



BACKGROUND

The COVID-19 Pandemic has had a dramatic impact on Canada and the world. Canada entered various forms of restrictions and lockdowns in March 2020. The different responses have had a significant, yet fascinating, economic impact on the Ontario housing market. In this analysis, we explore an aspect of the housing affordability crisis in Canada prior to the pandemic, and during the pandemic. We will also predict how that aspect of the housing market may evolve as Canada pushes for an economic recovery.



INTRODUCTION

Over
100,000

Ontario households facing eviction Dec '20

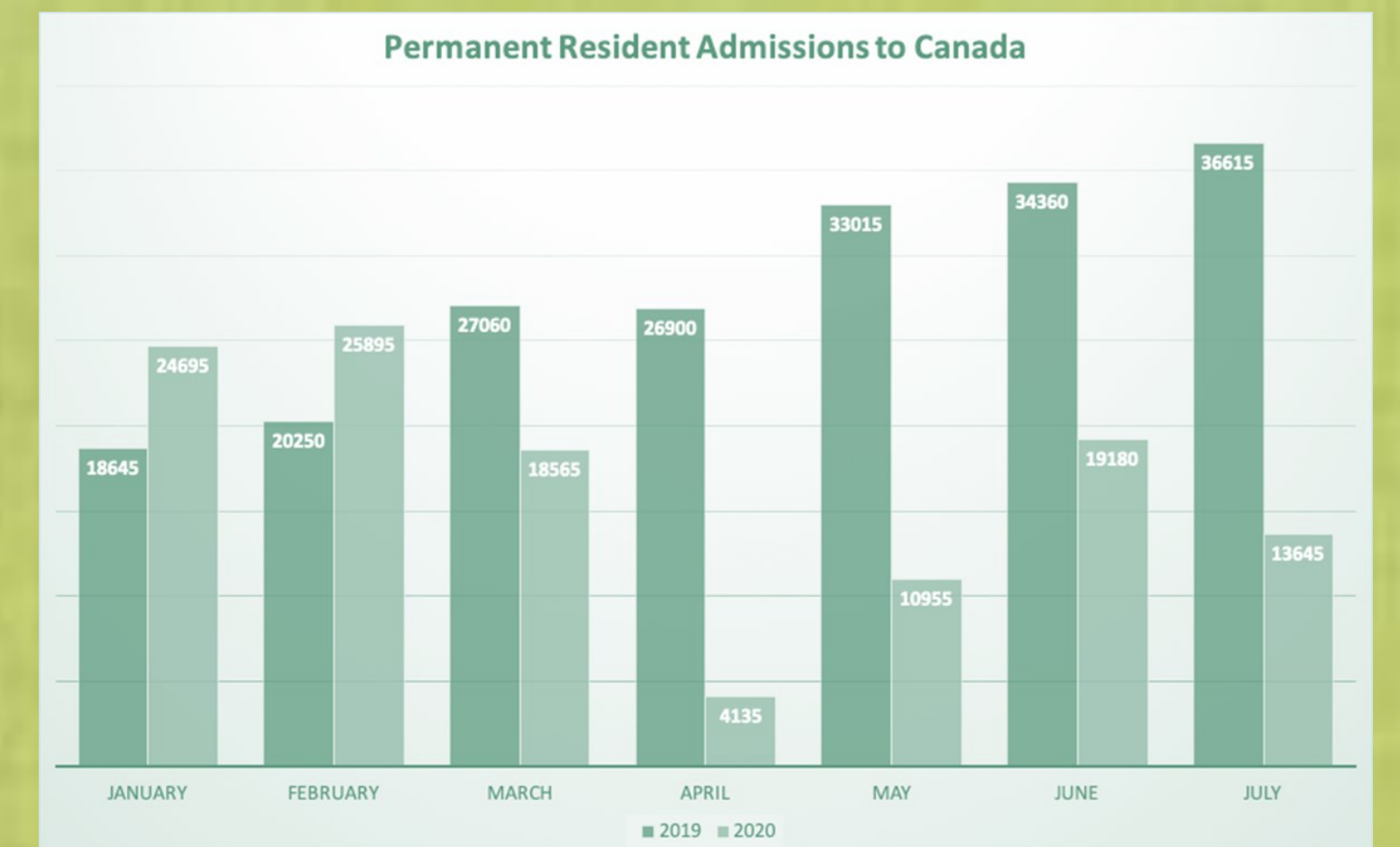
7%

Ontario renters unable to pay rent in full after losing income due to the pandemic

February 2021 National home sales set another all-time record!

How can this be? We're in the middle of a pandemic. In December 2020, over 100,000 Ontario households were facing eviction; 7% of Ontario renters were unable to pay their rent in full after losing their income from the pandemic. So, what is causing this surge? Traditionally, we would assume "immigration" - not enough homes for the influx of people into CMA's. However, "Permanent Resident Admissions to Canada" dropped significantly from 2019-2020. (see chart right).

Our analysis concludes that, low interest rates (particularly variable rates), fewer houses for sale (supply & demand), working from home, and a shift in family spending (towards housing) are all contributing factors. What is particularly interesting is WHERE this spending is taking place. This past year the issue wasn't immigration, it was "MIGRATION".



Immigration drops starting march 2020

ANALYSIS

10% FTHBI

Government of Canada offers: up to 10% for first-time home buyers

0.99% interest

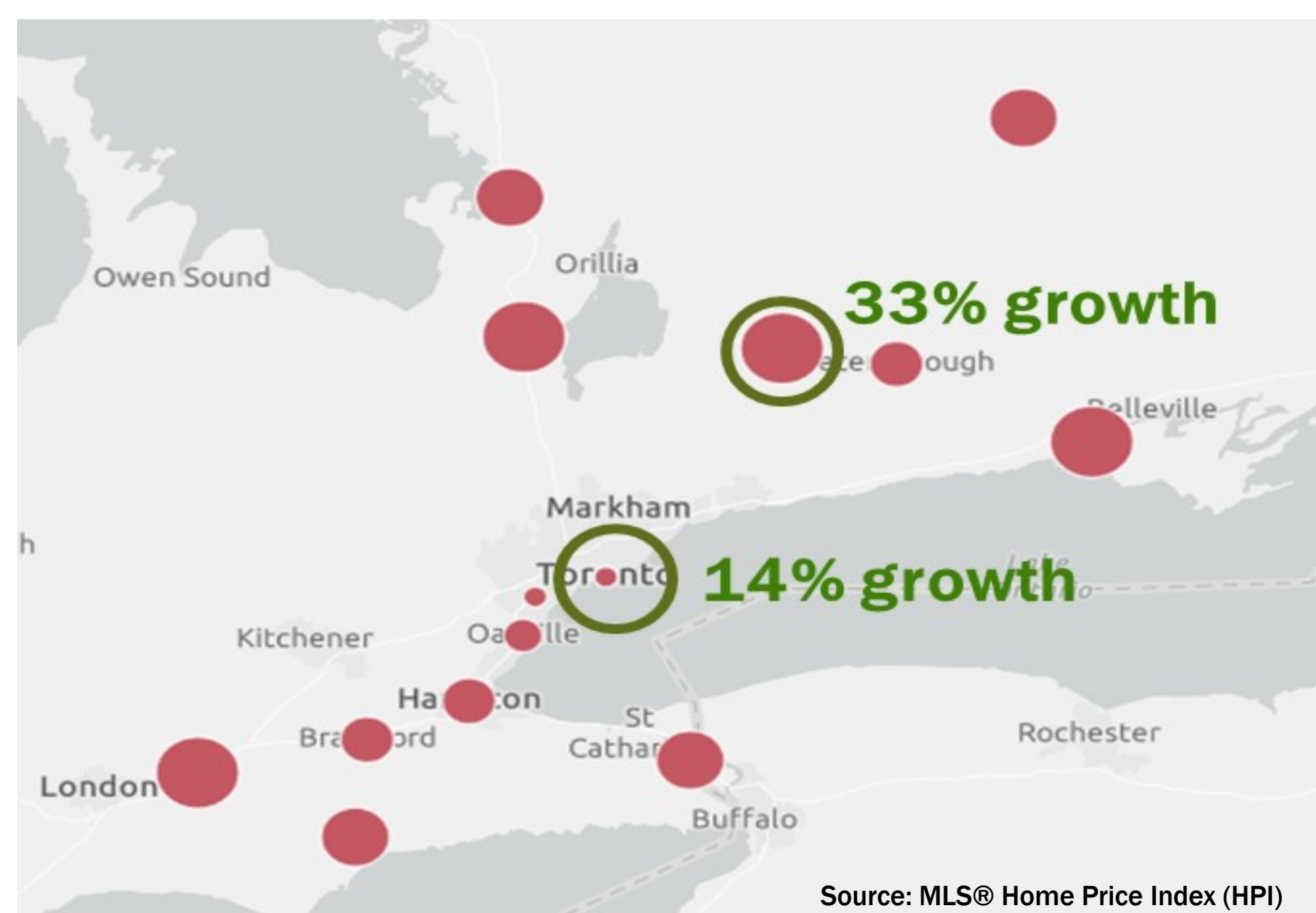
5yr Variable Mtg Rate Jan 2021.—down from 2.70% in Feb 2020

24 days

Average Days on Market Down from 50 days same time last year

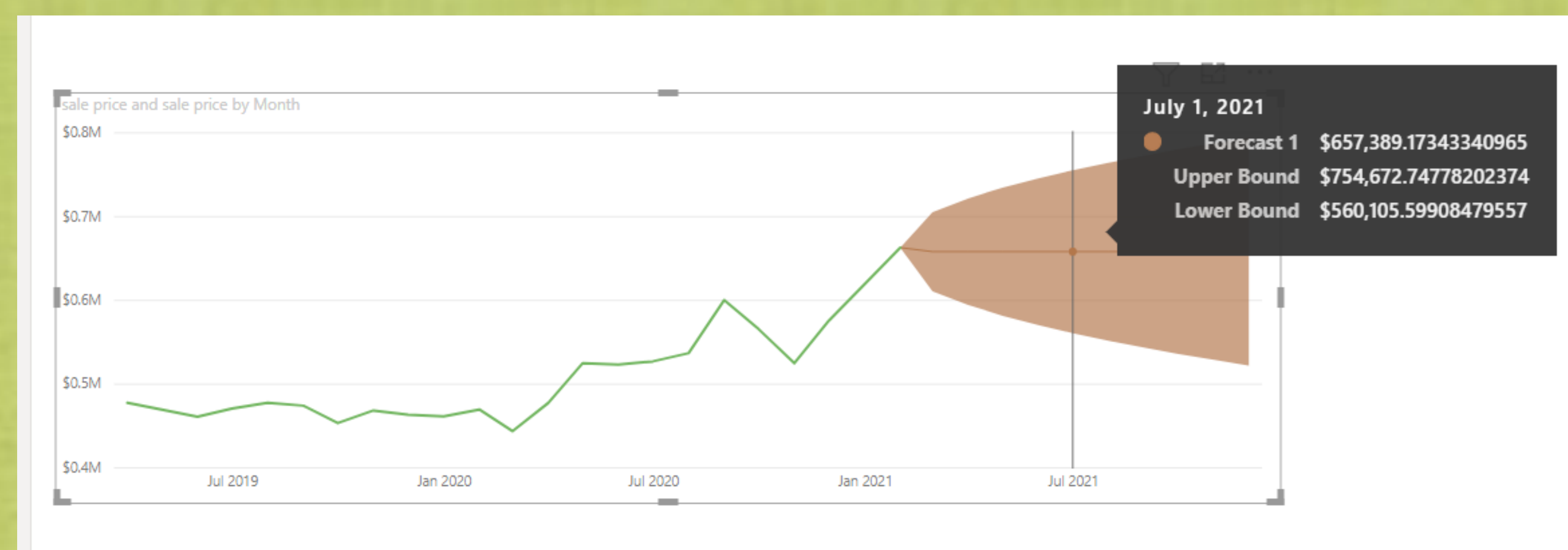
51%

Immigrants stay in the CMA compared to 72% in 2004



Cities outside Greater Toronto see biggest increase in sales as white collar workers start working from home. This migration trend causes a surge in demand thus driving prices higher.

HOUSE PRICES SPIKE IN 2021

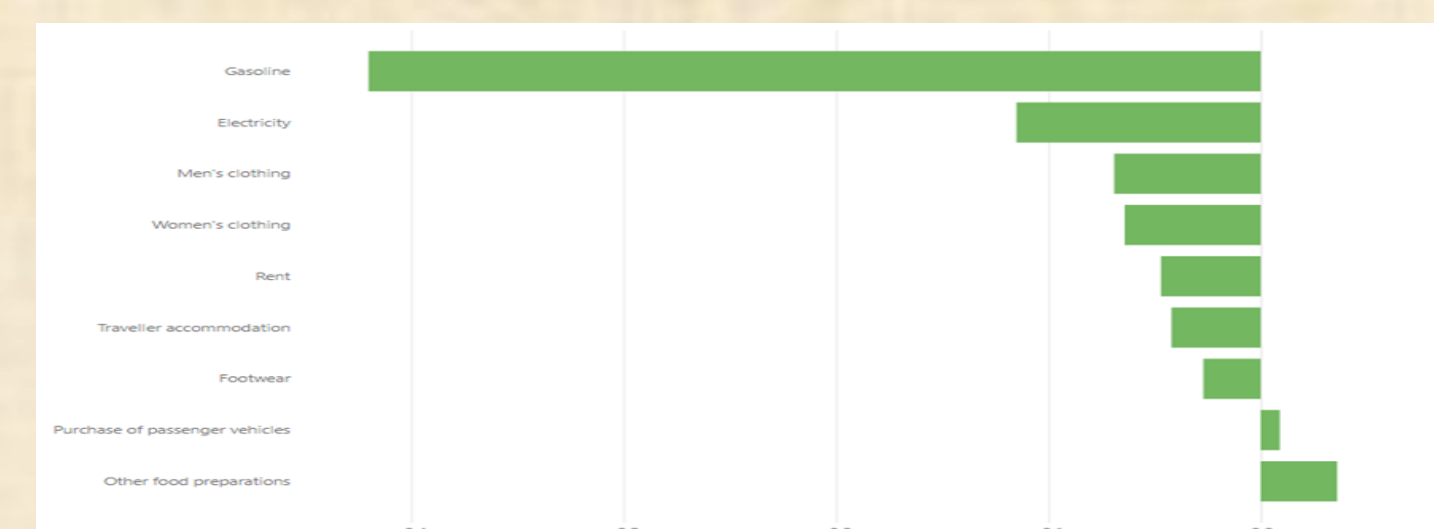


Peterborough-Kawartha Average House prices April 2019 to Feb 2021 (a jump of ~ \$200,000 in under 2 years)
Forecast is between \$560,000 to \$750,000 (90% confidence).

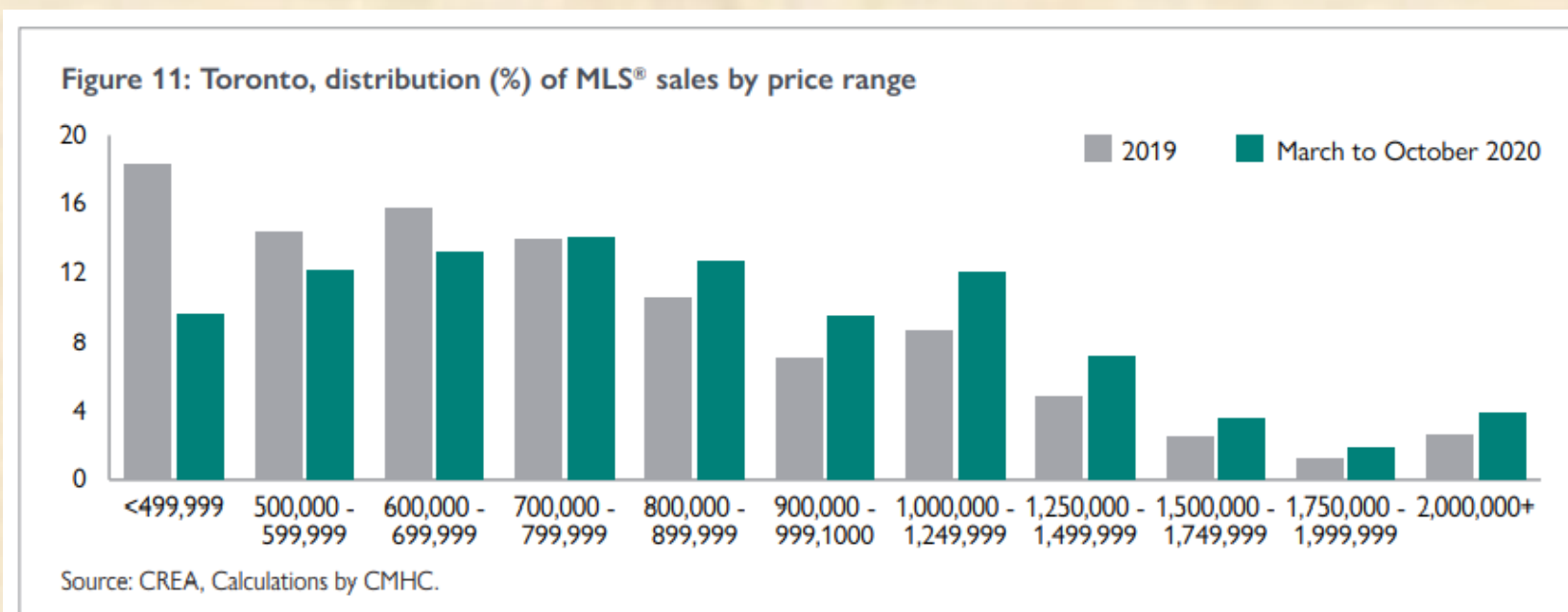
Durham Region Townhouses rose

\$166,000

between September 2020 & Feb 2021



Reduced spending in other areas drives spending on homes



Sales of home under \$500,000 declined in Toronto while houses over \$1,000,000 rose significantly from 2019

CONCLUSION

Several Factors are contributing to the spike in house prices. Working from home gives buyers the flexibility to move further outside the city. This causes two major concerns. First, smaller towns are not prepared for the influx resulting in more demand than supply. The bigger concern is the possibility of pricing the locals out of the market. This perpetuates the affordability crisis.

The vaccine is generating optimism but there is also a risk of a third wave. Low interest rates, Federal support for first-time home buyers and a decrease in spending will continue to drive the current trend. Once the economy recovers, sales will taper but stay strong as these factors will still be in place. The other variable that will continue the trend is the Government's commitment to bring back foreign students and to kick start immigration again.



Higher Education Analytics Data Competition 2021

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