TERANET

MARKET INSIGHTS

THE CANADIAN SOURCE FOR HOUSING INFORMATION — NOVEMBER 2017

A Message From Teranet

It is our pleasure to share with you the 2nd edition of the Teranet Market Insights report. This reports delivers comprehensive analysis and new insights on the real estate market in Canada. It includes compiled data from the Ontario & Manitoba land registries and other provincial jurisdictions across Canada.

In this edition, we focus on age demographics and the impact on the Ontario real estate market. It is the first time demographic and real estate transactional data have been combined to derive new insights, and as expected, there is an interesting correlation that persist across generations. We will also take a closer look at Ontario residential sales volume, price dynamics and conveyancing trends across Canada.

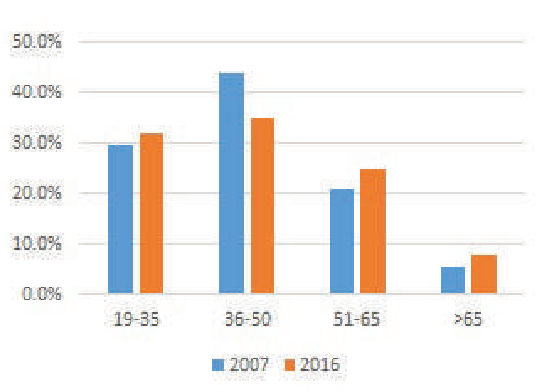
Please enjoy and share the report. Visit www.teranet.ca for access to regular updates on our market reports!

Are Young Canadians Becoming Less Active in Ontario Real Estate?

Over the last 10 years, the number of residential transactions have increased from 134,287 in 2007 to 353,025 in 2016. What's interesting are the shifts in activity by age group at the time of purchase. The percentage of transactions for individuals between the ages of '36-50' (Today's Generation X) at time of purchase has decreased from 44% in 2007 to 35% in 2016. This behaviour is likely being driven by younger families that are opting to staying longer in their present homes and choosing to renovate vs move.

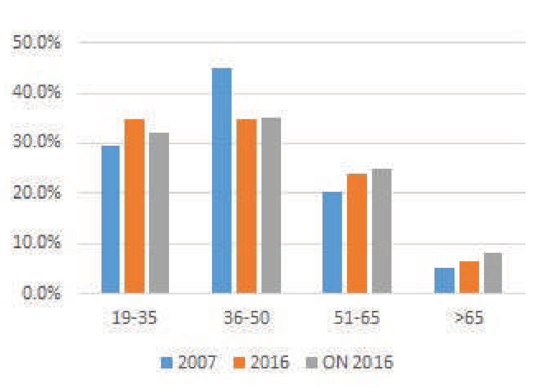
In comparison, those individuals who fell in the 19-35 age group (Today's Millennials) at time of purchase have become slightly more active over the last 10 years and represent approximately 31% of all transactions. Driving some of this behavior in a heated market is the proportion of 25 to 34 year olds with post-secondary education. Last year, it rose to a record 61% (Source: NBF Economics & Strategy) and the higher their education level, the more likely they are to support a higher debt load because their income will also tend to be higher.

Age At Time of Purchase (Ontario)



Source: Teranet

Age At Time of Purchase (Toronto)



Source: Teranet

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Focusing in on Toronto, the story remains consistent to that of Ontario. Purchasers in the age group of 19-35 have grown from 30% to 35% of total transactions, while the age group defined as 36-50 at the time of purchase have become significantly less active over the last 10 years in Toronto, dropping from 45% to 35%.

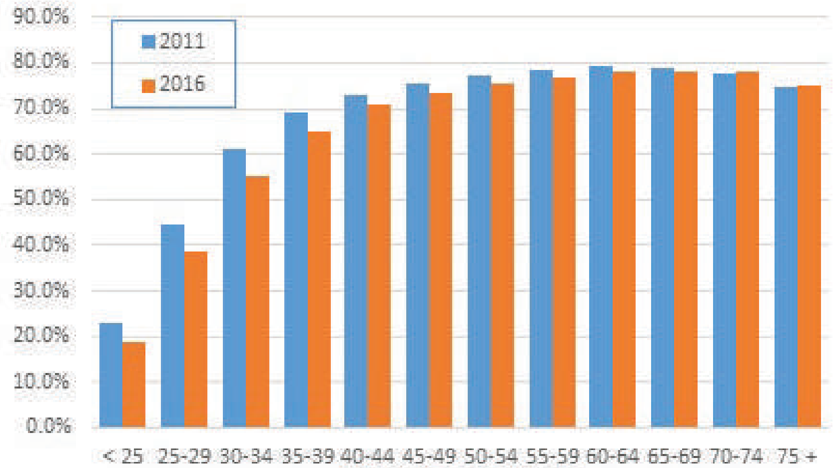
Home-Buying is Being Delayed

Data from the 2016 Census shows that the home ownership rate has fallen. In Canada, the drop was from 69.0% in 2011 to 67.8% in 2016, a reduction of 1.2 percentage points. The drop was even larger in Ontario, from 71.4% in 2011 to 69.7% in 2016, a reduction of 1.8 points.

As is shown in the chart, in Ontario home ownership rates fell quite sharply for the youngest (first-time buyer) age groups. For the three youngest age groups, the drops were: 4.3 points, 5.7 points, and 5.8 points. Sharply increased house prices, and the increased difficulty of saving down payments, has forced young Ontarians to delay home ownership.

Prepared by: *Will Dunning, using data from Statistics Canada.*

Home Ownership Rates in Ontario (by Age Groups)

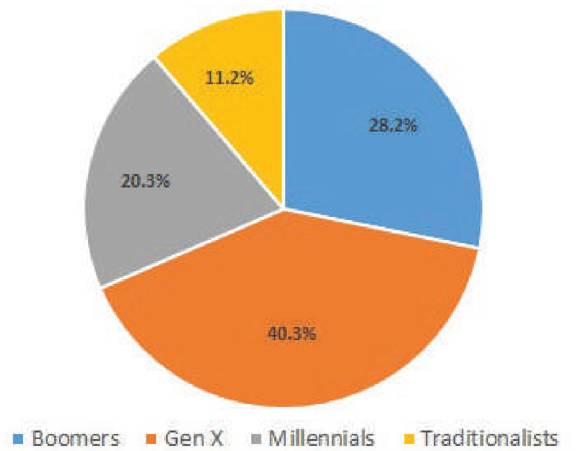


Source: Statistics Canada

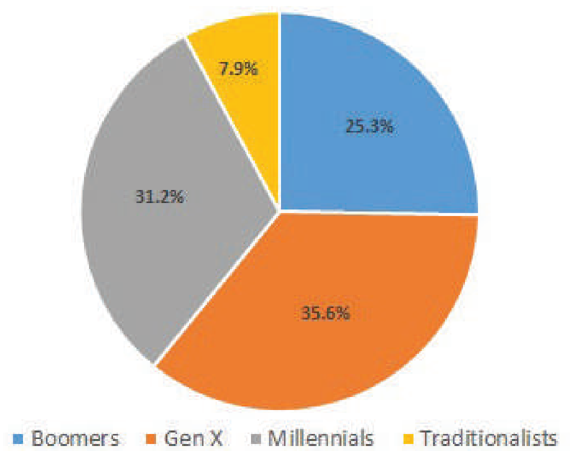
Millennials Represent Second Largest Buying Group In 2017

With the Millennial Generation taking up an increasingly prominent segment of the home-buying population, real estate professionals are focusing more on the buying trends and needs of this group. Although Millennials are becoming more active in Ontario, Generation X (ages 36-50 today) continues to be the largest active buyer group, comprising 36% of the total market activity. As home ownership rates naturally rise with age, it was in 2015 when Millennials (defined as ages 19-35) surpassed Baby Boomers to become the second most active buying group and now responsible for 31% of current activity in 2017. Baby Boomers (ages 51-65) and Traditionalists (>65), make up 25% and 8% respectively, of the current market activity and are expected to decline as these age cohorts are staying in their homes longer than expected and "aging in place".

Residential Home Sales Percentages by Age Cohort in Ontario – 2013



Residential Home Sales Percentages by Age Cohort in Ontario – 2017

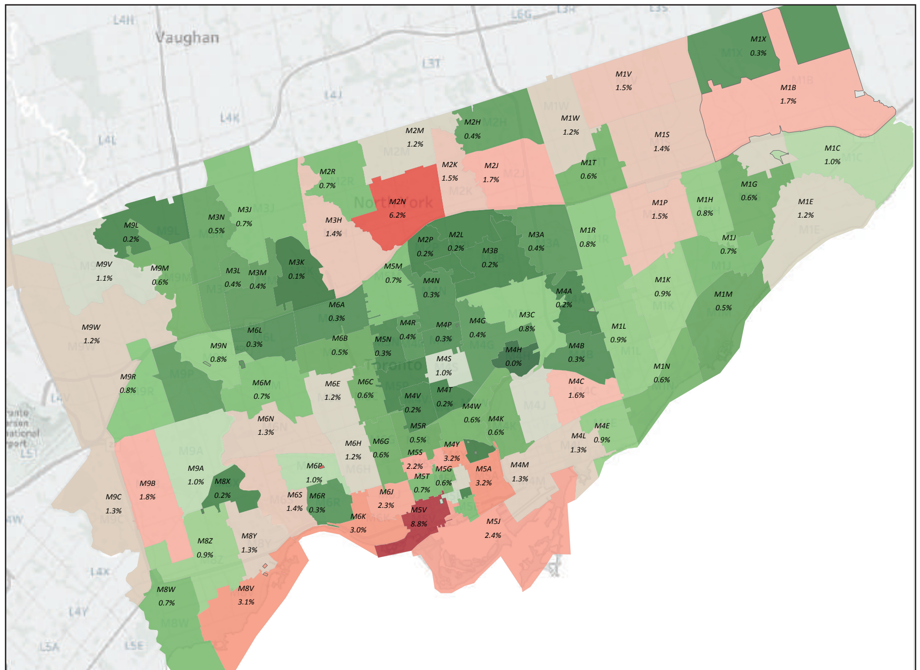


Source: Teranet

The Most Millennial-Active Markets in Canada

All young people buy condo's in the downtown core right? Well, not exactly. Let's take a look at the Ontario markets where Millennials are the largest buying group.

In terms of the most active cities for Millennials, it's no surprise that based on population density, Toronto is by far the leader in terms of annual market activity followed by Ottawa, Brampton Hamilton and Mississauga to round out the top 5. In 2016, Millennials were actually the number one buying group in 26% of the cities in Ontario.



2016 Toronto Millennials Transactions

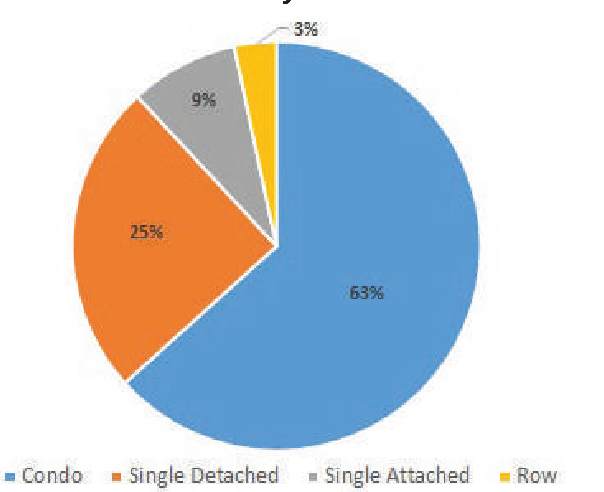
Source: Teranet

What's interesting, is the type of property Millennials have been purchasing. In Toronto, you may expect Millennials to purchase condo's, and for the most part they are. In Toronto, condo's make up the majority of Millennial activity at 63%. This could be partially attributed to the type of housing stock available as there are generally more condo's available in Toronto vs the suburbs. Layer the cost of owning a fully detached house in Toronto, and it's not surprising the numbers of condo transactions are as high as they are.

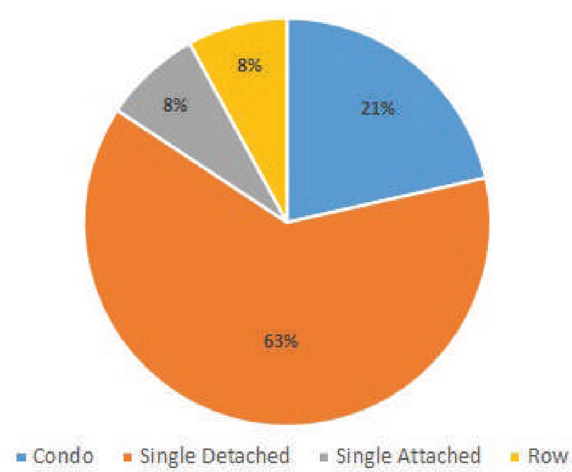
More specifically, within Toronto, Millennials are most active in the downtown core and waterfront areas. Beyond the downtown core, Millennials skip over midtown and are currently gravitating to the next most popular destination, North York (M2N).

Move outside of Toronto and the GTA, and the picture changes dramatically. In cities such as Ottawa, Brampton & Hamilton, the majority of housing activity is comprised of single detached properties. Overall, single detached homes are still the preferred housing option for Millennials across Ontario representing 63% of all their transactions. Although the desire to own a home is strong among Millennials, they continue to face many challenges on the path to homeownership.

Toronto Millennial Activity



All Millennial Activity Across Ontario



Source: Teranet

TERANET-NATIONAL BANK HOUSE PRICE INDEX™
218.13
M/M 1.0% ↓
YTD 10.8% ↑
Y/Y 10.0% ↑

ONTARIO RESIDENTIAL SALES VOLUME ACTIVITY
M/M 16.6% ↓
YTD 3.3% ↓
Y/Y 26.8% ↓

REAL ESTATE CONVEYANCING TRENDS
YTD 4.11% ↓

Fall Tempertatures Keep the Real Estate Market Cool in October

Communities Surrounding Toronto Feel Varying Impacts of the Cooling Market

As many have expected, the real estate market continues to cool down heading towards the holiday season. In most cases, unsmoothed* CMA indices from the Teranet-National Bank House Price Index™ continue to show declines in overall performance since their peak. What's interesting is that the impact of the cooling market on surrounding communities is not being felt at the same rate.

While the Toronto market continues to cool for the fourth month in a row (-8.5% from peak), cities such as Barrie and Brantford have decreased by 11.5% and 4.8% respectively since their peak, and are now starting to show unsmoothed monthly increases once again in October.

Places such as Oshawa and Hamilton on the other hand have decreased by 11.3% and 6.3% respectively since peak and are quickly eroding the gains from earlier in the year. If this trends continues in these communities, it is only a matter of time before we start seeing YTD declines. And outside of Ontario, Montreal for example has posted its highest index value ever while Quebec City has also shown a 6.9% month over month increase after 3 consecutive monthly declines.

As we continue to watch Toronto for signs of a rebound, property values in surrounding communities continue to be in a state of flux while the markets reestablish their footing.

Unsmoothed CMA Index	Composite 11 Index	CMA Index	YTD Growth	Change Since Peak
Barrie		✓	10.3%	-11.5%
Oshawa		✓	7.3%	-11.3%
Toronto	✓	✓	8.0%	-8.5%
K/W		✓	13.6%	-7.6%
Hamilton	✓	✓	12.4%	-6.3%
Brantford		✓	23.7%	-4.8%
Quebec	✓	✓	0.8%	-0.2%
Winnipeg	✓	✓	4.3%	0.0%
Montreal	✓	✓	7.7%	0.0%

Source: Teranet-National Bank House Price Index™

**The indices of the 11 metropolitan markets comprising the Teranet–National Bank Composite House Price Index™ are smoothed. Each month, the (unsmoothed) estimated indices for each of the last three months are averaged to produce that month's index. This procedure allows to incorporate late data and evens out month-to-month fluctuations.*

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