Altus Group

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HOUSING REPORT

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Winter 2022 Forecast
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All Time Record High Starts in 2021 Disguises Underlying Risk Emerging in 2022

Recent Activity

- In the 4th quarter of 2021, total Canada-wide housing starts came in at 263,900 units seasonally adjusted at annual rate (SAAR) according to CMHC (Chart 1), stable when compared to the previous quarter. Higher starts in Alberta and Nova Scotia were offset by lower starts in Ontario and B.C.
- Existing home sales increased by 11% in the 4th quarter of 2021, the 1st quarterly increase since peaking in the 1st quarter. Home prices increased by 4% (Chart 2).

Forecast Summary

- Canada's robust economic recovery, though still strong, is expected to slow this year. Economic growth is expected to decelerate during the next 24 months towards a sustainable growth path. Despite the removal of most pandemic-era restrictions on commerce, inflation headwinds will constrain growth in 2022. New COVID-19 variants may pose risks to the outlook.
- Housing demand remains strong but is likely to continue to moderate from the late 2020/early 2021 pandemic induced spur in demand. 2021 recorded the highest number of starts ever. Though home resales remain strong, housing starts have begun to moderate from record highs. Housing supply constraints in major urban areas, rising mortgage rates and eroding housing affordability are applying the brakes on new housing formation.

Analysis

- 2022 housing starts are forecast to moderate 3% below last year's total. Despite anticipated stronger immigration, housing supply constraints and rising costs of housing are likely to dampen housing demand and starts this year and next.
- Other risks are weighing on the forecast for 2022. Recent geopolitical tensions related to the current war in Europe, the week-long truckers blockage of Canada-US border crossings and on-going supply chain disruptions are fuelling inflationary pressures and constraining output growth. Though a resurgence of immigration and strong household balance sheets will keep housing demand buoyant, supply constraints such as rising construction costs and severe labour shortages will limit new housing construction and new home sales.

Total Starts, Canada

2021	271,882
2022f	262,600
2023f	251,800

Starts Trends by Type

	2022	2023
Total	▼	▼
Single-family	▲	▼
Apartment	▼	▼

Starts Trends by Region

	2022	2023
B.C.	▼	▼
Alberta	▼	▼
Sask.	▼	▼
Manitoba	▼	●
Ontario	●	▼
Quebec	▼	▼
Atlantic	▼	▼

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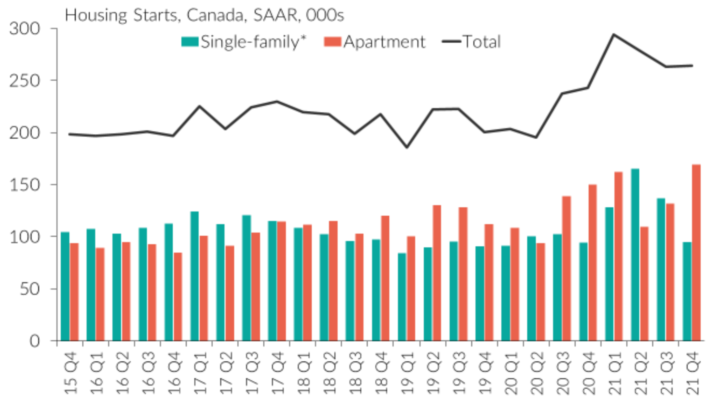
Chart 1

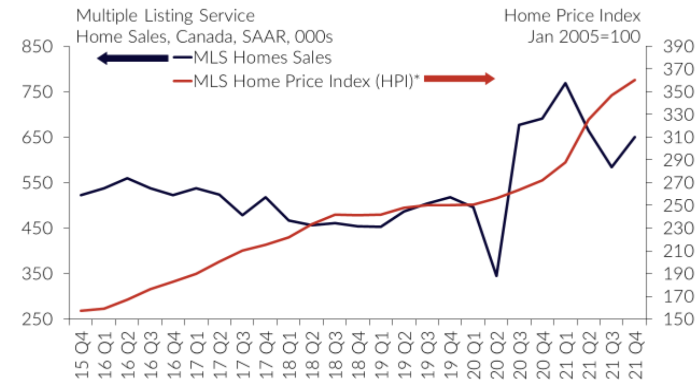
Single-Family Starts Down, Apartment Starts Up in Q4 2021



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

Chart 2

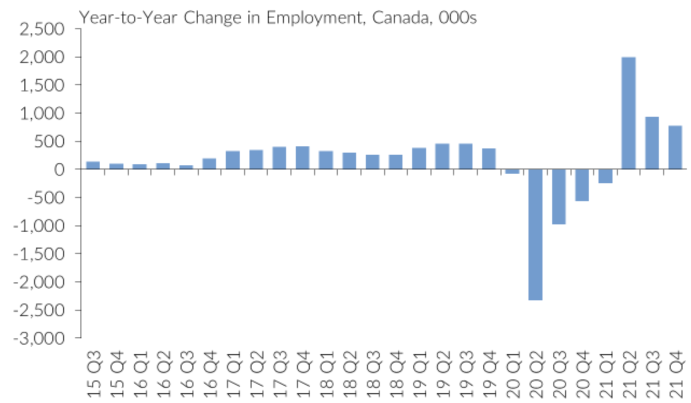
Existing Home Sales Rebound in Q4 2021 Following Weak Third Quarter



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

Chart 3

Employment Continues to Recover and Was Higher Year-over-Year in Q4



Source: Altus Group based on Statistics Canada data

Chart 4

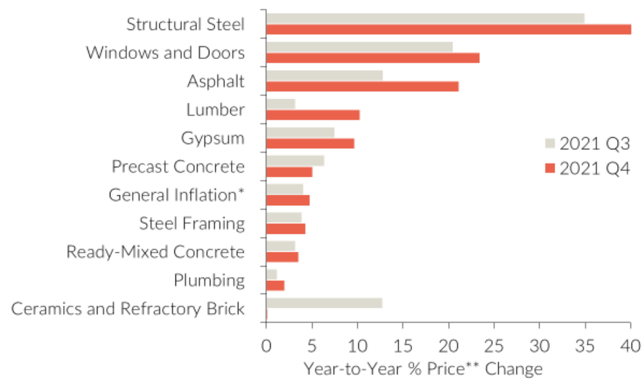
Economic Snapshot: Recovery Cycle Through 2021-2023

	Average 2011-20*	2021	2022f	2023f
	Year-to-Year Change			
Real GDP (%)	1.4	4.5	4.0	3.3
Employment Growth (000s)	109	866	585	292
CPI (%)	1.6	3.4	3.5	2.3
Real PDI** per Capita (%)	1.7	3.1	5.9	1.1
	End of year			
1 Year Mortgage Rate (%)***	3.3	2.8	3.7	3.9
5 Year Mortgage Rate (%)***	5.0	4.8	5.6	5.8

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

Chart 5

Steel Prices Soar as Most Prices of Major Building Products Exceed Inflation



* 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 fourth quarter of 2021, year-over-year price growth exceeded inflation for 6 of Canada's 10 major building products (Chart 5).
- As supply chain disruptions persist, year-over-year price increases of all but two major building products were higher in Q4 than Q3. There seems to be some moderation in the prices of concrete products.
- Year-over-year price increases of steel, windows and doors, asphalt, lumber and gypsum exceeded inflation in Q4 2021.

Chart 6

Net Migration Bouncing Back in 2021

	Average 2010-2019	2019	2020	Jan-Sep 2020	Jan-Sep 2021
	Total Net Migration (Persons, 000s)				
British Columbia	51.8	84.1	25.8	17.3	84.9
Alberta	44.4	44.7	10.6	6.8	18.4
Saskatchewan	9.0	6.0	(4.1)	(4.4)	(0.7)
Manitoba	11.4	10.2	0.4	(0.5)	2.0
Ontario	129.1	228.4	50.7	33.4	135.5
Quebec	51.7	93.5	14.0	14.5	38.5
Atlantic Canada	10.4	28.8	12.2	9.4	37.6
Canada*	308.1	495.7	109.7	76.5	316.6

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

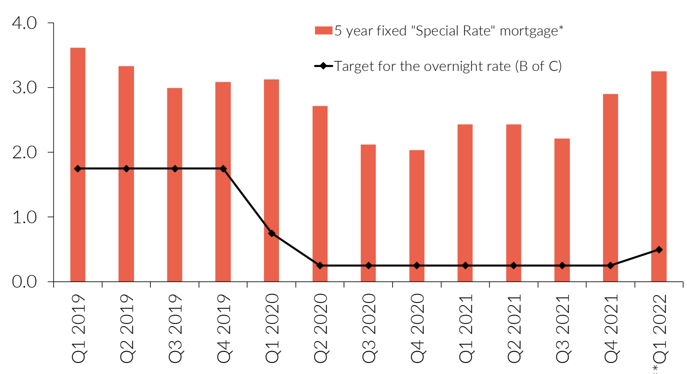
Chart 7

New Home Prices Rise Across the Country

Source: Altus Group based on Statistics Canada data

Chart 8

Interest Rates Rising after Steady Decline During Pandemic



* Average for the major banks
**As of early March
Source: Altus Group based on data from Bank of Canada and major bank websites

Outlook by Region

Net migration to Canada is already on the ascendency and is expected to return to pre-pandemic levels this year as Canada sets higher targets for 2021 to 2023 (Chart 6).

British Columbia

- With housing demand remaining robust despite eroding affordability, starts aren't expected to come off the boil any time soon. Strong employment and in-migration are fuelling housing demand as preferences shift toward single-family units. Expect still strong starts to slow this year and next due to lower apartment starts.

Alberta

- The strong oil and gas led recovery and rising employment and in-migration are boosting single-family housing demand. Remarkably strong starts and new home sales in 2021 point to robust starts this year.

Saskatchewan

- Housing affordability and a vigorous economic recovery are spurring exceptional housing demand. Starts to remain elevated.

Manitoba

- Housing sales and starts to moderate slightly this year and next as the economy emerges from the pandemic and conditions normalize.

Ontario

- Slightly lower housing starts are expected this year and next after a 20-year high in 2021. A retreat in apartment starts is expected to more than offset higher single-family starts, driven by low home resale inventories and red hot demand despite soaring prices.

Quebec

- Eroding affordability (higher home prices and mortgage rates) is taking a bite out of the robust housing demand seen over the past two years, especially for new apartment units. Coming off a record breaking 2021, expect lower, though still solid starts this year and next.

Atlantic Canada

- Starts to decrease this year and next, edging closer to the 10-year average. Higher home prices and mortgage rates are likely to cool housing demand.

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. 2011-20		*34,992*	*30,437*	*5,749*	*6,693*	*71,749*	*44,388*	*2,676*	*4,207*	*885*	*1,965*	*203,742*
2021		47,609	31,945	4,174	8,006	100,089	67,962	3,829	5,979	1,267	1,022	271,882
2022 f		46,950	30,500	4,075	7,700	99,350	63,100	3,400	5,500	900	1,075	262,550
2023 f		45,625	29,625	3,850	7,725	96,200	59,550	2,925	4,825	575	925	251,825
Single-family Starts (includes single-detached, semi-detached and row units)												
Avg. 2011-20		*15,394*	*22,019*	*4,134*	*4,274*	*39,288*	*16,683*	*1,743*	*2,266*	*558*	*1,716*	*107,793*
2021		17,534	21,370	2,599	4,781	49,839	21,212	2,054	3,004	1,117	972	124,482
2022 f		18,550	21,350	2,650	4,575	54,550	20,350	2,175	2,625	725	950	128,500
2023 f		18,225	21,225	2,525	4,600	49,100	19,875	1,875	2,225	400	850	120,900
Apartment Starts												
Avg. 2011-20		*19,981*	*9,097*	*1,832*	*2,444*	*32,619*	*27,823*	*965*	*1,913*	*311*	*351*	*97,337*
2021		30,075	10,575	1,575	3,225	50,250	46,750	1,775	2,975	150	50	147,400
2022 f		28,400	9,150	1,425	3,125	44,800	42,750	1,225	2,875	175	125	134,050
2023 f		27,400	8,400	1,325	3,125	47,100	39,675	1,050	2,600	175	75	130,925
Total Starts, Quarterly, Seasonally Adjusted at Annual Rates												
2021	1	52,970	28,063	4,933	7,794	101,476	81,014	4,311	5,508	1,281	1,467	288,817
	2	49,909	33,026	4,709	8,643	98,532	70,876	4,388	5,118	1,486	1,184	277,871
	3	45,393	29,980	3,888	8,467	102,950	62,503	3,752	4,172	1,226	839	263,170
	4	42,740	36,530	3,384	7,227	95,972	62,954	3,776	8,991	1,328	1,025	263,927
2022	1 f	56,000	29,000	3,800	7,400	95,500	65,000	3,800	6,300	1,000	1,300	269,100
	2 f	49,000	32,000	4,400	8,300	104,000	68,000	4,000	5,900	1,100	1,200	277,900
	3 f	44,000	28,500	4,200	8,100	100,000	61,000	3,300	5,500	900	1,100	256,600
	4 f	41,000	33,000	4,000	7,000	100,000	60,000	3,100	4,800	700	1,000	254,600
2023	1 f	49,000	28,000	4,100	8,000	100,000	62,000	3,000	5,100	600	1,000	260,800
	2 f	45,000	31,000	4,000	8,000	98,000	63,000	3,000	5,300	600	1,200	259,100
	3 f	45,000	27,000	3,800	8,000	96,000	58,500	3,000	4,800	600	900	247,600
	4 f	45,000	33,000	3,700	7,000	94,000	56,500	3,000	4,500	600	800	248,100
Total Starts, Quarterly, Actual												
2021	1	11,899	6,083	1,004	1,656	22,151	14,628	236	1,214	150	156	59,177
	2	13,427	8,677	1,233	2,296	25,594	20,196	1,270	1,224	410	305	74,632
	3	11,439	7,839	1,028	2,260	27,765	15,755	1,224	1,185	357	263	69,115
	4	10,844	9,346	909	1,794	24,579	17,383	1,099	2,356	350	298	68,958
2022	1 f	11,925	6,225	750	1,600	20,525	11,750	250	1,350	175	125	54,675
	2 f	13,600	8,425	1,150	2,175	26,450	19,275	1,050	1,400	275	300	74,125
	3 f	11,025	7,425	1,125	2,175	26,600	15,500	1,150	1,500	250	350	67,125
	4 f	10,400	8,425	1,050	1,750	25,775	16,575	950	1,250	200	300	66,675
2023	1 f	10,425	6,000	800	1,725	21,500	11,225	200	1,100	100	100	53,200
	2 f	12,500	8,175	1,050	2,100	24,925	17,850	775	1,250	150	300	69,100
	3 f	11,275	7,025	1,025	2,150	25,550	14,850	1,050	1,300	175	275	64,700
	4 f	11,425	8,425	975	1,750	24,225	15,625	900	1,175	150	250	64,900

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:

- **In every major market but Winnipeg and Ottawa, total starts are expected to come in lower in 2022 than the near record breaking pace in 2021.** Despite still strong housing demand, eroding affordability and single-family supply constraints in large urban centres are expected to dampen housing starts. Results are expected to be more uniform in 2023 as all major markets will see lower starts. Except for Halifax, all major markets are expected to register lower single-family activity.
- **Expect weaker apartment starts in all major markets in 2023.**

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

	2022	2023
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. 2011-2020	*22,370*	*12,152*	*11,778*	*4,581*	*38,053*	*6,714*	*21,633*	*2,682*
2021	26,013	12,546	15,017	5,694	41,898	10,221	32,343	3,794
2022f	25,050	11,600	14,000	5,550	40,650	10,300	28,575	3,575
2023f	24,100	11,000	12,800	5,250	38,100	9,500	27,275	3,350
Single Family Starts (includes single-detached, semi-detached and row units)								
Avg. 2011-2020	*7,377*	*8,374*	*7,521*	*2,536*	*14,894*	*4,382*	*4,852*	*991*
2021	6,566	8,636	8,703	2,834	11,661	6,355	5,045	1,226
2022f	7,050	8,600	8,400	2,800	13,150	6,600	4,875	1,125
2023f	6,600	8,300	7,950	2,700	11,900	6,500	4,275	1,175
Apartment Starts								
Avg. 2011-2020	*14,993*	*3,778*	*4,257*	*2,046*	*23,160*	*2,332*	*16,781*	*1,691*
2021	19,447	3,910	6,314	2,860	30,237	3,866	27,298	2,568
2022f	18,000	3,000	5,600	2,750	27,500	3,700	23,700	2,450
2023f	17,500	2,700	4,850	2,550	26,200	3,000	23,000	2,175

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

Vancouver

- Following a record high in 2021, lower starts are likely this year as lower apartment starts are expected to more than offset higher single-family starts. Housing demand remains strong but rising borrowing costs and prices, and single-family supply constraints, will limit new housing construction. The pandemic-induced shift in homebuyer preferences towards single-family homes persists, dampening apartment starts.
- Higher construction costs and labour shortages are likely to push starts even lower next year despite strong demand for both single-family and apartment units.

Edmonton

- The strong jobs and economic recovery is expected to continue to support robust housing demand this year. 2022 starts are forecast to decrease just slightly below 2021 levels. New homes are still affordable and resale inventories remain modest despite tremendous resales.
- A modest decline in both starts and new residential construction activity is also expected in 2023. A strong economy and in-migration growth will sustain solid housing demand though higher apartment vacancy rates are likely to constrain apartment starts.

Calgary

- Notwithstanding steady jobs and economic growth, and remarkable existing and new home sales, modestly lower starts are forecast for 2022 as diminishing affordability constrains demand.
- A modest decline in starts is expected in 2023, driven by lower single-family and apartment starts. Notable house price increases, together with rising mortgage rates, are expected to begin to cool housing markets.

Winnipeg

- Housing starts in Winnipeg increased by 13% in 2021, led by single-family starts. Home resales were remarkably high, and inventories remained extremely low, pushing home prices considerably higher. Expect starts in 2022 and 2023 to be on par with last year as price and mortgage rate increases prove insufficient to put a major dent in housing demand.

Chart 11

Job Growth Continued to Rebound in 2021 after Plummeting in 2020

CMA	Ann. Avg. 2011-2020	2021	2022f	2023f
	Change in Employment (000s)			
Vancouver	17.8	124.5	38.8	32.5
Edmonton	6.8	63.7	25.2	13.9
Calgary	8.1	32.2	31.8	17.7
Winnipeg	2.9	18.0	9.5	7.6
Toronto/Oshawa	37.1	175.7	111.7	50.4
Ottawa/Gatineau	3.2	39.3	23.2	10.3
Montreal	14.8	119.0	66.2	36.8
Halifax	1.1	11.9	4.5	2.4

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

Chart 12

Inventories Remain Tight and Resales Soar in Most Markets

	Number of Homes Sold Through MLS			Months of Resale Inventory	
	January - Dec		%	December	
CMA	2020	2021	Change	2020	2021
	Units (000)				
Vancouver*	48.6	69.0	42	2.3	1.5
Edmonton	17.0	24.7	45	4.7	3.4
Calgary	22.2	27.7	25	3.2	2.1
Winnipeg	14.4	17.6	22	1.7	0.8
Toronto	95.1	121.7	28	1.1	0.5
Ottawa	19.0	20.3	7	1.0	0.9
Montreal	55.4	54.4	-2	2.4	2.2
Halifax	7.6	7.7	1	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

New Home Prices Rise Across the Country

	New House Prices			Resale House Prices		
CMA	2019	2020	2021	2019	2020	2021
	Year-Over-Year % Change					
Vancouver*	-1.4	1.3	10.9	-4.9	9.7	15.1
Edmonton	-1.3	-0.7	4.6	-2.7	1.9	6.3
Calgary	-1.7	-1.1	9.0	-4.1	0.7	9.0
Winnipeg	0.8	2.0	14.8	0.5	4.9	10.0
Toronto	-0.9	0.9	6.7	4.0	13.4	17.9
Ottawa	5.4	11.6	22.5	8.4	19.9	21.9
Montreal	3.9	7.9	17.0	4.5	14.8	18.4
Halifax	0.7	3.7	9.5	6.8	14.5	26.1

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

Toronto

- Housing demand remains incredibly strong despite soaring home prices and rising mortgage rates. Starts were up 9% in 2021 buoyed by both single-family and apartment starts. New home sales and resales were also extremely strong, and inventories are exceptionally low. Demand for single-family housing remains strong. Despite supply constraints, which are limiting new construction, expect an increase in single-family starts of over 10% in 2022. Starts will however decrease slightly, weighed down by lower apartment starts.
- New condo apartment sales were up 61% in 2021 signalling still strong apartment starts during the next two years. Starts are expected to decrease further in 2023 to the still strong 10-year average.

Ottawa

- Ottawa's housing market has maintained the momentum from 2020, setting new records in 2021. With resale inventories extremely low and new and resale home prices increasing over 20% in 2021 amid strong home sales, housing demand in Ottawa remains robust. Expect 2022 starts to be on par with last year, led by an increase in the single-family segment.
- With many purpose-built rental projects underway and in the planning stages, starts have almost doubled in the past few years and are expected to remain strong this year and next. The economic recovery and a resurgence of immigration should sustain housing demand.

Montreal

- An extraordinarily strong economic recovery and low mortgage rates have been fuelling exceptionally strong housing demand and new homes construction in Montreal. Housing starts reached a 30-year high last year, up 19% on the strength of the single-family and apartment segments. However, existing home sales appear to be cooling though still strong.
- Rising mortgage rates are expected to diminish housing demand over the forecast horizon. Supply constraints such as labour shortages and access to land for development in the urban corridor are likely to limit new residential construction. Starts are therefore forecast to decrease this year and in 2023 though remaining significantly above the 10-year average. Despite vigorous new condominium apartment sales in 2021, fewer purpose-built rental apartment projects this year point to apartment starts being the main driver of lower starts in 2022.

Halifax

- Like Montreal, housing starts in Halifax reached a 30-year high in 2021, increasing by 17% over the 2020 bumper-year. A decline in single-family starts was more than offset by a 33% increase in apartment starts.
- Expect starts to cool in 2022 and to continue their descent in 2023. Weak in-migration, significant house price appreciation and rising mortgage rates should dampen housing demand and starts.

Chart 14

New Condominium Apartment Sales Soar in Vancouver and Toronto

	Vancouver		Edmonton		Calgary		Toronto		Montreal	
	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021
New Condominium Apartments (Units)										
Starts*	10,788	13,178	3,003	359	2,460	3,742	22,244	25,368	6,881	7,291
Under Construction**	27,379	28,408	2,716	851	4,475	4,493	60,596	61,643	10,164	11,750
Completed But Unabsorbed**	395	1,150	634	692	911	386	289	160	767	298
Sales*	6,141	19,135	215	261	1,475	2,804	20,465	32,932	4,091	4,652
MLS Condominium Apartments* **										
Number of Units Sold*	14,058	21,774	3,813	5,701	2,393	4,146	22,278	33,855	20,053	21,888
Average Price ($000s)*	680	728	223	231	252	267	629	681	354	413
Inventory (Months)**	3.0	1.6	n.a.	n.a.	6.3	3.4	2.0	0.7	2.9	2.6

* January to December
** End of December

*** 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

AltusAnalytics
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