

City of Mississauga
Corporate Report



<p>Date: February 12, 2021</p>	<p>Originator's files: CD.06-HOU</p>
<p>To: Chair and Members of Planning and Development Committee</p> <p>From: Andrew Whittemore, M.U.R.P., Commissioner of Planning & Building</p>	<p>Meeting date: March 8, 2021</p>

Subject

2020 Housing Market Update

Recommendation

That the report titled "2020 Housing Market Update" dated February 12, 2021 from the Commissioner of Planning and Building, be received for information.

Report Highlights

- COVID-19 related impacts significantly reduced residential rental unit demand in 2020, which in turn increased the vacancy rate. Market conditions will likely continue to favour renters throughout much of 2021.
- With the rental vacancy rate still remaining below 3%, the City's Rental Housing Protection By-law 0121-2018 will continue to apply to protect affordable rental units from demolition or conversion.
- Historically low interest rates, a rise in remote work and a desire for more indoor and outdoor space have increased the demand for ground-related housing, resulting in double-digit price increases in 2020.
- Despite historically low interest rates, homeownership will continue to be challenging for many families in Mississauga. The ability to spend more on housing due to low borrowing costs will likely be mostly offset by higher housing prices throughout 2021.
- The growing demand for more affordable ground-related housing options is currently being explored as part of the City's Official Plan Review.

Background

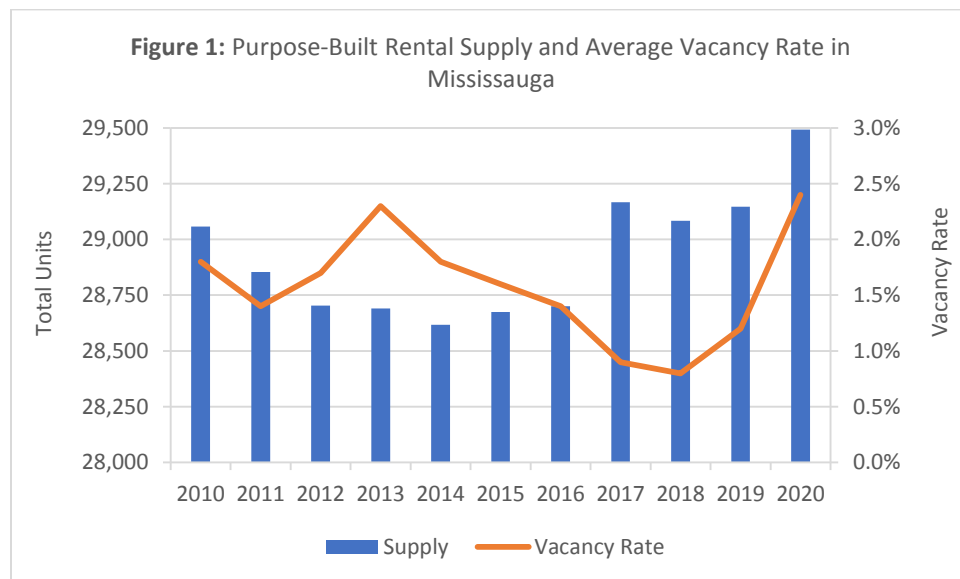
This report provides an overview of how the COVID-19 pandemic impacted Mississauga's rental and homeownership markets in 2020. The data presented in this report will be posted on the City's website and updated periodically as new data are released.

Comments

The rental and ownership markets have experienced different trajectories in 2020.

Rental Housing Market

The economic impact of COVID-19 has significantly reduced rental demand in Mississauga, which has helped ease the average vacancy rate in the primary rental market (purpose-built rental housing). As shown in **Figure 1**, Mississauga's vacancy rate increased to 2.4% in 2020, the highest vacancy rate in the past 10 years. This decrease in rental demand is in part due to the job losses in the service and hospitality sectors that tend to pay lower wages and employ younger workers, which are key characteristics of typical renter households.¹ Another contributing factor is a decrease in the number of immigrants, non-permanent residents and students migrating to the City. These groups also make up a significant share of renter households.



Source: CMHC Rental Market Survey

In addition to lower rental demand, supply growth in the primary rental market also helped ease the City's vacancy rate. Despite impediments to construction throughout 2020, 346 new

¹ According to the 2020 CMHC Rental Market Report.

purpose-built rental units were constructed in 2020.¹ Somewhat surprisingly, the average rents of purpose-built units increased in 2020 by 6% to an average of \$1,515 per month. This may reflect newer, more modern, units coming on stream and rent increases that were established prior to the pandemic.² We understand from leasing agents that current asking rents are lower than pre-pandemic levels.

An increase in the supply of new secondary rental market condominium apartments was also responsible for higher vacancy rates. With COVID-19 impacting tourism across the GTA, many investors shifted their existing short-term rental properties to long-term rentals. According to the Toronto Regional Real Estate Board (TRREB), the number of condominium apartment units listed for rent in Mississauga during Q4 2020 was up by 90% compared to Q4 2019. This growth in available condominium rental units has given prospective renters more choice and negotiating power, resulting in a downward adjustment in average rents. In Q4 2020, the average rent for an available condominium apartment was \$2,113 in Mississauga, down by 10% compared to Q4 2019. **Table 1** provides an overview of the year-over-year change in rents for all condominium apartment unit types between Q4 2019 and Q4 2020.

Table 1: Average Rent for Condominium Apartments in Mississauga

	Bachelor	One-Bedroom	Two-Bedroom	Three-Bedroom
Q4 2019	\$1,817	\$2,157	\$2,569	\$2,719
Q4 2020	\$1,614	\$1,890	\$2,303	\$2,599
Y/Y % Change	-11.2%	-12.4%	-10.4%	-4.4%

Source: Toronto Regional Real Estate Board

Homeownership Market

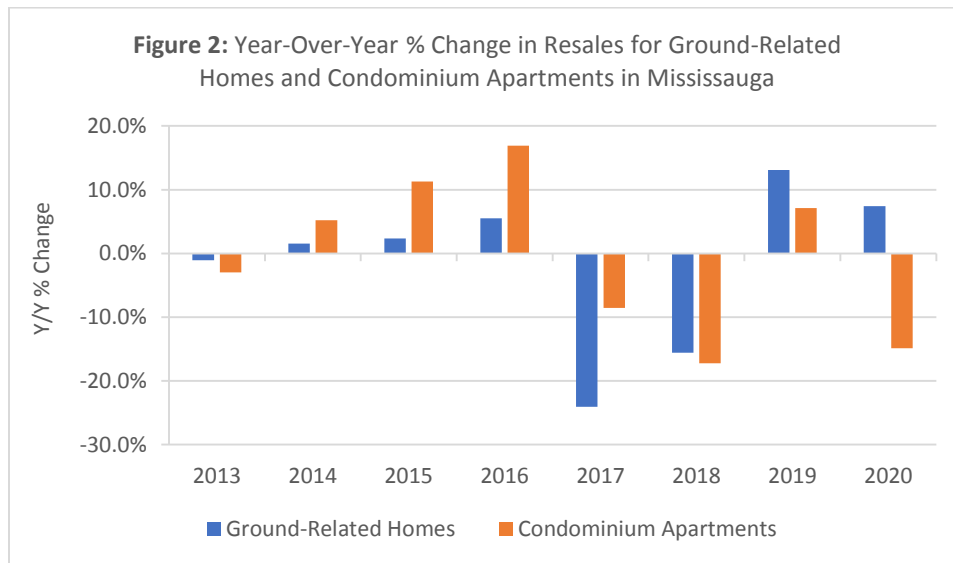
Despite the uncertainty brought on by COVID-19, the GTA homeownership market remained resilient in 2020. Following the steep decline in demand during the typically busy spring market, home sales bounced back to record level across the GTA throughout the Summer and Fall. The recovery in the homeownership market throughout the second half of the year was fuelled by pent-up demand from the spring COVID-19 lockdown, low borrowing costs and the enhanced use of technology for virtual open houses, showings and new project launches.

Although Mississauga saw neither growth nor a decline in home sales in 2020 (0.2% increase from the previous year), there was a widening divide between the sales for ground-related homes and condominium apartments.³ Sales for ground-related homes increased by 7% in 2020, while sales for condominium apartments dropped by 15%. As shown in **Figure 2**, this is the first time in the past eight years where Mississauga experienced such a divide between the

² CMHC rental rates are based on the entire universe of purpose-built rental units and are not representative of the actual market rent a prospective tenant encounters.

³ Ground-related housing refers to single-detached houses, semi-detached houses and townhouses.

year-over-year per cent change in sales for ground-related homes and condominium apartments.



Source: Toronto Regional Real Estate Board

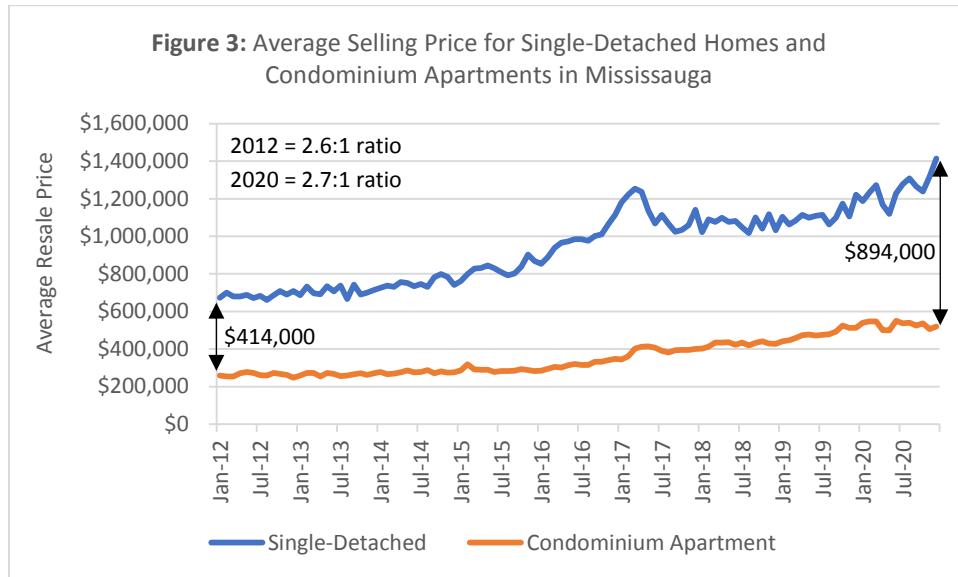
This shift in home buying preferences favouring ground-related homes has been experienced throughout North America as buyers are putting a greater emphasis on space. According to TRREB, the average selling price for all housing types in Mississauga reached a new record of \$881,000 in 2020, up 16% from \$760,000 in 2019. This is the largest year-over-year increase in the past eight years. As shown in **Table 2**, the five major housing types experienced double-digit price increases in 2020.

Table 2: Annual Average Resale Prices by Major Housing Type in Mississauga

	Single-Detached	Semi-Detached	Freehold Townhouse	Condominium Townhouse	Condominium Apartment
2019	\$1,110,000	\$754,000	\$742,000	\$599,000	\$480,000
2020	\$1,265,000	\$850,000	\$823,000	\$661,000	\$532,000
Y/Y % Change	13.9%	12.7%	10.9%	10.3%	10.8%

Source: Toronto Regional Real Estate Board

This growth in sale prices is mainly due to increased demand for ground-related housing. This included a record high average sale price for detached homes in the month of December of \$1,413,000. As shown in **Figure 3**, the price gap between a single-detached house and a condominium apartment continues to widen in Mississauga.



Source: Toronto Regional Real Estate Board

Current interest rates are at historically low levels, which has allowed homebuyers to spend more on housing. In the current hot market this tends to benefit sellers. **Table 3** shows the annual monthly payment with prevailing house prices and interest rates.

Table 3: Estimated Monthly Mortgage Payment for a Single-Detached House

Year	Average Detached House Price	Average Detached House Price (\$2020)	Interest Rate	Monthly Mortgage Payment (\$2020)*
1990	\$234,000	\$417,000	12.75%	\$3,619
2000	\$309,000	\$452,000	6.25%	\$2,368
2010	\$591,000	\$702,000	2.00%	\$2,378
2015	\$827,000	\$910,000	2.15%	\$3,136
2019	\$1,110,000	\$1,137,000	2.70%	\$4,166
2020	\$1,265,000	\$1,265,000	1.70%	\$4,140

*Assuming 20% down payment and 25-year amortization.

Note: For illustration purposes only. Pricing and interest rates based on TRREB and staff estimates.

As shown above, historically low interest rates have given prospective homebuyers more purchasing power in 2020, meaning the average homebuyer can afford over \$100,000 more home than they could in 2019, while keeping their monthly payment relatively the same. These historically low borrowing costs have played a significant role in increasing the demand for ownership housing, which in turn has put upward pressure on home prices in 2020.

Strategic Plan

Monitoring the housing market supports the “Belong” pillar of the Strategic Plan.

Financial Impact

Not applicable.

Conclusion

Following years of steady increases, rental rates for available units in Mississauga declined in 2020 due to the pandemic's impact on rental demand and an increase in the supply of rental units. This has benefited middle income renter households that previously had difficulty finding rental housing that suited their needs. Rental demand will likely start to improve as the pace of the vaccine rollout increases and immigration and non-permanent migration into the GTA accelerates, resulting in much of the current rental unit inventory being absorbed. Nevertheless, it is anticipated that market conditions will likely continue to favour middle income renter households throughout much of 2021.

With the rental vacancy rate still remaining below 3%, the City's Rental Housing Protection By-law 0121-2018 will continue to apply to applications to demolish or convert residential rental properties containing six or more dwelling units. This allows the City to protect affordable rental units from demolition or conversion throughout 2021.

In terms of homeownership, historically low interest rates have allowed prospective homebuyers to spend more on housing. However, this increase in purchasing power has significantly increased the demand for ownership housing, which in turn has resulted in record growth in average selling prices in 2020. Despite historically low interest rates, homeownership affordability is at its worst level since the late 1980s and early 1990s. The ability to spend more on housing due to low borrowing costs will likely be mostly offset by higher housing prices throughout 2021, particularly for ground-related housing as the desire for more space to accommodate a rise in remote work increases. This growing demand combined with a limited supply of ground-related housing options will continue to make homeownership challenging for many families in Mississauga. To help address this, staff are currently exploring opportunities to increase ground-related housing options in neighbourhoods as part of the City's Official Plan Review.



Andrew Whitemore, M.U.R.P., Commissioner of Planning & Building

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