

1

00:14:24,611 --> 00:14:28,767

Welcome, and thank you for joining us
for today's live webcast and discussion.

2

00:14:28,987 --> 00:14:31,533

We invite you to be a
part of the conversation.

3

00:14:31,662 --> 00:14:34,300

You'll see a chat box located
near the video window.

4

00:14:34,637 --> 00:14:37,133

Click Chat as a guest
and enter your name.

5

00:14:37,575 --> 00:14:39,067

Feel free to enter your questions,

6

00:14:39,092 --> 00:14:41,157

and our moderators will
forward them to the panel.

7

00:14:41,430 --> 00:14:44,367

We'll repeat these instructions
later in the show as a reminder.

8

00:14:44,808 --> 00:14:48,300

It is now time to begin and I will
invite your host to take the stage.

9

00:14:53,143 --> 00:14:54,277

Good morning, everyone.

10

00:14:54,302 --> 00:14:55,167

I'm Mike Beg,

11

00:14:55,192 --> 00:14:59,591

SVP and Head of BMO's Canadian

Commercial Real Estate Finance Team.

12

00:15:00,073 --> 00:15:02,133

Thank you all for
joining us today.

13

00:15:03,560 --> 00:15:07,467

Real estate has experienced its ups
and downs, especially this year.

14

00:15:07,595 --> 00:15:08,867

But through the years,

15

00:15:08,892 --> 00:15:12,667

we have continued to bring
together leaders in this industry,

16

00:15:12,692 --> 00:15:15,100

a testament of our commitment
to you and the sector.

17

00:15:15,840 --> 00:15:20,067

This morning, it is our pleasure to
again host an informative session

18

00:15:20,092 --> 00:15:23,800

on the current state of the market
and the outlook for what's ahead.

19

00:15:24,996 --> 00:15:29,533

BMO Economics' latest monthly
Canadian housing market report

20

00:15:29,558 --> 00:15:32,033

indicates still higher
unemployment levels

21

00:15:32,058 --> 00:15:34,033

and lower immigration levels,

22

00:15:34,058 --> 00:15:39,200

but these should moderate demand after
a robust rebound from April's pause,

23

00:15:39,225 --> 00:15:43,233

but the undersupply remains across most
city markets with solid demand drivers.

24

00:15:44,469 --> 00:15:46,767

Typically,
this forum is hosted in person

25

00:15:46,792 --> 00:15:48,678

as a morning breakfast session

26

00:15:48,703 --> 00:15:52,533

just prior to the Geneva Centre
for Autism's Annual Gold Classic.

27

00:15:53,157 --> 00:15:57,833

Today, we're hosting this the day
before and in a virtual setting,

28

00:15:57,858 --> 00:15:59,622

so we're joined by some attendees

29

00:15:59,647 --> 00:16:02,424

that might not be as
familiar with the golf event.

30

00:16:02,920 --> 00:16:06,833

I'd nonetheless like to take a
moment to thank the Geneva Centre

31

00:16:06,858 --> 00:16:08,233

for their partnership,

32

00:16:08,258 --> 00:16:11,600

and share a bit about the

organization we can all admire.

33

00:16:13,443 --> 00:16:17,733

For over 20 years, BMO has been
partnering with Geneva Centre for Autism

34

00:16:17,758 --> 00:16:20,067

to make an impact in
the lives of children,

35

00:16:20,092 --> 00:16:23,667

youth and adults with
autism spectrum disorder.

36

00:16:24,277 --> 00:16:26,900

This year has been particularly
challenging for everyone,

37

00:16:26,925 --> 00:16:30,633

but even more so for those

families for whom we advocate.

38

00:16:31,087 --> 00:16:32,597

Like many organizations,

39

00:16:32,622 --> 00:16:36,867

Geneva Centre has been forced to close
their doors to families for months.

40

00:16:37,268 --> 00:16:39,900

All funds raised from
this year's tournament

41

00:16:39,925 --> 00:16:43,900

will help with their reopening so
that their clients and their families

42

00:16:43,925 --> 00:16:48,033

can have access to the therapies
on which they depend so much.

43

00:16:48,579 --> 00:16:52,533

We'd like to give special mention
to the folks at Access Storage

44

00:16:52,558 --> 00:16:53,767

and Storage Vault

45

00:16:53,792 --> 00:16:58,000

for their generous and increasing
leadership in supporting this tournament.

46

00:16:58,389 --> 00:17:00,500

And good luck to our
golfers tomorrow.

47

00:17:02,490 --> 00:17:04,700

We have a lot to
cover in 45 minutes,

48

00:17:04,725 --> 00:17:08,367

so briefly I'll recap the
agenda and get started.

49

00:17:09,016 --> 00:17:13,867

Our first speaker, Sal Guatieri, my close
colleague and Senior Economist at BMO,

50

00:17:14,034 --> 00:17:18,067

will kick us off with an economic
update for Canada as a whole

51

00:17:18,221 --> 00:17:21,833

and as it relates to the real
estate sector specifically.

52

00:17:22,210 --> 00:17:25,833

Sal brings 20 years of
experience analyzing the US

53

00:17:25,858 --> 00:17:28,557

and Canadian economies
and financial markets.

54

00:17:29,157 --> 00:17:33,467

He is a well-respected commentator
on economic and financial trends

55

00:17:33,492 --> 00:17:35,667

and is regularly
quoted in the press.

56

00:17:37,123 --> 00:17:39,381

Following Sal is Raymond Wong,

57

00:17:39,406 --> 00:17:42,433

Vice President of Data
Operations at Altus Group.

58

00:17:43,408 --> 00:17:45,852

Ray oversees researchers
across Canada,

59

00:17:45,877 --> 00:17:49,267

ensuring timely,
accurate data behind his comments today.

60

00:17:49,616 --> 00:17:52,567

He regularly presents to our
industry on key market trends,

61

00:17:52,592 --> 00:17:54,767

and we look forward to
his insights as well.

62

00:17:55,898 --> 00:17:58,600

We will then have a roundtable
covering the key topics

63

00:17:58,625 --> 00:18:01,733

and answer questions that
were submitted in advance,

64

00:18:01,979 --> 00:18:06,767

as well as any questions that may be
voiced by text during this presentation.

65

00:18:07,312 --> 00:18:11,800

Moderating that discussion at that
point will be BMO's Hesham Abourahma.

66

00:18:12,228 --> 00:18:15,967

As Regional VP heading my
Toronto-based Ontario team,

67

00:18:15,992 --> 00:18:19,000

he brings over 20 years of
experience in the financial sector,

68

00:18:19,025 --> 00:18:20,633

including real estate finance,

69

00:18:20,658 --> 00:18:25,733

diversified lending and investing in
private equity-backed transactions,

70

00:18:25,758 --> 00:18:27,290

and the design and execution

71

00:18:27,315 --> 00:18:30,157

of institutional strategic
initiatives across BMO.

72

00:18:30,956 --> 00:18:32,900

One last thing before
we get started.

73

00:18:33,211 --> 00:18:36,233

If you are watching the

event on a desktop or laptop,

74

00:18:36,440 --> 00:18:38,933

you will see a chat box

below the video screen.

75

00:18:39,323 --> 00:18:42,500

Please feel free to use it at

any time during the presentation

76

00:18:42,525 --> 00:18:44,300

to submit questions

to the panellist.

77

00:18:45,027 --> 00:18:49,198

We will address questions at

the end of the presentation

78

00:18:49,223 --> 00:18:51,767

or offline afterward

if time runs out.

79

00:18:52,611 --> 00:18:55,900

With that, I'm going to turn it over
to Sal Guatieri. Over to you, Sal.

80

00:18:58,151 --> 00:19:00,709

Thank you, Mike.

And good morning, everyone.

81

00:19:01,385 --> 00:19:05,500

So is the housing market
immune to the pandemic?

82

00:19:05,525 --> 00:19:08,500

Well, with national
sales at record highs,

83

00:19:08,525 --> 00:19:13,000

Toronto sales up 40% in

the past year to new highs

84

00:19:13,025 --> 00:19:17,133

and benchmark prices rising

at double-digit rates

85

00:19:17,158 --> 00:19:20,333

across many regions of

Ontario, one would think so.

86

00:19:21,045 --> 00:19:23,733

I would say the biggest

surprise of this pandemic

87

00:19:23,758 --> 00:19:27,000

is just how rapidly housing

markets have rebounded

88

00:19:27,025 --> 00:19:29,267

after plunging

during the shutdowns.

89

00:19:29,713 --> 00:19:32,333

It's even more surprising
than the recovering markets,

90

00:19:32,358 --> 00:19:37,167

which was driven by a relatively
small number of big tech companies

91

00:19:37,192 --> 00:19:40,533

that are benefitting from
the shift of activity online.

92

00:19:40,886 --> 00:19:43,099

For housing it's almost as
if, you know,

93

00:19:43,124 --> 00:19:47,033

the greatest economic shock of

our lifetime never happened.

94

00:19:47,443 --> 00:19:52,068

The shock that sent two of the biggest
drivers of Canada's housing market

95

00:19:52,093 --> 00:19:56,115

careening into the ditch,
and that was employment and immigration.

96

00:19:57,671 --> 00:20:01,900

But the pandemic also generated
some good things for housing,

97

00:20:01,925 --> 00:20:04,600

like sub-2% mortgage rates,

98

00:20:04,625 --> 00:20:07,381

massive income support
by governments that

99

00:20:07,406 --> 00:20:10,900

more than offset the loss
of aggregate earnings,

100

00:20:10,925 --> 00:20:15,733

increased household savings,
notably among teleworkers,

101

00:20:15,758 --> 00:20:19,167

many of whom are opting
out of urban rental markets

102

00:20:19,192 --> 00:20:23,433

for an affordable detached
home in the suburbs or exurbs.

103

00:20:24,021 --> 00:20:26,500

So that's why some of the
fastest price increases

104

00:20:26,525 --> 00:20:28,787

are occurring in some
of the small cities

105

00:20:28,812 --> 00:20:31,900

one to two hours' drive
from downtown Toronto.

106

00:20:32,472 --> 00:20:36,000

So this pandemic also was unique
in that most of the job losses

107

00:20:36,025 --> 00:20:39,500

were among lower income
workers who tend to rent

108

00:20:39,525 --> 00:20:40,740

rather than own.

109

00:20:41,608 --> 00:20:43,849

As far as where the
market is going,

110

00:20:43,874 --> 00:20:46,867

well, I guess the humble thing
to say is we really don't know.

111

00:20:47,078 --> 00:20:52,033

But since you asked, there's likely
enough fundamental demand support,

112

00:20:52,089 --> 00:20:56,287

including from Millennials and
earlier international migration

113

00:20:56,312 --> 00:20:58,367

to keep the market pretty healthy,

114

00:20:58,392 --> 00:21:02,367

but the market is not entirely
immune to the pandemic.

115

00:21:02,392 --> 00:21:05,600

We would expect
substantial moderation

116

00:21:05,625 --> 00:21:09,867

in the rate of growth in sales
and prices over the next year,

117

00:21:09,892 --> 00:21:12,667

just given the elevated
unemployment rate.

118

00:21:13,160 --> 00:21:17,833

Of course, the virus really
will have the biggest say

119

00:21:17,858 --> 00:21:21,067

in where the economy and
housing market are going.

120

00:21:21,247 --> 00:21:24,167

Chris, if we could advance
to the first slide, please?

121

00:21:26,847 --> 00:21:31,333

Though subsiding,
the earlier resurgence in US infections,

122

00:21:31,358 --> 00:21:34,200

as you can see from the
chart, is pretty concerning.

123

00:21:34,475 --> 00:21:39,033

In several other countries that
had their outbreak under control,

124

00:21:39,058 --> 00:21:43,933

such as Spain, France and Australia,
they are seeing regional flare-ups as well.

125

00:21:44,333 --> 00:21:47,300

Now, Canada has kept
its infection rate low

126

00:21:47,325 --> 00:21:53,900

at just a half percent per day while moving
through the various stages of re-openings.

127

00:21:54,033 --> 00:21:57,933

And most countries have the
virus under sufficient control

128

00:21:57,958 --> 00:22:01,867

to rule out return to
wide-spread lockdown,

129

00:22:01,892 --> 00:22:04,834

so that's generally good news
and let's hope it stays that way.

130

00:22:05,359 --> 00:22:07,233

Chris, the next slide, please.

131

00:22:09,101 --> 00:22:13,133

Now, data on work hours,
for example, show the economy

132

00:22:13,158 --> 00:22:17,662

has slowed somewhat in response
to the new restrictions on bars,

133

00:22:17,687 --> 00:22:19,400

restaurants in some states,

134

00:22:19,425 --> 00:22:25,200

and an increase in consumer anxiety

related to this flare-up in cases.

135

00:22:25,522 --> 00:22:29,833

You're now hearing more
talk of a K-shaped recovery

136

00:22:29,858 --> 00:22:33,967

with the various industries following
widely different directions.

137

00:22:34,241 --> 00:22:38,756

We know some industries remain deeply
challenged, not just restaurants and bars.

138

00:22:39,186 --> 00:22:42,533

Personal care, for example,
as you can see from the chart,

139

00:22:42,558 --> 00:22:46,700

still operating 40%

below pre-virus levels.

140

00:22:48,068 --> 00:22:53,533

And for Canada, the virus is still
hammering about 5% of the economy,

141

00:22:53,714 --> 00:22:57,267

so that involves restaurants,
hotels, air travel,

142

00:22:57,292 --> 00:23:01,333

personal care and
in-person entertainment.

143

00:23:01,796 --> 00:23:03,067

And barring a vaccine,

144

00:23:03,092 --> 00:23:08,600

these industries are likely to struggle
well after the economy returns to normal.

145

00:23:08,734 --> 00:23:09,912

Next slide, please.

146

00:23:12,656 --> 00:23:18,100

Still, because most industries are
healing quite nicely during the recovery,

147

00:23:18,125 --> 00:23:23,200

and the recovery is proceeding about
as well as could have been expected,

148

00:23:23,225 --> 00:23:27,193

though as I said, it will take a long
– there's still a long road ahead

149

00:23:27,218 --> 00:23:31,500

before we see anything
resembling a complete recovery.

150

00:23:31,649 --> 00:23:36,400

For Canada, the two-month lockdown recession is just unparalleled.

151

00:23:36,580 --> 00:23:41,067

The 18% decline in GDP in March and April

152

00:23:41,092 --> 00:23:44,615

was four times larger than in the Great Recession

153

00:23:44,717 --> 00:23:49,400

and it simply erased the entire expansion of the prior decade.

154

00:23:50,003 --> 00:23:52,467

Now thankfully, it ended in May

155

00:23:52,492 --> 00:23:55,833

with the re-openings of
non-essential businesses.

156

00:23:55,858 --> 00:23:58,633

And based on our
business activity index,

157

00:23:58,658 --> 00:24:04,333

the economy looks to have reversed
about two-thirds of that decline

158

00:24:04,358 --> 00:24:10,300

with help from basically a V-shaped
rebound in retail sales, for example.

159

00:24:11,028 --> 00:24:16,900

Now that said, I mean, we're still
operating about 5% below pre-virus levels.

160

00:24:17,706 --> 00:24:19,287

You know, just for perspective,

161

00:24:19,312 --> 00:24:22,900

that's worse than at the low
point of the last recession.

162

00:24:22,925 --> 00:24:26,400

We still think it could take
until well into next year

163

00:24:26,425 --> 00:24:30,233

before we fully
retrace the lost GDP.

164

00:24:30,430 --> 00:24:32,084

Chris, the next slide, please.

165

00:24:35,906 --> 00:24:41,267

Another unique aspect of this recession

was just the massive fiscal response.

166

00:24:41,417 --> 00:24:43,867

The income support measures
have more than offset

167

00:24:43,892 --> 00:24:46,867

the aggregate income losses
for Canadian workers.

168

00:24:46,892 --> 00:24:50,833

It's a really strange recession
when household disposable income

169

00:24:50,858 --> 00:24:53,891

rises 15% in the past year.

170

00:24:54,094 --> 00:24:58,200

And the federal government has extended
the support programs into next year,

171

00:24:58,225 --> 00:25:02,000

while lowering restrictions
on work hours to collect EI.

172

00:25:02,025 --> 00:25:04,567

It gives support and
loan deferral programs

173

00:25:04,592 --> 00:25:07,326

that allowed consumer
defaults to stay pretty low.

174

00:25:07,658 --> 00:25:10,700

Now, of course,
the support has come at the cost

175

00:25:10,725 --> 00:25:16,733

of a massive whole in the budget deficit
to the tune of at least 16% of GDP,

176

00:25:16,758 --> 00:25:20,193

and that does risk further
credit rating downgrade

177

00:25:20,218 --> 00:25:25,133

beyond Fitch's recent ding
in the country's AAA rating.

178

00:25:25,158 --> 00:25:27,568

So at some point,
once we're out of this crisis,

179

00:25:27,593 --> 00:25:31,667

the government will need to
outline a pretty credible plan

180

00:25:31,692 --> 00:25:37,267

to return to more
sustainable fiscal finances.

181

00:25:38,432 --> 00:25:41,381

Chris, if we could turn
to the next slide, please?

182

00:25:42,920 --> 00:25:48,733

Canadian workers have taken a much larger
hit this time than in the last recession.

183

00:25:48,868 --> 00:25:52,467

Three million workers were
let go in March and April.

184

00:25:52,554 --> 00:25:57,178

Less than two-thirds, or about
63%, have returned to work now.

185

00:25:57,898 --> 00:26:00,615

Of the 2.3 million unemployed,

186

00:26:00,640 --> 00:26:03,900

two million are basically
permanent layoffs,

187

00:26:04,034 --> 00:26:07,100

and that's up from one million
at the start of the year,

188

00:26:07,125 --> 00:26:11,967

and the layoffs are concentrated among
lower paid workers in the hospitality,

189

00:26:11,992 --> 00:26:14,667

entertainment,
personal care sectors.

190

00:26:14,894 --> 00:26:20,433

So clearly, that will act as somewhat of a
drag on the housing market going forward.

191

00:26:20,630 --> 00:26:23,052

Besides that,

we will need to contend

192

00:26:23,077 --> 00:26:27,369

with many fewer international
migrants, at least this year.

193

00:26:27,667 --> 00:26:30,467

If we can advance to the next
slide, please?

194

00:26:33,413 --> 00:26:36,233

Net international
migration to Canada

195

00:26:36,258 --> 00:26:41,251

has fallen about 44% now in
the first half of this year,

196

00:26:41,292 --> 00:26:45,167

so that's just an unprecedented
drop coming off the record levels

197

00:26:45,192 --> 00:26:47,700

we were seeing in recent years.

198

00:26:48,412 --> 00:26:53,833

Now, because international migrants
tend to rent for a number of years

199

00:26:53,858 --> 00:26:58,067

before getting into the housing
market, I think the impact here

200

00:26:58,092 --> 00:27:00,533

will be more on the rental
market than the housing market,

201

00:27:00,558 --> 00:27:05,733

though probably in future years we could
see some drag on the housing market.

202

00:27:06,116 --> 00:27:08,974

But the market,
I believe, this year,

203

00:27:08,999 --> 00:27:14,600

will be pretty well supported by the past
record levels of international migrants,

204

00:27:14,625 --> 00:27:20,300

341,000 new net permanent
residents last year to Canada,

205

00:27:20,325 --> 00:27:24,075

and that's right in line
with the government's target

206

00:27:24,100 --> 00:27:26,367

for this year and the next year.

207

00:27:26,392 --> 00:27:28,771

It's going to be tough to

hit that target this year,

208

00:27:28,796 --> 00:27:32,100

but I think once we start

easing the travel bans,

209

00:27:32,125 --> 00:27:36,600

as people become more mobile

and comfortable with travelling,

210

00:27:36,625 --> 00:27:41,162

we could see immigration pick up in

Canada, providing support to the market.

211

00:27:42,139 --> 00:27:44,000

Can we advance to the next
slide, please?

212

00:27:45,900 --> 00:27:50,696

The monetary policy response to the
pandemic has also been pretty substantial.

213

00:27:50,721 --> 00:27:54,567

The Bank of Canada chopped
interest rates to near zero now

214

00:27:54,592 --> 00:27:58,533

and is buying a wide range of debt
securities to keep long-term rates down.

215

00:27:58,683 --> 00:28:02,571

We don't expect the Bank or the
Fed to begin raising interest rates

216

00:28:02,596 --> 00:28:05,900

until at least well into 2023,

217

00:28:05,925 --> 00:28:10,167

given the enormous slack in the economy
and downward pressure on inflation.

218

00:28:10,192 --> 00:28:12,602

And the Fed now is
following a strategy

219

00:28:12,627 --> 00:28:17,467

of allowing inflation to temporarily
move above it's 2% target

220

00:28:17,492 --> 00:28:20,233

to compensate for
past undershooting.

221

00:28:20,258 --> 00:28:24,337

So again, we're going to be facing low

interest rates for a long, long time.

222

00:28:25,018 --> 00:28:26,071

Next slide, please.

223

00:28:29,159 --> 00:28:31,767

Now, the good thing about
the falling interest rates

224

00:28:31,792 --> 00:28:36,200

is that they've stabilized
affordability across Canada

225

00:28:36,225 --> 00:28:40,867

and really provided some offset
to CMHC's recent tightening

226

00:28:40,892 --> 00:28:44,333

of the mortgage rules
for insured mortgages,

227

00:28:44,358 --> 00:28:49,233

notably requiring housing costs
to consume no more than 35%

228

00:28:49,258 --> 00:28:53,633

of annual income instead
of the former 39%.

229

00:28:54,471 --> 00:29:00,367

We know housing is still very expensive
across the Greater Toronto region

230

00:29:00,392 --> 00:29:02,701

where mortgage
payments can gobble up

231

00:29:02,726 --> 00:29:05,800

almost half of income for
just a typical property.

232

00:29:06,215 --> 00:29:09,500

But that's not the case

in most other cities

233

00:29:09,525 --> 00:29:12,856

where the mortgage service

ratio is less than one quarter

234

00:29:12,881 --> 00:29:17,233

or even less than one fifth

of income in so many cities,

235

00:29:17,258 --> 00:29:20,633

Ottawa, for example,

much of southwestern Ontario as well.

236

00:29:21,689 --> 00:29:23,500

Chris, the next slide, please.

237

00:29:25,759 --> 00:29:29,684

Along with the record

low mortgage rates,

238

00:29:29,709 --> 00:29:35,133

we're getting pretty good ongoing support

from the Echo Boomers, the Millennials.

239

00:29:35,830 --> 00:29:41,067

They're taking full advantage

of these low interest rates

240

00:29:41,092 --> 00:29:44,100

to get into the housing market,

buying their first home,

241

00:29:44,125 --> 00:29:46,533

for example,

or moving up to a bigger home.

242

00:29:46,558 --> 00:29:51,400

So that age group, 25 to 34,
your prime first-time buying age group,

243

00:29:51,425 --> 00:29:53,544

is still growing at
a pretty good rate

244

00:29:53,569 --> 00:29:56,867

and will continue to do
so for several years.

245

00:29:56,985 --> 00:30:00,067

And Millennials are
also taking advantage

246

00:30:00,092 --> 00:30:04,300

of the ability – at least those
who can telework – to buy cheaper,

247

00:30:04,325 --> 00:30:07,667

larger properties outside
the Greater Toronto region,

248

00:30:07,692 --> 00:30:11,833

so that's helping them deal with the
affordability issue in this area.

249

00:30:12,217 --> 00:30:13,900

Chris, the next slide, please.

250

00:30:16,018 --> 00:30:20,467

So it's a return to
that buyers' fever

251

00:30:20,492 --> 00:30:25,067

where we were seeing across many
housing markets in southern Ontario

252

00:30:25,092 --> 00:30:27,233

prior to the pandemic.

253

00:30:28,148 --> 00:30:33,267

GTA sales, as I mentioned, are up 40% now
in the past year to August to new highs.

254

00:30:33,292 --> 00:30:40,667

They're rising even faster outside
some of the 905 region and 416 region.

255

00:30:40,988 --> 00:30:43,551

So, you know, we're seeing
some of the fastest sales gains

256

00:30:43,576 --> 00:30:47,733

across the Golden Horseshoe and the
Niagara region, Kitchener-Waterloo.

257

00:30:47,758 --> 00:30:52,900

Again, it's teleworkers taking
advantage of that opportunity now

258

00:30:52,925 --> 00:30:55,433

to just get more living space

259

00:30:55,458 --> 00:30:58,567

and avoid a big commute

260

00:30:58,592 --> 00:31:02,657

by buying properties outside
the Greater Toronto region.

261

00:31:03,517 --> 00:31:04,926

Chris, the next slide, please.

262

00:31:07,498 --> 00:31:09,400

And it's back to
a sellers' market.

263

00:31:09,425 --> 00:31:13,733

I mean, basically,

we were headed to a very,

264

00:31:13,758 --> 00:31:17,800

probably an overheated housing market

in the spring if not for the pandemic,

265

00:31:17,825 --> 00:31:20,800

but essentially what's

happened is it's postponed

266

00:31:20,825 --> 00:31:24,133

that heating up of the

market into the summer.

267

00:31:24,158 --> 00:31:25,867

So it's back to a sellers' market,

268

00:31:25,892 --> 00:31:30,267

sales-to-new listing ratio back
in sellers' territory right now.

269

00:31:30,292 --> 00:31:32,267

And as you can see
from this chart,

270

00:31:32,292 --> 00:31:35,500

it's starting to put upward
pressure on prices once again.

271

00:31:35,774 --> 00:31:39,120

There is historically a pretty close
relation between the two measures.

272

00:31:39,550 --> 00:31:43,567

And if you just look at the overall
number of active listings on the market,

273

00:31:43,592 --> 00:31:47,767

there's about a 1.7-month supply
right at the current sales rate,

274

00:31:47,792 --> 00:31:50,100

and that's well
below historic norms.

275

00:31:50,640 --> 00:31:53,300

So that's why prices
are rising once again.

276

00:31:53,965 --> 00:31:55,800

Chris, the next slide, please.

277

00:31:57,402 --> 00:32:01,033

Conditions are equally tight
in the new home market,

278

00:32:01,058 --> 00:32:03,667

especially here in the
Greater Toronto region

279

00:32:03,692 --> 00:32:06,200

where supply is still
below normal levels.

280

00:32:06,553 --> 00:32:10,600

And unfortunately,
many buyers will have to face

281

00:32:10,625 --> 00:32:13,593

higher building costs
because lumber prices

282

00:32:13,618 --> 00:32:15,719

have doubled in the past year.

283

00:32:15,744 --> 00:32:19,967

Now, just a rough back of the envelope

calculation suggests that could add

284

00:32:19,992 --> 00:32:26,167

well over \$10,000 to your average
priced new home in the Toronto region.

285

00:32:27,316 --> 00:32:33,100

So supply is just another issue, again,
for much of southwestern Ontario.

286

00:32:33,125 --> 00:32:34,900

It's not insufficient demand,

287

00:32:34,925 --> 00:32:39,900

it's lack of supply and builders
not being able to keep up.

288

00:32:40,159 --> 00:32:41,867

Chris, the next slide, please.

289

00:32:43,328 --> 00:32:48,300

And the consequences we're seeing,
you know, housing markets reheating again.

290

00:32:48,980 --> 00:32:55,516

Prices up 11% in the Toronto
region in the past year to August,

291

00:32:55,541 --> 00:32:59,900

and in some other cities at least to
July, up even faster.

292

00:32:59,925 --> 00:33:02,000

You can see from
Kitchener-Waterloo,

293

00:33:02,025 --> 00:33:07,200

up more than 20% in the past
year; same in Brantford.

294

00:33:07,240 --> 00:33:10,633

So again, some of that
influence of teleworkers

295

00:33:10,658 --> 00:33:14,267

buying properties outside
the Greater Toronto region

296

00:33:14,292 --> 00:33:18,721

is driving up house prices in
those parts of the province.

297

00:33:19,293 --> 00:33:20,690

The next slide, please.

298

00:33:23,182 --> 00:33:26,400

The one area of the housing
market that's softened,

299

00:33:26,425 --> 00:33:29,000

perhaps no surprise,
is the rental market.

300

00:33:29,853 --> 00:33:35,221

GTA, Greater Toronto rents are
down about 7% now in the past year

301

00:33:35,246 --> 00:33:41,133

and I think a little more even in
August, 9% or so, prices are down.

302

00:33:41,158 --> 00:33:46,033

And that's simply reflecting
insufficient inventory

303

00:33:46,058 --> 00:33:48,767

and some pull-back in demand.

304

00:33:49,197 --> 00:33:54,440

So the inventory is still actually
ramped up pretty significantly

305

00:33:54,465 --> 00:33:57,800

in the past year now in
the Toronto region, up 8%.

306

00:33:57,825 --> 00:34:02,333

We've gotten a flood of
new listings from Airbnb,

307

00:34:02,358 --> 00:34:07,733

listings that normally would fill
the short-term market for tourists,

308

00:34:07,758 --> 00:34:10,467

is now coming onto the
long-term rental market.

309

00:34:10,492 --> 00:34:13,668

Now, you couple that

with less demand

310

00:34:13,693 --> 00:34:18,433

from many of the lower paid

workers have lost their jobs

311

00:34:18,458 --> 00:34:21,800

and taken a hit to

income, less immigration,

312

00:34:21,825 --> 00:34:24,064

students kind of staying

with their parents

313

00:34:24,089 --> 00:34:28,233

instead of entering the

rental market for education.

314

00:34:28,273 --> 00:34:32,533

It all suggests a shift out of
the rental market and again,

315

00:34:32,558 --> 00:34:38,867

you could couple that with remote
workers looking for detached homes

316

00:34:38,892 --> 00:34:42,933

outside the Toronto region
instead of renting in downtown.

317

00:34:42,958 --> 00:34:45,800

So that's all putting downward
pressure on the rental market.

318

00:34:46,465 --> 00:34:48,367

The final slide, please, Chris.

319

00:34:50,828 --> 00:34:52,872

So just to wrap up, you know,

320

00:34:52,897 --> 00:34:58,333

thankfully this two-month pandemic
or lockdown recession is over.

321

00:34:58,358 --> 00:35:04,200

Not for everyone, still a lot of
workers out of work across Canada,

322

00:35:04,225 --> 00:35:07,367

more than 2 million,
so that's a big issue.

323

00:35:07,626 --> 00:35:11,767

But the housing market basically
has not just survived the pandemic,

324

00:35:11,792 --> 00:35:16,500

in a way it has kind of thrived,
benefitting from a lot of those positives

325

00:35:16,525 --> 00:35:18,167

that we just talked about.

326

00:35:18,192 --> 00:35:21,633

It's also been helped by the
fact that distressed home sales

327

00:35:21,658 --> 00:35:26,467

have been kept to a minimum because
of the deferral programs, for example.

328

00:35:26,492 --> 00:35:30,733

Now, we don't expect home sales and
prices to continue at this heated pace;

329

00:35:30,758 --> 00:35:36,600

we will see a moderation in the
rate of growth of sales and prices

330

00:35:36,625 --> 00:35:41,867

to more moderate rates of growth because
of some of these permanent layoffs,

331

00:35:41,892 --> 00:35:43,825

elevated unemployment rates.

332

00:35:43,850 --> 00:35:45,900

We think the unemployment
rate could still

333

00:35:45,925 --> 00:35:49,000

average about 8% next
year across Canada,

334

00:35:49,025 --> 00:35:52,384

less immigration and just
economic uncertainty,

335

00:35:52,409 --> 00:35:54,200

so we'll see some moderation.

336

00:35:54,397 --> 00:35:58,333

We're going to continue to see some
downward pressure into the rental market.

337

00:35:58,358 --> 00:36:00,933

We'll continue to see a
shift, I believe,

338

00:36:00,958 --> 00:36:08,633

towards detached properties
outside the Greater Toronto region,

339

00:36:08,658 --> 00:36:12,041

certainly outside the downtown
core, because of remote work.

340

00:36:13,019 --> 00:36:16,100

There are still some people that will
be going into the office and that,

341

00:36:16,125 --> 00:36:20,567

but there's going to be a lot fewer
workers going in on a permanent basis now.

342

00:36:20,935 --> 00:36:25,033

And just to finalize:
the risks, I would say,

343

00:36:25,058 --> 00:36:28,833

still probably on the downside if
we see this second wave of the virus

344

00:36:28,858 --> 00:36:32,400

occurring in the winter when
we start moving indoors again.

345

00:36:32,425 --> 00:36:35,367

But then again,
a lot of talk about an early vaccine

346

00:36:35,392 --> 00:36:40,800

that could present some upside risk
to the economy and the housing market.

347

00:36:40,825 --> 00:36:46,367

So I'll leave it at that and turn the floor
over or back to Mike to introduce Raymond.

348

00:36:49,016 --> 00:36:52,011

Thank you, Sal,
for your macro-level insights and update.

349

00:36:52,036 --> 00:36:55,733

There's certainly uncertainty
when you have upside and downside

350

00:36:55,758 --> 00:36:58,467

mentioned in the summary of
the risks at the end there.

351

00:36:58,492 --> 00:37:01,036

I'd now like to hand it
over to Raymond Wong,

352

00:37:01,061 --> 00:37:04,021

who will be giving an update
on the micro-economic trends

353

00:37:07,124 --> 00:37:11,567

happening in the commercial real
estate industry. So over to you, Ray.

354

00:37:13,247 --> 00:37:14,967

Great. Thanks, Mike.

355

00:37:16,241 --> 00:37:17,100

Good morning, everyone.

356

00:37:17,171 --> 00:37:19,667

Today I'm going to share with
you a few insights and trends

357

00:37:19,692 --> 00:37:23,033

on the new housing market,
firstly for us in Canada

358

00:37:23,058 --> 00:37:29,967

and then drill down specifically
for [indiscernible] GTA branch.

359

00:37:30,334 --> 00:37:31,646

Next slide, Chris.

360

00:37:33,577 --> 00:37:35,733

And one more slide, sorry.

361

00:37:36,492 --> 00:37:39,400

Then I'm just going to skip over
this and just go to this one.

362

00:37:40,364 --> 00:37:50,067

Okay, so – as Sal mentioned,

363

00:37:50,092 --> 00:37:58,133

the housing market in January and
February were really picking up,

364

00:37:58,158 --> 00:38:03,767

and then we basically had a
three-month delay with the pandemic,

365

00:38:03,792 --> 00:38:07,400

delays in projects,
construction halts,

366

00:38:08,768 --> 00:38:14,633

and causing delays in
the actual inventory.

367

00:38:15,189 --> 00:38:20,433

One thing about the residential real
estate market, and what we've seen,

368

00:38:20,458 --> 00:38:25,267

is a sort of acceleration
of changes and evolution of

369

00:38:25,292 --> 00:38:28,133

trends that we already started
seeing in the marketplace,

370

00:38:28,158 --> 00:38:31,767

and builders sort of
trying to compensate

371

00:38:31,792 --> 00:38:34,833

for too much demand, lack of
demand, adjusting pricings.

372

00:38:35,108 --> 00:38:39,233

So we continue to see that
today with the current market

373

00:38:39,258 --> 00:38:46,083

and the consumer [indiscernible].

374

00:38:46,108 --> 00:38:51,396

For the most part,
people have paid attention [indiscernible]

375

00:38:51,421 --> 00:38:54,833

to reduce the [indiscernible].

376

00:38:54,858 --> 00:39:00,833

But because of that sort of uncertainty
and where the market is heading,

377

00:39:00,858 --> 00:39:04,302

it caused a certain amount
of sort of concern and delay.

378

00:39:04,327 --> 00:39:09,767

So basically,
we lost the spring market.

379

00:39:09,792 --> 00:39:16,733

And with respect to just
adding on to [indiscernible]

380

00:39:16,758 --> 00:39:18,833

was the interest rates decline,

381

00:39:18,968 --> 00:39:23,667

but we've also had more
scrutinization by some of the lenders

382

00:39:23,692 --> 00:39:30,800

with certain approvals based on
employment or additional questions

383

00:39:30,825 --> 00:39:39,733

that also developers are dealing with
is the fluctuation in some of the costs.

384

00:39:39,758 --> 00:39:45,767

And we know that PPE and the certain
protocols that are put in place

385

00:39:45,792 --> 00:39:50,200

are very contributory to
about 13% of the costs

386

00:39:50,225 --> 00:39:55,132

in addition to any type of
what's happening in the US

387

00:39:55,157 --> 00:39:58,767

with the tariffs and
impacting sort of,

388

00:39:58,792 --> 00:40:03,167

more specifically though,
the aluminum sector

389

00:40:03,192 --> 00:40:05,767

and impact on the cost of windows.

390

00:40:05,792 --> 00:40:08,433

So there's a lot of different
things that are happening

391

00:40:08,458 --> 00:40:12,400

that are impacting the
residential market.

392

00:40:12,690 --> 00:40:14,000

Go to the next slide.

393

00:40:17,868 --> 00:40:25,433

And if you look at what's
happening with, again,

394

00:40:25,458 --> 00:40:27,479

just reinforcing –
people still want to buy.

395

00:40:27,504 --> 00:40:29,633

This is from our firm's survey,

396

00:40:29,658 --> 00:40:35,400

and basically it shows that
there is confidence in the market

397

00:40:35,425 --> 00:40:42,033

for people planning to buy

new homes in the next year.

398

00:40:42,417 --> 00:40:42,932

Next slide.

399

00:40:46,504 --> 00:40:50,800

And especially the first-time
buyers are back in the market.

400

00:40:51,153 --> 00:40:55,933

And this has also helped with
the interest rates, so again,

401

00:40:55,958 --> 00:41:00,300

this is what's sort of fuelling
what we're seeing today

402

00:41:00,325 --> 00:41:04,367

with a lot of demand in transactions,
both on the resale market

403

00:41:04,392 --> 00:41:08,739

as well as on the [indiscernible].

404

00:41:09,372 --> 00:41:10,082

Next slide.

405

00:41:13,498 --> 00:41:19,600

So this is part of the adjustments
that I was talking about earlier

406

00:41:19,625 --> 00:41:22,033

[indiscernible] levels.

407

00:41:22,183 --> 00:41:26,300

So low inventory levels continue
to happen in eastern Canada,

408

00:41:26,325 --> 00:41:30,867

while slower sales allowed
supply to increase in the west.

409

00:41:31,048 --> 00:41:35,267

So there's a lot more sort of pent
up demand that we're sort of seeing

410

00:41:35,292 --> 00:41:38,400

in the marketplaces
right across Canada,

411

00:41:38,425 --> 00:41:44,401

but at variance back to [indiscernible]
a certain amount of inventory.

412

00:41:44,426 --> 00:41:48,867

And this also applies with
respect to Edmonton and Calgary,

413

00:41:48,892 --> 00:41:54,500

and we are starting to see
sort of a pickup in Hamilton

414

00:41:54,525 --> 00:41:58,542

and Toronto, but partially that's
also based on the inventory

415

00:41:58,567 --> 00:42:00,533

that's available
in the marketplace.

416

00:42:00,714 --> 00:42:01,733

Next slide.

417

00:42:05,273 --> 00:42:14,800

So this speaks to the single-family
new homes demand is resilient in 2020

418

00:42:14,825 --> 00:42:22,900

[indiscernible] a pickup over sort of an

extension of what was happening last year.

419

00:42:22,925 --> 00:42:28,033

And partly it is due to some
of the adjustments in pricing

420

00:42:28,058 --> 00:42:32,467

that allowed some of the buyers to get
into the marketplace after a bit of a stall

421

00:42:32,492 --> 00:42:35,300

and some adjustments in
the last little while.

422

00:42:35,544 --> 00:42:38,767

Again, there's a little bit of
weakness in Edmonton and Calgary,

423

00:42:38,792 --> 00:42:40,900

and Vancouver, of course.

424

00:42:40,925 --> 00:42:46,333

They sort of – they are still
coming off of reduced sales

425

00:42:46,358 --> 00:42:50,233

in the last couple of years,
whereas Toronto has been strong

426

00:42:50,258 --> 00:42:56,467

and as well as the pickup
and the increase in activity

427

00:42:56,492 --> 00:43:04,233

in inventory and the transition from
renters to buying apartments in Montreal.

428

00:43:05,758 --> 00:43:06,644

Okay, next slide.

429

00:43:09,746 --> 00:43:13,667

Now this goes into the
affordability issue.

430

00:43:13,692 --> 00:43:23,133

And again, this just – that based
on price with single-family homes

431

00:43:23,158 --> 00:43:25,933

and some of the first-time buyers,

432

00:43:25,958 --> 00:43:30,300

that there is an increase
in demand and affordability

433

00:43:30,325 --> 00:43:33,633

for town homes
right across Canada.

434

00:43:33,829 --> 00:43:38,900

So the challenge we have is the low
inventory, fewer project launches

435

00:43:38,925 --> 00:43:41,533

and the stall in the GTA

436

00:43:41,558 --> 00:43:46,433

and the slow rise has been
increased in supply and activity

437

00:43:46,474 --> 00:43:48,825

has been increasing a little bit more.

Next slide.

438

00:43:51,959 --> 00:43:55,833

And, of course,
the whole condominium sector

439

00:43:55,858 --> 00:44:02,633

and overall Kitchener
had the inventory.

440

00:44:02,877 --> 00:44:07,700

Again, when we get back into the
inventory and demand aspect of it,

441

00:44:07,725 --> 00:44:13,933

Kitchener had the [indiscernible]
percentage of change in 2020 year-to-date

442

00:44:13,958 --> 00:44:16,867

that goes into July
numbers, is up,

443

00:44:16,892 --> 00:44:21,233

whereas Hamilton had a very
strong January, February

444

00:44:21,258 --> 00:44:30,333

and based on the [indiscernible] and some
of the delays with some of the completions,

445

00:44:30,358 --> 00:44:33,233

all sales are down.

446

00:44:33,258 --> 00:44:36,533

It's not because of demand,
it's just a lack of inventory.

447

00:44:36,558 --> 00:44:42,300

And the same thing with respect to the GTA
market for condominium apartment sales,

448

00:44:42,465 --> 00:44:47,033

it's just the lack of inventory and some
of those delays because of the pandemic

449

00:44:47,058 --> 00:44:52,991

is delaying some of those launches

that we're seeing in the marketplace.

450

00:44:53,719 --> 00:44:54,740

Okay, next slide.

451

00:44:57,555 --> 00:45:01,067

And this is when you get into
the whole pricing aspect of it,

452

00:45:01,092 --> 00:45:05,212

that it's really starting to
converge on the price points

453

00:45:05,237 --> 00:45:09,233

with respect to Vancouver and GTA

454

00:45:09,258 --> 00:45:15,400

and with price escalations in GTA
and downward pressure in Vancouver,

455

00:45:15,425 --> 00:45:22,533

and largely is based out of the
affordability issues that Toronto has,

456

00:45:22,558 --> 00:45:27,774

has made some changes to pricing
allowing for a little bit more demand.

457

00:45:28,033 --> 00:45:32,467

And what sales that are
definitely seeing affordability

458

00:45:32,492 --> 00:45:34,967

in outlying parts of the GTA,

459

00:45:34,992 --> 00:45:38,633

in particular
Kitchener-Waterloo and Hamilton.

460

00:45:38,829 --> 00:45:44,400

And it will be interesting to see
whether or not this sort of continues

461

00:45:44,425 --> 00:45:48,367

with respect to the
flexible work environment

462

00:45:48,392 --> 00:45:51,833

allowing people to work more from
home, whether or not,

463

00:45:51,858 --> 00:45:59,571

again, it moves more into that
acceleration but more moving to the suburbs

464

00:45:59,596 --> 00:46:01,800

because of some of
that flexibility.

465

00:46:01,825 --> 00:46:06,167

But part of that was also –
that sort of started happening

466

00:46:06,192 --> 00:46:12,333

about a couple of years ago
when the [indiscernible],

467

00:46:12,358 --> 00:46:14,285

especially in the tech sector

468

00:46:14,539 --> 00:46:18,868

and companies allowed employees to
work a little bit more remotely.

469

00:46:19,017 --> 00:46:22,133

And this pandemic has just
sort of accelerated that

470

00:46:22,158 --> 00:46:26,567

and it would be interesting
to see what becomes permanent

471

00:46:26,607 --> 00:46:33,274

and becomes sort of trends based on
the [indiscernible] of the pandemic.

472

00:46:34,142 --> 00:46:35,649

Okay, next slide.

473

00:46:38,721 --> 00:46:47,633

So when you look at overall land
sales and just a little bit for 2020,

474

00:46:47,658 --> 00:46:54,867

again, we had about three months
of inactivity from March to May,

475

00:46:54,892 --> 00:46:58,333

and overall investment

transactions across Canada

476

00:46:58,358 --> 00:47:03,967

is actually down by about between

30 to [indiscernible] percent.

477

00:47:03,992 --> 00:47:07,300

So when you look at what's

happening with land sales,

478

00:47:07,325 --> 00:47:14,500

partly it's because of limited product

as well as some developers' concerns,

479

00:47:14,525 --> 00:47:18,033

especially with what

the asking price is

480

00:47:18,058 --> 00:47:20,830

and what the investors and developers

are willing to spend on the land.

481

00:47:20,855 --> 00:47:23,096

That's caused a little

bit of that delay.

482

00:47:23,652 --> 00:47:28,133

But year-over-year,

when you look at the GTA marketplace,

483

00:47:28,158 --> 00:47:31,600

we're down by 30%,

but it's actually not bad

484

00:47:31,625 --> 00:47:36,200

based on three months of

[indiscernible] in the marketplace.

485

00:47:36,334 --> 00:47:41,002

Again, what we're seeing with respect

to Kitchener-Waterloo [indiscernible],

486

00:47:41,027 --> 00:47:45,033

is the lack of product

487

00:47:45,058 --> 00:47:52,143

and some of the concern with some
of the building costs going forward.

488

00:47:52,527 --> 00:47:56,877

So I think this actually going to
probably pick up in the second half

489

00:47:56,902 --> 00:48:01,567

of this year and into 2021,

490

00:48:01,592 --> 00:48:04,631

but it will be really

interesting to see

491

00:48:04,656 --> 00:48:07,967

sort of the gap between

bidders and sellers,

492

00:48:07,992 --> 00:48:10,700

how it impacts land

prices and movement.

493

00:48:12,131 --> 00:48:13,232

Okay, next slide.

494

00:48:14,179 --> 00:48:18,342

Okay, so now we're turning

into the GTA marketplace.

495

00:48:18,756 --> 00:48:19,967

Next slide.

496

00:48:22,054 --> 00:48:26,667

And this is what we talked about,

497

00:48:26,692 --> 00:48:31,167

the new home inventory

still improving,

498

00:48:31,192 --> 00:48:34,667

but that stalled

the last few months.

499

00:48:34,692 --> 00:48:40,700

And this is [indiscernible] the

GTA [indiscernible] Vancouver

500

00:48:40,725 --> 00:48:42,567

where they have the slowdown,

501

00:48:42,592 --> 00:48:45,733

but what we're seeing

now with the inventory

502

00:48:45,758 --> 00:48:52,667

is the impact of COVID
protocols put in place.

503

00:48:53,082 --> 00:48:56,333

Construction goes a lot
faster digging a hole,

504

00:48:56,358 --> 00:49:02,500

but once the – especially as the high-rise
starts sort of gaining in height,

505

00:49:02,525 --> 00:49:05,867

that's when you have some challenges
with the number of people that can

506

00:49:05,892 --> 00:49:10,833

[indiscernible] some of
the workers up and down,

507

00:49:10,858 --> 00:49:14,733

and again,

a little bit more sort of activity,

508

00:49:14,758 --> 00:49:21,900

it's probably going to slow down some of
the completions in the marketplace in 2020.

509

00:49:23,268 --> 00:49:24,233

Next slide.

510

00:49:27,039 --> 00:49:29,833

And this is the

GTA new home sales.

511

00:49:29,858 --> 00:49:36,267

And it's not a surprise

with what we've seen

512

00:49:36,292 --> 00:49:39,533

[indiscernible] compared to 2019.

513

00:49:39,558 --> 00:49:41,667

Again,

we didn't have a spring market.

514

00:49:41,692 --> 00:49:45,400

There's still a lot of pent up demand

and, as Sal mentioned,

515

00:49:45,425 --> 00:49:47,200

on both the resale side

and the new home side,

516

00:49:47,225 --> 00:49:53,600

that there's a lot of people

that are still looking for homes,

517

00:49:53,625 --> 00:49:57,400

and we've [indiscernible]
especially on the new home side,

518

00:49:57,425 --> 00:49:59,467

come up in June and July.

519

00:49:59,492 --> 00:50:04,133

And we're also seeing sort of
more sort of high-rise openings,

520

00:50:04,158 --> 00:50:09,300

but it's, again,
because of certain restrictions in place,

521

00:50:09,325 --> 00:50:12,100

it's by appointment only.

522

00:50:12,125 --> 00:50:15,167

Or in the case of 99

Church with their launch,

523

00:50:15,192 --> 00:50:22,567

they rented out a drive-in movie
theatre to launch their development.

524

00:50:22,763 --> 00:50:29,300

So again, we're probably going to
see a lot more demand and activity.

525

00:50:29,325 --> 00:50:33,300

The concern is sort
of going into 2021

526

00:50:33,325 --> 00:50:37,967

based on some of the
comments with uncertainty

527

00:50:37,992 --> 00:50:43,133

with what jobs are permanently

lost and what jobs are created,

528

00:50:43,158 --> 00:50:46,133

and as well as whether or not
there's going to be a second wave,

529

00:50:46,158 --> 00:50:52,367

whether or not we might see
a slowdown in that demand

530

00:50:52,392 --> 00:50:56,014

in sort of the
second part of 2021.

531

00:50:56,554 --> 00:50:57,514

Next slide, please.

532

00:51:01,366 --> 00:51:07,400

When we look at the condominium
apartment sales, 905 and 416,

533

00:51:07,425 --> 00:51:10,033

we see the evolution
of the [indiscernible],

534

00:51:10,058 --> 00:51:14,667

especially in the growth around
the Vaughan Metropolitan Center

535

00:51:14,692 --> 00:51:19,133

and downtown Markham,
[indiscernible] city centre again,

536

00:51:19,158 --> 00:51:26,067

it allows for people to live by
having urban [indiscernible] close to

537

00:51:26,092 --> 00:51:32,367

in case of the Vaughan Metropolitan
Centre office retail and residential.

538

00:51:32,453 --> 00:51:37,433

And again, we started seeing this
evolution a number of years ago

539

00:51:37,458 --> 00:51:43,567

because of affordability and it also
[indiscernible] the whole transit investment

540

00:51:43,592 --> 00:51:50,367

is starting to pay off that still gives
people a lot of access to downtown.

541

00:51:50,392 --> 00:51:56,600

So we're [indiscernible] seeing
[indiscernible] in that gap

542

00:51:56,625 --> 00:52:02,304

between the 416 and
the 905 [indiscernible]

543

00:52:02,329 --> 00:52:04,467

sort of narrowing that number.

544

00:52:04,647 --> 00:52:09,100

And one of the things

that we keep being asked

545

00:52:09,125 --> 00:52:12,367

is whether or not office is dead,

especially in the downtown.

546

00:52:12,392 --> 00:52:17,467

And we don't necessarily see it as

such, that, you know,

547

00:52:17,492 --> 00:52:19,533

there was already that push,

548

00:52:19,558 --> 00:52:25,767

especially as people had kids
and they needed the space

549

00:52:25,792 --> 00:52:29,200

to move into single-family
homes and move into

550

00:52:29,225 --> 00:52:31,791

[indiscernible] phase
out of the downtown.

551

00:52:31,994 --> 00:52:35,267

But the downtown has a
certain number of mandates

552

00:52:35,292 --> 00:52:37,600

and it's the reason why
people are moving downtown,

553

00:52:37,625 --> 00:52:42,267

not because of jobs,

but it's sort of a lifestyle.

554

00:52:42,292 --> 00:52:44,967

So we don't sort of see

this changing that much,

555

00:52:44,992 --> 00:52:49,833

but we do see some of the

hybrid work environment

556

00:52:49,858 --> 00:52:54,000

where you work three days from home

and then two days in the office.

557

00:52:54,025 --> 00:52:56,600

But there's other concerns and

this is still to be played out

558

00:52:56,625 --> 00:53:00,567

based on what's happening
with respect to public transit

559

00:53:00,592 --> 00:53:07,633

and whether or not people feel safe
going on a bus and being in the office.

560

00:53:07,658 --> 00:53:11,067

There are [indiscernible]
concerns on the office side,

561

00:53:11,092 --> 00:53:14,333

but we think that the office market
will continue to evolve and change

562

00:53:14,358 --> 00:53:16,851

as the work environment changes.

563

00:53:17,548 --> 00:53:18,273

Next slide.

564

00:53:20,984 --> 00:53:26,167

And this is where we're seeing the
single-family homes by regions.

565

00:53:26,285 --> 00:53:31,667

The negative numbers are
more of the lack of supply.

566

00:53:31,692 --> 00:53:36,567

And again, you're seeing that grown
with respect to the York region

567

00:53:36,592 --> 00:53:42,667

and what's happening with the
outside of the [indiscernible] 905

568

00:53:42,692 --> 00:53:47,500

with especially Simcoe County and

what [indiscernible] Hamilton.

569

00:53:47,525 --> 00:53:53,900

So there is that sort of

[indiscernible] for activity

570

00:53:53,925 --> 00:53:57,333

and people looking for

a little bit more room.

571

00:53:57,749 --> 00:53:58,525

Next slide.

572

00:54:01,550 --> 00:54:06,967

Condominium apartment prices continue

[indiscernible] this gap here,

573

00:54:06,992 --> 00:54:11,033

and that gap is narrowing

after that uptick.

574

00:54:11,058 --> 00:54:16,633

So again, this is also –

prices have sort of moved up

575

00:54:16,658 --> 00:54:24,233

but it's also based on the type of new

developments that are hitting the market

576

00:54:24,258 --> 00:54:27,900

that are pushing that up as well.

577

00:54:27,972 --> 00:54:31,867

So we are seeing

some new home prices,

578

00:54:32,500 --> 00:54:36,600

but perhaps not to the same degree of that

spike up that we're seeing on this chart.

579

00:54:37,047 --> 00:54:38,333

Next chart.

580

00:54:40,577 --> 00:54:42,700

And this gives you an idea,

581

00:54:42,725 --> 00:54:46,867

this is the first time that we've
seen this, where apartment condos

582

00:54:46,892 --> 00:54:51,833

are actually priced higher
[indiscernible] town homes.

583

00:54:52,201 --> 00:54:57,667

And again, that's more reflective of
the type of [indiscernible] marketplace

584

00:54:57,692 --> 00:55:01,217

and this is what we're also
seeing a stronger demand in

585

00:55:01,242 --> 00:55:07,400

[indiscernible] affordability

and for more space.

586

00:55:09,643 --> 00:55:11,733

Okay, next.

587

00:55:15,523 --> 00:55:16,767

Sorry, next slide.

588

00:55:17,541 --> 00:55:21,267

No, no, sorry.

Can you go back one? Sorry.

589

00:55:22,760 --> 00:55:33,200

So it shows you [indiscernible]

affordability issue in the GTA,

590

00:55:33,490 --> 00:55:41,663

where only 40% of the homes are
priced under the million-dollar range.

591

00:55:41,688 --> 00:55:46,022

But you're starting to see some
adjustments there with some pricing,

592

00:55:46,047 --> 00:55:50,067

but there are still some
issues there with respect to

593

00:55:50,092 --> 00:55:52,033

[indiscernible]

lower interest rates

594

00:55:52,058 --> 00:55:54,233

and some of the concerns
in the marketplace

595

00:55:54,258 --> 00:56:01,367

that are sort of causing a little
bit of that push outside the 905's.

596

00:56:01,844 --> 00:56:02,913

Okay, next slide.

597

00:56:06,124 --> 00:56:09,400

And single-family prices are
more aligned with the marketplace

598

00:56:10,378 --> 00:56:14,891

and we've seen some changes
even though we are seeing prices

599

00:56:14,916 --> 00:56:18,203

go up a little bit over
the past year in 2019

600

00:56:18,228 --> 00:56:23,900

that we did see some [indiscernible]

in the GTA and in GGH

601

00:56:23,925 --> 00:56:36,047

[indiscernible] going into [indiscernible]

with adjustments [indiscernible].

602

00:56:40,838 --> 00:56:45,300

Okay, so – sorry, Chris.

Can we go to the next slide?

603

00:56:49,356 --> 00:57:00,900

Yeah, okay. The deceleration in prices

[indiscernible] in the GTA this year.

604

00:57:00,925 --> 00:57:06,791

And again, that's basically

with respect to product.

605

00:57:07,112 --> 00:57:07,994

Next slide.

606

00:57:13,112 --> 00:57:18,367

The new unit releases, and this is
the challenge in the GTA and GGH

607

00:57:18,392 --> 00:57:23,533

with the pause in the marketplace
that developers are actually

608

00:57:23,558 --> 00:57:26,167

trying to push through
certain completions

609

00:57:26,192 --> 00:57:31,367

just in case there's a second wave that
[indiscernible] a lot more launches

610

00:57:31,392 --> 00:57:33,900

going into the end of this year.

611

00:57:40,923 --> 00:57:42,033

Sorry, next slide.

612

00:57:44,558 --> 00:57:47,633

So this shows the shortage
of immediate occupancy.

613

00:57:47,658 --> 00:57:51,433

Again, there's not a lot of city
inventory, so basically what it is,

614

00:57:51,723 --> 00:57:57,367

is the market is being [indiscernible]
reflection of the pent-up demand,

615

00:57:57,547 --> 00:58:02,233

especially when [indiscernible]

both preconstruction,

616

00:58:02,258 --> 00:58:04,333

under construction and very

low standing inventory.

617

00:58:04,358 --> 00:58:08,933

Okay, going into what's in store for 2021.

Next slide.

618

00:58:12,755 --> 00:58:13,767

Just...

619

00:58:15,979 --> 00:58:21,633

So this is not a big surprise based

on the data and looking at demand.

620

00:58:21,658 --> 00:58:26,833

So Kitchener-Waterloo, Hamilton offered

more affordable options in the GTA,

621

00:58:26,858 --> 00:58:31,467

especially in the under

\$770,000 for condos.

622

00:58:31,492 --> 00:58:35,967

And this is probably expected to grow as

employers become a little bit more flexible

623

00:58:35,992 --> 00:58:45,964

with work [indiscernible].

624

00:58:45,989 --> 00:58:50,733

And this [indiscernible]

on the final slide.

625

00:58:56,602 --> 00:59:01,433

So the key – so, again,

we had that two-three months

626

00:59:01,458 --> 00:59:06,633

of loss based on COVID where
housing preferences will change

627

00:59:06,658 --> 00:59:10,667

but the housing goals will not,
so we're still seeing demand.

628

00:59:11,035 --> 00:59:17,633

Buyers [indiscernible] and they're coming
back with respect to low interest rates

629

00:59:17,658 --> 00:59:24,467

and pent-up demands [indiscernible]
GTA [indiscernible] spring market.

630

00:59:25,320 --> 00:59:30,900

We were seeing issues with
respect to some of the pricing

631

00:59:30,925 --> 00:59:38,597

and affordability with

Vancouver [indiscernible]

632

00:59:38,622 --> 00:59:47,067

and generally we're – there are

sort of underlying market challenges

633

00:59:47,092 --> 00:59:51,500

but we [indiscernible]

some announcements

634

00:59:51,525 --> 00:59:55,550

by builders on the

residential side

635

00:59:55,575 --> 01:00:00,633

and what Sal said earlier

with respect to the impact

636

01:00:00,658 --> 01:00:04,567

with the government funding and whether
or not when that sort of burns off,

637

01:00:04,592 --> 01:00:07,802

whether or not there is going to be
confidence to actually [indiscernible]

638

01:00:07,827 --> 01:00:10,457

or whether or not they're just
going to focus on necessities.

639

01:00:10,482 --> 01:00:13,767

And there are other global factors
such as tariffs and other things

640

01:00:13,792 --> 01:00:16,144

that are happening in the
marketplace that will impact it.

641

01:00:16,169 --> 01:00:21,500

And again, with regards to
immigration or that stall this year

642

01:00:21,525 --> 01:00:25,800

and what's happening with international
students impacted the rental market

643

01:00:25,825 --> 01:00:29,333

and the delay in immigration
impacting the new housing market,

644

01:00:29,358 --> 01:00:31,000

probably not this year,

645

01:00:31,025 --> 01:00:34,718

but in the next two or three years as
we start to feel some of that delay.

646

01:00:37,555 --> 01:00:45,968

So [indiscernible] Hesham
is going to [indiscernible].

647

01:00:48,039 --> 01:00:51,933

Great. Thank you, Sal and thank you, Ray.
Those were great presentations.

648

01:00:51,958 --> 01:00:55,667

Lots of information packed
in there and I think,

649

01:00:55,692 --> 01:00:59,577

you know, I come walking
away from it just indicating

650

01:00:59,602 --> 01:01:01,400

that there is a lot of positively

651

01:01:01,425 --> 01:01:03,800

really in the real estate

market despite the pandemic

652

01:01:03,825 --> 01:01:09,200

and there is obviously upside risk and

some more downside risk that we see.

653

01:01:09,319 --> 01:01:12,833

But overall,

the real estate industry within Canada

654

01:01:12,858 --> 01:01:17,833

seems to be chugging right

along and that is good news.

655

01:01:17,951 --> 01:01:19,867

We're going to get into the Q&A.

656

01:01:20,094 --> 01:01:22,833

I encourage you to send

through some questions.

657

01:01:22,858 --> 01:01:25,433

We have some already that

I'm going to run through

658

01:01:25,458 --> 01:01:27,200

with the guys through

a roundtable here.

659

01:01:27,334 --> 01:01:32,467

But if anything comes up,

I encourage you to submit your questions

660

01:01:32,492 --> 01:01:33,767

and we'll go through them.

661

01:01:33,792 --> 01:01:36,500

So let's get right to it.

662

01:01:38,306 --> 01:01:42,233

Sal, I know that Raymond

hit on it a little bit,

663

01:01:42,258 --> 01:01:48,374

and you spoke about as we look at

some folks leaving the urban centres

664

01:01:48,399 --> 01:01:51,400

due to the lack of commute now,

people are working from home

665

01:01:51,425 --> 01:01:55,367

and really cutting down on their

expenses and looking to move out,

666

01:01:55,392 --> 01:01:57,300

what's your thought on that,

667

01:01:57,325 --> 01:02:00,367

having been only a few
months in the pandemic

668

01:02:00,392 --> 01:02:02,667

and I know we might have
been trending that way,

669

01:02:02,692 --> 01:02:06,533

but does it seem short-sighted
for people to maybe do that now

670

01:02:06,558 --> 01:02:10,433

and do you anticipate a return
back into these bigger markets?

671

01:02:13,051 --> 01:02:15,567

Well, I think there will
be a fundamental shift,

672

01:02:15,592 --> 01:02:21,833

we just don't know how large it
will be towards the suburban,

673

01:02:21,858 --> 01:02:26,739

exurb markets,
simply because remote working,

674

01:02:26,764 --> 01:02:29,967

I mean, that genie is out
of the bottle right now.

675

01:02:30,164 --> 01:02:35,000

I think workers and businesses
just realized the benefits,

676

01:02:35,025 --> 01:02:39,467

in particular,
in terms of time and money saved.

677

01:02:40,116 --> 01:02:43,733

So I think that will
be a long-term shift.

678

01:02:43,758 --> 01:02:50,067

There will still be demand for offices
and people will still go into the office,

679

01:02:50,092 --> 01:02:54,791

but more on this hybrid
basis or temporary basis,

680

01:02:54,816 --> 01:02:59,333

flexible basis,
maybe one or two days a week, maybe less.

681

01:03:00,311 --> 01:03:04,900

But pretty clearly,
most surveys are suggesting people

682

01:03:04,925 --> 01:03:11,467

generally like that flexibility
offered by the ability to remote work.

683

01:03:12,366 --> 01:03:16,700

So we will see definitely
less demand for office space

684

01:03:16,725 --> 01:03:21,633

and less demand for housing
in the urban core big cities.

685

01:03:23,564 --> 01:03:28,500

I mean, if someone only has to go into
the office one or two days a week,

686

01:03:28,525 --> 01:03:32,267

a one-and-a-half-hour commute
doesn't look as onerous

687

01:03:32,292 --> 01:03:37,633

as going in on a permanent
five days a week basis.

688

01:03:37,783 --> 01:03:42,667

So I think we will continue to see a lot
of people looking at larger properties,

689

01:03:42,692 --> 01:03:44,133

detached homes at least,

690

01:03:44,158 --> 01:03:48,833

in the Greater Golden Horseshoe
region for the next while,

691

01:03:48,858 --> 01:03:53,000

even after we get a
vaccine for the virus.

692

01:03:54,009 --> 01:03:58,033

There will still be a lot of demand
for housing in the 416 region

693

01:03:58,058 --> 01:04:02,800

and for condos, but we definitely
will see some permanent shift

694

01:04:02,825 --> 01:04:06,400

in that demand for
affordability reasons alone,

695

01:04:06,425 --> 01:04:12,067

to the suburbs and the exurbs well
beyond the Greater Toronto region

696

01:04:12,092 --> 01:04:15,567

and well beyond some of the
inner core of big cities.

697

01:04:17,169 --> 01:04:19,333

Sure. Thanks for that.

698

01:04:19,358 --> 01:04:22,633

We're certainly seeing that. I was
with clients in Collingwood last week

699

01:04:22,658 --> 01:04:25,333

and demand has never been stronger

700

01:04:25,358 --> 01:04:29,216

and they have the – it's
not the folks in their 60's

701

01:04:29,258 --> 01:04:30,400

that are looking
to move out there,

702

01:04:30,425 --> 01:04:33,000

but it's really the 30-something
and the 40-something

703

01:04:33,025 --> 01:04:36,867

that have very strong interest in
being in that area. And as you said,

704

01:04:36,892 --> 01:04:41,900

mainly for lifestyle while not sacrificing
their work and careers and whatnot.

705

01:04:42,237 --> 01:04:44,033

So thanks for that.

706

01:04:44,246 --> 01:04:50,433

I do have a question that just came in from
the audience and it's around inflation.

707

01:04:50,458 --> 01:04:55,633

So the question is: With money
being printed very, very heavily

708

01:04:55,658 --> 01:04:58,900

and the production of goods
falling across the world,

709

01:04:58,925 --> 01:05:03,067

how can there not be inflation or
even hyperinflation like we have,

710

01:05:03,092 --> 01:05:06,167

and the prices of lumber would
be a good example of that?

711

01:05:08,910 --> 01:05:12,567

Yeah, it's a good question.

We're definitely seeing inflation,

712

01:05:12,592 --> 01:05:16,300

but it's all in assets: stock
markets, the housing market,

713

01:05:16,325 --> 01:05:18,200

to a lesser extent

the bond market.

714

01:05:18,380 --> 01:05:23,167

It's not overall or in

general in goods and services

715

01:05:23,192 --> 01:05:27,200

apart from some relative price

changes, as you mentioned,

716

01:05:27,225 --> 01:05:30,033

lumber prices doubling

in the past year.

717

01:05:32,261 --> 01:05:33,933

And, I mean, going forward,

718

01:05:33,958 --> 01:05:37,833

we're not overly worried that
inflation will get out of hand.

719

01:05:37,858 --> 01:05:40,400

We did not see a
spike in inflation

720

01:05:40,425 --> 01:05:42,267

after the Great Recession

721

01:05:42,292 --> 01:05:47,833

when Central Banks undertook
large-scale asset purchases

722

01:05:47,858 --> 01:05:49,816

and very stimulated policies.

723

01:05:49,841 --> 01:05:53,667

They were able to then unwind

those policies in enough time

724

01:05:53,692 --> 01:05:57,233

before we saw a
surge in inflation.

725

01:05:57,258 --> 01:06:01,233

So even when unemployment rates
were at half-century lows,

726

01:06:01,258 --> 01:06:04,000

we were not seeing a
spike in inflation.

727

01:06:04,025 --> 01:06:08,133

In fact, the Fed was having
trouble hitting its 2% target.

728

01:06:08,282 --> 01:06:10,867

And the big race in

here is automation,

729

01:06:10,892 --> 01:06:12,800

the increased use of robots,

730

01:06:12,825 --> 01:06:15,633

it's creating automation

anxiety for workers

731

01:06:15,658 --> 01:06:20,300

who are just scared to ask for

wage increases, for example,

732

01:06:20,325 --> 01:06:21,900

because their jobs are threatened.

733

01:06:22,159 --> 01:06:25,200

And that automation

is allowing companies

734

01:06:25,225 --> 01:06:29,333

to generally keep prices
of goods and services down.

735

01:06:29,639 --> 01:06:33,700

So there might be a risk of
inflation sparking at some point

736

01:06:33,725 --> 01:06:36,500

if governments don't take
back all this stimulus

737

01:06:36,525 --> 01:06:40,233

and the Central Banks don't ease
off on the monetary accelerator

738

01:06:40,258 --> 01:06:42,363

when the unemployment
rate gets much lower,

739

01:06:42,513 --> 01:06:44,700

but at least for

the next few years,

740

01:06:44,865 --> 01:06:47,967

I'm not too worried

about runaway inflation.

741

01:06:49,960 --> 01:06:52,659

Okay,

that's very comforting to know.

742

01:06:52,684 --> 01:06:55,167

Appreciate those insights, Sal.

743

01:06:56,299 --> 01:07:01,367

Next question we have, and maybe

I'll point this one for Mike Beg.

744

01:07:01,688 --> 01:07:05,633

And, you know, as our clients are typically looking at closing risks

745

01:07:05,658 --> 01:07:08,767

and their buyers being able to close on those purchases,

746

01:07:08,792 --> 01:07:12,376

we've already seen and you've noted in your presentation earlier, Ray,

747

01:07:12,401 --> 01:07:16,266

about CMEC changes that took over earlier this year,

748

01:07:16,291 --> 01:07:23,033

so my curious for the buyers on projects that are going to be closing in 2021,

749

01:07:23,058 --> 01:07:26,067

is there any anticipated
changes in the banks

750

01:07:26,106 --> 01:07:29,300

and regulatory lending
requirements or rules

751

01:07:29,325 --> 01:07:31,133

that would impact buyers?

752

01:07:33,455 --> 01:07:35,633

Okay, I'm glad to talk to that.

753

01:07:35,658 --> 01:07:38,867

And first and foremost,

I'll just say that

754

01:07:38,892 --> 01:07:43,738

we were expecting a five or ten

percent market value correction

755

01:07:43,763 --> 01:07:45,833

at the outset of

this back in March.

756

01:07:45,858 --> 01:07:47,874

And I think Sal would

echo that kind of comment,

757

01:07:47,899 --> 01:07:50,533

we thought that there was going to

be some softness in market values.

758

01:07:50,761 --> 01:07:54,833

And we're not seeing that; it's

kind of flat, if not rebounding.

759

01:07:55,248 --> 01:07:59,100

And the closing risk profile is also

something where we expected to see

760

01:07:59,125 --> 01:08:02,233

as much as 5% of presales fall
away in an environment like this

761

01:08:02,258 --> 01:08:04,033

because of unemployment impacts,

762

01:08:04,339 --> 01:08:07,567

but we've seen virtually
100% closing rates

763

01:08:07,592 --> 01:08:11,433

across condo projects and
low-rise projects as well.

764

01:08:11,927 --> 01:08:15,700

So from a regulatory
environment point of view,

765

01:08:15,725 --> 01:08:19,400

we haven't had any tightening of
the mortgage qualification rules

766

01:08:19,425 --> 01:08:23,267

and we've got all-time
low interest rates,

767

01:08:23,292 --> 01:08:26,700

at least for the near-term
foreseeable future.

768

01:08:26,725 --> 01:08:30,256

Sal mentioned that they could start
going up a couple of years down the road,

769

01:08:30,281 --> 01:08:32,000

but certainly not in
the immediate future.

770

01:08:32,337 --> 01:08:34,833

So I'd say that the answer here

771

01:08:34,858 --> 01:08:37,867

on my part is that we've never
seen stronger performance.

772

01:08:37,892 --> 01:08:40,733

I'm going to throw something
in as an add-on comment

773

01:08:40,758 --> 01:08:45,933

just to the portfolio performance
of our own debt books at BMO,

774

01:08:45,958 --> 01:08:48,367

and I think this is true, really,
across the settlement banks

775

01:08:48,392 --> 01:08:50,367

from me talking to
my peers as well.

776

01:08:50,438 --> 01:08:52,333

And that's just
that we just really

777

01:08:52,358 --> 01:08:55,967

have not seen much of a ripple
on our construction portfolio.

778

01:08:56,990 --> 01:09:00,959

Maybe some delays in some
projects, or delayed launches,

779

01:09:00,984 --> 01:09:05,333

but it's delays that are manageable
for our tier one stronger clients.

780

01:09:05,358 --> 01:09:07,121

There has been some
noise in the marketplace

781

01:09:07,146 --> 01:09:08,767

with a few projects
that aren't tier one,

782

01:09:08,792 --> 01:09:11,167

but generally the settlement
banks are not dealing with those,

783

01:09:11,192 --> 01:09:13,400

and they're not the
80-20 of the marketplace.

784

01:09:14,034 --> 01:09:16,567

The place where there is maybe
some weakness in the market

785

01:09:16,592 --> 01:09:20,733

is more on the non-housing side, if I
shift over for a second from your question.

786

01:09:20,836 --> 01:09:25,533

And we'll just say that, you know,
just in terms of retail and office,

787

01:09:25,558 --> 01:09:27,300

that's where the impacts
have been greatest.

788

01:09:27,467 --> 01:09:30,900

But we've seen improving debt
service trends and it's the truth

789

01:09:30,925 --> 01:09:35,367

that both on our housing market impacted
book of residential construction,

790

01:09:35,392 --> 01:09:36,800

as well as income property lining,

791

01:09:36,825 --> 01:09:39,367

we haven't sent a single file
to the collections group,

792

01:09:39,392 --> 01:09:42,100

so to speak, for a default.

793

01:09:42,125 --> 01:09:45,633

That doesn't mean that with Sal
has told me 5% of our economy

794

01:09:45,658 --> 01:09:47,267

can't come back without a vaccine,

795

01:09:47,292 --> 01:09:51,333

and in that 5% we're going to see

small business failures probably

796

01:09:51,358 --> 01:09:53,767

mounting in the fall

and into next year.

797

01:09:54,010 --> 01:09:57,800

But that's 5% of the economy

that's at that higher risk

798

01:09:57,825 --> 01:10:00,733

and 95% seems to be carrying that.

799

01:10:00,758 --> 01:10:02,567

So I'll stop it there.

800

01:10:02,592 --> 01:10:06,200

Hopefully – that's a bit more than you

asked for, but that's how we're seeing it.

801

01:10:07,615 --> 01:10:10,333

Yeah, no,

I appreciate that insight, Mike.

802

01:10:10,358 --> 01:10:14,767

And it is very consistent with what we
have been seeing in terms of that closing

803

01:10:14,792 --> 01:10:17,467

and lack of delinquencies
and people actually closing

804

01:10:17,492 --> 01:10:21,200

and it's just kind of interesting to hear
what the future is bringing along there

805

01:10:21,225 --> 01:10:26,900

and that, really, we're talking low risk
in terms of being people unable to close.

806

01:10:27,284 --> 01:10:34,833

It's 10:58, so I'll just ask a
quick one here that just came in.

807

01:10:34,983 --> 01:10:39,333

It talks about demand for housing has
become staggered by municipal governments.

808

01:10:39,358 --> 01:10:44,300

In particular, municipalities not
having staff back at City Hall

809

01:10:44,325 --> 01:10:46,500

and it's hurting the industry.

810

01:10:47,900 --> 01:10:51,367

The thought is,
is it time that provinces step in

811

01:10:51,392 --> 01:10:54,733

and demand that City Halls
get back to normality to work

812

01:10:54,758 --> 01:10:56,800

with developers and builders?

813

01:10:56,825 --> 01:11:00,867

So just curious what you guys
are hearing just in terms of that

814

01:11:00,892 --> 01:11:04,000

and just as we talk
about lack of supply,

815

01:11:04,025 --> 01:11:08,633

I think having folks in City
Hall being more staffed up

816

01:11:08,658 --> 01:11:12,800

and working as if normal. So just curious,
any thoughts at all on that piece?

817

01:11:16,153 --> 01:11:18,400

Well,

just in a very general sense.

818

01:11:18,425 --> 01:11:22,675

I mean, we've had problems
for years in Ontario

819

01:11:22,700 --> 01:11:27,167

with construction getting
undertaken in time.

820

01:11:27,192 --> 01:11:31,400

I mean, new condo buildings are
taking three or four years to complete

821

01:11:31,425 --> 01:11:32,900

instead of a couple of years.

822

01:11:32,925 --> 01:11:35,267

And it takes years

just to get a permit.

823

01:11:35,478 --> 01:11:40,000

So yeah, any help the provincial
government can give municipalities

824

01:11:40,025 --> 01:11:43,433

to speed up the permit
process for builders

825

01:11:43,458 --> 01:11:47,200

can only help the housing market
and bring that supply that we need

826

01:11:47,225 --> 01:11:50,567

that will limit the heat

we're seeing on prices.

827

01:11:54,982 --> 01:11:59,900

No, it makes sense.

I think it's a little bit of frustration

828

01:11:59,925 --> 01:12:05,400

in terms of our clients and

our developers looking to see

829

01:12:05,425 --> 01:12:09,600

and getting their projects

through the development process

830

01:12:09,625 --> 01:12:11,500

and the approval process

and getting it online,

831

01:12:11,525 --> 01:12:14,767

which will be helpful for

the overall market, really.

832

01:12:15,073 --> 01:12:16,900

We're right on time,

833

01:12:16,925 --> 01:12:21,733

so I just want to take a moment to

thank our speakers, Sal Guatieri,

834

01:12:21,758 --> 01:12:24,467

Raymond Wong and Mike Beg as well,

835

01:12:24,492 --> 01:12:27,633

for your great insights

and a great job there.

836

01:12:27,751 --> 01:12:30,500

I want to thank the

audience, our clients,

837

01:12:30,525 --> 01:12:33,333

really appreciate you

joining us this morning.

838

01:12:33,358 --> 01:12:36,700

Hopefully, you found the

session very insightful.

839

01:12:36,725 --> 01:12:41,867

You know, we can all agree that these

are times like we haven't seen before,

840

01:12:41,892 --> 01:12:45,000

but I think just based on

everything that we're hearing

841

01:12:45,040 --> 01:12:46,667

and the resiliency there

842

01:12:46,692 --> 01:12:50,933

is just that we're confident that
we will get through this, in time.

843

01:12:51,286 --> 01:12:54,567

And so, you know,
on behalf of BMO,

844

01:12:54,592 --> 01:12:56,767

we want to let you know
that we're thinking of you,

845

01:12:56,792 --> 01:13:00,167

we're thinking of your families,
we're thinking of your organizations

846

01:13:00,332 --> 01:13:02,633

and that we are here to help.

847

01:13:02,658 --> 01:13:05,267

And so thanks for
joining our session.

848

01:13:05,479 --> 01:13:09,367

We will have a link sent to
you by tomorrow at the latest,

849

01:13:09,392 --> 01:13:12,867

as this session was recorded
and so you can pass that on

850

01:13:12,892 --> 01:13:15,600

to others who didn't have
a chance to attend today.

851

01:13:15,874 --> 01:13:19,433

And that will be all, so we will
conclude our session this morning.

852

01:13:19,599 --> 01:13:24,133

So take care, be safe,
stay healthy and talk to you soon.

853

01:13:24,158 --> 01:13:25,333

Thank you very much.