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The Next Generation in Canadian Housing

GENERATION Z TRENDS REPORT

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COVER: MLS# A1146701

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Disclaimer

The information contained in this report references survey results, plus market data from MLS boards across Canada. Sotheby's International Realty Canada cautions that MLS market data can be useful in establishing trends over time, but does not indicate actual prices in widely divergent neighborhoods or account for price differentials within local markets. This report is published for general information only and not to be relied upon in any way. Although high standards have been used in the preparation of the information and analysis presented in this report, no responsibility or liability whatsoever can be accepted by Sotheby's International Realty Canada, Sotheby's International Realty Affiliates or Mustel Group for any loss or damage resulting from any use of, reliance on, or reference to the contents of this document.

Acknowledgements

MUSTEL GROUP

Mustel Group has been a leading market research and public opinion research firm in Canada for more than 30 years, trusted by a wide range of the country's most esteemed public and private sector institutions to design and conduct qualitative research, quantitative research and omnibus surveys in order to understand the thoughts and motivations underlying peoples' emotions, opinions and behaviours.

SOTHEBY'S INTERNATIONAL REALTY CANADA

Sotheby's International Realty Canada is the leading international real estate sales and marketing company for the country's most exceptional properties. With offices in 32 residential and resort markets nationwide, and a global affiliate network of over 1,000 offices in over 71 countries and territories, the company showcases every property it represents, regardless of neighbourhood or price point, on a premier, global digital and publications network.



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Introduction¹

Sotheby's International Realty Canada releases a series of reports that capture real estate data and consumer trends across the country's key metropolitan markets.

This Mustel Group and Sotheby's International Realty Canada report is the country's first in-depth study of the housing intentions, aspirations and preferences of Generation Z, a demographic that despite varying definitions of its current age bracket, has been defined by Statistics Canada as those born between 1993 and 2011.

The Next Generation in Canadian Housing: Generation Z Trends Report is the first in a multi-report series revealing the survey's in-depth findings, is based on a survey of 1,502² Generation Z Canadians who are over the age of majority and between the ages of 18 and 28 in the Vancouver, Calgary, Toronto and Montréal Census Metropolitan Areas.

The report is based on findings from a survey employing an online methodology. The panel is maintained to be representative of the Canadian population and provide high quality data. Panelists are recruited by a double opt-in method from large databases of reputable channels using industry standards of panel quality assurance, validation, verification and best practices for panel management. The sample was weighted to match Statistics Canada census data on the basis of age, household income and home ownership within each CMA and to bring the total sample into proper proportion based on relative populations.

While margins of error only apply to random probability samples, the margin of error on a random probability sample of 1,502 respondents is 2.5 percentage points, 19 times out of 20, and ranges from 4.5 to 5.4 points for 325 - 476 respondents).

Data for this report series was gathered from October 25 to November 10, 2021. Please note that percentages cited may not add to 100% due to rounding.



1. The information contained in this report references survey results, plus market data from MLS boards across Canada. Sotheby's International Realty Canada cautions that MLS market data can be useful in establishing trends over time, but does not indicate actual prices in widely divergent neighborhoods or account for price differentials within local markets. This report is published for general information only and not to be relied upon in any way. Although high standards have been used in the preparation of the information and analysis presented in this report, no responsibility or liability whatsoever can be accepted by Sotheby's International Realty Canada, Sotheby's International Realty Affiliates or Mustel Group for any loss or damage resulting from any use of, reliance on, or reference to the contents of this document.

2. Non-homeowners completed the full set of survey questions, current home-owners completed a scaled back version of the survey, and non-homeowners who have no intention of purchasing a property in the future completed a 4-question version of the survey.

National Findings

- **75% of urban Canadian Generation Z adults are likely to buy and own a primary residence in their lifetime; 1 in 10 (11%) already own their home.**
- **82% are worried that they will not be able to buy in their community of choice due to rising real estate prices.**
- **70% would want to buy a single family home in their peak earning years if budget were not a consideration.**
- **50% have already given up on the traditional dream of owning a single family home.**
- **The top financial barrier for Generation Z when saving money for a down payment is paying for current living expenses, cited by 28%.**

According to a new generational trends survey conducted today by Mustel Group and Sotheby's International Realty Canada, the Canadian real estate market is set to absorb an influx in demand as the next generation of homebuyers, Generation Z, is primed for first-time home ownership despite challenges with housing affordability.

Survey results revealed that 75% of urban Generation Z adults are likely to buy and own a primary residence in their lifetime, with 49% stating that they are "very likely" to do so; in fact, 11% already own their home. Despite high demand, 82% of those who have not yet purchased their first home are worried that they will not be able to do so in their community of choice because of rising housing prices, with 38% indicating that they are "very worried". The top financial barrier to saving money for a down payment is paying for current living expenses, which was cited by 28%.

Despite these challenges, the desire to own a single family home remains high amongst this cohort, with 70% reporting that they would want to purchase a single family home in their peak earning years if budget were not a consideration. 13% and 11% say they would prefer to buy a condominium or attached home. 50% have already given up on their dream of owning a single family home, with 34% stating that they have given up due to the high cost. As a result, approximately half of those surveyed state that their most likely and realistic first home purchase will be a higher-density housing type: 25% report that their first home purchase will likely be a condominium, 18% say that their first home will be an attached home/townhouse and 7% state that their first home purchase will be a duplex/triplex. 39% report that they are most likely to buy a single family home as their first residence.

The report reveals differences in Generation Z's sentiments, goals and inclinations between Canada's four largest metropolitan areas. Those living in Montréal and Calgary are more confident in their likelihood to buy a home in their lifetime, with 79% and 78% saying that they are "very likely" or "somewhat likely" to do so; compared to 73% in Toronto and 71% in Vancouver. Those living in Calgary are the least likely to have already given up the dream of single family home ownership at a rate of 39%, and are also more likely to mention single family homes as their most likely and realistic first home purchase compared with those living in all other metropolitan areas, at a level of 50%, compared to 33 – 40% in other regions.

According to Sotheby's International Realty Canada experts, Calgary and Montréal are attracting young, first-time home buyers from other major Canadian cities, and retaining young locals with their comparatively affordable real estate prices, overall livability and strengthening job markets.

“THIS STUDY IS THE FIRST OF ITS KIND IN CANADA TO FOCUS ON THIS INFLUENTIAL NEXT GENERATION OF HOME BUYERS. THE FINDINGS REFLECT THE SENTIMENTS AND ASPIRATIONS OF YOUNG CANADIANS, AND REVEAL TRENDS THAT WILL HAVE A SIGNIFICANT IMPACT ON THE FUTURE OF THE COUNTRY’S HOUSING MARKET.”

— Josh O’Neill, General Manager
Mustel Group

“IT IS CLEAR FROM OUR RESEARCH THAT WHILE RISING HOUSING AFFORDABILITY CHALLENGES ARE TOP-OF-MIND FOR CANADA’S GENERATION Z HOMEBUYERS, THE DESIRE AND DEMAND FOR HOME OWNERSHIP AND SPECIFICALLY, SINGLE FAMILY HOME OWNERSHIP, HAS NOT SUBSIDED FROM PREVIOUS GENERATIONS. THE OLDER SEGMENT OF THIS GENERATION ARE NOW ON THE BRINK OF FIRST-TIME HOMEOWNERSHIP, AND ARE POISED TO BE BOTH AN INFLUENTIAL CONSUMER FORCE IN THE CANADIAN HOUSING MARKET, AND A PROMINENT VOICE IN DEFINING HOUSING NEEDS IN OUR COMMUNITIES.

AT A TIME WHEN SOARING LIVING COST, POLICY-DRIVEN INFLATION, AND RISING REAL ESTATE PRICES ARE ERODING THE STANDARD OF LIVING FOR MANY YOUNG CANADIANS, THE RELATIVE AFFORDABILITY OF HOUSING IN CITIES LIKE CALGARY AND MONTRÉAL ARE A TRUE COMPETITIVE ADVANTAGE IN RETAINING AND ATTRACTING YOUNG PEOPLE STRIVING TO BUY THEIR FIRST HOME.”

— Don Kottick, President and CEO
Sotheby’s International Realty Canada



Vancouver

In a region confronting steep gains in housing prices and significant challenges to housing supply, affordability and mobility, Mustel Group/Sotheby's International Realty Canada survey results reveal that the strong desire for home ownership amongst Vancouver's Generation Z adults, is accompanied by an even stronger undercurrent of anxiety regarding their ability to achieve it.

The majority of Generation Z adults in Vancouver are confident in their likelihood of buying a primary residence during their lifetime, with 71% reporting that they are likely to do so. 43% state that they are "very likely" to do so, while 28% indicate that they are "somewhat likely" to. As it stands, 15% already own their primary residence, the highest rate of Gen Z adults in Canada's largest metropolitan areas.

However, 82% of those who have not yet purchased their first home are worried that they will not be able to in their community of choice due to escalating real estate prices. 40% indicate that they are "very worried", while 42% are "somewhat worried." Paying for current living expenses is the most frequently cited barrier to saving for a down payment; reported by 33%, this was the highest percentage rate of the metropolitan areas surveyed. Other most frequently cited challenges include payment for non-essential lifestyle expenses and student loans, reported by 14% and 12% as barriers to saving for a down payment respectively.

Demand for single family housing remains high amongst Generation Z adults in Vancouver, with 68% reporting that they would purchase a single family home in their peak earning years if budget were not a consideration. 15% reported a preference for attached home ownership, while 7% report they would prefer a duplex/triplex unit. 10% aspire to purchase a condominium in their peak earning years.

As Metro Vancouver benchmark single family home prices have soared to \$1,850,500³, 56% of respondents in Vancouver state that they have abandoned the dream of single family home ownership. 36% of those who have already given up on the prospect of owning a single family home specifically report that this is due to the high cost rather than any preference for a different housing type or a desire to rent.

While 33% of Generation Z adults in Vancouver report that their most likely and realistic first home purchase will be a single family home, a significant 30% believe that condominiums will be their most likely first time real estate purchase. Attached home/townhouses and duplex/triplexes were reported by 22% and 6% as the most realistic first time home purchase respectively.



³ Real Estate Board of Greater Vancouver, October 2021

Calgary

With a strengthening economy that is steadily diversifying, rising consumer optimism, and some of urban Canada's most affordable real estate prices, Calgary's Generation Z adults are amongst the most optimistic of the country's major metropolitan markets about their prospects of home ownership, and the most confident in their ability to specifically purchase a single family home. As a result, according to Sotheby's International Realty Canada experts, the region is not only retaining young locals with affordable housing options but attracting young first-time home buyers from other major Canadian cities who are seeking enhanced homes and living standards at accessible prices.

A vast majority of Generation Z adults in Calgary are confident in their likelihood of buying a primary residence in their lifetime: 78% report that they are likely to do so, with 53% indicating that they are "very likely" and 23% stating that they are "somewhat likely". 12% already own their primary residence.

Housing affordability, however, remains a concern. 82% of those who have not yet purchased a first home are worried that they will not be able to in their community of choice due specifically to rising housing prices. 32% indicate that they are "very worried", the lowest rate of the metropolitan areas surveyed, while 50% are "somewhat worried." For Calgary's Generation Z adults, paying for current living expenses, student loans and personal education are their most frequently cited barriers to saving for a down payment, reported by 28%, 17% and 15% respectively.

In spite of these concerns, their desire to own a single family home is the highest of the metropolitan areas surveyed, with 82% reporting that they want to purchase a single family home in their peak earning years if budget is not a consideration, compared to 64% of those in Montréal, 68% in Vancouver and 72% in Toronto. 10% said they would prefer to buy an attached home while 2% reported they would prefer a duplex/triplex unit. 7% reported the desire to purchase a condominium in their peak earning years, the lowest rate of the metropolitan areas surveyed.

With single family home prices averaging \$540,900⁴ in Calgary, a fraction of that in the Greater Toronto Area where average prices have increased to \$1,540,432⁵, and Metro Vancouver, where benchmark prices have surged to \$1,850,500⁶, those in Calgary are the least likely to have abandoned the dream of owning a single family home. 39% report that they have given up compared to 56% in Vancouver, 52% in Toronto and 48% in Montréal. 28% of Gen Z Calgarians who had given up on single family home ownership specifically stated that this is due to the high cost. Generation Z adults in Calgary are also more likely than their counterparts in other major Canadian centres to report that their first home purchase will likely be a single family home, with 50% reporting that this will most realistically be their first home purchase. Attached home/townhouses and duplex/triplexes were indicated by 21% and 7% as their most realistic first time home purchase respectively. Meanwhile 11% reported condominiums as their most likely first home purchase, the lowest rate of the major markets surveyed.

⁴ Calgary Real Estate Board, October 2021

⁵ Toronto Real Estate Board, October 2021

⁶ Real Estate Board of Greater Vancouver, October 2021

Greater Toronto Area (GTA)

The pressure of diminishing housing affordability on Generation Z adults in Canada's largest metropolitan real estate market is apparent in the results of the Mustel Group/Sotheby's International Realty Canada survey, as is their demand for housing. 73% of those surveyed in Toronto report that they are likely to buy a primary residence in their lifetime, with 46% stating that they are "very likely" to do so and 28% indicating that they are "somewhat likely" to. 11% of those surveyed already own their primary residence.

This is despite the fact that 84% of those who have not yet purchased their first home report that they are worried that they will not be able to in their community of choice due to rising real estate prices; 41% say that they are "very worried", while 43% are "somewhat worried." As in the case of every other metropolitan area surveyed, Generation Z in Toronto most frequently reported paying for current living expenses as the top barrier to saving for a down payment; reported by 26%. Other key challenges include payment of student loans and non-essential lifestyle expenses, reported by 18% and 14% respectively.

Single family housing demand remains strong amongst this generation of adults in Toronto, with 72% reporting that they would buy a single family home in their peak earning years if budget were not a consideration. 13% indicate a preference for attached home ownership, while 3% say they would prefer a duplex/triplex unit. 11% report that they would buy a condominium in their peak earning years, even if budget were not a consideration.



52% of Toronto Generation Z survey respondents report they have already abandoned the dream of single family home ownership, compared to 56% in Vancouver, 48% in Montréal and 39% in Calgary. As Greater Toronto Area single family home average prices have risen to \$1,540,432⁷, 37% of those who have given up on the dream of owning a single family home say that this is specifically due to the high cost rather than any preference for an alternative housing type or a desire to rent instead.

As a result, 38% of Toronto's Generation Z adults report that their most likely and realistic first home purchase will be a single family home. Higher density housing types comprise the majority of this cohort's most realistic first home purchase: 26% say that condominiums will be their most likely first home purchase, foreshadowing imminent demand; while 21% and 5% cite attached home/townhouses and duplex/triplexes respectively.

⁷ Toronto Real Estate Board, October 2021

Montréal

Montréal's upbeat economy and affordable real estate prices are having a positive impact on the sentiment of the region's Generation Z adults towards housing, results which are clearly reflected in the results of the Mustel Group/Sotheby's International Realty Canada survey.

A significant majority of Generation Z adults in Montréal are confident that they will purchase a primary residence in their lifetime. 79% of Montréal's survey respondents report that they are likely to do so, with 57% saying that they are "very likely" to, while 22% state that they are "somewhat likely". 8% already own their primary residence.

Despite living in a region with significantly more affordable housing than Toronto and Vancouver, real estate prices remain a concern for the next generation of homebuyers in Montréal. 80% of Gen Z adults who have not yet purchased a first home are worried that they will not be able to in their community of choice because of rising prices; 36% report that they are "very worried", while 45% are "somewhat worried." Paying for current living expenses, non-essential lifestyle expenditures and paying off student loans are the most commonly cited barriers to saving for a down payment, reported by 27%, 15% and 13% respectively.

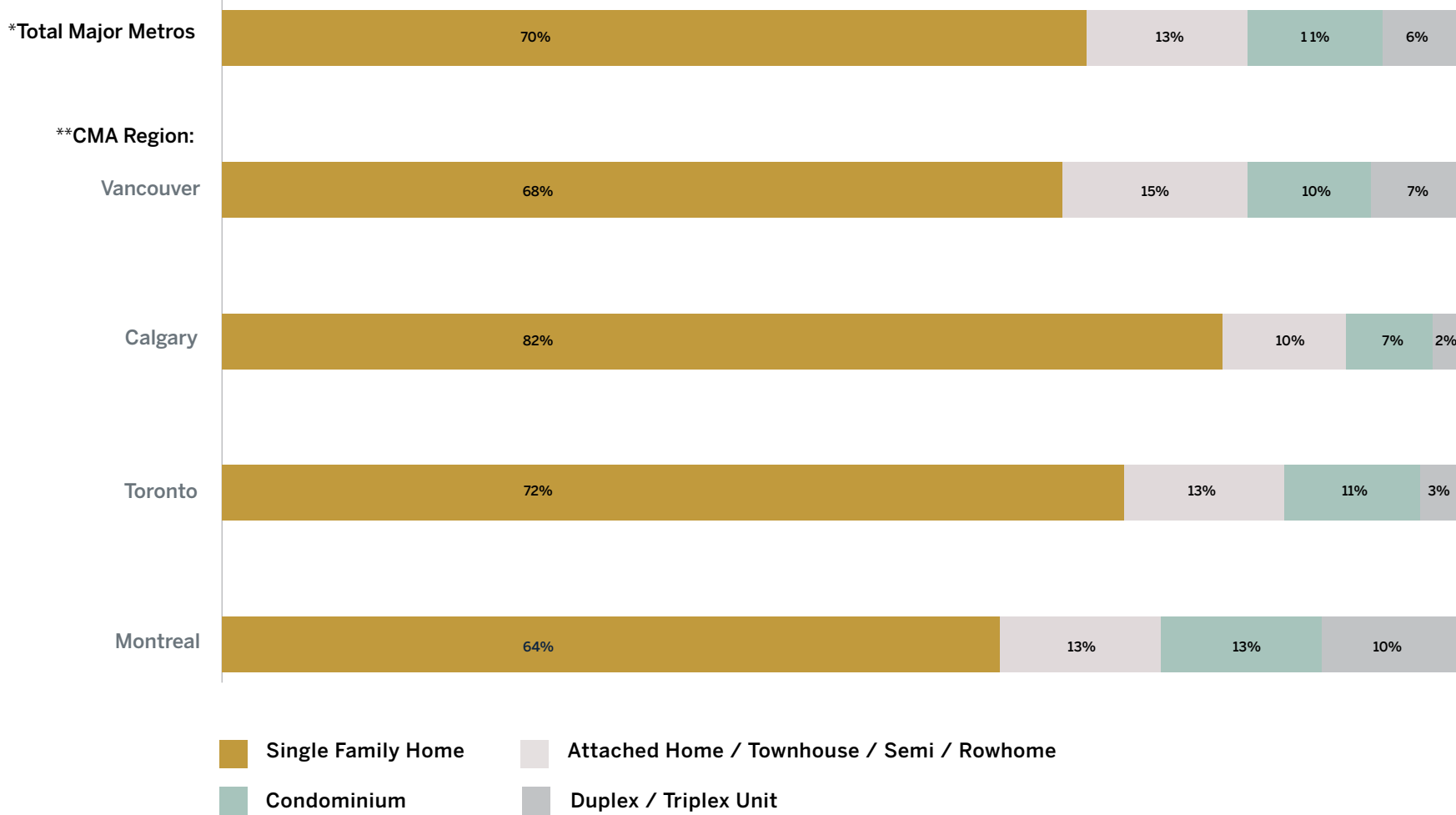
Despite concerns and substantive barriers, the demand for single family home ownership is high amongst this cohort, with 64% reporting that they want to buy a single family home in their peak earning years if budget is not a consideration. 13% say they would prefer to purchase an attached home while 10% report a preference for a duplex/triplex unit. Survey results reveal that 13% of Gen Y Montréal respondents want to purchase a condominium in their peak earning years.



48% in Montréal say that they have already given up on the "traditional dream" of single family home ownership with 29% of those surveyed saying that they have specifically given up due to high costs. At the same time however, 40% of Montréal's Generation Z adults report that their first home purchase will most likely and realistically be a single family home, a sentiment that according to Sotheby's International Realty Canada experts, is facilitated by the fact that single family home prices average \$515,000⁶ in Montréal, the lowest price of the metropolitan areas surveyed. In comparison, attached home/townhouses and duplex/triplexes are identified by 12% and 10% as their most likely first time home purchase respectively. 25% report condominiums as their most likely first home purchase.

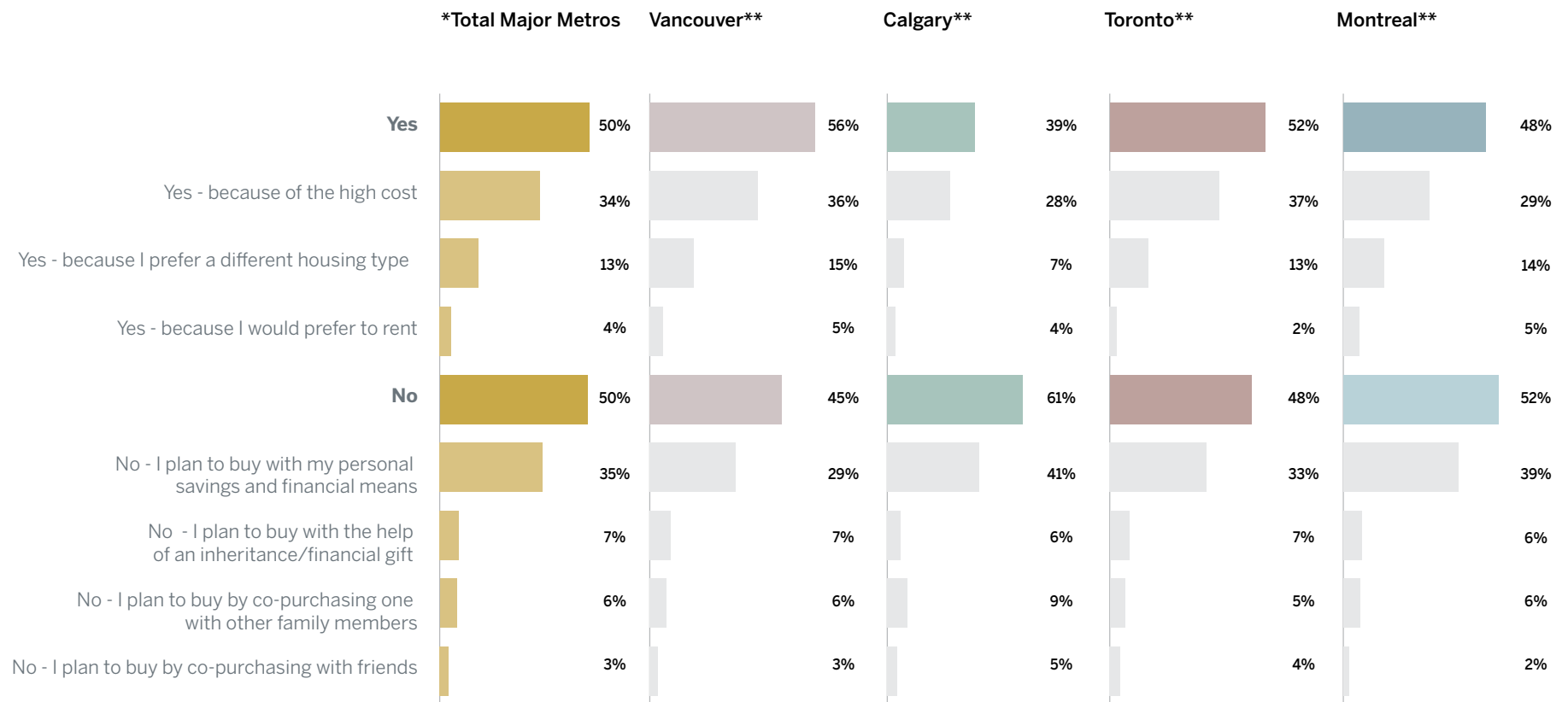
According to Sotheby's International Realty Canada experts, Montréal's accessible housing prices, combined with the city's vibrant and cosmopolitan lifestyle and top-ranking post-secondary institutions, are attracting students and young professionals from across Canada and internationally. These factors are also playing a key role in retaining young locals who are striving to establish their financial foundation and first homes while balancing their lifestyle needs.

DESIRED DWELLING TYPE OF FUTURE PRIMARY RESIDENCE



Question: If budget were not a consideration, what type of property would you want to buy as your home/primary residence in your peak earning years?
*Total Major Canadian Metros (n=1,304)
** Vancouver (n=292), Calgary (n=284), Toronto (n=408), Montreal (n=320)
Note: Percentages may not add to 100% due to rounding

"DREAM" OF OWNING A SINGLE-FAMILY/ DETACHED HOME



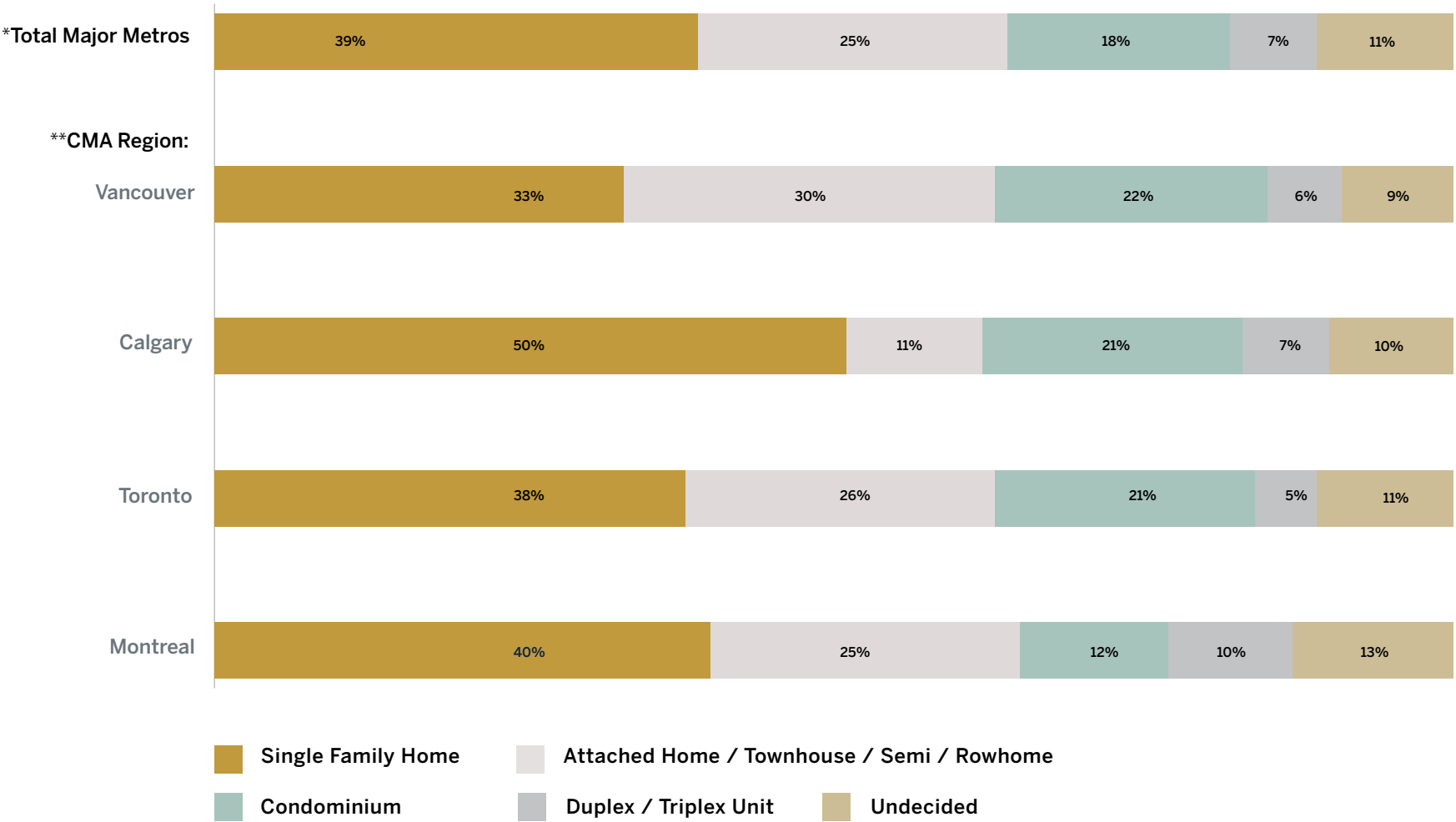
Question: Have you given up on the traditional "dream" of owning a single family/detached home?

*Total Major Canadian Metros (n=1,304)

** Vancouver (n=292), Calgary (n=284), Toronto (n=408), Montreal (n=320)

Note: Percentages may not add to 100% due to rounding

MOST REALISTIC DWELLING TYPE FOR FIRST HOME PURCHASE



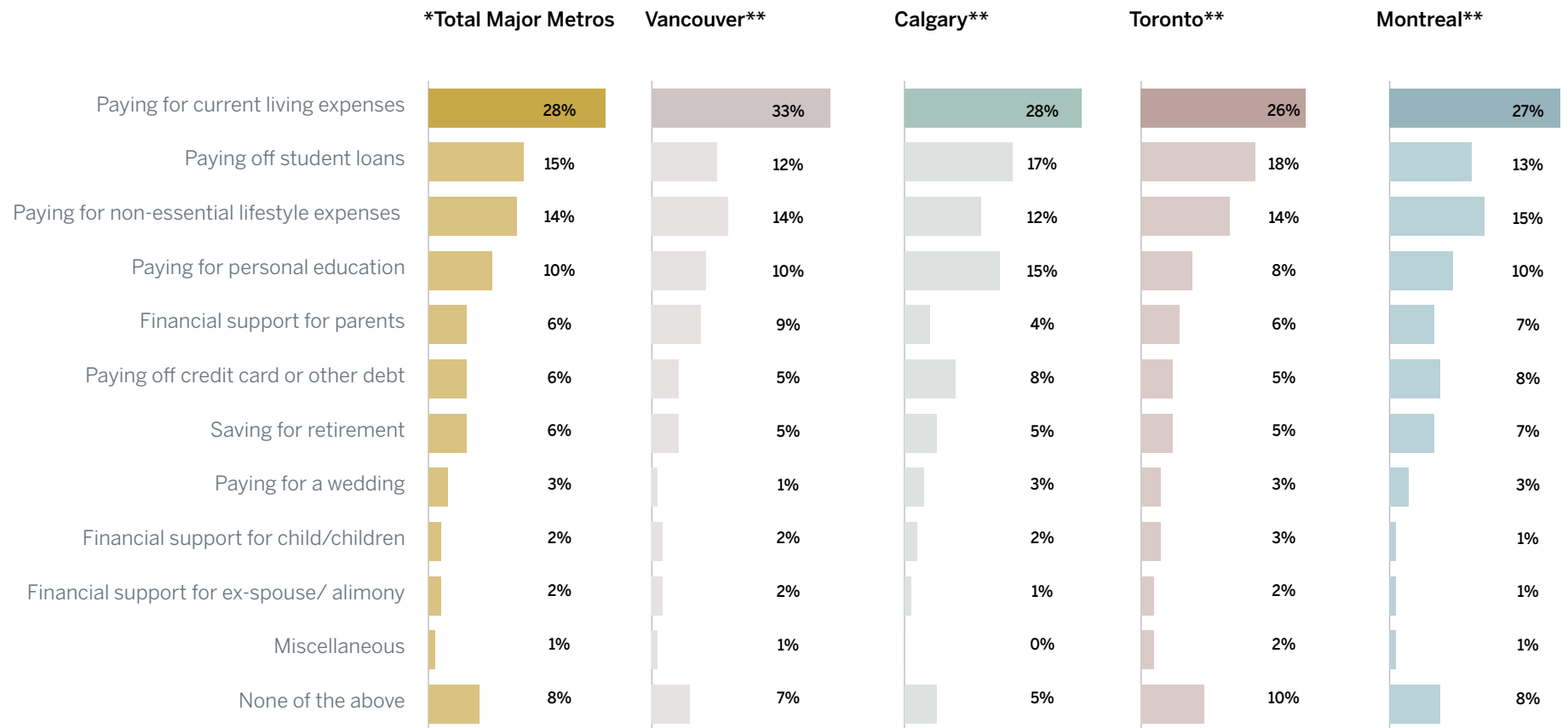
Question: What is the most likely/realistic property type you will buy as your first home/primary residence?

*Total Major Canadian Metros (n=1,304)

** Vancouver (n=292), Calgary (n=284), Toronto (n=408), Montreal (n=320)

*Note: Percentages may not add to 100% due to rounding.

FINANCIAL BARRIERS TO SAVING FOR DOWN PAYMENT



Question: What is the top financial barrier you face when trying to save money for a down payment for your first home/primary residence purchase?

*Total Major Canadian Metros (n=1,304)

** Vancouver (n=292), Calgary (n=284), Toronto (n=408), Montreal (n=320)

*Note: Percentages may not add to 100% due to rounding.



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