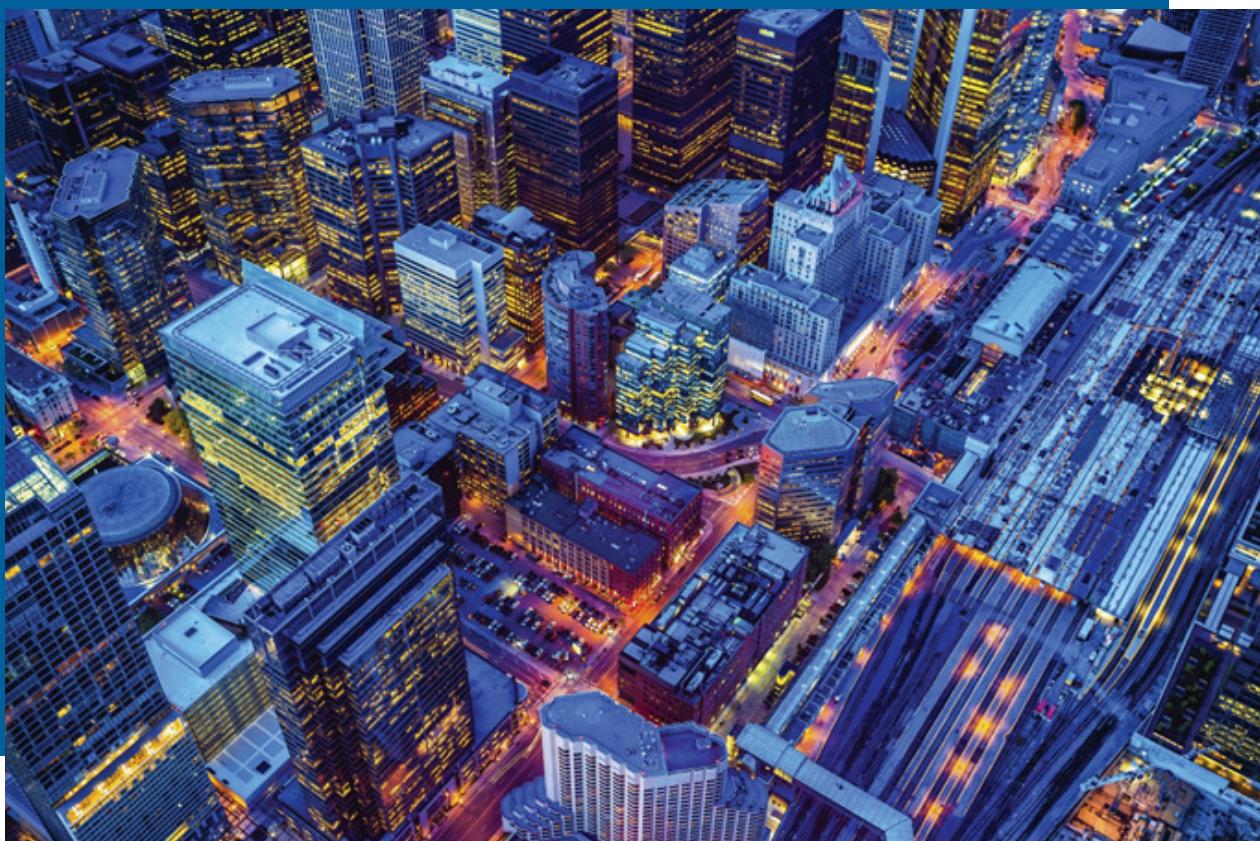


What Kinds of Housing Are Homebuyers or Intending Homebuyers in the GTHA Choosing?



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*The opinions expressed in this research report are those of the authors only and do not represent the opinions and views of either CUR or Toronto Metropolitan University.

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Executive Summary

As CUR reported in previous papers, there is no doubt homebuyers and intending home buyers in the Greater Toronto Area (“GTA”) continue to have a strong innate preference for ground-related homes, especially single-detached houses. These include first-time buyers, with at least 50% purchasing a ground-related home.

In contrast, urban land use policies are being designed to shift new housing supply away from ground-related homes, especially single-detached houses, to apartments. The current provincial government's version of the Growth Plan incorporates a sizeable shift away from single-detached houses to apartments.

This disparity between housing demand and supply sets the stage for housing prices to move even higher in the coming years, with adverse consequences for younger and immigrant households and a more unequal distribution of wealth among households in the Greater Toronto and Hamilton Area ("GTHA"). As in recent years, these higher housing prices will encourage many households to move further away from employment nodes, searching for affordable types of ground-related homes.

Background

This paper examines the types of housing households in the Great Toronto and Hamilton Area (“GTHA”) are buying or are likely to buy. Past CUR reports released in 2016 and 2017 on this topic have shown an unabated desire for ground-related forms of housing, especially single-detached houses.¹ Only about a quarter of buyers and likely buyers opted for an apartment suite.

Conversely, the land use planning policies of the provincial government, which are supported by many municipalities in the Greater Golden Horseshoe (“GGH”), foster a marked shift in the supply of new housing away from single-detached houses to apartments. The grounds for supporting this shift are varied, but environmental concerns are paramount.

¹ Frank Clayton (2016). “Will GTA Homebuyers Really Give Up Ground-Related Homes for Apartments?” Centre for Urban Research and Land Development. [Online] Available: https://www.torontomu.ca/content/dam/centre-urban-research-land-development/pdfs/Projects/CUR%20Report_Will%20GTA%20homebuyers%20give%20up%20ground-related%20houses%20%20for%20apartments.pdf; Frank Clayton and Kelly Irish (2017). “Overriding Preference for Ground-Related Housing by GTA Millennials and Other Recent and Prospective Buyers.” Centre for Urban Research and Land Development. [Online] Available: <https://www.torontomu.ca/content/dam/centre-urban-research-land-development/pdfs/Projects/CURReportGTACConsumerPreferences.pdf>; Diana Petramala and Frank Clayton (2018). “Millennials in the GTHA: A Generation Stuck in Apartments?” Centre for Urban Research and Land Development. [Online] Available: https://www.torontomu.ca/content/dam/centre-urban-research-land-development/pdfs/policycommentaries/CUR_Research_Report_Millennial_Housing_GTHA_May_22.pdf; and Frank Clayton (2021). “Forecasting Housing Needs to 2051: York Region Is Credible, Hamilton Is Not.” Centre for Urban Research and Land Development. [Online] Available: https://www.torontomu.ca/content/dam/centre-urban-research-land-development/CUR_Forecasting_Housing_Needs_2051_York_Region_Is_Credible_Hamilton_Is_Not_Oct.2021.pdf.

The impact of applying the minimum intensification (delineated built-up urban area) policies of the 2020 *A Place to Grow: Growth Plan for the Greater Golden Horseshoe* ("the Growth Plan")² will be significant. These policies will cause a marked divergence between the types of housing wanted in the marketplace and the housing types built.

The four regional municipalities in the GTA face the following disparity over the coming three decades.³

- New housing demand will be for about 50% single- and semi-detached houses, 25% townhouses and 25% apartments; while
- The new housing supply will be about 25% single-and semi-detached houses, 25% townhouses and 50% apartments.⁴

For the GTA, including the City of Toronto, the minimum percentage of new housing supply designated for apartments will be closer to two-thirds since almost all new housing in Toronto is apartments.⁵

2 Ministry of Municipal Affairs and Housing (2020). "A Place to Grow: Growth Plan for the Greater Golden Horseshoe, Office Consolidation, 2020." [Online]. Available at: <https://files.ontario.ca/mmah-place-to-growoffice-consolidation-en-2020-08-28.pdf>.

3 These statistics are from a forthcoming paper to be released by CUR documenting the market-based and policy-based housing requirements by unit type in the 905 regions and the City of Hamilton.

4 The City of Toronto is excluded because it no longer has greenfield lands available. In Hamilton, the proportion of the future housing supply that are singles and semis will be much smaller given Council's decision not to expand the city's urban boundary (assuming the Province does not overturn this decision).

5 Frank Clayton (2021). "A Fair Inventory of Short-Term Residential Land in the GTA According to the Latest Data: So, What's the Problem?" Centre for Urban Research and Land Development. [Online] Available: https://www.torontomu.ca/content/dam/centre-urban-research-land-development/CUR_Short-Term_Residential_Land_Inventory_Dec_2021.pdf;

These policies restricting the supply of ground-related housing will continue what the economist and urbanist Paul Cheshire declares is turning houses and housing land into something like gold or artworks – an asset for which there is an underlying consumption demand but which is in more or less fixed supply.⁶

Fortunately, the situation has improved since 2018. In the earlier version of the Growth Plan passed by the previous government, even fewer ground-related homes would have been built in the future,⁷ resulting in even more stress on affordability.

We now turn to the kinds of housing units that households in the GTA have been buying or intend to buy based on recent survey data.

Combined new and existing home sales - ground-related homes dominate, but apartments sales increase in importance

The combined sales of new and resale homes reflect demand in the GTA's housing marketplace - buyers desiring and willing to buy a new or resale home at prevailing prices.

and Frank Clayton (2021). "Forecasting Housing Needs to 2051: York Region Is Credible, Hamilton Is Not." [Online] Available: https://www.torontomu.ca/content/dam/centre-urban-research-land-development/CUR_Forecasting_Housing_Needs_2051_York_Region_Is_Credible_Hamilton_Is_Not_Oct.2021.pdf

6 Paul Cheshire (2014). "Turning houses into gold: the failure of British planning." The London School of Economics. [Online] Available: <https://blogs.lse.ac.uk/politicsandpolicy/turning-houses-into-gold-the-failure-of-british-planning/>

7 Ministry of Municipal Affairs and Housing (2017). 'Growth Plan for the Greater Golden Horseshoe.' [Online] Available: https://files.ontario.ca/appendix_-growth_plan_2017_-oc-10242017.pdf

Figure 1 combines sales of new homes using data from Altus Group with data on resales (MLS sales) from the Toronto Regional Real Estate Board (“TRREB”).

Highlights:

- Ground-related housing accounted for 60% of combined new and existing home sales in 2021, with single-detached homes the largest category of the ground-related sales**
Single-detached home sales dominate the ground-related homes grouping accounting for 37% of all sales in 2021. Townhouses are next in importance at 16%.
- Apartments have accounted for an increasing share of combined home sales since 2006, rising to 40% from 30% in 2021**

With the prolonged condominium apartment construction boom in the GTA, it is no wonder that apartments are gaining a larger share of the new and existing home sales. There are a

variety of factors at work. These include an increasing preference for apartment living, and the reduced affordability of ground-related homes resulting from supply constraints on new construction.

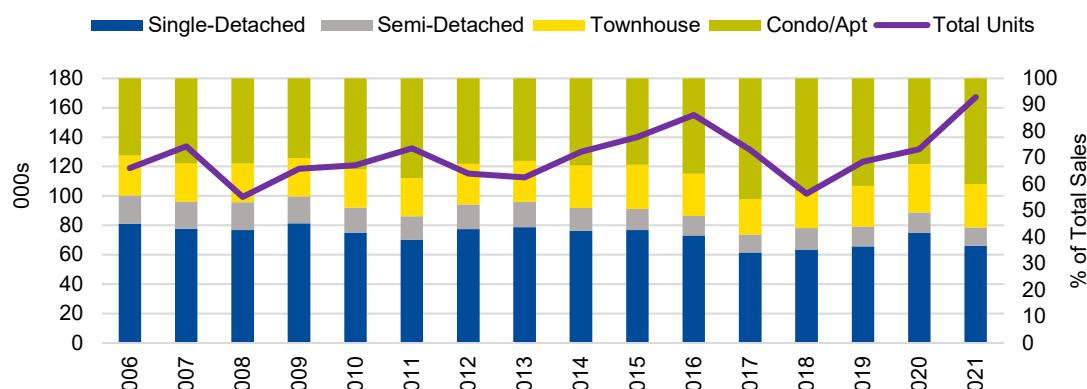
- Townhouses as a share of ground-related homes did not increase since 2006**

Usually, townhouses would become a second-best ground-related option to buyers as the affordability of single-detached houses deteriorated. However, the sales data do not reflect this pattern mainly because, according to CMHC, the volume of new townhouses built since 2016 has not increased.

Housing preferences of renters in Hamilton favour single-detached houses

Let us now look at underlying housing preferences without regard to whether the households can afford to buy a home or not. A recent Nanos survey of a sample of City of Hamilton residents provides insights into housing preferences for homeowners and

Figure 1: Combined New and Resale Home Sales by Type, GTA, 2006-2021, Percent Distribution and Units



Source: CUR, based on data from Altus Group and Toronto Regional Real Estate Board

renters.⁸ With a location adjacent to the GTA, these preferences should generally apply to the entire region.

Figure 2 summarizes the responses by existing tenure.

The Nanos survey asked a random sample of 700 residents of Hamilton aged 18 years or over these two questions: (1) what kind of housing do you currently live in?; and (2) what is the preferred type of housing you would want to live in?

Responses to the Nanos survey are more in the nature of a wish list. TRREB's Ipsos survey discussed next is closer to what economists call effective demand by unit type. The Nanos survey findings illustrate the powerful innate desire of many renting households to own a single-detached house.

Highlights:

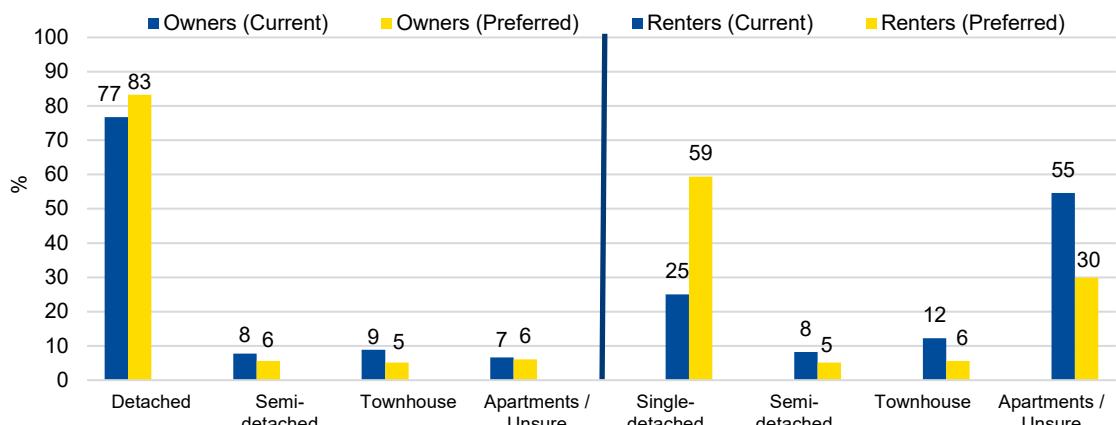
- Many renters aspire to live in a single-detached house**

According to the survey, 59% of renters prefer to live in a single-detached house, more than double the proportion now living in this type of housing. Single-detached houses are preferred over apartments mainly but also semi-detached homes and townhouses.

- No sign that single-detached homeowners have a preference to downsizing**

Households that currently live in single-detached dwellings do not indicate interest in downsizing to a smaller dwelling unit such as an apartment suite. The vast majority of current owners reside in single-detached houses, which is their preferred type of accommodation.

Figure 2: Current and Preferred Housing Types, by Tenure, City of Hamilton, September 2021, Percent Distribution



Source: CUR, based on data from the Nanos Research Survey (2021)

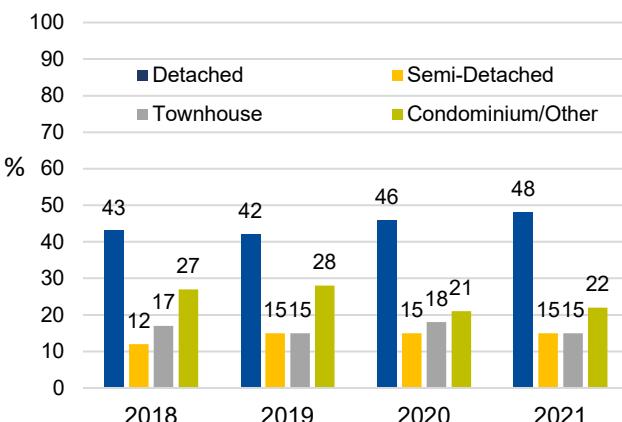
⁸ Frank Clayton (2022). "Most Hamiltonians Do Not Oppose an Expansion of the City's Urban Boundary." Centre for Urban Research and Land Development. [Online] Available: https://www.torontomu.ca/content/dam/centre-urban-research-land-development/CUR_Hamilton_Survey_Expansion_Urban_Boundary_Feb_2022.pdf

GTA likely homebuyers favour ground-related homes over apartments by three to one

For several years Ipsos has conducted a survey of likely homebuyers in the GTA for the TRREB, which is released at the Board's annual outlook conference. The latest survey was conducted in the fall of 2021 and included 1,000 likely buyers.⁹ Likely homebuyers are defined as persons likely to buy a home in the next 12 months. Both first-time and repeat buyers are covered by the survey.

Figure 3 provides the survey responses of likely homebuyers by type of home they intend to buy for the past four years. This survey data includes only persons living in the GTA at the time. Excluded are potential buyers from people moving to the GTA from elsewhere in Canada or abroad or investors living outside the GTA.

Figure 3: Type of Home Most Likely to be Purchase, GTA, 2021, Percent Distribution



Source: CUR based on data from Toronto Regional Real Estate Board.

Highlights:

- Over three-quarters of GTA likely homebuyers in 2021 intend to purchase a ground-related home – only 22% are looking to buy an apartment¹⁰

GTA residents surveyed by Ipsos in late 2021 who stated they are likely to buy a home in 2021 exhibit a strong preference for ground-related homes, especially single-detached houses. Nearly half of all likely purchases in the GTA are anticipated to be single-detached houses.

- The preference for ground-related homes has increased moderately over the past four years

Despite deteriorating affordability for single-detached houses, they remained the favoured housing type for likely homebuyers over the past four years and in fact increased from 42%-43% in 2018 and 2019 to 46%-48% in 2020 and 2021. In contrast the share of likely buyers intending to buy an apartment declined over these years.

Recent GTA first-time buyers purchasing more ground-related units than apartments, according to Sagen survey

A national survey commissioned by Sagen (previously Genworth Mortgage Insurance) in early 2021 obtained information on a sample of Canadians aged 25-40 who had either purchased their first home within the prior two years (buyers) or planned to purchase their first home in the next two years (intenders).¹¹ The survey was

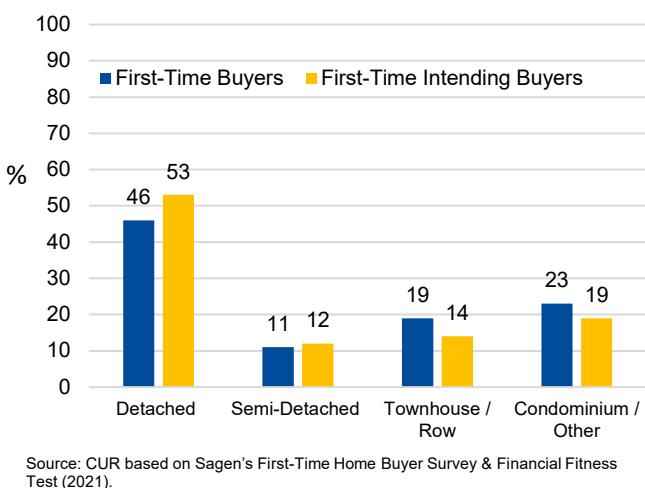
9 Toronto Regional Real Estate Board (2022). "2022 Market Outlook & 2021 Year in Review: The Post Pandemic Future: Communities Housing & Employment." [Online] Available: http://market-outlook.trreewire.ca/?utm_source=website&utm_medium=button&utm_campaign=MYIR+2021

10 It is presumed that almost all the responses for Condominium/Other are for apartments. There are likely some condominium townhouses in this category.

11 Email from Susan Carter, Vice President Marketing & Communications, Sagen to Frank Clayton, March 4, 2022.

completed by Envirronics Research for Sagen and Royal LePage,¹² and the results provided insight on the housing type preferences of both first-time buyers and intenders in the GTA (approximately by the Toronto census metropolitan area). The national sample size consisted of 1,856 with 299 in the GTA.

Figure 4: Type of Home Most Likely to be Purchase, GTA, 2021, Percent Distribution



Highlights of Figure 4:

- **Most GTA first-time buyers bought a ground-related home, according to this survey**

According to the survey, 76% of first-time buyers bought a ground-related home with nearly half of all buyers buying a single-detached house. The remaining quarter of buyers bought a condo.

12 For more information on the survey, see Royal LePage (2022) ‘Increasing number of Canadians anxious about missing out on their first home due to an insufficient down payment.’ [Online] Available: <https://www.royallepage.ca/en/realestate/news/increasing-number-of-canadians-anxious-about-missing-out-on-their-first-home-due-to-an-insufficient-down-payment/>

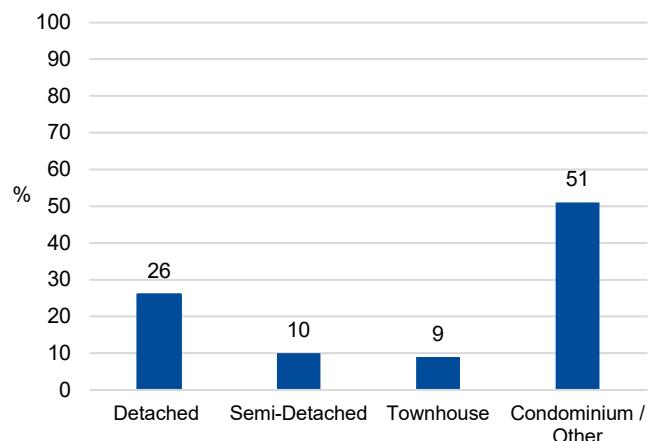
- **The same strong preference for ground-related homes characterizes the intending first-time buyers**

The housing type preferences for intending first-time buyers is marginally stronger than for the homes purchased by first-time buyers – four of five intendees prefer ground-related homes, especially single-detached houses.

There is a significant disparity in the mix of homes purchased by first-time buyers between the Sagan and a Statistics Canada survey

In 2018, Statistics Canada completed the Canadian Housing Survey (CHS), which profiled first-time home buyer behaviour that included the typology of homes purchased. Statistics Canada defines first-time home buyers as households who bought their first home in the last five years, where this is their first property purchased. The estimated sample size for the GTA (approximated by the Toronto census metropolitan area) included 152 respondents, all classified as first-time home buyers.¹³

Figure 5: Dwelling Types Purchased by First-Time Buyers, Toronto CMA, 2018, Percent Distribution



13 Statistics Canada (2020). 'Table 46-10-0036-01: Housing Indicators, by Tenure Including First-Time Homebuyer Status.' [Online] Available: <https://doi.org/10.25318/4610003601-eng>

Highlights:

- **Half of first-time buyers bought an apartment**

According to Statistics Canada, more than double the percentage of first-time buyers bought an apartment than what the Sagan survey shows (51% vs. 23%). Still half of all first-time buyers bought a ground-related home. A priori, the Statistics Canada result seems more reasonable for first-time buyers. This is supported by a comparison to the GTA home sales in Figure 1 and the types of homes GTA likely buyers intend to purchase.

Area ("GTHA"). As in recent years, these higher housing prices will encourage many households to move further away from employment nodes, searching for affordable types of ground-related homes.

Conclusion

As CUR reported in previous papers, there is no doubt homebuyers and intending home buyers in the Greater Toronto Area ("GTA") continue to have a strong innate preference for ground-related homes, especially single-detached houses. These include first-time buyers, with at least 50% purchasing a ground-related home.

In contrast, urban land use policies are being designed to shift new housing supply away from ground-related homes, especially single-detached houses, to apartments. The current provincial government's version of the Growth Plan incorporates a sizeable shift away from single-detached houses to apartments.

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