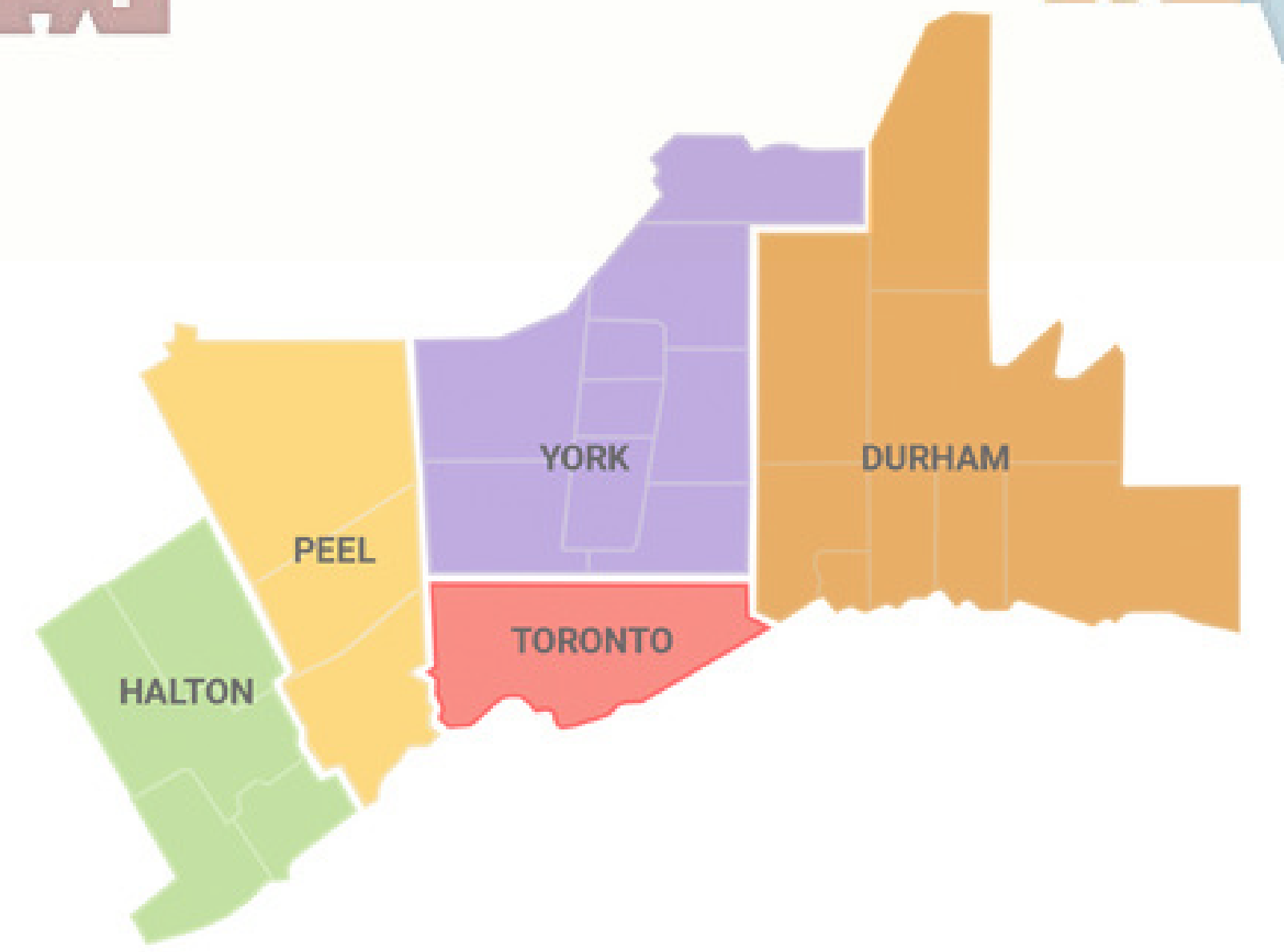


HOUSING AFFORDABILITY AMIDST COVID-19

TORONTO & GTA IN CONTRAST



PREVIEW

Canadians with housing need:

3.2 MILLION



That's 1 in 9 Canadians



Compared to Income Growth

Housing Prices grow **4x**
Rental Prices grow **2x**

87%

LOW-INCOME HOUSEHOLDS IN PRIVATE RENTAL MARKET IN TORONTO WITH INCOMES <\$30,000 SPEND MORE THAN 30% OF THEIR INCOMES ON SHELTER.



THE FEDERAL GOVERNMENT CANCELLED ALL FUNDING FOR SOCIAL HOUSING IN 1995.



IN 1995 IN ONTARIO, THE PROGRESSIVE CONSERVATIVE GOVERNMENT CANCELLED 300 PROJECTS COMPRISING 17,000 UNITS OF CO-OP AND NON-PROFIT HOUSING.

OWNERSHIP ANALYSIS

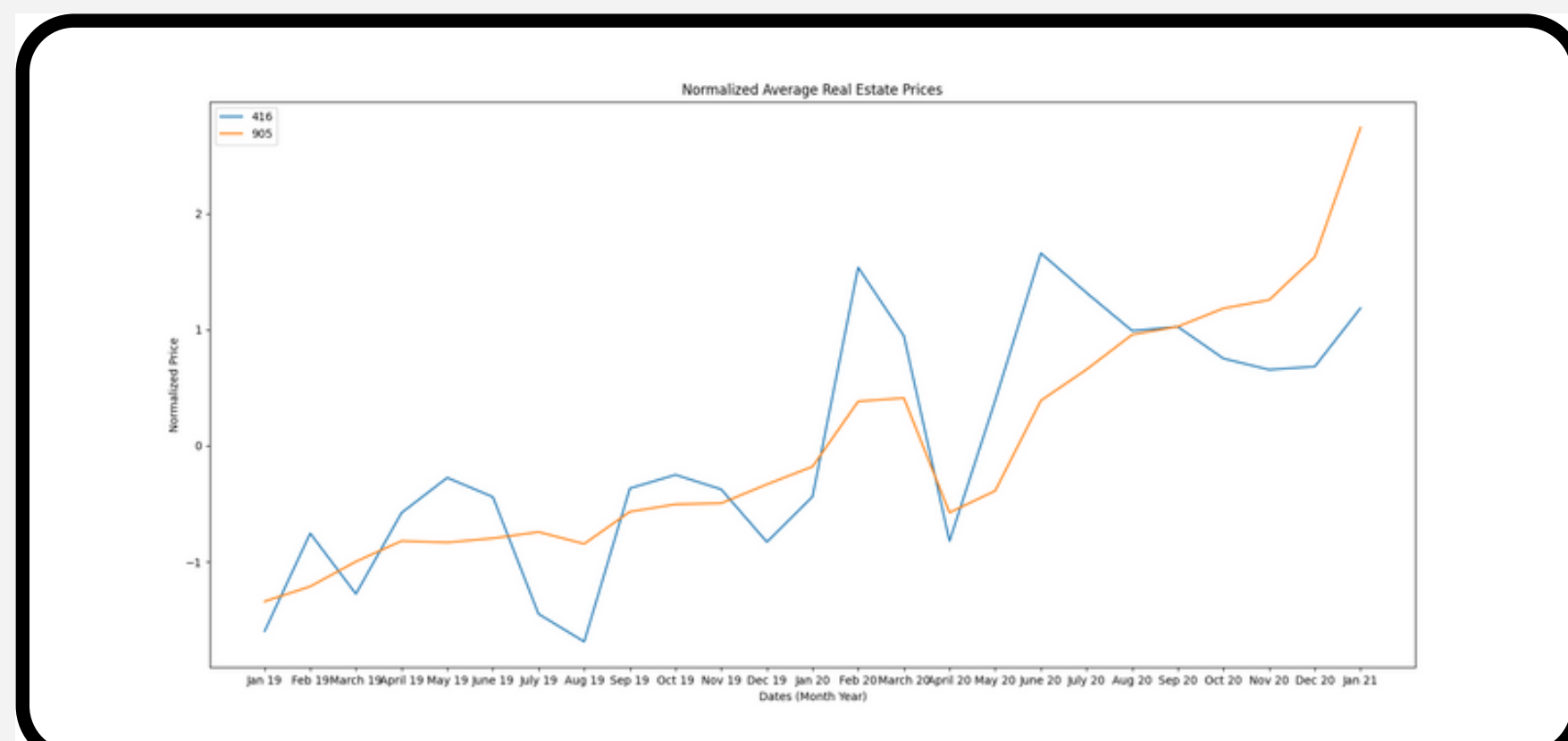
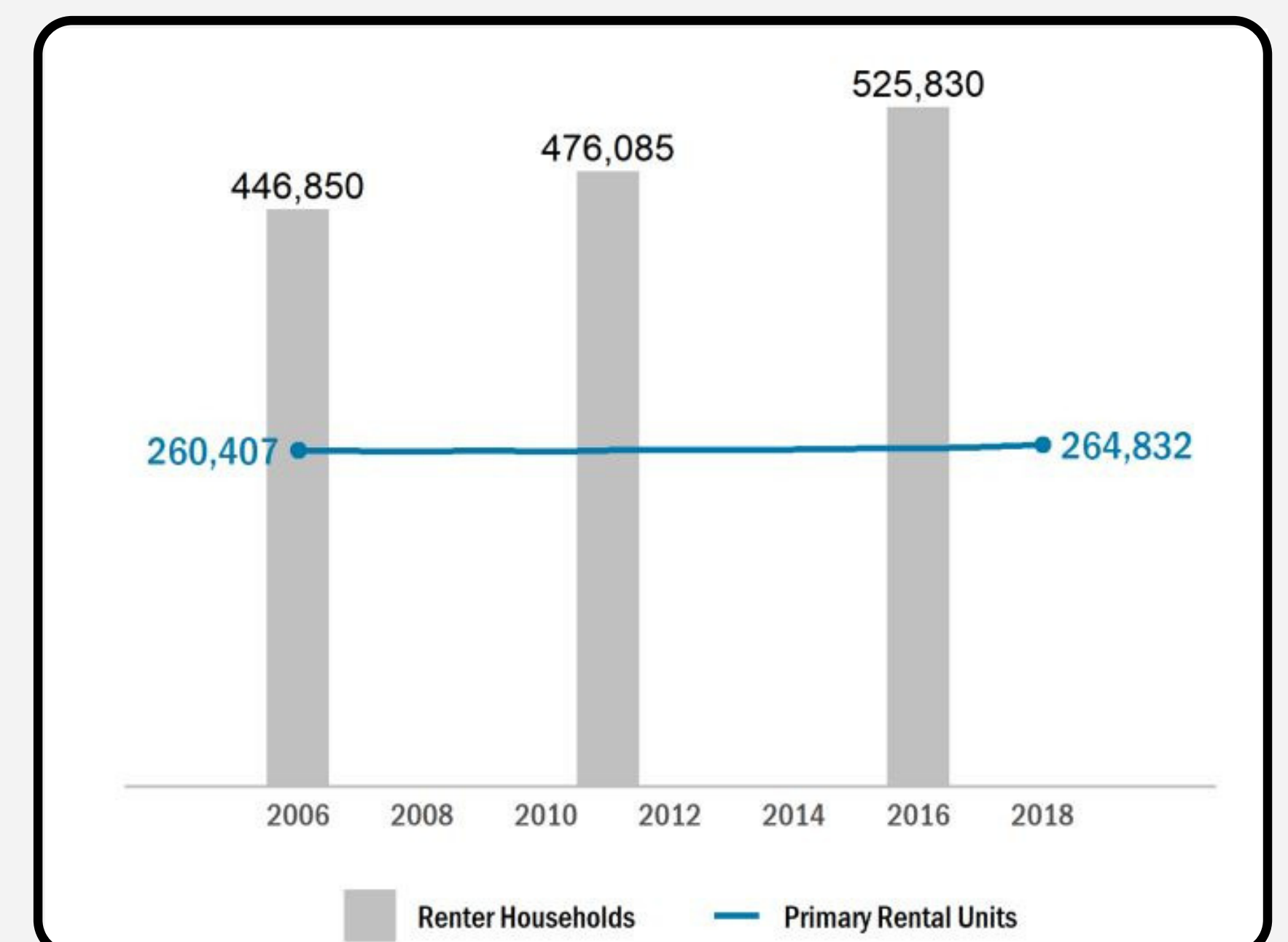


Fig: Normalized Average Real Estate Prices in GTA(905) and Toronto (416) Analysis

- At the beginning of the covid-19 pandemic, there was a significant price drop of real estate for both 416 and 905.
- The time period during the pandemic where real estate prices for 905 increased while 416 decreased implies a possible migration from Toronto to the GTA which is supported by Fig 1 where houses in GTA were sold for way more than the asking price. People now prefer detached homes more than a condo due to social distancing protocols.
- The increasing demand for detached houses in the GTA is facilitated by virtual jobs as well as financial aid provided by the government as presented in Fig 2.
- The increase in the prices of real estate in the 3rd and 4th quarter of 2020 reflects the bounce back from the pandemic which can be credited to low mortgage rates, household savings, and strong demand.

RENT ANALYSIS



In Toronto, the vast majority of new rental supply is being delivered through the condominium rental market that is a much more expensive and potentially less secure form of rental accommodation.

KEY FINDINGS

POPULATION GROWTH

One of the major factors affecting housing affordability in Toronto is population growth which is expected to grow 23.8% by 2031 whereas it is at an average of 27.8% across the rest of GTA. The below graph projects the expected population growth in Toronto and GTA.

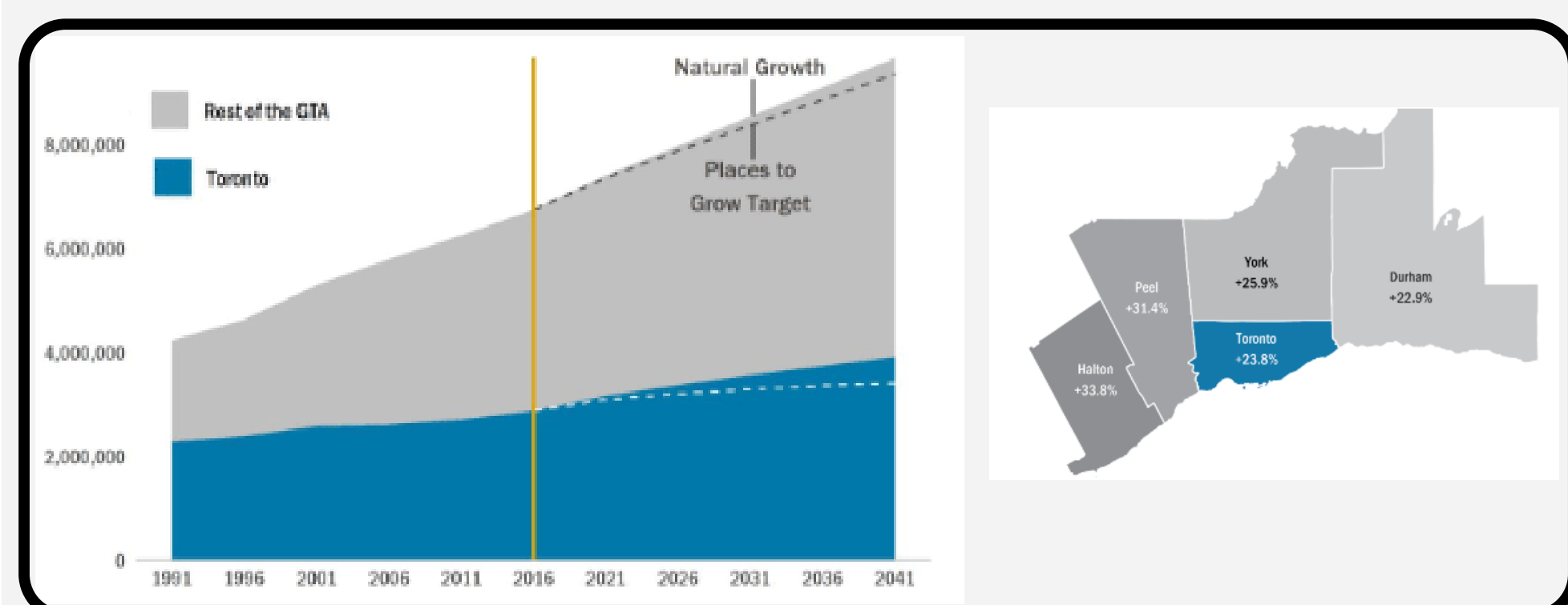


Fig: Projected Population Growth in Toronto and GTA

VACANCY RATE

The vacancy rates have a direct link to rising prices for homes in Toronto. The below graph represents a significant drop in vacancy rates in the city, indicating an unhealthy rental market.

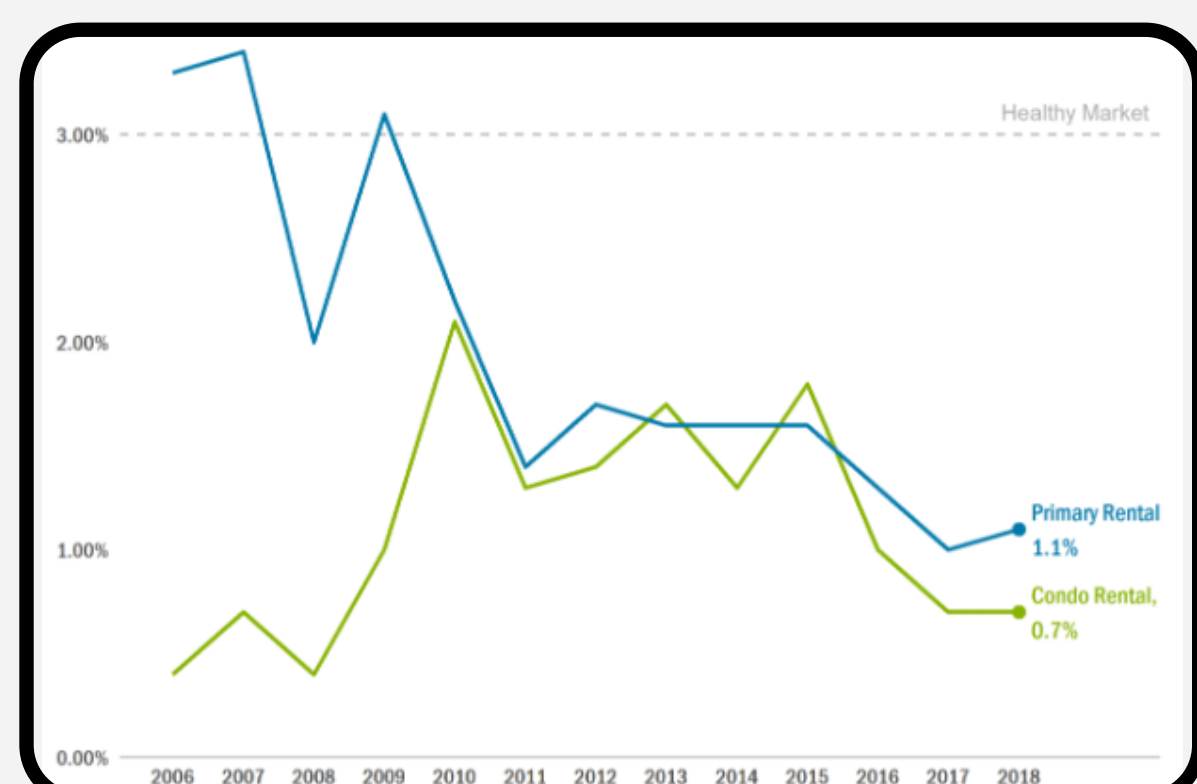


Fig: Average Rental Vacancy Rates in Toronto

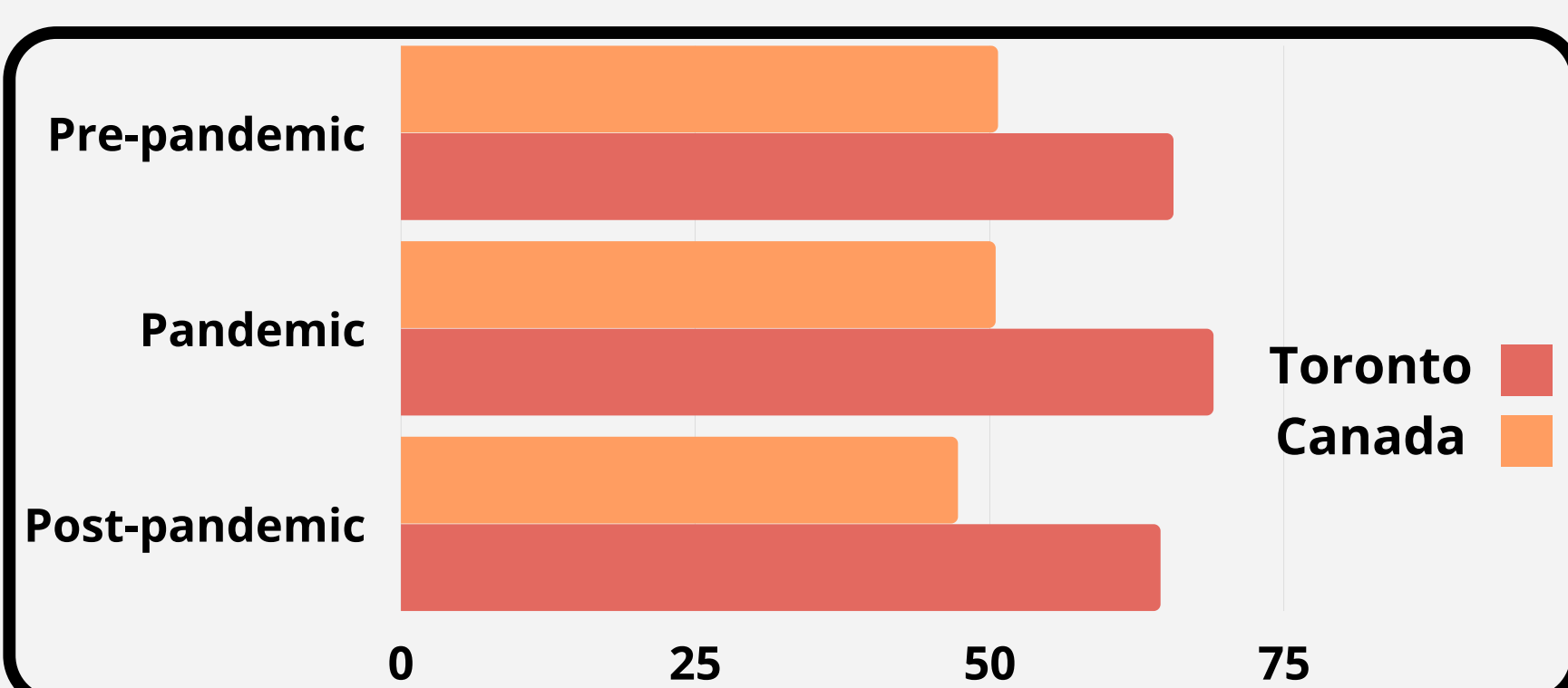
MORE THAN **110,000** PEOPLE ON THE WAIT-LIST FOR HOUSING IN TORONTO

48,000

New rental households formed from 2011 to 2016 were accommodated in the secondary market

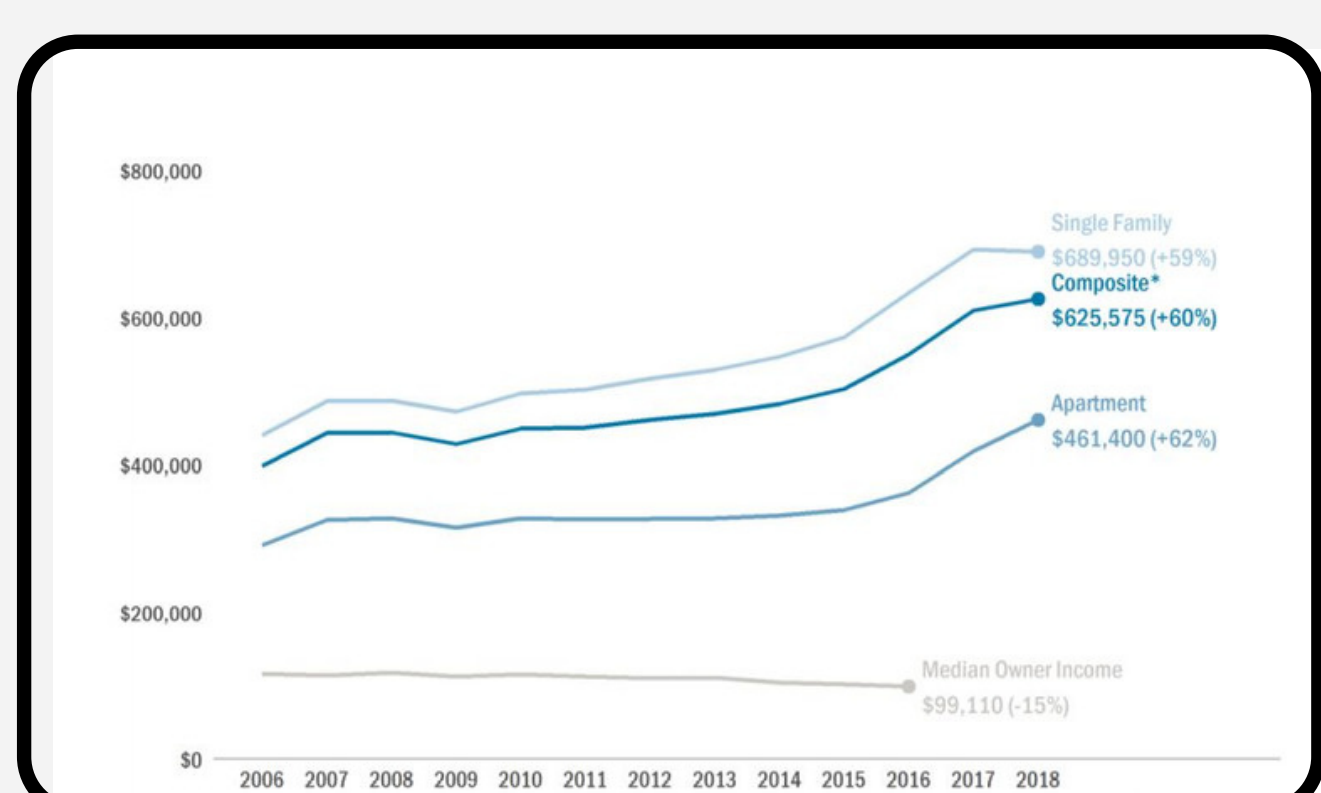
THE AFFORDABILITY GAP

There is nothing called 'affordable housing' in Toronto. An affordable house could mean anything under 1 million dollars in the city. The graph below represents the share of income a household would need to cover ownership costs (in%)



THE INCOME - OWNERSHIP COST DISPARITY

From 2006-2016 median owner household income declined by 15% while average home-ownership costs grew 60% in constant dollars.



In the southwest of Hamilton's lower city, 63 buyers looked at a house listed for \$699,900, with 13 putting in offers. It sold for \$885,000, more than 25 per cent over the \$699,900 list price, Zurini said.

A house in Rosedale, in Hamilton's east end, had 172 showings and got 15 offers in August, eventually selling for \$400,000, or more than 30 per cent over the list price, according to Zurini.

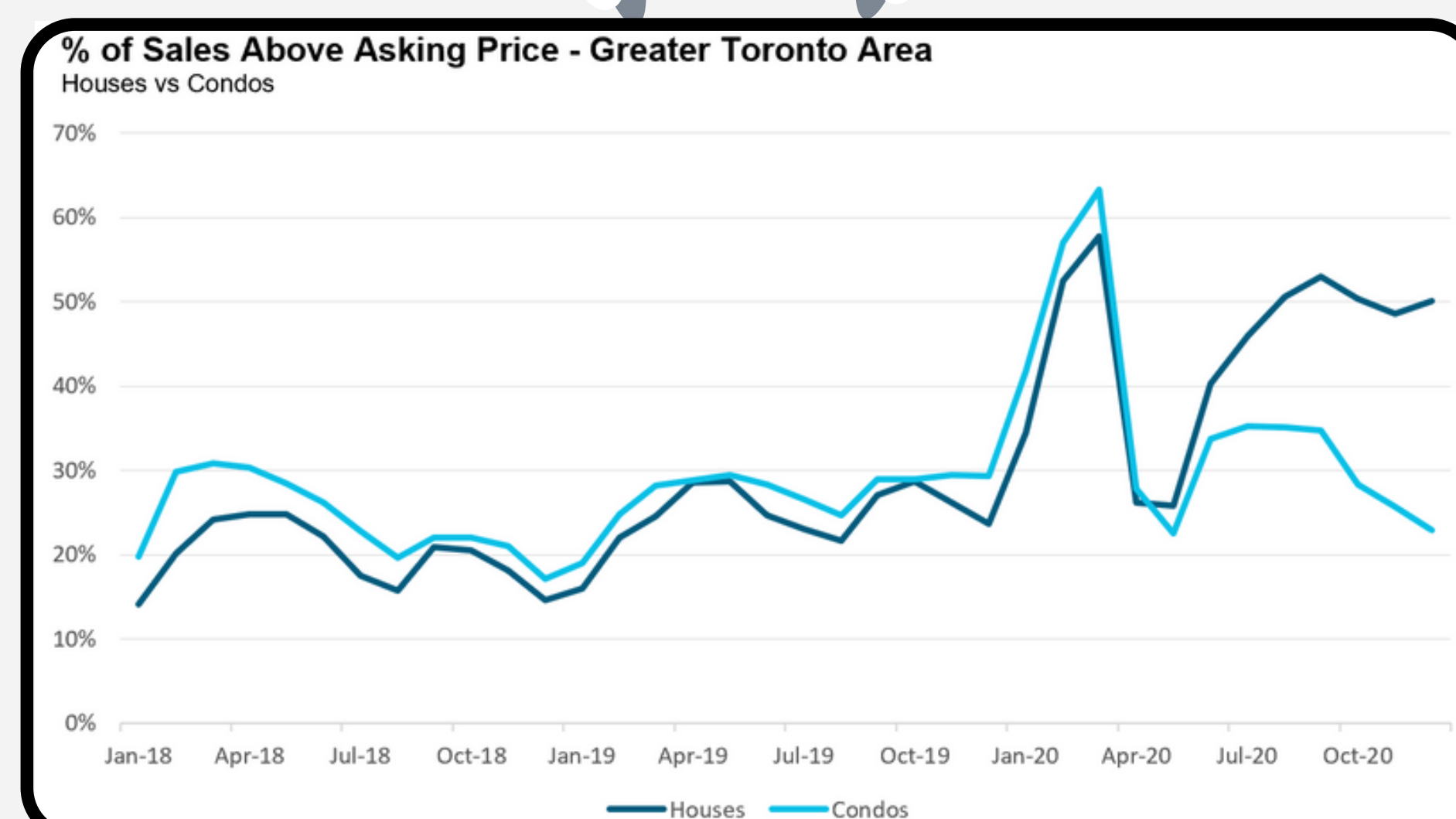


Fig 1: % of Sales Above Asking Price- GTA

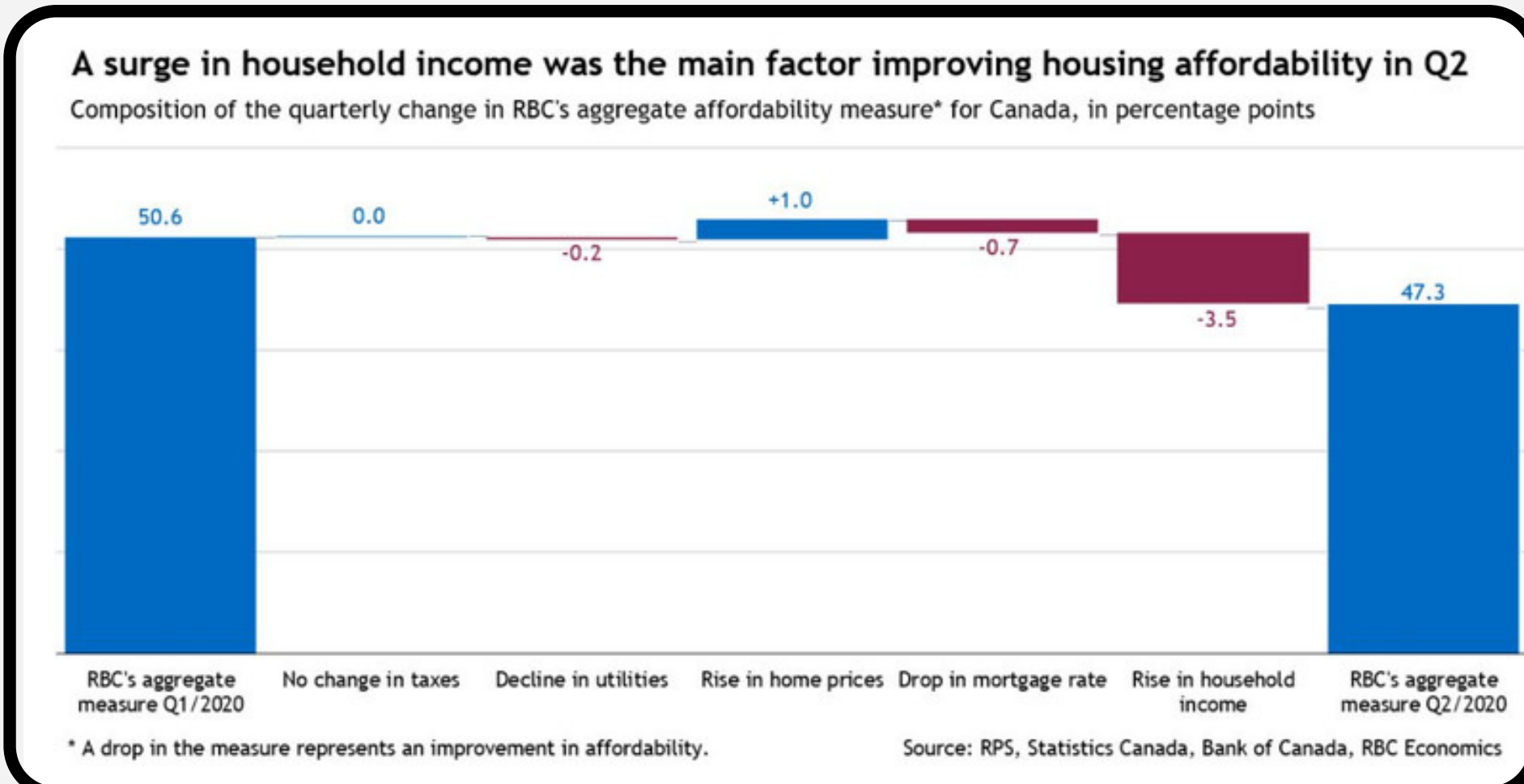


Fig 2 : Surge in household income in q2.2020

THE WORKPLACE SHIFT

COVID-19 has brought significant changes in the preferences of people in regards to the work commute.

The new norm of working from home has encouraged people to dwell in places away from the city of Toronto leading to an increased preference towards suburbs and neighboring areas. The graph below represents the workplace location pre and post-pandemic.

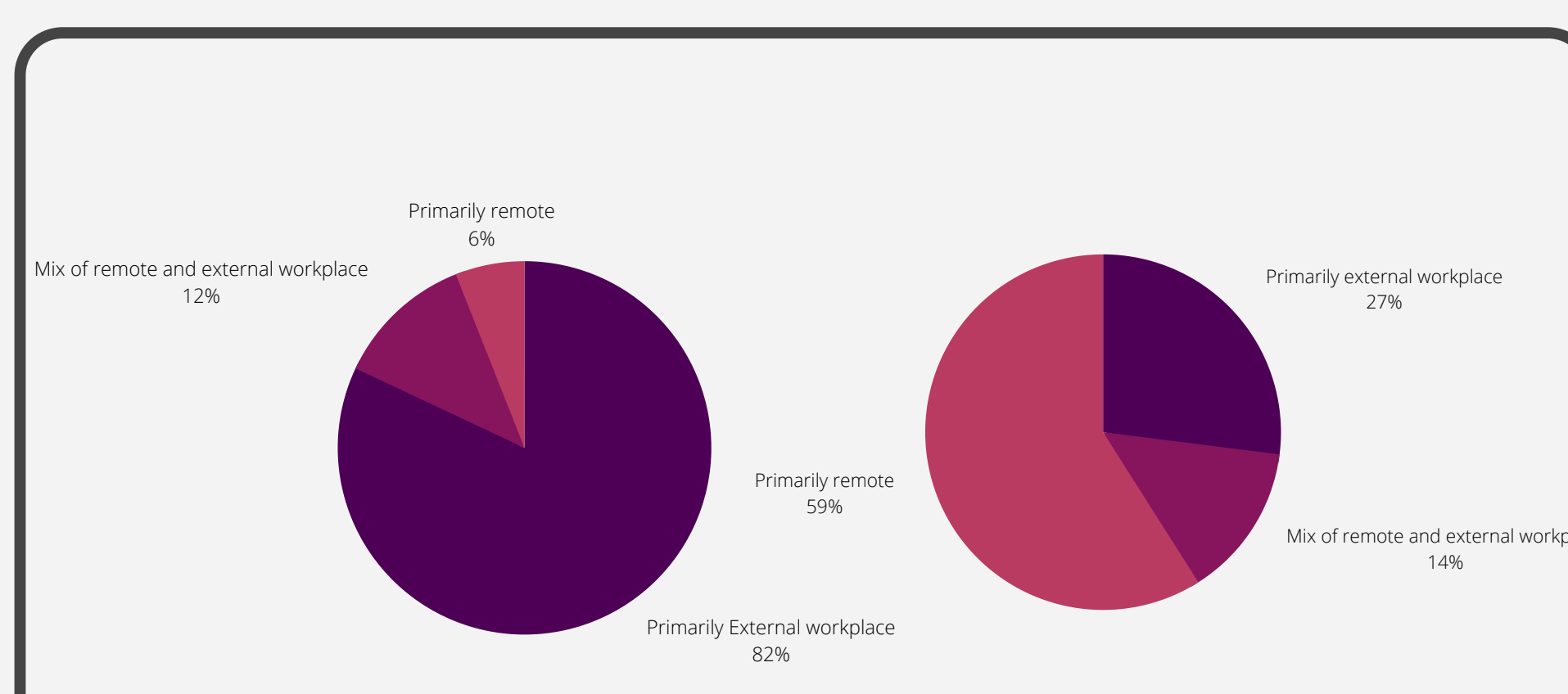


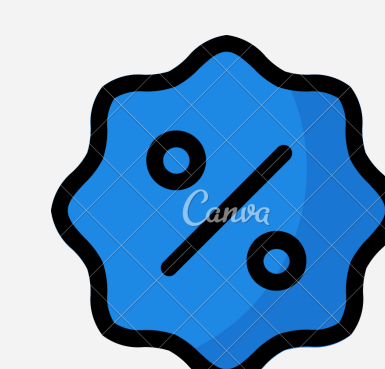
Fig: Workplace location pre and post pandemic

"41%

of employees are likely to work remotely at least some of the time post-pandemic," said Brian Kropp, Chief of Research for the Gartner HR practice.

FUTURE TRENDS

PROJECTED SALES WILL HIT AN EVEN-HIGHER LEVEL IN 2021 DUE TO:



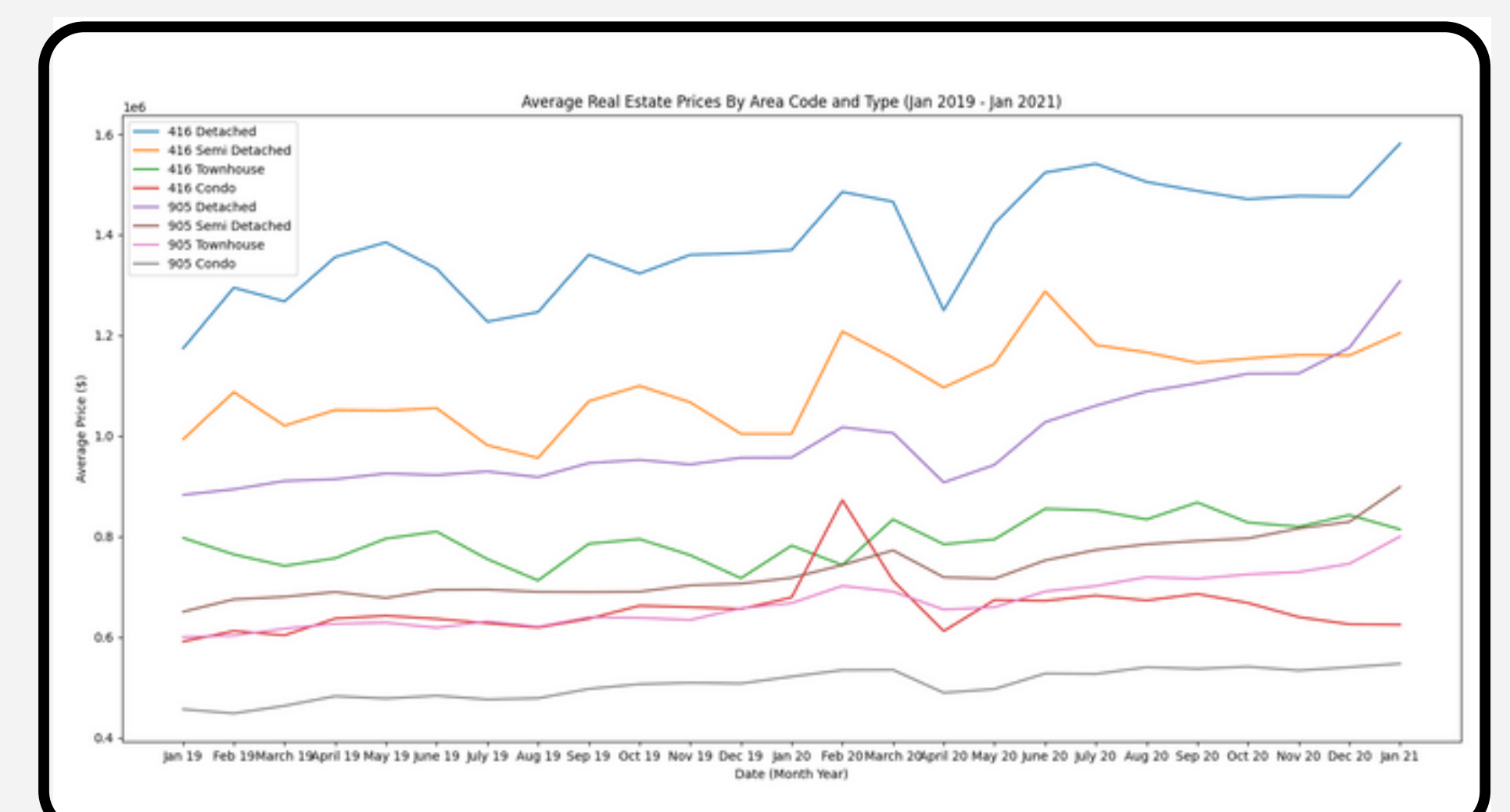
Low-interest rates



Household savings



Space-seeking buyers



There would be a squarely upward trend for low-rise categories and flat for condos in Toronto with the supply of condos ballooning resulting in a downturn in the rental business. Even though both GTA and Toronto would bounce back, it appears that 905 will grow faster than 416 going forward.

A HOT START THAT GIVES WAY TO A COOLER CLOSE

House price inflation will increase past in the first quarter of 2021 compared to a year earlier, however, home-price growth will slow down to five percent by the end of 2021, and to two percent by the end of 2022 as suggested by capital projects.

Created By:
Mustafa Husain, Avi Khurana,
James Rao & Mohammed
Sinaj Kalathil

Bibliography:

