

Addressing the Challenges of Housing Affordability in the Greater Golden Horseshoe:

A Focus on Rental Market Dynamics by Tejiri Inikori

The Greater Golden Horseshoe (GGH) region in Ontario, Canada, has long been a vibrant economic hub, attracting newcomers and residents alike with its opportunities for employment and quality of life. However, with population growth steadily rising, the dream of homeownership is becoming increasingly out of reach for many due to heightened buyer competition, soaring housing prices, and escalating interest rates. Consequently, an increasing number of individuals and families are turning to the rental market as a more viable housing option. This essay delves into whether the rental market in the GGH can accommodate the surging demand and if newcomers and current residents will find affordable rental places to live.

Challenges in Homeownership

Before delving into the rental market dynamics, it is crucial to understand the underlying challenges in homeownership within the GGH region. A number of factors, including soaring property values, have caused housing costs in this region, especially in areas outside of Canada's main metropolitan areas, to increase by as much as 178% (Suhanic, Financial Post). Over the past decade, housing prices in cities like Toronto, Hamilton, and Mississauga have skyrocketed, fueled by a combination of factors such as limited housing supply, population growth, and speculative investment. As a result, the average home price has far outpaced income growth, making it increasingly difficult for aspiring homeowners to enter the market.

Moreover, rising interest rates have further exacerbated the affordability crisis, as higher borrowing costs translate into larger mortgage payments. A combination of increased interest rates and more strict mortgage lending regulations have hindered the ability of prospective homeowners to qualify for loans and make affordable monthly payments. For many prospective buyers, particularly first-time homebuyers and those with moderate incomes, the dream of homeownership has become a distant reality.

Innovative Solutions to Affordability Challenges

In light of the tightening housing market in Canada, which has resulted in a significant number of individuals being excluded from conventional avenues of homeownership and renting, Canadian households are progressively turning to innovative strategies in order to negotiate the intricate terrain of housing affordability. A report discussed by CTV News Toronto reveals a growing trend among individuals and families embracing an "alternative model" to secure a place to call home (Wilson).

Two innovative techniques that are becoming increasingly popular are co-housing and shared ownership models, in which individuals combine their resources to collectively afford a house. This strategy alleviates the economic strain linked to down payments and mortgages, providing a comprehensive solution to the issue of affordability. Likewise, rent-to-own programs are offering a feasible option for individuals who find themselves torn between renting and purchasing. This strategy allows tenants to gradually accumulate equity by dedicating a percentage of their rent towards a future down payment, so increasing the feasibility of owning in the long run.

Moreover, the revival of multigenerational living arrangements emerged as a pragmatic solution to the problem of housing inflation. By accommodating multiple generations in a same residence, families can distribute financial burdens, offer reciprocal assistance, and enhance familial bonds, rendering it a practical option for individuals struggling with high living expenses.

Shift Towards Renting

In light of the challenges in homeownership, many individuals and families are turning to the rental market as a more feasible housing option. Renting offers greater flexibility, requires less upfront capital, and eliminates the burden of property maintenance and repairs. Additionally, renting allows individuals to live in desirable urban locations where homeownership may be financially prohibitive. The flexible nature of this living arrangement is especially attractive to young professionals, students, and people who place a high value on mobility and adaptability. However, the surge in demand for rental housing has raised concerns about the rental market's capacity to accommodate this growing segment of the population.

The growing economy and job opportunities in Canada have consistently drawn a significant number of people who are in search of better job opportunities and an improved standard of living in urban areas. Despite the rise in rental availability in most Canadian cities, it failed to match the growing demand due to the significant population and employment expansion (Canada Mortgage and Housing Corporation). This movement has resulted in a significant increase in the demand for rental homes, hence heightening competition among tenants and

leading to a rise in costs. Furthermore, alongside a growing labour force, there is a corresponding rise in the population of temporary inhabitants, such as international students, who opt to rent.

Rental Market Dynamics

The rental market in the GGH is influenced by a myriad of factors, including housing supply, rental vacancy rates, rental affordability, and government policies. While the region has seen a significant increase in purpose-built rental construction in recent years, the pace of development has struggled to keep up with demand, leading to a tightening rental market.

Rising demand for rental units, coupled with limited supply, has put upward pressure on rents, making affordability a growing concern for tenants. According to the Canada Mortgage and Housing Corporation (CMHC), rental vacancy rates in major urban centers within the GGH, such as Toronto and Hamilton, have remained historically low, hovering around 1-2%. Although there has been a significant increase in the demand for rental properties, the development of new rental units has not been able to match the rate of population growth, leading to a scarcity of housing options. The disparity between the availability of rental properties and the level of demand has resulted in a decrease in rental vacancy rates, thereby establishing a highly competitive rental market in which landlords possess considerable power.

In addition, the absence of strong rental control measures in Ontario, such as vacancy decontrol, enables landlords to substantially raise rents at regular intervals, hence worsening affordability issues for tenants. Under vacancy decontrol, landlords have a financial motivation to evict tenants, particularly those who have been living in a unit for a long time, in order to

maximize their rental income. This disproportionately affects lower-income renters, who face significant challenges in finding affordable housing that meets their needs (Advocacy Centre for Tenants Ontario). The general trend of rent escalation sustains a recurring pattern of housing instability and economic burden for tenants, who may encounter recurrent moves or difficulties in sustaining stable living conditions in the face of growing cost.

Affordability Challenges

The issue of affordability is particularly acute for low and moderate-income households, who may struggle to afford market-rate rents in high-demand urban areas. While rental assistance programs and social housing initiatives exist to support vulnerable populations, the increased cost of rental housing in relation to income levels has led to an unequal distribution of household income towards housing expenses, hence constraining resources for other fundamental necessities such as food and medical care.

Several demographic groups, like students, the elderly, and newcomers, encounter distinct obstacles in terms of affordability when it comes to obtaining sustainable rental housing. Newcomers to the GGH face additional challenges in accessing affordable rental housing, as they may lack established credit histories, rental references, or local support networks (Skjerven, Toronto Star). Discrimination and barriers to housing based on factors such as ethnicity, language proficiency, and immigration status further compound the challenges faced by newcomers in securing suitable rental accommodations.

Government and Community Interventions

Recognizing the urgency of addressing housing affordability, governments at the municipal, provincial, and federal levels have implemented various policies and initiatives aimed at stabilizing the rental market and increasing affordable housing supply. These measures include:

1. Inclusionary zoning policies requiring developers to include affordable housing units in new residential developments.
2. Financial incentives and grants to encourage the construction of purpose-built rental housing and affordable housing developments.
3. Tenant protection measures to safeguard tenants' rights and prevent eviction without just cause.
4. Enforce anti-discrimination laws to promote equitable access to affordable housing.
5. Supportive housing programs targeting vulnerable populations, such as the homeless and individuals with mental health or addiction issues.

Alongside government interventions, community-based initiatives are of crucial significance in mitigating the rental housing crisis in the Greater Golden Horseshoe region. Grassroots movements, community organizations, and nonprofits are actively involved in promoting affordable housing solutions, assisting vulnerable residents, and cultivating inclusive communities. These endeavours make up a wide variety of actions, such as tenant organizing, housing advocacy, the establishment of community land trusts, and cooperative housing models. Tenant advocacy groups, including tenant unions and legal aid clinics, furnish residents who are confronted with eviction, discrimination, or substandard living conditions with resources,

support, and legal representation. Community land trusts ensure long-term affordability and community control over housing resources by acquiring and stewarding land designated for affordable housing.

While these interventions have had some success in mitigating housing affordability challenges, more comprehensive and coordinated efforts are needed to address the root causes of the housing crisis and ensure access to safe, affordable, and sustainable rental housing for all residents.

Geographical discrepancies, alongside economic considerations, play a significant role in increasing affordability challenges within the rental housing market in the Greater Golden Horseshoe region. Urban areas, especially prominent cities such as Toronto and Hamilton, have a greater need for rental accommodation as a result of their economic prospects and amenities, resulting in heightened competition and elevated rental costs. Conversely, rural and suburban regions may see reduced rental demand but a restricted rental supply, leading to a scarcity of affordable housing choices for residents. To effectively tackle these geographical discrepancies, it is imperative to adopt a comprehensive approach that takes into account the variations in housing market dynamics, infrastructure development, and population growth trends across different regions. Policymakers have the potential to foster a more equitable and balanced rental housing market throughout the region by introducing tailored measures that specifically cater to the distinct requirements of urban, suburban, and rural communities.

In conclusion, the increasing unaffordability of homeownership in the Greater Golden Horseshoe region has led to a surge in demand for rental housing as an alternative housing option. However, the rental market faces significant challenges in accommodating this growing

demand while ensuring affordability for newcomers and current residents. Supply constraints, rising rents, and affordability barriers pose formidable obstacles to accessing suitable rental accommodations, particularly for low and moderate-income households and vulnerable populations.

Addressing these challenges will require a multifaceted approach that combines targeted investments in affordable housing, regulatory reforms to protect tenants' rights, and supportive policies to encourage rental housing development. By working collaboratively across government, industry, and community sectors, we can create a rental housing market that is inclusive, sustainable, and accessible to all residents of the Greater Golden Horseshoe region.

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