

FINANCIAL POST

70 per cent of people living in Ontario have homes that are too big or too small for their household

Garry Marr | May 23, 2017 4:08 PM ET



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Tyler Anderson/National Post

Ontario just can't find the housing that fits its needs, according to a new report out Tuesday which suggests owning the wrong size home is impacting affordability.

The report by the Canadian Centre for Economic Analysis found about 70 per cent of people in Canada's largest province are living in homes with too little or too much space for their households which affects what the group calls the shelter consumption affordability ratio.

The study reveals that thousands of baby boomers are among the more than 50 per cent of Ontario households with too much living space — about 20 per cent of people have too little. CANCEA’s data found there are five million unused or spare bedrooms in Ontario.

“Unfortunately, these homeowners have limited options to move within the region if they want to downsize into appropriate housing,” said Paul Smetanin, chief executive of the group, in a statement. “One possible solution is an increase in the supply of gentle density, also known as the missing middle.”

The key to that so-called missing middle is more semi-detached homes, row homes, townhomes, multiplexes and courtyard apartments — something that results in more people moving into smaller living spaces.

Price growth in Toronto and the surrounding area has risen at a rate that would be expected to happen only one out of 16,000 times, if the process were random, the report states. However, it says price is only one measure of affordability and price to income produces a different result.

By a price-to-income measure, Toronto is “relatively cheap” and only one-third of the highest ratios in the world in Hong Kong, Hanoi and Mumbai. Compared to other large North America cities and so-called world-class cities, Toronto ranks with Berlin, Boston and Melbourne in terms of affordability based on price-to-income ratios.

To calculate affordability, the report looks at a ratio based on shelter consumption costs divided by discretionary net income after other necessities to produce its SCAR result or Shelter Consumption Affordability Ratio.

“Given how the SCAR index is constructed, a relatively higher or growing SCAR index value is a sign that things are (or becoming) more unaffordable,” the report stated. “Unfortunately, SCAR index levels of Canada, Ontario and the Greater Toronto and Hamilton Area are highest seen in the data.”

In Ontario and the GTHA, affordability based on the media has gone down by 40 per cent since the early 1980s and 15 per cent since 2000.

The group says when it comes to affordability, the focus seems to be on home ownership — something which hasn’t improved affordability. Toronto home ownership rates have jumped by 23 per cent over the past 35 years while Ontario rates are up by 11 per cent during the same period.

By the group’s calculation, Calgary has the highest homeownership rates among the close to 40 world-class cities it studied. Oslo was second, Toronto came up third with Ottawa fourth and Vancouver cracking the top 10.

“Having a high ownership rate does not make a world class city though, in fact it appears to be quite the opposite — the correlation between ownership rates and ranking of liveability is negative,” the report states.

One area that doesn't appear to be a problem is vacant property, something targeted by the city of Toronto. The group estimates that 1.5 per cent of the stock in Ontario, or about 85,000 dwellings, is vacant — down from three per cent in 2011.

Smetanin says \$100 billion in rental units will be needed over the next decade in Ontario with an emphasis on family space. The report found 45 per cent of GTHA households live in detached homes and 35 per cent live in apartments. The report calls for changes to zoning policy to create more housing in the missing middle category.