

RBC Dominion Securities Inc.

# Canadian Real Estate Update

**Hosted by:**

Doug Vicic, BA.Sc, MBA, CMA, CIM, FEA  
Vice-President, Portfolio Manager & Wealth Advisor  
RBC Dominion Securities Inc.

**Guest speaker:**

Anthony Scilipoti, FCPA, FCA, CPA (Illinois)  
President & CEO  
Veritas Investment Research.

October 14, 2021



**Wealth Management**  
Dominion Securities



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INVESTMENT  
RESEARCH

Welcome!  
The conference will start shortly

Veritas 9th Annual Great Canadian Real Estate Conference

October 7, 2021

# 2014 Agenda

## The Great Canadian Condo Mystery Shop & Luncheon 2014

Wednesday, November 5<sup>th</sup>, 2014

Please join us for the third annual Great Canadian Condo Mystery Shop & Luncheon.

Kyle MacDonald, our Financial Services analyst, and Anthony Scilipoti will host a real estate industry panel and condo mystery shop through the streets of Toronto to gauge the real estate market and its potential impact on Canadian banks.

Learn first hand about the financing, sales and marketing tactics used in the field. Panelists will provide their thoughts on the current market conditions and expectations for the future. Please Join us for all or part of this newly expanded event.

### Agenda

#### **12pm – Lunch and panel discussion at the Veritas Offices. Speakers include:**

- Steve Moran – prominent Toronto Real Estate Agent, RE/MAX Realty Specialists Inc.
- Albert Collu – President, Mortgage Architects, one of Canada's largest independent mortgage brokerage networks
- Kyle MacDonald – Veritas Financial Services Analyst

#### **1:30 – Condo Mystery Shop**

- Various downtown locations

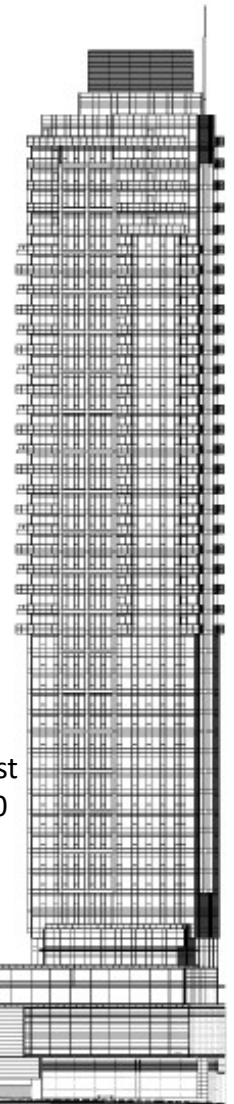
#### **3:30 – Debrief and refreshments at the Veritas Offices**

- Anthony Scilipoti and Kyle MacDonald from Veritas

#### **Veritas Offices:**

100 Wellington Street West  
TD West Tower, Suite 3110  
Toronto, Ontario

**Phone:** (416) 866-8783



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# 2015 Agenda



## **THE GREAT CANADIAN HOUSING CONFERENCE 2015**

NOVEMBER 10, 2015 | THE ALBANY CLUB | TORONTO, ON



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# 2015 Agenda

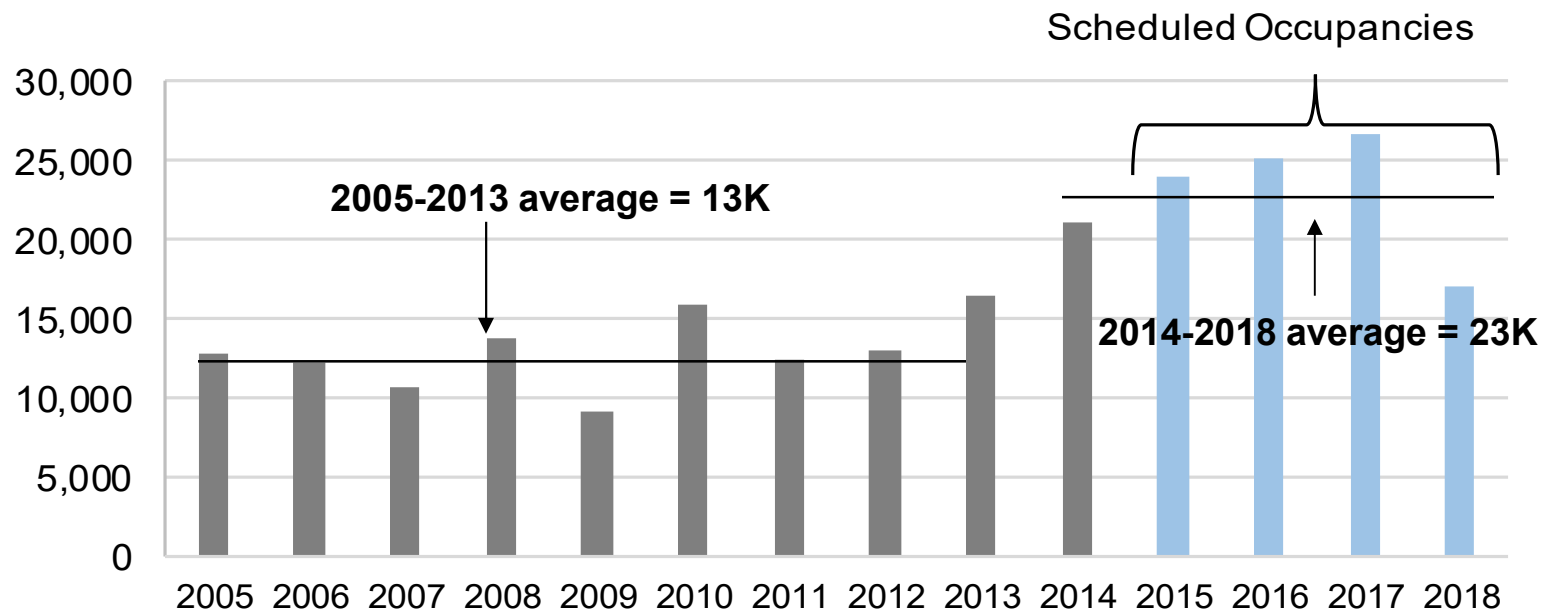
8:00am - 8:30am	Registration	
8:30am - 8:40am	ANTHONY SCILIPOTI, President & CEO, Veritas Investment Research	Welcome & Opening Remarks
8:40am - 8:45am	TAMSIN McMAHON, Real Estate Reporter, Globe & Mail	Opening Remarks
8:45am - 9:00am	WILL DUNNING, Chief Economist, CAAMP; President, Will Dunning Inc.	Commentary on the Canadian Housing Market
9:00am - 9:20am	MARK EMERY, President, Weston Consulting	Urban Planning, Government Policy, Developing Trends
9:20am - 9:40am	BRIAN JOHNSTON, COO, Mattamy Corporation	North America - The Development Process & Allocating Assets
9:40am - 10:00am	STEVE DIAMOND, President, Diamond Corporation	Building and Financing Condos in Toronto
10:00am - 10:15am	BREAK	
10:15am - 10:35am	TAMSIN McMAHON, Real Estate Reporter, Globe & Mail	The Role of the Alternative Lender
10:35am - 10:55am	SHAUN HILDEBRAND, SVP, Urbanation	Interpreting the Market Data
10:55am - 11:15am	DONALD KARN, Private Mortgage Specialist, Karncorp	Gray Market Mortgages
11:15am - 11:35am	MAJID TAVAKOLI, President, YRB Realty	Selling Toronto Condos Locally & Globally
11:35am - 12:00pm	MIKE RIZVANOVIC, Analyst, Veritas Investment Research	Housing's Impact on Banks
12:00pm – 1:00pm	Lunch & Panel Discussion	
1:30pm – 3:30pm	Condo Mystery Shop	
3:30pm – 4:00pm	Condo Mystery Shop & Debrief	
4:00pm – 6:00pm	Cocktails & Networking	



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# Supply Growth Set to Peak in 2017

**Historical Annual Condo Completions and Scheduled Occupancies  
GTA: 2005 to 2018**



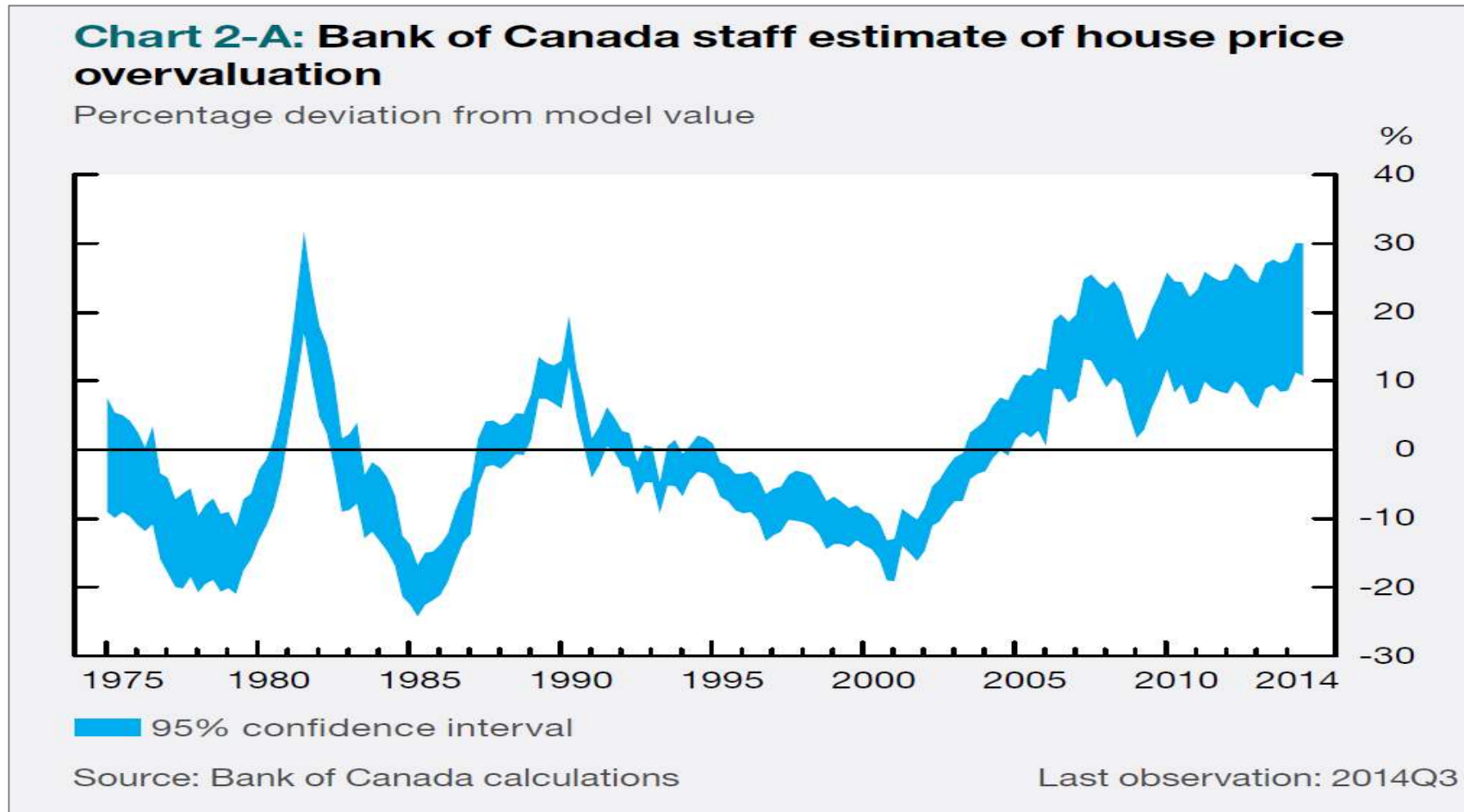
Source: Urbanation Inc.

URBANATION



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# Bank of Canada Sees 10-30% Overvaluation



Will Dunning - Chief Economist, CAAMP



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# No Bubbles Here

A normal circular relationship:

- Job growth creates housing demand, which determines price growth, both of which influence job creation, etc.
- A bubble occurs when there is a short circuit, and housing demand results inordinately from expectations of price growth (an excessive “speculative motive”).
- That happened in the US prior to 2008, not here at present.
- What is the risk related to future interest rates?

Policy matters:

- Mortgage insurance policy has deliberately suppressed housing activity.
- Kill dragons, not unicorns.

Will Dunning - Chief Economist, CAAMP



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Diamondcorp

# Places to Grow – Urban Growth Centres



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## Fortress Real Developments is a Canadian Real Estate Development Company that seeks out Opportunities in Major Markets



From L-R: **Frank Margani** (EVP, Strategy & Development), **Jawad Rathore** (President & CEO), **Vince Petrozza** (COO), **Ben Myers** (SVP, Market Research & Analytics)

- **Founded in 2002**
- **Opened to the retail market in 2008 – provides equity capital for real estate development projects**
- **Over \$5 billion in built out value of current projects**
- **Currently over 70 Active Projects**
- **20+ development partners with decades of combined success**
- **20+ financial partners that provide senior debt financing (land, construction, mezz)**
- **Almost \$650M funded into Fortress projects**
- **Partners like Cityzen, Fernbrook, Empire, Lamb, Chestnut Hill, Sierra, Fusion, Averton**

Ben Myers, Fortress Real Developments  
Twitter: @BenMyers29



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# 2016 Agenda

## The Great Canadian Housing & Real Estate Conference “Boom or Bubble – The Story Continues”

November 3<sup>rd</sup>, 2016, The Albany Club, Toronto, ON



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## 2016 - “Boom or Bubble – The Story Continues” (Nov 4)

Time	Speaker	Organization	Topic
8am	Breakfast & Registration		
8:30 – 8:45	Welcome & Intro <ul style="list-style-type: none"> <li>Anthony Scilipoti,</li> <li>Tamsin McMahon</li> </ul>	Veritas Globe & Mail	Welcome A Review of The Last Twelve Months
8:45 – 9:30	David Ley	Professor of Geography, UBC	Housing Bubbles- Global & Canadian Experiences
9:30 – 10:15	Gregory Klump	Chief Economist, CREA	Canadian housing market bubble? Assessing the evidence
10:15 – 10:30	Break		
10:30 – 11:15	Porter Collins	Seawolf Capital	“The Big Short” Experience
11:15 – 12:00	Alex Thomson	Canada ICI	The State of Canadian Commercial Real Estate
12:00 – 12:30	Lunch		
12:30 – 1:00	Lunch		
1:00 – 1:45	Hilliard Macbeth	Author & Advisor, GMP	The Case For A Bubble Scenario in Canada
1:45 – 2:30	Joseph Mancinelli	LiUNA	Housing Construction: Is There Sufficient Labour Capacity?
2:30 – 2:45	Break		
2:45 – 3:30	Jay and Harvey Strosberg	Sutts, Strosberg LLP	The Legal Perspective
3:30 – 4:15	Mike Rizvanovic	Veritas	Review of Veritas’ Findings
4:15 – 5:00	Investment Roundtable	Moderated by Anthony Scilipoti, Veritas	Investing ideas in a boom or bubble scenario
5:00 – 7:00	Cocktail Event		

# The Great Canadian Mystery Mortgage Shop

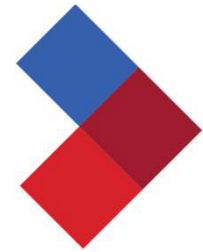
We visited 30 Big Six branches to see how easy it is to obtain an insured mortgage without having any personal savings.

Big 6 Bank Broker	YES	NO	
Advisor willing to accept the use of borrowed funds from another financial institution as the source of down payment	60%	40%	
	YES	NO	
Advisor willing to accept borrowed funds from family members as the source of down payment	100%	0%	
	YES	NO	Unsure about the option
Advisor willing to extend an RRSP loan that is pulled from RRSP account after 90 days and used as down payment	67%	13%	20%

*Based on our discussions with 30 bank-branch advisors, roughly evenly spread across the Big Six Canadian Banks.  
Source: Veritas.*



# Mortgage reg. Changes: 2016



CREA 



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# Housing Bubbles: Global and Canadian Experiences -2016

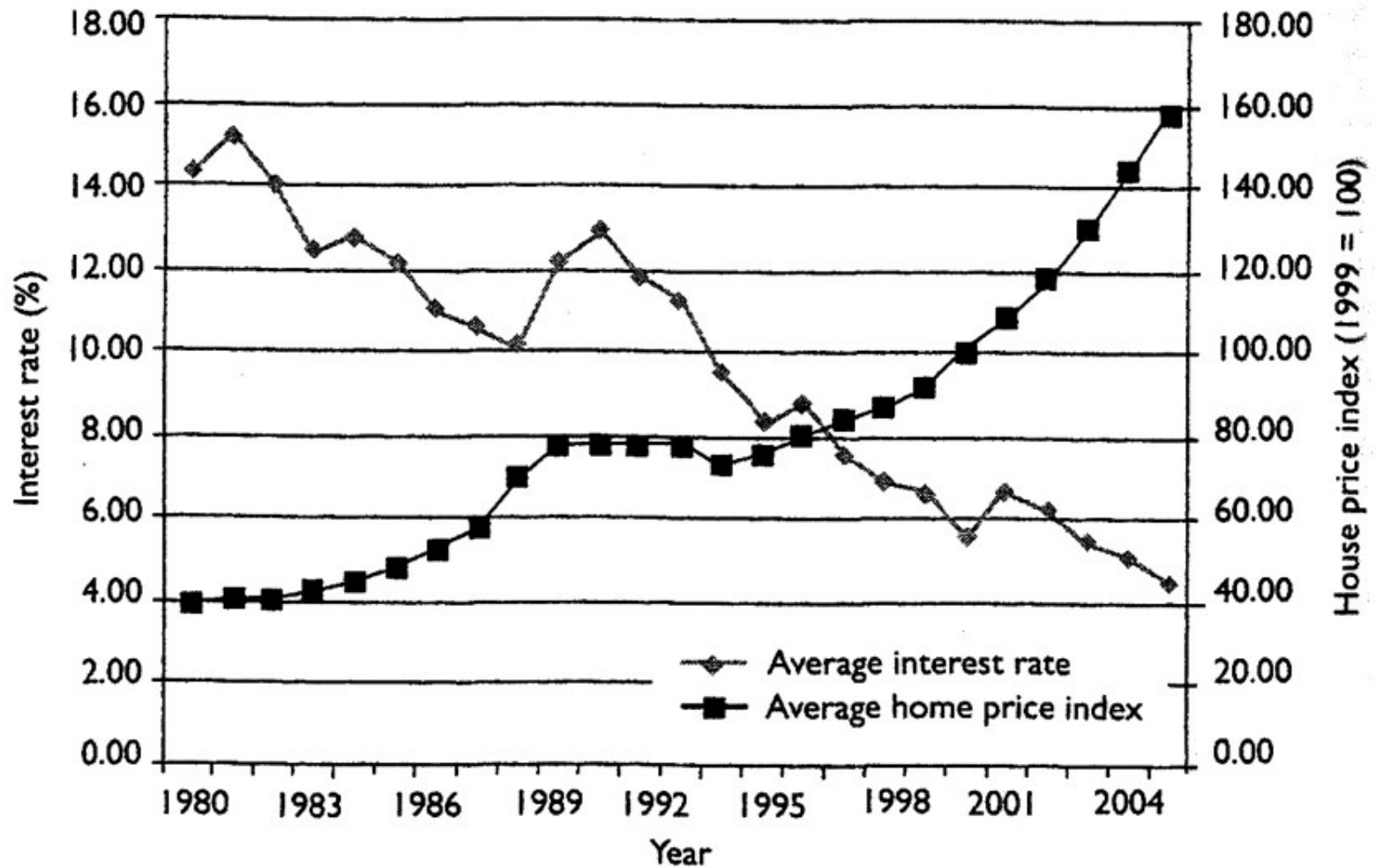
David Ley

Department of Geography  
University of British Columbia

1. Characteristics of bubbles
2. Consequences of bubbles
3. Causes of bubbles
4. Bubbly Vancouver



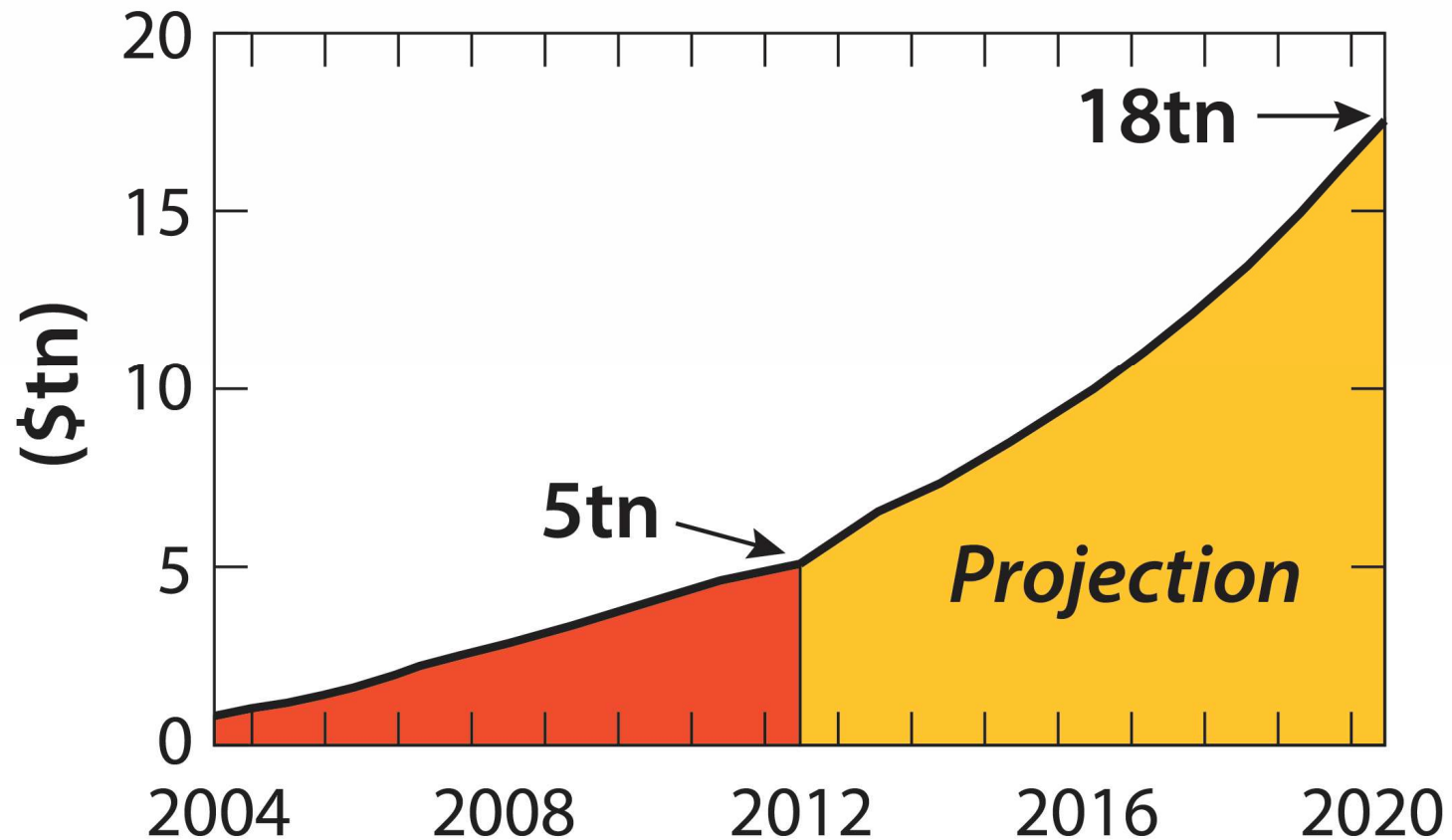
**Figure 7.1: Global average interest rates and house price index**



Global interest rates vs. house prices, 1979-2005  
(Lowe 2011: 176).



## China's Global Investments (\$tn)



Source: Anderlini (2015), Hanemann and Huotari (2015)

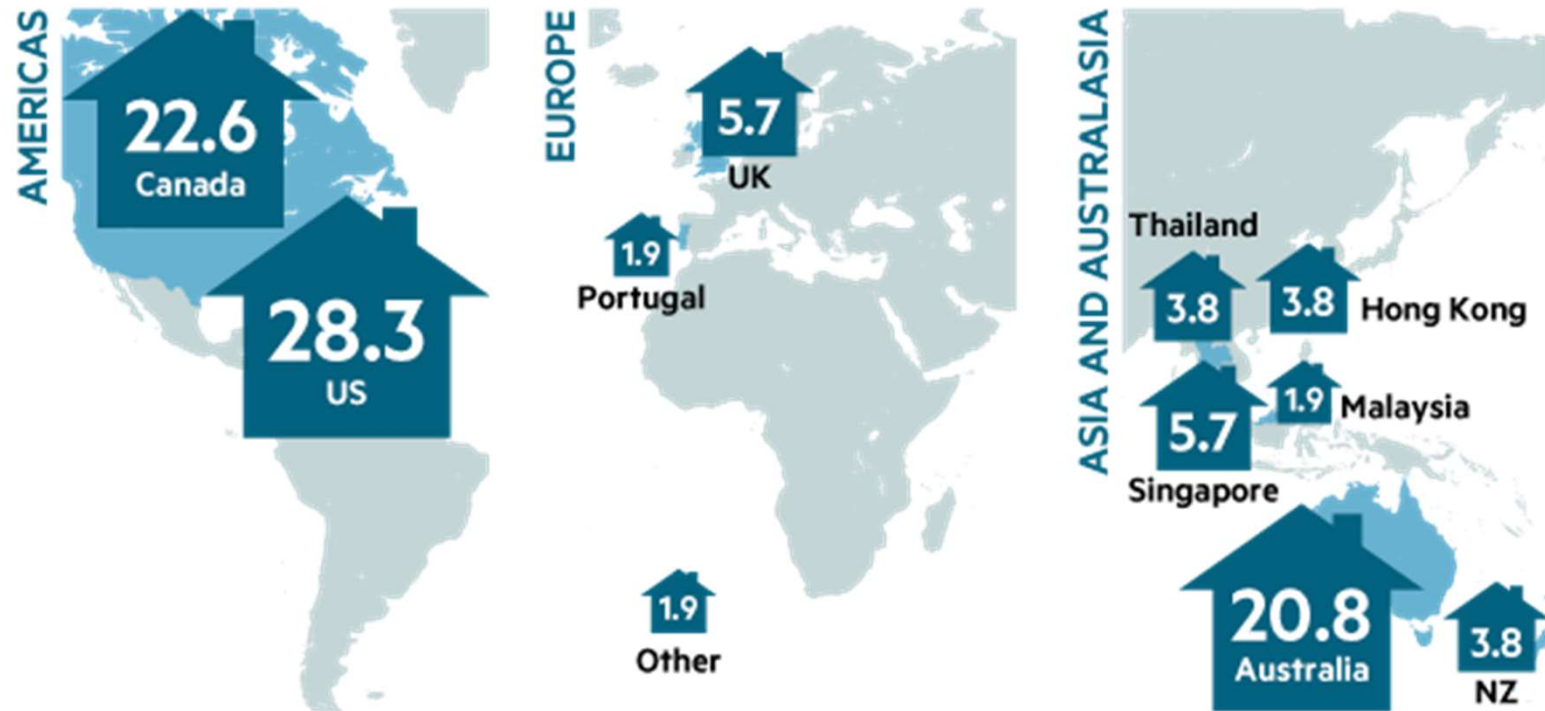
David Ley, Geography Professor – U of B.C.



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## In which country did you most recently purchase residential property?

% of respondents



Source: FT Confidential Research

Source: *Financial Times Confidential Research* (2016) 'China's capital controls fail to curb outbound investment' *FT* 10 August 2016.

<https://www.ft.com/content/6a5433a2-5efc-11e6-ae3f-77baadeb1c93>



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David Ley, Geography Professor – U of B.C.

# The Big Short Experience



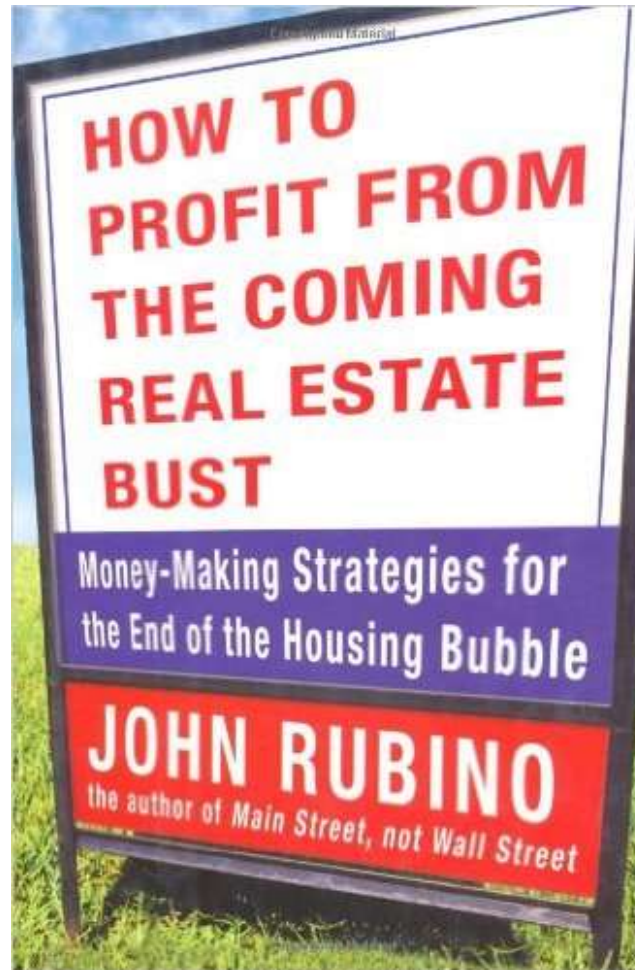
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Porter Colins – Sea Wolf Capital



# The Housing Market Took a Long Time to Crack

MY PARTNER DANNY MOSES BOUGHT COPIES OF  
THIS BOOK FOR EVERYONE HE KNEW IN 2003

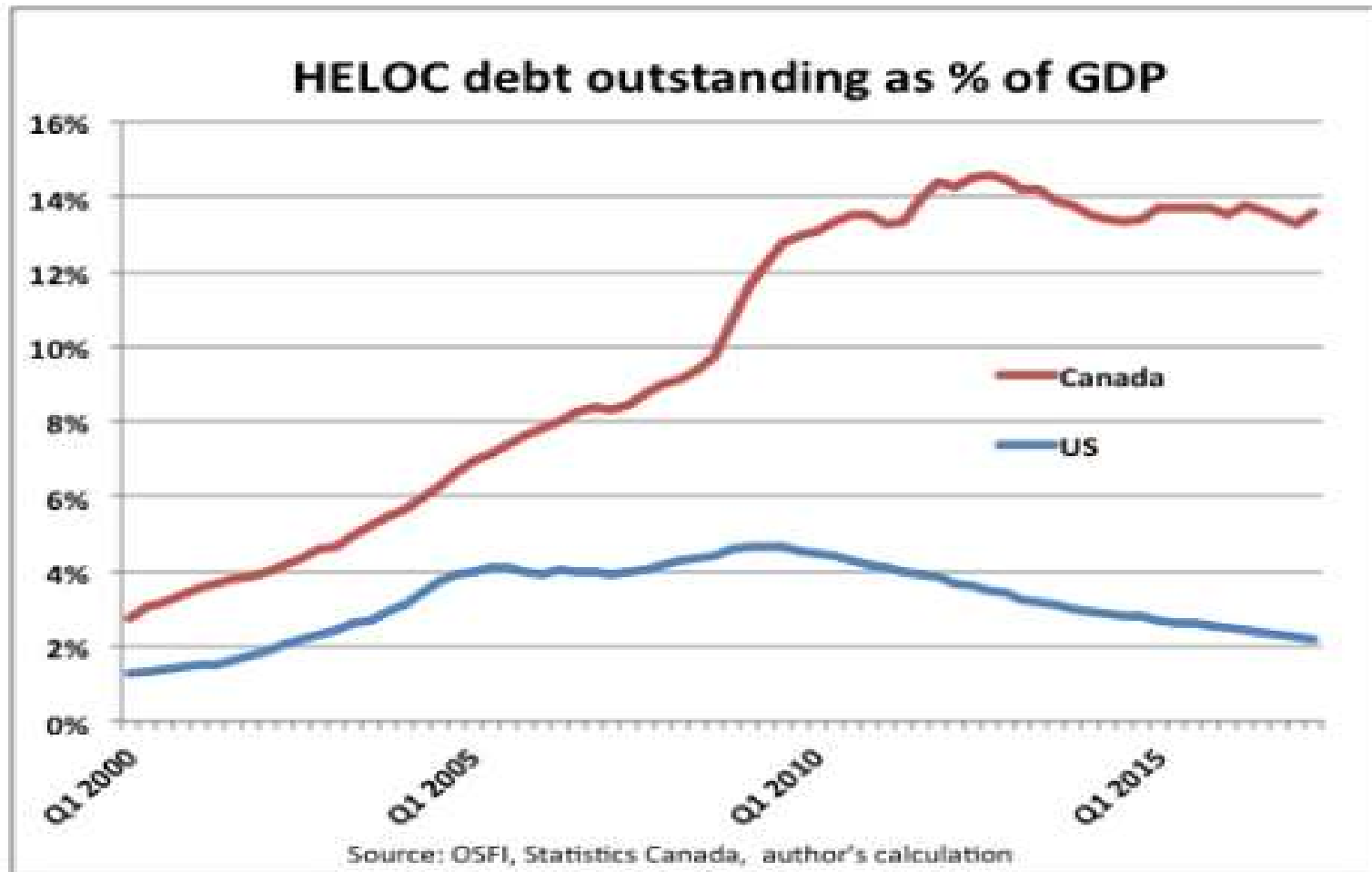


... UNFORTUNATELY NO ONE  
OUTSIDE OUR TEAM READ IT

# 2017 Agenda

REGISTRATION		
8:00am - 8:30am		
8:30am - 9:00am	ANTHONY SCILIPOTI, President & CEO, Veritas Investment Research JANET McFARLAND, Real Estate Reporter, The Globe and Mail	Welcome & Introductions
PRESENTATIONS		
9:00am - 9:45am	JENNIFER KEESMAAT, Former Chief Planner, City of Toronto	Planning a World Class City
9:45am - 10:30am	SHAUN HILDEBRAND, SVP, Urbanation	Understanding the "Big Data"
10:30am - 10:45am		
10:45am - 11:30am	MARK CASALETTO, President, Construct Connect	The State of the Canadian Construction Industry
11:30am - 12:15pm	BRIAN JOHNSTON, COO, Mattamy Homes	Is this 1989 or 2008?
12:15pm - 1:00pm		
1:00pm - 1:45pm	PAULINE AUNGER, Broker, Royal LePage Advantage Real Estate MARK McLEAN, President & Broker of Record, Property.ca CHRIS SLIGHTHAM, President, Royal LePage Signature Realty	Real Estate Roundtable
1:45pm - 2:30pm	SETH DANIELS, Founding Partner, JKD Capital	Navigating the Canadian Credit & Housing Bubble: A Short Seller's Approach
2:30pm - 2:45pm		
2:45pm - 3:30pm	STEPHEN GRIGGS, CEO, Smoothwater Capital	Is Alternative Lending Moving Mainstream?
3:30pm - 4:15pm	PHILIP MAYERS, CFO, Genworth Canada	The Regulatory Impact on Mortgage Insurance
4:15pm - 4:45pm	GEOFF CARNEVALE, Vice President, Admore Financial Services ROBERT McLISTER, Founder, RateSpy.com   Canadian Mortgage Trends CHRISTOPHER NICHILLO, Principal Broker & President, Magnetic Mortgages and Investing	Mortgage Roundtable
4:45pm - 5:00pm		
COCKTAILS		
5:00pm - 7:00pm		

# Canadian HELOCs: Weapons of Mass Destruction



Seth Daniels – JKD Capital



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# Canada Today Worse Than US Bubble Peak In 2007

	Canada 2015	US 2007
House Prices : Rents	190%	127%
House Prices : Incomes	16x	12.5x
House Prices : Per Capita GDP	8x	6.5x
Home Ownership Rate	70%	69%
FIRE* % GDP	20%	18%
Residential Construction % GDP	7%	6%
FIRE* % Stock Market	38% (TSX)	21% (SPX)
FIRE* % Stock Market Earnings	50%e (TSX)	30% (SPX)
<u>FIRE+related</u> Employment % GDP	14%	11%
Household Debt % GDP	96%	94%
Household Debt % Disposable Income	165%	128%
HELOC** % GDP	12%	4.5%
Govt. Sponsored Entities % GDP	~50% (CMHC)	~33% (FNM/FRE)

\*FIRE: Financials, Insurance, & Real Estate

\*HELOC: Home Equity Line of Credit

*2015 is most recent complete data set for Canada; most metrics have deteriorated since then*

Seth Daniels – JKD Capital



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*The Seventh Annual*  
**GREAT CANADIAN HOUSING & REAL ESTATE CONFERENCE 2018**  
**Thursday, October 4<sup>th</sup> | 8:00AM - 4:30PM | The Albany Club | Toronto, ON**



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# 2018 Agenda

<b>8:00am - 8:30am</b>	<b>Breakfast and Welcome</b>	<b>Anthony Scilipoti, Veritas Investment Research</b>
<b>8:30am - 8:45am</b>	A Year in Review	<b>Janet McFarland, The Globe and Mail</b>
<b>8:45am - 9:25am</b>	Financial Vulnerabilities: Why do they matter, and what can - and is - being done?	<b>Don Coletti, Bank of Canada</b>
<b>9:25am - 10:05am</b>	Canadian Housing: What's going on across Canada?	<b>Aled ab Iorwerth, CMHC</b>
<b>10:05am - 10:20am</b>		
<b>10:20am - 11:00am</b>	Mortgage Panel	<b>Mark Cashin, Cashin Mortgages Bruce Joseph, Anthem Mortgage Group Chris Nichilo, Magnetic Mortgages and Investing</b>
<b>11:00am - 11:40am</b>	Commercial Real Estate: What the numbers are telling us	<b>Roelof van Dijk, CoStar Group</b>
<b>11:40am - 12:30pm</b>		
<b>12:30pm - 1:10pm</b>	The Real Estate Cycle & Fraud: A Structural Risk	<b>Ben Rabidoux, North Cove Advisors</b>
<b>1:10pm - 1:50pm</b>	Spotting Turning Points in the Housing Market	<b>John Pasalis, Realosophy Realty Inc. Brokerage</b>
<b>1:50pm - 2:30pm</b>	The View from the Ground Up	<b>Avi Levinson, Royal York Property Management, Inc.</b>
<b>2:30pm - 2:45pm</b>		
<b>2:45pm - 3:25pm</b>	Real Estate Panel	<b>Pauline Aunger, Royal LePage Advantage Real Estate Mark McLean, Property.ca Chris Slightham, Royal LePage Signature Realty</b>
<b>3:25pm - 4:05pm</b>	Credit Clouds on the Horizon	<b>Nigel D'Souza, Veritas Investment Research</b>
<b>4:05pm - 4:30pm</b>		<b>Anthony Scilipoti, Veritas Investment Research Janet McFarland, The Globe and Mail</b>



# Conclusions

- Demand side:
  - Patterns of economic and population growth, together with lower mortgage rates, explain a substantial part of price changes in Canadian cities, but not fully.
  - Demand could also be driven by rising income, wealth inequality, and economic growth.
- Supply side:
  - The supply response of new housing in Toronto and Vancouver was weaker than might have been expected, given the upsurge in demand.
  - This in part reflects a greater tendency toward the supply of condominium apartments rather than single-detached homes, particularly in pricier cities.
  - Geographic and regulatory constraints do a better job explaining rising house prices than speculation and investor demand.

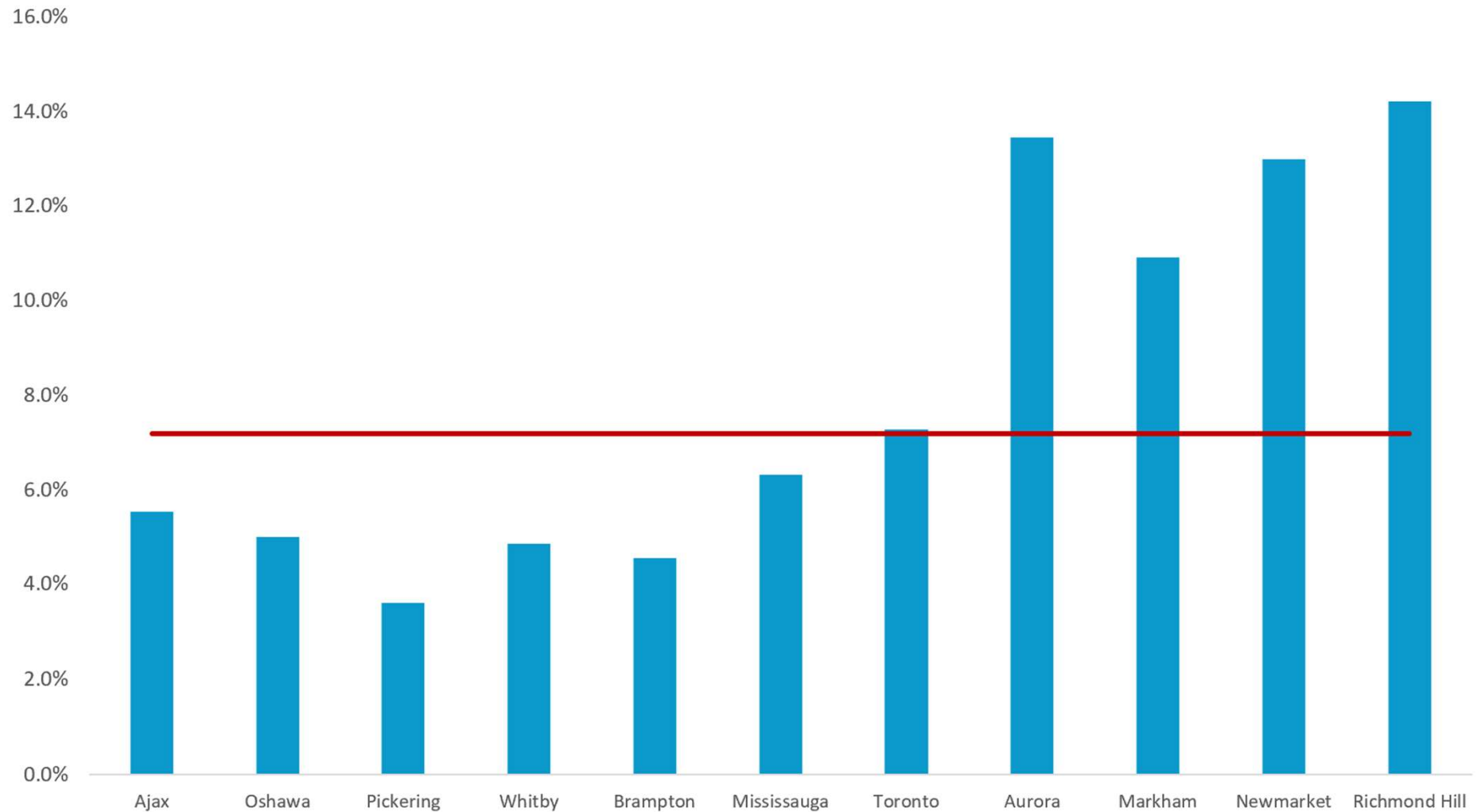


# North Cove Advisors: Incentives + Weak Regulation = Bad Behaviour

- **The borrower:**
  - Lower rates, higher LTV, less documentation
- **The broker/mobile rep/intermediary**
  - Highly competitive marketplace
    - New agents trying to break into certain markets face pressure to “help out” real estate agents for leads
  - ~100bps commission off deal
    - potential for additional fees depending on whether they create/alter paperwork vs simply looking the other way.
  - Little concern about sanctions by regulators, being “cut-off” by lenders (Redx, etc)
    - “FSCO is toothless”
    - “Worse case scenario, I put deals through another agent for a commission split”



## Percent of Low-Rise Houses Bought by Investors - 2015 GTA



John Pasalis - Realosophy



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# 「What's Next」

**My name is not Avi Levinson BA, MsC, PhD, CPA, CA, CFA**

Condo developers are on the fence

Can people close in 3-5 years?

Prices are not likely to keep climbing because there is only  
so much one can afford for rent

The One (One Bloor West)



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Royal York Property Management

*The Eighth Annual*  
GREAT CANADIAN HOUSING & REAL ESTATE CONFERENCE 2019  
Wednesday, October 2<sup>nd</sup> | 9:00am - 4:00pm | Breakfast 8:30am | Introduction 9:00am  
The National Club | Toronto, ON



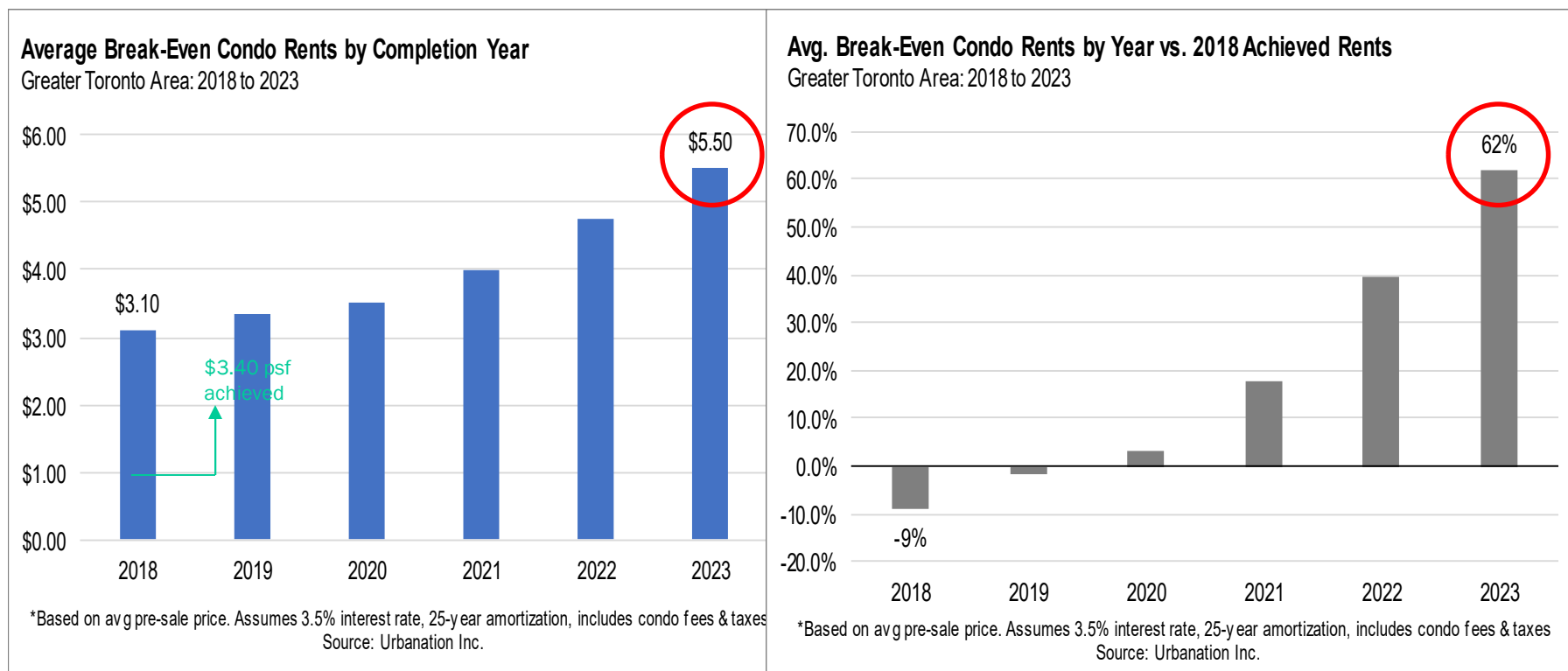


# 2019 Agenda

8:30am - 9:00am	Breakfast	
9:00am - 9:10am	Welcome   A Year in Review	Anthony Scilipoti, Veritas Investment Research Janet McFarland, The Globe and Mail
9:10am - 9:50am	Home Sales, Prices, Debt: Recent Trends and Near Term Prospects	Gregory Klump, CREA
9:50am - 10:30am	What the Numbers are Telling Us	Shaun Hildebrand, Urbanation
10:30am - 10:40am	Break	
10:40am - 11:20am	Rebalancing the Housing Supply Chain	Richard Lyall, Residential Construction Council of Ontario
11:20am - 12:00pm	Shifting Landscape - Purpose Built Housing	Anna-Maria Kaneff, Kaneff Properties
12:00pm - 12:15pm	Lunch	
12:15pm - 12:55pm	Evaluating the Impact of Low Rates on Household Debt, Real Estate and Credit Conditions	Nigel D'Souza, Veritas Investment Research
12:55pm - 1:35pm	Chinese Money Laundering in the Big Six Banks	Christine Duhaime, Duhaime Law
1:35pm - 2:15pm	PANEL DISCUSSION: On the Ground in Vancouver and the Mortgage Market	Steve Saretsky, Saretsky Group Albert Collu, M3 Mortgage Group Inc. Janet McFarland, The Globe and Mail Anthony Scilipoti, Veritas Investment Research
2:15pm - 2:25pm	Break	
2:25pm - 3:05pm	Consumer Debt, Insolvency, and the Credit Cycle: Implications for Housing	Scott Terrio, Hoyes, Michalos & Associates
3:05pm - 3:45pm	The Future of Cities	Marc Ricks, Sidewalk Labs
3:45pm - 4:00pm	Wrap-up	Anthony Scilipoti, Veritas Investment Research Janet McFarland, The Globe and Mail



# Break-Even Rents for Condo Investors

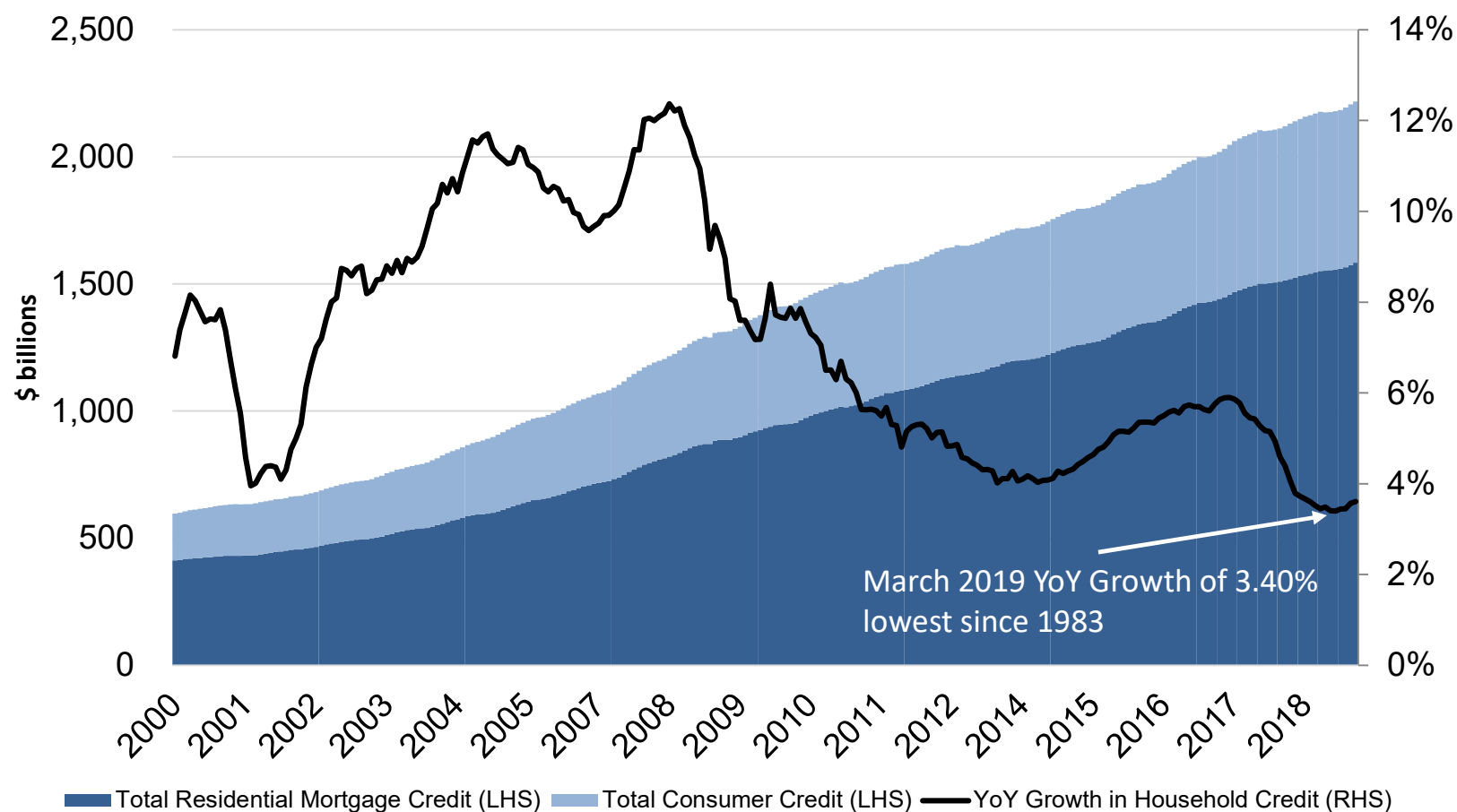


Shaun Hildebrand, Urbanation



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## Domestic Household Credit Growth: Mortgage and Consumer Credit



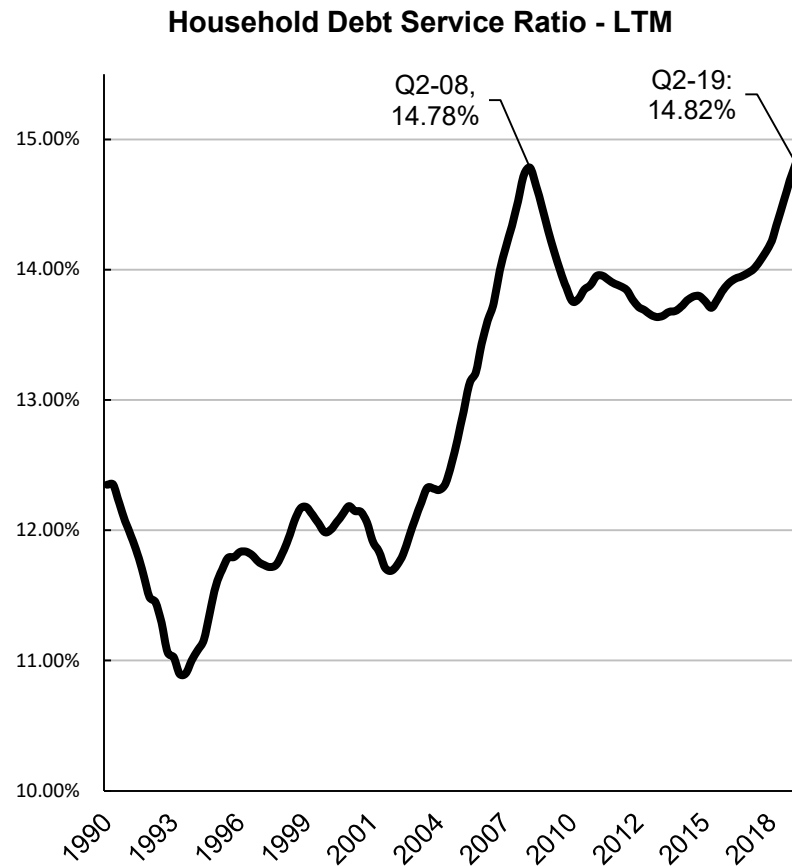
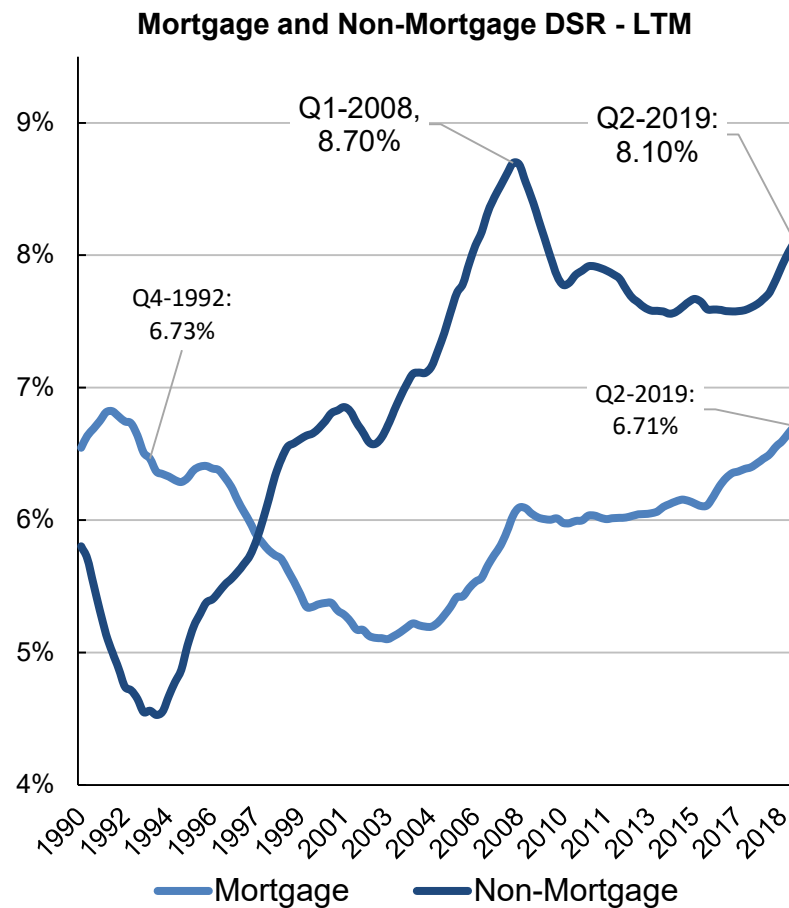
Household Credit Growth Rebounds from 40 Year Low

Source: Bank of Canada, Veritas



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# Debt Servicing Costs Rising Rapidly for Canadian Households



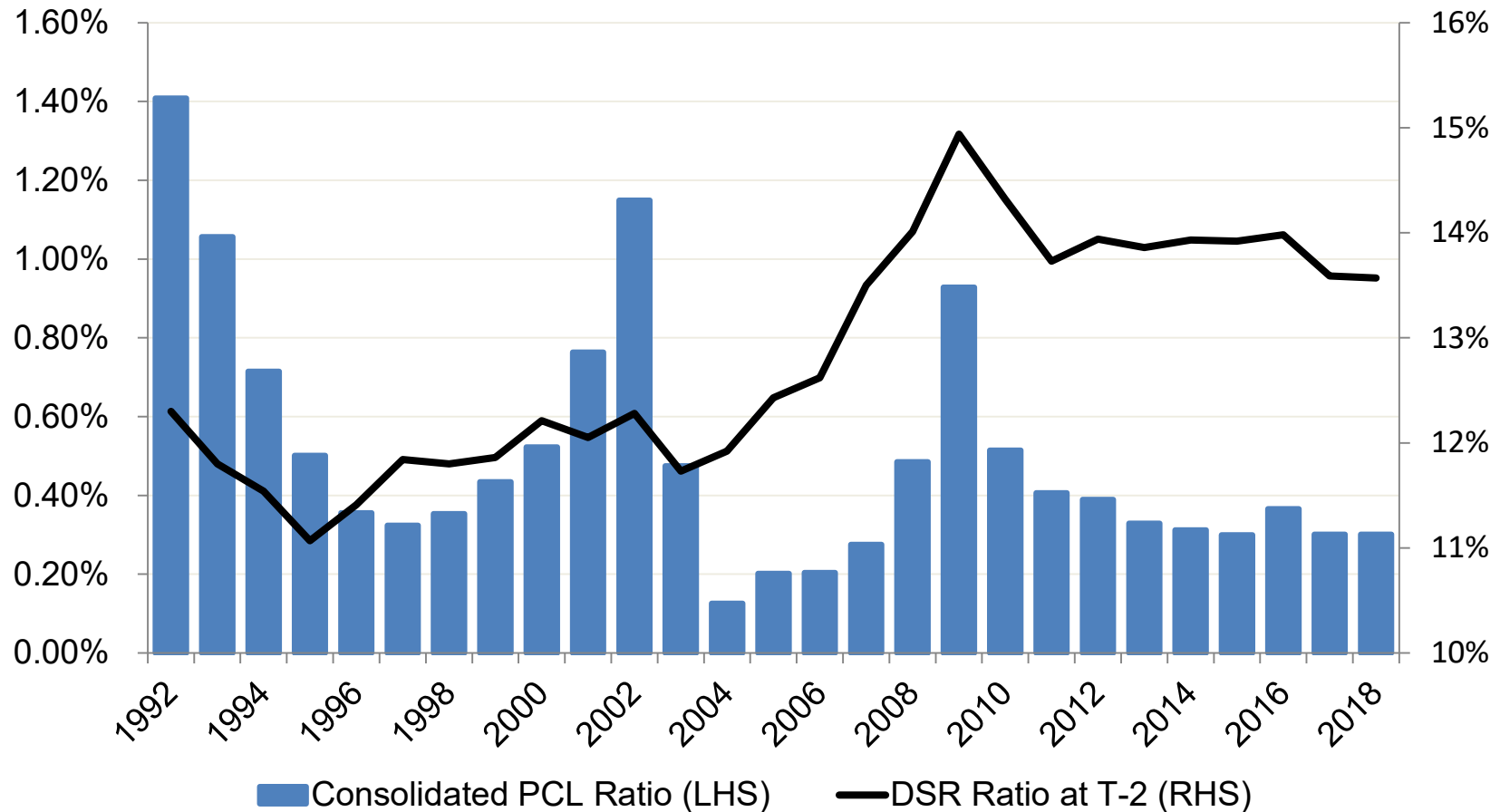
Debt Service Ratios Hit Record Highs in 2019

Source: Statistics Canada, Veritas



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# Household DSR and PCL Ratio for Big Six Banks



DSR a Leading Indicator of Consolidated PCLs for Big Six Banks

Source: Statistics Canada, Company filings, Veritas



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# 2021 Agenda



**Veritas 9th Annual - Online  
Great Canadian Real Estate Conference**



## **After the Pandemic: Consequences & The New Reality**

**October 7, 2021**



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# 2021 Agenda

9:00 am - 9:20 am	Platform Opens	
9:20 am - 9:30 am	Welcome   A Year in Review	<b>Anthony Scilipoti</b> , <i>Veritas Investment Research Corp.</i>
9:30 am - 10:10 am	Covid Surprises & Future Projections	<b>Aledad Iorwerth</b> , <i>Canadian Mortgage and Housing Corp.</i>
10:10 am - 11:10 am	Real Estate Panel: On the Ground in Vancouver & Toronto	<b>Janet McFarland</b> (Moderator), <i>The Globe and Mail</i> <b>Natalia Falcomer</b> , <i>OJO Home &amp; Groundworks</i> <b>John Pasalis</b> , <i>Realosophy Realty Inc.</i> <b>Steve Saretsky</b> , <i>Saretsky Group</i>
11:10 am - 11:20 am	BREAK	
11:20 am - 12:00 pm	Airbnb - A Veritas Deep Dive	<b>Howard Leung</b> , <i>Veritas Investment Research Corp.</i>
12:00 pm - 1:00 pm	Panel: Why Canada's Real Estate Market is Prime for Disruption	<b>Anthony Scilipoti</b> , (Moderator) <i>Veritas</i> <b>Brian Bell</b> , <i>Insightt</i> <b>Khushboo Jha</b> , <i>BuyProperly, Inc.</i> <b>Marco Andolfatto</b> , <i>Apollo Insurance Solutions Ltd.</i> <b>Karthik Manimozhi</b> , <i>Rentmoola Payment Solutions Inc.</i>
1:00 pm - 1:10 pm	BREAK	
1:10 pm - 1:50 pm	Can the Covid Consumer Credit Miracle Continue?	<b>Scott Terrio</b> , <i>Hoyes, Michalos &amp; Associates</i>
1:50 pm - 2:30 pm	The Canadian Banks and The New Abnormal	<b>Nigel D'Souza</b> , <i>Veritas Investment Research Corp.</i>
2:30 pm - 2:40 pm	BREAK	
2:40 pm - 3:20 pm	Mortgage Panel: Riding the Free Money Train	<b>Nigel D'Souza</b> , (Moderator) <i>Veritas</i> <b>Ron Butler</b> , <i>Butler Mortgages</i> <b>Geoff Carnevale</b> , <i>Admore Financial</i> <b>Frances Hinojosa</b> , <i>Tribe Financial</i>
3:20 pm - 4:00 pm	A View From Canada's Trenches	<b>Joey Comeau</b> , <i>EllisDon Capital</i>
4:00 pm - 4:40 pm	The Future City: Live, Work & Play	<b>Joe Berridge</b> , <i>Urban Strategies</i>
4:40 pm - 5:00 pm	WRAP-UP	<b>Anthony Scilipoti</b> , <i>Veritas Investment Research</i>



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Veritas 9th Annual - Online  
Great Canadian Real Estate Conference



## After the Pandemic: Consequences & The New Reality

# Covid Surprises & Future Projections

Aled ab Iorwerth  
Deputy Chief Economist  
CMHC  
October 7, 2021



What was  
predicted for  
housing markets  
in 2020?

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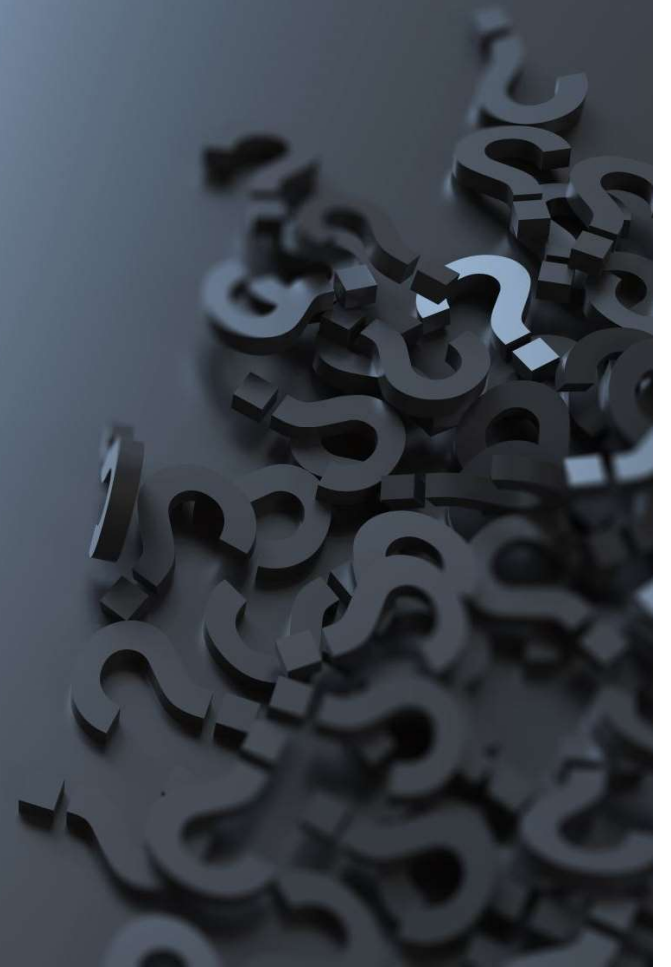
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# Predictions

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- Negative picture from forecasters around the world and in Canada, including private-sector forecasters and CMHC
  - Why?
    1. Misunderstood distributional impact of pandemic
    2. The capacity to adjust through technology
- => Need to understand microeconomics

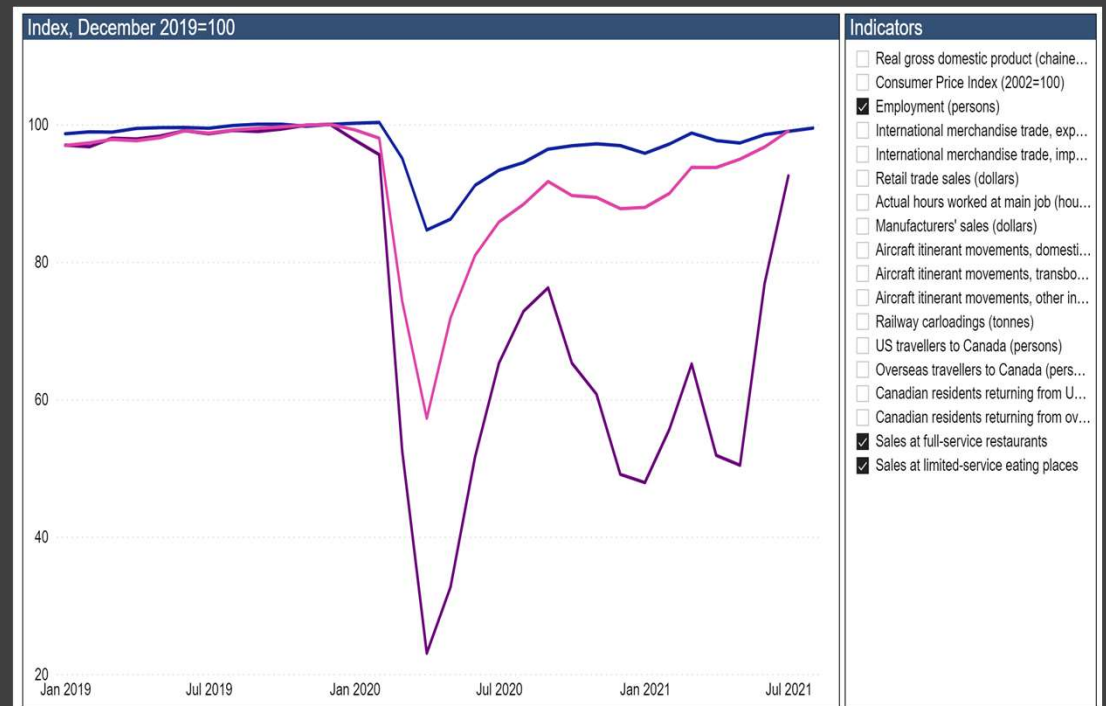
What  
happened?





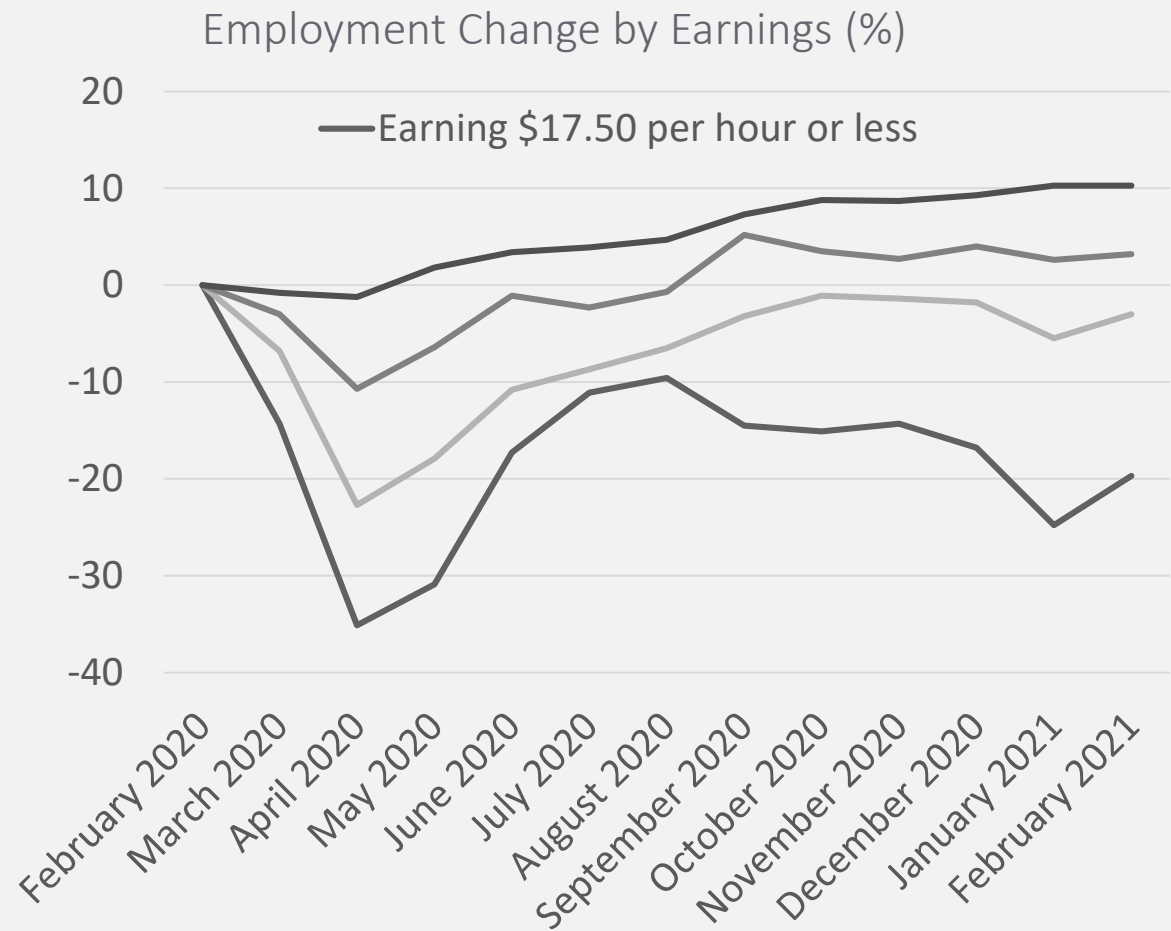
Distributional impacts:

Some industries were hit harder than others, which tended to employ lower-paid workers





**Higher-income households were able to work from home, save and consume more**



---

# Income distribution and rents

---

- Lower-income households hit harder
- Will generally be renting
- Not entirely clear that we know what's going on with end of government support
- Insufficient data on renters and their challenges
- Impact of immigration, students and tourism
  - Short-term rentals
- Need to encourage more rental construction

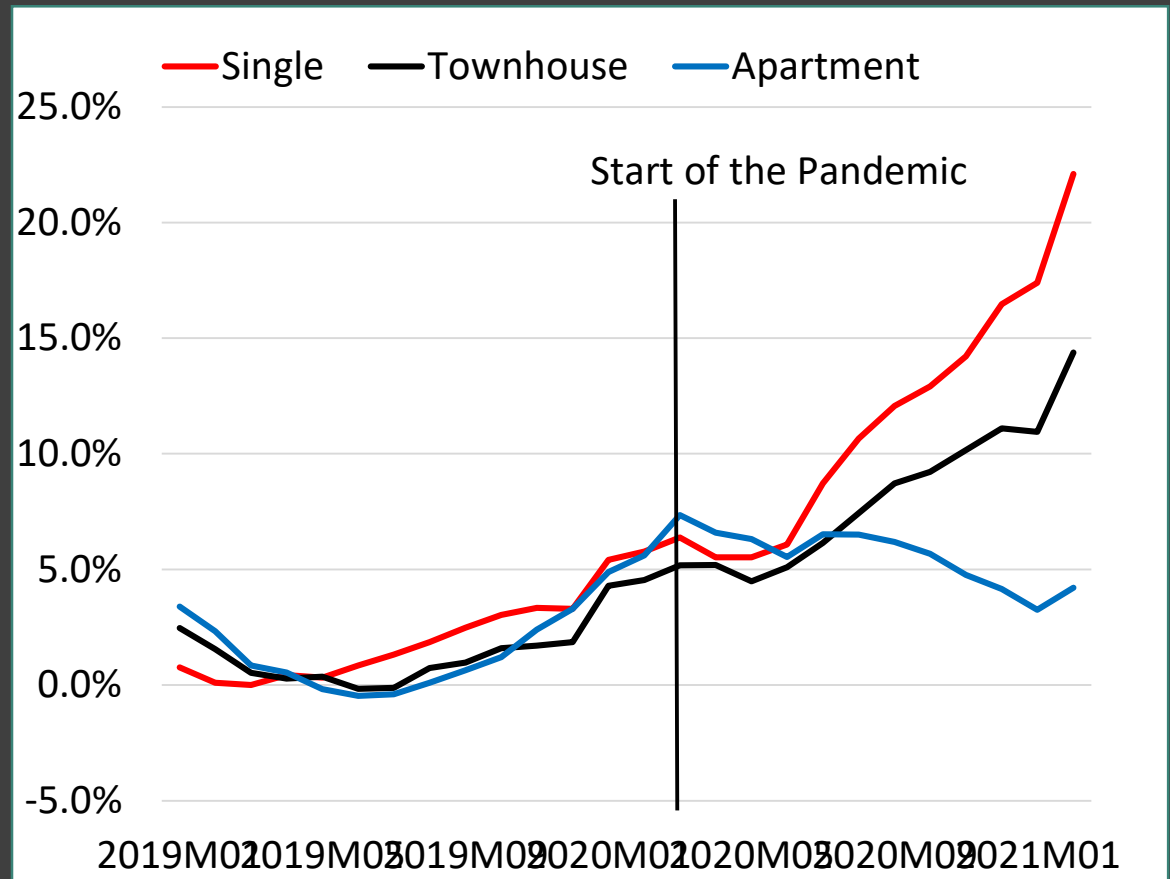
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# Basic prediction of an urban economics model

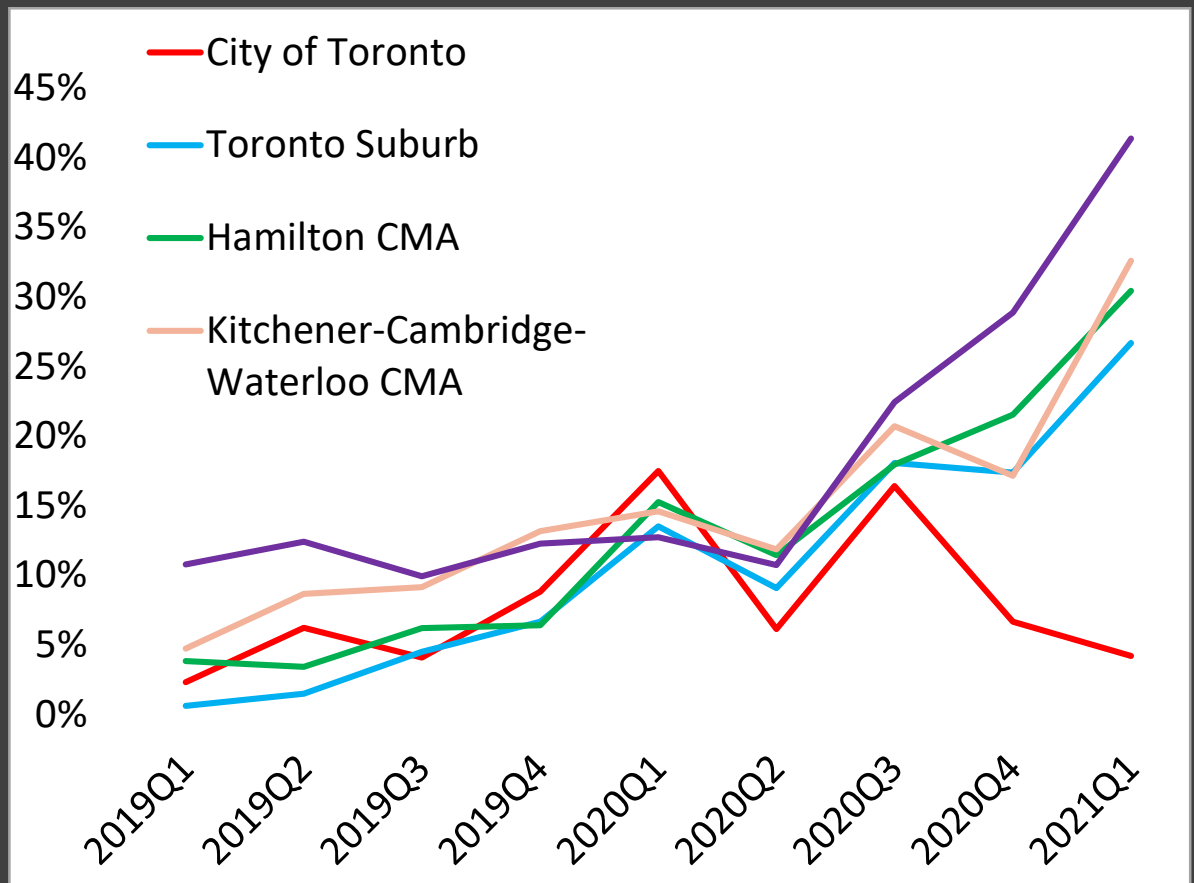
---

- Households trade off costs of housing and commuting to work
- Now also have more income
- Ability to work from home would change trade-offs so households to spend more on housing. Can now live further away with more space
- Increased demand for space, which usually comes in the form of single-detached housing and in suburbs
  - Need to make housing structures that are denser but with more living space

House prices grew across most of Canada, and tended to rise more for single-detached housing that have more living space



House prices increased more in suburban and rural areas, where houses tend to be larger, further from city centres

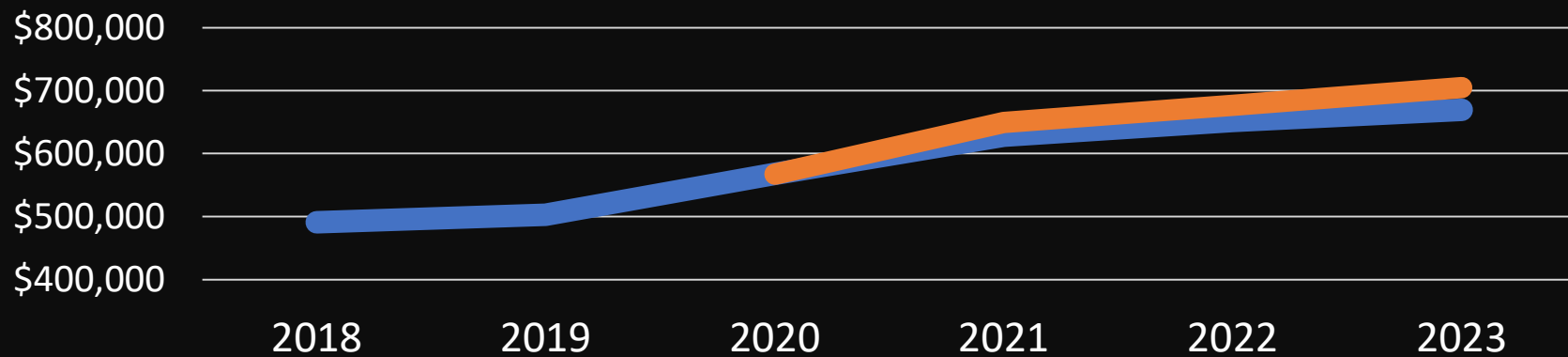


What did we forecast for  
2021-2022 in April?

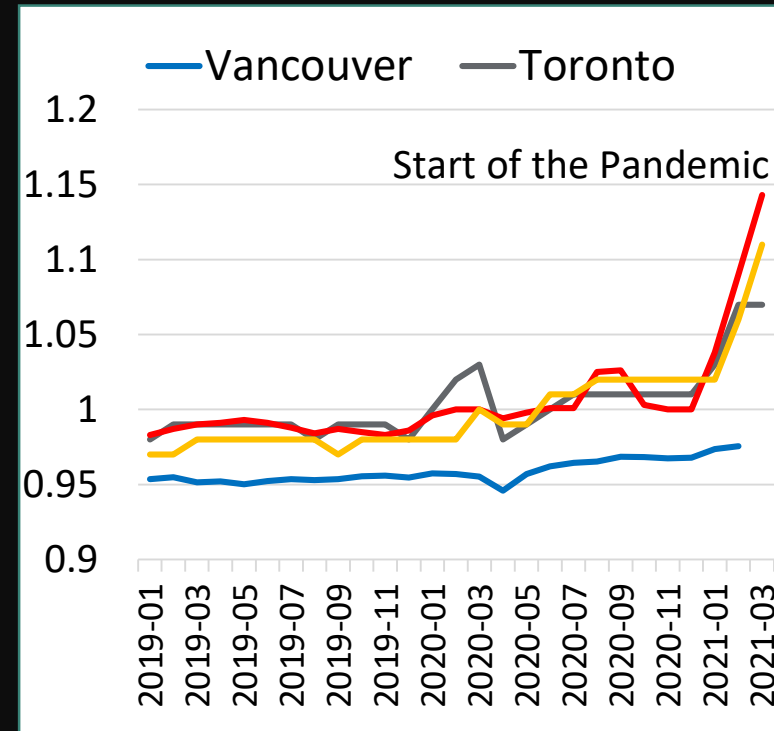


# House price growth would slow

## MLS™ average price



But shortage of housing in resale markets led to bidding wars with sales prices exceeding Listing Prices



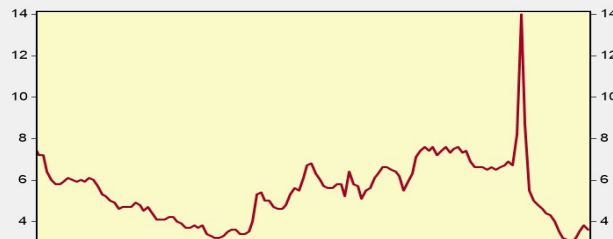
So, what is happening  
now?

Inventory is  
tight:  
months of  
supply in  
resale  
market

Months of Inventory: Residential: British Columbia  
SA, Months



Months of Inventory: Residential: Alberta  
SA, Months



Months of Inventory: Residential: Ontario  
SA, Months



Months of Inventory: Residential: Quebec  
SA, Months



Source: The Canadian Real Estate Association/Haver Analytics

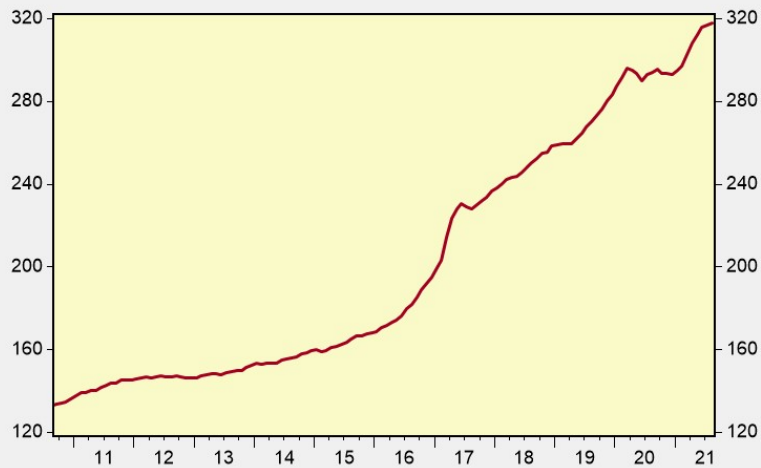
Source: The Canadian Real Estate Association/Haver Analytics



## Are single-detached prices starting to pull up apartment prices in GTA?

MLS Home Price Index: Apartment: Greater Toronto

SA, Jan-05=100



Source: The Canadian Real Estate Association/Haver Analytics

MLS Home Price Index: Single Family: Greater Toronto

SA, Jan-05=100



Source: The Canadian Real Estate Association/Haver Analytics

# Realosophy

Move Smartly  
Market Update for Veritas

# Agenda

Market Update – Houses

Market Update – Condos

What is Driving House Price Growth?



A photograph of a row of historic brick houses, likely in a city like Philadelphia. The houses feature red brick facades, white-painted window frames, and decorative ironwork on the balconies and stairs. A semi-transparent dark overlay is applied to the entire image to make the text stand out. The text "Market Update" is centered in a white serif font, with a thin white horizontal line underneath it. Below the line, the word "HOUSES" is also centered in a white serif font, all-caps. The background shows the houses from a low angle, with some trees and a clear sky visible on the left.

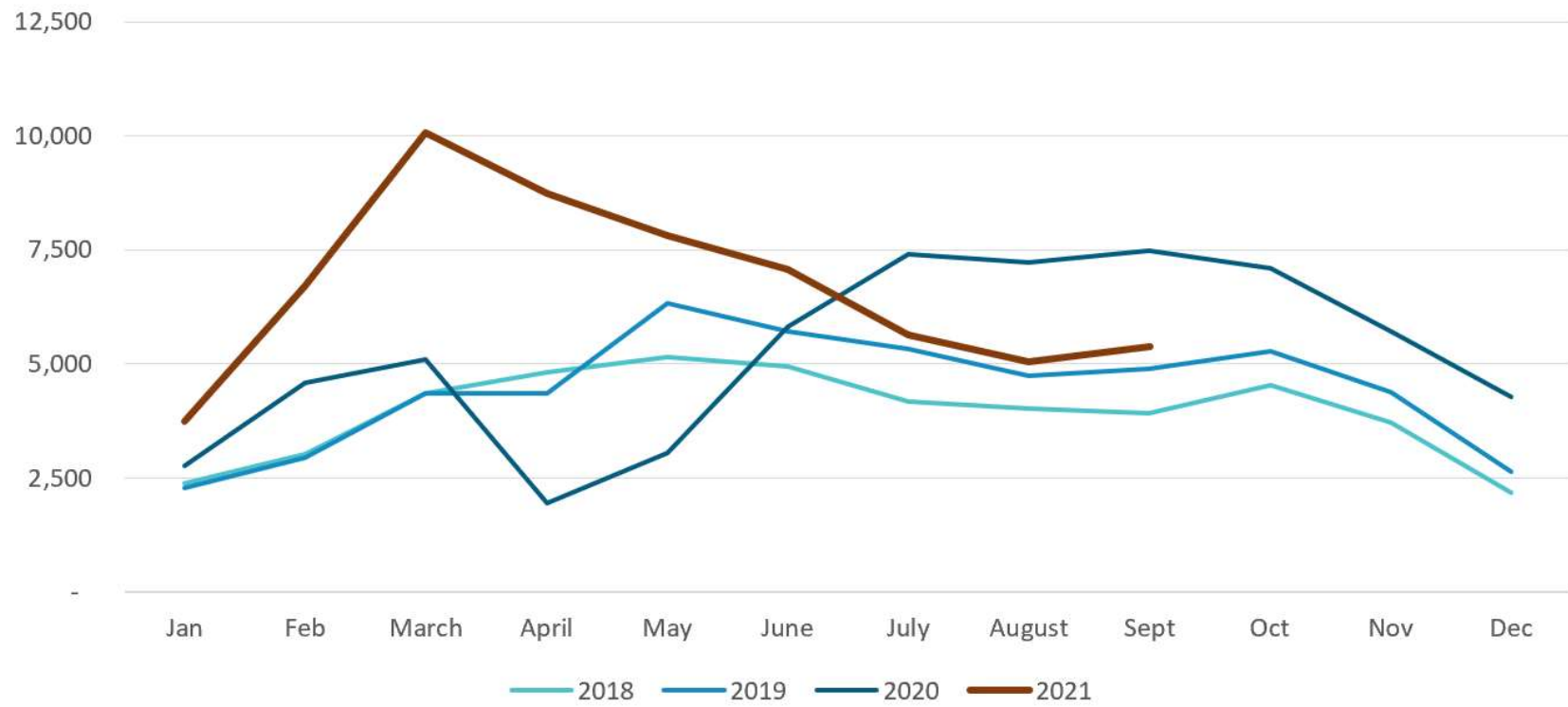
Market Update

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HOUSES

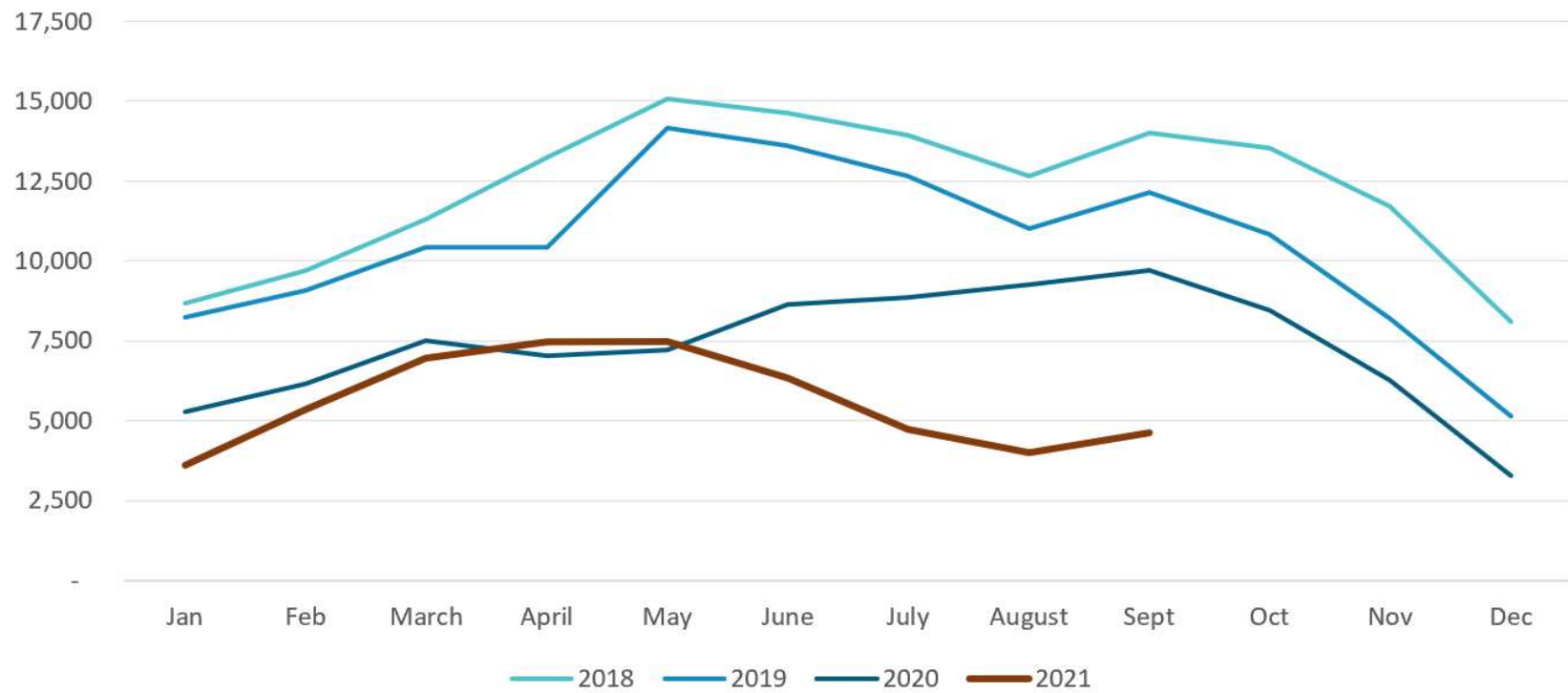
## Number of Sales - Toronto Area

Houses



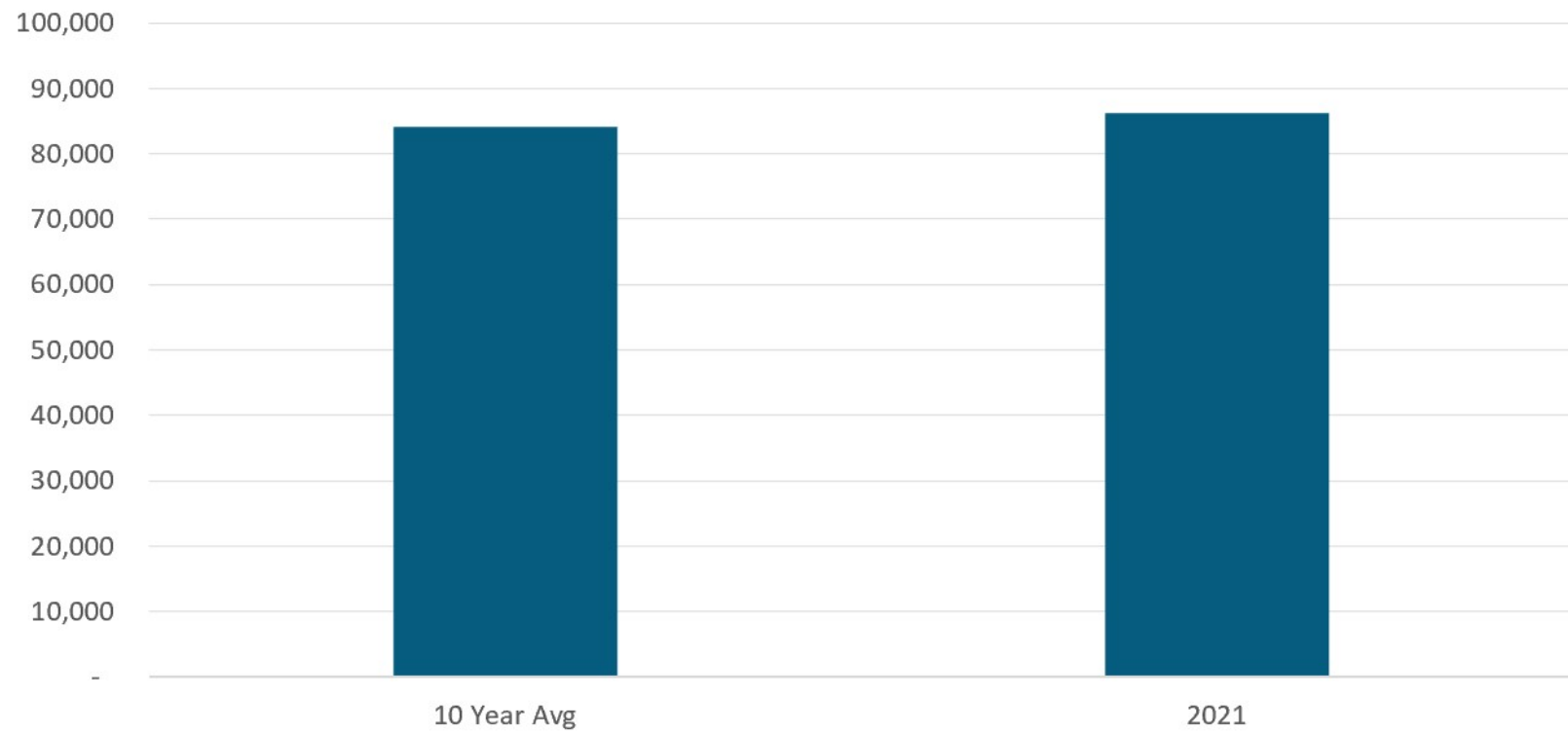
## Number of Active Listings - Toronto Area

Houses



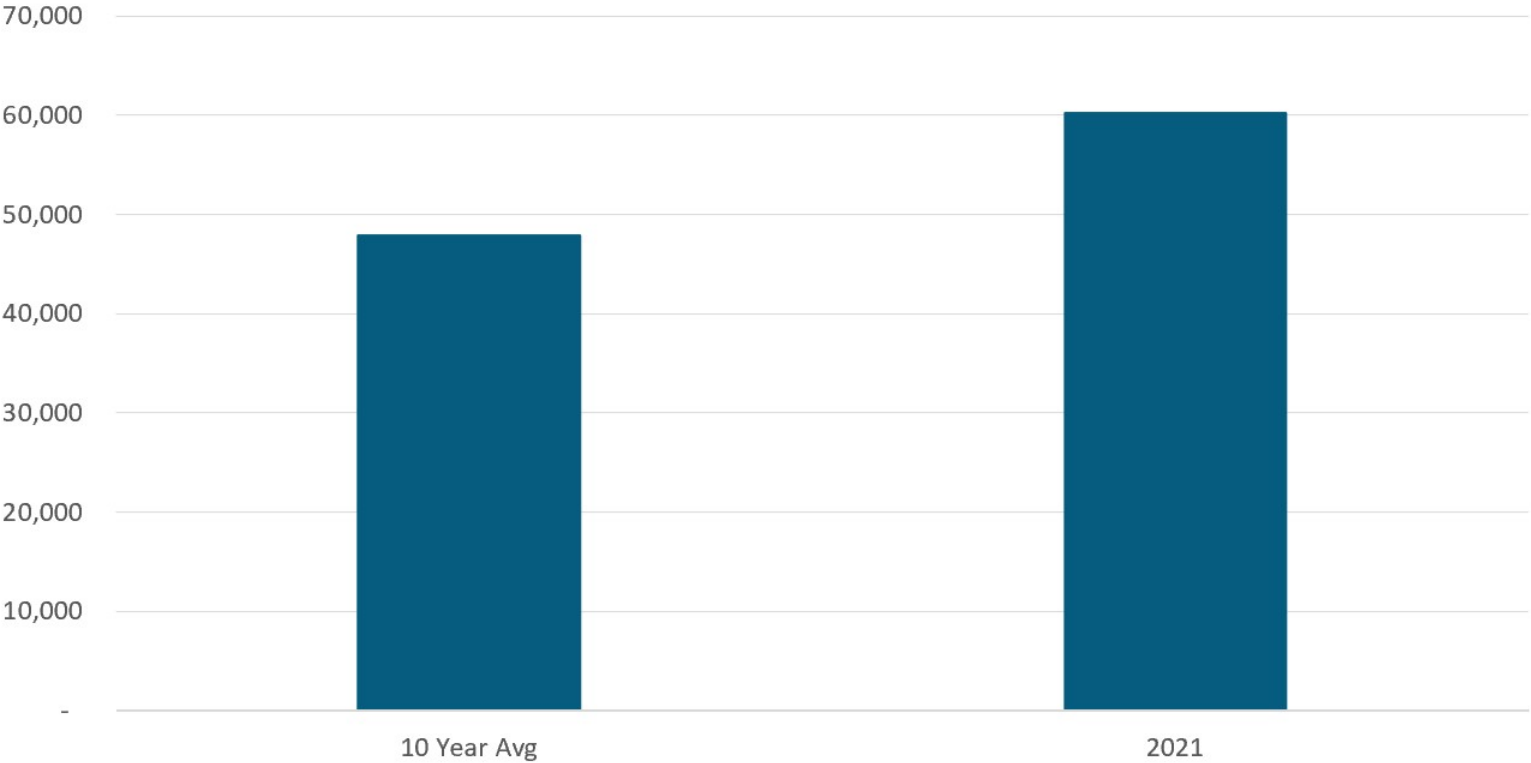
## Total New Listings from Q1 to Q3 - Toronto Area

Houses



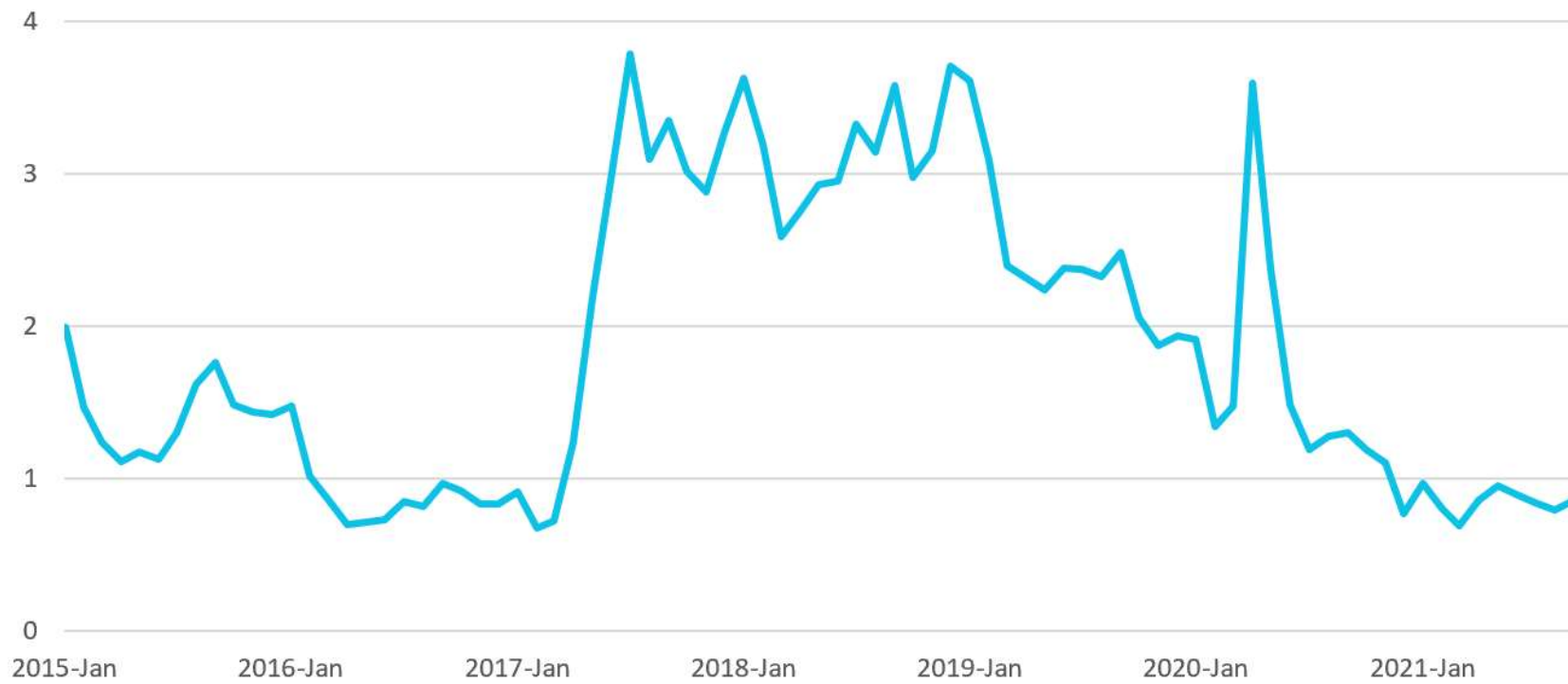
**Total Sales from Q1 to Q3 - Toronto Area**

Houses



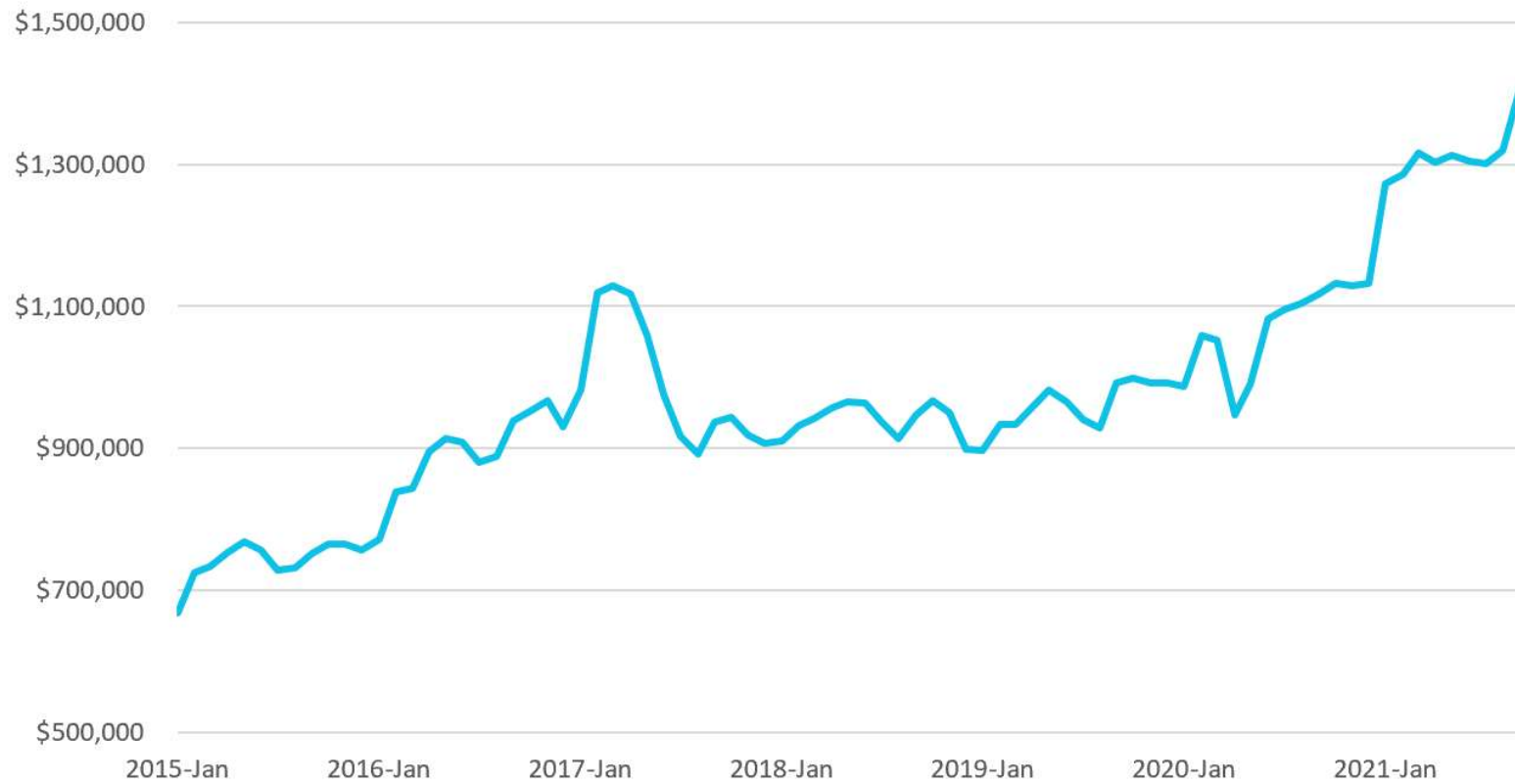
## Months of Inventory - Toronto Area

Houses



## Average Sale Price - Toronto Area

Houses





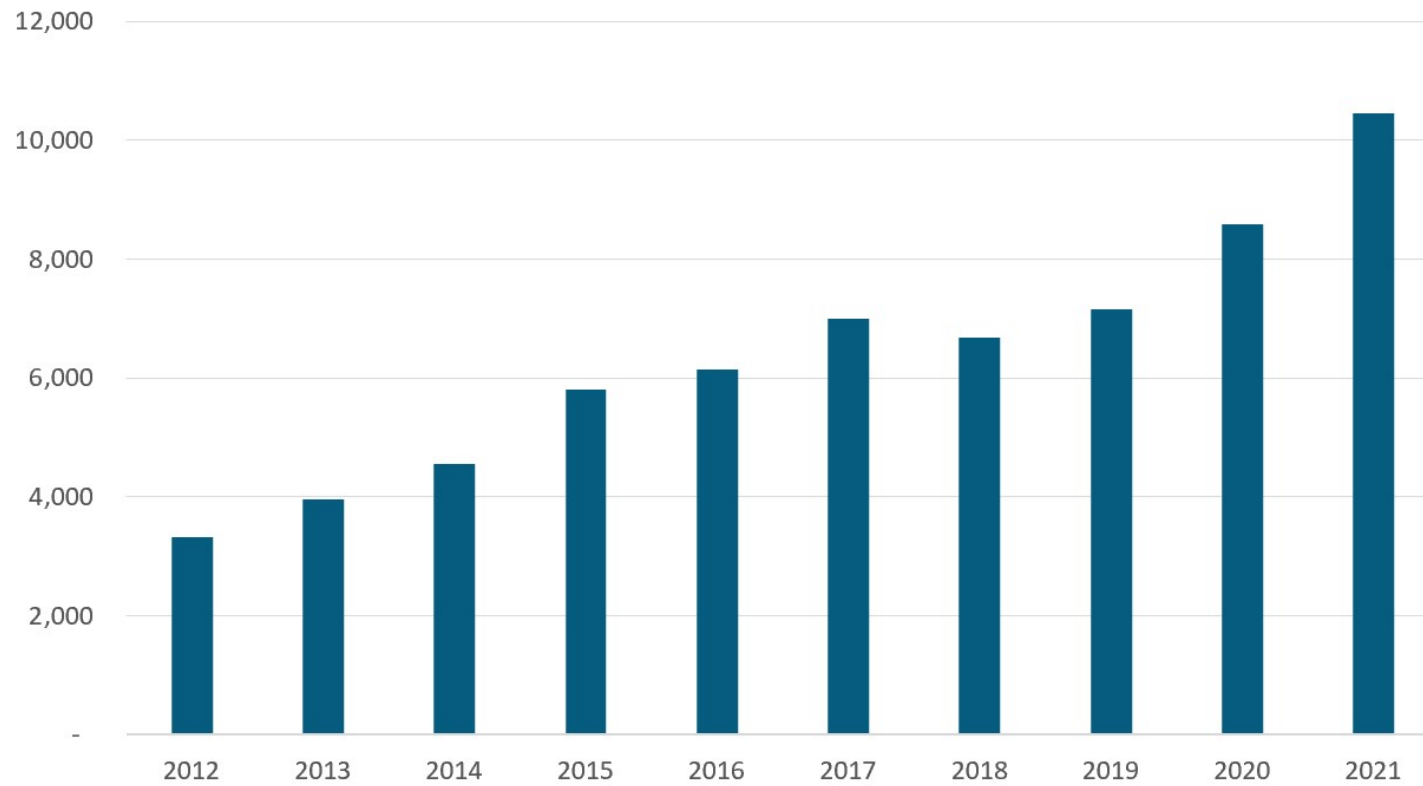
The people piling into Canada's red-hot housing market fastest already own a home -- or in some cases three or four.

---

Bloomberg – Sept 29, 2021

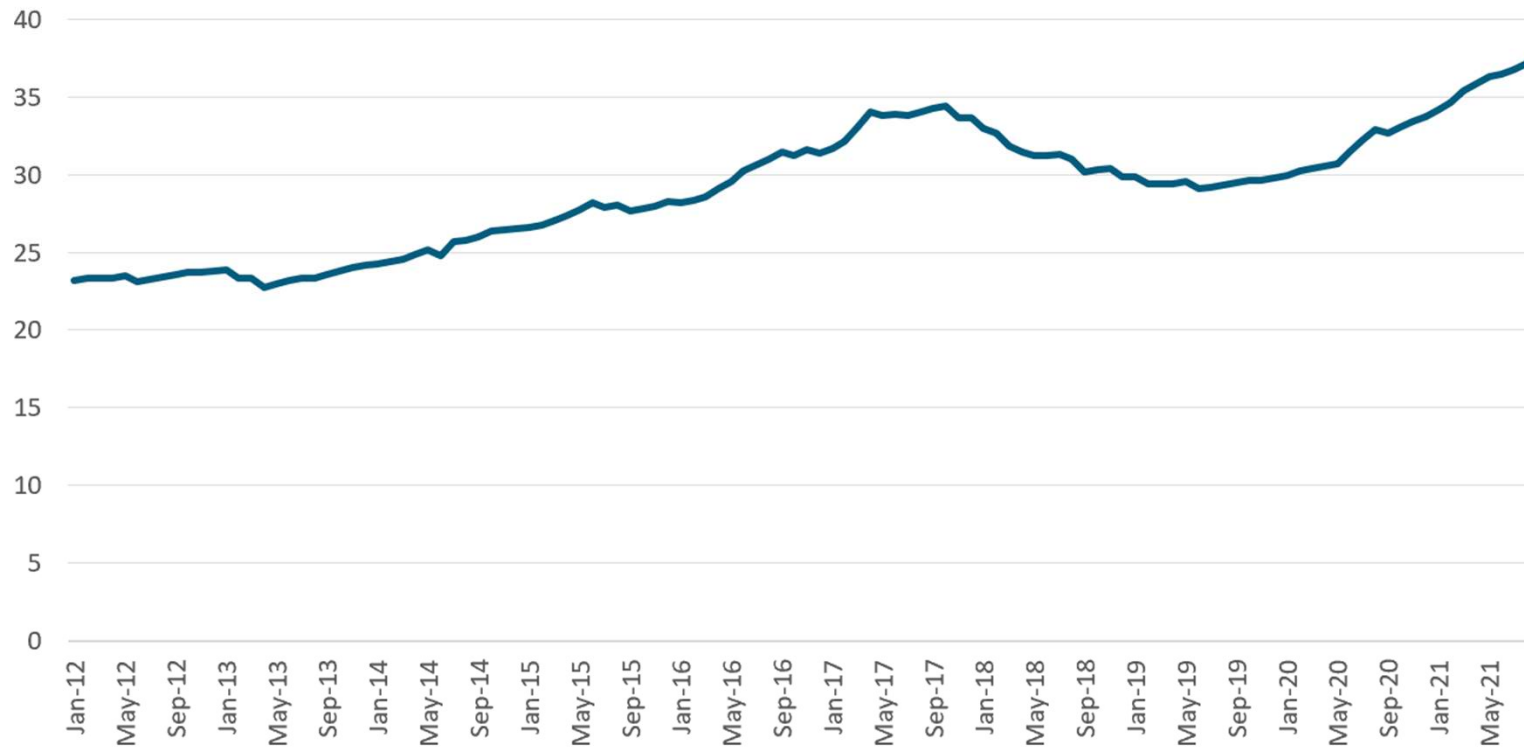
## Total New Rental Listings from Q1 to Q3 - Toronto Area

Houses



## Price to Rent Ratio - Toronto Area

Houses





A photograph of a modern brick building with a courtyard. The building is made of red brick and has many windows. Some windows have balconies. The courtyard in the foreground has green grass, large rocks, and some trees with orange leaves. The sky is grey.

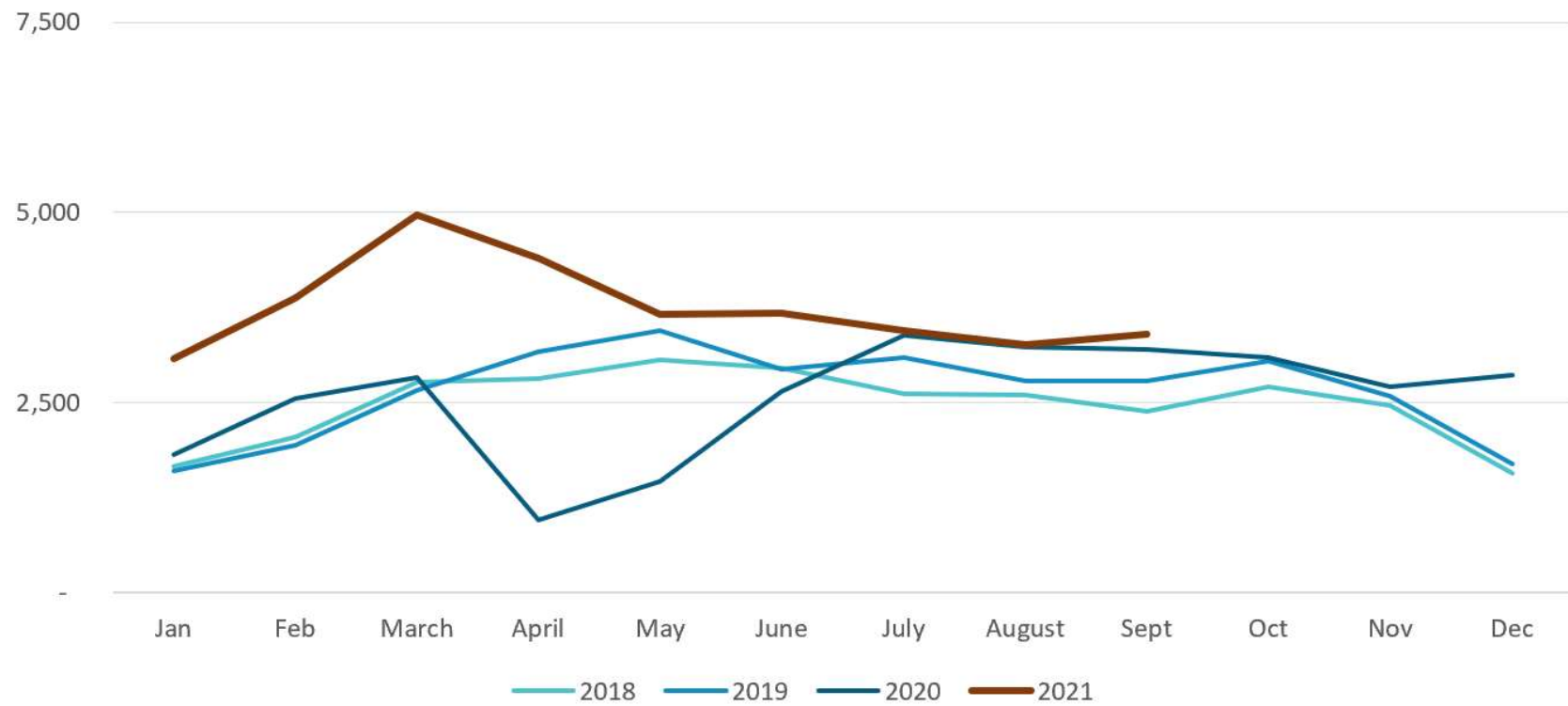
Market Update

CONDOS



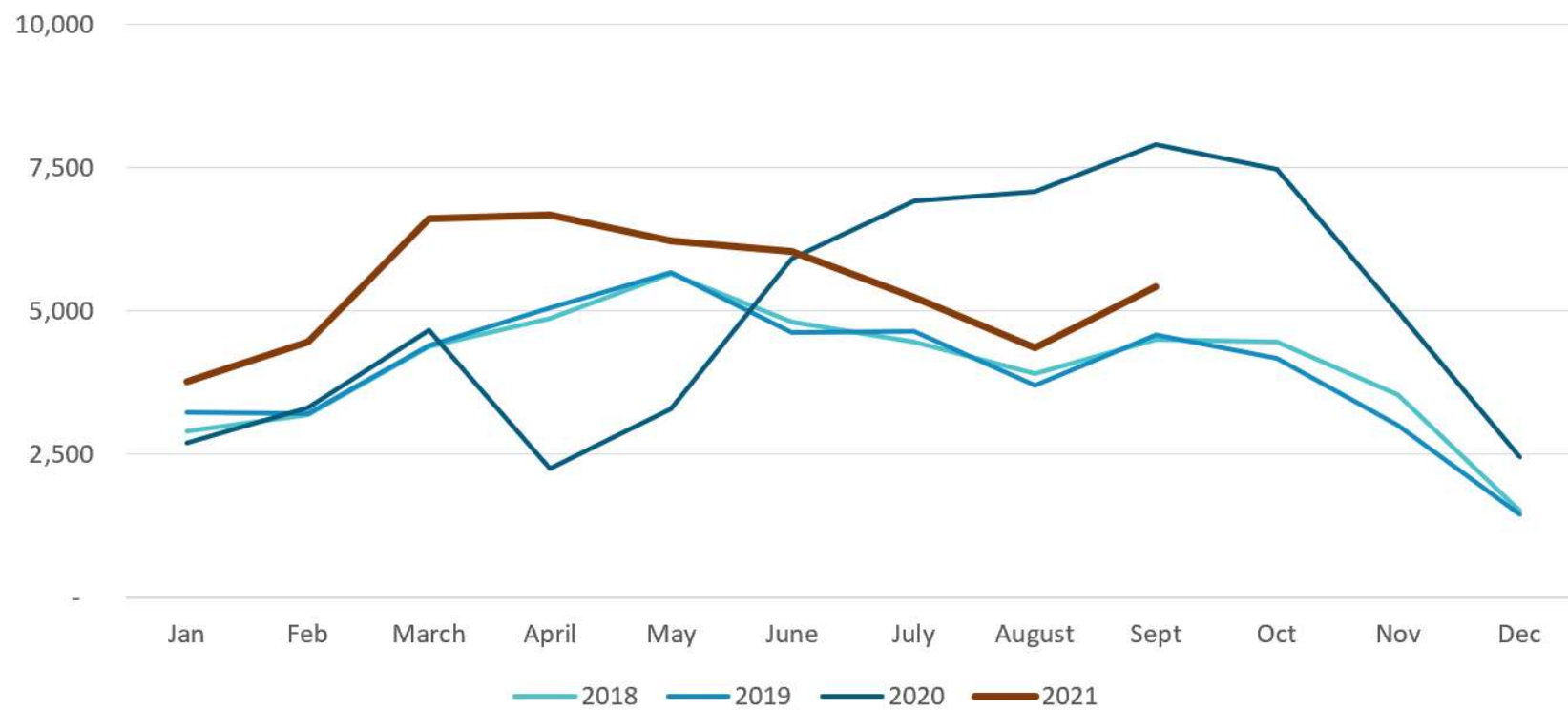
## Number of Sales - Toronto Area

Condominiums



## Number of New Listings - Toronto Area

Condominiums



## Months of Inventory - Toronto Area

Condominiums





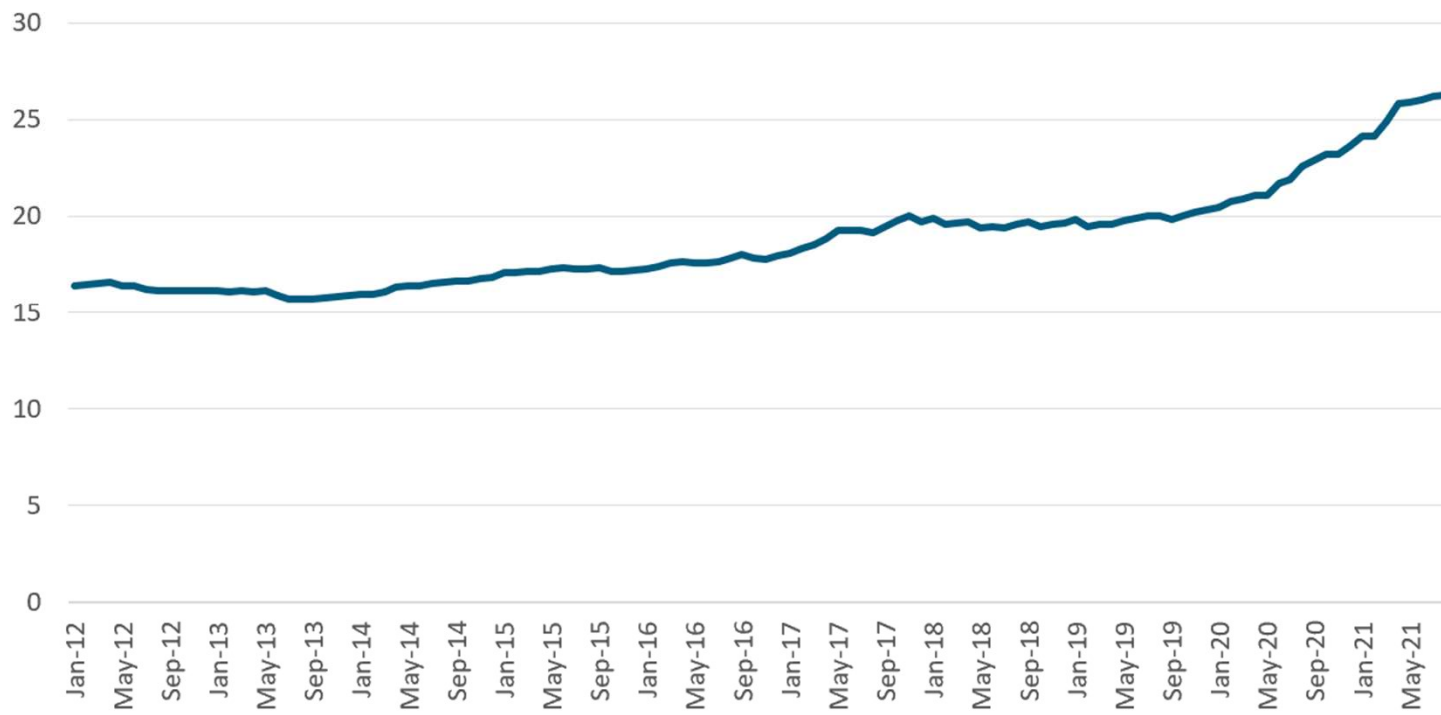
## Average Sale Price - Toronto Area

Condominiums



## Price To Rent Ratio - Toronto Area

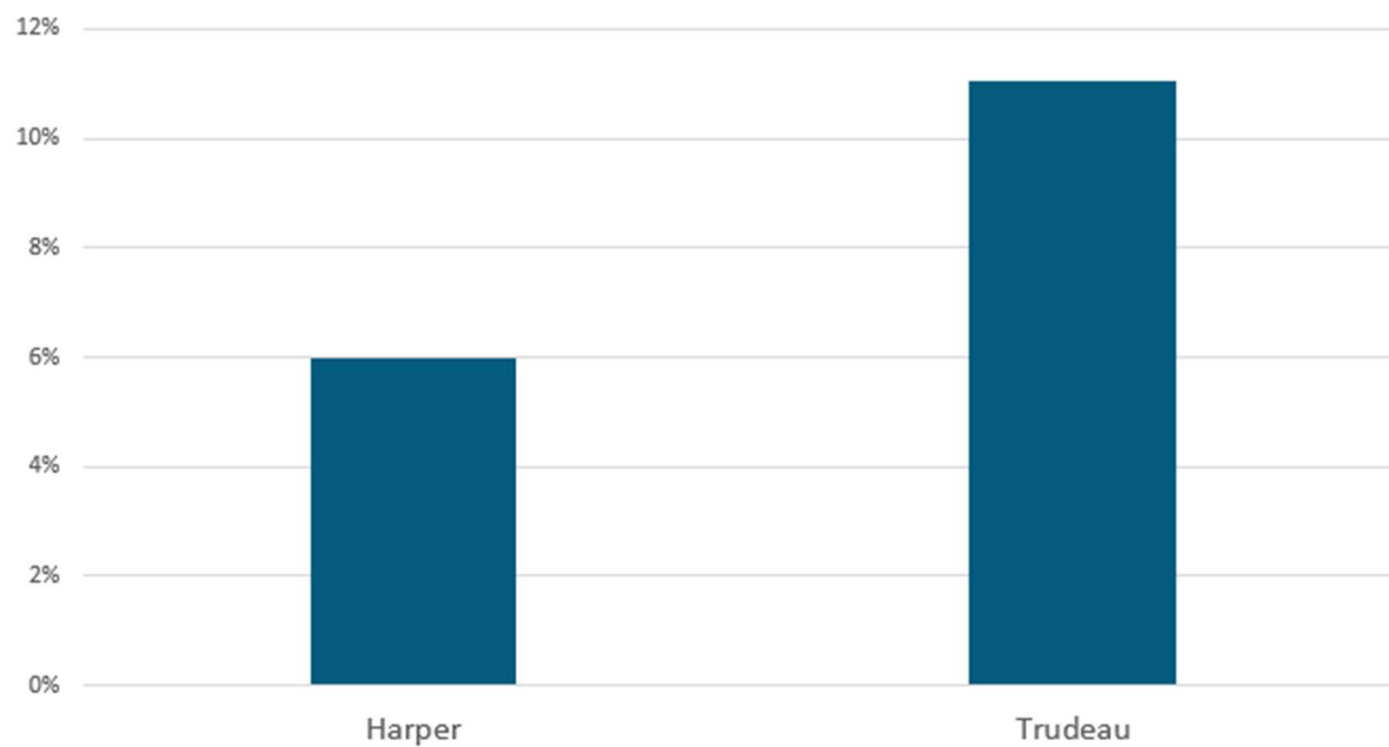
Condominiums



What is Driving House Price Growth?

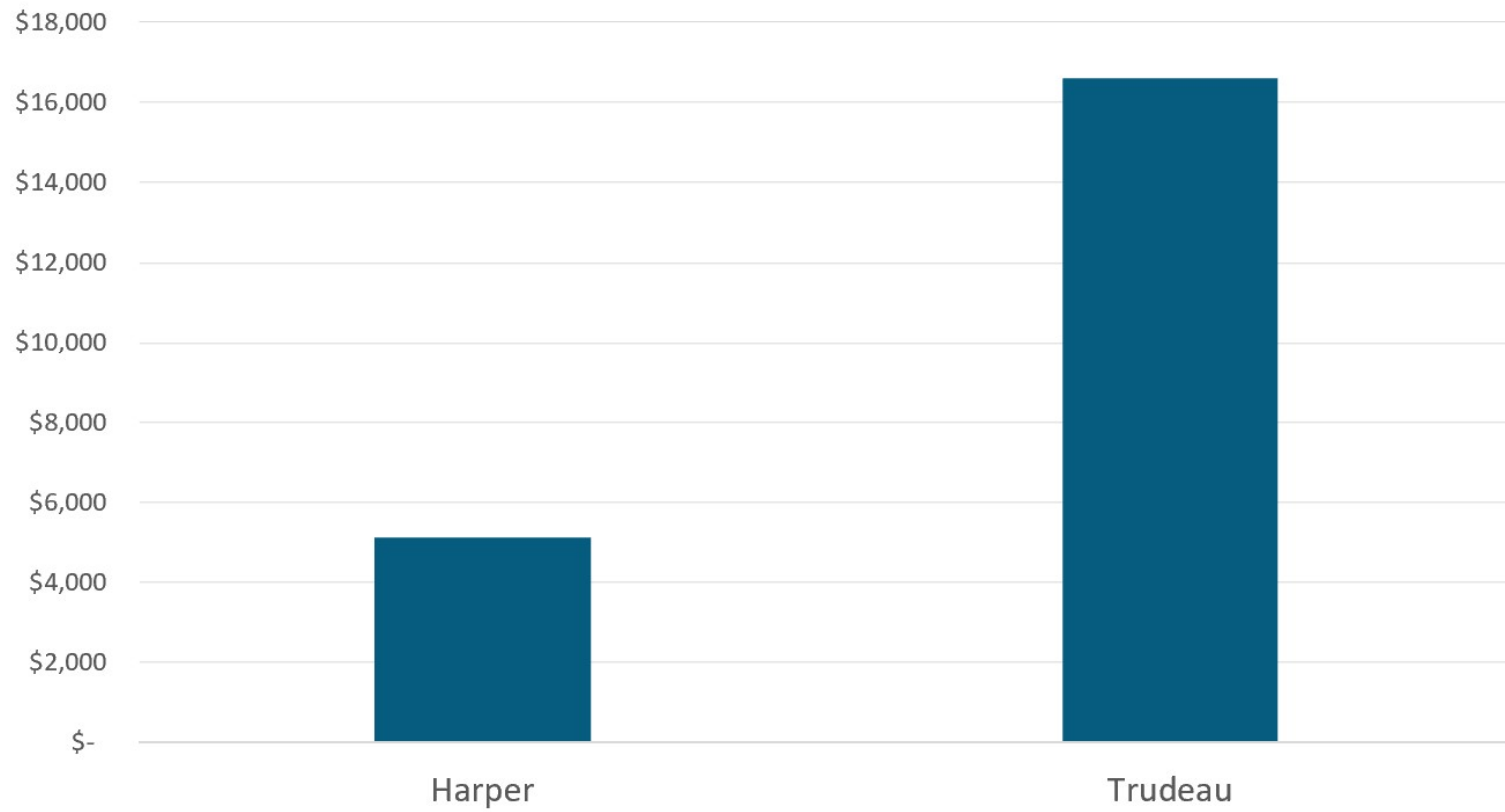
## Annual Rate of Appreciation in Benchmark Home Price

Greater Toronto Area



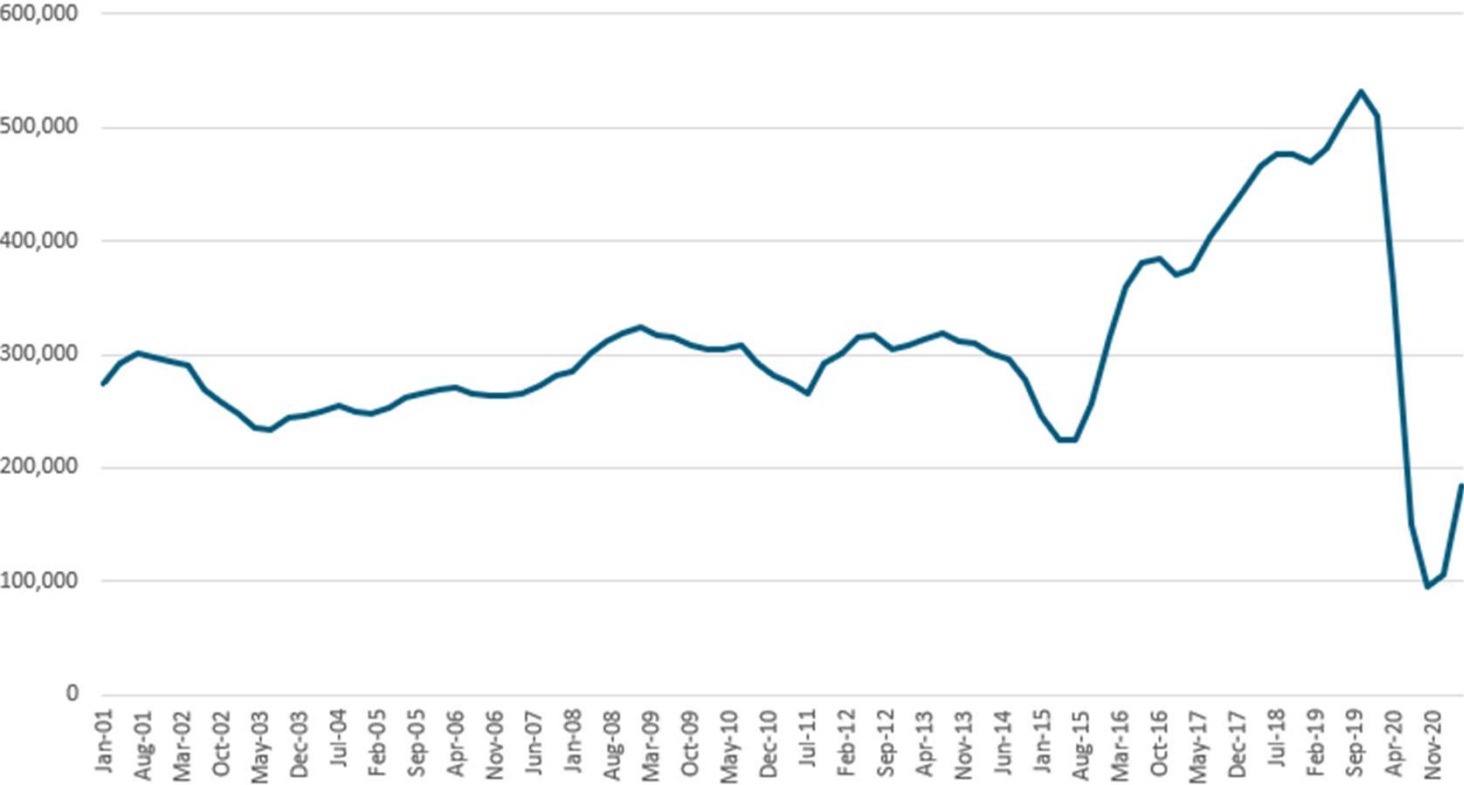
## Annual Income Growth Required to Keep Up with Home Prices

Greater Toronto Area



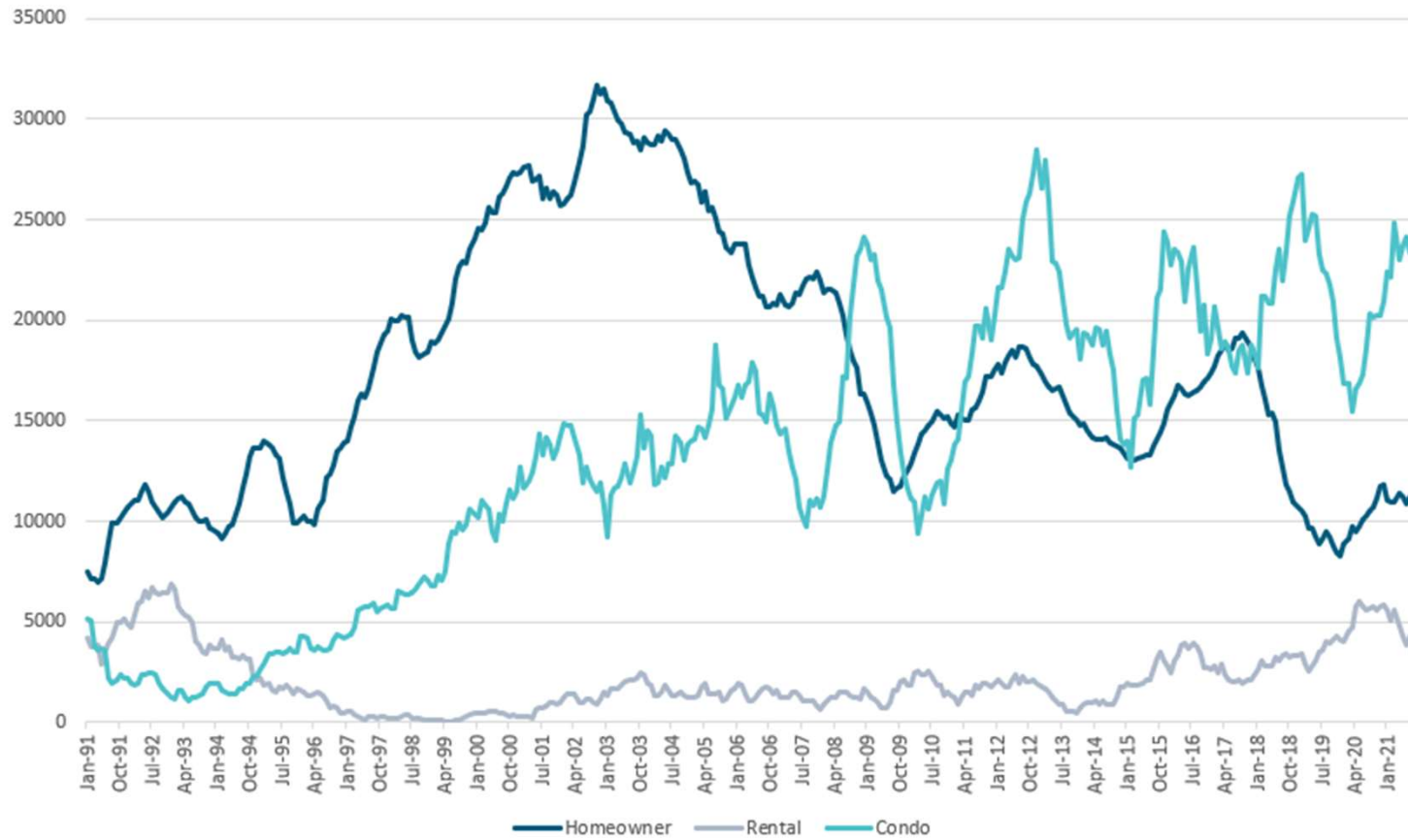
**Immigrants and Non-Permanent Residents**

Four Quarter Rolling



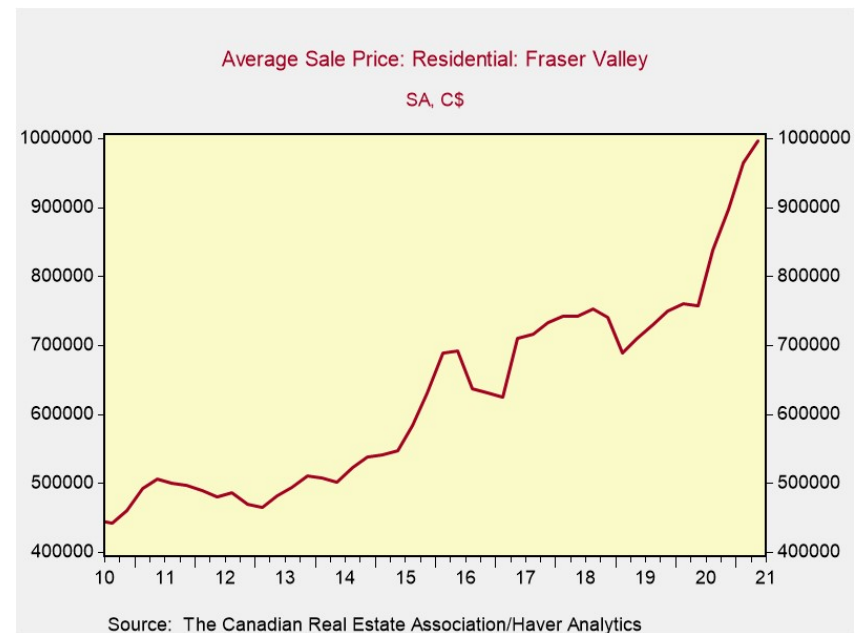
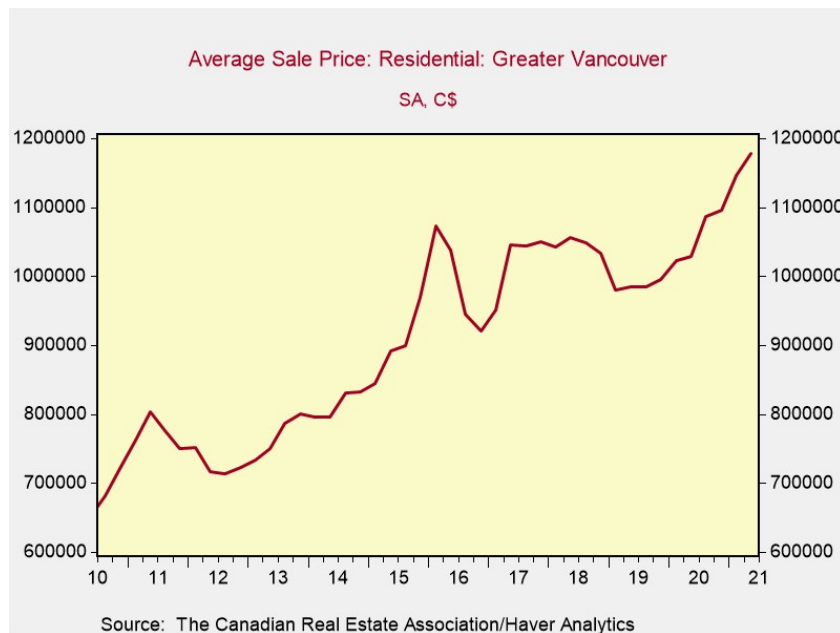
## Housing Starts - Toronto Area

12 Month Rolling Average





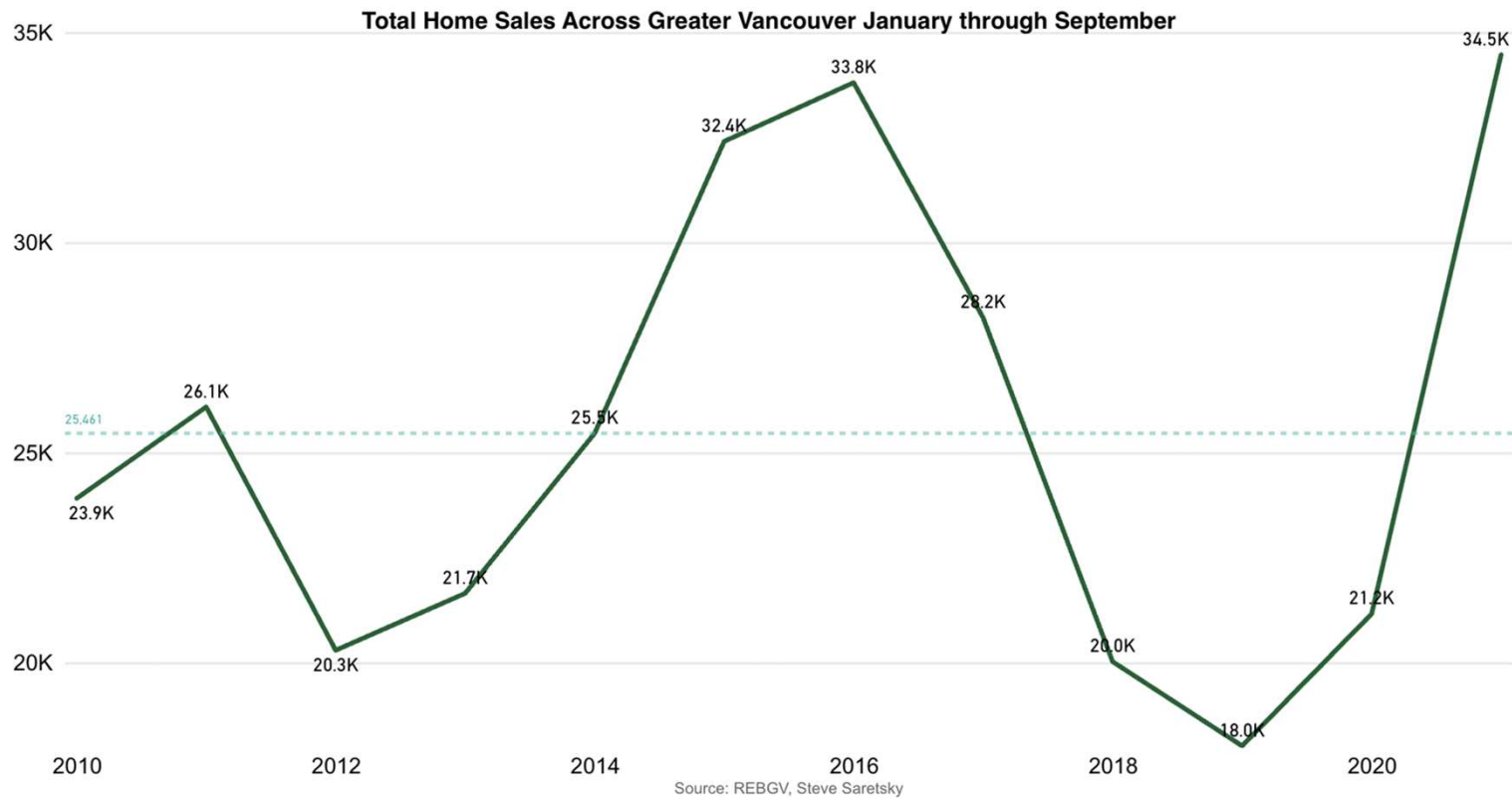
After flattening in Vancouver, prices are now going up again,  
following patterns up the Fraser Valley



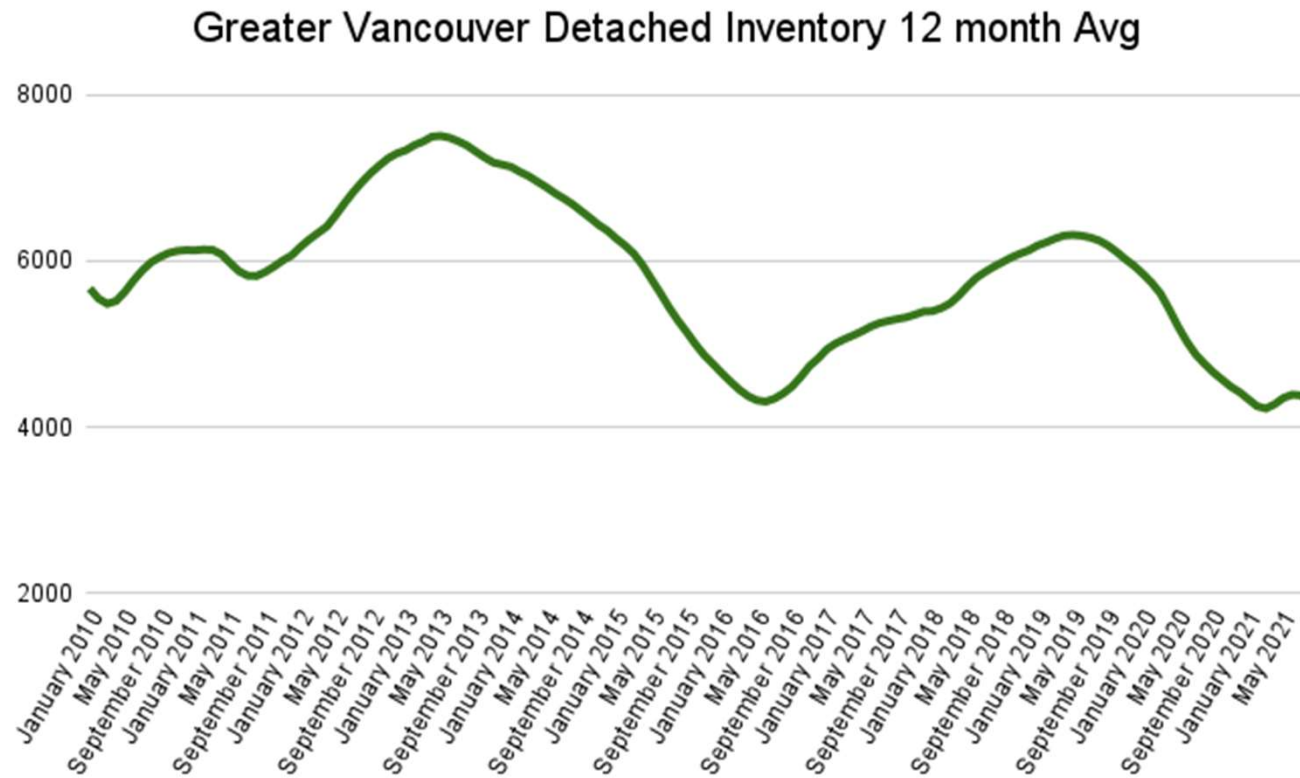
# The State of Vancouver's Housing Market

Presented by: Steve Saretsky

# Pandemic Has Created Strong Demand For Housing



# Everyone Wants More Space. Creating Inventory Shortages



## Months of Inventory for Detached Sub \$2M Near 2016 Lows

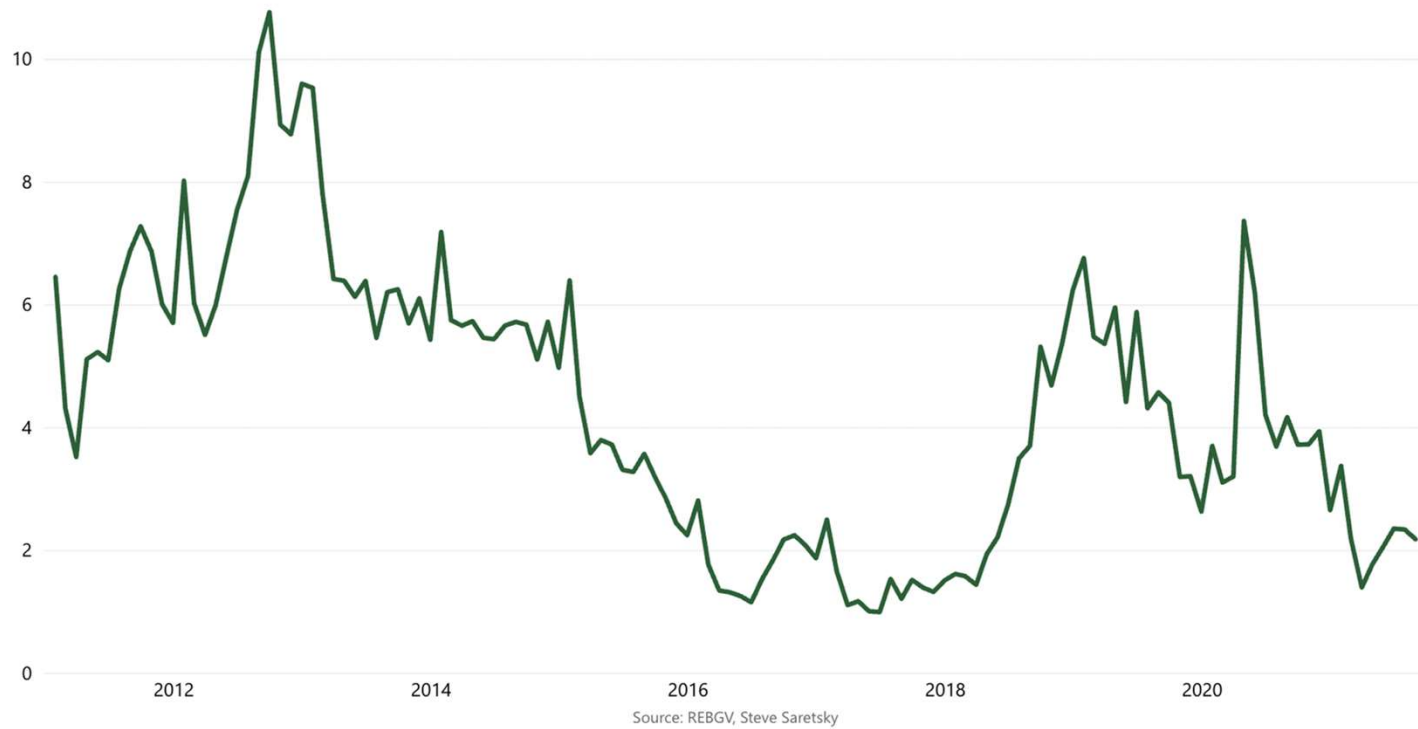


# Townhouse Inventory Sub \$1.5M

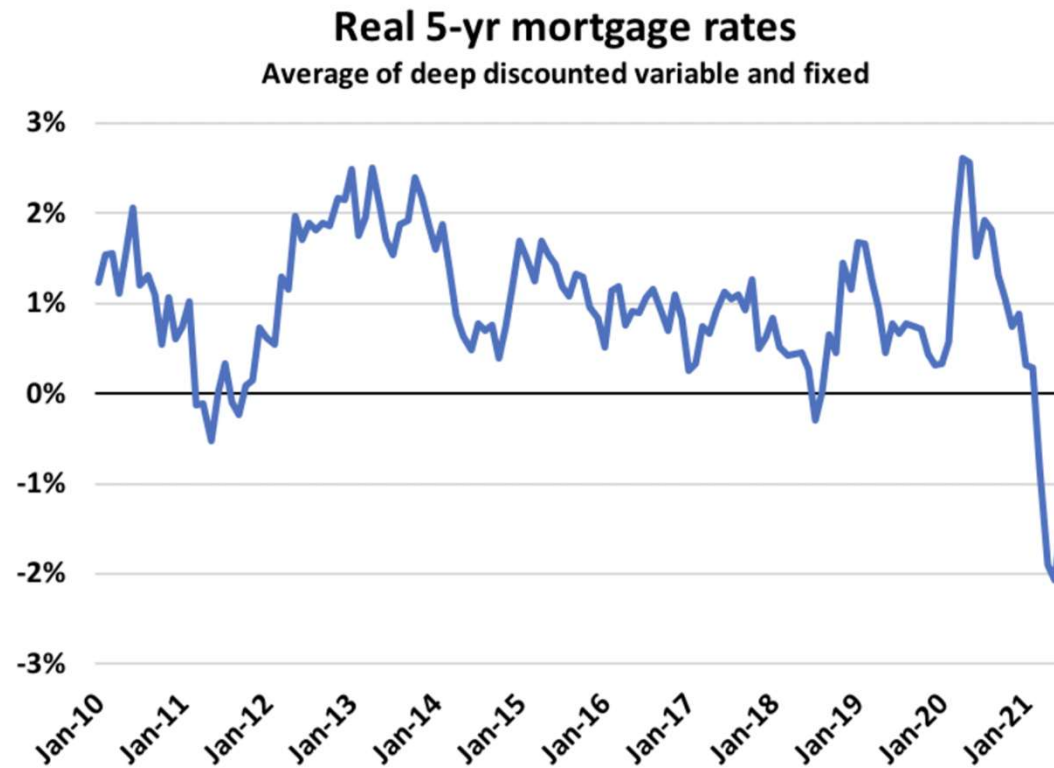


# Condo Inventory Sub \$1M

Months of Inventory for Sale



# Real Negative Mortgage Rates Are Helping

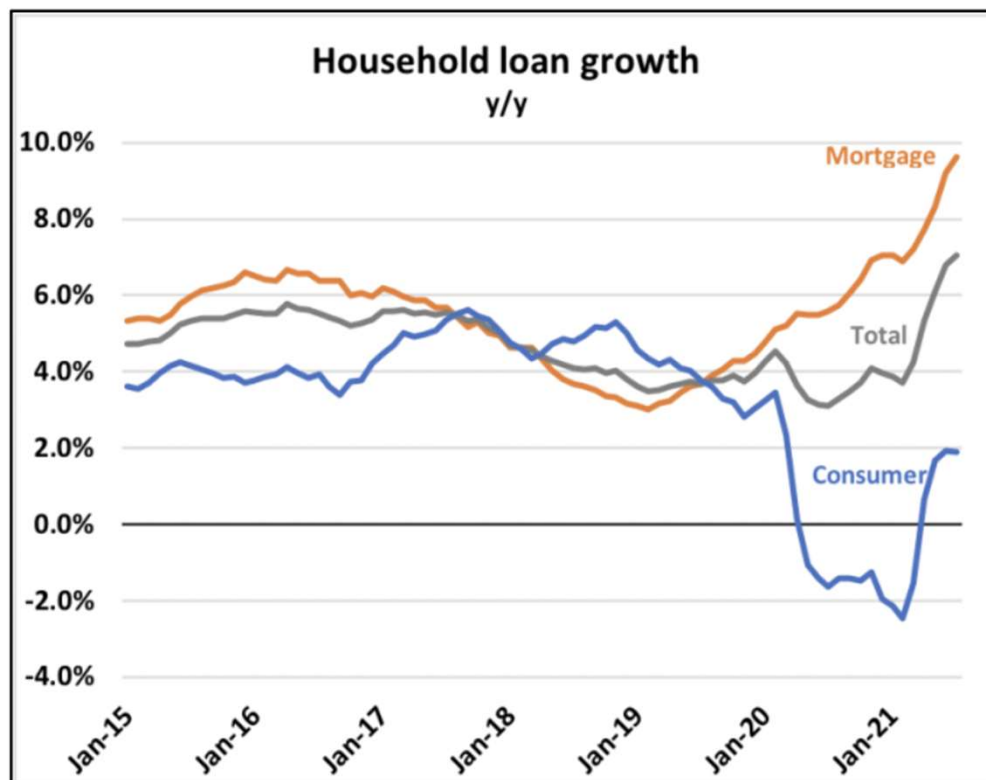


Source: RATESDOTCA, Statistics Canada

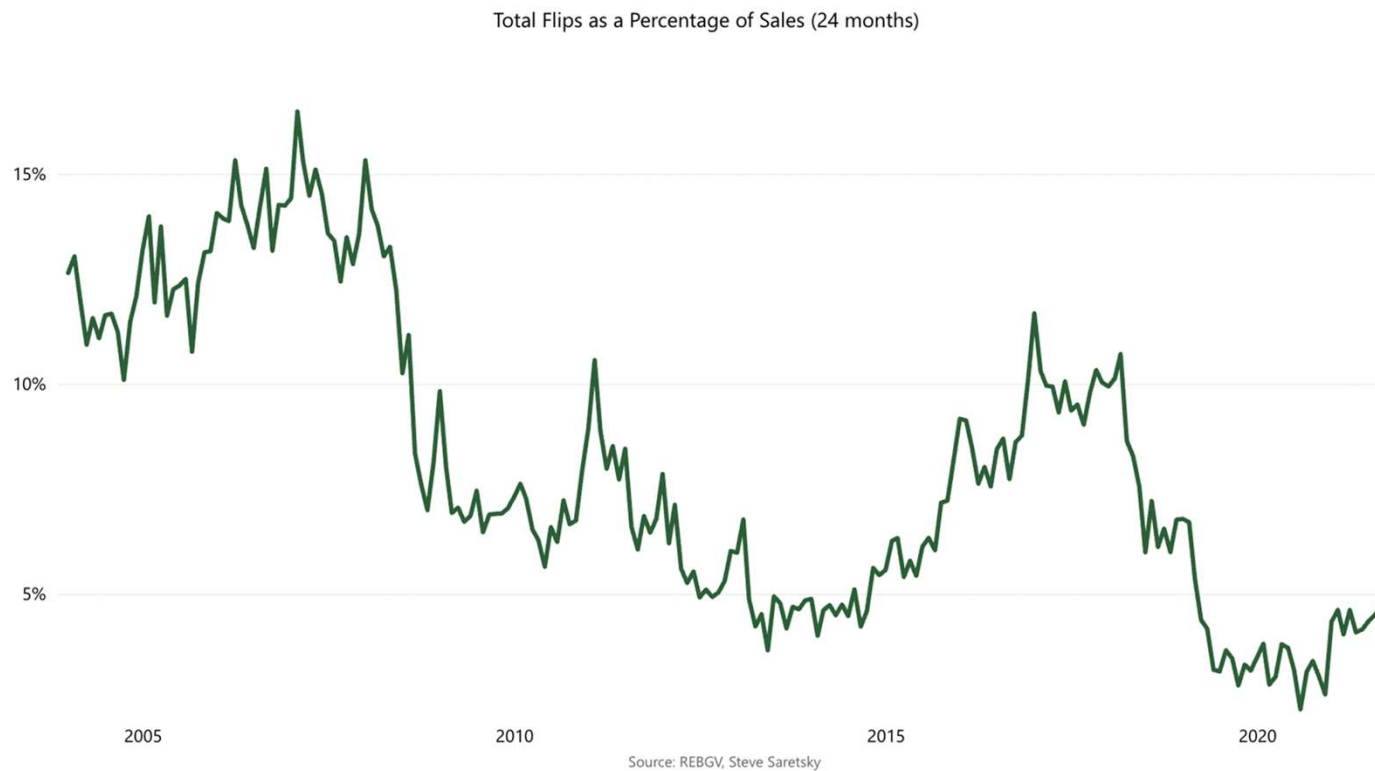


# Mortgage Credit Growth nearing 10%- highest since 2008

(Source: Edge Analytics)

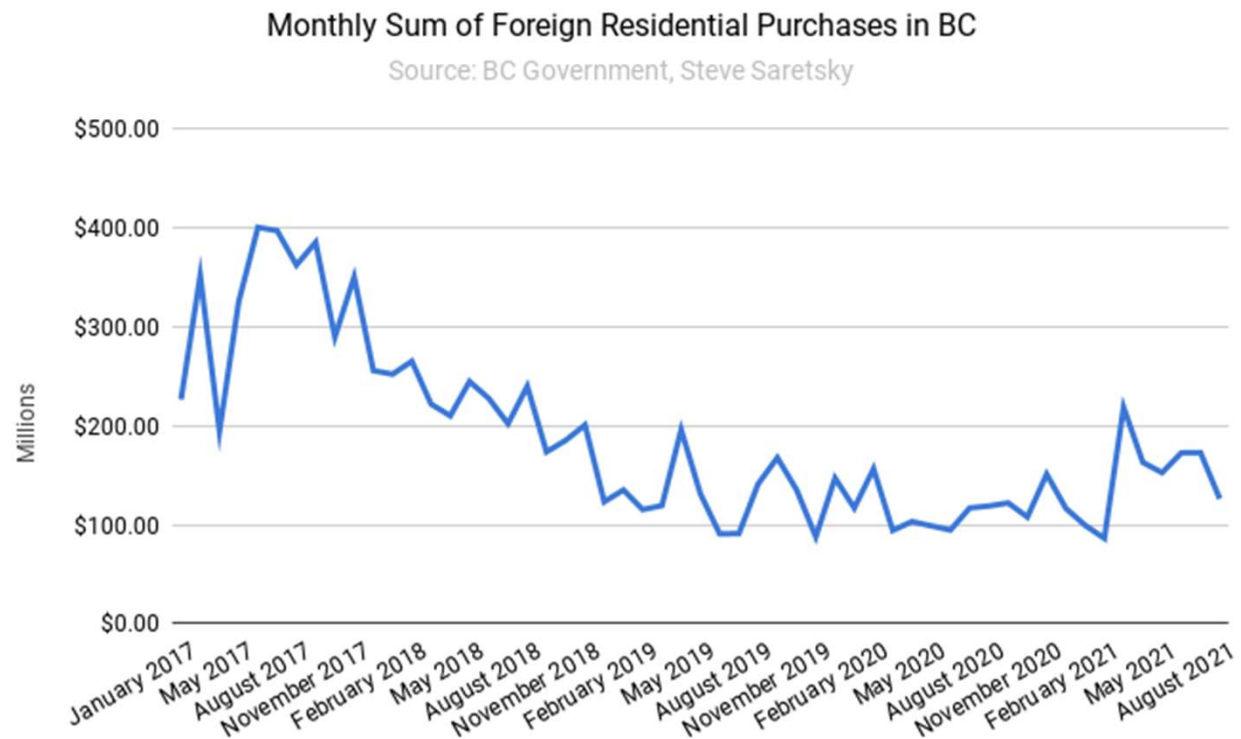


# Speculation? House Flipping Activity Remains Low

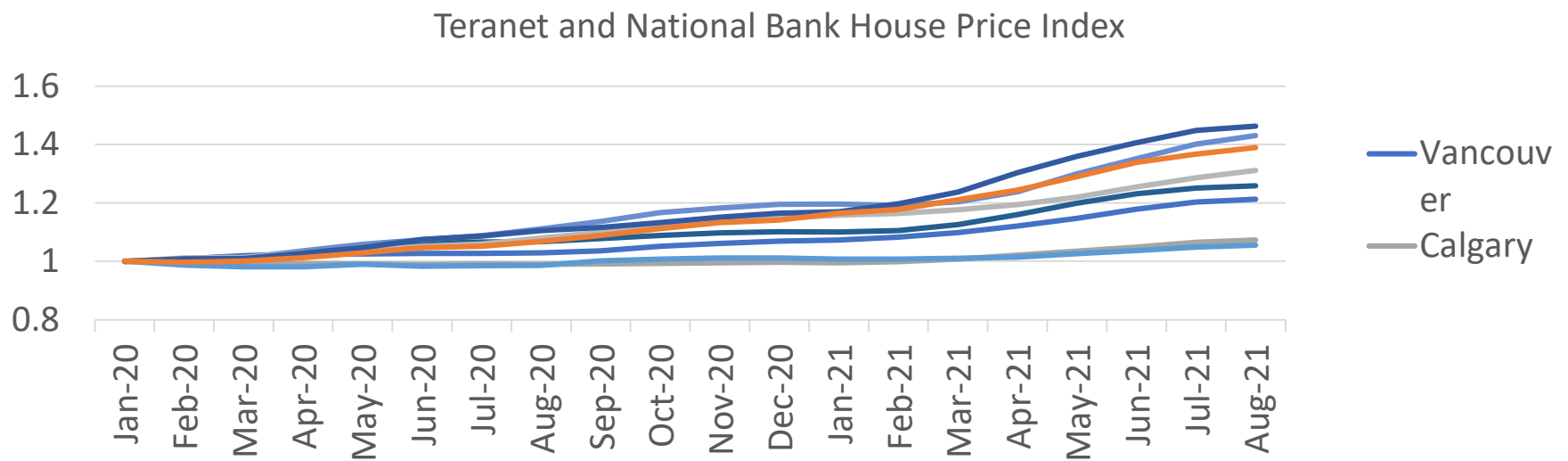


# Where are the Foreign buyers? This is not like 2016

Foreign purchases make up 1% of total transactions



# Cities diverging into three groups (last 20 mths)



# Housing Market Assessment


## Comparisons between the March 2021 and September 2021 reports

	Evidence of Imbalances								Market Vulnerability	
	Overheating		Price Acceleration		Overvaluation*		Excess Inventories		Mar. 2021	Sep. 2021
	Mar. 2021	Sep. 2021	Mar. 2021	Sep. 2021	Mar. 2021	Sep. 2021	Mar. 2021	Sep. 2021		
Canada	▲	▲	■	▲	▲	▲	■	■	▲	●
Victoria	■	▲	■	▲	▲	■	■	■	▲	▲
Vancouver	■	■	■	■	■	■	▲	▲	▲	■
Edmonton	■	■	■	■	▲	▲	▲	▲	▲	▲
Calgary	■	■	■	■	■	■	●	▲	▲	▲
Saskatoon	■	■	■	■	■	■	■	■	■	■
Regina	■	■	■	■	■	■	▲	▲	■	■
Winnipeg	■	▲	■	▲	■	■	■	■	■	■
Hamilton	▲	▲	▲	▲	▲	▲	■	■	●	●
Toronto	■	▲	▲	▲	■	■	▲	▲	●	●
Ottawa	▲	▲	▲	▲	▲	▲	▲	▲	●	●
Montréal	▲	▲	▲	▲	■	▲	■	■	▲	●
Québec	▲	▲	▲	■	■	■	■	■	■	■
Moncton	▲	▲	▲	▲	●	●	■	■	●	●
Halifax	▲	▲	▲	▲	▲	▲	■	■	●	●

The HMA methodology is presented in the Appendix of this report.

■ Low ▲ Moderate ● High

\*The September 2021 ratings are based on preliminary estimates of overvaluation, and the March 2021 ratings on revised estimates.



Future – will  
current  
patterns last?

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# What will be the implications of work-from-home for housing?

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## Survey of U.S. firms:

- Estimate that after pandemic, 22% of all workdays will be WFH compared to 5% before
- Lower city-centre spending by 5-10%
- Expect WFH to stick

Source: Barrero, Bloom and Davis (2021)

# Future demand

---

- Immigration kicks back in
- Tourism + STR
- Second homes / cottages
- Persistent technology shock of WFH – but do households still value amenities of city centres, do they like being in the middle of nowhere?
- Risk that interest rates might go up



Where are we  
going longer  
term?



# Consumer Debt and Insolvency:

Taking Stock of the Pandemic's Impact on Canadian Consumers

Great Canadian Housing & Real Estate Conference



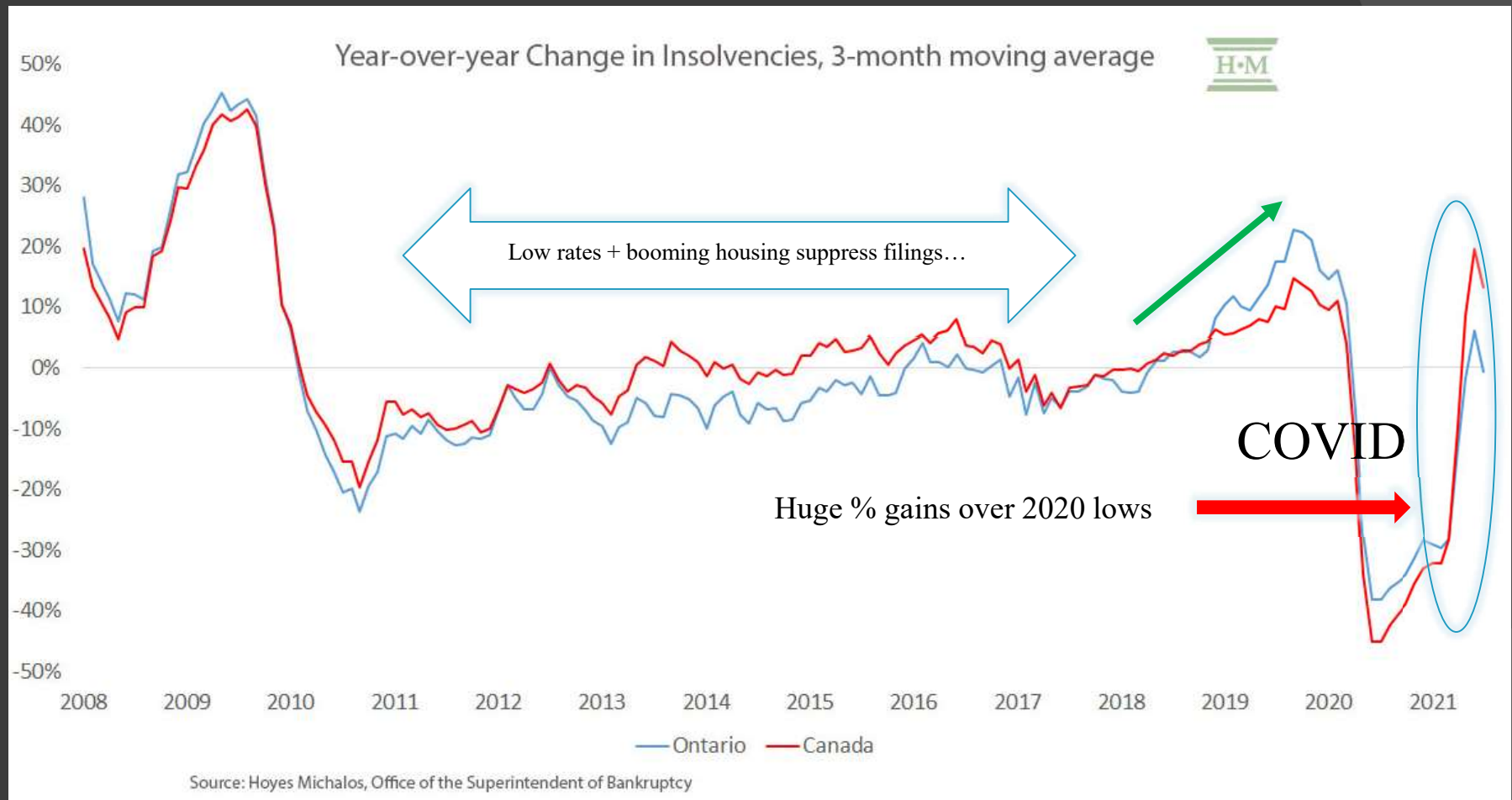
Scott Terrio  
Manager, Consumer Insolvency  
Hoyes Michalos & Associates

OCT. 7, 2021

HOYES • MICHALOS

# OSB Insolvency Statistics

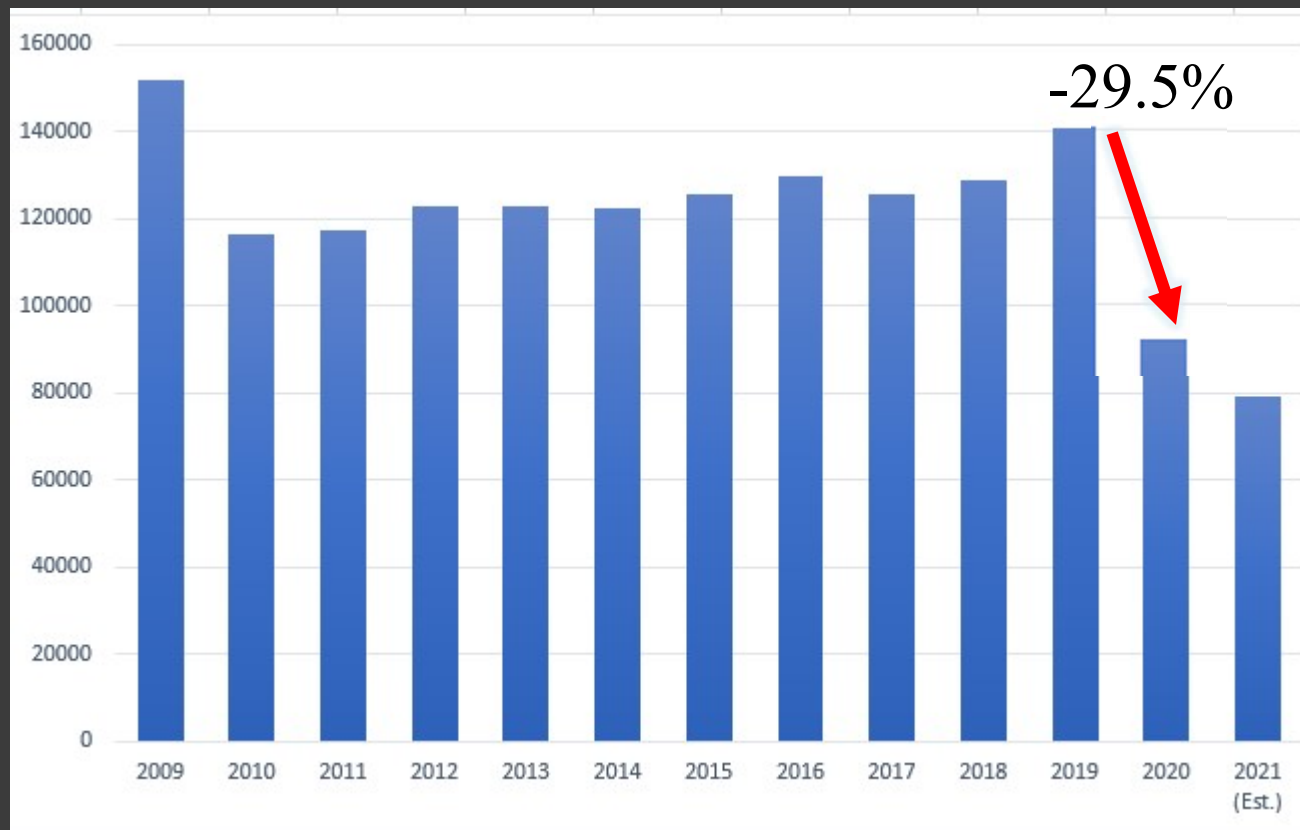
## 2009-2021



HOYES • MICHALOS

# OSB Insolvency Statistics

## 2009-2021



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# Avg % growth household debt/GDP

**Table 1**

**Average annual percent growth in household debt balances and nominal Gross Domestic Product (GDP)**

	1991-1999	2000-2009	2010-2019	2020	2021Q1
	annual percent growth (%)				
Household non-mortgage debt	6.6	9.5	3.8	-1.9	-1.4
Household mortgage debt	5.2	9.2	5.5	7.0	7.2
Nominal GDP	3.9	4.9	3.7	0.4	5.6

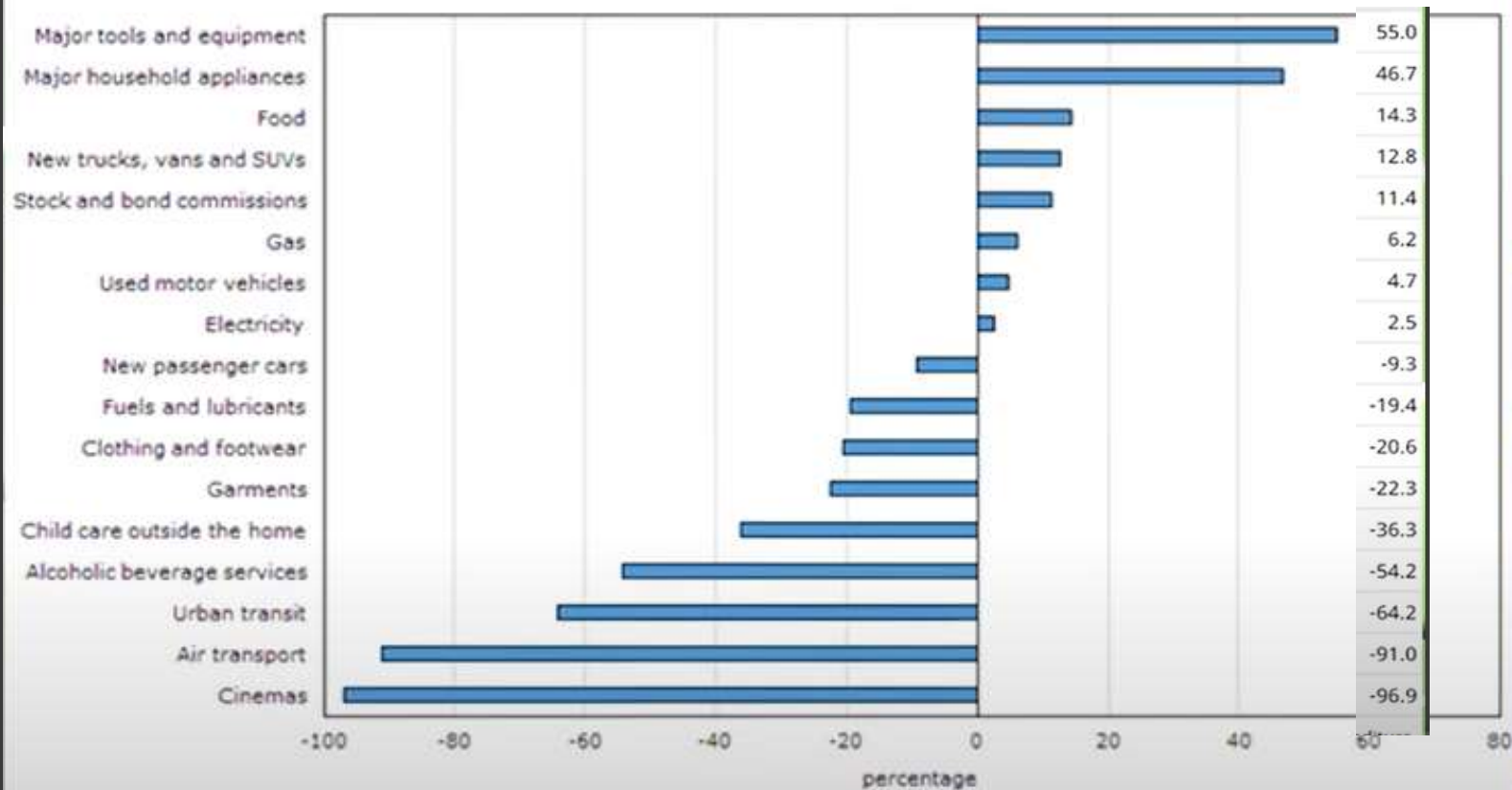
**Source:** Statistics Canada, Table 36-10-0639-01, Credit liabilities of households. Statistics Canada, Table 36-10-0103-01, Gross domestic product, income-based, quarterly.

# Household expenditure changes

## Q4 '19 – Q1 '21

**Chart 4**

Select household expenditure changes from 2019Q4 to 2021Q1



Source: Statistics Canada, Table 36-10-0124-01, Detailed household final consumption expenditure.

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# Forecast/Conclusions

- HOUSING EFFECTS ON CDN DEBT
- Ending of govt COVID \$ supports – fall 2021
- Return to normalization of economy
- Reopening of courts/creditor actions
- CRA redress; shift from shovelling \$ out the door to collection
- SBE: HST & source tax debt built up during shutdown
- Only upon return to work will many need to file insolvency
- Credit card balance growth will be back at peak by Dec. 2022
- Insolvency filings will exceed 2009 peak by 2022/23 – cyclical + COVID

Structural  
trends

Population aging

Climate change

Technology



# Now What

## Unknowns

- Interest rates
- Supply trends
- Covid strains emerge

## Knowns

- Immigration coming
- Construction supply coming
- Economy will normalize from Covid
- Home ownership already at ~70%
- Rents do not support prices

**Positive outcomes don't support negative inputs forever.**



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October 14, 2021

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