

## Tracking the Market Trends

Economic Intelligence

Nov 13<sup>th</sup>, 2018

**Hardlines Conference, Niagara-on-the-Lake**

**AltusExpertServices**  
EXPERIENCE | INDEPENDENCE | INSIGHT

Peter Norman, VP & Chief Economist, Economic Consulting

  
**AltusGroup**

## Today's Agenda

  
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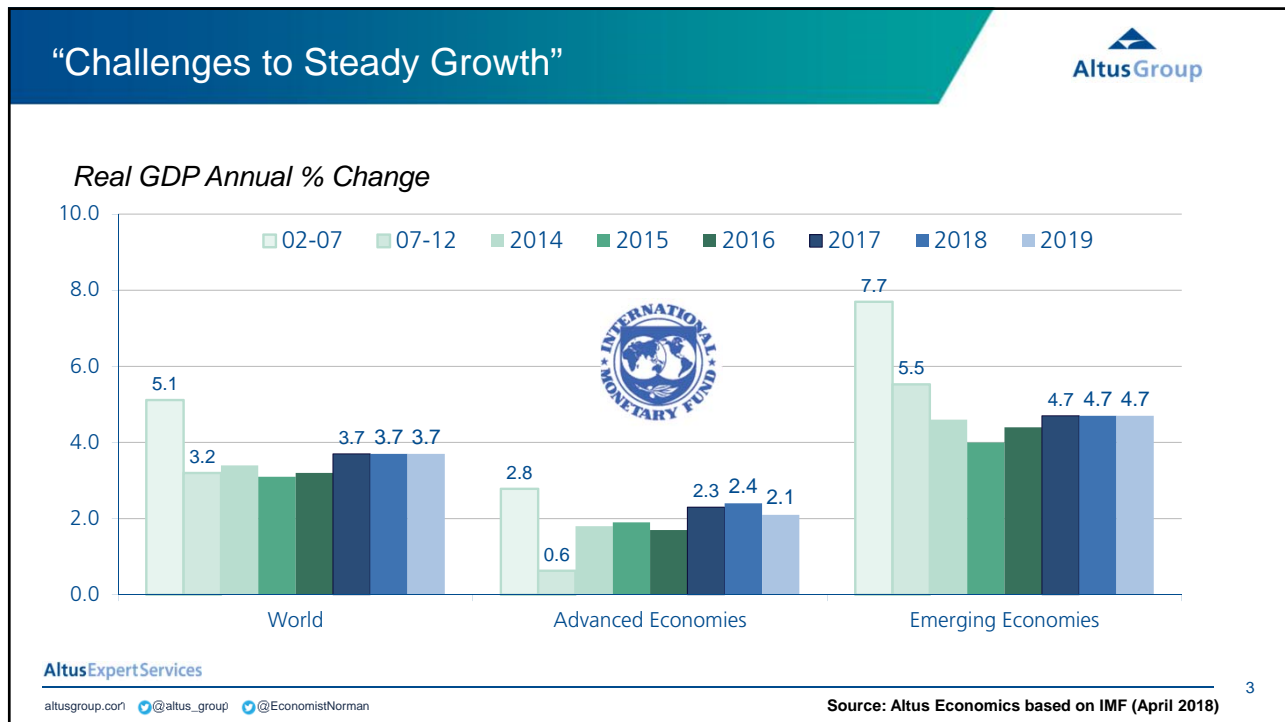


- The State of the Economy
- International Trade Downs and Ups
- Our Love Affair with Residential Renovation
- Migration
- Pesky Interest Rates
- The Cannabis Question
- What's Ahead for Housing Starts?
- Rental Renaissance?


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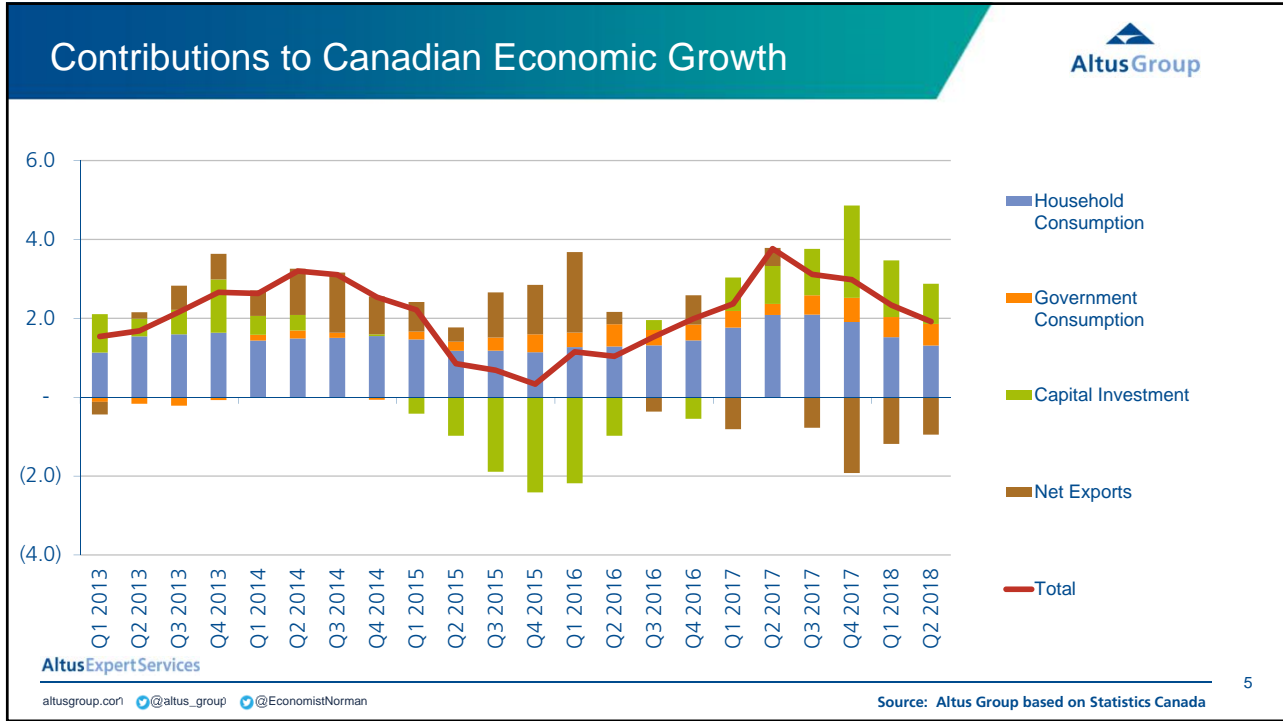
### Economic Outlook



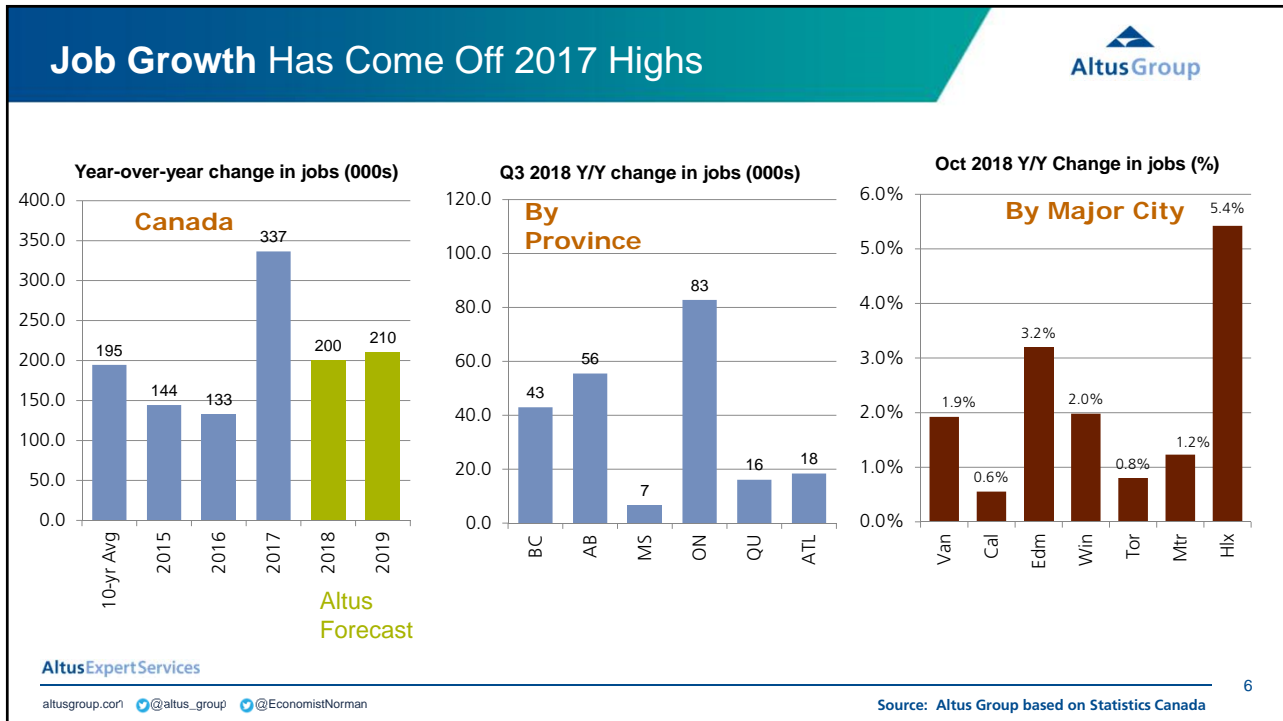
	Average 2006-16*	2017	2018f	2019f	
	<i>Year-to-Year Change</i>				
Real GDP (economic growth, %)	1.6	3.0	2.1	2.0	↔
Employment Growth (persons, 000s)	168	337	203	205	✓
CPI (inflation, %)	1.6	1.6	2.3	2.2	✓
Real Personal Disposable Income per Capita	1.7	2.4	1.0	1.1	↔
1 Year Mortgage Rate (banks, posted %)	3.9	3.2	3.6	4.2	↑
5 Year Mortgage Rate (banks, posted %)	5.5	5.0	5.5	6.2	↑

**AltusExpertServices** \* Annual average 4

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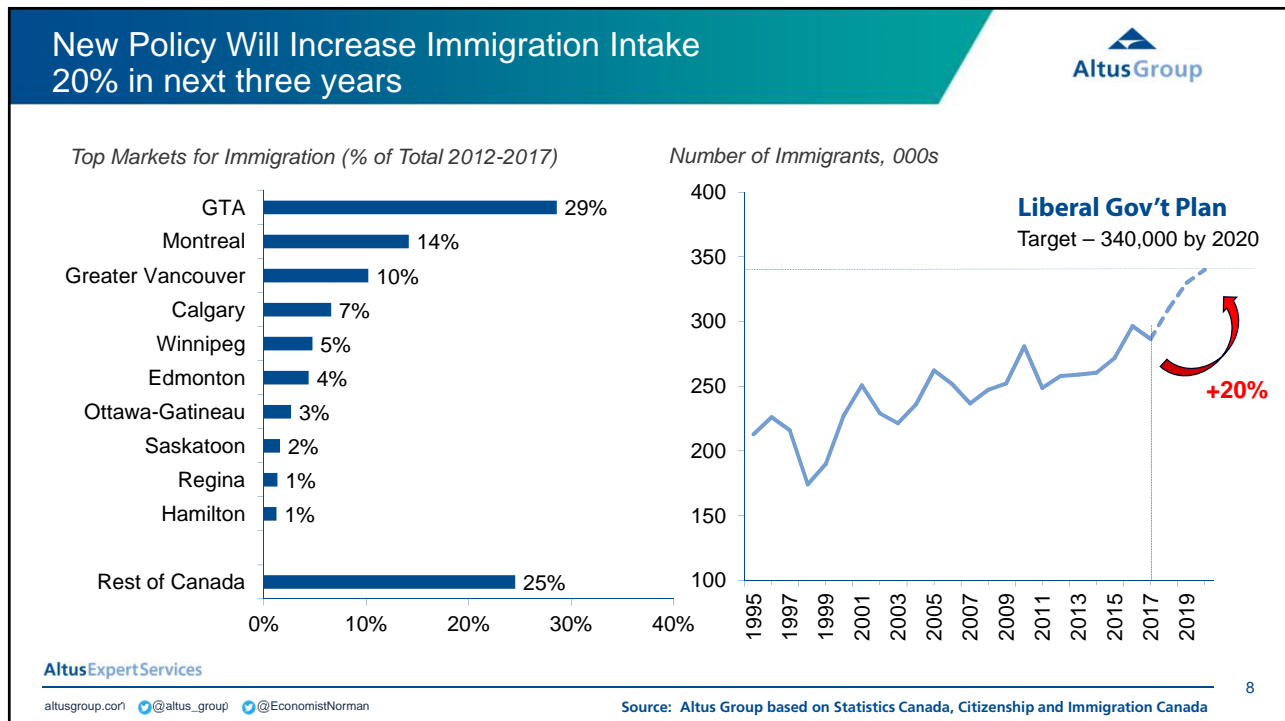
## Net Migration Trends Strongly Boosting Ontario and Quebec

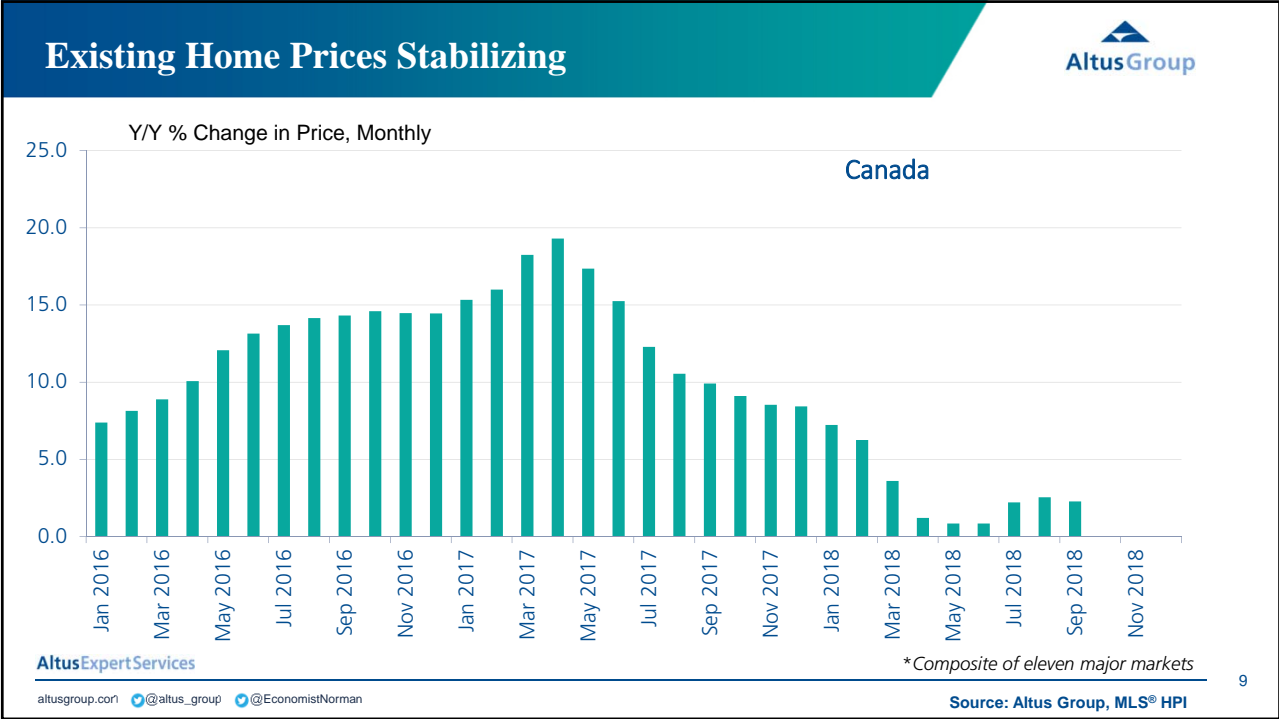


	Average				January-June		Distribution	
	2005-2014	2015	2016	2017	2017	2018	05-14	2017
Total Net Migration (Persons 000s)					Percent			
British Columbia	45.9	36.9	59.1	61.3	33.6	35.6	19%	17%
Alberta	56.3	29.5	21.3	23.8	9.1	17.9	23%	6%
Saskatchewan	7.5	6.1	10.4	7.2	4.2	2.0	3%	2%
Manitoba	7.7	10.8	16.0	13.6	8.0	4.8	3%	4%
Ontario	91.0	85.8	160.3	179.3	82.0	113.3	37%	49%
Quebec	37.9	24.8	45.5	68.1	35.8	43.9	15%	18%
Atlantic Canada	1.4	6.0	17.0	15.6	9.5	8.7	1%	4%
<b>Canada*</b>	<b>247.6</b>	<b>199.9</b>	<b>330.0</b>	<b>369.5</b>	<b>183.1</b>	<b>226.3</b>	<b>100%</b>	<b>100%</b>

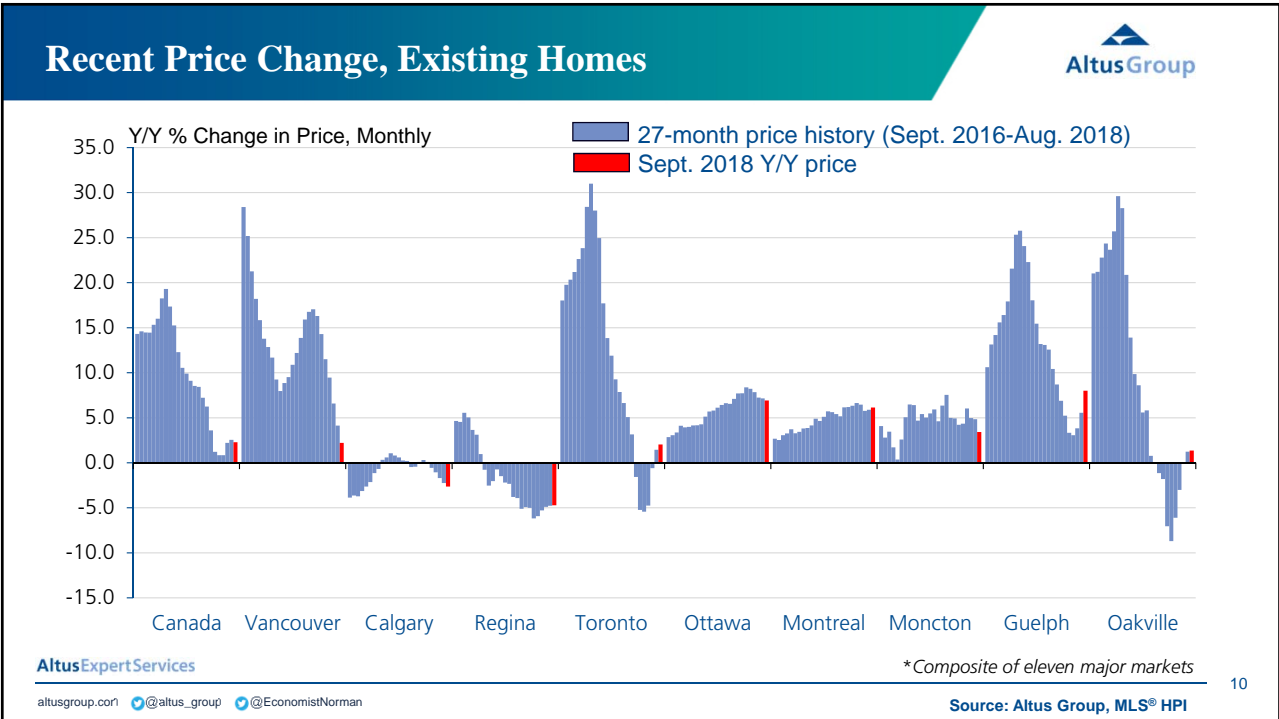
\* Includes Northwest Territories, Nunavut and Yukon.

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Source: Altus Group based on Statistics Canada
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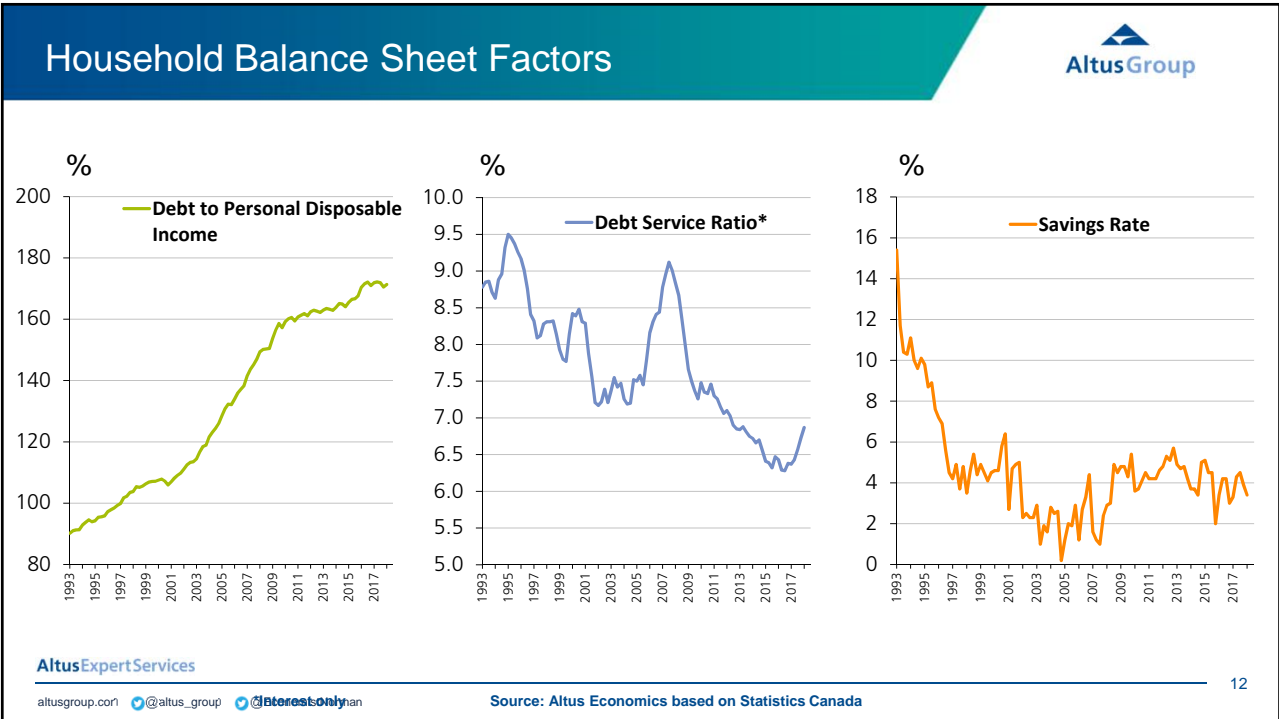
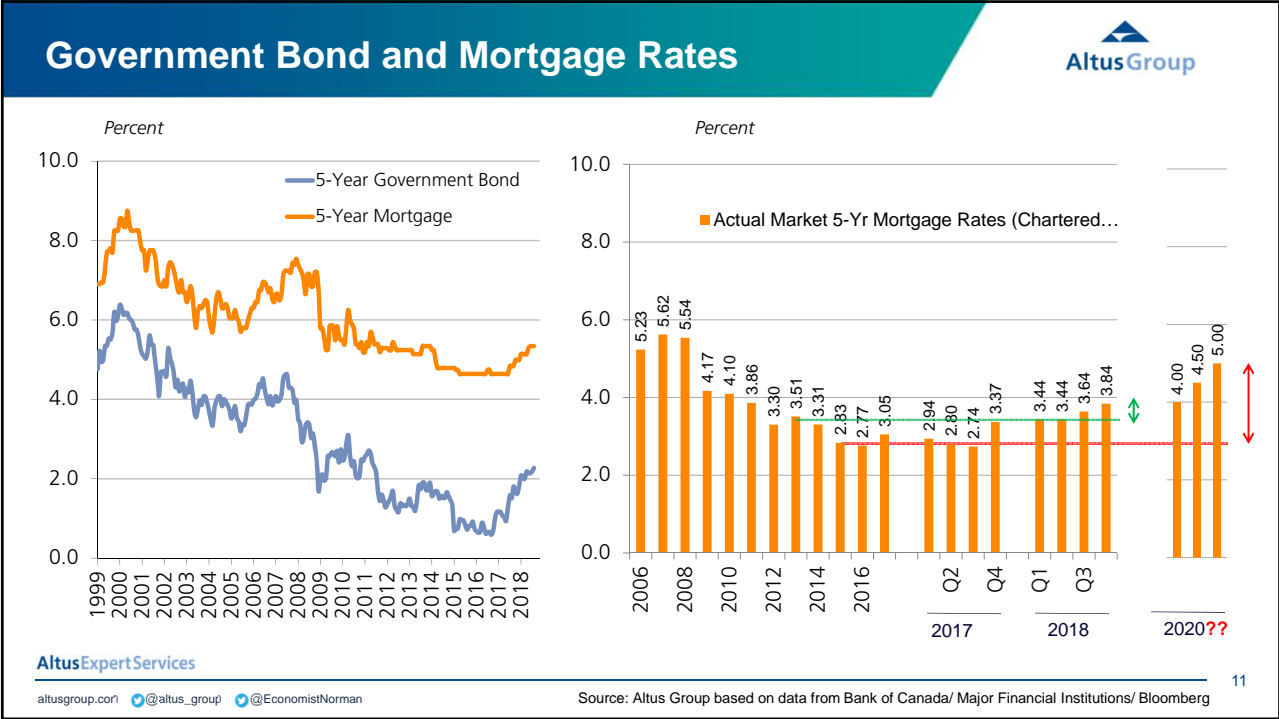




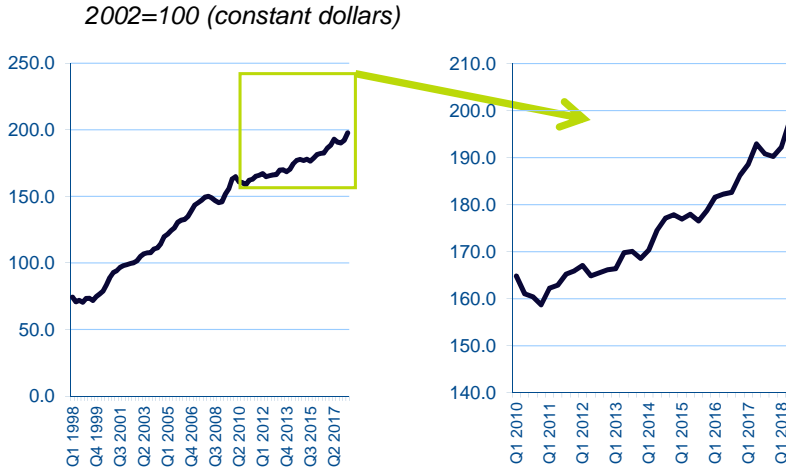
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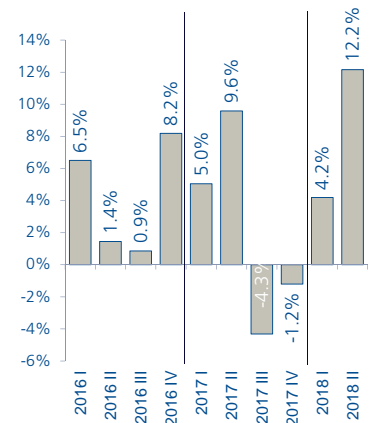
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## Residential Renovation Spending Surged Ahead in Early 2018



Q/Q Annualized % Ch.



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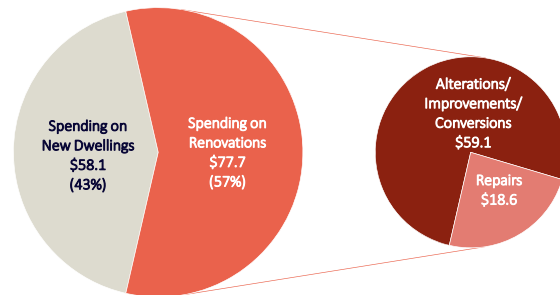
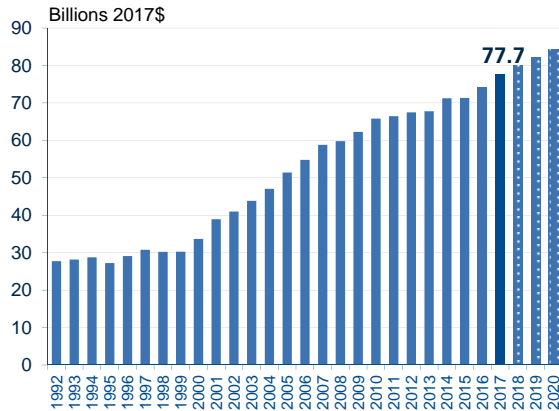
Source: Altus Group based on Statistics Canada

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## Residential Renovations – Our Love Affair Continues



Residential Renovation Spending, Canada

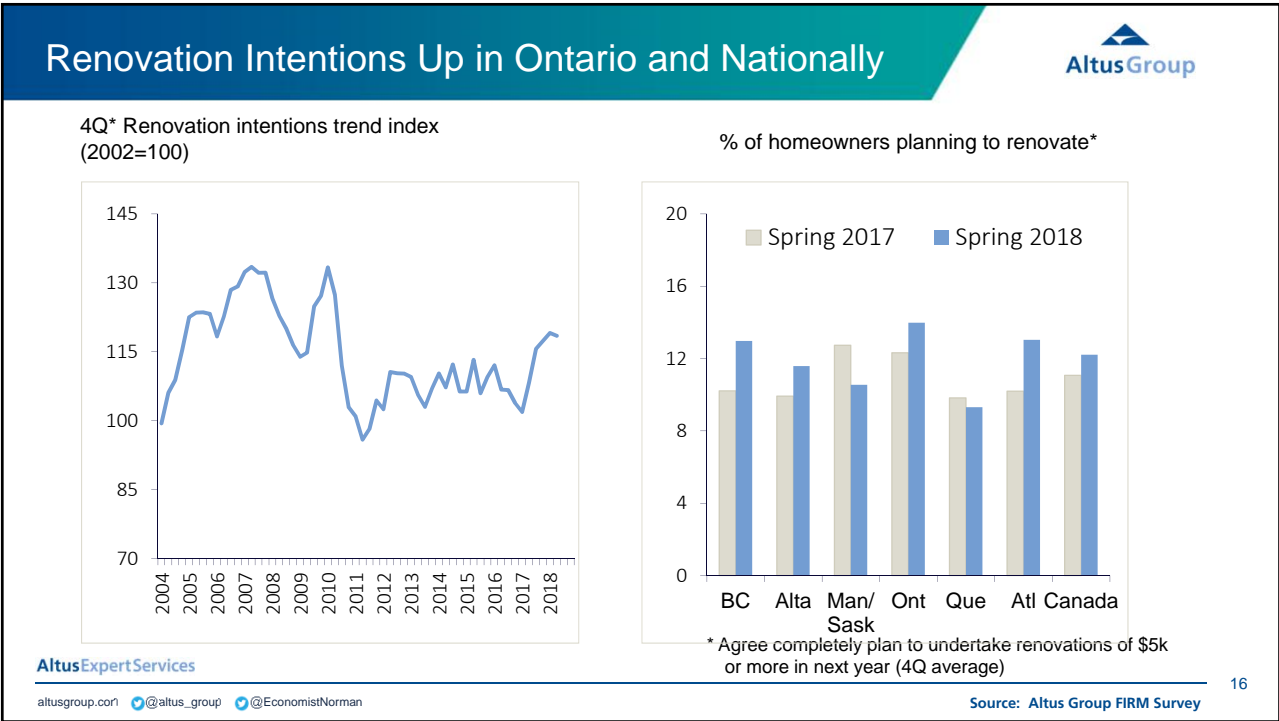
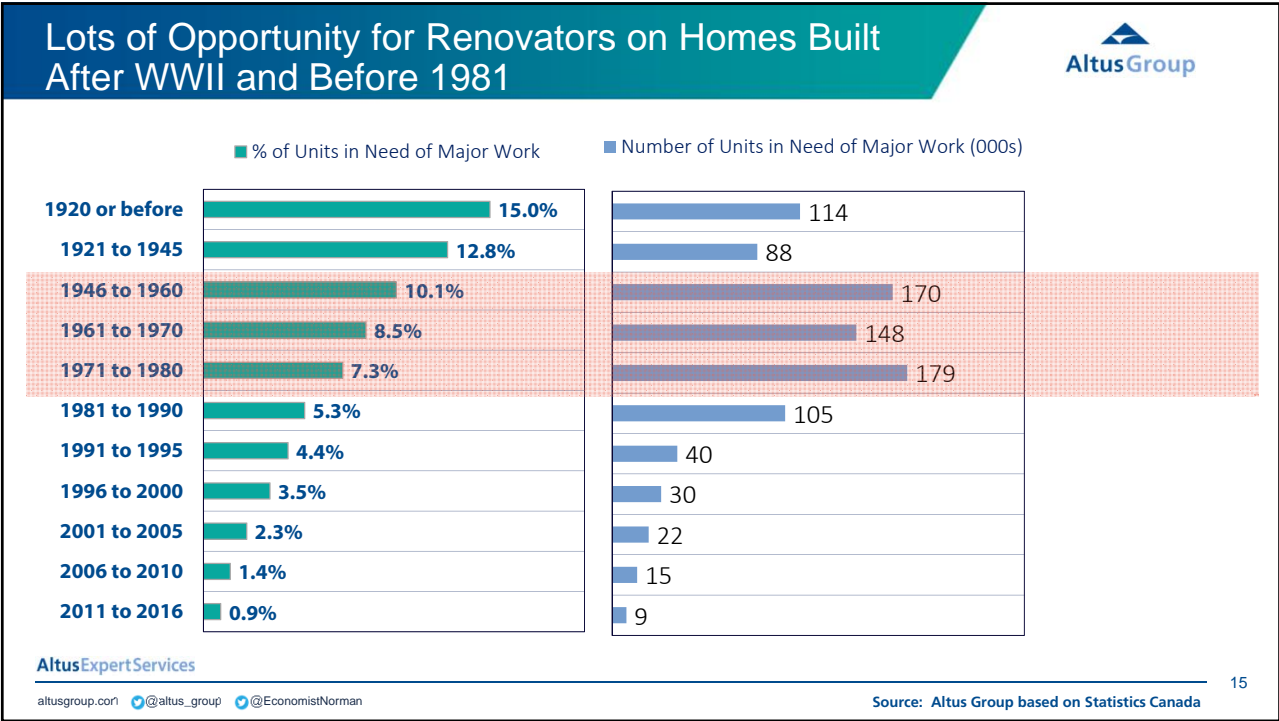


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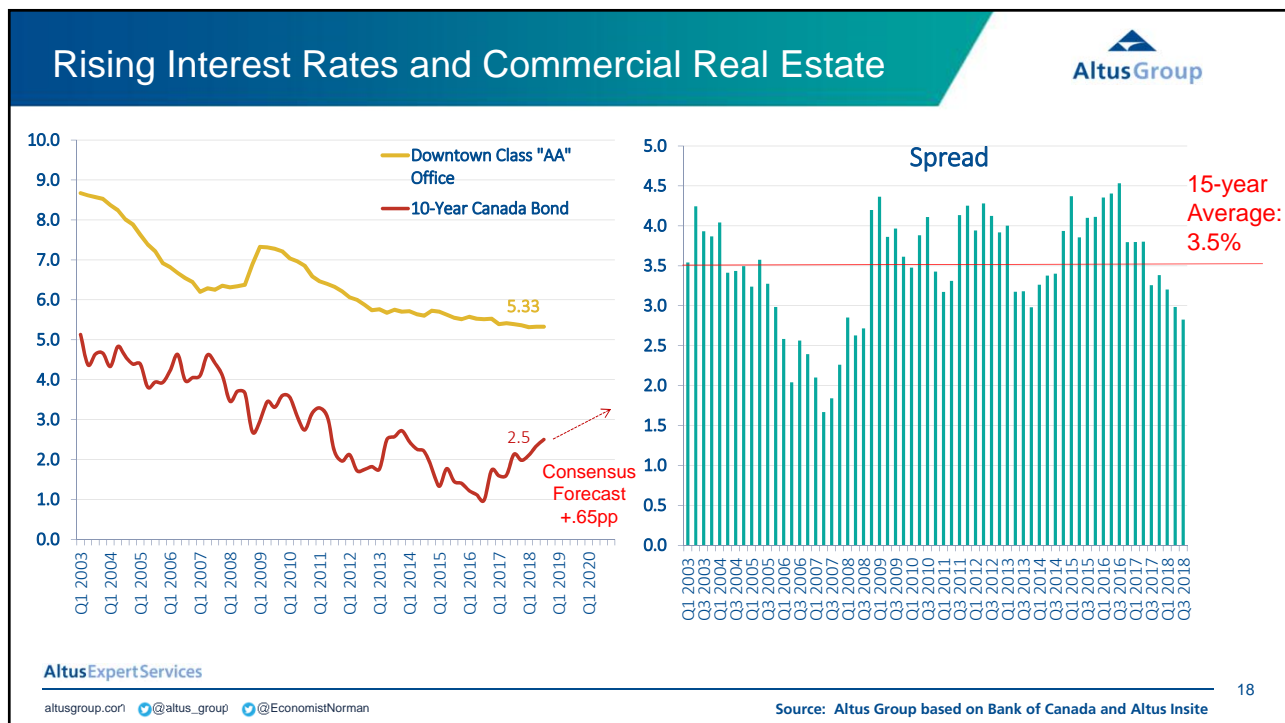
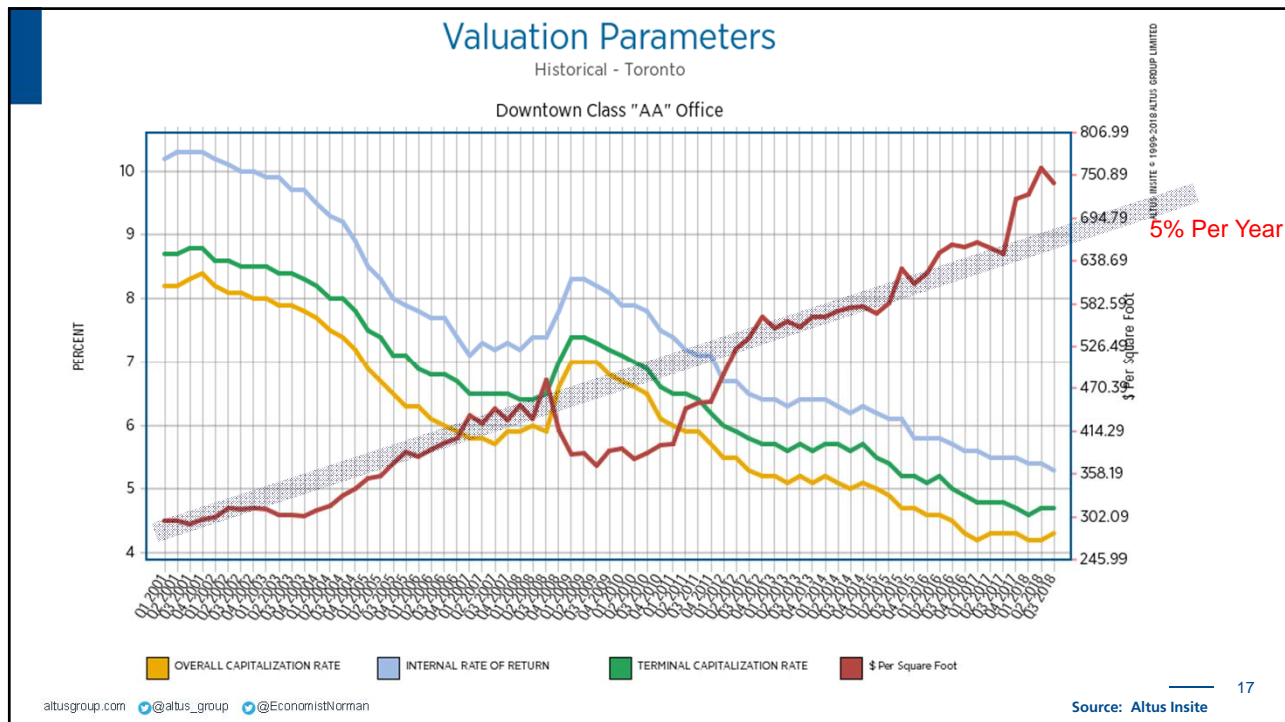
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Source: Altus Group Economic Consulting based on Statscan Data

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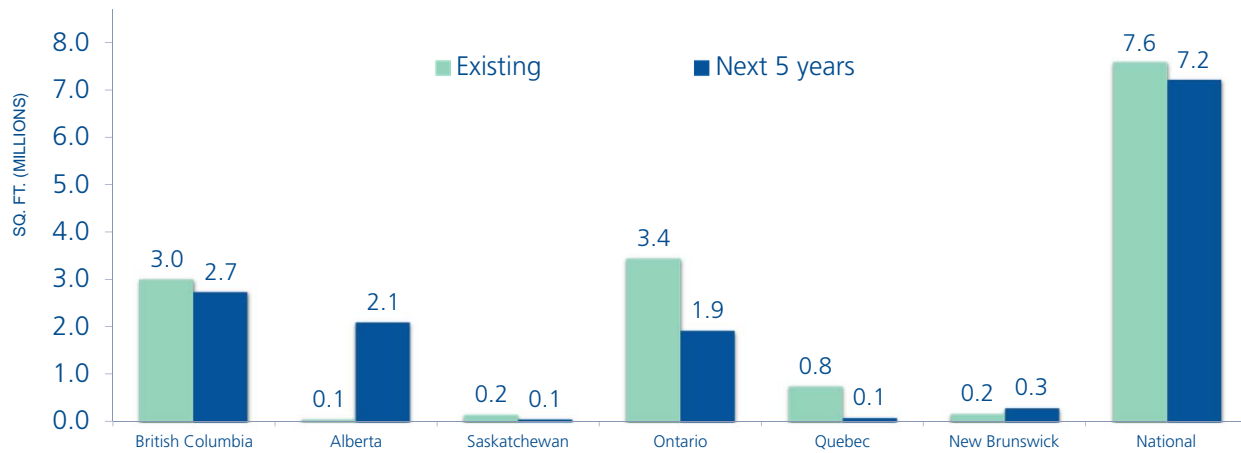
# Economic Impact?



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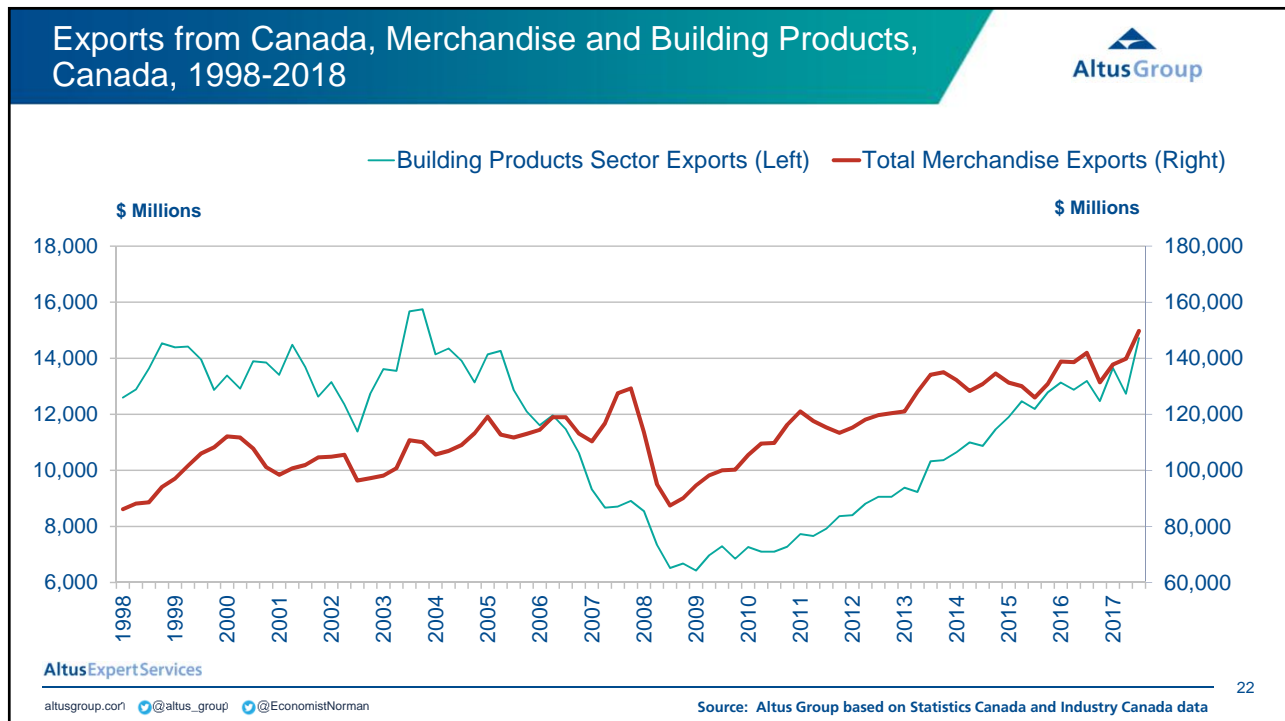
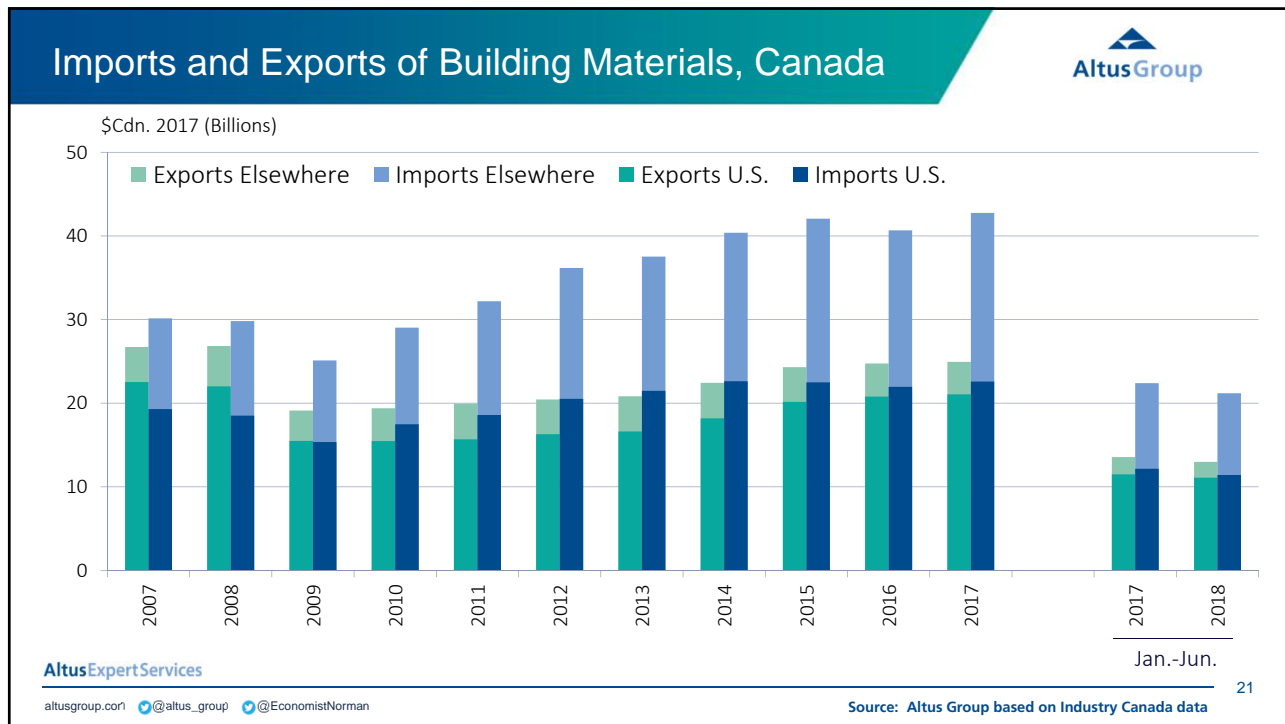
# “Growing Op” Fast: Cannabis Facilities Across Canada

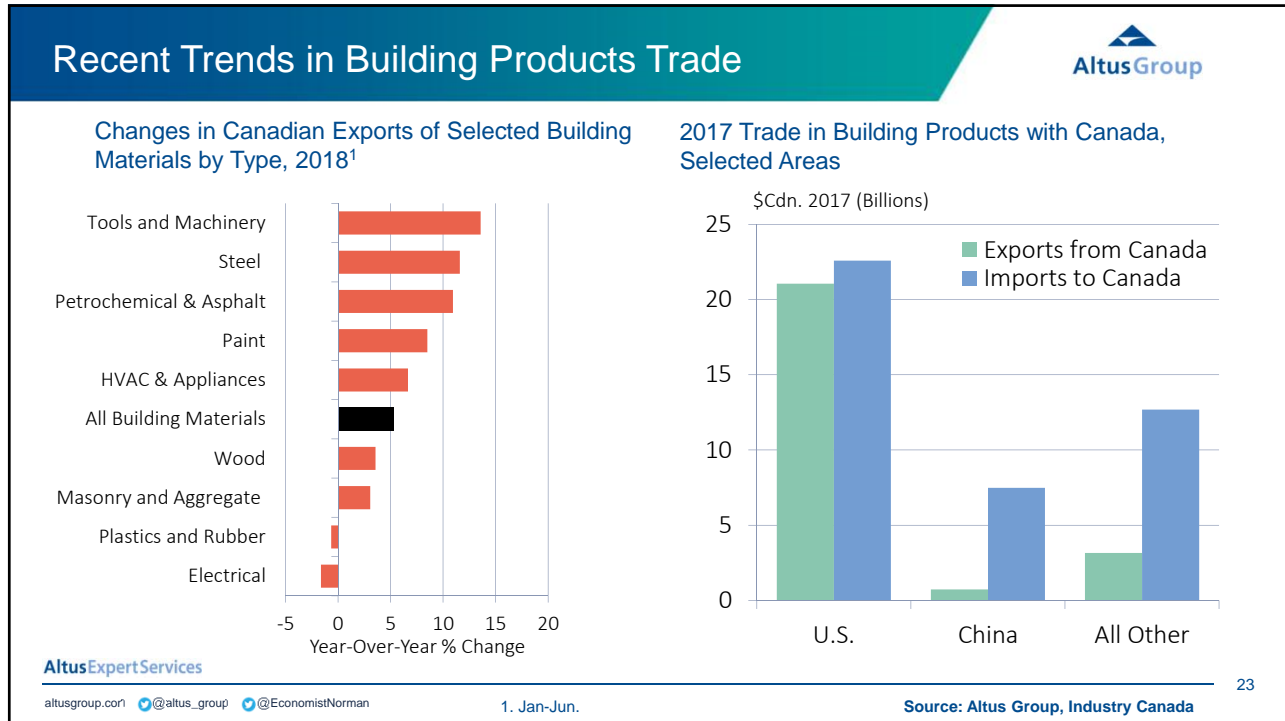


Source: Altus Group

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## Construction Cost Trends: Trades Escalation

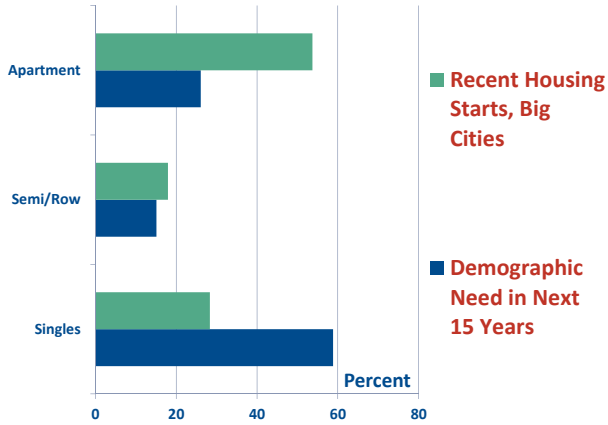
Division		Ontario	BC	Alberta	Quebec
1	General Conditions & Fees	↑	=	=	=
2	Site Work & Earthworks	=	=	=	=
3	Concrete	↑	↑	=	=
4	Masonry	=	=/↑	=	=
5	Metals	=	=/↑	=	=
6	Carpentry	=/↑	=/↑	=	=
7	Thermal & Moisture Protection	=/↑	=	=	=
8	Doors & Windows	↑	↑	↑	=/↑
9	Finishes	↑	=	=	↑
10	Specialties	=	=	=	=
11	Equipment (Appliances)	=	=	=	=
12	Furnishings	=	=	=	=
13	Special Construction	=	=	=	=
14	Conveying Systems (Elevators)	↑	↑	↑	↑
15	Mechanical	=/↑	↑	=	↑
16	Electrical	=/↑	↑	=	↑

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Source: Altus Group Cost Consulting

## Gross Mismatch of Supply and Demand



- Government Policy and Legislation
- Industry Consolidation/Transformation
- Globalization
- Affordability

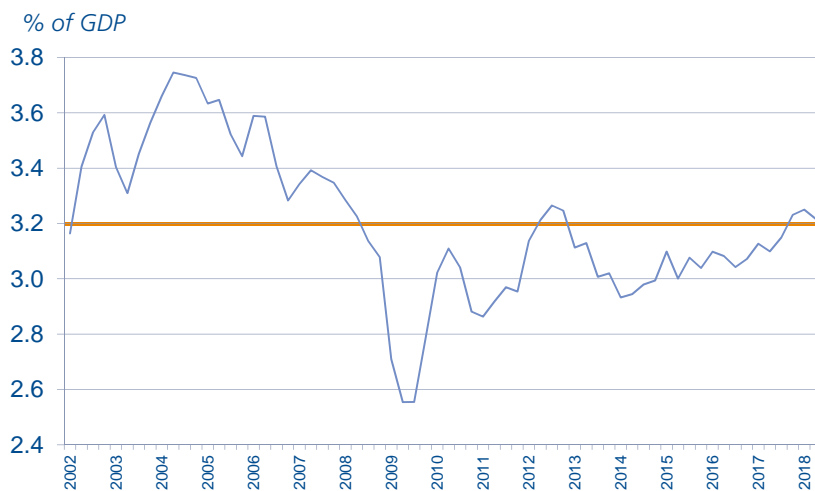
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Source: Altus Group based on Statistics Canada, CMHC

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## Residential Investment Still Lagging



Chronically Weak Investment in New Residential Since Recession is Troubling  
 Typically, Look For About 3.2% of GDP as a Sustainable Rate of Investment

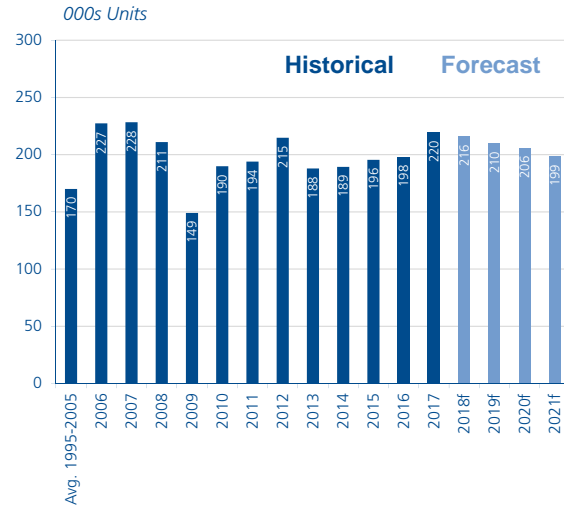
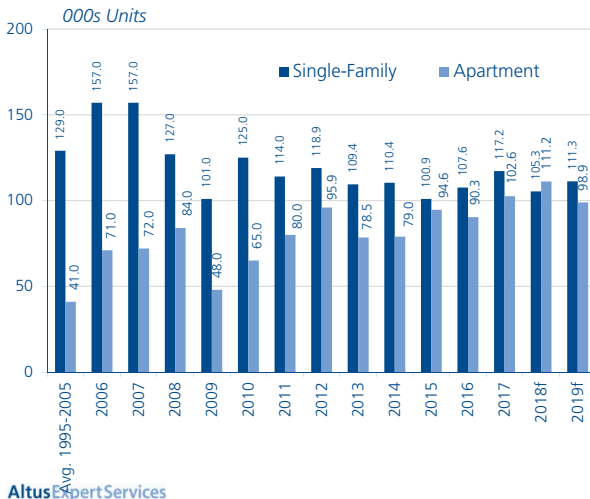
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Source: Altus Economics based on Statistics Canada

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# Moderating Housing Starts Forecast Ahead



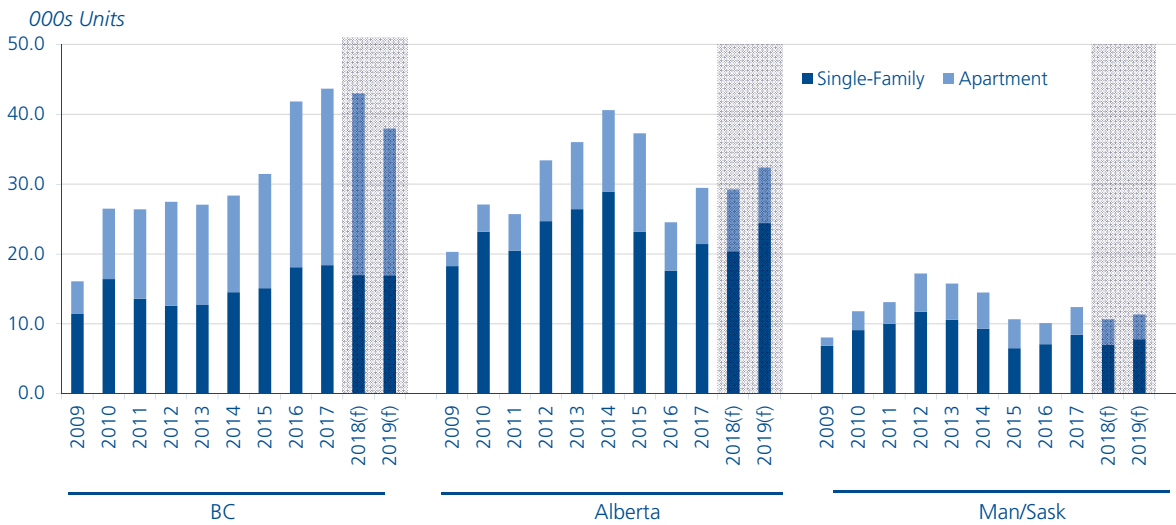
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Source: Altus Economics based on CMHC

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# Forecast by Province

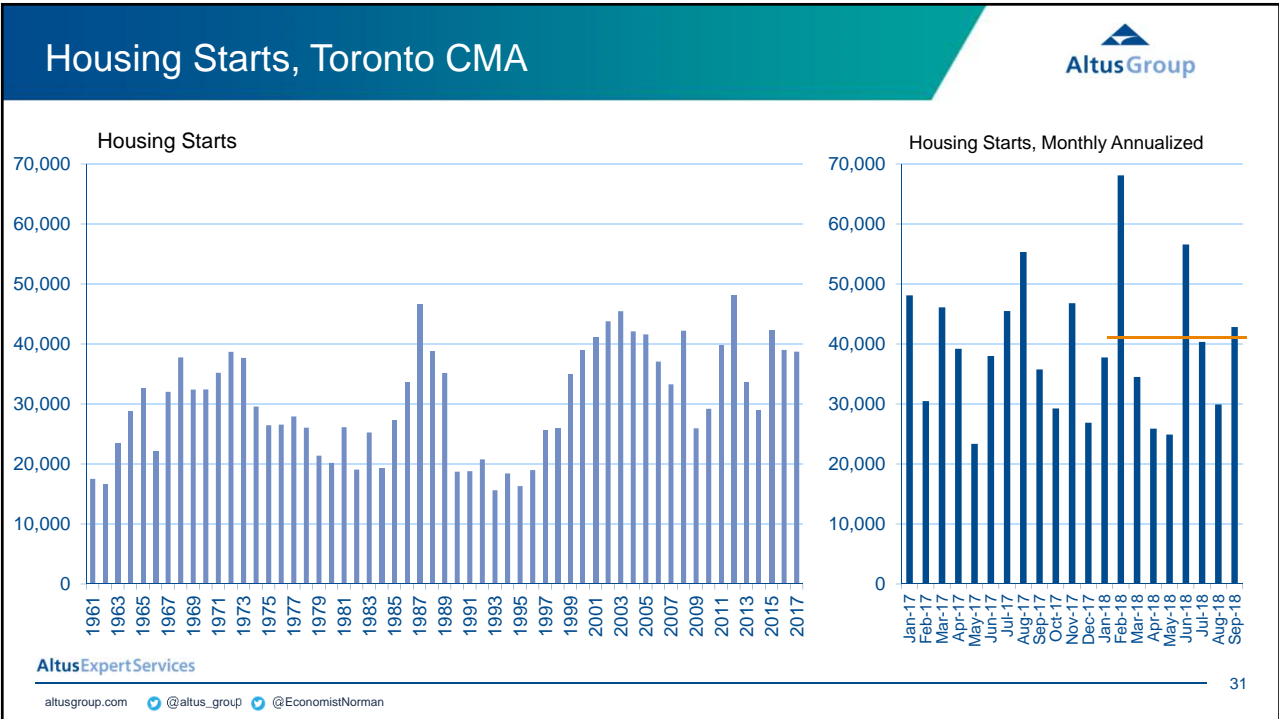
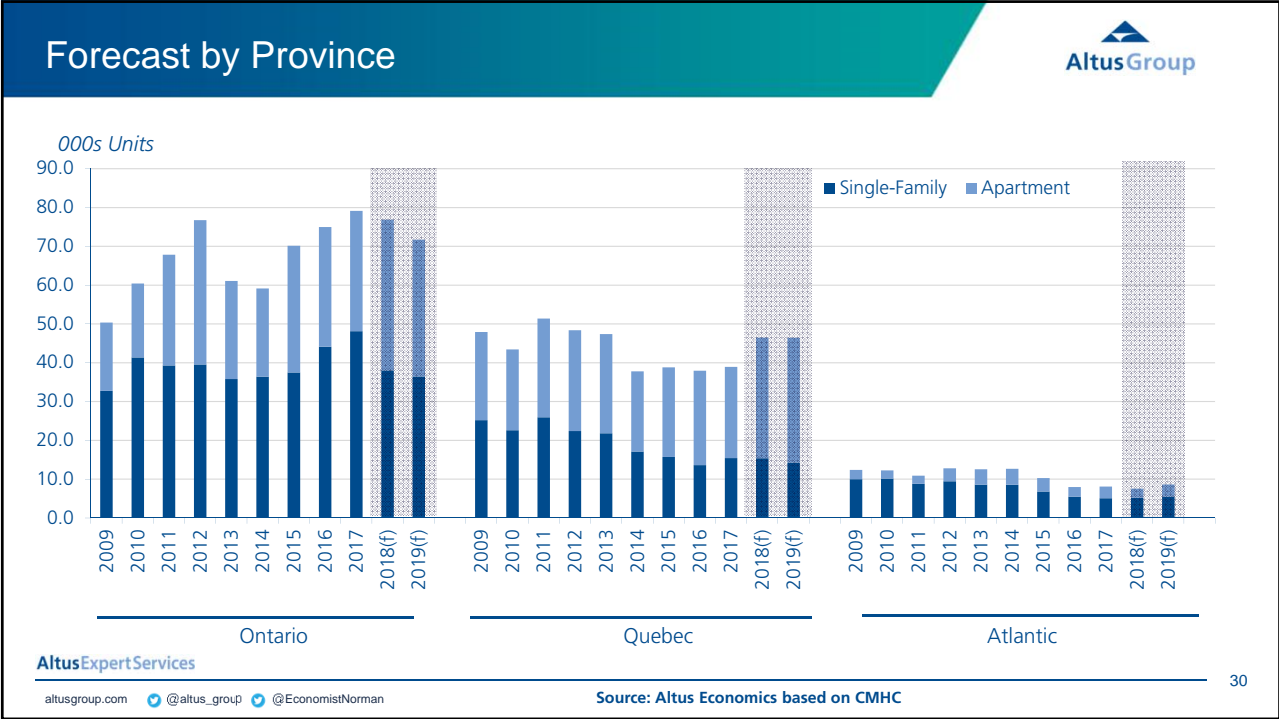


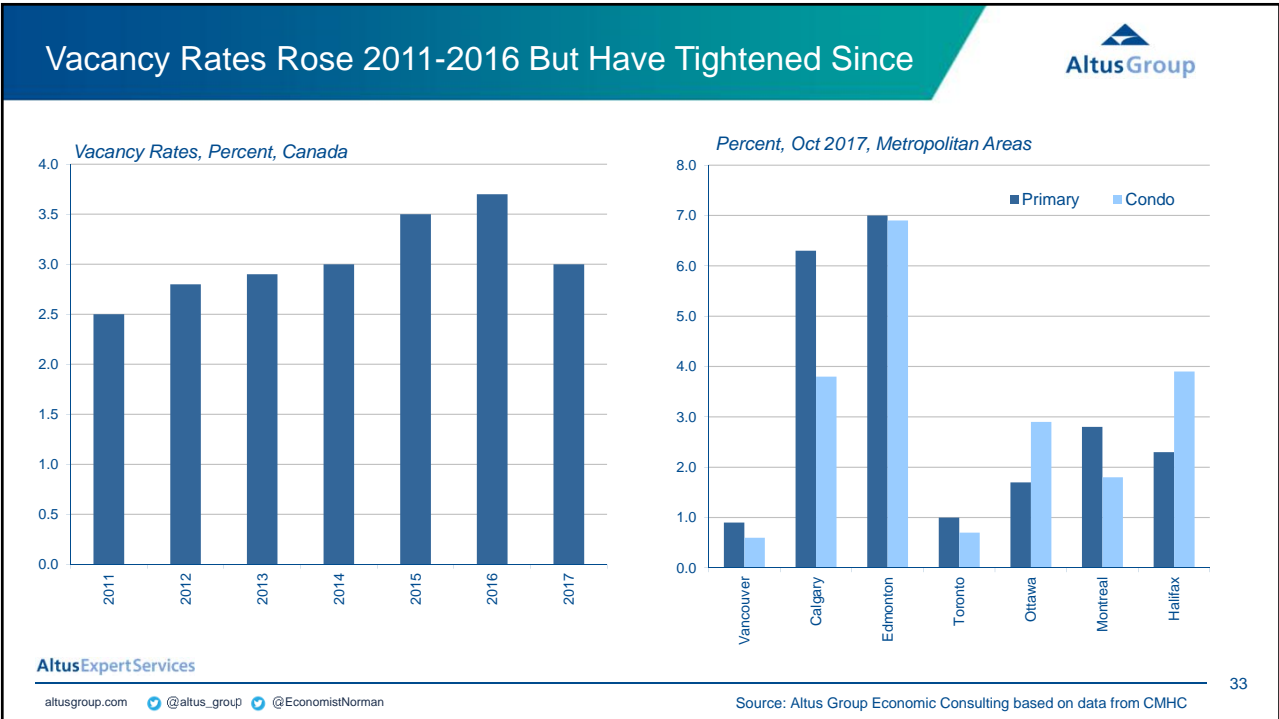
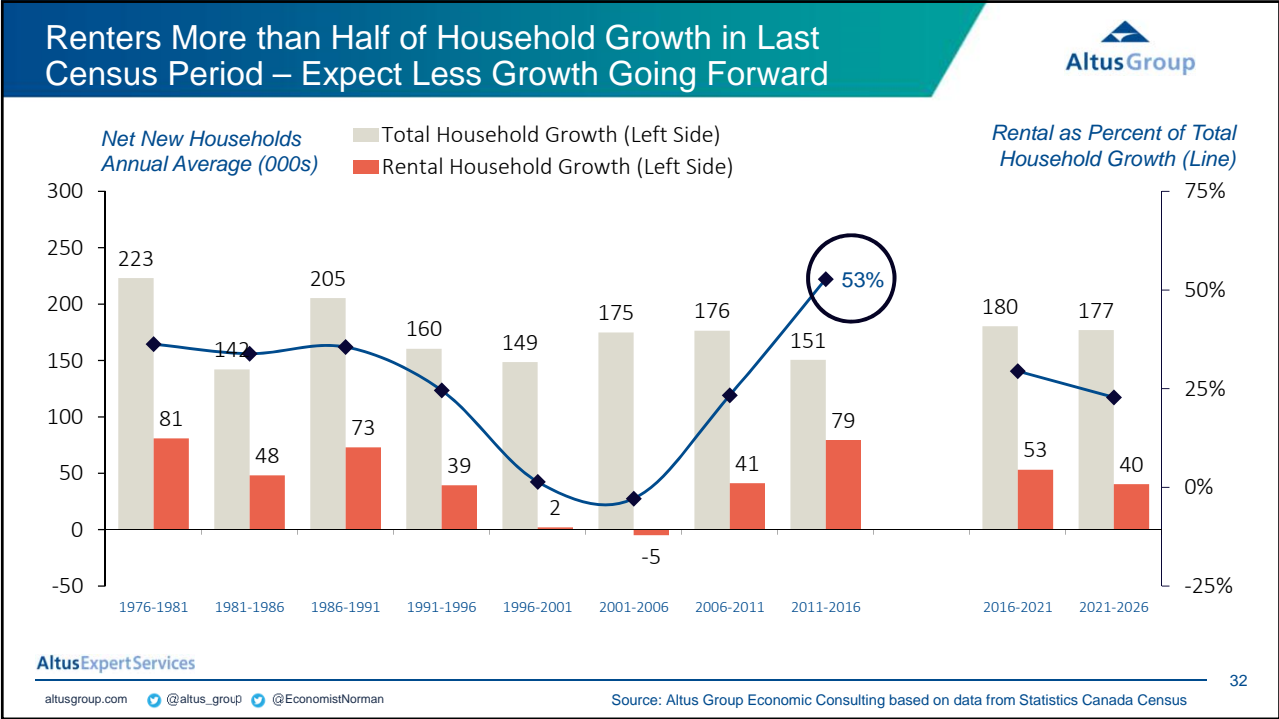
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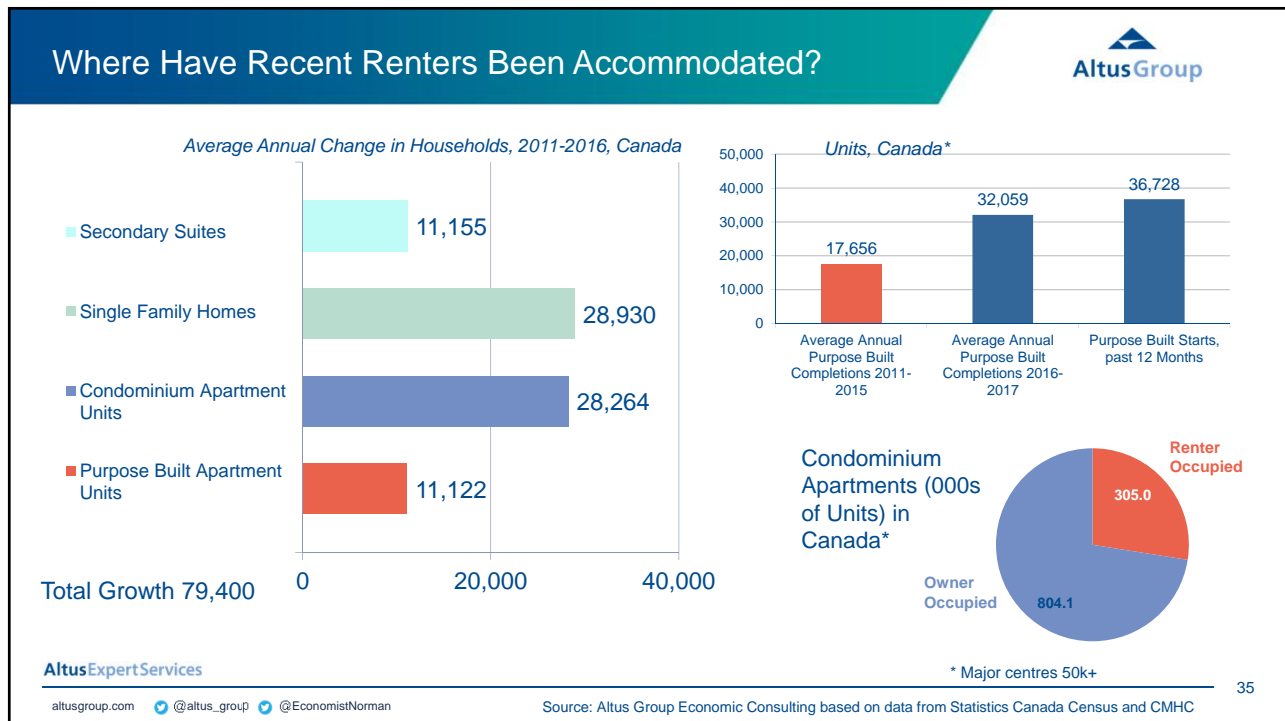
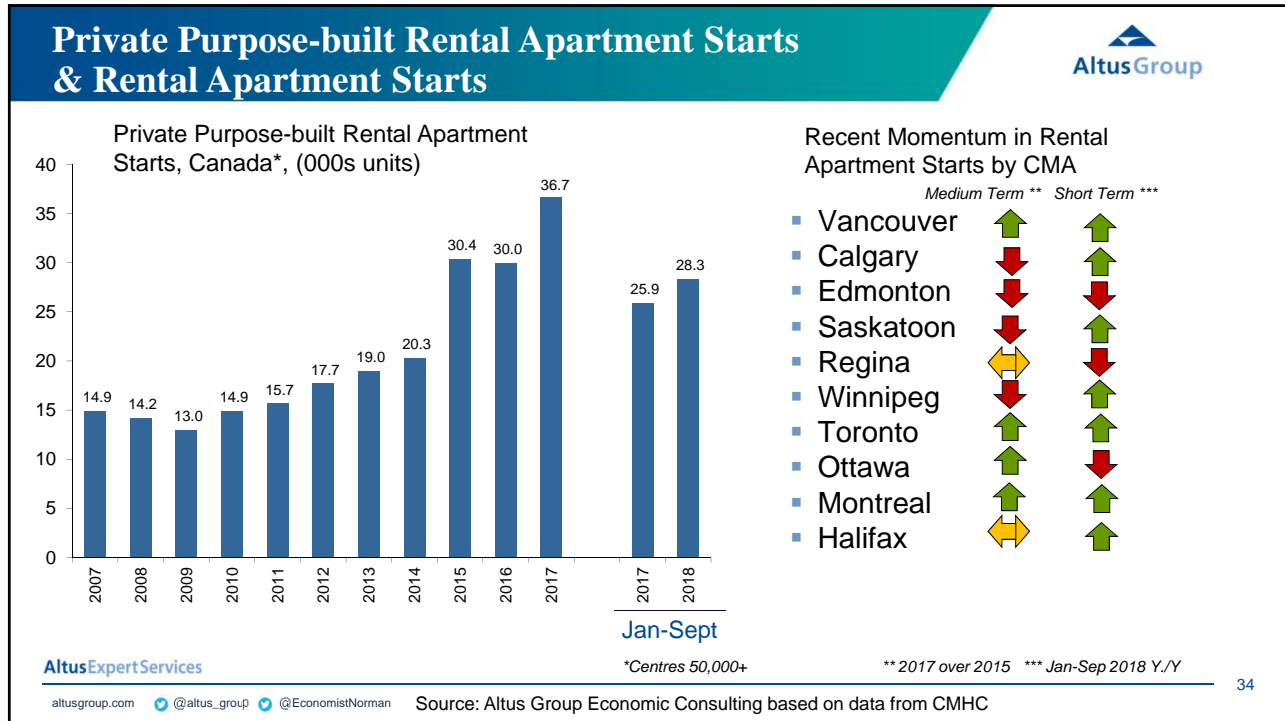
Source: Altus Economics based on CMHC

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# Want to Stay Ahead of the Competition?



Altus Group Housing Provides the **Little Numbers** Behind the **Big Picture**

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# Thank you.

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Vice President & Chief Economist

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