

Young Families are Leaving the GTA in Search of Family-Sized Homes

With a high population of people in their early 20s, this trend is likely to escalate unless more homes are built.

The Missing Middle Team | February 27, 2024

Highlights

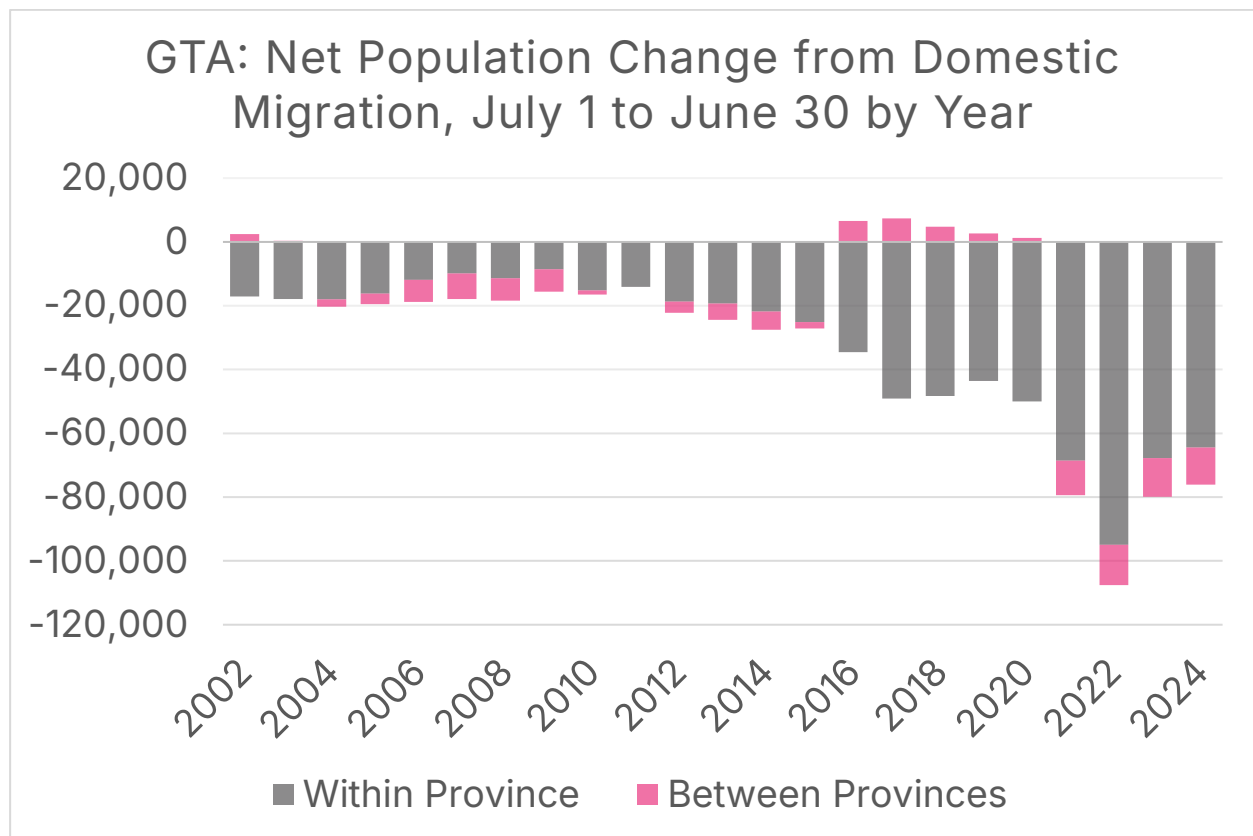
- Like the rest of Ontario, the Greater Toronto Area has grown rapidly in recent years, creating a housing shortage.
- The housing shortage has caused 80,000 more people to move out of the GTA to other parts of Canada each year, than move in from the rest of Canada.
- Young families, specifically adults in their late 20s and early 30s and children under the age of 5, are the group most likely to move out of the GTA.
- Although recent changes to immigration and non-permanent resident policies reduce the demand for housing, particularly over the next three years, the high number of people in their early 20s ensures robust demographic-based housing demand for years to come.
- **We estimate that the GTA will need to build 30,000 ground-oriented homes, and 20,000 apartment units each year just to keep up with demographic change.**
- It will be challenging to hit each of these numbers. In recent years, there have been only 10,000 ground-oriented starts per year. While annual apartment starts have exceeded 20,000, a struggling condo market makes reaching this figure challenging.
- Those 50,000 homes are needed to keep pace with demographic change and prevent the housing crisis from getting worse. Exceeding these figures is necessary to put a dent in the pre-existing housing shortage.
- Policy reforms include incorporating preexisting housing shortages into planning, reviewing generational turnover assumptions in planning, lowering development taxes, streamlining approvals processes, legalizing gentle density, opening more land for residential development, and facilitating the building of 3-bedroom apartments without the use of cross-subsidies.

An exodus out of the GTA

The Greater Toronto Area (GTA) has grown rapidly over the last decade. However, despite this growth, an increasing number of GTA residents are moving to other parts of the province or leaving the province entirely.

Over the last 12 months, nearly 80,000 more people have moved out of the GTA (which, for this piece, we define as the City of Toronto and the Regions of Durham, Halton, Peel, and York) to other parts of Canada than have moved in. 13 years ago, this figure was under 15,000.

Figure 1. Net Domestic Migration from the GTA by Year

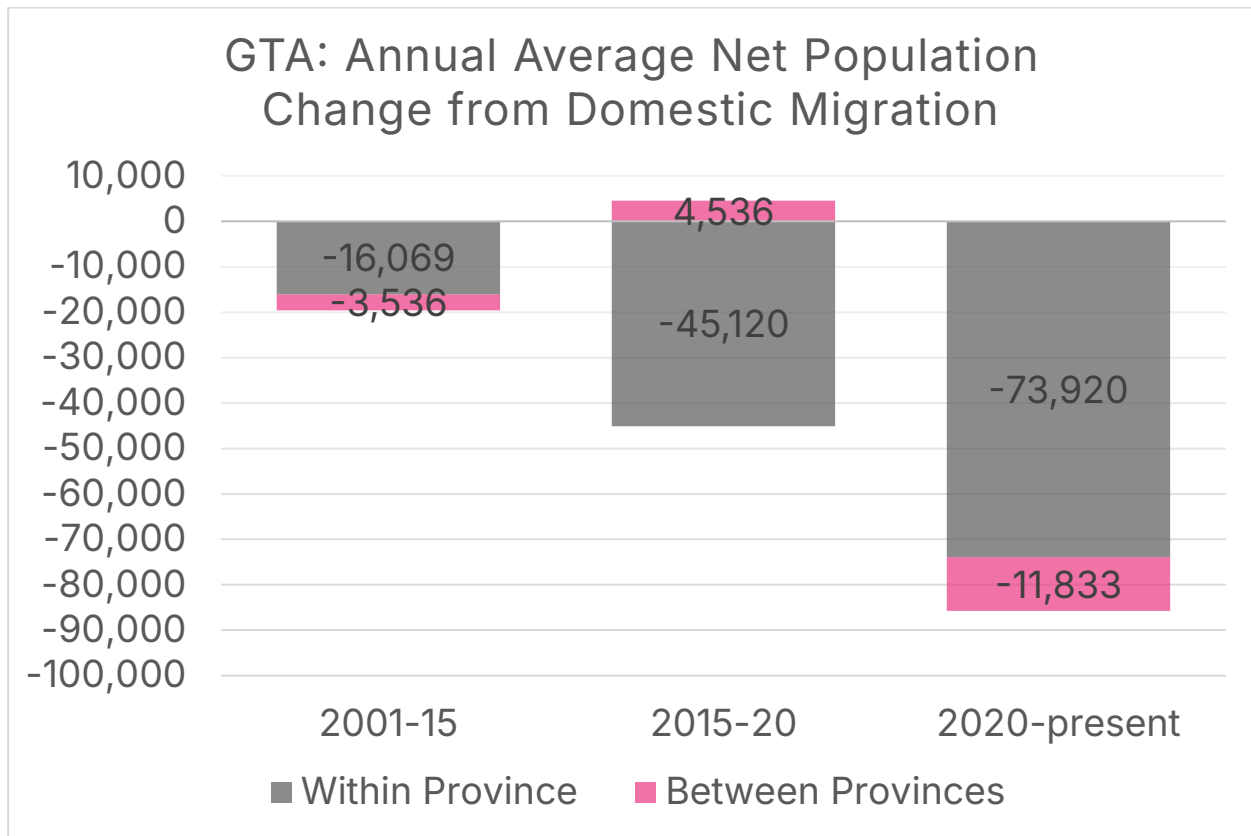


Source: Statistics Canada [Table 17-10-0153-01](#)

We can split this migration into three periods:

- July 1, 2001 to June 30, 2015
- July 1, 2015, to June 30, 2020, the period between the global oil price crash of 2015 up to the first few months of COVID
- July 1, 2020, to June 30, 2024; the COVID and post-COVID world.

Figure 2. Average Annual Domestic Migration from the GTA by Period



Source: Statistics Canada [Table 17-10-0153-01](#)

When the data is divided into these three periods, the trends become clearer. After 2015, an increasing number of Ontarians left the GTA to live elsewhere, which was offset somewhat by migration into the GTA from other parts of Canada after oil prices collapsed in the summer of 2015.

In the COVID and post-COVID world, where remote-working work and hybrid work arrangements are more common, increasing numbers of people are leaving for the GTA, heading to either other parts of the province or out of the province entirely.

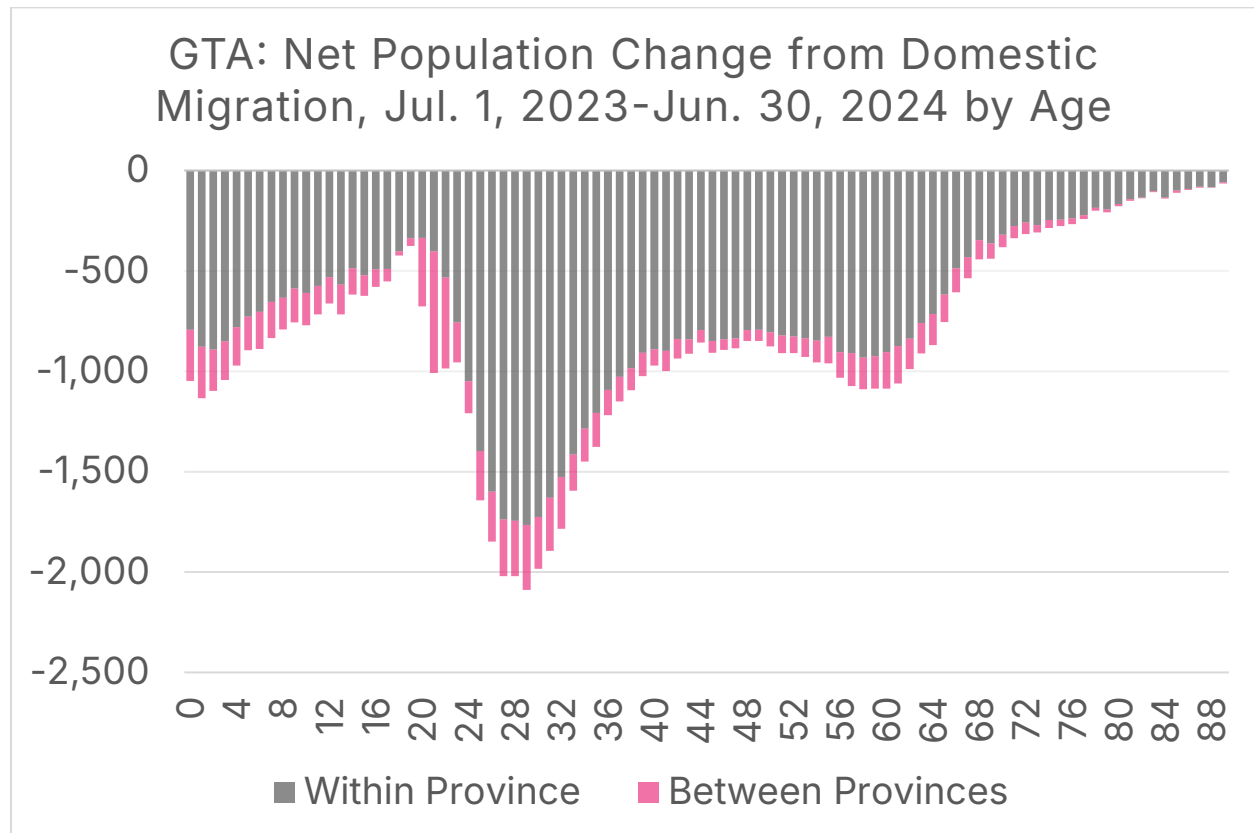
This data raises five obvious questions:

1. Who is leaving the GTA?
2. Why are they leaving GTA?
3. Will they continue to leave the GTA at the same rate in the future?
4. Is this outmigration a problem?
5. If it is a problem, what can policymakers do to address it?

Q1: Who is leaving the GTA? A: Young families

The Statistics Canada data set on migration can be broken down by age. Last year, the biggest cohort of “net leavers” were aged 29, with 2,089 more 29-year-olds leaving the GTA for other parts of Canada than moved in the opposite direction. Other ages that had more than 1,000 net leavers include ages 0-3, 21, 24-39, and 56-61. The data makes it clear that the most common groups to leave are young families and those who are either late in their careers or have retired early.

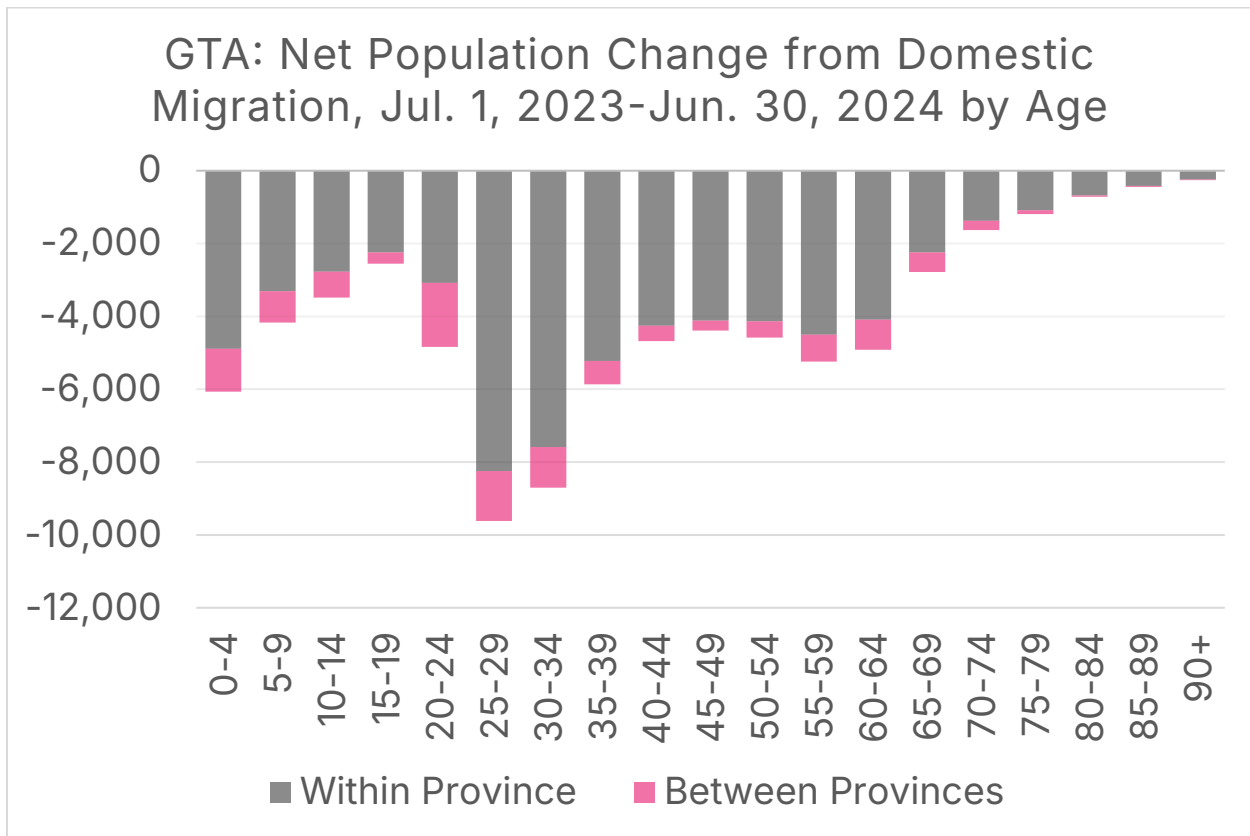
Figure 3. Net Population Change from Domestic Migration, GTA, Last Year



Source: Statistics Canada [Table 17-10-0153-01](#)

The disproportionate number of young families leaving the GTA becomes clearer when the data is aggregated into 5-year cohorts. The three largest 5-year cohorts leaving the Greater Toronto Area, on net, are those under the age of 5, persons between the ages of 25-29, and those between the ages of 30-34.

Figure 4. Net Population Change from Domestic Migration, GTA, Last Year



Source: Statistics Canada [Table 17-10-0153-01](#)

These families are spreading across Canada, with the majority staying in southern Ontario. Destinations include larger communities such as London, Kitchener-Waterloo, and Hamilton, as well as smaller communities such as Woodstock and Tillsonburg. For those leaving the province entirely, Calgary is a particularly popular destination due to its combination of high wages and lower home prices.

Planners have consistently under forecasted the number of families who would leave the GTA for other parts of Ontario, a theme of the report [Forecast for Failure](#). The province’s initial estimates were that, on net, 5,000 people would leave the Greater Golden Horseshoe area for other parts of Ontario. This estimate was then revised to 36,020, then later revised to 106,000. This phenomenon is due to three forecasting failures:

1. Population forecasts consistently underestimate Ontario’s population growth.
2. Official plans that overestimate housing growth in the GTA.
3. Failures to forecast the types of housing families are looking for.

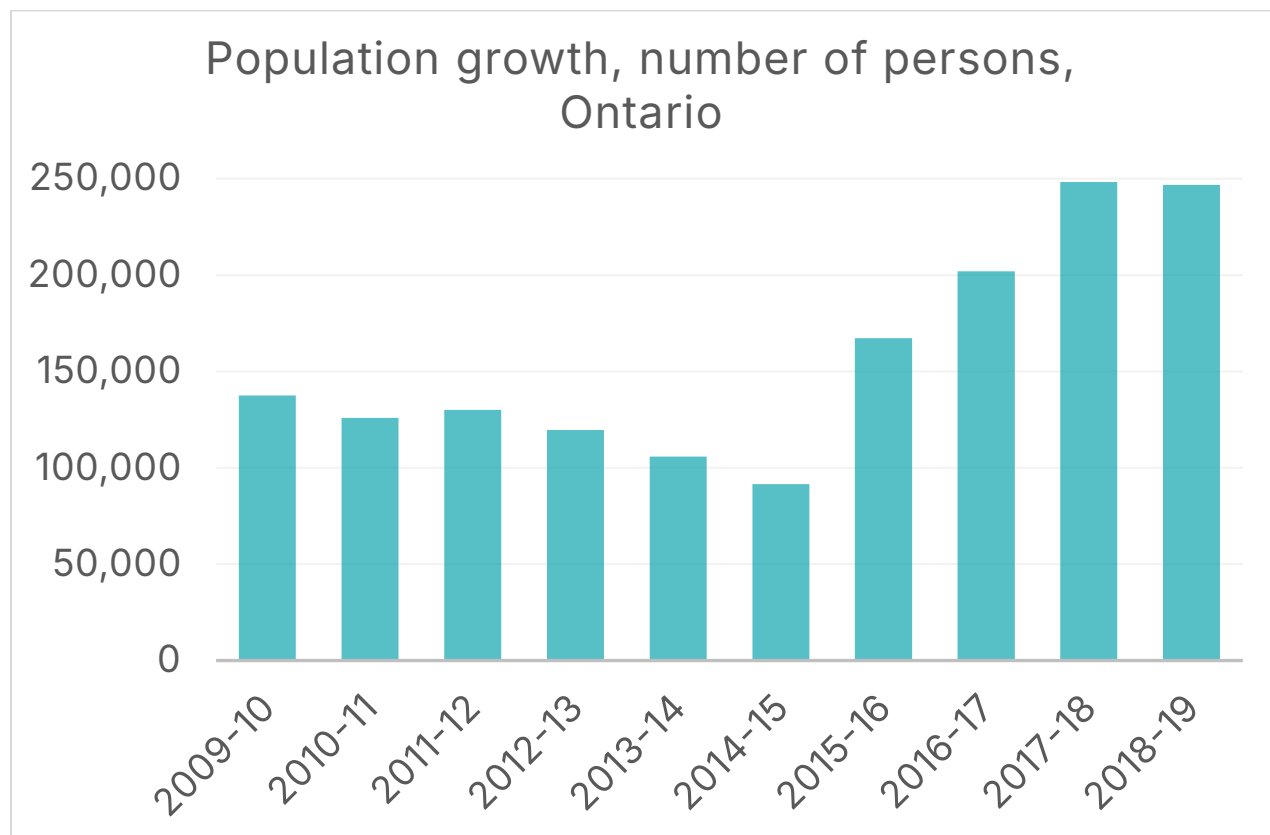
The third failure plays an outsized role in the migration.

Q2: Why are they leaving? Likely a lack of family-sized housing

The Statistics Canada data can give us an idea of *who* is leaving, but it cannot tell us *why* they are going. But we can make an educated guess that housing availability and affordability have something to do with it.

The timing here is important. Why did outmigration from the GTA start increasing in 2015-16 rather than some other year? The timing roughly coincides with the increase in Ontario's population, which resulted from a combination of the oil price crash bringing Ontarians back home, increased immigration, and the beginning of the boom in non-permanent residents.

Figure 5. Population Growth, Number of Persons, Ontario



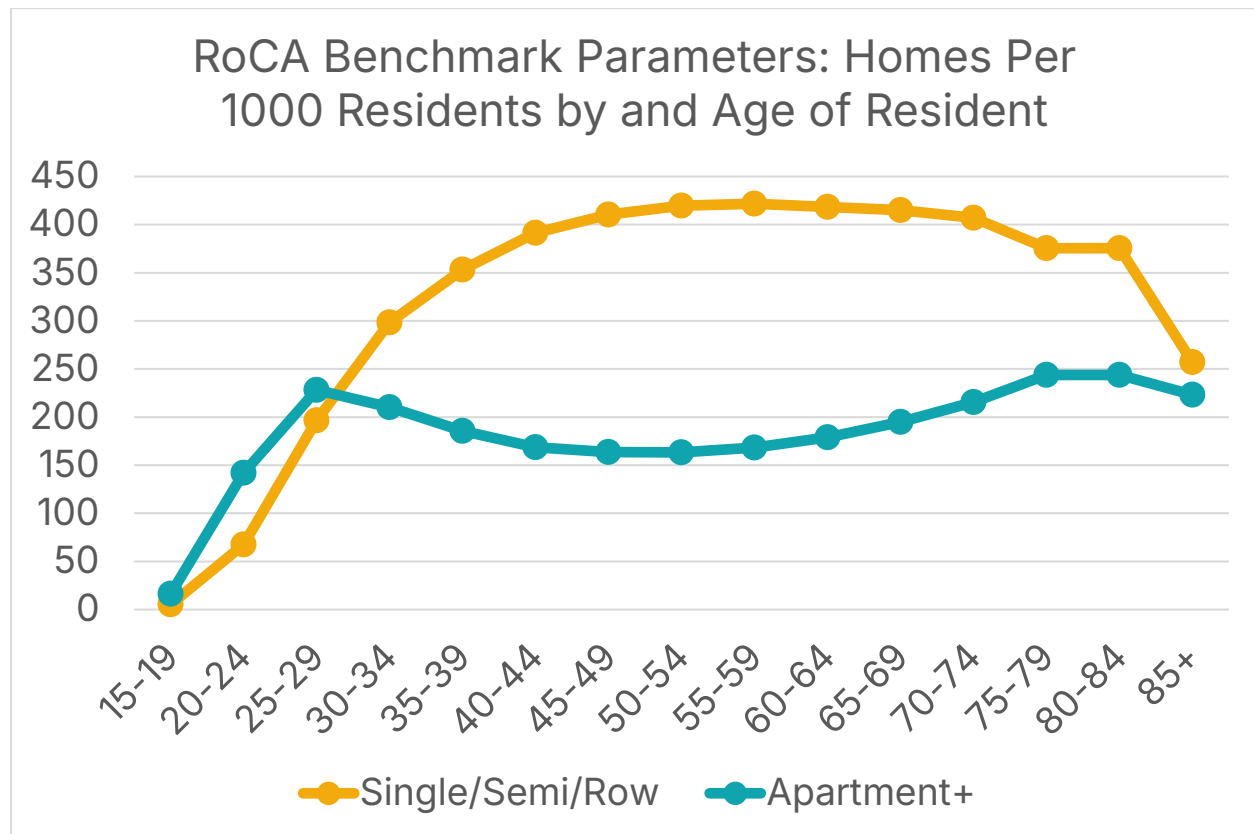
Source: [When Did Middle-Class Housing Become Unaffordable?](#)

This population growth naturally stresses Toronto’s housing markets. But why would young families leave, rather than some other demographic?

The answer can be found in the piece [Housing Needs Change as People Age](#). It showed that historically, across Canada, people tend to move into “ground-oriented” housing (single-detached, semi-detached, or row/townhouses) in their late 20s and early 30s. The [RoCA Benchmark](#) is a tool that shows how housing choices are a function of a person’s age. For 20-24-year-olds, historically, 68 out of 1000 of them are the “head of the household” in a ground-oriented home, 142 out of 1000 are the head of a household living in an apartment, and 790 of them are not the head of a household, instead living with a parent, roommate or spouse.

The head-of-household rate living in ground-oriented housing rises to 196 per 1000 for 25-29-year-olds, 298 per 1000 for 30-34-year-olds, and 353 for 25-29-year-olds. The apartment rate rises from 142 for 20-24-year-olds to 228 for 25-29-year-olds before steadily declining until age 50.

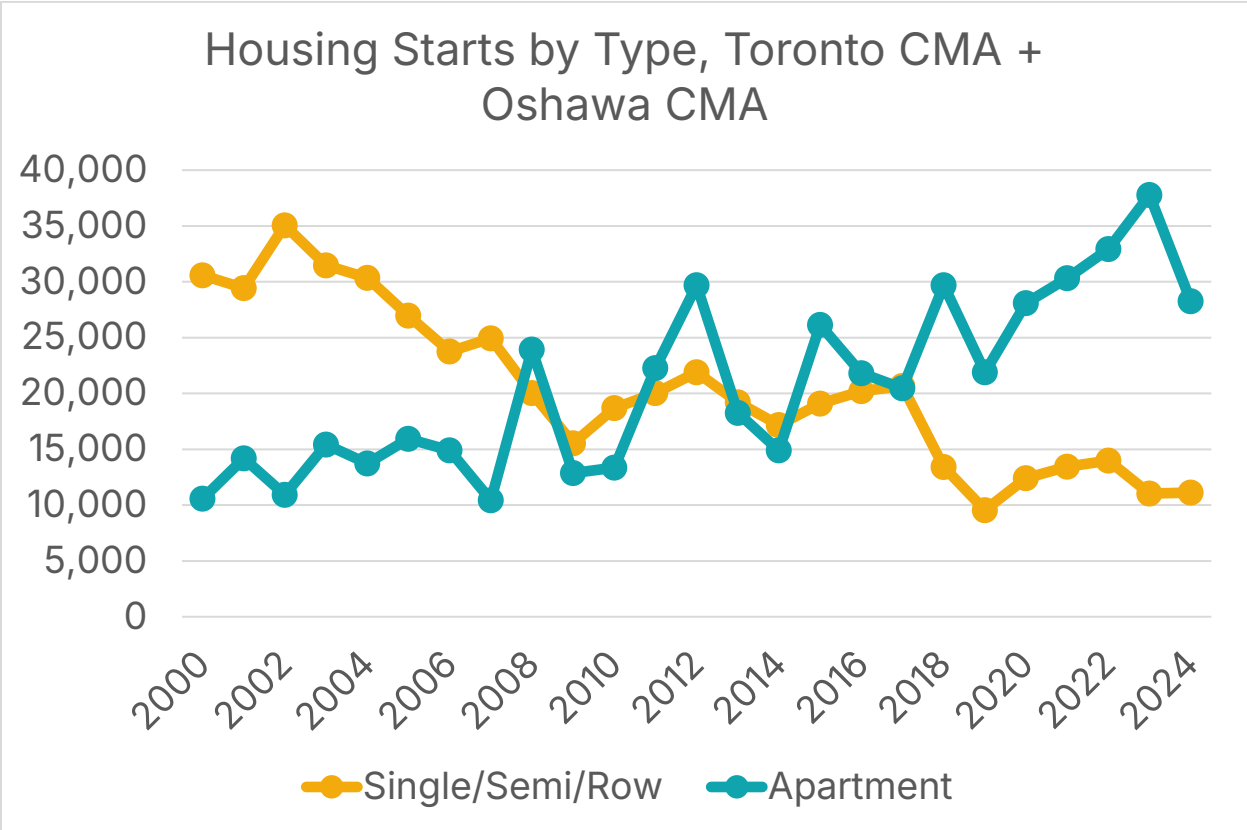
Figure 6. Head-of-household rates, RoCA Benchmark



Source: [Housing Needs Change as People Age](#)

Despite this rapid post-2015 population growth, ground-oriented housing starts in the Toronto-area, and were less than half of that a decade prior. They were, however, offset by a rise in apartment unit starts, both purpose-built rentals and condos, which were badly needed to help house a growing population and address underbuilding in the 1990s and early 2000s.

Figure 7. Housing Starts by Calendar Year, Toronto CMA + Oshawa CMA¹



Source: [CMHC Housing Data Portal](#)

In short, it should come as no surprise that the outmigration of young families accelerated in 2015. Increased population growth created more competition for homes, and a secular decline in ground-oriented housing starts created a substantial shortage, causing families to scatter all across southern Ontario.

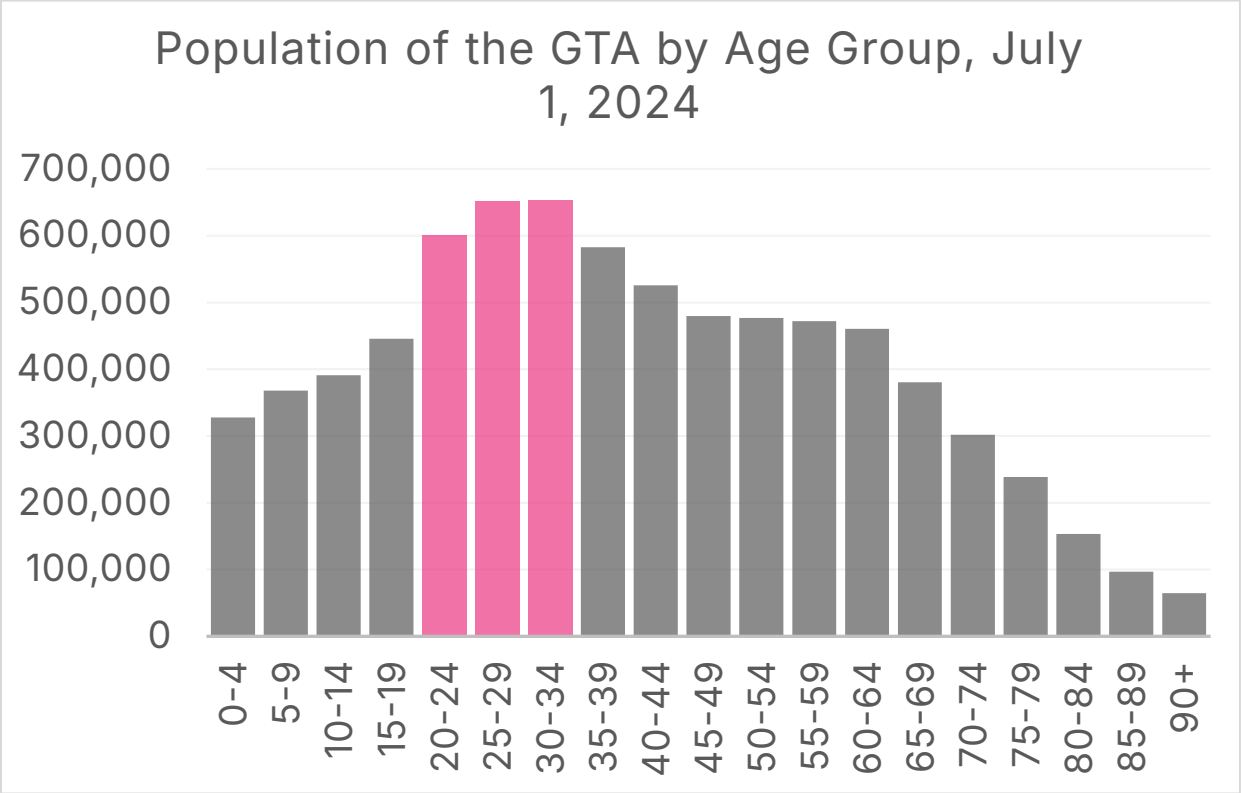
These trends escalated both during and after the pandemic, as an increase in remote and hybrid work gave families more options regarding where to live. For example, a commute to work from Woodstock to Mississauga is much more tolerable if someone is in the office two days a week rather than five.

¹ Due to data availability, Figure 7 uses Toronto CMA and Oshawa CMA as our geographies, rather than the GTA definition used elsewhere in the report. The two geographic definitions are not identical, but they are a relatively close match.

Q3: Will they continue to leave the GTA at the same rate? Yes, unless something changes soon

Those families almost certainly will continue to leave at elevated rates due to the high number of adults between the ages of 20 and 34 currently living in the GTA. Over the next few years, these individuals, many of whom are currently living with their parents or multiple roommates, will be looking for space of their own. Some will desire smaller living spaces, while others will want to start a family and raise children; they will be looking for 3+ bedroom homes and child-friendly amenities.

Figure 8. Population of the GTA by Age Group, July 1, 2024

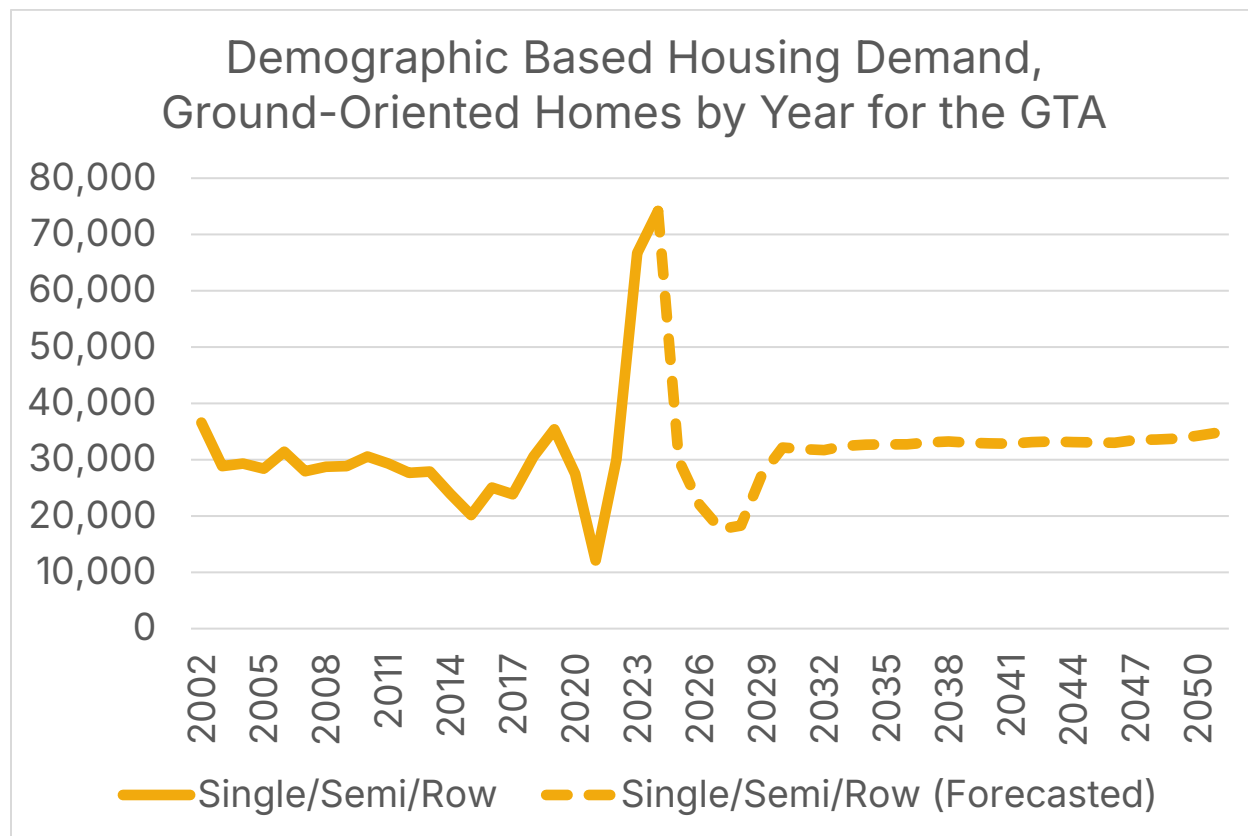


Source: Statistics Canada [Table 17-10-0152-01](#)

Housing demand is not just added from demographic change; it is also subtracted as individuals move out of a community, move into a long-term care facility, or pass on. But given the high number of persons living in the GTA in their 20s, relative to the numbers in their 80s or 90s, the net effect of population aging is an increase in housing demand, particularly when coupled with population growth from immigration.

Using population projections from the Ontario Ministry of Finance, we can forecast net demographic-based housing demand using the RoCA Benchmark method. Recent changes in immigration policies will suppress new demand for the next couple of years, though this will not fully offset the rapid increase in population growth over the last three years. The method projects that, by 2030, new demographic-based demand will be consistently above 30,000 ground-oriented homes a year.

Figure 9. Past and Forecasted Demographic-Based Housing Demand by Year for the GTA, Ground-Oriented Units



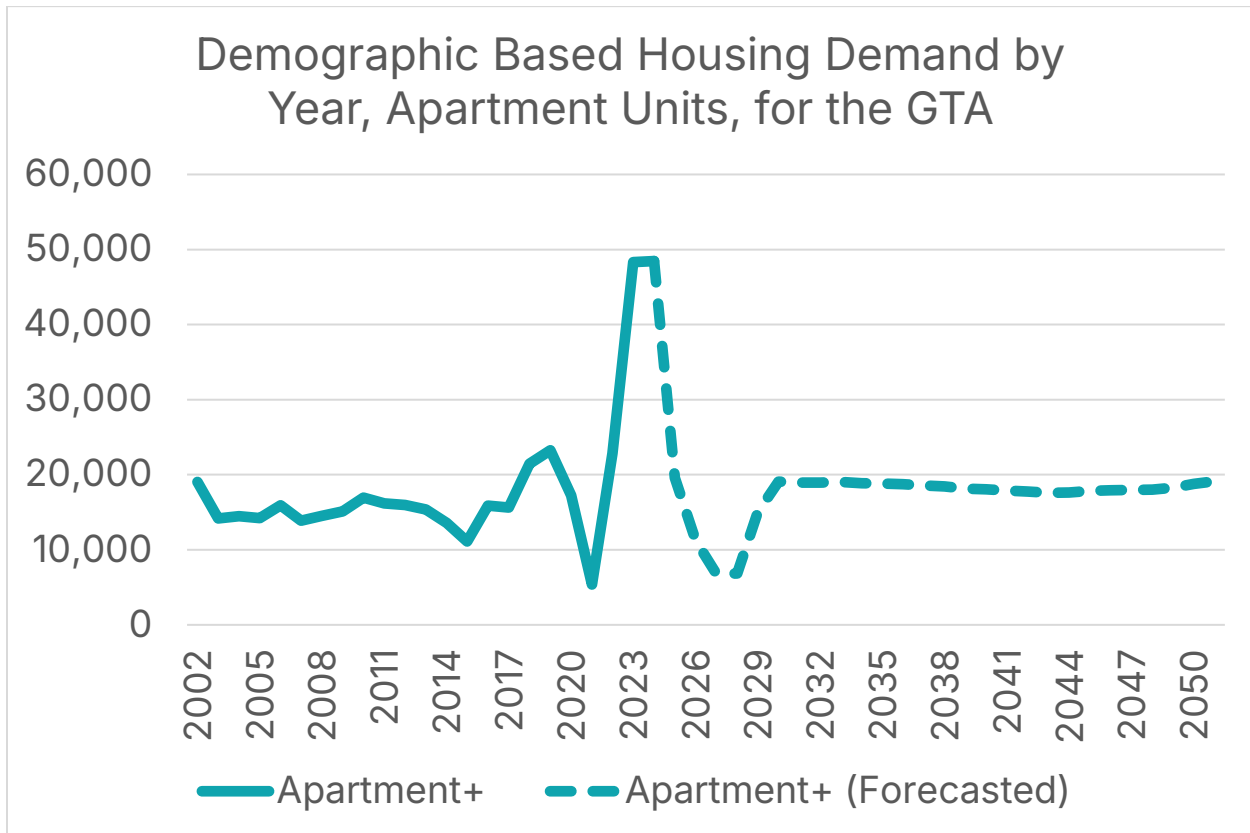
Sources: Statistics Canada [Table 17-10-0152-01](#)

These estimates can be misinterpreted, so it is important to note that:

1. Demographic-based demand is different than economic-based demand. Demographic-based demand measures how many more homes are needed each year to keep up with population growth and aging. These factors influence economic-based demand, but economic-based demand is also a function of factors such as interest rates, wages, and the general state of the economy.
2. The annual numbers represent the net annual increase in the number of units needed to house the population and take into account both increases in demand (immigration, aging of teenagers into adulthood) and increased availability (emigration, mortality).
3. The net new demographic-demand figures for any one year do not account for pent-up demand from pre-existing shortages. Rather, they represent the number of units needed to prevent shortages from worsening. Shortages can only be reduced by annual housing completions exceeding demographic-based demand.

Demographic-based housing demand for apartment units shows a similar pattern, with long-run demand at roughly 20,000 units per year. While housing starts have exceeded this figure in recent years, that does not imply that “overbuilding” was occurring, as Ontario had a large, pre-existing shortage of apartment units from decades of underbuilding. Also, apartment units act as a substitute for ground-oriented housing, covering some of the shortages caused by a lack of ground-oriented housing.

Figure 10. Past and Forecasted Demographic-Based Housing Demand by Year for the GTA, Apartment Units



Sources: Statistics Canada [Table 17-10-0152-01](#).

There is a persistent belief that population aging will reduce housing demand such that Toronto will not need to build as many homes in the future as it has in the past. That the aging of the Baby Boomers out of their homes will cause high levels of generational turnover. While generational turnover is real, the GTA has far more people in their 20s than in their 70s, largely due to immigration. For every family aging out of their home, two or more are aging into family-friendly housing.

Over the next decade or two, population aging will *increase* the demographic demand for homes, particularly family-sized homes, not decrease it.

Q4: Is outmigration from the GTA a problem?

Yes.

Young people are often advised, “If you can’t afford to live here, there are plenty of other affordable places in Canada. Go move to one of those.” That advice may make sense on an individual level, though it overlooks the costs of moving farther away from family and friends and the challenges of finding new employment.

However, this advice is flawed at a societal level. Our province cannot function if the patients live in Toronto, but the nurses live in Thunder Bay. For any community to function, there are a multitude of jobs that must be performed on-site, and those jobs will pay middle-class (or lower) wages. If you price out the middle class from those communities, then those tasks are not performed. Hospitals cannot find nurses, schools cannot find teachers, and homebuilders cannot find plumbers and roofers. Important tasks fail to be completed.

Of course, those workers don’t necessarily have to move as far as Thunder Bay. We have seen many of those workers move out of the GTA to communities such as Woodstock or Tillsonburg and drive into the city each day. This has created affordability pressures in those communities, but it also places incredible strains on the infrastructure of the GTA. It is sprawl on steroids. The City of Toronto and other GTA municipalities are forced to build expensive infrastructure to support these commuters but do not receive property tax or development charge revenue from them, as their housing-related tax dollars go to Tillsonburg, not Toronto. However, there is no guarantee that those workers will continue to commute to Toronto for work. Woodstock needs nurses and teachers and plumbers too.

No modern society can function without a robust middle class, and this includes the GTA. The social and political ramifications of a disappearing middle class cannot be overstated.

Q5: If it is a problem, what can policymakers do to address it?

We believe that the continued exodus of young families out of the GTA has large enough economic and environmental consequences to require action. There are many possible actions governments can take to help reverse this trend, seven of which are below.

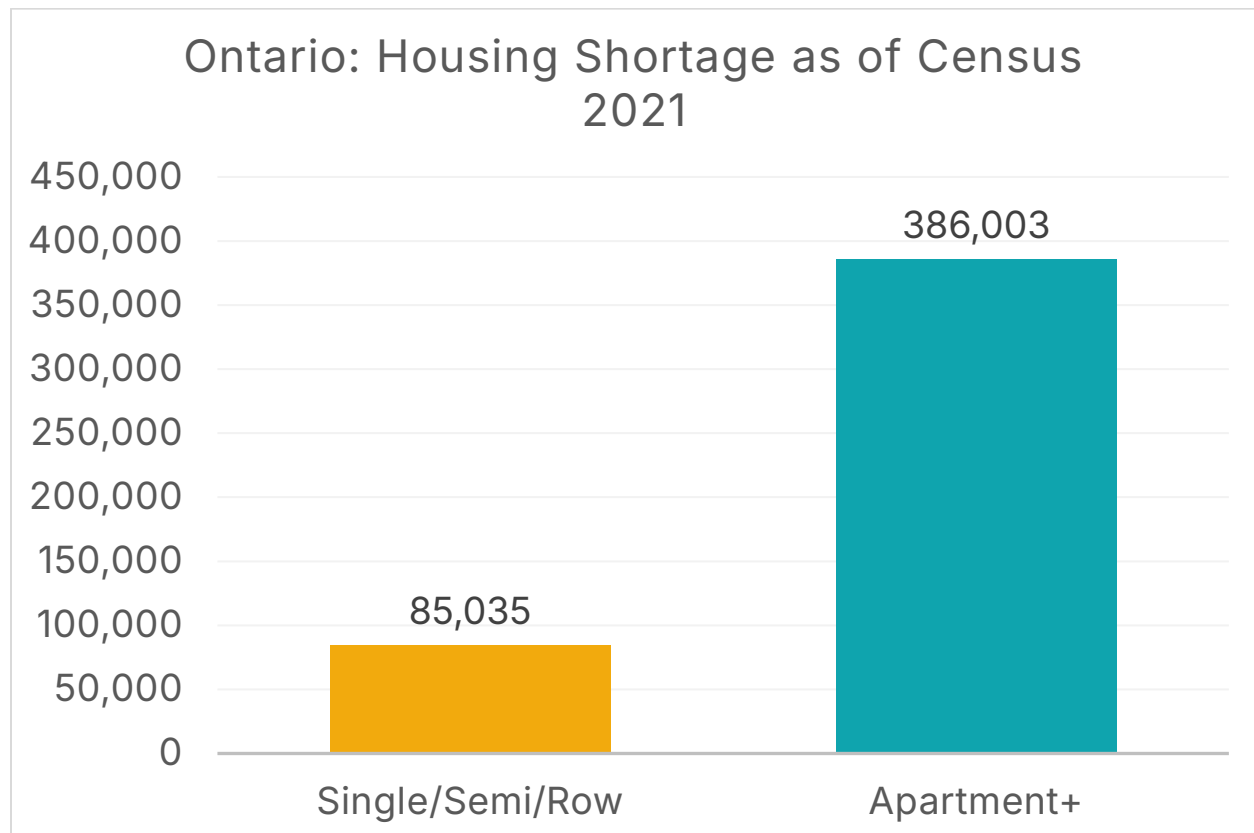
Idea 1: Incorporate pre-existing housing shortages into planning

The province has made some positive reforms in recent years to planning, including requiring municipalities to incorporate Ministry of Finance population projections into municipal official plans. We believe this process could be strengthened by having the Ministry of Finance publicly release more granular projections at the lower-tier municipal level, not just at the Census Division level.

Current municipal plans and municipal planning, however, typically ignore pre-existing housing shortages. The plans examine future population growth and demographic changes, as we have done in this piece, and estimate future housing needs based on that. However, most plans do not consider that most Ontario communities suffer from a pre-existing shortage of housing. It is not simply enough to not fall further behind; municipalities need a plan to address

pre-existing shortfalls. As of Census 2021, Ontario had a shortfall of over 470,000 homes, a shortfall that has only grown with recent population growth.

Figure 11. Housing Shortage by Unit Type, as of Census 2021



Source: [Housing Needs Change as People Age](#)

Idea 2: Review generational turnover assumptions in official plans

Municipal official plans rightly consider the phenomenon of “generational turnover,” that is, larger homes getting freed up as their residents move into smaller units. However, the extent of this turnover is often overestimated in official municipal plans, with fewer seniors moving out of their homes than anticipated. The lack of generational turnover leaves a larger shortage of family-sized homes than anticipated. The desire to age in place is real, and planners should ensure that their generational turnover assumptions match reality.

Idea 3: Lowering development taxes

Development charges and other housing construction-related fees and taxes account for 25 percent of the cost of a home in the GTA. Because these fees are higher in the Greater Toronto Area than in the rest of the province, GTA communities are at a cost disadvantage relative to other communities. This cost differential has contributed to the exodus of young families, as fees have increased substantially faster than inflation. Despite these higher fees, the anticipated revenue bump from increased development charge rates often fails to materialize, as increased charges cause development to shift to less expensive communities. In the last 12 months, Vaughan, Burlington, and Mississauga have all lowered development charges, as in the words of Vaughan

Mayor Stephen Del Duca, “I would much rather that we get half of something than 100 percent of nothing.”

Idea 4: Streamline approvals processes

The Canadian Home Builders’ Association Municipal Benchmarking Study found that approval timelines are longer in the GTA and Hamilton than in London and Ottawa and substantially longer than in Calgary and Winnipeg. These longer timelines create another cost disadvantage for homebuilding in the GTA. Addressing these would help level the playing field and lower the exodus of young families out of the GTA. Municipalities need to create the conditions to allow housing to be built. For a developer, a draft subdivision and zoning approval is of little practical value if they cannot get the subdivision plan and servicing to allow them to start to build.

Idea 5: Legalizing gentle density

The GTA needs more 3 bedroom+ homes, suitable for raising families with children, along with child-friendly amenities. There are a variety of housing typologies that can create attainable, high-quality units for families with kids. Allowing for more low-rise multiplexes and other housing forms, as of right, can help create these homes.

Idea 6: Opening more land for residential development

Ontario’s population has grown rapidly over the past decade, and more people require more space. Therefore, it is vital that our province and its municipalities simultaneously plan for population growth while ensuring that homes are not built in areas prone to flooding or other extreme weather events and that environmentally sensitive areas are preserved.

Idea 7: Facilitate the building of 3-bedroom apartments without the use of cross-subsidies

The GTA needs more apartment units, and there is a particularly acute need for larger units in which to raise families with children. Existing approaches to ensure more of these homes are built are typically in the form of mandates that act as a form of cross-subsidy. Government requirements have developers build these units at a loss, making up for the shortfall by charging higher prices for smaller units. This makes the smaller units more expensive, which helps contribute to the GTA’s housing shortage.

Instead, we must find ways to facilitate the construction of more of these homes without using cross-subsidies. Building code reform and targeted tax reductions can help, such as reducing development charges on 3-bedroom apartment units.

In summary

The GTA needs much more housing, particularly homes suitable for families with children. The lack of family-friendly housing is only growing over time, as a high number of adults under the age of 30 currently live in the GTA. To ensure the region’s housing shortages do not get worse, the region must build 30,000 ground-oriented homes and 20,000 apartment units each year. To address the crisis, it must exceed these figures. Achieving these goals will require actions from all orders of government to ensure every family has a suitable and attainable place to call home.