

Impact of Covid-19 on Housing Affordability

Housing affordability is the cost of owning a home at market price as a share of household income, so a higher number means housing is less affordable.

High demand and low supply are driving increases in local home prices. Added to the fall in mortgage rates, the increase in migration to Canada and the movement of people caused by work and study at home. The COVID-19 pandemic has had an impact on the unemployment rate, however, it is not influencing the price increase.



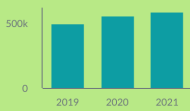
Increase in Immigration to Canada

Between 2015 and 2019, Canada welcomed more than 1.5 million new immigrants. Canada intends to welcome 400,000 new immigrants in 2021. Along with first-time homebuyers, newcomer demand for housing has an impact on the real estate market as the demand for houses places upward pressure on prices. Net demand for housing, considered alone, will always lead to increased prices

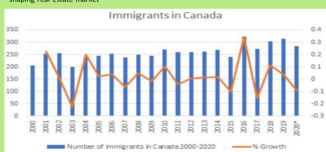
<https://www.thelawyersdaily.ca/articles/22902/how-immigration-is-shaping-real-estate-market>



An influx of immigrants to Canada every year leading to an increased population and increase in demand for houses

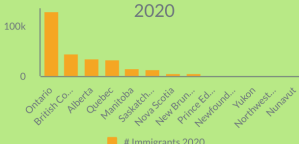


<https://www.statista.com/statistics/588458/house-sales-canada/>



<https://www.statista.com/statistics/443063/number-of-immigrants-in-canada/>

Number of Immigrants by Province 2020



<https://www.statista.com/statistics/443063/number-of-immigrants-in-canada/>

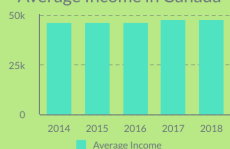
Unemployment Rate and Income

Unemployment Rate



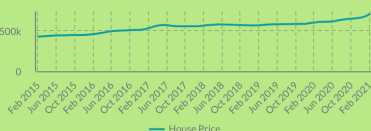
<https://www150.statcan.gc.ca/t1/tbl1/en/tvaction?pid=1110028703>

Average Income in Canada



<https://www150.statcan.gc.ca/t1/tbl1/en/tvaction?pid=1110023901>

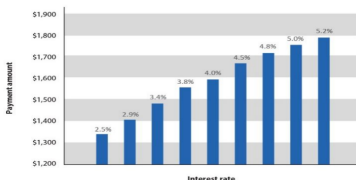
House Price in Canada



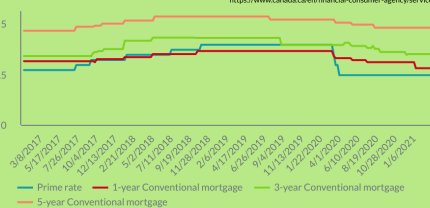
<https://www.crea.ca/housing-market-stats/national-price-map/>

Fall in mortgage interest rates

Harry is a professional who is looking to understand the impact of interest rates on mortgage affordability



<https://www.canada.ca/en/financial-consumer-agency/services/mortgages/interest-on-mortgages.html>



<https://www.ratehub.ca/mortgage-rate-history-canada>

The higher the interest rate, the higher the monthly repayment on a mortgage as seen in the graph, for \$300,000, you can pay as low as \$1350 and as much as \$1780 depending on your interest rate. This means the lower the interest rate the more affordable it is to purchase a house.

The low mortgage rates, pent-up demand and fewer listings amid the pandemic have lit a fire under the Canadian housing market. More than 550,000 homes, a record, traded hands in 2020, according to the Canadian Real Estate Association, with its Home Price Index rising at an annual rate of 13.5% in January.

<https://www.ctvnews.ca/business/canada-s-mortgage-rates-edging-higher-in-first-rise-since-before-covid-19-crisis-1.5330094>

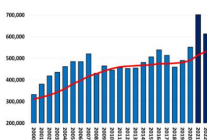
Conclusion

In conclusion, the COVID-19 pandemic did not devastate Canada's hottest housing markets as some forecasters predicted. In fact, in cities like Toronto and Vancouver, fierce competition for single-family homes meant consecutive months of record prices. The affordability of housing in Canada will continue to be a problem if policies or regulations are not put in place to regularize the market price of housing, the price increases every day and the demand is also very high from people entering Canada every year, by investors who take advantage of the housing market, by people who want to buy in urban areas, which makes it unaffordable for the average Canadian.

The impact of covid 19 has also brought an increase in the unemployment rate, a fall in the interest rate, the entry rate of people has slowed but all this does not seem to be affecting house prices. It seems that the options for people today is to migrate to the suburbs to obtain houses with more space and better prices, in this way to be able to work from home.

Sales Activity

Historical and Forecast



<https://www.crea.ca/housing-market-stats/quarterly-forecasts/>

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