HOUSING MARKET INFORMATION

HOUSING MARKET INSIGHT

Gatineau[1]

CANADA MORTGAGE AND HOUSING CORPORATION

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"During the 1990s, houses (single-detached, semi-detached and row homes) accounted for most of the dwellings built in the Gatineau area. In the late 1990s, though, the share of houses began declining to the point where they now represent less than 50% of housing starts, to the benefit of apartments."

Lukas Jasmin-Tucci
Economist

Trends in residential construction in the Gatineau area[1] since 1990

- *Over the long term, housing starts in the Gatineau area have kept pace with population growth. Changes have however been observed in the proportions of starts of apartments and houses, which follow their own trends.*
- *During the 1990s, houses accounted for about 80% of the housing starts in the Gatineau area. The proportion declined to the point where, since 2016, they have represented less than 50% of housing starts, to the benefit of apartments.*
- *This change was even more pronounced in Aylmer. Between the last two censuses, the proportion of households living in apartments there rose from 20% to 27%. In the rest of the metropolitan area, this share remained stable at 37%.*
- *This transformation resulted from a range of factors. For one thing, the greater proportion of apartment starts may have met a need for more affordable units as well as a need for dwellings for aging households. For another, the City of Gatineau urban densification policy directions may have contributed to the increase in apartment construction.*

[1] Quebec part of Ottawa-Gatineau CMA

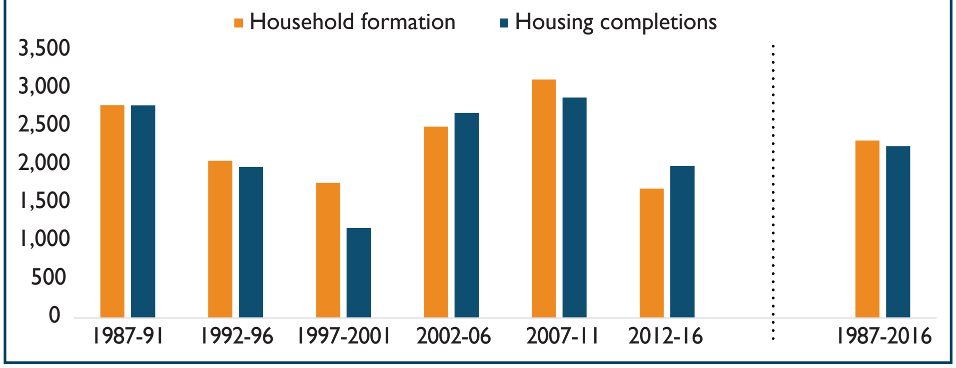
Total residential construction varies with household formation

Residential construction in the Gatineau area, measured by the number of housing starts, fluctuates annually depending on various factors. In the short term, the costs of materials, borrowing (interest rates) and land as well as fluctuations in demand can cause the number of housing starts to vary relative to the previous year. In the long term, population growth is rather what dictates the need for new residential units. By definition, each household occupies a unit and, as such, the number of new units in a market should be close to household formation, that is, the net increase in the number of households.[2] From one census to the next, housing completions[3] in the Gatineau area have tended to fluctuate more or less in line with the pace of household formation, but the relationship is confirmed over the long term. In fact, for the 30-year period from 1987 to 2016, annual net household formation in the Gatineau area averaged at about 2,300, or practically the same level as completions (see figure 1).

Beyond these fluctuations, changes are also observed in the proportions of starts of the various types of units, which follow their own trends. Total housing starts can be disaggregated by housing type (apartments and houses)[4] and by intended market (freehold, condominium and rental).[5] This *Housing Market Insight* issue will explore the composition of residential construction (by housing type) in the Gatineau area over the last 30 years, its transformation, the impact of the changes on housing supply and the factors that may have contributed to these changes.

Figure 1

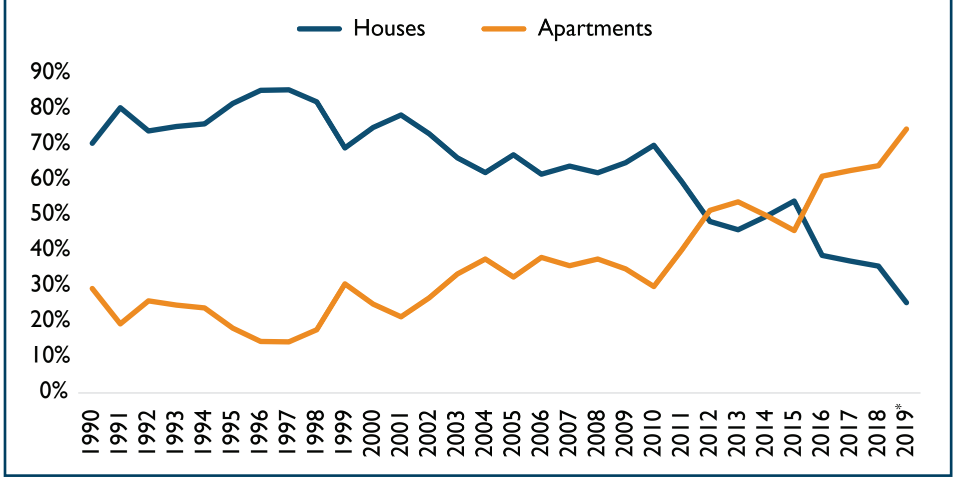
Housing completions and household formation in the Gatineau area – annual averages



Sources: CMHC, Starts and Completions Survey; Statistics Canada, Census

Figure 2

Proportions of starts by housing type in the Gatineau area



Source: CMHC, Starts and Completions Survey

* First half of 2019

Composition of housing starts changes in Gatineau

Over the last two decades, the composition of housing starts has transformed. During most of the 1990s, houses accounted for most of the starts in the Gatineau area, with a share of about 80%. Beginning in 1998, starts of houses stagnated, while apartment starts grew, which led to a drop in the proportion of new houses. Despite this shift to another type of construction, houses still represented the majority of starts, with nearly 70%. In the 2010s, the rate of starts slowed down, as fewer new houses got under way while apartment construction remained stable. Starts of houses declined to the point where, since 2016, they have accounted for less than 50% of housing starts, to the benefit of apartments (see figure 2).

Intense construction in Aylmer

This change was even more pronounced in certain central sectors of the area,[6] particularly Aylmer. The share of starts of houses there fell from 90% in 2005 to 19% in 2018. While Aylmer accounts for less than 20% of the population in the metropolitan area, 5,554 apartments have been started in this geographic sector since 2010—more than in the entire rest of the area (5,133 units) (see figure 3). This trend was especially significant in Le Plateau, a booming neighbourhood. The intense construction initially led to a high inventory of unsold new condominiums, but the numbers have been falling since 2015, as has the rental housing vacancy rate. This suggests that the development of this neighbourhood ultimately met a need.

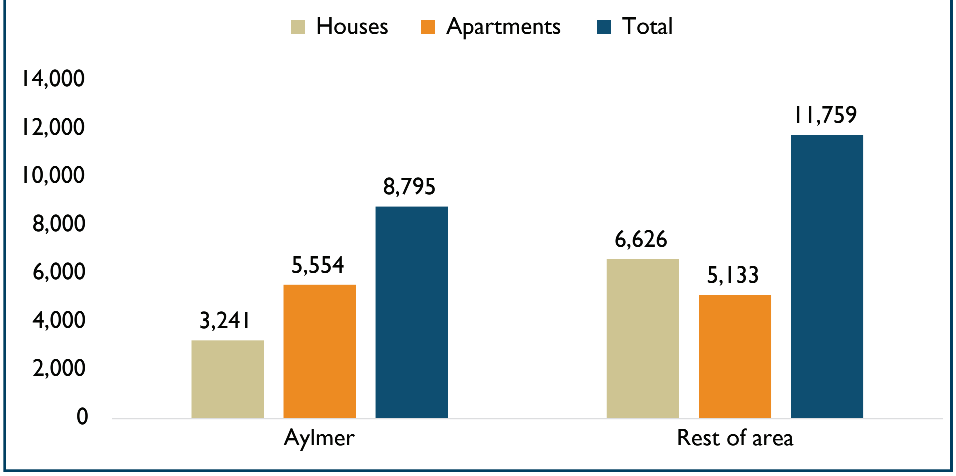
This transition in the new home market was sufficiently significant to change the composition of the housing stock in Aylmer, where the population is smaller and the proportion of households living in apartments was low. In the early 2010s,[7] 4,300 (20%) out of 21,000 households lived in apartments (rental or condominium). In 2016, following considerable apartment construction and the development of new neighbourhoods, 6,850 households (27%) lived in apartments in Aylmer, and this trend has likely continued until now. In the rest of the area, 37% of households lived in apartments in 2011, and this proportion remained the same in 2016.

Demographic and urban changes as explanatory factors

This transformation, which began around 1998, resulted from a range of factors. First, on the demographic front, the need for new housing units has particularly increased in Gatineau in recent years. This is the census metropolitan area (CMA) with the strongest population growth in Quebec.[8] This demographic growth supported demand for apartments, partly because of the distribution of this growth. Gatineau has the highest rate of household growth for both younger and older age groups out of Quebec's CMAs.[9] The aging population and young people represent the two main sources of demand for apartments.

Figure 3

Total starts from 2010 to 2019* by housing type and by geographic sector of the Gatineau area



Source: CMHC, Starts and Completions Survey
* First half of 2019

Historically, the proportion of young households opting to rent has been high, and most rental units are apartments.[10] In addition, there is a tendency among some households aged 60 or older to choose rental or condominium housing.[11] Household composition has also changed during this period. In the early 2000s, people living alone represented 26% of households, while they now account for 31% of households,[12] which has increased the need for smaller units.

As well, the greater number of apartments may be meeting a need for affordable dwellings. At the same time in the early 2000s, housing prices were becoming less affordable[13] in the Gatineau area, which may have encouraged homebuyers to turn to less costly options including condominiums, which were about 30% less expensive than single-family houses.[14]

Finally, the land use and development plan of the Communauté urbaine de l'Outaouais came into force in 2000. The policy directions of this plan included an objective to increase density in urban cores and along public transit corridors. The merger of the municipalities of Aylmer, Hull, Gatineau, Masson-Angers and Buckingham in 2002 contributed to the standardization of regulations across the new city of Gatineau, which boosted densification.

The development of the new Le Plateau neighbourhood was particularly accelerated by this recent centralization, as this area is partly in the Aylmer sector and partly in the

Hull sector. The integration of this entire neighbourhood within the urban perimeter and the introduction of the urban village concept (which allows for the establishment of construction density targets) encouraged construction in the western part of Le Plateau (the part in Aylmer). Bordered by two employment hubs, the neighbourhood then gained in accessibility with a major road infrastructure project completed in 2007, namely, the Boulevard des Allumettières.

Conclusion

According to ISQ projections, household formation should slow down over the coming decade, which will reduce the need for new dwellings. However, this will not be the case for all age groups, since households aged 60 or older will still be on the rise, and the aging of the population should support demand for apartments. Rental housing demand should keep growing over the coming years, fuelled mainly by the significant cohort of baby boomers who will be turning 60, as some of them will be leaving their properties to move into rental dwellings. Given the growing popularity of condominiums, as well, the construction of rental and condominium apartments should continue to be supported over the coming years. The urban densification objective will also contribute to maintaining a high proportion of apartments among housing starts.

The construction of apartments in Aylmer and, especially, the development of new neighbourhoods have transformed the composition of the housing stock. However, in the more populous sectors, such as Gatineau and Hull, new apartments have lesser impact on the overall housing stock. For this reason, it is unlikely that the proportions of households living in apartments will rise as much in the Hull and Gatineau sectors, if the current pace of construction is maintained. Still, apartments account for a growing share of total housing starts in the central sectors. It therefore remains to be seen if this additional supply will meet the future needs of households, particularly on the rental market where vacancy rates are currently low and newer dwellings have higher rents on average.[15]

ENDNOTES

[2] The housing stock can also grow with the conversion of non-residential buildings into dwellings or the addition of dwellings in existing buildings.

[3] Completions are used instead of starts to measure the growth in supply, since some construction projects that got under way might be delayed or abandoned.

[4] Apartments include stacked townhouses, duplexes, triplexes, double duplexes and row duplexes, while houses comprise single-detached, semi-detached and row homes.

[5] Dwellings intended for the condominium and rental markets are generally apartments. Houses are typically intended for the freehold home market (a freehold unit is a residence where the owner owns the dwelling and lot outright).

[6] Aylmer, Hull and Gatineau.

[7] Data from Statistics Canada, National Household Survey, 2011.

[8] Growth of 16% between 2006 and 2018. Source: Institut de la statistique du Québec (ISQ), population estimates for Quebec CMAs.

[9] Between 2006 and 2018, the growth rates were 8% among people aged 0 to 34, 5% among those aged 35 to 59 and 70% among those aged 60 or older. Source: ISQ, population estimates for Quebec CMAs.

[10] In the Gatineau area, 52% of households aged from 15 to 34 lived in an apartment. Source: Statistics Canada, Census, 2016.

[11] CMHC, "Residential choices of Gatineau area households and impact of baby boomers on rental housing demand," 2018.

[12] Statistics Canada, Census, 2001 and 2016.

[13] From 2001 to 2008. Based on the ratio of monthly mortgage payment (25-year amortization, 20% down payment, median prices of single-family houses and condominiums, posted five-year mortgage rate compounded semi-annually) to median salary for the Quebec part of the Ottawa-Gatineau CMA. Sources: Quebec Federation of Real Estate Boards (QFREB) for median prices, Statistics Canada for median salaries and Bank of Canada for mortgage rates.

[14] From 2000 to 2018. Source: QFREB through the Centris® system.

[15] In 2018, the average monthly rent for two-bedroom apartments built in 2005 or after was $950, compared to less than $800 for apartments in structures built before 2005.

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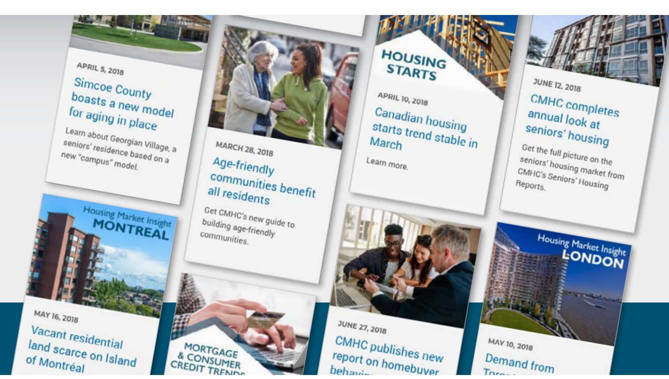

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