Altus Group

HOUSING REPORT

Vol. XXX No. 5

Canada's New Condominium Apartment Sector Weathering COVID-19 Storm

In this issue, we examine the new condominium apartment markets across the country over the past year.

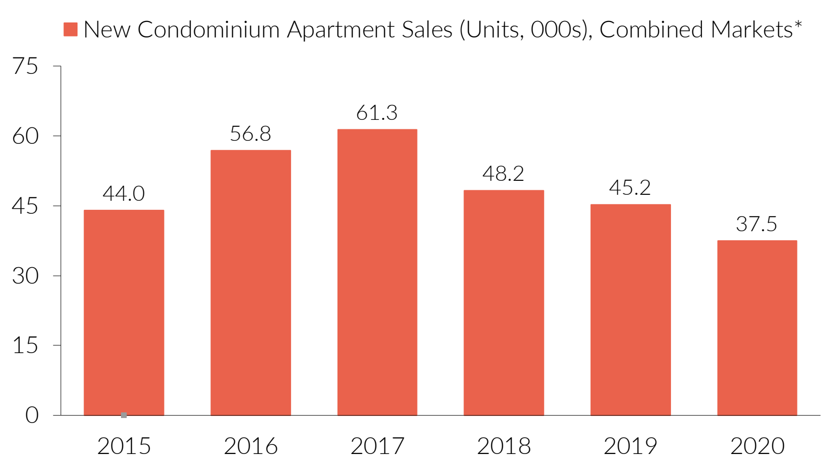
The time frame for a new condominium apartment project, from initial project conception through to final construction, typically lasts years – and this is especially true for the larger-sized projects occurring in Vancouver and Toronto.

At Altus Group, we are able to track activity throughout this timeline beginning with an analysis of residential land sales, followed by a look at the pipeline of upcoming activity in development applications and finally delving into new homes data in Canada's major condominium apartment markets (which together we estimate account for about 85% of Canada-wide activity).

New condominium apartment sales in the markets tracked by Altus Group peaked in 2017 at over 61,000 units followed by three years of successive declines, down by nearly 40% combined since 2017.

Chart 1

New Condominium Apartment Sales in Canada Slip for 3rd Year in a Row



* See Chart 2 for markets included

Source: Altus Group, Data Solutions (New Homes Database)

Highlights

- Vancouver and Calgary new condominium apartment sales improved in 2020, after a difficult 2019
- New condominium apartment inventories are down in most markets, but "tight" conditions in the GTA and other GGH areas putting pressure on prices
- Residential land sales held up well in 2020 despite the pandemic and new housing development applications remained buoyant in Toronto suggesting builder confidence in the future of the sector

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Vancouver and Calgary New Condominium Apartment Sales Improved in 2020

Sales patterns of new condominium apartments in 2020 have been mixed by market (Chart 2; for unit levels see individual market charts on page 4).

Vancouver and Calgary saw stronger new condominium apartments sales in 2020, but these followed steep declines in 2019.

In Southern Ontario, the areas surrounding the Greater Toronto Area (GTA), referred to collectively here as Other Greater Golden Horseshoe, have recorded increased new condominium apartment sales in each of the past 3 years - bucking the trend in other key markets. Affordability concerns in the GTA and movement from the city core are pushing up demand while more developers bringing projects to the market is aiding the supply side.

Falling New Condominium Inventories in GTA and Other GGH Areas Putting Pressure on Prices

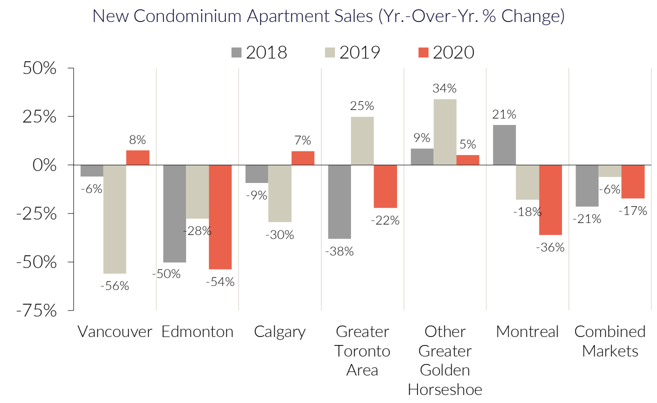
Inventories of new condominium apartment units available to purchase (in pre-construction, under construction and completed projects) are down in most of the tracked markets compared to a year ago (Chart 3). We have found that about 8-12 months of new condominium apartment inventory available to purchase is roughly a balanced market – meaning prices do not exhibit any strong upward – or strong downward – pressure.

At present, therefore, Edmonton, Calgary and, to a lesser extent, Vancouver can be characterized as “oversupplied”, Montreal is roughly “in balance” while both the GTA and other areas of the GGH are considered “tight” with the expected upward pressure on prices on full display. However, these assessments reflect the overall market and conditions can vary by subarea within each market.

Tighter market conditions in the GTA and the other GGH areas have boosted prices, with the GTA now surpassing Vancouver as the highest priced market on a price per square foot basis (Chart 4).

Chart 2

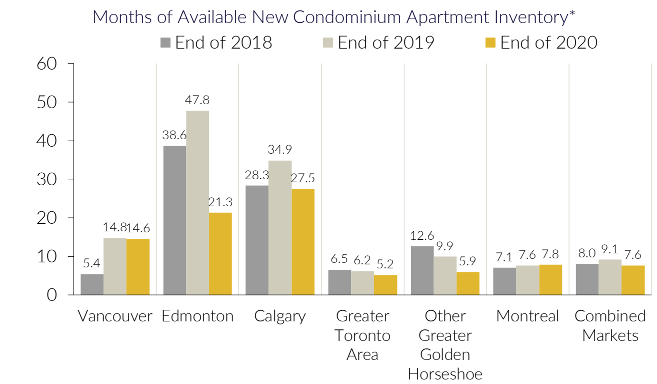
Sales in Vancouver and Calgary Improve in 2020



Source: Altus Group, Data Solutions (New Homes Database)

Chart 3

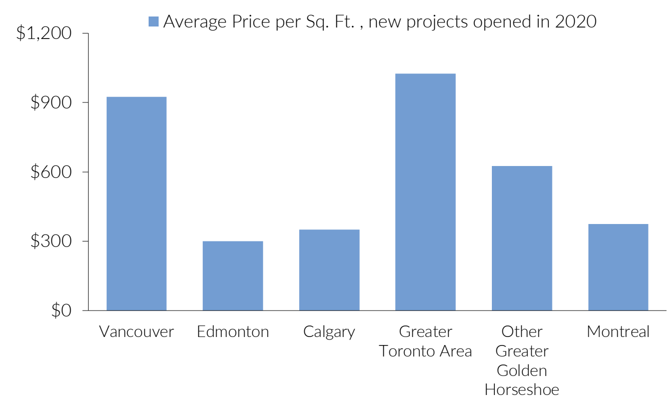
Inventories Down in Most Markets



* Based on average monthly sales in the previous 12 months
Source: Altus Group, Data Solutions (New Homes Database)

Chart 4

Toronto Surpasses Vancouver for New Condominium Apartment Pricing



Source: Altus Group, Data Solutions (New Homes Database)

Land Sales Down But Holding Up Relatively Well Through Pandemic

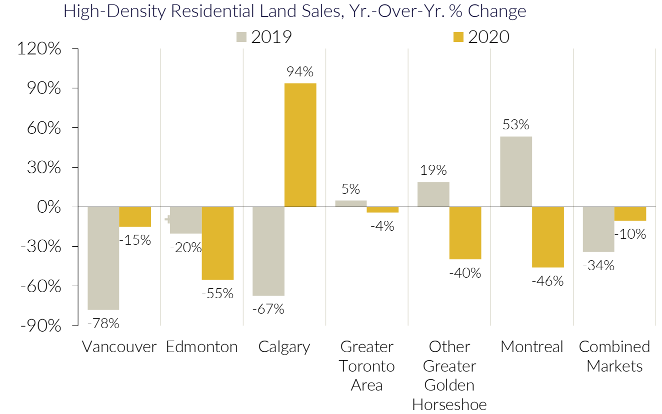
Sales of high-density residential land (land for new condominium and purpose-built rental apartments) in the markets shown on Chart 5 combined decreased in dollar volume in each of the last two years. However, this masks some regional differences across the country. In Calgary in 2020, high-density residential land sales nearly doubled, though 2019 was an 8 year low. In Montreal, high-density land sales reached their highest level in the 5 year history of tracking in 2019 before slipping back in 2020.

However, activity in 2020 is difficult to put into proper prospective given the influence of the COVID-19 pandemic and the associated economic downturn. Annual sales in the combined markets were off by 10% from 2019 but sales in Q1 2020, which had been largely free from the influence of the pandemic, had risen by 14% over the first quarter of 2019. We will never know if land sales would have continued to improve through 2020 without the interruption.

This relatively strong showing for land sales in 2020 during a once-in-a-century (we truly hope!) pandemic suggests that developers are confident in the future of the condo sector.

Chart 5

Less Active High-Density Land Markets But 2020 Sales Impacted by Pandemic



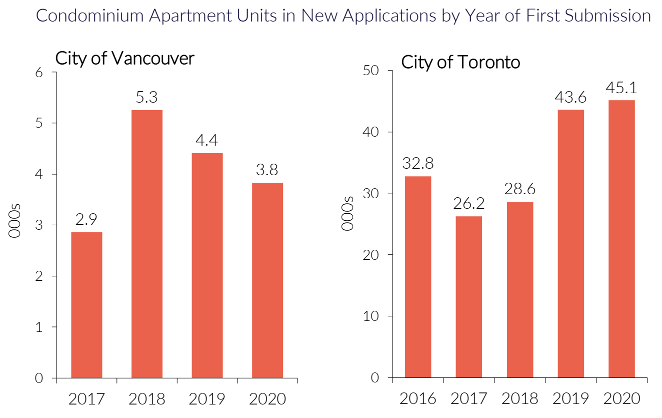
Source: Altus Group, Data Solutions (Commercial Transactions Database)

City of Toronto Sees Surge in Condominium Apartment Applications

Despite new condominium apartment sales in the City of Toronto coming off their peak of 2017 in the past 3 years, condominium apartment units in new applications surged in 2019 and remained robust in 2020 (Chart 6). New applications have been running ahead of recent sales levels and are show developer confidence that the market will pickup.

Chart 6

New Applications of Condominium Apartment Units Surge in Toronto



Source: Altus Group, Data Solutions (Development Applications Database)

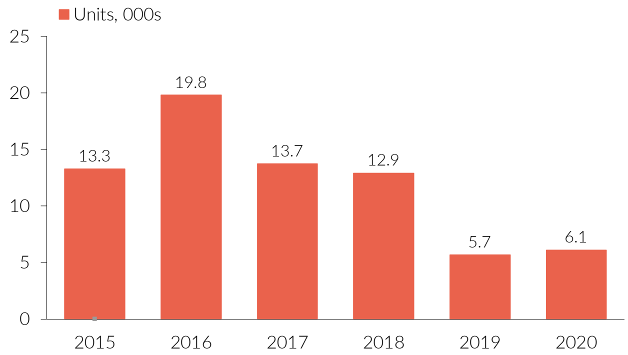
In the City of Vancouver, the number of condo apartment units in new applications has fallen in each of 2019 and 2020. But much of the recent condominium apartment activity has been outside the City proper and focused on the less expensive parts of the market area. Sites along the Skytrain route continue to be in high demand, with their combination of lower prices and easy access to the downtown core.

What's in Store for 2021?

The Vancouver new condominium apartment market is riding positive market momentum with a cautiously optimistic outlook ahead for 2021. In Calgary and Edmonton, the energy sector and slow economy will continue to weigh on potential sales. Toronto is experiencing headwinds to start the year but expectations are for a brighter 2nd half of the year.

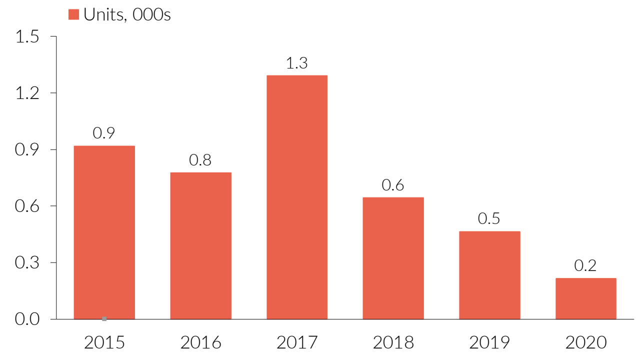
Altus Group New Condominium Apartment Monitor

New Condominium Apartment Sales
Vancouver Market Area



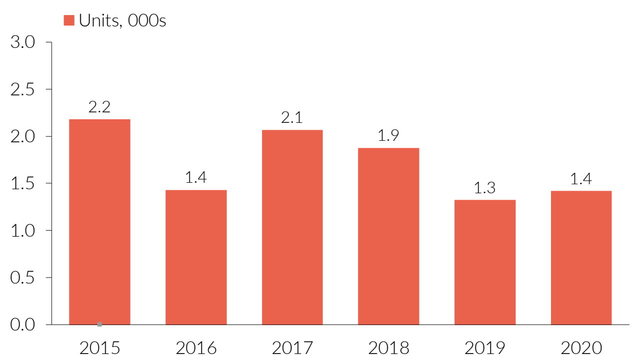
Source: Altus Group, Data Solutions (New Homes Database)

New Condominium Apartment Sales
Edmonton Market Area



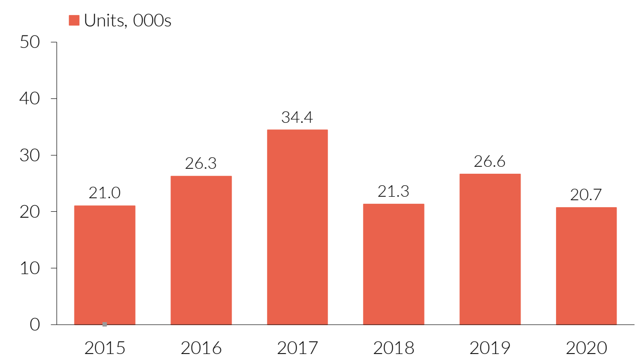
Source: Altus Group, Data Solutions (New Homes Database)

New Condominium Apartment Sales
Calgary Market Area



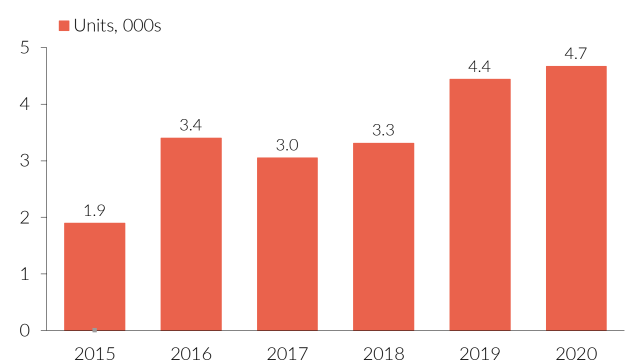
Source: Altus Group, Data Solutions (New Homes Database)

New Condominium Apartment Sales
Greater Toronto Area



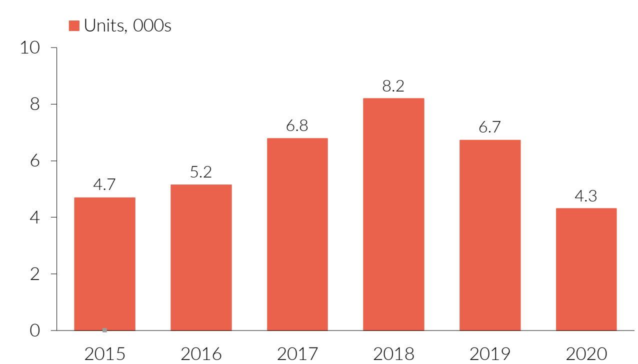
Source: Altus Group, Data Solutions (New Homes Database)

New Condominium Apartment Sales
Other Greater Golden Horseshoe



Source: Altus Group, Data Solutions (New Homes Database)

New Condominium Apartment Sales
Montreal Market Area



Source: Altus Group, Data Solutions (New Homes Database)

October Starts Strengthen

Canada-wide housing starts for the month of October were 227,100 units seasonally adjusted at annual rate (SAAR), up from the revised number for September, according to CMHC estimates. Starts increase in both the single-family and the apartment sectors.

Regional highlights for October include:

- Atlantic Canada starts slipped in New Brunswick and Nova Scotia but were steady in P.E.I. and Newfoundland;
- Starts nudged higher in Quebec, as lower starts in the Montreal CMA were more than countered by an increase in the other areas of the province;
- Ontario starts rose due to a higher activity in both the Toronto CMA as well as other areas of the province;
- Starts rose in both Manitoba and Saskatchewan;
- Alberta starts pushed higher; and
- B.C. starts showed little change as fewer starts in the Vancouver CMA offset higher activity in the remainder of the province.

Housing Starts by Type and Area

	October 2019	September 2020	October 2020
	Total Starts (000s), SAAR		
Canada, Total	204.4	209.0	227.1
By Type of Unit			
Single-family	90.2	95.7	109.2
Apartment	114.2	113.3	117.9
By Area			
British Columbia	34.0	32.4	32.7
Vancouver CMA	*15.9*	*21.5*	*15.4*
Other Areas	*18.1*	*10.9*	*17.3*
Alberta	24.0	26.1	32.6
Saskatchewan	2.9	2.0	2.4
Manitoba	7.6	4.5	10.9
Ontario	73.6	80.6	85.9
Toronto CMA	*32.2*	*32.3*	*36.4*
Other Areas	*41.5*	*48.2*	*49.6*
Quebec	54.0	52.9	55.9
Montreal CMA	*31.4*	*32.5*	*24.7*
Other Areas	*22.5*	*20.4*	*31.1*
New Brunswick	2.2	2.5	2.2
Nova Scotia	3.4	6.7	3.0
Prince Edward Island	1.6	0.6	0.6
Newfoundland	1.1	0.8	0.8

Source: CMHC and estimates by Altus Group

Labour Force Indicators

	Employment Growth		Unemployment Rate	
	Jan-Oct 19-Jan-Oct 20-	Oct 19-Oct 20	Oct 2019	Oct 2020
	000s		*%*	
St. John's	-6	-5	7.2	8.8
Halifax	-9	-2	6.1	7.7
Quebec	-41	-20	3.1	4.5
Montreal	-95	-49	5.5	9.6
Ottawa	-17	-52	4.2	8.2
Toronto/ Oshawa	-165	-113	5.7	11.4
Kitchener-Waterloo	-14	-21	5.3	10.8
London	6	3	6.1	8.9
Winnipeg	-14	-8	5.2	8.7
Regina	-11	-4	5.3	6.1
Saskatoon	-5	-4	5.5	8.1
Calgary	-57	-24	7.2	11.3
Edmonton	-61	-50	7.3	12.0
Vancouver	-131	-113	5.0	9.7
Victoria	-6	-6	3.2	7.6

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

Resale Housing Market Indicators

	MLS Sales*			Months of Inventory**	
	Oct 2019	Oct 2020	% Change	Oct 2019	Oct 2020
	Units				
St. John's	425	596	40	n.a.	n.a.
Halifax	551	782	42	n.a.	n.a.
Quebec	700	1,018	45	11.0	4.5
Montreal	4,186	5,723	37	4.0	2.5
Ottawa	1,625	2,179	34	0.9	0.9
Toronto/ Oshawa	8,444	10,519	25	1.8	1.6
Kitchener-Waterloo	538	691	28	1.3	-
London	928	917	-1	1.8	0.9
Winnipeg	1,100	1,405	28	4.2	1.7
Regina	253	358	42	8.0	4.2
Saskatoon	411	586	43	n.a.	n.a.
Calgary	1,868	2,439	31	5.1	3.4
Edmonton	1,325	1,670	26	6.0	4.3
Vancouver	2,858	3,687	29	4.3	3.4
Victoria	577	929	61	3.5	1.7

* 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

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