

MARKET INSIGHTS

THE CANADIAN SOURCE FOR HOUSING INFORMATION | July 2019

We are pleased to share with you the sixth edition of the Teranet Market Insights Report. This report delivers a comprehensive analysis and new insights on the real estate market in Ontario and includes data compiled by our data scientists.

In this edition, we are focusing on the activity of first-time home buyers in Ontario. We will explore buying patterns in both the condo and non-condo markets as well as how activity differs in regions across the province. This report will look at data from the past seven years and analyze demographic information to gain further insight into first-time home buying activity amongst different age groups.

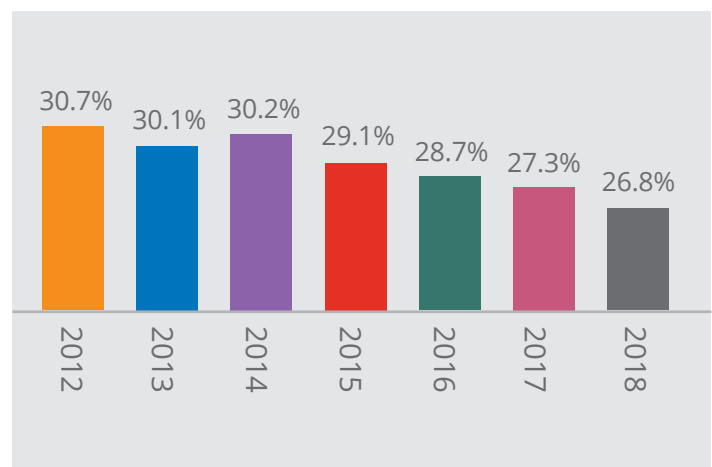
A focus on first-time home buyers

In March, the Government of Canada introduced Budget 2019, which focused on relieving a number of financial strains for Canadians. One of the major areas of focus was housing for those that want to invest in their first home, but struggle financially. In order to make housing more affordable for first-time home buyers, the government introduced The First-Time Home Buyer Incentive and revisions to the Home Buyer's Plan. The CMHC First-Time Home Buyer Incentive will be effective in September 2019 and aims to reduce monthly payments for first-time home buyers with a shared equity mortgage. Canadians with a household income of less than \$120,000 can take advantage of the incentive, which will result in the CMHC paying 5% of the down payment and reducing the total mortgage amount. Additionally, revisions to the Home Buyer's Plan came into effect in March, allowing first-time home buyers to withdraw \$35,000 tax free from their RRSP to help with their down payment.

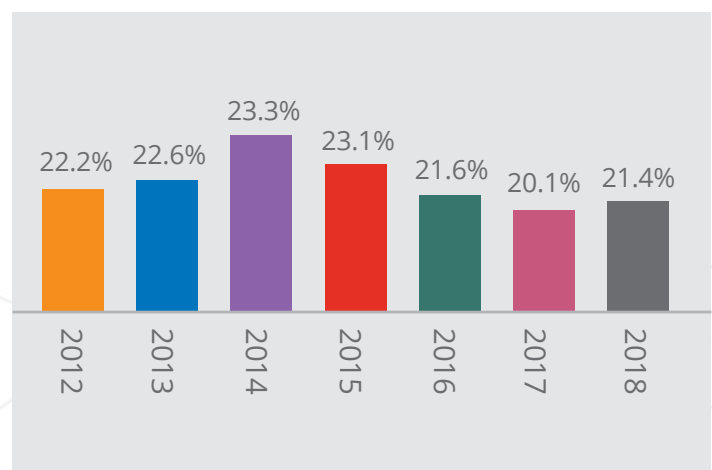
While these programs are expected to help approximately 100,000 Canadians over the next three years, there is a belief that previous regulations and house prices will still make it too difficult for new buyers to purchase homes. To gauge this impact we created an analysis of condo and non-condo purchase activity amongst first-time home buyers in Ontario from 2012 to 2018.

Over the past several years there has been a decline in both the condo and non-condo markets amongst first-time home buyers. In 2012, first-time home buyers accounted for 30.7% of the condos that were purchased, while in 2018 there was a decrease to 26.8%. In the non-condo market the decline was from 22.2% in 2012 to 21.4% in 2018.

CONDO | % OF FIRST-TIME HOME BUYERS



NON-CONDO | % OF FIRST-TIME HOME BUYERS

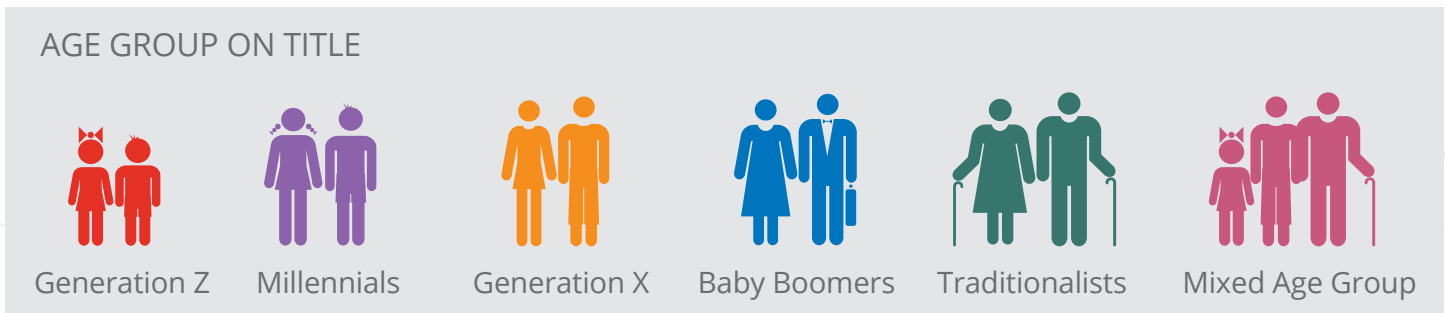
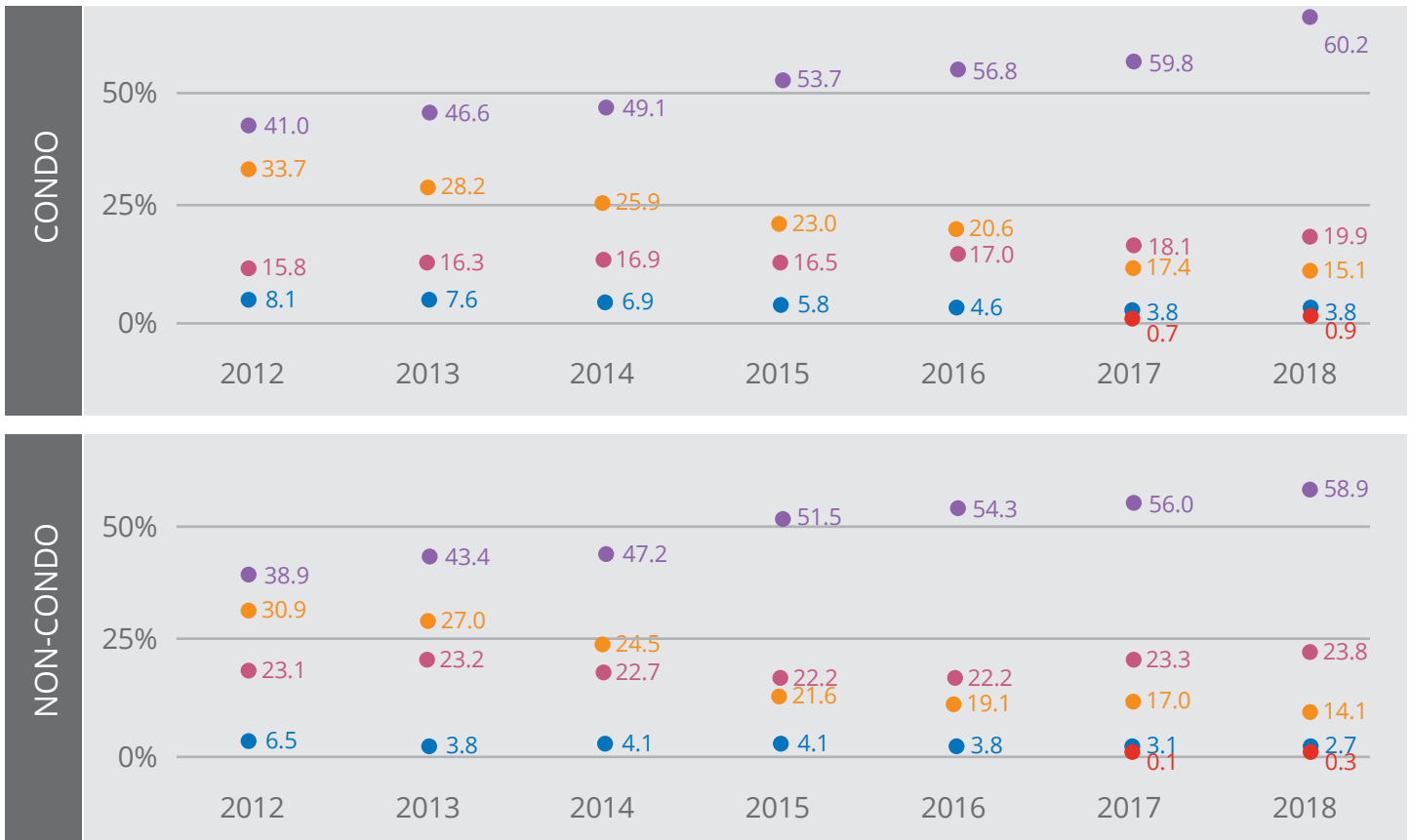


Source: Teranet

A breakdown by age

While home prices have increased since 2012 and the number of first-time home buyers has slowly declined, Millennials and Generation Z are still finding ways to buy homes. In fact, since 2012, Millennials have been the dominant first-time home buyer group and increased from 41% to 60.2% in the condo segment, and from 38.9% to 58.9% in the non-condo segment. During this time period the number of first-time Baby Boomer

and Generation X home buyers has declined in both the condo and non-condo segments and in recent years we see the entrance of Generation Z first-time home buyers. While their volumes are minimal they increased from 2017 to 2018 in the condo segment from 0.7% to 0.9% and from 0.1% to 0.3% in the non-condo segment.



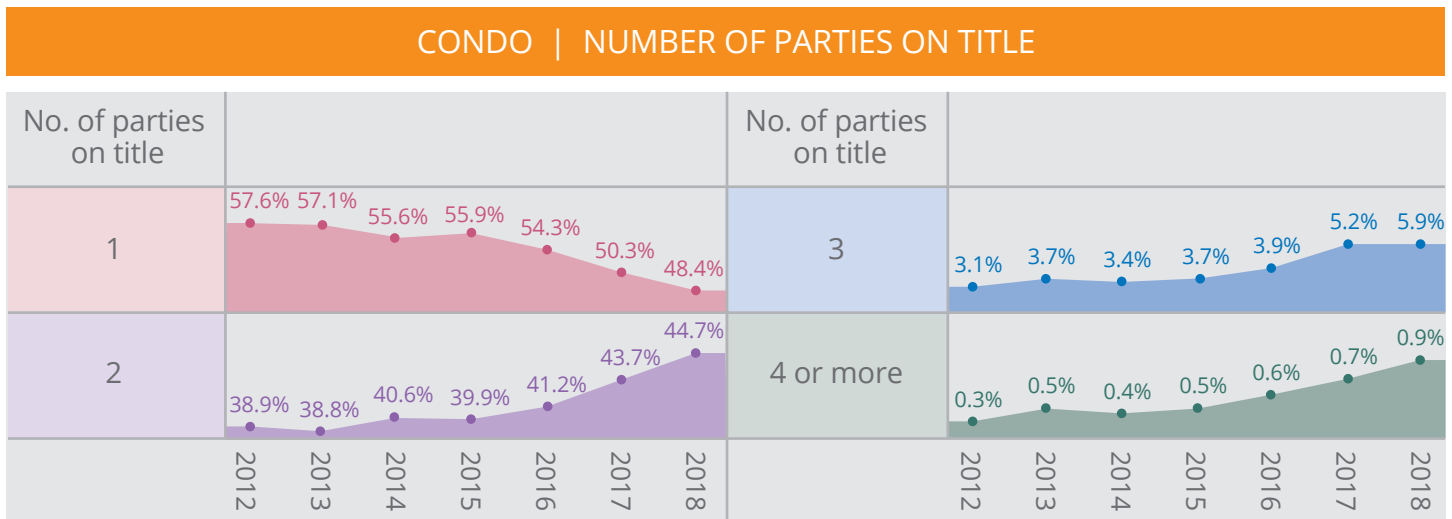
Source: Teranet

How are they buying?

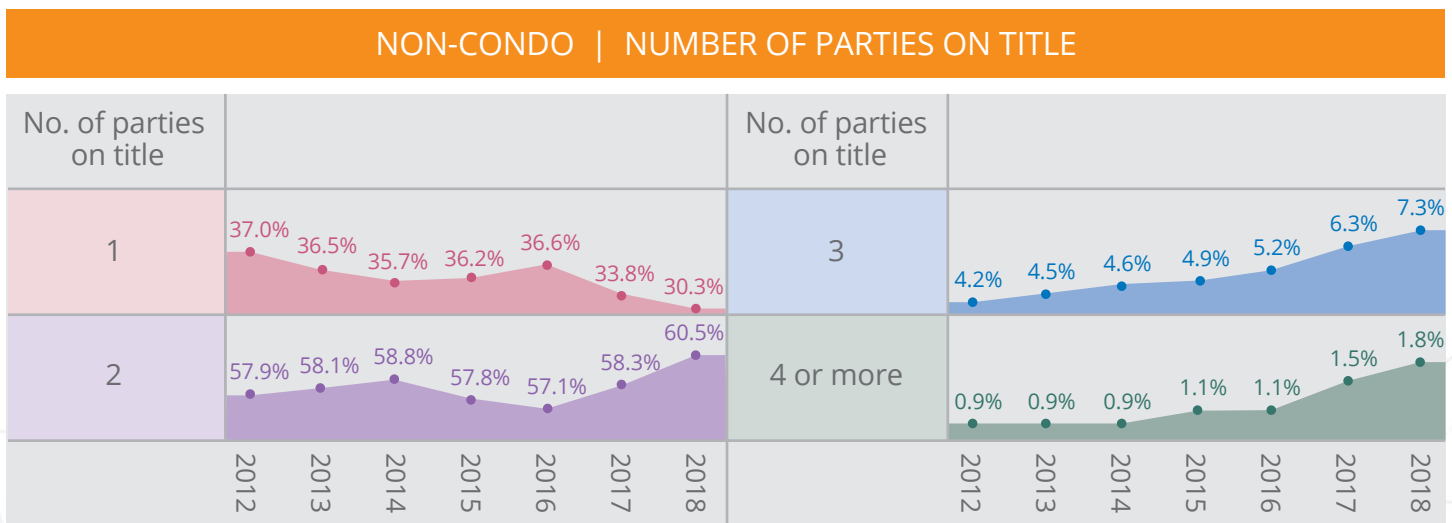
We can see that first-time home buyers are still purchasing homes in Ontario, but it appears that they aren't able to do so on their own in recent years. As house prices increased from 2016 to 2018 the number of parties on title amongst first-time home buyers increased dramatically. This activity was especially significant in the condo market, which had a drop from 54.3% to below 50% of first-time condo buyers with only one name on title. However, in 2016 first-time condo buyers with two and three names on title were at 41.2% and 3.9% respectively. After 2018, there was about a 4% increase of first-time condo buyers with two names on title. The number of first-time condo buyers with three names on title increased from 3.9% to 5.9%.

In the non-condo segment we see a similar pattern with a decrease of single first-time home buyers on title from 36.6% in 2016 to 30.3% in 2018. The number of first-time home buyers with two and three names on title in 2016 were 57.1% and 5.2% respectively. Similar to the condo segment, both of these groups have increased over the past few years. The number of first-time home buyers with two names on title increased to 60.5%, while buyers with three people on title increased to 7.3%.

Amongst these first-time home buyers with more than one name on title, we see an interesting pattern emerge when we focus on the age difference between the parties on title.



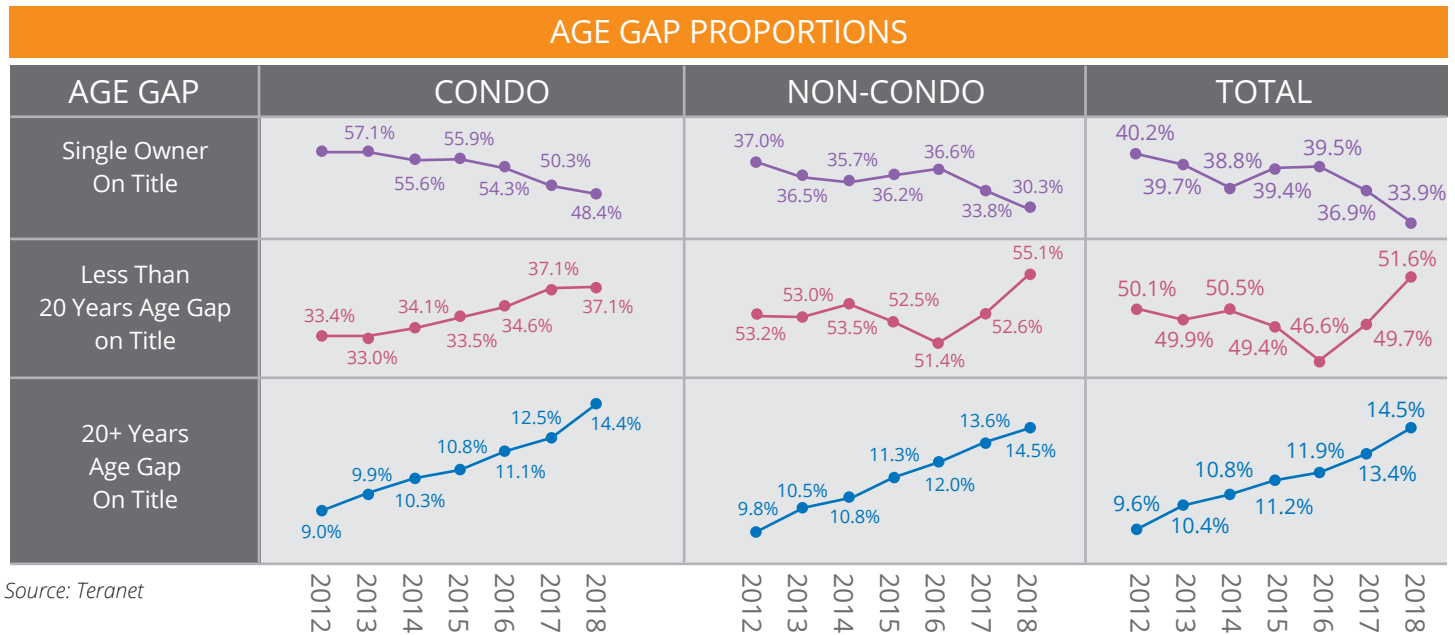
Source: Teranet



Source: Teranet

In 2016, 11.1% of first-time condo buyers with more than one name on title had an age gap of more than 20 years. This number increased to 14.4% in 2018, which suggests that more home buyers may be turning to parents for assistance

when purchasing their first home. Similarly, in the non-condo segment, 12% of first-time buyers with more than one name on title had an age gap of more than 20 years in 2016, which increased to 14.5% in 2018.



Source: Teranet

A regional¹ focus

Whether first-time home buyers are receiving help from parents or not, we can see that they are still purchasing homes, but not in the regions that have been traditionally popular. As house prices in Toronto increase, buyers are changing their focus to other regions, like Peel and Ottawa-Carleton, with more affordable housing. Condo numbers still remain the highest in Toronto, although the number has decreased in

the past few years. In 2016, 14,481 first-time home buyers purchased condos. After 2018, the number of first-time condo buyers hit a low of 10,763, which may be due to the increasing condo prices in this region. From 2012 to 2018 the average price of a condo purchased by a first-time home buyer in Toronto increased from \$286,000 to \$456,243.

VOLUME OF FIRST-TIME HOME BUYERS BY REGION

REGION CONDO	2012	2013	2014	2015	2016	2017	2018
Toronto	11,031	11,003	11,778	13,880	14,481	12,748	10,763
Peel	3,199	3,054	3,104	3,355	3,500	3,428	2,911
York Region	1,185	1,243	2,015	1,667	2,222	1,849	1,878
Ottawa-Carleton	1,606	1,519	1,280	1,350	1,288	1,417	1,513
Halton	858	799	915	885	958	1,174	1,002

Source: Teranet

¹ These regions are considered by Land Registry Offices and not municipalities.

In the non-condo segment, Toronto no longer remains the most popular region for first-time home buyers. In 2014 there was a shift away from Toronto when 7,391 first-time buyers bought in Peel, while 7,332 chose Toronto. This shift may be related to the average price of homes in these regions, as the average price of a non-condo purchased by a first-time buyer in Toronto was \$634,616 and \$473,066 in Peel. Since 2014 Peel has remained the most popular region in Ontario for non-condo first time buyers, and prices in this region have remained well below those in Toronto. In 2018, the average price of a non-condo purchased by a first-time home buyer in

Toronto was \$922,884, while in Peel the average price was over \$200,000 lower at \$707,482.

In both the Toronto condo and non-condo segment the number of first-time home buyers dropped from 21,142 in 2015 to 15,412 in 2018. Another region that has experienced significant decreases in the past few years is York, which went from 7,236 first time home buyers in 2016 to 5,096 in 2018. In fact, all of the major regions in Ontario experienced a decrease amongst first-time home buyers from 2016 to 2018 except Ottawa-Carleton. This region saw an increase from 5,029 in 2014 to 5,965 in 2018.

VOLUME OF FIRST-TIME HOME BUYERS BY REGION

REGION NON-CONDO	2012	2013	2014	2015	2016	2017	2018
Peel	6,799	6,783	7,391	7,574	7,638	6,185	5,348
Toronto	7,457	7,302	7,332	7,262	6,593	4,978	4,649
York Region	5,277	5,256	5,283	5,362	5,014	3,953	3,218
Ottawa-Carleton	3,903	3,753	3,749	4,198	4,325	4,465	4,452
Durham	3,970	3,740	3,950	4,425	4,119	3,796	3,579

REGION TOTAL	2012	2013	2014	2015	2016	2017	2018
Toronto	18,488	18,305	19,110	21,142	21,074	17,726	15,412
Peel	9,998	9,837	10,495	10,929	11,138	9,613	8,259
York Region	6,462	6,499	7,298	7,029	7,236	5,802	5,096
Ottawa-Carleton	5,509	5,272	5,029	5,548	5,613	5,882	5,965
Durham	4,441	4,179	4,309	4,855	4,583	4,356	4,193

AVERAGE PRICES BY REGION

Region	2012	2013	2014	2015	2016	2017	2018
Durham Condo	\$208,368	\$232,824	\$238,517	\$262,101	\$316,343	\$384,627	\$370,714
Durham Non-Condo	\$313,991	\$333,303	\$361,856	\$406,017	\$478,059	\$555,404	\$548,637
Halton Condo	\$276,540	\$291,658	\$309,084	\$336,142	\$374,384	\$416,614	\$429,928
Halton Non-Condo	\$437,803	\$442,721	\$504,376	\$550,750	\$643,998	\$726,962	\$716,328
Peel Condo	\$280,654	\$288,698	\$311,657	\$329,437	\$384,232	\$444,454	\$464,456
Peel Non-Condo	\$428,550	\$451,113	\$473,066	\$510,721	\$593,989	\$685,575	\$707,482
Toronto Condo	\$286,000	\$294,540	\$308,042	\$339,147	\$371,061	\$431,711	\$456,243
Toronto Non-Condo	\$536,689	\$574,119	\$634,616	\$706,681	\$834,733	\$948,250	\$922,884
York Region Condo	\$352,539	\$359,234	\$367,037	\$417,205	\$458,409	\$501,557	\$457,197
York Region Non-Condo	\$526,163	\$555,264	\$612,027	\$687,099	\$834,983	\$923,741	\$858,387

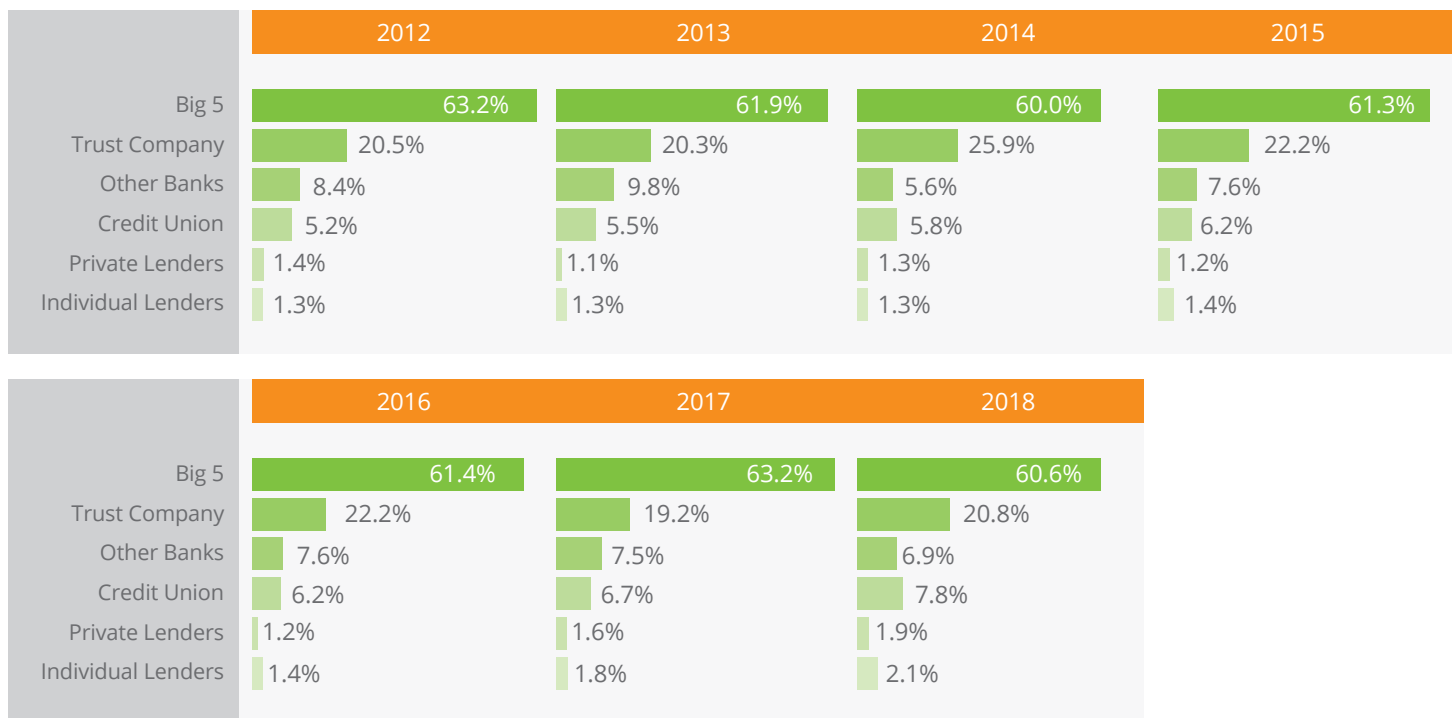
Source: Teranet

A lending breakdown

In the last edition of the Market Insights Report, we focused on mortgage market share in Ontario. Our data showed that in a post stress test environment the Big 5 Banks were still dominating the market, but some buying groups were starting to shift away from these lending institutions. We can see a similar trend with first-time home buyers in recent years. The vast majority of first-time home buyers have selected the Big 5 Banks for mortgages since 2012, but from 2017 to 2018 there was a drop from 63.2% to 60.6%. In 2018, Credit Unions and Individual Lenders hit a seven-year high with 7.8% and 2.1%

respectively. Trust Companies also experienced an increase from 2017 to 2018, and are the second-most popular choice for mortgages amongst first-time home buyers with 20.8%.

If you need more information about first-time home buyers, 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 or Kan Zhu at kan.zhu@teranet.ca if you'd like to learn more.



Source: Teranet

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