

GTA HOUSING PULSE

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DEMOGRAPHICS, NOT PANDEMIC, DRIVING REAL ESTATE MARKET OUTCOMES

This week's Toronto Regional Real Estate Board (TRREB) market report showed that housing markets in the Greater Toronto Area (GTA) are on fire yet again, with the average sale price topping \$1 million in February. While the condo apartment market was making a comeback, the speed price appreciation in the ground-related home market remains shocking. A record number of sales are occurring in the 905 regions and buyers are showing a huge preference for single and semi-detached homes. The condo apartment market is also holding up better in the 905 regions.

Upside surprises not really a surprise

Admittedly, we were initially taken aback by the strong performance in the housing market following last year's lockdowns.

Still, the strength and shifts in the GTA real estate market over the last year have been largely in line with our medium-term (non-pandemic) expectations – which called for a shift out of apartments and into ground-related housing in the suburbs.

In 2018, CUR, in partnership with OREA, produced a report highlighting what Millennial demand for housing in the Greater Toronto and Hamilton Area was expected to look like between 2016 and 2031. At that time, there were roughly 800,000 Millennials living with their parents (many of which were in the 905 regions), which was by far the largest living arrangement for this demographic. Many were also at the stage of their lives where they would be renters in smaller spaces near the downtown core.

We have since updated this analysis to include the whole Greater Golden Horseshoe (GGH). Note, TRREB Areas include select areas within the GGH, but outside of the GTA. Therefore, demand for the GGH is a good indication for what's going on across TRREB areas.

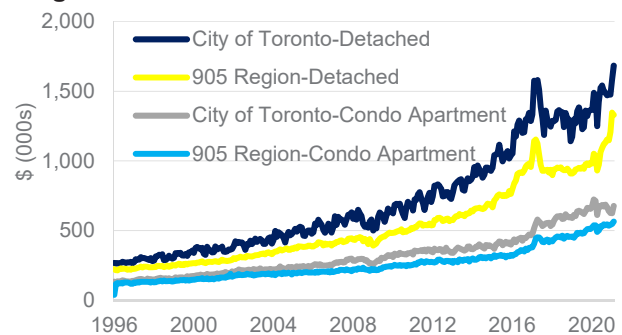
Millennials are now aged 25 to 40 years – the

prime age for the first-time home buying stage. Those still living with their parent's would be looking to jump into homeownership and those renting would be looking for enough space for a child and maybe a dog, much like boomers did at their age.

Millennials are the largest group of first-time homebuyers ever seen in the Greater Golden Horseshoe (Figure 2), even larger than the Boomers, thanks to the immigration wave in the last few years being highly tilted towards Millennials.

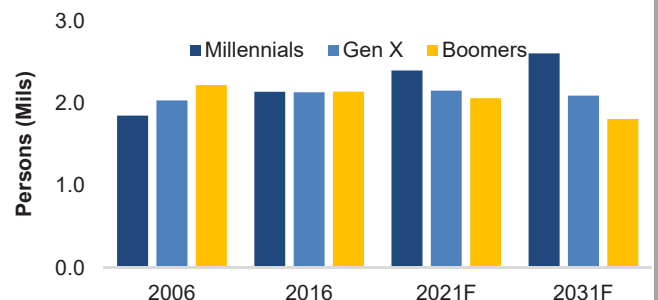
The expectations were that as this demographic aged, there was going to be a need for more ground-related homes and more households would leave the city of Toronto in search of ground-related housing, just as generations that came before them did. We forecasted that over the course of the next decade, the GGH would

Figure 1: MLS Residential Sales Price, GTA



Source: CUR, based TRREB data.

Figure 2: Population of Select Generations, GGH



Source: CUR, based on Statistics Canada and Ontario Ministry of Finance

need to see a 60,000 increase in the creation of ground-related housing units from current levels just to meet Millennial housing needs. That housing shortfall is growing along with the Millennial demographic.

Hemson Forecasts Called it Too

This view is corroborated by the housing demand forecasts done last year by Hemson Consulting Group for the Ontario Ministry of Municipal Affairs and Housing. Hemson did forecast that Millennials would live at home longer with mom and dad than past generations, but that pent-up demand would start to be unleashed between 2021 and 2031 (Figure 3), contributing to large increase in the number of new households across the GTA. In addition, those already on their own would move from renting apartments to wanting ground-related housing as they start to build families.

They expect that 70,000 new households would be created per year between 2021-2031 in the GGH, up strongly from 46,000 between 2011 and 2016 and 54,000 in the current five year period.

The Hemson forecast also called for a shift in household demand into areas outside of the city of Toronto (Figure 4) and into other regions of the GGH. The share of new households opting for the city of Toronto would fall to 20% between 2021 and 2031, from 30% in the prior decade.

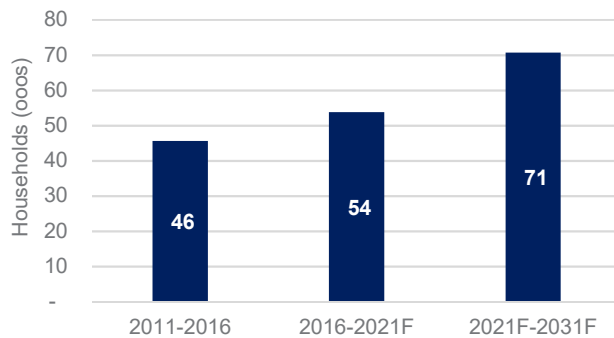
While underlying demographic demand was evenly split between apartments and ground-related housing in the last decade, Hemson expects demand for ground-related housing to be almost double that for apartments (Figure 5). Figure 3 to 6 show that underlying demographic demand for condo apartments in the city of Toronto is expected to hold steady between 2021 and 2031.

A more detailed table on new household growth by major municipality in the GGH and type of housing is available at the end of this report.

Conclusion

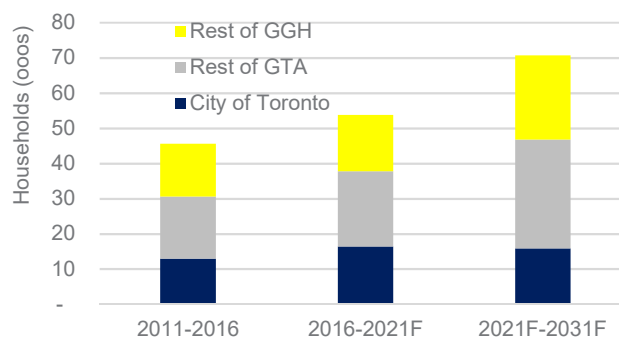
Many Millennials are flush with cash from years of living at home with mom and dad and having high paying jobs. The pandemic may have accelerated homebuying decisions among them, but a surge in demand for ground-related housing in the suburbs was inevitable. Despite efforts by the province to get more housing of all types onto the market throughout the GGH, the new supply of ground-related housing is unlikely to increase enough to accommodate this surge in demand. As a result, prices will continue to rise faster than household income and affordability will worsen.

Figure 3: Average Annual Growth in Households, GGH



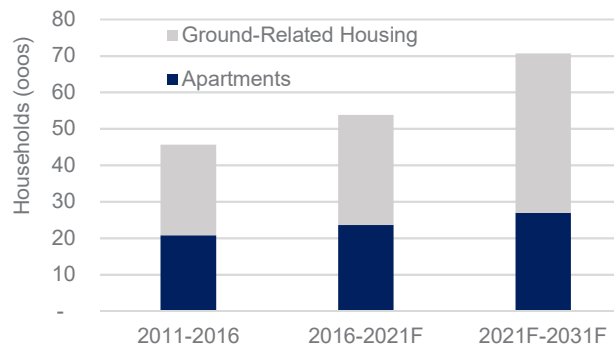
Source: CUR, based on Census of Canada data and Hemson Consulting. F=Forecast

Figure 4: Average Annual Growth in Households by Housing Region, GGH



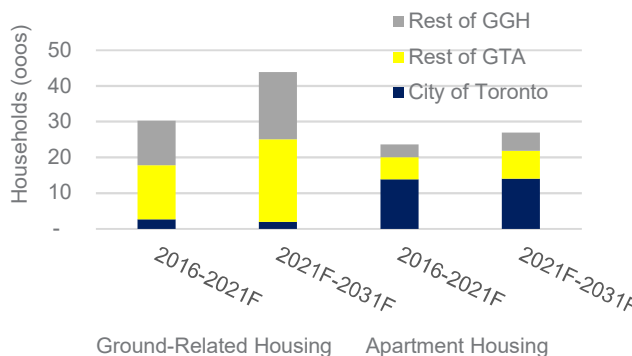
Source: CUR, based on Census of Canada data and Hemson Consulting. F=Forecast

Figure 5: Average Annual Growth in Households by Housing Type, GGH



Source: CUR, based on Census of Canada data and Hemson Consulting. F=Forecast

Figure 6: Average Annual Growth in Households, by Region and by Housing Type, GGH



Source: CUR, based on Census of Canada data and Hemson Consulting. F=Forecast

Appendix 1: Hemson Forecast of Average Annual Net New Households by Housing Type and Municipality

	Ground-Related			Apartments		
	2011-2016	2016-2021F	2021-2031F	2011-2016	2016-2021F	2021-2031F
Northumberland	600	200	500	-	-	100
Peterborough	400	400	900	-	200	200
Kawartha Lakes	200	400	400	-	-	-
Durham	2,400	3,000	5,100	400	800	1,400
York	4,400	5,000	6,200	2,200	2,400	2,600
Toronto	(200)	2,600	1,900	13,200	13,800	14,000
Peel	4,000	4,600	7,500	1,400	1,600	2,600
Dufferin	400	200	400	-	200	-
Wellington	600	1,000	1,400	600	400	500
Halton	2,000	2,600	4,300	800	1,400	1,200
Hamilton	1,400	2,000	2,800	200	400	700
Niagara	1,400	2,600	2,700	400	200	500
Haldimand-Norfolk	3,200	400	400	200	-	100
Brant	400	600	900	-	-	200
Waterloo	1,400	1,800	3,400	1,000	1,800	2,000
Simcoe	2,200	2,800	5,000	400	400	800
Total	24,800	30,200	43,800	20,800	23,600	26,900

Source: CUR, based on Hemson Consulting Group. F=Forecast