where's HOME? 2013

Looking back and looking forward at the need for affordable housing in Ontario

ONPHA
Ontario
Non-Profit Housing
Association

Co-operative Housing Federation of Canada
Ontario Region

To our readers

We face a staggering and worsening shortage of affordable housing in Ontario. The over 156,000 households on affordable housing waiting lists are frontline evidence of the market's inability to address affordability challenges. There are disquieting implications for Ontario and its local communities.

Housing does not just reflect inequality—it magnifies it. Housing is far and away the largest expense of moderate and low income households. One conclusion resonates over the 20 years covered in this retrospective edition of *Where's Home?*. Housing affordability for low income Ontarians has deteriorated. There are rising numbers of people with low-incomes facing a rising gap between income and rents.

Adding to these challenges is a looming issue with serious implications for housing affordability in Ontario. Many non-profit, co-operative and government housing projects built in the 1960s to 1980s through federal-provincial programs will reach the end of their operating agreements over the next few years. Unless renewed financing measures are put in place, rent-geared-to-income units in these buildings, home to tens of thousands of low-income Ontarians, are in danger of being lost.

Housing is not only a social justice or anti-poverty issue. The lack of a sufficient supply of affordable housing shuts the door on opportunity for too many Ontarians. This undermines our collective prosperity.

Investing in affordable housing provides economic stimulus and creates jobs. It improves heath and education outcomes. It lessens demand on resource-intensive areas of public expenditure, such as emergency services. And the lack of affordable housing for key workers in many sectors undermines Ontario's economic competitiveness.

As this year's edition of *Where's Home?* indicates, affordable housing policies and programs require renewed focus from all levels of government.

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Executive summary

Since 1999, the Ontario Non-Profit Housing Association (ONPHA) and the Co-operative Housing Federation of Canada - Ontario Region (CHF Canada) have profiled the need for affordable rental housing in Ontario through the *Where's Home?* series. This edition of *Where's Home?* offers a broad retrospective on housing trends and issues over the last two decades and presents a range of findings that illustrate the need for affordable rental housing in Ontario now and into the future:

- *Extraordinary Homeownership Growth:* The percentage of Ontario households owning their home, after sitting at 63 to 64 per cent for a generation, increased between 1996 and 2006 to 71 per cent. The boom was propelled by income growth, policy support, and unusual financial market conditions. The shift to homeownership, which has significant implications for the rental market, was tapering off before the most recent set of mortgage regulatory changes in 2012.

- *Rental demand growth:* Rental demand in Ontario is likely to increase by 15,000 to 20,000 households annually due to the turn in the ownership market, ongoing population growth, and immigration. This means a probable end to a market where all net household growth is among homeowners. Some rental demand may be met as a by-product of ownership production, but need cannot be met without purpose-built rental. The estimated annual need for 10,000 new purpose-built rental housing units identified in past editions of *Where's Home?* remains valid.

- *Prosperity has not improved rental affordability:* The dozen years of strong household income growth from 1996 until the 2008-2010 recession did nothing to improve overall rental affordability. The percentage of tenants in Core Housing Need has been more or less stable. But the "affordability gap" between what low-income tenants can afford and what they actually pay has deepened significantly over the past decade. One in every five Ontario tenants is in "persistent" Core Housing Need, a higher share than in any other province.

- *Rising low-income population with housing challenges:* Ontario's low-income population is growing. This is partly for the simple reason that population grows along the full breadth of the income spectrum. It is also partly due to the widening gap between low-income and affluent households, as income growth is distributed in a way that mirrors existing inequalities. Low-income renters face a supply of affordable housing that has been shrinking due to rising rents. Contraction in the social housing sector is also possible in the coming decade.

- *Low- Income tenants finding non-standard rental options:* The Census recorded a net loss of 55,000 renters with household income under $30,000 in the late 1990s. In recent years, the Survey of Household Spending has recorded increasingly higher numbers of renter households than the Census. The divergence between these sources in renter household counts is growing. This divergence—and the decline in low income renters captured in the Census—suggests that low income tenants are increasingly housed in rental options other than the standard, self-contained units covered by the Census.

- *Rental production:* The low rental housing production since the mid 1990s is unprecedented over the last 60 years. Most recent rental production has occurred within niche markets rather than as supply for the mainstream of Ontario tenants. The most significant supply is new condos that are rented, but this source of rental housing is up-market, very concentrated in the Greater Toronto Area and Ottawa, is unsuited to families, lacks security of tenure, and is very vulnerable to the softening homeownership market.

- *Loss of rental dwellings:* Census data shows that Ontario lost an astonishing 86,000 rental dwellings between 1996 and 2006. During the same period, the province gained 717,000 owned dwellings. In addition to gaining from new production, the ownership sector absorbed supply from the rental sector.

- *Government-funded affordable rental production:* The Canada-Ontario Affordable Housing Program (AHP) and now the Investment in Affordable Housing (IAH) have added about 1,500 units annually—an important but modest contribution by all levels of government and by community-based sponsors. Only two-thirds of this housing, however, is in the non-profit and municipal sector and therefore likely to remain moderately priced for the long term. As well, only a minority of these units are affordable to low-income households.

Improving housing affordability for low and middle income Ontarians will generate tremendous returns. Beneath the booming homeownership market and stalled rental development of recent years are serious and growing affordability challenges that affect all of Ontario, not just those households experiencing housing need. ONPHA and CHF Canada stand ready to partner with government to find new solutions that work now and into the future.

The Ontario Non-Profit Housing Association (ONPHA) and the Co-operative Housing Federation (CHF) Canada are taking stock of how our *Where's Home?* series can best inform policymaking in today's context. As we revise the series, this year's edition will serve as a round-up for what we have learned, with a focus on the big picture.

Returning readers will know that past editions of *Where's Home?* profiled 22 housing markets across Ontario. This edition does not contain local market analyses, though future editions may again do so. Readers should note that much of this information is now accessible online through CMHC's Rental Market Reports, while previous editions of *Where's Home?* provide reliable data.

Data highlights of this edition of *Where's Home?* include:

- The first published totals of new rental housing units with funding committed under the Affordable Housing Program and Investment in Affordable Housing, by Service Manager area and proponent type.
- A portrait of the depth of Core Housing Need for lowest-income quintile Ontario tenants and of the persistence of Core Housing Need for all Ontario tenants.
- A new Census/Survey of Household Spending analysis suggesting that low income tenants are increasingly housed in non-standard accommodation.

This edition of *Where's Home?* was prepared by Jon Medow and Greg Suttor with assistance from Harvey Cooper, Sharad Kerur and Margaret McCutcheon.

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Introduction

In 1999, ONPHA and CHF Canada began profiling the need for affordable rental housing in Ontario with the *Where's Home?* series. The first edition was a response to a crisis in affordable rental housing created in the early- to mid 1990s by three tidal waves of change: (1) global pressures on Ontario labour markets, (2) large reductions in transfer income to low-income working-age households, and (3) federal and provincial governments' exit from affordable housing development. The crisis manifested itself visibly in the rise in homelessness. With *Where's Home?*, ONPHA and CHF Canada demonstrated that homelessness was only the tip of the iceberg.[1]

Fourteen years later, our findings remain the same: there is a serious shortage of affordable housing that is challenging the ability of many low- and moderate-income Ontario households to maintain a reasonable standard of living. The non-profit and co-op housing sectors do not have sufficient resources to meet this need: over 156,000 Ontario households are waiting for affordable housing and many more are discouraged from applying due to wait times that can extend up to 10 years.[2]

Households that pay high rents in relation to their income are often forced to make impossible trade-offs, for example, between paying rent and buying food and other necessities. They sometimes try to make room for necessary expenditures by living in the cheapest available accommodations, which can be cramped and in need of repair. The longer households remain in unaffordable

1 The problem of homelessness gained public and political traction with the release of the *Report of the Homelessness Action Task Force* (Toronto, 1999), http://www.toronto.ca/pdf/homeless_action.pdf (also known as the "Golden Report"), formation of the Toronto Disaster Relief Committee, and leadership on the issue by the Federation of Canadian Municipalities. The first edition of *Where's Home?* followed on the heels of this flurry of debate and activism.

2 ONPHA, *Waiting Lists Survey 2012: ONPHA's 2012 report on waiting list statistics for Ontario* (Toronto: 2012), http://www.onpha.on.ca/AM/Template.cfm?Section=Waiting_Lists_2012&Template=/CM/ContentDisplay.cfm&ContentID=13244.

housing, the harder it is on their health, their long term-career prospects, their children's education, and our province's future.

This edition of *Where's Home?* takes stock of Ontario's need for affordable housing by reviewing where we have come over the past two decades, from 1990 to 2010, with older as well as more recent data presented where appropriate and available. Much of the analysis focuses on the period between the 1996 and 2006 Censuses, a decade which saw the immediate aftermath of government withdrawal from affordable housing development and a concurrent and substantial widening of the homeownership market.

Since ONPHA and CHF Canada began the *Where's Home?* series, the housing market and policy climate in Ontario have changed substantially. Ontario's municipalities have been given substantial responsibility. The 47 designated "Service Managers"—upper-tier or single-tier municipalities, and District Social Services Administration Boards in Northern Ontario—are responsible for administering affordable housing programs in addition to social services. However, without a renewed and expanded provincial and federal government role, there is little prospect for improved housing affordability.

1.0 Rental housing demand

This section profiles drivers of rental demand. It then considers what the future may hold for rental demand, noting that increased production of purpose-built rental housing will be needed to meet demand that is expected to continue growing due to a series of interrelated factors.

1.1 Drivers of demand

Most households that can afford to own a home choose to do so. Whether households own or rent depends on household characteristics, as well as on the way economic conditions and policy choices—especially regulatory choices surrounding access to the homeownership market—shape the housing system.

Demographics

The number of households grows each year in Ontario. Housing demand is affected by economic ups and downs, and by housing supply and prices. But the big long-term drivers of demand are population growth, job growth, and the trend toward smaller households.

Four types of household characteristics stand out among households that rent: they tend to have lower incomes, be smaller, be younger, or be new to Canada.[3] In 2006:

3 2006 Census data. Reference is to the household head or "maintainer." Sources: Statistics Canada cat. 97-563-XCB2006049; household type cat. 97-554-XCB2006028; age cat. 97-554-XCB2006020; CMHC, *2006 Census Housing Series Issue: 7-The Housing Conditions of Immigration Households*, Research Highlight 10-016 (Ottawa: 2006): http://www.cmhc-schl.gc.ca/textVersion/?tv=/odpub/pdf/67112.pdf?lang=en+niagara.

Income: Ontario tenant households' average income was $33,500 compared to $74,700 for homeowners; 45 per cent of tenants had incomes under $30,000, versus 13 per cent of owners.

Type and size: 42 per cent of tenant households and 17 per cent of owner households were persons living alone; shares were reversed for two-parent families (17 versus 39 per cent).

Age: 52 per cent of Ontario households under age 35 rented, declining with age to 29 per cent (age 35-44), 23 per cent (45-55), and 20 per cent (55-64), and rising just slightly for seniors.

Immigration: Only 37 per cent of recent immigrant households in Ontario owned their homes, compared to 71 per cent of all households.

As income and household size increase, households are more likely to own. As a person advances through the lifecycle, and as an immigrant becomes more established, he or she is more likely to own. Rental housing remains an essential part of the housing system, meeting the needs especially of Ontarians who are younger, lower on the income spectrum, or new to Canada.

Economic and policy conditions

Ontario's rental demand in recent years must be understood in relation to the shift to homeownership. And Ontario's future rental needs must similarly be understood in relation to changes currently happening in the ownership market.

The surge in homeownership between 1996 and 2006 was historic and unmatched by any period since immediately after World War II. In 2006, 71 per cent of Ontario households owned their home and 29 per cent rented. Renting had declined from 36 per cent of households a decade earlier, at the time of the 1996 Census (see appendix one for 1971-1996 data). [4]

Economic conditions and policy affecting homeownership became much more favourable in the decade between 1996 and 2006. The surge in homeownership, as Canada Mortgage and Housing Corporation (CMHC) has noted, was due to "favourable economic and financial conditions."[5]

The Canadian economy experienced a strong expansion led by exports to Asia and the United States after the severe recession of the early 1990s. Household income growth was very strong, but was distributed in a way that mirrored existing inequalities. With upper-income households receiving a larger share of growth, this meant wider disparities in absolute income.

The "favourable financial conditions" were a product of global financial markets and Canadian federal policy. Homeownership rates rose in many affluent countries in a parallel way. Low mort-

4 Most census data cited in this report are from 2006—the latest available on housing and most aspects of households. In August 2013 Statistics Canada is due to release housing, income, and shelter cost data from the National Household Survey, successor to the "long form census."

5 CMHC, *Long-term Household Projections--2011 Update* (Ottawa: October 2011), 15, http://www.cmhc.ca/odpub/pdf/67512.pdf.

gage interest rates for five-year and 10-year terms were a product of global financial markets that had moved beyond the high inflation and high interest rates that had endured throughout the 1970s and 1980s and into the early 1990s. Low mortgage interest rates for one- to three-year terms became Bank of Canada policy, following the United States' lead. Low rates were also helped by abundant capital available in deregulated global markets.

In the 1990s and early 2000s, the federal government lowered barriers to ownership market entry by lowering short-term interest rates, reducing required down payments, allowing borrowing from RRSPs for down payments, and allowing longer amortization periods.[6] Lender practices are strongly shaped by what mortgage terms CMHC will accept in its role as mortgage insurer. When CMHC changed its policies to permit five per cent down payments (95 per cent loan-to-value ratio), lenders mirrored that, and a large share of new buyers secured mortgages with five per cent down. A large share of mortgages came to be at floating rates—sometimes with the down payment covered by the lender.

These policy actions helped create today's higher levels of ownership in two main ways: (1) they enabled households to carry greater mortgage debt at any given monthly payment level and (2) they enabled households with little savings to enter the ownership market by increasing the pool of eligible buyers. This also helped push housing prices up in much of Ontario—as it did in affluent countries around the world.

These trends and conditions were good for the many households enabled to buy a home, but they are not sustainable. CMHC has noted that these "favourable economic and financial conditions" are not likely to continue in the same way.[7] Additionally, these trends did nothing to improve housing affordability for those who still lacked sufficient resources to access ownership.

1.2 What does the future hold for rental demand?

To gauge what the future may hold for rental demand, we must first consider population growth and the key demographic factors that have affected housing tenure[8] choice in recent years. The trajectory of financial and policy conditions complete a picture of increasing rental demand and need for purpose built rental.

6 Tara Perkins and Grant Robertson, "Canada's $800,000,000,000 Housing Problem," *The Globe and Mail*, December 27, 2012.

7 CMHC, *Long-term Household Projections* – 2011 Update, 15.

8 The word "tenure" refers to modes of occupying one's residence. Principal forms of tenure are homeownership (either freehold or condominium), renting, and co-operative membership.

Population growth, immigration, and age profile

Ontario is projected to add 1.6 million people to its population in the present decade (2011-2021).[9] For rental demand, two demographic factors are most important: population age profile and immigration. Equally important are financial market conditions and federal policy on mortgage lending.

On the demographic front, CMHC notes, "population aging will put upward pressure on the aggregate rate of homeownership."[10] Growth in the age 55-74 bracket, in which few people rent, is projected to account for 59 per cent of Ontario's population growth from 2011-2021. But the biggest age-driven shift to ownership has already happened, with almost all baby boomers now over 50. There is an offsetting increase in 25-34 year olds—a group as likely to rent as to own. This younger group consists mostly of the "echo boom" (children of baby boomers), and new immigrants who arrive primarily at that age. While age shifts in the existing population tend to push housing demand into the ownership sector, immigration pushes the other way, towards rental.

"Ontario's population growth will be driven by immigration,"[11] as it has been for the past 25 years. Though other provinces are gaining on Ontario's position as Canada's main immigrant destination, new arrivals will still drive Ontario's growth. In 2010 the number of immigrants landing in Canada reached 271,000, the highest in the past four decades,[12] and an estimated 105,000 of these immigrants landed in Ontario.[13] Ontario expects net migration (immigration minus emigration) between 2011 and 2021 to be over 1.1 million people—equivalent to 71 per cent of total predicted population growth in the period.

A closer look at economic and policy conditions

Economic and policy conditions are not amenable to precise long-term forecasting. But these conditions, just as much as population growth, aging, and migration, will shape future rental demand in Ontario. The price of renting versus owning is strongly influenced by government choices and broad market conditions.

Four factors clearly visible today appear likely to soften or stall the conditions which, in the decade of 1996-2006, led to the historic surge in homeownership.

9 Ontario Ministry of Finance, *Ontario Population Projections Update*, 2011–2036 Reference scenario (Toronto: Spring 2012), http://www.fin.gov.on.ca/en/economy/demographics/projections/projections2011-2036.pdf.

10 Canadian Mortgage and Housing Corporation, "Influences on Housing Demand," in *The Canadian Housing Observer 2011* (Ottawa: 2011), 55. http://www.canadianmortgagetrends.com/canadian_mortgage_trends/Article_Files/2012/CMHC-2011.pdf.

11 CMHC, *Housing Market Outlook: Ontario Region Highlights* (Ottawa: Q3 2012), https://www03.cmhc-schl.gc.ca/catalog/productDetail.cfm?cat=99&itm=21&lang=en&fr=1371065378572.

12 CHMC, "Influences on Housing Demand," 57.

13 Ontario Ministry of Finance, *Demographic Quarterly: Highlights of Second Quarter 2012* (Toronto: Ontario Ministry of Finance, Q2 2012), http://www.fin.gov.on.ca/en/economy/demographics/quarterly/dhiq2.html.

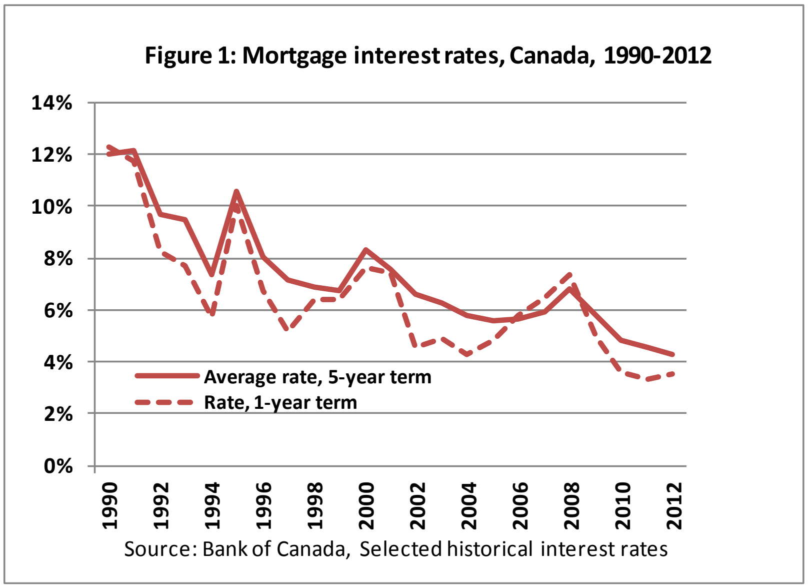
1. *Economic conditions:* The Canadian economy faces greater economic challenges as the resource export boom subsides, and as weak global economic growth continues in the wake of the 2007-2008 financial crisis and subsequent 2008-2010 recession. Forecasts are for lower growth.[14] This means that increases in household income in the next few years are unlikely to be as strong as in the dozen years of very robust—but unequally shared—growth from 1996 to 2007. It means that more households will face job insecurity and, in some cases, job loss and this will chisel away at the numbers ready to buy a home each year.

2. *Prices:* Price escalation in the Greater Toronto Area (GTA) housing market and some other Ontario markets has pushed ownership out of reach for some prospective buyers. Moderate price trends and declining interest rates limited the carrying costs of an average two-storey house to between 38 and 41 per cent of median household income in 2000 through 2004. After ups and downs, in 2010-2012 the carrying costs of an average two-storey house were between 47 and 50 per cent of median income. For a condo apartment the figures were 24 to 25 per cent of median income (2000-2004) and 28 to 30 per cent (2010-2011).[15]

3. *Interest rates:* After the historic drop in the early 1990s, interest rates continued trending lower for two decades. Short-term rates were lowered after the "tech" stock market crash of 2000-2001; they were lowered further in the 2008-2010 recession as part of a globally coordinated strategy. These trends are shown in figure one. The boost to home-buying was not just from low rates, but from rates that kept trending downward. This meant that each year, more renter households could afford any given level of mortgage debt—or that the impact of price increases was being offset by lower rates. These declining rates now appear to be bottoming out.

14 For example, see Bank of Canada, *Monetary Policy Report Summary: January 2013* (Ottawa: 2013), http://www.bankofcanada.ca/wp-content/uploads/2013/01/mpr-summary-2013-01-23.pdf.; Bill Curry, "Flaherty warns of 'significant' hit to federal revenue," The Globe and Mail, March 8, 2013.

15 These are nationwide figures; Ontario data show broadly similar trends. See online time series at The Globe and Mail, Dec. 27, 2012 "Royal Bank of Canada's Housing Affordability Measure." http://www.theglobeandmail.com/report-on-business/economy/housing/royal-bank-of-canadas-housing-affordability-measure/article6756429/



4. *Federal policy:* Concerns about macro-economic implications of high household debt and over-valued housing have led the federal government to tighten up lending conditions, raising the effective cost of purchasing housing. The Bank of Canada and the federal Minster of Finance have voiced strong concerns about household debt levels and how many households have over-extended to purchase housing. Though facilitated by public policy, increased household debt—the shadow of the ownership boom—is now seen as a threat to macro-economic stability.

In July, 2012, such concerns led the federal government to make several changes to mortgage insurance rules. Permitted loan-to-value ratios for refinancing were tightened from 85 to 80 per cent, mortgage insurance was no longer available for homes valued above $1 million, and most importantly, the maximum amortization period was cut from 30 to 25 years (the maximum amortization had reached 40 years in 2006 before being clawed back three times, by five years at a time, beginning in 2008).

TD Economics predicts that these regulatory changes will moderately cool the ownership market:

> The changes…may have more of a bite as they will hit a larger segment of the housing market and lead to a larger deterioration in affordability than past rule changes, particularly for first time homebuyers…16

Some commentary has suggested that the mortgage insurance policy changes of 2012 will lead to only a temporary downward bump in new buyers. Others are suggesting that the policy changes

16 Craig Alexander, Derek Burleton, and Diana Petramala, *Tighter Mortgage Rules to Cool Debt Growth, But Higher Rates Ultimately Required* (Toronto: TD Economics, September 6, 2012), http://www.td.com/document/PDF/economics/special/dp0912_mortgage_rules.pdf.

are creating a "policy-induced housing market downturn."[17] But in either case, it is likely that the changes signal a reversion to a new/old normal of more stable ownership rates.

It is likely that Ontario is at or near the end of its surge of renters into ownership. There will still be an ongoing flow of renters into ownership each year (replaced in the rental sector by other households) and there will still be some upward pressure on ownership rates due to population aging. But a continued surge equivalent to 1996-2006 is unlikely. Mortgage conditions remain more favourable than in most of the last 50 years—but the cost of ownership market entry has risen.

By affecting first-time buyers in particular, the changes will mean more households remaining in the rental market for longer periods than they otherwise would. A shift back to less extraordinary conditions means the return of net rental demand. In other words, a significant share of households added each year will be renters, with a likely end to the decrease in rental households that was seen between 1996 and 2006.

Amid the many factors at play, some could push against this anticipated shift in the market. Markets can always surprise, especially in fluid economic conditions like those today. For example, a downturn in prices could reduce carrying costs for new buyers, offsetting the tightening mortgage insurance rules.

A need for purpose built rental housing

There is evidence that the surge of Ontario households into ownership has already been tapering off. Figure two shows the annual increase in homeowner households from Statistics Canada survey data.[18] For 2001 through 2004, the average increase in homeowners was 89,000 each year; for 2005 through 2010, it was less than half that volume, at 41,000. One result has been a tightening of Ontario rental markets.

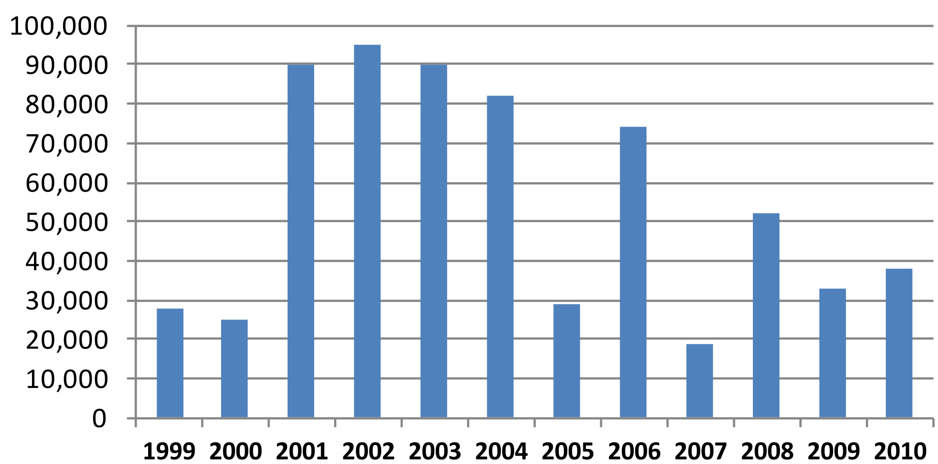
This tapering-off of the surge into ownership is similarly reflected in housing demand projections by CMHC. Under both higher and lower ownership scenarios, given overall assumptions of strong immigration and medium household formation, "owner household growth likely peaked during the decade of 1997 to 2006, and...will decline over the period 2007 to 2036." In Ontario, under the "constant ownership rate" scenario, the average increase in renter households

17 Will Dunning, *Housing Market Digest: Greater Toronto Area, April 2013* (Toronto: Will Dunning Inc., 2013), http://www.wdunning.com/docs/2013-04.pdf.

18 The Survey of Household Spending and the census counts of homeowners are consistent at the census dates. The count varied by 0.1 per cent in 2001 and 0.3 per cent in 2006.

from 2016 to 2026 is projected to be between 15,000 and 20,000 annually, depending on overall household formation rates.[19]

Figure 2: Annual Increase in homeowner households, Ontario, 1999-2010



Source: Statistics Canada, Survey of Household Spending, CANSIM Table 203-0019. 3-year moving average shown for each date (to overcome annual survey variability).

Some of this rental demand may be met as a by-product of ownership production, as a portion of housing built for homeowners is invariably rented over time. One-fifth or more of condo apartments are rented. But that will not suffice. A large share of rental demand each year will need to be met more directly, with rental production.

The authors of this report believe that the CMHC projections are consistent in general magnitude with the estimates in earlier editions of *Where's Home?* that 10,000 new purpose-built rental housing units are needed annually in Ontario. If anything, the need is somewhat higher.

19 CMHC, "Number of Households by Tenure (000s) and Ownership Rate (%) - Ontario, 1976-2036," http://www.cmhc.ca/en/inpr/rehi/rehi_027.cfm. National projection using mid-range household growth scenario with high, medium or low age-specific ownership rates; constant 2006 age-specific headship rates. Ontario projection using mid-range household growth scenario with high, medium or low headship rates; constant 2006 age-specific ownership rates. Data rounded to nearest 1,000. The projected average annual increase in rental households is 10 to 13 per cent higher in 2011-16 than in 2016-26.

2.0 Rental housing supply

This section will first outline the existing stock of rental housing. It then reviews trends in new supply and net change in rental stock, as well as vacany rates.

2.1 Existing rental stock

Rental housing is supplied to Ontario's 1.3 million renter households in several distinct ways. These can be understood as separate rental housing subsectors.[20]

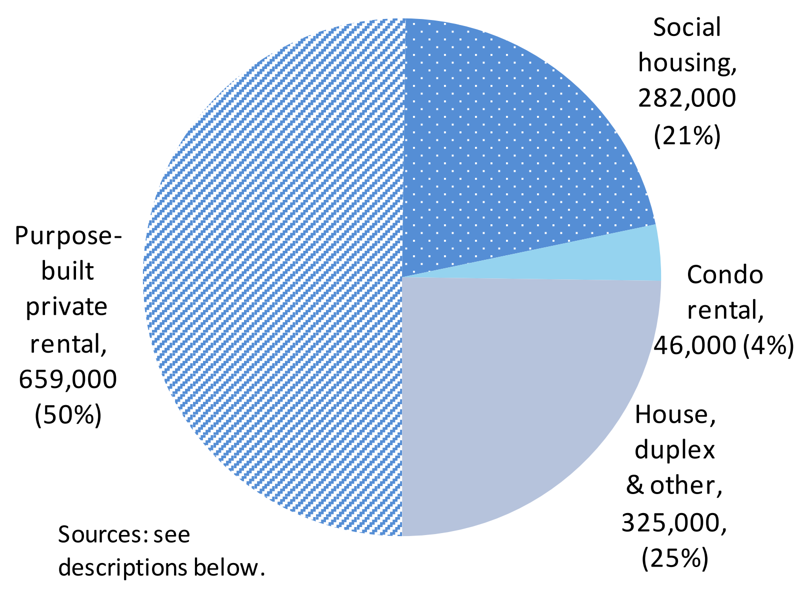
The first two subsectors—social housing and purpose-built private rental—provide the most stable supply of rental housing. Tenants in these subsectors are rarely subject to evictions resulting from owner occupation. While private rental buildings can be subject to conversion to condominium, or to demolition or conversion to non-residential use, such changes are less commonplace and more amenable to restrictions by municipal by-laws.

The remaining "secondary rental market" houses just under 30 per cent of Ontario's renter households and includes rented condos, houses, duplex units, and other forms such as apartments above stores. Rented condos are shown separately in figure three, as they are of specific relevance in today's market.

20 The following are the sources for the discussion of rental subsectors and the chart "Rental Stock, Ontario, 2006": Purpose-built private rental from CMHC, *Rental Market Survey - 2006* (Ottawa: 2006); Social housing counts from Ministry of Municipal Affairs and Housing at point of transfer (including units transferred to MOHLTC and MCSS) and from CHF-Canada; Rental condos, conservative estimate from Toronto and Ottawa data only CMHC, *Rental Market Survey - 2006*; Rented houses, duplexes and other is a residual after subtracting the other categories from total census rental stock. Because of the need to reconcile to census totals, the initial description of rental subsectors uses counts as of 2006. More recent data are included in the section on production and net change.

The secondary market generally offers a less permanent form of rental housing than the purpose-built rental market. Units in the secondary market may move more readily between owner occupation and rental and sometimes non-residential use. When owners or their family members want to occupy a unit, they can evict tenants.[21]

Figure 3: Rental stock, Ontario, 2006



Purpose-built private rental units: The almost 660,000 private purpose-built rental units (in buildings or complexes of three or more units) account for 50 per cent of Ontario's total rental homes.

Social housing: The 282,200 social housing units account for 21 per cent of Ontario's total rental homes. This number includes 42,200 co-op units (owned by their residents collectively), and 240,000 units owned either by non-profit community-based groups (such as faith groups, service clubs, and community agencies) or by municipal housing corporations. These units were developed with funding under federal and/or provincial programs offered from the 1940s through the mid 1990s.

21 CMHC surveys the secondary rental market in three Ontario regions in its *Secondary Rental Market Survey*, providing a unit count and average market rents and vacancy rates for condominiums and low density rentals. For more complete coverage, and in other areas of the province, secondary rental stock may be estimated by subtracting the purpose-built private universe and the government assisted social and affordable housing stock from the Census occupied rental dwelling counts. Statistics from the CMHC *Secondary Rental Market Survey* for the GTA, Ottawa and Barrie can be found in its Rental Market Reports.

Some social housing units are designated as rent-geared-to-income (RGI) housing, and some as market rent housing. There are approximately 200,000 RGI units in Ontario.[22]

In addition to these units is the "new affordable" housing created under the programs of the past decade by both private developers and non-profit and co-ops. This housing is distinct from social housing and not counted among the 282,000 social housing units.[23]

Rental condominiums: These units comprise about four per cent of Ontario rental housing. This sector is very concentrated in the GTA and to some extent Ottawa. It is growing and changing rapidly.

Rented houses, duplexes, and other: The 325,000 rented houses, duplexes, and other types account for 25 per cent of Ontario rental housing. These are mostly single or semi-detached houses (198,000), but also include some individually rented townhouses, as well as 77,000 duplex or other attached units.[24]

Additionally, there are diverse forms of rented accommodation poorly captured in the Census. Many of these are non-self-contained rented rooms, and many are secondary suites (accessory units). One approach to estimating the size of this rental subsector is the difference in total counts between Statistics Canada's annual Survey of Household Spending and the Census. On this basis, this additional rental subsector is home to approximately 208,000 Ontario renters.[25] This is equal to an extra 16 per cent on top of the 1.3 million dwellings described here.

2.2 Rental production, change in rental stock, and vacancy rates

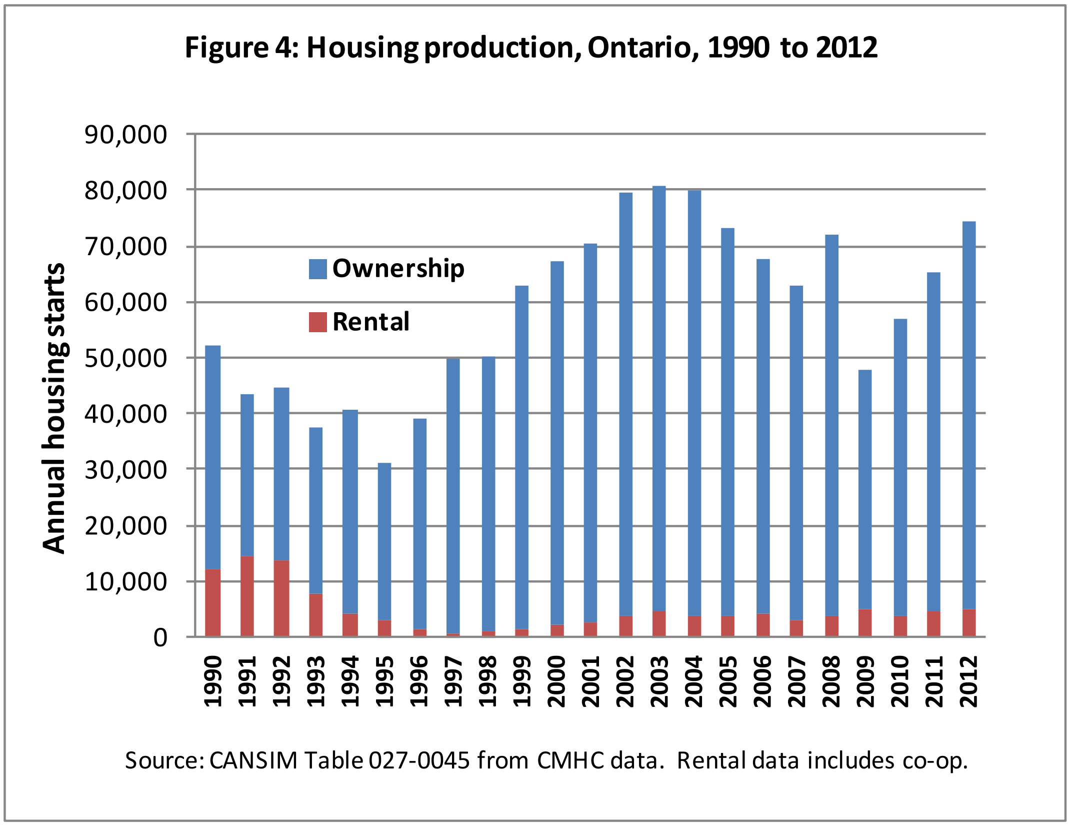
Production and change in rental stock reflect a market dominated by home-ownership since the mid 1990s. As shown in figure four, rental starts declined from 21 per cent of total starts from 1990 to 1995, to a low of just under two per cent from 1997 to 1999, before rising somewhat to six per cent from 2003 to 2012. This very low rental production since the mid 1990s is unprecedented in any period since 1950.

22 Minimum Service Levels set out in the *Housing Services Act* regulations total 186,700 households across Ontario; there are about 4,600 other income-assisted units in "federal" co-ops; virtually all the 10,400 MCSS and MOHLTC supportive housing units are RGI; there are about 5,000 "Strong Communities" rent supplement units.

23 As of 2006 there were just 1,600 of these "new affordable" units completed. They are not shown separately.

24 Total rental stock is measured in the census and therefore the same applies to the residual "Rented houses, duplexes, and other" category. The 325,000 excludes social housing in the form of houses, townhouses, duplexes, etc.; it also excludes townhouse complexes counted in the CMHC Rental Market Survey.

25 208,000 equals the difference between 1,312,290 rental dwellings in Ontario (2006 census) and 1,520,000 (Survey of Household Spending, three-year moving average of 2005–2007 rental households).



Between 1996 and 2006, Ontario gained 717,000 owned dwellings and lost 86,000 rented dwellings. As tables one and two below demonstrate, the loss of rented dwellings occurred despite on-going—though low—production of rental housing. This is because between 1996 and 2006, demolition of rental units, conversion to non-residential uses, and change of rental units to ownership-use (a loss of 112,000 units) significantly outstripped new rental production (a gain of 26,000 units).

Ownership housing was, by contrast, a net beneficiary of tenure shift and conversion, with the total increase in owned dwellings exceeding total new production of ownership housing between 1996 and 2006. In other words, in addition to gain from new production, the ownership sector also absorbed units from the rental sector, such as previously rented condos and houses.

Table 1: Owned and rented dwellings, Ontario, 1996, 2001 and 2006

	Households			Change		
	1996	2001	2006	1996-2001	2001-2006	1996-2006
Owned dwelling	2,523,000	2,862,000	3,240,000	339,000	378,000	717,000
Rented dwelling	1,396,000	1,351,000	1,310,000	-45,000	-41,000	-86,000
Total	3,925,000	4,219,000	4,555,000	294,000	336,000	630,000

Source: Occupied stock from Census community profiles (94F0048XWE, 93F0053XIE, 92-591-XWE); 95F0327XCB2001009.

Table 2: Drivers of housing supply change, Ontario, 1996 to 2006

	Housing production		Change attributable to tenure shift, demolition, or conversion to non-residential use		
	1996-2001	2001-2006	1996-2001	2001-2006	1996-2006
Owned dwelling	270,000	375,000	69,000	3,000	72,000
Rented dwelling	9,000	17,000	-54,000	-58,000	-112,000

Source: Total housing completions from CANSIM table 027-0008 (1st & 2nd quarter of census year is attributed to earlier census period, 3rd & 4th quarter to later period). Rental completions for centres of over 10,000 only from CMHC, Housing Market Report Ontario and Housing Now Ontario, various years. (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.) Change attributable to tenure shift, demolition, or conversion to non-residential use is equal to change in dwellings by tenure (figures in table above) minus production. It also encompasses merging/dividing-up of dwellings, net change in vacancies and unabsorbed, net conversion to or from seasonal occupancy, and net census change for technical data reasons (e.g. under-coverage, definitions of permanent residency).

In the current context of low rental production—though not as low as the mid to late 1990s—primary sources of new rental stock include private development, housing funded under the Affordable Housing Program (AHP) and Investment in Affordable Housing (IAH), and new condo apartments that are rented. In particular, AHP and IAH have led to a minor uptick in purpose built rental production beginning in the early 2000s that is not well captured in the two tables above, which end with 2006 Census data.

Trends in secondary suites and in rented houses may be at least as important in driving new rental stock, but these changes are difficult to monitor. The former is not well measured while the latter is only measured at census dates.

The end of operating agreements

There has been no major change in the number of social housing units since the end of the production programs in 1995-1996. But the social housing stock needs to be closely monitored. It is supported by government subsidies under legal agreements that in most cases last for the life of each project's mortgage—35 to 50 years. Many projects built in the 1960s to 1980s will reach the end of their mortgage over the next decade, and this means that their subsidies are also due to end. Some projects will be self-sustaining when mortgages are paid off. Others will not be, especially if they have a large percentage of low-income tenants, or need major capital repairs beyond what their reserve funds can cover.

This situation imperils the viability and affordability of large numbers of social housing units, and is already leading to the loss of some units. The issue is especially grave in the case of some projects with expiring federal operating agreements. Unless renewed financing measures are worked out, RGI units in these developments, home to tens of thousands of low-income Ontarians, are in danger of being lost.

New market rental production

Private rental production was very low throughout the 1990s, averaging less than 2,000 units annually. In the recession conditions of the early 1990s, almost all rental production was social housing. In the economic recovery of the late 1990s, low volumes reflected moribund private production as well as the end of social housing production. As real estate conditions improved, non-assisted private rental production increased slightly but still averaged less than 3,000 units annually, from 2001-2010. [26]

Many Ontario communities have small private-sector rental projects that are profitable for a particular developer on a particular site. There has been significant infill development on postwar tower sites in the stronger markets, some of it built as rental. In the Toronto market, at least one firm has built several new rental towers to be held as investments for the long term, mostly by pension funds. These new towers feature condo-style looks and finishes, rent levels, and marketing.

In general, however, these are niche markets, not supply for the mainstream of rental demand. There is a large gap between what most tenants can afford and the rent levels needed for a developer to cover the cost of rental development and make an acceptable profit. A recent study concluded that to build an apartment building in Toronto with a minimally acceptable return on investment, rent levels would have "to be 2.25 times the average affordable rent."[27] This was using 80 per cent of average market rent as the definition of "affordable"—a rent level perhaps affordable to the average tenant, but not a lower income tenant. The rent level viable for the developer is about three to four times the rent affordable to a low-income tenant in the bottom 20 per cent of the income spectrum.

Rental development faces other financial barriers too, including the need for the developer to contribute large amounts of equity and to obtain long-term financing—unlike a condo developer which raises funds through pre-construction sale of units and pays off the construction financing when the project is occupied.

Despite moderate new production, the stock of private purpose-built rental units was relatively stable between 1991 and 2012. This relative stability was the net result of tenure shift, demolition, and conversion to non-residential use balancing out the new production. There was a

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26 See total rental production data in this report and in ONPHA, *Where's Home? 2011: The Need for Affordable Rental Housing in Ontario* (Toronto: 2011), table 9, http://www.onpha.on.ca/Content/ONPHA/About/ResearchReports/WheresHome/WheresHome_2011.pdf.; AHP production in this report; Table 2 in Housing Supply Working Group, *Creating a Positive Climate for Rental Housing Development Through Tax and Mortgage Insurance Reforms* (Toronto: Ontario Ministry of Municipal Affairs and Housing, 2002).

27 Jill Black, *The Financing & Economics of Affordable Housing Development: Incentives and Disincentives to Private-Sector Participation*, Research Paper 224 (Toronto: Cities Centre, University of Toronto, September 2012), 26, http://www.citiescentre.utoronto.ca/Assets/Cities+Centre+Digital+Assets/pdfs/publications/Research+Papers/224+Black+Affd+Housing+Finance+2012.pdf.

general trend of minor decline in the stock across the decade of the 1990s, followed by a trend of slight increase from 2001 to 2012.[28]

Rental housing funded under AHP-IAH

Since 2003, modest volumes of new rental production have been funded in Ontario under the Affordable Housing Program (AHP) and from 2011 onwards, the similar Investment in Affordable Housing (IAH).

AHP and IAH are quite different from the various social housing programs of 1949 to 1995. These programs have a funding model, a definition of affordability, and a mix of private-sector and non-profit proponents that differ from past social housing programs.

AHP and IAH, funded through contributions from all three levels of government (sometimes four in the case of two-tier municipalities), have provided one-time capital grants to non-profit, co-op, and private developers. The homes produced must offer rents at or below 80 per cent of Average Market Rent (AMR) as measured in the CMHC Rental Market Survey. They must remain at or below 80 per cent of AMR for at least 20 years.[29]

Beyond the 20 year mark there are no restrictions on rent levels, although moderate rents may continue if the Service Manager has required a longer affordability term as a condition of funding or if the owner of the housing is an entity committed to providing moderate rents for the long-term. These will typically be non-profits and co-ops, whereas private developers are more likely to raise rents after formal affordability agreements end.

Defining affordability in relation to average market rent rather than tenant income was a major departure from social housing "as we knew it." Because AHP and IAH do not offer ongoing operating subsidies to housing projects, it is not possible to gear rents to tenants' incomes.

In its early years, AHP was accompanied by significant amounts of new rent supplements that brought some units down to RGI rent levels. In many AHP projects there is a mix of units at or near average market rent and other units which are well below that level. But AHP and IAH have not provided a funding recipe that generally meets the needs of tenants with low-incomes and low ability to pay.

Since 2003 in some Service Manager areas, and since 2005 across the province, AHP and IAH have committed funding for 14,449 units of rental housing in Ontario (as of August, 2012). 10,330 units were completed by year-end 2012 with the rest still being developed. Although their overall depth of affordability does not compare with units developed under prior program models with multi-year operating subsidies, the roughly 1,500 units produced annually under

28 Additionally, there was a significant subset of condo buildings that were majority-rented in the early 1990s (with *all* units counted as rental in the survey), but that left the survey universe as units were gradually sold to owner-occupants, contributing to the decline seen in the 1990s.

29 In the "Pilot" (2003-2004) round of AHP, the requirement was at or below 100 per cent of AMR and affordability for at least 10 years.

AHP-IAH amount to a noteworthy addition to the supply of affordable rental housing in Ontario.[30] The 2013 federal budget extended the federal portion of funding by five years.

With data provided by the Ministry of Municipal Affairs and Housing, this edition of *Where's Home?* reports for the first time on units that have had funding committed under AHP and IAH by Service Manager area and by proponent type. Table 3 shows units with funding committed by Service Manager area.

The differences in unit counts between Service Managers reflect several factors. The 2003-2004 "Pilot" round of AHP was taken up by a limited number of Service Managers already active in new affordable production. The 2005-2007 "Wave One" round was allocated among all Service Managers based on share of Ontario-wide need and growth. Some housing allowance funding was converted to fund affordable units, depending on local conditions and priorities. The 2009-2011 "Stimulus/AHP Extension" round was allocated to Service Managers based on Core Housing Need. Repair rather than new supply was often the priority in Northern Ontario. The 2011-2014 IAH offers Service Managers more latitude to choose between investment priorities such as rental production, rental assistance, repair and renovation, or affordable ownership. Finally, the better-prepared or active municipalities were able at some points throughout the decade to use funding that otherwise would have gone unspent.

It remains to be seen what, if any, changes will occur over the next five years.

30 The 1,300-1,500 annual figure for Ontario is based on two approaches that extract units under the 2003-2004 Pilot, which only operated in some Service Manager areas:

a) Units with funding committed: 14,449 minus the 3,200 "Pilot" allocations (2003-2004) equals 11,249, mid 2005 through year-end 2012. Over 7.5 years this equals 1,500/year.

b) Completions: 8,765 (mid 2006 to year-end 2012, i.e. excluding the completions to mid 2006 which were virtually all Pilot). Over 6.5 years this equals 1,350/year. Alternatively, by mid 2014 one could reasonably expect all 11,249 non-pilot units with funded committed to be completed, which would equal 1,250/year over 9 years.

Table 3: AHP and IAH units with funding committed by Service Manager, 2003 to August 2012

Service Manager	Units
Northern Ontario	
Thunder Bay DSSAB	132
City of Greater Sudbury	125
Nipissing DSSAB	124
Parry Sound DSSAB	81
Algoma DSSAB	30
Timiskaming DSSAB	15
Sault Ste. Marie DSSAB	11
Cochrane DSSAB	10
Eastern and Central Ontario	
City of Ottawa	1,095
City of Peterborough	491
County of Simcoe	388
City of Kingston	260
District Municipality of Muskoka	134
City of Kawartha Lakes	94
County of Hastings	80
City of Cornwall	76
United Counties of Prescott-Russell	72
County of Northumberland	42
County of Renfrew	36
County of Lanark	20
United Counties of Leeds & Grenville	12

Source: Ontario Ministry of Municipal Affairs and Housing

Service Manager	Units
Greater Toronto Area	
City of Toronto	4,189
Regional Municipality of Peel	1,087
Regional Municipality of York	736
Regional Municipality of Durham	299
Regional Municipality of Halton	225
Hamilton-Niagara-Grand River	
Regional Municipality of Waterloo	1,172
City of Hamilton	731
Regional Municipality of Niagara	490
City of Brantford	312
County of Wellington	229
Southwestern Ontario	
City of London	638
City of Windsor	259
County of Oxford	151
City of St. Thomas	122
County of Lambton	118
County of Bruce	63
County of Huron	63
County of Grey	60
County of Norfolk	54
City of Stratford	42
Municipality of Chatham-Kent	41
County of Dufferin	40
Ontario Total	**14,449**

As noted, both non-profit and for-profit developers have built or are building units under AHP and IAH. Different Service Managers have chosen different relative priority for private, municipal, and non-profit proponents, and sometimes these priorities changed between successive rounds of AHP and then IAH.

Overall, two-thirds of AHP and IAH units were or are being developed by the community-based sector or municipalities (9,400 of 14,449 total units). There is very significant private sector involvement in various communities. In some communities, the private sector was particularly prominent in the "stimulus" round of 2009–2011, with its tight deadline requiring "shovel-ready" projects. Table 4 shows AHP and IAH units with funding committed by proponent type.

Table 4: AHP-IAH units with funding committed by proponent type (August 2012)

Proponent Type	Units	Percent
Private Sector**	5,063	35%
Private Non-Profit*	5,167	36%
Municipal Non-Profit	3,455	24%
Municipality	445	3%
Private Non-Profit / Charitable Corporation / Partnership	253	2%
Other	66	<1%
Provincial Total	**14,449**	**100%**

Source: Ontario Ministry of Municipal Affairs and Housing
* Includes 11 units recorded by MMAH as "private non-profit / charitable corporation / partnership"
** Includes 39 units recorded by MMAH as "partnership / private sector"

While private-sector involvement enabled many projects to be developed more quickly, or to be realized at all, few private-sector AHP and IAH projects can be expected to have below-market rents for more than 20 years.

As noted, non-profits and co-ops are far more likely to maintain affordability targets after requirements to do so end. As a result, governments will likely get more affordability "bang for the buck" over time from units developed by these proponents. Although AHP and IAH units are not social housing, the 9,400 units developed (or in development) by the non-profit and co-op sectors under AHP and IAH since 2003 are a significant and welcome addition following the period between 1995 and 2003 which saw no Federal-Ontario off-reserve investment in new affordable housing.

Over the "AHP decade" of 2003–2012, the 10,330 new AHP-IAH rental homes developed by all proponent types (completions) accounted for 28 per cent of the 37,300 rental homes completed in Ontario. The percentage was slightly higher in the peak funding years of mid 2006 through

2012 when AHP-IAH accounted for 35 per cent of new rental homes completed.[31] AHP accounts for most of the modest difference between the late 1990s, when only three per cent of new homes in Ontario were built as rental, and the 2003-2012 decade when 5.5 per cent were built as rental. The 4,000 AHP-IAH rental units still under development will maintain similar rental completion levels for the next couple of years. After that, assisted rental volumes are set to decline, reflecting the post-2011 decline in IAH funding as well as the greater share of funding going to rental assistance.

Rental condominiums

Since condominiums were established as a form of tenure in Ontario law in 1967, this sector has had strong building booms in the 1970s, late 1980s, and most strongly over the past decade. Many condos are rented, and it is important to understand what this form of rental supply is and is not.

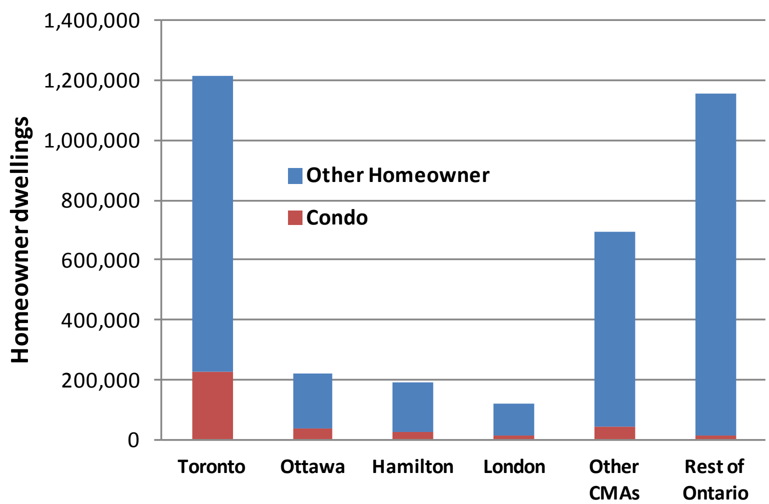
Condos are most concentrated in large urban areas and the majority of Ontario condo production is in the GTA market. The Toronto Census Metropolitan Area (CMA) had 20 per cent of the ownership dwellings of all Ontario's CMAs, but 27 per cent of the owner-occupied condos.

In the GTA, condos have become a housing option which—at least for home-buyers without children—is relatively affordable in a high-priced market, offers on-site amenities and status, and reduces commuting time and cost in a sprawling city-region with long journeys to work. Condominiums have also become a focus for real estate investors, mostly affluent individuals seeking rental income and capital gain. For single-person households, the condo option has helped fuel the shift to homeownership since the mid 1990s. Figure five shows condo and other homeowner dwellings in select urban areas (see appendix two for additional areas).

Condo production has temporarily come to match the volume of traditional home production in Ontario, as shown in figure six. Traditional home production reached a peak in 2002. It then stagnated during and following the 2008-2010 recession, while condo production boomed from 2009 on (see figure six).

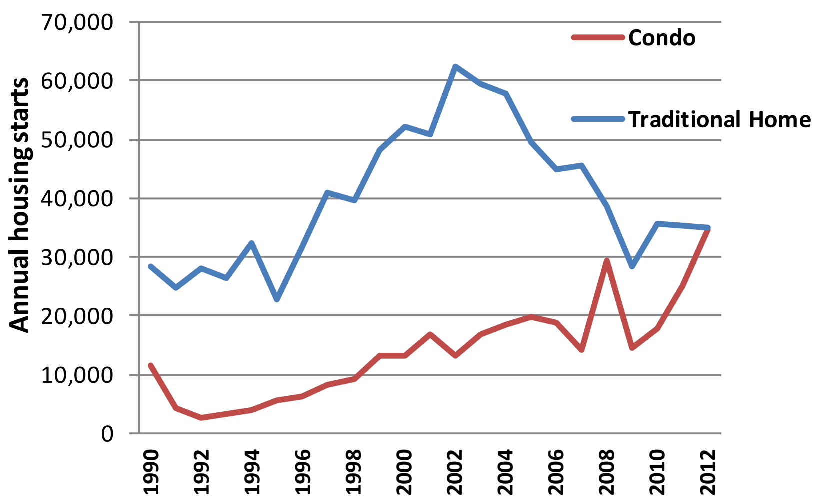
31 10,330 AHP-IAH rental completions from initiation of the program in 2003 to year-end 2012 (Ministry of Municipal Affairs and Housing, data provided to ONPHA). AHP completions were 1,565 to mid-year 2006, from the same source, as reported in ONPHA, *Where's Home? 2010: A study of affordable rental housing within 22 communities in Ontario*. (Toronto: 2010), http://www.onpha.on.ca/AM/Template.cfm?Section=Where_s_Home&Template=/CM/ContentDisplay.cfm&ContentID=7648. Therefore 8,765 completions mid 2006 to year-end 2012 (reflecting the peak funding years of 2005–2011), which equals 35% of the 24,900 Ontario rental completions in the period. For intercensal 1996-2001 (taken as the rental completion low-point), 8,352 rental was 3.0% of 278,733 completions; for calendar 2003 through 2012, 37,283 rental was 5.5% of 676,496 completions. Several hundred other assisted units have been funded unilaterally by municipalities or via SCPI/HPS; these are not included in the data presented here, but would slightly raise the assisted rental share of total production. CMHC rental completions data are for urban municipalities of at least 10,000 population, which does not precisely match the MMAH province-wide data; but very few rental completions are in centres under 10,000.

Figure 5: Condo and other homeowner dwellings by urban area, Ontario, 2006



Source: Source: 2006 census, 95F0447XCB01002, 97-554-XCB2006039
CMA is Census Metropolian Area (urban area over 100,000 people)

Figure 6: Condominium production, Ontario, 1990 to 2012

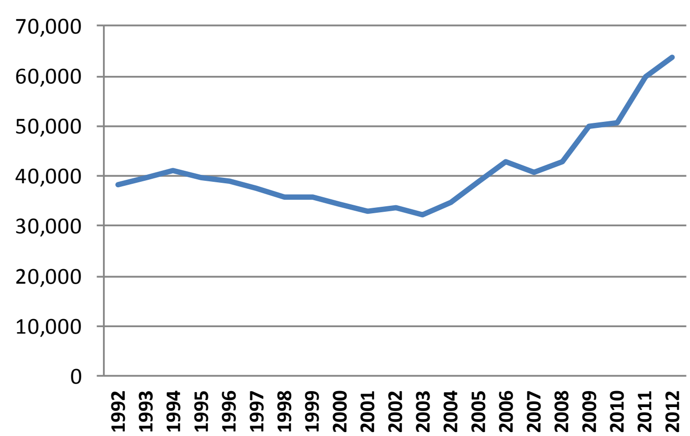


Source: CANSIM Table 027-0045 from CMHC data.

Condos are most significant in terms of the share of rental sector change they account for. Although the condo rental sector in the GTA is tiny compared to the private rental sector across Ontario, a similar number of rental units have been added in each over the past decade. From 2002 to 2012 an average of 2,996 condo rental units were added each year in the GTA. In the second half of this period, 2007-2012, that figure stood much higher at 4,585 annually. Figure seven shows this spike. In the latter period, the number of rented condo units added annually was about the same as five years' worth of units with funding committed under AHP and IAH in the GTA. Half or more of new condos in the GTA are currently rented[32] and the overall share of condos that are rented has inched upwards.

As table five demonstrates, just over 20 per cent of total condo apartments are rented in the GTA and Ottawa. There are no Ontario-wide data, and no data on most other urban areas. The 65,000 condos rented in the GTA in 2012 equal 10 per cent of its rental stock while the 5,400 in Ottawa equal five per cent of its rental stock.[33] Condo rental is a popular option for young professionals, empty nesters, and retired people with middle to upper incomes.

Figure 7: Rented condominiums, Toronto CMA, 1992 to 2012



Source: CMHC Rental Market Survey; Condominium study before 2006.

32 Urbanation, *Urban Rental* (Toronto: May 2011), http://www.urbanation.ca/UrbanRental.

33 Because of the rapid growth of condo rental, it is helpful to compare its size to the overall rental sector, but the only estimate of GTA rental stock is the 2006 data. Therefore 2012 condo rental is compared to total 2006 rental.

Table 5: Condo rental in Toronto and Ottawa

	Greater Toronto Area		
	Rented condos	Total condos	% rental
2010	51,525	263,836	20%
2011	61,059	278,562	22%
2012	64,800	290,614	22%
	Ottawa Metropolitan Area (CMA)		
	Rented condos	Total condos	% rental
2010	4,549	24,206	19%
2011	5,048	26,134	19%
2012	5,426	26,216	21%

Source: CMHC, Rental Market Survey

While condos have become increasingly significant as a form of rental, this subsector has seven main shortcomings in relation to the needs of most Ontario renters:

1. *Price:* Most rental condos are newer, higher-quality homes with good amenities. Many are owned by people seeking leveraged capital gain, with large mortgages. Rents are, therefore, higher than for most purpose-built rental units. Average 2012 condo rent in the GTA was $1,430 for a one-bedroom and $1,586 for a two-bedroom (respectively 43 per cent and 36 per cent higher than private purpose-built rental).

2. *Security of tenure:* Unlike purpose-built rental apartments, condominiums may be sold by the owner-investor at whatever point suits their financial needs. This can pose a threat to the security of tenure of the tenant in place when that happens.

3. *Stability of Production:* The evidence of the last condo boom, peaking in the late 1980s and crashing in the early 1990s, shows that condo rental supply follows the real estate cycle. It rose in the boom, when investor—or speculator-buyers were active, and declined in the downturn as capital gain expectations were undermined, and as lower prices broadened the buyer base (see figure seven).

4. *Volumes of production:* Long-term volumes of condo production are insufficient to meet long-term rental demand. Average annual condo production for the 20 years ending in 2012 was 15,100 units in Ontario; for the decade 2003-2012 it was 21,000. If 20 per cent are rented in the long run, this is about 3,000 to 4,000 annually, far short of the long-term demand estimates of 15,000 to 20,000.

5. *Location within the urban area:* Most condos are located in or near downtown. In the GTA, 44 per cent of rental condos are in the central city, 32 per cent in inner suburbs, and 24 per cent in "905" outer suburbs. Condos are much more concentrated in central locations than most housing or jobs. They meet the needs of downtown workers, but not

those working in the main outlying job growth areas. In Ottawa, the respective shares are 34 per cent, 32 per cent, and 34 per cent.

6. *Unit types:* Most condo rental units are small bachelor and one-bedroom suites, unsuitable for families with children; or with unit layouts that do not provide the different spaces a family needs for its various members and their activities.

7. *Meeting needs in all communities:* Condo production is skewed to Ontario's large urban housing markets—far more than overall growth. Condo rental does not offer much prospect of meeting most rental needs outside the larger or higher-growth centres.

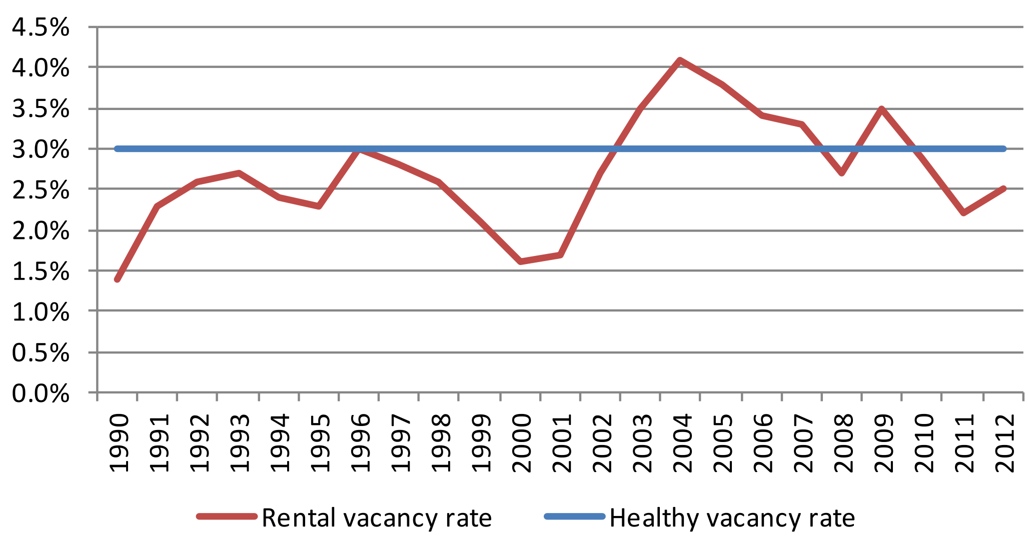
Vacancy rates in the private rental market

CMHC's Rental Market Survey as well as *Where's Home?* have focused on the rental vacancy rate in the private rental sector as a key indicator, and for good reason. The private rental sector is where most tenants looking for a place to live at any given time must do their searching.

The accepted benchmark for a healthy rental housing market is a three per cent vacancy rate. When the rate is below this, the available supply of housing for tenants searching for a home is constricted. On the other hand, vacancy rates that are too high pose a risk of high vacancy losses (rent forgone for vacant units) which reduces the profitability and viability of rental properties.

Vacancy rates are affected by many factors: migration and population growth, job growth and earnings, rent levels, units added to or removed from the rental stock, and the cost to tenants of buying a home. Vacancy rates tend to be much higher in communities with poor local economic conditions. For example, vacancies are very high in Windsor and very low in Toronto.

Figure 8: Vacancy Rate, Ontario, 1990-2012



In the past two decades, trends in the province-wide rental vacancy rate followed the economic cycle and the fortunes of home-buyers.

- The vacancy rate spiked upward in the mid 1990s to three per cent, reflecting job losses in the recession, and movement of renters into ownership as interest rates plummeted. This three per cent was a level unseen during the previous two decades, but was a return to a healthier, balanced market.
- In the economic recovery of the late 1990s, as more people had better earnings and entered the rental market, and as young adults born after the baby bust entered the market, the vacancy rate declined to a low of 1.6 per cent in 2000.
- The early to mid 2000s saw vacancy rates spike to four per cent, reflecting the net loss of renters in the great homeownership surge of that period.
- The vacancy rate has gradually declined over the past eight years, although with an upward spike reflecting job losses in the 2008-2010 recession. Vacancies are once again below the three per cent level, in the "tight market" range.

The declining vacancy rate in recent years is consistent with the tapering-off of the great homeownership surge described in this paper.

3.0 Need for affordable rental housing

Housing need is distinct from housing demand. "There is a great deal of social need for housing, but the households in need lack the money to generate effective market *demand*."[34] All households require suitable housing, but some do not have sufficient resources to acquire it affordably (or at all) on the market.

This section will examine the need for affordable rental housing by looking at trends in income, inequality, and housing costs.[35] This section contains various housing affordability metrics as well as an alternative look at Census data and the Survey of Household Spending.

The picture that emerges is of a steadily growing low-income population resulting from population growth and gradual income polarization. Sharp changes in the early 1990s fundamentally worsened rental housing affordability. Since then, there have been only small changes in tenant incomes (adjusted for inflation) and the number of tenants in need, as indicated by the Census.

The dozen years of strong growth beginning in the mid 1990s did not lead to respite from affordability problems. There is a notably widening gap between market rents and what low-income tenants can afford, a function of the inherent mismatch between the incomes of people at the low end of the labour market or on pensions and other transfers and rent levels in the market. There are indications that affordability challenges are leading fewer low-income Ontarians to rent their own units. This could result in their not being counted by standard housing need metrics.

34 David Hulchanski and Michael Shapcott, "Introduction: Finding Room in Canada's Housing System for All Canadians," in Finding Room: Policy Options for a Canadian Rental Housing Strategy, ed. David Hulchanski and Michael S*hapcott (Toronto: University of Toronto Centre for Urban and Commun*ity Studies, 2004), 6.

35 Housing need also encompasses the need for supports to maintain housing, for example, home care for seniors, supports needed by formerly homeless individuals, or individuals experiencing mental illness. However, this section focuses on financial aspects of housing need.

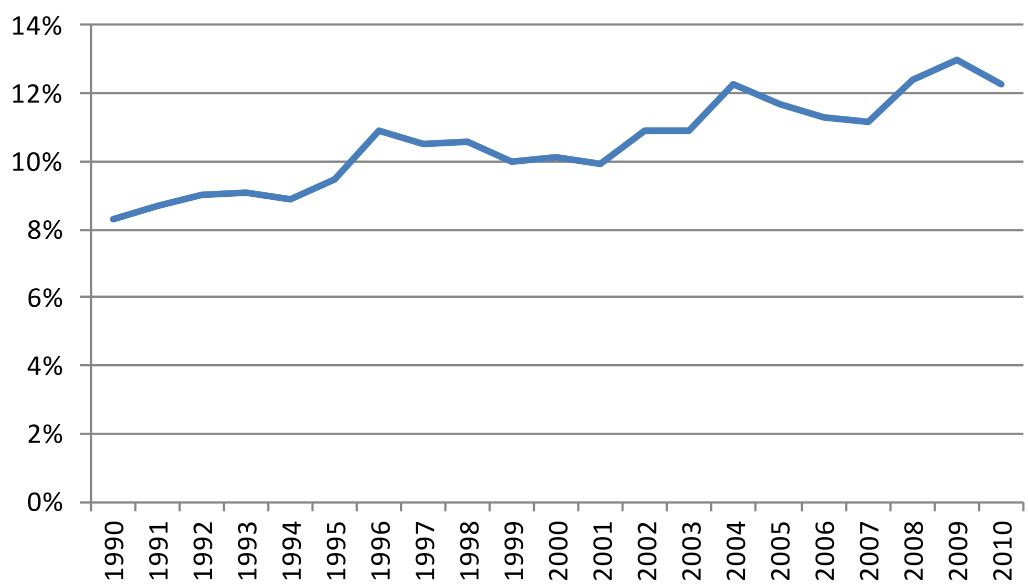
3.1 Poverty trends

Growing low-income population

The number of low-income people and low-income households in Ontario has risen over the past two decades. There is an upward trend overall, and there are pronounced ups and downs associated with the business cycle (economic expansion, recession, and recovery). The growth in low-income population and households is a result of overall population growth because society grows at all income levels. It is also partially a result of gradual income polarization (see appendix three for explanation and comments on definitions of low-income).

The percentage of Ontario's population living on a low-income increased markedly between 1990 and 2010. Figure nine shows that in 1990, eight per cent of Ontarians had a low-income, rising to 12 per cent of Ontarians by 2010.

Figure 9: Percentage of persons in low-Income by Low Income Measure (LIM), Ontario, 1990-2010



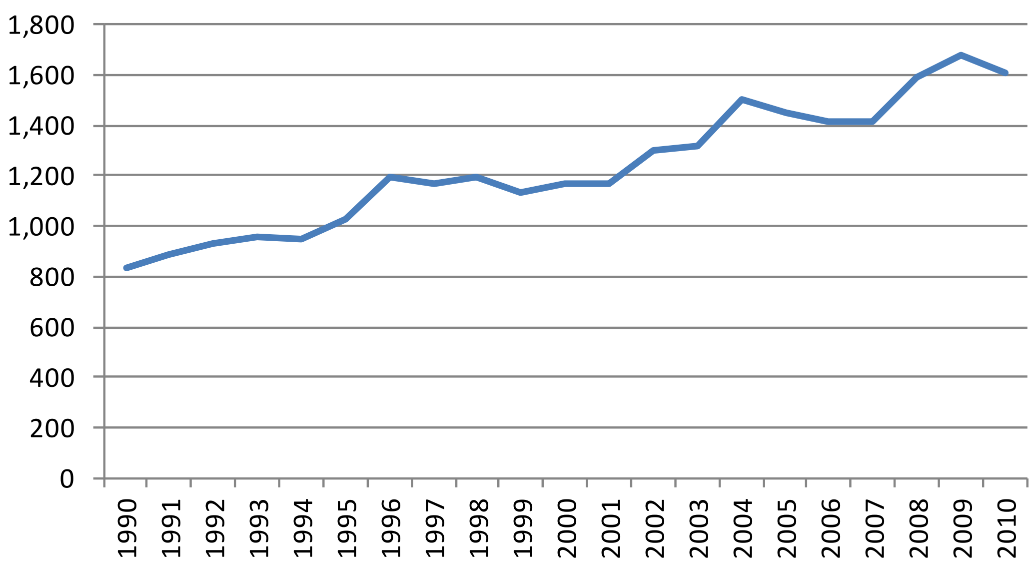
Source: CANSIM Table 202-0802. Figures are after tax.

Upward spikes in the low-income population occurred in the wake of the early 1990s recession, the moderate downturn after 2000, and the 2008-2010 recession. The large increase in low-income population in the mid 1990s also occurred during a time of significant cutbacks in social transfer income, except for seniors.

The recent recession pushed the percentage of low-income Ontarians to a 20-year high of 13 per cent in 2009. After each recession the number of low-income Ontarians did not return to prerecession levels. Instead it returned to a higher level than before the downturn, creating a long-term upward trend.

Between 1990 and 2010, Ontario's population increased by roughly 29 per cent, from 10.3 to 13.2 million.[36] The numbers in low-income (as measured by the LIM) increased much more rapidly. Figure 10 shows that in 1990, 838,000 Ontarian lived on a low-income, but that by 2010, 1,608,000 Ontarians lived on a low-income—a 92 per cent increase.[37]

Figure 10: Number of persons in low-income (x 1,000) by Low Income Measure (LIM), Ontario, 1990-2010



Source: CANSIM Table 202-0802. Figures are after tax.

In a medium-growth scenario, Ontario's population is expected to increase by 1.6 million residents between 2011 and 2021. Under normal economic conditions, the share with low-income will not significantly change. Under adverse economic conditions—such as a period of low

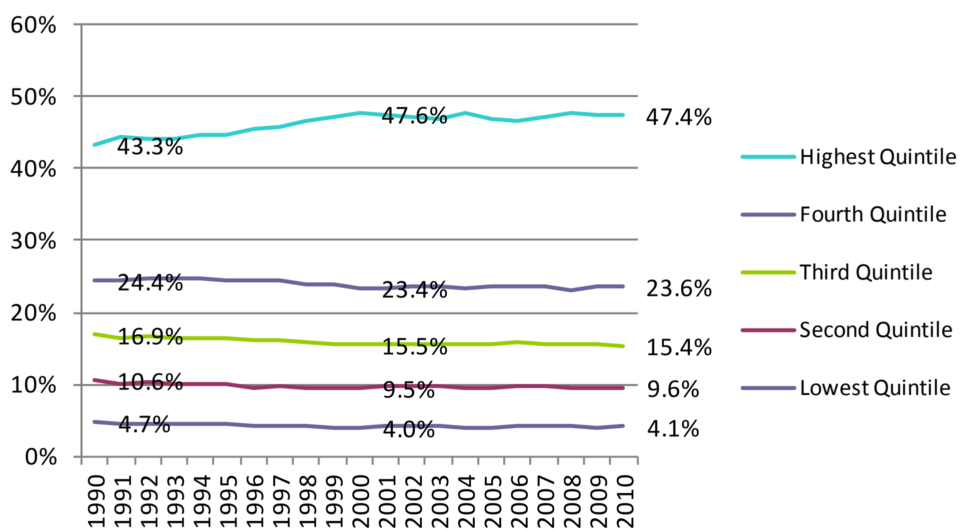
36 Statistics Canada, CANSIM Table 051-000: Estimates of Population, by Age Group and Sex for July 1, Canada, Provinces and Territories.

37 The actual number of low income people is increasing dramatically in part because Ontario's population is simply growing fast at all income levels. Presenting the raw number of low income people instead of just the percentage of people in low income could be seen as misleading—overstating the problem. But the availability of social housing, unlike that of other government benefits such as Employment Insurance and Social Assistance, does not automatically increase when the number of qualifying recipients increases. The stock of social housing has been essentially static since the late 1990s. For that reason it is relevant in a housing context to consider the actual growth of the low income population.

growth—the share with low-income is likely to rise. Continued growth of the low-income population can be expected.

Income inequality has also contributed to the number of Ontario residents living on a low-income. One way to measure income inequality is to look at the share of total household income that is received by each income "quintile"—each fifth of the population, ranked by income from high to low. Between 1990 and 2010, Ontario's top income quintile captured an increasing share of total household income: 43 per cent of total income in 1990, but 47 per cent by 2010 (see figure 11). While the top quintile gained, the income share of all other quintiles declined slightly. Most of this shift occurred in the 1990s. These trends become more extreme at higher income levels. The top 15 per cent, 10 per cent, five per cent, and even one per cent of earners capture increasingly disproportionate shares of total income.[38]

Figure 11: Share of total income by quintile, Ontario, 1990-2010



Source: CANSIM Table 202-0405

Another common measure of income inequality is the Gini coefficient, which shows a trend consistent with the widening disparities just noted. A high Gini coefficient indicates wider disparities. Ontario's Gini coefficient increased throughout the 1990s, hitting a plateau in the early 2000s that continues to the present (see appendix four).

38 Broadbent Institute, *Towards a More Equal Canada: A Report on Canada's Economic and Social Inequality* (Ottawa: Broadbent Institute, October 2012), http://vibrantcanada.ca/files/towards_a_more_equal_canada.pdf.; Lars Osberg, *Instability Implications of Increasing Inequality: What Can Be Learned from North America?*, Growing Gap (Ottawa: Canadian Centre for Policy Alternatives, May 2012), http://www.policyalternatives.ca/sites/default/files/uploads/publications/National%20Office/2012/05/Instability%20Implications%20of%20Inequality.pdf.

Economic and policy influences on poverty trends

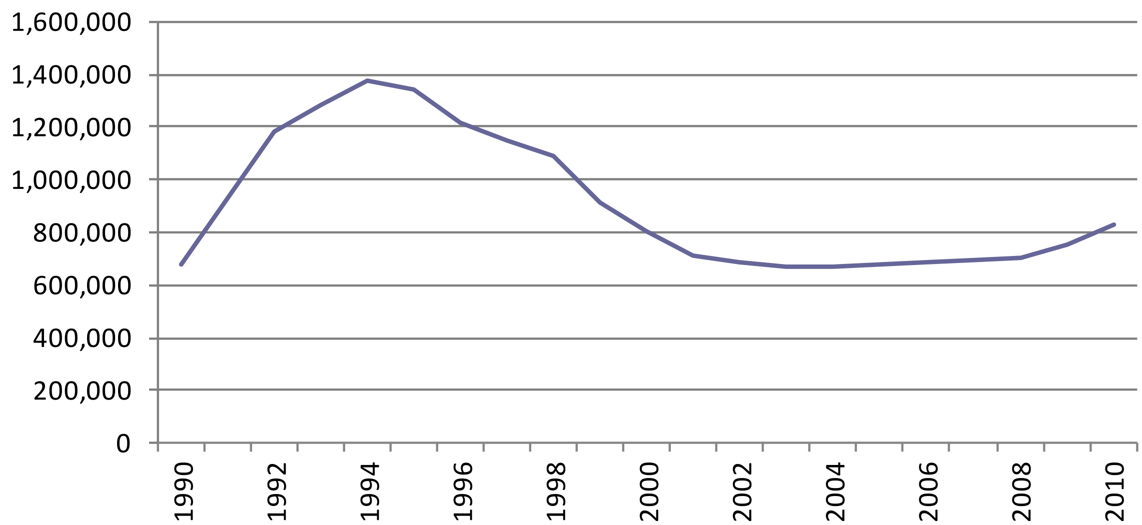
The 1990s and 2000s saw four distinct periods of economic conditions and policy approaches to social transfers (benefits). Ideally, social transfers cushion people against severe hardship when they lose a job or are unable to work. The main transfers for non-seniors are Employment Insurance, social assistance (Ontario Works and the Ontario Disability Support Program), and tax benefits for low-income people. It should be noted that the majority of social transfers are for Old Age Security and the Guaranteed Income Supplement for seniors. These have not faced cutbacks or loss of value to inflation over the past two decades. The cuts noted in table six have been to transfers for working-age adults.

Figures 12 and 13 show the dramatic shifts in the number of individuals receiving social assistance and in social assistance benefit rates in Ontario over the past 20 years. These changes were core to the reduced strength of Ontario's social safety net during the period.

Table 6: Evolving economic and social policy conditions over four periods

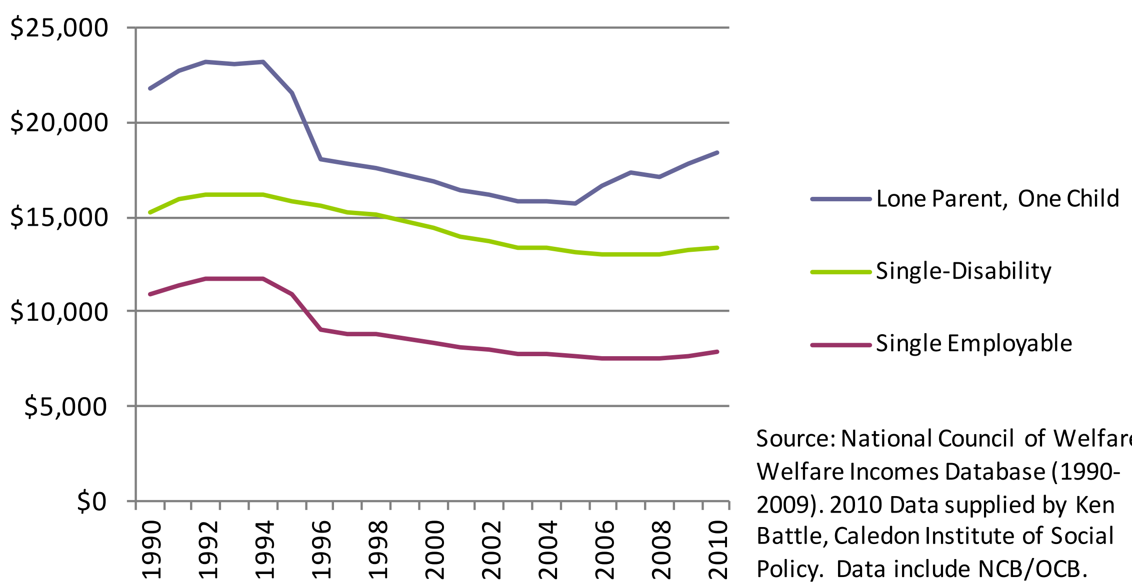
	1990 to 1994	1995 to 2003	2004 to 2007	2008 to 2010
Economic conditions	Severe recession, worst in 60 years, more needing social benefits	Strong economic recovery, fewer needing benefits	Generally strong economy, stable need for benefits	Sharp recession and sluggish recovery, more needing benefits
Social policy conditions	Expanded social assistance benefits, some cuts in federal benefits	Severe cuts in social assistance benefits, and in EI eligibility and benefits (especially in Ontario), and in federal funding	Mixed picture: Social assistance benefits declining against inflation; Ontario and National Child Benefit improving benefits for families with children; marginally wider EI eligibility during 2008-2010 recession, but at still-lowered benefit levels	

Figure 12: Persons receiving social assistance, Ontario, 1990-2010



Source: John Stapleton, Open Policy Ontario. Figures for March each year.

Figure 13: Social assistance annual benefit rates (2010 Constant Dollars), Ontario, 1990-2010



Source: National Council of Welfare, Welfare Incomes Database (1990-2009). 2010 Data supplied by Ken Battle, Caledon Institute of Social Policy. Data include NCB/OCB.

Market and policy factors drove Ontario's transformation between 1990 and 2010 into a more unequal society with more people living on low-incomes. The strongest driver was not income transfer trends, but rather global economic pressures and changes to the nature of work, leaving more people with less stable jobs and more erratic incomes. Together, as TD Economics has pointed out, these factors have limited "any potential widespread improvement at the low end of the income scale."[39]

Newly created jobs have been concentrated in highly skilled professional occupations that require post-secondary education. Meanwhile, the globalization of production has seen lower-wage occupations shift to developing countries. Amid these trends, as the proportion of immigrants in Canada's population and workforce has increased, newer immigrants have fared worse economically than those who arrived in earlier periods. Changes to the labour market and how it is regulated have interacted with these broad structural transformations to produce a society with less income security:

> Canadians now work with many new technologies and considerably more capital, in a much more deregulated labour market, with much less protection by unions and tariff barriers. Implicit guarantees of continuing employment have withered away for many workers and contingent work, on-call arrangements and sub-contracting arrangements have proliferated.[40]

These factors have led to a more divided society with a lower floor and higher ceiling and lowered expectation for upward mobility.[41] The Conference Board of Canada has documented the way inequality is increasing faster in Canada than in its peer countries.[42] And notably, "Over recent decades... the growing gap between rich and poor Canadians has increasingly manifested itself in the housing system."[43]

3.2 Low-income, inequality, and the housing system, 1990-2010

Housing does not just reflect inequality—it magnifies it. Housing is far and away the largest expense of moderate- and low-income households. Because housing takes such a large share of income, inequality in disposable income is greater after housing costs. Housing that is not affordable has a fundamental impact on quality of life, leaving low-income households without enough money to meet their other basic needs, including food, clothing, health costs, and transportation.

39 Don Drummond, Derek Burleton, and Gillian Manning, "Affordable Housing in Canada: In Search of a New Paradigm," in Finding Room: Policy Options for a Canadian Rental Housing Strategy, ed. David Hulchanski and Michael S*hapcott (Toronto: University of Toronto Centre for Urban and Commun*ity Studies, 2004), 45.

40 Osberg, Instability Implications of Increasing Inequality: What Can Be Learned from North America?, 8.

41 Broadbe*nt Institute, Towards a More Equal Canada: A Report on Canada's Economic and Social Inequa*lity, 3a.

42 Conference Board of Canada, How Canada Performs: Income Inequality (Ottawa: Conference Board of Canada, 2012), http://www.conferenceboard.ca/hcp/Details/society/income-inequality.aspx.

43 Hulchanski and Shapcott, "Introduction: Finding Room in Canada's Housing System for All Canadians," 6.

High housing costs relative to income are a main driver of food bank usage, as households save on food to pay the rent.[44]

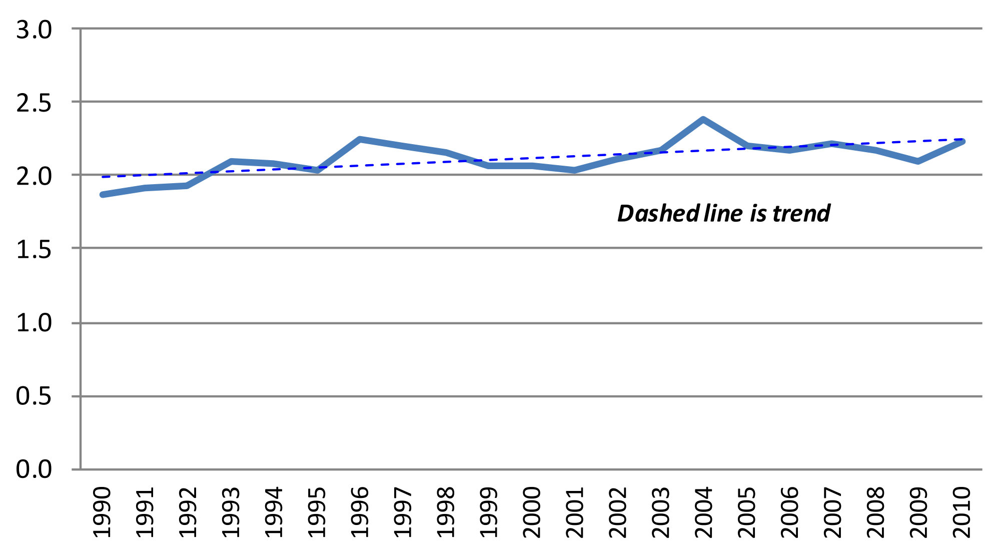
Between 1990 and 2010, housing affordability for low-income Ontarians deteriorated. The sharpest change was in the difficult times of the early and mid 1990s, but the years of strong economic growth that followed did nothing to diminish the level of affordable housing need. We do not have Census data that reveals the impact of the recent recession yet.

This section first considers changes in tenant incomes, absolutely and in relation to other income benchmarks. It then considers the relation between rents and tenant incomes both generally and also through the Core Housing Need measure. Finally, it explores evidence suggesting that low-income tenants may be increasingly housed in less self-contained, non-standard accommodations that are poorly covered by typical metrics of housing need.

Change in tenant incomes

Since 1999, the *Where's Home?* series has tracked the owner-to-tenant median income ratio. The difference in income between tenants and owners has fluctuated strongly with the business cycle, but ultimately widened. As figure 14 shows, owners earned 2.2 times the income of tenants in 2010 compared to 1.9 times in 1990 (see appendix five for data table).

Figure 14: Owner to tenant median income ratio, Ontario, 1990 - 2010

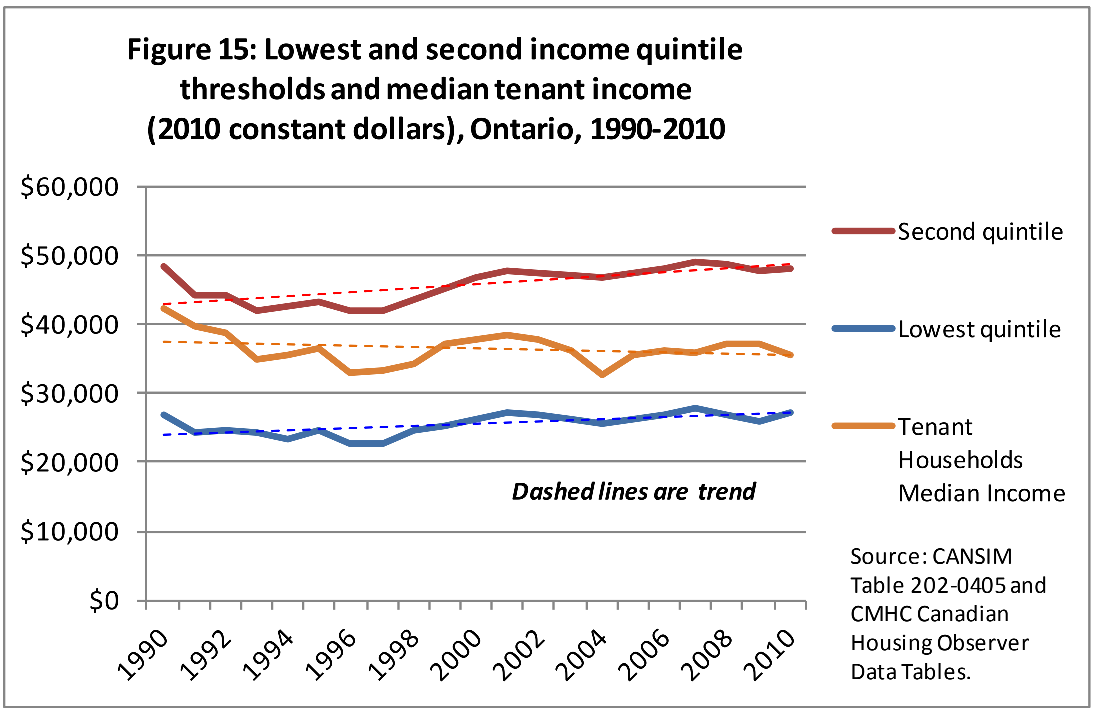


Source: CMHC Canadian Housing Observer Data Tables, Ratio calculated by author.

44 Daily Bread Food Bank, *Who's Hungry, Faces of Hunger: 2012 Profile of Hunger in the GTA* (Toronto: Daily Bread Food Bank, 2012), 19, http://www.dailybread.ca/wpcontent/uploads/2012/09/WhosHungryReport2012LowRes.pdf.

Wider income disparity by housing tenure is an outcome of economic and policy trends driving inequality: since tenants tend to be lower on the spectrum, lagging incomes at the low end means lower incomes for many tenants. Wider disparity by tenure is also an outcome of policy and housing market conditions that have pulled people at the higher end of the rental market into ownership.

The rental sector is increasingly a "residual" sector. "As higher income renters leave for homeownership, they leave behind a lower average income amongst remaining renters."[45] Over the past two decades tenant median income has inched down toward the upper limit of the lowest income quintile, as shown in figure 15. In 1990, the median tenant income was far closer to the second quintile income threshold. By contrast median owner income (not pictured below) has remained consistently above the third income quintile.



Rent levels vis-à-vis tenant incomes

As tenant household incomes have stagnated and declined, a greater percentage of median tenant income has been required to cover average rents. Rent took up six to nine per cent more of the tenant median income in 2010 than in 1990. Again, the largest change occurred in the difficult

45 Vincent Brescia, *The Affordability of Housing in Ontario: Trends, Causes, Solutions* (Toronto: Federation of Rental-Housing Providers of Ontario, January 13, 2005), 9, http://www.frpo.org/documents/THE%20AFFORDABILITY%20OF%20HOUSING%20IN%20ONTARIO%20Jan%2017-05.pdf.

economic period of the early to mid 1990s, but the sustained economic growth of the dozen or more years that followed did not improve rental affordability.

Table 7: Percentage of median tenant income required to pay average rent, Ontario, 1990 to 2010

Year	Median income for tenant households in 2010 dollars	Bachelor	1 Bedroom	2 Bedroom	3 Bedroom
1990	$42,400	17%	21%	26%	32%
1995	$36,500	22%	27%	32%	39%
2000	$37,700	24%	28%	32%	40%
2005	$35,700	24%	29%	33%	41%
2010	$35,600	24%	28%	33%	41%

Source: CMHC Housing Observer Data Tables

Core Housing Need

Core Housing Need is a standard CMHC measure of housing suitability, adequacy, and affordability. The Core Need definition captures affordability and other housing stresses for households in the lower quarter to third of the income spectrum (varying by household size and local average market rents).[46] In the Core Housing Need measure:

- Suitability refers to sufficient housing size (e.g., bedroom count) relative to household need.
- Adequacy refers to a decent physical state of the housing.
- Affordability means housing that costs less than 30 per cent of before-tax household income.

A household is in Core Need if: (1) its current housing does not meet criteria of affordability, suitability and/or adequacy and (2) if it is under the income level at which it could afford the average market rent of a suitable unit.

A large majority of households in Core Need are in Core Need because of affordability problems.

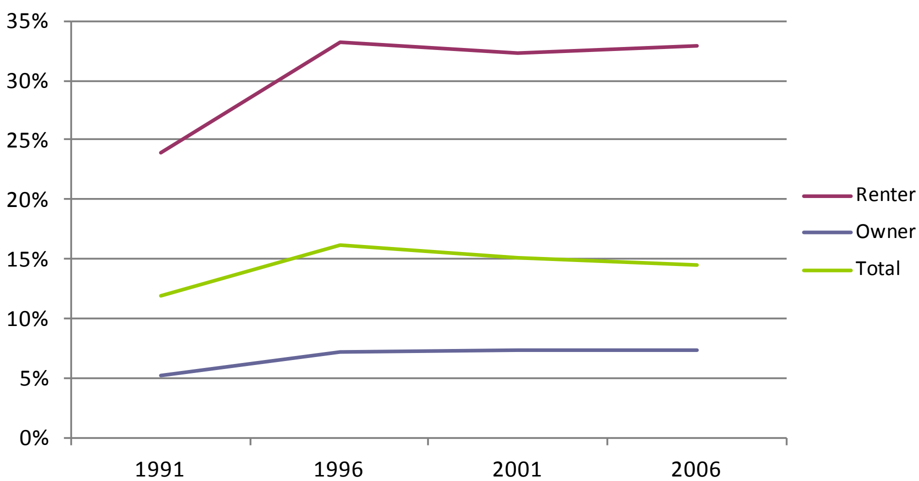
> *Incidence of Core Need:* The declining affordability of rental units in the early to mid 1990s and poor affordability conditions since are reflected in the incidence of Core Housing Need among renters. The incidence of Core Housing Need rose sharply in the difficult economic conditions of the early to mid 1990s, and neither worsened nor improved much up to 2006 (see figure sixteen). Renters are much more likely to experience

46 There are few renters in the upper three income quintiles and few of them face affordability challenges. Renters in upper income quintiles have been described as "lifestyle renters": they rent because it suits their preferences or circumstances, not because they cannot afford to purchase housing.

Core Need than owners. In 2006, 33 per cent of renters were in Core Need compared to seven per cent of owners.

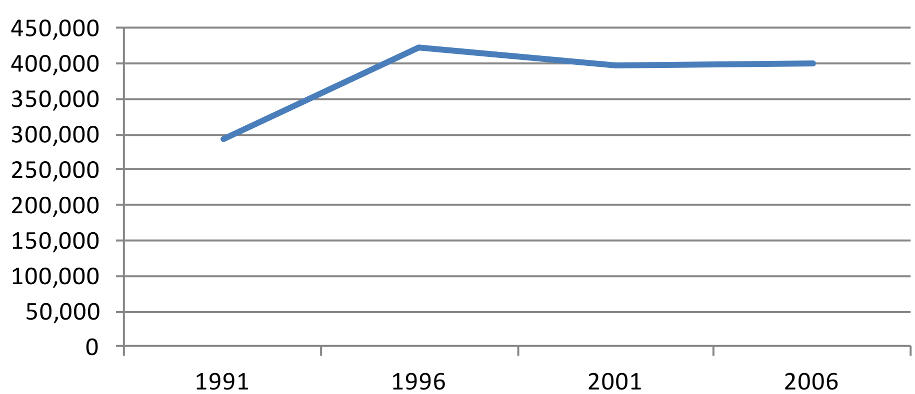
Households in Core Need: Changes in the actual number of Ontario tenant households in Core Housing Need show similar trends. Housing policy interventions since 2003 have not lessened the damage to rental affordability caused by market and policy change in the early to mid 1990s (see figure 17). In 2009, 417,758 urban Ontario renters were in Core Housing Need according to the Survey of Labour and Income Dynamics (SLID).

Figure 16: Percentage of total, owner, and renter households in Core Housing Need, Ontario, Census years 1991-2006



Source: CMHC HICO Database (Census Data: 1991, 1996, 2001, 2006)

Figure 17: Renter households in Core Housing Need, Ontario, Census years 1991-2006



Source: CMHC HICO Database (Census Data: 1991, 1996, 2001, 2006)

Core Need by income quintile: For this report, ONPHA and CHF Canada obtained a custom CMHC tabulation from SLID looking specifically at Core Housing Need and Shelter-to-Income ratios (STIR) by income quintile from 2002 to 2009 in Ontario's Census Metropolitan Areas (CMAs). The 2009 data for tenants, shown in table 8, reveal that affordability challenges are concentrated at the lower end of the income spectrum, as are tenants in general.

In 2009, 41 per cent of tenant households were in the lowest income quintile, and 66 per cent of these households were in Core Housing Need. Alarmingly, 32 per cent of renters in the lowest income quintile paid more than 50 per cent of their income in rent. Affordability challenges were also substantial for tenants in the second income quintile.

Depth of Core Housing Need is expressed as the median amount of money it would take on a yearly basis to move a household in Core Need out of Core Need—in other words, the gap between "affordable" rent and rent actually paid by these households in the market.

In 2009, the median depth of housing need for urban Ontario renters in Core Need in the lowest quintile was $3,445. In the second quintile it was similar, at $3,217.[47]

Table 8: Tenant core housing need by income quintile, Ontario urban areas, 2009

Income quintile	Upper income bound (2010 $'s)	Estimated number of house-holds	% of all renters	In Core Housing Need				
				%	Median depth of need (2010 $'s)	Median STIR	% with STIR ≥30%	% with STIR ≥50%
Lowest	$ 26,000	516,312	41%	66%	$ 3,445	39%	70%	32%
Second	$ 47,800	285,777	22%	24%	$ 3,217	27%	36%	N/A
Third	$ 72,900	246,759	19%	N/A	N/A	20%	N/A	N/A
Fourth	$ 113,300	159,498	13%	N/A	N/A	15%	N/A	N/A
Highest	> $113,301	64,109	5%	N/A	N/A	13%	N/A	N/A

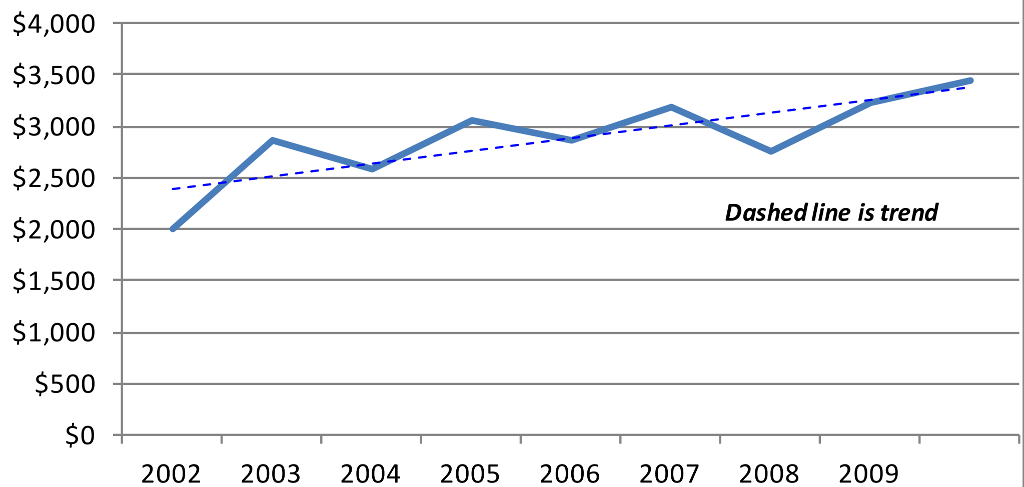
Source: CMHC Custom Tabulation of SLID data, Upper Income Thresholds from CANSIM Table 202-0405
STIR = Shelter to Income Ratio, i.e. per cent of income spent on housing.

47 The similar depth of need in the first and second quintile arises partly because the second quintile households are more likely to be larger households, and must pay rents for larger units, creating a similar rent gap.

The figures in table eight mostly did not change much between 2002 and 2009. One exception in this regard was median depth of Core Housing Need.

There is a widening gap between actual rents and what would be affordable for low-income renters. Between 2002 and 2009, the median depth of housing need for urban Ontario renters in the lowest income quintile (and in Core Housing Need) increased by about 20 per cent, from roughly $2,870 to $3,450, or from about $240 to $290 per month. The result is that these tenants have fewer resources available to meet their basic non-housing needs.

Figure 18: Median depth of Core Need for lowest quintile renter households in Core Need (2010 Constant Dollars), Ontario, 2002-2009



Source: CMHC Custom Tabulation of SLID

Persistence of Core Need: Many households are in Core Need for extended periods. SLID provides some information on the "persistence" of Core Housing Need: to what extent Core Need is an enduring situation for households versus a temporary one. Between 2005 and 2007, 14 to 15 per cent of all Ontario households were in Core Need. But only five per cent of Ontario households were in Core Need in all three years. [48]

The story is more troubling when we focus on tenant households in particular. Table nine shows that while less than two per cent of Ontario owner households were in Core Need in all three years (2005 to 2007) fully 20.5 per cent of Ontario renters were in Core Need for all three years.

48 CMHC, "Recent Trends in Housing Affordability and Core Housing Need," in *Canadian Housing Observer 2012* (Ottawa: CMHC, 2012), 5–12, http://www.cmhc.ca/en/corp/about/cahoob/cahoob_001.cfm.

Table 9: Persistence of urban Core Housing Need, by tenure, Ontario, 2005-2007

Tenure	Never in Core Housing Need	Occasionally (one or two years)	Persistently (all three years)
Ontario owners	92.0%	6.4%	1.6%
Ontario renters	51.5%	27.9%	20.5%

Source: CMHC Custom Tabulation of SLID data

Between 2005 and 2007, Ontario renters were more likely to persistently be in Core Need than Canadians in any other province (with BC a close second). While 20.5 per cent of Ontario renters were in Core Need in all three years, the figure across Canada was only 13 per cent.

A large number of renters are therefore in need of long-term solutions to ongoing affordability challenges. At the same time, there is also substantial movement in and out of Core Need by households that may need temporary assistance.

Are low-income Ontario tenants increasingly finding non-standard rental options?

In the late 1990s and early 2000s Ontario lost about four per cent of its renter households by Census count. This occurred in a divergent matter in each period.

In the late 1990s, despite a generally declining tenant median income, Ontario experienced a curious and large reduction of lower income renter households, with 55,000 fewer renter households earning under $30,000. Half of these losses were in the $10–$20,000 bracket and half were in the $20–$30,000 bracket.

The early 2000s saw an opposite trend with a reduction in higher income renter households, which is likely attributable to their entry into ownership as a result of the favourable market conditions that this paper has outlined.

Table 10 summarizes these shifts in tenant households by income (with more detailed tables provided in appendix six).[49]

49 Data from the 1996 and 2001 census Public Use Microdata File was equated precisely to the 2006 brackets using a CPI factor of 1.23 and 1.10 respectively. Equivalent analysis to 2011 will have to await the release in August, 2013 of data from the National Household Survey – subject to data compatibility with the former "long-form census."

Table 10: Change in number of tenant households by household income (2006 dollars), Ontario, 1996-2006

Household Income	1996 to 2001	2001 to 2006	Total 1996 to 2006
Under $20,000	-32,600	-13,200	-45,800
$20,000 to $39,999	-29,200	19,600	-9,500
$40,000 to $59,999	-9,300	-3,900	-13,100
$60,000 to $79,999	6,400	-16,200	-9,800
$80,000 to $99,999	8,800	-13,600	-4,700
$100,000 and over	18,800	-20,500	-1,700
Total	-36,900	-47,700	-84,600

Source: Calculated from census; details in appendix six and endnotes. Totals vary due to rounding. Census shows income for prior year.

While the reduced number of higher income renter households is easy to explain—departure from the rental market for homeownership—the reduction in lower income tenant households requires more careful consideration.

The reduced number of low-income tenant households was not a function of a better economy pulling people out of the lowest income brackets. This report has shown the rising numbers of Ontario residents with low-incomes despite strong economic and job growth.[50] Instead, the reduction in lower income renters is most likely attributable to changes in household formation patterns following the trauma of the early-1990s recession, its prolonged wake of high unemployment until the mid 1990s, and simultaneous cuts in transfer income.

In other words, low-income people came to face greater barriers to forming an independent household in a self-contained, standard unit measured by the Census. As a result, they disappeared from the Census tenant household count.

Young adults were more likely to stay longer in the parental home, or sometimes to share a place with friends. Recent immigrants were more likely to live in larger households and in extended families. For the lowest income individuals earning under $20,000 per year, welfare cuts and lagging minimum wages made it too expensive to rent a market apartment, as distinct from a room or basement suite not captured in the Census. It should be borne in mind that numbers of RGI units were essentially static from 1996 to 2006, increasing pressure on affordable options.

Low-income households being pushed out of the standard market (the rental universe captured by the Census) may in part explain a curious uptick in median tenant incomes captured by the Census in the late 1990s and decline in the owner-to-tenant median income ratios at that time,

50 There was a reduction of 46,000 individuals in Ontario between the 1996 and 2001 Censuses with total personal income under $10,000 in 2005 dollars (quite probably associated with economic recovery and jobs). However, there was an increase of 15,000 individuals with total personal income in the combined brackets under $20,000, and an increase of 134,000 with total personal income $20,000–$30,000.

which ran counter to the longer-term trends. Tenant incomes may have appeared to increase overall due to lowest income tenants exiting the Census-measured rental universe.

There is further statistical evidence that many low-income renter households continue to find non-standard rental options, as opposed to standard units captured by the Census.

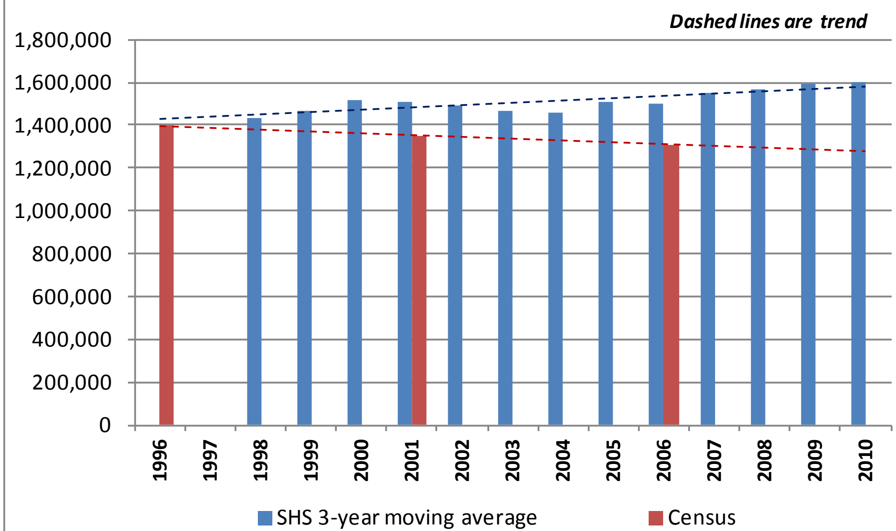
An alternative count of renters to the Census is found in the Survey of Household Spending (SHS), a reliable annual Statistics Canada survey. Households are defined differently in the SHS than in the Census, and the method of data collection differs too.[51] The SHS may measure more renters of rooms, secondary suites, and other unconventional forms of rental accommodation that are poorly captured in the Census.

Unlike the number of homeowners which is quite consistent between the Census and SHS, the number of renters is quite different in the two sources and follows divergent trends in each. The SHS shows the number of renters falling in the great homeownership surge from 2000 to 2004, similar to trends seen in the Census from 1996 to 2006. But post-2004 there is a change. From then on the SHS shows a mostly rising count of renters and increasing upward divergence from the declining Census figures.

The number of Ontario renter households counted by the SHS was two per cent higher in 1998 than the count of renters in the 1996 Census. By 2001, the SHS count of renters was 12 per cent higher than the Census. By 2006, the SHS renter count was 15 per cent higher than the Census. As seen in figure 19, the increase in renter households in the SHS from 2004 to 2010 was 23,000 annually, in strong contrast to the decline registered by the Census.

51 Three-year moving averages of the SHS are used throughout this discussion, to overcome survey variability.

Figure 19: Numbers of Renters, Ontario, 1996-2010 (Census and Survey of Household Spending)



Source: Statistics Canada, Census; and Survey of Household Spending, CANSIM Table 203-0019. 3-year moving avg shown (to overcome annual survey variability).

The continued divergence of the SHS and Census total tenant household counts—coupled with the 1996-2001 decline in low-income renter households seen in the Census—suggests that more low-income renters are not forming their own households. Instead they are likely doubling-up or turning to non-standard units not covered by the Census. This interpretation is consistent with Census trends such as fewer young adults forming households, high under-coverage in major urban centres, and more multi-family households.

Non-standard approaches to renting are increasingly the most viable market options for Ontario's low-income renters, resulting in more people finding less permanent, less private, and generally more insecure and unregulated rental arrangements. Affordable, stable, and quality housing is crucial to the success of every Ontario household, and by extension, the level of demand placed on our public services and the success of our economy. Lesser ability to access standard, self-contained accommodations for some Ontario households is a signal of a lower standard of living and of greater challenges for Ontario.

Many people choose to live in shared accommodations, but the *ability* of a household to maintain a private dwelling with security of tenure is a core value that developed along with improved housing conditions in the middle of the 20th century. Few would want to see reversion in this regard.

This paper has outlined the affordability challenges facing households even in the better-measured and understood segments of the housing system. There is a distinct possibility that many low-income tenants are "off the grid," with their housing conditions not captured by some of the big indicators, such as Core Housing Need or the Census.

Conclusion and implications

Both the provincial and federal governments have largely removed themselves from a direct role in the provision of affordable housing, relying instead on the market to meet the needs of Ontario households. While many households fare well in the market, governments' reliance on the marketplace is not suited to meeting the housing needs of all Ontarians.

Getting affordable housing right will pay enormous long-term dividends for our province, dramatically improving our economy and workforce, our healthcare system, our students' success, and much more. This is the central argument of Housing Opens Doors, ONPHA's public awareness campaign to explain the role that affordable housing plays in supporting healthy and vibrant communities.[52]

A portion of Ontario households will always lack the financial resources necessary to generate market demand for adequate housing. This was true when ONPHA and CHF Canada began the *Where's Home?* series and it is true today. Ontario's population growth, the dramatic economic and social policy realignment of recent decades, and the sharp decline in production of private purpose-built rental housing have only increased the need for non-market or otherwise assisted affordable housing provision.

In today's Ontario, municipalities have been given responsibility for delivery, administration, and funding of affordable housing with only modest injections of funding from federal and provincial government. While many are engaged in detailed planning for the housing system, it is well-known that municipalities lack the financial capacity to meet the challenge.

Of course, this is not a time of "business as usual" for governments, or anyone else for that matter. We recognize that. But if we are to achieve the goal of lessening the gap between the cost of shel-

52 See the Housing Opens Doors campaign website for more information: http://housingopensdoors.ca.

ter and what lower income households can afford, government needs to play a role in implementing housing programs that are efficiently designed and adequately funded.

This report has taken a hard by-the-numbers look at housing need in our province, reflecting on where we have come from and where we are going. ONPHA and CHF Canada stand ready to partner with government to find innovative approaches to solving Ontario's housing affordability challenges. The solutions will inevitably draw on what has worked in the past, while also integrating new ideas for the present and future.

Appendices

Appendix 1: Ownership rate

From 1971 to 1996, the percentage of households renting was remarkably stable. By contrast, between 1996 and 2006, the number of renters shrank by an average of over 8,000 households annually, almost one per cent each year.

Ontario ownership rate, Census Years, 1971-2006

Year	Rate
1971	62.9%
1976	63.6%
1981	63.3%
1986	63.6%
1991	63.7%
1996	64.3%
2001	67.8%
2006	71.0%

Source: CMHC Canadian Housing Observer Data Tables

Appendix 2: Condominium share of total homeownership

Condominium share of total homeownership, Ontario CMAs, 2006

Census Metropolitan Area (CMA)	Condo	Other Homeowner	Percent condo
Toronto	226,635	989,465	19%
Ottawa*	35,350	186,340	16%
Hamilton	26,235	164,025	14%
London	15,405	105,630	13%
Kitchener	10,655	107,095	9%
St. Catharines - Niagara	6,335	109,635	5%
Windsor	5,980	87,240	6%
Oshawa	4,900	88,425	5%
Guelph	4,505	30,030	13%
Barrie	2,755	48,585	5%
Kingston	2,620	38,980	6%
Brantford	2,195	32,695	6%
Thunder Bay	1,220	35,925	3%
Peterborough	1,020	31,980	3%
Greater Sudbury	390	43,065	1%
Remainder of Ontario	16,095	1,136,380	1%
Total - Ontario	362,295	3,235,495	10%

*Ontario portion of Ottawa CMA
Source: 2006 census, 95F0447XCB01002, 97-554-XCB2006039

Appendix 3: A note on measures and definitions of low-income

Canada does not have an official "poverty line," nor does it have a single accepted definition of "low-income." Each available measure has some flaws.

LIM (Low Income Measure): This is a relative measure of low-income, setting its threshold "at one-half of median post-income tax income adjusted for the number of adults and children in the family."[53] It has the advantage of defining low-income in reference to median income, a proxy for 'middle class' status. LIM is well suited to discussion of housing because income relative to 'mainstream' levels is what matters in housing affordability. LIM has the disadvantage of not being weighed against a calculated cost of living.

LICO (Low Income Cut Off): This is a much-cited Statistics Canada measure, but should be used with caution. Statistics Canada has not "rebased" the LICO since 1992. It is "increasingly out-of-date" and is reflective of "1992 spending patterns."[54]

MBM (Market Basked Measure): This is based on a geographically sensitive calculation of the cost of living. The MBM is a highly sophisticated measure and superior to the LICO. But the MBM is not perfect: "the validity of what is in the basket is arguable." For example, "five pairs of long underwear" are considered essential goods, but computer access is not.[55] The MBM does incorporate a locally sensitive up-to-date metric for housing cost: "the average of the median rents for two-bedroom and three-bedroom rental units for each community and community size." A better measure for tenants would be one- and two-bedroom units, which comprise 80 per cent of the apartment market. The MBM also has availability starting only in 2000, preventing analysis of a longer time horizon.

Overall, the LIM has the greatest advantages. These include a long time horizon; defining low-income in reference to a community standard—the median income; and matching international definitions, which define poverty in relation to median income.

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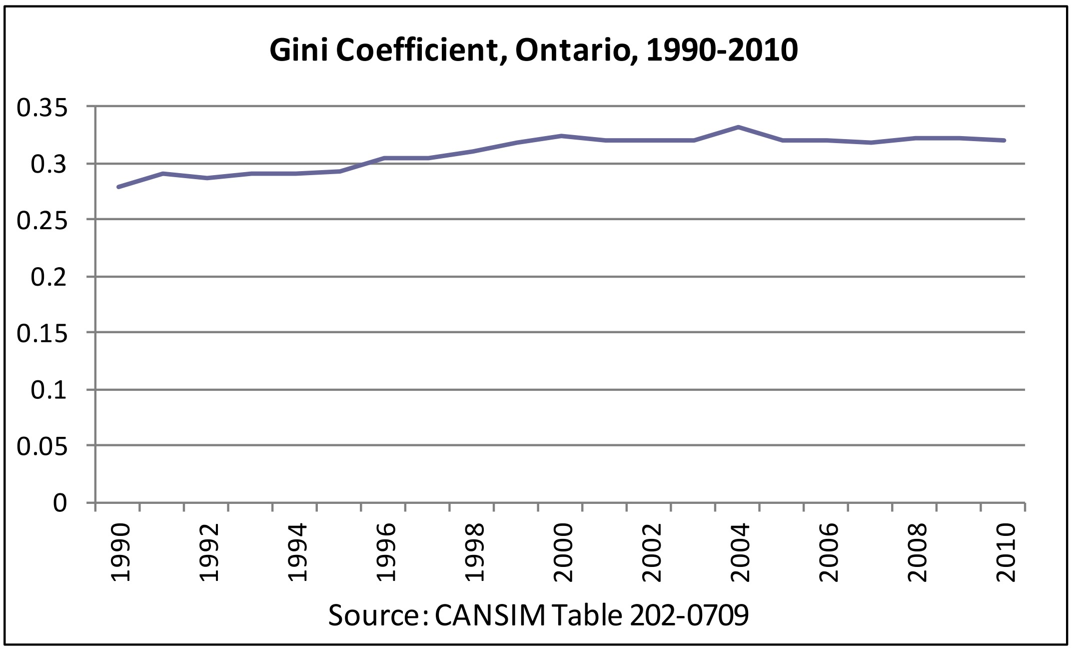
53 HRSDC, *Low Income in Canada: 2000-2006 Using the Market Basket Measure* (Ottawa: HRSDC, October 2008), Methodological Annex, http://www.hrsdc.gc.ca/eng/publications_resources/research/categories/inclusion/2008/sp-864-10-2008/page00.shtml.

54 Richard Shillington and John Stapleton, *Cutting Through the Fog: Why Is It so Hard to Make Sense of Poverty Measures?* (Toronto: Metcalf Foundation, May 2010), 8, http://metcalffoundation.com/wp-content/uploads/2011/05/cutting-through-the-fog.pdf.

55 Ibid., 9.

Appendix 4: The Gini coefficient

The Gini coefficient "calculates the extent to which the distribution of income among individuals within a country deviates from a perfectly equal distribution. A Gini coefficient of zero represents perfect equality (that is, every person in the society has the same amount of income); a Gini coefficient of one represents perfect inequality (that is, one person has all the income and the rest of the society has none."[56]



56 Conference Board of Canada, *How Canada Performs: Income Inequality*. http://www.conferenceboard.ca/hcp/hot-topics/caninequality.aspx

Appendix 5: Owner-to-tenant median income ratio

Owner-to-tenant median income ratio (2010 Constant Dollars), Ontario, 1990-2010

Year	Owner households	Tenant households	All households	Owner-to-tenant ratio
1990	$79,100	$42,400	$65,000	1.87
1991	$75,900	$39,600	$60,600	1.92
1992	$74,800	$38,800	$61,600	1.93
1993	$73,500	$35,000	$58,000	2.1
1994	$73,900	$35,500	$58,800	2.08
1995	$74,200	$36,500	$58,800	2.03
1996	$74,500	$33,100	$57,800	2.25
1997	$73,600	$33,400	$57,600	2.2
1998	$74,300	$34,400	$60,300	2.16
1999	$76,700	$37,100	$62,500	2.07
2000	$77,900	$37,700	$63,700	2.07
2001	$77,700	$38,300	$64,100	2.03
2002	$79,900	$37,900	$63,900	2.11
2003	$78,900	$36,200	$64,400	2.18
2004	$78,400	$32,800	$63,900	2.39
2005	$78,400	$35,700	$64,900	2.2
2006	$78,700	$36,300	$65,400	2.17
2007	$79,900	$36,000	$65,800	2.22
2008	$80,400	$37,100	$65,700	2.17
2009	$78,000	$37,100	$64,600	2.1
2010	$79,600	$35,600	$65,700	2.24

Source: Canadian Housing Observer Data Tables. Median total household income before taxes.

Appendix 6: Change in tenant households by income and rent level (Census data)

Change in Household Numbers: Income by Rent, Ontario Tenants, 1995/96 to 2000/01

	Gross Rent in 2006 dollars (including utilities)							
	Less than $400	$400 to $599	$600 to $799	$800 to $999	$1,000 to $1,199	$1,200 to $1,499	$1,500 or more	Total
Household Income								
Under $10,000	4,000	-3,000	-1,100	-6,800	-900	600	400	-6,800
$10,000 to $19,999	-16,600	5,600	-3,300	-10,000	-2,100	-400	1,100	-25,800
$20,000 to $29,999	-1,500	-2,000	-3,700	-8,500	-5,100	-2,300	400	-22,700
$30,000 to $39,999	900	-100	-3,200	-5,000	200	-900	1,700	-6,500
$40,000 to $49,999	-400	-600	-100	-2,600	-1,700	-200	-500	-5,900
$50,000 to $59,999	200	1,800	-700	-2,200	-2,300	-400	100	-3,400
$60,000 to $69,999	1,200	700	2,200	1,000	-1,900	-2,000	700	1,800
$70,000 to $79,999	500	400	1,300	1,100	600	-100	700	4,600
$80,000 to $89,999	400	700	2,000	2,300	-100	-800	-200	4,200
$90,000 to $99,999	200	300	900	2,300	1,200	-600	400	4,600
$100,000 and over	1,100	100	1,600	4,400	3,400	3,100	5,100	18,800
Total	-9,900	4,000	-4,200	-23,900	-8,700	-4,100	9,800	-36,900

Source: Census 2006, cat. 97-554-XCB2006049; 1996 Public Use Microdata File. CPI ratio 1.23 for 2006 vs. 1996 values (cut-offs).

Change in Household Numbers: Income by Rent, Ontario Tenants, 2000/01 to 2005/06

	Gross Rent in 2006 dollars (including utilities)							
	Less than $400	$400 to $599	$600 to $799	$800 to $999	$1,000 to $1,199	$1,200 to $1,499	$1,500 or more	Total
Household Income								
Under $10,000	-5,900	-8,400	-5,800	-900	-100	900	300	-19,911
$10,000 to $19,999	3,200	-1,600	-4,200	5,100	1,100	2,600	400	6,698
$20,000 to $29,999	-100	-1,800	2,400	5,700	3,800	2,700	1,000	13,625
$30,000 to $39,999	-700	-2,100	-1,500	4,800	2,400	2,400	700	5,961
$40,000 to $49,999	-500	-1,000	-4,700	-600	2,000	900	700	-3,263
$50,000 to $59,999	400	-1,900	-2,100	300	1,600	600	500	-559
$60,000 to $69,999	-300	-1,300	-4,000	-2,300	-500	600	-1,000	-8,893
$70,000 to $79,999	-100	0	-2,600	-1,500	-1,200	-200	-1,600	-7,274
$80,000 to $89,999	-300	-500	-2,400	-3,000	-1,300	300	-200	-7,307
$90,000 to $99,999	200	0	-1,400	-2,100	-1,100	-200	-1,700	-6,277
$100,000 and over	-800	-200	-700	-4,000	-3,700	-2,600	-8,400	-20,465
Total	-5,200	-18,900	-27,100	1,600	3,200	8,100	-9,300	-47,660

Source: Census 2006, cat. 97-554-XCB2006049; 2001 Public Use Microdata File. CPI ratio 1.10 for 2006 vs. 2000 values (cut-offs).

Change in Household Numbers: Income by Rent, Ontario Tenants, 1995/96 to 2005/06

	Gross Rent in 2006 dollars (including utilities)							
	Less than $400	$400 to $599	$600 to $799	$800 to $999	$1,000 to $1,199	$1,200 to $1,499	$1,500 or more	Total
Household Income								
Under $10,000	-1,900	**-11,400**	**-6,900**	**-7,700**	-1,000	1,500	700	**-26,700**
$10,000 to $19,999	**-13,500**	**4,000**	**-7,500**	**-4,900**	-900	2,200	1,500	**-19,100**
$20,000 to $29,999	-1,700	-3,800	-1,300	-2,800	-1,200	300	1,400	**-9,000**
$30,000 to $39,999	200	-2,300	**-4,700**	-200	2,500	1,500	2,400	-500
$40,000 to $49,999	-900	-1,600	**-4,800**	-3,200	400	700	300	**-9,200**
$50,000 to $59,999	600	-100	-2,800	-1,900	-600	200	600	-3,900
$60,000 to $69,999	900	-600	-1,800	-1,300	-2,400	-1,500	-400	-7,100
$70,000 to $79,999	300	400	-1,300	-400	-500	-300	-900	-2,700
$80,000 to $89,999	100	200	-400	-600	-1,400	-500	-500	-3,100
$90,000 to $99,999	300	300	-500	200	100	-800	-1,300	-1,600
$100,000 and over	300	-100	800	400	-300	500	-3,300	-1,700
Total	**-15,100**	**-15,000**	**-31,300**	**-22,300**	-5,500	4,000	500	-84,600

Source: Census 2006, cat. 97-554-XCB2006049; 1996 Public Use Microdata File. CPI ratio 1.10 for 1995-2000; 1.23 for 2000-2005.

Totals vary due to rounding.

Income by Rent, Ontario Tenant Households, 1995/96

Household Income	Less than $325	$325 to $487	$488 to $649	$650 to $812	$813 to $975	$976 to $1219	$1220 or more	Total
	Gross Rent (including utilities)							
Under $8,100	37,910	29,520	35,060	29,740	11,660	5,580	3,740	153,220
$8,100 to $16,300	67,570	61,160	71,860	46,220	15,840	5,980	3,960	272,590
$16,300 to $24,400	20,270	39,100	66,490	52,240	21,670	10,620	4,320	214,700
$24,400 to $32,500	10,040	23,260	61,960	54,900	21,850	11,380	3,710	187,090
$32,500 to $40,700	7,850	13,610	43,450	48,460	23,000	11,990	5,540	153,900
$40,700 to $48,800	4,570	7,060	27,940	36,320	21,560	12,130	4,860	114,440
$48,800 to $56,900	2,740	4,610	17,750	25,560	19,660	12,820	5,470	88,600
$56,900 to $65,000	2,270	2,450	11,090	17,240	14,040	9,860	5,510	62,460
$65,000 to $73,200	1,870	1,480	6,550	10,910	10,300	8,500	4,900	44,500
$73,200 to $81,300	900	790	3,920	6,190	6,410	6,700	4,900	29,810
$81,300 and over	2,700	2,410	5,470	11,340	12,740	16,160	21,200	72,040
Total	158,690	185,440	351,540	339,120	178,740	111,710	68,110	1,393,340

Source: Census 1996 Public Use Microdata File. Rent & income categories equate to those for 2005/06, with CPI adjstment.

Income by Rent, Ontario Tenant Households, 2000/01

Household Income	Less than $360	$360 to $540	$541 to $720	$721 to $900	$901 to $1080	$1081 to $1350	$1351 or more	Total
	Gross Rent (including utilities)							
Under $9,100	41,958	26,529	33,966	22,977	10,730	6,179	4,107	146,446
$9,100 to $18,199	50,949	66,748	68,561	36,223	13,764	5,550	5,032	246,827
$18,200 to $27,299	18,759	37,111	62,789	43,771	16,613	8,288	4,699	192,030
$27,300 to $36,399	10,952	23,125	58,719	49,950	22,015	10,471	5,402	180,634
$36,400 to $45,499	7,474	13,024	43,364	45,843	21,349	11,840	5,069	147,963
$45,500 to $54,499	4,810	8,880	27,269	34,151	19,277	11,692	4,995	111,074
$54,500 to $63,599	3,959	5,328	19,906	26,529	17,760	10,804	6,142	90,428
$63,600 to $72,699	2,738	2,886	12,432	18,315	14,689	9,768	6,216	67,044
$72,700 to $81,799	2,257	2,146	8,510	13,246	10,175	7,696	4,662	48,692
$81,800 to $90,899	1,073	1,110	4,810	8,473	7,585	6,105	5,291	34,447
$90,900 and over	3,848	2,516	7,030	15,725	16,132	19,240	26,344	90,835
Total	148,777	189,403	347,356	315,203	170,089	107,633	77,959	1,356,420

Source: Census 2001 Public Use Microdata File. Rent & income categories equate to those for 2005/06, with CPI adjstment.

Income by Rent, Ontario Tenant Households, 2005/06

Household Income	Less than $400	$400 to $599	$600 to $799	$800 to $999	$1,000 to $1,199	$1,200 to $1,499	$1,500 or more	Total
	Gross Rent (including utilities)							
Under $10,000	36,020	18,125	28,210	22,080	10,615	7,075	4,405	126,535
$10,000 to $19,999	54,100	65,175	64,330	41,355	14,900	8,185	5,475	253,525
$20,000 to $29,999	18,620	35,280	65,170	49,480	20,440	10,965	5,690	205,655
$30,000 to $39,999	10,285	21,010	57,225	54,735	24,365	12,910	6,070	186,595
$40,000 to $49,999	6,980	11,985	38,620	45,225	23,385	12,705	5,800	144,700
$50,000 to $59,999	5,180	6,995	25,150	34,455	20,925	12,340	5,475	110,515
$60,000 to $69,999	3,620	3,980	15,930	24,240	17,290	11,355	5,120	81,535
$70,000 to $79,999	2,610	2,850	9,790	16,795	13,510	9,610	4,610	59,770
$80,000 to $89,999	1,935	1,665	6,115	10,290	8,925	8,030	4,425	41,385
$90,000 to $99,999	1,230	1,120	3,415	6,390	6,510	5,900	3,605	28,170
$100,000 and over	3,035	2,285	6,285	11,775	12,425	16,615	17,945	70,370
Total	143,615	170,475	320,235	316,825	173,285	115,690	68,625	1,308,760

Source: Census 2006, cat. 97-554-XCB2006049.

Totals vary due to rounding.

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