

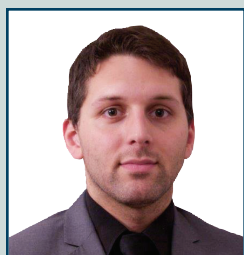
HOUSING MARKET INSIGHT

Gatineau¹

CANADA MORTGAGE AND HOUSING CORPORATION

Date Released: September 2018

"Just like the previous generations, some baby boomer households will leave their property to move into a rental dwelling. While these baby boomers have a lower renter rate than their parents did at the same age, their significant demographic weight will increase demand for rental housing."



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Residential choices of Gatineau area households and impact of baby boomers on rental housing demand

In the housing life cycle, the proportion of renter households tends to decrease as the population ages. This is the case in the Gatineau area, where the renter rate reaches a low point among households aged 50 to 59 and then rises again after they turn 60. This suggests that some households go back to being renters after having been homeowners.

From 1991 to 2016, the renter rate, that is, the proportion of renter households out of all households, declined in the Gatineau area.

While baby boomers have a lower renter rate than their parents did at the same age, their significant demographic weight will maintain and even increase demand growth rate of rental housing.

Between 2006 and 2016, condominium ownership rates rose for most cohorts, indicating a growing demand for this housing type.

Regardless of tenure, the proportion of households aged 55 or older living in houses in the Gatineau area fell to 66% in 2016 from 70% in 2006, to the benefit of apartments.

¹ Quebec part of Ottawa-Gatineau CMA

Introduction

The housing data from the 2016 Census are now available, providing an update on the tenure choices of the various generations in Gatineau. Historically, the proportion of Gatineau area households opting to rent has been relatively high among young households, then decreasing with age and subsequently increasing among households 60 years and older. This suggests that some households go back to being renters after having been homeowners, as they seek to reduce the size of their home in particular. Baby boomers are in fact now getting to that age, and a change in the proportions of

homeowner and renter households of this generation will have an impact on the composition of demand in the area. This certainty results from the demographic weight of this generation. Given the sheer size of the baby boomer cohort, even a small fluctuation in the proportions of homeowner and renter households in this age group can have a major impact on rental housing demand.

This issue of *Housing Market Insight* will identify the tenure choices of the different cohorts (see the box for definitions of the concepts) as their members turn 60 years old, present the changes in these cohorts over the last 20 years and estimate

future demand considering various uncertainty factors. To determine the changes in household tenure choices in the Gatineau area, we analyzed household data from Statistics Canada for the census years from 1991 to 2016¹. The data were grouped by cohort and by age group.

Methodology

Based on the definitions set out in the box, households can be grouped by 10-year intervals, according to their birth year, in order to observe any changes. As shown in figure 1, the first cohort of parents of baby boomers falls in the 0 to 9 years age group during the period from 1927 to 1936. In the

Demographic concepts

To perform a clear analysis of the demographic data, it is necessary to understand and distinguish certain basic concepts. This analysis makes use of three reference concepts: household, age group and cohort.

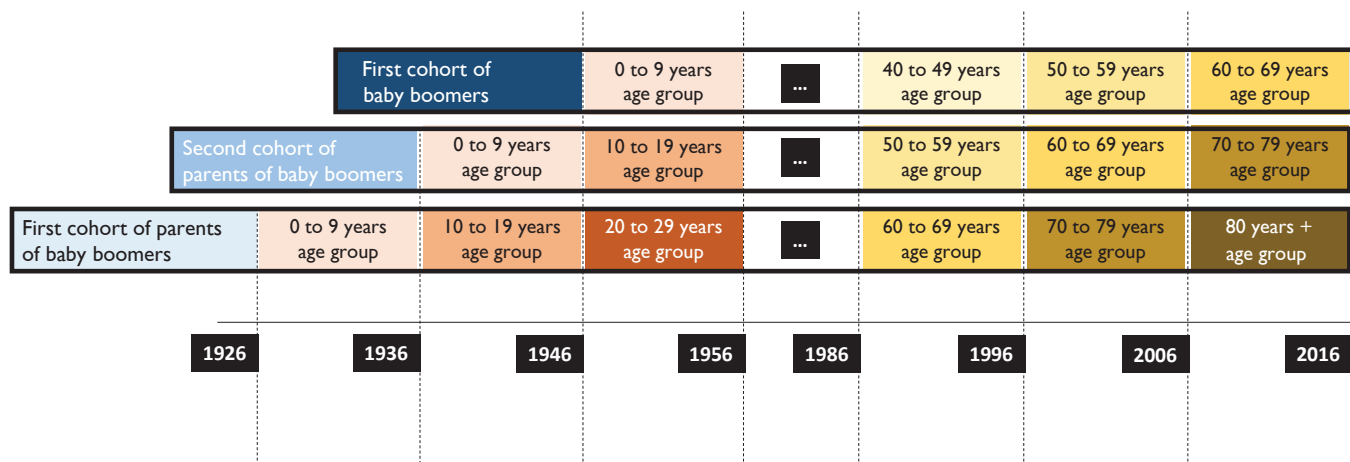
a) Household: a person living alone or a group of persons occupying the same dwelling.

b) Age group: classification of households based on the age of the primary household maintainer at the time of the Census.

c) Cohort: a group of households banded together based on their birth year and tracked from census to census as they age. This makes it possible to track the changes in household tenure choices². Certain cohorts together form a generation.

Figure 1

Cohorts by 10-year intervals, according to age and census year, 1926 to 2016



Source: CMHC.

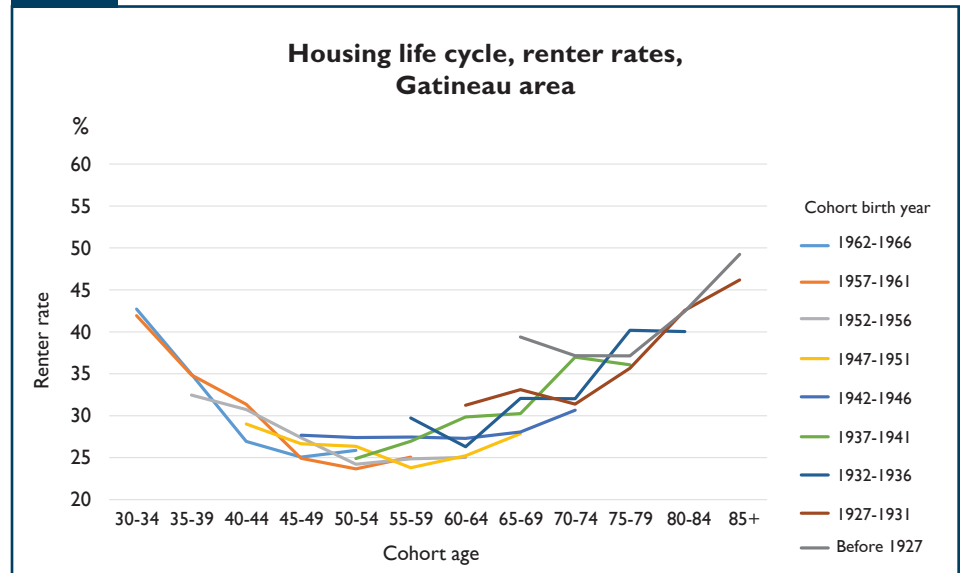
following decade (from 1937 to 1946), this cohort has aged by 10 years and then falls in the 10 to 19 years age group—and so on for this and the following cohorts.

An analysis of this demographic aspect allows us to track the changes in the household tenure choices of the various cohorts over a given period of their lives. Going back to figure 1, we could use the 2006 and 2016 census data to measure the change in the rate of renter households for the second cohort of parents of baby boomers having turned 70 years old (70 to 79 years age group in 2016). We could not, however, measure this change for the first cohort of baby boomers, as they were still too young. We would have to wait another decade before we could observe the change in the renter rate for this cohort.

Changes in renter rates by cohort and by unit type

From 1991 to 2016, the renter rate, that is, the proportion of renter households out of all households, declined in the Gatineau area, falling from 40% to 34%³. This phenomenon is not exclusive to the Gatineau area. Conversely, the rate of homeowner households has increased. The rise in homeownership resulted from a pan-Canadian environment where demand

Figure 2



Sources: Statistics Canada, Census, 1991 to 2016, and National Household Survey (NHS), 2011; CMHC, compilation and calculations.

was supported by a number of factors—both cyclical (improvement of the job market, growth in salaries for young workers, expansion of the retirement income system, downward trend in interest rates and increase in accessibility to mortgages)⁴ and structural (changes in the composition of the population).⁵ More recent generations typically have lower proportions of renters than earlier generations did at the same age.⁶ As a result, the low point of the renter rate curve has decreased from one generation to the next, while the high point of the homeowner

rate curve has increased. The renter rate has been at its lowest—and the homeowner rate, at its highest—in the 50 to 59 years age group.

In figure 2, the renter rate curves of nine cohorts, for the census years from 1991 to 2016, were superimposed according to their age groups in order to represent the housing life cycle of the Gatineau area population. As can be seen, the renter rates decline until they hit a low point at about 60 years old. After having been homeowners, some households choose to become renters



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again. In other words, these households go back to renting, and a rise in the renter rates can be observed.

The cohort born during the period from 1947 to 1956 (first baby boomers) saw its renter rate increase after its members turned 60, just like the previous cohort born during the period from 1937 to 1946 (parents of baby boomers) (see figure 3). The phenomenon continues after households turn 70, as the renter rate of the cohort born during the period from 1937 to 1946 (parents of baby boomers) keeps rising, just like that of the previous cohort born during the period from 1927 to 1936 (see figure 4).⁷

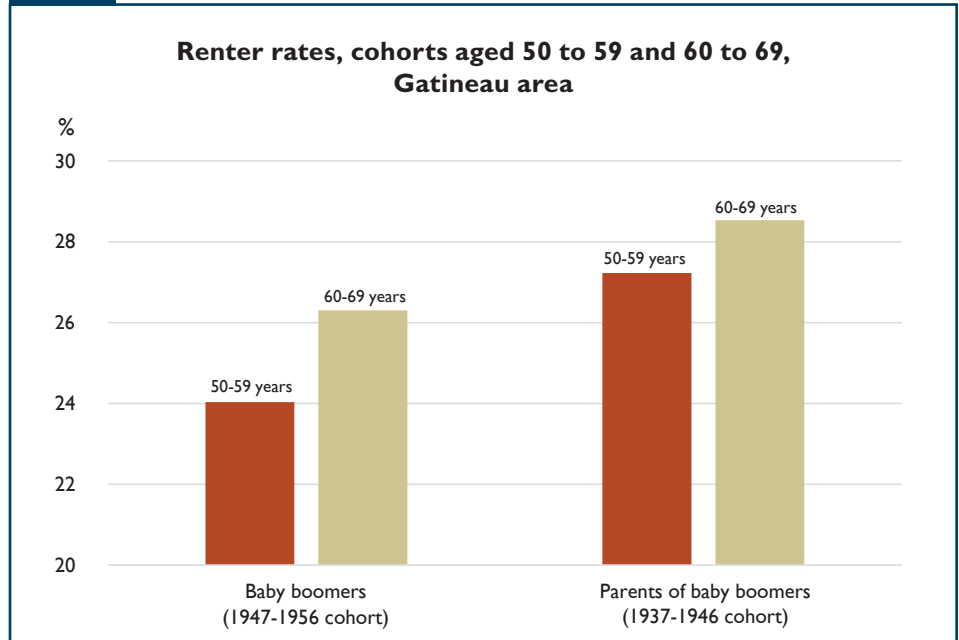
The return to renting was not the only tenure change observed among older households. Some homeowner households (who owned single-detached, semi-detached, row or other types of houses) remained owners but sold their house to buy a condominium. Between 2006 and 2016, the condominium ownership rates rose for most cohorts, indicating a growing demand for this housing type (see figure 5). The increases were more significant for the cohort born during the period from 1942 to 1951 (aged 65 to 74 in 2016) and the previous one (aged 75 to 84 in 2016).

The return to renting for some homeowner households and the move to condominium ownership for others reflect a desire among some aging households to want to live in a smaller home (downsizing). Regardless of tenure, the proportion of households aged 55 or older living in houses⁸ in the Gatineau area fell to 66% in 2016 from 70% in 2006, to the benefit of apartments.⁹

Future demand (2016-2021)

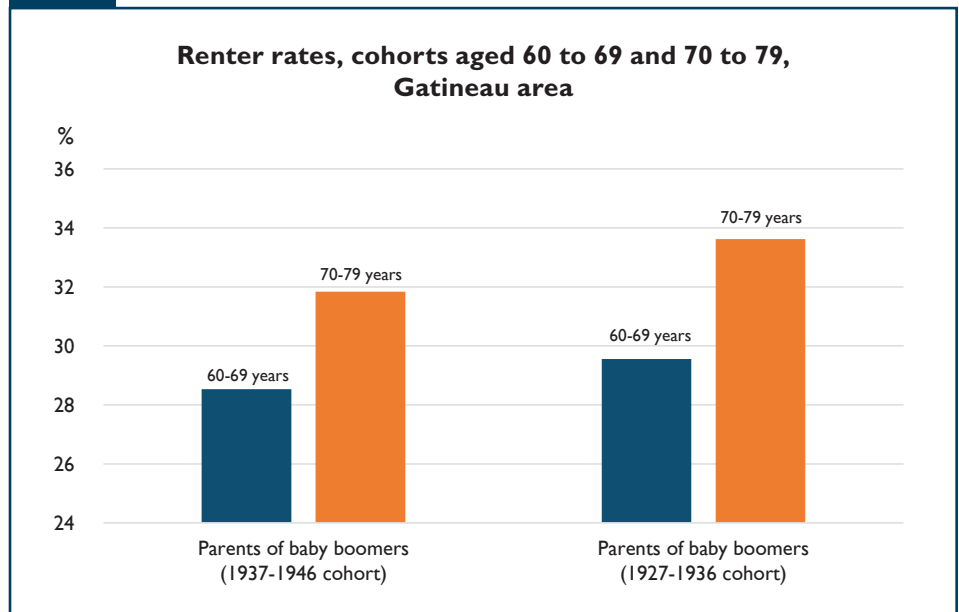
The return to renting of homeowner households has remained a reality from generation to generation. However, the low point of the renter

Figure 3



Sources: Statistics Canada, Census, 1991 to 2016, and National Household Survey (NHS), 2011; CMHC, compilation and calculations.

Figure 4



Sources: Statistics Canada, Census, 1991 to 2016, and National Household Survey (NHS), 2011; CMHC, compilation and calculations.

rate curve (which occurs in the 50 to 59 years age group) has decreased from one generation to the next. As they age, generations turning 60 years old have therefore had lower renter rates—and higher homeowner rates—than the previous generations, despite the return to renting of

homeowner households. Still, the cohort of baby boomers who will be turning 60 over the coming years will result in an increase in rental housing demand because of its size.

To estimate the future renter rates by cohort, the change in the rate observed in the following cohort closest in age to the one under review was applied to the current rate, taking for granted that the change between 2016 and 2021 will be the same as that between 2011 and 2016¹⁰. For example, the renter rate for the cohort aged 60 to 64 was 25% in 2016. The data from 2016 show us that the renter rate rose by 3 percentage points for the following cohort when its members moved from the 60 to 64 years age group to the 65 to 69 years age group. A 28% rate will therefore be applied for the 60 to 64 years cohort that will move to the 65 to 69 years cohort in 2021.

Applying this methodology, the renter rate among households aged 60 or older should decrease¹¹ between 2016 and 2021. Even though there will be proportionally fewer renter households aged 60 or older than previously, they will still have a positive impact on demand for rental housing. In fact, a large cohort of baby boomers will be turning 60¹² during the period from 2016 to 2021, such that both the number of homeowners and the number of renters will increase.

Conversely, the demographic weight of households under 60 is decreasing, which limited the impact of the increase in the renter rate of younger households observed between 2011 and 2016. As such, households under 60 may be proportionally more renters than households aged 60 or older, but this may be not reflected in the rate of growth in the number of renter households.

If these conditions are met, the growth in renter households between 2016 and 2021 could easily exceed the growth observed between 2011 and 2016, which represented an addition of about 5,000 households. The increase would be primarily supported by households aged 60 or older.

As for homeowner demand, the increase in the renter rate (and decrease in the homeowner rate)

Figure 5



Sources: Statistics Canada, Census, 1991 to 2016, and National Household Survey (NHS), 2011; CMHC, compilation and calculations.

among young households will result in a decline in the number of new homeowner households under 60. However, this decline would be totally offset by the growth in the number of new homeowner households aged 60 or older. Based on the original assumptions, the rate of growth in homeowner households for the period from 2016 to 2021 will be similar to that for the previous period, which represented about 3,600 households.

Two main uncertainty factors remain for rental housing demand: the growth in the renter rate among young households and the rate of condominium ownership. First, rental housing demand is effectively sensitive to changes in the renter rate of young households. If this rate is lower than expected, this will cause the number of renters under 60 to decrease and the total number of renter households to increase less significantly. Second, the growing popularity of condominiums could moderate the return to renting of households aged 60 or older wishing to downsize but remain owners.

In fact, these households could opt for a condominium rather than a rental dwelling. If either of these two uncertainty factors persist, this could limit the overall demand for rental housing.

Conclusion

After reaching a low point when households are in their fifties, the renter rate starts rising again after they turn 60. In fact, some households from the first cohort of baby boomers and their parents have opted to rent. This suggests that a good number of households return to the rental market. The second cohort of baby boomers will be progressively turning 60 over the next 10 years, and the trend indicates that many of them will go back to renting, as well. While these baby boomers have a lower renter rate than their parents did at the same age, their significant demographic weight will maintain and even increase demand growth rate of rental housing.

ENDNOTES

- ¹ The 2011 Census was replaced by the National Household Survey (NHS).
- ² Hou, Feng, Homeownership over the Life Course of Canadians: Evidence from Canadian Censuses of Population, Statistics Canada, Social Analysis Division, Catalogue no. 11F0019M, No. 325, June 2010.
- ³ Statistics Canada, Census, 1991 to 2016.
- ⁴ Hou, Feng, June 2010. Op. cit.
- ⁵ CMHC, "Demographic Change and the National Rate of Homeownership, 2001 to 2006," Research Highlight, Socio-economic Series 13-010, December 2013.
- ⁶ A strong increase in the renter rate of young people aged 20 to 39 was however observed between 2011 and 2016.
- ⁷ While migration flows may have an impact on the increase in renter rates, this impact seems negligible. Neither the exodus of retirement age households nor the migration inflow of renter households is sufficient to account for the rise in renter rates among households aged 60 or older.
- ⁸ Single-detached, semi-detached, row or other attached houses.
- ⁹ In the Gatineau area, about 80% of houses have three or more bedrooms, while 80% of apartments have two or fewer bedrooms, according to data from the Statistics Canada 2016 Census.
- ¹⁰ Hou, Feng, June 2010. Op. cit.
- ¹¹ This rate should be less than 29%.
- ¹² Households aged 60 or older accounted for 29% of all households in 2016; this proportion should rise to 34 % in 2021. Source: Institut de la statistique du Québec (Perspectives démographiques du Québec et des régions), reference scenario.

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