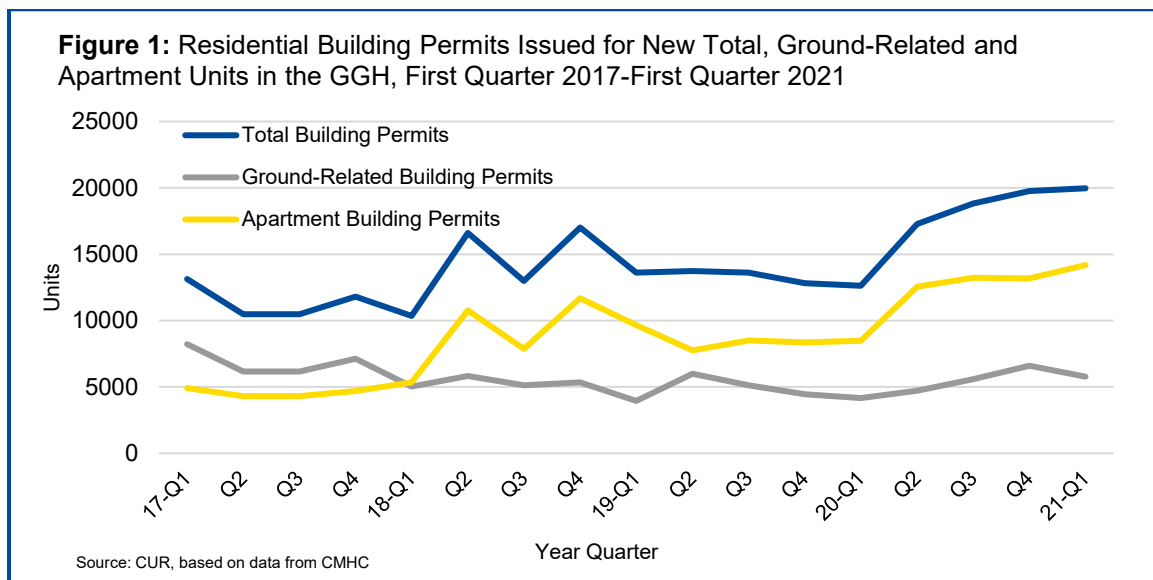


Some Observations on the Recent Pattern of Residential Building Permits in the GGH

By: John Clinkard

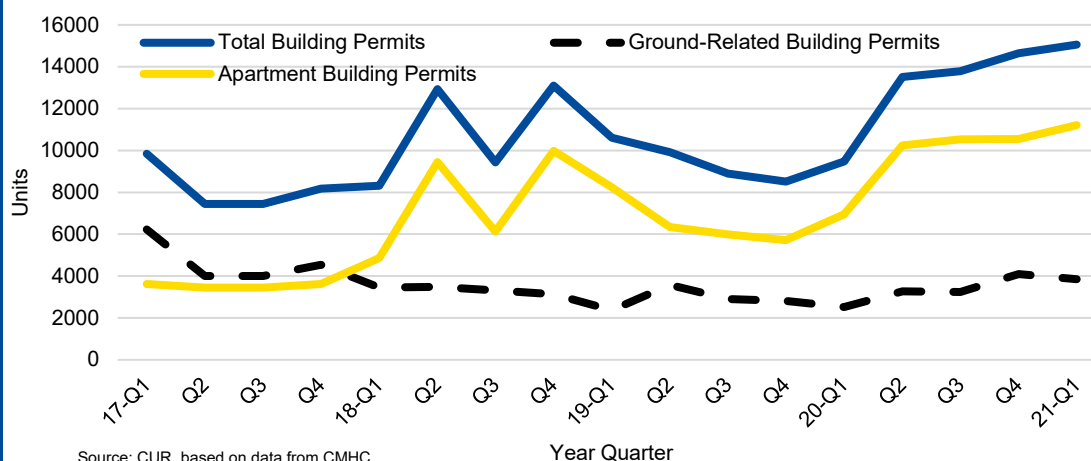
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Over the last two quarters (i.e., Q4/2020 plus Q1/2021), the total number of residential building permits issued in the Greater Golden Horseshoe (GGH) hit a record high of 39,734 units, up 56% from the same period a year earlier. By far the major contributor to this gain was a 73.6% jump, year-over-year, in apartment units which significantly outweighed the 26% rise, year-over-year, in the sales of single, semi-detached and townhouse units, aka ground-related units.



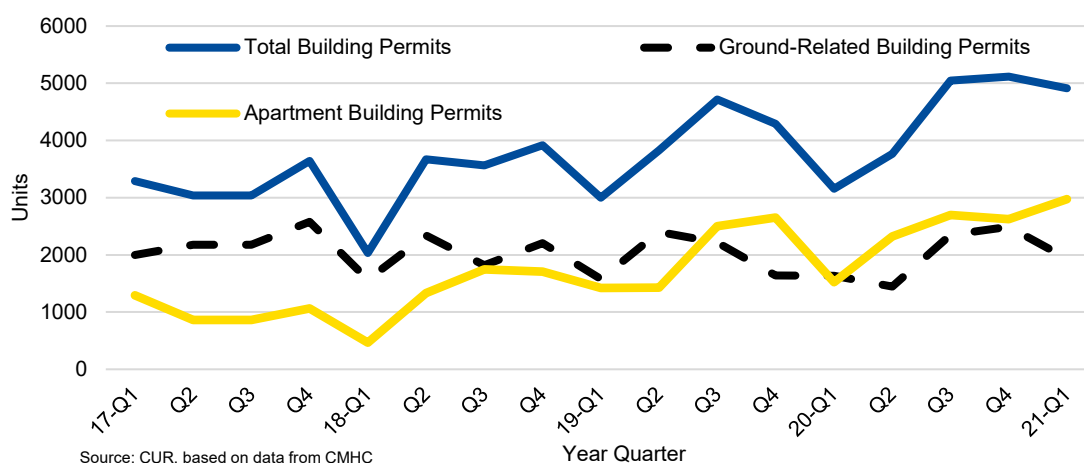
In the Greater Toronto Area (GTA), which accounts for approximately three quarters of the building activity in the GGH, the volume of permits issued in the past two quarters totalled 39,734, up 65% from the same period a year earlier. Not surprisingly, this increase was driven by a very strong gain in apartment building units. Applications for the building of apartments rose by 78%, year-over-year, while applications to build ground-related dwelling units was up by just over 22%, year-over-year.

Figure 2: Residential Building Permits Issued for New Total, Ground-Related and Apartment Units, GTA, First Quarter 2017-First Quarter 2021



In regions of the GGH outside the GTA (the so-called ‘outer ring’ in addition to Hamilton), the total volume of permits issued during the past two quarters totalled a record 10,021 units. However, the pattern of growth of permits was somewhat more balanced with the number of apartment permits approved over the past six months totalling 5,597 units (+34.1% year-over-year) versus 4,424 (+35% year-over-year) for ground-related homes.

Figure 3: Residential Building Permits Issued for New Total, Ground-Related and Apartment Units Excluding the GTA, First Quarter 2017-First Quarter 2021



Conclusion

The fact that, over the past year, prices of existing ground-related homes in the GTA have risen by +24%, while prices of apartments are up only by 4.3% clearly indicates that home buyers have a strong preference for ground-related dwellings relative to apartments (and also that there is a shortage of product in the existing market). However, given the mismatch between homebuyer’s preferences and the above noted sub-par pattern of ground-related building permits

relative to apartments in the GGH, it appears unlikely that ground-related dwelling prices will materially ease in the near future.

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