



## Stress test responsible for \$8b decline in low-rise construction in 2019

HomeNews

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According to a study commissioned by Mortgage Professionals Canada, B-20 will be responsible for \$8 billion worth of low-rise construction not occurring by year's end.

The study, authored by Will Dunning, a respected housing economist, there was an 8% drop in new home construction investment through Q1-2019 compared to the first quarters of 2015 through 2017. While the condo sector has been on fire since B-20 was introduced in January 2018, the low-rise sector has taken a massive hit—down 25% through the first quarter of this year.

The report noted that investment in the condo sector will start falling by the end of 2019, but by 2021 the industry as a whole will feel the brunt because current construction is for the pre-B-20 sales cycle. Dunning's report said all residential construction, including renovations, could result in between \$20-25 billion in lost investment and up to 200,000 jobs lost.

“The jobs impact that have occurred so far might just be one-tenth of the eventual total,” said the report. “The economic adjustments have barely begun, and they will take a long time to play out.”

The president and CEO of the **Residential Construction Council of Ontario** isn't surprised by the report. He says that there was an 83% drop in sales last year and added that there are about 100 projects tied up at the Local Planning Appeal Tribunal.

"It typically bites faster with low-rise than with high-rise," said **President Richard Lyall**. "This drop in sales will translate through a drop in starts and that's what we're experiencing. It's probably going to get worse."

There are other factors that are putting housing beyond reach, as well. Citing a Building Industry and Land Development Association report on development charges, Lyall noted that, unfortunately, the cost is always passed onto consumers.

"There's going to be a lot of construction layoffs coming as a result of this, and the ironic thing is in the Toronto area, according to the demographics we're already under-producing the housing that we need," he said. "There's the stress test but there's also the charges, fees, levies, HST, etc. Charges and fees are going up, and for the average house, a new home buyer is paying \$240,000, while for a condo it's \$160,000. This is all affecting new supply because the consumer is ultimately paying for all of this."