Canadian Home Builders' Association

Altus Group

RBC

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HOME BUILDING WEEK IN CANADA

Housing Economic Outlook Panel

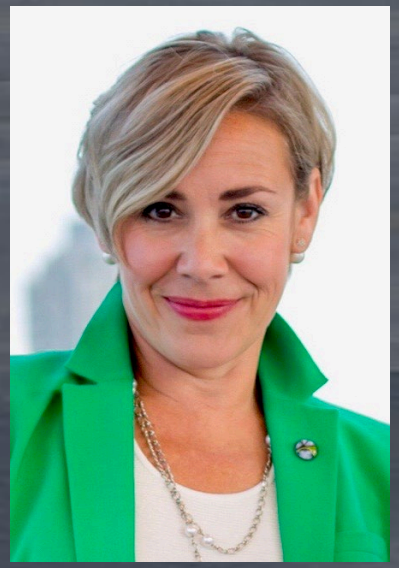
With CHBA National, Altus Group, RBC, and Sagen

Your Hosts

Kevin Lee
CEO
CHBA

Robert Hogue
Senior Economist
RBC

Peter Norman
VP & Chief Economist
Altus Group



Kiki Sauriol-Roode
VP, Business Dev't
Sagen

Agenda

- Logistic
- RBC
- Altus
- Sagen
- Q&A

Robert Hogue
Senior Economist
RBC

Peter Norman
VP & Chief Economist
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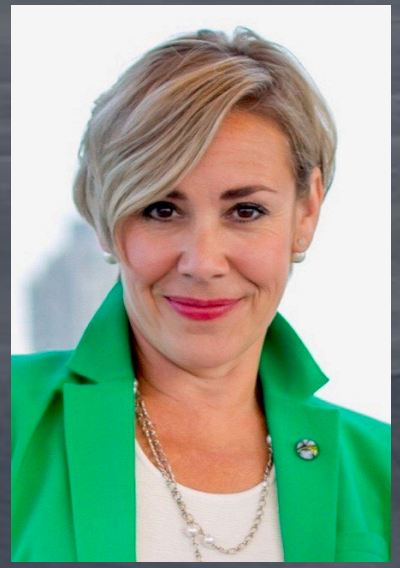

Kiki Sauriol-Roode
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Vaccination brightens Canada's economic outlook

Canadian Home Builders' Association

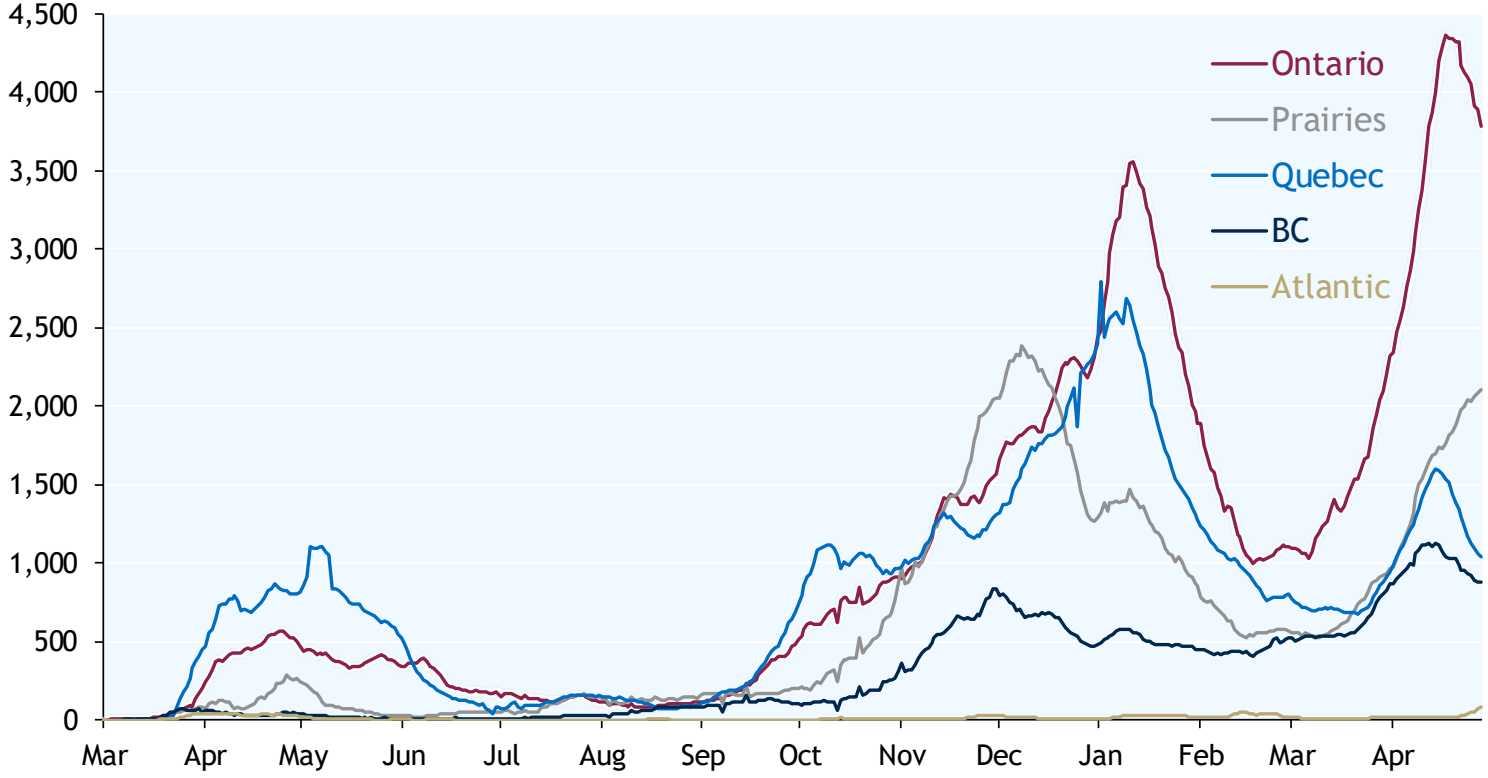
May 3, 2021

Robert Hogue (Senior Economist) (416) 974-6192 robert.hogue@rbc.com

Third wave of the pandemic has crested (in most of Canada)

Number of daily COVID-19 cases in Canada

7-day average



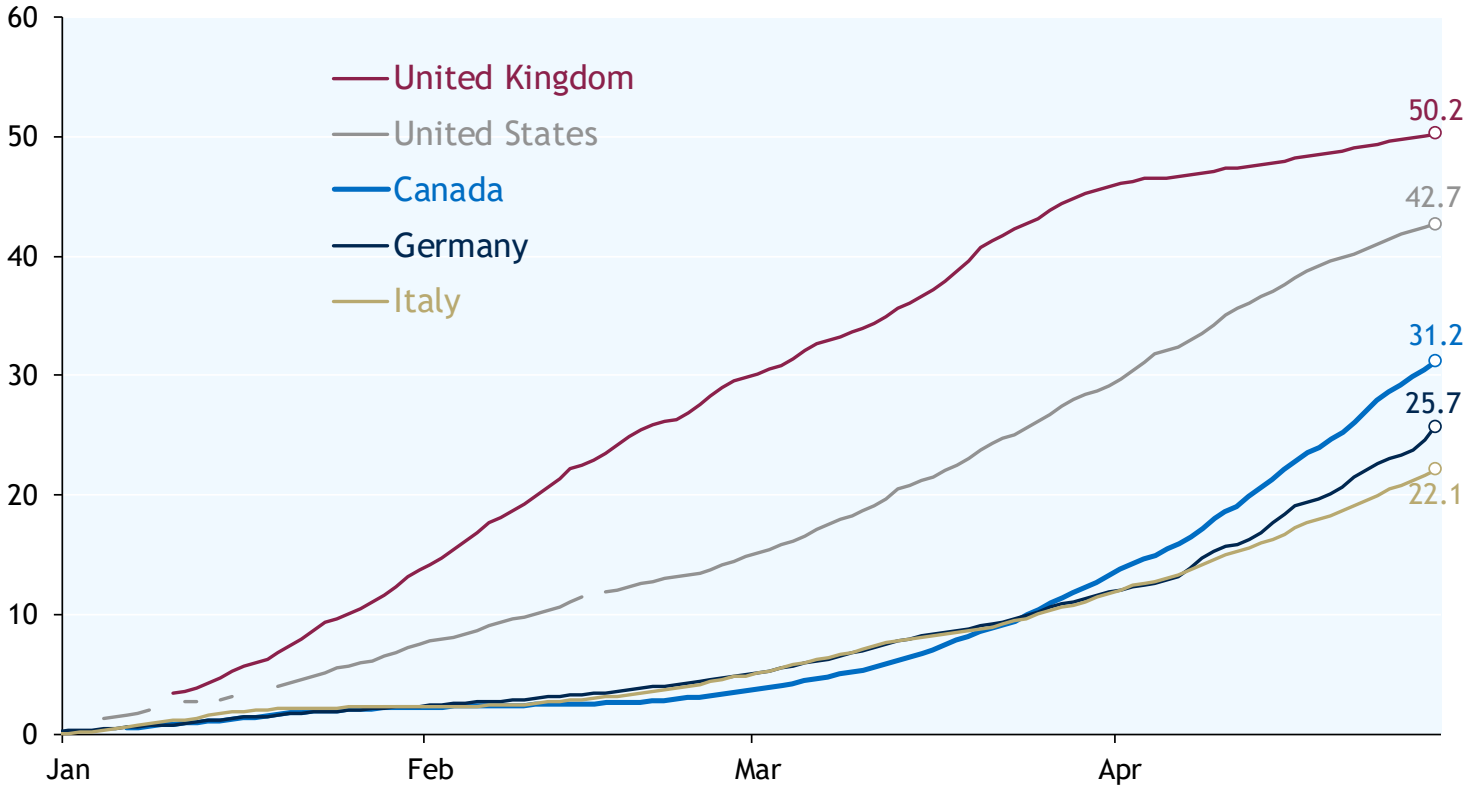
Source: Public Health Agency of Canada, RBC Economics

Hospitalizations should soon follow

Game changer: vaccination is progressing rapidly after early stumbles

People vaccinated

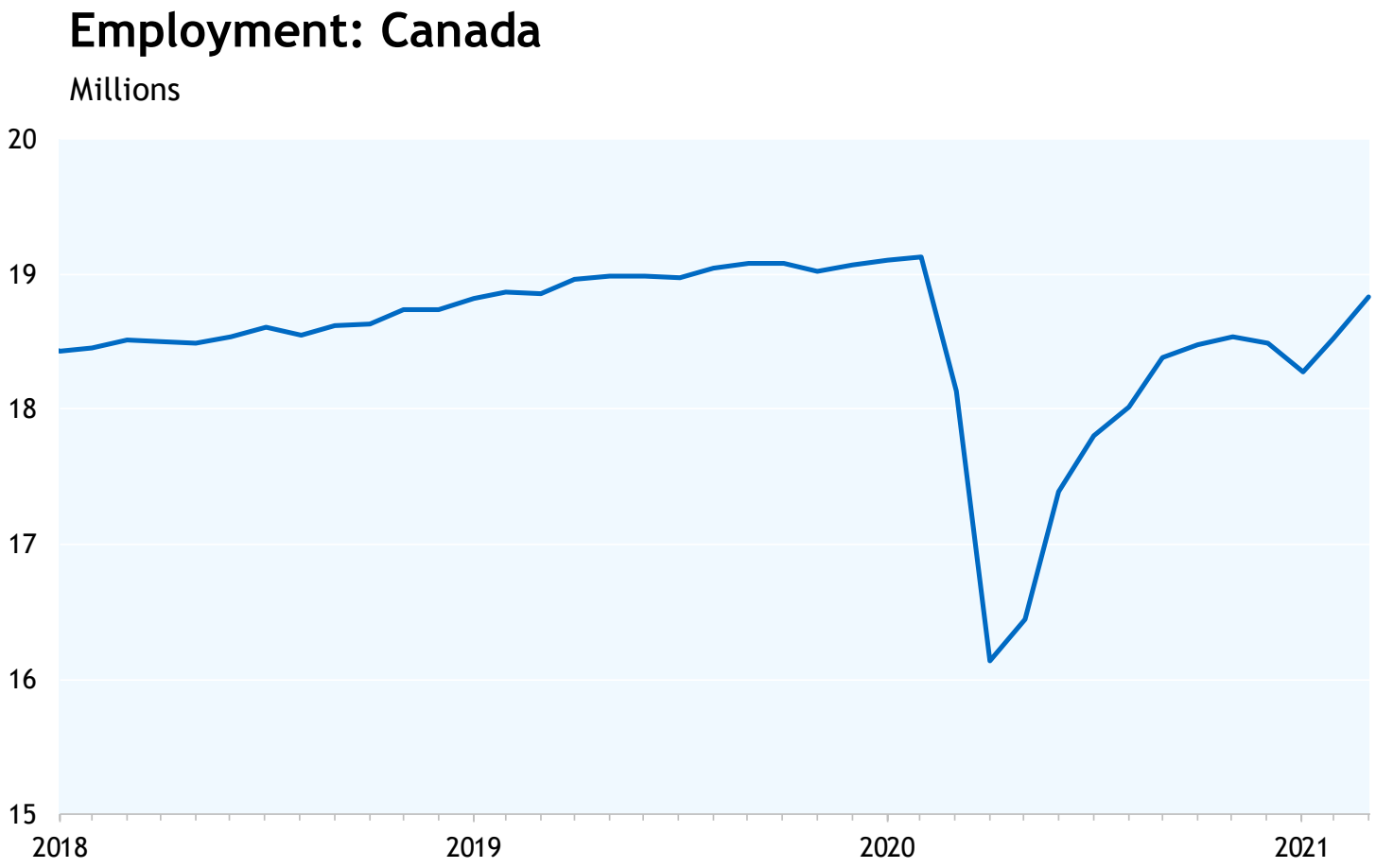
As % of population



Source: Our World in Data, RBC Economics

Massive increases in vaccine deliveries expected in across Canada in May-June

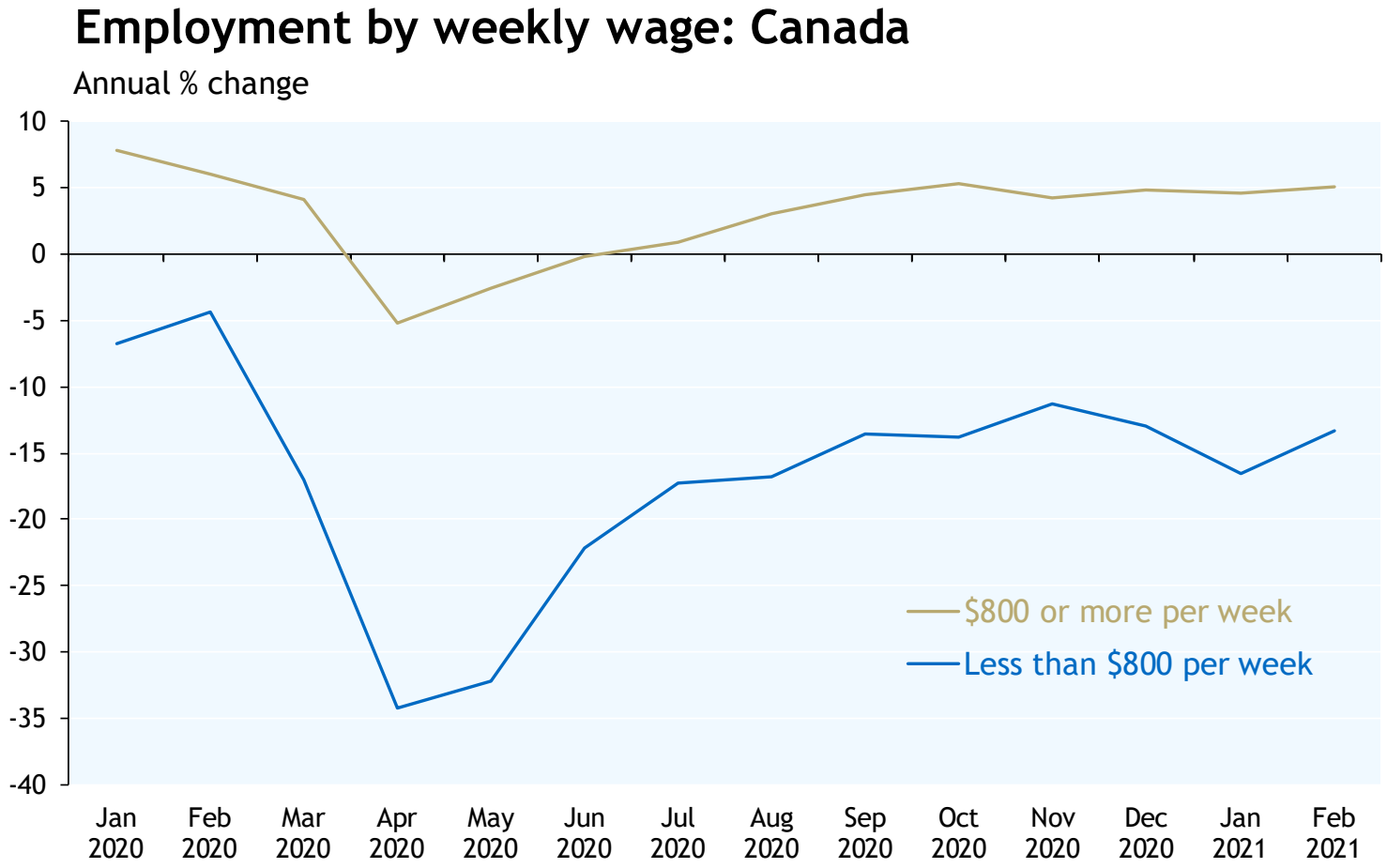
Despite recent turbulence, the economic recovery is in motion



Source: Statistics Canada, RBC Economics

90% of the jobs lost have been recovered; resilient economic growth through the second wave

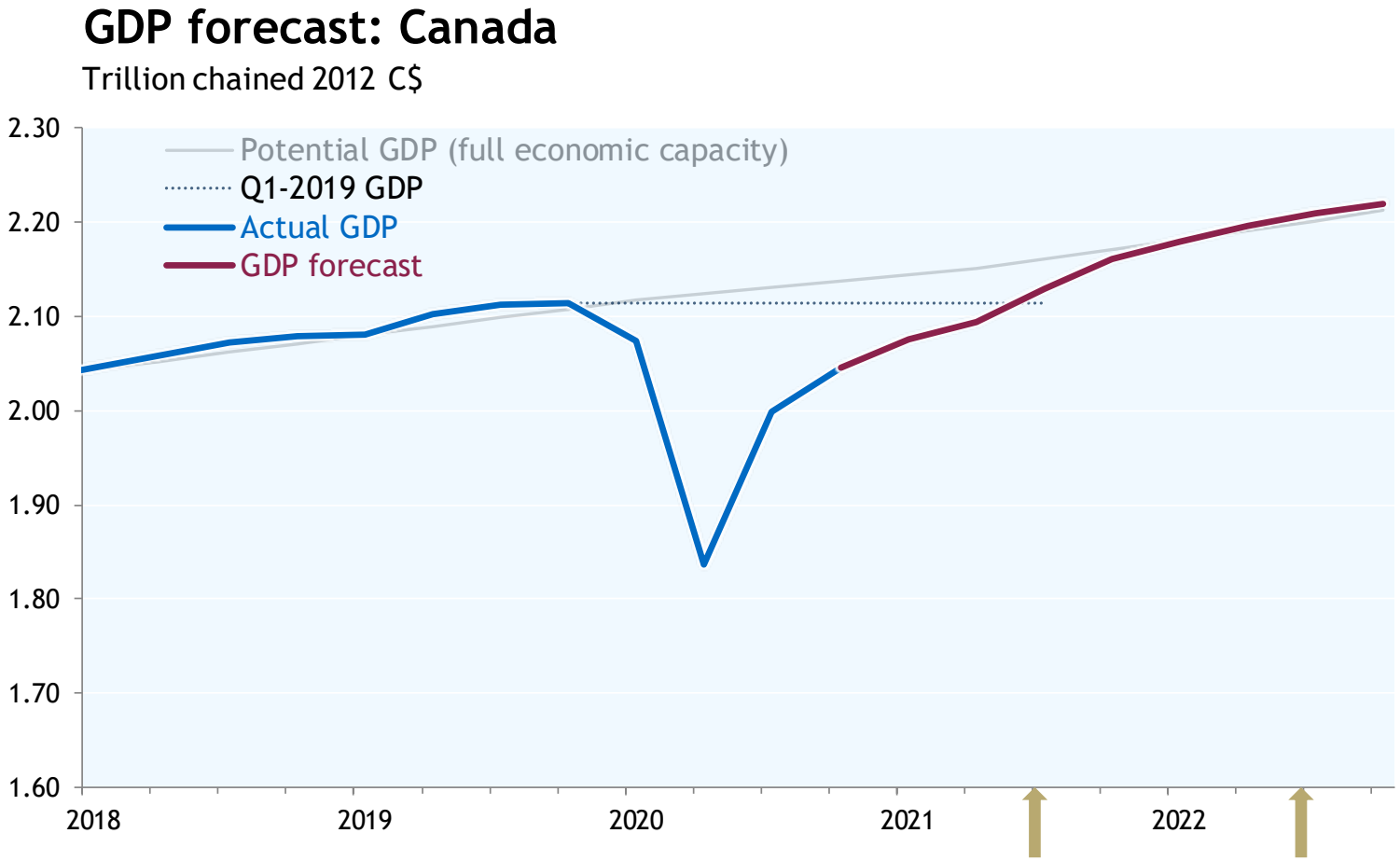
The last 10% of jobs to recover will require a full reopening



Source: Statistics Canada, RBC Economics

'K-shape' recovery: low-wage jobs in high-touch industries where the challenges are

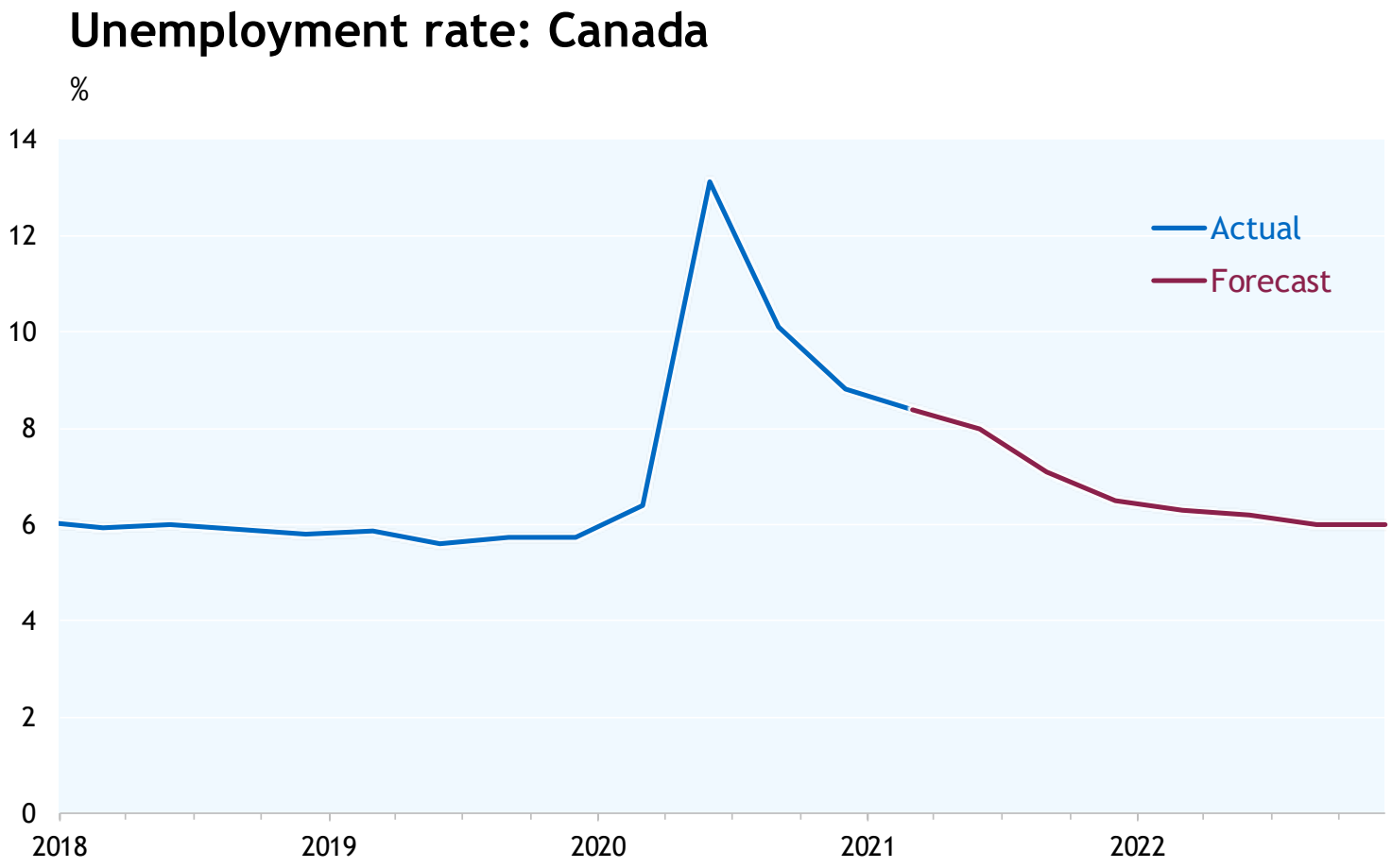
Canadian economy back to pre-covid levels (overall) by this fall



Source: Statistics Canada, Bank of Canada, RBC Economics

Economic slack entirely gone by mid-2022

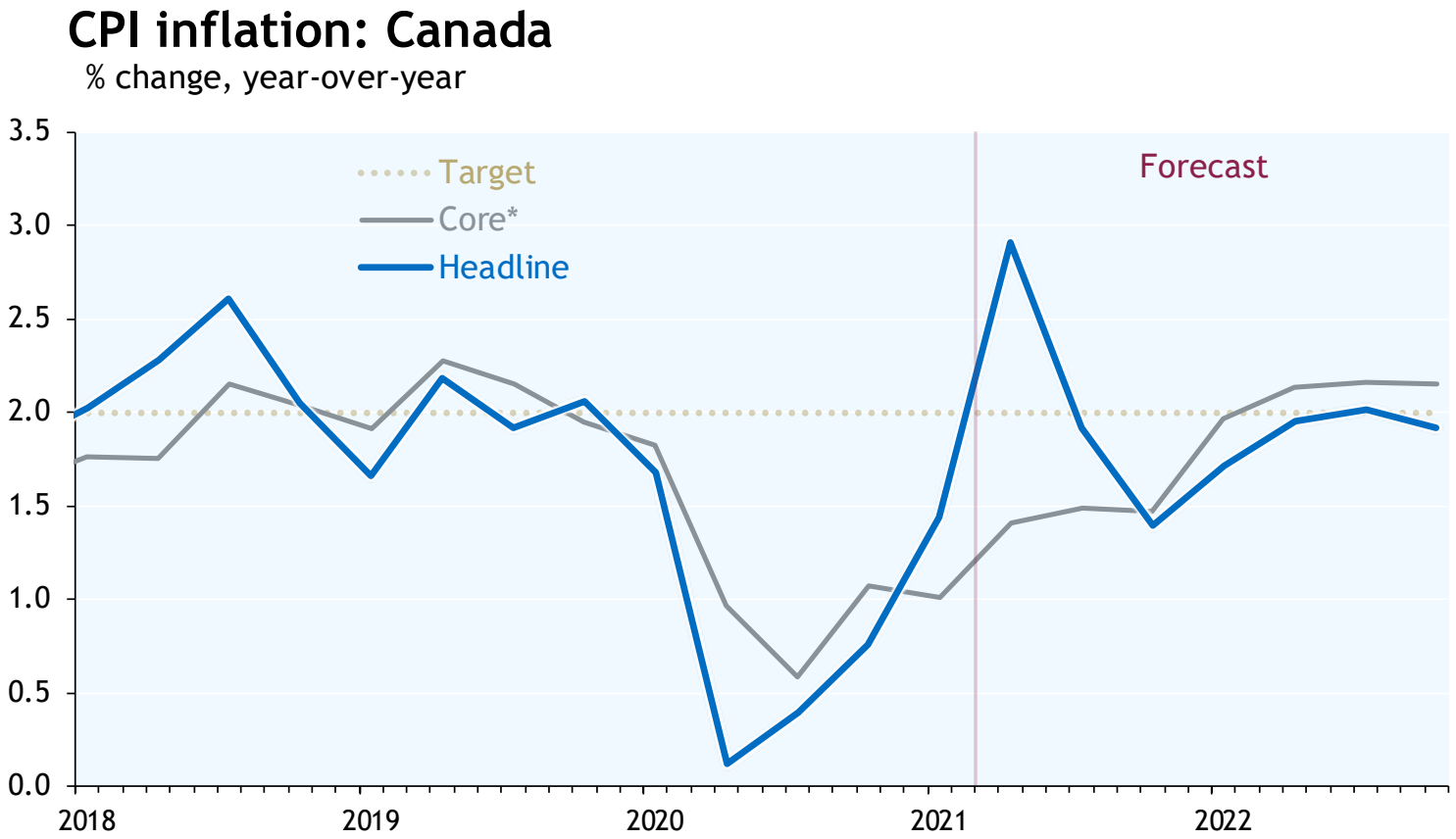
Our labour market will tighten again by the end of 2021



Source: Statistics Canada, RBC Economics

Expect labour shortage issues to intensify

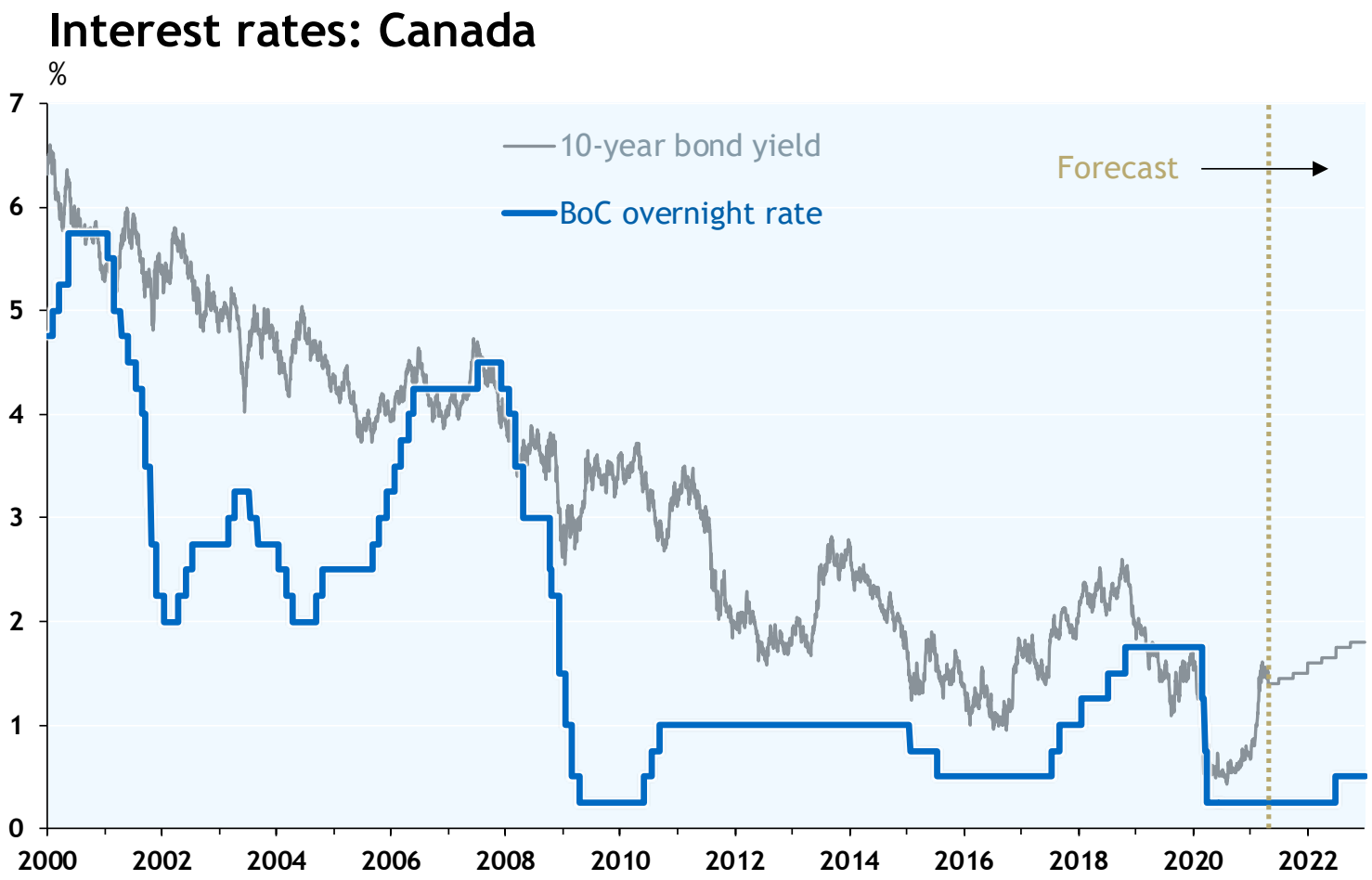
Headline inflation will spike in the coming months



*CPI excluding Food and Energy
Source: Statistics Canada, RBC Economics

Coming off low levels last year; part of soaring input costs will pass through to consumers

Bank of Canada committed to keeping interest rates exceptionally low



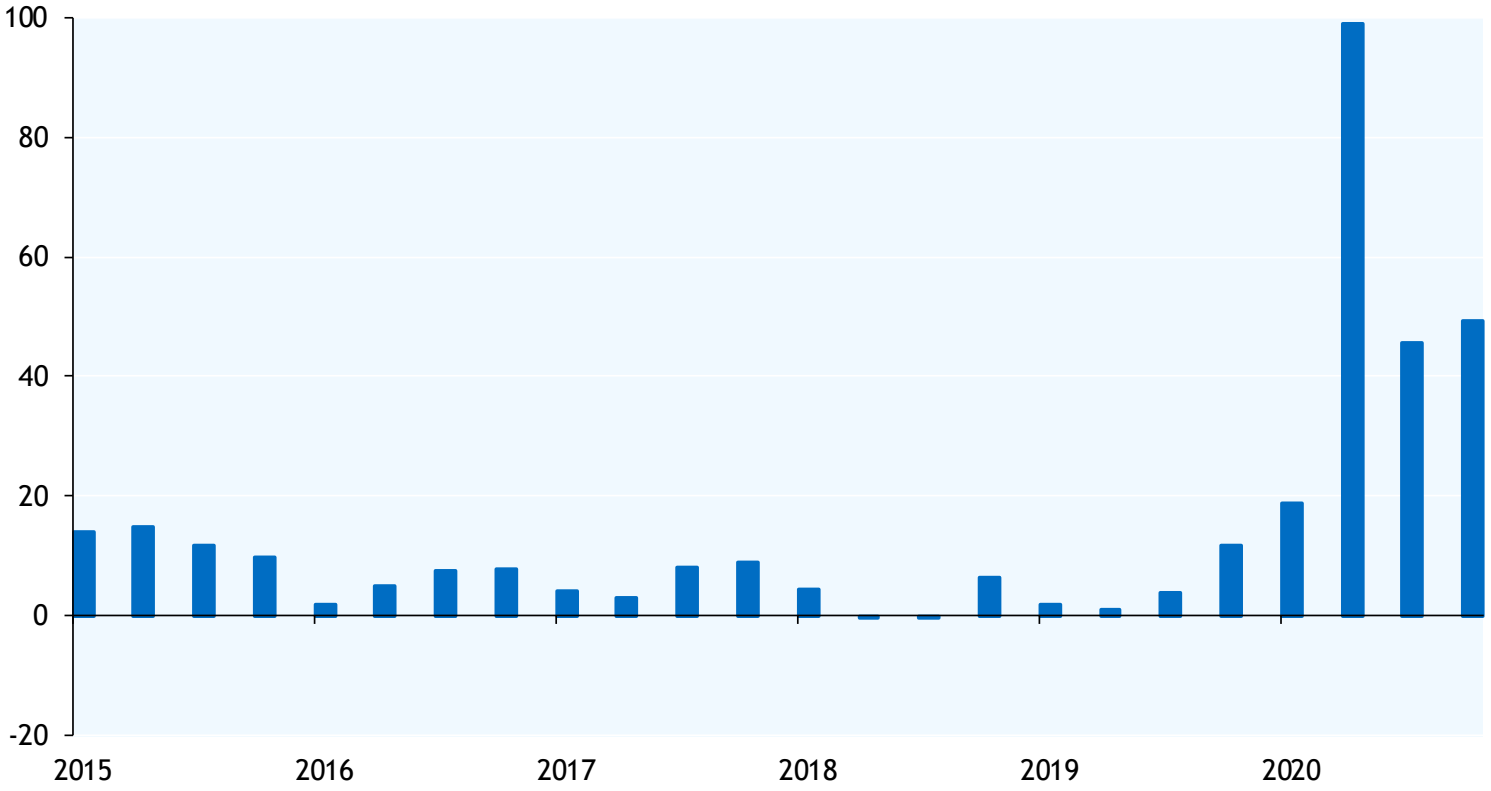
Source: Bank of Canada, RBC Economics

We expect it will begin to gradually raise its policy rate in mid-2022

Canadians have built up their savings like never before

Household savings: Canada

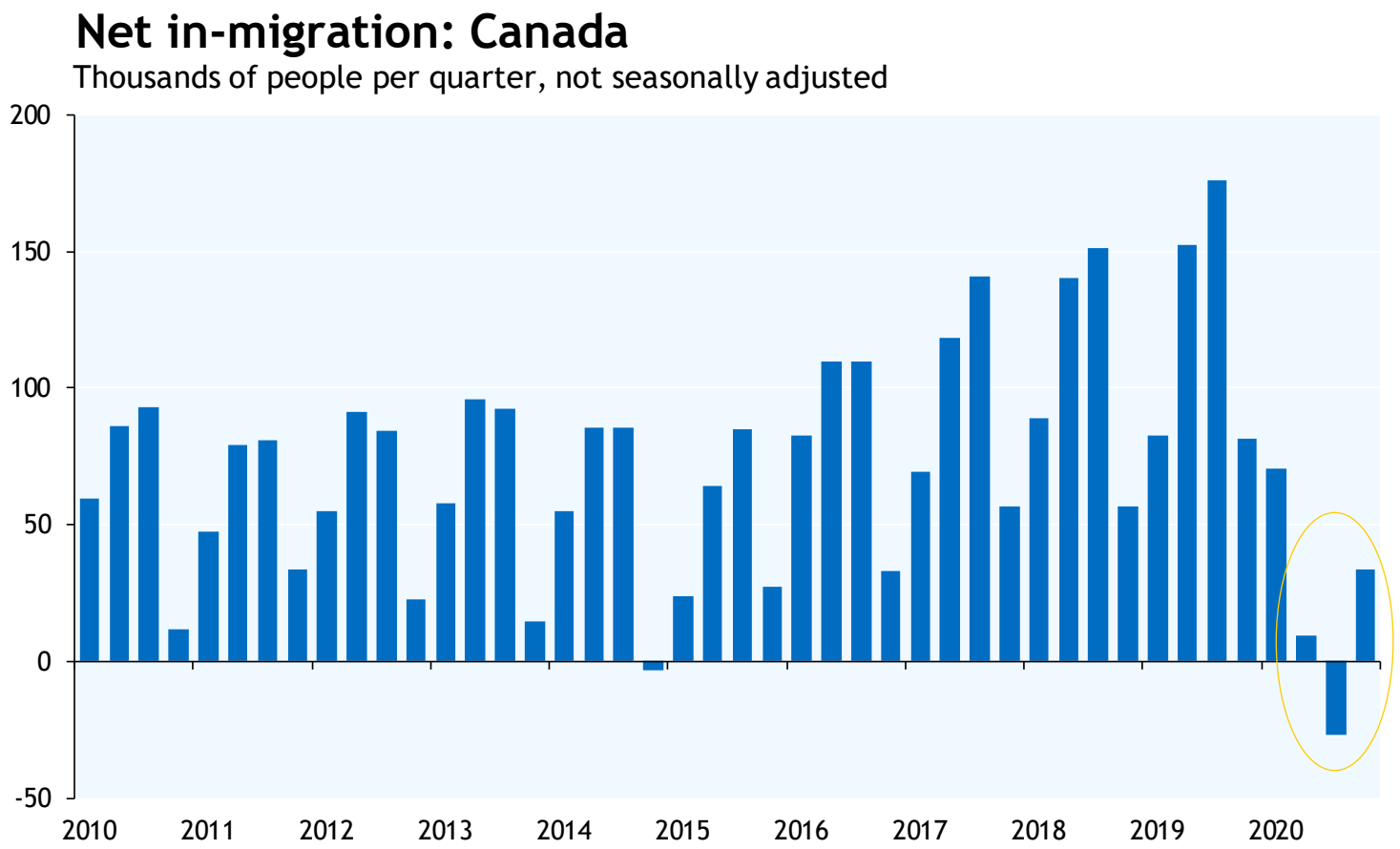
In billions of $ per quarter, seasonally-adjusted



Source: Statistics Canada, RBC Economics

Canadians' bank deposits are $180 billion above previous baseline

Strong immigration to resume once the pandemic is under control



Source: Statistics Canada, RBC Economics

Canada has increased its immigration targets for the next three years

For more from RBC Economics, visit our website

http://www.rbc.com/economics/

https://thoughtleadership.rbc.com/

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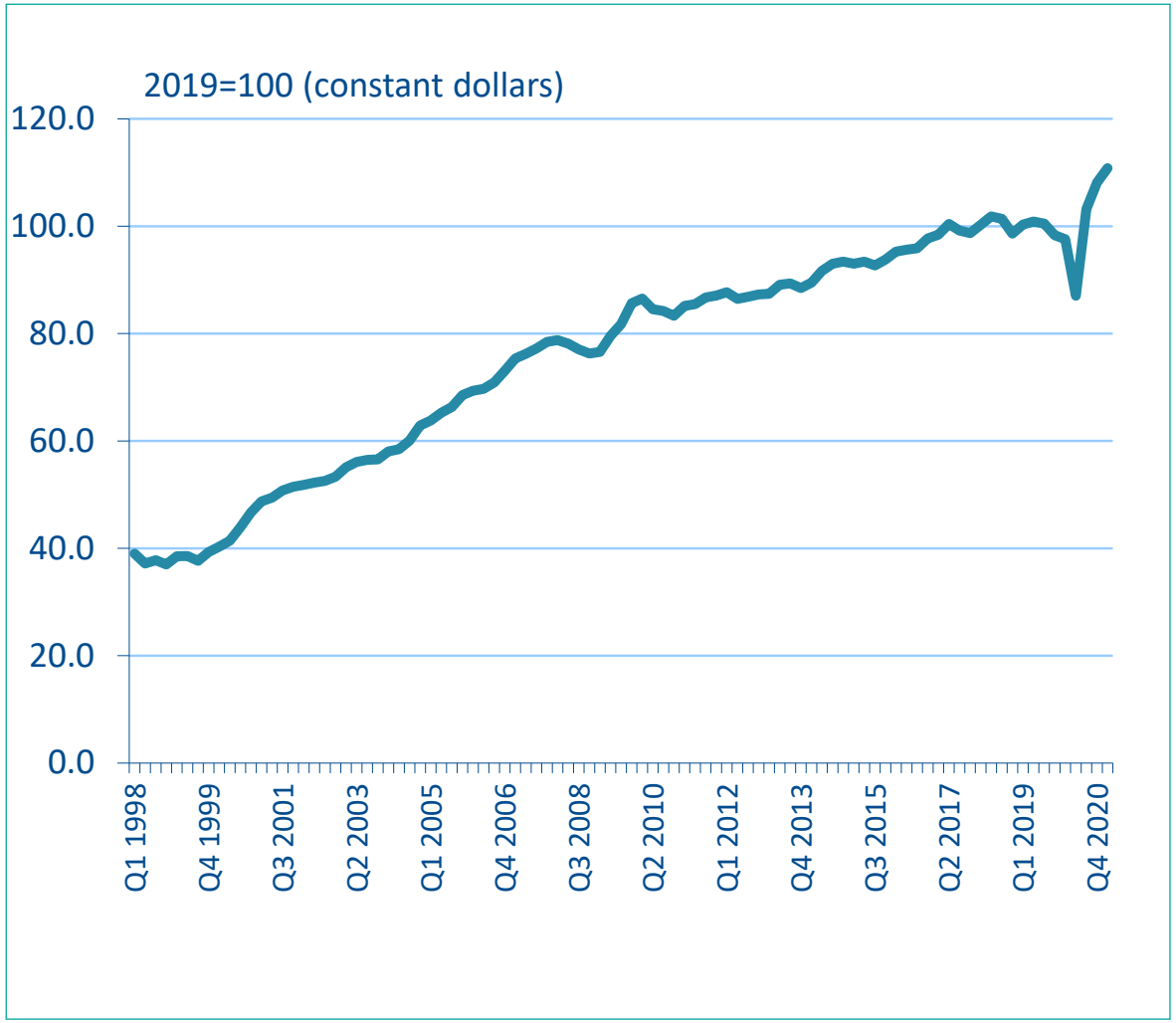
Pandemic and Recovery: Choppy Waters

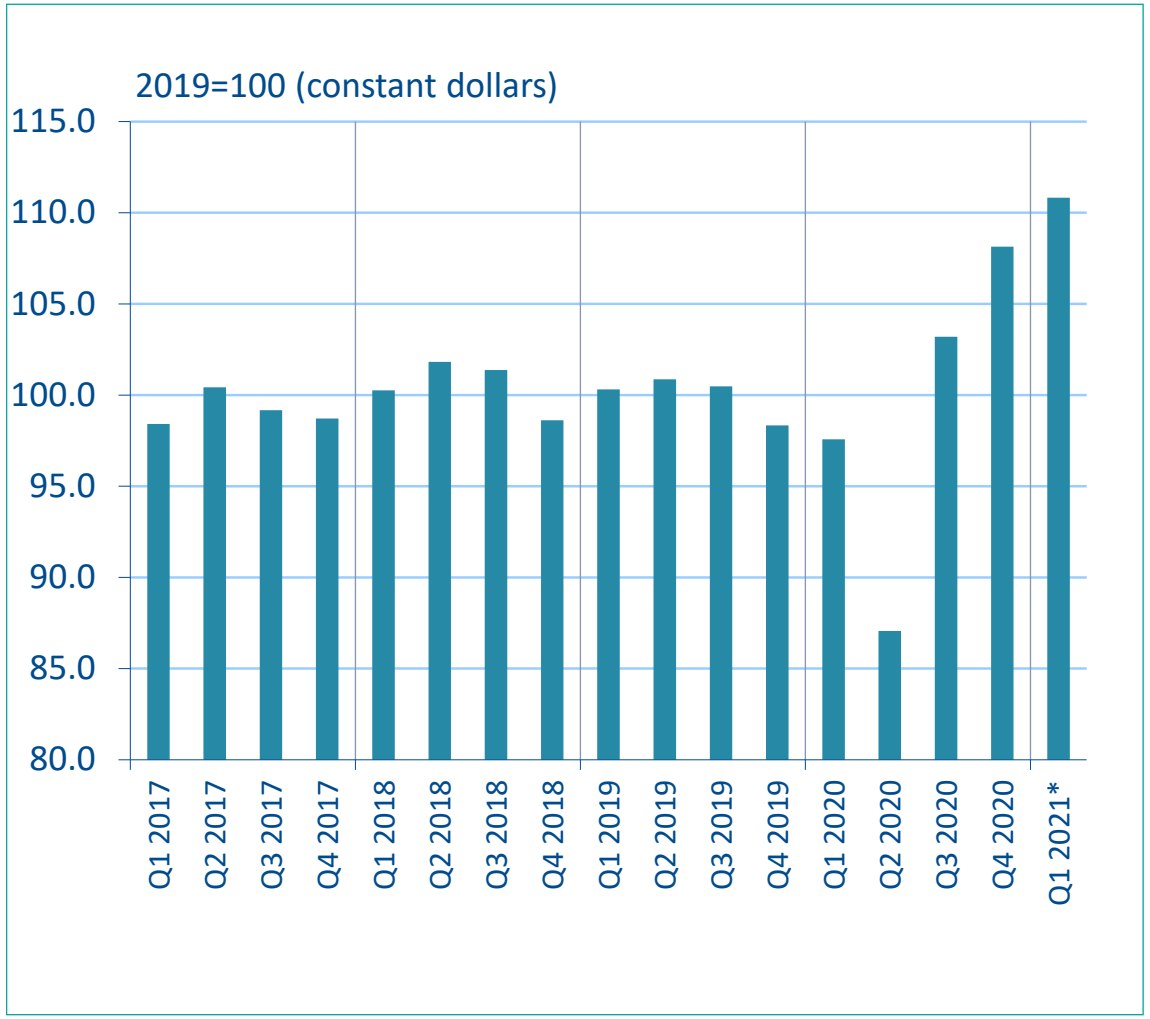
A Market Briefing with Altus Group Chief Economist
Peter Norman

Remarks to CHBA

May 3, 2021

Residential Renovation: Back With a Vengeance

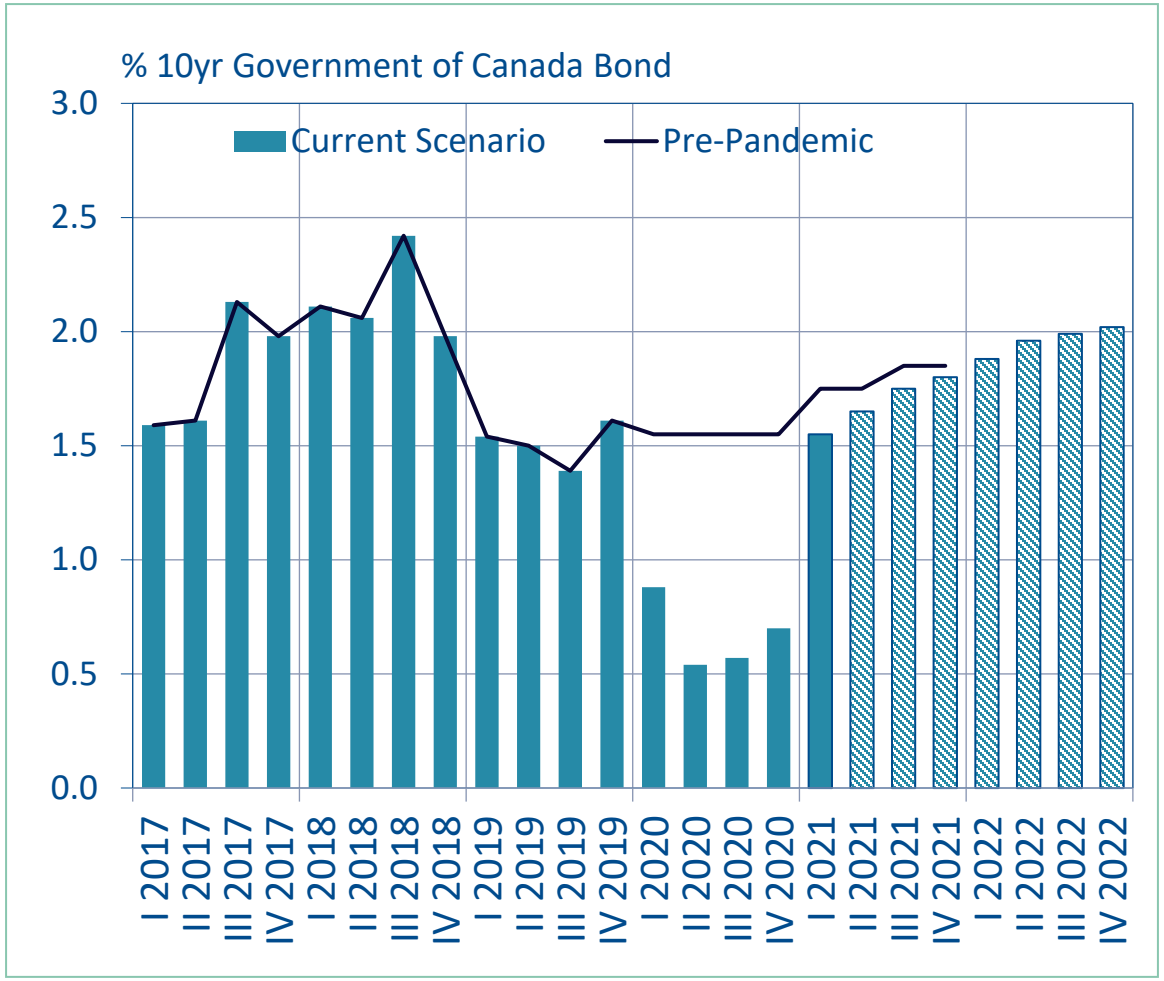


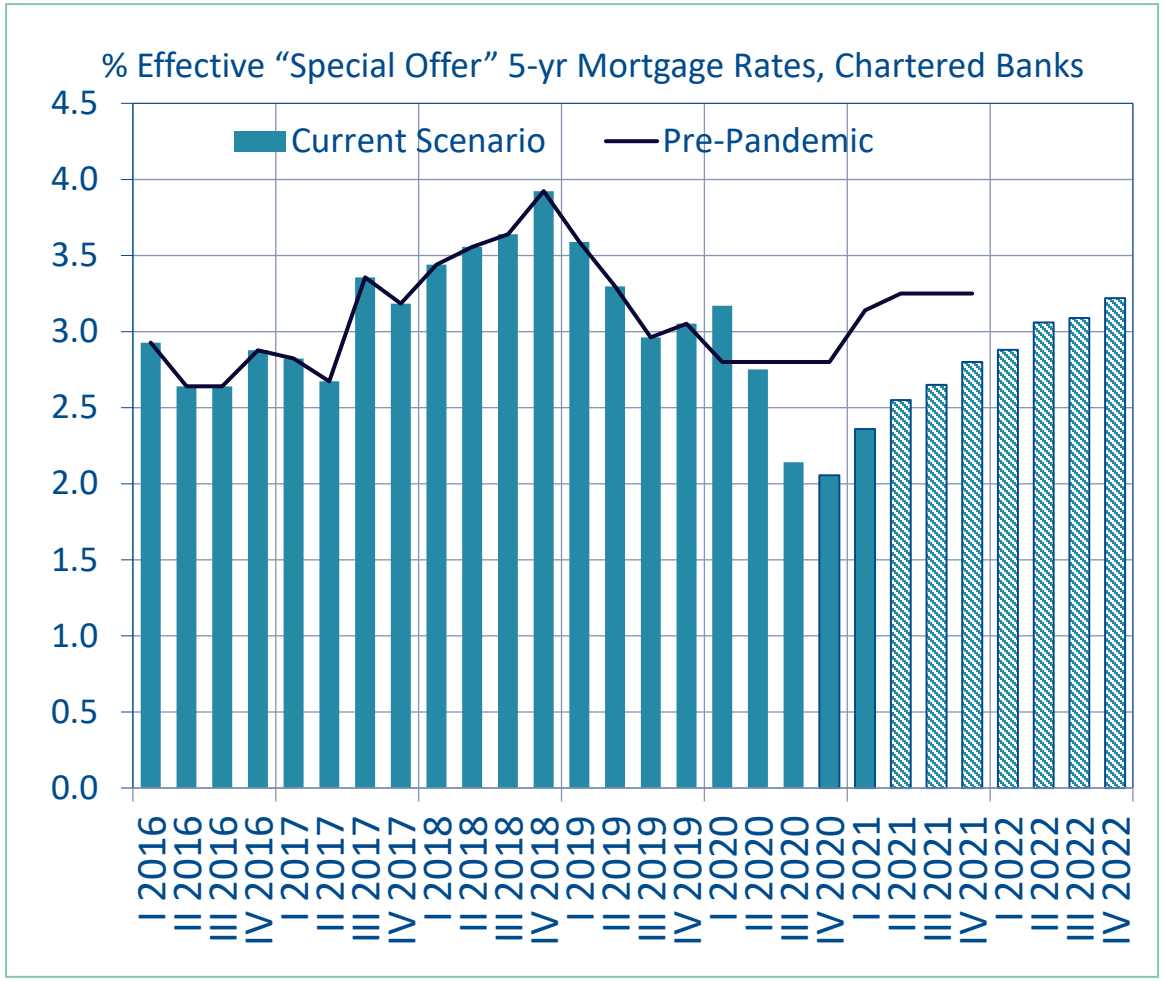


*** Q1-2021 based on Jan-Feb data**

Source: Altus Group based on Statistics Canada

Rates – “Pandemic Stimulus” Has Mostly Reversed

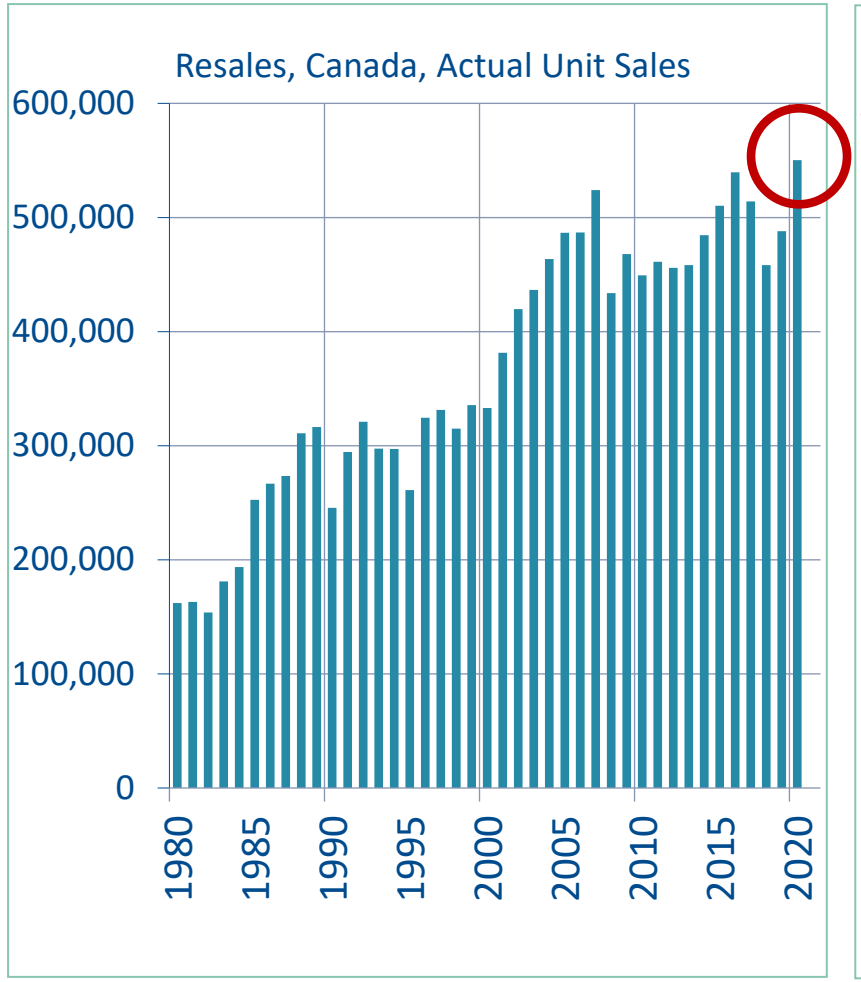




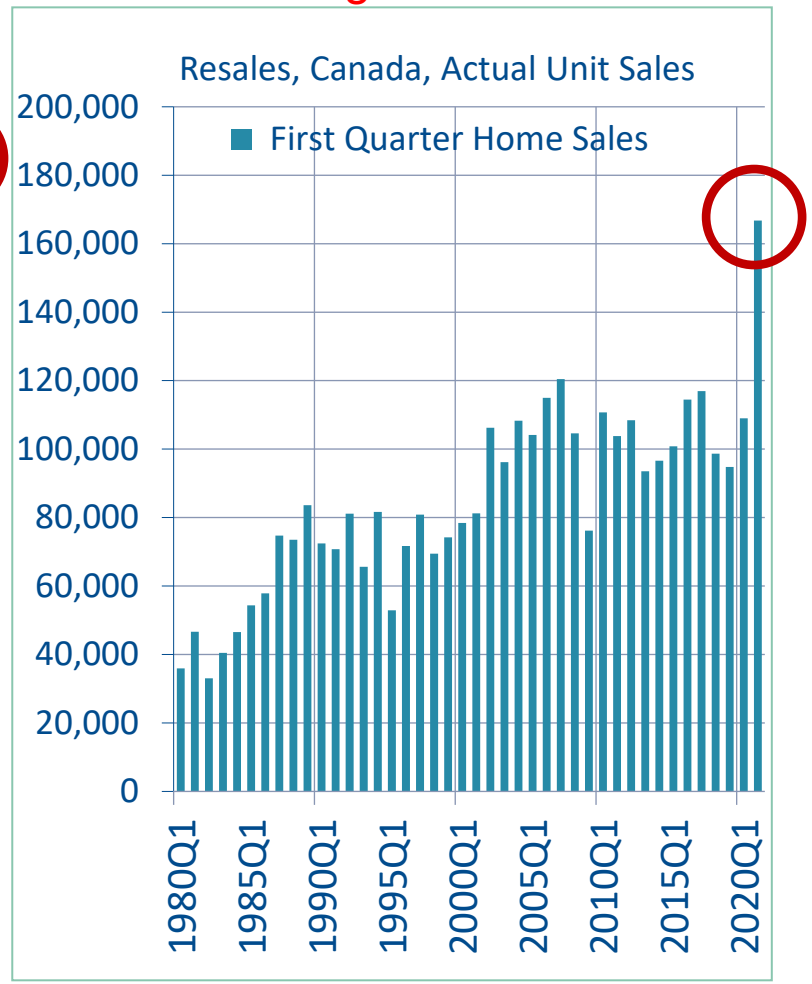
Source: Altus Group Economic Consulting based on Bank of Canada

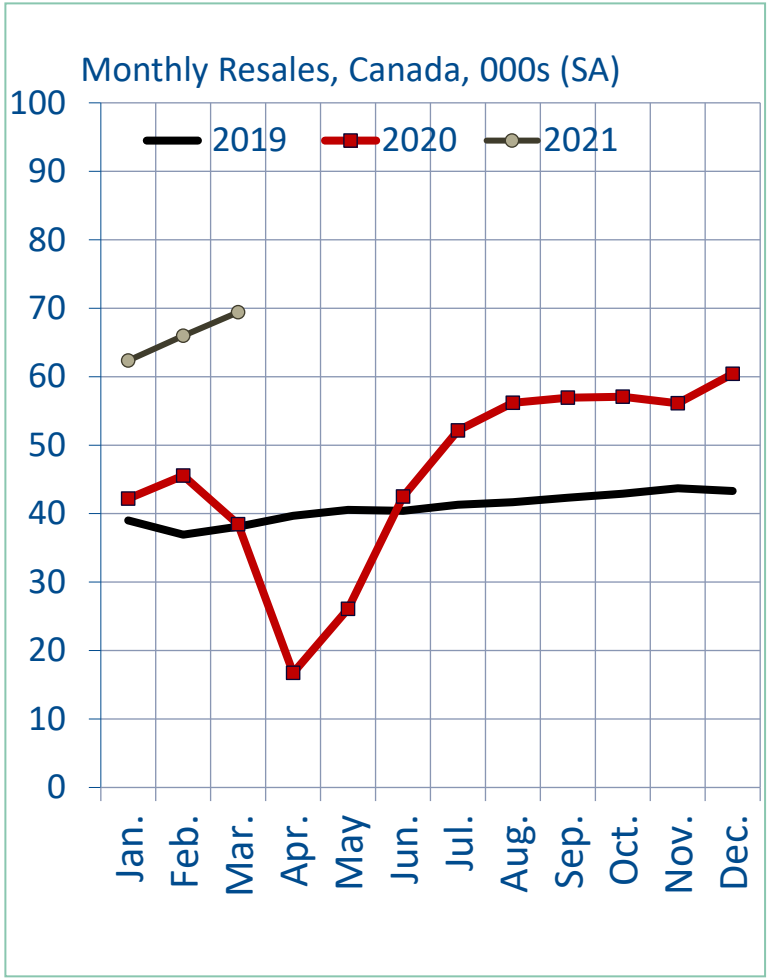
MLS Home Resales, Canada

2020 Record Year for Resales



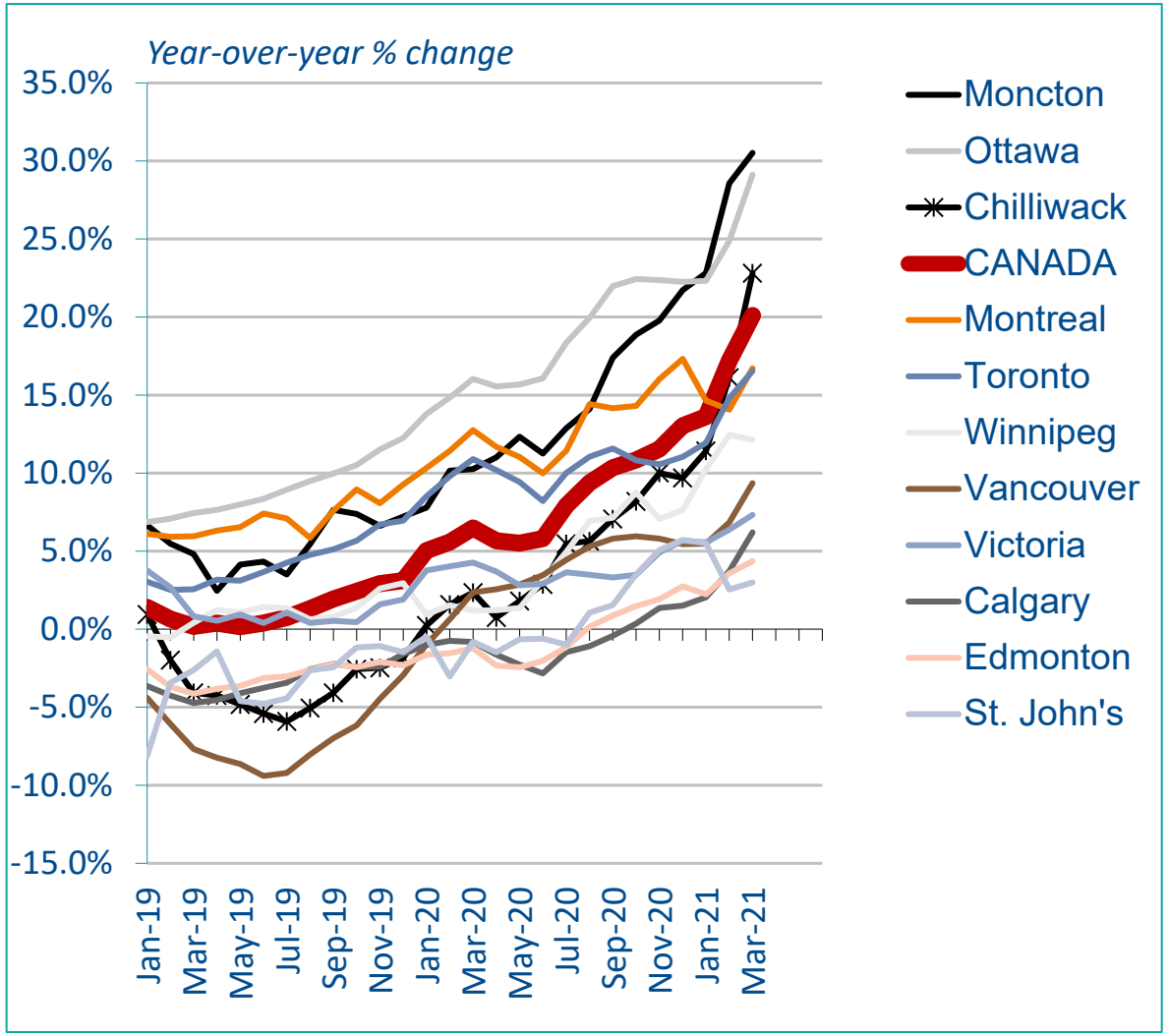
2021 Highest 1st Quarter Ever

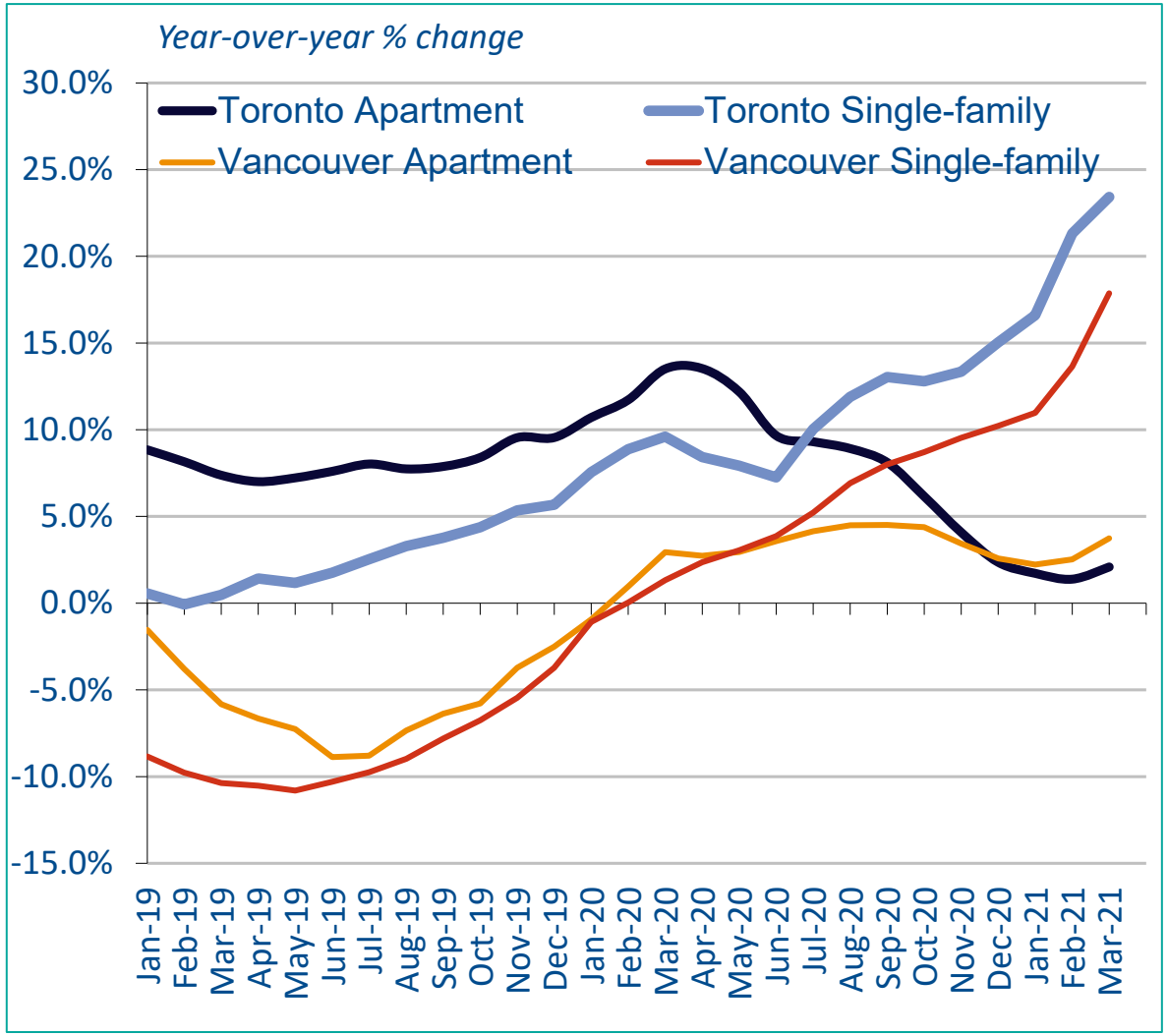




Source: Altus Group Economic Consulting based on CREA

Resale House Prices

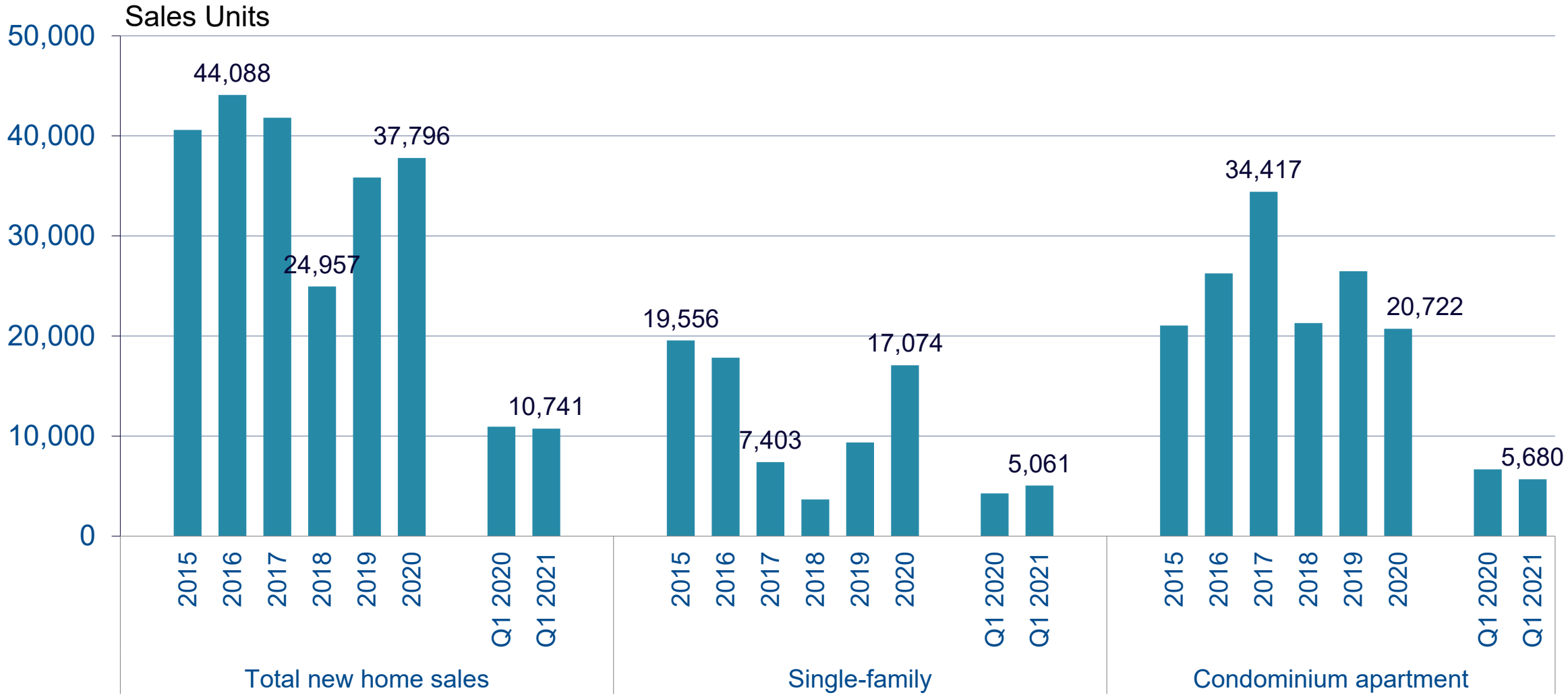




Source: Altus Group Economic Consulting based on CREA

New Home Sales Strong and Shifting to Single Family

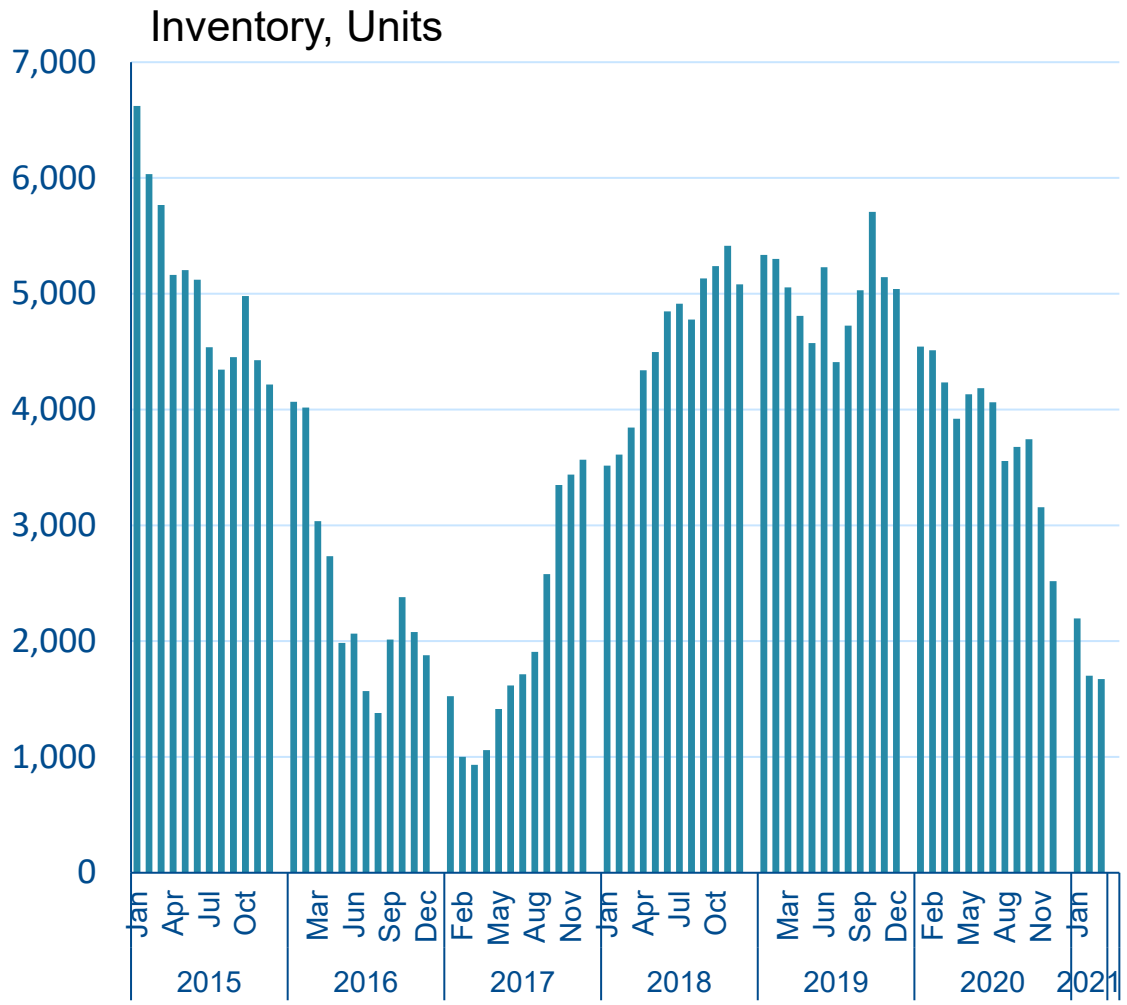
Greater Toronto Area

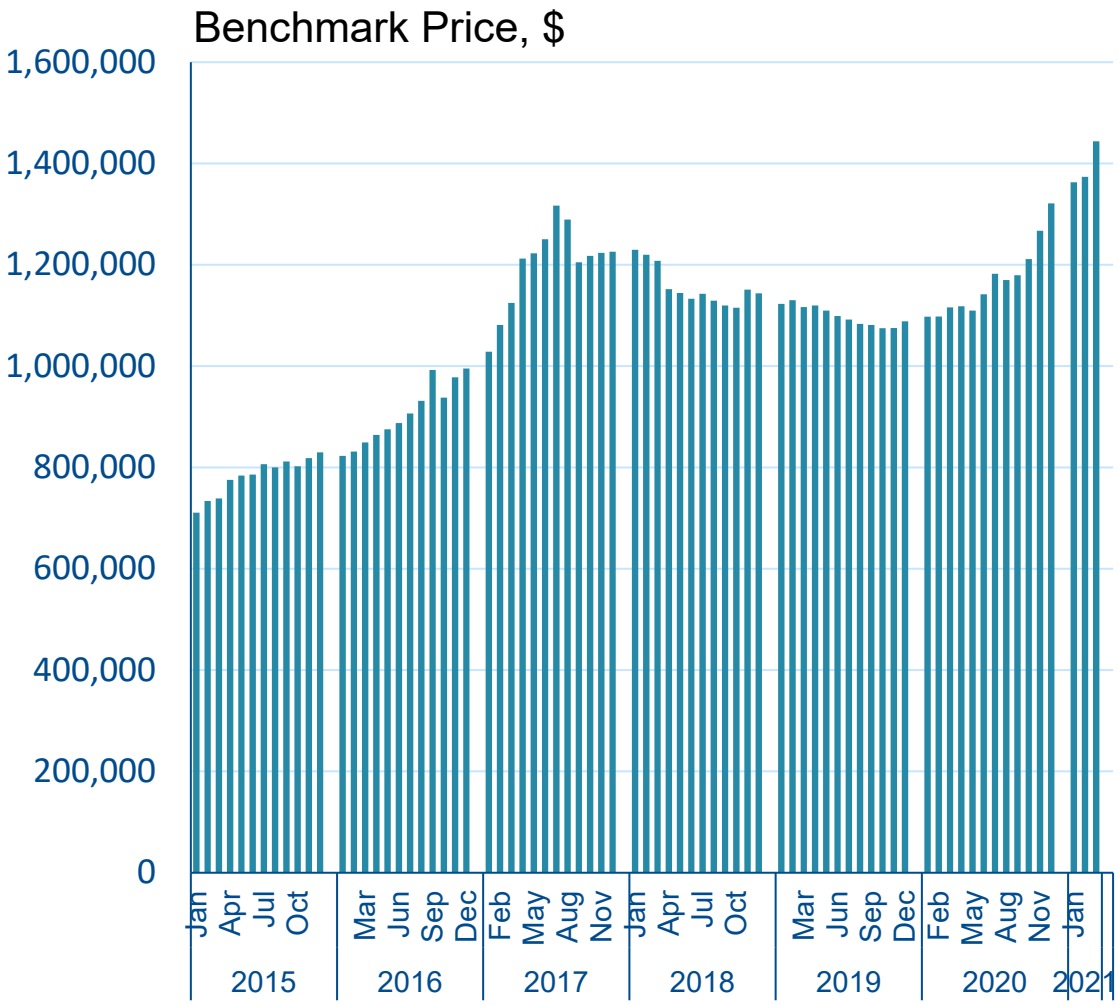


Source: Altus Group Data Solutions

Low-rise Inventories Becoming Crazy Tight Again

Greater Toronto Area

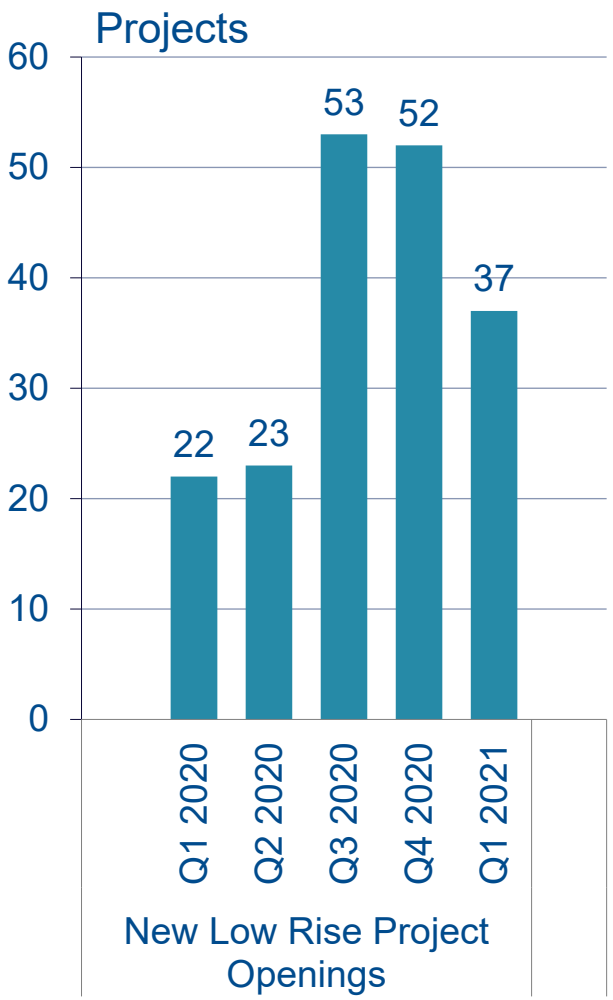


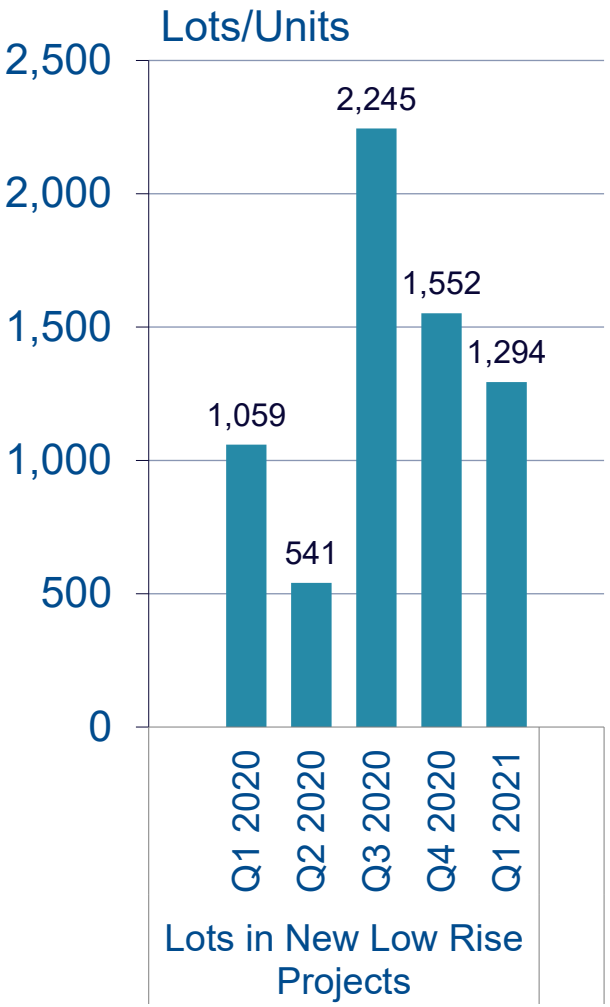


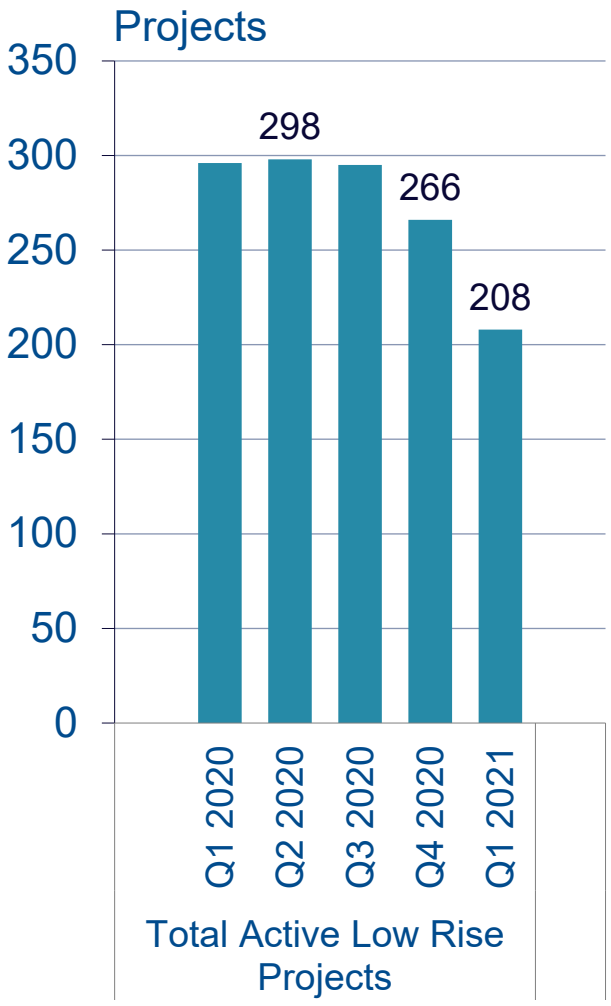
Source: Altus Group Data Solutions

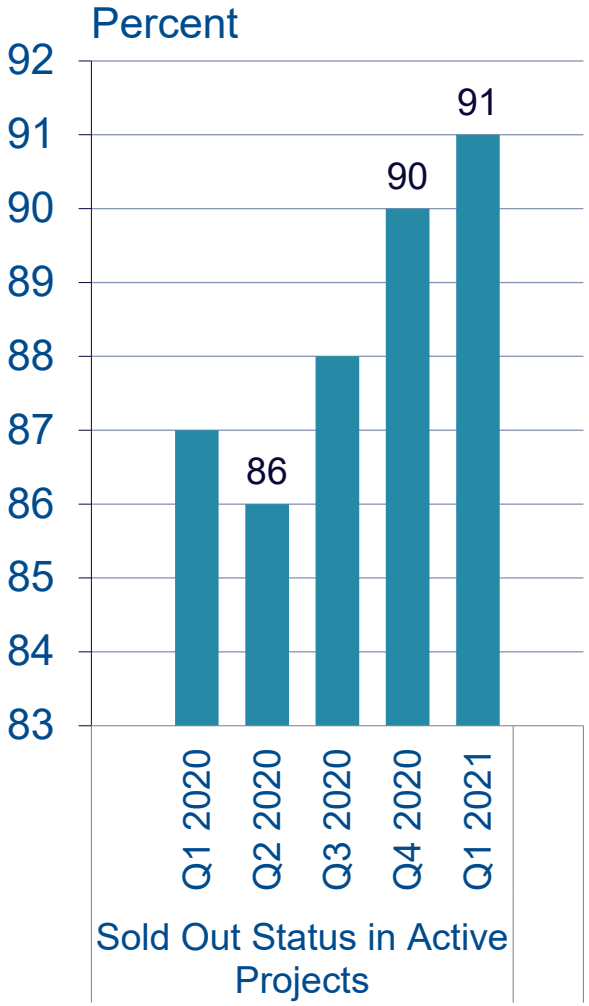
A Dearth of New Projects Raises Supply Risk

Greater Toronto Area





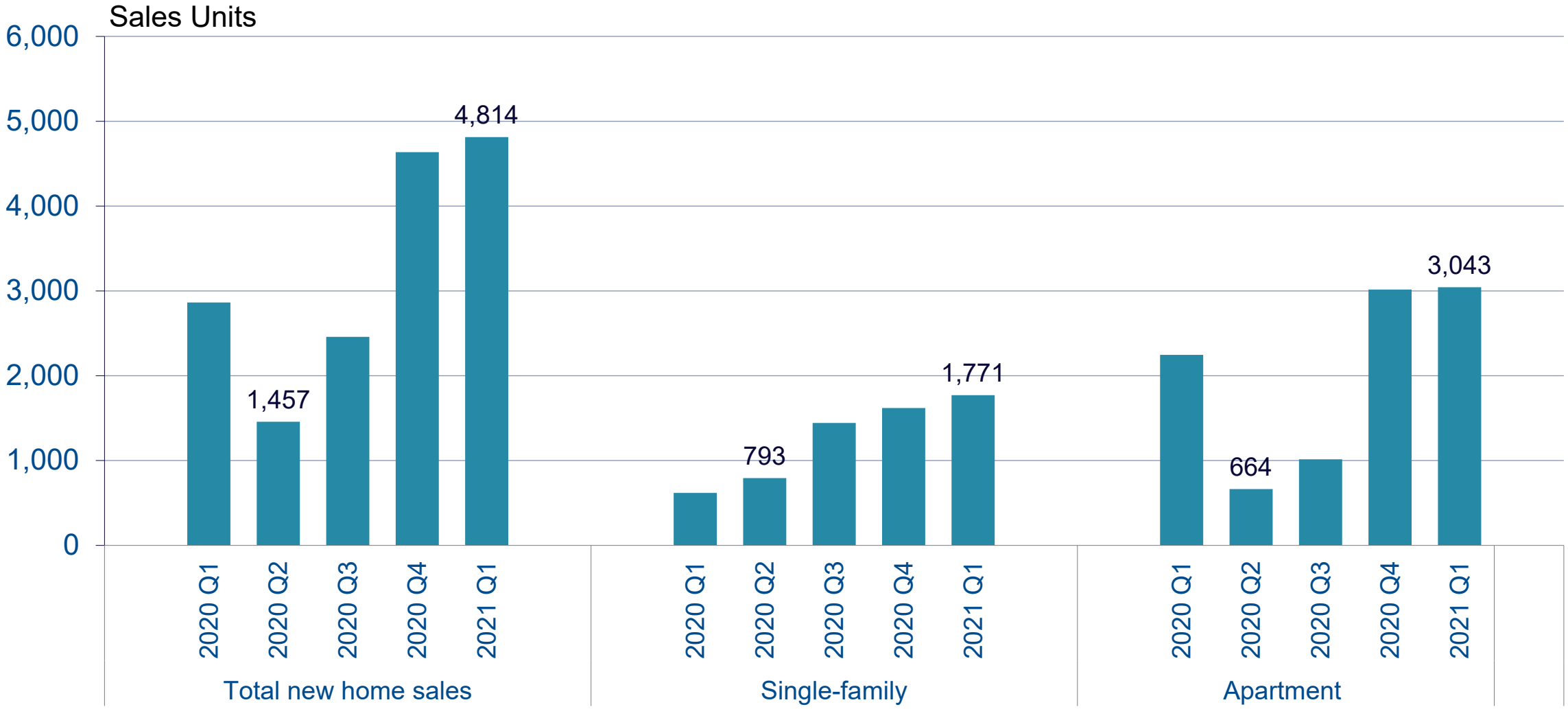




Source: Altus Group Data Solutions

Vancouver New Home Sales On the Upswing

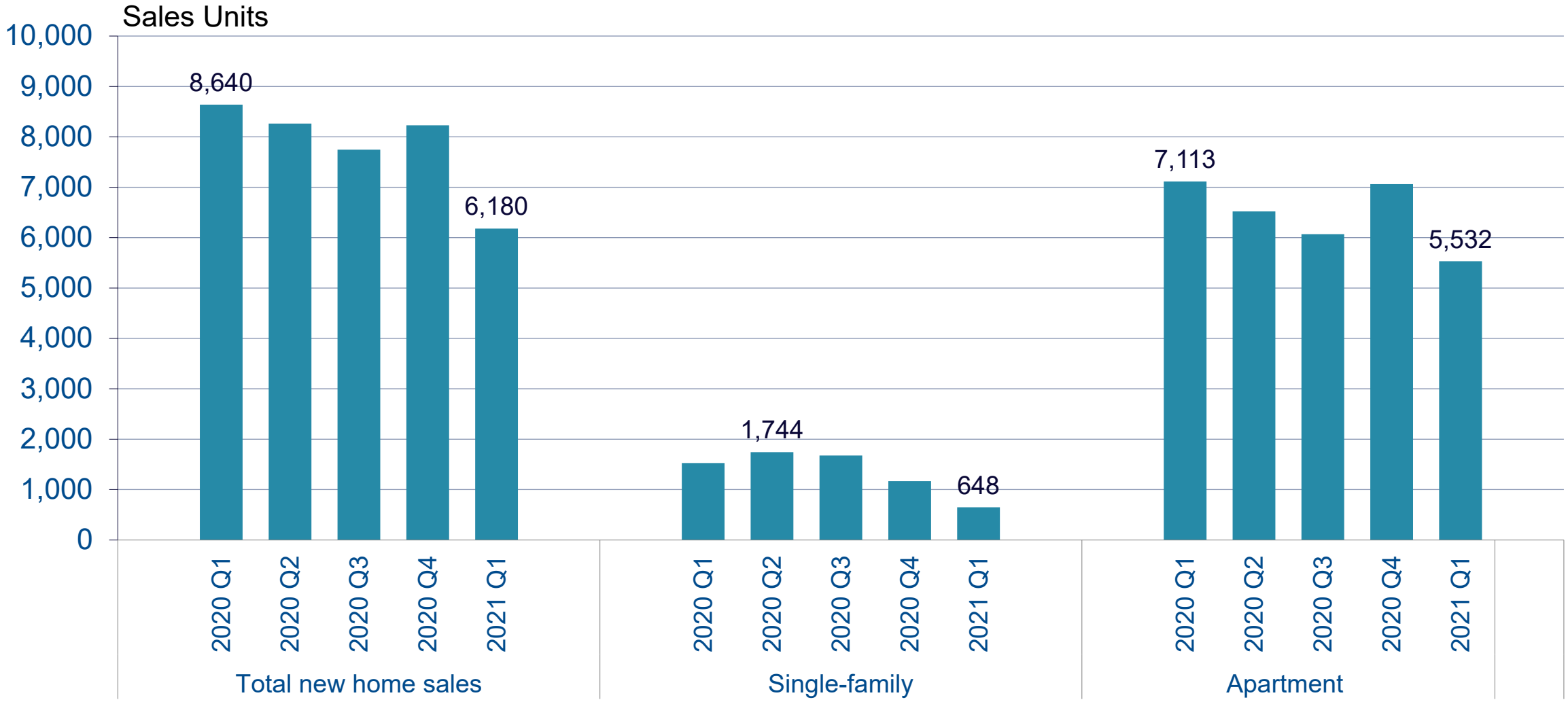
Greater Vancouver Area



Source: Altus Group Data Solutions

Vancouver New Home Inventories Also Dwindling

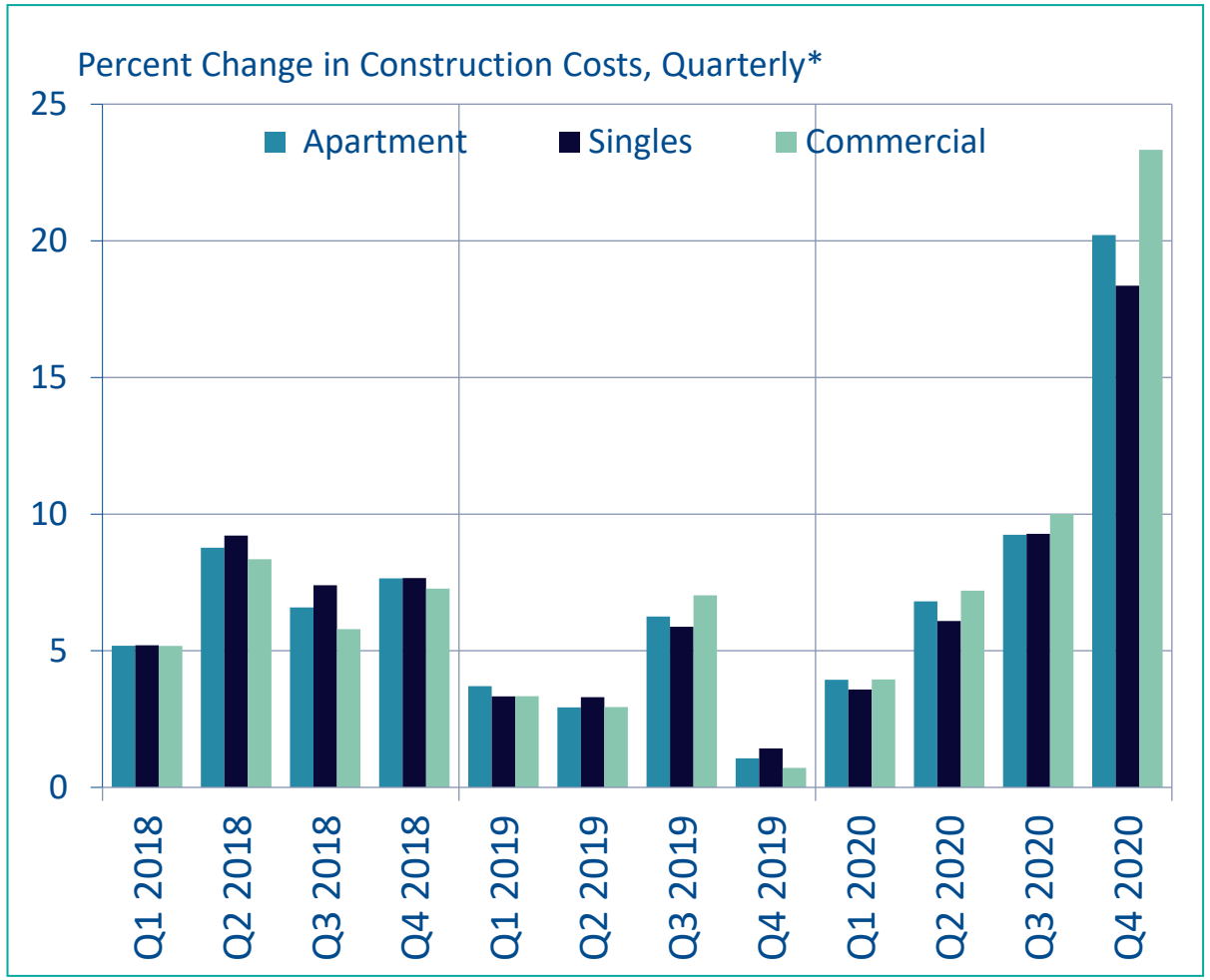
Greater Vancouver Area



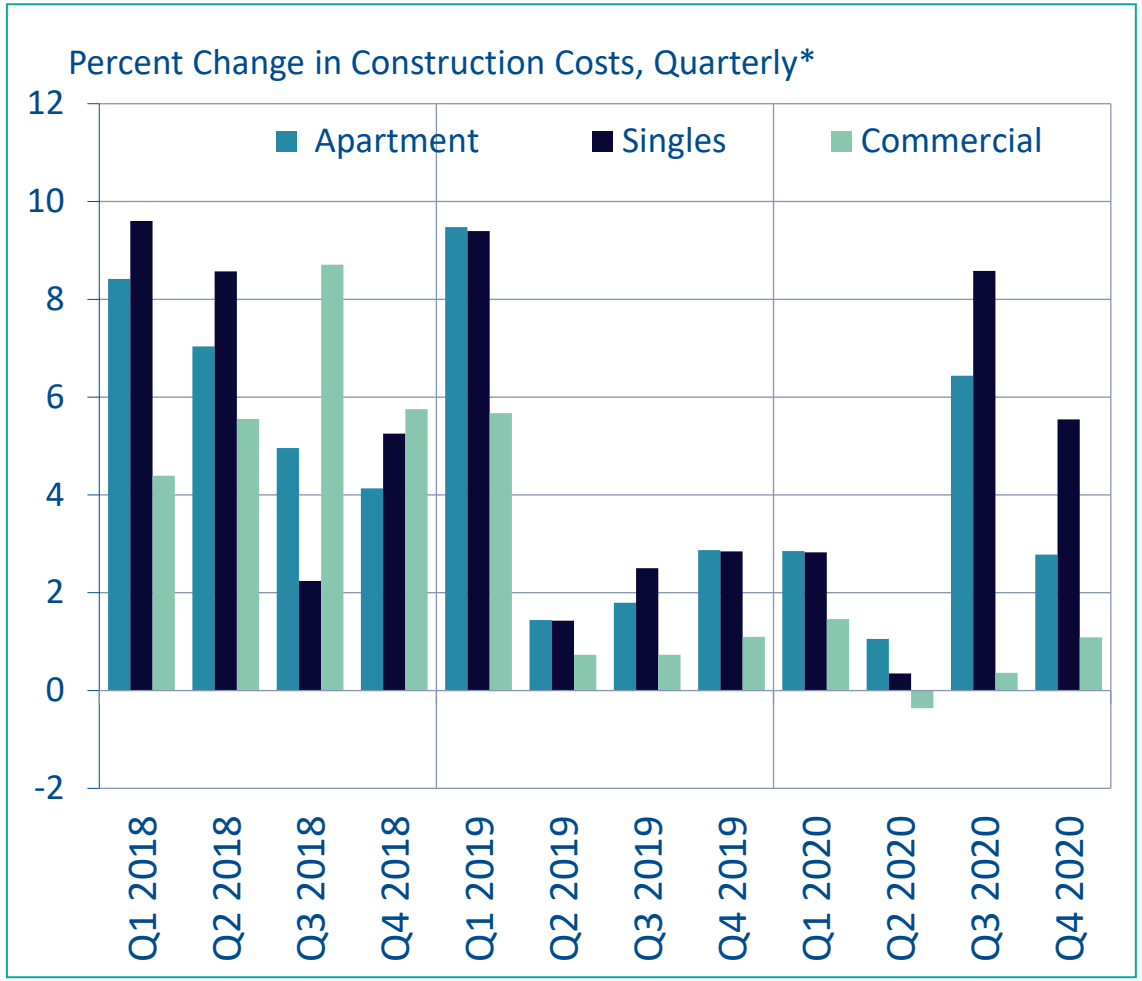
Source: Altus Group Data Solutions

Construction Cost Escalation A Significant Issue

Toronto

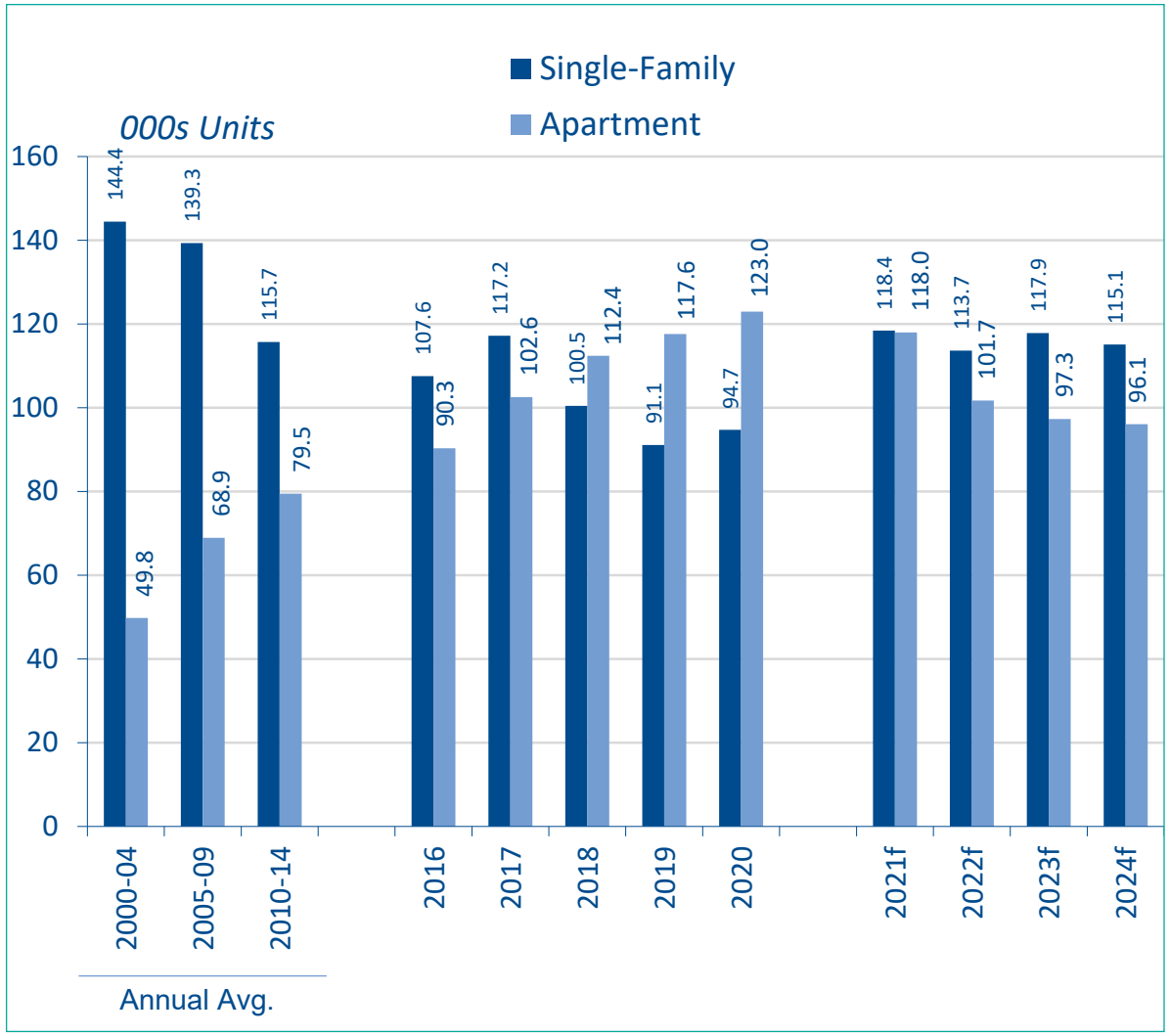


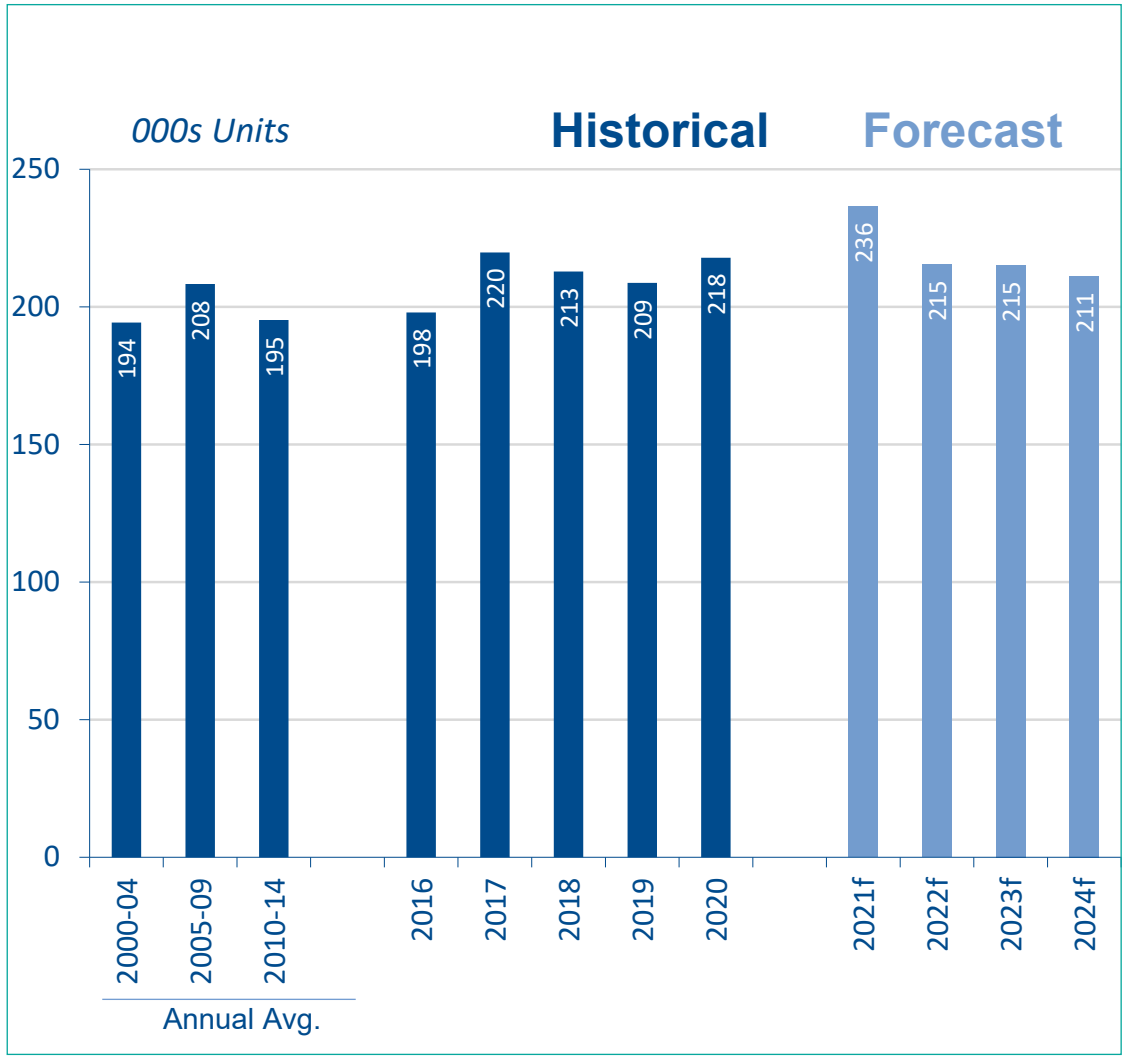
Vancouver



Source: Altus Group Economic Consulting based on Statscan

Canada Housing Starts Forecast





Source: Altus Economics based on CMHC

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Thank You

If you have any questions, please reach out.

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Sagen Update & Profile Of The Insured Borrower

CHBA's National Housing Week

May 3rd, 2021

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Brand Promise

To be the most trusted lender and industry partner across Canada

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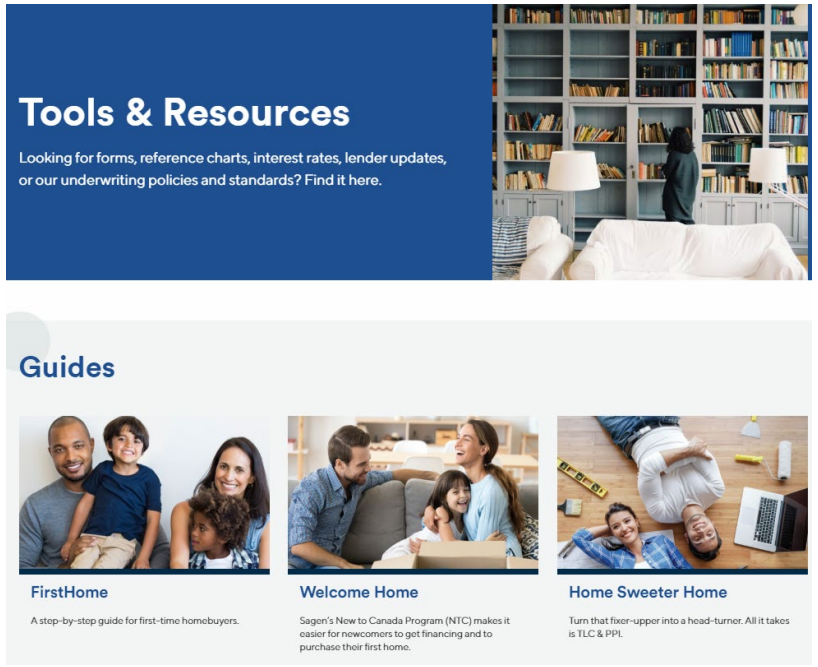
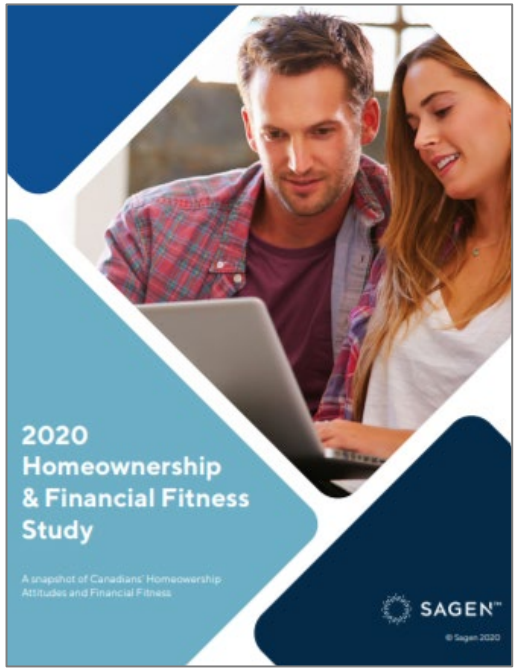
Thought Leadership

Visit Sagen.ca to download the latest publications, infographics and digests!





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Sagen's National Borrower Profile

The Sagen Borrower

37
Average age

27.1%
Single Borrowers

$112,502
Average Household Income

Affordability Metrics

27%
Average GDS

92.3%
Average LTV

21.6%
Gifted Down Payment

754
Average Credit Score

The Sagen Home

Average Sale Price

$394,000

New vs Resale

New Construction	13.4%
Resale	86.6%

Property Type

Detached	64.8%
Semi-Detached	9.4%
Rowhouse	14.3%
Condo	11.4%

6.4%
Purchase Plus Improvements

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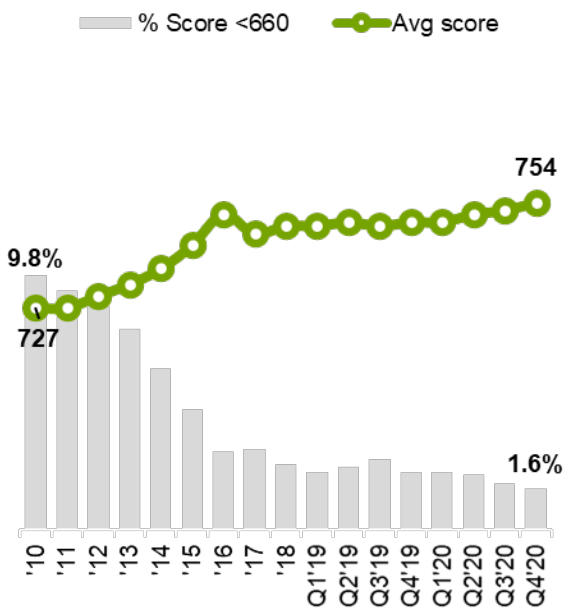
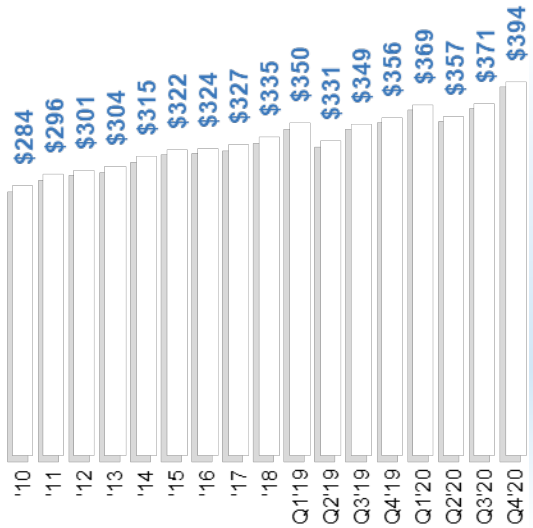
Strong Portfolio Quality

Credit Score[1]



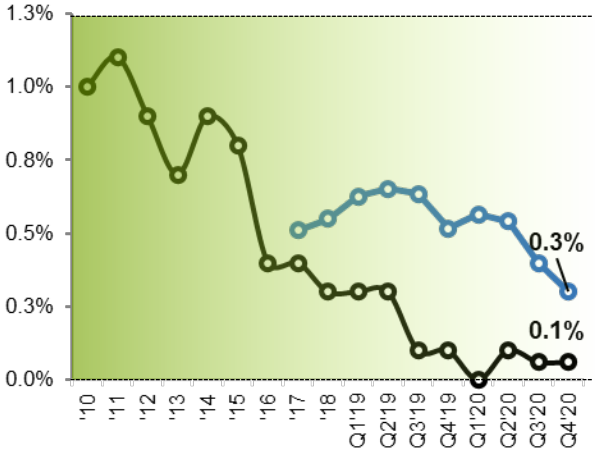
Average Home Price[2]

(In '$000s)



Stacked Risk Factors[3]

	Credit Score	Ratio	LTV
●	Avg ≤ 660	Contractual TDSR > 40%	90-95%
●	Max ≤ 680	Compliance GDSR/TDSR > 35%/42%	90-95%



Credit quality remains very strong

Strong demand boosts average home prices

Limited exposure to loans with **stacked risk factors**

1. Company sources for transactional new insurance written. Average score for all borrowers. 2. Company sources for transactional new insurance written. Purchase only.
3. Compliance ratios are calculated using the Bank of Canada qualifying rate, which was 4.79% at December 31, 2020.

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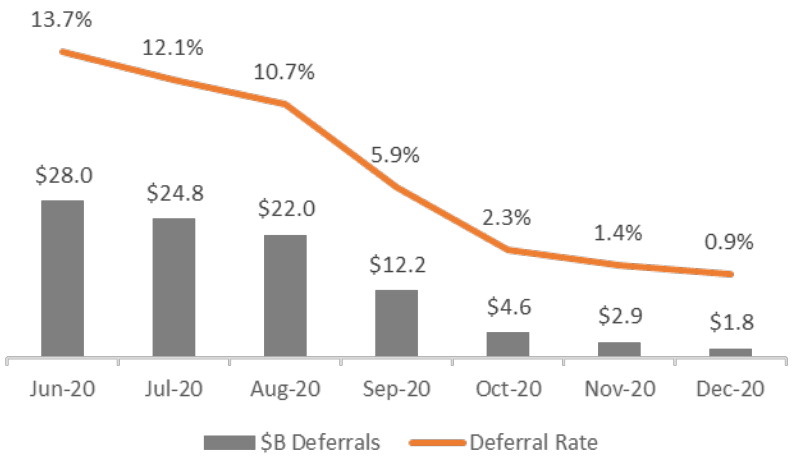
Payment Deferrals Winding Down

- 0.9% of risk-in-force remains under deferral – has declined significantly from 13.7% in June
- ~65% have ELTV <80%
- We expect the vast majority of deferrals to return to performing mortgages

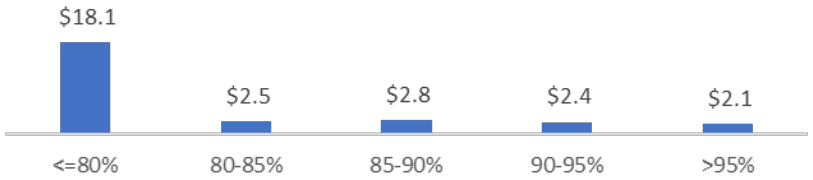
Deferral Roll-Off



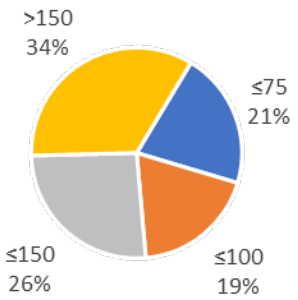
Vast majority of borrowers rolling off deferrals have returned to repayment[1]

June 2020 Deferrals By Effective LTV ($28B)

35% of deferrals have an effective LTV >80%

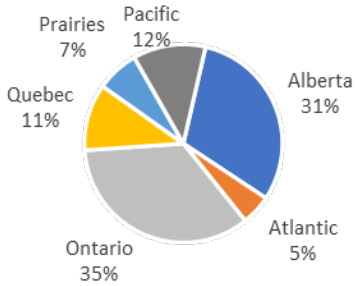


By Household Income



~80% had >$75K annual household income
~68% were dual income households

By Region



Alberta remains a focus area – represents 31% of deferrals (vs. 21% of RIF), and over half are >80% LTV

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Well-Equipped to Support Borrowers

Homeowner Assistance Program (HOAP)

- Helping families stay in their homes
- Available at no cost to Sagen-insured homeowners
- Assisted more than 50,000 families to date
- Dedicated team of accessible and responsive HOAP specialists
- COVID Response – Lender Playbook
- Increased HOAP Resources > 70%

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2021 Financial Fitness Study

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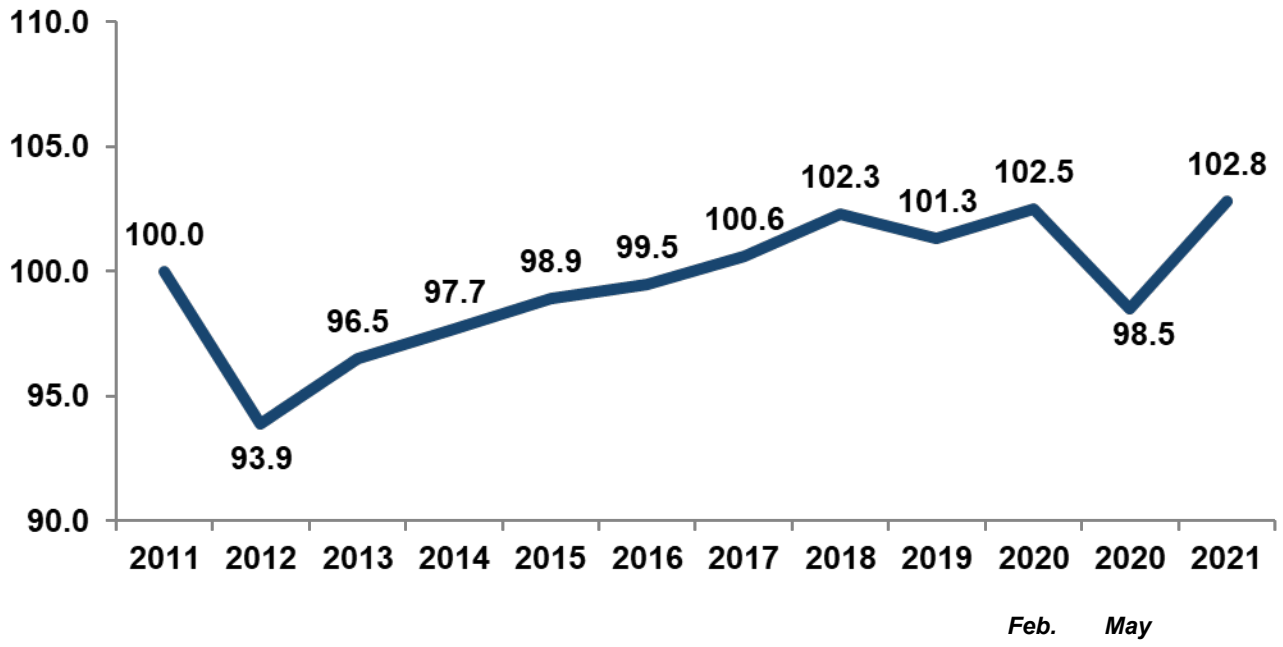
Financial Fitness

Set at 100 in 2011, the Financial Fitness Index initially declined but regained until 2020. The pandemic caused a sharp downward movement, but it would have been worse without government assistance. 2021 represents the highest Financial Fitness on record.



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Rising Proportion of the Two Extremes

72% of FTHB and **65%** of FTI feel they are in good shape

FTB consistently outpace all Canadians on Financial Fitness

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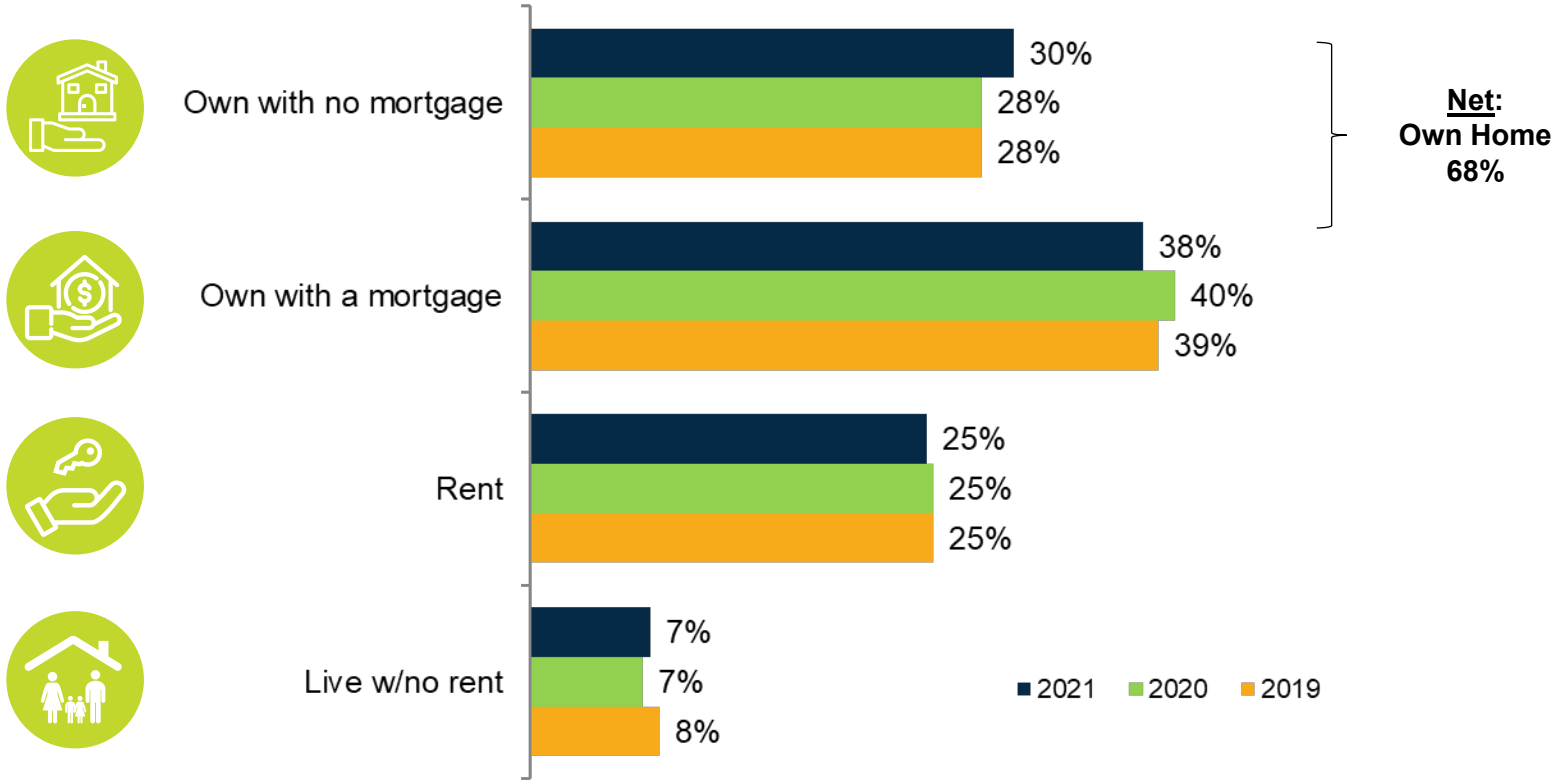
Stable Homeownership Trends



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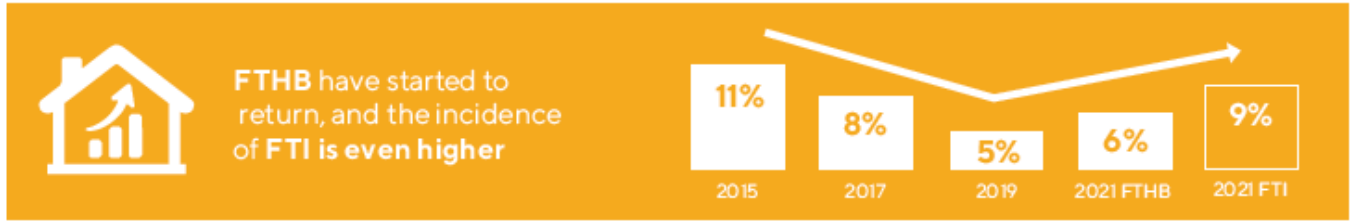
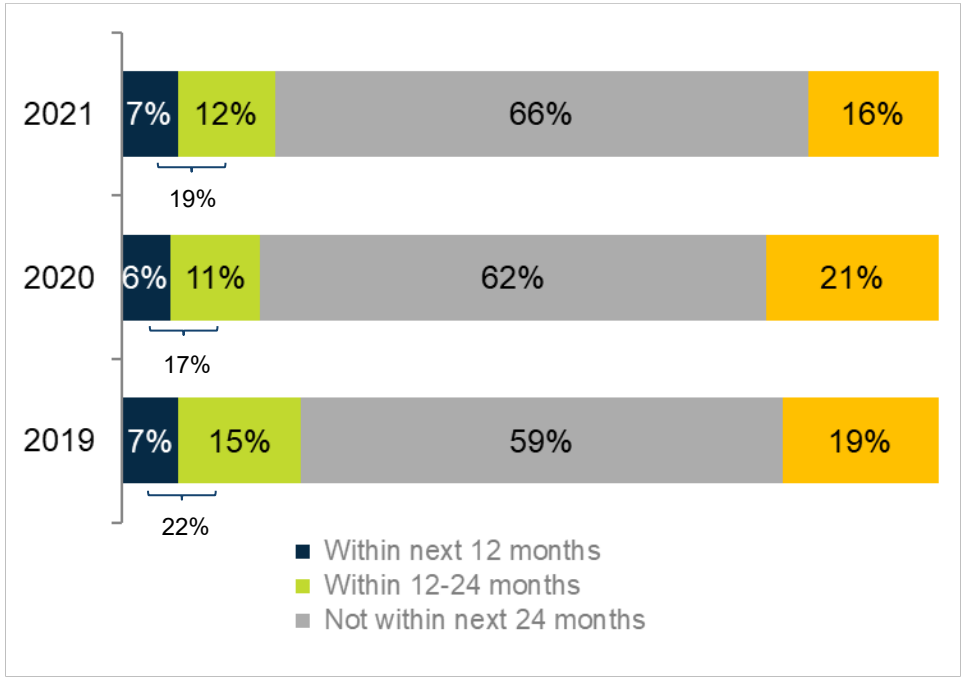
Proportion of First-time Intenders Rises





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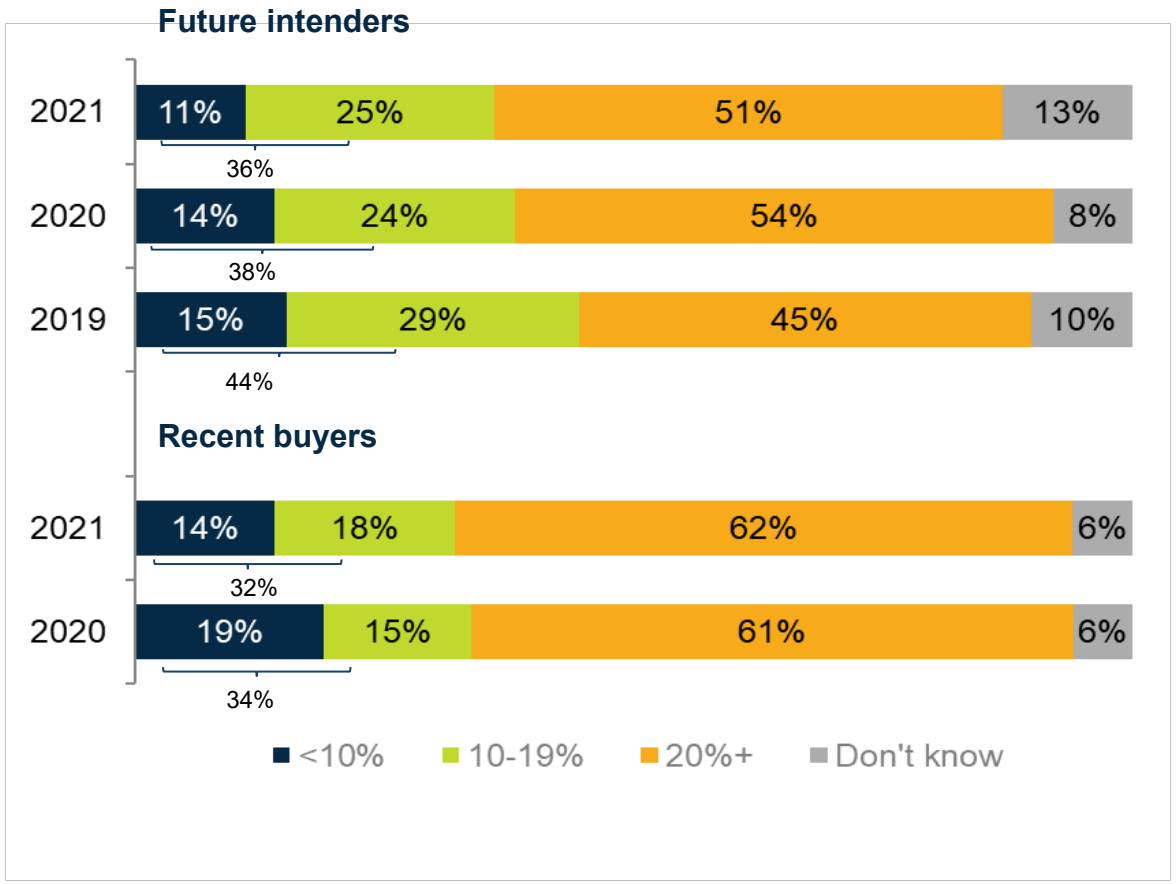
Intenders & Down Payment Trends



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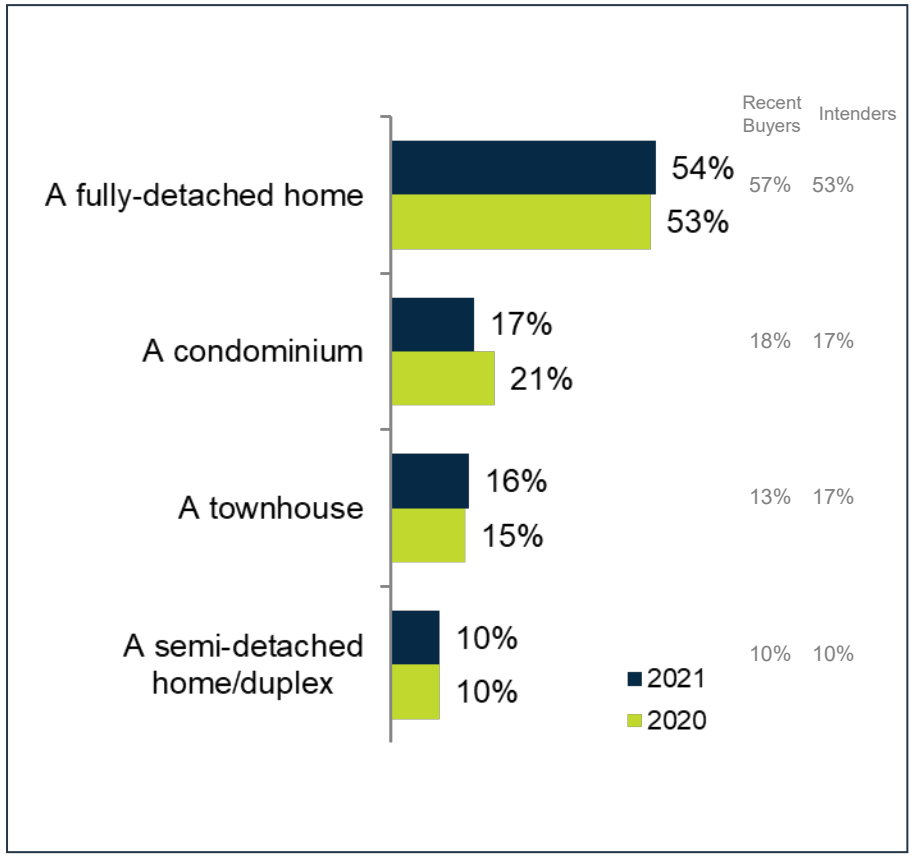
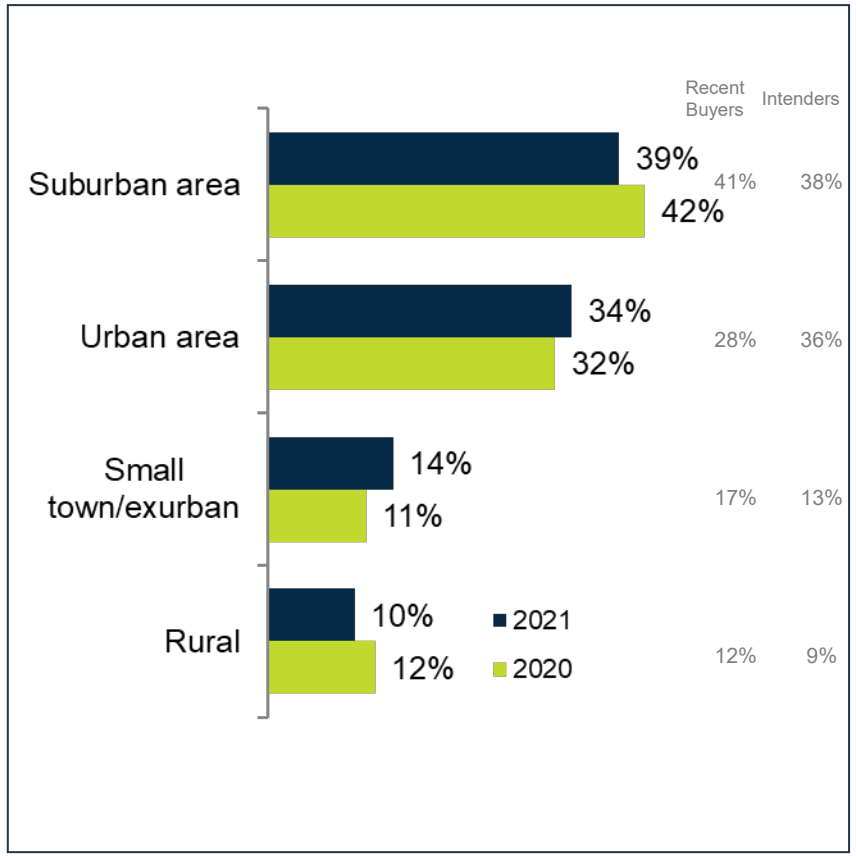
Recent Buyers Fled Urban Areas Intenders Expect To Return

Type of home



Location



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Nearly 4 in 10 Saw Savings Increase

23% saw an increase in savings because working from home and/or reduced spending opportunities meant lower monthly expenses

19% saw an increase in savings because they reduced spending to protect against future employment uncertainty

Nearly **4 in 10** Canadians saw savings increase during the pandemic

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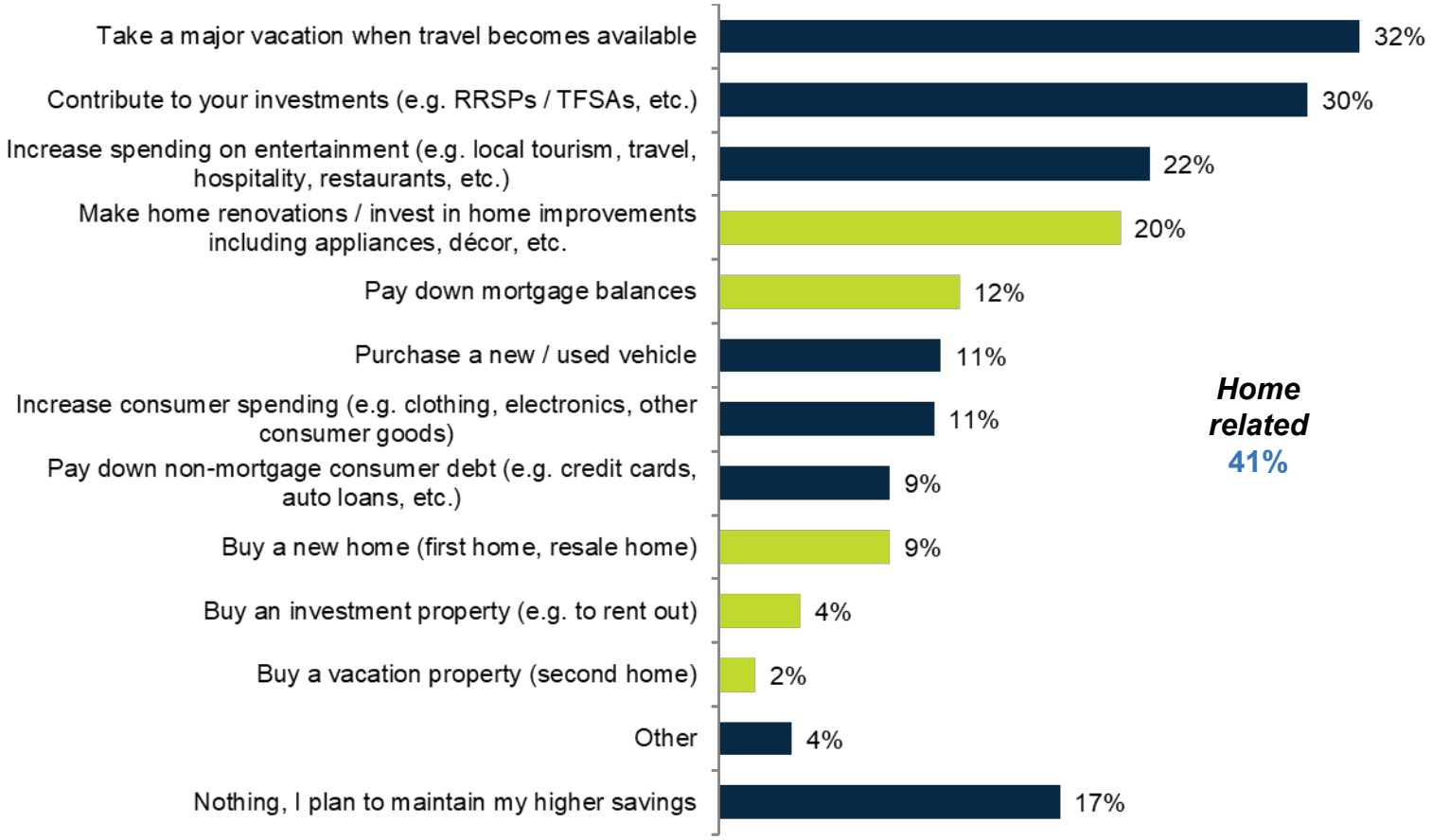
41% With Increased Savings Plan Home-related Expenditures



Once restrictions have eased, what do you intend to do with the savings you have accumulated?

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Homeownership Education Week: May 10th – May 14th

May 10 – Real Estate Round Table

May 11 – Credit Reporting Update

May 12 – Market Update

May 14 – First-Time Homebuyer Survey & Financial Fitness Study Results

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Questions?

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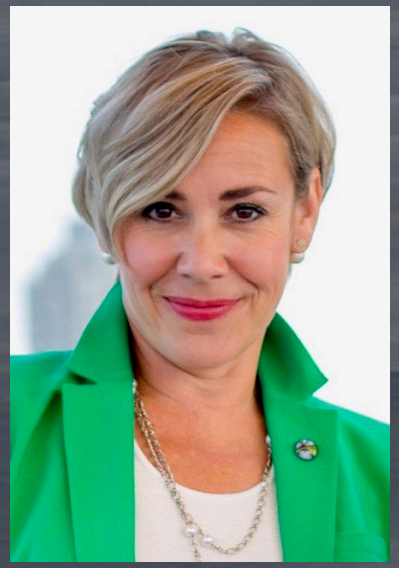

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