

A Short Note on Housing (in Toronto)

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Housing is much more than shelter. It is, according to the Ontario Human Rights Commission, “...essential to one’s sense of dignity, safety, inclusion and ability to contribute to the fabric of our neighbourhoods and societies.” Unfortunately, there is not enough of it to go around. In this note we take a (very) quick look at the current situation. We find that lack of affordability is critical and worsening, and hits renters and marginalized populations hardest.

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The Housing Market

We frequently hear (for example, from the [current Ontario government](#)) that we are in a housing crisis. This suggests that the housing market is not working properly and the current lack of adequate affordable housing is an aberration, rather than the norm. To judge its health, let us look at how the housing market has grown in the past two decades.

Housing market vs. inflation

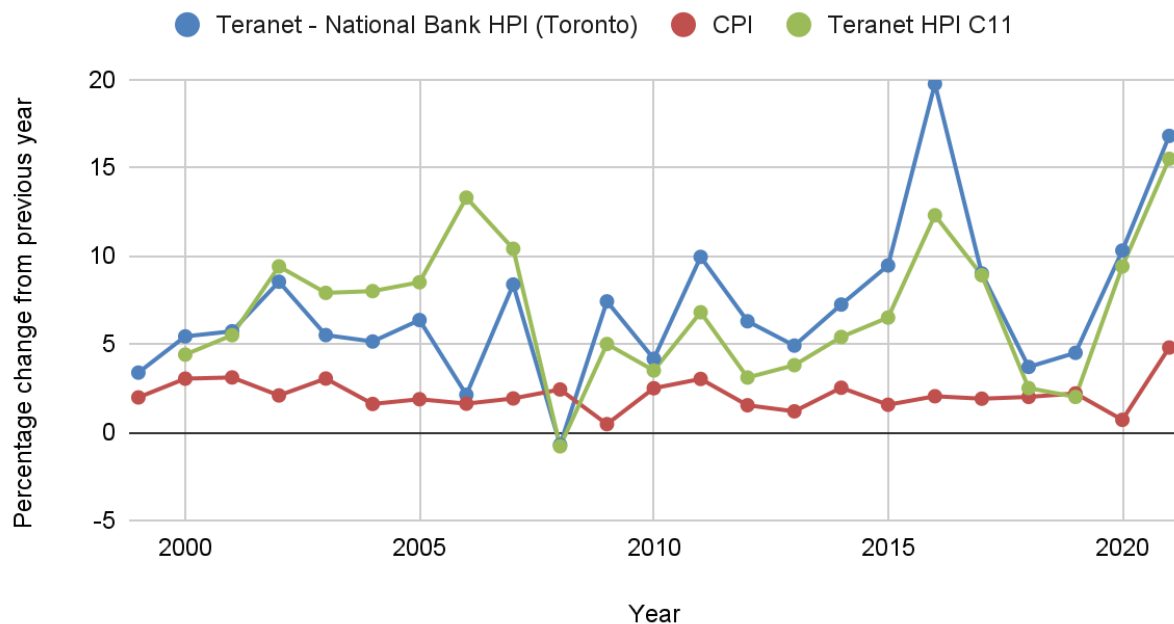


Figure 1¹. Comparison of the Teranet - National Bank House Price Index (HPI) in Toronto and The Composite 11 (C11, representing 11 major Canadian metropolitan areas) with the Consumer Price Index (CPI). Measuring the percentage change in the CPI is the standard way to measure inflation.

Over the past 20 years, the housing market has seen rapid growth. The average increase in house prices per year was 7.1% in Toronto and 6.9% in Canada as a whole. We see that the cost of housing is, and has been for decades, increasing much faster than the average cost of goods and services. In Toronto, house costs are generally rising even faster than the rest of the country, especially in the past decade. The only year that house prices dropped was 2008, following the global financial crisis largely caused by predatory lending to low-income home buyers and the bursting of the US housing bubble.

¹ The data for figure 1 was sourced from Canada Mortgage and Housing Corporation (CMHC), [Housing market indicators - Toronto](#), the [Teranet - National Bank HPI](#), and [Bank of Canada](#).

A result of skyrocketing house prices is that, for many households, the dream of owning a home in the city where they live and work may be out of reach. We will examine this further in the section on incomes below, but we need to understand the rental market first.

The Rental Market

Those who don't want or cannot afford to buy a residence must rent one. According to the [2016 census](#), 31.8% of Canadians and 33.5% of Torontonians are renters. In Toronto in 2021, about half of all households rent, and this has been growing.²

Change in average cost of rental units in Toronto per year

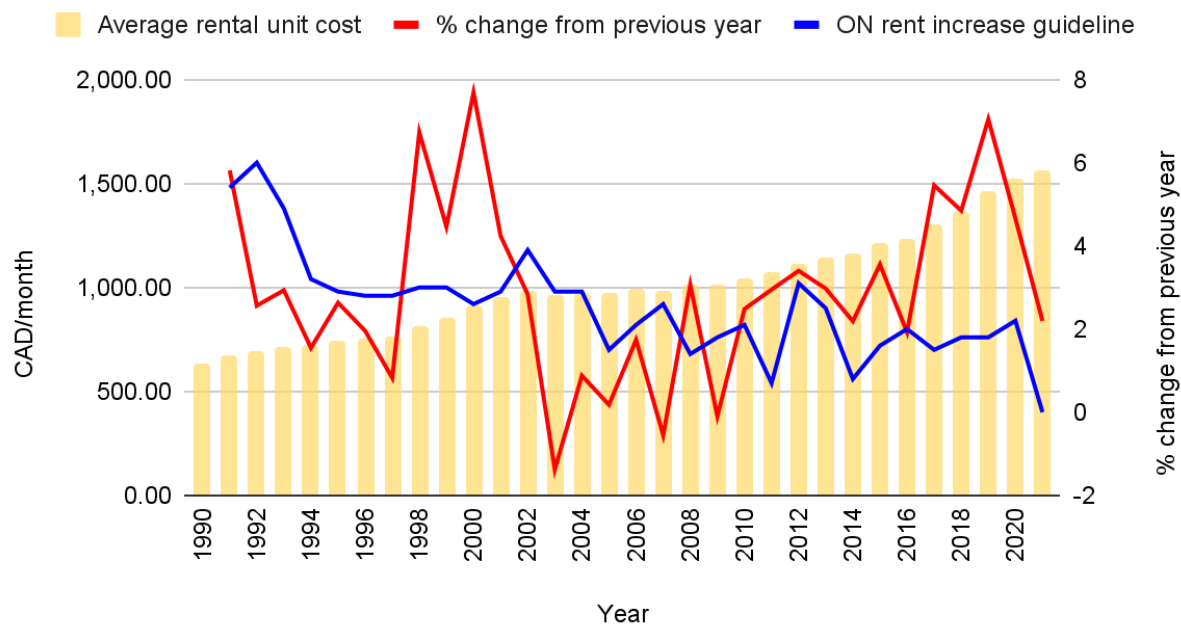


Figure 2. Data from CMHC³ and the [Government of Ontario](#). The percentage change was not calculated for a stable selection of units but rather for the average rent cost in each yearly survey. The cost is calculated as the average of 4 types of units (bachelor, 1, 2, and 3+ bedroom).

² [By the numbers: Toronto's rental market](#); Advocacy Centre for Tenants Ontario (ACTO), 2021. "Tenant Protection and Rent Regulation in Ontario." Accessed online May 2022 at https://www.acto.ca/production/wp-content/uploads/2019/07/Factsheet_March2021.pdf

³ Canadian Mortgage and Housing Corporation (CMHC), Rental Market Survey Data Tables. Accessed online May 2022 <https://www.cmhc-schl.gc.ca/en/professionals/housing-markets-data-and-research/housing-data/data-tables/rental-market/rental-market-report-data-tables>.

Over the past 30 years, rents have been increasing on average 3% per year. This is much more restrained growth than house prices. A possible reason for this is that the rental market is more regulated. For example, the Ontario government sets a yearly limit on how much (most) landlords can increase their rents for their current tenants - shown in blue in figure 2. It is roughly based on the Ontario CPI.

The watchful reader will notice that rents have, at points, been increasing faster than the Ontario government allows. This is for multiple reasons. Let's look at 1998-2001. In late 1996 the Ontario Conservative government introduced the Tenant Protection Act (TPA) - claiming it would increase supply and thus improve affordability of rental units. This piece of legislation removed vacancy control and allowed landlords to apply for above-guideline rent increases in certain situations. Vacancy control meant that the government rent guidelines applied to all units, even empty ones. After this control was removed, as soon as a tenant moved out, landlords were able to increase rents arbitrarily. Researchers identify the TPA as the major contributor to the significant jump in rent prices following its enactment. Adding to that, the claimed increase in supply never materialized, and an apartment shortage put additional upward pressure on rent prices.⁴

Government policy can also have a beneficial effect on rent prices. In 2021, in response to the COVID-19 pandemic, the Ontario Conservative government froze rents at 2020 levels by setting the guideline to 0%. Of course, the reduced demand caused by the pandemic itself also contributed to slower rent growth in 2020 and 2021.

Incomes

Housing is a necessity, but a booming housing market could be manageable if everyone could participate in it. According to [The Bank of Canada](#), over the past 20 years wages have increased by an average of around 3% per year in Canada, generally fluctuating between 0 and 6%. As we saw in figures 1 and 2, this is roughly on pace with rental prices but far less than the increase in average house prices. This means not only is there a significant proportion of the population for whom homeownership is impossible, but also that proportion is growing.

⁴Mahoney, Elinor. "The Ontario Tenant Protection Act: A Trust Betrayed." *Journal of Law and Social Policy* 16. (2001): 261-278. <https://digitalcommons.osgoode.yorku.ca/jlsp/vol16/iss1/10>

Most Canadians cannot afford to buy a home in Toronto. The average before-tax annual household income for a household in the second quintile in Canada in 2019 was \$49,900.⁵ Assuming a 3% increase per year since then, that would be \$54,527 this year. We further assume the household has no debt, \$100,000 in savings for a down payment, and personal expenses of only \$800/month. Using [TD Bank's online mortgage affordability calculator](#), the household can afford a home between \$295K and \$322K. There are precisely 5 properties (all condos) listed on Realtor.ca for this amount in Toronto. The website helpfully suggests modifying the choice of location.

Most Torontonians cannot afford homeownership in their own city. The average annual household income in Toronto in 2020 was \$117,600.⁶ Assuming a 3% increase per year since then, that would be \$124,762 this year. With no debt, \$200K in savings, and personal expenses of \$1000/month, the mortgage calculator suggests a home for \$650-711K. The [average selling price](#) for a single-detached home in Toronto in March 2022 was \$1.28 million, approximately double what the household can afford.

As housing is a key social issue, it is important to look at how different groups are affected, rather than focusing on an “average household”, which is not representative of everyone. One way to do this is to identify different income groups and analyze the situation from their positions.

⁵ CMHC, “Real Average Before-Tax Household Income by after-tax Quintiles, 2006 – 2019.” Accessed online May 2022 at <https://www.cmhc-schl.gc.ca/en/professionals/housing-markets-data-and-research/housing-data/data-tables/household-characteristics/real-average-before-tax-household-income-quintiles>.

⁶ CMHC, “Real Average Household Income (Before-tax) by Tenure, 2006 – 2020.” Accessed online May 2022 at <https://www.cmhc-schl.gc.ca/en/professionals/housing-markets-data-and-research/housing-data/data-tables/household-characteristics/real-average-total-household-income-before-taxes>.

Average 2019 before-tax income per household by quintile (Ontario)

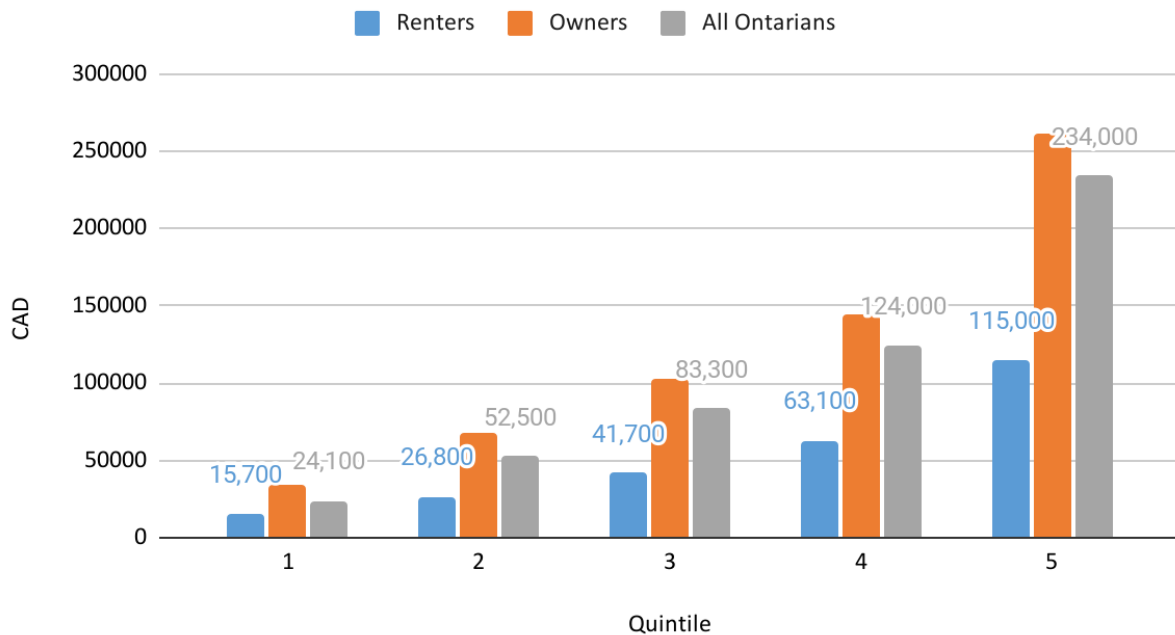


Figure 3. Data sourced from CMHC.⁷ A quintile is defined as 20%, or one-fifth of a population. Each quintile of the population of Ontario is thus made up of a little under 3 million people.

We can see from figure 3 that people who own their homes earn more than twice as much money as those who rent. Renters are economically marginalized. The average rent in Toronto in 2019 was \$1459/month, or \$17,508 for the year. The average renter household in Toronto made \$67,500 that year.⁸ This suggests an “average” renter household spent approximately 26% of their income on rent alone. In fact, the situation in Toronto is even worse, as we’ll see below.

A commonly used, although imperfect, metric to assess whether a household’s needs are being met is Core Housing Need (CHN). A household is in CHN if it is below one or more of the adequacy, suitability and affordability standards, and the household would have to spend at least 30% of its before-tax income to access local housing that meets these standards.⁹

The main reason for CHN in Canada is affordability, which relates to many forms of marginalization. In Canada, as of 2016, 12.7% of households were in CHN, the same proportion as in 2006. This

⁷ CMHC, “Income by Quintiles.”

⁸ CMHC, “Income by Tenure.”

⁹ See [Understanding Core Housing Need | CMHC](#) for more information.

jumps to 15.3% if we look at Ontario, and 19.1% if we focus on Toronto. As of the 2016 census, three-quarters of households in CHN are there only because local housing does not meet affordability standards.¹⁰ Throughout Canada, CHN is disproportionately experienced by vulnerable population groups including seniors, women, Indigenous people, single-parent households, immigrants, and visible minorities.¹¹ This reinforces that housing is a social, racial, economic, and political issue.

A population disproportionately experiencing CHN that we did not mention above is renters. Two-thirds of all households experiencing CHN are renters!¹² In Toronto in 2019, almost half of all renters were in CHN due to lack of affordability.¹³ This is not a new problem and has remained fairly steady over the past few decades. For example, in 1995, 44% of renters in Ontario were in CHN, and 22% paid over half their income for housing.¹⁴ In 2021, 46% of renters in Ontario were in CHN, and 21% paid over half their income for housing.¹⁵

Discussion & Future Directions

For the past few decades, rental prices have been increasing at or above the rate incomes are increasing. House prices have been increasing twice as fast. This is putting homeownership out of reach for a significant and growing proportion of Canadians. In Toronto, high rent costs are, and have consistently been, significantly burdensome to approximately half of all renters. Marginalized populations suffer the most. While affordability of housing is a widespread problem, it is low-income households that experience the brunt. In Toronto in 2020, renters in the lowest income quintile could afford (in the sense that the rent is less than 30% of their income) only 0.2% of purpose-built rental units on the market (figure 4)!

¹⁰ [Core housing need, 2016 Census](#)

¹¹ See section 3. Profile of Need from Blueprint (February 2022). "Analysis of Affordable Housing Supply Created by Unilateral National Housing Strategy Programs: Research Report Prepared for the National Housing Council Working Group on Improving the National Housing Strategy." Accessed online May 2022 at <https://assets.cmhc-schl.gc.ca/sites/place-to-call-home/pdfs/analysis-affordable-housing-supply-created-unilateral-nhs-programs-en.pdf>.

¹² Ibid.

¹³ City of Toronto, 2019. HousingTO 2020-2030 Action Plan. Accessed online May 2022 at <https://www.toronto.ca/wp-content/uploads/2020/04/94f0-housing-to-2020-2030-action-plan-housing-secretariat.pdf>

¹⁴ Ontario Non-Profit Housing Association and the Coop Federation of Ontario, "Where's Home? A Picture of Housing Needs in Ontario" by Noreen Dunphy and Linda Lapointe (Toronto, March 1999).

¹⁵ ACTO, "Tenant Protection."

Cumulative portion of purpose-built units affordable to renters by quintile

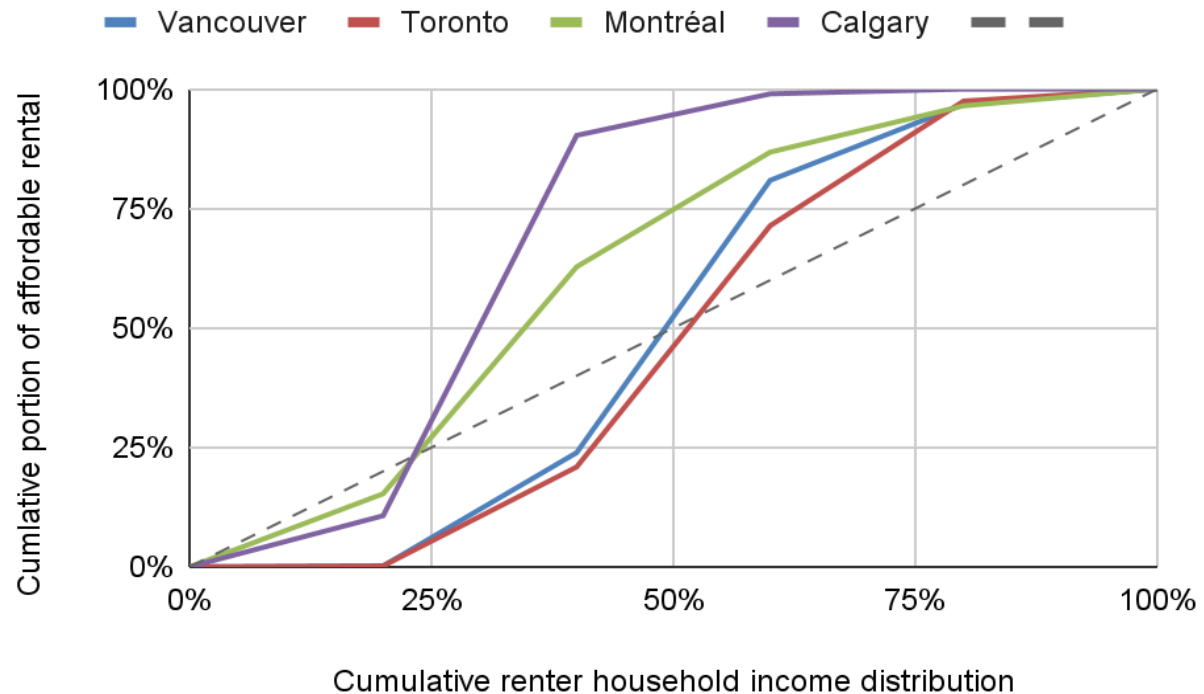


Figure 4.¹⁶ Toronto and other Canadian Census Metropolitan Areas are included for comparison.

The outlook is not completely bleak. There are many groups advocating for housing for all. In 2019, the Federal Government [formally recognized](#) that adequate housing is a human right, and committed to demonstrate a “progressive realization” of this right - focusing on groups with the greatest need. This will be enacted through the National Housing Strategy (NHS). As we have shown, this must prioritize low-income renters and other disadvantaged populations. Blueprint ADE has recently produced a detailed report on how effective three key unilateral (delivered by the Federal Government) NHS programs will be at achieving the proposed goal. Unfortunately, it looks like these programs so far fall short of their mandate and targets.¹⁷ There are other, bilateral (delivered in collaboration with provinces and territories) NHS programs in the works that will hopefully do better.

¹⁶ Canada Mortgage and Housing Corporation (CMHC), [The results of the 2020 Rental Market Survey are in! | CMHC](#). Accessed online May 2022.

¹⁷ Blueprint, “Analysis of Affordable Housing Supply”.

Working towards housing for all should be done by all levels of government. In Ontario, the Provincial Government has multiple related plans such as the [Housing Supply Action Plan](#)¹⁸ (HSAP) and the [Community Housing Renewal Strategy](#). Toronto has updated its Housing Charter to mirror the federal recognition of housing as a human right. The [HousingTO 2020-2030 Action Plan](#) provides an outline for the city's housing-related action over the current decade. This includes some fantastic programs helping low-income Torontonians secure and maintain housing like [EPIC](#).

There are many, many more things to say about housing which are unfortunately outside the scope of this note. Toronto is a unique market in Canada and it would be informative to comment on the purpose-built vs. condominium divide. In order to deeply understand how we got to this point, the financialization of housing should be considered. It would be instructive to compare Toronto to other municipalities with different attitudes and regulations surrounding housing and rental, such as Montreal (see figure 4, above). A key support for low-income renters is social housing - housing subsidized by the government in order to be affordable. The history of government investment in social housing can be indicative of its support for marginalized populations. Finally, we have neglected to explore the realities of those experiencing homelessness. Mass homelessness arose in Canada in the 1980s as a result of a shift in the economy and government policy, including reduced investment in affordable housing and social supports. Any human-rights based housing strategy should take this population into account. A wonderful resource to learn more is [The Homeless Hub](#), run by The Canadian Observatory on Homelessness.

¹⁸ While a detailed analysis of the HSAP is beyond the scope of this document, it would be remiss not to mention that the plan seems poorly constructed. There are [no targets](#) for boosting supply. Toronto's City Planning Division released [a report](#) stating, "Ultimately the Bill does not provide any mechanisms to ensure that any savings are passed through to future home buyers and renters nor is it clear how the these (sic) changes address housing affordability."