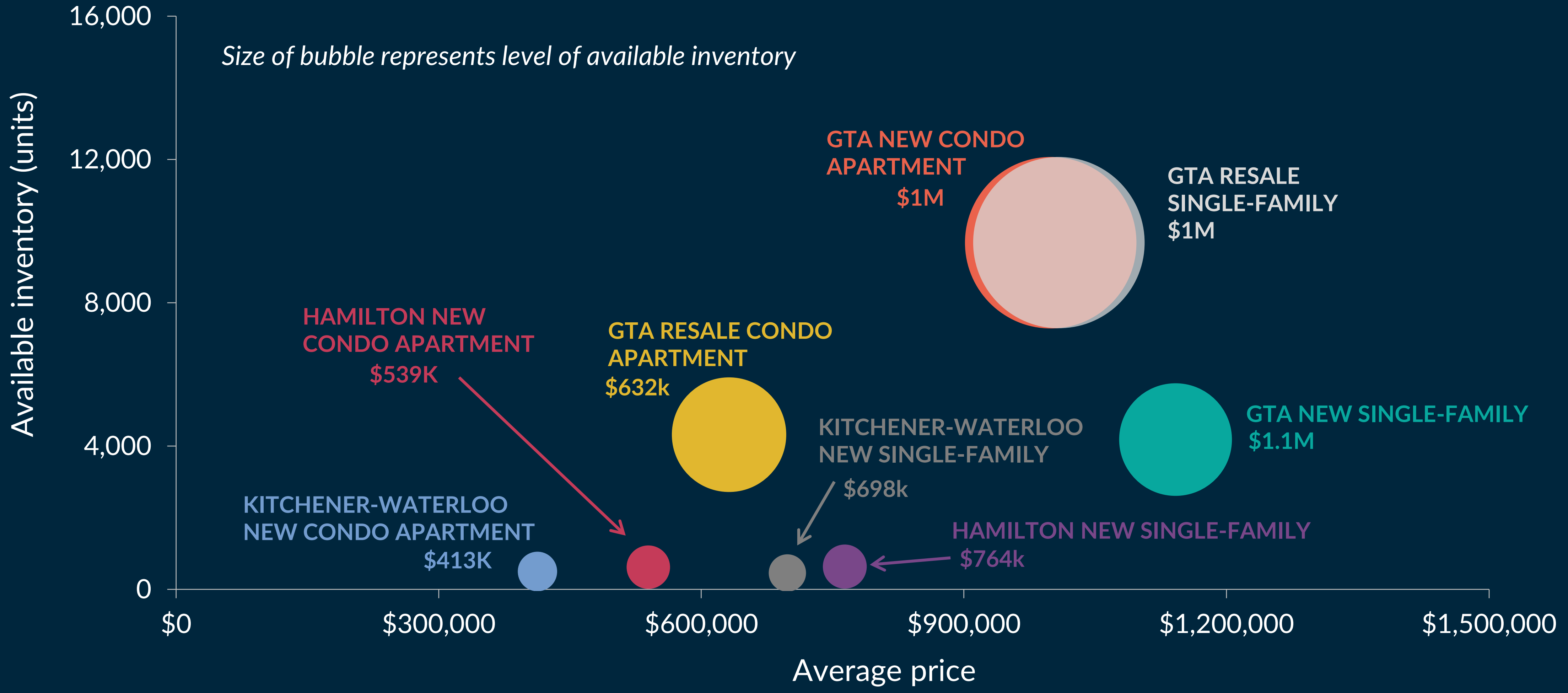
Altus Group





Source: Altus Group

KW & Hamilton: Offering a more affordable purchase option for GTA potential home buyers

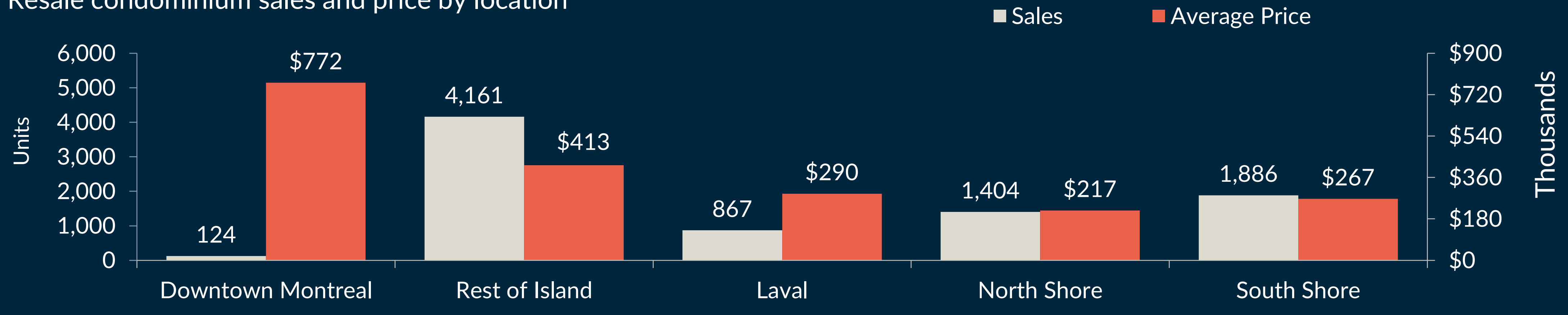


Source: Altus Group and the Toronto Regional Real Estate Board

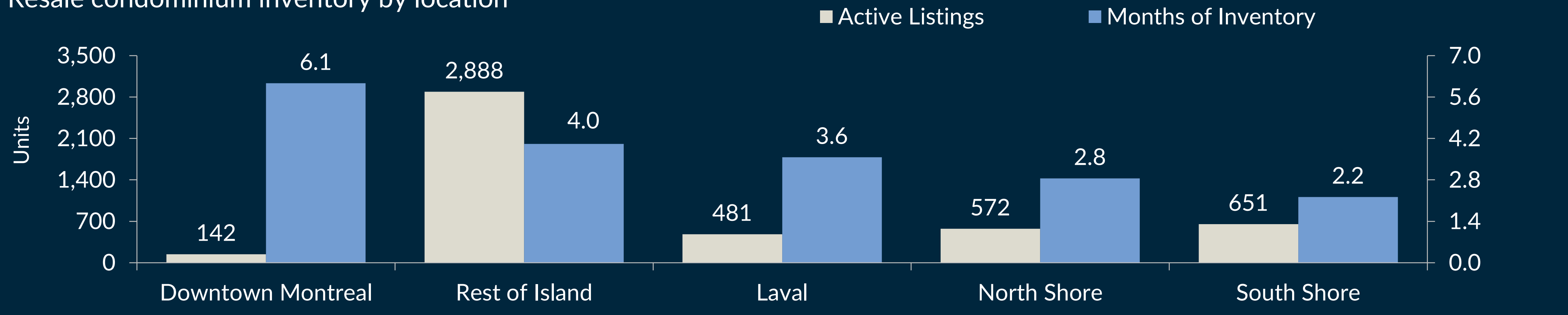
*Sales price for resale, average asking price of available inventory for new

Montreal: downtown higher-priced but facing a lot of competition

Resale condominium sales and price by location



Resale condominium inventory by location



Source: Altus Group based on Quebec Professional Association of Real Estate Brokers data

Key takeaways

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2 – 3 months
of sales lost to COVID-19 in 2020 market

Housing preferences
will change, but
housing goals
will not

Buyers who were in the market before the pandemic are **coming back** as restrictions lift

Pre-existing supply & pricing challenges in
Vancouver, GTA & Montreal
have been amplified

Generally consistent market reaction to the pandemic across the country, but **underlying market challenges** are likely to be exacerbated in the medium-term

Government support may be **hiding the true impact** of pandemic on the economy – and consumers.
Watch as financial support is retracted

Global factors that will have a more significant role in the 2021/22 housing market include:

- ✓ Immigration
- ✓ Education & international students
- ✓ Economic growth & demand for exports

KEEPING PERSPECTIVE IN A PANDEMIC

Audience questions

Q&A

- Which major urban market in Canada is most likely to see price declines in 2021? Which is most likely to see price increases?

- How confident would you be to proceed with a large multi-family residential development in the current real estate market?

- People have been working successfully from home for the last several months and sometimes in very small urban spaces, and it doesn't look like employers are in any hurry to get everyone back to the office. How do you think this will impact office demand and where/how will this impact the housing sector?

- Do you believe that multi-family/apartments may adapt to have more common areas/co-working spaces? As we have seen, many large companies have announced that WFH flexibility is going to persist after the pandemic is over - do you believe having a common space in the building for remote workers is going to be an essential selling feature for those looking to maintain WFH flexibility in this new normal?

- What challenges exist on the supply side as well as the demand side of the equation?

Thank you for attending!

Attendees will receive an email tomorrow with a copy of the presentation.

Part 2 (commercial): Changes, uncertainty, and the new normal

Wednesday, August 12th, 2020

Register at:

info.altusgroup.com/national-state-of-the-market-2020