A study of regional trends in housing starts in the Greater Toronto Area

Murtaza Haider, Ph.D.
School of Urban Planning

Outline

• Introduction
• Background
• Research agenda in housing markets
• Regional trends in housing starts
Introduction

• This paper presents a temporal analysis of regional differences in new home construction in the GTA.

• The new homes market is disaggregated by structural type of housing into four types: single-family detached, semi-detached, condominiums and row/link housing.

• The study shows that high-density condominium construction is concentrated in central Toronto whereas low-density housing construction is concentrated in the outer suburbs.

Background

• Housing starts play a fundamental role in the regional and national economies.

• An increase in housing starts increases construction employment and it also induces the sale of raw materials consumed by housing.

• New homebuyers often buy other consumer durables, such as furniture, electric appliances, and the like.

• Similarly, the GTA, being the largest housing market in Canada, represents 55% of new home sales in Ontario and 25% of new home sales in Canada.
Data

- Statistics Canada
- CMHC
Land Development & Housing Supply

Time Line

- Land Development Proposal
  - Official Plan Amendment
  - Zoning Amendment Approval by Municipality
  - Zoning Amendment Approval by Regional Municipality
  - Site Plan Approval
- Construction Permit Issued
- Construction Starts
- Construction Completes
- Housing Absorption

Modelling Schema

- Macro Economic Indicators
- Socio-demographic variables

Step 1
- Macro Time Series Model
  (Starts by type by time)

Step 2
- Spatial Allocation Model
  Allocates starts by type by time to zones
  Profit (location, type, time) = Price - cost (Land, rent)

Step 3
- Housing Market Simulation
  Allocation of active units to active households

Step 4
- Sales by type by location
  Market clearing & bid functions
Market Shares in the GTA

Figure 3.2: Market share of housing types in the GTA

Rental Starts in the GTA

Figure 3.3: Rental starts in the GTA
Market Share of Rental Starts in the GTA

Figure 3.4: Rental Housing Starts in the GTA

Market Shares in Toronto

Figure 3.6: Market share in the City of Toronto
Rentals Starts in Toronto

Figure 3.7: Rental Housing Starts in the City of Toronto

Market Share of Housing Starts in York Region

Figure 3.8: Market Share of Starts by Type in York Region
Market Share of Housing Starts in Peel Region

Figure 3.12: Market share by type in Peel region

Rental Starts in Peel Region

Figure 3.13: Rental Housing Starts in Peel Region
Sustained Growth in Housing Starts

Figure 3.24: Growth indicator of housing starts in Toronto CMA

Fluctuations in Price Indices

Figure 3.37: Fluctuations in LHPI
Conclusions

• The latest boom in new housing construction, which started in late nineties and lasted until 2002, has been the largest expansion in the new housing construction since 1948.

• The paper suggests a change in housing market composition where market share of row/link housing increased from about 5% in 1987 to over 20% during 1996-98.

• Similarly, the market share for semi-detached housing increased from less than 2% to more than 10% during 1987-2001.

• The study also shows that rental starts remained subdued during 1987-2001. The only noticeable increase in rental starts was observed in 1992, which was an outcome of state-subsidised rental construction.