



Economic Outlook for the Greater Toronto and Hamilton Area (GTHA) and What It Means for Housing Affordability

Highlights of a Study Conducted by The Centre for Urban Research and Land Development, Ryerson University

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Purpose of Study

Research Questions:

- How is the economic backdrop changing in the GTHA and what does that mean for average household incomes?
- What are the implications for housing affordability?
- How do we get more housing supply?

Research Scope:

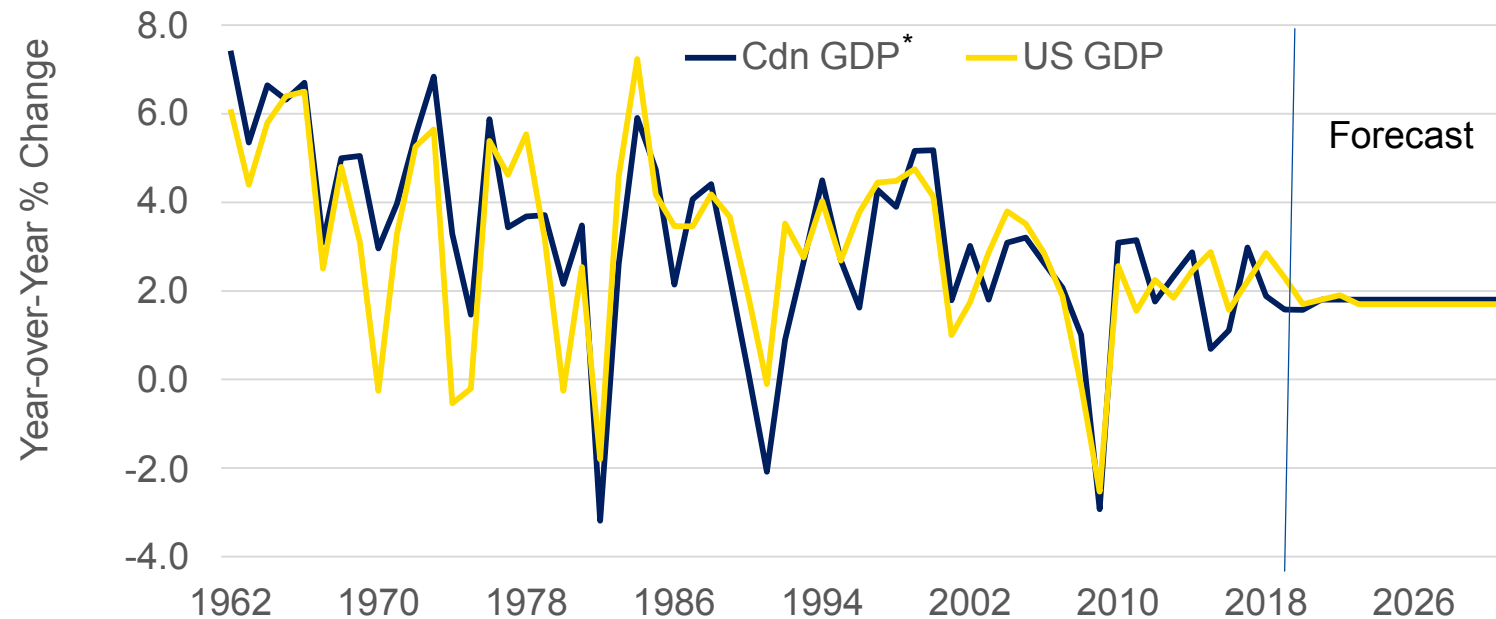
- **Time Period:** Current to 2031
- **Geography:** The Greater Toronto and Hamilton Area
Approximated by the Toronto, Hamilton and the Oshawa CMAs
- **Focus** on *average* households

Study Conclusions

- The GTHA economy to create many high-income paying jobs, esp. in finance and tech;
- Average household incomes to rise 3-4% per year;
- Average home prices and rents to rise 4-5% per year;
- Overall affordability will continue to decline as new housing supply lags demand; and
- Main supply obstacle: an excessively restrictive land-use planning system.

Canada's Economic Prospects Tied to International Events

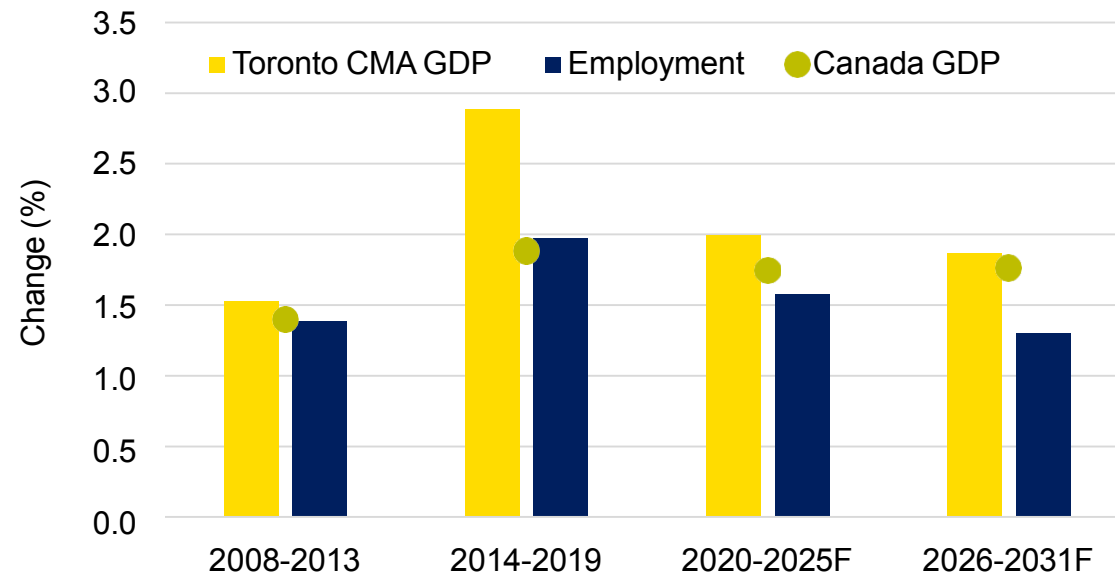
Economic Growth, Canada and US



Source: CUR based on Statistics Canada and OECD. *GDP=Gross Domestic Product (Economic activity)

The GTHA Economy: Great Recent Run, with More Moderate but Still Robust Growth in the Future

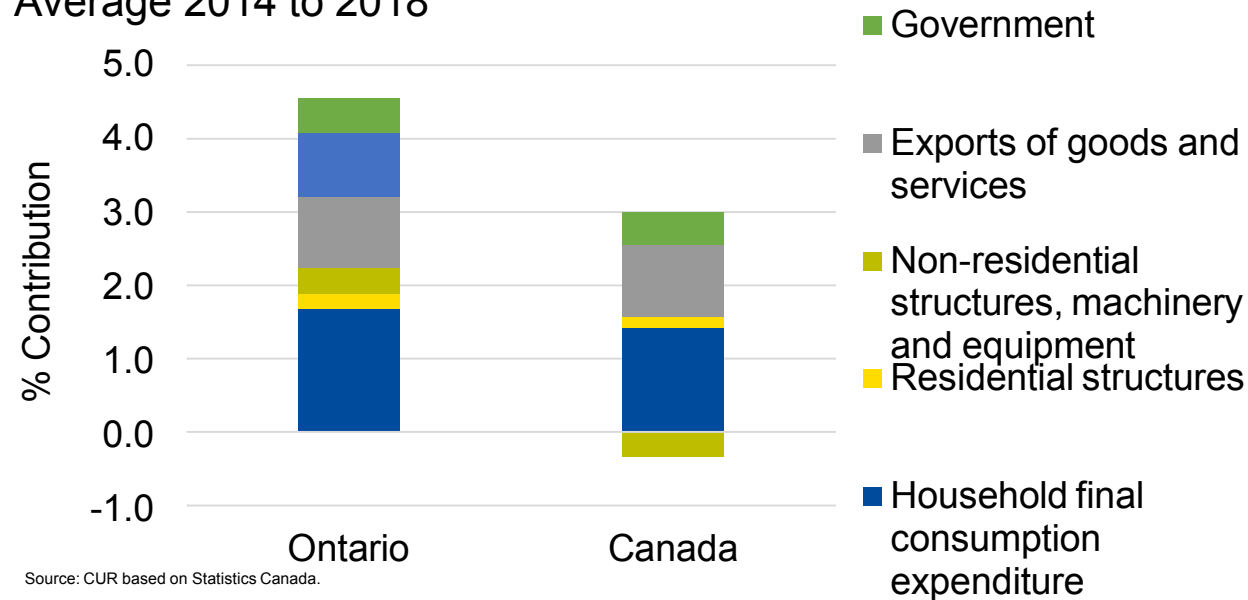
Past and Future Annual Average Real GDP* and Employment Growth, Canada and GTHA **, 2008-2031F



Source: CUR, based on City of Toronto and Statistics Canada data. *GDP=Gross Domestic Product. **Approximated by the Toronto CMA.

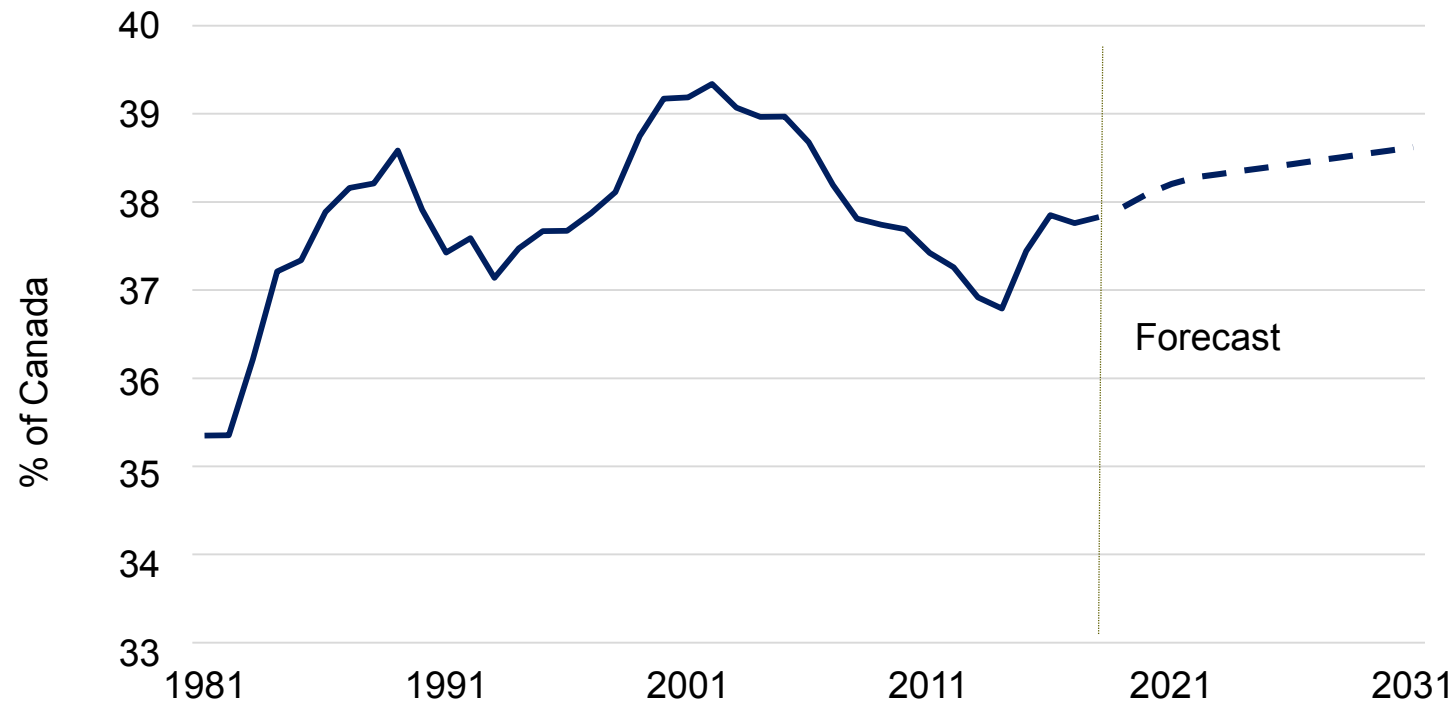
Economy Has More Legs to Stand On

Contributions to % Change in Real GDP, Ontario and Canada,
Average 2014 to 2018



Outperformances Do Not Last Forever

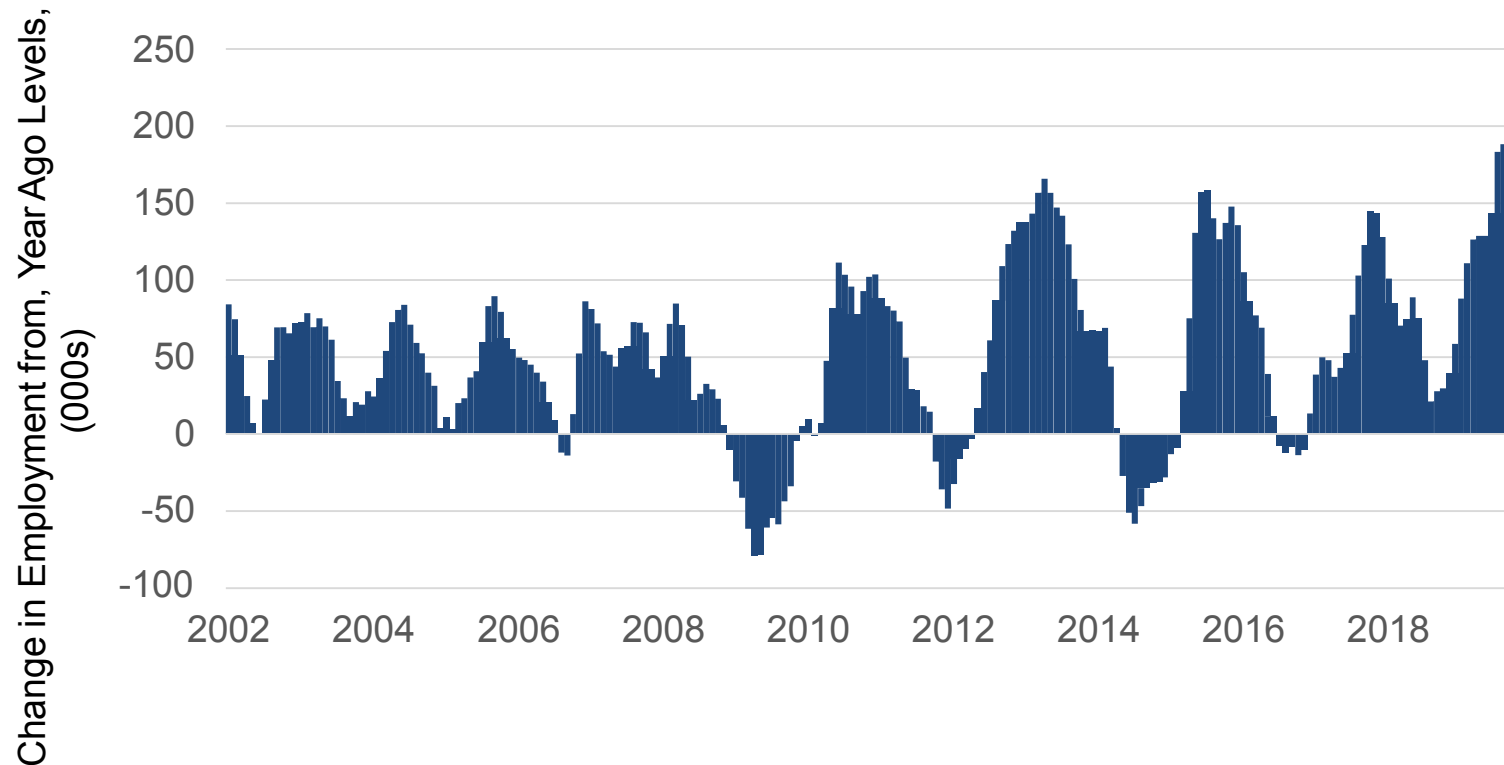
Past and Future Share of Canadian Real GDP* Being Driven by Ontario**, 1981-2031F



Source: CUR, based on City of Toronto and Statistics Canada. *GDP=Gross Domestic Product. **GTHA approximated by the Toronto CMA.

The GTHA Economy Starting 2020 on a Good Foot

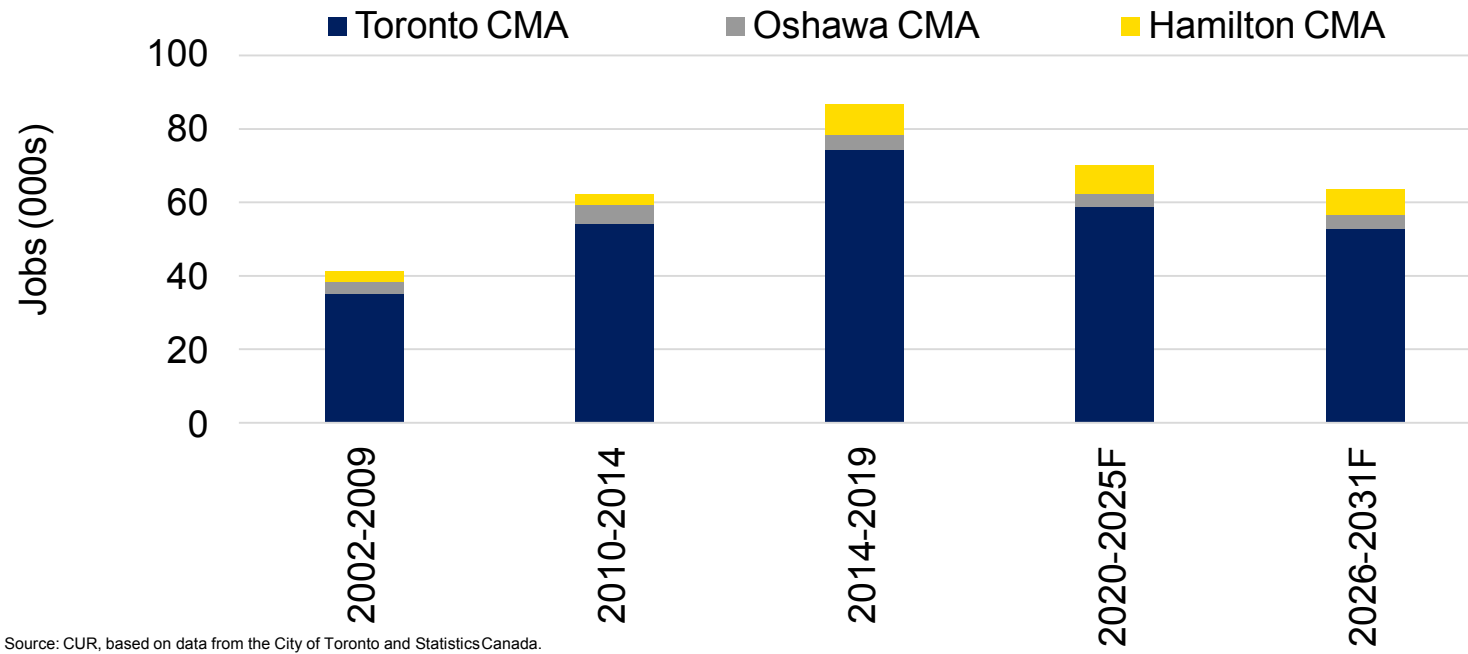
Year-over-Year Employment Gains, Toronto CMA



Source: CUR based on Statistics Canada

The GTHA Economy: Job Growth to Hold Steady

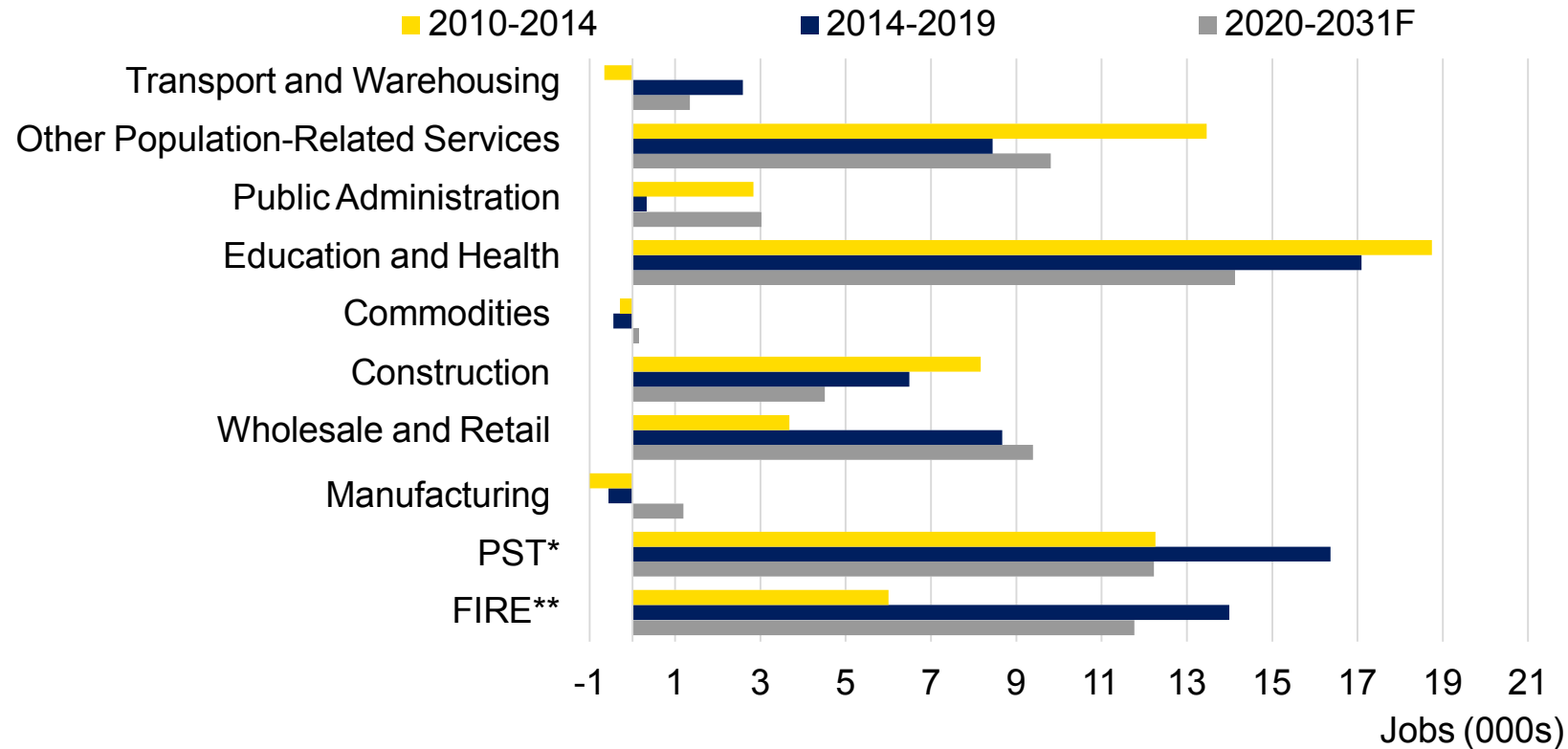
Past and Future Average Annual Employment Gains by CMA, GTHA, 2002-2031F



Source: CUR, based on data from the City of Toronto and Statistics Canada.

The Economy Is Shifting to More Higher-Paying Office-Related Jobs

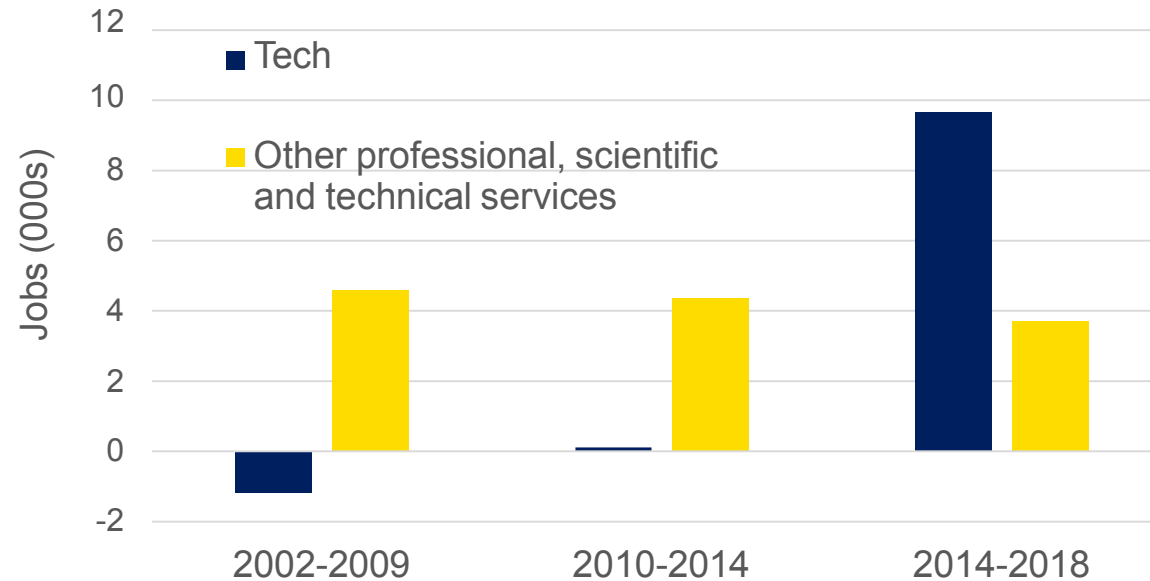
Past and Future Average Annual Employment Gains by Industry, GTHA, 2010-2031F



Source: CUR based on Statistics Canada data. *PST =Professional, Scientific and Technical. **FIRE=Finance, Insurance and Real Estate

Tech Jobs Ramping Up

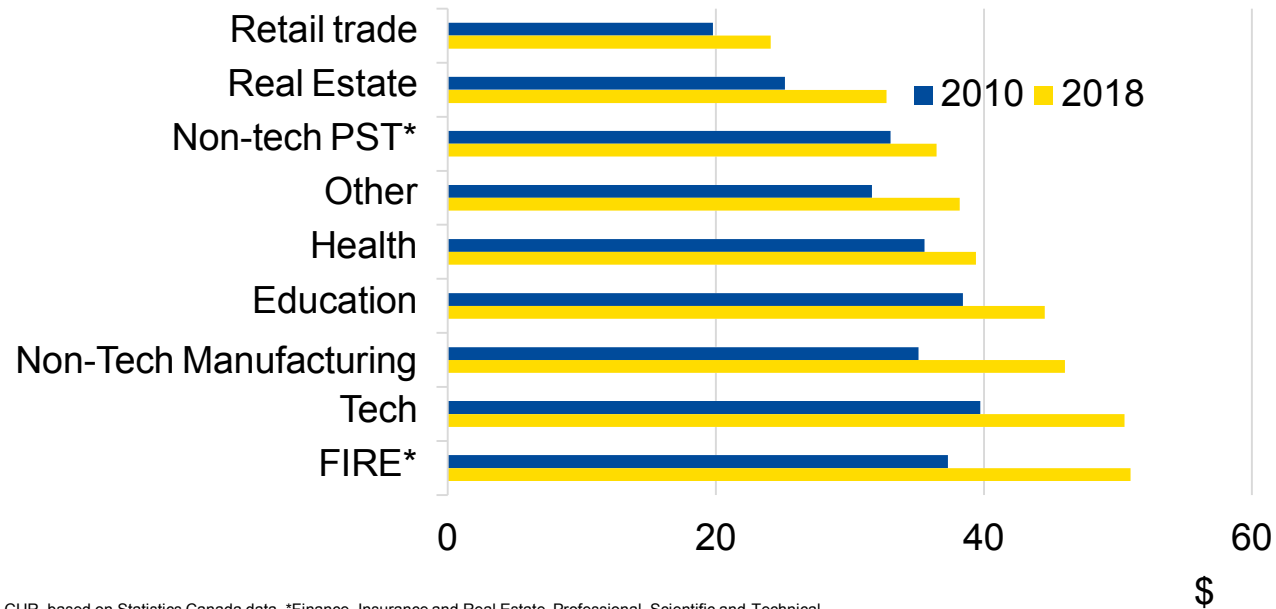
Average Annual Employment Gains/Losses for the Tech* and Other Professional, Scientific and Technical Industries, GTHA**, 2002-2018



Source: CUR, based on custom data ordered by the City of Toronto from Statistics Canada. *Includes tech-related service and manufacturing jobs. **Approximated by Toronto CMA.

More Tech and Finance Jobs Means Higher Paying Jobs

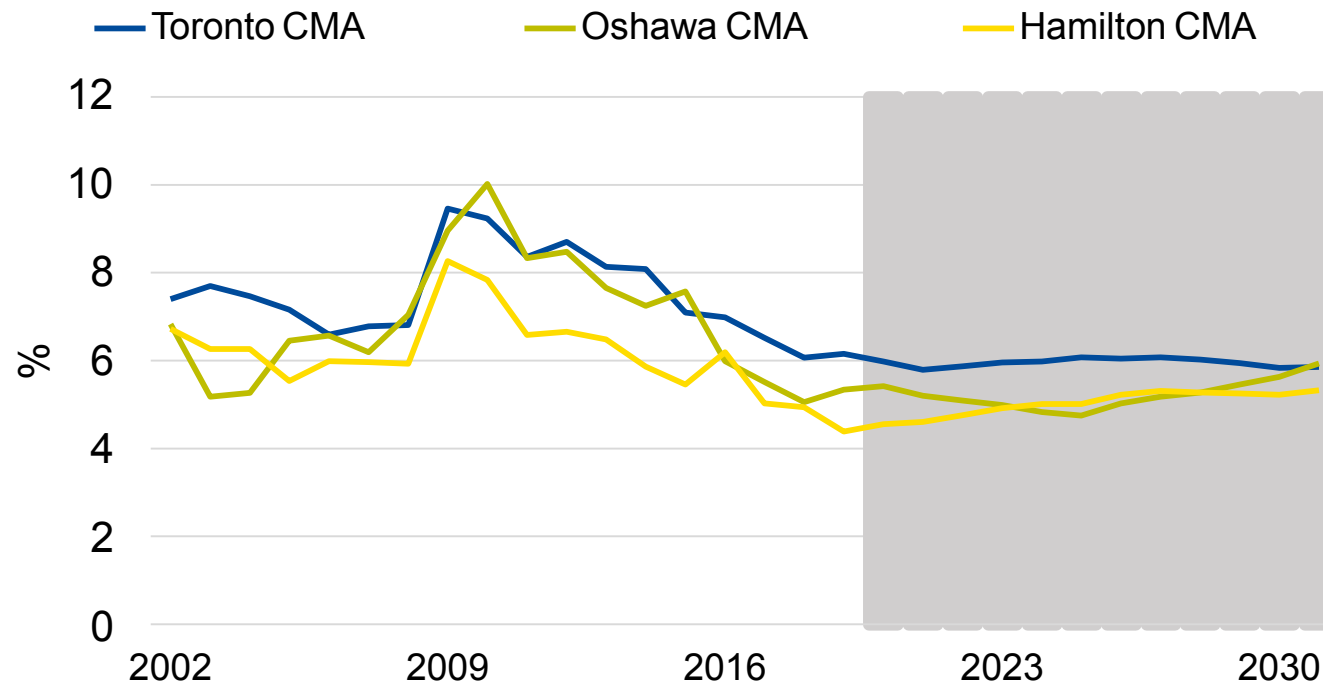
Average Hourly Wage by Industry, Ontario, 2010 and 2018



Source: CUR, based on Statistics Canada data. *Finance, Insurance and Real Estate. Professional, Scientific and Technical.

GTHA Unemployment Rate to Remain Low

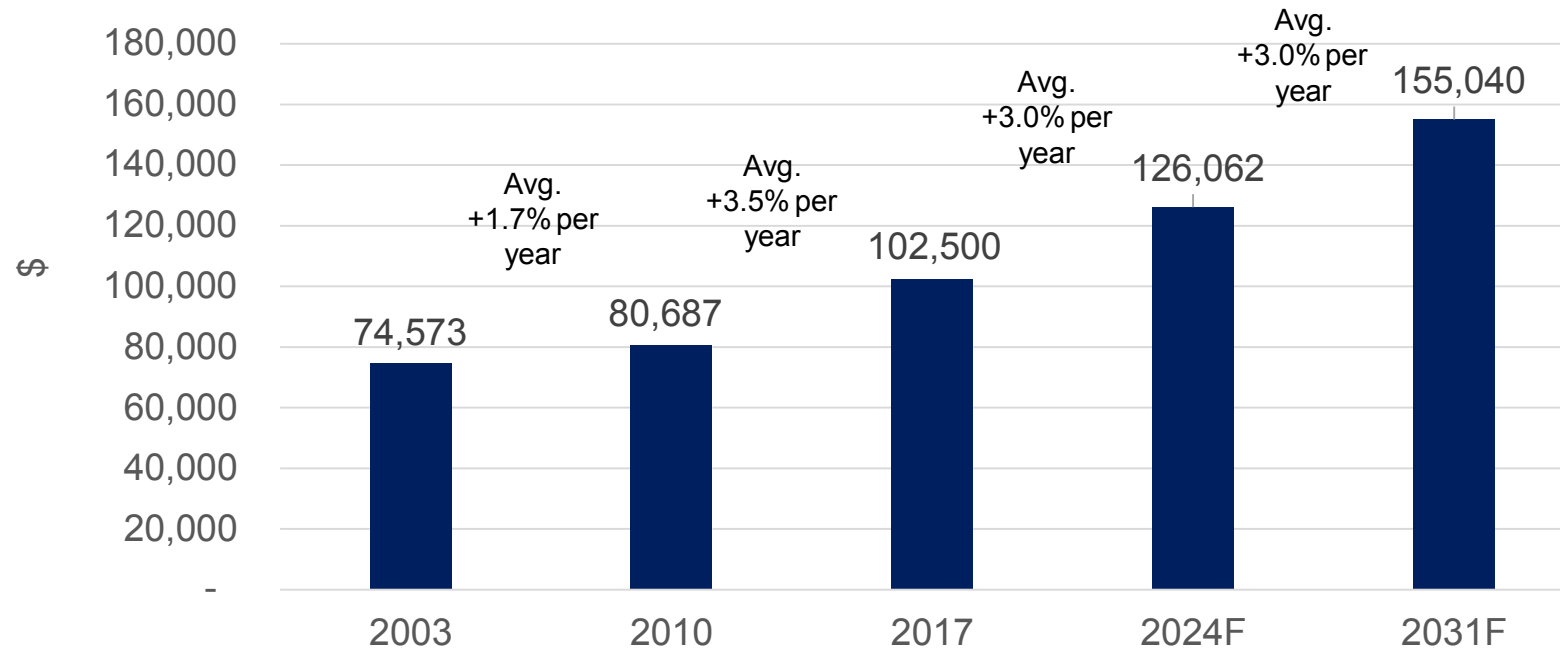
Past and Future Unemployment Rates by CMA, GTHA, 2002-2031F



Source: CUR, based on Statistics Canada data.

More High-Paying Jobs Bodes Well for Average Household Income

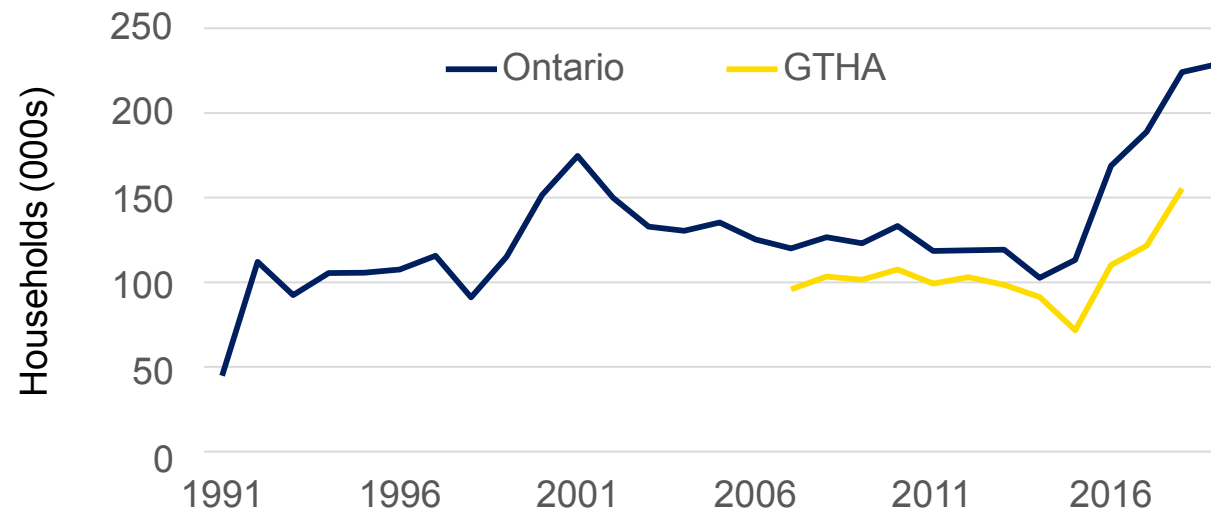
Past and Future Average Household Income*, GTHA**, 2003-2031F



Source: CUR, based on Statistics Canada data. *Household income in 2017 constant dollars was adjusted by CPI for the CMA. **Approximated by Toronto CMA.

Population Growth Is a Key Economic Driver

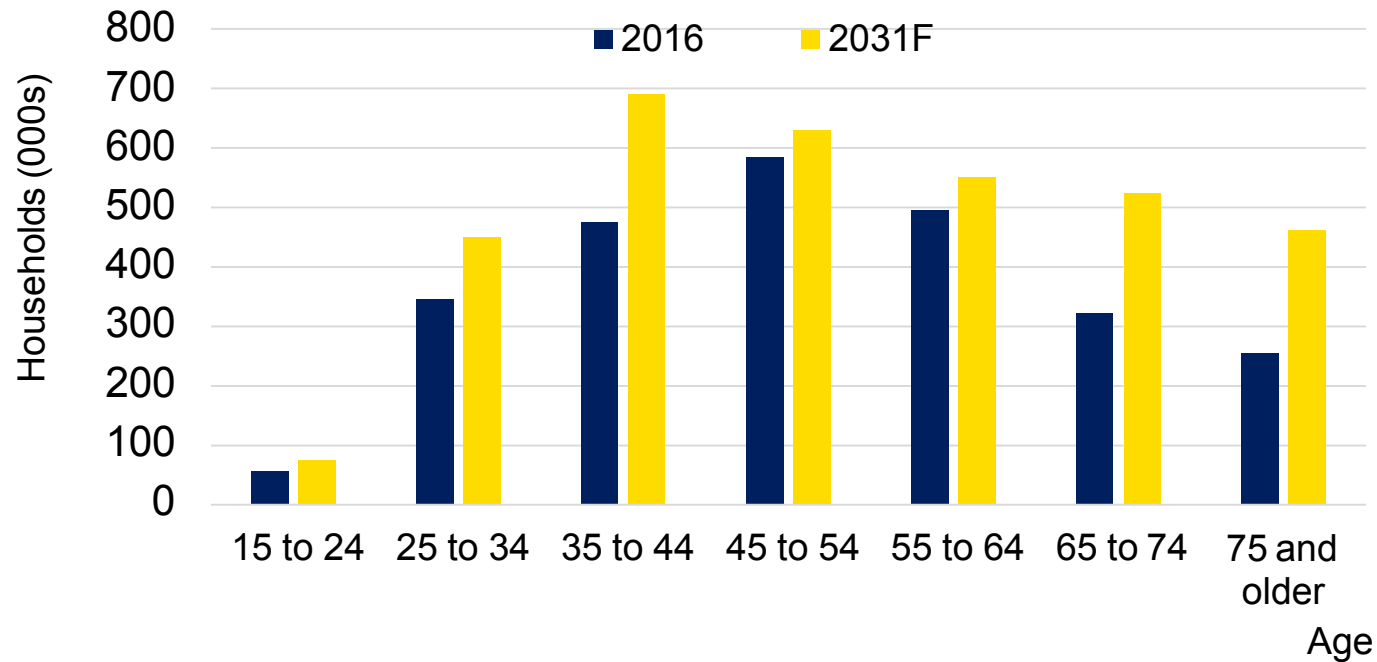
Permanent and Temporary Immigration, Ontario and the GTHA, 1990-2019



Source: CUR, based on Statistics Canada data.

Aging of Millennials and Boomers Means a Big Jump in Households

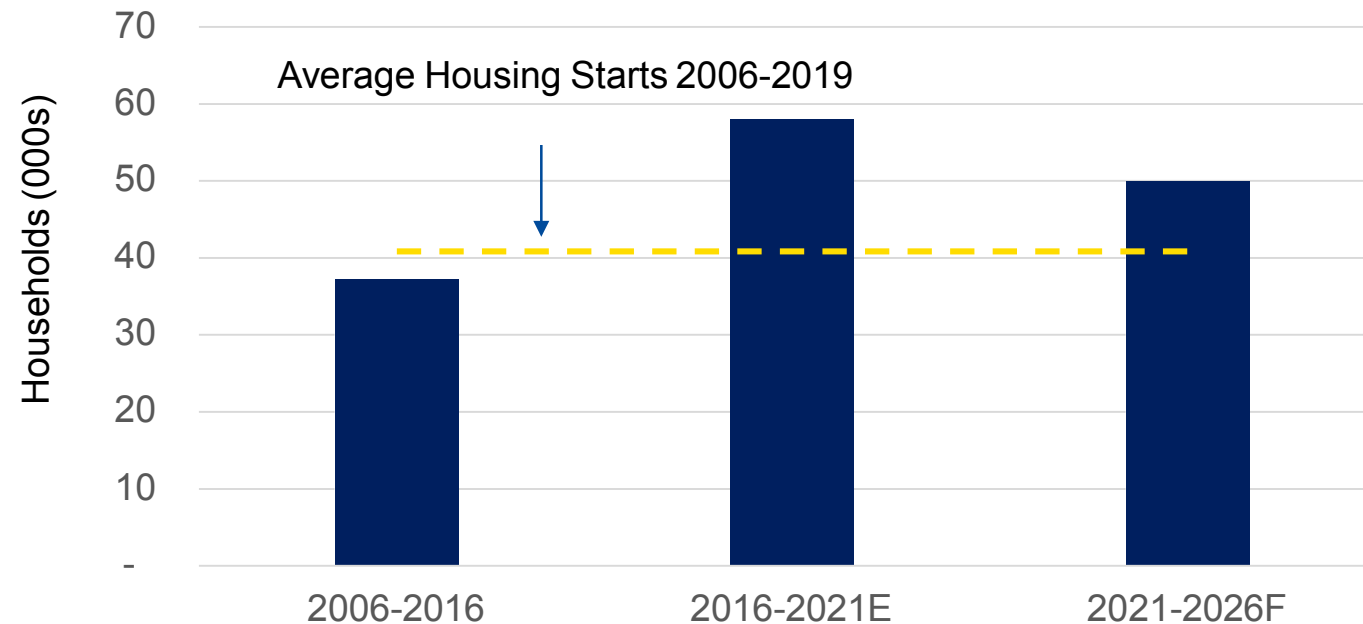
Past and Future Households by Age Group, GTHA, 2016 and 2031F



Source: CUR, based on Statistics Canada data and Ontario Ministry of Finance.

New Housing Supply Not Keeping Pace with Demand

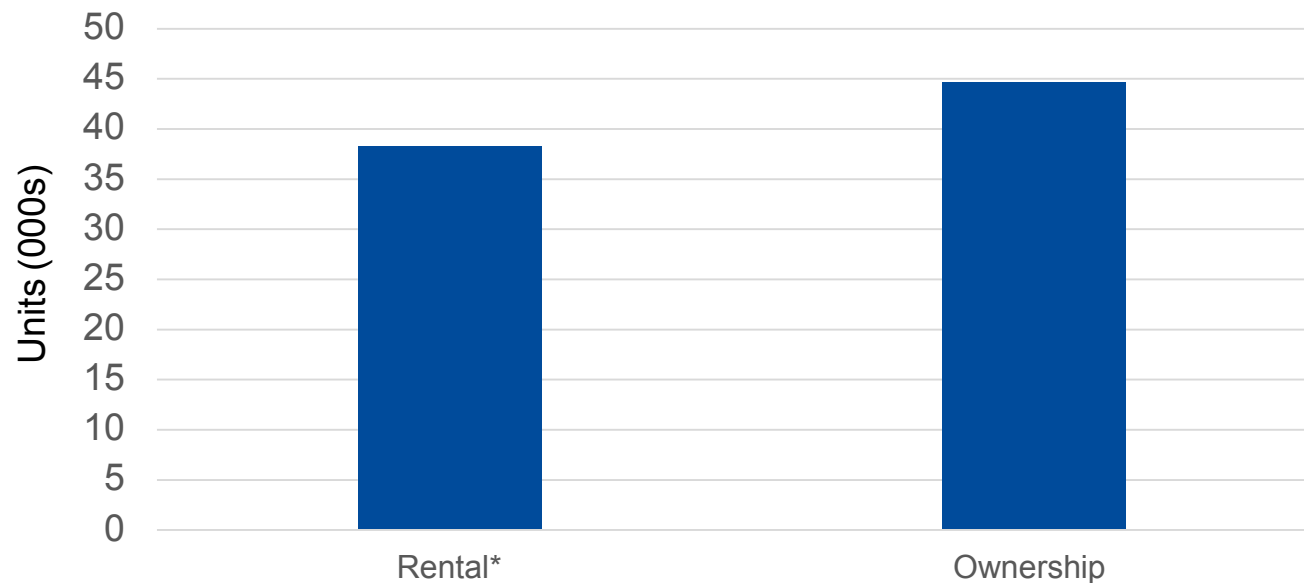
Past and Future Average Annual Growth in Demographically Supported-Housing Requirements, GTHA, 2006-2031F



Source: CUR, based on Statistics Canada data and CMHC.

Rental Construction Picked Up

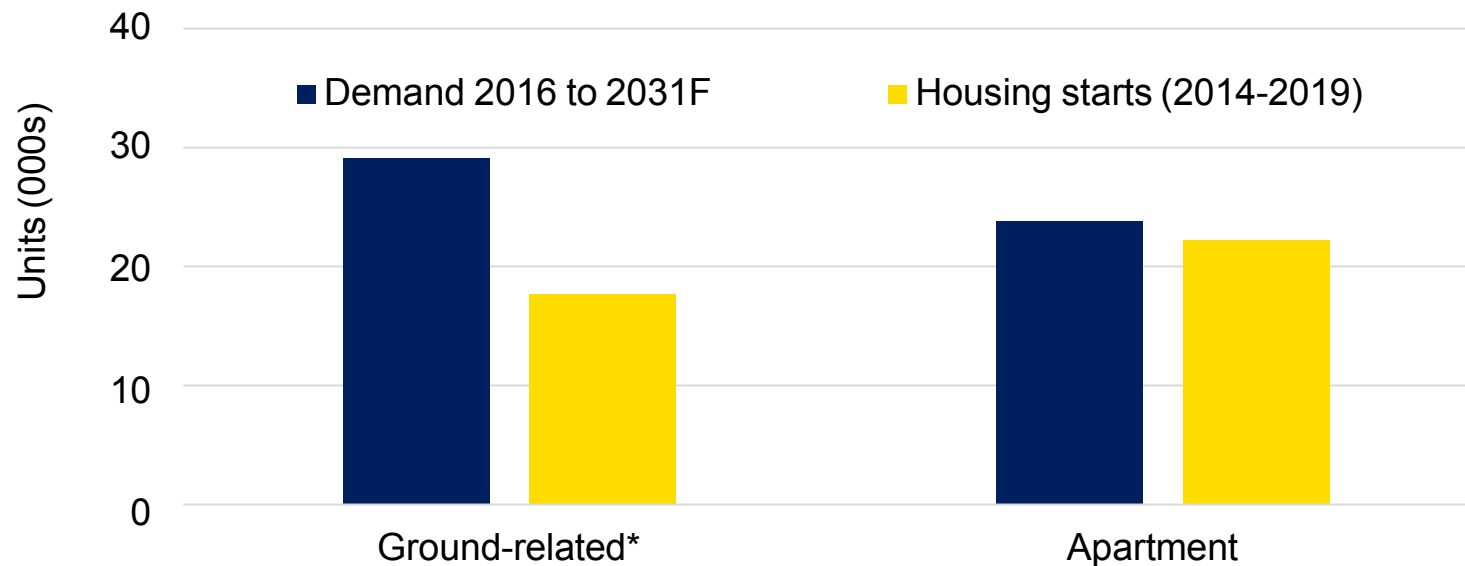
Housing Units Under Construction by Market and by Dwelling Type, GTHA, as of December 2019



Source: CUR, based on CMHC data. *Assumes 50% of all condos under construction in the Toronto CMA and 35% in the Hamilton and Oshawa CMAs will be rental. Ground-related = semis, singles and townhouses.

Supply Deficit Largest in the Ground-Related Market

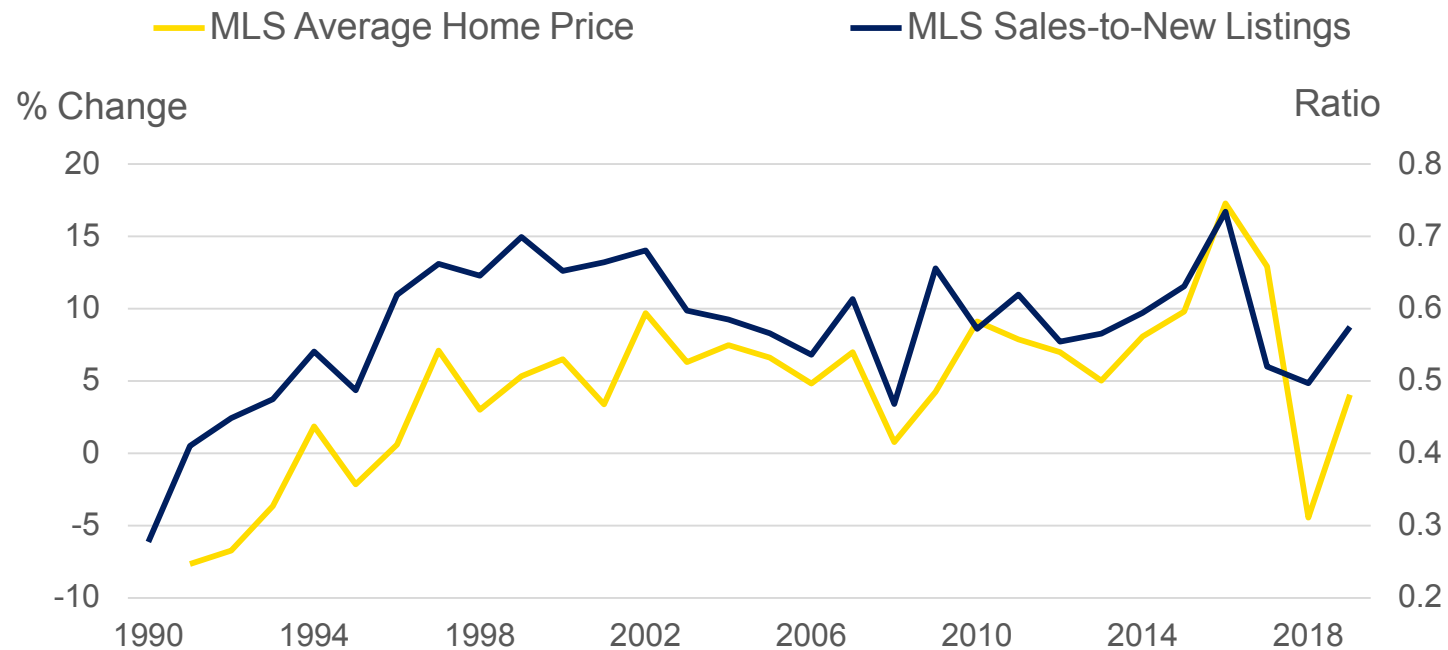
Average Annual Housing Starts and Future Growth in Housing Requirements by Housing Type, GTHA, 2016-2031F



Source: CUR, based on data from Statistics Canada, CMHC, Ontario Ministry of Finance. *Ground-related = singles, semis and townhomes.

Moving Beyond the Temporary Impact of Mortgage Regulations: Existing Home Market Still Has Supply Pressures

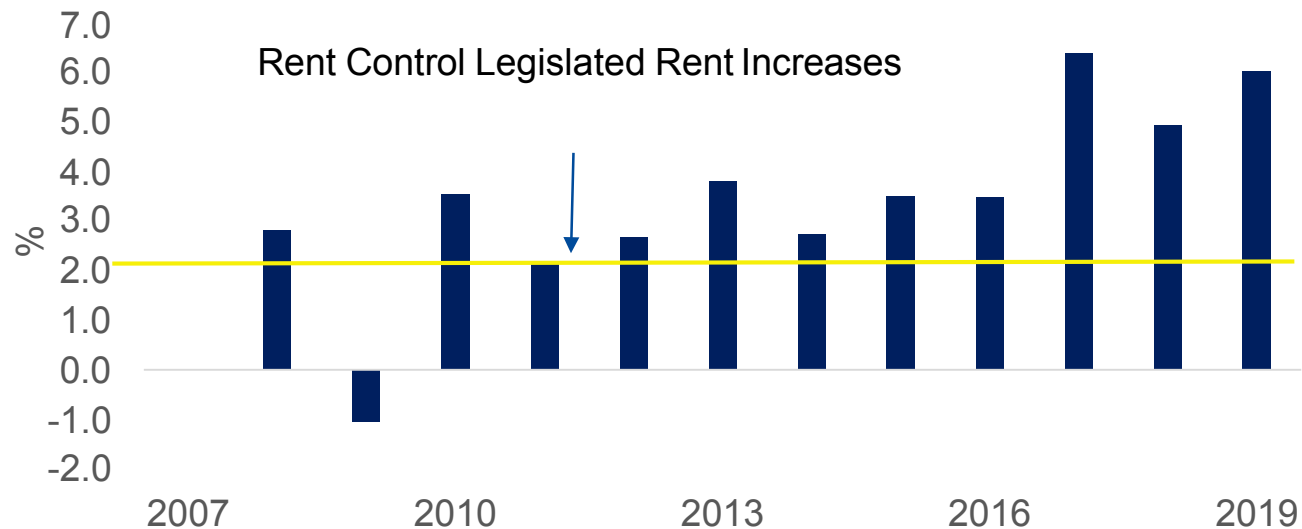
MLS Sales-to-New Listings Ratio versus Home Price Growth, Greater Toronto Area, 1990-2019



Source: CUR, based on data from the Toronto Regional Real Estate Board.

Price Pressures Are Feeding into the Rental Market

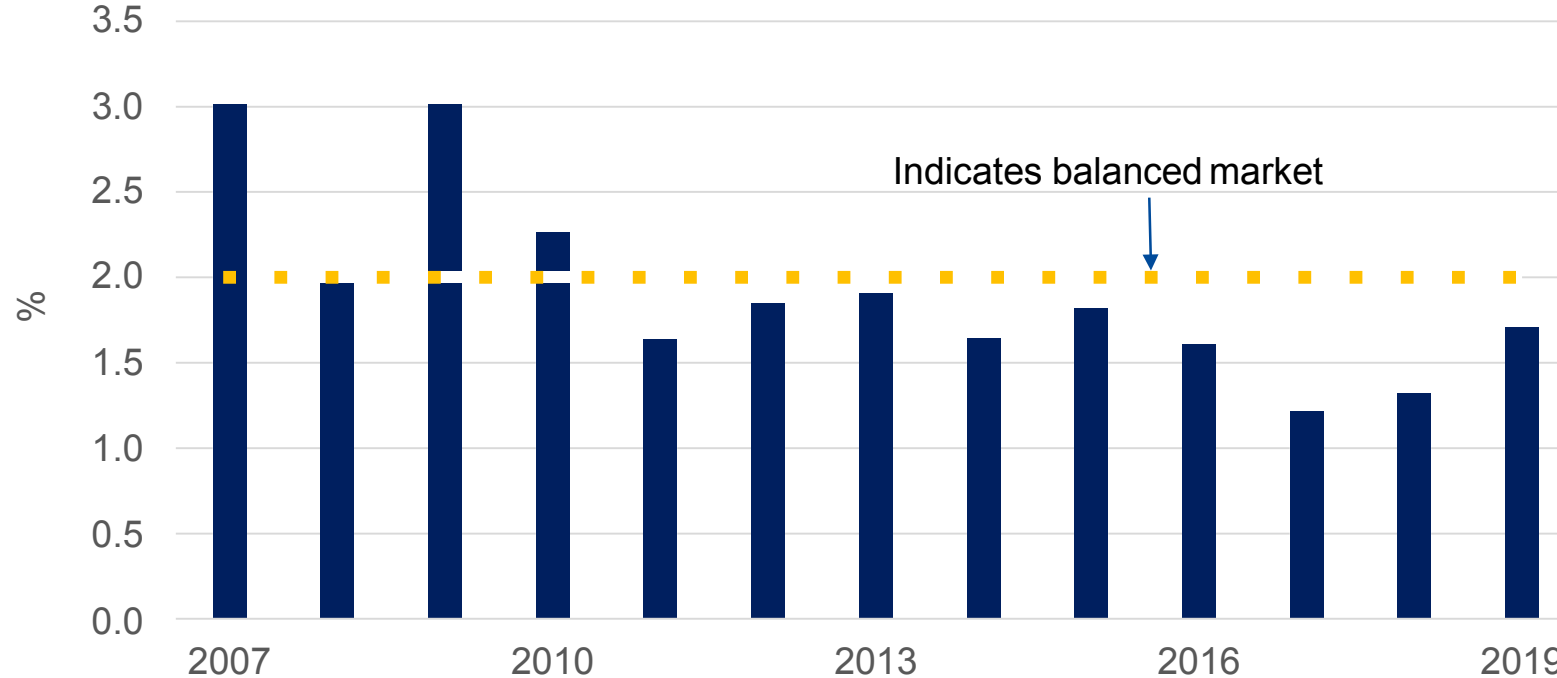
Average Rent Growth for Occupied Units in Purpose-Built Rentals and Rental Condos*, GTHA, 2007-2019



Source: CUR, based on CMHC data. *Reflects a weighted average of purpose built rentals and rental condos in Toronto, Oshawa and Hamilton CMAs.

There Has Been a Rise in the Rental Supply Hitting the Market, but Supply Pressures Remain

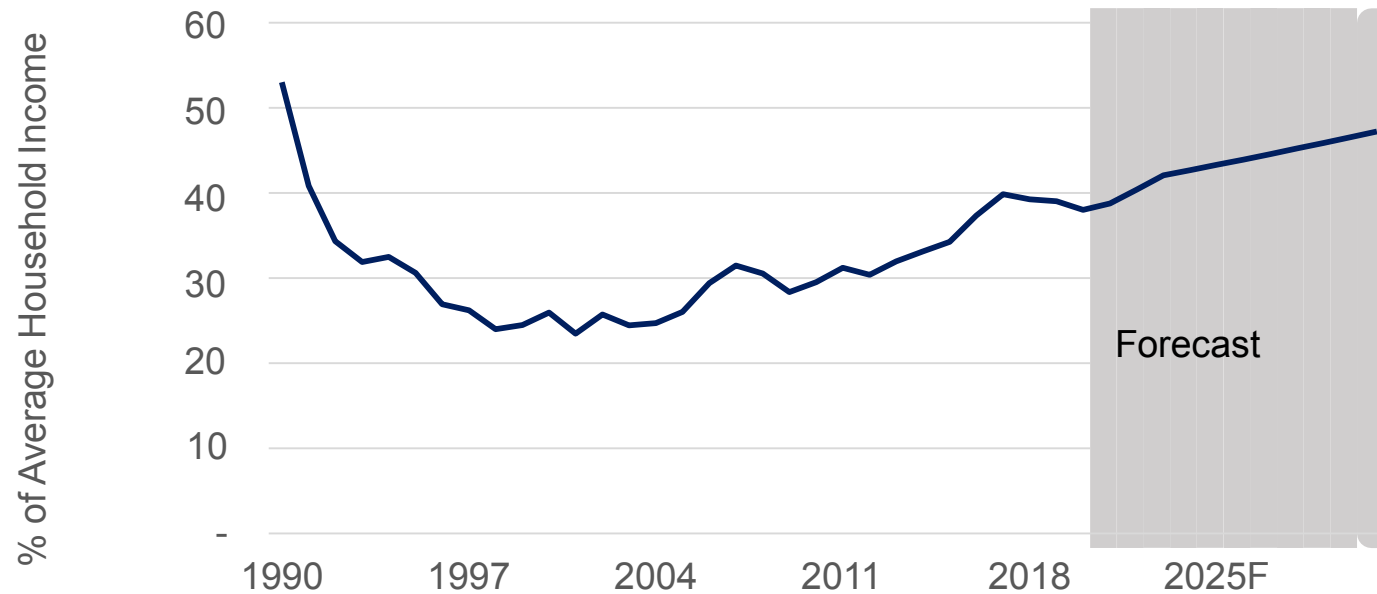
Average Vacancy Rates in Purpose-Built Rentals and Rental Condos*, GTHA, as of October, 2007-2019



Source: CUR, based on CMHC data. *Reflects a weighted average of purpose built rentals and rental condos in Toronto, Oshawa and Hamilton CMAs.

Metrics of Ownership Affordability to Continue to Climb...

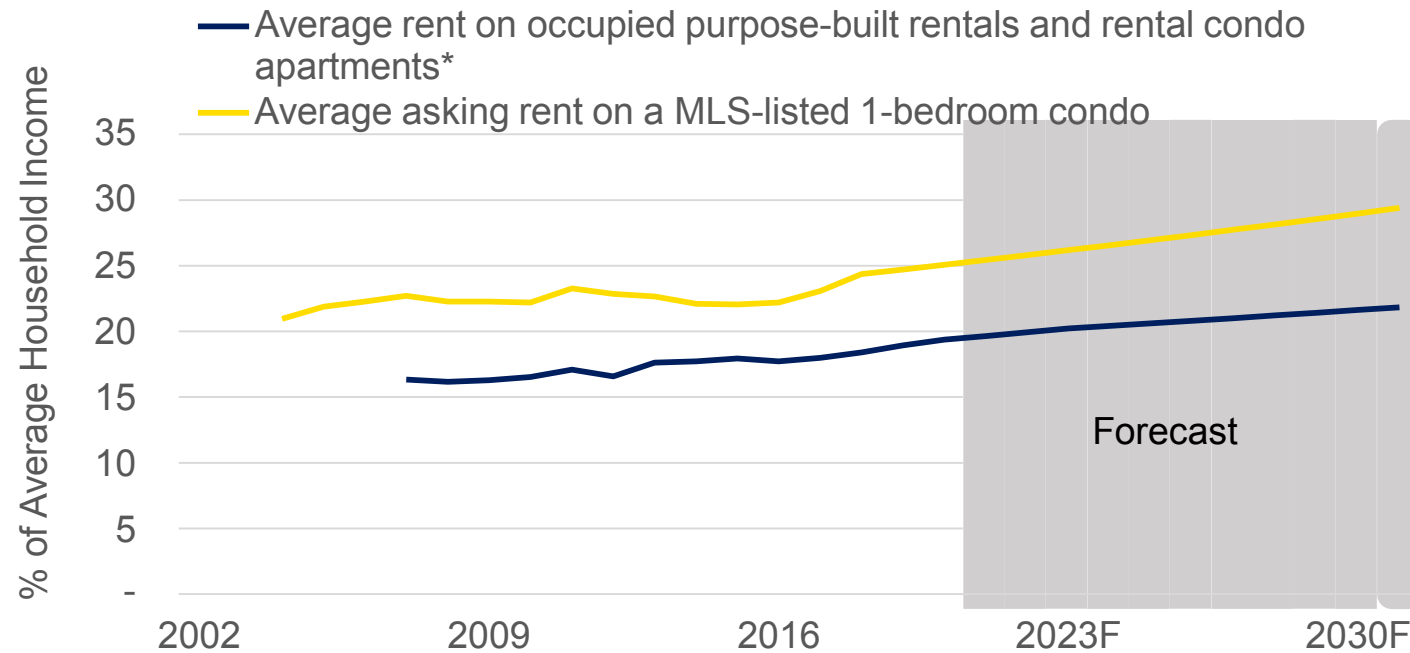
Past and Future Home Purchase Affordability* in the GTHA**, 2002-2031F



Source: CUR, based on TRREB and Statistics Canada data. *Costs reflect the average monthly payment needed to buy an average priced home with 20% down and a 5-year fixed mortgage rate.
**GTHA is approximated by the Greater Toronto Area (GTA).

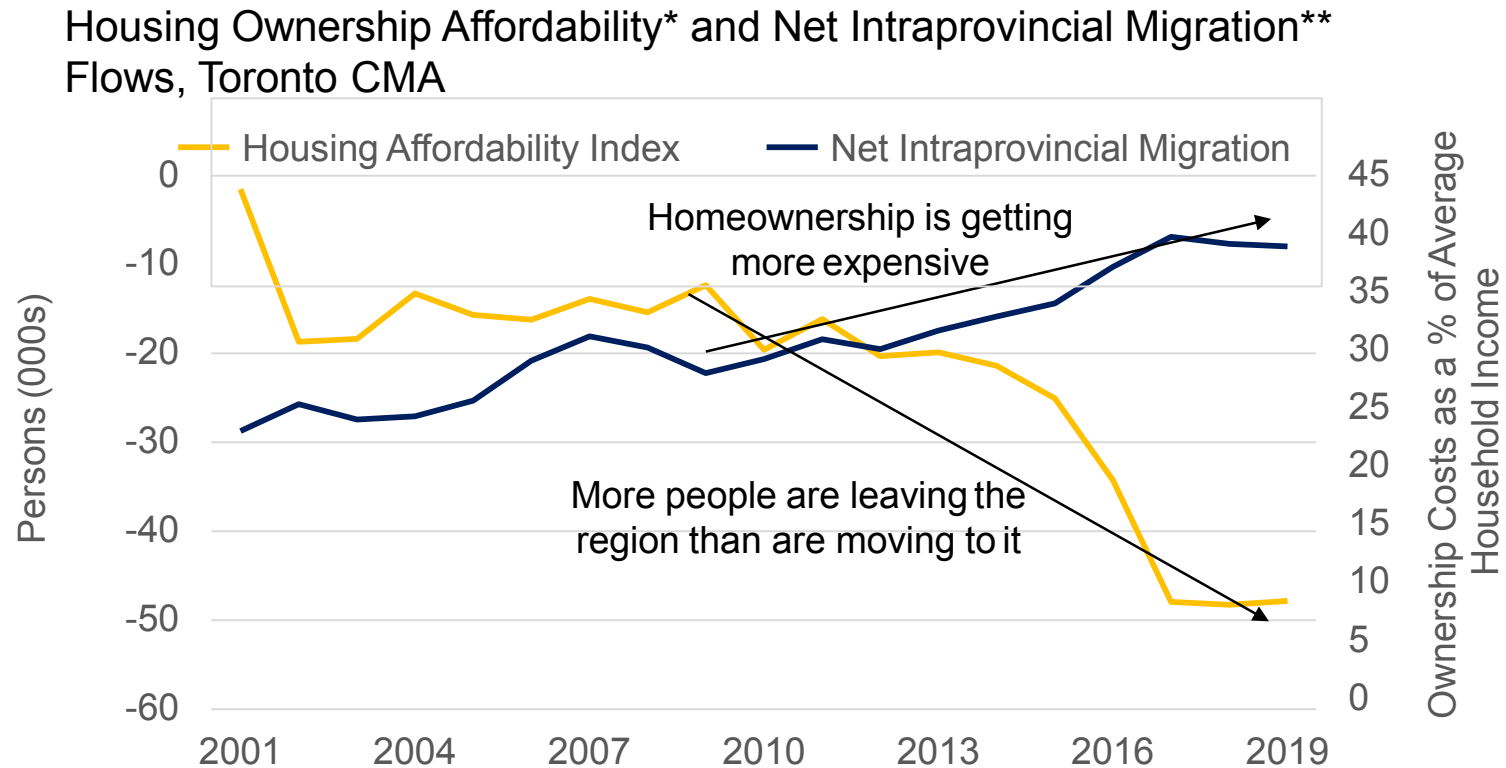
...as Will Rental Affordability Metrics

Past and Future Average Rent-to-Average Household Income Ratio, GTHA, 2002-2031F



Source: CUR, based on data from TRREB, Statistics Canada and CMHC. *Reflects average rents for purpose-built rentals and condos purchased by individual investors for rental purposes.

Toronto CMA Is Losing Millennials to the Outer Ring



Source: CUR based on Statistics Canada.*Based on servicing costs for an average priced home and a conventional mortgage (20% down, 5-year fixed mortgage rate, 25 year amortization rate). **Population moving into the CMA from other regions in Ontario, less population moving out of the region to other parts of the province as of the 12-month period ending July 1.

How to Get More New Housing Supply

- Making the provision of housing the number one goal of the land-use planning system;
- Encouraging and incentivizing secondary suites in single-detached homes;
- Ensuring municipalities maintain a sufficient inventory of developable sites by unit type to accommodate housing demand as required by provincial regulation;
- Re-zoning residential neighbourhoods and lower priority employment lands to allow for more “missing middle” housing; and
- Accelerating development around major transit stations currently surrounded by low-density areas.

2020 PPS – Policy 1.4 Housing

1. To provide for an appropriate range and mix of housing options and densities required to meet projected requirements of current and future residents of the regional market area, planning authorities shall:
 - a) maintain at all times the ability to accommodate residential growth for a minimum of 15 years through residential intensification and redevelopment and, if necessary, lands which are designated and available for residential development; and
 - b) maintain at all times where new development is to occur, land with servicing capacity sufficient to provide at least a three-year supply of residential units available through lands suitably zoned to facilitate residential intensification and redevelopment, and land in draft approved and registered plans.

2020 PPS – Policy 1.4 Housing – cnt'd

Upper-tier and single-tier municipalities may choose to maintain land with servicing capacity sufficient to provide at least a five-year supply of residential units available through lands suitably zoned to facilitate residential intensification and redevelopment, and land in draft approved and registered plans.