RETHINKING HOUSING MARKET FINANCING IN THE AFTERMATH OF COVID-19: LESSONS AND RESPONSES TO THE PANDEMIC

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Executive Summary

This report focuses on the impacts of Covid-19 on the housing market in the Toronto Region (but mainly in the City of Toronto), and examines how the ongoing affordability crisis has been impacted by the global crisis of Covid-19 since March 2020. It is prepared as a result of the Mitacs Accelerate project, sponsored by Seyfi Tomar Realty, titled “Rethinking Housing Market Financing in the Aftermath of Covid-19: Lessons from and Responses to the Pandemic”. The project asked the following questions: “What are the impacts of Covid-19 on the housing affordability crisis of Toronto?” and “What should be done in order to create affordable housing models in Toronto?”. This report presents the key problems and dynamics that lead to a housing crisis in Toronto and the impact of Covid-19 on the ongoing affordability crisis of Toronto. Finally, the report also deals with potential alternatives, immediate actions, and recommendations.

The Key Findings

- The key finding of this report is that after an initial pandemic-induced downward trend in March and April 2020 when the housing market contracted by more than 50 percent, the demand for housing has skyrocketed since May 2020 and Toronto’s housing has become less affordable ever since.
- Until the beginning of the COVID-19 pandemic, the Toronto rental market was getting more expensive every year since there is no policy to provide affordable rental supply. The market now continues to get more expensive.
- Condominium projects have become the dominant way of investing in real estate in Toronto. In the last 15 years, the share of condominium projects in total built units is 81.5 percent. Condominiums have become the primary choice of the housing industry as developers can finance these projects through pre-sales before the construction.
- The Covid-19 pandemic led to higher demand for larger living spaces over small condominium units. However, not everyone can afford larger spaces due to widening income disparity.
• In looking towards resolving the affordability crisis, we argue that the housing market should not be dominated by just a few market-oriented options: there must various housing options including properly built and safe social housing, affordable rental housing, and mixed-use market units. The importance of having various housing models has become clearer during the Covid-19 pandemic.

• The Covid-19 pandemic also demonstrated that we need a better financing system. Housing financing should not only rely on the mortgage system as securitization and financialization lead to the increase of the average housing price. Instead, more affordable financing options and more housing supply must be provided in order to prevent potential land-rent speculation.

• Covid-19 showed that in the case of Toronto and other major cities in Canada, there is an increasing need for the federal government to take the leadership of coordinating housing-related problems, and the federal government should ambitiously take the initiative to coordinate affordable housing projects together with provinces and municipalities. For this very purpose, transforming the duties and operations of CMHC (Canada Mortgage and Housing Corporation) should be on the agenda.
Introduction

This report focuses on the impacts of Covid-19 on the housing market in Toronto Region (but mainly in the city of Toronto), and examines how the ongoing affordability crisis has been impacted by the global crisis of Covid-19. Toronto’s housing market has been experiencing a housing crisis since the early 2000s. The housing crisis is now a global problem, and according to an estimate by the United Nations, there are more than 330 million people are unable to find proper housing\(^1\). David Madden and Peter Marcuse define a housing crisis as the lack of proper affordable housing\(^2\). Affordability does not only include the price of a house but also its quality and ability of providing a comfortable and secure life. Housing has two sides that are not always compatible: on the one hand housing is a necessity for everyone as it provides comfort and also social and individual security, and it is a social good so that living an affordable life in a proper house provides social sustainability. On the other hand, in many countries open to the market economy, housing is a commodity in the real estate market through which the developers and other related actors seek to garner a huge amount of profit. These two sides of housing create a conflict between those who would like acquire housing for their personal shelter, security and comfort and those who see housing as an attractive way of investing in fixed assets.

Toronto Region has been experiencing an affordability crisis since the early 2000s due to the increasing demand for housing, low supply of housing units and dependence on a market that has very limited options for housing. In fact, one of the key problems about the recent urbanization process in Toronto is the rise of entrepreneurial government strategy and the application of an austerity urbanism policy which prioritizes the well-being of market actors\(^3\). Teresa Abbruzzese of York University, underlines that the city’s (Toronto) strategy of disregarding social housing exacerbated the rise of home prices, and the city has become unaffordable for many households\(^4\). David Hulchanski of the University of Toronto accentuates that the affordability crisis in

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\(^2\) Madden, D. & Marcuse, P. In Defense of Housing, 2016, London: Verso
Toronto goes hand in hand with increasing wealth inequality⁵. In fact, recently many scholars are also working on the conception “the financialization of housing”⁶. Alan Walks of University of Toronto claims that the housing market in the GTA currently works as a debt accumulation system for households since the housing prices are increasing and mortgage credits are getting more expensive (the volume of credit gets higher). To own a house, people are paying much more to service their debt than in previous decades. In the meantime, the housing market in the Toronto Region has heavily become reliant on distributing mortgage credits, that is why Walks indicates that what we see in this process can be identified as a transition to an “asset-based welfare system”⁷. In a similar vein, Martine August of University of Waterloo also underlines that the financial investments of large funds and Real Estate Investment Trusts (REITs) increase the housing prices in the Toronto Region, thereby causes an affordability crisis⁸. In fact, August indicates that REITs even act as “financialized landlords” as they also invest in the rental housing market and increase the prices of affordable rental houses. In another study, Dylan Simone and Alan Walks note that more and more immigrants have become trapped by the financial debt mechanisms as they are not able to find affordable housing options, so that they go for mortgage credits to own a house⁹. These concerns mainly stem from the entrepreneurial governmental strategy that prioritizes profit-making of the housing market actors over the social needs of citizens. This entrepreneurial government strategy aims at eliminating social policies that would make our cities more affordable.

This report will begin with Toronto’s housing crisis that has been going on since the early 2000s and will also analyze the impact of Covid-19 on the ongoing affordability crisis. Finally, I will

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Hulchanski, D. (2010). The Three Cities within Toronto: Income Polarization Among Toronto’s Neighborhoods, Toronto: Cities Centre – University of Toronto
focus on what kind of housing models and alternative financial options could be considered in order to create a more affordable housing market.

**Toronto’s Affordability Crisis and Covid-19**

There are several reasons for Toronto’s housing affordability crisis, chief among them the austerity policies pursued by the provincial government in Ontario and the local government in Toronto, the lack of proper housing for everyone, the ongoing speculation on properties due to limited supply, the lack of skilled workers in the construction sector, and the declining average income of young generations and new immigrants. Therefore, in Toronto the house prices are going up rapidly whereas the average income of households (essentially young generations and newcomers) remain stagnant or increase with very modest haste. By affordability in Toronto, we refer to two main measurements; 1) less than 30 percent of household income should go to mortgage or rent payment\(^\text{10}\), 2) first time homebuyers must have easy access to the market.

In Toronto, more and more families and young people pay more than 30 percent of their monthly income for housing (mortgage payment or rents). This key indicator of housing unaffordability is what Stats Canada calls the core housing need and it is defined as: “A household is said to be in 'core housing need' if its housing falls below at least one of the adequacy, affordability, or suitability standards and it would have to spend 30 percent or more of its total before-tax income to pay the median rent of alternative local housing that is acceptable”\(^\text{11}\). The three housing standards mentioned by Stats Canada are: “Adequate housing is reported by their residents as not requiring any major repairs. Affordable housing has shelter costs equal to less than 30 percent of total before-tax household income. Suitable housing has enough bedrooms for the size and composition of resident households according to National Occupancy Standard (NOS) requirements”\(^\text{12}\). In Canada the core housing need rate is 12.7 percent as of 2016. We still do not have the data for 2021, but we can see that this rate was 12.5 percent in 2011, this means that the trend has a tendency of increase. In the meantime, in Ontario, the rate of households in need of core housing is 15.3 percent as of 2016 which is much higher than Canada’s average. In 2011, in Ontario this rate was 13.4 percent; this means that the housing conditions provided, and the stock

\(^{10}\) Doucet, B. & van Der Merwe, J. “Covid-19 and housing implications in the region of Waterloo: Amplified challenges and proactive planning”, the University of Waterloo.


\(^{12}\) Ibid.
supplied to the market between 2011 and 2016 in Ontario had a lot of problems with meeting the demand for proper and affordable housing. Particularly, if we check the data for Toronto, the picture gets worse. In Toronto, the rate of households in need of core housing is 19.7 percent, this is the highest percentage in all of Canada. Therefore, in Toronto 1/5 of all households are not able to dwell in housing that can really satisfy their proper and affordable living standards. In the meantime, 36.6 percent of households in Toronto spend more than 30 percent of their income for shelter costs according to census data for 2016. This data shows the immediate need for housing, there is also the ratio of household income to mortgage credits, and in Toronto it is around 55 percent currently.

**Demographic Parameters:**

**Toronto’s population**

The 2016 population of Toronto was 2,731,57 which amounts to 7.8 percent of Canada's total population of 35,151,728 at that time. According to the census data, between 2011 and 2016 Toronto's population increased by 116,511 residents. Toronto is by far the largest city in Canada, and the Greater Toronto Area, is one of the largest urban regions in North America. the Greater Toronto Area had a population of 6,746,842 people as of 2016.

<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>City of Toronto</td>
<td>2,275,768</td>
<td>2,584,246</td>
<td>2,704,622</td>
<td>2,876,095</td>
</tr>
<tr>
<td>GTA</td>
<td>4,235,721</td>
<td>5,297,773</td>
<td>6,254,578</td>
<td>6,746,842</td>
</tr>
</tbody>
</table>

Table 1. The population of the city of Toronto and the Greater Toronto based on Census data. Source: Stats Canada

In addition to these numbers, the projection is that in 2021, Toronto’s population will be 3,186,000 and the GTA’s population will increase to 7,405,000. As of 2020, Ontario’s population is 14.773 million. The steep increase in population shows the high immigration

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13 All the data in this part is retrieved from [https://www12.statcan.gc.ca/census-recensement/2016/ref/dict/households-menage037-eng.cfm](https://www12.statcan.gc.ca/census-recensement/2016/ref/dict/households-menage037-eng.cfm)

14 Census Profile, 2016 Census - Toronto, City [Census subdivision], Ontario and Canada [Country] (statcan.gc.ca)

15 (Stats Canada, 2016).

16 Toronto Housing Market Analysis: From Insight to Action, prepared by Canadian Centre for Economic Analysis and Canadian Urban Institute, 2019

level to the Toronto and reveals that there is a growing need for further construction projects to accommodate the incoming people.

Migration is an essential demographic parameter in Ontario, and in Toronto the housing market is heavily depended on immigration streams. One of the interviewees (who is a developer) indicated that “immigration is very essential for our sector, and the decline in the number of immigrants is not a good sign for the development industry in our region. Toronto’s housing market is driven by the immigration patterns”\textsuperscript{18}. In fact, immigration is not only an international movement into Toronto but there is also an ongoing inter-provincial and inter-city immigration, and many people from various parts of Canada aim to come to Toronto. In 2019, 117,720 foreign immigrants came to the Greater Toronto Area\textsuperscript{19}. In addition to this number there is also a domestic migration to the GTA, and according to the estimations almost 35,000 people move to the city of Toronto in the GTA from within Canada. This number signals a population increase which outpaces the supply of housing for newcomers and young population. In the next years, the Federal Government plans to get 1.2 million immigrants, and this number will inevitably increase the need for more affordable housing.

\textbf{Other Dynamics and Affordability: Housing Stock and Decreasing Purchasing Power}

As Brian Doucet and Justin van der Merwe of University of Waterloo indicate, “the forces driving the housing markets are hard to control, have multiple stakeholders with diverging interests, and are not always tailored to actual demand for shelter and accommodation”\textsuperscript{20}. Therefore, it is important to understand the motivations of divergent actors and stakeholders in the housing market.

Looking at housing supply and demand in Toronto has ambiguous results. Some reports indicate that there is adequate supply in the city, while the development industry claims that “there is an annual shortfall of 12,000 housing in Toronto region”\textsuperscript{21}. In this case, it is important to understand that even though there are necessary possibilities to go for new construction projects, it is not

\begin{itemize}
  \item \textsuperscript{18} Interviewee 1.
  \item \textsuperscript{19} “Which Cities in Canada Attract the Most Immigrants?”, 2020, \url{https://www.cicnews.com/2020/02/which-cities-in-canada-attract-the-most-immigrants-0213741.html - gs.vyyf7e}
  \item \textsuperscript{20} Doucet, B. & van Der Merwe, J. “Covid-19 and housing implications in the region of Waterloo: Amplified challenges and proactive planning”, 2020, the University of Waterloo.
  \item \textsuperscript{21} Interviewee 1.
\end{itemize}
easy for developers and construction companies to begin with building new housing projects. In fact, housing projects are not only dependent on concrete, cement, iron, and glass, the construction projects must also be planned in parallel with a well-functioning infrastructure, transportation network, and other public services. The necessity for a network of infrastructure around new housing projects explains the reason why the supply can be slower than the growing demand. The key problem with Toronto’s housing market is that people need affordable housing as soon as possible however due to the growing demand and slow supply the prices are going up every year. The low-income working-class people, newcomers and young generations are feeling the pressure of market prices as it is not easy for them to rent and buy new houses due to rising prices but stagnant average income.

Let’s check the prices in Toronto from 1976 to 2017. As it is seen in the Figure 1, there is a steady of price increase since the early 2000s and this increase turned into a “housing bubble” structure in 2016-17.

Figure 1. The housing prices in Toronto from 1976 to 2017, Toronto Real Estate Prices Housing Report (1967 to 2020) (precondo.ca)

In addition to this increase of prices, even though there has been an economic decline due to Covid-19, the housing prices continued to increase in the third quarter of 2020. In Toronto, as of November 2020, the average price for freehold housing was $1,372,574\(^\text{22}\) and as of December 2020, together with the condominium market the average house prices hit $932,222, in fact in

\(^{22}\)https://www.movesmartly.com/hubfs/Reports/2020/December/MoveSmartly_Dec2020_Report.pdf?hsCtaTracking=1162c4f8-2685-4566-b341-74e7cde1c964%7C987c44fe-d27f-4b48-9797-09453e22bef7
February 2021 the average price for detached houses is $1,506,517 and for condos it is $677,347\textsuperscript{23}.

I will discuss the other parameters that determine the unaffordable increase of housing prices but, the most prominent reason is that Ontario’s GDP in recent years became heavily dominated by construction, real estate, and finance. In fact 30 years ago, the manufacturing sector was the locomotive of the economy, however with a changing pattern of urbanization and also the economic structure, the industrial towns declined and the populations in declining cities began to move to the regional economies where service sectors, information technologies, finance and real estate are the rising starts. Therefore, the demand emerges faster than the supply.

<table>
<thead>
<tr>
<th>Total GDP of Ontario</th>
<th>744.44 (bn. CAD)</th>
<th>Share of GDP (percent)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Real estate, rental, and leasing</td>
<td>97.57</td>
<td>13.01</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>89.15</td>
<td>11.98</td>
</tr>
<tr>
<td>Finance and insurance</td>
<td>68.11</td>
<td>9.15</td>
</tr>
<tr>
<td>Professional, scientific, and technical services</td>
<td>55.23</td>
<td>7.42</td>
</tr>
<tr>
<td>Healthcare and social assistance</td>
<td>54.86</td>
<td>7.37</td>
</tr>
<tr>
<td>Public administration</td>
<td>54.58</td>
<td>7.33</td>
</tr>
<tr>
<td>Construction</td>
<td>50.47</td>
<td>6.78</td>
</tr>
<tr>
<td>Agriculture, forestry, fishing, hunting</td>
<td>0.68</td>
<td>0.92</td>
</tr>
<tr>
<td>Other</td>
<td>268.14</td>
<td>36.04</td>
</tr>
</tbody>
</table>

Table 2. Breakdown of Ontario’s total GDP by sector, Source: https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=3610040201

As Table 2 also illustrates the economic growth model in Ontario is mainly depended on real estate, finance, and construction. As the economy is reliant on the growth of real estate market, the policymakers follow policies that prioritizes a market-oriented housing system in which the demand is constantly boosted by expanding credits and immigration stream and supply is kept restricted to increase the prices.

There are also other prominent reasons that make the supply slower, and these are the changing patterns of construction, urban planning, and policy-making; 1) the housing market in the GTA has been becoming more reliant on condominium construction, 2) the decline of social housing has led to the emergence of a new type of housing market that is mainly dominated by the private actors of the market. As a result, it is possible to say that when the private market actors dominate the housing market, supply would not be fast as the market actors want to keep the

prices as high as possible; 3) the decline of affordable rental units and mix-used apartment projects; the reliance on the condominium market also limits the supply for single detached and semi-detached houses. 4) The language of the residential tenancy act also prevents the increase of supply. The landlord-tenant board is very slow, and if there was an expedited well-working tenancy tribunal, the builders would build thousands of rental units, hence the supply for rentals would increase. However, the key point here is that the system does not give enough room for affordable housing for people, that is why there are many cases at landlord-tenant board as people are not able to pay their rents due to increasing income inequality and rental prices. 5) The construction costs are increasing every year.

One of the leading determinants of the limited supply in Toronto is the decline of social housing programs. In 1992, the federal government announced that they would no longer give funding for the housing programs to support the urban poor\textsuperscript{24}. In fact, the duty of the federal government was relegated to the provincial governments. In 1995, in Ontario Mike Harris came to power with the slogan of the “common-sense revolution” (CSR) which began as a neoliberal austerity program to cut public expenditures for social housing and workers’ benefits. The provincial government relegated responsibility for the social housing programs to the local municipalities and also cut funding to local municipalities. As a result of these cuts and austerity policies, local municipalities became reliant on property taxes as their major income, thereby increasing their dependence on the construction of new properties rather than social housing\textsuperscript{25}. This austerity plan inevitably led to the decline of affordable housing and the rise of condominium projects as the new dominant form of the housing market and residential real estate investment. The City of Toronto also followed a very weak policy for affordable housing. As of 2010, only 1.5 percent of all built housing existed in the form of social housing in Toronto. Between 2007 and 2017 in Toronto, this number declined to a dramatic low; only 33 co-op units were constructed during this time\textsuperscript{26}.

\textsuperscript{26} Toronto Housing Market Analysis: From Insight to Action, prepared by Canadian Centre for Economic Analysis and Canadian Urban Institute, 2019
The decline of social housing in Ontario was accompanied by the decline of affordable rental housing. The affordable rental housing model was an essential component of the social welfare system of the 1960s and 1970s. It began to decline in the 1980s and particularly in the 1990s. Instead of affordable housing units, the condominium projects were boosted. Hence, in many parts of the city, condo units have become the leading rental option. From the 1990s onwards, condos began to dominate the housing market in the GTA. The number of condominiums tremendously increased since 2011; between 2011-2016 66,134 or 82 percent of all units completed in Toronto were condominium units.27 The reliance on limited condo options in the

rental market has also increased rental prices in Toronto. However, the vacancy rate for rentals had been very low between 2007 and 2019, and there is a long waiting list for such housing, as new affordable rentals are not being built.

<table>
<thead>
<tr>
<th>Total units</th>
<th>161,161</th>
<th>100 percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Homeowner (freehold)</td>
<td>18,119</td>
<td>11.2 percent</td>
</tr>
<tr>
<td>Rental</td>
<td>11,632</td>
<td>7.2 percent</td>
</tr>
<tr>
<td>Condo</td>
<td>131,377</td>
<td>81.5 percent</td>
</tr>
<tr>
<td>Co-op</td>
<td>33</td>
<td>0.01 percent</td>
</tr>
</tbody>
</table>

Table 3. Number of units built in Toronto between 2007–2017. Source: Toronto Housing Market Analysis, 2019

Condofication, therefore, describes one of the most crucial aspects of recent extended urbanization in Toronto. Condominium construction has generated a real estate boom, particularly after the crisis of 2008. Ute Lehrer, Stefan Kipfer and Roger Keil of York University indicate that the distinctive point about condominiums is: “condominium building is a housing form that allows the maximization of individual ownership”28. Therefore, there is a politico-economic strategy and decision-making behind building massive condominium projects rather than affordable housing models. The strategy here is to create a society of ownership in order to sell more housing units through mortgage lending. As the mortgage lending continues, the new housing projects become more attractive for large funds to invest in. Therefore, condofication plays a crucial in the financialization of housing. Gillad Rosen and Alan Walks also emphasize that “urban development trends in Toronto over the last 20 years have increasingly been structured around what we term condo-ism”29. They indicate:

Condo-ism has become the overarching strategy for fulfilling multiple official development objectives. Of course, it is important not to reify condo-ism here. Condo-ism should be understood as a concept for understanding and delineating the nexus of interests, financial practices, forms of governance, tenure shifts, and social preferences that have come together in the current conjuncture to promote condominium development

over the alternatives, and around which public policy is increasingly organized. Condo-
ism represents the crystallization of a set of intersecting factors characterizing the post-
Fordist, postindustrial restructuring of the city, including financialization,
deindustrialization, and gentrification\textsuperscript{30}.

Massive condocification is therefore a politico-economic choice and it refers to a housing model
which is dominated by market-oriented dynamics rather than protecting affordability in the
cities. When the supply gets limited, the housing prices increase, the margin of speculation
widens, and the market becomes more available for those who would like to speculate their
investments and home equity line of credit. That is why the prioritization of condocification as the
key housing model in Toronto has now become a general way of home construction in the entire
GTA. Currently, condocification is not only a matter of downtown Toronto, but also getting a
crucial investment strategy in the suburbs. Mississauga, Brampton, Vaughan, and Markham are
now receiving a plethora of investments in condominium construction. The reliance on the
condominium market also limits the supply of single detached houses and townhouses\textsuperscript{31}. Here
the strategy is that condominiums would mushroom as an investment model whereas the
detached houses will become more valuable due to the limited supply of freehold housing. The
increasing value of detached houses will also increase the demand of high-middle classes and the
riches to invest in the singles market.

**Household Income: Young generations and new immigrants are struggling**

Second measurement of affordability: Apart from the declining options of housing, there is also
another significant problem that limits the affordability, the declining average income for young
generations and new immigrants. The disposable income rises every year in the GTA, however,
the key problem with the rise of disposable income in the GTA is that this rise does not depend
on a fair distribution and the social disparity increases every year. As of 2016, the median
income in Toronto is $68,627\textsuperscript{32} but there are many problems with the distribution of this income.

\textsuperscript{30} Ibid.
\textsuperscript{31} Üçoğlu, M. “The Financialization of Housing as Growth Model: New Property Relations and Massive
University
\textsuperscript{32} Toronto – Household Income, 2016, https://www03.cmhc-schl.gc.ca/hmip-
pinh/en/TableMapChart/TableMatchingCriteria?GeographyType=MetropolitanMajorArea&GeographyId=2270&C
ategoryLevel1=Population%2C Households and Housing Stock&CategoryLevel2=Household
Even though the average income signals a reasonable amount that is acceptable for everyone, this income is not distributed fairly, and the share of the top 1 percent is much higher than the bottom 50 percent. In order to analyze whether or not the rise of household income really has a great impact on the demand for housing, it is a necessity to examine how the income is distributed and how the wealth is accumulated. The key problem about the housing market in the Toronto Region is that there is an increasing income disparity between the aging population and the young generations. Markus Moos of the University of Waterloo indicates that there is an inter-generational problem in the housing market in Ontario. This inter-generational disparity is deeply felt in the Toronto Region as the housing market increasingly becomes inaccessible for young populations and new immigrants.

<table>
<thead>
<tr>
<th>Average Income by Age Groups in Canada ($CAD)</th>
<th>25-34</th>
<th>35-64</th>
<th>65+</th>
</tr>
</thead>
<tbody>
<tr>
<td>1980</td>
<td>41,700</td>
<td>48,200</td>
<td>25,700</td>
</tr>
<tr>
<td>1990</td>
<td>40,000</td>
<td>49,800</td>
<td>31,600</td>
</tr>
<tr>
<td>2000</td>
<td>38,500</td>
<td>49,400</td>
<td>32,600</td>
</tr>
<tr>
<td>2005</td>
<td>38,700</td>
<td>53,000</td>
<td>35,600</td>
</tr>
<tr>
<td>2015</td>
<td>42,800</td>
<td>59,600</td>
<td>40,900</td>
</tr>
</tbody>
</table>

Table 5 Average income by age groups in Canada, Source: Neighborhood Change Report: Rebalancing the Opportunity Equation, 2019: p. 99

<table>
<thead>
<tr>
<th>Average Income by Age Groups in the City of Toronto ($CAD)</th>
<th>25-34</th>
<th>35-64</th>
<th>65+</th>
</tr>
</thead>
<tbody>
<tr>
<td>1980</td>
<td>42,300</td>
<td>52,500</td>
<td>32,200</td>
</tr>
<tr>
<td>1990</td>
<td>44,200</td>
<td>58,000</td>
<td>38,800</td>
</tr>
<tr>
<td>2000</td>
<td>42,100</td>
<td>57,600</td>
<td>38,800</td>
</tr>
<tr>
<td>2005</td>
<td>40,000</td>
<td>61,600</td>
<td>43,200</td>
</tr>
<tr>
<td>2015</td>
<td>41,800</td>
<td>67,600</td>
<td>49,400</td>
</tr>
</tbody>
</table>

Table 6. Average income by age groups in the city of Toronto, Source: Neighborhood Change Report: Rebalancing the Opportunity Equation, 2019: p. 99

---|---|---|---|---|---
Immigrant < 5 years | 31,800 | 30,400 | 27,700 | 26,100 | 31,500
Immigrant 5-9 years | 41,100 | 36,800 | 33,200 | 35,100 | 38,400
Immigrant 10-19 years | 46,800 | 44,700 | 39,100 | 38,100 | 44,300
Immigrant 20+ years | 41,600 | 46,700 | 46,000 | 48,600 | 49,000
Canadian-born | 42,400 | 44,000 | 45,000 | 48,600 | 55,200


---|---|---|---|---|---
Immigrant < 5 years | 30,000 | 31,700 | 27,200 | 24,500 | 30,300
Immigrant 5-9 years | 38,200 | 37,000 | 32,400 | 33,500 | 34,100
Immigrant 10-19 years | 43,100 | 43,900 | 37,600 | 36,500 | 40,200
Immigrant 20+ years | 43,800 | 49,300 | 47,200 | 50,300 | 48,500
Canadian-born | 50,800 | 58,400 | 66,400 | 73,300 | 83,300

Table 8. Average income of immigrants and Canadian-born population in the City of Toronto, Source: Neighborhood Change Report: Rebalancing the Opportunity Equation, 2019: p. 106

In addition to these indicators, it is also a necessity to understand the income gap between the immigrants and Canadian-born populations.

---|---|---|---|---|---
Immigrant < 5 years | 34,800 | 34,400 | 30,200 | 25,200 | 24,600
Immigrant 5-9 years | 44,300 | 40,600 | 36,400 | 36,400 | 32,800
Immigrant 10-19 years | 48,800 | 48,600 | 43,500 | 40,400 | 40,400
Immigrant 20+ years | 50,100 | 53,700 | 54,400 | 50,800 | 46,600
Canadian-born | 52,800 | 57,500 | 60,300 | 61,600 | 61,100

These statistics indicate that there is a declining income of newcomer populations in the city of Toronto and Peel Region. In the meantime, the gap between the income of young generations and older generations continues to widen. Even though the immigration policy of the country welcomes new people to Canada, the economic conditions for new immigrants do not get better comparing to already established populations for a very long time. Immigrants that are in Canada for less than 5 years constitute the lowest income group. In Canada overall, 41.3 percent of the bottom 20 percent of the population (low-income households) are immigrants with less than 5 years of experience in Canada.

<table>
<thead>
<tr>
<th>The percentage of Immigrants in the bottom 20% of income stream (2015)</th>
<th>Canada</th>
<th>Toronto</th>
<th>Peel Region</th>
<th>York Region</th>
</tr>
</thead>
<tbody>
<tr>
<td>Immigrant &lt; 5 years</td>
<td>41.3%</td>
<td>40.1%</td>
<td>46.1%</td>
<td>52%</td>
</tr>
<tr>
<td>Immigrants 5-9 year</td>
<td>29.2%</td>
<td>28.8%</td>
<td>30.3%</td>
<td>35.5%</td>
</tr>
<tr>
<td>Immigrants 10-19 years</td>
<td>27.2%</td>
<td>25%</td>
<td>23.5%</td>
<td>25.3%</td>
</tr>
<tr>
<td>Immigrants 20+</td>
<td>22%</td>
<td>17.2%</td>
<td>18%</td>
<td>18.5%</td>
</tr>
</tbody>
</table>

Table 10. The share of immigrants in the bottom 20% of income stream, Average income of immigrants and Canadian-born population in entire Canada, Source: Neighborhood Change Report: Rebalancing the Opportunity Equation, 2019: p. 107

Newcomers are not able to find a proper earning stream that would lead them to own properties. These immigrants often end up living in poor conditions in the basement units of Brampton’s suburban houses, or they live as multiple families in any parts of the GTA. Also, they are tied to alternative or secondary mortgage lenders to own a house.

Therefore, the declining income of immigrants and young generations also keep the demand low for these groups but the highest percentile of society and also those who already own the properties continues to increase their portfolio of owning properties.

**The Creation of a Housing Bubble? The Financialization of Housing in Toronto**

Besides the key dynamics that shape the supply and demand in the housing market of the GTA, there is a few more facts that have a severe influence on the rise of prices and decline of affordability. Every year the construction cost increases by 1.1 percent and labour cost increases by 3 percent. It is not easy to change the ongoing market conditions with respect to supply and
demand; what needs to be done is to provide more options. However, the current market structure is not in favour of providing more housing options, instead the structure is constructed upon the fact that more financial tools are being used for the continuum of the existing price structure.

One of the leading strategies for the development and financial industry to keep the prices as high as possible is the financialization of housing. The financialization of housing has three crucial meanings; 1) the increasing number of financial tools to be used for speculation and wealth accumulation linked to the residential real estate\textsuperscript{34}, 2) the securitization of mortgage credits and the conversion of housing into a financial commodity and investment tool for big funds such as pension funds\textsuperscript{35}, 3) the rise of shareholder value – i.e. for many corporations the most important strategy is to produce shareholder value rather than an economic value that would have a competitive advantage in the market. Many construction companies and Real Estate Investment Trusts (REITs) have their shares invested by people and large funds, and for these companies the most important strategy is to keep their shareholder value as high as possible. For this very reason the housing prices should never drop so that they can keep their shareholder values high. Toronto is home to the largest stock exchange in Canada, and the Toronto Stock Exchange (TSX) is heavily dominated by REITs and mining corporations. As the REITs invest in the housing market together with large funds such as hedge funds and pension funds, the investors are not in favour of decreasing the prices to an affordable level.

\textsuperscript{34} Aalbers, M., Subprime Cities and Twin Crisis, 2012, MA: Wiley-Blackwell
### Top 10 REITs in the TSX as of March 31, 2020

<table>
<thead>
<tr>
<th>Name</th>
<th>Market Value (CAD)</th>
<th>Weight (Percentage)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Canadian Apartment Properties REIT</td>
<td>166,302,195.16</td>
<td>16.14</td>
</tr>
<tr>
<td>Allied Properties REIT</td>
<td>126,684,397.06</td>
<td>12.30</td>
</tr>
<tr>
<td>Riocan REIT</td>
<td>117,941,834.5</td>
<td>11.40</td>
</tr>
<tr>
<td>Choice Properties REIT</td>
<td>76,707,151.12</td>
<td>7.40</td>
</tr>
<tr>
<td>Granite REIT</td>
<td>72,435,967.39</td>
<td>7.03</td>
</tr>
<tr>
<td>HANOR REIT</td>
<td>58,888,152.74</td>
<td>5.72</td>
</tr>
<tr>
<td>SmartCentres REIT</td>
<td>55,453,071.96</td>
<td>5.38</td>
</tr>
<tr>
<td>Northview Apartments REIT</td>
<td>45,559,281.52</td>
<td>4.42</td>
</tr>
<tr>
<td>InterRent REIT</td>
<td>37,207,093.44</td>
<td>3.61</td>
</tr>
<tr>
<td>Killam Apartments REIT</td>
<td>35,520,669.54</td>
<td>3.45</td>
</tr>
</tbody>
</table>

Table 10. S&P/TSX Capped REIT Index: Top 10 REITs in the TSX as of March 31, 2020.


The financialization of housing also refers to the increasing indebtedness of households. In Canada, the key mortgage lenders are the banks and the insurance companies and secondary mortgage lenders are following the banks. 75 percent of mortgage credits are issued by the banks, however in recent years essentially in the suburbs where the immigrants tend to live, the use of private mortgage lending increase due to the mortgage stress test and limited housing option. The financialization of housing is then a process to convert housing into a financial commodity; once a homebuyer gets a mortgage credit, that credit begins to be issued in the financial markets as mortgage-based securities, and the large funds (e.g. pension funds, hedge funds, real estate investment trusts and exchange traded funds) invest in these securities. Therefore, the mortgage payment of a homebuyer ends up in the hands of large investors. For this very reason, the market actors never want a decrease in housing prices. This brings back the question about supply and demand; in other words, the supply and demand for housing is not the only determinant of prices, there is also the supply and demand for mortgage-based securities.

The financialization of housing creates a housing bubble, as the lenders ease the credit lending in certain times, the real estate bubble is created because the financial investors want to keep their shareholder value as high as possible. In this case, usually two developments occur; 1) the housing options get limited, as in the case of Toronto, the housing market is initially dependent on market-oriented choices. 2) A psychological market fear is created. The former is discussed in

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36 Since 2018, all the homebuyers in Canada should undergo a mortgage stress test; the test is about whether or not the applicant can afford the demanded mortgage credit. In fact, this test decreased the chance of households to get mortgage credits for their dreamed houses; for details you can check: [https://www.bmo.com/main/personal/mortgages/new-mortgage-rules-stress-test/](https://www.bmo.com/main/personal/mortgages/new-mortgage-rules-stress-test/)
the previous pages; it is a political decision taken by policymakers essentially in the case of Ontario and Toronto, but the latter is a tactic of development industry to create the discourse of “one must get in the market as soon as possible, otherwise we never know what will happen in the future”\textsuperscript{37}. This psychological mobilization also boosts the demand for mortgage credits, and a housing bubble comes into being. After the Covid-19 crisis, a REMAX report indicates there is now a very dangerous bubble in Toronto’s housing market\textsuperscript{38}

**The Lack of Skilled Workers in Construction and Increasing Construction Costs**

In addition to the abovementioned dynamics, another important problem with the supply of housing is the lack of skilled workers that could be employed in the construction sector. An interviewee, who is the chair of a builder association, indicated that

> “Currently, we are having a shortage of skilled labour, it is one of the main problems that developers face in Toronto region. Annually, there is the shortage of 12,000 units to provide housing for everyone in the region, however the constructions continue slowly as not all the projects have sufficient skilled labour. Immigration streams should be reorganized in a way to bring more skillful labour, and training workers for specific technical jobs takes a lot of time and it costs a lot, that is why it is not easy to build a lot of housing to meet the demand. For instance, we definitely have a shortage of elevator technician, unfortunately there is no specific training program provided by the government to cover the demand for this skilled labour”\textsuperscript{39}.

The lack of skilled labour force for the construction projects is another factor that slows down the supply, and these problems add more time on the top of the construction timeline of the projects.

Apart from the lack of skilled workers, the construction costs are also increasing rapidly. The lack of necessary labour power is one of the reasons for this increase as there is not adequate training for workers in the development industry. Also, the materials for the production are


\textsuperscript{38} Toronto Real Estate Bubble?, 2021, https://blog.remax.ca/toronto-real-estate-bubble/

\textsuperscript{39} Interviewee 1.
getting expensive due to high amount of large-scale condominium projects. According to Stats Canada, the building construction prices increased by 7.7 percent from the 4th quarter of 2019 to the 4th quarter of 2020\textsuperscript{40}. This is also another factor that decreases affordability.

PART II: The Impact of Covid-19

The Toronto Region has witnessed various impacts of the global Covid-19 pandemic. Toronto was previously hit by the SARS epidemic in 2003 when 44 people died. At that time, Toronto was hit unprepared and an emergency crew and hospital nearby the airport were established in order to control the epidemic. Even though Toronto experienced the SARS epidemic in 2003, the experience of Covid-19 has been a different challenge not only due to the fact that the nature of Covid-19 virus is more dangerous than the previous SARS viruses, but the world is also now much more connected than it was in 2004.

There are several impacts of Covid-19 on Toronto; among them the leading one is of course related to healthcare; many people died during this process and according to the date, in one year from March 2020 to March 2021, 3,619 in 100,000 people got contracted with Covid-19 in Toronto, and 98 in 100,000 died of Covid-19. Also there are two leading impacts of Covid-19 on the life of people in the GTA.

1) Many people began feel the despair of Covid-19 due to economic uncertainties, therefore a more desperate life began to surround the cities of GTA. In fact, this despair has been deeply felt by vulnerable, low-income and racialized communities\textsuperscript{41}.

2) The urban experience of people has also changed since March 2020; going to retail stores declined by 30 percent whereas going to parks increased by 23 percent in the winter and 100 percent in the summer. This indicator again shows that people felt the necessity of more public spaces, parks and open areas\textsuperscript{42}.

\textsuperscript{40} Building Construction Price Index, \url{https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=1810013502}

\textsuperscript{41} Covid 365- Canadian Urban Institute Report, \url{https://static1.squarespace.com/static/5ed075212ba91b2099ee43f9/t/6054b8e27795e21bde6c6e5f/1616165105883/COVID365++final-2021-03-18.pdf}

\textsuperscript{42} Ibid.
Economic Impacts of Covid-19

Covid-19 caused several economic problems and these problems have been deeply felt by vulnerable and racialized communities. According to the studies, the estimated 4-year loss in nominal GDP is $500 billion, and 25 percent urban households reported they experience a high degree financial hardship\(^43\). Unemployment rate has increased since March 2020 as many workplaces were shut down. In April 2020, the unemployment rate increased by 11 percent, but after the bounce back in June 2020, the employment rate began to increase but the unemployment rate is still 9.4 percent\(^44\). In fact, for women the situation is worse; the unemployment rate of women is now 9.7 percent in entire Canada and 10.5 percent in Ontario\(^45\). The impacts of Covid-19 are also racialized as; 16 percent of Asian Canadians, 10 percent of Black Canadians, 10 percent of Indigenous Canadians have difficulties in mortgage payments comparing to 7 percent for white Canadians\(^46\). Even though the government introduced several stimulates and financial aids, the financial hardships of many households are still existing.

The Uneven Distribution of the Pandemic’s Impact: The Rising Demand for Housing vs. Evictions and Rising Unaffordability

Apart from the changes in urban experiences and healthcare issues, the impact of Covid-19 has been deeply felt in the domain of economy and in the housing market. The housing market in Toronto has experienced an uneven year from March 2020 to March 2021 but this fluctuation ended up with a tremendous price increase in freehold houses and slight price decline in tiny condos; hence affordability level continued to increase.

According to report prepared by Toronto Regional Real Estate Board, the average selling prices of houses in the Toronto Region “increased by 13.5 percent to $929,699 in 2020"\(^47\). According to the report prepared by TD economics, overall, in Ontario the prices increased by 15 percent in

\(^{43}\) Ibid., p. 22  
\(^{44}\) Coronavirus: Economy lost 213,000 jobs in January as lockdown measures hit Ont., Que. | CTV News  
\(^{46}\) Ibid., p. 22  
\(^{47}\) 2021-MarketReview_Outlook_Final.pdf (trreb.ca), p. 9
In fact, when the lockdown began in March 2020, the market was in a desperate situation and even CMHC forecasted an 18 percent decline of house sales.

The impact of Covid-19 was first of all felt on the sales of housing in the very beginning of government shutdown in March 2020. In April 2020, the sales dropped by 67 percent and in May the sales declined by 54 percent. That is to say, the market was going into a point of crash, however in June the market began to bounce back due to governmental stimulus and declining interest rates. In August, sales went up by 40 percent, this was a sign of a quick recovery, and since then the sales and prices continue to increase. According to the estimations of REMAX the average price of housing sales will be $974,015 in 2021 in the city of Toronto. This refers to an increase of 12 percent, so that the market will continue to be less affordable for many low-income households and the interest rates will remain low. There are a few reasons for the rise of prices since June 2020:

1 Declining Interest Rate

As the real estate and construction sectors are now the locomotives of economic growth in Canada and Ontario, the Federal Government, the Bank of Canada and Ontario Government took some precautions in order to stimulate the residential real estate market. The bank of Canada lowered the interest rate to a historically low level. Currently the interest rate for 5-year mortgage credits (variable) is between 1.30 and 1.70 percent. The decline of the interest rate has made the mortgage credits very attractive for those who have been waiting for a safe investment. As many middle-classes and high-income classes spend most of their time at home, they felt that they can spend more for mortgage credits comparing to their other costs.

2 Mortgage Deferral Program

The federal government also included a program for mortgage deferral, so that many people were able to delay their mortgage payments and save more money. 768,000 homeowners

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48 Canadian Housing Forecast Update: Another Record Year In the Cards for 2021 (td.com)
49 Pasalis, J. 2020: Year in Review — COVID-19 Impacts on Toronto Real Estate (movesmartly.com)
50 Ibid.
51 Canadian Housing Market Outlook, 2021, https://blog.remax.ca/canadian-housing-market-outlook/
achieved to defer their mortgages in the Toronto region and this also helped the increase of housing savings. Many households went for further investments in the housing market\textsuperscript{52}.

3 Household Savings Increased

Another estimation is that during the shutdown many households, essentially middle-class and high income households achieved to save a considerable amount of money saved a that made them to think of going for mortgage credits to move to a larger space or to invest in new housings as the interest rate is very low. The data provided by CMHC indicates that “household saving rates rose to a high of 27.5 percent from 2 percent in the forth quarter of 2019”. The decline in the household spendings provided necessary funds for certain household to save enough money to take risk for mortgage credits as the interest rate has been at a low rate. In the meantime, In fact, this risk taking has resulted in the fact that mortgage payments now constitute around 55 percent of households income in Canada\textsuperscript{53}. That is to say, households chose to take the risk of paying high mortgage payments as most of their daily spendings declined.

4 Change of Lifestyle

Even though the housing sales declined by 64 percent in April, as indicated before in June 2020, the market began to bounce back. The key reason for this recovery is the common sentiment to live in larger spaces rather than in tiny condos and apartment units. Therefore, one of the crucial impacts of Covid-19 on the Toronto’s housing market is that many households began to choose living in larger spaces rather than tiny condo buildings in downtown Toronto. As many people began to work from home, the house has also become the most important workplace for those who are able to work from distance. Also, the concerns of social distancing led people to look for new housing opportunities with a larger living space. The search for larger housing units skyrocketed the prices for freeholds and declined the demand for the rental condos. The high demand for freeholds and for large apartment units increased overall prices. This increase even continues in 2021, as of February 2021.


\textsuperscript{53} Canadian Housing Forecast Update: Another Record Year In the Cards for 2021 (td.com)
What all these impacts show is that existing home sales have shifted toward more expensive housing types in Toronto\(^\text{54}\). In Toronto the demand for housing priced between $700,000 and $1.5 million was 46% percent of all demand for housing in pre-Covid period but since March 2020, it is measured that this demand has increased to 54 percent.\(^\text{55}\). According to the CMHC report “higher income workers adjusted rapidly to the pandemic by working from home. Their rapid recovery meant that their rent-up demand was quickly transmitted to the resale market by the third quarter of 2020. This was underpinned by households expecting that mortgage rates will remain low over the course of pandemic”\(^\text{56}\)

Therefore, what we see here is the uneven distribution of Covid’s impact on the Toronto’s housing market. Those high-income households with the chance of working from home began to look for larger housing opportunities. However, there are many low-income households that could not move to larger spaces and faced with evictions.

5) Evictions

In fact, there is also the other side of the coin. Many low-income families, working-class people, racialized groups and indigenous communities have not been as lucky as those who were able to work from home, to increase their savings and to look for larger spaces. An interviewee told me that “low-income families will continue to live in their small units as there is no alternative option for them to go for a larger unit. In fact, many people are now facing the threat of eviction as well. The only problem is that what we know in the case of evictions and people’s struggle during this period is mainly anecdotal as the city of Toronto or the province of Ontario do not share any proper data on these problems”\(^\text{57}\). Therefore, low-income families continue to suffer as “many of them already had precarious jobs before the pandemic, and they are now facing a high-risk of eviction, unfortunately we currently do not have a sustainable social housing program that can help these people in these risky times”\(^\text{58}\). The key problem with evictions is that the city of Toronto does not really have the power to stop them. Evictions are mainly in the


\(^{55}\) Ibid., p.8

\(^{56}\) Ibid.

\(^{57}\) Interviewee 3.

\(^{58}\) Interviewee 3.
responsibility of Ontario government. An interviewee told me that “The key problem with evictions is that the Ontario government does not really share any data with the city of Toronto, so that the city would help these people or provide a pre-emptive sheltering for evicted people. At the beginning of the Covid-19 lockdown, the evictions were stopped, however they were permitted again in the Fall, but later on Ontario government again stopped evictions. During this in-between period many people were evicted. Also, the language to block evictions is also ambiguous as there is an option of “emergency evictions” and landlords can go for this option, and Landlords and Tenants Board can take side with landlords” 59. According to the Parkdale Organize initiative, nearly 20,000 eviction hearings were held since the beginning Covid-19 lockdown 60. The local solidarity groups in Toronto even created an eviction tracker website to show that the evictions are still going on, and every day more evictions are being reported 61.

As the economy declines due to the Covid-19 lockdown, many vulnerable communities and low-income families need affordable housing as soon as possible. In fact, it is not easy to measure affordability in the case of such a crisis. Even though, affordability for housing is often described as “maximum amount of money that households spend for their shelter should not exceed the 30% of their monthly income”, it is not easy to define that 30% in the times of crisis when the average income declines for many deciles of the population.

What Could Be Done for An Affordable Housing System in Toronto? Recommendations and Alternatives

Housing is a human right and social good: The very first thing that needs to be emphasized is that a change of general perception about housing is inevitable. It should be strongly underlined that housing is a social good, that is to say “having stable, affordable, and safe housing is essential to family well-being, mental health, food security and participate in our communities” 62. The second point is that housing is a human right as it is a fundamental need for

59 Interviewee 4.
61 https://torontocovidevictions.com/tracker
everyone. Unfortunately, many politicians, planners and real estate people forget about this fundamental feature of housing.

Preventing stigmatization and NIMBYism: Another point is that the stigmatization against renters and affordable housing should be reversed into a new discourse in which we need to convince our communities and young generations that “renting is normal and there is no problem with living as tenant even as a family”. Also, one of the challenges of affordable housing projects is the discourse of “not-in-my-backyard” (NIMBY). NIMBY is “often characterized by fears that the presence of affordable housing would increase crime, poverty, and services costs, as well as decrease property values”\(^{63}\). This is a direct offense towards renters and people who seek an affordable shelter as their fundamental human rights. That is why the ownership-based and market-oriented housing system is segregative and price sensitive. In order to keep the prices of their properties, many households essentially in the neighborhoods dominated by freeholds (owned by high income people and middle-classes) are against the affordable housing projects nearby their neighborhoods. In fact, NIMBYism is a common practice and discourse in many neighborhoods in Toronto as many households are against the construction of affordable housings in their neighborhoods\(^{64}\).

Another aspect of stigmatization linked to affordable housing is that people believe that this would cost a lot for taxpayers but in fact homelessness costs much more to the taxpayers in Toronto. Monthly cost of a single shelter bed and services in Toronto is $2,250 whereas the cost of subsidizing each unit of Toronto’s social housing is only $306\(^{65}\). Therefore, stigmatization and NIMBYism are two major obstacles that we need to eliminate in order to convince our communities that we need social housing, affordable rentals and mix-used zoning in our neighborhoods. The planners, policy-makers and governments in Toronto and Ontario should transparently explain the society that the cost of subsidizing affordable units is much less than they think and the cost of increasing homelessness has severe consequences not only with respect to economic conditions but also with regard to social cohesion in the cities.

\(^{63}\) Ibid.

\(^{64}\) An example of NIMBYism happened in Toronto in February 2021, a parking lot would be converted into affordable modular housing complex but the residents in the neighborhood opposed this transformation by calling the parking lot “the heart of community”, [https://www.vice.com/en/article/pkd9qm/toronto-residents-east-york-parking-lot-homeless-housing](https://www.vice.com/en/article/pkd9qm/toronto-residents-east-york-parking-lot-homeless-housing)

\(^{65}\) Ibid.,
Learning from Global Examples: One of the problems with Toronto’s policymaking and planning is that the city does not attempt to learn from the global examples where affordable housing models can exist without stigmatization and with a high support of communities. Here I will briefly count three examples (Berlin, Istanbul and Vienna) that Toronto should learn in order to improve its social cohesion and affordability level. In fact, there are many other examples in the world but these three would help in creating an inter-referencing point for Toronto.

Berlin:

In 2019, the senate of Berlin legislated a rent-freeze for five years. In fact, the decision came after a long-term resistance of tenants in Berlin against the rent hikes as most of the rental stocks were purchased by real estate investments trusts. Hence, these financialized landlords wanted to increase the rent prices in order to provide more financial liquidity for their investments. However, after the effective resistance of tenants the rent increases were halted, in June 2019 the Berlin Senate decided to freeze rents for five years. On July 16th, 2019, the state of Berlin purchased 670 units on the historical Karl Marx from an investor to convert them into affordable housing. This is an important decision to provide an affordable rental price level. In fact, in Toronto, the Parkdale tenants’ movement has been going on since 2016. Even though tenants gained some of their rights in 2017, the problems with the landlords are still going on and many people are still facing the threat of eviction. A similar type of legislation to freeze the rent price increase is necessary in certain neighborhoods in Toronto. Even though there is a rent control mechanism in Ontario, this does not apply all the cases as the financialized landlords may still evict the tenants by indicating that they would renovate the units, this is also a practice called renovictions.

Istanbul: Istanbul Metropolitan Municipality also has an affordable housing system which is called KIPTAŞ. KIPTAŞ has been existing since the 1990s and provided a limited number of affordable housing for low-income families. However, after the election of a new mayor in 2019, KIPTAŞ began to expand its operations and started to provide many affordable housing projects.

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to low-income and working-class households with a very low rental prices. The houses are well built, and construction quality prevents the potential stigmatization and NIMBYism. Therefore, Toronto should understand that the affordable housing units can easily be built by using the latest construction technologies with high quality materials68.

Vienna: Vienna is one of the prominent examples of where the social housing systems dominate the housing market with the co-existence of other market actors. In Vienna, the 60 percent of all housing stock is in the form social housing. The affordable housing system in Vienna is composed of 220,000 municipal housing units and 200,000 subsidized housing units69. In fact, social housing program in Vienna also contributes to the sustainability of the city as the city is able to reduce the air pollution thanks to high density and high-quality construction materials. In 2016, the city received the award of Global Green City70. This shows that if Toronto would prioritize the social and affordable housing models and if it can find ways to collaborate with market actors, the city would create sustainable communities.

**New Planning and Technological Advancements**

Another important point for Toronto to build an affordable housing model is that the housing system should include more housing options. Currently the housing stock in Toronto Region is dominated by freeholds and high-rise condominium buildings. In fact, apart from these housing models, there should be more alternatives that people should be able go for an affordable life. The alternative models could be: Affordable mid-rise housings – mixed-use zoning, modular housing for temporal times, infill development and shared-equity mortgages and rent-to-own model.

Mixed-Use Zoning and Mid-Rise Housing:

Unfortunately, the zoning plan in Toronto is very restrictive. The zoning is sharply distinguished between freehold units and high-rise towers and condominiums. In fact, condominiums may come with a lot of problems. In principle, these buildings are now built as high-rise towers, and the construction of these buildings requires a lot of infrastructural improvements, costs and also

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68 https://www.kiptas.istanbul/en
70 Ibid.
neighborhood level problems. The constructions usually last very long, they keep the neighborhoods busy and dirty for a very long time, and the infrastructure must be tied to these projects and this connection costs a lot. With the new inhabitants in these buildings, nearby public services must be improved as well.

**More low and mid-rise housing:** The local government must support projects that prioritize the construction of denser communities with low and mid-rise buildings within transit-oriented understanding. Many neighborhoods that are dominated by detached houses must be converted into low-rise and mid-rise communities with an inclusive approach and we also need infill developments, this would take place with infill housing developments. Certain detached houses must be converted into 2-3 storey townhouses in order to provide more housing to the market. The density must be analyzed as a transportation and infrastructure issue. The proliferation of more mid-rise housing should also be supported by infill development. Infill development is constructed within zoning-by-law, this would provide more housing as detached houses are converted into 2 or 3-storey low-rise buildings. The example of Montreal would be a model for Toronto to follow a neighborhood level infill development.

According to the report prepared by Pembina Institute (which is affiliated in Ontario Homebuilders’ Association), “Mid-rise buildings are more human-scaled in terms of size. They fit into the character of neighbourhoods and animate sidewalk culture, in particular by providing street-level retail. They can also offer family-sized units. Mid-rise, mixed-use development is a valuable tool when creating neighbourhoods that support healthy lifestyles and local economies, since it can help increase walkability and put more people close to transit, while also supporting local business.”

Mid-rise buildings are considered to be 5 to 11 storeys, and this is seen as an adequate level to fit into a neighborhood scheme rather than building 30-50-storey high-rise condominiums that dominate the area around it. In fact, the problem here is that building mid-rise units may not necessarily contribute to the affordability if these buildings are connected to the already financialized housing market. These buildings can easily become mid-rise condos and as we know that the condominium market is linked to the financial markets. That is why the prices may never drop. As Andre Coté and Howard Tam emphasize building condominiums are

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72 Make way to mid-rise, 2015, [https://www.pembina.org/reports/make-way-for-mid-rise.pdf](https://www.pembina.org/reports/make-way-for-mid-rise.pdf)
less risky for developers than building purpose-built rentals due to the fact that developers pre-sell most of the condominium units and those pre-sales generate an important cash flow. That is why the developers see the condos are less risky because in purpose-built rentals, they have to build everything and wait for people to move in for a cash flow. For this very reason, even though we need mid-rise units immediately, there is a risk for those mid-rise buildings to turn into expensive condos.

The proposed proliferation of mixed-use zoning is significant as a potential measure to avoid social segregation. Segregation is one of the problems that North American cities are facing, and the key reasons for that is the declining home affordability and increasing socio-economic disparity. “If you create an urban planning in which you strictly divide the rich and low-income families, you basically create social segregation. This is not sustainable, and in the long-run it will not only damage the social cohesion but also the market actors of housing as they will not be able to find enough people to buy or rent their houses.”

That is why in Toronto the discussions around the “missing middle” and “mixed use zoning” have been popular for decades. The advocacy for the missing-middle bemoans that Toronto is dominantly planned for single-use zoning. John Lorinc indicates that “Toronto’s homeowners have enjoyed a robust form of official protection that has succeeded in ratcheting up house prices while excluding an ever-expanding part of the city’ population”. In many parts of the city the zoning allows only detached housing and even residents in those neighborhoods do not want to change this zoning restriction. As a consequence, even though in certain parts of the city mixed-use zoning exists, the dominant land use is the detached housing zoning essentially in nearby suburbs. The missing middle approach argues that we need to construct more mid-use apartment buildings instead of detached housing. This is also the discourse of developers and they also think that more mid-rise housing should be built if the planning allows.

Mix-used zoning refers to create a neighborhood level zoning in which market-oriented housing and affordable rental units are co-existing. The key assumption about mix-used planning is that it

73 imfg_perspectives___affordable_housing_(april_2013).pdf (utoronto.ca)
74 Interviewee 5.
would provide more affordable housing for everyone while keeping the social cohesion. In fact, studies on mix-used planning indicate that there is no concrete evidence about whether or not mix-used planning provides an affordable housing market segment. That is to say, increasing supply would not always end up in an affordable housing market. Density is essential to have better public services and cheap infrastructural investments. However, it is not true that density and mix-used zoning will always create an affordable housing market. Markus Moos, Tara Vinodrai, Nick Revington and Michael Seasons, in their study on the mixed-use zoning in Toronto, argue that mixed use zoning became a popular concept after increasing socio-economic disparity in Toronto Region and also after the reduction of federal government’s role in the housing market. They also observe that mixed-use within the market conditions do not actually bring affordability, in fact it ruins the affordability; in mixed-used zones the rental households spend in average 47 percent of their monthly income for shelter whereas in other parts of Toronto this average is 45 percent. A similar concern is also explained by one of my interviewees, and he said that “mix-used zoning that is provided by the projects do not really work. As developers, what we do is actually shift the cost of housing that we build as affordable to those that were not designated as affordable. Then, this shift increases the cost for market-oriented listings, hence the prices increases”. In that matter, what we see in Toronto’s case is that mix-used zoning cannot operate in a way to create an affordable housing system. What should be done in this case? There needs to be a governmental strategy and subsidy to support affordability.

“What we need is a direct initiation of federal government, provincial government and CMHC to support affordable housing and to provide more housing options to people. We need a strategy that includes government, public services, financial institutions and developers together to build affordable housing. If you let all the system to the hands of developers, it will never create affordability as developers seek to profit by their very nature. In fact, in a market where the cost of production, fees and taxes are increasing, the prices for developers are also increasing. Therefore, CMHC should have a direct support

78 Interviewee 1.
to affordable housing projects and mix-used zoning, so that the cost of affordable housing should not increase the prices of market-oriented units”.

What can be done? My interviewee indicated that

In Toronto our housing market is dominated by two main options: freeholds and condominiums. What we need to do is to use all possible options and alternatives. We cannot rely on a long-lasting model that has produced the affordability crisis. We have to find in-between solutions. Therefore, public facilities and services must be improved in downtown areas and in certain neighborhoods detached or semi-detached houses should be converted into 3 or 4 storey buildings. In fact, the government and city services should support this conversion for two reasons: 1) they should subsidize the projects in a way to support the public good, so that people will be able to own affordable housing or they will pay affordable rent. Also, nobody would be displaced. 2) the housing stock is getting very old, and in many neighborhoods the infrastructure does not function properly; floods, power outages, fires and water pipeline explosions take place and many houses face these problems stemming from poor infrastructure. Therefore, this conversion should be provided as a model of urban rejuvenation (not gentrification) to provide not only affordable housing but proper housing with good construction conditions by using latest technologies.

In a sense, there are three main tasks for the federal government and local governments in the GTA; 1) they have to create a good communication with all stakeholders, 2) physically proper and economically affordable housing must be subsidized 3) more housing options and alternative housing models should be supported without displacing tenants and residents. The final one is also important to prevent gentrification that leads to the displacement of tenants and residents. The government should take necessary cautions to prevent displacement. That is to say, mix-used zoning and constructing the middle-missing by converting the zoning regulations can work in a way to provide affordable housing if only the federal government creates and support an ambitious plan.

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79 Interviewee 2.
80 Interviewee 5.
Even though Canada’s National Housing Strategy came into being in 2017, there is still many problems with this plan as the funds are not properly distributed to support affordable housing\textsuperscript{81}. The plan should include easy options for homeownership, construction of affordable rentals, and more support for non-profit developers to build more social housing. Hence, the market actors and non-profit initiations should balance each other.

Modular Housing: Modular housing is one of the technological advancements for temporal solutions that can be used in order to slow down the market and provide a temporal shelter to people until they move into an affordable unit or affordable rentals are being built. The only problem with the modular housing is that (as my interviewee told me) “you need to install a factory to produce these houses and these factories can be very expensive, therefore investors need government stimulus for modular housing projects”\textsuperscript{82}. In fact, the recent national housing strategy developed by Federal Government in 2017 includes the construction of modular housing, and providing stimulus for this project. There are now first examples of modular housing in Toronto but there is also the problems of NIMBYism with these projects\textsuperscript{83}.

**Easy and cheap ownership: Supporting alternatives rather than mortgage markets**

Urban rejuvenation for proper and affordable housing is an important part of a solution, another solution is “easy homeownership”. As one of my interviewees suggested

> We cannot rely on the existing mortgage model. In fact this mortgage system puts a lot of burden on CMHC due to the fact that CMHC guarantees the failures of the banks, so that the banks may keep lending without considering whether or not they have sufficient reserves. What needs to be done is that people should have access to easy ownership, and the government should subsidize 10-15 percent of homeowners’ monthly payments. This should be in the form of rent-to-purchase; those who have sufficient income to own a proper house but still their income is not sufficient for new condos and freehold, should use this option. CMHC, developers, and large investment funds come together to build this model of rent-to-purchase. With this model, the potential homeowners will pay only

\textsuperscript{81} Acorn Canada, https://acorncanada.org/resource/rein-reits
\textsuperscript{82} Interviewee 4
\textsuperscript{83} City of Toronto Welcomes Residents to First Modular Housing, https://www.toronto.ca/news/city-of-toronto-welcomes-residents-to-first-modular-supportive-housing-building/
$12-15,000 as downpayment and they should begin to pay monthly affordable rent, their rent should not exceed 30 percent of their monthly income. After 10 years they will be offered an affordable price to purchase the house and CMHC should support 10-15 percent of this purchase. If the tenant does not want to purchase and wants to continue to rent, they should continue for another 10 years. Through this model, more people will be able to own a house without exceeding the affordability threshold, and these new houses should be supported with proper infrastructure and public services. Therefore, converting downtown houses into infill development or 4-5 storey buildings should be co-ordinated within this system.\textsuperscript{84}

In fact rent-to-purchase model is an important step for easy access to homeownership, but the key problem here is that this system should be subsidized by the federal government, otherwise it also has a risk to turn into a new mortgage system that would just put more pressure on housing prices. In fact, in Toronto, there is already an existing rent-to-own model, however, this model has nothing to do with affordability. The aim of already-existing rent-to-own model is to provide easy access to mortgage credits for those who have difficulties with getting mortgage loans. Strictly speaking, the current rent-to-own model is a financial option developed by the alternative financing institutions; it works as follows; the financial institution buys the house a household would like to live in, the household pays a downpayment to that financial institution, later on for a few years, the household continues to pay their debt in the form of rent, after a few years, the financial institution helps the household to get a mortgage credit from the bank to offset the debt of household and the household owns the house by keeping to pay mortgage credits. Therefore, this model could be described as “rent-to-own a mortgage credit”. This system does not reduce the prices or provide an affordable option, it just facilitates to eliminate the barrier for entering the real estate market.

The rent-to-purchase model is also a new model: “Our cities need more alternative models to create affordability. We cannot rely on two dominant options, we have to look for many alternatives. Rent-to-purchase and equity-to-purchase are the alternatives that we need to take into account”\textsuperscript{85}. Rent-to-purchase model must be discussed with a broad perspective and it

\textsuperscript{84} Interviewee 2.
\textsuperscript{85} Interviewee 5.
should not by only the duty of government and developers. “In fact, these models can only work if it is supported by local governments, federal goverment, developers, financial institutions, public agencies, community organizations and even pension funds must come together. Without creating a proper public-private partnership we can never create alternative models and affordable options. Otherwise, any option that we would present as an alternative would become expensive and unaffordable in a short time period”\(^{86}\). Therefore the question is how these models will work.

**Mobilizing Private Capital and Investing in Affordable Housing**

One of the key discussions about building affordable and social housing projects is that how the private capital would react to increasing number of subsidized housing systems. One of the key initiatives to create a co-existence of public and private housing models is that the policymakers should find ways to mobilize private capital to invest in affordable housing projects. André Coté and Howard Tam indicate that there should be incentives for private capital to invest in affordable rental market and also a fair and consistent market should be created so that private capital should also invest in affordable housing projects\(^{87}\). Also, according to their report, they indicate that in market-oriented projects at least 15 percent of large market projects should go for affordable units\(^{88}\). These units must be actively subsidized by governmental funds, so that the existence of affordable units should not shift the cost to other units that are not built within affordable rental stream.

**Co-Equity Model: Easy Ownership and Financial Investment**

There is also a novel model of ownership developed by Key Living in Toronto\(^{89}\). This model operates as follow. Key Living has a few homes in downtown Toronto that basically use the rent-to-own model with a different approach. The down payment paid by the potential homeowner is between $12,500 – $15,000. Then the homeowner continues to pay a monthly rent. The down payment is counted as 2.5 percent equity of the home, and through Key Living the other

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\(^{86}\) Interviewee 2.


\(^{88}\) Ibid.,

\(^{89}\) Key Living Co-Equity Models [https://keyliving.com/how-it-works/](https://keyliving.com/how-it-works/)
investors can invest in the rest 97.5 percent of the house’s equities. The monthly payment is kept as affordable as possible, and the equity share of the dweller continues to valorize as the value of the house increases. At the end, the dwellers may leave the house whenever they want and can get back their valorized equity (Their down payment’s value may go up to $40.000 in 3 years, and once they live the house, they get this amount back). This model could also work at least to provide an easy access to homeownership or relatively affordable rental units in Toronto. The only risk here is that the monthly payments can get very expensive if this model is not supported well. In this case, Canadian funds and pension funds should invest in this with an expectation of lower margins.

**CMHC Should Have a New Role**

Change in the Role of CMHC: Even tough CMHC is just an agency under the control of Federal Government, its role should change if we really want to live in affordable and resilient cities. CMHC currently supports the mortgage securities for REITs and this is one of the leading problems for unaffordability. Even though federal government developed a national housing plan, this plan does not provide necessary fund to the cities for affordable housing. From 2006 to 2016, the number of affordable housing in Canada declined by 830,000 according to ACORN Canada, and currently more than 1.8 million Canadian pay more than 30 percent of their income for housing. In addition to this the City of Toronto has an affordable housing plan for 10 years but there is not enough funding for this program. This plan needs a funding of $6.4 billion and $300 million operation cost funding but neither the federal government nor the Ontario government supported this plan with necessary funding investments. Therefore, without an active role of CMHC to support affordable housing models Toronto many never create an affordable housing model, and as the unaffordability increases, the city would lose its capacity of being an attraction point essentially for young generations. According to ACORN Canada:

“CMHC should Create a CMHC acquisitions fund. CMHC should supplement the National Housing Strategy’s Co-Investment Fund with an Acquisitions Fund that would enable non-profit,
co-op and land trust organizations to purchase at-risk rental buildings when they come on the market\(^92\). Therefore, the federal governmen should give more responsibility to CMHC to coordinate the alternative housing models.

![Diagram of Necessary Cooperation in Order to Create an Affordable Homeownership System and Rent-to-Purchase Model.](https://acorncanada.org/resource/rein-reits)

**Figure 4**: Necessary Cooperation in Order to Create an Affordable Homeownership System and Rent-to-Purchase Model.

**Conclusion: We need to use all the alternatives**

As the PWC Report titled “Emerging Trends in Real Estate 2021” indicates that the well-known mantra of “location, location, location” in the real sector, is now considered as the “location, location, safety”\(^93\). Therefore, the housing market in the world, if not only in Toronto, will go through a new transformation. This transformation entails the change of construction technologies, housing financing models, and also the prioritization of safety models. The housing

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\(^{92}\) [https://acorncanada.org/resource/rein-reits](https://acorncanada.org/resource/rein-reits)

crisis that we have been witnessing in the GTA in the last decade is an outcome of the growth model that has been going on in Ontario for more than a decade. This growth model is based on prioritizing the growth of the real estate sector and boosting housing sales without strategizing the creation of affordable housing units for everyone.

The impact of Covid-19 in Toronto has been felt as the extension of the affordability crisis. The market prices continue to increase and there is not enough housing stock to provide affordable living for everyone.

In this report we analyzed the ongoing dynamics of supply and demand in the housing market of Toronto and GTA, and we also tried to touch upon what are the key missing points to have a more affordable and reasonable housing market in Toronto. In fact, in order to have an affordable housing market in Toronto, what needs to be done is to proliferate alternatives in the housing market. Housing should not be dominated by market-oriented actors and investment strategies. In fact, housing should be regarded as a human right and policies should be developed in that way. There are many alternatives to be implemented: 1) Mix-used zoning subsidized by the government, so that many different housing systems could co-exist together without going into the trap of speculation and gentrification. 2) rent-to-purchase models should be ambitiously supported by the federal government not only to increase homeownership but to barricade price speculations. 3) affordable rental units and social housing should be on the agenda of the federal government. In fact, all of these steps would not make any sense without a better distribution of income at social level. The income distribution, essentially for young generations, is getting worse and worse every year, and without fixing this problem, those alternatives would not work properly. Nevertheless, the key to affordability and creating resilient communities against social and global crises is to provide many sustainable alternatives.
Glossary

Common-sense Revolution: Common-sense revolution is associated with the political campaign of Mike Harris who was elected as the Premiere of Ontario in 1995. As part of this political engagement, Harris launched a program of privatization, austerity and the municipal amalgamation. The amalgamation program reduced the number of municipalities in Ontario.

Financialization: There are many definitions of financialization. In this report, this term is used to emphasize the increasing impact of financial capital and money flows on other sectors. Financialization refers to the rise of finance capital as the leading determinant of investments and shareholder value strategies.

Fordism: Fordism refers to the politico-economic system and a paradigm shift in the capitalist mode of production. The term is often associated with the period after the World War II when the Keynesian welfare state policies became a dominant economic policy in the Western World essentially after the establishment of the Bretton Woods System.

Gentrification: It is term commonly used to describe the transformation of a neighborhood for the sake of capital owners who are ready invest in those transformation projects. The term also refers to the displacement of tenants and residences from their neighborhoods and changing the socio-economic formation of an urban area. Sharon Zukin identifies the term as a process to open up low-income neighborhoods into the investments of global capitalism.

Neoliberalism: The term neoliberalism is used to describe the transformation of world capitalism in the last three decades. The terms refers to the decline of Fordist-Keynesian political economy and the rise of market fundamentalism, privatization and precarious work conditions.

Neoliberal Urbanization: Neoliberal urbanization is often associated with the dynamics of urbanization that are operating under neoliberalism. The term neoliberal urbanization refers to the rise of urban process as a key determinant of economic activities, the privatization of urban services and austerity policies followed by national and local governments.