

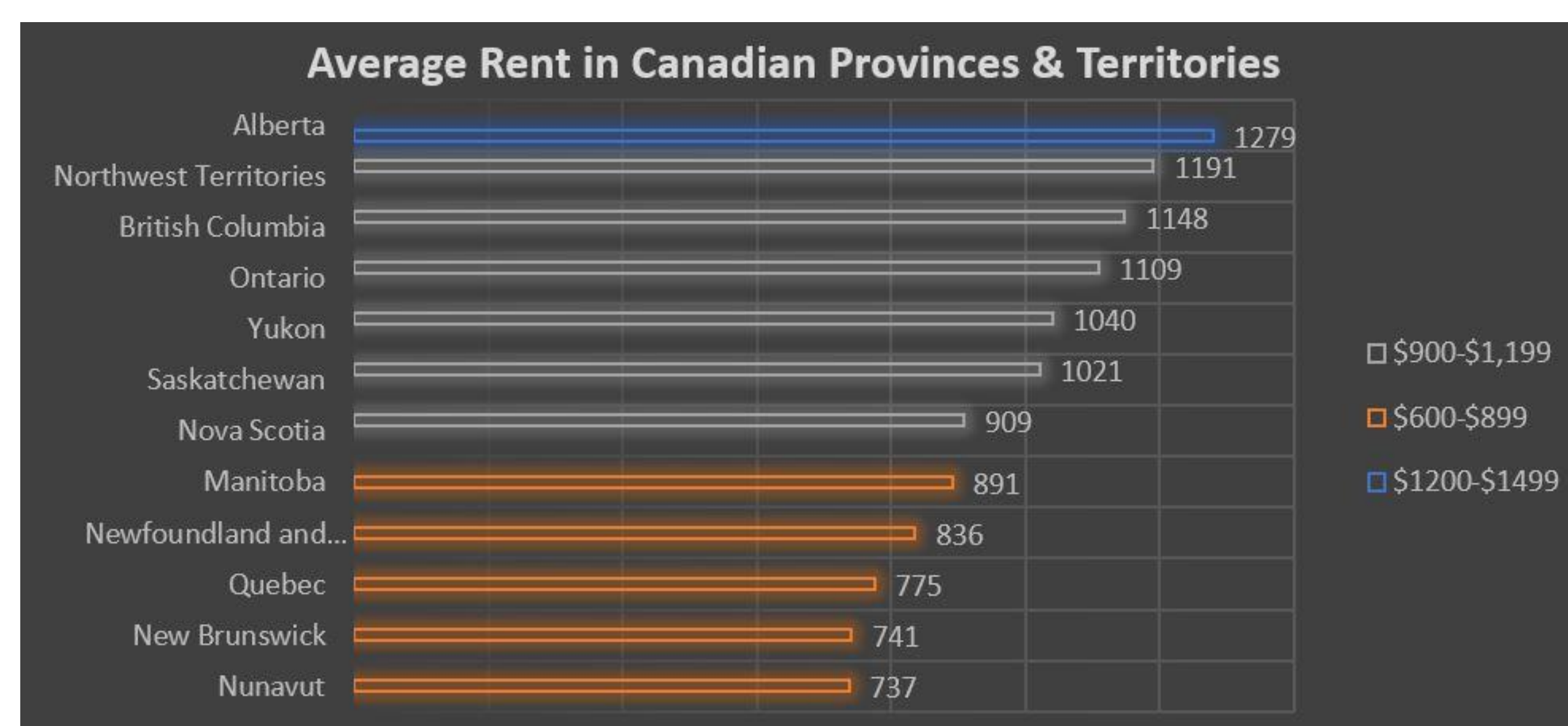
Housing affordability crisis in Canada, prior to and during the pandemic

Devanshi Chawla, Juhi Vaidya, Gurinder Dhanota

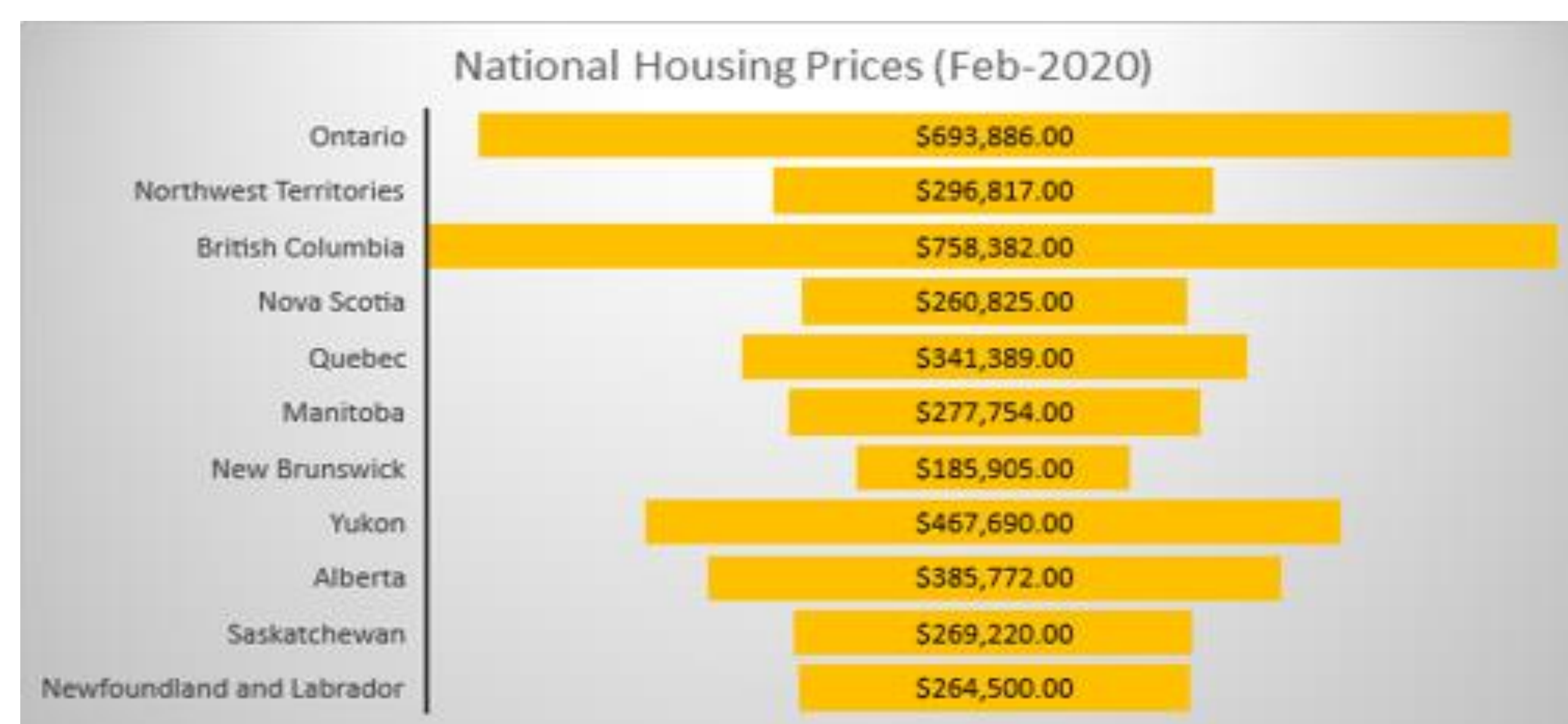
Introduction

The project will address the housing affordability crisis in Canada, prior to and during the pandemic. The housing affordability in several Canadian cities had become a serious concern prior to pandemic and the pandemic has dramatically modified the economic situation in Canada. Housing affordability is said to be impacted by several contributing factors including personal debt levels, personal income, foreign real estate speculation, homebuying mortgage regulations, short term rental income properties, and increased demand by immigration and other such factors. Existing housing policies and initiatives that address housing supply, diversity and affordability will be considered for alignment and integration during understanding and execution of the project. The purpose of this project is to conduct an analysis and build a model of the situation to identify any trends, stakeholders, contributing factors, and general insights indicated by the data to predict how that aspect of the housing market may evolve as Canada pushes for an economic recovery

Rental & Owned Housing Prices across Canadian Provinces



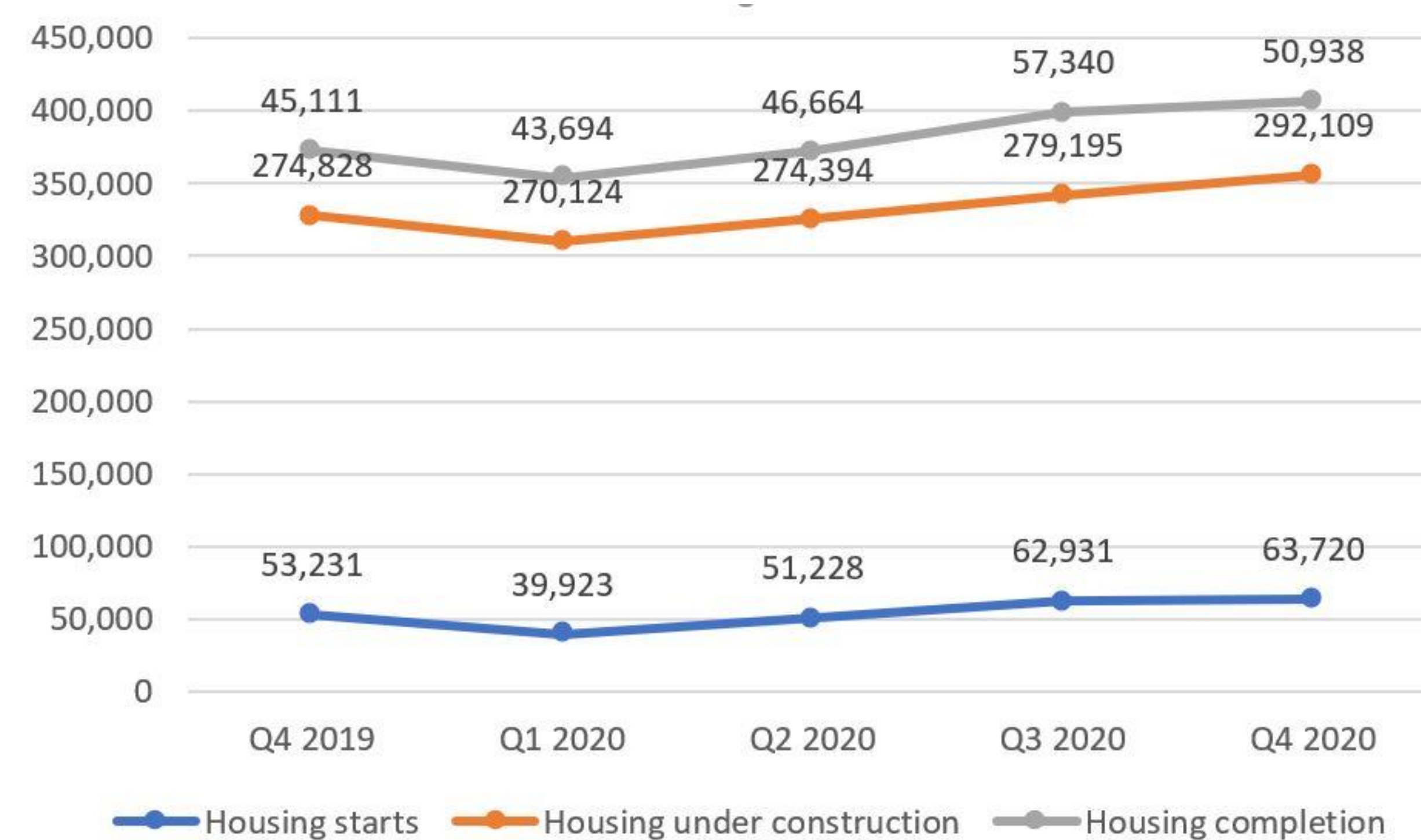
- Average rent prices across Canada as seen in 2021
- Average rent is encompassed within “3” rent ranges



- Highest housing prices observed (in 2020): British Columbia, Ontario, Yukon
- Lowest housing prices observed (in 2020): New Brunswick, Nova Scotia, Newfoundland and Labrador

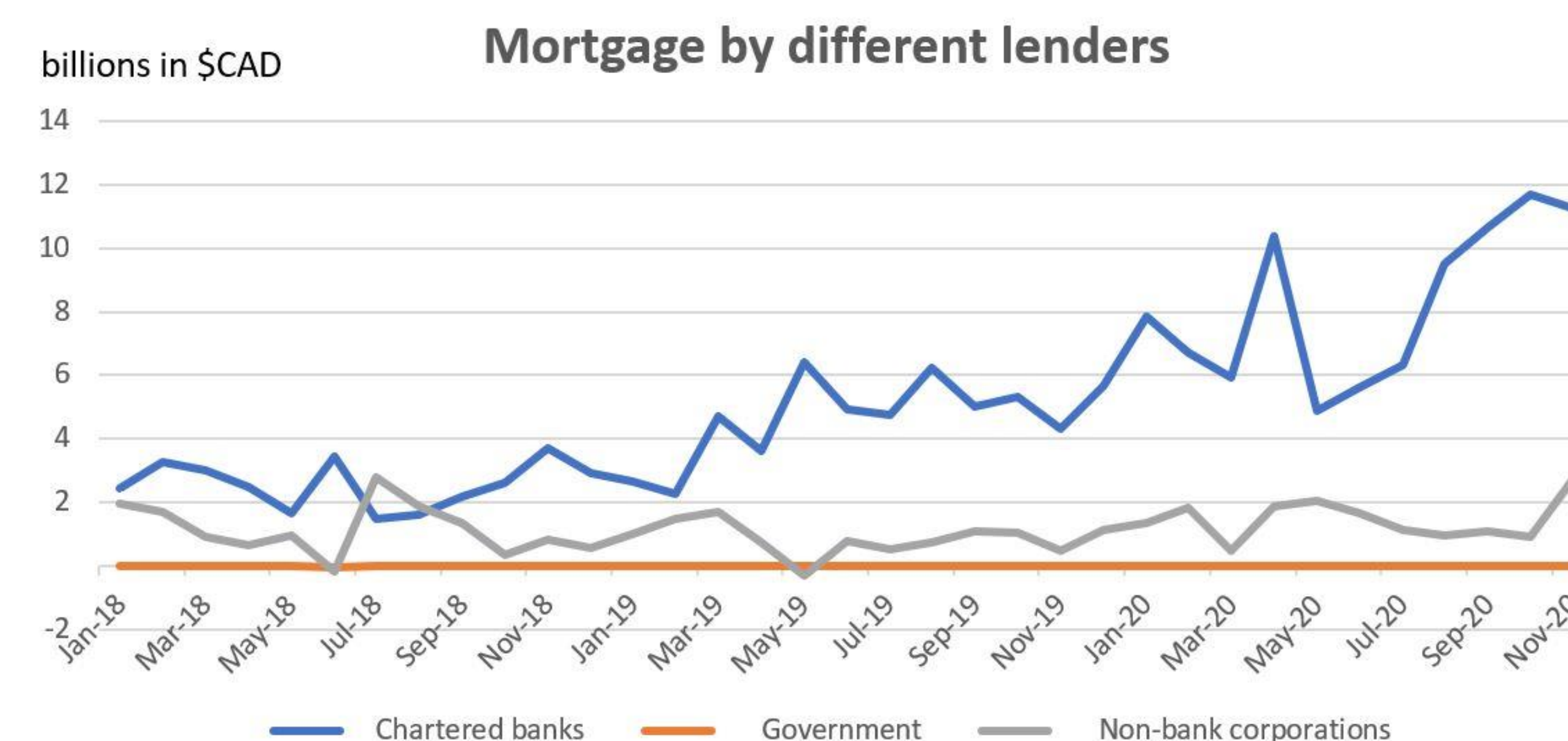


- Highest housing prices observed (in 2021): Ontario, British Columbia, Yukon
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- Housing that has begun, is under construction, and has been completed show a similar pattern with a downfall only in Q1 2020. Since then, it has seen a steep rise from Q2-Q4 2020.

Trends of mortgage systems of Canada



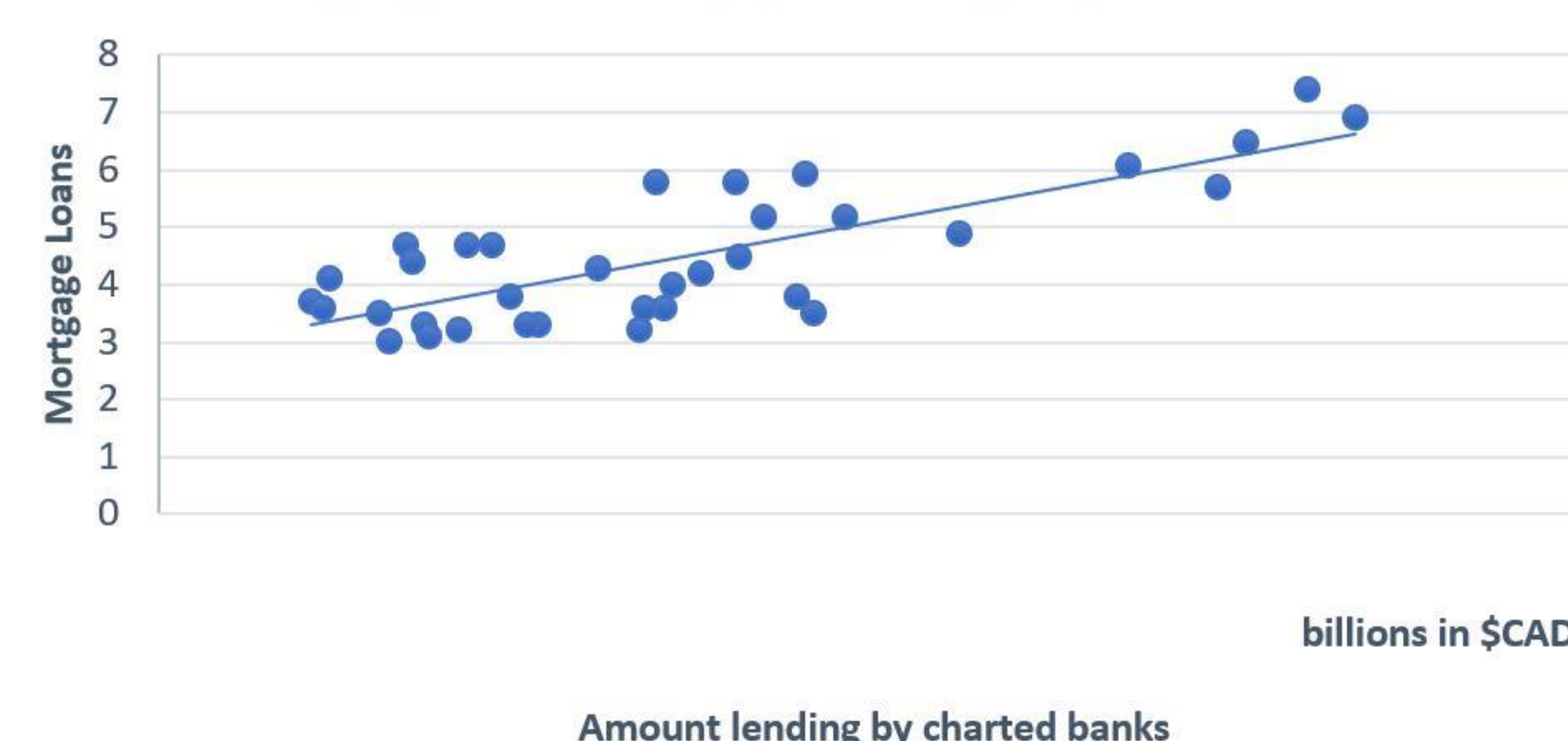
- Surge in the amount lending by chartered bank as the business opened in April.
- The non-bank housing mortgage slowed down during the start of pandemic.
- As the mortgage rate hits historical low, created a great opportunity to buy new house.

Household Mortgage Loans Vs Non Mortgage Loans



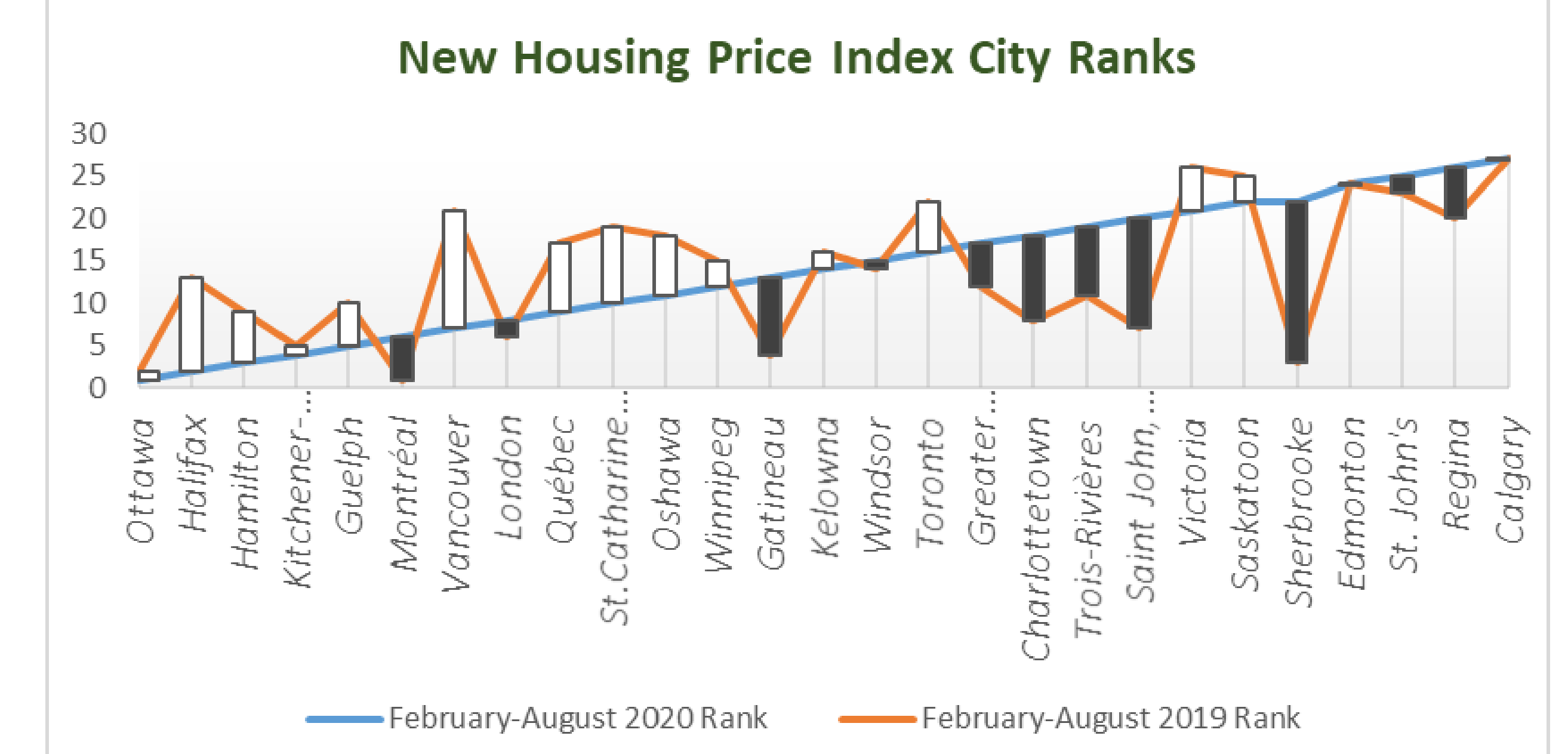
- The growth of household mortgage loans was decreased to a low of 3% in Feb 2019.
- As the mortgage rates hits historically low during pandemic, the growth in households mortgage hits 7.5% in November 2020.
- Due to the implementation of various social distance measures the non-mortgage loans or the household consumption funds dropped by a huge amount.

Chartered banks and percent growth of mortgage Loans appear highly correlated.

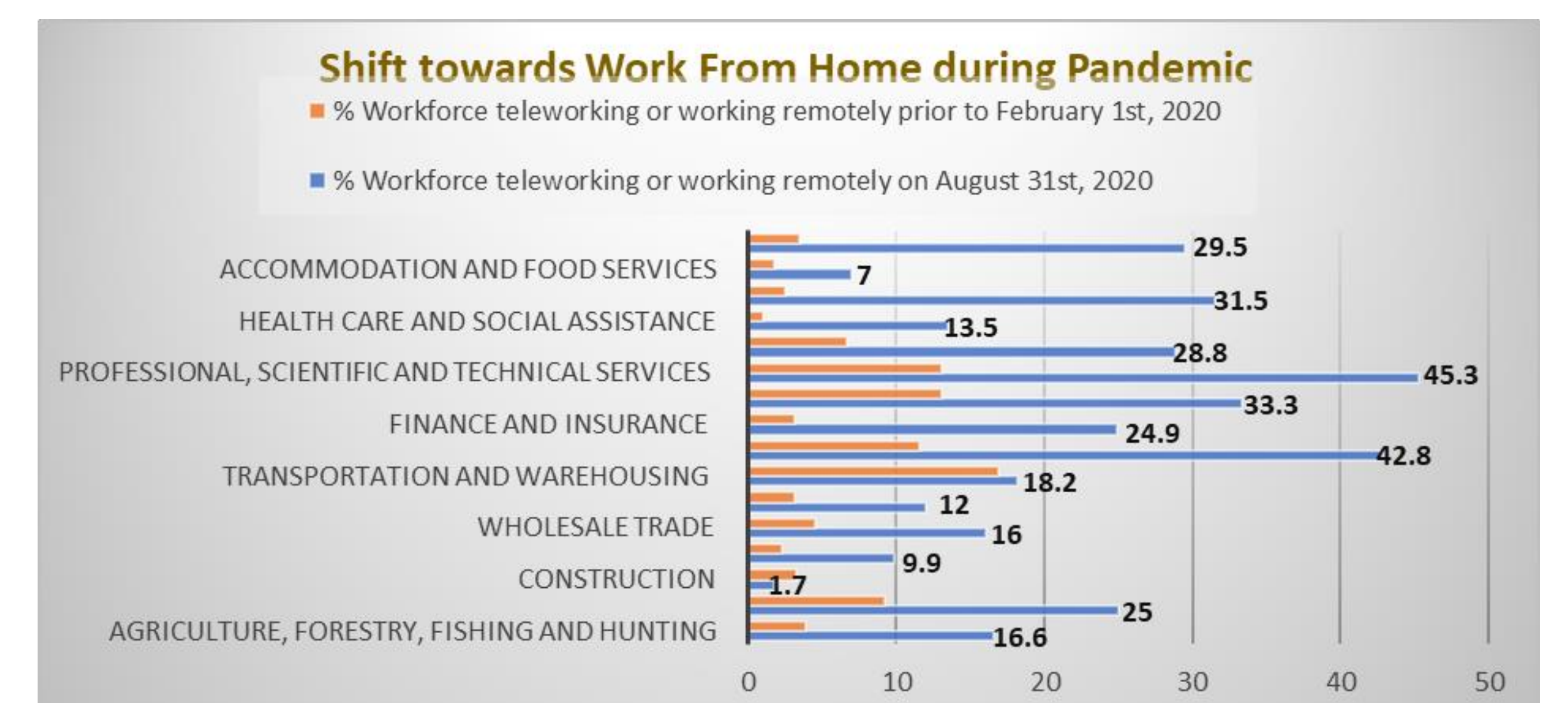


- Throughout 2020 the mortgage loans lending remains strong by the bulk contribution of funds from chartered banks.
- Despite the slowdown occurred by COVID-19, overall growth in the resales were 12.6% higher than the last year.

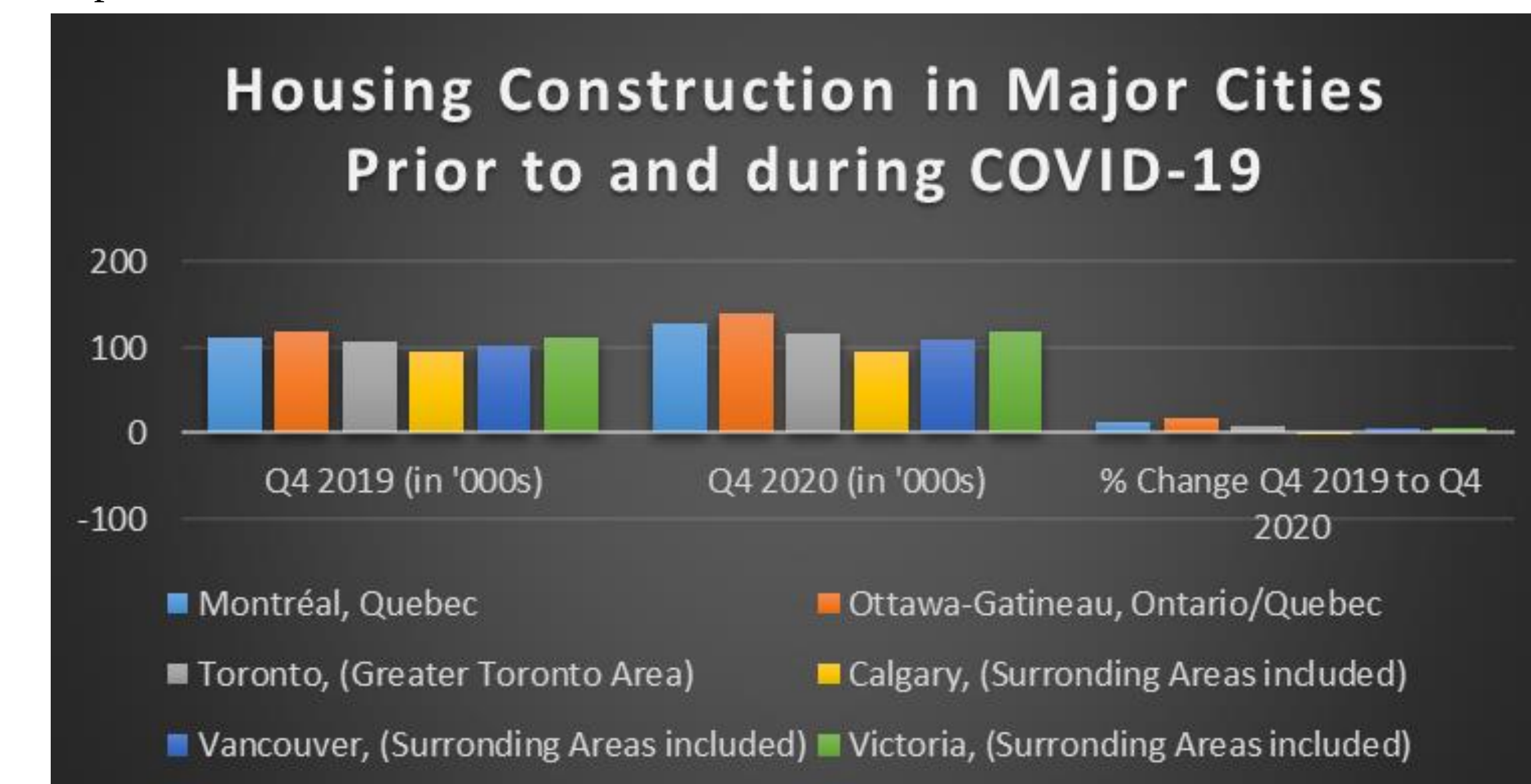
People preferences impact on Housing Market



- Ottawa - city with highest change in the housing price index during Pandemic and hence ranked first followed by Halifax, Hamilton, Kitchener-Cambridge-Waterloo region, and Guelph however prior to pandemic cities like Montreal, Ottawa and Sherbrooke were amongst the top 3.



- With the Pandemic and stay at home orders “Work from Home” has become the new norm across a varied industry. The above graph shows how almost 50% of the workforce is working remotely in some of the occupations like Professional and scientific Careers and it is a major shift from the pre-pandemic levels



- The new constructions in major Canadian Cities is on rise and has been a similar story even during the Pandemic which indicates that there is a high demand and hence the supply being created

Conclusion

- As the mortgage rates hits historical low are attracting more buyers to enter the home ownership and hence rise in house prices. Due to the implementation of various social distance measures the non-mortgage loans or the household consumption funds dropped by a huge amount
- This shift in the working culture led to people creating home offices and requiring more space to be able to work from home and hence opting for bigger houses away from the core cities like Toronto but at the same time somewhat accessible to them.
- The long-term stability of the housing market in the near future is of concern. The impact of the pandemic has been drastic on the economy with new factors weighing in, on top of previous indicators that aid their crisis. Even with high disposable income, buying a home with prices soaring in Canada does not seem sound to many. Due to the uncertainty of a second wave, the risk remains. But, as the economy recover, there is a good chance of restoring the value of HMA.

References

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