Centre for Urban and Community Studies

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A Tale of Two Canadas

Homeowners Getting Richer, Renters Getting Poorer

Income and Wealth Trends in Toronto, Montreal and Vancouver, 1984 and 1999

First in a series of policy analyses based on Statistics Canada's Survey of Financial Security

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1. An Urban Nation: Renters Concentrated in High-cost Metropolitan Areas

One third of all Canadian households live in the three largest metropolitan areas: Toronto, Montreal and Vancouver. Canada's renting households are even more concentrated. Just over 40% of all renters live in those three cities.

About 60% of Canada's households are homeowners; the other 40% rely mainly on the private rental sector. Only 5% of Canadian households live in non-market social housing (in contrast to much of Europe, where the average is 20%). The Montreal metropolitan area has the highest concentration of renters (54%) compared to about 45% in Toronto and Vancouver. (See Table 1.)

A major problem in all three metropolitan areas, and in much of urban Canada, is the inability of the private sector to provide new rental housing. Very little unsubsidized rental housing has been built since the early 1970s. In explaining the lack of rental housing starts, housing analysts usually focus on rent controls, municipal regulations and taxes.

Few, however, have examined the ability of the potential consumer – the renter household – to pay the rents developers would require to make rental investment sufficiently profitable. In the late 1960s, when a great many rental apartments were built in urban Canada, the gap between the income of owners and renters was relatively small – about 20%. Today that gap has widened.

Although some people rent housing only when they are young, others will need rental housing throughout their lives. They will never be able to afford homeownership and will always depend upon the private rental and social housing sectors. These life-time renters are at a particular disadvantage.

In 1984 and 1999 Statistics Canada carried out a detailed survey of household income and wealth called the Survey of Financial Security. Initial results from the 1999 survey were published by Statistics Canada in March 2001 as *The Assets and Debts of Canadians* (http://www.statcan.ca/cgi-bin/downpub/research.cgi).

This CUCS Research Bulletin reports on a further analysis of the 1984 and the 1999 financial security data. Special tabulations were obtained from Statistics Canada with a focus on housing tenure: the income and wealth of *owners* compared to *renters*. All dollar amounts have been inflation adjusted by Statistics Canada to 1999, allowing a comparison of the two periods (15 years apart).

2. A National Overview of Income and Wealth

Canada has two distinct groups of housing consumers, and the income gap between the two has been increasing by about 1% per year.

Between 1984 and 1999, the income and wealth of Canada's homeowners increased dramatically and that of renters decreased.

Homeowners' wealth increased from being 29 times that of renters in 1984 to 70 times that of renters in 1999. (See Table 2.)

Income and wealth of homeowners up, renters down

- Income. Over the 15-year period, the median income of homeowners increased by $2,100 (5%) while the income of renters decreased by $600 (–3%).
- Wealth. The median net worth of homeowners in 1999 was $145,000, an increase of $28,400 (24%) over 1984. For renters, the trend was the opposite: median net worth decreased by $1,900 (–48%), from $4,000 in 1984 to $2,100 in 1999.

In 1984, homeowners had almost double the income of renters (192%). By 1999, the gap had increased to more than double (208%).

The income and wealth gap is huge and growing

- Income Gap: The gap between the median income of homeowners and renters grew by 16% (from $19,800 in 1984 to $22,500 in 1999). In 1984, homeowners had almost double the income of renters (192%). By 1999, the gap had increased to more than double (208%). This represents an average growth in the income gap between owners and renters of about 1% a year.
- Wealth Gap: The gap in the median net worth of homeowners and renters increased from $112,900 in 1984 to $143,100 in 1999. Homeowners' wealth increased from being 29 times that of renters in 1984 to 70 times that of renters in 1999. Statistics Canada reports that the most important non-financial asset of Canadians, accounting for 38% of household wealth, is the owner-occupied house. Home ownership is, therefore, a major (but not the only) reason for the large gap in wealth between owners and renters.

Homeowners' wealth increased from being 29 times that of renters in 1984 to 70 times that of renters in 1999.

3. Trends in Toronto, Montreal and Vancouver

Income: Up in Toronto, down in Montreal and Vancouver

In Toronto, the median income of homeowners and renters increased, whereas in Montreal and Vancouver it decreased. (See Table 2.)

- Toronto. The median income of owners and renters rose at about the same rate between 1984 and 1999: 10% for owners and 12% for renters. In 1999 the median income was $54,000 for owners and $27,000 for renters.
- Montreal. The median income of owners remained about the same over the 15-year period (a 1% decrease) while the income of renters declined sharply, by 16%. The median income of Montreal homeowners in 1999 was $44,000 and that of renters was $20,000.
- Vancouver. The median income of owners and renters decreased between 1984 and 1999: 5% for owners and 10% for renters. In 1999, the median income of owners was $47,000 and that of renters was $22,000.

Wealth: Owners up and renters down in all three cities

In Toronto and Vancouver, the average net worth of homeowners is about the same (about $250,000). This is about $100,000 higher than the average net worth of Montreal homeowners. The increase in net worth for homeowners was greatest in Toronto ($74,000), followed by Vancouver ($51,000) and Montreal ($35,000).

The net worth of renter households ranged from a high of $5,000 in Vancouver to a low of $2,200 in Montreal. Between 1984 and 1999, household net worth decreased dramatically for renters in all three metropolitan areas: in Montreal by 51%, in Toronto by 23%, and in Vancouver by 10%.

- Toronto. The median net worth of owners increased by 43% while that of renters decreased by 23%. The median net worth of owners was $248,000 (up $74,000) and $3,300 for renters (down by $1,000).

Between 1984 and 1999, household net worth decreased dramatically for renters in all three metropolitan areas: in Montreal by 51%, in Toronto by 23%, and in Vancouver by 10%.

- Montreal. The median net worth of owners increased by 33% and that of renters decreased by 51%. The median net worth of owners was $142,000 (up $35,000) and $2,100 for renters (down by $2,200).
- Vancouver. The median net worth of owners increased by 27% and that of renters decreased by 10%. The median net worth of owners was $244,000 (up $51,000) and $5,000 (down by $600) for renters.

4. Discussion

What are the policy implications of these trends in household income and wealth?

Two Canadas: Owners and renters

There are two very different types of Canadian households in terms of income and wealth – and housing tenure represents the divide between the two. The gap between owners and renters, in terms of both income and wealth, has grown over the 15-year period. The quality of the housing and of the neighbourhoods they live in has also changed.

Homeowners receive a tax subsidy to assist in their accumulation of household wealth. Capital gains from the sale of a principal residence are not taxed and first-time house buyers can use their tax-sheltered registered retirement savings as a down payment. There are no housing-related tax concessions for renters.

One residential land and housing market

Although there are two Canadas in terms of income and wealth, there is only one residential land and housing market. Owners and potential owners (higher income and upwardly mobile renters) have the ability to outbid renters for residential land (that is, building sites). In order to compete with condominium developers for land, rental housing developers would have to set rents too high for most tenants. A thriving supply/ demand market exists in the homeownership sector, but only demand and social need – without new supply – exists in the rental sector.

The growing gap between owners and renters

The gap between owners and renters has increased by an average of about 1% a year. Canada's population is, therefore, even more polarized by income and wealth than in the past. This fact has serious implications for rental housing supply. There has been virtually no unsubsidized new supply in recent years – nor will there be as long as this polarization continues. The low income and wealth levels relative to homeowners means that many tenants have a *social need* for adequate and affordable housing. They do not have enough money to generate effective *market demand*.

Although there are two Canadas in terms of income and wealth, there is only one residential land and housing market.

The "dehousing" trend: more homelessness

The gap between the incomes and wealth of owners and renters means that more and more renters are likely to have severe problems remaining housed. Canada's housing system has no mechanism to ensure that their need for adequate housing is met. Families are the fastest growing group among the homeless, mainly because of a lack of affordable housing. This trend is likely to continue until much more housing at lower rent levels becomes available.

Fewer renters will be able to become homeowners

About 40% of all of Canada's renters live in the high-cost housing markets of Toronto, Montreal and Vancouver. For homeowners, high and increasing house costs contribute to their lifelong accumulation of wealth. For renters, it is the opposite. High housing costs make it difficult, if not impossible, for them to accumulate assets (such as the amount needed for a down payment) resulting, for many, in lifelong impoverishment.

An aging stock of rental housing; the need for new supply at modest rents

During the past decade, the federal government has not added to the stock of social housing units. Most provinces do not have social housing supply programs (Quebec and British Columbia are the two exceptions). The private sector has not built significant numbers of new rental apartment buildings for at least two decades. Unlike the situation in the homeownership construction market (condos and suburban tract housing), investors cannot build rental housing and make money. The costs are too high, given the lower income profile of renters. Also, condos compete with high-end rental units.

5. Policy Implications

The household income and wealth of renters is dramatically below that of owners, and the gap is growing. Renter households may find it increasingly difficult to move into home ownership. Government policies that focus on incentives for home ownership (such as tax-exempt savings plans or the Ontario government's waiver of land transfer taxes) do not address the housing needs of the vast majority of renter households. The federal government has not provided new social housing for low- and moderate-income renters since 1993.

A comprehensive national housing policy, with complementary regional policies, must address the very low income and wealth of renters. Canada, more than most Western nations, relies on the private sector to provide housing. Renters must find adequate housing in housing markets in which prices are driven by the income and wealth levels of homeowners.

Social policies and traditional income assistance programs (social assistance, unemployment, disability pensions, and so forth) must better address the growing income inequality between owners and renters.

Federal and provincial/territorial housing policies must recognize that very few renters have incomes high enough to pay the rent levels required by unsubsidized new construction. Increased supply – the construction of new rental housing – is the only answer to low vacancy rates. Given the income and wealth profile of Canada's renters, only significant public-sector intervention will increase the supply of affordable rental housing.

In summary, there is a growing *social need* for affordable housing among renters. As the data from the Statistics Canada survey of financial security demonstrates, there is very limited *market demand*. The income and wealth levels of most renter households are much too low – and continuing to fall relative to homeowners.

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The Centre for Urban and Community Studies (CUCS) facilitates, co-ordinates and disseminates multidisciplinary research and policy analysis on urban issues at the University of Toronto. Established in 1964, the Centre's research covers a wide range of areas relevant to the social and economic well being of people who live and work in urban areas large and small, in Canada and globally.

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Table 1

Canada's Three Largest Metropolitan Areas
Number of Households by Tenure, 1999

Metropolitan Area	Owners	Renters	Total	% Renters
Toronto	940,000	780,000	1,720,000	45%
Montreal	690,000	820,000	1,510,000	54%
Vancouver	450,000	390,000	840,000	46%
3 Metro Areas Total	2,080,000	1,990,000	4,070,000	
Canada – Total	7,375,000	4,840,000	12,215,000	40%
Three Metropolitan Areas as a % of Canada	**28%**	**41%**	**33%**	

Table 2

Comparison of Income and Wealth of Owner and Renter Households
Canada, Toronto, Montreal and Vancouver, 1984 and 1999 (1984 $ adjusted to 1999 $)

		Median Income			Median Net Worth	
		owners	renters		owners	renters
Canada	1984	$41,380	$21,554	1984	$116,845	$3,985
	1999	$43,478	$20,947	1999	$145,200	$2,060
	change	$2,098	-$607	change	$28,355	-$1,925
	% change	5%	-3%	% change	24%	-48%
		owners	renters		owners	renters
Toronto	1984	$48,821	$24,212	1984	$174,254	$4,291
	1999	$53,563	$27,039	1999	$248,400	$3,300
	change	$4,742	$2,827	change	$74,146	-$991
	% change	10%	12%	% change	43%	-23%
		owners	renters		owners	renters
Montreal	1984	$44,266	$23,389	1984	$107,174	$4,291
	1999	$43,944	$19,605	1999	$142,291	$2,112
	change	-$322	-$3,784	change	$35,117	-$2,179
	% change	-1%	-16%	% change	33%	-51%
		owners	renters		owners	renters
Vancouver	1984	$49,982	$24,407	1984	$192,340	$5,574
	1999	$47,310	$21,897	1999	$243,550	$5,000
	change	-$2,672	-$2,510	change	$51,210	-$574
	% change	-5%	-10%	% change	27%	-10%

Source: Statistics Canada, Survey of Financial Security, 1984, 1999.