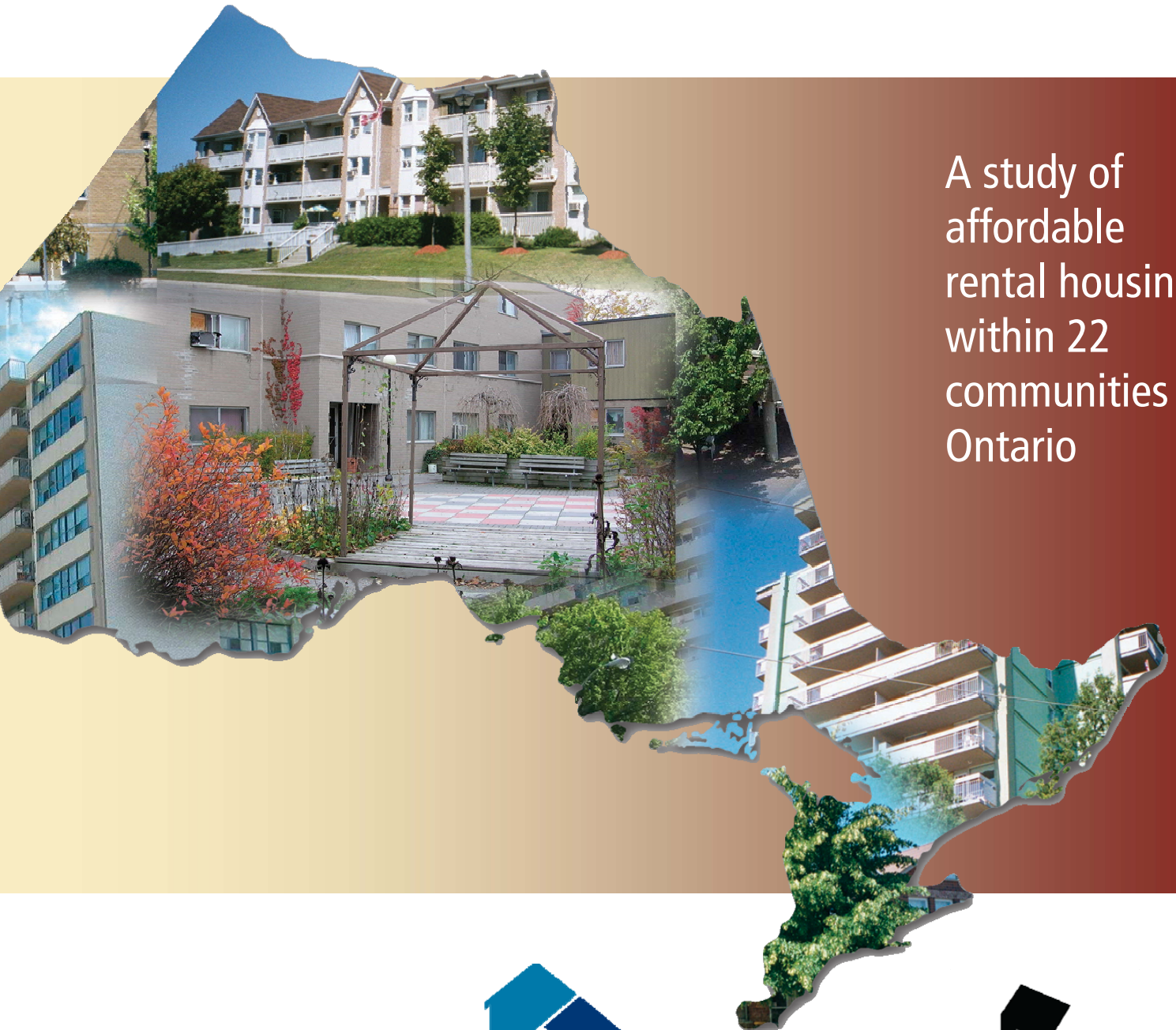


where's **HOME**

A study of
affordable
rental housing
within 22
communities in
Ontario



May 2010





Executive Summary

It has been a dozen years since the first edition of the *Where's Home?* Report was published by the Ontario Non-Profit Housing Association (ONPHA) and the Ontario Region of the Co-operative Housing Federation of Canada (CHF Canada Ontario Region).

The study this year, as in previous years, looks at critical housing variables across Ontario including production trends, rental housing availability, vacancy rates, rental demand, and affordability. The report also takes a snapshot of 22 municipal housing markets throughout the province.

The findings for the 2010 edition are not significantly different from when we began this annual review in the late 1990's.

Unfortunately, for many low and modest income Ontarians, having an affordable place to call home continues to be a struggle.

The pages ahead tell the following story:

- Vacancy rates are stabilizing, after tightening up in the last four years; but rents are still rising faster than incomes of renter households.
- Average rents increased three times the rate of inflation across the province in 2009 despite an economic downturn.
- Waiting lists for assisted housing continue to be long and are growing, swelling to nearly 142,000 households throughout Ontario in 2010.

- **One-in-five Ontario renter households are still spending more than half their income on housing.**

- There is a growing gap between the incomes of tenants and those of homeowners exacerbated by the recession and by the increasing movement of middle income tenants out of the rental market.
- Food bank usage increased by 19% between 2008 and 2009 and those using food banks spend on average 65% of their income on housing.
- Demand for new purpose-built rental housing is conservatively estimated at 10,000 homes a year for the next decade. Over the last ten years we have averaged about a third of this need.
- An astonishing 94% of the housing starts in the last five year period were in the ownership market, with rental accounting for only 6%. Just 15 years ago, the comparable figure for rental construction would have been over a quarter of the housing market.

Waiting lists for assisted housing continue to be long and are growing, swelling to nearly 142,000 households throughout Ontario in 2010.

On the positive side of the ledger, senior levels of government in their 2009 budgets acknowledged that both production of new affordable housing and repair of the existing stock have an extremely critical role to play in stimulating the economy, particularly during the recent severe economic downturn.

The Ontario and federal budgets in 2009 contained \$1.2 billion over two years for this province, mainly for renovation and retrofitting of Ontario's social housing stock. This funding is welcome and it is significant.

Affordable housing is not just a social issue. It is a health issue and plays a pivotal role in reducing poverty. As many of Ontario's corporate leaders have recognized, investing in affordable housing represents smart economic policy. The lack of housing that is affordable to the workforce, particularly in many of Ontario's urban centres, is a very serious roadblock to growth and investment.

It is well documented that the construction of new affordable housing and rehabilitation of existing stock provides significant economic stimulus because of its large multiplier effect in creating jobs, and in demand for housing-related goods. As well, it provides a valuable public asset for the long term.

As *Where's Home? 2010* goes to press, the Ontario government is on the verge of releasing its Long-Term Affordable Housing Strategy (LTAHS). This plan is intended to map out a vision for affordable housing in this province and a blueprint for achieving it over the next decade. This commitment to develop a long-term strategy offers an historic opportunity to replace a patchwork of on-again/off-again, short-term housing programs we have had over the past several years. The rental market is very complex and varies from one local community to another. Any future strategy needs to provide the flexibility to deal with such variations.

As this year's study continues to demonstrate, the need for affordable housing solutions in this province is greater than ever and anticipated to grow in the future as rental demand bounces back.

Many low and modest-income Ontarians are less able to find housing that they can afford for two simple reasons: there is not enough supply and more people have less money to spend on housing.

We hope that the impending LTAHS will be bold, comprehensive, and will result in actions to provide all Ontarians with a decent and affordable place to call home.

Where's Home? 2010 has been prepared by Linda Lapointe of Lapointe Consulting with the assistance of Sharad Kerur, Greg Suttor, Harvey Cooper and Diana Summers. Greg Suttor wrote the discussion on rental housing for Ontario's future in the introduction.

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INTRODUCTION

1.1 OVERVIEW

Where's Home? 2010, prepared by The Ontario Non-Profit Housing Association (ONPHA) and the Co-operative Housing Federation of Canada, Ontario Region (CHF Canada Ontario Region), focuses on the state of rental housing in Ontario and across 22 rental markets in the province. Our organizations have collaborated on this report since 1999, enabling us to provide a picture both of today's rental housing market conditions and of longer-term trends.

This introduction has two parts. It first summarizes the trends in Ontario rental housing detailed in the report: vacancy rates, rent increases, production, affordability, and other matters. It then highlights the importance of rental housing for Ontario's future, emphasizing today's turbulent economy, the imminent return of higher rental demand, and the implications for other provincial priorities including economic health, poverty reduction, and sustainable urban growth.

The focus in *Where's Home?* on rental housing is a focus on almost one-third of Ontario households. Tenants tend to have lower incomes than homeowners, and therefore less choice of housing, and narrower choice of neighbourhoods too. In 2005, Ontario tenants had a median household income of \$33,400 compared to \$74,700 for homeowners.

Renting is essential to meeting people's needs at different stages of life. Renting is the main housing option for young adults. Even though condominiums are an alternative today for elderly people selling their house, elderly people are more likely to rent than middle-aged people. In situations of separation or divorce, one person from the former couple often moves into rented housing for a time. Recent immigrants are mostly renters in their first 5-10 years in Canada, and therefore form a significant proportion of new rental demand in Ontario.

Over 40% of tenant households (42%) are persons living alone, most without the income to buy a home. Almost half of tenants (47%) are families too - fairly evenly divided between couples with children, couples without children at home, and single parents.

In this way, affordable housing, particularly affordable rental housing, is an important component of the spectrum of housing.

Constructing new affordable housing accessible to low and modest income households is an essential part of building mixed, integrated communities.

Methodology

Much of the data on vacancy rates, rents and the rental housing universe used in this report was obtained from the *Rental Market Survey* of Canada Mortgage and Housing Corporation's (CMHC) Ontario Market Analysis Branch. Data is primarily based on larger market areas such as Census Metropolitan Areas (CMA's) or Census Agglomerations (CA's) except where noted. As well as CMHC data and publications, data has also been obtained on trends in employment, unemployment, and the CPI index from Statistics Canada. Other sources such as the 2009 Ontario Auditor General's Report, the 2009 report of the Ontario Association of Food Banks, and the Bank of Canada web site have also been used.

A note about housing tenure- This report uses three different forms of tenure: freehold ownership, condominium ownership and rental housing. Freehold ownership refers to homeownership housing which is not condominium (under condominium ownership, some part of the property is held in common).

1.2 RENTAL HOUSING TRENDS TODAY

Rental Housing Supply

Vacancy Rates

- The overall vacancy rate in Ontario for apartments in buildings with 3+ units increased from 2.7% in 2008 to 3.5% in 2009 primarily resulting from the financial crisis of October 2008 and the ensuing economic slowdown, high levels of youth unemployment, low mortgage rates which induced many tenants out of rental markets, and a dip in levels of international migration into Ontario. Reasons for the changes in vacancy rates vary with local residential development and economic conditions.
- Despite higher vacancy rates in 2009, though in many cases only slightly higher, compared to the previous 5-year average (2004-2008) in a majority of the markets, vacancy rates were lower in several markets (reflecting insufficient supply to meet growing demand).

Rents

- The average rent for two-bedroom apartments rose above the rate of inflation in 2009 in a majority of markets examined between 2008 and 2009, despite increasing vacancy rates and difficult economic times. Over the past 5-years (2004-2009), rents have increased in 14 of the 22 rental markets examined above the rate of inflation (although 3 of these were only slightly above), so in 50% of the markets, rents increased faster than inflation.
- As with vacancy rates, the reasons for the level of rent increases vary with local conditions. In some communities lower rent increases in the past have resulted in higher rent increases as local economic conditions improve; in other communities, tighter rental markets lead to higher rent increases; and, finally, in other areas, increased competition from other housing (principally, ownership forms of housing) or increases in rental supply, are reducing the level of rent increases.
- Rent increases over the 5-year period 2004-2009 are well below inflation in the Toronto area (the City of Toronto, Peel Region, York Region, Durham Region), Barrie, Guelph, Hamilton and Windsor.

One of the main reasons for the lower increase in rents is the strong competition from the ownership and/or condominium market at higher end of rent levels. In Windsor, high unemployment and the high vacancy rate have resulted in the low level of low rent increase.

- At the same time rent increases over the 5-year period are well above the rate of inflation in other large and mid-sized Southern and Eastern Ontario communities such as Kingston, Kitchener, London, Peterborough, St. Catharines-Niagara and in most Northern Ontario centres - Sudbury, Timmins and North Bay. While the reasons for these higher rent increases vary, one of the major factors has been the lack of new supply combined with increased demand. Smaller communities such as Cornwall and Muskoka also have experienced rent increases above rates of inflation. In three communities (Ottawa, Owen Sound and Thunder Bay), the change in rents was just slightly above the change in inflation.
- These increases are pushing up rents in some mid-sized market areas towards big-city levels found in the Greater Toronto Area. For example, the average rent for a two-bedroom apartment in the London CMA was about \$300 less than in the City of Toronto, but by 2009 this differential had dropped to about \$200.

Rental Housing Production

- Over the past 10-year period approximately 3,600 rental units have been started annually in Ontario out of a total housing annual production of just under 70,000 new housing units, representing 5% of new construction. We estimate that since 2004 about 1,500 units a year, or almost half of all new rental housing is "affordable rental housing" under the Canada-Ontario Affordable Housing Program, or under similar programs sustained by federal, municipal, and community-based investment.

- The highest levels of completions of rental housing in the 2005-2009 period were in the City of Toronto (892 rental units annually), the London CMA (613 units annually) and the Kitchener CMA (535 units annually) followed by the Ottawa CMA (238 units), Kingston CMA (182 units) and Peel Region (172 units). In many communities across Ontario, rental housing production remains relatively weak.

Rental Housing Universe (Rows and Apartments)

- Despite the construction of close to 28,000 rental units in the 22 markets examined in this report in the 10-year period between 2000 and 2009, there has only been an increase in the rental housing universe of just under 9,000 units. This data suggests that close to 19,000 rental units were lost in the 22 market areas due to conversions and demolitions. (This likely understates the losses, as explained in the body of the report.)

Condominium Rental Market

- In October 2009 there were about 255,000 apartment condominiums in the Greater Toronto Area (up from 234,000 in 2008). The rental pool of condominium apartment units rose by approximately 7,000 units (from 44,000 to 51,000 apartments) representing an increase of 16%. The share of condominiums that are rented out in the Greater Toronto Area (the City of Toronto and the four regional municipalities of Peel, Durham, York and Halton) is 20% (well below the levels in the mid 1990's when a third of condominium apartments were investor owned). Over three quarters (77%) of the rental apartment condominiums in the Greater Toronto Area are found in the City of Toronto; Peel Region has 12%; York Region has 7%, Durham Region has 1% and Halton Region has 2%. Vacancy rates continue to be tight at 0.8% in the Greater Toronto Area.

- Rents are considerably higher in the condominium rental market in the Greater Toronto Area with the average rent for a 2-bedroom apartment being \$1,487; about \$400 higher than the average rent in the purpose-built rental sector.¹
- In the Ottawa CMA, there was a smaller increase in the number of condominium apartments between 2008 and 2009. Out of just under 22,000 apartment condominiums, about 4,000 are rented. Thus, as in Toronto about a fifth of apartment condominiums are rented out and the vacancy rate is 1.1%. The average rent in rented condominium units is \$975 for a one bedroom and \$1,193 for a two-bedroom - slightly higher than in purpose built rental housing.
- While apartment condominiums contribute to the overall rental housing supply in certain markets, mostly in the Greater Toronto Area, they usually rent at the higher end and are not available to much extent in the majority of rental housing markets across Ontario.

Trends in Rental Housing Demand

Overall Rental Demand

- The high unemployment rate in Ontario (9.2% in December, 2009 and 18.5% for those 15-24 years of age) meant that younger adults have stayed in their parent's homes or returned home. Other tenants may have doubled up following a job loss or in some of the worst hit areas, leave the area altogether to seek work elsewhere. All these factors resulted in fewer tenants being able to afford to rent their own accommodation even though the need for affordable rental housing has actually increased. Uncertain economic times, especially as mortgage rates are forecast to rise and house prices have increased in many communities is going to put more pressure on the

affordable rental market and increase the demand in the future.

- It is estimated that future demand for rental housing in Ontario is in the order of 10,000 purpose built rental housing units - well below the current rate of rental housing production. These figures take into account alternative sources of rental accommodation such as rented condominiums. The demand for rental housing is expected to increase in the future because of declining ownership affordability (due to increasing mortgage rates and rising house prices) and because of demographic changes.

Housing Affordability

- Based on the 2006 census, it is estimated that 20% of Ontario tenant households (261,000 in 2006) were paying 50% or more of their income on rent. This 20% is unchanged since 2000 and far higher than before the early 1990s recession.
- Given the probable stagnation or decline in tenant incomes since 2005, combined with rent increases, it is likely that the proportion of tenants with this severe a housing affordability problem has increased over the past five years. In the last recession, the proportion of tenants paying 50% or more of income on rent rose from 15% in 1990 to 22% in 1995. Although the current recession is not as severe, we are likely to see some decline in tenant incomes once data is released.
- A report by the Ontario Association of Food Banks found that there was a 19% increase in food bank usage between 2008 and 2009. There is a strong relationship between using food banks and rental housing affordability - as it is difficult for individuals and families to cut back on housing costs, they may end up foregoing other necessities such as food. On average, households using food banks in Ontario were paying 65% of their income on housing.

¹ Canada Mortgage and Housing Corporation, Rental Market Report: Greater Toronto Area, Dec. 2009

- Based on CMHC's Rental Housing Affordability Index, a review of eight market areas across Ontario showed that the Kitchener CMA and the London CMA have among the most affordable rents relative to median tenant incomes; the Greater Toronto Area, the Windsor CMA and the Greater Sudbury CMA have the lowest levels of affordability.
- As was recently stated in the 2009 Ontario Auditor General's Report, there were approximately 137,000 households in Ontario on the active waiting lists for rent-geared-to-income housing as of December, 2008. More recently, ONPHA's waiting list survey for 2010 shows that this number has climbed to 141,635. Many people are not applying to waiting lists because of the long waiting periods for assisted housing - as high as 21 years in the Region of Peel for singles and families.
- A comparison was made of affordable rents and incomes in various occupations, those on minimum wage and pensioners in Toronto, Ottawa, Hamilton and Sudbury. In Toronto almost none of the occupations examined could afford to rent and those in low-paying jobs cannot afford even a bachelor apartment. The situation was somewhat better in Ottawa but still very difficult for those in low-paying jobs who could not afford a bachelor apartment. In Hamilton and Sudbury, where rents are lower, a greater range of income earners can afford to rent. Single pensioners cannot afford to rent housing in any of the four markets examined.
- A comparison of rents and income levels in the 2006 census showed that approximately two-thirds of tenant households with incomes of between \$10,000 and \$19,999 and half of those with incomes between \$20,000 and \$29,999 are paying rents they cannot afford. Furthermore, the median rent for those in the lowest income category, under \$10,000, was \$659.

1.3 RENTAL HOUSING FOR ONTARIO'S FUTURE

Rental housing poses challenges for Ontario's future, in three main ways. First, despite the recovery of the past few months, we are in rocky economic times, with implications for rental housing. Secondly, Ontario is on the brink of a return to higher rental demand after a decade and a half dominated entirely by home-buying. Thirdly, as the Ontario government prepares to release its long-term housing strategy, it is important to remember that affordable housing has big implications for three provincial priorities: economic growth and stability; poverty reduction; and ensuring sustainable urban growth for Ontario communities.

1.3.1 Rental Challenges in Rocky Economic Times

The "New Economy"

At the time this report is released in spring 2010, Ontario has had several months of recovery from the recession. But there is much economic uncertainty ahead, and many fiscal challenges for governments. The next few years appear likely to be turbulent for the global economy and will have big impacts in Ontario's rental sector. All this is likely to affect tenant incomes and affordability, rental versus homeowner demand, vacancies and rent increases, and housing policy priorities. Conditions are likely to be less stable than in the past decade.

This particular recession in Canada has not been as profound or as prolonged as in the US, and has been milder than Canada's recession of the early 1990s, but it has been sharp (see section 3.3). Ontario's unemployment rate remained at 8.8 percent in March 2010 - far higher than in the decade prior to the recession. Unemployment always recovers more

slowly than overall economic growth, and is forecast to stay high for at least a couple of years which will strongly affect housing need and demand.

Our governments have gone deep into deficit to do our part to rescue the global economy. Today, our governments are promising to sustain the stimulus spending until March 2011, but then to wind it down quickly and move out of deficit. Governments are hoping that the recovery has enough momentum that withdrawal of stimulus will not undermine growth.

While the home-buying market boomed in late 2009 into 2010, this may not continue. Low interest rates as part of economic stimulus have led to abundant availability of cheap mortgages and this has sustained home-buyer demand in a manner contrary to a typical recession. But many economists are predicting some slowdown in the homeowner market in the second half of 2010, along with rising interest rates

What do the recession, sluggish recovery and economic turbulence mean for Ontario's rental housing? There are four main areas of impact.

Impacts on Tenant Incomes and Rental Affordability

The first impact of recession and economic turbulence is on the incomes of tenants and affordability. Unemployment hits harder for workers who are lower-paid, who are young, or who are newcomers to Canada - the people more likely to be in rental housing. In the extreme case, homeowners who lose their home due to unemployment typically become tenants. In the recession of the early 1990s (more severe than today's situation), tenant incomes declined. Combined with rising rents, this led to sharply worsening affordability problems between 1991 and 1996. Those paying 30% or more of income on rent rose from 33% to 44% of Ontario

tenants and by over 180,000 households (*Where's Home* 2008). Affordability trends would have been worse without strong social housing production, averaging 9,000 units annually in 1991-96.

Residents of non-profit and co-operative housing did not have to face rising market rents on declining incomes.

Despite the shallower recession this time, in the 2009-2011 period we are likely to see a similar trend of declining tenant incomes and worsening affordability, more like the 1991-96 period than the 2001-06 period. A moderate recession today will have disproportionate impacts on affordability, in part because Ontario has much less production of affordable housing. In this recession, affordable housing production is set to amount to about 6,000 units in 2009-2011 (about 2,000 units annually) with much of it at moderate market rents, not deeply affordable rents. This production is much needed, but it is a fraction of what Ontario had in the last recession.

Dip and Rebound in Rental Demand

The second impact of recession and economic turbulence is on rental demand. We are likely to see a fall in rental demand and then a rebound. Recessions tend to reduce rental demand. Among lower-income renters, young adults stay in their parents' home or double up; immigration dips. These effects tend to be greater than the increase in middle-income rental demand as people put off buying a home. Moreover, the historically low interest rates of this recession has meant that many tenants left the rental market and moved into ownership housing. Vacancies rose from 2008 to 2009, and may rise further in 2010. In the Toronto area there is likely to be an increased supply of rental condos which should also push up rental vacancies as some tenants opt for rental units in condominiums as opposed to purpose-built rental housing.

But reduced rental demand and higher vacancies are likely to be short-term. We have noted that the 2009-2010 home-buyer surge is not likely to continue as strongly into 2011 and 2012. Fewer people buying homes means more people staying in rental housing. In the section below, we discuss the longer-term economic factors that are likely to bring about stronger rental demand. **A couple of years of rising vacancies is not a sign that all is well in rental housing.**

Stimulus, Winding-down, and Rental Investment

The third impact of recession and economic turbulence is on governments. Government activity is very significant in rental housing given that one-fifth in Ontario is social housing. Because of low tenant incomes and the high cost of developing rental housing, most new rental production since the 1980s has needed subsidies. The current federal-provincial economic stimulus package includes, over two years, \$1.2 billion in Ontario for social housing repair and new affordable rental construction. What happens when this winds down? CMHC research in the 1990s showed that added housing spending leads to higher GDP growth for a couple of years but then the effect falls away.²

The federal government has positioned this two-year spike of housing spending entirely as stimulus - not as a strategy to ensure good housing and living conditions. Large fiscal deficits are prompting governments to cut spending starting in 2011. This will pose a challenge for Ontario's rental housing.

Our governments need to make adequate supply and good repair of rental housing a priority, in good times and in rocky times alike.

Turbulent Economy, Turbulent Rental Sector?

A more turbulent economy raises the possibility of a more turbulent rental sector. The 2000-09 decade lacked the drama of decades prior. The 1970s had unprecedented construction and baby boomer-demand; the 1980s had high interest rates that boosted rental demand but made production very costly; the 1990s saw plummeting tenant incomes, the end of social housing production, and vacancy decontrol. In most of the 2000-09 decade, rental demand and supply were flat, vacancies were relatively healthy in a majority of rental markets, and rent increases showed a mixed picture (below inflation in some local markets and above inflation in others). The overall increase in tenant incomes (25% from 1995 to 2005) was not that far off the cumulative increase in rents in the main rental markets (Toronto, Ottawa, Hamilton, and London) though more recent income data is likely to show that this trend has changed since 2005. Lower interest rates dampened cost pressures for most private landlords, despite rising utility costs. These trends in rental housing costs have meant fairly flat funding requirements for existing social housing providers and the municipalities that subsidize these agencies to keep rents affordable.

² Canada Mortgage and Housing Corporation, "Economic Impacts of Residential Construction", Research Highlight no. 69, Socio-Economic Series (2000). See also Focus Consulting, *Moving Forward: Refining the FCM Recommendations for a National Affordable Housing Strategy*, "Appendix A: Determining the Fiscal Impacts of New Affordable Rental Development on Each Level of Government" (for the Federation of Canadian Municipalities, 2004)

Economic turbulence could easily shift us into a more volatile rental market: in affordability, rental demand, rent increases, vacancy rates and rental supply. Dropping then resurgent rental demand may affect vacancy rates and rent increases. Rising interest rates could become a cost pressure on landlords and housing providers. If we exit a period of low inflation, this will affect landlords' costs and tenants' rents. Condo rental supply may spike higher then dwindle over the years that follow, echoing the 1990s recession and its aftermath. As for supply, it remains to be seen whether Ontario will continue to develop the 1,500 units annually of new affordable rental that our governments funded during the 2004-2011 period.

1.3.2 Get Ready for the Return of Stronger Rental Demand

Over the decade and a half since the mid-1990s, Ontario has seen negligible increase in the number of rental households, but all indications are that this is about to change with a return to higher levels of rental demand in the offing.

An Unusual Period: 1995-2010

In the period since the mid-1990s, all growth in households has been homeownership. The homeowner share of Ontario households rose from 64% to 71%, between 1996 and 2006 - a surge unlike any since 1945-55, half a century ago. The number of renter households actually declined. If the 1996 ownership share of households (64%) had continued (all else being equal), Ontario would have added an average of 31,000 rental households a year over the period since the mid-1990s.

Why did this unusually strong ownership pattern happen, and why is it likely to change? The reasons are demographic and economic. Demographically, this period saw the aging of the baby-boom

generation into mid-life, the period when homeownership is most prevalent. In 1996-2006, the younger baby boomers (born late 1950s and early 1960s) moved from their 30s into their 40s - a time of life when ownership is rising. Because the baby boom is such a large part of our population, it strongly affects overall patterns. And this was the period when many of the first wave of immigrants from the high-immigration period (late 1980s onward) became established enough to buy a home. On the economic front, there was strong economic growth, and significant income growth for the upper half of society; mortgage interest rates went steadily down. All this raised the percentage of households that could afford to buy a home. Lack of affordable rental supply has also led some lower-income tenants - single persons, single parents and new immigrants - to double up instead of forming their own household.

Back to Higher Rental Demand in 2011 Onwards

In the coming decade, both demographic and economic factors are likely to change. As the younger boomers move through mid-life and the older ones move into retirement, their ownership rates will not rise much. If immigrants continue arriving in numbers similar to today, their movement into ownership, five to 10 years after arrival, will be a steady flow but no longer a surge. On the economic front, rising mortgage interest rates may make ownership less affordable, and a sluggish economic recovery and rockier US economy would tend to dampen home-buying.

Higher rental demand is reflected in new housing forecasts by CMHC: "...the decade of 1996 to 2006 likely represents a peak in the growth of owner households". If 2006 ownership rates continue, "growth in the number of renter households recovers in the 2006-2016 decade, reaching close to the

average yearly levels observed over the 1976-1996 period.”³

It is likely that Ontario's patterns will be similar nationwide. If 25 to 30 percent of added Ontario households in the next few years are renters, this will mean as many as 15,000 to 18,000 additional renter households each year. It will be a very different rental housing market than in the past decade. Some of this demand can be met in rented houses, condos, and second suites. But a large part of it needs to be met by new purpose-built rental housing. *Where's Home?* has previously suggested an annual target of 10,000 purpose-built rental units.

Implications of Stronger Rental Demand

Ontario faces a choice and an opportunity in how these added renters will be housed. For many years from the 1950s to 1980s, Ontario housed most of its added renters in purpose-built rental apartments - private-sector apartments and social housing. Publicly funded programs supported much of the private rental supply after the mid-1970s through incentives to developers, and all the social housing. This was a very different pattern than in most of the US, Australia or Western Canada today, where added rental households are accommodated by market forces, mostly by converting older houses from ownership to rental often in economically depressed neighbourhoods. Strategic public policy choice about rental supply has significant neighbourhood, growth management and energy implications, discussed further below.

³ CMHC, Canadian Housing Observer 2010, Chapter 3, p. 46. See also Richard Gabay (CMHC), “Long-term Household Growth Projections”, presentation at the National Housing Research Committee, Nov. 2009.

The return of net rental demand also has potential implications for vacancy rates, rent increases and options for low-income tenants in the market. Stronger rental demand could easily lead to lower vacancies and higher rent increases if there is not enough adequate new supply. Stronger rental demand will mean more demand by middle-income renters, not just lower-income renters. In the past decade and a half, the number of lower-income renters has been rising, in keeping with overall population growth. But lower income tenants were able to rent apartments freed up by middle-income renters moving out each year into home ownership. In the coming decade, will stronger middle-income rental incomes mean more competition thereby pushing lower-income renters into even more low-quality neighbourhoods of concentrated poverty? Will they have no choice but to double up, or to pay an even higher percentage of income on rent? Or will our governments have strategies to ensure that stronger rental demand is met by an adequate affordable rental supply?

1.3.3 Rental Housing Serves Three Big Provincial Priorities

Rental housing is an important element in three large Ontario government priorities: economic growth and stability; poverty reduction; and ensuring sustainable urban growth. “Housing is a key to success in other spheres, because it is large as an economic driver, a vehicle of social equity, has important environmental impacts and is a central component of urban growth.”⁴

⁴ ONPHA, Rebuilding the Foundations: ONPHA's Vision for a More Effective Affordable Housing System in Ontario (submission to the Ontario Government for its long term housing strategy)

Economic Growth, Stability and Stimulus

Housing production and repair is a significant part of GDP - typically about 5 percent, split roughly 60-40 between new construction, and renovation/repair.⁵

Housing is a significant part of the economic stimulus in 2009-2011. Over the decades, housing has been an important element in Canadian and Ontario governments' policies to manage economic ups and downs, and ensure stability and growth. This has short-term and long-term implications for Ontario.

In the short term, the questions are about the strength and momentum of the economic recovery, and the future of a housing market "reflated" in 2009-10 by cheap mortgages. In an optimistic scenario, the recovery will gather steam in 2010 and 2011, the strong housing market of 2009-2010 will continue, and stimulus can be safely withdrawn. In an alternative scenario, the Ontario recovery is sluggish, and housing production remains at a level about one-third lower than in most of the past decade. In this scenario, housing will remain an effective economic stimulus tool. Housing is especially effective as stimulus because it is relatively labour-intensive and a relatively large share of the spending remains in the domestic economy. Affordable rental housing is stimulus with long-term benefits, ensuring good housing for those who cannot find adequate, affordable housing in the market.

In the medium to long-term, the economic crisis has shown the need to manage housing lending and housing investment to ensure macroeconomic stability. Imprudent housing lending and a housing bubble have been large contributors to the unsustainable debt build-up and the resulting crash.

⁵ Andrew Jackson, *Home Truths: Why the Housing System Matters to All Canadians* (Canadian Centre for Policy Alternatives and Canadian Housing and Renewal Association, 2004). These figures fluctuate with economic conditions.

Moving low-income households into ownership by way of unsustainable lending practices has proved to be a disaster for many in the US. As we return to a housing market where potentially 25 or 30 percent of added demand each year is rental, ensuring adequate investment in rental production, especially for lower-income tenants, will be critical. As Ontario's rental stock, well over half of it built in 1955-75, now becomes 50 or more years old, providing adequate investment in good repair without sacrificing affordability will be equally important. These factors point to the need for strategic policy to oversee investment in rental housing in Ontario.

Poverty Reduction

Affordable housing is central in poverty reduction. Low-income households who are not in social housing commonly spend 40 to 50 percent of their incomes on rent. By contrast, an average household pays about 20 percent of income on housing. Rent eats up a large share of income for these low-income Ontarians: low-wage workers, seniors without private pensions, and most immigrants who have recently arrived. As a result, income inequality is wider "after housing costs."

These are among the reasons that ONPHA and CHF Canada Ontario Region have strongly urged the Ontario government to develop its Long-Term Affordable Housing Strategy, in follow-up to its Poverty Reduction Strategy.

Ontario's community-based social housing - non-profit, co-op and municipal - is a large, ongoing anti-poverty measure that needs to be protected.

About 70 percent of Ontario social housing is geared-to-income, with average rents of somewhat under \$400 monthly, matching tenants' and co-op members' low incomes. About half of Ontario's tenants have incomes under \$30,000 a year. Among those living in private rental housing, the majority pay rents representing one-third to one-half of income, and tenants sacrifice other needs to pay the rent. Few families in this situation have much more than \$1,000 monthly after rent. In social housing, geared-to-income rents are 30% of gross income, leaving more income for other needs.

This is also the reason that ONPHA participated in developing the proposal for a housing benefit for Ontario. A large majority of low-income tenants live in private rental housing and need assistance to help them in that situation. This is not a substitute for affordable rental production, but a complementary measure.

Sustainable Urban Growth in Ontario Communities

Ontario, through the Provincial Policy Statement under the *Planning Act* and the Growth Plan for the Greater Golden Horseshoe, has set priorities of balanced urban growth, mixed communities, and protecting farmland from sprawl. Rental housing is a tool to help achieve this.

Including rental housing as part of ongoing urban development ensures that we build "complete communities". Rental housing serves lifecycle needs, including young adults, people in transition through job loss or separation, and people newly arrived in Canada. As the boomers age into retirement, despite prevalent homeownership, they will include a significant number who do not own a home and need affordable rental through their senior years. Some elderly owners may choose to move into rental if they had such an alternative. Complete communities also means housing the full spectrum of workers - an

especially important concern in the rapidly urbanizing "905" regions of south-central Ontario.

The return of higher rental demand presents a strategic challenge and opportunity for Ontario in sustainable urban growth. Building balanced communities can help reduce commuting and traffic. Today, most low-wage workers in areas of the "905" with rapid growth of jobs must commute outward from older communities with a mix of housing not found in those areas. This is pushing Greater Toronto toward the pattern prevalent in big US urban areas, where lack of housing mix contributes to longer average trips to work than would otherwise be necessary.

Building balanced communities, including rental apartments, contributes to compact development which uses less farmland and supports transit use. This was the pattern in Ontario in the 1960s and 70s, but not today. If the rental households added in the next decade are accommodated by building rental housing, those apartments or townhouses will help achieve compact development, including development along transit corridors. Measured in terms of numbers of households over the coming decade, the rental sector offers at least as much potential for compact, transit-oriented development as the condo sector.

The market-driven alternative is the pattern prevalent in the US, Australia, and Canada's Prairie provinces today. There, added tenant households are accommodated mostly by conversion of older houses to rental in older neighbourhoods. This, as much as condo rental, will be the result of leaving rental supply to individual investors in the market. This alternative will mean declining housing quality in many older neighbourhoods. And this alternative will push more homeowner demand out to new housing in fringe areas.

RENTAL HOUSING SUPPLY

2.1 VACANCY RATES

Vacancy rates in rental apartments rose in most of the markets examined between 2008 and 2009, primarily because of extraordinary conditions associated with low interest rates, which are drawing tenants out of the rental market, and the ongoing effect of the slowdown in the economy. The picture is slightly less dramatic when comparing 2009 vacancy rates with the past 5-year average rates; nevertheless, rates did rise in a majority of markets. Despite increasing rates, there are several markets where vacancy rates are below the recommended 3% level indicating insufficient rental housing supply.

2.1.1 Vacancy Rates for Apartments Increased in 2009 in a Majority of Market Areas

In 2009, the overall vacancy rate in Ontario increased from 2.7% in 2008 to 3.5% in 2009. This increase in the vacancy rate is a reflection of higher vacancy rates in 17 of the 22 market areas examined as a result of:

- the continuing effects of the fiscal crisis in 2008 and the subsequent economic downturn;
- historically low interest rates which are inducing many tenants out of the rental market;
- a dip in levels of international immigration into Ontario; and,
- the high unemployment rate among younger people who are less likely to form their own households either staying in or moving back to their parents' home or doubling up.

Despite these general trends, conditions in individual markets vary and are the result of local trends in

employment, net migration, rental housing development and the relative cost of rental housing compared to owning.

In October 2009, vacancy rates in 17 rental markets across Ontario increased from October 2008 - in some markets the increases were small (e.g., the Barrie CA, St. Catharines-Niagara CMA, Thunder Bay CMA, Timmins CA, Ottawa CMA, and York Region) while in other cases, the increases were more substantial (e.g., Guelph CMA, Hamilton CMA, Kitchener CMA, London CMA, Muskoka, Owen Sound CA, Peel Region, Peterborough CA, Sarnia CA, Greater Sudbury CMA and the City of Toronto). Vacancy rates have decreased in four market areas - the Cornwall CA, Durham Region, the North Bay CA and the Windsor CMA. While some decreases are not substantial, such as in Windsor and Durham Region, they do indicate a halt to increasing vacancy rates. In the Kingston CMA, the vacancy rate remained the same at 1.3%. - one of the tightest rental markets in Ontario.

While vacancy rates increased in 2009 in many markets, in six market areas overall vacancy rates are below the benchmark of 3% - a level which represents a healthy rental market and provides sufficient choice in the market to prevent rents from increasing too quickly. These markets include the Kingston CMA (1.3%), North Bay CA (1.1%), the Ottawa CMA (1.5%), Timmins CA (1.6%), York Region (1.8%), and, the Thunder Bay CMA (2.3%). (Sudbury was not included because its vacancy rate of 2.9% in 2009 was so close to 3.0 %.)

2.1.2 2009 Vacancy Rates Compared to Previous 5-year Average

When comparing vacancy rates to the past five-year average (2004-2008), a slightly different picture emerges. For the sum of all of the markets surveyed by CMHC in Ontario, the vacancy rate in 2009 of 3.5% remained the same as the previous 5-year (2004-2008) average. Vacancy rates were slightly higher in five of the markets in 2009 compared to the 5-year average (Hamilton, Sarnia, Cornwall, Durham and York Region), while higher increases were observed in ten of the markets: Barrie, Guelph, Kitchener, London, Muskoka, Owen Sound, Peterborough, St. Catharines-Niagara, Sudbury, and Windsor. Vacancy rates were lower in 2009 compared to the 5-year average in seven markets: Kingston, Peel Region, North Bay, Ottawa, Thunder Bay, Timmins and the City of Toronto.

The vacancy rate in the City of Toronto, which represents just under half of apartments in CMHC's Ontario rental housing "universe" in buildings with 3+ units, showed a marginal decrease in 2009 registering a 3.1% vacancy rate compared to the 5-year average of 3.3%. This minor change in Toronto combined with other areas that either stayed the same or changed slightly from the 5-year average as well as a decline in several communities, resulted in the vacancy rate at the overall Ontario level remaining unchanged.

Thus, while it is useful to look at the one-year change to help to identify the direction of rental vacancy rates, a one-year change may overstate the level of change.

2.1.3 Overview of Individual Market Vacancy Rate Trends

Greater Toronto Area

- Generally, there has been little movement in the apartment vacancy rate in 2009 in the City of Toronto, York Region and the Region of Durham compared to the previous five-year average (2004-2008) - although vacancy rates rose significantly in Toronto and slightly in York Region but declined slightly in Durham Region in 2009 compared to 2008. The changes in each of the three markets examined are outlined below. First time homebuyers represented 57% of those intending to buy in 2009 compared to 37% in 2008 - spurred on by low mortgage rates and the lessening gap between mortgage payments and rent for larger units.
- Net migration is expected to dip by 6% in 2009 due in part to fewer immigrant households - which means fewer new people looking for rental housing. Despite moderating levels, migration remains strong in the GTA due to high levels of immigration which is a driving force behind low average vacancy rates in Ontario compared to other provinces.
- In the **City of Toronto**, the vacancy rate rose from 2% in 2008 to 3.1% in 2009 - although it remained below the previous 5-year average of 3.3%. The reasons for the increase were the increased availability of condominiums for rent, the movement of tenants who could afford to move into condominiums in the City or into affordable housing in suburban areas outside the City because of low interest rates, the rise in the supply of purpose-built rental units, fewer employment opportunities among youth, who as a result were less likely to rent their own housing, and some doubling up among tenants.

**Table 1a: Vacancy Rates in Private Rental Structures with 3+ Apartments,
Ontario and 22 Rental Markets Across the Province, 2000-2009****

Municipality	2000	2001	2002	2003	2004	2005	2006	2007	2008	08-09	2009	09-5yr. ave.	5-yr. Ave. (2004-2008)
Ontario	1.6	1.7	2.7	3.5	4.1	3.8	3.4	3.3	2.7	↑	3.5	→	3.5
Barrie CMA	0.5	0.9	1.4	3.3	3.0	2.1	2.8	3.2	3.5	↑	3.8	↑	2.9
Cornwall CA	7.8	6.0	4.4	3.7	3.4	2.3	3.5	4.4	4.2	↓	3.8	↑	3.6
Durham Region*	1.6	1.3	2.2	2.8	3.5	3.0	3.9	3.4	3.8	↓	3.6	↑	3.5
Guelph CMA	0.7	1.0	2.7	3.9	3.3	3.6	2.8	1.9	2.3	↑	4.1	↑	2.8
Hamilton CMA	1.7	1.3	1.6	3.0	3.4	4.3	4.3	3.5	3.2	↑	4.0	↑	3.7
Kingston CMA	1.8	1.5	0.9	1.9	2.4	2.4	2.1	3.2	1.3	→	1.3	↓	2.3
Kitchener CMA	0.7	0.9	2.3	3.2	3.5	3.3	3.3	2.7	1.8	↑	3.3	↑	2.9
London CMA	2.2	1.6	2.0	2.1	3.7	4.2	3.6	3.6	3.9	↑	5.0	↑	3.8
Muskoka	2.4	1.9	3.3	3.1	2.6	2.8	3.2	3.0	1.7	↑	3.9	↑	2.7
North Bay CA	5.5	2.7	3.3	3.3	3.7	2.7	2.4	1.1	1.9	↓	1.1	↓	2.4
Ottawa CMA	0.2	0.8	1.9	2.9	3.9	3.3	2.3	2.3	1.4	↑	1.5	↓	2.6
Owen Sound CA	2.8	1.6	1.5	1.8	1.3	1.2	1.7	2.8	2.5	↑	4.6	↑	1.9
Peel Region	0.5	1.0	3.3	3.9	5.0	4.1	2.8	2.5	2.4	↑	3.1	↓	3.4
Peterborough CMA	3.2	3.7	2.6	1.4	1.7	2.8	2.8	2.8	2.4	↑	6.0	↑	2.5
Sarnia CA	7.3	6.3	4.4	6.1	6.1	5.5	4.9	4.0	4.1	↑	5.0	↑	4.9
St. Catharines-Niagara CMA	2.6	1.9	2.4	2.7	2.6	2.7	4.3	4.0	4.3	↑	4.4	↑	3.6
Sudbury CMA	7.7	5.7	5.1	3.6	2.6	1.6	1.2	0.6	0.7	↑	2.9	↑	1.3
Thunder Bay CMA	5.8	5.8	4.7	3.3	5.0	4.6	4.9	3.8	2.2	↑	2.3	↓	4.1
Timmins CA	13.6	8.1	10.8	9.6	8.8	4.0	3.8	2.4	1.5	↑	1.6	↓	4.1
Toronto (City)	0.6	0.9	2.4	3.9	4.3	3.7	3.3	3.4	2.0	↑	3.1	↓	3.3
Windsor CMA	1.9	2.9	3.9	4.3	8.8	10.3	10.4	12.8	14.6	↓	13.0	↑	11.4
York Region	0.9	0.7	1.3	0.6	1.8	1.6	1.6	1.0	1.5	↑	1.8	↑	1.5

* Vacancy rates for Durham Region prior to 1996 for Oshawa CMA; 1996 and onwards for Durham Region.

** ↑ means that in 2009 the vacancy rate was higher than the comparable vacancy rate in 2008 or the previous 5-year period; ↓ means that in 2009, vacancy rates were lower than the comparable vacancy rate; while → means that there was no change.

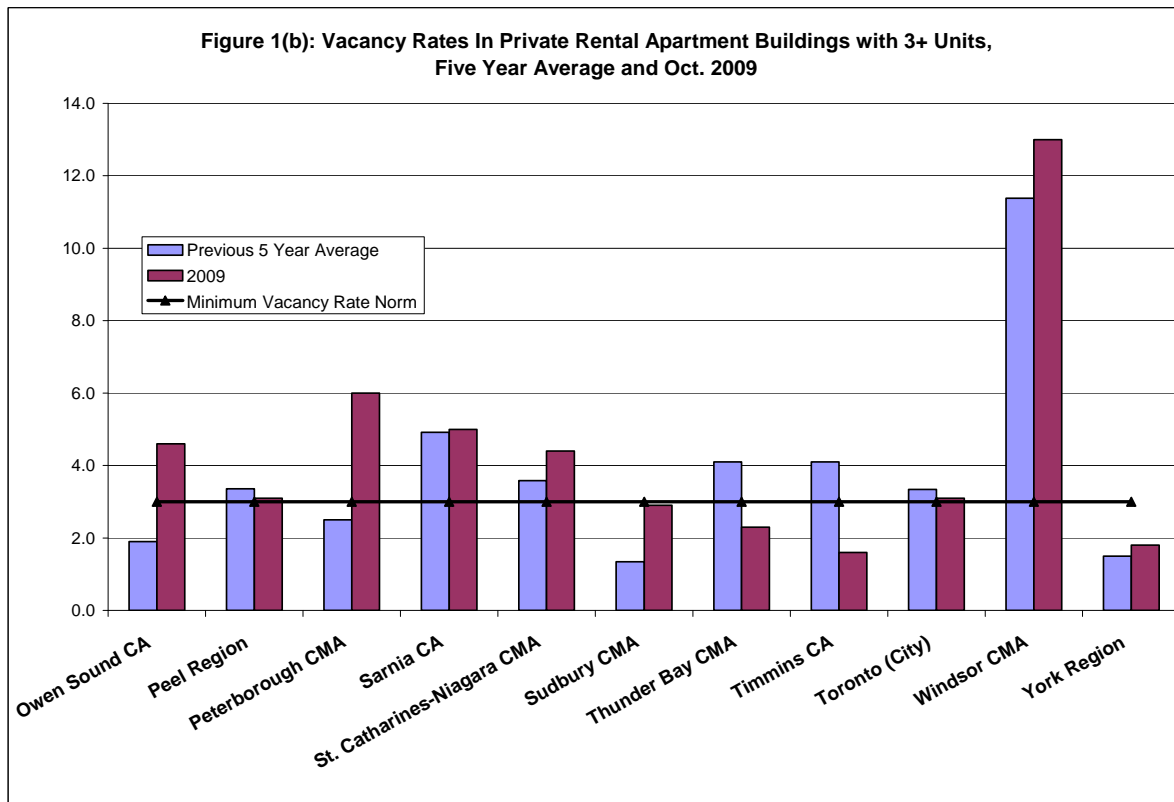
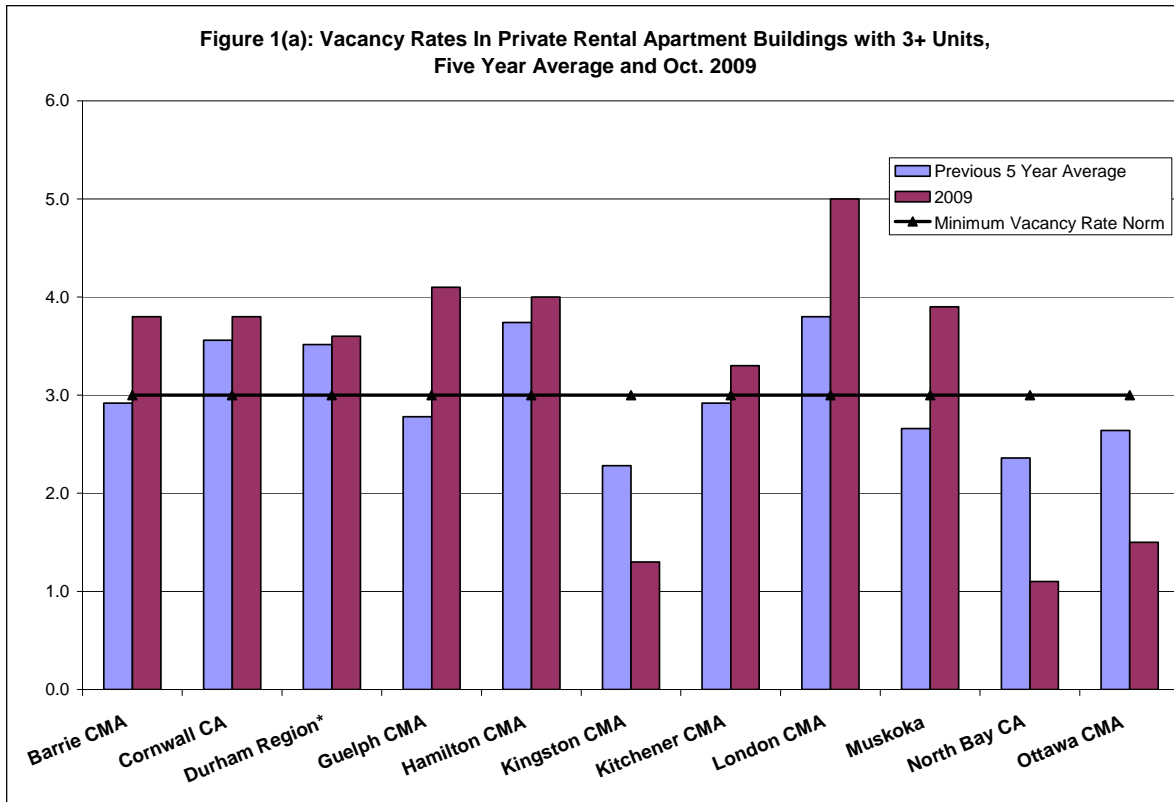
Source: Data provided by CMHC Ontario Market Analysis Branch

**Table 1b: Vacancy Rates in Private Rental Structures with 3+ Apartments,
Ontario and 22 Rental Markets Across the Province, 1990-2009**

Municipality	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	5-yr. Ave. (2004-2008)
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	2.7	3.5	3.5
Barrie CMA	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	3.5	3.8	2.9
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	4.2	3.8	3.6
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	3.0	3.9	3.4	3.8	3.6	3.5
Guelph CMA	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	2.3	4.1	2.8
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	3.2	4.0	3.7
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	1.3	1.3	2.3
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	1.8	3.3	2.9
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	3.9	5.0	3.8
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	2.8	3.2	3.0	1.7	3.9	2.7
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	1.9	1.1	2.4
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	1.4	1.5	2.6
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	2.5	4.6	1.9
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	4.1	2.8	2.5	2.4	3.1	3.4
Peterborough CMA	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	2.4	6.0	2.5
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	4.1	5.0	4.9
St. Catharines-Niagara 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	4.3	4.4	3.6
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	0.7	2.9	1.3
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	2.2	2.3	4.1
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	1.5	1.6	4.1
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	2	3.1	3.3
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	14.6	13.0	11.4
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	1.3	0.6	1.8	1.6	1.6	1.0	1.5	1.8	1.5

* Vacancy rates for Durham Region prior to 1996 for Oshawa CMA; 1996 and onwards for Durham Region.

Source: Data provided by CMHC Ontario Market Analysis Branch



Source: Data provided by CMHC Ontario Market Analysis Branch

- In **York Region**, vacancy rates continue to be tight at 1.8% - up slightly from the previous five-year average of 1.5%. The main reason for the tight vacancy rate is the severe scarcity of rental stock in a context of very high growth, as well as the high cost of ownership housing and more limited opportunities to purchase an affordable condominium compared to the City of Toronto.
- In **Durham Region**, vacancy rates have remained high at 3.6% which is the same level as experienced in the previous five-year period. The high vacancy rate can be attributed to tenants being able to afford ownership housing (which is more affordable than in other parts of the GTA), the high level of unemployment in the auto sector, lower household formation among youth and doubling up among tenants. Nevertheless, the vacancy rate declined slightly between 2008 and 2009 (from 3.8% to 3.6%) - possibly due to slightly improved employment opportunities.
- In the **Region of Peel**, the vacancy rate was 3.1% in 2009, down slightly from the 3.2% of the previous five-year period but up from 2.4% in 2008. The higher vacancy rate in 2009 compared to 2008 was the result of many tenants moving into more affordable ownership housing, including condominiums, and restricted employment opportunities among younger individuals thereby reducing rental demand.

Other Parts of the Golden Horseshoe and Central Ontario

- The overall vacancy rate in **Barrie** rose slightly from 3.5% in 2008 to 3.8% in 2009 and well above the previous five-year average of 2.9% as a result of the improving economy and more first time homebuyers moving out of the rental market. High youth unemployment (15-24 years of age) has

meant that more youth have stayed at home or doubled up. The high cost of renting a two bedroom apartment was close to the cost of carrying a mortgage for a resale home in Barrie enticing some tenants out of the rental market.

- At 6.0% **Peterborough's** vacancy rate, up from 2.4% in 2008, was one of the highest in Ontario in 2009 (outside of Windsor) and was well above the five-year average of 2.5%. The vacancy rate is high across all apartment units except for those with 3+bedrooms. The reasons for the high vacancy rate are the high unemployment rate among youth who are staying home or doubling up, increasing movement of tenants into the homeownership market (home sales were up 43%) and the increase in the supply of rental units by 88 new units.
- Vacancy rates for rental apartments increased in 2009 in both the **Kitchener** and **Guelph** CMA's- rising from 1.8% in 2008 in Kitchener to 3.3% in 2009 and from 2.3% in 2008 to 4.1% in 2009 in Guelph. In both cases, the vacancy was above the previous five-year vacancy rate (2.8% in Guelph and 2.9% in Kitchener). A number of factors resulted in decreased rental demand - renters moving to homeownership, higher unemployment, lower demand among young adults, and, the increased availability of new rental housing.
- **Hamilton's** vacancy rate rose from 3.2% in 2008 to 4.0% in 2008 (above the previous 5-year average of 3.7%) as favourable mortgage rates and lower home prices induced many renter household into the ownership market. Declines in youth employment also reduced demand for rental housing in Hamilton. As in Toronto, condominium living has become increasingly popular among first time homebuyers and downsizing households, and often competes with renting.

- In **Muskoka** and **Owen Sound**, vacancy rates rose in 2009 compared to 2008, and the 5-year average as tenants could afford to move into more affordable ownership housing and because lower employment opportunities among youth meant reduced demand for rental housing. In Muskoka, the vacancy rate rose from 1.7% in 2008 to 3.9% in 2009 - above the previous five-year average of 2.7% while in Owen Sound, the vacancy rate rose from 2.5% in 2008 to 4.6% in 2009, well above the five-year average of 1.9%.

Southwestern Ontario

- The apartment vacancy rate in **London** rose from 3.9% in October, 2008 to 5.0% in 2009 - above the previous 5-year average of 3.8%. New rental apartment completions helped to increase the supply of rental housing and absorption of these new units was relatively slow due to economic uncertainty in 2009. Low mortgage rates freed up some rental apartments as well since some tenants moved to affordable ownership housing.
- In **Sarnia** the vacancy rate increased from 4.1% in 2008 to 5.0% in 2009 - but remained consistent with the previous five-year average of 4.9%. High vacancy rates have prevailed in Sarnia since the mid 1990's due to higher levels of unemployment and weakened economic conditions. Low mortgage rates also have had an impact on the rental market.
- In the **Windsor CMA**, the vacancy rate fell from 14.6% in 2008 to 13.0% in 2009 - although it was still higher than the previous five-year average of 11.4%. The reasons for the decline in the vacancy rate were increased enrolment in post-secondary educational facilities, fewer residents moving to look for work elsewhere because of more positive employment opportunities in the auto sector, and,

reduced movement of renters into homeownership as many tenants had already taken advantage of lower house prices and low interest rates.

Eastern Ontario

- In **Cornwall** the vacancy rate fell in 2009 to 3.8% from 4.2% in 2008 - but was still above the five-year average of 3.6%. Cornwall has experienced a relatively high vacancy rate for some time following years of economic restructuring. The falling vacancy rate suggests that rental supply may be lagging behind rental demand as the local economy improves.
- **Kingston's** vacancy rate for private rental apartments remained unchanged in 2009 at 1.3% - one of the lowest vacancy rate in Ontario - the same level as recorded in 2008 but below the previous five-year average of 2.3%. Rental demand has remained strong throughout 2009 because record high average resale prices reduced homeownership affordability and resulted in more tenants staying in the rental market. Strong demand for smaller units from the student population at post-secondary educational institutions, as well as the lack of rental construction reducing renters' housing options, reduced rental vacancy rates.

Northern Ontario

- Despite low interest rates and difficult employment situations in many northern communities, the rental market is tight in three of the four markets examined - primarily due to lack of new rental supply. Two northern communities, Timmins and North Bay, have among the tightest rental markets in Ontario. For example, in **Timmins**, vacancy rates have remained tight at 1.6% in 2009 - up slightly from 1.5% in 2008 but well below the five-

year average of 4.1%. In Timmins the tight vacancy rate can be attributed to the lack of new rental housing supply as well as the migration of older and/or unemployed workers in the forestry industry from surrounding communities into Timmins.

- **North Bay's** vacancy rate fell from 1.9% in October 2008 to 1.1% in October 2009, making it the tightest rental market in Ontario. The vacancy rate is below the previous 5-year average of 2.4% indicating that rental demand is outstripping supply. North Bay's more diversified economy compared to many other northern major centres has enabled it to weather the economic downturn, and demand for rental housing has come from younger people at its two post-secondary institutions and retirees from outside the community looking for affordable housing alternatives. At the same time, there has been little new rental supply for many years.
- In **Sudbury**, the vacancy rate has increased from 0.7% in 2008 to 2.9% in 2009 and is well above the five-year average vacancy rate of 1.3%. Lower levels of employment in the mining and related industries, slower in-migration, a higher unemployment rate among younger households and the movement of tenants living in more expensive two bedroom apartments into the homeownership market have all contributed to higher vacancy rates.
- In **Thunder Bay**, the rental market was relatively tight in October, 2009 at 2.3% - up marginally from 2008 (2.2%) but well below the five-year average of 4.1%. Employment in the service sector and the 18-24 year age group has held up

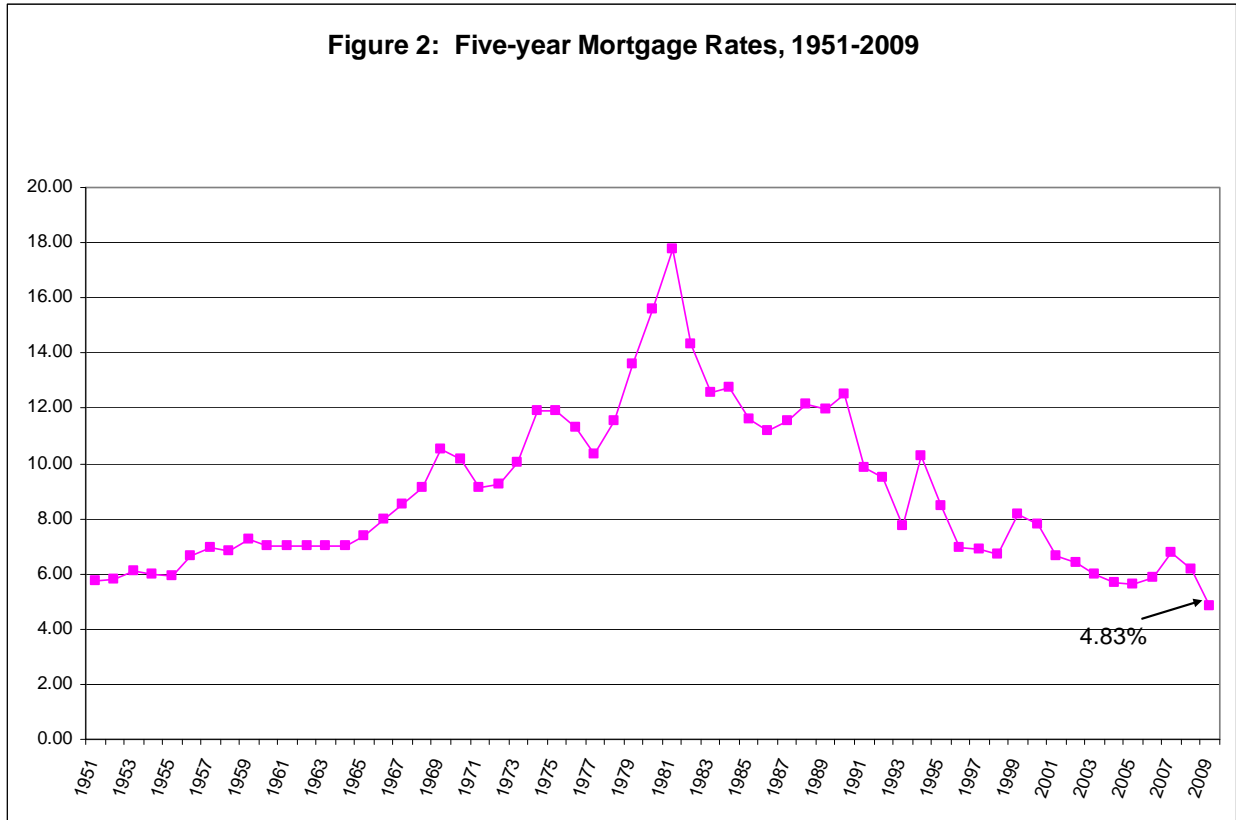
relatively well, which combined with increasing attendance at post-secondary institutions, accounts to some extent for continuing demand for rental housing. The lack of new rental supply is also contributing to the tight rental market.

2.1.4 Impact of Mortgage Rates on Vacancy Rates

In order to stimulate the economy following the financial crisis of the fall of 2008 and subsequent recession, the Bank of Canada lowered its lending rate. The Bank of Canada rate fell from 4.50% in December 2007 to 1.75% in December 2008 to 0.5% in April 2009 where it currently stands.⁶ Lower mortgage rates followed the decrease in the lending rate as shown in Figure 2, the five-year mortgage rate stood at 4.83% at the end of 2009. However, 5-year fixed mortgage rates are currently around 6.0 %-5.9% at major banks and increases are anticipated this summer when the Bank of Canada is expected to increase its prime lending rate.

Mortgage rates have been lowered not only by Bank of Canada policy on short-term rates, but by coordinated actions by central banks around the world to flood financial markets with money. This financial intervention has driven down interest rates on medium term bonds, which affects medium term (e.g., five-year) mortgage rates. The increase in liquidity was meant to deal with the worst global financial crisis in 80 years. It is expected that mortgage rates will rise as central banks withdraw this monetary stimulus over the next couple of years.

⁶ The Bank Rate is the minimum rate at which the Bank of Canada extends short-term advances to chartered banks and similar financial institutions.

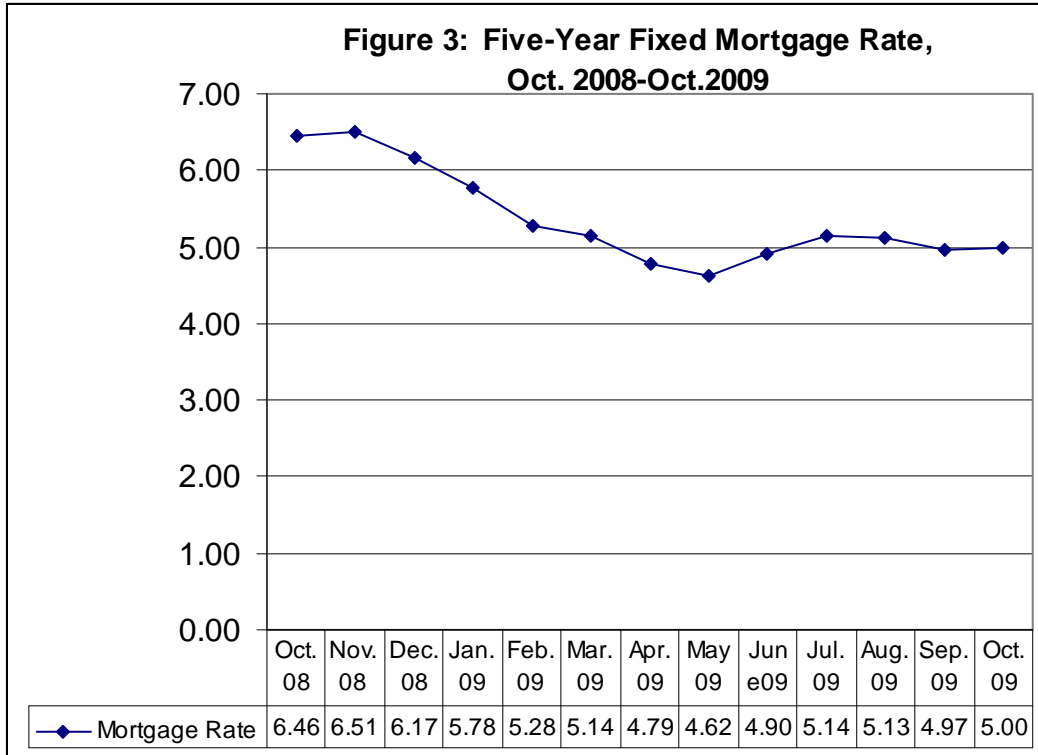


Source: Bank of Canada web site, data from CMHC, Rates are for December of each year.

- Since the fall of 2008, mortgage rates have been at their lowest levels in 60 years. The historically low mortgage rates that prevailed throughout most of 2009 resulted in a resurgence of home-buyer demand, despite the financial crisis of the fall of 2008 and the subsequent economic downturn. As a result of these low interest rates there were 195,840 residential resales sold in Ontario in 2009 - up 8.3% over 2008.⁷
- These lower interest rates induced many tenants, especially those renting in higher rent 2-bedroom and other larger apartments, out of their rental

units into ground-related housing in markets where carrying costs of a mortgage for a ground-related house was competitive, or, into condominium apartments in higher priced ownership markets in the Toronto area. For example, at 5.5% interest rate and assuming a 25% down payment, a \$200,000 condominium would carry for \$1,350 a month including taxes and condo fees, or \$1,500 with a 10% down payment.

⁷ From OREA Pre-Budget Submission Recommends Relief From HST.



Source: Bank of Canada web site, data from CMHC

- Mortgage rates have been low throughout much of the first decade of the twenty-first century - 2003 to 2008 - when mortgage rates for 5-year mortgages were around or below 6% (except in 2007 when they reached 6.75%) - comparable to the low interest rates in the early part of the 1950's. These low mortgage rates have induced higher ownership rates which have been observed in recent years; however, higher housing costs in many municipalities are starting to counteract the lower carrying costs of housing.
- As mortgage rates rise in the future, the demand for rental housing will increase. See Section 3.4 for a discussion of rising rental demand.

2.1.5 How Vacancy Rates Vary with Rent Levels

Vacancy rates may vary with rent levels and conventional wisdom used to suggest that there was more demand for rents at more affordable levels and that as rent levels increase, so would vacancy rates. This was the case for many years; however, times have changed and tenants, especially during good economic times, have chosen to rent higher end rental units as well as higher rent condominium units, while shunning those at the lower end which are often in older units. Often those units at the bottom of rent levels are in poor repair.

An examination of vacancy rates by rent levels shows a mixed pattern, though there are definite signs of 2009 vacancy rates either being higher at higher rent levels than lower rent levels, or vacancy rates increasing faster than at lower rent levels. The reason for these vacancy rate increases at the higher rent level is two-fold. Firstly, the higher rent level is often competitive with carrying costs of an ownership or condominium unit. Secondly, in uncertain economic times, tenants are less willing to take on higher rents and to move up to higher rent units.

While in recent years, there was a tighter vacancy rate at the higher end of the rent scale, in 2009 this trend has begun to reverse itself primarily as those at the higher end move into the homeownership market. For example, in the Toronto CMA, the vacancy rate for units priced at \$1,000-\$1,099 rose from 1.6% in 2008 to 3.0% in 2009, and units renting at \$1,100+ rose from 1.6% to 3.3%. Similarly, in the Kitchener CMA, the vacancy rate for units renting for \$900-\$999 went from 1.3% in 2008 to 3.4% in 2009, while the vacancy rate for units renting for \$1,000+ went from 1.1% in 2008 to 2.8% in 2009. Similar trends were observed in the London CMA, the Sudbury CMA and the Peterborough CMA.

In several communities there was an inverse relationship between rent levels and vacancy rates - that is, as rent levels increased, vacancy rates were tighter: Barrie, Guelph, Hamilton, Thunder Bay, the Toronto CMA and the Windsor CMA. This situation may reflect poor conditions in rental units at lower levels of rents.

In a few communities, such as London and Peterborough, vacancy rates increased with rent levels, while in other areas, there was no consistent pattern between rent levels and vacancy rates.

2.1.6 Vacancy Rates and Year of Construction

As would be expected, higher vacancies are shown in most market areas among the older housing stock. This situation is the case in: Hamilton, Kitchener, St. Catharines-Niagara, Thunder Bay, Kingston, Oshawa and Greater Sudbury (though vacancy rates declined at the very oldest period of construction). This is consistent with the pattern found in some communities - that lower rent units are often in older buildings in need of repair or upgrading; thus, resulting in higher vacancy rates at the lower rent levels.

In Ottawa, rental vacancy rates were tight across all construction periods and actually higher among those built in 1940-1959 but lower in pre-1940 apartments.

In Windsor, vacancy rates tended to be highest among older buildings, but one group (1975-1989) had the lowest vacancy level - half the level of the total vacancy rate.

London exhibited higher vacancy rates among the newest buildings (those built after 2000) - almost double the level of lower rent levels. The newest

buildings also have the highest rents and therefore, higher vacancy rates.

In Toronto, vacancies are high in older (early postwar), typically lower-quality buildings, and in new, typically higher-priced buildings.

Table 2: How Vacancy Rates Vary with Rent Levels, 2008 and 2009, Selected CMA's Across Ontario

	Oct.2008	Oct. 2009		Oct.2008	Oct. 2009		Oct.2008	Oct. 2009		Oct.2008	Oct. 2009
	Barrie CMA			Kingston CMA			Ottawa CMA			Sudbury CMA	
<\$600	**	**	<\$400	**	**	<\$700	2.6	2.0	<\$500	0.9	3.5
\$600-\$699	**	13.5	\$400-\$599	1.6	1.4	\$700-\$799	1.4	1.3	\$500-\$599	0.5	5.6
\$700-\$799	9.1	7.5	\$600-\$799	1.9	2.2	\$800-\$899	1.0	1.6	\$600-\$699	0.3	**
\$800-\$899	5.0	4.4	\$800-\$999	1.2	1.0	\$900-\$999	1.4	1.7	\$700-\$799	0.6	1.8
\$900-\$999	1.7	4.2	\$1,000-\$1,100	0.8	0.6	\$1,000-\$1,199	1.3	1.4	\$800-\$899	0.7	5.2
\$1,000+	1.7	3.9	\$1,200	0.4	0.2	\$1,200+	1.6	2.1	\$900+	1.0	2.4
Total	3.5	3.8	Total	1.3	1.3	Total	1.4	1.5	Total	0.7	2.9
	Guelph CMA			Kitchener CMA			Peterborough CMA			Toronto CMA	
<\$600	1.1	4.1	<\$600	2.4	2.4	<\$600	**	0.9	< \$700	3.4	5.7
\$600-\$699	2.5	3.3	\$600-\$699	2.1	3.4	\$600-\$699	2.0	**	\$700-\$799	3.0	3.7
\$700-\$799	2.2	3.8	\$700-\$799	1.9	4.2	\$700-\$799	3.6	3.4	\$800-\$899	2.4	3.5
\$800-\$899	3.1	5.7	\$800-\$899	1.9	2.9	\$800-\$899	2.0	4.0	\$900-\$999	2.4	3.2
\$900-\$999	2.0	4.0	\$900-\$999	1.3	3.4	\$900-\$999	2.2	5.9	\$1,000-\$1,099	1.6	3.0
\$1,000+	1.3	2.0	\$1,000+	1.1	2.8	\$1,000+	0.7	9.6	\$1,100+	1.6	3.3
Total	2.3	4.1	\$1,000+	1.1	2.8	Total	2.4	6.0	Total	2.0	3.1
	Hamilton CMA			London CMA			St. Catharines-Niagara CMA			Thunder Bay CMA	
<\$500	5.9	9.2	<\$550	4.0	2.9	<\$500	3.2	3.5	<\$400	**	3.3
\$500-\$599	6.6	6.5	\$550-\$649	3.2	3.3	\$500-\$599	5.4	**	\$400-\$499	6.4	9.0
\$600-\$699	6.7	7.0	\$650-\$799	4.4	5.3	\$600-\$699	5.8	7.0	\$500-\$599	2.8	4.0
\$700-\$799	5.0	7.2	\$800-\$999	2.9	4.1	\$700-\$799	5.1	4.3	\$600-\$699	1.9	1.6
\$800-\$899	2.6	2.4	\$1,000-\$1,249	2.3	3.8	\$800-\$899	2.6	3.4	\$700-\$799	1.9	1.0
\$900+	1.6	3.5	\$1250+	5.6	7.1	\$900+	3.3	4.6	\$800+	0.0	0.5
Total	3.2	4.0	Total	3.9	5.0	Total	4.3	4.4	Total	2.2	2.3
										Windsor CMA	
									<\$500	20.5	21.0
									\$500-\$599	22.8	19.4
									\$600-\$699	17.7	14.5
									\$700-\$799	12.2	9.8
									\$800-\$899	9.9	4.2
									\$900+	5.9	4.9
									Total	14.6	13.0

** Data suppressed to protect confidentiality or data is not statistically reliable

Source: Data provided by CMHC Ontario Market Analysis Branch

**Table 3: How Vacancy Rates Vary with Year of Construction, 2009,
Selected CMA's Across Ontario**

Hamilton CMA	Bachelor Oct-09	1Bed Oct-09	2Bed Oct-09	3Bed+ Oct-09	Total Oct-09
Pre 1960	8.8	5.4	5.0	4.9	5.6
1960-1974	5.7	3.4	4.0	2.8	3.7
1975-1989	3.5	2.6	3.3	2.8	2.9
1990-1999	n/s	**	**	n/u	**
2000+	**	**	**	**	2.4
Total	7.0	3.7	4.1	2.9	4.0

Kingston CMA	Bachelor Oct-09	1Bed Oct-09	2Bed Oct-09	3Bed+ Oct-09	Total Oct-09
Pre 1960	**	**	3.9	0.0	2.3
1960-1974	1.1	1.2	1.5	0.7	1.3
1975-1989	**	0.2	1.6	**	1.1
1990-1999	**	0.3	0.5	**	0.7
2000+	**	0.0	0.2	**	0.1
Total	1.1	0.9	1.7	0.9	1.3

Kitchener CMA	Bachelor Oct-09	1Bed Oct-09	2Bed Oct-09	3Bed+ Oct-09	Total Oct-09
Pre 1960	**	4.2	6.4	**	5.7
1960-1974	3.2	3.2	3.8	3.8	3.6
1975-1989	2.2	2.4	2.6	1.2	2.5
1990+	**	0.6	3.1	0.9	2.3
Total	4.5	2.9	3.6	2.9	3.3

London CMA	Bachelor Oct-09	1Bed Oct-09	2Bed Oct-09	3Bed+ Oct-09	Total Oct-09
Pre 1940	**	4.7	**	0.0	4.2
1940-1959	**	5.7	4.8	5.7	5.5
1960-1974	0.5	4.3	5.7	2.0	4.9
1975-1989	2.5	2.1	4.9	4.1	3.8
1990-1999	**	2.4	6.5	3.5	5.3
2000+	**	7.5	9.6	**	9.1
Total	3.5	4.0	5.9	3.6	5.0

St. Catharines- Niagara CMA	Bachelor Oct-09	1Bed Oct-09	2Bed Oct-09	3Bed+ Oct-09	Total Oct-09
Pre 1940	**	**	**	**	**
1940-1959	**	**	**	0.0	7.4
1960-1974	**	3.2	3.5	4.1	3.5
1975-1989	**	3.2	4.1	2.0	3.7
1990-1999	**	**	**	**	3.1
2000+	n/u	n/s	**	n/s	**
Total	5.1	4.5	4.5	3.2	4.4

Oshawa CMA	Bachelor Oct-09	1Bed Oct-09	2Bed Oct-09	3Bed+ Oct-09	Total Oct-09
Pre 1960	**	6.9	5.8	**	6.3
1960-1974	**	3.3	4.1	5.4	4.1
1975-1989	**	2.8	4.1	1.7	3.4
1990+	**	0.0	3.6	**	2.6
Total	**	3.8	4.3	3.8	4.2

Ottawa CMA	Bachelor Oct-09	1Bed Oct-09	2Bed Oct-09	3Bed+ Oct-09	Total Oct-09
Pre 1940	1.6	1.2	2	**	1.6
1940-1959	2.4	2.7	2.2	**	2.4
1960-1974	1	1.4	1.6	2.4	1.5
1975-1989	0.9	0.9	1.5	0.5	1.1
1990-1999	0	0.8	2.1	**	1.4
2000+	**	1.6	0.3	**	0.8
Total	1.3	1.4	1.7	1.7	1.5

Greater Sudbury CMA	Bachelor Oct-09	1Bed Oct-09	2Bed Oct-09	3Bed+ Oct-09	Total Oct-09
Pre 1940	**	**	**	**	3.8
1940-1959	**	4.6	5.1	**	5.2
1960-1974	8.2	2.5	2.1	1.2	2.5
1975-1989	2.2	1.4	2.3	2.5	2.0
1990+	**	0.7	1.5	**	1.5
Total	6.9	2.8	2.5	2.1	2.9

Thunder Bay CMA	Bachelor Oct-09	1Bed Oct-09	2Bed Oct-09	3Bed+ Oct-09	Total Oct-09
Pre 1940	10.1	10.0	6.0	5.3	8.9
1940-1959	2.8	4.5	2.1	0.0	3.2
1960-1974	4.7	1.6	0.8	0.0	1.4
1975-1989	6.5	1.0	0.9	**	1.0
1990+	**	**	0.0	0.0	1.3
Total	5.6	3.5	1.2	0.7	2.3

Toronto CMA	Bachelor Oct-09	1Bed Oct-09	2Bed Oct-09	3Bed+ Oct-09	Total Oct-09
Pre 1940	3.7	4.0	2.7	**	3.5
1940-1959	4.4	3.8	3.7	2.2	3.8
1960-1974	6.2	2.6	2.5	2.1	2.7
1975-1989	2.8	2.9	3.3	3.6	3.2
1990+	0.6	5.2	3.6	6.0	4.2
Total	4.9	3.0	2.8	2.5	3.1

Windsor CMA	Bachelor Oct-09	1Bed Oct-09	2Bed Oct-09	3Bed+ Oct-09	Total Oct-09
Pre 1960	19.2	16.0	23.2	**	19.0
1960-1974	12.3	12.7	14.0	4.3	12.9
1975-1989	**	7.4	6.0	**	6.8
1990+	**	11.1	11.8	**	11.6
Total	16.9	12.2	13.0	13.4	13.0

** Data suppressed to protect confidentiality or data is not statistically reliable

n/s: No units exist in the sample for this category

n/u: No units exist in universe for this category

Source: Data provided by CMHC Ontario Market Analysis Branch

2.2 RENT INCREASES AND ABOVE RATE OF INFLATION

Despite the slowdown in the economy and the high vacancy rates in many municipalities across Ontario, the average rent for a two-bedroom apartment in Ontario rose 2.0% - three times the rate of inflation in Ontario of 0.07% in 2009.⁸ In the context of very low inflation in 2009, rent increases were above the level of inflation because of market and regulatory factors. Similarly, rents increased faster than inflation in half of the 22 rental markets examined over the past five-year period (2004-2009). Thus, given higher rent increases, it is clear that tenants are worse off in today's market than they were five years ago.

While rent increases allow landlords to "catch up" to increases in costs of operating rental housing, incomes of tenants have remained flat given the employment losses before and after the economic downturn that started in the fall of 2008. Most tenants are "price takers" with little choice but to take whatever increases occur.

2.2.1 Rent Increases between 2008 and 2009

Table 4 on page 37 shows rents in the 22 market areas in 1999, 2004, 2008 and 2009 and compares the changes in rents in different periods to changes in the rate of inflation. The highest rent increases for two-bedroom apartments between 2008 and 2009 were in the London CMA where the average rent increased 7.4% followed by Timmins where the average rent increased 5.3% and Sudbury at 3.8% (well above the rate of inflation of 0.7%.) In several communities rent increases were in the 3% range - Owen Sound, St. Catharines-Niagara, Ottawa, North Bay, Kingston, Thunder Bay, Peterborough, Cornwall and, Muskoka. In markets in the GTA such as York Region, the City of Toronto, Peel Region as well as in Hamilton, Guelph and Windsor (with its high unemployment rate), rent increases for a two-bedroom apartment between 2008 and 2009 were below the rate of inflation. (Two areas had rent *decreases*: the Windsor CMA and York Region.)

⁸ The increase in average rents reflects the allowable rent increases of 1.8% under the *Residential Tenancies Act, 2007*. The 2009 rent increase guideline is calculated by averaging the percentage change in the Ontario Consumer Price Index for each of the previous 12 months from June, 2008 to May, 2009. Under the *Tenant Protection Act*, which was in effect until the end of 2006, rent increases were based on a building operating cost index and a 2 percent allowance for capital expenditures.

2.2.2 Rent Increases between 2004 and 2009

On page 37 Figure 5 compares rent increases to inflation in the period between 2004 and 2009. In 14 of the 22 markets rents for 2-bedroom apartments increased faster than inflation (though in 3 of these increases were only slightly above the rate of inflation) - so in 50% of the 22 markets rents increased faster than inflation over the past 5-year period.

Rent increases over the 5-year period 2004-2009 are well below inflation in the Toronto area (the City of Toronto, Peel Region, York Region, Durham Region), Barrie, Guelph, Hamilton and Windsor.

At the same time, rent increases over the 5-year period are well above the rate of inflation in Ottawa and several mid-sized and smaller Southern Ontario communities such as Kingston, Kitchener, London, Peterborough, St. Catharines and in most Northern Ontario centres - Sudbury, Timmins and North Bay. Sudbury had the highest rent increase: inflation ratio at 2.94 or almost 3 times the rate of inflation. In Ottawa and Owen Sound, rents increased marginally faster than inflation over the five-year period (1.03).

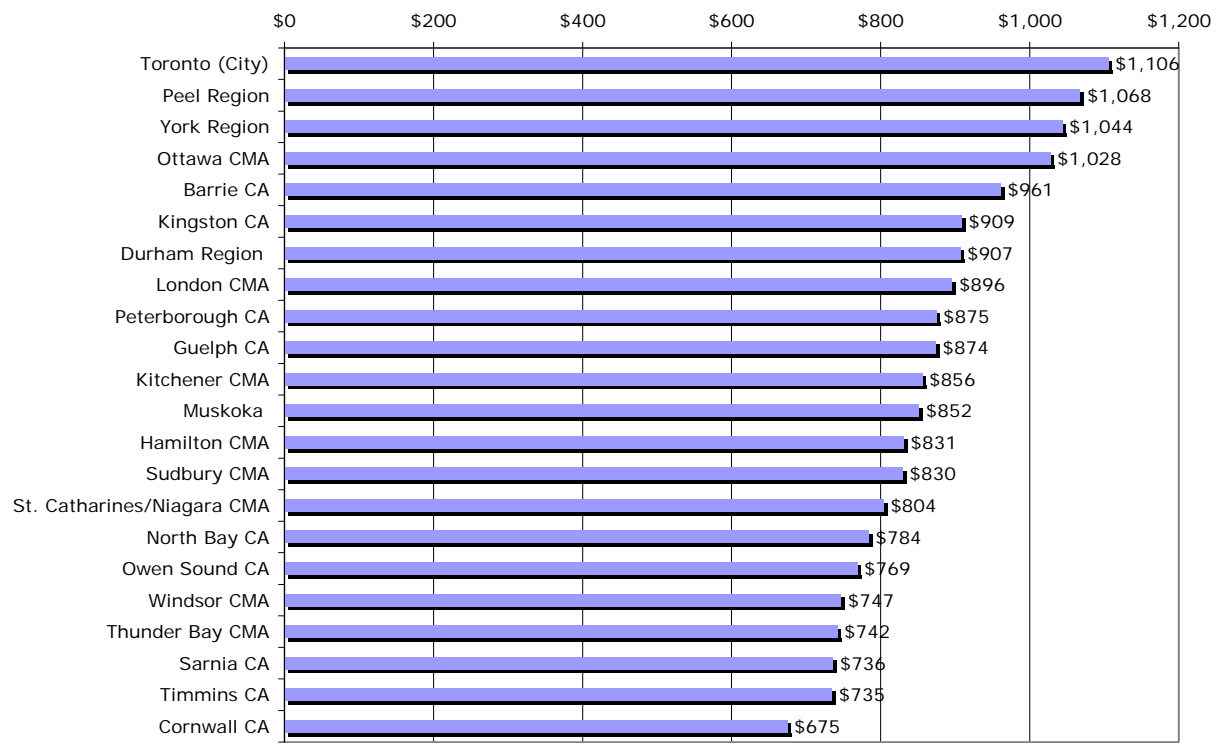
The increase in the rent for a 2-bedroom apartment in Timmins rose 2.56 times the rate of inflation; in London, it rose 2 times the rate of inflation, in Kingston 1.74 times, and in North Bay 1.57 times.

2.2.3 Average Rent for a Two-Bedroom apartment

Figure 4 on page 36 shows rents in the 22 market areas in October 2009 and Table 4 on page 37 shows rents in each market in 2004 and 2009 and the percentage change over that five-year period. While two-bedroom units in the City of Toronto continue to have the highest rents across the province at \$1,106, other municipalities are not far behind. In Peel Region, a two-bedroom apartment rents for \$1,068; in York Region the average rent for a two-bedroom apartment is \$1,044 and in Ottawa, the average rent is \$1,028.

In eight market areas the average rent for a two-bedroom apartment is between \$850 and just above \$950: Barrie, Kingston, Durham Region, London CMA, Peterborough, Guelph, Kitchener and Muskoka. In nine market areas the average rent for a two-bedroom apartment is between \$730 and \$830: Hamilton CMA; Sudbury CMA, St. Catharines-Niagara, North Bay, Owen Sound, Windsor, Thunder Bay, Sarnia, and, Timmins. The lowest rent for a 2-bedroom apartment is in Cornwall (\$675) where the economy was depressed for many years. In northern communities such as North Bay and Timmins, low rents make it even less feasible than in many southern communities for new rental development to compete with rents in the existing rental stock - making new supply less likely.

Figure 4: Average Rent for 2-Bedroom Apartments, 2009



Source: Data provided by CMHC Ontario Market Analysis Branch

2.2.4 Rents Increasing in Some Market Areas towards Toronto Area Rents

Rents have been increasing faster in many lower-priced and medium-priced rental markets over the past five years than in higher-priced markets. The reasons vary with the local market but one common factor is the low level of rental construction (except for Kitchener). Other local factors include new more expensive rental construction in London; tight current or recent rental markets (Timmins, Kingston, Sudbury and North Bay) and strong rental demand in local markets. At the same time, there is greater choice in housing for those living in the Greater Toronto Area including more affordable condominium apartment

units and lower housing costs for ownership housing which is moderating rental increases.

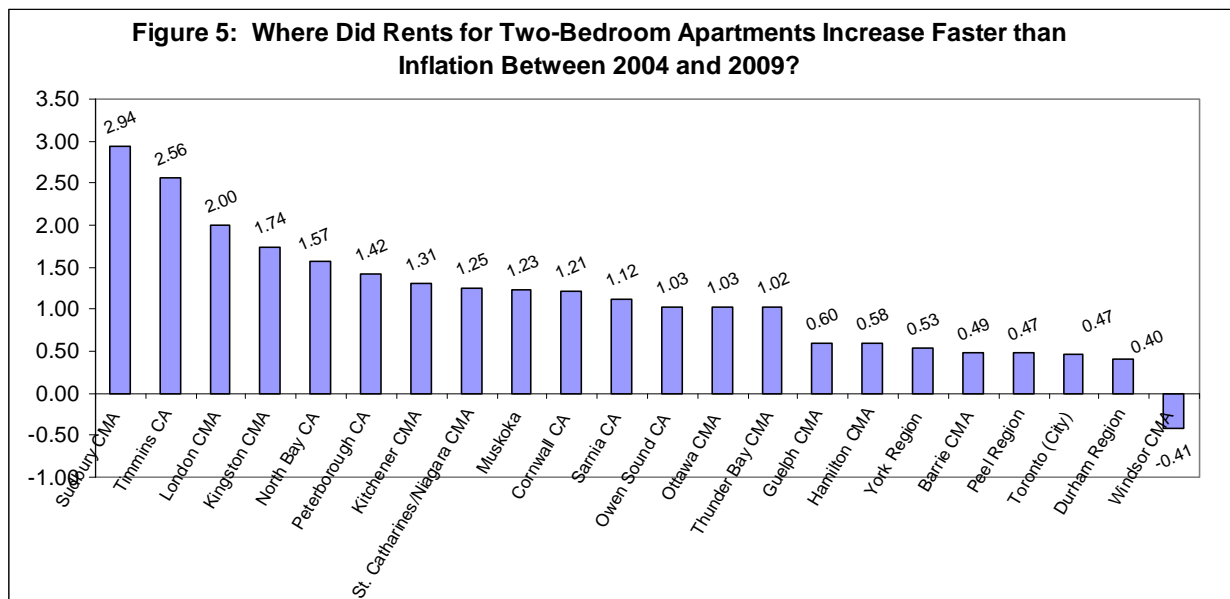
These increases are pushing up rents in some market areas towards big-city levels found in the Greater Toronto Area and Ottawa. For example, in the London CMA, the average rent for a two-bedroom apartment in 2004 was \$758 compared to \$1,061 in the City of Toronto - a differential of \$300. In 2009, the average rent for a two-bedroom apartment in the London CMA was \$896 compared to \$1,106 in the City of Toronto - a differential of \$210. Other areas that are now close to rents in bigger city areas include Barrie and Kingston - while rents in Peterborough, Muskoka, Kitchener and Guelph are not that far behind.

Table 4: Rents for Two-Bedroom Apartments in 22 Markets Across Ontario, 1999, 2004, 2008, 2009 and Rent Changes 2008-2009, 2004-2009 and 1999-2009

Municipality	1999	2004	2008	2009	Change in Rents 2008-2009	% Change in Rents 2004-2009	Rent:Inflation Ratio 2004-2009	Change in Rents 1999-2009	Rent:Inflation Ratio 1999-2009
Barrie CA	\$788	\$920	\$954	\$961	0.7%	4.5%	0.5	22.0%	0.9
Cornwall CA	\$556	\$608	\$657	\$675	2.7%	11.0%	1.2	21.4%	0.9
Durham Region	\$737	\$875	\$896	\$907	1.2%	3.6%	0.4	23.1%	1.0
Guelph CA	\$702	\$829	\$869	\$874	0.6%	5.4%	0.6	24.5%	1.0
Hamilton CMA	\$698	\$789	\$836	\$831	-0.6%	5.3%	0.6	19.1%	0.8
Kingston CMA	\$658	\$785	\$880	\$909	3.3%	15.8%	1.7	38.1%	1.6
Kitchener CMA	\$660	\$765	\$845	\$856	1.3%	11.9%	1.3	29.7%	1.3
London CMA	\$639	\$758	\$834	\$896	7.4%	18.2%	2.0	40.2%	1.7
Muskoka	\$656	\$766	\$831	\$852	2.5%	11.2%	1.2	29.8%	1.3
North Bay CA	\$621	\$686	\$759	\$784	3.3%	14.3%	1.6	26.2%	1.1
Ottawa CMA	\$783	\$940	\$995	\$1,028	3.3%	9.4%	1.0	31.3%	1.3
Owen Sound CA	\$594	\$703	\$742	\$769	3.6%	9.4%	1.0	29.5%	1.3
Peel Region	\$902	\$1,024	\$1,063	\$1,068	0.5%	4.3%	0.5	18.4%	0.8
Peterborough CA	\$680	\$775	\$850	\$875	2.9%	12.9%	1.4	28.7%	1.2
Sarnia CA	\$596	\$668	\$728	\$736	1.1%	10.2%	1.1	23.5%	1.0
St. Catharines/Niagara CMA	\$634	\$722	\$777	\$804	3.5%	11.4%	1.2	26.8%	1.1
Sudbury CMA	\$612	\$655	\$800	\$830	3.8%	26.7%	2.9	35.6%	1.5
Thunder Bay CMA	\$647	\$679	\$719	\$742	3.2%	9.3%	1.0	14.7%	0.6
Timmins CA	\$584	\$596	\$698	\$735	5.3%	23.3%	2.6	25.9%	1.1
Toronto (City)	\$924	\$1,061	\$1,104	\$1,106	0.2%	4.2%	0.5	19.7%	0.8
Windsor CMA	\$696	\$776	\$772	\$747	-3.2%	-3.7%	-0.4	7.3%	0.3
York Region	\$824	\$996	\$1,068	\$1,044	-2.2%	4.8%	0.5	26.7%	1.1
Change in CPI					0.7%	9.1%		23.5%	

Note: CMHC publishes annual change in rents based on comparing the same unit sample whereas published rent data may be based on different samples.

Source: Data on rents provided by CMHC Ontario Market Analysis Branch;
CPI changes obtained for Ontario from Statistics Canada



Note: A value that is greater than 1 reflects a rent increase above the rate of inflation; a value below 1 means that rents increased below the rate of inflation.

Source: Rent change calculated by Lapointe Consulting using data on rents provided by CMHC Ontario Market Analysis Branch; CPI changes obtained for Ontario from Statistics Canada

2.2.5 Rents and Vacancy Rates

Economic theory suggests that market rents increase faster in a tight vacancy market. Although Ontario still has rent control, rent controls do not apply when units turn over to a new tenant and so these economic forces should still be at work. In Timmins, for example, where the vacancy rate for two-bedroom apartments is 1.4%, rents for these units increased by 5.3%; in North Bay where the vacancy rate for two-bedroom apartments is 0.5%, rents increased 3.3% (Refer to Table 5 below).

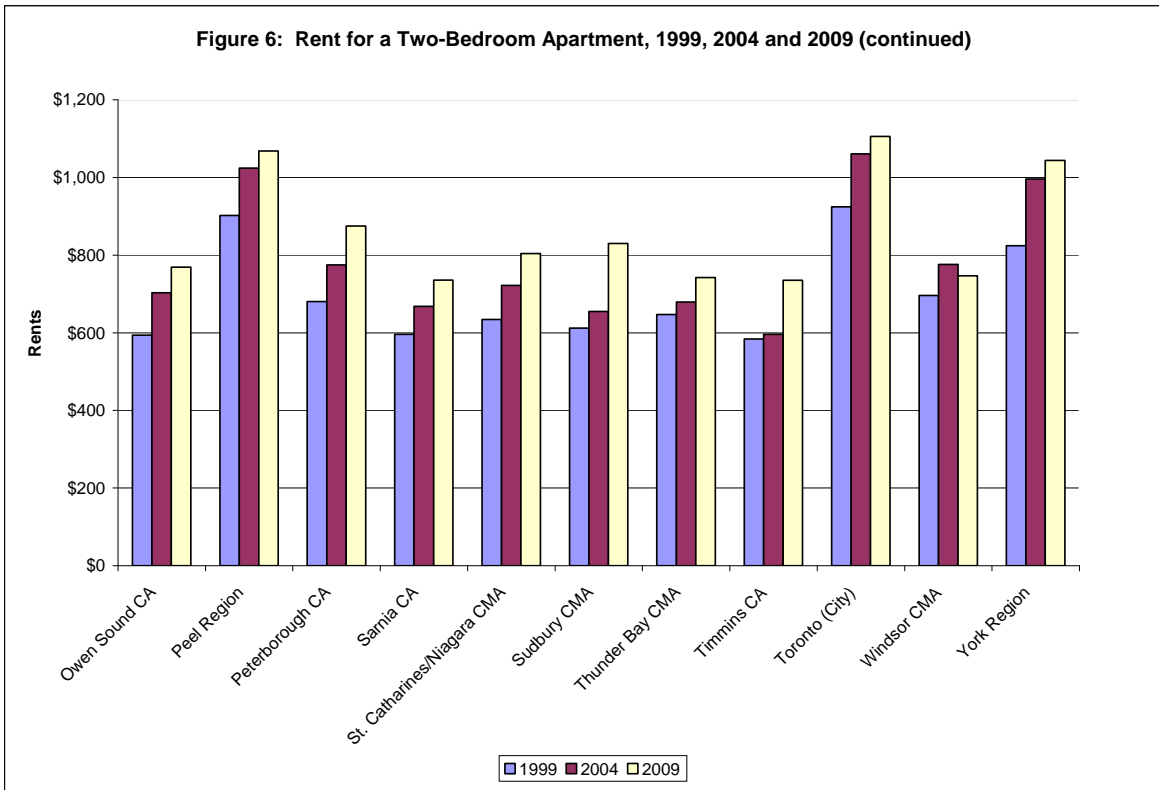
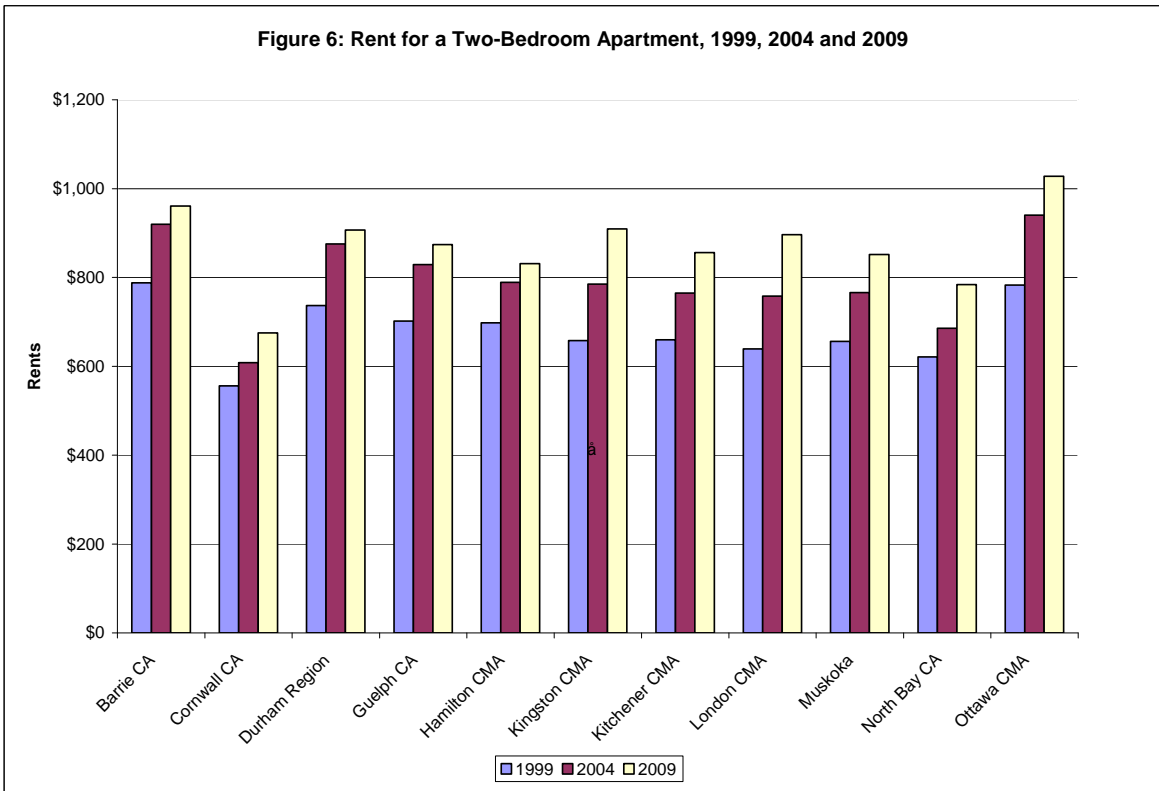
However, other factors besides basic demand-supply balance also determine patterns of rent increases. For example, in London where the vacancy rate for two-bedroom apartments is 5.9%, the increase in the average rent between 2008 and 2009 is 7.4%. This anomaly is in part explainable by new construction of

higher end rental units in recent years. In St. Catharines, where a high vacancy rate would suggest that rents should stabilize, if not fall, rents actually increased 3.5%. In Peterborough rents increased 2.9% even though the vacancy rate for two-bedroom units was 6%. Most tenants have little choice but to accept rent increases; some landlords may have little choice but to push cost increases through into rents. The Rent Regulation guideline tends to become a market norm. This illustrates that the housing market, in particular the rental market, is unlike other economic goods. Strong demand does not necessarily lead to supply and oversupply does not necessarily lead to price decreases. The market responds slowly to increasing demand and/or oversupply.

Table 5: Change in Average Rents (2008 and 2009) and Vacancy Rates, 2009

Municipality	2009 Rent	Ch. In Rents 2008-09	Vacancy Rate	
			2 Bedroom	All Units
Toronto (City)	\$1,106	0.2%	2.8	3.1
Peel Region	\$1,068	0.5%	3.0	3.1
York Region	\$1,044	-2.2%	1.3	1.8
Ottawa CMA	\$1,028	3.3%	1.7	1.5
Barrie CA	\$961	0.7%	3.4	3.8
Kingston CA	\$909	3.3%	1.7	1.3
Durham Region	\$907	1.2%	3.8	3.6
London CMA	\$896	7.4%	5.9	5.0
Peterborough CA	\$875	2.9%	6.0	6.0
Guelph CA	\$874	0.6%	4.5	4.1
Kitchener CMA	\$856	1.3%	3.6	3.3
Muskoka	\$852	2.5%	**	3.9
Hamilton CMA	\$831	-0.6%	4.1	4.0
Sudbury CMA	\$830	3.8%	2.5	2.9
St. Catharines/Niagara CMA	\$804	3.5%	4.5	4.4
North Bay CA	\$784	3.3%	0.5	1.1
Owen Sound CA	\$769	3.6%	4.8	4.6
Windsor CMA	\$747	-3.2%	13.0	13.0
Thunder Bay CMA	\$742	3.2%	1.2	2.3
Sarnia CA	\$736	1.1%	4.9	5.0
Timmins CA	\$735	5.3%	1.4	1.6
Cornwall CA	\$675	2.7%	3.6	3.8

Source: Data provided by CMHC Ontario Market Analysis Branch



2.3 RENTAL HOUSING PRODUCTION

2.3.1 Housing Starts

Over the past 10-year period approximately 3,600 rental units have been started annually in Ontario - well below future rental demand as discussed in Section 3.4. It is estimated that since 2004, about 1,500 rental housing units annually, half the level of the 10-year annual rental housing production, have been developed under the Canada-Ontario Affordable Housing Program or other similar smaller programs supported by federal, provincial, municipal and community-based investment.

Over the past five-year period (2005-2009), out of the total of just under 64,000 housing units started annually in Ontario, an average of 3,860 rental units (6% of housing production) were started annually - up slightly from the 3,410 rental units started in the previous five-year period (2000-2004). Since the non-profit and co-operative housing supply programs were cancelled in 1995, 2009 had the second highest levels of rental housing produced in Ontario - 4,368 units - just below the 4,770 rental starts in 2003.

However, this level of rental production is well below rental housing requirements. The level of rental housing being developed has been boosted by investments by the Federal and Provincial governments, often supplemented by funding or waiving of charges by upper tier and lower tier municipal governments and fundraising by non-profit and co-operative community groups under the Affordable Housing Program.

In 2009, rental housing starts represented 10% of all housing starts in Ontario - this higher proportion being due to the sharp decline in the combined freehold and condominium starts in 2009 (43% below the 2008 level). Freehold starts fell from levels averaging 45,000 in 2005-2008, to 25,000 in 2009. Moderate but steady rental production became a larger share of a much lower total 2009 housing production.

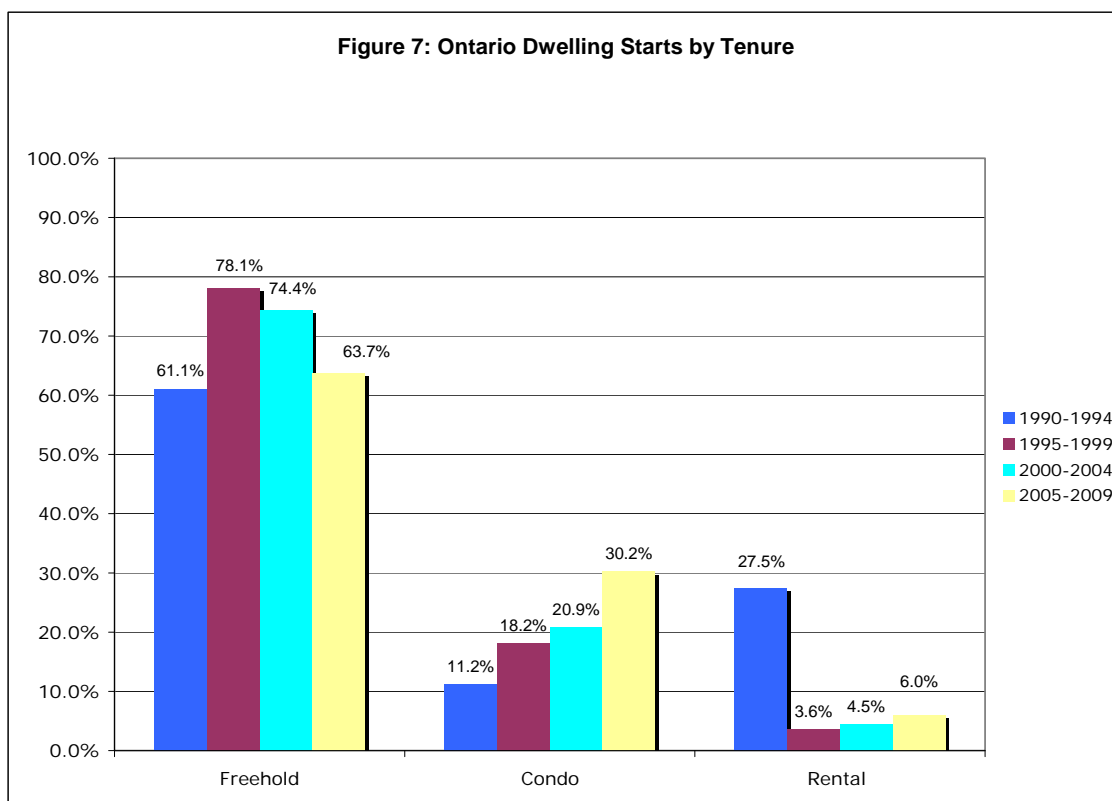
Table 6: Housing Starts by Tenure in Ontario, 1990-2009⁹

Year	Freehold		Condo		Rental + Co-op				Unknown		Total	
	Starts	% of Starts	Starts	% of Starts	Rental	Co-op	op	%	Starts	%	Starts	%
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	57,607	72.1%	18,658	23.4%	3,624	0	3,624	4.5%	5	0.0%	79,894	100.0%
2005	49,400	67.5%	19,836	27.1%	3,843	83	3,926	5.4%	15	0.0%	73,177	100.0%
2006	44,816	66.1%	18,822	27.8%	4,133	0	4,133	6.1%	10	0.0%	67,781	100.0%
2007	45,626	72.7%	14,155	22.5%	2,994	0	2,994	4.8%	0	0.0%	62,775	100.0%
2008	38,613	53.7%	29,443	40.9%	3,867	0	3,867	5.4%	0	0.0%	71,923	100.0%
2009	24,760	57.2%	14,137	32.7%	4,339	29	4,368	10.1%	2	0.0%	43,267	100.0%
Ave. 1990-1994	27,936	61.1%	5,125	11.2%	10,519	2,035	12,554	27.5%	97	0.2%	45,713	100.0%
Ave. 1995-1999	36,628	78.1%	8,537	18.2%	1,493	211	1,704	3.6%	9	0.0%	46,878	100.0%
Ave. 2000-2004	56,258	74.4%	15,772	20.9%	3,408	0	3,408	4.5%	187	0.2%	75,625	100.0%
Ave. 2005-2009	40,643	63.7%	19,279	30.2%	3,835	22	3,858	6.0%	5	0.0%	63,785	100.0%
Ave. 1990-1999	32,282	69.7%	6,831	14.8%	6,006	1,123	7,129	15.4%	53	0.1%	46,295	100.0%
Ave. 2000-2009	48,451	69.5%	17,526	25.1%	3,622	11	3,633	5.2%	96	0.1%	69,705	100.0%

Note: Freehold ownership refers to homeownership housing which is not condominium (under condominium ownership, some part of the property is held in common).

Source: Data provided by CMHC Ontario Market Analysis Branch

⁹ Rental housing starts include townhouses and apartment units.



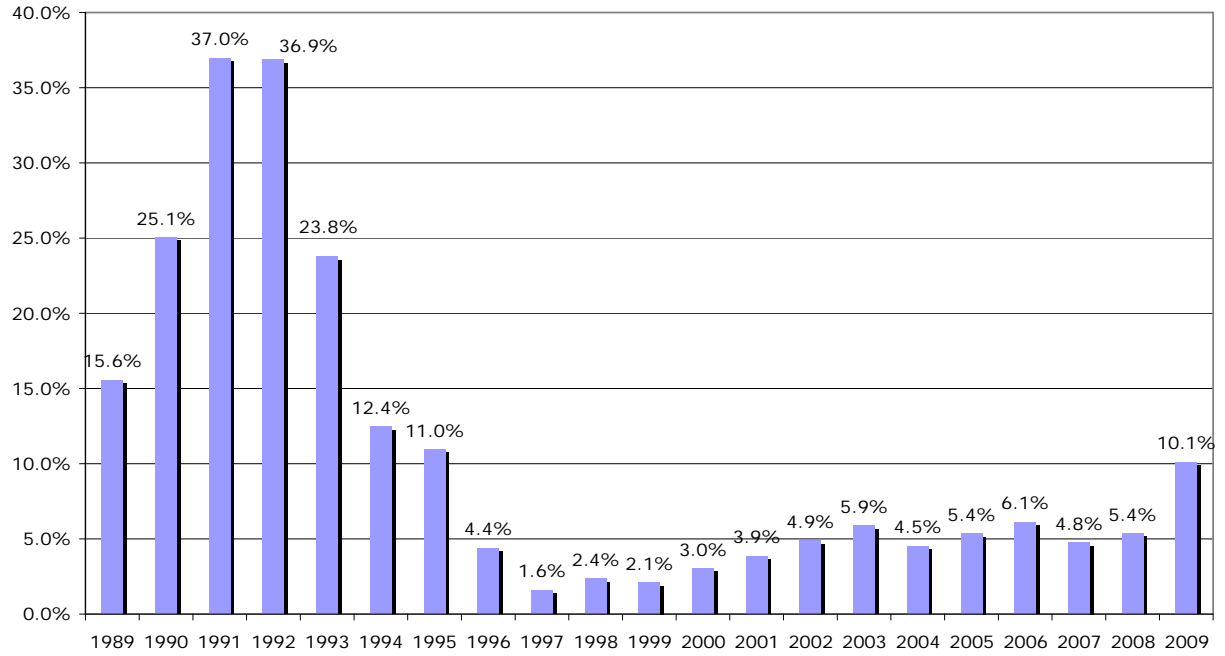
Source: Data provided by CMHC Ontario Market Analysis Branch

What has been most remarkable about the trends in housing tenure is the growing popularity of condominiums which represented 30% of all starts in the period 2005-2009, up from 20.9% in the 2000-2004 period and 18.2% in the 1995-1999 period. Condominiums have become an important component of many markets across Ontario although they are clearly most important in the Greater Toronto Area, especially the City of Toronto.

While condominiums offer an affordable alternative form of ownership, they also provide rental housing as approximately 20% of apartments condominiums

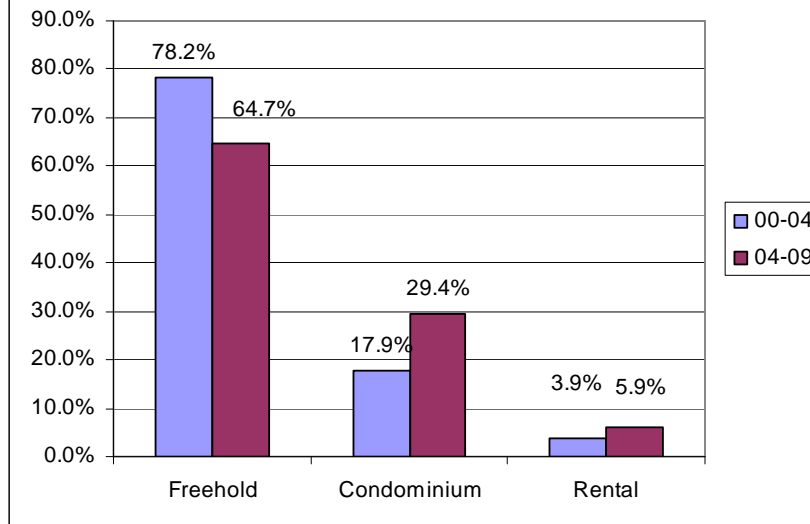
in the Greater Toronto Area and the Ottawa CMA are rented out. However, unlike purpose-built rental apartments, condominiums may be sold off by investors when the market appears to be right to realize a profit and rents are quite high (see section on the condominium market). In addition, however, the estimated long-term volumes of about 3,000-4,000 condo rental units a year are not enough to meet long-term Ontario rental demand. Finally, condominiums tend to be concentrated in the Greater Toronto area, especially the City of Toronto and are not helping to meet rental demand in many other communities.

Figure 8: Percentage of Ontario Housing Starts in Rental Tenure, 1989-2009



Source: Data provided by CMHC Ontario Market Analysis Branch

Figure 9: Percent of Completions in 22 Market Areas by Tenure



Source: Lapointe Consulting based on data provided by CMHC Ontario Market Analysis Branch

2.3.2 Housing Completions

Figure 9 99 summarizes completions in the 22 market areas by tenure (freehold, condominium and rental) in the 2004-2009 period and the 2000-2004 period. In the most recent five-year period (2004-2009), rental completions represent only around 6% of the market compared to 29% condominium and 65% freehold. Completions are lower than the figures shown in the Ontario starts because the 22 markets do not include all of the markets in Ontario and they represent housing built prior to starts data. Table 7 on page 46 shows housing completions by tenure for each of the 22 market areas examined. The highest levels of rental completions in the five-year period (2005-2009) as a proportion of all completions in each of the 22 markets were in the:

- City of Toronto (7.4%)
- Greater Sudbury CMA (6.6%)
- Peterborough CMA (8.9%)
- Owen Sound CA (22.2%)
- North Bay CA (12.7%)
- London CMA (22.4%)
- Kitchener CMA (18.3%)
- Kingston CMA (22.3%).

The highest average annual rental completions in the 2005-2009 period in terms of absolute numbers were in the:

- City of Toronto (892 rental units annually)
- London CMA (613 units annually)
- Kitchener CMA (535 units annually)
- Hamilton CMA (139 annually)
- Kingston CMA (182 annually)
- Ottawa CMA (238 units annually)
- Peel Region (172 units annually).

As well as being mostly the largest urban centres in the province, communities with the highest rental production were also those most active in the Canada-Ontario Affordable Housing Program (AHP) and in some cases other small programs. In some cases, such as London and Toronto, higher rental production also include higher end private rental developments oriented to specific groups such as empty nesters/retirees or urban professionals. Over the past 7 years, the federal and Ontario governments have made available approximately \$900 million for about 13,000 units of new affordable rental housing, through AHP. A few units have also been produced through federal homelessness programs, RRAP conversion, and other initiatives.¹⁰ In AHP and related programs there have been four distinct waves of funding from the first one in 2003 to the current Stimulus funding AHP's contribution to rental housing completions in Ontario will work out to about 1,500 units annually over the 9 years 2003-2011. Housing production usually requires two to three years for planning approvals, project design and construction. Completions under AHP have gradually increased as the decade

¹⁰ AHP has also funded affordable ownership, housing allowances, and repair – not discussed here.

progressed: from about 500 annually in the first three years (mid 2003-2006), and 1,500 annually in the next three years (2006-2009), with an expected acceleration to about 3,000 per year in 2010 and 2011.¹¹

This 1,500 annually is about 40 to 45 percent of Ontario's average annual rental production in recent years. This government assisted rental housing production is a much-needed contribution to meeting Ontario rental needs. However, this level of public funding is well below what is required, and additional funding is needed for 2012 onwards.

2.3.3 Changes in Rental Housing Stock

Despite the construction of close to 28,000 rental units in the 22 markets examined in this report in the 10-year period between 2000 and 2009, there has only been an increase in the rental housing universe of just under 9,000 units in these markets - see Table 8 on page 47. A small proportion of the difference between the number of completions and the change in the rental housing universe may be accounted for some buildings being included in the universe one year and not in another; however, this data suggests that close to 19,000 rental units were lost in the 22 market areas due to conversions to condominiums and/or demolitions. For example,

CMHC's 2009 Rental Market Report for the Greater Toronto Area indicated that while 3,000 bachelor and one bedroom units were added to the supply of rental apartments, 2,200 two and three bedroom apartments units were either converted or demolished. Thus, not only is rental housing development not high enough to satisfy future rental demand, but units in the existing stock are being lost across the Province.

The increase in rental housing over this 10 year period would have been even smaller if we included Limited Dividend buildings which were included in the "public housing universe" and then transferred to the "private housing universe" as agreements between landlords and the federal government expired or were terminated.^{12 13}

¹¹ The Ministry and Municipal Affairs has released limited information at various points in time. It shows that 1,565 units were completed by mid-2006, 5,574 by September 2009, and 6,012 by November 2009. The generalizations in this paragraph are drawn from the limited AHP data available on completions and the volume and timeline of the Stimulus funding allocations.

¹² For example, between 2003 and 2004, 5,800 rental units were added from the "public sector" to the private housing universe while there were approximately 4,000 rental housing completions. Taking into account the transfer of former Limited Dividend units to the private sector plus completions should have resulted in an increase of close to 10,000 units. As the rental housing universe only increased by 4,500 units, this indicates that as many as 5,000+ rental units were lost to demolitions or conversions in 2004 and that rental housing development barely kept up with replacement of lost units.

¹³ CMHC no longer tracks the "public housing universe", so comparable data was not available for 2005 onwards.

Table 7: Average Annual Completions by Tenure, 2000-2004 and 2005-2009

MARKET AREA	Period	FREEHOLD		CONDOMINIUM		RENTAL		ALL TENURES	
		Total	%	Total	%	Total	%	Total	%
Barrie CA	00-04	2,248	92.4%	86	3.5%	100	4.1%	2,434	100.0%
	05-09	1,058	89.9%	103	8.8%	15	1.3%	1,177	100.0%
Cornwall CA	00-04	165	97.4%	3	1.9%	1	0.7%	170	100.0%
	05-09	116	90.6%	6	4.8%	6	4.5%	128	100.0%
Durham Region	00-04	4,393	96.4%	104	2.3%	58	1.3%	4,556	100.0%
	05-09	3,740	88.8%	461	10.9%	11	0.3%	4,212	100.0%
Guelph CA	00-04	1,024	90.8%	10	0.9%	93	8.3%	1,128	100.0%
	05-09	699	77.6%	167	18.6%	34	3.8%	900	100.0%
Hamilton CMA	00-04	2,558	73.2%	912	26.1%	23	0.7%	3,493	100.0%
	05-09	2,166	72.5%	683	22.9%	139	4.6%	2,987	100.0%
Kingston CMA	00-04	681	90.6%	17	2.2%	54	7.2%	752	100.0%
	05-09	615	75.4%	18	2.3%	182	22.3%	816	100.0%
Kitchener CMA	00-04	2,998	83.2%	75	2.1%	530	14.7%	3,602	100.0%
	05-09	2,136	73.0%	254	8.7%	535	18.3%	2,925	100.0%
London CMA	00-04	987	76.6%	96	7.5%	205	15.9%	1,288	100.0%
	05-09	1,817	66.4%	308	11.3%	613	22.4%	2,737	100.0%
Muskoka	00-04	275	93.5%	18	6.3%	1	0.3%	294	100.0%
	05-09	223	74.2%	48	16.1%	29	9.7%	301	100.0%
North Bay CA	00-04	104	94.9%	5	4.5%	1	0.5%	110	100.0%
	05-09	137	80.6%	10	6.1%	23	13.3%	170	100.0%
Ottawa CMA	00-04	5,174	85.5%	351	5.8%	524	8.7%	6,049	100.0%
	05-09	4,500	76.7%	1,130	19.3%	238	4.1%	5,869	100.0%
Owen Sound CA	00-04	23	91.9%	0	0.0%	2	8.1%	25	100.0%
	05-09	59	71.5%	5	6.3%	18	22.2%	82	100.0%
Peel, Region of	00-04	9,744	84.6%	1,591	13.8%	185	1.6%	11,520	100.0%
	05-09	5,429	72.0%	1,936	25.7%	172	2.3%	7,537	100.0%
Peterborough CMA	00-04	363	91.7%	26	6.5%	7	1.8%	396	100.0%
	05-09	361	83.0%	35	8.1%	39	8.9%	435	100.0%
St. Catharines - Niagara CMA	00-04	1,217	91.1%	91	6.8%	27	2.0%	1,335	100.0%
	05-09	1,037	87.3%	87	7.3%	64	5.4%	1,188	100.0%
Sarnia CA	00-04	185	84.9%	0	0.0%	33	15.1%	218	100.0%
	05-09	207	93.8%	13	5.8%	1	0.4%	221	100.0%
Greater Sudbury CMA	00-04	248	94.2%	0	0.0%	15	5.8%	263	100.0%
	05-09	421	92.0%	7	1.4%	30	6.6%	458	100.0%
Thunder Bay CMA	00-04	186	92.6%	14	6.8%	1	0.6%	201	100.0%
	05-09	183	86.7%	20	9.7%	8	3.6%	211	100.0%
Timmins CA	00-04	20	100.0%	0	0.0%	0	0.0%	20	100.0%
	05-09	47	100.0%	0	0.0%	0	0.0%	47	100.0%
Toronto, City	00-04	2,098	24.2%	6,112	70.5%	459	5.3%	8,668	100.0%
	05-09	2,298	19.1%	8,862	73.5%	892	7.4%	12,053	100.0%
Windsor CMA	00-04	2,105	90.1%	197	8.4%	34	1.5%	2,336	100.0%
	05-09	746	86.7%	75	8.7%	40	4.6%	861	100.0%
York Region	00-04	10,255	90.7%	1,032	9.1%	14	0.1%	11,300	100.0%
	05-09	7,335	81.2%	1,644	18.2%	54	0.6%	9,033	100.0%
Total All 22 Markets	00-04	47,052	78.2%	10,741	17.9%	2,366	3.9%	60,160	100.0%
	04-09	35,332	65.0%	15,875	29.2%	3,142	5.8%	54,348	100.0%
	00-09	41,192	71.9%	13,308	23.2%	2,754	4.8%	57,254	100.0%

Note: CMHC no longer tracks the breakdown between private and assisted rental housing

Source: CMHC Ontario Market Analysis Centre

Table 8: Change in Rental Housing Universe (Apartments and Townhouses), 2000-2009 and Completions (Apartments and Townhouses)

Market Area	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	Ch. 2000-2009	Completions
Barrie CA	3,740	3,837	3,847	3,869	3,831	3,843	3,832	3,786	3,688	3,666	3,743	3	576
Cornwall CA	3,607	3,608	3,562	3,520	3,545	3,887	3,862	3,839	3,826	3,759	3,726	119	35
Guelph CA	7,688	7,674	7,691	7,710	7,642	7,707	7,646	7,663	7,577	7,518	7,487	-201	637
Hamilton CMA	45,408	45,384	44,716	44,806	44,995	45,507	45,354	45,124	45,297	45,188	44,865	-543	808
Kingston CMA	11,574	11,429	11,531	11,558	11,654	12,165	12,465	12,593	12,611	12,526	12,621	1,047	1,181
Kitchener CMA	29,070	29,044	29,138	29,420	29,078	30,636	30,913	31,169	31,221	31,183	31,205	2,135	5,322
London CMA	41,540	41,472	41,976	42,440	42,329	42,366	42,852	42,655	42,928	43,429	44,264	2,724	4,088
Muskoka	847	847	862	880	889	901	891	879	877	843	811	-36	146
North Bay CA	3,875	3,858	3,836	3,843	3,844	4,021	3,925	3,904	3,613	3,621	3,631	-244	111
Oshawa CMA	12,186	12,189	12,204	12,238	12,285	12,449	12,352	12,436	12,146	12,166	12,160	-26	474
Ottawa CMA	68,804	68,771	68,128	68,076	67,848	68,141	68,545	68,178	68,229	68,069	68,467	-337	3,809
Owen Sound CA	1,875	1,856	1,868	1,865	1,854	1,834	1,836	1,834	1,770	1,739	1,751	-124	101
Peel Region	41,100	40,437	39,838	39,763	39,414	37,320	39,370	38,982	39,235	39,962	39,713	-1,387	1,789
Peterborough CA	5,470	5,484	5,484	5,457	5,419	5,892	5,966	5,949	6,147	6,249	6,355	885	229
St. Catharines-Niagara CMA	17,386	17,263	17,186	17,121	17,075	17,273	17,188	17,029	16,538	16,422	16,784	-602	455
Sarnia CA	6,255	6,201	6,294	6,186	6,196	6,389	6,207	6,219	6,168	6,157	6,243	-12	168
Sudbury CMA	11,870	11,956	11,987	12,027	12,090	11,982	12,062	12,052	12,041	11,901	11,917	47	227
Thunder Bay CMA	5,396	5,843	5,847	5,821	5,770	5,788	5,750	5,774	5,758	5,650	5,645	249	44
Timmins CA	1,862	1,865	1,879	1,860	1,869	1,892	1,845	1,838	1,746	1,705	1,723	-139	0
Toronto (Metro)	254,966	254,276	255,578	255,068	256,032	258,119	256,980	260,406	259,964	259,300	260,268	5,302	6,756
Windsor CMA	15,865	15,778	15,823	15,774	15,480	15,483	15,885	15,705	15,562	15,240	15,340	-525	369
York Region	5,012	4,924	4,917	4,895	4,922	4,942	4,796	5,603	5,550	5,574	5,592	580	450
Total 22 Areas	595,396	593,996	594,192	594,197	594,061	598,537	600,522	603,617	602,492	601,867	604,311	8,915	27,775

Source: CMHC Ontario Market Analysis Centre

2.3.4 The Condominium and Other Secondary Rental Markets¹⁴

In addition to the purpose-built rental sector, CMHC also surveys the secondary rental market. The secondary rental market refers to units which are either not purpose-built rental housing or are in structures with fewer than three rental units. Rental units included in the survey are in three quite distinct categories (sometimes joined in the CMHC data): condominium apartment buildings; low-rise units such as single and semi-detached, townhouses, and duplexes; and accessory apartments (also known as second suites or apartments in homes). The survey does not cover rooms in rooming houses or elsewhere which provide affordable rental housing for low-income singles.

CMHC data for the secondary rental market are considered generally reliable for condominium apartments and ground-related housing, but not for second suites. According to research for the City of Toronto and the provincial government, the CMHC count of 32,142 accessory apartments is too low.

While rental housing in condominium apartments may be an important secondary source of rental housing in certain parts of the Greater Toronto Area and larger communities like Ottawa, in most municipalities across Ontario, rental condominiums continue to play either no role or a very minor role.

Greater Toronto Area

Condominium Apartment Units

In October, 2009 there were about 254,800 apartment condominiums in the Greater Toronto Area - up from 234,300 in 2008. Because of the increased development of condominiums in the Greater Toronto Area, the rental pool of condominium apartment units rose from by approximately 7,000 units (from 44,100 to 51,000 apartments) representing an increase of 16%. The share of condominiums that are rented out in the Greater Toronto Area is 20% (well below the levels in the mid 1990's when a third of condominium apartments were investor owned). Over three-quarters (77%) of the rental condominium units (39,179 units) are found in the City of Toronto with half of these in the central part of the City. Peel Region has just over a tenth (12% or 6,208 units), York Region has 7% (3,693 units), Durham Region has just 1% (734 units) and Halton has 2% (1,153 units).

The vacancy rate in the condominium rental market remains very tight (0.8%) compared to the primary rental market. Lower vacancy rates are found in condominium units in Peel, York, Halton and Durham than in the City because employment uncertainty and slower wage growth are attracting condo apartment renters into less expensive areas of the GTA.

¹⁴ The data on the secondary rental market is derived from CMHC's 2009 Rental Market Reports for the GTA and for Ottawa.

Rents are considerably higher in the condominium rental market. For example, the average rent for a two-bedroom apartment in the GTA in October 2009 was \$1,487 - about \$400 more than the average rent for the same type of unit in the purpose-built rental market. Higher rents are due to the prime location of many rental units near the downtown financial sector, a higher level of finishing and better amenities compared to the primary rental market as well as the prevalence of above average incomes in Toronto City's centre.

Low-rise Secondary Market

CMHC estimates there are 127,473 units in other secondary rental units in the Toronto CMA - 39,965 single detached, 55,366 semi, row and duplex and 32,142 accessory suites (though there is strong evidence from the City of Toronto and the Province that the latter estimate of accessory suites is too low). In 2009, it is estimated that the supply of the low-rise secondary market was down from 2008 as lower demand for rental units combined with the rebound in the real estate market may have resulted in owners selling off their rental units.

Ottawa CMA

There are an estimated 4,000 rented condominiums in the Ottawa CMA. The number of apartment condominiums in Ottawa increase only slightly between 2008 and 2009. Overall, the number of apartment condominiums increased from 20,999 in 2008 to 21,860 in 2009. The average vacancy rate for rented condominiums rose from .5% in 2008 to 1.1% in 2009. As in the Greater Toronto Area, approximately a fifth (19%) of condominium apartments (4,019) is rented. Condominium units are very popular among young professionals and empty nesters seeking rental accommodation.

There are an estimated 34,100 secondary rental units in the Ottawa CMA - comprised of 6,300 single detached dwellings, 23,400 semis, rows and duplexes and 4,400 accessory suites - down slightly from 35,400 in 2008.

RENTAL HOUSING DEMAND

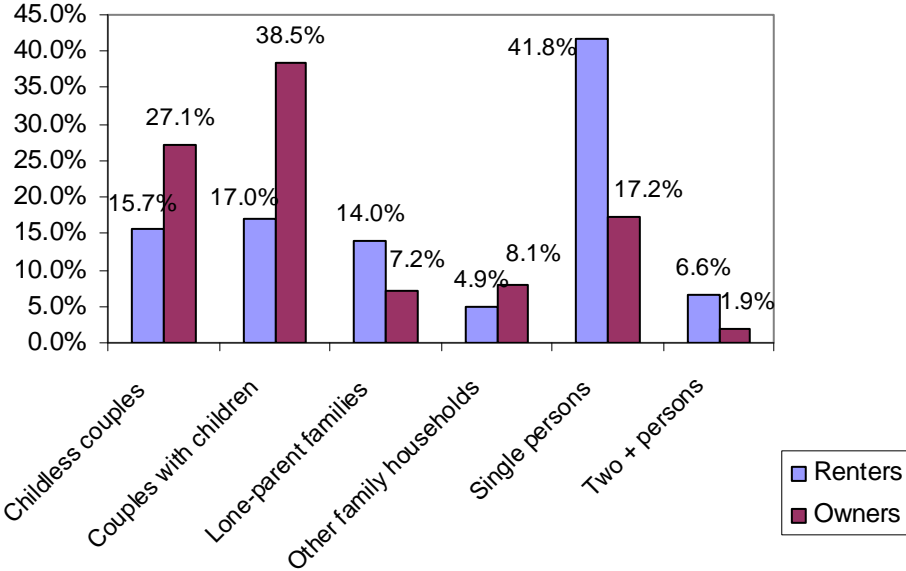
3.1 PROFILE OF TENANTS

Tenants tend to be younger households who have moved to a community to attend school or to find a job, families who are saving up for a down payment for a home, individuals and family members who are in transition (due to either a marital break-up, loss of job and income), older households who cannot financially or physically maintain their ownership home, and low and moderate income households who cannot afford homeownership. Immigrants, particularly recent immigrants, are another group of people more likely to rent. Finally, there are some tenants who choose to rent for lifestyle reasons - they don't want the commitment of a home, a down payment and repairs or upkeep. In this section we will review some of the characteristics of tenants from the 2006 census.

3.1.1 Household Type

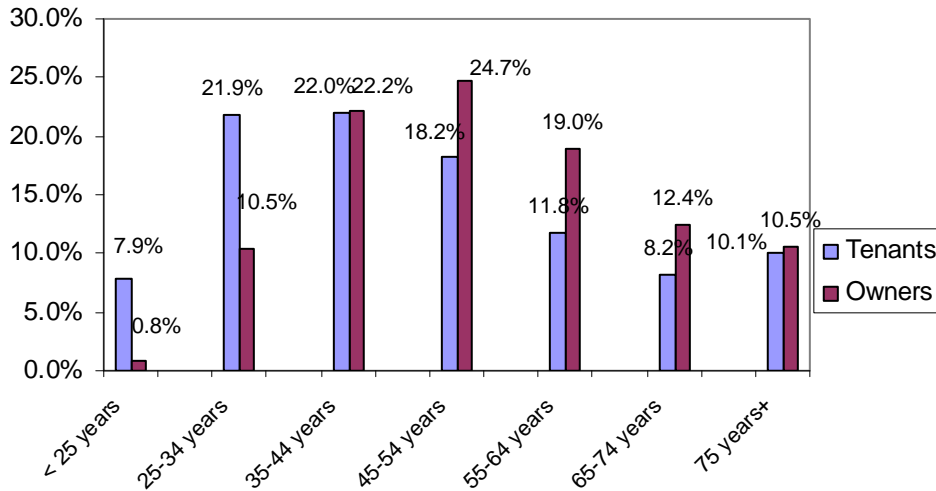
- Non-family households make up almost a half of tenant households accounting for 48.4% - with the largest single group being single persons (41.8%). The next largest group are couples with children (17.0%) followed by childless couples (15.7%) and single parent households (14.0%). Other families account for 4.9% of tenant households.
- By contrast the single largest category of owner households are families with children (38.5%), followed by childless couples (27.1%). Single persons account for 17.2% of owner households followed by single parents (7.2%), other family households (8.1%), and two-person households (1.9%).

Figure 10: Owner and Tenant Households by Type, Ontario, 2006



Source: Based on a custom tabulation using 2006 census data prepared by Statistics Canada

Figure 11: Distribution of Tenant and Owner Households by Age, Ontario, 2006



Source: Based on a custom tabulation using 2006 census data prepared by Statistics Canada

3.1.2 Age of Tenant Household Maintainers

Tenant households tend to be younger than owners with nearly a third of tenant household heads (29.8%) being under 35 years of age and just over half (51.8%) under 44 years of age. Over a tenth (11.8%) of tenant households are 55-64 years old and 8.2% are 65-74 years of age while 10.1% are 75 years and older.

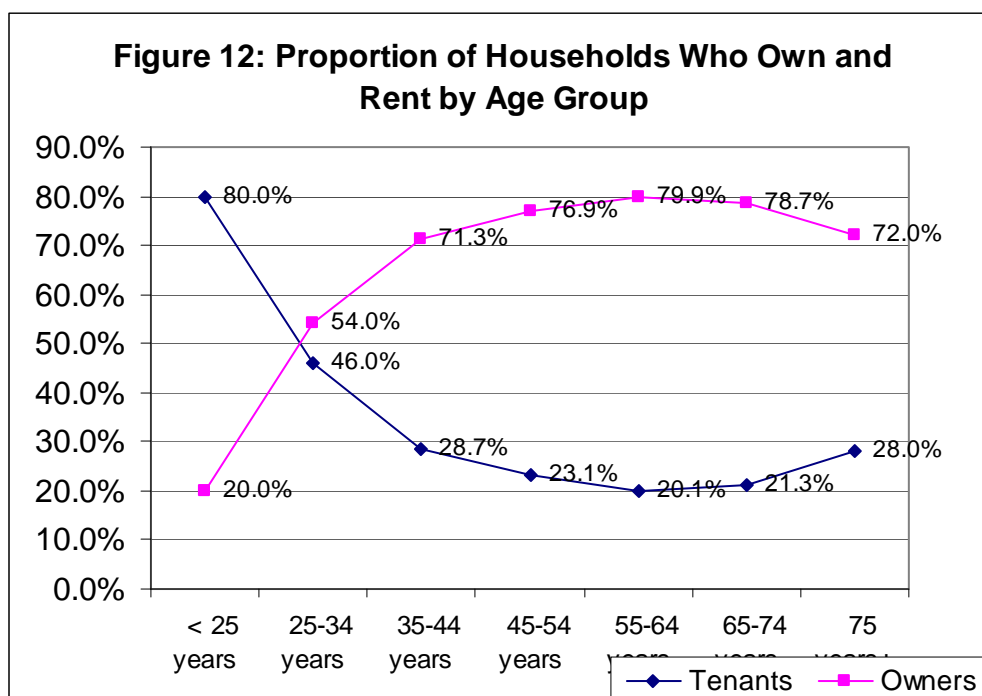
Younger households, and immigrant households, represent the two main sources of new tenant households.

Just under a third of tenant households are in middle-aged categories (45 to 65 years old) and are the large baby boom bulge which created a big demand for ownership housing in the past. As this group ages, few of them will move into ownership past age 45. Thus, despite high overall ownership rates among baby-boomers, there is a large absolute number of tenant baby boomers who will continue renting for years to come. There is also a growing market for rental housing for older tenants who wish to cash out

their home equity and live in rental housing while avoiding some of the higher maintenance costs often associated with condominium ownership.

Clearly age and stage in the life cycle are related to tenure (Figure 12). For example, eighty percent (80%) of households under 25 years of age rent, while 46% of those between the ages of 25 and 34 rent. The proportion of households who rent declines with age, with 29% of those 35-44 years of age renting, 23% of those aged 45-54, 20% of those between 54 and 64 and 21% of those between 65-74. For households 75+, the proportion rises to 28%. In effect, about 1 in 5 households is a lifetime renter, never owning a home even in middle age.

While ownership tends to increase with age until household maintainers are 75 years and older, in some communities higher end rental buildings are being targeted to empty nesters and retirees (e.g., London).



Source: Based on a custom tabulation using 2006 census data prepared by Statistics Canada

3.1.3 Income of Tenant Households

Another characteristic of tenant households is that they tend to have lower incomes. Thus, rental housing serves the low and moderate end of the income spectrum tenants, including younger adults, low-wage workers, new immigrants and seniors.

In 2005, a typical renter in Ontario had a median income of \$33,447 compared to \$74,712 among owners - 2.2 times the income of tenants. This relationship holds amongst most household types. Those with the lowest incomes are single person households with a median income of \$22,382 compared to \$37,974 for owners, and, single parent families - \$27,360 for tenant households compared to \$55,575 for owners. The higher proportion of singles is one factor in pushing down the overall average income of tenants compared to owners as shown in Table 9 on page 55.

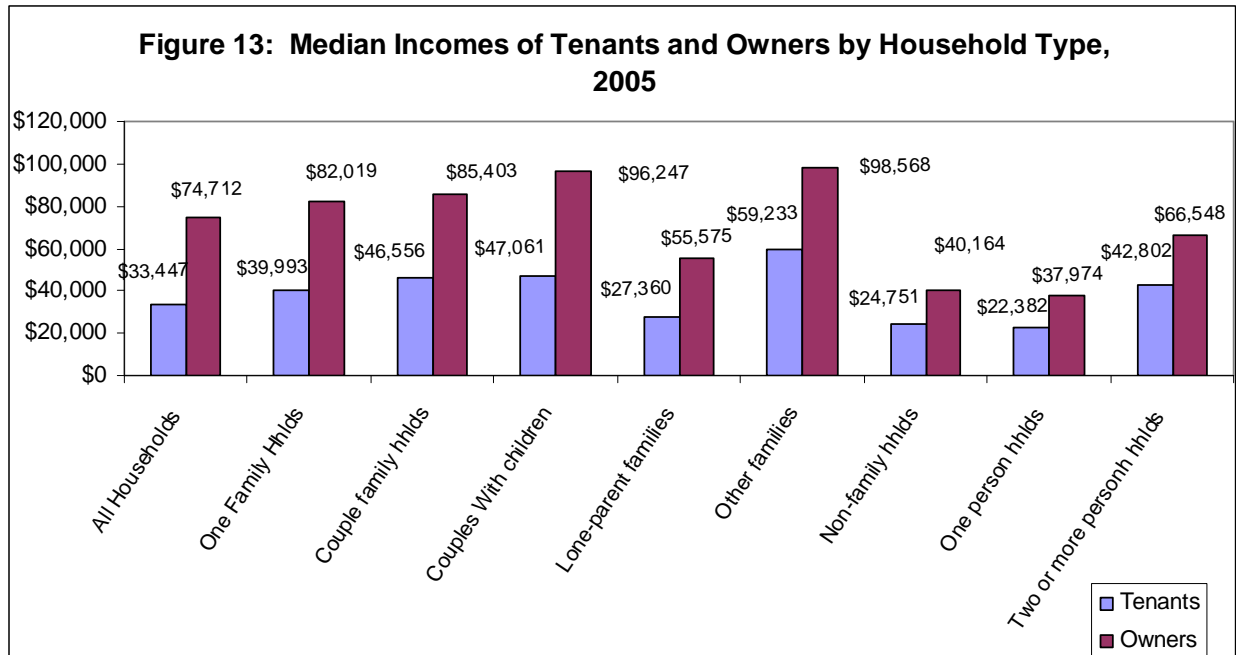
As Table 9 shows, tenants are concentrated in lower income categories with half having incomes of \$33,450 or less. Almost 60% have a household income of under \$40,000, in contrast to owners of whom about a fifth (21%) have incomes at this level. While not all tenants have low incomes, (41% have incomes above \$40,000 and 30% have household incomes above \$50,000), lower income households constitute the majority of tenants and have less choice in the housing market. As we will see in the discussion on housing affordability in Section 4, the lower incomes of tenants makes it difficult for them to compete in the rental market, especially when the supply is constrained.

Clearly having lower incomes is strongly associated with being a tenant. Approximately 65% of Ontario households in 2006 with incomes under \$20,000 were tenants. As income increases, this proportion decreases. Half of households with incomes between \$20,000 and \$29,999 were tenants in 2006 and 42% of households with incomes between \$30,000 and \$39,999 were tenants.

3.1.4 Immigrants Households

Recent immigrants are more likely to be tenants; over time immigrants purchase their own housing, often exceeding the ownership levels of Canadian-born. The most recent study of immigrants was done in 2006 based on 2001 census data for the Toronto, Montreal and Vancouver CMA's.¹⁵ It showed that while 68% of recent immigrants in the Toronto CMA (immigrated between 1996 and 2001) rent their accommodation, only 36% of all foreign-born Canadians in the Toronto CMA do so.

¹⁵ The Housing Situation and Needs of Recent Immigrants in the Montreal, Toronto and Vancouver CMA's: an Overview, prepared for CMHC by Daniel Hiebert, Annick Germain, Robert Murdie, Valerie Preston, Jean Renaud, Damaris Rose, Elvin Wyly, Virginie Ferreira, Pablo Mendez, and Ann Marie Murnaghan



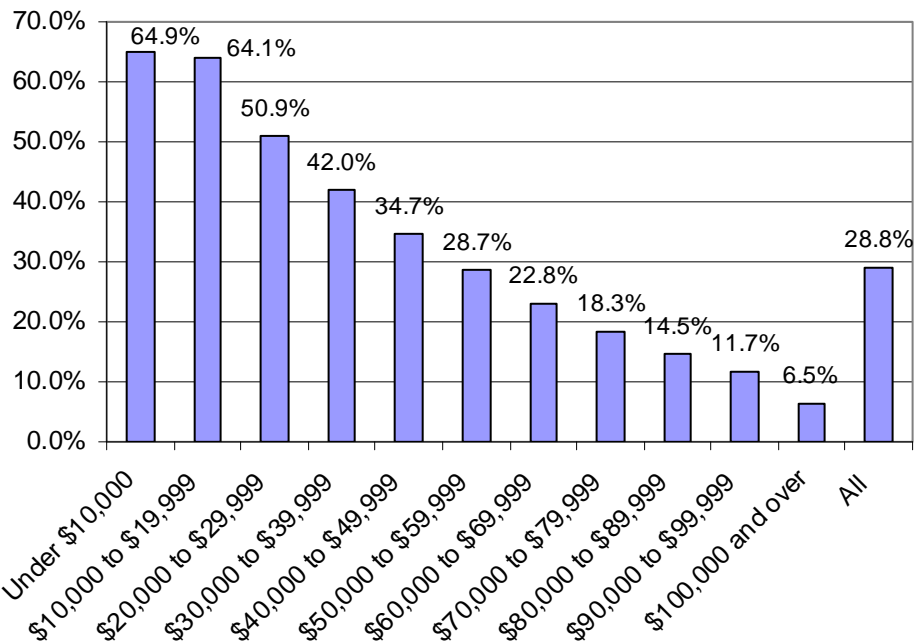
Source: Based on a custom tabulation using 2006 census data prepared by Statistics Canada

Table 9: Income Distribution for Tenants and Owners, 2006 Census

Income Groups	Tenants			Owners			Total		
	#	%	Cumulative	#	%	Cumulative	#	%	Cumulative
Under \$10,000	126535	9.7%	9.7%	68,470	2.1%	2.1%	195,005	4.3%	4.3%
\$10,000 to \$19,999	253525	19.4%	29.0%	140,945	4.4%	6.5%	395,220	8.7%	13.0%
\$20,000 to \$29,999	205655	15.7%	44.8%	197,500	6.2%	12.7%	404,406	8.9%	21.9%
\$30,000 to \$39,999	186595	14.3%	59.0%	255,585	8.0%	20.7%	443,931	9.8%	31.7%
\$40,000 to \$49,999	144700	11.1%	70.1%	270,350	8.4%	29.1%	417,301	9.2%	40.9%
\$50,000 to \$59,999	110515	8.4%	78.5%	271,600	8.5%	37.6%	384,866	8.5%	49.4%
\$60,000 to \$69,999	81535	6.2%	84.7%	272,220	8.5%	46.1%	357,006	7.9%	57.2%
\$70,000 to \$79,999	59770	4.6%	89.3%	262,470	8.2%	54.3%	325,991	7.2%	64.4%
\$80,000 to \$89,999	41385	3.2%	92.5%	239,405	7.5%	61.7%	285,041	6.3%	70.7%
\$90,000 to \$99,999	28170	2.2%	94.6%	208,865	6.5%	68.3%	241,786	5.3%	76.0%
\$100,000 and over	70370	5.4%	100.0%	1,016,980	31.7%	100.0%	1,087,351	24.0%	100.0%
	1,308,755	100.0%		3,204,390	100.0%		4,537,903	100.0%	
Average household income	\$41,988			\$92,880			\$60,455		
Median household income	\$33,447			\$74,712			\$77,967		

Source: 2006 Census, based on 2005 incomes for owners and tenant, Catalogue # 97-554-XCB2006049; median and average income for all households based on Number 97-563-XCB2006045.

Figure 14: Tenants as a Proportion of All Income Groups, 2006



Source: 2006 Census, based on 2005 incomes for owners and tenant, Catalogue #97-554-XCB2006049; median and average income for all households based on Number 97-563-XCB2006045

3.2 WAITING LIST FOR SOCIAL HOUSING

As was recently stated in the 2009 Ontario Auditor General's Report, there were approximately 137,000 households in Ontario on the active waiting list for rent-geared-to-income housing as of December, 2008. ONPHA's 2010 waiting list study shows that this number has actually grown to nearly 142,000. Waiting list figures undercount the number of households in urgent need: many do not bother to apply because the wait for assisted housing is too long. One of the worst hit areas is the Region of Peel, where families and singles wait up to 21 years while seniors wait for seven years. The longest wait times in most municipalities are experienced by single persons.

In ONPHA's 2010 Waiting List Survey, families and non-senior singles were the largest category of households waiting for assisted housing, accounting for over 77% of the 141,635 households on waiting lists. Seniors accounted for the remaining 23%.

3.3 IMPACT OF RECESSION ON THE RENTAL MARKET

Ontario as the manufacturing heartland of the country was one of the most severely hit regions in the economic downturn. However, even before the financial crisis, many communities in Ontario, especially those dependent on the auto industry were

experiencing substantial job losses. For example, between 2004 and 2009, approximately 260,000 jobs were lost in manufacturing in Ontario, but only about 100,000 of these were in the 2008-2009 downturn.¹⁶ Before the downturn, such manufacturing job losses were offset by service-sector job growth. But in the downturn Ontario had an absolute net loss of 250,000 jobs between September 2008 and the labour market's lowest point in May, 2009. By the end of the 2009, employment was still close to 200,000 jobs below the pre-recession level of September 2008.

Because of the decline in employment in manufacturing, many municipalities more dependent on this type of economic activity have been more affected by the recession. The unemployment rate was 9.2% in December, 2009. Job losses have caused a rise in the number of Ontario residents receiving regular EI benefits rose by 110% from 135,000 to 283,000 between June 2008 and June 2009, declining only moderately to 251,000 by December 2009.¹⁷ Between 2008 and 2009 the number of Employment Insurance Beneficiaries rose by 73% from 142,600 to 246,500.¹⁸ At the same time, reliance on social assistance has increased with the caseload in Ontario moving up from 202,000 households in December 2008 to 247,000 households in December 2009.¹⁹

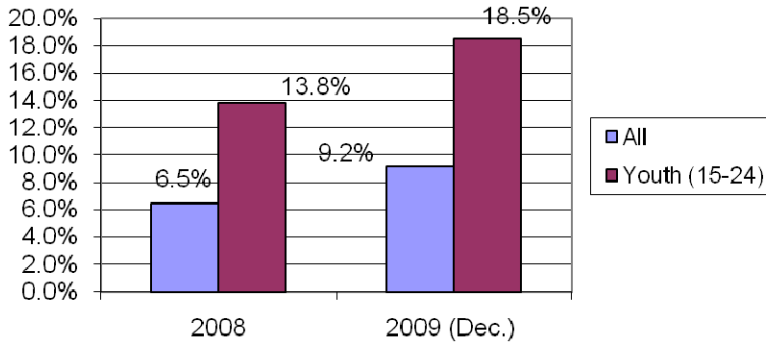
¹⁶ Based on data in Labour Market Information & Research, Research and Planning Branch, Ministry of Training, Colleges and Universities, Mar. 2010.

¹⁷ Statistics Canada, *The Daily*, Aug. 25, 2009; Feb 19, 2010.

¹⁸ Based on data published by the Ontario Ministry of Finance in its Ontario Economic Update, Feb. 26, 2010.

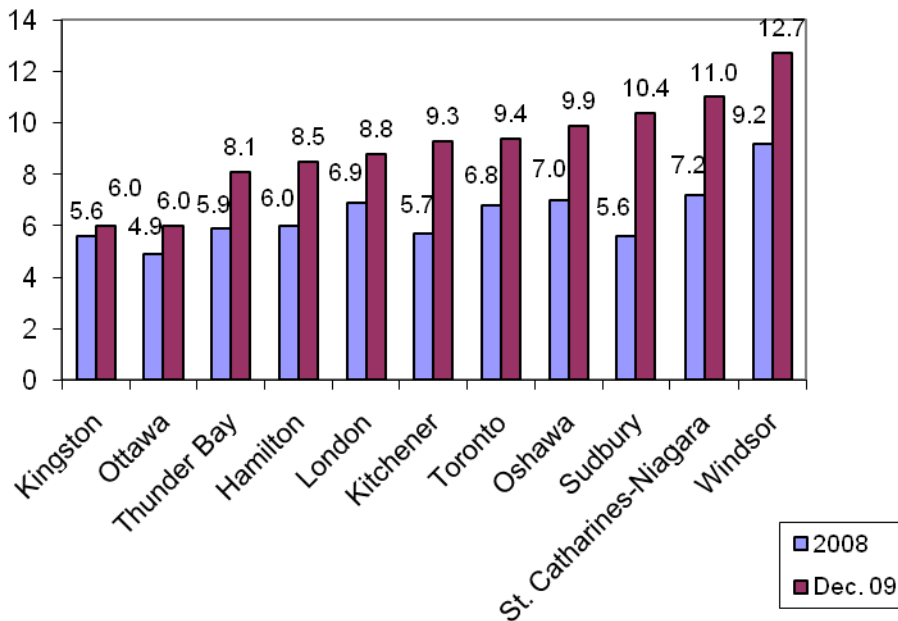
¹⁹ Ontario Ministry of Community and Social Services, Ontario Social Assistance Monthly Statistical Report: Ontario Works (Dec. 2009)

Figure 15: Unemployment Rates for All and Youth, Ontario 2008 and 2009



Source: Invest in Ontario web site and Statistics Canada Bulletin 71-001-X, Jan., 2010

Figure 16: Unemployment Rate in Various CMA's, Ontario, 2008 and Dec. 2009 (Adjusted 3 month ave.)



Source: Statistics Canada, Labour Force Characteristics, Catalogue 71-001-X1E for Dec. 2009 3 month moving average, seasonally adjusted. 2008 based on data in the Ontario Labour Market Information & Research report, Ministry of Training, Colleges and Universities, January 2010

3.4 RENTAL HOUSING DEMAND

CMHC has recently projected population and housing requirements by tenure for Canada the period 2006-2036 (See CMHC's Canadian Housing Observer 2009). Under any scenario, the number of rental households added annually will be larger than in recent years. Under most scenarios the annual increase in rental households will be much larger than in recent years. If current ownership rates by age hold steady, the annual increase in rental households will rise sharply and be similar in magnitude to the level experienced in 1976-96.

The projections use two different migration scenarios - a Strong Migration Scenario with immigration rising steadily from the average of 241,000 in the 2001-2006 period to 300,000 by 2036; and a Moderate Immigration Scenario with immigration nudging up slightly to about 256,000 by 2020 and remaining at that level after that. Immigration will be the main source of population and household growth in both Canada and Ontario over the next 25-30 year period.

CMHC has predicted that if 2006 ownership rates continue (the percent of households in each age group that own their home), this will result in a fairly sharp decline in the growth of owner households and a relatively strong recovery in the growth of renter households across Canada. Rental demand declined dramatically during the 1996-2006 decade, falling to an average of 2,000 annually - down from over 50,000 annually in the previous decade. This was the result of many factors including the movement of baby-boomers into and through midlife when ownership is highest; strong economic growth and low interest rates supporting home-buying; slight dampening of rental demand due to reduced affordable rental supply; and the rising popularity of condominiums as an alternative form of affordable ownership housing. If the 2006 ownership rates are held constant, then the number of renter households

recovers in the 2006-2016 decade, approaching levels observed over the 1976-1996 period of close to 50,000 units annually across Canada, then declining to around 41,000 annually for the period 2016-2036. Under a different scenario (increasing ownership rates), growth in renter households is weaker, but still much higher than in recent years.

Although these projections do not address Ontario specifically, Ontario consistently accounts for a proportionate share of Canada's growth - about 36 percent. And Ontario is such a large part of Canada that the nationwide patterns usually apply in this province. In general, 41,000 to 50,000 added rental households annually across Canada suggest about 15,000 to 18,000 added annually in Ontario in the next few years.

In its last *Where's Home?* report, Lapointe Consulting estimated a minimum demand of around 10,000 purpose-built rental housing units for Ontario between 2009 and 2018. This projection took into account alternative sources of rental housing such as rented apartment condominiums and other secondary sources of rental housing. Thus, the 10,000 figure is in addition to tenants being accommodated in the secondary rental market. We believe these projections are broadly consistent with the new CMHC projections. This estimate of future rental demand is a conservative estimate and does not take into account the need to rebuild apartments that no longer meet current building standards.

In sum, the next few years we are likely see the end of the extraordinary conditions of the past 15 years and the return of rental demand. Future rental demand will be supported by an increase in immigration, an improving economy, higher household formation among younger adults and rising ownership housing costs (both sales prices and mortgage rates) in many housing markets in Ontario which will constrain to some extent future ownership growth.

HOUSING AFFORDABILITY

4.1 OVERVIEW OF TENANTS' HOUSING AFFORDABILITY PROBLEMS

Last year's *Where's Home?* highlighted affordability problems among Ontario tenants with 261,000 tenant households paying 50% or more of their income on rent, thus being forced to cut back on other necessities or to live in inadequate housing. The study found that in 2005 20% or one in five tenant households were in this situation. Many were at considerable risk of losing their home.

Since the economic downturn that started at the end of 2008, tenant incomes have probably fallen further with likely increasing affordability problems. However, at this time we do not have more recent income data for tenants and we have to wait till more current data is released from Statistics Canada. Households with the highest incidence of paying 50% or more of their income on housing area single parent households and one-person households. Among both groups approximately a quarter pay more than 50% of their income on rent - 23.7% of single parent families or 43,100 households and 26.1% of single person households or 142,300 households.

4.2 RENTS AND INCOME DISTRIBUTION

Not surprisingly, tenants with lower incomes are more likely to be paying rent that is unaffordable to their income (see Table 10). Based on the 2006 census, as Table 10 shows, approximately two thirds of tenants with incomes of between \$10,000 and \$19,999 are paying rents they cannot afford. Similarly, half of tenants with incomes of between \$20,000 and \$29,999 are paying rents above what is affordable. By contrast only a small proportion of tenants with incomes over \$40,000 pay rents that are unaffordable. Furthermore, in 2006, the median rent for the lowest income tenants, those with annual household incomes of less than \$10,000, was \$659! No wonder so many lower income tenants are paying more than 50% of their income on housing.

Table 10: Gross Rents Paid by Different Tenant Income Groups, 2006 Census

	Affordable Rent - Lower End	Affordable Rent - Upper End	% Paying More Than Upper End	Less than \$400	\$400 to \$599	\$600 to \$799	\$800 to \$999	\$1,000 to \$1,199	\$1,200 to \$1,499	\$1,500 or more	Total	Average gross rent \$	Median gross rent \$
Under \$10,000	\$0	\$250	Majority of units	36,020 28.5%	18,125 14.3%	28,210 22.3%	22,080 17.4%	10,615 8.4%	7,075 5.6%	4,405 3.5%	126,535 100.0%	660	659
\$10,000 to \$19,999	\$250	\$500	65.8%	54,100 21.3%	65,175 25.7%	64,330 25.4%	41,355 16.3%	14,900 5.9%	8,185 3.2%	5,475 2.2%	253,525 100.0%	650	613
\$20,000 to \$29,999	\$500	\$750	50.0%	18,620 9.1%	35,280 17.2%	65,170 31.7%	49,480 24.1%	20,440 9.9%	10,965 5.3%	5,690 2.8%	205,655 100.0%	773	748
\$30,000 to \$39,999	\$750	\$1,000	23.2%	10,285 5.5%	21,010 11.3%	57,225 30.7%	54,735 29.3%	24,365 13.1%	12,910 6.9%	6,070 3.3%	186,595 100.0%	836	806
\$40,000 to \$49,999	\$1,000	\$1,250	5.5%	6,980 4.8%	11,985 8.3%	38,620 26.7%	45,225 31.3%	23,385 16.2%	12,705 8.8%	5,800 4.0%	144,700 100.0%	880	853
\$50,000 to \$59,999	\$1,250	\$1,500	5.0%	5,180 4.7%	6,995 6.3%	25,150 22.8%	34,455 31.2%	20,925 18.9%	12,340 11.2%	5,475 5.0%	110,515 100.0%	922	900
\$60,000 to \$69,999	\$1,500	\$1,750	0.0%	3,620 4.4%	3,980 4.9%	15,930 19.5%	24,240 29.7%	17,290 21.2%	11,355 13.9%	5,120 6.3%	81,535 100.0%	963	936
\$70,000 to \$79,999	\$1,750	\$2,000	0.0%	2,610 4.4%	2,850 4.8%	9,790 16.4%	16,795 28.1%	13,510 22.6%	9,610 16.1%	4,610 7.7%	59,770 100.0%	994	971
\$80,000 to \$89,999	\$2,000	\$2,250	0.0%	1,935 4.7%	1,665 4.0%	6,115 14.8%	10,290 24.9%	8,925 21.6%	8,030 19.4%	4,425 10.7%	41,385 100.0%	1041	1001
\$90,000 to \$99,999	\$2,250	\$2,500	0.0%	1,230 4.4%	1,120 4.0%	3,415 12.1%	6,390 22.7%	6,510 23.1%	5,900 20.9%	3,605 12.8%	28,170 100.0%	1075	1050
\$100,000 and over	\$2,500+	\$2,500+	0.0%	3,035 4.3%	2,285 3.2%	6,285 8.9%	11,775 16.7%	12,425 17.7%	16,615 23.6%	17,945 25.5%	70,370 100.0%	1242	1184
Total				143,616 11.0%	170,471 13.0%	320,242 24.5%	316,823 24.2%	173,292 13.2%	115,691 8.8%	68,621 5.2%	1,308,765 100.0%	834	801
Average household income \$				\$25,111	\$27,110	\$35,203	\$43,191	\$51,988	\$61,972	\$81,440	\$41,988		
Median household income \$				\$15,247	\$20,352	\$30,341	\$38,159	\$46,896	\$54,635	\$62,274	\$33,447		

Source: 2006 Census, based on 2005 incomes for owners and tenant, Catalogue # 97-554-XCB2006049

4.3 RENTAL HOUSING AFFORDABILITY FOR DIFFERENT OCCUPATIONS

Tables 11 and 12 show average incomes from the 2006 Census for people from different occupations who often seek rental accommodation. The incomes were updated to 2009 using changes in the average weekly earnings in Ontario and compared to 2009 average rents for various sized apartments in each market.

The results show that in **Toronto**, a carpenter can almost afford the average rent for a one-bedroom apartment as can a medical secretary. However, those in lower-paying jobs such as labourers in processing, manufacturing and utilities; data entry clerks; retail salespersons; chefs; food and beverage servers; and, cashiers, cannot even afford a bachelor apartment without spending more than 30% of their income on rent. Of the occupations shown, only elementary school teachers can afford rents for two-bedroom units in 2009.

Similarly, a person on minimum wage similarly cannot afford even to pay the average rent for a bachelor unit and a single senior citizen is in the same position. Even a pensioner couple (receiving OAS, GIS + GAINS) cannot afford the average rent in the private market for any apartment by bedroom count.

For households with two-income earners, the situation is better; however, it could be still be difficult for households where one person works full-time and the other part-time. Also, in families with smaller children, it is often necessary for one parent to stay at home and so families with one low wage earner have a very difficult time in an expensive housing market like Toronto.

The situation is somewhat better in **Ottawa** where a one-bedroom apartment rents for \$100 less than in Toronto. In Ottawa a carpenter or medical secretary

can afford to rent a one-bedroom apartment. However, those in other lower paying jobs, such as labourers and data entry clerks, can barely afford a bachelor apartment. Sales clerks, chefs, cooks and cashiers all earn insufficient money to rent in the private market without paying more than 30% of their income on housing. Similarly, a person on minimum wage or a single pensioner cannot afford to rent in the private market. Again, the situation is better for two-person income earners as discussed above. In Ottawa, a couple on the maximum allowable pension can just afford a bachelor apartment.

In a lower rent place like Hamilton, a greater range of income earners can afford the rent. For example, a labourer can afford a two-bedroom apartment and a data entry clerk and sales person can afford a one-bedroom apartment. Those in the food industry (chefs, cooks and food and beverage servers) as well as cashiers will still have difficulty paying market rents even for a bachelor apartment. Two minimum wage earners can afford the rent for a two-bedroom apartment and a pensioner couple can afford a one-bedroom apartment. Thus, Hamilton offers one of the most affordable rental markets in southern Ontario.

In Sudbury, lower rents also mean that a greater range of income earners can afford the rent in the private market. As well as school teachers, those who are carpenters, medical secretaries and labourers can all afford the average rents for bachelor, one and two bedroom apartments. Other low wage earners like sales clerks can afford a bachelor unit. Once again those in the food industry cannot afford rents in the private market.

**Table 11: Average Incomes for Different Occupations and Affordable Rent,
City of Toronto and Ottawa CMA, 2009**

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	2009 (est)*	Mo Inc.	Aff. Hsg	2009 (est)	Mo Inc.	Aff. Hsg
Elementary school & kindergarten teachers	\$52,337	\$4,361	\$1,308	\$49,296	\$4,108	\$1,232
Carpenter	\$34,347	\$2,862	\$859	\$31,309	\$2,609	\$783
Medical Secretary	\$31,735	\$2,645	\$793	\$29,177	\$2,431	\$729
Labourers in processing, mfg. and utilities	\$22,843	\$1,904	\$571	\$23,405	\$1,950	\$585
Data entry clerks	\$25,435	\$2,120	\$636	\$25,384	\$2,115	\$635
Retail salesperson and sales clerk	\$23,745	\$1,979	\$594	\$20,981	\$1,748	\$525
Chefs and cooks	\$21,001	\$1,750	\$525	\$18,487	\$1,541	\$462
Food and beverage servers	\$13,142	\$1,095	\$329	\$12,331	\$1,028	\$308
Cashiers	\$10,912	\$909	\$273	\$9,384	\$782	\$235
Minimum Wage Earners \$10.25/hour @37.5 hours/week (note: 2010 min. wage shown, effective March 31,2010)	\$18,383	\$1,532	\$460	\$18,383	\$1,532	\$460
2 minimum wage Earners @ \$10.25/h x 37.5 hours	\$36,765	\$3,064	\$919	\$36,765	\$3,064	\$919
Single Pensioner	\$15,030	\$1,253	\$376	\$15,030	\$1,253	\$376
Couple Pensioner	\$24,740	\$2,062	\$619	\$24,740	\$2,062	\$619

Note: 2005 incomes updated using change in average weekly wage in Ontario to 2009.

Tables 11 and 12 Source: Incomes derived from 2006 census, Catalogue 97-563-X2006063 which 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 2009 as found in Statistics Canada's "Earnings, average weekly, by province and territory" (Cansim Table 281-0044 and Catalogue # 72-002-X); Minimum Wages from the Ontario Ministry of Labour Web Site.

**Table 12: Average Incomes for Different Occupations and Affordable Rent,
Hamilton CMA and Sudbury CMA, 2009**

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	2009 (est)	Mo Inc.	Aff. Hsg.	2009 (est)	Mo Inc.	Aff. Hsg.
Elementary school & kindergarten teachers	\$54,490	\$4,541	\$1,362	\$52,065	\$4,339	\$1,302
Carpenter	\$33,012	\$2,751	\$825	\$37,616	\$3,135	\$940
Medical Secretary	\$30,935	\$2,578	\$773	\$31,726	\$2,644	\$793
Labourers in processing, mfg. and utilities	\$32,433	\$2,703	\$811	\$28,800	\$2,400	\$720
Data entry clerks	\$27,565	\$2,297	\$689	\$21,535	\$1,795	\$538
Retail salesperson and sales clerk	\$25,235	\$2,103	\$631	\$19,377	\$1,615	\$484
Chefs and cooks	\$17,542	\$1,462	\$439	\$14,556	\$1,213	\$364
Food and beverage servers	\$10,114	\$843	\$253	\$10,595	\$883	\$265
Cashiers	\$10,173	\$848	\$254	\$10,627	\$886	\$266
Minimum Wage Earners \$10.25/hour @37.5 hours/week (note: 2010 min. wage shown, effective March 31,2010)	\$18,383	\$1,532	\$460	\$18,383	\$1,532	\$460
2 minimum wage Earners @ \$10.25/h x 37.5 hours	\$36,765	\$3,064	\$919	\$36,765	\$3,064	\$919
Single Pensioner	\$15,030	\$1,253	\$376	\$15,030	\$1,253	\$376
Couple Pensioner	\$24,740	\$2,062	\$619	\$24,740	\$2,062	\$619

A minimum wage earner in Sudbury could just afford a bachelor apartment and two minimum wage earners can afford a two-bedroom apartment. However, a single pensioner cannot afford rents in the private market but a couple can afford the average rent for a one-bedroom apartment.

4.4 GROWING USE OF FOODBANKS

A recent report prepared by the Ontario Association of Food Banks, *Ontario Hunger Report, 2009: Living with Hunger* provides a bleak picture of hunger in Ontario and its relationship to housing. The report notes that rising unemployment, increased costs of basics and inadequate government support have resulted in an increase in 19% of people who turn to food banks. Last fall, over 375,000 Ontarians used food banks each month.

Food banks are largely about paying the rent. Rent is one large "indivisible" lump sum each month - which is almost never negotiable and cannot easily be reduced by moving. Rent typically consumes 40 percent of gross income for low-income tenants in market rental housing. Housing is as essential as food. When income is too low, or income goes down, food expenditures get cut before rent. Food costs, unlike rent, can be lowered by saving a bit here and there, by consuming less, and by relying on charity. There are no charities that will pay the rent, but there are food banks.

Many of those who use food banks are working or were recently unemployed. One third of persons heading households using food banks are working part-time or full-time or were recently employed in the last six months. Another third were unemployed due to disability, retired or attending school full-time.

Those who turn to food banks have average household incomes that are well below the Low-Income Cut-Off and spend 65% of their income on shelter!

Many of those using food banks are younger with an average age of 28.7 years (compared to 38.2 years for the Province). A large share (35.9%) of the population served by food banks are 16 years or under.

A third of those who use food banks are new Canadians (have been in Canada for 4 years or less) and over half have a post-secondary degree.

Almost all of those who use food banks live in rental housing with 65% living in market rental housing and 34% in assisted housing. A third of all users of food banks live in residences requiring major repair and a quarter cannot adequately heat their home.

**Housing is as essential as food.
Food banks have become a way of
helping households deal with the
reality of rents too high vis-à-vis
income.**

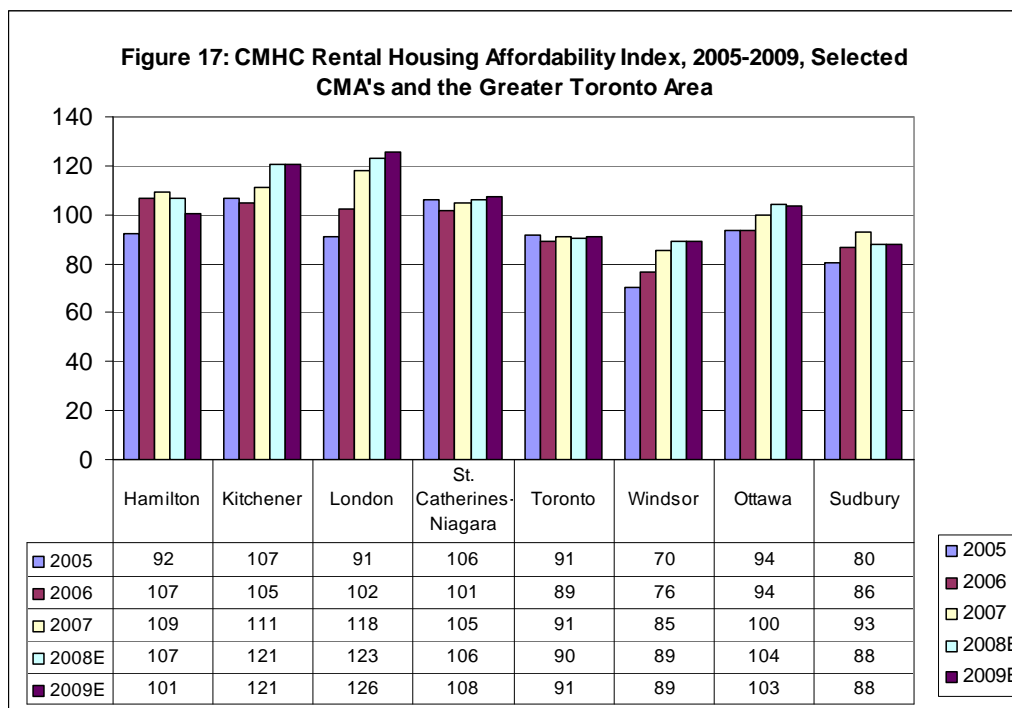
4.5 CMHC AFFORDABILITY INDEX

CMHC measures what is called the housing affordability index for the rental market in several markets across Ontario. This indicator measures the median renter household income (3-year moving average) divided by the level of income required to rent a median priced two-bedroom apartment. A value above 100 indicates that less than 30% of income is required to rent a two-bedroom unit; conversely a value below indicates that more than 30% of income is required. Thus, a higher value indicates a more affordable market; a lower value indicates a less affordable market. The affordability index shown in Figure 17 is for selected CMA's and the Greater Toronto Area.

According to the data collected by CMHC, London and Kitchener have among the most affordable rental housing relative to tenant incomes. Toronto, Sudbury and Windsor have the lowest affordability indices. As

the index is a measure based on both income and rents, the low affordability index can mean different things in different communities. For example, in Sudbury and Windsor where rental housing is relatively inexpensive, the lower indices suggested a concentration of lower income households in the rental market. (This makes intuitive sense as house prices are lower in both Windsor and Sudbury are lower compared to Toronto and other more expensive markets, and so those who are left in the rental market have relatively lower incomes than in a place like Toronto.) In Toronto the lower affordability index is a result of higher rents and lower tenant incomes. St. Catharines-Niagara, Hamilton and Ottawa have relatively affordable rents compared to median tenant incomes as noted by the affordability index.

There was not much change in the affordability index across the CMA's between 2008 and 2009.



Note: All areas refer to CMA's except for Toronto in which case data is for the Greater Toronto Area (the City of Toronto and the Regions of York, Peel, Durham and Halton.)

Source: CMHC Ontario Market Analysis Branch, 2010

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