

Introduction

The COVID-19 pandemic has caused some unfavorable changes to Canada's economy resulting in a host of uncertainties. The housing market in the past has been strong but many are speculating if the boom will continue. In this project, we investigate the home buying affordability before, during and after the COVID-19 pandemic

Initial Analysis

Our initial analysis includes; analyzing various economic factors that are good indicators for economic recovery, as well as being related to the housing market. Various indicators of the housing market were also analyzed as well as housing affordability.

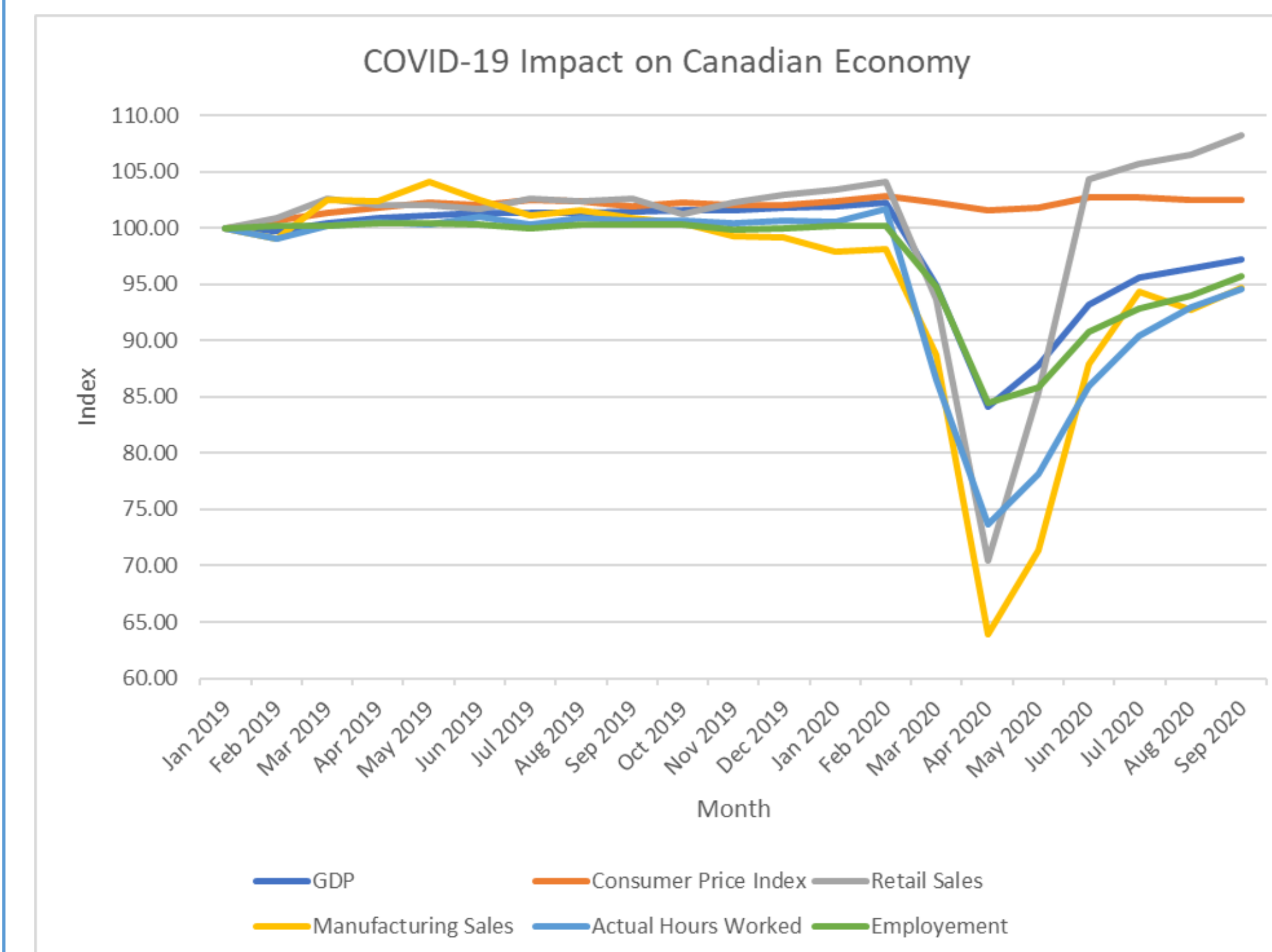


Fig. 1 The fluctuation of economic factors (GDP, Consumer Price Index, etc.) from Jan 2019 to Sep 2020, Indexed at Jan 2019 = 100

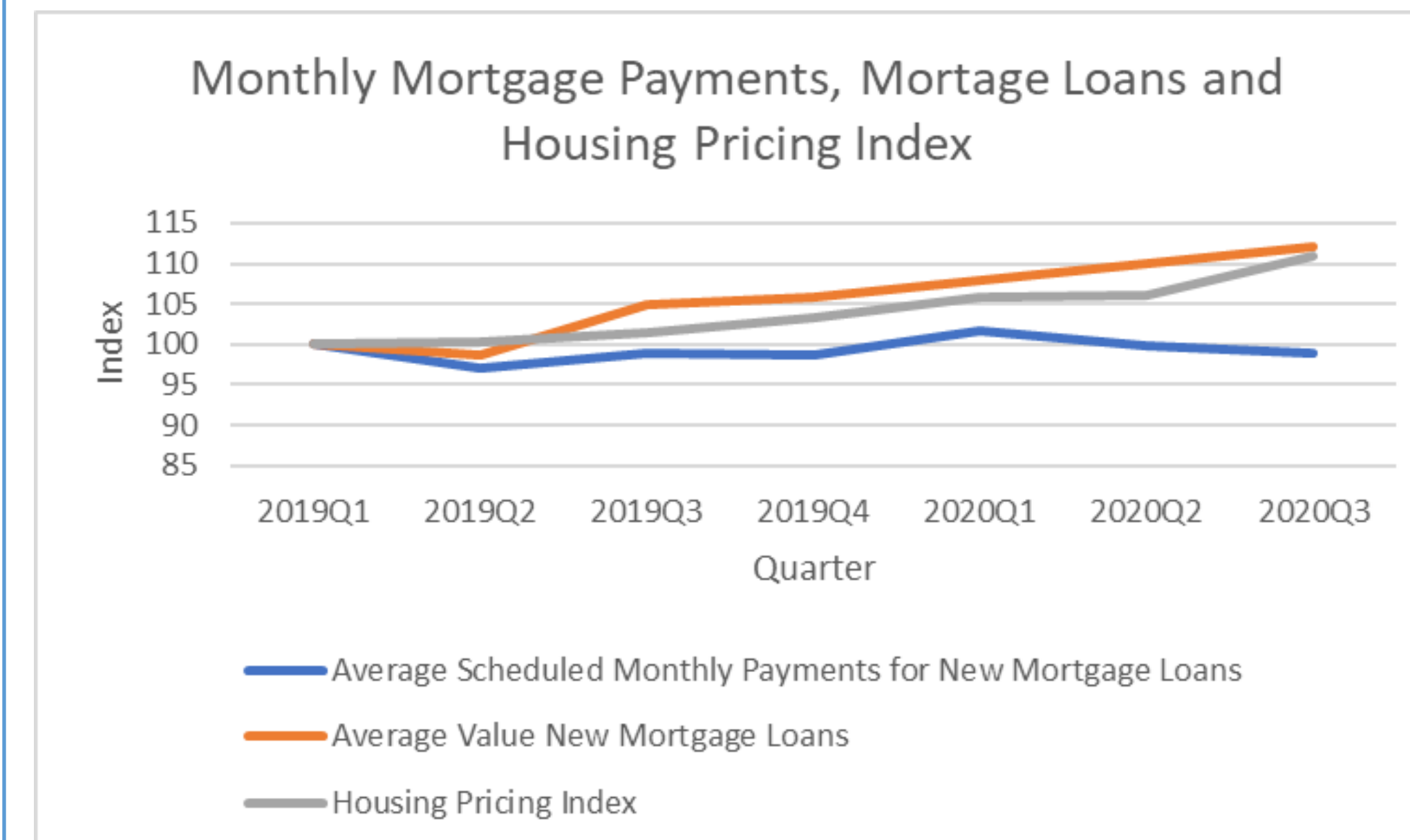


Fig. 2. Monthly mortgage payments, mortgage loans and Housing Price Index by quarter, Indexed at 2019Q1=100

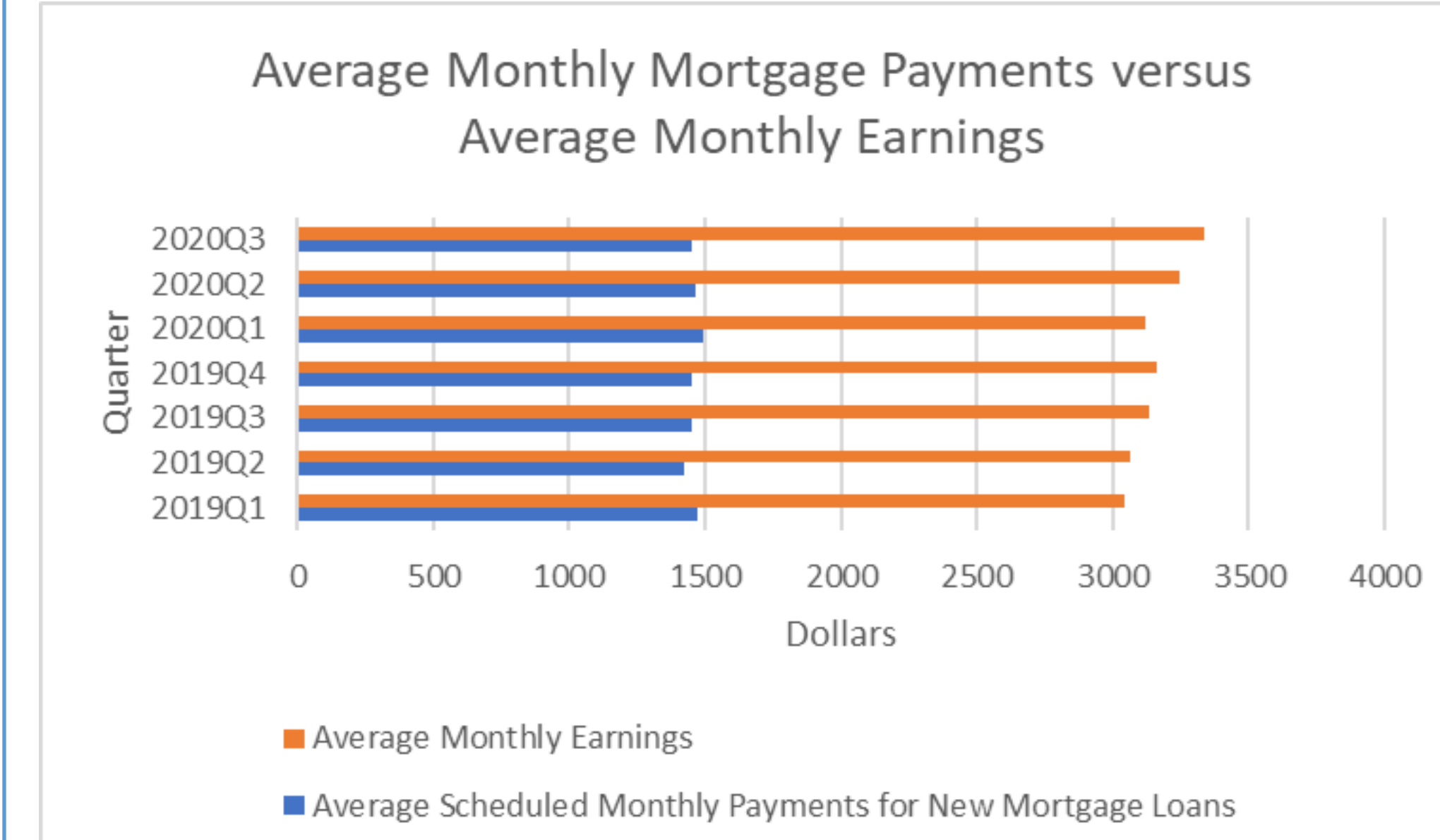


Fig. 3 Monthly earnings and average monthly payments by quarter



Fig. 4 Proportion of income spent on rent and utilities nationally.

Linear Regression

Linear regression techniques were used to determine correlation coefficients to see if the fluctuations of economic factors were correlated to housing market.

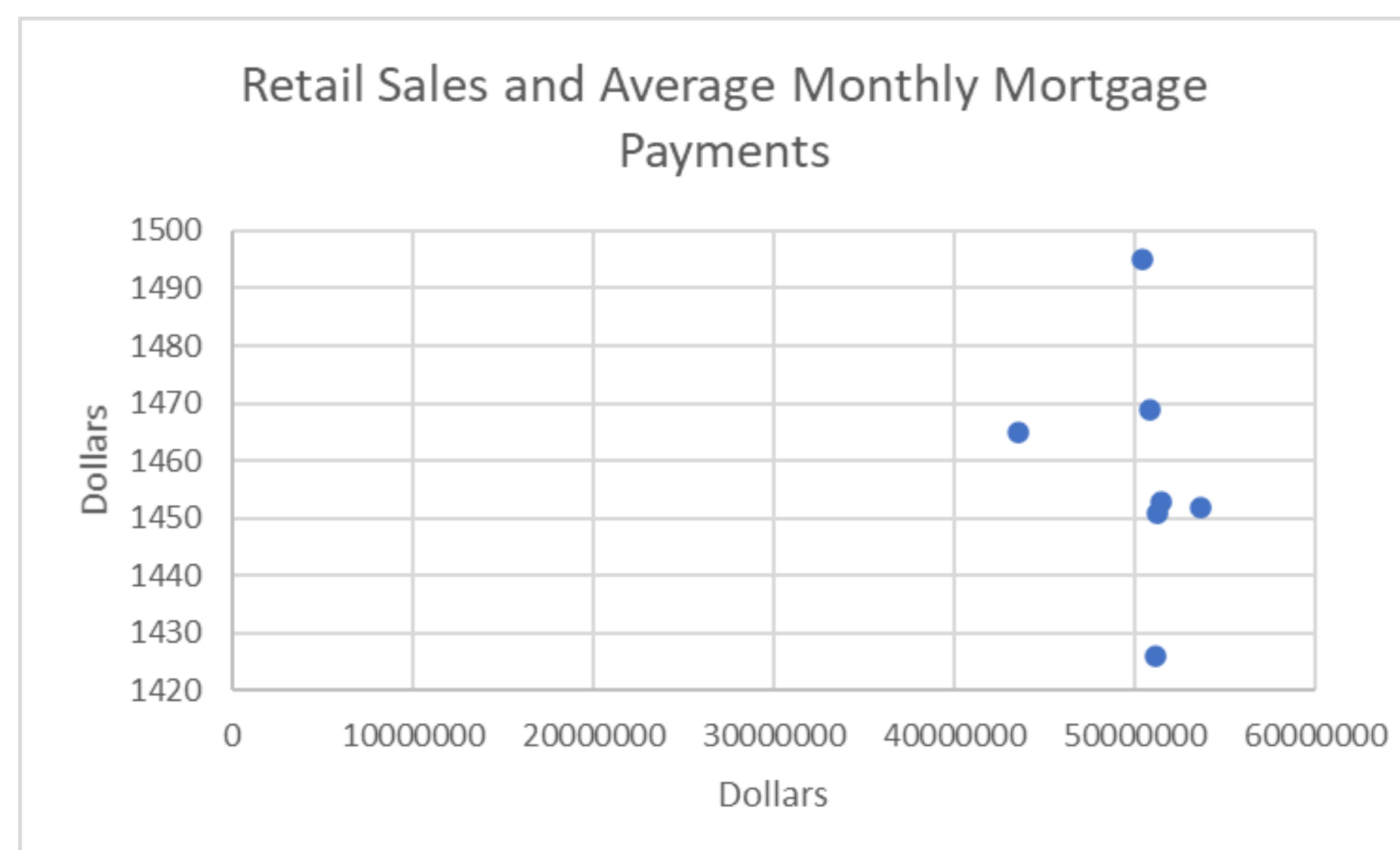


Fig. 5 Retail sales and Average Monthly Mortgage Payments, Correlation Coefficients = -0.25

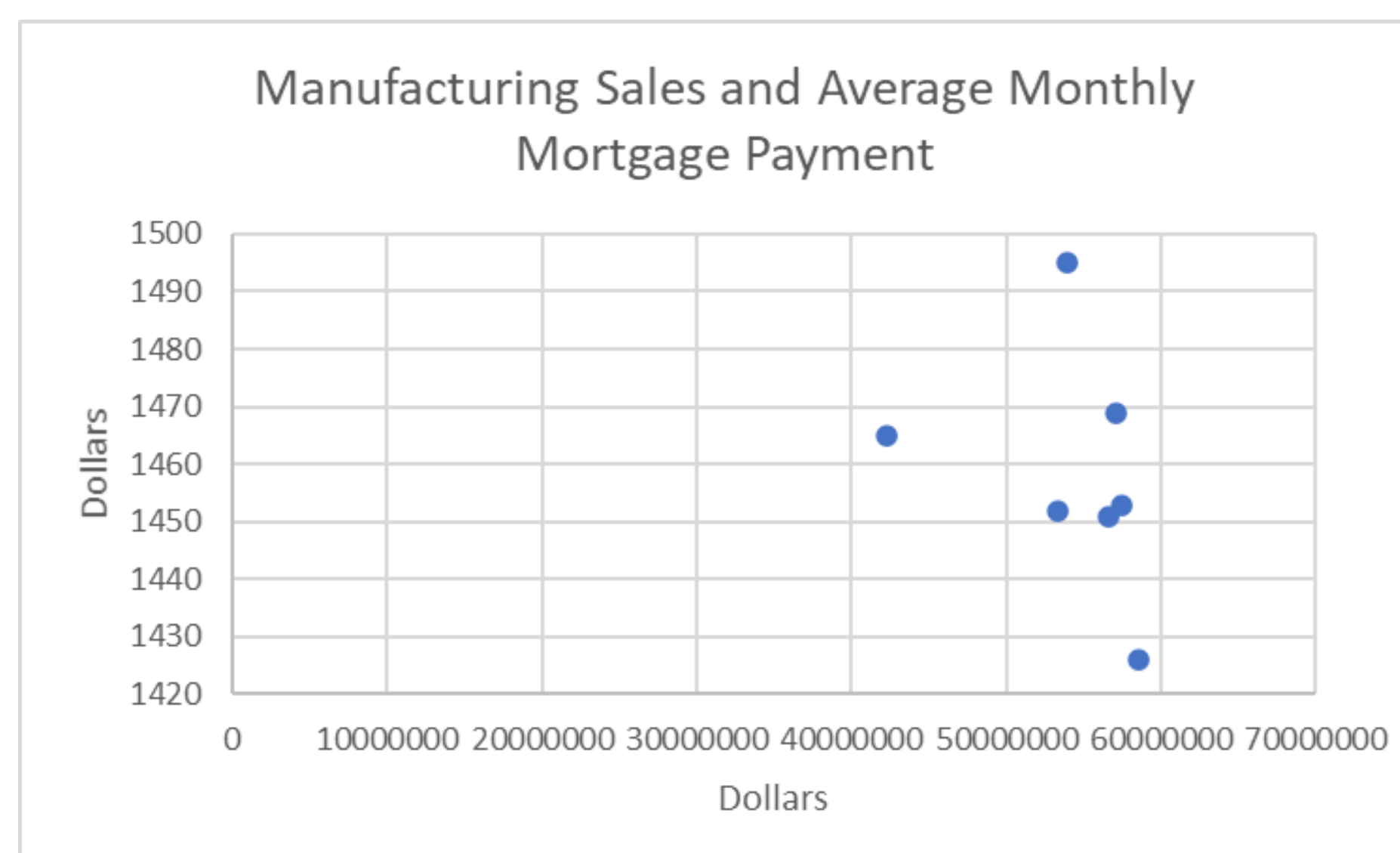


Fig. 6 Manufacturing sales and Average Monthly Mortgage Payments, Correlation Coefficients = -0.32

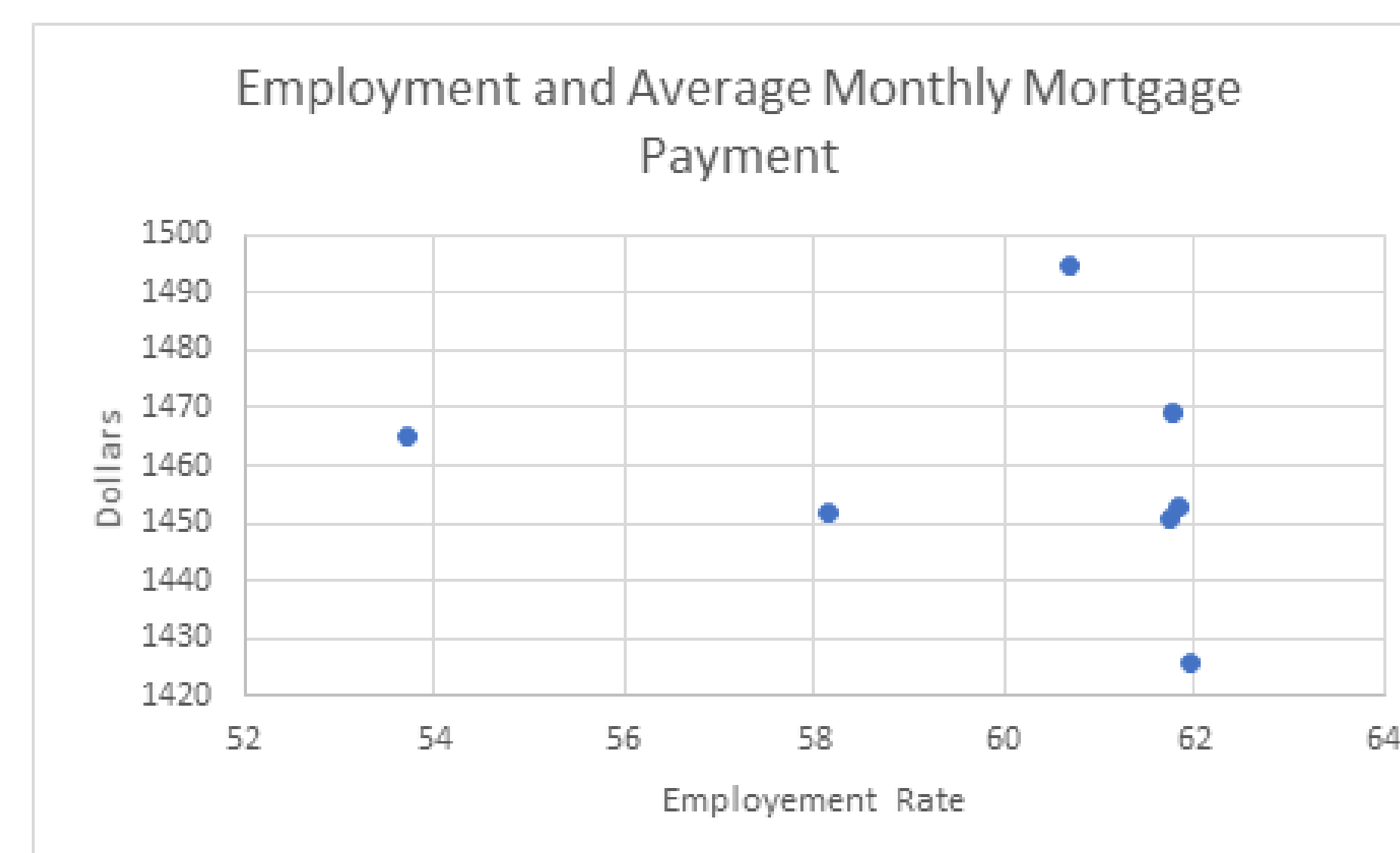


Fig. 7 Employment Rate and Average Monthly Mortgage Payments, Correlation Coefficients = -0.18

Final Analysis

It seems that there is little correlation between economic factors, such as employment and consumer spending and the booming housing market at the national level, or the city level. This continued boom is probably due to low supply and high demand, which is the focus of this final analysis. These factors are more indicative of the housing market and it is more important to look at why sellers or developers are hesitant to sell or construct homes, as well as where the demand is coming from and why.



Fig. 8 Residential new listings across Canada. Accessed from <https://creastats.crea.ca/en-CA/>, these graphs are a part of CREA's monthly report.

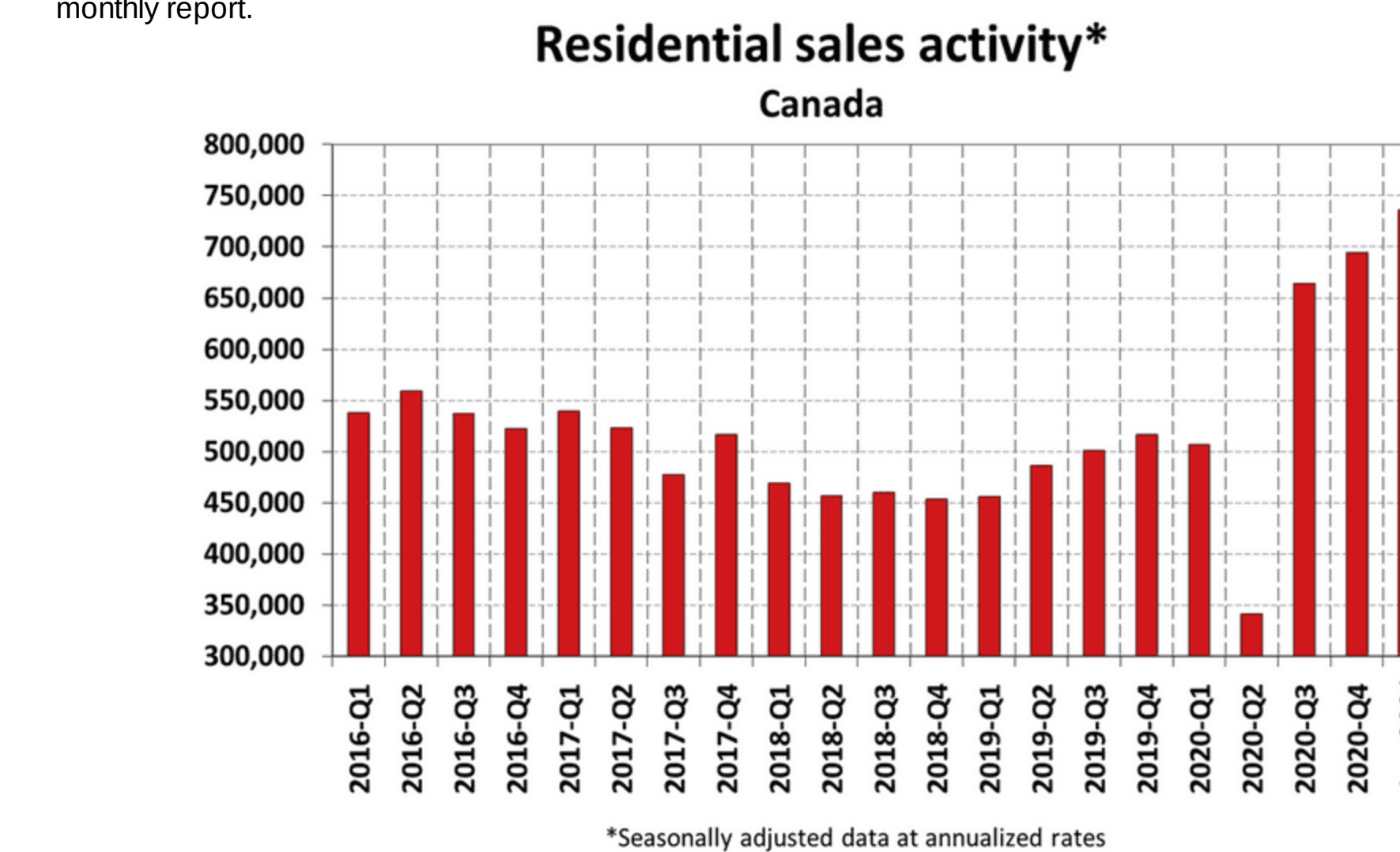


Fig. 9 Residential sales activity by quarter. Accessed from <https://creastats.crea.ca/en-CA/>, these graphs are a part of CREA's monthly report.

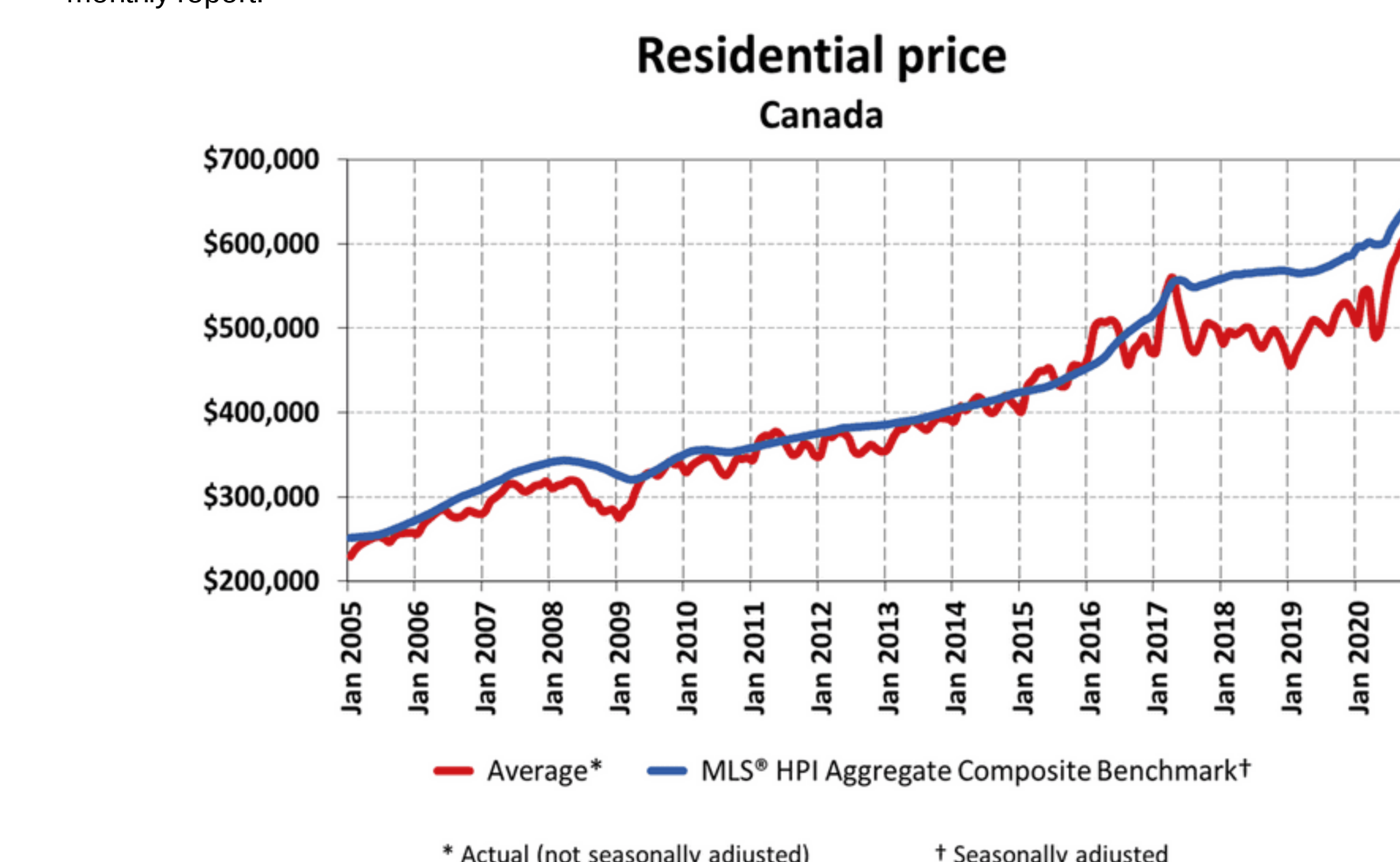


Fig. 10 Home Price Index and average residential price across Canada. Accessed from <https://creastats.crea.ca/en-CA/>, these graphs are a part of CREA's monthly report.

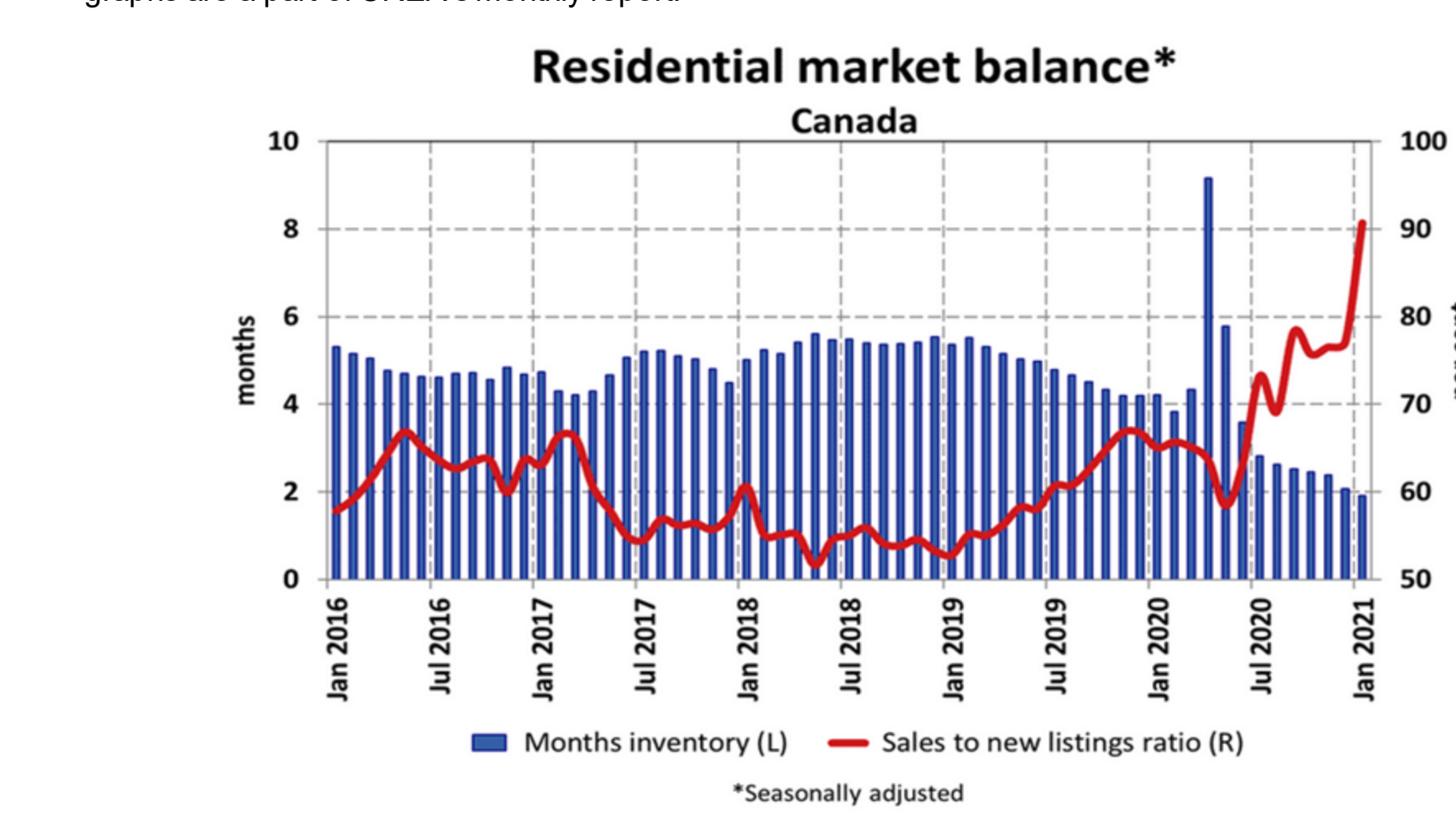


Fig. 11 Months inventory and sales to new listings ratio. Accessed from <https://creastats.crea.ca/en-CA/>, these graphs are a part of CREA's monthly report.

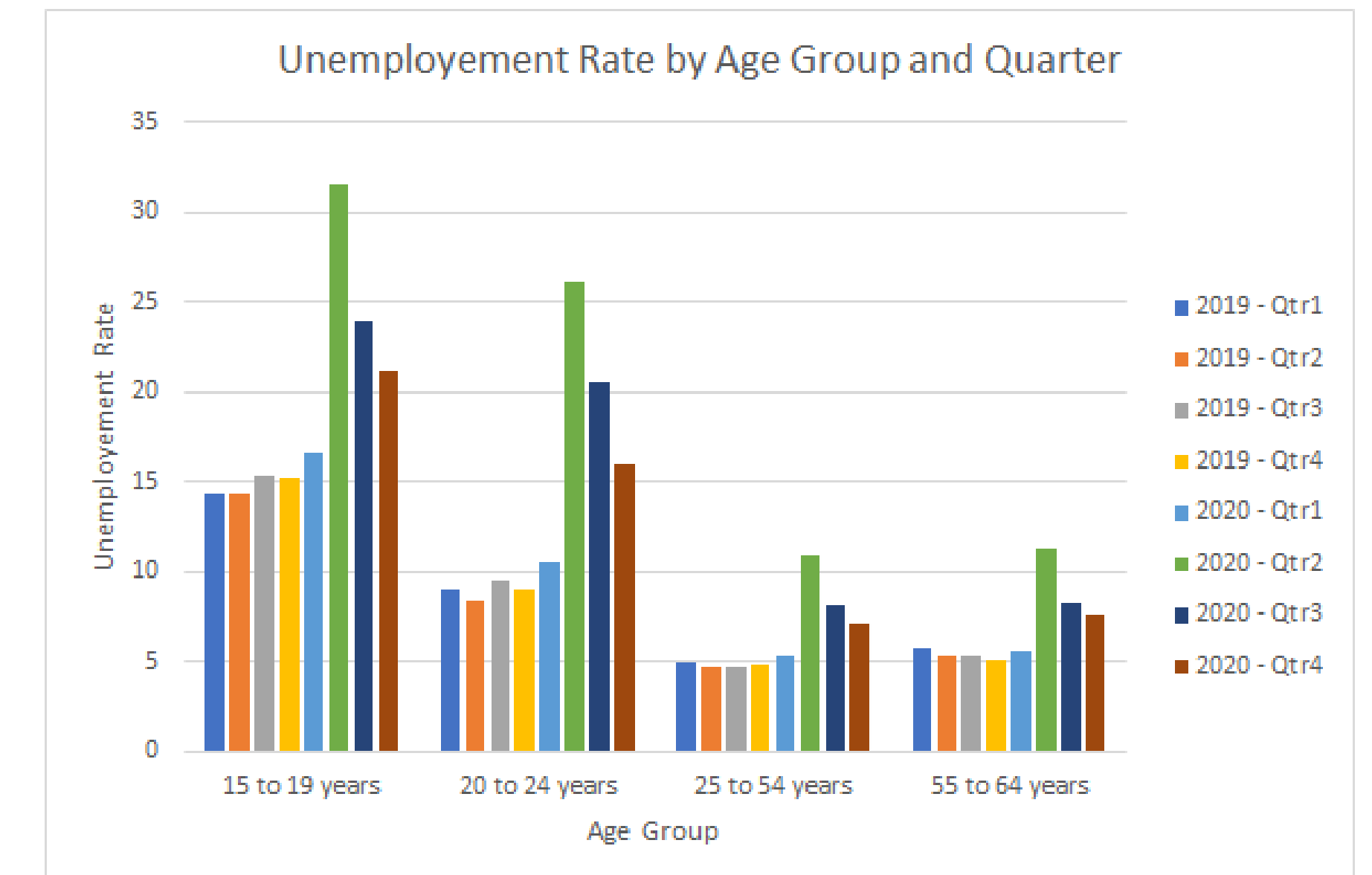


Fig. 12 Unemployment rate by age group and quarter

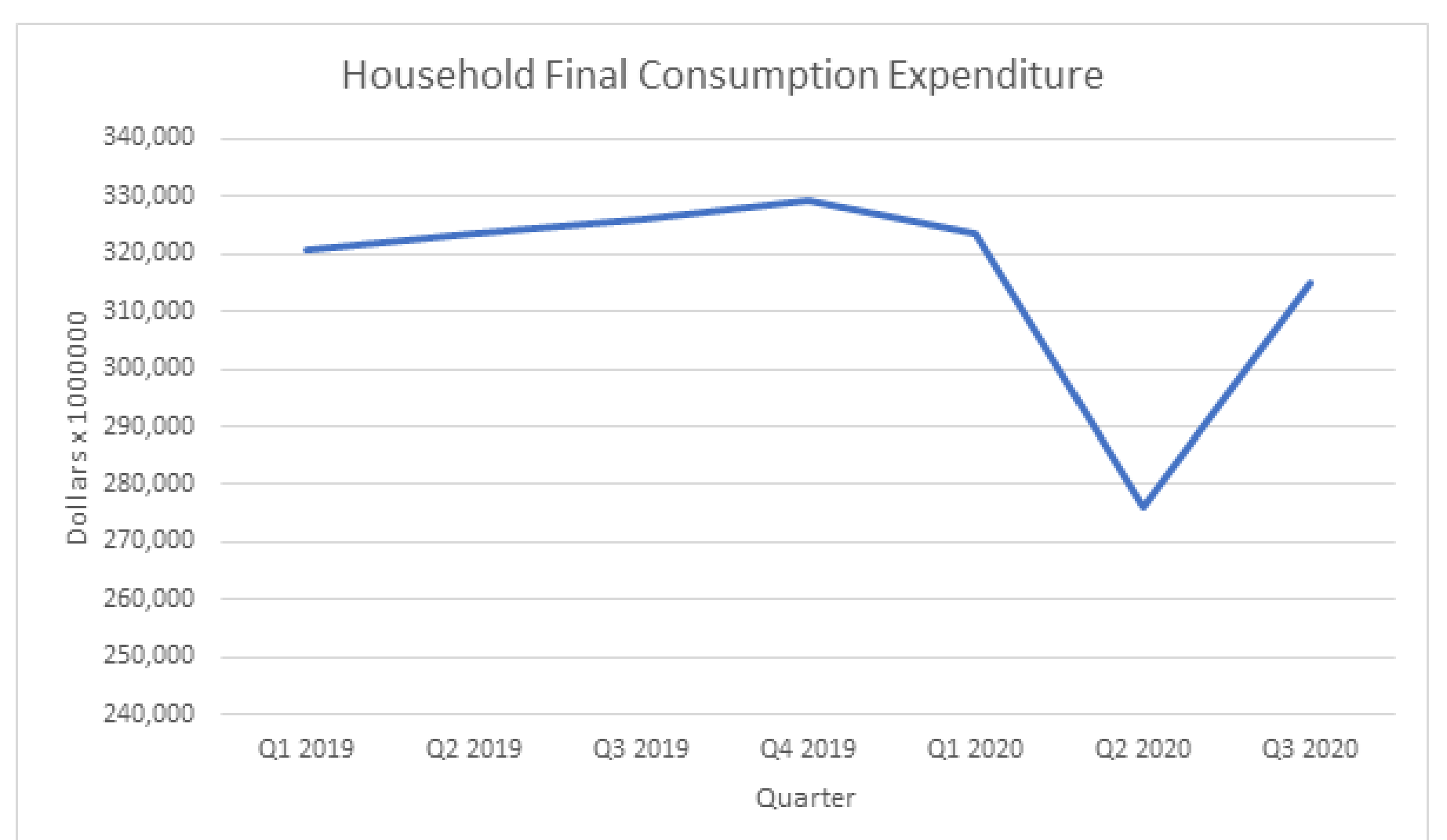


Fig. 13 Household final consumption expenditure by quarter.

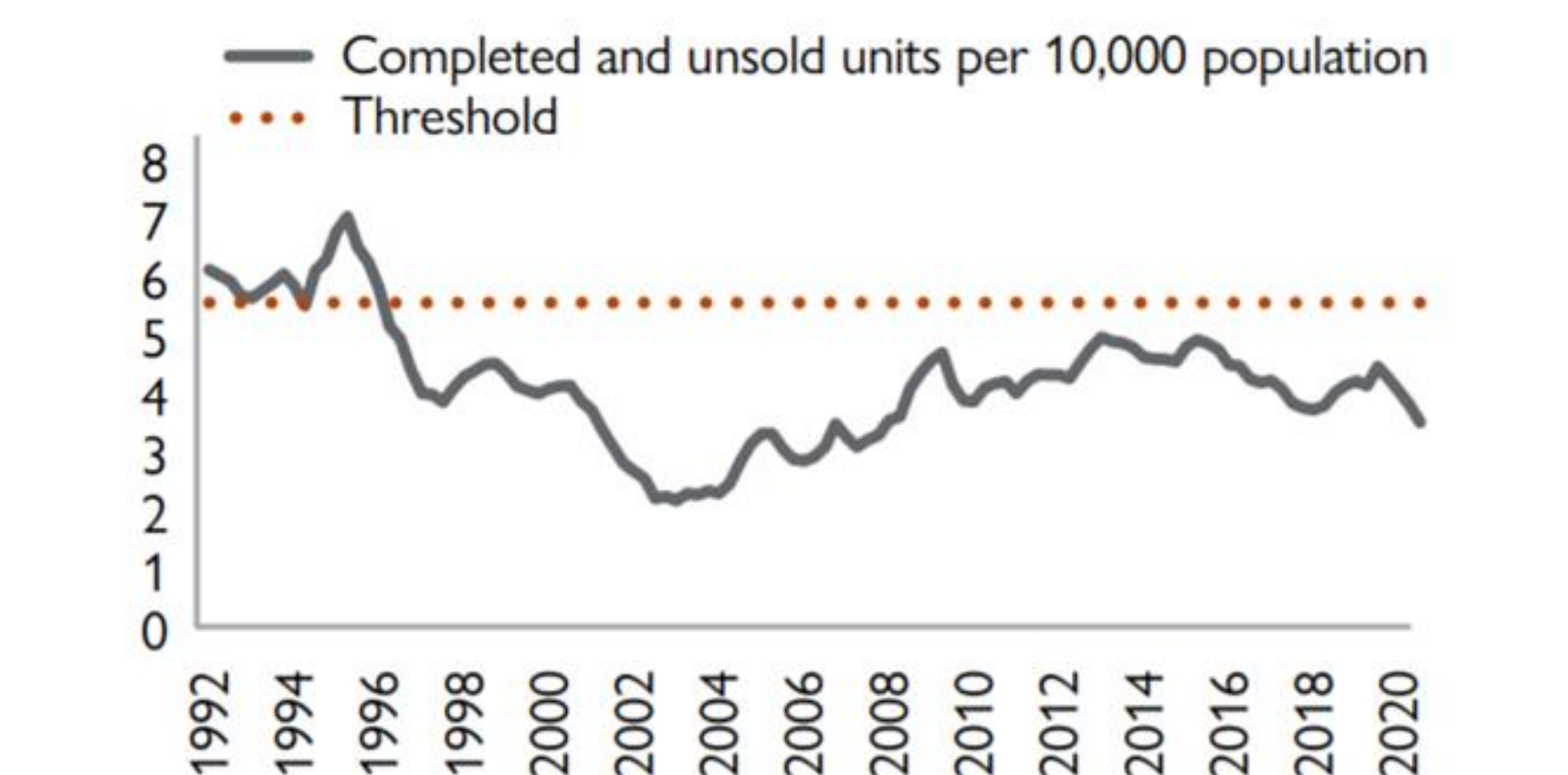


Fig. 14 Completed and unsold units per 10,000 population by year.

Conclusion and Next Steps

Due to the fact that economic factors, are not good indicators of the housing market, the focus should be more on the significant imbalance between supply and demand. The next steps would be to continue to analyze the needs, incentives, savings, spending and the changing demographics of buyers and sellers to determine the state of the housing market. Lastly, the home buying affordability should be compared to renting affordability, all while monitoring the aforementioned metrics as the economy recovers. Due to limited supply and a number of potential buyers, the housing market has set records during this pandemic. But when this pool of potential home buyers runs dry housing prices should cool off, after the pandemic. These predictions should be made by evaluating the supply to demand ratio.

References

1. "Canadian Economic Dashboard And COVID-19". www150.statcan.gc.ca/n1/pub/71-607-x/71-607-x2020009-eng.htm, Accessed 17 Mar 2021.
2. Creastats.Crea.Ca, 2021, <https://creastats.crea.ca/en-CA/>, Accessed 17 Mar 2021.
3. "Mortgage And Debt Data In Canada". [Cmhc-Schl.Gc.Ca, 2021, https://www.cmhc-schl.gc.ca/en/data-and-research/data-tables/mortgage-debt](https://www.cmhc-schl.gc.ca/en/data-and-research/data-tables/mortgage-debt), Accessed 17 Mar 2021.