Rental Dynamics in Canada’s Low-income Neighbourhoods

Greg Suttor
October 16, 2014
greg.suttor@utoronto.ca
1) Introduction & key concepts
2) Dominant rental trends
3) Building rental vs. filtering
4) Spatial implications
5) Summary by period
6) Conclusions
1. Introduction & key concepts

Housing ↔ Neighbourhood

- Change in housing system is major driver of neighbourhood change
  - New supply, prices by area, up or down- shifts in status & quality, etc.
  - Household choices strongly constrained by mix of housing stock & by price

- Change across the whole urban area is main driver of local neighbourhood change
  - Only secondarily a result of forces operating within the neighbourhood
KEY CONCEPTS (classic US & recent European research)

Filtering
- Main market process to supply housing to lower incomes is via older housing with declining quality/status/etc.

Socio-tenure segregation
- The different locations of rental and ownership shape the geography of income

Rental residualization
- Rental has become a sector of lower priority, investment, status, socio-economic profile, & quality
2. Dominant rental trends

Annual Housing Production
Canada, 1951-2001

Source: CMHC, starts and completions data; social housing from CMHC, CHS; selected supplementary data.
Dominant rental trends (2)

Canada: Tenant Households by Income Quintile

<table>
<thead>
<tr>
<th>Year</th>
<th>1st (lowest)</th>
<th>2nd</th>
<th>3rd</th>
<th>4th</th>
<th>5th (highest)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1967</td>
<td>24</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1973</td>
<td>25</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1977</td>
<td>26</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1981</td>
<td>26</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2005</td>
<td>27</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td>27</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2020</td>
<td>29</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2022</td>
<td>31</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2025</td>
<td>33</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Statistics Canada data; see Rental Paths (Hulchanski 1987 & other).
Dominant rental trends (3)

Parallel trends...
→ learn from others

Rental Production: Units per 1,000 Population

Avg annual production by 5-year period, using population at base year for period. Units “per 1,000” fairly compares of countries of varying size. Sources: see Rental Paths.

Percent of Households Renting

% of Tenants in Lowest Quintile

Sources: See Rental Paths.
3. Building rental vs Filtering

Added rental supply by filtering in the market
- Tendency to spatial concentration + lower quality
  - Lower rent
  - Disinvestment
  - Stigmatization
  - Lower quality
  - Lower income

Added rental supply by building (private rental or social)
- Geographic patterns depend on the particular system of development
- Quality is higher initially

Lower rent
Disinvestment
Stigmatization
Lower quality
Lower income
Source: Census; CMHC, starts and completions data; social housing from CMHC, CHS, and supplementary data. Low-income renters in first quintile calculated from PUMF at 18% of net household change (1971-91); 15% of same (2001-11); actuals 91-96-01.
### Building rental vs. Filtering (3)

Large number of net added renter households to accommodate by filtering and/or building

<table>
<thead>
<tr>
<th>City (CMA, GTA)</th>
<th>Growth per decade – Households (average of 1991-2001 &amp; 2001-2011)</th>
<th>Low-income Renter Growth per decade (15%, generalized from long-run actuals)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Toronto</td>
<td>340,000</td>
<td>45,000</td>
</tr>
<tr>
<td>Montreal</td>
<td>189,000</td>
<td>30,000</td>
</tr>
<tr>
<td>Vancouver</td>
<td>141,000</td>
<td>20,000</td>
</tr>
<tr>
<td>Calgary</td>
<td>94,000</td>
<td>15,000</td>
</tr>
<tr>
<td>Winnipeg</td>
<td>20,000</td>
<td>3,000</td>
</tr>
<tr>
<td>Halifax</td>
<td>23,000</td>
<td>3,000</td>
</tr>
</tbody>
</table>
4. Spatial implications

International trend of socio-economic “decline” in postwar suburbs

- Western Europe, peripheral estates
- USA, “inner ring suburbs”
- Australia, mix of these two patterns

Associated with:

- Gentrification in central city
- Older suburbs cheaper than newer suburbs
- Auto-dependency in post-1980 suburbs
- Little tenure mix in post-1980 production, contrasting to postwar areas
Spatial implications (2)

Toronto example...

Multi-unit rental stock as percent of all housing by suburban ring

- Central city
- 1945-60 suburbs
- 1970s suburbs
- 1980s suburbs
- 1990s suburbs

Lowest-quintile percent of tenants in multi-unit rental

Source: Census, custom tabulations
## 5. Summary by period

*(Patterns do vary by city)*

<table>
<thead>
<tr>
<th></th>
<th>1955-70</th>
<th>1970-95 (Ont ’65-95)</th>
<th>’95-2005</th>
<th>2005 on</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net rental demand</strong></td>
<td>High, with mix of incomes</td>
<td>Very high, &gt;½ low-inc.</td>
<td>Negative exc. low-inc.</td>
<td>Middling, &gt;½ low-inc.</td>
</tr>
<tr>
<td><strong>Private rental production</strong></td>
<td>~1/3 of production</td>
<td>1/3 of prod’n until c.1982</td>
<td>Minor</td>
<td>Minor (condo rental… )</td>
</tr>
<tr>
<td><strong>Social housing</strong></td>
<td>&lt;10% of added rental</td>
<td>~1/3 of added rental</td>
<td>Very minor (exc. Que, BC)</td>
<td>&lt;10% of added rental</td>
</tr>
<tr>
<td><strong>Main low-rent net supply</strong></td>
<td>Filtering in central city +New-build</td>
<td>New-build in central city &amp; postwar ’burbs</td>
<td>Filtering in postwar suburbs</td>
<td></td>
</tr>
<tr>
<td><strong>Neigh’d mix implications</strong></td>
<td>Many income-mixed areas in central city &amp; postwar suburbs, few in post-1980 suburbs</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Main locale of poverty</strong></td>
<td>Mostly central city</td>
<td>In central city &amp; postwar suburbs</td>
<td>Mostly post-war suburbs</td>
<td></td>
</tr>
</tbody>
</table>
6. Conclusions

Political economy of housing
- Relationship of welfare-capitalist regime to housing regime

**Liberal-welfare**
- Rental as a byproduct of ownership market (filtering)
- Rental as ‘residual’
- Small segment of demand
- Socio-tenure polarization
- Wider disparities
- Rental as a venue of poverty & ‘decline’ always

** Corporatist & Social democratic (then/today)**
- Build for rental (then)
- Rental as a priority (then)
- Large segment of demand
- Less socio-tenure polariz’n
- Lesser disparities
- Rental as a venue of poverty & ‘decline’ today

- Elements of hybrid regime in 1950s-80s Canada, legacy today
Conclusions (2)

1. Long-run ‘Imprint’ of housing regime history on urban space
   - Postwar suburbs have most older/cheaper rental
     *Some variation by city (esp. Winnipeg, Montreal?)*

2. More rapid growth drives more rapid change
Conclusions (3)

3. Poverty concentration: Dominant role of rental apt. sector  
   *Some variation by city (esp. house rental in West)*
   - Income decline in large postwar private rental stock
   - Social housing ‘mix’ agenda missed the broader geography

4. Building for lower income meant much less impetus for supply by filtering / tenure conversion / quality decline / etc.
   - This is now reversed → more quality issues
   - Vulnerable areas in inner suburbs (*some variation by city...*)