Levelling Flood Risk Analysis to Mitigate Risk (continued)

What does this mean to my business?
As per the Insurance Bureau of Canada (IBC) for flood perils, 20% of Canadian households could be qualified as high risk, and about 10% of these would be considered very high risk which equates to about 1.8 million households.

Understanding the impact of natural disasters such as catastrophic flooding is a complex issue. Many customers are challenged with identifying and mitigating their total risk and exposure within their existing portfolio.

Here are some additional areas for consideration that would benefit from this type of analysis:

- Risk Mitigation:
  - Enhance real-time mortgage adjudication processes, speed time to decision and reduce manual intervention with enhanced insight into the precise location of the property as it relates to a flood zone.
  - validate capital adequacy requirements and better understand and reduce exposure by being able to assess the total accumulated risk to a portfolio as it relates to proximity within flood plains.

- Site Planning:
  - Enhance infrastructure and site planning analysis by understanding the potential risk of flood before deployment.

Montreal, QC
The flood analysis (using the 1/100 year return period) in Montreal revealed that approx. 15.0% of all condo buildings may be impacted by surface water flood risk.

The flood risk analysis (using the 1/100 year return period) in Vancouver revealed that approx. 3.2% of all condo buildings may be impacted by surface water flood risk.

In this edition, we focus on the Canadian Condo Market. Please enjoy and share the report. Visit www.teranet.ca for access to regular updates on our market reports.

Innovation

The Most Active Condo Markets In Canada

Contact Info

For more information about the data presented in this publication or Teranet Solutions, please contact:

Toronto:
Scott.Pezzack@teranet.ca
Heather.Risk@teranet.ca
Chris.Baker@teranet.ca
Philip.Share@teranet.ca

Ottawa:
Grant.Anderson@teranet.ca

BC:
Derek.Tinney@teranet.ca
The Most Active Condo Markets in Canada (continued)

Although Ontario contributes the highest number of condos in a share of total inventory, primarily driven by Toronto, BC has the highest percentage of condo inventory in relation to the total number of residential properties. (Chart 1) In BC, condos represent approximately 26% of the housing stock, whereas Ontario and Quebec represent approximately 15% of respective housing market.

Condo Affordability

Even with a higher percentage of condo stock available, from a valuation standpoint, Vancouver continues to be the most expensive market for condos (Chart 2). In 2017, seven of the top ten most expensive municipalities were from BC. In fact, Toronto (position 1) is the first entry from Ontario. Acreage and floor sizes are the only other two municipalities from Ontario that ranked in the top 10.

New Condo Development in Ontario

In Ontario, there is no question that Toronto dominates new condo market development. Market share shows a high in 2015 at its peak. Toronto was responsible for the construction of 34% of all new condos in Ontario, while in 2017 (Q1-Q2) the city was responsible for 57% of all units.

If you didn’t already know, the top 10% for new condo development in Toronto ISN’t as represents 11% of all new condos built in BC and 9% of all new condo development in York region. Nonetheless, the share of new development in York region has been increasing in 2017. The next highest percentage of FTHB purchased condo properties in 2016 and the trend was again, you’d be right if you only guessed that for the city of Toronto, 68.2% of the time home buyers purchased condo properties in 2016 and the trend was increasing in 2017. The next highest percentage of FTHB purchasing condos was in York region, whereas condos represented 31% in comparison to Toronto’s 66% (ISN’t) in all other areas downstream to non-condo purchases, and more so the further away from their “parent” area.

Over the last 5 years, Boomers and Gen Xer’s maintained about 50% market share of condo transactions, it wasn’t until 2017 when Millennials caught up to those who are a little older and are now at 33% share annual market share activity around 20% (ISN’t).

Outside of the top 10 cities, it’s the Baby Boomers who are the most active purchasers of condos, with Millennials actually being the lowest. Which means, when it comes to condos, it appears Millennials are still flocking towards the city centers and boomers are downsizing and are liking the investment reasons.

Although new condo development remains strong in Toronto, Toronto has passed receivable limits in terms of new development since peak in 2015 with a -1.10% decline in 2017 (Q1-Q2).

Canadian Sales Activity

Over the last 10 years, the total number of condo transactions across Canada have shown YoY increases, except for 2012, 2013 and now 2017 where there has been a slight softening in activity (Chart 4). The last 3 years in BC except 2017 have seen sustained growth in sales activity in comparison to the years prior as new units come into play and as the trend towards single detached homes softens.

Who’s Buying Condos?

Do you think that Millennials are the primary driver? Well, if you’re cooking in the city of Toronto, you’re right. But, away outside of the city limits, and Millennials simply aren’t the primary buying group for condos. Surprisingly, Millennials are only in the driving seat in two of the top 10 markets (Toronto/Toronto & Kitchener).

When you look at all of time home buyers (ISN’t), again, you’re right if you only guessed that for the city of Toronto, 68.2% of the time home buyers purchased condo properties in 2016 and the trend was increasing in 2017. The next highest percentage of FTHB

MARKET INSIGHTS

Leveraging Flood Risk Analysis to Mitigate Risk

Condo popularity is on the rise for those financing the properties, whether it be a reputable financial institution or the bank of mom and Dad, is your investment protected? What happens in the event of a flood and are you asking all of the right questions before investing? For example, are you investing in properties that are at a high risk to flood? With help from CMHC, we’re able to take a closer look on a few regions to understand your exposure.

What risk does flood pose in Canada?

Floods are the most frequently occurring natural hazard in Canada. According to the Institute for Catastrophic Loss Reduction (ICLR), the Canadian Disaster Database indicates that 241 flood disasters have occurred in Canada between the years 1900 and 2003, almost five times as many as the next most frequent natural events (wildfires).

Over the past few decades, urban flooding has been a growing problem, resulting in more than $2 billion in flood damage between 2003 and 2012, according to the federal government. What is the risk of flood peril to condos in Canada?

In order to answer this question, a combination of databases are utilized by Teranet and DMTI. Spatial combined with flood hazard maps highlights the areas that are a high risk to flood. For example, are you investing in properties that are a high risk to flood? With help from DMTI, we’re able to take a closer look on a few regions to understand your exposure.

What is the risk of flood peril to condos in Canada?

In order to provide answers to this question, a combination of databases are utilized by Teranet and DMTI. Spatial combined with flood hazard maps highlights the areas that are a high risk to flood. For example, are you investing in properties that are a high risk to flood? With help from DMTI, we’re able to take a closer look on a few regions to understand your exposure.

What is the risk of flood peril to condos in Canada?

In order to provide answers to this question, a combination of databases are utilized by Teranet and DMTI. Spatial combined with flood hazard maps highlights the areas that are a high risk to flood. For example, are you investing in properties that are a high risk to flood? With help from DMTI, we’re able to take a closer look on a few regions to understand your exposure.

What is the risk of flood peril to condos in Canada?

In order to provide answers to this question, a combination of databases are utilized by Teranet and DMTI. Spatial combined with flood hazard maps highlights the areas that are a high risk to flood. For example, are you investing in properties that are a high risk to flood? With help from DMTI, we’re able to take a closer look on a few regions to understand your exposure.

What is the risk of flood peril to condos in Canada?

In order to provide answers to this question, a combination of databases are utilized by Teranet and DMTI. Spatial combined with flood hazard maps highlights the areas that are a high risk to flood. For example, are you investing in properties that are a high risk to flood? With help from DMTI, we’re able to take a closer look on a few regions to understand your exposure.

What is the risk of flood peril to condos in Canada?

In order to provide answers to this question, a combination of databases are utilized by Teranet and DMTI. Spatial combined with flood hazard maps highlights the areas that are a high risk to flood. For example, are you investing in properties that are a high risk to flood? With help from DMTI, we’re able to take a closer look on a few regions to understand your exposure.

What is the risk of flood peril to condos in Canada?

In order to provide answers to this question, a combination of databases are utilized by Teranet and DMTI. Spatial combined with flood hazard maps highlights the areas that are a high risk to flood. For example, are you investing in properties that are a high risk to flood? With help from DMTI, we’re able to take a closer look on a few regions to understand your exposure.

What is the risk of flood peril to condos in Canada?

In order to provide answers to this question, a combination of databases are utilized by Teranet and DMTI. Spatial combined with flood hazard maps highlights the areas that are a high risk to flood. For example, are you investing in properties that are a high risk to flood? With help from DMTI, we’re able to take a closer look on a few regions to understand your exposure.
The Most Active Condo Markets In Canada (continued)

Although Ontario contributes the highest number of condo's in terms of total inventory, primarily driven by Toronto, BC has the highest percentage of condo inventory in relation to the total number of residential properties (Chart 1). In BC, condos represent approximately 25% of the housing stock, whereas Ontario and Quebec represent approximately 15% of respective housing market condo inventory.

Condo Affordability

Even with a higher percentage of condo stock available, from a valuation standpoint, Vancouver continues to be the most expensive market for condo's (Chart 2). In 2017, several of the top ten most expensive municipalities were from BC, in fact, Toronto (position 7) is the first entry from Ontario. Aurora and Burlington in fact are the only other two municipalities from Ontario that rank in the top 10.

New Condo Development in Ontario

In Ontario, there is no question that Toronto dominates new condo market development. Toronto, hands down, is at its peak. Toronto was responsible for the construction of 46% of all these condos in Ontario, while in 2017 (Q1-2Q) the city was responsible for 51% of all units. If you didn’t already know, the top E5A for new condo development in Toronto is M1W as it represents 11% of all new condos built in 2017. M1W and M1Z are other areas of interest which are showing a much higher average activity.

Although new condo development remains strong in Toronto, Toronto has paused recently with terms of new development since peak in 2015 with a 1.1% YoY decline in 2017 (Q2-3Q).

Canadian Sales Activity

Over the last 10 years, the total number of condo transactions across Canada have shown YoY increases, except for 2012, 2013 and now 2017 where there has been a slight softening in activity (Chart 4). The last 3 years in BC except 2017 have seen sustained growth in sales activity in comparison to the years prior as new units come into play and as the trend moves towards single detached homes, sold.

Who’s Buying Condo’s

Do you think it’s Millennials or is it the primary drivers? Well, if you’re looking in the city of Toronto, you’re right. But, outside of the city limits, and Millennials simply aren’t the largest buying group for condos. Surprisingly, Millennials are only in the driving seat in two of the top 10 markets in Canada (Toronto & Kitchener).

Chart 1 – Condos as a Percentage of Total Housing Stock

Chart 3 – Toronto New Condos

Chart 4 – Total Condo Sales

Chart 5 – Condo Transaction Market Share by Cohort

MARCH 2018

MARKET INSIGHTS

MARKET INSIGHTS

MARKET INSIGHTS

MARKET INSIGHTS
Although Ontario contributes the highest number of condos in terms of total inventory, primarily driven by Toronto, BC has the highest percentage of condos in inventory in relation to the total number of residential properties. (Chart 1) In BC, condos represent approximately 26% of the housing stock, whereas Ontario and Quebec represent approximately 15% of respective housing market.

Condo Affordability

Even with a higher percentage of condo stock available, from a valuation standpoint, Vancouver continues to be the most expensive market for condos. (Chart 2) In 2017, seven of the top ten most expensive municipalities were from BC. In fact, Toronto (position 1) is the only entry from Ontario, Aurora and Brampton in the top 10 only other two municipalities from Ontario that round up the top 10.

New Condo Development in Ontario

In Ontario, there is no question that Toronto dominates new condo market development. (Chart 3) At its peak, Toronto was responsible for the construction of 54% of all condos in Ontario, while in 2017 Q1-Q2 the city was responsible for 57% of all units.

If you didn’t already know, the top FSA for new condo development in Toronto is MIV as it represents 11% of all new condo units built in 2017, MWA and MZL are other areas of interest which are showing higher than average activity.

Although new condo development remains strong in Ontario, Toronto has passed record total terms of new development since peak in 2015 with a 1.1% YoY decline in 2017 Q1-Q2.

Canadian Sales Activity

Over the last 10 years, the total number of condo transactions across Canada have shown YoY increases, except for 2012, 2013 and now 2017 where there has been a slight softening in activity (Chart 4). The last 3 years in BC except 2017 have seen sustained growth in sales activity in comparison to the years prior as new units come into play and as the trend towards single detached homes softens.

Who’s Buying Condo’s

Do you think that Millennials are the primary driver? Well, if you’re looking in the city of Toronto, you’re right. But, if you look outside of the city limits, and Millennials simply aren’t the largest buying group for condos. Surprisingly, Millennials are only in the driving seat in two of the top 10 markets (Toronto & Kitchener).

If you look at all time home buyers (THB), again, you’re right if you only guessed that for the city of Toronto. In 2017, 68.2% of first time home buyers purchased condo properties in 2016 and the trend was increasing in 2017. The next highest percentage of THB purchasing condos was in Kitchener, where condos represented 39% in comparison to Toronto’s 68% THB in all other areas, zero towards non-condo purchases, and more so the further away from their “hometown” area.

Over the last 6 years, Boomers and Gen X have maintained about 50% market share of condo transactions. It wasn’t until 2016 when Millennials caught up to those cohorts and now all 3 share equal market share activity around 20%.

Outside of the top 10 cities, it’s the Baby Boomers who are the most active purchasers of condos, with Millennials actually being the lowest. Which means, when it comes to condos, it appears Millenials are still flocking towards the city centres and boomers and downsizing are killing the boom maintenance (Reid, CR), perhaps there is a different story yet to be defined.

It’s quite possible that the boomers haven’t yet come to town, only the bank of Mom and Dad have almost a little left to support their children. Here in mind that the rate on title and those who are actually living there as their primary residence could be drastically different. For those Boomers that may not be ready to adopt the condos life themselves, quere yet, don’t lose sight of them as they remain a strong buying group for both personal and investment reasons.

Chart 3 – Toronto New Condo Sales Activity

Chart 2 – Condo Median Price (2017) – Top 10

Chart 6 – National Condos Sales Activity

Chart 5 – Condo Transaction Market Share by Cohort

The Most Active Condo Markets In Canada (continued)

Condo popularity is on the rise for those financing the properties, whether it be a reputable financial institution or the bank of mom and Dad, is your investment protected? What happens in the event of a flood and are you addressing all of the right questions before investing? For example, are you investing in properties that are at a high risk for flood? With help from CMHC, we’re able to take a closer look on a few regions to understand your exposure.

What risk does flood pose in Canada?

Floods are the most frequently occurring natural hazard in Canada. According to the Institute for Catastrophic Loss Reduction (ICLR), the Canadian Disaster Database indicates that 241 flood disasters have occurred in Canada between the years 1900 and 2020, almost twice as many as the next most common disaster (wildfire).

Over the past few decades, urban flooding has been a growing problem, resulting in more than $2 billion in flood damage between 2000 and 2012, according to the federal government.

What is the risk of flood peril in condos?

In order to answer this question, a condominium database for Canada was created by Teranet and Spatial combined with flood hazard maps highlighting areas that could be impacted by river flood (where the water overtops its banks) or coastal flood (where water will pool due to elevation differences) and storm surge (where flooding occurs).

Three key markets were focused on as part of this analysis: Toronto, Vancouver and Montreal.

Toronto, ON

The flood analysis using the 1/100 year return period for Toronto revealed that approx. 1.2% of all condo buildings may be impacted by flood risk and approx. 5.9% of all condo buildings may be impacted by surface-water flood risk.

Montreal, QC

The flood analysis using the 1/100 year return period for Toronto revealed that approx. 1.2% of all condo buildings may be impacted by flood risk and approx. 5.9% of all condo buildings may be impacted by surface-water flood risk.
Leveraging Flood Risk Analysis to Mitigate Risk (continued)

What does this mean to my business?

As per the Insurance Bureau of Canada (IBC) for flood perils, 20% of Canadian households could be qualified as high risk, and about 10% of those would be considered very high risk which equates to about 1.8 million households.

Understanding the impact of natural disasters such as catastrophic flooding is a complex issue. Many customers are challenged with identifying and mitigating their total risk and exposure within their existing portfolio.

Here are some additional areas for consideration that would benefit from this type of analysis:

Our obligation:

- Enhanced real-time mortgage adjudication process speeds time to decision and reduce manual intervention with enhanced insight into the precise location of the property as it relates to a flood zone.
- Risk analysis:
  - Validate capital adequacy requirements and better understand and reduce exposure by being able to assess the total accumulated risk to a portfolio as it relates to proximity within flood plains.
- Site Planning:
  - Enhance infrastructure and site planning analysis by understanding the potential risk of flood before deployment.

Leveraging Flood Risk Analysis to Mitigate Risk (continued)

Montreal, QC

The flood analysis using the 1/100 year return period in Montreal revealed that approx. 15% of all condo buildings may be impacted by surface water flood risk and approx. 14% of all condo buildings may be impacted by storm surge flood risk.

Vancouver, BC

The flood risk analysis using the 1/100 year return period in Vancouver revealed that approx. 7.3% of all condo buildings may be impacted by surface water risk and approx. 3.2% of all condo buildings may be impacted by storm surge flood risk.

The analysis conducted by DMGI using its portfolio scanner risk system to calculate flood risk analysis, portfolio accumulation risk and provide real-time flood risk analysis supports businesses leverage their raw data to gain the competitive edge.

The analysis calculates the probability of a flood occurring within the walls of a property. The analysis predicts the level of property damage and potential cost implications.

For more information about the data presented in this publication or Teranet Solutions, please contact:

Toronto:
- Robert.Prior@teranet.ca
- Heather.Risk@teranet.ca
- Chris.Baker@teranet.ca
- Philip.Share@teranet.ca

Ottawa:
- Grant.Anderson@teranet.ca

BC:
- Derek.Trenney@teranet.ca

In this edition, we focus on the Canadian Condo Market. Please enjoy and share the report. Visit www.teranet.ca for access to regular updates on our market reports!

The Most Active Condo Markets

<table>
<thead>
<tr>
<th>City</th>
<th>Total Condo Sales</th>
<th>Total Residential Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>Toronto</td>
<td>25.6%</td>
<td>13.8%*</td>
</tr>
<tr>
<td>Vancouver</td>
<td>25.6%</td>
<td>13.8%*</td>
</tr>
<tr>
<td>Calgary</td>
<td>25.6%</td>
<td>13.8%*</td>
</tr>
<tr>
<td>Montreal</td>
<td>25.6%</td>
<td>13.8%*</td>
</tr>
</tbody>
</table>

*Analysis does not include NFLD, PEI or SK

In the last 10 years, Toronto has held onto the number 1 spot in Canada for condo sales annually throughout the last 10 years. The total volume of condo sales in Toronto has typically been more than the combined sales of the next 4 municipalities throughout the last 10 years.
Leveraging Flood Risk Analysis to Mitigate Risk (continued)

What does this mean to my business?
As per the Insurance Bureau of Canada (IBC) for flood perils, 20% of Canadian households could be qualified as high risk, and about 10% of these would be considered very high risk which equates to about 1.8 million households. Understanding the impact of natural disasters such as catastrophic flooding is a complex issue. Many customers are challenged with identifying and mitigating their total risk and exposure within their existing portfolio. Here are some additional areas for consideration that would benefit from this type of analysis:

Risk Mitigation:
- Enhanced real-time mortgage adjudication processes, speed time to close and reduce manual intervention with enhanced insight into the precise location of the property as it relates to a flood zone.
- Enhanced exposure and mitigation measures to reduce exposure and adjust coverage as necessary.

The analysis conducted by DMTI Spatial using its platform Location Hub supports real-time flood risk analysis, portfolio accumulation risk analysis and the real-time visualization of the potential exposure to flood zones. This provides key data of importance to better forecast the total accumulated risk to a portfolio as it relates to proximity within flood plains.

Site Planning:
- Enhance infrastructure and site planning analysis by understanding the potential risk of flood before deployment.

The Teranet-National Bank Composite House Price Index is a trademark of Teranet Enterprises Inc. and National Bank of Canada. All other trademarks and trade names are the property of their respective owners.

For more information about the data presented in this publication or Teranet Solutions, please contact:

Contact Info

Toronto: Philip.Share@teranet.ca
Heather.Risk@teranet.ca
Chris.Baker@teranet.ca
Phil.Phillips@teranet.ca

Ottawa: Grant-Anderson@teranet.ca
BC: Derek.Turrey@teranet.ca

The Most Active Condo Markets in Canada

In this edition, we focus on the Canadian Condo Market. Please enjoy and share the report. Visit www.teranet.ca for access to regular updates on our market reports!