

SkyPoint Local Intelligence

Analyzing the current macroeconomic environment is the foundation for all of SkyPoint's research

Table of Content

Getting Started
Page1

Job Prospects
Page2

Savings
Page3

Marriage
Page4

Homeownership
Page5

Conclusion
Page6

Canadian Millennials: The Renter Generation

Getting Started

Millennials, born between 1980 and 2000, are changing the landscape of the housing market. Millennials are the future of housing and now make up the largest cohort of the Canadian workforce.¹ Canadian millennials are the most well educated generation in history, yet there are still perceived insecurities about the availability of good paying jobs upon graduation. According to research firm Abacus, 59% of millennials say they will postpone major life events like marriage, children, and buying a home because of financial pressures they face.²

This presents a unique challenge for the Canadian housing market. As a result, millennials are receiving special attention from investors, developers, landlords, and property managers. Understanding the unique opportunities and challenges as well as the beliefs and values of millennials will be the key to the future success of the Canadian housing market.

Millennial Quick Facts

- **59%** will postpone major life events like marriage, children, and buying a home because of the financial pressures
- **62%** are primarily responsible for their own living expenses
- **25%** still live with their parents
- **56%** say that saving even a *little* money each month is difficult



Tel: +852 3180 9284

Email: Info@skypointrp.com

www.skypointrp.com

Unit 1506, 100QRC
100 Queens Road Central
Hong Kong SAR



I ♥ My
Parents

Job Prospects

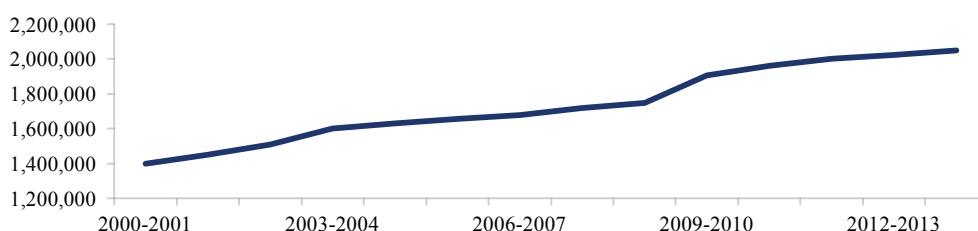
The Global Financial Crisis of 2008 had a disproportionate impact on the millennial generation. In Canada, those aged 28 and younger accounted for almost 70% of the job losses during the recession. In comparison, U.S. millennials accounted for roughly 50% of the job losses.

During the Global Financial Crisis of 2008, pursuing higher education offered a better option than entering a weak job market. In Canada, post-secondary enrollment jumped by over 150,000 people in 2009, the year following the Global Financial Crisis (Figure 1).³ This was a significant increase of about three times as many new people enrolling as in previous years.

Just 45% of millennials were “optimistic” when asked about the job market and just 33% believed there were “lots of opportunities” in the job market.

Abacus Research

Figure 1: Canadian Post Secondary Enrollment

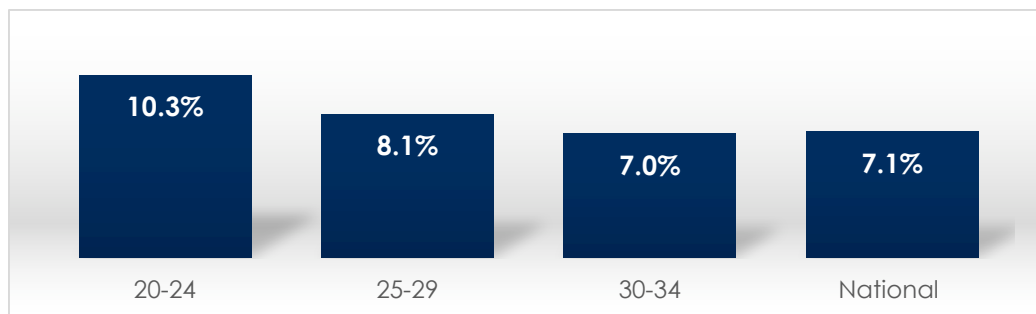


Source: Statistics Canada

Despite being the most highly educated generation, millennials still have a significantly higher unemployment rate than other age groups Canada (Figure 2).⁴ Those aged 20-24 had an unemployment rate above 10% compared to just 7.1% nationally. According to research firm Abacus, just 45% of millennials were “optimistic” when asked about the job market and just 33% believed there were “lots of opportunities” in the job market.⁵

Interestingly enough, two cities, Toronto and Vancouver, accounted for all the job growth over the past year. According to BMO, Vancouver and Toronto have created 171,000 jobs while the rest of the country has lost 47,000.⁶

Figure 2: Canadian Millennial Unemployment Rates



Source: Statistics Canada April 2016



REALTY PARTNERS LIMITED

Tel: +852 3180 9284

Email: Info@skypointrp.com

www.skypointrp.com

Unit 1506, 100QRC

100 Queens Road Central

Hong Kong SAR

Savings

Millennials are increasingly feeling financial pressures. Wage stagnation, high debt levels, and housing affordability issues are making it difficult for many millennials to save. According to research firm Mintel, over half of millennials surveyed believed, "saving even a little money each month is difficult".⁷

This has a profound impact on the housing market. When individuals find it difficult to save money each month, they push off homeownership. Putting together a down payment is challenging for most millennials. Furthermore, being the most educated generation in history comes with high levels of student debt. Despite fairly easy access to credit and low mortgage rates, high student debt levels makes taking on additional mortgage debt difficult for many millennials.

Millennials living with parents

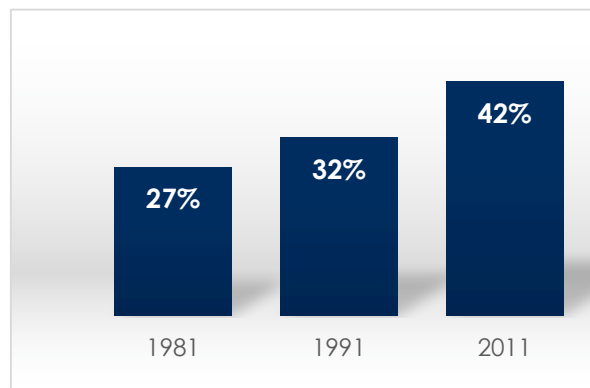
The 2011 Census of Population showed that 42.3% of the 4,318,400 young adults aged 20 to 29 lived in the parental home, either because they never left it or because they returned home after living elsewhere.¹ This proportion was much higher than in preceding decades: 32.1% in 1991 and 26.9% in 1981.⁸

Young adults may live with their parents as a source of emotional or financial support. More specifically, possible reasons for which young adults in their twenties remain in or return to the parental home include not being part of a couple (which may be the result of relationship breakdown), cultural preferences, cost of housing, pursuit of higher education or difficulty finding employment.⁹

A recent CIBC study found that 42% of millennials are currently renting.¹⁰ The same study found that 86% of millennials found home ownership important. The study suggests that millennials place equal importance on home ownership as previous generations. However, there is a disconnect between the level of importance placed on home ownership and the financial reality of home ownership. While a large majority found home ownership to be important, almost half believed that buying a home is too large a financial burden.

"Home ownership is an important milestone to many, and that hasn't changed even though it has become increasingly difficult to get into the market," Barry Gollom, VP of Mortgages and Lending, CIBC. The combination of high millennial unemployment and rising home prices has made homeownership practically unattainable in cities such as Vancouver and Toronto.

Figure 3: Population ages 20-29 living in parental home



Source: Statistics Canada



REALTY PARTNERS LIMITED

Tel: +852 3180 9284

Email: Info@skypointrp.com

www.skypointrp.com

Unit 1506, 100QRC

100 Queens Road Central

Hong Kong SAR

Marriage

Millennials are delaying marriage as they pursue higher education and financial security. Between 1972 and 2008, the average marriage age increased from 24.9 to 31.1 for men and 22.5 to 29.1 for women.¹¹ During the same time, the marriage rate has dropped in half from 9.2 marriages per 1000 people to just 4.4.

According to William Wheaton, a housing economist at MIT, millennials just aren't settling down and buying houses like past generations — partly because fewer are getting married.¹² The combination of rising marriage ages and declining marriage rates supports the rise of the renter throughout Toronto.

In the 2011 Census, households with a couple family had the highest prevalence of homeownership with four in five (82.4%) owning their dwelling (Figure 4).¹³ On the other hand, non-family (single person) households had the lowest prevalence homeownership rates. While the change in the marriage rate has not had time to completely play out, it is likely that this will have a significant impact on the rental versus homeownership decision for many individuals.

Furthermore, marriage and income have been closely linked historically.¹⁴ In the highest income quartile, a very high percentage of families are married (Figure 5). The married share in the top quartile has dropped little since 1976, while the lowest income quartile dropped by over 50%.

Figure 4: Homeownership Rate by Family Type

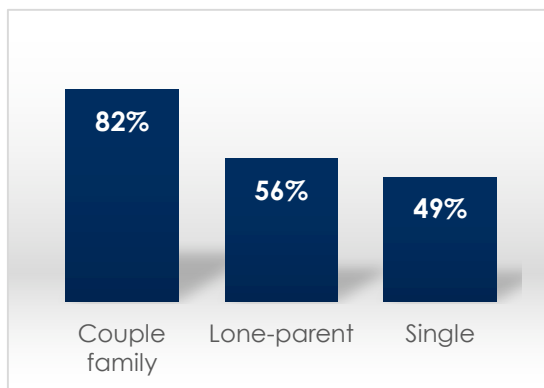
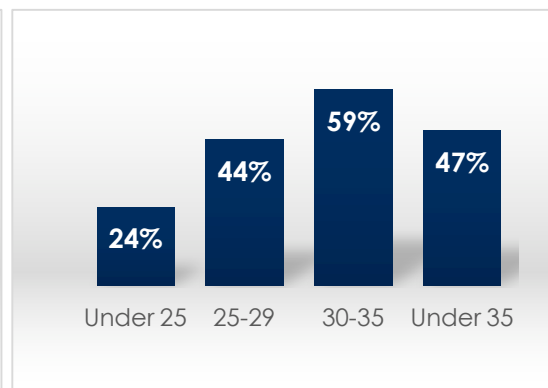


Figure 5: Percentage of Families with a Married or Common-Law Spouse by Income Quartile(s)



Source: Statistics Canada

Millennials are getting married at the lowest rate in history. If they do choose to get married, it is at a much later age than previous generations. When individuals are single, they are much less likely to be in the top income quartile and thus be able to afford homeownership. While marriage is not necessarily a gateway to homeownership, there are significant financial advantages to marriage. Choosing not to marry or to marry later in life may have a profound impact on the homeownership rates amongst millennials.



REALTY PARTNERS LIMITED

Tel: +852 3180 9284

Email: Info@skypointrp.com

www.skypointrp.com

Unit 1506, 100QRC
100 Queens Road Central
Hong Kong SAR

Homeownership

“One thing is clear so far: Millennials have had a huge impact on the GTA rental sector because of their willingness to pay a hefty price — on average about \$1,800 a month — to rent sky-high new glass-and-granite condos an easy walk from work.”

Toronto Star

Millennials grew up learning about and seeing impact of the U.S. housing collapse of 2008. The idea that a housing collapse is possible is still fresh in their mind. As a result, many millennials feel general sense of reluctance to enter the homeownership market. In addition, millennials are entering adulthood and “leaving the nest” at a much later age than past generations. According to research firm Abacus, one quarter of millennials ages 25+ are still living with their parents, mainly as a result of only half having full time jobs in their field.¹⁵

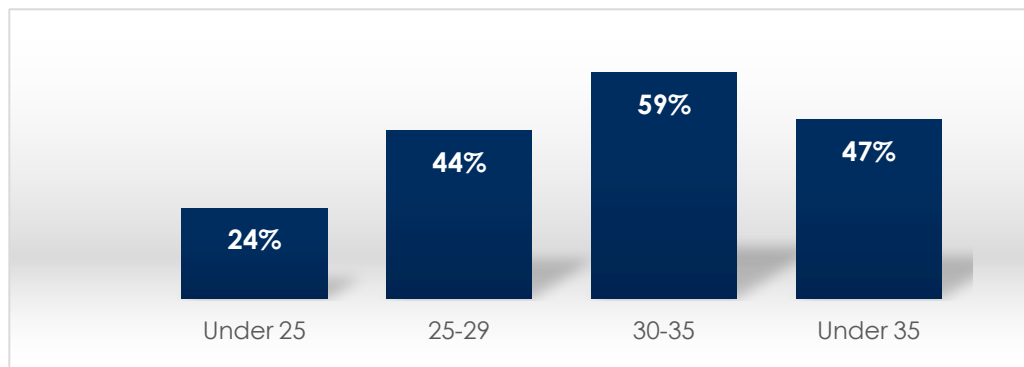
In the 2011 Census, households with a primary maintainer under the age of 35 had a homeownership rate of 46.9% (Figure 6).¹⁶ That breaks down further to households with a primary maintainer under the age of 25 with a homeownership rate of 23.8%, while those with a primary maintainer aged 25 to 29 years had almost double (44.1%) the rate. The rate for those aged 30 to 34 years was higher at 59.2%. As the data shows, on average only half the population are homeowners by age 30.

In a recent report from the St. Louis Fed, the concern was raised that buying a home too early is putting young U.S. families on a trajectory to be poorer than all previous generations.¹⁷ The report suggests that households would often be better off delaying homeownership until it is possible to buy a house that does not make the family's balance sheet dangerously undiversified and highly leveraged. While the report does not specifically address Canadian families, the lesson is a universal one: don't put all your eggs in one basket.

The conveniences millennials value in their living arrangement is also quite different than past generations. Rather than the traditional commute from the suburbs, millennials are choosing to live in downtown cores where they can “live, work, and play”. According to the PwC & ULI Emerging Trends in Real Estate Study, 82% of millennials rank “short distance to work” as a top priority compared to only 67% of baby boomers.¹⁸

Take Toronto for example. With a large share of Toronto's jobs in the downtown core, millennials are choosing to live close to work where homeownership is often out of their budgets. As a result, millennials are willing to pay upwards of \$1,800/month in rent for apartments in Toronto's downtown core.

Figure 6: Millennial Homeownership by Age



Source: Statistics Canada



REALTY PARTNERS LIMITED

Tel: +852 3180 9284

Email: Info@skypointrp.com

www.skypointrp.com

Unit 1506, 100QRC

100 Queens Road Central

Hong Kong SAR

Conclusion

Millennials now make up the largest generation in the Canadian workforce. The impact that millennials will have on not only the real estate industry, but the economy as a whole, cannot be ignored. Understanding how millennials act and the values they hold will be the key to future success in any industry. For the real estate market, the impact millennials are beginning to have is huge as they come to prime home buying age.

Despite being the most educated generation in Canadian history, millennials are facing a tough labour market. Those who are fortunate enough to secure employment are finding saving money to be a challenge. As a result many millennials are choosing to live with their parents well into their twenties. The financial difficulties millennials are facing is forcing many to put off major life decisions such as marriage and children.

So what does this all mean for real estate? The lack of good job prospects and low savings rates are forcing many millennials to rent. In large cities such as Toronto and Vancouver, homeownership is nearly impossible. Average single-detached home prices exceed \$1.2 million in both cities.¹⁹ Yet, recent employment data shows that outside of these two cities, Canada created exactly zero new jobs.²⁰ And therein lies the dilemma facing Canadian millennials – pay exorbitant rent in Vancouver/Toronto or stay unemployed.

There is still plenty of time to watch how the housing market will be impacted by millennials. For the time being, consider this – with new changes to the Canadian mortgage rules, the minimum down payment on the average \$1.2 million home is \$95,000. How many 25 year olds do you know that could afford that?



REALTY PARTNERS LIMITED

Tel: +852 3180 9284

Email: Info@skypointrp.com

www.skypointrp.com

Unit 1506, 100QRC
100 Queens Road Central
Hong Kong SAR

ENDNOTES

1. *Statistics Canada*
2. *"Life, work, and the Emerging Workforce", Abacus Data*
3. *Statistics Canada*
4. *Statistics Canada*
5. *"Life, work, and the Emerging Workforce", Abacus Data*
6. *"Regional Labour Market Report Card", BMO Capital Markets*
7. *"Misunderstood Millennials: Canadian Millennial Do Not Identify With Generational Labels", Mintel*
8. *"National Household Survey, Census 2011", Statistics Canada*
9. *"Misunderstood Millennials: Canadian Millennial Do Not Identify With Generational Labels", Mintel*
10. *CIBC*
11. *"Family Life – Marriage", Government of Canada*
12. *"Housing the Millennial Generation- Trends in the Living Arrangements of Young Adults", MIT*
13. *"National Household Survey, Census 2011", Statistics Canada*
14. *"The Marriage Gap Between Rich and Poor Canadians", Statistics Canada, Institute of Marriage and Family Canada*
15. *"Life, work, and the Emerging Workforce", Abacus Data*
16. *"National Household Survey, Census 2011", Statistics Canada*
17. *"Demographics of Wealth", St. Louis Fed*
18. *"Emerging Trends in Real Estate® 2014", PwC and ULI*
19. *"Housing Market Update", CMHC*
20. *"Regional Labour Market Report Card", BMO Capital Markets*



REALTY PARTNERS LIMITED

Tel: +852 3180 9284

Email: Info@skypointrp.com

www.skypointrp.com

Unit 1506, 100QRC
100 Queens Road Central
Hong Kong SAR



Inspired living in the heart of Toronto's Entertainment District

40 Widmer is located in the heart of Toronto's Entertainment District. A vibrant neighbourhood, the Entertainment District is home to some of the nation's most iconic landmarks including the CN Tower, Rogers Centre, Air Canada Centre, Princess of Wales Theatre, TIFF Bell Lightbox and many more. It is the city's cultural centre for sports, dining, nightlife, and the arts.

We're not making concessions by making a more traditional, suburban-type condo.

OpArt Lofts is located in the Kerr Village neighbourhood of Oakville, one of North America's fastest growing regions. OpArt Lofts features a stunningly modern design consisting of two, eight-storey towers atop a two-storey podium. Designed by the acclaimed firm of Teeple Architects, two white towers spangled with black-framed windows in jaunty patterns reflect the eye-popping Op Art painting style of the 1960s.



About SkyPoint

SkyPoint Realty Partners (SkyPoint) is the first company to bring institutional grade multifamily real estate investments to Asia. SkyPoint was formed to provide Asian investors access to Class A North American multifamily real estate opportunities. SkyPoint combines macroeconomic fundamentals with local in-depth market intelligence to deliver trusted research on current North American real estate trends and opportunities to the international market.



REALTY PARTNERS LIMITED

Tel: +852 3180 9284

Email: Info@skypointrp.com

www.skypointrp.com

Unit 1506, 100QRC

100 Queens Road Central

Hong Kong SAR

This report is provided by SkyPoint Realty Partners Ltd. It is for informational and educational purposes only as of the date of writing, and may not be appropriate for other purposes. The views and opinions expressed may change at any time based on market or other conditions and may not come to pass. This material is not intended to be relied upon as investment advice or recommendations, does not constitute a solicitation to buy or sell securities, mortgages or other investments and should not be considered specific legal, investment or tax advice. The report does not provide material information about the business and affairs of SkyPoint Realty Partners Ltd. and the author is not a spokesperson for SkyPoint Realty Partners Ltd. with respect to its business and affairs. The information contained in this report has been drawn from sources believed to be reliable, but is not guaranteed to be accurate or complete. This report contains economic analysis and views, including about future economic and financial markets performance. These are based on certain assumptions and other factors, and are subject to inherent risks and uncertainties. The actual outcome may be materially different. SkyPoint Realty Partners Ltd. does not represent, warrant or guarantee the accuracy, correctness and completeness of the information. SkyPoint Realty Partners Ltd. and its affiliates and related entities shall not be liable for any errors or omissions in the information, analysis or views contained in this report, or for any loss or damage suffered in reliance upon such information.