

ONTARIO'S HOUSING CRISIS EXPLAINED



UNIVERSITY OF
TORONTO

SCHOOL
OF CITIES



The housing affordability crisis
causes **increased sprawl**
farther commutes
increased traffic
more homelessness
neighbourhood population decline
lower consumer spending
decreased human capital

Introduction

Housing in Ontario is in crisis. It's become a commodity, now more than ever before. Fewer people can afford to own or even rent a home – and that's causing all kinds of problems. **But what exactly is the crisis, what is causing it, and how can it be solved?** To address these questions, the School of Cities undertook research and produced two videos that present the results, one that details the causes of the housing crisis, and a second that focuses on the solutions.

The research that informed the videos was drawn from a wide variety of sources including reports from CMHC, Statistics Canada, CIBC and The National Bank of Canada, as well as media reports and other relevant literature. In some cases, we calculated statistics using these reports, which has been noted in text when relevant. We also spoke in detail with several recognized thought leaders on housing who are affiliated with the School of Cities, including: Alan Walks, Professor and Associate Chair of Geography, Geomatics and Environment at UTM; Susannah Bunce, Associate Professor in Human Geography at UTSC; Prentiss Dantzler, Assistant Professor in Sociology at the St. George campus of the University of Toronto; and Adam Vaughan, MP of Spadina-Fort York from 2014 to 2021 and currently a Principal at Navigator Ltd., who also voiced the video. Karen Chapple, the Director of School of Cities and Professor of Geography and Planning at the University of Toronto, also provided content oversight.

Explaining the housing crisis

There is a growing housing affordability crisis across Ontario. Toronto is now the second most expensive city in Canada to rent and the most expensive to buy a home (CREA, 2022), and recently surpassed Vancouver as the most expensive city in Canada to live (Mercer, 2022). Housing has become more and more unaffordable – meaning that 30% or more of household income is spent on shelter (CMHC, 2018; Toronto.ca, 2022). And this is increasingly impacting people across all income ranges (Canadian Urban Institute, 2019). With a median income in Toronto of just over thirty-five thousand dollars a year (Statistics Canada, 2022), housing costs are wildly out of sync with incomes. Many people are being priced out of buying (Canadian Urban Institute, 2019). Some are even being priced out of housing altogether (Homeless Hub, 2021).

Causes of the housing crisis

So what is causing this crisis? People are competing for the same few homes, driving up costs (Canadian Urban Institute, 2019). This housing supply problem is often emphasized as the main cause of the housing crisis (e.g. Canadian Urban Institute's report released in 2019; Report of the Ontario Housing Affordability Task Force, released in 2022; Scotiabank's 2022 analysis of provincial structural housing deficits, etc.). But supply isn't the only issue, and it may not even be the biggest.

Wages just aren't keeping up with the cost of housing. Houses are about three hundred percent more expensive in Toronto now than in the 90s (CMHC reports, various years; Toronto Regional Real Estate Board, June 2022), while the median income has basically stayed the same. Today it would take a middle-earning household saving 10% per month 24 years to save a down payment for an average house in the city (The National Bank, 2021). In 1992, it would have taken the same family only 2 years to save for the same home. Intergenerational wealth also has a big part to play in who can buy a house. The average parental gift in Toronto for a first-time buyer is now over \$130,000 (CIBC, 2021).

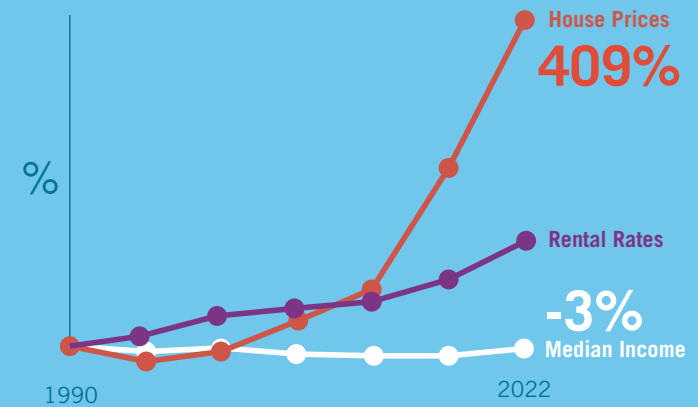
Financialization and speculation in the housing market are also contributing to skyrocketing housing prices (Teranet, 2021). Basically, housing is treated as a commodity to be bought and sold, rather than as a social good or as a human right. When housing is a commodity, rich multi-property owners and international investors battle first-time home buyers. And they win.

The lack of affordable housing units is also a part of the problem. Social housing construction has mostly stalled since the 90s, when the federal government disinvested from social housing projects. That's over a hundred thousand units of social housing that haven't been built (Homeless Hub, 2021)!

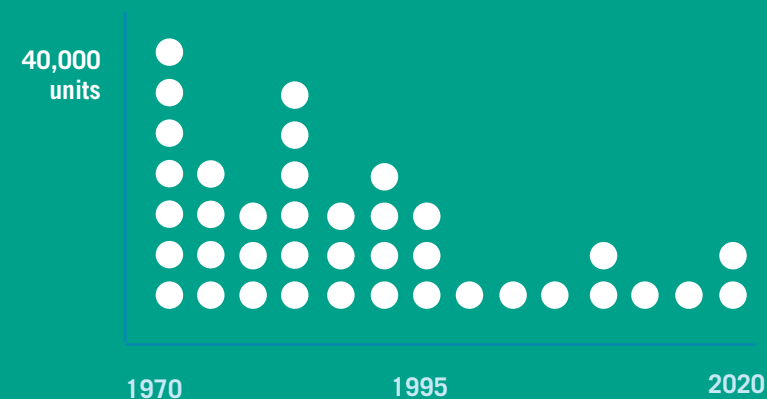
This crisis might not seem like one if you own your home and its value keeps rising. But a generational wealth gap is opening up. The housing affordability crisis is complex, and there won't be an easy fix.



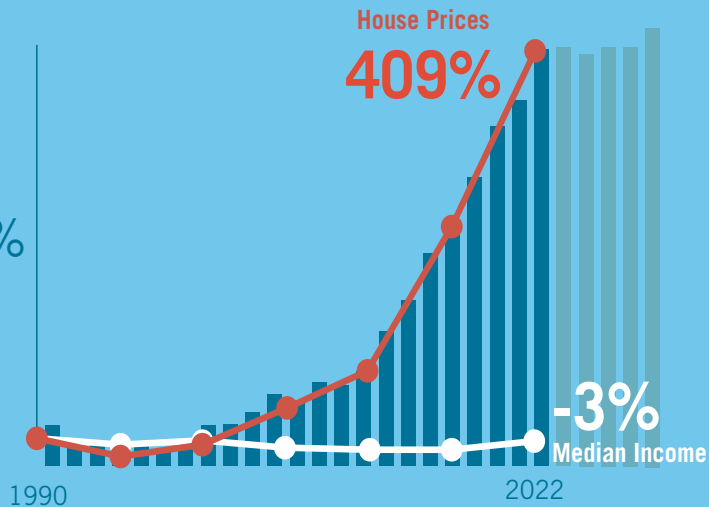
Income and housing costs are wildly out of sync



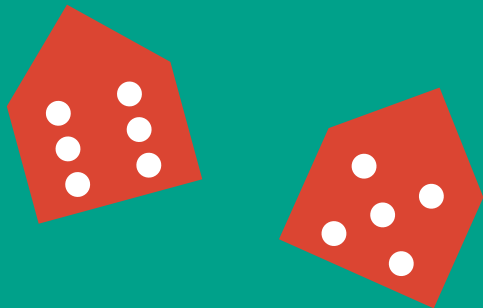
Affordable housing construction has mostly stalled



Increasing supply alone will only have a 1-2% impact on housing costs



Disincentives are needed against multi-property ownership and speculators betting on high financial returns



Solutions to the housing crisis

Our housing affordability crisis is causing a lot of problems. How do we solve such a big and complex issue? First, we need to stop pretending there's an easy fix. The easy fix getting most of the attention recently is to simply build more housing (e.g. see the Report of the Ontario Housing Affordability Task Force, released in 2022). Proponents suggest the government needs to lighten regulations and allow more and faster construction. Basically, the idea is to let the market fix the issue.

Building more housing might have a small corrective impact on housing prices (Li, 2019; Pennington, 2021); but if the housing being built isn't affordable, then it will reproduce the same problem we have now. Housing prices are overvalued, increasingly out of reach for many, and vastly decoupled from average incomes. The market created the problem, and the market alone can't solve it.

We need a robust set of policies and regulations to solve the unaffordability crisis.

Building more housing supply won't end the housing crisis. But building more—and better—affordable housing will help us get there. It will relieve competition in the rental and homeowner markets to stabilize or even reduce prices. It will also help to ensure stable housing for the homeless and support young adults to save for a down payment on a home. Housing subsidies attached to units and individuals are a short-term solution as we build more social housing units. The fact is that we just don't have enough permanent affordable housing for everyone who needs it.

We also need to address the issue of rich multi-property and international speculators in the housing market. These buyers are betting on a high financial return, so we need to change the equation. There are a few options that can help: taxes on purchases of secondary and vacation homes, disincentives for home flippers, and bans on international buyers (Altstedter, 2022). We need to make it harder for multi-property owners to place bets on our housing.

Canada has declared that housing, like healthcare, is a human right (via the National Housing Strategy Act, enacted in 2019). This means not only relying on the private sector to solve the problem. Multiple levels of government must work together, and on a scale as large as the problem (Clark, 2022).

To solve the housing issue, we need to treat it like what it is: a crisis.

About the School of Cities

The School of Cities is a solutions incubator for urban-focused researchers, educators, students, practitioners, and the general public to explore and address the complex global challenges facing urban centres. A living laboratory, the School leverages urban data and lived experience to improve policy and decision making, and collaborates with city leaders around the world to make local decisions that make cities and urban regions more sustainable, prosperous, inclusive, and just.

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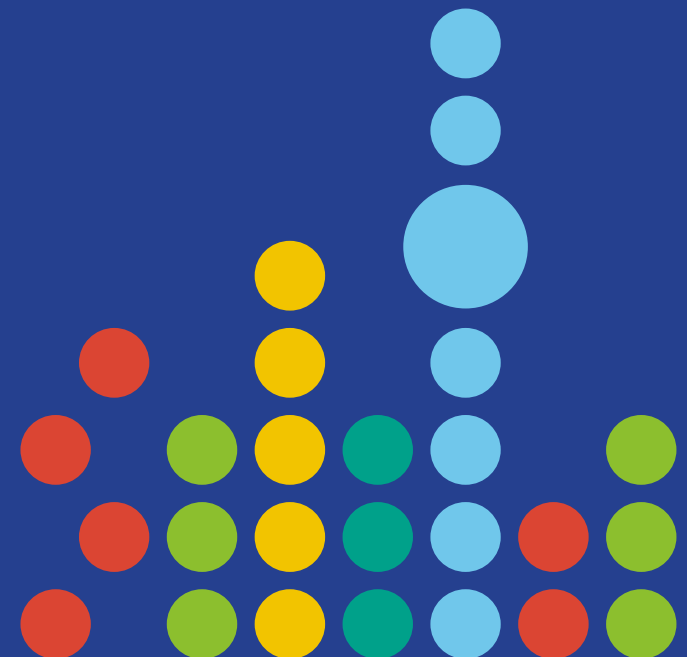
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