



BABY NEEDS A NEW HOME

PROJECTING ONTARIO'S GROWING NUMBER OF FAMILIES AND THEIR HOUSING NEEDS

OCTOBER 2021



**Smart Prosperity
Institute**

Acknowledgements

This report was written by Mike Moffatt, with funding from the Ontario Home Builders' Association. Responsibility for the final product and its conclusions is Smart Prosperity Institute's alone, and should not be assigned to the reviewers, interviewees, or any external party. Mike would like to thank John McNally for helpful suggestions and Barbara Moffatt for proofreading assistance. Being interviewed for or reviewing this report does not mean endorsement, and any errors remain the authors' responsibility.

About Smart Prosperity Institute

Smart Prosperity Institute is a national research network and policy think tank based at the University of Ottawa. We deliver world-class research and work with public and private partners – all to advance practical policies and market solutions for a stronger, cleaner economy.

About the Ontario Home Builders' Association

The Ontario Home Builders' Association is the voice of the residential construction industry in Ontario, representing 4,000 member companies organized in a network of 27 local associations across the province. From Windsor to Ottawa, Niagara Falls to Thunder Bay and across the Greater Golden Horseshoe, OHBA advocates at the provincial level and supports the efforts of the local associations at the municipal level to impact housing policy and decisions. As #homebelievers, the OHBA believes in the great Canadian dream of home ownership by supporting more housing choice and supply across Ontario. OHBA looks forward to working with **Housing Champions** in communities across Ontario, to make housing more affordable and attainable for the millions of #homebelievers joining our neighbourhoods over the next decade. Together, we can make their #homebelievers dreams a reality.

Disclaimer

This report is intended for use as a projection of future household formation and housing demand in Ontario and is not intended to be used as a replacement for planning documents. It is recognized that the Ministry of Municipal Affairs and Housing commissioned a technical report by Hemson Consulting in 2020 to inform Ontario's Growth Plan. The Hemson report provides baseline forecasts to 2051 of population, employment, and housing by unit type, which forms the background for the Growth Plan, and presents a forecast for housing by type for each upper and lower-tier municipality. The Hemson work is representative of the approach contained in the provincial Land Needs Assessment Methodology (LNAM) document and the provincial expectations that the ongoing Regional Municipal Comprehensive Reviews are required to follow to determine the sufficient housing supply necessary to reflect market demand and a total range and mix of housing alternatives. The Hemson report and the LNAM are the foundational documents required to implement the Growth Plan.

ONTARIANS ON THE MOVE: PROJECTING ONTARIO'S GROWING NUMBER OF HOUSEHOLDS

Executive Summary

Ontario's population grew by nearly one million people in the five years between July 1, 2016, and June 30, 2021, after growing by just over 600,000 persons in the previous five years. This dramatically increased the demand for housing, while the rate at which new homes were built stayed virtually unchanged. This increased demand, from young Ontarians that have started to, or would like to start, a family with no change in supply, contributed to rising home prices and a shortage of family-friendly housing across Southern Ontario before the pandemic.

To estimate the size of this supply/demand mismatch, we calculate the number of households that would typically be formed, at a Census Division level, across Ontario, given the demographic profile of the population increase. We estimate that 413,753 households should have been formed, but only 349,039 new housing units, of all types, were built over those five years. This difference, of 64,714 households, can be thought of as the *supply gap* of housing over the period. These are households that would have been formed, but were not, and had to find alternate arrangements (e.g. adults in their 20s and 30s living with parents rather than starting their own households).

Using the same methodology, we can also project the number of households that will be formed using Ontario Ministry of Finance population projections, at a community level. If those population projections prove prescient, and 2.27 million more people are added to Ontario's population between 2021 and 2031, we project that an additional 911,347 households should be formed over the next ten years.

Adding together the unformed households from 2016-21 due to the supply gap of homes, along with the formation of new households, we project, on net, an additional one million households to be formed in the next ten years, requiring one million new homes.

The number of households that are actually formed will be determined, in part, by a set of policy decisions including immigration policy, labour policy, rules governing international students and, of course, housing policy. This estimate of one million additional households should be taken as what could be expected in the absence of policy changes. Ultimately, the future is what we make of it, and the decisions we collectively make as a province and a country.

This report is not a planning document, nor is it a planning forecast, but we hope it will inform planners and policymakers of the high (by Ontario standards) levels of population growth and housing demand, at a community-by-community level, that the province is projected to experience over the next decade. We must plan for an adequate supply of family-friendly, climate-friendly housing, in or near the communities in which people work, to attract and retain talent, to provide available and attainable housing and a high quality of life for all Ontarians, and to ensure employers have access to the local labour they need to build a stronger, cleaner economy.

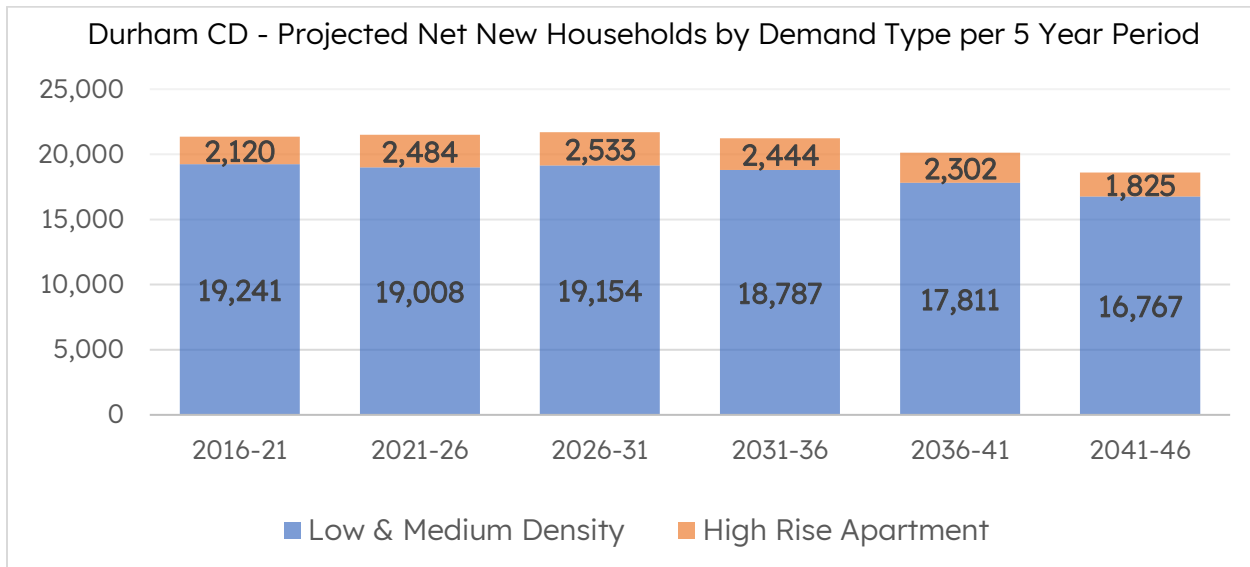
ONTARIANS ON THE MOVE: PROJECTING ONTARIO'S GROWING NUMBER OF HOUSEHOLDS

Ten Key Points From This Report

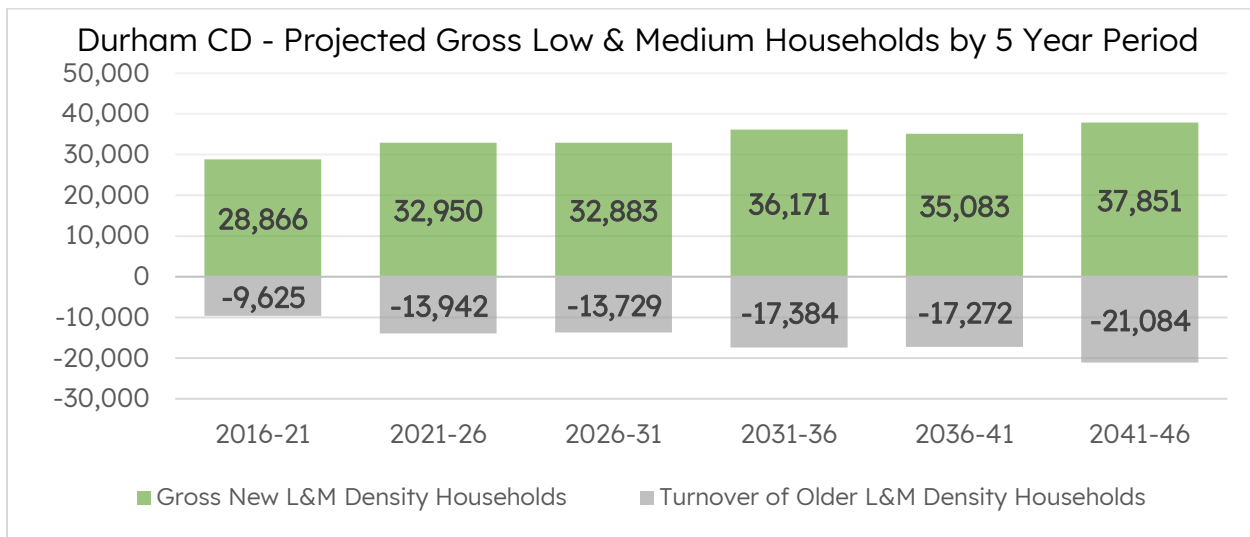
1. If Ontario Ministry of Finance population growth projections of 2.27 million more people over the next ten years prove prescient, Ontario will need to build one million new homes to keep up with population growth, the formation of young families, and to address current and future housing supply shortages.
2. Of these one million new homes, we project 910,000 will be needed due to the formation of new households, 65,000 will be needed to address the current supply gaps, and 25,000 are a cushion for unanticipated additional population growth.
3. The growing population of Ontarians in their late 20s and early 30s is driving the demand for family-friendly housing. Families are spreading out across the province looking for a home in which to raise a family or are delaying having children due to a lack of housing options.
4. Of the 910,000 net new households formed over the next ten years, primarily made up of couples planning on having children, we project that 195,000 will live in high-rise apartments (of five storeys or more), while 715,000 will live in all other forms of housing.
5. We project that 1.475 million new households, with a head of household currently under the age of 55, will be formed over the next ten years. Of these, approximately 225,000 will live in high-rise apartments, with the rest living in other forms of housing.
6. Of the 225,000 new young households that will live in high-rise apartment units, only 30,000 units will be freed up by the generational turnover of those currently over the age of 55.
7. Generational turnover of other forms of housing will house roughly 45% of the new young families that will live in forms of housing other than high-rise apartments. The rest will come from new home construction.
8. Differences between levels of generational turnover are substantial. In some communities, generational turnover can provide an adequate supply of housing for the next generation. In other communities, it only scratches the surface. This report provides population and household growth projections for every one of Ontario's 49 Census Divisions, from Essex to Toronto to Kenora.
9. The Ministry's population growth projections show the growth in non-permanent residents, including international students, levelling off by the middle of the decade. Should Ontario's international student boom persist longer, our population will, all else being equal, grow even larger than these projections indicate.
10. The data provided are not predictions, nor are they forecasts, rather they are projections based, in part, by policy decisions made by each level of government. Policy changes, from the rules governing international students to zoning policies, would alter these projections. Ultimately, the future is what we make of it. The goal of this report is to provide policymakers with the data they need to make the policy decisions to ensure there is an adequate supply of attainable, family-friendly, climate-friendly housing located near employment opportunities, to allow for relatively short, climate-friendly commutes.

Durham Census Division – Household Projection

The Ontario Ministry of Finance projects Durham’s population to grow by 107,991 persons over the next 10 years. It grew by 81,686 from 2006-16. Over the next 10 years, we project an additional 43,179 households⁴⁶, on net, living in Durham, occupying 5,018 high-rise apartment units and 38,162 low and medium density housing units, on net.



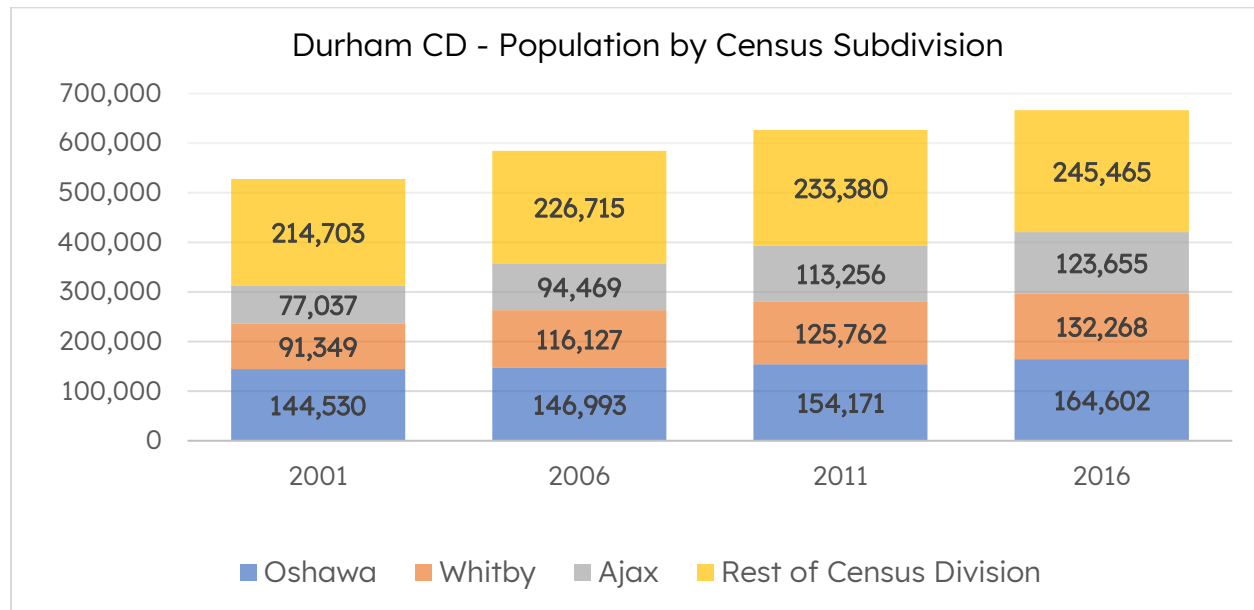
From 2021 to 2031, 65,833 new young families occupying low and medium density will be formed. This will be offset by 27,671 older families leaving existing low and medium-density housing.



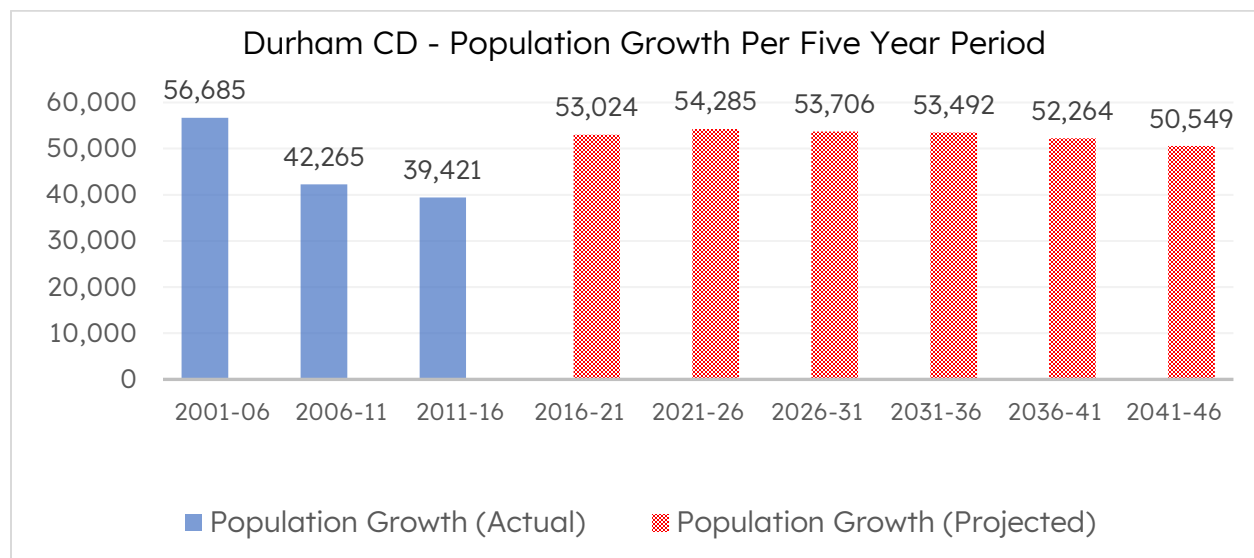
⁴⁶ This household formation projection is based on the 2021-31 population increase of 107,991 projected by the Ontario Ministry of Finance. If that population increase is higher, such as the 167,000 forecasted by Hemson (2020), then the number of net new households will be proportionately larger. This data is intended for use as a projection of future household formation and housing demand and is not intended to be used as a replacement for planning documents.

Durham Census Division – Population Projection

Durham Census Division is comprised of the following nine Census Subdivisions: The cities of Oshawa and Pickering, the towns of Whitby and Ajax, the municipality of Clarington, the townships of Scugog, Uxbridge, and Brock as well as the Mississaugas of Scugog Island. During the last two decades, Durham has been one of the fastest-growing places in Canada, thanks to an influx of young families from other parts of the GTA.



In absolute terms, the Ontario Ministry of Finance projects growth in Durham to be at the levels experienced in 2001-06, where roughly 10,000 people were added to the Census Division’s population each year.



Conclusion and Future Research

Ontario will need to build one million new homes to keep up with population growth and family formations and to address current and future supply shortages.

Population growth is often used as a shorthand to explain Ontario's high demand for housing, but it is the formation of families, rather than an increase in the number of individuals, that drives housing demand. With a projected 910,000 net new households formed over the next ten years, primarily made up of couples planning on having children, we project a family-friendly housing need at 715,000 homes (all forms of housing under 5-storeys) over the next decade.

Drive until you qualify is a powerful force. In the 12 months between July 2019 and July 2020, 60,000 people, on net, left the City of Toronto and Peel Region for other parts of the province. These were primarily made of children under the age of 5 and their parents, who are *driving till they qualify* for family-friendly housing that meets their needs and wants in communities across Southern Ontario. We should expect that this *drive till they qualify* reality will continue for the 910,000 net new families formed in Ontario over the next decade.

The goal of building one million new homes in the next ten years presents a challenge for a province whose housing construction rates have led to a supply gap of over 60,000 housing units from 2016 to 2021. However, the prize is substantial: ensuring an adequate supply of high-quality available and attainable housing, driving economic prosperity, and enabling climate action. Failure to do so will make it impossible for Ontario to attract and retain the talent it needs to compete in the global economy.

The benefits of these actions will be realized by communities that decide to allow new housing development within their borders. This projection identifies demand in each region, but municipalities within each census region can determine what amount of housing supply and housing type they will provide future residents. For those that do, new taxpayers and community members offer an opportunity to bolster the workforce and grow the local economy.

How many housing units are ultimately built in the province will be a product of the choices all levels of government make in the coming years. If Ontario manages, through the complex planning system that ultimately requires municipal governments to implement Official Plans, to ensure housing supply matches with projected housing demand, the provincial economy and residents of the province will benefit enormously as the quality of life improves and housing becomes more affordable, available, and attainable.

This housing demand projection, based on the official Ministry of Finance population growth projections, offers a clear picture of a province in need of action if it hopes to meet growth in demand for housing in the decade to come. This analysis does not claim to be predictive, but is illustrative of a critical point: If Ontario wants to meet expected population growth and family-formations in the coming decade, one million new homes will need to be built in the next ten years.

What remains clear is that ***baby needs a new home*** is a driving factor in today's housing market and will continue to be over the decade to come.