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AEI INSTITUTE

MARCH 12-15 | SAN DIEGO, CA



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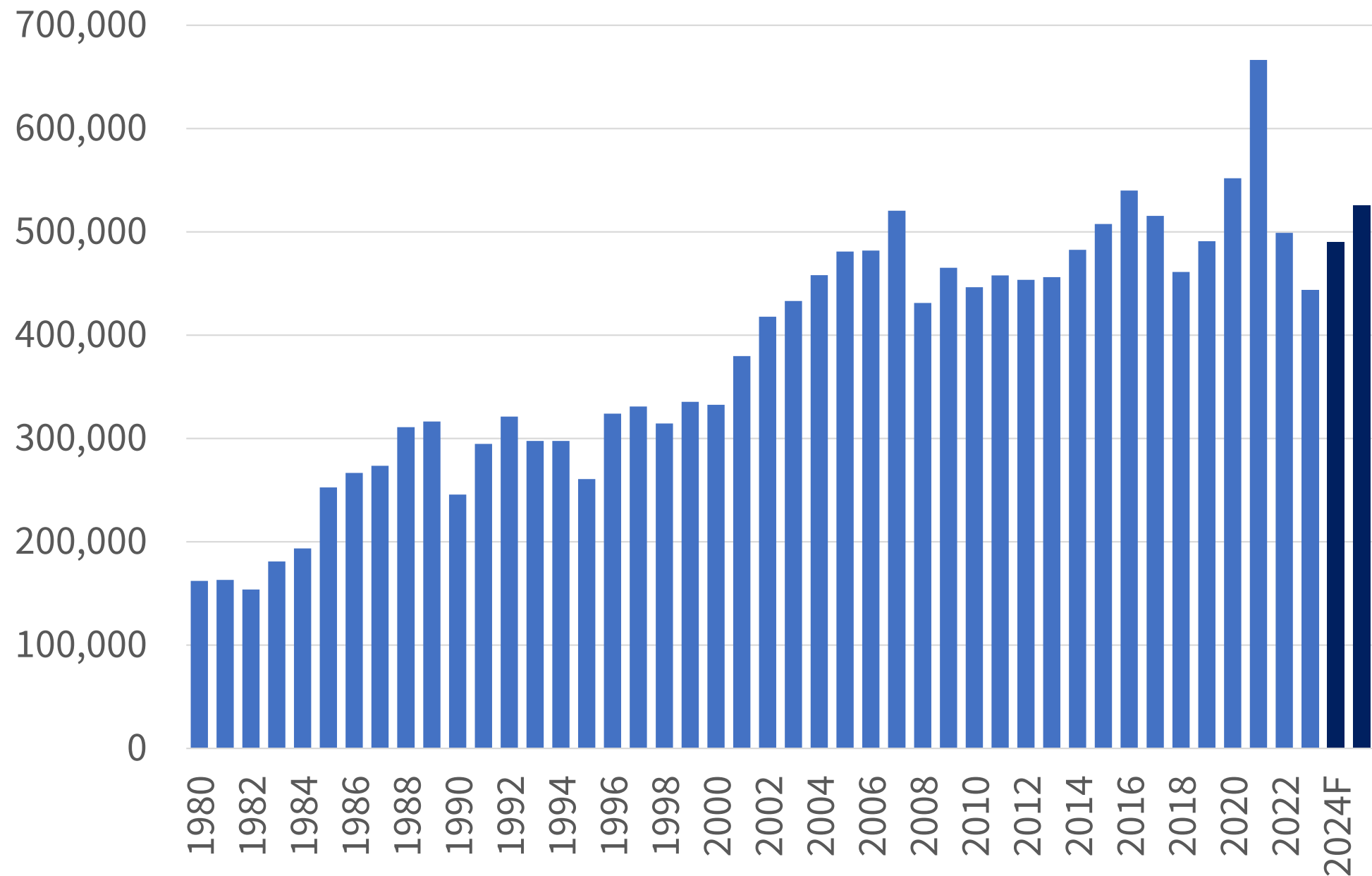
#AEI2024

Shaun Cathcart

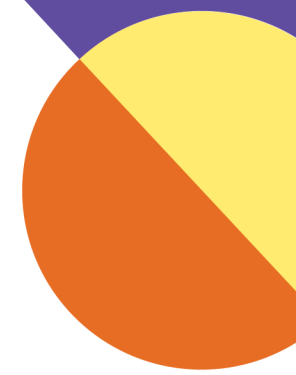
CREA Director and Senior Economist,
Housing Data and Market Analysis

Canadian Economic and Housing Market Update

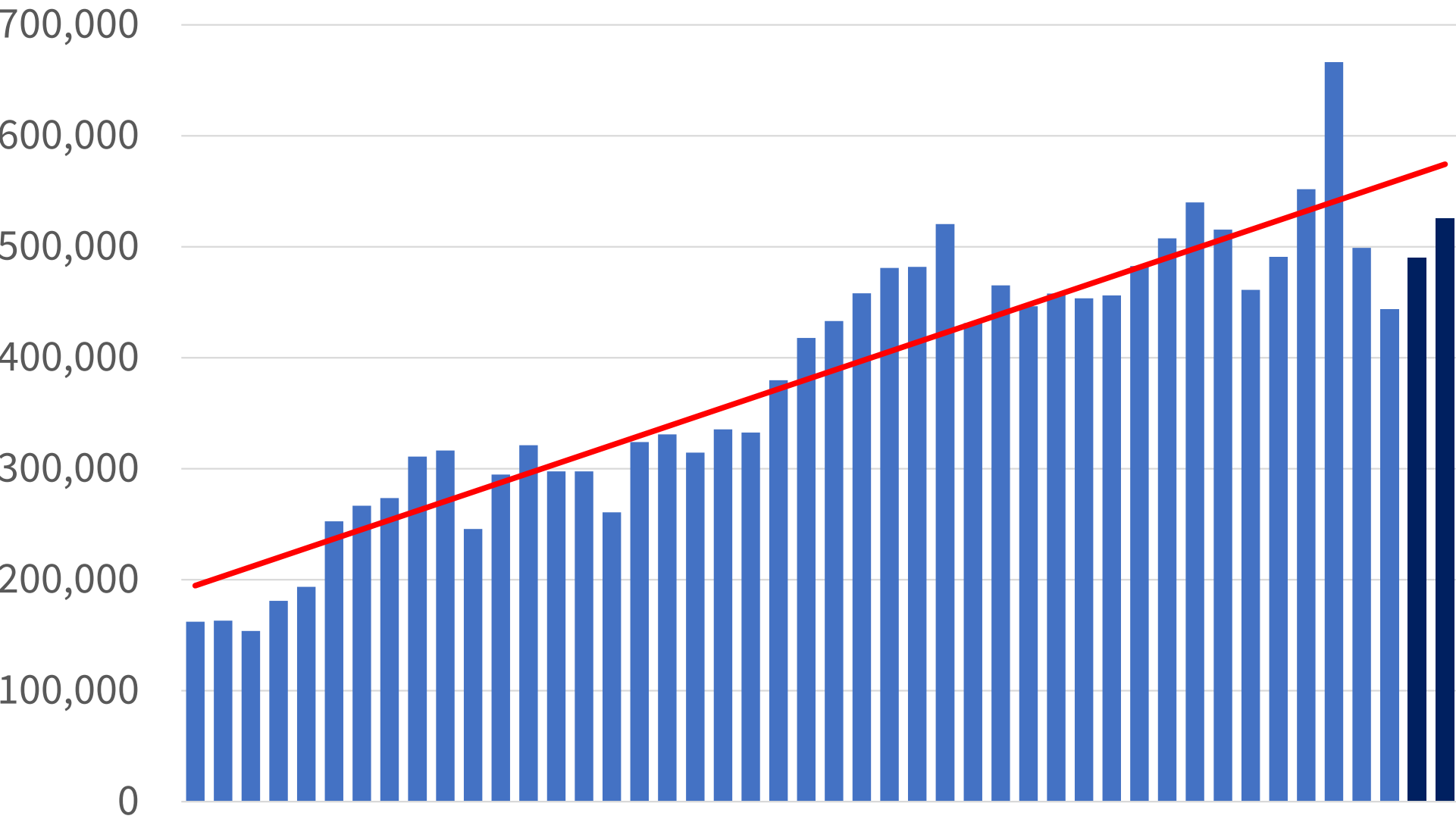
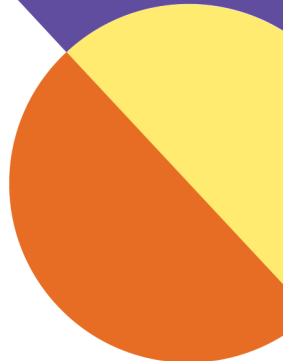
Canada Home Sales



Source: CREA



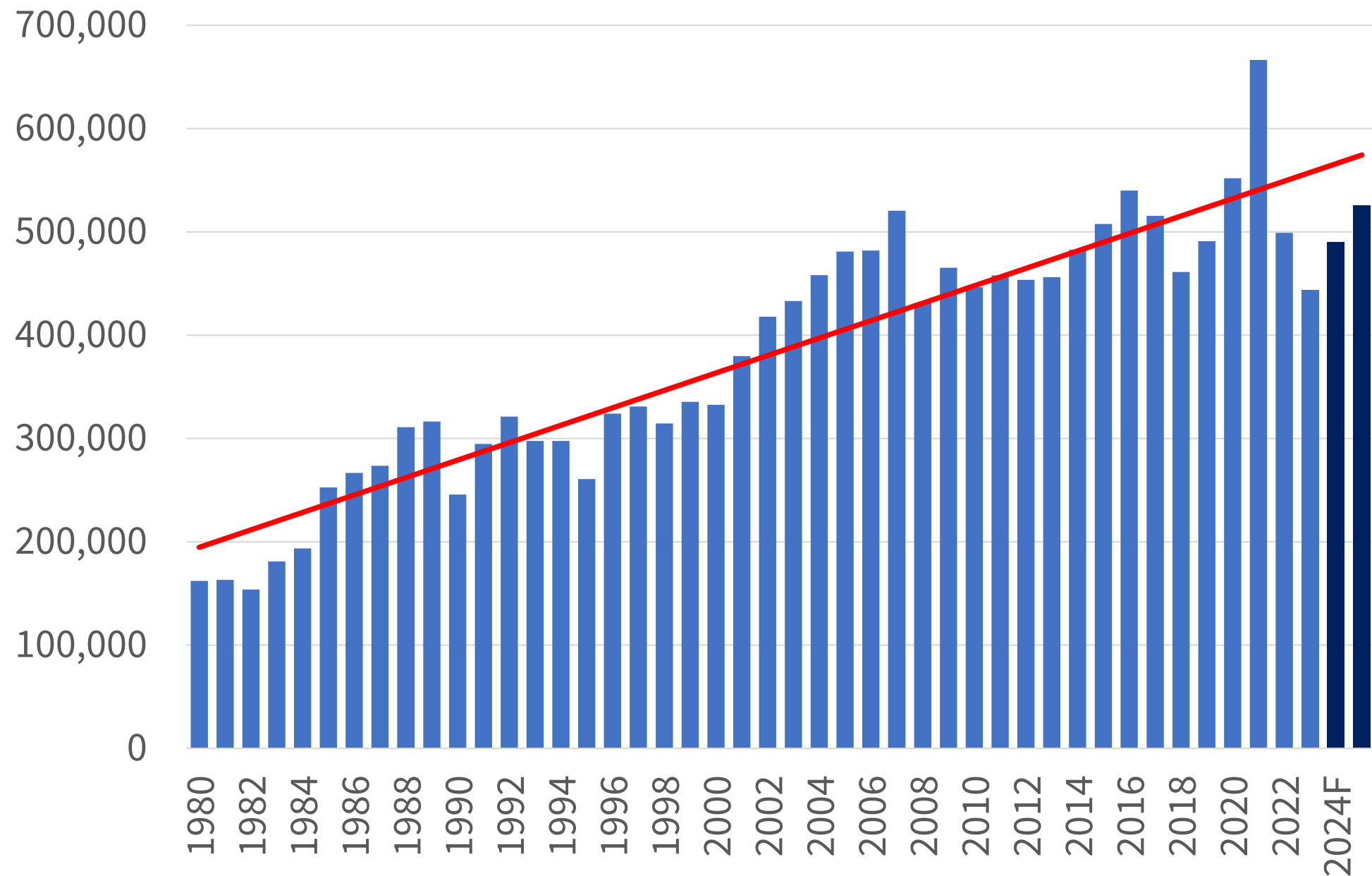
Canada Home Sales



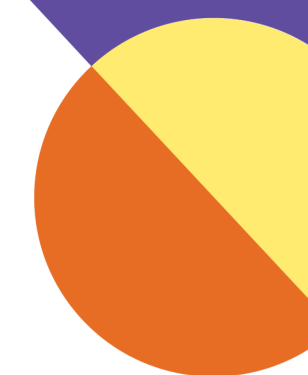
Source: CREA



Canada Home Sales



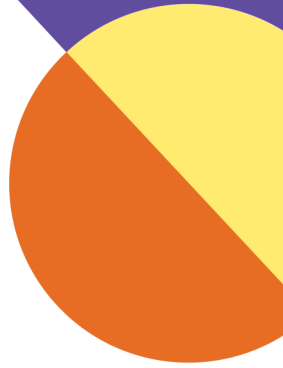
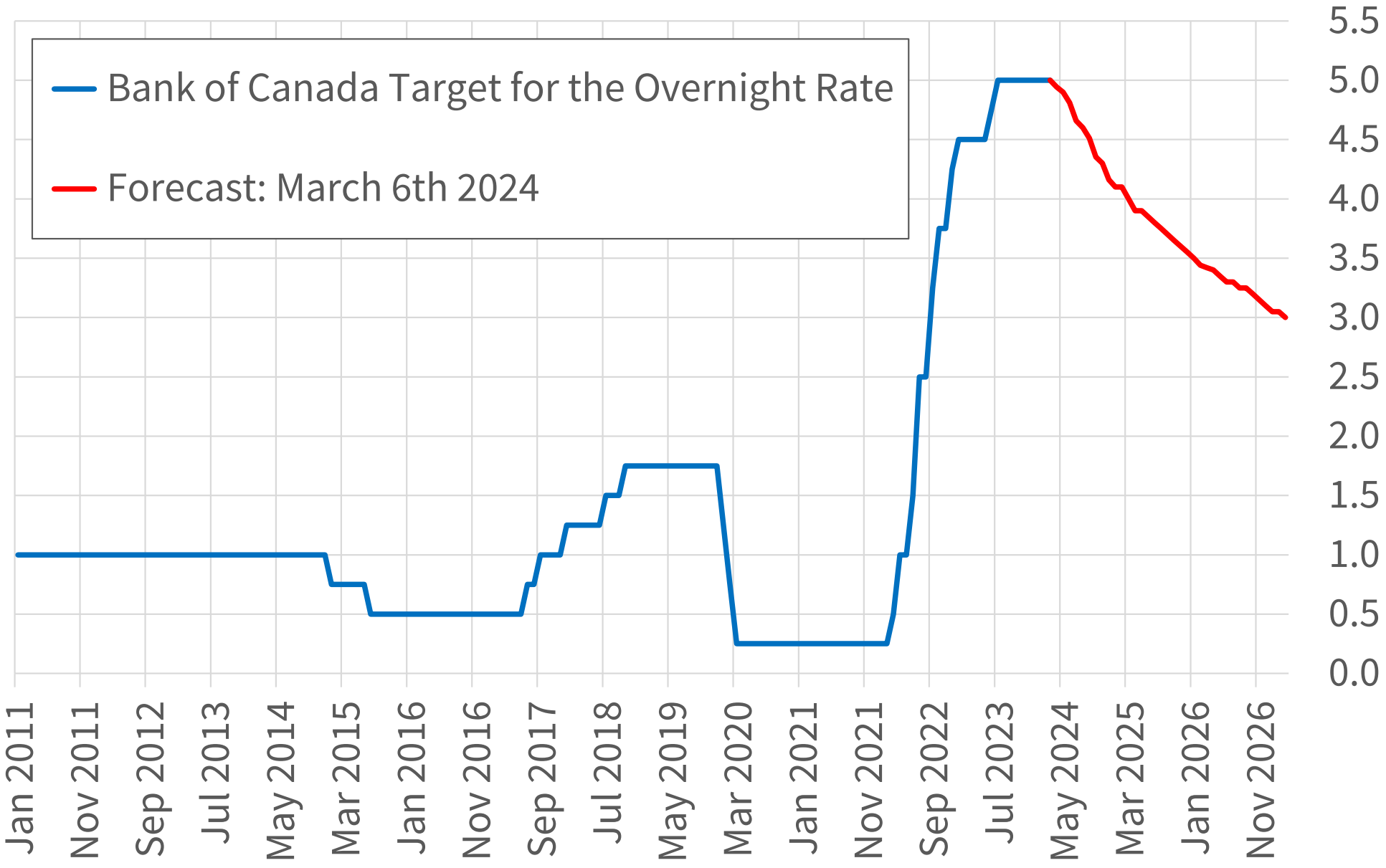
2024: +10.4%
2025: +7.3%



Source: CREA

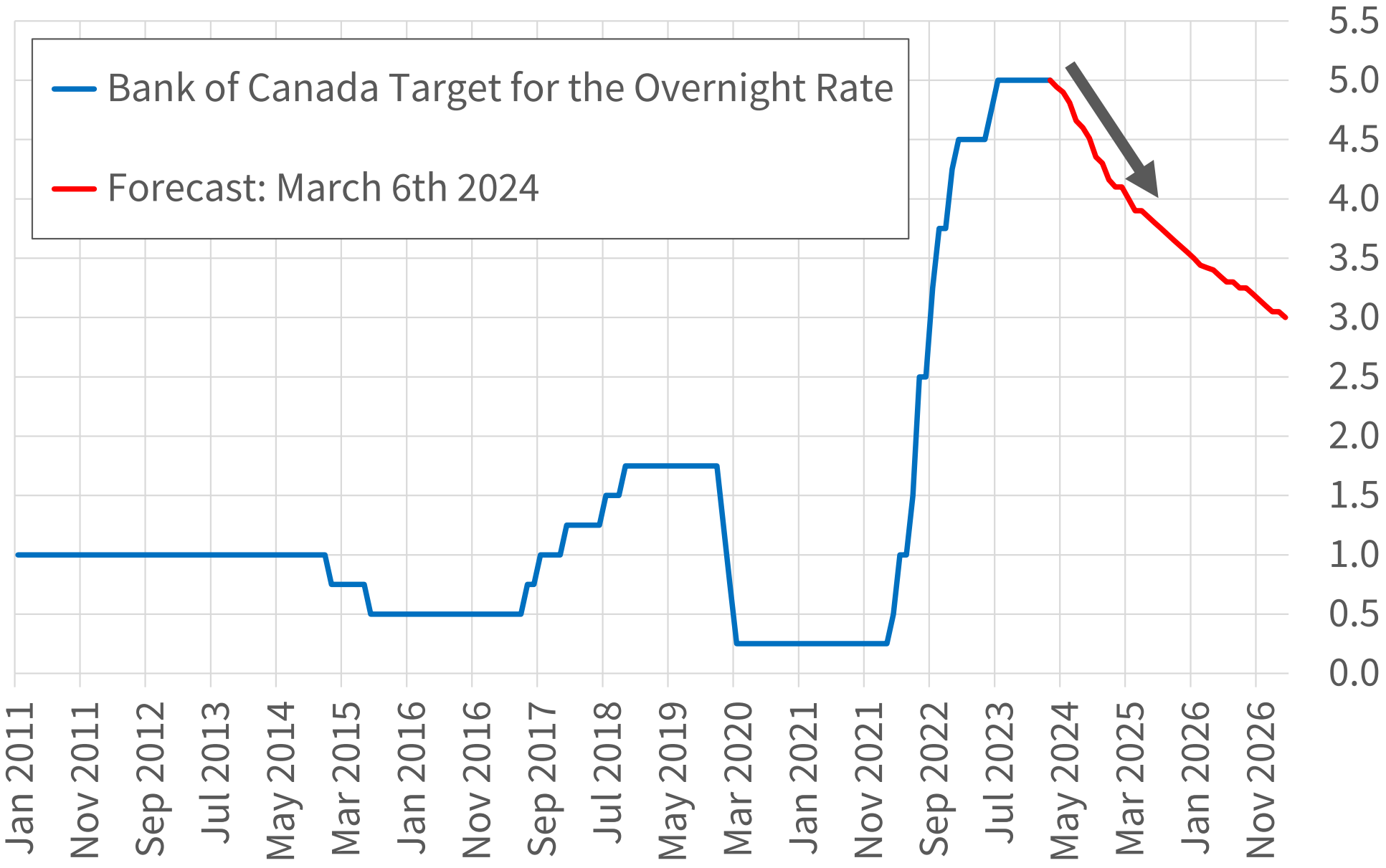


Interest Rate Forecast



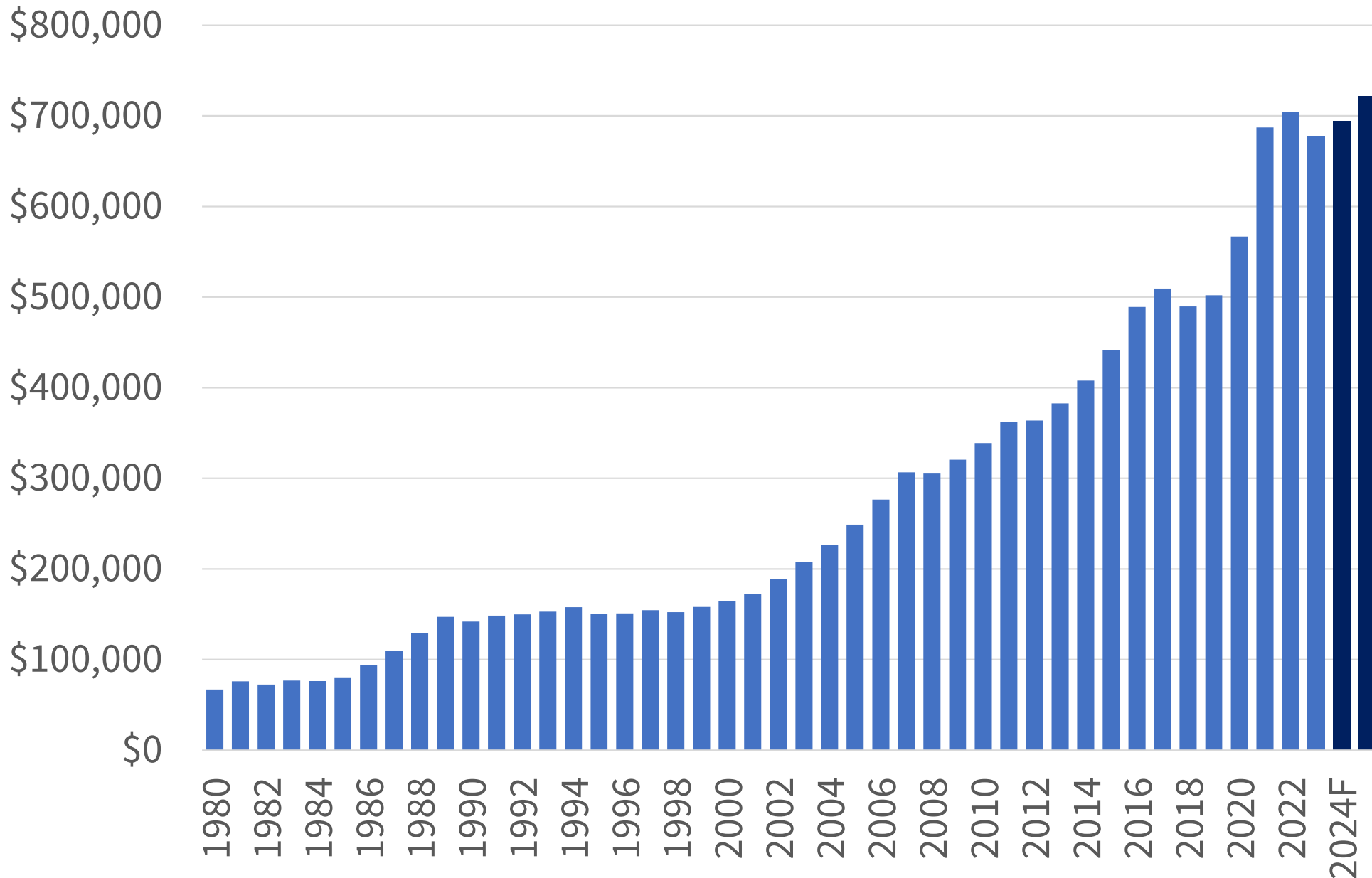
Source: Bloomberg, Bank of Canada

Interest Rate Forecast



Around 100bps of cuts in the second half of 2024

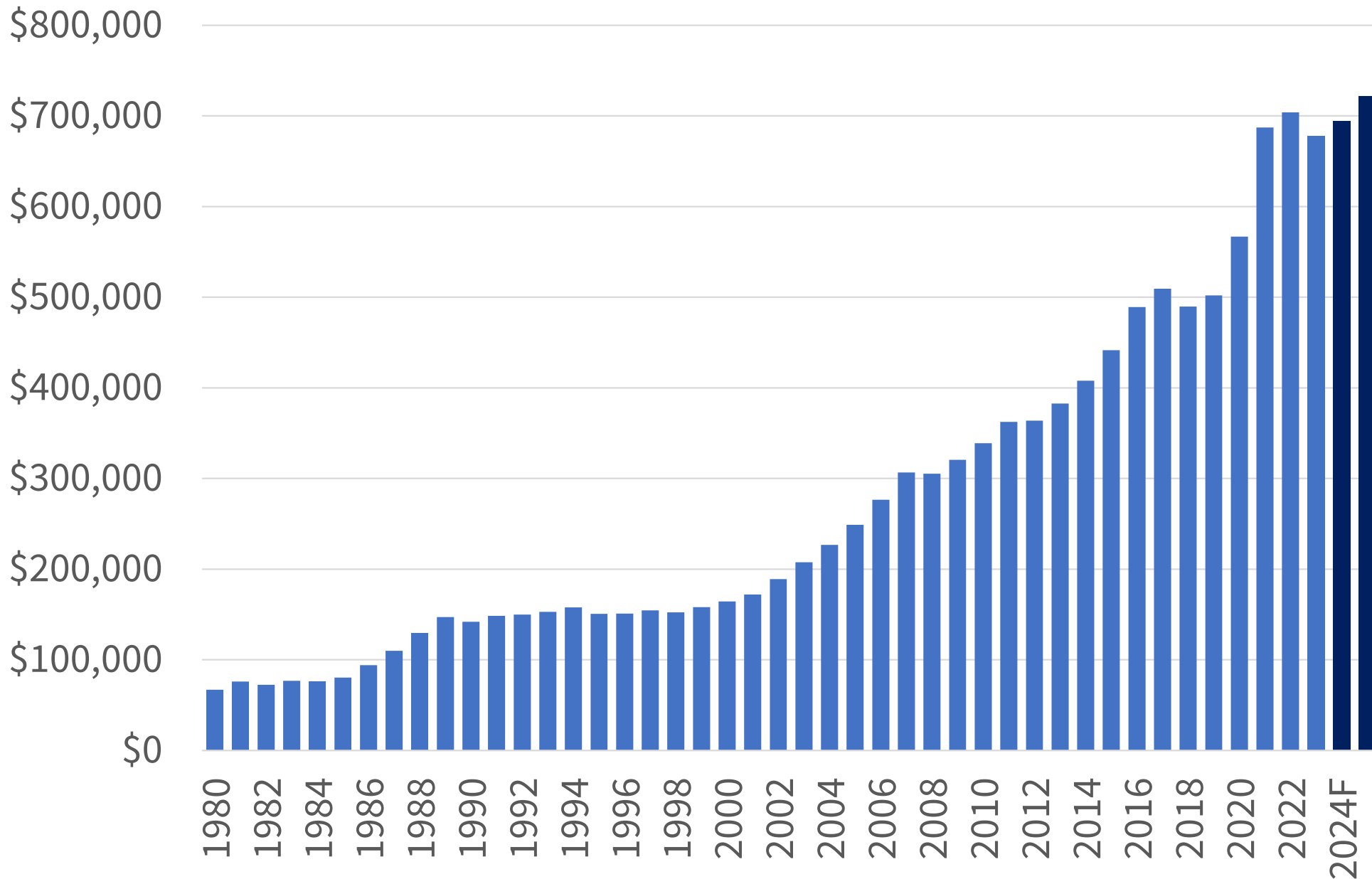
Canada Average Home Price



Source: CREA



Canada Average Home Price



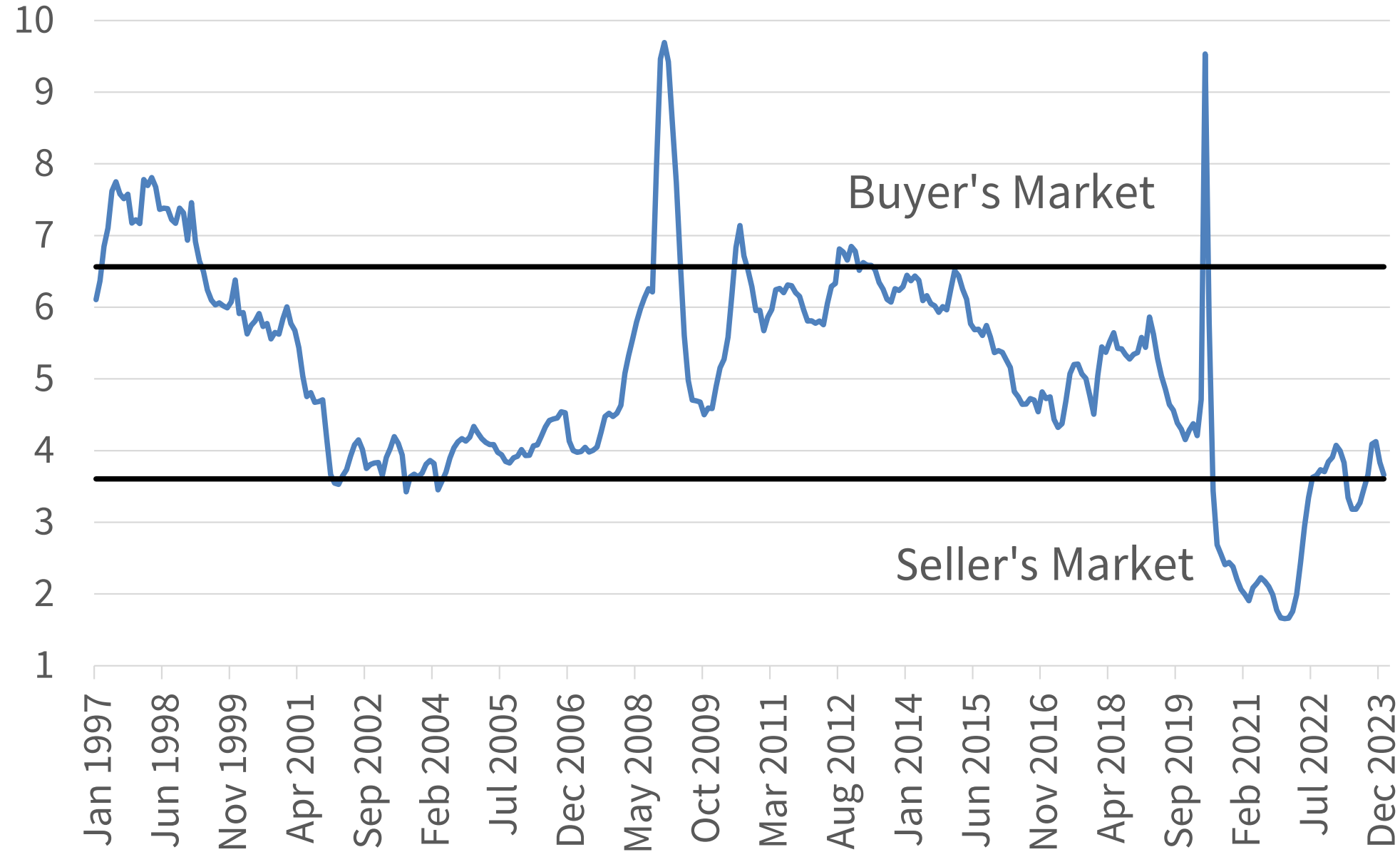
2024: +2.3%
2025: +4%



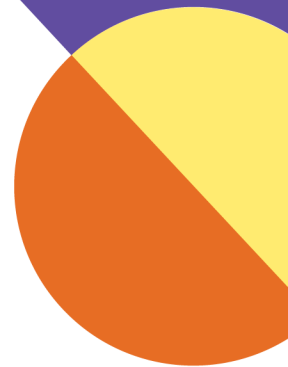
Source: CREA



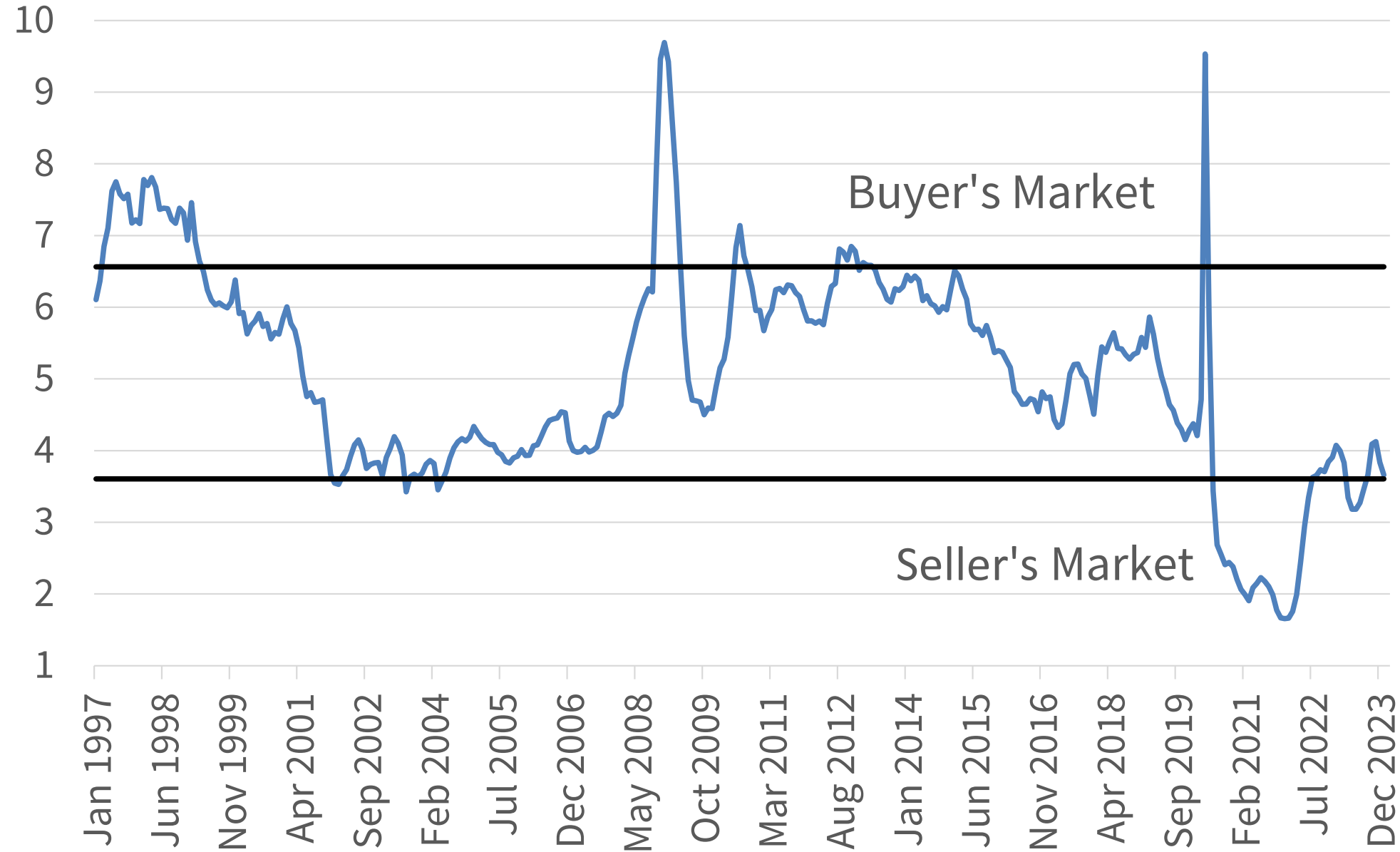
Canadian Months of Inventory (Seasonally Adjusted)



Source: CREA



Canadian Months of Inventory (Seasonally Adjusted)



Source: CREA



Those are the forecast
numbers and assumptions

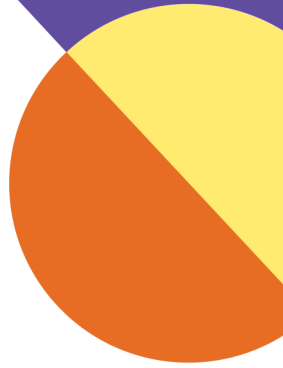
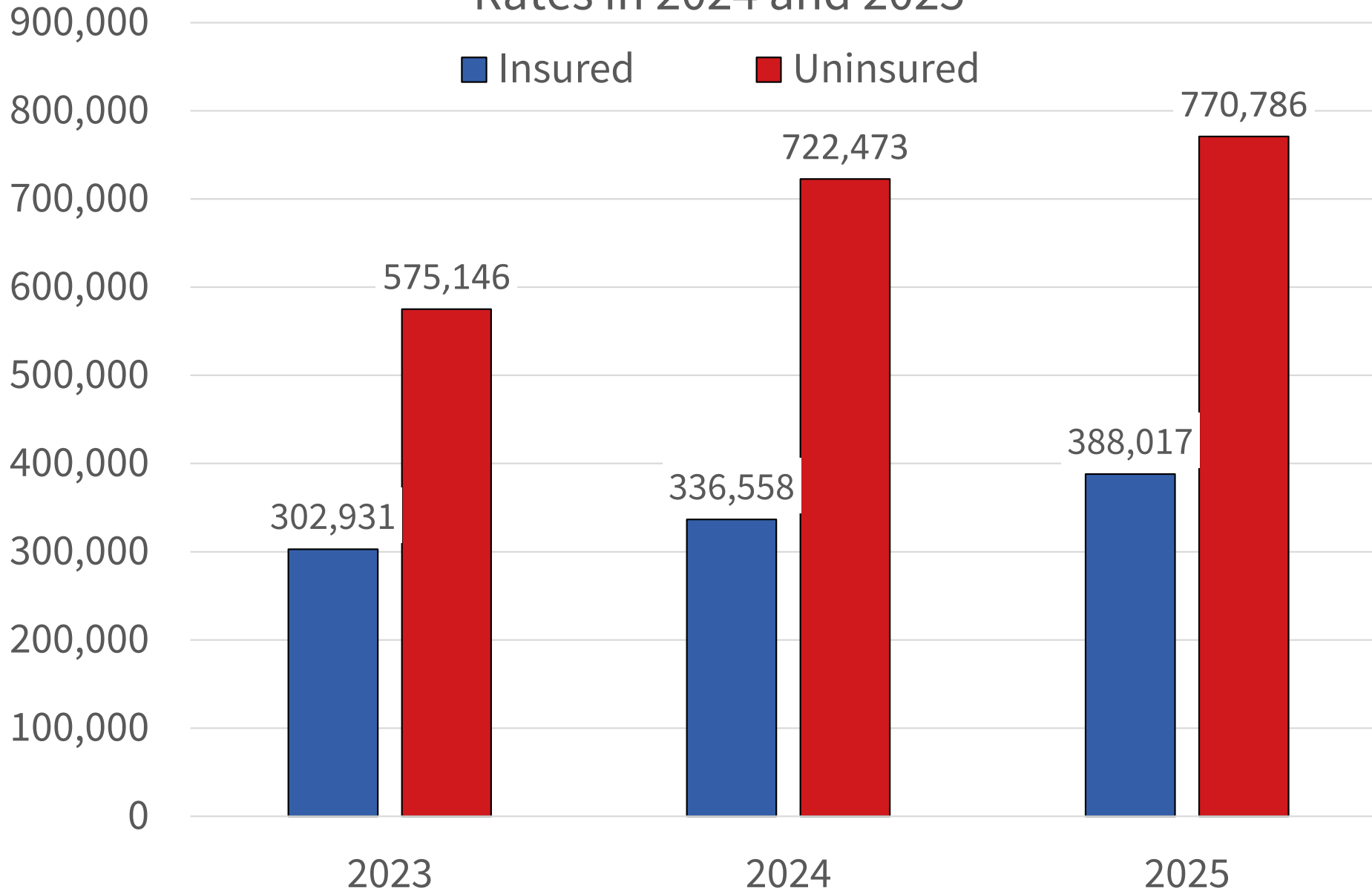
Now what about the risks?

Those are the forecast
numbers and assumptions

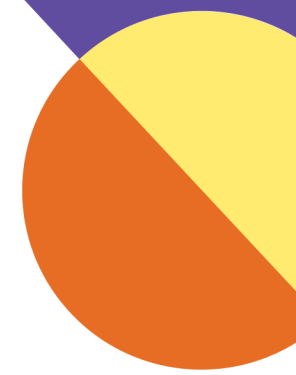
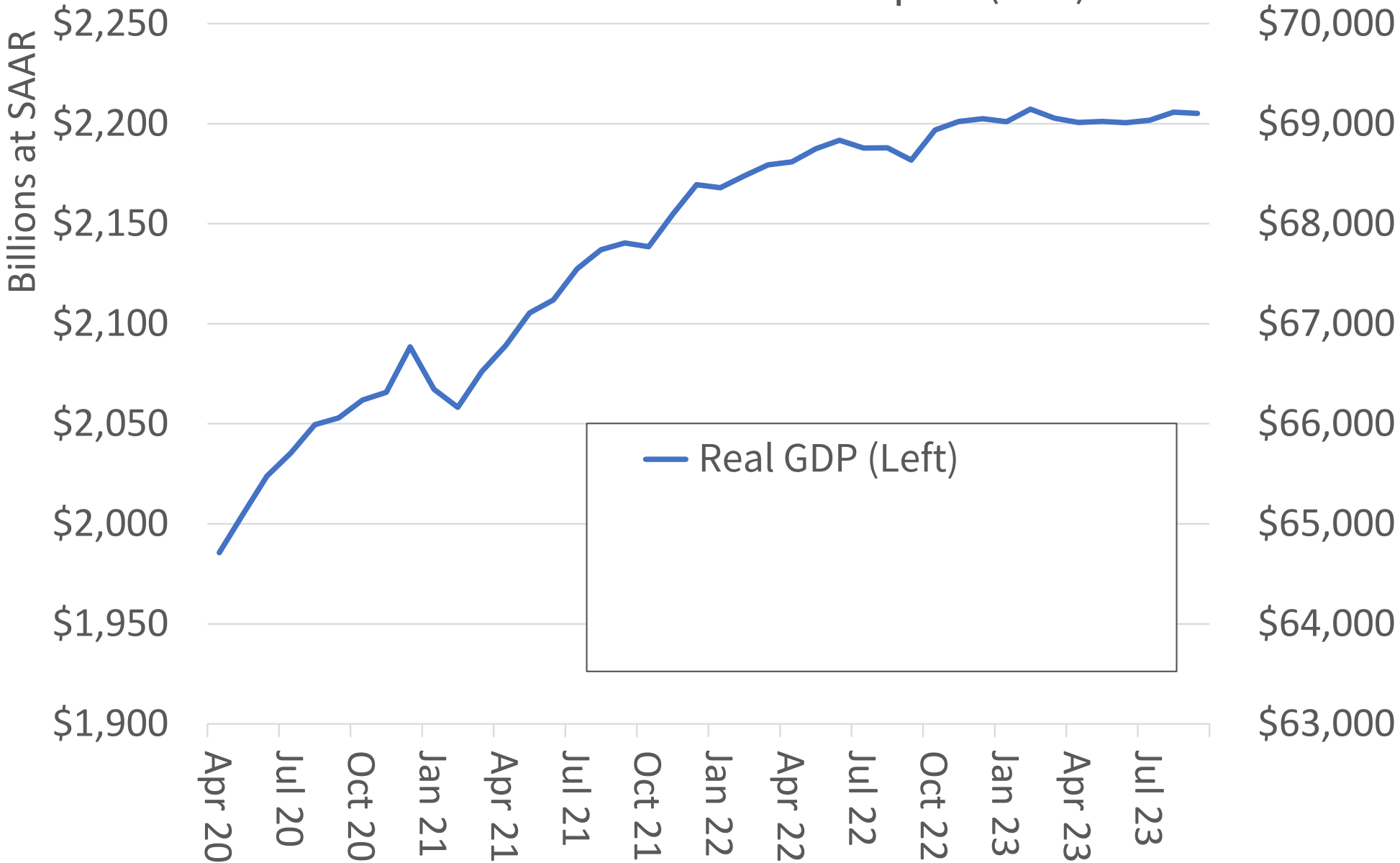
Now what about the risks?

Demand and interest rates

Over 2.2 Million Mortgages Set to Renew at Higher Rates in 2024 and 2025



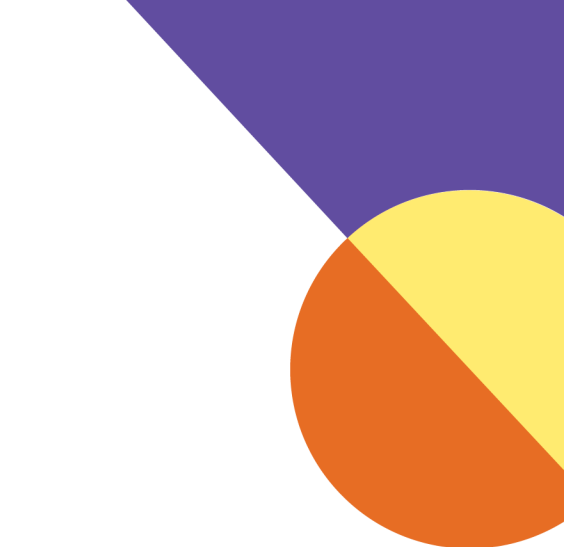
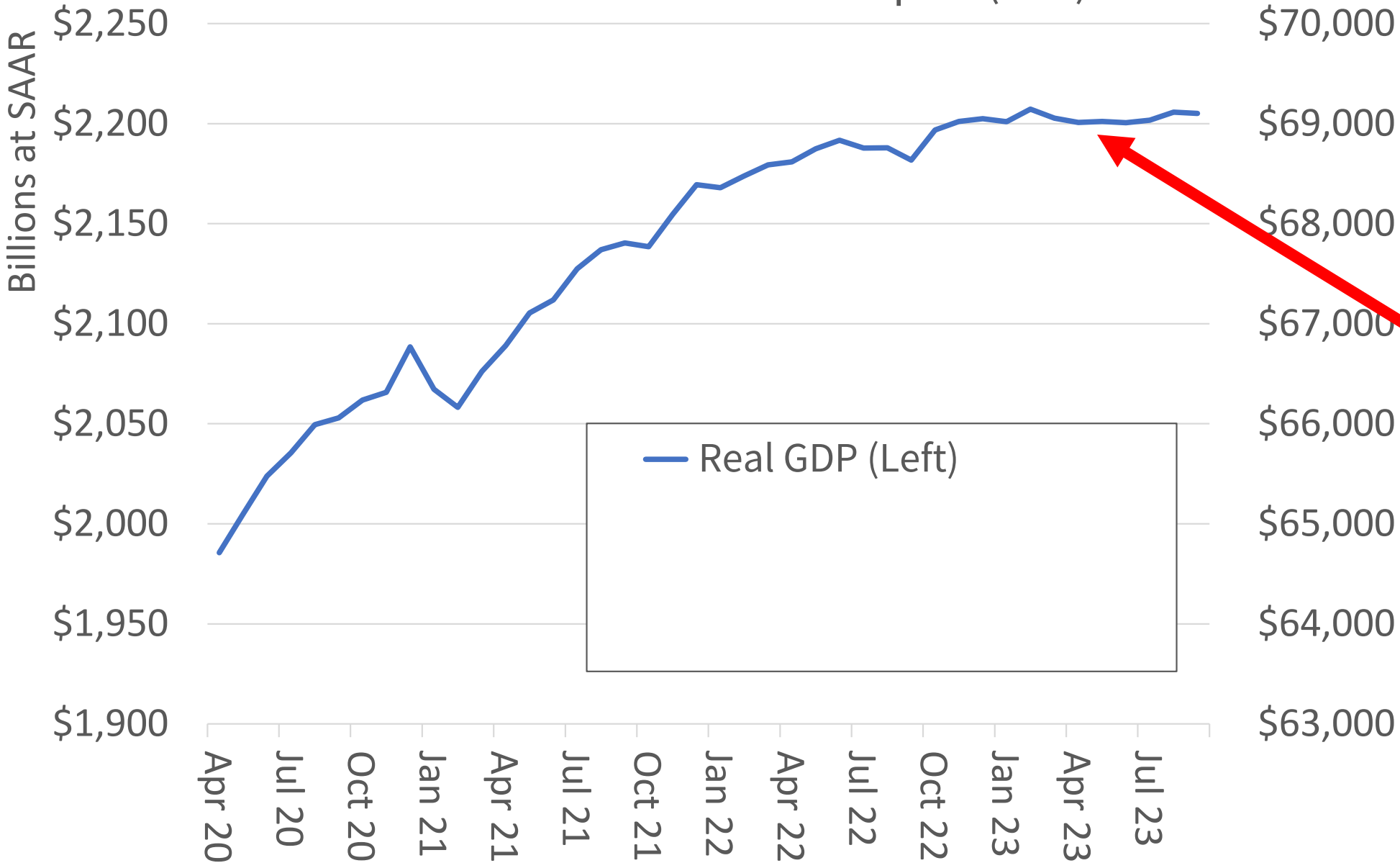
Real GDP vs Real GDP Per Capita (15+)



Source: Statistics Canada



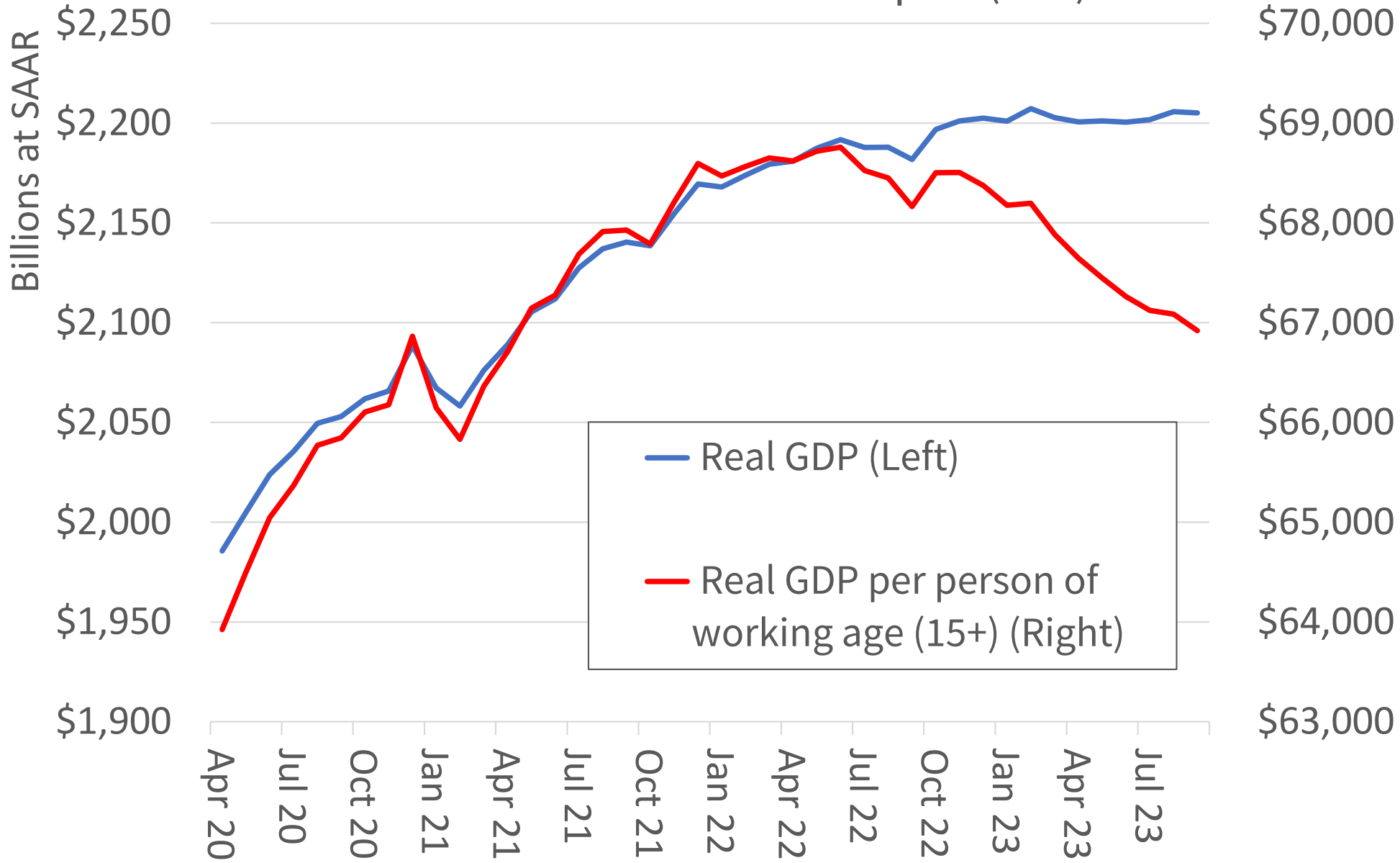
Real GDP vs Real GDP Per Capita (15+)



Keeping our heads just above water = not technically a recession

Source: Statistics Canada

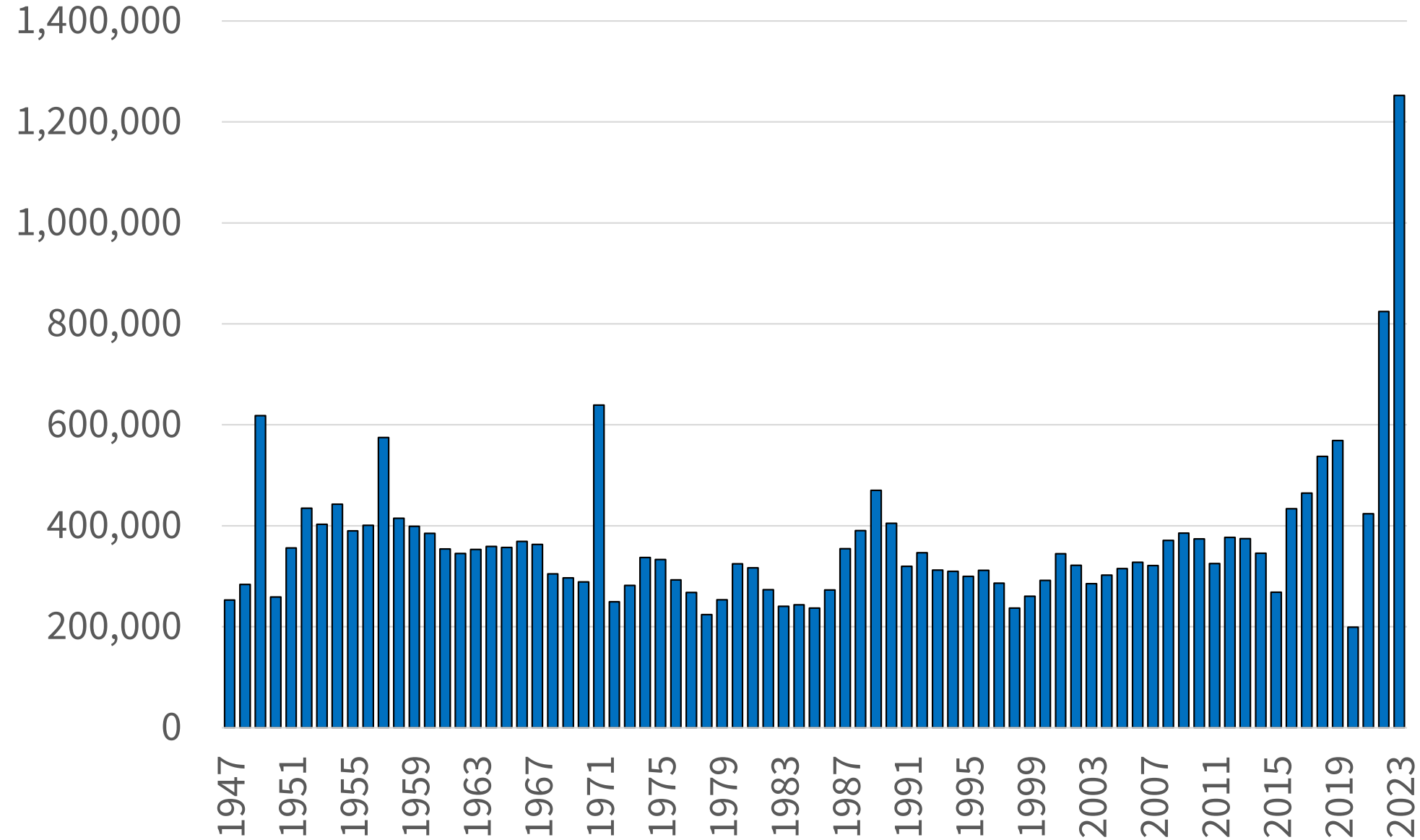
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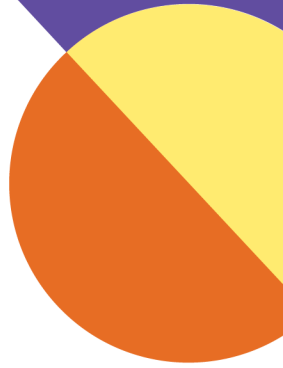
Source: Statistics Canada



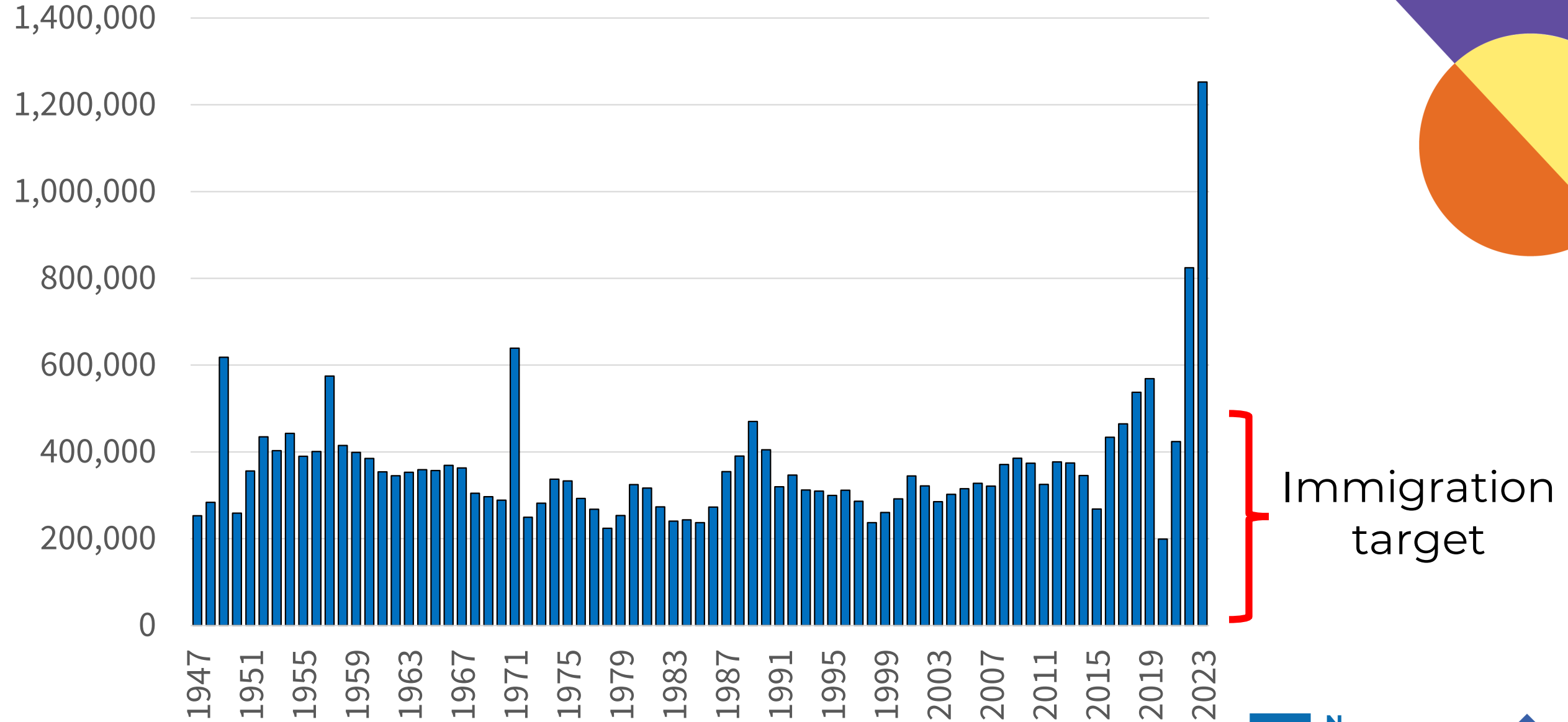
Canada Annual Population Growth



Source: Statistics Canada

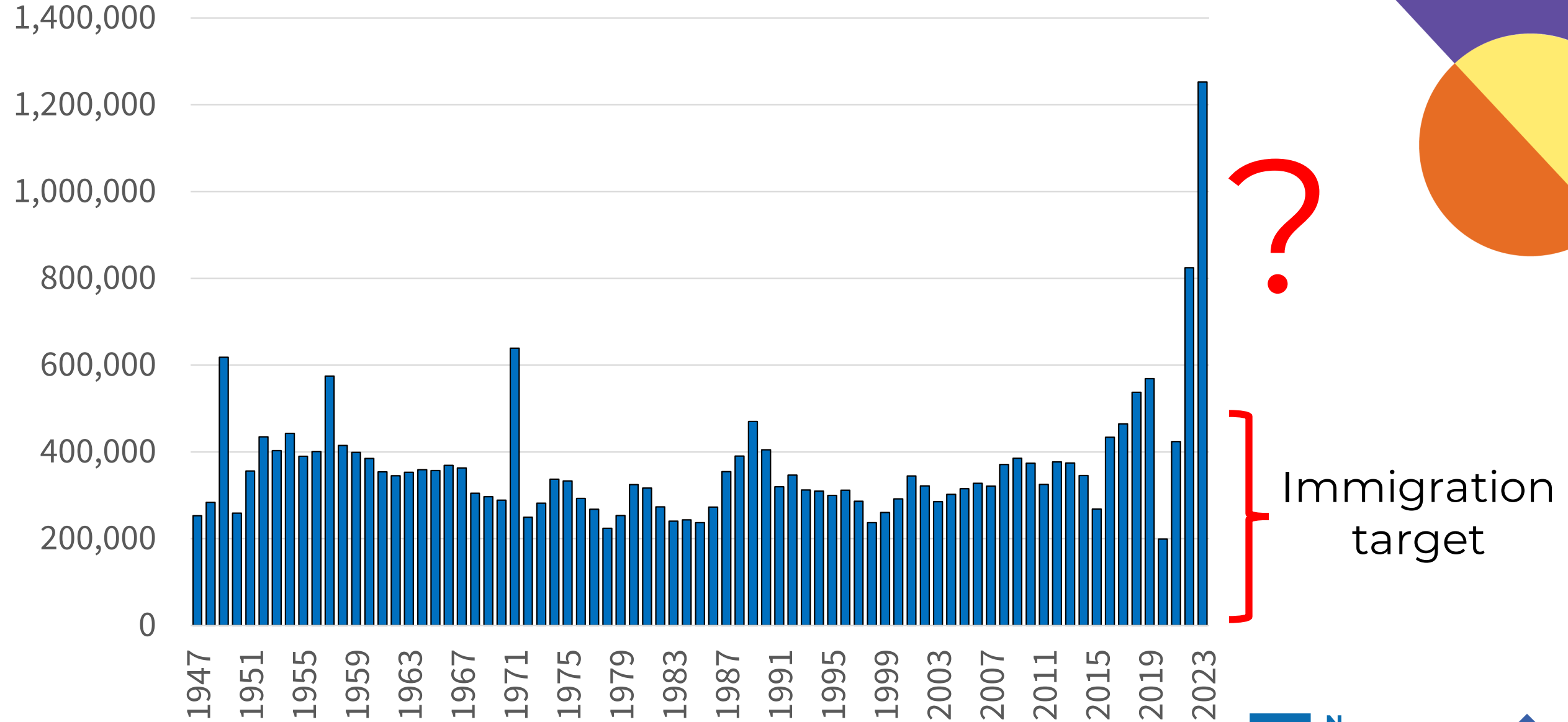


Canada Annual Population Growth



Source: Statistics Canada

Canada Annual Population Growth



Source: Statistics Canada



Canada Annual Population Growth



CTV NEWS

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POLITICS News

"That volume is disconcerting," Miller said, in reference to the number of international students in Canada. "It's really a system that has gotten out of control."



Immigration target

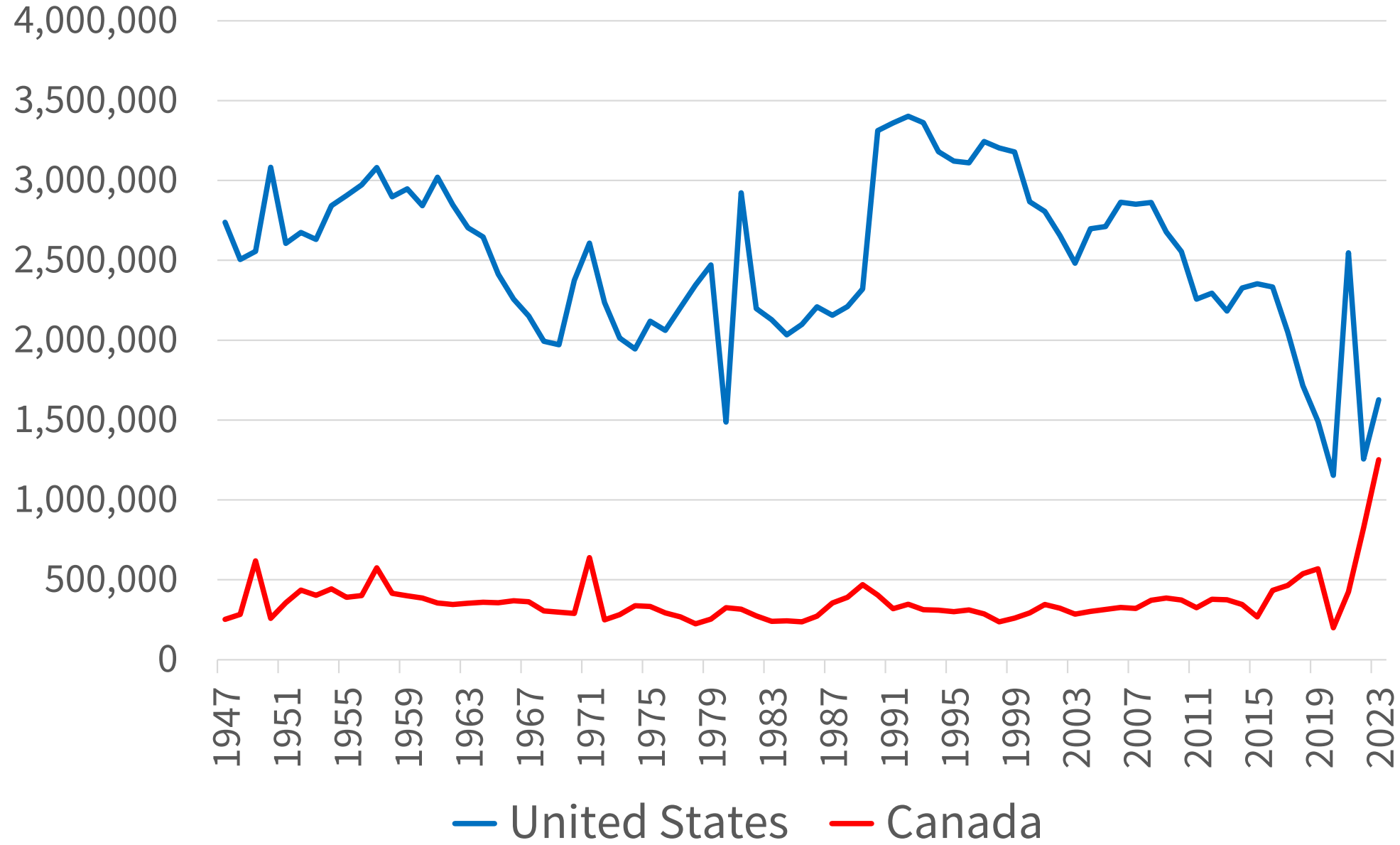
1,400,000
1,200,000
1,000,000
800,000
600,000
400,000
200,000
0

1947 1951 1955 1959 1963 1967 1971 1975 1979 1983 1987 1991 1995 1999 2003 2007 2011 2015 2019 2023

Source: Statistics Canada



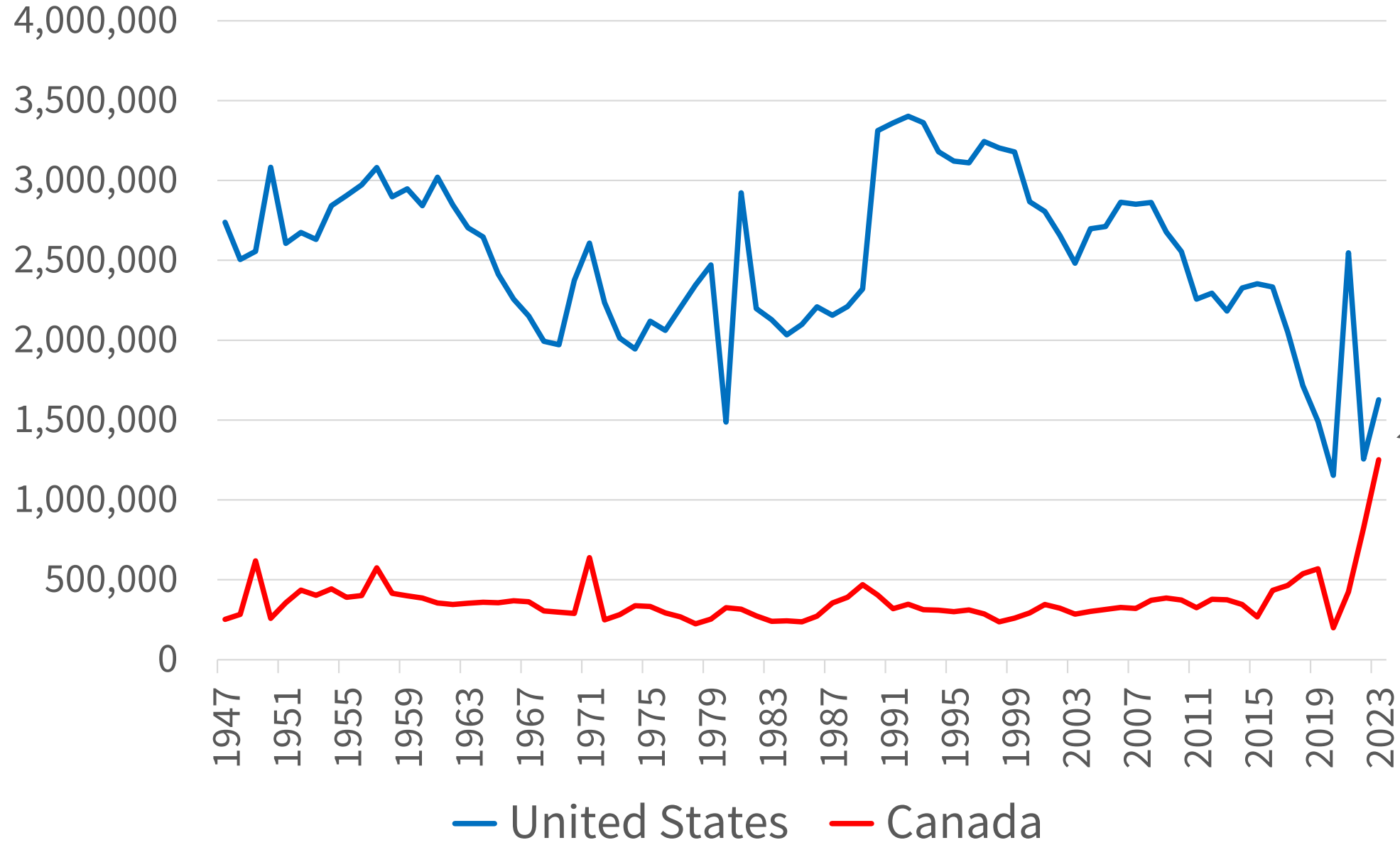
Annual Population Growth



Source: US Census Bureau, Statistics Canada

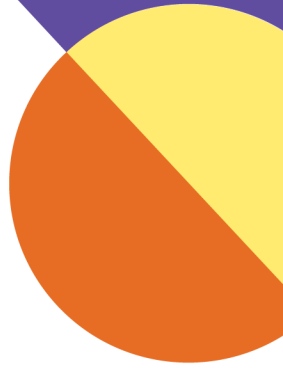
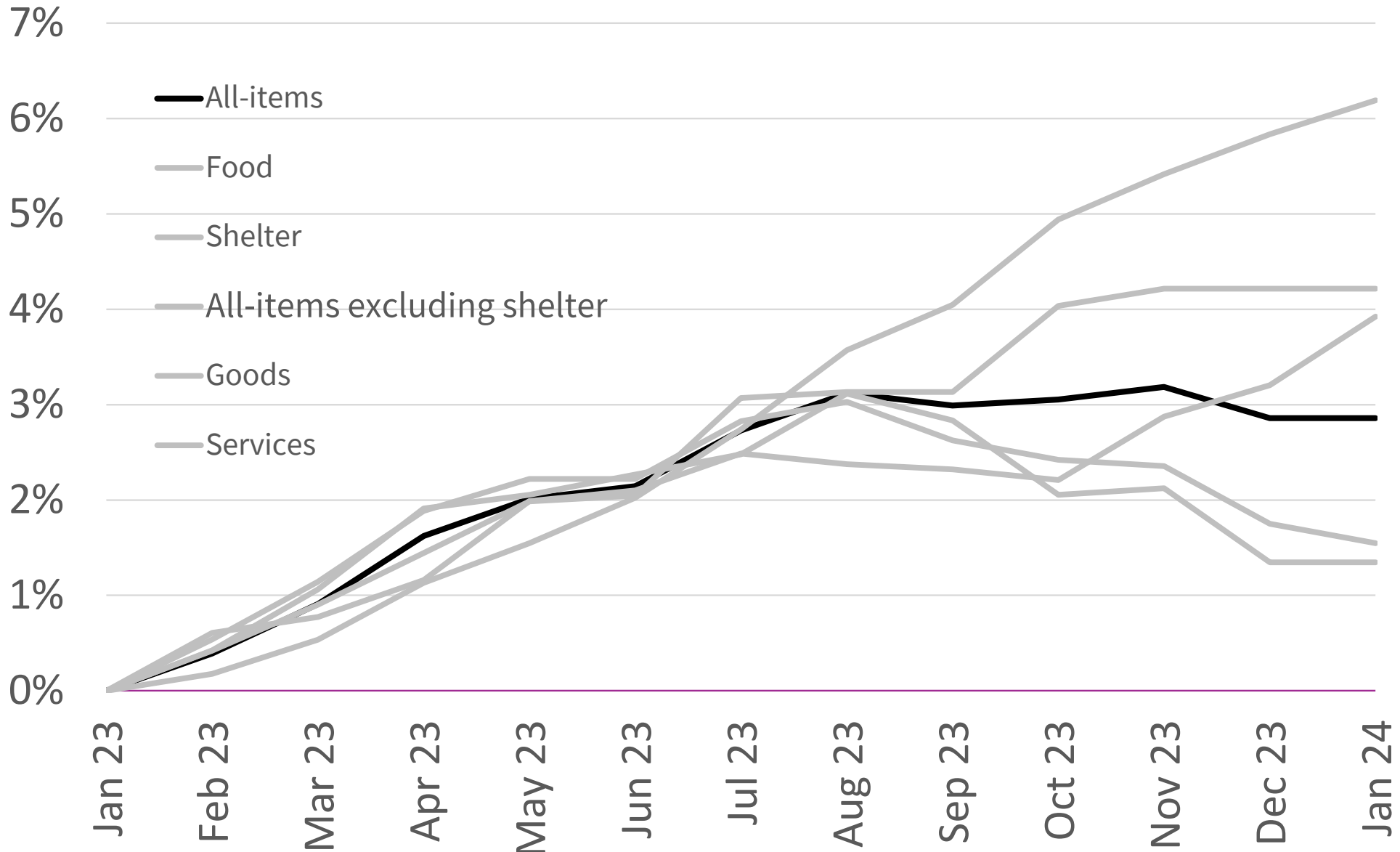


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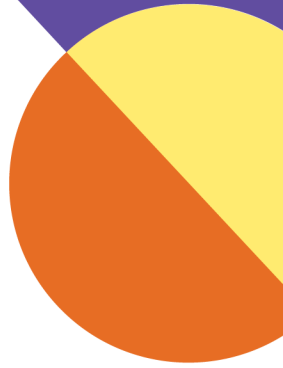
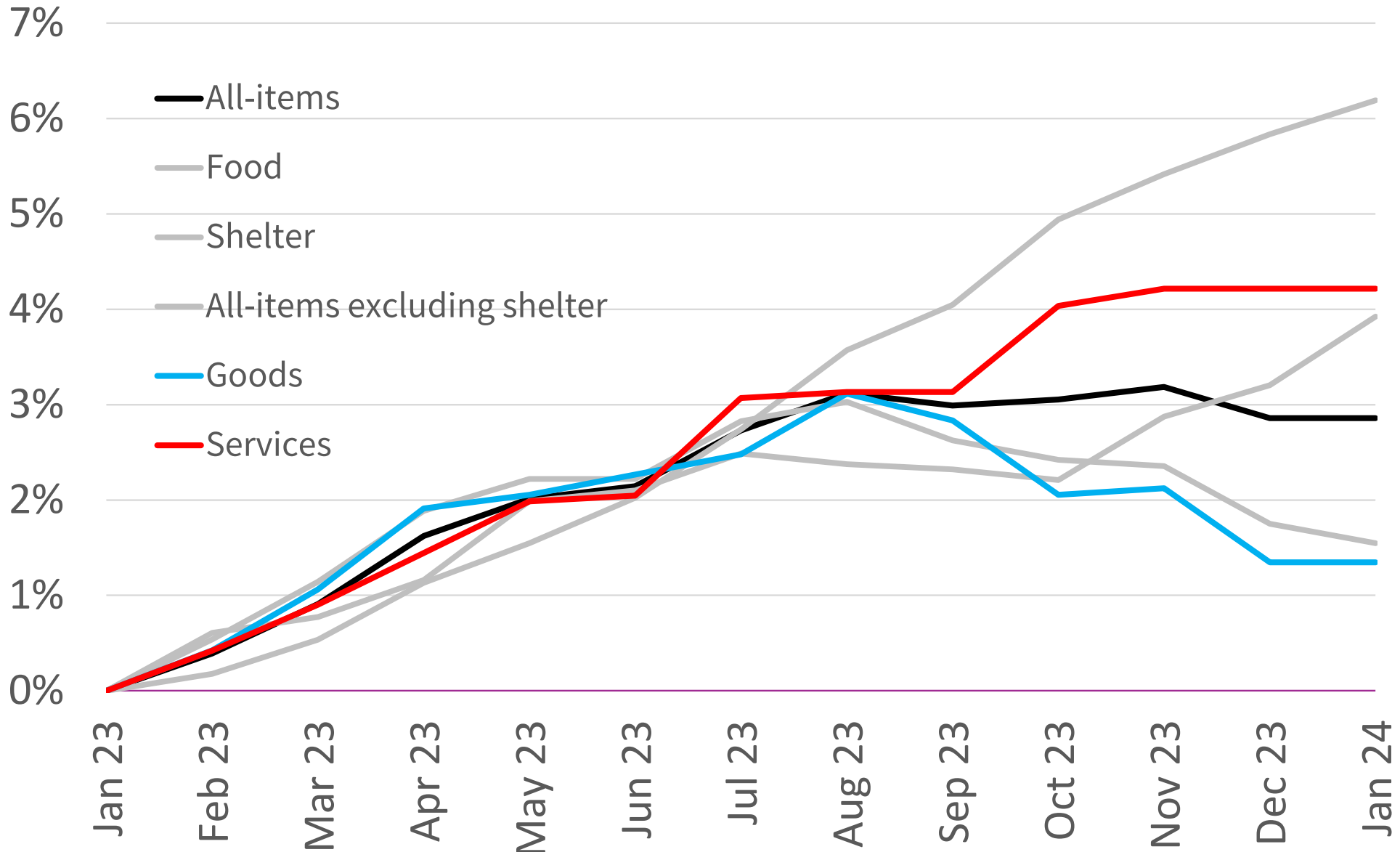


Source: US Census Bureau, Statistics Canada

CPI prices Y-Y are flat other than shelter and food



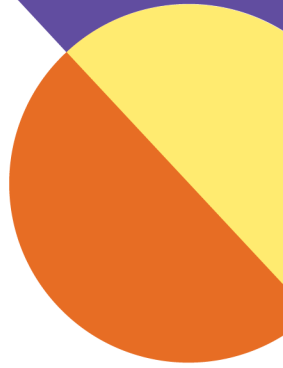
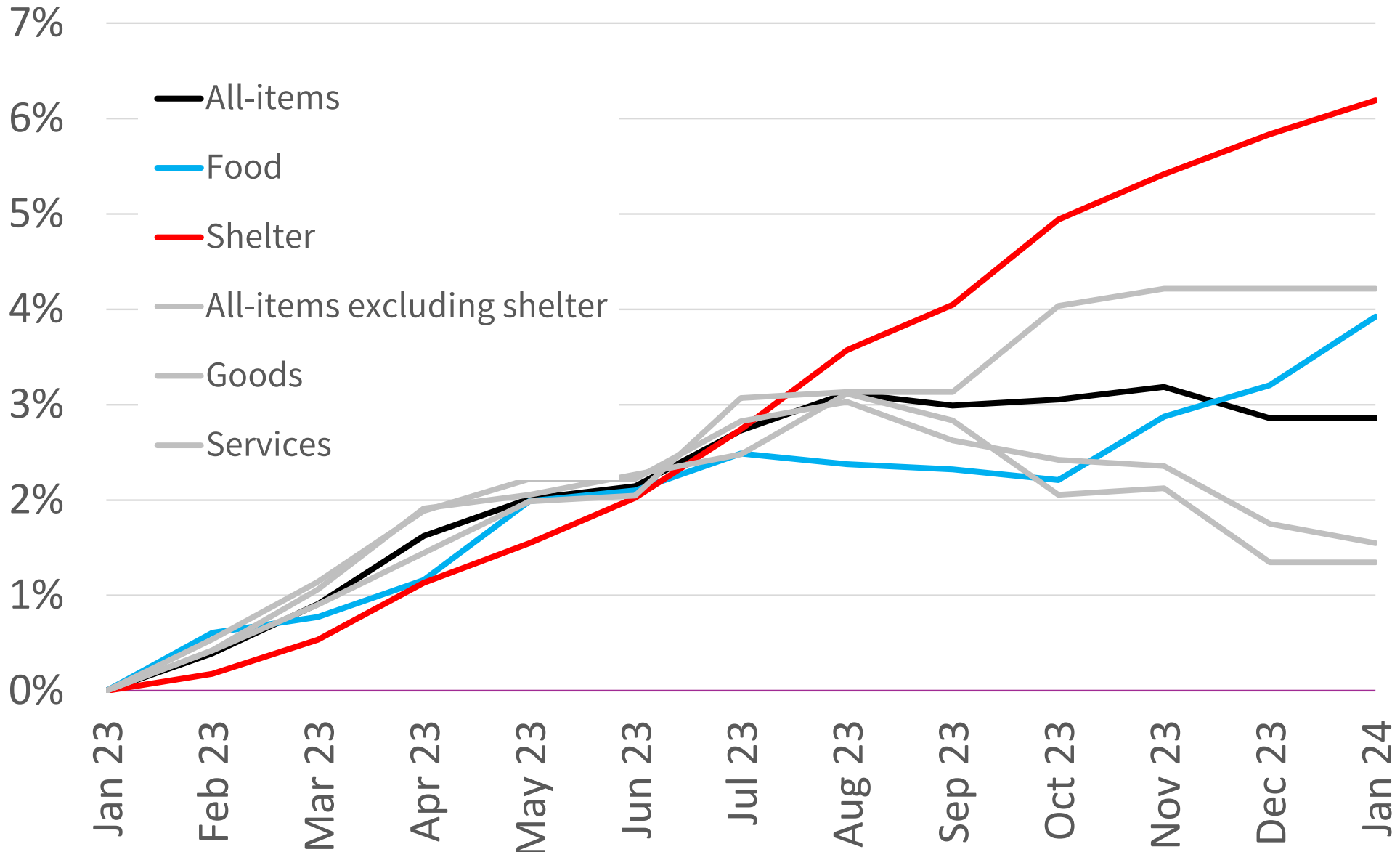
CPI prices Y-Y are flat other than shelter and food



Source: Statistics Canada



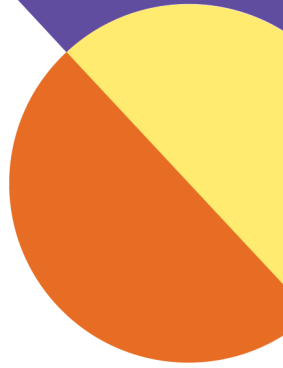
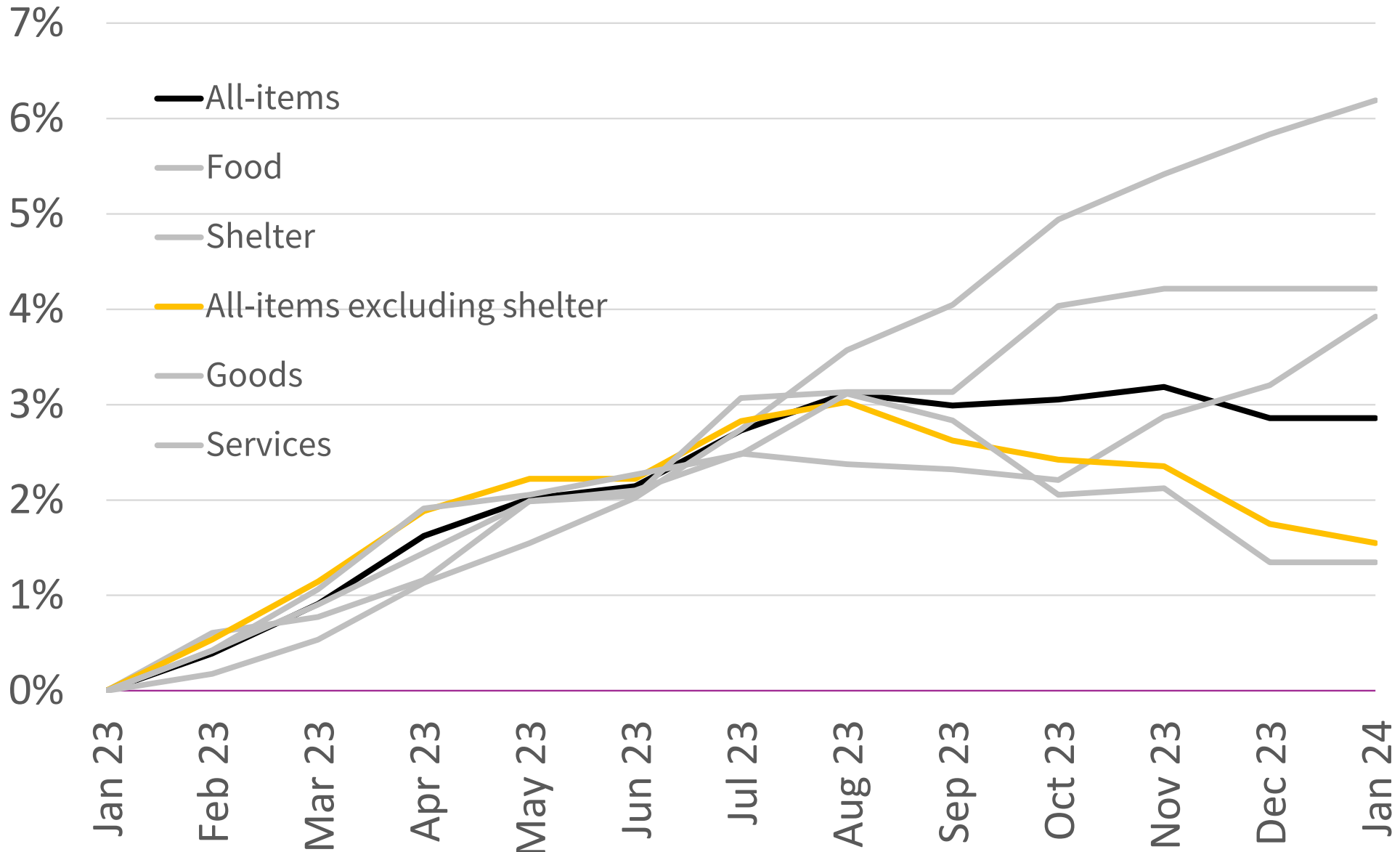
CPI prices Y-Y are flat other than shelter and food



²⁷Source: Statistics Canada



CPI prices Y-Y are flat other than shelter and food



Source: Statistics Canada



Table 3: Projected supply gaps, 2022 and 2023 reports (in million units)

	Estimate of supply gap in 2030, CMHC (2022)	Baseline scenario estimate of supply gap in 2030, 2023 update
Ontario	1.85	1.48
Quebec	0.62	0.86
British Columbia	0.56	0.61
Alberta	0.02	0.13
Manitoba	0.26	0.17
Saskatchewan	0.10	0.06
Nova Scotia	0.05	0.07
New Brunswick	-	-
Newfoundland & Labrador	0.06	0.06
Prince Edward Island	-	-
Canada	3.52	3.45

Source: CMHC calculations.

Note: There is no supply gap in New Brunswick or Prince Edward Island under this methodology. Numbers may not add up because of rounding.

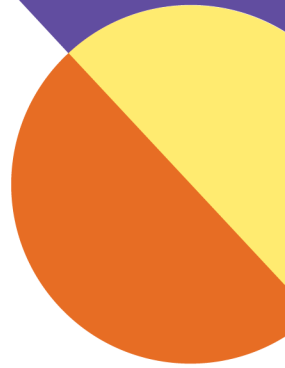


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Table 1: Core demographic data

	2023, Housing gap report 2022	2023, Housing gap report 2023
Population	38.8m	38.9m
Household	15.5m	15.7m

Source: CMHC calculations based on Oxford Economics, Stati

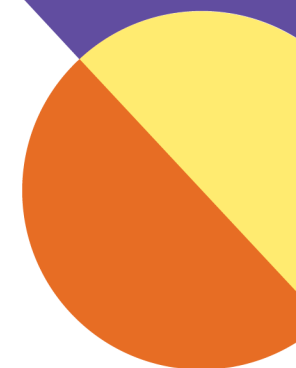


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**Canada's population
in 2023 = 40.5 million**

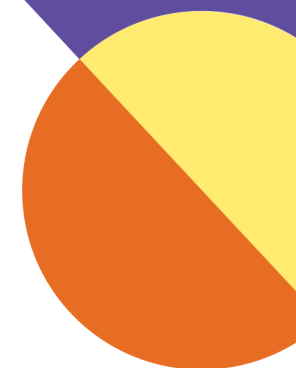


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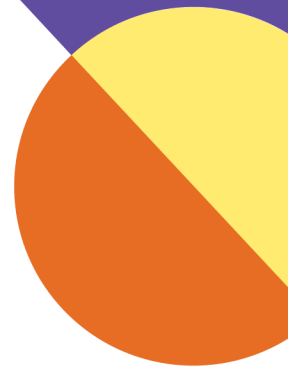
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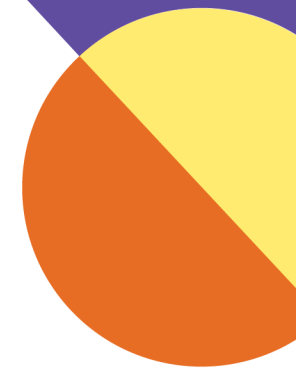
+4%





Steve Huebl · Real Estate · February 8, 2024

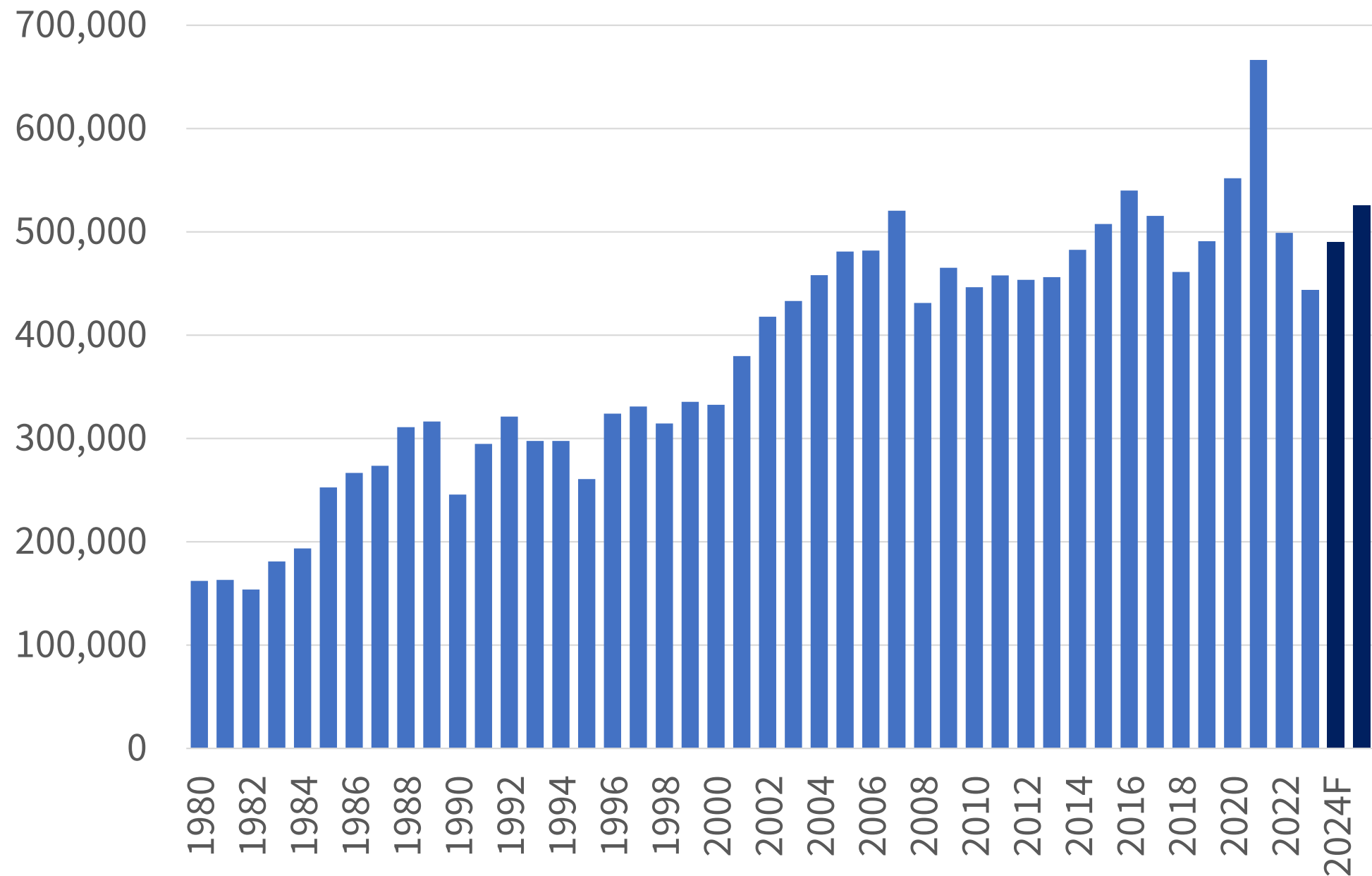
Housing supply gap worse than first thought: 5 million extra homes needed by 2030, CIBC says



Additional 5 million homes by 2030 would require scaling completions from 250,000 units per year to more than 1 million ... not possible.

Even the current (low) CMHC estimate of 3.5 million would require scaling to 830,000 units per year ... not possible.

Canada Home Sales

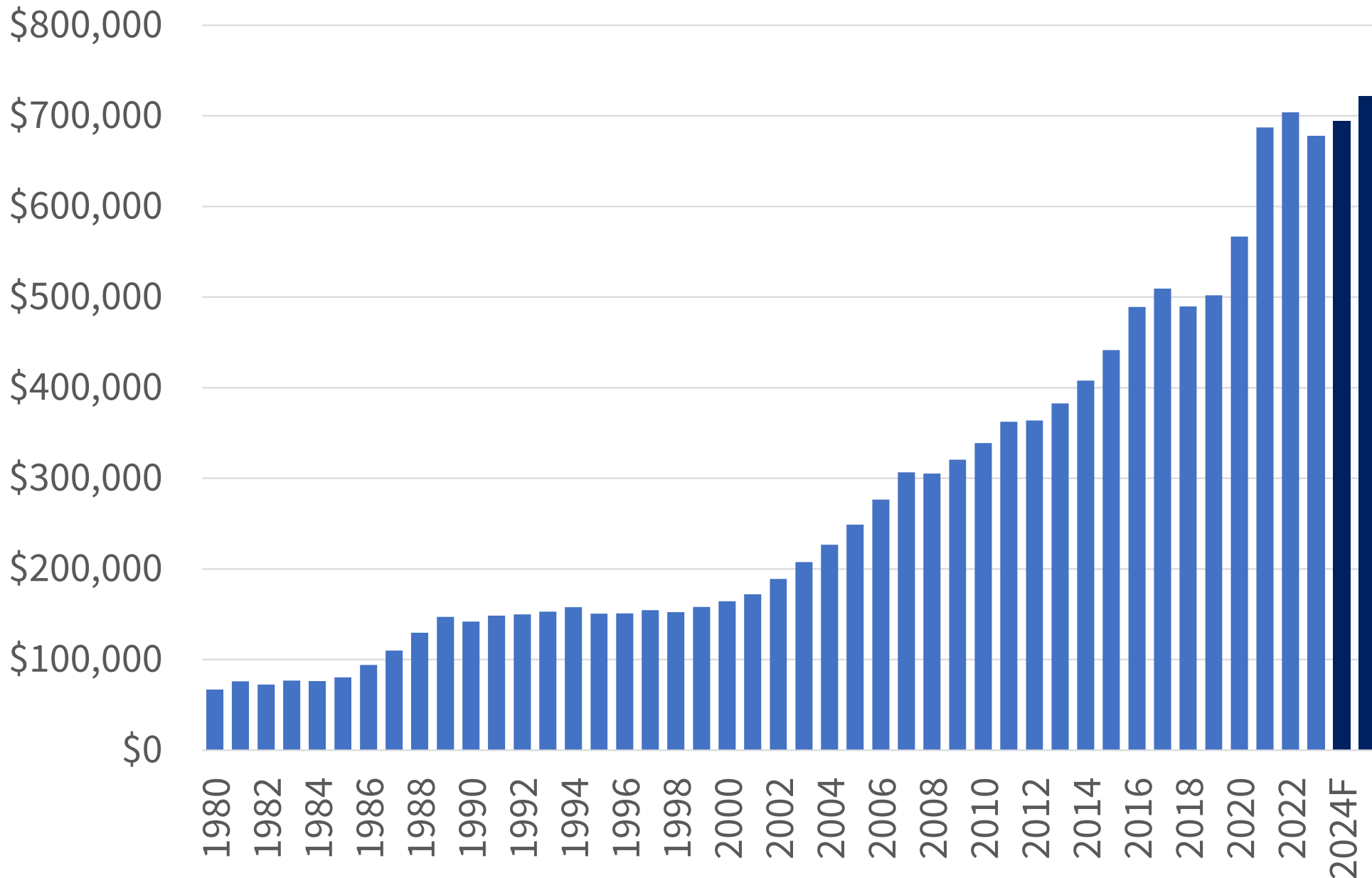


Reasonable
and
conservative

Source: CREA



Canada Average Home Price



Reasonable
and
conservative

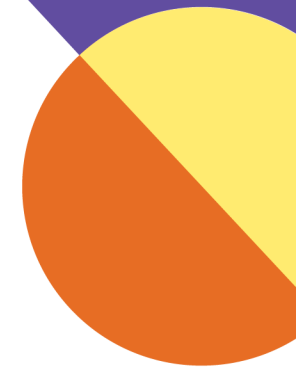
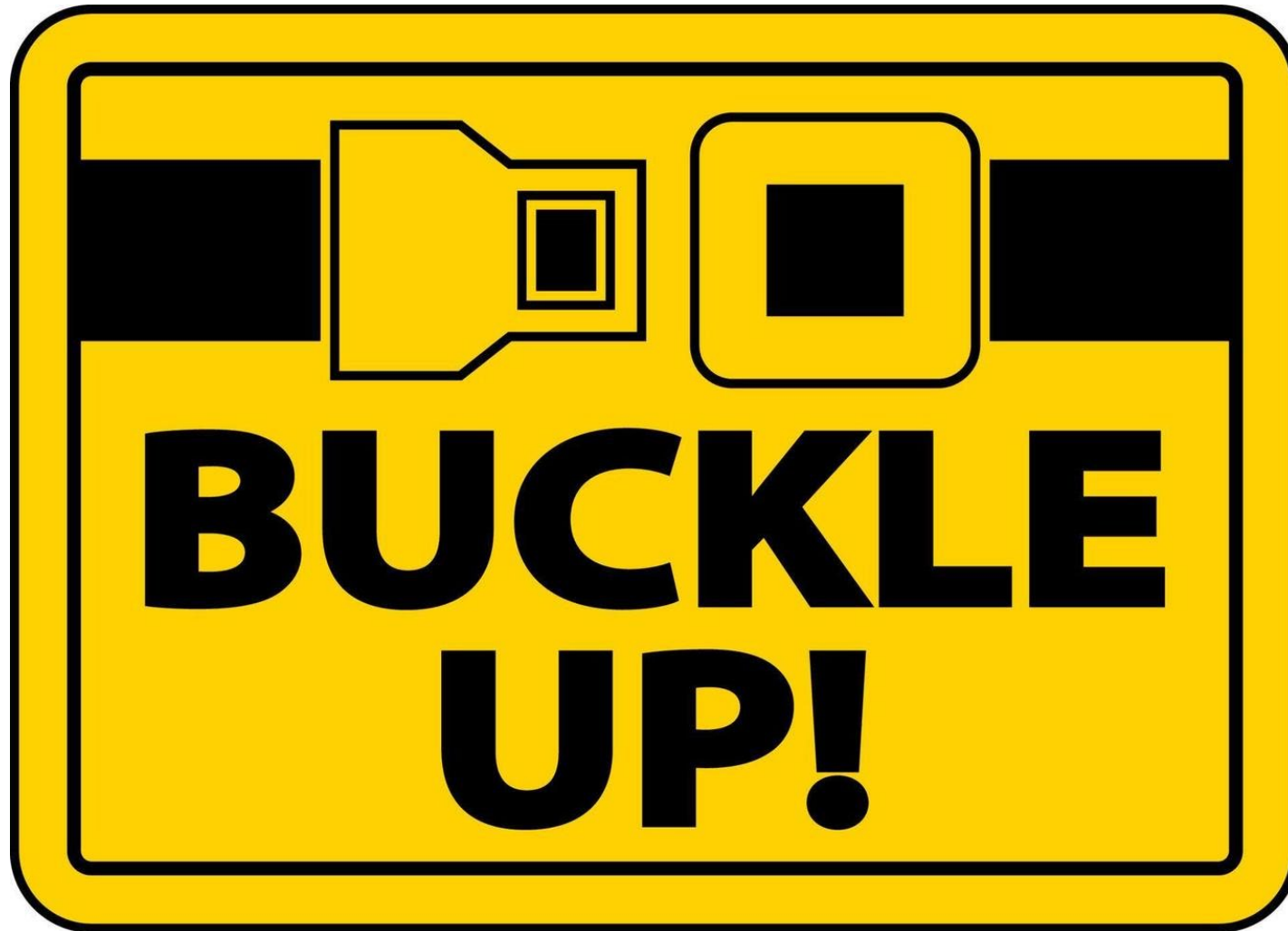
Record pent-up demand and
off-the-charts population growth

Weak economic activity, inflation
driven by rent and mortgage
interest, and years of higher
mortgage renewals in the pipeline

So, if everyone agrees the story
is lower rates will bring
demand off the sidelines in
2024 and beyond

Risks on both the demand and
interest rate fronts point to ...

Probably not all that reasonable and
conservative a year in 2024



THANK YOU.



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