

# The RenoRun Report:

## 2020 | Q1 | Toronto



# Overview

## Construction Costs

# 103.3

**Material Cost Index**

▲ 2.5% VS. LAST QUARTER

# 33%

**Avg. project overages**

Avg. actual costs vs. expected costs

- In Q1 of 2020, we saw a ~2.5% increase in material costs. Insulation prices saw the biggest increase (4.9%) followed by concrete (3.3%) and Lumber (2.8%) ; The COVID-19 crisis will increase costs, with disruption to global supply chains and increasing demand from China; lumber and drywall expected to increase most
- Project overages averaged around 33% for the residential contractors we surveyed in Toronto; builders averaged 4.8 material runs a week and net profit margins averaged 15%

## Building Permits (Supply Activity)

# 4,638

**Building permits issued**

▼ -5.8% VS. LAST YEAR

# \$468 K

**Avg. permit value**

▼ -16.2% VS. LAST YEAR

- We saw a slow down in both total number of permits being issued (-6%) and average permit value around by 16% (even before COVID-19 restrictions)
- The trends seem to be consistent across inner Toronto; however, the zone least impacted area was downtown core; due to the COVID slow down, and challenges in getting permits, builder activity is anticipated to be slowed by a backlog in Q2, but quickly gain momentum moving into Q3

## Real Estate Market (Demand Activity)

# 19,849

**Real Estate Unit Sales**

▼ -0.7% VS. LAST QUARTER

▲ 22.4% VS. LAST YEAR

# 884 K

**Median price**

▲ 4.7% VS. LAST QUARTER

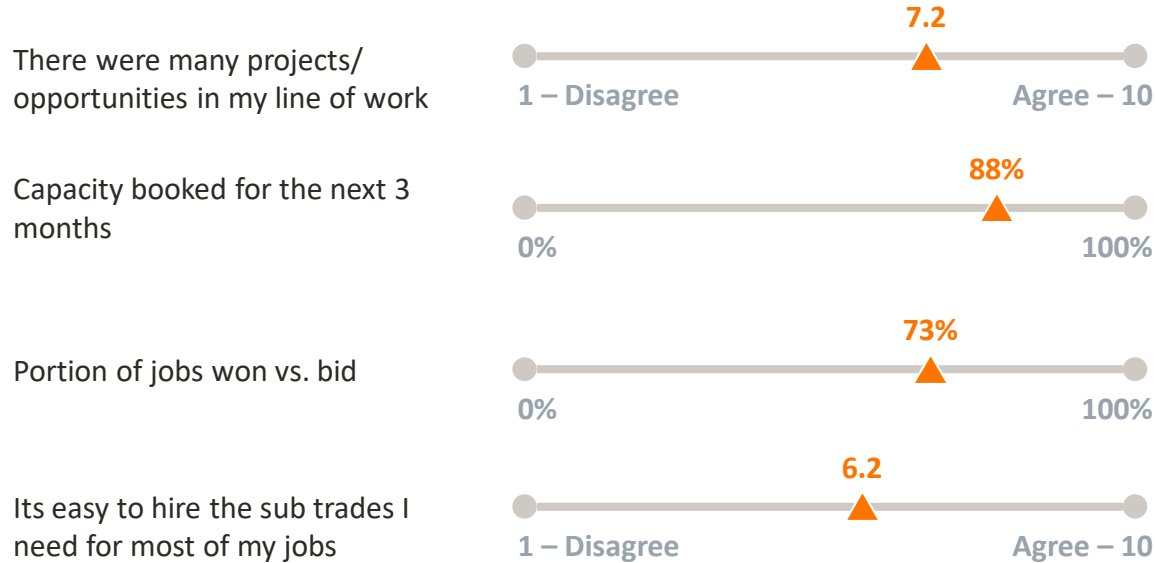
▲ 14.5% VS. LAST YEAR

- Real estate sales were up significantly (~22% year on year) and prices rose a dramatic 14.5%; however, this was mainly driven by pre-COVID 19 restrictions activity
- Toronto is currently in a “seller’s market”, where most notably, there was a decrease of about 30% in average months of inventory (currently at 1.9 vs. 2.7 last year)
- However, the second half of March saw a decrease of 18.4% in the average number of active listings, which combined with the above sales growth, created a real tightening in the market

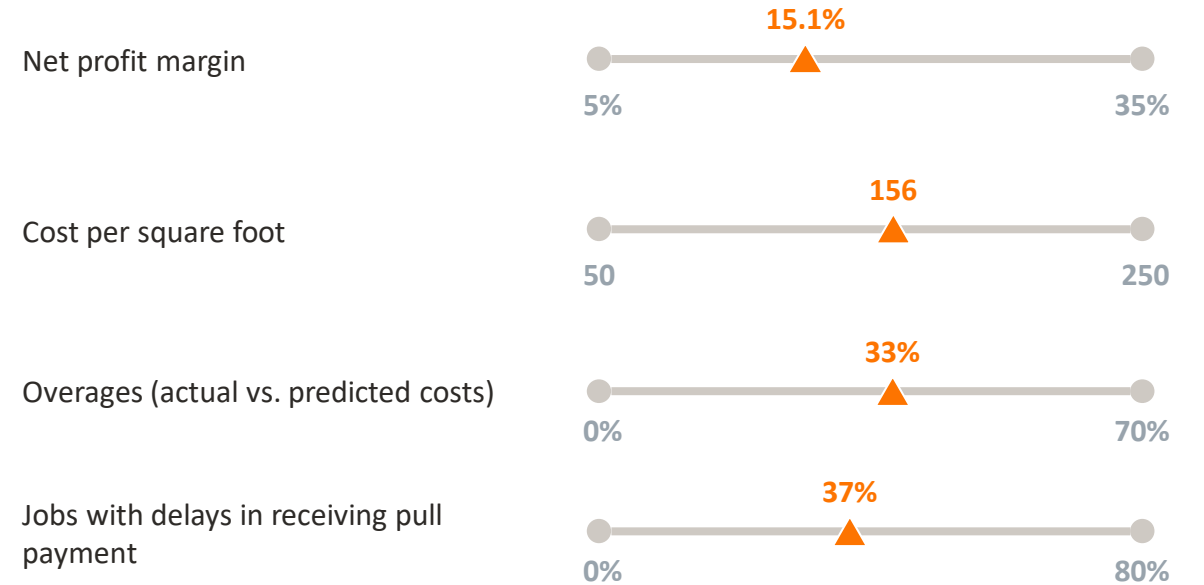
# RenoRun Builder Survey



## Builder Sentiment



## Profit and Loss



## Suppliers



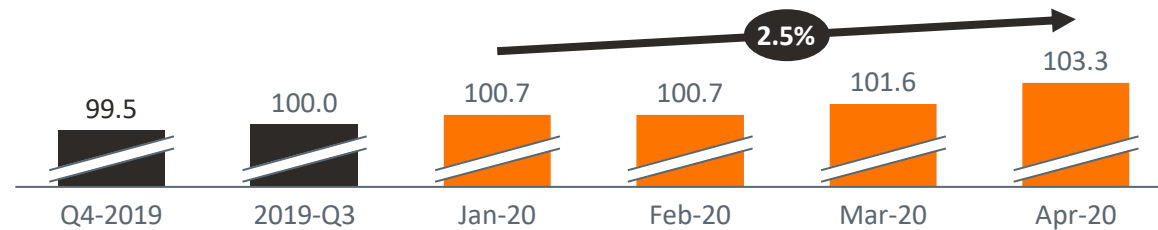
## Permits and Safety



# Construction Costs

## Material Costs

RenoRun Material Cost Index, Base of Sept 2019



RenoRun Material Cost Index, by Component, Base of Sept 2019

Metric	Apr. 2020	Change in the last 3 months	Change in the last 9 months	Expected change
<b>RenoRun Material Cost Index</b>	<b>103.3</b>	<b>^ 2.5%</b>	<b>^ 3.8%</b>	
Drywall	100.0	0.0%	0.0%	
Lumber	106.4	^ 2.8%	^ 8.7%	^
Insulation	105.1	^ 4.9%	^ 5.1%	
Steel	100.1	0.0%	0.1%	
Plywood/OSB	100.3	-0.4%	0.3%	^
Hardware	95.8	✓ -11%	^ 4.6%	
Concrete	103.3	^ 3.3%	^ 3.3%	

- In Q1 of 2020, we saw a ~2.5% increase in material costs in Toronto. Insulation prices saw the biggest increase (4.9%) followed by concrete (3.3%) and Lumber (2.8%).
- The COVID-19 crisis is likely to increase costs, with disruption to global supply chains; alongside increasing demand from China, we anticipate lumber and drywall prices to increase the most.

## Labor Costs

RenoRun Labor Cost Index, by Sub-Trade

Sub-trade	Metric	Low end	Average	High end
General Laborer	\$ per hour	\$20.3	\$24.7	\$29.2
Finishing Carpenter	\$ per hour	\$34.2	\$43.0	\$52.4
Framing Carpenter	\$ per hour	\$24.8	\$29.9	\$35.8
Painter	\$ per square ft.	\$1.9	\$2.4	\$2.9
Drywall Contractor	\$ per square ft.	\$1.0	\$1.7	\$2.6
Plasterer	\$ per square ft.	\$1.1	\$1.6	\$2.3
Tile-Installer	\$ per square ft.	\$7.0	\$10.2	\$13.4
Plumbers	\$ per fixture	\$174.2	\$216.5	\$258.8
Electricians	\$ per pot light	\$85.4	\$98.6	\$112.1

The above are average for the Montreal/Toronto markets from a representative mix of contractors. If you would like to be part of our regular labor cost updates, please email [andrew@renorun.com](mailto:andrew@renorun.com) to be added to the list.

# Building Permits

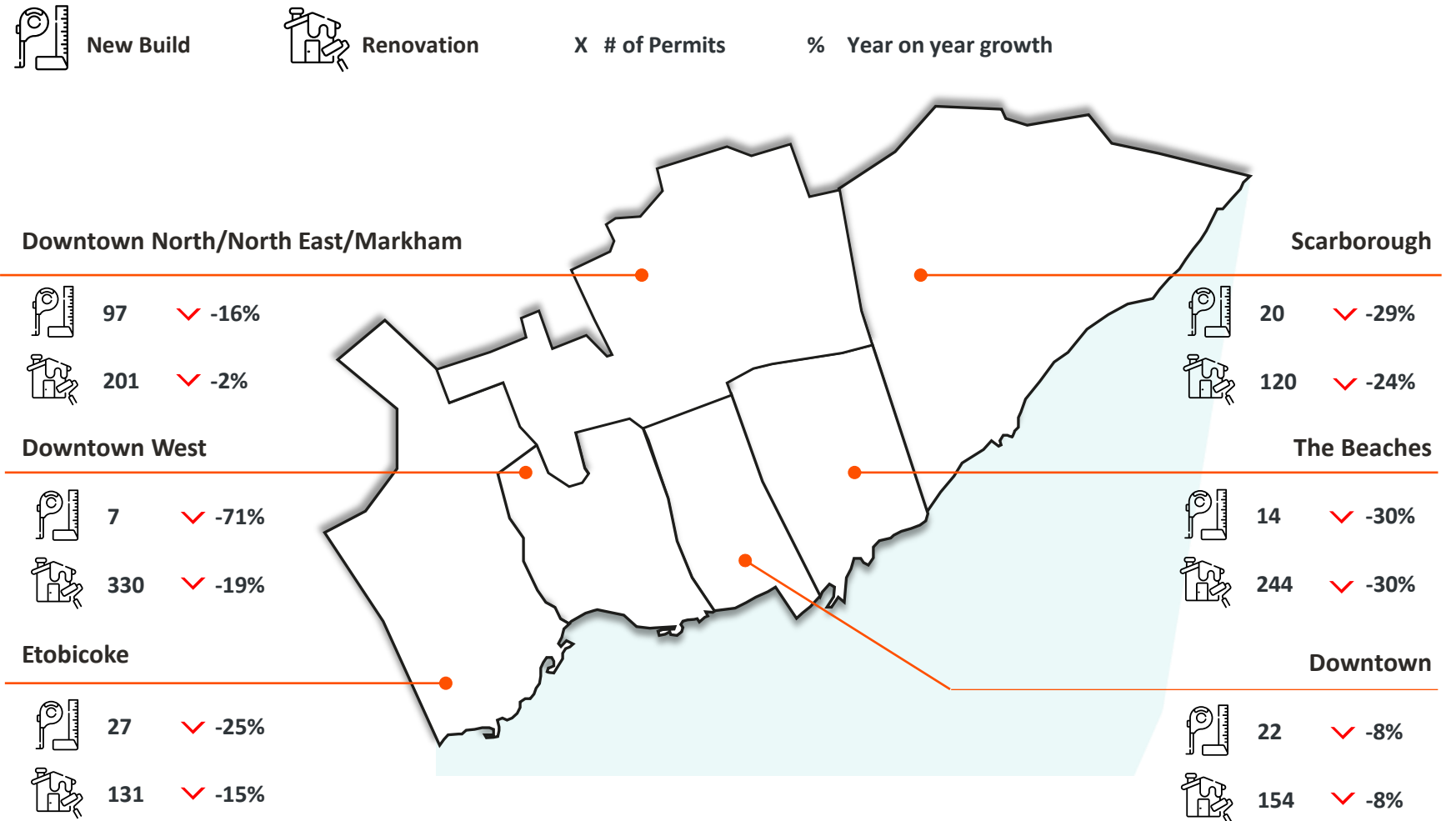
## Greater Toronto Area

### Total Permits in Greater Toronto Area

Permit Type	Q1 2020	Year on Year Growth
<b>New Build</b>		
Permits issued	1,905	▼ -1.9%
Avg. permit value	1,021 K	▼ -19.6%
<b>Renovation</b>		
Permits issued	2,733	▼ -8.4%
Avg. permit value	83.0 K	▼ -13.9%

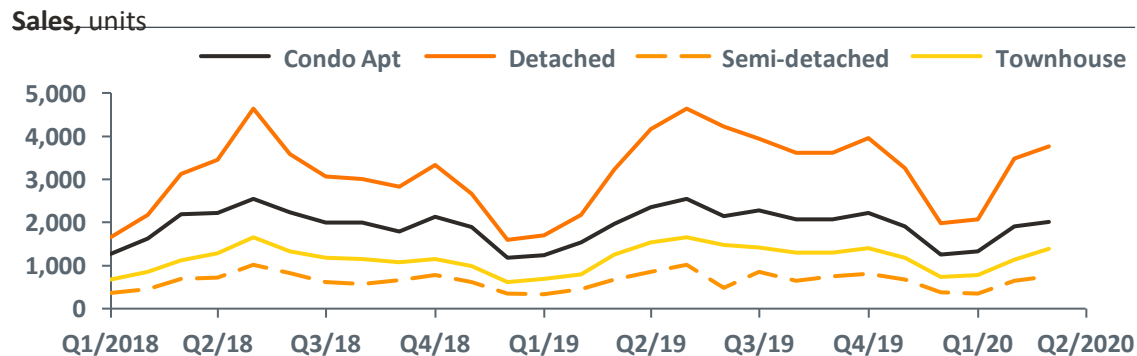
- Across the GTA, Q1 2020 permits data indicates a slow down in both total number of permits being issued and average permit value (even before COVID-19 restrictions)
- The trends seem to be consistent across the region. The least impacted area was downtown core.
- Due to the COVID slow down, and challenges in getting permits, builder activity is anticipated to decrease even more in Q2 and Q3.

## Toronto by Sub-Area



# Real Estate Market

- In 2020 Q1 in Toronto, real estate sales were up significantly (~22% year on year) and prices rose a dramatic 14.5%; however, this was mainly driven by pre-COVID 19 restrictions activity.
- Toronto is currently in a “seller’s market”, where most notably, there was a decrease of about 30% in average months of inventory (currently at 1.9 vs. 2.7 last year). However, the second half of March saw a decrease of 18.4% in the average number of active listings, which combined with the above sales growth, created a real tightening in the market.
- These declines in listing activity signal that the true impact of COVID-19 on the housing market will occur in Q2 and Q3. Homebuyers could see the closing process to take longer than usual due to COVID-19 safety precautions.
- As potential buying behavior is impacted, we anticipate a notable decline in renovation work that isn’t already planned for, which might contract demand for GC services after the next 6 months.



## REAL ESTATE ACTIVITY, BY STRUCTURE

Metric	2020 Q1	Change from	
		Last quarter	Last year
<b>Overall</b>			
Total units sold	19,849	-0.7%	22.4%
Median Price (\$)	884,111	4.7%	14.5%
<b>Detached</b>			
Total units sold	9,310	1.1%	31.1%
Median Price (\$)	1,086,678	3.6%	12.1%
<b>Condo Apt</b>			
Total units sold	5,255	-2.3%	10.9%
Median Price (\$)	651,732	5.8%	17.1%
<b>Townhouse</b>			
Total units sold	3,310	0.3%	21.2%
Median Price (\$)	715,311	6.4%	11.6%
<b>Semi-Detached</b>			
Total units sold	1,749	-6.1%	19.3%
Median Price (\$)	851,542	2.4%	8.0%

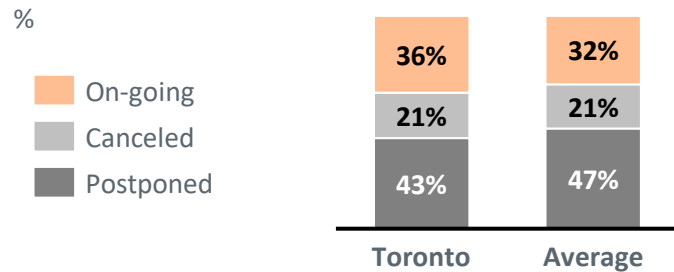
# State of Construction During COVID-19

## Impact on Your Business

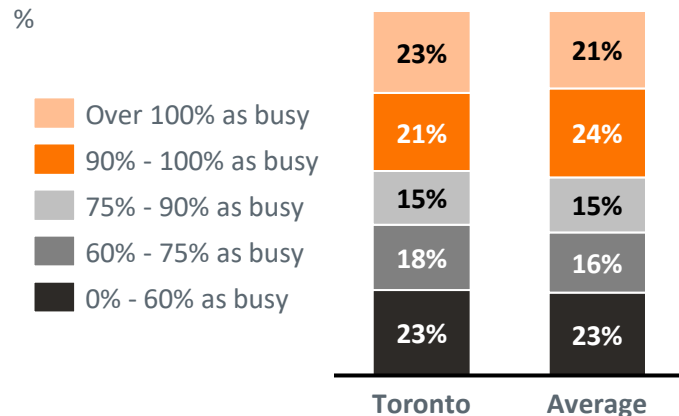
Toronto builders are faced with a challenge; **over 60% of projects are delayed or canceled.**

Still, most are expecting a recovery; **~60% are expecting to be 75% as busy or more** once restrictions are lifted.

**Q1: Due to COVID-19, what portion of your projects were impacted?**



**Q2: Compared to last year, how busy do you expect to be after restrictions are lifted?**

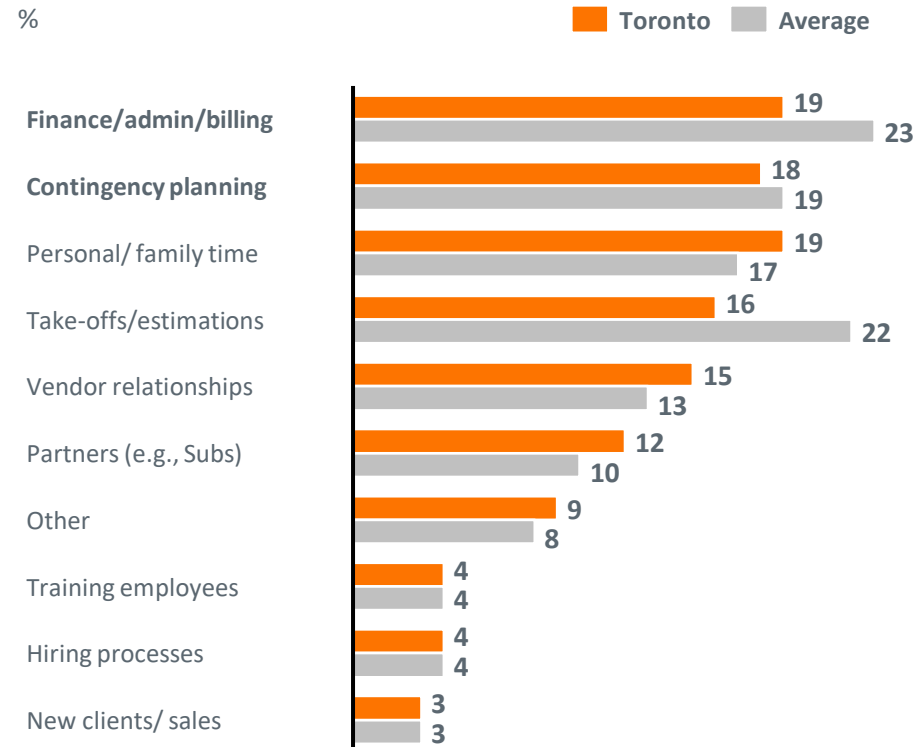


## Preparing for the Re-Start

In uncertain times, Toronto contactors' first focus is ensuring that they are **financially able to manage different potential scenarios** over the next few months and **working on contingency plans.**

Builders are trying to **limit costs in the short-term**, while keeping up on projects they can operate safely and preparing the next ones.

**Q3: During the slow-down, what parts of your business will you most focus on improving?**

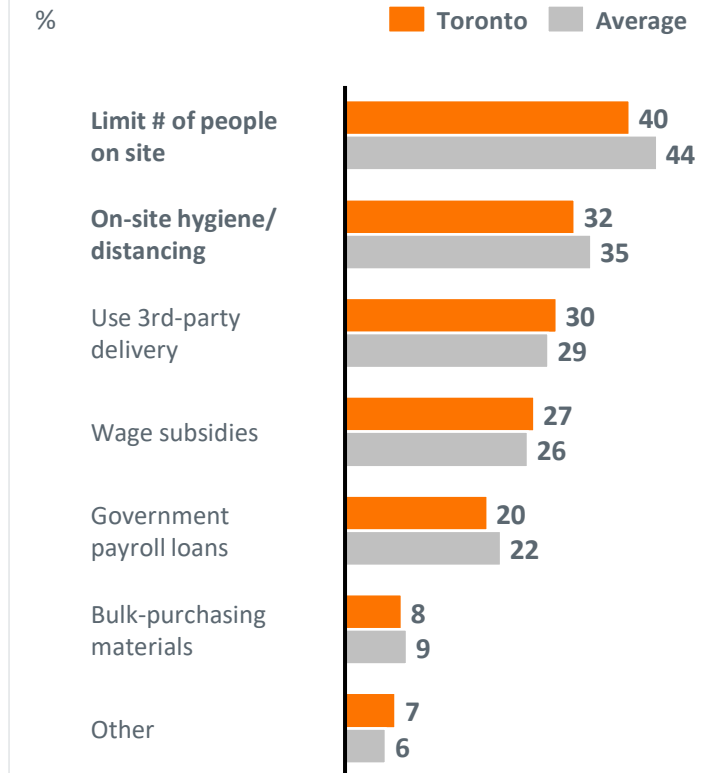


## Focus During Slowdown

In response to COVID-19, Toronto contractors are focused on **limiting the number of people on-site.**

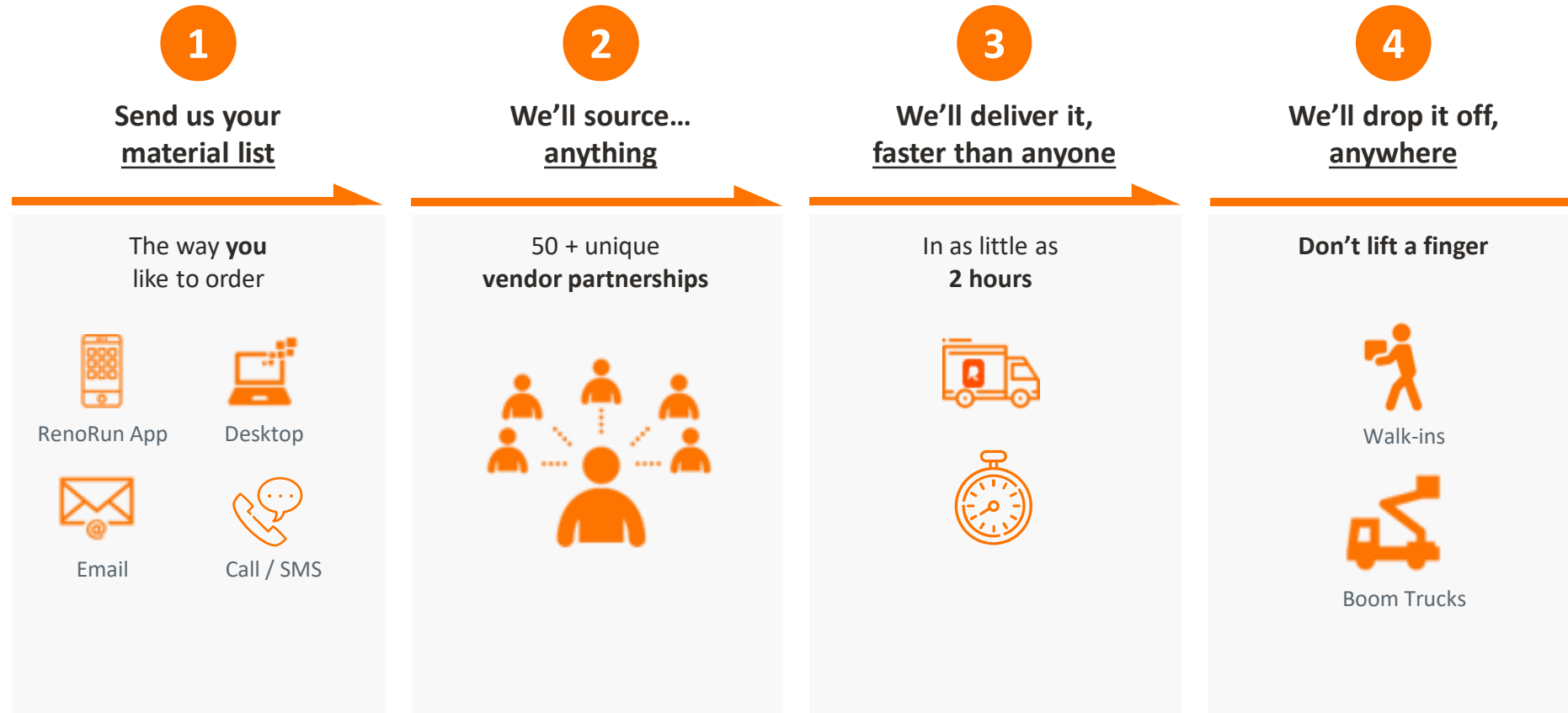
Many residential contractors are **limiting job sites to 1-2 employees at a time.** Projects which require larger workforces are being delayed.

**Q4: What major changes/resources will you use to help during the slowdown?**



# About RenoRun: Your Building Materials Partner

One-stop shop for high-quality materials delivered on-site within hours





Thank you for reading the inaugural RR Insiders Report, featuring Q1 trends localized to Toronto, Ontario builders. Stay tuned for the next quarterly report to be released in Summer 2020. You may also get a call from one of our experts asking for your input in our next Insiders Report!



Questions? Feedback?

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