

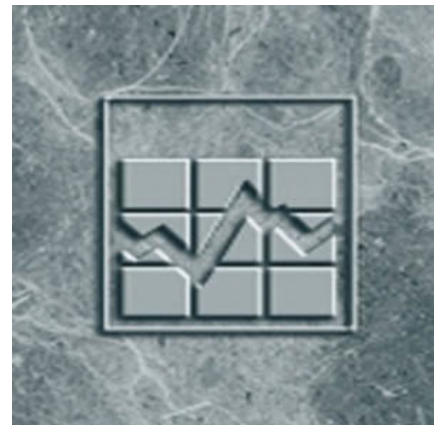
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# First-time homebuyer concept: Technical reference note

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# First-time homebuyer concept: Technical reference note

by **Zheren Hu**, Centre of Income and Socioeconomic Well-being Statistics

## 1. Introduction

More than two thirds of households owned their home in 2018 and homeownership rates have been relatively stable since 2006 after a long period of steady increases.

While the rate of home ownership has been stable, changes are happening in the housing market that affect homeownership. Rising home prices in certain markets over the last decade, changes in mortgage underwriting rules and shifts of the housing stock towards multi-family dwelling constructions are among the factors that affect who can access homeownership.

New data available in the Canadian Housing Survey (CHS) on first-time homebuyers, provides information to help understand how the evolving housing market is affecting new entrants to homeownership.

This note provides the definition of a first-time homebuyer concept used in the CHS infographic *First-Time Homebuyers in Canada, 2018*. It also includes the methodology used to identify first-time homebuyers and provides sensitivity analysis under alternative methodologies.

## 2. Definition

For estimates from the CHS on first-time homebuyers, including *First-Time Homebuyers in Canada, 2018* infographic, a first-time homebuyer refers to an individual that purchased a home in which to live within the five years preceding the reference date, and did not own a home before the purchase. Households are classified as first-time homebuyers if the purchaser and, where applicable, the cohabitating married spouse or common-law partner, are both first-time homebuyers at the time of the purchase.

The first-time homebuyer concept helps contrast owner households that recently entered homeownership for the first time with other households (households that have owned for more than five years or renter households).

## 3. Methodology and analysis

Households are classified as first-time homebuyers in the CHS either through the responses they provided in the survey or through information provided in linked administrative tax data. Specifically, households are classified as first-time homebuyers if the households own their current dwelling and either:

- the reference person<sup>1</sup> indicated on the survey that they moved within the last five years, and previously rented or lived rent-free; or
- the reference person or their spouse (at the time of their home purchase) made use of first-time homebuyer tax incentives between 2014 and 2017—based on linked administrative data.

This methodology is based on the definition provided in Section 2; details about this methodology are provided in Section 3.1.

There are limitations with the data which have a small impact on estimates; details on the limitations are discussed in Section 3.2.

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1. The reference person is the household member that responded to the survey. It is the person that is responsible for housing decisions. In cases where members share responsibility for housing decisions, one person is chosen to be the reference person.

Alternative definitions of first-time homebuyers are also possible. Section 3.3 provides a sensitivity analysis to show how the estimates change if the definition is changed. Specifically, we explore how selected estimates change if:

- different people in the household other than the reference person, such as a lodger or parent, are included when a household is examined to determine if it is a first-time homebuyer household;
- only the administrative data is used and not the survey responses, or vice versa; or
- a different time period is used, instead of first-time homebuyers in the last five years.

### 3.1 Identifying first-time homebuyers

#### Survey data about changes in housing tenure

The first piece of information available in the CHS to identify first-time homebuyers is a survey response that indicates the reference person changed from renting (or living rent-free) to owning with their last dwelling move. Since they did not own a dwelling before their current dwelling, they are considered first-time homebuyers.

Within the CHS, the reference person was asked to report their current tenure, their previous occupancy status, and when they last moved. Using these questions, one can infer when owners became first-time homebuyers. The following table describes the number of first-time homebuyers based on the survey information classified according to when they moved last.

**Table 1**  
**Number of CHS households with reference persons changed from renting to owning with their last dwelling move**

	All households	Owner-occupied households	Owner-occupied households that previously rented
		number	
<b>When move to current dwelling occurred</b>			
Less than 1 year ago	845,400	323,000	136,800
1 year to less than 2 years ago	1,090,300	459,700	216,700
2 year to less than 3 years ago	1,198,400	613,600	319,000
3 year to less than 4 years ago	1,097,200	571,600	283,500
4 year to less than 5 years ago	1,006,700	578,300	259,000
5 year to less than 10 years ago	2,914,100	1,979,600	885,600
10 or more years ago	6,056,500	5,086,100	2,388,400
Always lived here	581,700	525,800	...
<b>Total, households</b>	<b>14,790,400</b>	<b>10,137,800</b>	<b>4,489,000</b>

... not applicable

**Note:** Figures may not add to the total due to rounding.

#### Administrative tax data about incentives for first-time homebuyers

The second piece of information available in the CHS to identify first-time homebuyers comes from linked administrative tax data—T1 Family File. The linked T1 Family Files<sup>2</sup> contain information on whether a person used the tax incentives for first-time homebuyers. People that claim the tax incentives should meet Canada Revenue Agency (CRA) eligibility criteria for being a first-time homebuyer.

To be eligible for tax incentives for first-time homebuyers, the homebuyer must not have lived in another home they or their current spouse or common-law partner owned during the preceding four years and must intend to occupy their new home within one year of purchasing it.

2. Linked yearly 2009 to 2017 T1 Family Files is available in the Canadian Housing Survey data environment.

As of 2018, there were two active tax incentive programs<sup>3</sup> for eligible first-time homebuyers:

1. The *Home Buyers' Amount* (HBA) is a non-refundable tax credit of \$5,000 claimable between the individual and their spouse, in the year of their home purchase; this program was introduced in 2009.
2. The *Home Buyers' Plan* (HBP) allows individuals and their spouse to withdraw from each of their registered retirement savings plan up to \$25,000 (\$50,000 for the couple) to finance a qualifying home; this program was introduced in 1992.

The following table describes the linkage rate and the tax-program usage of CHS households by tax year. The administrative data is linked to responses from the CHS, so data availability is affected when respondents from the survey cannot be linked to the tax data. Consequently for approximately 15% to 20% of households it is not known whether or not the household had used any tax incentives between 2009 and 2017.

**Table 2**  
**Number of CHS households that used tax incentives for first-time homebuyers**

Tax year	Number of CHS households <sup>1</sup>	Percentage of CHS households whose reference person linked to the tax system	Number of CHS households that claimed HBA claim	Number of CHS households that had HBP withdrawals	Number of CHS households that used either HBA or HBP programs
2018	14,790,400	..	..	..	..
2017	14,790,400	86.2	134,100	60,300	143,500
2016	14,790,400	85.2	190,900	73,000	203,400
2015	14,790,400	84.2	180,500	81,700	200,100
2014	14,790,400	83.3	179,600	57,600	187,600
2013	14,790,400	82.0	160,300	75,400	180,300
2012	14,790,400	80.9	165,200	58,800	175,100
2011	14,790,400	80.0	163,000	64,600	178,000
2010	14,790,400	78.7	139,500	57,800	152,200
2009	14,790,400	77.6	165,600	71,100	185,000

.. not available for a specific reference period

1. Households are represented by the reference person and if applicable their spouse as identified by T1 Family File.

### Combining survey information and administrative data

Both pieces of information described above are used to identify first-time homebuyers in the CHS. This approach helps mitigate the impact of data limitations in each source of information. For example, the survey information only captures the latest move. The administrative data is limited when CHS respondents cannot be linked to tax records, and information is not yet available for the 2018 reference year. Details on data limitations are provided in Section 3.2.

The following table describes the number of first-time homebuyers identified when both survey information and administrative information are used. Overall, there are 1,340,800 out of 14,790,400 households that are first-time homebuyers within the five years preceding the 2018 CHS reference year.

**Table 3**  
**Number of CHS first-time homebuyers in CHS by when they entered homeownership**

When first-time homebuyers entered homeownership	Number of CHS households
In year 2018 (less than 1 year ago)	136,800
In year 2017 (1 year to less than 2 years ago)	236,800
In year 2016 (2 years to less than 3 years ago)	339,700
In year 2015 (3 years to less than 4 years ago)	317,500
In year 2014 (4 years to less than 5 years ago)	309,900
<b>Total, CHS first-time homebuyers</b>	<b>1,340,800</b>

**Note:** Figures may not add to the total due to rounding.

3. While not prevalent, both of these tax incentive programs can be accessed by persons with disabilities (or if the home purchase benefits a related person with disability) even if they are not first-time homebuyers.

### 3.2 Data limitations

A limitation of the survey information is that it captures a change in housing tenure only for the last move. To elaborate, if a household changed from renting to owning in an earlier move (still within the last five years) the household would not be classified as a first-time homebuyer.

The following table describes the number of households that are classified as first-time homebuyers based on the administrative tax data but are not first-time homebuyers based on the survey information. The higher numbers in 2014 versus 2017 could be related to the data limitation described above. By using both survey information and tax information, the limitation is mitigated.

**Table 4**  
**Number of first-time homebuyers that did not change housing tenure from renting to owning with its last move**

	First-time homebuyers based on the administrative tax information but not the survey information			
	2017	2016	2015	2014
	number			
<b>When move to current dwelling occurred</b>				
Less than 1 year ago	600	1,000	6,700	7,100
1 year to less than 2 years ago	7,800	2,600	7,800	3,100
2 year to less than 3 years ago	1,800	9,700	1,700	1,900
3 year to less than 4 years ago	200	2,400	7,400	6,800
4 year to less than 5 years ago	0	100	3,100	6,300
5 year to less than 10 years ago	3,300	2,700	6,200	22,500
10 or more years ago	5,600	1,900	600	2,600
Always lived here	900	400	400	600
<b>Total, households</b>	<b>20,200</b>	<b>20,700</b>	<b>34,000</b>	<b>50,900</b>

Note: Figures may not add to the total due to rounding.

Limitations with the administrative data include: a) some survey records cannot be linked to administrative data; b) data for the 2018 tax reference year was not yet available at the time the analysis was conducted; c) some first-time homebuyers might not claim the tax incentives (such as in the case where they are not aware of the incentives). In each of these instances, a first-time homebuyer would be missed when using only the administrative data.

The following table describes the number of households that are classified as first-time homebuyers based on the survey information but are not first-time homebuyers based on the tax information. There is a large number of first-time homebuyers who bought their home within one year that did not make use of the tax incentive programs (due to the limitation of not having administrative data for the 2018 tax reference year). The number of first-time homebuyers that bought their home between one and five years that did not make use of the tax incentive programs is also high. This difference could be due to eligible households did not make use of the tax incentives, their information was not linked to the CHS or they did not meet all the eligibility criteria for the tax incentives.

**Table 5**  
**Number of first-time homebuyers that did not make use of the tax incentive programs**

	Number of first-time homebuyers	Number of first-time homebuyers that are not identified by administrative data <sup>1</sup>	Percentage of first-time homebuyers that are not identified by administrative data
<b>When move to current dwelling occurred, less than 5 years ago</b>			
Less than 5 years ago	1,215,000	652,700	53.7
Less than 1 year ago	136,800	132,000	96.5
1 year to less than 2 years ago	216,700	108,100	49.9
2 year to less than 3 years ago	319,000	152,000	47.7
3 year to less than 4 years ago	283,500	149,900	52.9
4 year to less than 5 years ago	259,000	110,700	42.7

1. Did not have tax program usage within a year of the tenure change from renting to owning.

### 3.3 Sensitivity analysis

This section provides analysis to indicate how estimates might change if the definition of a first-time homebuyer were different than the definition in section 2.

#### Which household members to include when classifying households as first-time homebuyers

For estimates from the CHS on first-time homebuyers, households are classified as first-time homebuyers based on survey and tax information for only the reference persons and their cohabitating married spouse or common-law partner at the time of the purchase.

Information about other household members (such as lodgers) or information about spouses related to when they were not in a relationship are not used. To illustrate the impact, while the respondent may not have been a first-time homebuyer within the last five years, a lodger in the household may have been a first-time homebuyer.

The following table describes the number of first-time homebuyer households using the tax information for various members of the household. Survey information related to first-time home-buying is not available for household members other than the respondent; however, tax information is available.

**Table 6**  
**Number of first-time homebuyer households identified by tax program usage for differing members of the owner-occupied household**

Tax year	Reference person and their spouse at the time of the purchase	Reference person and their spouse in 2018	Anyone in the household
		number	
2018	..	..	..
2017	140,400	141,000	153,900
2016	194,500	204,800	211,700
2015	186,000	200,900	211,900
2014	160,900	172,900	182,900

.. not available for a specific reference period

When the tax information of the respondent's spouse is included, the estimates increase by small amounts; as long as the spouse was present at the time the purchase was made, their information is already included and reflects the same purchase.

When other household members are included, the estimates increase over the four years by about 12%.

#### Using only information from the administrative tax data and not the survey information (or vice-versa)

Because of the limitations described in section 3.2, estimates from the CHS on first-time homebuyers are derived using both survey information and administrative tax information. Moreover, for the administrative tax information, information on both tax incentives (instead of just one) is used. This approach helps mitigate the impact of the data limitations.

Other estimates of first-time homebuyers may be based only on administrative data for only one of the tax credits. These estimates will be different than the results from the CHS. The following table summarizes the differences in number of first-time homebuyer households when different sources of information are used.

**Table 7**  
**Number of first-time homebuyer households identified by different sources of information**

When first-time homebuyers entered homeownership	Number of CHS households				
	Households claimed HBA only	Households with HBP withdrawal only	Households using either HBA or HBP programs	Households changed tenure from renting to owning	Households changed tenure from renting to owning; and used either HBA or HBP programs
In year 2018 (less than 1 year ago)	..	..	..	136,800	136,800
In year 2017 (1 year to less than 2 years ago)	134,100	60,300	143,500	216,700	236,800
In year 2016 (2 years to less than 3 years ago)	190,900	73,000	203,400	319,000	339,700
In year 2015 (3 years to less than 4 years ago)	180,500	81,700	200,100	283,500	317,500
In year 2014 (4 years to less than 5 years ago)	179,600	57,600	187,600	259,000	309,900
<b>Total, CHS first-time homebuyers</b>	<b>685,100</b>	<b>272,600</b>	<b>734,700</b>	<b>1,215,000</b>	<b>1,340,800</b>

.. not available for a specific reference period

**Note:** Figures may not add to the total due to rounding.

### Number of years to use when classifying first-time homebuyers

For estimates from the CHS on first-time homebuyers, first-time homebuyers in the last five years were analyzed. The period of the last five years was used to have enough sample to conduct analysis and to represent recent first-time homebuyers.

A shorter period could have been used, but there would have been less sample to conduct analysis. The following table describes some characteristics of first-time homebuyers when different periods are used for the definition.

**Table 8**  
**Number of first-time homebuyer households and selected characteristics by three, four and five-year time frames**

	Number of years		
	Three	Four	Five
<b>Number of first-time homebuyers</b>	745,200	1,069,600	1,340,800
<b>Household type</b>	percent		
One couple family household with children	29.6	31.2	33.0
One couple family household without children	29.5	26.6	26.4
One lone-parent family household	5.0	6.4	5.7
Other family household	8.9	8.7	9.1
One-person household	22.3	21.4	20.8
<b>Age group of the reference person</b>			
15 - 24 years	5.3	4.4	4.0
25 - 34 years	48.4	47.3	46.6
35 - 44 years	24.8	25.8	27.2
45 - 54 years	13.9	14.2	13.9
55 - 64 years	4.1	4.9	5.1
65 - 74 years	2.7	2.7	2.6
75 years and over	0.8	0.7	0.7