

**RECEIVED**

**January 12, 2022**

REGION OF PEEL  
OFFICE OF THE REGIONAL CLERK

**From:** Megan Piercey <[Megan.Piercey@mississauga.ca](mailto:Megan.Piercey@mississauga.ca)>

**Sent:** January 12, 2022 10:21 AM

**To:** Adams, Aretha <[aretha.adams@peelregion.ca](mailto:aretha.adams@peelregion.ca)>; Thomson, Christine  
<[christine.thomson@peelregion.ca](mailto:christine.thomson@peelregion.ca)>

**Subject:** Housing Market Update Presentation

**CAUTION: EXTERNAL MAIL. DO NOT CLICK ON LINKS OR OPEN ATTACHMENTS YOU DO NOT TRUST.**

Good Morning,

Please see the attached Housing Market Update presentation that was received at the City of Mississauga's Planning and Development Committee meeting on January 10, 2022 at 1:30 PM. Please note direction was provided from the committee to send the presentation to the Region of Peel to be included on the upcoming agenda.

Thanks,



**Megan Piercey**

Pronouns: she/her

Legislative Coordinator, Legislative Services

T 905-615-3200 ext. 4915

[megan.piercey@mississauga.ca](mailto:megan.piercey@mississauga.ca)

[City of Mississauga](#) | Corporate Services Department,  
Legislative Services Division

Please consider the environment before printing.

REFERRAL TO \_\_\_\_\_

RECOMMENDED \_\_\_\_\_

DIRECTION REQUIRED \_\_\_\_\_

RECEIPT RECOMMENDED ☒ \_\_\_\_\_

A nighttime photograph of a city skyline, likely Mississauga, with several high-rise buildings illuminated against a dark blue sky. The foreground shows a residential area with streetlights. The image is partially obscured by blue geometric shapes on the left and right sides.

# Housing Affordability Update

Planning and Development Committee  
January 10th, 2022



# Defining the Issue

# Key Housing Challenges

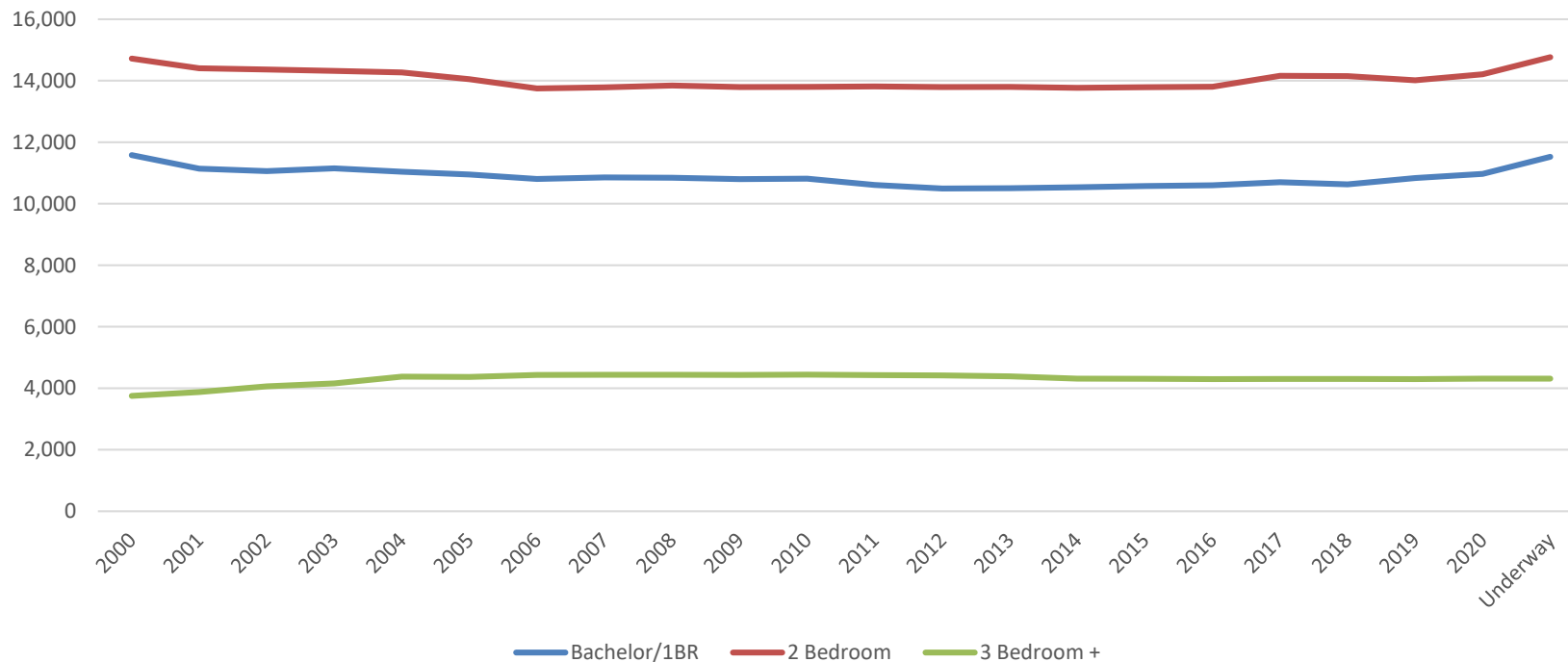
Rental	Ownership
1. Supply and cost of developing low income supportive housing	3. Most condo apartment units no longer affordable for middle income brackets
2. Supply of middle income rental apartment units	4. Supply and cost of market priced low density units

# Rental Market

# Mississauga Rental: What's Affordable?

Renter Income Deciles	Household Income	Max Affordable Monthly Rent	Average Market Rent for Purpose-Built Rental Units (CMHC, 2020)			
			Bachelor	1-Bedroom	2-Bedroom	3-Bedroom +
			\$1,050	\$1,380	\$1,560	\$1,670
<b>Decile 1</b>	\$15K	\$380	No	No	No	No
<b>Decile 2</b>	\$27K	\$600	No	No	No	No
<b>Decile 3</b>	\$33K	\$830	No	No	No	No
<b>Decile 4</b>	\$43K	\$1,070	Yes	No	No	No
<b>Decile 5</b>	\$53K	\$1,320	Yes	No	No	No
<b>Decile 6</b>	\$64K	\$1,590	Yes	Yes	Yes	No
<b>Decile 7</b>	\$77K	\$1,930	Yes	Yes	Yes	Yes
<b>Decile 8</b>	\$94K	\$2,360	Yes	Yes	Yes	Yes
<b>Decile 9</b>	\$123K	\$3,070	Yes	Yes	Yes	Yes
<b>Decile 10</b>	\$123K+	\$3,070+	Yes	Yes	Yes	Yes

# Purpose Built Rental Supply: Mississauga



Issue 1	What has caused it?	Who controls it?	What can be done?
<b>Supply and cost of developing low income supportive housing (e.g. income deciles 1-3)</b>	<ul style="list-style-type: none"> <li>- Persistent issue</li> <li>- Need has grown due to price increases of market units</li> <li>- Cost of developing new units has increased significantly</li> </ul>	<ul style="list-style-type: none"> <li>- Regions and non-profits deliver</li> <li>- Heavily reliant on senior grants</li> </ul>	<p>Senior Govt.</p> <ul style="list-style-type: none"> <li>- Increased and more flexible grants (20)</li> <li>- Require affordable housing surplus land sale process (28)</li> <li>- Land transfer tax, HST rebates for below market housing (26)</li> </ul> <p>Municipal</p> <ul style="list-style-type: none"> <li>- Land sale housing first (4,7)</li> <li>- CIP type incentives (financial 10, timing 5)</li> <li>- Lower parking requirements (2)</li> <li>- Tax increases (19)</li> </ul>

Number = Housing Strategy Action Item; Green = done; Orange = in-progress



Issue 2	What has caused it?	Who controls it?	What can be done?
<b>Supply of middle income rental apartment units</b>	<ul style="list-style-type: none"> <li>- Condo has been more lucrative for developers</li> <li>- Existing more affordable units are often in older, less desirable, buildings</li> <li>- Market has been soft in part due to secondary market condo rentals</li> <li>- Vacancy rate remains below equilibrium of 3%</li> </ul>	<ul style="list-style-type: none"> <li>- Mostly institutional investors (REITs, pension funds etc.)</li> <li>- Recently there has been an uptake in new construction in Peel</li> <li>- Province manages rent control</li> </ul>	<p>Senior Govt.</p> <ul style="list-style-type: none"> <li>- Incentives such as DC grant program (cancelled 20)</li> <li>- Land transfer tax, HST rebates (20, 23)</li> <li>- Expand IZ to outside MTSA's (3)</li> </ul> <p>Municipal</p> <ul style="list-style-type: none"> <li>- Rental financial incentive pilot (Region 15, 16)</li> <li>- Basement renovation grant program (Region 14)</li> <li>- Rental protection by-law (12)</li> <li>- Policies restricting short-term accommodation / vacant units (Region)</li> <li>- Allow for more low density options (plexes, accessory suites)</li> </ul>

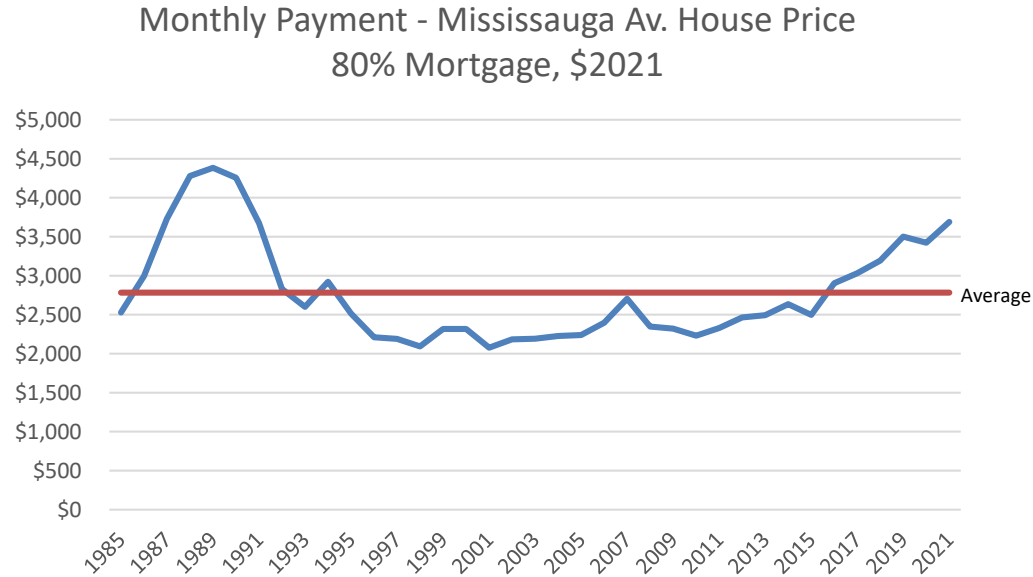
# Ownership Market

# Mississauga Ownership: What's Affordable?

Income Deciles	Household Income Estimate	Average Sale Price in Mississauga, TREB October 2021				
		Condo Apt	Condo Town	Townhouse	Semis	Detached
		\$604,200	\$814,000	\$1,021,200	\$1,046,700	\$1,558,200
Decile 1	\$26,900					
Decile 2	\$43,700					
Decile 3	\$58,800					
Decile 4	\$74,500					
Decile 5	\$91,400					
Decile 6	\$110,200					
Decile 7	\$133,300					
Decile 8	\$163,900					
Decile 9	\$214,700					
Decile 10	Over \$214.7K					\$267K+

Based on 30% of gross income to housing costs. Assumes 1.5x after tax income down payment, 2.4% interest rate; prop tax, condo fees, utilities incl.

# Real prices highest since early 1990s

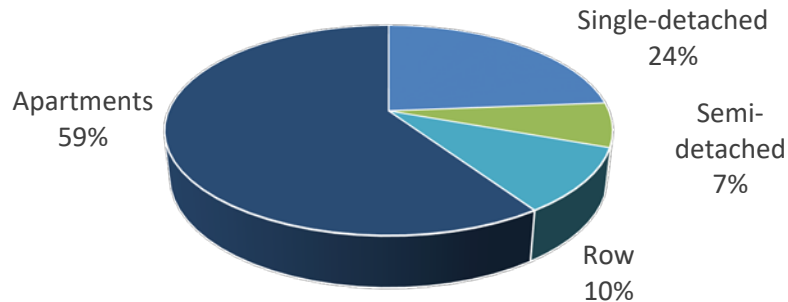


Source: TREB Oct. 2021, Statscan historical conventional 5-year rates adjusted, Ont. real wage & CPI adjusted

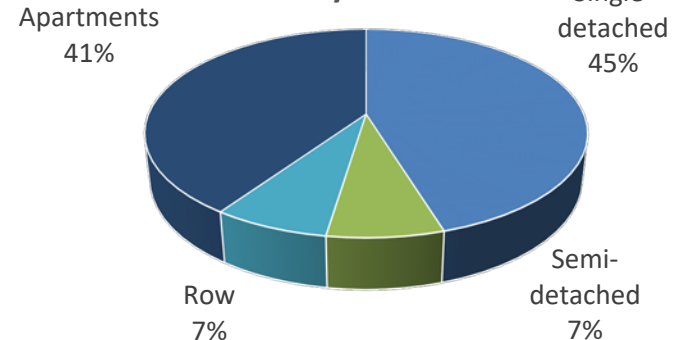
# Demographic Factors Outside our Control

- 100,000 new immigrants to GTA each year
- International students+grads doubled 2015 to 2019: now 446,000 in Ontario
- Double cohort demand for low density housing
  - Challenge: balancing intensification objectives with demand for low density housing

Toronto CMA - Household Maintainer  
25-39 years old



Toronto CMA - Household Maintainer  
60+ years old

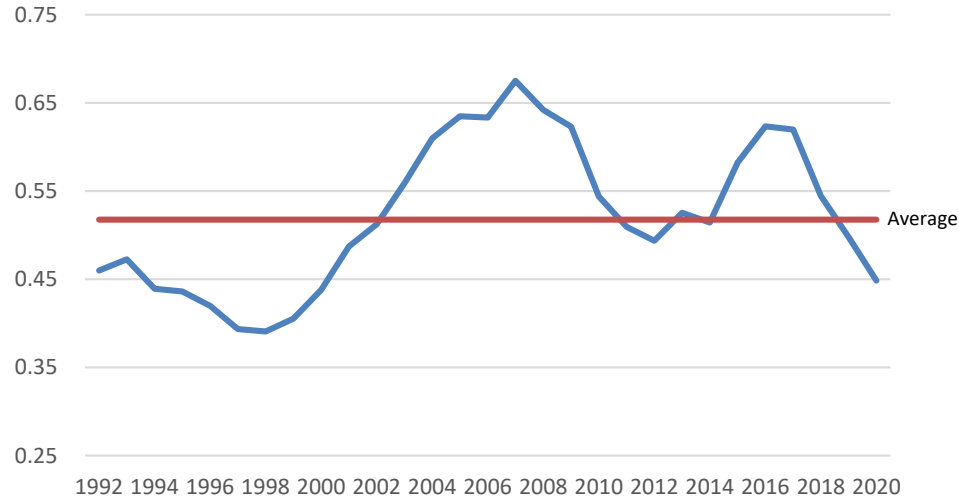


# Financial Factors Outside of Our Control

- Historically low interest rates – tends to benefit sellers
- Strong investor market – 1/3 of condo apartments in the GTA are rented out
- House flipping has been lucrative – which encourages more
- Price appreciation created substantial equity for existing home owners
  - Often exceeding employment income
  - 30% of new purchasers getting parental assistance with \$130k being average amount (CIBC)

# Current Housing Creation Less than Average

Ratio Housing Completions to Growth in  
Population 20-74 years old  
Toronto, Hamilton & Oshawa CMAs



Source: CMHC and Statscan Total Population, rolling five year average

**Also demographic changes requiring more households:**

- More single parent households
- More single person households
- Aging of existing population

**Partially offset by:**

- More multifamily households

# Sample Condo Apartment Pro Forma

	Per Salable sq. ft.	% of Sale Price	Per Unit (750 sq. ft.)	Per Unit (550 sq. ft.)
<b>Sale Price</b>	<b>\$1,000</b>		<b>\$750,000</b>	<b>\$550,000</b>
Hard Construction Costs	\$392	39%	\$293,000	\$211,000
Parking space (1)	\$93	9%	\$70,000	\$70,000
Development Charges	\$107	11%	\$80,000	\$43,000
Parkland Cash-in-Lieu	\$15	1%	\$11,000	\$11,000
Other Soft Costs	\$121	12%	\$91,000	\$66,000
<b>Subtotal</b>	<b>\$728</b>	<b>73%</b>	<b>\$545,000</b>	<b>\$401,000</b>
Land costs	\$123	12%	\$92,000	\$66,000
<b>Subtotal</b>	<b>\$850</b>	<b>85%</b>	<b>\$630,500</b>	<b>\$467,000</b>
Profit	\$150	15%	\$113,000	\$83,000
<b>Total</b>	<b>\$1,000</b>	<b>100%</b>	<b>\$750,000</b>	<b>\$550,000</b>

← Determined by market

} Focus of development  
industry commentary

← Residual variable

← Middle Income Unit \$420,000



# Cost Summary

- All cost and revenue elements have been increasing rapidly
  - Residential construction costs went up 4.5% in Q3, non-residential 4.2%; Annual change 24.4% and 11.6% respectively (Statscan 18-10-0135-02)
  - Increases are being felt throughout province
- Higher house prices have been able to be absorbed by market
- Fixed cost elements suggest increasing housing supply may not necessarily lower new prices significantly

# Municipal Fees

- Council to consider updated CBC, DC and Parkland rates in 2022
  - Facing upward cost pressures similar to overall industry
  - Consultant is assessing market impact of draft calculated rates
    - Non-profits/governments without profit motive more affected, raises floor
  - Adopting rates lower than calculated implies lower capital program, increased taxes or more government grants
- Inclusionary zoning, also to be considered in 2022, will also affect land economics in Major Transit Station Areas
- Developers often rush to get plans submitted/approved before rate increases

# Who Ultimately Pays a Municipal Fee (Incidence) – Academic Literature is Mixed

Passed forward to home purchasers	Passed back by lowering land values	Changes to development plans
<ul style="list-style-type: none"><li>• Short-term if allowed by P&amp;S agreements</li><li>• Long-term if market can support higher prices &amp; land recently purchased</li><li>• More likely when increases apply across market area</li></ul>	<ul style="list-style-type: none"><li>• Long-term if market can't support higher sale prices</li><li>• More likely when uneven geographic application</li></ul>	<ul style="list-style-type: none"><li>• Request for more density</li><li>• Hold off developing, sit on land</li><li>• More likely when land sellers resist lowering prices</li><li>• Short term profits</li></ul>

Issue 3	What has caused it?	Who controls it?	What can be done?
<b>Cost of middle income condo apartment units (e.g. income deciles 4-6)</b>	<ul style="list-style-type: none"> <li>- Price floor (hard costs plus soft costs) has increased significantly</li> <li>- Market has been able to absorb units at higher sale prices</li> <li>- Favourable demographics for demand (millennials, students)</li> <li>- Strong investor market</li> <li>- Low interest rates</li> <li>- Disconnect between landowners sitting on approvals vs those looking to develop quickly w/o approvals</li> </ul>	<ul style="list-style-type: none"> <li>- Developers control supply and prices</li> <li>- Market used to provide these units without intervention – albeit they were often small in size</li> <li>- Increasingly becoming an issue for governments</li> </ul>	<p>Senior Govt.</p> <ul style="list-style-type: none"> <li>- Shared equity loans (18)</li> <li>- Investor disincentives</li> <li>- Lower CMHC insurance \$*</li> <li>- New TFSA*</li> </ul> <p>Municipal</p> <ul style="list-style-type: none"> <li>- S. 37 contributions (2, 24)</li> <li>- Large site polices (e.g. Reimagine the Mall 1)</li> <li>- BlackNorth grants (Region 18)</li> <li>- Reduced parking requirements (2)</li> <li>- Inclusionary zoning (31)</li> <li>- Former Home in Peel Program (Region 18)</li> </ul>

Issue 4	What has caused it?	Who controls it?	What can be done?
<b>Supply and cost of low density market priced ownership units</b>	<ul style="list-style-type: none"> <li>- Price floor (hard costs plus soft costs) has increased significantly</li> <li>- Market has been able to absorb units at higher sale prices</li> <li>- Favourable demographics for demand (millennials starting families)</li> <li>- Low interest rates</li> <li>- Fewer infill sites remaining</li> <li>- Issues getting new greenfield housing on stream</li> <li>- Numerous changes to provincial legislation</li> </ul>	<ul style="list-style-type: none"> <li>- Federal government immigration policy</li> <li>- Provincial Growth Plan allocations</li> <li>- Regional MCR processes</li> <li>- Water/wastewater service must be available before development can occur</li> <li>- Developers phase their projects once approvals are in place</li> </ul>	<p>Senior Govt.</p> <ul style="list-style-type: none"> <li>- Create more legislative stability</li> <li>- Middle income home ownership programs (see condo)</li> </ul> <p>Municipal</p> <ul style="list-style-type: none"> <li>- Ensure adequate servicing is available</li> <li>- Approve MCR plans</li> <li>- Look at more low density options in neighbourhoods (8,9)</li> </ul>

# Affordable Housing Next Steps

- Update on Inclusionary Zoning PDC January 24, 2022
- Report on affordable housing financial incentives GC Q1 2022
- Parking rates for affordable housing in PDC Q1 2022