

**Economic Impacts of Home Sales
and Purchases on Boards' MLS® Systems
in Canada and the Provinces
Final Report 2009**



Altus Group

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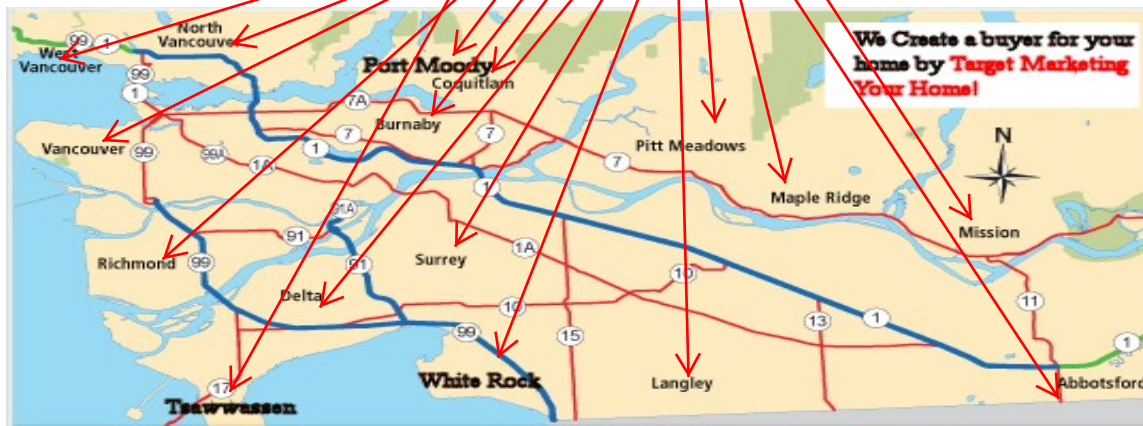
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**Economic Impacts of Home Sales
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in Canada and the Provinces
2009**

Prepared for:

The Canadian Real Estate Association

Prepared by:

Altus Group Economic Consulting

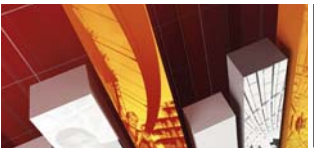
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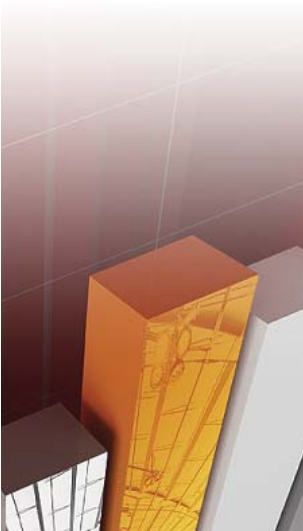
EXECUTIVE SUMMARY

Resale housing transactions across Canada generate significant economic activity. The purchase and sale of homes via the Multiple Listing Service® (MLS®)¹ generates fees to professionals such as lawyers, appraisers, real estate agents, surveyors, etc. as well as taxes and fees to government. And when Canadians move house, they typically purchase new appliances or furnishings and undertake renovations that tailor the new home to specific household requirements.

During the period between 2006 and 2008, for example, it is estimated that a total of **\$46,400** in ancillary spending (i.e., spending by purchasers on items other than the actual house and land) was generated by the average housing transaction in Canada. Per transaction ancillary spending varied somewhat by region, ranging from **\$28,925** in Atlantic Canada to **\$60,200** in B.C.

Considering the average of 480,120 home² sales processed annually through Boards' MLS® Systems during that period, ancillary spending attributable to moving house totalled over **\$22.3 billion per year** across Canada – a significant contribution to the total Canadian economy. Nearly half of these spin-off benefits were generated in Ontario alone where homebuyers contributed **\$9.3 billion** to the economy.

Direct and indirect employment resulting from housing sales is also significant. Some **202,750 jobs** are estimated to have been generated by average annual resale housing activity on Boards' MLS® Systems in Canada over the period between 2006 and 2008. Canada-wide, just over one-fifth of the jobs generated are found in the finance, insurance and real estate sector. This sector benefited the most in Nova Scotia, accounting for some 32 per cent of jobs generated by home sales and purchases in that province, and the least in Prince Edward Island, accounting for just over 12 per cent.



1 Multiple Listing Service® and MLS® are registered certification marks owned by The Canadian Real Estate Association.
2 The total is the sum of 10 provinces.

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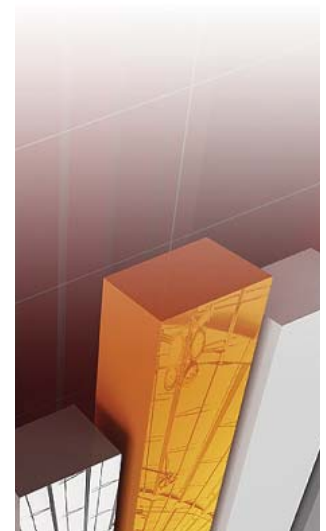
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ECONOMIC IMPACTS OF HOME SALES AND PURCHASES ON BOARDS' MLS® SYSTEMS

INTRODUCTION

Resale housing transactions across Canada generate significant economic activity. The purchase and sale of homes generate fees to professionals such as lawyers, appraisers, real estate agents, surveyors, etc. as well as taxes and fees to government. In addition, homebuyers often purchase new appliances or furnishings and typically undertake renovations that tailor the new home to specific household requirements.

To quantify these effects, The Canadian Real Estate Association (CREA) commissioned Altus Group Economic Consulting to prepare estimates of the economic impacts resulting from home sales and purchases on Boards' MLS® Systems in Canada and the 10 provinces. At the Canada level, this report provides an update to similar efforts undertaken by Altus Group Economic Consulting on behalf of CREA examining the 1990-1992, 2000-2002 and 2004-2006 periods. At the provincial level, this report provides an update to similar work undertaken by Altus Group Economic Consulting where we provided a comprehensive set of economic impact estimates for home sales and purchases on Boards' MLS® Systems based on an integrated interprovincial input-output model for the 2004-2006 period.

Three measures of economic impact are assessed in this report:

- Average ancillary spending per housing transaction (by region);
- Annual average spin-off benefits based on all sales and purchases on Boards' MLS® Systems over the past three years; and
- Annual average direct and indirect employment by sector generated through all sales and purchases on Boards' MLS® Systems over the past three years.

This report presents a review of these national and provincial estimates. The methodology used in its preparation is presented in the Appendix.

HOUSING TRANSACTIONS GENERATE SIGNIFICANT SPENDING IN THE ECONOMY³

Purchases and sales of homes trigger additional expenditures that have broad economic impact.

It is estimated that a total of \$46,400 in ancillary expenditure is generated by the average housing transaction in Canada over a period of three years from the date of purchase.

Figure 1 indicates the distribution of these expenditures among the various services and goods typically associated with housing transactions, for Canada and five regions⁴. Although the analysis was based on spending in 2007, the returns capture typical spending by household in the first, second and third year after purchase. A number of professional fees are involved, including legal and real estate fees, mortgage insurance premiums, fees for appraisals, surveys and other services involved in the purchase and sale of a home.

³ For purposes of this paper, a transaction is defined as the sale of a home by a vendor to a purchaser and all ancillary expenditures typically associated with the change of ownership.

⁴ These data are based on an analysis from the Survey of Household Spending, and due to sample sizes in that survey, the analysis has had to be completed at the regional level rather than the provincial level.

ECONOMIC IMPACTS OF HOME SALES AND PURCHASES ON BOARDS' MLS® SYSTEMS



Figure 1: Estimated Expenditures Generated by the Average Housing Transaction Canada and Regions, 2007

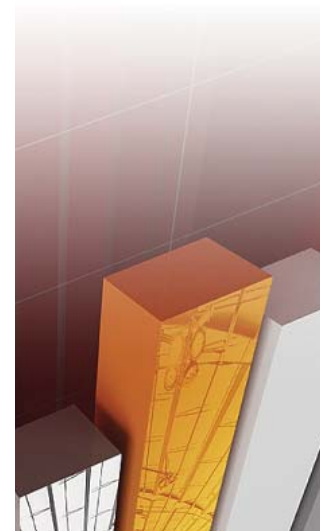
	Canada	Atlantic	QC	ON	Prairies	BC
	<i>Dollars</i>					
General Household Purchases	2,025	1,625	1,725	2,025	2,275	2,075
Furniture and Appliances	6,525	4,750	5,775	6,325	7,175	7,325
Moving Costs	1,900	2,125	1,475	2,100	1,750	1,925
Renovations	15,000	9,575	12,000	15,875	13,925	17,800
Services: Financial, legal, real estate appraisal, Survey, other professions	17,400	9,675	11,700	17,150	14,000	24,175
Taxes (Excluding GST)	3,550	1,175	1,850	4,100	975	6,900
Total	46,400	28,925	34,525	47,575	40,100	60,200

Source: Estimated by Altus Group Economic Consulting based on special tabulations from Statistics Canada 2007 Survey of Household Spending

The analysis reflects the importance of renovation work associated with moving house – a figure that includes repairs and alterations to both the structure itself and the surrounding yard. Canada-wide, owners of recently purchased homes spent an incremental (over and above typical spending) \$15,000 on renovations during the first three years after the purchase. Incremental spending on renovation items by recent homebuyers has been rising quickly and doubled in magnitude between the analysis based on the 2005 survey and the current analysis based on the 2007 survey. Across Canada, spending on renovations varies from \$9,575 in Atlantic Canada to \$17,800 in BC.

In addition, there are also significant expenditures for furniture and appliances and general household purchases such as bedding, towels, lighting fixtures, tools, blinds etc. Moving costs and taxes such as land transfer taxes – especially in Ontario and B.C. – also enter the picture.

The average of \$46,400 in ancillary expenditures relates only to the costs of moving from one home to another. It does not include any renovation expenditures by the vendors of homes, preparing their properties for sale (or, in the case of new housing, the construction expenditures involved in building and fitting of the home).

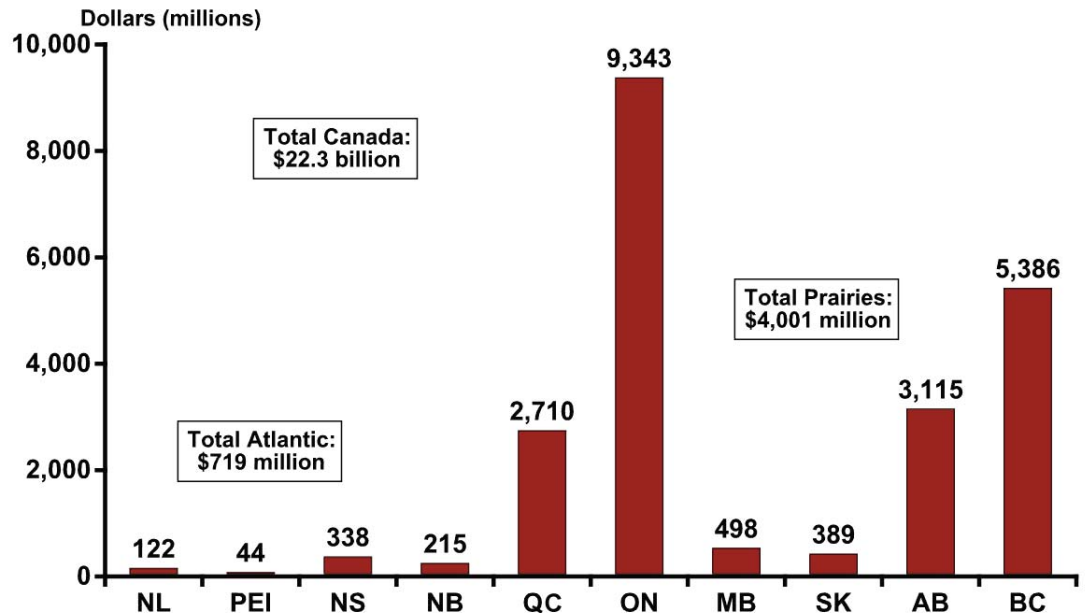


ECONOMIC IMPACTS OF HOME SALES AND PURCHASES ON BOARDS' MLS® SYSTEMS

SPIN-OFF BENEFITS OF ACTIVITY ON BOARDS' MLS® SYSTEMS AVERAGE \$22.3 BILLION ANNUALLY FROM 2006 TO 2008

There are a large number of resale housing transactions in Canada every year. Between 2006 and 2008 an average of 480,120 homes changed hands annually through the Multiple Listing Service® (MLS®)⁵ of real estate Boards across Canada.

Figure 2: Average Annual Spin-Off Benefits of Activity on Boards' MLS® Systems, Canada and Provinces, 2006-2008



Source: Altus Group Economic Consulting based on Statistics Canada Input-Output Model

Considering the average of \$46,400 additional expenditure per transaction, it is clear that home purchases and sales generate very significant volumes of spending and major spin-offs to other industries. For the average of 480,120 homes processed annually through Boards' MLS® Systems in Canada during the period between 2006 and 2008, spending attributable to moving house totalled over \$22.3 billion per year – a significant contribution to the total Canadian economy.

Spin-off benefits from home sales and purchases on Boards' MLS® Systems were significant in all provinces. Figure 2 illustrates the total ancillary spending by province. A majority of the spending nation-wide is found in Canada's largest four provinces, Quebec, Ontario, Alberta and B.C. All provinces experienced millions of dollars of annual spin-off benefits from home sales through this period.

⁵ The Multiple Listing Service® (MLS®) is a co-operative listing system operated by real estate Boards to provide maximum exposure to properties for sale. MLS® is a registered certification mark owned by The Canadian Real Estate Association.

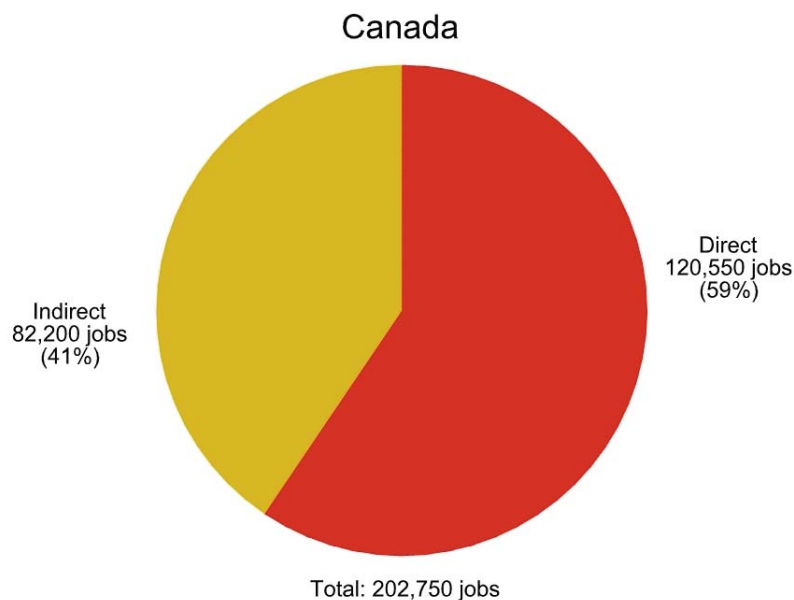
ECONOMIC IMPACTS OF HOME SALES AND PURCHASES ON BOARDS' MLS® SYSTEMS

AN AVERAGE OF 202,750 DIRECT AND INDIRECT JOBS GENERATED ANNUALLY BY HOME SALES AND PURCHASES THROUGH BOARDS' MLS® SYSTEMS

Expenditures on activities such as purchasing a home result in three distinct rounds of impacts on the economy (see Figure 3):

- **Direct impacts** – economic activity in the industries supplying products and services to homebuyers. Examples include the jobs generated in the appliance, construction and real estate sectors involved in producing and providing the specific goods and services required by purchasers.
- **Indirect impacts** – economic activity in industries providing goods and services to the industries involved in the direct round. Examples include the raw materials and components used in producing appliances purchased by homebuyers; the wood and other industries involved in providing inputs to the manufacture of building products used in home renovations; and the computers and other goods used by financial and real estate service firms involved in the sale of financing for the home. The chain reaction spreads across the economy and provides employment in a wide range of industries that supply those directly involved in providing goods and services to the home buyer.
- **Spin-off impacts** – the so-called Keynesian multiplier effect resulting from the expenditure of incomes generated in the first two rounds. The wages, salaries and other income that accrue to households as a result of the direct and indirect rounds will, in turn, generate economic activity as these households spend their incomes in the general economy. The relationship between these spin-off impacts and the initial expenditure resulting from the purchase of a home is less clear than for the direct and indirect rounds – much household spending would occur regardless of whether it is financed by wages and salaries, or through unemployment insurance, other government transfers or savings if the direct and indirect employment did not occur.

Figure 3: Average Annual Direct and Indirect Employment Generated by Home Sales on Boards' MLS® Systems, Canada, 2006-2008



Source: Altus Group Economic Consulting based on Statistics Canada Input-Output Model



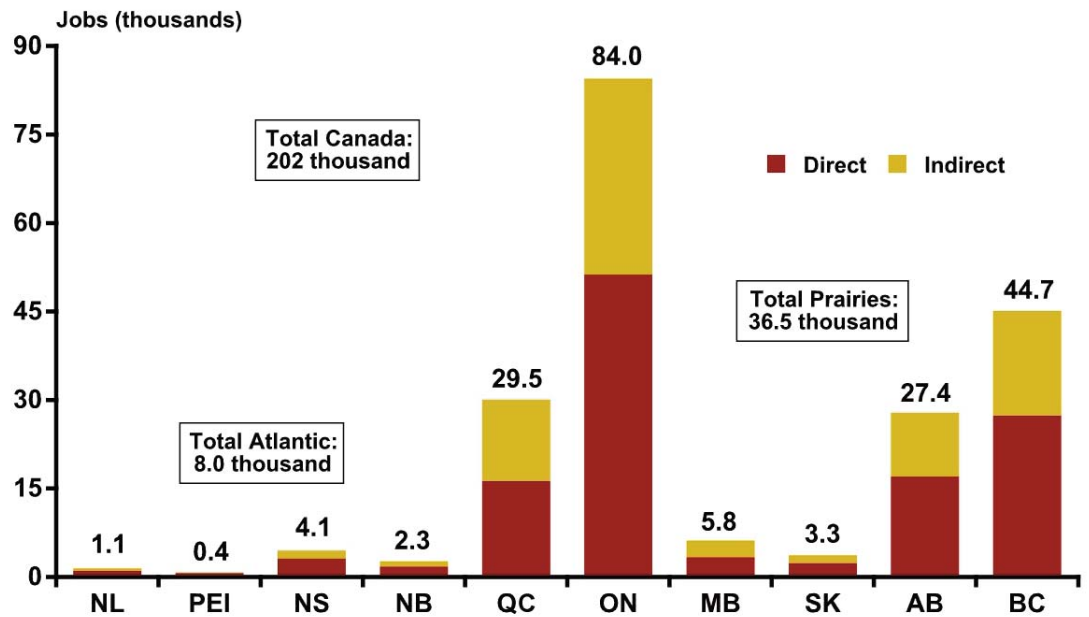
ECONOMIC IMPACTS OF HOME SALES AND PURCHASES ON BOARDS' MLS® SYSTEMS

Direct and indirect employment resulting from housing sales in Canada is significant. A total of 202,750 jobs are estimated to have been generated annually by home sales on Boards' MLS® Systems in Canada over the period 2006-2008.

Most of these jobs (120,550) were generated in the direct round – the jobs required to produce the goods and services purchased by homebuyers. The remaining 82,200 jobs were generated to provide inputs necessary to produce the goods and services that were purchased directly by homebuyers.

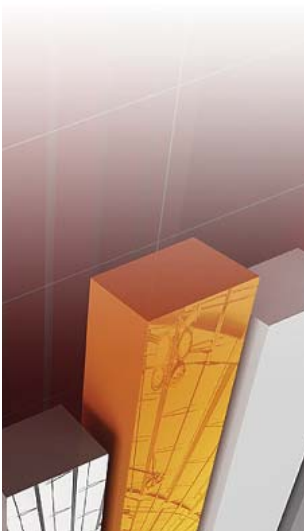
Figure 4 illustrates the distribution of direct and indirect jobs generated by home sales and purchases, by province.

Figure 4: Average Annual Direct & Indirect Employment Generated by Home Sales on Boards' MLS® Systems by Province, 2006-2008



Source: Altus Group Economic Consulting based on Statistics Canada Input-Output Model

All told, jobs generated directly and indirectly through the sale and purchase of homes accounts on Boards' MLS® Systems for about 1 in 85 full-time equivalent jobs across the entire economy.



ECONOMIC IMPACTS OF HOME SALES AND PURCHASES ON BOARDS' MLS® SYSTEMS

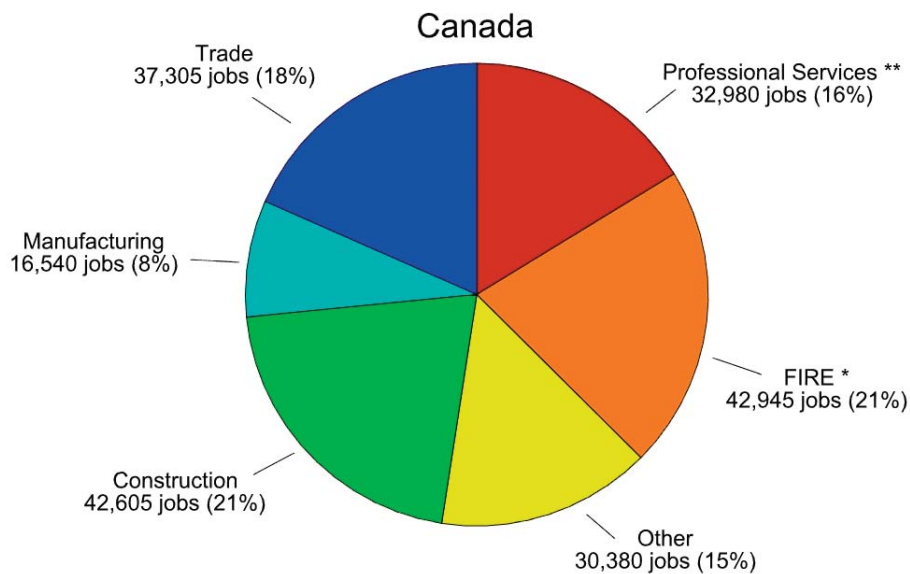


MAIN IMPACTS FROM HOUSING TRANSACTIONS ARE IN FINANCE, REAL ESTATE AND CONSTRUCTION BUT MANY OTHER INDUSTRIES ALSO BENEFIT

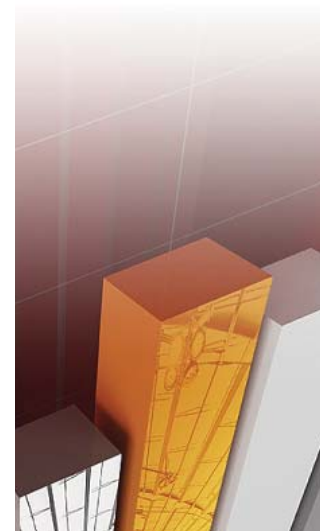
The finance, insurance and real estate industry accounts for some 21 per cent of the total direct and indirect employment generated by home sales (see Figure 5). A total of about 42,945 jobs have been created in these sectors as a result of the average number of home sales on Boards' MLS® Systems annually during the period 2006-2008.

In addition, the construction industry also significantly benefits from home sales on Boards' MLS® Systems, primarily due to higher household spending on renovations and alterations in recent years. Overall, approximately 42,605 construction jobs are created annually, representing some 21 per cent of the total direct and indirect employment created by transactions on Boards' MLS® Systems.

Figure 5: Average Annual Direct and Indirect Employment, by Industry, Generated by Home Sales on Boards' MLS® Systems, 2006-2008



* Finance Insurance and Real Estate ** Includes public service jobs
 Source: Altus Group Economic Consulting based on Statistics Canada Input-Output Model



ECONOMIC IMPACTS OF HOME SALES AND PURCHASES ON BOARDS' MLS® SYSTEMS

A significant number of jobs were also created in a variety of other industries – trade, manufacturing, and other services all have jobs that rely on economic activity generated by the sale and purchase of homes on Boards' MLS® Systems in Canada.

Most of the jobs in the finance, insurance and real estate industries are generated in the direct round (see Figure 6). Lawyers, real estate agents, appraisers, surveyors, etc. all play a significant role in the sale of a home. About 78 per cent of the jobs generated in these industries are in the direct round.

In the construction industry, most of the impacts are also in the direct round – approximately 96 per cent. This reflects large renovation expenditures that typically occur when someone moves into a home.

For the other industries, (e.g. manufacturing, trade and services) most of the employment impacts are in the indirect round – supplying goods and services to industries involved in the direct round.

Figure 6: Average Annual Direct & Indirect Employment by Industry Generated by Home Sales and Purchases on Boards' MLS® Systems, Canada, 2006-2008

	Direct	Indirect	Total	Distribution %	Direct as % of Total
	<i>Dollars</i>				
Manufacturing	2,815	13,750	16,565	8	17
Construction	41,080	1,585	42,665	21	96
Trade	24,145	13,210	37,355	18	65
FIRE ¹	33,590	9,415	43,005	21	78
Professional Services ^{2*}	12,005	21,025	33,025	16	36
Other	7,150	23,270	30,420	15	24
Total	120,785	82,255	203,030	100	59

1 Finance, Insurance and Real Estate

2 Includes government

Source: Altus Group Economic Consulting based on Statistics Canada Input-Output Model

SALES AND PURCHASES ON BOARDS' MLS® SYSTEMS HAVE A MAJOR IMPACT ON JOB CREATION IN EVERY PROVINCE

Figure 7 illustrates the employment impacts from ancillary spending related to the sale and purchase of homes through Board MLS® Systems by province. Some notable observations include:

- Atlantic Canada is the region with the lowest relative economic impact from existing home sales. The total jobs generated by the sale and purchase of homes on Boards' MLS® Systems in Atlantic Canada – about 7,960 full-time equivalent jobs – accounts for about 1 in 135 jobs across that economy, compared with 1 in 85 jobs Canada-wide.
- In Quebec, home sales have a particularly strong impact on jobs in the manufacturing sector, accounting for 14 per cent of jobs generated from home sales, compared to 8 per cent

ECONOMIC IMPACTS OF HOME SALES AND PURCHASES ON BOARDS' MLS® SYSTEMS



nation-wide. Since the employment impacts from this sector are derived in the indirect round, approximately 46 per cent of the total jobs generated from home transactions on Boards' MLS® Systems in the Province are indirect as opposed to direct – one of the highest ratio in Canada.

- The profile of jobs generated in Ontario as a result of home sales from Boards' MLS® Systems is very similar to the national average.
- In the Prairies, the proportion of jobs generated in finance, insurance and real estate industries is higher than the national average - 24 per cent in the region vs. the national average of 21 percent. On the other hand, the share of construction jobs created by transactions on Boards' MLS® Systems in the region is considerably lower than the national average – 15 per cent in the region compared with the national average of 21 per cent.
- B.C. experiences the highest relative job impact of any province. The sale and purchase of homes on Boards' MLS® Systems in B.C. generates 44,735 direct and indirect jobs – nearly 1 in 50 jobs across the entire B.C. economy, much higher than the national average of 1 in 85 jobs.

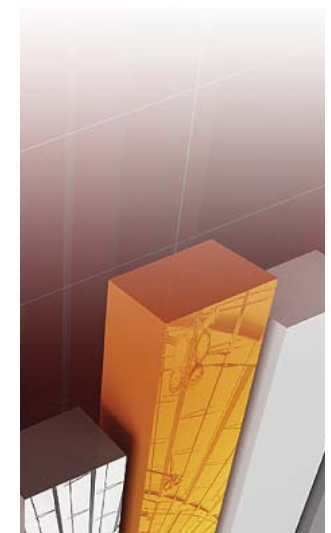
Figure 7: Average Annual Direct & Indirect Employment by Industry, Generated by Home Sales and Purchases on Boards' MLS® Systems, by Province, 2006-2008

	NL	PEI	NS	NB	QC	ON	MB	SK	AB	BC
Direct Jobs										
Manufacturing	0	0	35	25	895	1,080	155	5	200	440
Construction	210	120	715	440	4,550	19,170	1,025	660	3,595	10,430
Trade	170	65	480	315	3,715	9,565	795	645	3,455	4,955
FIRE ¹	175	40	1,155	245	4,700	13,550	505	305	6,585	6,435
Professional Services ²	115	50	325	225	1,335	4,590	355	250	1,620	3,110
Other	65	10	130	140	750	2,895	195	125	1,205	1,620
Total	735	285	2,840	1,390	15,945	50,850	3,030	1,990	16,660	26,990
Indirect Jobs										
Manufacturing	60	20	180	200	3,305	5,600	730	210	1,320	2,210
Construction	5	5	40	15	125	745	45	20	255	325
Trade	70	25	225	110	2,310	5,235	375	215	1,725	2,930
FIRE	30	10	155	80	1,250	4,250	210	120	1,215	2,085
Professional Services	80	30	290	195	3,055	8,790	515	245	2,885	4,925
Other	155	40	410	295	3,745	8,595	875	480	3,395	5,270
Total	400	130	1,300	895	13,790	33,215	2,750	1,290	10,795	17,745
Total (Direct and Indirect) Jobs										
Manufacturing	60	20	215	225	4,200	6,680	885	215	1,520	2,650
Construction	215	125	755	455	4,675	19,915	1,070	680	3,850	10,755
Trade	240	90	705	425	6,025	14,800	1,170	860	5,180	7,885
FIRE	205	50	1,310	325	5,950	17,800	715	425	7,800	8,520
Professional Services	195	80	615	420	4,390	13,380	870	495	4,505	8,035
Other	220	50	540	435	4,495	11,490	1,070	605	4,600	6,890
Total	1,135	415	4,140	2,285	29,735	84,065	5,780	3,280	27,455	44,735

1 Finance, Insurance and Real Estate

2 Includes government

Source: Altus Group Economic Consulting based on Statistics Canada Input-Output Model





APPENDIX

ESTIMATES OF THE ECONOMIC IMPACTS OF HOUSING SALES

This appendix reviews the methodology used to generate estimates of the economic impacts resulting from purchases of homes in Canada. The methodology can be broadly divided into two sections:

- Estimating the expenditures generated as a result of home purchases; and
- Estimating the economic impacts of these expenditures.

A summary of the methodology used by Altus Group Economic Consulting to generate each of these estimates is provided below.

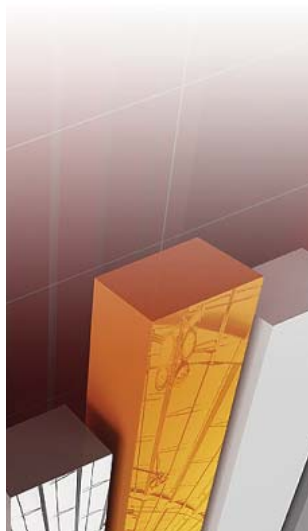
ESTIMATING THE EXPENDITURES GENERATED AS A RESULT OF HOUSING TRANSACTIONS

To provide estimates of the amount spent by families who moved house, special tabulations were obtained from Statistics Canada's 2007 *Survey of Household Spending*. These tabulations provided estimates of the expenditures by families during the first, second and third years after purchasing a house, versus all other home owners. The average expenditures of families who had moved in either 2007, 2006 or 2005 versus those who had not moved were then compared for a variety of expenditures categories that were considered likely to be affected by moving to a different home. From these data and additional analysis, estimates of the average expenditures generated by families who move to a different dwelling were prepared.

This analysis was conducted at the Canada-wide level. It was then indexed to the regional level, based on the average spending per reporting owner household for any given spending category compared with spending Canada-wide. Due to the suppression of data from the *Survey of Household Spending* because of small sample sizes in some provinces, this analysis was conducted at the regional level.

It should be noted here that these include only the expenditures incurred by the family that moved to a dwelling. This included items such as moving costs, new appliances or equipment to be used in the home, renovation expenditures, fees paid to lawyers, surveyors, mortgage lenders, etc. The only exception is a calculation included in the analysis to account for real estate brokerage fees generated from transactions on Boards' MLS® Systems, which in most cases are borne by the property vendor.

The analysis did not distinguish between those moving into a new home versus a resale home, and it did not include the additional economic impacts that would have been generated through the construction of new homes.



APPENDIX



ESTIMATING THE ECONOMIC IMPACTS OF EXPENDITURES GENERATED AS A RESULT OF HOME PURCHASES

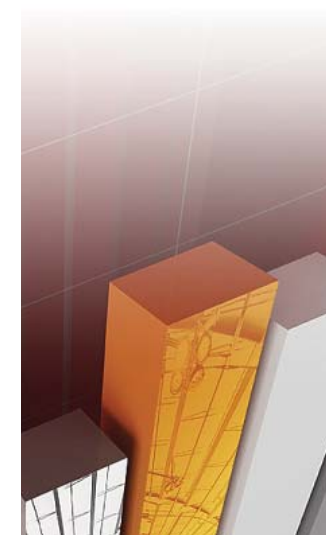
Estimates for the economic impact of additional expenditures generated by moving to a different home were derived through the use of Statistics Canada's *Interprovincial Input-Output Model*. The current model relates to the year 2005. An input-output model is used to estimate the impacts of various types of economic activities. It is an accounting framework of an economy's production system. It shows the interconnections that exist between the various sectors of the economy when goods and services are produced. Using an input-output model, it is possible to determine which goods and services are required to achieve a certain production level in a particular industry – or the economy as whole.

The model can take an estimate of expenditures on a given economic activity (in this case, moving to a different home) and translate it into the impacts on various industries – and ultimately, the amount of income and jobs created. A key component of an input-output model is the set of “input structures” for each economic activity covered by the model. An input structure literally splits the original expenditure among all the different inputs that are used in that economy activity. For example, in purchasing a home, expenditures are incurred in a variety of industries – appliances, construction, various service industries, etc. Each of these industries has an input structure of its own that involves inputs from a variety of other industries plus labour and owners of firms in that industry.

An input-output model includes a full array of input structures that have been estimated for all industries in the economy. Use of the model in this analysis involves estimating the impacts of spending incurred by those who move to a different dwelling. To generate these estimates, it was necessary first to provide an “input structure” for households that move to a different dwelling. To formulate this input structure, the estimates of average expenditures generated by families who move to a different dwelling derived from the analysis of the *Survey of Household Spending* were converted into the input categories used by the Statistics Canada Interprovincial Input-Output model. Specifically, estimated spending per mover by region in each of the affected expenditure categories is reflected in the table summarized in the report (Figure 1).

This input structure was used by Statistics Canada to simulate the impacts on spending by movers using the Interprovincial Input-Output model. In generating the estimates, Statistics Canada grossed the expenditures up to \$428.0 million (i.e. to cover the estimated spending of 10,000 movers), then distributed among the 10 provinces via an index of average transactions on Boards' MLS® Systems over the study period. The results were re-estimated by Altus Group Economic Consulting based on the average annual home sales on Boards' MLS® Systems over the 2006-2008 period and are presented in the main body of the report.

The findings are presented in terms of “jobs” generated. This is the term used by the Input-Output Division of Statistics Canada in its estimates of employment generated. The term “jobs” is close to but not the same as “person-years of employment”. The estimate of jobs provides the number of workers that would be employed for a full-year; however, the estimate includes both full and permanent part-time jobs at the ratios appropriate for each of the industries involved.





APPENDIX

The Interprovincial Input-Output model was run as one single simulation for all 10 provinces. Thus the impacts of trade flows between provinces are imbedded in the estimates. In this way, the jobs generated by province presented in Figure 7 of the report reflect the impact of home sales in all provinces. In reality, although most jobs are generated from sales in the same province, some cross-provincial effects are present. For example, if a homebuyer in B.C. purchases a washing machine manufactured in Quebec, that ancillary spending will help create manufacturing jobs in Quebec. Conversely, if a home buyer in P.E.I. engages the services of a moving company that uses gasoline mined and refined in Alberta as an input, that ancillary spending activity will help generate oil and gas related jobs in Alberta.

