

# focusON

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## Rental market data from the 2011 National Household Survey



**ONPHA**

Ontario  
Non-Profit Housing  
Association



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The **Ontario Non-Profit Housing Association (ONPHA)** represents 760 non-profit housing providers in 220 communities across Ontario. ONPHA’s members house approximately 400,000 Ontarians such as seniors, low-income families with children, Aboriginal people, the working poor, victims of violence and abuse, people living with disabilities, mental illness, addictions, or HIV/AIDS and the formerly homeless / hard-to-house.

ONPHA’s *focusON* series examines key issues facing Ontario’s affordable housing sector, presenting a variety of perspectives to encourage thoughtful and reflective discussion on the development of sound housing policy and the future of the community-based housing sector in Ontario.

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# Executive Summary

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Data from the 2011 National Household Survey (NHS), which replaced the long-form census, were released in September 2013. Despite shortcoming at smaller geographies, the NHS data are reliable at the provincial level. The data reveal that rental demand is growing in Ontario as affordability problems persist for renters. New questions in the NHS allow us to quantify the impact of subsidized housing with Statistics Canada data.

The percentage of households that own a home remained stable at 71 per cent from 2006 to 2011 following historic homeownership growth between 1996 and 2006. A growing population and stable rates of home ownership have resulted in the return of net rental demand. Increased rental stock is required to accommodate population growth.

While the number of renters in Ontario increased overall, the number of low-income renters has declined and the number of middle and upper income renters has increased. At the same time, there were large losses of units that were affordable to moderate-income renters and substantial growth in higher priced units.

The percentage of tenants paying more than 30 per cent of their gross annual income on rent remained stable from 2006 to 2011, declining slightly from 44 to 42 per cent. The percentage of tenants paying more than 50 per cent of their annual gross income on rent remained at 20 per cent, indicating a persistent, serious affordability problem. Most tenants with affordability problems had annual incomes under \$30,000, making it difficult to afford housing in the private market. Homeowners with affordability problems predominantly had annual incomes between \$30,000 and \$80,000. Here the main issue is difficulty affording the high cost of homeownership.

The NHS reports that there are 226,000 “subsidized rental” units in Ontario. This is similar to counts of social housing units (282,000) and rent-geared-to-income (RGI) units (200,000).<sup>1</sup> According to the NHS, 37 per cent of renters (85,000 households) with annual incomes between \$10,000 and \$20,000 live in subsidized rental housing as do 23 per cent of renters with annual incomes between \$20,000 and \$30,000 (51,000 households).

Rents are very different in subsidized and market rental housing. The average gross rent in subsidized housing was \$521 (2011) compared to \$1,005 in the market.<sup>2</sup> Ninety-one per cent of renters who live in the private rental market and who had annual incomes less than \$30,000 had affordability problems. In comparison, only 40 per cent of renters with similar incomes who lived in subsidized units had difficulty affording their home. Subsidized housing lowers rents and enhances affordability. Affordability problems in subsidized housing are likely caused by utility costs.

Rental housing is an essential component of the Ontario housing system, especially for young and low-income households. Affordability remains a significant concern for many Ontario renters. The stabilization of ownership rates is a key contributor to lowered activity in the homeownership market. Ontario’s growth now requires government attention to both ownership and rental housing supply. In recent years the government has focus its attention on the ownership sector.

1 See: ONPHA, *Where’s Home 2013: Looking Back and Looking Forward at the Need for Affordable Rental Housing in Ontario* (Toronto: ONPHA, 2013)

2 “Market” is used here for the census category “unsubsidized.”

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# Background

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The National Household Survey (NHS) has replaced the mandatory long-form census and questions about its reliability have been raised. The NHS is generally reliable at the provincial and territorial levels and in areas with large populations. It is less reliable in areas with populations under 10,000 people, such as census tracts, small municipalities or reserves, because the response rate may not be high enough to provide reliable data. As a result, the data from the NHS is less useful than the data generated by the long-form census. However, these challenges do not preclude us from using NHS data to analyze provincial trends.

This *focusON*<sup>3</sup> is an overview of housing trends in Ontario, with an emphasis on the rental sectors. We have used data from the NHS, which was released in September 2013, and supplemented it with data from past censuses and other sources. We consider trends in the following four areas:

- Profile of tenant households
- Return of rental demand
- Rents and affordability
- Subsidized housing

Thirty per cent of Canadian households received the NHS. In Ontario, the response rate was 72.9 per cent. This means that Statistics Canada used information collected from 1.1 million Ontario households to understand what was taking place in households across the province (4.8 million households). Statistics Canada weighted the responses it received to correct errors that

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3 This *focusON* is based on an analysis commissioned from Greg Suttor Consulting.



may arise because some groups, like young people and low-income households, do not respond to surveys like the NHS as frequently as the general population.

All data has some error. Statistics Canada<sup>4</sup> has made the following comments on the quality of the housing and income data generated by the NHS:

- Housing tenure is reliable for Canada and the provinces (except Alberta), with a one-half percentage point difference from the data generated by the Survey of Labour and Income dynamics (SLID).
- Data on the period of construction of dwellings is reliable in all provinces and territories except Nunavut. There is a minor difference from SLID data in the NHS' data on dwellings in need of major repair (0.1 per cent).
- Seventy per cent of Ontario respondents gave Statistics Canada permission to use income data collected by the Canada Revenue Agency. Statistics Canada located and used 88 per cent of those households that gave consent, which is similar to the data used in the 2006 census.
- Statistics Canada did not release estimates of low income such as the Low Income Cut Off (LICO). However, there are no indications that this decision affects the reliability of NHS data for standard income ranges.
- There is a two to three per cent difference in the dollar value of the average owners' major payments and gross rent between the NHS and the SLID. There is also a 1.8 per cent difference between the NHS and SLID for tenant household paying more than 30 per cent of their income on rent.

As data from the NHS is manipulated and sub-groups are examined, the risk of error increases. We have flagged our questions about data quality in this report.

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4 The *Housing Reference Guide, National Household Survey, 2011* (Statistics Canada cat. no. 99-014-XWE2011007)

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# Profile of Tenant Households

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Ontario households that rent (“renters”) tend to have lower incomes, be smaller, be younger, or to be new to Canada when compared to Ontario households that own their home (“owners”). The rental housing sector is vital to meeting the needs of many Ontarians.

## Age profile of Ontario tenants is stable

The rate of homeownership in Ontario, overall and by age cohort, was stable between 2006 and 2011. The exception was a three per cent increase in the number of owners over the age of 75 (72% to 75%).<sup>5</sup> This stability follows a dramatic rise in homeownership rates that took place between 1996 and 2006 among those aged 25 to 45. The significance of this stability in ownership rates is discussed in the next section.

According to data from the NHS, Ontarians have not become any more or less likely to rent their homes at any stage of their life. The age distribution of renters has changed in the same ways as the distribution for all Ontario households over the past decade. The number of renters aged 25 to 44 years has declined by 8 to 9 per cent, while the number of renters aged 45-64 years has increased by 7 per cent.

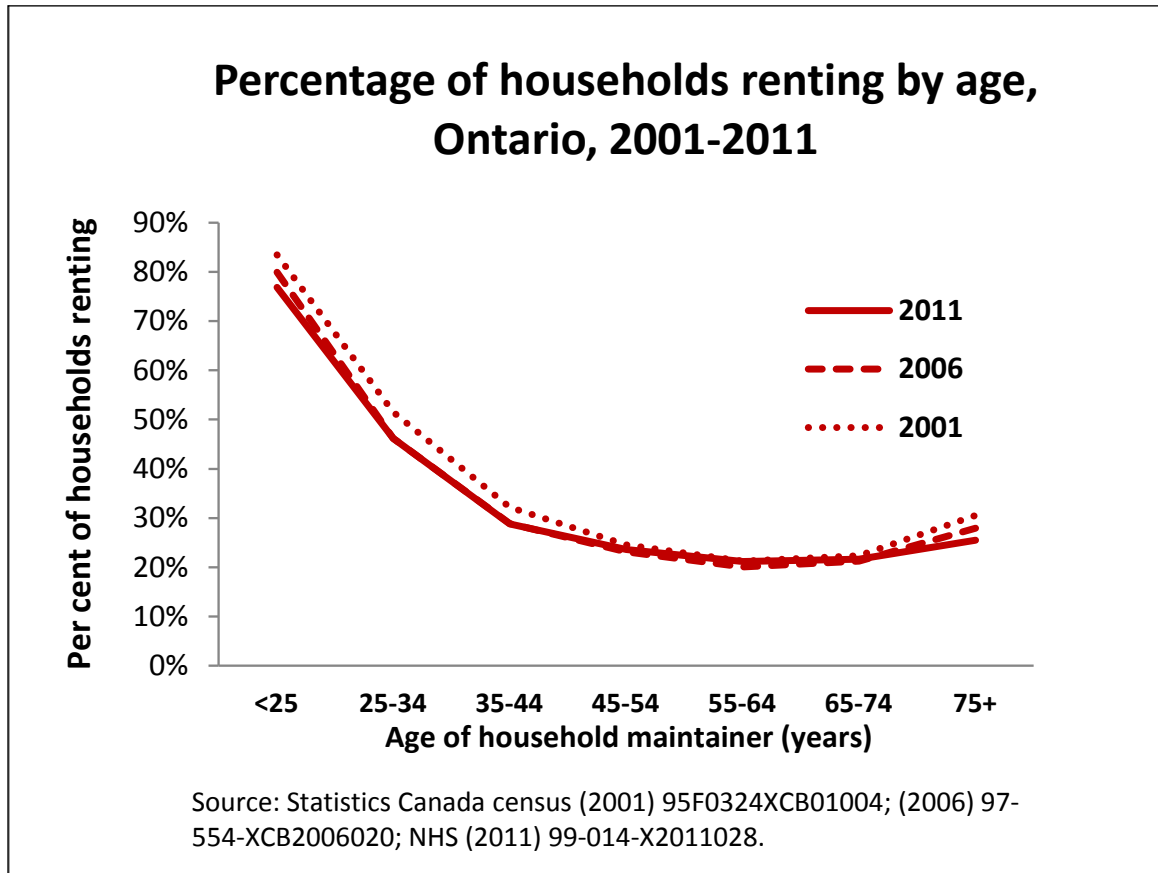
The rental market is important for younger households. Fifty-one per cent of Ontario households under the age of 35 rent their home. However, this group accounts for less than 30 per cent of all renters in the province.

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5 There were also increased rates in the under-25 years category, but the number of households is small.



Figure 1



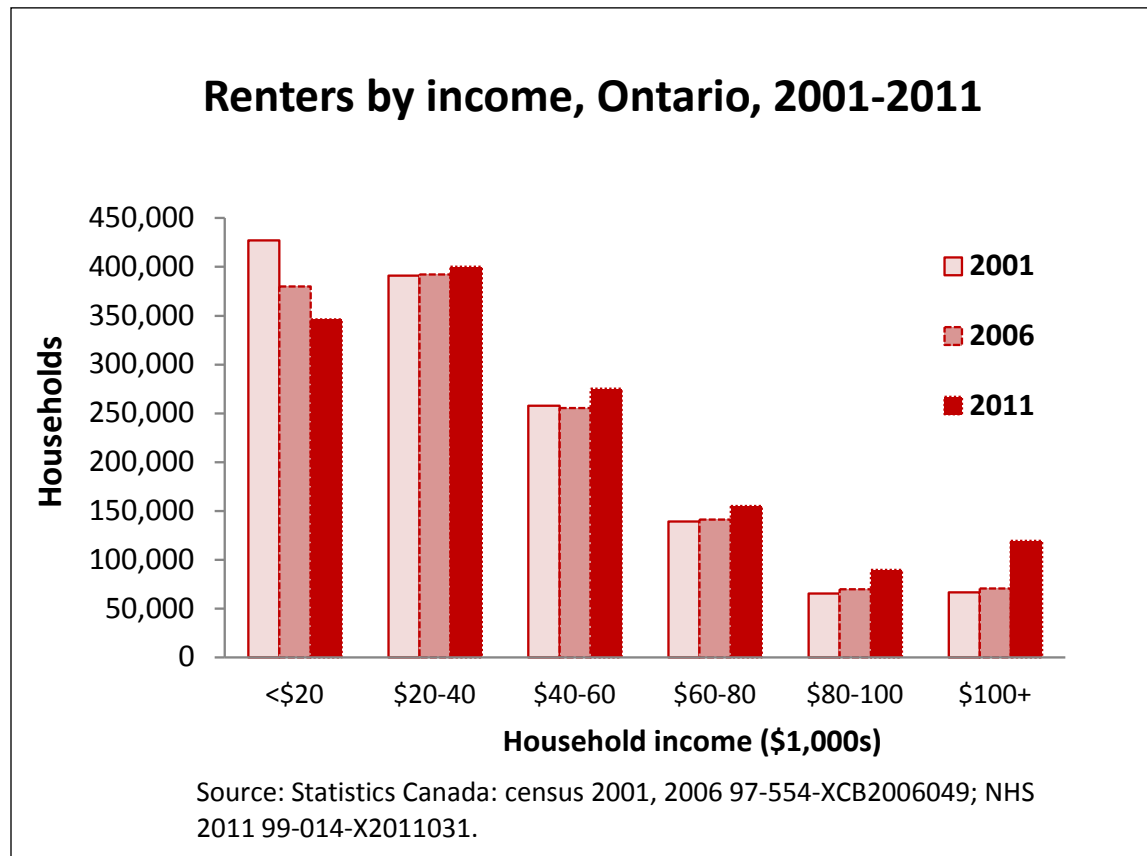
## Decline in low-income renters, increase in middle and higher

### *Low-income renters*

The largest shift in Ontario's tenant profile between 2006 and 2011 was a decline in low income renters and an increase in middle and higher income renters. The number of renter households in Ontario with annual incomes under \$20,000 declined by 34,000 between the 2006 census and the 2011 NHS. At the same time, there was a 34,000 household increase in the number of renters earning between \$40,000 and \$60,000 annually, along with a 69,000 household increase in renters in the over-\$60,000 bracket.



Figure 2



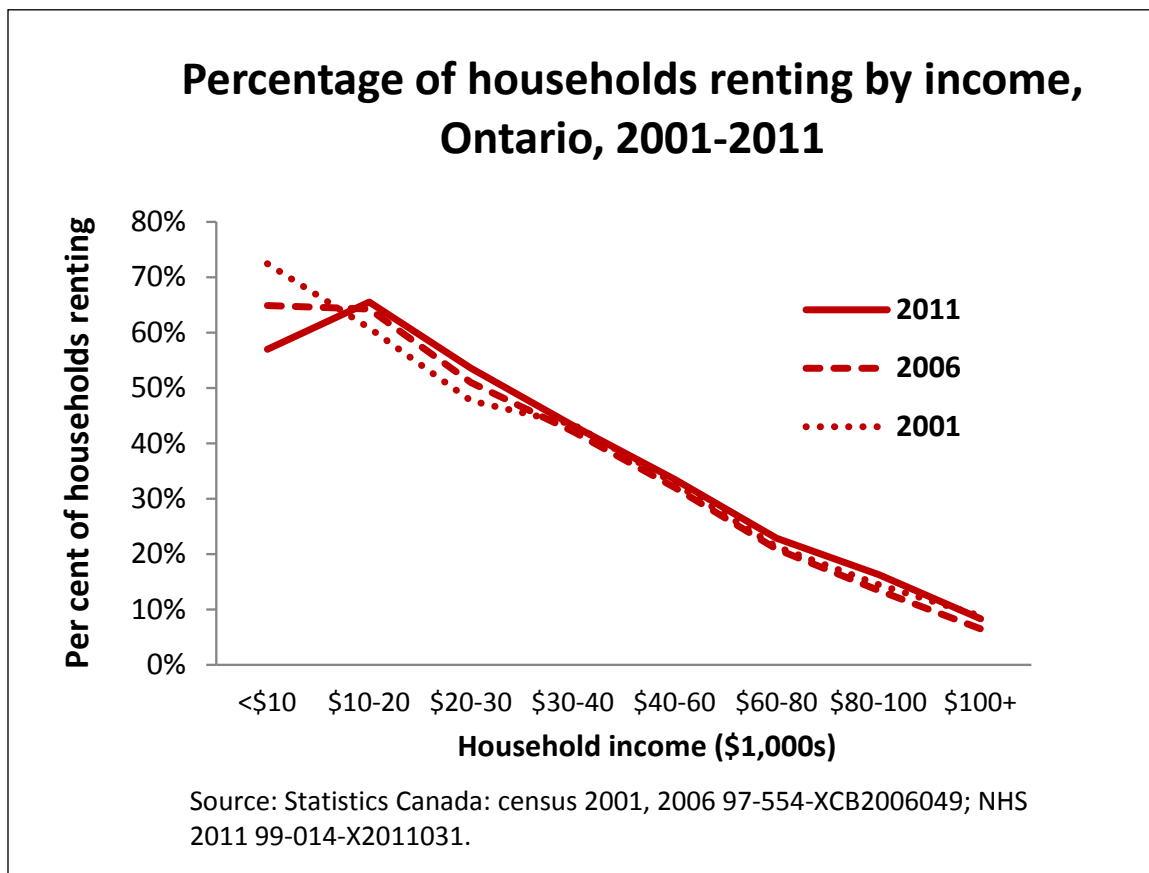
The number of Ontario households with annual incomes between \$10,000 and \$30,000 declined by 116,000 between 2001 and 2011. Much of this decline can be attributed to “bracket creep”. Bracket creep occurs as a result of inflation. Thirty thousand dollars is worth less, in real terms, now than in the past. As a result, fewer households have annual earnings between \$10,000 and \$30,000. This change has in part driven the decline in renters in lower income brackets.

A higher percentage of households in the \$10,000 to \$30,000 income bracket now rent their home, as there is now less possibility to afford homeownership at this income level than in the past. The percentage of households renting has increased much more dramatically in the under-\$10,000 income bracket, but data quality for this lowest income bracket may be an issue.<sup>6</sup>

<sup>6</sup> The under-\$10,000 household income category (4 per cent of all households and 8 per cent of tenants) displays unusual features that call for caution in using and interpreting the data. The per cent renting declined from 72 to 65 to 57 per cent in successive census years (2001, 2006) and with the NHS (2011), in contrast to more renting between \$10,000 and \$30,000 income. Rising numbers of homeowners under \$10,000 are not easily explained. Fully 73 per cent of tenants under \$10,000 are reported as paying over 100 per cent of income on housing. Comparing the under \$10,000 and \$10,000 to \$20,000 brackets, average rents in the former are higher (\$806 versus \$677) and the share reported in subsidized rental is lower (19 versus 37 per cent). It is not practically possible to operate a household in urban Ontario with

These potential data quality issues for the under \$10,000 bracket stretch back to the 2001 and 2006 censuses and are not exclusive to the NHS.

Figure 3



### *Middle and higher income renters*

The proportion of households that rent declines as household income rises. However, NHS data indicates that an increasing number of middle and higher income households are now renting compared to 2006. This shift may be attributable to rising homeownership costs since 2006, which may have kept some renters out of the homeownership market.<sup>7</sup>

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an income less than \$10,000 annually and the only main transfer income group under \$10,000 is singles receiving Ontario Works. All this suggests that many households under \$10,000 may be in temporary low income (e.g. unemployed without EI, immigrants just arrived, in the midst of marital breakup, students; etc.), subsisting as much on assets, credit cards, student loans, or relatives' help as on other income sources. This group may also be most affected by the mismatch of census-year rent and prior-year income.

7 See: ONPHA, *Where's Home 2013: Looking Back and Looking Forward at the Need for Affordable Rental Housing in Ontario* (Toronto: ONPHA, 2013)

An increase in middle and higher income renters means there will be more demand for rental units. This increase in demand, however, may increase rents as more households are competing for a limited pool of available units. This may create additional affordability challenges for low-income renters attempting to find housing in the rental market. The silver lining on this trend may be that, as more, higher income households are confronted with declining rental housing affordability, it will create political pressure and will among governments to comprehensively address the need for more affordable rental housing.

## Growth in the condo sector

The profile of rental units by built form and by condition has remained generally consistent since 2001. However, the NHS does provide us with new information about the role of condominiums in meeting rental demand.

Condominiums represent a large and growing share of urban rental markets. According to the NHS, 10 per cent of Ontario renters lived in a condominium in 2011 (136,250 households) and they occupied 23 per cent of the condominium stock. This information was previously only available for select Ontario markets.

## Rental in poorer condition than owned housing

Rental units tend to be in poorer condition than owned units. This trend observed in the NHS has remained largely consistent since the 2001 census. Overall, 18 per cent of Ontario renters reported that their home needs major repair. Fourteen per cent of Ontario owners reported the same.

Not surprisingly, older housing stock is in the greatest need of major repair. When broken down by year of construction, the data tells us that:

- Sixteen per cent of rental units built before 1945 need major repair (vs. 13 per cent of owned).
- Eleven per cent of rental units built between 1946 and 1980 need major repair (vs. seven per cent of owned).
- Four per cent of rental units built since 1981 need major repair (vs. two per cent of owned).

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# Return of Rental Demand

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focus ON: Rental market data from the 2011 National Household Survey

## Ownership rates stabilize as renting returns

The NHS identifies that the surge in homeownership that took place between 1996 and 2006 ended by 2011. For the 40 years prior to 1996, Ontario's homeownership rate remained steady between 62 and 65 per cent of households. Between 1996 and 2006, that number increased to 71 per cent as the number of renter households dropped by 86,000. During this period, many rental units were shifted into the ownership sector, for example, through the conversion of apartment buildings to condominiums.

Homeownership rates subsequently stabilized between 2006 and 2011, remaining at 71 per cent. At the same time, the number of new renters increased by approximately 17,000 households each year and roughly 47,000 owned units became rentals (table 1).<sup>8</sup> Ontario now has a similar number of renters as it had in 1996 prior to the ownership boom and renters now comprise 25 per cent of new households, roughly comparable to their 29 per cent share of total Ontario households.

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8 Change Attributable to Tenure Shift, Demolition, or Conversion to Non-Residential Use is equal to change in dwellings by tenure (figures in table) minus rental production in population centres of over 10,000. It also encompasses merging/dividing-up of dwellings, net change in vacancies and unabsorbed, net conversion to or from seasonal occupancy, rental production in centres under 10,000 population, and net census change for technical data reasons (e.g. under-coverage, definitions of permanent residency). Rental production for centres of over 10,000 are from CMHC (various years) Housing Market Report Ontario and Housing Now - Ontario. Completions in smaller centres usually comprise about 5 percent of Ontario production and include few rental units; any such rental production falls within the rounding error. Completions in the 1st & 2nd quarter of census year is attributed to earlier census period, 3rd & 4th quarter to the later period.

Stabilizing home ownership rates have resulted in need for new rental housing to meet household growth. This shift has been identified in past ONPHA reports such as *Where's Home? 2013: Looking Back and Looking Forward at the Need for Affordable Rental Housing in Ontario*.<sup>9</sup> This shift was expected. The surge in ownership was driven by favourable economic conditions and supportive policies enacted by senior levels of government. As a result of these drivers, ownership demand increased significantly up to 2006, but the conditions that spurred this growth have since subsided.

**Table 1**

Change in Ontario Housing Stock, 1996 to 2011							
	Households				Change		
	1996	2001	2006	2011	1996-2001	2001-2006	2006-2011
Owned dwelling	2,523,000	2,862,000	3,240,000	3,491,320	339,000	378,000	251,320
Rented dwelling	1,396,000	1,351,000	1,310,000	1,395,335	-45,000	-41,000	85,335
<b>Total</b>	<b>3,925,000</b>	<b>4,219,000</b>	<b>4,555,000</b>	<b>4,886,655</b>	<b>294,000</b>	<b>336,000</b>	<b>331,655</b>

	Housing Production			Change Attributable to Tenure Shift, Demolition or Conversion*		
	1996-2001	2001-2006	2006-2011	1996-2001	2001-2006	2006-2011
Owned dwelling	270,000	375,000	298,000	69,000	3,000	-46,680
Rented dwelling	9,000	17,000	19,000	-54,000	-58,000	66,335
<b>Total</b>	<b>279,000</b>	<b>392,000</b>	<b>317,000</b>	<b>15,000</b>	<b>-56,000</b>	<b>14,655</b>

Source: Occupied stock from census & NHS (94F0048XWE, 93F0053XIE, 92-591-XWE, 95F0327XCB2001009). Completions from CANSIM table 027-0008 (1st & 2nd quarter of census year is attributed to earlier census period, 3rd & 4th quarter to later period).

\*See footnote 8.

## Purpose-built rental is needed

78 per cent of the increase in demand for rental units that took place between 2006 and 2011 was met through the conversion of ownership units to rental units. An average of 9,300 units were converted from ownership to rental each year during the period, far exceeding the average 4,000 rental units built each year. As rental demand expands, the need for purpose-built rental and the security of tenure that comes with it will grow.

9 See: ONPHA, *Where's Home 2013: Looking Back and Looking Forward at the Need for Affordable Rental Housing in Ontario* (Toronto: ONPHA, 2013)

Housing market analysis and media commentary since the mid-1990s has focused on the ownership market. It now must also focus on rental housing, because of the number of Ontario households that depend upon it and its growing share of the province's residential market.

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# Rents and Affordability

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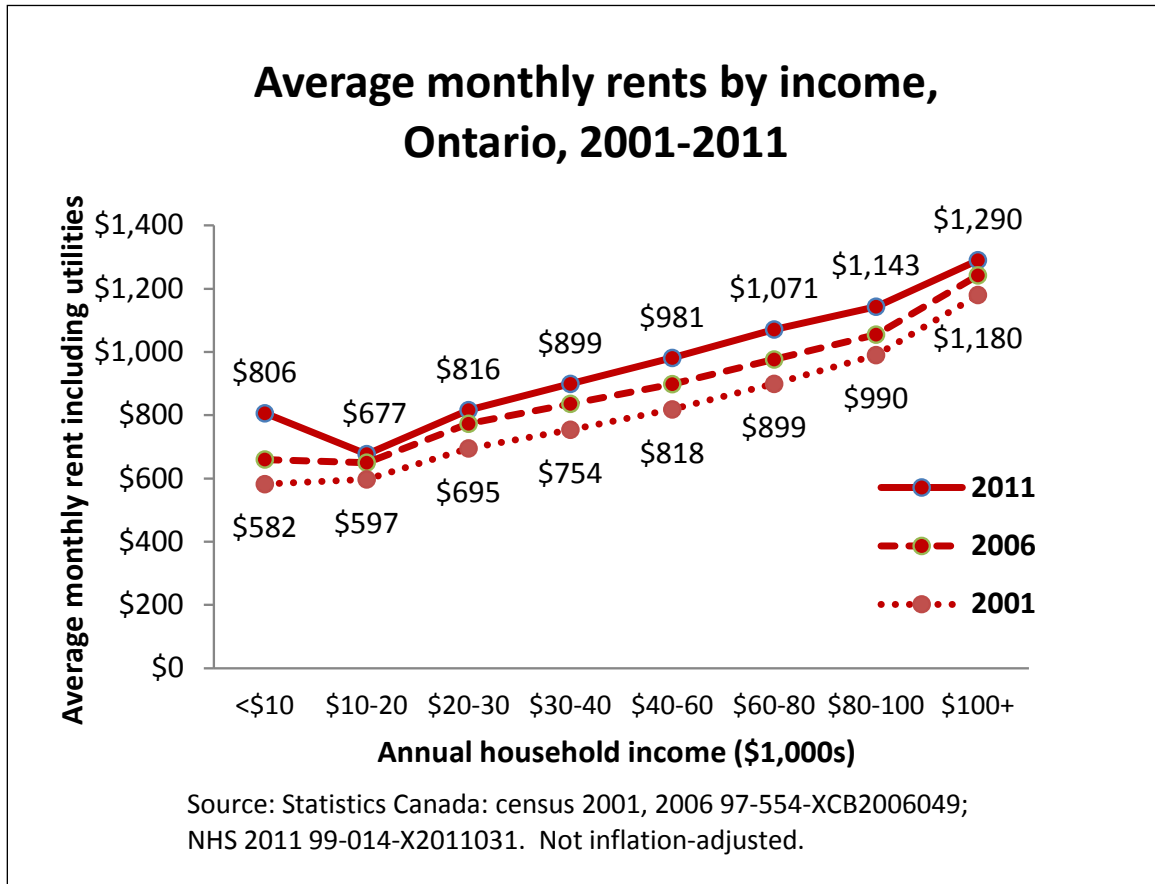
## Affordability challenges persist

Affordability remains a significant concern for many Ontario renters. While rents have increased in line with inflation between 2006 and 2011<sup>10</sup>, households in each income bracket are paying a greater proportion of their household income on rent. Figure 4 illustrates how the average monthly rent paid by households in each income bracket has increased since 2001.

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<sup>10</sup> Rents, as measured by the 2006 census and 2011 NHS have increased in line with inflation. The median gross rent rose 2.1 per cent annually between 2006 and 2011.

Figure 4



Fundamentally, affordability problems arise from the mismatch between (low) incomes and market rents. Households with higher incomes tend to pay higher rents than households with lower incomes. However, the proportion of a higher income household's income that is paid in rent is proportionately less than that of a lower income household. The reason is that rents reflect overall demand in the market as well as landlords' costs to operate and amortize the properties, which have no relationship to a tenant's income. As a result, lower income renters pay a disproportionate amount of their income on rent as compared to higher income households who may be renting a similarly priced unit.

For example:

- Renters with annual incomes in the \$40,000 to \$60,000 income bracket paid an average rent of \$981 in 2011. In contrast, renters with incomes half those amounts (those in the \$20,000 to \$30,000 bracket) paid an average rent of \$816, only 17 per cent less than the rent paid by their higher income peers.



- Average rents were virtually the same for the under-\$10,000 bracket and the \$20–\$30,000 bracket. (The lower rent for the \$10–\$20,000 bracket may be due to subsidized housing, see below.)

There were unusually large increases in the average monthly rent paid by renters with annual incomes less than \$10,000 between 2006 and 2011. It is not known whether this increase is a result of potential data quality issues in the below \$10,000 bracket (discussed above) or whether it reflects emerging trends in the market.

### *More renters paying 30 and 50 per cent of their incomes on rent*

Like the census, the NHS uses 30 per cent of gross income as the standard benchmark for housing affordability. Paying rent and housing costs at or above 30 per cent of a household's monthly income is understood as indicating an affordability problem.

As seen in Table 2, the number of renters paying more than 30 per cent of their monthly income in rent was fairly stable from 2006 to 2011. It rose from 580,265 to 584,150 households, or by 0.7 per cent, over that period, which is within the margin of error. While the number of households in this category marginally increased, there was a decline in percentage terms because the total number of renters in Ontario grew over this period.

The proportion of renters paying 50 per cent or more of their monthly income on rent remained steady at 20% of Ontario's renter households between 2006 and 2011. However, because the total number of renter households in Ontario increased over that period, the number of households affected has increased (from 261,225 to 273,940). This reminds us that severe affordability problems remain a constant for Ontario's growing renter population.

**Table 2**

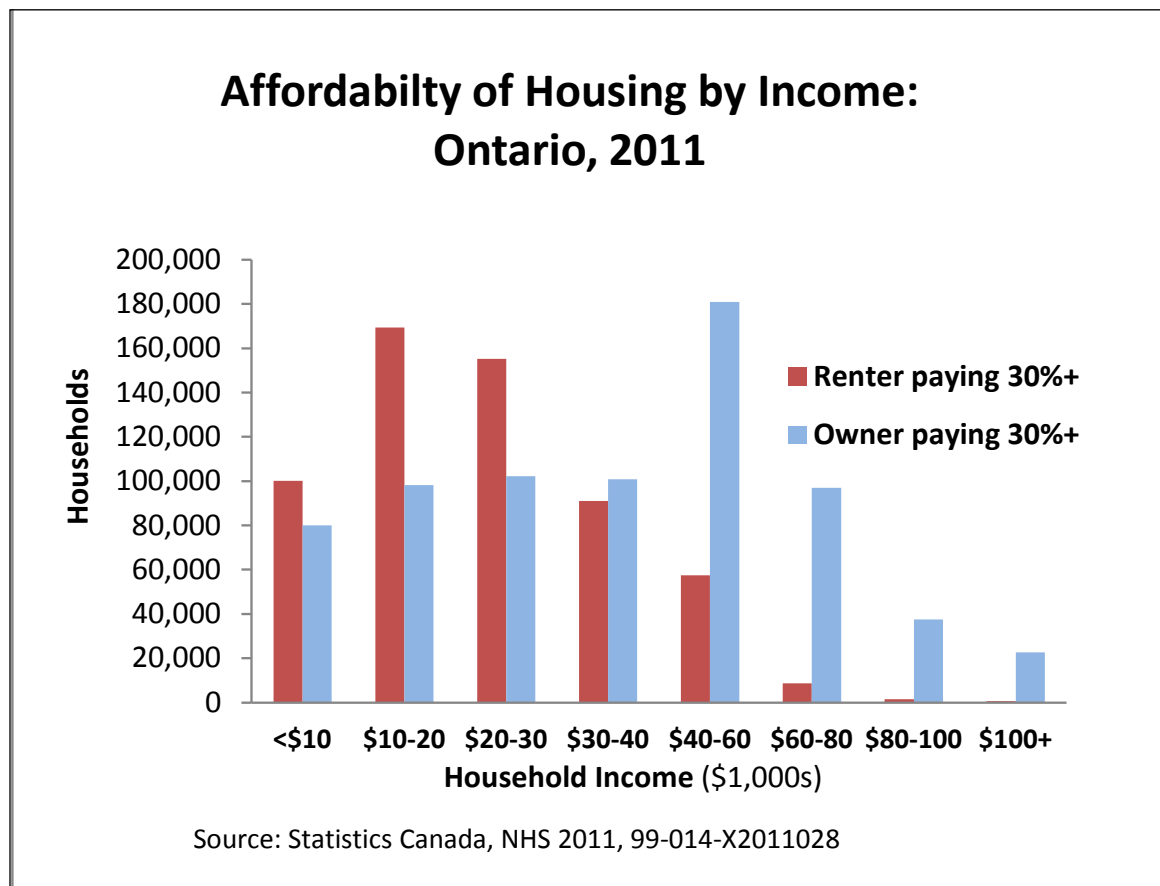
Rental Affordability 2006-2011, Ontario				
	2006		2011	
Rent as a Percentage of Income	Households	% in range	Households	% in range
<30%	721,130	55%	796,200	57%
30%+	580,265	45%	584,150	42%
30-49%	319,040	25%	310,210	22%
50%+	261,225	20%	273,940	20%
<b>TOTAL</b>	<b>1,301,395</b>	<b>100%</b>	<b>1,385,540</b>	<b>100%</b>

Source: Statistics Canada: (2006) census cat. 97-554-XCB2006051; (2011) NHS cat. 99-014-X2011028. Households with zero income excluded in 2011 but not 2006.

As expected, renters with lower incomes experience affordability problems the most. In 2011, there were 425,000 renters with annual incomes under \$30,000 who paid 30 per cent or more of their gross income on rent. This amounts to 31 per cent of Ontario's total number of renters. Although similar numbers of owners and tenants have affordability problems, these problems are much more severe for tenants.

For households earning below \$30,000 annually, very few market options are affordable.<sup>11</sup> Renters with affordability problems are mostly concentrated in this income range. There are some owners with affordability problems who have annual incomes less than \$30,000, but most owners experience affordability challenges in the \$30,000 to \$80,000 annual income bracket. Affordability problems for owners in the \$30,000 to \$80,000 range are not typically a result of a lack of affordable housing options in the market but, instead, difficulty affording the high cost of homeownership in Ontario.

**Figure 5**



<sup>11</sup> Most but not all households under \$30,000 income with affordability problems would be in Core Need as defined by Canada Mortgage and Housing Corporation: that is, they have affordability (and/or quality or suitability) problems and also would not be able to afford average market rent. NHS data (and prior-year census data) do not measure Core Need but are very good measures of affordability, suitability and adequacy problems.

Many renters with affordability problems also live in housing that is too small for the size of their family or in poor repair. Of the 425,000 renters earning under \$30,000 who pay more than 30 per cent of their gross income on rent, 44,000 lived in a unit that was too small and 43,000 had a dwelling that they reported as needing major repair.

**Table 3**

Renters spending 30% or More of Income on Housing, Ontario 2010/2011							
	Total Paying 30% or More	Not suitable Size for Household	Major repairs needed	Not suitable & Major Repairs Needed*	Not suitable Size for Household	Major repairs needed	Not suitable and Major Repairs Needed*
Household Income	A	B	C	D	Per cent of those paying 30% or more		
Under \$10,000	100,080	10,535	9,690	1,115	11%	10%	1%
\$10,000 to \$19,999	169,455	14,145	18,135	1,620	8%	11%	1%
\$20,000 to \$29,999	155,245	19,530	15,360	2,900	13%	10%	2%
\$30,000 to \$39,999	91,000	13,945	8,460	1,605	15%	9%	2%
\$40,000 +	68,380	9,010	5,450	745	13%	8%	1%
Total	584,155	67,170	57,120	7,995	11%	10%	1%

Source: Statistics Canada, 2011 National Household Survey 99-014-X2011028. Columns B and C are subsets of A (households paying under 30% excluded from all columns).

\*Households in column D are also counted in columns B and C.

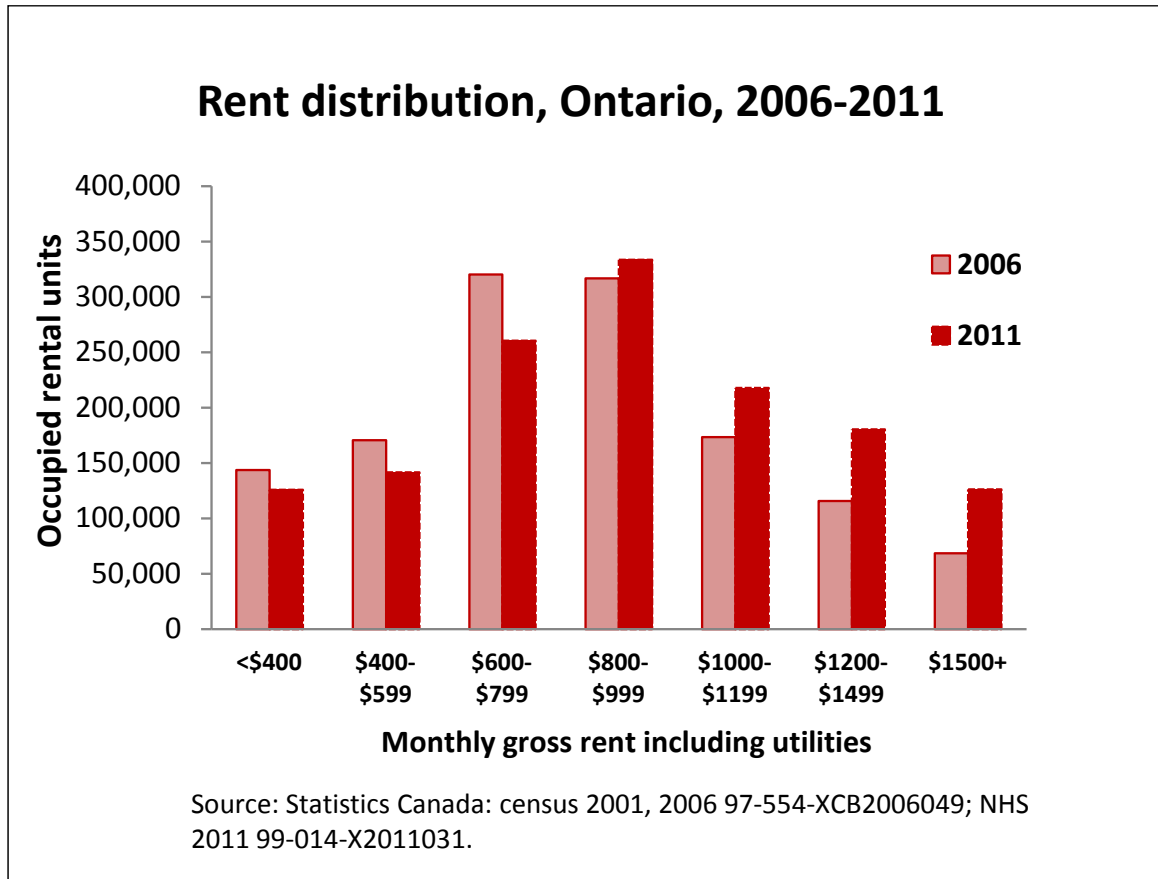
## Loss of moderate rent units, growth in higher priced units

As rents rise over time, a drop in lower cost units is to be expected. Figure 6 illustrates the changing distribution of rental units by the cost of rent and utilities between 2006 and 2011.

There was a limited loss of units with monthly rents under \$600, possibly reflecting the role of subsidized housing in ensuring a supply of affordable rental housing. There was a greater net loss of units in what had been the lower-middle of the rent spectrum: units renting in the \$600 to \$800 range.

The most striking changes are the large increases in the number of units at the upper end of the rental market, with monthly rents above \$1,200. This most likely reflects the large increase in the number of rented houses and condominiums.<sup>12</sup>

**Figure 6**



<sup>12</sup> While the NHS allows us to see the percentage of condos that are rented at a provincial level for the first time, it does not break condo rentals out by cost.

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# Subsidized Housing

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The NHS provides data on “subsidized” rental housing and the differences between it and private market rental housing. Although standard in census data from the United Kingdom and Australia, this data was not collected in Canada before the NHS.<sup>13</sup>

## Income profile of renters in subsidized units now known

According to the NHS definition, subsidized rental housing “includes rent–geared-to–income (RGI), social housing, public housing, government-assisted housing, non-profit housing, rent supplements and housing allowances.”<sup>14</sup> The NHS reports that there are 225,995 subsidized rental units in Ontario. This represents 16 per cent of the province’s total rental stock.

The NHS’ count of subsidized housing is similar to other existing counts of the affordable housing sectors. It is believed that the total number of social housing units in Ontario is approximately 282,000, of which 200,000 have rent-geared-to-income (RGI) subsidies attached to them.<sup>15</sup>

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13 As a result, we are unable to track any changes that may have taken place within the affordable housing sectors since prior census years.

14 Statistics Canada, *Housing Reference Guide, National Household Survey, 2011*, Cat. no. 99-014-XWE2011007

15 See: ONPHA, *Where’s Home 2013: Looking Back and Looking Forward at the Need for Affordable Rental Housing in Ontario* (Toronto: ONPHA, 2013) Precise counts are not released by the provincial government but are known to ONPHA in general terms. In 2011 (the NHS year) Ontario had about 20,000 conventional “commercial” rent supplement units in private-sector buildings and 6,000 in the Strong Communities Rent Supplement Program; these may be included in the 200,000 RGI count. There were approximately 6,000 in Rental Opportunities for Ontario Families (ROOF), 6,000 in the Short-term Rent Support Program (STRSP) program, and about 3,000 with AHP Housing Allowance Rent Housing Allowance Supplement (HARS). This suggests about 15,000 to 20,000 rental households subsidized by housing programs on a non-RGI basis. It is also important to note that several thousand Ontario RGI units are

It appears that most RGI renters and other directly subsidized households identified their housing as subsidized in their NHS responses. It also appears that some renters who pay market rent in social housing buildings may have identified themselves as subsidized. Bearing these cautions in mind, the NHS provides useful information on the role of subsidized rental housing in the housing system and in housing affordability. Subsidized housing has a clear role in improving housing affordability for many Ontarians.

The NHS reveals that subsidized rental housing plays an important role providing housing for lower-income renters.

- Twenty per cent of renters (22,500 households) with annual incomes below \$10,000 live in subsidized housing.<sup>16</sup>
- Thirty-seven per cent of renters (85,000 households) with annual incomes between \$10,000 and \$20,000 live in subsidized rental housing.
- Twenty-three per cent of renters (51,000 households) earning between \$20,000 and \$30,000 annually live in subsidized rental housing.
- Fourteen per cent of renters (25,500 households) earning between \$30,000 and \$40,000 annually live in subsidized rental housing.
- Finally, 42,500 renter households with incomes of \$40,000 or more live in subsidized rental, but this number accounts for only seven per cent of all tenant households in Ontario with annual incomes above \$40,000.

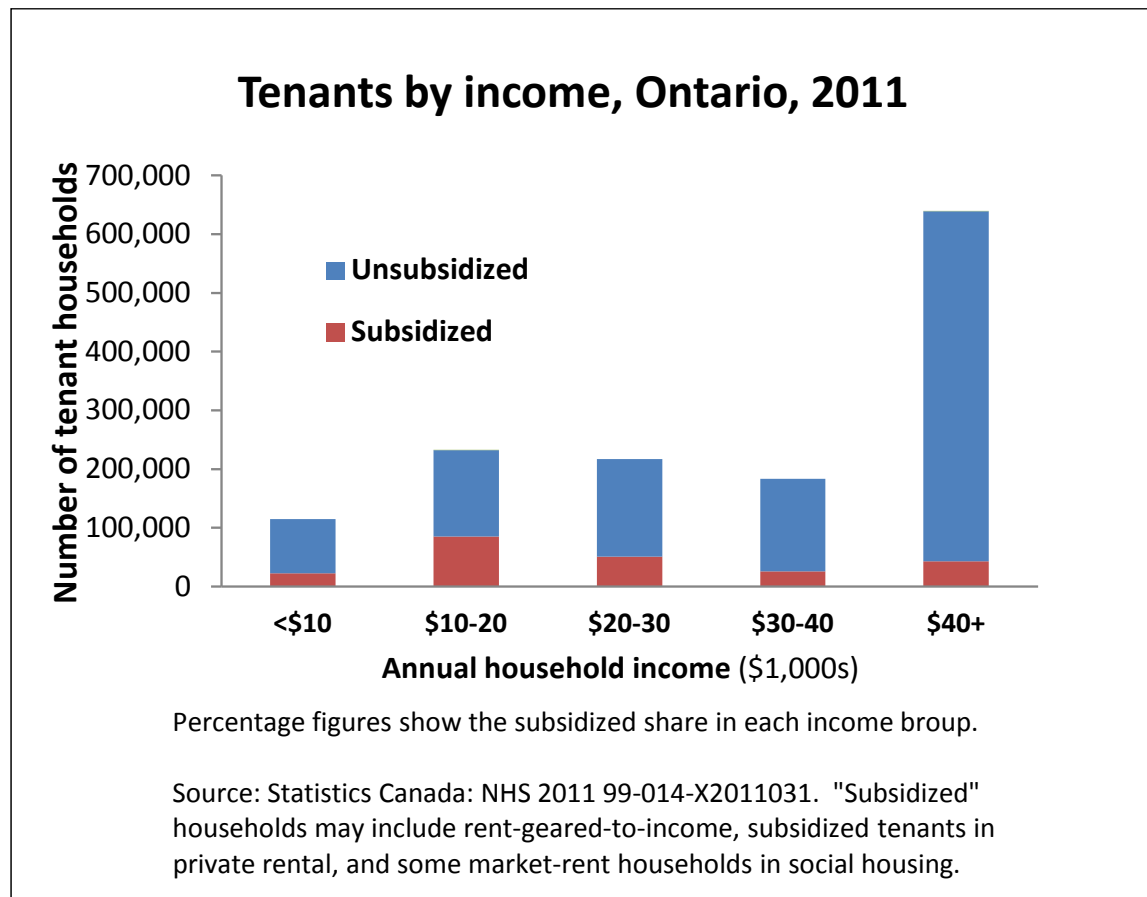
Figure 7 illustrates the number of renter households in each income bracket and the proportion of renters in each bracket who live in subsidized or unsubsidized (market) rental housing.

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"bed-units" in congregate living residences that would not be counted as private households in the census or NHS.

16 This number may be lower than what might be expected. However, RGI tenants receiving social assistance typically have annual incomes above \$10,000, with the exception of single recipients of Ontario Works. There are simply few tenant households with under \$10,000 income, in subsidized or market housing.

Figure 7



## Subsidized housing lowers rents, enhances affordability

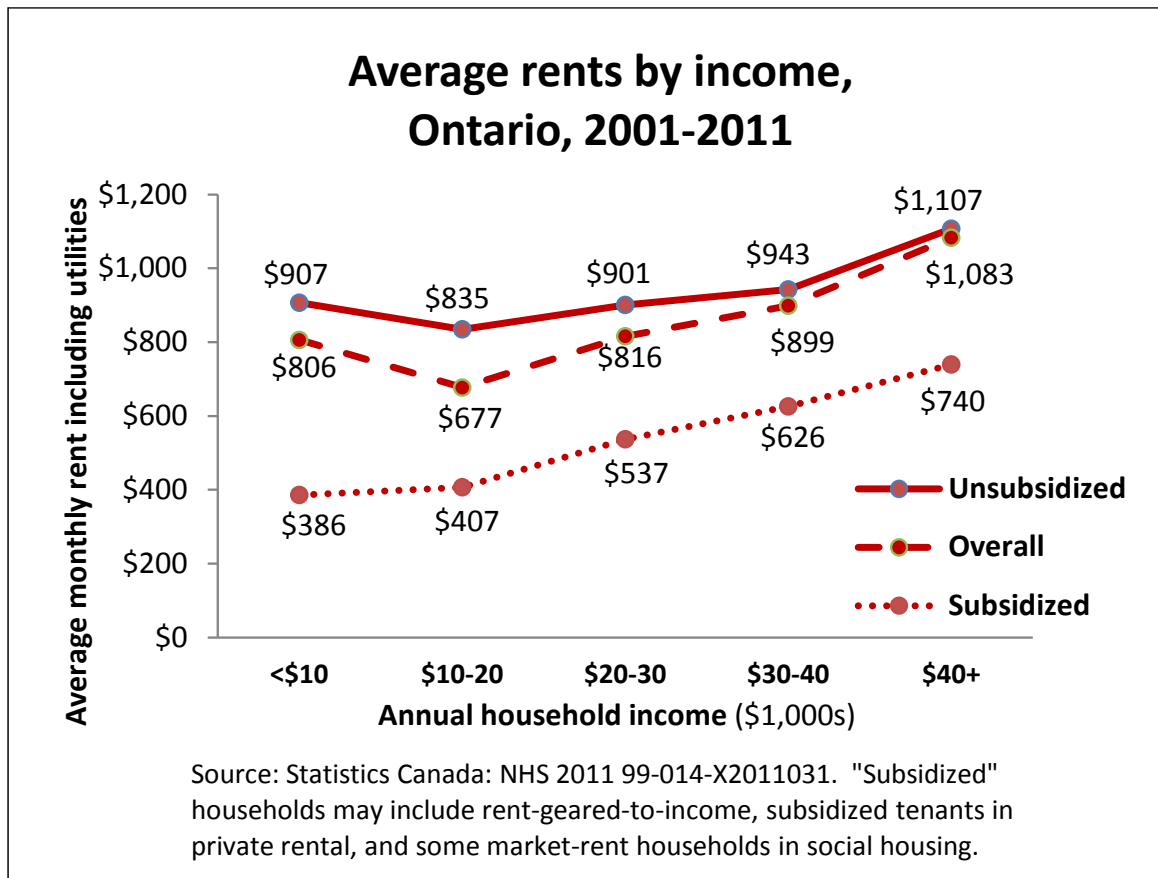
### *Rent levels in subsidized vs. private market*

Rents are very different in subsidized and market rental housing. According to the NHS, the average gross rent in 2011 in subsidized housing was 52 per cent of the average private market rent (\$521 for subsidized vs. \$1,005 for market).

The relationship between income and average rents in subsidized housing is more direct than in the private market. Unlike the private market, where landlords' fixed costs and the market determine rents, rents for households in receipt of RGI rise in relation to household income.<sup>17</sup>

17 Market rent paying households who self-identified as living in subsidized rental housing would tend to pay higher rents in relations to their incomes as well (they would be both higher income and pay higher rent than those in receipt of RGI). Average rents for private market renters with incomes less than \$10,000 are also higher than what might be expected. It is unclear whether this is due to data quality issues with the below \$10,000 income bracket, discussed above, or whether it reflects trends in the market.

Figure 8



### *Greater affordability problems in private rental market*

Affordability problems are much more common for renters in the private market than for renters living in subsidized housing. Prior to the 2011 NHS, affordability problems in the private market were underestimated in the census because the subsidized housing sector was factored into the statistics. The NHS for the first time allows for the calculation of separate statistics for subsidized and unsubsidized housing. For example,

- 31 per cent of subsidized renters pay over 30 per cent of their annual income on housing costs, compared to 45 per cent of renters in the private market.
- 12 per cent of subsidized renters pay over 50 per cent of their annual income on housing, compared to 21 per cent of renters in the private market.



For renters with annual incomes less than \$30,000, the differences are even more pronounced:

- 40 per cent of subsidized renters pay over 30 per cent of their annual income on housing costs, compared to 91 per cent of renters in the private market.
- 17 per cent of subsidized renters pay over 50 per cent of their annual income on housing, compared to 51 per cent of renters in the private market.

**Table 4**

<b>Rental affordability: Subsidized and market renters, Ontario 2011</b>						
	All renter households			Renters with annual incomes less than \$30,000		
	Ratio of housing costs to income:			Ratio of housing costs to income:		
	>30%	50%+	Total Tenants	>30%	50%+	Total <\$30,000
Subsidized	69,715	27,175	225,995	62,820	26,545	158,080
Market	519,625	246,765	1,159,545	367,130	230,790	404,935
<b>Total</b>	<b>589,340</b>	<b>273,940</b>	<b>1,385,540</b>	<b>429,955</b>	<b>257,335</b>	<b>563,025</b>
Subsidized	31%	12%	100%	40%	17%	100%
Market	45%	21%	100%	91%	57%	100%
<b>Total</b>	<b>43%</b>	<b>20%</b>	<b>100%</b>	<b>76%</b>	<b>46%</b>	<b>100%</b>

Source: Statistics Canada, NHS cat. 99-014-X2011031

## Some subsidized tenants experience affordability problems

According to the NHS, the average monthly rent for a subsidized rental unit was \$521. As noted above, it is likely that some renters who pay market rent for their home in a social housing building have reported living in subsidized housing. As a result, the reported average rent in subsidized housing may be higher than actual average RGI rent. Unfortunately, we lack statistics on average RGI rents in Ontario in order to make a comparison with the NHS data.

While subsidized renters are much less likely to have affordability problems than their market peers, the significant number of renters in subsidized housing with affordability problems does warrant further analysis. RGI rent is generally calculated as 30 per cent of gross income, excluding utilities. The addition of utility costs may drive some RGI tenants over the 30 per cent affordability threshold. The effects on affordability would be most severe for RGI tenants responsible for heating costs who occupy older and / or less energy efficient units.

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# Conclusion

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This *focusON* highlights trends in Ontario's rental housing sectors from the 2011 NHS survey data. As demand for rental housing has grown, affordability challenges for renters have persisted. Compared with the 2006 census, the same percentage of renters – 20 per cent – paid more than 50 per cent of their gross income on rent. A slightly lower percentage, 42 versus 44 per cent, now pay above 30 per cent. However, on both counts, the actual number of tenant households experiencing affordability challenges has increased as the tenant population has grown.

Modest government investments in new affordable housing over the past decade have not been sufficient to improve the overall affordability picture for Ontarians.

Housing opens doors. Adequate, safe, affordable housing is a foundational need of every Ontario household. It is a prerequisite for health and for educational and labour market success. The NHS data show us that subsidized housing has a demonstrable impact, improving affordability for Ontarians. Enhanced government investment in affordable housing development is necessary to ensure the success of Ontario's communities and economy.





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