

# Housing & The Economy

Homeownership rate is **69%**.<sup>1</sup>

Buying a home not only impacts the homeowner's financial situation, it also impacts national and local economies. Let's take a look at the impact of housing on the economy.



## Housing's impact on the national economy

A nation's gross domestic product (GDP) measures the economic performance of the country and is defined as **"the monetary value of all the finished goods and services produced within a country's borders in a specific time period."**<sup>2</sup> In short, GDP measures how well a country, state or region's economy is performing.

Housing plays a large role in the Canadian economy, and contributed **\$128 billion** to the overall economy in 2013. Residential investment comprises **7%** of the overall economic output, which is more than double the comparable number in the U.S.<sup>3</sup> This not only includes new construction, but also renovations and ownership transfer costs (e.g., legal and appraisal fees).

## Housing and consumer spending

Housing also indirectly impacts consumer spending—when homeowners have more expendable income or increased access to credit, they may buy more goods and use more services, which benefits the overall economy.

## Housing and labour

Housing not only contributes to the economy through home sales, it's also a major source of employment. The residential construction industry and the real estate services sector employ more than **235,000** Canadians and the real estate services employ an additional **245,000**.<sup>3</sup>

**Canadian homeowners are wealthier—housing assets have created more than \$1.7 trillion in net new wealth since 2000.**<sup>3</sup>



# Housing's Impact on the Local Economy

When you buy or sell a home, you not only build your financial portfolio, you benefit your local economy as well. Typically, there are 26 services involved in a single real estate transaction in the 30 days before and after a real estate transaction has closed. Buyers and sellers may use services such as movers, painters and contractors during and after a transaction has closed. Additionally, homeowners will continue to use these services while they live in the home, especially if they renovate.

## Renovations

Renovations contribute to the economy through the use of local labour and businesses, as well as permitting and other government-related fees. According to experts, renovation spending is one of the fastest growing segments of the Canadian economy.<sup>3</sup> It's no wonder—residential home repair and renovation creates more than \$28 billion in wages in the form of purchases across the whole economy.<sup>4</sup> Many homeowners are renovating in lieu of moving, to increase their home's value and to take advantage of tax credits.<sup>3</sup>

Sources:

1. Statistics Canada
2. Investopedia, <http://www.investopedia.com/terms/g/gdp.asp>
3. Reuters, April 16, 2014
4. Canadian Home Builders' Association, Economic Impacts of Home Renovation and Repair, Canada 2014



Home maintenance and improvement represents more than **\$67 billion** in investment value.<sup>4</sup>

## Homeownership Benefits the Community

Homeownership has many social benefits, including:

- Increased civic participation and charitable activity
- Better health for homeowners
- Less crime
- Higher student test scores and high school graduation rates
- Higher social capital

