

# The short to medium term effects of the COVID-19 pandemic on the Real Estate industry of Toronto

Historians will look at the COVID-19 pandemic as a major turning point of the 21st century.

Turning points tend to reflect the changes—some significant—that follow an event, rather than the event itself, and the pandemic is no exception. The effects of this turning point will persist from the immediate to the long term.

One major change arising from the pandemic is the way work is done. The closure of many workplaces and offices ushered in a new era of remote work for thousands of Canadians. This will lead to a major shift in the way a large segment of the labour force operates in the post-pandemic future.

The proliferation of high-speed internet access in the province and country at large, as well as the availability of online tools and platforms to keep in touch with co-workers, have greatly expanded employee ability to work remotely, a factor that may encourage more Torontonians and Greater Toronto Area (GTA) residents to relocate away from the downtown core—although not at the rate that was observed during at the height of the pandemic.

According to the latest data released by Statistics Canada on January 13, 2022<sup>[1]</sup>, “the exodus from Toronto and Montreal picked up steam amid the COVID-19 pandemic, with scores of residents leaving those cities for smaller centers and rural areas within the same province.” Over 64,000 people left Toronto for other parts of Ontario from mid-2020 to mid-2021, with another 6,600 moving out of the province.

In the first summer of the pandemic, the city of Toronto reported a record population [\[2\]](#) loss over 12 months. According to the Statistic Canada [\[3\]](#) study published in January 2021, more than 50,000 Toronto residents had left the city by July 2020.

### **Why did people leave?**

Several factors have made areas outside Toronto, and to some extent outside the province of Ontario, more desirable during the pandemic and are likely to be present after the pandemic.

These include the following:

1). The affordability of housing outside of Toronto, coupled with the rapidly increasing costs in the city and its surroundings.

There has been a "sharp decline in housing affordability in Toronto" [\[4\]](#). The latest Toronto Housing Market Report, published by [WOWA.ca](#), says the average price of a home in Toronto is \$1,242,793 as of January 2022 [\[5\]](#), while the median price of a single-family detached house in Stratford is \$582,000 [\[6\]](#).

Given that housing has become more expensive, Torontonians have an incentive to move to less expensive areas outside the GTA, which are often more spacious.

2). The ability to work remotely.

While not a new phenomenon, remote work increased substantially during the COVID-19 pandemic, following the closure of many offices and workplaces.

Initially, many employers were concerned about how productive their staff members would be working remotely—this has since changed. A recent study showed that 85 percent of global companies saw increased work productivity after offering workplace flexibility options. It found that 74 percent of Canadian business leaders believe allowing employees to work remotely increases productivity by at least 20 percent [\[7\]](#).

According to a poll conducted by the Business Development Bank of Canada, 74 percent of small to medium enterprises will let their employees work remotely post-pandemic[\[8\]](#). The main incentives for doing so include flexible working hours, improved employee retention and most importantly, reduced operating costs. The same survey indicated that the benefits accorded by the work-from-home model include reduced commuting time, flexible working hours and improved work-life balance for employees.

It is now quite likely that the workplace will look quite different when the pandemic is over—given that people can indeed continue with their lives remotely, and they can do so from anywhere; they do not have to live close to work anymore.

### 3). Home ownership opportunities

According to surveys conducted by real estate franchiser Royal LePage, in February 2021, nearly half (48 percent) of Canadians aged 25 to 35 currently own their home, and 25% of these homeowners purchased a property during the pandemic[\[9\]](#). “The pandemic provided an unexpected prize for young Canadians — a path to home ownership,” said Phil Soper, president and CEO, Royal LePage.

Torontonians who were renters previously took advantage of the “historically low mortgage rates” to purchase relatively affordable homes outside of the Toronto metropolitan area.

### **The Situation Post-pandemic**

The work-from-home model will continue post-pandemic, as most of the downtown office towers are occupied by companies in sectors with a high capacity to make the shift to remote work<sup>[10]</sup>. In addition, many of the employees attached to these companies possess higher education attainment. They are more likely to say their work can be done from home and leverage their performance during the pandemic as proof that they should continue to work remotely.

Many of those who left Toronto during the COVID-19 pandemic will not be coming back. They prefer the increased space and more laid-back lifestyle they found outside the city. In addition, they have invested their money and time in establishing roots in their new communities to the extent that they are willing to look for new opportunities if their employers compel them to return to the office.

On the other hand, the residents who relocated away from Toronto temporarily during the pandemic are likely to return to the city. They are attracted to the many conveniences of urban life that people miss when they move away from the city, including restaurants, nightlife, friends and family they may have left behind.

Employers are evolving towards this new reality and are moving towards more flexible work arrangements, including a hybrid mix of both working from home and at the office.

## **Potential Impacts**

A Statistics Canada study released in January 2021, based on census data as per July 2020, on migration from Toronto to its surrounding municipalities is quite telling. Although Toronto continued to see more people moving out to other regions of the province rather than moving in, there was a net positive in the city's population growth – primarily driven by international migration[\[11\]](#). If Toronto was not a city attracting immigrants, it would have been a shrinking city, regardless of whether the pandemic had happened or not.

Two years after the pandemic was officially declared, a clearer picture of the impact of COVID-19 on Toronto and other major downtown areas of Canada has emerged. In a study conducted by major accounting and consulting firm PwC Canada, downtown city centres—including Toronto—have been hit hardest by the COVID-19 pandemic. Many of the key elements that contribute to their vigour, reach and appeal have been hindered. The loss of workers, tourists and students has decreased customer volume for retail businesses and merchants, who depend on the daily influx of visitors[\[12\]](#).

The further shift to remote work, which is likely to endure beyond the pandemic, will reduce people who go downtown, which in turn could lead to reduced demand by businesses for office space or to businesses moving out of the downtown core entirely.

## **Effects on housing in small communities**

The departure of people from Toronto to the suburbs and small towns across the province has created a higher than usual demand, which, in turn, has continued to drive up home prices. As an example, according to a market report released by Royal LePage in July 2020, the average unit price in Ontario's Muskoka cottage region increased 15 percent year-over-year between January 1 to May 31, 2020. “Realtors in the region reported record sales, with 278 cottage properties sold in June 2020—a 73 percent increase year-over-year,” which is largely driven by interest from “city dwellers who are ready to trade in the city for rural living.” The result was that rural home prices rose faster than in big cities like Toronto, as eager buyers rushed to acquire the relatively cheaper small-town properties. This has had the unintended consequence of “locking locals out of the real estate market”[\[13\]](#).

On the other hand, a notable effect of the urban-to-rural move is the pace of new construction in these smaller communities. An increase in population growth leads to an inevitable need for new homes. The construction boom has and continues to impact the local economies of these smaller communities positively. Construction companies involved will often procure supplies and parts from the local businesses. In addition, the construction industry employs local workers. In doing so, the local economy is improved, as tradespeople employed in the projects have more income to pass along to other local businesses. And even after the construction projects are completed, there will always be a requirement for maintenance and support, thus cultivating continuous economic growth in the various localities.

## **Post pandemic**

The trend of Torontonians moving to suburbs and rural locales is expected to slow down and, in some cases, reverse, as the vaccine rollout drives down COVID-19 cases and the pandemic is brought under control.

The trend of people leaving Toronto during the COVID-19 crisis is neither new nor unique. During epidemics, cities were depopulated by death and flight. Yet time after time, the lure of the city pulled people back after the immediate danger passed, as argued by British historical writer Ben Wilson in his new book, *Metropolis: A History of the City, Humankind's Greatest Invention*.[\[14\]](#)

There are differing opinions on how and to what extent Toronto will bounce back, but it should be noted that pre-pandemic life as we know it will not be the same, especially with regards to real estate.

The COVID-19 pandemic has created a reset in the real estate industry. The numbers suggest that because many workers will opt to continue with the work-from-home model, there is expected to be a decline in office space leasing given the declining demand. It would be expected that some of the unused office space be repurposed for residential condos.[\[15\]](#)

There will always be a need for some form of real estate to cater to the increasing population of Toronto. It is quite possible that the COVID-19 pandemic may have accelerated the evolution of the downtown core and forced a different type of configuration.

- [1] [So long Toronto: COVID-19 pandemic hastens Canada's urban exodus](#)
- [2] [Thousands of people have left Toronto. Post-pandemic, what would bring these artists back?](#)
- [3] [Population growth in Canada's large urban regions slows, but still outpaces that of other regions](#)
- [4] [Housing Affordability Monitor](#)
- [5] [Toronto Housing Market Report](#)
- [6] [Stratford Property Tax Calculator 2021](#)
- [7] [How Working from Home Increases Productivity](#)
- [8] [Remote work is here to stay: BDC study](#)
- [9] [Royal LePage Survey: Nearly half of Canadians aged 25 to 35](#)
- [10] [The impact of the pandemic on the downtown areas of Canada's six major cities](#)
- [11] [Population growth in Canada's large urban regions slows, but still outpaces that of other regions](#)
- [12] [The impact of the pandemic on the downtown areas of Canada's six major cities](#)
- [13] [Red-hot and rural: Canadian towns grapple with big-city-like real estate boom](#)
- [14] [Metropolis: A History of the City, Humankind's Greatest Invention](#)
- [15] [All the ways the pandemic could change cities forever](#)