

Obsession with home ownership driving Toronto affordability crisis, report finds

The Toronto area will need up to \$150 billion in new home construction in the coming decade and most of that should be rental units, says a report from the Canadian Centre for Economic Analysis.

By Tess Kalinowski Real Estate Reporter
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The Toronto region's shockingly high house prices haven't stopped the city from achieving one of the highest home ownership rates in the developed world, up 23 per cent over the past 35 years.

Toronto's ownership rate, at 68 per cent, is behind only Oslo, Norway (69 per cent), and Calgary (74 per cent) among 38 western cities.

But ownership doesn't equal affordability, says a sweeping study on the Toronto region's housing crunch to be published Tuesday.

It suggests the Toronto area will need up to \$150 billion in new home construction in the coming decade and most of that should be rental units to make housing more affordable.

The report by the Canadian Centre for Economic Analysis, a research firm, paints a picture of two cities in one. It shows that half of Toronto-area residents are overhoused, with 2.2 million empty bedrooms. (There are 400,000 homes in Ontario that have three or more empty bedrooms, according to the report.)

But it would take only about 350,000 bedrooms to appropriately house the 20 per cent of Toronto residents, most of them families, who are shelter-poor.

"If this was happening to our food chain or our water supply, we would have a visceral reaction. But because it's happening in a very slow-burn housing market, it's like heating up the frog very slowly in the pan — it doesn't notice until it's too late," said Paul Smetanin, the centre's CEO, who has assessed the effect of more than 40 housing affordability factors.

House prices are half the problem. But our obsession with home ownership is a big contributor, too, he said.

Toronto has restricted vast swaths of the city to single-family detached homes. That has led to a shortage of appropriate housing.

Smaller households are the most overhoused, as they are in neighbourhoods where the population is shrinking and aging. Meanwhile, larger families — with five or more people — are most likely to be underhoused in high-density apartments without enough bedrooms.

There's also a shortage of ground-level homes known as the "missing middle" — townhomes, row houses, duplexes and small apartments — that would appeal to families.

Those, along with secondary suites, should have a greater presence in single-family neighbourhoods, but zoning doesn't allow for it, Smetanin said.

The economic analysis centre has developed a Shelter Consumption Affordability Ratio index that measures housing affordability far beyond a household's mortgage payments or rent. It factors in shelter-related expenses such as the cost of transportation to work and school, utilities, maintenance and property taxes.

Then it uses computer modelling to assess the effect other factors have on affordability. These range from property speculation to household debt levels and income levels, which have remained essentially flat for 30 years as housing prices continued to climb.

The index results show that one in three Toronto-area residents, and one in four in Ontario, suffers extreme affordability pressure.

"It is serious and has serious consequences for the development of our communities and the economy," Smetanin said.