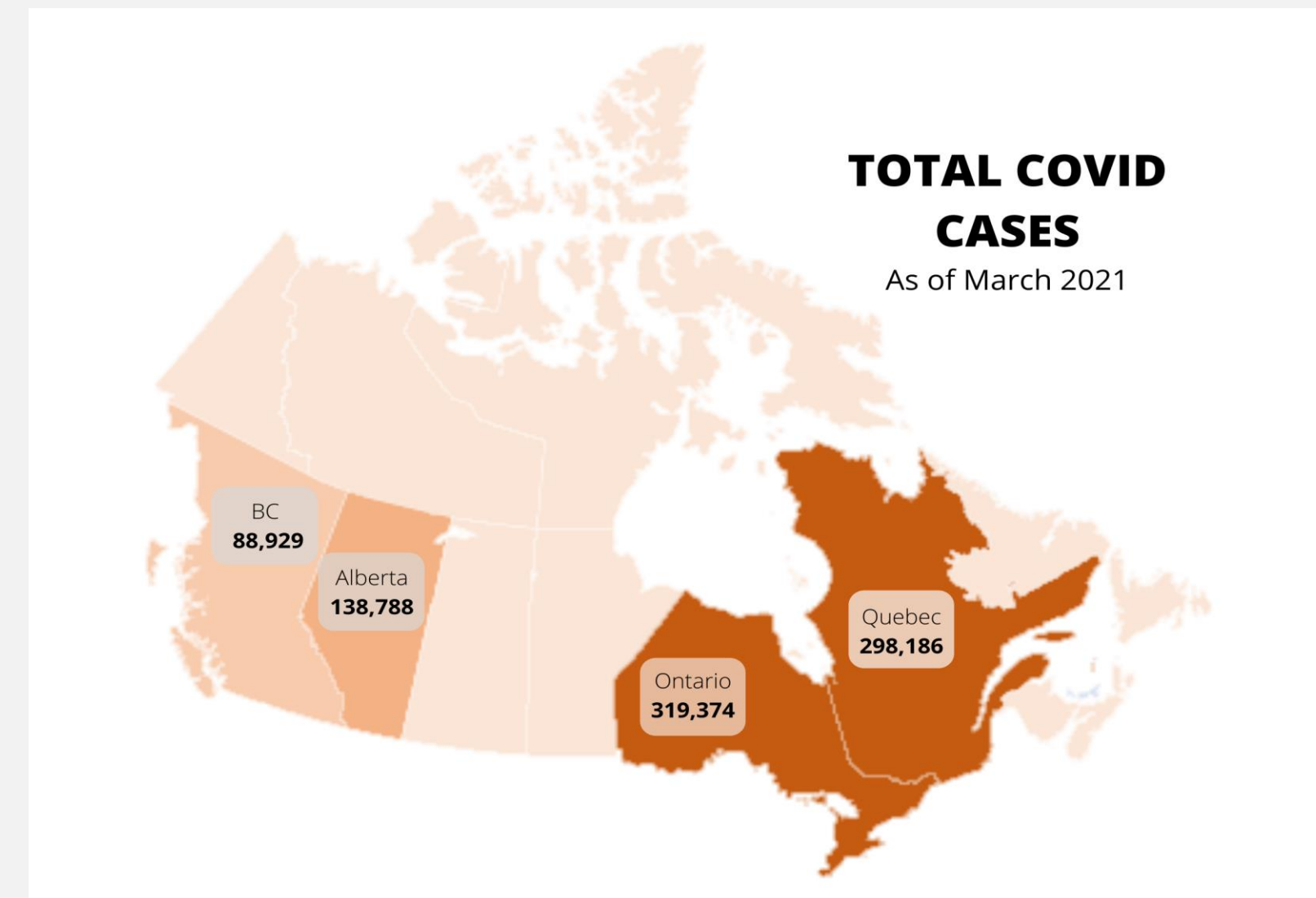


What's it all about?

Background

For many years, housing affordability has been a serious issue in Canada. The year 2020 saw another crisis that shook the world to its core – the COVID-19 pandemic. Ontario, Quebec, Alberta and British Columbia are the 4 provinces that have been affected by this pandemic the most in Canada. Along with all the other impacts, how has the housing market changed in these locations?



The Story

In this report, we are going to hear from 4 friends, **Mr. Albert, Mr. Q. Beckman, Mr. Ont** and **Mr. BC** who currently stay in Alberta, Quebec, Ontario and British Columbia respectively.

Let's explore their lives and look at how their housing situation was affected by COVID-19

So What's Happening?

New Housing Market

Rise in New House Pricings

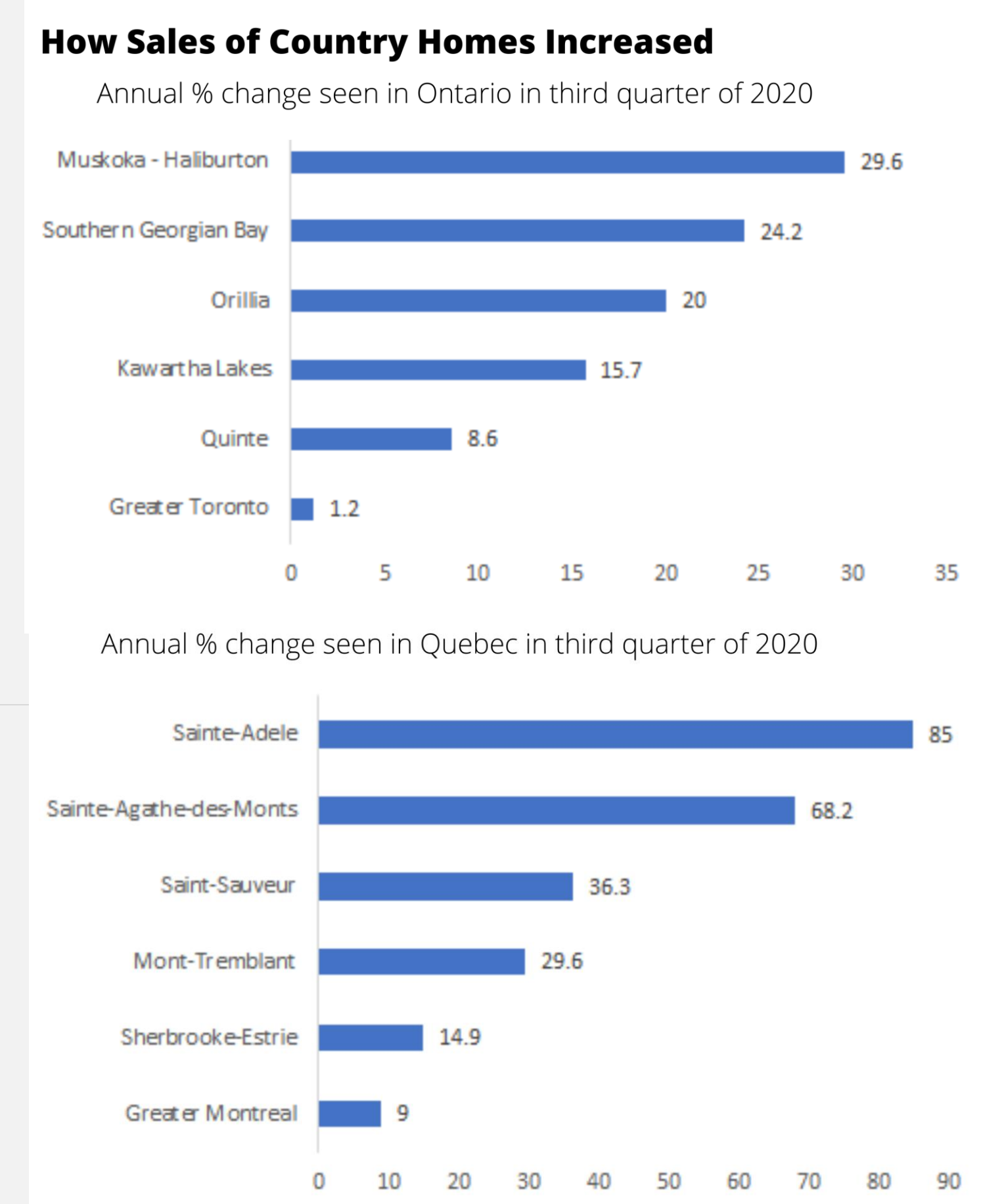
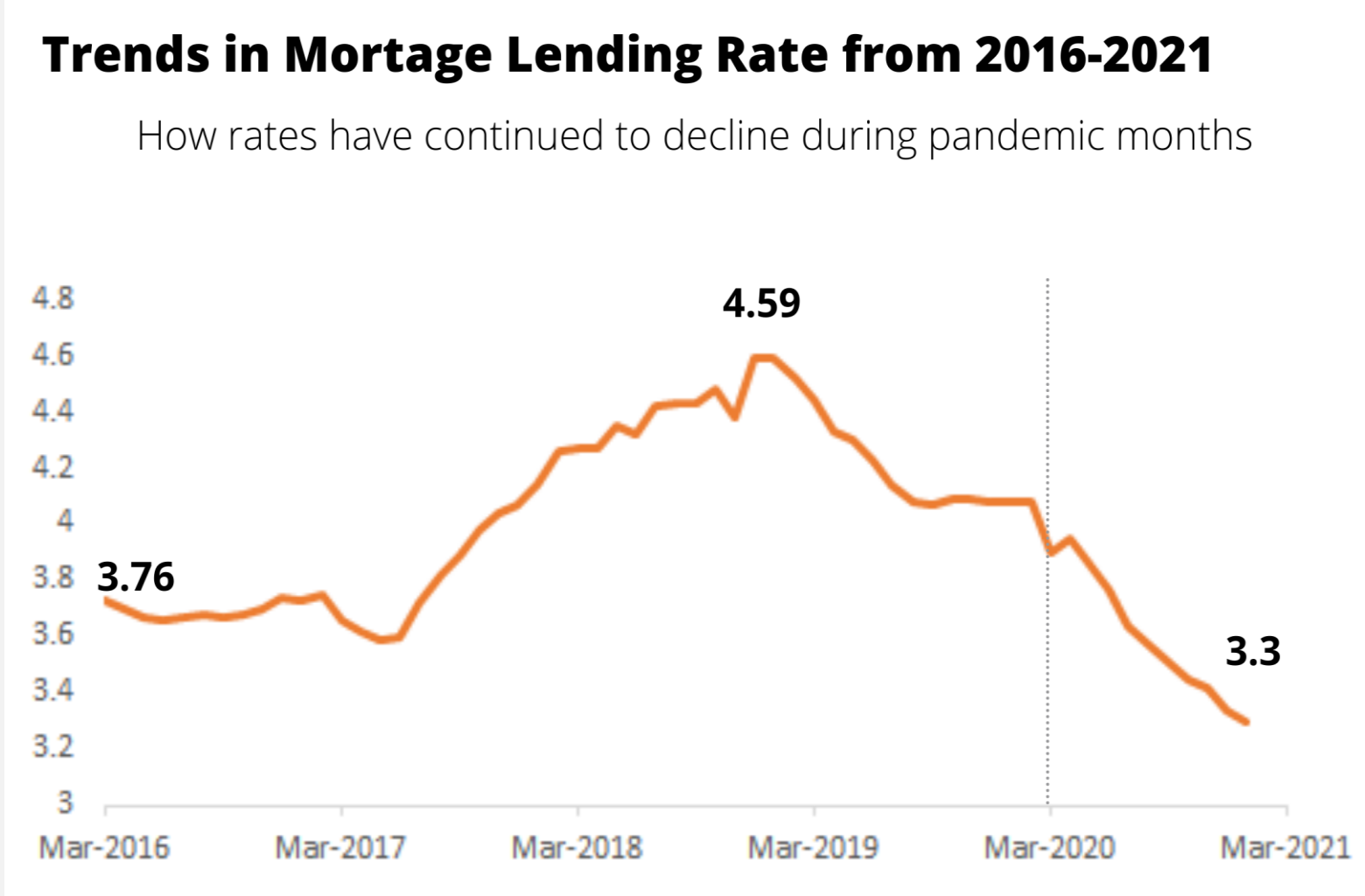
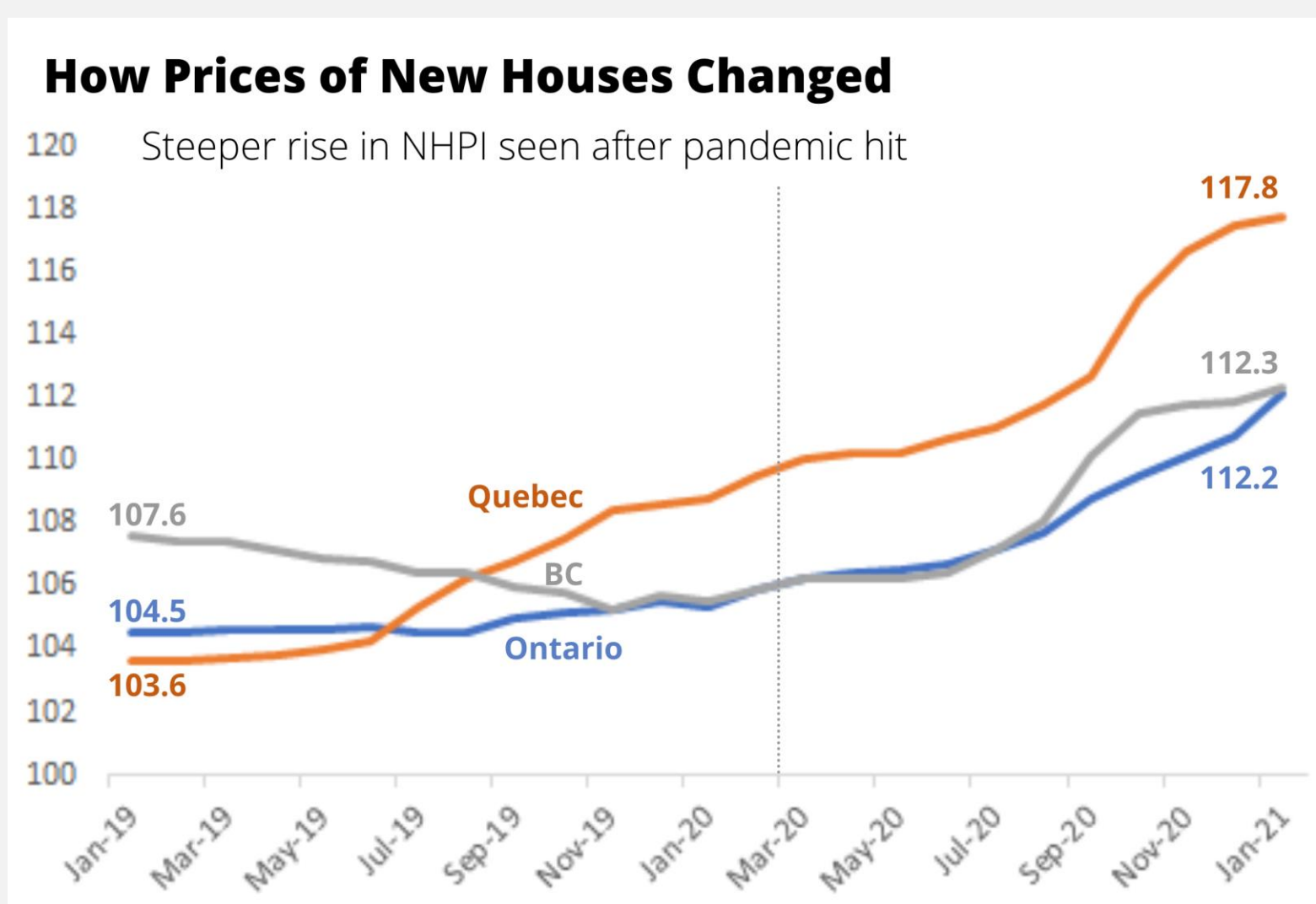
The New Housing Price Index (NHPI) tracks prices of new construction of homes such as singles, semis and townhouses or row homes and excludes apartments and condominiums.

Why is there a steeper climb in the subsequent months after COVID hit in March 2020?

- Nearly 48 per cent of Canadians aged 25 to 35 currently own a home. Almost 25% of house owners have purchased a new house during the pandemic.
- One reason is higher construction costs because of the rise in building material prices and COVID safety protocols.

Mr. Q Beckman says **“We had the lowest prices for new houses in 2019. However, now in 2021, Houses in Quebec are the most expensive.**

- Another reason for the increase in prices is that mortgage rates have gone down to the lowest numbers on record. Consequently, the youth seized the opportunity to buy new houses which increased the demand, thereby increasing the prices.



Changes In Living Conditions

- Before 2020, people were leaning more towards migrating to cities like Toronto, Montreal, Vancouver, and Calgary for better job opportunities and way of living.
- In 2020, companies started allowing employees to work from home permanently. Besides, the price of housing increased, and so people decided to move away from the city.

“With kids starting online learning and people having to set up their workspaces at home, there came a need for larger living spaces” says Mr. Ont

- Moreover, these impacts of the pandemic on employment (e.g., job loss and telecommuting) and housing preferences (e.g., less populated areas) have most likely made relatively affordable suburban rentals more attractive to prospective tenants.

Population Losses - Census Metropolitan Areas

July 1st 2019 - July 1st 2020

-50,375
Toronto

-24,880
Montreal

Although there was overall positive growth in the Census Metropolitan Areas of Toronto and Montreal due to international migration, more people are moving out to other regions of the province than coming in. There was a record loss of people in these areas.

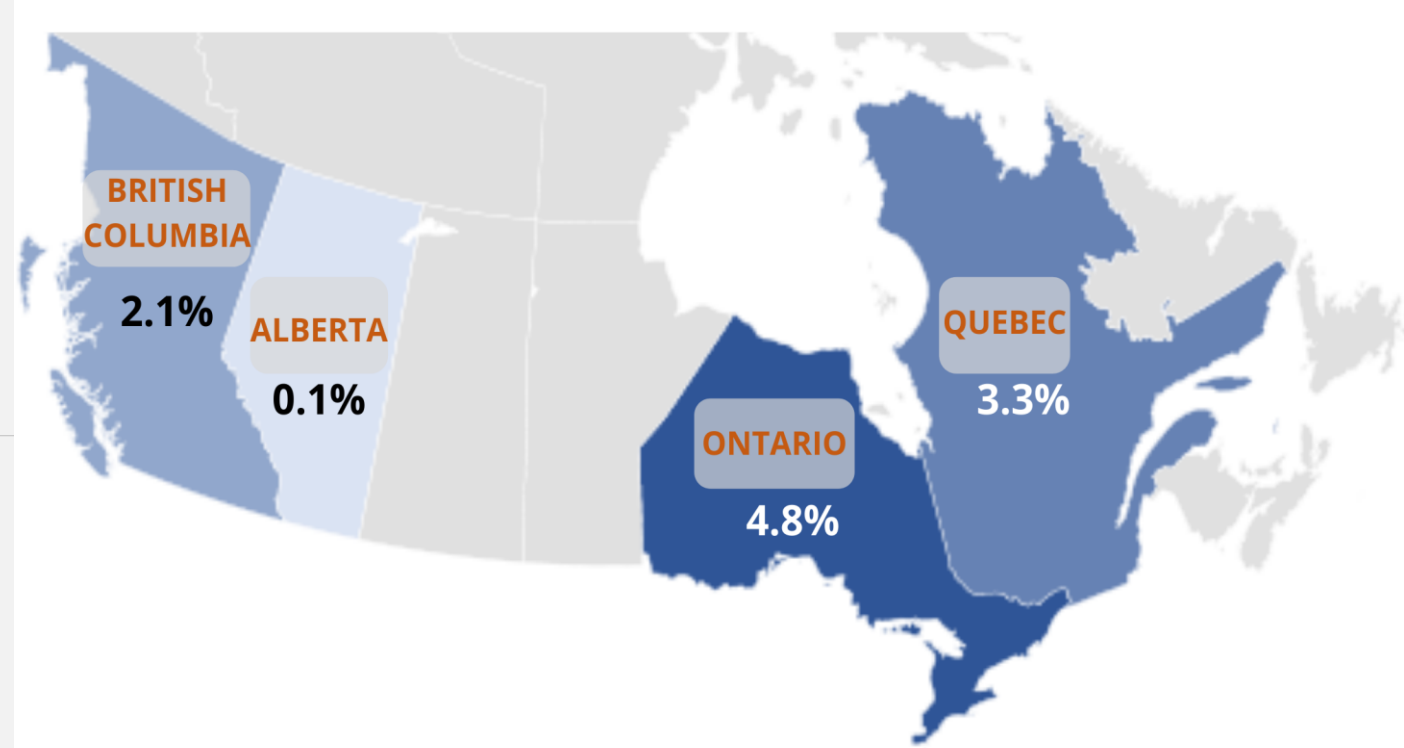
Rental Market

Rise in Rental Rates

- In spite of the pandemic, rental rates have been going up. This upward trend in rent varied by province.
- The highest increase in average rents was seen in Ontario (4.8%). What is interesting to note is that the City of Toronto, which had the highest rents and rent growth in the past, saw the lowest rent growth in 2020.
- Alberta had the smallest increase in rental rates (0.1%).
- Studies have shown that rental rates for prospective tenants are higher than those for existing tenants.

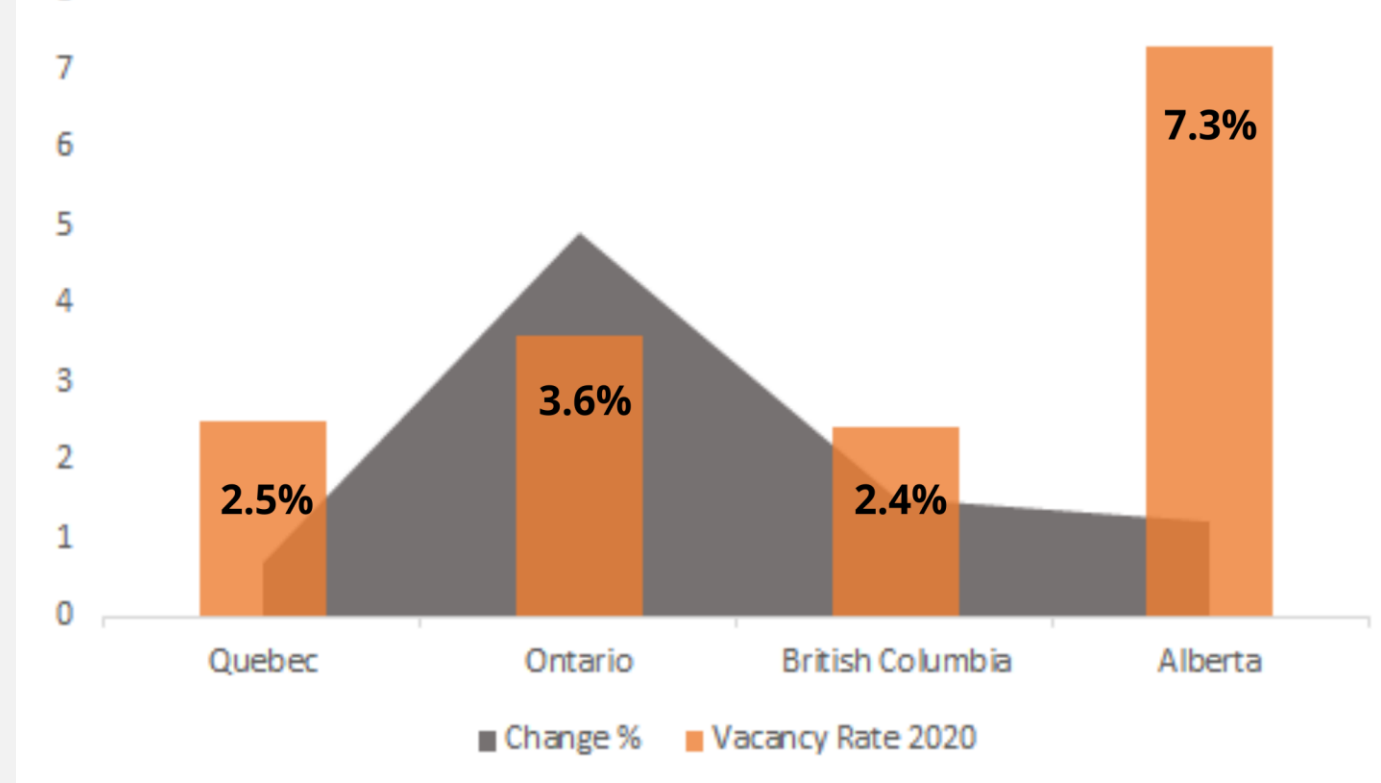
% Increase in Average Rental Rates in 2020

~ in comparison with 2019 in ON, QC, AB & BC



Vacancy Rates in 2020

~Also includes % change from previous Year

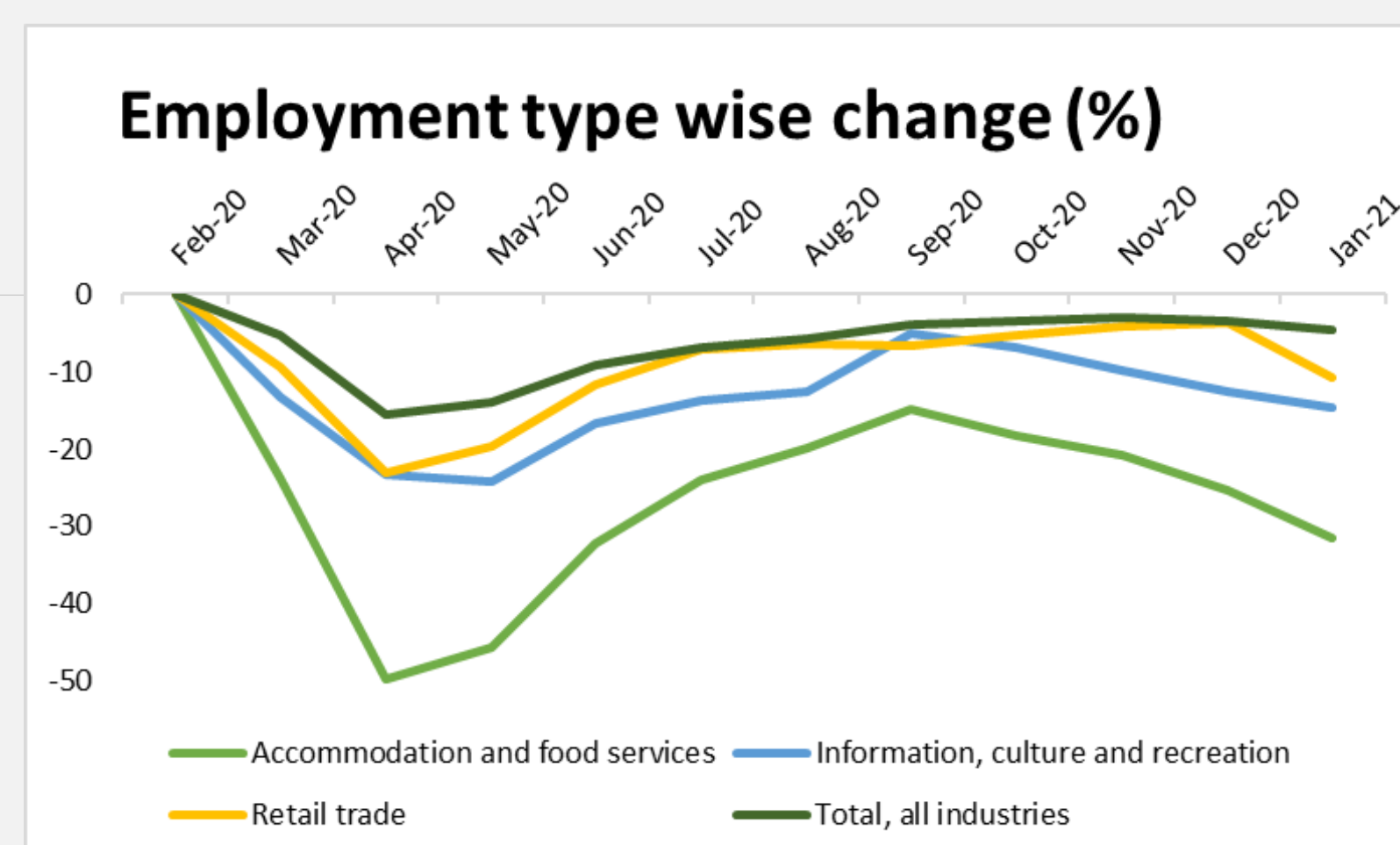


Vacancy Rates

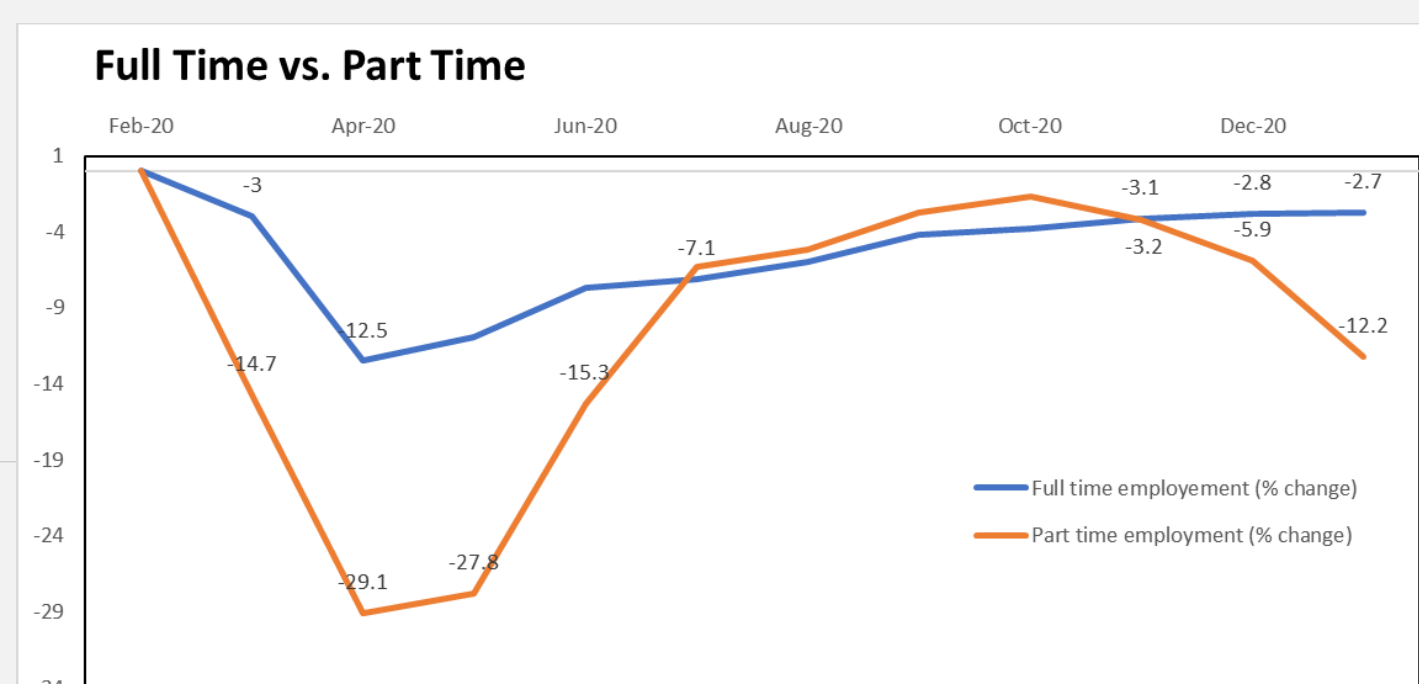
- Increase in supply and decrease in demand led to high vacancy rates.
- From the 4 provinces considered, the highest vacancy rates were seen in Alberta (7.3%) in 2020.
- Ontario saw the greatest percentage change (4.9%) compared to 2019.

Employment Losses

- Typical renter households include young employees earning minimum wages.
- The hospitality sector (accommodation and food services), and service sector (retail, information etc.) mostly employ people from this group.
- These are also the sectors that saw the highest losses in employment because of COVID-19.
- Hence this resulted in a financial strain and most of these households found it difficult to afford the high rental rates.



“In Alberta, employment increased for the first time since October (+21,000; +1.0%), all in part-time work. There were more people working in construction, while employment held steady in natural resources and fell in accommodation and food services” says Mr. Albert.



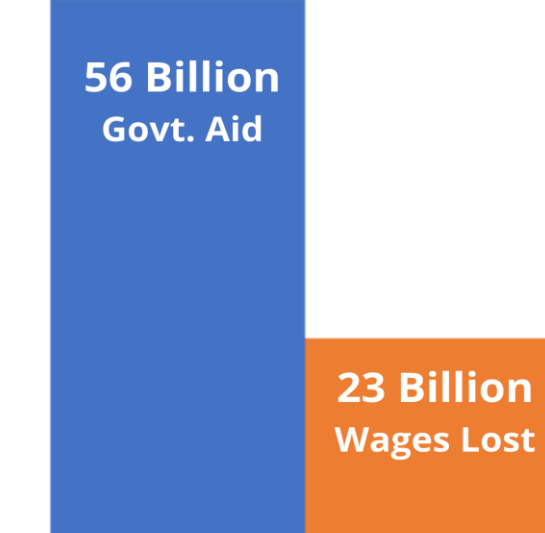
- Most people who rent are low-income part-time workers.
- Employment declines in January were mostly in part-time work (-225,000; -6.7%), particularly in Ontario (-153,000; -12.0%) and Quebec (-93,000; -12.3%), where significant new public health measures were implemented at the end of December.

Increased Purchasing Power – It's not all bad news!

- Many people lost their jobs because of COVID-19. Several programs like CERB and EI were introduced by the Government of Canada to help people who were financially affected.
- According to a report in October 2020, although people in Canada lost a total of \$23 billion in wages and salaries, Canadian households received \$56 billion from the Government.
- This substantially increased the buyer's purchasing power and the net household disposable income increased by 11%. As a result, some people could afford to spend more money on their housing needs.

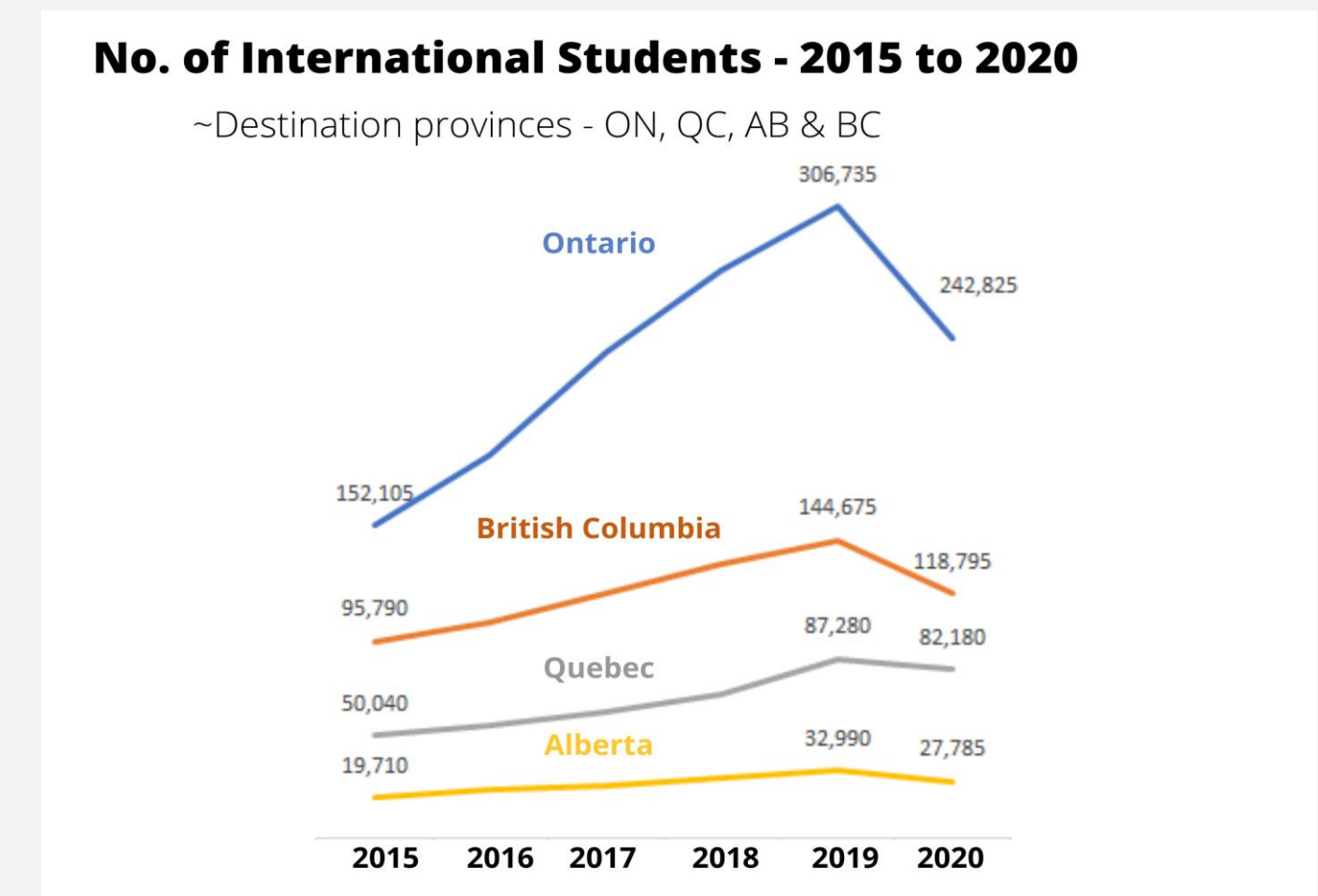
Impact of Government Aid Programs

How buyer's purchasing power has increased



Decrease in International Students

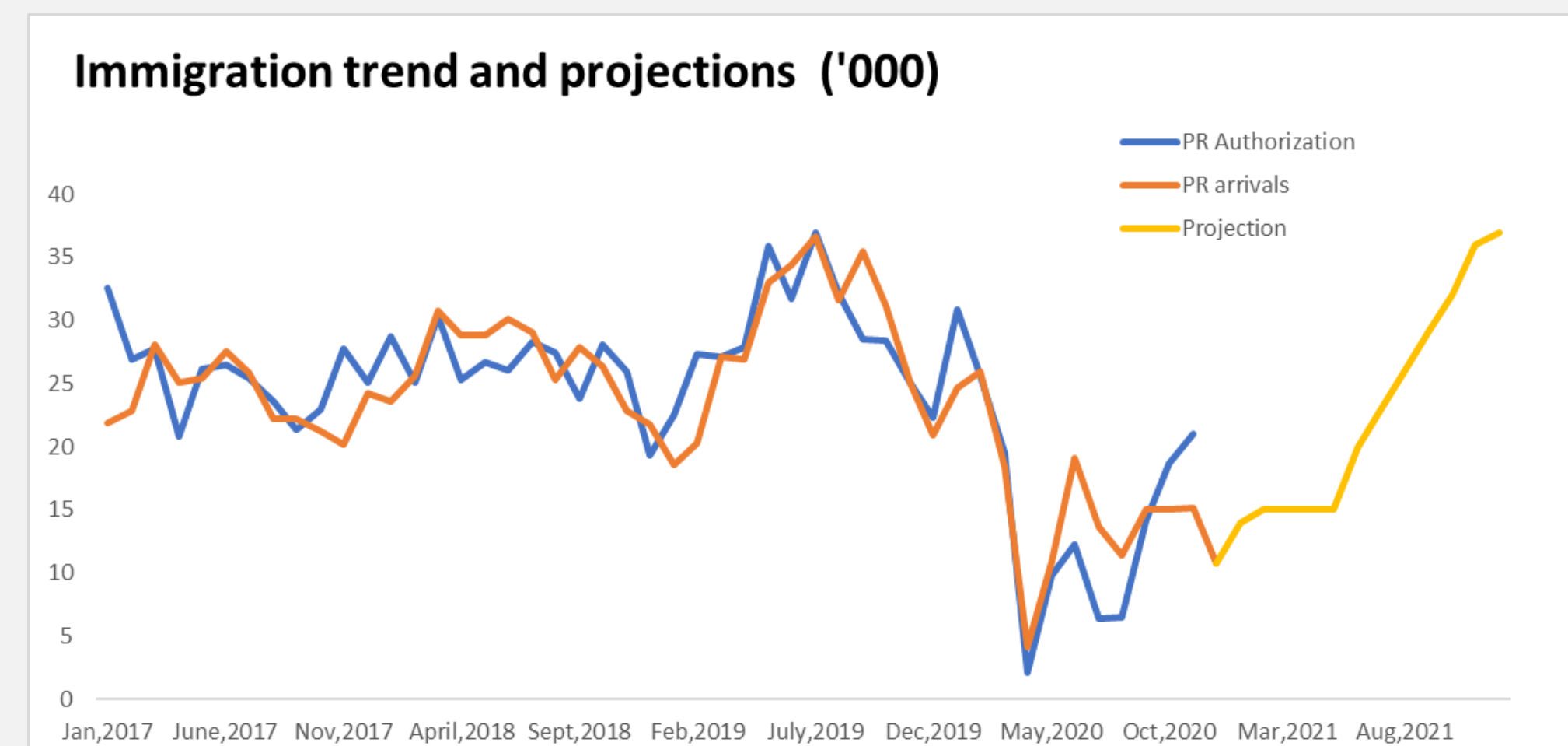
- Canada's international student population had tripled over the past decade to 642,000 in 2019.
- Ontario is the most preferred destination for these students, followed by British Columbia, Quebec and Alberta.
- They constitute a large share of the rental market and this determines the demand near Colleges and Universities
- However, 2020 saw a decrease in the number of study permit holders, thereby decreasing the demand.



Mr. BC says **“Although the demand decreased in 2020 with a smaller number of International Students coming to Canada, the rents continued to rise. The CMHC report findings conclude that landlords are offering incentives to prospective tenants (e.g., one month free or gift cards) or holding units vacant, rather than lowering the rent.”**

Now What?

Will immigration help Canada's rental market recover?



- As immigration plays a major part in the rental market, the decline in net international migration in the third quarter of the year 2020 resulted in Canada's lowest quarterly population growth on record. This directly impacted the rental housing market resulting in a drop in demand.
- In the long run, it is projected that Canada does have the capacity to hit the ambitious targets set out last fall and the population growth from new immigrants will return as the main driver.
- If things could return to normal with respect to COVID 19, it is estimated that there would be 150,000 to 175,000 new permanent residents arriving in the latter half of the year 2021, leaving Canada with approximately 275,000 new permanent residents by the end of the year.

Conclusion

Ontario, Quebec, British Columbia and Alberta were the provinces that were the most impacted by COVID-19 and the markets in these provinces were studied.

NEW HOUSING MARKET



RENTAL MARKET



PREDICTION



- The increase seen in the prices of new houses was because of increased constructions costs and low mortgage rates (increased demand).
- Employment losses among renters and a decline in the number of international students and permanent residents coming to Canada saw a decrease in demand for rental housing.
- Rental prices rose in spite of decreased demand because landlords were unwilling to lower rent and were more inclined to offering incentives.
- The national average price of a house in Canada is forecasted to rise over 16% in 2021.
- The Housing market will remain strong during the year. People could invest in the market and buy new houses but eventually, it will slow down by 2022.
- Canada has witnessed extreme price growth in major cities like Toronto and Vancouver. But now the smaller communities will also see a rise in price and market growth.
- Even if Canada's immigration system has had a tumultuous year due to the pandemic, with the border openings, it is expected to eventually return to normal and improve the rental demand.

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