

# Experience Profile

## Conference Presentation – Economic and Housing Market Outlook

### 24<sup>th</sup> Annual Hardlines Retail Conference “It’s All About The Experience”

- A turbulent world economy, affordability pressures and other risk factors reducing consumer confidence
- At the same time increased population and job growth elevating need for housing, renovation spending
- Conference address by Peter Norman, VP & Chief Economist, Altus Group
- This was Mr. Norman’s 10<sup>th</sup> address to the Hardlines Conference over the past 17 years

### Synopsis

The international backdrop for Canada’s economic performance continues to be a guessing game. There is cautious optimism about potential world growth, with the IMF forecasting a modest acceleration in 2020 after a very weak 2019, but both of those estimates were revised down recently reflecting the preponderance of global risks weighing heavier on expectations.

Canada’s economy has seen an uneven start to the 2019 year. The first quarter was virtually flat and although the second quarter jumped ahead at some 3.7% annualized, it was mostly to do to special factors. On net, this resilience is weakening, as global pressures, continued weakness in housing and lingering troubles in the oil patch will dampen GDP growth in the 2nd half and into 2020.

Nationally, strong labour force growth is matching recent accelerating trends in population growth. Population growth, thanks to international in migration, has been fully 33% higher this year than the 10-year average.

Housing market expectations have been cautiously optimistic so far in 2019. Starts are generally stable, but resales have seen a sharp decline and then corresponding rise since 2017 in sympathy to the stress test (those effects are now done) and importantly, the sharp rise and decline in interest rates over this period



Going forward the housing starts forecast is very much being influenced by contrasting factors: Economic uncertainty alongside affordability concerns have some buyers on the side-lines but lower mortgage rates and increased population growth are bringing new buyers into some key markets.

Home renovation spending reversed its long upward course in 2018, primarily due to special factors in Alberta, but continued to outpace new home construction. Total residential renovation spending dropped to an estimated \$76.8 billion in 2018, a 5% decline in real terms from 2017.

Despite the decline, home renovation spending (included repairs) still accounted for more than half of total residential construction spending in Canada in 2018, and is set to expand modestly in 2019 and 2020.

# The Little Numbers Behind the Big Picture

**Key Factors Impacting Housing Starts by Region**

- Atlantic:** Stronger economic growth in 2017 with robust gains in employment. More growth in 2017.
- Quebec:** Stronger economic growth in 2017 with robust gains in employment. More growth in 2017.
- Ontario:** Stronger economic growth in 2017 with robust gains in employment. More growth in 2017.
- Western:** Stronger economic growth in 2017 with robust gains in employment. More growth in 2017.

**Total Housing Starts, Canada**

Year	2017	2018	2019	2020	2021	2022
Starts (Millions)	1,800	1,850	1,900	1,950	2,000	2,050

**Steady Trends by Type**

Type	2017	2018	2019	2020	2021	2022
Total	▲	▲	▲	▲	▲	▲
Single-Family	▲	▲	▲	▲	▲	▲
Apartment	▲	▲	▲	▲	▲	▲

**Steady Trends by Region**

Region	2017	2018	2019	2020	2021	2022
Atlantic	▲	▲	▲	▲	▲	▲
Quebec	▲	▲	▲	▲	▲	▲
Ontario	▲	▲	▲	▲	▲	▲
Western	▲	▲	▲	▲	▲	▲

**Altus Group**  
200 King St. West, Suite 500  
Toronto, ON M5X 1C4  
416-924-4653  
www.altusgroup.com

**Overall Canadian Rental Market Conditions for High-Rise, Single-Family Rental Supply**

**Federal Budget Housing Solutions - Some Keys for 'New' Home Buyers**

**How the Housing Market for First-Time Homebuyers**

**The New Rental Market for First-Time Homebuyers**

**Housing Sector Outlook**

**Canada's New Condominium Apartment Sector**

**Housing Outlook**

**The New Rental Market for First-Time Homebuyers**

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altusgroup.com @altus\_group @EconomistNorman

# Thank You



If you have any questions, please reach out.

**Peter Norman**  
Vice President & Chief Economist  
Research, Valuation & Advisory  
416-698-4653  
peter.norman@altusgroup.com

**National Economic Advisory**  
33 Yonge St., Toronto, Suite 500  
2020 - 4th Street SW, Calgary, Suite 310  
1055 West Georgia Street, Vancouver, Suite 2500

## Vision 2020 – The economy, housing markets and construction outlook for the year ahead

Remarks to the 2019 Hardlines Conference

Peter Norman, MA  
Vice President & Chief Economist

Economic Intelligence

November 13<sup>th</sup> 2019

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1

### Today's Agenda

Tempered by Risks and Fueled by Demographics: Construction Investment in Canada in 2020

**1** Economic Outlook  
*Elevated Risks*

**2** Demographics  
*Surging*

**3** Housing Markets  
*Picking Up*

**4** Housing Outlook  
*Balanced*

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2

## The Economy

3

### Sharply Slowing U.S. and Risky International Context Buffering Canadian Economy

Year-to-Year % Change, GDP

World Economic Outlook\*

Year	2016	2017	2018	2019	2020
Value	3.2	3.8	3.6	3.0	3.4

Year-to-Year % Change, GDP

U.S. Economic Outlook\*

Year	2016	2017	2018	2019	2020
Value	1.5	2.2	2.9	2.4	2.1

Year-to-Year % Change, GDP

Canada Economic Outlook

Year	2016	2017	2018	2019	2020
Value	1.1	3.0	1.9	1.6	1.8

Year-to-Year % Change, GDP

Ontario Economic Outlook

Year	2016	2017	2018	2019	2020
Value	2.3	2.8	2.3	1.5	1.8

Source: Altus Group Economic Consulting based on data from Statistics Canada and (\*) World and U.S. forecast by IMF (Oct 2019)

4

### Food for Thought

What Would a Global Recession Mean for the Hardware Retailing Industry in Canada?

- Although Recession Risks are Rising, A Global Recession Still **Remote**
- Trade Tensions; Brexit; Gulf Skirmishes all Contributing to **Risk**
- A Global Recession Would Mean Falling Employment and Lower Incomes in Canada; Falling Consumer Confidence; A **Slump** in Housing Investment
- Canada Insulated from Last (08/09) Global Recession Thanks to Soaring Commodity Prices: This is **Not the Case Today....**

Source: IMF staff calculations.

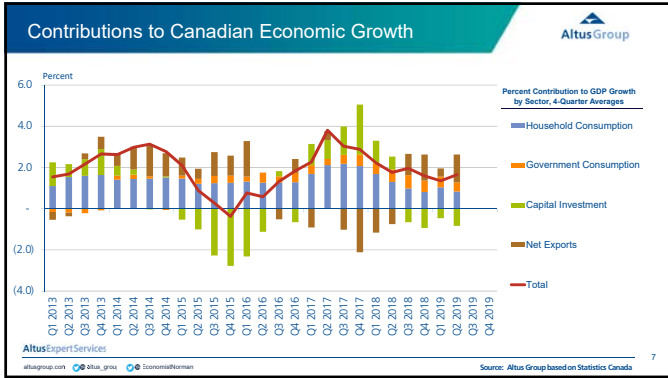
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### Economic Outlook

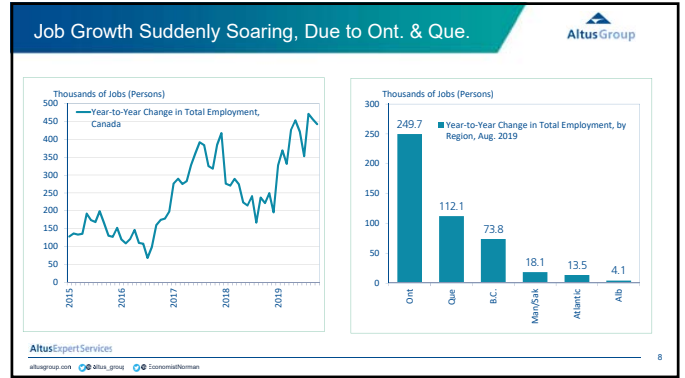
	Average 2008-17*	2018	2019f	2020f	
	Year-to-Year Change				
Real GDP (economic growth, %)	1.7	1.9	1.6	1.8	↔
Employment Growth (persons, 000s)	165	241	375	220	✓
CPI (inflation, %)	1.6	2.3	2.0	1.9	✓
Real Personal Disposable Income per Capita (%)	1.2	0.7	0.8	1.0	✓
1 Year Mortgage Rate (banks, posted %)	3.3	3.6	3.0	3.2	↔
5 Year Mortgage Rate (banks, posted %)	5.1	5.3	5.0	5.0	↔

\* Annual average

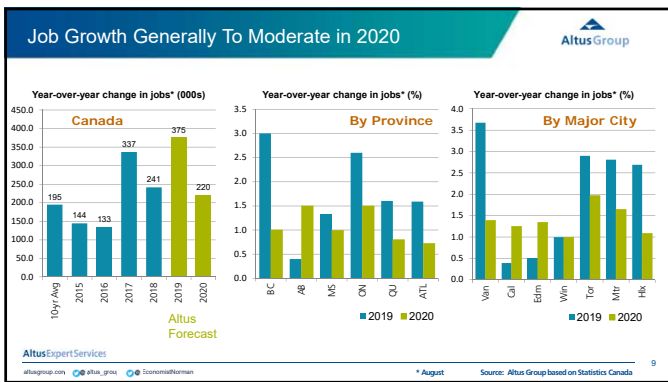
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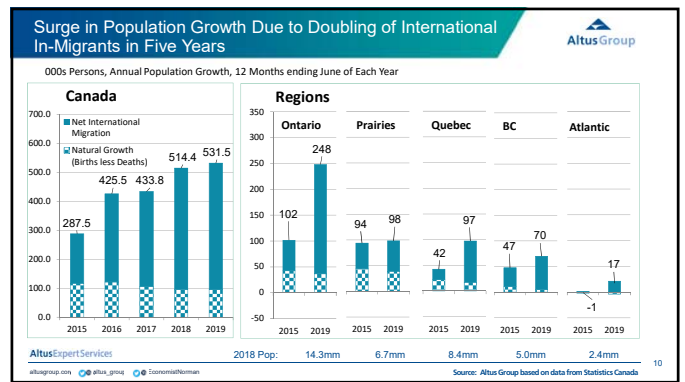
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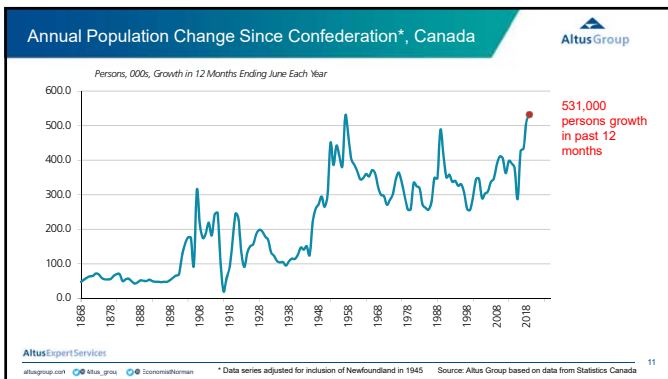
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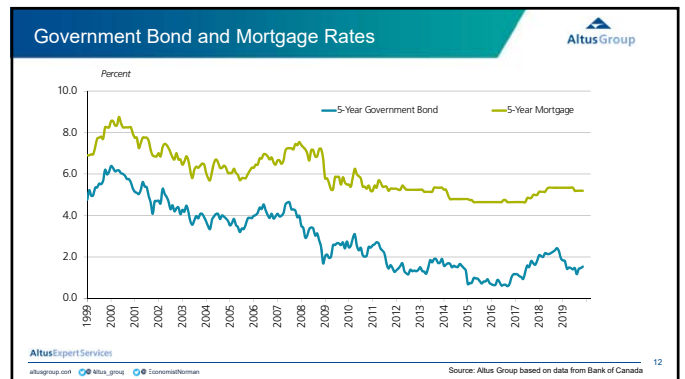
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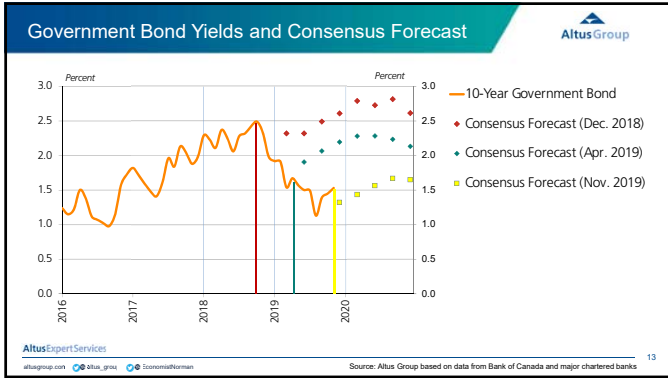
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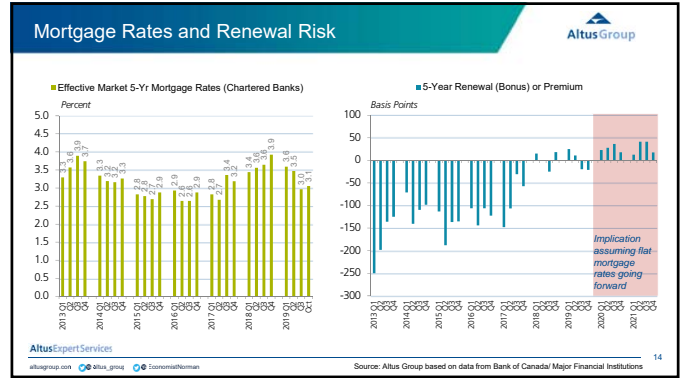
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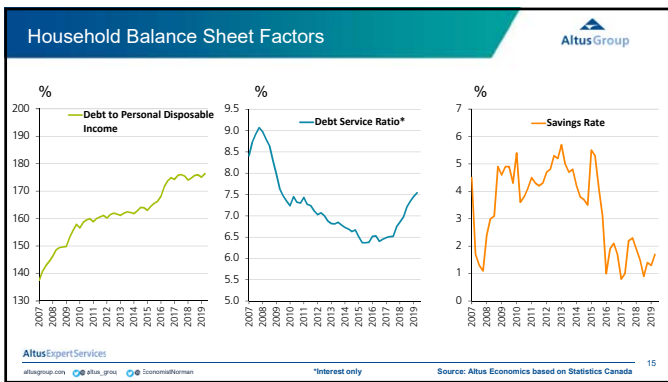
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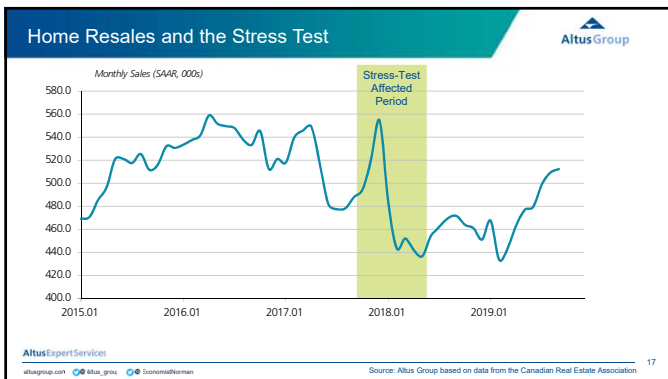
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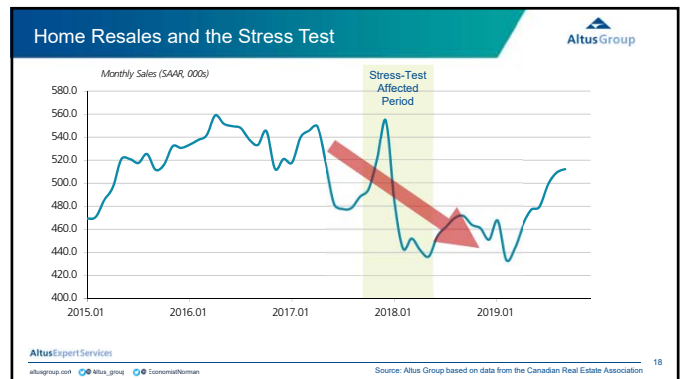
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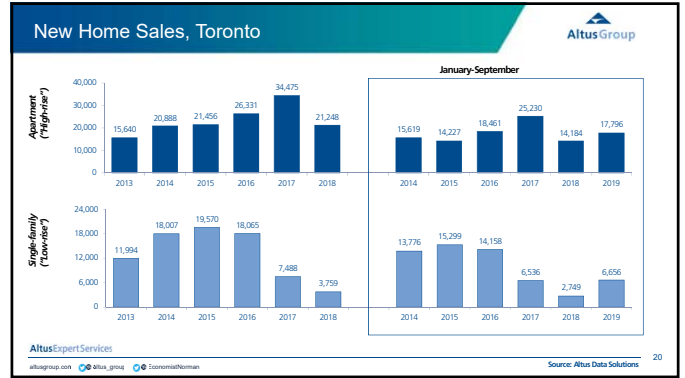
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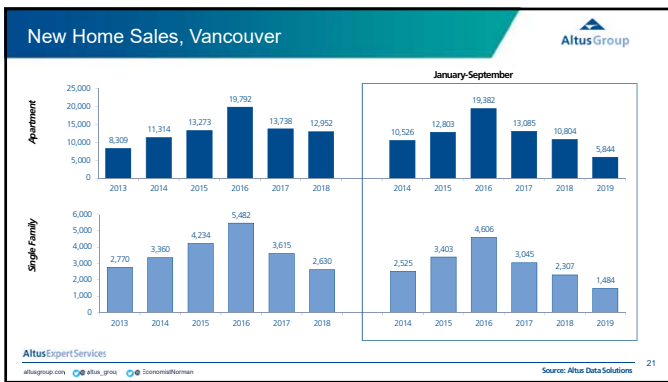
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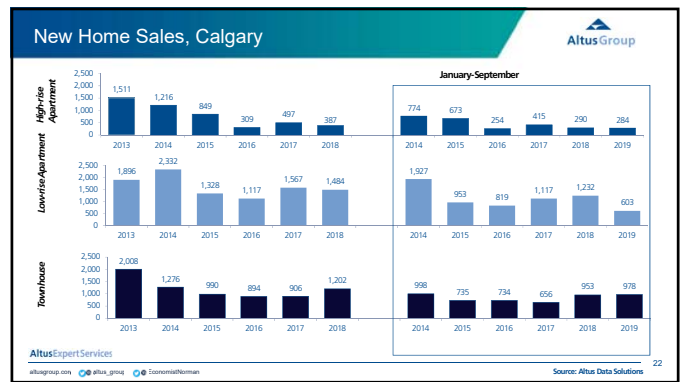
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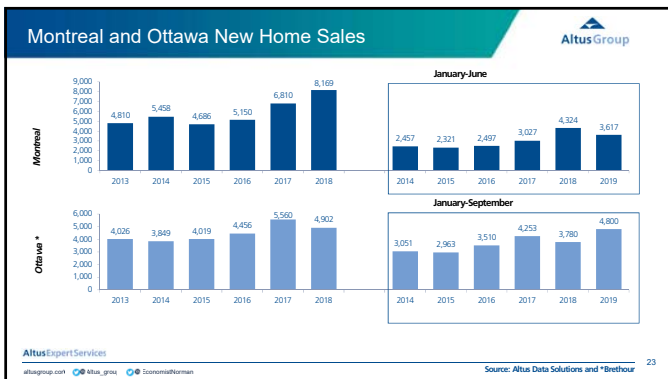
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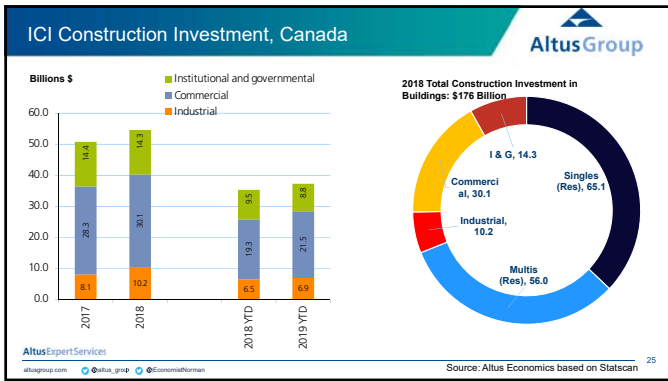
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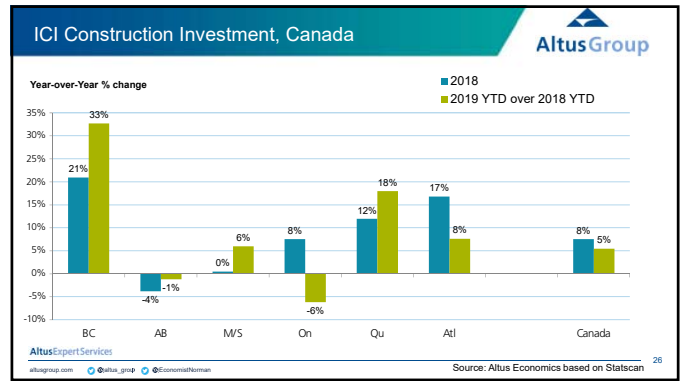
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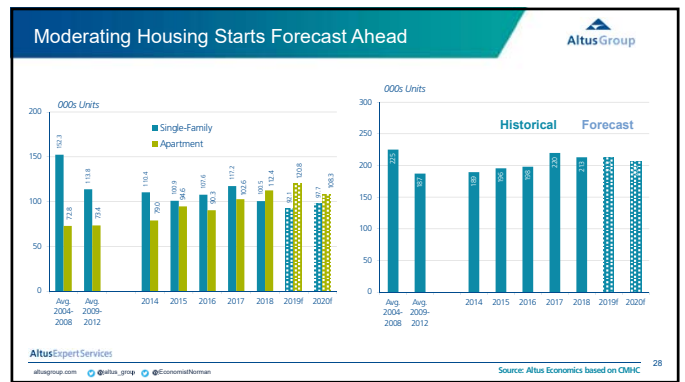
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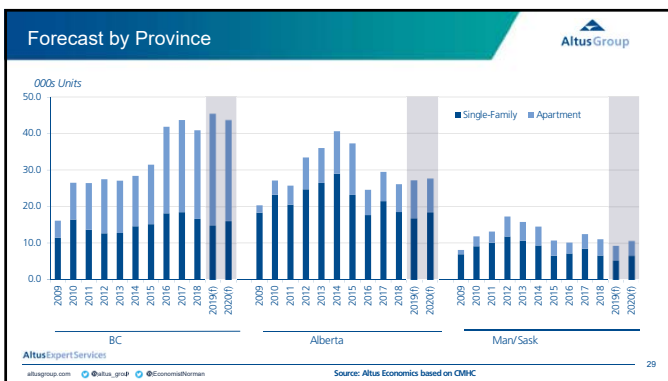
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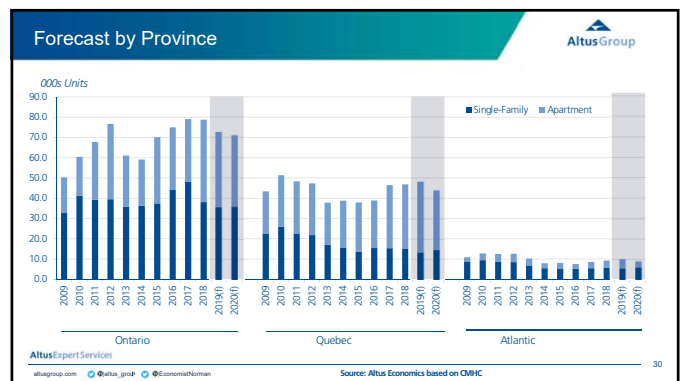
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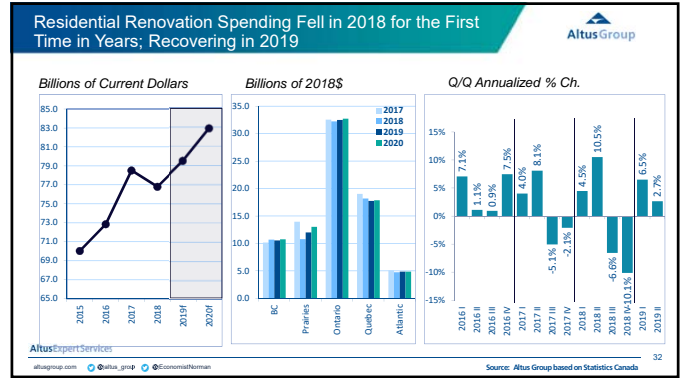


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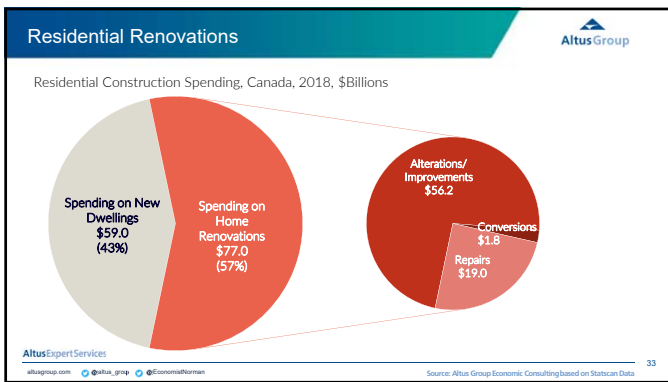




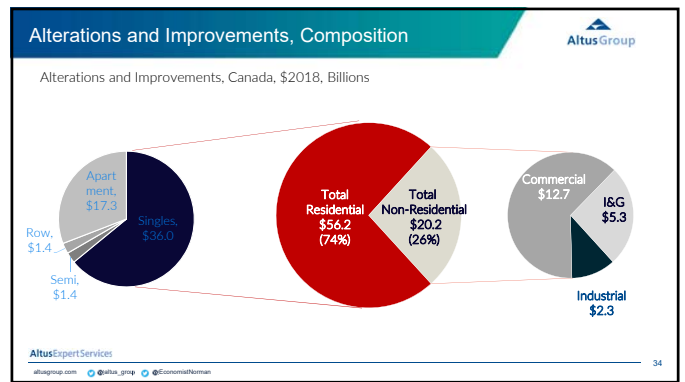
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36