

# Webinar

## ULI Toronto: Affordable Housing in the GTA ??? Day 3: Demand Side: Supply And Demand

Date: November 23, 2022

00:00:08 --> 00:00:12: Good afternoon. As people start trickling in, we're going to

00:00:12 --> 00:00:17: quickly run our spring meeting 2023 conference video in hopes

00:00:17 --> 00:00:19: that you'll be interested in this.

00:02:36 --> 00:02:41: Good afternoon. Uli prepares to welcome 4000 international experts from

00:02:41 --> 00:02:44: across the real estate and land use industries to Toronto

00:02:45 --> 00:02:47: Next May 16th to 18th. This is your chance to

00:02:47 --> 00:02:49: make a valuable connections.

00:02:49 --> 00:02:53: To the international real estate and development market listened on

00:02:53 --> 00:02:57: paralleled speakers and join our exclusives tours to learn more

00:02:57 --> 00:03:00: about the UI2023 spring meeting. The link you can see

00:03:00 --> 00:03:02: has now been put into the chat.

00:03:04 --> 00:03:06: We also would like to just flag that this is

00:03:06 --> 00:03:09: a great time to become a member of your life

00:03:09 --> 00:03:12: if you're not already, and if you are already, to

00:03:12 --> 00:03:15: use your membership to its fullest. There's a number of

00:03:15 --> 00:03:18: really incredible values, and I'm just going to this slide

00:03:18 --> 00:03:21: just mentions a few of them, including access to our

00:03:21 --> 00:03:23: global membership directory.

00:03:24 --> 00:03:29: Networking through our navigator process and the the behind the

00:03:29 --> 00:03:34: paywall knowledge Finder, which is an incredible treasure trove of

00:03:35 --> 00:03:40: archives going back to the 1940s of international best practices

00:03:40 --> 00:03:44: as case studies and so forth that that Members have

00:03:44 --> 00:03:48: access to. So we encourage you to become a member.

00:03:49 --> 00:03:53: Good afternoon. My name is Richard Joy, executive director of

00:03:53 --> 00:03:56: ULI Toronto and welcome to our third webinar in our

00:03:57 --> 00:04:00: five Part Webinar Series, this one demand side examining the

00:04:00 --> 00:04:03: under discussed Southside of supply and demand.

00:04:04 --> 00:04:08: For this, I'd like to begin with the land acknowledgement.

00:04:08 --> 00:04:11: As a Toronto region based organization, we acknowledge that the

00:04:11 --> 00:04:15: land we are meeting on virtually is the traditional territory

00:04:15 --> 00:04:17: of many nations including.

00:04:17 --> 00:04:21: The Mississaugas of the Credit, the Anishinabe, the

00:04:21 --> 00:04:24: Huron-Wendat, the Ojibwa and is now home to

00:04:24 --> 00:04:28: many diverse First Nation, Inuit and Métis people. We also

00:04:28 --> 00:04:31: acknowledged that Toronto is covered by trading 13 with the

00:04:31 --> 00:04:35: Mississaugas of the credit. We are all treated people. Many

00:04:35 --> 00:04:38: of us have come here as settlers, immigrants and newcomers

00:04:38 --> 00:04:40: in this generation or generations past.

00:04:41 --> 00:04:45: ULI stands in solidarity with indigenous communities, demanding action and

00:04:45 --> 00:04:48: accountability for the ongoing legacy of the residential school system.

00:04:49 --> 00:04:51: We'd like to also acknowledge and honor those who've come

00:04:51 --> 00:04:55: here involuntarily, particularly descendants from those who brought here through

00:04:55 --> 00:04:55: enslavement.

00:04:56 --> 00:05:00: Better to better understand the meaning behind this land acknowledgement,

00:05:00 --> 00:05:03: we recommend for programs that we've uploaded to YouTube and

00:05:03 --> 00:05:05: these links will be made available in a chat.

00:05:06 --> 00:05:10: Today's event and other ULI programming just simply not be possible without the support of ULI's annual sponsors and we

00:05:10 --> 00:05:13: would like to thank them all for that support. Now

00:05:13 --> 00:05:16: more than ever you I relies on the support of

00:05:16 --> 00:05:19: our sponsors to put on high quality programs such as

00:05:19 --> 00:05:22: today and to drive our mission to shape the future

00:05:22 --> 00:05:25: of the built environment for transformative impact in communities worldwide.

00:05:25 --> 00:05:29:

00:05:29 --> 00:05:31: To all our sponsors, I say thank you.

00:05:32 --> 00:05:36: It's now my pleasure to introduce today's moderator, Sherise Burda,

00:05:36 --> 00:05:40: Executive director of City Building Research and Innovation at Toronto

00:05:40 --> 00:05:43: Metropolitan University. City building research and innovation.

00:05:45 --> 00:05:47: Before I headed over to streets, I want to make

00:05:48 --> 00:05:50: one note to our audience that you and I is

00:05:50 --> 00:05:54: a nonpartisan organization and we do not advocate on public

00:05:54 --> 00:05:56: policy, pro or con. You will not see us taking

00:05:57 --> 00:06:00: positions on matters of, you know, that are that are

00:06:00 --> 00:06:03: before us today, for example. But we do look at

00:06:03 --> 00:06:06: the public policy landscape and with a critical lens. And

00:06:06 --> 00:06:09: the reason for this five part series is just just

00:06:09 --> 00:06:13: that, to examine the angles of really important public policy

00:06:13 --> 00:06:14: discussions as part of.

00:06:14 --> 00:06:17: Our advancement of our of our global mission.

00:06:18 --> 00:06:21: We have a jam packed agenda today, so unfortunately we

00:06:21 --> 00:06:23: have time for audience Q&A. But with that series and

00:06:24 --> 00:06:26: you're, you're more full introduction, your bio is in the

00:06:27 --> 00:06:29: chat as well, the other panelists be made available as

00:06:29 --> 00:06:32: well. So sunrise over to you know, I'll see you

00:06:32 --> 00:06:32: at the end.

00:06:34 --> 00:06:37: Thank you, Richard and thanks to you Ali for this

00:06:37 --> 00:06:42: excellent week long program on the affordable housing crisis.

00:06:42 --> 00:06:46: If

00:06:46 --> 00:06:50: you tuned in yesterday, it was a super exciting discussion

00:06:50 --> 00:06:54: on supply and today we're going to spend some time

00:06:54 --> 00:06:59: focusing on the under discussed demand factors, how these are

00:06:59 --> 00:07:02: contributing to the affordable housing crisis, how these may be

00:07:02 --> 00:07:06: impacting rental or ownership differently.

00:07:06 --> 00:07:09: And how changes to government policies and programs can address

00:07:09 --> 00:07:14: certain demand factors and promote affordability.

00:07:14 --> 00:07:19: So we have a really fantastic panel who are known

00:07:19 --> 00:07:24: for their data-driven research. So each panelist will be making

00:07:24 --> 00:07:28: opening remarks with the aid of their most excellent graphs

00:07:28 --> 00:07:29: and other visuals and then we will have a moderated discussion.

00:07:31 --> 00:07:33: So to save time for discussion, I will not be

00:07:33 --> 00:07:35: making lengthy introductions.

00:07:36 --> 00:07:39: Each of the panelists BIOS will be shared in the

00:07:39 --> 00:07:42: chat, so let's begin by introducing the panel.

00:07:44 --> 00:07:47: Shawn Hildebrand is president of urban nation.

00:07:48 --> 00:07:53: Tobias or Wall as Vice President, Investment Tricon Residential and

00:07:53 --> 00:07:58: John Passalis is president and broker of Real Losophy Realty

00:07:58 --> 00:08:04: and Steve Pomeroy is industry professor and executive advisor, McMaster

00:08:04 --> 00:08:11: University, Canadian Housing Evidence collaborative and senior research fellow at

00:08:11 --> 00:08:12: Carleton University.

00:08:13 --> 00:08:18: All right. Let's begin with the opening comments from each

00:08:18 --> 00:08:22: of you on demand factors and how these are impacting

00:08:22 --> 00:08:28: housing affordability. Steve, let's kick off the data drive with

00:08:28 --> 00:08:30: or data dive with you.

00:08:30 --> 00:08:33: Great. Thanks Sir. Cherise and it's a pleasure to be

00:08:33 --> 00:08:36: here with you all today to to talk about this

00:08:36 --> 00:08:39: tonight. But I agree with you, the demand side has

00:08:39 --> 00:08:42: to some extent been been relegated relative to the discussion

00:08:42 --> 00:08:43: on supply. Next slide.

00:08:45 --> 00:08:48: What I want to talk about are sort of 3/3

00:08:48 --> 00:08:51: aspects of demand and and I I like to distinguish

00:08:51 --> 00:08:54: between the quantity of demand, how many people do we

00:08:54 --> 00:08:58: have actually seeking housing as well as the quality of

00:08:58 --> 00:09:01: demand, who are they and what is their capacity to

00:09:01 --> 00:09:04: pay. And I think these have very significant impacts in

00:09:04 --> 00:09:07: terms of pressures on on on price and rents Just to

00:09:07 --> 00:09:10: begin with the the quantity and what we've really seen

00:09:11 --> 00:09:13: is that much of the discourse has said we're, we

00:09:14 --> 00:09:15: have this chronic shortage of.

00:09:15 --> 00:09:18: We have this under supply and I think what's really

00:09:19 --> 00:09:21: happening is that we have you know we we do

00:09:21 --> 00:09:24: do not have enough supply but it's really been caused

00:09:24 --> 00:09:28: and and the problem has been seriously exacerbated in the

00:09:28 --> 00:09:31: last five years by a massive surge in growth largely

00:09:31 --> 00:09:35: from immigration or natural growth is actually very tiny nationally

00:09:35 --> 00:09:38: and in Ontario most of our growth comes from immigration

00:09:39 --> 00:09:43: and within within our cities and within our provinces interprovincial

00:09:43 --> 00:09:46: and intra provincial migration is a big part of that.

00:09:47 --> 00:09:50: What this child is showing us and it's Ontario rather

00:09:50 --> 00:09:53: than Toronto specifically, but the the pattern is very similar

00:09:53 --> 00:09:55: in Toronto is this massive surge and we kind of

00:09:55 --> 00:09:57: see a big growth of the the green is the

00:09:57 --> 00:10:01: the international migration and the the purple leaf, whatever kind

00:10:01 --> 00:10:03: of that happens to be is the this thing called

00:10:03 --> 00:10:07: non permanent residence. It's something we don't really sort of

00:10:07 --> 00:10:10: recognize very much. But these are temporary foreign workers and

00:10:10 --> 00:10:14: international students. The temporary foreign workers are quite a small

00:10:14 --> 00:10:17: part of it, the vast majority of international students.

00:10:17 --> 00:10:20: And this is largely a function of constrained funding for

00:10:20 --> 00:10:24: universities and the only source of new funding for universities

00:10:24 --> 00:10:27: is to go out and attract and recruit international students

00:10:27 --> 00:10:30: who come directly into the rental market. So this really

00:10:30 --> 00:10:33: has a very significant impact on the rental market. 2021

00:10:34 --> 00:10:38: Canada approved study visas for 600,000 international students. That has

00:10:38 --> 00:10:41: a massive impact on our rental markets and particularly small

00:10:41 --> 00:10:45: cities, kingstons, the Peterborough of the world that have relatively

00:10:45 --> 00:10:47: small rental stocks and are.

00:10:47 --> 00:10:50: Impacted by that, kind of that kind of.

00:10:51 --> 00:10:54: Newcomer and the reality is as demand has increased, we

00:10:54 --> 00:10:58: all know that housing is inherently the, you know, the

00:10:58 --> 00:11:01: supply elasticity of housing is very, very low. People can

00:11:01 --> 00:11:04: get on a plane this morning and arrive tonight. We

00:11:04 --> 00:11:07: can't reduce the house for three or four years. So

00:11:07 --> 00:11:10: that's you know the real conundrum that we have there.

00:11:10 --> 00:11:13: So that's really the quantity. Next slide on, on the

00:11:13 --> 00:11:16: quality piece, this is not news to anybody, but I

00:11:16 --> 00:11:19: think it's an important feature of the demand side and

00:11:19 --> 00:11:22: we've seen you know relatively steady growth in incomes.

00:11:22 --> 00:11:26: And dramatic decline in interest rates. Next slide. When we

00:11:26 --> 00:11:29: put these two things together, the combination of you for

00:11:29 --> 00:11:33: every dollar of income at the prevailing interest rate in

00:11:33 --> 00:11:36: any one year creates the capacity to pay a leverage

00:11:36 --> 00:11:40: effect. And on the one hand, while observers have been

00:11:40 --> 00:11:44: expressed concern about the the widening gap between incomes and

00:11:44 --> 00:11:47: prices, the reality is because of the growth of income

00:11:47 --> 00:11:51: and because of the dramatic decline in interest rates, the

00:11:51 --> 00:11:52: leverage effect.

00:11:52 --> 00:11:55: Of the average household is actually very, very strong. And

00:11:55 --> 00:11:58: in this on the right hand side, the, the Gray

00:11:58 --> 00:12:01: bar line is the leverage effect. The Orange Line is

00:12:01 --> 00:12:03: prices. And what we can see is that for the

00:12:03 --> 00:12:06: average consumer, their capacity to pay in their capacity to

00:12:06 --> 00:12:10: borrow has exceeded the home price in efforts. These consumers

00:12:10 --> 00:12:13: that have actually pulled prices up, it's not that they're

00:12:13 --> 00:12:16: being pushed out. They're being pulled up by capacity to

00:12:16 --> 00:12:19: pay, particularly by a small number of households who are

00:12:20 --> 00:12:22: active in the market in any one year.

00:12:22 --> 00:12:25: We sell around about 700,000 homes between resales and new

00:12:26 --> 00:12:29: construction. That's only about 5% of households in the country.

00:12:29 --> 00:12:32: So a very, very small number of households can have

00:12:32 --> 00:12:35: a very, very big effect in the marketplace

00:12:37 --> 00:12:41: The the other part that's happened is we've we've seen

00:12:41 --> 00:12:44: very, very substantial increases in home prices over the last

00:12:44 --> 00:12:48: few years particularly. And what we see in this chart

00:12:48 --> 00:12:51: is the, the, the amount of of residential mortgage debt,

00:12:51 --> 00:12:54: which is just under two billion, \$2 billion. The Orange

00:12:54 --> 00:12:58: Line, the amount of equity that the 10.5 million homeowners

00:12:58 --> 00:13:01: in the country actually own and the Gray bars are

00:13:01 --> 00:13:05: the amount of equity they've accumulated and we've seen a

00:13:05 --> 00:13:07: dramatic increase in the amount of.

00:13:07 --> 00:13:10: Equity in the last number of years, the equity in

00:13:10 --> 00:13:13: the aggregate amount of equity growing by over \$4 trillion,

00:13:14 --> 00:13:17: eight times the rate of growth in debt. So people

00:13:17 --> 00:13:21: of of accumulated appreciation begets more appreciation. And as I

00:13:21 --> 00:13:24: mentioned, the small number of households that are active in

00:13:24 --> 00:13:28: the market where they have these massive amounts of equity

00:13:28 --> 00:13:31: available to them. You know, 2/3 to 3/4 of buyers

00:13:31 --> 00:13:35: are existing owners and they're using this, this little bags

00:13:35 --> 00:13:37: of money, if you will, to help them.

00:13:37 --> 00:13:41: Either either by investment properties or change their their

00:13:41 --> 00:13:44: place of residence in the market and it's very, very

00:13:44 --> 00:13:47: difficult for first time buyers who are scraping together a

00:13:47 --> 00:13:50: down payment to compete against the folks who have massive

00:13:50 --> 00:13:54: amounts of purchasing power as a consequence of benefiting from

00:13:54 --> 00:13:57: price appreciation. So it really has to some extent distorted

00:13:57 --> 00:14:00: the the price pressures in the marketplace. Next slide.

00:14:02 --> 00:14:05: I suggest diminishing to conclude that many. I mean the

00:14:05 --> 00:14:08: and the point of this panel is that yeah absolutely

00:14:08 --> 00:14:10: we need supply to keep up with growth, but it's

00:14:10 --> 00:14:13: really demand factors that have a bigger influence on prices

00:14:13 --> 00:14:17: and rents. Certainly, you know with the federal government having

00:14:17 --> 00:14:20: announced quite high immigration targets for the next few years,

00:14:20 --> 00:14:24: 550,000 permanent residents across the country, clearly this is not

00:14:24 --> 00:14:26: going to slow down. In fact it's going to increase.

00:14:28 --> 00:14:30: But at the same time, while we do need to

00:14:30 --> 00:14:34: increase supply, increasing supply alone won't necessarily address the more

00:14:34 --> 00:14:37: fundamental problem which people are talking about, which is affordability

00:14:37 --> 00:14:40: of housing. And you know, it's currently in Australia, it's

00:14:40 --> 00:14:43: Robert, Kasich said yesterday. And then you're really tiff machining

00:14:43 --> 00:14:46: in the bank account and there are probably doing the

00:14:46 --> 00:14:48: most work in this area in terms of correcting for

00:14:48 --> 00:14:51: price by raising the cost of borrowing and reversing that

00:14:51 --> 00:14:54: leverage trends that I showed earlier. So my concluding point

00:14:54 --> 00:14:56: is really that we don't just need any new supply,

00:14:56 --> 00:14:58: we have to be quite specific about.

00:14:58 --> 00:15:01: What type of supply and what built form who we're

00:15:01 --> 00:15:04: targeting and the kind of price and rent levels that's

00:15:04 --> 00:15:07: that's involved in that? And clearly once we get down

00:15:07 --> 00:15:09: to the low income folks who are under extreme stress,

00:15:09 --> 00:15:12: there's a clear role for public policy to address their

00:15:12 --> 00:15:16: inability to actually have effective demand in the marketplace. So

00:15:16 --> 00:15:19: I look forward to the discussion. Thank you very much.

00:15:27 --> 00:15:30: Thanks. Thanks, Steve. Over to you, John.

00:15:31 --> 00:15:33: Thank you for having me. So I I mean I

00:15:33 --> 00:15:37: find I found the title of this this session interesting,

00:15:37 --> 00:15:40: the undiscussed side of supply and demand which which is

00:15:40 --> 00:15:44: interesting because you know when we look at the factors

00:15:44 --> 00:15:47: that that drive house prices up, I mean the most

00:15:47 --> 00:15:50: basic ones you know interest rates and and the you

00:15:50 --> 00:15:50: know.

00:15:50 --> 00:15:54: Changing credit that goes along with that population growth and

00:15:54 --> 00:15:57: then new completions in terms of supply.

00:15:57 --> 00:16:01: The only variable that really hasn't changed very much over

00:16:01 --> 00:16:03: the past 20 years quite frankly is supply. I mean

00:16:04 --> 00:16:07: when we look at the other variables interest rate, credit

00:16:07 --> 00:16:10: growth and and population growth, I mean those have exploded.

00:16:10 --> 00:16:13: So it's it's quite odd. I find it odd at

00:16:13 --> 00:16:15: least to to hear that you know a lot of

00:16:15 --> 00:16:18: people argue that the the fundamental cause of of what

00:16:18 --> 00:16:21: we're experiencing today in our housing market is a supply

00:16:21 --> 00:16:25: issue when obviously the big factors that are changing are

00:16:25 --> 00:16:27: are all demanded driven. So we clearly have.

00:16:27 --> 00:16:30: A massive growth in demand caused by population growth and

00:16:30 --> 00:16:34: and and declining interest rates and certainly supply isn't keeping

00:16:34 --> 00:16:37: up but you know it's supply alone enough to to

00:16:37 --> 00:16:39: you know to catch up with demand and I think

00:16:39 --> 00:16:42: it's not and and you know without getting into the

00:16:42 --> 00:16:45: macro questions of whether they can or not which were

00:16:45 --> 00:16:48: discussed yesterday. I mean I thought I'd take a more

00:16:48 --> 00:16:51: micro look at sort of a misunderstanding I think that

00:16:51 --> 00:16:54: some of the supply advocates have about what's needed and

00:16:54 --> 00:16:56: what the problems are and this next slide has you

00:16:57 --> 00:16:58: know one of the policy.

00:16:58 --> 00:17:02: Recommendations from the Housing Affordability Task Force to allow, as

00:17:02 --> 00:17:04: of right residential housing up to four units and up

00:17:04 --> 00:17:07: to four stories. The idea here is that, you know,

00:17:07 --> 00:17:09: the gap is that there are so many people who

00:17:09 --> 00:17:13: want to build Multiplex homes that they're just not allowed.

00:17:13 --> 00:17:16: And if we legalize this missing middle type of housing,

00:17:16 --> 00:17:18: we'll see this sea of multiplexes being built and it'll

00:17:19 --> 00:17:22: help contribute to our, our housing affordability crisis. But when

00:17:22 --> 00:17:25: you look on the ground, that's actually not what's happening.

00:17:25 --> 00:17:28: That's not where the demand is when you look at

00:17:28 --> 00:17:29: what's happening.

00:17:29 --> 00:17:32: You know this this next photo which is a a

00:17:32 --> 00:17:35: tweet that kind of made the rounds in the past



00:17:35 --> 00:17:38: week is more an example of what's actually happening on  
00:17:38 --> 00:17:42: the ground that more and more people are actually taking  
00:17:42 --> 00:17:46: existing multiplexes and converting them to single family  
homes. So,  
00:17:46 --> 00:17:50: so legalizing multiplexes in and of itself will not result  
00:17:50 --> 00:17:53: in a massive boom in in in new starts or  
00:17:53 --> 00:17:57: or conversions to fourplexes. So why are people converting  
multiplexes  
00:17:57 --> 00:17:59: to single family homes?  
00:17:59 --> 00:18:02: And I think there are two primary reasons. I mean  
00:18:02 --> 00:18:05: for starters, you know, this next slide shows the number  
00:18:05 --> 00:18:08: of completions for low rise homes in the GTA. So  
00:18:08 --> 00:18:11: our population is exploding and we're not building family  
sized  
00:18:11 --> 00:18:14: homes. You know, and I focused on low rise because  
00:18:14 --> 00:18:17: you know the average size for condominiums now is  
probably  
00:18:17 --> 00:18:20: 600 square feet or 61N change and that's not big  
00:18:20 --> 00:18:22: enough for families. So you know, not only are we  
00:18:22 --> 00:18:25: not building enough, you know, low rise or family, I  
00:18:25 --> 00:18:28: should say family size. So it doesn't matter if they're  
00:18:28 --> 00:18:30: low rise, but the point is.  
00:18:30 --> 00:18:33: Family sized homes, we're not building enough for our  
population  
00:18:34 --> 00:18:36: growth. But on top of that, the stock of existing  
00:18:36 --> 00:18:40: family sized homes that is available to be bought by  
00:18:40 --> 00:18:44: end users and families, there's actually shrinking over time  
because  
00:18:44 --> 00:18:46: more and more of them are going into the hands  
00:18:46 --> 00:18:50: of investors, both small investors and institutional. And this  
next  
00:18:51 --> 00:18:54: slide has a quote from our Housing minister who argues  
00:18:54 --> 00:18:57: that, you know, small time landlords provide rental stock to  
00:18:57 --> 00:19:00: Canadian families and individuals. So we need to.  
00:19:00 --> 00:19:03: Net we we don't want to negatively affect them because  
00:19:03 --> 00:19:07: they're actually providing rental service. I mean this is quite  
00:19:07 --> 00:19:09: frankly is a very silly argument. I mean the the  
00:19:09 --> 00:19:12: investors are not solving our housing crisis. I mean what  
00:19:12 --> 00:19:15: they're doing is and our housing misters is an investor  
00:19:15 --> 00:19:17: I think he owns a townhome in the in Ottawa  
00:19:17 --> 00:19:20: suburbs. I mean and and by owning it what what's  
00:19:20 --> 00:19:22: happening and when you do this on scale is the  
00:19:23 --> 00:19:26: investors are taking homes that were intended to be owner  
00:19:26 --> 00:19:29: occupied. They're taking them out of the market, they're

basically  
 00:19:29 --> 00:19:30: using them as assets.  
 00:19:30 --> 00:19:33: So there are fewer homes for people to buy, which  
 00:19:34 --> 00:19:37: you know drives prices up and actually creates rental demand  
 00:19:37 --> 00:19:40: and we can kind of see this on the ground.  
 00:19:40 --> 00:19:42: So if we look at, I mean I, I work  
 00:19:42 --> 00:19:46: with MLS data because I'm in the real estate brokerage  
 00:19:46 --> 00:19:49: industry. And when we look at some statistics and we  
 00:19:49 --> 00:19:52: say, OK, how many homes each year were either bought  
 00:19:53 --> 00:19:56: and converted to rentals by investors or that were likely  
 00:19:56 --> 00:19:59: owner occupied for a number of years and then after  
 00:20:00 --> 00:20:01: the owner moved out.  
 00:20:01 --> 00:20:05: They converted them to a rental property. This next slide  
 00:20:05 --> 00:20:08: shows those numbers on an annual basis and we can  
 00:20:08 --> 00:20:11: kind of see that they've exploded, you know from around  
 00:20:11 --> 00:20:14: 3000 in 2006, you know, to close to 14,000 in  
 00:20:14 --> 00:20:17: the peak. So what we're seeing here is 10s of  
 00:20:17 --> 00:20:21: thousands of homes every year that are basically converted to  
 00:20:21 --> 00:20:26: rental properties, right. And what this is doing effectively and  
 00:20:26 --> 00:20:29: our next slide is that it's one of the reasons  
 00:20:29 --> 00:20:31: why our homeownership rate is actually.  
 00:20:31 --> 00:20:35: Declining overtime because fewer homes are available to be bought  
 00:20:35 --> 00:20:39: by end user families, those families are getting pushed into  
 00:20:39 --> 00:20:42: the rental market. It's driving house prices up and and  
 00:20:42 --> 00:20:45: again this isn't, I don't see this this kind of  
 00:20:45 --> 00:20:49: very neoliberal vision that our governments are putting forward as  
 00:20:49 --> 00:20:52: a solution to either market rate housing or market rents  
 00:20:52 --> 00:20:56: and of course obviously not deeply affordable housing either.  
 00:20:56 --> 00:20:59: So  
 00:20:59 --> 00:21:02: I think we can have a lot of challenges in  
 00:21:02 --> 00:21:02: the future and and I don't think they can all  
 00:21:02 --> 00:21:04: be met.  
 00:21:04 --> 00:21:07: With with strictly supply solutions.  
 00:21:07 --> 00:21:10: And I'll leave it at that.  
 00:21:10 --> 00:21:16: Thanks a lot, John. And I think to Tobias is  
 00:21:16 --> 00:21:16: next.  
 00:21:17 --> 00:21:18: Yes.  
 00:21:19 --> 00:21:19: Thanks, rice.  
 00:21:20 --> 00:21:23: So I think to a certain extent our housing affordability

00:21:23 --> 00:21:26: problem, certainly it's not easy to solve, but it's not  
00:21:26 --> 00:21:30: that hard to understand either. And it's all relatively simple  
00:21:30 --> 00:21:32: math. So I'm going to be repeating a lot of  
00:21:32 --> 00:21:35: the concepts that we're already brought up here, like the  
00:21:35 --> 00:21:38: amount of people and their capacity to pay capacity to  
00:21:38 --> 00:21:41: pay family sized units. But as a developer of purpose  
00:21:41 --> 00:21:44: built rentals myself, I'm going to look at the overall  
00:21:44 --> 00:21:47: drivers of housing demand, but I'm going to focus on  
00:21:47 --> 00:21:50: distinguishing rental demand drivers from 4 sale demand  
drivers.

00:21:51 --> 00:21:53: And how that has helped shaped our our built environment  
00:21:54 --> 00:21:56: and I'm going to focus particularly on Toronto.  
00:21:57 --> 00:21:58: So next slide please.

00:21:59 --> 00:22:01: I think the the 1st overall point that I'd like  
00:22:01 --> 00:22:04: to make and that everyone has been making is that  
00:22:04 --> 00:22:07: you know, demand is composed of not just people but  
00:22:07 --> 00:22:10: basically money. So it's on the rental side, it's households  
00:22:10 --> 00:22:13: and cash and on the for sale side it's households  
00:22:13 --> 00:22:15: and cash. But then you have to add in credit  
00:22:15 --> 00:22:18: and government subsidies into the mix. And to put a  
00:22:18 --> 00:22:21: finer point on the number of people, I think the  
00:22:21 --> 00:22:25: headline stories of of immigration and population growth  
continue to

00:22:25 --> 00:22:27: be important, but at the end of the day there  
00:22:27 --> 00:22:29: are demographic and economic forces.  
00:22:29 --> 00:22:33: That are shaping household information that are more long  
term

00:22:33 --> 00:22:35: and that the government can't really affect in the same  
00:22:35 --> 00:22:38: way that it does our immigration numbers. I'm thinking of  
00:22:38 --> 00:22:42: things like the average household size that's been gradually  
and

00:22:42 --> 00:22:45: steadily decreasing over time in Canada as people form  
households

00:22:45 --> 00:22:47: later in life or not at all, and as they  
00:22:47 --> 00:22:48: have fewer children.

00:22:49 --> 00:22:52: The cash piece of the equation is relatively simple. It's  
00:22:52 --> 00:22:56: effectively the labor market and wages and then we get  
00:22:56 --> 00:22:59: into the demand drivers that affect for sale housing  
specifically.

00:22:59 --> 00:23:02: So both John and Steve touched on the credit market  
00:23:02 --> 00:23:05: and I think we all have a first hand experience  
00:23:05 --> 00:23:07: of what's going on in the last 6 to 8  
00:23:07 --> 00:23:11: months as as increasing mortgage rates have affected  
people's ability

00:23:11 --> 00:23:14: to buy homes. And then finally on the demand side,

00:23:14 --> 00:23:18: subsidies for for sale housing, we have subsidies provided by

00:23:18 --> 00:23:19: the government.

00:23:19 --> 00:23:22: And we've decided as a society that home ownership should

00:23:22 --> 00:23:25: be encouraged, and we subsidize this through a variety of

00:23:25 --> 00:23:27: subsidies, subsidies and tax incentives.

00:23:28 --> 00:23:31: And all these demand drivers have an overlay of psychology

00:23:31 --> 00:23:34: and emotion and human behavior at the end of the

00:23:34 --> 00:23:36: day as well. And these are not as easy to

00:23:36 --> 00:23:39: quantify. But I think we'd all agree that as we

00:23:39 --> 00:23:41: saw in the last couple of years on the way

00:23:41 --> 00:23:44: up, the for sale market is fueled by a certain

00:23:44 --> 00:23:48: amount of FOMO and classic inflationary spiral dynamics

00:23:48 --> 00:23:51: where people

00:23:51 --> 00:23:54: rush to buy now to avoid future price increases. Another

00:23:54 --> 00:23:57: hard to quantify but real phenomenon is the presence of

00:23:57 --> 00:23:58: fraud and the lack of enforcement of existing rules in

00:23:58 --> 00:24:02: our system falsification.

00:24:02 --> 00:24:06: Sources of income, exaggeration of loan documents. These

00:24:06 --> 00:24:06: are all

00:24:07 --> 00:24:10: increasing access to credit and fueling demand for for sale

00:24:10 --> 00:24:12: housing.

00:24:12 --> 00:24:15: So if you go to the next slide and we

00:24:15 --> 00:24:18: go back to our ECON 101 textbooks.

00:24:18 --> 00:24:19: Well, remember that all these demand drivers don't move us

00:24:20 --> 00:24:22: up and down on the demand curve, but they shift

00:24:22 --> 00:24:25: the whole curve itself.

00:24:25 --> 00:24:27: So if we think of this first graph as the

00:24:27 --> 00:24:30: baseline equilibrium price established by the intersection of

00:24:30 --> 00:24:31: supply and

00:24:32 --> 00:24:36: demand, we can take a quick look at the supply

00:24:36 --> 00:24:39: constraints that we're all familiar with and that we're

00:24:39 --> 00:24:42: discussed

00:24:42 --> 00:24:44: yesterday. So next slide, please.

00:24:44 --> 00:24:46: So hard and soft cost inflation, long entitlement durations,

00:24:46 --> 00:24:49: lack

00:24:49 --> 00:24:52: of as of right density options, all these things constrain

00:24:52 --> 00:24:56: the supply of housing and shift the curve left, decreasing

00:24:56 --> 00:24:59: the number of housing units that are built and raising

00:24:59 --> 00:25:02: the price for those that are.

00:25:02 --> 00:25:05: And on the next slide, we'll take a look at

00:25:05 --> 00:25:08: the 4 sale housing demand drivers and all the things

00:25:08 --> 00:25:11: that I mentioned earlier, number of households, labor market,

cheap

00:24:56 --> 00:24:59: credit, FOMO and fraud. All these things shift the demand

00:24:59 --> 00:25:02: curve, raising the price per unit of housing and theoretically

00:25:02 --> 00:25:05: making it economical for builders to deliver more supply to

00:25:05 --> 00:25:08: meet that demand. If we go to the next slide,

00:25:08 --> 00:25:11: we'll see the same thing but for the rental market.

00:25:11 --> 00:25:14: And again, we're looking at households and cash, but I

00:25:14 --> 00:25:17: think it's important to point out that if a household.

00:25:17 --> 00:25:19: It's in the for sale market fails to purchase a

00:25:19 --> 00:25:22: unit that doesn't decrease the overall demand for housing. It

00:25:22 --> 00:25:25: just moves that household from the for sale market into

00:25:25 --> 00:25:28: the rental market and that's likely what we're seeing right

00:25:28 --> 00:25:31: now right as people get priced out of home purchases

00:25:31 --> 00:25:34: with rising interest rates and and they're looking for rentals

00:25:34 --> 00:25:37: now when they may be preferred to to own a

00:25:37 --> 00:25:40: home. So demand in the rental markets also affected by

00:25:40 --> 00:25:42: the amount of options in the for sale market.

00:25:43 --> 00:25:46: And on the next slide, we'll talk about the in

00:25:46 --> 00:25:49: in in elasticity of supply of of housing which Steve

00:25:49 --> 00:25:52: mentioned earlier on. So that means that the supply curve

00:25:53 --> 00:25:55: is steep because you can't just turn it on and

00:25:55 --> 00:25:58: off. So in the previous graph, a shift in the

00:25:58 --> 00:26:01: demand curve meaning would mean an increase in prices

00:26:01 --> 00:26:05: with

00:26:01 --> 00:26:05: builders being incentivized to increase supply. But now with

00:26:05 --> 00:26:09: the

00:26:05 --> 00:26:09: steep inelastic curve prices move up more quickly than

00:26:09 --> 00:26:12: increases

00:26:09 --> 00:26:12: in the quantities of of housing units. And so these

00:26:12 --> 00:26:14: are of course conceptual.

00:26:14 --> 00:26:17: Simplified models of supply and demand, but I think they're

00:26:17 --> 00:26:20: helpful in illustrating the interaction between the two and the

00:26:20 --> 00:26:23: dynamics of how prices move up and down. And the

00:26:23 --> 00:26:26: final point that I'd like to make is that housing

00:26:26 --> 00:26:29: tenure, that is, owning or renting a home, it's a

00:26:29 --> 00:26:32: personal or cultural preference. Some people value the

00:26:29 --> 00:26:32: flexibility of

00:26:33 --> 00:26:36: renting and some value the stability of owning. Some people

00:26:36 --> 00:26:39: don't like mowing lawns and shoveling snow, and some

00:26:39 --> 00:26:40: people

00:26:39 --> 00:26:40: are OK.

00:26:40 --> 00:26:44: And I don't believe that there's anything inherently good

00:26:40 --> 00:26:44: about

00:26:44 --> 00:26:47: new home ownership. And the usual justifications for home ownership,

00:26:47 --> 00:26:51: whether they be increased civic participation or the supposed benefits

00:26:51 --> 00:26:54: to children growing up in own homes, these are ultimately

00:26:54 --> 00:26:55: classist.

00:26:55 --> 00:26:59: The financial outperformance of homes, while real, only exists because

00:26:59 --> 00:27:02: of the supply imbalance relative to demand. If there were

00:27:02 --> 00:27:04: true balance in the market, there would be no reason

00:27:04 --> 00:27:07: that home prices should grow at a faster rate than

00:27:07 --> 00:27:08: regular inflation.

00:27:08 --> 00:27:12: And so, as a homeowner myself, I'm certainly not arguing

00:27:12 --> 00:27:15: against homeownership. What I am arguing for is a system

00:27:15 --> 00:27:17: where people can choose to rent or own the full

00:27:17 --> 00:27:21: spectrum of housing types, and where home ownership is not

00:27:21 --> 00:27:24: subsidized by taxpayers. And where the burden of that

00:27:24 --> 00:27:27: subsidy

00:27:27 --> 00:27:30: falls on renters who do not even benefit from those

00:27:30 --> 00:27:31: subsidies, and where those renters are largely low income

00:27:31 --> 00:27:34: and

00:27:34 --> 00:27:35: people of color.

00:27:35 --> 00:27:39: In the case of Toronto, as we see on the

00:27:39 --> 00:27:43: next slide.

00:27:43 --> 00:27:46: The subsidies for home ownership have resulted in condo

00:27:46 --> 00:27:49: development

00:27:49 --> 00:27:52: wildly skewed towards units with fewer bedrooms, shifting

00:27:52 --> 00:27:55: supply curve

00:27:55 --> 00:27:58: for family size units left and making the city increasingly

00:27:58 --> 00:28:00: unaffordable for families. And so this is all to say

00:28:00 --> 00:28:03: that there's a myriad of macroeconomic forces that shape

00:28:03 --> 00:28:09: demand,

00:28:09 --> 00:28:12: but there are also forces within our control that are

00:28:12 --> 00:28:17: distorting the demand side of the housing market and that

00:28:17 --> 00:28:20: we as a society have the ability to change.

00:28:20 --> 00:28:24: And with that, I'll pass it on to Sean.

00:28:24 --> 00:28:27: Great. Yeah. Sorry. Thank you. Thank you very much.

00:28:27 --> 00:28:31: It's it's a pleasure to participate in this panel. There's

00:28:31 --> 00:28:35: been a lot of great content shared so far, a

00:28:35 --> 00:28:39: lot of interesting slides and and data presented and hopefully

00:28:39 --> 00:28:43: I can contribute to that a bit. It's it's it's

00:28:43 --> 00:28:47: interesting to me as someone who tracks new development

00:28:47 --> 00:28:51: activity

00:28:51 --> 00:28:55: very closely how the discourse in the market has shifted

00:28:35 --> 00:28:39: so much towards the supply side recently which is it's

00:28:39 --> 00:28:43: definitely important but when it comes to new developments when

00:28:43 --> 00:28:44: talking about.

00:28:44 --> 00:28:48: Supply issues, you're you're also really talking about demand issues

00:28:48 --> 00:28:51: as well and and this is this is because of

00:28:51 --> 00:28:54: the way we build in the GTA, consider that that

00:28:54 --> 00:28:58: condos represent about 2/3 of all housing developments in the

00:28:58 --> 00:29:02: region. There's now almost 100,000 condoms that are under construction

00:29:02 --> 00:29:05: across the GTA right now plus another 30,000 or so

00:29:05 --> 00:29:09: units in pre construction sales of all they'll be starting

00:29:09 --> 00:29:10: construction soon.

00:29:12 --> 00:29:15: We now have over 2000 condo buildings completed in in

00:29:15 --> 00:29:19: the GTA and that that's that's totaling over 400,000 units.

00:29:19 --> 00:29:23: So the condo market is massive, it's it's it's actually

00:29:23 --> 00:29:27: larger than the number of purpose built rentals that we

00:29:27 --> 00:29:29: have in the GTA right now and that is a

00:29:29 --> 00:29:32: very significant milestone that really tells.

00:29:33 --> 00:29:36: The story of how the GTA landscape has evolved over

00:29:36 --> 00:29:40: the last decade, right. And and and investors own about

00:29:40 --> 00:29:43: 40% of the total cost of stock. They represent about

00:29:43 --> 00:29:46: 6070% of new condo buyers. So when we talk about

00:29:46 --> 00:29:50: supply and GTA, we're also talking about demand and we're

00:29:50 --> 00:29:54: also in particular talking about investor demand and in doing

00:29:54 --> 00:29:58: so, we're also talking about future rental supply. So you

00:29:58 --> 00:30:01: know you can try to help developers on their costs

00:30:01 --> 00:30:04: and their construction speed, but if investors.

00:30:04 --> 00:30:07: Are interested in buying, ultimately it's going to impede on

00:30:07 --> 00:30:09: new development. Next slide please.

00:30:11 --> 00:30:15: We've recently released some reports on the new development market

00:30:15 --> 00:30:18: that have made quite a few headlines. The first being

00:30:18 --> 00:30:21: the the sharp pullback in new condo sales and pre

00:30:21 --> 00:30:25: law pre sale launches recently which is a function of

00:30:25 --> 00:30:29: demand, investor demand but also high development costs today that

00:30:29 --> 00:30:33: are impacting the volume of new projects being brought to

00:30:33 --> 00:30:37: presale and that will eventually impact supply in the future

00:30:37 --> 00:30:40: and with the regions key engine of housing supply.

00:30:40 --> 00:30:44: Growth in condos set to slow down. Unfortunately, there's nothing

00:30:44 --> 00:30:48: else that's been picking up the slack. Rental projects are

00:30:48 --> 00:30:51: also finding it unfeasible to proceed a new low rise

00:30:51 --> 00:30:54: home sales of all but vanished. And on top of

00:30:54 --> 00:30:58: this, as we've heard from the other panelists, we now

00:30:58 --> 00:31:01: have a target for immigration that will reach 500,000 in

00:31:01 --> 00:31:04: a few years. That is an extra 200,000 people per

00:31:04 --> 00:31:08: year above what the country normally brings in as new

00:31:08 --> 00:31:10: immigrants, not to mention.

00:31:10 --> 00:31:14: Non permanent residents, which provides a pretty clear

00:31:14 --> 00:31:17: picture of

00:31:17 --> 00:31:20: what the housing landscape is going to look like in

00:31:20 --> 00:31:24: a few years. Now there's there's obviously a lot of

00:31:24 --> 00:31:27: efforts to raise supply through new housing bills, but I

00:31:27 --> 00:31:30: can assure you that there is almost nothing that the

00:31:30 --> 00:31:33: government can do to correct this situation in the next

00:31:33 --> 00:31:36: few years. Supply is a slow moving machine and it

00:31:36 --> 00:31:37: takes time to turn around in the meantime. Next slide

00:31:37 --> 00:31:38: please.

00:31:38 --> 00:31:41: The conversation around housing is and will continue to be

00:31:42 --> 00:31:45: dominated by high interest rates, still high home prices. And

00:31:45 --> 00:31:49: the combination of the two has caused ownership

00:31:49 --> 00:31:52: affordability to

00:31:52 --> 00:31:54: reach what is perhaps a record low, right worse than

00:31:54 --> 00:31:58: in the early 90s, worse than in the early 80s

00:31:58 --> 00:32:01: when interest rates were in the double digits when you

00:32:01 --> 00:32:04: measure the percentage of of income eaten up by mortgage

00:32:04 --> 00:32:05: payments associated with buying the average price home.

00:32:05 --> 00:32:08: Now you

00:32:08 --> 00:32:08: can sort of overlay these two charts together and see

00:32:08 --> 00:32:12: a very clear.

00:32:12 --> 00:32:16: Negative correlation here and this is quite clearly causing a

00:32:16 --> 00:32:20: sharp reduction in home ownership affordability as viewed

00:32:20 --> 00:32:23: through the

00:32:23 --> 00:32:25: latest census data that we've recently received. And this

00:32:25 --> 00:32:26: shows

00:32:26 --> 00:32:29: home ownership in the GTA falling continuously over the last

00:32:29 --> 00:32:31: 10 years. It's now down to a 20 year low.

00:32:31 --> 00:32:35: It's pretty clear to us that this trend will continue

00:32:35 --> 00:32:38: in the next 10 years. So we need as an

00:32:38 --> 00:32:42: industry to get prepared right there. The government can't

00:32:42 --> 00:32:43: really

00:32:43 --> 00:32:44: control interest rates. I mean it's quasi government, it's the.

00:32:44 --> 00:32:45: Kind of candidates, certainly the job of monetary policy, but



00:32:42 --> 00:32:44: they can influence what type of housing we build.

00:32:46 --> 00:32:50: The reliance on on condos for new developments and investors

00:32:50 --> 00:32:53: for new conduit, it's it's worked very well in a

00:32:53 --> 00:32:58: low interest rate, high price growth environment and investors have

00:32:58 --> 00:33:01: done very, very well over the last 10 years, which

00:33:01 --> 00:33:04: is why we have so many of them. Next chart

00:33:04 --> 00:33:05: please.

00:33:07 --> 00:33:09: But as you can see in the data.

00:33:10 --> 00:33:14: Things are things are shifting quickly. New condo sales in

00:33:14 --> 00:33:17: the third quarter were down nearly 80% year over year.

00:33:17 --> 00:33:20: Outside of the first few months of the pandemic, this

00:33:20 --> 00:33:23: was the lowest volume of new condo sales since the

00:33:23 --> 00:33:26: financial crisis in early 09. As you can see from

00:33:26 --> 00:33:30: the chart on the right, absorption rates for new launches

00:33:30 --> 00:33:32: fell to a near record low and it it really

00:33:32 --> 00:33:36: just shows how difficult the current environment is for developers

00:33:36 --> 00:33:38: to sell and and this time.

00:33:38 --> 00:33:41: You know we we don't have the ability to quickly

00:33:41 --> 00:33:45: recover by dropping interest rates given the inflation fighting course

00:33:45 --> 00:33:47: that we seem to be on. You know, it's it's

00:33:48 --> 00:33:50: it's only one quarter of data for sure, but it

00:33:50 --> 00:33:53: seems unlikely we will be moving back to previous highs

00:33:53 --> 00:33:56: for new condo sales in the near term. So. So

00:33:56 --> 00:33:59: what does this mean? What does this change in demand

00:33:59 --> 00:34:01: mean for the market? Next, next slide please.

00:34:02 --> 00:34:05: Well, there's about a 12 month lag between new condo

00:34:06 --> 00:34:09: sales and construction starts. So by around mid next year,

00:34:09 --> 00:34:13: we'll start to see condo construction levels fall in the

00:34:13 --> 00:34:16: GTA meaningfully for the first time in decades. And and

00:34:16 --> 00:34:20: and this is important given how much weight condos carry

00:34:20 --> 00:34:23: not only to to housing supply but also broader economic

00:34:23 --> 00:34:25: activity in the region.

00:34:26 --> 00:34:28: And then in about four to five years time, the

00:34:28 --> 00:34:31: hit to completions will will come right, which is which

00:34:31 --> 00:34:34: is when the real impact of the slowdown in cognitive

00:34:34 --> 00:34:35: sales would be felt.

00:34:36 --> 00:34:39: In the meantime, however, it will feel like we're building

00:34:39 --> 00:34:42: a lot because that record number of units that are

00:34:42 --> 00:34:45: that are under construction right now will bring about more

00:34:45 --> 00:34:48: completions supply in the near term, we'll benefit from past  
00:34:49 --> 00:34:52: strength and condo demand. Actually next year we're we're  
expecting  
00:34:52 --> 00:34:56: about 30,000 calling completions. Well, it'll, it'll make for a  
00:34:56 --> 00:34:58: record year, but I I believe it's masking what is  
00:34:59 --> 00:35:01: actually happening behind the scenes.  
00:35:02 --> 00:35:05: If you if you flip to the next slide please  
00:35:05 --> 00:35:08: you see that the the eventual slowdown in condo supply  
00:35:08 --> 00:35:11: it's it's going to hit the rental market the hardest.  
00:35:11 --> 00:35:14: The latest census data showed us that close to 60%  
00:35:14 --> 00:35:17: of newly completed condos are used as rentals and and  
00:35:17 --> 00:35:19: you can see from the chart there that just how  
00:35:19 --> 00:35:22: much that share has grown over the past ten years  
00:35:22 --> 00:35:25: and just how important condo investors are to supplying the  
00:35:25 --> 00:35:27: region with new rental supply.  
00:35:28 --> 00:35:31: So as much as we need investors to continue buying  
00:35:31 --> 00:35:34: new condos to supply rental units into the future, the  
00:35:34 --> 00:35:37: economics of doing so right now just don't work as  
00:35:37 --> 00:35:39: well anymore. Next slide, please.  
00:35:40 --> 00:35:42: And and and and this is really because of how  
00:35:43 --> 00:35:45: sticky new condo prices are due to high costs.  
00:35:47 --> 00:35:50: And and and and you can see how that compares  
00:35:50 --> 00:35:53: to the current trends for resale prices. Investors would need  
00:35:53 --> 00:35:56: to pay a record high premium over resale units in  
00:35:56 --> 00:36:00: today's market if if they're if they're looking to buy  
00:36:00 --> 00:36:02: as an investment and and this is fine if you  
00:36:02 --> 00:36:06: believe that the value of the unit will appreciate by  
00:36:06 --> 00:36:08: more than 30 to 40% over the next few years  
00:36:08 --> 00:36:12: while while the units in development but given the current  
00:36:12 --> 00:36:15: landscape not many are willing to take that bet right  
00:36:15 --> 00:36:15: now.  
00:36:16 --> 00:36:19: Next slide please and and on top of this.  
00:36:20 --> 00:36:22: You have a record wide gap that has opened up  
00:36:22 --> 00:36:25: between the cost of owning and the cost of renting  
00:36:25 --> 00:36:29: the same conduit, which creates a situation effectively where  
most  
00:36:29 --> 00:36:32: investors will face negative cash flow.  
00:36:33 --> 00:36:35: And and and and at the same time this is  
00:36:35 --> 00:36:38: putting a lot of upward pressure on rents back right  
00:36:38 --> 00:36:39: as as the economics of renting.  
00:36:40 --> 00:36:43: Become much more favorable in a greater proportion of of  
00:36:43 --> 00:36:46: would be first time buyers are locked out of the  
00:36:46 --> 00:36:48: market. You, you, you you see a lot more demand

00:36:48 --> 00:36:52: filtering into rentals and this is demand from higher income

00:36:52 --> 00:36:55: individuals who what would have otherwise purchased. So

00:36:55 --> 00:36:58: you have

00:36:58 --> 00:37:02: more money, more people as Tobias was talking about

00:37:02 --> 00:37:04: chasing

00:37:05 --> 00:37:09: basically a stagnant supply of new rentals and this creates

00:37:09 --> 00:37:11: a big conundrum for the market. We we know rental

00:37:11 --> 00:37:14: demand will rise with higher integration and reduced

00:37:16 --> 00:37:20: ownership affordability.

00:37:20 --> 00:37:24: But at the same time, supply won't be moving in

00:37:24 --> 00:37:28: the opposite direction. You flip to the next slide, please.

00:37:30 --> 00:37:33: Higher interest rates and and high development costs are not

00:37:33 --> 00:37:36: only impacting condo launches but also rental construction

00:37:36 --> 00:37:39: starts and

00:37:39 --> 00:37:42: and this is happening after meaningful progress I would say.

00:37:42 --> 00:37:45: Last year 2021 we reported a multi decade high for

00:37:45 --> 00:37:47: rental start so just over 7500 units. Now it wasn't

00:37:48 --> 00:37:51: enough to you know start filling the rental supply gap

00:37:51 --> 00:37:54: but you know it was, it was, it was, it

00:37:54 --> 00:37:57: was the most rental construction that we saw start in

00:37:57 --> 00:38:00: in in in about 30 years over 30 years and

00:38:00 --> 00:38:03: it certainly was putting us on the right trajectory. It

00:38:03 --> 00:38:06: looked like a lot of a lot of promising new

00:38:06 --> 00:38:09: supply was getting into the pipeline but this year so

00:38:10 --> 00:38:13: far year to date starts for rentals and dropped 72.

00:38:13 --> 00:38:18: Percent year over year. There's been basically no rental

00:38:18 --> 00:38:21: starts

00:38:21 --> 00:38:25: in the last two quarters. I think I could count

00:38:25 --> 00:38:29: maybe two projects that started since the first quarter.

00:38:29 --> 00:38:33: So against this backdrop of declining starts and and and

00:38:33 --> 00:38:36: and obviously rising population, the housing supply deficit

00:38:36 --> 00:38:40: whatever that

00:38:40 --> 00:38:41: number is, it's it's going to be, it's going to

00:38:42 --> 00:38:44: be bigger in the next few years. Population projections. Next

00:38:44 --> 00:38:48: slide, next slide please. Population projections made before

00:38:48 --> 00:38:51: the recent

00:38:51 --> 00:38:54: increase in immigration was calling for growth of 1.24 million

00:38:54 --> 00:38:57: residents in the GTA over the next 10 years. That's

00:38:57 --> 00:39:00: that's 50% higher than the previous ten year growth which

00:39:00 --> 00:39:03: was about 849,000.

00:39:03 --> 00:39:06: And it equals, if you take, you know, the average

00:39:06 --> 00:39:09: household size is around 2.5. It equals demand,

00:39:09 --> 00:39:12: demographic demand

00:38:48 --> 00:38:51: for about 50,000 housing units or more per year. Whereas

00:38:51 --> 00:38:53: as you can see from the chart on the left,

00:38:53 --> 00:38:56: the current pace of building in the GTA is about

00:38:56 --> 00:38:59: 40,000 units and it's trending down given the fact that

00:38:59 --> 00:39:03: we're seeing slower new condo launches and fewer rental construction

00:39:03 --> 00:39:03: starts.

00:39:04 --> 00:39:08: So this will be obviously particularly problematic for the rental

00:39:08 --> 00:39:10: market as we know the majority of new immigrants that

00:39:10 --> 00:39:12: come into the GTA tend to rent.

00:39:13 --> 00:39:16: And and retro household formation is is already accelerating much

00:39:17 --> 00:39:20: faster than ownership household formation, next slide please.

00:39:21 --> 00:39:25: And in fact renter household information that GTA is rising

00:39:25 --> 00:39:28: 3 1/2 times faster than the rate of ownership household

00:39:28 --> 00:39:31: formation. However, the stock of rentals has basically been stagnant

00:39:31 --> 00:39:34: right? If you look at 26% growth in rental household

00:39:34 --> 00:39:37: formation over the last 10 years, the number of purpose

00:39:37 --> 00:39:40: built rentals in the GTA has increased by less than

00:39:40 --> 00:39:41: 5%.

00:39:42 --> 00:39:45: And I'll tap off my my comments just with with

00:39:45 --> 00:39:48: the chart on the right there that shows the challenges

00:39:48 --> 00:39:51: that developers face in meeting demand as it takes on

00:39:51 --> 00:39:54: average 100 months to bring a project from application submission

00:39:55 --> 00:39:57: to completion and and it's and as you can see

00:39:57 --> 00:40:00: it's not just approvals and permitting delays but it's also

00:40:00 --> 00:40:04: labor capacity. It's construction innovation, right. It takes the same

00:40:04 --> 00:40:07: amount of time to build a building today as it

00:40:07 --> 00:40:10: has you know over the last 30-40 years and this

00:40:10 --> 00:40:12: is really slowing things down it's it's.

00:40:12 --> 00:40:14: It's a very, very complex issue.

00:40:15 --> 00:40:16: I don't think it's going to be solved in the

00:40:16 --> 00:40:17: near term, unfortunately.

00:40:18 --> 00:40:18: Thank you.

00:40:21 --> 00:40:22: Thanks, Sean.

00:40:23 --> 00:40:24: Thanks everybody.

00:40:25 --> 00:40:29: Um, we have that. That was so incredible. I was

00:40:29 --> 00:40:31: taking notes furiously and.

00:40:31 --> 00:40:35: And most of you have already answered the questions I

00:40:35 --> 00:40:39: had for you today that I've written down new ones

00:40:39 --> 00:40:42: and we've got about 20 minutes. So I'm going to

00:40:42 --> 00:40:45: ask that even though I'm trying to get through a

00:40:45 --> 00:40:49: lot of questions, if we could try and answer them

00:40:49 --> 00:40:52: pretty quickly so we can move on to new ones.

00:40:52 --> 00:40:55: But so, John, I hope it's OK to start with

00:40:55 --> 00:40:55: you.

00:40:57 --> 00:41:02: Over the past several years, I have followed your super

00:41:02 --> 00:41:07: insightful research that you've been doing tracking tons of

00:41:07 --> 00:41:12: data

00:41:12 --> 00:41:16: and in particular tracking a lot of investor activity and

00:41:16 --> 00:41:20: its impact on housing prices in the GTA over time.

00:41:20 --> 00:41:25: So could you please talk a little bit about how

00:41:25 --> 00:41:27: significant a role investors have had on demand and

00:41:27 --> 00:41:30: ultimately

00:41:30 --> 00:41:33: on housing affordability and?

00:41:33 --> 00:41:35: What you think this looks like going forward?

00:41:35 --> 00:41:38: Yeah, I mean it's been quite interesting actually because I

00:41:38 --> 00:41:41: think Toronto is quite unique compared to a lot of

00:41:41 --> 00:41:45: other places. I mean usually when we look at investor

00:41:45 --> 00:41:48: demand, you know, there's these big bursts and and it's

00:41:48 --> 00:41:52: speculative kind of like in the US during the financial

00:41:52 --> 00:41:56: crisis. But right now, you know, Torontonians are are real

00:41:56 --> 00:41:59: estate obsessed because I mean it's been the best

00:41:59 --> 00:42:02: investment.

00:42:02 --> 00:42:04: I mean you're, you're, you're leveraged you know 80%, you

00:42:04 --> 00:42:07: know and you're making 10% per year.

00:42:07 --> 00:42:10: On your, on your 20% down, like you cannot beat

00:42:10 --> 00:42:12: those returns. And you know, on top of that, people

00:42:12 --> 00:42:15: are looking at what's going on. And and This is

00:42:15 --> 00:42:17: why no one like the first question we get on

00:42:17 --> 00:42:20: the ground when people want to move and move to

00:42:20 --> 00:42:23: another home, it's can I keep my current home as

00:42:23 --> 00:42:26: a rental property? Like always, it's like 90% of people

00:42:26 --> 00:42:28: is the first question they ask and if they can,

00:42:28 --> 00:42:31: they just hold it right. And again, like I think,

00:42:31 --> 00:42:32: I think Tobias mentioned like at the end of the

00:42:32 --> 00:42:35: day, as long as they're renting it, I mean sure,

00:42:35 --> 00:42:37: they're renting it, it's.

00:42:37 --> 00:42:41: Providing rental stock, but at the end of the day

00:42:41 --> 00:42:43: what this is end up doing is just it's just

00:42:43 --> 00:42:46: driving up prices right, because you have more well

00:42:46 --> 00:42:49: capitalized

00:42:49 --> 00:42:52: people who are taking the stock aren't renting it.

00:42:51 --> 00:42:53: OK. I think John is stalled or Irvine or am  
00:42:53 --> 00:42:55: I the person who has stalled?  
00:42:57 --> 00:42:57: OK.  
00:42:58 --> 00:43:00: Oh, I might just jump.  
00:43:00 --> 00:43:00: All right.  
00:43:02 --> 00:43:05: Thanks, John. I'm going to jump to Sean to sort  
00:43:05 --> 00:43:07: of riff on that. Sean, you gave us like so  
00:43:08 --> 00:43:11: much information on where investors are at, how it's going  
00:43:11 --> 00:43:15: to affect the rental market, how it's going to affect  
00:43:15 --> 00:43:19: supply in general with these market conditions. There's so  
00:43:19 --> 00:43:22: many  
00:43:22 --> 00:43:26: different factors at play. I'm curious what you think going  
00:43:26 --> 00:43:28: forward is going to happen are. Are we just going  
00:43:28 --> 00:43:31: to sort of pause, you know, skip a beat and  
00:43:31 --> 00:43:32: then go back to the way that condos have moved  
00:43:32 --> 00:43:35: forward?  
00:43:35 --> 00:43:40: Um, with as you described 40 to 50% of that  
00:43:40 --> 00:43:43: demand coming from investors, you know, providing that  
00:43:43 --> 00:43:47: rental supply  
00:43:47 --> 00:43:48: or do you think investors might start to move to  
00:43:51 --> 00:43:53: the resale market given the delta and those prices that  
00:43:53 --> 00:43:56: you illustrated?  
00:43:56 --> 00:43:59: I think that the the condo market has evolved a  
00:43:59 --> 00:44:02: lot over the last over the last 10 years and  
00:44:02 --> 00:44:05: I think it's going to continue to evolve. One of  
00:44:05 --> 00:44:08: the interesting things that that's come through the data in  
00:44:08 --> 00:44:11: the last couple of years is that the majority of  
00:44:11 --> 00:44:13: new condo sales in the majority of new condo development  
00:44:13 --> 00:44:14: right now in the GTA is not in the City  
00:44:15 --> 00:44:19: of Toronto, it's in the 9:05. So I think, I  
00:44:20 --> 00:44:23: think investors.  
00:44:23 --> 00:44:26: Have adjusted to high prices and and obviously they're  
00:44:26 --> 00:44:30: starting  
00:44:30 --> 00:44:32: to look at higher interest rates to sort of Orient  
00:44:33 --> 00:44:37: themselves towards what they consider to be value sites. So  
00:44:37 --> 00:44:40: those those those areas of the market that could be  
00:44:40 --> 00:44:43: potentially higher growth areas and.  
00:44:43 --> 00:44:47: Also you know provide better potential rental yields and and  
00:44:47 --> 00:44:49: and returns on investment because you know buying in the  
00:44:49 --> 00:44:52: downtown core at today's average price per square foot. I  
mean minimum entry level unit is like 1,000,000 bucks OK.  
So a lot of investors are are saying OK I'm  
not I'm not paying that even if it's a 400

00:44:52 --> 00:44:55: square foot unit it's it's it's it's \$1,000,000 at the  
00:44:55 --> 00:44:57: end of the day and that gap between resale just  
00:44:58 --> 00:45:01: keeps growing and growing and the rents even though they've  
00:45:01 --> 00:45:03: shot up 20% year over year.  
00:45:03 --> 00:45:06: Um you know they're they're probably not gonna continue at  
00:45:06 --> 00:45:08: that pace so I'm I'm I'm I'm I'm looking at  
00:45:08 --> 00:45:11: a situation where the return on investment isn't going to  
00:45:11 --> 00:45:13: be quite a strong. So interestingly there you know the  
00:45:13 --> 00:45:16: development is starting to move into these these areas of  
00:45:16 --> 00:45:19: the 9:05 that have been completely devoid of rental supply  
00:45:19 --> 00:45:22: like we we don't build much rental supply generally in  
00:45:22 --> 00:45:25: in Toronto but in the suburbs it's it's almost completely  
00:45:25 --> 00:45:27: lacking. So I think investors are are serving a pretty  
00:45:27 --> 00:45:30: strong purpose by by bringing that supply into into into  
00:45:30 --> 00:45:33: more suburban markets and obviously there's been a change in.  
00:45:33 --> 00:45:36: In in the living habits due to COVID-19 that is  
00:45:36 --> 00:45:39: starting to sort of spread them out demand for high  
00:45:39 --> 00:45:43: rise living across the region too. But you know what  
00:45:43 --> 00:45:46: I will say is that new immigration can't be understated  
00:45:46 --> 00:45:49: as a factor for for new condo demand. You know  
00:45:49 --> 00:45:52: we have a lot of conversations with not only developers  
00:45:52 --> 00:45:55: but brokers and and you know agents that are that  
00:45:55 --> 00:45:59: are operating day-to-day in the market and they tell us  
00:45:59 --> 00:46:02: just how important new immigration is for for new condo  
00:46:02 --> 00:46:03: demand now.  
00:46:03 --> 00:46:06: You know I think we're all sort of aware of  
00:46:06 --> 00:46:09: the fact that foreign, pure foreign demand represents a fairly  
00:46:09 --> 00:46:12: small proportion of overall condo sales in the GTA. These  
00:46:13 --> 00:46:16: would be individuals that are sort of overseas and  
00:46:16 --> 00:46:19: speculating  
00:46:19 --> 00:46:23: on Toronto condos. It's it's a very small proportion. It  
00:46:23 --> 00:46:26: always has been. But the proportion of foreign wealth that  
00:46:26 --> 00:46:29: drives condo demand is very significant. So in you know  
00:46:29 --> 00:46:32: immigrants that are coming over bringing over family money they  
00:46:32 --> 00:46:34: have a bias towards real estate they they they favor  
00:46:34 --> 00:46:36: condo investments and.  
00:46:36 --> 00:46:39: You know I wouldn't count condo investment out because of  
00:46:39 --> 00:46:42: that fact. I think there's there's still you know a  
00:46:42 --> 00:46:45: critical mass out there of investors who know another person  
00:46:45 --> 00:46:48: who's interested in investing in is bringing over another family

00:46:45 --> 00:46:48: member who's interested in investing. Like like I said there's

00:46:48 --> 00:46:50: there's over 400,000 condos in the GTA which means there's

00:46:51 --> 00:46:53: you know there's there's you know hundreds of thousands of

00:46:53 --> 00:46:56: condos and condo investors as well. So I think I

00:46:56 --> 00:46:58: think that's a that's an engine of the market that

00:46:58 --> 00:47:00: you know it's it's experiencing some slowdown now but.

00:47:01 --> 00:47:03: I I I wouldn't count it for sure.

00:47:04 --> 00:47:10: OK, great. Super fascinating. I'm going to switch gears, go

00:47:10 --> 00:47:14: over to Steve and then to you Tobias. So Steve,

00:47:14 --> 00:47:19: your one graph where you showed the the portion of

00:47:19 --> 00:47:27: non permanent residents, international students, I thought

00:47:27 --> 00:47:32: was fascinating, 600,000

00:47:32 --> 00:47:34: visas annually. So I really enjoyed the chat that you

00:47:34 --> 00:47:39: and I had last week.

00:47:39 --> 00:47:43: When you were talking about the demand pressures caused

00:47:43 --> 00:47:47: just

00:47:47 --> 00:47:50: by students, you know, competing with the same product as

00:47:50 --> 00:47:55: a young professional, right, like a condo. So can you

00:47:55 --> 00:47:58: talk a little bit about that and some of your

00:47:58 --> 00:48:00: thoughts on potential solutions to address student demand

00:48:01 --> 00:48:03: and how

00:48:04 --> 00:48:06: it could have like a big impact and and and

00:48:07 --> 00:48:09: relieves the pressure valve?

00:48:09 --> 00:48:12: Sure. Yeah. I mean I think and as I mentioned

00:48:12 --> 00:48:14: you know it's, it's it gets exacerbated in small markets.

00:48:14 --> 00:48:17: I happen to be in to work in Kingston a

00:48:17 --> 00:48:19: few years ago and the vacancy rate, they're dropped from

00:48:19 --> 00:48:22: 2.9% to 0.6. The mayor got all excited, struck a

00:48:22 --> 00:48:26: task force and off they went, but they forgot to

00:48:26 --> 00:48:28: look at the data. I went in and said you

00:48:28 --> 00:48:31: know, why did the vacancy rate drop, turned out Queens

00:48:31 --> 00:48:34: had basically increased their enrollment of international

00:48:34 --> 00:48:37: students by 2000

00:48:37 --> 00:48:39: students a year for two years in a row in

00:48:39 --> 00:48:39: a market that has 16,000 units, not, not rocket science

00:48:41 --> 00:48:44: and I think.

00:48:41 --> 00:48:44: Tends to happen, and this is pretty prevalent across all

00:48:41 --> 00:48:44: all markets, with universities in particular smaller towns

00:48:41 --> 00:48:44: where the

00:48:41 --> 00:48:44: university is a big part of the of the local

00:48:41 --> 00:48:44: economy.

00:48:41 --> 00:48:44: And I'm not with these students obviously looking for

00:48:41 --> 00:48:44: affordable



00:48:44 --> 00:48:47: housing and they they tend to push out those folks

00:48:47 --> 00:48:50: living in the more affordable stock. So it has massive,

00:48:50 --> 00:48:53: massive impacts on our our concerns for for lower level

00:48:53 --> 00:48:56: affordability. At the same time what we're seeing in some

00:48:56 --> 00:48:59: cities, Waterloo in particular has a couple of new

developments

00:48:59 --> 00:49:03: in Ottawa where developers have actually started building

purpose built

00:49:03 --> 00:49:05: student housing and it's a, it's a, it's a built

00:49:06 --> 00:49:08: form where you've kind of got four students with a

00:49:08 --> 00:49:11: private bedroom, private bathroom in a, in a.

00:49:11 --> 00:49:13: Quad unit with a a shared by a living room,

00:49:13 --> 00:49:16: shared kitchen. And the rents per square foot on that

00:49:16 --> 00:49:19: kind of product pencil out very very strongly relative to

00:49:19 --> 00:49:21: regular rentals. So if we could you know use the

00:49:21 --> 00:49:24: LFI money for example if the FCC said to developers

00:49:24 --> 00:49:27: you know we want you to actually build some student

00:49:27 --> 00:49:30: housing it doesn't even need partnerships with universities.

You can

00:49:30 --> 00:49:33: do it off campus. Partnerships with universities with land

would

00:49:34 --> 00:49:36: make it even better. But if we could in in

00:49:36 --> 00:49:39: Queens case if they could have avoided those 2000 students

00:49:39 --> 00:49:41: coming into the local rental market.

00:49:41 --> 00:49:44: It would have a very, very positive impact on moderating

00:49:44 --> 00:49:47: the impact that they're having on the rental market. So

00:49:47 --> 00:49:49: I think we need to start thinking about as I

00:49:49 --> 00:49:52: say passing up who who are these 550,000 immigrants and

00:49:52 --> 00:49:55: the addition or not non permanent residents and what kind

00:49:55 --> 00:49:57: of you know distinct segments of the market can we

00:49:57 --> 00:50:01: identify and then try to create solutions that actually target

00:50:01 --> 00:50:03: them better and the students one would be a very

00:50:03 --> 00:50:04: big one to to to look at.

00:50:05 --> 00:50:09: Yeah, super interesting. Tobias, I'm interested in your

response to

00:50:09 --> 00:50:12: that from a developer. It does that look like an

00:50:12 --> 00:50:15: opportunity to you? So I'll quickly ask you that and

00:50:15 --> 00:50:18: then I wanted to ask you a bigger question.

00:50:22 --> 00:50:25: Yeah, I think student purpose built student housing is is

00:50:25 --> 00:50:29: just another sort of derivative of of multifamily rentals that's

00:50:29 --> 00:50:32: required to help ease the pressure on the system in

00:50:32 --> 00:50:35: general. Like I said what we need is a full

00:50:35 --> 00:50:38: spectrum of housing options to rent and the full spectrum

00:50:38 --> 00:50:42: housing options to own because those two things are should  
00:50:42 --> 00:50:44: be at the end of the day just a preference  
00:50:45 --> 00:50:47: of of people and you should be able to do  
00:50:47 --> 00:50:50: what you want and you should be able to have  
00:50:50 --> 00:50:52: access to whatever you want. So purpose.  
00:50:52 --> 00:50:56: Well student housing sort of takes the pressure off of  
00:50:56 --> 00:51:00: the the traditional housing market and hopefully in the you  
00:51:00 --> 00:51:04: know best best executed cases caters to students and and  
00:51:04 --> 00:51:07: what they want which is relatively specific and not what  
00:51:08 --> 00:51:12: a a traditional multifamily building is looking for. Hopefully  
they're  
00:51:12 --> 00:51:17: closer to universities themselves campuses themselves and  
cuts down on  
00:51:17 --> 00:51:21: on congestion and traffic in the surrounding cities and I  
00:51:21 --> 00:51:22: think other sort of.  
00:51:22 --> 00:51:26: Derivatives of multifamily that that can do similar things are  
00:51:27 --> 00:51:31: Co living and other sort of creative multifamily living options  
00:51:31 --> 00:51:34: so that people aren't just looking at 1 bedrooms and  
00:51:34 --> 00:51:37: one plus dens that are being turned out at a  
00:51:37 --> 00:51:41: rate of 51% of of the condo development that's happening  
00:51:41 --> 00:51:43: in a city like Toronto.  
00:51:44 --> 00:51:48: Wow, that that's very helpful comments. Yeah, I think it's  
00:51:48 --> 00:51:52: a really cool idea. I know my students are looking  
00:51:52 --> 00:51:56: for that. John, over to you over over the years  
00:51:56 --> 00:52:00: as you know, can you follow this stuff? Various levels  
00:52:00 --> 00:52:04: of government in Toronto ON federally or out in BC  
00:52:04 --> 00:52:08: have done have tried all kinds of things to address  
00:52:08 --> 00:52:13: affordability whether it's a speculator tax or a vacant vacant  
00:52:13 --> 00:52:14: home tax or.  
00:52:14 --> 00:52:18: First time home buyer incentive or rent to own or  
00:52:18 --> 00:52:22: whatever the program of the day is right in your  
00:52:22 --> 00:52:26: experience you know and some of those have backfired right  
00:52:26 --> 00:52:31: and created more, more demand or froth in the market.  
00:52:31 --> 00:52:34: I just want to use the road, but in your  
00:52:34 --> 00:52:39: opinion and experience, which strategies have actually  
worked and what,  
00:52:40 --> 00:52:43: what hasn't and what should we be, what's the best  
00:52:44 --> 00:52:44: of?  
00:52:44 --> 00:52:47: We might want to be taking forward in the demand.  
00:52:47 --> 00:52:51: I mean nothing clearly has worked because our housing  
markets  
00:52:51 --> 00:52:55: absolutely ridiculously expensive. I mean the the stress test  
has

00:52:55 --> 00:52:58: been a good policy to obviously that was a macroprudential  
00:52:58 --> 00:53:02: policy. It really geared towards financial stability for the bank  
00:53:02 --> 00:53:06: that wasn't really designed to improve our housing market.  
But  
00:53:06 --> 00:53:09: obviously it was a very good strategy. It did affect  
00:53:09 --> 00:53:13: because it allowed people, it constrained credit growth to  
some  
00:53:13 --> 00:53:14: extent you know but.  
00:53:14 --> 00:53:17: From my perspective you you can't solve this this issue  
00:53:18 --> 00:53:22: when you're supercharging our housing market with demand  
right. And  
00:53:22 --> 00:53:24: and I've always felt that you know there needs to  
00:53:25 --> 00:53:29: be a closer connection between population growth through  
immigration and  
00:53:29 --> 00:53:33: non permanent residents with housing completions. The fact  
is the  
00:53:33 --> 00:53:36: lever that government policymakers are are easier to pull are  
00:53:36 --> 00:53:40: on the you know non permanent resident immigration growth  
they  
00:53:40 --> 00:53:44: cannot control supply. We know what supply is coming down  
00:53:44 --> 00:53:44: the pipe.  
00:53:44 --> 00:53:48: Line, we know what completions are like because you know  
00:53:48 --> 00:53:51: houses and condos are are started and are built years  
00:53:51 --> 00:53:54: before they're done. So I do think we need a  
00:53:54 --> 00:53:58: greater connection between those two things. If we're going  
to  
00:53:58 --> 00:54:01: fix it with supply, I mean as Sean said, supplies  
00:54:01 --> 00:54:04: are very slow moving solution, you need to change policy.  
00:54:04 --> 00:54:07: It takes years for for for supply to grow. So  
00:54:07 --> 00:54:11: my feeling is I think our population growth should be  
00:54:11 --> 00:54:14: in line with our completions if we're going to get  
00:54:14 --> 00:54:15: anywhere close to.  
00:54:15 --> 00:54:17: You know, addressing these issues.  
00:54:18 --> 00:54:21: Thanks, John. Steve, I'm going to talk about, I know  
00:54:22 --> 00:54:25: this is a demand panel, but I am going to  
00:54:25 --> 00:54:29: talk about why the supply panel yesterday talked about  
demand.  
00:54:30 --> 00:54:34: So we're allowed, but just really quickly, as you know,  
00:54:34 --> 00:54:38: we have a supply target in Ontario, 1.5 million homes  
00:54:38 --> 00:54:42: in over 10 years. I'm curious what the demand side  
00:54:42 --> 00:54:46: evidence is to support that target and in particular, is  
00:54:46 --> 00:54:48: there like a blanket?  
00:54:48 --> 00:54:52: Demand for this quantum or or we looking at, you  
00:54:52 --> 00:54:57: know lots of demand for specific types of housing that

00:54:57 --> 00:54:58: is lacking.

00:55:03 --> 00:55:04: Sorry, your mute problem.

00:55:06 --> 00:55:08: It's it's a bit of both I think but I

00:55:08 --> 00:55:10: think you know if we look at uh you know

00:55:10 --> 00:55:14: other others on the panel of reference you know average

00:55:14 --> 00:55:17: household size and it's coming down and you know we're

00:55:17 --> 00:55:20: about 2.45 I think nationally now and and you know

00:55:20 --> 00:55:23: I, I haven't so much looked at the Ontario numbers

00:55:23 --> 00:55:26: but the national numbers you know the 550,000 targets of

00:55:26 --> 00:55:29: of of new immigrants that would require us to build

00:55:29 --> 00:55:32: about 220,000 units a year in terms of at 2.4

00:55:32 --> 00:55:36: persons per household you know significantly less than we

00:55:36 --> 00:55:36: built

00:55:36 --> 00:55:36: in 2020.

00:55:36 --> 00:55:40: Which was a record year, but significantly more than the

00:55:40 --> 00:55:42: average of the previous decade. So I think if we

00:55:42 --> 00:55:45: could just sort of keep up with what we want

00:55:45 --> 00:55:47: to do. I mean the the federal target is 3.5

00:55:48 --> 00:55:51: million homes, you know, the equivalent to the Ontario 1.5,

00:55:51 --> 00:55:54: which would be 350,000 a year, which I think is,

00:55:54 --> 00:55:57: you know, excessive relative to what we need from a

00:55:57 --> 00:56:00: purely demographic point of view. Of course there is the

00:56:00 --> 00:56:04: issue of a lot of development, particularly when it's

00:56:04 --> 00:56:06: intensification

00:56:04 --> 00:56:06: in our inner cities is actually removing.

00:56:07 --> 00:56:09: In it. So it's not a net you know gain

00:56:09 --> 00:56:12: of 220,000 we have to discount that by demolitions and

00:56:12 --> 00:56:15: in some cases and particularly in the rental market we're

00:56:15 --> 00:56:18: clearly losing a lot of units into the short term

00:56:18 --> 00:56:21: rental market which is another you know negative in terms

00:56:21 --> 00:56:24: of the total numbers. So yeah I I suspect in

00:56:24 --> 00:56:27: the Ontario case you know 100,100 and 20,000 is probably

00:56:27 --> 00:56:30: the right place to be. I don't think the you

00:56:30 --> 00:56:33: know the 150,000 is is absolutely critical and this notion

00:56:33 --> 00:56:36: that if we just build that much supply and the

00:56:36 --> 00:56:37: CMHC study that.

00:56:37 --> 00:56:39: Mountain back in in May. That said, you know, we

00:56:40 --> 00:56:42: need 303.5 million in order to drive prices back to

00:56:42 --> 00:56:46: the affordability level that we saw in 2004. Well, I'm

00:56:46 --> 00:56:48: sure on my colleagues on the panel would agree. And

00:56:49 --> 00:56:52: Jenna Seamus pointed out, you know, developers look at the

00:56:52 --> 00:56:55: absorption rate. If they can't sell the units, they're not

00:56:55 --> 00:56:58: going to build them. The industry is not going to

00:56:58 --> 00:57:01: drive the prices down by 40%, which is what the  
 00:57:01 --> 00:57:04: CMHC study showed if we actually built 3.5 million homes.  
 00:57:04 --> 00:57:07: So I think there's a bit of disconnect between.  
 00:57:07 --> 00:57:10: You know, esoteric theory of of supply and demand curves  
 00:57:10 --> 00:57:13: versus how the industry actually reacts to this kind of  
 00:57:13 --> 00:57:17: stuff and adapts to the prevailing demands and and and  
 00:57:17 --> 00:57:20: and the level that they think they can potentially absorb.  
 00:57:22 --> 00:57:25: Thanks, Steve. I'm looking at the clock. I know we  
 00:57:25 --> 00:57:29: have 3 minutes and Richard is totally going to cut  
 00:57:29 --> 00:57:32: us off. So I want to give a couple more  
 00:57:32 --> 00:57:35: minutes to Tobias and Sean to either comment on what  
 00:57:35 --> 00:57:39: you've heard or Tobias, I was going to ask you  
 00:57:39 --> 00:57:42: if you wanted to give a few more specifics about  
 00:57:42 --> 00:57:43: the types of.  
 00:57:44 --> 00:57:49: Their priorities and and budget and subsidies to ownership  
 00:57:49 --> 00:57:52: rental. And then Sean, I just wanted to give you  
 00:57:52 --> 00:57:55: the last word on what we've heard so quickly a  
 00:57:55 --> 00:57:59: minute from Tobias and then Sean. OK, Richard, great.  
 00:58:00 --> 00:58:03: Yeah, I think you know a lot of attention has  
 00:58:03 --> 00:58:06: been paid to the supply side benefits that are out  
 00:58:06 --> 00:58:11: there in subsidies, so changes in zoning, development  
 00:58:11 --> 00:58:14: rental versus condo. But on the on the demand side,  
 00:58:14 --> 00:58:18: as far as I know, the only government subsidies and  
 00:58:18 --> 00:58:22: tax credits that are available to stimulate demand only  
 00:58:22 --> 00:58:26: stimulate  
 00:58:26 --> 00:58:29: homeownership demand and those take the form of you  
 00:58:30 --> 00:58:30: know  
 00:58:32 --> 00:58:36: the elimination of capital gains tax on your primary.  
 00:58:36 --> 00:58:39: Residents.  
 00:58:39 --> 00:58:43: First time home buyer credits, federal mortgage insurance  
 00:58:43 --> 00:58:45: and stuff  
 00:58:45 --> 00:58:49: like that, all those things are are spurring or bolstering  
 00:58:50 --> 00:58:53: homeownership and again I I think everyone who wants to  
 00:58:53 --> 00:58:56: own my own should be able to. But if you  
 00:58:56 --> 00:59:00: take the economic outperformance or the financial  
 00:59:00 --> 00:59:02: outperformance of home  
 00:59:02 --> 00:59:05: ownership out of the equation, I think that you know  
 00:59:05 --> 00:59:08: who would want to omahony would would look very different  
 00:59:08 --> 00:59:11: right because then you're just looking you're faced with  
 00:59:11 --> 00:59:14: flexibility  
 00:59:14 --> 00:59:17: versus versus mobility.

00:59:02 --> 00:59:04: You know, the upkeep of the home or a condo  
00:59:04 --> 00:59:05: and stuff like that.

00:59:06 --> 00:59:10: So yeah, like I said the the demand side subsidies  
00:59:10 --> 00:59:13: are really for take the form of foregone taxes and  
00:59:13 --> 00:59:16: everyone in the country bears the brunt of that, whether  
00:59:16 --> 00:59:20: you own Mahone or omahony or not. And not everyone  
00:59:20 --> 00:59:20: benefits from.

00:59:21 --> 00:59:21: It.

00:59:22 --> 00:59:26: Sean, I think you've got 30 seconds last word to  
00:59:26 --> 00:59:27: you.

00:59:27 --> 00:59:30: I'll just say that you know Toronto, Toronto is very  
00:59:30 --> 00:59:33: unique in its model for for housing supply in in  
00:59:33 --> 00:59:36: the context of North America where if you go to  
00:59:36 --> 00:59:39: any other large city the majority of of new supply  
00:59:39 --> 00:59:41: being built is is rental. It's it's not it's not  
00:59:41 --> 00:59:46: ownership condo. Now we've been very fortunate because  
condo investors  
ultimately at their units to the rental pool but not  
having you know the right mix of of rental really  
impedes overall.

00:59:46 --> 00:59:49: Housing supply and housing choice within the marketplace.  
00:59:49 --> 00:59:52: So I  
00:59:52 --> 00:59:53: think you know recognizing that that that community  
00:59:53 --> 00:59:56: investors are  
00:59:56 --> 00:59:59: scaling back. We need to do whatever we can to  
01:00:00 --> 01:00:02: ramp up efforts to build new new purpose built rental  
01:00:02 --> 01:00:05: supply. So any incentive that can that can help in  
01:00:05 --> 01:00:08: that regard because there's there's a lot of talk about  
01:00:08 --> 01:00:11: ramping up supply. I don't see much specific as it  
01:00:11 --> 01:00:13: relates to rental. I think that's that's the solution because  
01:00:13 --> 01:00:17: if the average income required to buy the average priced  
01:00:17 --> 01:00:20: home in the GTA is \$150,000 or more you know  
01:00:20 --> 01:00:22: the de facto.  
01:00:22 --> 01:00:23: Affordable rental effect, de facto affordable housing supply is  
01:00:24 --> 01:00:27: is  
01:00:27 --> 01:00:29: new rental. So I think that's that's sort of my  
01:00:29 --> 01:00:29: final call.

01:00:29 --> 01:00:33: Thank. Thank you. And Serese, thank you very much. That  
01:00:33 --> 01:00:35: was an incredible job of of covering a lot of  
01:00:35 --> 01:00:38: ground with this amazing panel and it was rather a  
01:00:38 --> 01:00:41: cruel thing to ask you all to do this within  
01:00:41 --> 01:00:44: an hour. So I apologize. But Sean, Tobias, Steve and  
01:00:44 --> 01:00:47: John, that was amazing. That was it. That was an

**01:00:47 --> 01:00:50:** incredible contribution to this week long series. I'm going to,  
**01:00:50 --> 01:00:53:** you can see on the screen there's upcoming events.  
**01:00:53 --> 01:00:56:** Um, that you can absorb, uh, with some details in  
**01:00:56 --> 01:00:59:** the chat. But in the interest of time, we always  
**01:00:59 --> 01:01:01:** end on time at UI. I will say good afternoon,  
**01:01:01 --> 01:01:04:** thank you all and hopefully we'll see you all tomorrow.  
**01:01:05 --> 01:01:05:** Goodbye.  
**01:01:06 --> 01:01:07:** Welcome.

---

*This video transcript has been machine-generated, so it may not be accurate. It is for personal use only. Reproduction or use without written permission is prohibited. If you have a correction or for permission inquiries, please contact [\[email protected\]](#).*