

Market Year in Review & Outlook Report

2020

The Time is Now: Planning for Growth in the GTA



Toronto Regional
Real Estate Board



This is the **fifth edition** of our *Market Year in Review & Outlook Report*, a report that I am immensely proud to have seen grow over the years into a **must-read**, not only by those with an interest in the Greater Golden Horseshoe (GGH) real estate market, but also by those with a keen interest in seeking solutions to improve the **quality of life** in this region. 

- John DiMichele
CEO, Toronto Regional Real Estate Board



Market Year in Review & Outlook Report

Table of Contents

A Message from the President	4	John Henry	38
A Message from the CEO	5	Durham Regional Chair and CEO	
Executive Summary	6	Nancy Polsinelli	39
2019 Year in Review & 2020 Outlook	9	Peel Region CAO (Interim)	
2019 Year in Review.....	10	Wayne Emmerson	40
2020 Market Outlook	13	York Region Chairman and CEO	
Rental Market Review & Outlook	17	Future of Transportation Infrastructure	
Summary.....	18	in the GTHA.....	41
Rental Demand Increased in 2019.....	18	Growth Patterns in the GTHA	42
Strong Listings Growth Helps Moderate		Present Transportation Challenges.....	43
Rent Growth	19	Future Opportunities for	
Rental Market Moving Forward	20	Transportation in the GTHA.....	45
New Home & Residential Land Sectors	21	Key Takeaways	46
Section Summary	22	Transit-Supportive Development	
New Home Sector	23	Along Bus Corridors	47
Residential Land Sector	25	Greater Housing Around Transit	
Looking Ahead	26	is a Smart Investment	48
Commercial Review & Outlook	27	Housing Diversity – A Foundation	
Market Drivers in Brief.....	28	of Every Vibrant City.....	49
Commercial Leasing.....	29	Seizing the Opportunities.....	49
Commercial Property Sales	30	Recommendations	51
Policymakers on Solutions for		Future GTHA Economic Growth	
Population Growth	31	& Housing Affordability	53
Steve Clark.....	32	Upbeat Outlook for GTHA	
Minister of Municipal Affairs & Housing, Province of Ontario		Economy to 2031.....	54
John Tory	33	GTHA Economy Likely to	
Mayor, City of Toronto		Remain Resilient	55
Patrick Brown	34	Housing Affordability Challenges Will	
Mayor, City of Brampton		Remain Even With Incomes on the Rise	56
Bonnie Crombie	35	Renting Will Become the New Normal.....	57
Mayor, City of Mississauga		A Regional View	57
Dan Carter	36	More Supply is Needed to Provide	
Mayor, City of Oshawa		Relief to Rising Housing Costs	57
Dave Ryan	37	Conclusion	58
Mayor, City of Pickering			

Market Year in Review & Outlook Report

A Message from the President



I am honoured to share this message for TREB's *Market Year in Review and Outlook Report*. Each year, I look forward to the release of the report, and continue to find it a resourceful tool about the past and upcoming trends in the real estate market. It also provides great material to engage in discussions with colleagues and clients on pressing topics related to our industry.

Inside this report, you will find new and exciting evidence-based research, consumer intentions, market overviews and forecasts, with each section digging deep behind the numbers. In addition, the 2019 market year and outlook for 2020 section presents readers with an opportunity to better understand the market.

Speaking of 2020, this marks a very special year for TREB. Our 100th Anniversary is on November 29, 2020, and TREB Member REALTORS® have participated in turning houses into homes, offices into businesses, and streets into neighbourhoods over the last 100 years.

Home ownership continues to be a sound long-term investment for buyers and the economy. In fact, several sections in this report touch on the topic of Canada's strong economy and how this scenario fuels population growth and in turn creates a pent-up demand for housing.

However, the supply of housing across the region is not expected to grow fast enough to meet the demand for housing. So, how can we keep up with the growing population and meet housing demands? TREB has the opportunity to use this report as a tool to make suggestions and call on policymakers and industry stakeholders to convert these issues into action. Specifically, in this year's report, you'll find research that hones in on transportation trends, pressures and development. We at TREB believe that quality transportation mixed in with a diverse housing supply offers people the chance to live where they want and an easier way to move around the region.

We've also followed suit from last year's report and included a section on the rental market – a segment of the real estate market that is also faced with a dwindling supply and affordability issues. To cover all aspects of the real estate market, you'll also find a commercial section.

I hope you enjoy reading this report and have found a resource that provides a snapshot of the 2019 market year and an informative outlook for 2020 and onwards, in addition to the pages full of comprehensive research.

Michael Collins
2019/2020 President
Toronto Regional Real Estate Board

Market Year in Review & Outlook Report

A Message from the CEO



This is the fifth edition of our annual *Market Year in Review & Outlook Report*, a report that I am immensely proud to have seen grow over the years into a must-read, not only by those with an interest in the Greater Golden Horseshoe (GGH) real estate market, but also by those with a keen interest in seeking solutions to improve the quality of life in this region.

This initiative began in 2015, with the inaugural report examining the competitive positioning of the GGH, drawing attention to the challenges we face with the provision of housing and affordable home ownership, infrastructure and broader economic development. Year after year, this report has proven to shed light, provide clear and hard evidence, as well as offer solutions to the major challenges we collectively face in the Greater Toronto Area and beyond that we identified in the initial report, namely infrastructure, transportation and traffic, transit and housing supply.

We would like to acknowledge the work of the Toronto Region Board of Trade on the movement of people and goods file, an area where we collaborated on research that has contributed to the dialogue.

This year's report presents fresh ideas on what is critically needed to accommodate the increasing population across the GGH, as well recommendations on how to manage the ongoing demand for housing. The Toronto Regional Real Estate Board continues to make great strides in working with policymakers and industry stakeholders in advancing the issues and suggested solutions to major issues in the region.

We currently have infrastructure that does not appear to be keeping pace with the large number of people attracted to this region. It seems like we've been talking about the housing supply issue for quite some time. Although there is encouraging news and steps coming from various levels of government, the time is now to start making real efforts to bring in more supply and a greater diversity in housing types.

We need to see the development of a greater diversity of mid-density housing to bridge the gap between detached homes and high-rise condos. In other words, we need to see policymakers actively addressing the "Missing Middle." Alongside a diverse supply of housing, the GGH needs flexible housing market policies that will help sustain balanced market conditions over the long term.

The Greater Golden Horseshoe is globally recognized as a great place to live, work and do business. To create more housing supply in our high demand real estate market, I believe all levels of government should make a stronger commitment to work together to expand infrastructure and transportation across the GGH.

Technological advances are a reality, and emerging trends in transportation also have the potential to impact the system, including vehicle-on-demand services and autonomous vehicles on our roads. Without properly leveraged and well-planned transportation infrastructure, this could exacerbate the GGH's current transportation challenges. With that in mind, this report offers evidence-based research that discusses and offers solutions to some of these issues.

In fact, we titled this year's edition "The Time is Now" to put focus on planning for growth in the GGH, because in order to solve tomorrow's problems, we need to plan and implement solutions now. It costs billions to build needed infrastructure today. However, if we miss an opportunity, what will it cost to build the necessary infrastructure in 5 or 10 years? What is the immediate and long-term economic impact? How much will government intervention in the real estate market impact these changes?

I hope you enjoy reading this report and encourage you to be part of the dialogue.

John DiMichele
CEO, Toronto Regional Real Estate Board

Market Year in Review & Outlook Report

Executive Summary

This year's report is all about planning for growth in the Greater Toronto Area and broader Greater Golden Horseshoe. The report's subtitle is "The Time is Now," and the contents within put the focus on planning for growth in the GTHA. In addition to sharing the latest data on the Greater Toronto Area ownership housing market, rental market and commercial real estate data, the Toronto Regional Real Estate Board has worked with several of our partners to bring top-quality and evidence-based research. Our partners this year include Altus Group, the Canadian Centre for Economic Analysis, the Pembina Institute and Ryerson University. Below, you can find a brief snapshot of the contents found in this year's report, with each section offering a conclusion, takeaways, or recommendation.

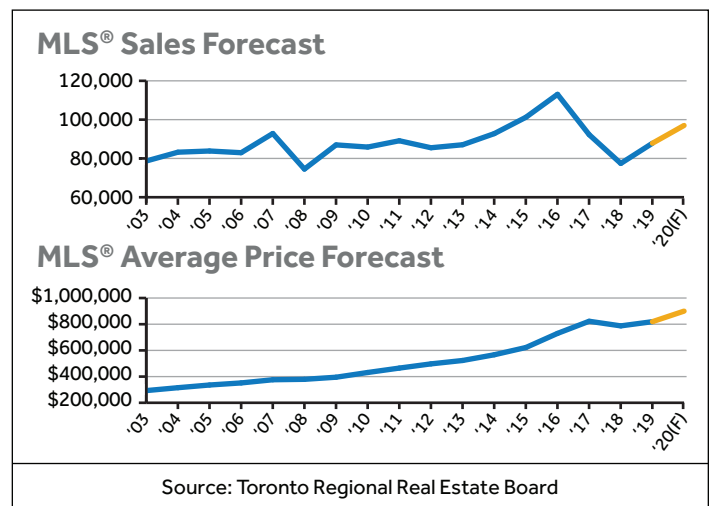
Ownership Housing

Recapping the Market in 2019

In 2019, sales growth resumed in the GTA, with 87,825 home sales reported to TREB's MLS® System – an increase of 12.6 per cent compared to 2018. The number of new listings in 2019 was down 2.4 per cent, resulting in increased competition between buyers and an acceleration in

price growth with the average price climbing to \$819,319 for all home types combined. More information on the market in 2019 and a look into Ipsos consumer survey results of recent home buyers can be found on page 10.

Looking Ahead to the Market in 2020

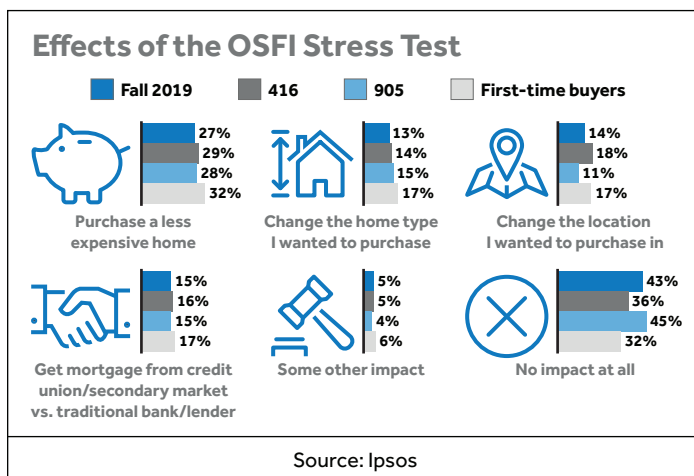


More info about this graphic can be found on page 16.

Home ownership demand will remain strong in 2020, as key demand drivers, including positive labour market conditions and low borrowing costs, remain in place. A greater number of existing residents and newcomers will purchase a home over the next year. With that said, the relationship between sales growth and the declining number of new listings will result in stronger annual rates of price growth over the next year. Read more on page 13 for insight on TREB's outlook, including results from the most recent Ipsos Home Buyers Survey.

The Rental Market

The rental market in 2019 was characterized by continued growth in rental transactions, stronger growth in the number of units listed for rent during the year and sustained above-inflation average condominium apartment rent growth. This section

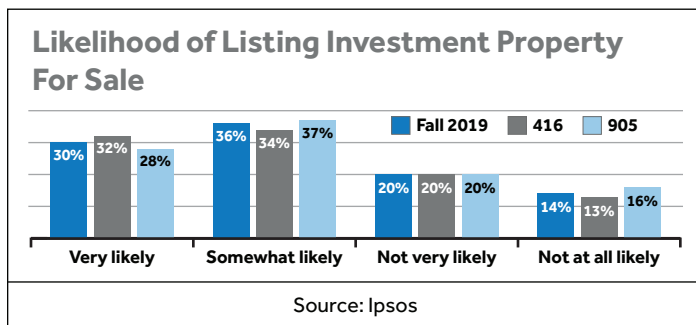


More info about this graphic can be found on page 15.

Market Year in Review & Outlook Report

Executive Summary

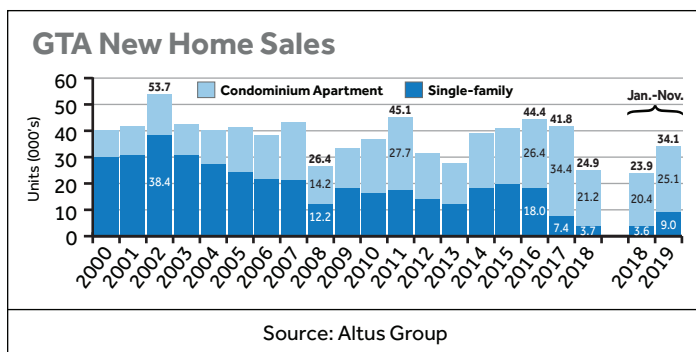
takes a detailed look at the condominium rental market in the GTA, including Ipsos survey results dealing with investor-owned properties in the region and insight on possible movement of some households from the rental market into home ownership. Read more on page 17.



More info about this graphic can be found on page 20.

New Home and Residential Land Sectors

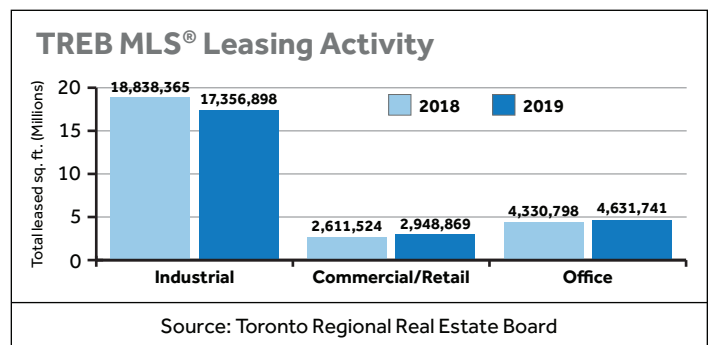
2019 can be classified as a rebound year for new home sales in the GTA, after reaching a 22-year low in 2018. Residential land sales continued to cool for the second year in a row. Looking ahead, 2020 promises to be another solid year for new home sales in the GTA, with strong in-migration driving the need for additional housing supply. Although the lack of available land to purchase could constrain the number of deals in 2020, investors will continue to seek out residential land. Read more on page 21.



More info about this graphic can be found on page 23.

The Commercial Market

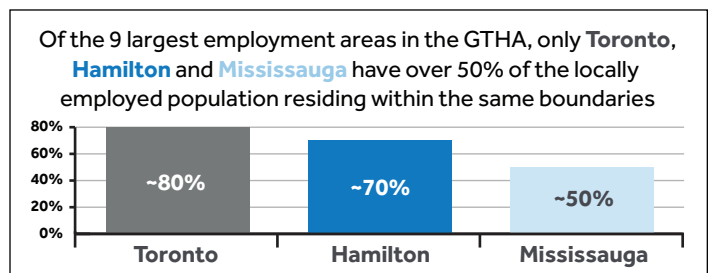
Beginning on page 27, this section looks into the drivers behind the commercial real estate market in the GTA, particularly lease and sale transactions reported through TREB's MLS® System. In 2019, industrial, commercial/retail and office space leasing decreased slightly compared to 2018. Commercial property sales increased slightly year-over-year by 0.3 per cent. Overall, market conditions remained similar to 2018.



More info about this graphic can be found on page 29.

Future of Transportation Infrastructure in the Greater Toronto Hamilton Area

Research from the Canadian Centre for Economic Analysis is featured on page 41 of this report. This study looks at growth patterns and presents a comprehensive review of current transportation challenges across the GTHA. Suggested solutions for future transportation opportunities for the GTHA are also highlighted in this section.



More info about this graphic can be found on page 42.

Market Year in Review & Outlook Report

Executive Summary

Transit-Supportive Development Along Bus Corridors

The Pembina Institute presents research on transit-supportive development – the compact urban growth and development of a community that has a balanced mix of housing, jobs, shopping and services within a 10-minute walking distance around transit. Presenting key points on the development for mid-density housing and how it can increase overall transit ridership, this study also addresses how housing challenges could deepen if there is an inability to implement diverse housing next to transit corridors. Read more on page 47.

Proportion of Dwelling Types in the GTHA

	Durham	Halton	Hamilton	Peel	Toronto	York
Single-detached	67%	58%	57%	46%	24%	64%
Semi-detached	5%	5%	3%	12%	6%	6%
Mid-density*	21%	25%	24%	24%	25%	20%
High-rise apartment	7%	11%	16%	19%	44%	10%

* Sometimes referred to as missing middle housing: includes row houses, apartments or flats in a duplex, low-rise apartments, and other single-attached houses. Due to rounding, figures may not add up to 100%.

More info about this graphic can be found on page 49.

Future GTHA Economic Growth and Housing Affordability

The Centre for Urban Research and Land Development at Ryerson University presents research on the future of economic growth and housing affordability in the GTHA. Despite an increase in jobs and average household income over time, this research points to the ongoing demand for housing, and in turn, suggests housing affordability will

remain challenged due to the housing supply-demand imbalance. Read more on page 53.

Potential solutions to affordability issues.
To help offset affordability pressures, **more housing needs to be built in the coming decade** than in the previous one. The following steps can help make this a reality.

#2

Increase the number of ready-to-build-on sites significantly.

#1

Make the provision of housing the number one goal of land-use planning.

#3

Accelerate housing approvals.

More info about this graphic can be found on page 54.

Tying It All Together

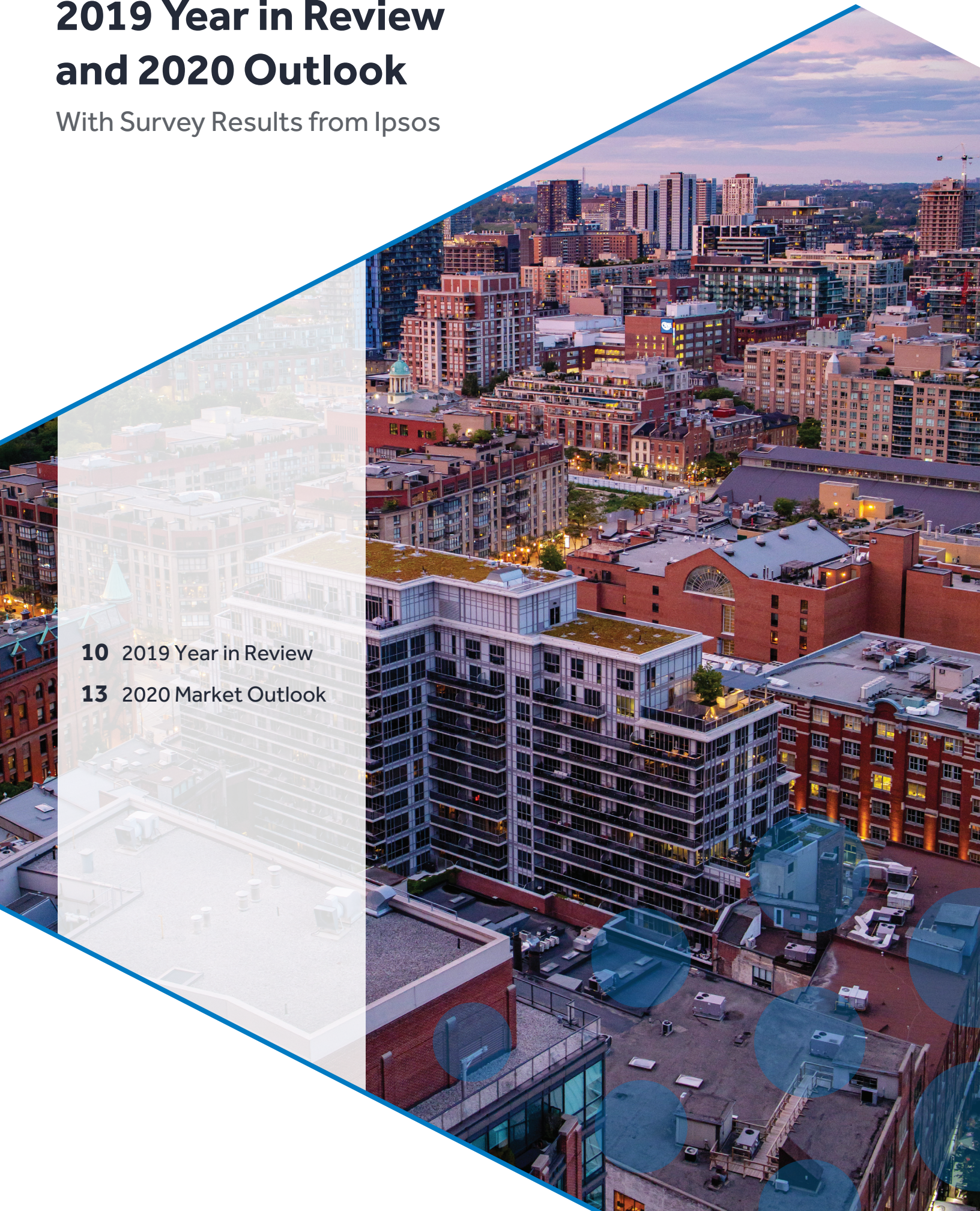
The information presented to you in this year's report is full of evidence-based research and data that examines the key issues related to the region and our industry: housing affordability, dwindling housing supply, and transportation infrastructure. Policymakers at all levels of government should use this report to guide them in translating their acknowledgment of housing supply challenges into concrete solutions now. TREB will continue to actively draw attention to the dwindling housing supply and pent-up demand issues in the GTA.

2019 Year in Review and 2020 Outlook

With Survey Results from Ipsos

10 2019 Year in Review

13 2020 Market Outlook

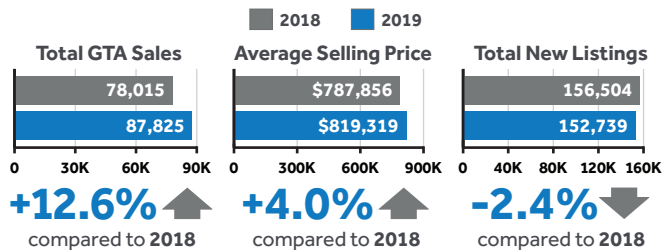


2019 Year in Review and 2020 Outlook

With Survey Results from Ipsos

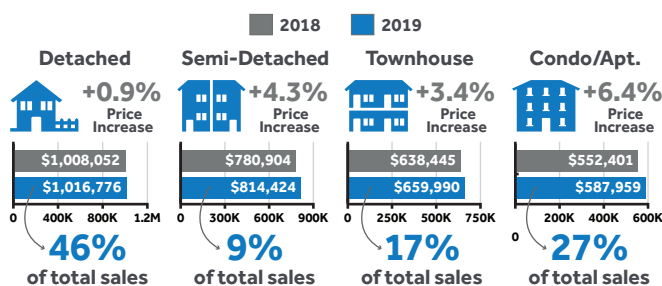
Ownership housing demand much stronger in second half of 2019, new listings down.¹

As 2019 progressed, many buyers who were originally on the sidelines likely **adjusted their housing preferences** in response to the **OSFI stress test**, in terms of home type or location.



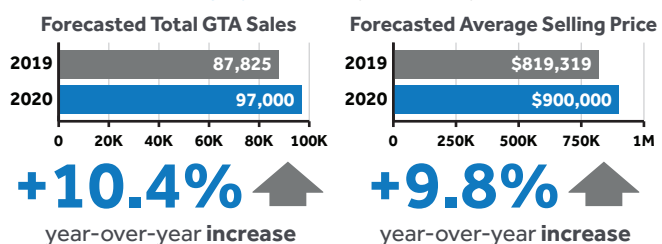
Home buyers faced increased competition in 2019.¹

When demand increases relative to supply, home buyers are faced with increased competition. **Buyers become more aggressive** with their offers in order to secure a deal.



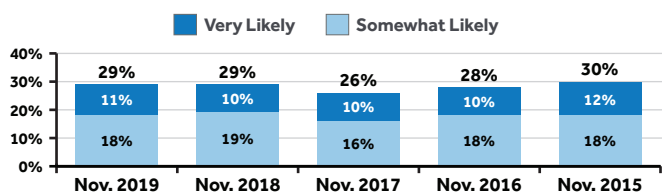
Strong ownership demand will continue into 2020.¹

It is expected that both the number of sales and the average price will be up **roughly 10%** on a year-over-year basis in 2020.



Consumer sentiment fairly consistent historically.²

In the latest Ipsos Home Buyers Survey, potential buyers in the GTA were asked **how likely they were** to purchase a home in 2020.



¹Source: TREB, as published in the December 2019 Market Watch. ²Source: Ipsos.

2019 Year in Review

Sales Growth Strengthened Substantially in 2019

Market conditions evolved in 2019 largely as expected. Home sales reported through TREB's MLS® System in calendar year 2019 amounted to 87,825 – up by 12.6 per cent compared to 78,015 sales in 2018. The strong sales result was due to a decline in negotiated fixed mortgage rates and positive labour market conditions.

The rebound in sales last year was especially evident in the low-rise market segments, within which double-digit year-over-rates of growth were experienced for detached and semi-detached houses and townhouses. As we moved through 2019, many buyers who were originally on the sidelines likely adjusted their housing preferences, in terms of home type or location, and potentially amassed a greater down payment in order to qualify under the more stringent OSFI lending guidelines.

The rebound in sales was not uniform throughout 2019. Ownership housing demand was much stronger in the second half of the year, with sustained double-digit year-over-year sales growth. On a seasonally adjusted and annualized basis, the level of home sales was generally at or above the 90,000 mark from July onward, moving closer to demographic potential in the GTA, given the current population level and historic sales per capita.

Supply of Listings Was Further Constrained

While there was a marked increase in sales across all major home types, the number of new listings entered into TREB's MLS® System actually declined on a year-over-year basis. This decrease occurred even with strong annual rates of home price growth, which, in theory, should have prompted more households to list their homes for sale to take advantage of equity gains.

2019 Year in Review and 2020 Outlook

With Survey Results from Ipsos

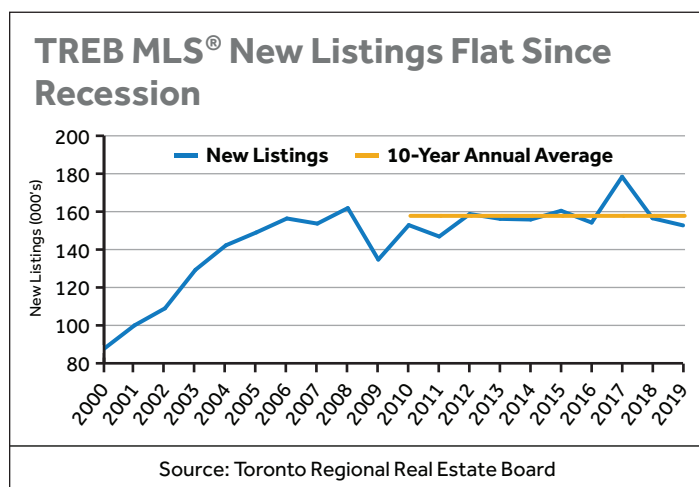


Figure 1. TREB MLS® New Listings Flat Since Recession

Save for a brief spike in new listings in 2017, new listings have been persistently flat-to-down over the past decade. This trend, which goes against accepted economic theory vis-à-vis price growth, has been based on a number of ill-planned public policy moves over the better part of the past decade-and-a-half, including:

- The City of Toronto’s Municipal Land Transfer Tax (MLTT) – Studies have shown that the MLTT has prompted households to remain in their existing home, possibly choosing to renovate, rather than listing their home for sale in order to purchase another home that better meets their housing needs. The reason for this behaviour is that these households do not want to pay the large, upfront MLTT that cannot be amortized over time.
- The two percentage point stress test on insured mortgages mandated by the Office of the Superintendent of Financial Institutions – This stress test arguably precluded many households from listing their home and purchasing another, because they would not have qualified under the new stress test regime for the additional funds required to make their purchase.

- Inability to bring online a greater diversity of housing supply – Ipsos polling has found that the majority of intending home buyers still prefer some form of low-rise housing. The problem is that new home completions over the past decade have been dominated by either detached houses or condominium apartments. If a greater diversity of higher density low-rise home types – often termed the “missing middle” – were available, more existing homeowners may be willing to list their current home for sale in order to subsequently purchase one better meeting their housing needs.

Regardless of the reason, new listings were down by 2.4 per cent annually in 2019 to 152,739. This decline in listings, coupled with resurgent demand, led to an accelerating pace of price growth, especially in the second half of 2019.

Above-Inflation Price Growth in 2019

When demand increases relative to supply, as was the case in 2019 versus 2018, it means that home buyers are faced with increased competition. The result is an accelerating pace of price growth as buyers become more aggressive with their offers in order to secure a deal. This scenario played out across most GTA market segments in 2019.

The average price for all home types combined in 2019 was \$819,319 – up by four per cent compared to \$787,856 in 2018. The average price grew at a similar annual rate in the City of Toronto and the surrounding regional municipalities.

When price growth was broken down by MLS® Home Price Index (HPI) benchmark home types, there were differences in annual growth rates. The condominium apartment market segment experienced the strongest year-over-year price growth.

2019 Year in Review and 2020 Outlook

With Survey Results from Ipsos

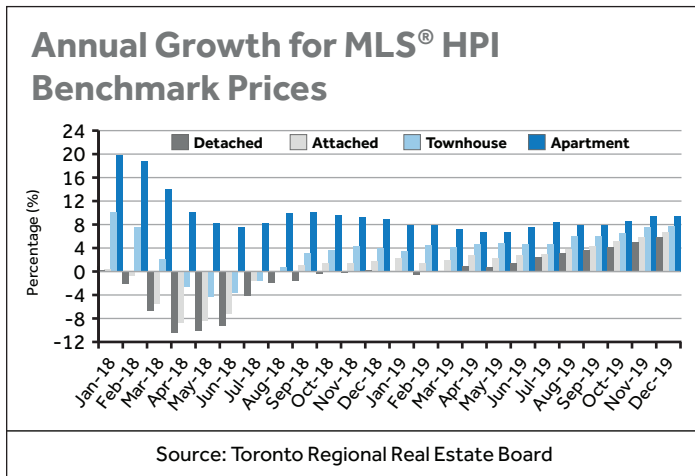


Figure 2. Annual Growth for MLS® HPI Benchmark Prices

In December 2019, for example, the apartment benchmark was up by more than 9 per cent compared to December 2018. Higher density low-rise types – townhouses and semi-detached houses – were up by 7.7 per cent and 6.7 per cent respectively. The detached market segment experienced the slowest pace of annual price growth at 5.9 per cent in December.

Compared to 2018, annual price growth for the low-rise market segments was much improved, as demand improved relative to supply as contract mortgage rates trended lower and many households adjusted to the OSFI stress test. With this said, it is still important to note that more expensive home types like detached houses, experienced a more moderate pace of price growth relative to less expensive types. This arguably reflects affordability challenges in more expensive market segments in the GTA, challenges that could be alleviated, at least in part, by a greater diversity of available home types.

Profile of Recent Home Buyers

The TREB MLS® System statistics and underlying economic drivers do not tell the whole story in

terms of how market conditions unfolded. In this regard, it is also important to understand changing consumer sentiment and decision-making. The Ipsos Home Owners survey covering recent home buyers (those who purchased in the 12 months leading up to the November 2019 survey) provided this type of valuable information, including these highlights:

- On average, recent home buyers have owned two homes, including their recent purchase. An estimated 49 per cent of recent home buyers surveyed were living in their first home. This first-time buyer share was up slightly from 48 per cent in 2018.
- The majority of recent home purchases were resale homes, but the resale share dipped to 60 per cent from 64 per cent in the fall 2018 survey. This could reflect the lack of listings inventory and the availability of homes through pre-construction sales centres, particularly in the condominium apartment segment.
- Large down payments were common for recent home buyers. The most common down payment

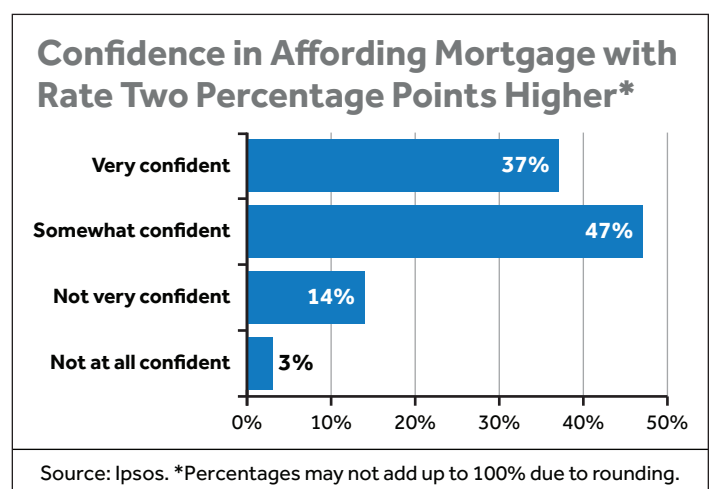


Figure 3. Confidence in Affording Mortgage with Rate Two Percentage Points Higher*

2019 Year in Review and 2020 Outlook

With Survey Results from Ipsos

for recent buyers using a mortgage was between 20 per cent and 24.9 per cent of the purchase price. 86 per cent of recent home buyers had a down payment of over 20 per cent, including 27 per cent who used no mortgage at all. This suggests that most home buyers have a substantial amount of equity with which to backstop themselves against a downturn in home prices.

- The most common down payment sources for recent home buyers were savings held outside of a Registered Retirement Savings Plan (32 per cent) and home equity (24 per cent).
- Recent home buyers were also confident in their ability to account for higher interest rates in the future. An estimated 84 per cent were very confident (37 per cent) or somewhat confident (47 per cent) that they could afford their mortgage payments if their contract rate increased by two percentage points.
- Over 60 per cent of recent home buyers using a mortgage took on a fixed rate mortgage – most for a five-year initial term. The most common interest rate range for these buyers was between 2.0 and 2.99 per cent. It is important to remember that these buyers would have qualified at the higher of their contract rate plus two percentage points or the posted five-year fixed rate which was close to 5.25 per cent throughout 2019.

2020 Market Outlook

Clearly, the demand for ownership housing rebounded in 2019, as the temporary effects of government policy diminished while home buyers' confidence continued to be buoyed by positive labour market conditions and declining borrowing costs. Looking forward through 2020, home ownership demand will remain on a strong

foundation, as existing residents and newcomers alike continue to view the purchase of a home as a quality long-term investment. It should be noted, however, that in many GTA neighbourhoods, home buyers will be faced with a constrained supply of listings. This means that competition between buyers will remain strong and above-inflation price increases will be the norm in most market segments.

Demand Drivers

While there will continue to be some economic uncertainty in 2020, especially as it relates to international trade and potential impacts on the Canadian economy, the consensus view is that the rate of unemployment will remain very low from a historic perspective in the GTA – more or less in line with 2019. Tight labour market conditions will continue to result in positive upward pressure on average incomes in most sectors.

Job creation across a diversity of sectors will continue to underpin strong immigration into the GTA. All of these households will require a place to live, whether in the rental market or the home ownership market.

Over the past decade, borrowing costs and mortgage lending policies have been a key determinant of people's decision to purchase a home. While medium- and long-term bond yields have edged upwards since the fall of 2019, forward rates through 2020 suggest that borrowing costs will remain a positive factor driving home sales in 2020. Sales trends in the second half of 2019 and the Ipsos survey results discussed above suggest that the majority of home buyers can qualify for mortgages at two percentage points higher than negotiated contract rates.

2019 Year in Review and 2020 Outlook

With Survey Results from Ipsos

due to the higher concentration of condominium apartments in the City of Toronto, which represent a relatively affordable market entry point for first-time buyers.

- The most popular home type for intending buyers was the detached house. However, the share of intending buyers GTA-wide who sought a detached house has declined markedly since the first survey in 2015 – from 54 per cent in the fall of 2015 to 42 per cent in the fall of 2019. This decline was evident both in the City of Toronto and surrounding regions. An increase in buying intentions for condominium apartments and semi-detached homes has accounted for the dip in detached buying intentions.
- For buyers intending on using a mortgage, the average down payment share of the purchase price continued to hover around the 30 per cent mark, with the most common down payment size ranging between 20 and 24.9 per cent of the intended purchase price. Approximately 80 per cent of intending buyers using a mortgage indicated their down payment would be greater than or equal to 20 per cent of the purchase price.

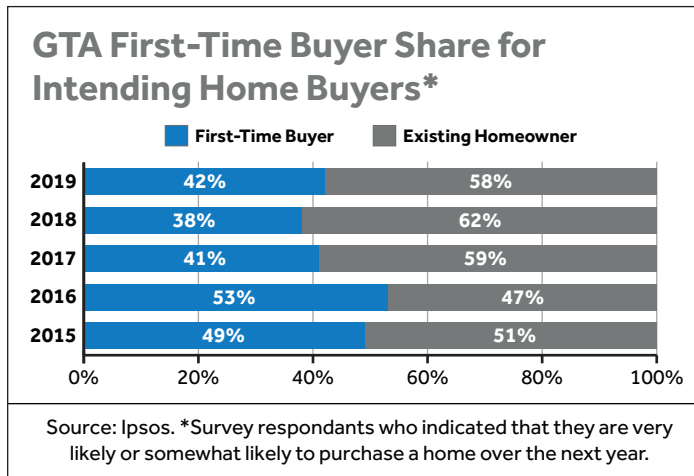


Figure 4. GTA First-Time Buyer Share for Intending Buyers*

Ipsos Home Buyers Survey Summary Points

Against the backdrop of the generally positive demand drivers discussed above, it is also important to consider the direction of consumer sentiment, as captured in the results of the latest Ipsos Home Buyers Survey undertaken for TREB in November 2019:

- For the GTA as a whole, 11 per cent of those surveyed indicated that they were very likely to purchase a home over the next year – up slightly from 10 per cent in November 2018. The share of likely home buyers – very likely and somewhat likely (18 per cent) – remained the same as the fall 2018 result at 29 per cent.
- The share of intending buyers (very likely or somewhat likely to buy) who would be first-time buyers increased compared to 2018 for the GTA as a whole (42 per cent versus 38 per cent), for the City of Toronto (47 per cent versus 44 per cent) and the surrounding '905' area code regions (37 per cent versus 32 per cent). The first-time buyers share has been consistently higher in the City of Toronto since Ipsos commenced this survey for TREB. This is likely

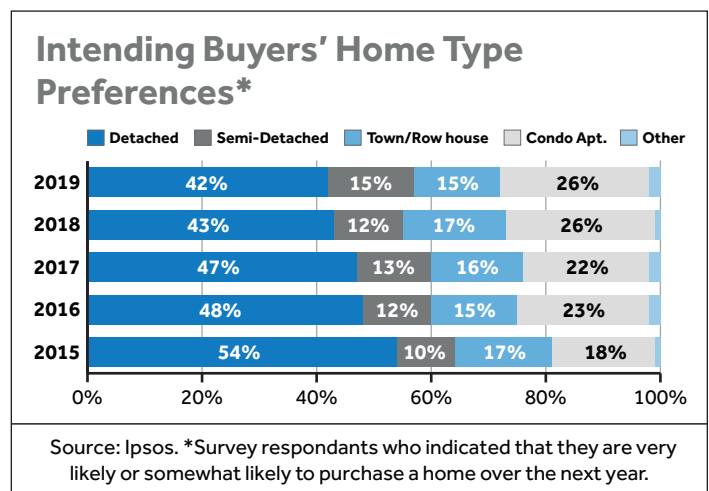


Figure 5. Intending Buyers' Home Type Preferences*

2019 Year in Review and 2020 Outlook

With Survey Results from Ipsos

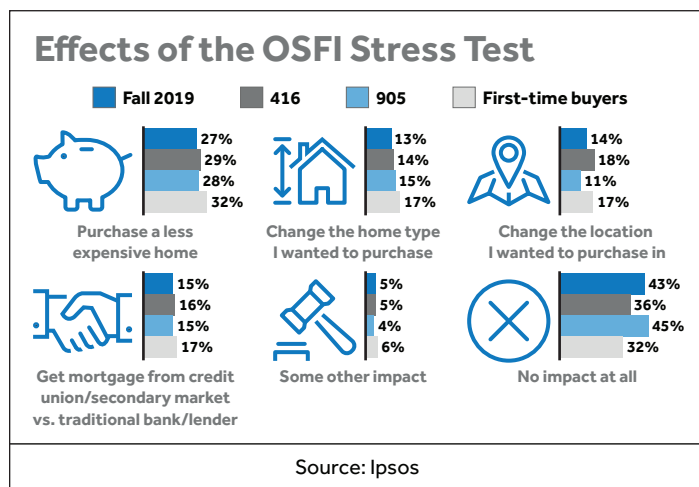


Figure 6. Effects of the OSFI Stress Test

- For all intending buyers and for first-time buyers, the most common source for down payments was savings held outside of an RRSP. For first-time buyers, the second most common down payment source was savings within an RRSP. For all home buyers combined, the second most common down payment source was equity from a current home.
- Intending home buyers who had obtained pre-approval for a mortgage confirmed that negotiated mortgage rates had trended lower in 2019 from where they stood in the fall of 2018. The most commonly cited pre-approval rate range in the November 2019 survey was 2%–2.99% – down from 3%–3.99% in November 2018.
- More than half of intending home buyers claimed to have been affected by the OSFI mortgage stress test. In order to adjust to the more stringent qualification standards, intending buyers followed a number of different paths. The most common responses involved changing home price, type or location. Some intending buyers also looked to alternate lenders, such as credit unions or the secondary lending market.

- The great majority of intending buyers (79 per cent) indicated that they would use the services of a REALTOR® in order to purchase a home. This share has remained somewhat steady over the last five surveys for all home buyers combined.

Sales Outlook

The number of sales reported through TREB's MLS® System since 2017 has been below demographic potential in the GTA, following two years of well-above-average sales in 2015 and 2016. With sales trending upward in 2019, and with that trend continuing in early 2020, it certainly appears that the demand for home ownership is moving back toward demographic potential, which would see sales moving closer to 100,000 per year.

Year-to-year, home sales can diverge from their demographic underpinnings for a number of economic and policy-based reasons. We certainly saw examples of this over the past three years, with the psychological impacts of the foreign buyer tax included in the Ontario Fair Housing Plan, the OSFI mortgage stress test on insured mortgages and fluctuations in mortgage rates. Looking forward, however, economic and policy factors seem to be tilted in favour of increased home ownership demand. As discussed above, negotiated mortgage rates will remain low from a historic perspective and many intending buyers seem to have adjusted their preferences to account for the OSFI stress test. On top of this, the prospects for further job growth, low unemployment and income growth at or above the rate of inflation remain strong.

Strong underlying demand drivers should see home sales crest the 90,000 mark in 2020, with a point forecast of 97,000 – up by almost 10.5 per cent compared to 87,825 sales reported in 2019.

2019 Year in Review and 2020 Outlook

With Survey Results from Ipsos

Sales growth will be driven by the higher density low-rise market segments (semi-detached houses and town houses) and the condominium apartment segment. These home types are more affordable, on average, and will remain popular as the OSFI stress test, while under review by the federal government, will remain in place for the foreseeable future.

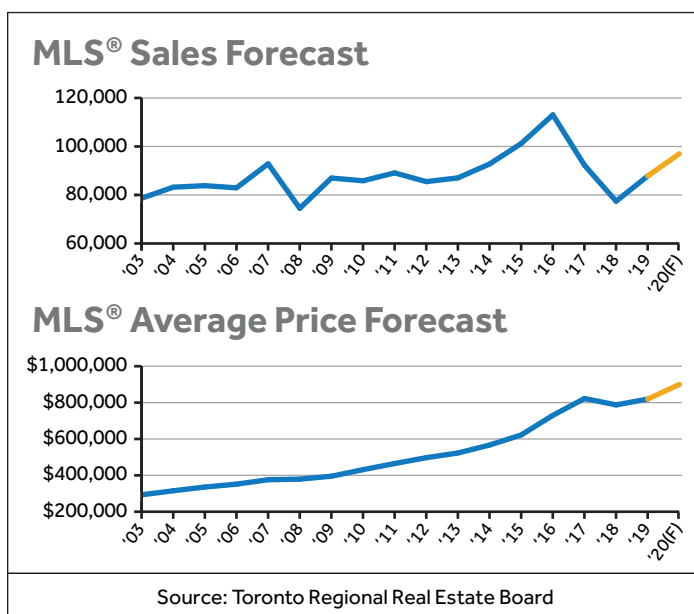


Figure 7. MLS® Sales Forecast (top) and MLS® Average Price Forecast (bottom)

Listings Outlook

In an efficient housing market, the acceleration in price growth that was experienced in 2019 would prompt an increase in the number of new listings in 2020, as homeowners would list their homes for sale in order to take advantage of equity gains. However, generally speaking, home prices have been trending upward over the past decade, yet listings have flatlined.

The latest Ipsos Home Owners survey found that 14 per cent of respondents indicated that they were very likely to list their home for sale in 2020.

While this share was up relative to the previous year's survey, the "very likely to list" share has hovered between 12 and 14 per cent over the last three years – both in the fall and spring surveys. In addition, even a flat listings trend relative to 2019 would represent a marked turn-around, because the seasonally adjusted annualized rate of new listings trended consistently downward in 2019, ending up at approximately 130,000 versus a range of 150,000 to 160,000 over the past decade.

The bottom line is that new listings will not keep up with sales growth in 2020. The end result will be an acceleration in price growth over the next year, as an increasing number of home buyers compete for a pool of listings that could be the same size or smaller than in 2019.

Price Outlook

Market conditions tightened throughout 2019 and continued to do so in January 2020 as well. With little to no relief forecast on the listings front over the next year and demand expected to increase, it is difficult to forecast anything but further increases to average home prices for all major home types in 2020.

The point forecast for the overall average selling price in 2020 is \$900,000, close to a 10 per cent increase compared to the average of \$819,319 reported for 2019. This forecast rate of growth presupposes that price growth will continue to be driven by the less expensive mid-density low-rise home types and condominium apartments. If the pace of detached home price growth starts to catch up to that of other major home types, the average selling price for all home types combined could push well past the \$900,000 mark over the next year.

Rental Market Review and Outlook

With Survey Results from Ipsos

- 18** Summary
- 18** Rental Demand Increased in 2019
- 19** Strong Listings Growth Helped Moderate Rent Growth
- 20** Rental Market Moving Forward



Rental Market Review and Outlook

With Survey Results from Ipsos

Summary

The Greater Toronto Area (GTA) condominium apartment rental market was characterized by low vacancies and strong average rent growth in 2019. One difference, however, was the fact that people searching for rental accommodation did benefit from slightly more choice, as the number of rental units listed at some point during 2019 did increase. With a moderate uptick in supply, average rent growth was not as brisk as 2017 and 2018, but still well above the rate of inflation.

Rental Demand Increased in 2019

The GTA has experienced no shortage of demand for rental units over the past decade. There are two intertwined factors that have been driving rental demand: job creation and population growth. Strong year-over-year job growth has been the norm over the past ten years, as has been a steady downward trend in the unemployment rate.

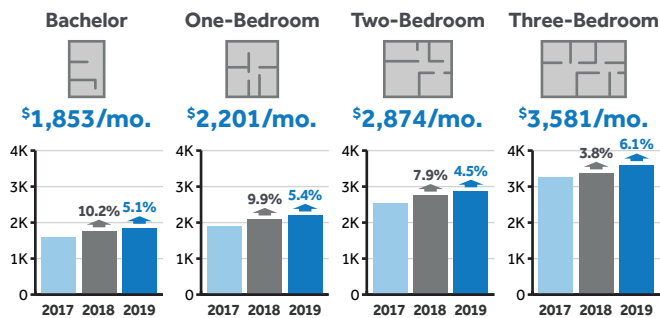
New jobs have been created across a number of different sectors, which has attracted newcomers to the GTA. On top of this, young people finishing their education have also sought to take advantage of job opportunities in the region.

Both young people and recent immigrants often start their search for housing in the rental market. Generally speaking, renting is more affordable than home ownership and provides a greater degree of flexibility to move vis-à-vis home ownership.

Reflecting the demand factors discussed above, a record 33,930 condominium apartment rental transactions were reported in 2019 – up by 13.5 per cent compared to 2018. The majority of rental transactions involved one-bedroom and two-bedroom units – up by 14.2 per cent and 10.8 per cent respectively. These rates of growth were much

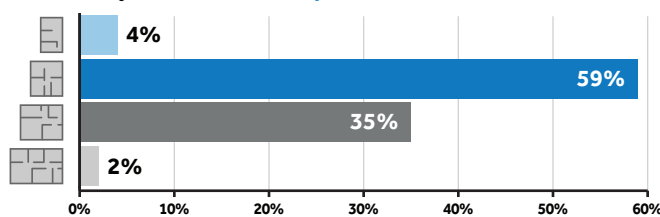
Average rents up across condo bedroom types.¹

Average rent growth in 2019 was not as brisk as 2017 and 2018, but still well above the rate of inflation.



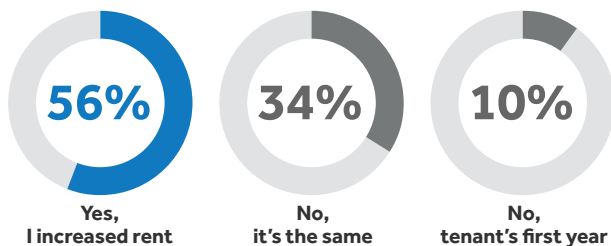
One- and two-bedroom units represent the great majority of available rental stock in the GTA.¹

Transactions involving one-bedroom and two-bedroom units collectively accounted for 94 per cent of available rental stock.



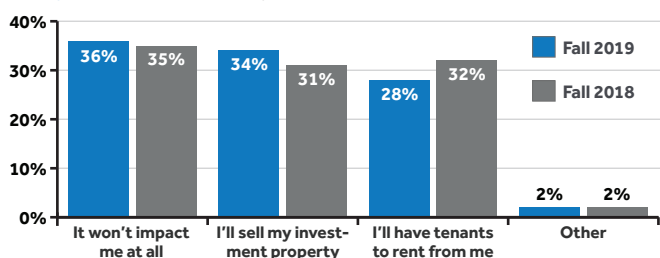
Landlords split when asked about rent increases.²

In a recent Ipsos survey of landlords, respondents were asked if they increased tenants' rent over the past year.



A vacancy tax could result in varied responses.²

A recent Ipsos survey asked investment-property owners what they would do if the City of Toronto levied a vacant-home tax.



¹Source: TREB. ²Source: Ipsos. Percentages may not add up to 100% due to rounding.

Rental Market Review and Outlook

With Survey Results from Ipsos

stronger than those reported in previous years. For example, the number of condominium apartment rental transactions was basically flat in 2018 relative to 2017.

Strong Listings Growth Helped Moderate Rent Growth

The great majority of rental stock added in the GTA over the past decade has been brought online by investor-owners of condominium apartments. Approximately 25 per cent of survey respondents to the most recent Ipsos survey of homeowners indicated that they owned a property that was rented out or was currently available for rent. This section considers this segment of rental market supply.

While year-over-year rental transaction growth was strong through 2019, growth in the number of units listed at some point during 2019 was much stronger. The number of one-bedroom and two-bedroom condominium apartments listed for rent at some point during 2019 was up by 27.5 per cent and 20.2 per cent respectively compared to 2018. With the number of condominium apartments listed for rent growing at a faster pace than rental transactions, many renters appear to have benefited from a better supplied market, with the annual pace of rent growth moderating compared to 2017 and 2018, albeit still above the rate of inflation.

The relationship between demand and supply can be estimated using the rental-to-listed ratio (RLR). In 2017 and 2018, the RLR was at its highest level of the decade – above 75 per cent in both years. This suggests that competition between renters for available condominium apartments was quite intense, pushing the annual rate of average rent growth above nine per cent in both years.

In 2019, with stronger annual growth in units list-

ed, the RLR dipped to approximately 69 per cent, suggesting some relief to the extremely tight market conditions experienced during the previous two years. With more supply to choose from, many would-be renters had more negotiating power compared to previous years, which likely led to a more moderate pace of average rent growth.

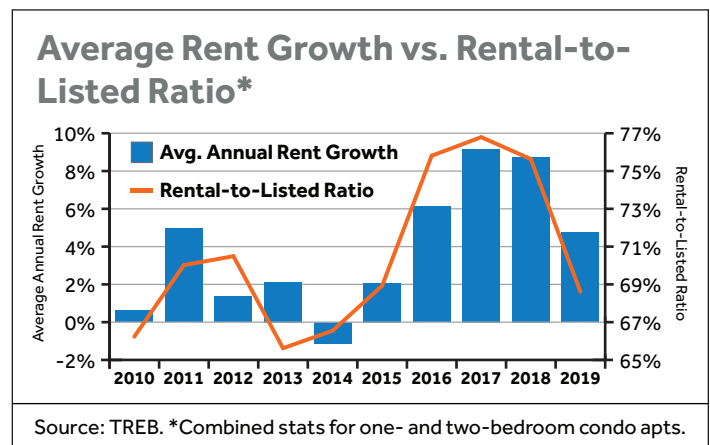


Figure 1. Avg. Rent Growth vs. Rental-to-Listed Ratio*

The average one-bedroom condominium apartment rent was \$2,201 – up 5.4 per cent compared to \$2,089 in 2018. This represented a much more moderate pace of growth compared to 2018, when the average annual growth rate was 9.9 per cent. The average two-bedroom condominium apartment rent was \$2,874 in 2019 – up by 4.5 per cent, which was much more moderate than than 7.9 per cent in 2018.

If the trend towards a more balanced condominium apartment rental market continues, there would be more relief for a GTA housing market that has been starved for supply for a number of years. However, one year of listings growth outstripping supply does not constitute a trend. The next section considers the latest Ipsos consumer survey data to provide some insight on the condominium apartment rental market moving forward.

Rental Market Review and Outlook

With Survey Results from Ipsos

Rental Market Moving Forward

The most recent Ipsos survey of potential home buyers over the next year suggests that approximately one-third of current GTA renters are already seriously considering moving from rental to home ownership over the next year. An additional 23 per cent of renter households say they would seriously consider a move to home ownership if they face further rent increases. Supporting these findings is another Ipsos-based statistic that suggests first-time buying activity will be edging up in 2020. These polling results point to a significant amount of churn in the rental market over the next year. While people moving from rental accommodation into home ownership would free up space for other renters, this churn will not on its own result in any net new additions to the rental stock.

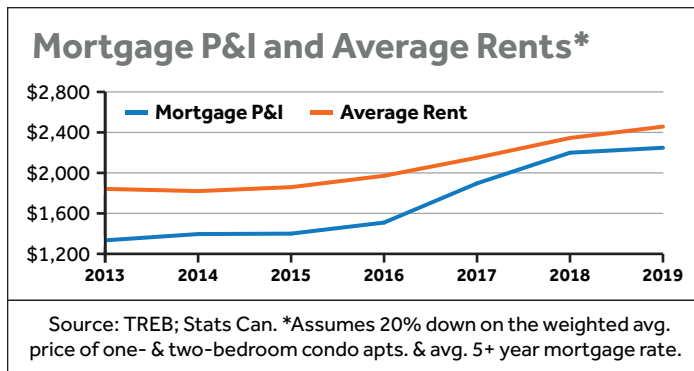


Figure 2. Mortgage P&I and Average Rents, 1-Bedroom & 2-Bedroom Condominium Apartments*

A key driver of rental supply is growth in average rents. The strong increase in average rents we have seen over the past few years should result in more units coming online as investors seek improved returns on their investment. However, over the same period of time, the cost of condominium apartment ownership increased as well. In 2015 and 2016, the spread between the average one-bedroom condominium apartment rent and

the average mortgage principal and interest payment was \$459 and \$462 respectively. In 2018 and 2019, the spread was \$145 and \$209. Clearly, the potential for returns based solely on rental income has diminished. This could influence a potential investor's decision to purchase a unit and rent it out.

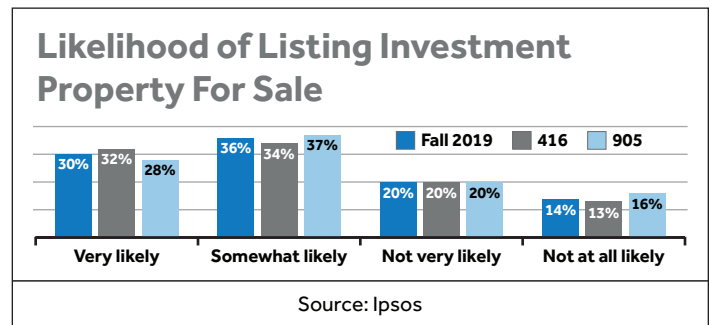


Figure 3. Likelihood of Listing Investment Property For Sale

Many current investor-owners have benefitted from strong market value increases over the past decade. These paper gains in wealth, coupled with the prospect for further government intervention in the rental market (for example, the potential for vacancy taxes), appears to be pushing some investors to at least think about selling their investments. The most recent Ipsos Home Owners Survey found that 66 per cent of investor-owners in the GTA are very likely (30 per cent) or somewhat likely (36 per cent) to list their investment properties for sale in 2020.

While we did see an improvement in condo apartment rental supply in 2019, recent consumer polling coupled with the potential for smaller returns on investment from rental income suggests that there are still forces working against more balanced market conditions in the GTA rental market. Policymakers at all levels of government need to be mindful of rental supply requirements as the GTA population continues to grow on the back of a strong regional economy and strong immigration.

New Home & Residential Land Sectors

Research from Altus Group

- 22** Section Summary
- 23** New Home Sector
- 25** Residential Land Sector
- 26** Looking Ahead



New Home & Residential Land Sectors

Research from Altus Group

Total new home sales up through November 2019

Single-family and condo apartment sales combined increased by 42% from the same period in 2018.

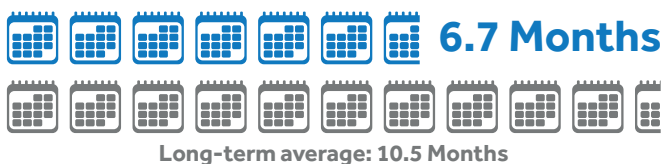


Newly-built single-family home sales fared better in 2019 than 2018. Sales were **2.5x** higher than in 2018.





Level of new condominium apartment inventory well below long-term average.

The available inventory in late 2019 represented **less than 7 months of supply** at the pace of sales in the previous year.

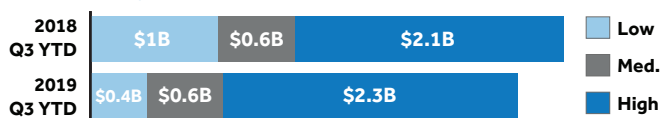


Residential land sales are measured by density.

-  **LOW DENSITY LAND**
Primarily for detached and semi-detached homes
-  **MEDIUM DENSITY LAND**
Primarily for future townhouse-oriented developments
-  **HIGH DENSITY LAND**
Primarily for condominium and purpose-built rental apartment development

Residential land sales cool for second year in a row.

Dollar volume of residential land sales in the GTA **decreased by 8%** in the first three quarters of 2019.



37% of all residential land deals in the first three quarters of 2019 were **smaller deals in the \$1 million to \$3 million range.**



Section Summary

- 2019 was a rebound year for total new home sales in the GTA, after reaching a 22-year low in 2018.
- Single-family new home sales more than doubled in 2019 but remain low in historical terms, while new condominium apartment sales also showed improvement.
- Average asking prices for new condominium apartments continued to set new records, while average asking prices for new single-family home prices dipped further.
- Higher new condo apartment completions over the next two years will help to relieve some of the current undersupply in the GTA rental and resale condominium apartment markets.
- Residential land sales in the GTA continued to cool in 2019, the second year of decline after record sales in 2017.
- The 2019 decrease in total residential land sales was entirely due to a plummet in sales of low density land; sales of high density residential land outpaced 2018, and medium density land sales held constant.
- Residential land sales rebounded in the City of Toronto, but not enough to offset declines in the other GTA Regions.
- 2020 promises to be another solid year for new home sales in the GTA, although uncertainty with respect to the global economy and geopolitical risk could cut short the recovery.
- While investors are expected to remain interested in acquiring residential land in 2020, lack of product available to purchase, in particular for low density land, may continue to constrain actual sales.

New Home & Residential Land Sectors

Research from Altus Group

New Home Sector

- The downturn in new home sales in the Greater Toronto Area (GTA) that occurred in 2018 is now over. Favourable mortgage rates and robust employment growth helped to release some of the pent-up demand that had built up as a result of more stringent mortgage stress testing. Total new home sales (single-family and condominium apartment combined) through November 2019 were up 42% from the same period in 2018, with 2019 expected to finish with sales in the 35,000 unit range – near the 10-year average annual level.

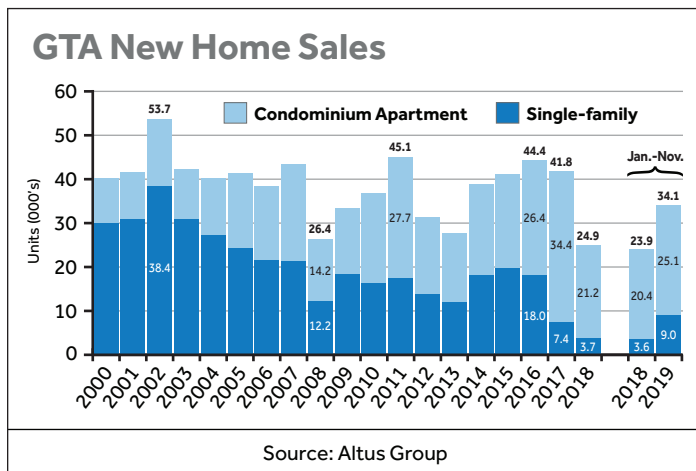


Chart 1. Greater Toronto Area New Home Sales

Single-Family New Home Sales Up From 2018's Low

- After plunging in 2017 and 2018, sales of newly-built single-family homes (which includes detached, link, semi-detached and traditional townhouse units) fared much better in 2019, as more inventory at a broader range of price points became available in the market. Sales through November were 2.5 times the number for the same period in 2018. But at just over 9,000 units sold, 2019 new single-family home sales are still very low in historical terms.

- After a year of downward adjustment in 2018 following record sales in 2017, sales of new condominium apartment units (which include apartments in low-, medium- and high-rise buildings, lofts and stacked townhouses) began to recover in 2019. Although the first quarter started out slow, momentum picked up as the year progressed, with sales through November up 23% from the same period in 2018.

The Improvement in GTA New Condo Apartment Sales in 2019 Was Due to the 905 Regions

- New single-family sales improved in 2019 in each of the 905 Regions, as well as in the City of Toronto. York Region regained the top spot from Peel Region.

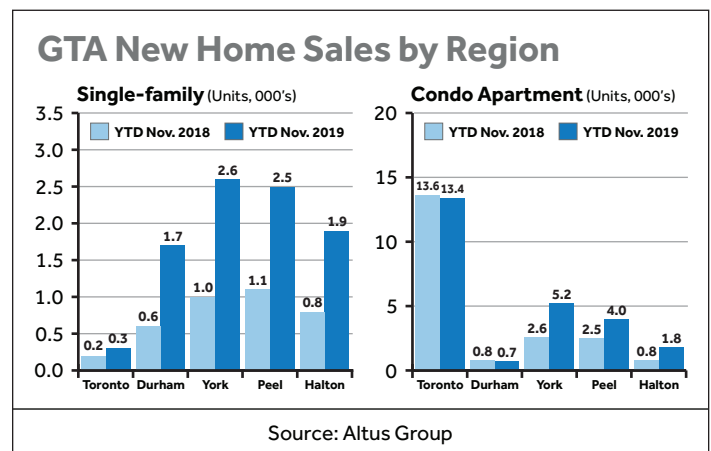


Chart 2. Greater Toronto Area New Home Sales by Region

- The improvement in new condo apartment sales in 2019 was outside of the City of Toronto, with the increase for York Region accounting for more than half of the GTA-wide upturn.

Benchmark Price for a New Condominium Apartment Continues to Set New Records

- Prices of new condominium apartments and new single-family homes were on divergent paths during 2019. As a result, the gap in bench-

New Home & Residential Land Sectors

Research from Altus Group

mark prices of a new single-family home compared to a new condominium apartment started to narrow again in the second half of 2019, increasing the relative attractiveness of single-family homes.

- The benchmark price of a new condominium apartment reached a new record of just under \$867,000 in late 2019, up 10% from a year earlier. The upward movement in new condo apartment prices reflects, at least in part, relatively low inventories of product available to purchase. The level of available inventory in late 2019 represented less than seven months of supply at the pace of sales in the previous 12 months, well below the longer term average of about 10.5 months.
- Asking prices for new single-family homes averaged just under \$1.1 million in late 2019, down about 7% from a year earlier and 18% off the peak in July 2017.

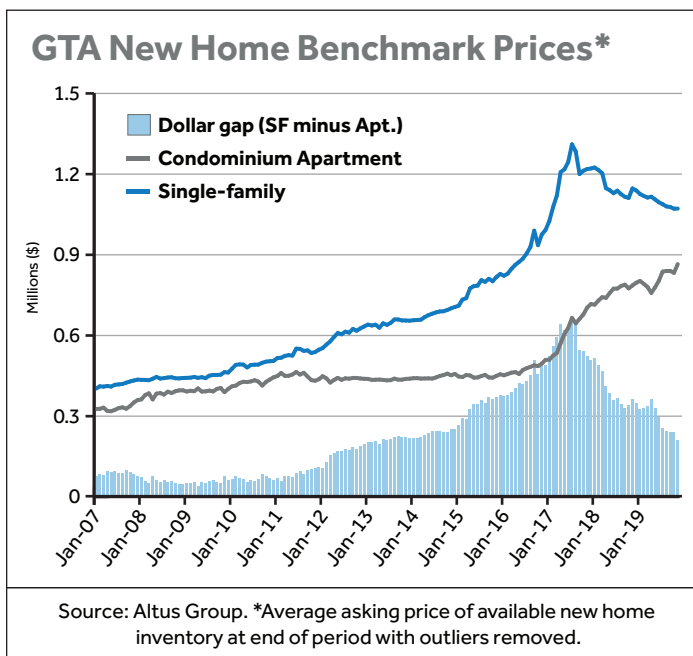
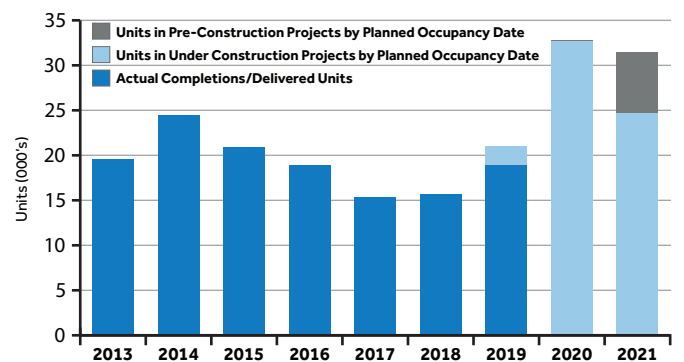


Chart 3. GTA New Home Benchmark Prices*

Additions to the Stock of Condominium Apartments Will Help Ease Shortages in the Rental and Ownership Markets

- Deliveries of completed new condominium apartments have started on their way back up, after declining over the period from 2014 to 2017. Based on planned first occupancy dates for units in new condo projects currently under construction or in pre-construction, completions in 2020 and 2021 could be more than 50% higher than in the past two years, although as in past years, it is possible that industry capacity constraints could push some planned occupancy dates further out.

GTA New Condominium Apartments by First Occupancy Date



Source: Altus Group

Chart 4. GTA New Condominium Apartments by First Occupancy Date

- The higher number of condominium apartment completions in the next two years is expected to prompt increased activity in both the leasing and resale markets (a pattern that was already emerging with higher completions during 2019). Some investors will opt to rent out their properties, which will provide some relief to the GTA's tight rental market, with the higher levels

New Home & Residential Land Sectors

Research from Altus Group

of new supply helping to keep rent increases in check. Similarly, some investors will sell once they take ownership, boosting currently low inventory levels for resale condominiums. Even among buyers who originally intended to occupy their unit themselves, some are expected to list their units for lease or resale, as their circumstances may have changed given the long lead times from purchasing a new pre-construction unit to taking possession.

- The mix of unit types for new condominium apartments being delivered will be shifting away from 1-bedroom units to 2-bedroom units, which suggests some increase, albeit modest, in family-type accommodation.

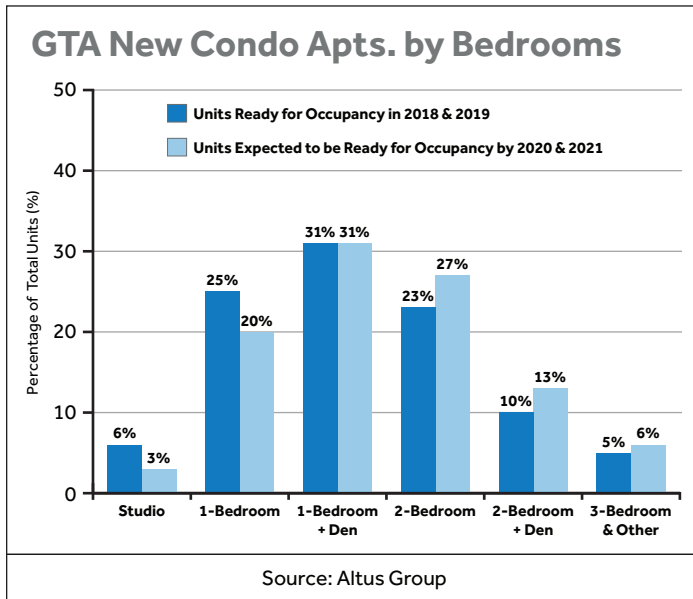


Chart 5. GTA New Condo Apartments by Bedroom Type

Residential Land Sector

- Residential land sales (including lots) cooled for the second year in a row in 2019, after the record setting performance in 2017. Sales through the first three quarters of 2019 totalled about \$4 billion, 8% below the same period in 2018.

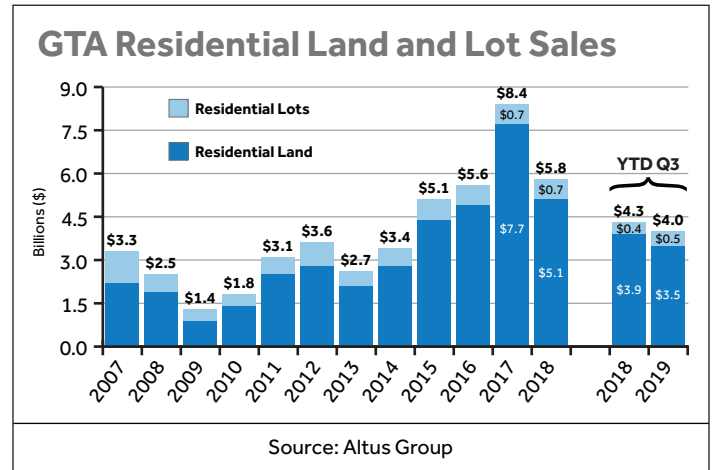


Chart 6. GTA Residential Land and Lot Sales

- A total of 299 residential land deals (excluding lots) occurred in the first three quarters of 2019. Roughly 4 out of every 10 deals were smaller deals in the \$1 million to \$3 million range, accounting for about 6% of overall dollar volumes for residential land sales.

Low Density Land Sales Plummet in 2019

- Through the first three quarters of 2019, the dollar volume of low density residential land (primarily for detached and semi-detached homes) was less than half the same period in 2018. The decline in sales is believed to be more related to lack of properties available to purchase, rather than waning investor interest.

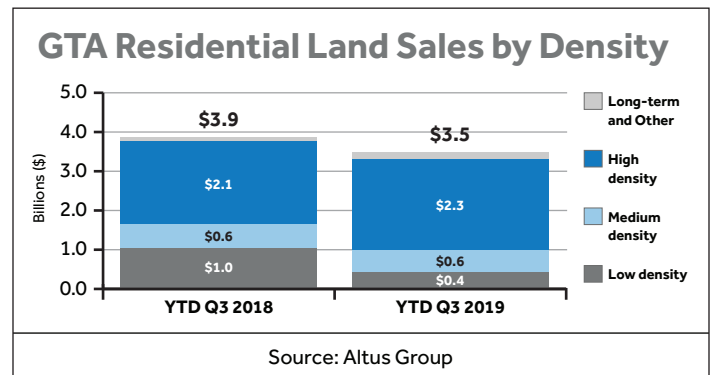


Chart 7. GTA Residential Land Sales by Density

New Home & Residential Land Sectors

Research from Altus Group

- Medium density land (primarily for future townhouse-oriented developments) held steady through the first three quarters of 2019. This segment is being driven by a growing demand for more affordable ground-oriented housing product.
- High density residential land (primarily for condominium and purpose-built rental apartment development) was the relative bright spot in 2019. With sales up by 11% through the first three quarters, this segment has the potential to match 2017's record performance.

City of Toronto Accounted for Two-Thirds of Land Sales Volumes in the GTA

- Consistent with the softening in low density land sales, total residential land sales were down in the 905 Regions in 2019.

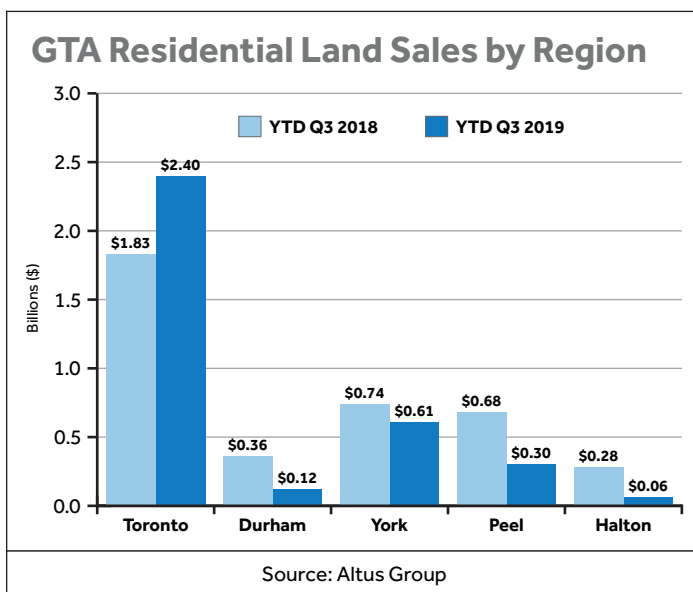


Chart 8. GTA Residential Land Sales by Region

- The City of Toronto accounted for just over two-thirds of the GTA's total residential sales volume in the first three quarters of 2019, up from just under half in the same period in 2018.

Looking Ahead

- 2020 promises to be another solid year for new home sales in the GTA, although uncertainty with respect to the global economy and increasing geopolitical risk could cut short the recovery.
- Single-family new home sales have the potential to push somewhat higher again in 2020, given reduced competition from the resale market (where inventories have dropped in the past year) and more favourable pricing vis-à-vis new condominium apartments. New condominium apartment sales are also well-positioned for another solid year, based on the pace of sales at recent new project launches.
- With strong in-migration driving the need for additional housing, investors are expected to view residential land as an important acquisition target. However, lack of available product to purchase, in particular low density land, could constrain the number of deals.

Commercial Review & Outlook

The Market in 2019 & 2020

- 28** Market Drivers in Brief
- 29** Commercial Leasing
- 30** Commercial Property Sales

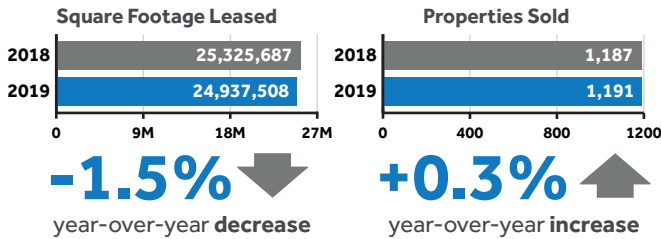


Commercial Review & Outlook

The Market in 2019 & 2020

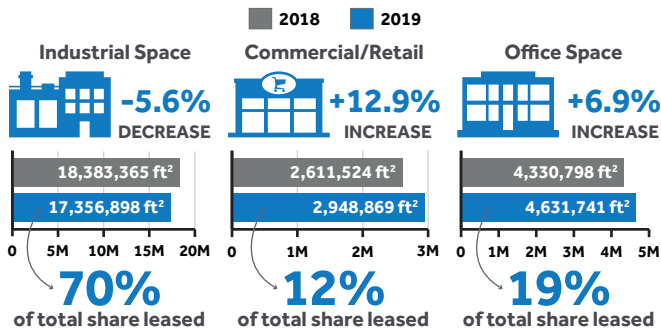
Amount of space leased and number of commercial sales was similar to 2018.

In 2019, **just under 25 million square feet** of combined industrial, commercial/retail and office space was leased through TREB's MLS® System while **1,191 properties were sold**.



Leased industrial square footage decreased, but other market segments increased.

While the industrial leasing segment accounts for approximately **70 per cent** of all commercial space leased, the **industrial share of leasing in 2019** was slightly lower compared to 2018.

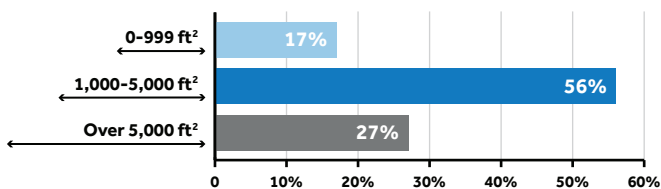


The decline in industrial space leased is due to a **7.3 per cent decrease** in the average size of industrial transactions.



Properties in the 1,000 to 5,000 square foot range represented the majority of purchases in 2019.

These **mid-sized units** have become an attractive investment for both small- and medium-sized businesses in the GTA.



It's important to note that the 1,000 to 5,000 range of units sold in 2019 was the **exact same as both 2018 and 2017**.

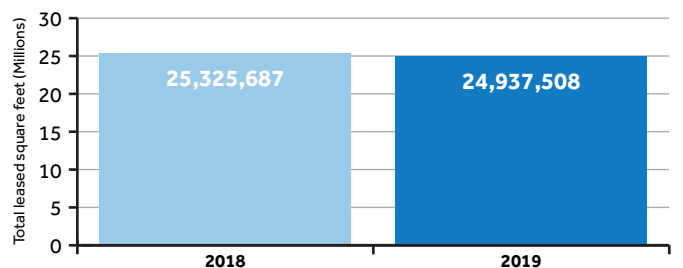
Source: Toronto Regional Real Estate Board. Percentages may not add up to 100% per rounding.

Market Drivers in Brief

Despite some headwinds due to some international trade uncertainties, Canadian economic conditions in 2019 were conducive to a healthy commercial real estate market. Canadian Gross Domestic Product grew moderately in 2019, which supported continued job creation across most sectors of the Greater Toronto Area (GTA) economy. Strong job creation kept the unemployment rate very low from a historic perspective, which arguably translated into growth in wages and salaries at or above the rate of inflation last year. Tight labour market conditions and a positive trend in incomes suggest that many GTA businesses are operating at or near capacity.

The most recent Bank of Canada Business Outlook Survey showed that overall business confidence improved over the course of 2019, with many businesses reporting the need to bring on more employees and to continue their capital investment programs, as pressures on production capacity continued to mount. When businesses indicate the need for more employees and capital investment, this often translates into the need for additional space within which to house the production of goods and services.

Total TREB MLS® Leasing Activity*



Source: Toronto Regional Real Estate Board

Figure 1. Total TREB MLS® Leasing Activity*

Commercial Review & Outlook

The Market in 2019 & 2020

Against this backdrop, the demand for commercial space, both in the leasing and sale markets remained strong in 2019 and should remain strong through 2020.

Commercial Leasing

In calendar year 2019, just under 25 million square feet of combined industrial, commercial/retail and office space was leased through TREB's MLS® System. This represented a slight 1.5 per cent decrease compared to the amount of commercial space leased in 2018.

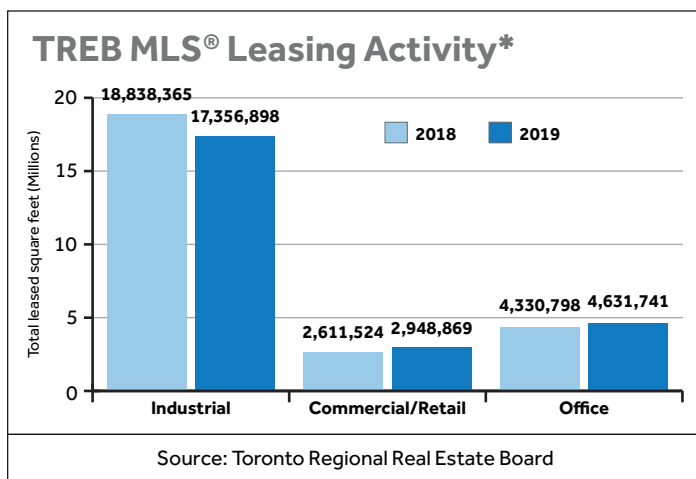


Figure 2. TREB MLS® Leasing Activity*

Typically, the vast majority of commercial space leased through TREB's MLS® System comes from the industrial market segment. This continued to be the case in 2019 as the industrial leasing segment accounted for approximately 70 per cent of all commercial space leased. The industrial share of leasing in 2019 was slightly lower compared to 2018. The total amount of industrial space leased declined by 5.6 per cent on a year-over-year basis. This decline in industrial space leased can be attributed to a 7.3 per cent decrease in the average size of industrial transactions in 2019 compared to 2018, as spaces leased through

TREB's MLS® System were smaller relative to last year. Smaller spaces include investor-owned units in industrial condominiums, which provide a more flexible option for smaller companies.

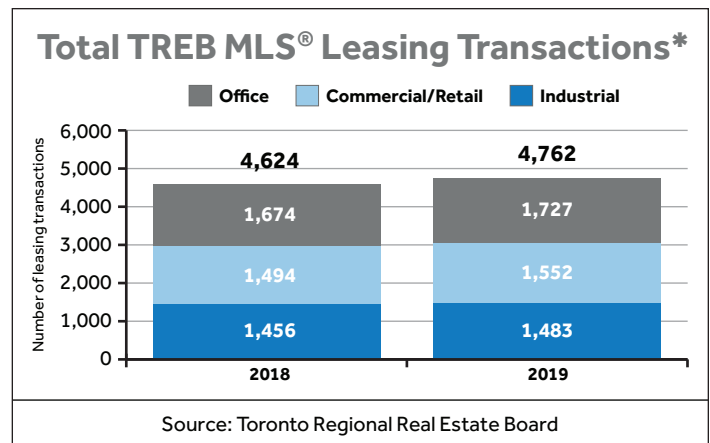


Figure 3. Total TREB MLS® Leasing Transactions*

Conversely, there was a strong year-over-year increase in the amount of commercial/retail space leased in 2019. 2,948,869 square feet of commercial/retail space was leased in 2019 – up 12.9 per cent compared to 2018. This robust increase of commercial/retail space leased indicated that retail businesses saw continued growth in the GTA on the back of a solid customer base that continues to grow because of a steady influx of population into the region and who are willing to spend on a variety of goods and services. The positive labour market conditions discussed above were conducive to strong consumer confidence, which underpins spending on retail goods and services. Growth in retail leasing has been sustained over the past few years, with the strong 2019 result preceded by a 6.1 per cent annual rate of growth in commercial/retail leasing in 2018.

In terms of space leased, office leasing activity also picked substantially in 2019. Office space leased through TREB's MLS® System was up by

Commercial Review & Outlook

The Market in 2019 & 2020

6.9 per cent over 2018 to 4,631,741 square feet. This increase follows the fact that the Toronto area has become a centre for growth in finance, professional, technology and other high-order service sectors. In all likelihood, the region's economic base will continue to evolve towards sectors that require some type of office space. With this in mind, it is not surprising to see strong growth in office leasing. It is also reasonable to assume that this growth will continue moving forward, barring a broader economic shock impacting the Canadian economy as a whole.

Commercial Property Sales

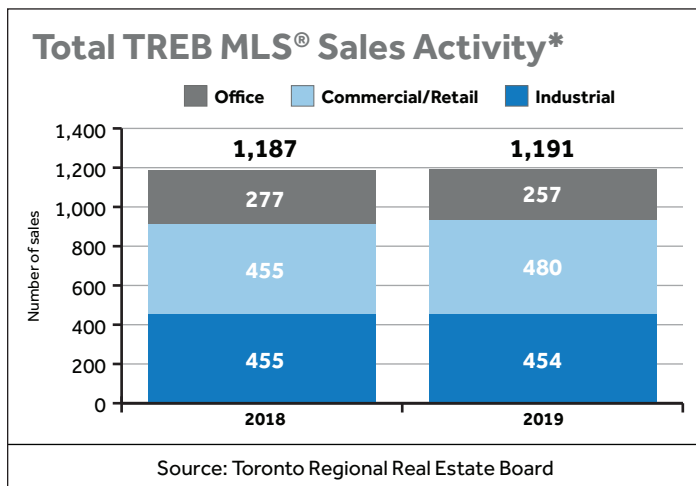


Figure 4. Total TREB MLS® Sales Activity*

Commercial property sales through TREB's MLS® System were slightly up compared to 2018. A combined 1,191 industrial, commercial/retail and office properties were sold in 2019 – up 0.3 per cent from 1,187 properties sold in 2018. Industrial property sales were down by 0.2 per cent on a year-over-year basis, with 454 sales. The office segment experienced an annual decrease of 7.2 per cent to 257 properties sold. The commercial/retail segment experienced a jump in sales with a 5.5 per cent year-over-year to 480 transactions.

According to sales data entered into TREB's MLS® System, the most popular size range of units sold amongst the three commercial segments was between 1,000–5,000 square feet, representing 56 per cent of all commercial sales. In this size range, the average size of commercial/retail units sold was 2,336 square feet, the average size of industrial units sold was 2,454 square feet and the average size of sold office space was 2,106 square feet.

It is important to note that the most popular sized range of units sold entered into TREB's MLS® System in 2019 was the exact same as both 2018 and 2017. These types of mid-sized units have become an attractive investment for both small- and medium-sized businesses looking to capitalize on the hiring pool of the talented workforce that is found in the GTA, as well as the proximity to a large consumer base to sell products and services.

Positive labour market conditions and growing wages and salaries, on average, have served to bolster consumer confidence, and by extension, spending on retail goods. As the population of the GTA continues to grow, it is reasonable to assume that many population serving businesses will have the opportunity to expand. Many of these business owners may seek to invest in commercial/retail property. In addition, investors may choose to make investments in order to lease space to expanding businesses.

**Figures summarize total industrial, commercial/retail, and office square feet sales through TREB's MLS® System, regardless of pricing terms.*

Policymakers on Solutions for Population Growth

Submissions from Provincial
and Municipal Officials

- 32 Steve Clark**
Minister of Municipal Affairs &
Housing, Province of Ontario
- 33 John Tory**
Mayor, City of Toronto
- 34 Patrick Brown**
Mayor, City of Brampton
- 35 Bonnie Crombie**
Mayor, City of Mississauga
- 36 Dan Carter**
Mayor, City of Oshawa
- 37 Dave Ryan**
Mayor, City of Pickering
- 38 John Henry**
Durham Regional Chair and CEO
- 39 Nancy Polsinelli**
Peel Region CAO (Interim)
- 40 Wayne Emmerson**
York Region Chairman and CEO



Policymakers on Solutions for Population Growth

Submissions from Provincial & Municipal Officials



Our government wants to put affordable home ownership within reach of more Ontario families and make it easier for people to live closer to where they work. With the continued economic growth of the Greater Toronto and Greater Golden Horseshoe Region, we understand the need to make it faster and easier to build housing in our province.

Earlier this year, we introduced *More Homes, More Choice: Ontario's Housing Supply Action Plan* to help build the right types of housing in the right places and to make housing more affordable. We want to ensure that Ontarians can rent or buy the home they need at every stage of life. Our plan increases the land available for development and encourages greater density around transit stations. Our government understands that we must increase supply to match the demands of a growing population.

We realize that as more housing becomes available, it is essential to ensure these growing communities have access to all types of transportation. I am very pleased that our government has reached a pivotal moment in Toronto transit history – with the City of Toronto and the Province of Ontario endorsing one single unified plan for subway expansion in Toronto. We have also expanded GO Train service, invested in buses, and are improving our highways. Our work to improve access to public transportation will help reduce congestion on roads and highways, and allow people to spend more time with their families.

Over the last year, we have laid the groundwork for our partners, but our government cannot solve the housing crisis alone. Cities must zone for a mix of housing that meets people's changing needs, and home builders must seize the opportunity to build housing that people can afford.

I know we can attract the most talented and innovative people to invest and spend their lives in our province. We all need to be innovative ourselves and work together to create more housing that meets people's needs and their budget, because every Ontarian deserves a place to call home.

Hon. Steve Clark

Minister of Municipal Affairs & Housing, Province of Ontario



Policymakers on Solutions for Population Growth

Submissions from Provincial & Municipal Officials



Toronto is booming by every measure. People from all over the globe are coming to Toronto to be part of our city – we have become the fastest growing city in North America.

With that growth comes challenges and new priorities. That is why I have been fully committed to investing in our infrastructure to keep it up to date and in good repair, expanding our transit system to help move people across our city, modernizing our city government so it can quickly adapt to change and new technologies, and increasing our housing supply to ensure that we are able to manage our city's growth.

I am proud to have led City Hall in taking clear steps to grow the housing supply in the city and to find ways to tackle the ongoing issue around housing affordability.

To ensure that people in Toronto have access to safe, secure and affordable housing, I introduced *Housing Now*. The *Housing Now* program represents the largest ever expansion of affordable housing in Toronto. This plan will guide sustainable and equitable development with a vision to build mixed-income communities where residents can afford quality housing near transit. The first phase will fast-track new housing developments at 11 surplus City-owned properties to create 11,000 new residential units – 3,700 of which will be affordable rental.

Beyond housing, we know as a growing city that we have to invest in reliable and quality transit so that we can get people moving across this city. With a financial commitment by the provincial government, we recently announced a \$28.5 billion investment in expanding Toronto's transit system which will allow us to build new transit lines so that we can accommodate the growth we are seeing and invest billions more in the upkeep of our current system.

I will continue to work hard in bringing all three levels of government together to meet the needs of our growing city. With support from both the federal and provincial governments, Toronto will be able to continue on as the economic engine of this country.

We know there is more work to be done to turn Toronto into the world class city that it is. We are committed to making key investments in housing and our transit system so that we are able to provide residents the opportunity to participate in our city's success.

His Worship John Tory
Mayor, City of Toronto



Policymakers on Solutions for Population Growth

Submissions from Provincial & Municipal Officials



Last March, Council finalized its priorities to advance the city over the next three years. These 22 priorities continue the momentum of implementing Brampton's 2040 Vision and reflect feedback heard from residents.

It's about the environment, jobs and urban centres, neighbourhoods, transportation, social matters, and health, along with arts and culture. Improving livability and prosperity by focusing on local education and employment opportunities, neighbourhood services and programs, and job investment strategies is key to our City's success.

While the Region of Peel is the local housing authority, the City is responsible for land use planning. The City recently began developing its affordable housing strategy, *Housing Brampton*. It is focused on increasing the number of affordable rental and ownership units that are created. The strategy looks at affordable housing tools like CIPs, inclusionary zoning, second units, rental protection policies, and a streamlined development approvals process. Affordable housing is critical to attracting and retaining talent and the workforce employers need. Today's trend is for talent to live close to work and avoid commuting. The City is working with residents, housing providers, community stakeholders, and all levels of government to develop a "made in Brampton" strategy that responds to the current and future housing needs of Brampton residents. We expect the final strategy to be presented to Council in the latter half of 2020.

Patrick Brown
Mayor, City of Brampton



Policymakers on Solutions for Population Growth

Submissions from Provincial & Municipal Officials



Access to affordable, connected housing is one of the top priorities of residents in Mississauga. We are working with our development community to fast-track applications for affordable units and have a plan called *Making Room for the Middle* to encourage the building of more affordable homes for middle-income earners.

At the same time, we are being smart with where we build to ensure that new communities are connected by transit. We focus on transit-oriented development to ensure people have access to local and regional transit to get where they need to go, without having to choose the car.

This year alone, we've increased our MiWay Transit service by over 30,000 hours, bringing the total increase in the last 5 years to over 300,000 hours. We're building light rail along Hurontario Street to intersect with our BRT along the 403 and the soon to be built Dundas and Lakeshore BRT routes.

We're planning for the future by building mixed-use, transit connected communities.

Mississauga is home to over 94,000 businesses employing over 420,000 people, and we are a net importer of jobs. As an economic engine in the GTA and Canada, it is our goal to build a community where people can both live and work comfortably.

Bonnie Crombie
Mayor, City of Mississauga



MISSISSAUGA

Policymakers on Solutions for Population Growth

Submissions from Provincial & Municipal Officials



Oshawa is benefitting from strong, balanced growth. Over the past 5 years, residential permit values totalled \$1.7 billion, including 5,700 new units (1,850 apartments), creating a range of new housing. 2019 was a record year for industrial development; 1.3 million sq. ft. of new industrial space is built or currently in the pipeline. Overall, current and proposed development activity in Oshawa represents over \$5 billion of investment. These projects have the capacity to welcome 42,000 new residents occupying 16,000 new residential units.

Future employment growth in Oshawa is being driven by new and emerging industries, such as artificial intelligence, cyber security and health care – all supported by local academic partners, such as Ontario Tech University, Durham College and Trent University Durham GTA. These post-secondary institutions have a collective student population of 25,000, ensuring a strong pipeline of future talent within the community. The expansion of Spark Centre, an entrepreneurial incubator, along with a proposed innovation district, will support early stage and rapidly growing technology companies.

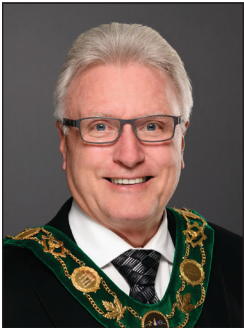
Oshawa continues to be a strong supporter of the proposal to extend the GO Train through our downtown and into Bowmanville. Annual ridership would increase to 6.3 million by 2031 and would stimulate up to 21,000 jobs and 6,000 new homes.

Dan Carter
Mayor, City of Oshawa



Policymakers on Solutions for Population Growth

Submissions from Provincial & Municipal Officials



The City of Pickering will be one of Ontario's growth leaders over the next 15 to 20 years, and is fast becoming one of its elite municipalities.

The City partnered with Cushman & Wakefield and the Pickering Town Centre to create a brand new, vibrant, walkable downtown, which will see the construction of a new arts centre, senior/youth centre, and central library. On site will also be a 50-storey rental tower along with a pair of 30+ storey condominiums. These new facilities and residential buildings will be seamlessly linked via activated and pedestrian friendly walkways lined with shops, cafes, and restaurants – bringing a new and urban dynamic to Pickering.

Our downtown is directly connected to the Pickering GO Station by our landmark pedestrian bridge, which provides easy access to all parts of the GTA. Currently under construction and just steps from the GO Station is the Universal City Condo project, which will feature five residential condominium towers providing housing opportunities for first-time home buyers or those looking to downsize.

The master planned community of Seaton will attract 70,000 new residents and will offer a broad and diverse array of housing options, including detached, semi-detached, townhouses, and stacked townhomes, all nestled within a stunning, natural heritage system.

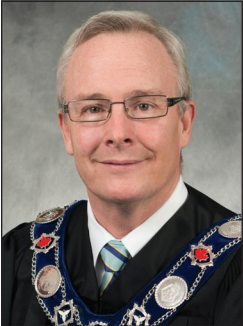
Equally as important, our goal is to attract 35,000 new jobs to the Innovation Corridor, which runs parallel to Highway 407, just north of Seaton. Economic development and job creation is one of our highest priorities, because we want residents to be able to live, work, and play right in our community.

Dave Ryan
Mayor, City of Pickering

— City of —
PICKERING

Policymakers on Solutions for Population Growth

Submissions from Provincial & Municipal Officials



Durham Region is one of the fastest growing areas in the Greater Golden Horseshoe. As our community grows, efficient transit and job creation are key priorities. Rapid technological innovation is transforming the nature of work. This impacts our residents directly, as they retrain, travel to new jobs, or perhaps work remotely from home. As these new technologies reshape lives, we must plan ahead.

We are working to extend and improve broadband access across Durham Region, to better connect our communities and support businesses. Investing in infrastructure such as the GO East rail extension, or the Toronto East Aerotropolis in Pickering will help the Greater Golden Horseshoe compete on the world stage for talent. New streams of education and retraining are emerging, and students will value being able to travel and connect easily to campuses. These essential investments also improve the quality of life for current and future residents, bringing new enterprises and jobs to Durham Region.

Our goal is to create an environment where residents of Durham Region continue to prosper and where entrepreneurs can thrive. We are setting the stage by fostering an innovation community where many partners work together to create sustainable job growth in Durham Region.

John Henry

Regional Chair and CEO, Region of Durham



Policymakers on Solutions for Population Growth

Submissions from Provincial & Municipal Officials



The Region of Peel is home to over 1.4 million people making up about 430,000 households, and is expected to grow to almost 2 million people by 2041. Our research shows that nearly 31% of middle-income households and 70% of low-income households are unaffordably housed.

Peel Region uses an integrated approach to growth management, as we strive to achieve our vision of Community for Life. Through this work, a number of initiatives are coming together that will support an increased supply of medium density, family size units. These initiatives include planning for a significantly increased proportion of medium density housing through growth, proactive community planning for transit station areas and other priority redevelopment areas that will support medium density housing, aligning infrastructure and financial strategies with the land use plans, and exploring affordable housing supportive policies and tools such as incentives and inclusionary zoning.

Peel's population is growing, and the community wants more mobility options to be able to move around Peel. We support growth through building capacity in the road network and finding ways to better utilize our existing infrastructure. We are looking at transportation demand management policies and programs with the goal of increasing travel options available in Peel, including public transit, carpooling, walking and cycling.

Nancy Polsinelli

Interim Chief Administrative Officer, Region of Peel



Policymakers on Solutions for Population Growth

Submissions from Provincial & Municipal Officials



The Regional Municipality of York consists of nine local cities and towns and provides a variety of programs and services to 1.2 million residents, 52,000 businesses and 636,000 employees. By 2041, York Region is forecasted to grow to 1.79 million people and 900,000 jobs.

Home to the second largest tech cluster in Canada and the third largest business community in Ontario, York Region has a growing reputation as an economic powerhouse.

Through the work set out in our Economic Development Action Plan, York Region has become a major business hub, attracting and retaining high quality jobs across a broad range of sectors, including information and communications technology, financial and business services, health care, advanced manufacturing and agri-food. Supporting diverse business and job growth is fundamental to York Region's economic vitality and is essential to ensuring York Region residents have the opportunity to work and thrive where they live.

To support York Region's strong economy and plan for future growth, York Region has undertaken significant city building initiatives. This integrated approach to planning combines pedestrian friendly, walkable communities with the construction of new rapid transit lanes and stations that connect York Region and the Greater Toronto Area. City building initiatives, specifically in our four major city centres in Markham, Newmarket, Richmond Hill and Vaughan, also include a healthy mix of housing options to meet the needs of residents of all ages, stages and abilities. Housing is a priority for York Regional Council and connects residents to our economy, transportation systems, health and social services and the environment.

As a leading economic centre in the GTHA, Regional Council recognizes encouraging more affordable rental housing options and new office development is vital to maintaining a prosperous Region. To build complete communities that offer robust employment and housing options, Regional Council recently approved two targeted development charge deferral programs with the aim of attracting both growth and investment to our city centres.

Under both programs, development charges payable to the Region could be deferred, interest free, for five to 20 years. The new incentives are intended to increase the supply of affordable rental options and provide office space for York Region's growing knowledge-based economy.

These initiatives demonstrate the importance York Region places on building complete communities that will contribute to the health and well-being of our communities. More information about the deferral programs can be found at york.ca/financialincentives

Wayne Emmerson

Chairman and CEO, The Regional Municipality of York



Future of Transportation Infrastructure in the GTHA

Research from the Canadian Centre
for Economic Analysis
(CANCEA)

- 42** Growth Patterns in the GTHA
- 43** Present Transportation Challenges
- 45** Future Opportunities for Transportation in the GTHA
- 46** Key Takeaways



Future of Transportation Infrastructure in the GTHA

Research from the Canadian Centre for Economic Analysis (CANCEA)

GTHA's prosperity closely linked to that of Canada

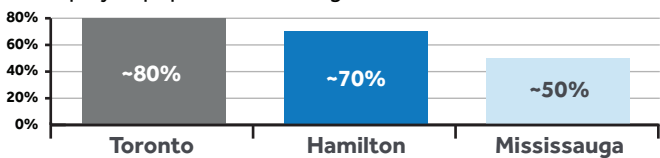
Between 2006 and 2016, the population in the region has grown by 14% while the number of jobs has grown by almost 10%.



By 2041, the population of the GTHA is expected to grow by 41%. At that rate, daily commuting trips could increase by 480K by 2030.



Of the 9 largest employment areas in the GTHA, only Toronto, Hamilton and Mississauga have over 50% of the locally employed population residing within the same boundaries



All commuting is linked to time and financial costs

On average, people are willing to commute for 30 minutes in a single direction. However, a car is often needed to achieve this. On public transit, commutes of 60 minutes or more are twice as common as commutes lasting under 30 minutes.



The cost of congestion adds up to 840,000 lost hours on the road per day and \$4.9 billion lost dollars annually.

$$\frac{4,900,000,000}{365} = \$13,424,657 \text{ DOLLARS LOST DAILY}$$

$$\frac{13,424,657}{840,000} = \$15.98 \text{ DOLLARS LOST HOURLY}$$

Emerging Transportation Trends in the GTHA

Vehicle-on-demand services like Uber and Lyft are linked to an increase in driving and may affect demand for local public transit.

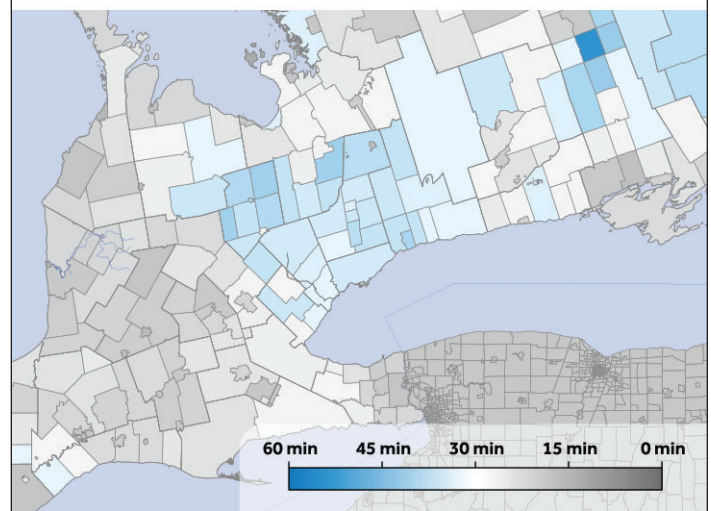


See the full report for more info about the methodology & references on CANCEA's website at: <https://www.cancea.ca/transportation-pressures>

Growth Patterns in the GTHA

As the leading region for job creation in Ontario over the past decade and home to over half of the provincial population, the GTHA's prosperity is closely linked to that of Canada. At the heart of the region is the Toronto metropolitan area, which alone generates 52% of Ontario's GDP.

Commute Times by Place of Residence



Living & Working in the Same Area

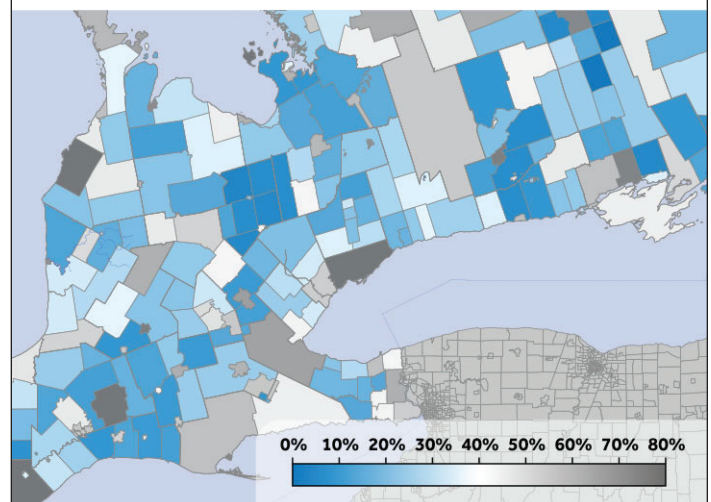


Figure 1. Average Commuting Times by Place of Residence (top) and Percentage of Labour Force Living and Working in the Same Region (bottom), 2016

Future of Transportation Infrastructure in the GTHA

Research from the Canadian Centre for Economic Analysis (CANCEA)

Between 2006 and 2016, the population in the region has grown by 14% and the number of jobs has grown by almost 10%. By 2041, the population is expected to grow by a further 41% to over 10.1 million.

Longer commutes are a consequence of the geographical divide between home and workplace found in the region. The majority of employees in

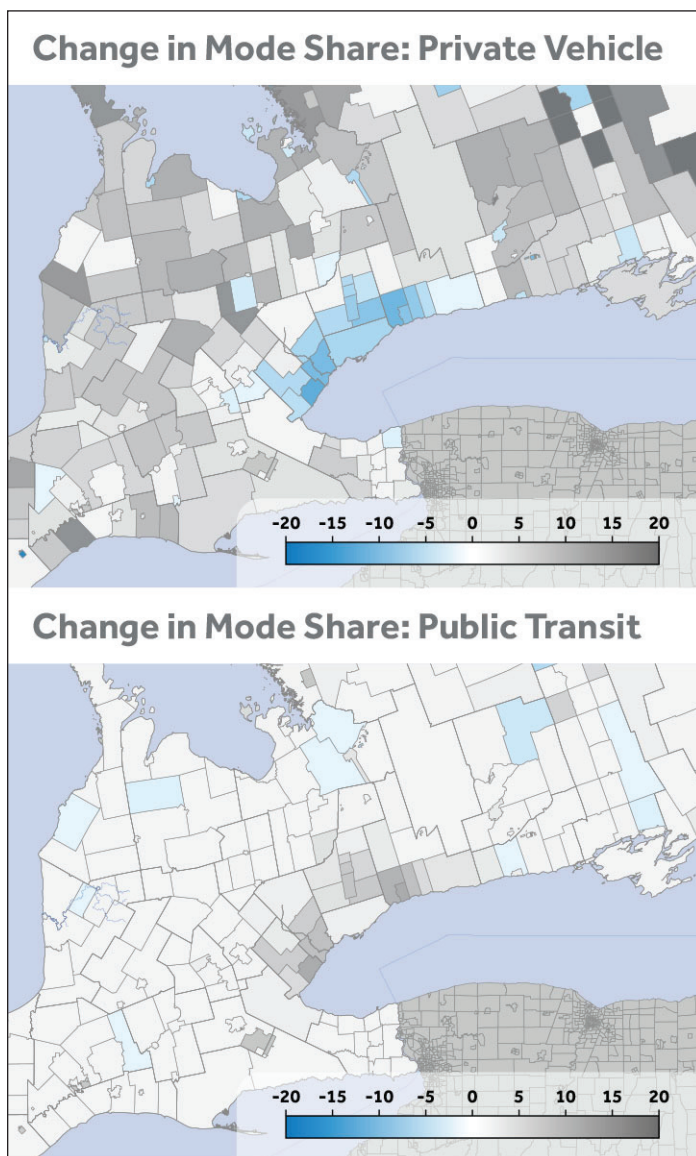


Figure 2. Change in Private Vehicle Use (top) and Public Transit (bottom) as Primary Mode, 2006 to 2016

six of the nine municipalities with the largest number of jobs commute in from other municipalities. Only in Toronto, Hamilton and Mississauga do over 50% of the locally employed population also reside within the same municipal boundaries.

People who reside in the larger urban centres of the GTHA, and Toronto most notably, generally have public transit options that connect their places of residence and work. Outside of these urban cores, car ownership is a necessity. Thus, while the prevalence of public transit has increased as the main mode of commute for people residing in GTHA, the share of private vehicle commutes has increased in the rest of the region.

Present Transportation Challenges

Currently, more than half of commuters spend over 30 minutes commuting in a single direction, and for some commuters, this can even exceed an hour. This exceeds the commonly cited “Marchetti’s Constant,” the notion in transportation literature that on average, people are willing to commute for 30 minutes in a single direction, and hints at the pressure building up in the system. The longest commutes belong to residents of municipalities in the north of the GTHA and those for whom public transit is the primary mode, as shown in Figure 3. (Note that outside the major urban centres of the GTHA, fewer people use public transit due to its limited availability with the exception of longer trips on the regional GO Transit lines.)

In fact, on public transit, commutes of an hour or more are twice as common as commutes lasting under 30 minutes. Public transit takes longer per kilometre than private vehicles, and it is likely because of this higher time cost that many people

Future of Transportation Infrastructure in the GTHA

Research from the Canadian Centre for Economic Analysis (CANCEA)

for whom public transit may be available and less expensive than owning a vehicle still choose to drive to work.

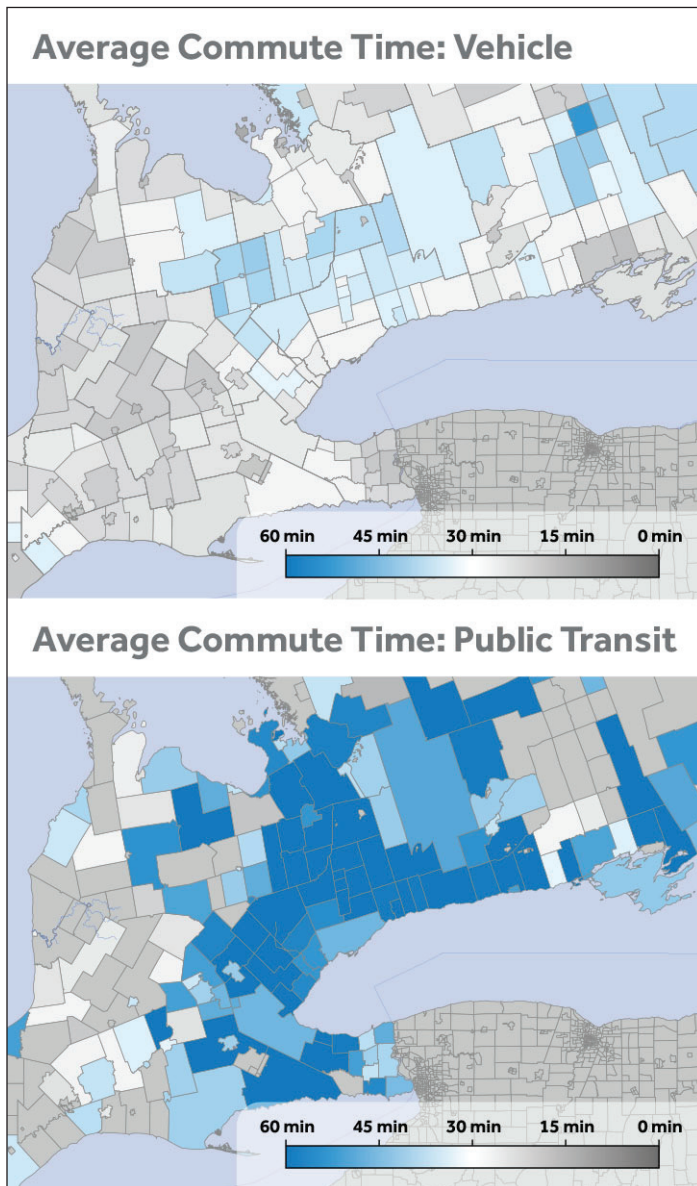


Figure 3. Average Commute Duration by Vehicle (top) and by Public Transit (bottom)

All types of commuting are associated with a cost, both financial and in terms of time. For lower-income households, namely those whose incomes fall in the lowest fifth of the population, transpor-

tation and housing together make up half of their total expenses, on average. Since these households are most at risk of being priced out of a given housing market, their transportation expenses are closely tied to housing costs and these are therefore best considered together. For instance, a low-income family who can no longer afford to pay rent may have to move to a neighbourhood further from the wage earner's workplace with poor connections to public transit to afford rent. Their car maintenance and gas expenses will therefore increase, partially offsetting their rent savings. This also helps explain why, although lower-income households tend to rely more on public transit than higher-income households, private vehicles remain by far the main mode of transportation for households at every income level.

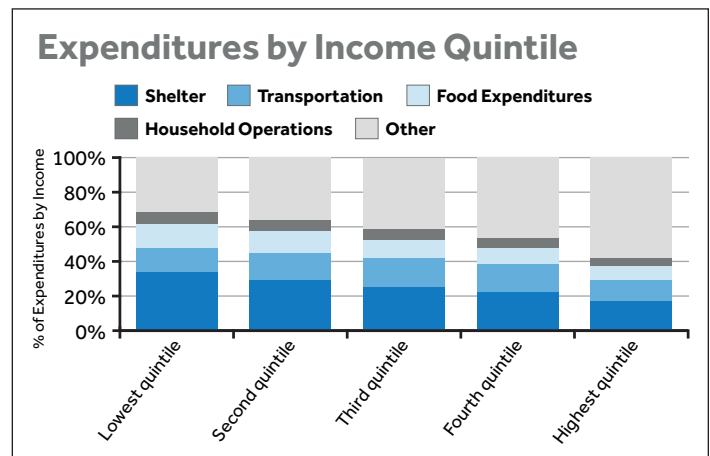


Figure 4. Household Expenditures by Income Quintile in the Toronto CMA, 2016

Congestion, which is caused by commuter flows in the region, imposes significant societal costs and poses a risk to regional prosperity. Past the point of capacity, every commuter's use of transportation infrastructure (whether roads, trains, subways, etc.) imposes a cost on the entire system in the form of congestion, which generally includes

Future of Transportation Infrastructure in the GTHA

Research from the Canadian Centre for Economic Analysis (CANCEA)

longer trip times, slower speeds and increased queuing. The cost to drivers is an estimated additional 840,000 hours on the road each day, with an associated economic cost of \$4.9 billion annually in the GTA alone. Beyond the direct costs borne by all commuters on the overloaded system, excessive congestion can also negatively impact the labour market and economic growth. For instance, businesses that face a higher cost of doing business as a result of congestion could be discouraged from investing and growing their operations and may even relocate. Workers facing a declining quality of life as a result of long, gridlocked commutes may also choose to leave the area, and this may also discourage people from searching for work in the region if economic conditions are comparable elsewhere. These obstacles to investment and labour force mobility, if persistent, could have a long-term impact on the GTHA's prosperity.

Future Opportunities for Transportation in the GTHA

At the rate that employment and population are growing, daily commuting trips to the GTHA are expected to increase by 480,000 by 2030. To accommodate this growth, the capacity of both major roadways and public transit will have to increase significantly in order to avoid system overload. Figure 5 shows how much additional road and public transit capacity will be required as the number of commuters increases (e.g., if half of new commuters travel in private vehicles and the other half on public transit, road capacity will have to increase by less than 10% while public transit capacity will have to increase by over 20%). Evident in the figure is that public transit capacity will have to increase faster than road capacity to accommodate new commuters. Given the significant

costs associated with creating new transportation infrastructure or expanding and increasing the capacity of existing infrastructure, ensuring the productivity of these investments (i.e., maximizing the capacity per dollar invested) is critical.

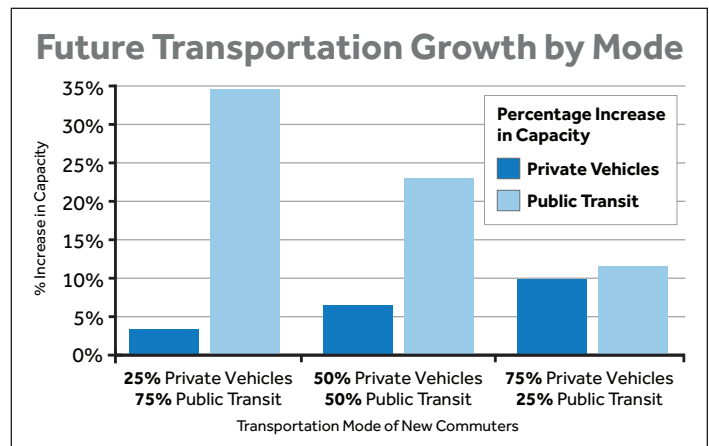


Figure 5. Future Growth of Transportation Capacity by Mode

The existing geographical disparity between where most people live and most people work in the GTHA points to the need to harmonize transportation planning with land-use planning and economic policy. Transportation-oriented development (TOD) is a concept that fits this purpose. TOD maximizes the number of homes, businesses and other activities in proximity to transit development, creating economies of scale and rendering transportation infrastructure investments more productive. As the GTHA continues to grow, TOD can play a role in minimizing unused capacity on public transit.

Transportation infrastructure is necessary both to connect primarily residential municipalities to municipalities that are regional employment hubs and to facilitate transportation within municipalities to local employment hubs. There are a number of publicly announced plans to increase transportation capacity and invest in additional transpor-

Future of Transportation Infrastructure in the GTHA

Research from the Canadian Centre for Economic Analysis (CANCEA)

tation infrastructure in the GTHA. For instance, at the inter-municipal level, Metrolinx, the provincial transportation infrastructure agency is preparing to accommodate a doubling of ridership over the next one to two decades by implementing the Regional Express Rail expansion. For private vehicle commuters, planned projects to increase capacity and connectivity include ongoing improvements to a number of main arteries that cross the region and the expansion of Highway 407 to the east with connections to Highway 401. At the intra-municipal level, there are light rail transit projects underway in Toronto and Mississauga with completion dates within the next five years. This additional transportation infrastructure, however sorely needed, will only yield benefits if investments are governed by planning best practices and if their productivity is maximized.

Emerging trends in transportation also have the potential to impact the system. One such example is the rise of “vehicle-on-demand” (VOD) services in the last decade, which in addition to taxicabs, includes technology-driven platforms such as Uber and Lyft. These have already begun to change how infrastructure is used. There is increasing evidence that VOD services actually increase the number of cars on the road, in part by reducing the number of cars sitting idle in garages and driveways. Studies have shown that their impact on public transit ridership in American cities is mixed. Cities and towns with small, less extensive public transit systems tend to see a decline in ridership following the expansion of VOD services in the area, which suggests that these offer a competing service. On the other hand, cities with larger, more extensive public transit systems have seen a small increase in transit use following their introduction, which suggests some degree of complementarity. It will be important to continue to monitor these trends

and assess their relevance to the GTHA context as they develop and to consider the possible impacts of VOD services when planning future regional transportation infrastructure. Autonomous Vehicles (AV) are another emerging trend whose future impacts will become clearer as the technology matures. Nonetheless, decision-makers and planners should begin contemplating a range of adoption scenarios and modelling how each could affect commuter flows in the GTHA and change congestion patterns.

Key Takeaways

- The continued population and employment growth in the GTHA can exacerbate current transportation challenges.
- Without **sufficient, properly leveraged and well-planned** transportation infrastructure:
 - Commutes could continue to lengthen and quality of life could suffer.
 - Average commute times could increase, pushing people to look elsewhere for employment opportunities.
 - Costs of doing business may increase and the ability to attract employees could decrease, constraining regional economic growth.
- **To avoid a worsening of congestion and to lessen transportation pressures**, future investments in transportation infrastructure should be evaluated on the basis of their productivity to make sure every dollar invested goes to a project that will generate capacity where it is most needed.
- **The alignment of residential, economic and transportation development is critical to Ontario’s prosperity and future growth.**

See the full report for more info about the methodology & references on CANCEA’s website at: <https://www.cancea.ca/transportation-pressures>

Transit-Supportive Development Along Bus Corridors

Research from the Pembina Institute

- 48** Greater Housing Around Transit is a Smart Investment
- 49** Housing Diversity – A Foundation of Every Vibrant City
- 49** Seizing the Opportunities
- 51** Recommendations



Transit-Supportive Development Along Bus Corridors

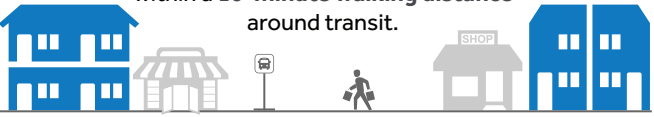
Research from the Pembina Institute

Greater Housing Around Transit is a Smart Investment

The Greater Toronto and Hamilton Area (GTHA) is the fastest growing region in Canada, expected to grow to more than 10 million people and 4.8 million jobs by 2041. Although the GTHA is one of the most attractive places to newcomers and businesses in Canada, the region is challenged to keep up in providing housing and transit that meets a growing population and economy. Municipalities face a complexity of housing challenges, including a lack of suitable and affordable housing in close proximity to high-quality public transit.


As the region evolves, what remains is that continued investments in public transit and building a diversity of housing types within walking distance of transit stations and transit corridors (“transit-supportive development”) is a smart investment. Building vibrant mixed-use communities around rail transit (e.g., GO train, subways, and light rail) is an important part of transit-supportive development. However, the bus network also plays a role in connecting people and places in the region, and the opportunity to accommodate growth along high ridership bus routes should not be overlooked. Nearly half of Toronto’s total transit ridership in 2017 was from passengers travelling by bus¹. Improving the quality of bus service can be a mechanism to spur housing development that is missing in today’s market like row houses, duplexes and low-rise apartments. Establishing bus rapid transit (buses in dedicated rights-of-way or grade-separated roadways) over time for routes with high ridership is fundamental to guiding compact, mixed-use urban form.² When cities incorporate a greater mix of development and

What is Transit-Supportive Development (TSD)?
The compact urban growth and development of a community that has a **balanced mix of housing, jobs, shopping & services** within a **10-minute walking distance** around transit.

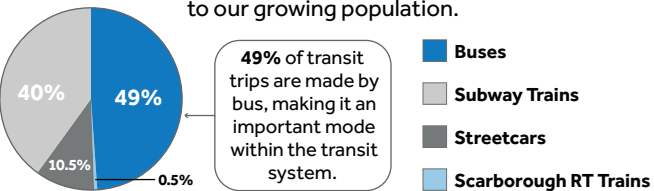


What is mid-density housing?
Sometimes referred to as the missing middle, it includes **row houses, apartments or flats in a duplex, low-rise apartments, and single-attached houses.**

Lack of housing supply and population growth has resulted in affordability issues.
Between '06 and '18 in Toronto, **median household income rose by only 30%** while avg. home ownership costs rose by **131%**.

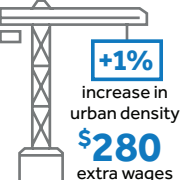


More mid-density is needed near transit stops.
Development near transit, especially along **key bus feeder services**, could supply more housing & transportation options to our growing population.



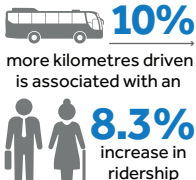
TSD can provide benefits to residents of the GTHA.

Increased density is expected to increase wages.




+1% increase in urban density
\$280 extra wages

The further transit goes, the more people will take it.



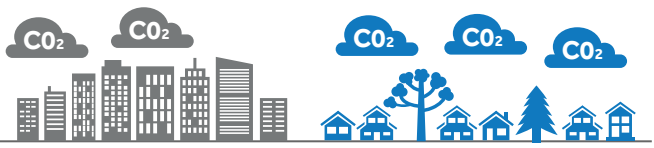
10% more kilometres driven is associated with an
8.3% increase in ridership

It can lower transportation and housing costs.



SAVE 11 - 45%

TSD could improve public health in the GTHA.
Transportation carbon footprints are about **50% higher in large suburbs** compared to large urban centres.



Transit-Supportive Development Along Bus Corridors

Research from the Pembina Institute

invest in improved transit service, households and the broader community can realize a return on their investment.

- **Benefits to households and taxpayers:** Living near transit-friendly communities can lower household transportation and housing costs.³ Non-residential and multi-family property values increase significantly when redeveloping near rapid transit.⁴ Targeting development in areas with established municipal services and infrastructure in higher density urban areas rather than low density rural areas results in annual cost savings for households: savings of 11% for road-building costs, 6% for water and sewer costs, and 3% for annual operations and service delivery.⁵
- **Increased transit ridership:** Reliable and frequent public transit provides commuters with greater mobility options. Redevelopment near transit results in higher transit ridership⁶ and less driving, thereby reducing congestion. Investments towards bus services can sustain and increase transit ridership.⁷
- **Economic growth and development:** Compact development is an effective way to attract businesses that spur economic development and improve mobility for commuters when pursued in conjunction with transit. In fact, redevelopment without rapid transit fails to stimulate employment and population growth.⁸
- **Improved public health:** Higher population density near transit and in more compact, walkable communities reduce the number of on-road carbon emissions.⁹ The average household carbon footprint in large urban cities is lower than households in suburban or rural towns.¹⁰

Housing Diversity – A Foundation of Every Vibrant City

Housing choice refers to the diversity of housing types that are available to prospective homeowners and renters. Providing a diversity of housing options is an important foundation to growing cities and economies. By providing greater housing choice, residents are able to live in a home that matches their budget and housing needs, and accommodate changing life-stages of individuals and households.¹¹ Increasing housing diversity can free up units in the affordable rental market by directing eligible renter households into ownership-type housing.¹² And aging populations and empty-nesters may no longer require a home with multiple bedrooms.

Seizing the Opportunities

	Durham	Halton	Hamilton	Peel	Toronto	York
Single-detached	67%	58%	57%	46%	24%	64%
Semi-detached	5%	5%	3%	12%	6%	6%
Mid-density*	21%	25%	24%	24%	25%	20%
High-rise apartment	7%	11%	16%	19%	44%	10%

*Sometimes referred to as missing middle housing: includes row houses, apartments or flats in a duplex, low-rise apartments, and other single-attached houses. Due to rounding, figures may not add up to 100%.

Table 1. Proportion of Dwelling Types in the GTHA¹³

Quantifying housing diversity is one way for planners and policymakers to understand the level of housing choice available in communities, and identify where mid-density development can be encouraged through area-specific policies and planning efforts and public realm investments. Table 1 provides an overview of the proportion of

Transit-Supportive Development Along Bus Corridors

Research from the Pembina Institute

dwelling types in the GTHA, but in order to identify opportunities for greater mid-density housing near transit, housing diversity must be examined at the neighbourhood level.

The Simpsons Diversity Index, together with other indicators on transit service and function, real estate market potential, community structure and composition¹⁴, can be used to evaluate the diversity of housing stock and identify potential opportunities for new mid-density development.

Communities with relatively low housing diversity and well-served bus transit are prime areas for new mid-density development. Several neighbourhoods in the GTHA are comprised by a few high-rise apartments and single- and semi-detached housing account for a large share of the housing mix. For example, in Markland Wood, Edenbridge-Humber Valley, and Willowridge-Martingrove-Richview in Toronto (Figure 1), the share of single-detached units is almost equivalent to the share of high-rise apartments (Figure 2). What is missing in these communities is a more

even balance of housing types – mid-density housing would help increase the “in-between” housing that is lacking in the market.

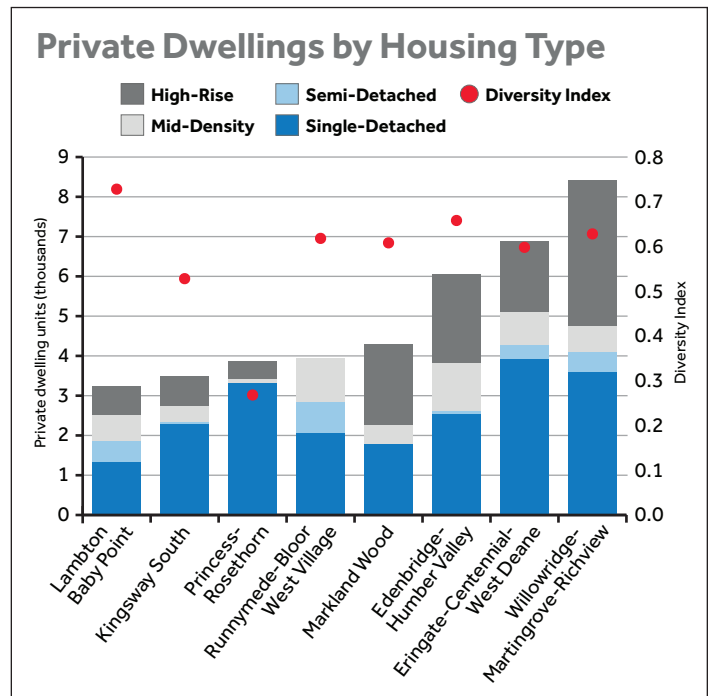


Figure 2. Housing Diversity Index¹⁵ and Number of Dwelling Units by Housing Type in Select Communities With Potential for Greater Mid-Density Housing in Toronto

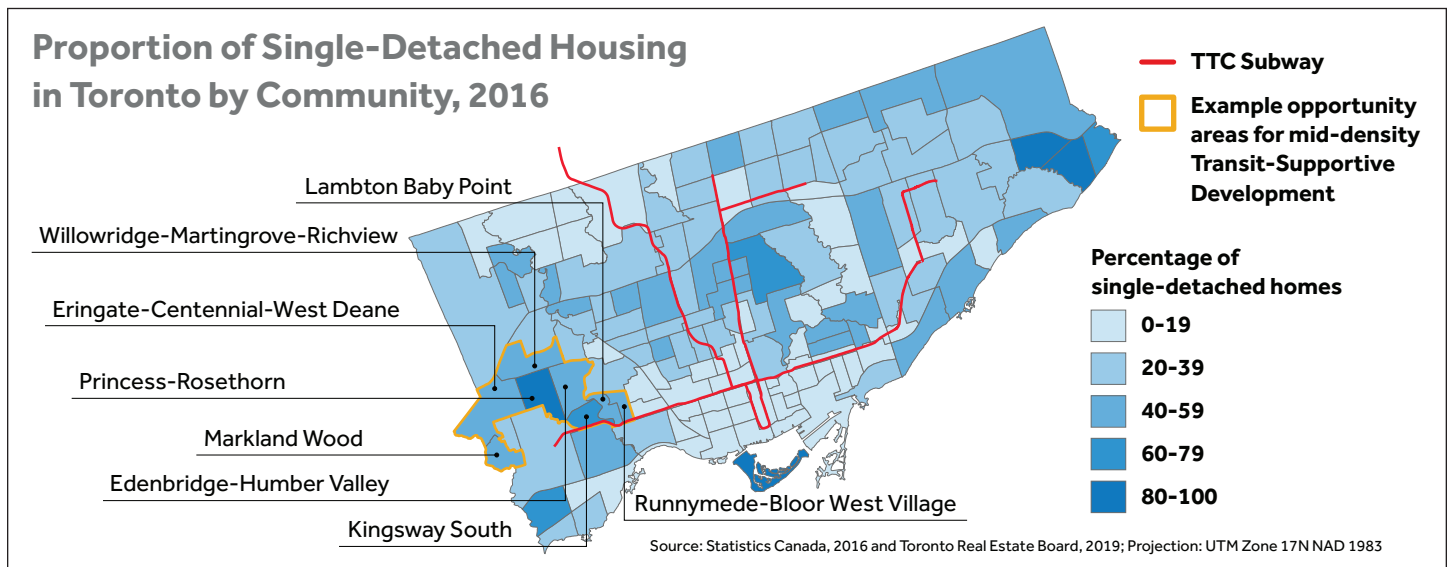


Figure 1. Identifying Opportunities for Mid-Density Housing in Toronto

Transit-Supportive Development Along Bus Corridors

Research from the Pembina Institute

Greater mid-density development can increase overall transit ridership. Neighbourhoods with limited mid-density housing have a higher share of auto trips compared to communities where mid-density housing is abundant. Auto trips in low-density neighbourhoods in Toronto account for 56% to 81% of all trips (Figure 3), compared to

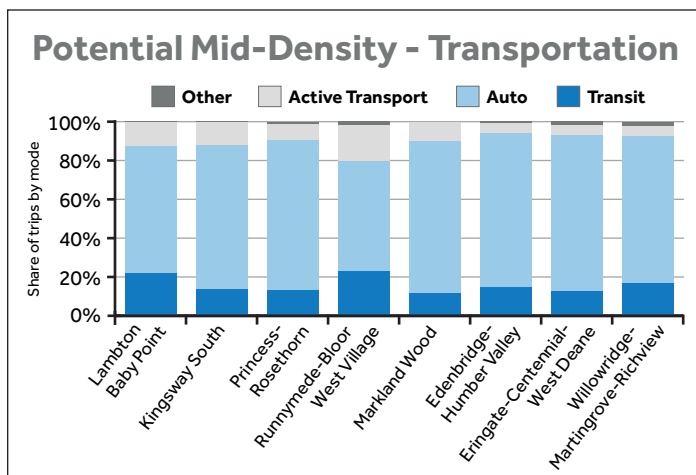


Figure 3. Mode Split in Toronto Communities With Potential for Greater Mid-Density Housing

43% to 65% in neighbourhoods where mid-density housing is more prevalent (Figure 4). In Mississauga’s Sheridan and East Credit communities, single- and semi-detached units are the dominant

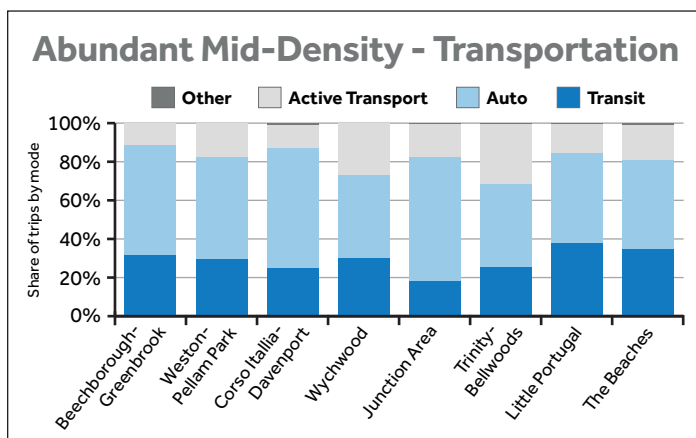


Figure 4. Mode Split in Toronto Communities Where Mid-Density Housing is Abundant

housing type and auto trips represent over 80% of trips. In contrast, Mississauga’s Malton and Applewood neighbourhoods have a more balanced housing mix and approximately 70% of trips are made by car. Transit and active transport make up a larger share of the modal split in all of these communities, demonstrating that people make fewer trips by car in communities with more diverse housing options and compact development.

Recommendations

Mid-density development along key bus feeder services to major transit stations should be prioritized to increase the spread of mid-density housing types across the region, increase transit access and create a more compact, mixed-use urban form.

An inability to implement greater housing around these transit corridors will deepen the region’s housing challenges and result in more congestion. To seize the opportunities that exist, it is recommended that policymakers better integrate housing and transit planning by:

- Updating land use plans and zoning bylaws to allow mid-density housing development along corridors with high-ridership bus feeder routes to major transit stations.
- Proactively engaging communities in exercises to develop a local vision on how growth can be gently integrated in “stable residential” neighbourhoods, especially in close proximity to major bus routes (outside 800m radius of major transit station areas). As the province and Metrolinx create a market-driven transit-oriented development strategy, consideration should be given to increasing mid-density development around key bus feeder routes to transit stations.

Transit-Supportive Development Along Bus Corridors

Research from the Pembina Institute

- Continuing policy and planning action to increase housing stock with frequent and reliable bus service, given that the market alone may not always deliver developments at a price that is affordable to middle- and lower-income households.
- Improving bus service performance to complement enhancements and expansions to the rail transit system (e.g., GO Transit, subway, light rail). Where warranted, upgrade high ridership bus routes to bus rapid transit to reduce travel time for commuters and increase overall transit ridership.

Endnotes

- 1 Toronto Transit Commission, "2017 Operating Statistics: Conventional System," https://www.ttc.ca/About_the_TTC/Operating_Statistics/2017/section_one.jsp
- 2 Genevieve Boisjoly et al., "Invest in the ride: A 14 year longitudinal analysis of the determinants of public transport ridership in 25 North American cities," *Transportation Research Part A* 116 (2018), 434.
- 3 Carolyn Kim, *The Way to GO* (Pembina Institute, 2019), 6. <https://www.pembina.org/reports/the-way-to-go-final.pdf>
- 4 L. Cox, A. Bassi, K. Kolling, A. Procter, N. Flanders, N. Tanners and R. Araujo, "Exploring Synergies Between Transit Investment and Dense Redevelopment: A Scenario Analysis in a Rapidly Urbanizing Landscape," *Landscape and Urban Planning* 167 (2017).
- 5 Mark Muro and Robert Puentes, "Investing in a Better Future: A Review of the Fiscal and Competitive Advantages of Smarter Growth Development Patterns," *The Brookings Institution Center on Urban and Metropolitan Policy*, 2004. https://www.brookings.edu/wp-content/uploads/2016/06/200403_smartgrowth.pdf
- 6 Ibid.
- 7 Genevieve Boisjoly et al., "Invest in the ride: A 14 year longitudinal analysis of the determinants of public transport ridership in 25 North American cities," *Transportation Research Part A* 116 (2018), 434.
- 8 Richard Florida, "Cities with Denser Cores Do Better," *Citylab*, November 28, 2012. <https://www.citylab.com/life/2012/11/cities-denser-cores-do-better/3911/>
- 9 Ramana Gudipudi, Till Fluschnik, Anselmo Garcia Cantu Ros, Carsten Walther and Jurgen P. Kropp, "City Density and CO2 Efficiency," *Energy Policy* 91 (2016).
- 10 Christopher Jones and Daniel Kammen, "Spatial Distribution of U.S. Household Carbon Footprints Reveals Suburbanization Undermines Greenhouse Gas Benefits of Urban Population Density," *Environmental Science and Technology* 48 (2014).
- 11 Magdalena Les and Chris Maher, "Measuring Diversity: Choice in Local Housing Markets," *Geographical Analysis* 30, no. 2 (1998), 173.
- 12 Canadian Urban Institute, *Scaling Up Affordable Ownership Housing in the GTA* (2017), 11. <https://static1.squarespace.com/static/546bbd2ae4b077803c592197/t/5a5f8b0571c10bedb02949c1/1516210974821/CUIPublication.ScalingUpAffordableHousingGTA.2017.pdf>
- 13 Statistics Canada, 2016. CANSIM (database). Using CHASS (distributor). Last updated 2017.
- 14 Pembina and Evergreen, "How to create vibrant transit supportive communities: A typology and evaluation tool." (2019). <https://www.pembina.org/pub/how-create-vibrant-transit-supportive-communities>
- 15 The diversity index can range from zero to one. Communities with a score closer to zero are the least diverse while communities with a score closer to one are the most diverse. The index accounts for the number of units in each housing type.
- 16 Ontario Ministry of Transportation. *Transit-supportive Guidelines*. 2012, pg. 208 <http://www.mto.gov.on.ca/english/transit/pdfs/transit-supportive-guidelines.pdf>

Future GTHA Economic Growth & Housing Affordability

From the Centre for Urban Research
and Land Development

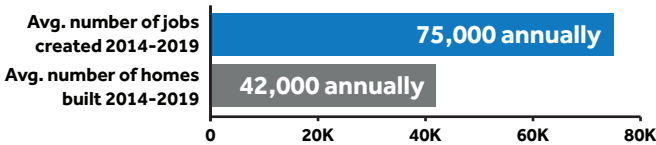
- 54** Upbeat Outlook for GTHA Economy to 2031
- 55** GTHA Economy Likely to Remain Resilient
- 56** Housing Affordability Challenges Will Remain Even With Incomes on the Rise
- 57** Renting Will Become the New Normal
- 57** A Regional View
- 57** More Supply is Needed to Provide Relief to Rising Housing Costs
- 58** Conclusion

Future GTHA Economic Growth & Housing Affordability

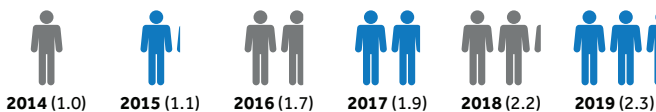
From the Centre for Urban Research and Land Development

A strong GTHA economy demands more housing.

The GTHA has experienced strong growth in population through immigration, **job creation** and wages. However, growth in **new home construction** has not kept up.



Permanent and temporary immigration to the region is **booming**.
Immigration (100,000 of people)



The number of households with an average annual income **exceeding \$100,000** increased roughly 3-fold from 2000 to 2017.

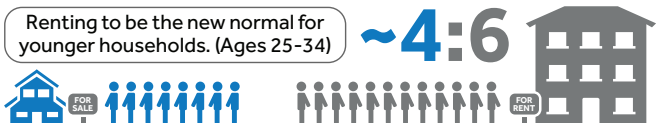


A strong economy impacts housing in many ways.

Population growth and higher-paying jobs may not mitigate continued **affordability issues** as an undersupplied housing market is **likely to present greater challenges**.



Demand for housing from new household growth is expected to require **50,000 to 60,000 units** per year between 2020 and 2031.



Potential solutions to affordability issues.

To help offset affordability pressures, **more housing needs to be built in the coming decade** than in the previous one. The following steps can help make this a reality.



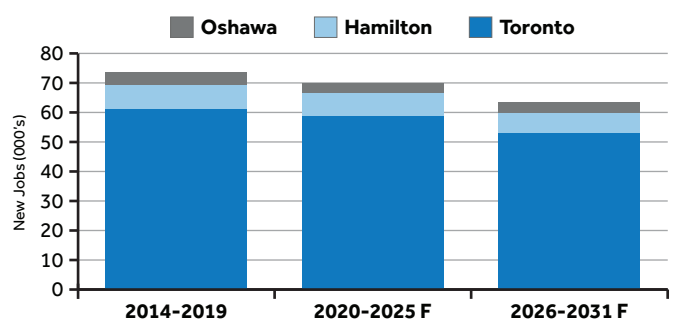
Upbeat Outlook for GTHA Economy to 2031 to Stoke Home Prices and Rents: Housing Affordability to Remain Challenged

This report addresses two questions: (1) How is economic activity in the Greater Toronto and Hamilton Area ("GTHA") expected to change over the next decade and what are the implications for future average household incomes?; and (2) How is this economic future expected to impact housing affordability in the region?

The GTHA economy is expected to turn out a healthy amount of high-paying jobs over the next decade. This is good news for the wave of immigrants coming to the region in search of work and for millennials and Gen Z'ers entering the job market.

This positive economic scenario will continue to fuel demand for housing in the GTHA. However, the supply of new housing in the region is not expected to grow fast enough to meet the needs of new households, which will continue to put upward pressure on home prices and rents. Housing costs are expected to continue to outstrip household income growth.

Avg. Annual Job Gains for Major CMAs



Source: CUR based on Statistics Canada, F=Forecast

Figure 1. Average Annual Job Gains for Major CMAs in the Greater Toronto and Hamilton Area

Future GTHA Economic Growth & Housing Affordability

From the Centre for Urban Research and Land Development

The GTHA Economy is Likely to Remain Resilient to the Growing Global Economic Headwinds

- The GTHA economy is expected to create an average of 65,000 jobs per year over the next decade, many of which will be high paying jobs, especially in the tech and finance industries. This is down only slightly from the average of 75,000 jobs added during the past five years.

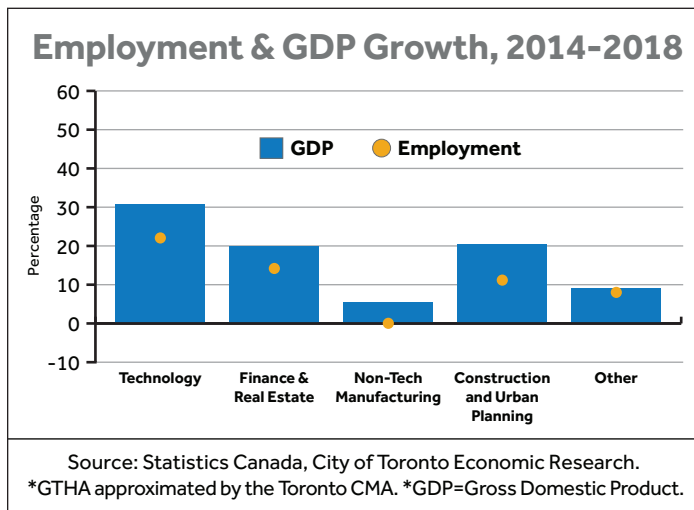


Figure 2. Employment and GDP Growth by Industry Categories, GTHA, Percent Change from 2014–2018

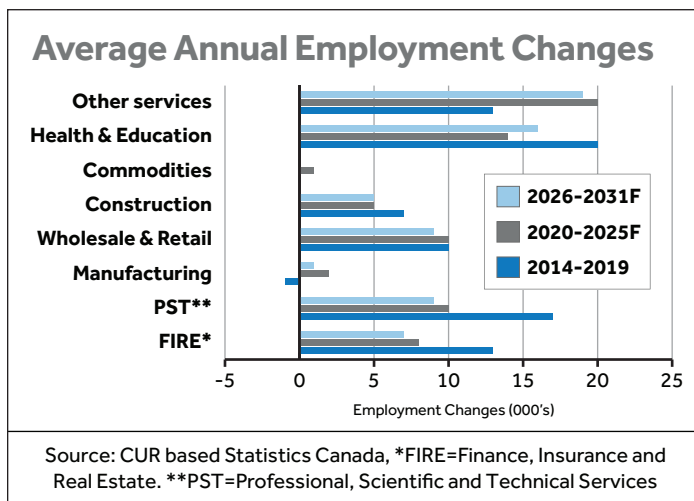


Figure 3. Average Annual Employment Changes by Industry, Greater Toronto and Hamilton Area

- The shift to higher paying industries has and will continue to result in significant household income gains in the region.

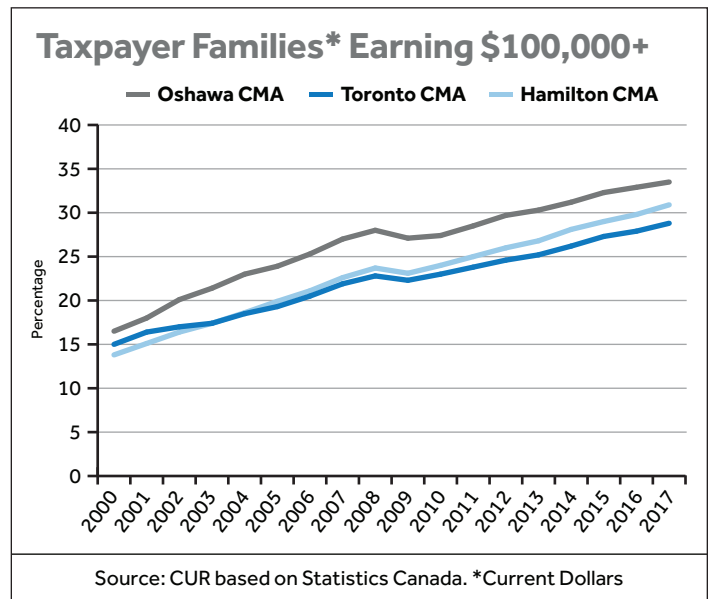


Figure 4. Share of Taxpayer Families* Who Make Over \$100,000, GTHA, 2000-2017

- The number of households earning \$100,000 or more has increased almost threefold between 2000 and 2017.

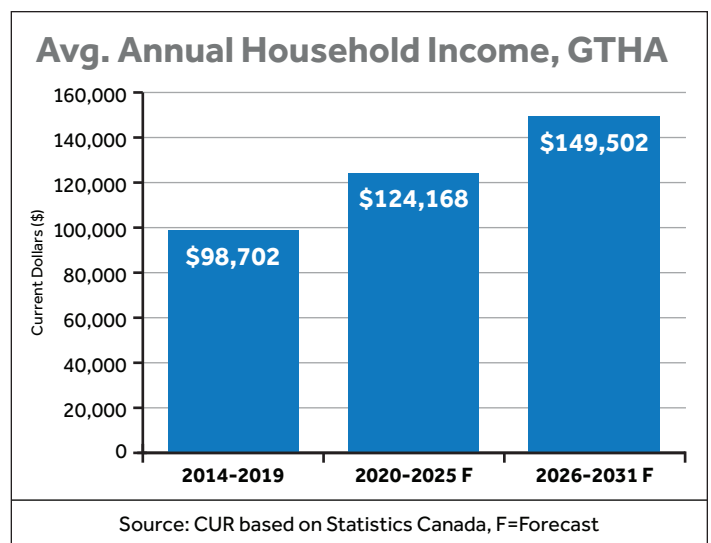


Figure 5. Average Annual Household Income in the Greater Toronto and Hamilton Area

Future GTHA Economic Growth & Housing Affordability

From the Centre for Urban Research and Land Development

- The average household income in the GTHA reached above \$100,000 in 2017 and is expected to continue to climb by an average of 3% to 4% per year over the next decade.

Housing Affordability Challenges Will Remain Even With Incomes on the Rise

- Aggregate measures of housing affordability – homeownership carrying costs-to-income and rent-to-income ratios – will continue to rise despite increasing incomes.

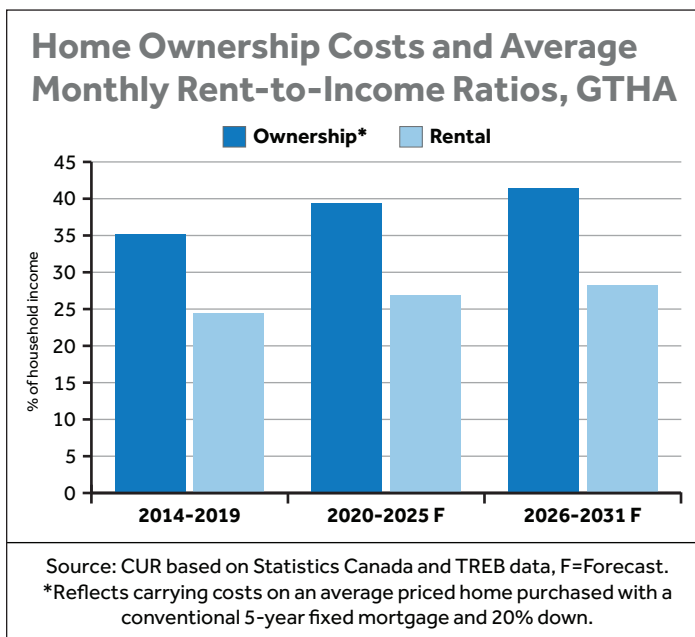


Figure 6. Homeownership Costs and Average Monthly Rent-to-Income Ratios, GTHA

- The current housing supply-demand imbalance is anticipated to continue putting upward pressure on home prices and rents over the next decade.
- More immigration is coming to the region than has historically been the case, and millennials are aging into their peak home buying ages.
- As such, the underlying demand for housing resulting from new household growth in the

GTHA is expected to amount to more than 50,000 units per year – in comparison, only 42,000 new homes were built per year over the last 5 years.

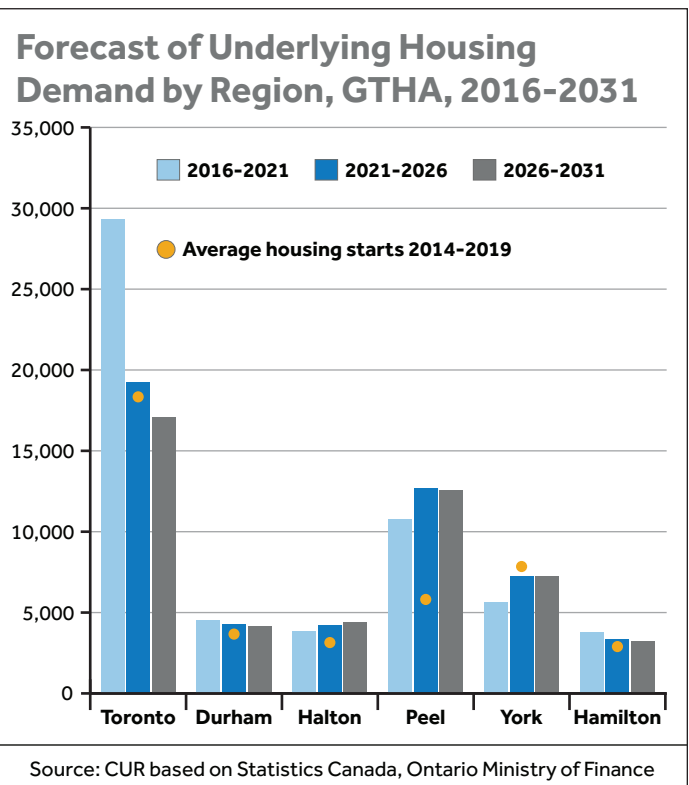


Figure 7. Average Annual Growth in Underlying Demand for Housing Versus Housing Starts, GTHA

- Three-quarters of the supply deficit is accumulating in the ground-related housing market, including single- and semi-detached houses and townhouses.
- Demand is rising the fastest in the rental market inflated by aspiring homeowners who have been forced to remain in rental accommodation. Yet, supply is most restricted in the rental sector.
- Overall, rents and home prices are expected to rise between 4% and 5% per year on average over the next decade, moderately faster than the forecast for income growth.

Future GTHA Economic Growth & Housing Affordability

From the Centre for Urban Research and Land Development

Renting Will Become the New Normal for Younger Households

- Not all the projected new demand will be realized because of an insufficient supply of housing.
- Many younger households will opt to stay with parents longer, find roommates, or look for more affordable housing options outside of the GTHA – trends that have already started to take hold.
- Middle-income earning households will find some relief in the rental market, which still offers more affordable options than owning. However, this will crowd out lower- and moderate-income earning households who will have more difficulty finding suitable accommodation.

A Regional View

- While most of the job gain will occur in the Toronto CMA, the job markets in Hamilton and Oshawa CMAs will also benefit from employment creation in service industries tied to population growth, such as education, health care, retail and construction.
- The city of Toronto will remain a hot destination for the younger population and immigrants. These demographic groups tend to be renters, and 80% of the GTHA's rental stock is in the city of Toronto. Peel region also attracts a sizeable share of the immigration coming into the CMA.
- However, millennial and generation X households are already starting to leave the city of Toronto and moving into the 905 portions of the Toronto CMA or beyond in search of more affordable ground-related ownership options. The Hamilton and Oshawa CMAs are among top destinations for millennial and generation Xers' looking for affordable homeownership.

- Meanwhile, lagging new housing development in York region has stymied population growth.

Average Annual Population Growth Per Cent Change			
	Actual	Projections	
	2011-2018	2018-2026	2026-2031
Ontario	1.3	1.4	1.1
Toronto	1.5	1.8	1.1
Durham	1.5	1.3	1.2
Halton	1.9	1.7	1.5
Peel	1.6	2.3	2.0
York	1.3	1.4	1.4
Hamilton	1.0	1.2	1.1
Rest of Ontario	1.1	1.1	0.8
Total GTHA	1.5	1.7	1.4

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

Figure 8. Population Growth Forecasts by Regions

More Supply is Needed to Provide Relief to Rising Housing Costs

- The main obstacle preventing a substantial increase in the supply of new housing in the GTHA is the severe shortage of ready-to-build-on sites, both in built-up urban areas and on the greenfield fringes, caused by the land-use planning system.
- The current Ontario Government has made strides to improving the regulatory environment to increase the available supply of serviced sites for home builders, which is a step in the right direction.
- Unfortunately, the measures taken to date are not anywhere near enough to facilitate the increases in the housing supply needed to help alleviate housing price and rent pressures expected in the GTHA over the next decade.

Future GTHA Economic Growth & Housing Affordability

From the Centre for Urban Research and Land Development

- Solutions with more punch would include:
 - Make the provision of housing the number one goal of the land-use planning system.
 - Encourage and incentivize secondary suites in single-detached homes.
 - Ensure municipalities are maintaining a sufficient inventory of developable sites by unit type to accommodate housing demand (as is required by provincial regulation).
 - Rezone residential neighbourhoods and lower priority employment lands to allow for more “missing middle” housing.
 - Speed up development around major transit stations surrounded by low-density areas.
- These changes were recommended by CUR in a February 2019 study, funded by TREB.

Conclusion

- The GTHA economy is expected create many high-income paying jobs, especially in both tech and finance.
- Even as incomes rise, housing affordability will continue to deteriorate without a sizeable change in the land use planning system to greatly increase the supply of serviced sites for home builders in build-up and greenfield areas throughout the GTHA.

To read the full report from the Centre for Urban Research and Land Development, [click here](#).



I hope you enjoyed reading this report and have found a **resource** that provides a snapshot of the 2019 market year and an informative outlook for 2020 and onwards, in addition to the pages full of **comprehensive research**.



- Michael Collins
2019/2020 President
Toronto Regional Real Estate Board



Toronto Regional Real Estate Board

Professionals connecting people,
property and communities.

TRREB.ca



416.443.8100