

# WHERE'S HOME? 2008



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## 1 PREFACE

We go to press this year (March 2009) as the world economy continues to slide into one of the deepest recessions of the last 50 years. Here in Ontario it is, as yet, unclear how serious and prolonged this situation will be. Our dependence on the auto sector and on exports to the United States suggest that the next few years will be, to say the least, very challenging. This, of course, will especially apply to our constituency of low income tenants and co-op members. These families and individuals are more vulnerable to economic downturns, often relying on part time hours for their income. Further, they have a relative position in the economic hierarchy that has been steadily slipping relative to homeowners and those in higher income groups. In the 10 year period that we look at in this edition, for example, homeowners' incomes rose at a rate 1.6 times the rate of tenant incomes. This is a very worrisome trend.

In this issue of *Where's Home?*, we look at this growing gap more closely and find that the housing affordability data echoes the data accumulated by researchers as part of the intensifying debate on the impact of poverty in Ontario. The relative situation of low income renters and co-op members is indeed worsening.

An astonishing one-in-five tenant households still spend more than 50% of their income on rent. This figure increased from 15% to 20% between 1990 and 1995 and remained constant for the next 10 years while the economy steadily grew. There are now over 260,000 households in this incredibly difficult situation that forces daily choices between, what most Ontarians would view as, necessities.

Of great worry, is the fact that this data is from the 2006 census, so we have no contemporary data to measure the impact of the recession on the number of Ontarians paying more than 50% of their income on rent. One can only assume the situation is worsening.

Most of our findings are consistent with the trends observed over the last few years. That is to say:

- Rents in Ontario are, for the most part, rising faster than incomes.
- Rental units lost to demolition and conversion continues to exceed new, purpose built units being produced. There were only 3,000 rental units built in 2007. Overall, there was a loss of 8,500 units during the last decade in 21<sup>1</sup> of the municipalities we monitor.

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1 In 2006, York Region was added to our list of municipalities and market areas. We have excluded York Region from this calculation because we did not have information on the limited dividend rental stock.

- Rental and co-op housing production remains low relative to need, which we estimate to be 10,000 units annually over the next 10 years.
- Vacancy rates continued to drop, making it harder to find suitable rental accommodation.
- Wait lists for social housing remain long, so long that many households are not even registering. In some areas, the wait for an affordable housing unit in many categories is over five years. In one instance, the Region of Peel, the wait is over 20 years.

In one sense, this enormous affordable housing problem is a subset of the overall challenge of poverty, which clearly calls for a sustained effort by our governments and our society in general, to change. However, CHF Canada Ontario Region and ONPHA have always argued that safe, affordable housing must be the foundation of any systemic set of anti-poverty policies. Without secure housing, the ability to get and hold a job, maintain a harmonious household, look after one's health, and succeed in an educational environment are all jeopardized.

We believe that affordable housing policies must be the centre piece of governments' emerging anti-poverty policies. We hope current governments will recognize this as they struggle with budget choices over the next few years and try, even in the face of recession, to implement anti-poverty policies

Similarly, we believe that the need to stimulate the economy offers an opportunity to make up for lost time with respect to the maintenance of our existing social housing stock and the production of new affordable housing. Both are proven to create jobs. We were pleased to see that housing funding formed a significant part of the Federal budget. We were also pleased with the opposition's amendments requiring regular reports to Parliament on the implementation of the budget measures. These amendments are important because, over the last several years, successive Federal government have been notoriously slow and inefficient in designing, and implementing, many housing and infrastructure programs.

So, while the overall feeling in Ontario in early 2009 is one of anxiety and worry – and we sense that this is especially the case for our constituency of low and modest income households, seniors, and those living in supportive housing – this economic crisis may have the benefit of bringing years of housing policy neglect into focus and may bring affordable housing back to its rightful place in the top tier of constantly evolving and consistently funded policy priorities.

We hope so.



## **2 BACKGROUND**

Since 1999, the Ontario Non-Profit Housing Association (ONPHA) and the Co-operative Housing Federation of Canada (CHF Canada) have collaborated on *Where's Home?*, a periodic report on the state of rental housing markets and rental housing affordability in 22 selected housing markets and the Province as a whole. As we have been tracking information on the rental market for several years, our analysis provides not only a snapshot of today's rental housing markets and housing affordability, but also a picture of trends over the longer term. This report focuses on vacancy rates, rental housing production, changes in rents, incomes and housing affordability.

Rental housing market conditions vary across Ontario reflecting differences in local economies, age distribution, level of net migration, rental housing production, as well as the cost of owning a home. Recently, low interest rates combined with strong employment in most communities in Ontario have resulted in many tenants moving into the homeownership market. However, as we enter a period of slower economic growth, there is likely to be a stronger demand for rental housing. It is anticipated that more people will encounter difficulty getting approval for a mortgage and that tougher economic times will reduce the likelihood that current tenants will assume the burden of a mortgage. Although nowhere near as dramatic as in the United States, there will also be instances of households defaulting on mortgage payments and possibly being forced back into the rental market. In a slowing economy; however, building affordable rental housing is traditionally an excellent stimulus lever. In fact, after the Second World War, it was the primary government-sponsored Keynesian intervention. We know, for example, that every dollar invested in rental housing generates three person years of direct and indirect employment.

As the economy worsens, countering, to some extent, this trend of increasing rental demand, some younger persons may move back home and other households will likely "double up." This will put some downward pressure on vacancy rates, though each community will have its own mix of upward and downward pressures. Communities dependent on a single industry, for example, are more likely than those with a more diversified economy to see vacancy rates rise, as people may move away, seeking employment elsewhere.

Another factor which will play a part, particularly in Toronto, is the number of investor-owned condominiums that are rented out as speculative purchasers wait for market conditions to improve. The increased competition from rented condominiums could put downward pressure on rents, though this would likely be most pronounced at the higher end of the rental market. However, downward pressure could eventually impact lower cost units as well.



Despite relatively strong economic growth in recent years in much of the Province, housing affordability problems have not decreased. In fact, one-in-five Ontario tenant households spend 50%, or more, of their income on housing; a level that makes it difficult for them to meet other basic needs.

Many individuals and families with low or moderate incomes have difficulty obtaining and paying for housing that is affordable, adequate, and suitable to their household size. Housing costs consume a high proportion of many households income and housing conditions affect the well-being of individuals and families and their children. Government intervention in the housing market; therefore, is an important tool for dealing with the challenges of poverty and improving living conditions for low and moderate income households. Federal and provincial housing programs must be designed to not only to address broader housing needs and objectives but, also, to be flexible, so interventions can be tailored to unique conditions in the local rental housing market.

Much of the data on vacancy rates and rents used in this report was obtained from the 2007 Rental Market Reports published by the Canada Mortgage and Housing Corporation (CMHC). We have also included some 2008 rental market information from the CMHC's 2008 Rental Market Survey, particularly where there appears to be a material change in the data. However, many of our tables have not been updated to reflect this information.<sup>2</sup> In addition to CMHC data, we have also included a custom tabulation from Statistics Canada using information collected in the 2006 census on incomes and housing expenditures for tenants and homeowners in 22 selected housing markets and the Province as a whole.

## **2.1 SUMMARY OF FINDINGS**

### **Vacancy Rates Continue to Decline Overall in Ontario**

Vacancy rates in private apartment units in Ontario declined in October 2007 for the third year in a row, having peaked at 4.1% in 2004. In 2007, the vacancy rate for apartments decreased in 13 or 60% of the 22 markets examined, remained the same in three markets, and increased in six markets. As of December 2008<sup>3</sup> the provincial vacancy rate had continued to decline, falling from 3.3% in 2007 to 2.7% in response to increasing house prices in a number of markets and growing uncertainty about the economy.

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2 The October 2008 vacancy rate and rental data for most municipalities reviewed in Where's Home can be viewed at: <http://www.cmhc-schl.gc.ca/en/inpr/homain/foan/index.cfm>

3 Henceforth when we refer to 2008 data we are referring to CMHC's October, 2008 rental market information released in December, 2008

Rental market conditions vary across the Province depending upon the local economy, net migration, and the cost of ownership housing. In 2007, the Greater Toronto Area<sup>4</sup> (GTA) experienced a decline in the apartment vacancy rate. The City of Toronto experienced a marginal increase in the vacancy rate in 2007 but, in 2008, the rate declined substantially to 2%. Vacancy rates continued to be tight in most of the rest of the GTA in 2008, with the exception of Durham Region, where the downturn in the auto industry has resulted in a lower number of vacancies. The tight rental market conditions throughout most of the GTA reflect a number of factors, a significant one of which is the lack of rental housing production.

In 2007, some households residing on the outskirts of the GTA continued to move from rental housing into ownership housing, resulting in either stable or increasing vacancy rates. In 2008, other factors started to kick in such as the moderating economy. In Barrie, for example, the vacancy rate increased from 3.2% in 2007 to 3.5% in 2008. In Peterborough, on the other hand, an increase in youth employment created a demand for rental housing that countered the movement of tenants into the ownership housing market. However, by October 2008 the vacancy rate had dropped from 2.8% to 2.4% as fewer renters moved to homeownership.

In Southwestern Ontario, the pattern in 2007 varied with vacancy rates either remaining stable or exhibited a slight decline. By 2008, vacancy rates increased in most of the markets examined. In the London (CMA), the vacancy rate rose from 3.6% in 2007 to 3.9% in 2008 whereas, in Guelph, the vacancy rate rose from 1.9% in 2007 to 1.8% in 2008, reflecting different market and economic conditions. The Windsor CMA had the highest vacancy rate in the country, rising from 12.8% in 2007 to 14.6% in 2008.

Many communities in Northern Ontario experienced a strong demand for rental housing as a result of the high demand for commodities, which improved employment prospects for younger adults. This demand, combined with an absence of rental housing construction, meant a decrease in vacancy rates in 2007. Sudbury's vacancy rate was the lowest in Ontario in 2007 at 0.6%. In 2008, Sudbury continued to have the tightest rental market in Ontario with a vacancy rate of 0.7%. However, with the current drop in demand for commodities, the vacancy rate will likely rise between 2008 and 2009.

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<sup>4</sup> The Greater Toronto Area is comprised of the City of Toronto and the Regional Municipalities of York, Durham, Peel and Halton.

## **Rental Housing Production Levels Too Low to Meet Demand**

In 2007, there were only 2,962 rental housing starts in Ontario, representing fewer than 5% of the 62,775 housing units started that year. The 2007 level of rental starts was 28% lower than the level of starts in 2006 and lower than the number of rental starts in each of the previous five years. This level of production is inadequate to meet the rental housing requirements in Ontario.

Many rental housing starts over the past five years were the result of investments in affordable rental housing under the Canada-Ontario Affordable Housing Program (rental component), as well as municipal initiatives to support non-profit housing and the development of some higher end or luxury apartments by private developers. Although rental condominiums help to fill the gap in rental housing production in larger municipalities, rents are usually high and there continues to be a need for more purpose-built rental housing.

Over the next 10 years, we estimate a need to develop at least an additional 10,000 units annually; 9,000 units per year between 2009 and 2013, increasing to an annual development of 11,000 purpose-built rental housing units between 2014 and 2018. Thus, over the 10 year period from 2009 to 2018, the level of rental housing demand is expected to increase at a rate of 10,000 housing units annually. This is a relatively conservative estimate and does not take into account the need to replace older housing stock. In order to meet this level of demand, rental housing production in Ontario will need to more than triple the current level.

Furthermore, despite the completion of 22,218 apartment rental units in the 21 municipalities we have monitored over the past decade, the rental housing universe (row houses and apartments) has only increased by of 4,812 units.<sup>5</sup> However, part of the increase in the private rental market was a result of moving “limited dividend buildings” from the public housing sector to the private market. When this movement is considered, the private rental stock has actually declined by 8,500 rental units in the 21 rental markets examined. This represents just over 90% of the rental housing stock in municipalities with 10,000 persons or more in Ontario. Rental housing is being lost through demolition or conversion to condominiums.

## **Rental Increases Exceed the Change in the CPI over the Past Decade**

In October 2007, rent for a two-bedroom apartment in Ontario was \$924.00, up slightly from the 2006 level of \$919.00. Over the past decade, the average rent for two-bedroom apartments in 14 of the 22 markets examined (64%) increased at a rate higher than the change in the Consumer

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<sup>5</sup> We excluded York Region from this calculation because we did not have information on the limited dividend rental stock.

Price Index (CPI) for Ontario. The highest rent increase occurred in York Region, where rents increased at a rate 60% above the rate of inflation.

However, rent increases are stabilizing. Between 2006 and 2007 rent increases for two-bedroom apartments in the majority of the rental markets examined were below the rate of inflation, as measured by the CPI. In 2008, the rent for two-bedroom apartments in Ontario markets with 10,000 or more persons increased by 2.5%, just above the 2.3% rate of inflation for 2008.

## **Growing Gap in Incomes of Tenants and Home Owners**

The gap between the household incomes of home owners and tenants has continued to grow, despite the Province's relative prosperity. The average household income of home owners in Ontario in 2005 was \$92,880 compared to an average tenant household income of \$41,988.<sup>6</sup> The average income of Ontario home owners increased by 40.3% between 1995 and 2005, while the average household income of tenants increased by only 25%. This means that the average income of home owners increased at a rate that was 1.6 times the rate of tenants' incomes over that 10 year period. As more affluent tenants became home owners, the tenants who remained typically had lower incomes and lower asset levels, preventing them from also purchasing a home.

A number of studies have also identified this trend toward increasing income polarization. In a study conducted for the Canadian Centre for Policy Alternatives, Armine Yalnizyan found that, in 2004, the "after-tax" earned income (which takes into account transfers and different income tax rates) of households in the top 10% was 11 times greater than the income of households at the bottom end. In contrast, in 1976, the difference was eight-fold. And incomes of the bottom 40% of families with children representing 600,000 families had not improved at all.

The Ontario Campaign 2000 *Report Card 2008*, found that almost one in nine children and youth live in poverty and that almost a half of these children live in a family where one of the parents is working.

A study by the University of Toronto's Centre for Urban and Community Studies found increasing economic polarization between Toronto neighbourhoods. Half of Toronto's were identified as "low-income," with residents living in poverty. At the same time, the proportion of middle income neighbourhoods had decreased and the high income neighbourhoods increased. Thus,

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<sup>6</sup> Income data used in this report is from a custom tabulation from Statistics Canada for the 1996 and 2006 Census.

income households are more geographically concentrated in certain areas of the City compared to 30 years ago.

The alarming growth of the gap between higher and lower income groups has been widely reported and we see the same trend in the housing data. If one of the goals of a just society is the elimination of poverty and a reasonable distribution of wealth and opportunity, these developments represent serious challenges. We believe that a return to the era of strong support for social housing policy is an essential part of any effort to combat these widening economic and social divides.

### **Housing Affordability Problems Increasing**

The proportion of tenants in Ontario spending 30% or more of their gross income on housing has dramatically increased from 29% in 1980 to 45% in 2005. By this measure, close to half of tenant households have a housing affordability problem. The proportion of home owners paying 30% or more of their income on housing has also risen from 17% in 2000 to 21% in 2005. Owners were less than half as likely as tenants to have an affordability problem.

While there is some debate about using 30% of a household's gross income as the threshold to measure affordability, there is little debate about affordability when tenant households spend 50% or more of their income on housing costs. The first part of this millennium was a period of strong growth in employment and in most other measures yet, in 2005, 20%, or one in five tenants were paying 50% or more of their household income on rent. This also most certainly meant cuts in spending on other basic necessities and indicates a strong likelihood that the household was living in inadequate housing.

Many of these tenants are at considerable risk of losing their home. Despite improvements in the economy, the percentage of tenants spending 50% or more of their income on housing remained at 20% in 2000 and 2005. If the level of unemployment rises as dramatically as is widely predicted in this emerging recession, many of these households will face homelessness. As we have often pointed out, the overall cost of shelter beds is roughly the same as permanent housing. An increase in homelessness, if it does indeed occur, will also impact police, health, and social assistance budgets. This is a very unhealthy direction for all Ontarians and it is avoidable if steps are taken now.

While these problems are more evident in challenging economic times, they reflect the lack of investment in social infrastructure that takes place in good times. Social housing and good affordable housing policy is one such investment that must consistently be made.

CMHC has introduced a new Affordability Index which found that, in eight of the markets examined, rental housing was unaffordable<sup>7</sup>. However, in some cases the index was just below the 100 mark. The most affordable housing market was in the St. Catharines-Niagara CMA, where the median income was 108% of the median rent.

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<sup>7</sup> It was deemed unaffordable based on the ratio of the income needed to afford a median priced two-bedroom apartment in that market.

## **3 THE RENTAL HOUSING MARKET**

### **3.1 VACANCY RATES IN PRIVATE APARTMENTS CONTINUE TO DECLINE IN A MAJORITY OF MARKETS**

Vacancy rates in private sector apartment buildings with three or more units in Ontario have continued to decline since peaking in 2004 at 4.1%. Between October 2006 and October 2007, the vacancy rate for private market apartments in Ontario declined from 3.4% to 3.3% [refer to Table 1(a)]<sup>8</sup>. By October 2008, the vacancy rate had declined further to 2.7%. The decline in 2007 was mainly due to strong economic conditions in most communities and low rental housing production. The subsequent decline identified in the October 2008 CMHC survey is a result of more people remaining in rental housing because of increased house prices and economic uncertainty. Almost half of the markets surveyed had vacancy rates that were lower than the 3% considered a “healthy rental market”<sup>9</sup>.

Between October 2006 and October 2007, the vacancy rate for apartments declined in 13 or 60% of the markets we surveyed. It remained at the same level in three of the markets and increased in six. In 2008, vacancy rates declined in about half of the markets we surveyed and rose in the other half. The rental markets were tight in 2008 in most of the major urban centres examined, such as the City of Toronto, York Region, Peel Region, and the Ottawa and Kitchener CMAs.

Generally speaking, areas of the Province with diversified economies<sup>10</sup> continue to experience relatively tight rental housing markets. Other communities, dependent on vulnerable industries such as the auto industry, are experiencing higher vacancy rates.

On a Province-wide basis, vacancy rates in 2007 declined for bachelor and one-bedroom apartments, stayed the same for two-bedroom apartments, and increased for apartments with three or more bedrooms. In 2008, vacancy rates declined for all unit types.

Rental market conditions vary across the Province reflecting local market conditions. In markets where the cost of ownership housing was competitive with renting larger units, vacancy rates

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8 The Canada Mortgage and Housing Corporation surveys rental housing in communities with 10,000+ persons across Ontario.

9 The Canada Mortgage and Housing Corporation surveys apartments in private apartment buildings with 3 or more rental units.

10 For example, many parts of the GTA are home to a variety of industries and also receive a high proportion of new immigrants moving into the Province.



**Table 1(a): Vacancy Rates in Apartments in Buildings with 3+ Units in Ontario and 22 Rental Markets, 2003-2008**

Municipality	2003	2004	2005	2006	2007		2008	
Ontario	3.5	4.1	3.8	3.4	3.3	▼	2.7	▼
Barrie CA	3.3	3.0	2.1	2.8	3.2	▲	3.5	▲
Cornwall CA	3.7	3.4	2.3	3.5	4.4	▲	4.2	▼
Durham Region*	2.8	3.5	n/a	3.9	3.4	▼	3.8	▲
Guelph CA	3.9	3.3	3.6	2.8	1.9	▼	2.3	▲
Hamilton CMA	3.0	3.4	4.3	4.3	3.5	▼	3.2	▼
Kingston CMA	1.9	2.4	2.4	2.1	3.2	▲	1.3	▼
Kitchener CMA	3.2	3.5	3.3	3.3	2.7	▼	1.8	▼
London CMA	2.1	3.7	4.2	3.6	3.6	▶	3.9	▲
Muskoka	3.1	2.6	n/a	3.2	3.0	▼	N/A	
North Bay CA	3.3	3.7	2.7	2.4	1.1	▼	1.9	▲
Ottawa CMA	2.9	3.9	3.3	2.3	2.3	▶	1.4	▼
Owen Sound CA	1.8	1.3	1.2	1.7	2.8	▲	2.5	▼
Peel Region	3.9	5.0	n/a	2.8	2.5	▼	2.4	▼
Peterborough CA	1.4	1.7	2.8	2.8	2.8	▶	2.4	▼
Sarnia CA	6.1	6.1	5.5	4.9	4.0	▼	4.1	▲
St. Catharines CMA	2.7	2.6	2.7	4.3	4.0	▼	4.3	▲
Sudbury CMA	3.6	2.6	1.6	1.2	0.6	▼	0.7	▲
Thunder Bay CMA	3.3	5.0	4.6	4.9	3.8	▼	2.2	▼
Timmins CA	9.6	8.8	4.0	3.8	2.4	▼	1.5	▼
Toronto (City)	3.9	4.3	3.7	3.3	3.4	▲	2	▼
Windsor CMA	4.3	8.8	10.3	10.4	12.8	▲	14.6	▲
York Region	0.6	1.8	1.6	1.6	1.0	▼	1.5	▲

Source: CMHC Ontario Market Analysis

tended to be higher, especially for large units. A strong economy and relatively affordable ownership housing costs attracted first time homebuyers into the ownership market while higher employment levels among young people encouraged them to move into their own dwelling, usually rental housing. Conversely, a weak economy may result in higher vacancy rates as people may have to move to find new employment. Higher levels of net migration, that is, more people moving into an area than the number moving out, also tends to increase demand for rental housing and decrease vacancy rates. High levels of international immigrants moving into an area increases the demand for rental housing as new immigrants are more likely to move into rental housing than their Canadian-born peers.

In the GTA, most of the sub-markets have experienced declining vacancy rates. In the City of Toronto, the vacancy rate rose briefly in 2007, from 3.3% to 3.4%, and then dropped to 2% in 2008, which was the same rate recorded for the Toronto CMA. In 2007, vacancy rates were lower for bachelor and one-bedroom units in the City of Toronto than for two- and three-bedroom apartments because the rent for these units was comparable with the carrying costs of condominium units. However, by October 2008, vacancy rates had dropped for all unit types in Toronto. In York Region, where there has been very little rental housing production, vacancy rates declined from 1.6% in 2006 to 1.5% in 2008. In Peel Region, the vacancy rate has declined from 2.8% in 2006 to 2.4% in 2008, which reflects both insufficient production of rental housing and increasing demand from a growing immigrant population. In the Region of Durham, the vacancy rate declined from 3.9% in 2006 to 3.4% in 2007 and then increased in 2008 to 3.8%. Parts of Durham Region have proven more susceptible to the downturn in the auto industry, causing the vacancy rate to increase.

In other communities in the fringe area of the GTA, households continued to move from the rental market into the home ownership market in 2007. In Barrie, for example, the vacancy rate increased from 2.8% in 2006 to 3.2% in 2007. In 2008, conditions in Barrie began to change, resulting in a higher vacancy rate of 3.5%. This is primarily due to a slowing economy, reduced immigration, and less movement from the rental housing sector into home ownership. CMHC projects that this trend will continue.

In Peterborough, the apartment vacancy rate remained unchanged between 2006 and 2007 at 2.8%. Strong employment growth among younger households increased rental demand, while affordable ownership housing moved other households out of the rental market. However, in 2008 conditions changed and the apartment vacancy rate dropped from 2.8% in 2007 to 2.4%. This decline was the result of little new rental housing construction taking place and fewer renters moving into homeownership. The rental market tightened for all unit sizes.

Vacancy rates in Guelph declined from 2.8% in 2006 to 1.9% in 2007, while the vacancy rate in the adjacent Kitchener area declined from 3.3% to 2.7%. Strong employment growth for younger adults and higher net migration, especially immigrants, were factors in the decline of vacancy rates in both areas. Conversion of rental apartments to condominiums in Kitchener has reduced the rental housing supply there while there has been little rental production in Guelph. In 2008, the vacancy rate in Kitchener continued its decline to 2% while, in Guelph, the average vacancy rate rose higher to 2.3%. CMHC predicts that the vacancy rate will decline for both regions in 2009. While it is not nearly enough to meet market demands, approximately 177 new rental units are under construction in Guelph and approximately 800 in Kitchener. As we have noted in previous editions of *Where's Home?*, Waterloo Region continues to have an active set of housing programs and policies.

In the London CMA, the vacancy rate remained unchanged at 3.6% between 2006 and 2007 and then increased slightly to 3.9% in 2008. The strong housing market and healthy economy drew households out of the rental market in 2007; however, the current slowdown in the auto and related industries in the area is causing vacancy rates to increase in the London CMA.

Following a slight decline in 2007, the vacancy rate in the St. Catharines-Niagara area returned to the 2006 rate of 4.3% in 2008. This lower vacancy rate was the result of stronger service sector employment and lower net migration due to layoffs in the manufacturing sector. It is expected that the vacancy rate will tighten further in 2009 as layoffs and increased unemployment reduce movement into homeownership.

The Windsor CMA had the highest apartment vacancy rate in Ontario in 2007. This is a result of plant shutdowns and layoffs in the auto sector and subsequent migration of households out of the area. As well, the carrying cost of a starter home was competitive with the cost of renting a townhouse. The vacancy rate rose from 10.4% in 2006 to 12.8% in 2007 and then again in 2008 to 14.8%, the highest level ever recorded in Windsor or in any city since we started reporting this data. CMHC predicts that the vacancy rate will reach 17% in 2009. The unemployment rate, which was 10% in 2008, is the primary contributor to reduced net migration and, in turn, reduced rental demand. However, the construction of a new 1.5 billion dollar border crossing in late 2009 should improve the unemployment and vacancy rates by the end of 2009.

In Eastern Ontario, the two major rental markets are both experiencing declining vacancy rates. In Ottawa, the vacancy rate remained consistent at 2.3% in 2006 and 2007, but declined sharply in 2008 to 1.4%, the lowest rate since 2001. The combination of low supply of purpose-built rental housing coupled with growing youth employment and increased international immigration contributed to the tightening market. The CMHC predicts a 1% vacancy rate in 2009.

In Kingston, the vacancy rate increased from 2.1% in 2006 to 3.2% in 2007 and then declined to 1.3% in 2008, the largest drop of any Ontario municipality in 2008. Less movement of renters to homeownership, along with increased employment in low paying service industry jobs, seemed to drive the increased rental demand. Of course, this trend was exacerbated by the lack of new rental housing construction. Only 54 units of rental housing were developed in 2008. Demand for rental housing was also fed by growing enrolment in the education sector. In Cornwall, the vacancy rate rose to 4.4% in 2007 from 3.5% in 2006. It remained more or less steady at 4.2% in 2008.

In Muskoka, vacancy rates fell from 3.2% in 2006 to 3.0% in 2007, possibly reflecting higher ownership costs in this area and therefore stronger rental demand. In Owen Sound, the vacancy rate rose from 1.7% in 2006 to 2.8% in 2007 and declined slightly to 2.5% in 2008.

Many northern communities continue to experience dramatic economic cycles. For several years, improved demand in the forestry and mining sectors drove vacancy rates down. At the same time as rental demand is increasing in northern communities there has been a dearth of rental production, leading to tight rental markets.

The most dramatic illustration of declining vacancy rates in Northern Ontario is the City of Sudbury. Sudbury's vacancy rate dropped from 11.1% in 1999 to 0.6% in 2007 and again to 0.3% in 2008, making it the tightest rental housing market in Ontario. The tight vacancy rate in Sudbury reflects better employment prospects for younger adults who can afford to move into their own apartment while, at the same time, rising home prices are discouraging households from entering the home ownership market. The CMHC predicted that the vacancy rate would drop further in 2009 though, at the time of this report, the continuing decline in commodity markets may mean that rental demand will drop as the recession takes hold.

The vacancy rate in Timmins also declined from 3.8% in 2006 to 2.4% in 2007 and to 1.5% in 2008 while, in North Bay, the vacancy rate declined from 2.4% in 2006 to 1.1% in 2007 only to rise to 1.9% in 2008. Similarly, the vacancy rate also declined in Thunder Bay from 4.9% in 2006 to 3.8% in 2007 and to 2.2% in 2008, despite difficulties in the forestry sector. Job increases in Thunder Bay's service sector and demand from students attending post-secondary institutions also increased demand for rental housing. The CMHC predicts that the recession will increase rental housing demand in 2009 due largely to migration from smaller communities throughout Northern Ontario that will be hard hit by the decline in demand for forestry and mining products.

As the world economy enters a period of slower growth or a recession, lower demand for commodities will likely put more pressure on the rental housing market and increase the demand for rental units. Lower household incomes among those who may lose their jobs will increase the need for affordable rental housing. At the same time, some areas may experience higher vacancy rates should people leave these areas in search of employment in other parts of the Province or outside the Province.

Figures 1(a) and 1(b) compare the vacancy rates in the Province and 22 housing markets of interest with the 3% norm<sup>11</sup> over the period between 2002 and 2007.

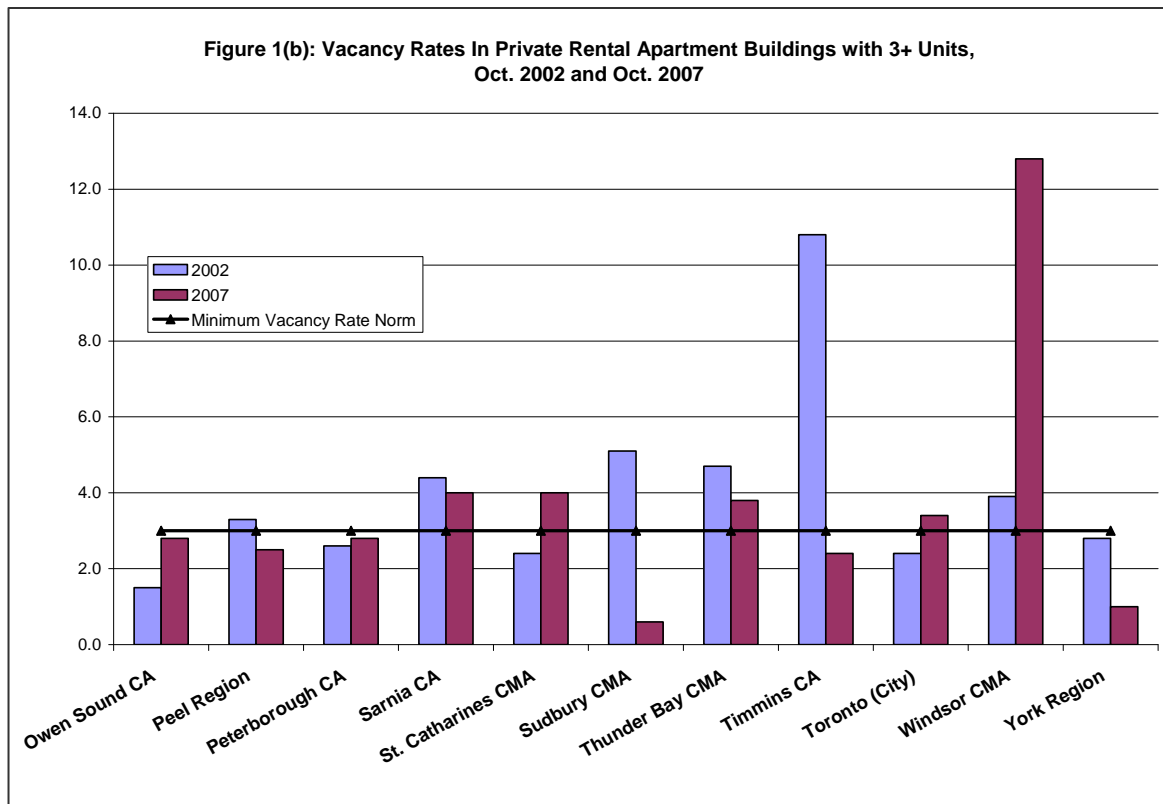
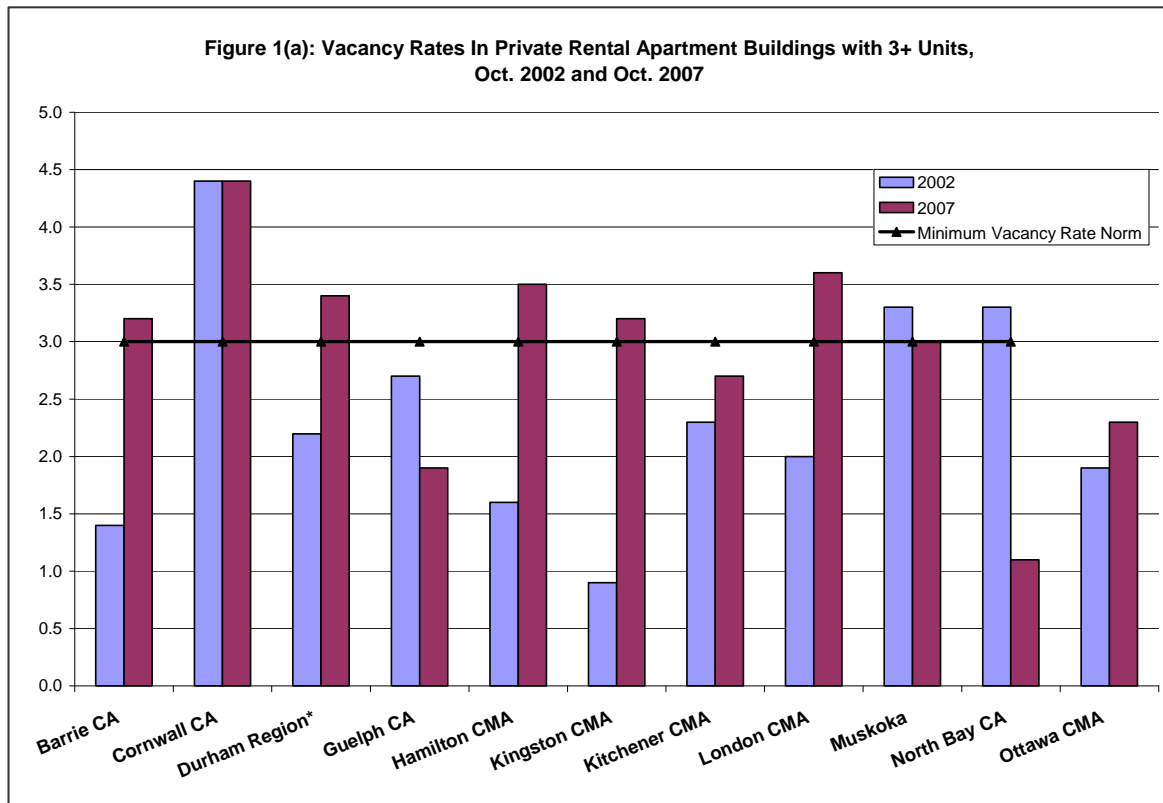
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11 We have not included the most recent 2008 data in these tables, but you can check the data for your area at: <http://www.cmhc-schl.gc.ca/en/inpr/homain/foan/index.cfm>

**Table 1(b): Vacancy Rates in Ontario and 22 Rental Markets, 1990 to 2007**

Municipality	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Ontario	1.3	2.2	2.6	2.7	2.4	2.3	3.0	2.8	2.6	2.1	1.6	1.7	2.7	3.5	4.1	3.8	3.4	3.3
Barrie CA	2.1	3.5	1.3	1.6	1.5	1.3	1.9	1.2	1.0	1.0	0.5	0.9	1.4	3.3	3.0	2.1	2.8	3.2
Cornwall CA	4.0	4.7	5.4	4.3	5.2	9.3	12.1	11.7	9.8	10.9	7.8	6.0	4.4	3.7	3.4	2.3	3.5	4.4
Durham Region*	1.7	3.4	6.0	4.6	3.4	2.7	3.4	2.2	1.7	1.6	1.6	1.3	2.2	2.8	3.5	n/a	3.9	3.4
Guelph CA	1.1	0.6	2.5	2.6	1.6	1.3	2.7	1.9	1.6	0.5	0.7	1.0	2.7	3.9	3.3	3.6	2.8	1.9
Hamilton CMA	1.3	1.6	2.3	2.7	2.4	2.0	2.2	3.1	3.2	1.9	1.7	1.3	1.6	3.0	3.4	4.3	4.3	3.5
Kingston CMA	0.9	1.5	1.9	2.5	2.9	3.2	4.2	5.3	5.4	3.4	1.8	1.5	0.9	1.9	2.4	2.4	2.1	3.2
Kitchener CMA	1.3	4.3	4.4	4.3	2.8	2.2	1.8	1.9	1.5	1.0	0.7	0.9	2.3	3.2	3.5	3.3	3.3	2.7
London CMA	2.8	3.9	3.4	3.8	4.1	4.3	6.0	5.1	4.5	3.5	2.2	1.6	2.0	2.1	3.7	4.2	3.6	3.6
Muskoka	1.4	6.0	7.1	8.4	7.3	9.2	7.1	7.0	4.0	3.1	2.4	1.9	3.3	3.1	2.6	n/a	3.2	3.0
North Bay CA	1.3	1.6	2.3	2.4	2.0	2.0	2.2	5.1	3.2	5.1	5.5	2.7	3.3	3.3	3.7	2.7	2.4	1.1
Ottawa CMA	0.5	0.8	1.3	1.8	2.6	3.8	4.9	4.2	2.1	0.7	0.2	0.8	1.9	2.9	3.9	3.3	2.3	2.3
Owen Sound CA	0.7	2.1	2.9	6.2	5.6	6.8	8.5	8.2	9.1	2.9	2.8	1.6	1.5	1.8	1.3	1.2	1.7	2.8
Peel Region	1.9	3.1	3.4	2.0	1.3	0.7	1.7	0.9	0.6	0.8	0.5	1.0	3.3	3.9	5.0	n/a	2.8	2.5
Peterborough CA	2.3	2.7	3.6	4.9	4.6	3.3	5.5	5.8	4.9	4.4	3.2	3.7	2.6	1.4	1.7	2.8	2.8	2.8
Sarnia CA	2.7	2.3	4.2	6.6	7.7	8.5	9.2	10.2	11.2	8.8	7.3	6.3	4.4	6.1	6.1	5.5	4.9	4.0
St. Catharines CMA	1.9	2.7	3.4	4.9	5.4	4.8	5.1	4.8	4.5	3.2	2.6	1.9	2.4	2.7	2.6	2.7	4.3	4.0
Sudbury CMA	0.7	0.7	2.5	3.8	4.3	6.0	6.8	7.2	9.4	11.1	7.7	5.7	5.1	3.6	2.6	1.6	1.2	0.6
Thunder Bay CMA	1.0	1.0	2.5	2.7	4.1	6.2	5.6	7.7	9.3	7.5	5.8	5.8	4.7	3.3	5.0	4.6	4.9	3.8
Timmins CA	3.7	4.6	4.4	8.5	6.8	5.1	6.1	6.0	6.1	13.0	13.6	8.1	10.8	9.6	8.8	4.0	3.8	2.4
Toronto (City)	0.8	1.6	2.0	1.9	1.2	0.8	1.2	0.8	0.8	0.9	0.6	0.9	2.4	3.9	4.3	3.7	3.3	3.4
Windsor CMA	2.5	3.3	3.3	2.7	1.6	1.8	2.8	4.5	4.3	2.7	1.9	2.9	3.9	4.3	8.8	10.3	10.4	12.8
York Region	1.0	1.5	1.0	0.9	0.5	1.6	0.6	1.1	0.8	0.7	0.9	0.7	2.8	0.6	1.8	1.6	1.6	1.0

Source: CMHC, Ontario Market Analysis Centre



Source: CMHC, Ontario Market Analysis Centre



### 3.1.1 Vacancy Rate by Rent Range (2007 data)

Data was obtained from the CMHC on vacancy rates in 11 rental markets in Ontario, subdivided by rent level. (Refer to Table 2) The relationship between vacancy rates and rent levels is not consistent across all of the markets, for example:

- In six of the markets (the Hamilton, St. Catharines-Niagara, Oshawa, Thunder Bay, Toronto, and Windsor CMAs) vacancy rates were highest at the lower rents levels and lower at higher rent levels. While lower vacancy rates at higher rent levels seems counter-intuitive, this situation may occur because apartments that are the least expensive are also often in poor condition.
- In three of the markets (the Ottawa, Greater Sudbury, and London CMAs) the vacancy rate was relatively consistent across different rent levels. In London, however, there was a jump in vacancy rates in one of the higher end rent ranges, with vacancy rates being the similar across all other ranges.
- In the Kitchener CMA, vacancy rates were, for the most part, lower at the low end of the market and higher at higher rent levels, which is the anticipated pattern. An exception to this pattern is the vacancy rate at the \$1,000+ / month level, where vacancy rates were low. Similarly, in the Kingston CMA, the vacancy rates varied, with both low and high vacancy rates at both the low and high ends of the market.

**Table 2: Vacancy Rate by Rent Level, Selected CMA's Across Ontario, 2007**

Rent Level	Hamilton CMA	Kitchener CMA	Oshawa CMA	Toronto CMA		Ottawa CMA		London CMA	
< \$600	6.3%	3.3%	**	LT \$700	5.3%	LT \$700	2.6%	< \$550	3.5%
\$600-699	7.8%	2.4%	4.2%	\$700-\$799	4.5%	\$700-\$799	2.3%	\$550-649	3.4%
\$700-\$799	5.6%	3.8%	3.9%	\$800-\$899	3.9%	\$800-\$899	2.1%	\$650-\$799	4.0%
\$800-\$899	2.7%	3.3%	4.7%	\$900-\$999	3.9%	\$900-\$999	2.0%	\$800-\$999	3.2%
\$900-\$999	2.3%	5.4%	3.4%	\$1000-\$1099	2.8%	\$1000-\$11	2.8%	\$1000-\$1249	6.3%
\$1000+	1.3%	2.8%	2.1%	\$1100+	2.1%	\$1200+	2.8%	\$1250+	3.1%
<b>Total</b>	<b>3.5%</b>	<b>2.7%</b>	<b>3.7%</b>	<b>Total</b>	<b>3.2%</b>	<b>Total</b>	<b>2.3%</b>	<b>Total</b>	<b>3.6%</b>

Rent Level	Windsor CMA	St. Catharines-Niagara CMA	Kingston CMA		Rent Level	Greater Sudbury CMA	Thunder Bay CMA
LT \$500	18.7%	**	LT \$400	**	LT \$400	**	**
\$500-599	19.0%	5.8%	\$400-599	1.2%	\$400-499	0.9%	11.2%
\$600-\$699	16.2%	4.4%	\$600-\$799	5.2%	\$500-\$599	1.6%	5.2%
\$700-\$799	11.3%	3.7%	\$800-\$999	1.1%	\$600-699	0.3%	3.7%
\$800-\$899	10.9%	3.1%	\$1000-\$11	1.4%	\$700-\$799	0.3%	1.8%
\$900+	7.4%	1.5%	\$1200+	5.5%	\$800+	0.5%	2.1%
<b>Total</b>	<b>12.8%</b>	<b>4.0%</b>	<b>Total</b>	<b>3.2%</b>	<b>Total</b>	<b>0.6%</b>	<b>3.8%</b>

Source: CMHC, Ontario Market Analysis Centre

## **3.2 CHANGES IN AVERAGE RENTS FOR TWO-BEDROOM APARTMENTS**

### **3.2.1 Rent Increases for Two Bedroom Apartments in 2007**

In October 2007, the average monthly rent for a two-bedroom apartment in Ontario was \$924, which increased to \$948 a year later.

Increases in the average monthly rent for two-bedroom apartments in Ontario between 2006 and 2007 were below the rate of inflation in just over half (13) of the 22 markets examined. However, some municipalities did experience a high increase in the monthly rent for a two-bedroom unit. For example, the average rent for a two-bedroom unit in Barrie rose 3.1% compared to a 1.8 rate of inflation; in Hamilton the average rent rose by 3.5%; in the London CMA the average rent rose by 3.3%; in Muskoka the average rent rose by 3.7%; and in Sudbury the average rent for a two-bedroom unit rose by 6.1%. In the remaining municipalities, rent increases were just above the rate of inflation or were below it. Negative growth in rents for two-bedroom apartments in a number of municipalities indicates that rents may have reached their peak and that potential renters are seeking more affordable rental housing.

### **3.2.2 Rent Increases over the Past Decade Exceed CPI Growth in Majority of Rental Markets Analyzed**

An examination of the ten year period between 1997 and 2007 shows that, in 14 of the 22 rental markets examined, the increase in the average rent for a two-bedroom apartment was higher than the rate of inflation (refer to Table 3). These 14 rental markets accounted for approximately 60% of Ontario's population, with most renters clearly losing ground when it comes to maintaining or achieving affordability. This period of time was dominated by economic growth, so the current projections of a lengthy recession with job losses and even wage deflation are of great concern.

The change in rents compared to the change in the CPI over the 10 year period between 1997 and 2007 is summarized below by rental market area.

- The average monthly rent for a two-bedroom apartment in York Region increased the most<sup>12</sup> relative to inflation. The average rent for a two-bedroom apartment rose at a rate 1.6 times the rate of inflation, or 60% above the rate of inflation, for the ten year period. This increase probably reflects a tight rental market in that area and the low level of rental housing production.

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12 Of the 22 markets examined for this report.

**Table 3: Rents and Rent Increases for Two-Bedroom Apartments in 22 Markets Across Ontario, 1997-2007**

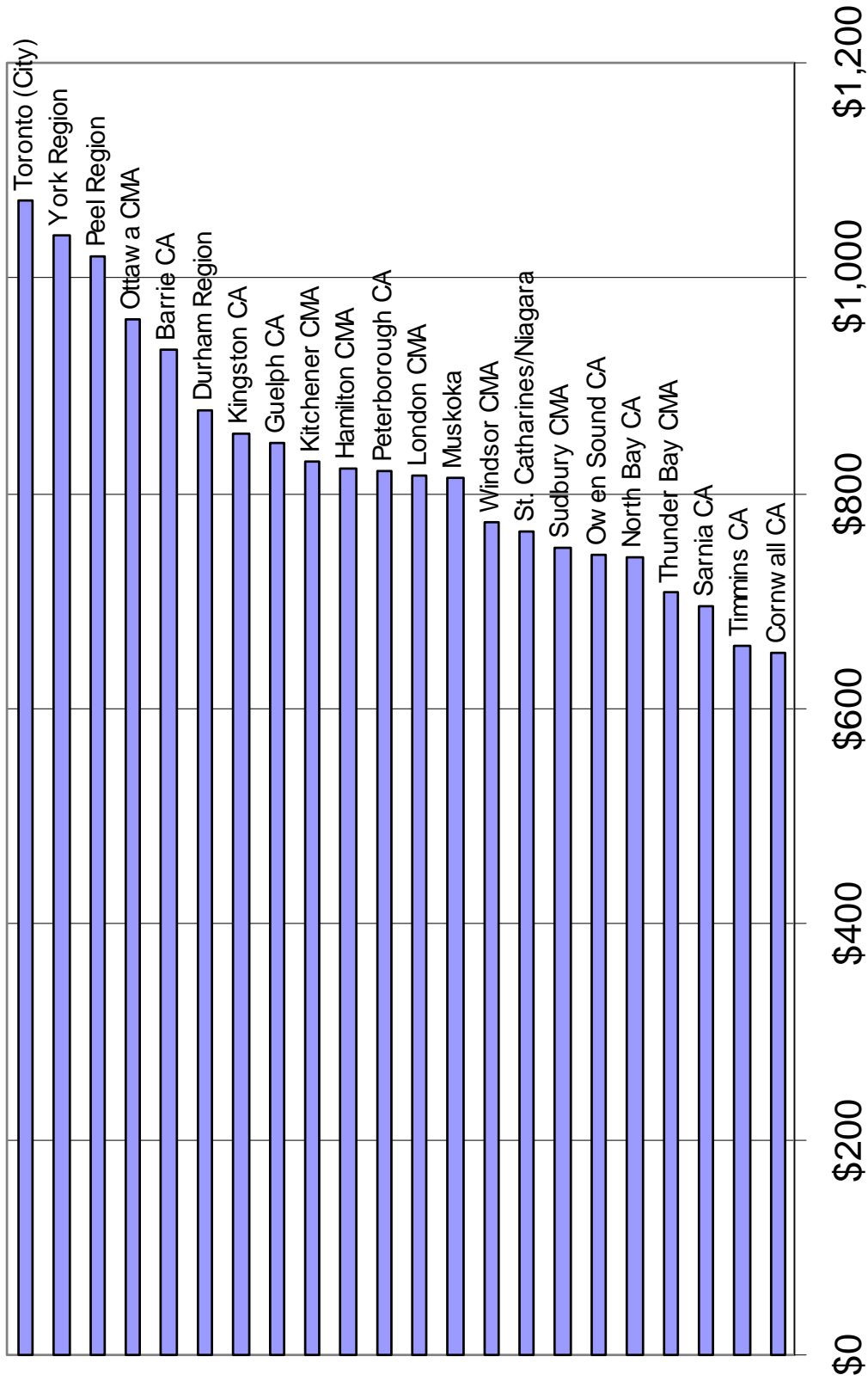
Municipality	1997	2002	2006	2007	Change in Rents 2006-2007	Change in Rents 1997-2007	Ratio of Rent To Inflation Increases 1997-2007
Barrie CA	\$737	\$877	\$906	\$934	3.1%	26.7%	1.1
Cornwall CA	\$550	\$579	\$641	\$651	1.6%	18.4%	0.8
Durham Region	\$702	\$833	\$861	\$877	1.9%	24.9%	1.1
Guelph CA	\$678	\$801	\$839	\$848	1.1%	25.1%	1.1
Hamilton CMA	\$636	\$765	\$796	\$824	3.5%	29.6%	1.3
Kingston CA	\$643	\$727	\$841	\$856	1.8%	33.1%	1.4
Kitchener CMA	\$630	\$750	\$824	\$829	0.6%	31.6%	1.3
London CMA	\$636	\$705	\$790	\$816	3.3%	28.3%	1.2
Muskoka	\$628	\$720	\$785	\$814	3.7%	29.7%	1.3
North Bay CA	\$629	\$657	\$729	\$740	1.5%	17.6%	0.8
Ottawa CMA	\$729	\$930	\$941	\$961	2.1%	31.8%	1.4
Owen Sound CA	\$597	\$663	\$735	\$744	1.2%	24.6%	1.1
Peel Region	\$842	\$1,040	\$1,027	\$1,021	-0.6%	21.2%	0.9
Peterborough CA	\$628	\$718	\$818	\$822	0.5%	30.9%	1.3
Sarnia CA	\$576	\$631	\$696	\$695	-0.1%	20.7%	0.9
St. Catharines/Niagara CMA	\$613	\$695	\$752	\$765	1.7%	24.8%	1.1
Sudbury CMA	\$619	\$647	\$706	\$749	6.1%	21.0%	0.9
Thunder Bay CMA	\$666	\$657	\$696	\$709	1.9%	6.5%	0.3
Timmins CA	\$582	\$600	\$660	\$658	-0.3%	13.1%	0.6
Toronto (City)	\$821	\$1,055	\$1,078	\$1,072	-0.6%	30.6%	1.3
Windsor CMA	\$680	\$769	\$774	\$773	-0.1%	13.7%	0.6
York Region	\$760	\$817	\$1,042	\$1,040	-0.2%	36.8%	1.6
Change in CPI					1.8%	23.4%	

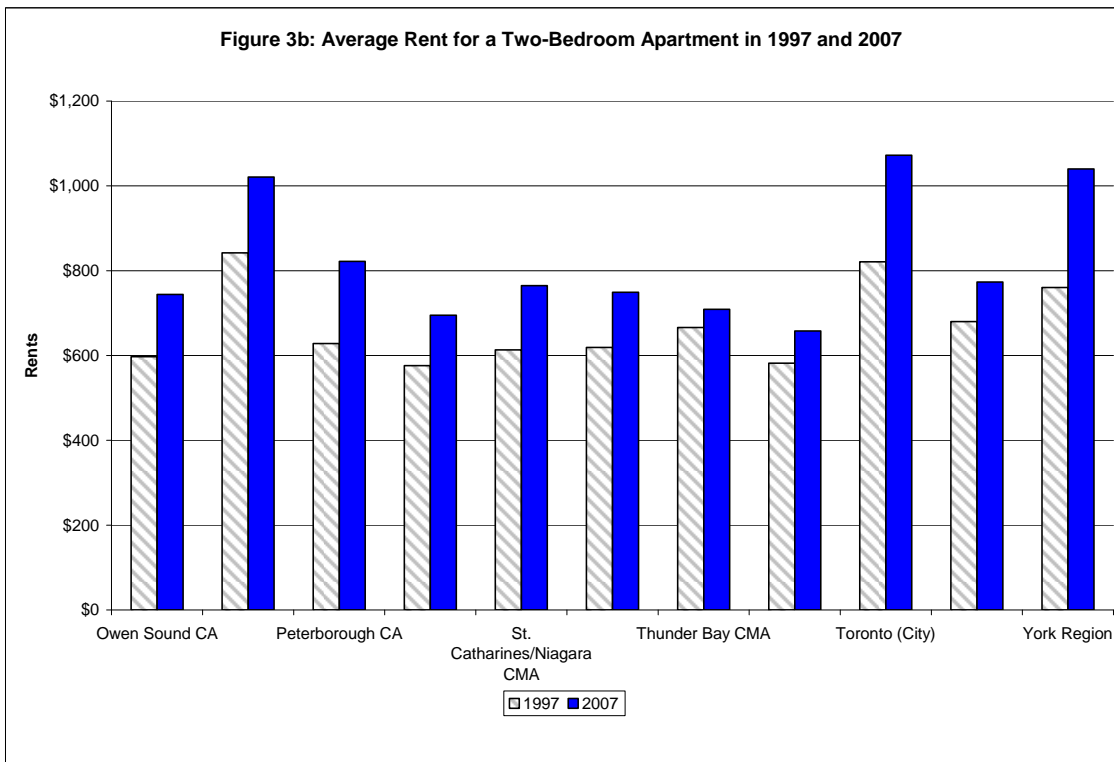
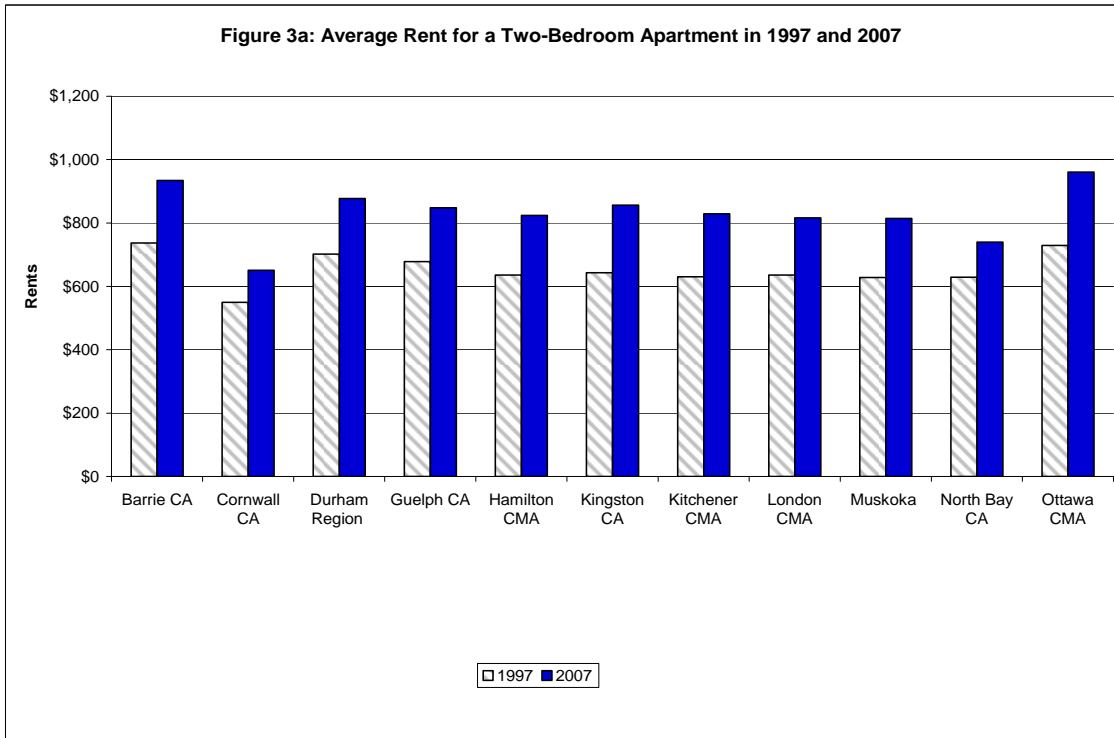
Source: CMHC, Ontario Market Analysis Centre; Statistics Canada and analysis by Lapointe Consulting

- Ottawa and Kingston also experienced relatively high increases in the average rents for two-bedroom apartments in the 1997-2007 period, with rents increasing at a rate 1.4 times the rate of inflation or 40% above the rate of inflation.
- Other areas where the average rent for two-bedroom apartments increased at a rate above the rate of inflation include: Hamilton, Kitchener, Muskoka, Peterborough, St. Catharines-Niagara, and the City of Toronto. The rents in all of these areas rose at a rate 1.3 times the rate of inflation. In London, average monthly rents for a two-bedroom apartment rose at a rate 1.2 times the rate of inflation. In Barrie, Durham, Guelph, Owen Sound, and St. Catharines-Niagara, the increase in monthly rent for a two-bedroom was more modest, at a rate 1.1 times the rate of inflation.
- The average rent for two-bedroom apartments increased at a rate below the rate of inflation in the remaining markets (Cornwall, North Bay, Peel Region, Sarnia, Sudbury, Thunder Bay, Timmins and Windsor).

Table 3 analyzes housing affordability in more depth using a custom tabulation obtained from the 2006 Census data on housing costs and incomes.

Figure 2: Average Rent for 2-Bedroom Apartments, 2007





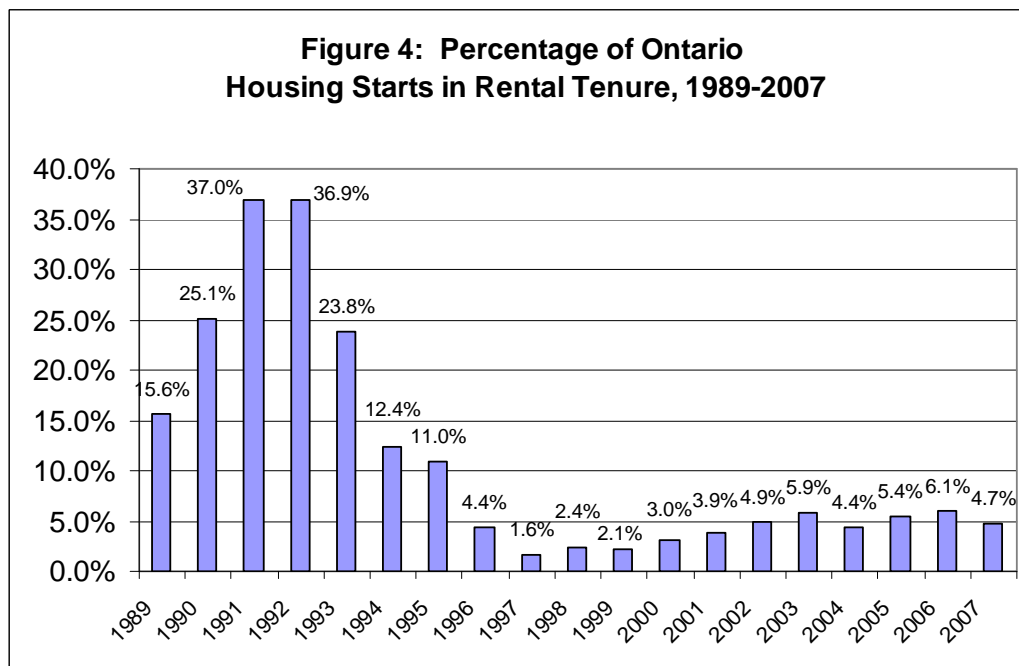
Source: CMHC, Ontario Market Analysis Centre

### 3.3 RENTAL HOUSING SUPPLY AND DEMAND TRENDS

#### 3.3.1 Ontario Rental Housing Starts Have Declined as a Share of Total Housing Production

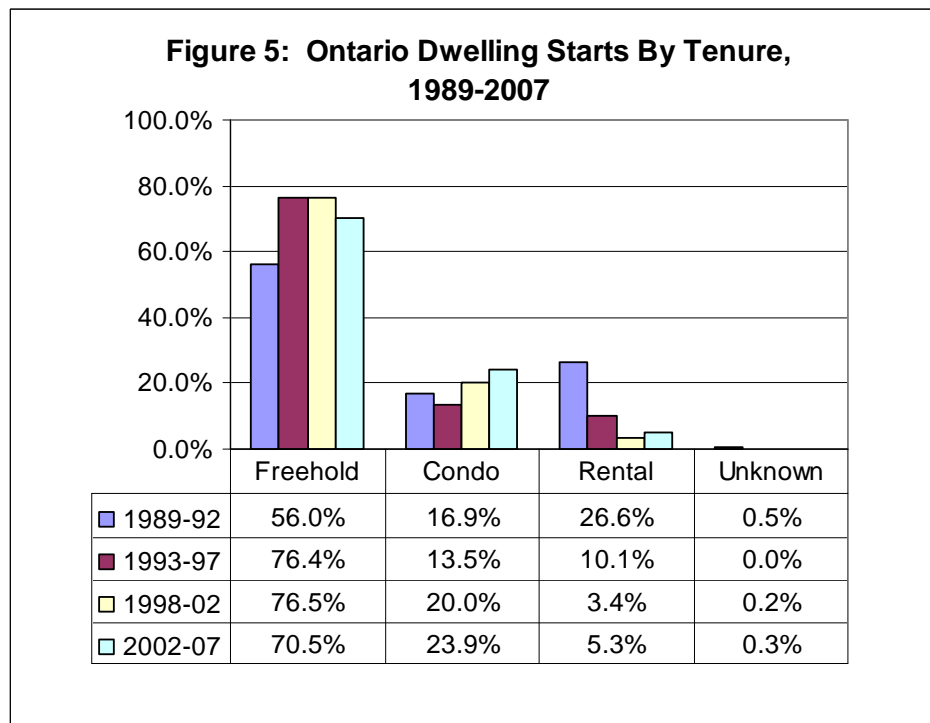
There were only 2,962 rental housing starts in Ontario in 2007, representing 4.7% of the 62,775 dwelling units started in 2007. The 2007 level of rental housing starts was 28% lower than the 2006 level and lower than the number of rental housing starts in each of the previous five years. This level of production is less than one third of the rental housing requirements for Ontario (See discussion below under Section 3.3.5 Rental Housing Demand).

In the early 1990s rental housing construction accounted for approximately 25% of the market, a relatively high share of overall construction especially given that the rest of the housing market was in decline. This high level of rental housing construction primarily reflected projects started under the Federal/Provincial housing programs. After the cancellation of the non-profit and co-operative housing programs, first by the Federal Government in 1993 and subsequently by the Province in 1995, rental housing production remained very low for several years. Since 2002, rental housing has accounted for between 5 and 6% of total housing starts in Ontario.



Source: CMHC, Ontario Market Analysis Centre; analysis by Lapointe Consulting

Figure 5 and Table 4 provide a summary of housing starts in Ontario subdivided by tenure during the period 1989 to 2007. Rental housing production peaked in the 1989-1992 period at 26.6% of all starts and then fell to 10.1% in the five-year period between 1993-1997; reflecting the tail-end of the non-profit and co-operative housing programs. Between 1998 and 2002, there was a modest amount of new rental housing construction, representing 3.4% of all housing starts. Over the most recent five-year period (2003-2007), 5.3% of Ontario's housing starts were rental, 70% were freehold, and 23.9% were condominium.



The higher rental housing production between 2002 and 2007 is a reflection, in part, of the Rental and Supportive Component of the Canada-Ontario Affordable Housing Program (AHP) as well as municipal initiatives to support the development of non-profit housing and some high end or luxury apartments by private developers.

As of August 2008, an estimated 10,408 rental units were under development or had been completed since the AHP program was first implemented in 2002. As well, 1,043 supportive housing units were also at various stages of development for a total 12,817 affordable housing units. Initially, a unit was deemed "affordable" if the monthly rent was at the average rent level for the area based on bedroom count. However, the definition of affordability changed so that a unit is defined as affordable if the monthly rent is 80% of the market rent for a unit in the



community with the same number of bedrooms. This figure does not include modest housing allowance programs which have been allocated across the Province. These programs reduce a recipient's<sup>13</sup> rent by a limited amount per month over a five year period. Shallow subsidy programs are certainly helpful to recipients, especially those trapped on social housing waiting lists for years. In that sense, they are welcome. However, they do not create long-term affordability or truly affordable housing and are therefore not "affordable" housing programs as we understand them.

In addition to purpose-built rental housing, condominiums can help to meet a portion of the rental housing demand. However, over time, condominiums may be removed from the rental supply and therefore do not constitute a long-term supply of affordable rental housing. In Ottawa<sup>14</sup>, of 20,999 apartment condo units, 4,019 were being rented. In the Toronto CMA, 42,972 units out of 225,538 were being rented, representing approximately 19% of condominium units<sup>15</sup>. As of the end of October 2008 there are over 33,000 condo units under construction in the Toronto CMA which may be difficult to sell in the current economic climate. Economist Will Dunning is predicting that the percentage of condominium units being rented will increase and that this will slow the recent decline in Toronto's vacancy rate and possibly even drive it up<sup>16</sup>.

Section 3.3.5 examines the demand for rental housing and provides an estimate of how much additional rental housing will need to be built over the next 10-year period.

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13 Eligibility for these programs is limited to individuals who meet very specific criteria and are not widely available to members of the community.

14 As of October 2008

15 In the Toronto and Ottawa areas, this represents a consistent 19% of Condominium apartments being rented out over 2007 and 2008; CMHC, Ontario Rental Market Report. October 2008, pg. 58

16 As reported in the Toronto Star, Dec 16, 2008

Table 4: Housing Starts by Tenure, Ontario, 1989-2007

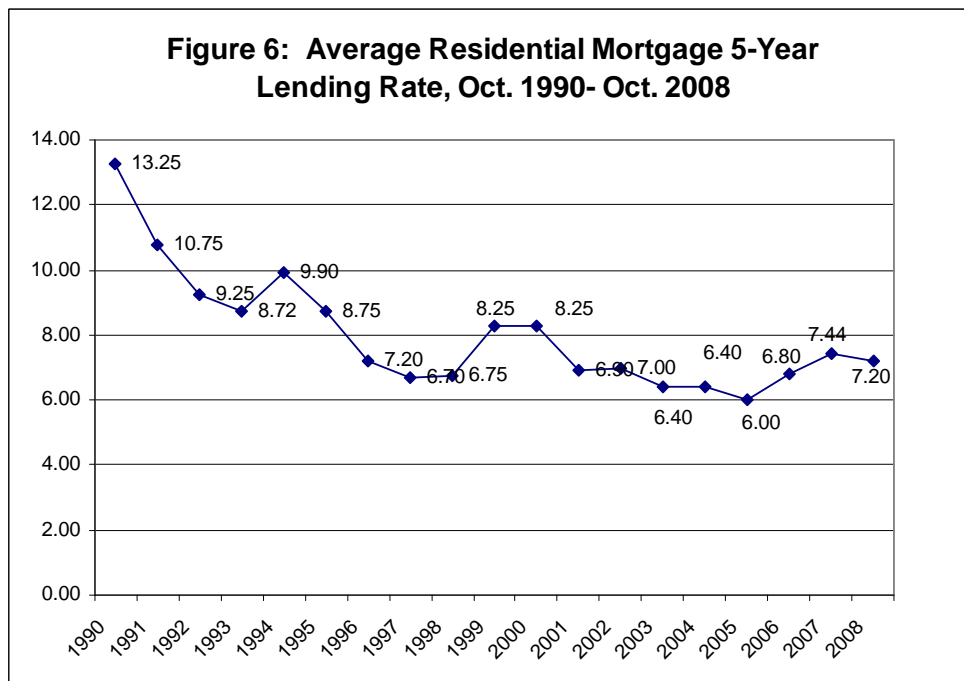
Year	Freehold Starts	% of Starts	Condo	% of Starts	Rental	Co-op	Rental + Co-op	%	Unknown	%	Total	%
1989	47,472	58.6%	20,213	24.9%	11,436	1,170	12,606	15.6%	735	0.9%	81,026	100.0%
1990	28,104	52.7%	11,435	21.4%	12,158	1,212	13,370	25.1%	432	0.8%	53,341	100.0%
1991	24,813	53.8%	4,240	9.2%	14,519	2,531	17,050	37.0%	20	0.0%	46,123	100.0%
1992	27,917	57.3%	2,798	5.7%	13,798	4,151	17,949	36.9%	29	0.1%	48,693	100.0%
1993	26,332	67.8%	3,287	8.5%	7,974	1,253	9,227	23.8%	1	0.0%	38,847	100.0%
1994	32,516	78.2%	3,866	9.3%	4,148	1,026	5,174	12.4%	4	0.0%	41,560	100.0%
1995	22,685	71.1%	5,713	17.9%	2,884	611	3,495	11.0%	0	0.0%	31,893	100.0%
1996	31,634	80.1%	6,145	15.6%	1,289	444	1,733	4.4%	0	0.0%	39,512	100.0%
1997	40,925	81.9%	8,254	16.5%	790	0	790	1.6%	3	0.0%	49,972	100.0%
1998	39,649	79.2%	9,258	18.5%	1,181	0	1,181	2.4%	0	0.0%	50,088	100.0%
1999	48,246	76.7%	13,316	21.2%	1,323	0	1,323	2.1%	40	0.1%	62,925	100.0%
2000	51,966	77.1%	13,308	19.7%	2,045	0	2,045	3.0%	104	0.2%	67,423	100.0%
2001	50,474	71.8%	16,815	23.9%	2,717	0	2,717	3.9%	256	0.4%	70,262	100.0%
2002	62,305	78.3%	13,244	16.6%	3,886	0	3,886	4.9%	180	0.2%	79,615	100.0%
2003	58,938	72.8%	16,837	20.8%	4,770	0	4,770	5.9%	388	0.5%	80,933	100.0%
2004	57,856	72.4%	18,431	23.1%	3,543	0	3,543	4.4%	64	0.1%	79,894	100.0%
2005	49,657	67.9%	19,539	26.7%	3,981	0	3,981	5.4%	0	0.0%	73,177	100.0%
2006	45,122	66.6%	18,509	27.3%	4,113	0	4,113	6.1%	37	0.1%	67,781	100.0%
2007	45,397	72.3%	13,962	22.2%	2,962	0	2,962	4.7%	454	0.7%	62,775	100.0%
Ave. 1993-1997	30,818	76.4%	5,453	13.5%	3,417	667	4,084	10.1%	2	0.0%	40,357	100.0%
Ave. 1998-2002	50,528	76.5%	13,188	20.0%	2,230	0	2,230	3.4%	116	0.2%	66,063	100.0%
Ave. 2003-2007	51,394	70.5%	17,456	23.9%	3,874	0	3,874	5.3%	189	0.3%	72,912	100.0%

Source: CMHC Market Analysis Centre and Lapointe Consulting

### 3.3.2 Relatively Low Interest Rates Have Helped to Increase Ownership Levels

The strength of the ownership market (both freehold and condominium) until recently reflected not only the weakness of the rental sector, but also the strong employment conditions in many parts of Ontario as well as the relatively affordable mortgage rates and carrying costs for a home or condominium. In 2006, 71% of Ontario households were home owners compared to 64% in 1996<sup>17</sup>. This trend is reversing itself in the United States as the credit and mortgage markets collapse. Fortunately, the foreclosure rate in Ontario during the current recession is not expected increase as drastically as it has in the United States, although it may increase somewhat.

As Figure 6 shows, interest rates have been relatively low since 2001, falling to 6.0% in 2005; a rate that had not been seen since the 1950s. In 2007, the rate for a five-year mortgage started at 6.65% in January and February and gradually increased until it peaked at 7.44% in October subsequently dropping to 7.2% in early 2008. However, as of December 2008, most major banks had lowered their rates again to 6.75%.



Source: Bank of Canada, Department of Monetary and Financial Analysis

17 CMHC, Canadian Housing Observer: 2008, Appendix A-11

Facing a weakening economy, on December 9, 2008 the Bank of Canada lowered its overnight lending rate by  $\frac{3}{4}$  of a percentage point to 1.5 per cent, a level not seen since 1958. The lower bank interest rate was designed to provide a stimulus to the Canadian economy. Most major banks quickly responded by lowering their prime lending rates to an average of 3.5%<sup>18</sup>. However, the full reduction in interest rates is not always being passed on to consumers because the banks are arguing that the cost of borrowing money has increased. The overnight lending rate was reduced again in January.

In 2007, escalating house prices in some markets started to limit access to the new housing market and prospective buyers either moved to older, existing homes or to condominium units which tend to be more affordable. In a few markets, higher house prices meant that not as many tenants could make the switch to homeownership. For example, the CMHC noted that, in 2007, the rising costs of home ownership in the former City of Toronto kept more tenants in the rental market. In this market, the difference between the carrying costs of owning a condominium apartment and the average rent for a two-bedroom apartment was estimated at \$535 per month<sup>19</sup>. With the prospect of slower growth, house prices are likely to drop across Ontario, although the extent of the decline in a given area will depend on the state of the local economy. Lower prices may lure some people back into the ownership market, though a lack of job security may limit the number of people who are able to make a purchase.

### **3.3.3 Housing Completions in Municipalities Across Ontario, 2003-2007**

Rental housing completions represent a significant share of housing completions in a number of markets. This is particularly the case where municipal governments have been actively supporting new rental construction through incentives and participation in the Canada-Ontario Affordable Housing and / or where there is a demand for high end rental housing (Table 5). Areas where there was a high percentage of rental housing completed relative to the total amount of housing completed include Toronto (7%), Guelph (8.5%), Kitchener (21%), London (19%), and Sarnia (14%). In other markets, rental housing completions for the 2003-2007 period represented a modest share of total dwellings completed. These areas include Barrie (3%), Hamilton (4%), Ottawa (6%), Owen Sound (6%), St. Catharines-Niagara (4%), and Windsor (3%). Finally, it is important to note that in other markets, including Durham Region, York Region, the Greater Sudbury Area, Thunder Bay and Timmins, there has been virtually no rental housing completed during this five-year period.

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18 CBC news.ca

19 CMHC Rental Market Report: Greater Toronto Area, 2007

Reflecting the low cost of borrowing, freehold ownership housing accounted for the majority of new dwellings completed in most municipalities in Ontario between 2003 and 2007. One notable exception to this trend is the City of Toronto. Freehold ownership housing ranged from three quarters of all completions to one hundred per cent of completions depending on the area. In almost half of markets examined, approximately 90% or more of completions were freehold.

In a number of markets condominiums have become more popular as a housing tenure. In the City of Toronto, condominiums accounted for 71% of all completions – by far the highest proportion across the Province. As noted above, about 19% of these were rented in 2008. Condominiums also represent a relatively large share of the housing market in other parts of the GTA such as the Region of Peel (18%) and York Region (16%) as well as in the City of Ottawa (16%). In other centres outside of the GTA, such as Guelph, London and Thunder Bay, condominium completions account for almost a tenth of completions.

It will be interesting to see how slower growth in most parts of Ontario affects house and condominium prices. In particular, it will be interesting to see what portion of people who have purchased a condominium are not able to keep up their payments and may either try to sell it or rent it until economic and employment prospects improve. This could potentially have the greatest impact in the City of Toronto where approximately 28,000 condominium units (almost exclusively apartments) were under construction as of October, 2008<sup>20</sup>. The City of Toronto contains 78% of the condominiums currently under construction in the GTA<sup>21</sup>.

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20 CMHC, *Housing Now: Greater Toronto Area*, November 2008

21 *ibid*

**Table 5: Rental Housing Completions in Selected Markets Across Ontario,  
For Five Year Periods, 1998-2002 and 2003-2007**

Municipality	5-year Period	OWNERSHIP				RENTAL		ALL TENURES	
		Freehold		Condominium		Total Rental			
		Total	%	Total	%	Total	%	Total	%
Barrie CA	98-02	2,243	94.3%	57	2.4%	78	3.3%	2,377	100.0%
	03-07	1,643	92.0%	83	4.7%	60	3.4%	1,787	100.0%
Cornwall CA	98-02	116	94.1%	6	4.6%	2	1.3%	123	100.0%
	03-07	155	94.1%	5	3.2%	5	2.8%	165	100.0%
Durham Region	98-02	3,567	94.2%	179	4.7%	42	1.1%	3,788	100.0%
	03-07	4,154	92.7%	267	6.0%	58	1.3%	4,479	100.0%
Guelph CA	98-02	972	90.6%	26	2.4%	74	6.9%	1,073	100.0%
	03-07	858	83.0%	88	8.5%	88	8.5%	1,034	100.0%
Hamilton, City	98-02	2,483	70.5%	1,001	28.4%	36	1.0%	3,520	100.0%
	03-07	2,424	75.6%	665	20.7%	118	3.7%	3,207	100.0%
Kingston CA	98-02	571	89.1%	16	2.4%	54	8.4%	641	100.0%
	03-07	697	84.9%	1	0.1%	123	15.0%	821	100.0%
Kitchener CMA	98-02	2,609	90.0%	102	3.5%	188	6.5%	2,900	100.0%
	03-07	2,740	75.6%	135	3.7%	749	20.7%	3,623	100.0%
London CMA	98-02	462	86.0%	70	13.1%	5	1.0%	537	100.0%
	03-07	2,110	72.0%	260	8.9%	560	19.1%	2,929	100.0%
Muskoka	98-02	232	92.3%	15	5.8%	5	1.9%	251	100.0%
	03-07	263	94.0%	16	5.6%	1	0.4%	280	100.0%
North Bay CA	98-02	100	97.1%	2	1.9%	1	1.0%	103	100.0%
	03-07	134	96.3%	4	3.0%	1	0.7%	139	100.0%
Ottawa CMA	98-02	4,513	90.8%	131	2.6%	327	6.6%	4,970	100.0%
	03-07	4,661	77.6%	966	16.1%	378	6.3%	6,005	100.0%
Owen Sound CA	98-02	14	100.0%	0	0.0%	0	0.0%	14	100.0%
	03-07	51	79.4%	3	5.0%	10	15.6%	64	100.0%
Peel, Region of	98-02	8,582	85.3%	1,384	13.8%	93	0.9%	10,059	100.0%
	03-07	7,323	80.6%	1,627	17.9%	136	1.5%	9,086	100.0%
Peterborough CA	98-02	288	89.2%	34	10.5%	1	0.2%	323	100.0%
	03-07	421	88.5%	29	6.1%	25	5.3%	476	100.0%
St. Catharines - Niagara CMA	98-02	1,152	87.8%	127	9.7%	33	2.5%	1,312	100.0%
	03-07	1,248	90.6%	77	5.6%	53	3.8%	1,378	100.0%
Sarnia CA	98-02	177	99.1%	0	0.0%	2	0.9%	179	100.0%
	03-07	194	80.7%	13	5.3%	34	14.0%	240	100.0%
Sudbury, City of	98-02	185	90.6%	0	0.0%	19	9.4%	204	100.0%
	03-07	392	99.0%	0	0.0%	4	1.0%	396	100.0%
Thunder Bay CMA	98-02	177	87.9%	24	11.7%	1	0.4%	202	100.0%
	03-07	197	88.5%	21	9.3%	5	2.2%	223	100.0%
Timmins CA	98-02	29	96.1%	0	0.0%	1	3.9%	30	100.0%
	03-07	40	100.0%	0	0.0%	0	0.0%	40	100.0%
Toronto, City	98-02	2,291	27.8%	5,641	68.4%	313	3.8%	8,245	100.0%
	03-07	2,141	22.1%	6,851	70.8%	691	7.1%	9,683	100.0%
Windsor CMA	98-02	2,034	91.3%	166	7.4%	28	1.2%	2,227	100.0%
	03-07	1,440	91.2%	94	6.0%	44	2.8%	1,578	100.0%
York Region	98-02	9,955	91.4%	925	8.5%	15	0.1%	10,894	100.0%
	03-07	8,545	83.5%	1,659	16.2%	30	0.3%	10,235	100.0%

Source: CMHC Market Analysis Centre and Lapointe Consulting

### 3.3.4 Rental Housing Universe

The CMHC conducts an annual survey each October of the “universe” of private rental apartments in buildings with three or more units and of private rental row units in areas with 10,000 or more people. The total number of units may fluctuate from year to year as properties are converted to condominiums or demolished. Any additions to the Province’s purpose-built private rental housing stock are thus offset by any removal of rental housing that takes place over that year. The CMHC’s survey therefore provides a good measure of the amount of purpose-built rental housing stock in Ontario. Units in buildings with less than three rental units are now included in a separate spring survey.

Table 6 shows the number of units in the private rental market in buildings with three or more units, including row houses, in 1997 and 2007. Over the past decade, the total number of rental housing units decreased by approximately 8,500 units, from 605,910 row and apartment units in 1997 to 602,492<sup>22</sup> in 2007. This decrease took place despite 22,218 rental completions taking place over the same period. Many rental units have been lost to conversion to condominium ownership and demolition.

The impact on affordability of this net loss of rental stock over the last 10 years has been mitigated by a solid, growing economy, less immigration, steady job creation, and wage inflation. However, as we head into a very different economic environment over the next several years, we believe that there will be a shortfall of affordable rental housing and that the number of renter households in “core need” (Appendix A) will increase. In general, this loss of housing stock underlines the importance of creating additional purpose-built rental housing and ensuring that the existing stock is protected from unnecessary demolition and conversion.

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22 However, data obtained from CMHC showed that in 2003 and 2004, an estimated 16,422 apartments in Limited Dividend were transferred from the “public” universe (non-profit, public housing, co-operative housing) to the “private universe. It is necessary to add the 16,422 apartments back into the 1997 universe of private rental housing in order to make the 1997 and 2007 figures comparable. More units may have been transferred since 2004.



**Table 6: Change in Rental Housing Universe  
Rows and Apartments, 1997-2007**

<b>Market Area</b>	<b>1997 <sup>1</sup></b>	<b>2007</b>	<b>Change 1997-2007</b>
Barrie CA	3,629	3,688	59
Cornwall CA	4,012	3,826	-186
Guelph CA	7,753	7,577	-176
Hamilton CMA	46,895	45,297	-1,598
Kingston CMA	12,191	12,611	420
Kitchener CMA	29,953	31,221	1,268
London CMA	42,563	42,928	365
Muskoka	840	877	37
North Bay CA	4,020	3,613	-407
Oshawa CMA	12,439	12,146	-293
Ottawa CMA	71,683	68,229	-3,454
Owen Sound CA	1,871	1,770	-101
Peel Region	41,405	39,235	-2,170
Peterborough CA	6,064	6,147	83
St. Catharines-Niagara CMA	17,931	16,538	-1,393
Sarnia CA	6,396	6,168	-228
Sudbury CMA	11,905	12,041	136
Thunder Bay CMA	5,983	5,758	-225
Timmins CA	1,848	1,746	-102
Toronto (Metro)	260,500	259,964	-536
Windsor CMA	16,029	15,562	-467
York Region	N/A	5,550	N/A
<b>Total municipal areas</b>	<b>605,910</b>	<b>602,492</b>	<b>-8,665</b>
<b>% of Ontario Total</b>	<b>91.2%</b>	<b>91.5%</b>	
<b>Total Ontario (10,000+)</b>	<b>664,714</b>	<b>658,133</b>	<b>-8,968</b>

Note <sup>1</sup>: Data was obtained from CMHC London Branch office on the number of LD buildings that were moved from the “public” housing universe to the “private rental housing universe” between 1994 and 2004. As these units were included in the 2007 rental universe, they had to be added back to the universe in 1997 to make the comparison comparable. More units may have been transferred since 2004.

Source: CMHC Market Analysis Centre and calculations by Lapointe Consulting.

### 3.3.5 Rental Housing Demand

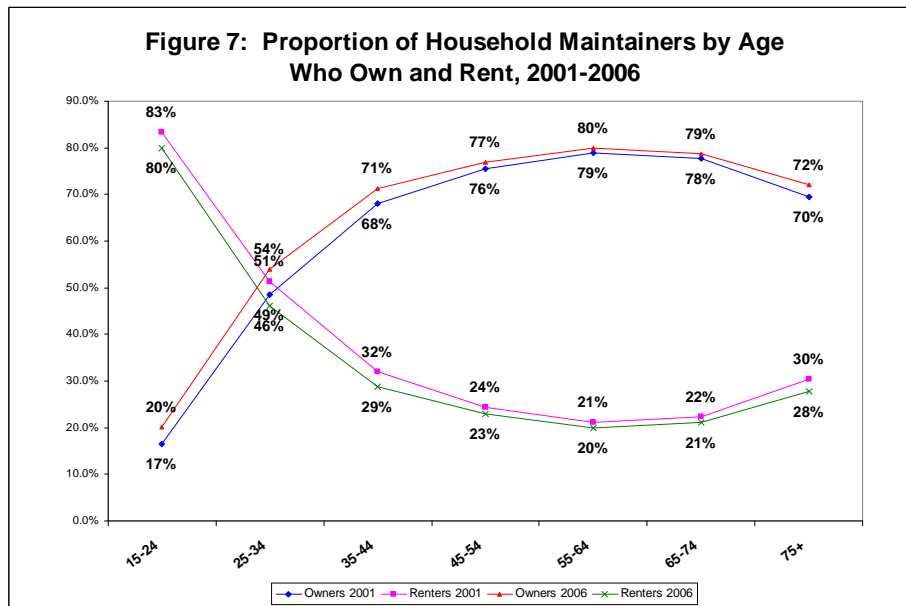
#### 3.3.5.1 General Market Conditions

The housing market in Ontario is in a state of flux, changing in response to the deteriorating economic conditions. The climate of low interest rates and strong economic growth that marked the period from 2001-2007 resulted in a strong demand for ownership housing among all age groups (Figure 8). Even with the reductions in mortgage rates anticipated in 2009, concerns around economic uncertainty are likely to reduce demand for ownership housing and, at the same time, increase demand for rental housing. While a slower market may bring down house prices in a number of markets, it is anticipated that many potential owners may choose to remain renters or younger households who may have left the family home to own a condominium, may return to their family.

#### 3.3.5.2 Determinants of Rental Demand

In order to meet the level of rental housing demand that we believe is necessary for Ontario, rental housing production will need to more than triple the 2007 level of production.

A major determinant of housing demand is the age distribution of the population. Rental demand is strongest among younger age groups, such as the under 24 age group and the 25-34



Source: Custom Tabulations from Statistics Canada, for the 2001 and 2006 Census.

year age group. Demand gradually declines between the ages of 35 and 74 before increasing again (Figure 7). Continued growth among younger and older households will increase the demand for rental housing.

Another major source of rental demand is immigration. Immigrants initially tend to rent housing although, over time, their home ownership rates typically to exceed those of Canadian-born individuals. The Ministry of Finance projects that Ontario's population will grow from 12.7 million in 2006 to 13.4 million by 2011 and to 14.3 million by 2016<sup>23</sup>. These population projections are based on an assumed level of 134,000 immigrants annually (approximately half of the total number to Canada) which is consistent with past levels. Migration, mostly international immigration, is expected to account for the bulk of the total population increase in the Ministry of Finance's projection for Ontario.

After taking into account alternative sources of rental housing (such as rented condominiums, rented single detached dwellings, etc.), it is estimated that there is a need to provide an additional 9,000 rental units annually over the five-year period between 2009 and 2013. The demand will then increase to 11,000 purpose-built rental housing units annually over the five year period between 2014 and 2018. Thus, over the 10-year period between 2009 and 2018, a minimum average of 10, 000 additional rental housing units must be built annually.<sup>24</sup> This figure is a conservative estimate and does not take into account the need to rebuild apartment units that no longer meet minimum building standards.

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23 Ministry of Finance, *Ontario Population Projections Update*, 2007

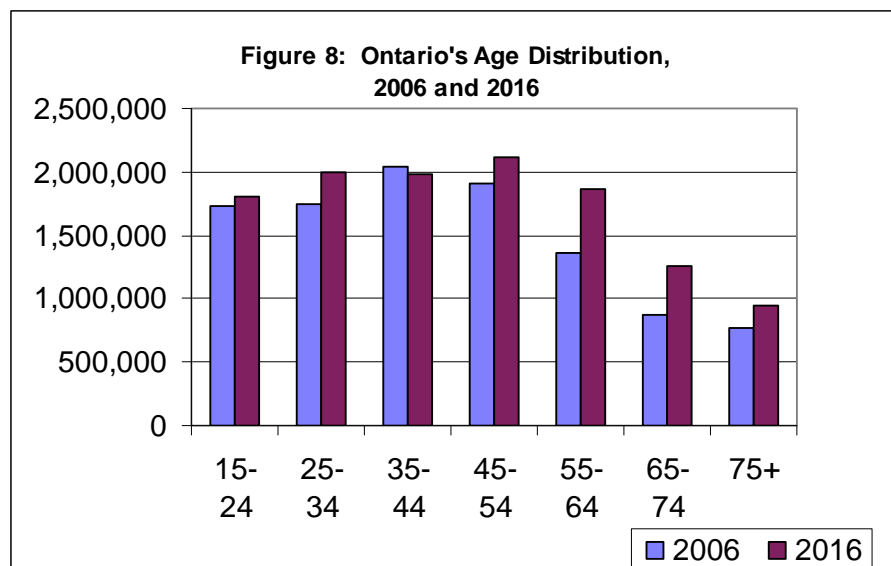
24 This figure was estimated by Lapointe Consulting using "housing propensities" (i.e., the likelihood of a household to be an owner or renter) to project future housing requirements based on the projected age distribution provided by the Ontario Ministry of Finance although total housing requirements from 2006 to 2010 were reduced to be in line with CMHC housing projections as shown in the Housing Outlook Canada Edition, 4th Quarter, 2008. While rental housing demand based solely on past housing propensities for row and apartment rental housing combined would be 21%, based on the increasing likelihood of individuals purchasing their home compared to earlier periods, this figure was reduced to 18% of future housing requirements. As well, it has been assumed that 22% of future new condominiums in Ontario will meet some of this rental demand. The resulting rental demand ranged from 9,200 for the period 2006-2010 to 11,300 for the period 2011-2016.

### 3.3.6 Waiting list for Social Housing<sup>25</sup>

ONPHA has monitored the waiting lists for social housing for the 47 Municipal Service Managers across Ontario each year since 2004<sup>26</sup>. At the beginning of 2008, there were approximately 124,000 households on the municipal waiting lists for assisted housing. While an increase over the previous year was identified (2,300 new households were added to the waiting lists representing an increase of 1.9% across the Province) it was also noted that many households did not add themselves to waiting lists because they are discouraged by the long wait times. For example, in Peel Region, the wait time is 21 years for singles and families.

There are some areas that experienced higher growth in the size of the waiting list. For example, the waiting list for the Greater Sudbury Area increased by 15% even though the local economy was booming in 2007. However, the tight rental market and rising rents resulted in an increase in the waiting list. Another area that experienced a sharp increase in the waiting list is the Region of Peel, where the waiting list has grown by 10%.

Based on data from the 47 Service Managers, the largest number of households on the waiting lists are families (38.7% of households on the waiting lists), followed by non-senior singles (36.5% of households on the waiting lists), and finally seniors, who represented 23.9% of active applications. The longest wait times, however, are experienced by single persons. Single persons wait six years or more for assisted housing in 25 of the Service Manager areas.



25 For the full report browse to <http://www.onpha.on.ca/waitinglists>

26 The annual survey is conducted by Tim Welch Consulting.

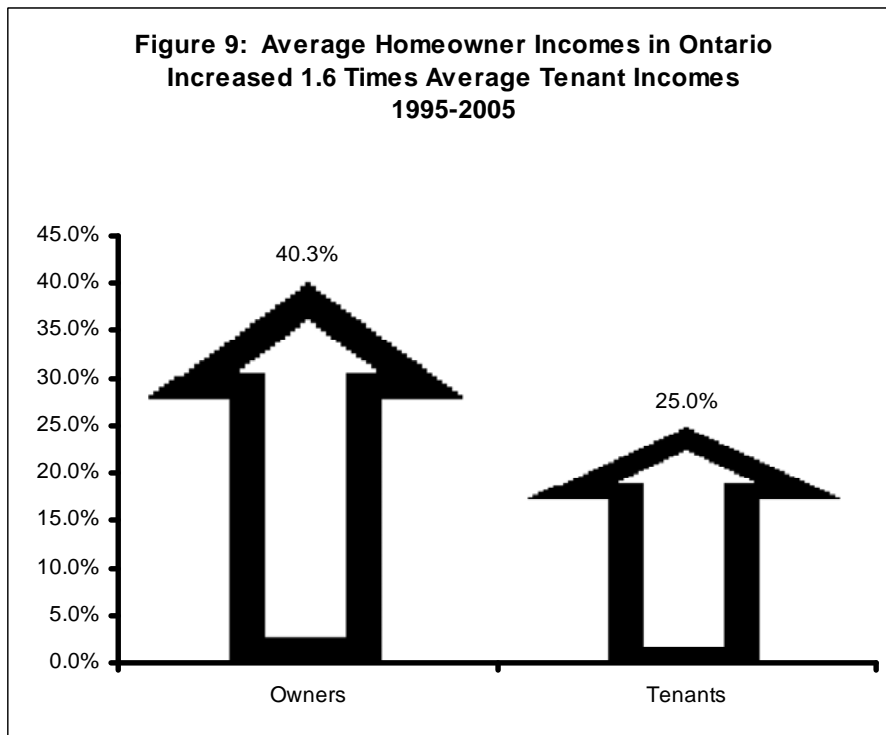
Among 43 of the Service Managers, an average of 72% of households on the waiting lists had annual incomes below \$20,000. As noted in the waiting list report, at an annual income of \$20,000, a household could afford a monthly rent of no more than \$500. This figure is below the average rent for both one and two bedroom apartments in all of Ontario's CMAs.

## 4 HOUSING AFFORDABILITY

This section examines trends in housing affordability for both owners and tenants using data obtained from Statistics Canada. The most recent data comes from the 2006 Census in which respondents were asked about their housing costs and income. The analysis shows that there is a growing gap between the incomes of owner households and tenant households and that, despite several years of good economic times, the level of housing affordability problems have remained high among tenant households. Other studies have examined trends in income inequality and they are discussed in this section as well.

### 4.1 GROWING GAP IN TENANT AND OWNER INCOMES

Income data from the 2006 Census (with incomes for 2005), shows that there has been a widening gap between owner and tenant household incomes and that the gap has increased even during good economic times. The average household income for owners in Ontario in 2005 was \$92,880 compared to an average household income of \$41,988 for tenants. The average income of owners in Ontario increased by 40.3% between 1995 and 2005, while the average income of tenants increased by 25% (Figure 9).



Source: Lapointe Consulting Estimates Based on Statistics Canada Custom Tabulation

These changes mean that owner incomes increased at a rate that was 1.6 times the rate of increase for tenant incomes over the 10-year period.

As Table 7 shows, the gap between owners' and tenants' average incomes has been increasing.

**Table 7: Average Income of Ontario Owners and Tenants, 1990-2005**

Household Type	1990			1995			2000			2005		
	Owner Ave. Income	Tenant Ave. Income	Owner: Tenant Ratio	Owner Ave. Income	Tenant Ave. Income	Owner: Tenant Ratio	Owner Ave. Income	Tenant Ave. Income	Owner: Tenant Ratio	Owner Ave. Income	Tenant Ave. Income	Owner: Tenant Ratio
Total	\$62,736	\$34,971	1.8	\$66,179	\$33,590	2.0	\$79,916	\$40,132	2.0	\$92,880	\$41,988	2.2
Family Households	\$67,041	\$40,546	1.7	\$71,561	\$38,556	1.9	\$86,923	\$46,821	1.9	\$101,629	\$48,666	2.1
Non-Family	\$36,727	\$27,980	1.3	\$37,769	\$27,125	1.4	\$43,632	\$31,615	1.4	\$51,105	\$33,000	1.5

Note: Family Households do not include multi-family and other families.

Source: Statistics Canada, custom tabulations for various years, Lapointe Consulting Calculations

In 1990, the average owner household income in Ontario was 1.8 times that of the average tenant household income. In 1995, reflecting the slower period of growth in the early 1990's, the average owner household increased to twice the level of tenant households and in 2000, owner household income continued to be twice that of renter households. In 2005, the average owner income was 2.2 times that of the average tenant household income, despite strong economic growth in Ontario. This growing gap not only reveals an increasing gap between lower and higher income earners, but also suggests that tenants who could afford to buy a home have done so, leaving behind those with lower incomes.

Most observers who take on the daunting task of defining a healthy society concern themselves with, among other things, the divisions between income groups or economic classes. This growing gap between tenants and owners has been a constant trend for many years now and, from that point of view, is unhealthy. As we show below, the gap in Ontario also is also the worst among the OECD countries, with the exception of Germany. This growing gap in incomes of tenants and owners is one of the many negative indicators that strong affordable housing policies, in conjunction with reasonable taxation policies and strong poverty reduction programs, can be expected to mitigate.

As was noted earlier, in some markets, increasing house prices have started to make it more difficult for tenants to leave the rental market. Given the current economic climate, it is likely that ownership rates will slow, and even decrease, during the tougher economic times we are now entering. Some of the differences in tenant and owner incomes are demographic. For example, renters are more likely to be younger adults and seniors and, therefore, have lower incomes, while owners are more likely to be childless couples and families with children.

As Table 8 shows, the incomes of non-family households have not increased as much as family incomes either for owners or for tenants. The high concentration of non-family households among tenants tends to lower the overall income of the tenant category.

#### 4.1.1 Growing Gap between those at the High End and the Low end of the Income Distribution

**Table 8: Change in Ontario Household Income for Different Household Types, 1995-2005**

Household Type	1995-2005	1995-2005
	Ch. In Ave. Owner Income	Ch. In Ave. Tenant Income
Total	40.3%	25.0%
Family Households	42.0%	26.2%
Non-Family	35.3%	21.7%

*Source: Statistics Canada Custom Tabulation and Lapointe Consulting*

Several studies have documented the growing gap in incomes in Canada and in Ontario and the relationship between poverty and housing.

##### 4.1.1.1 Growing Gap in Incomes

A recent report prepared by Armine Yalnizyan for the Canadian Centre for Policy Alternatives, documents how those at the bottom end of the income spectrum are getting less than those at the upper end of Ontario's wealth distribution. The economist analysed the before and after-tax earnings of the lowest 10 per cent of families with children under 18 years of age compared them to those of the highest 10 percent of such families. The study examined changes in incomes over the period between 1976 and 2004, adjusting them to inflation so that they are reflected in 2004 dollars.

The Growing Gap report noted that the average earned income of the richest 10% of Ontario families raising children was 27 times as great as that of the poorest 10% in 1976 and that, by 2004, the income of the top richest 10% of Ontario families has risen to 75 times that of the poorest 10%. In terms of the after-tax gap (taking account transfers and different income rates), the ratio



of the incomes of the top 10% to the bottom 10% grew from eight times in 1976 to over 11 times in 2004. In fact, incomes of the bottom 40% of families with children, representing 600,000 Ontario families, had not improved at all. They are simply being left behind.

Yalnizyan argues that poverty has become an intransigent, deepening phenomenon in our society and that the threshold at which families enter income categories in the bottom part of the distribution are at ever lower incomes. In 1976, families with children who earned less than approximately \$17,000 in Ontario (in inflation-adjusted 2004 dollars) fell into the category of the poorest 10% of families raising children under 18. By 2004, the threshold had dropped considerably, so that the poorest 10% of families raising children in Ontario earned less than \$10,700 – representing a decline of 37% in real income terms. This should be of great concern to all Ontarians.

Similar findings have been observed by a recent report by the OECD entitled *Growing Unequal? : Income Distribution and Poverty in OECD Countries (OECD 2008)*<sup>27</sup>. Although the study compared income distributions in Canada and other OECD countries, its findings are informative for Ontario. The study noted that after twenty years of decline, both inequality and poverty rates have increased rapidly in the last 10 years. The rich have been getting richer leaving both middle and poorer income classes behind. The study found that inequality of household earnings has increased significantly in Canada, with only Germany having a similar rate of increase during the past 10 years. The study also found that the poverty rate of older people is 6% and that 15% of children are living in poverty.

#### **4.1.1.2 Increasing Rate of Poverty Among Families with Children**

According to the Ontario Campaign 2000 *Report Card 2008*, almost one in every nine children and youth live in poverty<sup>28</sup>. Poverty rates are higher for lone, mother-led families, children with disabilities, and children in Aboriginal, immigrant and racial minority families. In 2007, 318,500 people in Ontario relied on food banks and 123,600 were children. Almost half (45%) of children in low-income families had at least one parent working full-time. Investing in the construction and repair of existing social housing is one of five identified solutions to child poverty.

According to a report by the Children's Aid Society of Toronto, the GTA was home to 50% of Ontario's children living in poverty in 2005, up from 44% in 1997.<sup>29</sup> While the City of Toronto

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27 The OECD study can be accessed at [www.org/els/social/inequality](http://www.org/els/social/inequality)

28 According to Statistics Canada, low income cut-offs (LICOs) are income thresholds, determined by analyzing family expenditure data, below which families will devote a larger share of income to the necessities of food, shelter and clothing than the average family would. LICO varies by family and community size.

29 Children's Aid Society of Toronto, *Greater Trouble in Greater Toronto: Child Poverty in the GTA*, 2008

has the highest child poverty rate (25%), the rate is increasing outside of the City as well. For example, Peel Region had a child poverty rate of 15% and it is 12% in York Region.

A 2008 survey of Food Bank Users in the GTA found that food bank users were spending 77% of their income on rent, primarily in the private market, and had a median monthly income of \$967. The survey also found that 34% of them were children and over half were single person households. Twenty-eight percent (28%) of them were working at an hourly wage rate of \$10.36.<sup>30</sup>

#### **4.1.1.3 Geographic Polarization of Income**

A recent study by the University of Toronto's Centre for Urban and Community Studies found that, between 1970 and 2000, Toronto neighbourhoods became increasingly polarized in terms of household income and that both wealth and poverty had become concentrated in particular areas. Hulchanski argues that half of the neighbourhoods in Toronto are now low-income and that, without intervention, the city will continue to become more polarized geographically along income and other socio-economic variables. He recommends that special policies be implemented to maintain, and promote, mixed-income neighbourhoods. The study also recommends improved income support programs as well as assistance with housing costs, typically the single largest expense in a household's budget, through greater access to social housing and rent supplements.

We support the recommendations of the study by the Centre for Urban and Community Studies. Spatial distribution by income and even culture are strongly influenced by economic and social forces. If these challenges are not addressed by public policy there is a risk that the conditions will eventually appear in extremes, gated communities and ghettos. Newly built social housing is one of the best forms of protection against increasing polarization - it can be targeted to new communities and areas of the city where the mix needs to be redressed.

Similarly, ONPHA and CHF Canada Ontario Region support government action to filter out "discriminatory" NIMBY.<sup>31</sup> This form of NIMBY uses planning-based arguments to oppose the development of new housing when in fact, they oppose the introduction of the population for whom the housing is being built into their communities.<sup>32</sup>

#### **4.1.1.4 Housing and Poverty Reduction**

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30 *Who's Hungry: A Profile of Hunger in the GTA, 2008.*

31 NIMBY – "Not in my backyard" can be legitimate and reasoned on planning grounds, but such opposition is often being deployed in a discriminatory manner by neighbourhood groups opposed to social housing and particularly supportive housing

32 The Ontario Human Rights Commission: *Human Rights and Housing, 2008*

A recent paper prepared by Steve Pomeroy and Leonore Evans examined housing as a mechanism for poverty reduction.<sup>33</sup> The paper outlines two important ways that housing can contribute to household poverty and ways that it can be used as a tool in developing policies and programs to address these issues:

- Firstly, because housing is the single largest expenditure in a household's budget, housing costs can "crowd out" other necessities and exacerbate an already inadequate income, creating "housing induced poverty."
- Secondly, the concentration of poverty described in Hulchanski's report can lead to concentrations of other social problems creating mutually reinforcing social and economic forces that make it difficult for adults and youth to participate in the broader society.

The Pomeroy / Evans report outlines three ways in which housing programs can contribute to the reduction of poverty:

1. At the individual household level, reducing housing costs enables lower income households to have more disposable income to meet other necessities and to better participate in society.
2. Constructing affordable housing can help to create mixed income communities to reduce the concentration of poverty and its associated problems.
3. Housing programs can be used as a basis for asset building by providing assistance to enable modest income households to access home ownership and thereby access equity through an appreciating asset.

We have reviewed some of these reports to make the point that housing and poverty are inextricably intertwined. As governments begin to sharpen their policy focus on combating poverty, it is essential that policies that maintain existing, and build new, affordable housing play a central role in future anti-poverty programs and initiatives.

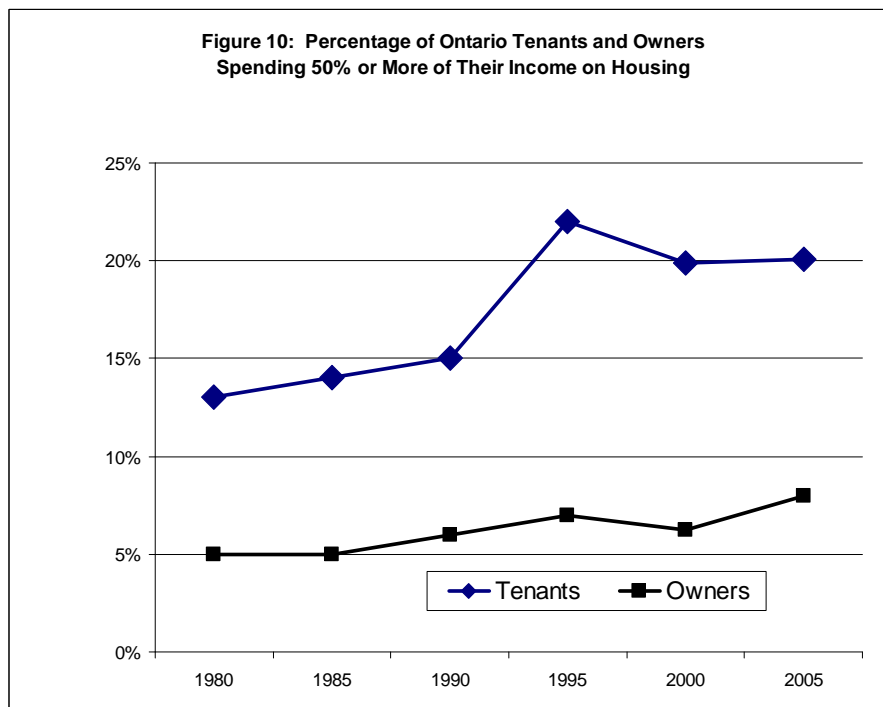
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<sup>33</sup> *Housing as a Mechanism in Poverty Reduction Strategies: A Brief Review of International Experience and Implications for Ontario*, prepared by Steve Pomeroy and Leonore Evans, Focus consulting for ONPAH, Jan. 2008.no:

## 4.2 ONE IN FIVE TENANTS IN ONTARIO SPEND 50% OR MORE OF THEIR INCOME ON HOUSING

### 4.2.1 Percentage of Tenants Who Spend 50% or More of Their Income on Housing

In Ontario, a growing number of tenants are spending 50% or more of their income on housing, despite the strong employment growth seen in recent years. In 2005, 20% of tenants, or one in five, were forced to cut back on other necessities or live in inadequate housing. Many were at considerable risk of losing their home. The anticipated impact of the current recession on low income households, including those that have recently lost their jobs, must be a central focus for Ontario policy makers going forward.



Source: Statistics Canada, Custom Tabulations, and Lapointe Consulting

The largest increase in the percentage of tenants spending 50% or more of their income on housing took place between 1990 and 1995, increasing from 15% to 22%. This increase can be attributed to the aftermath of the recession in the early 1990s. At the same time, the fall of 1995 saw social assistance rates cut by 22% by the Provincial government. In 2000, as the economy improved, the percentage of tenants spending 50% or more of their income on housing decreased slightly, to 20%, where it remained in 2005 despite strong economic growth.

**Table 9: Ontario Households Spending 50% or More of Their Income on Housing, 1980-2005**

GREATER THAN 50%												
Tenure	1980		1985		1990		1995		2000		2005	
Tenants	144,260	13%	166,450	14%	194,920	15%	300,645	22%	265,990	20%	261,225	20%
Owners	94,875	5%	88,820	5%	135,310	6%	165,005	7%	175,335	6%	255,915	8%

*Source: Statistics Canada, Custom Tabulation, and Lapointe Consulting*

Another factor in this alarming trend is the movement of higher income tenants into homeownership, as affordable mortgage rates and strong employment growth were common prior to the fall of 2008. Whereas 20% of tenants paid 50% or more of their income on housing in 2005, only 8% of homeowners were in this category. This means that tenants are 2.5 times more likely than owners to be in this precarious housing situation.

The current period of slow growth and projected recession is expected to affect all households, but it is anticipated that the impacts will be disproportionately felt by low- and moderate income tenants, many of whom do not have the financial resources to weather the storm and, as a result, more precarious housing situations. Depending on the length and depth of the recession, homeowners may also be affected. Homeowners may not be able to keep up with their mortgage payments and may possibly return to the rental market. However, it is not expected that this trend will be as pronounced as it is in the United States.

#### **4.2.2 Nearly Half of Tenants Spend 30% or More of Their Income on Housing**

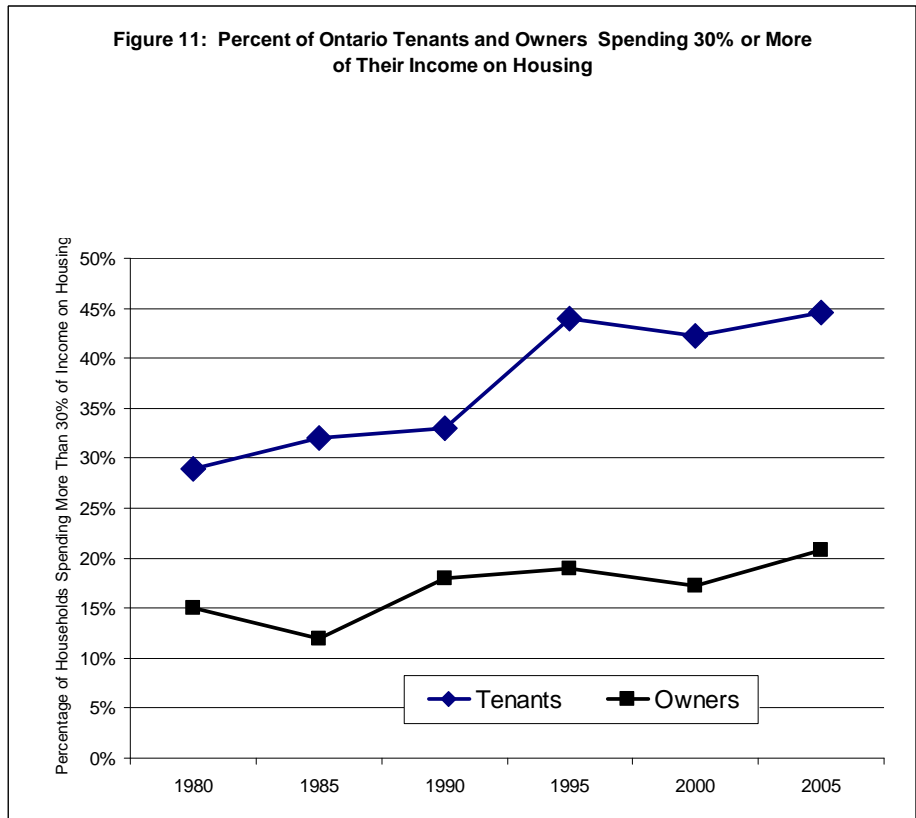
Households who spend more than 30% of their gross income on housing have, for some time, been seen as having a housing affordability problem.<sup>34</sup> The situation for owners is a bit more complex because they are purchasing an asset. Banks require a slightly higher ratio of housing costs to income for homeowners before they will approve a household for a mortgage. According to the CMHC, housing costs for home owners, including monthly mortgage, heating, and taxes, should not exceed 32% of gross household income.

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<sup>34</sup> The threshold used to be 25% of gross income on housing, but has risen to 30%.

A second requirement is that a home owner's household's total debt load should not exceed 40% of gross annual income.<sup>35</sup> So, it is understandable that a portion of home-owners pay more than 30% of their income on housing. The percentage of tenants in Ontario spending 30% or more of their gross income on housing has dramatically increased from 29% in 1980 to 45% in 2005. As a result, close to half of tenant households has a housing affordability problem.

The percentage of owner households paying 30% or more of their income on housing has also risen, from 17% in 2000 to 21% in 2005. Owners were less than half as likely as tenants to have an affordability problem.



Source: Statistics Canada, Custom Tabulation, and Lapointe Consulting

**Table 10: Ontario Households Spending 30% or More of Their Income on Housing, 1980-2005**

Tenure	1980		1985		1990		1995		2000		2005	
Tenants	310,540	29%	366,805	32%	432,915	33%	615,985	44%	564,730	42%	580,265	45%
Owners	271,265	15%	248,815	12%	403,785	18%	467,400	19%	485,900	17%	665,165	21%

Source: Statistics Canada, Custom Tabulation, and Lapointe Consulting

<sup>35</sup> According to CMHC, the first rule is that your monthly housing costs should not exceed 32% of your gross monthly household income. Housing costs include monthly mortgage payments, taxes and heating expenses. If applicable, this sum should also include half of monthly condominium fees. Secondly, your entire monthly debt load should not be any more than 40% of your gross monthly income. This includes housing costs, and other debts such as car payments, personal loans, and credit card payments. For more information go to [www.cmhc-schl.gc.ca/en/co/buho/index.cfm](http://www.cmhc-schl.gc.ca/en/co/buho/index.cfm).

### **4.2.3 Single-Parent Families and Single Person Households Are More Likely to Have a Housing Affordability Problem**

Among tenants, single-parent families and non-family households (mostly single persons) were most likely to pay 30% or more of their income on housing (Table 11). More than half (51%) of single parent households and non-family households (53%) spend 30% or more of their income on rent. Of greater concern is the 24% of single-parent households and the 25% of non-family households who spend 50% or more of their income on rent.

We also examined the relationship between housing affordability varied and the age of the household maintainer for tenant households. Sixty-two percent of younger tenant households (where the household maintainer is under 25 years of age) and older households (where the household maintainer is 75+ years of age) spend 30% or more of their income on housing (Table 12). Fifty-three percent of tenant households where the household maintainer was between 65 – 74 also experienced housing affordability problems. For other age groups, the percentage of households paying 30% or more of their income on housing was roughly 40%.

**Table 11: Proportion of Ontario Tenant Households Spending 30% and 50% of Their Income on Rent, by Household Type, 2005**

Household Type	Households	Number of Households Paying 30%+	% of Households Paying 30% or More	Number of Households Paying 50%+	% of Households Spending 50%+
Family households	671,720	245,350	36.5%	101,180	15.1%
One family only households	608,060	228,405	37.6%	94,775	15.6%
Couple family households	425,880	135,550	31.8%	51,675	12.1%
With children	221,715	73,390	33.1%	28,585	12.9%
Lone-parent family households	182,180	92,865	51.0%	43,105	23.7%
Other family households	63,650	16,940	26.6%	6,405	10.1%
Non-family households	629,680	334,915	53.2%	160,040	25.4%
One person households	544,430	300,025	55.1%	142,260	26.1%
Two or more persons households	85,250	34,895	40.9%	17,785	20.9%
<b>Total Household Type</b>	<b>1,301,400</b>	<b>580,265</b>	<b>44.6%</b>	<b>261,225</b>	<b>20.1%</b>

*Source: Statistics Canada Custom Tabulation and Lapointe Consulting*



**Table 12: Proportion of Tenant Household Spending 30% and 50% of Their Income on Rent, by Age of Household Maintainer, 2005**

Tenants	Total Households	Households spending 30%+	% of Age Group Spending 30%+	% of Tenants Spending 30%+	Households Spending 50%+	% of Age Group Spending 50%+	% of Tenants Spending 50%+
Less than 25	102,895	63,795	62.0%	11.0%	38,975	37.9%	14.9%
25-34	284,705	111,140	39.0%	19.2%	51,945	18.2%	19.9%
35-44	285,750	113,610	39.8%	19.6%	54,190	19.0%	20.7%
45-54	236,805	92,060	38.9%	15.9%	45,755	19.3%	17.5%
55-64	152,980	61,885	40.5%	10.7%	29,915	19.6%	11.5%
65-74	107,320	56,830	53.0%	9.8%	15,890	14.8%	6.1%
75+	130,945	80,945	61.8%	13.9%	24,555	18.8%	9.4%
Total	1,301,400	580,265	44.6%	100.0%	261,225	20.1%	100.0%

Source: Statistics Canada Custom Tabulation and Lapointe Consulting

While approximately a fifth of all tenant households spend more than 50% of their income on housing, this number jumps to 38% in households where the household maintainer is under 25 years of age. A similar trend was not found among older adults. The increased incidence of serious affordability problems among younger households could reflect higher unemployment and underemployment rates among those under 25 years. They are more likely than older individuals to be employed on a part-time basis or at a lower-wage entry level job. Approximately 19% of households led by an individual between the ages of 25 and 54 and 15% of those between 55 – 64 paid more than 50% of their gross income on rent.

**Table 13: Proportion of Owner Households Spending 30% and 50% of Their Income on Housing Costs, by Age of Household Maintainer, 2005**

Owners	Total Households	Households spending 30%+	Households Spending 50%+	% of Age Group Spending 50%+	% of Owners Spending 50%+
Less than 25	25,740	12,035	6,605	25.7%	2.6%
25-34	334,620	92,570	31,560	9.4%	12.3%
35-44	710,145	180,200	66,545	9.4%	26.0%
45-54	789,360	154,210	64,585	8.2%	25.2%
55-64	607,000	106,345	47,150	7.8%	18.4%
65-74	396,120	61,730	20,880	5.3%	8.2%
75+	336,865	58,085	18,595	5.5%	7.3%
Total	3,199,850	665,175	255,920	8.0%	100.0%

Source: Statistics Canada Custom Tabulation and Lapointe Consulting



As Table 13 shows, among homeowners, the age range where the highest percentage of households were paying 30% or more of their income on housing costs were those headed by a household maintainer under 25 years of age. The incidence of paying 30% or more of household income on housing gradually decreases with age, although there is a small increase among the 75+ age group. Overall, home owners were spending 20.8% of their income on housing with the ratio declining with age (as mortgage payments decline). A relatively small proportion (8%) of homeowners were paying 50% or more of their income on housing, except for those under 25 years of age of whom 26% were paying 50% or more of their income on housing. The proportion with this serious housing affordability problem also decreased with age of the household maintainer.

#### **4.2.4 Housing Affordability Across Ontario Markets**

##### **4.2.4.1 Tenants Paying 50% or More of Their Income on Housing Costs**

Table 14 provides a summary of the number and percentage of households across the 22 housing markets examined in this report with a housing affordability problem. Those municipalities with the highest proportion of tenants paying 50% or more of their income on rent include the City of Barrie (23.4%), the City of Kingston (22.2%), the City of Peterborough (23.6%), the City of Toronto (22.9%), the City of Windsor (22.9%), and York Region (22.5%).

In a number of other municipalities, the percentage of tenants paying 50% or more of their income on rent ranged between 19% and 21%. For example, Durham Region (20.6%), the City of Hamilton (20.6%), the City of London (20.0%), North Bay (20.4%), Ottawa (19.8%), Peel Region (19.0%), and St. Catharines (21.1%)

In the remaining municipalities, the proportion of tenants paying 50% or more was between 16%-18%, including: Cornwall (18.2%), Guelph (18.1%), Muskoka District (17.6%), Sarnia (16.8%), Sudbury (16.1%), Thunder Bay (17.3%), and Waterloo Region (16%). The municipalities with the lowest proportion of tenants paying 50% or more on rent were Owen Sound (14.8%) and Timmins (12.5%). This likely reflects the lower rent levels in those municipalities.

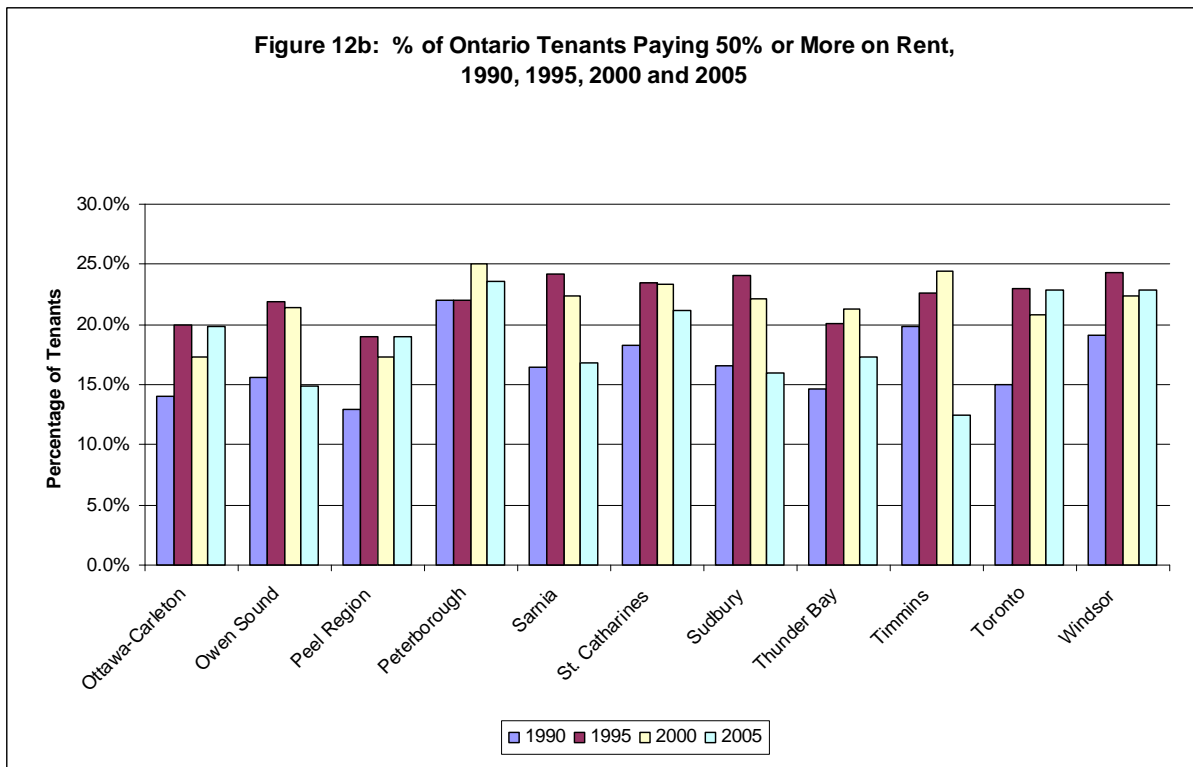
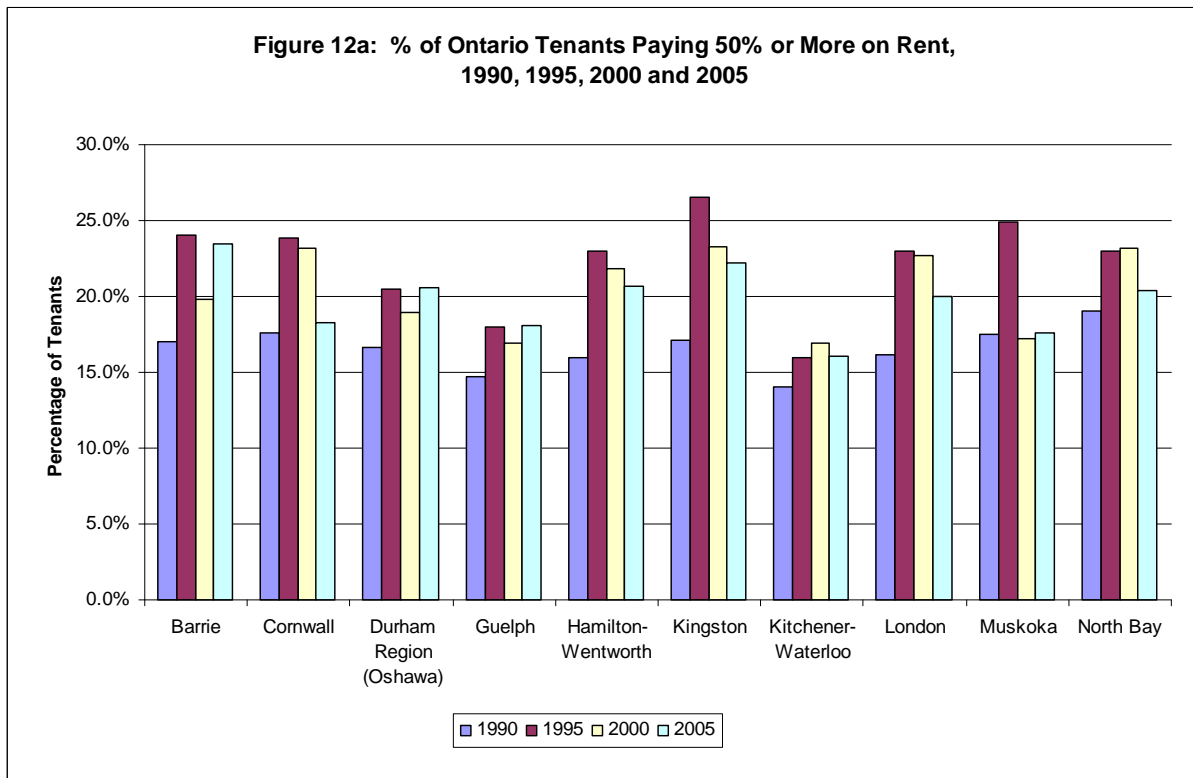
#### **4.2.4.2 Tenants Paying 30% or More of Their Income on Housing Costs**

Using the standard measure of 30% of gross income on housing, the 2005 income data from the Census helps to identify significant housing affordability problems in most municipalities in Ontario. More than half (51.6%) of tenant household in Peterborough had a housing affordability problem. In several municipalities, just under 50% of tenants were paying more than 30% of their income on housing, including: the City of Barrie (48.9%), Cornwall (49.2%), Kingston (48.8%), North Bay (48.4%), The City of St. Catharines (47.3%), the City of Toronto (47.0%), the City of Windsor (47.5%), and York Region (48.0%).

In several other municipalities, between 40% and 45% of tenants were paying 30% or more of their income on housing, including: Durham Region (45.0%), Guelph (41.7%), Hamilton (44.8%), the City of London (44.7%), Muskoka District (41.6%), the City of Ottawa (42.4%), Owen Sound (45.6%), Peel Region (43.0%), Sarnia (43.8%), the City of Sudbury (40.4%), and Thunder Bay (45.4%).

The lowest incidence of housing affordability problems was in the Region of Waterloo (38.9%) and the City of Timmins (37.8%). Both municipalities had strong economies when the Census was taken, which may help to explain the lower level of housing affordability problems.

In most cases, the number of tenant households spending 30% or more of their gross income on housing increased between 1990 and 2005, in some areas by as much as 10%. For example, in the City of Barrie, 37% of tenants spent 30% or more of their income on housing in 1990. In 2005 this figure had risen to 48.9%. Similarly, Durham Region saw an increase to 45% of households in 2005 from 35.6% in 1990. In Kingston, the percentage rose from 37.1% in 1990 to 48.8% in 2005. In the City of Toronto, the percentage of tenant households rose from 33% in 1990 to 47% in 2005. Timmins was the exception to this trend, where the percentage paying 30% or more on rent actually decreased from 39.6% in 1990 to 37.8% in 2005, reflecting the strong demand for commodities.



**Table 14: Percentage of Tenants and Owners  
Spending 50% or More of Their Income on Rent**

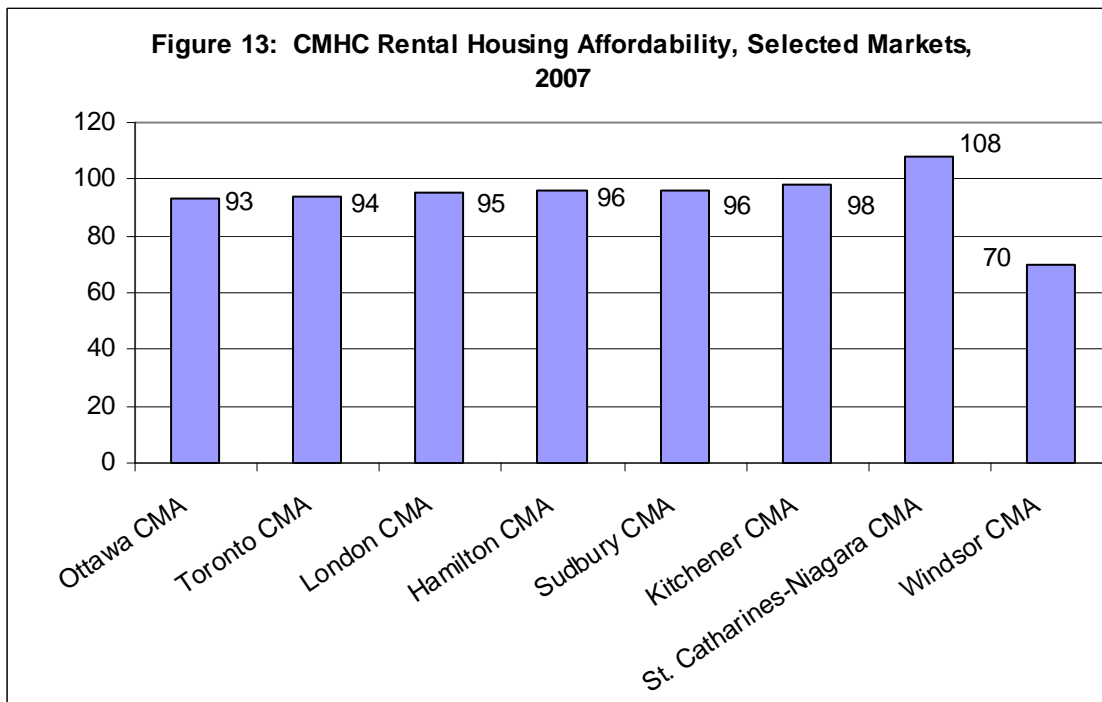
	All Households	50% or Greater							
		1990		1995		2000		2005	
		#	%	#	%	#	%	#	%
Ontario	Tenants	194,920	15.0%	300,645	22.0%	265,990	19.9%	261,225	20.1%
	Owners	135,310	6.0%	165,005	7.0%	175,335	6.2%	255,915	8.0%
Barrie (City)	Tenants	1,365	17.0%	2,460	24.0%	2,045	19.8%	2,565	23.4%
	Owners	995	7.0%	1,295	7.0%	1,610	6.1%	3,030	8.5%
Cornwall (City)	Tenants	1,380	17.6%	2,050	23.8%	1,890	23.2%	1,480	18.2%
	Owners	600	5.7%	655	6.2%	730	6.7%	655	5.7%
Durham Region	Tenants	5,670	16.7%	7,620	20.5%	6,570	19.0%	7,130	20.6%
	Owners	6,570	6.6%	7,600	6.6%	14,195	10.5%	11,875	7.5%
Guelph (City)	Tenants	1,905	14.7%	2,550	18.0%	2,295	16.9%	2,475	18.1%
	Owners	795	4.1%	1,000	4.6%	1,300	4.8%	1,730	5.6%
Hamilton (City)	Tenants	10,065	16.0%	15,470	23.0%	14,200	21.9%	12,650	20.6%
	Owners	5,940	6.0%	6,525	6.0%	7,190	5.9%	8,915	6.7%
Kingston (City)	Tenants	2,640	17.1%	4,155	26.6%	4,500	23.3%	4,075	22.2%
	Owners	525	5.4%	645	6.4%	1,320	4.9%	1,695	5.6%
Waterloo Region	Tenants	6,990	14.0%	10,065	16.0%	8,840	17.0%	8,370	16.1%
	Owners	4,125	5.0%	5,940	6.0%	5,055	4.7%	6,630	5.3%
London (City)	Tenants	8,865	16.1%	12,750	23.0%	12,695	22.7%	10,950	20.0%
	Owners	3,060	4.8%	4,125	5.6%	4,295	5.3%	5,220	5.8%
Muskoka (District)	Tenants	700	17.5%	1,075	24.9%	700	17.2%	705	17.6%
	Owners	985	7.2%	1,200	8.0%	1,060	6.4%	1,510	7.9%
North Bay (City)	Tenants	1,625	19.0%	2,150	23.0%	1,945	23.2%	1,790	20.4%
	Owners	570	5.0%	810	7.0%	810	6.2%	820	5.9%
Ottawa (City)	Tenants	16,290	14.0%	24,020	20.0%	20,475	17.3%	21,540	19.8%
	Owners	5,925	4.0%	6,895	4.0%	7,105	3.9%	11,000	5.2%
Owen Sound (City)	Tenants	570	15.6%	810	21.9%	815	21.4%	560	14.8%
	Owners	195	3.9%	245	4.7%	245	4.6%	365	6.5%
Peel Region	Tenants	9,300	13.0%	15,455	19.0%	13,555	17.3%	14,790	19.0%
	Owners	12,240	8.0%	15,155	8.0%	16,365	7.1%	30,995	11.1%
Peterborough (City)	Tenants	2,220	22.0%	2,995	22.0%	2,585	25.1%	2,680	23.6%
	Owners	999	6.0%	965	6.0%	1,030	5.5%	1,300	6.6%
Sarnia (City)	Tenants	1,550	16.5%	2,145	24.3%	1,980	22.4%	1,500	16.8%
	Owners	710	3.8%	755	3.8%	980	4.8%	960	4.5%
St. Catharines (City)	Tenants	3,055	18.3%	4,245	23.5%	3,960	23.4%	3,560	21.1%
	Owners	1,635	5.0%	1,930	5.7%	2,200	6.0%	2,485	6.6%
Sudbury (City)	Tenants	3,445	16.5%	5,665	24.1%	4,785	22.2%	3,440	16.1%
	Owners	1,890	5.0%	1,900	4.8%	2,375	5.8%	1,705	3.9%
Thunder Bay (City)	Tenants	2,110	14.7%	2,905	20.1%	2,890	21.4%	2,335	17.3%
	Owners	970	3.4%	1,455	4.8%	1,520	4.8%	1,555	4.8%
Timmins (City)	Tenants	1,165	19.8%	1,420	22.6%	1,345	24.4%	680	12.5%
	Owners	570	5.1%	665	5.9%	660	5.7%	620	5.2%
Toronto (City)	Tenants	66,415	15.0%	106,295	23.0%	95,760	20.8%	101,240	22.9%
	Owners	32,840	8.0%	39,235	9.0%	41,015	8.6%	64,565	12.1%
Windsor (City)	Tenants	5,220	19.1%	7,310	24.3%	6,560	22.4%	6,595	22.9%
	Owners	2,295	4.9%	2,575	5.3%	2,940	5.4%	4,095	6.9%
York Region	Tenants	N/A	N/A	N/A	N/A	N/A	N/A	7,210	22.5%
	Owners	N/A	N/A	N/A	N/A	N/A	N/A	28,975	12.0%

**Table 15: Percentage of Tenants Spending 30% or more on Rent, 1990-2005**

	All Households	30% or Greater							
		1990		1995		2000		2005	
		#	%	#	%	#	%	#	%
Ontario	Tenants	432,915	33.0%	615,985	44.0%	564,730	42.2%	580,265	44.6%
	Owners	403,785	18.0%	467,400	19.0%	485,900	17.3%	665,165	20.8%
Barrie (City)	Tenants	3,075	37.0%	4,820	48.0%	4,615	44.8%	5,355	48.9%
	Owners	3,260	23.0%	4,030	22.0%	5,160	19.5%	8,510	24.0%
Cornwall (City)	Tenants	3,080	39.4%	4,410	51.2%	3,975	48.8%	3,995	49.2%
	Owners	1,550	14.8%	1,795	17.0%	1,845	17.0%	1,915	16.6%
Durham Region	Tenants	12,110	35.6%	16,125	43.4%	14,445	41.7%	15,600	45.0%
	Owners	22,965	22.9%	24,310	21.1%	24,305	17.9%	34,515	21.7%
Guelph (City)	Tenants	4,350	33.6%	5,535	39.1%	5,120	37.8%	5,695	41.7%
	Owners	3,165	16.4%	3,475	16.1%	3,985	14.0%	5,580	18.0%
Hamilton (City)	Tenants	22,025	35.0%	30,935	47.0%	29,100	44.8%	27,470	44.8%
	Owners	19,160	18.0%	19,585	18.0%	20,910	17.1%	25,560	19.3%
Kingston (City)	Tenants	5,710	37.1%	7,940	50.8%	9,245	47.8%	8,950	48.8%
	Owners	1,590	16.3%	1,830	18.3%	3,990	14.8%	5,010	16.5%
Waterloo Region	Tenants	16,160	32.0%	30,935	47.0%	18,870	36.3%	20,240	38.9%
	Owners	14,475	17.0%	19,585	18.0%	15,380	14.3%	20,575	16.5%
London (City)	Tenants	19,845	36.1%	26,155	47.2%	25,225	45.1%	24,445	44.7%
	Owners	9,545	14.9%	12,265	16.6%	12,415	15.3%	15,095	16.7%
Muskoka (District)	Tenants	1,575	39.5%	2,185	50.6%	1,740	42.8%	1,665	41.6%
	Owners	2,480	18.0%	3,180	21.2%	2,830	17.2%	3,670	19.3%
North Bay (City)	Tenants	3,370	40.0%	4,365	58.0%	4,025	48.0%	4,240	48.4%
	Owners	1,940	16.0%	2,085	17.0%	2,095	16.1%	2,440	17.6%
Ottawa (City)	Tenants	36,120	30.0%	48,930	41.0%	43,930	37.2%	46,140	42.4%
	Owners	20,775	15.0%	23,635	15.0%	21,690	11.9%	32,050	15.2%
Owen Sound (City)	Tenants	1,410	38.5%	1,890	51.2%	1,830	48.1%	1,720	45.6%
	Owners	630	12.6%	705	13.6%	710	13.2%	1,115	20.0%
Peel Region	Tenants	21,995	31.0%	32,555	40.0%	29,835	38.1%	33,500	43.0%
	Owners	39,570	25.0%	46,800	26.0%	49,495	21.6%	81,050	29.0%
Peterborough (City)	Tenants	4,665	43.0%	5,830	55.0%	5,330	51.7%	5,860	51.6%
	Owners	2,815	17.0%	2,965	17.0%	3,105	16.4%	3,730	18.8%
Sarnia (City)	Tenants	3,435	36.6%	4,315	48.8%	4,025	45.6%	3,915	43.8%
	Owners	2,220	11.8%	2,295	11.7%	2,430	12.0%	2,625	12.4%
St. Catharines (City)	Tenants	6,340	38.0%	8,495	47.0%	8,020	47.4%	7,980	47.3%
	Owners	4,920	15.0%	5,380	15.8%	5,990	16.3%	7,050	18.7%
Sudbury (City)	Tenants	7,360	35.3%	11,355	48.3%	9,610	44.6%	8,665	40.4%
	Owners	5,130	13.6%	5,510	13.9%	6,035	14.6%	5,210	12.0%
Thunder Bay (City)	Tenants	4,590	31.9%	6,190	42.9%	6,270	46.3%	6,140	45.4%
	Owners	2,960	10.2%	3,875	12.8%	4,225	13.4%	4,235	12.9%
Timmins (City)	Tenants	2,330	39.6%	2,895	46.1%	2,640	48.0%	2,060	37.8%
	Owners	1,635	14.8%	1,655	14.6%	1,655	14.4%	1,490	12.5%
Toronto (City)	Tenants	145,225	33.0%	212,710	45.0%	198,475	43.2%	208,255	47.0%
	Owners	85,500	21.0%	100,595	23.0%	106,225	22.2%	147,265	27.7%
Windsor (City)	Tenants	10,475	38.3%	14,285	47.5%	12,910	44.1%	13,720	47.6%
	Owners	6,355	13.6%	7,015	14.4%	8,035	14.8%	11,040	18.6%
York Region	Tenants	N/A	N/A	N/A	N/A	N/A	N/A	15,395	48.0%
	Owners	N/A	N/A	N/A	N/A	N/A	N/A	66,240	27.3%

### 4.3 CMHC'S AFFORDABILITY INDEX

The CMHC has introduced a new “rental housing affordability indicator” to measure how affordable a rental market is based on the premise that households should be spending less than 30% of their income on rent (Figure 13) To obtain the affordability index in a given area, the three year moving average of the median income in a given market is divided by the level of income required to rent a median priced two-bedroom apartment in that market and the result is multiplied by 100 to get the affordability index. A result of 100 on this index means the median priced two-bedroom apartment can be rented at 30% of the median income. A result above 100 indicates that less than 30% of the median income is required to rent the two bedroom apartment; hence housing is more affordable, while a value below 100 indicates that more than 30% of median income is required to rent the same unit, and therefore the unit is not affordable.



According to this indicator, in most rental markets with available data, more than 30% of the median tenant household income would be required to pay the median rent for a two-bedroom apartment. Windsor had the lowest result on the index (70), meaning housing is least affordable there, possibly a reflection of declining incomes in that area. Other than Windsor, Ottawa had the lowest affordability index result (93), followed by Toronto (94), London (95), Hamilton (96) and Sudbury (96). The housing affordability index in the Kitchener CMA was 98, a figure that is pretty close to the affordable level. The area where rental housing was most affordable was

St. Catharines-Niagara, where the housing affordability index was 108 and it would cost significantly less than 30% of the median income to rent a two-bedroom apartment.

For the eight markets for which the affordability index has been determined, the following trends were observed:

- In Hamilton, there was no change in the affordability indicator.
- In the Toronto CMA and in the Ottawa CMA, the housing affordability indicator grew, indicating an improvement in rental housing affordability.
- In the London CMA, the rental housing affordability indicator is at the highest level for which data has been available, indicating that housing is becoming more affordable.
- In the Sudbury CMA, as a result of strong growth in tenant incomes, the rental housing indicator is at the highest level since 2001 when it was 101.
- In the Kitchener CMA, the rental housing indicator is at the highest level in affordability over the 12 year period.
- In the St. Catharines-Niagara CMA, income growth has outpaced increases in the rents for two bedroom apartment and hence, is more affordable than in the other markets examined.

In the past, the CMHC has used core need to identify housing need in a given area; however, the most recent core need estimates are from 2001 and it is not clear when the core need data will be updated. Data on core need is included in Appendix A.



## **4.4 HOUSING AFFORDABLE TO DIFFERENT OCCUPATIONS AND MINIMUM WAGE EARNERS**

### **4.4.1 Earnings for Different Occupations Based on the 2006 Census**

Tables 16a and 16b show the rent that tenants in different occupations could afford in different markets. The data shows that people in a range of occupations will have difficulty affording rents in their municipalities. The annual income was based on the 2006 Census which provided average employment income for different employment classifications for the year 2005 and was updated using the change in the average weekly wage from Statistics Canada for Ontario.

The Tables also show the average rents for one and two-bedroom apartments in 2007 in four areas: the City of Toronto, the Ottawa CMA, the Hamilton CMA, and the Sudbury CMA. As well, the minimum wage shown is for 2007 to be comparable to rents and estimated incomes for the same time period. The Province scheduled regular increases to the minimum wage between 2006, when it was \$7.75 per hour and March 31, 2010, when it is scheduled to reach \$10.25 per hour.

The following affordability analysis is based on the assumption that there is only one wage earner in the household, approximating the experience of single person households or couples with children where one parent provides child care or is otherwise unable to work. This, in turn, helps to demonstrate the link between housing affordability and the need for subsidized daycare for lower income households. In some instances, the lack of affordable daycare will directly contribute to housing being unaffordable.

The Tables begin to humanize the wide range of statistics in this report and demonstrates the hard choices that lower income households must make in the absence of a sufficient supply of accessible and affordable low income housing. There were, for example, over 200,000 households in Ontario working at minimum wage in 2008. This table shows that almost none of them could afford to pay the rent for typical apartments in these four jurisdictions.



**Table 16a: Earnings by Occupation and Affordable Rents, Toronto and Ottawa**

Apartment Size and Income Needed	Toronto (City)			Ottawa CMA		
	Annual Inc. Needed	Mo. Inc. Needed	Ave. Rent	Annual Inc. Needed	Mo. Inc. Needed	Ave. Rent
Bachelor	\$29,680	\$2,473	\$742	\$25,720	\$2,143	\$643
Ave. 1 Bedroom Rent	\$36,080	\$3,007	\$902	\$31,920	\$2,660	\$798
Ave. 2 Bedroom Rent	\$42,880	\$3,573	\$1,072	\$38,440	\$3,203	\$961
Ave. Income	2007 (est)*	Mo Inc.	Aff. Hsg	2007 (est)	Mo Inc.	Aff. Hsg
Elementary school & kindergarten teachers	\$50,353	\$4,196	\$1,259	\$47,427	\$3,952	\$1,186
Carpenter	\$33,045	\$2,754	\$826	\$30,122	\$2,510	\$753
Medical Secretary	\$30,532	\$2,544	\$763	\$28,071	\$2,339	\$702
Labourers in processing, mfg. and utilities	\$21,977	\$1,831	\$549	\$22,517	\$1,876	\$563
Data entry clerks	\$24,470	\$2,039	\$612	\$24,422	\$2,035	\$611
Retail salesperson and sales clerk	\$22,845	\$1,904	\$571	\$20,186	\$1,682	\$505
Chefs and cooks	\$20,204	\$1,684	\$505	\$17,786	\$1,482	\$445
Food and beverage servers	\$12,644	\$1,054	\$316	\$11,863	\$989	\$297
Cashiers	\$10,499	\$875	\$262	\$9,028	\$752	\$226
Minimum Wage Earners \$8/hour @37.5 hours/week (note: 2007 min. wage shown)	\$15,480	\$1,290	\$387	\$15,480	\$1,290	\$387

\*Incomes are for the Toronto CMA but rents are for the City of Toronto.

Note: Incomes derived from 2006 census, Catalogue 97-563-X2006063 provides annual employment income by occupation for Canada, the Provinces, CMA's and CA for 2005 and updated by the change in the average weekly wage for Ontario from 2005 to 2007 as found in Statistics Canada . Earnings, average weekly, by province and territory ; Minimum Wages from the Ontario Ministry of Labour Web Site.

*It should be noted that some incomes (e.g., for cashiers and food and beverage servers) may be lower than the estimated income for minimum wage earners because many workers may not be working a full week. Also, minimum wages are lower for beverage servers because of tipping.*

**Table 16b: Earnings by Occupation and Affordable Rents, Hamilton and Sudbury**

Apartment Size and Income Needed	Hamilton CMA			Sudbury CMA		
	Annual Inc. Needed	Mo. Inc. Needed	Ave. Rent	Annual Inc. Needed	Mo. Inc. Needed	Ave. Rent
	Bachelor	\$20,440	\$1,703	\$511	\$18,160	\$1,513
Ave. 1 Bedroom Rent	\$26,640	\$2,220	\$666	\$24,360	\$2,030	\$609
Ave. 2 Bedroom Rent	\$32,960	\$2,747	\$824	\$29,960	\$2,497	\$749
Ave. Income	2007 (est)	Mo Inc.	Aff. Hsg.	2007 (est)	Mo Inc.	Aff. Hsg.
Elementary school & kindergarten teachers	\$52,424	\$4,369	\$1,311	\$50,091	\$4,174	\$1,252
Carpenter	\$31,761	\$2,647	\$794	\$36,189	\$3,016	\$905
Medical Secretary	\$29,762	\$2,480	\$744	\$30,523	\$2,544	\$763
Labourers in processing, mfg. and utilities	\$31,203	\$2,600	\$780	\$27,708	\$2,309	\$693
Data entry clerks	\$26,520	\$2,210	\$663	\$20,719	\$1,727	\$518
Retail salesperson and sales clerk	\$24,278	\$2,023	\$607	\$18,642	\$1,554	\$466
Chefs and cooks	\$16,877	\$1,406	\$422	\$14,004	\$1,167	\$350
Food and beverage servers	\$9,730	\$811	\$243	\$10,194	\$849	\$255
Cashiers	\$9,787	\$816	\$245	\$10,224	\$852	\$256
Minimum Wage Earners \$8/hour @37.5 hours/week (note: 2007 min. wage shown)	\$15,480	\$1,290	\$387	\$15,480	\$1,290	\$387

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## **APPENDIX A: CANADA MORTGAGE AND HOUSING CORPORATION'S CORE HOUSING NEED**

The Canada Mortgage and Housing Corporation (CMHC) has been analyzing incomes and housing costs for several years to determine the level of “core need”. The definition of “core need” is complex and involves three standards: acceptability, suitability, and affordability. CMHC defines **acceptable housing** as housing that is adequate in condition, that is to say not requiring major repair. **Suitable** housing is housing that is appropriate to the household's size and composition, and **affordable** housing is housing that costs 30% or less of the household's gross monthly income. Households who occupy housing that falls below any of those conditions and who would have to pay 30% or more of their gross income for the median rent of rental housing in the local market that would meet all three standards are said to be in “**core need**”.

In the past, CMHC analysed core need based on the results of the Census. However, starting in 2002, CMHC added a housing cost “module” to the Survey of Labour and Income Dynamics (SLID) to gather data.

The only published data for Ontario and selected CMA's is based on the 2001 Census. Data was obtained from CMHC's web site which provided tables on core need in each Province and in CMA's. Though this data is somewhat dated, it supports the conclusions we've drawn from more current data. Namely that seniors, single parent households, and recent immigrants are most in need.

The Core Need Analysis for Ontario is summarized below:

- The data shows that there were 599,700 households in Ontario in 2001 in core need, representing 15% of all households (including homeowners).
- Renters were four times as likely to be in core need as owners. There were 398,000 renter households in Ontario in core need representing 32.3% of all renters and 201,000 owner households in core need representing 7.5% of owners.
- While 45% of senior tenants households were in core need, more than half (53.3%) of senior tenants living alone were in core need;
- Fifty-two percent of lone parent households who also rented were in core need.

- Recent immigrants also had a high likelihood of being in core need. About 40% of immigrant tenants were in core need compared to 23% of non-immigrant tenants. Only 5.7% of immigrants who were owners were in core need.
- The highest levels of core need among immigrant tenant households were experienced by those who had recently immigrated. Approximately 47% of those who had immigrated between 1996 and 2001 and 40.7% for those who immigrated between 1991 and 1995 were in core need. This pattern of declining core need with length of time in Canada fell to its lowest level with immigrants who had immigrated prior to 1976 (37%). When owners and renters are combined, the proportion of all households in core need for immigrants who arrived prior to 1976 was only marginally higher than the percentage of non-immigrants in core need.

The detailed tables on core need for 2001 are provided below.

### CANADIAN HOUSING OBSERVER Characteristics of Households in Core Housing Need, Ontario, 2001

	All Households		Renters		Owners	
	Households in Core Housing Need (000's)	Incidence of Core Housing Need (%)	Households in Core Housing Need (000's)	Incidence of Core Housing Need (%)	Households in Core Housing Need (000's)	Incidence of Core Housing Need (%)
<b>All Households</b>	599.7	15.1	398.3	32.3	201.3	7.3
<i>Components:</i>						
<i>Below Affordability Standard Only</i>	417.6	10.5	265.4	21.5	152.2	5.5
<i>Below Suitability Standard Only</i>	39.7	1.0	32.3	2.6	7.4	0.3
<i>Below Adequacy Standard Only</i>	22.2	0.6	9.9	0.8	12.2	0.4
<i>Below Multiple Housing Standards</i>	120.2	3.0	90.7	7.4	29.5	1.1
<b>Household Type</b>						
Senior-led	171.9	19.7	103.2	45.4	68.7	10.6
Family	42.5	8.5	19.9	28.4	22.6	5.3
Non-Family	129.4	34.4	83.3	52.9	46.0	21.1
Individuals Living Alone	126.9	35.2	81.9	53.3	45.0	21.8
Female	101.7	37.5	65.2	56.0	36.4	23.5
Male	25.2	28.3	16.7	44.9	8.6	16.4

Non-Senior-led	427.8	13.8	295.1	29.4	132.7	6.3
Family	297.1	12.2	191.2	31.9	105.9	5.8
Couples with Children	127.8	9.2	71.9	29.2	55.9	4.9
Couples without Children	43.0	6.7	26.5	15.8	16.5	3.5
Lone Parent Families	118.0	35.7	88.5	52.2	29.5	18.3
Female	106.0	38.6	80.6	54.8	25.4	20.0
Male	11.9	21.2	7.9	35.0	4.1	12.0
Non-Family	130.7	19.6	103.9	25.6	26.8	10.3
Individuals Living Alone	113.1	20.6	89.6	27.2	23.5	10.7
Female	59.5	23.1	45.5	30.1	13.9	13.1
Male	53.6	18.4	44.0	24.8	9.6	8.4
Individuals Sharing with Others	17.6	14.9	14.4	18.7	3.3	7.9
<b>Aboriginal Status</b>						
Non-Aboriginal Household	584.8	15.0	386.5	32.2	198.2	7.3
Aboriginal Household	14.9	20.6	11.8	35.2	3.1	8.0
Status Indian	7.9	22.7	6.4	36.7	1.5	8.6
Non-Status Indian	4.5	22.2	3.6	35.2	0.9	9.3
Métis	3.9	17.1	2.9	34.1	1.0	6.9
Inuit	0.2	22.2	0.2	35.2	**	**
<b>Period of Immigration</b>						
Non-immigrants	336.5	12.5	229.7	28.3	106.8	5.7
Immigrants	256.1	20.0	162.3	40.0	93.8	10.7
Prior to 1976	97.8	14.3	48.7	37.3	49.1	8.9
1976 - 1985	33.4	18.5	21.0	37.0	12.4	10.0
1986 - 1990	32.9	22.9	22.4	38.3	10.5	12.3
1991 - 1995	43.7	29.0	30.8	40.7	12.9	17.2
1996 - 2001	48.4	39.0	39.4	46.8	9.0	22.5

These data, from the Census of Canada, apply to all non-farm, non-band, non-reserve private households reporting positive incomes and shelter cost-to-income ratios less than 100 per cent.

Income data collected by the Census of Canada refer to the calendar year preceding the census, while shelter cost data give expenses for the current year. Shelter-cost-to-income ratios are computed directly from these data, that is, by comparing current shelter costs to incomes from the previous year.

Acceptable housing is defined as adequate and suitable shelter that can be obtained without spending 30 per cent or more of before-tax household income. Adequate shelter is housing that is not in need of major repair. Suitable shelter is housing that is not crowded, meaning that it has sufficient bedrooms for the size and make-up of the occupying household. The subset of households classified as unable to access acceptable housing is considered to be in core housing need. \*\* Estimates of households in core housing need are presented for a specific group (example: renters) where there is a total of at least 100 households in need in the group. All estimates, being derived from data provided by the 1 in 5 sample of households that receive the census long questionnaire, are subject to sampling error. Source: CMHC (census-based housing indicators and data)