

Is Fractional Ownership the Solution to House Price Affordability in Canada?

The persistent housing affordability crisis has haunted the dreams of would-be homeowners in major urban markets across the country for decades. In particular, the Greater Toronto Area (GTA) together with perennially hot Vancouver and surrounding Lower Mainland markets have essentially slammed the door shut for many homebuyers. The dream of homeownership in major urban markets has become just a pipedream for too many Canadians.

The question now is, **“Has the affordability virus has been transmitted to smaller markets?”**. The data says **yes!**

Thanks to COVID-19, the newly created work-from-home crowd have decided they no longer need to live in “the big smoke”! They can work from wherever they can find a larger home and yard more suited to the whole family being in and around the house all day.

The most recent data for Ontario shows housing market booms emerging in markets far from the GTA. Markets such as Windsor, London, Ottawa and yes, even my home town of Sudbury. Markets where affordability has not been an issue are now experiencing hot markets characterized by rapidly rising prices and multiple offers.

The attached [Appendix A](#) is the House Price Index powered by Teranet and National Bank of Canada. Table 1 below summarizes the 2020/2021 year-over-year growth using this helpful Housing Price Index:

Table 1: House Price Appreciation: March 2020 to March 2021

City	Annual Growth %
Greater Sudbury	20%
Kitchener / Waterloo	20%
London	24%
Ottawa	19%
Windsor	20%

Source: House Price Index-Teranet/National Bank

With an average 20% + house price appreciation, it is safe to say that an affordability issue is rapidly emerging in these non-GTA Ontario markets.

So the big question now is how do we solve the growing affordability issue?

We see three possible solutions:

Government Stimulation to support Innovation and Solutions to Affordability:



[CMHC's Housing Supply Challenge](#) is the first step in the right direction to tackle this issue. Realistically however, it will never be properly addressed without industry involvement.

Government Intervention:



We have seen this playbook in the past. Government's primary lever is interest rates and of course, that affects more than just housing affordability, an intricate dance for politicians to perform. Special taxation is a secondary lever but that is already in place in the big hot GTA and Vancouver markets. So far it has been totally ineffective. Housing affordability will have to be more than just a hot issue; it will take a flaming conflagration for governments to intervene.

Innovation:



We see innovation as the most exciting and viable solution to helping solve the affordability challenge. Solving a complex problem like this, requires some outside-the-box thinking and fortunately, the Canadian entrepreneurial spirit is alive and well in the Proptech space. A number of initiatives have real boots-on-the-ground business models that will help more Canadians get into real estate ownership as highlighted below.

Insightt, shines a light on new and innovative companies with the *Insightt Innovation Showcase* ([click here to see our showcase](#)). We are quite excited about some new proptech companies that have launched fractional or co-ownership solutions in Canada, and we predict they will play a role in easing affordability for many Canadians.

Here are three amazing new companies to get your wheels turning on how their innovative model, or parts of their model, can help address the housing affordability crisis.



Meet addly, a fractional based real estate company headquartered in Vancouver, BC. Addly provides an opportunity for anyone to invest in real estate. They use crowd funding to make the real estate market accessible to anyone who wants to become a real estate investor. To learn more about addly, visit their website at: addlyinvest.com



Buy Properly is led by a very impressive young lady entrepreneur Khusboo Jha. This new proptech company makes real estate investing simple, fast and easy for the everyday consumer through a new fractional real estate solution. Buy Properly leverages big data, artificial intelligence and has leveraged technology to help the every day consumer become a real estate investor. To learn more about Buy Properly, visit their website at: buyproperly.ca



Key has built a co-equity financial model to help consumers buy shares in a condominium for a minimum of \$15,000 and build equity while paying a monthly all-inclusive payment to live in a suite of their choice as long as they want. The company's patent-pending co-ownership model helps buyers get into the real estate market sooner. To learn more about Key, visit their website at: lifeatkey.com

What we love about each of these new proptech companies is that they have identified a major pain point for the consumer in the real estate journey and solved it with technology, determination and true entrepreneurial grit. We see fractional ownership, co-ownership and leveraging crowd funding as key ingredients to helping solve the affordability challenge. How these ingredients are put together and who puts them all together is yet to be seen, but it starts with getting everyone thinking about the problem and then collaborating to find the solution.

We see innovation as the way forward in solving the affordability issue, so let's get the conversation started!



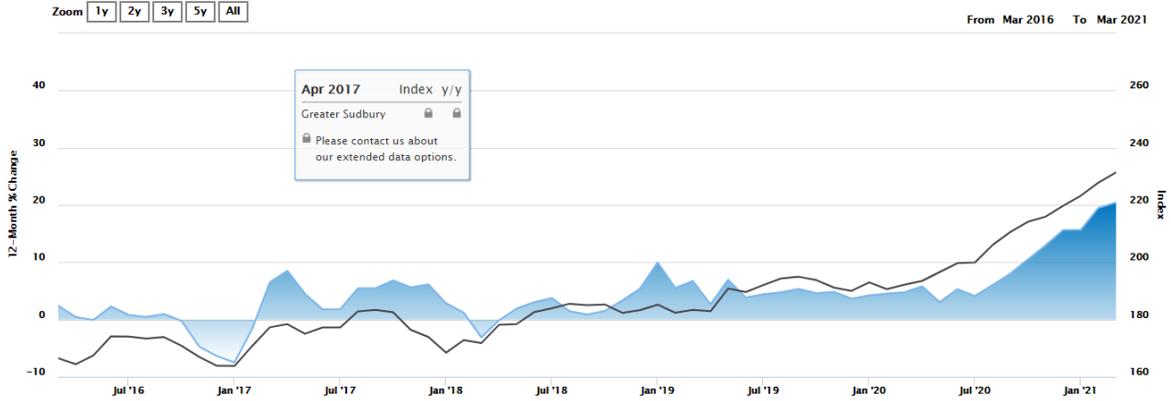
Article Written By: **Brian Bell** – MBA, M.PI, Broker

Brian is a real estate and technology consultant and founder at Insightt. Insightt helps real estate related companies understand the risks of disruption, but more importantly help them take innovation to the next level through data, technology and training. See our latest research reports at insightt.ca

Appendix A

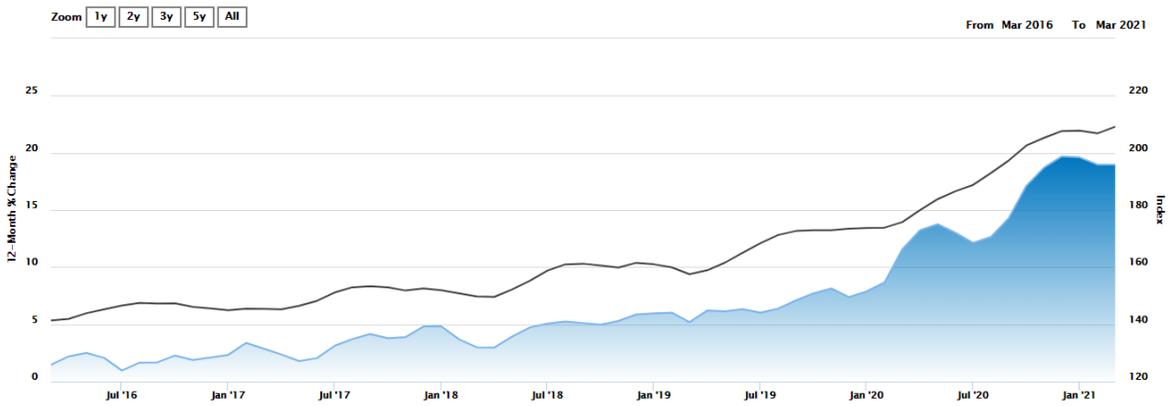
Greater Sudbury

2021 / Index / m/m / ytd / y/y / c11 weight
 March / 231.42 / 1.58% ↑ / 5.32% ↑ / 20.44% ↑ / 0%



Ottawa-Gatineau

2021 / Index / m/m / ytd / y/y / c11 weight
 March / 209.1 / 1.12% ↑ / 0.71% ↑ / 18.96% ↑ / 5.7%



Windsor

2021 / Index / m/m / ytd / y/y / c11 weight
 March / 223.76 / 2.74% ↑ / 4.22% ↑ / 19.98% ↑ / 0%



London

2021 / Index / m/m / ytd / y/y / c11 weight
 March / 253.48 / 3.48% ↑ / 7.67% ↑ / 24.46% ↑ / 0%



▼ **Kitchener-Cambridge-Waterloo**

2021 / Index / m/m / ytd / y/y / cti weight
March / **278.1** / **2.68% ↑** / **4.42% ↑** / **20.8% ↑** / **0%**



▼ **Guelph**

2021 / Index / m/m / ytd / y/y / cti weight
March / **277.7** / **2.59% ↑** / **6.33% ↑** / **22.84% ↑** / **0%**

