Altus Group

HOUSING REPORT

Vol. XXX No. 2 August 2020

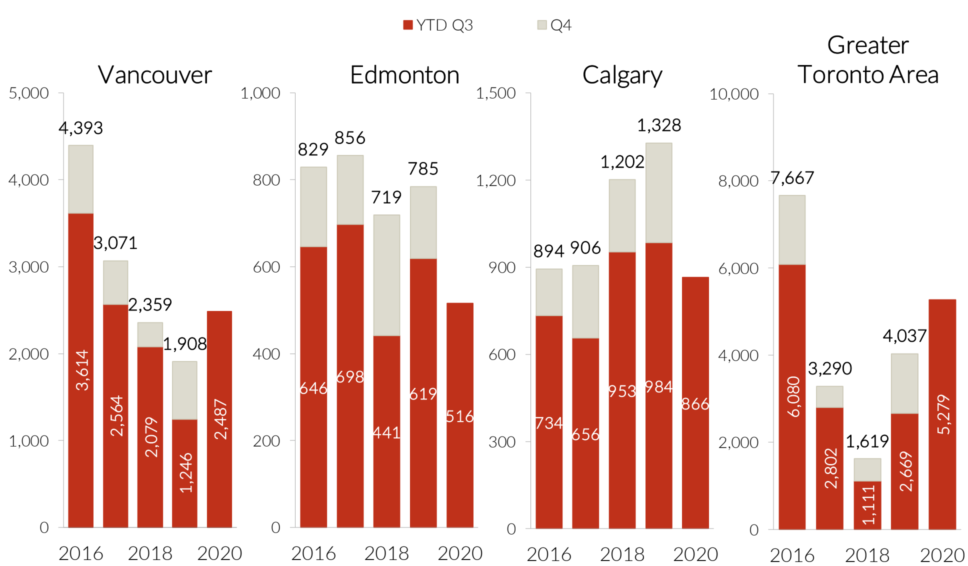
Townhouses Demand Up During Pandemic – Capturing A Bigger Share of Canada's New Home Sector

While much of the focus tends to be on the condominium apartment product in the new home sector, the townhouse market has been building in importance with demand up or stable in most markets in the country. Demand for affordable ground-oriented housing options has been robust since the start of the pandemic as consumers take advantage of low interest rates (Chart 1).

- Vancouver saw townhouse volumes double last years levels, with strong sales occurring at affordably priced townhouse developments in Surrey, Langley and Coquitlam
- Townhouse sales in Calgary and Edmonton were down slightly in 2020, but have been comparatively robust given the weak economy in Alberta.
- The Greater Toronto Area has seen a sharp increase in demand for all single-family built-forms, but townhouse activity has seen the biggest improvement over 2019. Outside the GTA in the broader GGH, townhouse volumes are the highest recorded since tracking began in 2014.

Chart 1

New Townhouse Sales Up Sharply in GTA & Vancouver*



* Excludes stacked townhouses

Source: Altus Group

Highlights

- Townhouses are increasingly seen as an affordable but desirable alternative to detached single-family homes.
- Demand has been strongest in the suburban regions of the major metropolitan areas where prices for townhouse units are often lower than 2-bedroom condo apartments in more central areas.
- New townhouse buyers are a diverse group, but the built-form is becoming increasingly popular with younger consumers with or without children.
- Despite strong demand, the supply of townhouse land remains scarce in the larger markets. As a key component of the "missing middle", townhouse land is often prohibitively expensive in urban areas.

Altus Group

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

Townhouse Has Become Predominant Part of the Ground-Oriented Housing Mix

The current surge in demand for townhouses highlights the growing interest for this built-form, which nationally has been building for many years. CMHC housing starts data highlights this trend, with proportionally more housing starts occurring in townhouse built-forms, both as a component of the single-family market, but also of the overall housing market. (Chart 2, see page 4 for trends in selected major markets):

- Townhouse starts have accounted for roughly 10% of the market since the 1990s, but has been slowly trending higher in recent years.
- As housing starts shifted from single-family to apartment over the past decade, townhouse starts began accounting for a greater proportion of the single-family market, reaching almost 30% in 2019.
- With housing affordability challenges in the major markets increasingly pricing single-detached housing out of the reach of many buyers, townhouses provide a family sized option with many of the desirable features, such as garages, private front door and amenity spaces, at a much lower price point.

Townhouses Not Just for Young Families

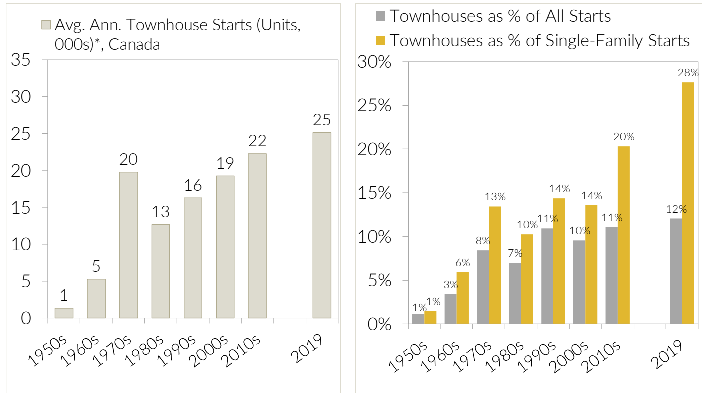
Data from the Statistics Canada's 2011 National Household Survey highlights the diversity of buyers for townhouses (Chart 3). While townhouse units are often more affordable, many offer maintenance-free conveniences which are attractive to more mature segments. Anecdotes from sales centres collected by the Altus New Homes research staff indicate that recent migrants are often a major buying segment at new townhouse developments.

Townhouse Land Scarce in Major Markets

While demand has been robust in 2020, Altus Group's data on residential land sales shows mixed activity in the major markets (Chart 4). Volumes varied by market, down sharply in Vancouver, relatively flat in the GTA, and up in Montreal. Medium-density land is much more common on the periphery of the cities and activity may be influenced by the supply of zoned land.

Chart 2

Role of Townhouses Has Grown - in Both Absolute and Relative Terms

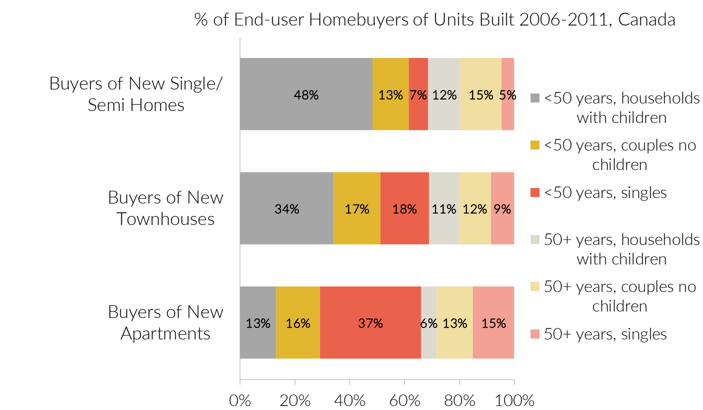


* Excludes stacked townhouses

Source: Altus Group based on CMHC data

Chart 3

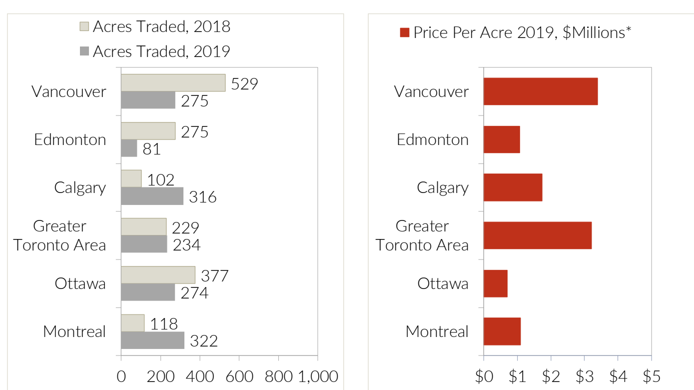
Townhouse Buyers Are a Diverse Group



Source: Altus Group based on Statistics Canada data

Chart 4

Medium-Density Residential Land Transactions Up in Montreal and Calgary



* Transactions of more than 1 acre

Source: Altus Group

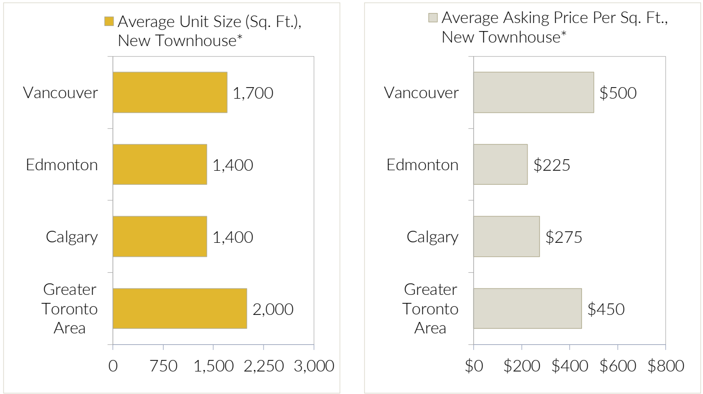
Townhouse Pricing is Comparably Affordable

Townhouse units offer some of the best affordability for consumers needing more bedrooms or square footage (Chart 5). In Vancouver and Toronto, prices for townhouse homes tend to be lower than 2-bedroom apartment prices in the urban areas. And with more flexible design options, townhouse units can be designed to meet the needs of a broad range of buyers.

In the GTA and GVA, the strongest demand has been for lower-priced homes in the outlying areas where homes can be found under $600,000. This is much more affordable than single-detached prices averaging above $1M, but also lower than typical 2-bedroom condominium apartment prices. In Calgary and Edmonton, smaller sized townhouses in the suburban areas can start from under $300,000 which, when the lower condo fees are factored in, can result in a similar monthly carrying cost to a 2-bedroom apartment.

Chart 5

Smaller, More Affordable, Townhouse Product in Calgary and Edmonton



Source: Altus Group

Based on projects launched since January 1, 2020; data are rounded

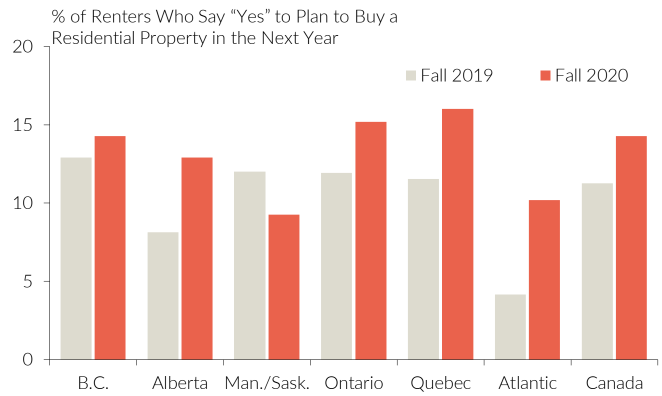
Looking Ahead: Will the Pandemic Impact Townhouse Demand?

As noted earlier, townhouse demand during the pandemic has been robust with sales up year-over-year in the major markets. As the markets deal with the second wave of COVID-19, a few factors are expected to keep demand resilient.

- Interest rates remain at historic lows, which is opening up buying opportunities for consumers to enter the market; particularly for those who were considering home ownership prior to the pandemic.

Chart 6

Canada-wide Homebuying Intentions Up from Last Year Among Renters



Source: Altus Group

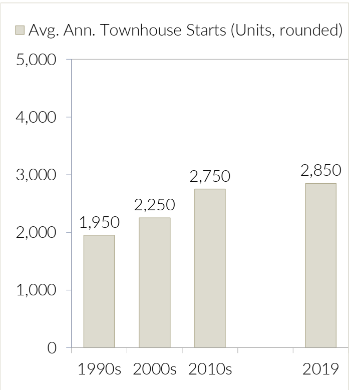
- Homebuying intentions in the next 12 months have grown among current renters across the country, except Manitoba-Saskatchewan (Chart 6).
- The shift to a more flexible work-from-home structure may allow buyers to more comfortably live a longer distance from the office, with the commute being a less significant factor in purchase decisions.
- Many millennials delayed forming families and are in search of affordably priced options with room to grow, in a family friendly built-form.

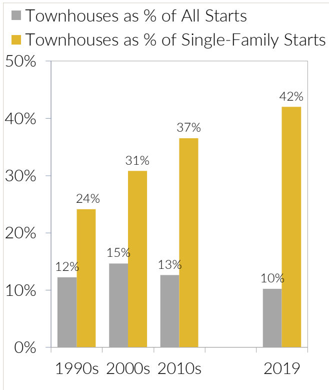
Given the single-family price affordability challenges in the major markets, and economic uncertainty resulting from the pandemic, demand for affordable townhouse product is anticipated to continue to grow in Canada potentially accelerated by the changes brought by COVID-19.

Details of recently launched new townhouse projects in various Canadian markets, including pricing, sales, product details, amenities, row vs. stacked, etc. are available from Altus Group's New Homes subscription service. To arrange a demo, please contact datasolutionsinfo@altusgroup.com.

Role of Townhouses in Selected Major Markets

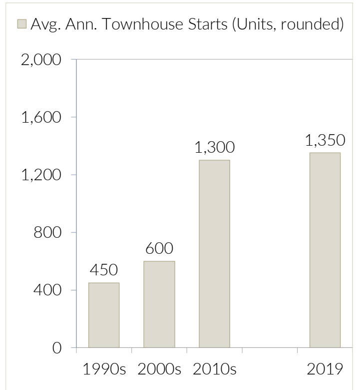
Vancouver

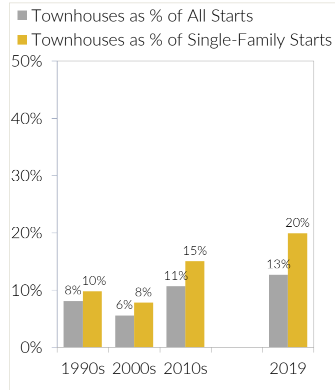




Source: Altus Group based on CMHC data

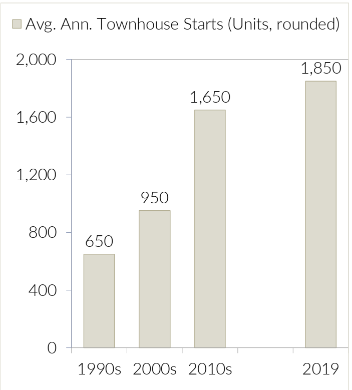
Edmonton

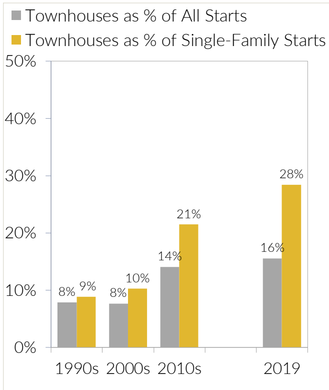




Source: Altus Group based on CMHC data

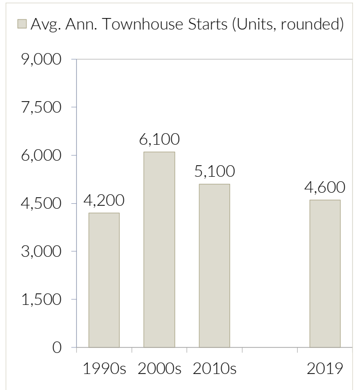
Calgary

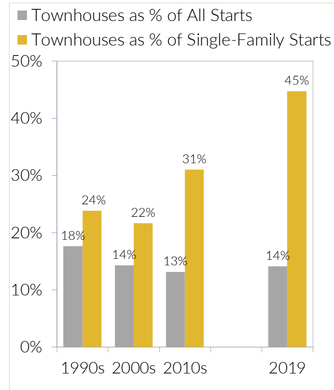




Source: Altus Group based on CMHC data

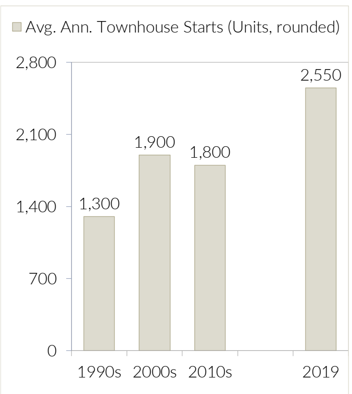
Greater Toronto Area

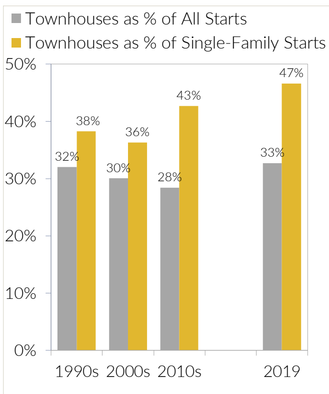




Source: Altus Group based on CMHC data

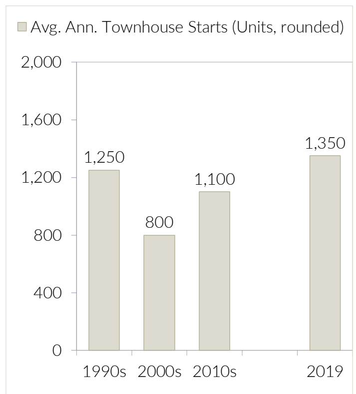
Ottawa

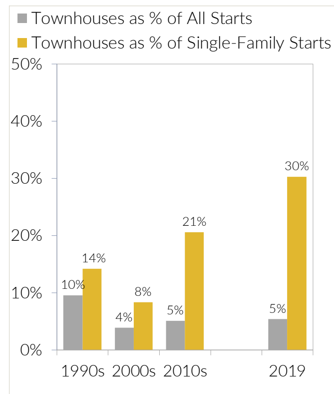




Source: Altus Group based on CMHC data

Montreal





Source: Altus Group based on CMHC data

July Starts Sizzle

Canada-wide housing starts for the month of July were 245,800 units seasonally adjusted at annual rate (SAAR), up from the revised number for June, according to CMHC estimates. Starts rose in both the apartment and, to a lesser extent, the single-family sectors.

Regional highlights for July include:

- Atlantic Canada starts rose in all provinces except Prince Edward Island;
- Starts nudged higher in Quebec as a small decline in the Montreal CMA was more than countered by higher starts in the remaining areas of the province;
- Ontario starts pushed higher with surging condominium apartment starts driving the Toronto CMA upward offsetting a decline in the other areas of the province;
- Starts eased in Manitoba but soared in Saskatchewan;
- Alberta starts rose after two consecutive monthly declines; and
- B.C. ticked upward with modest gains in both the Vancouver CMA and elsewhere in the province.

Housing Starts by Type and Area

	July 2019	June 2020	July 2020
	Total Starts (000s), SAAR		
Canada, Total	221.0	211.8	245.8
By Type of Unit			
Single-family	90.2	85.6	95.7
Apartment	130.8	126.2	150.1
By Area			
British Columbia	50.8	38.9	40.4
Vancouver CMA	*31.8*	*23.5*	*24.4*
Other Areas	*19.0*	*15.4*	*16.0*
Alberta	29.2	15.0	22.9
Saskatchewan	1.6	2.6	8.1
Manitoba	7.1	8.3	7.8
Ontario	69.7	78.9	86.6
Toronto CMA	*32.8*	*39.8*	*48.5*
Other Areas	*36.9*	*39.1*	*38.1*
Quebec	52.6	60.2	63.3
Montreal CMA	*24.9*	*39.4*	*35.7*
Other Areas	*27.7*	*20.8*	*27.7*
New Brunswick	3.2	2.5	7.2
Nova Scotia	4.3	2.6	8.1
Prince Edward Island	1.8	2.1	0.6
Newfoundland	0.8	0.7	0.9

Source: CMHC and estimates by Altus Group

Labour Force Indicators

	Employment Growth		Unemployment Rate	
	Jan-Jul 19- Jan-Jul 20-	Jul 19- Jul 20	Jul 2019	Jul 2020
	000s		%	
St. John's	-6	-8	7.5	11.7
Halifax	-11	-19	5.3	10.9
Quebec	-49	-52	2.3	8.6
Montreal	-110	-150	5.8	13.0
Ottawa	-2	-38	4.9	9.2
Toronto/ Oshawa	-159	-427	5.7	14.6
Kitchener-Waterloo	-15	-37	5.7	12.9
London	3	2	5.9	10.5
Winnipeg	-14	-26	5.3	11.1
Regina	-12	-16	5.3	10.5
Saskatoon	-6	-13	5.8	12.7
Calgary	-63	-106	6.7	15.5
Edmonton	-66	-97	7.5	15.0
Vancouver	-120	-214	4.1	13.3
Victoria	-2	-11	3.8	11.1

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

Resale Housing Market Indicators

	MLS Sales*			Months of Inventory**	
	Jul 2019	Jul 2020	% Change	Jul 2019	Jul 2020
	Units				
St. John's	475	583	23	n.a.	n.a.
Halifax	719	863	20	n.a.	n.a.
Quebec	328	899	174	22.4	5.8
Montreal	3,670	5,356	46	4.6	2.4
Ottawa	1,865	2,212	19	n.a.	n.a.
Toronto/ Oshawa	8,555	11,041	29	2.1	1.4
Kitchener-Waterloo	586	734	25	1.5	0.8
London	1,043	1,275	22	1.8	1.1
Winnipeg	1,365	1,749	28	3.8	4.2
Regina	308	486	58	7.5	4.0
Saskatoon	495	763	54	n.a.	n.a.
Calgary	2,172	2,591	19	4.9	3.8
Edmonton	1,907	2,166	14	4.8	3.6
Vancouver	2,557	3,128	22	5.6	3.9
Victoria	706	979	39	4.2	2.7

* 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

AltusAnalytics
SOFTWARE | DATA | CONNECTIVITY

Matthew Boukall, Edward Jegg
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