

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: Horton Mississaugas, the Wendat people 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 ULI 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

00:06:59 --> 00:07:02: are

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

00:07:06 --> 00:07:09: be

00:07:09 --> 00:07:14: impacting rental or ownership differently.

00:07:14 --> 00:07:19: And how changes to government policies and programs can

00:07:19 --> 00:07:24: address

00:07:24 --> 00:07:28: certain demand factors and promote affordability.

00:07:28 --> 00:07:29: So we have a really fantastic panel who are known

00:07:29 --> 00:07:33: for their data-driven research. So each panelist will be

00:07:33 --> 00:07:35: making

00:07:35 --> 00:07:39: opening remarks with the aid of their most excellent graphs

00:07:39 --> 00:07:42: and other visuals and then we will have a moderated

00:07:42 --> 00:07:46: discussion.

00:07:46 --> 00:07:50: So to save time for discussion, I will not be

00:07:50 --> 00:07:54: making lengthy introductions.

00:07:54 --> 00:07:58: Each of the panelists BIOS will be shared in the

00:07:58 --> 00:08:02: 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.
So
00:20:56 --> 00:20:59: I think we can have a lot of challenges in
00:20:59 --> 00:21:02: the future and and I don't think they can all
00:21:02 --> 00:21:02: be met.
00:21:02 --> 00:21:04: With with strictly supply solutions.
00:21:06 --> 00:21:07: 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
where people
00:23:48 --> 00:23:51: rush to buy now to avoid future price increases. Another
00:23:51 --> 00:23:54: hard to quantify but real phenomenon is the presence of
00:23:54 --> 00:23:57: fraud and the lack of enforcement of existing rules in
00:23:57 --> 00:23:58: our system falsification.
00:23:58 --> 00:24:02: Sources of income, exaggeration of loan documents. These
are all
00:24:02 --> 00:24:06: increasing access to credit and fueling demand for for sale
00:24:06 --> 00:24:06: housing.
00:24:07 --> 00:24:10: So if you go to the next slide and we
00:24:10 --> 00:24:12: go back to our ECON 101 textbooks.
00:24:12 --> 00:24:15: Well, remember that all these demand drivers don't move us
00:24:15 --> 00:24:18: up and down on the demand curve, but they shift
00:24:18 --> 00:24:19: the whole curve itself.
00:24:20 --> 00:24:22: So if we think of this first graph as the
00:24:22 --> 00:24:25: baseline equilibrium price established by the intersection of
supply and
00:24:25 --> 00:24:27: demand, we can take a quick look at the supply
00:24:27 --> 00:24:30: constraints that we're all familiar with and that we're
discussed
00:24:30 --> 00:24:31: yesterday. So next slide, please.
00:24:32 --> 00:24:36: So hard and soft cost inflation, long entitlement durations,
lack
00:24:36 --> 00:24:39: of as of right density options, all these things constrain
00:24:39 --> 00:24:42: the supply of housing and shift the curve left, decreasing
00:24:42 --> 00:24:44: the number of housing units that are built and raising
00:24:44 --> 00:24:46: the price for those that are.
00:24:47 --> 00:24:49: And on the next slide, we'll take a look at
00:24:49 --> 00:24:52: the 4 sale housing demand drivers and all the things
00:24:52 --> 00:24:56: 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

00:26:05 --> 00:26:09: builders being incentivized to increase supply. But now with

00:26:09 --> 00:26:12: the

00:26:12 --> 00:26:14: steep inelastic curve prices move up more quickly than

00:26:14 --> 00:26:17: increases

00:26:17 --> 00:26:20: in the quantities of of housing units. And so these

00:26:20 --> 00:26:23: are of course conceptual.

00:26:23 --> 00:26:26: Simplified models of supply and demand, but I think they're

00:26:26 --> 00:26:29: helpful in illustrating the interaction between the two and the

00:26:29 --> 00:26:32: dynamics of how prices move up and down. And the

00:26:32 --> 00:26:36: final point that I'd like to make is that housing

00:26:36 --> 00:26:39: tenure, that is, owning or renting a home, it's a

00:26:39 --> 00:26:40: personal or cultural preference. Some people value the

00:26:40 --> 00:26:44: flexibility of

00:26:44 --> 00:26:47: renting and some value the stability of owning. Some people

00:26:47 --> 00:26:50: don't like mowing lawns and shoveling snow, and some

00:26:50 --> 00:26:53: people

00:26:53 --> 00:26:56: are OK.

00:26:56 --> 00:26:59: And I don't believe that there's anything inherently good

00:26:59 --> 00:27:02: 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 --> 00:27:38: In the case of Toronto, as we see on the

00:27:38 --> 00:27:39: next slide.

00:27:39 --> 00:27:43: The subsidies for home ownership have resulted in condo

00:27:43 --> 00:27:46: development

00:27:46 --> 00:27:49: wildly skewed towards units with fewer bedrooms, shifting

00:27:49 --> 00:27:52: supply curve

00:27:52 --> 00:27:55: for family size units left and making the city increasingly

00:27:55 --> 00:27:58: unaffordable for families. And so this is all to say

00:27:58 --> 00:28:00: that there's a myriad of macroeconomic forces that shape

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

00:28:03 --> 00:28:06: but there are also forces within our control that are

00:28:06 --> 00:28:09: distorting the demand side of the housing market and that

00:28:09 --> 00:28:12: we as a society have the ability to change.

00:28:12 --> 00:28:15: And with that, I'll pass it on to Sean.

00:28:15 --> 00:28:18: Great. Yeah. Sorry. Thank you. Thank you very much.

00:28:18 --> 00:28:21: It's it's a pleasure to participate in this panel. There's

00:28:21 --> 00:28:24: been a lot of great content shared so far, a

00:28:24 --> 00:28:27: lot of interesting slides and and data presented and hopefully

00:28:27 --> 00:28:30: I can contribute to that a bit. It's it's it's

00:28:30 --> 00:28:33: interesting to me as someone who tracks new development

00:28:33 --> 00:28:35: activity

00:28:35 --> 00:28:38: 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 condos 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
 picture of
 00:31:14 --> 00:31:17: what the housing landscape is going to look like in
 00:31:17 --> 00:31:20: a few years. Now there's there's obviously a lot of
 00:31:20 --> 00:31:24: efforts to raise supply through new housing bills, but I
 00:31:24 --> 00:31:27: can assure you that there is almost nothing that the
 00:31:27 --> 00:31:30: government can do to correct this situation in the next
 00:31:30 --> 00:31:33: few years. Supply is a slow moving machine and it
 00:31:33 --> 00:31:36: takes time to turn around in the meantime. Next slide
 00:31:36 --> 00:31:37: 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
 affordability to
 00:31:49 --> 00:31:52: reach what is perhaps a record low, right worse than
 00:31:52 --> 00:31:54: in the early 90s, worse than in the early 80s
 00:31:54 --> 00:31:58: when interest rates were in the double digits when you
 00:31:58 --> 00:32:01: measure the percentage of of income eaten up by mortgage
 00:32:01 --> 00:32:04: payments associated with buying the average price home.
 Now you
 00:32:05 --> 00:32:08: can sort of overlay these two charts together and see
 00:32:08 --> 00:32:08: a very clear.
 00:32:08 --> 00:32:12: Negative correlation here and this is quite clearly causing a
 00:32:12 --> 00:32:16: sharp reduction in home ownership affordability as viewed
 through the
 00:32:16 --> 00:32:20: latest census data that we've recently received. And this
 shows
 00:32:20 --> 00:32:23: home ownership in the GTA falling continuously over the last
 00:32:23 --> 00:32:25: 10 years. It's now down to a 20 year low.
 00:32:26 --> 00:32:29: It's pretty clear to us that this trend will continue
 00:32:29 --> 00:32:31: in the next 10 years. So we need as an
 00:32:31 --> 00:32:35: industry to get prepared right there. The government can't
 really
 00:32:35 --> 00:32:38: control interest rates. I mean it's quasi government, it's the.
 00:32:38 --> 00:32:42: 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 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
you have
00:36:55 --> 00:36:58: more money, more people as Tobias was talking about
chasing
00:36:58 --> 00:37:02: basically a stagnant supply of new rentals and this creates
00:37:02 --> 00:37:04: a big conundrum for the market. We we know rental
00:37:05 --> 00:37:09: demand will rise with higher integration and reduced
ownership affordability.
00:37:09 --> 00:37:11: But at the same time, supply won't be moving in
00:37:11 --> 00:37:14: the opposite direction. You flip to the next slide, please.
00:37:16 --> 00:37:20: Higher interest rates and and high development costs are not
00:37:20 --> 00:37:24: only impacting condo launches but also rental construction
starts and
00:37:24 --> 00:37:28: and this is happening after meaningful progress I would say.
00:37:30 --> 00:37:33: Last year 2021 we reported a multi decade high for
00:37:33 --> 00:37:36: rental start so just over 7500 units. Now it wasn't
00:37:36 --> 00:37:39: enough to you know start filling the rental supply gap
00:37:39 --> 00:37:42: but you know it was, it was, it was, it
00:37:42 --> 00:37:45: was the most rental construction that we saw start in
00:37:45 --> 00:37:47: in in in about 30 years over 30 years and
00:37:48 --> 00:37:51: it certainly was putting us on the right trajectory. It
00:37:51 --> 00:37:54: looked like a lot of a lot of promising new
00:37:54 --> 00:37:57: supply was getting into the pipeline but this year so
00:37:57 --> 00:38:00: far year to date starts for rentals and dropped 72.
00:38:00 --> 00:38:03: Percent year over year. There's been basically no rental
starts
00:38:03 --> 00:38:06: in the last two quarters. I think I could count
00:38:06 --> 00:38:09: maybe two projects that started since the first quarter.
00:38:10 --> 00:38:13: So against this backdrop of declining starts and and and
00:38:13 --> 00:38:18: and obviously rising population, the housing supply deficit
whatever that
00:38:18 --> 00:38:21: number is, it's it's going to be, it's going to
00:38:21 --> 00:38:25: be bigger in the next few years. Population projections. Next
00:38:25 --> 00:38:29: slide, next slide please. Population projections made before
the recent
00:38:29 --> 00:38:33: increase in immigration was calling for growth of 1.24 million
00:38:33 --> 00:38:36: residents in the GTA over the next 10 years. That's
00:38:36 --> 00:38:40: that's 50% higher than the previous ten year growth which
00:38:40 --> 00:38:41: was about 849,000.
00:38:42 --> 00:38:44: And it equals, if you take, you know, the average
00:38:44 --> 00:38:48: household size is around 2.5. It equals demand,
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
00:43:19 --> 00:43:22: different factors at play. I'm curious what you think going
00:43:22 --> 00:43:26: forward is going to happen are. Are we just going
00:43:26 --> 00:43:28: to sort of pause, you know, skip a beat and
00:43:28 --> 00:43:31: then go back to the way that condos have moved
00:43:31 --> 00:43:32: forward?
00:43:32 --> 00:43:35: Um, with as you described 40 to 50% of that
00:43:35 --> 00:43:40: demand coming from investors, you know, providing that
00:43:40 --> 00:43:43: rental supply
00:43:40 --> 00:43:43: or do you think investors might start to move to
00:43:43 --> 00:43:47: the resale market given the delta and those prices that
00:43:47 --> 00:43:48: you illustrated?
00:43:51 --> 00:43:53: I think that the the condo market has evolved a
00:43:53 --> 00:43:56: lot over the last over the last 10 years and
00:43:56 --> 00:43:59: I think it's going to continue to evolve. One of
00:43:59 --> 00:44:02: the interesting things that that's come through the data in
00:44:02 --> 00:44:05: the last couple of years is that the majority of
00:44:05 --> 00:44:08: new condo sales in the majority of new condo development
00:44:08 --> 00:44:11: right now in the GTA is not in the City
00:44:11 --> 00:44:13: of Toronto, it's in the 9:05. So I think, I
00:44:13 --> 00:44:14: think investors.
00:44:15 --> 00:44:19: Have adjusted to high prices and and obviously they're
00:44:20 --> 00:44:23: starting
00:44:20 --> 00:44:23: to look at higher interest rates to sort of Orient
00:44:23 --> 00:44:26: themselves towards what they consider to be value sites. So
00:44:26 --> 00:44:30: those those those areas of the market that could be
00:44:30 --> 00:44:32: potentially higher growth areas and.
00:44:33 --> 00:44:37: Also you know provide better potential rental yields and and
00:44:37 --> 00:44:40: and returns on investment because you know buying in the
00:44:40 --> 00:44:43: downtown core at today's average price per square foot. I
00:44:43 --> 00:44:47: mean minimum entry level unit is like 1,000,000 bucks OK.
00:44:47 --> 00:44:49: So a lot of investors are are saying OK I'm
00:44:49 --> 00:44:52: 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
speculating
00:46:16 --> 00:46:19: on Toronto condos. It's it's a very small proportion. It
00:46:19 --> 00:46:23: always has been. But the proportion of foreign wealth that
00:46:23 --> 00:46:26: drives condo demand is very significant. So in you know
00:46:26 --> 00:46:29: immigrants that are coming over bringing over family money
they
00:46:29 --> 00:46:32: have a bias towards real estate they they they favor
00:46:32 --> 00:46:34: condo investments and.
00:46:34 --> 00:46:36: You know I wouldn't count condo investment out because of
00:46:37 --> 00:46:39: that fact. I think there's there's still you know a
00:46:39 --> 00:46:42: critical mass out there of investors who know another person
00:46:42 --> 00:46:45: 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.
 Tends to happen, and this is pretty prevalent across all
 all markets, with universities in particular smaller towns
 where the
 university is a big part of the of the local
 economy.
 And I'm not with these students obviously looking for
 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
00:51:12 --> 00:51:17: they're closer to universities themselves campuses themselves and
00:51:17 --> 00:51:21: cuts down on 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
00:52:40 --> 00:52:43: worked and what, 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
00:52:51 --> 00:52:55: markets 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
versus
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
charge rates,
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
stimulate
00:58:22 --> 00:58:26: homeownership demand and those take the form of you
know
00:58:26 --> 00:58:29: the elimination of capital gains tax on your primary.
00:58:30 --> 00:58:30: Residents.
00:58:32 --> 00:58:36: First time home buyer credits, federal mortgage insurance
and stuff
00:58:36 --> 00:58:39: like that, all those things are are spurring or bolstering
00:58:39 --> 00:58:43: homeownership and again I I think everyone who wants to
00:58:43 --> 00:58:45: own my own should be able to. But if you
00:58:45 --> 00:58:49: take the economic outperformance or the financial
outperformance of home
00:58:50 --> 00:58:53: ownership out of the equation, I think that you know
00:58:53 --> 00:58:56: who would want to omahony would would look very different
00:58:56 --> 00:59:00: right because then you're just looking you're faced with
flexibility
00:59:00 --> 00:59:02: 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
00:59:46 --> 00:59:49: ultimately at their units to the rental pool but not
00:59:49 --> 00:59:52: having you know the right mix of of rental really
00:59:52 --> 00:59:53: impedes overall.
00:59:53 --> 00:59:56: Housing supply and housing choice within the marketplace.
00:59:56 --> 00:59:59: So I think you know recognizing that that that community
01:00:00 --> 01:00:02: investors are scaling back. We need to do whatever we can to
01:00:02 --> 01:00:05: ramp up efforts to build new new purpose built rental
01:00:05 --> 01:00:08: supply. So any incentive that can that can help in
01:00:08 --> 01:00:11: that regard because there's there's a lot of talk about
01:00:11 --> 01:00:13: ramping up supply. I don't see much specific as it
01:00:13 --> 01:00:17: relates to rental. I think that's that's the solution because
01:00:17 --> 01:00:20: if the average income required to buy the average priced
01:00:20 --> 01:00:22: home in the GTA is \$150,000 or more you know
01:00:22 --> 01:00:23: the de facto.
01:00:24 --> 01:00:27: Affordable rental effect, de facto affordable housing supply is
01:00:27 --> 01:00:29: is 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.

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