

2023 June

Housing Update

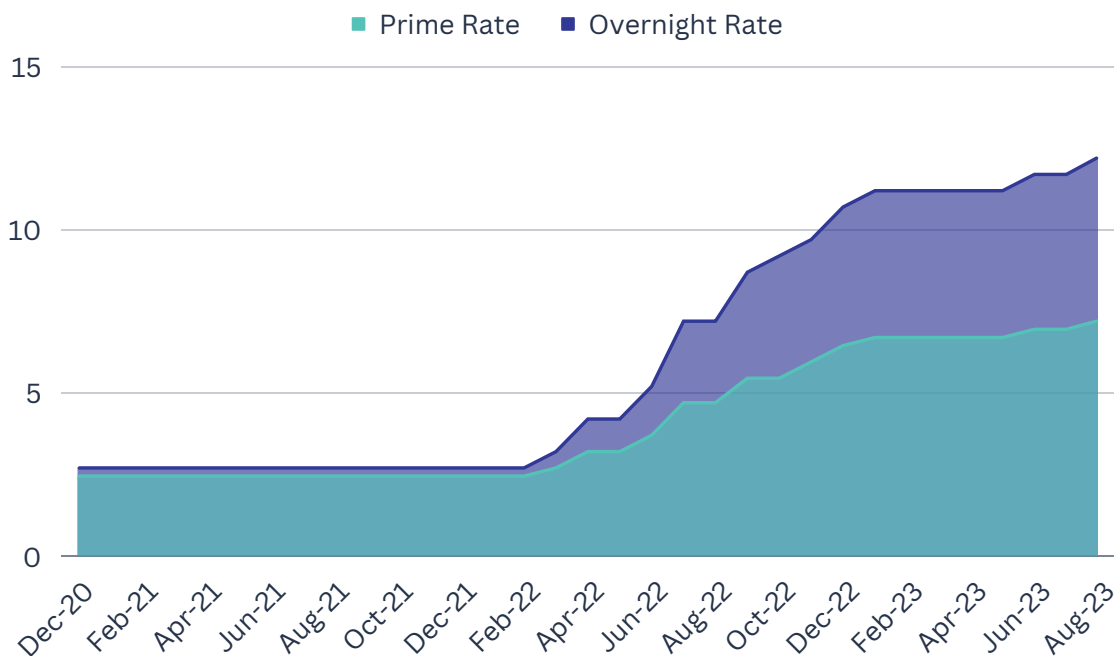


**WORKFORCE
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Bank of Canada Hikes Overnight Rate to 5%

The Bank of Canada raised its policy rate by 25 basis points on **July 12th**, resulting in the overnight lending rate reaching **5%**. At the end of the day, some banks have more money left over, and some have less. Banks lend money to each other to maintain their reserve levels. When banks lend or store money at other banks, they charge each other interest as an overnight lending rate. Now it costs Banks more money to borrow from other banks to balance its cash reserve, and therefore will charge consumers more money in interest on mortgage payments. This is the highest it has been in **22 years**, and it was done to help control inflation and bring the consumer price index (CPI) level to the **2%** target.

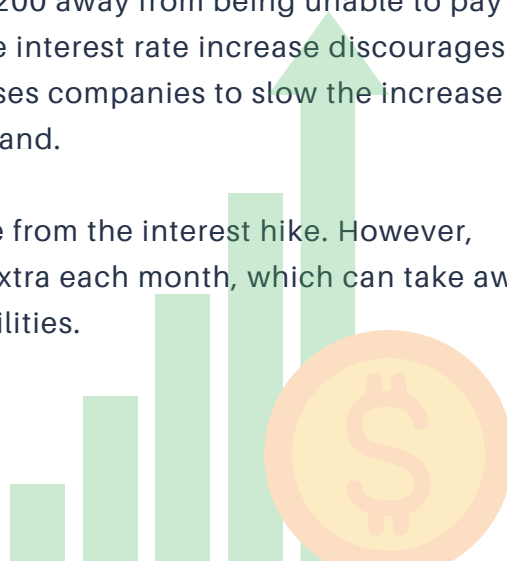
Figure 1. Changes in Canada's Prime and Overnight Rate, 2020-2023



Source: WOWA (2023). Bank of Canada Interest Rate.

This makes borrowing and access to credit increasingly inaccessible. Other major banks like RBC, TD Bank, BMO, Scotiabank, and CIBC have increased their prime lending rate to **7.2%**, effective July 13th, 2023. This spells trouble for Canadians, as a report recently published by MNP Ltd. found that 52% of Canadians are less than \$200 away from being unable to pay off their monthly bills due to increasing interest rates. The interest rate increase discourages borrowing and encourages saving instead, which causes companies to slow the increase in their prices or even lower their prices to maintain demand.

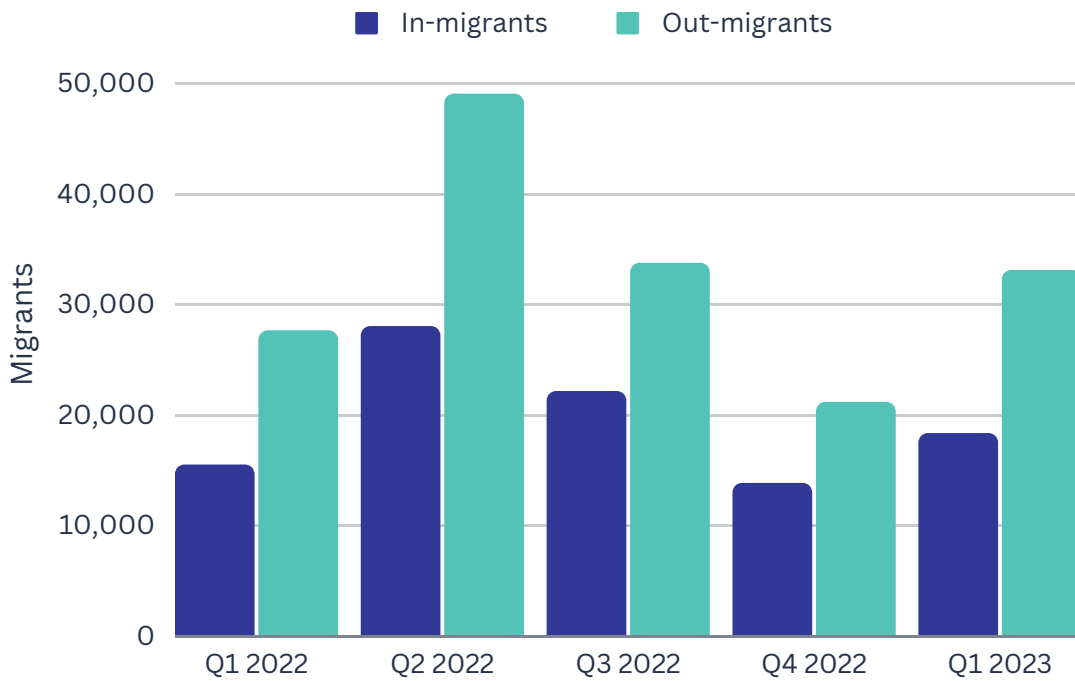
Homeowners with fixed-rate loans are temporarily safe from the interest hike. However, homeowners under a variable rate loan will now pay extra each month, which can take away from spending in other areas such as groceries and utilities.



Labour Shortages

Ontario has seen mass migration out of the province over the last year, with the highest number of out-migrants during April, May, and June of 2022. According to data from Statistics Canada, the province had a total net loss of **66,749** people from the first quarter of 2022 to the first quarter of 2023, losing an average of **10,000** people per quarter.

Figure 2. Migration Pattern Over the Years in Ontario, Ontario 2020-2023



Source: Statistics Canada (2023). Estimates of the Components of Interprovincial Migration, Quarterly.

CBC News released a report earlier this year stating most of the population leaving Ontario is between the ages of **25 to 35**, within the age range of the core-working group. High living costs and stagnant wages are the primary blame for this mass migration out of Ontario; some popular destinations people are moving to are Alberta, Newfoundland, New Brunswick, P.E.I, and Nova Scotia. The reasons for moving to these provinces included low or no sales tax, very reasonable cost of living, and comparable minimum wage.

As Brian Jean, Alberta's Minister of Jobs Economy quoted,

"We have the most affordable housing in all of Canada. People now, for instance, can sell their house in Toronto or Vancouver, buy four houses here, live in one, and rent three. That's the kind of market we have right now."

This is an attractive offer in light of Ontario's current housing situation.



Hamilton Rent Prices Ranks 18 Nationally

Figure 3. Average Rental Prices in 2023, Hamilton

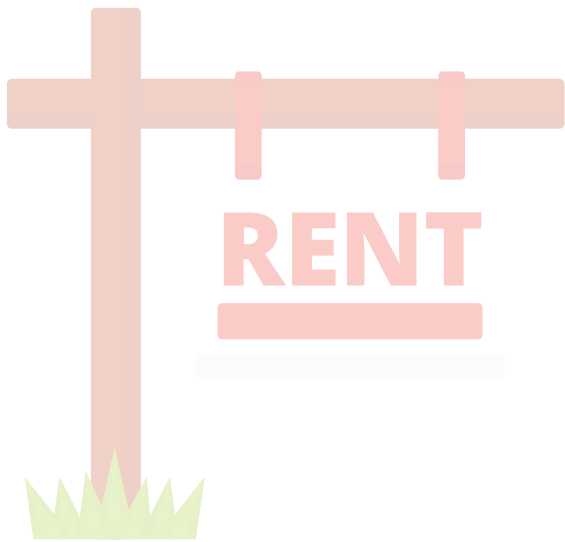
Total	0 Bedroom	1 Bedroom	2 Bedroom	3 Bedroom
Average Rent (Condos and Apartments)				
\$2,077	\$1,470	\$1,901	\$2,327	N/A
Yearly Price Change (%)				
14.3%	4.0%	16.3%	12.5%	5.9%

Source: Rentals.ca (2023). July 2023 Rent Report.

As of July 2023, Hamilton ranks 18th in Canada for average apartment and condo rent prices across its one, two, and three bedroom apartments/condos, right behind Ottawa and Victoria as the 11th and 10th spots, respectively. The average rent in for apartment/condos in Hamilton is \$2077, with a bachelor apartment priced at \$1470, one-bedroom at \$1901, and two bedrooms at \$2327. Unfortunately, there was not enough data for 3-bedroom apartments and condos for their rent price to be published.

The year-to-year change relative to 2022 data is an increase of **14.3%** on average on rent. According to data released from Rentals.ca on Hamilton rentals, one-bedroom apartments experienced the highest rent increase (+**16.3%**) compared to other rental types. For example, a one-bedroom rental that costs \$1901 (July 2023) would have cost \$1638 just a year ago, a \$263 increase. Lastly, 2-bedroom apartments costing \$2327 in July 2023 would have cost an average of \$2068 just a year ago, amounting to a **12.5%** increase in rent.

The drastic hike in rental costs has put many Canadians in challenging times, with many hosting walk-outs and withholding rent payments to protest the rising cost of housing. This puts further pressure on rental property owners from both sides as they try to pass on the increased cost of monthly mortgage payments to their tenants. Linking back to the interest rate hike just introduced by the Bank of Canada earlier this month, this might raise rent prices beyond affordable levels for most Canadians.



Immigration and Ontario's Housing Crisis

Canada is currently facing an aging population crisis, and future generations will have increasingly more pressure to support the elderly population in the future. In the figure, the population pyramid displays a declining population shape pattern as a significant proportion of the population 55 to 59 years old continues to propagate to the lower portion of the chart. Subsequently, the teal-blue portion of the pyramid (0-24 years) is getting narrower, a sign of a **declining birth rate**. Without enough young working-age population to support the growing aging population, more pressure will be put on the younger generation in future decades.

Figure 4. Population Pyramid by Age Groups, Ontario 2023



Source: Statistics Canada (2022). Population Estimates on July 1st, by Age and Sex.

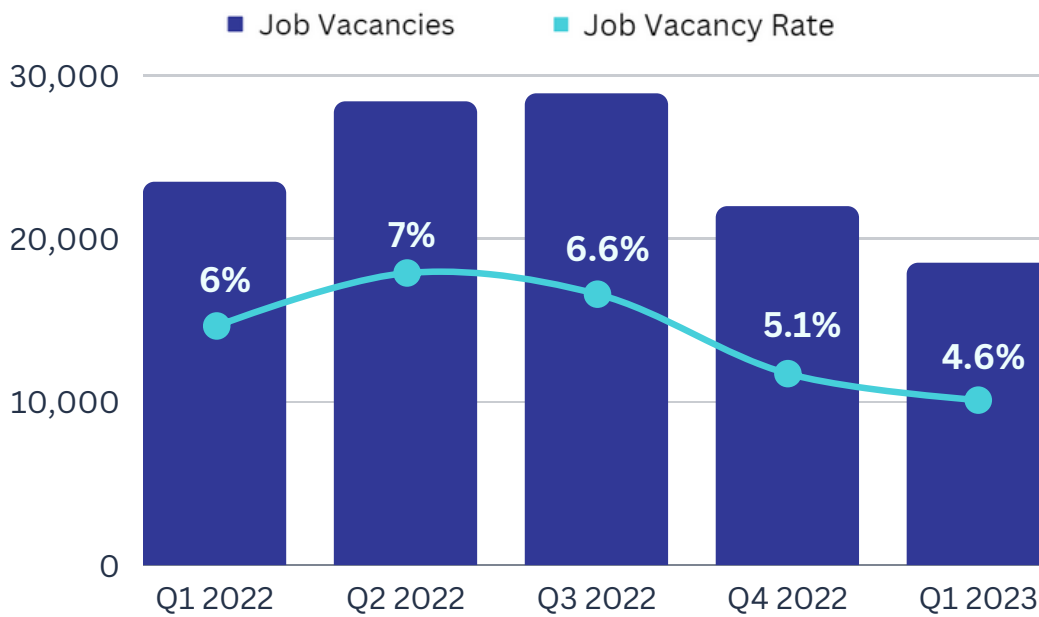
To combat this issue, the Ontario government is looking to more than double the number of skilled immigrants by investing an additional **\$25 million** over the years leading up to 2025, on top of the initial \$15 million already announced in the 2022 Budget. Ontario has also implemented specific programs like the Ontario Immigrant Nominee Program (OINP), which allows the province to nominate individuals with skills applicable to Ontario’s economy for permanent residence status.

However, housing availability in Ontario is hardly keeping up with the increase in immigration; with such high demand, the supply remains relatively constant. To improve housing supply and quality in Ontario, factors like immigration, workforce development strategies, and housing planning all need to be taken into account to improve future outcomes of the Ontario housing market.

Construction Industry Popularity Rises Province Wide

Throughout 2022 there was increasing demand for workers in the Construction industry and increasing labour shortages. Figure 5 shows a surge of **5,415** vacancies and an additional 1% in vacancy rate from Q1 to Q3 of 2022. The mass out-migration of people between ages 25 to 35 seeking more affordable lifestyles in other provinces further weakens Ontario’s labour force and subsequently stresses Ontario’s housing supply.

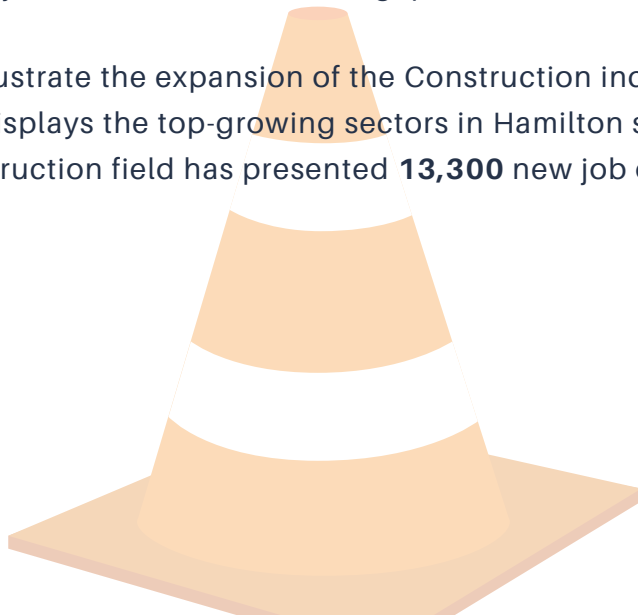
Figure 5. Job Vacancies in the Construction Sector, Ontario 2022-2023 Quarterly



Source: Statistics Canada (2023). Job Vacancy and Wage Survey.

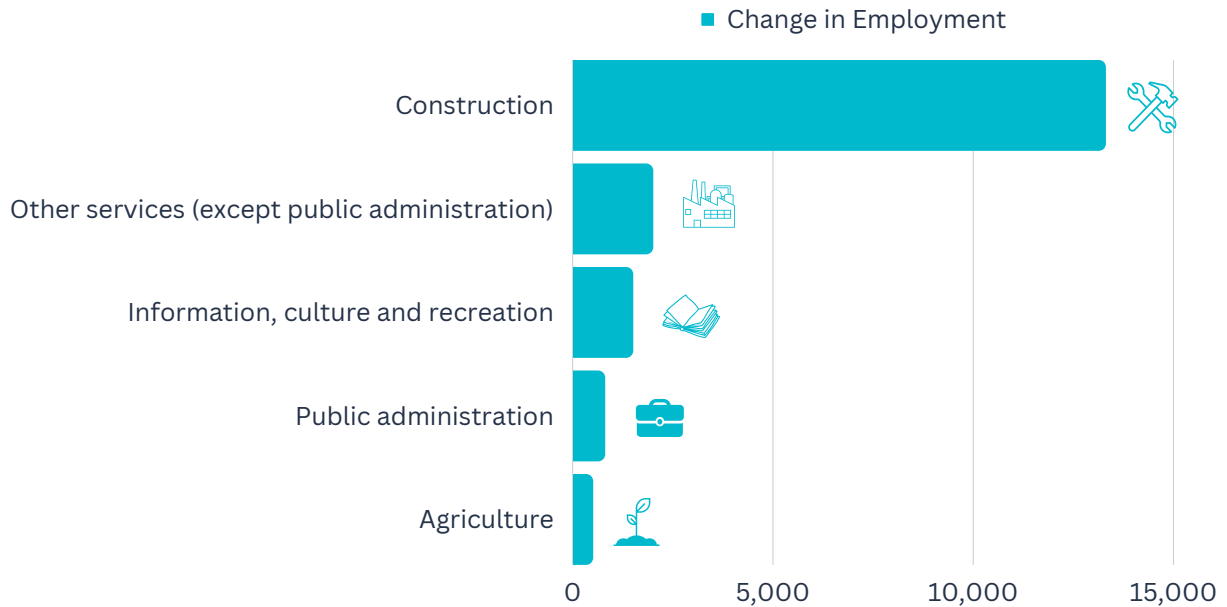
Ontario’s Construction sector did see a resurgence of workers starting from Q4 of 2022 which will continue to increase until the current day in 2023—bringing the vacancy down by nearly **2%** by filling almost **10,000** jobs in Construction. Increased demands in Construction and encouraging immigration of skilled workers will see favourable outcomes for future housing supply as more workers can fill gaps in skilled trades to address labour shortages.

To illustrate the expansion of the Construction industry, the figure on the following page (Page 06) displays the top-growing sectors in Hamilton so far this year. Over only six months, the construction field has presented **13,300** new job opportunities.



Construction Industry Popularity Rises Province Wide

Figure 6. Top 5 Growing Industries in Hamilton from the Beginning of 2022 to Date



Source: Statistics Canada (2023). Employment by Industry, 3-Month Moving Average, Unadjusted for Seasonality in Thousands.

With anticipation, it could be months or years before Ontario averts the housing crisis, but the province already has a series of steps and plans of action in place.



References

1. [Butler, C. \(2023, March 15\). 50k People Left Ontario in the Last 12 Months Looking for Greener Pastures in Alberta | CBC NEWS. CBCNEWS.](#)
2. [Rentals.ca \(2023, July 11\). July 2023 Rent Report.](#)

Workforce Planning Hamilton

Workforce Planning Hamilton is a leader in transforming local market information into workforce planning solutions that contribute to a prosperous and diverse Hamilton community.

Since 1997 Workforce Planning Hamilton has provided planning partnerships and projects that highlight local labour market trends and support workforce development.

WPH is a member of Workforce Planning Ontario, a network of 26 labour market planning areas across Ontario.

Our evidence-based approach relies on key industry sector demographic data combined with local intelligence from employers and other local partners to develop a strategic vision for Hamilton.

www.workforceplanninghamilton.ca



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