



Altus Group

Six Things to Watch Closely

A new understanding of housing markets and need and the economic drivers behind them

Remarks to Hardlines Annual Conference

by Peter Norman, VP & Chief Economist, Altus Group

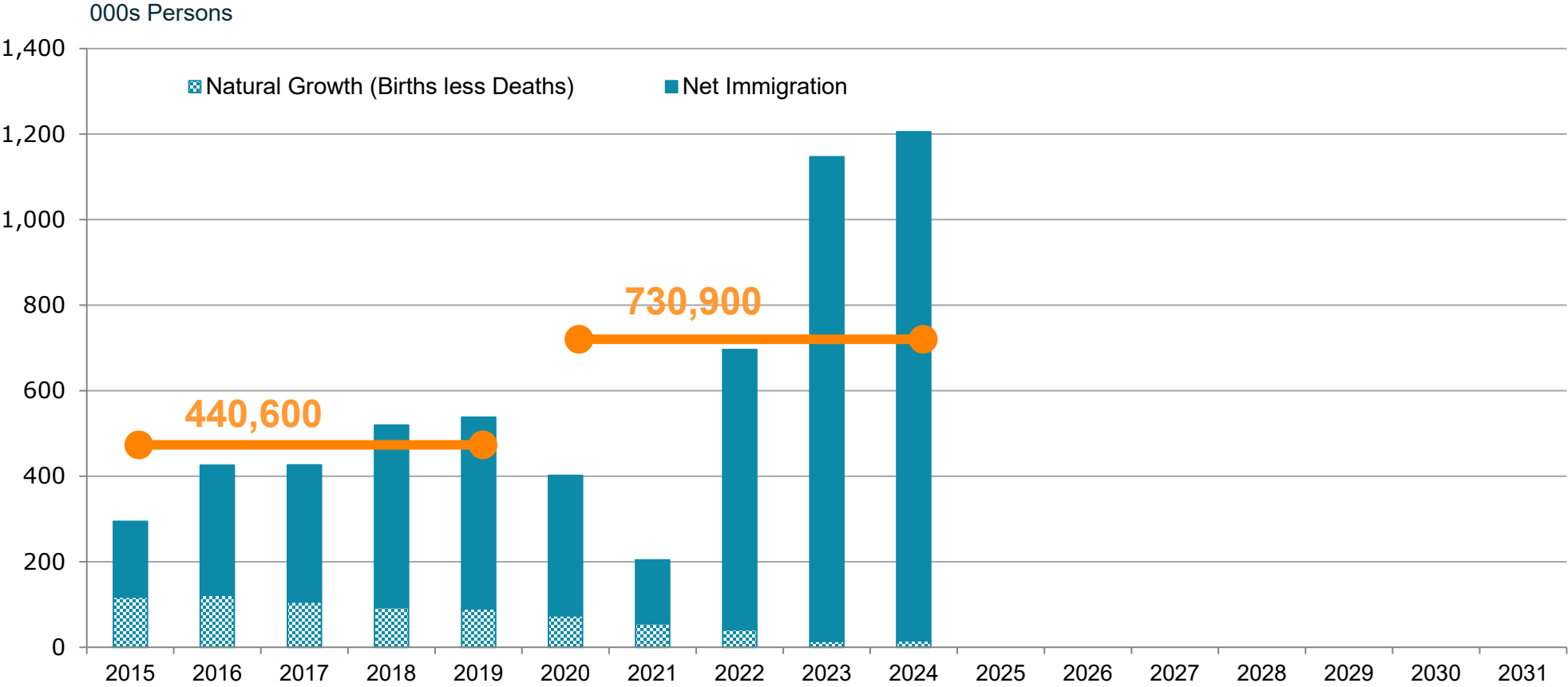
October 22, 2024

First Thing to Watch Closely

Dramatic changes in population growth are upending housing markets

Canada's population growth is accelerating...

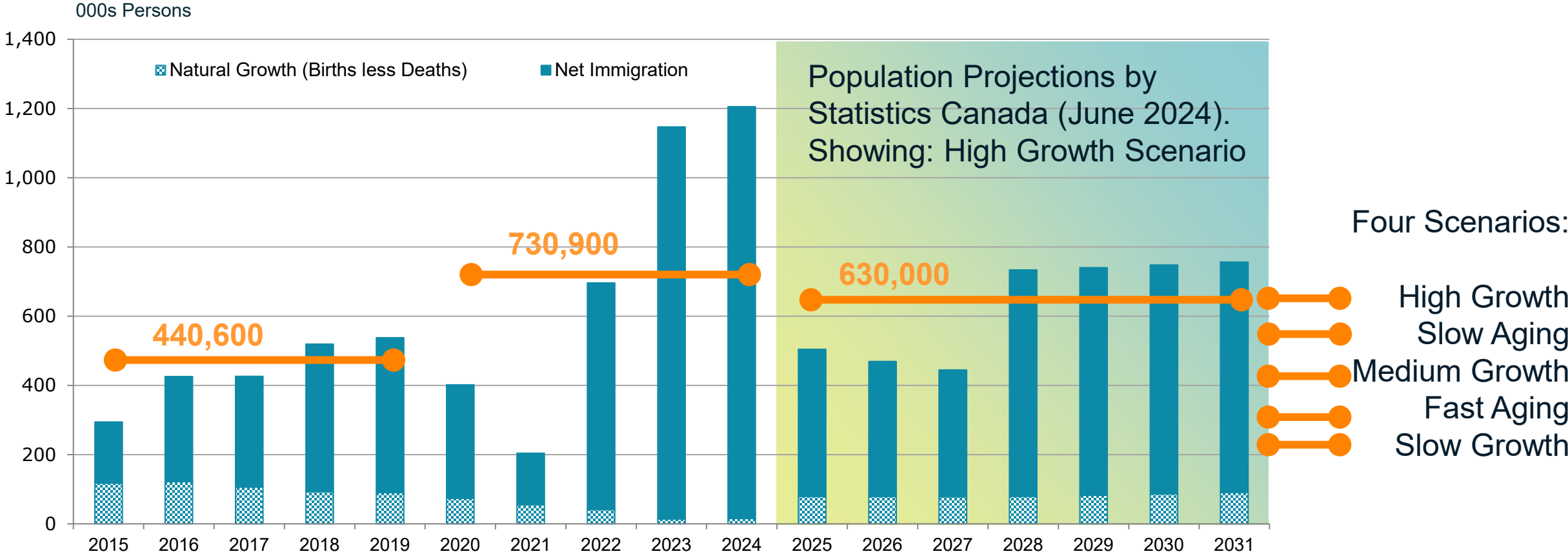
Annual Population Growth, Canada, 12 months ending in June



Source: Altus Group based on data from Statistics Canada

Canada's population growth is accelerating... for now...

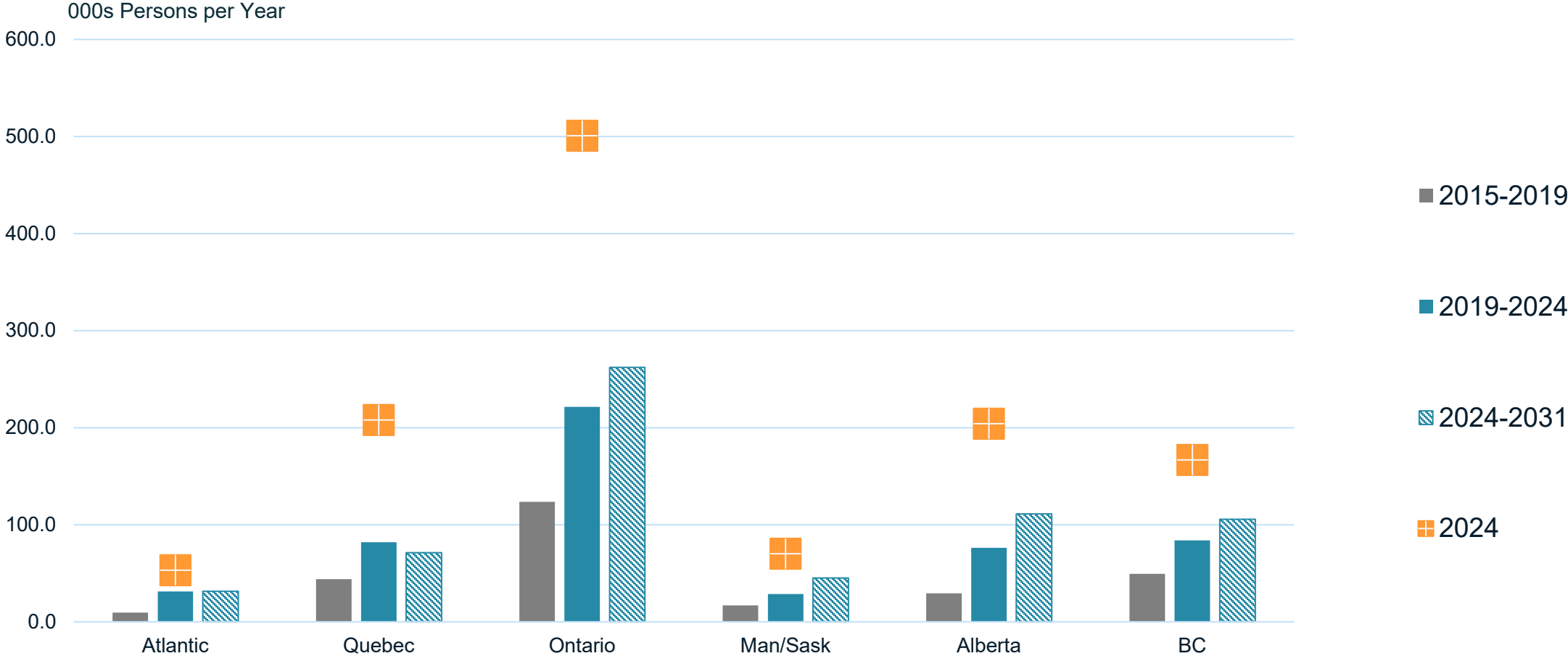
Annual Population Growth, Canada, 12 months ending in June



Source: Altus Group based on data from Statistics Canada

Regional population growth may be destabilizing...

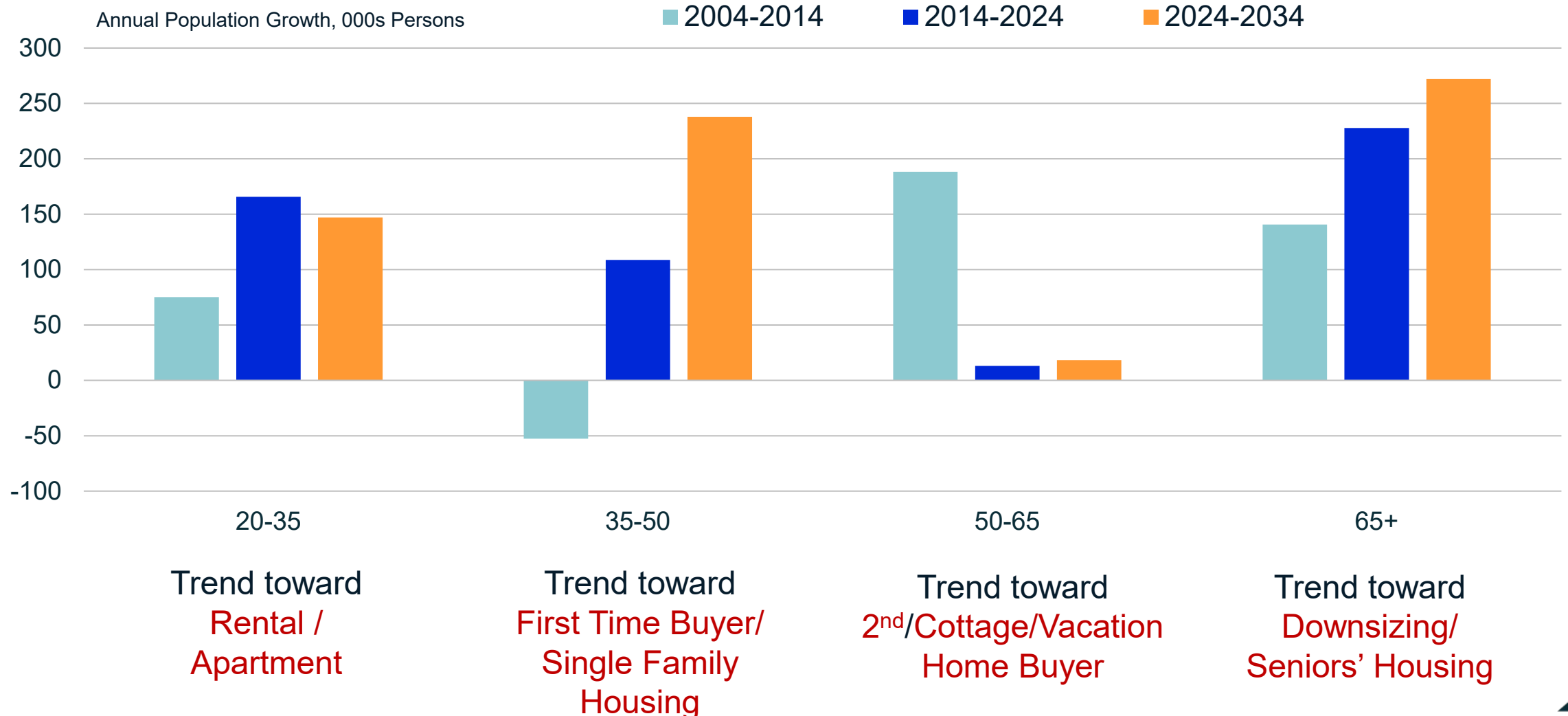
Annual Population Growth by Region, 12 months ending in June



Source: Altus Group based on data from Statistics Canada

Demographics to play an important role in defining our planning and development challenges in the years ahead...

Population Growth by Age Group, Historical and Projections, Canada



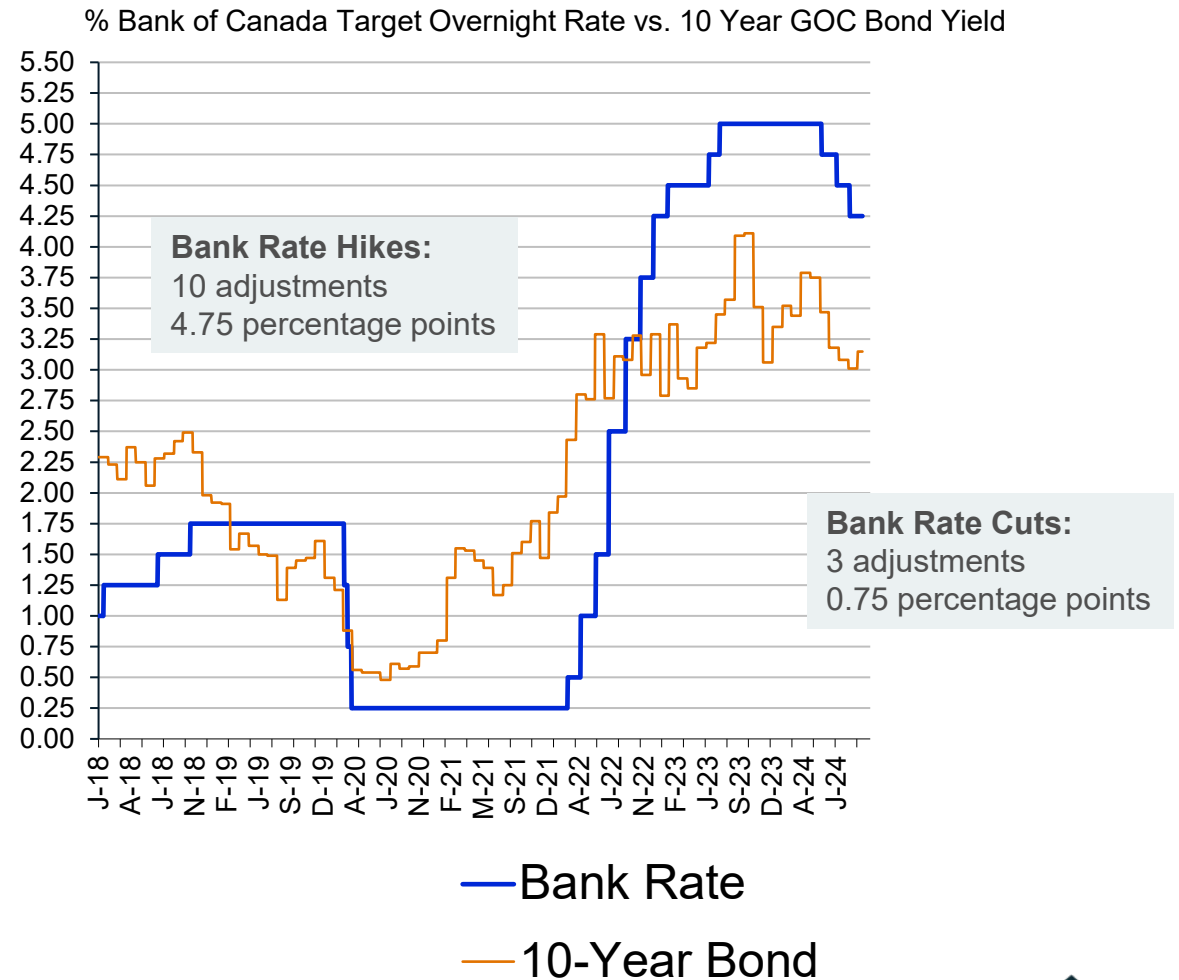
Source: Altus Group Economic Consulting based on Statistics Canada Population Projections (2024) (Fast Growth Scenario)

Second Thing to Watch Closely

Interest rate cuts should revive a soft housing market, eventually

Still lots of interest in interest rates ...

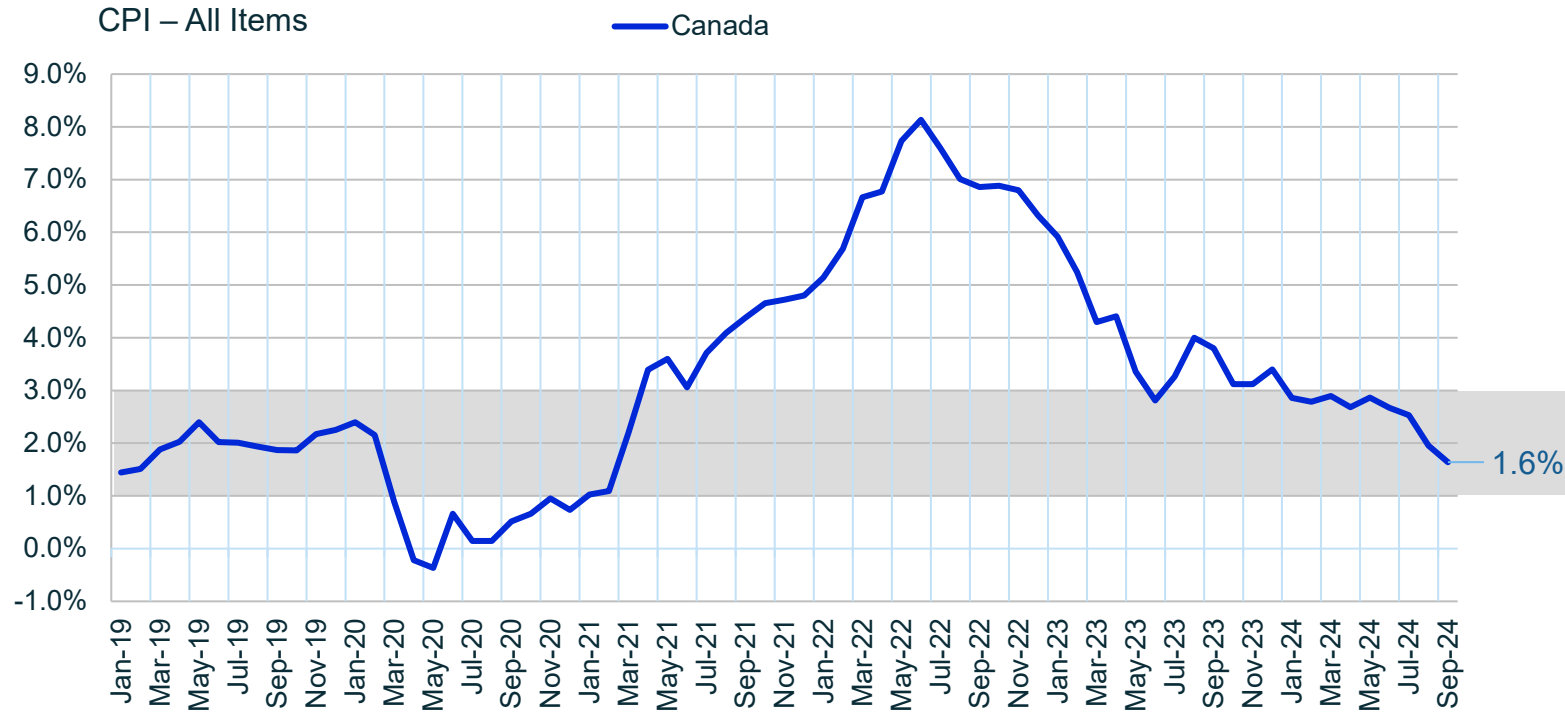
Mortgage and policy interest rates



Source: Altus Group Economic Consulting based on data from various chartered banks and Bank of Canada

Inflation has been disruptive, but has completely unwound ...

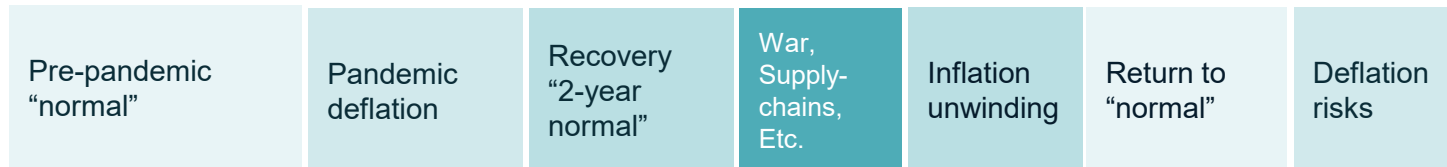
Consumer Price Inflation elevated



| Category | Sep. Y/Y% Change* | Momentum |
|-----------------|-------------------|----------|
| Food | 2.8% | ↔ |
| Shelter | 5.0% | ↓ |
| Clothing | -4.4% | ↔ |
| Transportation | -1.5% | ↓ |
| Alcohol/Tobacco | 3.0% | ↔ |

Normal range

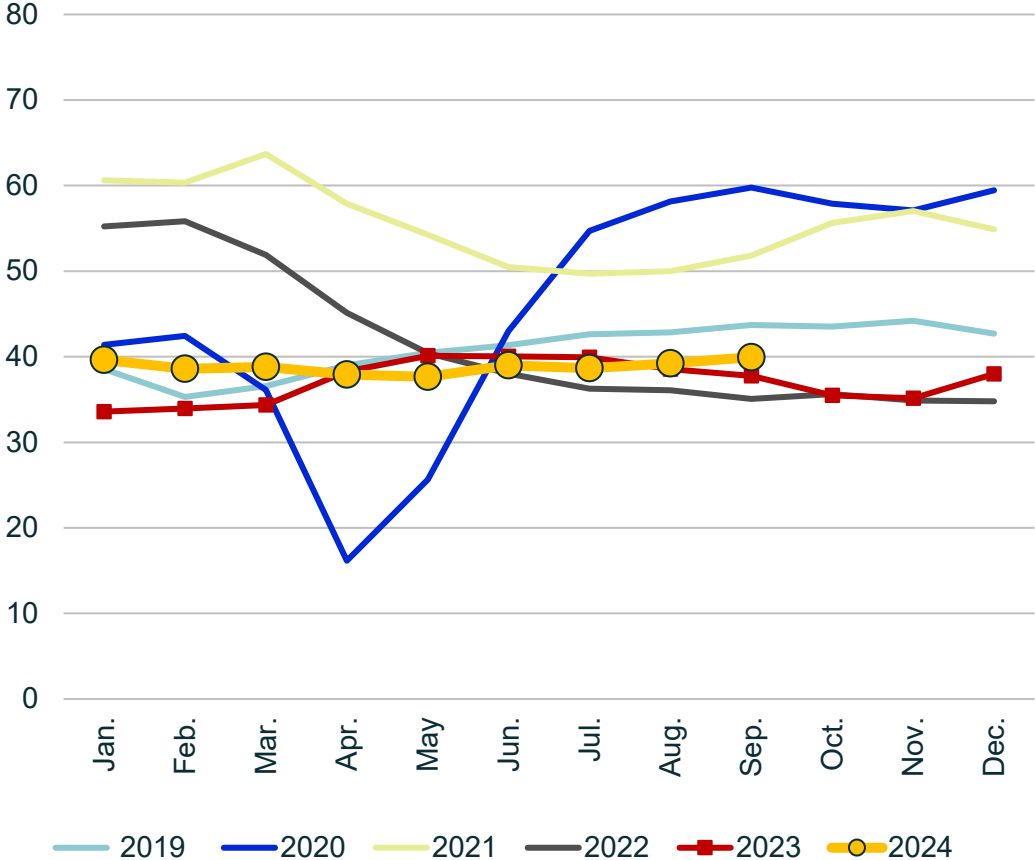
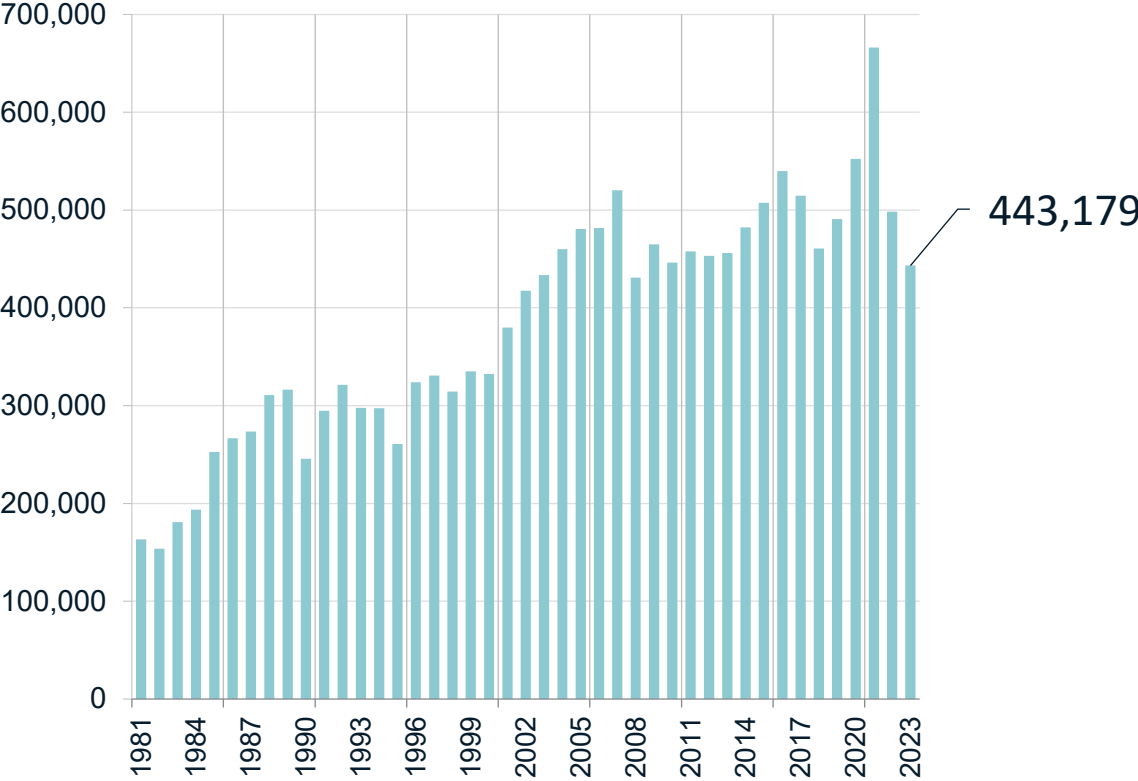
Inflation Phases



* ↑ ↓ is momentum from the previous month
 ↔

Cooler markets; a modest “reset”; greater stability...

MLS home resales, Canada

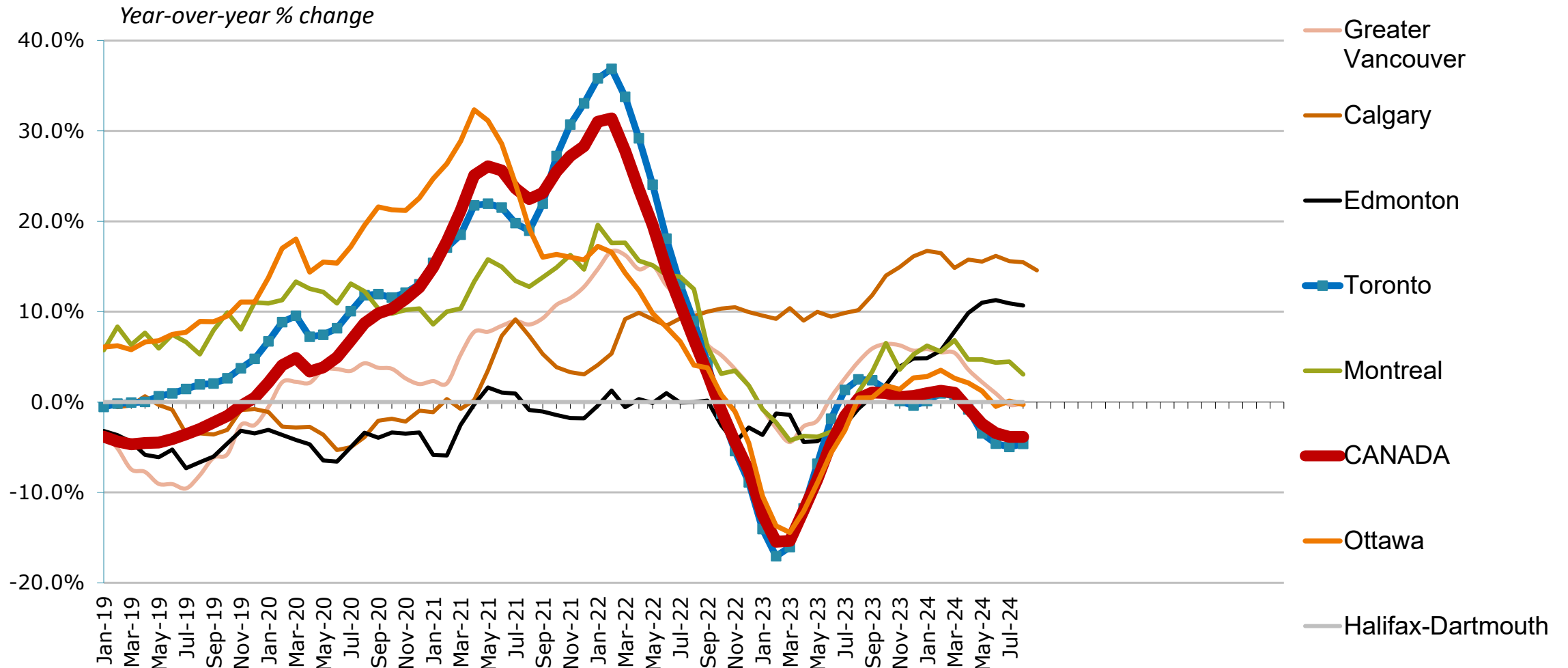


Source: Altus Group Economic Consulting based on CREA



Price adjustment has mostly taken its course...

Resale House Prices, CREA Home Price Index

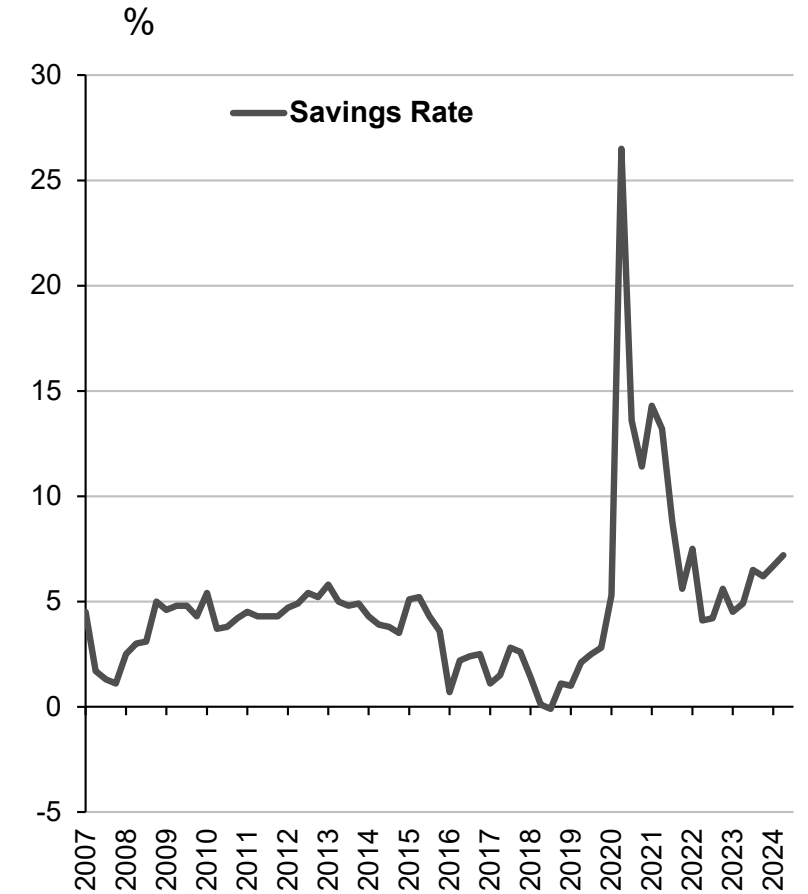
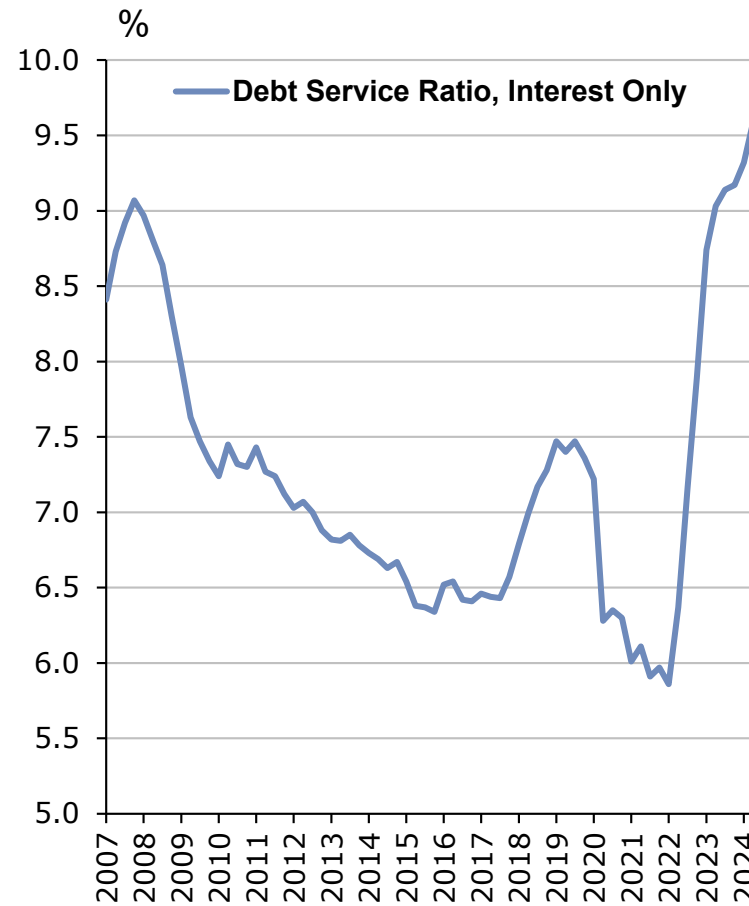
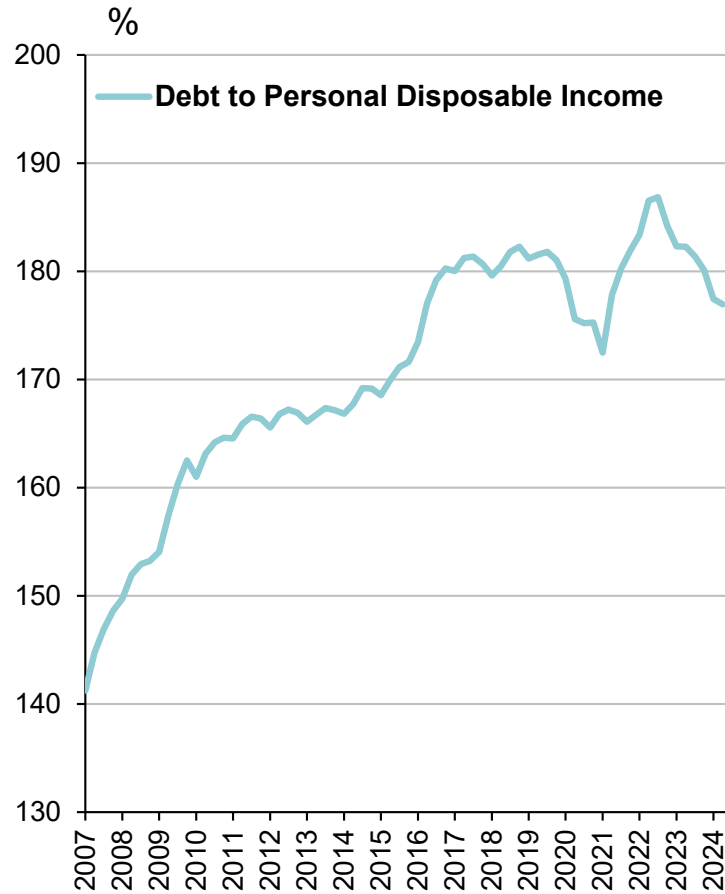


Latest Data: August 2024

Source: Altus Group Economic Consulting based on CREA

Rapidly deteriorating finances may be the biggest disruptive concern...

Household balance sheet metrics



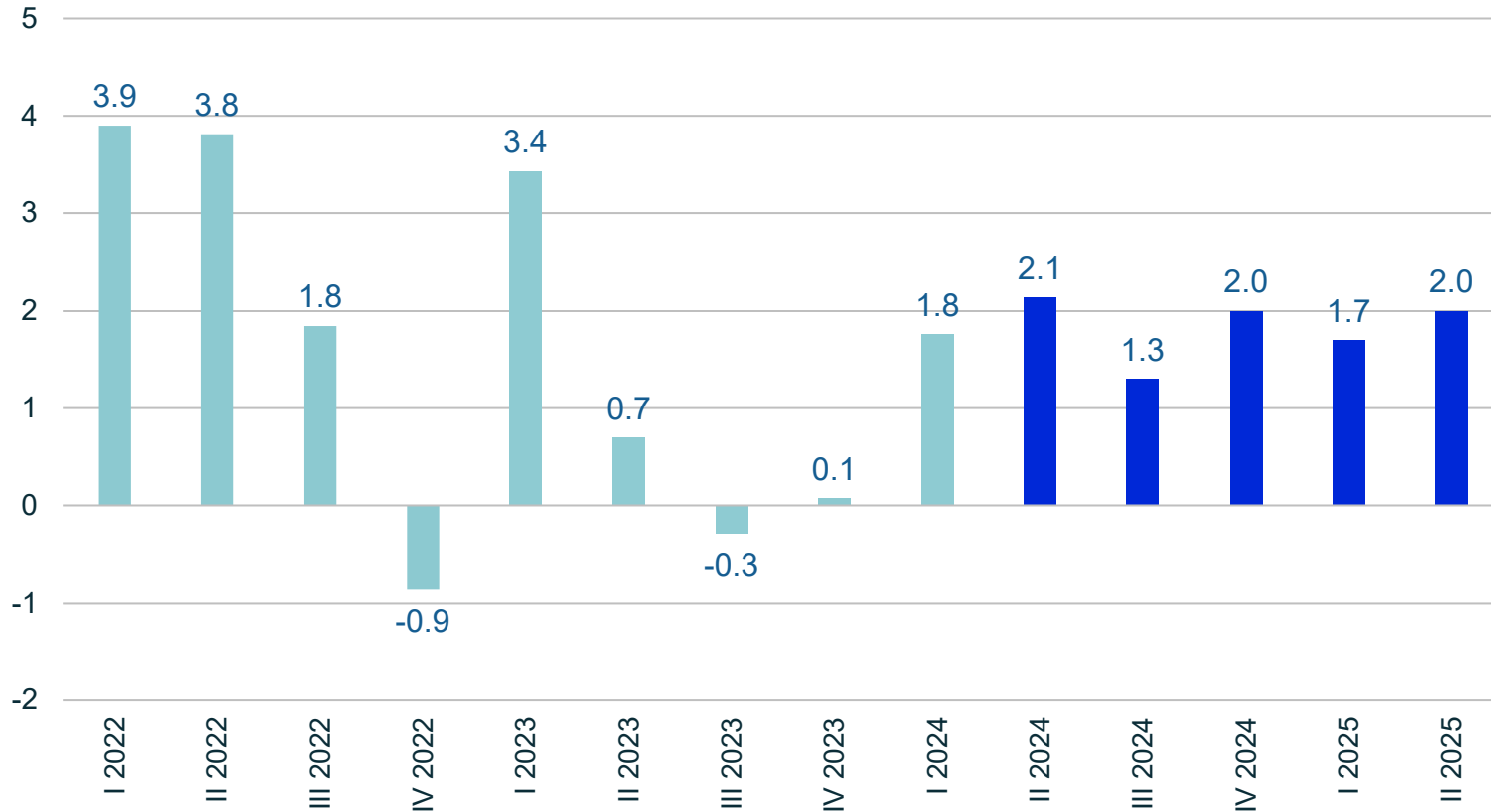
Third Thing to Watch Closely

There is only tepid support from the economy

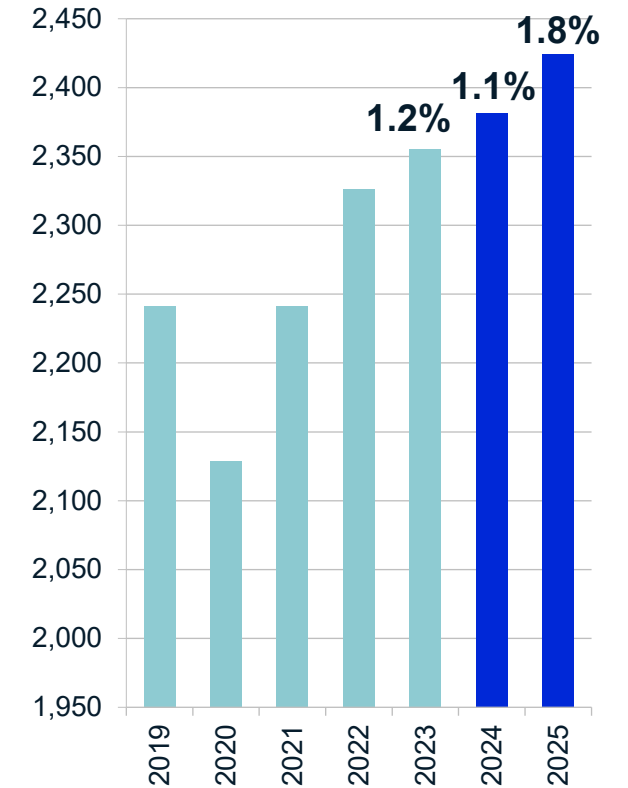
Expect a very slow recovery from the soft landing

Gross Domestic Product, Canada

GDP Growth, Quarterly Annualized

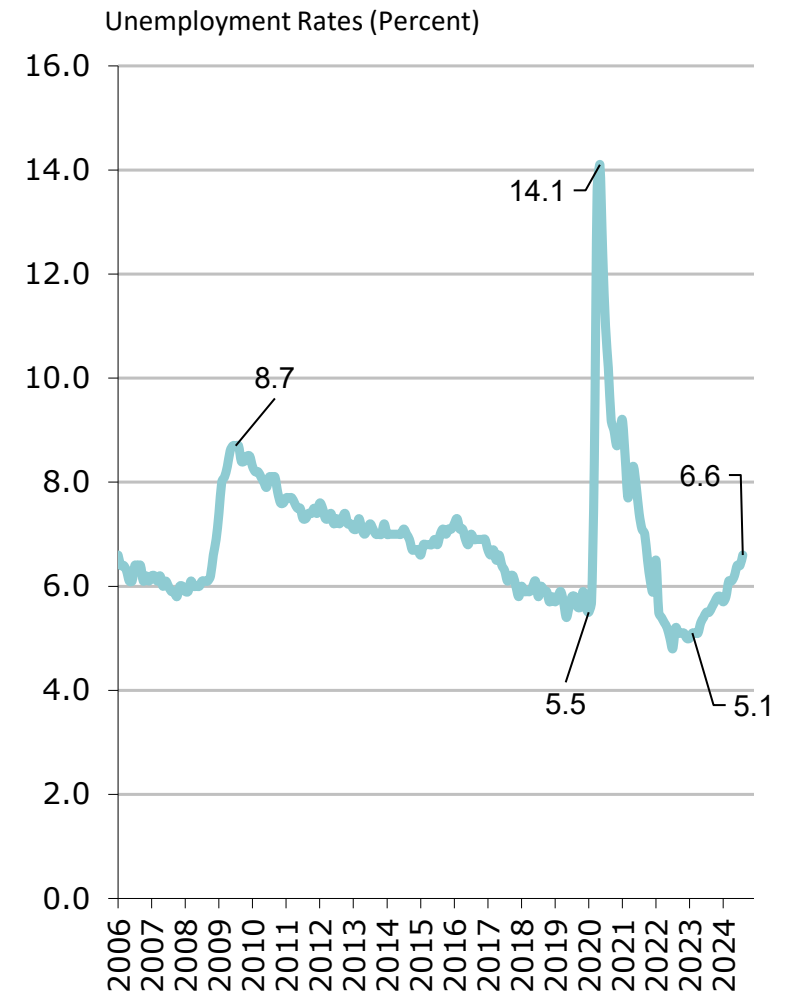
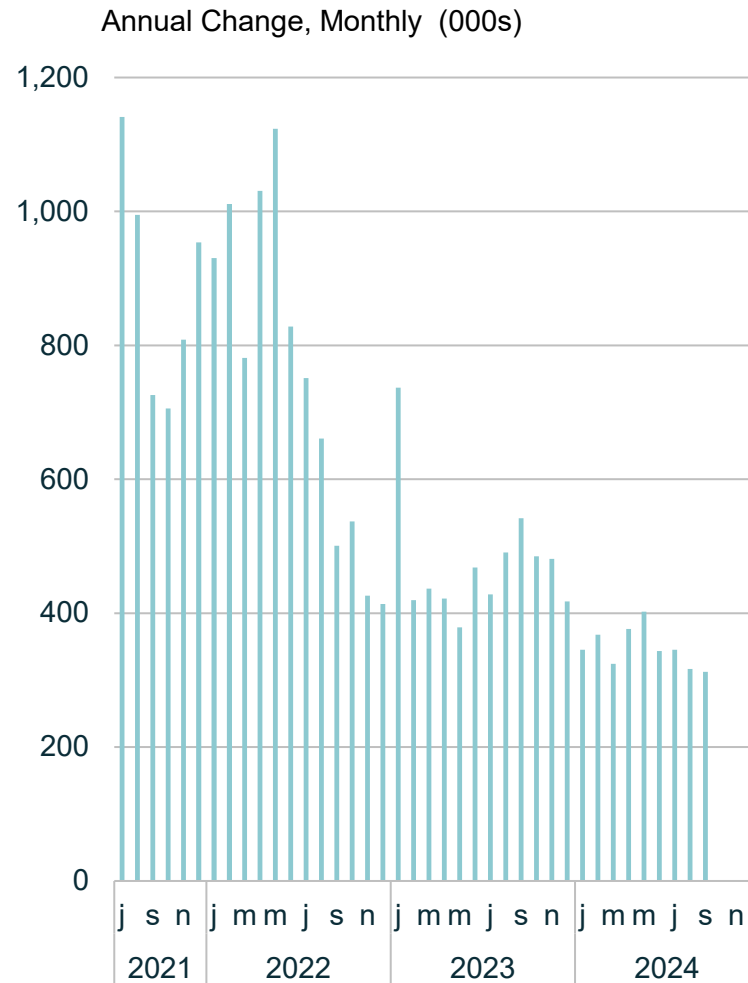
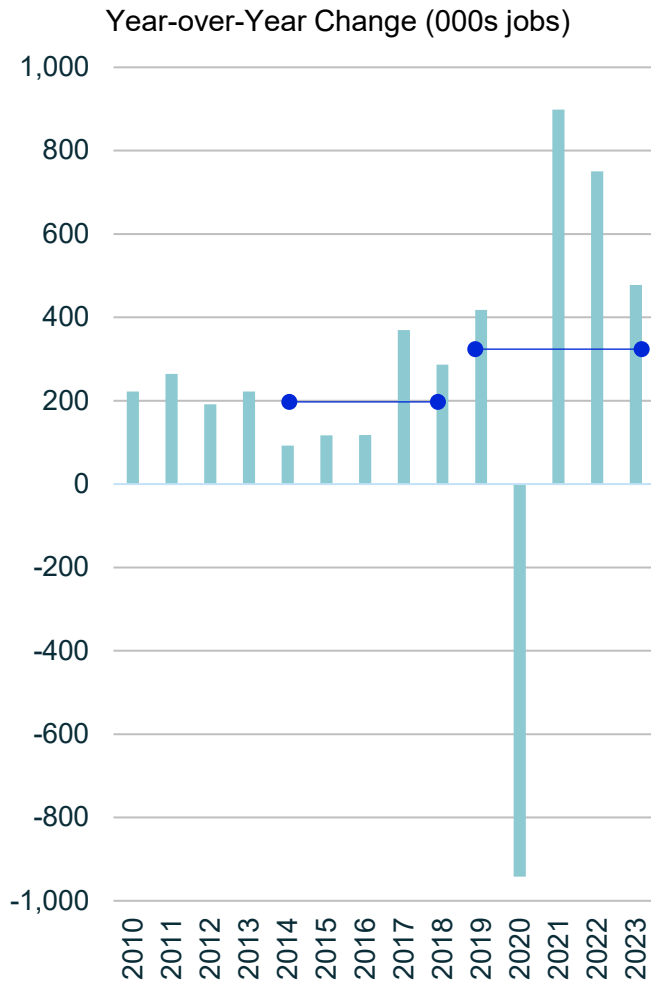


GDP (\$millions, 2017\$)



Sharply lower employment growth, but still decent pace...

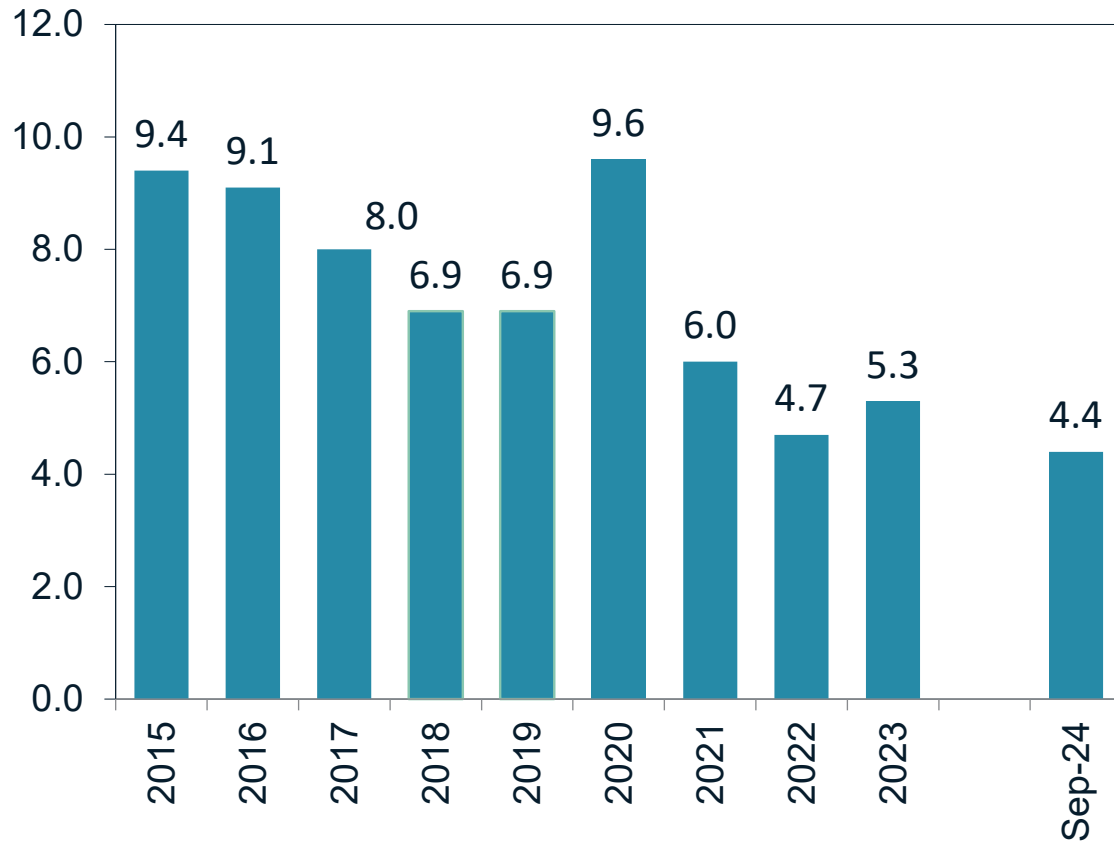
Employment growth, Canada



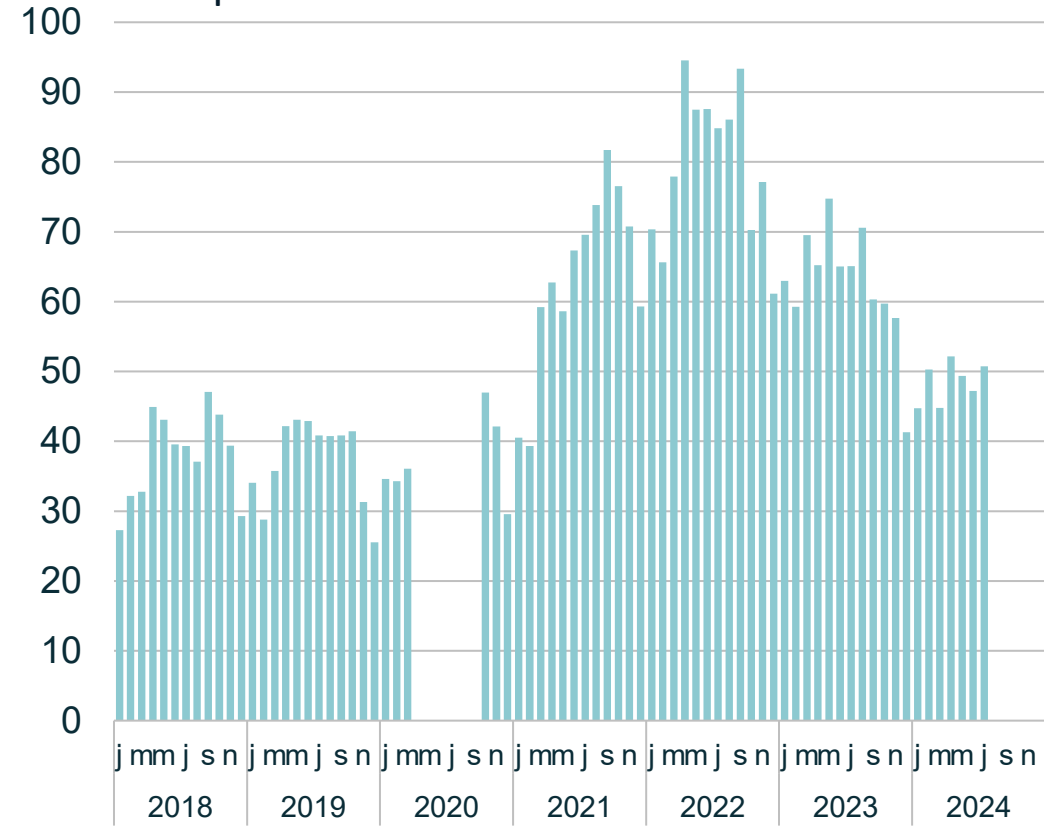
Source: Altus Group based on data from Statistics Canada

Construction labour market remains tight, but job vacancies have mostly normalized

Unemployment Rate, Construction Industry, Canada, Percent



Job Vacancies, Construction Industry, Canada
000s persons



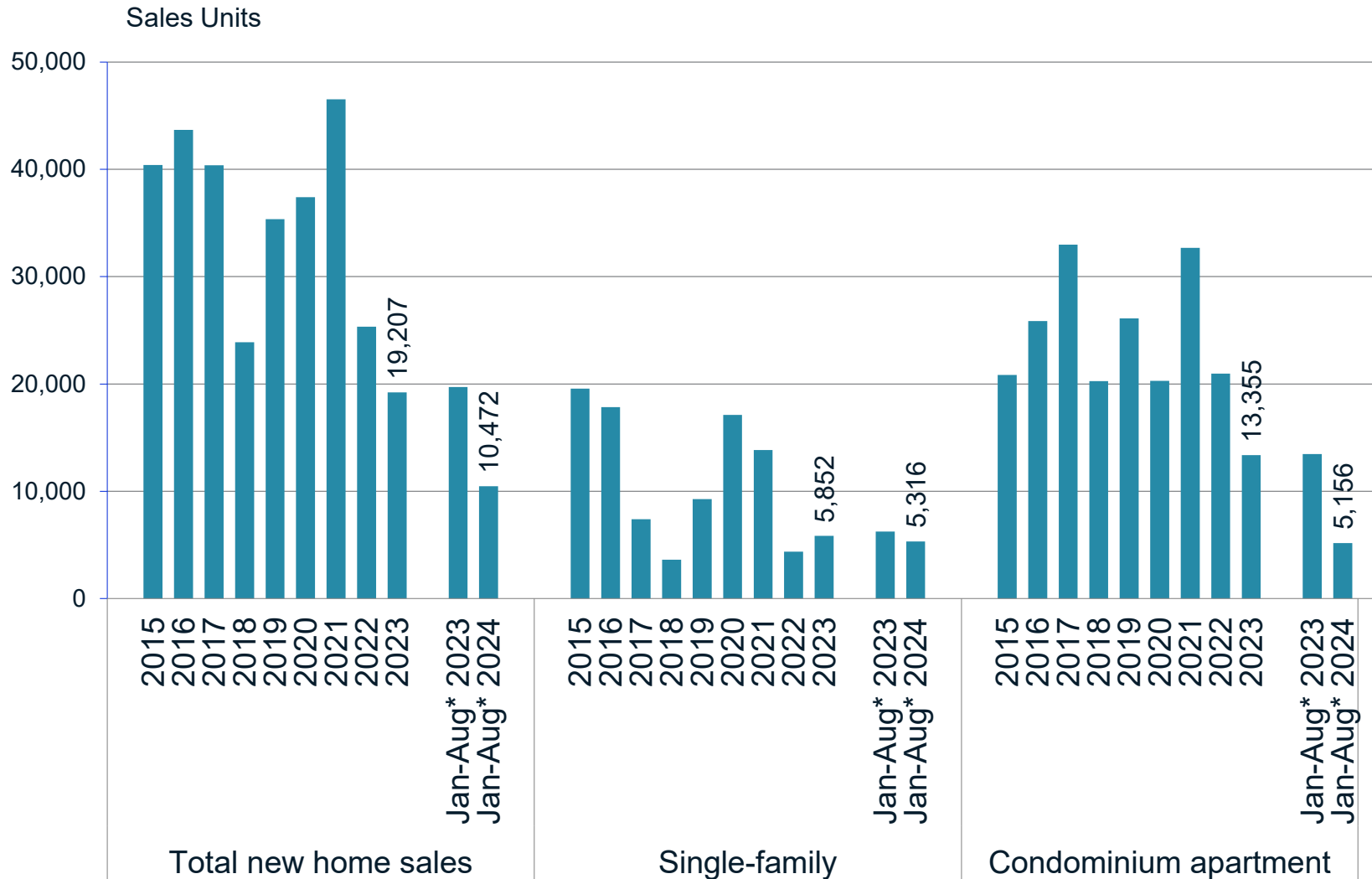
Source: Altus Group based on data from Statistics Canada

Fourth Thing to Watch Closely

The supply crisis in the Greater Toronto Area (GTA) will have knock on impacts for years

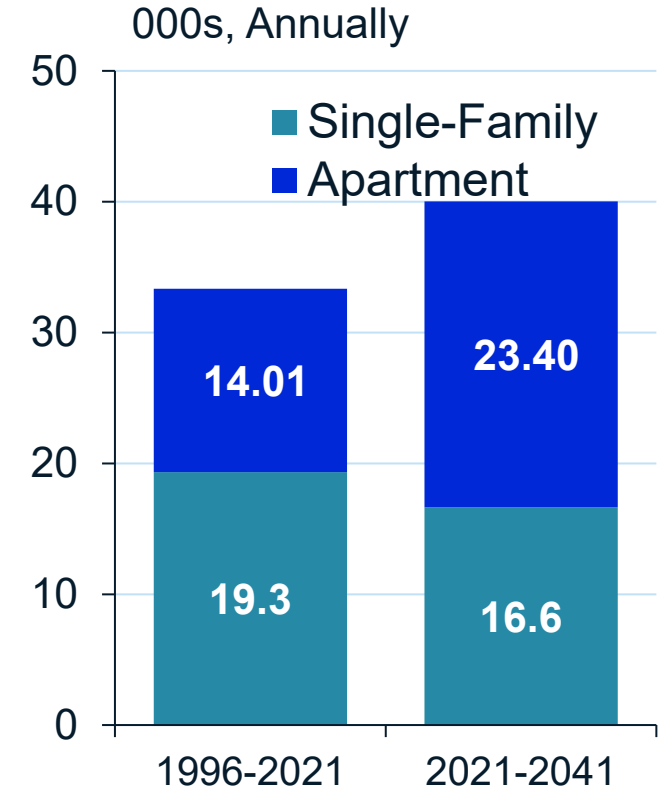
Toronto new home sales fell off significantly since mid-2022

New home sales by type, Greater Toronto Area



Source: Altus Group Data Solutions

* at annual rates, not seasonally adjusted

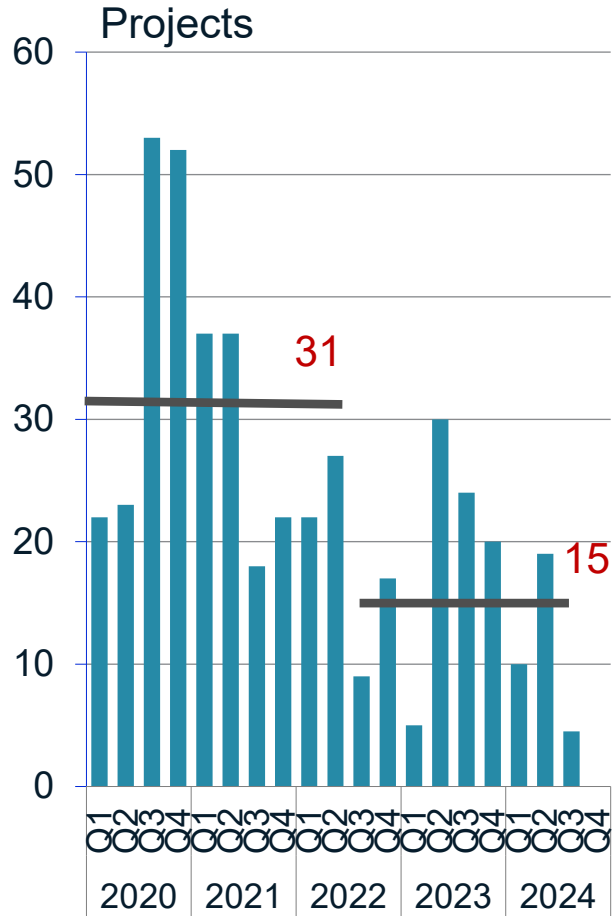


Historical & Forecast Household Growth

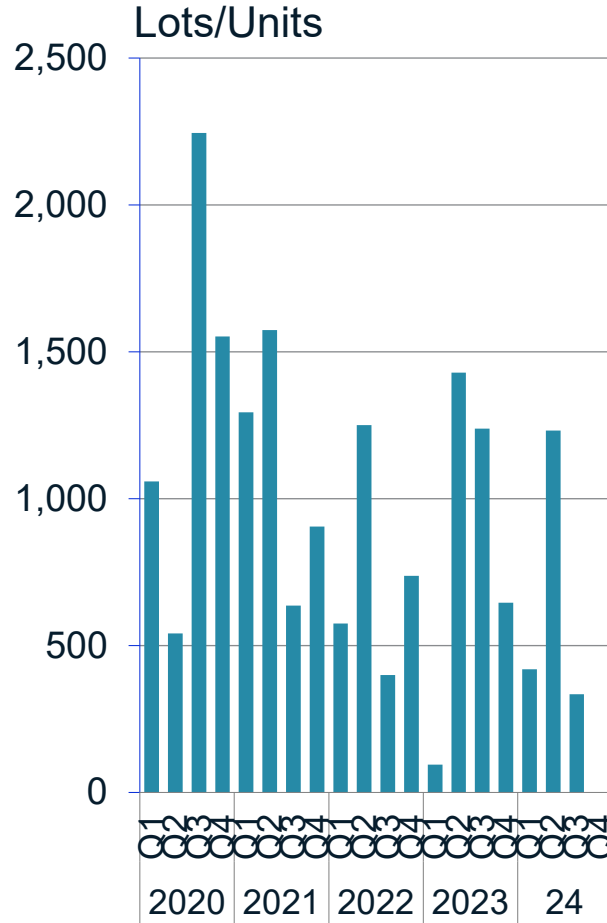


Project Analysis – Low Rise

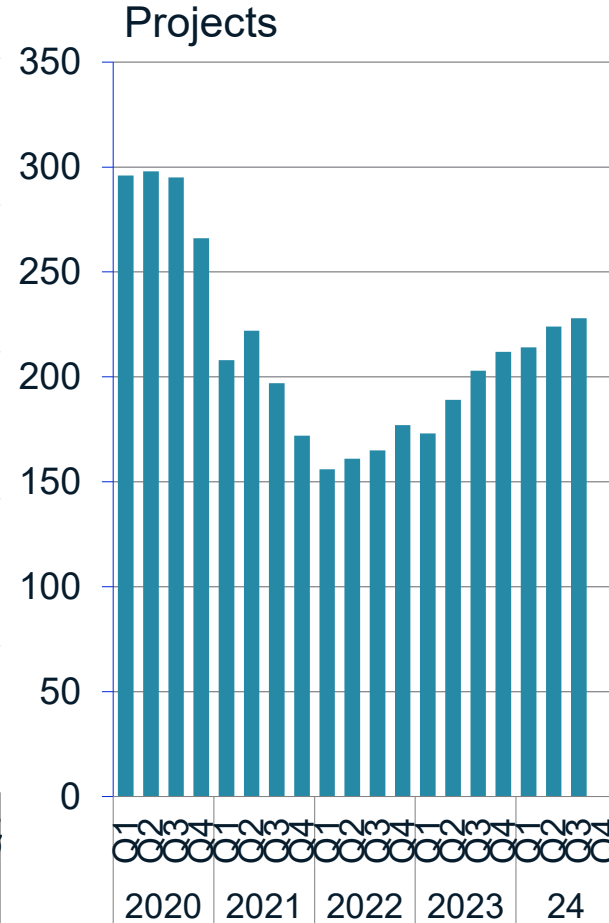
Greater Toronto Area



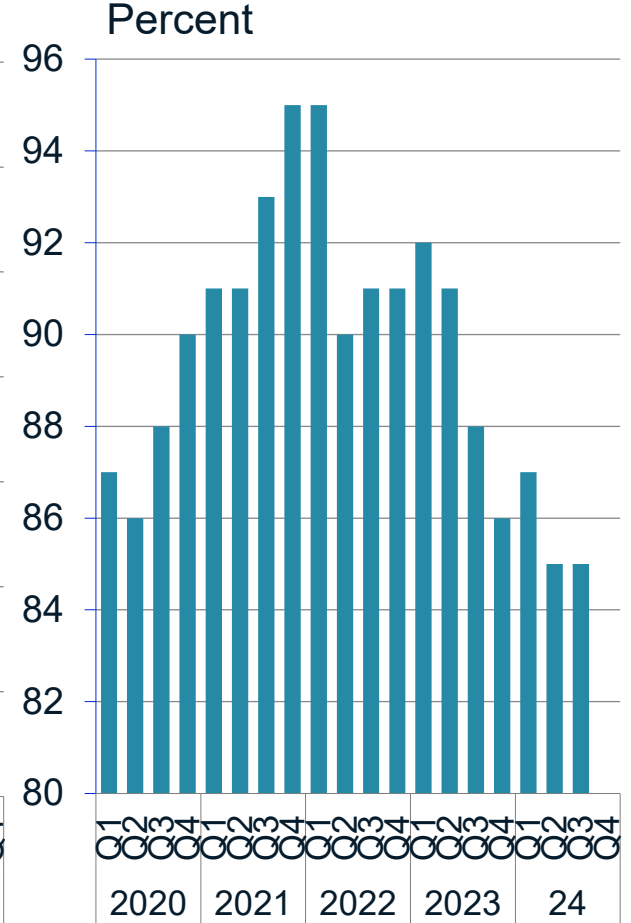
New Low-Rise Project Openings



Low-Rise Lots Released



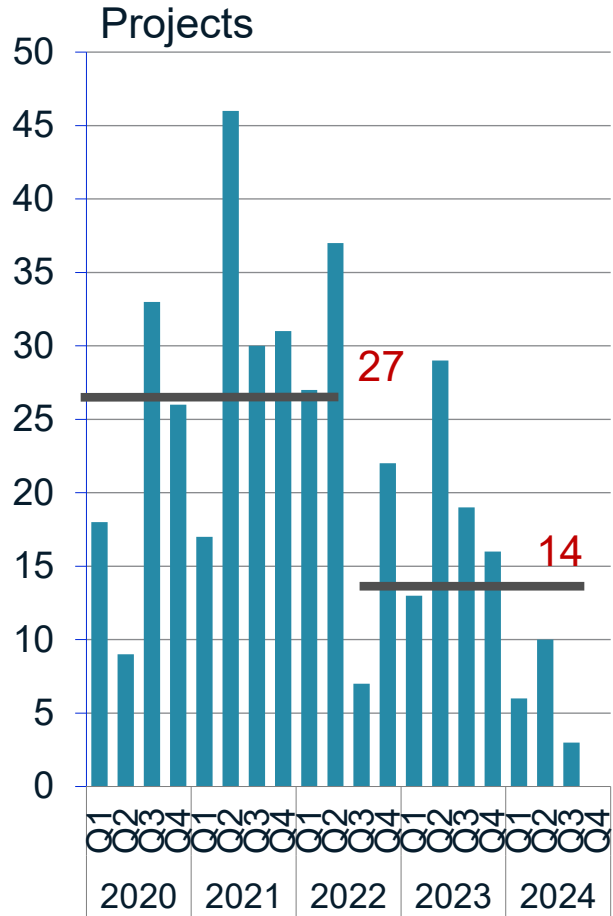
Total Active Low-Rise Projects



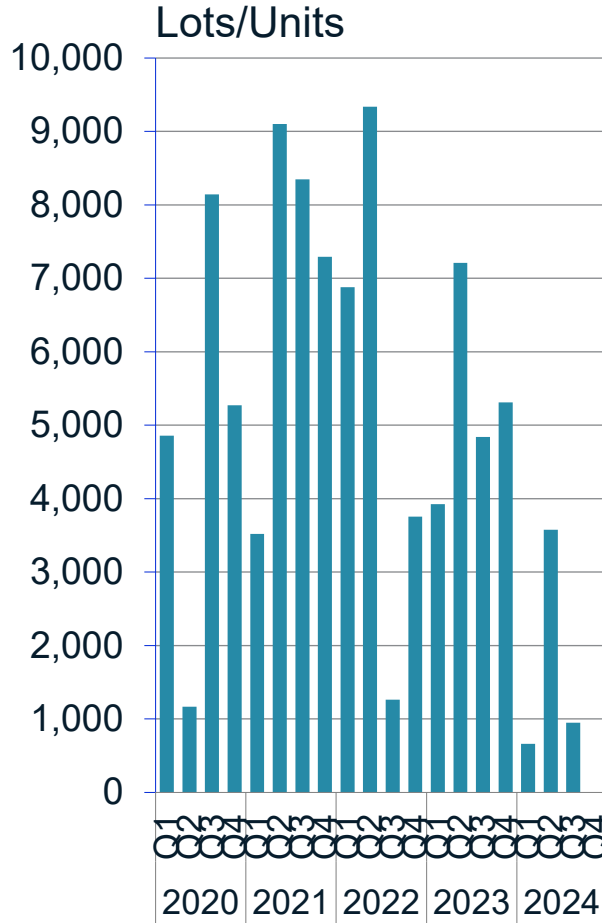
Sold Out Status in Active Projects

Project Analysis – High Rise

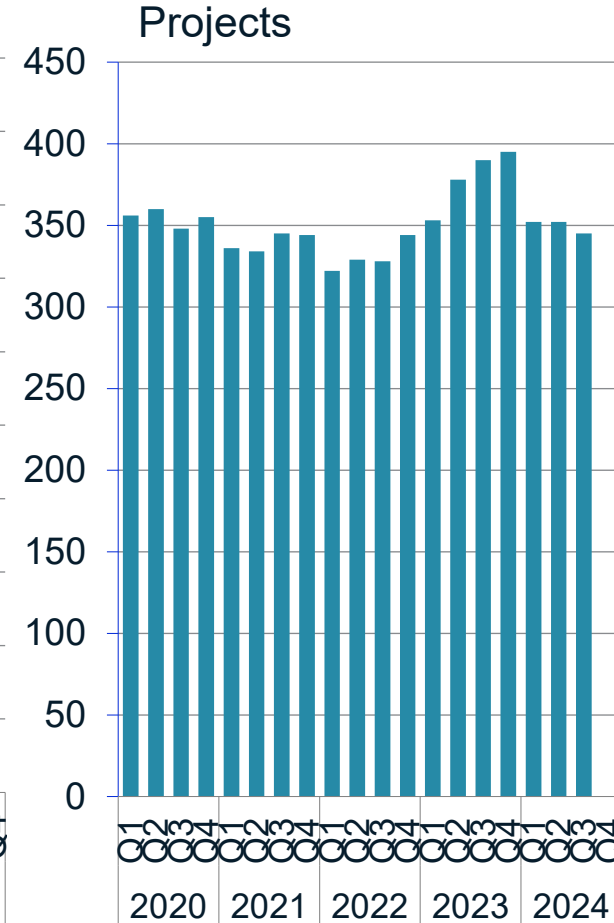
Greater Toronto Area



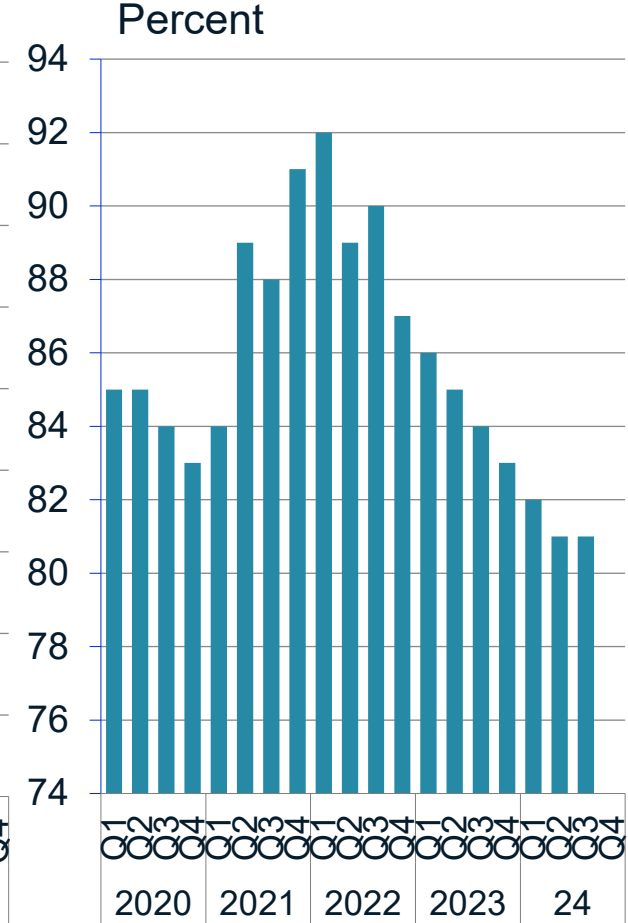
New High-Rise Project Openings



High-Rise Units Released



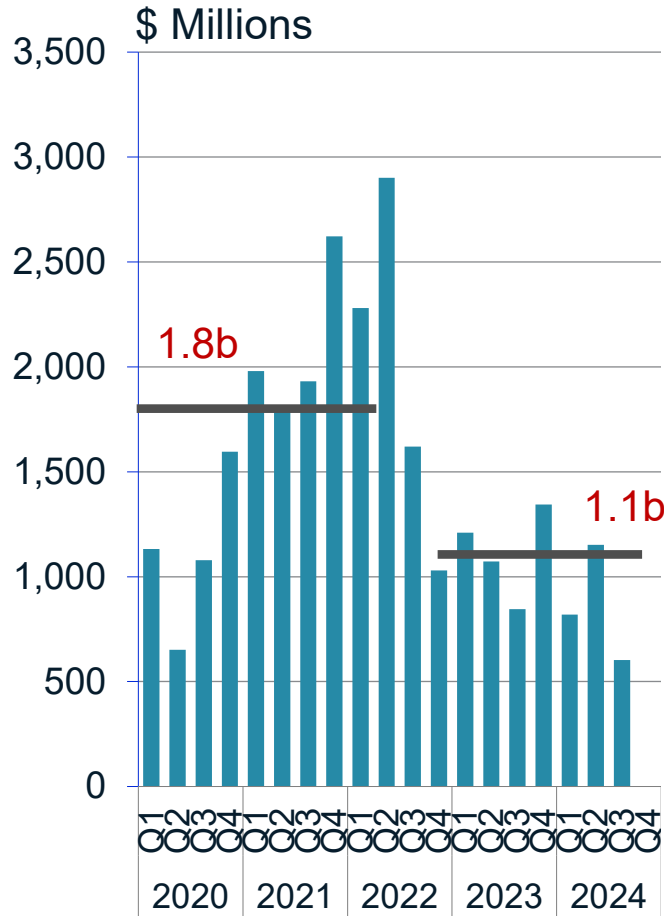
Total Active High-Rise Projects



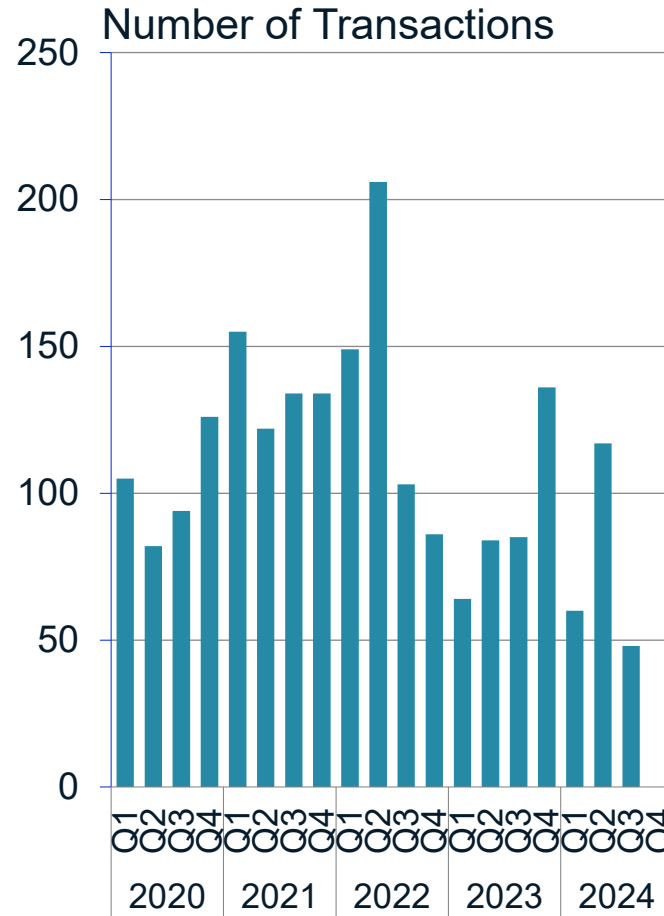
Sold Out Status in Active Projects

Residential Land Transactions

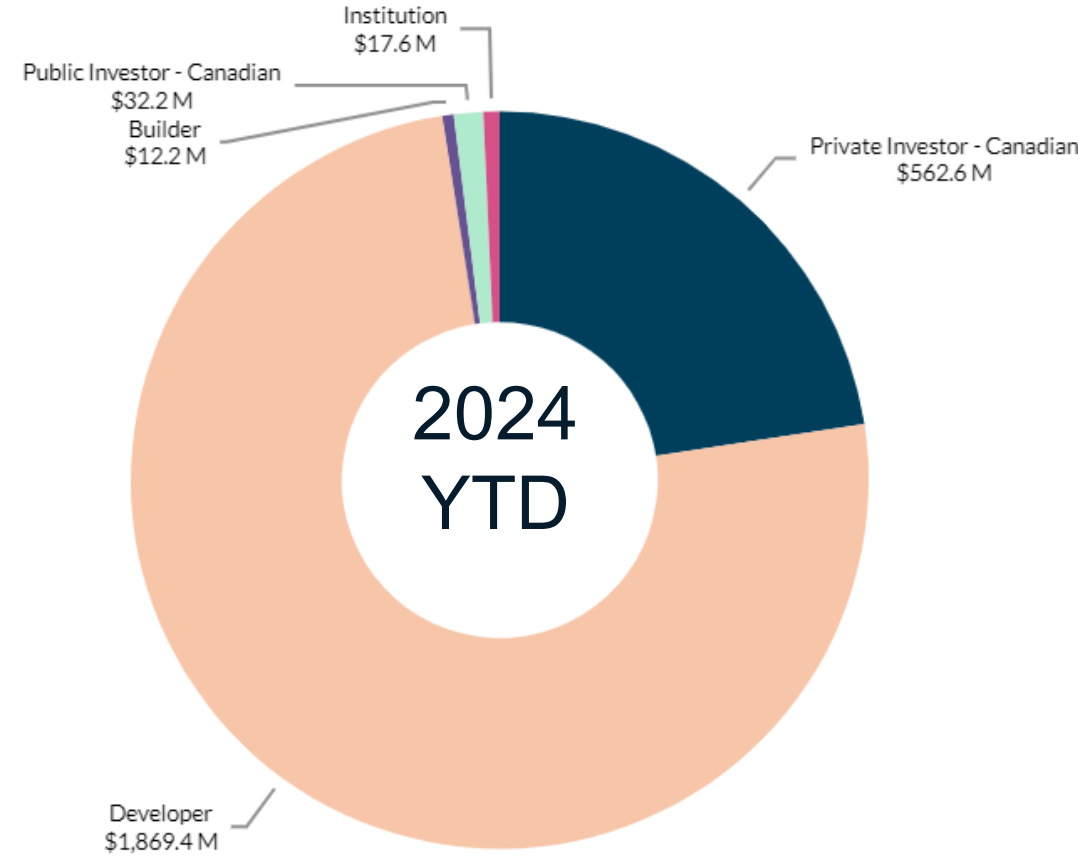
Greater Toronto Area



Residential Land Sales Volume



Residential Land Transactions

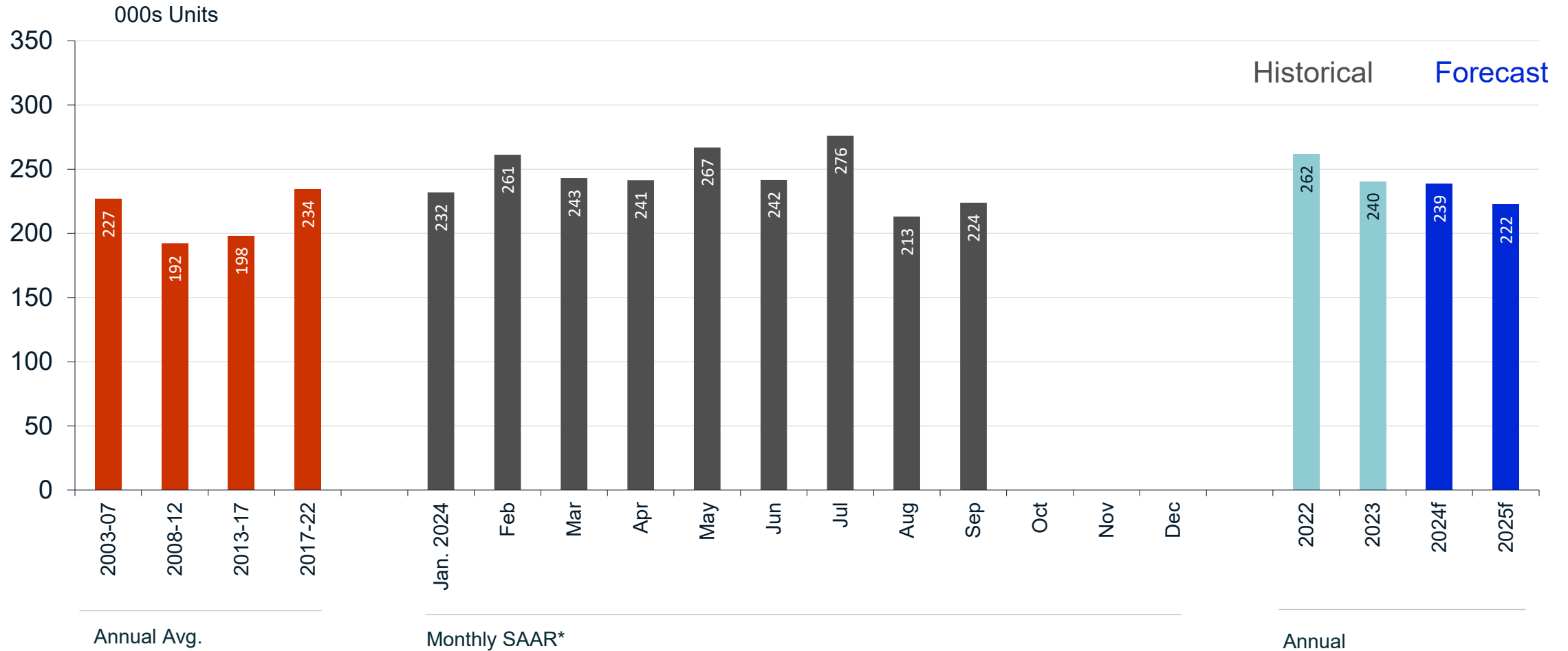


Fifth Thing to Watch Closely

Housing starts will be slow to recover & rental starts will take a larger share

Housing starts are holding up despite headwinds...

Altus Group housing starts forecast, Canada

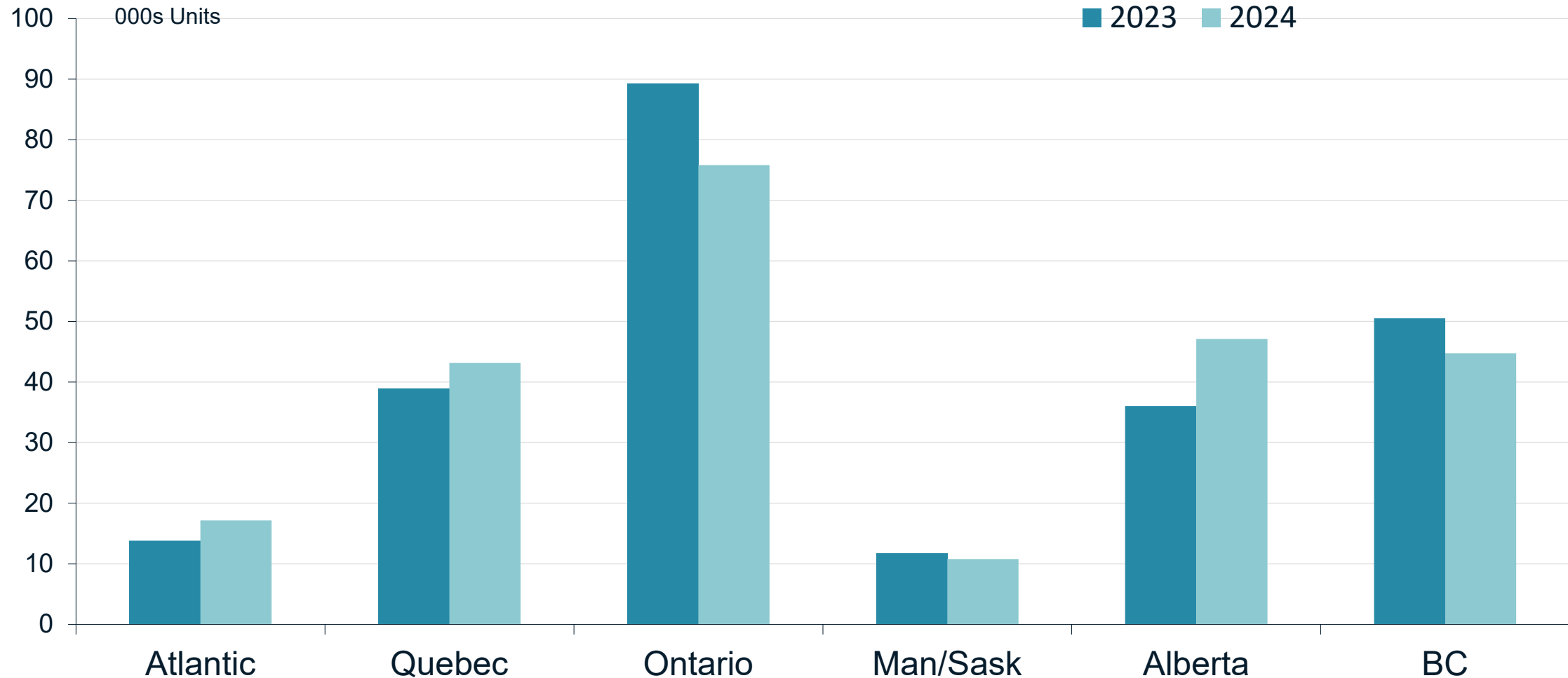


* Seasonally adjusted at annual rates

Source: Altus Group Economic Consulting based on CMHC

Declines in Ontario and BC being offset elsewhere ...

Altus Group housing starts forecast, Canada

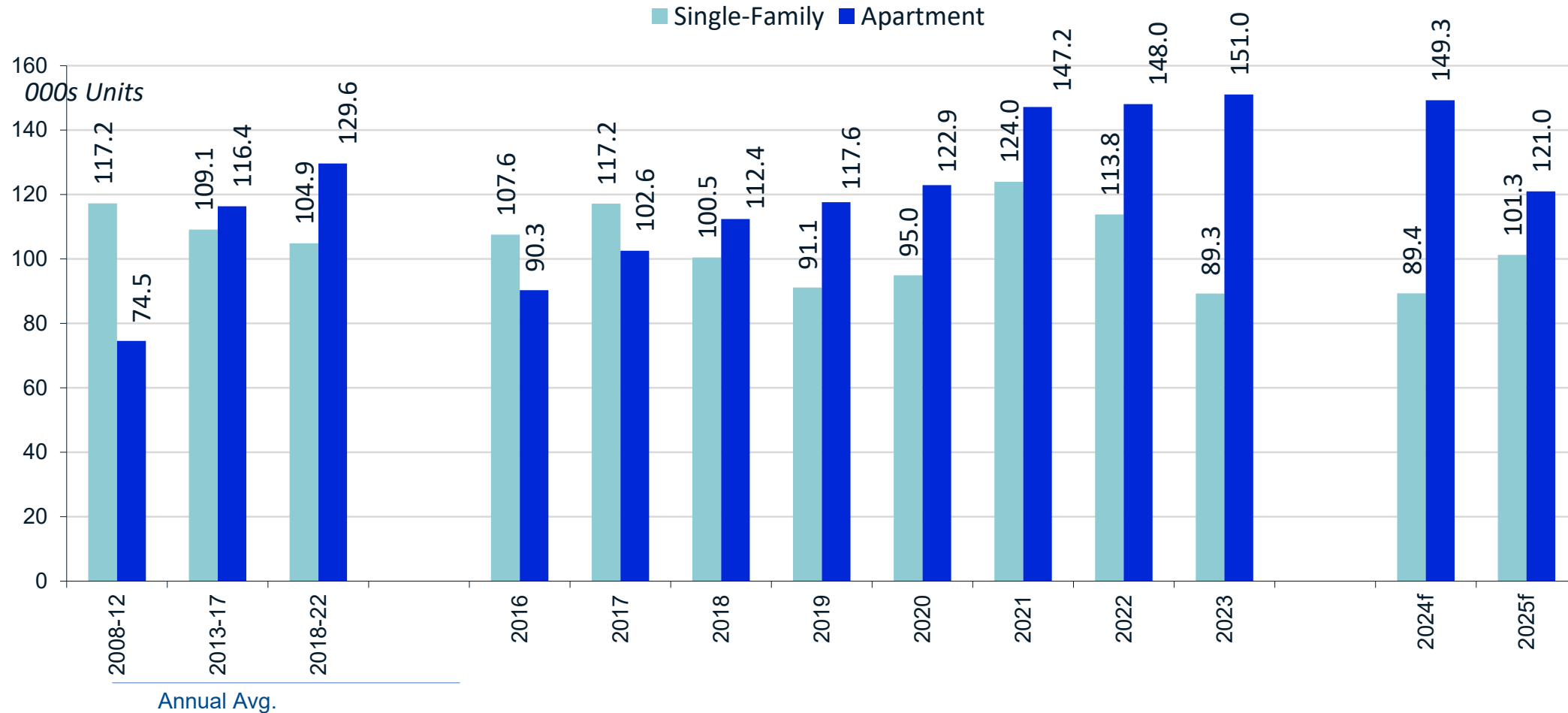


* Seasonally adjusted at annual rates

Source: Altus Group Economic Consulting based on CMHC

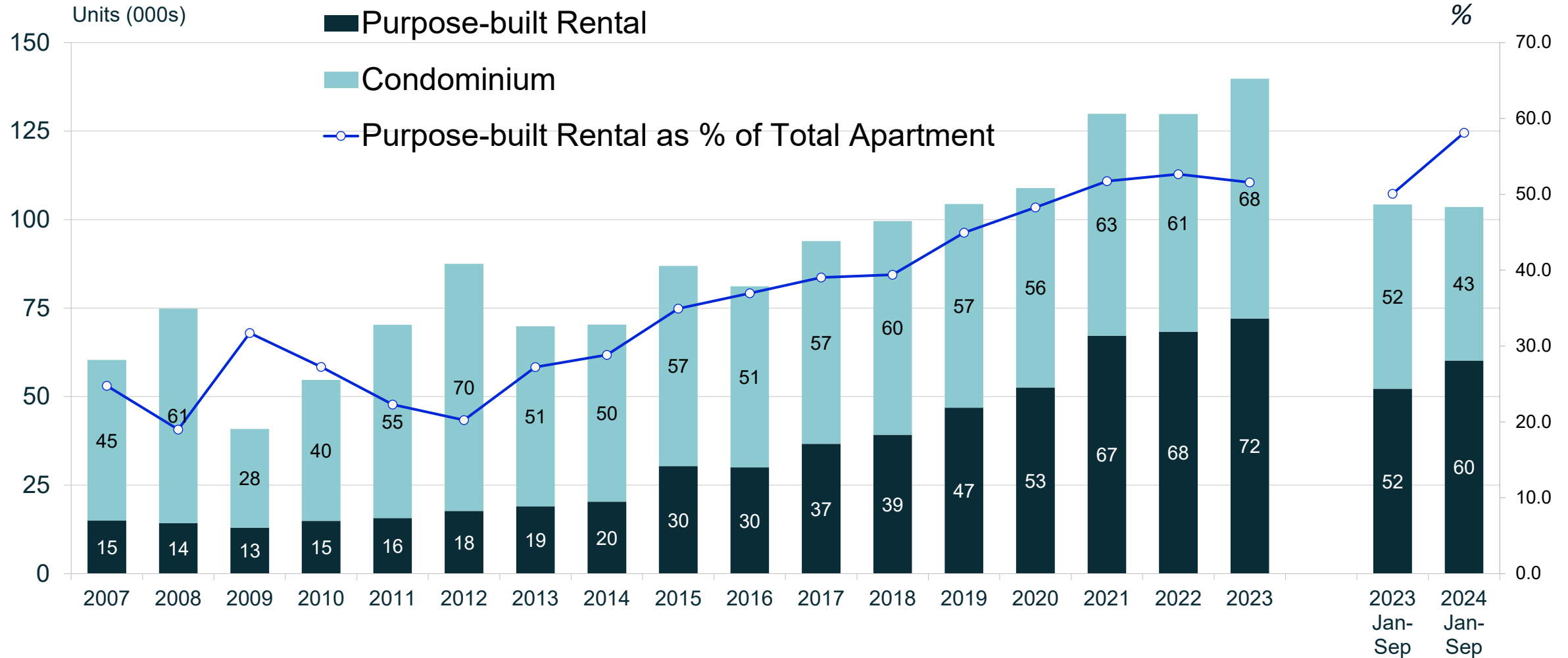
Weaker apartment starts nationally, due to challenges in Ontario

Altus Group housing starts forecast, Canada



Rental projects account for about half of apartment construction...

Apartment starts by intended market segment, Canada*

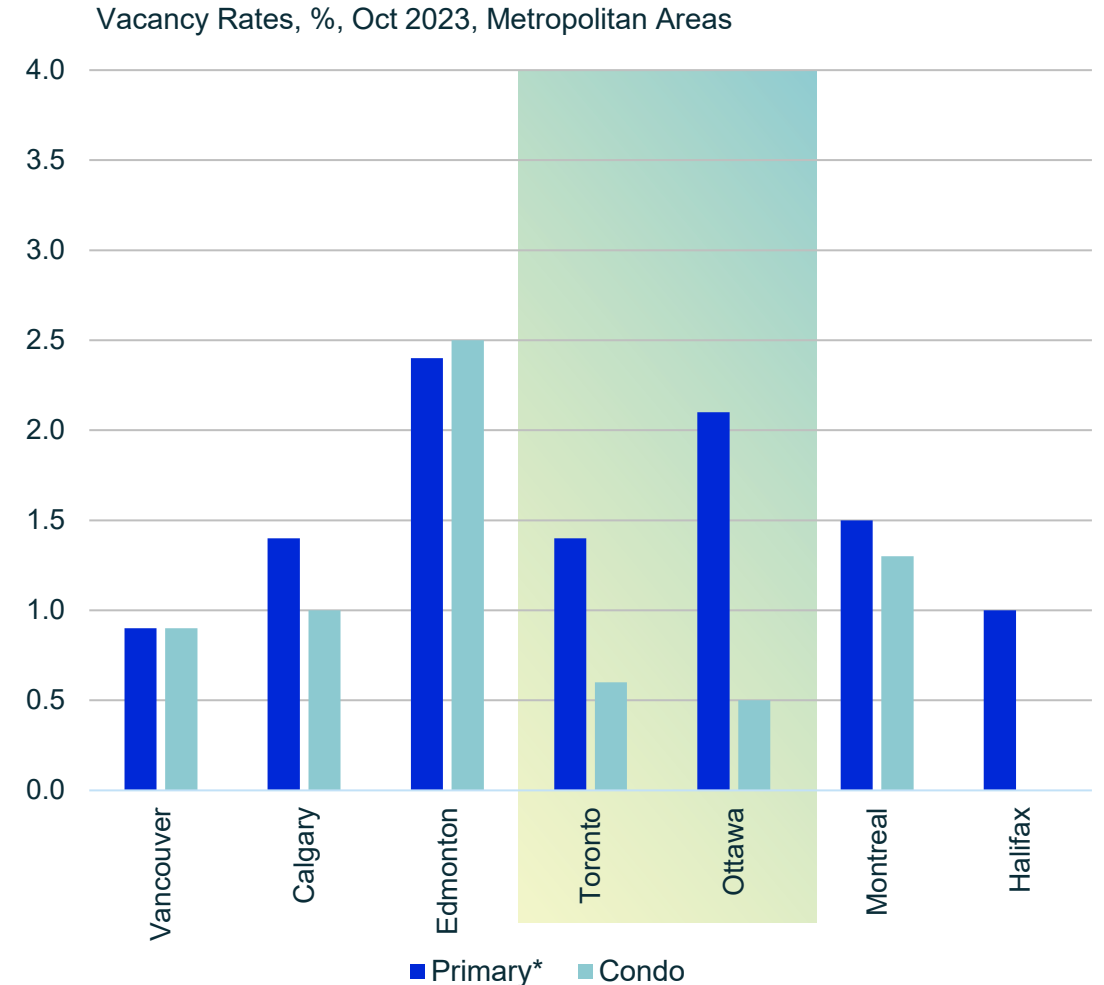
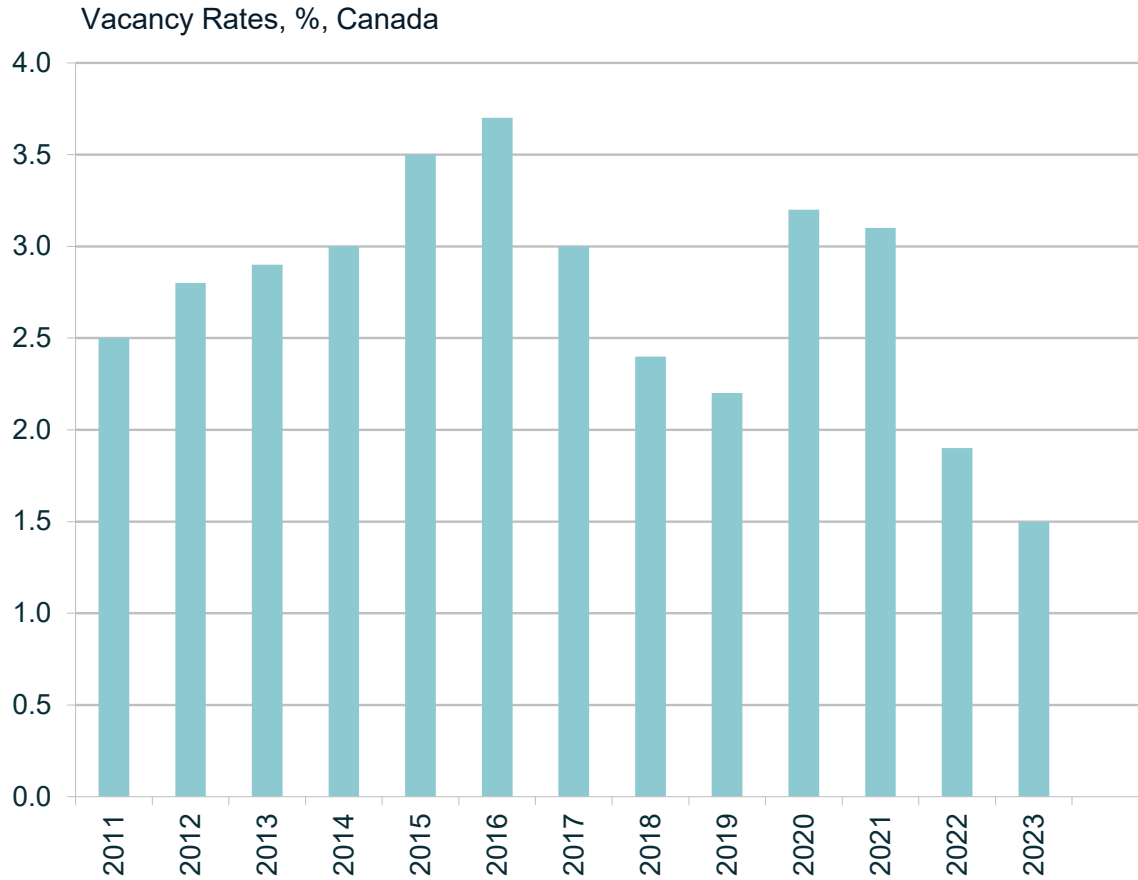


*Centres 50,000+

Source: Altus Group Economic Consulting based on CMHC data

Vacancy rates tumbling since 2016 and generally lower for condo rentals...

Rental vacancy rates, Canada and selected markets



* Purpose-built rental, all ages of stock

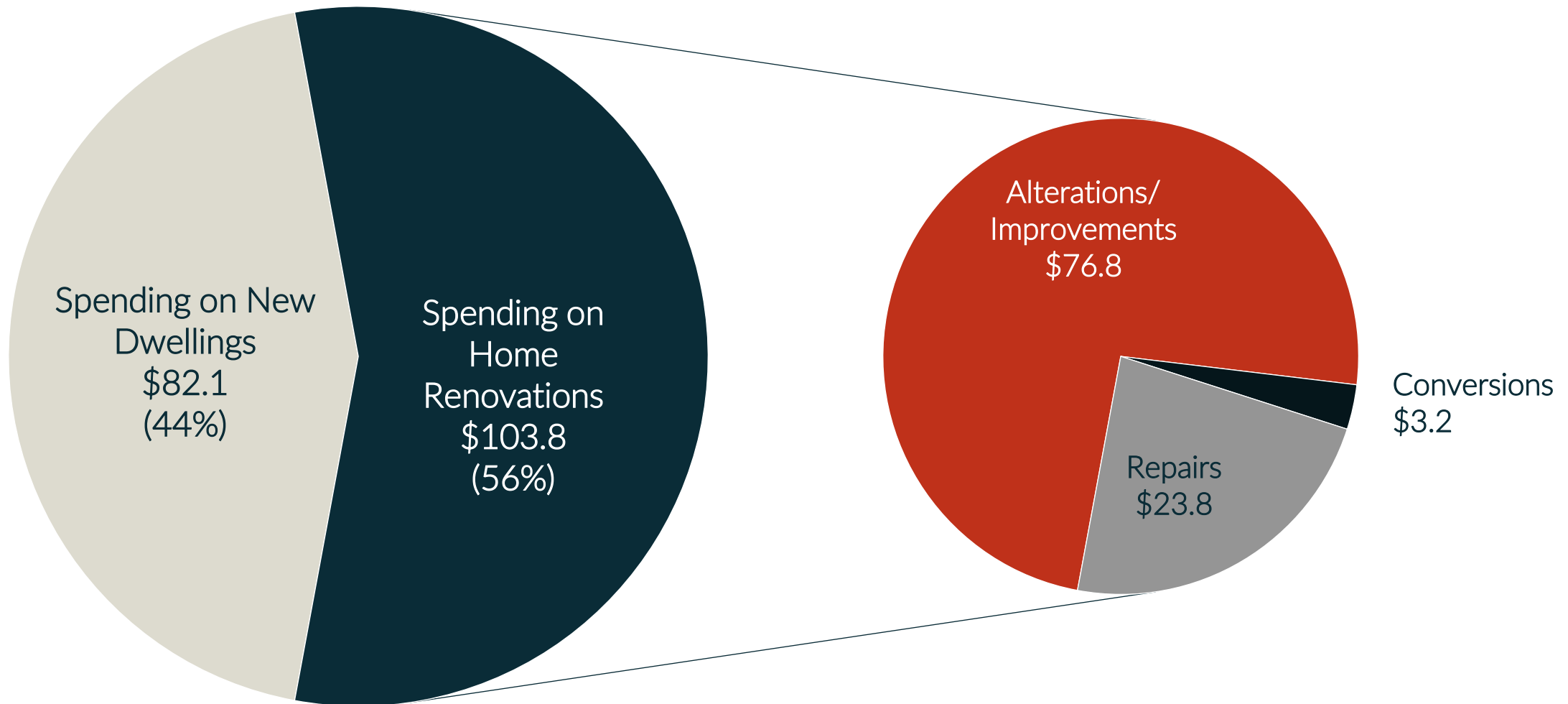
Source: Altus Group Economic Consulting based on data from CMHC

Sixth Thing to Watch Closely

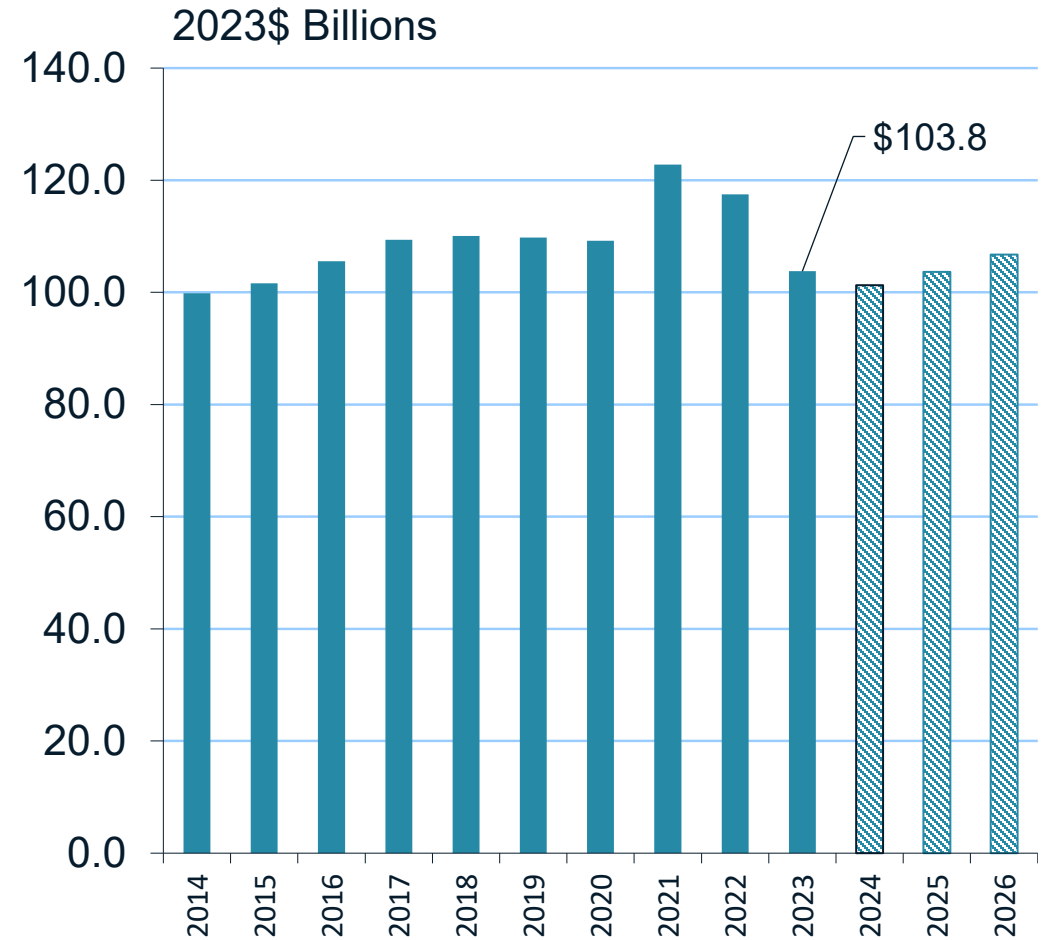
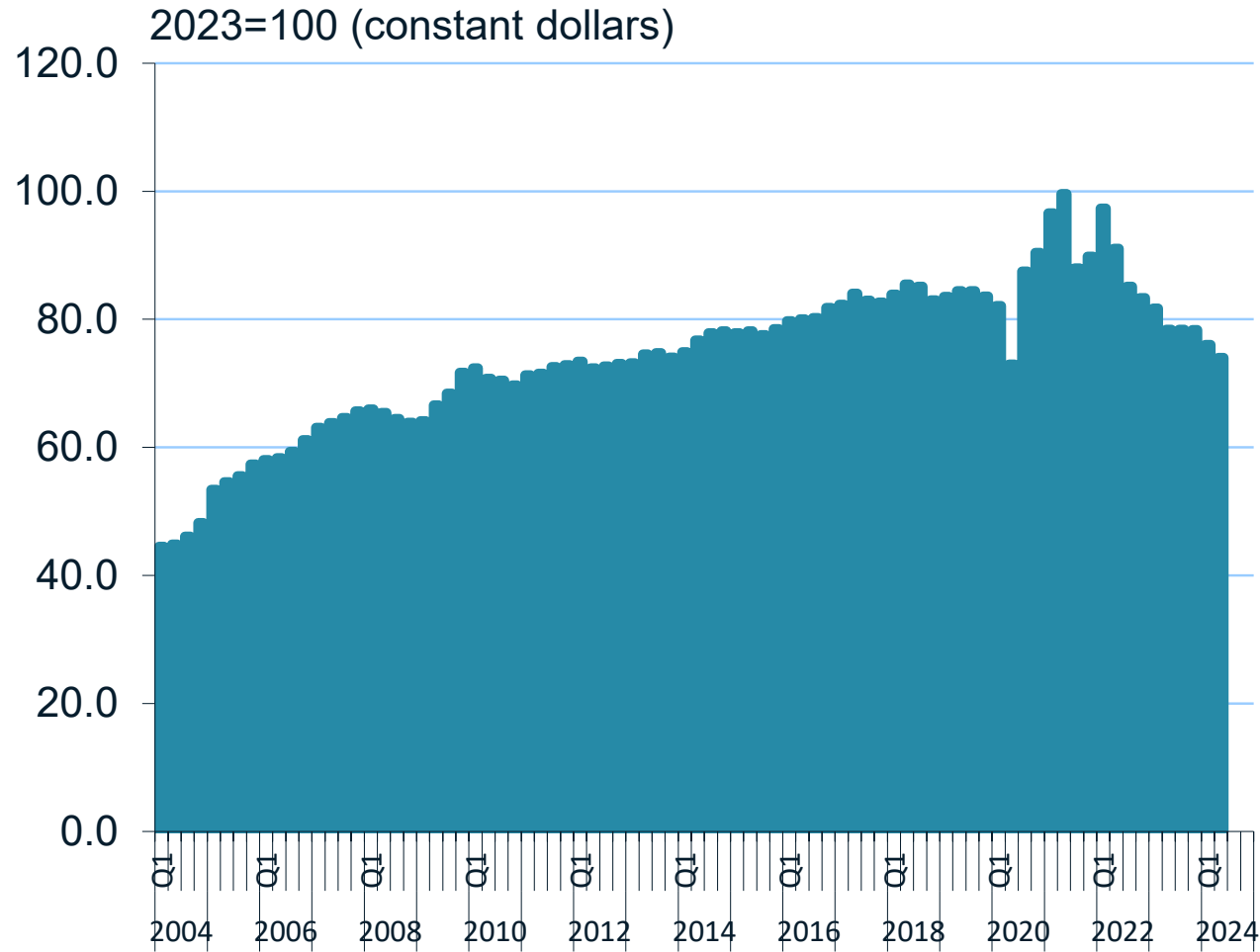
Renovation spending continues to adjust from the pandemic disruptions

Residential renovation spending significantly more important than new construction

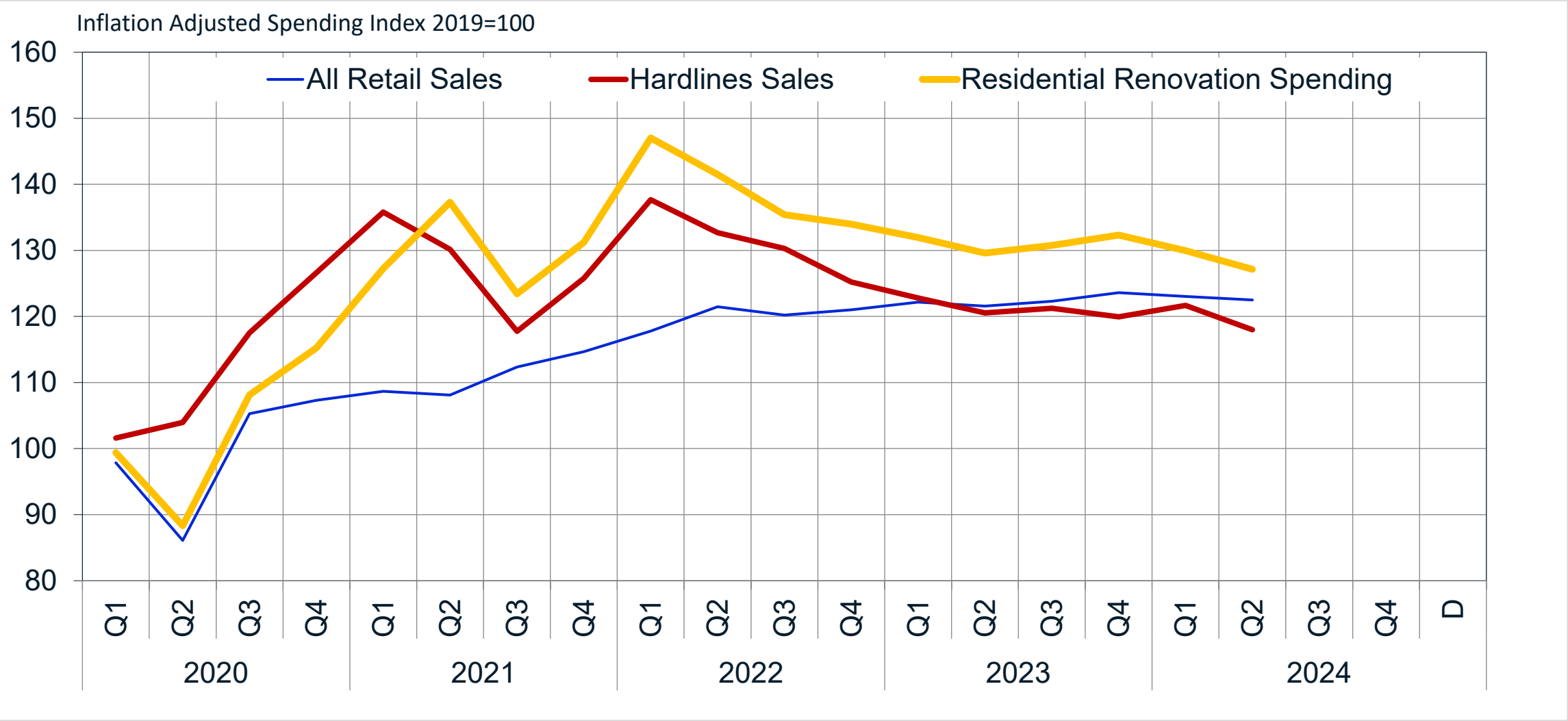
Residential Construction Spending, Canada, 2023, \$Billions



But renovation spend has been on a downward path since the pandemic



Hardlines sales performance has followed suit....





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