

# Toronto's Housing Crisis: When Immigration and Housing Policies Don't Align

**POLICY PREVIEW**

By

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## Introduction

The housing affordability challenges confronting immigrants and temporary migrants are severe and prolonged. Analysis of 2021 census information for the Toronto CMA shows that migrants are more likely than the Canadian-born to live in housing that costs more than 30 percent of their gross income. Although housing affordability improves the longer that immigrants live in Toronto, only about 65% of economic and family-class immigrants live in affordable housing during the first fifteen years in Canada.

Affordability is especially problematic for refugees and temporary migrants. Only about half of each group lives in affordable housing within five years of arriving in Canada. In addition to expanding housing supply, policies that create additional affordable rental housing units are needed to ensure all temporary migrants and immigrants have an affordable and secure address from which to build new lives in Canada.

Currently, many Canadians are wrestling with serious housing challenges, whether they live in private rental, owner-occupied or social housing<sup>1</sup>. No group, however, illustrates contemporary housing issues better than immigrants and temporary migrants who live in Canada's largest cities. Examining their housing status shines light on the complex intersections of high housing costs, stagnant household incomes, and the limited supply of affordable housing in rapidly growing cities that are fueling current housing challenges.

The federal government has established a new immigration strategy, setting targets of up to 500,000 permanent residents (i.e., immigrants) and one million temporary migrants annually (Immigration, Refugees, and Citizenship Canada 2022), most of whom require housing in Canada's major cities. Obtaining affordable and suitable housing in good repair is vital for migrants. A stable address is key to social integration, essential for obtaining employment, and vital for access to public services such as

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<sup>1</sup> Social housing refers to all publicly managed, non-profit, and coop housing units.

education. Housing may also provide a crucial sense of security after displacement, and in the long term, can be a way to generate wealth.

Housing markets in Canada are essentially private with limited public intervention, especially by international standards (OECD 2021). While housing is a provincial responsibility, provincial participation in the social housing sector varies across the country. With the withdrawal of the federal government from financing social housing in the 1990s, relatively little new social housing has been built in Canadian cities for the past 30 years. Consequently, most migrants must find housing within the private market. Some experience less difficulty in finding housing because they arrive with sufficient financial resources to afford good quality housing that meets their needs (Hiebert 2017, Agrawal, 2021). Others succeed in finding housing but face significant affordability and/or suitability challenges. Such individuals may succeed in finding employment and even see their incomes rise over time, but increases in housing costs, especially for housing that fits their family circumstances (Agrawal 2021), may mean that they continue to spend a disproportionate amount of income on housing.

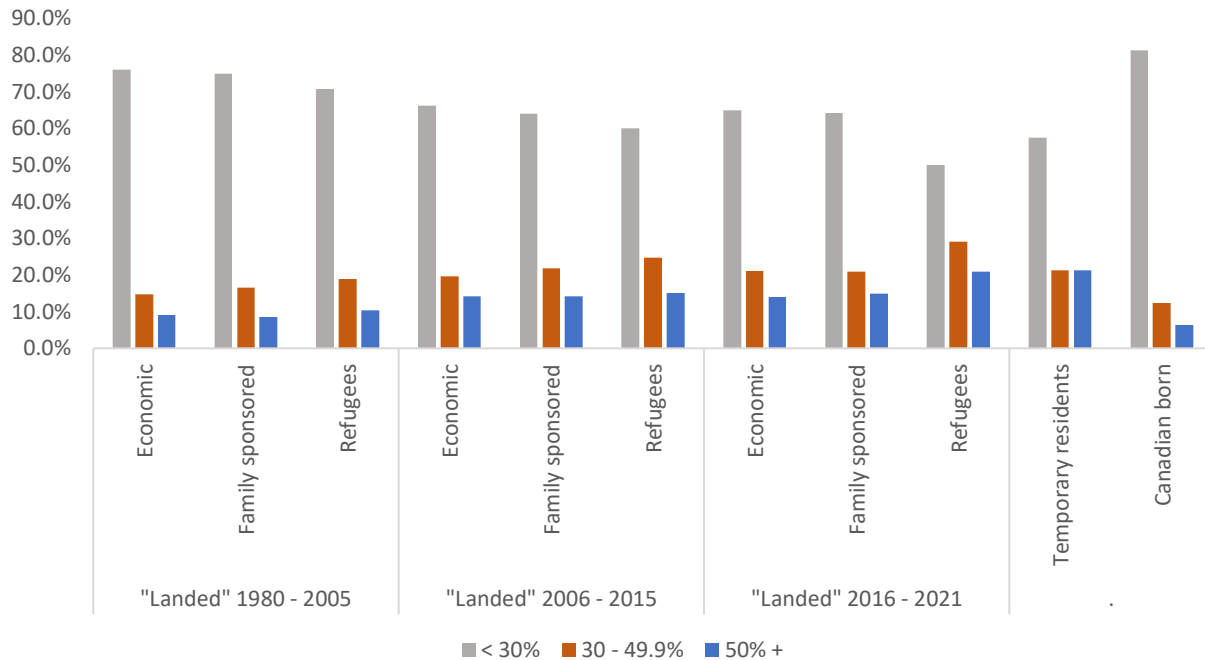
More than 80 percent of migrants live in Canada's metropolitan areas (Statistics Canada 2022) where the availability of affordable housing for low-income households is extremely limited given the protracted period of limited investment in social housing. The Toronto housing market is a particularly salient example. Little social housing has been built in recent decades, even as the number of households in the Toronto census metropolitan area (CMA) increased by 65 percent since 1991. Currently, there are 85,536 subsidized housing units in the City of Toronto where rent is geared to 30% of the tenant's income and the waiting list is approximately equal at 84,583 (City of Toronto 2023).

Housing challenges faced by immigrants are always local – people search for dwellings in the cities where they reside rather than at a provincial or national level. We focus on the Toronto CMA, which is home to the largest number of migrants in Canada, to illustrate the complex problems faced by many migrants. Our analysis is guided by several methodological choices. First, we distinguish immigrants who are permanent

residents by admission category, which describes whether they were admitted as skilled workers and entrepreneurs with their families, as individuals sponsored by family members already in Canada, or as refugees. Our analysis also includes temporary residents who have legal residency for a limited time, as well as Canadian-born individuals who on average have the strongest advantages in metropolitan housing markets. Furthermore, immigrants are distinguished by the time period when they attained permanent residence in Canada as most immigrants' socio-economic conditions improve over time (Statistics Canada 2021). Fundamentally, who immigrants are, when they arrive, and the opportunity to improve their incomes over time along with the housing supply where they settle are influential in determining housing status and the need for targeted policy responses.

### **Digging into housing affordability**

In a housing market that is largely private, income influences whether migrants rent or own housing, the quality of their accommodations, and its affordability. In 2021, the percentage of economic, family-sponsored, and refugee immigrants living in low-income households in Toronto exceeded 6.7%, which is the percentage of Toronto's Canadian-born population that lives in low-income households. As length of residence in Canada increases, the percentage of immigrants in low-income households declines largely due to Canadian experience and stronger employment stability, as well as the contributions of multiple earners (Bagnoli et al., 2024; Worswick 1996); however, it never falls to that of the Canadian-born population. Poverty is especially prevalent for refugees and temporary migrants. In 2021, a quarter of all recent refugees and almost the same proportion of temporary migrants (22.8%) lived in low-income households. The affordability outcomes for refugees who have been in Canada for more than 5 years are better, but even among those who arrived between 1980 and 2005, 13.1 percent lived in low-income households. Poverty often translates into unaffordable, unsuitable, and inadequate housing.



Source: Statistics Canada (2021). Census of Canada [Research Data Centre Program microdata file]. Ottawa, ON: Statistics Canada.

**Figure 1: Shelter to Income Ratio, 2020, Foreign- and Canadian-born, Toronto CMA**

The shelter to income ratio, which measures the percentage of income spent on housing illustrates the complexity of migrants’ housing conditions. Figure 1 shows the percentages of people living in affordable housing (i.e., households that spend less than 30% of gross income on housing), people experiencing **housing stress** (i.e., spending 30% to 49.9 % of income on housing), and people suffering **housing strain** (i.e., spending half or more of monthly income on housing and who are at high risk of homelessness). The Canadian-born are distinguished from temporary migrants and immigrants. In addition, immigrants are disaggregated on the basis of period of arrival in Canada: pre-1980, 1980-2005, 2006-2015, and 2016-2021, and admission category: economic, family-class, and refugee.

Figure 1 indicates that housing affordability affects a higher percentage of migrants than the Canadian-born. In 2021, 81.3% of Canadian-born individuals lived in affordable housing, a higher percentage than for temporary migrants or any of the immigrant groups. Housing affordability issues diminish the longer immigrants live in Canada. Among immigrants who came to Canada between 1980 and 2005, the majority live in affordable housing with percentages paying less than 30% of income on housing ranging from 70.8% for refugees to 74.8% and 76.1% for family-sponsored and economic-class immigrants. The percentages of economic- and family-class immigrants living in affordable housing is lower among those who have lived in Canada less than 15 years (approximately 65%) with commensurate increases in the percentages experiencing housing stress and housing strain. The limited improvement in housing affordability for economic- and family-class immigrants who have lived in Canada since 2005 is striking. Even among economic class immigrants selected primarily for their desirable skills, education, and work experience, the proportion spending less than 30 percent of income on housing is almost unchanged among those who arrived between 2006-2015 and between 2016 and 2021.

Housing affordability is a struggle for many refugees and temporary residents. Often fleeing precipitously and with very few assets, refugees suffer particularly severe challenges in adapting to Canadian labour and housing markets. Regardless of when they arrived in Canada, refugees are less likely than other immigrants to live in affordable housing. In 2021, only 50% of refugees admitted in the previous five years lived in affordable housing. The share of refugees living in affordable housing does increase over time – 60% and 70% of refugees admitted between 2006 and 2015 and 1980 and 2005, respectively, spend less than 30% of gross income on housing (Figure 1). Nevertheless, substantial percentages of refugees cannot afford their current housing, even after more than 15 years in Canada. Housing affordability is also an issue for temporary residents with only 57.5% living in affordable housing in the Toronto CMA in 2021 and approximately equal numbers of the remainder reporting housing stress and housing strain. The intensity of the affordability issues is striking. In 2021, more

than one in five temporary residents spent half or more of their gross monthly income on housing. The same high rates of housing strain are found for refugees who have lived in Canada less than five years. The effects of unaffordable housing are significant. Refugees lack the financial resources to invest in upgrading skills, improving language fluency, renewing professional qualifications, and investing in small businesses that might improve their incomes. Unable to find a place to live, temporary migrants can suffer long-term consequences from unhealthy and unsafe accommodation.

### **Policy options**

Housing affordability is a major challenge facing newcomers. For many, a loss or decrease in employment income means they are unable to pay rent and susceptible to eviction. Nevertheless, the diverse experiences of migrants in a single metropolitan area underline the truism that there is no single solution to current affordability challenges (Chapple 2022, Clayton and Paton 2023). A one-size fits all policy will not succeed: an array of initiatives is needed to address migrants' affordability issues.

The current housing shortage certainly contributes to migrants' affordability challenges. For immigrants who can afford housing, more supply is welcome but with two caveats. First and foremost, additional supply is unlikely to reduce housing costs (Chapple 2022), especially in the short term. Secondly, the type of housing and its location are critical. Simply adding single-family detached housing on the urban-rural fringe will leave migrants far from job opportunities and essential services, as well as reliant on unsustainable private transportation. Immigrants live in many different types of households that require dwelling sizes and configurations rarely constructed in Canadian cities. Moreover, the common solution to a housing shortage, new owner-occupied housing, will not help migrants who often start their Canadian housing careers as renters with limited financial resources.

Additional rental housing throughout the metropolitan area with units suitable for families as well as singles and couples is vital. Ensuring that rental units are widely

available maximizes migrants' access to jobs and services. A sufficient supply of rental units would address the persistent affordability challenges of about 20 percent of the Canadian-born living in Toronto (Figure 1) and reduce the number of immigrants and temporary migrants struggling with affordability.

Our analysis also highlights significant income challenges for all migrants, and most especially among refugees and temporary residents. The proportions of individuals living in low-income households among economic- and family-class immigrants improve slightly over time. Despite a significant drop in the proportion of low-income households among refugees, housing remains unaffordable for a much larger proportion of refugees than other immigrants, even after more than 15 years in Canada. Overall, the proportion of immigrant households experiencing housing stress and housing strain exceeds the proportion classified as low-income. This disparity underscores the need to investigate carefully the causes of housing affordability issues for immigrants, even immigrant homeowners. What are the financial implications of homeownership for immigrants, especially in an era of increasing mortgage rates?

For low-income immigrants and temporary migrants, government support for housing must be renewed (Suttor 2017). After three decades of limited government involvement, the social housing supply is simply insufficient to meet demand. Immigrants admitted as refugees and temporary residents with low incomes, like all low-income residents of Toronto, would benefit from appropriate and well-maintained social housing that can only be provided with government support. Eligibility for social housing may also need to expand so that temporary migrants have speedy access to social housing. Other initiatives, such as the proposed national housing benefit, also have the potential to improve housing affordability if they are sufficiently generous (Suttor 2017).

This analysis examines only one dimension of the housing dilemma in Canadian cities: housing affordability. The suitability of the housing stock for diverse migrant households and migrants' access to adequate housing in good repair also merit attention. Integration and social mobility are goals shared by all migrants. Housing that is



affordable, suitable, and located in places that facilitate work, education, and access to services is an under-appreciated factor in achieving these objectives.

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