A Word from the Economist
QFREB centris.ca
October 2013

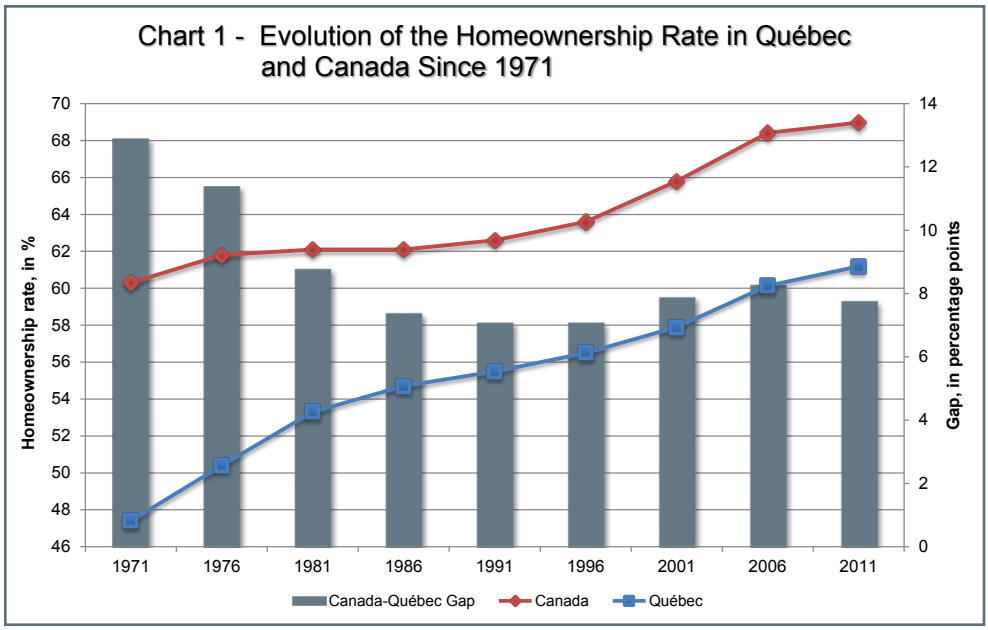
Homeownership Rate Increases in Québec but Remains Well Below the Rest of Canada

Statistics Canada recently released the results of the 2011 National Household Survey, which includes information about the homeownership rate. This rate measures the proportion of homeowner households among total private households. In this document, we will examine its evolution in Québec from 1971 to 2011. This evolution is consistent with that of the main determinants of homeownership.

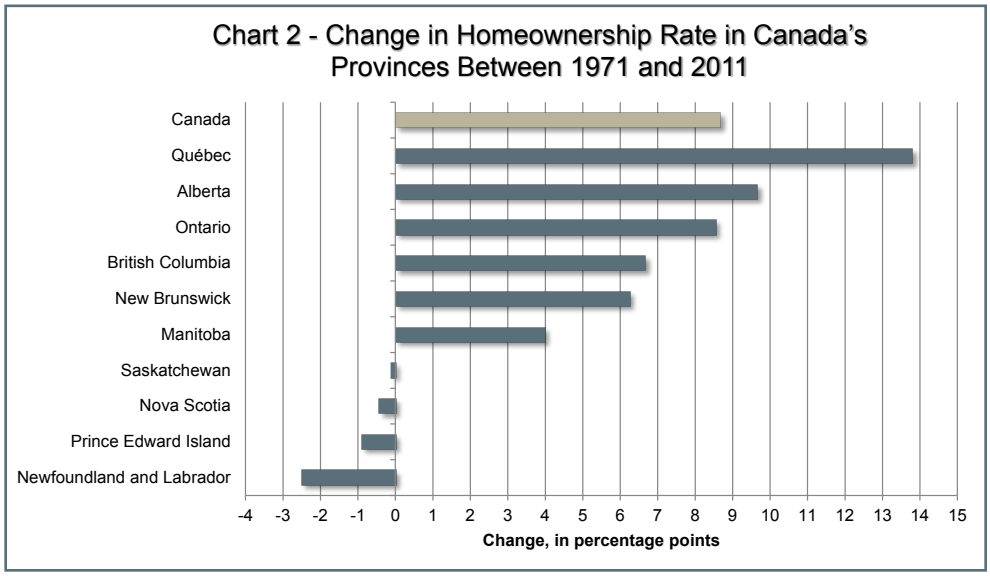
Québec's Homeownership Rate is Rising but Remains the Lowest in Canada

Like the inhabitants in most of Canada's other provinces, a growing proportion of Quebecers became homeowners between 1971 and 2011. The number of households in Québec who rented their dwelling grew from 840,000 in 1971 to more than 1.3 million in 2011, an increase of 55 per cent, while the number of households who owned their dwelling increased from 760,000 in 1971 to nearly 2.1 million in 2011, an increase of 173 per cent. Thus, the homeownership rate in Québec has been steadily rising since the early 1970s, growing from 47.4 per cent in 1971 to 61.2 per cent in 2011 (see chart 1). This represents an increase of almost 14 percentage points, the largest increase among Canada's ten provinces (see chart 2).

The homeownership rate in Québec has been steadily rising since the early 1970s, growing from 47.4 per cent in 1971 to 61.2 per cent in 2011.



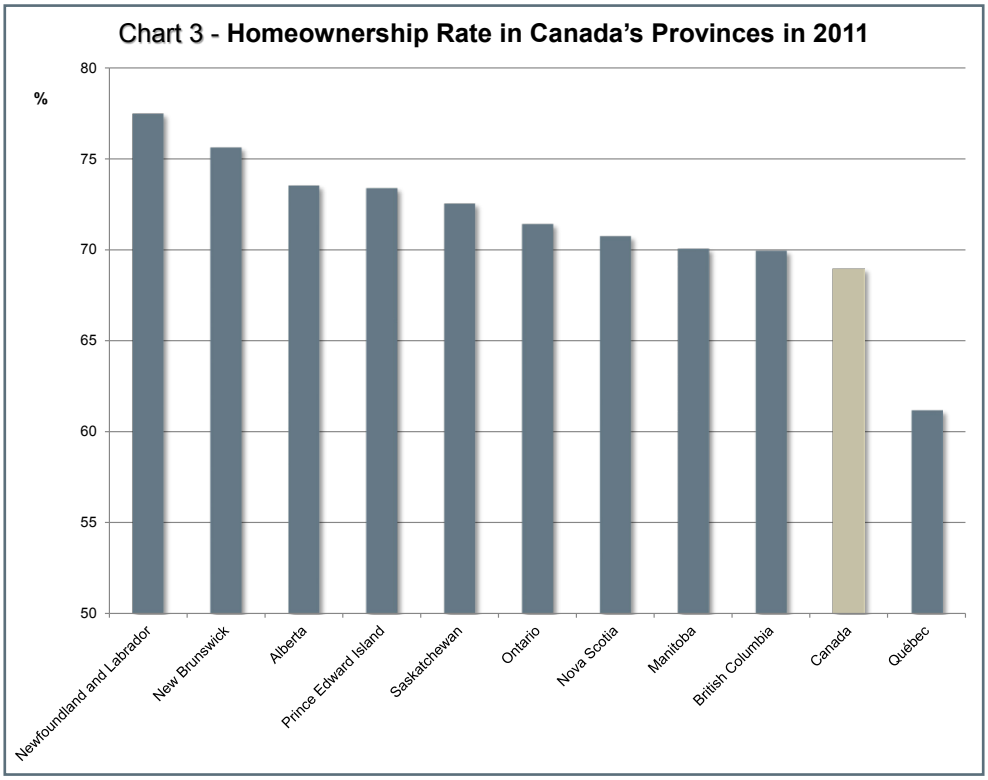
Source: Statistics Canada, 2011 National Household Survey (NHS)



Source: Statistics Canada, 2011 NHS

As a result of this large increase in the number of homeowners, the gap between the homeownership rate in Canada and that in Québec has decreased significantly from approximately 13 percentage points to less than 8 percentage points (see chart 1). Despite this, Québec's homeownership rate remains the lowest among the ten Canadian provinces: while all of the other provinces registered a homeownership rate of at least 70 per cent in 2011, the share of homeowners in Québec was only 61.2 per cent (see chart 3).

The gap between the homeownership rate in Canada and that in Québec has decreased significantly from approximately 13 percentage points to less than 8 percentage points.



Source: Statistique Canada, ENM 2011

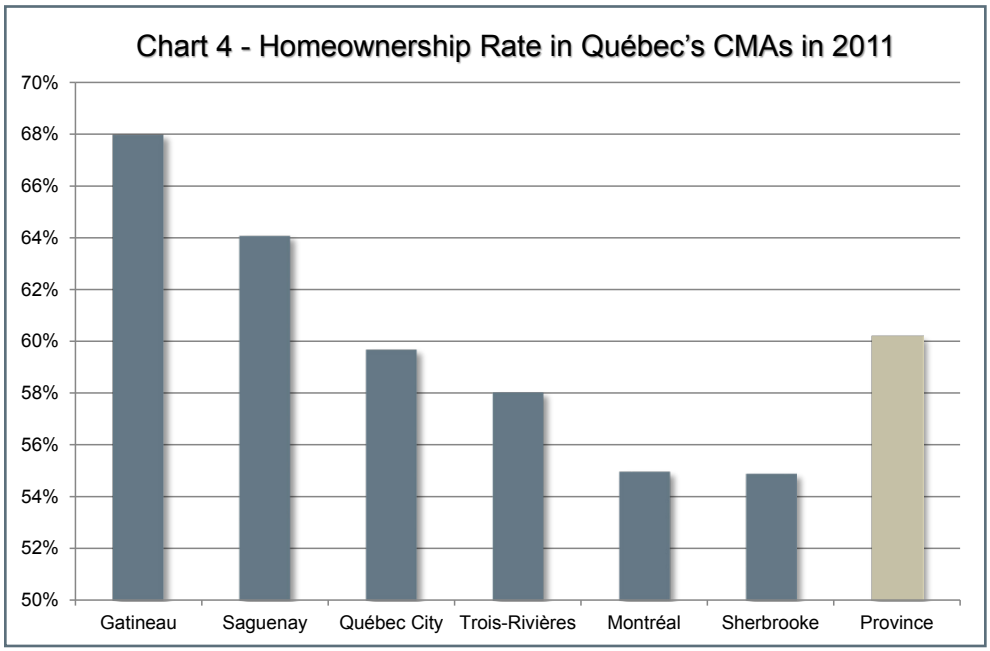
Finally, while the homeownership rate has been constantly evolving in both Québec and Canada since the early 1970s, some intercensal periods were marked by more pronounced increases. In Québec, the largest increase in the homeownership rate took place during the two intercensal periods covering the 1970s, increasing by 3 percentage points between 1971 and 1976 and by 2.9 percentage points between 1976 and 1981. In Canada, the homeownership rate experienced its largest increase in the late 1990s and in the first half of the 2000s, with an increase of 2.2 percentage points between 1996 and 2001 and an increase of 2.6 percentage points between 2001 and 2006. Note that Québec also experienced a particularly rapid increase in homeownership rate between 2001 and 2006, growing by 2.2 percentage points. In the most recent intercensal period, meaning between 2006 and 2011, the homeownership rate registered a more moderate increase in Canada and Québec, at 0.5 and 1.1 percentage points, respectively.

Homeownership Rate in the Province's Census Metropolitan Areas in 2011

Among Québec's six Census Metropolitan Areas (CMAs), Gatineau registered the highest homeownership rate in 2011, as 68 per cent of households owned their dwelling. Gatineau was also the only CMA in the province, along with the Saguenay CMA (64.1 per cent), to register a homeownership rate that was higher than the provincial average of 61.2 per cent. In contrast, the Sherbrooke CMA registered the province's lowest homeownership rate in 2011, with only 54.9 per cent of households owning their dwelling. This was followed closely by the Montréal CMA which posted a similar rate of 55 per cent.

Finally, note that the homeownership rate for all of the province's CMAs combined was 56.8 per cent in 2011, which is lower than the homeownership rate for the province as a whole. This confirms that urban areas usually have a lower homeownership rate than rural areas, which is also the case in the rest of Canada.

Among Québec's six Census Metropolitan Areas (CMAs), Gatineau registered the highest homeownership rate in 2011.



Source: Statistics Canada, 2011 NHS

The Main Determinants of Homeownership

To understand the evolution of the homeownership rate as well as differences across the provinces, it is important to identify the main fundamental factors of homeownership. There are four main socio-demographic factors that have an impact on the evolution of the homeownership rate[1].

First, the homeownership rate is directly influenced by household income. Of course, households with a higher disposable income are more able to save for a down payment and bear the subsequent shelter costs that are generally higher for owners than for renters. Between 1976 and 2011, the median income after taxes[2] rose sharply in Québec and Canada with respective increases of 16 and 26 per cent. This rise in real household income therefore seems to have been a contributing factor to the increased homeownership rate.

Second, the decision to become a homeowner depends on a comparison between the shelter costs of being an owner[3] and the shelter costs of being a renter[4]. This decision that households face can therefore be measured by the ratio between the cost of owning a property and the cost of renting a property. The higher the ratio, the more incentive households have to remain renters; conversely, the smaller the ratio, the more incentive they have to become owners. The ratio between the average monthly shelter costs for households who owned their dwelling and those who rented their dwelling was approximately 137 per cent in 2011 in Québec, but was lower (133 per cent) in the rest of Canada[5], which helps to explain Québec's lower homeownership rate. Note that this high ratio in Québec, despite lower property prices that directly influence homeowners' shelter costs, is mainly due to the fact that changes in rent are controlled by the *Régie du logement*, which limits rent increases. When making a decision about homeownership, Québec households, with all other things being equal, have a greater incentive to remain tenants because of the relatively low price of rents in the province.

When making a decision about homeownership, Québec households, with all other things being equal, have a greater incentive to remain tenants because of the relatively low price of rents in the province.

The decision to become a homeowner also depends heavily on borrowing conditions, since in the vast majority of cases the purchase of a home requires the use of mortgage financing. Low mortgage rates in Canada in the past decades[6] have helped to significantly reduce borrowing constraints that weigh on Canadian households and thereby promote homeownership. Homeownership was also facilitated by the implementation of various government programs. For example, the Canada Mortgage and Housing Corporation's mortgage loan insurance program allowed a greater proportion of Canadians to access mortgage financing thanks to the reduced requirements associated with the initial down payment. Similarly, the adoption of tax measures aimed at encouraging homeownership (such as the Home Buyers' Plan in February 1992) also helped to increase the homeownership rate across Canada. Because borrowing conditions are the same across the country, they do not explain the difference in homeownership rates among the different provinces or regions. However, they can explain Canada's increase in homeownership rate over the past decades.

---

1 Note that there are other determinants of homeownership, including those related to housing supply, but we are focusing on the main determinants related to demand.

2 This refers more specifically to median income after tax for economic families other than seniors, in 2011 constant dollars.

3 These include the mortgage payments, energy costs, insurance, water and other municipal services, property taxes and condominium fees if applicable.

4 These include the monthly rent and energy costs, insurance, water and other municipal services if applicable.

5 Source: Statistics Canada, 2011 National Household Survey, QFREB calculations.

6 For more information on this topic, read our study on the Structural and Cyclical Factors that Explain Low Mortgage Interest Rates (May 2012).

Finally, the homeownership rate is influenced by demographic factors. More specifically, the aging of the population, which has characterized our society's demographic change over the past forty years, is a factor that contributed to the increase in homeownership rate in Canada and particularly in Québec. For several reasons relating specifically to household wealth, the homeownership rate is normally lower among younger households than older households. In 2011, 46.9 per cent of individuals aged under 35 years owned their dwelling in Canada, while this proportion was higher than 70 per cent for each age group over 45 years. With a median age that increased from 25.6 years to 41.5 years between 1971 and 2012 in Québec, and from 26.2 years to 40 years in the same period in Canada, the aging of the population led almost automatically to an increase in the homeownership rate. Note that Québec was particularly affected by an aging of its population, which partly explains the reduced gap with the homeownership rate in Canada.

With a median age that increased from 25.6 years to 41.5 years between 1971 and 2012 in Québec, the aging of the population led almost automatically to an increase in the homeownership rate.

Conclusion

The homeownership rate has risen sharply in Québec and Canada in the past thirty years. This trend is consistent with the evolution of the main determinants of homeownership, which have all favoured a relative increase in the number of homeowners in Canada and Québec. However, despite Québec's faster increase in homeownership rate as compared to the rest of Canada, this rate remains much lower than those observed in Canada's other provinces. Again, this is consistent with the differences in certain determinants of homeownership for Québec and the rest of Canada.

If you have any questions or comments about the content of this article, please contact us by email at: stats@fciq.ca.

This publication is produced by the Market Analysis Department of the QFREB

Paul Cardinal, Manager **Camille Laberge,** Economist **Mathieu Fort,** Analyst

Contact us at: stats@fciq.ca

© 2013 Québec Federation of Real Estate Boards. All rights reserved.

ANNEX
Homeownership Rate in Canada's Provinces Since 1971 (percentage)

	1971	1976	1981	1986	1991	1996	2001	2006	2011	*Change 1971-2011 (in percentage points)*
Newfoundland and Labrador	80.0	80.6	80.6	80.1	78.6	77.1	78.2	78.7	77.5	*-2.5*
New Brunswick	69.4	71.8	73.4	74.2	74.1	73.8	74.5	75.5	75.7	*6.3*
Alberta	63.9	64.8	63.1	61.7	63.9	67.8	70.4	73.1	73.6	*9.7*
Prince Edward Island	74.3	76.6	75.7	74.0	73.6	72.1	73.1	74.1	73.4	*-0.9*
Saskatchewan	72.7	75.5	72.9	70.1	69.9	68.8	70.8	71.8	72.6	*-0.1*
Ontario	62.9	63.6	63.3	63.6	63.7	64.3	67.8	71.0	71.4	*8.5*
Nova Scotia	71.2	72.4	71.5	71.6	70.6	70.4	70.8	72.0	70.8	*-0.4*
Manitoba	66.1	66.4	65.8	65.5	65.8	66.4	67.8	68.9	70.1	*4.0*
British Columbia	63.3	65.3	64.4	62.2	63.8	65.2	66.3	69.7	70.0	*6.7*
Canada	**60.3**	**61.8**	**62.1**	**62.1**	**62.6**	**63.6**	**65.8**	**68.4**	**69.0**	***8.7***
Québec	47.4	50.4	53.3	54.7	55.5	56.5	57.9	60.1	61.2	*13.8*
Canada-Québec Gap (in percentage points)										
	12.9	11.4	8.8	7.4	7.1	7.1	7.9	8.3	7.8	
Intercensal Change (in percentage points)										
Canada		1.5	0.3	0.0	0.5	1.0	2.2	2.6	0.5	
Québec		3.0	2.9	1.4	0.8	1.0	1.4	2.2	1.1	

Source: Statistics Canada, 2011 NHS