Centre for Urban Research
& Land Development
Faculty of Community Services

"Promoting Better Urban Policy through Economic Understanding"

An 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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To: Toronto Regional Real Estate Board

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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?

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

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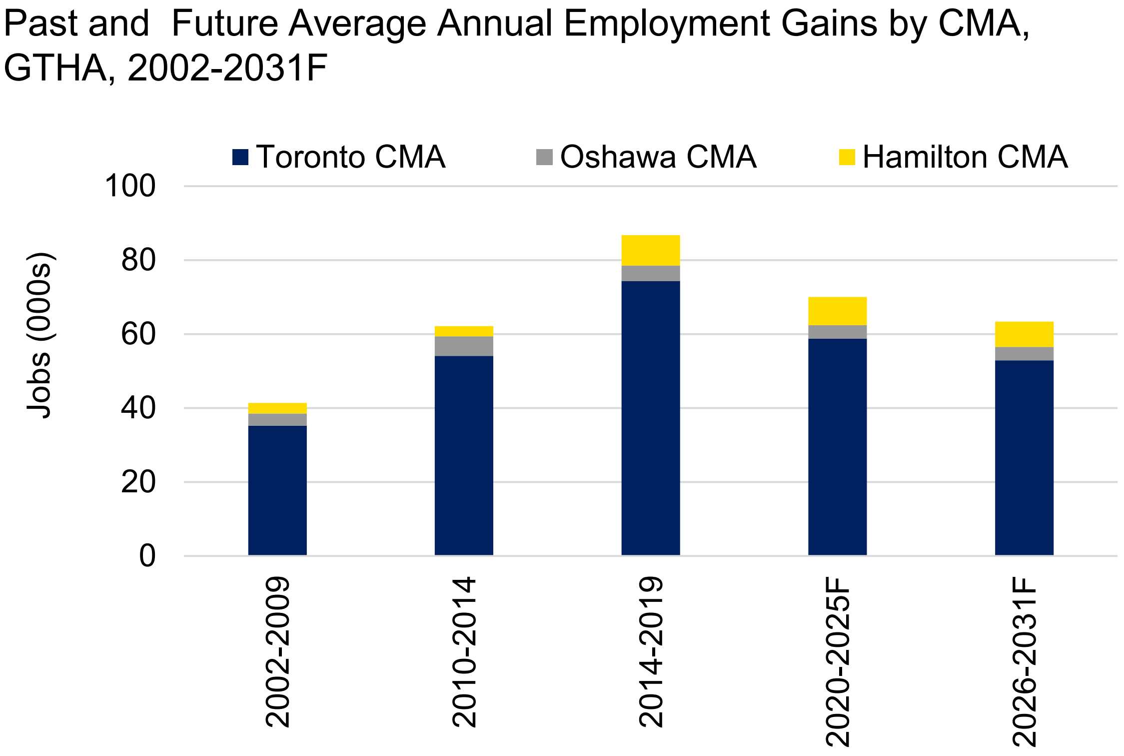
Study Conclusions

- 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.

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

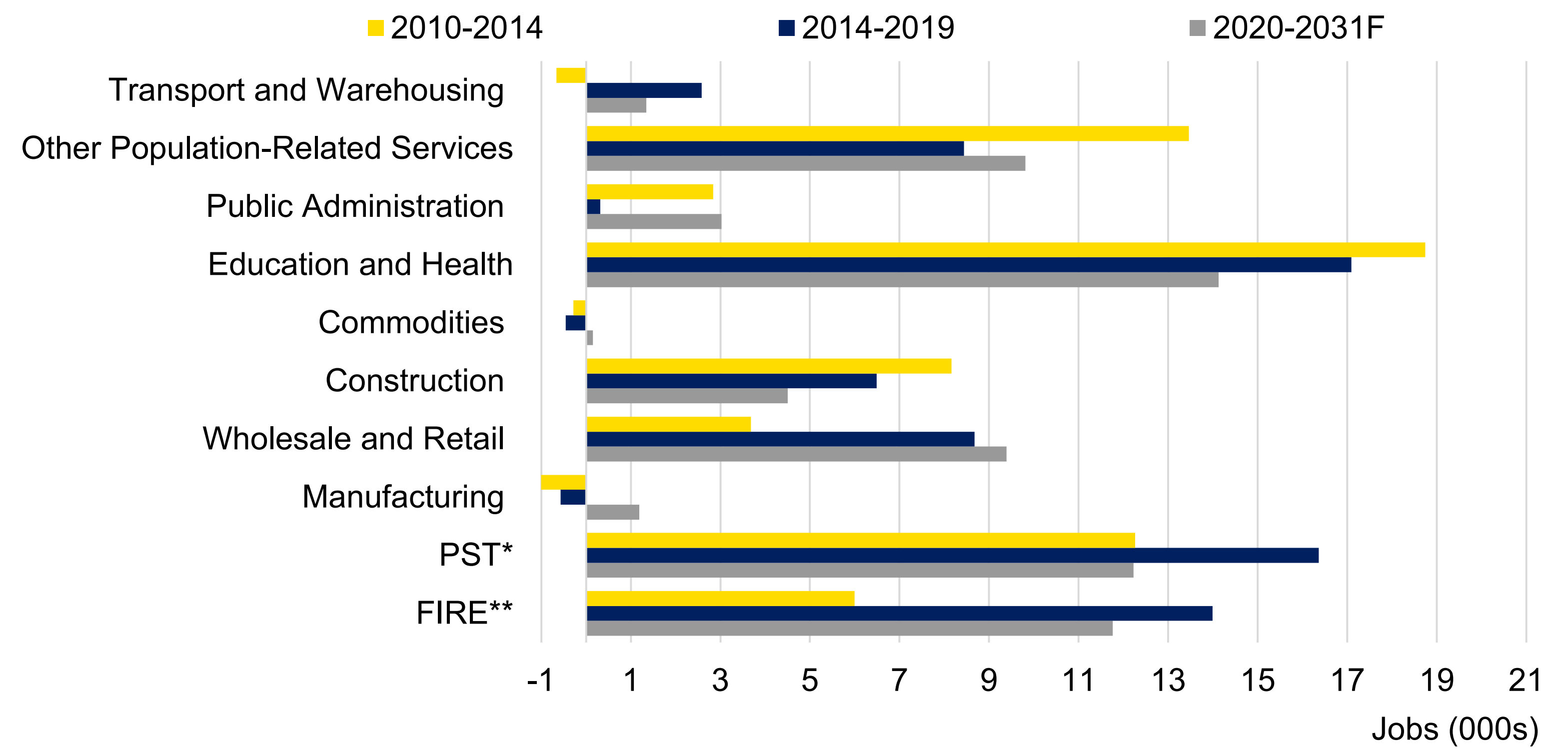


Source: CUR, based on data from the City of Toronto and Statistics Canada.

- Economic activity significantly outpaced the rest of Canada;
- The job market was booming in the last five years;
- The tech industry has taken off, also having positive spin-offs for other industries; and
- Immigration spiked in 2018 and 2019.

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 =Profesional, Scientific and Technical. **FIRE=Finance, Insurance and Real Estate

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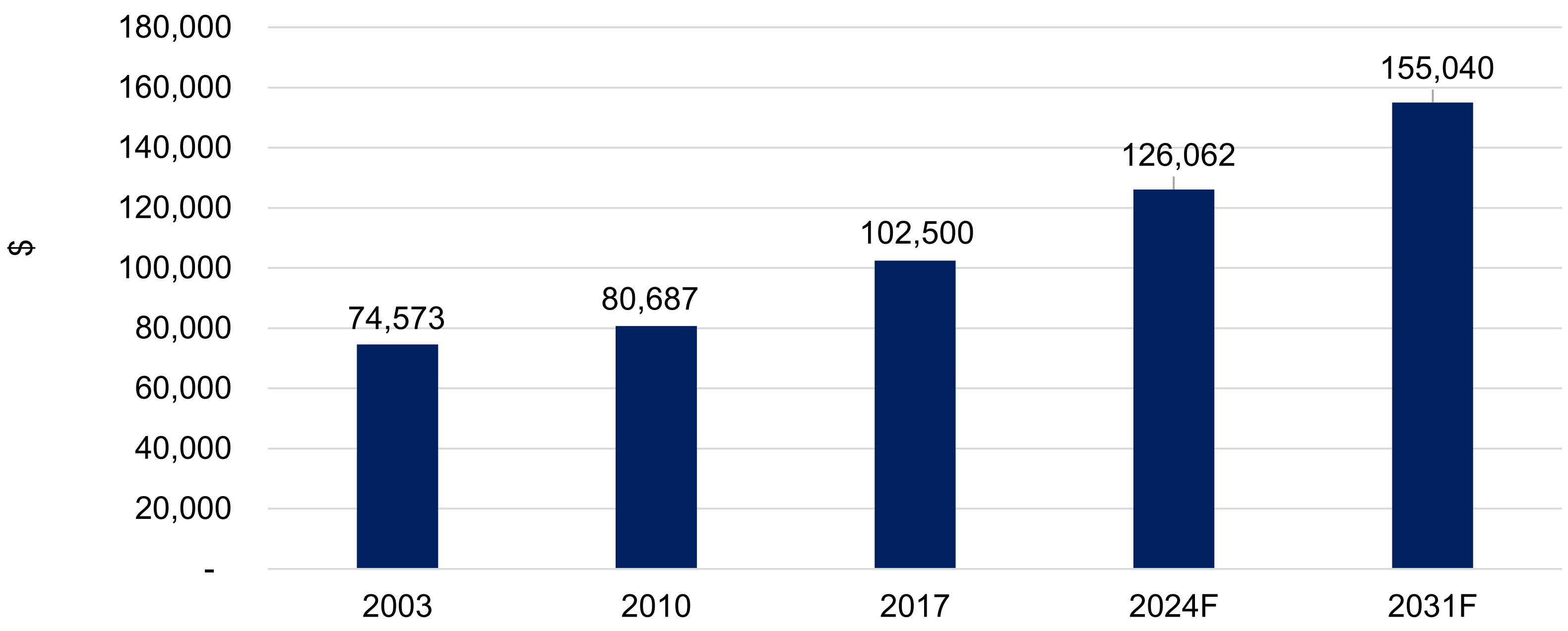
Aging Millennials and More High-Paying Jobs Bodes Well for Average Household Income

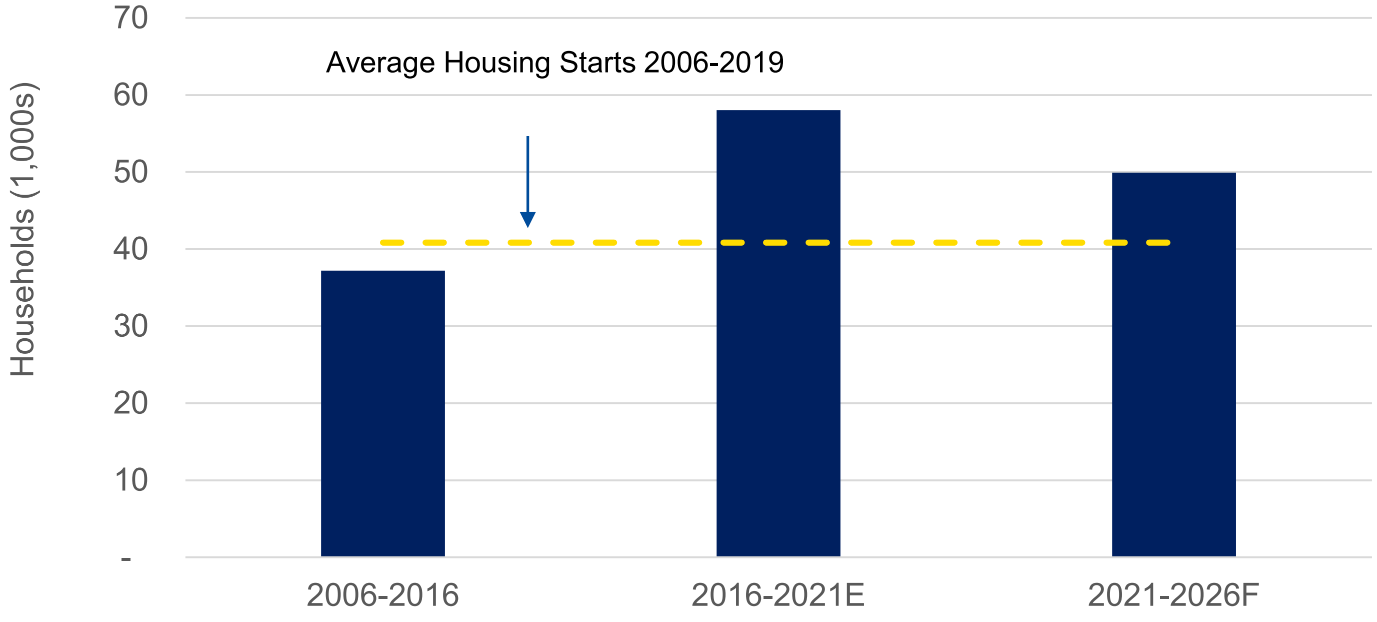
Past and Future Average Household Income*, GTHA**, 2003-2031F



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

New Housing Supply Still Not Keeping Pace with Demand

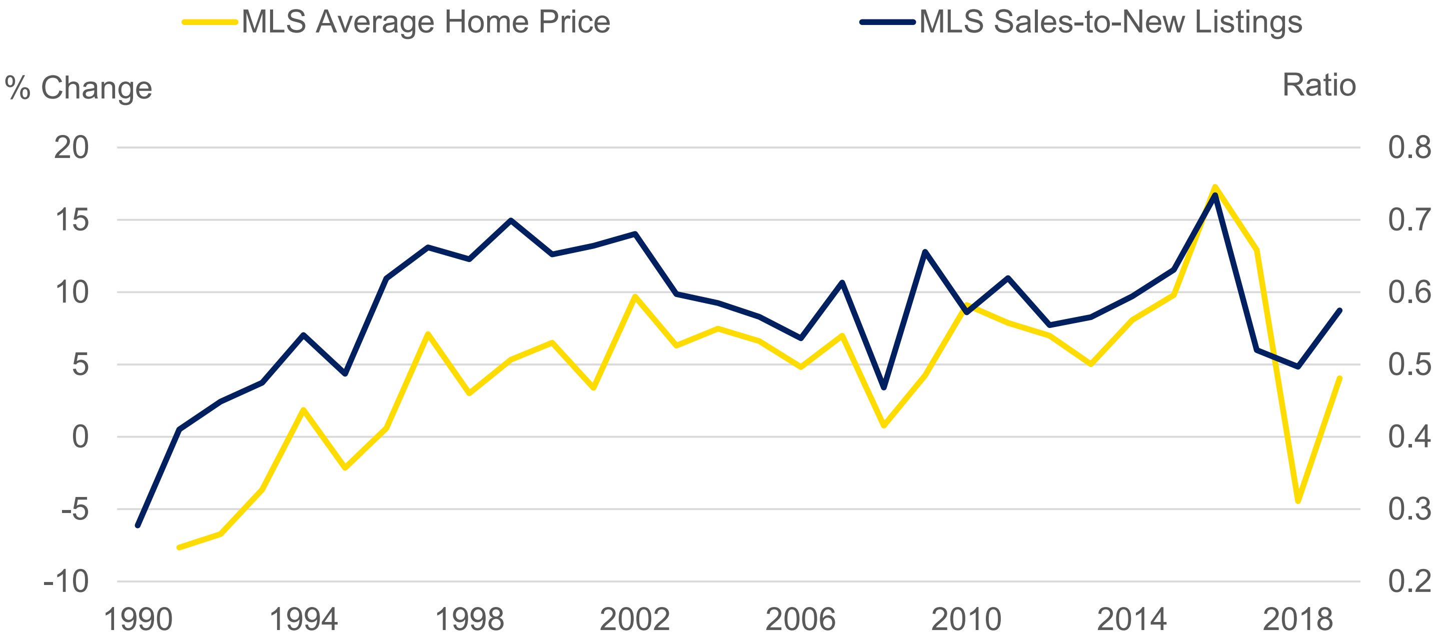
Past and Future Average Annual Growth in Demographically Supported-Housing Requirements, GTHA, 2006-2031F



Source: CUR, based on Statistics Canada data.

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

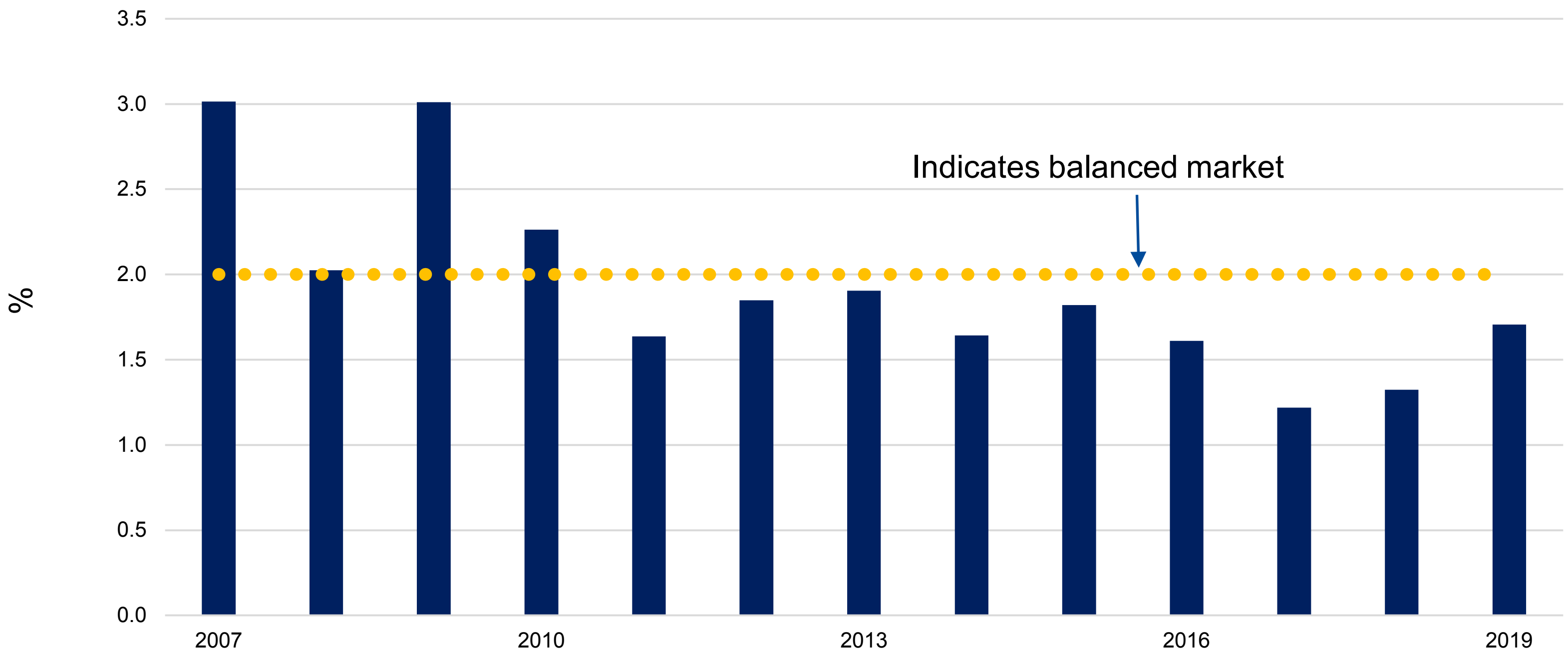
MLS Sales-to-New Listings Ratio versus Home Price Growth, Greater Toronto Area, 1990-2019



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

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

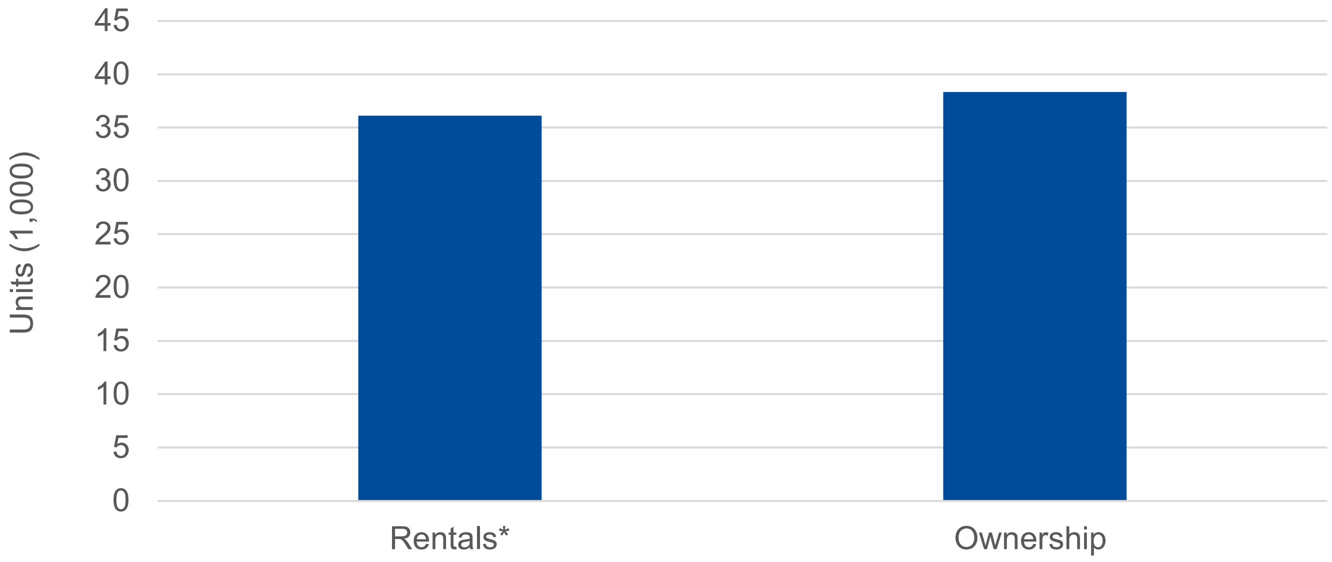
Average Vacancy Rates in Purpose-Built Rentals and Rental Condos*, GTHA, as of October, 2007-2019



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

Sizable Rental Supply in the Future, including Rental Condos

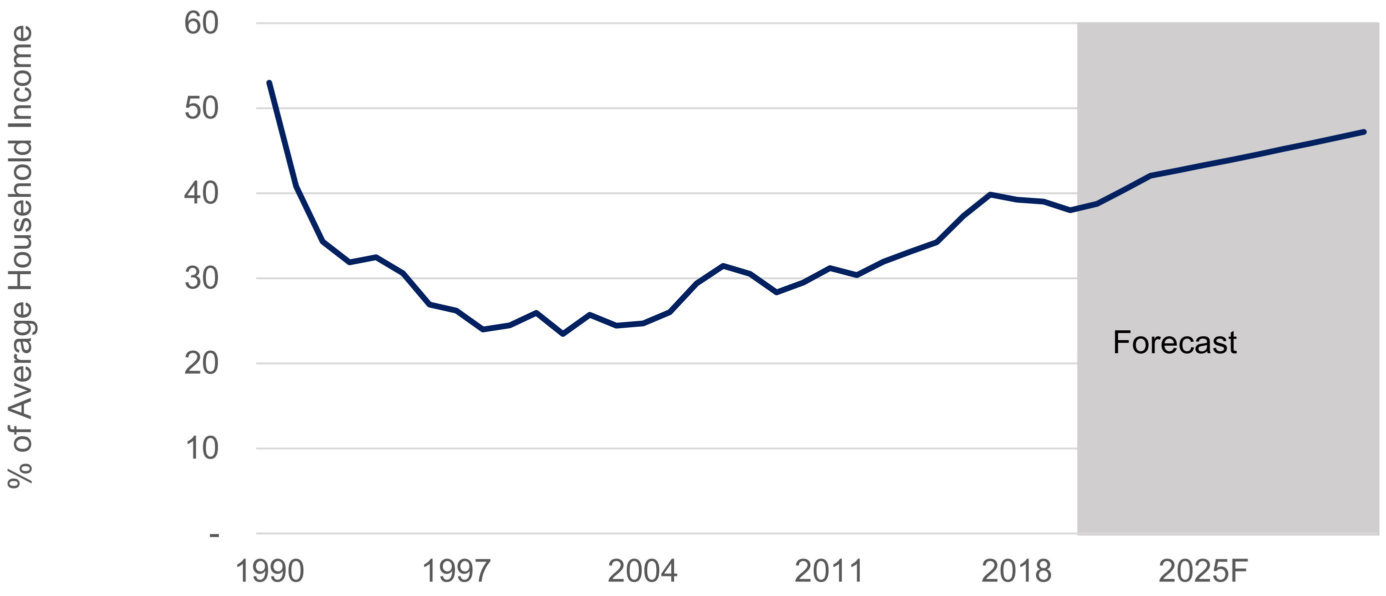
Housing Units Under Construction by Market and by Dwelling Type, Toronto CMA, as of December 2019



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

Metrics of Ownership Affordability to Continue to Climb…

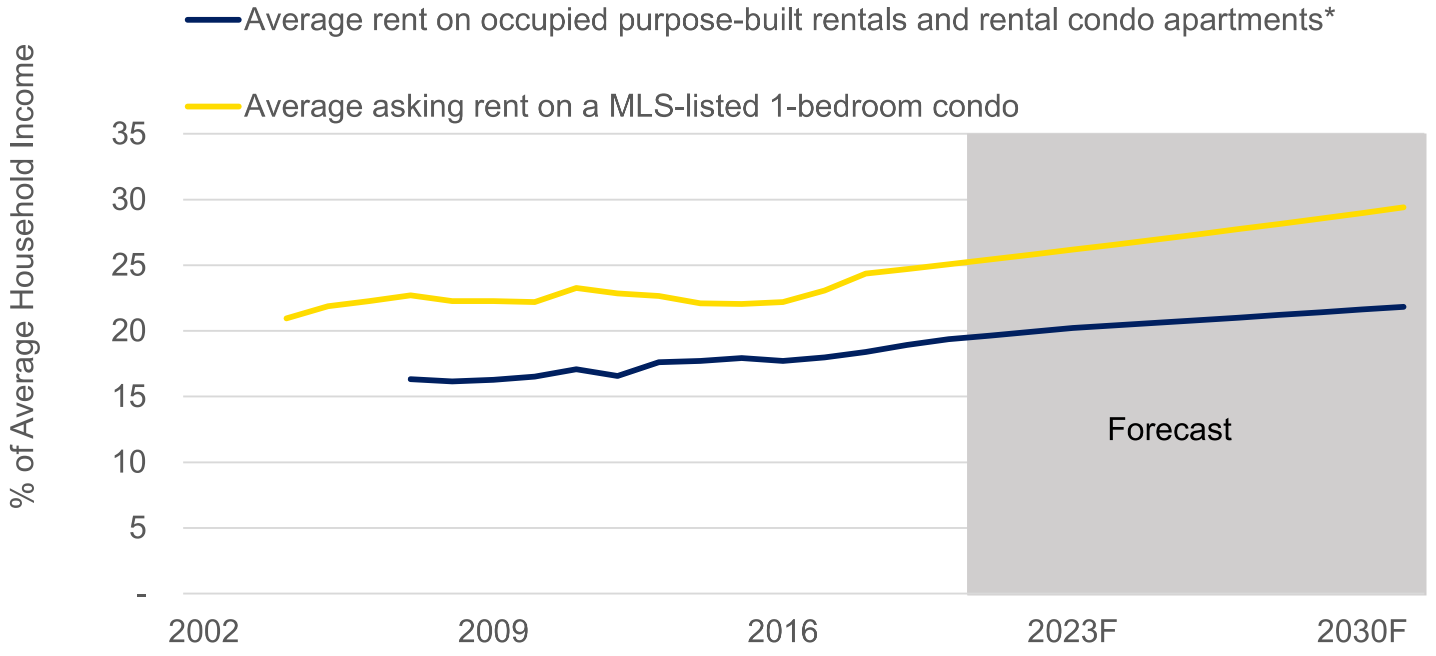
Past and Future Home Purchase Affordability* in the GTHA**, 2002-2031F



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

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

- Speeding up development around major transit stations currently surrounded by low-density areas.