

zoocasa

2018

**HOUSING TRENDS REPORT:
HOT ISSUES**



Introduction

The affordability of the Canadian housing market continues to be one of the nation's most pressing topics.

Following unsustainable price growth in the first half of 2017 in major Canadian centres, policy makers have introduced a number of regulations and taxes designed to cool overheated prices and curb speculative activity in the market.

These changes have had a profound impact, both negative and positive, on buyers and renters, and their effects continue to be absorbed by the market. The most prominent of these changes includes the Ontario Fair Housing Plan introduced April 2017, which brought in a Non-Resident Speculation Tax to the Greater Golden Horseshoe region, as well as expanded rental controls for all units in the province. The recently expanded foreign buyer tax in British Columbia, as well as a new domestic speculation tax, continue to incite strong emotions from respondents.

As well, the legalization of marijuana in Canada will have implications for homeowners, buyers and sellers in each province, and the real estate industry as a whole.

The **2018 Zoocasa Housing Trends Report: Hot Issues** provides insights into Canadians' attitudes on these topics.



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About the Report

Zoocasa conducted its inaugural Housing Trends Survey in 2017 to gain insights into the sentiments of Canadians towards the real estate market and issues concerning home ownership.

Due to the increasing number of prominent issues and policy changes facing aspiring buyers in 2018, the results for this year's survey has been separated into two reports:

1. 2018 Housing Trends Report: Hot Issues

A report focusing on recent issues and policy changes facing Canadian home buyers

2. 2018 Housing Trends Report: Owner & Buyer Outlooks

A second report focusing on general sentiments towards real estate and the home buying process (to be released at the end of April 2018)

Methodology

The results of this report are based on an online survey conducted by Zoocasa in March 2018. The survey had a sample size of 1,431 respondents who live in Canada. The estimated margin of error is +/- 2.6 percentage points, 19 times out of 20.

About Zoocasa

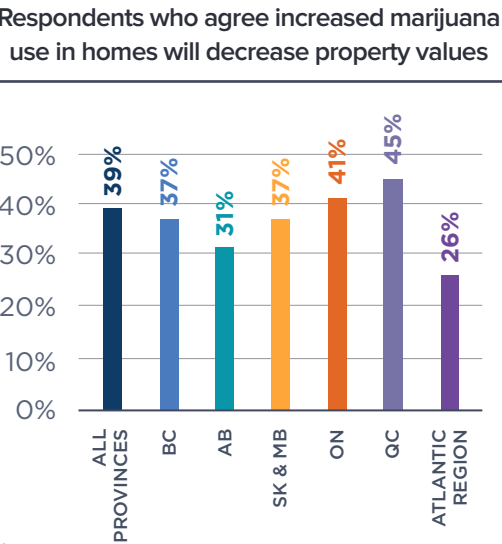
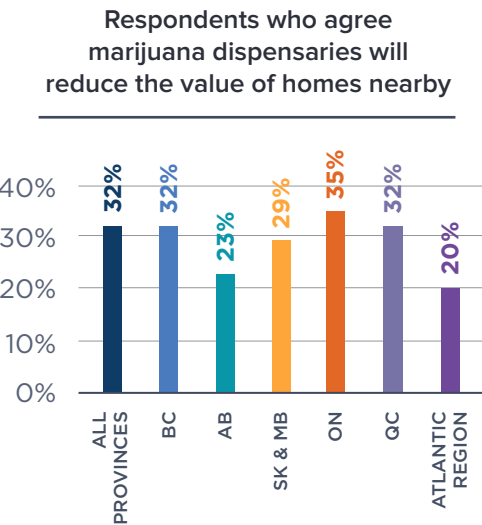
Zoocasa.com is a data-driven real estate company that combines advanced online search tools and a full-service brokerage to empower Canadians to buy or sell their homes faster, easier and more successfully. Our unique search tools include the ability to filter by home type, find properties with basement apartments, and see listings within school boundaries by school ratings.

Marijuana Legalization and Property Values

In April 2017, the Federal Government proposed new legislation that would make the consumption, possession and cultivation of marijuana legal across Canada. Under the Cannabis Act (Bill C-45), to be passed into law in late summer 2018, Canadians will be able to consume marijuana, as well as grow up to four plants, in their private residences.

Marijuana usage and home prices

Canadians' sentiments regarding legalization, and the impact it may have on property values differs by province and age group. Ontarians feel strongest that living near a legal marijuana dispensary would reduce their home values, while Quebecers are most concerned that increased marijuana use within the home could impact its sale price.



Canada's Marijuana Legalization Timeline

- NOV 2015**
The Liberal Party of Canada promises to legalize, tax and regulate marijuana as part of their election campaign.
- APR 13, 2017**
The Cannabis Act (Bill C-45) is introduced to Parliament that would legalize cannabis nationwide by July 1, 2018.
- FEB 2018**
The Senate sets June 7, 2018, as the deadline to hold its final vote on the legalization of recreational use cannabis in Canada - likely delaying legalization to August or September 2018 from July 1, 2018.
- APRIL 9, 2018**
The Ontario Real Estate Association proposes a five-point plan to the provincial government to protect buyers and sellers from health and safety risks linked to marijuana growth in homes, including requirements for remediation, home inspectors and real estate agent disclosure.
- JULY 1, 2018**
Original target date for legalizing the use, production, distribution and sale of cannabis for non-medical use. This will vary per province based on their individual frameworks.
- AUG/SEP 2018**
Expected date for legalization of marijuana in Canada.

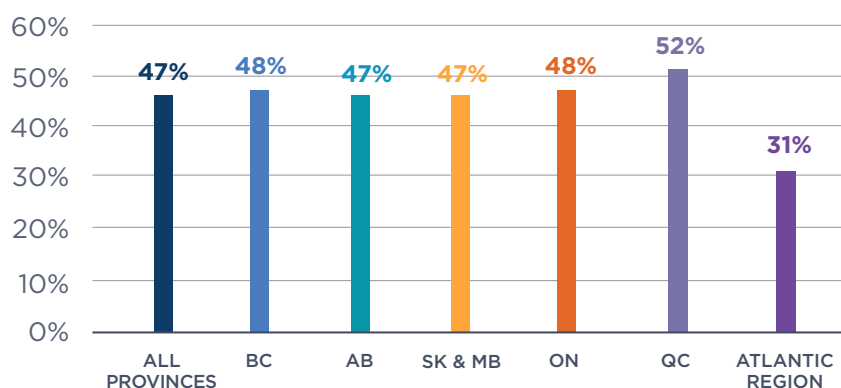
Marijuana plants inside homes

Despite only 39% of Canadians agreeing that marijuana usage in homes could negatively impact real estate values, almost half of all respondents agree that even a legal amount of marijuana grown in a home would make them think twice about purchasing that property.

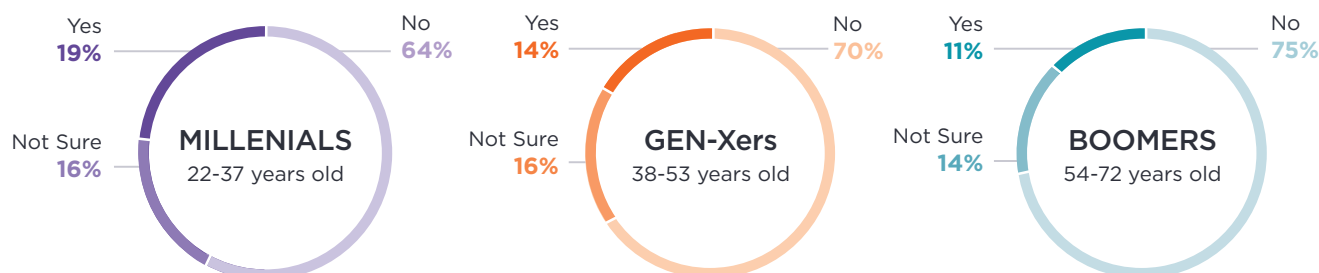
The intentions to grow marijuana vary by age group, with Millennials being almost twice as likely to grow the plant in their home compared to their older Baby Boomer counterparts at 19% vs 11%.

However the majority of respondents said they would not consider it regardless of age; 64% of Millennials, 70% Gen Xers, and 75% of Boomers said they would not consider growing marijuana in their home once the legislation is passed.

Respondents who agree that even if a legal amount of marijuana was grown in a home, it would reduce their desire to buy the property:



I'd consider growing a legal amount of marijuana on my property:



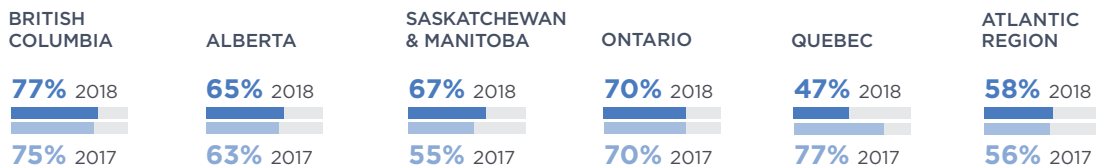
Support for Foreign Buyer Taxes

The impact of foreign buyers on Canada's real estate prices continues to be a hotly disputed topic. Since last year, a number of studies attempted to quantify the prevalence of foreign ownership, with often contradictory results.

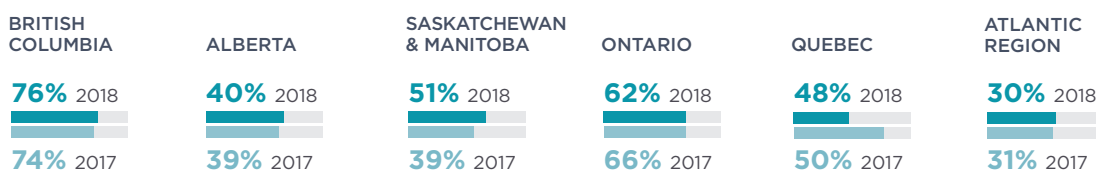
Whether foreign buyers actually have a significant impact on property values or not, Canadians' support for a foreign buyer tax remains strong and consistent with 2017 levels. Overall, 70% of respondents support a tax, and by region, there was an increase in support from last year across almost all provinces.

Similar to 2017 sentiments, even respondents from provinces who don't believe foreign buyers are driving up prices support a foreign buyer tax: in Alberta, only 40% of respondents believe foreign buyers are driving up prices in the city they live in, yet 67% agree with having a tax.

Respondents who support a foreign buyer tax:

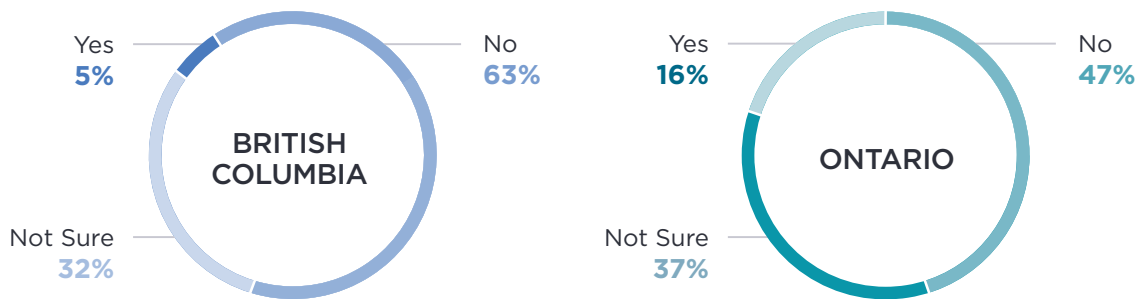


Respondents who feel foreign buyers are driving up real estate prices in their city:



British Columbia and Ontario have both implemented foreign buyer taxes in the past two years as a response to rising home prices and public pressure. However, respondents feel the taxes have done little to improve affordability: only 5% of BC and 15% of Ontario respondents believe foreign buyer taxes have made home prices more affordable.

Have the foreign buyer taxes the government implemented made home prices more affordable:



Foreign Buyer Tax Timeline

BRITISH COLUMBIA

AVG VANCOUVER
HOME PRICE

- JUL 25, 2016** **\$1,007,687**
 BC Government introduces 15% tax on foreign nationals buying real estate in Metro Vancouver, taking effect August 2, 2017.
- AUG 2, 2016** **\$833,065**
 New foreign buyers tax takes effect. Prices drop 17% month-over-month.
- SEP 2017** **\$1,013,421**
 Average home prices recover to levels before the tax.
- FEB 20, 2018** **\$1,063,494**
 BC Government announces plan to extend the 15% foreign buyers tax to 20%, and to include areas outside of Metro Vancouver, as well as target domestic buyers who do not pay income tax in BC.
- MAR 2018** **\$1,084,000**
 Vancouver area home prices continue to remain steady despite the announcement of the expanded foreign buyer tax.

ONTARIO

AVG TORONTO
HOME PRICE

- APR 2016** **\$739,082**
 Toronto home sales hit a new record, with prices up 16% year-over-year.
- APR 20, 2017** **\$920,791**
 After years of soaring home prices and escalating affordability concerns, Ontario introduces a 15% non-resident speculation tax as part of the new Fair Housing Plan. Tax takes effect immediately.
- MAY 2017** **\$863,910**
 Average home prices drop 6% from the previous month. Detached home sales fall 17% from April, causing a disproportional impact on the average home price, compared to the 5% decrease in condo apartment sales.
- AUG 2017** **\$732,292**
 Purchases of Toronto homes by foreign buyers drop over the summer from 7.2% of sales in May to 5.6% over the three months ending in August.
- MAR 2018** **\$784,558**
 One year after the launch of the NRST, Toronto home prices are stable but down 14% year-over-year.

Impact of the Mortgage Stress Test (Guideline B-20) on Buyer Intentions

Guideline B-20 was introduced in October 2017 by Canada's banking regulator, OSFI, and took effect January 1, 2018. It requires all borrowers to pass a stress test when applying for home financing, either at the Bank of Canada's qualification rate or at their contract rate plus 2%, whichever is higher.

Although the intention of Guideline B-20 was to reduce risky borrowing practices and manage potential vulnerabilities for the economy, experts predicted this new test would reduce affordability by 20% and knock 10% of buyers out of the market altogether – potentially leading to a rush of home purchases before January 1, 2018.

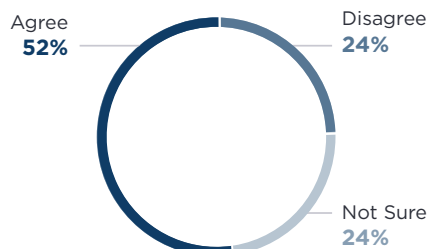
Canadians' Perspective on Guideline B-20

A new mortgage stress test was implemented by the federal government in January 2018 (also known as Guideline B-20). Have you heard about this new stress test?

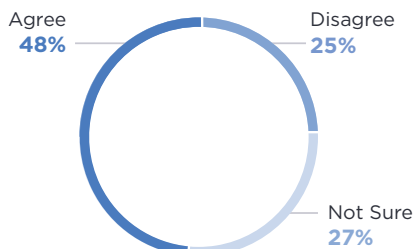


The overall outlook of respondents who had heard of the new stress test were mixed when it came to their support for the new qualification rules and the perceived impacts on home buyers and the general economy.

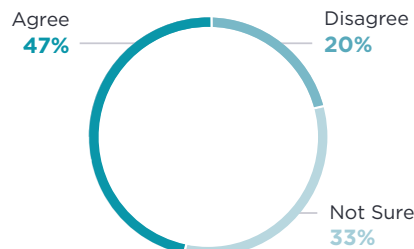
Overall, I support having the new mortgage stress test:



The new stress test harms first-time homebuyers in Canada:



The new stress test protects the Canadian economy:



Impact of Guideline B-20 on Recent Home Buyers

Out of survey respondents who purchased a home within October 2017 to March 2018, almost half say there was no impact on their purchase timelines, while almost a fifth said they were not even aware of the mortgage stress test.

The federal government implemented a new mortgage stress test in January 2018 (also known as Guideline B-20). How did this new mortgage stress test impact your home purchase?



Impact of B-20 on Aspiring Home Buyers

Out of respondents who plan to buy a property in the future, almost half say the new mortgage stress test has no impact on their purchase intentions. However, the guideline left other aspiring home owners discouraged: 5% said the test makes them not want to buy a property at all, while 15% said they now feel home ownership is completely out of reach.

The federal government implemented a new mortgage stress test in January 2018 (also known as Guideline B-20). How did/does this mortgage stress test impact your aspirations for buying your future property?



Ontario Housing Measures: Rent Caps

In April 2017, as part of the Fair Housing Plan, the Ontario government announced expanded rent controls to include all rental units (from coverage of only units built before 1991), as a response to rapidly escalating rent prices. One year later, more than half of Ontario renters agree the new rent cap has helped with their affordability.

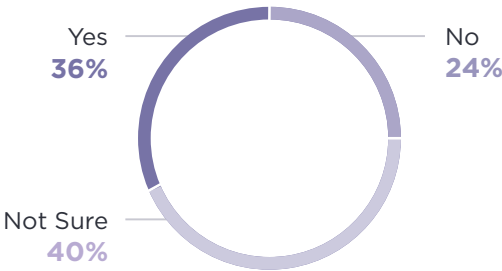
The new rent cap has helped my rental affordability:



The updated rental increase guidelines may preserve the affordability for tenants' current homes, but has also made tenants fearful of negative impacts on their future home aspirations.

More than a third of Ontario renters believe the rent cap has caused overall rental prices to increase and almost half of believe the rent increase guidelines will make finding their next rental harder if they wanted to move.

The new rent cap has caused overall rental prices to increase:



The new rent cap will make it harder to find another rental if I wanted to move:



Despite more than half of renters saying that the protection of rent increases make them want to stay in their current rental longer, only a fifth of respondents say the rent caps make them less interested in buying their own home.

The new rent cap has made me want to stay in my current rental longer:



The new rent cap has made me less interested in buying my own home:



Ontario Rent Cap Timeline



Short-Term Rentals and Rent Affordability

The rise of short-term rental online platforms such as Airbnb, have allowed an increasing numbers of property owners and residents to rent out their furnished homes on a nightly or weekly basis, rather than to tenants on long-term leases.

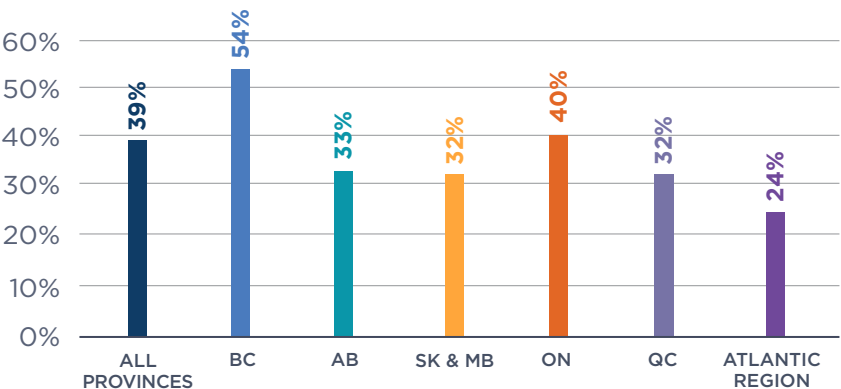
Canadian media coverage about the negative impacts of short-term rentals on home affordability have mostly been tied to the hot real estate markets of BC and Ontario, however, at least a quarter of respondents from all provinces support a tax and government regulation on short-term rentals. Over a third of respondents also believe short-term rentals reduce affordability for tenants.

Support for a Short-Term Rental Tax

Short-term rental taxes had the highest rate of support from BC and Ontario respondents: 54% of BC and 40% of Ontario respondents support the tax.

39% of Canadians support having a tax on short-term rentals.

Respondents who support having a tax on short-term rentals:



Decline of Short-Term Rental Hosting

The percent of respondents hosting short-term stays dropped by 33% since last year. Although Canada’s biggest real estate markets, BC and Ontario, only implemented short-term rental taxes or registration policies in 2018, short-term rental regulation was a hot news topic throughout 2017 and 2018. This likely deterred hosts from starting to, or wanting to, rent out their properties.

Do you rent out your current home, or a portion of your current home, as a short-term rental (e.g. on AirBnB)?



Rental affordability and support for government regulation

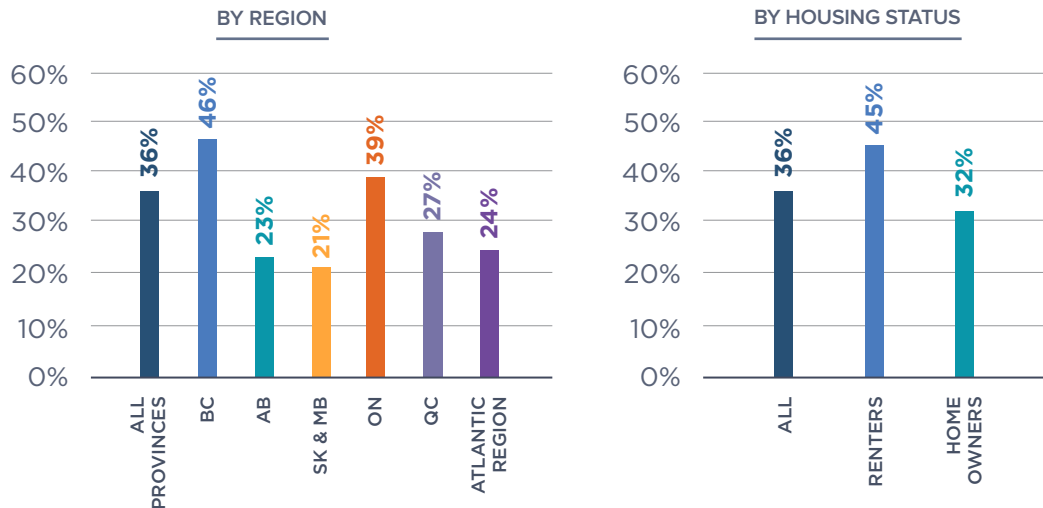
Respondents from BC and Ontario, the provinces hit the hardest by rising home and rent prices, reflect an above average agreement that short-term rentals have reduced affordability and should be regulated by the government.

Not surprisingly, renters have a more negative perception of the impact of short-term rentals on affordability compared to homeowners.

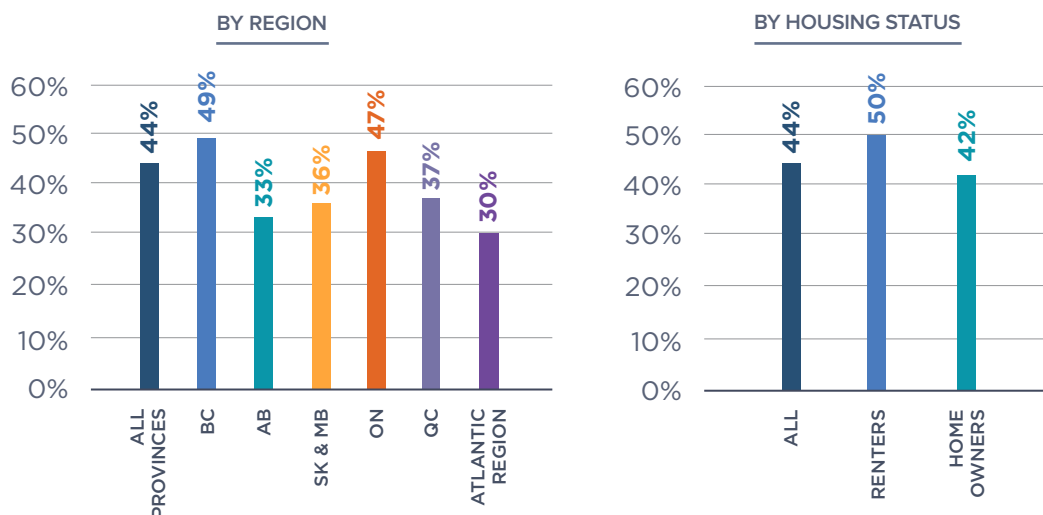
36% of respondents agree short-term rentals reduce affordability for long-term renters.

44% of respondents believe short-term rentals should be regulated by the government.

Respondents who agree that short-term rentals in their city reduces affordability for long-term renters:



Respondents who agree that short-term rentals should be regulated by the government:





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