



Potential Housing Demand Projections

Introduction

The housing sector is a major contributor to the economy. What is the long-term outlook for housing demand? What factors will shape it? How will the composition of housing demand change over time? These questions are explored in this issue of *Research and Development Highlights*.

Background

Demographic changes are crucial in determining the level, composition and location of housing demand. Changes in the size and characteristic of the population ultimately affect the type and quantity of housing required. Recognizing the link between population change and housing demand, CMHC has developed potential housing demand projections for Canada and the provinces covering the period 1986 to 2011.

Potential housing demand refers to the projected annual increase in the total number of households (projected net household formation). While other factors — such as replacement of units lost from the housing stock and allowance for a normal level of vacant units — affect the requirement for new dwelling units, growth in the number of households is typically the major source of demand for new units.

Findings

The Base Projection

CMHC's base projection indicates that potential housing demand will be strong and stable through 1996, after which it will fall. An aging population is the main reason for the projected long-term decline in demand; an increase in deaths and a reduction in births will result in decreasing population growth.

Despite the long-term drop, potential demand will consistently exceed the 1981-86 annual average of 142,000, but will not reach the high levels of the 1970s, when the number of households increased by well over 200,000 per year.

Average Annual Potential Housing Demand — Base Projection

Projection	1986- 1991	1991- 1996	1996- 2001	2001- 2006	2006-2011
Base	192,800	195,700	184,100	175,300	168,300

Effects of Immigration

Immigration levels during the next 20 years will have a major impact on potential housing demand. Between 1976 and 1986, immigration to Canada averaged just under 110,000 people per year. Today, it is nearly double that (212,000 in 1990), and the government's immigration plan calls for further increases to 250,000 annually from 1992 through 1995. The base projection described above assumes that immigration will equal the target levels set out in the government's plan and that the peak level of 250,000 will be maintained until the end of the projection period. What would be the effect on potential housing demand if the inflow of immigrants were higher or lower than envisaged in the plan?

Two alternatives were tested:

- a low assumption, that is to say a constant annual inflow of 200,000 immigrants;
- a high assumption, featuring a rise in immigration beyond planned totals to 300,000 per year.

The low projection shows continuously declining potential housing demand. In contrast, the high immigration projection postpones the decline in demand until the turn of the century, with annual demand in 2006-11 not appreciably lower than in 1986-91.

**Average Annual Potential Housing Demand –
Low & High Immigration**

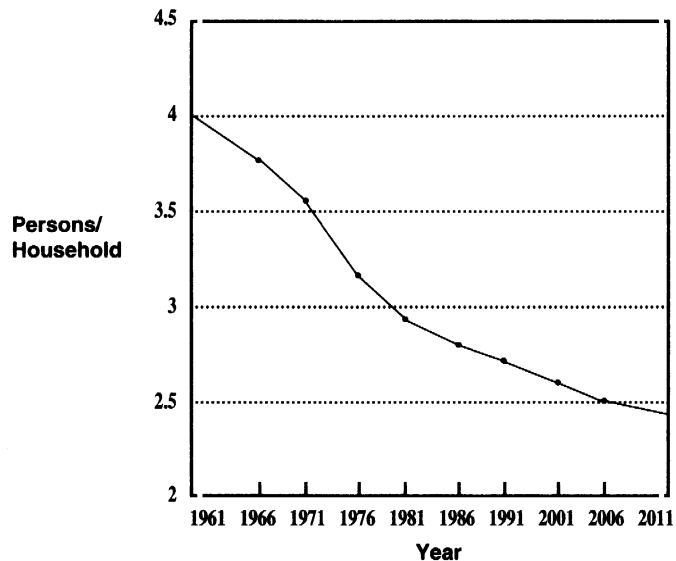
Projection	1986-1991	1991-1996	1996-2001	2001-2006	2006-2011
Low 1mm.	192,200	178,600	163,200	152,500	144,200
High 1mm.	192,800	201,100	202,900	196,900	191,600

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Average Household Size

Average household size will continue to shrink, although not as rapidly as in the past. Between 1961 and 1986, the size of the average Canadian household dropped from 4 to 2.8 persons. Explanations for the drop include increased affluence, rising female participation in the labour force, rising divorce rates, delayed marriages and an increased likelihood of remaining single. According to the base projection, average household size will drop to just under 2.5 in 2011.

**Average Household Size
Canada, 1961 -2011
Base Projection**



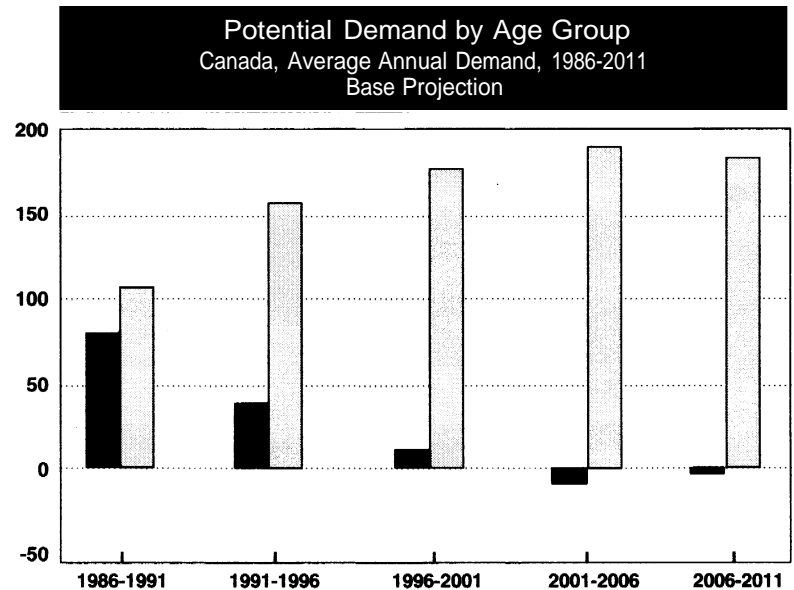
Demand by Household Type

Base projection results suggest that a decreasing fraction of potential demand will come from traditional family households. The rising contribution of non-family households to potential housing demand is largely the result of aging of the population, which will move the age distribution of the population away from prime family-forming age groups. The majority of these non-family households will be composed of individuals living alone.

Demand by Household Type – Base Projection (% of total demand)					
Household Type	1986-1991	1991-1996	1996-2001	2001-2006	2006-2011
Family	132,000 (68.5%)	131,400 (67.1%)	118,500 (64.4%)	107,500 (61.3%)	96,900 (57.6%)
Non-family	60,700 (31.5%)	64,400 (32.9%)	65,600 (35.6%)	67,800 (38.7%)	71,400 (42.4%)

Demand by Age Group

Because the population is aging, potential housing demand will come increasingly from households headed by those aged 45 and over. In fact, after the turn of the century, the number of households headed by those under 45 will decline in absolute terms.



Demand by Tenure

The base projection indicates that the share of demand coming from owner households will rise, level off and finally drop. The pattern reflects the combined influences of the build-up of non-family households described above, as well as an aging population. Non-family households are more likely to rent than family households, and although the propensity to own generally increases with age, it drops off slightly in age groups above 65.

Demand by Tenure – Base Projection (% of total demand)					
Tenure	1986-1991	1991-1996	1996-2001	2001-2006	2006-2011
Owner	126,200 (65.5%)	133,200 (68.1%)	124,400 (67.5%)	114,700 (65.4%)	105,800 (62.8%)
Renter	66,500 (34.5%)	62,500 (31.9%)	59,700 (32.5%)	60,600 (34.6%)	62,500 (37.2%)

This research highlight summarizes some of the findings from *Potential Housing Demand Projections: Canada and the Provinces 1986-2011*, a study completed by the Research Division of CMHC. You can obtain a copy of this report by contacting the Canadian Housing Information Centre at (613) 748-2367. Any questions about the contents of this highlight may be directed to Roger Lewis, Researcher, Housing Requirements, at (613) 748-2797.

The Research and International Affairs Directorate of CMHC carries out and finances a broad range of research on the social, economic and technical aspects of housing. This CMHC *Research and Development Highlight* is one of a series intended to briefly inform you of the nature and scope of these activities.

For more information on CMHC housing research, contact:

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