

Boomers fuel housing — again

Aging consumers want move-up homes

First-time buyer market is shrinking

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Demographic changes will fuel demand for "move-up" homes and weaken demand for "first-time" residences over the next five years, a housing conference has heard.

As baby boomers age, their taste in housing changes, Ted Tsiakopoulos, Ontario regional economist for the Canada Mortgage and Housing Corporation, explained to more than 300 people gathered at the Metro Toronto Convention Centre last week.

"Over the next three to five years, peak baby boomers will be driving housing demand, but not for the first time or for the second time. They will be driving demand for the third and fourth time," he told the Toronto Housing Outlook Conference, sponsored by the CMHC.

"There will be an aggressive move-up buying dynamic going on over the next few years. This is a bit of a change from what we've been used to since 1997," Tsiakopoulos said, noting that demand has been driven by first-time buyers for the last nine years.

He explained that those at the peak of the baby boom generation are age 45 today. They are likely married with two kids. They work full time and are in their peak earning years. They have paid down a good chunk of their mortgage and are less sensitive to changes in interest rates.

"They all want to live in single-detached homes. They have the financial wealth, the real estate wealth; they have the incomes to drive demand for single detached homes," Tsiakopoulos said.

But he acknowledged the challenge of delivering size in a world of rising costs and land constraints.

This group is also looking to move out of small condos and into bigger suites.

"There will be that first-time condo buyer from five years ago who will be shifting into a bigger condo in a few years time. So we're going to see trade-up activity for larger condos accelerate. That will be big," Tsiakopoulos said.

Between now and 2011, this demographic group is going to fuel listings on the resale market, he noted.

"There will be a lot of customers listing their homes.

"It will be a very competitive environment and pricing that home appropriately will be very important," he said.

Resale homes with three or more bedrooms will be in high demand.

"Buyers will be interested in established neighbourhoods," he said.

In the meantime, the first-time buyer market is shrinking, Tsiakopoulos warned.

"(The group of people aged) 25 to 44 isn't growing ... They are experiencing negative growth. That's your first-time buyer pool. Those guys won't be feeding demand," he said. Realtors who have enjoyed a surge of business with the first-time buyer market in recent years will notice a marked difference, he explained.

"Deals for real estate agents to a large extent will be constrained by a shrinking pool of first-time buyers over the next five years," he said.

Jason Mercer, the CMHC's senior market analyst for Toronto, said there will be more choice in the resale home market but fewer new home sales in the future.

"Much of the decline will be on the backs of the single family detached (homes)," he said, adding that the market for new condos won't feel the pinch as much.

The conference also heard from Gary Wright, director of community planning for the City of Toronto, who said buildings must be better designed if intensification is to succeed.

"Mediocre design is a challenge ... We need the highest quality design we can get in the city (because it) offsets the kind of intense living that people experience in the downtown," he explained.

"If people live in a downtown that has a rich and very public realm, good public open spaces, sidewalks that people want to be on, animated with retail ... and good well-designed high quality buildings, they're much more likely to be receptive to higher density," Wright added.