

# MARKET INSIGHTS

THE CANADIAN SOURCE FOR HOUSING INFORMATION | Q4 2021



We are pleased to share with you the 10th edition of the Teranet Market Insight Report. This report delivers a comprehensive analysis and new insights on the real estate market in Ontario derived through our data scientists' analysis of sales registration activity in the Ontario Land Registry.

In the last edition of the Quarterly Market Insight Report, we focused on buyer migration activity in Ontario, in terms of the segment of purchasers who bought and sold property within a defined period. In this edition, we will take a step back to look at the Ontario housing market as a whole, by segmenting all transfers of ownership in Ontario properties based on the various buyer profiles.



## Buyer Segment Classification

**Movers:** This category of buyers moved from one principal residence in Ontario to another. They have sold their sole, existing property and purchased another property within a period of time.

**Multi-Property Owners:** Property purchases by buyers who, at the time of the purchase, also own other properties in Ontario. The properties purchased by this group of buyers could represent a principal residence, an investment property, or a recreation property.

**First-Time Homebuyers:** Property purchases by buyers who claimed the Ontario land transfer tax exemption for first-time homebuyers. To qualify for this exemption, the buyer must not have purchased property anywhere in the world.

**Life Events:** Transfer of ownership between related parties. These transactions could be due to death, marriage, divorce, or transfer between generations for nominal value.

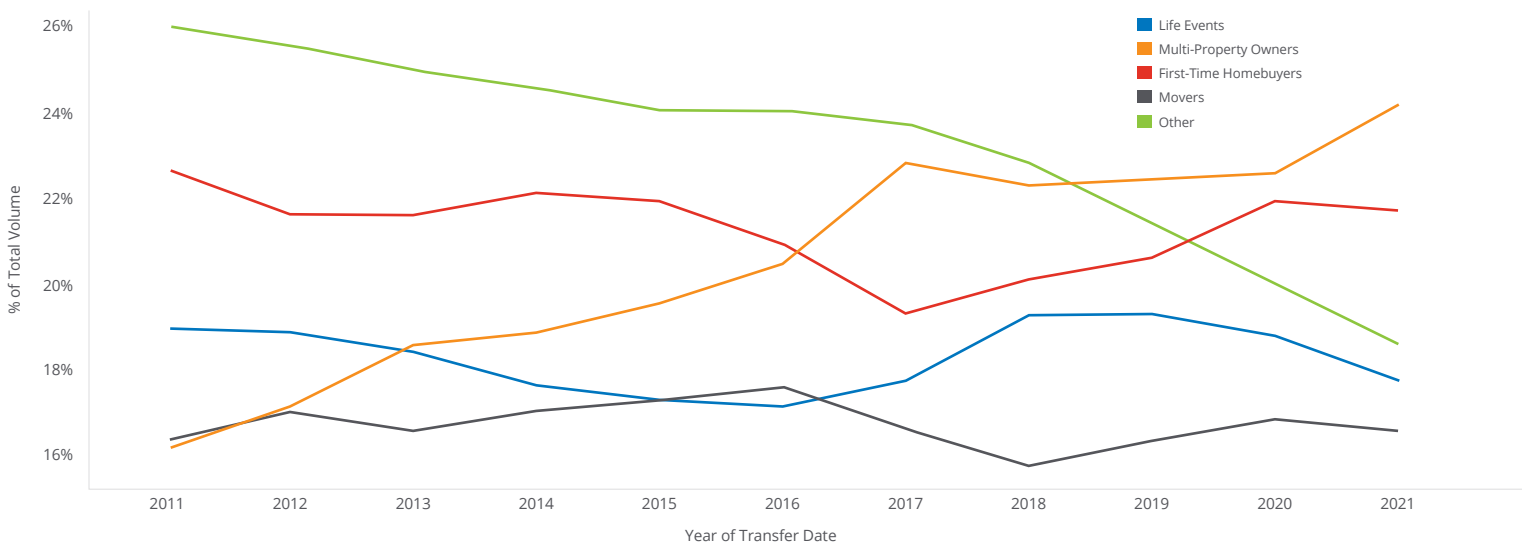
**Other:** All other buyers. This could include buyers from outside of Ontario or Canada, or re-entry into the property market after an extended absence.

While there has been much data and analysis on housing market transactions, especially during the COVID-19 pandemic, most have focused on only one of these segments, such as first-time home buyers, and/or are based on anecdotal evidence or surveys. Teranet is pleased to deliver a comprehensive, data-driven analysis of the Ontario housing market leveraging our access rights to the Ontario Land Registry data.

## Historical Trends

As seen in Figure 1, historically, Movers has always been the smallest buyer segment, representing between 15-18% of property title changes in Ontario. The Life Events segment has had a recent uptick in activity which could be attributable to transfers of wealth between generations, possibly triggered by declining affordability in the market. First-Time Homebuyers have consistently been a strong buyer segment that saw a slight dip in the relative share of transactions starting in 2016, the year that the mortgage stress test was first introduced. Purchases by Multi-Property Owners have climbed steadily and represent over 25% of total transactions from January to August 2021. On the other hand, the Other segment has seen a decline since 2017, coinciding with the introduction of the Non-Resident Speculation Tax in 2017, and exacerbated in recent months, likely by the pandemic which curbed immigration as well as international students settling in the province.

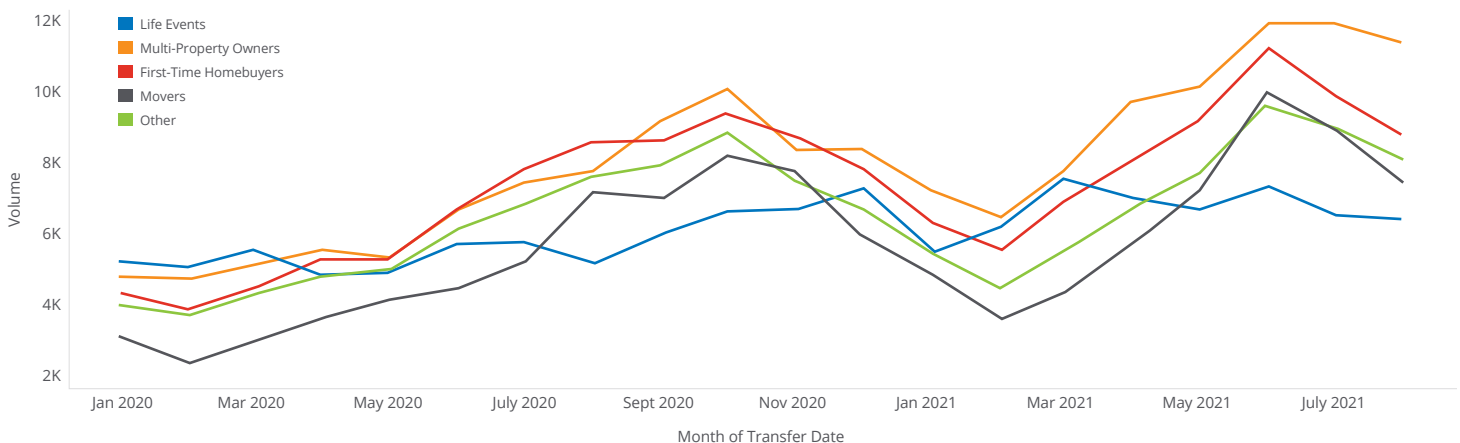
Figure 1: Volume of Buyer Segments 2011 to August 2021



Source: Teranet

A closer examination of the monthly volume trend from the beginning of the COVID-19 pandemic to August 2021 demonstrates that all buyer segments responded similarly during this market boom (Figure 2). Aside from Life Events transactions which were less affected by market conditions, all other segments reached a peak in activity in October 2020. In 2021, all segments peaked again in June, with multi-property owner purchases appearing to maintain momentum into the fall. These observations stand to nullify some of the emphasis in media headlines of urbanites moving to suburbs and rural communities, which, while did increase in activity relative to past years, explained only part of the pandemic market boom.

Figure 2: Monthly Volume by Buyer Segment January 2020 to August 2021

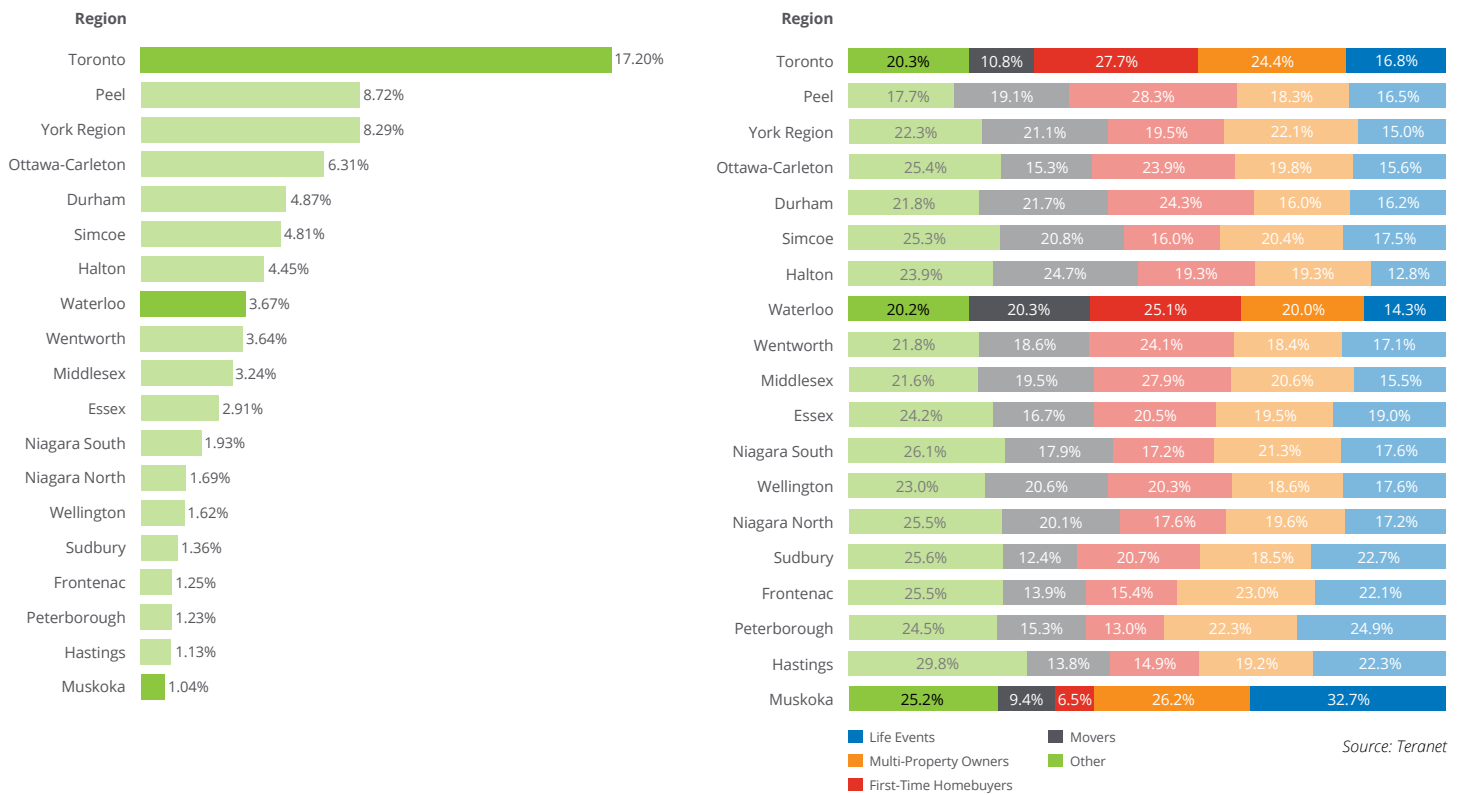


## Buyer Segments by Region

Breaking down the buyer segments by geographic region reveals the different dynamics of the various sub-markets in Ontario. In this report, we will spotlight three different regions in Ontario that, intuitively, would be expected to behave differently due to their respective unique characteristics: Toronto, Waterloo and Muskoka (Figure 3).

The regional boundaries used in this report are defined by those of the Ontario Land Registry Offices. Teranet can readily perform the same analysis broken down by Census Sub Divisions (CSDs) as well as Forward Sortation Areas (FSAs).

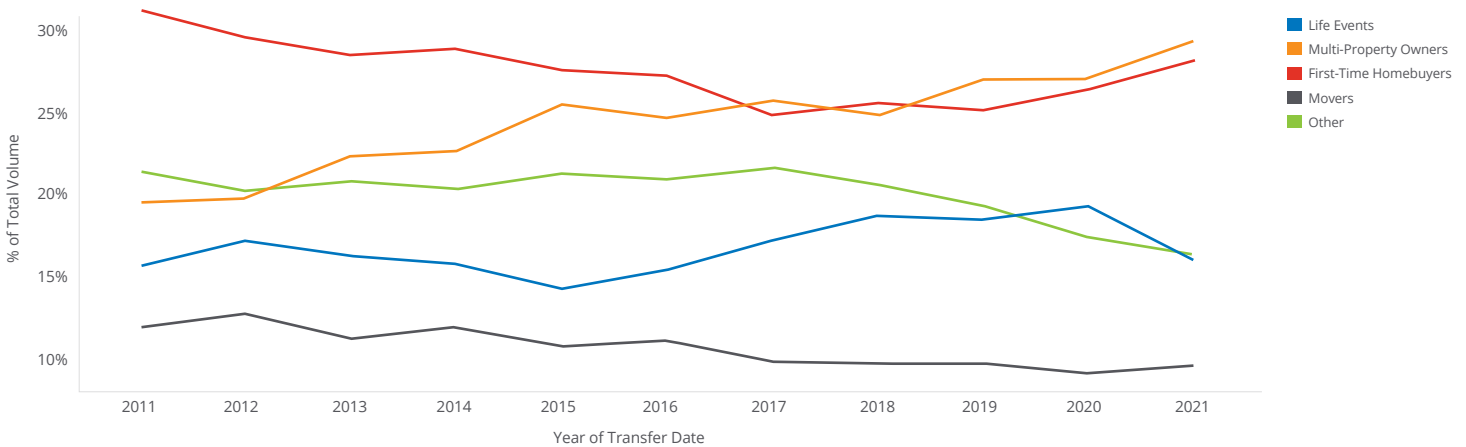
Figure 3: Transfer Volume, % of Total Volume, and Buyer Segments for Select Ontario Regions, January 2011 to August 2021



## Toronto: Urban Centre

From January 2011 to August 2021, Toronto has accounted for 17% of total Ontario property transfers. Less than 11% of those were from Movers, while a quarter of activities were attributable to each of First-Time Homebuyers and Multi-Property Owners. This speaks to Toronto’s continuing appeal to investors as well as the younger generation which predominantly make up the First-Time Homebuyers segment. Those seeking their second or third home in the property lifecycle are less likely to prefer Toronto. In fact, the percentage of Toronto transfers attributable to the Movers segment has declined from 12% in 2011 to under 10% from January to August 2021 (Figure 4).

Figure 4: Buyer Segment activity in Toronto, January 2011 to August 2021

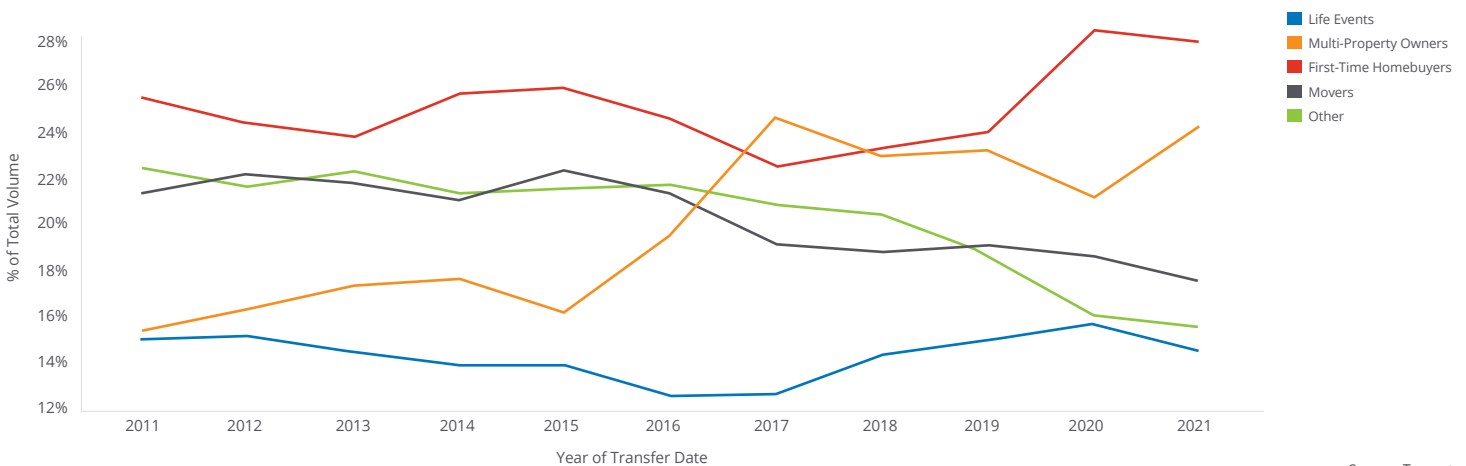


Source: Teranet

## Waterloo: University Town

For years, anecdotal accounts of parents purchasing properties in Waterloo to house children pursuing post-secondary education have been prevalent. This may now be validated by the steep increase observed in multi-property owners purchasing in the region since 2016 (Figure 5). First-Time Homebuyers have also maintained a consistent presence in the region, perhaps due to the region’s growing concentration of high-tech companies and job opportunities. The Other segment has declined to a low of 15% 2021 year-to-date, perhaps due to the lower level of international students and immigrants settling into the region since the pandemic.

Figure 5: Buyer Segment Activity in Waterloo, January 2011 to August 2021



Source: Teranet

## Muskoka: Cottage Country

While Muskoka accounts for only 1% of overall Ontario transactions, it exhibits a unique profile of buyers. Over 30% of activities in this region are attributed to Life Events, which correlates to the anecdotal understanding that many cottages are passed down through generations (Figure 3). The magnitude of these non-arm's length transactions may inform the true stock of properties in the region that are available in the open market. Also not surprisingly, over a quarter of purchases are from Multi-Property Owners, either as investment or recreational properties.

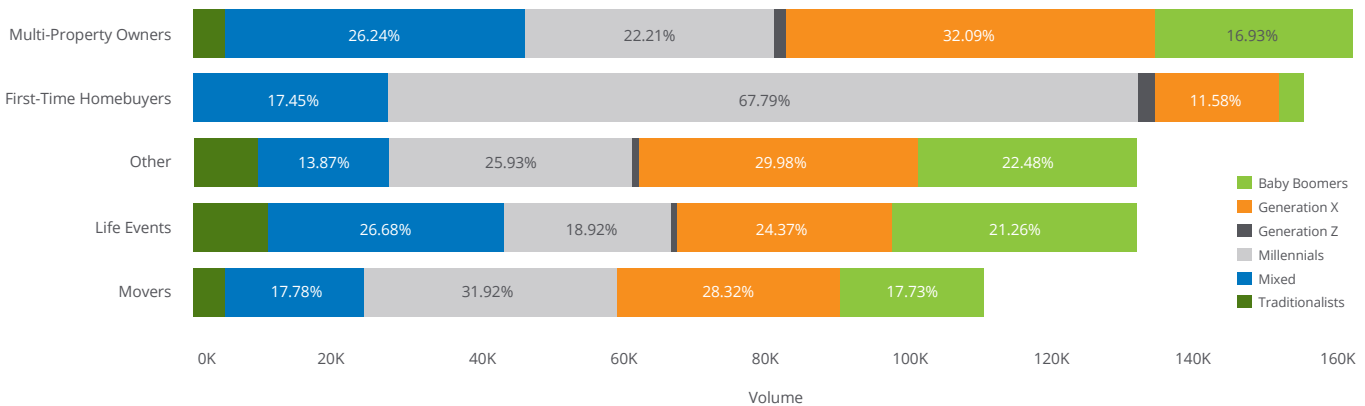
## Buyer Segments by Age

Breaking down buyer segments by age enables us to see how varying age groups or generations participate in the real estate market differently. For the purpose of this report, each transfer of ownership is grouped into an age cohort based on the age of the purchaser(s) at the time of the purchase. If there is more than one purchaser and they cross generations, the transaction would be classified in the "mixed" category.

From the start of 2020 to August 2021, as expected, Gen-Xers and Millennials are the biggest age cohorts participating in the real estate market (Figure 6). They participate almost equally in the Movers segment, with another 18% attributable to the Baby Boomers. Not surprisingly, Millennials make up almost 70% of First-Time Homebuyers activities.

In the Multi-Property Owners segment, Gen-Xers are responsible for 32% of the purchases while Millennials are quickly catching up with 22% of purchases. As a further deep dive, 2020 saw a 13% year-over-year growth in ages 35-40 and 40-45 making multi-property purchases. Over 60% of Multi-Property Owners purchases represent the second property in the portfolio and another 20% were for the third property in the portfolio.

Figure 6: Buyer Classification by Generation, January 2020 to August 2021

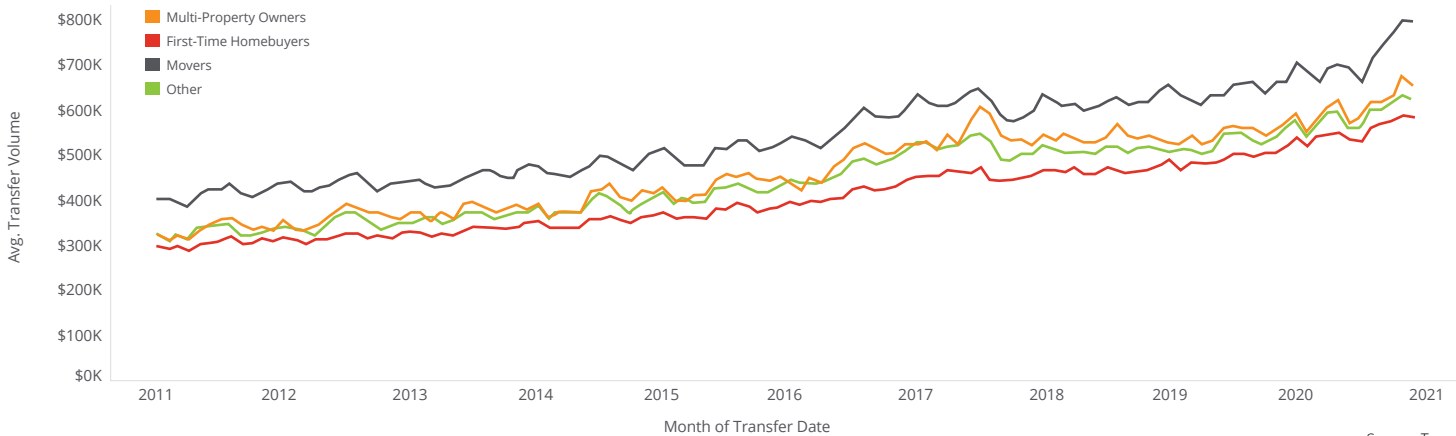


Source: Teranet

## Buyer Segment by Transfer Value

Historically, the Movers segment has spent the most in their property purchases relative to other segments, with the Multi-Property Owners segment spending the second most (Figure 7). However, the spending gap between Movers and Multi-Property Owners has increased starting in 2020, where Movers spent 19% more than Multi-Property Owners (\$726k vs. \$609k). The trend has continued into August 2021 where movers spent 21% more (\$902k vs. \$740k).

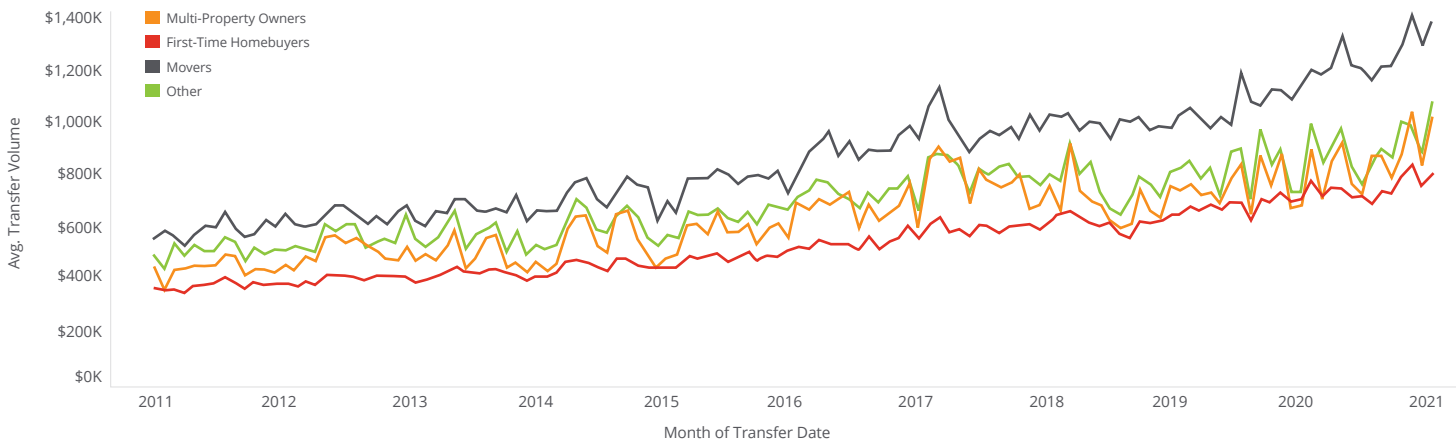
Figure 7: Buyer Classification by Average Transfer Value



Source: Teranet

The gap between what Movers are spending relative to the other categories is even more extreme in the Toronto market (Figure 8). In August 2021, Movers spent an average of \$1.3m, versus the next highest spenders in the Other segment at \$917k. By contrast, the Multi-Property Owners spent only \$874k on average, likely skewed downward by more condo properties in the mix in Toronto. First-Time Homebuyers spent \$761k on average on their Toronto purchases. These observations show a clear delineation of how the different segments in Ontario participate in the real estate market from a spend perspective. Our analysis is able to further drill down from a regional perspective to CSD and FSA levels, in addition to purchaser age and property type.

Figure 8: Historical Trending, Toronto Buyer Classification by Average Transfer Value



Source: Teranet

In future editions of the Quarterly Market Insight Report, we will drill down into the profiles of two of the more hot-button buyer categories: Movers and Multi-Property Owners. For Movers, in addition to diving into where they are moving to and from, we will share whether they are upsizing or downsizing from both dollar value and lot size perspectives. For Multi-Property Owners, we will shed some light on the geographic location and the types of properties in their portfolios, as well as insights from a portfolio financing perspective.

If you need more information about the data presented in this report, the Teranet Data Science Lab can help you dig deeper. Our Data Scientists will work closely with you to answer your questions with insights from our proprietary databases. Contact your Teranet account manager if you'd like to learn more.



## CONTACTS

### Media Inquiries:

**Mark Klein**  
Senior Brand Journalist  
[Mark.Klein@teranet.ca](mailto:Mark.Klein@teranet.ca)

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**Paul McGowan**  
Director, Property Solutions  
[Paul.McGowan@teranet.ca](mailto:Paul.McGowan@teranet.ca)

### Teranet Solutions Inquiries:

**Kevin Pavey**  
Vice President, Financial Solutions Sales  
[Kevin.Pavey@teranet.ca](mailto:Kevin.Pavey@teranet.ca)

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**Ontario**  
[Chris.Butler@teranet.ca](mailto:Chris.Butler@teranet.ca)  
[Erin.McTavish@teranet.ca](mailto:Erin.McTavish@teranet.ca)  
[Heather.Reid@teranet.ca](mailto:Heather.Reid@teranet.ca)  
[Laura.Weise@teranet.ca](mailto:Laura.Weise@teranet.ca)

**Ottawa/Québec**  
[Grant.Anderson@teranet.ca](mailto:Grant.Anderson@teranet.ca)

**Western Canada**  
[Derek.Tinney@teranet.ca](mailto:Derek.Tinney@teranet.ca)