



Following an application to the Canada Revenue Agency, the QFREB gained access to exclusive statistics on the Home Buyers' Plan (HBP). Seeing as the HBP is one of the flagship programs associated with home ownership, the QFREB examined its use and buying power, notably by analyzing the number of withdrawals made for HBP purposes, their average value, as well as the proportion of the average withdrawal in relation to the average price of residential properties in Québec.

Introduction

Since its introduction, the HBP (Box 1) has proved to be an excellent way to help young households acquire their first property. In fact, from the period of 2002 to 2015, the HBP has enabled nearly half a million Québec households to become homeowners, representing more than \$6 billion withdrawn from their RRSPs. However, our analysis shows that there has been a sharp decline in the use of the HBP in Québec, suggesting that a modernization of the program or the implementation of new measures could help to further stimulate homeownership. This would be welcomed in Québec, given the province's significant lag in homeownership rate as compared to that of Canada's other provinces (Box 2).

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Box 1

How does the Home Buyers' Plan work?

On February 25, 1992, the federal government introduced the Home Buyers' Plan (HBP) in its budget, which allows first-time buyers to use their [RRSP](#) savings to buy a property. Initially, the maximum amount that could be withdrawn, tax-free, was \$20,000. At first, this program was temporary but became permanent in February 1994. A maximum period of 15 years is allocated to repay this amount, otherwise the annual portion that is not reimbursed is added to the buyer's taxable income. The repayment period begins in the second year following the year in which the withdrawal was made.

In January 2009, the maximum withdrawal amount increased to \$25,000. Also, if the purchase is made with a spouse, the spouse can also take advantage of the program to the tune of \$25,000. It also became possible for a person who has already owned a home to benefit from the HBP under certain conditions, including if the person has not been a homeowner for at least 4 years¹.

The program has not been updated since 2009.

¹ Click [here](#) to learn more about the HBP.

Box 2

Québec has the lowest homeownership rate in the country

The province of Québec currently lags significantly behind the rest of Canada in terms of its homeownership rate. In fact, according to the 2011 census, Québec has the lowest homeownership rate in the country at only 61.2%, while it is above 70% in every other province².

It is generally recognized that an increase in the number of homeowners would lead to increased wealth for Québec households. For example, according to data obtained by the APCHQ³, in Québec, renter households saw their average net worth increase from \$76,800 in 1999 to \$116,300 in 2012, while that of owner households increased from \$413,800 to \$748,400 during the same period. This represents an increase of 51% for renters and 81% for homeowners, mainly because homeowners have seen the value of their residence increase. In addition, it is estimated that a property provides an increase in disposable income of between 10% and 13% among retired households in the 60 to 69 age class, and between 12% and 15% for those in the 70+ age class⁴.

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The number of HBP withdrawals is decreasing

Table 1 shows, for the province of Québec, the number of consumers who withdrew money as part of the HBP, the total volume of these withdrawals and the average amount withdrawn per person. On average, 34,856 HBP withdrawals were made annually from 2002 to 2015, with a peak of 42,200 in 2004. However, from 2005 to 2015, the number of HBP withdrawals declined almost continuously, with the exception of an increase in 2010 (after strong decreases in 2008 and 2009, probably due to the financial crisis). In 2015, only 26,910 HBP withdrawals were made⁵, the lowest number since 2002. We will see in the next section that the downward trend in the number of withdrawals during the period being examined cannot be explained by a decrease in activity on the real estate market.

The average withdrawal amount as part of the HBP generally increased over the entire period, rising from \$11,431 in 2002 to \$14,077 in 2015. There was a significant increase in 2010, the year that immediately followed the raising of the maximum withdrawal amount from \$20,000 to \$25,000.

However, did the increase in the average withdrawal amount follow the increase in the average property price in Québec? We will examine this question in the next section.

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² Last year for which statistics are available. Statistics Canada will publish the results of the 2016 census in October 2017.

³ Statistics Canada, *Survey of Financial Security*, special compilation for the APCHQ, March 2014.

⁴ BROWN, W. Mark, Feng HOU and Amélie LAFRANCE. *Incomes of Retirement-Age and Working-Age Canadians: Accounting for Home Ownership*, Statistics Canada economic Analysis Research Paper, 11F0027M-N° 064, ISSN 1703-0412, ISBN 978-1-100-95115-7, July 2010.

⁵ The number of HBP withdrawals in 2015 is still subject to change as the processing of 2015 claims was not yet complete when the Canada Revenue Agency published these figures. The month of January, two calendar years after the tax, is used as the cut-off date for calculating all amounts relating to fiscal years.

Table 1: Statistics on the Home Buyers' Plan in Québec

	Number of consumers who made a withdrawal as part of the HBP		Volume of withdrawals as part of the HBP		Average amount of money withdrawn as part of the HBP	
		Variation		Variation		Variation
2002	38,880		\$444,456,000		\$11,431	
2003	41,250	6%	\$469,537,000	6%	\$11,383	0%
2004	42,200	2%	\$489,176,000	4%	\$11,592	2%
2005	38,500	-9%	\$447,323,000	-9%	\$11,619	0%
2006	38,010	-1%	\$446,575,000	0%	\$11,749	1%
2007	38,080	0%	\$456,200,000	2%	\$11,980	2%
2008	35,520	-7%	\$428,459,000	-6%	\$12,062	1%
2009	33,520	-6%	\$415,408,000	-3%	\$12,393	3%
2010	35,850	7%	\$478,529,000	15%	\$13,348	8%
2011	32,130	-10%	\$428,554,000	-10%	\$13,338	0%
2012	31,980	0%	\$426,451,000	0%	\$13,335	0%
2013	28,090	-12%	\$383,188,000	-10%	\$13,641	2%
2014	27,070	-4%	\$375,202,000	-2%	\$13,860	2%
2015	26,910	-1%	\$378,803,000	1%	\$14,077	2%
Average	34,856	--	\$433,418,643	--	\$12,558	--

Source: Canada Revenue Agency and QFREB calculations

“Everything is relative”

It is interesting to see the interpretation that can be drawn by analyzing the same data when they are compared to the evolution of residential sales and especially when they are compared to the significant increase in property prices that was observed during the period being examined. Among other things, we want to see whether consumers' buying power has been affected.

Table 2 shows the evolution of sales and median price for residential properties in Québec from 2002 to 2015.

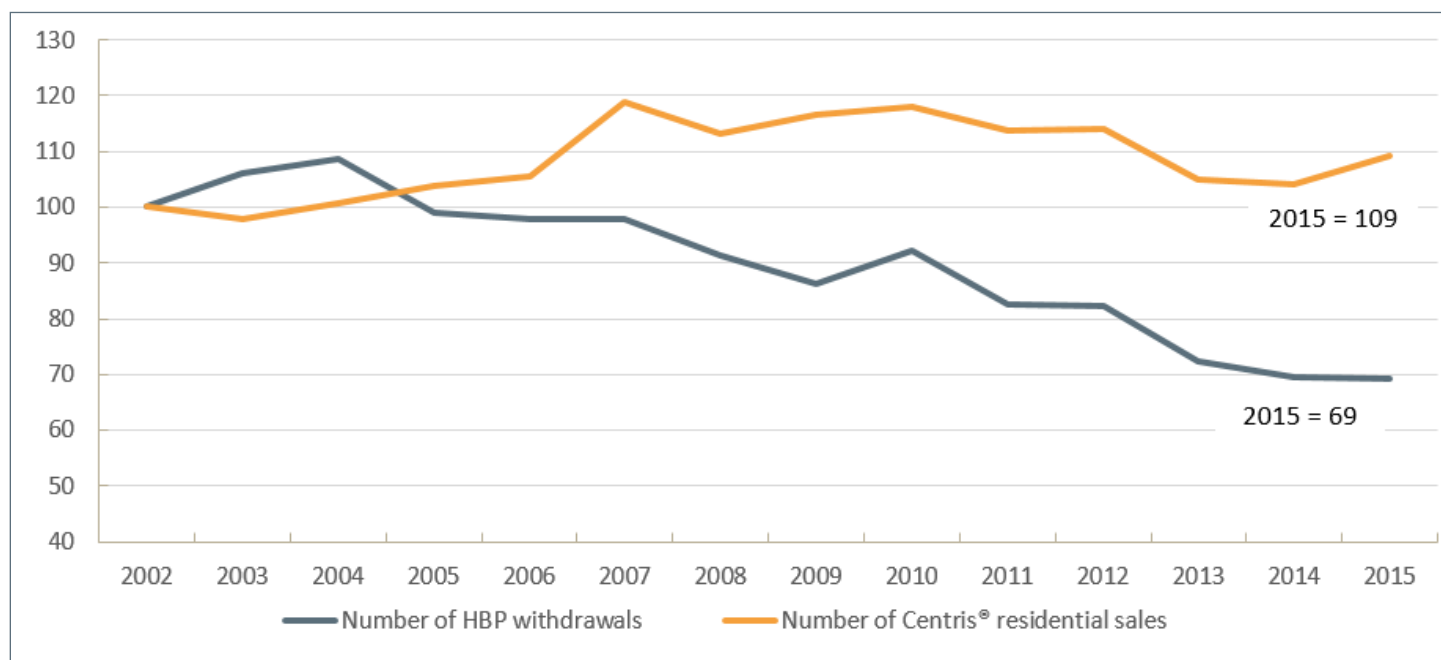
Table 2: Residential real estate market statistics for Québec

	Number of residential sales		Average residential price	
		Variation		Variation
2002	67,867	10%	\$131,631	12%
2003	66,370	-2%	\$153,172	16%
2004	68,268	3%	\$172,505	13%
2005	70,385	3%	\$185,302	7%
2006	71,619	2%	\$195,898	6%
2007	80,647	13%	\$208,270	6%
2008	76,751	-5%	\$216,017	4%
2009	79,103	3%	\$226,416	5%
2010	80,024	1%	\$242,478	7%
2011	77,164	-4%	\$253,380	5%
2012	77,372	0%	\$261,630	3%
2013	71,194	-8%	\$263,791	1%
2014	70,620	-1%	\$267,050	1%
2015	74,122	5%	\$273,183	2%

Source: QFREB by the Centris® system

It is normal for there to be fewer HBP withdrawals during periods when fewer properties are being sold. However, this was not the case during the period under examination, as Centris® sales followed a slight upward trend between 2002 and 2015. By transforming the two series into an index with a base of 100 in 2002, it is easy to represent the situation on a graph (Graph 1).

Graph 1: Compared evolution of Centris® residential sales and HBP withdrawals, province of Québec, base of 100 in 2002



Source: Canada Revenue Agency, Centris® and QFREB calculations

While the number of Centris® sales increased by 9% from 2002 to 2015, the number of HBP withdrawals fell by 31%. This confirms that the decline in popularity of the HBP was not due to a decrease in residential sales, but it is nonetheless very real.

Another way of representing this phenomenon is by dividing the number of sales by the number of consumers who made a withdrawal, as shown in the last column of Table 3.

As we can see, in 2002, there was, on average, one HBP withdrawal for every 1.7 sales, while in 2015, the proportion was one withdrawal for every 2.8 sales. It is important to remember, however, that we are referring to a measure regarding Centris® sales, not all residential sales⁶.

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⁶ New properties sold directly by the builder and existing properties sold directly by the owner are not included in the Centris® database.

Table 3: Statistics on the Home Buyers' Plan (HBP) in Québec

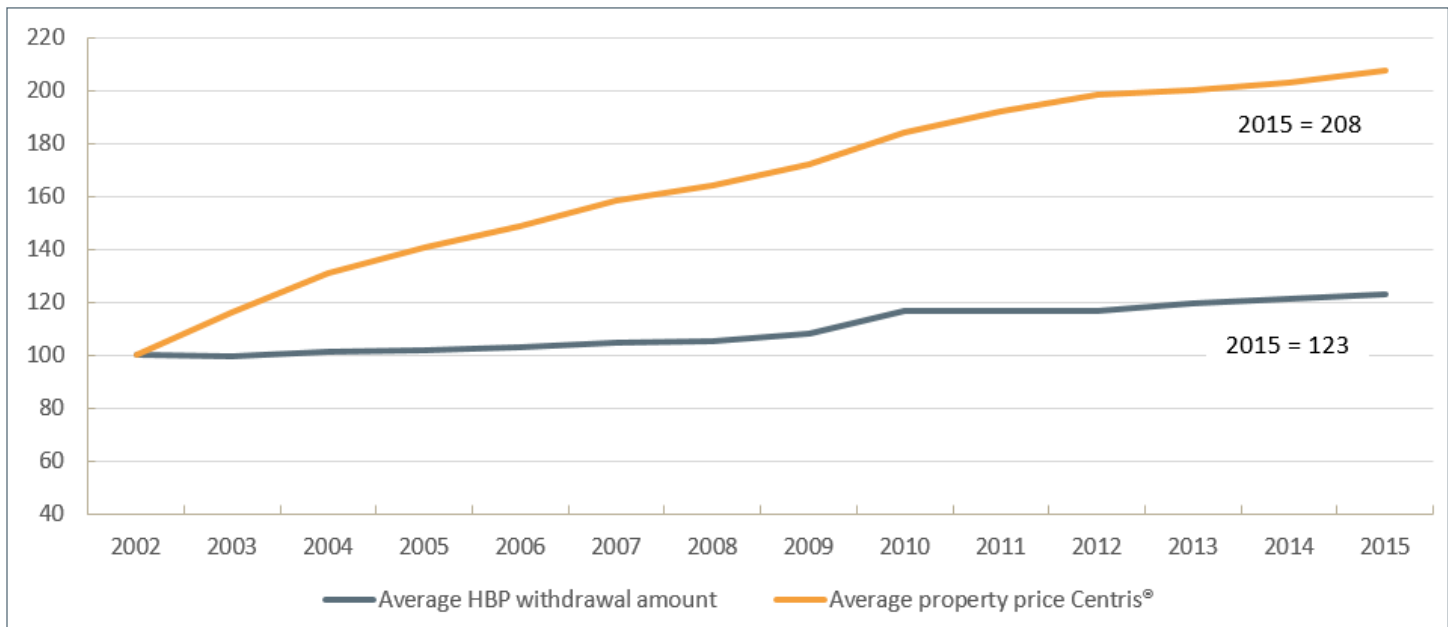
	Number of withdrawals (A)	Number of sales (B)	Ratio A/B
2002	38,880	67,867	1.7
2003	41,250	66,370	1.6
2004	42,200	68,268	1.6
2005	38,500	70,385	1.8
2006	38,010	71,619	1.9
2007	38,080	80,647	2.1
2008	35,520	76,751	2.2
2009	33,520	79,103	2.4
2010	35,850	80,024	2.2
2011	32,130	77,164	2.4
2012	31,980	77,372	2.4
2013	28,090	71,194	2.5
2014	27,070	70,620	2.6
2015	26,910	74,122	2.8

Source: Canada Revenue Agency, Centris® and QFREB calculations

Similarly, let's also compare the evolution of the average withdrawal amount and the evolution of the average property price. Let us convert the two series into an index with a base of 100 in 2002 and show the results on a graph. Graph 2 shows that the 23% increase in the average withdrawal amount from 2002 to 2015 is quite small when compared to the 108% increase in the average property price. The inflation of property prices resulted in a significant loss of buying power for every dollar withdrawn as part of the HBP, since a dollar in 2002 was worth only \$0.48 in 2015. If the average withdrawal amount followed the same pattern as the increase in property prices, it would have more than doubled during the period being studied.

The 23% increase in the average withdrawal amount from 2002 to 2015 is quite small when compared to the 108% increase in the average property price.

Graph 2: Compared evolution of the average HBP withdrawal amount and the average property price, province of Québec, base of 100 in 2002



Source: Canada Revenue Agency, Centris® and QFREB calculations

Another simple way to verify that the average withdrawal amount did not keep pace with property prices is to examine the ratio between the average price and the average withdrawal amount, as shown in the last column of Table 4.

Table 4: Statistics on the Home Buyers' Plan in Québec

	Average HBP withdrawal amount (C)	Average property price (D)	Ratio C/D
2002	\$11,431	\$131,631	8.7%
2003	\$11,383	\$153,172	7.4%
2004	\$11,592	\$172,505	6.7%
2005	\$11,619	\$185,302	6.3%
2006	\$11,749	\$195,898	6.0%
2007	\$11,980	\$208,270	5.8%
2008	\$12,062	\$216,017	5.6%
2009	\$12,393	\$226,416	5.5%
2010	\$13,348	\$242,478	5.5%
2011	\$13,338	\$253,380	5.3%
2012	\$13,335	\$261,630	5.1%
2013	\$13,641	\$263,791	5.2%
2014	\$13,860	\$267,050	5.2%
2015	\$14,077	\$273,183	5.2%

Source: Canada Revenue Agency, Centris® and QFREB calculations

While the average withdrawal represented 8.7% of the average property price in 2002, it represented only 5.2% of the average property price in 2015. However, this ratio should not be interpreted as being the average proportion of a person's HBP withdrawal in relation to the value of the property they acquired. The price used here is that of all residential properties sold in Québec for each year – it is not the average price of properties acquired by buyers who used the HBP, which is probably much lower and would not have necessarily followed the same progression⁷.

In light of these results, one can only conclude that the amounts withdrawn by first-time buyers under the HBP did not keep pace with the increase in property prices, which reduced the HBP as a portion of their down payment.

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Box 3

Is the HBP at its best?

With the decrease in HBP usage and the drop in first-time buyers' purchasing power, access to a first home is becoming increasingly limited. The QFREB recommends several measures that would improve the HBP and make it easier for Quebecers to become homeowners:

- **Increase the maximum withdrawal amount**

In 2009, the government increased the maximum HBP withdrawal amount from \$20,000 to \$25,000. Given the continuing rise in property prices, increases should be applied periodically so that the HBP better reflects real estate market realities. The Canadian Real Estate Association and the QFREB want the government to increase the maximum HBP withdrawal amount to \$35,000 per person.

- **Broaden the scope of the HBP**

In 2015, some 47,600 Canadians lost their spouses and 23,397 divorced. Such life changes may affect their ability to remain homeowners. Allowing people who have already benefited from the HBP to re-apply in the event of a spouse's death, a separation, a work-related relocation or the decision to accommodate an elderly family member would help these people remain homeowners.

- **Allow use of the HBP in an intergenerational manner**

The QFREB recommends that the HBP be used in an intergenerational manner by allowing parents to withdraw money that has accumulated in their RRSPs and transfer it to their children so that they can buy their first home. In addition to facilitating homeownership, this measure could increase intergenerational equity. Some previous generations benefited from better housing market conditions when buying their first property, in addition to benefiting from strong price appreciation.

⁷ The only way to know the average value of withdrawals made by participants in the HBP in proportion to the value of the property they purchased would be to have microdata on this subject.

Conclusion

As the statistics from the Canada Revenue Agency show, use of the HBP dropped significantly between 2002 and 2015. Not only are fewer people taking advantage of the benefits of this program, but their buying power is also constantly decreasing.

While the HBP remains an excellent program, how can we explain the slowdown in its usage when the tax benefits it provides to those who want to buy their first home have remained the same? Here are some hypotheses that may explain this situation.

First, the number of first-time buyers may be decreasing. Although we do not have specific numbers to support this, it does seem plausible, especially given the many mortgage tightening measures that were implemented in recent years. However, in our view, this can be only part of the explanation.

Second, it is conceivable that a growing number of households that are becoming homeowners are single-person households, which would reduce the number of HBP withdrawals per real estate transaction.

Third, the eligibility criteria for the HBP may, over the years, have become less adapted to the new realities of households (i.e., increase in the number of reconstituted families).

Finally, the last hypothesis, which seems the most likely, is that first-time buyers did not manage to contribute to their RRSP at the same pace as property prices increased. One thing is for sure: salary increases have not grown as quickly as property prices have increased. This would explain the decrease in the volume of withdrawals during the period examined. It would also imply that first-time buyers had to increasingly turn to other sources to finance their initial down payment⁸.

Faced with this decline in participation in the HBP, the QFREB believes that other measures should be introduced to promote homeownership⁹.

This would help Quebecers make up for their significant lag in homeownership as compared to residents in Canada's other provinces.

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⁸ Since 2009, some people may have used their TSFA (tax-free savings account) rather than their RRSP to save for a down payment, despite the fact that a TFSA does not provide the same benefits and the contribution limit is lower than that of an RRSP.

⁹ In particular, the QFREB advocates that an exemption from the real estate transfer tax («welcome tax») be granted to first-time buyers. The government could examine the appropriateness of implementing a provincial program to address the problem of first-time buyers accumulating a down payment, based on programs such as the *Accès Famille* program in Québec City or the City of Montréal's *Accès Condos* program.