Toronto Metropolitan University
Centre for Urban Research & Land Development
Faculty of Community Services

"Promoting Better Urban Policy through Economic Understanding"

Expanding Housing Supply and Affordability

Charts for Remarks

By

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To

Professional Development Meeting

Ontario Land Tribunal

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Scope of Remarks

- Housing market area
- Affordability
- Understanding housing buyers and renters
- Supply of shovel-ready lands
- Ottawa/Toronto CMA comparison
- The Future

Housing Market Area

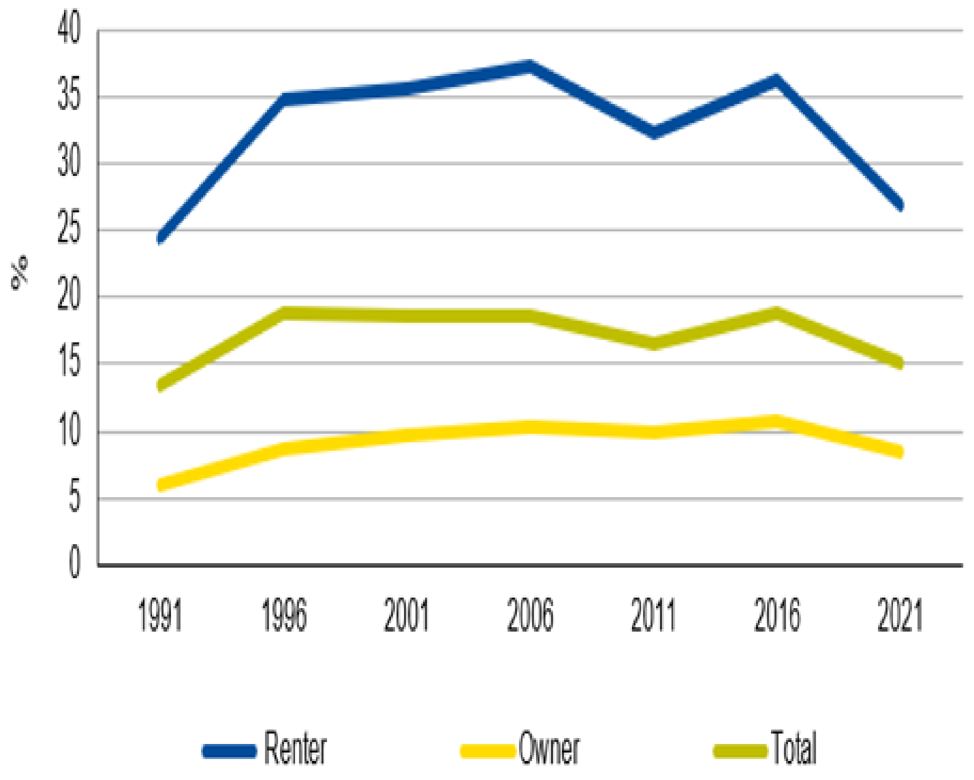
- Efforts to increase housing supply and improve affordability are best implemented at the housing market area level
- Municipalities are not necessarily housing market areas
- Census Metropolitan Areas (CMAs) or Census Agglomerations (CAs) are much better approximations
- Most regional/single-tier municipalities in Greater Golden Horseshoe (GGH) are reasonable proxies for housing market areas – 7 of the 9 CMAs in the GGH
- GTA municipalities are conspicuous exceptions
    - The Toronto CMA and Oshawa CMA are reasonable proxies
    - The City of Toronto and the Regions of Durham, York, Peel and Halton are not
- **Bottom line:** Toronto and 905 Regions must attack housing challenges in a consistent and coordinated way – municipal fragmentation effectively means the Province must be in charge

Affordability

- Three inter-related but separate dimensions to "affordability"
  - Lower-income households living in unacceptable housing – housing unsuitable, inadequate, or unaffordable
  - Middle-income households paying "too much" for acceptable housing
  - Homelessness (not covered here)
- Lower-income households – Core Housing Need is the best measure
- Middle-income households – homeownership costs/income ratio best measure

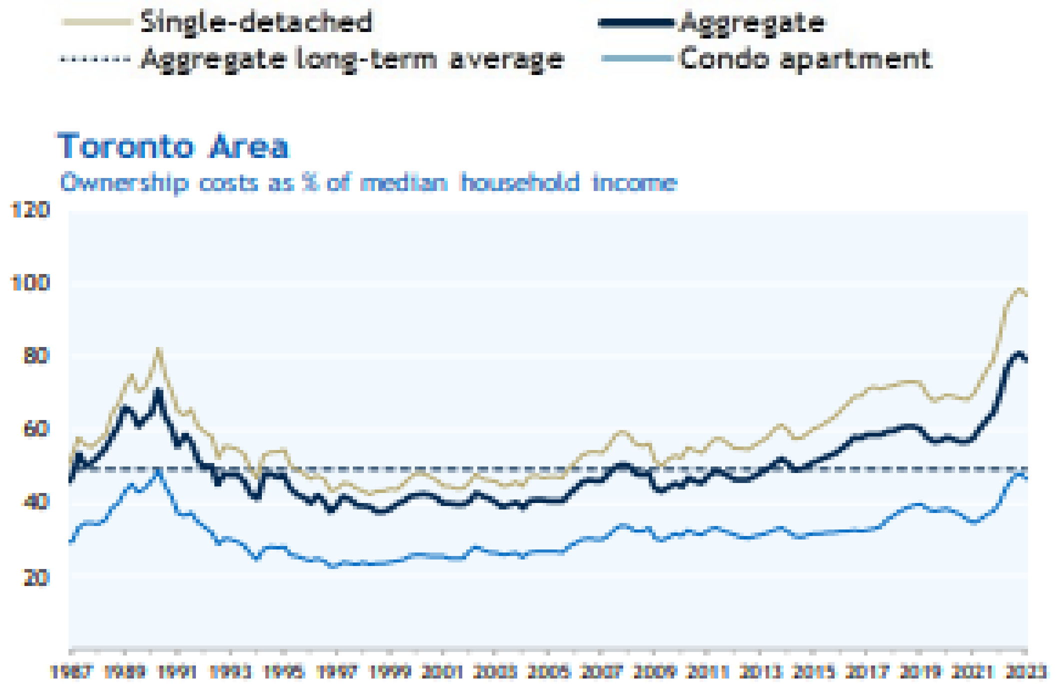
Affordability (continued)

Percentage of Households in Core Housing Need, GTA, 1991-2021



Source: CUR, based on Statistics Canada and CMHC data

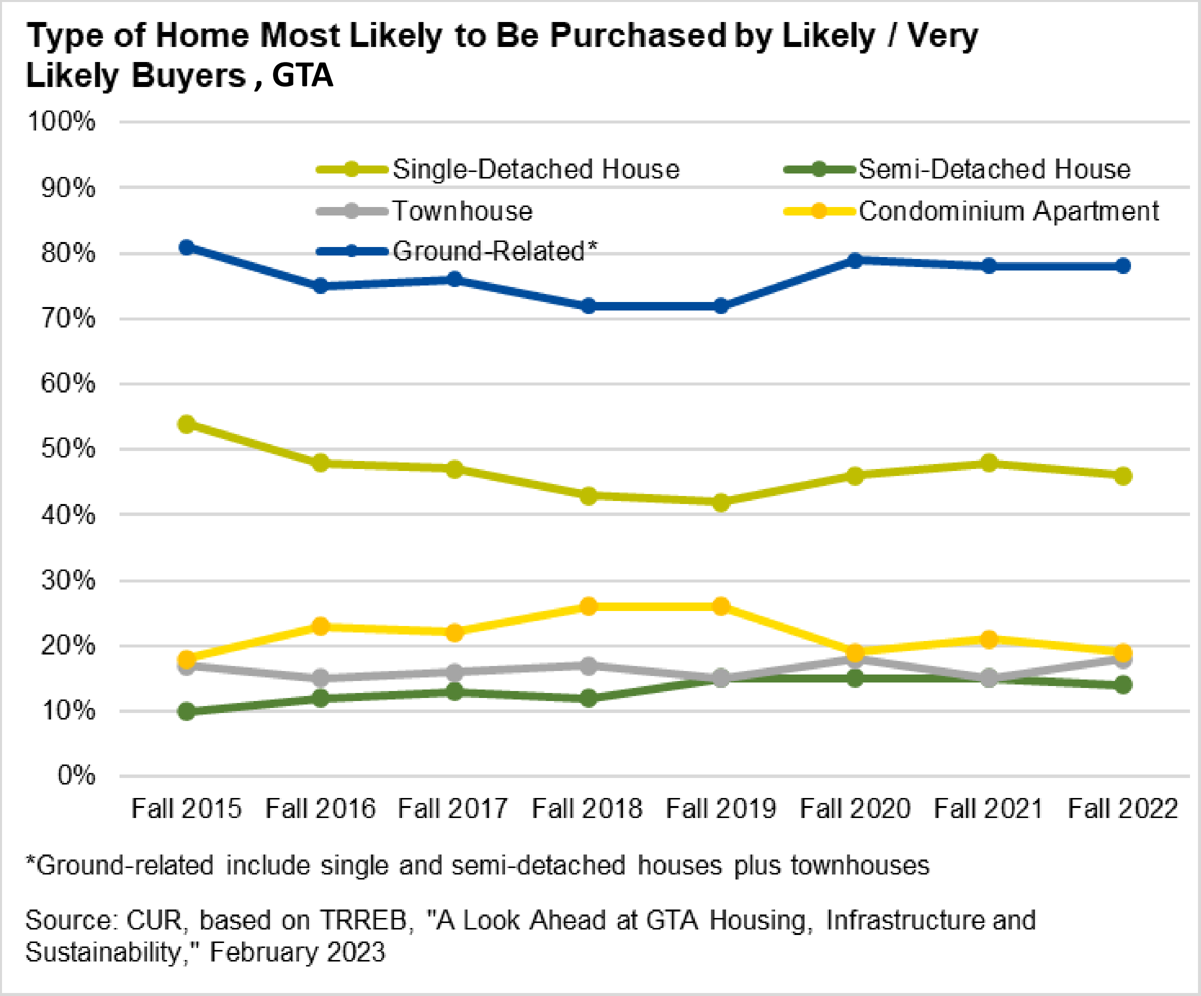
RBC Housing Affordability Measures



Source: RPS, Statistics Canada, Bank of Canada, Royal LePage, RBC Economics

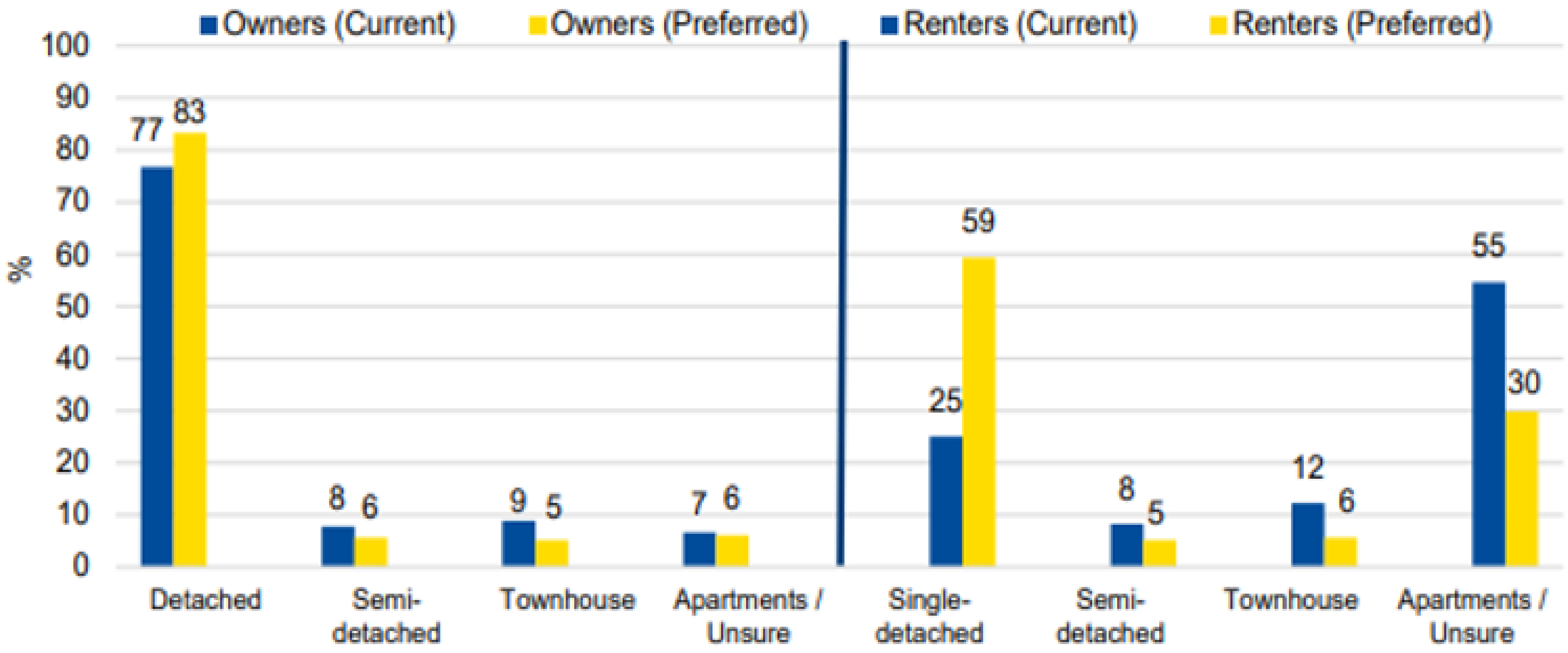
Understanding Home Buyers and Renters

- Since the Growth Plan was introduced in 2005, planners/policymakers have ignored housing preferences (some shift more recently)
- A one-bedroom apartment in the sky is no substitute for a single-detached house
- Limits on ground-related housing production - a cause of unaffordability



Understanding Home Buyers and Renters (continued)

Current and Preferred Housing Types, by Tenure, City of Hamilton, September 2021, Percent Distribution



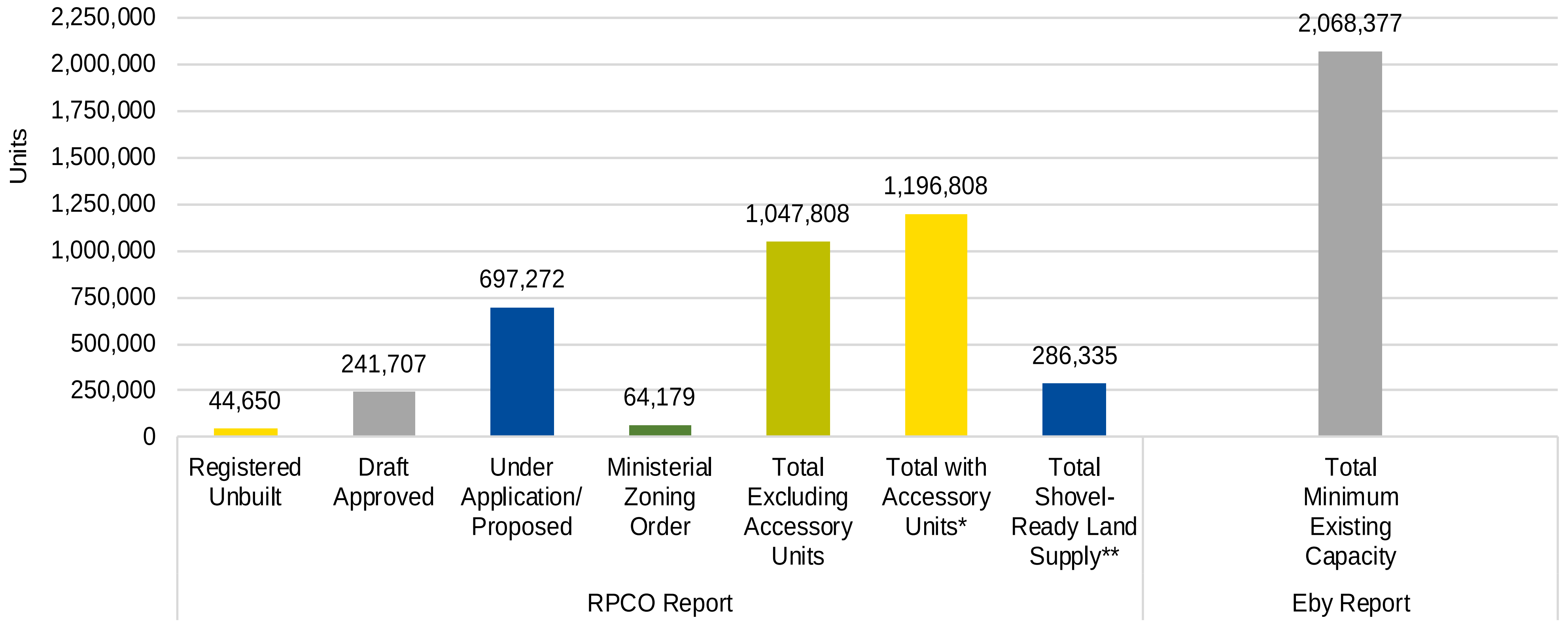
Source: CUR, based on data from the Nanos Research Survey (2021)

Inventory of Shovel-Ready (Short-term) Residential Land

- No comprehensive inventory of residential land in the approval process in GTA since 2003 (until RPCO's "quickie" GGH inventory in March 2023)
- Policy 1.4.1b) of the Provincial Policy Statement 2020 (PPS) instructs municipalities to: "Maintain at all times where new development is to occur, land with servicing capacity sufficient to provide at least a three-year supply of residential units available through lands suitably zoned to facilitate residential intensification and redevelopment, and land in draft approved and registered plans." (also in Proposed Provincial Planning Statement)
- Effectively, a minimum of a four-year supply – meaningless unless by unit type
- Little compliance and no provincial monitoring/enforcement
- March 2023 RPCO land survey for GGH – shovel-ready land small part of total inventory

Inventory of Shovel-Ready (Short-term) Residential Land

Land for Unbuilt Approved or in the Approval Process in the Greater Golden Horseshoe, 2022, Units



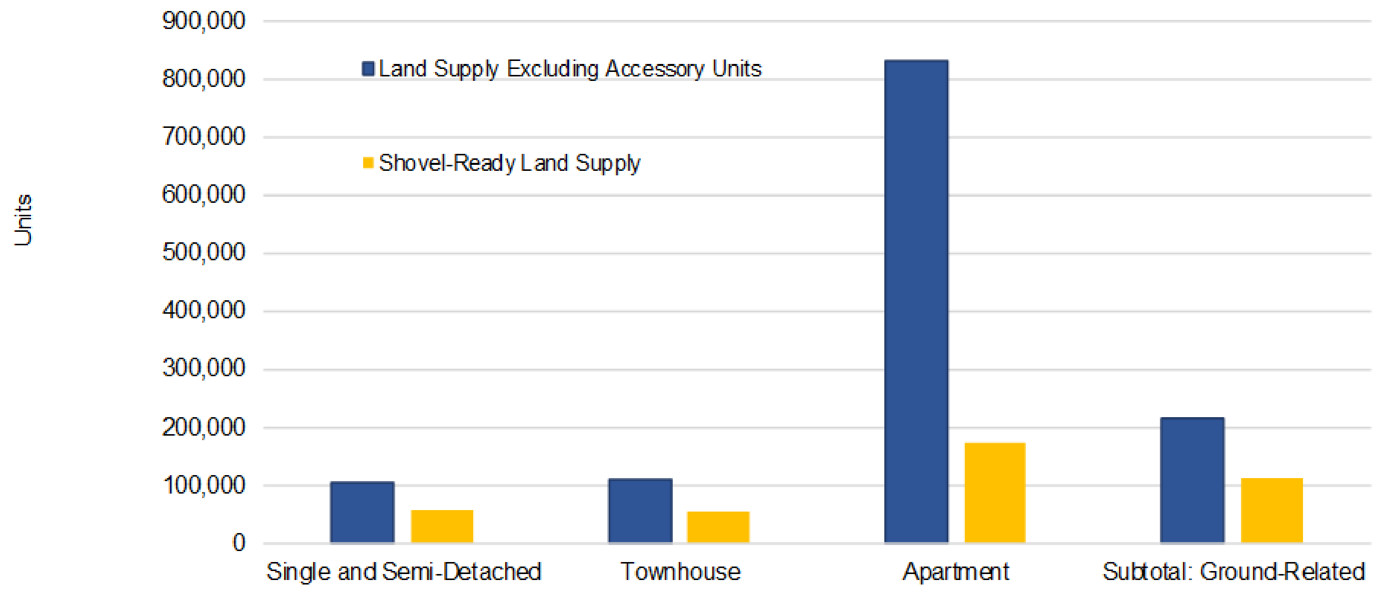
*The RPCO Report includes 150,000 units in the land inventory as a "proxy" for accessory units added to exisitng houses.
**CUR categorizes shovel-ready supply unbuilt units in registered plans of subdivision and site plans with executed agreements plus units in draft approved plans of subdivision and site plan endorsed/approved in principle.

Source: CUR, based on RPCO Report and Kevin Eby Report, February, 2023

Inventory of Shovel-Ready (Short-term) Residential Land

- According to RPCO figures, land inventory, total and shovel-ready land, skewed to apartments
- significant shortage of lands in the development approval process for ground-related housing

Land for Unbuilt Units and Shovel-Ready Land Inventory by Unit Type in the Greater Golden Horseshoe in 2022



Source: CUR based upon the RPCO Report

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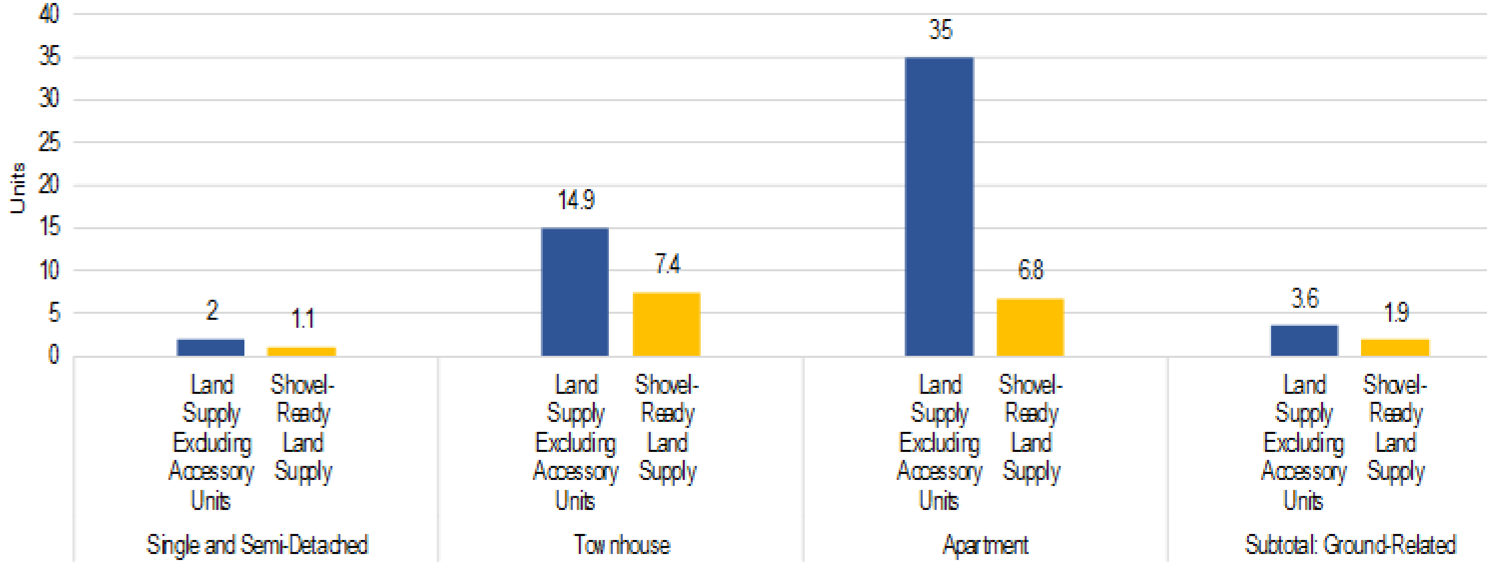
Inventory of Shovel-Ready (Short-term) Residential Land

- Unless demand for ground-related homes drops sharply (recession, stopping immigration) or supply suddenly jumps (not possible), ground-related housing affordability will be severely compromised in the GGH
- Need apartment land inventory split between low-rise, medium-rise and high-rise structures

Years' Supply of Land Under the Hemson/ Dunning Forecasts in the Greater Golden Horseshoe by Unit Type, 2022*



*CUR categorizes as shovel-ready supply unbuilt units in registered plans of subdivision and site plans with executed agreements plus units in draft approved plans of subdivision and site plan endorsed/ approved in principle

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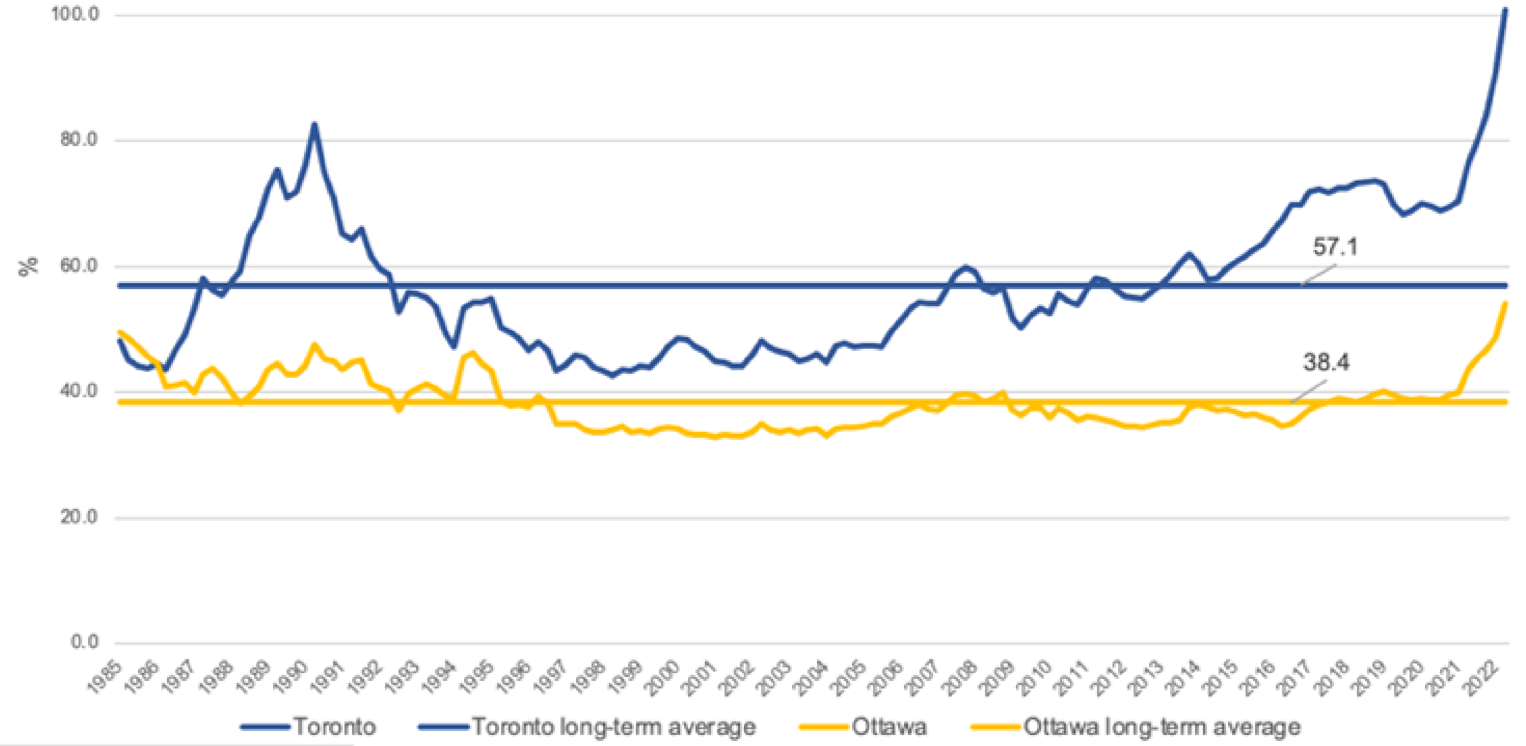
Toronto CMA/Ottawa CMA Comparisons

- In the mid-1980s, housing affordability was the same in the Toronto and Ottawa CMAs
- Affordability deteriorated in both areas, especially after the mid 2000s, but much more so in Toronto

RBC Affordability Measure for Single Detached Homes, Ottawa, and Toronto CMAs Ownership Costs as a % of Median Household Income, 1985-2022 (June)



Source: CUR based on data from RBC Economics

Toronto CMA/Ottawa CMA Comparisons

- Causes of Ottawa's superior performance (note demographic and economic performance similar when adjusted for relative sizes of the two CMAs)
  - Municipal boundaries - the commutershed (CMA) – like Metro Toronto initially, 1953) - spillover of growth from Metro Toronto resulted in 4 regional governments created in the CMA in the early 1970s
  - After 2001, a single municipality; before that, a two-tiered regional municipality covering commutershed
  - Planning, including infrastructure, has been done at a regional level
  - Ottawa has produced an annual inventory of vacant greenfield lands by planning status and unit types starting in the mid-1980s - the Toronto region hasn't since 2003
  - Not subject to the Growth Plan for the Greater Golden Horseshoe

What Does the Future Hold for GGH Housing?

- Despite best intentions, the supply of new housing will lag the need – prices and rents will remain high relative to incomes
- Gradually, more ground-related and missing middle housing forms built – will still lag demand
- Continued dispersal of population from the GTA to the GGH's outer ring and from the GGH to other parts of Ontario
- The intensity of the housing supply and affordability crunch is dependent on increasing housing supply relative to demand:
  - Work hard to increase the supply of shovel-ready sites by unit type, including townhouses, low and medium-rise apartments, and secondary suites
  - Reducing demand – a sizeable drop in annual immigration
  - Review and modify policies at all levels of government which needlessly constrict the supply of new housing (e.g., planning, environment, infrastructure, financing)